Company Announcement No 2010-03

11 March 2010

Publication of Annual Report 2009

Today, the Board of Directors of William Demant Holding A/S adopted the Company's Annual Report 2009. This announcement includes the highlights of the annual report:

- In 2009, consolidated revenues totalled DKK 5,701 million, matching a growth rate of 6% of which acquisitions account for approximately half. The effect of exchange rate fluctuations was neutral.

- Operating profits (EBIT) amounted to DKK 1,149 million and generated net revenues of DKK 795 million, corresponding to growth rates of 10% and 16%, respectively. The profit margin in 2009 was 20.2% against 19.4% in 2008.

- In the second half-year 2009, in particular, the Group saw considerable growth compared with the difficult second half-year 2008. In the second half of 2009, the Group thus realised growth in revenues, operating profits (EBIT) and net profits of 10%, 26% and 37%, respectively.

- The Group's ability to generate cash flows remains strong. Cash flows from operating activities thus amounted to DKK 950 million in 2009, which is an increase of 15% on 2008.

- In 2010, we expect fair growth in both consolidated revenues and operating profits (EBIT), and we expect this growth to be driven, among other factors, by the prospect of an increase in the Group's wholesale of hearing aids that is expected to exceed market growth by 3-5 percentage points in terms of value.

Hearing Aids

Consolidated revenues for 2009 totalled DKK 5,061 million, or a 6% rise in terms of local currency. Overall, the market developed flatly in terms of value, which means that the Group also captured market shares in 2009. Up until the end of 2009, the Group was prevented from selling to one of the absolutely largest buyers of hearing aids in the world, namely Veterans Affairs (VA), which even increased their demand during that period. At the same time, we experienced a substantial decline in demand by the British health service (NHS) after a significant reduction of waiting lists.

Sales of Group-manufactured instruments rose by more than 5% if we exclude sales to the NHS, and by just under 1% if we include sales to the NHS. Growth in the number of instruments sold should particularly be found in sales to the independent dispensers, and we have thus captured fair market shares in this highly competitive customer segment. Stagnating sales to chains and public systems were thus more than counterbalanced by a rise in sales to independent hearing care businesses. It is this shift in mix in particular that had a positive effect on our average selling prices.

The positive trend is largely due to the strengthening of Oticon's and Bernafon's product portfolios, which began towards the end of 2008 and really gained momentum in 2009. The high year-over-year growth in earnings in the second half-year was achieved despite the fact that during this period, we incurred costs for the establishment of a sales force and service functions to take care of business relations with Veterans Affairs (VA) and with customers in the market for Oticon Medical's bone-anchored hearing systems. We also defrayed costs in connection with the completion and launch of Oticon Agil, which is Oticon's next generation of wireless high-end instruments and the largest product introduction from Oticon to date. These efforts enabled us to announce the introduction of Oticon Agil in early February 2010 and at the same time announce that the product would be released for sale in all variants and on all markets in early March 2010. Through the introduction of Oticon Agil, Oticon has fortified its frontrunner position as regards state-of-the-art signal processing and connectivity and is thus in a strong position to capture further market shares again in 2010.

It is estimated that in 2009, unit growth in the global hearing aid market was approx. 4% and that this growth has been neutralised by a corresponding fall in the average selling price. Overall, the market developed flatly, which means that with a 6% increase in revenues, the Group captured market shares. Thanks to improved country, product and channel mixes, our wholesale hearing aid activities saw favourable development in average selling prices. There is thus a considerable gap between the development in market prices and Group prices.

Diagnostic Instruments

In 2009, Diagnostic Instruments realised revenues of DKK 413 million, or a 17% improvement in local currencies. Organic growth accounted for 8 percentage points, with the rest being attributable to the acquisition of British Amplivox and the US brand Grason-Stadler. As it is estimated that the underlying market has developed flatly, Diagnostic Instruments thus gained large market shares in 2009, which means that Diagnostic Instruments has further consolidated its position as the world's biggest and leading player in its field. Diagnostic Instruments accounted for 7% of consolidated revenues in 2009.

Personal Communication

Personal Communication generated revenues of DKK 227 million in 2009, corresponding to a decline of 6%. Both FrontRow and Sennheiser Communications were adversely affected by difficult cyclical business conditions; Sennheiser Communications, in particular, whose handsfree communication solutions are positioned in the upper price segments. Personal Communication accounted for just under 4% of consolidated revenues in 2009.

Other matters

In continuation of our decision in autumn 2008 to temporarily suspend the buyback of shares, consolidated cash flows have largely been used to settle debt on a continuous basis, and we expect to continue to settle debt in 2010, however depending on current consolidated cash flows and acquisitions, if any. During the next few months, we will review the Group's capital structure and in doing so, also decide whether or not to resume the share buyback programme. The result of such considerations will be announced on the presentation of our Interim Report 2010.

Since 2008, we have offered employees liable to pay tax in Denmark to participate in salary sacrifice arrangements. For 2010, we are planning to offer the Group's more than 4,000 foreign employees, who cannot participate in such salary sacrifice arrangements, the opportunity to acquire shares at a favaourable price under an employee share ownership plan instead. This offer is given to foreign employees who have been employed by a Group company since 1 January 2010 and are not under notice at the time of purchase of the shares. The purchase period runs from April through May 2010 after which the purchased employee shares will be held in trust until 1 July 2015. The employee shares will be offered under two different models: a seniority model and a pay model at a price of DKK 100 and DKK 200, respectively, depending on the model chosen by the employee. A total of up to 65,000 shares will be offered corresponding to approx. 0.1% of the share capital and during the second quarter 2010, the Company expects to acquire the shares on the market prior to resale to the employees. The net proceeds will amount to approx. DKK 11 million if all the shares offered are sold. Based on today's share price, the total gift element under this plan is calculated at DKK 15 million. The expense will be charged to the income statement for the first half-year 2010 and has been recognised in the forecast for the financial year 2010.

Outlook for the future

Our long-term forecasts for unit growth in the global hearing aid market remain unchanged, and unit growth is estimated at 2-4%, which is also the expected growth rate for the market in 2010. Looking ahead, we do, however, expect higher fluctuations in average selling prices than seen previously, but on the long term, we foresee increases of about 1-2% annually. In 2010, average wholesale prices in the market are expected to contribute neutrally or slightly negatively to market growth, depending on the competitive situation including product launches by our competitors during the year.

At the end of 2009, both Oticon and Bernafon were selected as suppliers to Veterans Affairs (VA) in the USA, and the cooperation with VA is already well under way. Right from the start of 2010, Oticon has also had its introduction of Oticon Agil in place. Agil is a new generation of wireless high-end hearing aids featuring the most sophisticated signal processing concepts on the market. Against this backdrop, we expect trends in corporate wholesale of hearing aids in 2010 to exceed market growth by 3-5 percentage points in terms of value. Together with the effect of retail business acquisitions, this will match an improvement of our share of the wholesale market of about 1 percentage point in 2010.

In 2010, corporate retail activities are estimated to grow in step with trends in the underlying market to which should be added the effect of acquisitions. In Diagnostic Instruments, we forecast moderate single-digit growth in 2010 in an otherwise flat market to which should be added a positive effect on revenues to the tune of DKK 60-70 million from the acquisition of Grason-Stadler. For Personal Communication, we foresee a gradual return to normal market conditions in our various areas of activity, and despite the weak development in 2009, Personal Communication is generally expected to generate positive growth in revenues in 2010.

Based on average exchange rates in February 2010, we expect positive exchange effects on revenues of 3% and on operating profits (EBIT) of 1-2% for 2010. Overall, we forecast fair growth in both consolidated revenues and operating profits (EBIT) in 2010. The profit margin for 2010 will depend on the composition of realised sales, particularly the distribution of wholesale and retail sales and of organic growth and acquisitions.

The Group's current investments in property, plant and equipment are estimated at DKK 180-200 million for 2010. Moreover, we expect to invest some DKK 100 million from 2010 through 2012 in connection with the planned establishment of a new domicile for Oticon Inc. in the USA. However, at this point we have not yet finally clarified how the DKK 100 million will be distributed over the three financial years. Our effective tax rate for 2010 is expected to be about 25%, which matches the Danish corporation tax rate.

Lars Nørby Johansen	Niels Jacobsen
Chairman of the Board	President & CEO

The full Annual Report 2009 for William Demant Holding A/S totalling 72 pages will be published immediately after this announcement.

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	2005	2006	2007	2008	2009	Development 2008-2009
Key figures, DKK million						
Revenue	4,523	5,085	5,488	5,374	5,701	6.1%
Gross profit	3,133	3,575	3,971	3,725	4,035	8.3%
Operating profit (EBIT)	1,103	1,271	1,268	1,042	1,149	10.3%
Net financials	-37	-61	-97	-139	-94	-32.4%
Profit before tax	1,066	1,209	1,171	903	1,055	16.8%
Profit for the year	791	901	894	682	795	16.5%
Total assets	2,882	3,123	3,714	3,914	4,626	18.2%
Equity	748	662	426	532	1,302	144.9%
Cash flow from operating activities (CFFO)	892	964	848	828	950	14.8%
Financial ratios						
Gross profit ratio	69.3%	70.3%	72.4%	69.3%	70.8%	-
Profit margin	24.4%	25.0%	23.1%	19.4%	20.2%	-
Earnings per share (EPS), DKK	12.2	14.4	14.8	11.6	13.6	17.4%
Return on equity	107.4%	114.7%	160.3%	162.9%	87.2%	-