SUMMARY OF ANNUAL REPORT 2014

William Demant

KEY FIGURES AND FINANCIAL RATIOS – DKK

	2014	2013	2012	2011	2010
INCOME STATEMENT, DKK MILLION					
Revenue	9,346	8,959	8,555	8,041	6,892
Gross profit	6,813	6,518	6,127	5,777	4,959
Research and development costs	680	634	652	633	615
EBITDA	2,055	2,028	1,920	1,942	1,654
Amortisation and depreciation etc.	294	292	267	233	224
Operating profit (EBIT)	1,761	1,736	1,653	1,709	1,430
Net financial items	-70	-72	-132	-103	-116
Profit before tax	1,691	1,664	1,521	1,606	1,314
Profit for the year	1,327	1,286	1,151	1,199	988
BALANCE SHEET, DKK MILLION					
Net interest-bearing debt	2,405	2,284	1,804	1,548	1,869
Assets	11,219	10,318	8,777	7,646	6,786
Equity	5,584	5,056	4,059	3,304	2,443
OTHER KEY FIGURES, DKK MILLION					
Investment in property, plant and equipment, net	414	391	310	382	251
Cash flow from operating activities (CFFO)	1,495	1,282	1,272	1,381	826
Free cash flow	1,044	819	782	895	494
Average number of employees	9,799	9,063	8,025	7,392	6,318
FINANCIAL RATIOS					
Gross profit margin	72.9%	72.8%	71.6%	71.8%	71.9%
EBITDA margin	22.0%	22.6%	22.4%	24.2%	24.0%
Profit margin (EBIT margin)	18.8%	19.4%	19.3%	21.3%	20.7%
Return on equity	24.7%	28.0%	31.8%	41.7%	49.5%
Equity ratio	49.8%	49.0%	46.2%	43.2%	36.0%
Earnings per share (EPS), DKK*	23.8	22.7	20.2	20.6	16.9
Cash flow per share (CFPS), DKK*	26.9	22.6	22.3	23.7	14.1
Free cash flow per share, DKK*	18.8	14.5	13.7	15.4	8.5
Dividend per share, DKK*	0	0	0	0	0
Equity value per share, DKK*	100.4	89.3	71.2	56.7	41.9
Price earnings (P/E)	20	23	24	23	24
Share price, DKK*	468	527	484	478	414
Market cap. adjusted for treasury shares, DKK million	25,545	29,754	27,419	27,397	24,173
Average number of shares outstanding, million	55.63	56.62	57.02	58.24	58.35

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 flow from operating activities (CFFO) and investing activities (CFFI) before acquisition of enterprises, participating interests and activities. On computation of the return on equity, average equity is calculated duly considering the buy-back of shares.

Key figures and financial ratios for 2013 are restated due to new accounting policies, and corrections made in the financial figures for 2013. Key figures and financial ratios for 2010-2012 have not been restated. Please refer to the Annual Report for a further description.

**Per share of DKK 1.*

Dear reader,

For William Demant, 2014 was off to a somewhat challenging start, especially in the US with unusually rough winter weather followed by market turmoil caused by a big box retailer whose customers got access to a premium hearing aid brand at very attractive prices. However, driven by a solid performance by the Group's Hearing Devices business activity in the latter part of the year and based on significant growth delivered by Diagnostic Instruments, Hearing Implants and Sennheiser Communications, we succeeded in 2014 in generating 11% underlying growth in earnings per share (EPS), if we take a one-off adjustment and exchange rate headwind into account. Furthermore, we were capable of delivering no less than 28% growth in free cash flow, which for the first time in the history of the Company passed the DKK 1 billion mark.

I find this performance satisfactory in the light of a continued pressure on hearing industry wholesale prices driven by mix changes and fiercer competition and affecting the entire industry. And even more so when we take our efforts to continuously improve the Group's efficiency through the entire value chain into account. These significant efforts involve building and implementing a new global ERP system across all Group entities, establishing shared services for our back-office functions, centralising our ITE production and repair services and creating a new global distribution centre in Poland. Furthermore, our cost base has been strained by our expansion into implantables, as significant Group resources are channelled into new R&D and distribution activities in order for us to be established as a viable and much bigger supplier of implantables, which is an attractive growth segment in the hearing healthcare market. All these major undertakings are meant to deliver value for the Group in the medium to long term, but will in the short term naturally weigh down the Group's profitability.

In 2014, after a soft start to the year in our US core business, we launched a series of commercial initiatives that led to improved unit sales momentum towards the end of the year. We were pleased to see how our hearing instrument wholesale business gained momentum in the US as the year progressed, with most of this growth generated in the independent channel. We thus regained the US market shares we lost at the beginning of the year, which more than compensated for the declining average selling price witnessed not only by us, but also by the US hearing aid market in general. But just as importantly, the positive unit development seems to have continued into 2015. All in all, I'm confident that spearheaded by Oticon, the Group's hearing instrument businesses have benefitted from the turbulence in the US market, as our market position with the independent dispensers – by far the largest distribution segment in the US – was strengthened even further.

I'm also convinced that we are on the right track to deliver on our ambition to become one of the world's strongest hearing healthcare companies. We have the broadest and deepest product offering, covering all aspects of hearing healthcare based on true innovation and delivered to customers and end-users through a multi-brand approach. Our entry into the cochlear implant market through the acquisition of Neurelec in 2013 was a major milestone in achieving this ambition. However, we still have a number of years ahead of us that will require further investments and costs in order for us to be able to build a strong position in the attractive and growing cochlear implant market.

Over time, we expect to harvest significant synergies from this unique position, especially in research and development, but also in manufacturing and global distribution and from cross-selling between the three business activities: Hearing Devices, Diagnostic Instruments and Hearing Implants. Overall, we feel that we are very strongly positioned to meet our long-term strategic ambition.

The journey towards becoming a strong global hearing implant company will pick up speed in 2015, as we plan to launch the first complete Oticon Medical cochlear implant system under the Neuro name based on the Group's proprietary technological platforms – something we have already done in bone-anchored hearing systems. The Neuro launch is a major undertaking by the Group's implant business and will require significant resources – both human and monetary.

Our Group's considerable launch activities in 2015 were kicked off with Oticon's February introduction of the new Inium Sense platform and with the launch of new products across all styles, at all price points and in all markets. This comprehensive introduction marks the biggest and broadest product launch ever undertaken by Oticon and is described further later in this report. By offering the most cosmetically attractive wireless hearing instruments with the lowest power consumption and the strongest audiological performance on the market, we are definitely entering 2015 with strengthened competitiveness.

So, moving into 2015 – backed by solid momentum created in the latter part of 2014 combined with comprehensive launch activities – I'm confident that the Group is strongly positioned to grow and take further market shares in 2015.

The number of Group employees has now exceeded 10,000 of which more than 85% are based outside Denmark. I would like to express my heartfelt gratitude to all our highly skilled employees for their commitment, dedication and effort – our employees are our most important asset.

Niels Jacobsen
President & CEO

HIGHLIGHTS 2014 AND OUTLOOK 2015

Market conditions and business trends

Hearing Devices

We estimate that global unit growth in 2014 was 5-6%, exceeding our normal expectations of 3-4% unit growth. In our opinion, the average selling price on the hearing aid market declined by 4-5% in 2014, primarily due to changed market dynamics in the US, a new reimbursement system in Germany and generally intensified competition. In terms of value, the overall market growth rate was, in our estimation, slightly positive.

In 2014, our core business – the development, manufacture and wholesale of hearing aids – realised an organic growth rate of 2%. This growth was driven by a satisfactory unit growth rate of 8% that more than offsets the decline in the Group's hearing aid wholesale average selling price (ASP) of more than 5%. The addition of one manufacturer's premium hearing aid brand to a big box retailer in the US lowered our own sales to this particular retailer up until late 2014 where it stabilised. These changes on the US market led to us launch commercial initiatives in our core business in the first half of the year, resulting in improved sales momentum in the second half. Because of the solid growth achieved in the US, we have regained the market shares we lost at the beginning of the year. Our market share with VA rose by a couple of percentage points in 2014, and a generally upgraded product offering has driven our improved performance in this important channel.

Growth was mainly driven by competitive products in the low-end and mid-priced segments and in the second half-year also by several product introductions based on the Inium platform, including the three cosmetically attractive wireless styles: designRITE, Invisible-In-the-Canal (IIC) and Completely-In-the-Canal (CIC). Bernafon launched their high-end product Juna in the fourth quarter of 2014, and this product has significantly strengthened Bernafon's product portfolio and has helped Bernafon regain some of their sales momentum.

Oticon's strong position in hearing care will be further strengthened by the launch of the new Inium Sense platform. The new platform is currently being launched in all styles, at all price points and in all markets and marks the biggest and broadest product launch ever undertaken by Oticon. By constantly learning more about the brain, we have been able to take BrainHearingTM to a new level by adding new technologies and features, which deliver improved signal processing that supports the way our brain processes sound. Inium Sense delivers 30% more processing power than the previous platform, thereby facilitating an extensive range of new features and new end-user benefits:

- **Soft Speech Booster™:** A new feature that increases the understanding of soft speech by up to 20%.

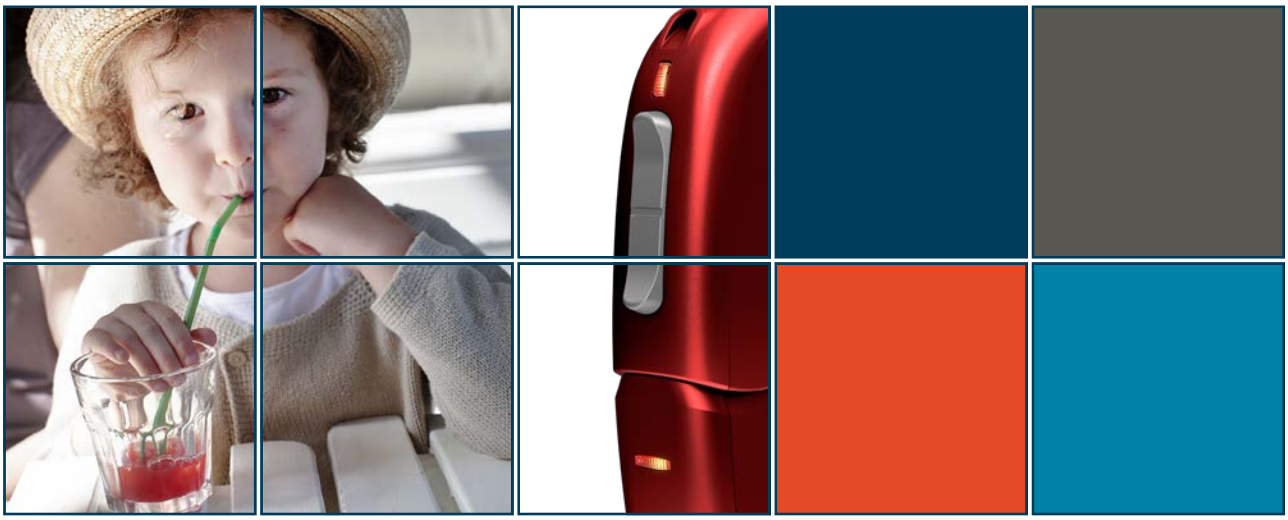
- **Tinnitus treatment including Tinnitus SoundSupport™:** State-of-the-art tinnitus feature that sets new standards, as it is the first solution to offer built-in ocean sounds in addition to a large number of sound options and adjustment controls.

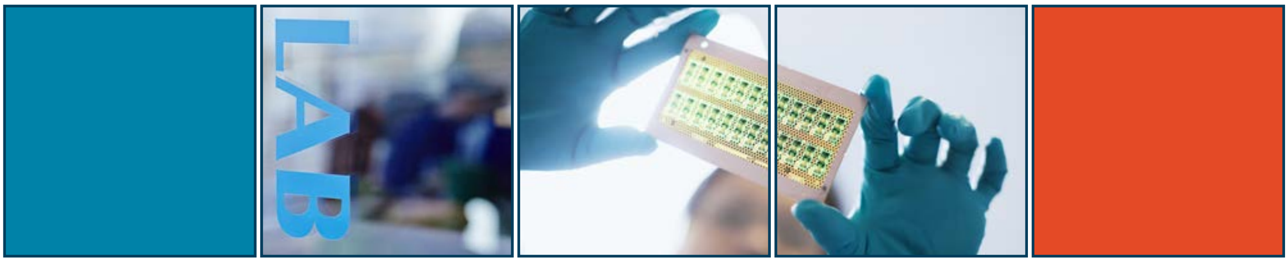
- **Water resistance:** Nano-coated and IP58 certified water resistant instruments.

- **Inium Sense Feedback Shield:** Next-generation feedback management, offering four times more efficient feedback suppression.

With Oticon Alta2, Nera2 and Ria2, we introduce a brand new generation of our most popular Performance families, including a new smaller and more discreet miniRITE style in all three families and at all price points. Combined with the multiple, cosmetically attractive, wireless hearing instruments already launched in the second half of 2014, these substantial product introductions reinforce our competitiveness in 2015.

In the period under review, organic revenue growth in our retail activities was in line with market growth in the markets where we operate. Especially Europe, but also Australia, contributed to this organic growth.





Diagnostic Instruments
Our business activity Diagnostic Instruments realised revenue of DKK 975 million, or a satisfactory growth rate of 11% in local currencies of which 10 percentage points are attributable to organic growth. The global market for diagnostic equipment is estimated to have grown by 5% in 2014, and the business activity has thus significantly increased its market share.

As previously announced, the upgrade of our ERP system and the transfer of production to a new manufacturing facility have, however, resulted in delivery bottlenecks in Diagnostic Instruments. Most of the issues hit us in the first half of the year, and most of the issues were resolved in the second half of 2014. We expect the delivery situation to be normal again in the first half of 2015.

Hearing Implants
In our Hearing Implants business activity, we are steadily working towards fulfilling our long-term ambition of becoming one of the world's leading manufacturers of hearing implants. The business activity delivered a growth rate of 36% in local currencies in 2014 of which 25 percentage points could be attributed to organic growth. The acquired growth is related to the acquisition of the French cochlear implant business Neurelec in April 2013, which is now branded under the Oticon Medical name.

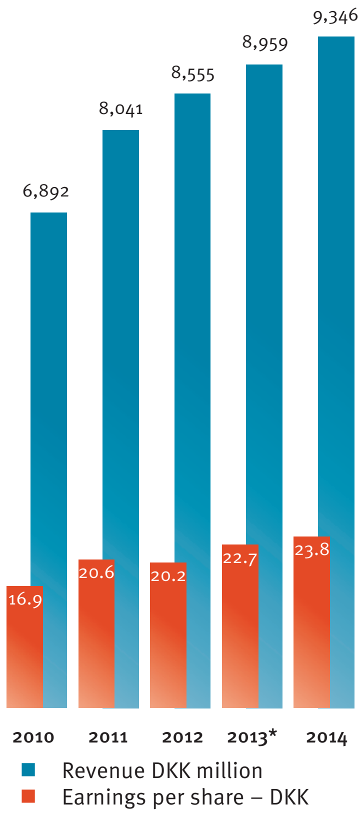
In 2015, we will reach a major milestone with the launch of the first Oticon Medical cochlear implant system under the Neuro brand name. The Neuro system is the result of a very ambitious implant and sound processor project. New and very important implant features and also the integration of signal processing and audiology features from Oticon hearing aids are key improvements. The Neuro launch is the biggest activity in Oticon Medical ever, and the launch process will require significant resources and take up to 18-24 months. In 2015, we will furthermore launch a new surgery concept for bone-anchored hearing systems that will make the procedure faster, even more cosmetically attractive and fully reversible. Towards the end of the year, we will launch a new implant for the Ponto system, which will enable faster loading and higher stability.

Other areas
Sennheiser Communications, our joint venture with Sennheiser KG, manufactures both professional and consumer headsets for the gaming, mobile phone and CC&O (Call Center and Office) segments. As a result of the Group's implementation of new IFRS accounting standards on 1 January 2014, Sennheiser Communications is no longer proportionately consolidated into the Group's financial statements, but is instead recognised under Share of profit after tax, associates and joint ventures. Therefore, Sennheiser Communications will continue to contribute to Group earnings, and we will continue to provide relevant information on this business.

In 2014, Sennheiser Communications realised a satisfactory 16% organic growth rate, thereby exceeding the market growth rate. As mentioned in our Annual Report 2013, sales in 2013 were positively impacted by the one-off sale of Sennheiser Communications' inventory to Sennheiser KG, which means that in 2014, underlying sales growth was even higher than realised sales growth. Growth was especially pronounced in the CC&O segment driven by Unified Communication (UC).

Financial review

In 2014, consolidated revenue totalled DKK 9,346 million, corresponding to a growth rate of well above 6% in local currencies of which organic growth accounted for more than half. Acquired growth can mainly be attributed to the full-year effect of acquisitions made in 2013, since we have only made a small number of acquisitions in 2014. Exchange rates had a negative impact on revenue of 2%.



**Restated; please refer to page 2 for a further description.*

In connection with the consolidation and standardisation of the financial procedures of 70-80 acquired retail entities in the US, we have identified inaccuracies in the balance sheets of some of these entities, resulting in adjustments of certain balance sheet items in the acquired businesses. These adjustments affect the income statement, and a further analysis has concluded that DKK -12 million relates to 2014. The remaining DKK -31 million relates to prior-period errors and has in compliance with IAS 8 been restated in the comparative figures for 2013, as it is not practically possible to determine the specific prior period in which the errors occurred. These costs will not be recognised as one-off costs, as opposed to what we have previously communicated. As mentioned in our Interim Information on the third quarter of 2014, we have incurred a loss on a customer loan in the US. This one-off amount totals DKK 40 million (against our previous expectation of around DKK 50 million) and has been recognised as a distribution cost in our 2014 financial statements.

Operating profit (EBIT) for the year totalled DKK 1,761 million, or an increase of 1% compared with reported EBIT in 2013. If adjusted for the negative exchange rate effect of DKK 50 million and the one-off loss on a customer loan of DKK 40 million, the underlying EBIT growth was 7%. The underlying profit margin was 19.6%. Furthermore, the full-year effect of the acquisition of distribution activities and Neurelec in 2013 had a significant dilutive effect on our profit margin, so bearing this in mind, we find the development in our profit margin satisfactory.

Earnings per share (EPS) were DKK 23.8, which is a rise of 5% on last year and within the most recently announced guidance range of 2-7%. The underlying EPS growth was 11%.

Consolidated cash flow from operating activities (CFFO) increased by 17% to DKK 1,495 million in 2014. This is equivalent to a very high cash conversion ratio of 85% (CFFO/EBIT). The free cash flow amounted to DKK 1,044 million, or an increase of as much as 28%.

Other matters

In 2014, the Company bought back 1,899,279 shares at a total amount of DKK 887 million. Year-to-date, the Company has bought back an additional 135,599 shares worth DKK 64 million, bringing the Group's total amount of treasury shares to 2,236,403.

On 17 February 2015, the Group announced that we have entered into exclusive negotiations for the potential purchase of 53.9% of the share capital of Audika, a leading network of hearing care providers in France, from the controlling shareholder Holton at a price of EUR 17.78 per share.

William Demant Holding A/S

Hearing Devices	Hearing Implants	Diagnostic Instruments	Personal Communication
Oticon	Oticon Medical	Maico	Sennheiser Communications
Bernafon		Interacoustics	
Sonic		Amplivox	
Phonic Ear		Grason-Stadler	
FrontRow		MedRx	
		Micromedical	

Shared functions – DGS

Operational and distribution activities

The William Demant Group develops, manufactures and sells products and equipment designed to aid the hearing and communication of individuals. The Group focuses on four areas: Hearing Devices, Diagnostic Instruments, Hearing Implants and Personal Communication. Group companies collaborate in many areas and to a wide extent also share resources and technologies. Sennheiser Communications is a joint venture and is no longer proportionately consolidated into the Group's financial statements.

If successful, the purchase of a controlling interest will commit William Demant to commence a mandatory public tender offer for the remaining 46.1% of the outstanding share capital of Audika, which is listed on Euronext in Paris. Based on a price of EUR 17.78 per share, the entire transaction will amount to an equity value of EUR 168 million. Audika will launch an information and consultation process with the relevant employee representatives in accordance with French law. Furthermore, the acquisition of the controlling interest in Audika is subject to approval by the French competition authority. Timewise, the mandatory public tender offer is expected to close in June 2015 at the earliest, but more likely in the second half of 2015.

Outlook 2015

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

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

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

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

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

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

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

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

Capital

At 31 December 2014, the Company's authorised share capital was nominally DKK 56,661,638 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 2014, the Foundation – directly or indirectly – held approximately 58% of the shares outstanding. The Foundation has previously communicated its intention to maintain an ownership interest of 55-60% of William Demant Holding's share capital. The Capital Group Companies, Inc. (on behalf of accounts whose portfolios are managed by the company and its direct or indirect subsidiaries) announced in July 2014 that it had reduced its ownership interest and now holds less than 5% of the share capital in William Demant Holding A/S.

About 20% of the Group's employees are shareholders in the Company. All members of the Board of Directors and the 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 over 1% of the total share capital. In 2014, the Company bought back 1,899,279 shares at a total amount of DKK 887 million. As of 26 February 2015, the Company has bought back an addidional 135,599 shares worth DKK 64 million.

At 31 December 2014, the Company held 2,100,804 treasury shares worth nominally DKK 988 million.

Share information

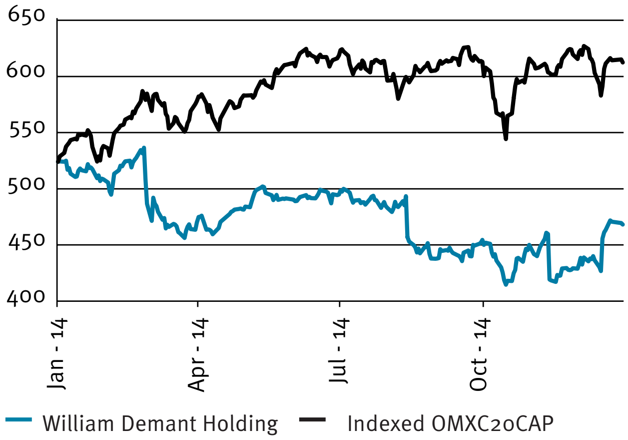
DKK	2014	2013	2012	2011	2010
Highest share price	538	544	597	495	480
Lowest share price	410	444	451	352	352
Share price, year-end	468	527	484	478	414
Market capitalisation*	25,545	29,754	27,419	27,397	24,173
Average number of shares**	55.63	56.62	57.02	58.24	58.35
Number of shares at 31.12.**	54.56	56.46	56.66	57.64	58.35
Treasury shares at 31.12.***	2.101	0.202	1.688	0.709	0

* *DKK million excluding treasury shares.*
** *Million shares excluding treasury shares.*
*** *Million shares.*

Specification of movements in share capital

DKK 1,000	2014	2013	2012	2011	2010
Share capital at 1.1.	56,662	58,350	58,350	58,350	58,956
Capital increase	0	0	0	0	0
Capital reduction	0	-1,688	0	0	-606
Share capital at 31.12.	**56,662**	**56,662**	**58,350**	**58,350**	**58,350**

Development in share price



Powers relating to share capital

The annual general meeting of shareholders has authorised the Board of Directors to increase the share capital by up to nominally DKK 1,179,527 in connection with the issue of employee shares at a subscription price to be determined by the Board, however minimum DKK 1.05 per share of DKK 1. The authorisation is valid until 1 January 2016, but is no longer relevant due to new tax regulations adopted by the Danish Parliament in 2011. An employee share ownership plan was most recently implemented in 2010. For other purposes, the Board of Directors has, until 1 January 2016, been authorised to further increase the share capital by up to DKK 6,664,384. The subscription price will be determined by the Board of Directors.

Until the next annual general meeting in April 2015, the Board of Directors has been authorised to allow the Company to buy back 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 Copenhagen.

Dividend and share buy-back

At the general meeting, the Board of Directors will, as in prior years, propose that all profits for the 2014 financial year be retained. The Board has previously decided that the Company's substantial cash flow from operating activities is first and foremost to be used for investments and acquisitions. Any excess liquidity will as a rule be used for the continuous buy-back of shares. As mentioned earlier, we aim to buy back shares worth DKK 2.5-3.0 billion from 2014 to 2016. We thus expect to see a modest and gradual increase in the Group's gearing multiple towards a level of 1.5 (NIBD/EBITDA). In order to maintain a high level of flexibility, this level of share buy-back is subject to change, if additional attractive acquisition opportunities present themselves.

Stefan Ingildsen

Rasmus Sørensen

Søren B. Andersson

IR policy and investor information

It is the aim of William Demant Holding to ensure a steady and consistent flow of information to IR stakeholders to promote a basis for the fair pricing of Company shares – pricing that at any time reflects the Group's 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. We also maintain 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 IR stakeholders. In 2014, we held approximately 350 investor meetings and presentations. The Company also uses its website, www.demant.com, for communication with the share market. At the end of 2014, 30 equity analysts were covering William Demant Holding.

Investors and analysts are welcome to contact Stefan Ingildsen, Senior Vice President, Finance; Søren B. Andersson, Vice President, IR; or Rasmus Sørensen, IR Officer, by phone +45 3917 7300 or by e-mail to william@demant.com.

Company announcements in 2014

27 February	Annual Report 2013
11 March	Notice annual general meeting
9 April	Annual general meeting
8 May	Interim Information, first quarter 2014
15 July	Large shareholder announcement concerning The Capital Group Companies, Inc.
14 August	Interim Report 2014
13 November	Interim Information, third quarter 2014
9 December	Financial calendar 2015

Financial calendar 2015

25 February	Deadline for submission of items for the agenda of the annual general meeting
26 February	Annual Report 2014
9 April	Annual general meeting
7 May	Interim Information, first quarter 2015
14 August	Interim Report 2015
12 November	Interim Information, third quarter 2015

Annual general meeting 2015

The annual general meeting will be held on Thursday, 9 April 2015, at 4 p.m. at the Company's head office Kongebakken 9, 2765 Smørum, Denmark.

CORPORATE SOCIAL RESPONSIBILITY

Integrity and ethical behaviour

Our integrity and our ethical behaviour in business affairs are high. In fact, in many cases our standards are above the legislative requirements imposed upon us in the markets where we operate. Our ongoing effort to meet the social and environmental responsibilities within our sphere of influence is deeply rooted in our foundation and culture.

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/csr.cfm.

Reporting on corporate social responsibility

Our corporate social responsibility report is prepared in compliance with section 99 a of the Danish Financial Statements Act. Under this act, we are obliged to account for our social activities and report on our business strategies and activities, including human and labour rights, environmental protection, anti-corruption and climate.

Having signed the UN Global Compact and by submitting annual Communication of Progress reports, we automatically comply with the rules of law, as long as our annual report states where the information is published. The advantages of joining the UN Global Compact are two-sided: Not only does the progress report ensure our compliance with section 99 a of the Danish Financial Statements Act, but the UN Global Compact also serves as a recognised global framework for further systematising and reporting on our work with responsibility.

Having joined the UN Global Compact in 2010, we submitted in spring 2011 our first progress report for the 2010 reporting year. In 2015, we thus submitted our fifth report covering the 2014 reporting year.

All reports, including the latest report covering the 2014 reporting year, are available on Global Compact's website www.unglobalcompact.org/COP and on our website under *CSR, Downloads:* www.demant.com/downloadcsr.cfm.

Environmental awareness

In 2008, we joined the CDP (formerly known as the Carbon Disclosure Project), providing us with a means of measuring and recording our environmental footprint. Every year, we submit CDP reports on corporate CO_2 emissions and climate strategy. At the time of writing, there are no available data for the 2014 calendar year, but a look at the development from 2012 to 2013 reveals, according to our CDP reports, that emissions in the countries in which we manufacture our products have dropped by 0.9%, which is rather substantial in view of the fact that in the same period, we have seen a rise in revenue. CO_2 emissions per employee are calculated at 2.85 tonnes per year, which is in itself low for a manufacturing company, but also constitutes a rather significant drop of 9.9% from 2012 to 2013.

In every possible way, we aim to act responsibly when it comes to our environmental awareness. Seemingly trivial changes may have a relatively large impact on our energy consumption and hence on our environmental footprint. For example, over the last two years we have replaced our server park by a virtual server environment, resulting in a significant drop in server room energy consumption of approximately 16% per year to an apparently new stable level.

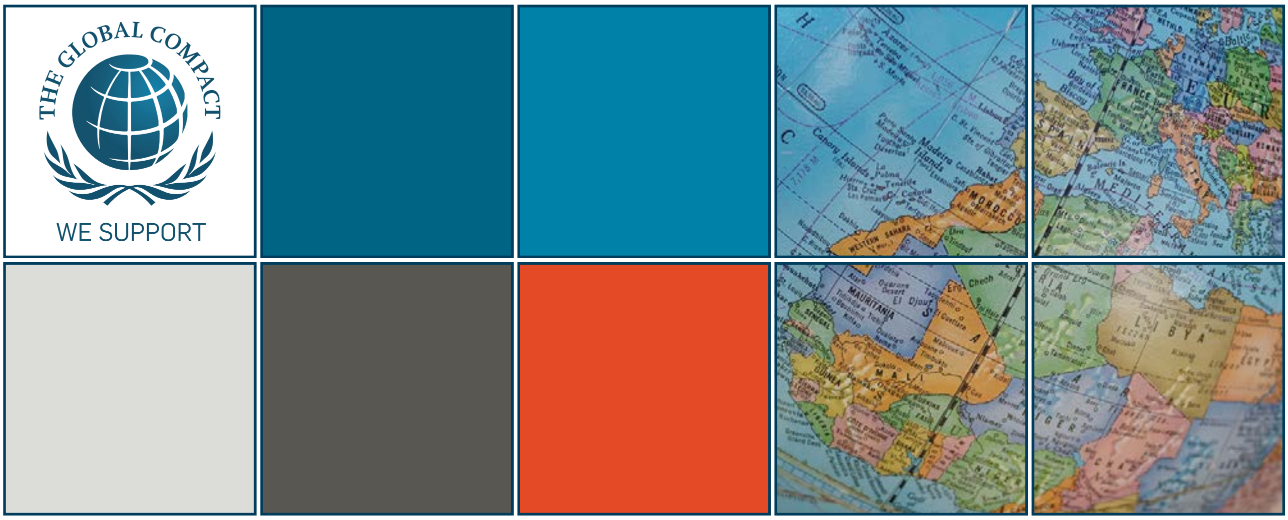
Social responsibility

To us, acting responsibly means following certain principles and always complying with local legislation, but it also means doing more than just the minimum and in many instances doing more than what is required by law. In this context, we find it relevant to mention that in 2014, our Parent, the Oticon Foundation, made 1,924 donations to social, cultural and scientific projects, totalling almost DKK 87 million. According to the objects clause of the deed of foundation, the alleviation of hearing loss must be the Foundation's primary focus area. Thus, in 2014 DKK 45 million was donated to educational institutions and research projects in the field of audiology.

We would like to mention a few special projects to show the broad scope of the Oticon Foundation: In 2014, The Oticon Foundation supported the Australian Hear our Hearts project, which involves a mobile hearing clinic. The clinic reaches geographical and ethnic areas where professional hearing healthcare is virtually impossible to practise. People in these areas, who would normally not have access to treatment of their hearing loss, can be helped this way – free of charge.

The Oticon Foundation also supports broader causes through donations to special social projects in Denmark, including the Denmark Collection (*Danmarksindsamlingen*), the Cure for Cancer (*Knæk Cancer*) and the Children's Collection (*Børneindsamlingen*) – all arranged by Danish TV channels and broadcast as large TV shows.

A very significant single project supported by the Oticon Foundation is the reconstruction of one of the largest squares in Copenhagen (*Israels Plads*). The donation was made to cele-



brate the 50-year anniversary of the Oticon Foundation in 2008. After several years of planning and constructing, the beautifully planned and designed square was inaugurated in 2014.

Diversity and women in management

In terms of corporate governance, diversity at management level addresses age, international experience and gender.

In recent years, soft law and statutory requirements have focused specifically on gender equality. On 1 April 2013, new rules for the gender-specific composition of top management in all large Danish companies became effective. The rules aim to ensure that the proportion of women in managerial positions in large companies is increased significantly in the coming years.

The rules oblige companies to set a target for the representation of the under-represented gender on the company's board and to set a deadline for reaching this target.

Moreover, companies must adopt policies on how they will further women's access to managerial positions in the company based on the assumption that more women in managerial positions will – generally speaking – provide the basis for the future recruitment of women as board members.

Lastly, the new rules provide that once a year, namely on publication of its annual report, the company must publicise its targets and adopted policies as well as the progress made in the period under review, either in the company's annual report or on its corporate website. Please refer to section 99 b (1) of the Danish Financial Statements Act and our website under *CSR:* www.demant.com/csr.cfm.

Board of Directors

In April 2013, the Board of Directors of William Demant set the following target and deadline in respect of female Board members: Within a period of four years, one woman must be elected to the Board of Directors.

At the annual general meeting in April 2014, a female Board member was elected by the general meeting. Thus, the target has been reached and subsequently, the Board of Directors has concluded that with the current number of four board members elected by the shareholders, one female member is a realistic and adequate target. At least once a year, the nomination committee and the Board will assess whether there are grounds to change the target.

Other management levels

At the beginning of 2012, we defined a diversity policy and also took concrete initiatives to ensure that equal opportunities for the genders will to a greater extent than previously be created in terms of both recruitments and promotions within the Group, for instance:

- When cooperating with external recruiting agencies, we require qualified female candidates in the second round.
- When advertising for new employees and also in connection with general employer branding materials, we will further balance the use of "male" and "female" connotations and ensure that female employees are used in our communication.
- In order to increase the base of female employees and thus the number of potential female managers, relevant departments in the William Demant Group must prioritise sending female employees to job fairs.

It is important, however, to keep in mind that these initiatives do not change our basic recruiting goal, which is to always seek, hire and promote the best qualified employees – gender set aside.

Positive development continued in 2014

As far as the number of female managers at the Group's other management levels is concerned, we are pleased to see that increased focus on furthering the number of women in managerial positions seems to bear fruit. Over the last five years, the male/female manager ratio in our Danish companies has thus improved from 86/14 in 2010 to 79/21 in 2014. In middle and first-line management, the ratio has increased from 82/18 in 2010 to 63/27 in 2014.

CONSOLIDATED INCOME STATEMENT

(DKK million)	2014	2013*
Revenue	9,346	8,959
Production costs	-2,533	-2,441
Gross profit	**6,813**	**6,518**
Research and development costs	-680	-634
Distribution costs	-3,877	-3,652
Administrative expenses	-560	-545
Share of profit after tax, associates and joint ventures	65	49
Operating profit (EBIT)	**1,761**	**1,736**
Financial income	39	45
Financial expenses	-109	-117
Profit before tax	**1,691**	**1,664**
Tax on profit for the year	-364	-378
Profit for the year	**1,327**	**1,286**
Profit for the year attributable to:		
William Demant Holding A/S' shareholders	1,326	1,285
Minority interests	1	1
	1,327	**1,286**
Earnings per share (EPS), DKK	23.8	22.7
Diluted earnings per share (DEPS), DKK	23.8	22.7

** Financial figures for 2013 are restated due to new accounting policies and corrections made.*

CONSOLIDATED CASH FLOW STATEMENT

(DKK million)	2014	2013*
Operating profit (EBIT)	1,761	1,736
Non-cash items etc.	295	212
Change in receivables etc.	-134	-66
Change in inventories	-60	-90
Change in trade payables and other liabilities etc.	46	-99
Change in provisions	-20	-13
Cash flow from operating profit	**1,888**	**1,680**
Dividends received	31	50
Financial income etc. received	33	32
Financial expenses etc. paid	-105	-114
Realised foreign currency translation adjustments	-1	0
Income tax paid	-351	-366
Cash flow from operating activities (CFFO)	**1,495**	**1,282**
Acquisition of enterprises, participating interests and activities	-231	-1,176
Investments in and disposal of intangible assets	-9	4
Investments in property, plant and equipment	-443	-404
Disposal of property, plant and equipment	29	13
Investments in other non-current assets	-143	-189
Disposal of other non-current assets	115	113
Cash flow from investing activities (CFFI)	**-682**	**-1,639**
Repayments of borrowings	-2,022	-510
Proceeds from borrowings	1,769	651
Buy-back of shares	-887	-101
Cash flow from financing activities (CFFF)	**-1,140**	**40**
Cash flow for the year, net	**-327**	**-317**
Cash and cash equivalents at the beginning of the year	-1,601	-1,341
Foreign currency translation adjustment of cash and cash equivalents	-127	57
Cash and cash equivalents at the end of the year	**-2,055**	**-1,601**
Breakdown of cash and cash equivalents at the end of the year:		
Cash	443	328
Interest-bearing current bank debt	-2,498	-1,929
Cash and cash equivalents at the end of the year	**-2,055**	**-1,601**

** Financial figures for 2013 are restated due to new accounting policies and corrections made.*

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	2014	2013*
Assets		
Goodwill	3,831	3,545
Patents and licences	28	35
Other intangible assets	37	35
Intangible assets	**3,896**	**3,615**
Land and buildings	749	651
Plant and machinery	173	171
Other plant, fixtures and operating equipment	265	289
Leasehold improvements	171	171
Prepayments and assets under construction	306	206
Property, plant and equipment	**1,664**	**1,488**
Investments in associates and joint ventures	527	459
Receivables from associates and joint ventures	264	151
Other investments	12	11
Other receivables	569	566
Deferred tax assets	238	266
Other non-current assets	**1,610**	**1,453**
Non-current assets	**7,170**	**6,556**
Inventories	1,203	1,142
Trade receivables	1,994	1,862
Receivables from associates and joint ventures	12	3
Income tax	94	72
Other receivables	183	202
Unrealised gains on financial contracts	7	45
Prepaid expenses	113	108
Cash	443	328
Current assets	**4,049**	**3,762**
Assets	**11,219**	**10,318**

** Financial figures for 2013 are restated due to new accounting policies and corrections made.*

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	2014	2013*
Equity and liabilities		
Share capital	57	57
Other reserves	5,529	5,000
Equity attributable to William Demant Holding A/S' shareholders	5,586	5,057
Equity attributable to minority interests	-2	-1
Equity	**5,584**	**5,056**
Interest-bearing debt	9	81
Deferred tax liabilities	134	146
Provisions	154	132
Other liabilities	120	220
Deferred income	36	34
Non-current liabilities	**453**	**613**
Interest-bearing debt	3,503	3,112
Trade payables	342	350
Payables to associates and joint ventures	1	0
Income tax	68	65
Provisions	4	16
Other liabilities	956	902
Unrealised losses on financial contracts	80	11
Deferred income	228	193
Current liabilities	**5,182**	**4,649**
Liabilities	**5,635**	**5,262**
Equity and liabilities	**11,219**	**10,318**

** Financial figures for 2013 are restated due to new accounting policies and corrections made.*

The William Demant Group is a leading international hearing healthcare company, which develops, manufactures and sells products and equipment designed to aid people with hearing loss in their individual communication. Focus areas are: Hearing Devices, Hearing Implants, Diagnostic Instruments and Personal Communication. The Group operates in a global market with own companies in more than 25 countries, a total staff of approx. 10,000 employees and revenue of over DKK 9.3 billion.

William Demant Holding A/S
Kongebakken 9
DK-2765 Smørum
Denmark
Phone +45 3917 7300
Fax +45 3927 8900
william@demant.com
www.demant.com
CVR no. 71186911

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William Demant Holding A/S

This document is a summary of our full Annual Report 2014. Both documents are available on www.demant.com.

William Demant