SUMMARY OF ANNUAL REPORT 2013

William Demant

BUILDING A UNIQUE POSITION IN HEARING HEALTHCARE

Dear reader,

With Oticon's introduction of a new technological platform, Inium, in early 2013 and also the launch of a new Premium family called Oticon Alta, our largest hearing aid brand embarked on a new journey offering not only a new platform, but also a new product portfolio, both of which generated renewed momentum for the Group. Alta became an important growth driver in 2013, and we succeeded in substantially increasing our market share in the Premium segment of the market. Now at the beginning of 2014, Oticon has almost completed the renewal of its entire product portfolio with the launch of new Inium-based hearing instrument families in basically all product segments and at all price points. Also, both Bernafon and Sonic now benefit from having updated product portfolios. The second half of 2013 turned out to be what is probably the busiest launch period the Group has ever had. Thus, 2013 proved to be an important turning point for the Group after a difficult 2012 where we suffered under a partly outdated product portfolio and tough comparative figures. 2014 is expected to be another good year for the Group, as all our business activities are well-positioned for further growth.

"Our Group is now the company in the world with the strongest offering of hearing solutions and equipment for the measurement and treatment of hearing loss"

To enhance our hearing healthcare activities, we decided to enter the cochlear implant market by acquiring the French manufacturer Neurelec in 2013. This is a major milestone for the Group, as this acquisition has significantly cemented our position as one of the world's strongest hearing healthcare companies. Our main ambition is to have the industry's broadest and deepest product offering that covers all aspects of hearing care; is based on true innovation; is delivered to customers and end-users through a multi-brand approach and is backed by a comprehensive global distribution set-up and efficient shared services.

By acquiring Neurelec, we got access to know-how, skills, technologies and a strong platform for fully implantable hearing solutions in a market segment characterised by significant, long-term growth potential. The decision to acquire Neurelec was the natural continuation of our successful efforts in bone-anchored hearing systems – an area in which we have, within a few years, captured more than a quarter of the world market.

However, the size of our investment in Neurelec, which amounted to DKK 428 million, does not really reflect the actual strategic importance of this acquisition to the Group as a whole. With a global market share of just 2% at the time of acquisition, we are obviously not a market leader in the field of cochlear implants, but we now have a solid platform to grow from, so in the longer run, the clear goal is to become one of the leading players in cochlear implants. The fact that we now have the potential to benefit from the solid growth rates to be found in the cochlear implant field in the next many years and thus to significantly outgrow the cochlear implant market will strengthen the Group's overall growth profile, but will, not surprisingly, dilute our profitability at the beginning. Over time, Neurelec is however expected to generate a profit ratio which will at least be on a par with the profitability ratio delivered by the Group's other business activities.

All in all, the three major business areas, i.e. traditional hearing aids, implantable devices and diagnostic instruments, complement each other in the best possible way. Our Group is now the company in the world with the strongest offering of hearing solutions and equipment for the measurement and treatment of hearing loss. The Group thus has a unique position in terms of alleviation of all kinds of hearing losses.

Over time, we expect to harvest significant synergies from this unique position, especially in research and development, but also in areas such as manufacturing and global wholesale distribution, and also from cross-selling between our business activities. Overall, we feel that we are in a strong position to meet our long-term strategic ambition. Also, we have gained a strong foothold in a number of markets, when it comes to fitting hearing instruments through our own network of hearing clinics.

In general, it is important to acknowledge that with a somewhat weak growth outlook for the traditional hearing instrument market, if measured in value, we have in part redirected our investment focus and investment capacity towards other areas within hearing healthcare. Obvious examples are our entry into the markets for bone-anchored hearing systems (BAHS) and cochlear implants (CI), respectively, under the Oticon Medical umbrella. Our decision to continue to acquire distribution activities and our ongoing focus on innovation and end-user benefits are other examples of how we keep investing in future growth opportunities despite the fact that these activities have a margin-dilutive impact in the short to mid term. This is particularly true for BAHS and CI where the major part of our total investment in future growth is recognised and expensed as research and development and marketing costs in the income statement as opposed to investments in fully established companies with dominant market positions and substantial market shares.

To support the Group's top-line growth and to ensure a continuously high level of profitability, we have based our future global business model on a clear structure: The sales organisation focuses on sales, and shared services centres deliver all back-office services, such as IT, HR and Finance, as well as Production, Supply Chain and Quality. To that end, we established DGS in early 2013 as the new identity for the internal shared services organisation with a view to ensuring a dedi-

cated effort towards consolidating back-office functions across Group companies and optimising our global supply chain. The vision of DGS is to support the William Demant Group's international brands and businesses through superior shared services, cost efficiency and customer insight. Our DGS set-up and the philosophy behind it will ensure higher flexibility when we acquire new businesses and also facilitate the availability of more specialised competencies when needed.

Establishing DGS is a continuation of the efficiency efforts made in previous years and a natural part of our cost-conscious corporate culture. Examples of our current and most recent DGS activities are many: Expanding our production and distribution set-up in Poland; streamlining our global supply chain; offering ITE production and repair services to our European distribution companies; upgrading our global IT business infrastructure; expanding the number of local and regional DGS functions etc.

For the past two decades, basically all William Demant businesses have gained significant market shares, first and foremost achieved through innovation and effective execution and fuelled further by a selective acquisition strategy. Combined with continuous, high investments in research and development and global distribution, our multi-brand strategy is the right medicine to counterbalance the impact of increasingly fierce competition in the traditional hearing instrument market. Admittedly, this part of the market has been rather challenging in the last couple of years. Nevertheless, we have clearly demonstrated in the last few technology cycles that with dedicated focus on innovation, sound quality, speech understanding and customer orientation, it is indeed possible to outperform the market.

Another good example of our commitment to innovation and to meeting end-user needs is Oticon joining Apple's Made for iPhone programme in spring 2014 with Oticon's first Made for iPhone (MFi) connectivity solution for hearing instruments. In order to ensure that as many end-users as possible will be able to benefit from Oticon's MFi solution, availability will not be restricted to specific price segments. In fact, Oticon's MFi solution will be available for all existing and future users of Oticon's ConnectLine instruments across the price spectrum, including an installed base of around two million current users of Oticon hearing instruments. Based on 2.4 GHz wireless technology, our new MFi solution enables iPhone remote control of Oticon's ConnectLine hearing instruments, without compromising the audiological benefits and low power consumption that are indeed the hallmarks of Oticon's hearing instruments.

With the Group's entry in 2013 into the market for fully implantable devices and given the fact that – in all aspects of hearing healthcare – we now already have either a strong market position or a promising platform to grow from, we have obtained a very unique position in the market. In my view, this is a privilege, so it is our obligation to make sure that we get the most out of it.

Finally, I would like to take this opportunity to thank all our dedicated and talented employees around the world for their performance and solid contribution to the results achieved in 2013. The right employees and their various skills are essential in order for us to fulfil our high ambitions – both in 2014 and in the years to come.

Niels Jacobsen
President & CEO

HIGHLIGHTS 2013 AND OUTLOOK 2014

Market conditions and business trends

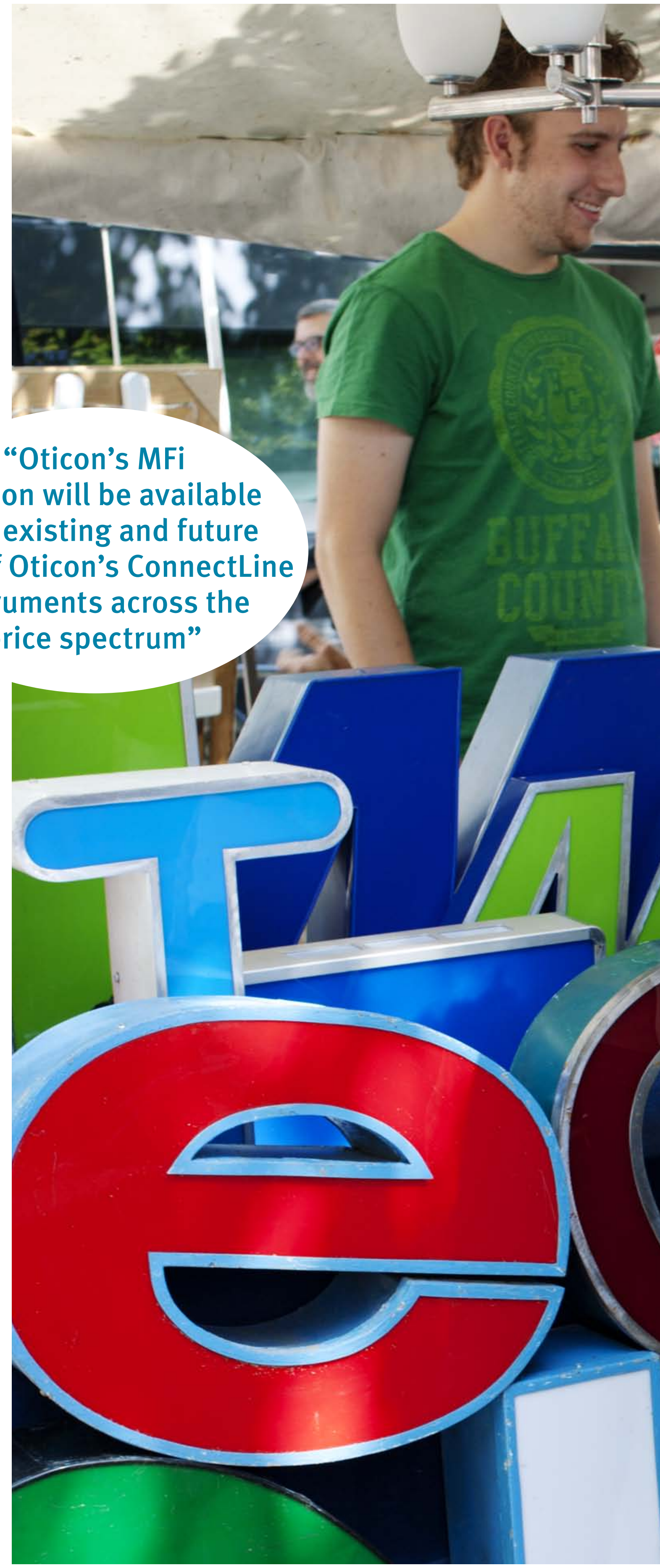
In 2013, the global demand for hearing aids again proved to be stable, and the industry saw positive volume growth rates slightly exceeding our normal expectations of 2-4% volume growth. In our estimation, the average selling price on the market for hearing aids declined by approximately the same percentage as volumes increased in 2013, primarily due to changes in channel mix and reimbursement systems. The high demand by the NHS (National Health Service) in the UK and the changes to hearing healthcare systems in Denmark and the Netherlands clearly had a negative impact on average wholesale prices. In terms of value, the overall market growth rate in 2013 was, in our estimation, flat.

Our core business – the development, manufacture and wholesale of hearing aids – realised an organic growth rate of 3%, thereby exceeding the market growth rate by approximately 3 percentage points. This development can be attributed to a strong product offering. Due to our relatively strong po-sitions in Denmark and the Netherlands, the structural changes in these two markets had a noticeably adverse effect on organic growth of DKK 120-140 million in total. If we disregard these two markets, our organic growth rate in the wholesale of hearing aids did in fact exceed 5%. Our market share with Veterans Affairs (VA) dropped in 2013, and we have not managed to benefit from the high growth rates in this channel in the reporting year.

With the introduction of the Premium product Oticon Alta in January 2013, Oticon launched its first hearing instrument based on the new Inium platform. A few weeks after its launch, Alta was available in all styles on all the Group's main markets. The substantial improvements in Alta compared with previous Premium instruments, such as twice the working memory, a significantly improved anti-feedback system and a unique customisation tool, resulted in very positive responses from both end-users and dispensers. Alta became an important growth driver in 2013, and we succeeded in substantially increasing our market share in the Premium segment.

Our practice of launching products in only one price category at a time meant that for the first three quarters of the year, Oticon's product portfolio consisted of ageing mid-priced products. However, with the launch of the mid-priced product Oticon Nera at the end of the third quarter of 2013, we have strengthened our product portfolio significantly. The introduction of Oticon Ria in the Essential category in February 2014 completes the roll-out of the Inium platform in all three Performance categories.

In spring 2014, Oticon will join Apple's Made for iPhone programme with Oticon's first Made for iPhone (MFi) connectivity solution for hearing aids. In order to ensure that as many end-users as possible will be able to benefit from Oticon's MFi solution, availability will not be restricted to specific price segments.



"Oticon's MFi solution will be available to all existing and future users of Oticon's ConnectLine instruments across the price spectrum"

In fact, Oticon's MFi solution will be available to all existing and future users of Oticon's ConnectLine instruments across the price spectrum, including an installed base of around two million current users of wireless Oticon hearing instruments. Based on 2.4 GHz wireless technology, our new MFi solution enables iPhone remote control of Oticon's ConnectLine hearing instruments, without compromising the audiological benefits and low power consumption that are indeed the hallmarks of Oticon's hearing instruments. The controllable functions include program choice, volume control etc. and this is a clear signal that we are further exploiting the potential benefits to be derived from the new wireless technologies.

For Bernafon, growth in 2013 was driven by important product introductions of particularly the high-end instruments called Acriva 9/7 in April and the mid-priced instruments called Carista 5/3 in September. Bernafon's now very strong product offering must in 2014 be used to attract, among others, new large-volume customers in more markets, such as retail chains and purchase groups, and also for government tenders.

In 2013, Sonic continued the positive trend of re-establishing itself as a viable brand with new interesting product concepts based on new technology. A completely reshaped business, today's Sonic is in stark contrast to the business that joined the William Demant Group at the end of 2010. Sonic saw fair growth in 2013 and is expected to continue its growth path in 2014.

In the period under review, development in our corporate retail activities was in line with development on the markets where we operate. A few markets, such as Australia and the Netherlands, saw negative growth rates, which of course impacted our ability to grow. However, in overall terms 2013 was a fairly satisfactory year for our retail activities.

With the acquisition of the French manufacturer of cochlear implants (CI), Neurelec SA, the William Demant Group has taken a crucial step towards becoming a full-line hearing implant manufacturer and thus a true hearing healthcare company, offering a full range of hearing solutions. Since the acquisition in April 2013, sales have been in tune with the initial plans made. The BAHS (bone-anchored hearing systems) business of Oticon Medical saw satisfactory growth in 2013 and once again captured market shares. We saw the rapid penetration of the introduced tissue preservation surgical techniques, and surgeons have been quick to adapt to these new methods. On 1 November, the new wireless Ponto Plus sound processor family based on the Oticon Inium platform was released for sale.

Diagnostic Instruments, a global market leader in diagnostic equipment, grew satisfactorily in 2013 by 8% in local currencies. Half of this growth was driven by the acquisition of mainly SIDs (Special Instrument Distributors) in the USA. The total global market for diagnostic equipment is estimated to have grown by 3-4% in 2013, and Diagnostic Instruments has increased its market share due to a combination of organic and acquisitive growth. We will continue to look for new acquisition opportunities, but we will first and foremost focus on integrating and developing the companies already acquired. The multiple product introductions by Maico, Grason-Stadler and Interacoustics in autumn 2013 have further strengthened our competitiveness and will be among the drivers of continued growth in 2014.

In 2013, Personal Communication realised a satisfactory 28% growth rate in local currencies. This growth was to a large extent driven by strong organic growth in Sennheiser Communications, especially in the CC&O segment driven by Unified Communication (UC).

Financial review

In 2013, consolidated revenue totalled DKK 9,209 million, matching a growth rate of 10% in local currencies, with organic growth accounting for more than 3 percentage points. The effect of changes in exchange rates on revenue was -2%.

In 2013, consolidated gross profit rose by 9% to DKK 6,672 million. The consolidated gross profit margin of 72.5% re-

presents a rise of 0.9 percentage point compared with 2012. Consolidated operating profit (EBIT) rose by 8% to DKK 1,784 million. This improvement was first and foremost due to solid growth in our gross profit, even if this growth was dampened by deteriorating sales in Denmark and the Netherlands. Our profit margin was 19.4%, corresponding to an increase of 0.1 percentage point. When considering the significant dilutive effect of acquisitions, such as Neurelec and various distribution networks, and also the changes to reimbursement systems in Denmark and the Netherlands, we find our profit margin satisfactory. For the first time ever, our EBITDA exceeded DKK 2 billion, and our net profit and earnings per share (EPS) went up by as much as 14% each for the full year 2013 and by 23% for the second half-year 2013.

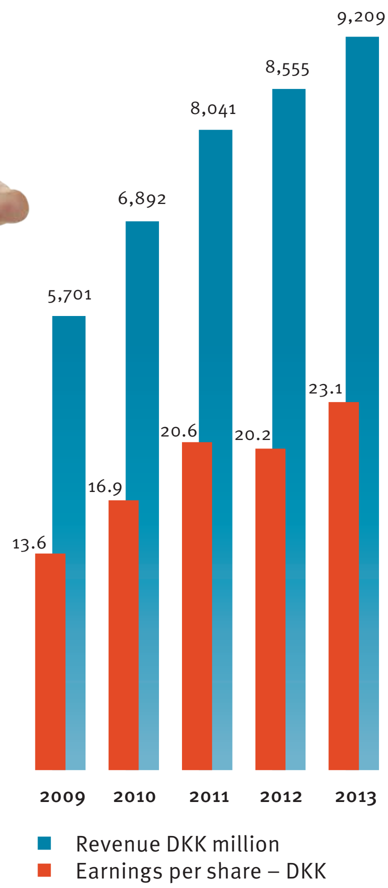
Consolidated cash flow from operating activities (CFFO) increased by 4% to DKK 1,320 million in 2013, equivalent to a high cash conversion ratio of 74%, or the ratio of cash flow from operating activities to operating profit (CFFO/EBIT). The free cash flow grew by 9%, amounting to DKK 851 million, an increase of DKK 69 million compared with 2012.

Other matters

In 2013, the Company bought back 201,525 shares at a total price of DKK 101 million. In addition, we have year-to-date bought back 235,435 shares at a total price of DKK 120 million. Our total holding of treasury shares at 27 February 2014 is 436,960.

In 2013, our Board of Directors decided to raise the target for the Group's net interest-bearing debt to a range of DKK 2.0-2.5 billion from previously DKK 1.5-2.0 billion. The consolidated net interest-bearing debt rose by DKK 445 million, amounting to DKK 2,249 million at the end of 2013. This rise can be attributed to acquisitions.

Member of the Board of Directors, Thomas Hofman-Bang, has taken up the position as CEO and Senior Partner of KPMG in Denmark and has chosen not to stand for re-election. The Board of Directors therefore proposes that Benedikte Leroy, VP and EMEA General Counsel of Dell Computer Corporation, be elected at the coming annual general meeting on 9 April 2014.



The Group's implementation of new IFRS accounting standards eliminates the option of proportionate consolidation of joint ventures from 1 January 2014, which in particular will affect the consolidation of the Group's 50% investment in Sennheiser Communications. If these changes had been implemented already in the previous year, we would in 2013 have seen a reduction in consolidated revenue of DKK 250 million and a decrease in gross profit and operating profit (EBIT) of DKK 128 million and DKK 17 million, respectively. However, there would have been no impact on the Group's net result.

"The Group holds a unique and very strong position, which we believe can be further strengthened in the years to come"

Outlook for 2014

In the global hearing healthcare market, the Group holds a unique and very strong position, which we believe can be further strengthened in the years to come. At the same time, we as a Group are exposed to obvious uncertainties and challenges, including channel mix changes, price competition, short- to mid-term margin dilution from acquired dis-tribution activities and the establishment of future growth platforms like our investment in cochlear implants. The structure and contents of the Group's outlook for 2014 are in essence a reflection of this balance.

In 2014, we expect to continue to deliver growth in all of our business activities. As far as wholesale of hearing instruments is concerned, our growth will mainly be driven by fully updated and very competitive product portfolios combined with the ongoing conversion to Group-manufactured products in acquired distribution activities. For Oticon, growth will be backed by the Inium platform and further supported by Oticon joining Apple's Made for iPhone programme in spring 2014, resulting in Oticon's first Made for iPhone connectivity solution for wireless hearing instruments.

Acquisitions are expected to contribute by 3-4% to Group revenue in 2014, mainly driven by acquisitions made in 2013. Based on foreign exchange levels in late February, more than half of the positive impact from acquisitions will be offset by changes in exchange rates.

In consideration of a weakened set of invoicing currencies as well as gains from our hedging activities, exchange rates are expected to negatively affect the Group's operating profit (EBIT) in 2014 by around DKK 100 million compared with 2013.

In 2013, the Group once again generated a strong cash flow, reflected in a cash conversion ratio (CFFO/EBIT) of 74%. Also in 2014, we expect to deliver a high cash conversion ratio. Keeping in mind that our near-term acquisition opportunities are rather limited and that our net interest-bearing debt target is DKK 2.0-2.5 billion, we expect to be able to buy back Company shares worth more than DKK 500 million in 2014. In order to maintain a high level of flexibility, this level of share buy-back is subject to change, should additional attractive acquisition opportunities present themselves.

All in all, the Group will continue to deliver growth in earnings in 2014. Following a 14% growth rate in the Group's net profit and earnings per share (EPS) in 2013, we expect to see growth in EPS of 5-10% in 2014.

SHAREHOLDER INFORMATION

Capital

At 31 December 2013, 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 2013, the Foundation – directly or indirectly – held approximately 56% of the share capital. 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. (including accounts whose portfolios are managed by the company and its direct or indirect subsidiaries) holds more than 5% of the share capital in William Demant Holding A/S.

About 30% of the Group's employees are shareholders in the Company. All members of the Board and the Executive Board are shareholders in the Company. Shares held by employees and by members of the Board and the Executive Board account for just over 1% of the total share capital. In 2013, the Company bought back 201,525 shares at a total price of DKK 101 million.

As a result of a decision made by the general meeting, the Company cancelled its entire holding of treasury shares in the first half of 2013. The capital was reduced by nominally DKK 1,688,237 or as many treasury shares.

Share information

DKK	2013	2012	2011	2010	2009
Highest share price	544	597	495	480	396
Lowest share price	444	451	352	352	167
Share price, year-end	527	484	478	414	393
Market capitalisation*	29,754	27,419	27,397	24,173	22,894
Average no. of shares**	56.62	57.02	58.24	58.35	58.31
No. of shares at 31.12.**	56.46	56.66	57.64	58.35	58.35
Treasury shares at 31.12.***	0.202	1.688	0.709	0	0.606

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

Specification of movements in share capital

DKK 1,000	2013	2012	2011	2010	2009
Share capital at 1.1.	58,350	58,350	58,350	58,956	58,956
Capital increase	0	0	0	0	0
Capital reduction	-1,688	0	0	-606	0
Share capital at 31.12.	**56,662**	**58,350**	**58,350**	**58,350**	**58,956**

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 regulation 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, the Board of Directors has been authorised to have the Company 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 OMX Copenhagen.

Dividend

At the general meeting, the Board of Directors will, as in prior years, propose that all profits for the 2013 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 keep our net interest-bearing debt at DKK 2.0-2.5 billion and expect to use future free cash flows (with the deduction of acquisitions) for the buy-back of shares.

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 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 IR stakeholders. In 2013, we held approximately 420 investor meetings and presentations. The Company also uses its website, www.demant.com, for communication with the share market. At the end of 2013, 30 equity analysts were covering William Demant Holding.

Investors and analysts may also 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.

Stefan Ingildsen

Søren B. Andersson

Rasmus Sørensen

Company announcements in 2013

26 February	Annual Report 2012
11 March	Notice annual general meeting
2 April	Acquisition of Neurelec
9 April	Annual general meeting
7 May	Interim information, first quarter 2013
15 May	Capital reduction
16 August	Interim Report 2013
5 November	Interim information, third quarter 2013
18 December	Financial calendar 2014

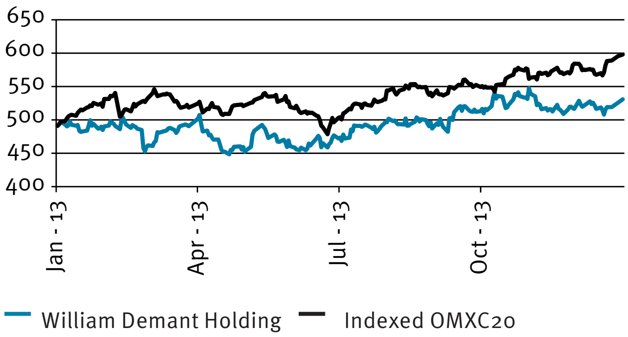
Financial calendar 2014

25 February	Deadline for submission of items for the agenda of the annual general meeting
27 February	Annual Report 2013
9 April	Annual general meeting
8 May	Interim information, first quarter 2014
14 August	Interim Report 2014
13 November	Interim information, third quarter 2014

Annual general meeting

The annual general meeting will be held on Wednesday, 9 April 2014, at 4 p.m. at the Company's head office Kongebakken 9, 2765 Smørum, Denmark.

Development in share price



CORPORATE SOCIAL RESPONSIBILITY

Deeply rooted in our corporate culture is an ongoing effort to meet the social and environmental responsibilities within our sphere of influence. The ethics we live by – and indeed require our business partners to live up to – and our integrity 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 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.

Report on corporate social responsibility

Our corporate social responsibility report is prepared in compliance with section 99 a of the Danish Financial Statements Act according to which we are accountable for our social activities and obliged to publicise our business strategies and activities, in such areas as human and labour rights, environmental protection, anti-corruption and climate.

By signing the UN Global Compact and by submitting annual Communication of Progress reports, we comply with the rules of law as long as our annual report states where information on corporate social responsibility is published. The advantages of joining the UN Global Compact are twofold: The progress report ensures our compliance with section 99 a of the Danish Financial Statements Act, and the UN Global Compact serves as a recognised global framework for further systematising and publicising our work with responsibility.

Having joined the UN Global Compact in 2010, we submitted our first progress report for the 2010 reporting year in spring 2011, and we have now published our fourth report covering the reporting year 2013.

All reports, including the latest report for the 2013 reporting year, are available on the UN Global Compact website, www.unglobalcompact.org/COP, and on our website under *CSR, Downloads:* www.demant.com/downloadcsr.cfm.

Environmental awareness

In 2008, we joined the Carbon Disclosure Project (CDP), providing us with a means of measuring and recording our environmental footprint, and each 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 2013 calendar year, but a look at the development from 2011 to 2012 reveals, according to our CDP reports, that emissions in the countries in which we manufacture our products have risen by 3.7% compared to a rise in revenue of 6.4%. CO_2 emissions per employee are calculated at 3.16 tonnes per year, which is low for a manufacturing company, even if emissions rose by 3.7% from 2011 to 2012.

In every possible way, we aim to act responsibly when it comes to environmental awareness. A concrete example of this is a packaging project we have carried out on the substantial NHS market (National Health Service) in the UK where we have succeeded in reducing the consumption of paper for instruction materials by a whopping 70-75%. The paper we use is recyclable and now certified by the Forest Stewardship Council (FSC), and we have replaced plastic boxes by paper boxes.

Social responsibility

To us, acting responsibly means meeting certain principles and always complying with local legislation. However, it also means doing more than what is required by law. In this context, we find it relevant to mention that our majority shareholder, the Oticon Foundation, awarded over DKK 90 million for social, cultural and scientific causes in 2013. The primary focus of the Foundation, according to its deed, is to support measures for the alleviation of hearing loss. In 2013, the Foundation thus donated DKK 76 million for educational causes and research projects within the audiological field.

In this connection, we would like to point out a special project: Funded by the Oticon Foundation with just over DKK 6 million, a new research group based at the Technical University of Denmark (DTU) was established in 2013. The purpose of the group is to do research into the hearing diagnostic field. The project is – in popular terms – the "missing link" between the DTU and Oticon, which already have a close cooperation through the Centre for Applied Hearing Research (CAHR), the Centre for Acoustics and Micro Mechanics (CAMM) and the Oticon Centre of Excellence – all heavily funded by grants from the Oticon Foundation. Thus, the new diagnostic research group is a natural addition to the applied and basic research conducted by CAHR and the Oticon Centre of Excellence in the field of audiology.

New rules for female board members and managers

On 1 April 2013, new rules for the gender-specific composition of top management in all large Danish companies became effective. The new rules aim to ensure that the proportion of women in managerial positions in large companies is increased significantly in the coming years.

The new rules oblige the companies to set a target for the representation of the under-represented gender on the company's board and to set a deadline for achievement of such 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; please refer to section 99 b (1) of the Danish Financial Statements Act.

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. On publication of this Annual Report, the Board reassessed the target set, but found no reason to change it.

As far as the number of female managers at the Group's other management levels is concerned, corporate companies focus on furthering the number of women in managerial positions, and the trend is positive. Thus, over the last five years the total ratio of female managers has risen from 11% in 2009 to 18% in 2013. In senior management, the percentage has doubled from 7% to 14%.

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.

Initiatives in 2013
At the end of 2013, concrete initiatives supporting the policy were decided upon.

One initiative is about taking a "talent management approach" with a view to furthering gender distribution and female advancement. The outcome of this new approach will be greater focus for managers on guiding and nudging female talents towards pursuing opportunities for promotion.

With regard to the external recruitment process 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. In job advertisements and in our general employer branding material, we will further balance the tone of voice between "male" and "female" connotations in our communication, ensuring the use of female employees in employer branding visuals. Also, when cooperating with external recruiting agencies, we require qualified female candidates in the second round.

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

KEY FIGURES AND FINANCIAL RATIOS – EUR**

	2013	2012	2011	2010	2009
INCOME STATEMENT, EUR MILLION					
Revenue	1,235	1,147	1,078	924	764
Gross profit	895	822	775	665	541
Research and development costs	89	87	85	83	77
EBITDA	279	257	260	222	180
Amortisation and depreciation etc.	40	36	31	30	26
Operating profit (EBIT)	239	222	229	192	154
Net financial items	-10	-18	-14	-15	-13
Profit before tax	230	204	215	176	141
Profit for the year	176	154	161	133	107
BALANCE SHEET, EUR MILLION					
Net interest-bearing debt	301	242	207	251	211
Assets	1,388	1,176	1,025	910	620
Equity	681	544	443	327	175
OTHER KEY FIGURES, EUR MILLION					
Investment in property, plant and equipment, net	53	42	51	34	24
Cash flow from operating activities (CFFO)	177	171	185	111	127
Free cash flow	114	105	120	66	88
Average number of employees	9,120	8,025	7,392	6,318	5,674
FINANCIAL RATIOS					
Gross profit ratio	72.5%	71.6%	71.8%	71.9%	70.8%
EBITDA margin	22.6%	22.4%	24.2%	24.0%	23.5%
Profit margin (EBIT margin)	19.4%	19.3%	21.3%	20.7%	20.2%
Return on equity	28.5%	31.8%	41.7%	49.5%	87.2%
Equity ratio	49.0%	46.2%	43.2%	36.0%	28.1%
Earnings per share (EPS), EUR*	3.1	2.7	2.8	2.3	1.8
Cash flow per share (CFPS), EUR*	3.1	3.0	3.2	1.9	2.2
Free cash flow per share, EUR*	2.0	1.8	2.1	1.1	1.5
Dividend per share, EUR*	0	0	0	0	0
Equity value per share, EUR*	12.0	9.5	7.6	5.6	3.0
Price earnings (P/E)	23	24	23	24	29
Share price, EUR*	71	65	64	56	53
Market cap. adjusted for treasury shares, EUR million	3,988	3,675	3,672	3,240	3,069
Average number of shares outstanding, million	56.62	57.02	58.24	58.35	58.31

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.

**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 30 December 2013 of 746.03 has been used for balance sheet items, and the average rate of exchange of 745.80 has been used for income statement and cash flow items.*

CONSOLIDATED INCOME STATEMENT

(DKK million)	2013	2012
Revenue	9,209	8,555
Production costs	-2,537	-2,428
Gross profit	**6,672**	**6,127**
Research and development costs	-664	-652
Distribution costs	-3,673	-3,311
Administrative expenses	-551	-523
Share of profit after tax, associates	0	12
Operating profit (EBIT)	**1,784**	**1,653**
Financial income	52	44
Financial expenses	-124	-176
Profit before tax	**1,712**	**1,521**
Tax on profit for the year	-401	-370
Profit for the year	**1,311**	**1,151**
Profit for the year attributable to:		
William Demant Holding A/S' shareholders	1,310	1,153
Minority interests	1	-2
	1,311	**1,151**
Earnings per share (EPS), DKK	23.1	20.2
Diluted earnings per share (DEPS), DKK	23.1	20.2

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER

(DKK million)	2013	2012
ASSETS		
Goodwill	3,548	2,568
Patents and licences	35	47
Other intangible assets	35	33
Intangible assets	**3,618**	**2,648**
Land and buildings	651	686
Plant and machinery	176	159
Other plant, fixtures and operating equipment	289	259
Leasehold improvements	173	170
Prepayments and assets under construction	207	98
Property, plant and equipment	**1,496**	**1,372**
Investments in associates	424	278
Receivables from associates	151	124
Other investments	11	12
Other receivables	566	623
Deferred tax assets	267	268
Other non-current assets	**1,419**	**1,305**
Non-current assets	**6,533**	**5,325**
Inventories	1,147	1,014
Trade receivables	1,881	1,754
Receivables from associates	3	12
Income tax	66	88
Other receivables	211	142
Unrealised gains on financial contracts	45	31
Prepaid expenses	108	104
Cash	363	307
Current assets	**3,824**	**3,452**
Assets	**10,357**	**8,777**

EQUITY AND LIABILITIES		
Share capital	57	58
Other reserves	5,024	4,003
Equity attributable to William Demant Holding A/S' shareholders	5,081	4,061
Equity attributable to minority interests	-1	-2
Equity	**5,080**	**4,059**
Interest-bearing debt	81	76
Deferred tax liabilities	146	148
Provisions	132	121
Other liabilities	221	136
Deferred income	34	1
Non-current liabilities	**614**	**482**
Interest-bearing debt	3,112	2,637
Trade payables	367	351
Income tax	65	54
Provisions	16	36
Other liabilities	899	936
Unrealised losses on financial contracts	11	26
Deferred income	193	196
Current liabilities	**4,663**	**4,236**
Liabilities	**5,277**	**4,718**
Equity and liabilities	**10,357**	**8,777**

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, Diagnostic Instruments and Personal Communication.

The Group operates in a **global market** with own companies in more than 25 countries, a total staff of over 9,000 employees and revenue of over **DKK 9 billion.**

The front cover shows images from Oticon's Speech Guard E technology film. Speech Guard E, which is available in Oticon's Premium hearing solutions, Alta, Alta Pro and Sensei Pro, preserves the natural characteristics of each voice and makes it easier for the user to intuitively engage in conversations.

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