ANNUAL REPORT 2014

William Demant

Dear reader,

For William Demant, 2014 was off to a somewhat challenging start, especially in the US with unusually rough winter weather followed by market turmoil caused by a big box retailer whose customers got access to a premium hearing aid brand at very attractive prices. However, driven by a solid performance by the Group's Hearing Devices business activity in the latter part of the year and based on significant growth delivered by Diagnostic Instruments, Hearing Implants and Sennheiser Communications, we succeeded in 2014 in generating 11% underlying growth in earnings per share (EPS), if we take a one-off adjustment and exchange rate headwind into account. Furthermore, we were capable of delivering no less than 28% growth in free cash flow, which for the first time in the history of the Company passed the DKK 1 billion mark.

… BROADEST AND DEEPEST PRODUCT OFFERING COVERING ALL ASPECTS OF HEARING HEALTHCARE …

I find this performance satisfactory in the light of a continued pressure on hearing industry wholesale prices driven by mix changes and fiercer competition and affecting the entire industry. And even more so when we take our efforts to continuously improve the Group's efficiency through the entire value chain into account. These significant efforts involve building and implementing a new global ERP system across all Group entities, establishing shared services for our back-office functions, centralising our ITE production and repair services and creating a new global distribution centre in Poland. Furthermore, our cost base has been strained by our expansion into implantables, as significant Group resources are channelled into new R&D and distribution activities in order for us to be established as a viable and much bigger supplier of implantables, which is an attractive growth segment in the hearing healthcare market. All these major undertakings are meant to deliver value for the Group in the medium to long term, but will in the short term naturally weigh down the Group's profitability.

In 2014, after a soft start to the year in our US core business, we launched a series of commercial initiatives that led to improved unit sales momentum towards the end of the year. We were pleased to see how our hearing instrument wholesale business gained momentum in the US as the year progressed, with most of this growth generated in the independent channel. We thus regained the US market shares we lost at the beginning of the year, which more than compensated for the declining average selling price witnessed not only by us, but also by the US hearing aid market in general. But just as importantly, the positive unit development seems to have continued into 2015. All in all, I'm confident that spearheaded by Oticon, the Group's hearing instrument businesses have benefitted from the turbulence in the US market, as our market position with the independent dispensers – by far the largest distribution segment in the US – was strengthened even further.

I'm also convinced that we are on the right track to deliver on our ambition to become one of the world's strongest hearing healthcare companies. We have the broadest and deepest product offering, covering all aspects of hearing healthcare based on true innovation and delivered to customers and end-users through a multi-brand approach. Our entry into the cochlear implant market through the acquisition of Neurelec in 2013 was a major milestone in achieving this ambition. However, we still have a number of years ahead of us that will require further investments and costs in order for us to be able to build a strong position in the attractive and growing cochlear implant market.

Over time, we expect to harvest significant synergies from this unique position, especially in research and development, but also in manufacturing and global distribution and from cross-selling between the three business activities: Hearing Devices, Diagnostic Instruments and Hearing Implants. Overall, we feel that we are very strongly positioned to meet our long-term strategic ambition.

The journey towards becoming a strong global hearing implant company will pick up speed in 2015, as we plan to launch the first complete Oticon Medical cochlear implant system under the Neuro name based on the Group's proprietary technological platforms – something we have already done in bone-anchored hearing systems. The Neuro launch is a major undertaking by the Group's implant business and will require significant resources – both human and monetary.

Our Group's considerable launch activities in 2015 were kicked off with Oticon's February introduction of the new Inium Sense platform and with the launch of new products across all styles, at all price points and in all markets. This comprehensive introduction marks the biggest and broadest product launch ever undertaken by Oticon and is described further later in this report. By offering the most cosmetically attractive wireless hearing instruments with the lowest power consumption and the strongest audiological performance on the market, we are definitely entering 2015 with strengthened competitiveness.

So, moving into 2015 – backed by solid momentum created in the latter part of 2014 combined with comprehensive launch activities – I'm confident that the Group is strongly positioned to grow and take further market shares in 2015.

The number of Group employees has now exceeded 10,000 of which more than 85% are based outside Denmark. I would like to express my heartfelt gratitude to all our highly skilled employees for their commitment, dedication and effort – our employees are our most important asset.

Niels Jacobsen
President & CEO

THE YEAR AT A GLANCE

In 2014, consolidated revenue amounted to DKK 9.3 billion, corresponding to 6% growth in local currencies. Organic growth and acquisitions contributed by almost 4 and 3 percentage points, respectively, whereas exchange rates had a negative impact of 2 percentage points. All of our three business activities – Hearing Devices, Diagnostic Instruments and Hearing Implants – realised organic revenue growth in 2014.

Earnings per share (EPS) were DKK 23.8, which is a rise of 5% on last year and within the most recently announced guidance range of 2-7%. When adjusted for negative exchange rates and a one-off loss on a US customer loan, underlying growth in EPS was 11%.

Operating profit (EBIT) amounted to DKK 1,761 million, or an increase of 1% compared with reported EBIT in 2013. If adjusted for a negative exchange rate effect of DKK 50 million and the one-off loss on a customer loan of DKK 40 million, EBIT was DKK 1,851 million in 2014, or an increase of 7% compared with reported EBIT in 2013. In 2014, our profit margin was 18.8%, corresponding to a fall of 0.6 percentage point compared with the reported profit margin in 2013. If adjusted for the negative exchange rate effect and the one-off loss, the profit margin was 19.6%, or an increase of 0.2 percentage point compared with the profit margin realised in 2013. Furthermore, the acquisition of distribution activities and Neurelec in 2013 had a dilutive effect on our full-year profit margin, and bearing this in mind, we find the development in our profit margin satisfactory.

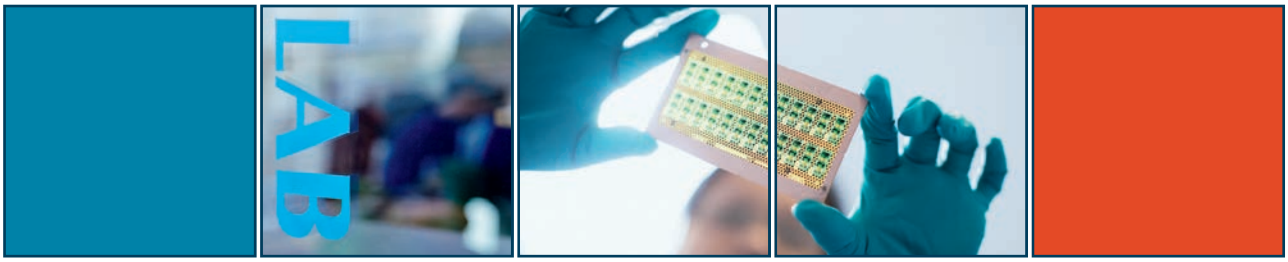
In 2014, the global demand for hearing aids by end-users again proved to be stable. We estimate that global in 2014 unit growth was 5-6%, exceeding our normal expectations of 3-4% unit growth. 2014 was characterised by abnormal trends in the world's two largest hearing aid wholesale markets, the US and Germany, and since these two markets combined represent approximately half the global market in terms of value, the year was in many ways unusual. In our judgement, the average selling price (ASP) on the hearing aid market declined by 4-5% in 2014, primarily due to changed market dynamics in the US, a new reimbursement system in Germany and generally intensified competition. In terms of value, the overall market growth rate was, in our estimation, slightly positive.

Our core business – the development, manufacture and wholesale of hearing aids – realised an organic growth rate of 2% in 2014. This growth was driven by a satisfactory unit growth rate of 8% that more than offsets the decline in the Group's hearing aid wholesale ASP of more than 5%. This decline in our ASP was mainly due to product and country mix shifts as well as the already mentioned changed market dynamics in a few key markets, especially the US.

The addition of one manufacturer's premium hearing aid brand to a big box retailer in the US dampened our own sales to this particular retailer up until late 2014 where it stabilised. In the first half of the year, these market changes led us to launch commercial initiatives in our core business in the US, resulting in improved sales momentum in the second half-year. Because of the solid growth achieved in the US, we have regained the market shares we lost at the beginning of the year. This positive unit sales momentum has continued into 2015, and we expect it to more than compensate for the declining ASP witnessed not only by us, but also by the US hearing aid market in general. After a soft start to the year, our sales to Veterans Affairs (VA) in the US picked up towards the end of the year. A generally upgraded product offering has driven our improved importance in the important VA channel, causing our market share with VA to rise by a couple of percentage points in 2014.

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

With Oticon Alta2, Nera2 and Ria2, we introduce a brand new generation of our most popular Performance families, including a new smaller and more discreet miniRITE style in all three families. Combined with the multiple, cosmetically attractive, wireless hearing instruments already launched in the second half of 2014, these substantial product introductions support the



good momentum gained by the Group in the latter part of 2014, and we are confident that the updated product portfolios will further strengthen our competitiveness in 2015.

Also Bernafon and Sonic have seen solid development driven by continuous launches by both brands.

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

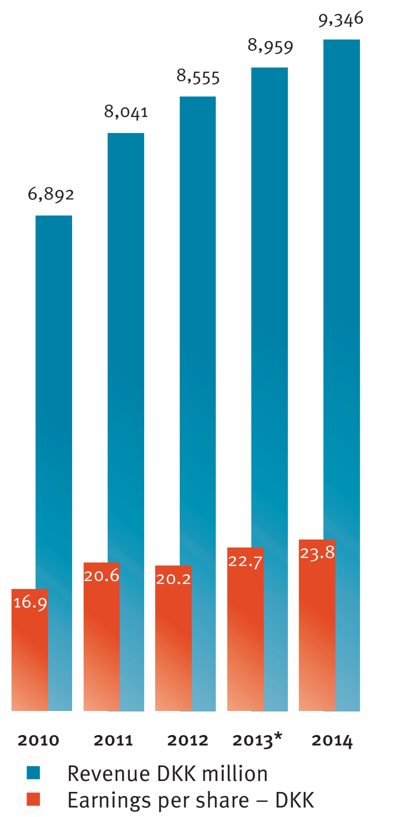
In 2015, we will reach a major milestone with the launch of the first Oticon Medical cochlear implant (CI) system under the Neuro brand name. The Neuro system is the result of a very ambitious implant and sound processor project. New and very important implant features and also the integration of signal processing and audiology features from Oticon hearing aids are key improvements, which will enable Oticon Medical to not only penetrate the very important markets in Northern Europe, but also to strengthen our competitive edge in France, Southern Europe, Canada and South America. Furthermore, the Neuro system will enable Oticon Medical to start applying for an FDA clearance to launch CI activities in the US.

Based on the very positive reception of the Ponto Plus sound processor by the market and our good clinical data on the soft tissue preservation technique, total sales in bone-anchored hearing systems (BAHS) developed favourably in 2014. In 2015, we will launch a new surgery concept that will make the procedure faster, even more cosmetically attractive and fully reversible. Towards the end of the year, we will launch a new implant for the Ponto system, which will enable faster loading and higher stability. In 2015, we will also launch the first Ponto app that will enable users to adjust their sound processor using an iPhone or an Android phone together with the ConnectLine Streamer.

In the period under review, organic revenue growth in our retail activities was in line with market growth in the markets where we operate. Especially Europe, but also Australia, contributed to this organic growth. Acquired growth exceeded organic growth. This trend can mainly be attributed to the full-year effect of acquisitions made in 2013. In 2014, we only made a small number of acquisitions as we mainly focused on improving the performance of our existing entities and consolidating the entities acquired, thereby improving profitability in the years to come.

Our Diagnostic Instruments business activity grew by a satisfactory 11% in local currencies in 2014 of which 10 percentage points are attributable to organic growth. This organic growth was especially driven by satisfactory sales of balance equipment and equipment for newborn hearing screening. The global market for diagnostic equipment is estimated to have grown by 5% in 2014, and Diagnostic Instruments has thus significantly increased its market share. In 2015, we will focus on integrating and developing the companies acquired in recent years and on continuing to generate organic growth in our entire Diagnostic Instruments business. We expect the multiple product introductions in 2014 and also the introductions planned for 2015 to support this growth trend.

In 2014, Sennheiser Communications, which is our joint venture with Sennheiser KG, realised a satisfactory 16% organic growth rate, thereby exceeding the market growth rate. As mentioned in our Annual Report 2013, sales in 2013 were positively impacted by the one-off sale of Sennheiser Communications' inventory to Sennheiser KG, which means that in 2014, underlying sales growth was even higher than realised sales growth.



Restated; please refer to page 6 for a further description.

KEY FIGURES AND FINANCIAL RATIOS – DKK

	2014	2013	2012	2011	2010
INCOME STATEMENT, DKK MILLION					
Revenue	9,346	8,959	8,555	8,041	6,892
Gross profit	6,813	6,518	6,127	5,777	4,959
Research and development costs	680	634	652	633	615
EBITDA	2,055	2,028	1,920	1,942	1,654
Amortisation and depreciation etc.	294	292	267	233	224
Operating profit (EBIT)	1,761	1,736	1,653	1,709	1,430
Net financial items	-70	-72	-132	-103	-116
Profit before tax	1,691	1,664	1,521	1,606	1,314
Profit for the year	1,327	1,286	1,151	1,199	988
BALANCE SHEET, DKK MILLION					
Net interest-bearing debt	2,405	2,284	1,804	1,548	1,869
Assets	11,219	10,318	8,777	7,646	6,786
Equity	5,584	5,056	4,059	3,304	2,443
OTHER KEY FIGURES, DKK MILLION					
Investment in property, plant and equipment, net	414	391	310	382	251
Cash flow from operating activities (CFFO)	1,495	1,282	1,272	1,381	826
Free cash flow	1,044	819	782	895	494
Average number of employees	9,799	9,063	8,025	7,392	6,318
FINANCIAL RATIOS					
Gross profit margin	72.9%	72.8%	71.6%	71.8%	71.9%
EBITDA margin	22.0%	22.6%	22.4%	24.2%	24.0%
Profit margin (EBIT margin)	18.8%	19.4%	19.3%	21.3%	20.7%
Return on equity	24.7%	28.0%	31.8%	41.7%	49.5%
Equity ratio	49.8%	49.0%	46.2%	43.2%	36.0%
Earnings per share (EPS), DKK*	23.8	22.7	20.2	20.6	16.9
Cash flow per share (CFPS), DKK*	26.9	22.6	22.3	23.7	14.1
Free cash flow per share, DKK*	18.8	14.5	13.7	15.4	8.5
Dividend per share, DKK*	0	0	0	0	0
Equity value per share, DKK*	100.4	89.3	71.2	56.7	41.9
Price earnings (P/E)	20	23	24	23	24
Share price, DKK*	468	527	484	478	414
Market cap. adjusted for treasury shares, DKK million	25,545	29,754	27,419	27,397	24,173
Average number of shares outstanding, million	55.63	56.62	57.02	58.24	58.35

Financial ratios are calculated in accordance with "Recommendations and Financial Ratios 2010" from the Danish Society of Financial Analysts. The free cash flow is calculated as the sum of cash flow from operating activities (CFFO) and investing activities (CFFI) before acquisition of enterprises, participating interests and activities. On computation of the return on equity, average equity is calculated duly considering the buy-back of shares.

Key figures and financial ratios for 2013 are restated due to new accounting policies, and due to errors in prior periods corrected in the financial figures for 2013. Key figures and financial ratios for 2010-2012 have not been restated. Please refer to note 9.2 for a further description.

**Per share of DKK 1.*

KEY FIGURES AND FINANCIAL RATIOS – EUR**

	2014	2013	2012	2011	2010
INCOME STATEMENT, EUR MILLION					
Revenue	1,254	1,202	1,148	1,079	925
Gross profit	914	874	822	775	665
Research and development costs	91	85	87	85	83
EBITDA	276	272	258	261	222
Amortisation and depreciation etc.	39	39	36	31	30
Operating profit (EBIT)	236	233	222	229	192
Net financial items	-9	-10	-18	-14	-15
Profit before tax	227	223	204	215	176
Profit for the year	178	173	154	161	133
BALANCE SHEET, EUR MILLION					
Net interest-bearing debt	323	307	242	208	251
Assets	1,507	1,386	1,179	1,027	912
Equity	750	679	545	444	328
OTHER KEY FIGURES, EUR MILLION					
Investment in property, plant and equipment, net	56	52	42	51	34
Cash flow from operating activities (CFFO)	201	172	171	185	111
Free cash flow	140	110	105	120	66
Average number of employees	9,799	9,063	8,025	7,392	6,318
FINANCIAL RATIOS					
Gross profit margin	72.9%	72.8%	71.6%	71.8%	71.9%
EBITDA margin	22.0%	22.6%	22.4%	24.2%	24.0%
Profit margin (EBIT margin)	18.8%	19.4%	19.3%	21.3%	20.7%
Return on equity	24.7%	28.0%	31.8%	41.7%	49.5%
Equity ratio	49.8%	49.0%	46.2%	43.2%	36.0%
Earnings per share (EPS), EUR*	3.2	3.0	2.7	2.8	2.3
Cash flow per share (CFPS), EUR*	3.6	3.0	3.0	3.2	1.9
Free cash flow per share, EUR*	2.5	1.9	1.8	2.1	1.1
Dividend per share, EUR*	0	0	0	0	0
Equity value per share, EUR*	13.5	12.0	9.6	7.6	5.6
Price earnings (P/E)	20	23	24	23	24
Share price, EUR*	63	71	65	64	56
Market cap. adjusted for treasury shares, EUR million	3,432	3,997	3,684	3,681	3,247
Average number of shares outstanding, million	55.63	56.62	57.02	58.24	58.35

Financial ratios are calculated in accordance with "Recommendations and Financial Ratios 2010" from the Danish Society of Financial Analysts. The free cash flow is calculated as the sum of cash flow from operating activities (CFFO) and investing activities (CFFI) before acquisition of enterprises, participating interests and activities. On computation of the return on equity, average equity is calculated duly considering the buy-back of shares.

Key figures and financial ratios for 2013 are restated due to new accounting policies, and due to errors in prior periods corrected in the financial figures for 2013. Key figures and financial ratios for 2010-2012 have not been restated. Please refer to note 9.2 *for a further description.*

**Per share of DKK 1.*
***On the translation of key figures and financial ratios from Danish kroner to euro, Danmarks Nationalbank's rate of exchange at 30 December 2014 of 744.36 has been used for balance sheet items, and the average rate of exchange of 745.47 has been used for income statement and cash flow items.*

Market conditions

The hearing aid market in general

In 2014, the total global demand for hearing aids by end-users again proved to be stable, and key market growth drivers, such as the increasing elderly population, have remained intact. We estimate that global unit growth in 2014 was approximately 5-6%, exceeding our normal expectations of 3-4% unit growth. Our growth estimates are mainly based on available statistics from a number of key markets, covering some two thirds of the 11-12 million units sold per year, and these statistics serve as a reasonable indicator of the global unit growth rate. 2014 was characterised by abnormal trends in the world's two largest hearing aid wholesale markets, the US and Germany, and since these two markets combined represent approximately half the global market in terms of value, the year was in many ways unusual.

Changed market dynamics in the US

With a unit growth rate of almost 5% in 2014, the US hearing aid market, which is the world's largest single market for hearing aids, slightly exceeded our expectations of 3-4% growth. The US Government's demand through Veterans Affairs (VA) continued to exceed growth in the commercial market. Demand by VA rose by as much as 10%, while the unit growth rate in the private sector of the US market was well over 3%, which is basically in line with the historical average for this part of the market. The stability that normally characterises the US market was, however, disrupted by one manufacturer's decision to offer their premium brand to a big box retailer. The decision has partly changed the US market dynamics, leading to lower average selling prices, but it has also presented new opportunities to shift market shares among the major players.

European growth positively impacted by reimbursement changes in Germany

It is estimated that in 2014 the overall European unit growth rate was in the high single digits, which is above the historical growth rate. However, a considerable part of this growth in units can be attributed to reimbursement changes in Germany, leading to a growth rate in 2014 in the mid-teens. However, there was no growth in the German market in the fourth quarter due to higher comparative figures, and we could be facing negative market growth rates in 2015 as a consequence of high comparative figures most of the year. Several other European markets recorded above-normal unit growth rates in 2014, for instance Norway and Switzerland. In the UK, the commercial market saw encouraging unit growth rates, whereas unit growth with the National Health Service (NHS) was low – mainly due to strong comparative figures in 2013.

No market growth in Japan

The Japanese market saw no growth in 2014 despite fairly low comparative figures in 2013, so once again the global market growth rate exceeded the growth rate on the Japanese market. Japan still has a lower penetration rate and binaural fitting rate than most developed markets for hearing aids and therefore appears to hold unexploited potential.

Average selling prices

The global average selling price is to a greater extent than the global unit growth rate based on an estimate, since data on market prices and product mixes are limited. In our opinion, the average selling price on the hearing aid market declined by 4-5% in 2014, primarily due to changed market dynamics in the US, the new reimbursement system in Germany and generally intensified competition. In terms of value, the overall market growth rate was, in our estimation, slightly positive.

Focus on end-user needs

By continuously developing and delivering more and more discreet and user-friendly solutions, hearing aid manufacturers significantly help to counter the stigmatisation that many hearing-impaired people see as the greatest impediment to investing in a hearing aid and thus alleviating their hearing loss. The cosmetic aspect is, however, only one prerequisite for meeting the goal of satisfying users. Above all, solutions must enable users to live an active life and interact effortlessly with others in social contexts regardless of age and skills. One of our industry's major challenges is thus to ensure proper fitting of the right hearing solutions. Audiologists and hearing care professionals therefore play an increasingly important role in relation to end-users, both before and after the fitting, and thus help to ensure that the user gets maximum joy and benefit from the hearing aid and its wireless accessories.

Group business activities

Hearing Devices

High single-digit unit growth rate exceeding market unit growth rate

In 2014, Hearing Devices, including our retail activities and two minor business entities, Phonic Ear and FrontRow, realised an overall growth rate of 5% in local currencies. Our core business – the development, manufacture and wholesale of hearing aids – realised an organic growth rate of 2% for the full year. This growth was driven by a satisfactory unit growth rate of 8% that more than offsets the decline in the Group's hearing aid wholesale average selling price (ASP) of more than 5%. This decline in our ASP was mainly due to product and country mix

William Demant Holding A/S

Hearing Devices	Hearing Implants	Diagnostic Instruments	Personal Communication
Oticon Bernafon Sonic Phonic Ear FrontRow	Oticon Medical	Maico Interacoustics Amplivox Grason-Stadler MedRx Micromedical	Sennheiser Communications

Shared functions – DGS

Operational and distribution activities

The William Demant Group develops, manufactures and sells products and equipment designed to aid the hearing and communication of individuals. The Group focuses on four areas: Hearing Devices, Diagnostic Instruments, Hearing Implants and Personal Communication. Group companies collaborate in many areas and to a wide extent also share resources and technologies. Sennheiser Communications is a joint venture and is no longer proportionately consolidated into the Group's financial statements.

shifts as well as the mentioned changed market dynamics in a few key markets, especially the US.

The aforementioned change in US market dynamics led us to launch commercial initiatives in our core business in the first half of the year, resulting in improved sales momentum in the second half-year. Because of the solid growth achieved in the US, we have regained the market shares we lost at the beginning of the year. This positive unit sales momentum has continued into 2015, and we expect it to more than compensate for the declining ASP witnessed not only by us, but also by the US hearing aid market in general. We will closely monitor the US market situation and continue to focus on optimising the commercial activities in our core business. After unusually high unit growth in Germany in 2014, we are likely to face negative unit growth in Germany in 2015 as a consequence of strong comparative figures.

Growth was mainly driven by competitive products in the low-end and mid-priced segments in 2014 and in the second half of the year also by several new product introductions based on the Inium platform including the three very cosmetically attractive wireless styles: designRITE, Invisible-In-the-Canal (IIC) and Completely-In-the-Canal (CIC). All new styles were added to the Oticon Alta, Nera and Ria families. At the annual International Congress of Hearing Aid Acousticians (EUHA), which took place in October 2014 in Hanover in Germany, Bernafon showcased their high-end product Juna. The product has significantly strengthened Bernafon's product portfolio and has helped Bernafon regain some of their sales momentum.

Oticon's biggest and broadest product launch ever

Oticon's strong position in hearing care will be further strengthened by the launch of the new Inium Sense platform. The new platform is currently being launched in all styles, at all price points and in all markets and marks the biggest and broadest product launch ever undertaken by Oticon. By constantly learning more about the brain, we have been able to take BrainHearing™ to a new level by adding new technologies and features, which deliver signal processing that is not only audible, but also supports the way our brain processes sound. Inium Sense delivers 30% more processing power than the previous platform, thereby facilitating an extensive range of new features and new end-user benefits:

- **Soft Speech Booster™:** A new feature that increases the understanding of soft speech by up to 20%.
- **Tinnitus treatment including Tinnitus SoundSupport™:** State-of-the-art tinnitus feature that sets new standards, as it is the first solution to offer built-in ocean sounds in addition to a large number of sound options and adjustment controls.
- **Water resistance:** Nano-coated and IP58 certified water resistant instruments.
- **Inium Sense Feedback Shield:** Next-generation feedback management, offering four times more efficient feedback suppression.

With Oticon Alta2, Nera2 and Ria2, we introduce a brand new generation of our most popular Performance families, including a new smaller and more discreet miniRITE style in all three families and at all price points. Combined with the multiple, cosmetically attractive, wireless hearing instruments already launched in the second half of 2014, these substantial product introductions support the good momentum gained by the Group in the latter part of 2014, and we are confident that the updated product portfolios will further strengthen our competitiveness in 2015.

NHS and VA
In 2014, we increased our sales to and market share with the NHS in the UK. The Group therefore remains the largest supplier of hearing aids to the NHS, which was underpinned by the extension of our supply contract with the NHS in 2014 for a minimum of two years. After a soft start to the year, our sales to Veterans Affairs (VA) in the US picked up towards the end of the year. A generally upgraded product offering has driven our improved performance in this important channel, which means that our market share with VA rose by a couple of percentage points in 2014. Going forward, it is a key focus area for the Group to increase our market share with VA. To that end, VA and Oticon have entered into a new Hearing Aid National Contract, meaning that Oticon will continue as official supplier to VA. In addition to supplying hearing aids to VA, Oticon will supply hearing solutions to the US Department of Defense and other federal agencies in all 50 states and Puerto Rico. The new contract took effect on 1 November 2014 and will run for one year with the usual option of extending it by four additional one-year periods.

Retail activities
In the period under review, organic revenue growth in our retail activities was in line with market growth in the markets where we operate. Especially Europe, but also Australia, contributed to this organic growth. Acquired growth exceeded organic growth, which can mainly be attributed to the full-year effect of acquisitions made in 2013. In 2014, we only made a small number of acquisitions, as our main focus was to improve the performance of our existing entities and consolidate the entities acquired, thereby improving profitability in the years to come.

In connection with the consolidation and standardisation of the financial procedures of 70-80 acquired retail entities in the US, we have identified inaccuracies in the balance sheets of some of these entities, resulting in adjustments of certain balance sheet items in the acquired businesses. These adjustments affect the income statement, and a further analysis has concluded that DKK -12 million relates to 2014. The remaining DKK -31 million relates to prior-period errors and has in compliance with IAS 8 been restated in the comparative figures for 2013, as it is not practically possible to determine the specific prior period in which the errors occurred. It is Management's assessment that the absolute majority of the prior-period errors relates to 2013. The errors have been recognised as distribution costs. Please refer to note 9.2 for a further description. These costs will not be recognised as one-off costs, as opposed to what we have previously communicated. The fact that such inaccuracies have arisen has induced us to further tighten the financial procedures in acquired entities and also underpins the importance of our ongoing consolidation into one common finance and IT system. We are confident that we have now identified all major balance sheet inaccuracies in the acquired retail entities and that the risk of seeing additional inaccuracies in this part of our business is limited.

As mentioned in our Interim Information on the third quarter of 2014, we have incurred a loss on a customer loan in the US. The loss relates to a long-term loan extended to an optician chain to support the chain's expansion into hearing instrument retailing. However, the optician chain went bankrupt and subsequently it has not been possible to take over the business, as we would otherwise have done with a troubled hearing aid retailer. This one-off amount totals DKK 40 million (against our previous expectation of around DKK 50 million) and has been recognised as a distribution cost in these 2014 financial statements.

As previously announced and as part of the continuous optimisation of our global infrastructure, we are in the process of moving our global distribution centre from Denmark to Poland. The launch of our new sophisticated automatic warehouse has, however, been delayed, and therefore we have been running a dual set-up for a longer period than anticipated, resulting in additional costs. We expect our new distribution centre to be fully operational in 2015.

Hearing Implants
A full-line hearing implant manufacturer
In our Hearing Implants business activity, we are steadily working towards fulfilling our long-term ambition of becoming one of the world's leading manufacturers of hearing implants. Reaching this ambition will of course take some years, but with important milestones already reached in 2013 and 2014 and with the activities planned for 2015, we have taken important steps towards realising this goal. Consequently, the significance of our Hearing Implants business activity is likely to

increase, and revenue is now shown in a separate business activity as opposed to previously when it was included in the Hearing Devices business activity. The new business activity delivered a growth rate of 36% in local currencies in 2014 of which 25 percentage points could be attributed to organic growth. The acquired growth relates to the acquisition of the French cochlear implant business Neurelec in April 2013, which is now branded under the Oticon Medical name.

Cochlear implants (CI)
In 2014, cochlear implant sales grew significantly and indeed faster than sales in the underlying market, with a few markets showing particularly strong growth. However, we have also succeeded in building a solid position in new markets in the Middle East, Asia and South America. Furthermore, we have seen encouraging upgrade sales in key markets where we have significant installed bases. Such sales are mainly driven by the excellent performance of the latest BTE sound processor Saphyr NEO, which was launched in autumn 2013. A few important export markets have been hit by political unrest and budget cuts, which have unfortunately curbed sales in these otherwise historically strong markets. As far as operations are concerned, we have upgraded our facility in Nice, France, and have thereby significantly increased our production capacity and thus our ability to handle multiple production lines. In 2014, an important focus area for our Hearing Implants business activity was to strengthen the distribution of implants by replacing distributors and by further aligning distribution activities with other Group subsidiaries. These initiatives, together with the launch of new products, have put us in a favourable position to grow our sales in the coming years.

In 2015, we will reach a major milestone with the launch of the first Oticon Medical CI system under the Neuro brand name. The Neuro system is the result of a very ambitious implant and sound processor project. New and very important implant features and also the integration of signal processing and audiological features from Oticon hearing aids are key improvements, which will enable Oticon Medical to not only penetrate the very important markets in Northern Europe, but also to strengthen our competitiveness in France, Southern Europe, Canada and South America. Furthermore, the Neuro system will enable Oticon Medical to start applying for an FDA clearance to launch commercial activities in the US. The Neuro launch is the biggest activity in Oticon Medical ever, and the launch process will require significant resources and take up to 18-24 months. The launch will also give us access to other new, large and very attractive markets. Local resources in these markets are either already in place because of the current BAHS/CI activities or are being put in place in preparation of the launch.

Bone-anchored hearing systems (BAHS)
Based on the very positive reception of the Ponto Plus sound processor by the market and our good clinical data on the soft tissue preservation technique, total sales in BAHS developed favourably in 2014. Built on the Inium platform, the Ponto Plus processor features the innovative Inium feedback shield and the latest Bluetooth 2.4 GHz wireless technology. It is furthermore the most powerful ear-level, bone-anchored sound processor family in the market, which means that we are getting access to new clinics and that we are seeing increasing sales of sound processors for upgrades. Sales in the US were off to a slow start in 2014, one of the reasons probably being the ongoing discussion as to whether Medicare should continue to reimburse BAHS treatments. The Center for Medicare and Medicaid Services (CMS) eventually decided to acknowledge the osseointegrated BAHS as a prosthesis, since it replaces the function of a part of the user's body that does not work, and therefore decided to continue to reimburse the BAHS treatment. In the second half of 2014, sales in the US picked up significantly and combined with very satisfactory sales in markets such as the UK, the Netherlands and Denmark, we succeeded in gaining market shares in 2014 on a general level. In the UK, we have increased our sales of BAHS to the NHS significantly.

In 2015, we will launch a new surgery concept that will make the procedure faster, even more cosmetically attractive and fully reversible. Clinical tests of this concept are already now being performed on humans in several high-profile implant centres around Europe. Towards the end of the year, we will launch a new implant for the Ponto system, which will enable faster loading and higher stability. In 2015, we will also launch the first Ponto app to enable users to adjust their sound processor using an iPhone or an Android phone together with the ConnectLine Streamer.

Diagnostic Instruments
A global market leader in diagnostic equipment, our Diagnostic Instruments business activity today consists of six audiometer companies, which enjoy strong market positions in most product categories and cover every major customer segment in all the key geographic regions.

The business activity grew by a satisfactory 11% in local currencies in 2014 of which 10 percentage points are attributable to organic growth. This organic growth was especially driven by satisfactory sales of balance equipment and equipment for newborn hearing screening. The global market for diagnostic equipment is estimated to have grown by 5% in 2014, and Diagnostic Instruments has thus significantly increased their market share. As previously announced, the increased customer demand, the upgrade of our ERP system and the transfer of production to a new manufacturing facility have, however, resulted in delivery bottlenecks in Diagnostic Instruments. Most of these issues hit us in the first half of the year, and the majority of the issues were resolved in the second half of 2014. We expect the delivery situation to be normal again in the first half of 2015.

Recent years' industry consolidation has limited the opportunities for future acquisitions. Consequently, in 2015 we will focus on integrating and developing the businesses already acquired and on continuing to generate organic growth in our entire Diagnostic Instruments business. We expect the multiple product introductions in 2014 and also the introductions planned for 2015 to support this growth trend.

Other business areas
Sennheiser Communications, our joint venture with Sennheiser KG, manufactures both professional and consumer headsets for the gaming, mobile phone and CC&O (Call Center and Office) segments. As a result of the Group's implementation of new IFRS accounting standards on 1 January 2014, Sennheiser Communications is no longer proportionately consolidated into William Demant's financial statements, but is instead recognised under *Share of profit after tax, associates and joint ventures*. Therefore, Sennheiser Communications will continue to contribute to Group earnings, and we will continue to provide relevant information on this business. A full income statement for Sennheiser Communications is shown below.

Income statement – Sennheiser Communications (100%)

DKK million	2014	2013
Revenue	576	498
Gross profit	**279**	**253**
Gross margin	48.4%	50.8%
Capacity costs	-125	-121
Operating profit (EBIT)	154	132
EBIT margin	26.7%	26.5%
Tax on profit for the year	-37	-33
Profit for the year	117	99
William Demant Holding share of profit, 50%	59	50

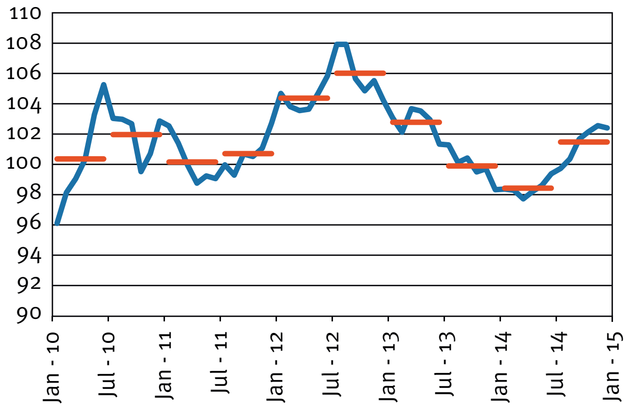
In 2014, Sennheiser Communications realised a satisfactory 16% organic growth rate, thereby exceeding the market growth rate. As mentioned in our Annual Report 2013, sales in 2013 were positively impacted by the one-off sale of Sennheiser Communications' inventory to Sennheiser KG, which means that in 2014, underlying sales growth was even higher than realised sales growth. Growth was especially pronounced in the CC&O segment driven by Unified Communication (UC). Going forward, we expect to continue to see high market growth in the UC segment, and since we have significantly strengthened our product portfolio and global distribution in this segment, UC is also expected to be a key growth driver for Sennheiser Communications.

Financial review 2014

Revenue and foreign exchange
In 2014, our consolidated revenue amounted to DKK 9,346 million, corresponding to 6% growth in local currencies. Organic growth and acquisitions contributed by almost 4 and 3 percentage points, respectively, whereas exchange rates had a negative impact of 2 percentage points. Organic growth in the second half of 2014 exceeded organic growth in the first half-year. All of our three business activities – Hearing Devices, Diagnostic Instruments and Hearing Implants – realised organic revenue growth in 2014.

With 98% of consolidated sales being invoiced in foreign currencies, reported revenue is significantly affected by movements in the Group's trading currencies. Based on the distribution of consolidated revenue in 2014 among the respective trading currencies, the graph below shows month-by-month trends in the Group's currency basket.

The Group's currency basket – indexed development

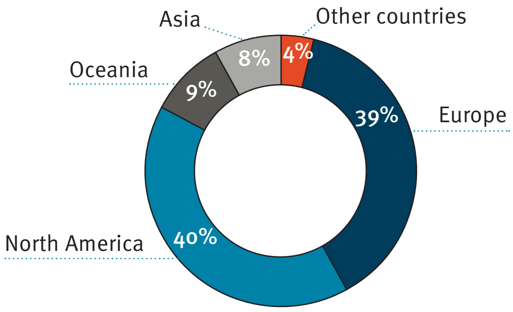


Index 100 = average for 2014.

The negative exchange rate impact on consolidated revenue is in particular attributable to a weakening of some of our major invoicing currencies at the beginning of 2014, especially the US dollar and Japanese yen. The US dollar rebounded strongly in the second half of 2014, which is the main reason for the general improvement in the Group's exchange rates in the second half compared to the first half.

The year's total negative exchange rate impact on revenue of 2% is composed of both a negative currency translation effect and a negative transaction effect, the latter representing about one third of the total effect. The transaction effect is the net effect of realised gains or losses on forward exchange contracts, which are used for hedging exchange rate risks and are recognised in the financial statements together with the revenue in foreign currencies that such forward exchange contracts are designed to hedge.

Revenue by geographic region



North America
In 2014, the Group generated growth in North America of 3% in local currencies of which the main part was driven by acquisitions – primarily acquisitions made in 2013. After a weak start to the year in the US due to lower sales to a big box retailer and unusual weather conditions, organic growth improved materially in the second half of 2014. Hearing Devices realised a similar rate of growth. Our market share with Veterans Affairs (VA) rose by a couple of percentage points in 2014. This improved performance is mainly the result of a strengthened product offering in the second half of 2014. Our two other business activities, Diagnostic Instruments and Hearing Implants, both realised single-digit growth rates in local currencies in North America. North America accounted for 40% of total consolidated revenue.

Europe
Consolidated revenue in Europe grew by 10% in local currencies in 2014, with organic growth accounting for two thirds of this growth. The previously mentioned changes to the reimbursement system in Germany positively affected our unit growth in the wholesale of hearing aids. Our revenue growth was however limited due to a less favourable product mix, which was in part due to the new reimbursement system. Diagnostic Instruments and Hearing Implants delivered very satisfactory growth in Europe, as both business activities realised double-digit growth rates. Europe accounted for 39% of total consolidated revenue.

Other regions
The three other regions – Oceania, Asia and Other countries – all realised satisfactory mid-single-digit growth rates in local currencies.

Revenue by business activity

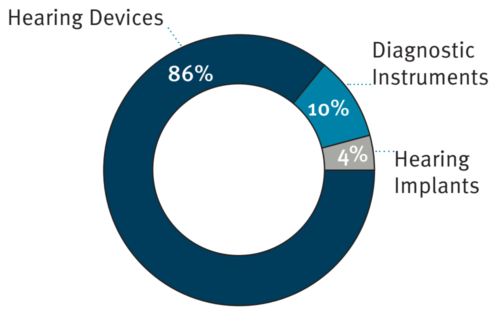
DKK million	2014	2013	Percentage change DKK	Local currency
Hearing Devices	8,033	7,828	3%	5%
Diagnostic Instruments	975	883	10%	11%
Hearing Implants	338	248	36%	36%
Total	**9,346**	**8,959**	**4%**	**6%**

In 2014, our core business, wholesale of hearing aids, realised an organic growth rate of 2%. The organic growth rate in the second half was higher than in the first half, which is testament to the gradually improved momentum during the year and compensates for a weak start to the year. Growth was mainly driven by competitive products in the low-end and mid-priced segments as well as wireless design instruments launched in the second half.

The Group's retail activities, which are part of our Hearing Devices business activity, realised a double-digit growth rate in 2014, which was to a large extent driven by the full-year effect of acquisitions made in 2013. After a few years of intense acquisition activity, the Group was less acquisitive in 2014.

In the period under review, revenue in Diagnostic Instruments totalled DKK 975 million, or an 11% increase in local currencies of which 10 percentage points were organic growth. Diagnostic Instruments accounted for 10% of consolidated revenue in 2014. Hearing Implants generated revenue of DKK 338 million in 2014, matching an increase of as much as 36% in local currencies of which more than two thirds were organic growth. Hearing Implants accounted for 4% of total consolidated revenue.

Revenue by business activity



Gross profit
In 2014, consolidated gross profit rose by 5% to DKK 6,813 million. The consolidated gross profit margin of 72.9% remains unchanged compared to 2013. Economies of scale and the continuous optimisation of production and procurement, especially in the wholesale of hearing instruments, helped us lower our unit costs in 2014. However, a lower average selling price (ASP) in the wholesale of hearing instruments prevented the gross profit margin from increasing substantially.

Capacity costs
Consolidated capacity costs in local currencies rose by 7% in 2014. Approximately two thirds of this increase are, however, directly attributable to acquisitions. Acquired entities, such as Neurelec and distribution activities, have relatively high capacity costs to sales ratios, resulting in the dilution of our profitability in the short term. On the long term, these acquisitions hold great potential in terms of profitability.

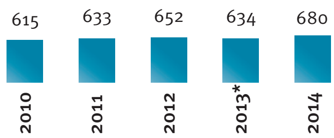
Capacity costs

DKK million	2014	2013	Percentage change DKK	Local currency
R&D costs	680	634	7%	7%
Distribution costs	3,877	3,652	6%	8%
Administrative expenses	560	545	3%	3%
Total	**5,117**	**4,831**	**6%**	**7%**

Research and development costs

In terms of local currencies, research and development costs rose by 7% of which only a small part is attributable to acquisitions. A significant part of the increase relates to Hearing Implants where we have stepped up the activities in order to deliver on the encouraging pipeline. The remaining increase is to be found in our core business where we have seen rather modest increases in the past few years.

R&D costs – DKK million



Restated; please refer to page 6 for a further description.

Distribution costs

Mainly driven by acquisitions, distribution costs rose by almost 8% in local currencies. In 2014, we have further strengthened our global distribution, in particular within our retail and Hearing Implants activities. As already mentioned, our distribution costs were impacted by the one-off loss of DKK 40 million on a customer loan.

Administrative expenses

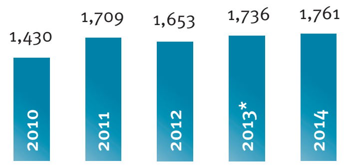
In 2014, administrative expenses in local currencies rose by 3%, with acquisitions accounting for one third of this increase. Part of this increase can be attributed to the strengthening of our IT platforms and back-office functions, which will enable us to become even more efficient when it comes to running our business.

Profit for the year

In the period under review, reported operating profit (EBIT) amounted to DKK 1,761 million, or an increase of 1% compared with reported EBIT in 2013. If adjusted for the negative exchange rate effect of DKK 50 million and the one-off loss on a customer loan of DKK 40 million, underlying EBIT was DKK 1,851 million in 2014, or an increase of 7% compared with reported EBIT in 2013. In 2014, our profit margin was 18.8%, corresponding to a fall of 0.6 percentage point compared with the reported profit margin in 2013. If adjusted for the negative exchange rate effect and the one-off loss on a customer loan, the underlying profit margin was 19.6%, or an increase of 0.2 percentage point compared with the profit margin realised in 2013. Furthermore, the full-year effect of the acquisition of distribution activities and Neurelec in 2013 had a dilutive effect on our profit margin. Bearing this in mind, we find the development in our profit margin satisfactory.

The total positive impact on the income statement of the fair value adjustment of non-controlling interests as well as acquisitions and adjustments of estimated earn-outs amounted to DKK 95 million in 2014 (DKK 96 million in 2013).

Operating profit (EBIT) – DKK million



Restated; please refer to page 6 for a further description.

As it appears from *Risk management activities* on page 20, we intend to hedge changes in exchange rates by matching positive and negative cash flows in the main currencies as much as possible and by entering into forward exchange contracts. With our current use of such contracts, forecast cash flows in the main currencies are hedged with a horizon of up to 24 months.

In addition to hedging by means of forward exchange contracts, we typically raise loans in foreign currencies to balance out net receivables.

At the end of the reporting year, the Group had entered into forward exchange contracts at a contractual value of DKK 1,608 million (DKK 681 million at 31 December 2013) and a fair value of DKK -68 million (DKK 42 million at 31 December 2013). As at 31 December 2014, our material contracts hedged the following currencies:

Forward exchange contracts at 31 December 2014

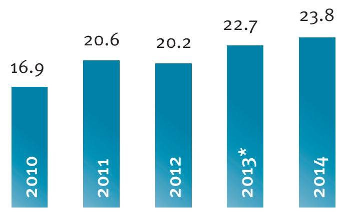
Currency	Hedging period	Average hedging rate
USD	15 months	579
AUD	6 months	515
GBP	8 months	904
CAD	6 months	510
JPY	6 months	5.47

In 2014, consolidated net financial items amounted to DKK -70 million (DKK -72 million in 2013). Net financial items mainly consist of credit card fees and bank fees, whereas the Group's net interest expenses are limited due to interest income on receivables and customer loans.

Consolidated profit before tax amounted to DKK 1,691 million, representing an increase of 2% on 2013. Tax on the year's profit amounted to DKK 364 million, matching an effective tax rate of 21.5% (22.7% in 2013). Consolidated profit after tax amounted to DKK 1,327 million, or an increase of 3%. If adjusted for the negative exchange rate effect and the one-off loss on a customer loan, consolidated profit after tax has increased by 9%.

Earnings per share (EPS) were DKK 23.8, which is a rise of 5% on last year and within the most recently announced guidance range of 2-7%. When adjusted for negative exchange rates and a one-off loss on a US customer loan, underlying growth in EPS was 11%.

Earnings per share – DKK



**Restated; please refer to page 6 for a further description.*

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

Equity and capital structure

Consolidated equity was DKK 5,584 million at 31 December 2014 (DKK 5,056 million at 31 December 2013), matching an equity ratio of 49.8%. The increase in equity is mainly due to retained earnings of DKK 1,327 million, which were partly offset by the Company's buy-back of shares.

The Board of Directors evaluates the Group's capital structure on an ongoing basis, and a revision of the Group's capital structure was announced in our Interim Report 2014. Based on the expectation of continued strong cash flow from operating activities and rather limited acquisition and investment opportunities in the near future, the Board of Directors concluded that a somewhat higher net interest-bearing debt than the current level could be targeted in the years to come. In the period from 2014 to 2016, the Company consequently plans to buy back shares worth DKK 2.5-3.0 billion of which DKK 887 million was spent in 2014. In the period from 2014 to 2016, we thus expect to see a modest and gradual increase in the Group's gearing multiple towards a level of 1.5, measured as net interest-bearing debt relative to EBITDA. Should attractive acquisition or investment opportunities arise during this period, the Company will reconsider the targeted gearing level and the announced buy-back programme with a view to ensuring a high level of financial flexibility and value creation in the Group.

In 2014, the Company bought back 1,899,279 shares at a total amount of DKK 887 million and at the end of the year held a total of 2,100,804 treasury shares worth nominally DKK 988 million. As of 26 February 2015, the Company has bought back an additional 135,599 shares worth DKK 64 million.

Consolidated equity

DKK million	2014	2013
Equity at 1.1.	**5,056**	**4,059**
Foreign currency translation adj., subsidiaries	212	-224
Value adjustments, hedging instruments	-108	26
Profit for the year	1,327	1,286
Other adjustments including buy-back of shares	-903	-91
Equity at 31.12.	**5,584**	**5,056**

Consolidated cash flow

Consolidated cash flow from operating activities totalled DKK 1,495 million in 2014, which is an increase of 17% on the year before. Income tax paid in 2014 aggregated DKK 351 million of which DKK 232 million was paid in Denmark.

The free cash flow grew by as much as 28%, amounting to DKK 1,044 million, or an increase of DKK 225 million compared with 2013. The significantly improved cash flow can mainly be attributed to an increase in our cash flow from operating activities and a slightly lower level of investing activities compared with 2013. In 2014, cash flow from investing activities (exclusive of acquisitions) totalled DKK 451 million (DKK 463 million in 2013). For 2015, we expect a similar level of investment.

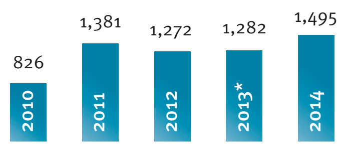
Cash flow by main items

DKK million	2014	2013
Operating profit (EBIT)	**1,761**	**1,736**
Cash flow from operating activities	1,495	1,282
Cash flow from investing activities	-451	-463
Free cash flow	**1,044**	**819**
Acquisition of enterprises, interests and activities	-231	-1,176
Buy-back of shares	-887	-101
Other financing activities	-253	141
Cash flow for the year	**-327**	**-317**

Following several years with a relatively high acquisition level, we only made minor acquisitions in 2014. The cash amount relating to the acquisition of enterprises, participating interests and activities amounted to DKK 231 million for the year (DKK 1,176 million in 2013), including earn-out payments relating to prior-year acquisitions.

Financing activities in 2014, totalling DKK -1,140 million (DKK 40 million in 2013), mainly relate to the buy-back of shares worth DKK 887 million (DKK 101 million in 2013). In 2014, we took out new debt in the amount of DKK 1,769 million and repaid DKK 2,022 million.

Cash flow from operating activities (CFFO) – DKK million



**Restated; please refer to page 6 for a further description.*

Balance sheet

At 31 December 2014, consolidated assets totalled DKK 11,219 million, which is an increase of 9% compared with the balance sheet total at year-end 2013. This increase can partly be attributed to an increase in assets, relating to the new distribution centre in Poland and the expansion of the Group's headquarters in Denmark. Furthermore, goodwill increased as a result of acquisitions. Exchange rates positively impacted the balance sheet by 5%.

We provide loans to our customers on an ongoing basis and at 31 December 2014, such loans amounted to DKK 601 million (DKK 607 million in 2013). This fall can be attributed to provisions, whereas exchange rates had the opposite effect. Going forward and therefore also in 2015, we expect to maintain the current level.

Our net interest-bearing debt rose by DKK 121 million, amounting to DKK 2,405 million at the end of 2014.

In 2014, the Group's net working capital grew by 6%. This increase in net working capital can mainly be attributed to changes in exchange rates. Excluding this impact, net working capital grew only by 3%, primarily due to increases in inventories and trade receivables.

In 2014, net financial contracts were negative by DKK 73 million. This amount is composed of unrealised gains and losses on forward exchange contracts of DKK 7 million and DKK 75 million, respectively, and of unrealised losses on interest swaps in the amount of DKK 5 million.

On 17 February 2015, the Group announced that we have entered into exclusive negotiations for the potential purchase of 53.9% of the share capital of Audika, a leading network of hearing care providers in France, from the controlling shareholder Holton at a price of EUR 17.78 per share. If successful, the purchase of a controlling interest will commit William Demant to commence a mandatory public tender offer for the remaining 46.1% of the outstanding share capital of Audika, which is listed on Euronext in Paris. Based on a price of EUR 17.78 per share, the entire transaction will amount to an equity value of EUR 168 million. Audika will launch an information and consultation process with the relevant employee representatives in accordance with French law. Furthermore, the acquisition of the controlling interest in Audika is subject to approval by the French competition authority. Timewise, the mandatory public tender offer is expected to close in June 2015 at the earliest, but more likely in the second half of 2015.

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

Outlook 2015

In 2015, we expect to generate growth in sales and earnings in the Group's three business activities: Hearing Devices, Diagnostic Instruments and Hearing Implants.

As far as the hearing aid market is concerned, we expect to see unit growth of 3-4%, which will however be dented by a decline in the market's average selling price due to continued mix changes and fierce competition. In terms of value, we expect to see flat to slightly positive market trends in 2015. The anticipated growth in 2015 in our own hearing aid wholesale activities is based on the solid momentum gained towards the end of 2014, which has continued into 2015 and has been further fuelled by Oticon's major global product launch in the first quarter of 2015. Oticon's new products will from the very start be globally available in all styles and at all price points.

In Diagnostic Instruments, we expect a continuation in 2015 of the sales momentum we experienced in the second half of 2014 in a market that is expected to grow by 2-4% in value.

In Hearing Implants, i.e. cochlear implants and bone-anchored hearing systems, we expect to deliver double-digit growth rates in 2015 measured in value.

The appreciation of several of the Group's invoicing currencies, most notably the US dollar, is expected to have an estimated 4-5% positive impact on reported Group revenue in 2015 based on exchange rates in early 2015 and including the impact of exchange rate hedging. However, the resulting positive exchange rate impact on the Group's earnings will partly be offset by the translation of the Group's Swiss R&D cost base into Danish kroner. The full positive impact on operating profit of the Group's strengthened invoicing currencies is postponed due to currency hedging.

Acquisitions made in 2014 and in 2015 up until today will impact revenue by less than 1% in 2015. Our ongoing efforts to improve the Group's efficiency through the entire value chain will continue. We will thus build and implement a new global ERP system, establish shared services for our back-office functions, further centralise our ITE production and repair services and put our new global distribution centre in Poland into operation. Also, our cost base will continue to be impacted by our expansion in Hearing Implants, especially driven by R&D and distribution activities. All these major undertakings are meant to deliver value for the Group in the medium to long term, but will in the short term, which means also in 2015, naturally have a dilutive effect on the Group's profitability, as it has also been the case in recent years.

All in all, based on the Group's expected revenue growth in 2015 and on our continued efforts to improve our efficiency

and to build a future growth platform in Hearing Implants, we are guiding for an operating profit (EBIT) for 2015 in the range of DKK 1.7-2.0 billion.

The guidance provided above does not include any impact of the outcome of the current negotiations to acquire Audika.

Other matters

Employees

At year-end, our Group had 10,175 employees (9,455 in 2013) of whom 1,441 were employed in Denmark (1,496 in 2013). The average number of staff (full-time equivalent) was 9,799 in 2014 (9,063 in 2013).

Throughout 2014, our many employees have made a great effort and shown a high level of commitment and professionalism, thereby ensuring progress for the Company. To ensure the continuous development of our organisation, we value the presence of highly professional and motivated candidates to make sure that we always attract the best applicants for our open positions.

The Graduate Programme

William Demant's Graduate Programme was launched in 2014 as a two-year programme in the course of which young candidates can explore the Company and develop their personal and professional skills through four job rotations, each lasting six months. Each period enhances their business understanding both functionally and geographically. The graduates go through the following streams in Denmark, Poland and the US: Finance, Operations, IT, Sales & Marketing, Quality and Retail.

Knowledge resources

Our aim for continuous growth in revenue and operating profit (EBIT) is rooted in our mission statement, which says that we must strive for a high level of innovation through a flexible and knowledge-based organisation. The prerequisite for the Group's continued competitiveness is extensive audiological know-how and a broad spectrum of competencies, such as further developing wireless technology, designing integrated circuits for sophisticated analogue and digital processing of sound signals, developing software for optimum fitting of hearing aids, designing micro-amplifiers and related acoustic systems as well as developing and manufacturing micromechanic components. An example of our dedicated focus on R&D is our acquisition of Neurelec, which for several years to come will drive a high level of R&D activities in order for us to realise the full potential of this acquisition and to benefit from our entry into the cochlear implant market.

The Group's products are made through the cooperation of a wide range of specialists, each with thorough knowledge of their own field, in-depth understanding of other professional areas and appreciation of the corporate approach. In order to utilise competencies and knowledge across the organisation, substantial resources are channelled into communication and knowledge sharing through a shared IT platform, a high degree of openness and the secondment of employees to other Group companies.

Our development centre in Denmark is a major catalyst for ongoing as well as future innovation projects. Eriksholm, our research centre, also plays a key role in our endeavours to always be at the forefront of development, enabling us to deliver the most innovative solutions and offer the most advantages to end-users and hearing care professionals.

The Oticon Foundation

William Demant Holding's majority shareholder, the Oticon Foundation, whose full name is *William Demants og Hustru Ida Emilies Fond*, was founded in 1957 by William Demant, son of the Company's founder Hans Demant. Its primary goal is to safeguard and expand the William Demant Group's business and provide support for various commercial and charitable causes with particular focus on the field of audiology. At the end of 2011, the majority of the Oticon Foundation's shares in William Demant Holding were transferred to its wholly-owned subsidiary, William Demant Invest. Charitable tasks are thus handled by the Foundation itself and the Foundation's business activities by William Demant Invest. Voting rights and decisions to buy or sell William Demant Holding shares are still exercised and made, respectively, by the Oticon Foundation.

In accordance with the Oticon Foundation's investment strategy, the Foundation's investments – apart from an ownership interest in William Demant Holding – also include other assets, as the Foundation can make active investments in companies whose business models and structures resemble those of the William Demant Group, but fall outside the Group's strategic sphere of interest. The Foundation has made a management agreement on a commercial arm's length basis with William Demant Holding to the effect that the latter will handle the administration of the investments made through William Demant Invest.

Sound liquidity and a satisfactory free flow of shares are important to obtain fair pricing of our shares at Nasdaq Copenhagen. In autumn 2005, the Oticon Foundation therefore announced that in future it would strive to retain a direct or indirect equity interest of 55-60% through, if necessary, the continuous sale of shares in the market. Any sale of shares by the Foundation is independent of any purchase of shares by the Company. As of 31 December 2014, the Foundation held 58% of the shares outstanding.

Capital

At 31 December 2014, the Company's authorised share capital was nominally DKK 56,661,638 divided into as many shares of DKK 1. The shares are not divided into classes and have the same rights.

William Demants og Hustru Ida Emilies Fond (the Oticon Foundation) has notified the Company that at 31 December 2014, the Foundation – directly or indirectly – held approximately 58% of the shares outstanding. The Foundation has previously communicated its intention to maintain an ownership interest of 55-60% of William Demant Holding's share capital. The Capital Group Companies, Inc. (on behalf of accounts whose portfolios are managed by the company and its direct or indirect subsidiaries) announced in July 2014 that it had reduced its ownership interest and now holds less than 5% of the share capital in William Demant Holding A/S.

About 20% of the Group's employees are shareholders in the Company. All members of the Board of Directors and the Executive Board are shareholders in the Company. Shares held by employees and by members of the Board of Directors and the Executive Board account for just over 1% of the total share capital. In 2014, the Company bought back 1,899,279 shares at a total amount of DKK 887 million. As of 26 February 2015, the Company has bought back an addidional 135,599 shares worth DKK 64 million.

At 31 December 2014, the Company held 2,100,804 treasury shares worth nominally DKK 988 million.

Share information

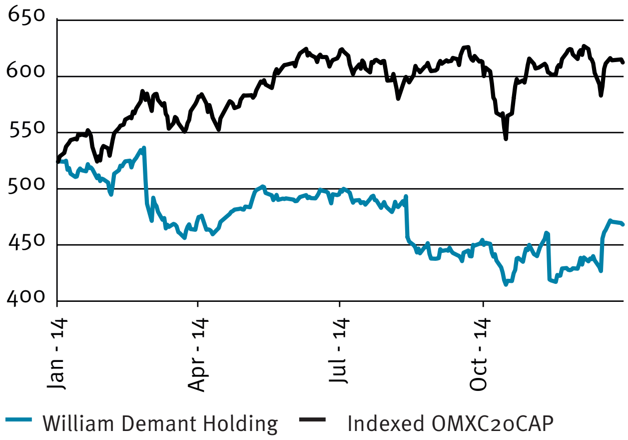
DKK	2014	2013	2012	2011	2010
Highest share price	538	544	597	495	480
Lowest share price	410	444	451	352	352
Share price, year-end	468	527	484	478	414
Market capitalisation*	25,545	29,754	27,419	27,397	24,173
Average number of shares**	55.63	56.62	57.02	58.24	58.35
Number of shares at 31.12.**	54.56	56.46	56.66	57.64	58.35
Treasury shares at 31.12.***	2.101	0.202	1.688	0.709	0

* *DKK million excluding treasury shares.*
** *Million shares excluding treasury shares.*
*** *Million shares.*

Specification of movements in share capital

DKK 1,000	2014	2013	2012	2011	2010
Share capital at 1.1.	56,662	58,350	58,350	58,350	58,956
Capital increase	0	0	0	0	0
Capital reduction	0	-1,688	0	0	-606
Share capital at 31.12.	**56,662**	**56,662**	**58,350**	**58,350**	**58,350**

Development in share price



Powers relating to share capital

The annual general meeting of shareholders has authorised the Board of Directors to increase the share capital by up to nominally DKK 1,179,527 in connection with the issue of employee shares at a subscription price to be determined by the Board, however minimum DKK 1.05 per share of DKK 1. The authorisation is valid until 1 January 2016, but is no longer relevant due to new tax regulations adopted by the Danish Parliament in 2011. An employee share ownership plan was most recently implemented in 2010. For other purposes, the Board of Directors has, until 1 January 2016, been authorised to further increase the share capital by up to DKK 6,664,384. The subscription price will be determined by the Board of Directors.

Until the next annual general meeting in April 2015, the Board of Directors has been authorised to allow the Company to buy back shares at a nominal value of up to 10% of the share capital. The purchase price may, however, not deviate by more than 10% from the price listed on Nasdaq Copenhagen.

Dividend and share buy-back

At the general meeting, the Board of Directors will, as in prior years, propose that all profits for the 2014 financial year be retained. The Board has previously decided that the Company's substantial cash flow from operating activities is first and foremost to be used for investments and acquisitions. Any excess liquidity will as a rule be used for the continuous buy-back of shares. As mentioned earlier, we aim to buy back shares worth DKK 2.5-3.0 billion from 2014 to 2016. We thus expect to see a modest and gradual increase in the Group's gearing multiple towards a level of 1.5 (NIBD/EBITDA). In order to maintain a high level of flexibility, this level of share buy-back is subject to change, if additional attractive acquisition opportunities present themselves.

IR policy and investor information

It is the aim of William Demant Holding to ensure a steady and consistent flow of information to IR stakeholders to promote a basis for the fair pricing of Company shares – pricing that at any time reflects the Group's strategies, financial capabilities and prospects for the future. The flow of information will contribute to a reduction of the company-specific risk associated with investing in William Demant Holding shares, thereby leading to a reduction of the Company's cost of capital.

We aim to reach this goal by continuously providing relevant, correct and adequate information in our Company announcements. We also maintain an active and open dialogue with analysts as well as current and potential investors. Through presentations, individual meetings and participation in investor conferences, we aim to maintain an ongoing dialogue with a broad section of IR stakeholders. In 2014, we held approximately 350 investor meetings and presentations. The Company also uses its website, www.demant.com, for communication with the share market. At the end of 2014, 30 equity analysts were covering William Demant Holding.

Investors and analysts are welcome to contact Stefan Ingildsen, Senior Vice President, Finance; Søren B. Andersson, Vice President, IR; or Rasmus Sørensen, IR Officer, by phone +45 3917 7300 or by e-mail to william@demant.com.

Insider rules

The Group's insider rules and in-house procedures comply with the provisions of the Danish Securities Trading Act under which members of the Executive Board and the Board of Directors and their related parties are obliged to inform the Company of their transactions with the Company's securities with a view to subsequent publication and reporting to the Danish FSA. Such announcements appear from the Company's website under *Investor, Announcements*. In 2014, there was no such announcements. As part of its internal rules, the Company maintains an insider register, containing mainly leading staff members, who – through their involvement in the Company – have regular access to price-affecting knowledge of the Group's internal affairs. Persons entered in the insider register may only trade in Company shares for a period of six weeks after publication of the annual report and the interim report.

Amendments to articles of association

If amendments to the articles of association other than those listed in section 107 of the Danish Companies Act are to be adopted, at least 51% of the share capital must be represented at the general meeting, and the resolution must be approved by a two-thirds majority of the votes cast and of the represented share capital, which is entitled to vote. If 51% of the share capital is not represented at the general meeting, but two thirds of the votes cast and of the represented share capital, which is entitled to vote, have approved the proposal, the Board shall call an extraordinary general meeting within 14 days at which meeting the proposal may be adopted by a two-thirds majority of the votes cast, irrespective of the size of the share capital represented.

Company announcements in 2014

27 February	Annual Report 2013
11 March	Notice annual general meeting
9 April	Annual general meeting
8 May	Interim Information, first quarter 2014
15 July	Large shareholder announcement concerning The Capital Group Companies, Inc.
14 August	Interim Report 2014
13 November	Interim Information, third quarter 2014
9 December	Financial calendar 2015

Financial calendar 2015

25 February	Deadline for submission of items for the agenda of the annual general meeting
26 February	Annual Report 2014
9 April	Annual general meeting
7 May	Interim Information, first quarter 2015
14 August	Interim Report 2015
12 November	Interim Information, third quarter 2015

Annual general meeting 2015

The annual general meeting will be held on Thursday, 9 April 2015, at 4 p.m. at the Company's head office Kongebakken 9, 2765 Smørum, Denmark.

RISK MANAGEMENT ACTIVITIES

Risk management activities in the William Demant Group first and foremost focus on the business-related and financial risks to which the Company is fairly likely to be exposed. In general, we act in a stable market with a limited number of players. In normal circumstances, the risks to which the Company may be exposed do not change on the short term. In 2014, there has been no change in the Company's immediate risk exposure compared to recent years, and the development in the demand for Group products has thus been stable. In connection with the preparation of the Group's strategic, budgetary and annual plans, the Board of Directors considers the risks identified in these processes.

Business risks

The major risks to which the William Demant Group may be exposed are of a business nature – be they risks within the Company's control or external risks due to, for instance, the behaviour of the competition.

The hearing healthcare market in which we act is a highly product-driven market. Our significant research and development initiatives help underpin our market position. It is therefore also vital in the long term to maintain our innovative edge and to attract the most qualified and competent staff. Product risks relate mainly to delays in connection with product launches, but due to our constant focus on all links in the value chain, such delays rarely occur. Furthermore, we closely monitor the supply situation and seek to ensure that we always have an inventory level that can counter any interruptions in production. Product recalls also constitute a business risk in relation to bone-anchored hearing systems and cochlear implants manufactured by Oticon Medical, specifically in relation to claims-related costs, such as the cost of replacing products, medical expenses, compensation for actual damages as well as legal fees.

Taking out, protecting and maintaining patents in the hearing healthcare industry are indeed complicated processes. We therefore develop and maintain our competencies in this area on an ongoing basis. The William Demant Group is involved in a few disputes. However, Management is of the opinion that such disputes do not or will not significantly affect the Group's financial position.

We seek to make adequate provisions for legal proceedings. It is our policy to take out patents for our own groundbreaking development and technology and continuously monitor that third-party products do not infringe our patents and that our products do not infringe third-party patents.

Financial risks

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

Exchange rate risks

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

The table below shows the impact on the year's operating profit (EBIT), given a 5% increase in selected exchange rates.

Effect on EBIT, 5% positive exchange rate impact*

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

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

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.

The table below shows the impact on equity, given a 5% increase in selected exchange rates.

Effect on equity, 5% positive exchange rate impact

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

Interest rate risks

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

In 2014, our Board of Directors decided to raise the target for the Group's net interest-bearing debt over the coming years by announcing a share buy-back programme of DKK 2.5-3.0 billion from 2014 to 2016. We thus expect to see a modest and gradual increase towards a gearing multiple of 1.5 (NIBD/EBITDA) in the period from 2014 to 2016. Based on the Group's net debt of DKK 2,405 billion at the end of the 2014 financial year, a rise of 1 percentage point in the general interest rate level will cause an increase in consolidated annual interest expenses before tax of DKK 22 million (DKK 20 million in 2013).

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 five largest customers account for less than 10% of total consolidated revenue. We therefore estimate that we have no major credit exposure. When granting loans to customers or business partners, we require that they provide security in their business.

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

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

Liquidity risks

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

Financial reporting process and internal control

Once a year, we carry through a very detailed planning and budgetary process, and any deviations from the plans and budgets resulting from this process are carefully monitored month by month. In terms of sales and costs, month-by-month development is very similar, so with the repetitive nature of our business, deviations will normally become visible fairly quickly. To ensure high quality in the Group's financial reporting systems, the Board of Directors and Executive Board have adopted policies, procedures and guidelines for financial reporting and internal control to which the subsidiaries and reporting units must adhere, including:

- Continuous follow-up on results achieved compared to the approved budgets
- Policies for IT, insurance, cash management, procurement etc.
- Reporting instructions as well as reporting and finance manuals

The responsibility for maintaining sufficient and efficient internal control and risk management in connection with financial reporting lies with the Executive Board. The Board of Directors has assessed the Group's existing control environment and concluded that it is adequate and that there is no need for setting up an internal audit function.

Safeguarding corporate assets

Management continuously seeks to minimise any financial consequences of damage to corporate assets, including any operating losses incidental to potential damage. We currently invest in security and surveillance systems to prevent damage and to minimise such damage, should it arise. Major risks, which cannot be adequately minimised, are identified by the Company's Management who will on a continuous basis ensure that appropriate insurance policies are taken out under the Group's global insurance programme administered by recognised and credit-rated insurance brokers, and that such insurances are taken out with insurance companies with high credit ratings. The Group's insurance programme has deductible clauses in line with normal market terms. The Board of Directors review the Company's insurance policies once a year, including the coverage of identified risks, and are regularly briefed on developments in identified risks. The purpose of this reporting is to keep the members of the Board fully updated and to facilitate corrective action to minimise any such risks.

CORPORATE SOCIAL RESPONSIBILITY

Integrity and ethical behaviour

Our integrity and our ethical behaviour in business affairs are high. In fact, in many cases our standards are above the legislative requirements imposed upon us in the markets where we operate. Our ongoing effort to meet the social and environmental responsibilities within our sphere of influence is deeply rooted in our foundation and culture.

Our CSR principles and policies as well as more detailed information on our work in this area are available on our website under *CSR:* www.demant.com/csr.cfm.

Reporting on corporate social responsibility

Our corporate social responsibility report is prepared in compliance with section 99 a of the Danish Financial Statements Act. Under this act, we are obliged to account for our social activities and report on our business strategies and activities, including human and labour rights, environmental protection, anti-corruption and climate.

Having signed the UN Global Compact and by submitting annual Communication of Progress reports, we automatically comply with the rules of law, as long as our annual report states where the information is published. The advantages of joining the UN Global Compact are two-sided: Not only does the progress report ensure our compliance with section 99 a of the Danish Financial Statements Act, but the UN Global Compact also serves as a recognised global framework for further systematising and reporting on our work with responsibility.

Having joined the UN Global Compact in 2010, we submitted in spring 2011 our first progress report for the 2010 reporting year. In 2015, we thus submitted our fifth report covering the 2014 reporting year.

All reports, including the latest report covering the 2014 reporting year, are available on Global Compact's website www.unglobalcompact.org/COP and on our website under *CSR, Downloads:* www.demant.com/downloadcsr.cfm.

Environmental awareness

In 2008, we joined the CDP (formerly known as the Carbon Disclosure Project), providing us with a means of measuring and recording our environmental footprint. Every year, we submit CDP reports on corporate CO_2 emissions and climate strategy. At the time of writing, there are no available data for the 2014 calendar year, but a look at the development from 2012 to 2013 reveals, according to our CDP reports, that emissions in the countries in which we manufacture our products have dropped by 0.9%, which is rather substantial in view of the fact that in the same period, we have seen a rise in revenue. CO_2 emissions per employee are calculated at 2.85 tonnes per year, which is in itself low for a manufacturing company, but also constitutes a rather significant drop of 9.9% from 2012 to 2013.

In every possible way, we aim to act responsibly when it comes to our environmental awareness. Seemingly trivial changes may have a relatively large impact on our energy consumption and hence on our environmental footprint. For example, over the last two years we have replaced our server park by a virtual server environment, resulting in a significant drop in server room energy consumption of approximately 16% per year to an apparently new stable level.

Social responsibility

To us, acting responsibly means following certain principles and always complying with local legislation, but it also means doing more than just the minimum and in many instances doing more than what is required by law. In this context, we find it relevant to mention that in 2014, our Parent, the Oticon Foundation, made 1,924 donations to social, cultural and scientific projects, totalling almost DKK 87 million. According to the objects clause of the deed of foundation, the alleviation of hearing loss must be the Foundation's primary focus area. Thus, in 2014 DKK 45 million was donated to educational institutions and research projects in the field of audiology.

We would like to mention a few special projects to show the broad scope of the Oticon Foundation: In 2014, The Oticon Foundation supported the Australian Hear our Hearts project, which involves a mobile hearing clinic. The clinic reaches geographical and ethnic areas where professional hearing healthcare is virtually impossible to practise. People in these areas, who would normally not have access to treatment of their hearing loss, can be helped this way – free of charge.

The Oticon Foundation also supports broader causes through donations to special social projects in Denmark, including the Denmark Collection (*Danmarksindsamlingen*), the Cure for Cancer (*Knæk Cancer*) and the Children's Collection (*Børneindsamlingen*) – all arranged by Danish TV channels and broadcast as large TV shows.

A very significant single project supported by the Oticon Foundation is the reconstruction of one of the largest squares in Copenhagen (*Israels Plads*). The donation was made to cele-

brate the 50-year anniversary of the Oticon Foundation in 2008. After several years of planning and constructing, the beautifully planned and designed square was inaugurated in 2014.

Diversity and women in management

In terms of corporate governance, diversity at management level addresses age, international experience and gender.

In recent years, soft law and statutory requirements have focused specifically on gender equality. On 1 April 2013, new rules for the gender-specific composition of top management in all large Danish companies became effective. The rules aim to ensure that the proportion of women in managerial positions in large companies is increased significantly in the coming years.

The rules oblige companies to set a target for the representation of the under-represented gender on the company's board and to set a deadline for reaching this target.

Moreover, companies must adopt policies on how they will further women's access to managerial positions in the company based on the assumption that more women in managerial positions will – generally speaking – provide the basis for the future recruitment of women as board members.

Lastly, the new rules provide that once a year, namely on publication of its annual report, the company must publicise its targets and adopted policies as well as the progress made in the period under review, either in the company's annual report or on its corporate website. Please refer to section 99 b (1) of the Danish Financial Statements Act and our website under *CSR:* www.demant.com/csr.cfm.

Board of Directors

In April 2013, the Board of Directors of William Demant set the following target and deadline in respect of female Board members: Within a period of four years, one woman must be elected to the Board of Directors.

At the annual general meeting in April 2014, a female Board member was elected by the general meeting. Thus, the target has been reached and subsequently, the Board of Directors has concluded that with the current number of four board members elected by the shareholders, one female member is a realistic and adequate target. At least once a year, the nomination committee and the Board will assess whether there are grounds to change the target.

Other management levels

At the beginning of 2012, we defined a diversity policy and also took concrete initiatives to ensure that equal opportunities for the genders will to a greater extent than previously be created in terms of both recruitments and promotions within the Group, for instance:

- When cooperating with external recruiting agencies, we require qualified female candidates in the second round.
- When advertising for new employees and also in connection with general employer branding materials, we will further balance the use of "male" and "female" connotations and ensure that female employees are used in our communication.
- In order to increase the base of female employees and thus the number of potential female managers, relevant departments in the William Demant Group must prioritise sending female employees to job fairs.

It is important, however, to keep in mind that these initiatives do not change our basic recruiting goal, which is to always seek, hire and promote the best qualified employees – gender set aside.

Positive development continued in 2014

As far as the number of female managers at the Group's other management levels is concerned, we are pleased to see that increased focus on furthering the number of women in managerial positions seems to bear fruit. Over the last five years, the male/female manager ratio in our Danish companies has thus improved from 86/14 in 2010 to 79/21 in 2014. In middle and first-line management, the ratio has increased from 82/18 in 2010 to 63/27 in 2014.

Recommendations for corporate governance

Recommendations issued by the the Danish Committee on Corporate Governance and adopted by Nasdaq Copenhagen are best-practice guidelines for the management of companies admitted to trading on a regulated market. The recommendations should be viewed together with the statutory requirements, including not least the Danish Companies Act and the Danish Financial Statements Act, but also European Union company law etc. and the OECD Principles of Corporate Governance.

A complete schematic presentation of the recommendations and how we comply, *Corporate governance 2014 – Statutory report on company management, cf. section 107 b of the Danish Financial Statements Act*, is available on our website under *Corporate Governance:* www.demant.com/governance.cfm. Through this reference to our website, we meet the requirement that the annual report must include a statutory report on company management, cf. section 107 b of the Danish Financial Statements Act.

The work on corporate governance is an ongoing process for our Board of Directors and Executive Board, who determine the extent to which the Company should comply with the recommendations and regularly assess whether the recommendations give rise to amendments to our rules of procedure or managerial processes. The Company's reporting on corporate governance follows the "comply or explain" principle, meaning that if we choose to deviate from a recommendation, we will explain why and state what we do instead. The assessment for 2014 is based on the revised recommendations from May 2013. Of the 47 recommendations, there are only four that we do not comply with. The deviations are well-founded, and we explain what we have done instead.

Since we attach great importance to corporate governance in the operation of the Company, we find it relevant to accentuate a number of aspects and supplementary information on corporate governance in the William Demant Group in this chapter.

The Company's communication and interaction with investors and other stakeholders

The Board of Directors has identified a number of specific stakeholders, the most important being the Company's customers, end-users, shareholders, investors, employees, suppliers and other business partners as well as society as such. The Board of Directors will ensure good and constructive relations with the Company's stakeholders, and the Company has adopted policies concerning our relations with all major stakeholders, including a Code of Conduct in respect of relations with our suppliers and business ethics in relation to our staff and their interaction with customers and other stakeholders. Selected policies and documents are available on our website.

William Demant strives towards providing a high level of information to all existing and potential shareholders, and we communicate on a current basis with our shareholders and investors at the annual general meeting and through shareholder meetings, investor presentations, e-mail, telephone, website, webcasts, capital market days, the annual report, Company announcements etc. All information necessary for the assessment of the Company and its activities by shareholders and financial markets is published as promptly as possible in compliance with the rules of the Danish FSA and Nasdaq Copenhagen.

In compliance with the Danish Securities Trading Act, we publish annual and interim reports. In the time span between such reports, we publish quarterly information rather than actual quarterly reports. Such quarterly information draws up a general outline of the Group and its financial position and results, including important events and transactions, which have taken place in the period under review, but it does not contain actual financial information, as we believe that quarterly figures will not promote a better understanding of our activities. Competitive aspects are important reasons for our decision not to draw up actual quarterly reports: The hearing aid industry consists of six major players of which only three are listed companies. The unlisted companies do not publish such information at all or only to a very limited extent, and of the listed companies, only one publishes actual quarterly reports.

Board of Directors

Tasks and responsibilities of the Board of Directors

The Board of Directors is responsible for the overall strategic management and for the financial and managerial supervision of the Company, the ultimate goal being to ensure that the Company creates value. The Board of Directors currently evaluates the work of the Executive Board as for instance reflected in the annual plan and budget prepared for the Board of Directors. The Board's duties and responsibilities are set out in its rules of procedure, and the Executive Board's duties and responsibilities are provided in a set of instructions. Such rules of procedure and instructions are revised once a year.

Composition and organisation of the Board of Directors

Currently, the Board has seven members: four members elected by the shareholders at the general meeting and three members elected by staff in Denmark. Shareholders elect Board members for a term of one year, and staff elect Board members for a term of four years. Staff-elected members are elected in accordance with the provisions of the Danish Companies Act. The most recent staff election took take place in 2015 with effect from the annual general meeting in April 2015. Presently, half the Board members elected by shareholders at the annual general meeting are independent.

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

The Board is composed to ensure the right combination of competencies and experience, with extensive international managerial experience and board experience from major listed companies carrying particular weight. This also applies when new Board candidates are selected. On our website under *About Us, Executive Board and Board of Directors, Board of Directors:* www.demant.com/management.cfm, we describe the competencies and qualifications that the Board of Directors deems necessary to have at its overall disposal in order for the Board to be able to perform its tasks for the Company.

Age limit for members of the Board of Directors
In compliance with the Company's articles of association, Board members cannot be re-elected once they have reached the age of 70, and they must resign from the Board no later than at the first general meeting following their 70th birthday.

Board committees
Audit committee
The Company's Board of Directors has set up an audit committee. The Board of Directors appoints the chairman of the audit committee, who must be independent and who must not be Chairman of the Board of Directors.

The terms of reference of the audit committee and the composition of the committee can be seen on our corporate website under *About Us, Executive Board and Board of Directors, Audit Committee:* www.demant.com/audit.cfm.

Nomination committee
The Company's Board of Directors has set up a nomination committee. The members are the Chairman and the Deputy Chairman of the Company's Board of Directors, the Chairman and the Deputy Chairman of the Company's major shareholder (the Oticon Foundation) and the President & CEO of the Company.

The Chairman of the Board also chairs the nomination committee.

The terms of reference of the nomination committee can be found on our corporate website under *About Us, Executive Board and Board of Directors, Nomination Committee:* www.demant.com/nomination.cfm.

Evaluation of the performance of the Board of Directors
Once a year, the Chairman of the Board performs an evaluation of the Board's work. Every other year, such evaluation is performed through personal, individual interviews with the Board members by the Chairman of the Board, and every other year, the evaluation is carried out by means of questionnaires to be filled out by the Board members. In both instances, the results of the evaluation are presented and discussed at the subsequent Board meeting. In connection with the assessment in December 2014, the Board of Directors expressed great satisfaction with the manner in which the Board works, emphasising the many constructive discussions. Minor changes to some reporting routines were suggested.

The Board of Directors' shareholdings
As of 26 February 2015, all Board members are shareholders in the Company, holding shares as follows (including movements in 2014): Lars Nørby Johansen, Chairman, 4,278 shares (unchanged); Peter Foss, Deputy Chairman, 2,588 shares (unchanged); Niels B. Christiansen 502 shares (unchanged); Benedikte Leroy 600 shares (unchanged); Ole Lundsgaard 1,056 shares (unchanged); Jørgen Møller Nielsen 55 shares (unchanged); Karin Ubbesen 97 shares (unchanged).

Board of Directors' and Executive Board's remuneration
The Board of Directors has adopted a very simple remuneration policy for the Board of Directors as well as for the Executive Board.

The remuneration policy does not include any incentive pay or bonus schemes or other variable components, nor do we offer any incentive pay or bonus schemes under section 139 of the Public Companies Act in respect of the Executive Board and the Board of Directors. If such schemes were to be created, they would be subject to adoption by the shareholders at a general meeting, before they could be implemented.

Board members' fees consist of a fixed basic fee. The Chairman receives three times the basic fee and the Deputy Chairman receives twice the basic fee. Audit committee and nomination committee members do not receive additional remuneration for their work in these committees.

Since 2010, the basic Board member fee has been DKK 300,000. This amount will be maintained for 2015.

Meetings in 2014
In 2014, the Board of Directors convened on six occasions.

The audit committee held three meetings in connection with ordinary Board meetings.

The nomination committee held two meetings in 2014.

Annual general meeting
At the Company's annual general meeting on 9 April 2014, Lars Nørby Johansen, Peter Foss and Niels B. Christiansen were re-elected for one year, and Benedikte Leroy, VP & EMEA General Counsel with Dell Computer Corporation, was elected new member of the Board of Directors, also for one year. Thomas Hofman-Bang chose not to stand for re-election. After the general meeting, the Board members elected Lars Nørby Johansen Chairman and Peter Foss Deputy Chairman of the Board of Directors.

In 2015, the annual general meeting will take place on 9 April at the Company's headquarters in Denmark.

Auditor
Deloitte Statsautoriseret Revisionspartnerselskab.

BOARD OF DIRECTORS

LARS NØRBY JOHANSEN

Chairman
(born 1949)

Joined the Board of Directors in 1998 and was most recently re-elected in 2014 for one year. Chairman of the nomination committee. Because of his seat on the Board for more than 12 years, he is not considered independent.

- Codan A/S and one subsidiary, chairman
- The Danish Growth Council, chairman
- Dansk Vækstkapital, chairman
- Copenhagen Airports A/S, chairman
- Montana Møbler A/S, chairman
- University of Southern Denmark, chairman
- The Rockwool Foundation, chairman and member of the executive committee
- Arp-Hansen Hotel Group A/S, deputy chairman
- Index Award A/S, board member
- Fonden for Entreprenørskab – Young Enterprise, chairman

Lars Nørby Johansen holds a Master of Social Sciences degree. His strengths include extensive international experience as a corporate executive, including vast board experience from listed companies. He has profound knowledge of the challenges resulting from globalisation and is also well versed in the political aspects of business.

PETER FOSS

Deputy Chairman
(born 1956)

Joined the Board of Directors in 2007 and was most recently re-elected in 2014 for one year. Because of his seat on the boards of the Oticon Foundation and William Demant Invest A/S, he is not considered independent.

- FOSS A/S, chairman
- N. Foss & Co. A/S, chairman
- The Oticon Foundation, deputy chairman
- William Demant Invest A/S, deputy chairman
- A.R. Holding af 1999 A/S, board member
- TrackMan A/S, board member

Peter Foss holds a Master of Science degree in Engineering from the Technical University of Denmark (DTU) and also holds a Graduate Diploma in Business Administration (Finance). He has extensive managerial experience from global, market-leading, industrial companies with comprehensive product development. In addition, he has board experience from different lines of business.

NIELS B. CHRISTIANSEN

(born 1966)

Joined the Board of Directors in 2008 and was most recently re-elected in 2014 for one year. He is chairman of the audit committee and is considered independent.

- Danfoss A/S, President & CEO and board memberships in four subsidiaries
- Axcel Industriinvestor A/S, chairman
- A.P. Møller - Mærsk A/S, board member

Niels B. Christiansen holds a Master of Science degree in Engineering from the Technical University of Denmark (DTU) and also holds an MBA from INSEAD in France. His international experience from the management of major, global, industrial, hi-tech corporations is comprehensive. He also has extensive board experience from listed companies as well as experience from different lines of business.

BENEDIKTE LEROY

(born 1970)

Joined the Board of Directors in 2014 for one year. She is considered an independent Board member.

- Dell Computer Corporation, VP & EMEA General Counsel
- Dell GmbH, Germany, chairman of the supervisory board

Benedikte Leroy holds a Master of Law degree from the University of Copenhagen. She has significant international management experience from large, global technology companies within both consumer and business-to-business products and has worked in the UK and Belgium for many years.

EXECUTIVE BOARD

OLE LUNDSGAARD

(born 1969)

Staff-elected Board member. Joined the Board of Directors in 2003 and was most recently re-elected in 2011 for a term of four years.

- Interacoustics A/S, staff-elected board member since 2003

Ole Lundsgaard was trained as an electronics mechanic at the University of Odense, Institute of Biology. He holds the position of Technical Product Manager in Diagnostic Instruments and has been employed with Interacoustics A/S since 1993.

JØRGEN MØLLER NIELSEN

(born 1962)

Staff-elected Board member. Elected to the Board of Directors in 2011 for a term of four years.

- Deputy chairman of the local business group under The Danish Society of Engineers (IDA)

Jørgen Møller Nielsen holds a Master of Science degree in Electrical Engineering from the Technical University of Denmark (DTU) and also holds a Graduate Diploma in Business Administration (organisation and strategy). He works as a Project Manager within microelectronics at the Group's amplifier factory in Ballerup, Denmark, and has been with the Company since 2001.

KARIN UBBESEN

(born 1962)

Staff-elected Board member. Elected to the Board of Directors in 2011 for a term of four years.

- Oticon A/S, shop steward, staff-elected board member since 2007

Karin Ubbesen is employed at the Group's factory in Thisted, Denmark, as a fitter and has been with the Company since 1987.

NIELS JACOBSEN

President & CEO
(born 1957)

Joined the Company in 1992 as Executive Vice President and was appointed President & CEO in 1998.

Niels Jacobsen holds a Master of Science degree in Economics from Aarhus University.

- LEGO A/S, chairman
- A.P. Møller - Mærsk A/S, deputy chairman
- KIRKBI A/S, deputy chairman
- Thomas B. Thriges Fond (Thomas B. Thrige Foundation), chairman

As a consequence of his position as President & CEO of William Demant Holding, Niels Jacobsen holds the following Group-related management duties:

- William Demant Invest A/S, Managing Director
- Jeudan A/S, deputy chairman
- Össur hf., chairman
- Sennheiser Communications A/S, board member
- HIMPP A/S, chairman
- HIMSA A/S, chairman
- HIMSA II A/S, board member

MANAGEMENT STATEMENT

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

The consolidated financial statements have been prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent financial statements have been prepared and presented in accordance with the Danish Financial Statements Act. Further, the Annual Report 2014 has been prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the Parent financial statements give a true and fair view of the Group's and the Parent's assets, liabilities and financial position at 31 December 2014 as well as of the consolidated financial performance and cash flows and the Parent's financial performance for the financial year 1 January – 31 December 2014.

We also believe that Management commentary contains a fair review of the development in the Group's and the Parent's business and financial position, the results for the year and the Group's and the Parent's financial position as a whole as well as a description of the principal risks and uncertainties that they face.

We recommend the Annual Report 2014 for adoption at the annual general meeting.

Smørum, 26 February 2015

Executive Board:

Niels Jacobsen
President & CEO

Board of Directors:

Lars Nørby Johansen
Chairman

Peter Foss
Deputy Chairman

Niels B. Christiansen

Benedikte Leroy

Ole Lundsgaard

Jørgen Møller Nielsen

Karin Ubbesen

INDEPENDENT AUDITOR'S REPORT

To the shareholders of William Demant Holding A/S

Report on the consolidated financial statements and Parent financial statements

We have audited the consolidated financial statements and Parent financial statements of William Demant Holding A/S for the financial year 1 January – 31 December 2014, which comprise the income statement, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the Parent and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and the Parent financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated and Parent financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and Parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and Parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and Parent financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by Management as well as the overall presentation of the consolidated financial statements and Parent financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2014 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Further, in our opinion, the Parent financial statements give a true and fair view of the Parent's financial position at 31 December 2014 and of the results of its operations for the financial year 1 January – 31 December 2014 in accordance with the Danish Financial Statements Act.

Statement on Management review

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

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

Copenhagen, 26 February 2015

Deloitte
Statsautoriseret Revisionspartnerselskab

Erik Holst Jørgensen
State Authorised Public Accountant

Kirsten Aaskov Mikkelsen
State Authorised Public Accountant

CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	2014	2013
Revenue	1.1	9,346	8,959
Production costs	1.2 1.3 1.5	-2,533	-2,441
Gross profit		**6,813**	**6,518**
Research and development costs	1.2 1.3	-680	-634
Distribution costs	1.2 1.3	-3,877	-3,652
Administrative expenses	1.2 1.3 8.2	-560	-545
Share of profit after tax, associates and joint ventures	3.3 6.2	65	49
Operating profit (EBIT)		**1,761**	**1,736**
Financial income	4.2	39	45
Financial expenses	4.2	-109	-117
Profit before tax		**1,691**	**1,664**
Tax on profit for the year	5.1	-364	-378
Profit for the year		**1,327**	**1,286**
Profit for the year attributable to:			
William Demant Holding A/S' shareholders		1,326	1,285
Minority interests		1	1
		1,327	**1,286**
Earnings per share (EPS), DKK	1.4	23.8	22.7
Diluted earnings per share (DEPS), DKK	1.4	23.8	22.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	2014	2013
Profit for the year	**1,327**	**1,286**
Other comprehensive income:		
Items that have been or may subsequently be reclassified to the income statement:		
Foreign currency translation adjustment, foreign enterprises	212	-224
Value adjustment of hedging instruments:		
Value adjustment for the year	-98	83
Value adjustment transferred to revenue	-11	-68
Value adjustment transferred to financial expenses	1	11
Tax on items that have been or may subsequently be reclassified to the income statement	-2	6
Items that have been or may subsequently be reclassified to the income statement	**102**	**-192**
Items that will not subsequently be reclassified to the income statement:		
Actuarial gains/(losses) on defined benefit plans	-14	5
Tax on items that will not subsequently be reclassified to the income statement	2	-1
Items that will not subsequently be reclassified to the income statement	**-12**	**4**
Other comprehensive income	**90**	**-188**
Comprehensive income	**1,417**	**1,098**
Comprehensive income attributable to:		
William Demant Holding A/S' shareholders	1,416	1,097
Minority interests	1	1
	1,417	**1,098**
Breakdown of tax on other comprehensive income:		
Foreign currency translation adjustment, foreign enterprises	-26	12
Value adjustment of hedging instruments for the year	21	-20
Value adjustment of hedging instruments transferred to revenue	3	17
Value adjustment of hedging instruments transferred to financial expenses	0	-3
Actuarial gains/(losses) on defined benefit plans	2	-1
Tax on other comprehensive income	**0**	**5**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2014	2013
Assets			
Goodwill		3,831	3,545
Patents and licences		28	35
Other intangible assets		37	35
Intangible assets	3.1	**3,896**	**3,615**
Land and buildings		749	651
Plant and machinery		173	171
Other plant, fixtures and operating equipment		265	289
Leasehold improvements		171	171
Prepayments and assets under construction		306	206
Property, plant and equipment	3.2	**1,664**	**1,488**
Investments in associates and joint ventures	3.3	527	459
Receivables from associates and joint ventures	3.3 4.3 4.4	264	151
Other investments	3.3 4.3 4.5	12	11
Other receivables	1.6 3.3 4.3 4.4	569	566
Deferred tax assets	5.2	238	266
Other non-current assets		**1,610**	**1,453**
Non-current assets		**7,170**	**6,556**
Inventories	1.5	1,203	1,142
Trade receivables	1.6 4.3	1,994	1,862
Receivables from associates and joint ventures	4.3	12	3
Income tax		94	72
Other receivables	1.6 4.3 4.4	183	202
Unrealised gains on financial contracts	2.3 4.3 4.5	7	45
Prepaid expenses		113	108
Cash	4.3 4.4	443	328
Current assets		**4,049**	**3,762**
Assets		**11,219**	**10,318**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2014	2013
Equity and liabilities			
Share capital		57	57
Other reserves		5,529	5,000
Equity attributable to William Demant Holding A/S' shareholders		5,586	5,057
Equity attributable to minority interests		-2	-1
Equity		**5,584**	**5,056**
Interest-bearing debt	4.3 4.4	9	81
Deferred tax liabilities	5.2	134	146
Provisions	7.1	154	132
Other liabilities	4.3 7.2	120	220
Deferred income		36	34
Non-current liabilities		**453**	**613**
Interest-bearing debt	4.3 4.4	3,503	3,112
Trade payables	4.3	342	350
Payables to associates and joint ventures		1	0
Income tax		68	65
Provisions	7.1	4	16
Other liabilities	4.3 7.2	956	902
Unrealised losses on financial contracts	2.3 4.3 4.4 4.5	80	11
Deferred income		228	193
Current liabilities		**5,182**	**4,649**
Liabilities		**5,635**	**5,262**
Equity and liabilities		**11,219**	**10,318**

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	2014	2013
Operating profit (EBIT)		1,761	1,736
Non-cash items etc.	1.7	295	212
Change in receivables etc.		-134	-66
Change in inventories		-60	-90
Change in trade payables and other liabilities etc.		46	-99
Change in provisions		-20	-13
Cash flow from operating profit		**1,888**	**1,680**
Dividends received		31	50
Financial income etc. received		33	32
Financial expenses etc. paid		-105	-114
Realised foreign currency translation adjustments		-1	0
Income tax paid		-351	-366
Cash flow from operating activities (CFFO)		**1,495**	**1,282**
Acquisition of enterprises, participating interests and activities		-231	-1,176
Investments in and disposal of intangible assets		-9	4
Investments in property, plant and equipment		-443	-404
Disposal of property, plant and equipment		29	13
Investments in other non-current assets		-143	-189
Disposal of other non-current assets		115	113
Cash flow from investing activities (CFFI)		**-682**	**-1,639**
Repayments of borrowings		-2,022	-510
Proceeds from borrowings		1,769	651
Buy-back of shares		-887	-101
Cash flow from financing activities (CFFF)		**-1,140**	**40**
Cash flow for the year, net		**-327**	**-317**
Cash and cash equivalents at the beginning of the year		-1,601	-1,341
Foreign currency translation adjustment of cash and cash equivalents		-127	57
Cash and cash equivalents at the end of the year		**-2,055**	**-1,601**
Breakdown of cash and cash equivalents at the end of the year:			
Cash	4.3 4.4	443	328
Interest-bearing current bank debt	4.3 4.4	-2,498	-1,929
Cash and cash equivalents at the end of the year		**-2,055**	**-1,601**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Other reserves: Foreign currency translation reserve	Other reserves: Hedging reserve	Other reserves: Retained earnings	William Demant Holding A/S' shareholders' share	Minority interests' share	Equity
Equity at 1.1.2013	**58**	**101**	**12**	**3,890**	**4,061**	**-2**	**4,059**
Comprehensive income in 2013:							
Profit for the year	-	-	-	1,285	1,285	1	1,286
Other comprehensive income:							
Foreign currency translation adjustment, foreign enterprises	-	-224	-	-	-224	-	-224
Value adjustment of hedging instruments:							
Value adjustment, year	-	-	83	-	83	-	83
Value adjustment transferred to revenue	-	-	-68	-	-68	-	-68
Value adjustment transferred to financial expenses	-	-	11	-	11	-	11
Actuarial gains/(losses) on defined benefit plans	-	-	-	5	5	0	5
Tax on other compr. income	-	12	-6	-1	5	0	5
Other comprehensive income	-	-212	20	4	-188	0	-188
Comprehensive income, year	**-**	**-212**	**20**	**1,289**	**1,097**	**1**	**1,098**
Buy-back of shares	-	-	-	-101	-101	-	-101
Capital reduction through cancellation of treasury shares	-1	-	-	1	0	0	0
Equity at 31.12.2013	**57**	**-111**	**32**	**5,079**	**5,057**	**-1**	**5,056**
Comprehensive income in 2014:							
Profit for the year	-	-	-	1,326	1,326	1	1,327
Other comprehensive income:							
Foreign currency translation adjustment, foreign enterprises	-	212	-	-	212	-	212
Value adjustment of hedging instruments:							
Value adjustment, year	-	-	-98	-	-98	-	-98
Value adjustment transferred to revenue	-	-	-11	-	-11	-	-11
Value adjustment transferred to financial expenses	-	-	1	-	1	-	1
Actuarial gains/(losses) on defined benefit plans	-	-	-	-14	-14	0	-14
Tax on other compr. income	-	-26	24	2	0	0	0
Other comprehensive income	-	186	-84	-12	90	0	90
Comprehensive income, year	**-**	**186**	**-84**	**1,314**	**1,416**	**1**	**1,417**
Buy-back of shares	-	-	-	-887	-887	-	-887
Other changes in equity	-	-	-	0	0	-2	-2
Equity at 31.12.2014	**57**	**75**	**-52**	**5,506**	**5,586**	**-2**	**5,584**

For changes in share capital, please refer to *Parent statement of changes in equity* on page 80.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

SECTION 1
OPERATING ACTIVITIES AND CASH FLOW

9,346
Revenue – DKK million

1,044
Free cash flow – DKK million

85%
Cash conversion ratio (CFFO/EBIT)

1.1 REVENUE BY GEOGRAPHIC REGION AND BUSINESS ACTIVITY

(DKK million)

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

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

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

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

ACCOUNTING POLICIES

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

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

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

1.2 EMPLOYEES

(DKK million)

	2014	2013
Staff costs:		
Wages and salaries	3,411	3,210
Defined contribution plans	40	56
Defined benefit plans (note 7.1)	20	19
Social security costs etc.	243	223
Total	**3,714**	**3,508**
Cash remuneration for Executive Board and Board of Directors:		
Executive Board, salary	13	12
Board of Directors, remuneration	3	3

The President & CEO of William Demant Holding is entitled to a seniority bonus, equivalent to one year's salary for every four years of employment after 2005. This seniority bonus is recognised as a defined benefit plan commitment and will be paid out on termination of his employment. In 2014, the basic remuneration for a member of the Parent's Board of Directors was DKK 300,000 (DKK 300,000 in 2013). The Chairman of the Board of Directors receives three times the basic remuneration and the Deputy Chairman twice the basic remuneration.

	2014	2013
Staff costs by function:		
Production costs	699	695
Research and development costs	461	420
Distribution costs	2,155	2,018
Administrative expenses	399	375
Total	**3,714**	**3,508**
Average number of full-time employees	9,799	9,063

1.3 AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

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

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

1.4 EARNINGS PER SHARE

	2014	2013
William Demant Holding A/S' shareholders' share of profit for the year, DKK million IS	1,326	1,285
Average number of shares, million	56.66	57.31
Average number of treasury shares, million	-1.03	-0.69
Average number of shares outstanding, million	**55.63**	**56.62**
Earnings per share (EPS), DKK IS	**23.8**	**22.7**
Diluted earnings per share (DEPS), DKK IS	**23.8**	**22.7**

1.5 INVENTORIES

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

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

ACCOUNTING POLICIES

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

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

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

1.6 RECEIVABLES

(DKK million)	2014	2013
Trade receivables BS	1,994	1,862
Other non-current receivables BS	569	566
Other current receivables BS	183	202
Total	**2,746**	**2,630**
Non-impaired receivables by age:		
Balance not due	2,005	1,951
0-3 months	391	382
3-6 months	107	149
6-12 months	117	68
Over 12 months	126	80
Total	**2,746**	**2,630**
Breakdown of allowance for impairment:		
Allowance for impairment at 1.1.	-143	-134
Foreign currency translation adjustments	-4	4
Applied during the year	14	14
Additions during the year	-86	-31
Reversals during the year	5	4
Allowance for impairment at 31.12.	**-214**	**-143**

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

ACCOUNTING POLICIES

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

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

1.7 SPECIFICATIONS TO CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	2014	2013
Amortisation and depreciation etc.	294	292
Share of profit after tax, associates and joint ventures IS	-65	-49
Gain on sale of intangible assets and property, plant and equipment	-2	0
Other non-cash items	68	-31
Non-cash items etc.	**295**	**212**

SECTION 2
FOREIGN CURRENCIES AND HEDGING

98%
Sales invoiced in foreign currencies

1,608
Contractual value of forward exchange contracts – DKK million

2.1 EXCHANGE RATE RISK POLICY

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

2.2 SENSITIVITY ANALYSIS IN RESPECT OF EXCHANGE RATES

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

Effect on EBIT, 5% positive exchange rate impact*

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

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

Effect on equity, 5% positive exchange rate impact

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

2.3 HEDGING AND FORWARD EXCHANGE CONTRACTS

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

Realised forward exchange contracts are recognised in the income statement together with the items, typically the revenue in foreign currency, that such contracts are designed to hedge. In 2014, our forward exchange contracts realised a gain of DKK 11 million (gain of DKK 68 million in 2013), which increased reported revenue for the year. In addition, we raised loans in foreign currencies to balance out net receivables. At year-end 2014, we had entered into forward exchange contracts with a contractual value of DKK 1,608 million (DKK 681 million in 2013) and a fair value of DKK -68 million (DKK 42 million in 2013).

Forward exchange contracts

2014

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

2013

	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	2014	4 months	562	-169	7	7	0
AUD	2014	6 months	519	-114	8	8	0
GBP	2014	10 months	878	-202	-3	0	3
CAD	2014	3 months	525	-79	3	3	0
JPY	2014	9 months	6.70	-117	27	27	0
				-681	**42**	**45**	**3**

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

ACCOUNTING POLICIES

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

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

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

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

2.4 EXCHANGE RATES

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

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

Exchange rate DKK per 100

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

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

ACCOUNTING POLICIES

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

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

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

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

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

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

SECTION 3
ASSET BASE

3,896
Intangible assets – carrying value
– DKK million

1,664
Property, plant and equipment – carrying value – DKK million

3.1 INTANGIBLE ASSETS

(DKK million)	Goodwill	Patents and licences	Other intangible assets	Total intangible assets
Cost at 1.1.2014	**3,545**	**96**	**86**	**3,727**
Foreign currency translation adjustments	196	0	7	203
Additions during the year	0	3	6	9
Additions relating to acquisitions	90	0	0	90
Transferred to/from other items	0	0	4	4
Cost at 31.12.2014	**3,831**	**99**	**103**	**4,033**
Amortisation at 1.1.2014	**-**	**-61**	**-51**	**-112**
Foreign currency translation adjustments	-	0	-3	-3
Amortisation for the year	-	-10	-12	-22
Amortisation at 31.12.2014	**-**	**-71**	**-66**	**-137**
Carrying amount at 31.12.2014 BS	**3,831**	**28**	**37**	**3,896**
Cost at 1.1.2013	**2,565**	**96**	**74**	**2,735**
Foreign currency translation adjustments	-153	0	-2	-155
Additions during the year	0	0	1	1
Additions relating to acquisitions	1,133	0	13	1,146
Cost at 31.12.2013	**3,545**	**96**	**86**	**3,727**
Amortisation at 1.1.2013	**-**	**-49**	**-41**	**-90**
Foreign currency translation adjustments	-	0	1	1
Amortisation for the year	-	-12	-11	-23
Amortisation at 31.12.2013	**-**	**-61**	**-51**	**-112**
Carrying amount at 31.12.2013 BS	**3,545**	**35**	**35**	**3,615**

ACCOUNTING POLICIES

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

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

ACCOUNTING POLICIES – *CONTINUED*

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

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

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

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

3.2 PROPERTY, PLANT AND EQUIPMENT

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

3.2 PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

Group property, plant and equipment with a carrying amount of DKK 0 million (DKK 1 million in 2013) have been provided in security of debt to credit institutions of DKK 0 million (DKK 1 million in 2013). Financial leases mainly concern properties acquirable at favourable prices on expiry of the term of such leases. At year-end, the contractual obligation as regards the acquisition of property, plant and equipment amounted to DKK 48 million (DKK 62 million in 2013). Neither in 2014 nor in 2013, have changes been made in material estimates in respect of property, plant and equipment, except for the recognition of DKK 10 million in respect of impairment of a property in 2013.

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

ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

3.3 OTHER NON-CURRENT ASSETS

(DKK million)	Investments in associates and joint ventures	Receivables from associates and joint ventures	Other investments	Other receivables
Cost at 1.1.2014	**513**	**151**	**19**	**608**
Foreign currency translation adjustments	25	17	1	50
Additions during the year	24	112	0	179
Additions relating to acquisitions	0	0	0	0
Disposals during the year	-8	-16	0	-166
Cost at 31.12.2014	**554**	**264**	**20**	**671**
Value adjustments at 1.1.2014	**-54**	**0**	**-8**	**-42**
Foreign currency translation adjustments	-1	0	0	-2
Share of profit after tax IS	65	-	-	-
Dividends received	-31	-	-	-
Other adjustments	-6	0	0	-58
Value adjustments at 31.12.2014	**-27**	**0**	**-8**	**-102**
Carrying amount at 31.12.2014 BS	**527**	**264**	**12**	**569**
Cost at 1.1.2013	**356**	**124**	**20**	**665**
Foreign currency translation adjustments	-1	-5	0	-36
Additions during the year	188	138	2	166
Additions relating to acquisitions	0	0	0	1
Disposals during the year	-30	-106	-3	-188
Cost at 31.12.2013	**513**	**151**	**19**	**608**
Value adjustments at 1.1.2013	**-42**	**0**	**-8**	**-42**
Foreign currency translation adjustments	0	0	0	2
Share of profit after tax IS	49	-	-	-
Dividends received	-50	-	-	-
Disposals during the year	-6	0	0	0
Other adjustments	-5	0	0	-2
Value adjustments at 31.12.2013	**-54**	**0**	**-8**	**-42**
Carrying amount at 31.12.2013 BS	**459**	**151**	**11**	**566**

Please refer to *Subsidiaries, associates and joint ventures* on page 89 for a list of associates and joint ventures. Ownership interest equals share of voting rights. For further details on associates and joint ventures refer to note 6.2.

3.4 NON-CURRENT ASSETS BY GEOGRAPHIC REGION

(DKK million)	2014	2013
Non-current assets by geographic region:		
Denmark	1,183	1,070
Other Europe	1,758	1,618
North America	3,737	3,399
Oceania	353	345
Asia	109	98
Other countries	30	26
Total BS	**7,170**	**6,556**

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

3.5 IMPAIRMENT TESTING

Impairment testing is carried out annually on preparation of the annual report or on indication of impairment in which discounted values of future cash flows are compared with carrying amounts. Group enterprises cooperate closely on research and development, purchasing, production, marketing and sale, as the use of resources in the individual markets is coordinated and monitored by Management in Denmark. Group enterprises are thus highly integrated. Consequently, Management considers the overall business as one cash-generating unit. Certain business activities, which to a higher degree act with more autonomy in relation to the Group, and whose profitability can be measured independently of the other activities, constitute a separate cash-generating unit. In relation to the existing integration in the Group and the recognised goodwill, neither at 31 December 2014 nor at 31 December 2013, had any separate cash-generating units been identified to which goodwill can be allocated. The annual impairment test was thus based on the Group as a whole. Based on the impairment test, a material excess value was identified compared to the carrying amounts for which reason no impairment of goodwill was made at 31 December 2014 and 31 December 2013. Future cash flows are based on the budget for 2015, on strategy plans and on projections hereof. Projections extending beyond 2015 are based on general parameters, such as expected market growth, selling prices and profitability assumptions. The terminal value for the period after 2015 is determined on the assumption of 2% growth (2% in 2013). The discount rate is 8% (9% in 2013). Sensitivity calculations show that even a significant increase in the discount rate or a significant reduction of the growth assumptions will not change the outcome of the impairment test. Apart from goodwill, all intangible assets have limited useful lives.

ACCOUNTING POLICIES

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

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

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

SECTION 4
CAPITAL STRUCTURE AND FINANCIAL MANAGEMENT

2,405
Net interest-bearing debt
– DKK million

1.17
Gearing multiple
NIBD/EBITDA

70
Net financial expenses
– DKK million

4.1 FINANCIAL RISK MANAGEMENT AND CAPITAL STRUCTURE

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

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

In 2014, our Board of Directors decided to raise the target for the Group's net interest-bearing debt over the coming years by announcing a share buy-back programme of DKK 2.5-3.0 billion from 2014 to 2016. We thus expect to see a modest and gradual increase towards a gearing multiple of 1.5 (NIBD/EBITDA) in the period from 2014 to 2016.

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

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

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

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

Exchange rate risks
The Group policy is described in note 2.1.

4.2 NET FINANCIAL ITEMS

(DKK million)	2014	2013
Interest on cash and bank deposits	2	1
Interest on receivables, customer loans etc.	34	31
Other financial income	3	4
Financial income from financial assets not measured at fair value in the income statement	**39**	**36**
Foreign exchange gains, net	0	9
Financial income IS	**39**	**45**
Interest on bank debt, mortgages etc.	-40	-46
Value adjustment transferred from equity relating to derivatives made for hedging loans	-1	-11
Interest on finance lease debt	0	-1
Financial expenses on financial liabilities not measured at fair value in the income statement	**-41**	**-58**
Foreign exchange losses, net	-8	0
Unwinding of discounts	-1	-2
Transaction fees	-59	-57
Financial expenses IS	**-109**	**-117**

ACCOUNTING POLICIES

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

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

4.3 CATEGORIES OF FINANCIAL INSTRUMENTS

(DKK million)	2014	2013
Unrealised gains on financial contracts BS	7	45
Financial assets used as hedging instruments	**7**	**45**
Receivables from associates and joint ventures BS	276	154
Other receivables BS	752	768
Trade receivables BS	1,994	1,862
Cash BS	443	328
Receivables and cash	**3,465**	**3,112**
Other investments BS	12	11
Financial assets available for sale	**12**	**11**
Unrealised losses on financial contracts	-76	-6
Financial liabilities used as hedging instruments	**-76**	**-6**
Unrealised losses on financial contracts	-4	-5
Financial liabilities at fair value through the income statement	**-4**	**-5**
Finance lease debt	-9	-10
Debt to credit institutions etc.	-1,005	-1,254
Interest-bearing bank debt	-2,498	-1,929
Trade payables BS	-342	-350
Other liabilities	-836	-940
Financial liabilities measured at amortised cost	**-4,690**	**-4,483**

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

ACCOUNTING POLICIES

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

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		
2014						
Interest-bearing receivables	90	272	449	811	664	
Cash BS	443	0	0	443	443	
Interest-bearing assets	**533**	**272**	**449**	**1,254**	**1,107**	**1.9%**
Finance lease debt	-1	-8	0	-9	-9	
Debt to credit institutions etc.	-1,004	-1	0	-1,005	-1,005	
Interest-bearing bank debt	-2,498	0	0	-2,498	-2,498	
Interest-bearing liabilities BS	**-3,503**	**-9**	**0**	**-3,512**	**-3,512**	**1.1%**
Net interest-bearing debt	**-2,970**	**263**	**449**	**-2,258**	**-2,405**	**0.8%**
2013						
Interest-bearing receivables	95	290	338	723	581	
Cash BS	328	0	0	328	328	
Interest-bearing assets	**423**	**290**	**338**	**1,051**	**909**	**2.0%**
Finance lease debt	-1	-10	0	-11	-10	
Debt to credit institutions etc.	-1,185	-73	0	-1,258	-1,254	
Interest-bearing bank debt	-1,929	0	0	-1,929	-1,929	
Interest-bearing liabilities BS	**-3,115**	**-83**	**0**	**-3,198**	**-3,193**	**1.3%**
Net interest-bearing debt	**-2,692**	**207**	**338**	**-2,147**	**-2,284**	**1.0%**

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

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

Interest-bearing debt broken down by currency: 50% in US dollars (57% in 2013), 47% in Danish kroner (6% in 2013), 0% in euros (24% in 2013), 0% in Canadian dollars (11% in 2013) and 3% in other currencies (2% in 2013).

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

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

Interest swaps

(DKK million)

	2014					2013				
	Expiry	Fixed interest rate	Contractual amount at year-end	Positive fair value at year-end	Negative fair value at year-end	Expiry	Fixed interest rate	Contractual amount at year-end	Positive fair value at year-end	Negative fair value at year-end
USD/USD	2016	2.3%	153	0	4	2016	2.3%	135	0	5
DKK/DKK	2015	3.5%	40	0	1	2015	3.5%	40	0	3
			193	**0**	**5**			**175**	**0**	**8**

The fair value of outstanding interest swaps at the balance sheet date is DKK -5 million (DKK -8 million in 2013). The contractual value of outstanding interest swaps is DKK 193 million (DKK 175 million in 2013), such swaps running up to and including 2016. This includes one interest swap that is not designated as hedging. This swap has a fair value of DKK -4 million (DKK -5 million in 2013). There has been no ineffectiveness on interest swaps in 2014 or 2013.

Sensitivity analysis in respect of interest rates

Based on the Group's net debt at the end of the 2014 financial year, a rise of 1 percentage point in the general interest rate level will cause an increase in consolidated annual interest expenses before tax of approximately DKK 22 million (DKK 20 million in 2013). About 6% of the interest-bearing debt is subject to fixed interest rates, partly due to interest swaps being made at floating interest rates and partly due to loans being raised at fixed interest rates.

4.5 FAIR VALUE HIERARCHY

Methods and assumptions for calculation of fair values

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

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

Contingent considerations

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

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

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

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

4.5 FAIR VALUE HIERARCHY – *CONTINUED*

(DKK million)	2014				2013			
	Level 1	Level 2	Level 3	**Total**	Level 1	Level 2	Level 3	**Total**
Financial assets used as hedging instruments	0	7	0	**7**	0	45	0	**45**
Other investments (available for sale)	0	0	12	**12**	0	0	11	**11**
Financial liabilities used as hedging instruments	0	-76	0	**-76**	0	-6	0	**-6**
Financial liabilities at fair value through the income statement	0	-4	0	**-4**	0	-5	0	**-5**
Contingent considerations	0	0	-136	**-136**	0	0	-262	**-262**

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

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

Level 3 assets and liabilities (DKK million)	Financial assets available for sale		Contingent considerations	
	2014	**2013**	**2014**	**2013**
Carrying amount at 1.1.	11	12	-262	-329
Foreign currency translation adjustment	1	0	-21	29
Acquisitions	0	2	-12	-145
Sale and settlements	0	-3	83	137
Other adjustments	0	0	76	46
Transferred to/from level 3	0	0	0	0
Carrying amount at 31.12.	**12**	**11**	**-136**	**-262**

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

ACCOUNTING POLICIES

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

232
Paid corporate tax in Denmark
– DKK million

21.5%
Effective tax rate

5.1 TAX ON PROFIT

(DKK million)

	2014	2013
Tax on profit for the year:		
Current tax on profit for the year	-333	-392
Adjustment of current tax, prior years	5	10
Change in deferred tax	-36	-10
Adjustment of deferred tax, prior years	-1	6
Impact of changes in corporate tax rates	1	8
Total IS	**-364**	**-378**
Reconciliation of tax rates:		
Danish corporate tax rate	24.5%	25.0%
Differences between tax rates of non-Danish enterprises and Danish corporate tax rate	0.1%	-0.3%
Impact of changes in corporate tax rates	-0.1%	-0.5%
Use of tax assets not previously recognised	-0.5%	-0.1%
Permanent differences	-1.2%	-1.3%
Other items, including prior-year adjustments	-1.3%	-0.1%
Effective tax rate	**21.5%**	**22.7%**

ACCOUNTING POLICIES

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

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

5.2 DEFERRED TAX

(DKK million)

	2014	2013
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets BS	238	266
Deferred tax liabilities BS	-134	-146
Deferred tax, net at 31.12.	**104**	**120**
Deferred tax, net at 1.1.	120	119
Foreign currency translation adjustments	10	-19
Changes in deferred tax assets	-36	-10
Additions relating to acquisitions	0	11
Adjustment of deferred tax, prior years	-1	6
Impact of changes in corporate tax rates	1	8
Deferred tax relating to changes in equity, net	10	5
Deferred tax, net at 31.12.	**104**	**120**

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

Breakdown of the Group's temporary differences and changes:	Temporary differences at 1.1.2014	Foreign currency translation adjustments	Acquisitions	Recognised in profit for the year	Recognised in other comprehensive income	Temporary differences at 31.12.2014
Intangible assets	-78	-4	0	-2	0	-84
Property, plant and equipment	-38	-2	0	-9	0	-49
Inventories	137	1	0	-6	0	132
Receivables	7	0	0	4	0	11
Provisions	13	6	0	-25	0	-6
Tax losses	47	4	0	2	0	53
Other	32	5	0	0	10	47
Total	**120**	**10**	**0**	**-36**	**10**	**104**

ACCOUNTING POLICIES

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

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

SECTION 6
ACQUISITIONS, ASSOCIATES AND JOINT VENTURES

84
Acquisition cost – DKK million

65
Share of profit after tax, associates and joint ventures – DKK million

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES

(DKK million)	North America	Oceania	Europe/ Asia	Total
	Fair value on acquisition			
2014				
Intangible assets	0	0	0	0
Property, plant and equipment	1	0	3	4
Other non-current assets	0	0	5	5
Inventories	0	0	2	2
Current receivables	1	0	11	12
Cash and bank debt	0	0	10	10
Non-current liabilities	-1	0	-18	-19
Current liabilities	-5	-1	-14	-20
Acquired net assets	**-4**	**-1**	**-1**	**-6**
Goodwill	32	7	51	90
Acquisition cost	**28**	**6**	**50**	**84**
Fair value of non-controlling interests on obtaining control	0	0	0	0
Contingent considerations and deferred payments	-6	-1	-5	-12
Acquired cash and bank debt	0	0	-10	-10
Cash acquisition cost	**22**	**5**	**35**	**62**
2013				
Intangible assets	12	0	1	13
Property, plant and equipment	6	1	25	32
Other non-current assets	1	0	18	19
Inventories	5	0	60	65
Current receivables	31	0	79	110
Cash and bank debt	11	0	13	24
Non-current liabilities	-151	0	-77	-228
Current liabilities	-33	0	-121	-154
Acquired net assets	**-118**	**1**	**-2**	**-119**
Goodwill	481	32	620	1,133
Acquisition cost	**363**	**33**	**618**	**1,014**
Fair value of non-controlling interests on obtaining control	-54	0	-32	-86
Contingent considerations and deferred payments	-106	-7	-32	-145
Acquired cash and bank debt	-11	0	-13	-24
Cash acquisition cost	**192**	**26**	**541**	**759**

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES – *CONTINUED*

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

In connection with step acquisitions, non-controlling interests were at the time of achieving control included at their fair values with fair value adjustments in the income statement.

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

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

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

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

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

The revenue and profit of the acquired enterprises since our acquisition in 2014 amounted to DKK 12 million (DKK 311 million in 2013) and DKK 1 million (DKK 17 million in 2013), respectively. Had such revenue and profit been consolidated on 1 January 2014, we estimate that consolidated pro forma revenue and profit would have been DKK 9,366 million (DKK 9,221 million in 2013) and DKK 1,328 million (DKK 1,300 million in 2013), respectively. In our opinion, these pro forma figures reflect the level of consolidated earnings after our acquisition of the enterprises and consequently, the amounts can form a basis for comparison in subsequent financial years.

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

From the balance sheet date and until the date of financial reporting in 2015, we have acquired a few minor distribution enterprises. We are in the process of calculating their fair values. The acquisition cost is expected to relate primarily to goodwill.

ACCOUNTING POLICIES

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

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

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

6.2 ASSOCIATES AND JOINT VENTURES

In 2014, the Group received royalties from and paid licence fees amounting to DKK 0 million (DKK 2 million in 2013) to associates and also received dividends from associates and joint ventures in the amount of DKK 31 million (DKK 50 million in 2013). Furthermore, in 2014 the Group recharged costs of DKK 5 million (DKK 0 million in 2013) to associates. In 2014, the Group received interest income from associates in the amount of DKK 6 million (DKK 5 million in 2013).

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

	Associates		Joint ventures	
(DKK million)	**2014**	**2013**	**2014**	**2013**
Financial information (Group share):	346	349	286	248
Revenue	7	0	58	49
Net profit for the year	7	0	58	49
Comprehensive income				

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

ACCOUNTING POLICIES

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

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

SECTION 7
PROVISIONS, OTHER LIABILITIES ETC.

158
Provisions
– DKK million

1,076
Other liabilities
– DKK million

7.1 PROVISIONS

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

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

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

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

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

7.1 PROVISIONS – *CONTINUED*

ACCOUNTING POLICIES

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

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

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

Defined benefit costs are categorised as follows:

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

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

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

7.2 OTHER LIABILITIES

(DKK million)	2014	2013
Product-related liabilities	240	182
Staff-related liabilities	306	278
Other debt, public authorities	141	129
Debt relating to acquisitions	136	262
Other costs payable	253	271
Other liabilities	**1,076**	**1,122**
Due within 1 year BS	956	902
Due within 1-5 years BS	120	220

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

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

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

ACCOUNTING POLICIES

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

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

7.3 OPERATING LEASE COMMITMENTS

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

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

7.4 CONTINGENT LIABILITIES

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.

For the purposes of section 17 of the Republic of Ireland Companies (Amendment) Act, William Demant Holding A/S has undertaken to indemnify the creditors of its subsidiaries incorporated in the Republic of Ireland in respect of all losses and liabilities as referred to in section 5 c of said act for the financial year ending on 31 December 2014 or any amended financial period incorporating the said financial year. The Company does not expect any material loss to arise from this guarantee.

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. Controlling interest is achieved through a combination of the Oticon Foundation's own shareholding and the shareholding of William Demant Invest A/S for which the Oticon Foundation exercises the voting rights. Associated enterprises of William Demant Invest A/S are related parties to the William Demant Group.

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

Subsidiaries, associates and joint ventures as well as the William Demant Group's ownership interests in these companies appear from the *Subsidiaries, associates and joint ventures* list on page 89 and financial information on associates and joint ventures can be found in note 6.2.

In 2014, the Oticon Foundation and William Demant Invest A/S paid administration fees to the Group of DKK 2 million (DKK 2 million in 2013) and DKK 5 million (DKK 5 million in 2013), respectively. The Group paid service fees to Össur hf. in 2014 of DKK 1 million (DKK 0 million in 2013).

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

In 2013 and 2014, William Demant Invest A/S advanced a loan to the Group. At the end of 2014, the loan amounted to DKK 0 million (DKK 0 million in 2013) and the Group paid interest in the amount of DKK 2 million on the loan in 2014 (DKK 3 million in 2013). In 2013 and 2014, the Group settled Danish tax on account and residual tax with William Demant Invest A/S, which is the administration company for the joint taxation.

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

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

(DKK million)	2014	2013
Statutory audit	7	8
Other assurance engagements	0	0
Tax and VAT advisory services	3	2
Other services	1	2
Total	**11**	**12**

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

8.3 GOVERNMENT GRANTS

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

ACCOUNTING POLICIES

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

8.4 EVENTS AFTER THE BALANCE SHEET DATE

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

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

8.5 APPROVAL AND PUBLICATION

At the Board meeting on 26 February 2015, our Board of Directors approved this Annual Report for publication. The Annual Report will be presented to the shareholders of William Demant Holding A/S for adoption at the annual general meeting on 9 April 2015.

8.6 SHAREHOLDERS

The name of the shareholder below is recorded in the register of shareholders as owner of minimum 5% of the votes or minimum 5% of the share capital:

William Demant Invest A/S and this company's Parent, *William Demants og Hustru Ida Emilies Fond* (the Oticon Foundation), Kongebakken 9, 2765 Smørum, Denmark. Ownership interest is approximately 56% of share capital (58% of shares outstanding). William Demant Invest A/S prepares consolidated financial statements in which the William Demant Group is included.

8.7 BOARD OF DIRECTORS AND EXECUTIVE BOARD

The members of the Board of Directors and Executive Board of William Demant Holding A/S hold other executive functions as specified below:

Board of Directors	Other executive functions
Lars Nørby Johansen, Chairman	Codan A/S and one subsidiary, chairman of the board The Danish Growth Council, chairman Dansk Vækstkapital, chairman of the board Copenhagen Airports A/S, chairman of the board Montana Møbler A/S, chairman of the board University of Southern Denmark, chairman of the board The Rockwool Foundation, chairman of the board and member of the executive committee Arp-Hansen Hotel Group A/S, deputy chairman of the board Index Award A/S, board member Fonden for Entreprenørskab – Young Enterprise, chairman of the board
Peter Foss, Deputy Chairman	FOSS A/S, chairman of the board N. Foss & Co. A/S, chairman of the board The Oticon Foundation, deputy chairman of the board William Demant Invest A/S, deputy chairman of the board A.R. Holding af 1999 A/S, board member TrackMan A/S, board member
Niels B. Christiansen	Danfoss A/S, President & CEO and board memberships in four subsidiaries Axcel Industriinvestor A/S, chairman of the board A.P. Møller - Mærsk A/S, board member
Benedikte Leroy	Dell Computer Corporation, VP & EMEA General Counsel Dell GmbH, Germany, chairman of the supervisory board
Ole Lundsgaard	Interacoustics A/S, staff-elected board member
Jørgen Møller Nielsen	Deputy chairman of the local business group under The Danish Society of Engineers (IDA)
Karin Ubbesen	Oticon A/S, shop steward, staff-elected board member

Executive Board

Niels Jacobsen, President & CEO	**External functions:** LEGO A/S, chairman of the board A.P. Møller - Mærsk A/S, deputy chairman of the board KIRKBI A/S, deputy chairman of the board Thomas B. Thriges Fond (Thomas B. Thrige Foundation), chairman of the board **Group-related functions:** William Demant Invest A/S, Managing Director Jeudan A/S, deputy chairman of the board Össur hf., chairman of the board Sennheiser Communications A/S, board member HIMPP A/S, chairman of the board HIMSA A/S, chairman of the board HIMSA II A/S, board member

SECTION 9
BASIS FOR PREPARATION

9.1 GROUP ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Enterprises in which the Group holds 20-50% of the voting rights and/or in some other manner can or actually does exercise significant influence are considered to be associates or joint ventures and are incorporated proportionately into the consolidated financial statements using the equity method.

Consolidation principles
The consolidated financial statements are prepared on the basis of the financial statements for the Parent and its subsidiaries by aggregating uniform items. Enterprises which, by agreement, are managed jointly with one or more other enterprises are recognised using the equity method. The financial statements included in the consolidated financial statements are prepared in accordance with the Group's accounting policies. Intra-Group income, expenses, shareholdings, balances and dividends as well as unrealised intra-Group profits on inventories are eliminated.

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

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

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

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

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

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

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

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

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

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

Treasury shares and dividend
On the buy-back of shares or sale of treasury shares, the purchase price or selling price, respectively, is recognised directly in equity under other reserves (retained earnings). A capital reduction through the cancellation of treasury shares will reduce the share capital by an amount corresponding to the nominal value of such shares. Proposed dividends are recognised as a liability at the time of adoption at the annual general meeting.

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

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

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

9.2 RESTATEMENT OF 2013 FINANCIAL FIGURES

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

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

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

Income statement and other comprehensive income Group (DKK million)	2013				
	According to Annual Report 2013	Effect of change in accounting policies	Effect of change in classification principle	Error in prior periods' financial figures	Restated 2013 financial figures
Revenue	**9,209**	**-250**			**8,959**
Production costs	-2,537	122	-26		-2,441
Gross profit	**6,672**	**-128**	**-26**		**6,518**
Research and development costs	-664	30			-634
Distribution costs	-3,673	26	26	-31	-3,652
Administrative expenses	-551	6			-545
Share of profit after tax, associates and joint ventures	0	49			49
Operating profit (EBIT)	**1,784**	**-17**	**0**	**-31**	**1,736**
Financial income	52	0	-7		45
Financial expenses	-124	0	7		-117
Profit before tax	**1,712**	**-17**	**0**	**-31**	**1,664**
Tax on profit for the period	-401	17		6	-378
Profit for the year	**1,311**	**0**	**0**	**-25**	**1,286**
Other comprehensive income	-189	1			-188
Comprehensive income for the year	**1,122**	**1**	**0**	**-25**	**1,098**
Earnings per share (EPS), DKK	23.1	0	0	-0.4	22.7
Diluted earnings per share (DEPS), DKK	23.1	0	0	-0.4	22.7
Cash flow					
Cash flow from operating profit	1,782	-95	0	-7	1,680
Cash flow from operating activities (CFFO)	1,320	-31	0	-7	1,282
Cash flow from investing activities (CFFI)	-1,645	6	0	0	-1,639
Cash flow from financing activities (CFFF)	41	-1	0	0	40
Cash flow for the year, net	**-284**	**-26**	**0**	**-7**	**-317**

9.2 RESTATEMENT OF 2013 FINANCIAL FIGURES – *CONTINUED*

Group (DKK million)	31 December 2013			
	According to Annual Report 2013	Effect of change in accounting policies	Error in prior periods' financial figures	Restated 2013 financial figures
Intangible assets	**3,618**	**-3**	**0**	**3,615**
Property, plant and equipment	**1,496**	**-8**	**0**	**1,488**
Investments in associates and joint ventures	424	35	0	459
Receivables from associates and joint ventures	151	0	0	151
Other investments	11	0	0	11
Other receivables	566	0	0	566
Deferred tax assets	267	-1	0	266
Other non-current assets	**1,419**	**34**	**0**	**1,453**
Non-current assets	**6,533**	**23**	**0**	**6,556**
Inventories	1,147	-5	0	1,142
Trade receivables	1,881	-12	-7	1,862
Receivables from associates and joint ventures	3	0	0	3
Income tax	66	-1	7	72
Other receivables	211	-9	0	202
Unrealised gains on financial contracts	45	0	0	45
Prepaid expenses	108	0	0	108
Cash	363	-28	-7	328
Current assets	**3,824**	**-55**	**-7**	**3,762**
Assets	**10,357**	**-32**	**-7**	**10,318**
Equity	**5,080**	**1**	**-25**	**5,056**
Interest-bearing debt	81	0	0	81
Deferred tax liabilities	146	0	0	146
Provisions	132	0	0	132
Other liabilities	221	-1	0	220
Deferred income	34	0	0	34
Non-current liabilities	**614**	**-1**	**0**	**613**
Interest-bearing debt	3,112	0	0	3,112
Trade payables	367	-19	2	350
Income tax	65	0	0	65
Provisions	16	0	0	16
Other liabilities	899	-13	16	902
Unrealised losses on financial contracts	11	0	0	11
Deferred income	193	0	0	193
Current liabilities	**4,663**	**-32**	**18**	**4,649**
Liabilities	**5,277**	**-33**	**18**	**5,262**
Equity and liabilities	**10,357**	**-32**	**-7**	**10,318**

PARENT INCOME STATEMENT

(DKK million)	Note	2014	2013
Administrative expenses	10.1 10.2	-53	-60
Other operating income and expenses		65	34
Operating profit/(loss) (EBIT)		**12**	**-26**
Share of profit after tax, subsidiaries	10.7	1,030	1,110
Share of profit after tax, associates	10.7	58	45
Financial income	10.3	28	31
Financial expenses	10.3	-34	-38
Profit before tax		**1,094**	**1,122**
Tax on profit for the year	10.4	1	11
Profit for the year		**1,095**	**1,133**
Proposed distribution of net profit:			
Transferred to reserves for net revaluation according to the equity method		230	583
Retained earnings		865	550
		1,095	**1,133**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2014	2013
Assets			
Goodwill		49	52
Rights		0	1
Intangible assets	10.5	**49**	**53**
Land and buildings		24	24
Other plant, fixtures and operating equipment		0	2
Property, plant and equipment	10.6	**24**	**26**
Investments in subsidiaries	10.7	6,814	6,014
Receivables from subsidiaries	10.7	1,670	1,795
Investments in associates and joint ventures	10.7	105	72
Receivables from associates and joint ventures		4	13
Other investments	10.7	2	2
Other receivables	10.7	7	7
Financial assets		**8,602**	**7,903**
Non-current assets		**8,675**	**7,982**
Income tax		2	7
Prepaid expenses		1	3
Receivables		**3**	**10**
Current assets		**3**	**10**
Assets		**8,678**	**7,992**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2014	2013
Equity and liabilities			
Share capital		57	57
Other reserves		2,121	1,791
Retained earnings		3,129	3,151
Total equity		**5,307**	**4,999**
Other provisions		35	30
Deferred tax liabilities	10.4	15	11
Provisions		**50**	**41**
Interest-bearing debt	10.8	0	12
Debt to subsidiaries		11	0
Other debt	10.8	15	50
Non-current liabilities		**26**	**62**
Interest-bearing debt		962	1,128
Debt to subsidiaries		2,315	1,722
Other debt	10.8	18	40
Current liabilities		**3,295**	**2,890**
Liabilities		**3,321**	**2,952**
Equity and liabilities		**8,678**	**7,992**

Contingent liabilities	10.9
Related parties	10.10
Shareholders	10.11
Events after the balance sheet date	10.12
Parent accounting policies	10.13

PARENT STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Other reserves: Foreign currency translation reserve	Other reserves: Hedging reserve	Other reserves: Reserve according to equity method	Retained earnings	Total equity
Equity at 1.1.2013	**58**	**-91**	**-7**	**1,500**	**2,700**	**4,160**
Profit for the year	-	-	-	583	550	1,133
Foreign currency translation adjustment of investments in subsidiaries etc.	-	-8	-	-213	-	-221
Other changes in equity in subsidiaries	-	-	-	18	-	18
Value adjustment of hedging instruments	-	-	9	-	-	9
Tax relating to changes in equity	-	2	-2	-	-	0
Buy-back of shares	-	-	-	-	-101	-101
Capital reduction through cancellation of treasury shares	-1	-	-	-	1	0
Other changes in equity	-	-	-	0	1	1
Equity at 31.12.2013	**57**	**-97**	**-**	**1,888**	**3,151**	**4,999**
Profit for the year	-	-	-	230	865	1,095
Foreign currency translation adjustment of investments in subsidiaries etc.	-	15	-	201	-	201
Other changes in equity in subsidiaries	-	-	-	-112	-	-112
Value adjustment of hedging instruments	-	-	0	-	-	0
Tax relating to changes in equity	-	-4	0	-	-	-4
Buy-back of shares	-	-	-	-	-887	-887
Capital reduction through cancellation of treasury shares	0	-	-	-	0	0
Other changes in equity	-	-	-	0	0	0
Equity at 31.12.2014	**57**	**-86**	**-**	**2,207**	**3,129**	**5,307**

	2014	**2013**	**2012**	**2011**	**2010**
Changes in share capital:					
Share capital at the beginning of the year	57	58	58	58	59
Reduction of share capital through cancellation of treasury shares	0	-1	0	0	-1
Share capital at the end of the year	**57**	**57**	**58**	**58**	**58**

At year-end 2014, the share capital was nominally DKK 57 million (DKK 57 million in 2013) divided into a corresponding number of shares of DKK 1. There are no restrictions on the negotiability or voting rights of the shares. At year-end 2014, the number of shares outstanding was 54,560,834 (56,460,113 in 2013). For additional information, please refer to note 10.11.

	2014		**2013**	
	Treasury shares	Percentage of share capital	Treasury shares	Percentage of share capital
Holding of treasury shares:				
Treasury shares at 1.1.	201,525	0.4%	1,688,237	2.9%
Cancellation of treasury shares	0	0.0%	-1,688,237	-2.9%
Buy-back of shares	1,899,279	3.3%	201,525	0.4%
Treasury shares at 31.12.	**2,100,804**	**3.7%**	**201,525**	**0.4%**

As part of the Company's share buy-back programme, the Company bought back 1,899,279 shares in 2014 (201,525 shares in 2013) worth a total of DKK 887 million (DKK 101 million in 2013).

SECTION 10
NOTES TO PARENT FINANCIAL STATEMENTS

10.1 EMPLOYEES

(DKK million)	2014	2013
Staff costs:		
Wages and salaries	33	32
Total	**33**	**32**
Cash remuneration for Executive Board and Board of Directors:		
Executive Board, salary	13	12
Board of Directors, remuneration	3	3

For a description of seniority bonus, reference is made to note 1.2 in the consolidated financial statements. In 2014, the basic remuneration for a member of the Parent's Board of Directors was DKK 300,000 (DKK 300,000 in 2013). The Chairman of the Board of Directors receives three times the basic remuneration and the Deputy Chairman twice the basic remuneration.

	2014	2013
Average number of full-time employees	15	15

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

(DKK million)	2014	2013
Statutory audit	1	1
Total	**1**	**1**

10.3 NET FINANCIAL ITEMS

(DKK million)	2014	2013
Interest from subsidiaries	27	26
Interest income	1	2
Foreign exchange gains, net	0	3
Financial income IS	**28**	**31**
Interest to subsidiaries	-18	-13
Interest expenses	-12	-24
Transaction costs	-1	-1
Foreign exchange losses, net	-3	0
Financial expenses IS	**-34**	**-38**

10.4 TAX ON PROFIT FOR THE YEAR AND DEFERRED TAX

(DKK million)

	2014	2013
Tax on profit for the year:		
Current tax on profit for the year	5	7
Change in deferred tax	-4	1
Adjustment of deferred tax, prior years	0	2
Impact of changes in corporate tax rates	0	1
Total IS	**1**	**11**
Reconciliation of tax rates:		
Tax on profit for the year	5	11
Tax on entries on equity	-4	0
Total	**1**	**11**
Deferred tax is recognised in the balance sheet as follows:		
Deferred tax assets	0	0
Deferred tax liabilities BS	-15	-11
Deferred tax, net at 31.12.	**-15**	**-11**
Deferred tax, net at 1.1.	-11	-15
Change in deferred tax assets	-4	1
Adjustment of deferred tax, prior years	0	2
Impact of changes in corporate tax rates	0	1
Deferred tax, net at 31.12.	**-15**	**-11**

10.5 INTANGIBLE ASSETS

(DKK million)	Goodwill	Rights	Total intangible assets
Cost at 1.1.2014	**65**	**7**	**72**
Additions during the year	0	0	0
Cost at 31.12.2014	**65**	**7**	**72**
Amortisation at 1.1.2014	**-13**	**-6**	**-19**
Amortisation for the year	-3	-1	-4
Amortisation at 31.12.2014	**-16**	**-7**	**-23**
Carrying amount at 31.12.2014 BS	**49**	**0**	**49**
Cost at 1.1.2013	**65**	**7**	**72**
Additions during the year	0	0	0
Cost at 31.12.2013	**65**	**7**	**72**
Amortisation at 1.1.2013	**-9**	**-4**	**-13**
Amortisation for the year	-4	-2	-6
Amortisation at 31.12.2013	**-13**	**-6**	**-19**
Carrying amount at 31.12.2013 BS	**52**	**1**	**53**

Goodwill is amortised over 20 years, reflecting the useful life estimated by Management.

10.6 PROPERTY, PLANT AND EQUIPMENT

(DKK million)	Land and buildings	Other plant, fixtures and operating equipment	Total property, plant and equipment
Cost at 1.1.2014	**30**	**2**	**32**
Disposals during the year	0	-2	-2
Cost at 31.12.2014	**30**	**0**	**30**
Depreciation and impairment losses at 1.1.2014	**-6**	**0**	**-6**
Depreciation for the year	0	-1	-1
Disposals during the year	0	1	1
Depreciation and impairment losses at 31.12.2014	**-6**	**0**	**-6**
Carrying amount at 31.12.2014 BS	**24**	**0**	**24**
Cost at 1.1.2013	**30**	**2**	**32**
Additions during the year	0	0	0
Cost at 31.12.2013	**30**	**2**	**32**
Depreciation and impairment losses at 1.1.2013	**-6**	**0**	**-6**
Depreciation for the year	0	0	0
Depreciation and impairment losses at 31.12.2013	**-6**	**0**	**-6**
Carrying amount at 31.12.2013 BS	**24**	**2**	**26**

The Parent has no financially leased assets.

10.7 FINANCIAL ASSETS

(DKK million)	Investments in subsidiaries	Receivables from subsidiaries	Investments in associates and joint ventures	Other investments	Other receivables
Cost at 1.1.2014	4,075	1,795	127	1	7
Foreign currency translation adjustments	0	14	0	0	1
Additions during the year	481	8	5	0	0
Additions relating to acquisitions	0	0	0	0	0
Disposals during the year	0	-147	0	0	-1
Cost at 31.12.2014	**4,556**	**1,670**	**132**	**1**	**7**
Value adjustments at 1.1.2014	1,939	0	-55	1	0
Foreign currency translation adjustments	201	0	0	0	0
Share of profit after tax IS	1,030	-	58	-	-
Dividends received	-800	-	-30	-	-
Disposals during the year	0	0	0	0	0
Other adjustments	-112	0	0	0	0
Value adjustments at 31.12.2014	**2,258**	**0**	**-27**	**1**	**0**
Carrying amount at 31.12.2014 BS	**6,814**	**1,670**	**105**	**2**	**7**
Cost at 1.1.2013	3,034	1,527	129	3	15
Foreign currency translation adjustments	0	-8	0	0	0
Additions during the year	1,041	300	16	0	7
Additions relating to acquisitions	0	5	0	0	0
Disposals during the year	0	-29	-18	-2	-15
Cost at 31.12.2013	**4,075**	**1,795**	**127**	**1**	**7**
Value adjustments at 1.1.2013	1,550	0	-51	1	0
Foreign currency translation adjustments	-213	0	0	0	0
Share of profit after tax IS	1,110	-	45	-	-
Dividends received	-527	-	-50	-	-
Disposals during the year	0	0	1	0	0
Other adjustments	19	0	0	0	0
Value adjustments at 31.12.2013	**1,939**	**0**	**-55**	**1**	**0**
Carrying amount at 31.12.2013 BS	**6,014**	**1,795**	**72**	**2**	**7**

The carrying amounts of investments in subsidiaries include capitalised goodwill in the net amount of DKK 3,503 million (DKK 3,400 million in 2013). Amortisation of consolidated capitalised goodwill for the year is DKK 210 million (DKK 169 million in 2013). Receivables from subsidiaries of DKK 1,670 million (DKK 1,795 million in 2013) are considered additions to the total investments in the particular enterprises and are therefore considered non-current. Other receivables worth DKK 7 million (DKK 7 million in 2013) will fall due after five years. Please refer to page 89 for a list of subsidiaries, joint ventures and associates.

10.8 OTHER DEBT

(DKK million)	2014	2013
Staff-related liabilities	1	1
Other debt, public authorities	3	1
Liabilities relating to acquisitions	27	84
Other costs payable	2	4
Other debt	**33**	**90**
Due within 1 year BS	18	40
Due within 1-5 years BS	15	50

Staff-related liabilities include holiday pay and payroll costs due. The carrying amount of other debt matches the fair value of the debt.

Of the non-current interest-bearing debt in the amount of DKK 0 million (DKK 12 million in 2013), DKK 0 million (DKK 0 million in 2013) will fall due after five years.

10.9 CONTINGENT LIABILITIES

William Demant Holding A/S has provided security in respect of credit facilities established by Danish subsidiaries. These credit facilities totalled DKK 1,500 million (DKK 1,713 million in 2013) of which DKK 971 million were drawn (DKK 1,194 million in 2013). Moreover, we have established a mutual guarantee with Oticon A/S in the amount of DKK 650 million (DKK 400 million in 2013), which is being drawn upon on a current basis.

William Demant Holding A/S has provided security in respect of rent as well as guarantees concerning the continuous operation and payment of liabilities in 2015 to some of our subsidiaries.

The Parent is jointly taxed with William Demant Invest A/S, which is the administration company. Under the Danish Corporation Tax Act, the Parent is liable for any obligation to withhold tax at source in respect of interest, royalties and dividends in relation to the jointly taxed enterprises.

For the purposes of section 17 of the Republic of Ireland Companies (Amendment) Act, William Demant Holding A/S has undertaken to indemnify the creditors of its subsidiaries incorporated in the Republic of Ireland in respect of all lossses and liabilities as referred to in section 5 c of said act for the financial year ending on the 31 December 2014 or any amended financial period incorporating the said financial year. The Company does not expect any material loss to arise from this guarantee.

10.10 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. Controlling interest is achieved through a combination of the Oticon Foundation's own shareholding and the shareholding of William Demant Invest A/S for which the Oticon Foundation exercises the voting rights. Associated enterprises of William Demant Invest A/S are related parties to William Demant Holding A/S.

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.

10.11 SHAREHOLDERS

The name of the shareholder below is recorded in the register of shareholders as owner of minimum 5% of the votes or minimum 5% of the share capital:

William Demant Invest A/S and this company's Parent, *William Demants og Hustru Ida Emilies Fond* (the Oticon Foundation), Kongebakken 9, 2765 Smørum, Denmark. Ownership interest is approximately 56% of share capital (58% of shares outstanding). William Demant Invest A/S prepares consolidated financial statements in which the William Demant Group is included.

10.12 EVENTS AFTER THE BALANCE SHEET DATE

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

10.13 PARENT ACCOUNTING POLICIES

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

The Parent financial statements are presented in Danish kroner (DKK), which is also the functional currency for the Parent. The accounting policies are the same as last year. To ensure consistency with the classification used in the consolidated financial statements as described in note 9.1, joint ventures have, however, been reclassified from Investments in subsidiaries to Investments in associates and joint ventures in the Parent financial statements. The 2013 figures have been restated to reflect this change as well as errors in prior-period figures, please refer to note 9.2.

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

Balance sheet

Goodwill

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

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

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

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

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

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

Other investments
On initial recognition, other investments are measured at cost. Subsequently, they are measured at 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.

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, with the exception of actuarial gains and losses on plan assets and plan liabilities, which in the Parent are recognised in the income statement.

Cash flow statement
In compliance with section 84(4) of the Danish Financial Statements Act, a cash flow statement is not drawn up for the Parent, such statement being included in the consolidated cash flow statement.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

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

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

William Demant Holding A/S
Kongebakken 9
DK-2765 Smørum
Denmark
Phone +45 3917 7300
Fax +45 3927 8900
william@demant.com
www.demant.com
CVR no. 71186911

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

THE GLOBAL COMPACT
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William Demant