Company Announcement No 2008-02

6 March 2008

Publication of Annual Report 2007

12:40am CET

Today, the Board of Directors of William Demant Holding A/S adopted the Company's Annual Report 2007. This announcement includes a summary of the annual report and an outline of a number of planned product introductions.

Realised revenues and operating profits (EBIT) match the most recently announced forecasts.

The highlights of the annual report are summarised below:

- In 2007, the Group generated revenue growth of 11% in local currencies, or DKK 5,488 million. Revenues were adversely impacted by exchange rates by just under 3%.
- Operating profits (EBIT) amounted to DKK 1,268 million, however DKK 1,398 million before special items, including non-recurring costs of DKK 140 million relating to a US patent case. The profit margin is 25.5% before special items.
- As a result of the weakening of the US dollar in particular, operating profits for 2007 are negatively impacted by exchange rates in the amount of DKK 40 million.
- In 2008, the Group forecasts revenue growth of 7-10% in local currencies in a market which is expected to grow by 3-5%. After recognition of a negative exchange rate effect of 3%, the Group expects revenues in 2008 in the amount of DKK 5,700-5,850 million.
- In 2008, we expect operating profits (EBIT) of DKK 1,400-1,500 million, including a negative exchange rate effect of approximately DKK 60 million. The all-year effect on operating profits of the most recent period's unfavourable exchange rate fluctuations can thus be calculated at about DKK 100 million after recognition of the adverse exchange rate effect of approximately DKK 40 million in 2007.
- In 2008, the Group intends to continue to buy back shares in the amount of DKK 900 million.

With a rise in overall unit sales of Group-manufactured hearing aids in 2007 of 14%, the Group continues to capture market shares, even though during this period, unit growth in the global hearing aid market is estimated to have exceeded the Company's long-term expectations of 2-4% volume growth. However, in 2007 market growth was positively affected by considerable demand by the British healthcare system (NHS) and the US Veterans Affairs (VA). If we ignore the growth generated by the NHS and VA, 2007 market growth was in line with the Company's long-term growth expectations.

2007 was very much dominated by the introduction of the high-end product Oticon Epoq, offering the hearing impaired the world's first fully wireless hearing aid solution with significantly improved sound processing. Add to this, the possibility of connecting to Bluetooth applications, for instance the user's mobile phone. Epoq is receiving extremely positive feedback from both hearing care professionals and end-users, who, in particular, mention Epoq's excellent sound reproduction and the recreation of the user's sense of space and ability to localise sources of sound. As mentioned previously, Epoq sales fell short of the plans made in the second half-year, as in many countries sales did not pick up until early autumn, despite the fact that the product was released for sale in May/June. At the same time, enthusiasm about the possibility of Bluetooth connectivity meant that for a while the customers' focus was diverted away from Epoq's obvious audiological benefits. Towards the end of 2007, however, our marketing effort and current dialogue with the customers were redirected to focus much more on Epoq's audiological features. The development towards the end of 2007 and in the past part of 2008 also points toward a somewhat improved sales momentum. The Group continues to have great expectations of Epoq sales in 2008 and beyond.

For Oticon Delta, which was released for sale approximately two years ago, 2007 was another good year. Despite increasing competition in the segment for open and cosmetically attractive mini-instruments, Delta succeeded in maintaining its position as a reference product in the fastest growing segment of the hearing aid industry.

Special items

The Group's income statement for 2007 is impacted by a number of non-recurring items; the most important item being costs defrayed in connection with a US patent case, please see Company Announcement no. 2008-01. According to a jury decision in January 2008, the Group has infringed two patents owned by the Energy Transportation Group (ETG), which was awarded damages of DKK 80 million. In addition, we expect legal fees to total DKK 60 million. The aggregate of DKK 140 million was included in consolidated administrative expenses in 2007, of which provisions in the amount of DKK 110 million have been made for payment of damages and legal costs, including the cost of the expected appeal case. William Demant Holding maintains that the Company has not infringed ETG's patents. The final decision in the appeal case is not expected until 2009. If William Demant Holding wins the appeal case, the provision for damages will be reversed.

In connection with the restructuring of its production capacity, the Group has sold a property in Brisbane, Australia. The sale of the Australian property means that in 2007 the Group has realised a gain of DKK 59 million, which is included in the gross profit. The restructuring of the Group's production facilities also resulted in non-recurring costs of DKK 50 million on the transfer of production from Australia and Scotland to Poland, where in 2007 we established a production facility in Mierzyn. These non-recurring costs will also be included in the consolidated gross profit.

In overall terms, reported consolidated operating profits (EBIT) in the amount of DKK 1,268 million were adversely impacted in 2007 by special items of approximately DKK 130 million. If, however, we ignore these non-recurring costs, the Group achieved operating profits (EBIT) in 2007 of DKK 1,398 million.

On page 15 in Annual Report 2007, there is a table showing the special items and their effect on earnings. The table is also shown at the end of this announcement.

Outlook for the future

2008 will be another year of growth for the Group. For 2008, we anticipate growth in revenues of 7-10% in terms of local currencies in a market whose rate of growth we estimate at 3-5%. Based on average exchange rates for January 2008, the negative exchange rate effect on consolidated revenues in 2008 is estimated at approximately 3%. In this light, consolidated revenues for 2008 are forecast at a level of DKK 5,700-5,850 million.

For 2008, we expect that especially Oticon Epoq will continue to contribute to corporate growth. In the first half of 2008, we are planning to introduce a broad palette of products in the mid-priced segment, including the product families Oticon Vigo and Oticon Vigo Pro as well as new Oticon Epoq variants led by Epoq V, which will be positioned just below the two existing Epoq products (Epoq XW and Epoq W). The Group's planned product introductions in spring 2008 appear from a separate Company announcement to be published just after the Annual Report 2007. Both Oticon and Bernafon will introduce new products in the second half-year. The many new product introductions will be the basis for growth in 2008 and beyond.

The emerging effects of the restructuring of production carried out in 2007 in combination with our current utilisation of economies of scale will positively impact the consolidated gross profit ratio in 2008 and beyond. This margin impact is however expected to be offset – in full or in part – by a steady increase in sales to international retail chains.

For 2008, we expect a continuous increase in the Group's development costs, which are primarily paid in Danish kroner. As development costs are expected to grow at the same level as revenues in terms of local currencies, the reported increase in development costs will exceed reported sales growth.

Particularly in the fourth quarter of 2007, exchange rate trends had an adverse effect on consolidated profits. For 2007 as a whole, the earnings-related exchange rate effect on operating profits (EBIT) was negative by approximately DKK 40 million. Based on average exchange rates for January 2008, we estimate a further negative effect to the tune of DKK 60 million for 2008 as a whole. As usual, the estimated figure includes anticipated gains and losses on forward exchange contracts. The Group generally estimates operating profits (EBIT) for 2008 at DKK 1,400-1,500 million.

The Group's effective tax rate for 2008 is expected to be 24-25%, which is slightly above the 2007 level.

Total investments in property, plant and equipment are estimated at a level of DKK 200-240 million for 2008.

We expect to buy back shares at an amount of DKK 900 million in 2008.

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

According to the Articles of Association, Directors elected by the general meeting are elected for one-year terms. At the annual general meeting in 2008, Mr Lars Nørby Johansen, Mr Michael Pram Rasmussen and Mr Peter Foss will all accept re-election, whereas Mr Niels Boserup and Mr Nils Smedegaard Andersen will not accept re-election. The Board of Directors proposes that Mr Niels B. Christiansen, Vice CEO of Danfoss, be elected to the Board.

In line with general trends among Danish listed companies, the Board of Directors proposes that the Company should employ only one auditing firm rather than two. The Board of Directors proposes that Deloitte Statsautoriseret Revisionsaktieselskab be re-elected.

Furthermore, it is proposed that the Company's share capital be reduced by redemption of the Company's holding of treasury shares of no less than the nominal sum of DKK 1,800,000 and no more than the nominal sum of DKK 2,500,000. The general meeting will be informed of the final, nominal reduction sum. The holding of treasury shares is acquired as part of the Company's share buy-back programme. At 6 March 2008, the Company's holding of treasury shares is 1,819,520.

Lars Nørby Johansen	Niels Jacobsen
Chairman	*President & CEO*

The full Annual Report 2007 for William Demant Holding A/S totalling 70 pages will be forwarded to OMX Nordic Exchange Copenhagen immediately after this announcement, after which the Company will publish an announcement relating to a number of important product introductions.

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	2003	2004	2005	2006	2007	Development 2006-2007
Key figures, DKK million						
Revenue	3,677	4,121	4,523	5,085	5,488	7.9%
Gross profit	2,521	2,859	3,133	3,575	3,971	11.1%
Operating profit (EBIT)	856	1,004	1,103	1,271	1,268	-0.2%
Net financials	-28	-39	-37	-61	-97	57.8%
Profit before tax	827	965	1,066	1,209	1,171	-3.2%
Profit for the year	618	717	791	901	894	-0.7%
Total assets	2,015	2,441	2,893	3,135	3,726	18.9%
Equity	522	646	756	671	435	-35.2%
Cash flows from operating activities (CFFO)	754	720	892	964	848	-12.0%
Financial ratios						
Gross profit ratio	68.6%	69.4%	69.3%	70.3%	72.4%	-
Profit margin	23.3%	24.4%	24.4%	25.0%	23.1%	-
Earnings per share (EPS), DKK	8.8	10.7	12.2	14.4	14.8	2.8%
Return on equity	139.8%	134.2%	106.7%	114.0%	169.0%	-

Special items and effect on earnings	2006	2007	Change
Reported gross profit	*3,575*	*3,971*	*11.1%*
Employee share costs	10		
Gain from sale of property		-59	
Production restructuring costs (estimated)		50	
Gross profit before special items	3,585	3,962	10.5%
Reported capacity costs etc.	-2,304	-2,704	
Employee share costs	24		
Due diligence costs	25		
Cost of US patent case		140	
EBIT before special items	**1,330**	**1,398**	**5.1%**
Reported net financials	-61	-97	
Profit before tax before special items	**1,269**	**1,301**	**2.5%**
Reported tax for the year	-308	-276	
Tax effect	-15	-33	
Profit for the year before special items	**945**	**992**	**5.0%**
Reported profit after tax	*901*	*894*	*-0.8%*
Earnings per share (EPS) before special items	**15.1**	**16.4**	**8.6%**
Reported earnings per share (EPS)	*14.4*	*14.8*	*2.8%*

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