INTERIM REPORT

2015

1 JANUARY – 30 JUNE

KEY FIGURES AND FINANCIAL RATIOS

	1st half 2015	1st half 2014	Change H1/H1	Full year 2014
INCOME STATEMENT, DKK MILLION				
Revenue	5,043	4,539	11%	9,346
Gross profit	3,743	3,320	13%	6,813
Research and development costs	369	350	5%	680
EBITDA	1,036	981	6%	2,055
Amortisation and depreciation etc.	156	147	6%	294
Operating profit (EBIT)	880	834	6%	1,761
Net financial items	-33	-30	10%	-70
Profit before tax	847	804	5%	1,691
Profit for the period	669	627	7%	1,327
BALANCE SHEET, DKK MILLION				
Net interest-bearing debt	2,391	2,243	7%	2,405
Assets	12,099	10,721	13%	11,219
Equity	6,088	5,328	14%	5,584
OTHER KEY FIGURES, DKK MILLION				
Investment in property, plant and equipment, net	189	204	-7%	414
Cash flow from operating activities (CFFO)	755	706	7%	1,495
Free cash flow	543	450	21%	1,044
Average number of employees	10,360	9,594	8%	9,799
FINANCIAL RATIOS				
Gross profit margin	74.2%	73.1%		72.9%
EBITDA margin	20.5%	21.6%		22.0%
Profit margin (EBIT margin)	17.4%	18.4%		18.8%
Return on equity	22.6%	24.0%		24.7%
Equity ratio	50.3%	49.7%		49.8%
Earnings per share (EPS), DKK*	12.3	11.2	10%	23.8
Cash flow per share (CFPS), DKK*	13.9	12.6	10%	26.9
Free cash flow per share, DKK*	10.0	8.0	25%	18.8
Dividend per share, DKK*	0	0		0
Equity value per share, DKK*	112.0	94.9	18%	100.4
Price earnings (P/E)	21	22	-5%	20
Share price, DKK*	511	494	3%	468
Market cap. adjusted for treasury shares, DKK million	27,551	27,534	0%	25,545
Average number of shares outstanding, million	54.35	56.13	-3%	55.63

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

Key figures and financial ratios for the first half of 2014 have been restated due to correction of errors in prior-period figures as described on page 6 and in Annual Report 2014.

**Per share of nominally DKK 1.*

MANAGEMENT COMMENTARY

Market conditions and business trends

The hearing aid market in general

In the first half-year of 2015, the global market for hearing aids developed in line with the Group's general expectations of 3-4% unit growth. After a strong start to the year, market growth rates in North America softened a bit towards the end of the period. The unit growth rate in North America was 9% in the first half-year, with growth rates in both the private sector and VA of 9%. We believe that unit growth in the major European markets for hearing aids was flat in the period under review. This trend was, as expected, negatively impacted by a high growth rate in Germany in the comparative half-year of 2014 due to changes to subsidy schemes. Excluding Germany, the European market for hearing aids slightly exceeded our full-year expectations of 3-4% unit growth.

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

Group business activities

Hearing Devices

In the first half of 2015, our core business – the development, manufacture and wholesale of hearing aids – generated organic revenue growth of 4%, thereby exceeding the market growth rate. The launch of Oticon's new Inium Sense platform marked the biggest and broadest product launch ever undertaken by Oticon. The platform was launched in all styles, at all price points and in all markets in the course of only a few weeks, resulting in encouraging momentum in the period under review.

In Europe, the Group's sales were adversely affected by the negative growth rates in Germany and the NHS in the UK. If we exclude sales in the German market and sales to the NHS in the UK, the global, organic growth rate in the core business was in the high single digits. The subsidy changes in Germany had a strong, positive effect on last year's sales and therefore served as a challenging comparative base in the first half of 2015, especially on William Demant due to our high market share in Germany. The buying pattern of the NHS varies and with a large order in the comparative period of 2014, growth in this channel was slow in the first half-year of 2015, but is expected to level out on a full-year basis.

In North America, the Group's wholesale business saw a strong sales upturn after the introduction of the new Inium Sense platform launched at a big event in Florida hosted by Oticon at the end of February, which was attended by more than a thousand customers. The positive impact of the launch was particularly apparent in the independent channel in the US, where we enjoyed significant growth and market share gains. Thus, the Group's hearing aid sales at wholesale level in the US saw organic growth of 9% in the first half of 2015. Our sales to the VA have continued to increase compared to the first half-year of 2014. Our new, wireless fitting system and our tinnitus solution, which were both introduced in the fourth quarter of 2014, as well as the new Inium Sense platform introduced in May 2015 have all contributed to overall growth. However, our current market share with VA is still around 8%, which is not satisfactory.

The changes we saw in market dynamics in the US in 2014 caused by one competitor's decision to offer its premium brand to a big-box retailer led to increased pricing pressure in 2014, especially with the independent retailers. In our estimation, this higher ASP pressure in the independent channel has stabilised in the US in the first half of 2015 compared to the second half of 2014. However, due to the higher comparative figures our hearing aid wholesale activities in the US saw a decline in the ASP in this channel in the first half of 2015.

In the period under review, Hearing Devices, including the Group's retail activities, saw 3% organic growth. Our retail activities saw a satisfactory increase in revenue driven by a combination of organic growth and acquisitions. After a slow start to the year, especially in the US, our retail business gradually picked up momentum in the period under review. The ongoing process of consolidating our retail businesses in the US is pivotal in order for us to be able to continue to grow and develop our business.

Diagnostic Instruments

In the first half of 2015, Diagnostic Instruments saw 3% growth in local currencies and 2% organic growth in a market that has only shown modest growth. After a slow start to the year, we succeeded in picking up momentum towards the end of the first half-year, despite not having seen the effect of tenders in terms of sales. This momentum has continued into the second half-year and with the new product introductions and the expected impact from tenders, we believe that we are well positioned to gain further market shares in 2015.

Hearing Implants

In the first half-year, Hearing Implants saw 16% growth in local currencies of which the major part was organic growth. Both our bone-anchored hearing systems (BAHS) and our cochlear implants (CI) business delivered double-digit growth rates in the first half-year.

As far as our BAHS business is concerned, the increase in revenue was driven by both existing markets and several new markets. However, the competition has become fiercer, and the market for bone conduction solutions is very fragmented: The new market for transcutaneous hearing solutions is expanding steadily, which bodes well for our upcoming active, transcutaneous product concept. We believe that with a larger product offering targeted at patients with conductive hearing loss and single-sided deafness, our BAHS business is in a very good position to continue to take market shares in the future.

The CI business is growing in existing and new markets alike. In the first half-year, we won a number of new, important tenders in some of the emerging markets. The products in these tenders are however offered at lower prices, resulting in a lower overall ASP. We are slowly, but steadily, getting access to several European markets, and the wait-and-see approach by some clinics that we are currently experiencing is likely to be less pronounced, when we launch the new CI system later this year. With some delay, the new implant has now been CE marked, which means that we will be able to start the introduction of the new implant to the commercial market in the fourth quarter. In the first half-year, costs have grown slightly more than sales in absolute numbers, but we still expect to meet the plans made for the full year – however at the risk of realising a proportion of sales in early 2016 instead of in late 2015. As expected, the general expansion in especially R&D and distribution is a significant cost driver, and Hearing Implants will therefore have a dilutive effect on our Group's profitability in the short to medium term, however with the strong potential of becoming accretive to profitability in the longer term.

Other matters

In the first six months of 2015, Sennheiser Communications realised very satisfactory 30% revenue growth, if we take stockpiling into account. Growth was especially pronounced in the CC&O segment driven by Unified Communication (UC) and exceeded the market growth rate.

Our new global distribution centre in Poland is still in the ramp-up phase and not yet in full operation.

As previously announced, the Group has signed a share purchase agreement to acquire a controlling interest in Audika Groupe, one of the leading networks of hearing care providers in France, from the controlling shareholder Holton. If successful, the purchase of a controlling interest will commit William Demant to commence a mandatory public tender offer for the remaining 46.1% of the share capital outstanding of Audika, which is listed on Euronext in Paris. The entire transaction will amount to an equity value of EUR 168 million. The acquisition of the controlling interest in Audika is subject to approval by the French competition authority. Timewise, the mandatory public tender offer is most likely to be launched in the second half of 2015.

Revenue and results

In the period under review, the Group realised 11% reported revenue growth, corresponding to revenue of DKK 5,043 million. Growth in revenue in local currencies was more than 3% and is attributable to organic and acquired growth of almost 3 and 1 percentage points, respectively. Exchange rates had a positive impact of 8 percentage points on revenue, which includes losses on foreign exchange hedging activities of DKK 106 million realised in the first half of 2015.

Revenue by business activity

			Change	
DKK million	1st half 2015	1st half 2014	DKK	Local currency
Hearing Devices	4,343	3,944	10%	3%
Diagnostic Instruments	507	437	16%	3%
Hearing Implants	193	158	22%	16%
Total	**5,043**	**4,539**	**11%**	**3%**

In the first half-year, consolidated gross profit totalled DKK 3,743 million, corresponding to a 13% increase on the same period last year. The gross profit margin was 74.2%, or an increase of 1.1 percentage points compared with the same period last year. The improvement in the gross profit margin can mainly be attributed to the wholesale of hearing aids and a combination of higher ASP and lower unit costs. Furthermore, we have seen an increase in the sale of Group-manufactured hearing aids to own retail compared to the sale of third-party instruments, which has also had a positive impact on the Group’s gross profit margin.

Capacity costs

			Change	
DKK million	1st half 2015	1st half 2014	DKK	Local currency
R&D costs	369	350	5%	3%
Distribution costs	2,248	1,891	19%	7%
Administrative expenses	274	263	4%	-3%
Total	**2,891**	**2,504**	**15%**	**6%**

In the period under review, capacity costs totalled DKK 2,891 million, or an increase of 6% in local currencies compared with the same period last year, including the impact of acquisitions.

Research and development costs amounted to DKK 369 million in the first half-year, which is equivalent to a 5% increase on the same period last year (3% in local currencies). Distribution costs totalled DKK 2,248 million, which is a 19% rise on the first half-year in 2014 (7% in local currencies). As expected, the roll-out of several new product families based on the Oticon Inium Sense platform involved a higher level of spending on sales and marketing activities. Furthermore, the earn-out adjustments made in the first half of 2014 reduced distribution costs by DKK 36 million. This one-off adjustment did not reoccur in the period under review. Nearly half of the increase in distribution costs in local currencies can be attributed to acquisitions. Administrative expenses increased by 4% (-3% in local currencies).

Operating profit (EBIT) amounted to DKK 880 million in the first half-year, corresponding to an underlying growth rate of 10%, adjusted for earn-outs of DKK 36 million in the first half of 2014. Reported growth in EBIT was 6% in the period under review. The improvement in EBIT was mainly driven by Oticon and the successful launch of the Inium Sense platform. Our ongoing optimisation of Group operations and our ongoing efforts to establish one of the leading global hearing implant businesses carried additional costs in the period under review. The reported profit margin (EBIT margin) was 17.4%, or a decrease of 1 percentage point on the same period last year. When adjusting for exchange rates (both translation and transaction effects) and earn-outs in the first half of 2014, the underlying EBIT margin improved by nearly 2 percentage points compared to the same period last year.

In the period under review, consolidated net financial items amounted to DKK -33 million (DKK -30 million in the same period last year). Net financial items mainly consist of credit card fees and bank fees, and the Group's net interest expenses are limited, as our interest expenses are nearly fully offset by interest earned on receivables and customer loans. Tax on profit for the period was DKK 178 million, corresponding to an effective tax rate of 21.0% (22.0% in the first half of 2014). Earnings per share (EPS) amounted to DKK 12.3, or a rise of 10% on last year.

Cash flows and balance sheet

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

At the end of the reporting period, we had entered into forward exchange contracts at a contractual value of DKK 993 million (DKK 615 million at 30 June 2014) and a fair value of DKK -105 million (DKK -2 million at 30 June 2014). At 30 June 2015, the major contracts hedged the following currencies:

Forward exchange contracts at 30 June 2015

Currency	Hedging period	Average hedging rate
USD	10 months	589
JPY	6 months	5.56
GBP	5 months	962
CAD	3 months	520

Cash flow by main items

DKK million	1st half 2015	1st half 2014
Operating profit (EBIT)	880	834
Cash flow from operating activities	755	706
Cash flow from investing activities	-212	-256
Free cash flow	**543**	**450**
Acquisition of enterprises, interests and activities	-140	-103
Buy-back of shares	-316	-380
Other financing activities	995	375
Cash flow for the period	**1,082**	**342**

In the first half of 2015, consolidated cash flows from operating activities were DKK 755 million against DKK 706 million in the same period last year, corresponding to an increase of 7%, which is mainly due to an increase in operating profit (EBIT). The corresponding cash conversion ratio (CFFO/EBIT) of 86% was again very satisfactory and at the same high level as last year (85%). Cash flows from investing activities (excluding the acquisition of enterprises, participating interests and activities) in the reporting period amounted to DKK 212 million, which is below the DKK 256 million invested in the first half of 2014, Free cash flows (excluding the acquisition of enterprises, participating interests and activities) totalled DKK 543 million against DKK 450 million in the first half of 2014, which is equivalent to an increase of 21%. The acquisition of enterprises, participating interests and activities totalled DKK 140 million, which is slightly above the corresponding amount last year, which was DKK 103 million.

Consolidated assets totalled DKK 12,099 million at 30 June 2015, or a rise of 8% on year-end 2014. This increase is partly attributable to the foreign exchange impact on goodwill, inventories and accounts receivable as well as the launch of the Inium Sense platform. Foreign exchange rates have increased the total balance sheet by 4% since year-end 2014.

At 30 June 2015, the consolidated net interest-bearing debt was DKK 2,391 million, or 1% below the level reported at year-end 2014. Consolidated equity was DKK 6,088 million at 30 June 2015 (DKK 5,584 million at 31 December 2014), matching an equity ratio of 50.3%, or 0.5 percentage point higher than at the beginning of the year. The increase in equity is mainly due to retained earnings of DKK 669 million, which were partly offset by the impact of the Company's buy-back of shares.

As of today, the Company has bought back a total of 692,511 shares worth DKK 367 million, bringing the total number of treasury shares to 556,912, corresponding to 1% of the share capital. The Company cancelled 2,236,403 treasury shares at the most recent annual general meeting.

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

The Board of Directors evaluates the Group's capital structure on an ongoing basis, and a revision of the Group's capital structure policy was announced in our Interim Report 2014. Based on the expectation of continued, strong cash flow from operating activities and rather limited acquisition and investment opportunities, the Board of Directors concluded that a somewhat higher net interest-bearing debt than the current level could be targeted going forward. In the period from 2014 to 2016, the Company consequently plans to buy back shares worth DKK 2.5-3.0 billion of which DKK 887 million was spent in 2014 and an additional DKK 367 million has been spent year-to-date. In the period from 2014 to 2016, we thus expect to see a modest and gradual increase in the Group's gearing multiple towards a level of 1.5, measured as net interest-bearing debt relative to EBITDA. Should attractive acquisition or investment opportunities arise during this period, such as Audika, the Company will reconsider the targeted gearing level and the announced buy-back programme with a view to ensuring a high level of financial flexibility and value creation in the Group.

At the end of the first half-year, our Group had 10,542 employees (9,706 at the end of the first half of 2014).

Accounting policies as well as financial estimates and assumptions

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

The accounting policies used in this Interim Report are the same as used in the consolidated financial statements for 2014 to which we refer for a full description. The Group has adopted all new, amended or revised accounting standards and interpretations as published by the IASB and adopted by the EU effective for the accounting period beginning on 1 January 2015. The implementation of such standards and interpretations has not had any significant impact on the consolidated financial statements for the first six months of 2015.

Compared with the description in Annual Report 2014, there have been no changes in the accounting estimates and assumptions made by Management in the preparation of this Interim Report.

In Annual Report 2014, a correction was made for errors in prior periods' financial figures. Please refer to Note 9.2 in Annual Report 2014 for further details. This correction has no impact on the consolidated income statement for the first six months of 2014, but the correction impacts the balance sheet for 30 June 2014 as follows:

Impact on the balance sheet

DKK million	Interim Report 2014	Change	Restated figures
Impact on assets:			
Trade receivables	1,990	-7	1,983
Income tax	44	7	51
Cash	439	-7	432
Impact on equity and liabilities:			
Equity	5,352	-24	5,328
Trade payables	344	2	346
Other liabilities	897	15	912

Events after the balance sheet date

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

Outlook for the 2015 financial year

In the second half of the year, we expect operating profit (EBIT) to be at the same level or exceed the EBIT realised in the first half of 2015. Consequently, we now expect EBIT of DKK 1.8-2.0 billion for the full year against the previously announced range of DKK 1.7-2.0 billion. In view of the strengthened exchange rates, we estimate the positive exchange rate impact on reported Group revenue in 2015 to slightly exceed the previously announced level of 4-5% including the impact of exchange rate hedging. The remaining part of the initial guidance is repeated below and is still based on the assumptions of market and business trends described in our Annual Report 2014:

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

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

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

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

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

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

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

All in all, based on the Group's results in the first half-year, the expected revenue growth in the remaining part of 2015 and our continued efforts to improve our efficiency and to build a future growth platform in Hearing Implants, we are guiding for an operating profit (EBIT) for 2015 in the range of DKK 1.8-2.0 billion (previously DKK 1.7-2.0 billion).

MANAGEMENT STATEMENT

We have today discussed and approved the Interim Report for the first half of 2015 for William Demant Holding A/S.

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

In our opinion, the Interim Report gives a true and fair view of the Group's assets, liabilities and financial position at 30 June 2015 as well as of the results of our activities and cash flows for the first six months of 2015.

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

Smørum, 14 August 2015

Executive Board:

Niels Jacobsen

Board of Directors:

Lars Nørby Johansen
Chairman

Peter Foss
Deputy Chairman

Niels B. Christiansen

Thomas Duer

Benedikte Leroy

Ole Lundsgaard

Karin Ubbesen

INCOME STATEMENT

GROUP (DKK million)

	1st half 2015	1st half 2014	Full year 2014
Revenue	5,043	4,539	9,346
Production costs	-1,300	-1,219	-2,533
Gross profit	**3,743**	**3,320**	**6,813**
Research and development costs	-369	-350	-680
Distribution costs	-2,248	-1,891	-3,877
Administrative expenses	-274	-263	-560
Share of profit after tax, associates and joint ventures	28	18	65
Operating profit (EBIT)	**880**	**834**	**1,761**
Financial income	20	18	39
Financial expenses	-53	-48	-109
Profit before tax	**847**	**804**	**1,691**
Tax on profit for the period	-178	-177	-364
Profit for the period	**669**	**627**	**1,327**
Profit for the period attributable to:			
William Demant Holding A/S' shareholders	668	627	1,326
Minority interests	1	0	1
	669	**627**	**1,327**
Earnings per share (EPS), DKK	12.3	11.2	23.8
Diluted earnings per share (DEPS), DKK	12.3	11.2	23.8

STATEMENT OF COMPREHENSIVE INCOME

GROUP (DKK million)

	1st half 2015	1st half 2014	Full year 2014
Profit for the period	**669**	**627**	**1,327**
Other comprehensive income:			
Items that have been or may subsequently be reclassified to the income statement:			
Foreign currency translation adjustment, foreign enterprises	171	58	212
Value adjustment of hedging instruments:			
Value adjustment for the period	-144	-19	-98
Value adjustment transferred to revenue	106	-25	-11
Value adjustment transferred to financial expenses	1	1	1
Tax on items that have been or may subsequently be reclassified to the income statement	17	11	-2
Items that have been or may subsequently be reclassified to the income statement	**151**	**26**	**102**
Items that will not subsequently be reclassified to the income statement:			
Actuarial gains/(losses) on defined benefit plans	0	0	-14
Tax on items that will not subsequently be reclassified to the income statement	0	0	2
Items that will not subsequently be reclassified to the income statement	**0**	**0**	**-12**
Other comprehensive income	**151**	**26**	**90**
Comprehensive income	**820**	**653**	**1,417**
Comprehensive income attributable to:			
William Demant Holding A/S' shareholders	819	653	1,416
Minority interests	1	0	1
	820	**653**	**1,417**

BALANCE SHEET – ASSETS

GROUP (DKK million)

	30 June 2015	30 June 2014	31 Dec. 2014
Goodwill	4,100	3,591	3,831
Patents and licences	24	31	28
Other intangible assets	36	34	37
Intangible assets	**4,160**	**3,656**	**3,896**
Land and buildings	803	739	749
Plant and machinery	176	170	173
Other plant, fixtures and operating equipment	261	264	265
Leasehold improvements	176	168	171
Prepayments and assets under construction	338	227	306
Property, plant and equipment	**1,754**	**1,568**	**1,664**
Investments in associates and joint ventures	522	448	527
Receivables from associates and joint ventures	335	220	264
Other investments	12	11	12
Other receivables	569	598	569
Deferred tax assets	286	273	238
Other non-current assets	**1,724**	**1,550**	**1,610**
Non-current assets	**7,638**	**6,774**	**7,170**
Inventories	1,312	1,146	1,203
Trade receivables	2,182	1,983	1,994
Receivables from associates and joint ventures	15	17	12
Income tax	56	51	94
Other receivables	190	180	183
Unrealised gains on financial contracts	0	12	7
Prepaid expenses	135	126	113
Cash	571	432	443
Current assets	**4,461**	**3,947**	**4,049**
Assets	**12,099**	**10,721**	**11,219**

BALANCE SHEET – EQUITY AND LIABILITIES

GROUP (DKK million)

	30 June 2015	30 June 2014	31 Dec. 2014
Share capital	54	57	57
Other reserves	6,035	5,273	5,529
Equity attributable to William Demant Holding A/S' shareholders	6,089	5,330	5,586
Equity attributable to minority interests	-1	-2	-2
Equity	**6,088**	**5,328**	**5,584**
Interest-bearing debt	829	66	9
Deferred tax liabilities	126	131	134
Provisions	167	139	154
Other liabilities	105	180	120
Deferred income	49	39	36
Non-current liabilities	**1,276**	**555**	**453**
Interest-bearing debt	2,858	3,253	3,503
Trade payables	391	346	342
Payables to associates and joint ventures	2	0	1
Income tax	105	103	68
Provisions	5	10	4
Other liabilities	1,033	912	956
Unrealised losses on financial contracts	111	19	80
Deferred income	230	195	228
Current liabilities	**4,735**	**4,838**	**5,182**
Liabilities	**6,011**	**5,393**	**5,635**
Equity and liabilities	**12,099**	**10,721**	**11,219**

CASH FLOW STATEMENT

GROUP (DKK million)

	1st half 2015	1st half 2014	Full year 2014
Operating profit (EBIT)	880	834	1,761
Non-cash items etc.	153	149	295
Change in receivables etc.	-189	-145	-134
Change in inventories	-114	-5	-60
Change in trade payables and other liabilities etc.	104	-2	46
Change in provisions	7	2	-20
Cash flow from operating profit	**841**	**833**	**1,888**
Dividends received	79	30	31
Financial income etc. received	21	17	33
Financial expenses etc. paid	-52	-48	-105
Realised foreign currency translation adjustments	-1	-1	-1
Income tax paid	-133	-125	-351
Cash flow from operating activities (CFFO)	**755**	**706**	**1,495**
Acquisition of enterprises, participating interests and activities	-140	-103	-231
Investments in and disposal of intangible assets	-4	-9	-9
Investments in property, plant and equipment	-195	-221	-443
Disposal of property, plant and equipment	6	17	29
Investments in other non-current assets	-92	-91	-143
Disposal of other non-current assets	73	48	115
Cash flow from investing activities (CFFI)	**-352**	**-359**	**-682**
Repayments of borrowings	-688	-1,120	-2,022
Proceeds from borrowings	1,683	1,495	1,769
Buy-back of shares	-316	-380	-887
Cash flow from financing activities (CFFF)	**679**	**-5**	**-1,140**
Cash flow for the period, net	**1,082**	**342**	**-327**
Cash and cash equivalents at the beginning of the period	-2,055	-1,601	-1,601
Foreign currency translation adjustment of cash and cash equivalents	-132	12	-127
Cash and cash equivalents at the end of the period	**-1,105**	**-1,247**	**-2,055**
Breakdown of cash and cash equivalents at the end of the period:			
Cash	571	432	443
Interest-bearing current bank debt	-1,676	-1,679	-2,498
Cash and cash equivalents at the end of the period	**-1,105**	**-1,247**	**-2,055**

STATEMENT OF CHANGES IN EQUITY IN 2014

GROUP (DKK million)

	Share capital	Other reserves: Foreign currency translation reserve	Other reserves: Hedging reserve	Retained earnings	William Demant Holding A/S' shareholders' share	Minority interests' share	Equity
Equity at 1.1.2014	**57**	**-111**	**32**	**5,079**	**5,057**	**-1**	**5,056**
Comprehensive income, period:							
Profit for the period	-	-	-	627	627	0	627
Other comprehensive income:							
Foreign currency translation adjustment, foreign enterprises	-	58	-	-	58	-	58
Value adjustment of hedging instruments:							
Value adjustment, period	-	-	-19	-	-19	-	-19
Value adjustment transferred to revenue	-	-	-25	-	-25	-	-25
Value adjustment transferred to financial expenses	-	-	1	-	1	-	1
Actuarial gains/(losses) on defined benefit plans	-	-	-	0	0	0	0
Tax on other compr. income	-	0	11	0	11	0	11
Other comprehensive income	-	58	-32	0	26	0	26
Comprehensive income, period	**-**	**58**	**-32**	**627**	**653**	**0**	**653**
Buy-back of shares	-	-	0	-380	-380	-	-380
Addition/disposal of minority interests	-	-	-	-	-	-1	-1
Capital reduction through cancellation of treasury shares	0	-	-	0	0	0	0
Other changes in equity	-	-	-	0	0	0	0
Equity at 30.06.2014	**57**	**-53**	**0**	**5,326**	**5,330**	**-2**	**5,328**

STATEMENT OF CHANGES IN EQUITY IN 2015

GROUP (DKK million)

	Share capital	Other reserves: Foreign currency translation reserve	Other reserves: Hedging reserve	Retained earnings	William Demant Holding A/S' shareholders' share	Minority interests' share	Equity
Equity at 1.1.2015	**57**	**75**	**-52**	**5,506**	**5,586**	**-2**	**5,584**
Comprehensive income, period:							
Profit for the period	-	-	-	668	668	1	669
Other comprehensive income:							
Foreign currency translation adjustment, foreign enterprises	-	171	-	-	171	-	171
Value adjustment of hedging instruments:							
Value adjustment, period	-	-	-144	-	-144	-	-144
Value adjustment transferred to revenue	-	-	106	-	106	-	106
Value adjustment transferred to financial expenses	-	-	1	-	1	-	1
Actuarial gains/(losses) on defined benefit plans	-	-	-	0	0	0	0
Tax on other compr. income	-	9	8	0	17	0	17
Other comprehensive income	-	180	-29	0	151	0	151
Comprehensive income, period	**-**	**180**	**-29**	**668**	**819**	**1**	**820**
Buy-back of shares	-	-	0	-316	-316	-	-316
Addition/disposal of minority interests	0	-	-	0	-	0	0
Capital reduction through cancellation of treasury shares	-3	-	-	3	0	0	0
Equity at 30.6.2015	**54**	**255**	**-81**	**5,861**	**6,089**	**-1**	**6,088**

NOTE – ACQUISITION OF ENTERPRISES AND ACTIVITIES

GROUP (DKK million)

	North America	Oceania	Europe/Asia	1st half 2015	1st half 2014
	Fair value on acquisition				
Intangible assets	0	0	0	0	0
Property, plant and equipment	1	0	2	3	0
Other non-current assets	0	0	1	1	0
Inventories	0	0	2	2	0
Current receivables	0	1	3	4	3
Cash and bank debt	0	0	2	2	2
Non-current liabilities	0	0	-3	-3	-7
Current liabilities	0	0	-13	-13	-7
Acquired net assets	**1**	**1**	**-6**	**-4**	**-9**
Goodwill	13	10	62	85	20
Acquisition cost	**14**	**11**	**56**	**81**	**11**
Fair value of non-controlling interests on obtaining control	0	0	-6	-6	0
Contingent considerations and deferred payments	-5	0	-4	-9	-1
Acquired cash and bank debt	0	0	-2	-2	-2
Cash acquisition cost	**9**	**11**	**44**	**64**	**8**

Consolidated acquisitions in the reporting period relate to a number of primarily small retail acquisitions in Europe.

In the first half-year, a few adjustments were made to the preliminary recognition of acquisitions made in 2014. The impact of these adjustments on goodwill was DKK 0 million (DKK 3 million in the first half-year 2014). No contingent considerations (earn-out adjustments) were made in the first half-year (DKK 36 million was recognised as income in distribution costs in the first half of 2014).

Contingent consideration entries made in the first half-year relate to the addition of DKK 9 million in respect of acquisitions and DKK 11 million in respect of currency adjustments as well as to the subtraction of DKK 26 million in respect of payments. At 30 June 2015, contingent considerations total DKK 130 million (DKK 195 million at 30 June 2014).

Of the total acquisition cost in the reporting period, the fair value of estimated contingent considerations in the form of earn-outs or deferred payments accounted for DKK 9 million (DKK 1 million in the first half of 2014). Such payments depend on the results of the acquired entities for a period of 1-5 years after takeover and can maximum total DKK 9 million (DKK 1 million in the first half of 2014).

The above statements of the fair values of acquisitions made in the first half of 2015 and in the first half of 2014 are not considered final until 12 months after takeover. Recognised in distribution costs, transaction costs incurred as a result of acquisitions made in the reporting period are DKK 1 million (DKK 0 million in the first half of 2014).

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

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Editing, design and production:
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