

## **Company Announcement** No 2009-01 **Publication of Annual Report 2008**

**10 March 2009**

Today, the Board of Directors of William Demant Holding A/S adopted the Company's Annual Report 2008. This announcement includes the highlights of the annual report:

- In 2008, consolidated revenues totalled DKK 5,374 million, matching a growth rate of 2% in local currencies. Revenues were negatively impacted by exchange rates by approximately 4%.
- While retaining high profitability, the business area Diagnostic Instruments captured significant market shares in 2008 thanks to 16% revenue growth measured in local currencies.
- Operating profits (EBIT) amounted to DKK 1,042 million, or a profit margin of 19.4%. Due to the weakening of the British pound and the US dollar, in particular, EBIT was negatively impacted by exchange rates in the amount of approximately DKK 90 million.
- Despite the financial crisis and generally unfavourable market conditions, consolidated cash flows from operating activities totalled DKK 828 million in 2008. The considerable cash flows generated in the period under review match last year's cash flows and also reflect a satisfactory development in inventories, receivables and payables.
- At the beginning of 2009, the Group's hearing aid businesses have strong product portfolios, which are expected to be enhanced even further in spring through significant new products. Based on this, we expect corporate wholesale of hearing aids to exceed market growth by 2-4 percentage points in 2009.
- We maintain our decision to temporarily suspend our buy-back of shares, as announced in November 2008. The global financial crisis and our wish to always have substantial financial resources available for any further expansion are the main reasons for this decision.

2008 was in many respects an unusual and challenging year for the entire hearing aid industry. We have rarely seen a volume decline on several markets simultaneously and it is estimated that in 2008 the global hearing aid market saw positive volume trends at a mere 0-2%.

The decelerating demand must be viewed in light of the global financial crisis and the recession in world economy, which has to a great extent affected the commercial markets. Also, it is estimated that particularly in the second half of 2008 average selling prices came under pressure. It seems that some customers have chosen slightly less expensive instruments and that some manufacturers have attempted to lower their selling prices in order to compensate for the sluggish unit sales.

The sales success of recent years, Oticon Delta, faced increased competition from the beginning of the year, and Oticon has therefore not been able to maintain the substantial sales generated by Delta since its launch in spring 2006. As the year passed, the Group significantly invigorated especially Oticon's product programme, so that at the beginning of 2009 the Oticon portfolio is probably the strongest in the industry as regards both breadth and depth. Thus, spring 2008 saw the launch of Oticon Vigo and Oticon

Vigo Pro, which further consolidated the Group's position in the mid-priced segment. Based on Oticon's fast RISE platform, the Vigo products have generated handsome sales.

The most distinctive launch of the year, Oticon Dual, was presented in autumn in connection with the German hearing aid congress EUHA. Dual combines the best of Delta with the best of Epoq in one and the same product, and with its large range of product variants, Dual appeals to a very broad target group, as far as both prices and user benefits are concerned. The first feedback from customers and end-users has been very positive, and sales have been generated evenly within the relatively broad spectrum of price variants. Since Dual was launched towards year-end, the main effects of its introduction will not materialise until 2009. Last but not least, Oticon introduced in autumn the new Power RITE solutions to be used together with all BTE variants of Epoq and Vigo.

In overall terms, the Group did indeed emerge stronger from 2008, despite difficult market conditions and the somewhat slower pace of product launches at the beginning of the year.

### **Outlook for the future**

The current financial crisis and the uncertainty resulting from the global recession make it difficult to forecast precise trends for 2009.

Growth on the global hearing aid market in 2009 is difficult to forecast, and growth estimates are thus subject to considerable uncertainty. Preliminary indications from our main markets seem to suggest that the adverse market conditions prevailing towards the end of 2008 will still prevail in 2009. For 2009, we estimate flat volume growth in the market, and average selling prices are expected to contribute neutrally or negatively to market growth.

At the start of 2009, the Group's hearing aid businesses have strong product portfolios which will be further strengthened through significant product introductions scheduled for spring 2009. The development in corporate wholesale of hearing aids is therefore estimated to exceed market growth by 2-4 percentage points in 2009 and the Group expects to capture market shares again in 2009.

In spring 2009, the Group will launch a broad spectrum of hearing aids, including Oticon Hit and Oticon Hit Pro, which are two completely new product families to be positioned in the lower end of the mid-price segment. In addition, we will introduce new BTE and Power variants of Epoq, Vigo and Hit as well as new wireless features like connectivity to TV and landline phones. Furthermore, the Group today announced that Oticon has established Oticon Medical, whose main activities are the development and sale of so-called bone-anchored hearing solutions. The Group's product introductions scheduled for spring 2009 appear from a separate Company Announcement, which will be published immediately after the Company's Annual Report 2008.

The Group's effective tax rate for 2009 is estimated at 25%, corresponding to the tax rate level in Denmark.

For 2009, total consolidated investment in property, plant and equipment is estimated at DKK 180-200 million.

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

At the annual general meeting in 2009, Mr Lars Nørby Johansen, Mr Peter Foss and Mr Niels B. Christiansen will all accept re-election. Mr Michael Pram Rasmussen will not accept re-election. The Board of Directors therefore proposes that Mr Thomas Hofman-Bang, President and CEO of NKT Holding A/S, be elected new member of the Board.

### Lars Nørby Johansen

*Chairman of the Board of Directors*

### Niels Jacobsen

*President & CEO*

*The full Annual Report 2008 for William Demant Holding A/S totalling 69 pages will be published immediately after this announcement, after which the Company will publish an announcement regarding a number of important product introductions.*



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	2004	2005	2006	2007	2008	Development 2007-2008
<b>Key figures, DKK million</b>						
Revenue	4,121	4,523	5,085	5,488	5,374	-2.1%
Gross profit	2,859	3,133	3,575	3,971	3,725	-6.2%
Operating profit (EBIT)	1,004	1,103	1,271	1,268	1,042	-17.8%
Net financials	-39	-37	-61	-97	-139	43.9%
Profit before tax	965	1,066	1,209	1,171	903	-22.9%
Profit for the year	717	791	901	894	682	-23.7%
Total assets	2,441	2,893	3,135	3,726	3,926	5.4%
Equity	646	756	671	435	541	24.3%
Cash flows from operating activities (CFFO)	720	892	964	848	828	-2.4%
<b>Financial ratios</b>						
Gross profit ratio	69.4%	69.3%	70.3%	72.4%	69.3%	-
Profit margin	24.4%	24.4%	25.0%	23.1%	19.4%	-
Earnings per share (EPS), DKK	10.7	12.2	14.4	14.8	11.6	-21.6%
Return on equity	134.2%	106.7%	114.0%	169.0%	161.1%	-