

# **William Demant Holding A/S**

**Investor Presentation  
March/April 2004**

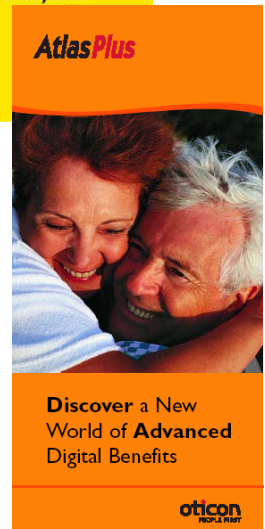
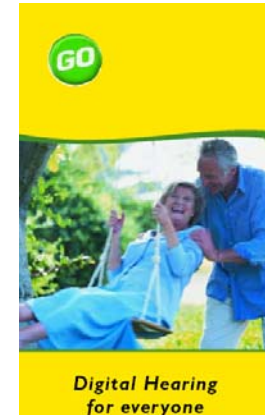
## Headlines 2003

- Results in line with expectations
- 8% organic growth - 10% growth in core business
- Revenues of DKK 3.87 billion - headwind from foreign exchange of 9%
- Increase in gross profit ratio to 65.2%
- EBIT of DKK 856 million - up from DKK 810 million
- Profit margin grew to 22.1%
- EPS improvement of 12%
- Free cash flow was DKK 616 million, equivalent to net profits

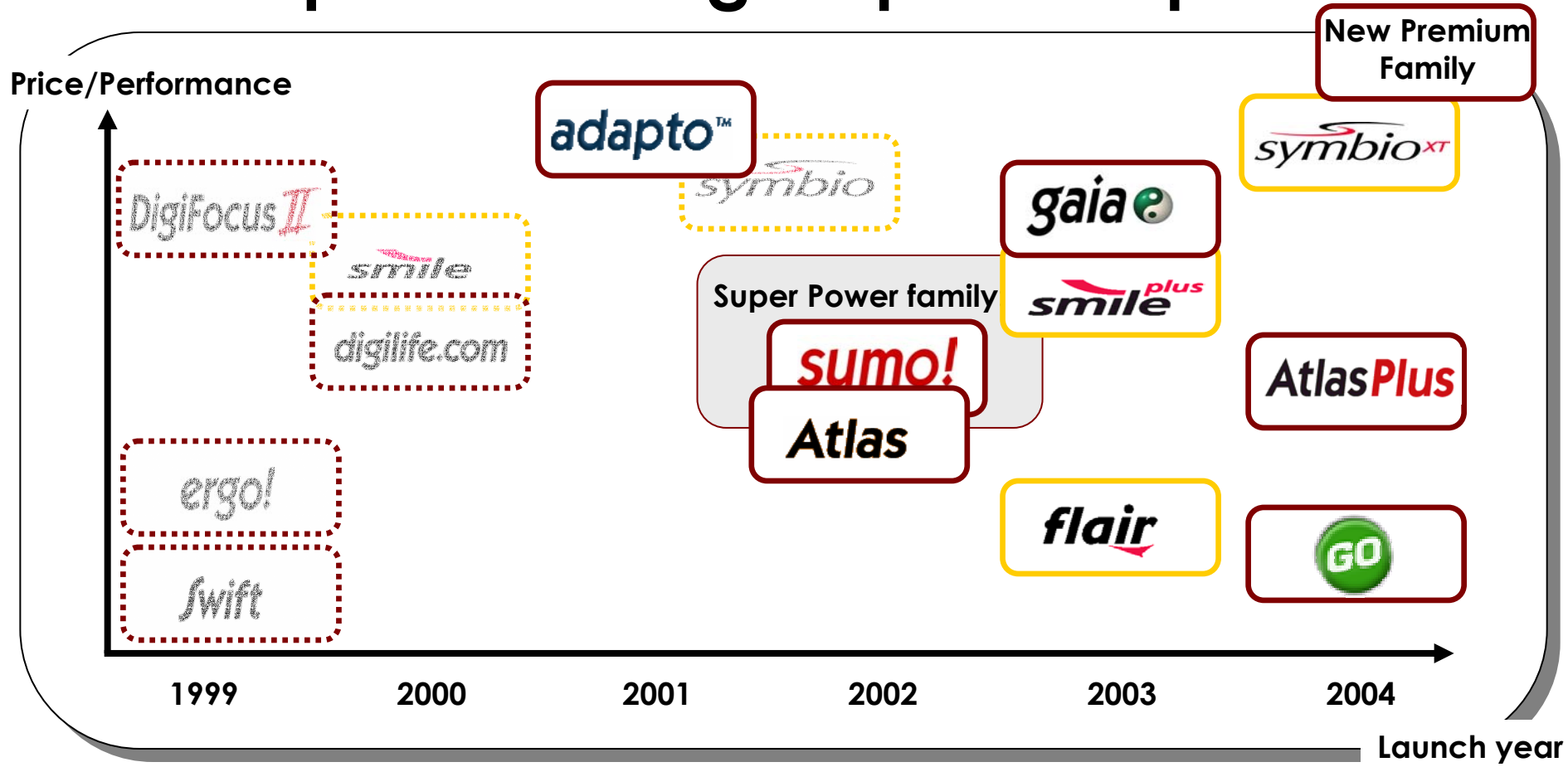


# Hearing Aids

- Business area accounted for 89% of revenues
- Growth of 9% in local currencies
- 14% unit growth in sales of own manufactured hearing aids
- Market conditions:
  - Flat first half - growth in second half
  - Double-digit growth in Germany and France - pick-up in demand in the US in Q3 and Q4
  - Overall unit growth of 4-6% - slightly lower value growth
  - Expected medium-term to long-term growth of 3-5% annually (value)
- Oticon was chosen as main supplier of digital hearing aids to the NHS in the UK
- New technology for manufacturing of ITE instruments



# Completion of digital product portfolio



# Diagnostic Instruments

- Business area accounted for 5% of revenues
- Market for audiometric equipment declined slightly in 2003 - more sensitive to economic cycles than hearing aids
- Rising order inflow in Q4
- Introduction of OtoAcoustic Emission screener and Affinity, a PC-based audiometer and fitting system that will contribute to growth in 2004



# Personal Communication

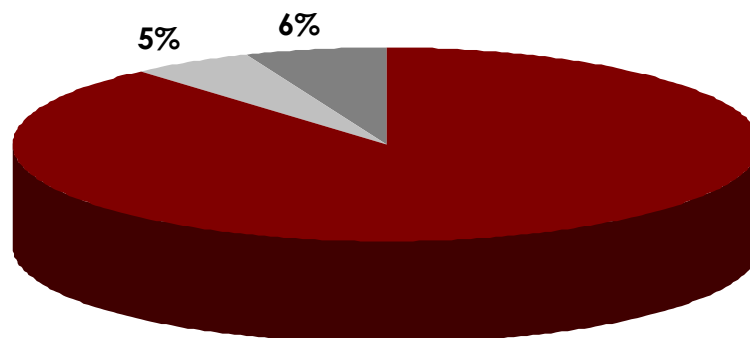
- This business area, consisting of Phonic Ear and Sennheiser Communications, accounted for 6% of Group revenues
- Sluggish markets, management change and outsourcing of production provided a turbulent year for Phonic Ear
- Introduction of Lexis in the US and most European markets will fuel growth in 2004 and underscores the future importance of wireless communication as an integrated part of hearing aids
- The joint venture, Sennheiser Communications, was off to a running start with the introduction of three new headset series - effect of introductions will however not be seen until 2004



# Profit and loss account

DKK million	2002	2003	% change	% change in local currency
<b>Net revenue</b>	<b>3,924</b>	<b>3,870</b>	<b>-1%</b>	<b>8%</b>
<b>Gross profit</b>	<b>2,505</b>	<b>2,521</b>	<b>1%</b>	<b>7%</b>
Gross profit ratio	63.9%	65.2%		
Research and development costs	-272	-295	8%	11%
Distribution costs	-1,160	-1,130	-3%	7%
Administrative expenses	-269	-242	-8%	-1%
Other income/expenses	1	2		
<b>Operating profit (EBIT)</b>	<b>810</b>	<b>856</b>	<b>6%</b>	
Profit margin	20.6%	22.1%		
<b>Net profit for the year</b>	<b>579</b>	<b>618</b>	<b>7%</b>	
<b>Earnings per share (EPS), DKK</b>	<b>7.9</b>	<b>8.8</b>	<b>12%</b>	

# Net revenue by business area

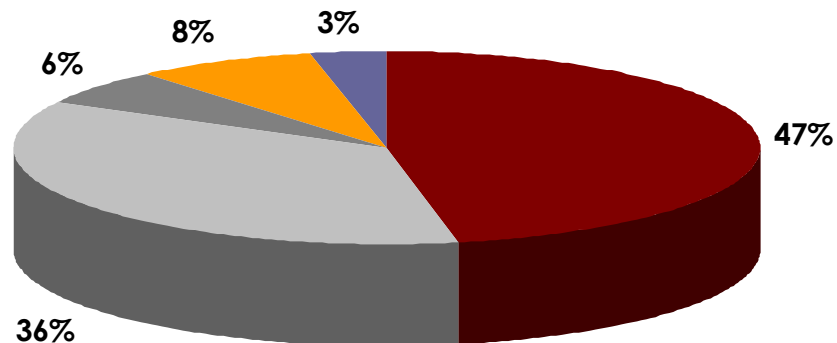


DKK million	2002*	2002**	2003**	% change in local currency
<span style="color: red;">■</span> Hearing Aids	3,429	3,135	3,424	9%
<span style="color: grey;">■</span> Diagnostic Instruments	240	227	211	-7%
<span style="color: darkgrey;">■</span> Personal Communication	255	225	235	4%
<b>Total</b>	<b>3,924</b>	<b>3,587</b>	<b>3,870</b>	<b>8%</b>

\* Computed at 2002 exchange rates

\*\* Computed at 2003 exchange rates

# Net revenue by region

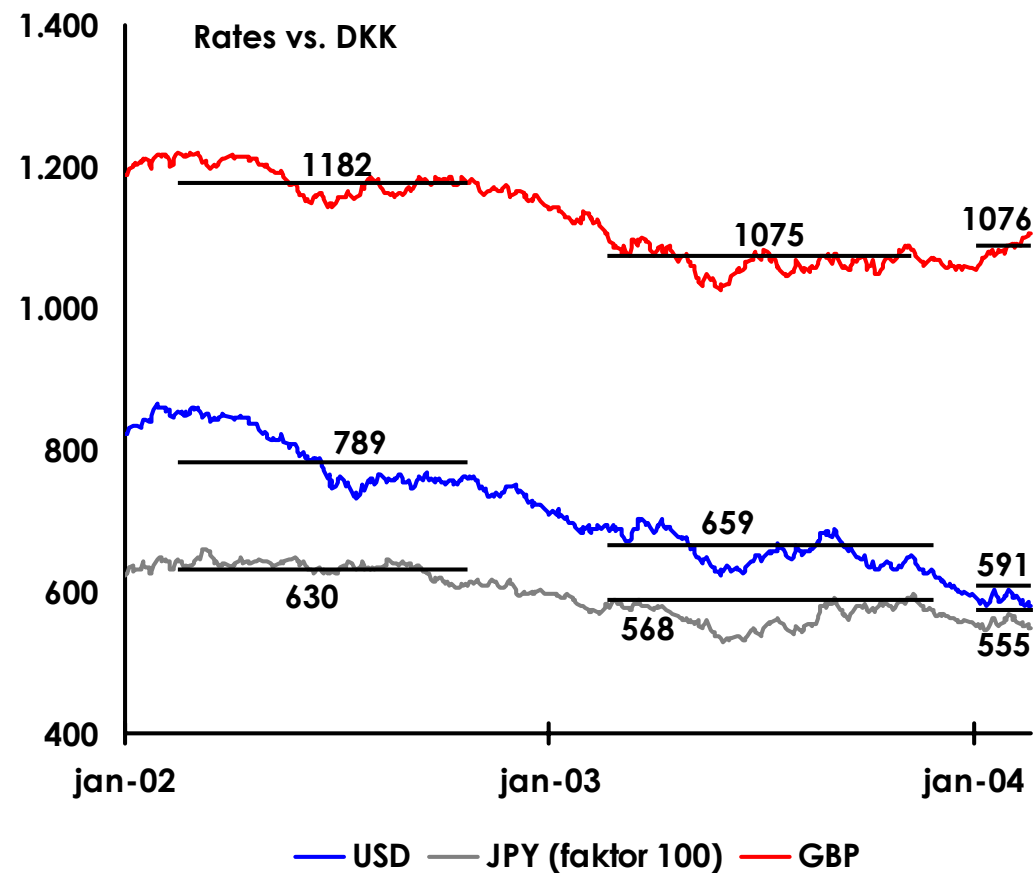


DKK million	2002*	2002**	2003**	% change in local currency	% change for Hearing Aids in local currency
Europe	1,722	1,671	1,819	9%	10%
North America	1,524	1,270	1,384	9%	11%
Asia	243	224	240	7%	8%
Pacific Rim	320	320	302	-6%	-6%
Other countries	115	102	125	24%	27%
<b>Total</b>	<b>3,924</b>	<b>3,587</b>	<b>3,870</b>	<b>8%</b>	<b>9%</b>

\* Computed at 2002 exchange rates

\*\* Computed at 2003 exchange rates

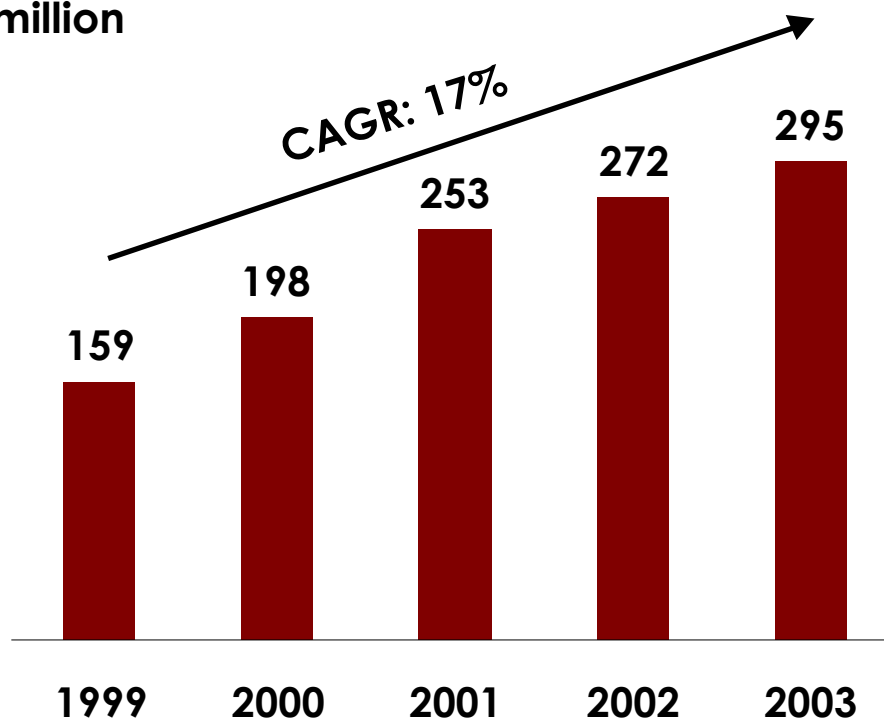
# Currency impact



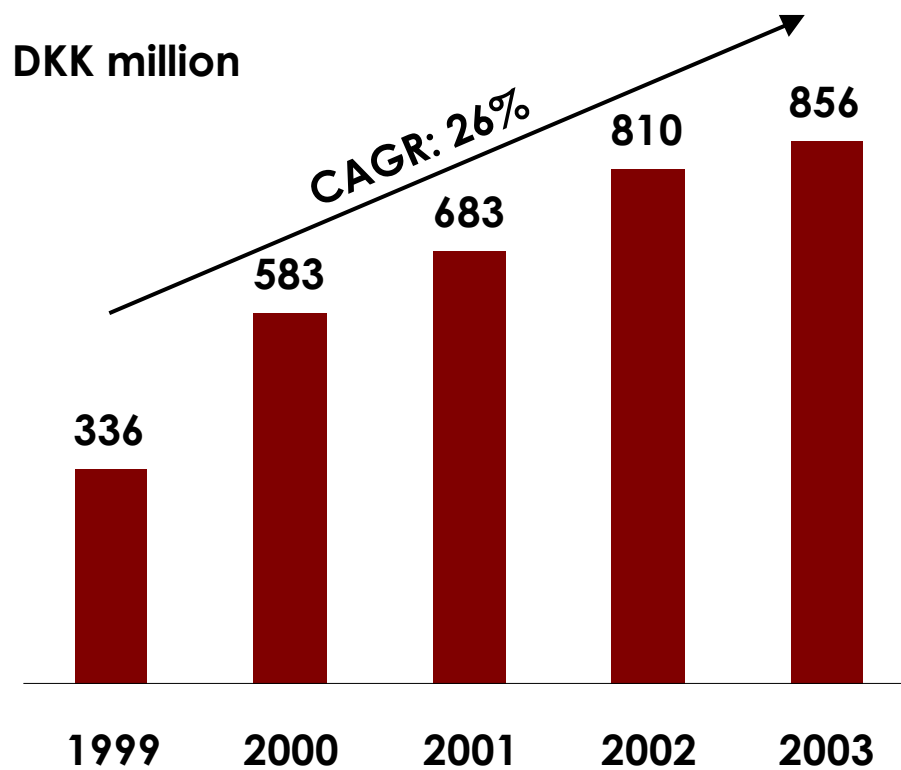
- Negative impact on revenues of 9%
- USD weakened more than 30% since January 2002
- Impact on earnings delayed due to hedging of transaction-related effect - major trading currencies hedged 6-24 months
- Annualized effect on earnings in 2004 relative to 2002 expected to be DKK 120 million

# Research & Development

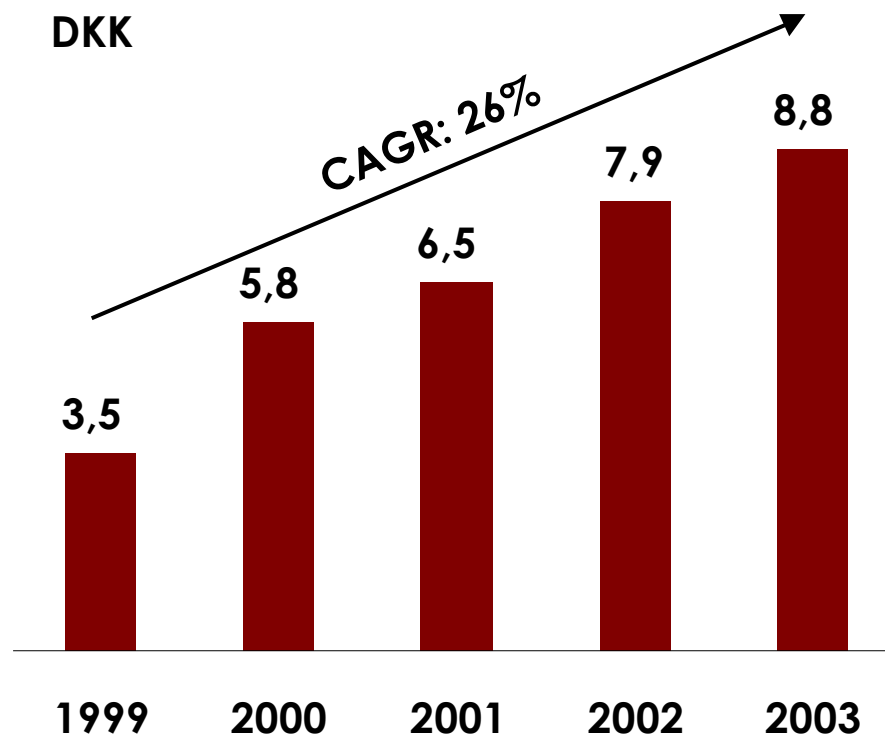
DKK million



# Operating profit (EBIT)

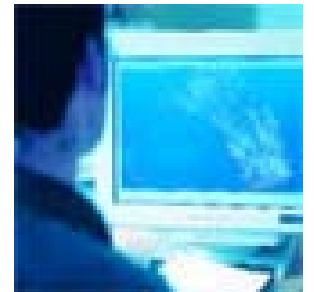


# Earnings per share



# Ongoing performance enhancement

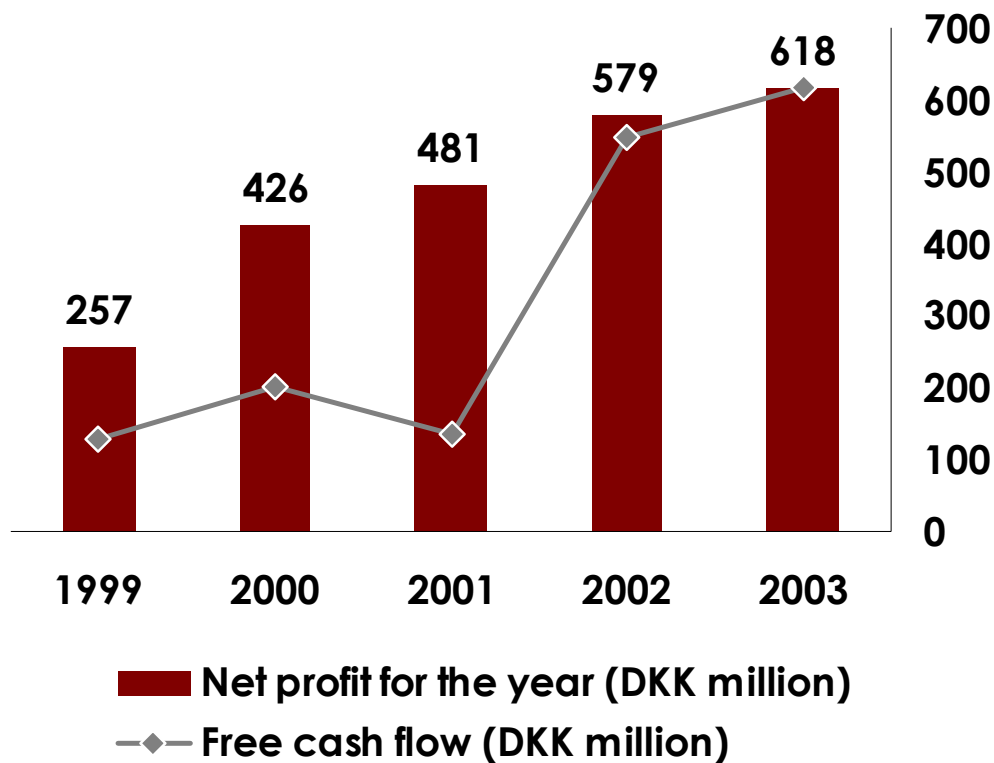
- **Phonic Ear, USA: Close-down of production**
- **Bernaфон:**
  - Close-down of Minneapolis facility - move to New Jersey
  - Re-organization of Australian activities to future without Australian Government contract
- **Interacoustics, Denmark: Up-grade of production set-up**
- **New ERP/CRM systems in Oticon, USA, and Hidden Hearing, UK and Ireland (Portugal to follow)**
- **Danacom: Change in production set-up due to establishment of Sennheiser Communications**



# Cash flows

DKK million	2000	2001	2002	2003
<b>Net profit for the year</b>	<b>426</b>	<b>481</b>	<b>579</b>	<b>618</b>
CFFO	316	317	669	754
CFFI, excl. acquisitions	-116	-184	-120	-138
<b>Free cash flow</b>	<b>200</b>	<b>133</b>	<b>549</b>	<b>616</b>
Acquisitions	-773	-477	-7	0
Buy-back of shares	-21	-27	-423	-541
Other financing activities	257	524	-84	-156
<b>Year's net effect</b>	<b>-337</b>	<b>153</b>	<b>35</b>	<b>-81</b>

# Cash conversion

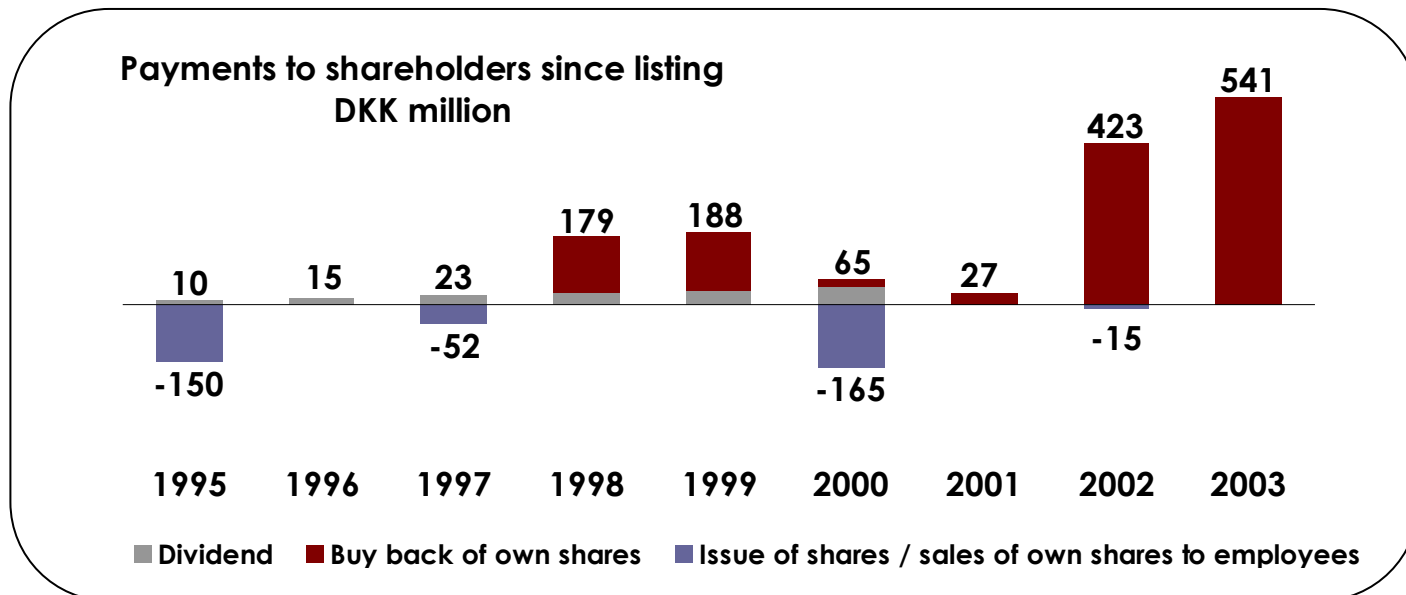


# Balance sheet

DKK million	2002	2003		2002	2003
<b><u>Assets</u></b>			<b><u>Liabilities</u></b>		
Intangible	11	13	Shareholders' equity	428	522
Tangible	430	439	Provisions	43	65
Financial	78	99	Long-term creditors	711	541
<b>Total fixed assets</b>	<b>519</b>	<b>551</b>	Short-term creditors	810	887
Inventories	614	573	<b>Total creditors</b>	<b>1,521</b>	<b>1,428</b>
Debtors	742	783	<b>Total liabilities</b>	<b>1,992</b>	<b>2,015</b>
Liquid funds	117	108			
<b>Total current assets</b>	<b>1,473</b>	<b>1,464</b>			
<b>Total assets</b>	<b>1,992</b>	<b>2,015</b>			

# Shareholder information

- Dividends through share buy-back - net flow of DKK 1.1 billion to shareholders since listing in 1995
- At 3 March 2004, the Company holds 3.5% of issued shares - shares to be cancelled at AGM
- Main shareholder, the Oticon Foundation, holds 61% of shares and intends to keep its ownership interest below 65%



## Guidance - 2004

- Organic growth of 7-10%
- Revenues of DKK 4.0 billion (at January currency rates - negative impact of 4% compared to realised rates 2003)
- Core business to grow faster than other activities
- Growth in EBIT despite centenary celebration costs of DKK 30 million and significant negative impact from development in currency exchange rates
- EBIT expected at a level of DKK 875 million - higher in the second half than in the first due to introduction of new products
- Buy-back of own shares to be continued
- Earnings per share to grow by approximately 10%



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