

*1 January*

1 January - 30 June

*30 June*

## *I N T E R I M   R E P O R T   2 0 0 0*

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At a meeting today, the Board of Directors of William Demant Holding A/S reviewed and adopted the interim financial statements for the period 1 January through 30 June 2000.

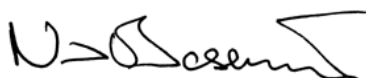
In the first half of 2000, Group revenue increased by 62% to a total of DKK 1.4 billion. Consolidated operating profits totalled DKK 280 million against DKK 145 million in 1999, or a 93% increase. After tax and minorities, consolidated profits amounted to DKK 202 million against DKK 111 million in 1999, or a rate of growth of 82%.

Earnings per share for the first half-year amounted to DKK 2.7 compared with DKK 1.5 in the first half of 1999, or an increase of 84% (29% in the first half of 1999).

Based on its expectations for the second half-year, the company has upgraded its forecasts for 2000. Group revenue for all 2000 is thus estimated at some DKK 2.9 billion and earnings before interest and tax (EBIT) at DKK 560 - 590 million. Earnings per share (EPS) are expected to go up by about 60% on last year.

The interim report has not been audited. In the first half of 2000, no changes have been made to accounting policies compared with 1999.

23 August 2000



Niels Boserup  
*Chairman*



Niels Jacobsen  
*President & CEO*

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## KEY FIGURES AND RATIOS

PROFIT AND LOSS ACCOUNT, DKK MILLION	1st half 2000	1st half 1999	% change	Full year 1999
Net revenue	1,406.1	867.6	62%	1,884.3
Gross profit	858.3	485.0		1,045.9
Profit on operations	279.7	144.6	93%	337.0
Financial items, net	-12.0	3.3		3.3
Profit before tax	267.6	147.9	81%	339.7
Profit after tax	203.4	111.1		258.1
Extraordinary items, net	-	-		-
Net profit for the period	202.0	111.2	82%	257.4
<b>BALANCE SHEET, DKK MILLION</b>				
Interest bearing debt, net	442.7	98.9		92.5
Total assets at 30 June	1,459.8	993.0		1,091.1
Shareholders' equity at 30 June	329.5	486.0		499.4
<b>OTHER KEY FIGURES, DKK MILLION</b>				
R & D costs	91.2	79.3	15%	158.8
Write-downs and depreciation	42.2	26.6		57.2
Investment in tangible fixed assets	51.1	41.7		84.0
Cash Flow From Operations (CFFO)	198.3	73.5	170%	222.5
Cash Earnings (CE)	244.2	137.8	77%	315.3
Number of employees (average)	3,195	2,038	57%	2,132
Number of employees (at 30 June)	3,467	2,110	64%	2,223
<b>RATIOS</b>				
Gross profit ratio	61.0%	55.9%		55.5%
Profit margin	19.9%	16.7%		17.9%
Return on equity (p.a.)	121.0%	44.4%		53.8%
Equity ratio	22.6%	48.9%		45.8%
Earnings Per Share (EPS) for the period DKK *)	2.7	1.5	84%	3.5
Cash Flow Per Share (CFPS), DKK *)	2.7	1.0	173%	3.0
Cash Earnings Per Share (CEPS), DKK *)	3.3	1.8	80%	4.2
Dividend Per Share, DKK *)	-	-		0.6
Book value Per Share, DKK *)	4.5	6.6		6.8
Price earnings (P/E)	44	38		40
Quoted price Per Share, DKK *)	238	114	109%	140
Total market cap., DKK million	17,519	8,410	108%	10,324
Fully diluted number of shares, million	73.68	74.67	-1%	74.20

\*) Per share of nominally DKK 1.

Key figures and ratios are calculated according to "Anbefalinger & Nøgletal 1997" (Guidelines, Key Figures & Ratios 1997) from the Danish Society of Financial Analysts. Cash Earnings are calculated as profit after tax with the addition of write-downs and depreciation for the year. Accounting policies are the same as last year.

### First half-year 2000

In the first half of 2000, the William Demant Holding Group continued its growth with satisfactory improvement in revenue as well as profits generated in part by substantial organic growth and in part by acquisitions.

Profits for the period outmatched the expectations - as most recently expressed in connection with the annual general meeting in April.

Key figures and ratios for the first half of 2000 may be summarised as follows:

- Revenue increased by 62%, or DKK 539 million to a total of DKK 1,406 million. Revenue from acquisitions accounted for 28% growth - or DKK 243 million.
- The Group's profit margin rose to 19.9% (against 16.7% in the first half of 1999).
- Net profit for the period totalled DKK 202 million. Return on equity for the period is thus 61% against 22% in the first half of 1999.
- Earnings per share amounted to DKK 2.7 - up from DKK 1.5 in 1999 - matching a rate of growth of 84% (29% in the first half of 1999).
- Cash flow from operating activities rose from DKK 74 million in the first half of 1999 to DKK 198 million in 2000 (from DKK 1.0 per share to DKK 2.7).
- In the consolidated balance sheet at 30 June 2000, interest-bearing items showed a net debt of DKK 443 million which is an increase in the first half-year resulting from acquisitions.
- Total assets amounted to DKK 1,460 million.

- Group acquisitions in the first half-year resulted in consolidated goodwill in the amount of DKK 371 million being charged direct against equity.
- After write-down of goodwill and addition of net profits for the period, shareholders' equity at 30 June 2000 totalled DKK 330 million, or a book value per share of DKK 4.5, and an equity ratio of 23%.

The improvement in the first half-year reflects the successful introduction of a range of new products in the second half of 1999. The results of these introductions have filtered through to the sales figures throughout the first six months of 2000 and are expected to contribute to growth also in the second half-year.

The four companies acquired have been successfully integrated into the Group, and following cost reductions they will contribute fully to profits from the end of this year.

Excluding acquisitions the Group's rate of growth is 34%, primarily deriving from the sale of hearing aids with an increase in revenue of DKK 266 million, or a 37% rise. Diagnostic instruments went up by 57%.

If Group revenue for the first half of 1999 is computed at 2000 rates of exchange, it would be DKK 66 million higher.

The rate of growth from the acquired businesses, Telex (consolidated from 1 January 2000), Interacoustics (17 January), Dahlberg Sciences (1 March)

and Hidden Hearing (1 March) is 28% - or DKK 243 million.

The acquired multi-brand hearing aid distributor, Hidden Hearing, included in the consolidated financial statements from 1 March 2000, has affected the cost structure of the Group compared with previous years.

In the first half of 2000, the gross profit ratio rose from 55.9% to 61.0%; half of the increase being attributable to the consolidation of Hidden Hearing. The remaining half is due to improvements in the existing business.

Overhead costs accounted for 41.1% of revenue against 39.2% in the first half of 1999, however, before consolidation of Hidden Hearing overhead costs fell to 36.4%. The explanation is that more than 50% of revenue in Hidden Hearing (retail revenue) is spent on sales and distribution costs.

In the Group as such, sales and distribution costs continued to fall and accounted for less than 22% of related revenue.

The Group continued its focus on research and development, and in the first half of 2000 costs rose by 15% to a total of DKK 91 million compared with the first half of 1999.

For six half-years consecutively, the profit margin has gone up so that it is now 19.9%. Operating profits amounted to DKK 280 million against DKK 145 million and DKK 192 million in the first and second half-years of 1999, respectively.

At the beginning of the year, the Group's interest-bearing debt was just under DKK 100 million. At 30 June, it had risen to DKK 443 million, mainly due to acquisitions to the tune of DKK 433 million. Consequently, net financials constitute an expense of DKK 12 million against a small amount of income in 1999.

Group revenue by business area (DKK million)	1st half 2000	1st half 1999	Full year 1999
Hearing instruments	1,198	727	1,592
Diagnostic instruments	82	30	66
Personal communication	126	111	226
<b>Group revenue</b>	<b>1,406</b>	<b>868</b>	<b>1,884</b>

Computed at the rates of exchange during the period

The effective tax rate is 24%, which is expected to be the tax rate for the whole year.

Net profits for the first half amounted to DKK 202 million providing a return on equity of 121% p.a.

In the first half-year, cash flow from operating activities (CFFO) amounted to DKK 198 million, or a 170% improvement on the same period last year.

In the first half of 2000, 51,325 shares were bought back at an average price of DKK 225 per share. At 30 June 2000, the portfolio of own shares was 723,025 of DKK 1 - or close on 1% of the share capital.

As part of an employee share scheme, Group employees were given an option to buy a total of 375,000 shares from the portfolio of own shares at a favourable price. The scheme will be implemented in the autumn.

At the company's annual general meeting, a share split was carried out in a ratio of 1:5. All share-related ratios have been correspondingly adjusted.

## BUSINESS AREAS

### Hearing aids

In the first half-year, the William Demant Group's sale of hearing aids outmatched the market development in terms of units which means that the Group has acquired market shares.

The introduction of new product series in the autumn of 1999 and new products in the spring of 2000 has contributed significantly to the substantial improvement in revenue.

Oticon's high-end DigiFocus II series was introduced a year ago. After a relatively brief introduction period in the autumn of last year, the new digital product series

has contributed materially to Group earnings.

The sale of the two Oticon product series - Ergo and Swift - which were developed with major focus on lower unit production costs - have sold very successfully to the middle and low-end segments which still account for about 80% of total unit sales on the market.

Bernaфон has continued the favourable trend in profits and contributed satisfactorily to interim net profits.

### Diagnostic instruments

Diagnostic instruments showed considerable growth in the first half-year, and the business area was expanded through the acquisition of the Danish audiometer business, Interacoustics, on 17 January.

Sales have more than doubled compared with 1999, and the successful trend is expected to continue in the second half of 2000 (excluding acquisitions growth was 57% in the first half-year).

### Personal communication

Phonic Ear (wireless communication equipment) was not quite able to realise the budgeted sales target in the first half-year due to delay in the introduction of a new product, Sprite. A somewhat higher rate of growth is expected for the second half.

DanaCom (headsets for professional users), 50% of which was acquired by the

Group a year ago, has matched the expectations announced when the company was acquired.

On acquisition in 1999, the William Demant Group was given an option - based on a fixed calculation model - to acquire the remaining 2 x 25% in 2000 and 2001, respectively.

With effect from 1 September 2000, the Group has acquired another 25% of the shares bringing the stake up to 75%.

### Prospects for the 2000 financial year

The growth achieved by the William Demant Group during the first half of 2000 is expected to continue throughout this year.

Based on today's rates of exchange, the Directors expect the Group as a whole to generate revenues to the tune of DKK 2.9 billion in 2000.

In the second half, growth is mainly expected to come from the product introductions that created growth in the first half as well as new product introductions in the second half-year.

In the light of the results for the first six months of 2000, the Directors are now upgrading their forecast for earnings before interest and tax (EBIT) to about DKK 560 - 590 million and the increase in earnings per share (EPS) to about 60% compared with 1999.

Development in Shareholders' Equity (DKK million)	1st half 2000	1st half 1999
Shareholders' equity 1 January	499.4	504.1
Exchange rate adjustments	11.0	-3.2
Write-down of goodwill	-371.3	-3.0
Write-down of own shares	-11.6	-123.1
Retained earnings	202.0	111.2
Shareholders' equity 30 June	329.5	486.0

*PROFIT AND LOSS ACCOUNT FIRST HALF-YEAR*

<b>G R O U P</b> <i>(Amounts in DKK '000)</i>	<b>2000</b>	<b>1999</b>
<b>Net revenue</b>	<b>1,406,108</b>	<b>867,628</b>
Production costs	-547,811	-382,677
<b>Gross profit</b>	<b>858,297</b>	<b>484,951</b>
Research and development costs	-91,225	-79,302
Distribution costs	-374,675	-192,043
Administrative expenses	-112,744	-68,981
<b>Operating profit</b>	<b>279,653</b>	<b>144,625</b>
Financial items, net	-12,036	3,278
<b>Profit before tax and minority interests</b>	<b>267,617</b>	<b>147,903</b>
Corporation tax	-64,228	-36,786
<b>Profit after tax</b>	<b>203,389</b>	<b>111,117</b>
Minority interests	-1,399	108
<b>Net profit for the period</b>	<b>201,990</b>	<b>111,225</b>

BALANCE SHEET AT 30 JUNE 2000

<b>Assets</b> (Amounts in DKK '000)	<b>30 June 2000</b>	<b>30 June 1999</b>
Leasehold improvements	25,431	20,895
<b>Intangible fixed assets</b>	<b>25,431</b>	<b>20,895</b>
Land and buildings	126,456	75,341
Technical plant and machinery	82,718	47,045
Fixtures, tools and equipment	82,667	50,694
<b>Tangible fixed assets</b>	<b>291,841</b>	<b>173,080</b>
Shares in associated companies	213	243
Securities and participating interests	8,519	6,349
Other receivables	8,285	6,863
Deferred tax, asset	14,185	0
<b>Financial fixed assets</b>	<b>31,202</b>	<b>13,455</b>
<b>Total fixed assets</b>	<b>348,474</b>	<b>207,430</b>
<b>Inventories</b>	<b>448,715</b>	<b>350,366</b>
Trade debtors	524,247	308,653
Corporation tax	0	4,826
Other debtors	31,557	9,445
Prepayments and accrued expenses	43,008	19,797
<b>Debtors</b>	<b>598,812</b>	<b>342,721</b>
<b>Liquid funds</b>	<b>63,774</b>	<b>92,438</b>
<b>Total current assets</b>	<b>1,111,301</b>	<b>785,525</b>
<b>Total assets</b>	<b>1,459,775</b>	<b>992,955</b>

<b>Liabilities</b> <i>(Amounts in DKK '000)</i>	<b>30 June 2000</b>	<b>30 June 1999</b>
Share capital	74,377	74,377
Other reserves	255,157	411,583
<b>Shareholders' equity</b>	<b>329,534</b>	<b>485,960</b>
<b>Minority interests</b>	<b>2,497</b>	<b>576</b>
Other provisions	96,493	48,546
<b>Provisions</b>	<b>96,493</b>	<b>48,546</b>
Mortgages	4,531	4,866
Other long-term creditors	297,532	135,511
<b>Long-term creditors</b>	<b>302,063</b>	<b>140,377</b>
Short-term part of long-term creditors	10,259	10,259
Bank debt	202,650	47,059
Trade creditors	164,538	85,287
Corporation tax	22,846	7,397
Other creditors	282,782	139,308
Prepayments and accrued income	46,113	28,186
<b>Short-term creditors</b>	<b>729,188</b>	<b>317,496</b>
<b>Total creditors</b>	<b>1,031,251</b>	<b>457,873</b>
<b>Total liabilities</b>	<b>1,459,775</b>	<b>992,955</b>



CASH FLOW STATEMENT FIRST HALF-YEAR

G R O U P <i>(Amounts in DKK '000)</i>	30 June 2000	30 June 1999
Operating profit	279,653	144,625
Write-downs and depreciation	42,200	26,559
Changes in debtors *)	-109,184	-27,012
Changes in inventories *)	-28,324	-49,192
Changes in trade creditors etc. *)	64,011	20,869
Changes in provisions/minorities	16,923	5,088
<b>Cash flow from operating activities before financial items</b>	<b>265,279</b>	<b>120,937</b>
Interest earned etc.	2,521	8,261
Interest expensed etc.	-14,557	-4,983
<b>Cash flow from operating activities</b>	<b>253,243</b>	<b>124,215</b>
Corporation tax paid	-54,981	-50,732
<b>Cash flow from operating activities</b>	<b>198,262</b>	<b>73,483</b>
Acquisition	-432,611	-3,086
Expensed investments under 50,000 DKK*)	-10,969	-3,918
Investments in intangible fixed assets*)	-8,534	-189
Investments in tangible fixed assets*)	-28,516	-39,192
Investments in financial fixed assets*)	-3,046	1,568
<b>Cash flow from investing activities</b>	<b>-483,676</b>	<b>-44,817</b>
Changes in long-term creditors, net	157,282	-7,724
Buyback of own shares	-11,572	-123,067
Dividend paid	-44,195	-35,378
<b>Cash flow from financing activities</b>	<b>101,515</b>	<b>-166,169</b>
<b>Cash flow position for the period, net</b>	<b>-183,899</b>	<b>-137,503</b>
Cash position net at 1 January	45,023	182,882
Cash position net at 30 June	-138,876	45,379
<b>Cash, net at 30 June, breaks down as follows:</b>		
Liquid funds	63,774	92,438
Bank debt	-202,650	-47,059
	<b>-138,876</b>	<b>45,379</b>

\*) Not including additions from acquired companies.



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