INTERIM REPORT
1 JANUARY – 30 JUNE
2016

William Demant

KEY FIGURES AND FINANCIAL RATIOS

	1st half 2016	1st half 2015	Change H1/H1	Full year 2015
INCOME STATEMENT, DKK MILLION				
Revenue	5,810	5,043	15%	10,665
Gross profit	4,349	3,743	16%	7,895
Research and development costs	404	369	9%	763
EBITDA	1,024	1,036	-1%	2,203
Amortisation and depreciation etc.	184	156	18%	325
Operating profit (EBIT)	840	880	-5%	1,878
Net financial items	-43	-33	30%	-69
Profit before tax	797	847	-6%	1,809
Profit for the period	634	669	-5%	1,439
BALANCE SHEET, DKK MILLION				
Net interest-bearing debt	3,914	2,391	64%	3,703
Assets	14,946	12,099	24%	14,390
Equity	6,704	6,088	10%	6,500
OTHER KEY FIGURES, DKK MILLION				
Investment in property, plant and equipment, net	146	176	-17%	375
Cash flow from operating activities (CFFO)	728	755	-4%	1,592
Free cash flow	504	543	-7%	1,129
Average number of employees	12,194	10,360	18%	10,803
FINANCIAL RATIOS				
Gross profit margin	74.9%	74.2%		74.0%
EBITDA margin	17.6%	20.5%		20.7%
Profit margin (EBIT margin)	14.5%	17.4%		17.6%
Return on equity	19.0%	22.6%		23.7%
Equity ratio	44.9%	50.3%		45.2%
Earnings per share (EPS), DKK*	2.4	2.5	-4%	5.3
Cash flow per share (CFPS), DKK*	2.7	2.8	-4%	5.9
Free cash flow per share, DKK*	1.9	2.0	-5%	4.2
Dividend per share, DKK*	0	0		0
Equity value per share, DKK*	25.2	22.4	13%	24.1
Price earnings (P/E)	27	20	35%	25
Share price, DKK*	130	102	27%	131
Market cap. adjusted for treasury shares, DKK million	34,309	27,551	25%	35,126
Average number of shares outstanding, million	265.82	271.74	-2%	270.13

Financial ratios are calculated in accordance with "Recommendations and Financial Ratios 2015" from the Danish Society of Financial Analysts. The free cash flow is calculated as the sum of cash flows 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.

**Per share of nominally DKK 0.2.*

MANAGEMENT COMMENTARY

Market conditions and business trends

The hearing aid market in general

In the first half-year of 2016, the global market for hearing aids saw growth rates slightly above the Group's general expectations of 4-5% unit growth in the market. The unit growth rate in North America was 6% in the first half-year (adjusted for new entrants in the HIA statistics), with growth rates of around 7% in the private sector and 3% in Veterans Affairs (VA). We believe that unit growth in the major European markets for hearing aids remained solid in the period under review, with Germany and France as the main positives.

Competition in the global hearing aids wholesale market remains fierce, and we are seeing the largest players in the market behaving in a commercially aggressive way. We have also seen a high level of forward integration in the industry in the past 12 months.

It is estimated that the average selling price (ASP) on the global hearing aid market is still under pressure, mainly due to mix shifts in channels, fiercer competition and changes to public subsidy schemes. We estimate that the ASP on the global market was slightly negative in the first half-year. However, the lack of official statistics on sales prices means that this estimate is subject to some uncertainty. In terms of value, the global market for hearing aids is estimated to have seen modest growth in the first half-year.

Group business activities

Hearing Devices

In the first half-year, Hearing Devices saw 18% growth in local currencies with modest growth in our wholesale business and strong growth in our retail business.

Our wholesale business – the development, manufacture and sale of hearing aids – generated organic revenue growth of 6%.

Oticon Opn™, the first product on the new Velox platform, was successfully launched at the end of the first half-year. Oticon Opn™ was launched in the Receiver-In-The-Ear (RITE) style, which is the most popular of all styles, at the highest price points and in all markets in the course of only a few weeks.

The Oticon Opn™ launch has created some volatility in the buying pattern in the high-end segment, with a slowdown in sales in the months prior to the launch, especially in the US, as a consequence of the early announcement of the introduction of Opn™. The unfavourable product and country mixes resulted in a 4% decrease in the Group's ASP, but we expect to see an improvement in the second half-year driven by Opn™. After a successful launch, Oticon Opn™ was off to a flying start, with strong initial sales and exceptionally positive feedback from end-users and hearing care professionals, so we remain confident in the new paradigm created by Oticon with Opn™ and the Velox platform.

In Europe, a considerable part of our unit growth in the first half-year was generated in channels with low ASPs. In the UK, unit sales to the public channel NHS positively impacted the Group's unit sales, resulting in a double-digit unit growth rate, which means that we took market share in this channel. However, the buying pattern of major public channels tends to vary, as we are well aware based on experience from previous years. The Group's wholesale business was positively impacted by the launch of Oticon Opn™ in June, especially in some of the major markets, but we also saw some delay in markets that use consignment stocks.

In North America, Oticon Opn™ was launched at a big event in Florida at the end of May attended by more than 1,500 customers. The Group's wholesale business saw a strong sales upturn after the introduction, which was particularly apparent in the independent channel in the US where we had seen a slowdown in sales in the months prior to the launch. In the first half-year, our market share with VA in the US remained fairly stable around 7% measured in value, which is, however, not satisfactory. Oticon Opn™ will be introduced to the VA channel in November 2016, which will strengthen our product offering towards this channel.

Our retail activities saw strong revenue growth of 43% in local currencies driven by a combination of organic and acquisitive growth, the latter particularly due to the acquisition of the French retail chain, Audika. The organic growth we have seen in our retail activities is broadly based across all regions, except the US where the pace is still slow due to the ongoing process of consolidating our highly fragmented retail businesses. Combined with ERP roll-outs and increased marketing spend, capacity costs have increased in our retail business. However, this exercise is necessary in order for us to be able to continue to grow and develop our business in the US.

Diagnostic Instruments

Diagnostic Instruments only saw modest 1% organic growth in the first half of 2016 in a global market that is adversely affected by material negative growth in the oil-dependent countries. We saw strong growth in Asia, with China as the main growth driver, whereas growth in Europe and the US was moderate. The cost level increased more than the top line in a challenging first half-year, but we expect a stronger result in the second half of the year.

Hearing Implants

In the first half-year, Hearing Implants saw 6% growth in local currencies of which 5 percentage points can be attributed to organic growth, which is below our expectations.

In the first half-year, the CI business only reported little growth. This is partly due to the timing of several large tenders and continuously slow growth in the oil-dependent markets, but mainly to a slow uptake in sales of the new Neuro implant. Neuro was launched in 2015 and was very well received by the most renowned clinics all over Europe, and feedback from the clinics has been extremely positive. The uptake in sales, however, remains slower than expected, as the time span between evaluating the results of the first implantations performed by clinics and scheduling new implantations is simply wider than anticipated. The lengthy process of building trust among surgeons is crucial, so we will continue to expand our distribution platform, which is a prerequisite for us to succeed in the long run. The introduction of Neuro in existing markets has furthermore resulted in some reluctance to buy older products.

As far as our BAHS business is concerned, the increase in revenue was dampened by increasing competition from new products, including products offering wireless communication. In the past nine months, we have strengthened our product offering by introducing new products, such as the Minimally Invasive Ponto Surgical (MIPS) technique, the new Ponto BHX implant, which includes a new bone-bonding surface and introduces the next level of osseointegration, as well as a new abutment. Combined with our continued focus on sales and marketing initiatives, we believe that having now entered the second half of 2016, we are well positioned to take market share.

Our Hearing Implants business activity is generally back-end loaded, which is in part because of tenders, so we expect to see stronger sales in the second half of the year.

Other matters

In the first six months of 2016, Sennheiser Communications realised negative revenue growth of 12%. This unfavourable development is due to inventory shifts to Sennheiser KG, lower-than-expected market growth in the Contact Center & Office (CC&O) market, which includes Unified Communication, and the fact that comparative figures from the first half of 2015 are really strong.

Executing on initiatives to improve efficiency

In a market with increasing product sophistication and fierce competition, William Demant has over the last decade delivered material growth in revenue, earnings and the number of full-time employees. With strong focus on innovation, distribution and infrastructure, we continue to strive to deliver growth in an efficient way.

At this stage, we have defined several strategic initiatives to be implemented in 2016 to 2018 with a view to ensuring continuous cost efficiency gains and supporting our future scalability at a lower cost. These initiatives include the closing down of our ITE production site in Eagan (Minneapolis, USA), which took place in the first half of 2016, while expanding our new site in Mexico and the transfer of our remaining operational activities from Thisted (Denmark) to Poland before the end of 2018. Furthermore, we are considering consolidating our R&D and quality activities at fewer locations, and we are therefore evaluating different options, including the transfer of our R&D activities from Switzerland to Poland and Denmark. All are activities that will help us execute on our strategy and thus make our business stronger and simpler going forward. We consider cost-efficient and strong set-ups in operations and R&D to be among the key drivers of future profit growth in the hearing aid industry.

In size and scope, these projects go beyond what would be characterised as normal business, and they will have a noticeable impact on our cost base in the period from 2016 to 2018.

We expect these projects to impact costs in the income statement by around DKK 500 million in total for the entire period, corresponding to an impact on the cash flow from operating activities (CFFO) of around DKK -400 million. In 2016, we expect to recognise total costs of around DKK 200 million of which DKK 52 million was recognised in the first half-year. The impact on CFFO for 2016 will be around DKK -90 million, with the first half-year accounting for DKK -27 million.

When fully implemented after 2018, the initiatives are expected to result in annual cost savings of around DKK 200 million compared to the current cost base in addition to future scale effects. The cost savings will materialise gradually, as we manage to execute on the defined initiatives, and will support our long-term profit growth and secure cost-efficient set-ups in key areas.

Moving remaining operational activities from Thisted (Denmark) to Poland

Today, more than 90% of standard products are manufactured in Poland, and with the current set-up in Poland, we are now able to start moving the remaining operational activities from Thisted to Poland. In doing so, we will continue the journey towards making Poland the Group's central production hub in Europe and ensure maximum economies of scale. Consequently, the production facility in Thisted will be closed down before the end of 2018.

Evaluating the possibility of moving R&D activities from Bern (Switzerland) to Poland and Denmark

To enable us to grow our R&D function in a cost-efficient manner, we have established Denmark and Poland as our main R&D sites. Today, our largest R&D site is in Denmark with 400 employees, and in Warsaw, we have established a highly efficient technology development centre with excellent access to well-qualified people, especially within software. Consequently, we are evaluating different options, including the transfer of our activities from Switzerland to Poland and Denmark.

We expect to see continuous growth in our R&D function, so by centralising this function at two sites, we are building a competitive, scalable and cost-efficient set-up that will also support knowledge sharing between our different business activities, which is a key part of our hearing healthcare strategy.

Revenue and results

In the period under review, the Group realised 15% reported revenue growth, corresponding to revenue of DKK 5,810 million. Revenue growth in local currencies was 16% and is attributable to organic and acquisitive growth of 7 and 10 percentage points, respectively. Including losses on foreign exchange hedging activities of DKK 33 million realised in the first half of 2016, exchange rates had a negative impact of 1% on revenue.

Revenue by business activity

			Change	
DKK million	1st half 2016	1st half 2015	DKK	Local currency
Hearing Devices	5,096	4,343	17%	18%
Diagnostic Instruments	515	507	2%	4%
Hearing Implants	199	193	3%	6%
Total	**5,810**	**5,043**	**15%**	**16%**

In the first half-year, consolidated gross profit totalled DKK 4,349 million, corresponding to a 16% increase on the same period last year. The gross profit margin was 74.9%, or an increase of 0.7 percentage point compared with the same period last year. Supported by a higher level of own retail compared with the same period last year following the acquisition of Audika, the Group has thus been able to offset declining ASPs.

Capacity costs

			Change	
DKK million	1st half 2016	1st half 2015	DKK	Local currency
R&D costs	404	369	9%	10%
Distribution costs	2,786	2,248	24%	27%
Administrative expenses	334	274	22%	25%
Total	**3,524**	**2,891**	**22%**	**25%**

In the period under review, capacity costs totalled DKK 3,524 million, or an increase of 25% in local currencies compared with the same period last year of which two thirds can be attributed to acquisitions. A significant part of the high growth in capacity costs relates to the Group's increasing retail share (both organic and acquired), which impacts the Group's cost structure.

R&D costs amounted to DKK 404 million in the first half-year, which is equivalent to a 9% increase on the same period last year (10% in local currencies). This increase is driven by the finalisation of Oticon Opn™ based on the new Velox platform and by Neuro by Oticon Medical, which will both contribute to the Group's future growth. Distribution costs totalled DKK 2,786 million, which is a 24% rise on the first half of 2015 (27% in local currencies). As expected, the launch of Oticon Opn™ involved a higher sales and marketing spend, but the major part of the increase in distribution costs can be attributed to acquisitions, including Audika. Administrative expenses increased by 22% (25% in local currencies), which is mainly due to retail acquisitions.

The adjusted income statement below includes restructuring costs incurred in the first half of 2015 and 2016.

Adjusted income statement

DKK million	1st half 2016	Restr. costs	Adjusted 1st half 2016	Adjusted 1st half 2015
Revenue	5,810		5,810	5,043
Production costs	-1,461	20	-1,441	-1,300
Gross profit	**4,349**	**20**	**4,369**	**3,743**
R&D costs	-404	8	-396	-369
Distribution costs	-2,786	17	-2,769	-2,242
Administrative expenses	-334	7	-327	-269
Share of profit after tax, associates & joint ventures	15		15	28
Operating profit (EBIT)	**840**	**52**	**892**	**891**

Restructuring costs incurred in the first half-year amounted to DKK 52 million, and adjusted for this, operating profit

(EBIT) was DKK 892 million compared to an adjusted EBIT of DKK 891 million in the same period last year. The adjusted EBIT margin was 15.4% in the period under review (17.7% in the first half of 2015) and was adversely impacted by strong retail growth of 43% in local currencies affecting the Group's cost structure and a challenging half-year in Diagnostic Instruments, Hearing Implants and Sennheiser Communications. We expect all our business activities to deliver stronger earnings in the second half-year.

Reported EBIT amounted to DKK 840 million in the first half-year (DKK 880 million in the first half of 2015), corresponding to a reported EBIT margin of 14.5% (17.4% in first half of 2015).

In the period under review, consolidated net financial items amounted to DKK -43 million (DKK -33 million in the same period last year). Net financial items mainly consist of credit card fees and bank fees. The Group's net interest expenses are limited, as our interest expenses are almost fully offset by interest earned on receivables and customer loans. Tax on profit for the period amounted to DKK 163 million, corresponding to an effective tax rate of 20.5% (21.0% in the first half of 2015). Earnings per share (EPS) amounted to DKK 2.4.

Cash flows and balance sheet

Cash flow by main items

DKK million	1st half 2016	1st half 2015
Operating profit (EBIT)	**840**	**880**
Cash flow from operating activities	728	755
Cash flow from investing activities	-224	-212
Free cash flow	**504**	**543**
Acquisition of enterprises, interests and activities	-229	-140
Buy-back of shares	-439	-316
Other financing activities	258	995
Cash flow for the period	**94**	**1,082**

In the first half of 2016, consolidated cash flow from operating activities amounted to a satisfactory DKK 728 million against DKK 755 million in the same period last year, which was positively impacted by high dividends. The corresponding cash conversion ratio (CFFO/EBIT) of 87% was again very satisfactory and at the same high level as last year (86%). Cash flow from investing activities (excluding the acquisition of enterprises, participating interests and activities) in the reporting period amounted to DKK 224 million, which is slightly above the DKK 212 million invested in the first half of 2015. Free cash flow (excluding the acquisition of enterprises, participating interests and activities) totalled DKK 504 million against DKK 543 million in the first half of 2015, corresponding to a decrease of 7%. The acquisition of enterprises, participating interests and activities totalled DKK 229 million, which is above the corresponding amount last year, which was DKK 140 million.

Consolidated assets totalled DKK 14,946 million at 30 June 2016, or a rise of 4% on year-end 2015. This increase is partly attributable to acquisitions and accounts receivable.

At 30 June 2016, consolidated net interest-bearing debt was DKK 3,914 million, or 6% above the level reported at year-end 2015. Consolidated equity was DKK 6,704 million at 30 June 2016 (DKK 6,500 million at year-end 2015), matching an equity ratio of 44.9%, which is 0.3 percentage point lower than at the beginning of the year. The increase in equity is mainly due to profit for the period of DKK 634 million, which was partly offset by the impact of the Company's buy-back of shares.

Year-to-date, the Company has bought back shares worth a total of DKK 502 million, bringing the total number of treasury shares to 2,650,250, corresponding to 1% of the share capital. The Company cancelled 6,044,350 treasury shares at the most recent annual general meeting.

Over the years, we have continuously used our share buy-back programme to channel the Group's excess cash flow back to the shareholders, while ensuring that we have a capital structure that gives the Company sufficient financial flexibility to fund investments and acquisitions.

The Board of Directors evaluates the Group's capital structure on an ongoing basis, and a revision of the Group's capital structure policy was announced in our Interim Report 2014. 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, DKK 605 million was spent in 2015, and DKK 439 million was spent in the first half of 2016. In total, we have spent DKK 1,931 million from 2014 to the end of the period under review.

At the end of the first half-year, William Demant had 12,344 employees (10,542 at the end of the first half of 2015).

Hedging activities

With our current use of forward exchange contracts, forecast cash flows are hedged in the main currencies with a horizon of up to 24 months. Realised forward exchange contracts are recognised in the income statement together with the items that such contracts are designed to hedge. In addition to hedging by means of forward exchange contracts, we raise loans in foreign currencies to balance out net receivables.

At the end of the reporting period, we had entered into forward exchange contracts at a contractual value of DKK 1,354 million (DKK 993 million at 30 June 2015) and a fair value of

DKK -12 million (DKK -105 million at 30 June 2015). At 30 June 2016, the major contracts hedged the following currencies:

Forward exchange contracts at 30 June 2016

Currency	Hedging period	Average hedging rate
USD	10 months	659
JPY	16 months	6.19
AUD	3 months	502
GBP	4 months	964
CAD	5 months	509

Accounting policies as well as financial estimates and assumptions

Interim Report 2016 is presented in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and further Danish disclosure requirements in respect of interim reports for listed companies. We have not prepared a separate interim report for the Parent. The report is presented in Danish kroner (DKK), which is the functional currency of the Parent.

The accounting policies used for Interim Report 2016 are the same as the accounting policies used for Annual Report 2015 to which we refer for a full description. The Group has adopted all new, amended and revised accounting standards and interpretations as published by the IASB and adopted by the EU effective for the accounting period beginning on 1 January 2016. The implementation of such standards and interpretations has not had any significant impact on the consolidated financial statements for the first six months of 2016.

Compared with the description in Annual Report 2015, there have been no changes in the accounting estimates and assumptions made by Management in the preparation of Interim Report 2016.

Events after the balance sheet date

There have been no events to change the assessment of Interim Report 2016 after the balance sheet date until today.

Outlook for the 2016 financial year

As far as the hearing aid market is concerned, we expect to see a unit growth rate of 4-5%, which will however be partly offset by a decline in the market's average selling price due to continued mix changes and fierce competition. In terms of value, we expect the market to grow slightly in 2016.

In 2016, we maintain our expectations to generate growth in sales in all the Group's three business activities: Hearing Devices, Hearing Implants and Diagnostic Instruments. Based on exchange rates in early 2016 and including the impact of exchange rate hedging, we expect the exchange rate impact on revenue to be neutral in 2016. Acquisitions made in 2015 will affect consolidated revenue by approximately 6% in 2016.

In 2016, the Group's operating profit (EBIT) will be skewed further than normal towards the second half of the year due to, among other things, the launch of Oticon Opn™ at the beginning of June, losses on forward exchange contracts in the first half-year and seasonality in Hearing Implants.

In 2016, we are guiding for an EBIT of DKK 2.0-2.3 billion before restructuring costs of around DKK 200 million related to the defined strategic initiatives.

In 2016, we plan to continue to buy back shares and complete the announced buy-back of shares in the amount of DKK 2.5-3.0 billion for the period from 2014 to 2016. From 2014 to 30 June 2016, the Company has bought back shares at a total price of DKK 1.93 billion.

MANAGEMENT STATEMENT

We have today discussed and approved Interim Report 2016 for William Demant Holding A/S.

Interim Report 2016 has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU and further Danish disclosure requirements in respect of interim reports for listed companies. Interim Report 2016 has not been audited or reviewed by our auditors.

In our opinion, Interim Report 2016 a true and fair view of the Group's assets, liabilities and financial position at 30 June 2016 as well as of the results of our activities and cash flows for the first six months of 2016.

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

Smørum, 17 August 2016

Executive Board:

Niels Jacobsen
President & CEO

Søren Nielsen
COO & President of Oticon A/S

Rene Schneider
CFO

Board of Directors:

Lars Nørby Johansen
Chairman

Peter Foss
Deputy Chairman

Niels B. Christiansen

Thomas Duer

Benedikte Leroy

Ole Lundsgaard

Lars Rasmussen

Karin Ubbesen

INCOME STATEMENT

GROUP (DKK million)

	1st half 2016	1st half 2015	Full year 2015
Revenue	5,810	5,043	10,665
Production costs	-1,461	-1,300	-2,770
Gross profit	**4,349**	**3,743**	**7,895**
Research and development costs	-404	-369	-763
Distribution costs	-2,786	-2,248	-4,689
Administrative expenses	-334	-274	-613
Share of profit after tax, associates and joint ventures	15	28	48
Operating profit (EBIT)	**840**	**880**	**1,878**
Financial income	23	20	44
Financial expenses	-66	-53	-113
Profit before tax	**797**	**847**	**1,809**
Tax on profit for the period	-163	-178	-370
Profit for the period	**634**	**669**	**1,439**
Profit for the period attributable to:			
William Demant Holding A/S' shareholders	631	668	1,436
Minority interests	3	1	3
	634	**669**	**1,439**
Earnings per share (EPS), DKK	2.4	2.5	5.3
Diluted earnings per share (DEPS), DKK	2.4	2.5	5.3

STATEMENT OF COMPREHENSIVE INCOME

GROUP (DKK million)

	1st half 2016	1st half 2015	Full year 2015
Profit for the period	**634**	**669**	**1,439**
Other comprehensive income:			
Items that have been or may subsequently be reclassified to the income statement:			
Foreign currency translation adjustment, foreign enterprises	-24	171	84
Value adjustment of hedging instruments:			
Value adjustment for the period	16	-144	-152
Value adjustment transferred to revenue	33	106	158
Value adjustment transferred to financial expenses	0	1	1
Tax on items that have been or may subsequently be reclassified to the income statement	-12	17	14
Items that have been or may subsequently be reclassified to the income statement	**13**	**151**	**105**
Items that will not subsequently be reclassified to the income statement:			
Actuarial gains/(losses) on defined benefit plans	-1	0	-8
Tax on items that will not subsequently be reclassified to the income statement	0	0	1
Items that will not subsequently be reclassified to the income statement	**-1**	**0**	**-7**
Other comprehensive income	**12**	**151**	**98**
Comprehensive income	**646**	**820**	**1,537**
Comprehensive income attributable to:			
William Demant Holding A/S' shareholders	643	819	1,534
Minority interests	3	1	3
	646	**820**	**1,537**

BALANCE SHEET – ASSETS

GROUP (DKK million)

	30 June 2016	30 June 2015	31 Dec. 2015
Goodwill	5,928	4,100	5,660
Patents and licences	19	24	22
Other intangible assets	297	35	275
Prepayments and assets under development	56	114	20
Intangible assets	**6,300**	**4,273**	**5,977**
Land and buildings	884	803	900
Plant and machinery	170	176	183
Other plant, fixtures and operating equipment	273	261	285
Leasehold improvements	241	176	246
Prepayments and assets under construction	186	225	154
Property, plant and equipment	**1,754**	**1,641**	**1,768**
Investments in associates and joint ventures	529	522	525
Receivables from associates and joint ventures	372	335	357
Other investments	12	12	12
Other receivables	562	569	567
Deferred tax assets	359	286	376
Other non-current assets	**1,834**	**1,724**	**1,837**
Non-current assets	**9,888**	**7,638**	**9,582**
Inventories	1,257	1,312	1,324
Trade receivables	2,437	2,182	2,203
Receivables from associates and joint ventures	55	15	53
Income tax	154	56	77
Other receivables	251	190	277
Unrealised gains on financial contracts	15	0	12
Prepaid expenses	183	135	188
Cash	706	571	674
Current assets	**5,058**	**4,461**	**4,808**
Assets	**14,946**	**12,099**	**14,390**

BALANCE SHEET – EQUITY AND LIABILITIES

GROUP (DKK million)

	30 June 2016	30 June 2015	31 Dec. 2015
Share capital	53	54	54
Other reserves	6,649	6,035	6,445
Equity attributable to William Demant Holding A/S' shareholders	6,702	6,089	6,499
Equity attributable to minority interests	2	-1	1
Equity	**6,704**	**6,088**	**6,500**
Interest-bearing debt	2,015	829	2,080
Deferred tax liabilities	115	126	125
Provisions	231	167	273
Other liabilities	145	105	119
Deferred income	175	49	164
Non-current liabilities	**2,681**	**1,276**	**2,761**
Interest-bearing debt	3,374	2,858	3,050
Trade payables	506	391	486
Payables to associates and joint ventures	1	2	2
Income tax	243	105	145
Provisions	13	5	16
Other liabilities	1,118	1,033	1,098
Unrealised losses on financial contracts	28	111	74
Deferred income	278	230	258
Current liabilities	**5,561**	**4,735**	**5,129**
Liabilities	**8,242**	**6,011**	**7,890**
Equity and liabilities	**14,946**	**12,099**	**14,390**

CASH FLOW STATEMENT

GROUP (DKK million)

	1st half 2016	1st half 2015	Full year 2015
Operating profit (EBIT)	840	880	1,878
Non-cash items etc.	160	153	326
Change in receivables etc.	-238	-189	-220
Change in inventories	79	-114	-96
Change in trade payables and other liabilities etc.	70	104	8
Change in provisions	-23	7	12
Dividends received	8	79	79
Cash flow from operating profit	**896**	**920**	**1,987**
Financial income etc. received	23	21	44
Financial expenses etc. paid	-65	-52	-113
Realised foreign currency translation adjustments	3	-1	-1
Income tax paid	-129	-133	-325
Cash flow from operating activities (CFFO)	**728**	**755**	**1,592**
Acquisition of enterprises, participating interests and activities	-229	-140	-1,633
Investments in and disposal of intangible assets	-72	-17	-48
Investments in property, plant and equipment	-160	-182	-393
Disposal of property, plant and equipment	14	6	18
Investments in other non-current assets	-87	-92	-230
Disposal of other non-current assets	81	73	190
Cash flow from investing activities (CFFI)	**-453**	**-352**	**-2,096**
Repayments of borrowings	-761	-688	-1,449
Proceeds from borrowings	1,019	1,683	3,103
Buy-back of shares	-439	-316	-605
Cash flow from financing activities (CFFF)	**-181**	**679**	**1,049**
Cash flow for the period, net	**94**	**1,082**	**545**
Cash and cash equivalents at the beginning of the period	-1,704	-2,055	-2,055
Foreign currency translation adjustment of cash and cash equivalents	28	-132	-194
Cash and cash equivalents at the end of the period	**-1,582**	**-1,105**	**-1,704**
Breakdown of cash and cash equivalents at the end of the period:			
Cash	706	571	674
Interest-bearing current bank debt	-2,288	-1,676	-2,378
Cash and cash equivalents at the end of the period	**-1,582**	**-1,105**	**-1,704**

STATEMENT OF CHANGES IN EQUITY IN 2015

GROUP (DKK million)

	Share capital	Other reserves: Foreign currency translation reserve	Other reserves: Hedging reserve	Retained earnings	William Demant Holding A/S' shareholders' share	Minority interests' share	Equity
Equity at 1.1.2015	**57**	**75**	**-52**	**5,506**	**5,586**	**-2**	**5,584**
Comprehensive income, period:							
Profit for the period	-	-	-	668	668	1	669
Other comprehensive income:							
Foreign currency translation adjustment, foreign enterprises	-	171	-	-	171	-	171
Value adjustment of hedging instruments:							
Value adjustment, period	-	-	-144	-	-144	-	-144
Value adjustment transferred to revenue	-	-	106	-	106	-	106
Value adjustment transferred to financial expenses	-	-	1	-	1	-	1
Actuarial gains/(losses) on defined benefit plans	-	-	-	0	0	0	0
Tax on other compr. income	-	9	8	0	17	0	17
Other comprehensive income	-	180	-29	0	151	0	151
Comprehensive income, period	**-**	**180**	**-29**	**668**	**819**	**1**	**820**
Buy-back of shares	-	-	-	-316	-316	-	-316
Capital reduction through cancellation of treasury shares	-3	-	-	3	-	-	0
Equity at 30.06.2015	**54**	**255**	**-81**	**5,861**	**6,089**	**-1**	**6,088**

STATEMENT OF CHANGES IN EQUITY IN 2016

GROUP (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 1.1.2016	**54**	**173**	**-45**	**6,317**	**6,499**	**1**	**6,500**
Comprehensive income, period:							
Profit for the period	-	-	-	631	631	3	634
Other comprehensive income:							
Foreign currency translation adjustment, foreign enterprises	-	-24	-	-	-24	-	-24
Value adjustment of hedging instruments:							
Value adjustment, period	-	-	16	-	16	-	16
Value adjustment transferred to revenue	-	-	33	-	33	-	33
Value adjustment transferred to financial expenses	-	-	-	-	-	-	-
Actuarial gains/(losses) on defined benefit plans	-	-	-	-1	-1	0	-1
Tax on other compr. income	-	-	-12	0	-12	0	-12
Other comprehensive income	-	-24	37	-1	12	0	12
Comprehensive income, period	**-**	**-24**	**37**	**630**	**643**	**3**	**646**
Buy-back of shares	-	-	-	-439	-439	-	-439
Capital reduction through cancel-lation of treasury shares	-1	-	-	-	-1	-	-1
Other changes in equity	-	-	-	-	-	-2	-2
Equity at 30.6.2016	**53**	**149**	**-8**	**6,508**	**6,702**	**2**	**6,704**

NOTE – ACQUISITION OF ENTERPRISES AND ACTIVITIES

GROUP (DKK million)

	North America	Oceania	Europe/Asia	1st half 2016	1st half 2015
	Fair value on acquisition				
Intangible assets	10	0	1	11	0
Property, plant and equipment	6	0	12	18	3
Other non-current assets	0	0	20	20	1
Inventories	1	0	5	6	2
Current receivables	1	0	31	32	4
Cash and bank debt	1	0	11	12	2
Non-current liabilities	0	0	-136	-136	-3
Current liabilities	-4	0	-23	-27	-13
Acquired net assets	**15**	**0**	**-79**	**-64**	**-4**
Goodwill	107	2	198	307	85
Acquisition cost	**122**	**2**	**119**	**243**	**81**
Fair value of non-controlling interests on obtaining control	-10	0	0	-10	-6
Contingent considerations and deferred payments	-29	0	0	-29	-9
Acquired cash and bank debt	-1	0	-11	-12	-2
Cash acquisition cost	**82**	**2**	**108**	**192**	**64**

Consolidated acquisitions in the reporting period primarily relate to a number of primarily small and medium-sized retail acquisitions in Europe and North America.

In the first half-year, a few adjustments were made to the preliminary recognition of acquisitions made in 2015. The impact of these adjustments on goodwill was DKK 2 million (DKK 0 million in the first half-year 2015).

No contingent consideration (earn-out) adjustments were made in the income statement in the first half-year of 2016 or in 2015. Contingent consideration entries made in the first half-year relate to the addition of DKK 29 million in respect of acquisitions, to the reduction by DKK 2 million in respect of currency adjustments and to the reduction by DKK 30 million in respect of payments. At 30 June 2016, contingent considerations total DKK 106 million (DKK 130 million at 30 June 2015).

Of the total acquisition costs incurred in the reporting period, the fair value of estimated contingent considerations in the form of earn-outs or deferred payments accounted for DKK 29 million (DKK 9 million in the first half of 2015). Such payments depend on the results of the acquired entities over a period of 1-5 years after takeover and can maximum total DKK 29 million (DKK 9 million in the first half of 2015).

The above statements of the fair values of acquisitions made in the first half of 2016 and in the first half of 2015 are not considered final until 12 months after takeover.

Recognised in distribution costs, transaction costs incurred as a result of acquisitions made in the reporting period are DKK 0 million (DKK 1 million in the first half of 2015).

As part of our ordinary activities, we have made acquisitions in the period between the balance sheet day and the publication of Interim Report 2016. We are in the process of calculating their fair values. Acquisition costs are expected to relate primarily to goodwill.

William Demant Holding A/S
Kongebakken 9
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

WE SUPPORT