SUMMARY OF ANNUAL REPORT 2012

William Demant

RENEWED MOMENTUM IN 2013

Dear reader,

After two years of strong growth in both revenue and earnings, the Group saw more modest success in 2012. However, this development may not be such a surprise after all, given the fact that in 2010 and 2011, we were able to generate overall unit growth of almost 30% in the wholesale of Group-manufactured hearing aids in a market that grew by a mere 3-4% annually during this period.

The impressive curve that we have followed since the beginning of 2010 can undoubtedly be traced to the significant strengthening of Oticon's product programme that was kickstarted by the launch of the Premium family, Oticon Agil, which also marked the beginning of a new platform and product cycle. The sturdy sales growth in 2010 and 2011 enabled us to increase Group revenue by more than DKK 2.3 billion in total and against this backdrop deliver a rise in operating profit (EBIT) of approximately DKK 300 million in each of the two years.

2012 was thus our third year with the successful RISE 2 platform, but also a year in which we focused our attention on finalising the next technological platform and thus preparing for another line-up of groundbreaking products, starting in January 2013 with the Premium family called Oticon Alta. However, with only a few product launches in the past year, tough comparative figures and keener price competition, we faced special challenges in 2012. In addition, difficult market conditions in several countries left their mark on the year, particularly the second half.

"For the year as a whole, we generated unit growth in the corporate wholesale of hearing aids just exceeding market growth, but, as everyone knows, we aim much higher"

Partly driven by strong product offerings in the mid-priced and low-end segments towards the end of the individual manufacturers' product cycles, downward mix shifts in the market contributed to putting average selling prices under pressure in the past year. At the same time, we saw changes in subsidy schemes and aggressive tendering rounds also affecting prices unfavourably.

For the year as a whole, we generated unit growth in the corporate wholesale of hearing aids just exceeding market growth, but, as everyone knows, we aim much higher: With the launch in early January of a brand new technological platform called Inium and the introduction of the promising Premium family, Oticon Alta, we have embarked on the next platform and product cycle, which is certain to generate renewed momentum for the Group in 2013. The first feedback on Alta from dispensers and end-users alike has been extremely positive, so I am confident that we will be able to capture market share again in 2013.

Oticon Medical continues to capture market share in the market for bone-anchored hearing solutions. Based on a highly competitive product programme and intense dialogue with surgeons worldwide, Oticon Medical has, in just a few years, captured a quarter of the world market. Personally, I find it hard to disguise my enthusiasm for the major growth potential inherent in Oticon Medical – in both the short and the long term.

With almost a quarter of the world hearing aid market based on three strong brands, hearing aids will indeed remain the mainstay of our activities for many years to come. And if we continue to be successful in the area of bone-anchored hearing solutions, Oticon Medical will be able to continue to expand its position in future. To this should of course be added that the Group has also established itself as the world's leading and by far largest manufacturer of diagnostic equipment for audiological use. Boasting the industry's widest range of brands and products as well as a global market share now approaching 40%, Diagnostic Instruments now stands stronger than ever before – solidly underpinned by the acquisition of distribution activities in the USA in recent years.

Overall, I am therefore confident that among hearing aid manufacturers, we are exceptionally well positioned, as regards both the present competitive situation and our ability to generate growth and win market share in the longer term. Our ability to exploit technology, knowledge and expertise across the Group's closely related – but nonetheless vastly different – business activities is crucial to our success now and into the future. Also, it is essential that we are always ready for change, thus ensuring that all our Group's activities are continually organised in the best and most efficient manner – which is particularly important in the current market climate of increasingly keen competition and price pressure.

Finally, I would like to take this opportunity to thank every member of our global workforce of skilled and committed employees. A few years ago, we got the Group back on the growth track, and also in 2012, where market conditions were tougher than usual for us, everyone made an extraordinary effort. Not only in 2013, but certainly also in the years to come, our many new products, initiatives and growth opportunities will continue to demand unwavering commitment and willingness to go the extra mile. The William Demant Group's position in 2013 among the strongest and most competitive players in the industry is in no small part thanks to the efforts of its employees.

Niels Jacobsen
President & CEO

KEY FIGURES AND FINANCIAL RATIOS – EUR**

	2012	2011	2010	2009	2008
INCOME STATEMENT, EUR MILLION					
Revenue	1,149	1,080	926	766	722
Gross profit	823	776	666	542	500
Research and development costs	88	85	83	77	72
EBITDA	258	261	222	180	163
Depreciation etc.	36	31	30	26	23
Operating profit (EBIT)	222	230	192	154	140
Net financial items	-18	-14	-16	-13	-19
Profit before tax	204	216	177	142	121
Profit for the year	155	161	133	107	92
BALANCE SHEET, EUR MILLION					
Net interest-bearing debt	242	207	251	211	256
Assets	1,176	1,025	910	620	525
Equity	544	443	327	175	71
OTHER KEY FIGURES, EUR MILLION					
Investment in property, plant and equipment, net	42	51	34	24	26
Cash flow from operating activities (CFFO)	171	186	111	128	111
Free cash flow	105	120	66	88	79
Employees (average)	8,025	7,392	6,318	5,674	5,383
FINANCIAL RATIOS					
Gross profit ratio	71.6%	71.8%	71.9%	70.8%	69.3%
EBITDA margin	22.4%	24.2%	24.0%	23.5%	22.6%
Profit margin (EBIT margin)	19.3%	21.3%	20.7%	20.2%	19.4%
Return on equity	31.8%	41.7%	49.5%	87.2%	162.9%
Equity ratio	46.2%	43.2%	36.0%	28.1%	13.6%
Earnings per share (EPS), EUR*	2.7	2.8	2.3	1.8	1.6
Cash flow per share (CFPS), EUR*	3.0	3.2	1.9	2.2	1.9
Free cash flow per share, EUR*	1.8	2.1	1.1	1.5	1.3
Dividend per share, EUR*	0	0	0	0	0
Equity value per share, EUR*	9.5	7.6	5.6	3.0	1.2
Price earnings (P/E)	24	23	24	29	19
Share price, EUR*	65	64	56	53	29
Market cap. adjusted for treasury shares, EUR million	3,675	3,672	3,240	3,069	1,705
Average number of shares on the market, million	57.02	58.24	58.35	58.31	58.77

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 purchase of treasury shares.

**Per share of DKK 1.*
***On the translation of key figures and financial ratios from Danish kroner to euro, Danmarks Nationalbank's rate of exchange at 28 December 2012 of 746.04 has been used for balance sheet items, and the average rate of exchange of 744.38 has been used for income statement and cash flow items.*

THE YEAR AT A GLANCE

In 2012, our Group recorded revenue growth of just over 6% and a 3% fall in operating profit (EBIT). We thus lived up to our most recent forecasts even if the development in 2012 did not quite match our usual performance. High comparative figures and unfavourable mixes of products and distribution channels have contributed to this development. Moreover, the market for hearing aids saw less favourable trends in many countries, due among other things to increased offerings of attractive products in the low-end and mid-priced segments. The moderate development in 2012 should also be viewed in the light of the substantial improvements in both revenue and earnings in the three preceding years. We have – despite the decline in operating profit (EBIT) in 2012 – nonetheless witnessed an increase in EBIT of 16% since 2010.

Consolidated sales in 2012 were positively affected by acquisitions and changes in exchange rates, each contributing by about 3% to growth, which, with moderate organic growth, resulted in revenue totalling DKK 8,555 million. Operating profit (EBIT) amounted to DKK 1,653 million, matching a profit margin of 19.3%, and earnings per share (EPS) amounted to DKK 20.2. The transition in autumn to consignment stock in the public hearing care services in Norway and our practice to recognise gains and losses on forward exchange contracts in revenue have adversely affected both our revenue and our operating profit (EBIT).

For 2012, the global unit growth rate in the hearing aid market is thought to have been 2-3%, and hearing aid sales are estimated at just over 10 million units. The general economic slowdown, a less attractive product mix, keener price competition as well as changes in structures and subsidies in a number of European markets resulted, however, in flat to slightly negative trends in revenue in our industry prior to a series of high-end launches at the end of 2012 and in early 2013.

Also in 2012, we succeeded in delivering unit growth in the wholesale of hearing aids that outmatched market growth. However, sales in terms of value did not see an equally positive development. Overall, our Hearing Devices business generated 5% revenue growth, which was driven by changes in foreign exchange rates and acquisitions. 2012 thus proved a bit more challenging than anticipated at the beginning of the year, and towards the end of 2012, we started to feel the need to revitalise our range of high-end hearing aids from Oticon.

With our launch of Oticon Alta in January 2013, Oticon is now well under way with the sale of its first hearing aid based on the new Inium platform, which has enabled an entirely new anti-feedback system and a wide range of other audiological features. Oticon Alta can to a larger extent than it has been possible with previous products be programmed to match the individual user's needs and requirements. Initial feedback from both hearing care professionals and users has been extremely positive, and also in the years to come, Oticon has high expectations of delivering the strongest audiological products based on the Inium platform.

Based on its introduction of the successful Chronos family in a RITE version (Receiver-In-The-Ear), Bernafon continued its sturdy growth in 2012, and the positive development in Sonic was supported by the launch of Flip, a RITE hearing aid, at the end of 2011. Towards year-end 2012, Sonic also introduced an entirely new product family called Bliss, which is available at two price points in the high-end categories.

Again in 2012, Oticon Medical generated substantial sales growth in all regions and continues to capture market shares. High reliability, an attractive and user-friendly design and unique audiological advantages have helped Oticon Medical, within a short period of time, to develop into a major player in its field. The introduction of a new and innovative implant system was also a crucial growth factor in 2012.

In 2012, Diagnostic Instruments generated satisfactory growth of just over 18% in local currencies, organic growth accounting for 2 percentage points. Acquired growth relates primarily to the distribution activities acquired in the USA and to the three diagnostic equipment manufacturers acquired in 2011 and 2012, i.e. Micromedical, MedRx and Sensory Devices. Over a number of years, Diagnostic Instruments has built a solid market position in most product categories and with its multi-brand strategy, it covers every major customer segment in all the important geographic regions.

Personal Communication recorded 5% growth in local currencies in 2012. The improvement in revenue is mainly due to fair growth in Sennheiser Communications, partially driven by the PC and mobile phone segments. In the same period, Phonic Ear and FrontRow recorded a slight improvement despite persisting difficult market conditions.

Market conditions

The hearing aid market in general

The market for hearing aids once again generated unit growth in 2012 despite the fact that the general economic slowdown, a less attractive product mix and intensified price competition are estimated to have caused the industry to experience a flat to slightly negative trend in revenue prior to the series of high-end launches towards the end of 2012 and in early 2013. However, we still believe that market growth drivers, such as the increasing elderly population, remain intact and that also in future, cyclical fluctuations will only marginally affect market trends.

US growth below historic average

With 3% unit growth in 2012, the rate of growth in the US market, the world's largest single market for hearing aids, was in the middle of our forecast for annual global growth of 2-4% and just slightly below the historical average for this market. Representing the public part of the US market, Veterans Affairs (VA) generated a growth rate of just over 3%, which is fractionally above the growth rate in the commercial part of the US market.

Slowdown in European growth

Following unit growth in Europe in 2011 that exceeded our expectations, 2012 saw some slowdown. A European unit growth rate of about 2% for the year is thus slightly below the historical market growth rate, which is among other things due to changes to the subsidy system in Switzerland and to some structural changes to public hearing care services in Norway. The general economic slowdown in southern Europe has also given rise to consumer caution, with the drop in spending causing sales to slowdown in Italy and France, among other countries. However, in our view the patterns of demand in Europe have not changed fundamentally, and for instance the German market has seen a unit growth rate matching the European market growth rate.

Stable growth in the UK

In the UK, both the National Health Service (NHS) and the commercial market saw fair unit growth of 5% in total in 2012, which exceeds the historical average. However, demand during the year was somewhat erratic because total UK sales – and thus growth – were to some degree affected by public purchasing, which follows a cyclical pattern, depending on when and how fast existing hearing aids are replaced.

Continuing growth in Japan

The Japanese market showed positive trends throughout 2012, delivering growth that surpassed our growth expectations of the global hearing aid market. The Japanese market still has a lower degree of penetration than the most developed hearing aid markets and therefore seems to hold a potential for future growth exceeding the global level.

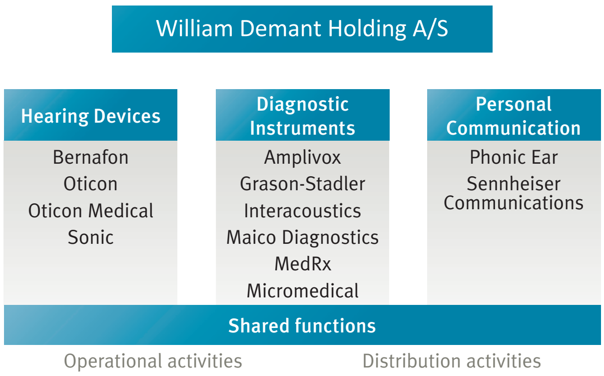
Global growth and price trends

We estimate that in 2012, global unit growth totalled 2-3%, with hearing aid sales estimated at just over 10 million units.

The above description of market conditions relates to the development in units and is partly based on available statistics from a number of main markets. The average selling price, on the other hand, is to a greater extent based on an estimate, since the information on market prices and product mixes is rather limited. In our estimation, the average selling price for 2012 dropped by 2-4%, a decline due not only to an attractive supply of mid-priced and low-end products, but also to mounting price competition during the periods immediately before a number of new high-end products were launched. Based on the estimated unit growth, we therefore believe that in terms of value, overall market growth has been flat or has declined slightly.

Focus on user needs

By continuously developing and delivering increasingly discreet and user-friendly solutions, hearing aid manufacturers considerably help to counter the stigmatisation that many hearing-impaired people see as the greatest impediment to investing in a hearing aid and thus alleviating their hearing loss. The cosmetic aspect is, however, only one prerequisite for meeting the goal of satisfying users. Above all, solutions must enable users to live an active life and interact effortlessly with others in social contexts regardless of age and skills. One of our industry's major challenges is thus to ensure proper fitting of the right hearing solutions for the user to get maximum joy and benefit from the hearing aid. Audiologists and hearing care professionals therefore play an increasingly vital role in relation to end-users, both before and after the fitting, and thus help to ensure that the user gets maximum benefit from the new hearing aid and its wireless accessories.



Hearing Devices

Continuously growing market share

In 2012, we generated unit growth just exceeding market growth. Changes in structure and subsidies in a number of European markets also had an adverse impact on the average selling price. In terms of value, however, consolidated revenue from our Hearing Devices business failed to develop equally favourably due to a fall in the average selling price driven by shifts in product mix and tougher price competition in several markets. The 2% growth in local currencies in the Hearing Devices business was driven by acquisitions. 2012 thus proved slightly more challenging than anticipated at the beginning of the year, and towards the end of 2012, we started to feel the need for a new high-end family from Oticon in order for us to be able to maintain our positive revenue growth.

Oticon's products and services

Despite challenging market conditions, Oticon's modest success in 2012 was thanks to a complete range of products based on the RISE 2 platform and continuous focus on providing our customers with the best conditions for selling solutions that match end-users' needs. The host of options for customised hearing solutions requires close collaboration between manufacturer and hearing care professional to ensure not only that the end-user gets the right solution, but also that the hearing aid is individually fitted for maximum benefit. Again in 2012, we made a great effort to design valuable tools for hearing care professionals, as also in future, their work will be key to making the most of the sophisticated technology offered by Oticon's hearing aids and thus to achieving end-user satisfaction.

Oticon's product launches

2012 saw the launch of Oticon Intiga[i], a so-called IIC hearing aid (Invisible-Inside-the-Canal). Generally speaking, our Group has a strong focus on solutions with clear audiological advantages that keep the mental capacity required for hearing and processing messages in difficult listening environments at a minimum, thereby freeing up energy for the user to be more active in a social context. In our opinion, the best audiology – and thus the best hearing aid – should ensure, all through the day, that the sound impressions created are as natural as possible and that users retain their sense of direction and spatial sense.

With the introduction of Oticon Alta in January 2013, we launched our first hearing aid based on the brand new Inium platform, which among other things offers twice the working memory of the previous platform. Based on this new processor, Oticon has introduced an entirely new anti-feedback system that will set new standards in our industry, and on the whole, Alta offers a number of audiological advantages that will considerably improve speech intelligibility in the most difficult listening environments. Alta can, to an even greater extent than it has been the case with previous products, be customised to match individual user needs and preferences, which will give an entirely new user experience. Not only will this make it much easier for new users to become accustomed to their hearing aids, but more experienced users will feel that they are better able to take active part in conversations in challenging listening environments and that they have more mental energy to live an active life. Overall, the launch of Alta is a big step towards our foremost goal, namely to enhance speech intelligibility so that users forget all about their challenges and can act on an equal footing with people with normal hearing. With Alta, Oticon has once again exploited its considerable audiological know-how to deliver tangible improvements that benefit people with impaired hearing.

At the launch of Oticon Alta in January, Oticon also launched its new generation of wireless accessories in the ConnectLine series, whose focal point is the new Streamer Pro, an accessory that uses highly power-efficient wireless technology based on magnetic induction in the communication between the Streamer and the hearing aid and uses the more power-consuming 2.4 GHz technology for streaming between units over longer distances. Our new Streamer Pro offers a new design, has a lower battery consumption and can be programmed according to the user's individual requirements. The new Streamer Pro can communicate with a very broad spectrum of Bluetooth units, and the possibilities for wireless connection have been expanded to include linking to FM transmitters, telecoils, IP telephony as well as a new and improved solution for landline phones.

A few weeks after its launch in January, Alta was available on all the Group's main markets, in all styles and at two price points. The initial feedback from dispensers and users has been extremely favourable, and Oticon has high expectations, when it comes to being able to deliver the market's strongest audiological products based on the Inium platform also in the years to come.

Continuous growth in Bernafon

Having introduced the successful Chronos family in a RITE version (Receiver-In-The-Ear), Bernafon continued its sturdy growth in 2012 and reinforced its business partner relations by offering a comprehensive and attractive product programme at competitive prices, resulting in an improved product mix. Bernafon will continue to build its product portfolio in 2013, gearing it for continuous growth and for capturing larger market shares in the segments where it operates.

Enhanced Sonic profile

Sonic, which joined the William Demant Group at the end of 2010, saw exciting development in 2012 and, under the slogan "Everyday Sounds Better", managed to enhance its profile, an improvement supported by the launch of the RITE hearing aid Flip at the end of 2011. Towards the end of 2012, Sonic introduced an all-new product family called Bliss, available at two price points in the high-end price range. Sonic's improved product programme and the various initiatives taken to attract the interest and gain the trust of both existing and new customers have paid off, resulting in Sonic once again generating growth in 2012. With further launches and the establishment of the Sonic brand on new markets, 2013 will be another exciting year for the company, which will continue to focus on being a dynamic and innovative business partner under stable ownership.

NHS and VA

Our collaboration with the NHS in the UK also developed positively in 2012, and even though the NHS expanded its network of suppliers in the most recent bidding round in 2010, we managed to increase our hearing aid sales to the NHS and thus remain its largest supplier. Sales to the VA in the USA saw slightly negative development in the past year, but we are hoping that our new product launches will reinforce our business relations with VA in 2013.

Retail activities

With both organic and acquired growth, Group retail activities saw overall favourable development in 2012. We generated healthy growth, particularly in the North American market, whereas a number of European markets developed less favourably. Compared to the general market growth in those countries where we operate, retailing trends were, however, fairly satisfactory in 2012.

Growth in Oticon Medical

Again in 2012, Oticon Medical saw solid sales growth in all regions and continues to capture market shares. High reliability, an attractive and user-friendly design and unique audiological advantages already found in Oticon's traditional hearing aids have rapidly made Oticon Medical a major player in the development, manufacture and sale of bone-anchored hearing solutions. The introduction of a new and innovative implant system that ensures better and quicker integration of the implant itself has been a vital growth factor in 2012. In the coming year, Oticon Medical will continue its close dialogue with surgeons and audiologists with a view to further simplifying the implementation and fitting processes and spreading awareness of bone-anchored hearing solutions, which currently have a rather low degree of penetration in many markets.

Diagnostic Instruments

A global market leader in audiological equipment, Diagnostic Instruments grew satisfactorily in 2012 by just over 18% in local currencies, with organic growth accounting for 2 percentage points. The acquired growth relates primarily to distribution activities acquired in the USA and to the three diagnostic equipment manufacturers acquired in 2011 and 2012, namely Micromedical, MedRx and Sensory Devices. The result of recent years' industry consolidation has limited the opportunities for future acquisitions. Consequently, we will focus on integrating and developing the companies already acquired and on continuing to generate organic growth in our entire Diagnostic Instruments business.

This business activity now consists of six audiometer companies: Grason-Stadler (USA), Amplivox (UK), Maico (Germany and the USA), MedRx (USA), Micromedical (USA) and Interacoustics (Denmark). Over a number of years, Diagnostic Instruments has built strong market positions in most product categories, and with its multi-brand strategy, it covers every major customer segment in all the important geographic regions.

In terms of value, the total global market for diagnostic equipment is estimated to have grown by 2% in 2012. Thus, the global macro-economic slowdown does not appear to have caused growth to stagnate or decline, although competition seems to have intensified.

Personal Communication

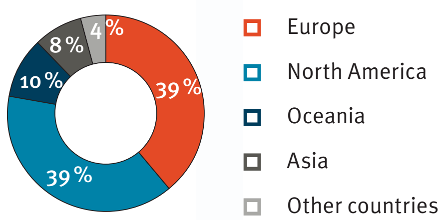
Personal Communication comprises Phonic Ear (including FrontRow), a manufacturer of assistive listening devices and wireless sound systems, and our joint venture Sennheiser Communications, a player in the market for both professional and private-user headsets in the PC, mobile phone and CC&O (Call Center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

In 2012, Personal Communication realised 5% growth in local currencies. This improvement in revenue is mainly due to fair growth in Sennheiser Communications and is partially driven by growth in the PC and mobile phone segments. In the same period, Phonic Ear and FrontRow recorded a slight improvement despite difficult market conditions.

Revenue by business activity

DKK million	2012	2011	Percentage change DKK	Percentage change Local currency
Hearing Devices	7,410	7,075	5%	2%
Diagnostic Instruments	844	686	23%	18%
Personal Communication	301	280	8%	5%
Total	**8,555**	**8,041**	**6%**	**3%**

Revenue by geographic region



Outlook for 2013

The introduction of Oticon's newest high-end product family, Oticon Alta, in January 2013 heralds a significant audiological improvement, which means greater advantages for users and dispensers alike. The cornerstone of Oticon Alta is the new Inium platform, which ushers in a new product generation for the Group's largest hearing aid brand. The first feedback from dispensers and end-users after the launch has been positive and supports us in our belief that we can generate growth and capture market share in the years to come – and thus also in 2013.

Despite Oticon Alta's qualities and market potential, we believe that the present outlook for the global hearing aid market – and thus for the Group – is subject to greater uncertainty than normally owing to a range of structural factors, including growth in markets and distribution channels with lower average selling prices. To this should be added further uncertainty due to changes in subsidy systems and government spending patterns in a number of countries. At the beginning of the year, it is therefore our best prediction that the global hearing aid market will record modest value growth in 2013.

Against this backdrop, organic growth in the Group's wholesale of hearing aids is expected to exceed market growth rates by 3-5 percentage points in local currencies in 2013, whereas our retail business is expected to deliver an organic growth rate on a par with the underlying market. Moreover, we expect Diagnostic Instruments to also capture market share organically in 2013 in a market that is anticipated to record low, single-digit growth. To this should be added the effect of any exchange rate impacts.

In 2013, corporate operating profit (EBIT) is expected to exceed the level realised in 2012.

The Group is expected to have an effective tax rate of approximately 25% in 2013, and investments are expected to hover at the 2012 level.

Also in 2013, we intend to buy treasury shares. To this end, we will continue to apply our share buyback programme to channel the Group's surplus cash flow back to the shareholders, and we aim to maintain the level of net interest-bearing debt at around DKK 1.5-2.0 billion. Buybacks will, in line with customary Group practice, be adjusted on a continuous basis to reflect the extent of acquisitions and investments.

SHAREHOLDER INFORMATION

Capital

At 31 December 2012, 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.

Having previously communicated its intention to maintain an ownership interest of 55-60% of William Demant Holding's share capital, *William Demants og Hustru Ida Emilies Fond* (the Oticon Foundation) has notified the Company that at 31 December 2012, the Foundation – directly or indirectly – held approximately 55% of the share capital. The Capital Group Companies, Inc. (including accounts whose portfolios are managed by the company and its direct or indirect subsidiaries) has announced that as of 3 September 2012, it holds more than 5% of the share capital in William Demant Holding A/S. Fidelity (FMR LLC, including its direct or indirect subsidiaries) announced on 31 July 2012 that as of that date, it had reduced its equity interest and now holds less than 5% of the share capital in William Demant Holding A/S.

About 40% 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 above 1% of the total share capital.

In 2012, the Company bought 979,367 treasury shares at a total price of DKK 497 million. In 2012, the Company has not carried out any capital increases. At year-end 2012, the Company thus held 1,688,237 treasury shares, corresponding to 2.9% of the share capital. At the coming annual general meeting, our Board of Directors will propose that the share capital be reduced by the number of treasury shares as at the general meeting date, 9 April 2013.

Share information

DKK	2012	2011	2010	2009	2008
Highest share price	597	495	480	396	478
Lowest share price	451	352	352	167	158
Share price, year-end	484	478	414	393	218
Market capitalisation*	27,419	27,397	24,173	22,894	12,718
Average no. of shares**	57.02	58.24	58.35	58.31	58.77
No. of shares at 31.12.**	56.66	57.64	58.35	58.35	58.31
Treasury shares at 31.12.***	1.688	0.709	0	0.606	0.641

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

Specification of movements in share capital

DKK 1,000	2012	2011	2010	2009	2008
Share capital at 1.1.	58,350	58,350	58,956	58,956	60,986
Capital increase	0	0	0	0	0
Capital reduction	0	0	-606	0	-2,030
Share capital at 31.12.	**58,350**	**58,350**	**58,350**	**58,956**	**58,956**

Powers relating to share capital

The shareholders in general meeting have authorised 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 authorisation is valid until 1 January 2016. For other purposes, the Directors have, 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 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 2012 financial year be retained. The Directors have 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 purchase of treasury shares. As mentioned earlier, we aim to keep our net interest-bearing debt at DKK 1.5-2.0 billion and expect to use future free cash flow (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 2012, there has been no such 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.

STEFAN INGILDSEN

SØREN B. ANDERSSON

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 2012, we held approximately 400 investor meetings and presentations. The Company also uses its website, www.demant.com, for communication with the share market.

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.

Company announcements in 2012

29 February	Annual Report 2011
14 March	Notice annual general meeting
11 April	Annual general meeting
10 May	Interim information, first quarter 2012
16 August	Interim Report 2012
7 November	Interim information, third quarter 2012
13 December	Financial calendar 2013

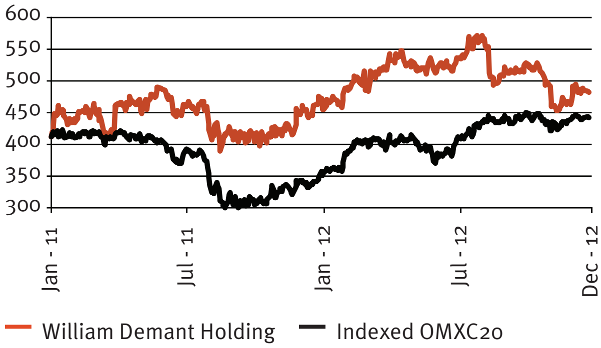
Financial calendar 2013

25 February	Deadline for submission of agenda items for the annual general meeting
26 February	Annual Report 2012
9 April	Annual general meeting
7 May	Interim information, first quarter 2013
14 August	Interim Report 2013
5 November	Interim information, third quarter 2013

Annual general meeting

The annual general meeting will be held on Tuesday, 9 April 2013, at 4 p.m. at the Company's head office Kongebakken 9, 2765 Smørum, Denmark.

Development in share price



CORPORATE SOCIAL RESPONSIBILITY

It is deeply rooted in our corporate culture to make exacting demands on ourselves and also to set high ethical standards in our business affairs. As a result, we find it natural to take on social and environmental challenges within our natural sphere of interest.

Our corporate social report and Global Compact

Our corporate social report is prepared in compliance with section 99 a of the *Danish Financial Statements Act*. This means that 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.

Companies that have signed the UN Global Compact and submit an annual Communication of Progress report automatically comply with the rules of law as long as their annual reports state where such information is published. Having joined the UN Global Compact in 2010, we handed in our first progress report for the 2010 reporting year in spring 2011, and in spring 2012, we submitted our second report for the reporting year 2011. Our latest report for the 2012 reporting year is available on Global Compact's website www.unglobalcompact.org/COP and on our website under *CSR, Downloads*: www.demant.com/downloadcsr.cfm.

In addition to ensuring our compliance with section 99 a of the *Danish Financial Statements Act*, the UN Global Compact serves as a recognised global framework tool for further systematising and reporting on our work with responsibility.

Our environmental awareness

As a means of measuring and recording our environmental footprint, we have also joined the Carbon Disclosure Project (CDP). We have submitted CDP reports on corporate CO_2 emissions and climate strategy since 2008. At the time of writing, there are no available data for the 2012 calendar year, but a look at the development from 2010 to 2011 reveals, according to our CDP reports, that emissions in the countries in which we manufacture our products have risen by a mere 4% compared to a rise in revenue of some 17%. CO_2 emissions per employee are calculated at 3.0 tonnes per year, which is low for a manufacturing company and indeed represents a fall of about 6% from 2010 to 2011.

Our social responsibility

To us, being responsible also means giving more than is necessarily expected of us or dictated by law. It is worth mentioning that each year, our majority shareholder, the Oticon Foundation, donates millions of Danish kroner for social, cultural and scientific purposes. In 2012, the Foundation donated about DKK 100 million of which DKK 58 million went to educational institutions and research projects in the audiological field as set forth in the objects clause of the deed of foundation concerning the alleviation of hearing loss.

A special project should be pointed out here: In 2012, the Oticon Foundation donated over DKK 36 million to the Technical University of Denmark to help the University set up a new research centre called the *Oticon Centre of Excellence for Hearing and Speech*. The Centre focuses mainly on cross-disciplinary basic research in audiology-related disciplines that address hearing problems in noisy environments, or in more popular terms the "cocktail party problem", i.e. those situations where people with hearing impairment have special challenges.

Our focus

Interest in our CSR effort has risen moderately in recent years and we expect this trend to continue. The positive value growth in the Company, for instance through the Oticon Foundation, will also in future continue to benefit society through donations.

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.

THE GLOBAL COMPACT

WE SUPPORT

CONSOLIDATED INCOME STATEMENT

(DKK million)	Note	2012	2011
Revenue	1	8,555	8,041
Production costs	2/3	-2,428	-2,264
Gross profit		**6,127**	**5,777**
Research and development costs	2/3	-652	-633
Distribution costs	2/3	-3,319	-2,959
Administrative expenses	2/3/4	-515	-482
Share of profit after tax, associates	10	12	6
Operating profit (EBIT)		**1,653**	**1,709**
Financial income	5	44	40
Financial expenses	5	-176	-143
Profit before tax		**1,521**	**1,606**
Tax on profit for the year	6	-370	-407
Profit for the year		**1,151**	**1,199**
Profit for the year attributable to:			
William Demant Holding A/S' shareholders		1,153	1,198
Minority interests		-2	1
		1,151	**1,199**
Earnings per share (EPS), DKK	7	20.2	20.6
Diluted earnings per share (DEPS), DKK	7	20.2	20.6

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2012	2011
Assets			
Goodwill		2,568	1,976
Patents and licences		47	44
Other intangible assets		33	35
Intangible assets	8	**2,648**	**2,055**
Land and buildings		686	672
Plant and machinery		159	132
Other plant, fixtures and operating equipment		259	250
Leasehold improvements		170	154
Prepayments and assets under construction		98	68
Property, plant and equipment	9	**1,372**	**1,276**
Investments in associates	10	278	96
Receivables from associates	10/15	124	83
Other investments	10/15	12	9
Other receivables	13/15	623	487
Deferred tax assets	11	268	278
Other non-current assets		**1,305**	**953**
Non-current assets		**5,325**	**4,284**
Inventories	12	1,014	1,082
Trade receivables	13/15	1,754	1,711
Receivables from associates	15	12	5
Income tax		88	46
Other receivables	13/15	142	140
Unrealised gains on financial contracts	15	31	0
Prepaid expenses		104	90
Cash	15	307	288
Current assets		**3,452**	**3,362**
Assets		**8,777**	**7,646**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	Note	2012	2011
Equity and liabilities			
Share capital		58	58
Other reserves		4,003	3,242
Equity attributable to William Demant Holding A/S' shareholders		4,061	3,300
Equity attributable to minority interests		-2	4
Equity		**4,059**	**3,304**
Interest-bearing debt	15	76	1.011
Deferred tax liabilities	11	148	113
Provisions	14	122	195
Other liabilities	16	136	190
Non-current liabilities		**482**	**1,509**
Interest-bearing debt	15	2,637	1,301
Trade payables	15	351	405
Income tax		54	45
Provisions	14	36	37
Other liabilities	16	936	746
Unrealised losses on financial contracts	15	26	127
Deferred income		196	172
Current liabilities		**4,236**	**2,833**
Liabilities		**4,718**	**4,342**
Equity and liabilities		**8,777**	**7,646**

The English text in this document is an unauthorised translation of the Danish original. In the event of any inconsistencies, the Danish version shall apply.

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Editing, design and production:
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WE SUPPORT

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