

Stock Exchange Announcement No 2007-07

Quarterly review – first quarter 2007

9 May 2007

Oticon Delta continues to win market shares

- In the first quarter, the William Demant Holding Group developed in line with the plans made.
- The Group maintains its previously announced expectations for 2007 to grow in terms of both revenues and operating profit (EBIT). However, as a consequence of the prospect of a lowering of the Danish corporate tax rate the Company now expects growth in earnings per share (EPS) of 19-23% against previously 16-20%.
- The introduction of the extended Oticon Delta product concept towards the end of 2006 has accelerated the sales pace and thus contributed to the continued strengthening of the Group's market position in the segment for cosmetically attractive Behind-The-Ear instruments.
- At the recently held US hearing aid convention, AudiologyNOW! (AAA), Oticon introduced its high-end instrument Oticon Epoq. The novelty was received with great interest and is expected to be released for sale at the end of May 2007.
- Group cash flow is still high. The buy-back of shares amounted to DKK 298 million in the first quarter of the year.
- In connection with a restructuring of production, the main part of the Group's Australian production of Behind-The-Ear instruments will be transferred to newly acquired facilities in Poland.

Market conditions and business development

The global hearing aid market is estimated to have developed in the first quarter of the year within the scope of the Group's long-term expectations for unit growth of 2-4%.

Group hearing aid activities have seen growth that significantly exceeds market growth. The Group's main business activity – the development, manufacture and wholesale of hearing aids – has continued to win market shares. Released for sale in mid-March 2006, Oticon Delta accounted for a substantial part of the Group's growth in revenues in the first quarter of 2007 – a growth that was supported by the extension of the audiological fitting area of Oticon Delta at the end of 2006. Today, it is thus possible to fit four out of five hearing losses with Oticon Delta. At the same time, the existing product portfolio was supplemented by Oticon Delta 4000 positioned in the mid-priced segment, i.e. in the price segment below Delta 8000 and Delta 6000.

The Group's largest development project ever has just resulted in the introduction of a number of ground-breaking technologies and products. The starting point for this is Oticon's proprietary wireless broadband architecture, RISE, which forms the basis for the high-end product, Oticon Epoq, which was recently introduced at the US hearing aid convention, AAA.

With Oticon Epoq, hearing impaired people are now offered the world's first, completely wireless, binaural hearing aid solution with improved stereophonic reproduction of sound. By means of a

wireless Streamer, Oticon Epoq can furthermore be connected with Bluetooth applications, e.g. the hearing aid user's mobile phone. Expectations for Oticon Epoq are high, but since the product will not be released for sale until the end of May 2007, the positive effect on revenues and profits will not materialise until the second half-year 2007. Due to Oticon Epoq's many new, state-of-the-art functionalities, which require considerable training and education of the hearing aid dispensers, initial sales are expected to follow a more moderate pattern than has been the case in connection with launches of previous high-end products.

Also at AAA, Bernafon introduced micro-BTE versions of both its high-end instrument, ICOS, and its mid-priced product, Prio. In addition to that, Bernafon introduced its new Super Power instrument, Xtreme.

In the first quarter of the year, the Group's retail activities generated growth that considerably exceeds market growth.

Compared with the same period last year, the Group's other activities – Diagnostic Instruments and Personal Communication – have seen a flat trend of revenues.

Restructuring of production

In connection with the expiry of a long-term lease, the Group bought in autumn 2006 a production plant in Brisbane, Australia, on favourable terms. The plant was acquired with a view to subsequent disposal and as part of the Group's plans for a restructuring of its overall production capacity.

The property in Brisbane, which was sold off in the first quarter with a gain of just under DKK 60 million, is expected to be vacated at the end of 2007. The main part of the BTE (Behind-The-Ear) production carried out in Australia up to now will be transferred to a new production facility in Poland, partly in order to reduce the Group's production costs and partly to get closer to the Group's development function in Copenhagen and its global distribution centre at Thisted, Denmark. Also domiciled at the premises in Brisbane, which have now been sold off, Bernafon's Australian subsidiary and local ITE (In-The-Ear) production facility will at the same time move to new and more modern facilities in the Brisbane area.

In addition to its facilities in Australia, the Group also has hearing aid production facilities in Denmark (Thisted and Ballerup), Scotland (Glasgow) and Poland (Krakow). Furthermore, as a consequence of the ongoing restructuring of its production facilities the Group has agreed with its sub-supplier, Sonion, that it will during 2007 and 2008 take over some of Sonion's production facilities in Mierzyn (Stettin), Poland, as Sonion will move its production to Vietnam. The take-over implies a gradual increase of the Group's overall production capacity.

It is expected that the gain from the sale of the Brisbane property will cover the non-recurring costs for the overall, planned restructuring of the Group's production. The earnings impact of the overall restructuring of production is thus expected to be neutral in 2007. Starting in 2009, the positive EBIT effect of the restructuring is expected to be on the order of DKK 30-40 million each year.

Tax

The Danish Government has proposed a major reorganisation of the Danish corporate tax system. For the Group, this proposal, which is expected to be adopted before the end of the first half-year 2007, will result in a lowering of the effective tax rate by two percentage points. On first reading, the reorganisation of the tax system will not have consequences of a non-recurring nature, as the deferred tax relating to the Danish joint taxation is balance-sheet neutral.

Treasury shares

In the first quarter, the Company has acquired a total of 619,450 treasury shares with a total value of DKK 298 million.

At the Company's general meeting on 29 March 2007, it was decided to write down the share capital to DKK 60,986,527 through the cancellation of the Company's holding of treasury shares as at the date of the general meeting. The share capital will officially be written down at the beginning of July after the expiry of the mandatory three-month statutory notice.

After the general meeting, the Company acquired an additional 56,600 treasury shares corresponding to 0.1% of the share capital. These shares were acquired at an average price of DKK 504.

Expectations

For the underlying business, the Group maintains its growth expectations for 2007 as stated in the Annual Report 2006. Thus, the Group expects to see continued growth of 9-12% computed in local currencies. With the continued weakening of the US dollar, the year's negative currency impact is now expected at around 3% against previously 2%. The operating profit (EBIT) is still expected to total DKK 1,425-1,500 million, or a 12-18% increase.

As a consequence of the prospect of a general reorganisation of the Danish corporate taxation, the Group's effective tax rate is in 2007 expected to be approx. 24% against previously 26%, as a result of which the Group now expects growth in earnings per share (EPS) in 2007 of 19-23% against previously 16-20%.



Further information:

Phone +45 3917 7100

Contact:

Niels Jacobsen, President & CEO

Other contacts:

Kenneth Sachse, VP, Finance

Stefan Ingildsen, VP, Investor Relations

www.demant.com