# William Demant Holding A/S

## Investor Presentation
## August 2006

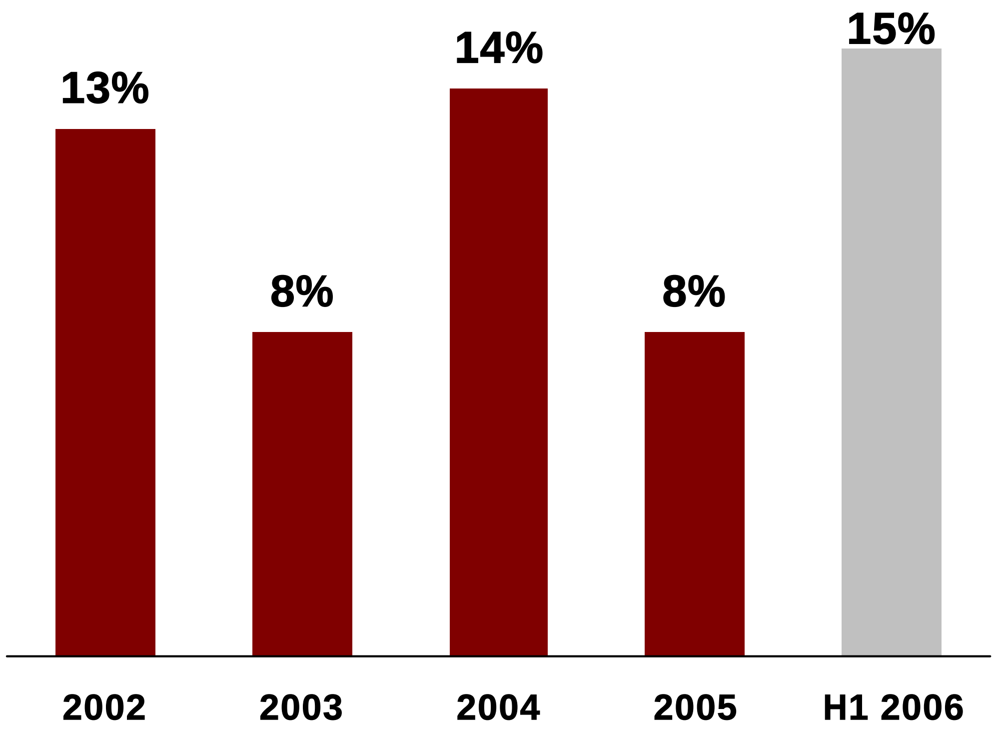
# Highlights first half 2006

- Revenues of DKK 2,548 million – up 18% on H1 2005 equivalent to 15% organic growth
- 13% unit growth in Group-manufactured hearing aids in a market that continues to grow 2-4% in units and 3-5% in value
- Growth primarily driven by Oticon Tego and Oticon Delta
- EBIT increase of 26% to DKK 656 million before costs relating to the employee share programme, corresponding to a profit margin of 25.7% against 24.2% in H1 2005
- EBIT of DKK 622 million after costs relating to employee share programme
- Improved profitability due to economies of scale based on top-line growth as well as a better product mix
- EPS of DKK of 6.9 – improvement of 22% against H1 2005
- 2006 guidance maintained after upgrade on 26 June 2006: Sales of DKK 5,150-5,250 million and EBIT of DKK 1,300-1,350 million

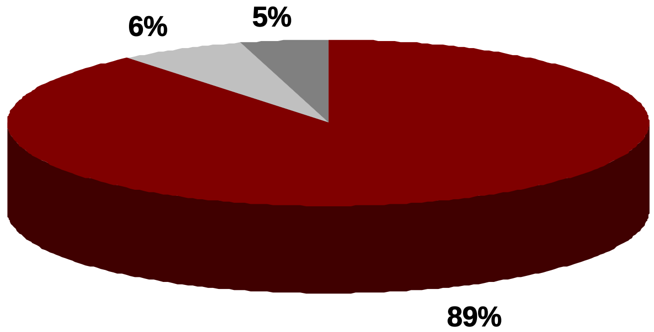
# Profit and loss account

| DKK million | 1st half 2006 | 1st half 2005 | % change | % change in loc. cur | Full year 2005 |
|---|---|---|---|---|---|
| **Net revenue** | **2,548** | **2,164** | **18%** | **15%** | **4,523** |
| **Gross profit** | **1,770** | **1,497** | **18%** | **17%** | **3,133** |
| *Gross profit ratio* | *69.5%* | *69.2%* | | | *69.3%* |
| | | | | | |
| R&D costs | -225 | -185 | 21% | 21% | -383 |
| Distribution costs | -758 | -649 | 17% | 14% | -1,354 |
| Administrative expenses etc. | -165 | -140 | 17% | 14% | -293 |
| **Operating profit (EBIT)** | **622** | **523** | **19%** | **19%** | **1,103** |
| *Profit margin* | *24.4%* | *24.2%* | | | *24.4%* |
| | | | | | |
| **Operating profit (EBIT) excl. employee share programme** | **656** | **523** | | | **1,103** |
| *Profit margin excl. employee share programme* | *25.7%* | *24.2%* | | | *24.4%* |
| | | | | | |
| **Net profit for the period** | **437** | **373** | **17%** | **17%** | **791** |
| | | | | | |
| **Earnings per share (EPS), DKK** | **6.9** | **5.7** | | | **12.2** |

# Organic growth – WDH Group



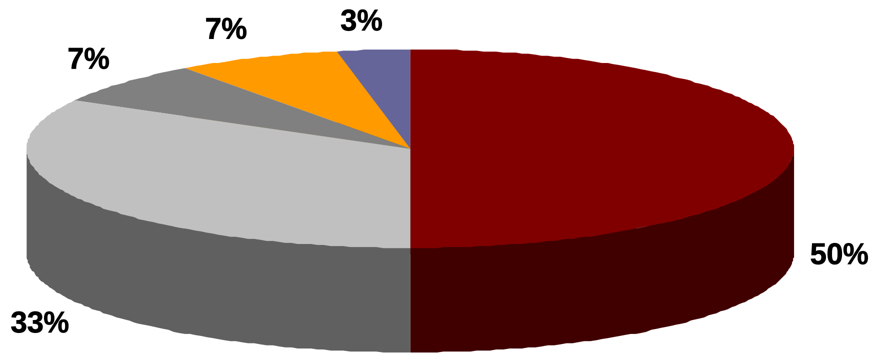
# Net revenue by business area




| | DKK million | H1 2006* | H1 2005* | % change in loc. cur. | H1 2005 |
|---|---|---|---|---|---|
| ■ | Hearing Aids | 2,274 | 1,976 | 15% | 1,930 |
| ■ | Diagnostic Instruments | 149 | 141 | 5% | 138 |
| ■ | Personal Communication | 125 | 99 | 27% | 96 |
| | Total | 2,548 | 2,216 | 15% | 2,164 |

* Computed at H1 2006 exchange rates

# Net revenue by region




| DKK million | H1 2006* | H1 2005* | % change in loc. Cur. |
|---|---|---|---|
| Europe | 1,279 | 1,122 | 14% |
| North America | 852 | 696 | 22% |
| Asia | 156 | 146 | 7% |
| Pacific Rim | 165 | 162 | 2% |
| Other countries | 96 | 90 | 7% |
| Total | 2,548 | 2,216 | 15% |

* Computed at H1 2006 exchange rates

# Currency impact

- Positive impact on H1 revenues amounts to DKK 51 million or 2% against H1 2005
- In H1 2006, USD was strengthened by 5% against DKK (versus H1 2005)
- CAD appreciated 14% over the same period
- Positive impact of 1% on revenues expected for the full year based on a DKK/USD exchange rate of 607 in the August to December period
- Impact on revenues recognised at the time of currency movement – delayed impact on EBIT due to currency hedging

| FOREIGN EXCHANGE RATES | USD | JPY | EUR |
|---|---|---|---|
| **Realised rate 1st half 2005** | **580** | **5.47** | **744** |
| Realised rate 2005 | 600 | 5.45 | 745 |
| **Realised rate January 2006** | **617** | **5.34** | **746** |
| Realised rate 1st half 2006 | 607 | 5.25 | 746 |
| **Realised rate Jan-July 2006** | **605** | **5.23** | **746** |
| Expected rate Aug - Dec 2006 | 607 | 5.25 | 746 |

| CURRENT HEDGING | USD | JPY | EUR |
|---|---|---|---|
| **Hedging per 31 December 2005** | **604** | **5.76** | **746** |
| Hedging period | 8m | 6m | 10m |
| **Hedging per 30 June 2006** | **624** | **5.94** | **746** |
| Hedging period | 6m | 2m | 17m |

# Balance sheet

| DKK million | 30-Jun-06 | 31-Dec-05 | 30-Jun-05 |
|---|---|---|---|
| Intangible assets | 59 | 64 | 58 |
| Tangible assets | 888 | 856 | 657 |
| Other long-term assets | 255 | 252 | 174 |
| **Total long-term assets** | **1,202** | **1,172** | **889** |
| Inventories | 668 | 632 | 635 |
| Receivables | 1,075 | 954 | 972 |
| Cash and cash equivalents | 151 | 135 | 152 |
| **Total short-term assets** | **1,894** | **1,721** | **1,759** |
| **Total assets** | **3,096** | **2,893** | **2,648** |
| **Shareholders' equity** | **750** | **756** | **697** |
| Long-term payables | 696 | 745 | 714 |
| Short-term payables | 1,650 | 1,392 | 1,237 |
| **Total payables** | **2,346** | **2,137** | **1,951** |
| **Total liabilities** | **3,096** | **2,893** | **2,648** |

# Cash flow

- CFFO amounts to DKK 381 million in H1 2006 against DKK 411 million in H1 2005
- Operating cash flow in H1 2006 is affected by an increase in working capital
- The increase in working capital is related to the period's raised activity level due to the introduction of Oticon Delta and other new products
- Consequently, receivables are up DKK 135 million in H1
- In addition, working capital in H1 is negatively affected by payables with an amount of DKK 30 million
- Improved cash flow from operations expected in H2 based on a reduction in working capital tied up in the roll-out of Oticon Delta

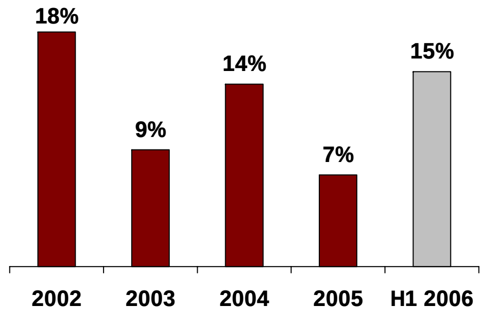
# Cash flow statement

| (DKK million) | 1st half 2006 | 1st half 2005 | Full year 2005 |
|---|---|---|---|
| **Net profit for the period** | **437** | **373** | **791** |
| Cash flow from operating activities (CFFO) | 381 | 411 | 892 |
| Cash flow from investing activities (CFFI), excl. acquisitions | -107 | -106 | -424 |
| **Free cash flow** | **274** | **304** | **468** |
| Acquisition of undertakings | - | -3 | -12 |
| Buy-back of own shares | -482 | -289 | -695 |
| Other financing activities | -27 | 163 | 243 |
| **Net cash flow position for the period** | **-235** | **176** | **4** |

# Hearing Aids

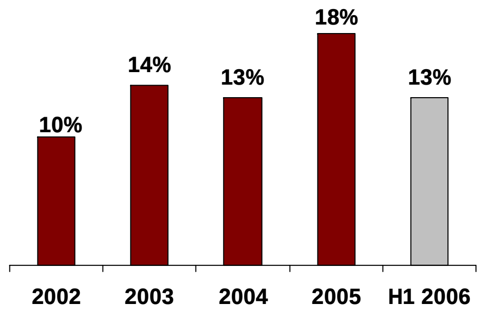
- Business area accounted for 89% of revenues
- 15% organic growth in the Hearing Aid business and 13% unit growth (Group-manufactured hearing aids)
- The market continues to grow 2-4% in units and 3-5% in value, however some weakness observed towards the end of H1
- Market share gains in all major markets – both the Oticon and the Bernafon business contributed positively
- Growth driven by the Tego product families as well as Oticon Delta
- Comparative Tego figures will get more and more challenging due to the timing of the Tego launch in Q2 2005

Organic growth in HA business




AVADA and AHAA acquired in Nov 2000 and Aug 2001, respectively

Growth in Group-manufactured HA's




AVADA and AHAA acquired in Nov 2000 and Aug 2001, respectively

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# Update on Oticon Delta

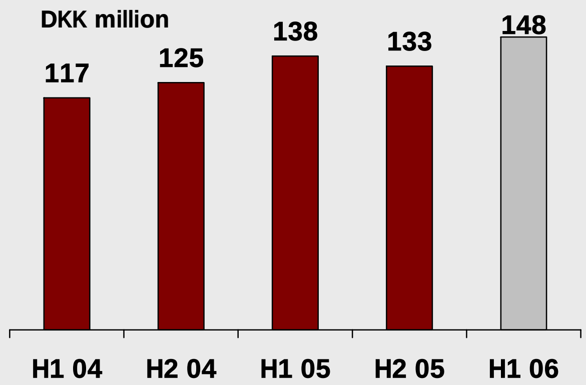
- **Substantial demand already at the time of the launch in March 2006, and sales have continued at a high level**
- **Oticon Delta and its RITE technology (Receiver-In-The-Ear) has gained a strong foothold on the global hearing aid markets**
- **Strong initial uptake reflects both a strong underlying demand and the usual filling of sales pipelines following a product launch**
- **Furthermore, stock building is a natural aspect of Oticon Delta's unique product concept which requires fitters to carry out partial and full assembly as well as repairs on the spot**
- **Consequently, the sale of Delta will follow a pattern that deviates from the launch of conventional hearing aids ⇨ sales trends may be difficult to assess**

Oticon • Delta

# Other business areas

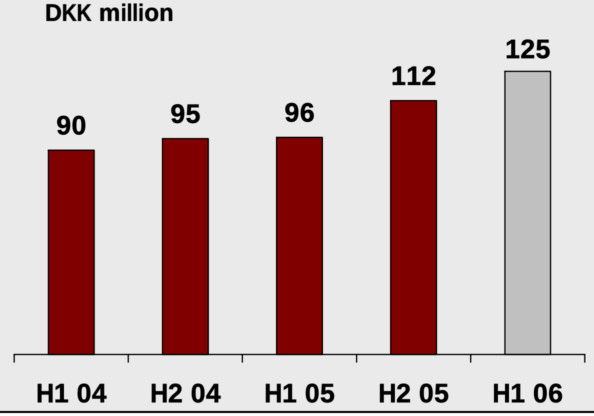
## Diagnostic Instruments

- Business area accounted for 6% of revenues
- Organic growth of 5% with a slightly weaker trend towards the end of the period
- Outlook remains favourable with expected positive sales development in H2
- Growth supported by the introduction of upgraded software modules for Affinity, the PC-based audiometer and fitting system



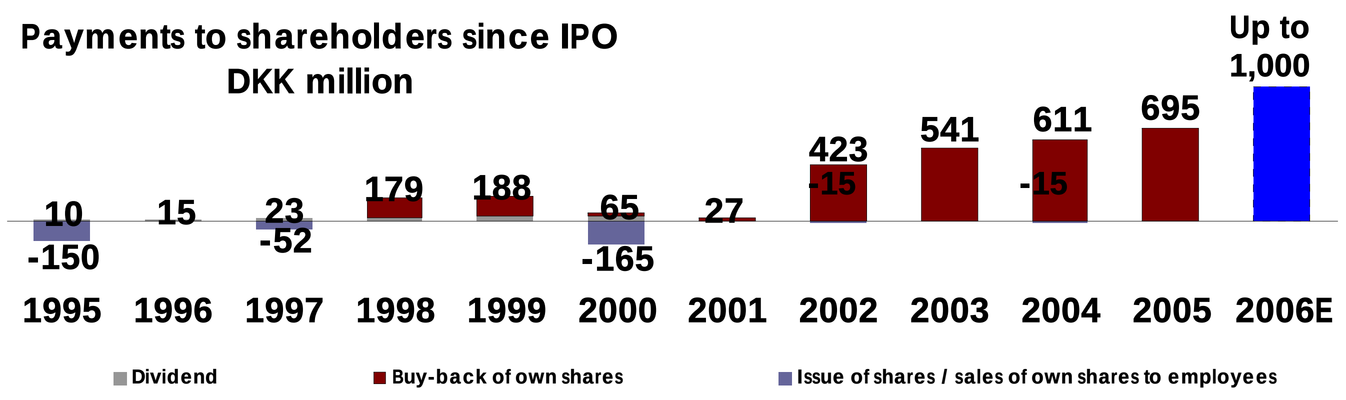

## Personal Communication

- Business area accounted for 5% of revenues
- Personal FM systems transferred to Hearing Aids (Oticon)
- Organic growth of 28%
- Growth driven by huge success within Active Learning Systems (FrontRow), i.e. school systems helping normal hearing students to maintain attention
- Sennheiser Communications developed satisfactorily in H1
- However, headset markets dampened by intensified competition



# Shareholder information

- Dividends through share buy-back programmes – shares for an amount of DKK 482 million repurchased during H1 2006
- In total, shares for an amount of up to DKK 1 billion to be repurchased in 2006
- A total net flow of nearly DKK 3.4 billion to shareholders in the 1995-2006 period assuming full exploitation of the 2006 frame
- At 17 August 2006, the Company held 696,525 shares or 1.1% of the total number of shares (to be cancelled)
- Main shareholder, the Oticon Foundation, holds 57% of the share capital and intends to keep its ownership stake in the 55-60% range



# Guidance 2006

- 2006 expectations upgraded on 26 June 2006 primarily based on continued success with Oticon Delta – this guidance is maintained
- Growth in the underlying business of 13-15% ⇨ revenues of DKK 5,150-5,250 million assuming a 1% positive currency impact
- EBIT of DKK 1,300-1,350 million after costs of DKK 34 million relating to employee share programme – EBIT margin estimated at a level of 25%
- Effective tax rate around 26%
- Investments in tangible assets at the upper end of the DKK 160-200 million range
- Improved cash flow from operations expected in H2 based on a reduction in working capital tied up in the roll-out of Oticon Delta
- Shares for an amount of up to DKK 1 billion expected to be re-purchased in 2006
- EPS expected to grow by 18-20% in 2006

# Summary of key points

- WDH continues to gain market shares ⇨ 13% unit growth in Group-manufactured hearing aids in H1 2006
- Growth driven by Oticon Delta and its RITE technology (Receiver-In-The-Ear), which has gained a strong foothold on the global hearing aid markets
- Improved underlying profitability due to economies of scale based on top-line growth and a better product mix

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