

# Company announcement no 2010-06

Interim information, first quarter 2010

12 May 2010

## Satisfactory development in first quarter despite hard winter weather Launch of Oticon Agil progressing better than planned

- In the first quarter, the William Demant Holding Group saw satisfactory organic growth despite hard winter weather in both Europe and the USA. The Group gained strong momentum in March due to good Oticon Agil sales, which have up until now exceeded the Group's expectations.
- The global launch of Oticon Agil – Oticon's second-generation wireless hearing aid – at the beginning of March was thus successful and the product family is today available on all major markets. Oticon Agil has had a positive effect on the Group's sales mix and thus on average selling prices.
- In addition to wholesale of hearing aids, the Group's other business activities, i.e. retail sale of hearing aids, Diagnostic Instruments and Personal Communication, have also performed satisfactorily and in accordance with the plans made.
- We maintain our previously announced expectations that in 2010 the Group's wholesale of hearing aids will exceed market growth by 3-5 percentage points, even though the positive progress of the Agil launch gives rise to further optimism.

### Market trends

On a global scale, the positive market trends from the second half-year 2009 seem to have continued into the first quarter 2010, which is in line with previous messages. This growth should be seen in the light of weak comparative figures, and there is no doubt that the hard winter weather in Europe and the USA has also somewhat dampened demand for hearing aids, and particularly February saw weak sales figures.

The US hearing aid market saw growth rates of just over 5% in the first quarter. About half this growth is attributable to continued high demand by Veterans Affairs (VA), whereas growth in the private sector of the US hearing aid market is still at the lower end of average historic growth rates. If computed in absolute figures, hearing aid sales in the USA have overall been flat in the past three quarters, so the positive growth rates do therefore not reflect sequential market growth. Overall global unit growth in the first quarter is estimated to be within the Group's expectation of global unit growth of 2-4% for the entire year.

We do not believe that the average wholesale prices have contributed positively to market growth in the first quarter 2010. The modest number of new high-end instruments introduced to the market in the first quarter has somewhat curbed the average wholesale prices on the market, but this may change as more new high-end instruments are introduced to the market in the coming quarters. We maintain our previous message that we will see a neutral to slightly negative development in average wholesale prices on the market in 2010.

## Hearing Aids

The Group's wholesale of hearing aids has seen fair growth in the first quarter and the realised organic growth in revenues can be attributed to growing unit sales in combination with higher, realised, average selling prices. The positive start to the year and not least strong sales momentum in March have contributed to the Group capturing market shares in the first quarter.

This growth is not least attributable to the successful launch at the beginning of March of Oticon Agil – Oticon's second-generation, wireless, high-end hearing aid and also the Company's most comprehensive product introduction to date. Oticon Agil is based on the new RISE II platform that processes data twice as fast as its predecessor RISE and offers a number of new audiological concepts setting new standards for speech understanding in noisy surroundings, but at the same time, the end-user must actually use less energy in such demanding listening situations.

Oticon Agil attracted a lot of attention at the US hearing aid convention AudiologyNOW! (AAA), which took place in mid-April, and the fact that Oticon Agil had already been well received on all markets prior to AAA made it considerably easier to spread our messages on Oticon Agil.

The development of the Agil launch gives rise to optimism – optimism which we base on feedback from customers and end-users as well as on realised Agil sales in the first couple of months after its release for sale. The success of Oticon Agil is among other factors due to its unequalled sound quality and user-friendly wireless functionalities. The overall impression is that Oticon Agil is currently the market's most attractive high-end hearing aid.

In the first quarter, corporate sales to US Veterans Affairs developed reasonably well and in accordance with the plans made. We have succeeded in gaining access to a fair share of VA clinics and have thus secured a good starting point for further growth within the VA system. We are convinced that Oticon's strong position on the US market and of course our attractive product portfolio have been the decisive factor for our relatively quick penetration into the VA market and we expect this solid foundation to be further strengthened with the inclusion of Oticon Agil in Oticon's VA product programme at the beginning of May.

In the first quarter, Bernafon has reaped the benefits of the past 12 months' strengthening of the product programme. The product series Vérité and Veras have really positioned Bernafon as a highly attractive partner to an increasing number of customers and Bernafon's product portfolio has thus become a match for the product portfolios of the majority of hearing aid manufacturers. Bernafon has seen fair revenue growth in the first quarter, which is due partly to improved unit sales, partly to higher average selling prices.

Corporate retail activities saw organic growth in the first quarter in line with market growth. Our retail activities have, however, been negatively affected by the hard winter weather in January and February in especially Great Britain and North America where a considerable portion of corporate retail activities operate.

## Other business activities

In the first quarter, Diagnostic Instruments generated satisfactory organic growth in a flat underlying market. The integration of recently acquired Grason-Stadler is progressing according to plan and we are working on exploiting potential economies of scale within for instance production, sale and administration. Personal Communication has continued to gain momentum from the end of last year and Sennheiser Communications, in particular, has seen nice growth against the backdrop of an improved market situation, a number

of successful product launches and weak comparative figures. The other activities within Personal Communication, i.e. FrontRow and Phonic Ear, continue to operate under difficult market conditions and have thus seen declining revenues.

#### Other matters

At the Company's general meeting on 7 April 2010, it was decided to reduce the share capital to DKK 58,349,875 through the cancellation of treasury shares as at the date of the general meeting. The share capital will officially be reduced at the beginning of July after expiry of the mandatory three-month statutory notice.

The date of publication of Interim Report 2010 has been changed to 18 August 2010 from the previously communicated date 17 August 2010.

#### Expectations

The Company maintains its expectations of market growth in 2010 as announced in Annual Report 2009. Thus, the Company expects to see continued volume growth in the global hearing aid market of 2-4% and a neutral to slightly negative development in average wholesale prices.

We maintain our previously communicated expectations of corporate wholesale for 2010, even though the positive development of the Agil launch gives rise to optimism based on feedback from customers and end-users as well as on realised Agil sales in the first couple of months after the product's release for sale. If this tendency continues, Oticon Agil sales will exceed the plans made for 2010. In connection with the publication of Interim Report 2010 at which time Oticon Agil will have been on the market for more than five months, we expect to be able to further elaborate on our expectations.

The majority of the Group's trading currencies have been strengthened during the last couple of months. The effect of this strengthening will, however, be partly postponed due to already concluded forward exchange contracts. Based on exchange rates in April, we now expect a positive exchange impact of 3-4% on revenues and approx. 2% on operating profits (EBIT).



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