DRAFT SIMPLIFIED PUBLIC TENDER OFFER

on the shares of

Audika
Restez connecté

initiated by

William Demant

presented by

NATIXIS

DRAFT OFFER DOCUMENT PREPARED BY WILLIAM DEMANT HOLDING A/S

OFFER PRICE:

17.79 euros per Audika Groupe share

DURATION OF THE OFFER:

15 trading days. The offer timeline will be determined by the French financial markets authority (*Autorité des marchés financiers* - **AMF**) in accordance with its General Regulation.

IMPORTANT

Pursuant to Article L. 433-4 III of the French Financial and Monetary Code and Articles 237-14 to 237-19 of the AMF General Regulation, if the non-controlling shareholders of Audika Groupe do not represent, at the end of the simplified public tender offer, more than 5% of the Audika Groupe capital or voting rights, William Demant Holding A/S will, from the closing date of the simplified public tender offer, implement a squeeze-out so that any Audika Groupe shares not tendered to the simplified public tender offer will be transferred in exchange for an amount of 17.79 euros per Audika Groupe share equal to the price of the simplified public tender offer.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

This draft offer document was drawn up and filed with the AMF on 30 September 2015, in accordance with the provisions of Articles 231-13, 231-16 and 231-18 of the AMF General Regulation.

THIS DRAFT OFFER AND THIS DRAFT OFFER DOCUMENT REMAIN SUBJECT TO THE AMF'S APPROVAL.

This draft offer document is available on the AMF website (www.amf-france.org) and the William Demant Holding A/S website (www.demant.com) and can also be obtained free of charge from Natixis (47 quai d'Austerlitz, 75013 Paris, France).

In accordance with the provisions of Article 231-28 of the AMF General Regulation, information on the features, particularly of a legal, financial and accounting nature, of William Demant Holding A/S, will be made available to the public, at the latest on the day before the opening of the simplified public tender offer, on the same basis.

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1. INTRODUCING THE OFFER

Pursuant to Title III of Book II and, more particularly, Articles 233-1 2° and 234-2 of the AMF General Regulation, William Demant Holding A/S, a "*Aktieselskab*" (a limited company under Danish law) with a share capital of 54,425,235 Danish kroner, having its registered office at Kongebakken 9 - 2765 Smørum (Denmark), identified by number 71 18 69 11 (hereafter, the "**Offeror**" or "**William Demant**"), irrevocably proposes to the shareholders of Audika Groupe, a limited company with a share capital of 283,500 euros, having its registered office at 12 rue de Presbourg, 75116 Paris, registered with in the Paris Commercial and Companies Registry under identification number 310 612 387 RCS ("**Audika**" or the "**Company**"), and whose shares are admitted to trading on compartment C of the Euronext Paris regulated market ("**Euronext Paris**") under the ISIN code FR0000063752, mnemonic "ADI", the acquisition of all Audika shares not held directly or indirectly by the Offeror, at the unit price of 17.79 euros under the conditions described below (the "**Offer**").

If the number of shares not tendered for the Offer by the non-controlling shareholders does not represent, at the end of the Offer, over 5% of the Audika share capital or voting rights, the Offeror will implement a squeeze-out procedure in accordance with the provisions of Articles 237-14 to 237-19 of the AMF General Regulation (see section 1.3.8). On the filing date of this draft offer document, the Offerer directly holds 5,097,604 Audika shares representing 53.94% of the Audika share capital and 53.94% of the voting rights.

The Offer therefore concerns a maximum total amount of 4,352,396 shares, representing, on the date of this draft offer document, 46.06% of the share capital and 46.06% of the voting rights of the Company based on a total amount of 9,450,000 Company shares and 9,451,011 voting rights.

As far as the Offeror is aware, there are no treasury shares or any other equity securities other than the Company shares, nor are there any financial instruments or rights giving access, either immediately or in the long term, to Audika's share capital or voting rights.

In accordance with the provisions of Article 231-13 of the AMF General Regulation, Natixis, as the institution presenting the Offer, filed with the AMF on 30 September 2015 the draft Offer and guarantees the content and irrevocable nature of the commitments entered into by the Offeror in regards to this Offer.

The Offer will be implemented according to the simplified procedure in accordance with the provisions of Articles 233-1 *et seq.* of the AMF General Regulation. The Offer will last for 15 trading days.

1.1 BACKGROUND OF THE OFFER

1.1.1 Procedures for acquiring Company shares

This Offer is the result of a competitive sale process by Holton SAS ("**Holton**") of its majority stake in the Company, during which the Offeror had access to a limited data room opened by Audika from 24 November 2014 to 13 February 2015. This process led to the announcement, on 17 February 2015, of the beginning of exclusive negotiations with William Demant in order to acquire all of the Company shares held by Holton.

On 29 September 2015, pursuant to a sale and purchase agreement entered into on 1 April 2015 (the "**SPA**"), the Offeror acquired off-market from Holton 5,097,604 Audika shares, representing 53.94% of the Audika share capital and 53.94% of its voting rights (the "**Controlling Block**") for the price of 90,699,071 euros, approximately 17.79 euros per share (the "**Controlling Block Price**"), after obtaining the clearance from the French competition authority (*Autorité de la concurrence*). Pursuant to Holton's request, the Controlling Block Price up to 90,443,084.60 euros was directly paid to Holton's creditors, with remainder going directly to Holton.

The SPA does not contain any earn-out (and/or price adjustment) clause or mechanism for the selling shareholder to reinvest in Audika or in one of the companies in the Offeror's group.

On completion of the Controlling Block, the Offeror repaid in the name and on behalf of Audika and Audika France the amount of 8,153,702.47 euros owed by Audika under the credit facility agreement dated 28 February 2013 between Audika Groupe and Audika France as borrowers, BNP Paribas, Crédit Industriel et Commercial and Natixis as lead arranger, BNP Paribas as agent and securities agent and BNP Paribas, Crédit Industriel et Commercial, Natixis and Bred Banque Populaire as initial lenders. This facility became due as a result of the change of control of Audika.

Prior to the acquisition of the Controlling Block, the Offeror held no Audika shares.

The Controlling Block Price takes into account the absence of dividend payment between the signing of the SPA and the completion of the Controlling Block.

The beginning of exclusive negotiations for the project to acquire the Controlling Block was made public on 17 February 2015 following a joint press release by Audika and William Demant. This press release marked the beginning of the pre-offer period, notice of which was published by the AMF on 17 February 2015 under number 215C0212. Subsequently, Audika and William Demant also issued a joint press release upon the signing of the SPA on 2 April 2015. The acquisition of the Controlling Block was authorised by the French competition authority on 18 September 2015 relating to the control of acquisitions.

1.1.2 Declarations on exceeding the threshold

In a letter dated 30 September 2015 to the AMF, William Demant, in accordance with the provisions of Article L. 233-7 of the French Commercial Code, declared to the AMF that it had exceeded the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 1/3 and 50% of Audika's share capital and voting rights, and declared its intention to file, in accordance with applicable regulations, a draft simplified public tender offer on the Company's shares. The Offeror also declared to the Company, in accordance with Article L. 233-7 of the French Commercial Code and Article 11.3 of Audika's articles of association, that it had exceeded the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 1/3 and 50% of Audika's share capital and voting rights.

After the sale of the Controlling Block, Holton held no more Company shares.

1.1.3 Distribution of the Company's share capital on the date of the Offer

For information purposes only and as far as the Offeror is aware, on 31 December 2014, prior to the acquisition of the Controlling Block, the Audika share capital and voting rights were distributed as follows:

	Shares		**Voting rights**	
	Number	**%**	**Number**	**%**
Holton	5,097,603	53.94	10,195,206	70.08
Public(*)	4,352,397	46.06	4,353,585	29.92
Total	9,450,000	100.00	14,548,791	100.00

(*) Based on the Audika registration document filed with the AMF on 30 April 2015.

For information purposes only and as far as the Offeror is aware, as of the date of this draft offer document, the Audika share capital and voting rights were distributed as follows:

	Shares		Voting rights	
	Number	**%**	**Number**	**%**
William Demant	5,097,604	53.94	5,097,604	53.94
Public	4,352,396	46.06	4,353,407	46.06
Total	9,450,000	100.00	9,451,011	100.00

As of the date of this offer document, apart from the 9,450,000 Audika shares, there were no other securities granting access to Audika share capital, nor were there any treasury shares, stock options or purchase options.

1.1.4 Regulatory authorisation

The Offer is not subject to any pending regulatory authorisation.

The acquisition of the Controlling Block was authorised by the French competition authority in relation to the control of acquisitions on 18 September 2015.

1.2 Reasons for the offer

This draft Offer is part of an obligation imposed on the Offeror pursuant to Article 234-2 of the AMF General Regulation to file a draft public tender offer for all of the Company's share capital and voting rights following the acquisition by the Offeror of the Controlling Block. The combination of the two groups is part of the natural extension of the existing partnership between Audika and William Demant. For many years, William Demant has been supplying hearing aids to Audika and, if the Offer is successful, this partnership will be further strengthened.

In this context, the Offeror intends to acquire all of the Audika shares that it does not yet own following the acquisition of the Controlling Block and has thus filed this draft Offer with the intention of implementing a squeeze-out following the Offer, if the Audika shares not tendered for the Offer represent less than 5% of the Company's capital or voting rights.

1.3 Intentions of the Offeror during the next twelve months

1.3.1 Commercial, industrial and financial strategy

The Offeror intends to continue the main strategic plans implemented by Mr. Alain and Jean-Claude Tonnard, founders of the Audika Groupe and who are the Company's Chief Executive Officer and Deputy Chief Executive Officer, respectively. The Offeror wishes to foster development of the Company's business, and the Offer is part of a strategy to continue Audika's current business activities. In this framework, the Offeror does not intend to make significant changes to the Company's strategy, business policy or financial policy. It also wishes to retain Messrs Alain and Jean-Claude Tonnard in their current positions.

This acquisition will give the Company a major industrial partner, improve Audika's product range and may potentially create synergies between the two groups, one mainly intervening at the hearing aid manufacturing stage (William Demant group) and the other solely in the distribution of certain products (Audika Groupe).

The completion of the Offer will therefore have no impact, in the short or medium term, on Audika's business or results. The Offeror does not intend to perform any restructuring, and it does not intend to resell any of its stake in Audika's share capital.

1.3.2 Composition of the Company's corporate and management bodies

The Audika Board of Directors, as of the date of this draft offer document, consists of the following individuals:

- Mr. Alain Tonnard, Chairman of the Board of Directors;
- Mrs. Dominique Baudoin, director; and
- Mr. Jean-Claude Tonnard, director.

Mr. Alain Tonnard (Chief Executive Officer) and Mr. Jean-Claude Tonnard (Deputy Chief Executive Officer) are responsible for the general management of Audika.

At the meeting of the Company's Board of Directors held on 29 September 2015, European Capital SA SICAR represented by Mr. Kevin Abrial, Mr. Tristan Parisot and Holton represented by Mr. Jean-Claude Tonnard resigned as members of the Board of Directors effective immediately. At the same meeting of the Company's Board of Directors, Mr. Jean-Claude Tonnard was appointed as replacement for European Capital SA SICAR, for the remainder of its term of office. At this time, the Offeror does not intend to seek the appointment of other new members of the Board of Directors.

In accordance with the Offeror's commitments pursuant to the SPA, the Board of Directors, at its meeting on 29 September 2015, also extended for a period of three years the terms of office of Mr. Alain Tonnard (Chief Executive Officer) and Jean-Claude Tonnard (Deputy Chief Executive Officer). Their compensation was set at an amount approximately equivalent to the total compensation paid to them by the Company for the 2014 financial year and a variable compensation subject to attaining certain performance criteria. It was also decided to award exceptional bonuses in recognition of their role and involvement in organising the process which gave rise the acquisition of the Controlling Block. The Board of Directors also authorised the signing of a non-compete agreement for the Chief Executive Officer and Deputy Chief Executive Officer for a period of 36 months from the termination of their respective functions along with a compensation equal to 24 months total gross salary (fixed and variable).

1.3.3 Employment

The acquisition of the Controlling Block and the Offer are part of a strategy to continue and develop the Company's activities and are not expected to have a major impact on Audika's employment and human resources management policy. However, the Offeror reserves the right to make any adjustments deemed necessary, on a case by case basis, in response to developments of the Company's business.

1.3.4 Benefits of the Offer for the Company and its shareholders

The implementation of a squeeze-out would allow Audika to free itself of the regulatory and administrative constraints related to the admission of its securities on Euronext Paris and reduce the related costs; it being specified that the Offeror's shares are also admitted to trading on the NASDAQ regulated market in Copenhagen (Denmark).

The Offer also makes it possible to offer non-controlling shareholders full and immediate liquidity of their securities. The Offer price, which is significantly higher than the last closing price before the start of the pre-Offer period, includes a premium of around 46% of the weighted average Audika share price during the last three months prior to the pre-Offer period.

1.3.5 Legal status of the Company - Merger

As of the Offer's opening date, the Offeror has no intention to modify Audika's legal structure, nor to merge with Audika.

1.3.6 Synergies

The Offeror does not foresee any material costs synergies that may benefit Audika or the Offeror and which may be identified or calculated as of the date hereof.

However, revenue synergies may potentially benefit the Offeror in the medium-term due to an increase in the number of hearing aid products manufactured by the William Demant which will be sold in Audika stores in France. However, their amount is difficult to quantify at this stage.

1.3.7 Dividend distribution policy

The dividend distribution policy of the Company will be determined by its corporate bodies depending on the distributive capacity, financial situation and financial needs of the Company.

1.3.8 Intentions concerning the listing of the Company after the Offer – Squeeze-out

The Offeror intends to ask the AMF, within three months of the completion of the Offer, to approve a squeeze-out of the Audika shares, if the shares not tendered during the Offer represent less than 5% of the Company's share capital or voting rights, in accordance with Articles 237-14 *et seq.* of the AMF General Regulation. This procedure will take place at the same price as this Offer.

The Offeror also reserves the right, in the event that it subsequently comes to hold at least 95% of the Company's voting rights and where a squeeze-out has not been implemented under the conditions referred to above, to file with the AMF a draft public buy-back offer, followed by a squeeze-out pursuant to Articles 236-3 and 237-1 *et seq.* of the AMF General Regulation. In this case, the squeeze-out will be subject to the control of the AMF; the AMF would determine its compliance, in particular with respect to the report of the independent expert who would be appointed in accordance with the provisions of Article 261-1 of the AMF General Regulation.

Moreover, if it is unable to implement the squeeze-out, the Offeror reserves the right to ask Euronext Paris to remove Audika shares from the Euronext Paris market. It should be noted that Euronext Paris is only likely to agree to such a request if the liquidity of the shares is significantly reduced following the Offer and if the removal from the listing does not go against market interests, and complies with Euronext market rules.

1.4 AGREEMENTS WHICH MAY HAVE AN IMPACT ON THE EVALUATION OR OUTCOME OF THE OFFER, TO WHICH THE OFFERER IS PARTY OR OF WHICH IT IS AWARE

With the exception of the SPA referred to in paragraph 1.1.1, the Offeror is not party to any agreement likely to have a major impact on the evaluation or outcome of the Offer. There is no agreement providing for an earn-out (and/or a price adjustment clause) as part of the sale of the Controlling Block.

1.5 FEATURES OF THE OFFER

1.5.1 Terms of the Offer

In accordance with the provisions of Article 231-13 *et seq.* of the AMF General Regulation, Natixis, as the institution presenting the Offer, filed on behalf of the Offeror, on 30 September 2015, the Offer as a simplified public tender offer of Audika's shares, and the draft offer document with the AMF. Natixis guarantees the content and the irrevocable nature of the commitments entered into by the Offeror as part of the Offer.

This draft offer and offer document remains subject to the AMF’s approval.

Under this Offer, the Offeror commits irrevocably to acquire, at a price of 17.79 euros per share, Audika shares which the Offer is targeting and which are tendered for the Offer.

The Offer will be implemented according to the simplified procedure governed by Articles 233-1 *et seq.* of the AMF General Regulation and will be open for a period of 15 trading days. It may be followed by a squeeze-out procedure, pursuant to Articles 237-14 *et seq.* of the AMF General Regulation.

1.5.2 Number and nature of the securities to which the Offer applies

You are reminded that, as of the date of this draft offer document, the Offeror directly holds 5,097,604 Audika shares representing 53.94% of Audika share capital and 53.94% of its voting rights, based on a total of 9,450,000 shares and 9,451,011 voting rights in the Company.

The Offer concerns a maximum total of 4,352,396 shares representing, as of the date of this draft offer document, 46.06% of the capital and 46.06% of the voting rights in the Company.

As far as the Offeror is aware, there are no other equity securities or any other financial instruments or rights giving access, either immediately or in the future, to the Company's share capital or voting rights, other than the Audika shares.

1.5.3 Offer procedure

A public tender offer filing notice will be published by the AMF on its website (www.amf-france.org). In accordance with the provisions of Article 231-16 of the AMF General Regulation, a press release containing the main details of the draft offer document will be circulated by the Offeror. This offer document is also available on the AMF website (www.amf-france.org) and the Offeror's website (www.demant.com) and with the institution presenting the Offer.

This draft offer and offer document remains subject to the AMF’s approval.

The AMF will declare the Offer compliant after having ensured that it complies with the applicable legislative and regulatory provisions and will publish said reasoned compliance declaration on its website. This compliance decision constitute approval of the offer document.

The offer document approved by the AMF, along with the document containing the other information relating to the legal, financial and accounting features of the Offeror, will be published on the websites of the AMF and the Offeror. These will be made available to the public the day before the Offer opens at the latest. Copies of these documents will also be available free of charge from Natixis’ headquarters. In accordance with the provisions of Articles 231-27 and 231-28 of the AMF General Regulation, a press release containing the main details of how to obtain these documents will be circulated by the Offeror.

Prior to the opening of the Offer, the AMF will publish an Offer opening notice and schedule and Euronext Paris will publish a notice on the content of the Offer, specifying the schedule and procedure for its performance.

Please note that the Offeror reserves the right to acquire Audika shares on the market from the beginning of the Offer period and until the Offer opens, in accordance with and up to the limits outlined in Article 231-38 IV of the AMF General Regulation; it being specified that the trading costs (including brokerage fees and related VAT) will be covered in full by the selling shareholders.

1.5.4 Procedure for tendering securities for the Offer

Audika shareholders whose shares are registered with a financial intermediary (bank, credit institution, investment company, etc.) and who wish to tender their shares for the Offer must send their financial intermediary an irrevocable sale order by the Offer closing date (inclusive), using the template provided to them by the financial intermediary. Shareholders whose shares are registered in a "pure nominative" form in the Company's registers must ask for them to be registered as "*nominatif administré*" to be able to tender them for the Offer, unless they have previously requested a conversion to bearer status.

Conversion of shares registered in nominative form to bearer shares could cause these shareholders to lose the benefits linked to the holding of these shares in nominative form, including the allocation of double voting rights.

Audika shares tendered for the Offer must be fully tradable and free of any privilege, security, pledge or other lien or restriction of any kind which restricts the free transfer of their ownership. The Offeror reserves the right to disregard all Audika shares tendered which do not meet this condition.

Acquisition of Audika shares via the Offer will take place in accordance with applicable regulations, through purchases on the market made via the intermediary, Natixis, as a member of the buying market, acting as intermediary on behalf of the Offeror.

The payment-delivery of the Audika shares thus purchased will take place as the performance of the orders progresses and within two trading days following each order execution, it being specified that trading fees (including brokerage fees and remuneration for intermediaries as well as the corresponding VAT) related to these transactions shall remain the responsibility of the shareholders tendering their shares for the Offer.

1.6 PROVISIONAL OFFER TIMELINE

Prior to the Offer opening, the AMF and Euronext Paris will publish a notice announcing the features and schedule of the Offer.

An indicative timeline is presented below:

Date	Event
30 September 2015	Filing of the Offeror's draft Offer and the draft offer document with the AMF. Details made public and posted on the AMF website (www.amf-france.org) and the Offeror's website (www.demant.com).
30 September 2015	Publication by the Offeror of a press release indicating the filing of the draft offer document.
30 September 2015	Filing by Audika of the draft note in response to the AMF containing the reasoned opinion of the Board of Directors and the independent expert's

	report. Details made public and posted on the AMF website (www.amf-france.org) and the Audika's website.
30 September 2015	Publication by Audika of a press release indicating the filing of the draft response note.
13 October 2015	Declaration of compliance by the AMF approving the offer document and the response note.
14 October 2015	Provision of the "Other Information" documents on the legal, financial and accounting information of the Offeror and the Company in accordance with the provisions of Article 231-28 of the AMF General Regulation.
14 October 2015	Publication by the Offeror and the Company of a press release indicating the availability of the aforementioned notes and the "Other Information" documents.
14 October 2015	Final versions of the Offeror's offer document and the Company's response note made available in accordance with the provisions of Article 231-27 of the AMF General Regulation.
15 October 2015	Offer opening.
4 November 2015	Offer closing.
5 November 2015	Publication of the Offer results.
As soon as possible following publication of the results	If applicable, implementation of a squeeze-out procedure.

1.7 COSTS LINKED WITH THE OFFER

The total costs borne by the Offeror for the Offer, including fees and costs of financial, legal and accounting advice, and the fees of all experts and other consultants, publication and communication costs, as well as the fees for securing finance for the transaction, are estimated at around 1.8 million euros to 2 million euros excluding tax.

1.8 METHOD OF FINANCING THE OFFER

The acquisition price for the 4,352,396 Audika shares targeted by the Offeror under the Offer amounts to 77,429,124.84 euros (based on Audika's share capital as of the Offer opening date) if all Audika shares as detailed in section 1.5.2 are tendered for the Offer.

The Offer will be fully financed from the Offeror's equity.

1.9 RESTRICTIONS ON THE OFFER OVERSEAS

The Offer will take place exclusively in France.

This document is not intended for circulation in countries other than France, subject to the publication of this document on the Offeror's website pursuant to applicable regulations.

This document and the other offer documents do not constitute an offer to sell or buy marketable securities, nor are they a request within the context of such an offer in any other country where such an offer or request is illegal. The Offer has not undergone, nor will it undergo, any formality or any registration or approval outside of France.

Holders of Audika shares who are outside France may only take part in the Offer if allowed to do so under local law.

Circulation of this document and any other document relating to the Offer, the Offer, acceptance of the Offer and the delivery of Audika shares may be subject to specific regulations or restrictions in some countries. The Offer is not aimed at persons subject to such restrictions, either directly or indirectly, and tenders are not likely to be accepted in any way from any country whatsoever in which the Offer is subject to such restrictions.

Persons in possession of this document must comply with the applicable restrictions in their countries. Failure to comply with these restrictions is likely to constitute a violation of the stock market laws and regulations applicable in these countries. The Offeror accepts no responsibility in the event of infringement of the applicable restrictions by any person.

Particularly in regards to the United States of America, the Offer is not made, directly or indirectly, in the United States of America, or through the use of postal services or any other means of communication or instrument (including fax, telephone and email) relating to trade between the states of the United States of America or between other states, or via a securities exchange or listing system in the United States of America or for residents of the United States of America or "U.S. Persons" (within the meaning of Regulation S of the U.S. Securities Act of 1933, as amended). No Offer acceptances may come from the United States of America. Any Offer acceptance which may be presumed to have resulted from a violation of these restrictions will be considered null and void.

The purpose of this draft offer document is limited to the Offer, and no copies of this draft offer document or any other document relating to the Offer or this draft offer document may be sent, disclosed, circulated or passed on directly or indirectly to the United States of America except in accordance with the laws and regulations of the United States of America.

Any Audika shareholders tendering their Audika shares for the Offer will be considered as having declared that they are not resident in the United States of America or a "U.S. Person" (within the meaning of Regulation S of the U.S. Securities Act of 1933, as amended) and that they are not issuing any Offer tender orders from the United States of America. For the purposes of this paragraph, "United States of America" means: the United States of America, its territories and possessions, any of these states and the district of Columbia.

1.10 OFFER TAX SYSTEM

The following provisions summarise the tax consequences applicable to the Company's shareholders tendering their shares for the Offer, and are provided for general information purposes. They are based on French legal provisions currently in force and are thus likely to be affected by any changes to French tax rules (along with any retroactive effect applied), or by a change in the manner in they are interpreted by the courts and/or the French tax authorities. Shareholders participating in the Offer are notified that this information merely constitutes a summary of the tax system in force and does not constitute a complete analysis of all of the tax effects which may apply to their particular situation. They are therefore responsible for consulting with their regular tax advisor as to the application of the applicable laws and regulations that apply to their personal situation.

Persons who are not resident for tax purposes in France must comply with tax legislation applicable in their state of residence, subject to the application of any tax agreement signed between France and that state. In general, shareholders who are not resident in France must inform themselves as to the tax rules applicable to their particular case, both in France and in their state of residence from their usual tax advisor.

1.10.1 Individual shareholders resident for tax purposes in France managing their private assets and not usually involved in stock market transactions

Individual shareholders performing stock market transactions under conditions analogous to those which characterise an activity engaged in by a professional in this type of transaction should consult with their regular tax advisor as to the application of the applicable laws and regulations that apply to their personal situation.

(a) Common law system

(i) Income tax for individuals

Pursuant to the provisions of Articles 150-0 A *et seq.* and 200 A of the French General Tax Code ("**CGI**"), net gains from the sale of marketable securities and similar rights sold by individuals are, without exception, taken into account when determining the overall net income subject to the progressive income tax scale after application, for shares, of a reduction for the holding period provided for in Article 150-0 D of the CGI, equal to:

a) 50% of their value when the shares have been held for at least two years and less than eight years as of the transfer date;

b) 65% of their value when the shares have been held for at least eight years as of the transfer date.

Without exception, the holding period is calculated from the share subscription or acquisition date.

People with deferrable net capital losses or incurring a capital loss when selling their shares in the context of the Offer should contact their usual tax advisor to examine the conditions for applying these capital losses.

Any tendering of shares for the Offer will bring end any tax deferment or postponement enjoyed by shareholders for transactions on the shares tendered for the Offer.

(ii) Social security contributions

Net gains from share transfers are also subject, before application of the discount for the holding period defined above, to social security contributions at the overall rate of 15.5%, distributed as follows:

- the general social security contribution ("**CSG**"), at the rate of 8.2%;
- the contribution for the repayment of social security debt ("**CRDS**"), at a rate of 0.5%;
- the social security deduction, at the rate of 4.5%;
- the additional social security contribution, at a rate of 0.3%; and
- the solidarity deduction, at the rate of 2%.

Other than the CSG, which is deductible at 5.1% of the overall taxable revenue from the year it is paid, these social security deductions are not deductible from taxable income.

(iii) Other contributions

Article 223 *sexies* of the CGI imposes upon taxpayers liable for income tax an exceptional contribution on high income applicable when the taxpayer's reference income exceeds certain limits.

This contribution is calculated by applying a rate of:

- 3% of the portion of the reference income between 250,001 euros and 500,000 euros for taxpayers who are single, widowed, separated or divorced and on the portion of reference income between 500,001 euros and 1,000,000 euros for taxpayers subject to joint taxation;

- 4% of the portion of the reference income over 500,000 euros for taxpayers who are single, widowed, separated or divorced and of the portion of reference income over 1,000,000 euros for taxpayers subject to joint taxation.

The reference income for the taxable household referred to above is defined in accordance with the provisions of IV(1) of Article 1417 of the CGI, without the quotient rules referred to in Article 163-0 A of the CGI being applicable. The reference income includes net gains from shares sold by the taxpayers concerned, prior to application of the discount for the holding period.

(b) Share Savings Plan ("PEA")

Persons holding Company shares under a PEA may participate in the Offer.

The PEA carries entitlement, under certain conditions, (i) during the PEA, to an income tax and social security contribution exemption to the extent of the proceeds and capital gains generated by the investments made under the PEA, provided that these proceeds and capital gains remain invested in the PEA and (ii) at the end of the PEA (if this occurs more than five years after the PEA opening date, including as a result of a partial withdrawal after five years and before eight years) or a partial withdrawal of funds from the PEA (if it occurs over eight years after the PEA opening date), to an income tax exemption equal to the net gain realised since the plan opened, said net gain however being subject to the social security contributions outlined in paragraph 1.10.1(a)(ii) above, at an overall rate likely to vary depending on the date the gain was acquired or recorded. Special provisions, not described in this draft offer document, are applicable in the event of capital losses, closure of the plan before the end of the fifth year after the PEA was opened or in the event of exit from the PEA in the form of life annuity. Those affected should contact their usual tax advisor.

1.10.2 Legal entity shareholders resident for tax purposes in France liable for corporation tax and for which the Company's shares are not equity shares (or similar securities)

Capital gains from the transfer of shares via the Offer are included in the result subject to corporation tax at the common law rate of 33.33%, plus (i) the social security contribution of 3.3% (Article 235 *ter* ZC of the CGI), based on the corporation tax amount, less a discount which may not exceed 763,000 euros per twelve months, and (ii) for companies with revenue greater than 250,000,000 euros, an exceptional contribution of 10.7% (Article 235 *ter* ZAA of the CGI), based on the corporation tax amount as determined prior to reductions, tax credits and tax receivables of any kind.

Capital losses from the sale of Company shares to which the Offer relates will be deducted from the taxable income subject to corporation tax.

Furthermore, please note that tendering shares for the Offer is likely to bring an end to any deferment or postponement of tax from which legal entity shareholders may have benefitted as part of previous transactions.

However, companies with revenue (excluding taxes) under 7,630,000 euros, and at least 75% of whose share capital, fully paid-up, has been held continuously for the financial year in question by individuals or companies which themselves meet these conditions, benefit from a reduced corporation tax rate of 15%, up to a taxable profit of 38,120 euros for a twelve month period. These companies are also exempt from additional contributions of 3.3% and 10.7%.

Legal entities for whom the Company shares are considered as equity shares (or similar securities registered in a special "securities relating to a long term capital gains regime" account) should contact their usual tax advisor to determine the tax rules applicable to their particular situation.

1.10.3 Shareholders who are not resident for tax purposes in France

Shareholders who are not resident for tax purposes in France consulting with their regular tax advisor as to the application of the applicable laws and regulations that apply to their personal situation in France and in their country of residence.

1.10.4 Shareholders subject to a different tax system

Shareholders subject to a tax regime other than those referenced above and who take part in the Offer, particularly taxpayers involved in transactions on marketable securities, in excess of simple portfolio management and who have registered their shares on the assets side of their balance sheet or legal entities subject to corporation tax for which the shares are considered as equity shares or similar securities, must ask their usual tax advisor about the tax regime applicable to their particular situation.

1.10.5 Registration fees or tax on financial transactions

In accordance with Article 726 of the CGI, no registration fee is due in France for the transfer of shares of a listed company headquartered in France, unless the transfer is confirmed by an authenticated deed signed in France or overseas. In this latter case, the transfer of shares is subject to a transfer tax at a proportional rate of 0.1% based on the higher of the transfer price or the real value of the securities, subject to certain exceptions as outlined in II of Article 726 of the CGI. Pursuant to Article 1712 of the CGI, any registration fees due in the event that the transfer is confirmed by an authenticated deed, will be payable by the transferee (unless contractually stated otherwise). However, pursuant to Articles 1705 *et seq.* of the CGI, all parties to the document will be jointly and severally liable to pay the fees to the tax authorities.

Transactions on Company securities in 2015 will not be subject to the tax on financial transactions provided for in Article 235 *ter* ZD of the CGI. Any tax owed on financial transactions involving share transfers in subsequent years will depend on the Company's market capitalisation as of 1 December of the year preceding the tax year.

2. FACTORS USED TO DETERMINE THE PRICE OFFERED

The price offered by the Offeror under the Offer is 17.79 euros per Audika Groupe share (the "**Offer Price**"). The factors used to calculate the Offer Price below were prepared by Moelis & Company UK LLP ("**Moelis**"), on behalf of the Offeror, and by Natixis, as the institution presenting the Offer, according to the main usual valuation methods.

The information presented below has been produced using public information as well as information disclosed by the Offeror and the Company about Audika and its subsidiaries, principally for the description of the group's activities and the business plan produced by the Offeror over the 2015-2025 period based on information supplied to the Offeror by the Company's management. None of this information has been subject to independent verification by Moelis or the presenting institution.

2.1 METHODOLOGY

Factors used to determine the Offer Price are based on a multi-criteria approach using the usual and appropriate valuation methods. The following methods were deemed the most relevant for valuing the Company as part of this approach:

– Reference transaction (sale of the Controlling Block);

– analysis of the historical share price;

– price targets of financial analysts;

– trading multiples of comparable companies;

– precedent transactions analysis;

– discounted cash flows analysis.

The number of shares used to assess the Offer Price is the total number of shares comprising the Audika share capital, i.e. 9,450,000 shares as of 31 December 2014. The Offeror was not aware of any dilutive instruments which could change the Company's share capital.

2.2 RETAINED ASSUMPTIONS

2.2.1 Historical and forward-looking financial assumptions applied

The financial assumptions used to value the Offer Price result from:

– the consolidated financial statements as of 31 December 2013 as published by Audika on 17 March 2014 and the consolidated financial statements as of 31 December 2014 as published by Audika on 16 March 2015;

– presentations and press releases available on the Company's website;

– the business plan prepared by William Demant based on the information provided by the management of the Company for the 2015-2025 period estimated financial data.

2.2.2 Factors considered when converting enterprise value to equity value

The adjustment assumptions used to convert the enterprise value to equity value are based on Audika's consolidated financial statements as of 31 December 2014.

– net cash as of 31 December 2014: 3.0 million euros;

– non-controlling interests as of 31 December 2014: 0.6 million euros;

– provisions for employee benefits as of 31 December 2014: 3.1 million euros (= 4.6 million euros * (1-33.33%));

– total adjustments as of 31 December 2014: 6.7 million euros.

Based on the information available to the Offeror, no specific adjustment was applied due to the seasonal variations of Audika's net cash.

2.3 VALUATION METHODS USED

2.3.1 Reference transaction (sale of the Controlling Block)

The Offer Price is identical to the Audika share price paid for the Controlling Block. The sale price of the Controlling Block of 17.79 euros per share is a major valuation reference. It represents the price obtained by Holton, as the controlling shareholder, after a competitive process and includes *de facto* a control premium. Holton, as Audika's reference shareholder, given its ownership position and its representation on the Company's Board of Directors, had the most complete information available on the Company and was in a position to fully assess the group's outlook and the appeal of the price offered.

2.3.2 Historical share price

Reference to the share price is the main valuation for the Company's minority shareholders.

Audika shares are admitted for trading on the Euronext Paris market. The daily volumes traded in the 12 months prior to the pre-offer period were 7.06 thousand shares on average.

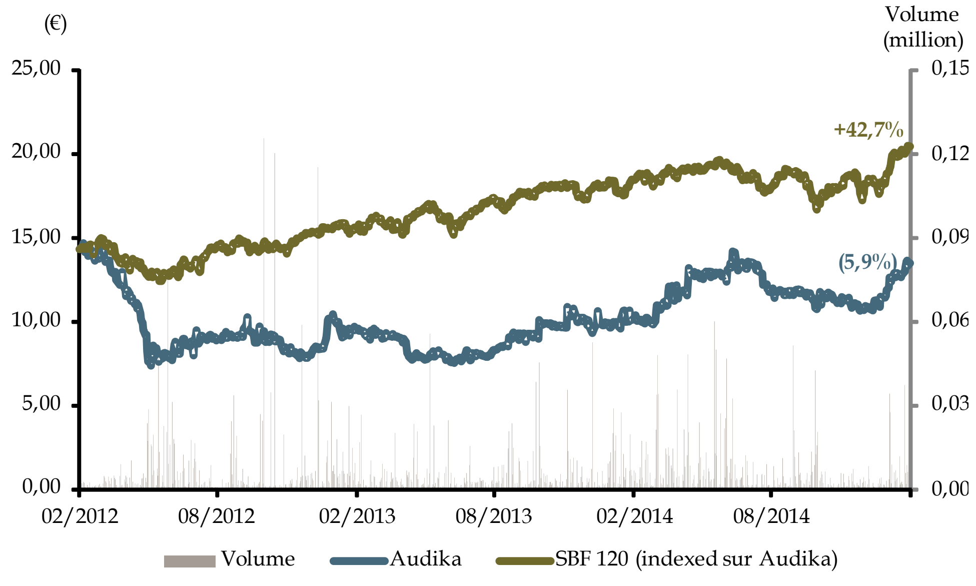
The table below shows the premiums implied by the Offer Price of 17.79 euros compared with the Audika share price over different periods.

The averages below are weighted by volume.

	Average weighted price by volume (€/share)	Implied offer premiums	Daily volumes (in thousands)
Last day prior to the offer (16/02/2015)	13.50	31.8%	3.43
1-month average	12.89	38.0%	8.86
3-month average	12.20	45.8%	4.74
6-month average	11.83	50.4%	5.24
12-month average	12.00	48.2%	7.06
Minimum over 1 year - 14/03/2014	9.85	80.6%	1.34
Maximum over 1 year - 27/06/2014	14.20	25.3%	32.59

Source: Capital IQ (16-02-2015)

Change in Audika's share price in the last three years prior to the pre-offer period



Source: Capital IQ, 16 February 2015

2.3.3 Analysts' target prices

Based on the ratings following the publication of Audika's half-yearly report on 15 September 2014, the analyst target prices were on 17 February 2015 (prior to the announcement of the start of exclusive negotiations with a view to the purchase of the Controlling Block) as follows:

Analyst	Date	Target Price (€)	Recommendation
Oddo & Cie	17/02/2015	12.00	Neutral
EVA Dimensions	12/02/2015	N/A	Neutral
Exane BNP Paribas	09/02/2015	15.00	Purchase
Portzamparc Société de Bourse	15/01/2015	11.00	Neutral
Gilbert Dupont	16/09/2014	14.00	Purchase
Kepler Cheuvreux	01/09/2014	11.30	Purchase
Minimum		11.00	
Maximum		15.00	
Average		**12.66**	
Median		**12.00**	
Premium implied by the share price prior to the Offer (16/02/15): 13.50 euros		**12.5%**	
Premium implied by the Offer at 17.79 euros		**48.3%**	

Source: Bloomberg on 17 February 2015 prior to publication of the William Demant and Audika press releases
Note: The Gilbert Dupont target price, published on Bloomberg on 17 February 2015 prior to publication of the William Demant and Audika press releases, was 14.00 euros and was dated 16 September 2014

The above premiums were calculated using the analysts' median target price.

2.3.4 Analysis of comparable listed companies

The valuation method using trading multiples involves applying valuation multiples observed on a sample of listed companies comparable to Audika, particularly in terms of sector, growth, margin and size.

The multiples usually used to value companies operating in the distribution of auditory instruments segment are the multiples of revenue and earnings before interest, taxes, depreciation and amortisation (enterprise value, hereafter "**EV**" / earnings before interest, taxes, depreciation and amortisation, hereafter "**EBITDA**").

Amplifon (Italy) was selected as the only company comparable with Audika. Amplifon is a European distributor (not a manufacturer) of auditory instruments.

The Audika financials used are from a business plan prepared by the Offeror for the application of the Amplifon multiples.

A wider range of companies not comparable with Audika, which is a distributor but not a manufacturer of auditory instruments, such as Cochlear (Australia), GN Store Nord (Denmark) and Sonova (Switzerland), was dismissed due to their different business models and financial profiles. These companies were excluded mainly because they are manufacturers of auditory instruments, which does not correspond to Audika's business model.

Company	MC* (€m)	EV** (€m)	EV/Revenue 2015E	EV/Revenue 2016E	EV/EBITDA 2015E	EV/EBITDA 2016E
Amplifon	1,184	1,433	1.5x	1.4x	9.3x	8.4x
Implied value per share (€)			**15.9**	**15.8**	**15.1**	**14.4**
Discount implied by the price before the Offer (16/02/15): €13.50			**(15.2%)**	**(14.8%)**	**(10.7%)**	**(6.2%)**
Premium implied by the Offer at €17.79			**11.8%**	**12.3%**	**17.6%**	**23.7%**

** MC: Market Capitalisation*
*** EV: Enterprise Value*

Source: Capital IQ, 16 February 2015

The premium implied by the application of the trading multiples of comparable companies, using the EV/EBITDA multiple, is between 17.6 % and 23.7%.

2.3.5 Precedent transactions

The precedent transactions analysis involves applying the median valuation multiple observed on a sample of recent transactions in the same sector to Audika's 2014 revenue.

The issues with this method lie within the choice of transactions selected as valuation references, since:

– the market context may vary in between each transaction;

– the quality and reliability of the information varies a great deal from one transaction to the next, depending on the status of the companies purchased (listed, private, subsidiaries of a group) and the confidentiality level of the transaction;

– the companies purchased are never perfectly comparable with Audika due to their size, positioning, geographic location, profitability, growth outlook; and the strategic interest of an acquisition varies and the price paid may accordingly include a varying control premium.

For this exercise, the sample used includes six transactions which occurred between 2006 and 2014 and which are presented in the table below.

A wider range of transactions involving manufacturers of auditory instruments (EQT / Siemens Audiology Solutions (auditory instruments manufacturer), transaction announced in November 2014, Sonova / Comfort Audio (hearing device manufacturer and distributor), transaction announced in June 2014, and Sonova / GN ReSound (auditory instruments manufacturer), transaction announced in October 2006 and aborted in August 2007) was discarded as they were not comparable with the transaction in question, since Audika is a distributor, not a manufacturer, of auditory instruments. Analysis of the cochlear implant sector leads to the conclusion that none of the transactions in this sector are relevant.

The premium below was calculated based on the median of the transaction multiples.

En million euros			Value	Multiples
Date	**Target**	**Acquiror**	**(m€)**	**Revenue**
29/04/2014	Audika's Italian assets	Amplifon	7	1.0x
01/08/2011	HearUSA	Siemens Hearing Instruments	94	1.6x
28/09/2010	NHC	Amplifon	328	3.6x
13/09/2010	Otix Global	William Demant	48	0.8x
30/07/2009	Dialogue	Amplifon	14	0.9x
01/07/2006	Ultravox	Amplifon	91	1.1x
Average			**97**	**1.5x**
Median			**70**	**1.0x**
Implied value per share (€)				**10.1**
Premium implied by the share price prior to the Offer (16/02/15) : 13.5 euros				**33.7%**
Premium implied by the Offer at 17.79 euros				**76.2%**

2.3.6 Discounted cash flows analysis

This method involves discounting all cash flows generated by Audika, taking into account the expected development of its medium and long-term performance. It models and discounts all shareholder and creditor cash flows.

It is implemented in three stages, assuming an initial cash flow date of 1 January 2015:

i. Audika's available unlevered cash flows were projected for the 2015-2025 period, based on (i) the business plan adjusted by the Offeror for the 2015-2025 period, and (ii) an extrapolation of business plan flows after 2025. 2025 was selected as the base year;

ii. as these flows are designed to pay all contributors to financing, whether they are shareholders or creditors, they have been discounted at the weighted average cost of capital;

iii. net debt and other adjustment factors have been deducted from the enterprise value to give the equity value.

<u>Business plan</u>

The business plan used to calculate the cash flows is the one produced by William Demant using historical data provided by the Company's management to the Offeror. The William Demant team responsible for coming up with Audika's business plan has extensive investment expertise in the auditory correction sector and is familiar with the French market.

The William Demant team also met with Audika's management, allowing it to refine its approach to the business plan.

Annual growth in Audika's revenue during the period covered by the business plan prepared by William Demant is 5.0% from 2015 to 2024 and 2.5% from 2025 onwards. This assumption is based on the knowledge acquired by William Demant on the French market and the auditory instruments sector in general and is also in line with Audika's growth assumptions after William Demant has taken control of the Company.

Over the 2015-2025 period, operating result margins are assumed to remain constant at around 12% based on the margin for 2014, which is taken as the reference year.

The revenue and operating results estimated by William Demant for 2015 and 2016 are close to the consensus reached by Capital IQ on 16 February 2015.

In the free cash flows calculations for the 2015 to 2025 period, William Demant assumes that the contribution to amortisation and impairment is approximately equal to capital expenditure. Moreover, over the same period, change in working capital is assumed to remain constant at around 8% of the change in revenue.

Discount rate

Cash flow was discounted on 1 January 2015.

The discount rate used to calculate the current value of the flows is the weighted average cost of capital, i.e. 9.0 %:

– Risk-free rate: 0.69% (Bloomberg);

– Risk premium: 6.35% (Damodaran);

– Unlevered beta: 0.482 (Bloomberg, Capital IQ, based on Amplifon, a comparable company selected in our analysis);

– Debt-to-equity ratio: 11.1%.

= Pre-tax cost of debt: 1.59%.

Terminal value

The terminal value was determined using a standard flow based on the last year of the Audika business plan prepared by William Demant and assuming an infinity growth rate of 2.5%.

Result

The discounted cash flows analysis indicates a 148 million euros central value, for a range of 14 to 16 euros per share on the basis of a weighted average cost of capital of between 8.75% and 9.25% and an infinity growth rate of between 2.0% and 3.0%.

Share price (euros)						
		Weighted average cost of capital				
		8.50%	8.75%	9.00%	9.25%	9.50%
Infinity growth rate	1.5%	14.84	14.27	13.73	13.23	12.76
	2.0%	15.51	14.88	14.29	13.74	13.23
	2.5%	16.30	15.59	14.93	14.32	13.76
	3.0%	17.23	16.42	15.68	15.00	14.37
	3.5%	18.34	17.41	16.57	15.79	15.09

The Offer Price per share shows a premium of 19.2% on the central intrinsic value of 14.93 euros.

2.4 DISCARDED METHODS

2.4.1 Net asset value ("NAV") and revalued net asset value ("RNAV") per share

The NAV and RNAV methods involve valuing a company based on the book value of its assets or by revaluing its assets. These asset methods are not usually appropriate for valuing a company which the buyer plans to continue operating. They are particularly irrelevant for companies such as Audika. The NAV and RNAV methods are therefore of limited relevance in assessing Audika's value in the context of this Offer.

The group's equity amounts to 68.7 million euros (equivalent to 7.3 euros per share, based on 9.450.000 shares) at 31 December 2014.

2.4.2 Dividend discount model ("yield" method)

The dividend discount model involves valuing a company's equity by discounting the projected dividend flows paid to its shareholders. This approach remains intrinsically linked to the distribution rate decided by the company's directors and as such can be unrelated to the company's financial performance and its capacity to generate cash flow. Therefore, this method was not used.

2.5 SUMMARY OF FACTORS USED TO DETERMINE THE OFFER PRICE

Method	Implied share price (in euros)	Offer premium (discount) at 17.79 euros
Historical Share Price		
Cours au 16/02/2015 : 13,50 euros	13.5	31.8%
1-month average	12.9	38.0%
3-month average	12.2	45.8%
6-month average	11.8	50.4%
12-month average	12.0	48.2%
Minimum over 1 year - 14/03/2014	9.9	80.6%
Maximum over 1 year - 27/06/2014	14.2	25.3%
Analysts' target prices		
Median analyst target prices	12.0	48.3%
Analysis of trading peers		
Amplifon's EBITDA multiple 2015E	15.1	17.6%
Amplifon's EBITDA multiple 2016E	14.4	23.7%
Analysis of precedent transactions		
Median of transaction multiples (EV/Revenue)	10.1	76.2%
Discounted cash flows analysis		
Discounted cash flows	14.9	19.2%

16 February 2015 was the day before the opening of exclusive negotiations for the sale of the Controlling Block by the Offeror.

The averages above are weighted by volume.

3. PERSONS RESPONSIBLE FOR THE OFFER DOCUMENT

For the Offeror

"*To the best of our knowledge, the data in this offer document is true and accurate and contains no omissions which could impair the scope of this information.*"

Smørum, dated **[●]** 2015

William Demant Holding A/S

Represented by Niels Jacobsen, Chief Executive Officer.

For the presenting institution

"*In accordance with Article 231-18 of the AMF General Regulation, Natixis, the institution presenting the Offer, certifies that, as far as it is aware, the Offer presentation that it has examined based on the information supplied by the Offeror, and the factors used to assess the proposed price, are true and accurate and contain no omissions which could impair the scope of this information.*"

Natixis