

Company Announcement No 2008-08

Interim information – first quarter 2008¹

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The Group maintains its expectations for 2008 in local currencies

- In the past part of 2008, the Group's hearing aid business has developed satisfactorily, however slightly on the small side of the plans made.
- This development is for instance a reflection of increased competition in the industry with extensive launch activities at the beginning of 2008 in the segment for cosmetically attractive mini-hearing aids.
- In autumn 2008, Oticon plans to improve and expand its product portfolio in the Delta segment, which is expected to result in a significant strengthening of Oticon's position in the fastest growing segment in the hearing aid market.
- The sale of Oticon Epoq is developing satisfactorily and in accordance with the plans made. In our dialogue with the customers, our focus on Epoq's audiological benefits has been fruitful.
- The Group's expectation of 7-10% revenue growth in local currencies in 2008 remains unchanged. However, we now expect an adverse exchange effect of 5-6% against previously 3%.
- For 2008, the Group thus expects revenues amounting to DKK 5,550-5,700 million and an operating profit (EBIT) of DKK 1,340-1,440 million. The adjustment compared to previous announcements is solely attributable to exchange rate fluctuations.

It is estimated that in the past part of 2008, the global hearing aid market has seen growth in the lower part of the Group's long-term expectations of 2-4% unit growth. The Company still believes that in the longer term prices and product mix will contribute to market growth by 1-2 percentage points. The Company thus expects to see value growth rates in the hearing aid market of 3-5% in the long term.

The Group's hearing aid business has in the past part of 2008 developed satisfactorily, but slightly on the small side of the plans made. In the design segment, in particular, which covers the cosmetically attractive mini-hearing aids, this trend is a reflection of increased competition due to a great number of product launches since the year-end. Since its launch in spring 2006, Oticon Delta has to a wide extent dominated this segment, where it is still the reference product. The increased competition that Oticon Delta is facing today from almost all other manufacturers is evidence of growing acceptance of this product concept.

¹ This interim information pertains to the first quarter 2008 as well as to the period from the end of the quarter until today.

Oticon plans to significantly improve and extend its product offering in the Delta segment in autumn 2008 by introducing a number of strong new products. In addition to their state-of-the-art functionalities, which have not previously been available in the design segment, the new products will appeal to a wider target group than the other design instruments offered on the market. The planned strengthening of the Delta concept will for instance be enabled by Oticon's RISE architecture, which already constitutes the technological engine in the product families Epoq and Vigo. The product launches in autumn 2008 are expected to result in a significant strengthening of Oticon's position in the fastest growing segment of the hearing aid market.

The sale of Oticon Epoq has in the past part of 2008 developed satisfactorily and in accordance with the plans made. In our marketing effort and our dialogue with the customers, we placed towards the end of 2007 more emphasis on Epoq's underlying audiological functionalities, which probably makes the product the market's best hearing aid solution. This effort has been fruitful, and today Epoq's positioning fully complies with the audiological qualities and high user satisfaction of this product concept.

As described in Company Announcement no. 2008-03 published on 6 March 2008, the Group launched a wide range of products at the US hearing aid convention, AudiologyNOW! (AAA), which took place at the beginning of April 2008. Most of these products have already been released for sale, and a few will be released within the next few months:

- In the Premium segment, the market potential for Oticon Epoq was increased by the introduction of a new, very small Power BTE solution based on RITE. The new instrument is a cosmetically attractive hearing aid for people with severe hearing loss, for whom it has not previously been possible to experience the rather unique audiological user benefits enabled by Epoq's wireless ear-to-ear communication. The BTE variant of the Power RITE will be available for sale in summer 2008.
- Oticon also introduced Epoq V, which is characterised by excellent sound and a number of state-of-the-art functionalities. Epoq V is offered at a price at the lower end of the Premium segment and thus expands the price spectrum, within which the entire Epoq family is offered.
- Finally, the entire Epoq product range was expanded by new functionalities, including a new, advanced anti-feedback system and the possibility of using an FM receiver together with the micro-BTE, which will open up new possibilities in the paediatric segment.
- The Group's strong position in the mid-priced segment was strengthened further by the introduction of Vigo and Vigo Pro – two complete families of quality hearing aids addressing people with mild to severe hearing loss. Vigo and Vigo Pro are offered at prices that make it possible for more price-conscious end-users to benefit from Oticon's fast RISE architecture.
- Vigo, Vigo Pro and Epoq V all present superb possibilities for paediatric fitting with their quite unique small BTE shell set and for integration with the also new Amigo R12 (small ear-level FM receiver). Thus, Oticon offers a new strong programme for the fitting of children – from infants to teenagers.

- Bernafon introduced MOVE, a brand new hearing aid family in the upper end of the mid-priced segment. By means of a special program, it has with MOVE been made possible to adjust the instrument to the user's lifestyle. With all the BTE versions, there is the possibility of open fitting by means of the thin-tube system Spiraflex. MOVE will be released for sale before summer.

The work with the many product launches is in full swing and is progressing according to plan. Vigo and Vigo Pro have been very well received by the market, which promises well for sales in the mid-priced segment in the coming quarters.

Overall, the Group's other activities – Retail, Diagnostic Instruments and Personal Communication – have in the past part of 2008 seen development in revenues in accordance with the plans made.

Other matters

As part of the last 12 months' restructuring of the Group's production capacity, it has just been decided to transfer our Krakow production to the recently established production facilities at Mierzyn, Poland. After the transfer, the Mierzyn site will have approx. 300 employees. We have started negotiations with the affected trade groups in Krakow, and the consolidation at Mierzyn is expected to be carried through during summer 2008. Going forward, the Group will thus command two major production sites at Mierzyn and Thisted, respectively. The Mierzyn site will mainly undertake volume production, whereas Thisted will be responsible for the start-up of new product lines and the manufacture of minor series. Expected non-recurring costs and savings in connection with the transfer to Mierzyn are reflected both in the Group's current and in its previously announced expectations.

The Company has in the first quarter repurchased a total of 623,900 shares at a total value of DKK 230 million. At the Company's general meeting on 31 March 2008, it was decided to reduce the share capital to DKK 58,956,257 through the cancellation of the holding of treasury shares as at the general meeting date. The share capital will officially be reduced at the beginning of July after expiry of the mandatory three-month statutory notice. After the general meeting, the Company acquired an additional 111,500 treasury shares, corresponding to 0.2% of the share capital. These shares were acquired at an average share price of DKK 383.

Expectations

For the underlying business, the Group maintains its expectations for 2008 as stated in the Annual Report 2007. Thus, the Group expects to see continued growth in revenues of 7-10% computed in local currencies.

However, the continued weakening of several of the Group's invoicing currencies means that the negative exchange impact on revenues in 2008 is now expected at 5-6%. For the remainder of 2008, the exchange impact has been calculated based on average exchange rates in April 2008. As stated in the Annual Report 2007, the Group previously expected a negative exchange impact of 3%.

The impact of the exchange rate fluctuations on the operating profit (EBIT) is only partly counter-balanced by signed forward exchange contracts. The negative exchange effect on the operating profit (EBIT) in 2008 is now expected to total DKK 120 million against previously DKK 60 million.

For 2008, the Group expects revenues of DKK 5,550-5,700 million and an operating profit (EBIT) of DKK 1,340-1,440 million.



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