Interim Report 2002

1 January - 30 June

William Demant Holding A/S

PROFIT AND LOSS ACCOUNT, DKK MILLION	1st half 2002	1st half 2001	% change	Full year 2001
Net revenue	1,976.8	1,648.5	20%	3,506.2
Gross profit	1,267.2	1,067.4		2,230.0
Operating profit (EBIT)	404.9	319.4	27%	683.3
Financial items, net	-21.2	-19.7		-43.3
Profit before tax and minority interests	383.7	299.7	28%	639.7
Profit after tax	283.9	227.4		482.0
Extraordinary items, net	-	-		-
Net profit for the period	283.9	226.8	25%	481.4
BALANCE SHEET, DKK MILLION				
Interest-bearing items, net	-872.4	-617.8		-897.3
Total assets	2,073.5	1,813.3		2,006.5
Shareholders' equity	419.7	341.4		162.8
OTHER KEY FIGURES, DKK MILLION				
Research and development costs	130.0	121.2		253.0
Depreciation, amortisation and write-down expenses	56.8	44.2		98.1
Investment in tangible fixed assets	53.1	61.4		177.6
Cash flow from operating activities (CFFO)	291.3	108.6		317.4
Cash earnings (CE)	340.7	271.0		580.1
Employees (average)	4,102	3,897		3,997
RATIOS				
Gross profit ratio	64.1%	64.7%		63.6%
Profit margin	20.5%	19.4%		19.5%
Return on equity (p.a.)	179.4%	167.5%		179.2%
Equity ratio	20.2%	18.8%		8.1%
Earnings per share (EPS) for the period, DKK*	3.84	3.05	26%	6.49
Cash flow per share (CFPS), DKK*	3.94	1.46	169%	4.28
Cash earnings per share (CEPS), DKK *	4.61	3.65		7.82
Dividend per share, DKK*	-	-		-
Book value per share, DKK*	5.71	4.60		2.20
Price earnings (P/E)	25	42		33
Share price, DKK*	195	259	-25%	216
Market capitalisation, DKK million	14,338	19,235	-26%	15,981
Fully diluted no. of shares, million	73.89	74.18	-1%	74.16

** Per share of DKK 1.*
Ratios are calculated in accordance with "Anbefalinger & Nøgletal 1997" (Guidelines and ratios 1997) from the Danish Society of Financial Analysts.
Cash earnings are calculated as profit after tax with the addition of depreciation, amortisation and write-down expenses.

In the first half of 2002 the William Demant Group realised growth that fully matches the expectations for the year published previously.

Group revenue increased by 20% to just under DKK 2 billion in the first half-year. In local currencies revenues went up by 21%. Organic growth constituted 15%.

Operating profit (EBIT) rose by DKK 85 million to DKK 405 million (+27%), and earnings per share (EPS) amounted to DKK 3.84 (+26%).

The increase in Group cash flows was substantial in the first six months. Cash flow from operating activities accounted for DKK 291 million in the first half-year, i.e. cash flows almost trebled compared with last year.

The continual expansion, which results from a combination of the Group's ongoing development of new and market-leading products and profit-generating acquisitions, proves that the Group's growth strategy is intact even during a period with zero growth rates on the underlying markets.

At the annual general meeting the Board of Directors decided to authorise Management to buy back shares in the amount of up to DKK 200 million. The buyback programme ended in July, and the Group now holds own shares worth nominally DKK 1.7 million (2.3% of the share capital). At their meeting today the Board of Directors decided to proceed with the buyback programme and authorised Management to buy back additional shares in the amount of up to DKK 300 million.

With expected zero market growth and the current foreign exchange rates with the strengthening of the DKK vis-à-vis the JPY, BRL, GBP and the USD-related currencies, Management now estimates a corporate revenue for all 2002 of about DKK 4.0 billion against the previous estimate of DKK 4.2 billion.

In Management's opinion corporate organic growth will still constitute about 15% for all 2002. In terms of local currencies the corporate sales target is thus the same as previously.

Similarly Management retains its earnings target for 2002 with an operating profit (EBIT) of more than DKK 800 million, which means that it now expects a profit margin of 20-21% against previously 19-20%.

Growth in earnings per share (EPS) for 2002 is estimated at minimum 20% against the previous estimate of 15-20%.

20 August 2002

Niels Boserup
Chairman

Niels Jacobsen
President & CEO

Accounting policies and audit
The interim financial statements are presented in accordance with the new Danish Company Accounts Act, which for the William Demant Group in all essentials means that newly acquired goodwill is now entered as an asset and subsequently amortised and that unrealised gains and losses on financial contracts are included in the balance sheet.

The changes in accounting policies reduced the profit and loss account by DKK 53,000 (2001: no impact) and boosted total corporate assets by DKK 56 million (2001: DKK 20 million), of which shareholders' equity accounted for an increase of DKK 46 million (2001: negative by DKK 47 million).

Similar to previous years the interim financial statements have not been audited.

For further information please contact
Niels Jacobsen, President & CEO
Phone +45 39 17 71 00
or visit www.demant.com

INTERIM REPORT FOR THE FIRST HALF OF 2002

In the first half-year the William Demant Group fully matched the expectations previously announced to the share market. The improvement was created despite the fact that the market did not develop as favourably as forecast at the start of the financial year. The Group has thus managed to boost the sale of hearing aids (in terms of units) by 9% in a zero growth market.

The first six months of 2002 thus proved that the Group still retains a strong position in a market with mounting competition.

Group revenue rose by 20% to DKK 1,977 million. In local currencies revenues grew by 21%, organic growth accounting for 15%.

However trends varied in the Group's three business areas as reflected in the table below. The business areas Hearing Aids and Diagnostic Instruments showed extremely favourable progress, whereas Personal Communication showed a downward trend.

Revenues by business area *(DKK million)*	**1st half 2002**	**1st half 2001**	**Growth**	**Full year 2001**
Hearing Aids	1,736	1,409	23%	3,017
Diagnostic Instruments	119	97	23%	199
Personal Communication	122	143	-15%	290
Total	**1,977**	**1,649**	**20%**	**3,506**

Computed at the rates of exchange during the period

The sale of hearing aids rose by 23% in the first half, organic growth accounting for 18%, and Hearing Aids thus produced a very handsome rate of growth in a flat market that did not go up by the 2-4% forecast at the start of 2002. The weaker market growth in particular had a negative effect on sales direct to end-users, whereas the Group's core business - wholesale to independent hearing care professionals - developed better than expected.

The gross profit ratio was maintained at a high level (64.1%). The Group's 49% interest in American Hearing Aid Association (AHAA) was included in the financial statements from the second half of 2001, and as forecast in the 2001 Annual Report this diluted the gross profit ratio in the first half of 2002. In return compared with the same period last year, the Group improved its production efficiency and achieved a positive shift in the price mix towards high-end hearing aids due to the successful introduction of Adapto and Symbio in Oticon and Bernafon, respectively. For the full year we expect a gross profit ratio at the present level.

The Group maintained its massive R&D effort. Total R&D costs in the first half amounted to DKK 130 million. The R&D capacity and innovative abilities have placed the Group among the leaders in the industry. R&D costs, which are expensed, are expected to rise by up to 10% in the second half-year.

Distribution costs accounted for close on 30% of revenue, and administrative expenses, adjusted for acquisitions, rose moderately.

In the first six months operating profit (EBIT) increased by 27% to DKK 405 million against DKK 319 million in 2001. The profit margin rose by more than one percentage point to 20.5% (19.4% in the first half of 2001 and 19.5% for the 2001 financial year), which outmatched the forecast.

Despite the acquisition of AHAA in August 2001 that was financed through loans and the share buyback programme in the spring, the Group's heavy cash flows combined with a lower interest rate level contributed to maintaining the financial items at DKK 21 million compared with DKK 20 million in 2001. The Group's long-term interest-bearing debt has mainly been funded through USD loans.

The corporation tax is 26%, which is the rate expected for the full year.

Interim net profit amounted to DKK 284 million, which is a return on equity of 179% (p.a.) against 168% in the first half of 2001.

Earnings per share rose by 26% to DKK 3.84 compared with DKK 3.05 last year.

In the autumn of 2001 inventories increased in connection with the introduction of Adapto and later of Symbio. With significant new product introductions, being able to deliver promptly to all major markets is important.

In line with the successful introduction of the new instruments, Management endeavoured to free working capital that was tied unnecessarily. The increase in earnings and the effect of the sharp focus on working capital together boosted the corporate cash flows considerably in the first half-year. Cash flow from operating activities thus rose to DKK 291 million against DKK 109 million in the first half of 2001.

The turnover ratios of trade debtors and inventories increased in the first six months, and the new level is likely to be maintained.

Interest-bearing balance-sheet items constitute a net debt of DKK 872 million, which is more or less the same as at the start of the year.

As a result of the introduction of the new Danish Company Accounts Act, the inclusion of unrealised gains on financial contracts increased the balance-sheet total by DKK 52 million. Contingent taxes are included as a provision, and the change in gains from financial contracts improved shareholders' equity by DKK 42 million.

Exchange adjustments of net investments in foreign affiliated companies increased shareholders' equity by DKK 57 million. This adjustment primarily relates to long-term USD loans in connection with Group investments in North America in 2000 and 2001.

In the first half-year the Group acquired own shares aggregating DKK 126 million, which was written down against shareholders' equity. After 30 June additional shares worth DKK 91 million have been acquired. The holding of own shares thus nominally totals DKK 1,694,304, or 2.3% of the share capital.

At their meeting today the Board of Directors decided to authorise Management - with due regard to corporate liquidity - to buy back further shares at a total amount of up to DKK 300 million.

At 30 June 2002 shareholders' equity was DKK 420 million, or 20% of total Group assets of DKK 2.1 billion.

Development in shareholders' equity *(DKK million)*	**1st half 2002**	**1st half 2001**
Shareholders' equity 1 Jan	**163**	**200**
Change in gains or losses on financial contracts after tax	42	-35
Exchange adjustments of affiliated companies	57	-31
Write-down of own shares	-126	-12
Other adjustments	0	-8
Profit for the period	284	227
Shareholders' equity at 30 June	**420**	**341**

On publication of the 2001 Annual Report in March 2002, the Board of Directors decided to give Group staff an opportunity to buy shares at a favourable price. Similar to the employee share programme in 2000, employees were offered shares under two different programmes at a price of 50 or 100, respectively. The programme was described in more detail in announcement No. 2002-07. Since March trends on global stock markets have been negative and taking this into account the Board of Directors have decided to lower the favourable price by 25% to 37.5 and 75, respectively.

MARKET AND BUSINESS TRENDS

Hearing aids

Based on available statistics and market information, it is the Company's opinion that the hearing aid markets both in the US and in Europe have seen fairly flat growth in terms of units in the first half-year.

Trends in Group sales of hearing aids in the first six months were positive. Unit sales thus went up by 9% compared with the first half of 2001 and by 6% compared with the second half of 2001. The Group thus expanded its market share in the first half-year.

In the first half of 2002 digital hearing aids for the standard segment were the fastest growing market. For this segment Oticon has just introduced a new digital hearing aid family - Atlas. The Atlas products will have been introduced on all major markets by the end of the third quarter.

Sales of the new high-end hearing aids, Adapto from Oticon and Symbio from Bernafon, have outmatched expectations.

Through further product introductions and expected continuous growth in the sale of Adapto and Symbio, the Group expects its market position to be further strengthened in the future.

With zero growth on the market, retail sales to end-users in the first half-year were more sluggish than expected, whereas sales and trends developed satisfactorily in the wholesale distributor American Hearing Aid Association (AHAA), in which the Group acquired a 49% interest in the second half of 2001.

Diagnostic Instruments

Diagnostic Instruments saw continued growth in the first half-year. This growth was generated through acquired market shares and the addition of new product lines either developed in-house or in-licensed in the second half of 2001.

Personal Communication

Personal Communication has not met the targets set up.

Phonic Ear, which is the largest undertaking in this business area, saw a decline in the sale of its products. This decline is partly due to US consumers' reluctance to buy and partly to a delay in the introduction of new products.

PROSPECTS FOR THE FULL FINANCIAL YEAR

Revenues in the first half-year were negatively affected by the fluctuation in exchange rates by 1%. Towards the end of the half-year the DKK was strengthened significantly vis-à-vis some of the Group's trading currencies, mainly the USD, JPY, EUR, BRL and the GBP. If the current exchange rates are maintained throughout the remaining months of 2002, the new exchange rates will negatively affect consolidated revenue when translating the revenues of affiliated companies into DKK (the *translation-related* effect). Their net profits will also be translated into DKK, and the resulting translation-related effect on Group net profit is expected to be negative to the tune of DKK 10 million in the second half-year.

The Group undertakings' internal as well as external trade of goods and services involves payment flows in various currencies. The Group hedges the exchange risks involved in such net payment flows (*transaction-related* payment flows) through forward contracts. It is Group policy to hedge major transaction-related currency flows for 6-24 months.

At 1 August 2002 foreign exchange flows had been hedged as follows:

Currency	**Hedging period**	**Forward rates**
USD	18 months	830
JPY	24 months	7.37
EUR	12 months	748

With an estimated zero rate of market growth for all 2002 against a previously forecast rate of 2-4%, Management still expects the Group to be able to generate organic growth in local currencies of about 15%. With today's exchange rates revenue for all 2002 will be in the range of DKK 4 billion.

The Group maintains its earnings target for 2002 with an operating profit (EBIT) of more than DKK 800 million, which corresponds to a profit margin of 20-21% against a previous estimate of 19-20%.

For financial 2002 growth in earnings per share (EPS) is estimated at a minimum of 20% against previously 15-20%.

GROUP *(DKK - in thousands)*	1st half 2002	1st half 2001	Full year 2001
Net revenue	**1,976,815**	**1,648,517**	**3,506,191**
Production costs	-709,578	-581,147	-1,276,165
Gross profit	**1,267,237**	**1,067,370**	**2,230,026**
Research and development costs	-130,016	-121,220	-253,029
Distribution costs	-592,390	-501,213	-1,037,763
Administrative expenses	-139,917	-125,507	-255,971
Amortisation of goodwill	-53	0	0
Operating profit	**404,861**	**319,430**	**683,263**
Financial items, net	-21,195	-19,710	-43,536
Profit before tax and minority interests	**383,666**	**299,720**	**639,727**
Corporation tax for the period	-99,753	-72,289	-157,709
Profit after tax	**283,913**	**227,431**	**482,018**
Minority interests	0	-629	-629
Net profit for the period	**283,913**	**226,802**	**481,389**

Group balance sheet

Assets (DKK - in thousands)	30 June 2002	30 June 2001	31 December 2001
Goodwill	4,240	0	0
Intangible fixed assets	**4,240**	**0**	**0**
Land and buildings	169,676	132,669	164,211
Technical plant and machinery	116,773	89,410	105,653
Fixtures, tools and equipment	106,041	113,861	117,253
Leasehold improvements	33,321	24,164	32,649
Tangible fixed assets	**425,811**	**360,104**	**419,766**
Shares in associated undertakings	631	120	717
Securities and participating interests	5,567	7,410	6,831
Other receivables	16,963	13,246	18,864
Deferred tax, asset	40,879	48,520	41,820
Financial fixed assets	**64,040**	**69,296**	**68,232**
Total fixed assets	**494,091**	**429,400**	**487,998**
Inventories	**666,883**	**578,120**	**673,144**
Trade debtors	646,892	547,998	641,535
Other debtors	55,613	64,955	39,215
Unrealised gains on financial contracts	51,848	0	0
Prepayments and accrued expenses	34,735	30,847	44,516
Debtors	**789,088**	**643,800**	**725,266**
Liquid funds	**123,427**	**161,984**	**120,045**
Total current assets	**1,579,398**	**1,383,904**	**1,518,455**
Total assets	**2,073,489**	**1,813,304**	**2,006,453**

Liabilities *(DKK - in thousands)*	**30 June 2002**	**30 June 2001**	**31 December 2001**
Share capital	74,713	74,713	74,713
Reserves	345,033	266,655	88,088
Shareholders' equity	**419,746**	**341,368**	**162,801**
Minority interests	**0**	**2,425**	**0**
Provisions for deferred taxes	42,269	18,850	26,658
Other provisions	93,153	119,985	109,514
Provisions	**135,422**	**138,835**	**136,172**
Mortgages	3,482	3,854	3,666
Other long-term creditors	784,134	299,949	865,498
Long-term creditors	**787,616**	**303,803**	**869,164**
Short-term part of long-term creditors	13,413	13,855	13,887
Interest-bearing short-term debt	194,770	462,147	258,735
Trade creditors	149,778	140,626	164,227
Corporation tax	75,082	15,016	41,666
Other creditors	225,648	261,251	267,160
Unrealised losses on financial contracts	0	67,054	8,364
Prepayments and accrued income	72,014	66,924	84,277
Short-term creditors	**730,705**	**1,026,873**	**838,316**
Total creditors	**1,518,321**	**1,330,676**	**1,707,480**
Total liabilities	**2,073,489**	**1,813,304**	**2,006,453**

Cash flow statement

GROUP (DKK - in thousands)	1st half 2002	1st half 2001	Full year 2001
Operating profit	404,861	319,430	683,263
Depreciation, amortisation and write-down expenses	56,814	44,178	98,111
Changes in debtors*	1,170	-97,496	-128,610
Changes in inventories*	14,714	-77,889	-157,055
Changes in trade creditors etc.*	-79,655	55,990	47,979
Changes in provisions*	-17,525	-4,133	-7,232
Cash flow from operating activities	**380,379**	**240,080**	**536,456**
Financial items etc.	-21,195	-20,339	-44,165
Corporation tax	-67,848	-111,128	-174,881
Net cash flow from operating activities	**291,336**	**108,613**	**317,410**
Acquisitions	-1,895	-7,646	-476,883
Expensed investments under DKK 50,000*	-9,181	-9,221	-17,885
Investments in intangible fixed assets*	0	0	0
Investments in tangible fixed assets*	-53,089	-61,359	-161,732
Investments in financial fixed assets*	3,251	-311	-4,119
Cash flow from investing activities	**-60,914**	**-78,537**	**-660,619**
Changes in long-term creditors, net*	-81,548	4,827	555,737
Buyback of shares	-126,269	-12,125	-26,946
Other adjustments	44,742	-31,439	-32,770
Cash flow from financing activities	**-163,075**	**-38,737**	**496,021**
Net cash flow position for the period	**67,347**	**-8,661**	**152,812**
Net cash position at 1 January	**-138,690**	**-291,502**	**-291,502**
Net cash position at 30 June	**-71,343**	**-300,163**	**-138,690**
Breakdown of net cash position at 30 June			
Liquid funds	123,427	161,984	120,045
Interest-bearing short-term debt	-194,770	-462,147	-258,735
	-71,343	**-300,163**	**-138,690**

* Not including additions from acquired companies.

900 21 710 02/08.02 Printed in Denmark

William Demant Holding

William Demant Holding A/S
Strandvejen 58
2900 Hellerup
Denmark

Phone +45 39 17 71 00
Telefax +45 39 27 79 00

www.demant.com
william@demant.dk