

Stock Exchange Announcement no. 2007-01

Publication of Annual Report 2006

8 March 2007

High growth in revenues and earnings driven by Oticon Delta

Today, the Board of Directors of William Demant Holding A/S adopted the Annual Report 2006. This announcement includes a summary of the annual report and an outline of the planned changes in the composition of the Board of Directors.

Realised revenues and operating profits (EBIT) match the forecasts announced on 9 November 2006 in our third quarterly review.

The highlights of the annual report are summarised below:

- For 2006, the Group realised revenues of DKK 5,085 million, or 12.4% growth. In local currencies, revenues grew by 12.5%.
- Operating profits (EBIT) amounted to DKK 1,271 million, or a profit margin of 25.0%.
- Operating profits include costs relating to the employee share ownership plan of DKK 34 million and due diligence costs of DKK 25 million. Before these costs, the Group's operating profits (EBIT) totalled DKK 1,330 million, representing a 21% rise and a profit margin of 26.2%.
- The year's profit was DKK 901 million, and earnings per share (EPS) rose by 18% to DKK 14.4. Before costs relating to the employee share ownership plan and due diligence costs, the Group generated a rate of growth in earnings per share of 24%.
- Consolidated cash flows in 2006 were strong, and against this background the Group has bought back shares worth a total of DKK 993 million.

The total sale of Group-manufactured hearing aids rose by 9% in 2006. Based on available market statistics, the market growth rate for the same period was 3-4%. Thus, the Group also captured market share in 2006. The Group's hearing aid activities generated a total increase in revenues of 13% and Diagnostic Instruments and Personal Communication generated growth rates of 10% and 12%, respectively.

Corporate growth in 2006 was in particular driven by the cosmetically attractive product concept, Oticon Delta and its RITE technology (Receiver-In-The-Ear), which was released for sale in spring 2006. Responses to Oticon Delta by hearing care professionals and end-users have been extremely favourable. The introduction of new Delta versions towards the end of 2006 means that Oticon Delta now addresses four out of five hearing losses and is available in three different price variants.

Outlook for the future

For 2007, growth in revenues is estimated at 9-12% in local currencies in a market with an estimated rate of growth of 3-5% measured in value. Using the average exchange rates in December 2006, we expect consolidated revenues for 2007 to be adversely impacted by currencies by about 2% with resulting revenues for 2007 in the region of DKK 5,450-5,600 million.

We expect corporate growth in 2007 to be driven mainly by Oticon Delta and a new, ground-breaking high-end product concept to be launched by Oticon in the second quarter and representing a paradigm shift in the hearing aid industry. The new product concept will be based on RISE, the world's first wireless, technological architecture designed specifically for hearing aids. RISE is the result of Oticon's biggest ever devel-

opment effort and will provide new possibilities in all aspects of sound processing and wireless connectivity, including ear-to-ear broadband communication and connection to Bluetooth products.

RISE will be the wireless foundation for Oticon's future generations of hearing aids. As mentioned above, the first hearing aid based on RISE will be a new high-end instrument, but the full potential of the groundbreaking new architecture will only show over time with the gradual introduction of new features and user benefits. For a further description of RISE, reference is made to page 17 of the Annual Report 2006.

Moreover, the FM product concept, Oticon Amigo, and a series of planned product introductions from Bernafon are expected to contribute positively to corporate growth in 2007.

For 2007 as a whole, the Group's current exploitation of economies of scale is expected to continuously boost the gross profit ratio.

Recent years' strengthening of the Group's development effort will continue in 2007 – particularly due to the continuously severe pressure of competition and the consolidation taking place in the hearing aid industry. Thus, the growth in corporate research and development costs will also in 2007 exceed growth in sales. Coupled with the prospect of a general cost pressure, this will somewhat dilute the favourable development in gross profit ratio. Against this background, we forecast operating profits (EBIT) for 2007 of DKK 1,425-1,500 million, corresponding to 12-18% growth.

Expecting a continuous strong cash flow, the Board of Directors has decided to maintain the buy-back of shares at a high level in 2007, and in 2007 we expect to buy back shares worth about DKK 1 billion.

We therefore foresee an increase in earnings per share (EPS) of 16-20% in 2007. Any amendments to the Danish rules on corporate taxation along the lines suggested initially by the Danish Government will generate major growth in EPS for the Group, provided that any such changes become effective in 2007.

As the launch of the new high-end hearing aid based on Oticon's new technological RISE architecture is planned for the second quarter of 2007, the highest revenues and earnings are expected in the latter half of the year.

New Chairman of the Board of Directors of William Demant Holding

The Chairman of the Company's Board of Directors, Mr Niels Boserup, will not be seeking re-election as Chairman after the forthcoming general meeting on 29 March 2007. On 30 March 2007, Mr Boserup will join the board of our main shareholder, William Demants og Hustru Ida Emilies Fond (the Oticon Foundation). The intention is for Mr Boserup to succeed the present chairman of the Oticon Foundation next year, Mr Knud Sørensen, as Mr Sørensen wishes to retire in spring 2008. Mr Boserup has announced that he will not seek re-election to the Board of Directors when his current term expires at the annual general meeting in 2008.

Following the annual general meeting on 29 March 2007 and as a result of the above changes, the Board of Directors of William Demant Holding is expected to constitute itself with the present Deputy Chairman Mr Lars Nørby Johansen as new Chairman and Mr Boserup as new Deputy Chairman. At the same time, Mr Nørby Johansen will resign from the Oticon Foundation's board, which means that also in future the Oticon Foundation will continue to have only one representative member on the Board of Directors of William Demant Holding A/S.

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

At the annual general meeting, the Board of Directors will propose that Mr Lars Nørby Johansen and Mr Michael Pram Rasmussen be re-elected and that Mr Peter Foss be elected new Director. The Board will thus have an additional Director until the general meeting in 2008 to ensure continuity until Mr Boserup resigns from the Board in spring 2008.

Furthermore, the Board of Directors will propose that the Articles of Association be amended so that all Directors elected by the general meeting be eligible for election every year against previously every second year on a rotational basis.

Main key figures and financial ratios

	2002	2003	2004	2005	2006	Development 2005-2006
Key figures, DKK million						
Revenue	3,720	3,677	4,121	4,523	5,085	12%
Gross profit	2,505	2,521	2,859	3,133	3,575	14%
Operating profit (EBIT)	810	856	1,004	1,103	1,271	15%
Net financials	-31	-28	-39	-37	-61	67%
Profit before tax	779	827	965	1,066	1,209	13%
Net profit for the year	579	618	717	791	901	14%
Total assets	1,992	2,015	2,441	2,893	3,135	8%
Equity	428	522	646	756	671	-11%
Cash flow from operating activities (CFFO)	669	754	720	892	964	8%
Financial ratios						
Gross profit ratio	67.3%	68.6%	69.4%	69.3%	70.3%	
Profit margin	21.8%	23.3%	24.4%	24.4%	25.0%	
Earnings per share (EPS), DKK	7.9	8.8	10.7	12.2	14.4	18%
Return on equity	168.0%	139.8%	134.2%	106.7%	114.0%	

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The full Annual Report 2006 for William Demant Holding A/S totalling 64 pages will be forwarded to OMX Copenhagen Stock Exchange immediately after this announcement.

Product introduction meetings

In connection with the Group's planned introduction of a new high-end hearing aid in the second quarter of 2007, product introduction meetings for analysts, investors and journalists will be held in April 2007:

- 11 April 2007 at 3:00pm **Copenhagen.** The presentation will be given in Danish.
- 12 April 2007 at 8:30am **London, UK.** The presentation will be given in English.
- 19 April 2007 at 3:00pm **Denver, Colorado, USA.** This meeting will be held in connection with the annual audiology convention AudiologyNOW! organised by the American Academy of Audiology (AAA). The presentation will be given in English.

Starting times for the meetings are stated in local time. The meetings are expected to last about two hours. We plan to send out invitations with additional details on the three meetings during March 2007.