

Company announcement no 2016-02

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Publication of Annual Report 2015**William Demant delivers solid growth in both revenue and earnings****Organic growth of 8% in wholesale of hearing aids in second half-year****Oticon will launch the first-ever dual-radio hearing aid in late second quarter**

This announcement includes the highlights from the Annual Report 2015:

- Consolidated revenue totalled DKK 10,665 million, matching a growth rate of 14% or 7% in local currencies of which organic growth accounted for more than half.
- Driven by the successful launch of Oticon's Inium Sense platform, the Group saw an 8% organic growth rate in the wholesale of hearing aids in the second half-year, thereby exceeding the market growth rate.
- The reported operating profit (EBIT) increased by 7% to DKK 1,878 million. The underlying profit increased by 8%, corresponding to an EBIT margin of 19.4% or an increase of 0.5 percentage point.
- Cash flow from operating activities (CFFO) increased by 6% to DKK 1,592 million, corresponding to a continued high cash conversion ratio of 85% (CFFO/EBIT). Free cash flow grew by 8%, amounting to DKK 1,129 million.
- At the end of the second quarter of 2016, Oticon will reach a landmark with the introduction of the first-ever dual-radio hearing aid, combining the audiological advantages of our new near field magnetic induction system for fast and ultra-low-power ear-to-ear communication and a 2.4 GHz system for streamer-free connectivity and programming. The completely new audiological platform delivers new groundbreaking technology and unmatched end-user benefits. The global launch will impact sales in the second half of the year.
- In 2016, we expect to generate growth in all our business activities. We are guiding for an operating profit (EBIT) in the range of DKK 2.0-2.3 billion.

Comments by the President & CEO

"2015 was a strong year for our wholesale and retail hearing aid businesses, and we are particularly satisfied with the solid performance of our wholesale business that generated an organic growth rate of 8% in the second half-year. We have in the Group seen satisfactory improvement in our profitability for the full year driven by encouraging results in the hearing aid business, which more than compensated for the continued investments in our implant business, challenging market conditions in Russia, which negatively impacted our diagnostics business, and negative exchange rate movements in Brazil," says Niels Jacobsen, President & CEO of William Demant Holding.

Financial review

Consolidated revenue amounted to DKK 10,665 million, corresponding to a growth rate of 14% or 7% growth in local currencies. Organic growth and acquisitions contributed by 4 and 3 percentage points, respectively, with organic growth accelerating through the year.

The positive currency translation effect on consolidated revenue of 9% is to a great extent attributable to the strengthening of some of our major invoicing currencies, especially the US dollar, the British pound sterling and the Japanese yen. However, we have also seen a negative currency transaction effect of 2% and consequently, we have seen a total positive exchange rate impact on revenue of 7% in 2015.

In 2015, the reported operating profit (EBIT) increased by 7% to DKK 1,878 million, which was within the recently guided range of DKK 1,800-2,000 million. Significant exchange rate movements, hedging and one-off elements in 2014 and 2015 have affected our EBIT and diluted our reported EBIT margin. When adjusting for currency and one-off elements, we have seen an increase in the underlying EBIT of 8%, corresponding to an EBIT margin of 19.4% or an improvement of 0.5 percentage point. Reported earnings per share (EPS) were DKK 26.6, which is an increase of 12% on last year.

Consolidated cash flow from operating activities (CFFO) increased by 6% to DKK 1,592 million in 2015. This equals a very high cash conversion ratio of 85% (CFFO/EBIT). The free cash flow amounted to DKK 1,129 million, or an increase of 8% on 2014.

Hearing aid market conditions

We estimate that the global unit growth rate was approximately 5% in 2015. We estimate that the average selling price (ASP) on the hearing aid market declined by a few percentage points in 2015, primarily due to product and channel mix shifts and generally intense competition, which were, however, partly offset by a positive country mix driven by strong growth in the US. In terms of value, the overall market growth rate was, in our estimation, 1-3%.

Business trends

Hearing Devices: Strong second half-year growth in core business and upcoming landmark launch

Our core business – the development, manufacture and wholesale of hearing aids – realised an organic growth rate of 8% in the second half-year, which is twice as high as the organic growth rate realised in the first half-year, resulting in a full-year organic growth rate of 6%. In 2015, organic growth was driven by a unit growth rate of 6% and a stable ASP, which means that we continued to gain market share.

Growth can primarily be attributed to the successful launch of Oticon's ultra-fast Inium Sense platform. The launch was the biggest and broadest product launch ever undertaken by Oticon. The platform was launched in all styles, at all price points and in all markets in the course of only a few weeks. In the fourth quarter, Oticon strengthened its product portfolio by launching three new innovative Power solutions. Built on the Inium Sense platform, the new Power solutions deliver higher gain and output, they improve the feedback control and they give the user a more personalised listening experience. Our two additional brands, Bernafon and Sonic, both delivered encouraging growth in the second half-year after a weak first half-year.

At the end of the second quarter of 2016, Oticon's position as technology leader will be reaffirmed with the launch of the first-ever dual-radio hearing aid, combining the audiological advantages of our

new near field magnetic induction system and a 2.4 GHz system for streamer-free connectivity and programming. This very exciting hearing aid is based on a completely new platform offering multiple new advantages not seen in existing solutions in the market, and we are proud to take hearing aid performance to an entirely new level. The global launch will be an important growth driver in our core business in the second half of 2016.

After a slow start to the year, especially in the US, our retail business gradually picked up momentum in 2015 and thus realised a satisfactory increase in revenue driven by a combination of organic growth and acquisitions. In 2015, our organic growth rate was in line with the market growth rate in the markets where we operate, and in the second half of the year, we even saw growth acceleration. Acquisition growth exceeded organic growth, which can mainly be attributed to the recent acquisition of Audika, but also to a number of minor acquisitions.

Hearing Implants: New CI system successfully prelaunched

The business activity generated a 12% reported growth rate, or 7% in local currencies, of which the main part could be attributed to organic growth. Our growth rate was close to the estimated market growth rate.

In late 2015, we successfully completed the prelaunch clinical activities in France, Denmark, Germany and the Netherlands pertaining to the first-ever CI system to carry the Oticon Medical name with excellent results. The new CI system, Neuro, was not commercially launched until the beginning of 2016, so in the second half of 2015 we saw a slowdown in sales of our older CI system, as clinics were awaiting the new CI system. Our bone-anchored hearing system (BAHS) business saw satisfactory growth in 2015, and we gained market share in the traditional percutaneous segment of the market. In the fourth quarter of 2015, we carried through three exciting launches and additional ones have been planned for 2016.

Diagnostic Instruments: Weak markets dampening growth

The global market for hearing-diagnostic equipment slowed down in 2015 and is estimated to have grown by a mere 0-2%. The low market growth rate is mainly a consequence of an unusually low tender activity level and can be directly attributed to the very weak markets, Russia and Belarus. Conversely, we have seen encouraging market growth in Asia.

In 2015, the business activity did not fully meet the initial expectations set, mainly due to the mentioned market slowdown, but also due to the delayed launch of our new clinical impedance product from Grason-Stadler. The business activity thus delivered 0% growth in local currencies (10% on a reported basis), which is clearly below the previous five-year average growth rate (CAGR) of almost 18% in local currencies. Outside Russia and Belarus, our Diagnostic Instruments business activity delivered a 4% growth rate in local currencies.

Other business areas: Unified Communication contributes to satisfactory growth in SeCom

Sennheiser Communications (SeCom), our 50/50 joint venture with Sennheiser KG, realised a satisfactory 16% organic growth rate, which clearly exceeds the market growth rate. Driven by Unified Communication (UC), the CC&O (Call Center and Office) segment was the main growth contributor, whereas the two other business segments, Gaming and Mobile, only saw modest growth.

Major proposals from the Board of Directors for adoption by the annual general meeting

At the annual general meeting on 7 April 2016, the Board of Directors will propose that Lars Rasmussen, President & CEO, Coloplast A/S, be elected as new member of the Board of Directors.

Further, the Board of Directors will propose that the minimum nominal value of the Company's shares may be amended from DKK 1 to DKK 0.20 with the purpose of splitting the Company's shares at a ratio of 1:5 at a later time.

Other matters

In 2015, the Company bought back 1,095,954 shares at a total price of DKK 605 million. At the end of the year, the Company held a total of 960,355 treasury shares purchased at a total price of DKK 541 million. As of 1 March 2016, the Company has bought back an additional 248,515 shares at a price of DKK 152 million.

Outlook for 2016

As far as the hearing aid market is concerned, we expect to see a unit growth rate of 4-5%, which will however be partly offset by a decline in the market's average selling price due to continued mix changes and fierce competition. In terms of value, we expect the market to grow slightly in 2016.

In 2016, we expect to generate growth in sales in all the Group's three business activities: Hearing Devices, Hearing Implants and Diagnostic Instruments. Based on exchange rates in early 2016 and including the impact of exchange rate hedging, we expect the exchange rate impact on revenue to be neutral in 2016. Acquisitions made in 2015 will impact consolidated revenue by approximately 6% in 2016.

In 2016, we plan to continue to buy back shares and complete the announced buy-back of shares in the amount of DKK 2.5-3.0 billion for the period from 2014 to 2016. From 2014 to 1 March 2016, the Company has bought back shares at a total price of DKK 1.64 billion.

All in all, we are guiding for an operating profit (EBIT) of DKK 2.0-2.3 billion.

Lars Nørby Johansen
Chairman of the Board

Niels Jacobsen
President & CEO

The full Annual Report 2015 for William Demant Holding A/S totalling 94 pages will be published immediately after this announcement.



Further information:

Niels Jacobsen, President & CEO
Phone +45 3917 7300
www.demant.com

Other contacts:

René Schneider, CFO
Søren B. Andersson, VP IR
Rasmus Sørensen, IR Officer

	2015	2014	2013	2012	2011	Development 2014-2015
Key figures, DKK million						
Revenue	10,665	9,346	8,959	8,555	8,041	14%
Gross profit	7,895	6,813	6,518	6,127	5,777	16%
Operating profit (EBIT)	1,878	1,761	1,736	1,653	1,709	7%
Net financial items	-69	-70	-72	-132	-103	-1%
Profit before tax	1,809	1,691	1,664	1,521	1,606	7%
Profit for the year	1,439	1,327	1,286	1,151	1,199	8%
Assets	14,390	11,219	10,318	8,777	7,646	28%
Equity	6,500	5,584	5,056	4,059	3,304	16%
Cash flow from operating activities (CFFO)	1,592	1,495	1,282	1,272	1,381	6%
Financial ratios						
Gross profit margin	74.0%	72.9%	72.8%	71.6%	71.8%	-
Profit margin (EBIT margin)	17.6%	18.8%	19.4%	19.3%	21.3%	-
Earnings per share (EPS), DKK	26.6	23.8	22.7	20.2	20.6	12%
Return on equity	23.7%	24.7%	28.0%	31.8%	41.7%	-

Key figures and financial ratios for 2011 and 2012 have not been adjusted to the changes in accounting policies from 2014.