Interim Report 2011
1 January – 30 June

'11

William Demant

Key figures and financial ratios

	1st half 2011	1st half 2010	Percentage change	Full year 2010
Income statement, DKK million				
Revenue	3,900	3,328	17%	6,892
Gross profit	2,787	2,390	17%	4,959
Research and development costs	306	299	2%	615
EBITDA	927	775	20%	1,654
Depreciation etc.	121	109	11%	224
Operating profit (EBIT)	806	666	21%	1,430
Net financials	-38	-69	-45%	-116
Profit before tax	768	597	29%	1,314
Net profit for the period	576	450	28%	988
Balance sheet, DKK million				
Net Interest-bearing debt	-1,510	-1,822	-17%	-1,869
Total assets	7,097	5,761	23%	6,786
Equity	3,001	1,770	70%	2,443
Other key figures, DKK million				
Investment in property, plant and equipment, net	118	97	22%	251
Cash flow from operating activities (CFFO)	693	274	153%	826
Free cash flow before acquisitions	490	149	229%	494
Employees (average)	7,162	6,143	17%	6,318
Financial ratios				
Gross profit ratio	71.5%	71.8%		71.9%
EBITDA margin	23.8%	23.3%		24.0%
Profit margin (EBIT margin)	20.7%	20.0%		20.7%
Return on equity	42.3%	58.5%		49.5%
Equity ratio	42.3%	30.7%		36.0%
Earnings per share (EPS), DKK*	9.9	7.7	28%	16.9
Cash flow per share (CFPS), DKK*	11.9	4.7	153%	14.1
Free cash flow per share, DKK*	8.4	2.6	229%	8.5
Dividend per share, DKK*	0	0		0
Book value per share, DKK*	51.4	30.3	70%	41.9
Price earnings (P/E)	23	29	-19%	24
Share price, DKK*	464	444	4%	414
Market capitalisation adjusted for treasury shares, DKK million	27,074	25,923	4%	24,173
Average number of shares, million	58.35	58.35	0%	58.35

Financial ratios are calculated in accordance with "Anbefalinger & Nøgletal 2010" ("Recommendations and Financial Ratios 2010") from the Danish Society of Financial Analysts.

The free cash flow is calculated as the sum of cash flows from operating activities (CFFO) and investing activities (CFFI) adjusted for acquisitions.

On computation of the return on equity, average equity is calculated, duly considering the current buyback of shares.

**Per share of DKK 1.*

Management's review

Revenues and results

In the first six months of 2011, consolidated revenues amounted to DKK 3,900 million, or a rise of 17% on the first half-year of 2010. In terms of local currency, the increase in revenues was well over 15%, organic growth accounting for 8 percentage points. Movements in exchange rates in the period under review had a positive impact of almost 2%.

Revenues by business activity

			Growth		
DKK million	1st half 2011	1st half 2010	Reported	Local currency	Full year 2010
Hearing Devices	3,458	2,949	17.3%	15.0%	6,098
Diagnostic Instr.	299	249	20,1%	21.4%	535
Personal Comm.	143	130	10.0%	11.6%	259
Total	**3,900**	**3,328**	**17.2%**	**15.4%**	**6,892**

*Based on realised exchanges rates in the first half of 2011

In the first half-year, the Group realised gross profits of DKK 2,787 million, or an increase of 17%. The gross profit ratio was 71.5%, which is 0.3 percentage points less than in the same period last year. This trend is mainly the result of a diluting effect of the acquisition of Otix Global, a US hearing aid manufacturer which became a corporate entity in late November 2010.

With the recent series of product introductions – most recently the launch of Oticon Ino in February – a growing number of our hearing aids are based on the RISE 2 platform, which contributes to production-related synergies. In return, an increasing sale of Streamers and related accessories for wireless solutions had a dampening effect on the consolidated gross profit ratio.

In the period under review, capacity costs totalled DKK 1,983 million, matching an increase of just below 15% in terms of local currency compared with the same period last year, with acquisitions accounting for more than two thirds of this growth. This means that the increase in costs in the underlying business was lower than organic growth in consolidated revenues.

The first half of 2011 was affected by non-recurring costs to the tune of DKK 13 million, relating to the integration of Otix Global into the Group. The impact of the Otix Global enterprises on operating profits was neutral in the same period. The integration of Otix Global into the Group is progressing very satisfactorily, and for the year as a whole, we expect non-recurring costs relating to Otix Global to aggregate DKK 15-25 million, which is below the previously announced level. Also, we expect the overall impact of Otix Global on operating profits for the full year to be neutral to slightly positive.

Capacity costs

			Growth		
DKK million	1st half 2011	1st half 2010	Reported	Local currency	Full year 2010
R&D costs	306	299	2.3%	1.3%	615
Distr. costs	1,417	1,203	17.8%	17.7%	2,470
Adm. expenses	260	224	16.1%	16.6%	449
Total	**1,983**	**1,726**	**14.9%**	**14.7%**	**3,534**

*Based on realised exchanges rates in the first half of 2011

Consolidated research and development costs in the first half-year amounted to DKK 306 million, or a rise of 1% in local currencies. In the same period, the Group generated fair growth in revenues. Distribution costs rose by 18% and administrative expenses by 17% in local currencies in the period under review. These increases are mainly attributable to our acquisition of Otix Global and a number of minor distribution entities. In other words, we have managed to keep costs at bay in connection with our product launches in the first six months of this year, while maintaining the favourable sales momentum created on the launch of Oticon Agil in March 2010.

Operating profits (EBIT) amounted to DKK 806 million and represent a rise of 21% on the same period in 2010. The reported profit margin for the period under review is 20.7%, matching an increase of 0.7 percentage points compared with the same period last year. In relative terms, however, the acquisition of Otix Global had a diluting effect on the profit margin, and if adjusted for such effect, the consolidated profit margin for the first half-year would have been 22.1%.

As expected, a change in the Group's product mix resulted in a lower average selling price, as far as wholesale of hearing aids is concerned. For instance, the successful launches of Oticon Acto in the autumn of 2010 and Oticon Ino in February this year had an expected diluting effect on the product mix, just as the introduction of the attractive miniRITE style at various price points triggered a drop in the sale of the design product Oticon Dual. The introduction of Bernafon's high-end hearing aid Chronos in May and the coming introduction of Oticon's design product Oticon Intiga are expected to result in a strengthening of the Group's product mix and consequently to have a positive effect on the average selling price.

Cash flows and balance sheet

Consolidated cash flows in foreign currencies are hedged through forward exchange contracts with a horizon of up to 24 months. Realised forward exchange contracts are recognised in the income statement together with the items hedged by such contracts. This will eliminate the effect of short-term exchange fluctuations in the income statement. In addition, we take out loans in foreign currencies to balance our net receivables. At 30 June 2011, we had entered into forward exchange contracts at a nominal value of DKK 637 million (DKK 1,185 million at 30 June 2010). On 30 June 2011, the composition of estimated consolidated net cash flows in selected currencies was as follow:

Forward exchange contracts at 30 June 2011

Currency	Hedging period	Hedging rate
USD	5 months	570
JPY	19 months	6.77
AUD	5 months	515
GBP	11 months	867
CAD	4 months	583

In the first half-year, consolidated net financials amounted to DKK 38 million, which is a decrease compared with the first half of 2010. The decrease is attributable to an almost neutral effect of exchange rate adjustments of consolidated balance-sheet items, which – for the period under review – had a positive impact of DKK 2 million against a negative effect of DKK 21 million in the first six months of 2010. Tax on profits generated in the first half-year was DKK 192 million, corresponding to an effective tax rate of 25.0%. Earnings per share amounted to DKK 9.9, or a rise of 28%.

Cash flows by main items

DKK million	1st half 2011	1st half 2010
Net profit for the period	806	666
Cash flow from operating activities	693	274
Cash flow from investing activities	-203	-125
Free cash flows	**490**	**149**
Acquisitions	-205	-288
Other financing activities	-103	143
Net cash flows for the period	**182**	**4**

In the period under review, consolidated cash flow from operating activities totalled DKK 693 million against DKK 274 million in the same period last year. The satisfactory development is mainly due to growth in consolidated revenues and operating profits, where by comparison, the first half of 2010 was affected by substantial launching costs in connection with the introduction of the successful high-end product Oticon Agil. Furthermore, we saw a very modest increase in funds tied up in trade receivables, which is in fact the principal explanation for the favourable development in consolidated working capital against revenues. In the first six months, cash flow to investing activities, excluding acquisitions, totalled DKK 203 million, which is an increase from DKK 125 million in the same period in 2010, interior improvements of Oticon's new US head office accounting for much of this increase. Free cash flows (exclusive of acquisitions) thus amounted to DKK 490 million against DKK 149 million last year. Acquisitions aggregated DKK 205 million, which is below the level reported for the same period last year.

At 30 June 2011, consolidated assets totalled DKK 7,097 million, or a 5% rise on year-end 2010. Some of the reasons for this rise are a growing level of activity and an increase in consolidated goodwill, resulting from the acquisitions made in the period under review, including the acquisition of Gordon N. Stowe, a distributor of diagnostic instruments on the US market.

At 30 June 2011, consolidated net interest-bearing debt was DKK 1,510 million, corresponding to a fall of DKK 359 million compared with year-end 2010. In continuation of our decision in autumn 2008 to temporarily suspend the buyback of shares, consolidated cash flows have since then mainly been used for acquisitions and settlement of debt.

In connection with our current considerations on the Group's capital structure, we announced earlier this year that we endeavour to have net interest-bearing debt of about DKK 1.5-2.0 billion. This level reflects our possibilities for quick and flexible action, should attractive acquisition opportunities present themselves, but we do not necessarily strive to have the highest possible level of debt. With net interest-bearing debt of about DKK 1.5 billion at 30 June 2011 and the prospect of substantial cash flows in the second half-year, we expect to resume our share buyback programme quite soon. Consolidated equity at 30 June 2011 was DKK 3,001 million, and the equity ratio was 42.3% against 36.0% at year-end 2010. On 30 June 2011, we had no holding of treasury shares. In the first half of 2011, the average number of Group employees was 7,162 (6,143 in the first six months of 2010), the number of employees in Denmark being 1,576 (1,572 in first half of 2010). The increase is mainly attributable to acquisitions, including the acquisition of Otix Global.

Accounting policies

Our Interim Report is presented in compliance with IAS 34, *Interim Financial Reporting*, as adopted by the EU, and further Danish disclosure requirements in respect of interim reports for listed companies. We have not prepared any interim report for the Parent. The Interim Report is presented in Danish kroner (DKK), which is the functional currency of the Parent.

The accounting policies used in this Interim Report are the same as used in the consolidated financial statements for 2010 to which we refer for a full description.

There have been no changes in accounting estimates and judgements in connection with Management's use of corporate accounting policies compared with the description hereof in our *Annual Report 2010.*

There have been no events to change the assessment of the Interim Report after the balance sheet date and until today.

Market conditions and business trends

Hearing Devices

In the global market for hearing devices, unit growth is estimated at around 4% in the first half-year, which is at the upper end of the Group's long-term forecasts of 2-4% unit growth. In the period under review, market growth in the US was just under 3% – however with a somewhat stronger first quarter than second quarter (5% and 1%, respectively). Growth in the total demand by Veterans Affairs was almost 6% in the first half-year and once again exceeded growth in the private sector of the US market, which showed well over 2% unit growth.

The largest markets for hearing aids, including Germany, Italy, Holland and Switzerland, saw fair growth rates. In the first half-year, the Japanese market for hearing aids managed to retain the same level as in the first half of 2010, which is a surprise in the light of weak market trends in the first three months and the tragic earthquake in March.

In our conviction, the development in the average selling price on the hearing aid market did not contribute positively to market growth. Some public contracts have been renewed, but at lower average unit prices, including the contract with the British National Health Service (NHS), which is the world's largest single buyer of hearing devices. In addition, we have seen a shift in the product mix on the market caused by increasing sales of mid-priced products. We therefore estimate that generally speaking, the average selling price on the market developed negatively by about 2-3% in the first six months of 2011. In terms of value, the market for hearing aids is thus thought to have developed from flat to slightly positive in the period under review.

In the first half-year, the Group's core business, comprising the development, manufacture and wholesale of hearing aids, generated unit growth in the sale of Group-manufactured instruments of well over 16% (Otix Global accounting for 3 percentage points), which significantly exceeded market growth. Organic growth in revenues in our core business was just under 8% and as expected, the Group captured sizeable market shares. In the same period, our overall hearing device business, including retail activities, generated organic growth in revenues of well over 7%, which must be said to be satisfactory.

Corporate growth was most conspicuous in the mid-priced and low-end segments and the two most recent launches based on Oticon's successful RISE 2 platform, Oticon Acto and Oticon Ino, were very successful. Oticon Agil sales are still satisfactory and also contributed to growth in the first half-year. Finally, the two Oticon product families, Chili and Safari, delivered positive contributions to growth, and the Group's dedicated effort in the Super Power and Paediatrics product segments has borne fruit and has to a great extent contributed to boosting the Group's overall product programme.

In early September, Oticon will make another big leap into the Design segment for cosmetically attractive hearing solutions and will with the launch of Oticon Intiga further cement its leading position within RITE solutions (Receiver-In-The-Ear). Intiga is the world's tiniest, fully wireless hearing aid featuring binaural processing and connectivity as well as second-to-none sound quality. The beautiful design instrument uses a small 10 A battery and is an impressive 33% smaller than the popular miniRITE. Thus, the user needs not compromise on design or on the natural and unparalleled sound known from Oticon Agil. Intiga will be launched in three Performance categories, which means that all users with mild to moderate hearing losses can benefit from Oticon's well-known audiological concepts, including Speech Guard and Spatial Noise Management in selected Performance categories. Despite the tiny battery and the wide range of sophisticated features, Intiga users will not be burdened by frequent changes of battery, but will only have to change the battery once a week, even if the wireless features are used frequently.

Intiga is an unconventional hearing aid designed specifically for active new users and users who do not want a conventional hearing aid. These users expect an inconspicuous and comfortable hearing solution, which will already on the first fitting effectively alleviate their hearing loss. Studies show that hearing care professionals spend a considerable amount of time on first-time users, but they do not always obtain the desired results. Intiga has been designed to meet this particular challenge. When launching Intiga, Oticon will also introduce a dedicated tool for dispensers to be used when they fit first-time users. This tool is called *Readiness Management* and consists of an advisory guide to help first-time users accept their need for a hearing solution, while preparing them for a successful fitting process.

Also in early September, Oticon will launch its low-end product Oticon Get and thus complete its product portfolio. With these introductions, all products in the active portfolio will be based on the RISE 2 platform, which means that Oticon still has – but now even more so – what is probably the strongest and most updated product portfolio in our industry.

In the period under review, Bernafon saw fair growth in unit sales, such growth however mainly being driven by Bernafon's volume products, including, in particular, the Inizia product family. Sales of hearing aids in the upper price segments were lower than anticipated, mainly because the high-end product Chronos was introduced later than planned to some of the major customers. The product mix thus developed unfavourably, which had an adverse effect on the average selling price. However, Chronos was very well received and with the full effect of its launch on all markets, we expect a positive effect on both unit sales and the average selling price in the second half-year.

The Group's sales to Veterans' Affairs (VA) are still developing satisfactorily, and with a market share of almost 11% in the first six months of 2011, we have once again managed to grow our market share.

In the period under review, corporate retail activities achieved a satisfactory rate of growth, exceeding market growth in the markets where we have our own retail activities. The integration of the HearingLife chains in Australia and the USA is proceeding as planned, and Hidden Hearing in the UK continues its positive development, resulting from the business model adjustments made to match the altered market conditions. The Group also fortified its distribution through the acquisition of a number of minor distribution businesses.

Diagnostic Instruments

In the first half-year, Diagnostic Instruments generated revenues of DKK 299 million, corresponding to a very satisfactory 21% rate of growth in revenues, organic growth accounting for well over 9 percentage points. Growth is achieved in most product segments and in all four brands including, in particular, Grason-Stadler and Interacoustics. Growth was also obtained through the acquisition of Otix Global's diagnostic distribution activities and the acquisition of SIDs (*Special Instrument Distributors*). Diagnostic Instruments has thus reinforced its distribution considerably – and in particular through the acquisition of Gordon N. Stowe on 1 May 2011. A US multi-line distributor, Gordon N. Stowe is the world's largest distributor of audiometric equipment. However, only the contribution margin from Gordon N. Stowe's sale of instruments is recognised in the consolidated financial statements.

We estimate the market for diagnostic equipment to have grown by 2-4%, which means that Diagnostic Instruments has once again captured substantial market shares.

Personal Communication

In the first six months of 2011, Personal Communication generated revenues of DKK 143 million, or an organic growth rate of almost 12%. Sennheiser Communications achieved an impressive increase in revenues and was thus the growth driver in Personal Communication. Sennheiser Communications saw progress in all product areas including, in particular, headsets for mobile phones and for the professional market.

Phonic Ear and FrontRow continue to experience tough market conditions due among other things to budget cuts in the US education sector.

Outlook for the 2011 financial year

For 2011, we expect to generate substantial growth in both revenues and earnings and to see the continued strengthening of the corporate profitability obtained in 2010. If we exclude the acquisition of Otix Global and the associated non-recurring costs, we forecast a continued rise in our profit margin in 2011 compared with 2010, and we also expect to generate a fair double-digit growth rate in operating profits (EBIT).

In our *Annual Report 2010,* we announced that we expected volume growth in the global market for hearing aids to be 2-4%. We maintain this forecast. In the first half-year, trends in average selling prices in the market seem to have been less favourable than we anticipated earlier. This is mainly due to the previously mentioned periodic shift in the market product mix. We originally expected that the average selling price on the market would contribute neutrally or slightly negatively to market growth, and we therefore revise our forecast so that we now expect a slightly negative trend in the average selling price in 2011.

For 2011, we expect organic growth in corporate wholesale of hearing devices to exceed market growth by 6-8 percentage points (against a previous forecast of 4-8 percentage points). If we exclude acquisitions, we still expect our retail activities in 2011 to show growth matching the level of market development.

We maintain our forecasts for our two other business activities, Diagnostic Instruments and Personal Communication. We thus expect Diagnostic Instruments to continue to capture further market shares in a market which is expected to show a low single-digit growth rate. Moreover, acquisitions will also have an impact. For Personal Communication, we maintain our forecast of a high single-digit growth rate in 2011.

In 2011, consolidated revenues will be favourably affected by acquisitions. Based on the transactions carried through since early 2010, including the acquisition of Otix Global, we expect revenues for 2011 to be impacted by acquisitions by about 8%. Add to this, the effect of potential acquisitions made in the remaining part of 2011.

Viewed in isolation, the acquisition of Otix Global on 30 November 2010 is expected to contribute to consolidated revenues by more than DKK 350 million in 2011 against DKK 33 million in 2010. The integration of Otix Global is proceeding better than anticipated, and the operational impact on consolidated operating profits (EBIT) before non-recurring costs is now expected to be neutral to slightly positive in 2011 (against a previous expectation of a slightly negative impact). Non-recurring costs for the restructuring and integration of Otix Global are estimated at DKK 15-25 million in 2011 (against a previous forecast of DKK 30-50 million). In step with the completion of the ongoing integration process, we remain convinced that the profitability of the acquired activities will improve considerably and that in the 2012 financial year, these activities will reach a profit margin almost at corporate level (excluding Otix Global).

Based on realised exchange rates and exchange rates at the end of July 2011, we expect exchange rate movements for revenues as well as operating profits (EBIT) to have a neutral translation effect in 2011 compared with 2010.

Current corporate investments in property, plant and equipment are estimated at DKK 225-250 million in 2011. In addition, we will make investments to the tune of DKK 100 million in 2011 in connection with the ongoing establishment of a new head office for Oticon in the USA.

For the Group, the effective tax rate for 2011 is estimated at 25%, matching the tax rate for corporations in Denmark.

As mentioned earlier, we seek to have net interest-bearing debt in the DKK 1.5-2.0 billion interval. With net interest-bearing debt of about DKK 1.5 billion at 30 June 2011, we expect to resume our share buyback programme quite soon. Going forward, we expect to use free cash flows (with the deduction of acquisitions) to buy treasury shares.

Statement by the Executive Board and Board of Directors

We have today considered and presented the Interim Report for the first half of 2011 for William Demant Holding A/S.

Our Interim Report is presented in compliance with IAS 34, *Interim Financial Reporting*, as adopted by the EU, and further Danish disclosure requirements in respect of interim reports for listed companies. The Interim Report has neither been audited nor reviewed by the Company's auditor.

We consider the accounting policies to be appropriate for the Interim Report to give a true and fair view of the Group's assets, liabilities and financial position at 30 June 2011 and of the results of the Group's activities and cash flows for the first half of 2011.

We consider our review to provide a true and fair view of the development of the Group's activities and financial position, the results for the period under review and of the Group's financial position as a whole as well as a description of any material risks and uncertainty factors facing the Group.

Smørum, 19 August 2011

Executive Board:

Niels Jacobsen

Board of Directors:

Lars Nørby Johansen
Chairman

Peter Foss
Deputy Chairman

Niels B. Christiansen

Thomas Hofman-Bang

Ole Lundsgaard

Jørgen Møller Nielsen

Karin Ubbesen

Income statement

GROUP (DKK – in million)

	1st half 2011	1st half 2010	Full year 2010
Revenue	**3,900**	**3,328**	**6,892**
Production costs	-1,113	-938	-1,933
Gross profit	**2,787**	**2,390**	**4,959**
Research and development costs	-306	-299	-615
Distribution costs	-1,417	-1,203	-2,471
Administrative expenses	-260	-224	-449
Share of profit after tax, associates	2	2	6
Operating profit (EBIT)	**806**	**666**	**1,430**
Financial income	18	13	32
Financial expenses	-58	-61	-130
Exchange differences	2	-21	-18
Profit before tax	**768**	**597**	**1,314**
Tax on profit for the period	-192	-147	-326
Net profit for the period	**576**	**450**	**988**
Earnings per share (EPS), DKK	9.9	7.7	16.9
Diluted earnings per share (DEPS), DKK	9.9	7.7	16.9

Statement of comprehensive income

GROUP (DKK – in million)

	1st half 2011	1st half 2010	Full year 2010
Net profit for the period	**576**	**450**	**988**
Other comprehensive income:			
Foreign currency translation, foreign companies etc.	-54	102	122
Value adjustment of hedging instruments:			
Transferred to revenue	-19	39	81
Value adjustment for the period	67	-143	-60
Actuarial gains/(losses) on defined benefit plans	0	0	2
Tax on other comprehensive income	-12	23	10
Other comprehensive income after tax	**-18**	**21**	**155**
Total comprehensive income	**558**	**471**	**1,143**

Balance sheet – assets

GROUP (DKK – in million)

	30 June 2011	30 June 2010	31 Dec. 2010
Goodwill	1,791	1,186	1,660
Patents and licences	46	45	53
Other intangible assets	21	21	41
Intangible assets	**1,858**	**1,252**	**1,754**
Land and buildings	556	548	565
Plant and machinery	130	132	137
Other plant, fixtures and operating equipment	213	198	213
Leasehold improvements	133	113	133
Prepayments and propterty, plant and equipment in progress	94	34	63
Property, plant and equipment	**1,126**	**1,025**	**1,111**
Investments in associates	85	54	83
Receivables from subsidiaries	74	0	70
Other investments	6	12	6
Other receivables	470	357	435
Deferred tax assets	270	183	266
Other non-current assets	**905**	**606**	**860**
Total non-current assets	**3,889**	**2,883**	**3,725**
Inventories	1,035	912	993
Trade receivables	1,647	1,582	1,609
Receivables from associates	4	7	7
Corporation tax	37	7	32
Other receivables	79	75	57
Unrealised gains on financial contracts	50	1	30
Prepayments and accrued expenses	113	73	93
Cash	243	221	240
Current assets	**3,208**	**2,878**	**3,061**
Total assets	**7,097**	**5,761**	**6,786**

Balance sheet – liabilities

GROUP (DKK in million)

	30 June 2011	30 June 2010	31 Dec. 2010
Share capital	58	59	58
Other reserves	2,943	1,711	2,385
Total equity	**3,001**	**1,770**	**2,443**
Interest-bearing liabilities	1,030	297	1,045
Deferred tax liabilities	94	40	86
Provisions	160	142	171
Other liabilities	169	74	173
Non-current liabilities	**1,453**	**553**	**1,475**
Interest-bearing liabilities	1,139	2,031	1,454
Trade payables	318	282	342
Corporation tax	221	111	78
Provisions	34	12	39
Other liabilities	716	707	726
Unrealised losses on financial contracts	38	161	65
Prepayments and accrued income	177	134	164
Current liabilities	**2,643**	**3,438**	**2,868**
Total liabilities	**4,096**	**3,991**	**4,343**
Total equity and liabilities	**7,097**	**5,761**	**6,786**

Cash flow statement

GROUP (DKK – in million)

	1st half 2011	1st half 2010	Full year 2010
Operating profit (EBIT)	806	666	1,430
Non-cash items etc.	145	34	181
Change in receivables etc.	-95	-274	-289
Change in inventories	-60	-61	-111
Change in trade payables and other payables etc.	20	46	-26
Change in provisions	-15	3	-3
Cash flow excluding net financials and corporation tax	**801**	**414**	**1,182**
Financial income etc. received	18	11	29
Financial expenses etc. paid	-58	-81	-129
Realised foreign exchange gains	2	0	17
Corporation tax paid	-70	-70	-273
Cash flow from operating activities (CFFO)	**693**	**274**	**826**
Acquisitions, interests and activities	-205	-288	-806
Investments in and disposal of intangible assets	2	-5	-11
Investments in property, plant and equipment	-132	-104	-264
Disposal of property, plant and equipment	14	7	13
Investments in other non-current assets	-130	-82	-162
Disposal of other non-current assets	43	59	92
Cash flow from investing activities (CFFI)	**-408**	**-413**	**-1,138**
Repayment on non-current payables	-103	-12	-554
Proceeds from borrowings	0	157	1,050
Other adjustments	0	-2	-2
Cash flow from financing activities (CFFF)	**-103**	**143**	**494**
Cash flow for the period, net	**182**	**4**	**182**
Net cash and cash equivalents at the beginning of the period	-955	-1,118	-1,118
Foreign currency translation adjustment of net cash and cash equivalents	29	-47	-19
Net cash and cash equivalents at the end of the period	**-744**	**-1,161**	**-955**
Breakdown of net cash and cash equivalents at the end of the period:			
Cash	243	221	240
Interest-bearing, current bank debt	-987	-1,382	-1,195
Net cash and cash equivalents at the end of the period	**-744**	**-1,161**	**-955**

Statement of changes in equity

GROUP (DKK million)

	Share capital	Other reserves: Foreign currency translation reserve	Other reserves: Hedging reserve	Retained earnings	William Demant Holding A/S' shareholders share	Total equity
Equity at 1.1.2010	59	-93	-39	1,375	1,302	1,302
Comprehensive income for the period	-	-	22	449	471	471
Other changes in equity				-3	-3	-3
Equity at 30.6.2010	**59**	**-93**	**-17**	**1,821**	**1,770**	**1,770**
Equity at 1.1.2011	58	48	-26	2,363	2,443	2,443
Comprehensive income for the period	-	-55	37	576	558	558
Equity at 30.6.2011	**58**	**-7**	**11**	**2,939**	**3,001**	**3,001**

Acquisitions

GROUP (DKK million)

	North America	Australia	Europe/Asia	Total
	Fair value on acquisition			
Intangible assets	-14	0	0	-14
Property, plant and equipment	4	1	0	5
Inventories	4	0	1	5
Receivables	12	0	-3	9
Cash and bank debt	5	0	1	6
Non-current liabiities	-11	0	-2	-13
Acquired net assets	**0**	**1**	**-3**	**-2**
Goodwill	155	23	13	191
Acquisition cost including transaction costs	**155**	**24**	**10**	**189**
Of which earn-outs and deferred payments	-7	-4	2	-9
Acquired cash and bank debt	-5	0	-1	-6
Cash acquisition cost	**143**	**20**	**11**	**174**

In the first half of 2011, the Group primarily acquired North American distribution businesses relating to Diagnostic Instruments. The first half-year also saw the acquisition of some minor distribution enterprises in North America, Australia and Europe, all relating to Hearing Devices.

As regards recognition of the acquisition of Otix Global in 2010, we made a few adjustments in the first half-year, resulting in a downward adjustment of the market values of intangible assets and contractual obligations.

The above calculation of the fair values of the respective acquisitions in the first six months of 2011 as well as acquisitions at year-end 2010 is not final. The accounting treatment of acquisitions will be concluded within a year of the acquisition date in compliance with IFRS 3. Acquisition-related transaction costs in the first half of 2011 amounted to DKK 2 million, which is recognised under administrative expenses.

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