

William Demant Holding A/S

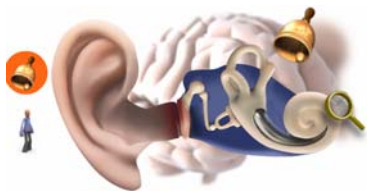
Future challenges to the hearing aid industry

Niels Jacobsen

Capital Market Day, 28 March 2006

- **Key points from today's presentations**
- **Forward integration**
- **Manufacturer consolidation**

Key points from today's presentations



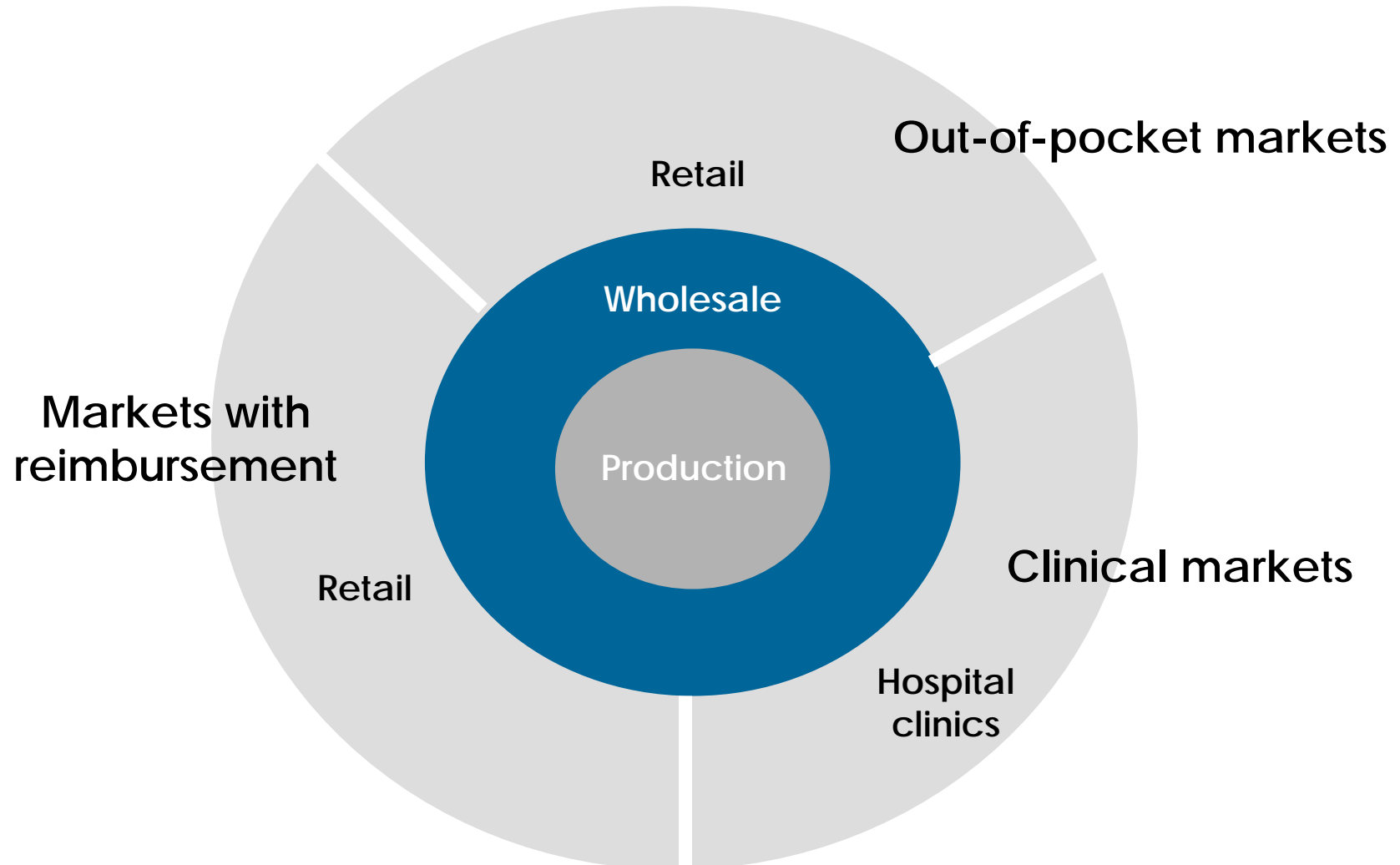
The hearing aid industry - consolidation since 1994

1994		Today	Est. market share
Siemens - Rexton - A&M Audioservice	→	Siemens	22-25%
Oticon - Phonic Ear - Bernafon Maico - Bosch - Gfeller/Ascom	→	William Demant	18-20%
Phonak - Unitron - Lori Medical - Argosy	→	Phonak	17-19%
Danavox - Resound - 3M - Sonar Belton - Viennatone - Philips - Interton	→	GN ReSound	16-18%
Starkey - Microtechnic - Qualitone	→	Starkey	8-12%
Widex	→	Widex	8-12%

Further consolidation would make sense

- Most players would benefit from increased distribution power by adding another brand to the existing product portfolio
- The benefit: Substantial cost synergies to be harvested within administration, R&D, manufacturing, purchasing and logistics
- The risk: Negative sales synergies in certain geographical areas
- William Demant Holding would like to take active part in future consolidation
- We have the expertise, the experience, the operational track record and the financial strength
- However, the ownership structure of the industry does not at the moment support further consolidation

Distribution channels



The retail part of the value chain



- More than 20,000 potential retailers - highly fragmented
- Local chains (>25 shops) account for 20-25% of market
- No clear economics of scale - low entry barriers
- Difficult to create services which are of substantial value to end users

HA manufacturers as owners of retail

- Forward integration is a way for the manufacturers to maintain control over distribution to end users
- However, forward integration is associated with collateral damage as the manufacturer in question often will end up competing against own customers
- Several cases of collateral damage in the past
- Also a few exceptions:
 - Oticon's Australian business – nice growth delivered within wholesale as well as within retail
 - Strong WDH wholesale growth in the UK despite the acquisition of Hidden Hearing

Oticon ♦ Delta



Oticon ♦ Safran



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