

## **William Demant Holding A/S**

On Thursday 7 April 2016 at 4 pm, the Annual General Meeting (the "AGM") of William Demant Holding A/S, Central Business Registration (CVR) no. 71 18 69 11, was held at Kongebakken 9, 2765 Smørum, Denmark.

The Chairman of the Board of Directors addressed a few words of welcome to the shareholders and thanked them for attending the meeting. He then gave a brief presentation of each member of the Board of Directors and the Executive Board.

The Board of Directors had appointed attorney Jesper Schultz Larsen as Chairman of the meeting.

The Chairman of the meeting announced that the notice of the AGM had been given in accordance with the Articles of Association and the Danish Companies Act (*selskabsloven*) and that the general meeting had been lawfully convened and formed a quorum for the transaction of the business on the agenda.

Shares in the nominal amount of DKK 41,846,028 were represented at the general meeting, corresponding to 78.7% of the share capital after adjustment for the Company's own shares.

The Company had issued 198 admission cards for the general meeting, of which 112 were present. The participants included 75 shareholders with voting rights. A total of 37 shareholders had granted a proxy to the Board of Directors, and 19 shareholders had completed a proxy form or cast their votes by post. 601 had granted a proxy to a third party.

In accordance with Article 8.2 of the Articles of Association, the agenda was as follows:

1. Report of the Board of Directors on the Company's activities during the past year.
2. Presentation for approval of the audited annual report, including the consolidated financial statements.
3. Approval of remuneration for the Board of Directors for the current financial year.
4. Resolution on the appropriation of profit or covering of loss according to the approved annual report.
5. Election of members to the Board of Directors.
6. Election of auditor.
7. Any proposal from the Board of Directors or shareholders.

The Board of Directors had submitted the following proposals:

- a) Reduction of the Company's share capital
- b) Authorisation to the Board of Directors to let the Company acquire own shares

- c) Approval of the Company's Remuneration Policy and General Guidelines on Incentive Pay
  - d) Amendment to the Company's Articles of Association
    - i. Amendments to Articles 4.1 and 9.1 of the Articles of Association (denomination of shares and voting rights per share)
    - ii. Amendments to Articles 5.1 and 7.4 of the Articles of Association (registered shares and method of convening)
    - iii. Amendment to Article 13.1 of the Articles of Association (power to bind the Company)
    - iv. Amendment to Article 12.1 of the Articles of Association (Executive Board)
  - e) Authorisation for increase of capital
  - f) Authority to the Chairman of the AGM
8. Any other business.

#### **Re 1: Report of the Board of Directors on the Company's activities during the past year**

The Chairman of the Board of Directors, Lars Nørby Johansen, reported on the Company's activities during the past financial year and explained the Company's position on the Recommendations on Corporate Governance.

#### **Re 2: Presentation for approval of the audited annual report, including the consolidated financial statements**

Niels Jacobsen, President & CEO, presented the 2015 annual report. The Chairman of the meeting then opened the floor for questions and comments concerning both the report of the Board of Directors and the presentation of the annual report.

Claus Winkelmann took the floor on behalf of the Danish Shareholders' Association (*Dansk Aktionærforening*). He explained the Danish Shareholders' Association's objectives and thanked the Chairman of the Board of Directors and the President & CEO for a good report, and went on to reflect on the past year. Claus Winkelmann specifically asked whether the Company in connection with Hearing Implants had taken out insurance for consequential damages and whether, in relation to the agreement with GN ReSound, the Company had ensured that the agreement was not contrary to EU competition law. Claus Winkelmann informed the AGM that the Association did not consider it to be positive that the President & CEO, Niels Jacobsen, serves on 11 boards of directors, including as chairman and deputy chairman of what is regarded as major boards of directors. As was the case last year, Claus Winkelmann called attention to the absence of risks and notes in the Danish summary of the annual report. He asked whether William Demant was already participating in, or intended to participate in, what had been discussed in the media concerning Aarhus University col-

laborating with other universities and the hearing aid industry on research in better and more authentic audiological examinations. Finally, Claus Winkelmann asked whether the climate change conference in Paris would result in increased costs for William Demant. He finished by thanking the employees and the management for the results achieved in 2015 and wished for further progress in 2016.

Niels Jacobsen, President & CEO, addressed the questions asked by the Danish Shareholders' Association. With respect to Hearing Implant insurance, Niels Jacobsen stated that the Company had taken out product liability insurance covering cochlear implants as well as bone-anchored hearing aids. Niels Jacobsen commented that, in his opinion, the agreement with GN ReSound not only complied with EU competition law but would even provide increased competition rather than restricting competition as the cross-licence agreements concluded in that connection would allow the parties to focus on the development of the products which the parties wish to develop without having to focus on the other party's patents. Niels Jacobsen commented that he believed that the agreement would provide the possibility of developing even better instruments as the competition now would be on the performance of the instruments. With respect to the university collaboration between Aalborg University (and not Aarhus University) and the hearing aid industry, Niels Jacobsen commented that the Oticon Foundation, William Demant's majority shareholder, had granted a DKK 5m funding and, together with the other investors, was making an effort to put the funds raised to the best possible use, including with the support of Innovation Fund Denmark. Finally, Niels Jacobsen commented that the resolutions passed at the climate change conference in Paris would not result in notably increased expenses for William Demant as it is not an high energy-consuming business.

Bente Anderskouv took the floor as Head of Equities of LD (Lønmodtagernes Dyrtdsfond) and thanked William Demant for good 2015 results. Bente Anderskouv requested a deeper insight as to whether the potential of the Hearing Implants business area remains intact. With respect to corporate governance, Bente Anderskouv commented that it was pleasant to see that, with its objective to have at least two women serving on the Board of Directors by 2020, William Demant was working proactively to increase diversity on the Board of Directors. LD further noted with pleasure that the Board of Directors had proposed new Guidelines on Incentive Pay providing the possibility of retention schemes for the Company's management. LD was looking forward to a continued development of the incentive pay scheme to the effect that it would also include a variable bonus-related pay component for the management triggered if pre-determined financial and strategic targets were achieved. Finally, Bente Anderskouv stated that LD believed that William Demant should present quarterly financial statements as this would add value and provide the investors with the possibility of staying updated on the Company's ongoing development. As a result, LD encouraged William Demant to consider the possibility of publishing quarterly financial statements.

Niels Jacobsen, President & CEO, thanked for the positive words. With respect to Oticon Medical (Hearing Implants), Niels Jacobsen commented that the business case remains intact. As this is an entirely new area for the Group, it will take time to get a complete grasp of. It will take great efforts and require substantial resources, but the Company believes that a newly launched implant will be a great success. Niels Jacobsen referred to the fact that only four cochlear implant suppliers exist

worldwide and, therefore, it is William Demant's ambition to take a share of the market. Whether this process will take 5, 10 or 15 years remains difficult to assess. With respect to the presentation of quarterly financial statements, Niels Jacobsen commented that the Company has maintained the chosen method of presenting half- and full-year reports and quarterly trading statement as the Company finds that this method provides the best possible insight into the development of the business in relation to the competitors. In this respect, he commented that William Demant's largest competitor, Sonova, only presents half- and full-year reports and does not issue quarterly trading statements. Consequently, the Company is of the opinion that the close competition situation, with a total of only six players, does not provide a basis for increasing the information provided, but that William Demant through its trading statements provides a good indication of the direction in which the Group is headed.

The Chairman of the meeting then ascertained that the discussions were concluded, that the AGM had taken note of the Chairman's report and that the 2015 annual report was approved.

### **Re 3: Approval of remuneration for the Board of Directors for the current financial year**

The Board of Directors' basic fee has remained unchanged since 2010. The Board of Directors therefore proposed that the basic fee for 2016 should amount to DKK 350,000, and that the Chairman should receive three times and the Deputy Chairman twice the basic fee.

In addition to this, the Board of Directors proposed that, as from this year, a remuneration should be introduced for the members of the audit committee by an annual basic fee of DKK 50,000 and three times the basic fee for the Chairman of the audit committee.

The proposal was adopted.

### **Re 4: Resolution on the appropriation of profit or covering of loss according to the approved annual report**

The Board of Directors proposed that the profit for the year of DKK 1,171m should be transferred to the Company's reserves to the effect that no dividend should be paid.

The proposal was adopted.

### **Re 5: Election of members to the Board of Directors**

Under Article 11.2 of the Articles of Association, members of the Board of Directors elected by the general meeting are elected for one-year terms. All members of the Board of Directors elected by the general meeting – i.e. Lars Nørby Johansen, Peter Foss, Niels B. Christiansen and Benedikte Leroy – stood for re-election. The Board of Directors further proposed that Lars Rasmussen was elected as a new member of the Board of Directors.

The Chairman of the meeting informed the AGM of the following changes to Lars Rasmussen's managerial posts compared to those stated in the notice convening the AGM. Lars Rasmussen is the chairman of the board of directors of Lundbeck A/S, and not a member of the board of directors as stated in the notice convening the AGM. Lars Rasmussen is a member of the board of directors of Axcel, but he intends to retire in the near future. There were no changes compared to the information on the managerial posts of the other members of the board of directors stated in the notice convening the AGM.

Section 120(3) of the Danish Companies Act was thus observed.

The proposed current candidates were re-elected and Lars Rasmussen was elected.

The Board of Directors now consists of:

- Lars Nørby Johansen
- Peter Foss
- Niels B. Christiansen
- Benedikte Leroy
- Lars Rasmussen
- Thomas Duer (elected by the employees)
- Ole Lundsgaard (elected by the employees)
- Karin Ubbesen (elected by the employees)

#### **Re 6: Election of auditor**

The Board of Directors proposed re-election of Deloitte Statsautoriseret Revisionspartnerselskab.

The proposal was adopted.

#### **Re 7: Any proposal from the Board of Directors or shareholders**

No shareholders had submitted proposals.

#### **Re 7a) – Reduction of the Company's share capital**

The Board of Directors proposed a reduction of the Company's share capital by DKK 1,208,870 nominal value, corresponding to the Company's holding of own shares as at 9 March 2016. The Company's holding of own shares was acquired in connection with the Company's share buy-back programme in 2015 and 2016. The amount of the reduction will be distributed to the shareholders in accordance with section 188 of the Danish Companies Act. The shares

were acquired at a total amount of DKK 693,236,068, meaning that DKK 692,027,198 was paid in addition to the nominal amount of the reduction.

As a result of the capital reduction, it was proposed that Article 4.1 of the Articles of Association be amended accordingly after expiry of the time limit prescribed in section 192 of the Danish Companies Act to the effect that it would then be stated in Article 4.1 that the Company's share capital is DKK 53,216,365.

The proposal was adopted with the required majority of votes.

**Re 7b) – Authorisation to the Board of Directors to allow the Company to acquire own shares**

The Board of Directors proposed that the Board of Directors should be authorised until the next AGM to allow the Company to acquire own shares of a nominal value of up to 10% of the share capital. The purchase price for the shares must not deviate by more than 10% from the price quoted on NASDAQ Copenhagen A/S at the time of the acquisition. The price quoted on NASDAQ Copenhagen A/S at the time of the acquisition means the closing price – all transactions at 5 pm

The proposal was adopted.

**Re 7c) – Approval of the Company's Remuneration Policy and General Guidelines on Incentive Pay**

The Board of Directors proposed that a revised Remuneration Policy and new Guidelines on Incentive Pay be adopted providing the possibility of concluding agreements on retention schemes for the Company's management.

The Chairman of the meeting presented the Board of Directors' proposal for a revised Remuneration Policy and new Guidelines on Incentive Pay which had been available on the Company's website [www.demant.com](http://www.demant.com) from 9 March 2016.

Under section 139(2) of the Danish Companies Act and provided that the AGM approved the Guidelines on Incentive Pay to the Company's management, a provision must be included in the Company's Articles of Association stating that such guidelines have been approved. Inclusion of such provision in the Articles of Association is not subject to a separate resolution by the AGM. As a result thereof, the following new provision will be inserted in the Articles of Association as a new Article 16:

*"General Guidelines on the Company's Incentive Pay to the Company's management have been prepared. These guidelines have been adopted at the Company's annual general meeting and published on the Company's website".*

The Chairman of the Board of Directors, Lars Nørby Johansen, elaborated on the proposal. He pointed out that the proposed is a scheme for retention of skilled employees that includes a variable element deferring part of the salary and tying it to the share price. The scheme includes an element of flexibility meaning that the deferral of the salary may extend from 2 to 5 years and may cover 1 to 6 months' salary. This is an element intended to be used when deemed necessary.

Kirsten Waage Starup took the floor and asked whether it could be expected that dividends would be distributed to the shareholders of William Demant in future. Then, Kirsten Waage Starup asked the management to elaborate on which companies had been acquired apart from the French hearing aid chain, Audika.

The Chairman of the Board of Directors, Lars Nørby Johansen, addressed the questions asked by Kirsten Waage Starup and informed the AGM that the Company regularly considers whether the distribution of dividends or a share buy-back is the best and most rational approach for the shareholders. Based on several analyses, the management believes that it is in the best interest of the shareholders of William Demant to apply the share buy-back method. Lars Nørby Johansen could not rule out that the distribution of dividends may become relevant sometime in the future if a specific assessment should prove it to be the most reasonable approach. With respect to the question of acquisition of other companies, Lars Nørby Johansen mentioned that it is part of the Group policy, particularly within retail, to acquire small retail shops on a regular basis to strengthen this part of the activities. It primarily concerns small businesses, but if the acquisitions are large and may affect the share price, the Company will, of course, notify the shareholders thereof.

The proposal was adopted.

The Company's Remuneration Policy and Guidelines on Incentive Pay will be published as soon as possible on the Company's website [www.demant.com](http://www.demant.com).

#### **Re 7d) – Amendment to the Company's Articles of Association**

**i. Amendments to Articles 4.1 and 9.1 of the Articles of Association (denomination of shares and voting rights per share)**

The Board of Directors proposed that the minimum nominal denomination that the Company's shares may have be amended from DKK 1 to DKK 0.20. Adoption of the proposed resolution allows for a share split of the Company's shares at a ratio of 1:5 at a later time to the effect that each share of a nominal value of DKK 1 will be replaced by 5 new shares of a nominal value of DKK 0.20.

As a result thereof, it was proposed that Article 4.1 of the Articles of Association be amended to read as follows, it being noted that, as a result of the adoption of the proposed resolution in item 7a above, the amount of the share capital will be reduced to a nominal value of DKK 53,216,365 after the expiry of the time limit prescribed in section 192 of the Danish Companies Act:

*"The Company's share capital is DKK 54,425,235, divided into shares of DKK 0.20 each or multiples thereof."*

In addition, it was proposed that the voting rights for the Company's shares be amended to the effect that each share amount of DKK 0.20 shall carry one vote. Accordingly, Article 9.1 of the Articles of Association is amended to read as follows:

*"Each amount of DKK 0.20 carries one vote."*

Jens Frederik Demant took the floor and expressed his discontent with a nominal denomination of DKK 0.20.

The Chairman of the Board of Directors, Lars Nørby Johansen, took the floor to address Jens Frederik Demant's comment. Lars Nørby Johansen thanked for the comment and commented that the company wishes to provide as many investors as possible with the opportunity to acquire shares in William Demant. Therefore, the Company has assessed that the price level reached by the share over recent years now has made it reasonable to prepare for a share split. Hopefully, this will also procure further liquidity in the share which will be to the benefit of all shareholders.

The proposal was adopted.

**ii. Amendments to Articles 5.1 and 7.4 of the Articles of Association (registered shares and method of convening)**

As a result of an amendment to the Danish Companies Act which entered into force on 1 July 2015 stipulating that it is no longer possible to issue bearer shares, the Board of Directors proposed that the Company's shares should be changed from being registered in the name of the bearer to being registered in the name of the holder. In that connection, it was proposed that the wording of Article 5.1 of the Articles of Association should be amended to read as follows:

*"Shares in the Company must be registered in the name of the holder and be registered in the Company's register of shareholders."*

In addition, it was proposed to amend the wording of Article 7.4 of the Articles of Association to read as follows as it is not a requirement that convening notices are announced in the IT system of the Danish Business Authority when the shares are registered in the name of the holder:

*"General meetings must be convened by the Board of Directors giving no less than three weeks' and no more than five weeks' notice on the Company's website and in writing to all shareholders registered in the register of shareholders having made a request to that effect. The notice must set out the agenda of the meeting and the main substance of*



*any proposed resolution to amend these Articles of Association. If any resolution amending the Articles of Association under sections 77(2), 92(1), 92(5), 107(1) or 107(2) of the Danish Companies Act (selskabsloven) is proposed, the notice must include the full text of the proposed resolution."*

The proposals were adopted with the required majority of votes.

**iii. Amendment to Article 13.1 of the Articles of Association (power to bind the Company)**

The Board of Directors proposed that the power to bind the Company set out in Article 13.1 of the Articles of Association be amended as follows:

*"The Company is bound by the signature of the Chairman of the Board of Directors alone, by the signature of the Chief Executive Officer alone, by the signatures of two members of the Executive Board jointly, by the signatures of four members of the Board of Directors jointly, by the signatures of a member of the Board of Directors and a member of the Executive Board jointly, or by the signatures of the entire Board of Directors jointly."*

The proposal was adopted with the required majority of votes.

**iv. Amendment to Article 12.1 of the Articles of Association (Executive Board)**

The Board of Directors proposed that the limit concerning the number of members of the Executive Board set out in Article 12.1 of the Articles of Association be extended as follows:

*"The Board of Directors appoints 1-5 members to the Executive Board to be responsible for the day-to-day management of the Company. The Board of Directors determines the employment terms and the details of powers relating to such members. One member of the Executive Board is appointed as Chief Executive Officer."*

The proposal was adopted with the required majority of votes.

**Re 7e) – Authorisation of capital increase**

The existing authorisations for the Board of Directors to make capital increases set out in Article 6 of the Articles of Association expired on 1 January 2016. Against that background, the Board of Directors proposed that the following new authorisations be adopted by the AGM:

***"6. Authorisation for increase of capital***

*6.1 The Board of Directors is authorised at one or more issues to increase the Company's share capital by issuing new shares with preferential rights of subscription for the Company's existing shareholders and with a total nominal value of up to DKK 6,664,384. The increase*

*must be made by cash contribution. The authorisation will be valid in the period until and including 1 April 2021.*

*6.2 The Board of Directors is also authorised at one or more issues to increase the Company's share capital by issuing new shares without preferential rights of subscription for the Company's existing shareholders and with a total nominal value of up to DKK 6,664,384, provided that the increase is made at market value. The increase may be made by cash contribution or by contribution of assets other than cash. The authorisation will be valid in the period until and including 1 April 2021.*

*6.3 Board of Directors' authorisations under Articles 6.1 and 6.2 may only be exercised in aggregate by way of issuing new shares of a total nominal value of DKK 6,664,384.*

*6.4 In addition to the authorisations set out in Articles 6.1 to 6.3, the Board of Directors is authorised at one or more issues to increase the Company's share capital by issuing new shares without preferential rights of subscription for the Company's existing shareholders and with a total nominal value of up to DKK 2,500,000 in connection with the new shares being offered to employees of the Company and of any company which is regarded as being affiliated to the Company by the Board of Directors. The new shares must be issued at a subscription price to be fixed by the Board of Directors, however no less than DKK 0.20 per share of DKK 0.20. The increase must be made by cash contribution. The authorisation will be valid in the period until and including 1 April 2021.*

*6.5 With respect to capital increases under Articles 6.1, 6.2 and 6.4, the new shares must be registered in the name of the holder and registered in the Company's register of shareholders. The shares are negotiable instruments and will, in all respects, be comparable to the existing shares, including as regards redeemability and restricted transferability. The new shares will entitle the holders to dividends as from a time decided by the Board of Directors, but no later than the financial year following the capital increase. Moreover, the Board of Directors shall lay down the specific terms for any capital increase to be implemented under the authorisations set out in Articles 6.1, 6.2 and 6.4."*

The above would replace the existing Article 6 of the Company's Articles of Association.

Jens Frederik Demant took the floor. First, he asked for a reason for the proposal. Second, he asked why the provisions were to apply for five years.

Niels Jacobsen, President & CEO, addressed the questions. He commented that the purpose of the authorisations is e.g. to enable William Demant to use shares as a purchase element in connection with large acquisitions. With these provisions, the Company will be able to make acquisitions through full or partial payment in shares without convening general meetings. He commented that the authorisation to increase the share capital concerned a relatively small amount and that the provisions had applied for many years. With respect to the question of the term of the authorisations, Niels Jacobsen commented that the legislation provides for

authorisations to be granted for five years, but the general meeting is entitled to revoke such authorisations during the entire period.

The proposal was adopted with the required majority of votes.

#### **Re 7f) – Authority to the chairman of the AGM**

The Chairman of the meeting is authorised to make any such amendments and additions to the resolutions passed at the AGM and the application for registration with the Danish Business Authority that may be required by the Authority in connection with the registration of the amendments passed.

The proposal was adopted.

#### **Re 8: Any other business**

Jørgen Thomsen took the floor and introduced himself as a shareholder and user of hearing aids for a little more than two years now. He commented that he would like to discuss product development and product quality and informed the AGM that he had bought a pair of medium-end hearing aids from Oticon. Jørgen Thomsen described his experience with these hearing aids which included positive as well as negative elements. For example, he emphasised that the most important element of a hearing aid is the sound quality, and he hoped that the vast majority of development costs relating to hearing aids were spent on the development of sound quality. In this respect, he asked the management to explain how the Company prioritises development costs. Moreover, Jørgen Thomsen inquired about a more direct line from the manufacturer to the end user of hearing aids and asked for the management's comments on that. Jørgen Thomsen thanked for the attention.

Niels Jacobsen, President & CEO, addressed the questions. With respect to the question of development costs, he informed the AGM that the vast majority thereof is spent on creating quality of life and better speech intelligibility in complex audio environments for each user. As commented by Jørgen Thomsen, his hearing aids were medium-end, and hearing aids offering more has been developed to justify an appropriate price difference between the instruments. Hearing aids are purchased through dialogue with the local audiologist and hearing aid dispenser and must be fitted to match the individual's life and financial situation. Niels Jacobsen commented that, in recent years, the Company has come much further in relation to the contact with the end user. Previously, the Group was merely a manufacturer selling to hearing aid clinics, but today the Group runs more than 2,000 hearing aid clinics worldwide. As a result, the Group is generally in much better contact with the end users. Niels Jacobsen further commented that the Group has a development unit with a user group connected to their research and development.

As no one else wished to take the floor, the Chairman of the meeting concluded that there was no further business to transact and gave the floor to the Chairman of the Board of Directors.

The Chairman of the Board of Directors then closed the meeting by thanking the Chairman of the meeting and the shareholders for attending.

The Chairman of the Board of Directors closed the general meeting at 5.29 pm.

Chairman of the meeting:

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Jesper Schultz Larsen, Attorney-at-Law