

Company Announcement No 2007-11

The William Demant Holding Group generated high unit growth and strong cash flow in first half of 2007

16 August 2007

12:15pm CEST

Today, the Board of Directors of William Demant Holding A/S approved the Company's Interim Report 2007, the highlights of which may be summarised as follows:

- Consolidated revenues in the first half-year amounted to DKK 2,684 million, matching an increase of 8% measured in local currencies. In the period under review, Hearing Aids achieved 9% growth measured in local currencies.
- With 13% unit growth in the sale of Group-manufactured hearing aids in the first half-year, the Group once again captured sizeable market shares.
- In the first half-year, operating profits (EBIT) amounted to DKK 672 million, matching a profit margin of 25.0%. The figure includes a positive one-off effect of a property sale and the reorganisation of production worth a total of DKK 25 million. Cash flow from operating activities (CFFO) amounted to DKK 470 million, or a 23% rise.
- The sale of Epoq has fully matched our expectations and with the extraordinarily favourable response from customers and end-users, the outlook for Epoq is highly promising in the quarters to come and so is the long-term positioning of both Epoq and the RISE architecture.
- In May 2007, we upgraded our growth forecast in respect of earnings per share (EPS) to 19-23% for the year as a whole. We maintain our raised forecast which was first and foremost based on the reform of corporate income taxation in Denmark.
- We also maintain our previous forecast of revenue growth of 9-12% for 2007 measured in local currencies and an improvement of operating profits (EBIT) of 12-18%.

In the first six months of 2007, corporate growth was in particular driven by the success of Oticon Delta. Growth was further boosted by the extension of the audiological fitting area of Oticon Delta and the launch of Delta 4000 at the end of 2006. Launched in the low-end segment in autumn 2006, Go Pro contributed substantially to unit growth in the period under review, and so did the sale of hearing aids to the NHS in the UK and to a number of international retail chains.

The Group's biggest ever development project just recently resulted in the introduction of Oticon Epoq, which offers customers the world's first completely wireless, binaural hearing aid with improved stereophonic sound reproduction as well as the possibility of wireless connectivity to Bluetooth applications such as the user's mobile phone. Based on Oticon's wireless broadband RISE architecture, Epoq was released for sale at the end of May and did therefore not significantly impact revenues in the first half-year.

Principal key figures and financial ratios

	First half 2007	First half 2006	Change
Key figures, DKK million			
Revenue	2,684	2,548	5%
Gross profit	1,946	1,770	10%
Operating profit (EBIT)	672	622	8%
Net financials	-40	-31	32%
Profit before tax	632	592	7%
Profit for the period	477	437	9%
Total assets	3,409	3,096	10%
Equity	693	750	-8%
Cash flow from operating activities (CFFO)	470	381	23%
Financial ratios			
Earnings per share (EPS), DKK	7.8	6.9	13%
Gross profit ratio	72.5%	69.5%	
Profit margin	25.0%	24.4%	
Return on equity (p.a.)	151.2%	113.8%	

Note: Reported figures include non-recurring items.

Unit growth in Bernafon was mainly driven by the sale of Prio, a mid-priced product launched in autumn 2006. The low-end products Neo and Win were also major contributors to unit growth. The first six months were furthermore characterised by the spring introductions of Bernafon's Super Power instrument Xtreme and new micro-BTE versions of ICOS and Prio. Bernafon's most recent product launch Brite (Bernafon Receiver-In-The-Ear) will be released for sale in August 2007. Brite is based on innovative design and sophisticated technology and marks Bernafon's entry into the rapidly growing market for cosmetically attractive RITE products.

In connection with a reorganisation of corporate production capacity, we have disposed of a property in Brisbane, Australia. As planned, the property was sold in the first half-year, providing a profit of DKK 59 million. In the same period, we made an agreement with Sonion, one of our sub-suppliers, to take over some of their production facilities in Poland. We expect all non-recurring costs relating to the overall reorganisation of production to be contained within the gain of the DKK 59 million mentioned above. Costs have already been paid or commitments made to the tune of DKK 34 million in the period under review. The positive effect on EBIT of the restructuring of production is estimated at about DKK 30-40 million annually from 2009.

In the first half-year, operating profits (EBIT) amounted to DKK 672 million, matching a profit margin of 25.0%. The figure includes the proceeds from the above property sale as well as non-recurring costs relating to the reorganisation of production with an overall positive effect of DKK 25 million. In the first half of 2007, distribution costs amounted to DKK 849 million, up 15% in terms of local currencies. The fairly large increase must be considered in light of the introduction of Oticon Epoq in the period under review, which involved considerable costs relating to the launch, including an international seminar attended by over 600 customers from all over the world.

Consolidated cash flow from operating activities amounted to DKK 470 million, or a 23% increase. The improvement was achieved despite stockpiling and an increase in trade receivables in connection with the Epoq launch. The heavy cash flows from operating activities should among other factors be considered in light of a favourable trend in trade credits and taxes paid. The buy-back of shares amounted to DKK 446 million in the period under review. As at 16 August 2007, we have bought back shares at the amount of DKK 516 million during the course of the year.

Outlook for the future

The Group maintains its growth forecast for 2007. Revenues are thus estimated to grow by 9-12% measured in local currencies. Based on updated exchange rate assumptions, we expect the adverse exchange effect on consolidated revenues for 2007 to be about 3%. In light hereof, revenues for 2007 are forecast at a level of DKK 5,400-5,550 million. In the second half of 2007, revenue growth is expected to be driven by Oticon Epoq in particular.

As regards costs, we estimate a lower rate of increase for the year as a whole than realised in the first half-year. Operating profits (EBIT) are estimated at DKK 1,425-1,500 million, or a rise of 12-18%.

For 2007, the effective tax rate is expected to be approx. 24%, which is about 2 percentage points lower than originally forecast. The reform of corporate income taxation in Denmark, which took effect on 1 January 2007, will thus reduce corporate taxes for 2007 by some DKK 25-30 million in 2007. We expect a similar effect on corporate taxes in the years to come.

The buy-back of shares in 2007 is estimated to account for about DKK 1 billion.

Earnings per share (EPS) are expected to grow by 19-23% in 2007.



Further information:

Phone +45 3917 7100

www.demant.com

Contact:

Niels Jacobsen, President & CEO

Other contacts:

Kenneth Sachse, VP, Finance

Stefan Ingildsen, VP, Investor Relations



The full Interim Report 2007 for William Demant Holding A/S totalling 16 pages will be published immediately after this announcement.

Please be advised that we will host a teleconference for analysts and investors **today at 4 p.m. CEST**. The teleconference will be conducted in English and broadcast via our website, www.demant.com.