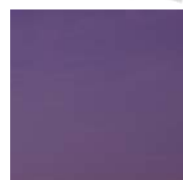
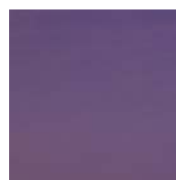
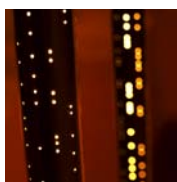
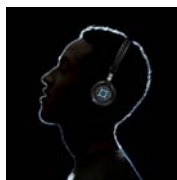




# SUMMARY OF ANNUAL REPORT 2011





## STRONG GROWTH IN A STABLE MARKET

Dear reader

2011 was another good year for the William Demant Group. So good in fact that our wholesale of hearing aids generated unit growth of no less than 17%, an advance that has enabled us to maintain our position as the industry's fastest-growing company and once again to capture significant market shares. Volume growth in the underlying market amounted to just under 4%, which falls within the customary growth pattern. In other words, the hearing aid market seems essentially unaffected by the general economic slowdown.

The Group's other two business activities, Diagnostic Instruments and Personal Communication, also performed well in 2011. As well as generating strong organic growth, Diagnostic Instruments further consolidated its activities by acquiring distribution businesses in the US market. Growth in Personal Communication was driven by Sennheiser Communications, which again realised high, double-digit, organic growth.

I am certain that our success lies chiefly in our long-standing focus on technology, innovation and product development coupled with our close partnership with primary customers, i.e. dispensers and hearing care professionals.

I would even venture to say that ours is definitely the strongest and most up-to-date product programme in the industry. Carrying every conceivable model variant, Oticon's portfolio in particular offers customers products that are probably second to none in the industry.

The ultra-fast, sophisticated RISE 2 platform is the engine driving the steady stream of products that have been rolling onto the market since spring 2010. The Intiga family will be enhanced further in spring 2012, when Oticon launches its first IIC instrument (Invisible Inside the Canal) called Intiga<sup>1</sup>.

This advanced technology has enabled us to set new standards for what hearing care professionals and end-users can expect in modern hearing aids in terms of sound quality and features. These advances are primarily the result of dedicated development projects conducted in the field of wireless technology since 2000.

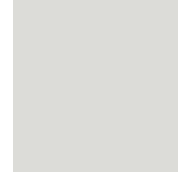
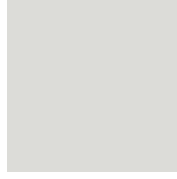
In acquiring the US hearing aid brand Sonic that complements the Group's two other brands – Danish Oticon and Swiss Bernafon – we now boast three hearing aid brands

that together accommodate the full spectrum of customers and their individual needs. Finally, Oticon Medical's bone-anchored hearing systems, which are being successfully introduced in an increasing number of markets, help us meet practically every need for hearing solutions in the market. In that connection, I am pleased to note that at the end of 2011 – after just two years on the market – Oticon Medical is now making a positive contribution to consolidated operating earnings.

All these developments are a reflection of so-called micro-segmentation – a phenomenon that is here to stay and will undoubtedly put added pressure on smaller players because the costs of being at the cutting edge never cease to rise. To illustrate this point, it is worth noting that the William Demant Group's consolidated growth in revenues in 2010 and 2011 corresponds to the revenue generated by one of the industry's smaller players. Granted, certain acquisitions have contributed to the growth we have achieved, but in fact, organic growth accounts for over half of the Group's total increase in revenues in 2010 and 2011.

However, "just" having good products is no longer enough. To become the preferred supplier of hearing care professionals, a manufacturer must also be able to offer a complete package of services such as training, counselling tools, software as well as marketing materials and marketing cooperation. The quality of these services varies considerably from manufacturer to manufacturer, which is why these services make it possible to further position each individual brand – a potential that we have done much to exploit in recent years.

Investors and analysts seem preoccupied with issues like economic decline, consumer reluctance and the risk of recession. Specifically, they seem to fear that the uncertain macro-economic forecasts will curb end-users' desire to buy hearing aids. Nonetheless, I honestly believe that this fear is baseless, as there is no obvious historical correlation between general economic trends and the demand for hearing aids. The population of potential end-users is developing steadily and predictably and will continue to do so for decades to come. Moreover, most hearing aids are bought without any form of subsidy, which means that, unlike other med-tech industries, the hearing aid industry is relatively untouched by health reforms and budget cuts. In our industry, it is thus very important for both individual manufacturers and the market as a whole to keep abreast of product cycles.



*Finally, I would like to extend a warm thank you to all our highly skilled and committed employees whose determination over the past three years has helped put the Group back on the growth track. Thanks to their tireless efforts, in 2012 the William Demant Group stands very strong and equipped to take on the competition.*

*Niels Jacobsen  
President & CEO*



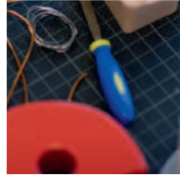
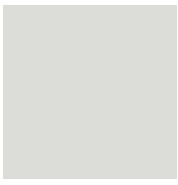
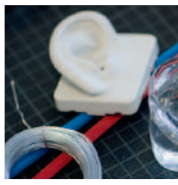
## KEY FIGURES AND FINANCIAL RATIOS – EUR\*\*

	2011	2010	2009	2008	2007
<b>INCOME STATEMENT, EUR MILLION</b>					
Revenue	1,079	925	765	721	737
Gross profit	775	666	542	500	533
Research and development costs	85	83	77	72	68
EBITDA	261	222	180	163	193
Depreciation etc.	31	30	26	23	23
Operating profit (EBIT)	229	192	154	140	170
Net financial items	-14	-16	-13	-19	-13
Profit before tax	216	176	142	121	157
Profit for the year	161	133	107	92	120
<b>BALANCE SHEET, EUR MILLION</b>					
Net interest-bearing debt	-208	-251	-212	-257	-242
Total assets	1,028	913	622	527	500
Equity	444	329	175	72	57
<b>OTHER KEY FIGURES, EUR MILLION</b>					
Investment in property, plant and equipment, net	51	34	24	26	22
Cash flow from operating activities (CFFO)	185	111	128	111	114
Free cash flow	120	66	88	79	102
Employees (average)	7,392	6,318	5,674	5,383	5,072
<b>FINANCIAL RATIOS</b>					
Gross profit ratio	71.8%	71.9%	70.8%	69.3%	72.4%
EBITDA margin	24.2%	24.0%	23.5%	22.6%	26.2%
Profit margin (EBIT margin)	21.3%	20.7%	20.2%	19.4%	23.1%
Return on equity	41.7%	49.5%	87.2%	162.9%	160.3%
Equity ratio	43.2%	36.0%	28.1%	13.6%	11.5%
Earnings per share (EPS), EUR*	2.8	2.3	1.8	1.6	2.0
Cash flow per share (CFPS), EUR*	3.2	1.9	2.2	1.9	1.9
Free cash flow per share, EUR*	2.1	1.1	1.5	1.3	1.7
Dividend per share, EUR*	0	0	0	0	0
Book value per share, EUR*	7.6	5.6	3.0	1.2	1.0
Price earnings (P/E)	23	24	29	19	32
Share price, EUR*	64	56	53	29	63
Market cap. adjusted for treasury shares, EUR million	3,685	3,252	3,080	1,711	3,775
Average number of shares, million	58.24	58.35	58.31	58.77	60.62

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) adjusted for acquisitions. On computation of the return on equity, average equity is calculated duly considering the current buyback of shares.

\*Per share of DKK 1.

\*\*On the translation of key figures and financial ratios from DKK to EUR, Danmarks Nationalbank's rate of exchange at 31 December 2011 of 743.42 has been used for balance sheet items, and the average rate of exchange of 745.05 has been used for income statement and cash flow items.



## THE YEAR AT A GLANCE

In 2011, the Group as a whole matched our most recent forecasts. The Group recorded solid double-digit growth in earnings per share for the third year running – or more precisely, an improvement of 22%. By comparison, the corresponding increases in 2009 and 2010 were 17% and 24%, respectively. The impressive development in 2011 is, among other factors, due to the positive contribution of all business activities to our organic growth, which amounted to 9% in 2011. Acquisitions made a 7% contribution to sales in 2011 while currency had a positive impact of 1%, bringing total revenues up to DKK 8,041 million, corresponding to reported growth of 17%.

The Group recorded operating profits (EBIT) of DKK 1,709 million, close on 20% on the previous year, and a profit margin of 21.3% (20.7% in 2010). Realised net profits for the year were DKK 1,199 million, representing an increase of 21% on 2010.

In 2011, the Group achieved volume growth of no less than 17% in wholesale of hearing aids, with recently acquired Sonic accounting for 3 percentage points. With market growth of just under 4% in terms of units, we have thus once again managed to win significant market shares. In our assessment, there are no signs that the economic slowdown or consumers' reluctance to buy has adversely affected the market for hearing aids.

In 2011, Oticon's growth was mainly driven by the distinct enhancement of the product programme that was kick-started in spring 2010 with the launch of the Premium family Oticon Agil, which also marked the introduction of the new, advanced RISE 2 platform. Since then, products such as Oticon Acto and Oticon Ino have been introduced in the lower price categories. Together with the design family Oticon Intiga, both Acto and Ino contributed significantly to corporate growth in 2011. Combined with the growth generated by other new products such as the Super Power family Chili and the paediatric product family Safari, Oticon demonstrated considerable momentum in 2011 and is today the best-positioned brand in the market for hearing aids. In March 2012, the introduction of Intiga<sup>i</sup>, a so-called IIC solution (Invisible Inside the Canal), will mark Oticon's entry into the market for tiny in-the-ear instruments.

For Bernafon too, growth was driven by a strong product programme. The second half of the year saw the launch of Chronos in the high-end segments, while the lower-priced Inizia was available throughout 2011 and therefore accounted for an important part of Bernafon's total growth.

Finally, the Sonic brand acquired by the Group at the end of 2010 has further fortified the Group's wholesale business.

Oticon Medical continued in 2011 to capture market shares in the market for bone-anchored hearing systems while contributing to the ongoing expansion of the market. Oticon Medical's substantial growth since the company's first products were released for sale at the end of 2009 means that the company has contributed to the Group with positive operating earnings since the autumn of 2011.

In 2011, the Group's retail activities also performed very well, returning a growth rate slightly below that of our wholesale business. One of the drivers of this favourable development was our focus on general operational optimisation.

2011 was a particularly eventful year for Diagnostic Instruments. We continued our focus on boosting market shares through organic growth while actively pursuing acquisitional opportunities, one result being the takeover of distribution activities in the US market. Overall, Diagnostic Instruments generated reported growth in 2011 of no less than 28% and organic growth of 12%.

Growth in Personal Communication was driven solely by Sennheiser Communications, which has performed very well in recent years, particularly in the professional segment, where the integration of various communication tools and media (Unified Communication) is constantly fuelling the need for special headsets. Conversely, FrontRow's educational systems are struggling under difficult market conditions, while Phonic Ear is suffering under the increasing tendency by hearing aid manufacturers to integrate features offered by accessory products for the hearing-impaired into new hearing aids. Consequently, accessories are less frequently sold as stand-alone solutions. Total organic growth in Personal Communication constituted 8% in 2011.





## REVIEW

### Market conditions and business trends

#### The hearing aid market in general

In 2011, the market for hearing aids proved once again to be stable, and despite the general global economic slow-down, the industry generated positive growth rates. Key market growth drivers like the increasing elderly population have remained intact, and the decision to buy a hearing aid is only to a limited degree impacted by cyclical fluctuations.

#### *Development in the USA as expected*

With unit growth of 3% in 2011, the US hearing aid market, which is the world's largest single market for hearing aids, was on par with our expectations of 2-4% global volume growth for the full year. Once again, the US government's demand through Veterans Affairs (VA) exceeded growth in the commercial market, although growth in the second half-year in the private sector of the US market was somewhat higher than growth in VA. Overall, demand by VA rose by 4%, while unit growth in the private sector of the US market of just over 2% was slightly below the historic average.

#### *Higher growth in Europe*

Unit growth in Europe was very satisfactory, outstripping growth in the US market as well as our expectations for global market growth. Major hearing aid markets such as Germany, France, Italy and the Netherlands all performed very well, and in 2011, Switzerland recorded extraordinarily high growth, although this was mainly spurred by structural changes in the national hearing care sector. During the year, some investors and analysts have shown a certain interest in the debt-ridden economies of southern Europe, but here too, the market for hearing aids has proved remarkably resistant to macro-economic trends.

#### *Stable growth in the UK*

After a number of years of erratic demand by the National Health Service (NHS) as well as the private-sector market, the British hearing aid industry saw stable growth in 2011 in the region of 3%. The measures taken in recent years with a view to optimising the NHS have shortened public waiting lists and steadied unit growth development. Both the private sector market and the NHS have contributed to growth in the UK in 2011.

#### *Japan back on the growth track*

After a period of positive growth rates, the Japanese market saw falling sales in the first quarter of the year, a direct consequence of the tragic tsunami that struck the country in March. Despite the disaster, it was pleasing to see the quick return of the Japanese hearing aid market to normal conditions and to see favourable growth for the year as a whole, albeit on the low side of our expectations for global market growth. However, the Japanese market still has a lower degree of penetration than most developed markets for hearing aids and therefore appears to hold unexploited potential.

#### *Global growth and price movement*

In our estimation, global unit growth in 2011 was just under 4% and sales of hearing aids are thought to have topped 10 million units in 2011.

The above description of market conditions relates to volume development and is partly based on statistics available for a number of main markets. The average selling price, on the other hand, is to a higher degree based on an estimate, due to the fact that only limited price and product mix information is available. We estimate that in 2011, the average selling price dipped by 2-3%, a decline primarily due to product mix changes, with key market players launching attractive ranges of mid-priced and low-end products in the period. In terms of value, overall market growth was, in our estimation, 1-2%.

#### *Innovation and product mix*

Innovation connected with high-end product launches will continue to enhance the product mix and raise average selling prices. Consequently, development will depend heavily on manufacturers' ability to offer specific benefits to end-users. As product families mature and are renewed, manufacturers will see a cyclical trend in average selling prices and, depending on the launch rate and degree of innovation, these price cycles may coincide or conflict. In general, 2011 was an evolutionary year, because manufacturers focused on improving existing product portfolios without actually offering innovation, a situation reflected in declining average selling prices.



**William Demant Holding A/S**

Hearing Devices	Diagnostic Instruments	Personal Communication
Bernafon Oticon Oticon Medical Sonic	Amplivox Grason-Stadler Interacoustics Maico Diagnostics MedRx	Phonic Ear Sennheiser Communications
<b>Shared functions</b>		
Operational activities		Distribution activities

**Hearing Devices**

*Strong growth in all regions*

In 2011, the Group’s hearing device activities again recorded the industry’s highest growth and captured market shares in all geographic regions. In the wholesale business, total unit sales grew by 17%, and, disregarding the acquisition of Otix Global, the underlying business generated unit growth of 14%. As a natural consequence of the present product cycle, with the Group’s largest hearing aid brand Oticon having introduced the market’s strongest product programme in the mid-priced and low-end segments and having captured sizeable market shares in these segments, the Group’s average selling price fell by 5% in 2011. The successful launch of the design product Oticon Intiga in September impacted the average selling price positively towards the end of the year, whereas rising sales to the NHS had an adverse effect on development in the second half-year. The hearing aid business generated overall organic growth in revenues of 8%. If we look at our core business alone – wholesale of hearing aids – the Group generated organic growth in consolidated revenues of slightly over 8%.

*Oticon’s products and services*

Growth was partly driven by the comprehensive product range carried by Oticon at the start of 2011, which was further reinforced with the launch of the basic product Oticon Ino in February and the design product Oticon Intiga in September. However, product launches have not been the only drivers of this major growth: the breadth of its product portfolio and its enhanced profile have also bolstered Oticon’s market position. We also believe that the high service level, coupled with a strong image, makes Oticon an attractive business partner and the industry brand that adds most value for customers. Oticon’s stated goal to be a business partner that creates value for the customers is pivotal when we forge customer relations and a significant reason why Oticon has once again managed to capture sizeable market shares.

*Oticon’s product launches*

Oticon Ino is based on Oticon’s second-generation wireless platform, RISE 2, known from the successful Agil and Acto product families. Just a matter of weeks after its launch, Ino was available on all markets, and because most of Oticon’s customers were already familiar with its basic technology, Ino rapidly became a commercial success as well, achieving high sales figures.

The design product Oticon Intiga is the world’s smallest fully wireless RITE hearing aid and is based on the successful RISE 2 platform. Intiga offers the same strong audiological advantages as the high-end instrument Oticon Agil, while being a full 33% smaller than the popular and discreet miniRITE model introduced in connection with the launch of Oticon Agil in 2010. As well as featuring a cosmetically attractive shell, Intiga offers fully wireless, binaural processing and the possibility of streaming multiple sound sources. Dispensers and end-users alike have given Intiga a very good reception due to its attractive design and uncompromising audiological features. Intiga has thus significantly strengthened our position in the Design segment, which is especially popular with first-time users. Being a cosmetically attractive alternative to the miniRITE models, Intiga sales have however – as anticipated – triggered some cannibalisation of existing products.

The launch of Oticon Intiga<sup>i</sup> in March 2012 will add yet another cosmetically attractive member to the Intiga family. Intiga<sup>i</sup>, an IIC (Invisible Inside the Canal) instrument, fits in the auditory canal so snugly as to be invisible. Custom-built for users, the instrument is shaped to follow the unique contours of a person’s auditory canal. Although Intiga<sup>i</sup> will not be suited for all users, we look forward to offering a large number of our customers with mild to moderate hearing losses an invisible solution to remedy their hearing impairment. Intiga<sup>i</sup> will be available in two variants in the upper price category.

*Continued growth in Bernafon*

Thanks particularly to the performance of the basic product Inizia 3|1, Bernafon recorded impressive unit sales again in 2011, noting a rise in sales to both independent dispensers and so-called volume customers, even though – as expected – shifts in product and channel mixes resulted in a lower average selling price. In the summer of 2011, Bernafon launched Chronos 9|7|5 in an array of styles for the mid-priced and high-end ranges. The launch of the RITE version, Chronos Nano, in November has put Bernafon in a good position at the start of 2012 to continue growth and enhance its product mix. All in all, Bernafon has established a very strong and attractive product portfolio based on its in-house developed



ChannelFree signal processing technology and a highly effective anti-feedback system.

*Enhanced Sonic profile*

At the end of November 2010, the Group acquired the US hearing aid company Otix Global and its Sonic brand. Since then, much effort has been devoted to revitalising the business and establishing a sustainable platform for the Group's third hearing aid brand. At end-2011, Sonic had built a strong sales organisation both in its main market in the USA and internationally. Under the slogan "Everyday Sounds Better", Sonic has launched an enhanced profile, underpinning its future strategic aim to be a dynamic and innovative business partner under stable, long-term ownership. Having introduced the IIC instrument Groove in spring 2011 and the RITE instrument Flip at the end of the year, Sonic is in full swing updating its existing product portfolio and adding state-of-the-art wireless technology and effective signal processing to its features. We are confident that, with a sustainable foundation to shore up future growth and with continued optimisation of its product portfolio in 2012, Sonic will also in future be an attractive business partner for new and existing customers alike.

*NHS and VA*

The Group remains the largest supplier of hearing aids to the NHS in the UK, and although the NHS decided in August 2010 to expand its network of suppliers, we successfully boosted our productive collaboration in 2011 and increased our market share with the NHS. Sales to VA in the USA have progressed satisfactorily, and at the end of 2011, our market share with VA was 10%.

*Retail activities*

Corporate retail activities also performed very well in 2011, with organic growth above the global market growth rate. Some of the reasons for this healthy growth are the adjustment of our British retail business to changed market conditions and focus on the operational optimisation of all of our retail activities in 2011. The HearingLife chain in the USA, which we took over in connection with the acquisition of Otix Global, has also undergone a positive transformation and emerged significantly stronger at the end of 2011.

*Profit in Oticon Medical*

In the past year, Oticon Medical experienced strong sales growth, generating a profit from autumn 2011. All geographic regions contributed to growth, and particularly markets such as Spain, Germany, the Netherlands and Scandinavia con-

tributed significantly. As the subject of various studies during the year, Oticon Medical's bone-anchored hearing systems were lauded for their high product and sound quality. Users in practically every study conducted actually preferred Oticon Medical's products. The launch of the more powerful sound processor Ponto Pro Power in summer 2011 made Oticon Medical a one-stop supplier of bone-anchored hearing systems, enabling the company to offer solutions even for severely hearing-impaired users. The launch was highly satisfactory, and customers quickly embraced Ponto Pro Power. As Ponto and Ponto Pro were upgraded when Ponto Pro Power was introduced, all the products in the Ponto series are now fully up-to-date and offer a number of the advanced audiological advantages for which Oticon's hearing aids are so well-known.

In the first half of 2012, Oticon Medical will launch a new implant system offering multiple innovative user benefits, including easier engagement, better stability and not least faster and simpler surgery. Naturally, the new implant system is fully compatible with the existing product programme.

**Diagnostic Instruments**

A global market leader in its field, Diagnostic Instruments generated highly satisfactory growth in local currency of 30% in 2011, organic growth accounting for 12 percentage points. The total global market for diagnostic equipment is believed to have grown by 2-3% in 2011, and Diagnostic Instruments has thus once again captured market shares and reinforced its position.

This business activity comprises five audiometer companies: Interacoustics in Denmark, Grason-Stadler in the USA, Amplivox in the UK, Maico in Germany and the USA and MedRx in the USA. Diagnostic Instruments is also to some degree involved in distribution to customers.

The growth recorded by Diagnostic Instruments is based broadly on distribution and wholesale in most product categories, especially in impedance instruments and hearing aid fitting systems, such growth being attributable to the rapidly growing number of new hearing aid clinics.

Various acquisitions in 2011, including that of Gordon N. Stowe, strengthened the position of Diagnostic Instruments with respect to distribution in the USA, which is mainly handled by so-called Special Instrument Distributors (SIDs). In the past year, William Demant also acquired a few strategically important niche manufacturers of diagnostic instruments,



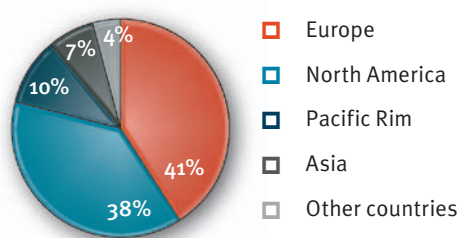
including MedRx, and we expect – on an ongoing basis – to be able to realise economies of scale as the acquired companies are integrated into the Group.

### Personal Communication

Personal Communication comprises Phonic Ear (including FrontRow), which is involved in assistive listening devices and wireless sound systems, and our joint venture company Sennheiser Communications, which is a player in the market for headsets for both professional and private users in the CC&O (Call Center and Office), PC and mobile phone segments.

Personal Communication realised healthy organic growth of 8% in total in 2011. This revenue increase is solely attributable to the impressive double-digit growth recorded by Sennheiser Communications, which was also driven by strong growth in Unified Communication. In the same period, Phonic Ear and FrontRow saw declining revenues due to harsh market conditions, which can, among other factors, be attributed to the fact that today assistive devices for the hearing impaired are more often sold together with modern hearing aids than was the case previously, and also to the fact that the level of investment in the US educational sector was low in 2011, which has impacted sales of sound systems.

### Revenues by geographic region



### Revenues by business activity

DKK million	2011	2010	Percentage change	
			DKK	Local currency
Hearing Devices	7,075	6,098	16%	14%
Diagnostic Instruments	686	535	28%	30%
Personal Communication	280	259	8%	9%
<b>Total</b>	<b>8,041</b>	<b>6,892</b>	<b>17%</b>	<b>16%</b>

### Outlook for 2012

With volume growth rates in the global hearing aid market of 2-4% and flat to slightly negative development in average selling prices, the global market for hearing aids is estimated to show low single-digit growth in 2012.

For 2012, we expect the Group to continue to improve its market shares. Consolidated revenues for 2012 are thus forecast to grow by 5-9% of which acquisitions are estimated to account for 1-3 percentage points.

Based on average exchange rates to date, we expect movements in exchange rates to have a slightly positive impact on consolidated revenues in 2012. The full effect of such movements is, however, postponed due to the Group's foreign currency hedging.

Consolidated operating profits (EBIT) are thus expected to continue to grow in 2012 compared with the level realised in 2011.

The Group's effective tax rate is estimated at 25-26% in 2012.

As we expect to continue to generate substantial cash flows from operating activities in 2012, as our level of investments is expected to match that of 2011, and as our level of acquisitions is expected to be moderate, we are planning to continue our buyback of shares in 2012. Through our share buyback programme, we will thus continue to channel any excess cash flows back to our shareholders while maintaining the level of consolidated net interest-bearing debt of DKK 1.5-2.0 billion.

## SHAREHOLDER INFORMATION

### Capital

At 31 December 2011, the Company's authorised share capital was nominally DKK 58,349,875 divided into as many shares of DKK 1. The shares are not divided into classes and have the same rights.

*William Demants og Hustru Ida Emilies Fond* (the Oticon Foundation) has notified the Company that at 31 December 2011, the Foundation – directly or indirectly – held approx. 60% of the share capital and has previously communicated its intention to maintain an ownership interest of 55-60% of William Demant Holding's share capital. Fidelity International holds 5-10% of the share capital.

About half of the Group's employees are shareholders in the Company. All members of the Board of Directors and Executive Board are shareholders in the Company. Shares held by employees and by members of the Board of Directors and the Executive Board account for just under 2% of the total share capital.

In 2011, the Company resumed its share buyback programme, which was temporarily suspended in autumn 2008, and has in 2011 bought 708,870 treasury shares at a total price of DKK 301 million. In 2011, the Company has not carried out any capital increases. At year-end 2011, the Company held 708,870 treasury shares, corresponding to 1.2% of the share capital.

### Share information

DKK	2007	2008	2009	2010	2011
Highest share price	583	478	396	480	495
Lowest share price	407	158	167	352	352
Share price, year-end	471	218	393	414	478
Market capitalisation*	28,063	12,718	22,894	24,173	27,397
Average no. of shares**	60.62	58.77	58.31	58.35	58.24
No. of shares, year-end**	59.58	58.31	58.35	58.35	57.64
Treasury shares, year-end***	1.406	0.641	0.606	0	0.709

\* DKK million excluding treasury shares.

\*\* Million shares excluding treasury shares.

\*\*\* Million shares.

### Specification of movements in share capital

DKK 1,000	2007	2008	2009	2010	2011
Share capital at 1.1.	63,323	60,986	58,956	58,956	58,350
Capital increase	0	0	0	0	0
Capital reduction	-2,337	-2,030	0	-606	0
<b>Share capital at 31.12.</b>	<b>60,986</b>	<b>58,956</b>	<b>58,956</b>	<b>58,350</b>	<b>58,350</b>

### Powers relating to share capital

The shareholders in general meeting have empowered the Directors to increase the share capital by up to nominally 1,179,527 in connection with the issue of employee shares at a subscription price to be determined by the Directors, however minimum DKK 1.05 per share of DKK 1. The empowerment is valid until 1 January 2016. Until 1 January 2016, the Directors have been authorised to increase the share capital by up to DKK 6,664,384 for other purposes. The subscription price will be determined by the Directors.

Until the next annual general meeting, the Directors have been authorised to have the Company acquire treasury shares at a nominal value of up to 10% of the share capital. The purchase price may, however, not deviate by more than 10% from the price listed on NASDAQ OMX Copenhagen.

### Dividend

At the general meeting, the Directors will, as in prior years, propose that all profits for the 2011 financial year be retained. The Directors have previously decided that any excess liquidity is first and foremost to be used for the continuous purchase of treasury shares. As mentioned earlier, we aim to keep our interest-bearing debt at DKK 1.5-2.0 billion and expect to use future free cash flows (with the deduction of acquisitions) for the purchase of treasury shares.

### Insider rules

The Group's insider rules and in-house procedures comply with the provisions of the *Danish Securities Trading Act* under which the Executive Board and the Board of Directors and their related parties are obliged to inform the Company of their transactions with the Company's securities with a view to subsequent publication and reporting to the *Danish Financial Supervisory Authority*. In 2011, there was one such announcement. Such announcements can be seen on the Company's website under *Investor, Announcements*. In its internal rules, the Company has chosen to operate an insider register containing a relatively large number of persons, including leading staff members, who – through their attachment to the Company – may possess price-affecting knowledge of the Group's internal affairs. Persons entered in the insider register may only trade in Company shares for a period of six weeks following publication of the annual report and the interim report through NASDAQ OMX Copenhagen. Such persons are also obliged to inform the Company of their transactions in Company shares.



SØREN B. ANDERSSON



STEFAN INGILDSSEN



MORTEN L. NIELSEN

## IR policy and investor information

It is the aim of William Demant Holding to ensure a steady and consistent flow of information to share market players to promote a basis for the fair pricing of Company shares – pricing that at any time reflects corporate strategies, financial capabilities and prospects for the future. The flow of information will contribute to a reduction of the Company-specific risk associated with investing in William Demant Holding shares, thereby leading to a reduction of the Company's cost of capital.

We aim to reach this goal by continuously providing relevant, correct and adequate information in our Company announcements. The Company also maintains an active and open dialogue with analysts as well as current and potential investors. Through presentations, individual meetings and participation in investor conferences, we aim to maintain an ongoing dialogue with a broad section of share market players. In 2011, we held approx. 420 investor meetings and presentations.

The Company also uses its website, [www.demant.com](http://www.demant.com), for communication with the share market. Relunched in 2011, the website provides more information about the Group and its business activities.

Investors and analysts may also contact Stefan Ingildsen, Senior Vice President, Finance; Søren B. Andersson, Vice President, IR; or Morten Lehmann Nielsen, IR Manager, by phone +45 3917 7100 or by e-mail to [william@demant.com](mailto:william@demant.com).

## Company announcements in 2011

9 March	Annual Report 2010
16 March	Notice annual general meeting
13 April	Annual general meeting
12 May	Interim information, first quarter 2011
16 May	Stalking horse bid for the acquisition of assets in HearUSA Inc.
1 August	Expiry of agreement on transfer of assets in HearUSA Inc.
19 August	Interim Report 2011
10 November	Interim information, third quarter 2011
10 November	Transfer of shares from the Oticon Foundation to William Demant Invest A/S
22 December	Financial calendar 2012
28 December	Notification of share purchases by senior executives

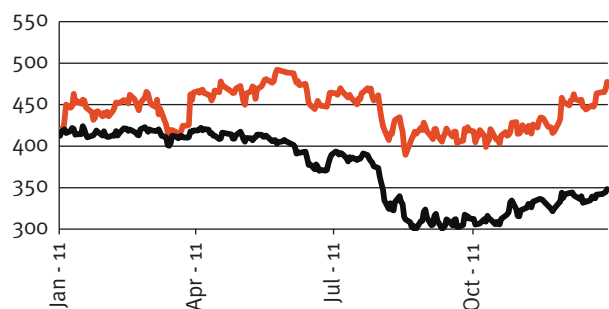
## Financial calendar 2012

28 February	Deadline for submission of agenda items for the annual general meeting
29 February	Annual Report 2011
11 April	Annual general meeting
10 May	Interim information, first quarter 2012
16 August	Interim Report 2012
7 November	Interim information, third quarter 2012

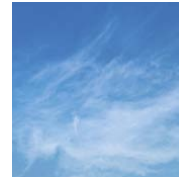
## Annual general meeting

The annual general meeting will be held on Wednesday, 11 April 2012, at 4 p.m. at the Company's head office Kongebakken 9, 2765 Smørum, Denmark.

## Development in share price



— William Demant Holding — Indexed OMXC20



## CORPORATE SOCIAL RESPONSIBILITY

### Our corporate responsibility

The high standards we set for ourselves and for our ethical business conduct form an integral part of our tradition and corporate culture. As a result, we find it natural to take on social and environmental challenges over and beyond our natural sphere of interest.

### Global Compact

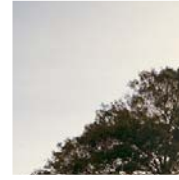
In spring 2011, we submitted our first Communication of Progress to the UN Global Compact, which we joined in 2010, pledging us to globally promote principles on human rights, rights at work, environmental protection and anti-corruption. Global Compact also serves as a globally recognised framework based on which we can systematise our CSR efforts and report the results achieved. The Communication of Progress is published on the UN Global Compact website as well as on our own website.

### Our environmental awareness

Reporting to the Carbon Disclosure Project (CDP) is one way for a company to benchmark its environmental footprint. We have been reporting in this way on the Group's CO<sub>2</sub> emissions and climate strategy since 2008. No data for the 2011 calendar year is available as yet, but a look at the development from 2009 to 2010 reveals, according to our reporting, that emissions in the countries in which we manufacture our products have risen only by about 5% compared to a rise in revenues of approx. 20%. CO<sub>2</sub> emissions per employee are calculated at 3.3 tonnes per year, which is low for a production company.

### Our social responsibility

Responsibility also means giving more than is necessarily expected or dictated by legislation. In this context, it is worth mentioning that our majority shareholder, *William Demants og Hustru Ida Emilies Fond*, also known as the Oticon Foundation, donates DKK 60-80 million annually to social, cultural and scientific causes. In 2011, the Foundation granted DKK 63 million of which DKK 13 million went to educational institutions and research projects in the audiological field, an area covered by the statutes of the Foundation.



### Our focus

Interest in our CSR effort has risen moderately in recent years, and we expect this trend to continue. Our affiliation with the Oticon Foundation will also in future ensure that our growth will benefit society through various donations. We would mention that in early 2012, the Oticon Foundation has decided – through William Demant Invest A/S – to invest DKK 1.7 billion in a wind farm off the German North Sea coast. From 2015, the wind farm is to produce "green" power matching the power consumption of 285,000 households. The ownership interest of William Demant Invest will constitute about 18%, and its share of the wind farm will produce more than five times the Group's total power consumption.

Our CSR principles and policies as well as more detailed information on our work in this area are available on our website under CSR: [www.demant.com/csrreport.cfm](http://www.demant.com/csrreport.cfm).

## CONSOLIDATED INCOME STATEMENT

(DKK million)	2011	2010
<b>Revenue</b>	8,041	6,892
Production costs	-2,264	-1,933
<b>Gross profit</b>	<b>5,777</b>	<b>4,959</b>
Research and development costs	-633	-615
Distribution costs	-2,959	-2,471
Administrative expenses	-482	-449
Share of profit after tax, associates	6	6
<b>Operating profit (EBIT)</b>	<b>1,709</b>	<b>1,430</b>
Financial income	40	32
Financial expenses	-143	-148
<b>Profit before tax</b>	<b>1,606</b>	<b>1,314</b>
Tax on profit for the year	-407	-326
<b>Profit for the year</b>	<b>1,199</b>	<b>988</b>
<b>Distribution of profit for the year:</b>		
William Demant Holding A/S' shareholders' share	1,198	988
Minority interests' share	1	0
	<b>1,199</b>	<b>988</b>
Earnings per share (EPS), DKK	20.6	16.9
Diluted earnings per share (DEPS), DKK	20.6	16.9

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	2011	2010
<b>Assets</b>		
Goodwill	1,976	1,660
Patents and licences	44	53
Other intangible assets	35	41
<b>Intangible assets</b>	<b>2,055</b>	<b>1,754</b>
Land and buildings	672	565
Plant and machinery	132	137
Other plant, fixtures and operating equipment	250	213
Leasehold improvements	154	133
Prepayments and assets under construction	68	63
<b>Property, plant and equipment</b>	<b>1,276</b>	<b>1,111</b>
Investments in associates	96	83
Receivables from associates	83	70
Other investments	9	6
Other receivables	487	435
Deferred tax assets	278	266
<b>Other non-current assets</b>	<b>953</b>	<b>860</b>
<b>Total non-current assets</b>	<b>4,284</b>	<b>3,725</b>
Inventories	1,082	993
Trade receivables	1,711	1,609
Receivables from associates	5	7
Corporation tax	46	32
Other receivables	140	57
Unrealised gains on financial contracts	0	30
Prepayments and accrued expenses	90	93
Cash	288	240
<b>Current assets</b>	<b>3,362</b>	<b>3,061</b>
<b>Total assets</b>	<b>7,646</b>	<b>6,786</b>

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)

	2011	2010
<b>Equity and liabilities</b>		
Share capital	58	58
Other reserves	3,242	2,385
Equity, William Demant Holding A/S' shareholders' share	3,300	2,443
Equity, minority interests' share	4	0
<b>Total equity</b>	<b>3,304</b>	<b>2,443</b>
Interest-bearing liabilities	1,011	1,045
Deferred tax liabilities	113	86
Provisions	195	171
Other liabilities	190	173
<b>Non-current liabilities</b>	<b>1,509</b>	<b>1,475</b>
Interest-bearing liabilities	1,301	1,454
Trade payables	405	342
Corporation tax	45	78
Provisions	37	39
Other liabilities	746	726
Unrealised losses on financial contracts	127	65
Prepayments and accrued income	172	164
<b>Current liabilities</b>	<b>2,833</b>	<b>2,868</b>
<b>Total liabilities</b>	<b>4,342</b>	<b>4,343</b>
<b>Total equity and liabilities</b>	<b>7,646</b>	<b>6,786</b>



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