

## Company announcement No 2009-08

19 August 2009

First half-year 2009 characterised by substantial increase in operating profit and profitability compared with difficult second half-year 2008

Today, William Demant Holding A/S published its Interim Report 2009, the highlights of which may be summarised as follows:

- With a profit margin of 20.5% in the first half-year 2009, the Group's profitability has improved by more than 3 percentage points on the second half of 2008. Operating profits (EBIT) amount to DKK 565 million, matching a 21% increase compared with the previous six months.
- The Group generated revenues of DKK 2,754 million, or a rise of 2% compared with the first half of 2008. The development in revenues is adversely impacted by declining sales to the British National Health Service (NHS).
- In the first six months, commercial unit sales of Group-manufactured hearing aids (excluding NHS instruments) grew by 2% compared with the first half of 2008. This is estimated to be slightly above growth in the private sector market.
- The average wholesale price obtained by the Group's hearing aid business in the first half-year is slightly over the level of the same period last year.
- Oticon Medical has obtained the final clearance by the US health authorities (FDA). It is thus expected that Oticon Medical's bone-anchored hearing solutions will be released for sale at the end of the third quarter 2009.
- The Group has just received information that both Oticon and Bernafon have been accepted as new regular suppliers of hearing aids to Veterans Affairs (VA) in the USA as of 1 November 2009. The effect of this will, however, not materialise until 2010.
- The Group still expects its wholesale of hearing aids in 2009 to outmatch market growth by 2-4%. On this background, we expect to generate Group revenues and operating profits (EBIT) in the second half-year of the same scope as in the first half of 2009. Profits for the year after tax are therefore expected to show a double-digit percentage improvement.

"The development in the first half-year clearly demonstrates that we have wrenched free of the difficult market conditions and challenges prevailing in the second half-year of 2008, in particular. By virtue of the Group's many product launches since the end of 2008 and general cost restraint in our organisation, we have a positive outlook for the future. Considering the difficult second half-year 2008, we are especially pleased to note that our operating profit is up by more than 20% and that our profit margin has risen by more than 3 percentage points," says Niels Jacobsen, President & CEO of William Demant Holding.

In the period under review, the global market for hearing aids is estimated to have grown by 1% in terms of volume compared with the first half of 2008. Market growth in the USA accounted for 5%, primarily driven by Veterans Affairs (VA). During the first half-year, our hearing aid companies were not on the list of regular VA suppliers. In the first half-year, VA bought as much as 25% more

hearing aids than in the first six months of 2008. The private sector of the US market saw unit growth of 1% in the period under review.

#### Principal key figures and financial ratios

	1st half 2009	2nd half 2008	1st half 2008	Change
Key figures, DKK million				
Revenue	2,754.0	2,685.0	2,688.7	2%
Gross profit	1,956.6	1,836.8	1,888.6	4%
Operating profit (EBIT)	564.8	465.8	576.6	-2%
Net financials	-44.3	-78.8	-60.6	-27%
Profit before tax	520.5	387.0	516.0	1%
Net profit for the period	389.9	292.8	389.6	0%
Total assets	4,252.0	3,926.3	3,881.5	10%
Shareholders' equity	917.7	540.5	452.4	103%
Cash flow from operating activities (CFFO)	425.0	473.4	354.3	20%
Financial ratios				
Earnings per share (EPS), DKK	6.7	5.0	6.6	1%
Gross profit ratio	71.0%	68.4%	70.2%	-
Profit margin	20.5%	17.3%	21.4%	-
Return on equity	106.9%	118.6%	193.2%	-

Outside the USA, the hearing aid market has developed in line with the US private sector market. In the UK, the decline in the market is still considerable, as regards both the NHS and the private sector market.

As far as prices and product mixes are concerned, the contribution to global market growth is thought to have been neutral or slightly negative in the past part of 2009. In terms of value, we estimate that the hearing aid market has developed flatly in the first half of 2009 compared with the first half-year of 2008, which is in fact a modest increase on the difficult second half of 2008. Thus, trends in the period under review confirm that market conditions have now become more stable, albeit at a low level, and at the same time, there are indications that market growth is beginning to return to the level prior to the global economic recession.

In the period under review, corporate wholesale activities, comprising the development, manufacture and wholesale of hearing aids, realised overall negative unit growth of 3% in the sale of Group-manufactured hearing aids. The fall was essentially driven by the NHS, which has, after several years of substantial demand, now managed to reduce their waiting lists and is consequently buying fewer instruments. If we disregard the NHS, the Group delivered a volume increase of 2%.

Following a period of somewhat strained development in our hearing aid business in 2008, particularly in the second half-year, there are today grounds for more optimism. In the USA, Japan and all the major markets in Europe, our wholesale business managed to retain or gain market shares in the private sector markets from the second half of 2008 to the first half of 2009.

In the first half-year, revenues in the corporate hearing aid business rose by 3% in local currencies, whereas growth rates in Diagnostic Instruments and Personal Communication were 8% and -13%, respectively. The Group generated total revenues of DKK 2,754 million, or a rise of 2% compared with the first half of 2008, which includes a neutral exchange effect, whereas acquisitions had a 2% positive impact on revenues.

Total capacity costs in the first half-year amounted to DKK 1,392 million, which is a 6% increase in local currencies compared with the first half of 2008. In the period under review, consolidated research and development costs totalled DKK 277 million, or 8% growth. Compared with the second half-year of 2008, we are seeing flat development, which reflects that the development cost curve is levelling off after several years of significant growth.

Operating profits (EBIT) thus amounts to DKK 565 million, matching a profit margin of 20.5%. Compared with the same period last year, the profit margin has fallen by just under 1 percentage point, but compared to the difficult second half of 2008, it is a rise of over 3 percentage points.

In the first half-year, consolidated cash flows from operating activities were DKK 425 million against DKK 354 million in the same period last year. This boost in cash flows is mainly attributable to the Danish Government allowing business enterprises to postpone current payments of VAT and tax. This initiative means that in the period under review, we were able to postpone VAT and tax payments worth about DKK 70 million to the second half-year.

#### Outlook for the future

As described in the Annual Report 2008, the Group forecasts flat development on the global hearing aid market in 2009 in terms of volume. We maintain our forecast, although we recognise that in the past period of 2009, market trends have been slightly more favourable than originally anticipated. The overall demand by the NHS has, however, declined more than originally expected.

In this light, we assess the possibility of unit growth in the market as a whole to be somewhat higher than the risk of a decline in unit sales in the market.

The Group maintains its forecast of the average selling price on the market making a neutral or negative contribution to market growth. Generally, we foresee flat market development in 2009 in terms of value.

The Annual Report 2008 also stated that in 2009, we expect to see an increase in revenues from our wholesale activities that outmatches market growth by 2-4%. So far, 2009 trends support our expectation, which we therefore maintain.

The slowdown of the market for diagnostic equipment has been somewhat more pronounced in the last few months of the first half-year than anticipated earlier. We therefore foresee slightly negative market development for the year as a whole, but we still expect – which was also the case for the first half of 2009 – to gain market shares in this business area in 2009. The acquisition of Amplivox at the end of 2008 is also expected to contribute to growth.

As regards business activities in Personal Communication, the market situation is still affected by the global economic recession. The difficult market conditions are also expected to limit the growth potential for this business area in the second half-year, although we expect to capture market shares for this area as well.

On this background, the Group expects to generate overall consolidated revenues and operating profits (EBIT) in the second half-year of the same scope as in the first half of 2009, which means fair growth compared with 2008.

Based on the average foreign exchange rates in July, we estimate a neutral exchange effect in 2009 on both revenues and operating profits (EBIT).

For the second half of 2009, net financial costs are estimated to be at the same level or slightly higher than realised in the first half-year, and profits for the year after tax are therefore expected to show a double-digit percentage improvement.



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The full Interim Report 2009 for William Demant Holding A/S totalling 14 pages will be published in continuation of this announcement.

Please be advised that we will host a teleconference for analysts and investors today at 11.00 a.m. CEST. The teleconference will be conducted in English and broadcast via our website, [www.demant.com](http://www.demant.com).