CHRISTENSEN
KJÆRULFF
PERSONLIGT ENGAGEMENT

STATSAUTORISERET
REVISIONSAKTIESELSKAB

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**Widex Holding A/S**
**Nymøllevej 6, 3540 Lynge**

**Company reg. no. 28 51 18 09**

**Annual report**

**1 May 2015 - 30 April 2016**

The annual report has been submitted and approved by the general meeting on the 29 September 2016.

Lars Nørgaard
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

The board of directors and the managing director have today presented the annual report of Widex Holding A/S for the financial year 1 May 2015 to 30 April 2016.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion, the consolidated annual accounts and the annual accounts provide a true and fair view of the assets, the liabilities and the financial position, consolidated and for the company respectively as on 30 April 2016, and of the results of the activities, consolidated and of the company respectively and of consolidated cash flows in the financial year 1 May 2015 to 30 April 2016.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Lynge, 6 September 2016

**Managing Director**

Lars Nørgaard

**Board of directors**

| | | |
|---|---|---|
| Jan Tøpholm | Anders Westermann | Søren Westermann |
| Julian Tøpholm | Richard Tøpholm | |

**To the shareholders of Widex Holding A/S**

**Report on the consolidated annual accounts and the annual accounts**

We have audited the consolidated annual accounts and the annual accounts of Widex Holding A/S for the financial year 1 May 2015 to 30 April 2016, which comprise accounting policies used, profit and loss account, balance sheet and notes, consolidated and for the company respectively and consolidated cash flow statement. The consolidated annual accounts and the annual accounts are prepared in accordance with the Danish Financial Statements Act.

**The management's responsibility for the consolidated annual accounts and the annual accounts**

The management is responsible for the preparation of consolidated annual accounts and annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore, the management is responsible for such internal control as it determines necessary in order to prepare consolidated annual accounts and annual accounts that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

Our responsibility is to express an opinion on the consolidated annual accounts and the annual accounts based on our audit. We conducted our audit in accordance with international standards on auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts are free from material misstatements.

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

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

The audit has not resulted in any qualification.

**Opinion**

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, liabilities and financial position, consolidated and for the company respectively at 30 April 2016 and of the results of the company's operations, consolidated and for the company respectively and of consolidated cash flows for the financial year 1 May 2015 to 30 April 2016 in accordance with the Danish Financial Statements Act.

**Statement on the management's review**

Pursuant to the Danish Financial Statements Act, we have read the management's review. We have not performed any further procedures in addition to the audit of the consolidated annual accounts and the annual accounts. On this basis, it is our opinion that the information provided in the management's review is consistent with the consolidated annual accounts and the annual accounts.

Copenhagen, 6 September 2016

**Christensen Kjærulff**
Statsautoriseret Revisionsaktieselskab
CVR-nr. 15 91 56 41

Elan Schapiro
State Authorised Public Accountant

| | | |
|---|---|---|
| **The company** | Widex Holding A/S<br>Nymøllevej 6<br>3540 Lynge | |
| | Company reg. no.: | 28 51 18 09 |
| | Established: | 22 March 2005 |
| | Domicile: | Allerød |
| | Financial year: | 1 May - 30 April<br>11th financial year |
| **Board of directors** | Jan Tøpholm<br>Anders Westermann<br>Søren Westermann<br>Julian Tøpholm<br>Richard Tøpholm | |
| **Managing Director** | Lars Nørgaard | |
| **Auditors** | Christensen Kjærulff Statsautoriseret Revisionsaktieselskab | |
| **Subsidiaries** | Widex A/S, Allerød<br>Nymøllevej ApS, Allerød<br>T&W Engineering A/S, Allerød<br>Hyposafe A/S, Allerød | |

| DKK in thousands. | 2015/16 | 2014/15 | 2013/14 | 2012/13 | 2011/12 |
|---|---|---|---|---|---|
| **Profit and loss account:** | | | | | |
| Net turnover | 3.855.091 | 3.276.822 | 3.107.119 | 3.129.842 | 2.985.234 |
| Normalized EBITA | 692.720 | 453.742 | 280.451 | 85.300 | 275.853 |
| Results from operating activities | 415.686 | 129.809 | -186.901 | -288.762 | 61.311 |
| Net financials | -109.281 | -36.746 | -92.120 | -81.082 | -44 |
| Result for the year | 163.226 | 33.783 | -261.046 | -367.984 | -29.126 |
| **Balance sheet:** | | | | | |
| Balance sheet sum | 4.366.450 | 3.944.869 | 4.004.316 | 3.601.202 | 3.563.159 |
| Investments in tangible fixed assets represent | 117.834 | 55.611 | 843.499 | 149.010 | 82.376 |
| Equity | 1.288.892 | 1.156.092 | 1.012.302 | 393.085 | 786.533 |
| Net working capital (NWC) | 627.547 | 660.385 | 747.600 | 772.810 | 943.820 |
| **Cash flow:** | | | | | |
| Operating activities | 633.919 | 567.963 | 22.818 | -133.574 | 213.653 |
| Investment activities | -719.970 | -187.381 | -1.014.742 | -508.413 | -151.308 |
| Financing activities | -7.414 | -333.546 | 992.331 | 517.543 | 38.586 |
| **Employees:** | | | | | |
| Average number of full time employees | 3.974 | 3.700 | 3.604 | 3.682 | 3.348 |
| **Key figures in %: *)** | | | | | |
| Normalized EBITA margin | 18,0 | 13,8 | 9,0 | 2,7 | 9,2 |
| Profit margin | 10,8 | 4,0 | - | - | 2,1 |
| Solvency ratio | 29,5 | 29,3 | 25,3 | 10,9 | 22,1 |
| Return on equity | 13,4 | 3,1 | - | - | - |

*) The key figures have been laid out in accordance with the publication "Anbefalinger & Nøgletal 2015" ("Recommendations & Key Figures 2015") published by the CFA Society Denmark. As to definitions, please see the section on accounting policies used.

## The principal activities of the group

Widex Holding A/S (Widex) develops and manufactures hearing aids and associated complementary products, which are sold globally through 36 own sales companies and independent distributors in more than 100 countries around the world. HypoSafe's main activity is commercialization of medical devices to warn about hypoglycaemic attacks and other uses of subcutaneous EEG measurements. T&W Engineering's main activity is research and development of technology to measure very long-term EEG and it's varies uses. The goal is future licensing as well as production of components related to this research.

## Development in activities and financial matters

In 2015/16, Widex realised a net revenue of DKK 3.855 million. Adjusted for foreign exchange rates, net revenue increased by 16,3% (including foreign exchange rate effects, net revenue increased by 17,7%).

Gross results ended at DKK 2.629 million or 68,2% of net revenue, which is an improvement of 4,6 percentage points compared to last year. This improvement stems from continued reductions in production cost combined with average sales prices in the market being maintained driven in part by the launch of the UNIQUE product family in October 2015.

Adjusted for non recurring costs, Widex realised an Earnings Before Interest, Tax and Amortizations (normalized EBITA) of DKK 693 million, corresponding to 18,0% of net revenue – an improvement compared to 2014/15 where the normalized EBITA ended at DKK 454 million or 13,8%. The group has thus increased EBITA by 4,2 percentage points compared to last year. The non recurring costs in the financial year are mainly related to severance costs associated with the moving of production and the restructuring of the back office set up. These non recurring costs affected EBITA negatively with DKK 39 million in 2015/16.

Total reported net profit ended at DKK 163 million compared to a net profit of DKK 34 million last financial year. Net profit was affected negatively by foreign exchange losses and negatively by higher amortizations on goodwill.

Net working capital (NWC) ended at DKK 627 million or 16,3% of net revenue compared to DKK 660 million or 20,2% of net revenue last year. The drop in NWC of DKK 33 million is a result of higher trade creditors and short term liabilities due to better payment terms from suppliers, partly offset by higher trade debtors due to higher sales and higher inventories due to the recent Unique launch.

With an improvement of DKK 239 million or 4,2 percentage points in EBITA compared to the previous financial year and a growth in net sales of 16,3% driven by the successful launch of UNIQUE and a stronger global commercial approach, management considers the results very satisfactory, and believes that Widex is well positioned for further profitable growth.

In this financial year the market has again been characterised by changing purchasing patterns driving increasing pressure on prices in both public procurement as well as in the private market. Despite this, Widex managed to maintain its average sales price while still gaining market share thanks to a strong product portfolio, which was reinforced during the year with several product launches, in particular the UNIQUE launch. Moving forward, Widex will continue to invest significantly in new product development to strengthen its product portfolio even further.

The restructuring and streamlining process named the IMPACT strategy (Improve, Profitability, Agility, Customer focus and become Truly global) which has taken place in recent years will continue in 2016/2017 and is expected to continue to have positive effect on both net revenue and earnings.

## Special risks

### Exchange rate risks

With a global presence in more than 100 countries, Widex is exposed to financial risks in connection with fluctuations in exchange rates. As a result, the Group has chosen, to a limited extent, to use financial products for hedging.

Management does not believe that the group is exposed to any business or financial risks to an extent that significantly deviates from what is generally seen in the industry.

### Knowledge resources

Widex' specialized workforce and high level of internal knowledge are crucial for the company's ability to maintain and develop its position on the global hearing aid market. Widex therefore works to maintain a high level of skills through the continued recruitment and retention of competent and dynamic employees. As part of this, considerable resources are spend on knowledge sharing, training, education and communication within the Widex Group.

Furthermore, the Group cooperates closely with a large network of external experts, particularly in the field of audiology.

### Research and development activities

Widex has almost six decades of experience in conducting research and developing new technology and methods to overcome hearing loss. In order to maintain its position as a technology leader in a highly competitive market, the Group continued to strengthen its research department and activities with more than 10% of net sales invested in R&D

### The expected development

The group will continue to strengthen the business in order to increase sales and earnings. This will be done through a well defined market approach strategy, new product launches and the continuous optimisation of production as part of the continuation of the IMPACT strategy. Through these initiatives, management expects to be able to bring the earnings level fully on a par with leading manufacturers in the industry in the coming year. Widex will therefore maintain an ambitious investment and activity level in development, sales and marketing in order to prepare the organization for further growth.

### Events subsequent to the financial year

In the opinion of the Board of Directors, no events have occurred subsequent to the financial year which could substantially affect the group's financial position.

### Corporate Social Responsibility (CSR)

The Widex CSR Declaration, adopted in 2012, outlines the framework for the company's commitment to CSR. The Declaration is translated into action through three focus areas for 2012-2016: Energy and Climate, Social Engagement and Sustainable Packaging.

Widex has a strong environmental focus. Widex headquarters are allmost 100 percent $CO_2$ neutral and Widex is a WindMade certified organization.

In 2012, the European Commission established the European Energy Efficiency Directive which contains a set of binding measures to help the EU reach its 20% energy efficiency target by 2020. EU countries were required to transpose the Directive's provisions into their national laws by 5 June 2014. As part of this legal framework, all large companies in Denmark are now requested to conduct an energy audit every fourth year.

Widex has been a first mover in this respect and was one of the first Danish companies to carry out an energy audit in 2015/16 to meet the European Union Energy Efficiency Directive. It has become a benchmark for other Danish companies who are currently in the same process.

Furthermore, a new internal environmental policy was introduced to ensure a sustainable production processes, and the company has continued the commitment to reducing its carbon footprint through a series of energy saving measures, including the recycling of waste at headquarters.

**Social Engagement**

Widex is committed to the global fight against stigma related to hearing loss, and is the main sponsor of the World Deaf Golf Championship 2016.

Widex supports the Red Cross through the Red Cross Business Partnership programme, and the company's social engagement is also reflected in cooperation with the local municipality of Allerød on the rehabilitation of people with social problems.

**Sustainable packaging**

A new, environmentally friendly packaging solution was implemented in 2015/16. The new solution is produced in fully recyclable materials with boxes made in FSC certified paper, and it reduces packaging size and weight by more than fifty percent.

Reference is also made to the Widex CSR Declaration at www.widex.com/CSR

**Human rights and business ethics**

Widex continuously seeks to support and respect the protection of internationally recognised human rights. The company strives to always conduct business in an ethical and transparent manner and to ensure that the company's business partners are not complicit in violations of human rights.

**Diversity and gender equality**

Widex wishes to promote diversity at all levels of the company, and discrimination and harassment are not tolerated in any form. In 2015/16, a series of new policies were introduced to support this commitment, including a new work environment policy, a harassment policy as well as several tools to promote and facilitate dialogue about personal development for employees at all levels of the global organization.

Widex wishes to promote equal opportunities for both men and women at all levels of the organization. Widex A/S employs 86 people with managerial responsibility. Out of these 24 are women, and several women have been promoted internally to senior management positions during 2015/16. The share of women in positions with managerial responsibility is considered to be at an acceptable level and the policies introduced in the financial year will help ensure equal opportunities in the future. The Board of Directors currently consists of five members, whom are representatives of the owner families. There are currently no women on the Board and there is no target for the share of women on the Board of Directors.

Widex headquarters has received a green 'smiley' for its working environment. In 2015/16, Widex A/S conducted a global employee engagement survey for around 3.000 employees with the aim of monitoring and strengthening employee engagement and satisfaction on a global level.

DKK in thousands.

| Note | | Group 2015/16 | Group 2014/15 | Parent enterprise 2015/16 | Parent enterprise 2014/15 |
|---|---|---|---|---|---|
| 1 | Net turnover | 3.855.091 | 3.276.822 | 0 | 0 |
| | Production costs | -1.225.943 | -1.193.896 | 0 | 0 |
| | **Gross results** | **2.629.148** | **2.082.926** | **0** | **0** |
| | Distribution costs | -1.549.643 | -1.220.420 | 0 | 0 |
| | Administration costs | -663.819 | -732.697 | -969 | -282 |
| | **Operating profit** | **415.686** | **129.809** | **-969** | **-282** |
| | Income from equity investments in group enterprises | 0 | 0 | 175.581 | 60.775 |
| | Income from equity investments in associated enterprises | 1.111 | -317 | 0 | 0 |
| | Income from other equity investments, securities and debtors which are fixed assets | 0 | -19 | 0 | 0 |
| | Other financial income from group enterprises | 0 | 0 | 22.505 | 12.709 |
| | Other financial income | 17.010 | 54.463 | 360 | 16 |
| 2 | Other financial costs | -127.402 | -90.873 | -35.904 | -40.523 |
| | Financing, net | -109.281 | -36.746 | 162.542 | 32.977 |
| | **Results before tax** | **306.405** | **93.063** | **161.573** | **32.695** |
| 3 | Tax of the results for the year | -133.501 | -58.649 | 1.653 | 1.088 |
| | **Results for the year** | **172.904** | **34.414** | **163.226** | **33.783** |
| | The minority interests' share of the results of the subsidiaries | -9.678 | -631 | 0 | 0 |
| | **The group share of the results for the year** | **163.226** | **33.783** | **163.226** | **33.783** |

**Proposed distribution of the results:**

| | 2015/16 | 2014/15 |
|---|---|---|
| Dividend for the financial year | 100.000 | 0 |
| Allocated to results brought forward | 63.226 | 33.783 |
| **Distribution in total** | **163.226** | **33.783** |

DKK in thousands.

**Assets**

| Note | | Group 2016 | Group 2015 | Parent enterprise 2016 | Parent enterprise 2015 |
|---|---|---|---|---|---|
| | **Fixed assets** | | | | |
| 4 | Acquired concessions, patents, licenses, trademarks and similar rights | 377.522 | 373.421 | 0 | 0 |
| 5 | Goodwill | 729.240 | 440.134 | 0 | 0 |
| | Intangible fixed assets in total | 1.106.762 | 813.555 | 0 | 0 |
| 6 | Land and property | 1.039.373 | 1.114.058 | 0 | 0 |
| 7 | Production plant and machinery | 93.865 | 90.383 | 0 | 0 |
| 8 | Other plants, operating assets, and fixtures and furniture | 83.060 | 71.182 | 0 | 0 |
| 9 | Tangible assets under construction and prepayments for tangible assets | 26.438 | 8.925 | 0 | 0 |
| | Tangible fixed assets in total | 1.242.736 | 1.284.548 | 0 | 0 |
| 10 | Equity investments in group enterprises | 0 | 0 | 2.357.522 | 2.091.080 |
| 11 | Equity investments in associated enterprises | 44.857 | 3.298 | 0 | 0 |
| | Amounts owed by associated enterprises | 39.819 | 0 | 0 | 0 |
| 12 | Other securities and equity investments | 21.889 | 17.401 | 0 | 0 |
| 13 | Other debtors | 197.540 | 169.952 | 0 | 0 |
| | Financial fixed assets in total | 304.105 | 190.651 | 2.357.522 | 2.091.080 |
| | **Fixed assets in total** | **2.653.603** | **2.288.754** | **2.357.522** | **2.091.080** |

## Balance sheet 30 April

DKK in thousands.

**Assets**

| Note | | Group 2016 | Group 2015 | Parent enterprise 2016 | Parent enterprise 2015 |
|---|---|---|---|---|---|
| | **Current assets** | | | | |
| | Raw materials and consumables | 40.711 | 42.281 | 0 | 0 |
| | Work in progress | 155.041 | 138.560 | 0 | 0 |
| | Manufactured and commercial goods | 243.569 | 219.310 | 0 | 0 |
| | Prepayments for goods | 758 | 1.166 | 0 | 0 |
| | Inventories in total | 440.079 | 401.317 | 0 | 0 |
| | Trade debtors | 614.422 | 585.456 | 0 | 0 |
| | Amounts owed by group enterprises | 0 | 0 | 752.110 | 259.611 |
| | Amounts owed by associated enterprises | 8.076 | 0 | 0 | 0 |
| | Deferred tax assets | 86.668 | 66.009 | 0 | 6.201 |
| | Receivable corporate tax | 0 | 5.896 | 34.115 | 12.709 |
| | Other debtors | 166.972 | 107.294 | 10.966 | 0 |
| | Accrued income and deferred expenses | 43.985 | 50.414 | 0 | 0 |
| | Debtors in total | 920.123 | 815.069 | 797.191 | 278.521 |
| | Other securities and equity investments | 10.310 | 3.929 | 0 | 0 |
| | Securities in total | 10.310 | 3.929 | 0 | 0 |
| | Cash funds | 342.335 | 435.800 | 785 | 588 |
| | **Current assets in total** | **1.712.847** | **1.656.115** | **797.976** | **279.109** |
| | **Assets in total** | **4.366.450** | **3.944.869** | **3.155.498** | **2.370.189** |

DKK in thousands.

**Equity and liabilities**

| Note | | Group 2016 | Group 2015 | Parent enterprise 2016 | Parent enterprise 2015 |
|---|---|---|---|---|---|
| | **Equity** | | | | |
| 14 | Contributed capital | 500.000 | 500.000 | 500.000 | 500.000 |
| 15 | Results brought forward | 688.892 | 656.092 | 688.892 | 656.092 |
| 16 | Proposed dividend for the financial year | 100.000 | 0 | 100.000 | 0 |
| | **Equity in total** | **1.288.892** | **1.156.092** | **1.288.892** | **1.156.092** |
| | **Minority interests** | **53.801** | **95.352** | **0** | **0** |
| | **Provisions** | | | | |
| 17 | Provisions for pensions and similar obligations | 15.872 | 31.069 | 0 | 0 |
| 18 | Other provisions | 224.523 | 260.160 | 0 | 0 |
| | **Provisions in total** | **240.395** | **291.229** | **0** | **0** |
| | **Liabilities** | | | | |
| | Bank debts | 2.243 | 1.435 | 0 | 0 |
| | Other long-term debts | 178.226 | 57.397 | 0 | 0 |
| 19 | Long-term liabilities in total | 180.469 | 58.832 | 0 | 0 |
| | Bank debts | 39.835 | 17.591 | 0 | 0 |
| | Prepayments received from customers | 2.153 | 1.623 | 0 | 0 |
| | Trade creditors | 388.407 | 320.758 | 177 | 50 |
| | Debt to group enterprises | 0 | 0 | 61.416 | 5.035 |
| | Debt to related parties | 1.805.013 | 1.840.054 | 1.805.013 | 1.209.012 |
| | Payable corporate tax | 112.671 | 0 | 0 | 0 |
| | Other liabilities | 254.814 | 163.338 | 0 | 0 |
| | Short-term liabilities in total | 2.602.893 | 2.343.364 | 1.866.606 | 1.214.097 |
| | **Liabilities in total** | **2.783.362** | **2.402.196** | **1.866.606** | **1.214.097** |
| | **Equity and liabilities in total** | **4.366.450** | **3.944.869** | **3.155.498** | **2.370.189** |

**20 Staff matters**

**21 Fee, auditor**

**22 Contingencies**

**23 Related parties**

## Cash flow statement 1 May - 30 April

DKK in thousands.

| Note | | Group 2015/16 | 2014/15 |
|---|---|---|---|
| | Results for the year | 163.226 | 33.783 |
| 24 | Adjustments | 471.147 | 480.283 |
| 25 | Change in working capital | 135.801 | 83.960 |
| | Cash flow from operating activities before net financials | 770.174 | 598.026 |
| | Interest received and similar amounts | 17.011 | 54.464 |
| | Interest paid and similar amounts | -127.402 | -90.873 |
| | Cash flow from ordinary activities | 659.783 | 561.617 |
| | Corporate tax paid | -25.864 | 6.346 |
| | **Cash flow from operating activities** | **633.919** | **567.963** |
| | Purchase of intangible fixed assets | -526.309 | -95.650 |
| | Sale of intangible fixed assets | 0 | 1.036 |
| | Purchase of tangible fixed assets | -117.834 | -55.611 |
| | Sale of tangible fixed assets | 57.141 | 12.583 |
| | Purchase of financial fixed assets | -94.369 | -96.601 |
| | Sale of financial fixed assets | 0 | 7.640 |
| | Purchase of financial instruments | -6.972 | 0 |
| | Other cash flows from (spent in) investment activities | -31.627 | 39.222 |
| | **Cash flow from investment activities** | **-719.970** | **-187.381** |
| | Raising and repayments of long-term debt | 396 | 14.597 |
| | Dividend paid | -5.195 | 0 |
| | Available funds | 22.244 | 3.392 |
| | Repayment of debt to group entities and related parties | -24.859 | -351.535 |
| | **Cash flow from financing activities** | **-7.414** | **-333.546** |
| | **Changes in available funds** | **-93.465** | **47.036** |
| | Available funds 1 May 2015 | 435.800 | 388.764 |
| | **Available funds 30 April 2016** | **342.335** | **435.800** |
| | **Available funds** | | |
| | Cash funds | 342.335 | 435.800 |
| | **Available funds 30 April 2016** | **342.335** | **435.800** |

DKK in thousands.

**1. Net turnover**

Revenue is split by revenue in Denmark 2% and export 98% versus 3% and 97% last year.

Management believes that information in accordance with the Danish Financial Statements Act § 96 on the breakdown of activities and geographical areas will create a competitive unwanted attention and focus on its core areas with risk that the information will contribute to competing firms' strategic decision making and thus cause the company significant injury.

As a result, the Group pursuant to the Danish Financial Statements Act § 96, 3 section, choose not to disclose this information.

| | Group | | Parent enterprise | |
|---|---|---|---|---|
| | 2015/16 | 2014/15 | 2015/16 | 2014/15 |
| **2. Other financial costs** | | | | |
| Interest, group enterprises | 0 | 35 | 1.076 | 35 |
| Other interest costs | 127.402 | 90.838 | 34.828 | 40.488 |
| | **127.402** | **90.873** | **35.904** | **40.523** |
| **3. Tax of the results for the year** | | | | |
| Tax of the results for the year, parent company | 156.480 | 43.028 | -1.653 | 0 |
| Adjustment for the year of deferred tax | -26.661 | 16.292 | 0 | -1.088 |
| Adjustment of tax for previous years | 3.682 | -1.445 | 0 | 0 |
| Calculated addition | 0 | 774 | 0 | 0 |
| | **133.501** | **58.649** | **-1.653** | **-1.088** |

DKK in thousands.

| | | Group | | Parent enterprise | |
|---|---|---|---|---|---|
| | | 30/4 2016 | 30/4 2015 | 30/4 2016 | 30/4 2015 |
| **4.** | **Acquired concessions, patents, licenses, trademarks and similar rights** | | | | |
| | Cost 1 May 2015 | 597.242 | 488.155 | 0 | 0 |
| | Translation by use of the exchange rate valid on balance sheet date 30 April 2016 | -18.903 | 50.459 | 0 | 0 |
| | Additions during the year | 76.164 | 58.628 | 0 | 0 |
| | Disposals during the year | -15.504 | 0 | 0 | 0 |
| | **Cost 30 April 2016** | **638.999** | **597.242** | **0** | **0** |
| | Amortisation and writedown 1 May 2015 | -223.821 | -146.080 | 0 | 0 |
| | Translation by use of the exchange rate valid on balance sheet date 30 April 2016 | 7.150 | -18.630 | 0 | 0 |
| | Amortisation and writedown for the year | -52.410 | -59.111 | 0 | 0 |
| | Amortisation and writedown, assets disposed of | 7.604 | 0 | 0 | 0 |
| | **Amortisation and writedown 30 April 2016** | **-261.477** | **-223.821** | **0** | **0** |
| | **Book value 30 April 2016** | **377.522** | **373.421** | **0** | **0** |
| **5.** | **Goodwill** | | | | |
| | Cost 1 May 2015 | 2.352.016 | 2.275.351 | 0 | 0 |
| | Translation by use of the exchange rate valid on balance sheet date 30 April 2016 | -33.104 | 49.651 | 0 | 0 |
| | Additions during the year | 493.129 | 74.168 | 0 | 0 |
| | Disposals during the year | -32.228 | -47.154 | 0 | 0 |
| | **Cost 30 April 2016** | **2.779.813** | **2.352.016** | **0** | **0** |
| | Amortisation and writedown 1 May 2015 | -1.911.882 | -1.710.443 | 0 | 0 |
| | Translation by use of the exchange rate valid on balance sheet date 30 April 2016 | 19.577 | -19.200 | 0 | 0 |
| | Amortisation and writedown for the year | -185.746 | -191.211 | 0 | 0 |
| | Amortisation and writedown, assets disposed of | 27.478 | 8.972 | 0 | 0 |
| | **Amortisation and writedown 30 April 2016** | **-2.050.573** | **-1.911.882** | **0** | **0** |
| | **Book value 30 April 2016** | **729.240** | **440.134** | **0** | **0** |

DKK in thousands.

| | | Group | | Parent enterprise | |
|---|---|---|---|---|---|
| | | 30/4 2016 | 30/4 2015 | 30/4 2016 | 30/4 2015 |
| **6.** | **Land and property** | | | | |
| | Cost 1 May 2015 | 1.216.398 | 1.193.818 | 0 | 0 |
| | Translation by use of the exchange rate valid on balance sheet date 30 April 2016 | -17.403 | 17.698 | 0 | 0 |
| | Additions during the year | 2.071 | 4.882 | 0 | 0 |
| | Disposals during the year | -60.315 | 0 | 0 | 0 |
| | **Cost 30 April 2016** | **1.140.751** | **1.216.398** | **0** | **0** |
| | Depreciation and writedown 1 May 2015 | -102.340 | -88.302 | 0 | 0 |
| | Translation by use of the exchange rate valid on balance sheet date 30 April 2016 | 4.017 | 5.217 | 0 | 0 |
| | Depreciation and writedown for the year | -19.662 | -19.255 | 0 | 0 |
| | Depreciation and writedown, assets disposed of | 16.607 | 0 | 0 | 0 |
| | **Depreciation and writedown 30 April 2016** | **-101.378** | **-102.340** | **0** | **0** |
| | **Book value 30 April 2016** | **1.039.373** | **1.114.058** | **0** | **0** |
| **7.** | **Production plant and machinery** | | | | |
| | Cost 1 May 2015 | 392.211 | 366.894 | 0 | 0 |
| | Translation by use of the exchange rate valid on balance sheet date 30 April 2016 | -1.396 | 7.173 | 0 | 0 |
| | Additions during the year | 33.452 | 19.317 | 0 | 0 |
| | Disposals during the year | -7.734 | -1.173 | 0 | 0 |
| | **Cost 30 April 2016** | **416.533** | **392.211** | **0** | **0** |
| | Depreciation and writedown 1 May 2015 | -301.828 | -262.297 | 0 | 0 |
| | Translation by use of the exchange rate valid on balance sheet date 30 April 2016 | 766 | -8.032 | 0 | 0 |
| | Depreciation and writedown for the year | -30.364 | -32.672 | 0 | 0 |
| | Depreciation and writedown, assets disposed of | 8.758 | 1.173 | 0 | 0 |
| | **Depreciation and writedown 30 April 2016** | **-322.668** | **-301.828** | **0** | **0** |
| | **Book value 30 April 2016** | **93.865** | **90.383** | **0** | **0** |

DKK in thousands.

| | | Group 30/4 2016 | Group 30/4 2015 | Parent enterprise 30/4 2016 | Parent enterprise 30/4 2015 |
|---|---|---|---|---|---|
| **8.** | **Other plants, operating assets, and fixtures and furniture** | | | | |
| | Cost 1 May 2015 | 314.120 | 292.538 | 0 | 0 |
| | Translation by use of the exchange rate valid on balance sheet date 30 April 2016 | -6.543 | 13.542 | 0 | 0 |
| | Additions during the year | 64.483 | 22.487 | 0 | 0 |
| | Disposals during the year | -18.916 | -14.447 | 0 | 0 |
| | **Cost 30 April 2016** | **353.144** | **314.120** | **0** | **0** |
| | Depreciation and writedown 1 May 2015 | -242.938 | -217.088 | 0 | 0 |
| | Translation by use of the exchange rate valid on balance sheet date 30 April 2016 | 31 | -8.766 | 0 | 0 |
| | Depreciation and writedown for the year | -29.952 | -25.764 | 0 | 0 |
| | Depreciation and writedown, assets disposed of | 2.775 | 8.680 | 0 | 0 |
| | **Depreciation and writedown 30 April 2016** | **-270.084** | **-242.938** | **0** | **0** |
| | **Book value 30 April 2016** | **83.060** | **71.182** | **0** | **0** |
| **9.** | **Tangible assets under construction and prepayments for tangible assets** | | | | |
| | Cost 1 May 2015 | 8.925 | 0 | 0 | 0 |
| | Translation by use of the exchange rate valid on balance sheet date 30 April 2016 | -316 | 0 | 0 | 0 |
| | Additions during the year | 21.503 | 8.925 | 0 | 0 |
| | Disposals during the year | -3.674 | 0 | 0 | 0 |
| | **Cost 30 April 2016** | **26.438** | **8.925** | **0** | **0** |
| | **Book value 30 April 2016** | **26.438** | **8.925** | **0** | **0** |

DKK in thousands.

| | | Parent enterprise 30/4 2016 | 30/4 2015 |
|---|---|---|---|
| **10.** | **Equity investments in group enterprises** | | |
| | Acquisition sum, opening balance 1 May 2015 | 2.783.453 | 2.783.453 |
| | Additions during the year | 111.224 | 0 |
| | Disposals during the year | 0 | 0 |
| | **Cost 30 April 2016** | **2.894.677** | **2.783.453** |
| | Revaluations, opening balance 1 May 2015 | 339.072 | 59.225 |
| | Results for the year before goodwill amortisation | 184.958 | 169.839 |
| | Translation by use of the exchange rate valid on balance sheet date | -30.426 | 129.238 |
| | Other movements in capital | 0 | -19.230 |
| | **Revaluation 30 April 2016** | **493.604** | **339.072** |
| | Amortisation of goodwill, opening balance 1 May 2015 | -1.031.446 | -922.381 |
| | Amortisation of goodwill for the year | -9.377 | -109.064 |
| | **Depreciation on goodwill 30 April 2016** | **-1.040.823** | **-1.031.445** |
| | Offsetting against debtors | 10.064 | 0 |
| | **Set off against debtors and provisions for liabilities** | **10.064** | **0** |
| | **Book value 30 April 2016** | **2.357.522** | **2.091.080** |
| | The items include goodwill with an amount of | 95.078 | 0 |

**Group enterprises:**

| | **Domicile** | **Share of ownership** |
|---|---|---|
| Widex A/S | Allerød | 100 % |
| Nymøllevej ApS | Allerød | 100 % |
| T&W Engineering A/S | Allerød | 100 % |
| Hyposafe A/S | Allerød | 81,57 % |

DKK in thousands.

| | | Group | | Parent enterprise | |
|---|---|---|---|---|---|
| | | 30/4 2016 | 30/4 2015 | 30/4 2016 | 30/4 2015 |
| **11.** | **Equity investments in associated enterprises** | | | | |
| | Acquisition sum, opening balance 1 May 2015 | 2.545 | 2.545 | 0 | 0 |
| | Additions during the year | 40.448 | 0 | 0 | 0 |
| | **Cost 30 April 2016** | **42.993** | **2.545** | **0** | **0** |
| | Revaluation, opening balance 1 May 2015 | 753 | 742 | 0 | 0 |
| | Adjustment of previous revaluations | 0 | 328 | 0 | 0 |
| | Results for the year before goodwill amortisation | 1.848 | -317 | 0 | 0 |
| | **Revaluation 30 April 2016** | **2.601** | **753** | **0** | **0** |
| | Amortisation of goodwill for the year | -737 | 0 | 0 | 0 |
| | **Depreciation on goodwill 30 April 2016** | **-737** | **0** | **0** | **0** |
| | **Book value 30 April 2016** | **44.857** | **3.298** | **0** | **0** |
| | The items include goodwill with an amount of | 15.784 | 0 | 0 | 0 |

| | | Group | | Parent enterprise | |
|---|---|---|---|---|---|
| | | 30/4 2016 | 30/4 2015 | 30/4 2016 | 30/4 2015 |
| **12.** | **Other securities and equity investments** | | | | |
| | Cost 1 May 2015 | 17.300 | 10.955 | 0 | 0 |
| | Additions during the year | 8.801 | 6.345 | 0 | 0 |
| | Disposals during the year | -4.313 | 0 | 0 | 0 |
| | **Cost 30 April 2016** | **21.788** | **17.300** | **0** | **0** |
| | Nedskrivninger 1 May 2015 | 101 | 121 | 0 | 0 |
| | Writedown for the year | 0 | -20 | 0 | 0 |
| | **Nedskrivninger 30 April 2016** | **101** | **101** | **0** | **0** |
| | **Book value 30 April 2016** | **21.889** | **17.401** | **0** | **0** |

DKK in thousands.

| | | Koncern | | Moderselskab | |
|---|---|---|---|---|---|
| | | 30/4 2016 | 30/4 2015 | 30/4 2016 | 30/4 2015 |
| **13.** | **Other debtors** | | | | |
| | Cost 1 May 2015 | 169.952 | 87.336 | 0 | 0 |
| | Additions during the year | 59.470 | 90.256 | 0 | 0 |
| | Disposals during the year | -31.882 | -7.640 | 0 | 0 |
| | **Cost 30 April 2016** | **197.540** | **169.952** | **0** | **0** |
| | **Book value 30 April 2016** | **197.540** | **169.952** | **0** | **0** |
| **14.** | **Contributed capital** | | | | |
| | Contributed capital 1 May 2015 | 500.000 | 500.000 | 500.000 | 500.000 |
| | | **500.000** | **500.000** | **500.000** | **500.000** |

The share capital consists of 500.000 shares, each with a nominal value of DKK 1.000. No shares hold particular rights.

Within the latest 5 years, the following changes in the share capital have taken place:

Cash capital extension in the fiscal year 2013/14 of DKK 350 mio. at rate 285,714.

| | | Group | | Parent enterprise | |
|---|---|---|---|---|---|
| | | 30/4 2016 | 30/4 2015 | 30/4 2016 | 30/4 2015 |
| **15.** | **Results brought forward** | | | | |
| | Results brought forward 1 May 2015 | 656.092 | 512.302 | 656.093 | 512.302 |
| | Adjustment due to changed procedures | 0 | -18.620 | 0 | 0 |
| | Profit or loss for the year brought forward | 63.226 | 33.783 | 63.225 | 33.783 |
| | Currency translation of investments | -30.426 | 129.237 | -30.426 | 110.007 |
| | Adjustment of financial hedging | 0 | -610 | 0 | 0 |
| | | **688.892** | **656.092** | **688.892** | **656.092** |
| **16.** | **Proposed dividend for the financial year** | | | | |
| | Dividend for the financial year | 100.000 | 0 | 100.000 | 0 |
| | | **100.000** | **0** | **100.000** | **0** |

DKK in thousands.

| | | Group 30/4 2016 | Group 30/4 2015 | Parent enterprise 30/4 2016 | Parent enterprise 30/4 2015 |
|---|---|---|---|---|---|
| **17.** | **Provisions for pensions and similar obligations** | | | | |
| | Provisions for pension obligations and similar obligations | 15.872 | 31.069 | 0 | 0 |
| | | **15.872** | **31.069** | **0** | **0** |
| | Maturity is expected to be: | | | | |
| | 0-1 year | 3.118 | 9.356 | 0 | 0 |
| | 1-5 year | 6.125 | 9.918 | 0 | 0 |
| | more than 5 years | 6.629 | 11.795 | 0 | 0 |
| | | **15.872** | **31.069** | **0** | **0** |
| **18.** | **Other provisions** | | | | |
| | Other provisions | 224.523 | 260.160 | 0 | 0 |
| | | **224.523** | **260.160** | **0** | **0** |
| | 0-1 year | 118.867 | 156.013 | 0 | 0 |
| | 1-5 year | 97.962 | 97.344 | 0 | 0 |
| | more than 5 years | 7.694 | 6.803 | 0 | 0 |
| | | **224.523** | **260.160** | **0** | **0** |

**19. Long-term liabilities**

The debt is due after one year and before 5 years.

| | | Group 2015/16 | Group 2014/15 | Parent enterprise 2015/16 | Parent enterprise 2014/15 |
|---|---|---|---|---|---|
| **20.** | **Staff matters** | | | | |
| | Wages and salaries | 1.549.035 | 1.468.408 | 0 | 0 |
| | Pension costs | 58.492 | 14.842 | 0 | 0 |
| | ATP and other social costs | 102.357 | 88.037 | 0 | 0 |
| | Other staff costs | 29.358 | 81.406 | 0 | 0 |
| | | **1.739.242** | **1.652.693** | **0** | **0** |
| | Board of directors | 2.250 | 2.250 | 0 | 0 |
| | Average number of employees | 3.974 | 3.700 | 0 | 0 |

DKK in thousands.

| | Group 2015/16 | Group 2014/15 | Parent enterprise 2015/16 | Parent enterprise 2014/15 |
|---|---|---|---|---|
| **21. Fee, auditor** | | | | |
| Fee concerning compulsory audit | 7.317 | 6.571 | 75 | 75 |
| Other services | 1.838 | 4.963 | 75 | 75 |
| | **9.155** | **11.534** | **150** | **150** |

## 22. Contingencies

**Joint taxation**

The company is the administration company of the group of companies subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

## 23. Related parties

**Transactions**

Related parties of the Group comprehend T&W Holding A/S, GSA Invest ApS and the Board, who are also shareholders in the before mentioned companies.

The Group lease properties by members of the Board and GSA Invest ApS. The lease contracts have been entered on market terms.

The Group also has balances with the companies mentioned. Interests on the balances are calculated on market terms.

DKK in thousands.

| | | Group 2015/16 | 2014/15 |
|---|---|---|---|
| **24.** | **Adjustments** | | |
| | Depreciation and amortisation | 319.670 | 328.013 |
| | Income from equity investments in associated enterprises | -1.111 | 317 |
| | Other financial income | -17.010 | -54.463 |
| | Other financial costs | 127.402 | 90.873 |
| | Tax of the results for the year | 133.501 | 58.649 |
| | Other provisions | -50.834 | 37.554 |
| | Other adjustments | -40.471 | 19.340 |
| | | **471.147** | **480.283** |

| | | Group 2015/16 | 2014/15 |
|---|---|---|---|
| **25.** | **Change in working capital** | | |
| | Change in inventories | -38.762 | 76.550 |
| | Change in debtors | -104.964 | -50.753 |
| | Change in trade creditors and other liabilities | 159.287 | 58.163 |
| | Other changes in other long-term liabilities | 120.240 | 0 |
| | | **135.801** | **83.960** |

The annual report for Widex Holding A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK) in thousands.

**Recognition and measurement in general**

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the group is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the group is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

**Translation of foreign currency**

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency, which are not settled at the date of the balance sheet, are translated by using the closing rate. The difference between the closing rate and the rate at the time of establishment of the receivable or the payable is recognised in the profit and loss account under financial income and financial costs.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Exchange rate adjustments of current accounts with foreign group enterprises, which are considered an addition or a deduction in the equity of independent group enterprises, are recognised directly in the equity. Likewise, capital profits and losses on loans and derived financial instruments for hedging independent foreign group enterprises are recognised in the equity.

**Derived financial instruments**

At the first recognition, derived financial instruments are recognised at cost in the balance sheet. Afterwards they are measured at fair value. Positive and negative fair values of derived financial instruments are recognised under other debtors and other creditors respectively.

Changes in the fair value of derived financial instruments classified as and meeting the criteria for hedging the fair value of a recognised asset or a recognised liability are recognised in the profit and loss account together with any changes in the fair value of the hedged asset or the hedged liability.

Changes in the fair value of derived financial instruments classified as and meeting the criteria for hedging future assets and liabilities are recognised under debtors or creditors and in the equity.

If a future transaction results in recognition of assets or liabilities, amounts which have been recognised in the equity, are transferred from the equity and recognised in the cost for the asset or the liability respectively. If the future transaction results in income or costs, amounts which have been recognised in the equity, are transferred to the profit and loss account in the period in which the hedged item influenced the profit and loss account.

As regards any derived financial instruments which do not meet the criteria for being treated as hedging instruments, changes are recognised currently in the fair value in the profit and loss account.

Changes in the fair value of derived financial instruments used for hedging net investments in independent foreign subsidiaries or associated enterprises are recognised directly in the equity.

**The consolidated annual accounts**

The consolidated annual accounts comprise the parent company Widex Holding A/S and those subsidiaries of which Widex Holding A/S directly or indirectly owns more than 50 % of the voting rights or in other ways has controlling interest. As it appears from the group chart, enterprises of which the group owns between 20 and 50 % of the voting rights and exercises considerable, but not controlling interest are considered associated enterprises.

By the consolidation, elimination of intercompany income and costs, shareholding, intercompany balances and dividends and realised and unrealised gains and losses from transactions among the consolidated enterprises takes place.

Equity interests in subsidiaries are settled by the proportional share of the subsidiaries' trade value of net assets and liabilities at the date of acquisition.

Newly acquired or newly established enterprises are recognised in the consolidated annual accounts as of the date of acquisition. Disposed or terminated enterprises are recognised in the consolidated annual accounts until the date of disposal. In relation to newly acquired, disposed or terminated enterprises, comparative figures are not adjusted.

By the takeover of new enterprises, the acquisition method is used, which means that the identified assets and liabilities of the newly acquired enterprises are measured at their fair value at the date of acquisition. Provisions are made for covering the costs of decided and published restructurings of the acquired enterprise in relation to the acquisition.

The positive difference (goodwill) between cost and fair value of taken-over, identified assets and liabilities, including provisions for restructuring, are recognised under intangible fixed assets and amortised systematically in the profit and loss account after an individual evaluation of their financial lifetime, however, with a maximum of 20 years. Negative differences (negative goodwill) which reflects an expected adverse development in the relevant enterprises are recognised in the balance sheet under accruals and recognised in the profit and loss account concurrently with the adverse development being realised. In relation to negative goodwill not concerning expected adverse development, an amount corresponding to the fair value of non-monetary assets is recognised in the balance sheet. Subsequently, the non-monetary assets are recognised in the profit and loss account over their average lifetime.

Goodwill and negative goodwill from acquired enterprises may be adjusted until the end of the year after the year of acquisition.

Gains or losses from the disposal or termination of subsidiaries or associated enterprises are recognised as the difference between the sales price or the termination sum and the book value of the net assets at the sales date and expected costs of sale or termination.

**Minority interests**

The items of the subsidiaries are recognised by 100 % in the consolidated annual accounts. The minority interests' proportionate share of the profit or loss and the equity of the subsidiaries is adjusted annually and recognised as separate items in the profit and loss account and in the balance sheet.

## The profit and loss account

**Net turnover**

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

**Production costs**

The production costs comprise costs, including salaries, wages and depreciation, which are incurred in order to achieve the net turnover of the year. Trade enterprises recognise cost of sales, and manufacturing enterprises recognise production costs corresponding to the turnover of the year. These costs include direct and indirect costs for raw materials and consumables, salaries and wages, rent and leasing, and depreciation on the production plant.

Furthermore, the production costs comprise research costs, development costs which do not meet the criteria for capitalisation, and amortisation of capitalised development costs.

**Research and development costs**

Research and development costs comprise costs, salaries and wages and depreciation directly or indirectly attributable to the consolidated research and development activities. Clearly defined and identifiable patent investments are recognised as intangible fixed assets.

**Distribution costs**

The distribution costs comprise costs which have been incurred for distribution of goods sold during the year and for sales campaigns carried out during the year. Additionally, costs for sales staff, costs for advertising and exhibitions, and depreciation are recognised in the profit and loss account.

**Administration costs**

Administration costs comprise costs which have been incurred during the year for management and administration, including costs for the administrative staff, the executive board, offices, stationery and office supplies, and depreciation.

**Net financials**

Net financials include interest income, interest expenses, and realised and unrealised capital gains and losses on financial assets and liabilities. Net financials are recognised in the profit and loss account with the amounts concerning the financial year.

**Results from equity investments in group enterprises and associated enterprises**

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual subsidiaries are recognised in the profit and loss account at a proportional share of the subsidiaries' results after tax.

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual associated enterprises are recognised in the profit and loss account at a proportional share of the associated enterprises' results after tax.

**Tax of the results for the year**

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The parent company and the Danish subsidiaries are subject to the Danish rules on compulsory joint taxation of the consolidated Danish enterprises. The parent company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

## The balance sheet

### Intangible fixed assets

Intangible assets are measured at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the estimated useful life. There are in all materiality used the above mentioned useful lives.

| | |
|---|---|
| Goodwill | 10 years |
| Group goodwill | 10 years |
| Software | 3-5 years |
| Trademarks and similar rights | 5-10 years |

### Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown. Land is not depreciated.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

| | | |
|---|---|---|
| Buildings | 30 | years |
| Technical plants and machinery | 5-10 | years |
| Other plants, operating assets, fixtures and furniture | 3-5 | years |

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or loss is recognised in the profit and loss account under depreciation.

As regards assets of own production, the cost comprises direct and indirect costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs form specific and general borrowing concerning the construction of each individual asset.

### Financial fixed assets

#### Equity investments in group enterprises and associated enterprises

Equity investments in group enterprises and associated enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises and associated enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises and associated enterprises.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Profit or loss in connection with the sale of group enterprises and associated enterprises are measured as the difference between the sales amount and the book value of net assets at the time of the sale, inclusive of remaining consolidated goodwill and expected costs for sale and cession. Profit and loss are recognised in the profit and loss account under net financials.

In connection with the take over of new group enterprises and associated enterprises, the acquisition method is applied, by which the taken over companies' assets and liabilities are measured at fair value at the time of take over. Provisions are made for covering costs in connection with decided restructuring projects in the taken over enterprise in connection with the take-over. The tax effect of the revaluation carried out is taken into consideration, cf. the below description of goodwill.

Positive differences (goodwill) between the acquisition value and the fair value of the assets and liabilities taken over, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises and associated enterprises, and they are amortised over the estimated financial life. The financial life is determined on the basis of the management's experience with the individual business areas. The amortisation period is maximum 20 years, being the longer for strategically taken over companies with a strong market position and a long range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

#### Other securities and equity investments

Securities and equity investments recognised as current assets are measured at fair value (market price) on the balance sheet date.

### Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

**Debtors**

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

**Accrued income and deferred expenses**

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

**Securities and equity investments**

Securities and equity investments recognised as current assets are measured at fair value on the balance sheet date.

**Available funds**

Available funds comprise cash at bank and in hand.

**Equity - dividend**

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting.

**Corporate tax and deferred tax**

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Widex Holding A/S is jointly taxed with the Danish group companies and acts in this respect as the administration company. According to the rules of joint taxation, Widex Holding A/S is unlimited, jointly and severally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Payable and receivable joint taxation contributions are recognised in the balance sheet as "Receivable corporate tax" or “Payable corporate tax".

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax. In the period 2014 to 2016, the corporate tax rate will be reduced gradually from 25 % to 22 %, which will affect the deferred tax liabilities and deferred tax assets. Unless a recognition with a different tax rate than 22 % will result in a significant material deviation in the estimated deferred tax liability or tax asset, deferred tax liabilities and assets are recognised by 22 %.

**Provisions**

Provisions comprise expected costs for guarantee liabilities, loss on work in progress, restructuring, etc. Provisions are recognised when the group has a legal or actual liability which is due to a previous event and when it is likely that the settlement of the liability will result in expenditure of the financial resources of the group.

If the settlement of the liability is expected to take place in some remote future, provisions are measured at the net realisable value or at fair value.

Guarantee liabilities comprise liabilities for repairs within the guarantee period of 1-5 years. The provisions are measured at the net realisable value and recognised on basis of the obtained experience with guarantee work. If provisions have an expected due date later than 1 year from the balance sheet date, they are discounted at the average bond interest.

**Liabilities**

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Mortgage debt and bank debt are for instance measured at amortised cost. As to cash loans, this corresponds to the outstanding debt of the loan. For bond loans, the amortised cost corresponds to an outstanding debt calculated as the underlying cash value at the date of borrowing adjusted by amortisation of the market value adjustment on the date of the borrowing carried out over the repayment period.

Also capitalised residual leasing liabilities in connection with financial leasing contracts are recognised in the financial liabilities.

Liabilities concerning investment property are measured at fair value. Value adjustments are recognised in the profit and loss account in the item "Value adjustments concerning property".

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Debt to related parties not included in group enterprises is reclassifies from other liabilities to debt to related parties. Comparative figures from last year have been adjusted.

**The cash flow statement**

The cash flow statement shows the cash flow of the group for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

**Cash flow from operating activities**

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

**Cash flow from investment activities**

Cash flow from investment activities comprises payments in connection with the acquisition and sale of entriprises and activities and payments related to the acquisition and sale of fixed assets.

**Cash flow from financing activities**

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

**Available funds**

Available funds comprise cash funds and short term securities which can easily be converted into cash funds and on which only an insignificant risk of value changes exists.

**The key figures**

The key figures have been laid out in accordance with the publication "Anbefalinger & Nøgletal 2015" ("Recommendations & Key Figures 2015") published by the CFA Society Denmark.

Normalized EBITA is defined as operating profit before amortisations adjusted for one-offs.

Net working capital (NWC) is defined as inventories, receivables and other current assets reduced by trade payables and other operating current liabilities.

The key figures in the survey appear as follows:

**Normalized EBITA margin** $$\frac{\text{Normalized EBITA x 100}}{\text{Net turnover}}$$

**Profit margin (EBIT margin)** $$\frac{\text{Results from primary activities (EBIT) x 100}}{\text{Net turnover}}$$

**Solvency ratio** $$\frac{\text{Equity less minority interests, closing balance x 100}}{\text{Assets in total, closing balance}}$$

| | |
|---|---|
| **Return on equity** | $\frac{\text{*Results x 100}}{\text{Average equity exclusive of minority interests}}$ |
| ***Results** | Results for the year with deduction of minority interests' share of same |

*"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."*

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