Interim Report 2006

1 January – 30 June

William Demant Holding

Accounting policies

The 2006 Interim Report is prepared in accordance with the same accounting policies as in our Annual Report 2005, however with revenues from personal FM equipment having been reclassified and the criteria for measurement and presentation of agent-like activities having been revised.

In the first half-year, the Group's activities within personal FM equipment were transferred from Personal Communication (Phonic Ear) to Hearing Aids (Oticon). The transfer reflects the growing integration of hearing aids for children and adolescents and the related wireless FM systems. The reclassification of historic revenues amounted to DKK 22 million in the first half of 2005 and DKK 51 million for all 2005.

As of 1 January 2006, the Group also revised the criteria for measurement and presentation of the portion of revenues generated from agent-like activities. From 1 January 2006, revenues generated from these activities will only include agency commission and not, as previously, also the value of the invoiced products. The criterion has been revised as a result of the Group's transition to International Financial Reporting Standards (IFRS), which among other things entails mounting focus on the nature of the reported revenue. The negative effect on the historic comparative figures is DKK 94 million for the first half of 2005 and DKK 193 million for all 2005.

Stock exchange announcement 2006-12 dated 26 June 2006 gave a more detailed description of the reclassification of personal FM equipment and the revised measurement and presentation criteria for agent-like revenues. A complete overview of the revised comparative figures is available on our website www.demant.com, *Investor, Presentations*.

Half-year highlights

Oticon Delta success boosts corporate growth and profitability

The first half of 2006 saw the capture of additional market shares. The sale of Group-manufactured hearing aids rose 13%, which is considerably above the estimated 2-4% unit growth in the market as such. Consolidated revenues for the first half-year amounted to DKK 2,548 million, or 18% growth. Organic growth was 15%.

As in 2005, unit growth in the sale of hearing aids was in particular driven by Oticon's mid-priced products Oticon Tego and Oticon Tego Pro, which continue to take market shares. The Tego products were released for sale in the second quarter of 2005. The new high-end hearing aid Oticon Delta also made a sizeable contribution to growth. In our opinion, Oticon Delta with its RITE technology (Receiver-In-The-Ear) has gained a solid foothold on hearing aid markets worldwide. Oticon Safran, which was introduced in spring 2006, and which is positioned just below the high-end product Oticon Syncro, also contributed to growth.

As regards Bernafon, sales were in particular driven by SwissEar, a thin-tube product launched mid-2005, and the high-end aid ICOS, which was released for sale in February 2006.

The business areas Diagnostic Instruments and Personal Communication both outmatched the plans for the period.

In the first half-year, the Group's major trading currency, the US dollar, was up 5% vis-à-vis the Danish krone compared with the first six months of 2005. Furthermore, the Canadian dollar has gone up by as much as 14% since the first half of 2005. The overall positive exchange impact on revenue is just over 2% in the first six months.

As announced on 26 June 2006, we have decided to carry through an employee share programme in 2006. In compliance with IFRS standards, the gift element of DKK 34 million was expensed in the profit and loss account for the first half of 2006. The cost was allocated to production, R&D, distribution and administration, respectively. Earlier employee share programmes (2004 and earlier) were charged directly to shareholders' equity. The programme-related cost had a negative impact on the profit margin of 1.3 percentage points in first half 2006.

Operating profits (EBIT) rose 26% to DKK 656 million before costs relating to the employee share programme, which corresponds to a profit margin of 25.7% against 24.2% in the first half of 2005. After programme-related costs, the profit margin is 24.4%. The underlying earnings capability was strengthened through significant improvement in sales and a better product mix driven by the growth in sales.

Compared with the first half of last year, the profit margin was also negatively impacted by exchange rates, since movements in exchange rates are fully reflected in revenues, whereas the short-term effect on EBIT is matched by hedging transactions. The negative effect on the profit margin was about 0.5 percentage point compared with the first half of 2005.

Earnings per share (EPS) rose 22% to DKK 6.9.

Cash flows from operating activities amounted to DKK 381 million against DKK 411 million in the first half of 2005. The fall is due to an increase in consolidated working capital, mainly as a result of revenue growth. In the first six months of 2006, the Group spent DKK 482 million on the buy-back of own shares against DKK 289 million in the first half of 2005.

On 26 June 2006, the Group upgraded its forecasts for all 2006, based first and foremost on the successful launch of Oticon Delta. We maintain the revised forecasts for 2006. Growth in the underlying business is thus estimated at 13-15%, or revenues to the tune of DKK 5,150-5,250 million. The forecast is based on the continued success of Oticon Delta. Operating profits (EBIT) are estimated at DKK 1,300-1,350 million after recognising a cost of DKK 34 million relating to the employee share programme. The amount was expensed in the first half-year. The profit margin is forecast at 25% for the 2006 financial year.

In line with the reduction of capital tied to the successful launch of Oticon Delta, the Group expects cash flows from operating activities for the second half-year to show a nice increase on the first half-year. On this basis, the Company still plans to acquire own shares for an amount of up to DKK 1 billion in 2006.

Key figures and ratios

PROFIT AND LOSS ACCOUNT, DKK MILLION	1st half 2006	1st half 2005	Percentage change	Full year 2005
Net revenue	2,547.8	2,164.4	18%	4,522.9
Gross profit	1,769.7	1,497.4	18%	3,133.3
Operating profit (EBIT)	622.4	522.7	19%	1,102.8
Net financials	-30.6	-17.6	74%	-36.8
Profit before tax	591.8	505.1	17%	1,066.0
Net profit for the period	437.4	372.8	17%	790.6
BALANCE SHEET, DKK MILLION				
Interest-bearing items, net	-1,306.9	-904.5	44%	-1,109.8
Total assets	3,096.4	2,648.3	17%	2,893.4
Shareholders' equity	750.0	697.2	8%	756.5
OTHER KEY FIGURES, DKK MILLION				
Research and development costs	224.5	184.9	21%	382.5
Depreciation etc.	82.3	72.9	13%	148.8
Investment in tangible assets, net	115.7	90.8	28%	351.4
Cash flow from operating activities (CFFO)	381.3	410.7	-7%	891.8
Free cash flow	274.0	304.3	-10%	467.7
Cash earnings (CE)	519.7	445.8	17%	939.4
Employees (average)	4,853	4,647	4%	4,730
FINANCIAL RATIOS				
Gross profit ratio	69.5%	69.2%		69.3%
Profit margin	24.4%	24.2%		24.4%
Return on equity (p.a.)	113.8%	108.8%		106.7%
Equity ratio	24.2%	26.3%		26.1%
Earnings per share (EPS), DKK*	6.9	5.7	22%	12.2
Cash flow per share (CFPS), DKK*	6.0	6.3	-4%	13.7
Free cash flow per share, DKK*	4.3	4.6	-7%	7.2
Cash earnings per share (CEPS), DKK*	8.2	6.8	21%	14.4
Dividend per share, DKK*	0	0	0%	0
Book value per share, DKK*	11.9	10.6	12%	11.6
Price earnings (P/E)	32	27	18%	29
Share price, DKK*	436	305	43%	350
Market capitalisation adjusted for own shares, DKK million	27,291	19,841	38%	22,315
Average number of shares, million	63.19	65.60	-4%	65.03

*Per share of DKK 1.

Ratios are calculated in accordance with "Anbefalinger & Nøgletal 2005" (Guidelines and Ratios 2005) from the Danish Society of Financial Analysts.

The free cash flow is calculated as the sum of cash flows from operating activities (CFFO) and investing activities (CFFI) adjusted for acquisitions.

Results in first half of 2006

In the first six months of 2006, the Group generated revenues in the amount of DKK 2,548 million, or just under 18% growth. Organic growth was just over 15%. All three corporate business areas contributed favourably to growth in the first half-year, all three outmatching the plans for the period.

In the first half-year, the Group's major trading currency, the US dollar, was up 5% against the Danish krone and also the Canadian dollar was up by as much as 14% compared with the same period last year. The overall positive exchange impact in the first half of 2006 was just over 2%.

Revenue by business area

(DKK million)	1st half 2006*	1st half 2005*	Growth	1st half 2005	Full year 2005
Hearing Aids	2,274.0	1,976.0	15%	1,930.5	4,044.6
Diagnostic Instruments	148.4	140.9	5%	138.3	270.7
Personal Communication	125.4	98.6	27%	95.6	207.6
Total	**2,547.8**	**2,215.5**	**15%**	**2,164.4**	**4,522.9**

*Computed at realised 1st half-year 2006 exchange rates

In our stock exchange announcement no. 2006-12 published on 26 June 2006, we announced a decision to offer shares under an employee share programme in 2006. The programme-related cost of DKK 34 million was expensed in the profit and loss account for the first half of 2006. As will be seen from our review below, the cost was allocated to production, R&D, distribution and administration, respectively.

In the first half of 2006, the Group generated gross profits of DKK 1,770 million, or a gross profit ratio of 69.5%, which is a slight improvement on the same period last year. Production costs include DKK 10 million relating to the employee share programme.

Foreign exchange rates

	USD	EUR	GBP	CAD	JPY
Realised rate first half 2005	580	744	1,085	469	5.47
Realised rate 2005	600	745	1,090	495	5.45
Realised rate January 2006	617	746	1,088	532	5.34
Realised rate first half 2006	607	746	1,086	533	5.25
Realised rate January-July 2006	605	746	1,085	531	5.23

Consolidated capacity costs totalled DKK 1,147 million, or an increase of 15% measured in local currencies. The employee share programme accounted for DKK 24 million, or 2 percentage points of the increase in capacity costs.

The Group's dedicated focus on R&D continued in 2006. Costs amounted to DKK 224 million, representing an increase of 21%. In terms of revenue, R&D costs accounted for 8.8%, or a rise of about 0.3 percentage point compared with the same period in 2005, an increase which is mainly attributable to costs of DKK 7 million relating to the employee share programme.

Other capacity costs rose slightly less than revenues.

Capacity costs

(DKK million)	1st half 2006	1st half 2005	Percentage change in DKK	Percentage change in local currency
R&D costs	224.5	184.9	21%	21%
Distribution costs	757.9	648.7	17%	14%
Administrative expenses	164.9	141.0	17%	14%
Total	**1,147.3**	**974.6**	**18%**	**15%**

Operating profits (EBIT) amounted to DKK 622 million, or a 19% improvement. As mentioned above, operating profits were adversely affected by an amount of DKK 34 million linked to the employee share programme. Excluding this amount, the Group achieved 26% growth in operating profits. The profit margin in the first half of 2006 was 24.4% (25.7% excluding the employee share programme) against 24.2% in the first half of 2005.

Compared with last year, the profit margin was also negatively impacted by exchange rates in the first six months of 2006, since exchange rate movements are fully reflected in revenues, whereas the short-term effect on EBIT is matched by hedging transactions. The negative effect on the profit margin was about 0.5 percentage point compared with the first half of 2005.

Consolidated cash flows in foreign currencies are hedged through forward exchange contracts. The term of these contracts is typically up to 24 months, and the realisation of such contracts is recognised in the profit and loss account together with the items hedged by the contracts.

In the past year, loans were also raised in foreign currencies for the purpose of balancing net receivables. Such balancing was previously done through forward exchange contracts.

At 30 June 2006 and 31 December 2005, the composition of hedging contracts covering estimated net cash flows in selected currencies was as follows:

Foreign exchange hedging

	30 June 2006		31 December 2005	
Currency	**Hedging period**	**Hedging rate**	**Hedging period**	**Hedging rate**
USD	6 months	624	8 months	604
JPY	2 months	5.94	6 months	5.76
EUR	17 months	746	10 months	746
CAD	2 months	541	7 months	519

At 30 June 2006, the Group had entered into forward exchange contracts worth nominally DKK 1,095 million. Non-realised net gains on financial contracts constituted DKK 13 million against a net loss of DKK 1 million at end-2005.

Consolidated financial costs (net) rose to DKK 31 million against DKK 18 million in the first half of 2005. The explanation is an increase in general interest rate levels and an increase in consolidated interest-bearing debt (net) of just under DKK 400 million compared with mid-2005. The increase in debt is due primarily to the acceleration of our share buy-back programme and the investment in our new corporate headquarters and development centre at Smørum outside Copenhagen. From acquisition of the new domicile in December 2004 and until occupancy in autumn 2005, related interest expenses totalling DKK 6 million were capitalised.

Corporation tax for the half-year has been set at 26%, matching the tax rate estimated for 2006 as a whole.

Net profits for the period amounted to DKK 437 million, or an increase of 17%. Earnings per share were DKK 6.9, or 22% growth on the first half of 2005.

Cash flow by main items

(DKK million)	1st half 2006	1st half 2005	Full year 2005
Net profit for the period	**437.4**	**372.8**	**790.6**
Cash flow from operating activities (CFFO)	381.3	410.7	891.8
Cash flow from investing activities (CFFI), excl. acquisitions	-107.3	-106.4	-424.1
Free cash flow	**274.0**	**304.3**	**467.7**
Acquisition of undertakings	0	-2.8	-12.2
Buy-back of own shares	-481.6	-289.3	-694.7
Other financing activities	-27.1	163.4	243.1
Net cash flow position for the period	**-234.7**	**175.6**	**3.9**

In the first half-year, consolidated cash flows from operating activities totalled DKK 381 million, which is DKK 29 million lower than in the first six months of 2005. Despite a significant improvement in net profits, cash flows fell owing to an increase in consolidated working capital. The growth in trade receivables of DKK 135 million results from a steep rise in sales due among other things to the success of Oticon Delta and a number of other new products. The turnover ratio of receivables in the first half of 2006 was the same as in 2005.

Consolidated cash flows from operating activities were also adversely affected by changes in accounts payable in the amount of DKK 30 million. This trend reflects an increase in trade payables in the balance sheet at year-end 2005, mainly due to investments in the new corporate head office, which are one-off expenses. The level of accounts payable fell in the first half of 2006 in step with payment of the related invoices.

In the first half-year, investment activities, excluding acquisitions, amounted to DKK 107 million, which matches the level in the first half of 2005. Investments in the first six months of 2006 include follow-up investments to the tune of DKK 12 million relating to our new headquarters at Smørum. Free cash flows constituted DKK 274 million.

In the first half of 2006, DKK 482 million was spent on the buy-back of own shares against DKK 289 million in the first six months of 2005.

Consolidated assets totalled DKK 3,096 million, or an increase of 7% on year-end 2005, primarily due to an increase in inventories and receivables, which reflects the product launches in the first half-year and the resulting boost in activities.

Compared with mid-2005, total assets rose 17%. Apart from growth in inventories and accounts receivable, most of the increase in the balance sheet total in the past 12 months derived from growth in tangible assets, reflecting corporate investments in fixtures, furniture and equipment as well as freehold improvements and extensions in connection with the move to our new headquarters in autumn 2005.

At 30 June 2006, consolidated interest-bearing balance sheet items (net) totalled DKK 1,307 million, which is an increase of DKK 197 million since end-2005. The increase, mainly through withdrawals on corporate bank credits, is due to a boost in the buy-back of own shares and an increase in cash tied up in working capital.

Shareholders' equity totalled DKK 750 million, which matches the level at the end of 2005 and constitutes 24% of total assets against 26% at 1 January 2006.

In the first half of 2006, the company bought back 1,221,925 own shares worth a total of DKK 482 million. The amount was written off immediately via shareholders' equity. In the second half-year, the Group has so far acquired additionally 77,300 own shares worth DKK 34 million.

At the general meeting on 30 March 2006, a resolution was passed to write down the share capital by 3.6% to nominally DKK 63,184,204 through the cancellation of own shares.

At 17 August 2006, the company holds 696,525 own shares, or 1.1% of the total number of shares. The plan is still to buy back own shares in 2006 for an amount of up to DKK 1 billion.

In the first six months of 2006, the Group employed 4,853 staff on an average, 1,522 hereof working in Denmark. In the first half of 2005, staff numbered 4,647 with 1,460 employed in Denmark.

Market conditions and business trends

Hearing Aids

Growth in the global market for hearing aids continues in line with our long-term forecasts of 2-4% unit growth. As mentioned in our review for the first three months of 2006, growth at the beginning of the half-year was at the upper end of the interval. Towards the end of the half-year, development slowed down. In the second quarter, growth in the USA was thus around 5%, whereas markets such as Japan, Germany and France all showed slightly negative rates of growth.

In the first half-year, the Group's core business, which includes the development, production and wholesale of hearing aids, achieved 13% unit growth, which is significantly above the market growth rate. Organic growth in the core business was 16% in the first six months of the year. On a country-by-country basis, the Group took market shares in all major markets in the first half-year. The two corporate hearing aid undertakings – Oticon og Bernafon – both contributed positively to growth. The entire hearing aid business including retail activities achieved 18% sales growth in the first half-year, or an increase of 15% in local currencies.

As in 2005, growth was in particular driven by Oticon's mid-priced products Oticon Tego and Oticon Tego Pro, which continue to capture market shares. The Tego products were released for sale in the second quarter of 2005, which will make the comparative figures for Tego more and more challenging over the next few quarters.

As stated in our review for the first quarter, the new high-end hearing aid Oticon Delta also made a considerable contribution to growth. The sale of Oticon Delta in the second quarter continued at a high level, and we are convinced that Oticon Delta with its RITE technology (Receiver-In-The-Ear) has acquired a sound foothold on hearing aid markets throughout the world. The product was released for sale mid-March 2006, and the response has been tremendously favourable from existing as well as potential customers.

Oticon's substantial sale of Delta in the first few months of the introductory stage reflects both a strong underlying demand by fitters and users alike and the normal requirements by sales channels for a large number of aids in the period following a product release. Moreover, stock building is a natural aspect of Oticon Delta's special product concept, which to a large extent requires clinics and fitters to carry out partial and full assembly as well as repairs on the spot. The result is that in the first quarters, the sale of Oticon Delta will follow a pattern that deviates from the launch of conventional hearing aids and sales trends may therefore be difficult to assess.

In the first six months of 2006, Oticon also generated growth driven by Oticon Safran, which incorporates some of the most sophisticated features in a complete product series of in-the-ear and behind-the-ear aids. Oticon Safran was launched in March 2006 and is positioned just under Oticon Syncro. In the product portfolio, Safran is designed to bridge the gap between Syncro and Tego Pro.

Bernafon's main sales drivers were SwissEar, a thin-tube product introduced in mid-2005, and ICOS, a high-end aid released for sale in February 2006. ICOS completes Bernafon's product range with a highly adaptive hearing aid, which to a very large extent takes into account the listening needs and preferences of the individual user.

Finally, Oticon launched the Oticon Amigo product concept, which is a new advanced FM product range with special focus on remedying hearing losses in children and adolescents in teaching situations. FM systems consist of a microphone combined with an FM transmitter, both worn by the teacher, and a tiny FM receiver clicked onto the student's behind-the-ear aid. Oticon's launch of a complete product range consisting of both FM transmitters and FM receivers is expected to materially bolster Oticon's position in the market for both FM systems and hearing aids for children and adolescents.

The Group's FM activities used to be part of Personal Communication (Phonic Ear). The transfer of these activities to Oticon, which took place in the first half-year, coincided with the launch of Oticon Amigo and reflects the trend towards integrating hearing aids for children and adolescents and the related wireless FM systems. Oticon Amigo is planned for release in the second half of 2006, but is not expected to contribute significantly to growth until 2007.

The Group's retail activities generated growth slightly below the growth rate in wholesale business, but markedly above the growth rates in the markets, in which the Group has retail activities.

Diagnostic Instruments

In the first half-year, Diagnostic Instruments achieved revenues of DKK 148 million, corresponding to 5% organic growth. In the first part of the half-year, this business area generated fair growth, whereas the trend towards the end of the period was somewhat slacker.

Prospects for Diagnostic Instruments remain favourable. The Group expects to see positive development in sales in the second half of 2006, based among other things on the introduction of upgraded software modules for the PC-based audiometer and fitting system Affinity.

Personal Communication

In the first six months of 2006, Personal Communication generated substantial growth with revenues of DKK 125 million, or 28% organic growth. Both Phonic Ear and Sennheiser Communications made a positive contribution to the development.

Phonic Ear, which manufactures wireless communication systems and assistive listening devices for people with hearing losses, did extremely well, mainly due to the success of Active Learning Systems (FrontRow). Active Learning Systems include school systems, helping students with normal hearing to maintain attention in noisy environments and environments with poor acoustics.

As mentioned earlier, the transfer of corporate activities in the area of personal FM equipment from Personal Communication (Phonic Ear) to Hearing Aids (Oticon) affected the first half of 2006. To facilitate comparison, the Group has chosen to reclassify historic revenues relating to FM equipment for these to be included in revenues generated by Hearing Aids rather than Personal Communication. Last year, the Group reported interim revenues from Personal Communication of DKK 118 million. After reclassification, revenues from Personal Communication for the first half of 2005 amounted to DKK 96 million.

Sennheiser Communications, a corporate joint venture with German Sennheiser electronic regarding headsets, developed satisfactorily in the first six months of 2006. The market for headsets designed for call centres and offices however seems to be facing intensified competition, which has had a rub-off effect on other segments including PC headsets, where Sennheiser Communications has a strong niche position.

Outlook for financial year 2006

On 26 June 2006, the Group upgraded its forecasts for all 2006 primarily based on the successful launch of Oticon Delta. The upgraded forecasts for 2006 are maintained and may be summarised as follows:

Growth in the underlying business is estimated at 13-15%, or revenues amounting to DKK 5,150-5,250 million. The expectation is based on the continued success of Oticon Delta.

Prospects for the remainder of 2006 are based on the average exchange rates for the first half-year, which means that forecast revenues in US dollars have been translated at a rate of DKK 607. The basis for growth is revenues of DKK 4,523 million for 2005, i.e. after reclassifying historic revenues to new standards regarding measurement and presentation of agent-like activities.

Operating profits are estimated at DKK 1,300-1,350 million after the recognition of costs of DKK 34 million relating to the planned employee share programme. This cost was incurred in the first half-year. The profit margin for the 2006 financial year is estimated at a level of 25%.

The tax rate for 2006 is still estimated at 26%, which matches the 2005 level.

Investments in tangible assets are estimated at a total of DKK 160-200 million. The investment level so far suggests that investments for all 2006 will be at the upper end of the interval.

In step with a reduction in capital tied up in the successful launch of Oticon Delta, the Group estimates that in the second half-year cash flows from operating activities will show a fair upward trend compared with the first half of 2006. On this basis, the company still plans to buy back own shares worth about DKK 1 billion in 2006.

Earnings per share are expected to grow by 18-20% in 2006.

Statement by the Management and the Board of Directors

We have today reviewed and reported the non-audited interim results for the first half of 2006 for William Demant Holding A/S.

The interim financial statements have been prepared in accordance with the recognition and measurement provisions laid down in the International Financial Reporting Standards as adopted by the EU and in accordance with additional Danish disclosure requirements for interim reports of listed companies.

In our opinion, the accounting policies used are appropriate and the interim report gives a true and fair view of the consolidated assets, liabilities, financial position, result and cash flows.

Smørum, 17 August 2006

Management:

Niels Jacobsen

Board of Directors:

Niels Boserup
Chairman

Lars Nørby Johansen
Deputy Chairman

Nils Smedegaard Andersen

Ivan Jørgensen

Ole Lundsgaard

Michael Pram Rasmussen

Stig Michelsen

Profit and loss account

GROUP (DKK – in thousands)	1st half 2006	1st half 2005	Full year 2005
Net revenue	**2,547,829**	**2,164,394**	**4,522,925**
Production costs	-778,107	-667,020	-1,389,632
Gross profit	**1,769,722**	**1,497,374**	**3,133,293**
Research and development costs	-224,481	-184,902	-382,531
Distribution costs	-757,898	-648,748	-1,354,082
Administrative expenses	-167,201	-142,964	-297,495
Share of profit after tax, associated undertakings	2,244	1,978	3,629
Operating profit (EBIT)	**622,386**	**522,738**	**1,102,814**
Financial income	7,479	5,384	15,226
Financial expenses	-38,081	-22,988	-52,018
Profit before tax	**591,784**	**505,134**	**1,066,022**
Tax on the period’s profit	-154,367	-132,287	-275,436
Net profit for the period	**437,417**	**372,847**	**790,586**
Earnings per share (EPS), DKK	6.9	5.7	12.2
Earnings per share diluted (DEPS), DKK	6.9	5.7	12.2

Balance sheet – Assets

GROUP (DKK – in thousands)

	30 June 2006	30 June 2005	31 Dec. 2005
Acquired patents and licences	5,404	12,471	9,675
Goodwill	53,391	46,110	54,342
Intangible assets	**58,795**	**58,581**	**64,017**
Land and buildings	509,008	349,368	503,576
Production plant and machinery	141,985	128,834	138,263
Fixtures, tools and equipment	181,809	145,158	180,214
Leasehold improvements	37,085	29,545	26,609
Prepayments and plants under construction	17,964	3,810	7,578
Tangible assets	**887,851**	**656,715**	**856,240**
Shares in associated undertakings	3,589	4,162	3,824
Securities and participating interests	4,678	2,031	3,505
Receivables	131,046	87,885	144,344
Deferred tax	116,207	79,536	100,766
Other long-term assets	**255,520**	**173,614**	**252,439**
Total long-term assets	**1,202,166**	**888,910**	**1,172,696**
Inventories	**667,821**	**635,046**	**632,336**
Trade receivables	972,864	881,679	862,599
Corporation tax	5,212	3,732	4,385
Other receivables	32,878	35,375	49,510
Non-realised gains on financial contracts	12,804	751	1,625
Prepayments and accrued expenses	51,180	51,038	35,545
Receivables	**1,074,938**	**972,575**	**953,664**
Cash and cash equivalents	**151,470**	**151,749**	**134,685**
Total short-term assets	**1,894,229**	**1,759,370**	**1,720,685**
Total assets	**3,096,395**	**2,648,280**	**2,893,381**

Balance sheet – Liabilities

GROUP (DKK – in thousands)

	30 June 2006	30 June 2005	31 Dec. 2005
Share capital	63,184	65,569	65,569
Retained earnings	686,862	631,617	690,900
Shareholders' equity	**750,046**	**697,186**	**756,469**
Mortgage debt	192,890	210,169	196,699
Other long-term debt, credit institutes	434,395	463,665	487,346
Provision for deferred tax	42,720	18,474	35,798
Provisions	26,081	21,338	25,393
Long-term payables	**696,086**	**713,646**	**745,236**
Short-term portion of long-term debt, credit institutes	18,138	21,180	17,931
Interest-bearing debt	912,941	505,925	658,938
Trade payables	175,598	196,937	218,585
Corporation tax	70,483	46,844	15,695
Provisions	3,466	2,276	3,351
Other payables	377,546	360,000	368,950
Non-realised losses on financial contracts	108	2,008	2,154
Prepayments and accrued income	91,983	102,278	106,072
Short-term payables	**1,650,263**	**1,237,448**	**1,391,676**
Total payables	**2,346,349**	**1,951,094**	**2,136,912**
Total liabilities	**3,096,395**	**2,648,280**	**2,893,381**

Cash flow statement

GROUP (DKK – in thousands)

	1st half 2006	1st half 2005	Full year 2005
Operating profit (EBIT)	622,386	522,738	1,102,814
Depreciation etc. and other non-cash movements	104,024	61,083	115,259
Change in receivables	-135,166	-69,792	-37,287
Change in inventories	-39,937	-5,072	-16,554
Change in payables etc.	-29,724	30,341	59,286
Change in provisions	1,287	2,420	6,385
Cash flow from operating activities excluding net financials and corporation tax	**522,870**	**541,718**	**1,229,903**
Financial income etc. paid	7,479	5,384	14,775
Financial expenses etc. paid	-38,081	-22,988	-51,567
Corporation tax paid	-110,976	-113,424	-301,287
Cash flow from operating activities (CFFO)	**381,292**	**410,690**	**891,824**
Acquisition of undertakings	0	-2,779	-12,174
Investment in intangible assets	0	-222	-1,654
Investment in tangible assets	-120,527	-96,337	-371,951
Disposal of tangible assets	4,782	5,582	20,519
Investments in other long-term assets, net	8,483	-15,431	-71,013
Cash flow from investing activities (CFFI)	**-107,262**	**-109,187**	**-436,273**
Repayment of long-term debt	-32,908	-32,900	-70,084
Proceeds from borrowing transactions	0	210,000	331,536
Buy-back of own shares	-481,623	-289,282	-694,671
Other adjustments	5,772	-13,719	-18,405
Cash flow from financing activities (CFFF)	**-508,759**	**-125,901**	**-451,624**
Net cash flow position for the period	**-234,729**	**175,602**	**3,927**
Net cash position at the beginning of the period	-524,253	-534,341	-534,341
Exchange rate adjustment of cash and cash equivalents	-2,489	4,563	6,161
Net cash position at the end of the period	**-761,471**	**-354,176**	**-524,253**

Breakdown of net cash position at the end of the period:			
Cash and cash equivalents	151,470	151,749	134,685
Interest-bearing debt	-912,941	-505,925	-658,938
Net cash position at the end of the period	**-761,471**	**-354,176**	**-524,253**

GROUP (DKK – in thousands)

Shareholders' equity

	Share capital	Retained earnings			Total share-holders' equity
		Foreign currency trans-lation reserve	Hedging reserve	Other reserves	
Shareholders' equity at 1.1.2005	**67,515**	**-4,538**	**178,219**	**404,377**	**645,573**
Net profit for the period	-	-	-	372,847	372,847
Exchange rate adjustments, foreign undertakings	-	-48,810	-	-	-48,810
Exchange rate adjustment, subordinated loan capital etc.	-	48,381	-	-	48,381
Value adjustment of hedging instruments in the period	-	-	-5,958	-	-5,958
Reclassification of hedging instruments for the profit and loss account	-	-	-34,011	-	-34,011
Tax related to changes in shareholders' equity	-	-	8,446	-	8,446
Total earnings for the period	**67,515**	**-4,967**	**146,696**	**777,224**	**986,468**
Reduction of share capital through cancellation of own shares	-1,946	-	-	1,946	-
Buy-back of own shares	-	-	-	-289,282	-289,282
Shareholders' equity at 30.06.2005	**65,569**	**-4,967**	**146,696**	**489,888**	**697,186**
Shareholders' equity at 1.1.2006	**65,569**	**-36,908**	**137,033**	**590,775**	**756,469**
Net profit for the period	-	-	-	437,418	437,418
Exchange rate adjustments, foreign undertakings	-	29,514	-	-	29,514
Exchange rate adjustment, subordinated loan capital etc.	-	-26,087	-	-	-26,087
Value adjustment of hedging instruments in the period	-	-	9,712	-	9,712
Reclassification of hedging instruments for the profit and loss account	-	-	-8,294	-	-8,294
Tax related to changes in shareholders' equity	-	2,761	-3,724	-	-963
Total earnings for the period	**65,569**	**-30,720**	**134,727**	**1,028,193**	**1,197,769**
Share-based payment	-	-	-	33,900	33,900
Reduction of share capital through cancellation of own shares	-2,385	-	-	2,385	-
Buy-back of own shares	-	-	-	-481,623	-481,623
Shareholders' equity at 30.06.2006	**63,184**	**-30,720**	**134,727**	**582,855**	**750,046**

Comparative figures for 2005 include the IFRS-related change in accounting policies mentioned in the Annual Report 2005, page 39. The change amounts to DKK 6 million.

William Demant Holding

William Demant Holding A/S
Kongebakken 9
2765 Smørum
Denmark

Phone +45 3917 7100
Telefax +45 3927 8900

www.demant.com
william@demant.dk
CVR 71186911

900 22 810 00/08.06 Printed in Denmark