ANNUAL REPORT

2017

William Demant Invest

CONTENT

LETTER FROM THE CEO

2017 marks a positive change and leap forward for William Demant Invest A/S. I am very pleased to see this entrepreneurial investment company becoming a true holding company with shares in many successful companies. Until this year, and since its start in 2003, the management of William Demant Holding A/S handled the daily operation of the company. However, the successful investments made throughout the years have lead the company's activities to grow in scope and thus requiring a stronger management focus, and it was a great pleasure for me to accept the role as CEO of William Demant Invest A/S, which I formally took up 1 April 2017.

Irrespective of changes, our strategy remains the same – with a sharpened focus. William Demant Invest A/S will continue our commitment as an evergreen investor investing in companies with a long-term growth potential.

Our eyes keep resting on the medtech/healthcare industry and on companies, which in structure and model are similar to William Demant Holding A/S. Our companies have developed very well in 2017, and we are very satisfied with the positive development across all our companies. William Demant Holding A/S had another great year delivering very positive results, and likewise, Jeudan A/S, Össur and Vitrolife delivered very good results. Our investment in the German wind farm Borkum Riffgrund 1 also contributed positively to the strong performance in 2017. During the course of the year, we increased our ownership in Össur and Vitrolife to 49% and 22% from 42% and 19%, respectively.

The future is bright, and we continue to look at new interesting investment opportunities always with a view to their sustainability – both in terms of the investment in itself and the company's responsibility.

In other words: We want to put our money where there is a vision to solve people's problems and the ambition to act with integrity and decency.

We look forward to continuing the positive development of William Demant Invest A/S in 2018.

Niels Jacobsen
CEO

ABOUT WILLIAM DEMANT INVEST

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

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

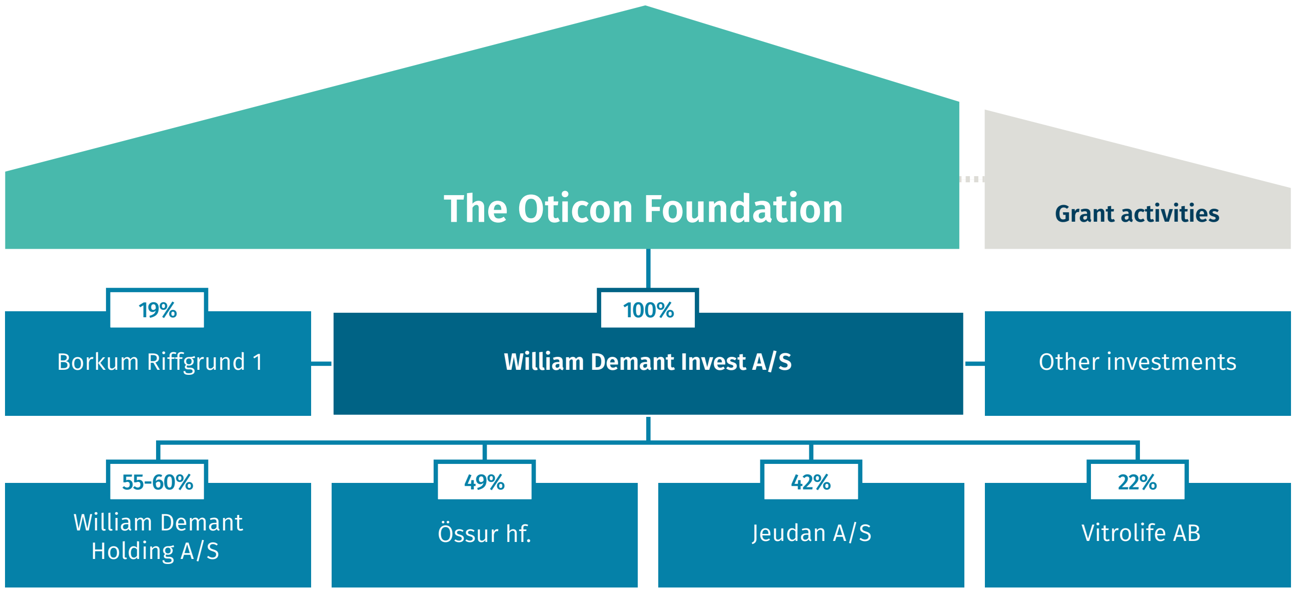
Investment strategy
William Demant Invest A/S invests in companies whose business models and structures resemble those of William Demant Holding A/S, but are outside of William Demant Holding A/S' strategic sphere of interest which is hearing healthcare.

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

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

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

GROUP STRUCTURE AND CORPORATE GOVERNANCE



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

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

In January 2018, we increased our ownership in Össur hf. to 51%, by which the investment changed from an associated company to a subsidiary.

MANAGEMENT REVIEW

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

In 2017, total revenue for the companies in William Demant Invest A/S increased by 11% to DKK 19,746 million, of which William Demant Invest A/S' share amounted to DKK 10,285 million. Operating profit (EBIT) amounted to DKK 4,278 million, corresponding to an increase of 22% compared to 2016, and William Demant Invest A/S' share arrived at DKK 2,092 million. The satisfactory growth seen in 2017 is driven by strong performance in all companies.

In the later part of 2017, William Demant Invest A/S decided to invest in the Swedish medtech company, CellaVision, which holds a strong position within the field of blood cell analysis (haematology). CellaVision fits very well with William Demant Invest A/S' overall investment criteria with strong underlying fundamentals, a market leading technology and product portfolio and a strong management team.

Besides the investment in CellaVision, the "Other" category includes minor investments and administration costs including our co-investment in the Danish startup studio, Founders A/S.

At the end of the year, the market value of the companies in William Demant Invest A/S reached more than DKK 75 billion representing an increase of almost 30% compared to 2016, of which William Demant Invest A/S' share totalled around DKK 40 billion. The growth is mainly driven by William Demant Holding A/S, where strong performance in the underlying business translated into an uptick in the stock price of more than 40% in 2017. Furthermore, we increased our shareholdings in both Össur and Vitrolife during the course of 2017, which – supported by favorable stock price developments – fuelled the increase in William Demant Invest A/S' underlying market capitalisation.

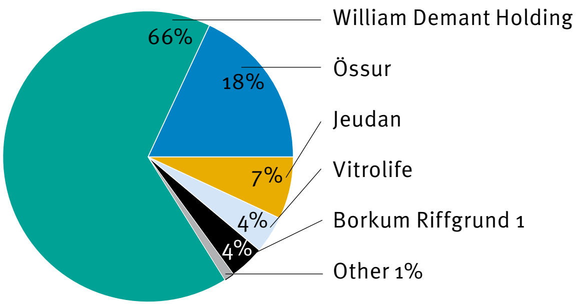
The companies in William Demant Invest A/S employed on average 17,024 people during 2017, corresponding to an increase of 8% compared to last year.

Events after the balance sheet date

In the beginning of January, William Demant Invest A/S increased its ownership of Össur to 51% of the outstanding shares and has consequently obtained control. Therefore as of 1 January 2018, Össur is considered a subsidiary of William Demant Invest A/S.

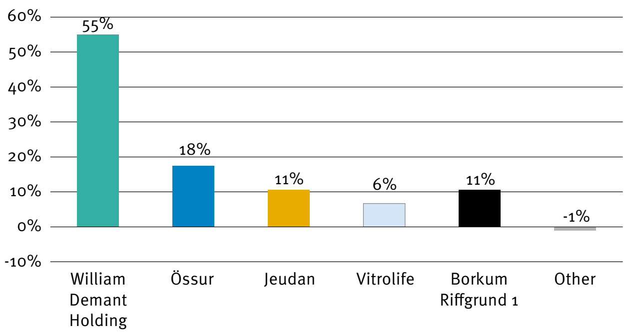
[1] The formal consolidated income statement etc. for William Demant Invest A/S can be found on page 30.

Revenue split



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

Operating profit split



PRO FORMA CONSOLIDATION

(DKK million)	Individual entities – 100%		William Demant Invest A/S proportional share	
	2017	2016	2017	2016
REVENUE				
William Demant Holding A/S	13,189	12,002	7,634	7,053
Össur hf.	3,576	3,506	1,612	1,496
Jeudan A/S	1,333	1,237	564	523
Vitrolife AB	783	672	155	128
Borkum Riffgrund 1, (Boston Holding A/S)	865	411	320	152
Other	0	0	0	0
	19,746	**17,828**	**10,285**	**9,352**
OPERATING PROFIT (EBIT)				
William Demant Holding A/S	2,338	1,942	1,352	1,139
Össur hf.	472	477	212	204
Jeudan A/S	767	724	324	307
Vitrolife AB	254	195	50	38
Borkum Riffgrund 1, (Boston Holding A/S)	486	211	180	78
Other (including William Demant Invest A/S)	-39	-40	-26	-18
	4,278	**3,509**	**2,092**	**1,748**
FINANCIAL ITEMS AND TAX				
William Demant Holding A/S	-579	-478	-335	-281
Össur hf.	-109	-134	-49	-57
Jeudan A/S	-26	-425	-11	-180
Vitrolife AB	-57	-45	-11	-9
Borkum Riffgrund 1, (Boston Holding A/S)	-214	-119	-79	-44
Other (including William Demant Invest A/S)	2	2	4	1
	-983	**-1,199**	**-481**	**-570**
PROFIT FOR THE YEAR, OTICON FOUNDATION SHARE			**1,611**	**1,178**
Profit for the year, Oticon Foundation minority share			-40	-33
PROFIT FOR THE YEAR, TOTAL WILLIAM DEMANT INVEST A/S SHARE			**1,571**	**1,145**
EMPLOYEES, AVERAGE				
William Demant Holding A/S	13,280	12,339	7,689	7,254
Össur hf.	2,948	2,710	1,329	1,157
Jeudan A/S	420	362	178	153
Vitrolife AB	355	328	70	63
Borkum Riffgrund 1, (Boston Holding A/S)	0	0	0	0
Other (including William Demant Invest A/S)	21	16	10	5
	17,024	**15,755**	**9,276**	**8,632**
MARKET CAPITALISATION (YEAR-END)				
William Demant Holding A/S	43,864	31,829	24,902	18,856
Össur hf.	11,391	11,158	5,539	4,797
Jeudan A/S	8,043	7,949	3,375	3,386
Vitrolife AB	10,229	6,539	2,209	1,272
Borkum Riffgrund 1, (Boston Holding A/S) assets	5,002	5,346	1,851	1,978
Borkum Riffgrund 1, (Boston Holding A/S) liabilities	-4,587	-5,262	-145	-139
Other (other investments, securities, cash and bank debt)	2,056	1,763	903	-82
	75,998	**59,322**	**38,634**	**30,068**

PRO FORMA CONSOLIDATION – *CONTINUED*

WILLIAM DEMANT INVEST A/S SHARE OF OWNERSHIP	Average of the year		End of the year	
	2017	2016	2017	2016
William Demant Holding A/S (including Oticon Foundation minority share)	58%	59%	57%	59%
Össur hf.	45%	43%	49%	43%
Jeudan A/S	42%	42%	42%	43%
Vitrolife AB	20%	19%	22%	19%
Borkum Riffgrund 1, (Boston Holding A/S)	37%	37%	37%	37%

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

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

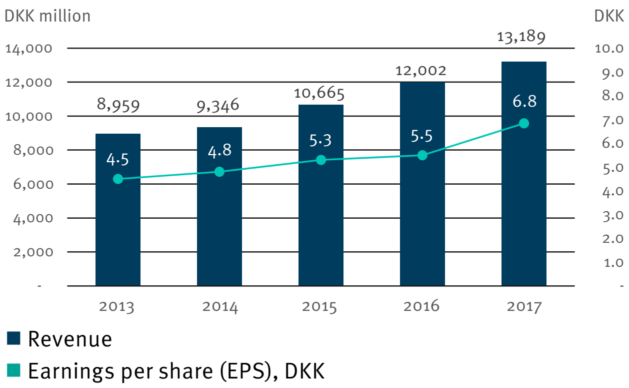
WILLIAM DEMANT HOLDING

About William Demant Holding A/S
William Demant Holding A/S is a leading international hearing healthcare company, which develops, manufactures and sells products and equipment designed to improve the complete experience of those suffering from hearing impairment and for the hearing care professionals working with hearing healthcare. Focus areas are: Hearing Devices, Hearing Implants and Diagnostic Instruments along with a headset joint venture, Sennheiser Communications. Companies in William Demant Holding A/S collaborate in many areas and to a wide extent also share resources and technologies.

Today, William Demant Holding A/S has more than 13,280 employees and is headquartered in Smørum on the outskirts of Copenhagen, Denmark. William Demant Holding A/S is listed on Nasdaq Copenhagen.

The roots of William Demant Holding A/S is Oticon, which was founded in 1904. Today, William Demant Holding A/S delivers products and services based on true innovation and delivered to customers and end-users through a multi-brand approach and backed by a comprehensive global distribution set-up and efficient shared services.

2017
In 2017, William Demant Holding A/S' consolidated revenue amounted to DKK 13,189 million, corresponding to 11% growth in local currency. Operating profit (EBIT) increased 18% to 2,504 million before restructuring costs, and profit for the year arrived at DKK 1,759 million, corresponding to an increase of 20% compared to 2016.



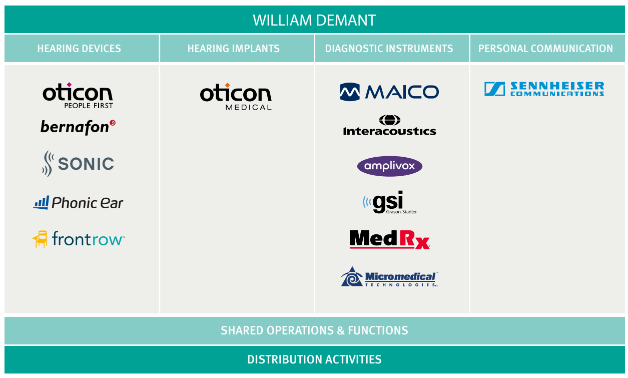
William Demant Holding A/S' Hearing Devices business activity (wholesale and retail of hearing aids) saw strong performance in 2017, generating a growth rate of 10% in local currency driven by among others the continued and highly successful roll-out of Oticon Opn and new products of the Bernafon and Sonic brands.

The other two business areas, Hearing Implants and Diagnostic Instruments, also saw very satisfactory growth, ending the year with double digit growth rates of 28% and 12% in local currency, respectively, compared to 2016. In the Hearing Implants business, growth was driven by both the cochlear implant and the bone-anchored system areas, with growth rates considerably above market growth rates.

Growth in the Diagnostic Instruments business area was driven by new product innovations as well as the existing product portfolio, and the area continues to leverage on a strong infrastructure and multi-brand approach.

In April 2017, Søren Nielsen took over as President and CEO of William Demant Holding A/S, replacing Niels Jacobsen who had decided to step down after 25 years as member of the Executive Board in William Demant Holding A/S to become CEO of William Demant Invest A/S. Now more than a year has passed since the transition took place, and it is fair to conclude that the transition, in all aspects, has been very successful.

As a consequence of the management change in April, the Board of Directors of William Demant Holding A/S was changed. Niels B. Christiansen was appointed new chairman,



www.demant.com

William Demant

replacing Lars Nørby Johansen who had decided not to stand for re-election, and Niels Jacobsen was elected to the Board of Directors and afterwards appointed deputy chairman.

Outlook 2018

In 2018, William Demant Holding A/S expects to deliver growth in all business activities, which is anticipated to translate into an EBIT of DKK 2,550-2,850 million before restructuring costs.

William Demant Holding A/S

(DKK million)	2017	2016
Revenue	13,189	12,002
EBITDA	2,742	2,346
EBIT	2,338	1,942
EBIT - adjusted	2,504	2,130
Net result	1,759	1,464
Equity	7,433	6,966
Assets	16,222	15,548
Cash flow from operations (CFFO)	1,872	1,679
Free cash flow (FCF)	1,387	1,223
Average number of employees	13,280	12,339
William Demant Invest A/S (incl. the Oticon Foundation) ownership (end of the year)	57%	59%

Board of Directors

Niels B. Christiansen	Chairman
Niels Jacobsen	Deputy Chairman
Peter Foss	
Benedikte Leroy	
Lars Rasmussen	
Thomas Duer	Staff-elected
Ole Lundsgaard	Staff-elected
Jørgen Møller Nielsen	Staff-elected

Executive Management

Søren Nielsen	President & CEO
René Schneider	CFO

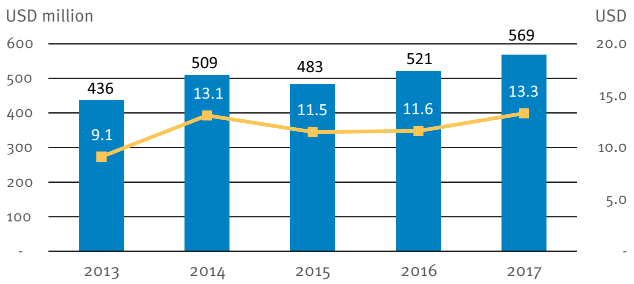
ÖSSUR

About Össur hf.
Össur is a global leader in non-invasive orthopaedics, focused on delivering innovative solutions in the prosthetics and bracing and supports market. The company was founded in 1971, is headquartered in Iceland and operates with around 3,000 employees in 25 countries. Össur has been listed on the Icelandic Stock Exchange since 1999 and on Nasdaq Copenhagen since 2009. In December 2017, trading of Össur shares was concentrated on Nasdaq Copenhagen, following a request from Össur to cancel the trading of Össur shares on Nasdaq Iceland.

William Demant Invest A/S started investing in Össur in 2004 and has continually bought up Össur shares. Today, William Demant Invest A/S is the largest shareholder, holding slightly more than 50% of the share capital.

2017
Össur saw good growth in the year driven by new product introductions, upgrades and favourable product mix effects. Revenue arrived at USD 569 million, corresponding to a full-year growth rate of 8% in local currency.

Growth was especially strong in the Prosthetic business segment, which increased by 17% in local currency compared to 2016, fuelled by among others an updated version of the RHEO KNEE as well as good sales in China. By the end of 2017, bionics products amounted to 21% of Prosthetics component sales.



Össur's other business segment, Bracing & Support, which accounts for approx. 50% of company revenue, saw modest growth of 1% in local currency. Growth was hampered by sales decline in own distribution companies in Americas, primarily related to internal restructuring efforts. Adjusted for this, growth was in line with the estimated market growth rate of 3-5%.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) before special items increased by 10% in local currency to USD 103 million driven growth and positive product mix. Reported EBITDA was negatively impacted by one-time costs of USD 5.6 million, among others related to efficiency initiatives announced in third quarter 2017. The latter relates to areas within manufacturing, distribution and sourcing, and are expected to further increase the scalability and profitability of Össur's activities, with full effect from 2020.

Net profit was up USD 7 million to USD 58 million, corresponding to an increase of 13% compared to last year. Earnings per share amounted to US cents 13.3 compared to US cents 11.6 in 2016.

Outlook 2018
Össur expects organic revenue growth of 4-5% in local currency, an EBITDA margin of ~19% and a slightly lower effective tax rate due to, among others, favourable tax reforms in the US.

www.ossur.com

Össur hf.

(USD million)	2017	2016
Revenue	569	521
EBITDA	97	94
EBIT	75	72
Net result	58	51
Equity	500	467
Assets	793	746
Cash flow from operations (CFFO)	90	88
Free cash flow (FCF)	55	42
Average number of employees	2,999	2,710
William Demant Invest A/S ownership (end of the year)	49%	43%

Board of Directors

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

Executive Management

Jón Sigurðsson	President & CEO
Sveinn Sölvason	CFO
Egill Jónsson	EVP
Ólafur Gylfason	EVP
Kim De Roy	EVP
Margrét Lára Friðriksdóttir	EVP
Gudjon G. Karason	EVP

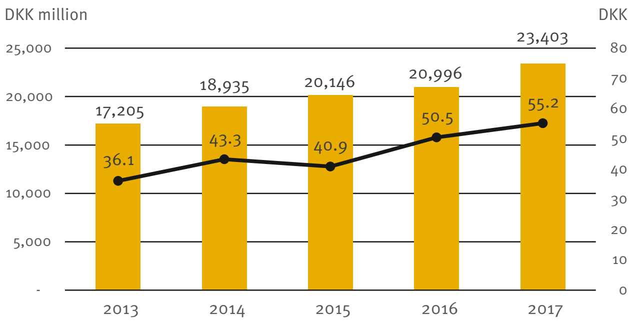
JEUDAN

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

William Demant Invest A/S started investing in Jeudan A/S in 2004 and today holds around 42% of the shares, being the majority shareholder together with Chr. Augustinus Fabrikker A/S. The development of Copenhagen as a city and the unique atmosphere was always close to the heart of William Demant, so while also being a sound financial investment, William Demant Invest A/S' ownership of Jeudan A/S has ties to the history of William Demant.

2017
In 2017, Jeudan A/S invested more than DKK 1.8 billion in new properties, which, among others, include properties in Bredgade, Fiolstræde and Nørregade, located in the inner part of Copenhagen. By year-end, Jeudan A/S' portfolio amounted to more than 200 properties, with a book value of DKK 23.4 billion, representing an increase of DKK 2.4 billion compared to 2016.

Equity, which at year-end reached DKK 6.2 billion, had a return of 11.8% and comprised 26.5% of Jeudan A/S' total assets. As a result of the equity ratio, the board proposed a dividend of DKK 12 for 2017 in accordance with the company's dividend policy.



■ Investment properties
■ EBVAT*/per share
(*EBVAT = earnings before value adjustments and tax)

In 2017, Jeudan A/S saw an increase in revenue of 8% to DKK 1,333 million and realised an operating profit (EBIT) of DKK 768 million, corresponding to an EBIT margin of 58%. After interest expense, but before value adjustments and tax, the result (EBVAT) amounted to DKK 609 million, slightly above last year. Net result arrived at DKK 791 million, up DKK 442 million compared to last year, which is mainly attributable to positive value adjustment of financial obligations (i.e. interest rate swaps) of DKK 341 million vs. DKK -221 in 2016.

The Danish Finance Association ("Finansforeningen") awarded Jeudan A/S "Specialprisen" at their annual new year's dinner. The price is awarded companies that make a special information effort within a defined area. Jeudan A/S was awarded the price due to, among other things, the introduction and use of the term EBVAT, which is now industry standard when analysing real estate companies, the best and most thorough description of risk attributes in their annual report compared to other real estate companies, and for the analytical and simulation model "Simuleringsmodel", which is accessible on Jeudan A/S' website, and can be used to modify Jeudan A/S' results based on different input variable.

Outlook 2018
In 2018, Jeudan A/S expects revenue of DKK 1,500 million, while EBVAT is expected to arrive around DKK 650 million.

www.jeudan.dk

Jeudan A/S

(DKK million)	2017	2016
Revenue	1,333	1,237
EBIT	768	724
EBVAT	609	606
Net result	741	299
Equity	6244	5,370
Assets	23,593	21,165
Cash flow from operations (CFFO)	589	636
Free cash flow (FCF)	93	-158
Average number of employees	420	362
Occupancy rate	96%	94%
William Demant Invest A/S ownership (end of the year)	42%	43%

Board of Directors

Niels Jacobsen	Chairman
Claus Gregersen	Deputy Chairman
Tommy Pedersen	
Søren Bergholt Andersson	
Helle Okholm	

Executive Management

Per Wetke Hallgren	CEO

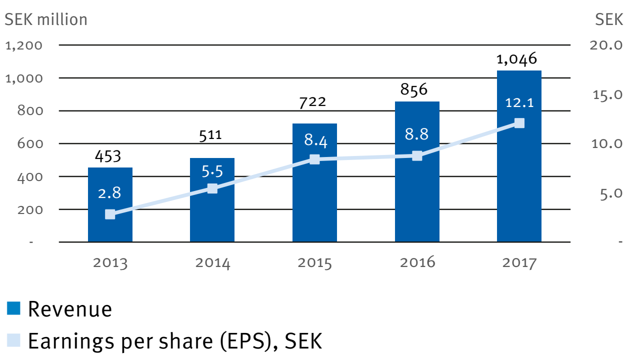
VITROLIFE

About Vitrolife AB
Vitrolife is an international medical device group specialising in production and development of products for assisted reproduction. The company was founded in 1994 and was one of the first companies to provide IVF laboratories with high quality ready-to-use culture media. The company is headquartered in Sweden and has approx. 370 employees and the company's products are sold in approx. 110 markets. Vitrolife is listed on Nasdaq Stockholm.

In 2014, William Demant Invest A/S divested its 31% share in Unisense FertiliTech A/S to Vitrolife in exchange for shares in the company, and has continually bought up shares in Vitrolife. During 2017, William Demant Invest A/S became the largest shareholder, holding around 22% of the shares.

2017
Vitrolife saw strong growth in 2017 driven by, among others, its strong and innovative product portfolio, economies of scale and continued strong demand in the underlying market for IVF procedures.

Revenue arrived at SEK 1,046 million, corresponding to a full-year growth of 22% in local currency (19% organic growth). Growth was especially strong in Asia and Pacific driven by Vitrolife's new time-lapse machine, EmbryoScope+, which has seen an impressive growth since its launch in the second part of 2016, growing to the tune of 59% in 2017. By the end of 2017, the time-lapse business amounted to around 25% of Vitrolife's total revenue.



Vitrolife's other business areas, Media, Disposable Devices and the recently established ART Equipment also delivered good growth in the year amounting to 9%, 6% and 100%, respectively. ART Equipment was established on the back of the acquisitions of German Medical Technology Vertriebs-GmbH and Octax Microscience GmbH, and hence the growth rate of 100% shall be viewed on the basis of weak comparable figures for 2016.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) improved by SEK 105 million to SEK 408 million, resulting in an EBITDA margin of 39% and up four percentage points compared to last year. Net income arrived at SEK 265 million vs. SEK 191 million in 2016. Earnings per share amounted to SEK 12.1 million compared to SEK 8.8 million in 2016.

In the first quarter of 2017, Vitrolife launched a new media system, RapidVitTM Omni, addressing the fast growing market for vitrification ("rapid freezing"), which is a technique used to freeze viable eggs for later use.

Outlook 2018
For 2018, Vitrolife anticipates a constantly expanding market, which in monetary terms is expected to grow by 5-10% per year in the foreseeable future.

www.vitrolife.com

Vitrolife AB

(SEK million)	2017	2016
Revenue	1,046	856
EBITDA	408	303
EBIT	341	249
Net result	265	191
Equity	1,226	1,018
Assets	1,422	1,250
Cash flow from operations (CFFO)	312	181
Free cash flow (FCF)	209	-13
Average number of employees	370	328
William Demant Invest A/S ownership (end of the year)	22%	19%

Board of Directors

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

Executive Management

Thomas Axelsson	CEO
Mikael Engblom	CFO
Andreas Ardstål	VP Business Development
Maria Forss	Business Unit Director Media
Rickard Ericsson	Chief Sales & Marketing Officer
Steffen Nielsen	Chief Operating Officer
Mark Larman	Chief Scientific Officer

BORKUM RIFFGRUND 1

About Borkum Riffgrund 1
In 2012, William Demant Invest A/S entered into a joint venture with KIRKBI and Ørsted to construct 77 wind turbines each of 3.6 MW in the North Sea at the German coast. In 2013, it was decided to upgrade the wind turbines to 4.0 MW in order to take advantage of new technological features and improve each wind turbine's power production. Furthermore, the partnership decided to construct an additional wind turbine in 2014, so now the wind farm consists of 78 wind turbines each of 4.0 MW with a total capacity of 312 MW.

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

2017
Boston Holding's share of the revenue generated from the wind farm amounted to DKK 865 million, corresponding an increase of DKK 454 million compared to 2016. The lower comparable figures in 2016 was due to finalisation of the optimisation and test phase on Borkum Riffgrund 1 in June 2016, after which Boston entered the revenue from the wind farm. Operating profit and net result arrived at DKK 486 million and DKK 301 million, respectively.

Outlook 2018
In 2018, the wind farm is expected to produce around GWh 1,300 which approximates the energy consumption of around 320,000 German households.

Boston Holding A/S

(DKK million)	2017	2016
Revenue	865	411
Operating profit	486	211
Net result	301	92
Equity	415	84
Assets	5,002	5,346
William Demant Invest A/S ownership (end of the year)	37%	37%

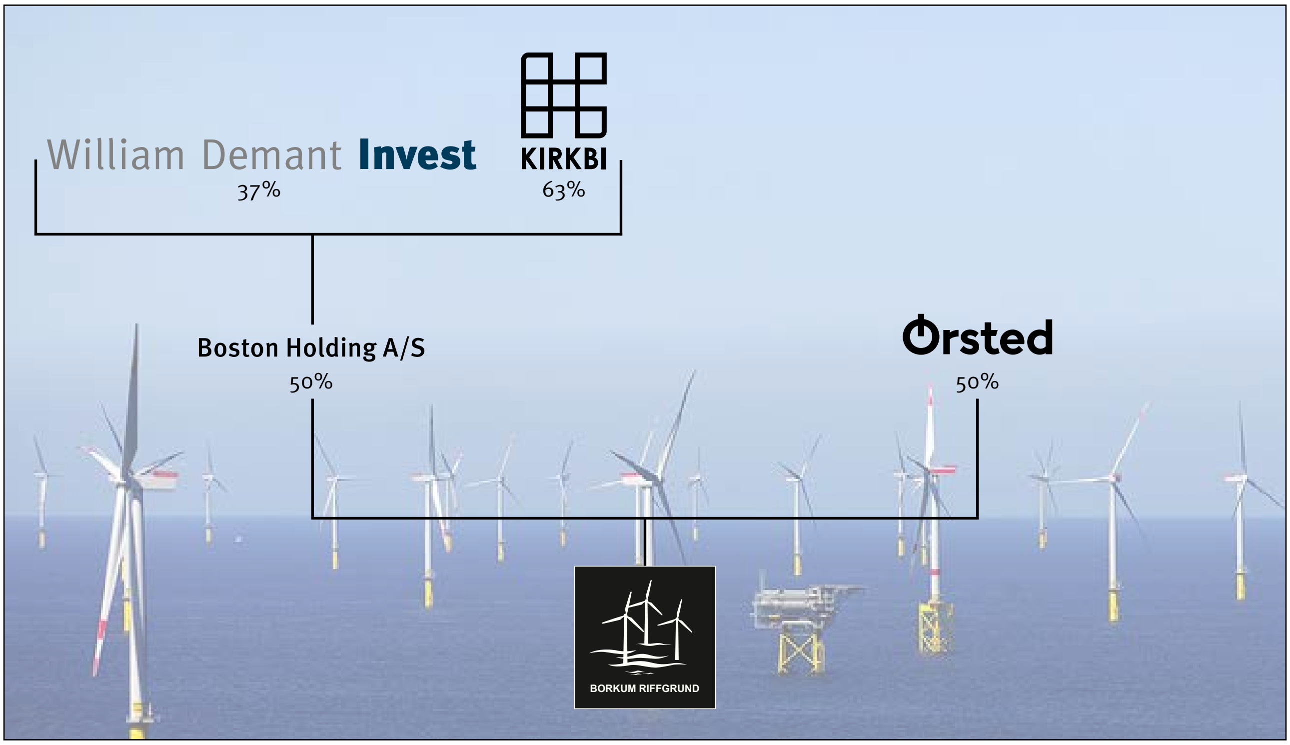
Board of Directors

Søren Thorup	Chairman
Niels Jacobsen	Deputy Chairman
Thomas Schleicher	
Nicklas Hansen	

Management

Kasper Trebbien	Managing Director

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



FINANCIAL REVIEW

Income statement
William Demant Invest A/S' consolidated revenue amounted to DKK 13,509 million in 2017 compared to 12,154 million in 2016. Operating profit (EBIT) increased by 30% to DKK 3,007 million, whereas profit before tax arrived at DKK 2,833 million compared to DKK 2,169 million in 2016. The increase is driven by strong performance in all companies with William Demant Holding A/S as the main positive. For 2017, William Demant Invest A/S' share of the aggregate net result was DKK 1,575 million.

Profit for the year is deemed satisfactory.

Equity and capital structure
Total assets amounted to DKK 25,165 million at year-end 2017 compared to DKK 23,198 million in 2016. Consolidated equity in 2017 amounted to DKK 14,629 million compared to DKK 12,296 million in 2016.

Based on the strong performance in 2017 and in order to strengthen the liquidity in the Oticon Foundation, a dividend of DKK 20 million has been proposed to be paid out to the Oticon Foundation.

Cash flows
Cash flow from operating activities amounted to DKK 2,050 million in 2017 compared to DKK 1,786 million in 2016, whereas cash flow from investing activities amounted to DKK -2,011 million in 2017 compared to DKK -980 million in 2016. Finally, the cash flow from financing activities amounted to DKK 412 million in 2017 compared to DKK -468 million in 2016, mainly driven by proceeds from sale of shares in William Demant Holding A/S during the course of 2017.

Tax
William Demant Invest A/S is jointly taxed with William Demant Holding A/S and their Danish subsidiaries, and William Demant Invest A/S is the administration company. Total corporate tax paid in William Demant Invest A/S in 2017 aggregated DKK 486 million of which DKK 220 million was paid in Denmark. Tax in associated companies is paid in the respective companies.

Knowledge resources
The management of William Demant Invest A/S was until 1 April 2017 outsourced to William Demant Holding A/S on arms-length terms, and William Demant Invest A/S had no employees. During April to December 2018, the average number of employees in William Demant Invest A/S was 5.

As a consequence of the management changes in William Demant Holding A/S and William Demant Invest A/S in April 2017, a new administration agreement governing the services and the fees paid by William Demant Invest A/S and William Demant Holding A/S, respectively, was established. Thus, in certain areas, William Demant Invest A/S does to a great extent rely on the development and retention of knowledge resources in subsidiaries and associated companies. Further elaboration on the latter can be found in subsidiaries' and associated companies' annual reports and webpages.

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

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

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

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

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

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

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

At year-end 2017, the Board of Directors in William Demant Invest A/S had four members. In continuation of the rules on the underrepresented gender in boards and under section 139a(1)(i) of the Danish Companies Act, the Board of Directors has set a target of electing and maintaining at least one board member of the underrepresented gender.

Research and development activities

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

Outlook 2018

The results for 2018 will largely be linked to the development in subsidiaries and associated companies and their respective outlook for 2018. Further elaboration on the latter can be found in their respective annual reports.

Due to the changed assessment of the level of control in Össur, cf. "Management Review", the recognition and measurement of our investment in Össur will change from the current equity method to full consolidation in both the income statement and balance sheet.

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

BOARD OF DIRECTORS

Lars Nørby Johansen, Chairman

(born 1949)

Lars Nørby Johansen received a Master of Social Sciences degree and began his career as a lecturer in political science at the University of Odense. Later he became a researcher. In 1998, he was appointed managing director of Falcks Redningskorps and Falck Holding. He stayed with Falck until 2005; From 1995 he was CEO, from 2000 also President for Group 4 Falck and Group Falck Securicor. Lars Nørby Johansen was a member of the William Demant Holding A/S board of directors 1998-2017, where he served as deputy chairman in the period 2004-2007 and chairman of the board in the period 2008-2017.

- Member of the Board since 2017
- Up for election in 2019
- Special qualifications including extensive international experience as a corporate executive, including vast board experience from listed companies, and profound knowledge of the challenges resulting from globalisation and not least industrial policy
- Considered independent Board member
- Total fee in the Oticon Foundation and the William Demant Invest Group in 2017: DKK 1,150,000.

Other directorships
Codan A/S and one subsidiary, chairman
Dansk Vækstkapital, chairman
Copenhagen Airports A/S, chairman
Montana Møbler A/S, chairman
University of Southern Denmark, chairman
The Rockwool Foundation, chairman
Arp-Hansen Hotel Group A/S, deputy chairman
Fonden for Entreprenørskab – Young Enterprise, chairman
The Oticon Foundation, chairman

Peter Foss, Deputy Chairman

(born 1956)

Peter Foss received a Master of Science degree in Engineering from the Technical University of Denmark in 1980, after which he was employed with Brüel & Kjær as an engineer. In 1981, he received a diploma in Business Administration from the Copenhagen Business School. In 1985, he joined FOSS A/S and acted as division manager until 1990. From 1990-2011, Peter Foss was the CEO of FOSS, and in 2011 he was appointed chairman of the board.

- Member of the Board since 2008
- Re-elected in 2016, up for election in 2018
- Special qualifications within management of global and market-leading industrial businesses with a high share of product development as well as board experience from various business areas
- Considered independent Board member
- Total fee in the Oticon Foundation and the William Demant Invest Group in 2017: DKK 1,012,500.

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

BOARD OF DIRECTORS

Ulla Brockenhuus-Schack

(born 1961)

Ulla Brockenhuus-Schack graduated from Copenhagen Business School and holds a Master of Business Administration degree in Strategy and Innovation from Columbia Business School, New York, from 1988. In 1987-1990, she worked as a management consultant at McKinsey & Company, followed by the position of marketing director at Egmont Juvenile in 1990-1994 and CEO of Egmont Imagination in 1995-1996. In 1998-1999, she was the executive of Nordisk Film A/S. From 1999 to 2002, she was the co-founder of Haburi.com. Since 2005, Ulla Brockenhuus-Schack has been managing partner in SEED Capital Denmark and in the period 2003-2017 the managing director of Pre-Seed Innovation A/S.

- Member of the Board since 2012
- Re-elected in 2017, up for election in 2019
- Special qualifications within the area of business strategy, development as well as innovation in various industries incl. the medical field
- Considered independent Board member
- Total fee in the Oticon Foundation and the William Demant Invest Group in 2017: DKK 350,000.

Other directorships

Expanite Technology A/S, board member
Tivoli A/S, board member
DVCA, board member
The Mary Foundation, board member
OrderYoyo A/S, board member
VEO ApS, board member
Tonsser ApS, board member
The Oticon Foundation, board member

Peter Straarup

(born 1951)

Peter Straarup received a diploma in Business Economics at Copenhagen Business School in 1979. He joined Danske Bank, Fredericia, in 1968. In 1975, he was hired as arbitrage dealer in Danske Bank in Copenhagen, and in 1976-1977 he worked as the manager of Loan Administration at Scandinavian Bank Ltd. in London. Peter Straarup was appointed vice president of Danske Bank in 1980 and he worked both in Denmark and abroad, including Singapore and New York, until 1986 when he was appointed director of Danske Bank. In 1998, he was appointed managing director and held this position until his retirement in 2012.

- Member of the Board since 2012
- Re-elected in 2016, up for election in 2018
- Special qualifications within management of financial businesses and business acquisitions in a global context
- Considered independent Board member
- Total fee in the Oticon Foundation and the William Demant Invest Group in 2017: DKK 350,000.

Other directorships

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

MANAGEMENT

Niels Jacobsen, CEO

(born 1957)

Niels Jacobsen holds a Master of Science degree in Economics from Aarhus University. He has extensive leadership experience from major international companies. His competencies include business management and in-depth knowledge of financial matters, accounting, risk management and M&A. He has broad experience from the global healthcare industry.

Other directorships
A. P. Møller - Mærsk A/S, deputy chairman
KIRKBI A/S, deputy chairman
Nissens A/S, chairman
Thomas B. Thrige Foundation, chairman

Group-related directorships
William Demant Holding A/S, deputy chairman
Össur hf., chairman
Jeudan A/S, chairman
Boston Holding A/S, deputy chairman
Founders A/S, chairman
Sennheiser Communications A/S, chairman
HIMPP A/S, chairman.

FINANCIAL REPORT

KEY FIGURES AND FINANCIAL RATIOS

	2017	2016	2015	2014	2013
INCOME STATEMENT, DKK MILLION					
Revenue	13,509	12,154	10,665	9,346	8,959
Gross profit	10,211	9,110	7,895	6,813	6,518
R&D costs	-919	839	763	680	634
Share of profit after tax, associates and joint ventures	561	374	550	75	365
EBITDA	3,492	2,753	2,699	2,059	2,339
Amortisation and depreciation etc.	485	447	325	294	292
Operating profit (EBIT)	3,007	2,306	2,374	1,765	2,047
Net financial items	-178	-137	-72	-63	-50
Profit before tax	2,829	2,169	2,302	1,702	1,997
Profit for the year	2,354	1,784	1,939	1,339	1,615
BALANCE SHEET, DKK MILLION					
Net interest-bearing debt	5,134	6,021	5,869	4,399	3,193
Assets	25,171	23,198	21,599	17,331	15,998
Equity	14,635	12,296	11,291	9,316	8,668
OTHER KEY FIGURES, DKK MILLION					
Investment in property, plant and equipment, net	296	403	609	1,317	602
Cash flow from operating activities (CFFO)	2,093	1,785	1,585	1,555	1,321
Free cash flow	1,600	1,237	1,246	703	910
Average number of employees	13,285	12,339	10,803	9,799	9,063
FINANCIAL RATIOS					
Gross profit margin	75.6%	75.0%	74.0%	72.9%	72.8%
EBITDA margin	25.8%	22.7%	25.3%	22.0%	26.1%
Profit margin (EBIT margin)	22.3%	19.0%	22.3%	18.9%	22.8%
Return on equity	15.9%	13.5%	17.0%	11.2%	17.1%
Equity ratio	58.1%	53.0%	52.3%	53.8%	54.2%

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

Key figures and financial ratios for 2013 to 2014 have been restated to reflect proportional consolidation of the Borkum Riffgrund 1 joint arrangement.

MANAGEMENT STATEMENT

We have today considered and approved the Annual Report 2017 of William Demant Invest A/S for the financial year 1 January – 31 December 2017.

The consolidated financial statements have been prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements in accordance with the Danish Financial Statements Act. The parent financial statements are presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2017 as well as of the results of their operations and the consolidated cash flows for the financial year 1 January – 31 December 2017.

In our opinion, the Management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the parents financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a desription of the principal risks and uncertainties that the group and the parent face.

We recommend the Annual Report 2017 for adoption at the annual general meeting.

Smørum, 26 April 2018

Executive Board:

Niels Jacobsen
CEO

Board of Directors:

Lars Nørby Johansen
Chairman

Peter Foss
Deputy Chairman

Ulla Brockenhuus-Schack

Peter Straarup

INDEPENDENT AUDITOR'S REPORT

To the shareholder of William Demant Invest A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of William Demant Invest A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the statement of comprehensive income and the cash flow statement of the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31-12-2017, and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements under the Danish Financial Statements Act.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31-12-2017, and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

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

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

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

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

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

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

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

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

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

Copenhagen, 26 April 2018

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33963556
Weidekampsgade 6
2300 Copenhagen S
Denmark

Anders Vad Dons	Kåre Valtersdorf
State-Authorised	State-Authorised
Public Accountant	Public Accountant
MNE no 25299	MNE no 34490

CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	2017	2016
Revenue	1.1	13,509	12,154
Production costs	1.2 / 1.3 / 1.5	-3,298	-3,044
Gross profit		**10,211**	**9,110**
R&D costs	1.2 / 1.3	-919	-839
Distribution costs	1.2 / 1.3	-6,101	-5,656
Administrative expenses	1.2 / 1.3 / 8.2	-745	-683
Share of profit after tax, associates and joint ventures	3.3 / 6.3	561	374
Operating profit (EBIT)		**3,007**	**2,306**
Financial income	4.2	54	83
Financial expenses	4.2	-232	-220
Profit before tax		**2,829**	**2,169**
Tax on profit for the year	5.1	-475	-385
Profit for the year		**2,354**	**1,784**
Profit for the year attributable to:			
William Demant Invest A/S' shareholders		1,571	1,145
Minority interests		783	639
		2,354	**1,784**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	2017	2016
Profit for the year	**2,354**	**1,784**
Other comprehensive income:		
Items that have been or may subsequently be reclassified to the income statement:		
Foreign currency translation adjustment, subsidiaries	-682	95
Other comprehensive income adjustments, associates and joint ventures	7	-109
Value adjustment of hedging instruments:		
Value adjustment for the year	147	-20
Value adjustment transferred to revenue	-49	46
Value adjustments, financial assets held for resale:		
Value adjustment for the year	0	1
Value adjustment transferred to financial items	0	0
Tax on items that have been or may subsequently be reclassified to the income statement	-11	-9
Items that have been or may subsequently be reclassified to the income statement	**-588**	**4**
Items that will not subsequently be reclassified to the income statement:		
Actuarial gains/losses on defined benefit plans	8	-7
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	**6**	**-6**
Other comprehensive income	**-582**	**-2**
Comprehensive income	**1,772**	**1,782**
Comprehensive income attributable to:		
William Demant Invest A/S' shareholders	1,103	1,118
Minority interests	669	664
	1,772	**1,782**
Breakdown of tax on other comprehensive income:		
Foreign currency translation adjustment, subsidiaries	10	-3
Value adjustment of hedging instruments for the year	-32	4
Value adjustment of hedging instruments transferred to revenue	11	-10
Actuarial gains/losses on defined benefit plans	-2	1
Tax on other comprehensive income	**-13**	**-8**

CONSOLIDATED BALANCE SHEET 31 DECEMBER

(DKK million)	Note	2017	2016
Assets			
Goodwill		6,339	6,276
Patents and licences		40	51
Other intangible assets		407	289
Prepayments and assets under development		106	152
Intangible assets	3.1	**6,892**	**6,768**
Land and buildings		871	878
Plant and machinery		1,983	2,070
Other plant, fixtures and operating equipment		289	290
Leasehold improvements		265	263
Prepayments and assets under construction		83	91
Property, plant and equipment	3.2	**3,491**	**3,592**
Investments in associates and joint ventures	3.3	7,512	6,172
Receivables from associates and joint ventures	3.3 / 4.3 / 4.4	500	383
Other investments	3.3 / 4.3 / 4.5	60	8
Other receivables	1.6 / 3.3 / 4.3 / 4.4	456	539
Deferred tax assets	5.2	372	396
Other non-current assets		**8,900**	**7,498**
Non-current assets		**19,283**	**17,858**
Inventories	1.5	1,351	1,300
Trade receivables	1.6 / 4.3	2,622	2,466
Receivables from associates and joint ventures	4.3	81	71
Income tax		111	149
Other receivables	1.6 / 4.3 / 4.4	261	271
Unrealised gains on financial contracts	2.3 / 4.3 / 4.5	66	11
Prepaid expenses		208	192
Securities	4.3 / 4.5	32	74
Cash	4.3 / 4.4	1,156	806
Current assets		**5,888**	**5,340**
Assets		**25,171**	**23,198**

CONSOLIDATED BALANCE SHEET 31 DECEMBER

(DKK million)	Note	2017	2016
Equity and liabilities			
Share capital		4	4
Other reserves		11,243	9,293
Equity attributable to William Demant Invest A/S' shareholders		11,247	9,297
Equity attributable to minority interests		3,388	2,999
Equity		**14,635**	**12,296**
Interest-bearing debt	4.3 / 4.4	2,307	3,960
Deferred tax liabilities	5.2	179	162
Provisions	7.1	316	395
Other liabilities	4.3 / 7.2	210	187
Deferred income		208	170
Non-current liabilities		**3,220**	**4,874**
Interest-bearing debt	4.3 / 4.4	4,834	3,714
Trade payables	4.3	516	513
Payables to associates and joint ventures		0	2
Income tax		72	148
Provisions	7.1	25	32
Other liabilities	4.3 / 7.2	1,581	1,271
Unrealised losses on financial contracts	2.3 / 4.3 / 4.4 / 4.5	3	46
Deferred income		285	302
Current liabilities		**7,316**	**6,028**
Liabilities		**10,536**	**10,902**
Equity and liabilities		**25,171**	**23,198**

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	Note	2017	2016
Operating profit (EBIT)		3,007	2,306
Non-cash items etc.	1.7	-3	126
Change in receivables etc.		-387	-325
Change in inventories		-89	40
Change in trade payables and other liabilities etc.		201	87
Change in provisions		-52	110
Dividends received		85	40
Cash flow from operating profit		**2,762**	**2,384**
Financial income etc. received		50	40
Financial expenses etc. paid		-232	-214
Realised foreign currency translation adjustments		-2	-2
Income tax paid		-485	-423
Cash flow from operating activities (CFFO)		**2,093**	**1,785**
Acquisition of enterprises, participating interests and activities		-1,517	-459
Disposal of enterprises, participating interests and activities	6.2	0	27
Investments in and disposal of intangible assets		-126	-152
Investments in property, plant and equipment		-316	-423
Disposal of property, plant and equipment		20	20
Investments in other non-current assets		-366	-203
Disposal of other non-current assets		295	210
Cash flow from investing activities (CFFI)		**-2,010**	**-980**
Repayments of borrowings	4.4	-1,156	-350
Proceeds from borrowings	4.4	1,132	773
Change in short-term bank facilities	4.4	-133	-114
Buy-back of shares		-1,031	-1,050
Dividends paid		-23	-3
Transactions with minorities		1,623	276
Cash flow from financing activities (CFFF)		**412**	**-468**
Cash flow for the year, net		**495**	**337**
Cash and cash equivalents at the beginning of the year		603	293
Foreign currency translation adjustment of cash and cash equivalents		12	-27
Cash and cash equivalents at the end of the year		**1,110**	**603**
Breakdown of cash and cash equivalents at the end of the year:			
Cash	4.3 / 4.4	1,157	806
Overdraft	4.3 / 4.4	-47	-203
Cash and cash equivalents at the end of the year		**1,110**	**603**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Other reserves: Foreign currency translation reserve	Other reserves: Hedging reserve	Other reserves: Retained earnings	Other reserves: Dividend	William Demant Invest A/S' sharehold-ers' share	Minority interests' share	Equity
Equity at 1.1.2017	**4**	**502**	**-19**	**8,790**	**20**	**9,297**	**2,999**	**12,296**
Comprehensive income in 2017:								
Profit for the year	-	-	-	1,551	20	1,571	783	2,354
Other comprehensive income:								
Foreign currency translation adjustment, subsidiaries	-	-527	-	-	-	-527	-155	-682
Other compr. income adjustments, associates and joint ventures	-	-	-	7	-	7	-	7
Value adjustment of hedging instruments:								
Value adjustment, year	-	-	82	-	-	82	65	147
Value adjustment transferred to revenue	-	-	-27	-	-	-27	-22	-49
Value adjustment transferred to financial expenses	-	-	0	-	-	0	-	0
Value adjustments, financial assets held for resale:								
Value adjustment for the year	-	-	-	0	-	0	-	0
Value adjustment transferred to financial items	-	-	-	0	-	0	-	0
Actuarial gains/(losses) on defined benefit plans	-	-	-	4	-	4	4	8
Tax on other compr. income	-	6	-12	-1	-	-7	-6	-13
Other comprehensive income	-	-521	43	10	-	-468	-114	-582
Comprehensive income, year	**-**	**-521**	**43**	**1,561**	**20**	**1,103**	**669**	**1,772**
Transactions with minority shareholders	-	-	-	867	-	867	-275	592
Dividends paid out	-	-	-	-	-20	-20	-	-20
Other changes in equity	-	-	-	-	-	-	-4	-4
Equity at 31.12.2017	**4**	**-19**	**24**	**11,218**	**20**	**11,247**	**3,388**	**14,635**

For changes in share capital, please refer to *Parent statement of changes in equity* on page 96.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – *CONTINUED*

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

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, balance sheet or cash flow statement, this will be indicated by the following references:

IS – Consolidated income statement
OCI – Consolidated other comprehensive income
BS – Consolidated balance sheet
CF – Consolidated cash flow statement

SECTION 1 OPERATING ACTIVITIES AND CASH FLOW

1.1 REVENUE BY GEOGRAPHIC REGION AND BUSINESS ACTIVITY

(DKK million)

	2017	2016
Revenue by geographic region:		
Denmark	228	186
Other Europe	5,530	5,089
North America	5,358	4,719
Oceania	946	911
Asia	960	861
Other countries	488	388
Total IS	**13,510**	**12,154**

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

	2017	2016
Revenue by business activity:		
Hearing Devices	11,495	10,515
Diagnostic Instruments	1,194	1,089
Hearing Implants	500	398
Wind farm	321	152
Total IS	**13,510**	**12,154**

	2017	2016
Value adjustments transferred from equity relating to derivatives made for hedging revenue OCI	49	-46

§ ACCOUNTING POLICIES

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

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Operating segments

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

Discounts, returns etc.

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

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

1.2 EMPLOYEES

(DKK million)	Note	2017	2016
Staff costs:			
Wages and salaries		4,956	4,581
Share-based remuneration		3	1
Defined contribution plans		70	64
Defined benefit plans	7.1	2	3
Social security costs, etc.		476	419
Total		**5,507**	**5,068**
Staff costs by function:			
Production costs		796	785
R&D costs		571	502
Distribution costs		3,491	3,191
Administrative expenses		649	590
Total		**5,507**	**5,068**
Average number of full-time employees		13,280	12,339

In 2017, the basic remuneration of a member of the Parent's Board of Directors was DKK 200,000 (DKK 200,000 in 2016). The Chairman of the Board of Directors receives three times the basic remuneration and the Deputy Chairman one and a half time the basic remuneration. The total remuneration for the Board of Directors was DKK 2 million (DKK 2 million in 2016).

The remuneration of the Management in William Demant Invest includes cash remuneration, short-term benefits and social security. Short-term benefits include a bonus scheme based on the development in the fair value of the net assets. Until 31 March 2017, the management of William Demant Invest was outsourced to William Demant Holding, but as of 1 April 2017, Niels Jacobsen became CEO of William Demant Invest. For 2017, the total remuneration for the Management of William Demant Invest was DKK 14 million including the management fee paid to William Demant Holding for the first quarter of the year. For 2016, the management fee paid to William Demant Holding was DKK 5 million.

Part of the Executive Board and other Senior management in William Demant Holding are enrolled in a number of cash-settled share-based remuneration programmes. For further information please refer to consolidated financial statements of William Demant Holding.

1.3 AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

(DKK million)	Note	2017	2016
Amortisation of intangible assets	3.1	84	59
Depreciation of property, plant and equipment	3.2	370	339
Impairment of property, plant and equipment	3.2	0	23
Total		**454**	**421**
Amortisation, depreciation and impairment losses by function:			
Production costs		72	95
R&D costs		53	41
Distribution costs		287	244
Administrative expenses		42	41
Total		**454**	**421**
Net gains from sale of assets		8	3
Total		**8**	**3**
Net gains from sale of assets by function:			
Production costs		5	0
Distribution costs		1	3
Administrative expenses		2	0
Total		**8**	**3**

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

1.4 PROPOSED DIVIDEND

The Board of Directors will at the general assembly propose a dividend of DKK 20 million for 2017.

1.5 INVENTORIES

(DKK million)	2017	2016
Raw materials and purchased components	618	577
Work in progress	61	49
Finished goods and goods for resale	672	674
Inventories BS	**1,351**	**1,300**
Write-downs, provisions for obsolescence etc. included in the above	117	130
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	33	43
Cost of goods sold during the year	2,335	2,080

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

§ ACCOUNTING POLICIES

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

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

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Indirect production cost allocations to inventory

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

Obsolescence provision

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

1.6 RECEIVABLES

(DKK million)	2017	2016
Trade receivables BS	2,622	2,466
Other non-current receivables BS	456	539
Other current receivables BS	261	271
Total	**3,339**	**3,276**
Non-impaired receivables by age:		
Balance not due	2,415	2,363
0-3 months	486	480
3-6 months	144	184
6-12 months	143	105
Over 12 months	151	144
Total	**3,339**	**3,276**
Breakdown of allowance for impairment:		
Allowance for impairment at 1.1.	-291	-257
Foreign currency translation adjustments	19	-6
Applied during the year	52	40
Additions during the year	-56	-78
Reversals during the year	4	10
Allowance for impairment at 31.12.	**-272**	**-291**

Of the total amount of trade receivables, DKK 270 million (DKK 225 million in 2016) is expected to be collected after 12 months. For information on security and collateral, please refer to *Credit risks* in Note 4.1.

§ ACCOUNTING POLICIES

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

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Allowance for impairment is calculated for both trade receivables and other receivables. For trade receivables, the allowance is calculated for anticipated credit losses based on an assessment of the debtor's 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 assessed on an individual basis. Allowance is made for those receivables that are estimated to not be fully recoverable.

1.7 SPECIFICATION OF NON-CASH ITEMS ETC.

(DKK million)	Note	2017	2016
Amortisation and depreciation etc.		485	447
Share of profit after tax, associates and joint ventures IS		-561	-374
Gain on sale of intangible assets and property, plant and equipment	1.3	-8	-3
Other non-cash items		81	56
Non-cash items etc. CF		**-3**	**126**

SECTION 2 EXCHANGE RATES AND HEDGING

2.1 EXCHANGE RATE RISK POLICY

The Group seeks to hedge against any exchange rate risks, first and foremost through forward exchange contracts. In relation to exchange rate fluctuations, hedging ensures predictability in terms of profit and 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. The Group hedges estimated cash flows with a horizon of up to 18 months.

2.2 SENSITIVITY ANALYSIS IN RESPECT OF EXCHANGE RATES

The below tables show the impact on the year's operating profit (EBIT) and consolidated equity, given a change of 5% in the currencies with the highest exposures. The exchange rate impact on EBIT has been calculated on the basis of the William Demant Holding Group's EBIT for each currency and does not take into account a possible exchange rate impact on balance sheet values in those
currencies.

Effect on EBIT, 5% positive exchange rate impact*

(DKK million)	2017	2016
USD	+46	+40
AUD	+13	+15
GBP	+20	+15
CAD	+18	+15
JPY	+5	+5

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

Effect on equity, 5% positive exchange rate impact

(DKK million)	2017	2016
USD	+95	+90
AUD	+20	+20
GBP	+14	+13
CAD	+47	+50
JPY	+3	+3

Exchange rate risk for the Group (specifically related to the investment activities in William Demant Invest A/S)
In addition to the above sensitivity analysis of the William Demant Holding Group's equity given a change of 5% in selected currencies, the William Demant Invest Group will be impacted by DKK 207 million in 2017 (DKK 121 million in 2016) in relation to the value of the investment in Össur hf., if the exchange rate for USD changes by 5% and by DKK 49 million in 2017 (DKK 36 million in 2016) in relation to the value of the investment in Vitrolife AB and CellaVision AB, if the exchange rate for SEK changes by 5%.

2.3 HEDGING AND FORWARD EXCHANGE CONTRACTS

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

Realised forward exchange contracts are recognised in the income statement together with the items, typically revenue in foreign currency, that such contracts are designed to hedge. In 2017, the Group's forward exchange contracts realised a gain of DKK 49 million (loss of DKK 46 million in 2016), which increased reported revenue for the year. In addition, the Group raised loans in foreign currencies to balance out net receivables. At year-end 2017, the Group had entered into forward exchange contracts at a contractual value of DKK 1,297 million (DKK 1,694 million in 2016) and a fair value of DKK 63 million (DKK -34 million in 2016).

Forward exchange contracts

2017

	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	2018	10 months	650	-754	41	41	0
AUD	2018	5 months	493	-111	2	2	0
GBP	2018	9 months	838	-277	0	2	2
CAD	2018	7 months	496	-246	2	3	1
JPY	2018	8 months	6.48	-91	14	14	0
Other	2018	-	-	182	4	4	0
				-1,297	**63**	**66**	**3**

2016

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

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

§ ACCOUNTING POLICIES

On initial recognition, derivatives are measured at fair value at the settlement date. After initial recognition, derivatives are measured at fair value 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. Please refer to Note 4.5.

2.3 HEDGING AND FORWARD EXCHANGE CONTRACTS – *CONTINUED*

§ **ACCOUNTING POLICIES - *CONTINUED***

Any changes in fair values of derivatives classified as hedging instruments and satisfying the criteria for hedging 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 fair value, 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 the Group's main trading currencies according to the central bank of Denmark. Depending on the phasing of revenue, EBIT and payments, the exchange rate impact on the consolidated income statement may deviate from the below averages.

Exchange rate DKK per 100

Average	2017	2016	Change	Year-end	2017	2016	Change
EUR	744	745	-0.1%	EUR	744	743	0.1%
USD	660	673	-1.9%	USD	621	705	-11.9%
AUD	506	501	1.0%	AUD	485	509	-4.7%
GBP	849	911	-6.8%	GBP	839	868	-3.3%
CAD	508	508	0.0%	CAD	495	524	-5.5%
JPY	5.88	6.21	-5.3%	JPY	5.51	6.02	-8.5%

2.4 EXCHANGE RATES – *CONTINUED*

§ ACCOUNTING POLICIES

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

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

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

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

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

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

SECTION 3 ASSETS BASE

3.1 INTANGIBLE ASSETS

(DKK million)	Goodwill	Patents and licences	Other intangible assets	Prepayments and assets under development	Total intangible assets
Cost at 1.1.2017	**6,276**	**141**	**429**	**152**	**6,998**
Foreign currency translation adjustments	-374	0	-14	-1	-389
Additions during the year	0	2	8	116	126
Additions relating to acquisitions	437	0	27	0	464
Disposals relating to divestments	0	0	0	0	0
Disposals during the year	0	-3	-5	0	-8
Transferred to/from other items	0	1	160	-161	-
Cost at 31.12.2017	**6,339**	**141**	**605**	**106**	**7,191**
Amortisation at 1.1.2017	-	-90	-140	-	-230
Foreign currency translation adjustments	-	0	7	-	7
Amortisation for the year	-	-14	-70	-	-84
Disposals relating to divestments	-	0	0	-	0
Disposals during the year	-	3	5	-	8
Amortisation at 31.12.2017	**-**	**-101**	**-198**	**-**	**-299**
Carrying amount at 31.12.2017 BS	**6,339**	**40**	**407**	**106**	**6,892**
Cost at 1.1.2016	**5,660**	**100**	**367**	**20**	**6,147**
Foreign currency translation adjustments	68	0	6	0	74
Additions during the year	0	35	9	113	157
Additions relating to acquisitions	560	0	52	41	653
Disposals relating to divestments	-12	0	-14	0	-26
Disposals during the year	0	0	-7	0	-7
Transferred to/from other items	0	6	16	-22	0
Cost at 31.12.2016	**6,276**	**141**	**429**	**152**	**6,998**
Amortisation at 1.1.2016	-	-78	-92	-	-170
Foreign currency translation adjustments	-	0	-4	-	-4
Amortisation for the year	-	-12	-47	-	-59
Disposals relating to divestments	-	0	1	-	1
Disposals during the year	-	0	2	-	2
Amortisation at 31.12.2016	**-**	**-90**	**-140**	**-**	**-230**
Carrying amount at 31.12.2016 BS	**6,276**	**51**	**289**	**152**	**6,768**

3.1 INTANGIBLE ASSETS – *CONTINUED*

§ ACCOUNTING POLICIES

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

On recognition, 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 Group's managerial structure as well as the internal financial management reporting.

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

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

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

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Impairment testing is carried out annually on preparation of the annual report or on indication of impairment in which discounted values of future cash flows are compared with carrying amounts. Group enterprises cooperate closely on R&D, purchasing, production, marketing and sale, as the use of resources in the individual markets is coordinated and monitored by Management in Denmark. Group enterprises are thus highly integrated. Consequently, Management considers the overall business as one cash-generating unit. Any business activity, which largely acts with autonomy in relation to the Group and whose profitability can be measured independently of the other activities, constitutes a separate cash-generating unit. In relation to the existing integration in the Group and the recognised goodwill, neither as of 31 December 2017 nor as of 31 December 2016, had any separate cash-generating units been identified to which goodwill could be allocated. The annual impairment test was thus based on the Group as a whole.

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

3.2 PROPERTY, PLANT AND EQUIPMENT

(DKK million)	Land and buildings	Plant and machinery	Other plant, fixtures and operating equipment	Leasehold improvements	Prepayments and assets under construction	Total property, plant and equipment
Cost at 1.1.2017	**1,157**	**2,843**	**1,255**	**601**	**91**	**5,947**
Foreign currency translation adjustments	-20	-6	-40	5	0	-61
Additions during the year	36	18	90	56	86	286
Additions relating to acquisitions	0	0	15	6	0	21
Disposals relating to divestments	0	0	0	0	0	0
Disposals during the year	-41	-74	-68	-10	0	-193
Transferred to/from other items	7	30	46	11	-94	-
Cost at 31.12.2017	**1,139**	**2,811**	**1,298**	**669**	**83**	**6,000**
Depreciation and impairment losses at 1.1.2017	**-279**	**-773**	**-965**	**-338**	**-**	**-2,355**
Foreign currency translation adjustments	5	8	31	-10	-	34
Depreciation for the year	-33	-134	-137	-65	-	-369
Impairment losses for the year	0	0	0	0	-	0
Disposals relating to divestments	0	0	0	0	-	0
Disposals during the year	39	71	62	9	-	181
Depreciation and impairment losses at 31.12.2017	**-268**	**-828**	**-1,009**	**-404**	**-**	**-2,509**
Carrying amount at 31.12.2017 BS	**871**	**1,983**	**289**	**265**	**83**	**3,491**
Of which finance leased assets	**0**	**0**	**0**	**0**	**0**	**0**
Cost at 1.1.2016	**1,131**	**859**	**1,179**	**541**	**154**	**5,619**
Foreign currency translation adjustments	-2	3	4	-4	-2	-1
Additions during the year	5	20	84	75	112	434
Additions relating to acquisitions	-1	0	13	11	0	23
Disposals relating to divestments	0	0	-2	-5	0	-7
Disposals during the year	0	-16	-74	-27	-4	-121
Transferred to/from other items	24	1,977	51	10	-169	0
Cost at 31.12.2016	**1,157**	**2,843**	**1,255**	**601**	**91**	**5,947**
Depreciation and impairment losses at 1.1.2016	**-231**	**-676**	**-894**	**-295**	**-**	**-2,096**
Foreign currency translation adjustments	0	-3	-5	2	-	-6
Depreciation for the year	-25	-109	-132	-73	-	-339
Impairment losses for the year	-23	0	0	0	-	-23
Disposals relating to divestments	0	0	1	4	-	5
Disposals during the year	0	15	65	24	-	104
Depreciation and impairment losses at 31.12.2016	**-279**	**-773**	**-965**	**-338**	**-**	**-2,355**
Carrying amount at 31.12.2016 BS	**878**	**2,070**	**290**	**263**	**91**	**3,592**
Of which finance leased assets	**29**	**0**	**0**	**0**	**0**	**29**

3.2 PROPERTY, PLANT AND EQUIPMENT – *CONTINUED*

As of 31 December 2017, the Group had no finance leased assets. As of 31 December 2016, our finance leased assets were mainly properties acquirable at favourable prices on expiry of the term of such leases.

In 2017, the Group recognised impairment losses of DKK 0 million (DKK 23 million in 2016).

§ ACCOUNTING POLICIES

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment losses. Cost is defined as the acquisition price and costs directly relating to the acquisition until such time as the particular asset is ready for use. For assets produced by the Group, cost includes all costs directly attributable to the production of such assets, including materials, components, sub-supplies and payroll. In respect of finance 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, Other	3-5 years
Plant and machinery, Wind farm	20-25 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 1.1.2017	**4,721**	**383**	**16**	**664**
Foreign currency translation adjustments	-29	-33	0	-53
Additions during the year	1,213	157	53	236
Additions relating to acquisitions	0	0	0	1
Disposals, repayments etc. during the year	0	-7	-1	-302
Cost at 31.12.2017	**5,905**	**500**	**68**	**546**
Value adjustments at 1.1.2017	**1,451**	**0**	**-8**	**-125**
Foreign currency translation adjustments	-327	0	0	13
Share of profit after tax IS	561	-	-	-
Dividends received	-83	-	-	-
Disposals during the year	0	0	0	0
Other adjustments	5	0	0	22
Value adjustments at 31.12.2017	**1,607**	**-**	**-8**	**-90**
Carrying amount at 31.12.2017 BS	**7,512**	**500**	**60**	**456**
Cost at 1.1.2016	**4,609**	**357**	**338**	**685**
Foreign currency translation adjustments	5	7	0	24
Additions during the year	126	55	0	169
Additions relating to acquisitions	0	0	0	0
Disposals, repayments etc. during the year	-19	-36	-322	-214
Cost at 31.12.2016	**4,721**	**383**	**16**	**664**
Value adjustments at 1.1.2016	**1,205**	**0**	**15**	**-118**
Foreign currency translation adjustments	52	0	0	-3
Share of profit after tax IS	347	-	0	-
Dividends received	-40	-	0	-
Disposals during the year	1	0	-23	2
Other adjustments	-114	0	0	-6
Value adjustments at 31.12.2016	**1,451**	**0**	**-8**	**-125**
Carrying amount at 31.12.2016 BS	**6,172**	**383**	**8**	**539**

Please refer to *Subsidiaries, associates and joint ventures* on page 102 for a list of associates and joint ventures. The ownership interest equals the share of voting rights. Please refer to Note 6.3 for further details.

3.4 NON-CURRENT ASSETS BY GEOGRAPHIC REGION

(DKK million)

	2017	2016
Non-current assets by geographic region:		
Denmark	4,125	3,902
Other Europe	9,793	8,908
North America	4,653	4,360
Oceania	534	506
Asia	127	137
Other countries	50	45
Total BS	**19,283**	**17,858**

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

3.5 IMPAIRMENT TESTING

Impairment testing is carried out for the Group's one cash-generating unit. Based on the impairment test, a material excess value was identified compared to the carrying amount for which reason no impairment of goodwill was made as of 31 December 2017 and 31 December 2016. Future cash flows are based on the budget for 2018, on strategy plans and on projections hereof. Projections extending beyond 2018 are based on general parameters, such as expected market growth, selling prices and profitability assumptions. The terminal value for the period after 2018 is determined on the assumption of 2% growth (2% in 2016). The pre-tax discount rate is 7.5% (7.5% in 2016). 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.

The market capitalisation of the Company on Nasdaq Copenhagen by far exceeds the equity value of the Company, which further supports the conclusion that there was no need for impairment in 2017 and 2016.

§ ACCOUNTING POLICIES

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

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

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

SECTION 4 CAPITAL STRUCTURE AND FINANCIAL MANAGEMENT

4.1 FINANCIAL RISK MANAGEMENT AND CAPITAL STRUCTURE

Policies relating to financial risk management and capital structure

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

Interest rate risks

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

Credit risks

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

The maximum credit risk relating to receivables matches the carrying amounts of such receivables. The Group has no major deposits with financial institutions for which reason the credit risk of such deposits is considered to be low. The William Demant Invest Group's securities consist of corporate bonds, which are diversified both in sectors and currencies, and the credit risks of the Group are considered to be low.

Liquidity risks

The Group aims to have sufficient cash resources to be able to take appropriate steps in case of unforeseen fluctuations in cash outflows. We have access to considerable undrawn credit facilities, and the liquidity risk is therefore considered to be low. We are of the opinion that the Group has strong cash flows and a satisfactory credit rating to secure the current inflow of working capital and funds for potential acquisitions. Neither in previous years nor in the financial year 2017 has the Group defaulted on loan agreements.

Exchange rate risks

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

4.2 NET FINANCIAL ITEMS

(DKK million)	2017	2016
Interest on cash and bank deposits	4	4
Interest on securities	5	7
Interest on receivables, customer loans etc.	39	70
Other financial income	6	2
Financial income from financial assets not measured at fair value in the income statement	**54**	**83**
Financial income IS	**54**	**83**
Interest on bank debt, mortgages etc.	-138	-131
Financial expenses on financial liabilities not measured at fair value in the income statement	**-138**	**-131**
Foreign exchange losses, net	-2	-11
Credit card and bank fees	-88	-78
Financial expenses IS	**-228**	**-220**
Net financial items	**-174**	**-137**

In addition to the foreign exchange items above, the consolidated income statement is also affected by foreign exchange hedging instruments as described in Note 2.3 as well as by foreign exchange effects of balance sheet items affecting production costs with a loss of DKK 93 million in 2017 (a gain of DKK 33 million in 2016).

§ ACCOUNTING POLICIES

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

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

4.3 CATEGORIES OF FINANCIAL INSTRUMENTS

(DKK million)	2017	2016
Unrealised gains on financial contracts BS	66	11
Financial assets used as hedging instruments	**66**	**11**
Receivables from associates and joint ventures BS	581	454
Other receivables BS	717	810
Trade receivables BS	2,622	2,466
Cash BS	1,156	806
Receivables and cash	**5,076**	**4,536**
Securities BS	32	74
Other investments BS	60	8
Financial assets available for sale	**92**	**82**
Unrealised losses on financial contracts BS	-3	-46
Financial liabilities used as hedging instruments	**-3**	**-46**
Finance lease debt	0	-8
Debt to credit institutions etc.	-3,228	-3,261
Short-term bank facilities etc.	-1,866	-2,202
Debt to parent	2,000	2,000
Overdraft	-47	-203
Trade payables BS	-516	-513
Other liabilities	-1,475	-1,155
Financial liabilities measured at amortised cost	**-9,132**	**-9,342**

Please refer to Note 4.4 for a maturity specification of the above financial assets. As regards financial assets and liabilities, their carrying amounts approximate their fair values. The following non-financial item is included in the balance sheet and represents the difference between the table above and the balance sheet: Other liabilities of DKK -316 million (DKK -303 million in 2016).

4.3 CATEGORIES OF FINANCIAL INSTRUMENTS – *CONTINUED*

§ **ACCOUNTING POLICIES**

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

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

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

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: Less than 1 year	1-5 years	More than 5 years	Total	Carrying amount	Weighted average effective interest rate
2017						
Interest-bearing receivables	125	349	599	1,073	842	
Securities BS	32	0	0	32	32	
Cash BS	1,133	0	0	1,133	1,133	
Interest-bearing assets	**1,290**	**349**	**599**	**2,238**	**2,007**	**1.3%**
Finance lease debt	0	0	0	0	0	
Debt to credit institutions etc.	-947	-2,192	-147	-3,286	-3,228	
Debt to parent	-70	-2,029	-	-2,099	-2,000	
Short-term bank facilities etc.	-1,866	0	-	-1,866	-1,866	
Overdraft	-47	0	-	-47	-47	
Interest-bearing liabilities BS	**-2,930**	**-4,221**	**-147**	**-7,298**	**-7,141**	**2.0%**
Net interest-bearing debt	**-1,640**	**-3,872**	**452**	**-5,060**	**-5,134**	**2.2%**
2016						
Interest-bearing receivables	120	295	526	941	773	
Securities BS	50	52	0	102	74	
Cash BS	806	0	0	806	806	
Interest-bearing assets	**976**	**347**	**526**	**1,849**	**1,653**	**2.1%**
Finance lease debt	0	-8	0	-8	-8	
Debt to credit institutions etc.	-1,320	-1,938	-55	-3,313	-3,261	
Debt to parent	-70	-2,117	0	-2,187	-2,000	
Short-term bank facilities etc.	-2,202	0	0	-2,202	-2,202	
Overdraft	-203	0	0	-203	-203	
Interest-bearing liabilities BS	**-3,795**	**-4,063**	**-55**	**-7,913**	**-7,674**	**1.7%**
Net interest-bearing debt	**-2,740**	**-3,716**	**471**	**-6,064**	**-6,021**	**1.7%**

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 197 million (DKK 187 million in 2016), which have a contractual maturity of 1-5 years. The contractual cash flows approximate their carrying amounts. Interest-bearing debt broken down by currency: 27% in US dollars (29% in 2016), 59% in Danish kroner (58% in 2016), 12% in euros (11% in 2016), 1% in Canadian dollars (1% in 2016) and 1% in other currencies (1% in 2016).

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

Reconciliation of liabilities arising from financing activities

The table below shows changes in consolidated liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated cash flow statement as cash flow from financing activities.

(DKK million)	2016	Cash flows from financing activities	Net cash flow from overdrafts	Non-cash changes: Acquisitions	Non-cash changes: Foreign exchange movements	2017
Finance lease debt	-8	8	-	0	0	0
Debt to credit institutions etc.	-3,261	16	-	-5	22	-3,228
Debt to parent	-2,000	0	-	0	0	-2,000
Short-term bank facilities etc.	-2,202	133	-	0	203	-1,866
Liabilities from financing activities	**-7,471**	**157**	**-**	**-5**	**225**	**-7,094**
Overdraft CF	-203	0	-35	0	191	-47
Interest-bearing liabilities	**-7,674**	**157**	**-35**	**-5**	**416**	**-7,141**

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

Interest cap

(DKK million)	2017					2016				
	Expiry	Interest rate/strike	Contractual amount at year-end	Positive fair value at year-end	Negative fair value at year-end	Expiry	Interest rate/strike	Contractual amount at year-end	Positive fair value at year-end	Negative fair value at year-end
DKK/DKK	2019	0%	650	0	0	2019	0%	650	0	1
			650	**0**	**0**			**650**	**0**	**1**

The fair value of the interest cap (a strip of call options) outstanding at the balance sheet date is DKK 0 million (DKK -1 million in 2016), and the contractual value of the interest cap is DKK 650 million (DKK 650 million in 2016). The cap will run until 2019.

Sensitivity analysis in respect of interest rates

Based on consolidated net debt at the end of the 2017 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 approx. DKK 10 million (DKK 13 million in 2016). About 55% of consolidated interest-bearing debt is subject to fixed or limited interest rates, partly due to a bought cap (a strip of call options) and partly due to loans being raised at fixed interest rates.

4.5 FAIR VALUE HIERARCHY

Methods and assumptions for calculation of fair values

Other investments

Other investments are assessed on the basis of their equity value or fair value, if the investment is traced in an active market.

Derivatives

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

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

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

Contingent considerations

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

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

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

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

4.5 FAIR VALUE HIERARCHY – *CONTINUED*

(DKK million)	2017				2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets used as hedging instruments	0	66	0	**66**	0	11	0	**11**
Securities (assets available for sale)	32	0	0	**32**	74	0	0	**74**
Other investments (assets available for sale)	49	0	11	**60**	0	0	8	**8**
Financial liabilities used as hedging instruments	0	-3	0	**-3**	0	-46	0	**-46**
Contingent considerations	0	0	-365	**-365**	0	0	-183	**-183**

There have been no transfers between level 1 and 2 in the 2017 and 2016 financial years.

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

Level 3 assets and liabilities	Financial assets available for sale		Contingent considerations	
(DKK million)	**2017**	**2016**	**2017**	**2016**
Carrying amount at 1.1.	8	12	-183	-109
Foreign currency translation adjustment	0	0	42	-6
Acquisitions	53	0	-122	-118
Investments in associates	0	0	-180	0
Disposals, repayments, settlements etc.	-1	-4	73	43
Other adjustments	0	0	5	7
Transferred to/from level 3	0	0	0	0
Carrying amount at 31.12.	**60**	**8**	**-365**	**-183**

Of adjustments to contingent considerations, DKK 0 million (DKK 0 million in 2016) is 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

5.1 TAX ON PROFIT

(DKK million)	2017	2016
Tax on profit for the year:		
Current tax on profit for the year	-452	-379
Adjustment of current tax, prior years	-2	17
Change in deferred tax	-75	-8
Adjustment of deferred tax, prior years	38	-14
Impact of changes in corporate tax rates	16	-1
Tax on profit for the year IS	**-475**	**-385**
Reconciliation of tax rates:		
Danish corporate tax rate	22.0%	22.0%
Differences between tax rates of non-Danish enterprises and Danish corporate tax rate	1.1%	1.4%
Impact of changes in corporate tax rates	-0.4%	0.0%
Use of tax assets not previously recognised	-0.5%	-0.8%
Permanent differences	-8.6%	-2.9%
Other items, including prior-year adjustments	-1.1%	-1.7%
Effective tax rate	**12.5%**	**18.0%**

§ 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)	2017	2016
Deferred tax recognised in the balance sheet:		
Deferred tax assets BS	372	396
Deferred tax liabilities BS	-179	-162
Deferred tax, net at 31.12.	**193**	**234**
Deferred tax, net at 1.1.	234	251
Foreign currency translation adjustments	-5	2
Changes in deferred tax assets	-75	-8
Additions relating to acquisitions	-2	12
Adjustment of deferred tax, prior years	38	-14
Impact of changes in corporate tax rates	16	-1
Deferred tax relating to changes in equity, net	-13	-8
Deferred tax, net at 31.12.	**193**	**234**

The tax value of deferred tax assets not recognised is DKK 36 million (DKK 55 million in 2016) and relates mainly to tax losses and tax credits 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 2016).

Breakdown of the Group's temporary differences and changes:	Temporary differences at 1.1.2017	Foreign currency translation adjustments	Acquisitions	Recognised in profit for the year	Recognised in other comprehensive income	Temporary differences at 31.12.2017
Intangible assets	-94	16	-2	-52	0	-132
Property, plant and equipment	-70	1	0	21	0	-48
Inventories	185	-2	0	3	0	186
Receivables	28	-3	0	-14	0	11
Provisions	70	-6	0	9	0	73
Tax losses	111	-12	0	-7	0	92
Other	4	1	0	19	-13	11
Total	**234**	**-5**	**-2**	**-21**	**-13**	**193**

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

5.2 DEFERRED TAX – *CONTINUED*

§ ACCOUNTING POLICIES

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

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Deferred tax assets, including the tax value of any tax losses allowed for carryforward, are recognised in the balance sheet at the estimated realisable value of such assets, either by a set-off against a deferred tax liability or by a net asset to be set off against future positive taxable income. At the balance sheet date, an assessment is made as to whether it is probable that sufficient taxable income will be available in the future against which the deferred tax asset can be utilised. Deferred tax on temporary differences between the carrying amounts and the tax values of investments in subsidiaries, associates and joint ventures is recognised, unless the Parent is able to control the time of realisation of such deferred tax, and it is probable that such deferred tax will not be realised as current tax in the foreseeable future. Deferred tax is recognised in respect of eliminations of intra-Group profits and losses.

SECTION 6 ACQUISITIONS, ASSOCIATES AND JOINT VENTURES

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES

(DKK million)	North America	Oceania	Europe/ Asia	South America	Total
	Fair value on acquisition				
2017					
Intangible assets	10	2	15	0	27
Property, plant and equipment	14	1	6	0	21
Other non-current assets	0	0	1	0	1
Inventories	2	0	2	0	4
Current receivables	6	0	8	0	14
Cash and bank debt	2	0	12	0	14
Non-current liabilities	-4	0	-3	0	-7
Current liabilities	-17	-2	-17	0	-36
Acquired net assets	**13**	**1**	**24**	**0**	**38**
Goodwill	302	27	108	0	437
Acquisition cost	**315**	**28**	**132**	**0**	**475**
Minority interests' share of acqusition cost	0	0	0	0	0
Fair value of non-controlling interests on obtaining control	0	0	0	0	0
Contingent considerations and deferred payments	-106	-8	-8	0	-122
Acquired cash and bank debt	-2	0	-12	0	-14
Cash acquisition cost	**207**	**20**	**112**	**0**	**339**
2016					
Intangible assets	30	0	60	3	93
Property, plant and equipment	8	0	15	0	23
Other non-current assets	0	0	15	0	15
Inventories	2	0	7	0	9
Current receivables	5	0	34	0	39
Cash and bank debt	7	0	12	0	19
Non-current liabilities	0	0	-208	0	-208
Current liabilities	-15	-1	-34	0	-50
Acquired net assets	**37**	**-1**	**-99**	**3**	**-60**
Goodwill	235	6	312	7	560
Acquisition cost	**272**	**5**	**213**	**10**	**500**
Minority interests' share of acqusition cost	-11	0	0	0	-11
Fair value of non-controlling interests on obtaining control	-5	0	-30	-10	-45
Contingent considerations and deferred payments	-102	0	-16	0	-118
Acquired cash and bank debt	-7	0	-12	0	-19
Cash acquisition cost	**147**	**5**	**155**	**0**	**307**

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES – *CONTINUED*

The Group's acquisitions in 2017 primarily consist of a number of minor retail acquisitions in Europe and North America. 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.

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

In 2017, a few adjustments were made to the preliminary recognition of acquisitions made in 2016. These adjustments were made in respect of payments made, contingent considerations provided and net assets and goodwill acquired and totalled DKK 11 million (DKK -13 million in 2016). In relation to acquisitions with final recognition in 2010-2016, adjustments were made in 2017 in respect of estimated contingent considerations. Such adjustments are recognised in the income statement.

The total impact on the income statement of fair value adjustments of non-controlling interests in step acquisitions amounted to DKK 0 million (DKK 28 million in 2016), and adjustments of estimated contingent considerations amounted to DKK 5 million (DKK 7 million in 2016) and are recognised under *Distribution costs*. In 2016, DKK 26 million was recognised under *Share of profit after tax, associates and joint ventures*.

Of the total acquisition cost in 2017, including adjustments to preliminary recognised acquisitions of DKK -2 million (DKK 0 million in 2016), the fair values of estimated contingent considerations in the form of discounted earn-outs or deferred payments accounted for DKK 122 million (DKK 118 million in 2016). The maximum contingent consideration in respect of acquisitons made in 2017 was DKK 168 million.

The acquired assets include contractual receivables amounting to DKK 9 million (DKK 21 million in 2016) of which DKK 0 million (DKK 4 million in 2016) was thought to be uncollectible at the date of the acquisition. Of the total goodwill in the amount of DKK 437 million (DKK 560 million in 2016), DKK 304 million (DKK 244 million in 2016) can be amortised for tax purposes. In 2017, no contingent liability related to purchase agreement obligations was recognised (DKK 0 million in 2016).

Transaction cost in connection with acquisitions made in 2017 amounted to DKK 0 million (DKK 1 million in 2016), which has been recognised under *Distribution costs*.

Revenue and profit generated by the acquired enterprises since our acquisition in 2017 amount to DKK 147 million (DKK 206 million in 2016) and DKK 6 million (DKK 5 million in 2016), respectively. Had such revenue and profit been consolidated on 1 January 2017, we estimate that consolidated pro forma revenue and profit would have been DKK 13,294 million (DKK 12,113 million in 2016) and DKK 1,763 million (DKK 1,468 million in 2016), respectively. In our opinion, these pro forma figures reflect the level of consolidated earnings after our acquisition of the enterprises without taking synergies from our core business into account.

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 2018, we have acquired additional enterprises and in January 2018, we obtained control of Össur hf. We are in the process of assessing their fair values. The acquisition cost is expected to relate primarily to goodwill.

6.1 ACQUISITION OF ENTERPRISES AND ACTIVITIES – *CONTINUED*

§ ACCOUNTING POLICIES

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

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

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

Identification of assets and liabilities

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

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

Contingent consideration

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

6.2 DIVESTMENT OF ENTERPRISES AND ACTIVITIES

(DKK million)	2017	2016
Goodwill	0	12
Other intangible assets	0	13
Property, plant and equipment	0	2
Carrying amount of net assets divested	**0**	**27**
Proceeds from divestments CF	**0**	**27**

The divestment of entreprises and activities in 2016 included the divestment of a number of retail shops. There were no divestments in 2017.

6.3 ASSOCIATES AND JOINT VENTURES

In 2017, the Group received royalties from and paid licence fees to associates and joint ventures amounting to net income of DKK 1 million (net expense of DKK 1 million in 2016) and received dividends from associates and joint ventures in the amount of DKK 85 million (DKK 40 million in 2016). In 2017, the Group received board remuneration fee and recharged expenses to associates in the amount of DKK 1 million (DKK 13 million in 2016). In 2017, the Group received interest income from associates and joint ventures in the amount of DKK 13 million (DKK 10 million in 2016).

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

	Associates		Joint ventures	
(DKK million)	2017	2016	2017	2016
Financial information (Group share):				
Revenue	2,952	2,644	371	372
Net profit for the year	518	296	43	51
Comprehensive income	192	274	43	51

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 the proportional share of the equity value determined in accordance with the Group's accounting policies after the deduction and addition of proportional intra-Group gains and losses, respectively, and after the addition of the carrying amount of any goodwill. The proportional 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 proportional shares of all transactions and events, which have been recognised in other comprehensive income in associates and joint ventures, are recognised in consolidated other comprehensive income. On the acquisition of interests in associates and joint ventures, the acquisition method is applied.

SECTION 7 PROVISIONS, OTHER LIABILITIES ETC.

7.1 PROVISIONS

(DKK million)	2017	2016
Restructuring cost provisions	29	45
Staff-related provisions	57	54
Miscellaneous provisions	122	130
Other provisions	208	229
Defined benefit plan liabilities, net	133	198
Provisions at 31.12.	**341**	**427**
Breakdown of provisions:		
Non-current provisions BS	316	395
Current provisions BS	25	32
Provisions at 31.12.	**341**	**427**

Other provisions

(DKK million)	Restructuring costs	Staff-related	Miscellaneous	Total
Other provisions at 1.1.2017	**45**	**54**	**130**	**229**
Foreign currency translation adjustments	-2	-5	-1	-8
Additions relating to acquisitions	0	1	0	1
Provisions during the year	5	7	7	19
Applied during the year	-19	0	-5	-24
Reversals during the year	0	0	-9	-9
Other provisions at 31.12.2017	**29**	**57**	**122**	**208**
Breakdown of provisions:				
Non-current provisions	14	57	112	183
Current provisions	15	0	10	25
Provisions at 31.12.2017	**29**	**57**	**122**	**208**
Other provisions at 1.1.2016	**0**	**48**	**78**	**126**
Foreign currency translation adjustments	0	1	1	2
Additions relating to acquisitions	0	0	14	14
Provisions during the year	46	5	106	157
Applied during the year	-1	0	-60	-61
Reversals during the year	0	0	-9	-9
Other provisions at 31.12.2016	**45**	**54**	**130**	**229**
Breakdown of provisions:				
Non-current provisions	29	54	114	197
Current provisions	16	0	16	32
Provisions at 31.12.2016	**45**	**54**	**130**	**229**

7.1 PROVISIONS – *CONTINUED*

(DKK million)	Note	2017	2016
Defined benefit plan costs recognised in the income statement:			
Current service costs		21	25
Curtailment		-20	-23
Calculated interest on defined benefit plan liabilities, net		1	1
Costs recognised in the income statement	1.2	**2**	**3**
Defined benefit plan costs by function:			
R&D costs		-17	-16
Distribution costs		13	12
Administrative expenses		6	7
Defined benefit plan costs		**2**	**3**
Accumulated actuarial loss recognised in the statement of comprehensive income		**-51**	**-63**

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

7.1 PROVISIONS – *CONTINUED*

(DKK million)	2017	2016
Present value of defined benefit obligations:		
Defined benefit obligations at 1.1.	495	349
Foreign currency translation adjustments	-30	1
Reclassifications	0	37
Additions relating to acquisitions	0	106
Current service costs	21	25
Curtailment	-20	-23
Calculated interest on defined benefit obligations	2	3
Actuarial losses/gains, demographic assumptions	-6	5
Actuarial losses/gains, financial assumptions	-1	2
Actuarial losses/gains, experience assumptions	0	2
Benefits paid	-109	-23
Contributions from plan participants	9	11
Defined benefit obligations at 31.12.	**361**	**495**
Fair value of defined benefit assets:		
Defined benefit assets at 1.1.	297	186
Foreign currency translation adjustments	-24	1
Reclassifications	0	37
Additions relating to acquisitions	0	64
Expected return on defined benefit assets	1	2
Actuarial gains/losses	1	2
Contributions	62	28
Benefits paid	-109	-23
Defined benefit assets at 31.12.	**228**	**297**
Defined benefit obligations recognised in the balance sheet, net	**133**	**198**
Return on defined benefit assets:		
Actual return on defined benefit assets	2	4
Expected return on defined benefit assets	1	2
Actuarial gains/losses on defined benefit assets	**1**	**2**
Assumptions:		
Discount rate	0.5%	0.5%
Expected return on defined benefit assets	1.0%	1.0%
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 Germany, where they are required by law.

The Group expects to pay approx. DKK 13 million in 2018 (DKK 16 million in 2017) into defined benefit plans.

Defined benefit obligations in the amount of DKK 64 million will mature within 1-5 years (DKK 149 million in 2016) and obligations in the amount of DKK 297 million after five years (DKK 346 million in 2016).

If the discount rate is 0.5% higher (lower), the defined benefit obligation will decrease by 6% (increase by 7%). If the expected salary growth rate is 0.5% higher (lower), the defined benefit obligation will increase by 1% (decrease by 2%).

7.1 PROVISIONS – *CONTINUED*

§ ACCOUNTING POLICIES

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

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

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

Defined benefit costs are categorised as follows:

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

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

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

7.2 OTHER LIABILITIES

(DKK million)	2017	2016
Product-related liabilities	293	283
Staff-related liabilities	463	435
Other debt, public authorities	265	249
Contingent considerations	365	183
Accrued interest to parent	18	18
Other costs payable	387	290
Other liabilities	**1,791**	**1,458**
Due within 1 year BS	1,581	1,271
Due within 1-5 years BS	210	187

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

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

§ ACCOUNTING POLICIES

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

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

ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

7.3 OPERATING LEASE COMMITMENTS

(DKK million)	2017	2016
Rent	928	849
Other operating leases	84	74
Total	**1,012**	**923**
Operating leases, less than 1 year	342	310
Operating leases, 1-5 years	517	450
Operating leases, over 5 years	153	163
Total	**1,012**	**923**

Operating leases are recognised in the income statement at an amount of DKK 495 million (DKK 470 million in 2016). The Group's operating leases mainly relate to rent of which some have renewal options.

7.4 CONTINGENT LIABILITIES

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

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

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

SECTION 8 OTHER DISCLOSURE REQUIREMENTS

8.1 RELATED PARTIES

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

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

Subsidiaries, associates, joint ventures and joint operations as well as the William Demant Group's ownership interests in these companies appear from the list on page 102 and 103, and financial information on associates and joint ventures can be found in Note 6.3.

In 2017, the Oticon Foundation paid administration fees to the Group of DKK 2 million (DKK 2 million in 2016). Further, the Oticon Foundation has granted loans (convertible promissory notes) to William Demant Invest A/S totalling DKK 2,000 million at year end 2017, on which interest in 2017 totals DKK 70 million (DKK 70 million in 2016).

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

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

(DKK million)	2017	2016
Statutory audit	11	10
Tax and VAT advisory services	4	5
Other services	1	1
Total	**16**	**16**

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

8.3 GOVERNMENT GRANTS

In 2017, the William Demant Group received government grants in the amount of DKK 16 million (DKK 14 million in 2016). Grants are offset against R&D costs.

§ **ACCOUNTING POLICIES**

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

8.4 EVENTS AFTER THE BALANCE SHEET DATE

In January, the Group increased its ownership in Össur hf to 51% of the outstanding shares, and has consequently obtained control of the company. Össur hf will therefore as of January 2018 be consolidated as a subsidiary, whereas it is consolidated as an associated company in 2017.

8.5 APPROVAL AND PUBLICATION

At the Board meeting on 26 April 2018, our Board of Directors approved this Annual Report 2017 for publication. The report will be presented to the shareholders of William Demant Invest A/S for adoption at the annual general meeting on 26 April 2018.

8.6 SHAREHOLDERS

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

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

SECTION 9 BASIS FOR PREPARATION

9.1 GROUP ACCOUNTING POLICIES

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

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

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

The financial statements for the Parent as well as the Parent's accounting policies are presented separately from the consolidated financial statements and are shown on the last pages of this Annual Report 2017.

Based on an inquiry from the Danish Business Authority, the Group has decided to amend its accounting policy under which short-term bank facilities are included in cash and cash equivalents in the cash flow statement. Please see page 113 for the new accounting policy. The change of the comparative figures had a positive impact on cash flow from financing activities of DKK 114 million and resulted in an increase in cash and cash equivalents of DKK 2.2 billion.

Besides the change described above, the accounting policies remain unchanged for the consolidated financial statement compared to 2016, with the exception of the implementation of new and amended standards as described below as well as insignificant reclassifications of the comparative figures for 2016.

Effect of new accounting standards
The Group has adopted all new, amended and revised accounting standards and interpretations as published by the IASB and adopted by the EU effective for the accounting period beginning on 1 January 2017. None of these new, updated and amended standards and interpretations resulted in any changes to the accounting policies for the Group or had any significant impact on the consolidated financial statements for 2017.

Effect of new accounting standards not yet in force
Revised and new standards and interpretations issued, but not yet effective or approved by the EU at the time of publication of this Annual Report 2017, have not been incorporated into this report.

Issued in May 2014, IFRS 15 Revenue from Contracts with Customers establishes a single comprehensive model for entities to be used in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue and related interpretations when it becomes effective. Management has analysed the impact of IFRS 15 and assessed that the new standard will have some impact on the timing of revenue recognition, on net or gross recognition of principal and agent relationships and on the disclosure of revenue. The transition will impact the balance sheet by approx. DKK 390 million net of tax and will predominantly pertain to deferral of income. The impact on the income statement will be limited. IFRS 15 will take effect on 1 January 2018.

9.1 GROUP ACCOUNTING POLICIES – *CONTINUED*

IFRS 9 Financial Instruments was issued in 2009 and has been revised several times since then. Management has assessed that the standard will only have limited impact on the consolidated financial statements. The main impact for the Group will be on the measurement of credit losses related to receivables, where the impact of the transition on the balance sheet is approx. DKK 20 million net of tax in respect of increased bad debt provisions. Although IFRS 9 provides the option to hedge net positions (i.e. EBIT) instead of hedging revenue, Management has decided to continue the current hedging policy, and consequently the changes in IFRS 9 will not have any impact on the Group's hedging. IFRS 9 will take effect on 1 January 2018.

Issued in January 2016, IFRS 16 Leases requires lessees to recognise nearly all leases on the balance sheet. Management has assessed the expected impact of the standard and concluded that it will have a material impact on the recognition of tangible assets and financial debt on the balance sheet. The standard will also impact the classification of expenses in the income statement, the classification of cash flows in the cash flow statement as well as the related key figures. Based on figures as of 2017, the transition is expected to impact the net interest-bearing debt by approx. DKK 825 million and EBITDA by approx. DKK 335 million. IFRS 16 will take effect on 1 January 2019.

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

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

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 that, by agreement, are managed jointly with one or more other enterprises are recognised using the equity method. The financial statements included in the consolidated financial statements are prepared in accordance with the Group's accounting policies. Intra-Group income, expenses, shareholdings, balances and dividends as well as unrealised intra-Group profits on inventories are eliminated.

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

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

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

9.1 GROUP ACCOUNTING POLICIES – *CONTINUED*

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

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

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

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

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

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

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

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.

9.1 GROUP ACCOUNTING POLICIES – *CONTINUED*

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 overdrafts, which consist of uncommitted bank facilities that often fluctuate from positive to overdrawn. Any short-term bank facilities that are consistently overdrawn are considered cash flow from financing activities.

9.2 ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

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

1.1 Revenue by geographic region and business activity
1.2 Employees
1.5 Inventories
1.6 Receivables
3.1 Intangible assets
5.2 Deferred tax
6.1 Acqusition of enterprises and activities
7.1 Provisions
7.2 Other liabilities

PARENT FINANCIAL STATEMENTS

PARENT INCOME STATEMENT

(DKK million)	Note	2017	2016
Fee income		1	2
Administrative expenses	10.1 / 10.2	-20	-8
Operating profit/(loss) (EBIT)		**-19**	**-6**
Financial income	10.3	1,552	347
Financial expenses	10.3	-74	-78
Profit before tax		**1,459**	**263**
Tax on profit for the year		4	2
Profit for the year		**1,463**	**265**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2017	2016
Assets			
Investments in subsidiaries		2,443	2,621
Investments in associates and joint operations		4,979	4,079
Receivables from joint operations		1,552	1,809
Other investments		49	38
Financial assets	10.4	**9,023**	**8,547**
Non-current assets		**9,023**	**8,547**
Receivables from subsidiaries		474	37
Income tax		4	71
Other receivables		1	3
Receivables		**54**	**111**
Securities	10.5	**32**	**74**
Cash		**434**	**5**
Current assets		**945**	**19**
Assets		**9,968**	**8,737**

PARENT BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2017	2016
Equity and liabilities			
Share capital		4	4
Retained earnings		7,867	6,424
Proposed dividend		20	20
Total equity		**7,891**	**6,448**
Debt to the Oticon Foundation	10.6	2,000	2,000
Non-current liabilities		**2,000**	**2,000**
Debt to credit institutions		1	166
Debt to parent	10.6	18	18
Debt to subsidiaries		19	104
Income tax		30	0
Other debt		9	1
Current liabilities		**77**	**289**
Liabilities		**2,077**	**2,289**
Equity and liabilities		**9,968**	**8,737**

Contingent assets and liabilities	10.7
Proposed dividend	10.8
Related parties	10.9
Shareholders	10.10
Events after the balance sheet date	10.11
Parent accounting policies	10.12

PARENT STATEMENT OF CHANGES IN EQUITY

(DKK million)	Share capital	Other reserves	Dividend	Total equity
Equity at 1.1.2016	**4**	**6,179**	**0**	**6,183**
Profit for the year	-	245	20	265
Dividend paid	-	-	0	0
Equity at 31.12.2016	**4**	**6,424**	**20**	**6,448**
Profit for the year	-	1,443	20	1,463
Dividend paid	-	-	-20	-20
Equity at 31.12.2017	**4**	**7,867**	**20**	**7,891**

The share capital of DKK 4 million is divided into 3,500 shares of DKK 1,000.

SECTION 10 NOTES TO PARENT FINANCIAL STATEMENTS

10.1 EMPLOYEES

In 2017, the basic remuneration of a member of the Parent's Board of Directors was DKK 200,000 (DKK 200,000 in 2016). The Chairman of the Board of Directors receives three times the basic remuneration and the Deputy Chairman one and a half time the basic remuneration. The total remuneration for the Board of Directors was DKK 2 million (DKK 2 million in 2016).

The remuneration of the Management in William Demant Invest includes cash remuneration, short-term benefits and social security. Short-term benefits include a bonus scheme based on the development in the fair value of the net assets. Until 31 March 2017, the management of William Demant Invest was outsourced to William Demant Holding, but as of 1 April 2017, Niels Jacobsen became CEO of William Demant Invest. For 2017, the total remuneration for the Management of William Demant Invest was DKK 14 million including the management fee paid to William Demant Holding for the first quarter of the year. For 2016, the management fee paid to William Demant Holding was DKK 5 million.

The average number of employees in William Demant Invest was 5 (none in 2016).

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

(DKK million)	2017	2016
Statutory audit	0.3	0.1
Other services	0.2	0.0
Total	**0.5**	**0.1**

10.3 NET FINANCIAL ITEMS

(DKK million)	2017	2016
Valuation adjustment of securities	0	1
Dividends from associates	31	31
Interest income from joint operations	66	68
Interest income from securities	5	7
Interest income from subsidiaries	2	0
Valuation adjustment of shares	2	0
Other financial income	1	0
Gain on disposal of shares in William Demant Holding A/S	1,445	240
Financial income	**1,552**	**347**
Valuation adjustment of securities	-3	0
Interest expenses to Parent	-70	-70
Other financial expenses	-1	-8
Financial expenses	**-74**	**-78**
Net financial items	**1,478**	**269**

10.4 FINANCIAL ASSETS

(DKK million)	Investments in subsidiaries	Investments in associates and joint operations	Receivables from joint operations	Other investments
Cost at 1.1.2017	**2,621**	**4,079**	**1,809**	**38**
Additions during the year	0	834	0	77
Disposals during the year	-178	0	-257	0
Transfers during the year	0	66	0	-66
Cost at 31.12.2017	**2,443**	**4,979**	**1,552**	**115**
Value adjustments at 1.1.2017	**0**	**13**	**0**	**0**
Adjustments during the year	0	-13	0	0
Value adjustments at 31.12.2017	**0**	**0**	**0**	**0**
Carrying amount at 31.12.2017	**2,443**	**4,979**	**1,552**	**49**
Cost at 1.1.2016	**2,656**	**3,982**	**1,748**	**27**
Additions during the year	0	84	61	11
Disposals during the year	-35	0	0	0
Cost at 31.12.2016	**2,621**	**4,066**	**1,809**	**38**
Value adjustments at 1.1.2016	**0**	**13**	**0**	**0**
Adjustments during the year	0	0	0	0
Value adjustments at 31.12.2016	**0**	**13**	**0**	**0**
Carrying amount at 31.12.2016	**2,621**	**4,079**	**1,809**	**38**

10.5 SECURITIES

Securities with maturity within 1 year total DKK 28 million (DKK 17 million in 2016). Securities with maturity after 1 year but before 5 years total DKK 4 million (DKK 57 million in 2016).

10.6 DEBT TO PARENT

Of the total debt to parent of DKK 2,018 million (DKK 2,018 million in 2016) DKK 2,000 million (DKK 2,000 million in 2016) is in convertible promissory notes.

10.7 CONTINGENT ASSETS AND LIABILITIES

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

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

10.8 PROPOSED DISTRIBUTION OF NET PROFIT

(DKK million)	2017	2016
Retained earnings	1,443	245
Dividend	20	20
Total	**1,463**	**265**

10.9 RELATED PARTIES

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

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

10.10 SHAREHOLDERS

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

10.11 EVENTS AFTER THE BALANCE SHEET DATE

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

10.12 PARENT ACCOUNTING POLICIES

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

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

Income Statement

Tax

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

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

William Demant Invest A/S is applying SEL § 3, subsection 4, according to which William Demant Invest A/S can transfer positive taxable income to the Oticon Foundation (William Demants og Hustru Ida Emilies Fond), provided that the transfer is distributed to non-profit purposes by the Oticon Foundation.

Balance Sheet

Investments in subsidiaries, associates and joint operations

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

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

Other investments

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

Securities

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

Dividends

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

Statement of changes in equity

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

Cash flow statement

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

SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS

Company	Interest
William Demant Holding A/S, Denmark	54.5%
Össur hf., Iceland	48.6%
Jeudan A/S, Denmark	42.0%
Vitrolife AB, Sweden	21.6%
Boston Holding A/S, Denmark	37.0%

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

Company	*Interest*
William Demant Holding A/S	**Parent**
Oticon A/S, Denmark*	100%
Oticon AS, Norway*	100%
Oticon AB, Sweden*	100%
Oticon GmbH, Germany	100%
Oticon S.A., Switzerland*	100%
Oticon Italia S.r.l., Italy*	100%
Oticon España S.A., Spain	100%
Oticon Polska Sp. z o.o., Poland*	100%
Oticon Limited, United Kingdom*	100%
Oticon Inc., USA	100%
Oticon Australia Pty. Ltd., Australia*	100%
Oticon Singapore Pte Ltd., Singapore*	100%
Oticon Shanghai Hearing Technology Co. Ltd., China*	100%
Oticon International Trading Shanghai Co. Ltd., China*	100%
Oticon South Africa (Pty) Ltd., South Africa*	100%
Oticon Korea Co. Ltd., Korea*	100%
Oticon Malaysia Sdn, Malaysia*	100%
Oticon Medical A/S, Denmark*	100%
Oticon Medical AB, Sweden	100%
Oticon Medical LLC, USA	100%
Audmet OY, Finland*	100%
Audmet Australia Pty. Ltd., Australia*	100%
Audmet B.V., the Netherlands*	100%
Audmet Canada LTD., Canada	100%
Audmet K.K., Japan*	100%
Audmet New Zealand Limited, New Zealand*	100%
Audmet S.r.l., Italy*	100%
Bernafon AG, Switzerland*	100%
Bernafon Hörgeräte GmbH, Germany	100%
Bernafon S.r.l., Italy*	100%
Bernafon LLC, USA	100%
Bernafon AB, Sweden*	100%
Bernafon Ibérica S.L.U., Spain*	100%
DGS Diagnostics Sp. z o.o., Poland	100%
DGS Poland Sp. z o.o., Poland	100%
Demant Technology Centre Sp. z o. o., Poland*	100%
ACS Sluchmed Sp. z o.o., Poland	100%
Acustica Sp. z o.o., Poland*	100%
Acoustic Metrology Limited, United Kingdom	100%
Akoustica Medica M EPE, Greece*	100%
Amplivox Ltd., United Kingdom	100%
Audika AB, Sweden*	100%
Audika AG, Switzerland*	100%
Audika Groupe S.A.S., France*	100%

Company	*Interest*
Audio Seleccion S.L., Spain*	100%
BC Implants AB, Sweden*	100%
Centro Auditivo Telex Ltda., Brazil	100%
Danacom Høreapparater A/S, Denmark*	100%
Din Hørelse ApS, Denmark*	100%
Diagnostic Group LLC, USA	100%
Diatec AG, Switzerland*	100%
Diatec Diagnostics GmbH, Germany*	100%
Diatec Spain, S.L.U., Spain*	100%
e3 diagnostics Inc., USA	100%
Guymark UK Limited, United Kingdom	100%
Hear Better Centers LLC, USA	100%
HearingLife Canada Ltd., Canada*	100%
Hearing Healthcare Management LLC, USA	100%
Hearing Holding Belgium NV, Belgium*	100%
Hearing Screening Associates LLC, USA	100%
Hidden Hearing (Portugal), Unipessoal Lda., Portugal*	100%
Hidden Hearing Limited, United Kingdom	100%
Hidden Hearing Limited, Ireland*	100%
IDEA Isitme Sistemleri Sanayi ve Ticaret A.S., Turkey*	100%
Interacoustics A/S, Denmark*	100%
Interacoustics Pty. Ltd., Australia*	100%
Kuulopiiri Oy, Finland*	100%
LeDiSo Italia S.r.l., Italy*	100%
Maico Diagnostic GmbH, Germany*	100%
Maico S.r.l., Italy*	100%
MedRx Inc., USA	100%
Micromedical Technologies Inc., USA	100%
Neurelec GmbH, Germany	100%
Neurelec Maroc Sarlau, Morocco	100%
Neurelec S.A.S., France*	100%
New Zealand Audiology Limited, New Zealand*	100%
Phonic Ear A/S, Denmark*	100%
Prodition S.A.S., France*	100%
Sensory Devices Inc., USA	100%
SES Isitme Cihazlari Sanayi ve Ticaret A.S., Turkey*	100%
Sonic Innovations Inc., USA	100%
Sonic Innovations Pty Ltd., Australia	100%
Udicare S.r.l., Italy*	100%
Van Boxtel Hoorwinkels B.V., the Netherlands	100%
Your Hearing Network, Inc., USA	100%
FrontRow Calypso LLC, USA	75%
Sennheiser Communications A/S, Denmark*	50%
Dencker A/S, Denmark*	40%
HIMSA A/S, Denmark	25%

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

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