INTERIM REPORT 2003

1 January - 30 June

William Demant Holding A/S

Key figures and ratios

GROUP	1st half 2003	1st half 2002	% change	Full year 2002
Profit and loss account, DKK million				
Net revenue	1,903.3	1,976.8	-4%	3,923.7
Gross profit	1,254.7	1,267.2	-1%	2,505.3
Operating profit (EBIT)	423.4	404.9	5%	809.2
Financial items, net	-13.2	-21.2	-38%	-30.8
Profit before tax	410.1	383.7	7%	779.4
Net profit for the period	303.5	283.9	7%	578.6
Balance sheet, DKK million				
Interest-bearing items, net	-766.7	-872.4	-12%	-741.7
Total assets	2,054.3	2,073.5	-1%	1,991.6
Shareholders' equity	419.8	419.7	0%	427.8
Other key figures, DKK million				
Research and development costs	143.3	130.0	10%	272.2
Depreciation, amortisation and write-down expenses	59.2	56.8	4%	108.0
Investment in tangible fixed assets, net	56.0	62.3	-10%	114.2
Cash flow from operating activities (CFFO)	356.8	291.3	22%	669.4
Free cash flow	290.5	232.3	25%	548.8
Cash earnings (CE)	362.7	340.7	6%	686.6
Employees (average)	4,296	4,102	5%	4,208
Ratios				
Gross profit ratio	65.9%	64.1%		63.9%
Profit margin	22.2%	20.5%		20.6%
Return on equity (p.a.)	143.2%	179.4%		168.0%
Equity ratio	20.4%	20.2%		21.5%
Earnings per share (EPS) for the period, DKK*	4.3	3.8	12%	7.9
Cash flow per share (CFPS), DKK*	5.0	3.9	28%	9.1
Free cash flow per share, DKK*	4.1	3.1	31%	7.5
Cash earnings per share (CEPS), DKK *	5.1	4.6	11%	9.4
Book value per share, DKK*	6.0	5.7	5%	5.9
Price earnings (P/E)	17	25	-32%	19
Share price, DKK*	149	195	-24%	152
Market capitalisation adjusted for own shares, DKK million	10,362	14,338	-28%	10,935
Fully diluted no. of shares, million	70.74	73.89	-4%	73.31

** 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.
Free cash flow is computed as the sum of cash flows from operating (CFFO) and investing activities (CFFI) adjusted for acquisitions.

William Demant's core business generates over 10% growth

- Sales rose by 7% compared with the first half of 2002 measured in local currency.
- Core business – wholesale of hearing aids – improved by over 10%.
- The profit margin was up from 20.5% to 22.2% compared with the first half of 2002.
- Earnings per share improved by 12% in the first half-year to DKK 4.3 (3.8).
- Free cash flow increased by 25% to DKK 291 million (DKK 232 million).

The first six months saw continued growth in the William Demant Group.

In the first half of 2003, consolidated revenue amounted to DKK 1.90 billion, which is a 7% increase in terms of local currency. Compared with the first half of 2002, the value of the Danish krone improved by 11% vis-à-vis the Group's trading currencies, and in terms of Danish kroner consolidated revenues consequently dropped slightly against revenues of DKK 1.98 billion in the first half of 2002 (DKK 1.78 billion based on 2003 rates of exchange).

Revenue from the core business – wholesale of hearing aids – improved by over 10% in a market which is thought to have generated only 1-2% growth in the first half-year.

Operating profit (EBIT) increased to DKK 423 million (DKK 405 million), resulting in a profit margin of 22.2% (20.5% in the first half of 2002 and 20.6% for all 2002).

Earnings per share (EPS) went up by 12% to DKK 4.3 (DKK 3.8).

The Group's continued focus on reduction of working capital resulted in a 22% improvement of cash flows from operating activities to DKK 357 million. In the first half of 2003, investing activities amounted to DKK 66 million, i.e. an increase of 9%, and free cash flows consequently rose by 25% to DKK 291 million. Free cash flow per share was up by 31% to DKK 4.1 (3.1).

In the first six months of 2003, the company bought back 2.3 million own shares at an aggregate value of DKK 327 million. At the annual general meeting in March 2003, the shareholders decided to write down the company's share capital by 4.4 million shares, or 5.9% of the share capital, which is now nominally DKK 70.3 million.

Since the annual general meeting, the company has bought back additional shares and today on 21 August 2003, the holding of own shares amounts to 802,350, or 1.1% of the share capital. At its meeting today, the Board of Directors confirmed that the company will continue to use any surplus liquid funds for the buyback of own shares.

The Group expects that in terms of local currency the revenue for all 2003 will match the 7-10% growth as previously announced to the Copenhagen Stock Exchange. With the increasingly strong Danish krone vis-à-vis the major trading currencies, the consolidated revenue for 2003 is estimated at a level of DKK 3.9 billion against previously DKK 3.9-4.1 billion, as the overall exchange impact for all 2003 is estimated to be negative by 8%.

Management retains its earnings target with an operating profit of DKK 850-900 million and growth in earnings per share of more than 10%.

The accounting policies applied in the first half of 2003 are the same as in 2002. As in previous years, the interim statements for the first half-year have not been audited.

21 August 2003

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INTERIM REPORT FOR THE FIRST HALF OF 2003

In the first half-year, the Group fully matched the expectations announced at the start of the year. Revenues were generated in a market that developed as expected with a rate of growth of just 1-2%.

Current introductions of new products in our core business – wholesale of hearing aids – improved sales in this business area by more than 10% measured in local currency. In terms of Group-manufactured hearing aids, the improvement was about 16%, which means that the Group increased its market share in 2003.

The Group's retail activities also showed satisfactory progress compared with 2002.

Revenues split (DKK million)	**1st half 2003***	**1st half 2002***	**1st half 2002**	**Full year 2002**
Hearing Aids	1,698	1,565	1,736	3,429
Diagnostic Instruments	104	111	119	240
Personal Communication	101	105	122	255
Total	**1,903**	**1,781**	**1,977**	**3,924**

*Computed at the rates of exchange in the first half of 2003

Organic growth accounted for 7%. However, the substantial falls in the exchange rates of major trading currencies since summer 2002 negatively affected the consolidated revenue for the first half-year by 11% compared with the same period last year resulting in an overall 4% decline in revenue.

Exchange rates	**USD**	**JPY**	**GBP**
Realised rates for first half 2002	829	6.4	1176
Realised rates for 2002	789	6.3	1182
Realised rates for January 2003	700	5.9	1131
Reaslised rates for first half of 2003	674	5.7	1085
Realised rates July 2003	654	5.5	1061

At year-start when formulating the expectations for 2003, estimates were based on exchange rates for January 2003. The assumption at the time was a negative exchange impact for 2003 of 7%. However, computing the 2002 revenue on the basis of realised exchange rates in the first half-year and assuming that the average rates of exchange for July apply throughout the remaining months of 2003, the 2002 revenue would be DKK 3,612 million, or a negative exchange impact of 8% compared with the realised revenue of DKK 3,924 million for 2002.

In the first six months, the Group generated a gross profit of DKK 1.25 billion, which increased the Group's gross profit ratio to 65.9% (64.1%). Improved profitability in the Group's retail activities and efficiency improvements in production had a positive impact on gross profit, whereas stronger growth in sales to the mid-range segment compared to growth in sales to the high-end segment negatively affected the Group's profit margin.

In the first half of 2003, the R&D effort increased by 13% measured in local currency to a total of DKK 143 million, which is an increase of one percentage point to 7.5% in terms of consolidated revenue.

Distribution costs, which accounted for DKK 563 million, increasingly develop in line with consolidated revenue and rose by 6% in local currency.

In spite of a higher activity level in the Group, administrative expenses fell by 1% in local currency. Measured in Danish kroner, administrative expenses fell to DKK 125 million against DKK 140 million in the same period last year.

Overheads (DKK million)	**1st half 2003**	**1st half 2002**	**Percentage change in DKK**	**Percentage change in local currency**
R&D costs	143	130	10%	13%
Distribution costs	563	592	-5%	6%
Administrative expenses	125	140	-11%	-1%
Total	**831**	**862**	**-4%**	**6%**

Operating profit (EBIT) amounted to DKK 423 million against DKK 405 million in 2002. The profit margin rose by 1.7 percentage point to 22.2%, which matches our expectations.

Continued low interest rates resulted in net financial expenses to the tune of DKK 13 million against DKK 21 million in the first half of 2002.

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

Interim net profit amounted to DKK 304 million, or a 7% increase compared with DKK 284 million in the first half of 2002.

Earnings per share rose by 12% to DKK 4.3 against DKK 3.8 in the first half of 2002.

In the first six months, the Group's cash flow from operating activities rose by 22% to a total of DKK 357 million, the Group continuing its focus on minimising the working capital in the operating balance. Investing activities progressed according to plan with DKK 66 million, and free cash flows therefore amounted to DKK 291 million.

Cash flow by main items (DKK million)	**1st half 2003**	**1st half 2002**	**Full year 2002**
Interim profit	303	284	579
Cash flow from operating activities	357	291	669
Cash flow from investing activities excl. acquisitions	-66	-59	-120
Free cash flow	**291**	**232**	**549**
Acquisitions	-	-2	-7
Buyback of shares	-327	-126	-423
Other investing activities	- 68	-37	-84
Interim net impact	**-104**	**67**	**35**
Earnings per share, DKK	4.3	3.8	7.9
Free cash flow per share, DKK	4.1	3.1	7.5

Total assets constitute just above DKK 2 billion, which equals last year's level.

Interest-bearing net debt totalled DKK 767 million, which is at the same level as at the start of the year. Loans in USD accounted for DKK 436 million of borrowed funds, such loans having been raised in connection with investment in businesses acquired in the US (DKK 544 million at 30 June 2002).

Shareholders' equity amounted to DKK 420 million at 30 June 2003, or 20% of total assets, which corresponds to the level at 1 January, see the table below.

Development in shareholders' equity (DKK million)	**1st half 2003**	**1 half 2002**
Shareholders' equity at 1 January	**428**	**163**
Change in gains or losses on financial contracts after tax	35	42
Exchange adjustments in respect of subsidiary undertakings	-19	57
Write-down of own shares	-327	-126
Interim net profit	303	284
Shareholders' equity at 30 June	**420**	**420**

In the first half-year, the company bought back 2.3 million shares at a total value of DKK 327 million. This amount was written off via shareholders' equity.

At the annual general meeting in March 2003, the shareholders decided to write down the share capital by 4.4 million shares, or 5.9% of the share capital. The share capital is thus nominally DKK 70.3 million. Since the annual general meeting, the company has bought back additional shares, and at 21 August 2003 the holding of own shares is nominally 802,350, or 1.1% of the share capital. At its meeting today, the Board of Directors confirmed that with due regard to any investment opportunities, the company will continue to use any excess liquidity to buy back own shares.

The Group has concluded forward exchange contracts for hedging of its cash flows in foreign currencies. At 1 August forward contracts constitute:

	At 1 August 2003		**At 31 December 2002**	
Currency	**Hedging period**	**Forward rate**	**Hedging period**	**Forward rate**
USD	11 months	759	12 months	821
JPY	9 months	7.6	15 months	7.2
EUR	12 months	746	11 months	746

At 30 June non-realised gains on financial contracts amounted to DKK 53 million (DKK 52 million at 31 December 2002), of which DKK 13 million was entered as income for the purpose of hedging the Group's trade debtors (DKK 12 million at 31 December 2002).

In the first half-year, the Group employed just under 4,300 staff, 1.250 being employed in Denmark.

MARKET AND BUSINESS TRENDS

Hearing aids

Over the past two years the market for hearing aids has been more sluggish than in previous years. In the first six months of 2003, customers in the US market were hesitant, whereas the European markets developed favourably.

In the first half-year, the core business – wholesale of hearing aids – generated growth of over 10% measured in local currency and 16% in terms of number of Group-manufactured hearing aids – growth that was supported by a number of major product introductions.

In summer 2002, Oticon launched the Atlas hearing aid family in the mid-range segment. The launch was extremely successful and contributed to growth in market shares in this segment.

In early 2003, Oticon started the sale of a new Super Power product family – Sumo – that includes a number of behind-the-ear hearings aids with very powerful amplification. The Sumo range has quickly gained a solid position in a very demanding market segment.

Towards the end of the first half-year, Gaia – a new digital high-end hearing aid – was released for sale positioned immediately under Adapto. Gaia will make a positive contribution to growth in the second half of 2003.

Bernafon also had a good half-year with major product introductions: Smile+ for the digital mid-range segment and Flair for the digital low-end segment.

In order to strengthen sales through Bernafon's American subsidiary undertaking, it was reorganised during the first half of 2003 and moved to New Jersey. Also effective as of 1 August 2003, Bernafon has established a new partly owned subsidiary undertaking on the Dutch market.

In both the US and Europe, the Group's retail activities improved results compared with the first half of 2002, albeit with relatively lower growth rates than in the core business.

Diagnostic Instruments

In the first half of 2003, this area experienced a decline mainly because a product introduction was postponed to the autumn. Furthermore, this business area received a very large order in 2002, the magnitude of which is not expected this year. The market for audiometric equipment was marked by the uncertain economic situation, and customers were reluctant to invest in this type of equipment in the first half-year.

Personal Communication

In the first half-year, Phonic Ear underwent a major reorganisation to optimise production profitability. In this connection the production facilities in California were closed down, and production was outsourced to external suppliers.

Lexis, which consists of a handheld, wireless, directional microphone and an FM receiver for mounting direct on the hearing aid, was introduced in the last part of the first half-year. The Lexis system is distributed through Phonic Ear, Bernafon, Oticon and Starkey.

Sennheiser Communications has just launched the sale of a number of new headset families (for the PC market). The joint venture with German Sennheiser progresses successfully, and in the autumn the company will launch new product families in the call centre and SoHo (Small office/Home office) segments.

The Group's previous headset activity under the Danacom brand is part of the joint venture and will thus be consolidated with only 50% in 2003 against 100% in the first half of 2002.

The consolidated revenue of this business area shows a fall of 4% measured in local currency with organic growth of 1% and a negative effect of 5% due to non-consolidation of 50% of Danacom's revenue.

PROSPECTS FOR THE 2003 FINANCIAL YEAR

The Group expects market trends throughout 2003 to be modest in a hesitant market, particularly in the US, and a more positive market in Europe.

Revenues computed in local currencies for all 2003 are expected to match the growth expectations of 7-10% previously announced to the Copenhagen Stock Exchange. However, with the continued strengthening of the Danish krone vis-à-vis the major trading currencies, the consolidated revenue for 2003 is estimated at about DKK 3.9 billion against a previous estimate of DKK 3.9-4.1 billion, since the overall exchange effect for the 2003 financial year is expected to be negative by 8%.

The Group retains its earnings estimates with an operating profit of DKK 850-900 million and a free cash flow that will exceed last year's level of DKK 550 million.

Earnings per share are estimated to go up by more than 10%.

GROUP (DKK - in thousands)	1st half 2003	1st half 2002	Full year 2002
Net revenue	**1,903,256**	**1,976,815**	**3,923,669**
Production costs	-648,527	-709,578	-1,418,389
Gross profit	**1,254,729**	**1,267,237**	**2,505,280**
Research and development costs	-143,254	-130,016	-272,178
Distribution costs	-563,049	-592,390	-1,160,212
Administrative expenses	-124,848	-139,917	-263,346
Amortisation of goodwill	-210	-53	-330
Operating profit (EBIT)	**423,368**	**404,861**	**809,214**
Financial items, net	-13,246	-21,195	-29,847
Profit before tax	**410,122**	**383,666**	**779,367**
Corporation tax for the period	-106,632	-99,753	-200,802
Net profit for the period	**303,490**	**283,913**	**578,565**

BALANCE SHEET - ASSETS

GROUP (DKK - in thousands)	30 June 2003	30 June 2002	31 December 2002
Patents and licences	7.017	-	2.611
Goodwill	8,295	4,240	8,578
Intangible fixed assets	**15,312**	**4,240**	**11,189**
Land and buildings	175,090	169,676	165,254
Production plant and machinery	105,848	116,773	104,109
Fixtures, tools and equipment	114,482	106,041	122,937
Leasehold improvements	32,037	33,321	34,607
Tangible fixed assets	**427,457**	**425,811**	**426,907**
Shares in associated undertakings	1,186	631	1.356
Securities and participating interests	2,968	5,567	1,843
Other receivables	28,391	16,963	26,997
Deferred tax, asset	48,715	40,879	47,772
Financial fixed assets	**81,260**	**64,040**	**77,968**
Total fixed assets	**524,029**	**494,091**	**516,064**
Inventories	**634,559**	**666,883**	**614,075**
Trade debtors	632,003	646,892	618,614
Other debtors	35,389	55,613	38,874
Non-realised gains on financial contracts	52,774	51,848	51,866
Prepayments and accrued expenses	37,849	34,735	35,590
Debtors	**758,015**	**789,088**	**744,944**
Liquid funds	**137,686**	**123,427**	**116,478**
Total current assets	**1,530,260**	**1,579,398**	**1,475,497**
Total assets	**2,054,289**	**2,073,489**	**1,991,561**

GROUP (DKK - in thousands)	30 June 2003	30 June 2002	31 December 2002
Share capital	70,294	74,713	74,713
Retained profit	349,462	345,033	353,054
Shareholders' equity	**419,756**	**419,746**	**427,767**
Provisions for deferred taxes	30,608	42,269	30,578
Other provisions	85,054	93,153	86,493
Provisions for liabilities	**115,662**	**135,422**	**117,071**
Mortgage debt	3,074	3,482	3,267
Other long-term debt	625,024	784,134	707,647
Long-term creditors	**628,098**	**787,616**	**710,914**
Short-term part of long-term debt	24,043	13,413	27,666
Interest-bearing short-term debt	346,171	194,770	220,636
Trade creditors	128,058	149,778	124,705
Corporation tax	56,670	75,082	20,477
Other creditors	221,299	225,648	243,484
Non-realised losses on financial contracts	9,955	-	10,241
Prepayments and accrued income	104,577	72,014	88,600
Short-term creditors	**890,773**	**730,705**	**735,809**
Total creditors	**1,518,871**	**1,518,321**	**1,446,723**
Total liabilities	**2,054,289**	**2,073,489**	**1,991,561**

Cash flow statement

GROUP (DKK - in thousands)	1st half 2003	1st half 2002	Full year 2002
Operating profit	423,368	404,861	809,214
Depreciation, amortisation and write-downs	59,220	56,814	108,027
Changes in debtors*	-12,163	1,170	36,552
Changes in inventories*	-20,484	14,714	61,468
Changes in creditors*	-2,855	-79,655	-70,063
Changes in provisions*	-1,439	-17,525	-23,065
Cash flow from operating activities excluding financial items	**445,647**	**380,379**	**922,133**
Financial items etc.	-13,246	-21,195	-29,847
Corporation tax	-75,633	-67,848	-222,871
Net cash flow from operating activities (CFFO)	**356,768**	**291,336**	**669,415**
Acquisition of companies	-	-1,895	-6,575
Expensed investments under DKK 50,000*	-8,265	-9,181	-17,449
Investments in intangible fixed assets*	-1,686	-	-2,611
Investments in tangible fixed assets*	-47,689	-53,089	-96,746
Investments in financial fixed assets*	-8,602	3,251	-3,784
Cash flow from investing activities (CFFI)	**-66,242**	**-60,914**	**-127,165**
Changes in long-term debt, net*	-86,439	-81,548	-47,593
Sale of shares to Group employees	-	-	15,266
Buyback of own shares	-327,115	-126,269	-423,257
Other adjustments	18,701	44,742	-52,134
Cash flow from financing activities	**-394,853**	**-163,075**	**-507,718**
Net cash flow position for the period	**-104,327**	**67,347**	**34,532**
Net cash position at 1 January	**-104,158**	**-138,690**	**-138,690**
Net cash position at 30 June	**-208,485**	**-71,343**	**-104,158**
Breakdown of net cash position at 30 June			
Liquid funds	137,686	123,427	116,478
Interest-bearing short-term debt	-346,171	-194,770	-220,636
	-208,485	**-71,343**	**-104,158**

* Not including additions from acquired companies.

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