

# William Demant Holding A/S

**Analyst teleconference  
26 June 2006 at 12:30 CET**



# Agenda

- **Upgrade of 2006 forecast**
- **Employee share programme**
- **Reclassification of Personal FM revenues**
- **Recognition and measurement of agency-like Group undertakings**
- **Updated 2006 outlook**

## Upgrade of 2006 forecast

- **Several successful product introductions: ICOS from Bernafon and Delta and Safran from Oticon**
- **Oticon Delta and the Receiver-In-The-Ear (RITE) technology: Initial reception and acceptance exceeding expectations**
  - High acceptance among dispensers and end-users
  - Still too early to conclude whether Oticon Delta has raised the penetration of the market
- **Growth in the underlying business now expected at 13-15% in 2006**
- **Operating profit (EBIT) in 2006 expected to amount to DKK 1,300-1,350 million, including costs of DKK 34 million associated with employee share programme**

## Employee share programme

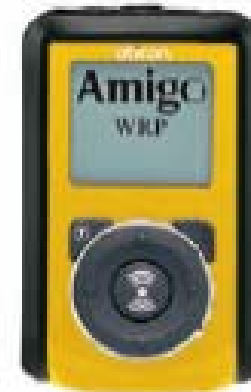
- **140,000 shares offered to employees, corresponding to 0.22% of the share capital**
- **Employees can choose between two models:**
  - **Seniority model: a maximum of 32 shares per employee at a price of DKK 100 per share depending on the number of years employed**
  - **Salary model: shares are offered at DKK 200 per share for a total amount of up to 10% of the employee's annual pay exceeding DKK 250,000**
- **Net proceeds from sale of shares expected at DKK 24 million**
- **Gift element around DKK 34 million – the cost will be fully expensed in the P&L account in H1 2006**

## Reclassification of Personal FM revenues

- Personal FM business has been transferred from Personal Communication to Hearing Aids as previously communicated
- In the future, all revenues from the sale of personal FM equipment will be classified under the Hearing Aid business area
- Updated historic segment figures for the Group have been provided in order to ensure comparability
- For 2005, an amount of DKK 51 million has been reclassified
- The reclassification has no impact on the Group's total revenues and no impact on Group profits
- A complete overview of the impact on revenue distribution for the 2002-2005 period can be found on our website [www.demant.com](http://www.demant.com), see *Investor, Presentations*

## Oticon Amigo update

- **New advanced personal FM product portfolio launched at AAA – targets children and youngsters in educational settings**
- **Superior to existing solutions:**
  - Sophisticated signal processing
  - Fully wireless programming
  - Robust construction
- **Complete portfolio of both FM transmitters and FM receivers**
- **Oticon already holds a strong position on the market for hearing aids for children and youngsters – however the market for related FM systems still holds some potential**
- **Will lead to a significant strengthening of Oticon's sale of personal FM systems and hearing aids for children and youngsters**



Oticon ♦ Amigo

## Recognition and measurement of agency-like Group undertakings

- **IFRS: increased focus on the nature of reported revenues**
- **The Group has revised the criteria of recognition and measurement of the portion of revenues generated by agency-like undertakings**
- **Previously: revenues included the value of the invoiced products as well as commissions from agency-like undertakings**
- **Going forward: revenues include agency commissions only**
- **P&L effect: Reduction in reported revenues and a corresponding reduction in production costs => no impact on reported earnings**
- **Negative impact on revenues amounting to DKK 193 million in 2005**
- **The policy change solely affects the Group's Hearing Aid business area**

## Recognition and measurement of revenues

– *impact on P&L 2005*

(DKK million)	Previous reporting	Change	Future reporting
<b>Net revenue</b>	<b>4,716.1</b>	<b>-193.2</b>	<b>4,522.9</b>
<b>Production cost</b>	<b>-1,582.8</b>	<b>193.2</b>	<b>-1,389.6</b>
<b>Gross profit</b>	<b>3,133.3</b>	<b>0.0</b>	<b>3,133.3</b>
<b>Operating profit (EBIT)</b>	<b>1,102.8</b>	<b>0.0</b>	<b>1,102.8</b>
<b>Gross profit ratio</b>	<b>66.4%</b>		<b>69.3%</b>
<b>EBIT margin</b>	<b>23.4%</b>		<b>24.4%</b>

## Recognition and measurement of revenues

– *summary 2002-2005*

(DKK million)	Reported revenues	Re-stated revenues	Gross profit margin impact	EBIT margin impact
<b>2002</b>	<b>3,924</b>	<b>3,720</b>	<b>63.9% → 67.3%</b>	<b>20.6% → 21.8%</b>
<b>2003</b>	<b>3,870</b>	<b>3,677</b>	<b>65.2% → 68.6%</b>	<b>22.1% → 23.3%</b>
<b>2004</b>	<b>4,303</b>	<b>4,121</b>	<b>66.4% → 69.4%</b>	<b>23.3% → 24.4%</b>
<b>2005</b>	<b>4,716</b>	<b>4,523</b>	<b>66.4% → 69.3%</b>	<b>23.4% → 24.4%</b>

## Updated 2006 outlook

- **Growth in the underlying business is expected at 13-15% for 2006**
- **Revenues of DKK 5,150-5,250 million are expected based on the revised criteria for revenues generated by agency-like undertakings**
- **On a comparable basis, Group revenues were previously forecast at just below DKK 5,100 million**
- **EBIT of DKK 1,300-1,350 million – after recognition of the cost of employee share programme (DKK 34 million)**
- **This equals an EBIT margin of around 25%**