ANNUAL REPORT 2000

William Demant Holding A/S

Mission

The William Demant Holding Group of international companies develops, manufactures and sells innovative and high-technology solutions incorporating micro-electronics, micro-mechanics, wireless technology, software and audiology. The Group operates in a global market. Its core business is hearing aids.

All Group companies work closely together in the early links of the value chain such as purchasing and production. In the R&D, marketing and sales links of the value chain, with their particular focus on markets and customers, each unit has its own organisation and unique identity.

The Group aims to become the customers' preferred supplier of state-of-the-art solutions and thus create a platform for continued organic growth. It strives to meet user needs by maintaining a high innovative level and constantly expanding its global infrastructure.

The Group plays a role in overall structural changes by acquiring companies in existing core and related businesses. Through such acquisitions the Group will capitalise on its technological and audiological expertise, managerial competencies and financial resources to create further growth.

The Group will thus endeavour to increase its value through continued growth in revenues and results.

The Group companies seek to promote a stimulating and rewarding working environment through a flexible, knowledge-based organisational structure. Moreover the Group is committed to high standards of ethics, quality and fairness and is dedicated to meeting its environmental and social responsibilities.

Business units

Today the William Demant Holding Group includes three business units: Hearing Aids, Diagnostic Instruments and Personal Communication. Group companies collaborate in many areas and to a wide extent also share resources and technologies.

Hearing Aids

The Group's core business is hearing aids. This business unit comprises Oticon and Bernafon.

Oticon's vision is to help people with impaired hearing to live the life as they wish with the hearing they have. Oticon collaborates with hearing care professionals throughout the world to provide high-quality, knowledge-based solutions for all types of hearing loss and to cater for personal preferences. Oticon develops unique and efficient solutions combining the specific needs of the individual user with research-based audiological and technological know-how. Oticon aims at being the hearing care professional's preferred choice of supplier for delivery of easy-to-use products and fitting software supported by extensive service and training.

Oticon sells its products through sales subsidiaries in 21 countries and about 80 independent distributors world-wide.

Bernafon aims to enable hearing-impaired people to hear and communicate better through individually tailored innovative hearing aid solutions. Bernafon offers a range of flexible easy-to-use hearing aids. Bernafon's hearing aids are also easy to fit for hearing care professionals, and the products represent one of the most attractive combinations on the market in terms of performance, size and price.

In recent years Bernafon has expanded its distribution power through the establishment or acquisition of companies on the major markets. Today it sells its products through 13 sales subsidiaries and about 40 independent distributors.

Diagnostic Instruments

This business unit includes Maico and Interacoustics which develop, manufacture and distribute audiometers for hearing measurement and other instruments used by audiologists and ear-nose-and-throat specialists. The business unit also comprises Rhinometrics which develops, manufactures and distributes systems for measuring of respiratory irregularities.

Maico sells and services its own audiometers and tympanometers. The products designed for hearing measurement cover the entire spectrum from simple, mobile units to fully digital systems designed for PCs. Maico has companies in Germany and the USA.

Interacoustics develops, manufactures, sells and services audiometers with focus on advanced diagnostic and clinical products. From its head office in Denmark the company sells its products primarily through external distributors.

Rhinometrics develops, manufactures and sells systems for measuring of respiratory irregularities. Its acoustic rhinometry products RhinoScan and RhinoSleep are used for measuring the internal dimensions of the nose. The company also offers products for sophisticated sleep analysis.

Personal Communication
This unit includes Phonic Ear and Logia, which provide wireless communication systems and assistive listening equipment for the hearing impaired, as well as Danacom which offers headsets for professional users.

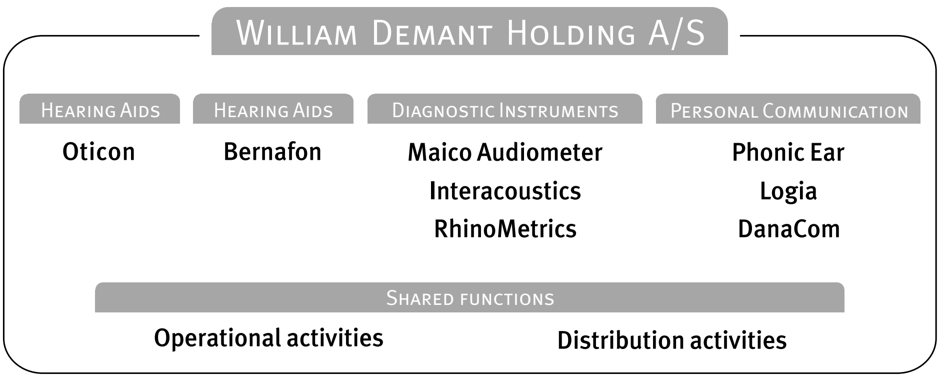
Phonic Ear develops and distributes wireless communication equipment for the hearing impaired in difficult listening situations. Its products are typically used in classrooms, churches, sports centres and theatres.

Logia offers assistive listening equipment, such as teleloop systems, for private homes and audio systems for large establishments. Logia's mission is to provide technical solutions which assist and support the human ear as much as possible.

Danacom provides headsets for professionals who use the telephone throughout most of their working day. Danacom's wide product range combines ergonomics, high quality and good design. The development of future products will exploit the Group's extensive know-how of hearing and wireless technology.

Shared functions
Operational activities
The Group's shared functions co-ordinate and handle a substantial part of its operational activities such as purchasing, logistics, production facilities, IT infrastructure, quality management systems, service and technical support as well as finance and administration.

Distribution activities
Through a number of distribution companies in selected countries Group products are sold direct to end-users and to OEM customers either under own brands or as private labels.



Directors and Management

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Board of Directors
Niels Boserup, Chairman
President & CEO of Københavns Lufthavne A/S. Chairman of the Board of Directors of Jyllands-Posten A/S. Member of the Board of Directors of TK Development A/S.

Jørgen Mølvang, Deputy Chairman
Chairman of the Board of Directors of Reson System A/S, H+H International A/S and Hedorf Holding A/S.

Franck Fogh Andersen
Elected by the employees.

Lars Nørby Johansen
President & CEO of Group 4 Falck A/S. Deputy Chairman of the Board of Directors of InWear A/S. Member of the Board of Directors of DONG A/S and Københavns Lufthavne A/S.

Jørgen Kornum
Elected by the employees.

Michael Pram Rasmussen
President & CEO of Topdanmark A/S. Deputy Chairman of the Board of Directors of Bornholms Brandforsikring A/S and Sund og Bælt Holding A/S. Member of the Board of Directors of Dampskibsselskabet af 1912 A/S.

Hanne Stephensen
Elected by the employees.

Management
Niels Jacobsen, President & CEO
Chairman of the Board of Directors of Danacom A/S and Hearing Instrument Manufacturers Patent Partnership A/S. Member of the Board of Directors of Novo Nordisk A/S, Micro Matic Holding A/S and Hearing Instrument Manufacturers Software Association A/S.

Auditors
Deloitte & Touche, Statsautoriseret Revisionsaktieselskab and KPMG C.Jespersen.

Annual general meeting
The annual general meeting will be held on Wednesday 4 April 2001 at 4.00 p.m. at the Experimentarium, Tuborg Havnevej 7, 2900 Hellerup, Denmark.

PROFIT AND LOSS ACCOUNT, DKK MILLION	1996	1997	1998	1999	2000
Net revenue	1,087.3	1,413.4	1,613.1	1,884.3	2,959.7
Gross profit	590.7	764.9	892.9	1,045.9	1,840.3
Operating profit	139.3	195.6	248.3	337.0	585.0
Financial items, net	19.8	14.4	8.5	3.3	-22.1
Profit before tax and minority interests	160.3	211.4	259.3	339.7	560.8
Profit after tax	119.8	160.9	199.8	258.1	427.5
Extraordinary items, net	-	-13.5	-	-	-
Net profit for the year	120.3	148.3	200.8	257.4	425.8
BALANCE SHEET, DKK MILLION					
Interest-bearing items, net	282.8	125.9	33.4	-92.5	-595.2
Total assets at year-end	889.7	1,002.4	1,019.5	1,103.6	1,549.0
Shareholders' equity at year-end	539.8	524.3	504.1	499.4	212.5
OTHER KEY FIGURES, DKK MILLION					
Research and development costs	99.0	118.0	146.4	158.8	197.7
Depreciation and write-downs	52.3	46.6	53.7	57.2	85.8
Investment in tangible fixed assets	39.7	76.1	71.3	90.0	112.6
Cash flow from operations (CFFO)	133.5	142.4	198.7	221.9	315.9
Cash earnings (CE)	172.1	207.4	253.5	315.3	513.3
Employees (average)	1.443	1.760	1.925	2.132	3.323
RATIOS					
Gross profit ratio	54.3%	54.1%	55.4%	55.5%	62.2%
Profit margin	12.8%	13.8%	15.4%	17.9%	19.8%
Return on equity	24.3%	30.6%	35.7%	53.8%	145.3%
Equity ratio	60.7%	52.3%	49.4%	45.3%	13.7%
Earnings per share (EPS), DKK*	1.6	2.1	2.6	3.5	5.8
Cash flow per share (CFPS), DKK*	1.7	1.9	2.6	3.0	4.3
Cash earnings per share (CEPS), DKK*	2.3	2.7	3.3	4.2	7.0
Dividend per share, DKK*	0.30	0.36	0.47	0.60	-
Book value per share, DKK*	7.1	6.8	6.7	6.8	2.9
Price earnings (P/E)	35	30	30	40	62
Share price at 31 December, DKK*	55	63	79	140	360
Market capitalisation, DKK million	4,162	4,896	5,931	10,324	26,727
Fully diluted no. of shares, million	76.36	76.90	77.08	74.22	73.72

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 and write-downs.
**Per share of DKK 1.*

Growth
Throughout 2000 the William Demant Holding Group continued the growth trend from previous years with significant increases in both revenues and profits. Growth was generated by substantial organic growth and by acquisitions. In 2000 the Group thus gained market shares while also realising the acquisition strategy to the tune of DKK 835 million.

Profits outmatched the expectations reflected in last year's Annual Report and are in line with the upgraded figures announced on the publication of the Interim Report in August 2000.

The year may be summed up as follows:

- Consolidated revenue rose by DKK 1.1 billion - or 57% - to a total of DKK 3 billion.
- The gross profit ratio went up from 55.5% to 62.2%.
- Operating profit (EBIT) increased by 74% amounting to DKK 585 million, and the profit margin rose by 2 percentage points to 19.8%.
- Pre-tax profit rose by 65% and earnings per share (EPS) by 67%.
- Cash flow from operations (CFFO) increased by DKK 94 million to DKK 316 million.
- The return on average equity was 145%.

Acquisitions in 2000
In the first few months of the year four companies within the Group's existing business areas were acquired in order to strengthen the particular areas in various ways. Through the acquisition of Interacoustics, Diagnostic Instruments acquired a new brand and a new, up-to-date product range, while Oticon and Bernafon both boosted distribution on markets where they were too weakly represented.

On acquisition in January 2000 Interacoustics, which is located in Denmark, employed just under 100 employees. In the year preceding acquisition its revenue amounted to DKK 65 million. Interacoustics' products are sold throughout the world via a number of distributors most of which are independent. Some markets have two or more distributors, but on other markets the products are sold either through William Demant Holding Group companies or through other hearing aid manufacturers. The identity of Interacoustics as an independent audiometer manufacturer is maintained and so is generally the distribution structure.

The integration of Interacoustics into the William Demant Holding Group has strengthened its distribution power on the markets where it used to have a fairly weak position, and since the acquisition and throughout 2000 the company experienced tremendous growth.

In terms of products Diagnostic Instruments has thus acquired another audiometer brand and through Interacoustics also an extremely competent R&D department, thereby improving the future potential for the development of products that really make a difference in the audiometer market.

The most important acquisition in hearing instruments took place in February 2000 when William Demant Holding acquired Hidden Hearing International Plc. Hidden Hearing was quoted at the London Stock Exchange and acquired through a public offer for the company's shares. Prior to the offer shareholders holding about 3/4 of the company's shares had agreed to sell their shares. On expiry of the offer period more than 96% of the shareholders had agreed to the sale. The remaining shares were subsequently compulsorily redeemed, and the company is now a wholly-owned subsidiary of William Demant Holding.

Hidden Hearing is a multi-brand hearing aid distributor with companies in England, Ireland, Portugal and Greece. It sells and fits hearing aids direct to end-users. Prior to the acquisition of Hidden Hearing, Oticon and Bernafon had a weak market position in the private sector markets in these countries, but with this acquisition the Group's hearing aid companies have secured access to strong distribution outlets locally. Hidden Hearing will be maintained as a multi-brand distributor and Oticon's and Bernafon's products are now part of Hidden Hearing's product range.

Hidden Hearing has fully matched the assumptions and expectations on which the acquisition was based, and all the required adjustments and managerial changes will have been completed and fully implemented by early 2001.

In the financial year preceding the acquisition Hidden Hearing had a group revenue of GBP 44 million. It has about 600 employees of whom more than 2/3 are sales consultants or audiologists.

For further improvement of the distribution of Bernafon and Oticon products, the Group in January 2000 acquired Dahlberg Sciences Ltd. in Canada and Centro Auditivo Telex S.A. in Brazil.

Dahlberg Sciences is the distributor of Bernafon's products in Canada and the acquisition boosted sales on the Canadian market considerably. Prior to acquisition Dahlberg Sciences was a sub-supplier of certain Bernafon hearing instruments. Its production facilities are still part of the Group's overall productive capacity. In 2000 Dahlberg had an average of 92 employees and a revenue of CAD 9 million.

Centro Auditivo Telex has been Oticon's distributor in Brazil for many years, but a difficult political and economic situation in the country with sizeable devaluation of the Brazilian real placed the company in a difficult financial position and Oticon therefore had to take over the company to secure distribution on the Brazilian market. Since the acquisition in early 2000 the company has undergone a major restructuring process which towards year-end resulted in increasing sales and a result from operations that was back in the black.

At the end of November 2000 William Demant Holding made a joint venture agreement with a group of US hearing care professionals operating under the Avada brand. Avada has 163 stores throughout the USA and required financing for the establishment of the group under the new name as well as for further expansion. The group wanted co-operation with a full-line supplier that would be able to supply hearing instruments in all price ranges under the Avada brand. With the major product launches over the past 12-18 months, the William Demant Group was a natural choice.

On setting up the joint venture William Demant Holding acquired a 47% interest and cash funds were made available from the start to secure the further expansion of the Avada chain.

A consolidated statement of the 16 Avada dealerships shows that in 1999 revenue amounted to USD 36 million.

The major acquisitions in 2000 as well as a few minor ones totalled DKK 835 million, mainly funded through loans with a minor amount being funded through the issue of new shares. Reference is made to Shareholders' equity on page 13 which has more details of the issue.

The two largest investments were effective on 1 March (Hidden Hearing) and 22 November (Avada), respectively.

In 2000 William Demant Holding increased the average number of employees by 1,191, acquisitions accounting for 966. Prior to the acquisitions the companies, exclusive of joint ventures, generated revenues to the tune of DKK 665 million; trade with the William Demant Holding Group accounting for DKK 25 million. The acquisition strategy remains the same, but it is unlikely that acquisitions can be carried through in 2001 of the same magnitude as in 2000. Acquisition opportunities arise suddenly and perhaps unexpectedly, and there is not much you can do to influence the timing. Both in terms of funding and management the Group is geared for further acquisitions when relevant opportunities arise.

Market conditions and Group sales

Hearing Aids

Consolidation trends in the hearing aid industry in recent years continued in 2000. In 1994 well over 20 companies accounted for about 80% of hearing aid sales. Since then consolidation in the hearing aid industry has reduced the number of players. In 2000 GN ReSound thus acquired the recently merged Philips/ Beltone constellation and in the autumn Phonak took over Unitron in Canada who had just acquired the US companies Lori Medical and Argosy. The hearing aid industry is now consolidated with about six global groups which are represented on more or less all markets, albeit with varying degrees of strength. The six players, now estimated to account for 90% of all hearing aid sales in the world, are: GN ReSound, Phonak, Siemens, Starkey, Widex and William Demant Holding.

The economic rationale behind the consolidation trends is the rapidly soaring R&D costs and the increasing pressures for new product breakthroughs every second or third year. The acceleration of R&D costs has engaged manufacturers in a quest for volume growth over which to spread such costs. Today all major manufacturers are able to offer digital technology. With the rising R&D costs triggered by the need for new technology, break-even revenues grow faster than the underlying market growth. It is thus the wish for more distribution power and volume growth rather than new technology that drives the consolidation trend.

As a parallel to consolidation trends in manufacturing there is a similar trend towards consolidation in the retail link. Hearing aid chains grow bigger (partly through mergers and acquisitions), independent hearing care professionals join forces and hearing aid manufacturers establish closer and tighter links with sales chains - either in the form of strategic alliances, joint ventures or other forms of partnership. It is evident that large manufacturers' pursuit of volume growth and market shares has grown considerably, and is expected to grow even more vigorously over the next few years.

This development also influenced the hearing aid acquisitions made in 2000 by the William Demant Holding Group, the main purpose of which is to bolster up distribution and thereby strengthen volume growth.

Another manifest trend in the hearing aid industry in recent years is the growing complexity of the fitting process. New technology is making hearing aids increasingly flexible. In line with the need for fitting software, which in the hearing care professional's own language can support the precise fitting of a hearing aid, the hearing care professional must now be an expert in each manufacturer's software. Where a hearing care professional used to know all about the use of products from up to five manufacturers, he must now reduce the number of suppliers whose software he can handle.

This means that manufacturers must be able to supply a full-line product range - one brand must include most of the instruments needed by the individual hearing care professional.

The hearing aid market is divided into three or four price segments spanning from the most sophisticated aids (the high-end segment) to the simplest and least expensive aids (the basic segment) with minimum flexibility. The trend in recent years has been for manufacturers to spend all or a large part of their R&D resources on competitiveness in the high-end segment which means that no resources have been channelled into the development of new aids in the basic segment. However the mid- and basic segments are by far the greatest in terms of volume, and many hearing care professionals generate the absolute largest slice of their sales in these two segments.

Around new year 1999/2000 Oticon introduced Ergo and Swift, two new product families in the mid- and basic segment, which have been tremendously successful due to their high quality, simple programming and reasonable pricing. The reasonable price is possible because the products have been developed partly for automatic production.

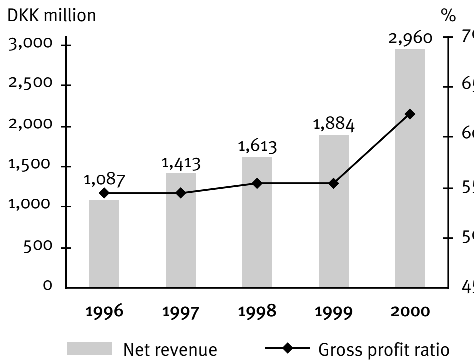
Other product introductions in both the high-end and mid-end segments - DigiFocus II and Digilife.com - have placed Oticon in front as a full-line supplier. These products enable hearing care professionals to satisfy most of their customers' needs through only one programming software, namely Oticon's OtiSet. As a full-line supplier Oticon has been extremely well received by the market which has resulted in substantial organic growth and growth in market shares.

In 2000 Bernafon continued the expansion of its market position among other things through the digital Smile product family. The easy-to-use product with flexible tone and volume control is very successful on the market. Also Bernafon's Audioflex, Dualine and Opus2 sold well in 2000.

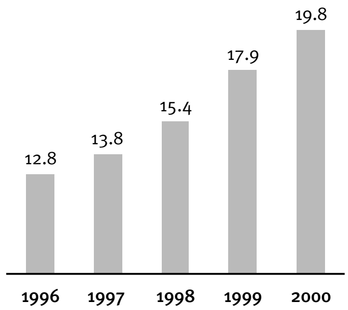
At the beginning of 2000 Erich Spahr took over the management of the Bernafon Group. He replaced Peter Finnerup who had been the president of Bernafon since the acquisition of this company in 1995. Mr. Finnerup is now responsible for William Demant Holding's production and logistics functions.

As in previous years sales of hearing aids in terms of units grew only slightly in 2000. In our opinion the hearing aid market rose by 2-4% in terms of units and by 6-8% in terms of value although

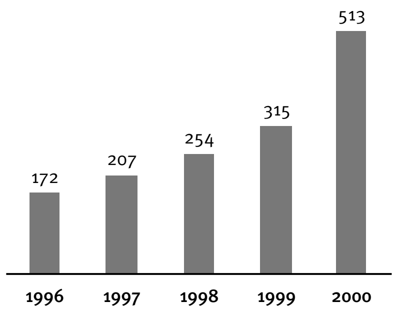
Net revenue and gross profit ratio



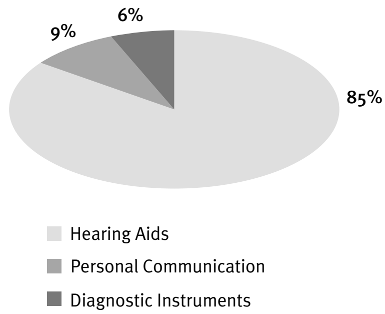
Profit margin, %



Cash earnings (CE), DKK million



Net revenue by business area



growth varied from region to region. Growth in the US was weak, and preliminary figures show that in terms of units, growth was close to zero on this market. In return the European market improved somewhat and the Scandinavian market even more so. Countries in South-East Asia, East Europe and South America, which were affected by a period of recession a few years back, are now showing signs of general economic recovery and thus also a growing demand for hearing aids.

In all markets the Group's growth rates in sales outmatched market growth.

Diagnostic Instruments
This business area includes audiometers from Maico and Interacoustics and systems for measurement of respiratory irregularities from RhinoMetrics.

For many years the market for diagnostic instruments was very fragmented with a large number of suppliers and very few global firms. In the last two years consolidation on the market has surged forward and there are now three leading global players: Grason Stadler, GN Otometrics and William Demant Holding. In line with the growing complexity of the hearing aid fitting process and software, hearing care professionals demand that audiometers be compatible with this software, which requires an R&D effort for which only large global manufacturers are geared.

In our opinion the market for diagnostic instruments will not grow significantly, and volume growth and increased efficiency are therefore necessary to reduce unit costs. Over two years the William Demant Holding Group's sale of diagnostic instruments went up from DKK 52 million to DKK 177 million in 2000.

In 2000 the audiometer companies achieved a market share of well over 25% in the relevant market segments. The growth in 2000 was partly organic and partly achieved through acquisitions - particularly of Interacoustics, but minor acquisitions in recent years of single products for the purpose of being able to offer a full-line product range also contributed to the result.

The smallest business in this area is RhinoMetrics which in 2000 established itself on selected markets where products for acoustic rhinometry and equipment for sleep analysis are typically sold through independent distributors. In some markets products are sold through the Group's hearing aid marketing subsidiaries. In 2001 RhinoMetrics will continue to focus on the existing markets. RhinoMetrics has 15 employees.

Personal Communication
This business area includes Phonic Ear's sales of wireless communication equipment, assistive listening equipment from Logia and headsets for professional telecommunication from Danacom.

The technological development of wireless communication equipment for use by the hearing impaired in difficult listening situations and similar equipment for hearing aids is surging forward, and now enables the development of tiny FM receivers whose power consumption diminishes in line with physical size. The FM receiver thus develops from a body-worn unit into an integral part of the hearing aid.

Consequently there is a new market for wireless communication equipment which is sold together with the hearing aid, and an increasing number of hearing aid manufacturers are interested in supplying FM equipment as part of their own hearing aids. This trend causes a change in the distribution structure for FM equipment. Where products and thus also distribution used to be targeted at schools and other educational institutions, distribution will increasingly take place through hearing aid providers and hearing care professionals.

However the market for such equipment is likely to be relatively modest over the next few years and a joint R&D effort may help reduce the related R&D costs. This was the rationale behind an agreement between our Group and Starkey Laboratories concerning the development of wireless assistive listening products for hearing aids. The technological platform of the new products is based on wireless technology developed by the William Demant Group. The plan is to launch the first results of the joint R&D effort on the market in a year or so.

Despite the technological development, trends in revenues in the market were weak throughout 2000. For the William Demant Holding Group, particularly Phonic Ear's sales of Sprite, a new hearing aid with a built-in FM receiver, were much lower than expected, due first to delays in the R&D process and then to delivery problems from a sub-supplier. To the extent that Phonic Ear was able to supply the product, it was extremely well received by the market. We expect Phonic Ear to generate the sales in 2001 that should have been achieved by Sprite in 2000.

In November 2000 Phonic Ear invested CAD 0.5 million corresponding to a 25% interest in a new Canadian company NewDae Ltd. NewDae develops and markets software, for instance for guided tourist tours. With the system which consists of software from NewDae and Phonic Ear's wireless receivers, which are worn by tourists, up to 10 language versions of a guided sightseeing tour can be heard simultaneously.

The headset company Danacom operates in a growing market and as expected, its growth substantially exceeded the market growth, which in itself was considerable. In co-operation with other William Demant companies it has initiated new R&D headset projects drawing on Group know-how, and over the next year or so the company is expected to introduce major product novelties.

As planned the Group exercised an option to acquire a further 25% interest in Danacom in the autumn of 2000. The Group now holds a 75% interest, and the plan is to acquire the remaining 25% in a similar fashion in the autumn of 2001.

Financial statements 2000

Sales and gross profit

All the Group's business areas generated growth in 2000. Total revenue rose from DKK 1.9 billion to DKK 3.0 billion. The acquired companies generated revenue growth to the tune of DKK 554 million and organic growth accounted for DKK 521 million, or 28%.

Hearing Instruments rose by almost DKK 1 billion and now accounts for 85% of Group sales (84% in 1999). Diagnostic Instruments, which acquired the audiometer business Interacoustics and experienced heavy organic growth, more than doubled its revenue which now accounts for 6% (4%) of consolidated revenue. As previously mentioned Personal Communication saw a more moderate trend due to problems with the delivery of a new product and its share of revenue fell to 9% (12%).

The table below shows revenues by business area.

Revenues by business area (DKK million)

	2000*	1999*	1999**
Hearing Aids	2,518	1,687	1,592
Diagnostic Instruments	177	72	66
Personal Communication	265	255	226
Total	2,960	2,014	1.884

* Translated at 2000 exchange rates. ** Translated at 1999 exchange rates.

In terms of exchange rates 2000 was a year of considerable changes for some of the Group's major trading currencies - particularly the most important ones, the US dollar and the Japanese yen. The dollar and yen increases throughout the year had a positive impact on revenues. Towards the end of the year the Danish krone strengthened somewhat vis-a-vis the two currencies.

The Group's exchange and financing positions are gathered in and managed from Denmark. Intercompany transactions are based on the central logistics function which pays purchases from the particular marketing subsidiaries in the local currencies. Any profits in the individual subsidiaries are currently repatriated through dividends. This policy causes all exchange positions and exchange flows to be gathered in Copenhagen.

Denmark is not a member of the EMU, but has instead chosen to link the Danish krone to the euro, which means that the Group's most important currencies are now the US-dollar-related currencies and the Japanese yen. As the Group has a major cost base in England with about 500 employees including production, GBP net is not one of the significant currencies for the Group.

Hedging of expected net exchange flows for 6-24 months into the future is an active part of the Group's exchange policies and any gains or losses compared with the current market rates of forward contracts are included in the contribution margin of the underlying items. All forward exchange contracts are made solely for the purpose of covering cash flows in foreign currencies and do not contain any financial or speculative element that would require such gains or losses to be recorded under financial items. At year-end open forward exchange contracts amounted to DKK 927 million. Compared with the Danish krone the major currencies are hedged at the following average rates: USD 772 and JPY 7.25.

With our hedging policies there will normally be a time delay between the date when the Group derives the benefit of any exchange gains on its major currencies and vice versa the date when it is affected by any exchange losses on the same currencies.

From 1999 to 2000 gross profit as a percentage of revenue went up from 55.5% to 62.2%, or almost 7 percentage points; higher gross profits from sales direct to end-users and the remaining improvement generated by our core business accounting for 3.5 percentage points hereof. The improvement was realised despite the fact that the success of the Ergo and Swift products caused some shift in product mix towards more mid-end and basic products, which basically tends to slightly reduce the contribution ratio.

The Group has invested a substantial sum in R&D for the development of new product series partly for automatic production, thereby reducing unit costs and increasing gross profit margins.

As a result of increased gross profits, organic growth and acquisitions, the overall contribution margin rose from DKK 1,0 billion to DKK 1,8 billion, or an increase of about 80%.

R&D costs

The increase in R&D costs in recent years continued in 2000 although their share of total revenue fell slightly. So far the Group's R&D effort has been very successful and enabled the Group to supply new products that make a difference in the market. Some of the acquisitions in 2000 were aimed at enhancing distribution power and these companies have no R&D functions. Total R&D costs rose from DKK 159 million to DKK 198 million, or a 25% increase.

For 2001 we have planned major increases in R&D staff. Consequently we also expect a heavy increase in R&D costs in 2001.

The major renovation and rebuilding of Oticon's research centre Eriksholm is scheduled for completion in mid-2001, which means that in the years ahead audiological basic research has the best possible physical setting.

Distribution costs

In 2000 sales direct to end-users accounted for a larger-than-usual slice of Group sales, and with this trend future distribution costs are therefore likely to increase substantially, both in absolute and relative terms compared with consolidated revenue. In retailing distribution costs account for some 55% of revenue against only 25-30% in wholesale. The Group's distribution costs thus doubled in 2000 compared with 1999 and now account for 28% of revenue against 22% in 1999. As we acquire more sales outlets, distribution costs are expected to increase relatively compared with consolidated revenue. Distribution costs are estimated to account for about 30% of consolidated revenue in 2001.

Administrative expenses

Administrative expenses totalled DKK 230 million against DKK 132 million in 1999. The rate of growth of 74% should be seen in the light of the many acquisitions in 2000. The Group succeeded in maintaining the relative share of administrative expenses more or less at the previous level. Well before the end of the old millennium the Group's production management and office automation systems had been reviewed and updated, and the Group therefore experienced no system-related problems.

The year's profit

Heavy growth in 2000 and the increase in gross profit ratio combined with overhead costs accounting for a falling share of revenue resulted in the Group's operating profit (EBIT) rising by 74% to DKK 585 million. Another result hereof is a rise in profit margin to 19.8%. Based on the existing business, management expects to be able to maintain the profit margin at the current level over the next few years.

Acquisitions to the tune of DKK 835 million, the majority of which was funded through loans, resulted in a financial expense of DKK 22 million against an income of DKK 3 million in 1999. The major acquisitions in England and the USA were funded by loans in USD and GBP so that the acquired business was hedged via these loans.

Pre-tax profits rose by 65% to DKK 561 million, or an increase of DKK 221 million. The tax rate on this profit is estimated at 24% corresponding to the tax rate for 1999. The Group expects the effective tax rate to increase moderately to about 25-27% for 2001.

After deduction of minority interests (Danacom and Oticon Poland) of DKK 2 million, the Group realised a net profit for 2000 of DKK 426 million, which the Directors consider very satisfactory.

Earnings per share (EPS) were DKK 5.8 in 2000 against DKK 3.5 in 1999. The figure includes adjustment for the buyback of own shares, the issue of new shares relating to the Avada joint venture and the sale of employee shares to Group employees.

Shareholders' equity

In 2000 consolidated shareholders' equity was affected significantly by several factors. We have mentioned the large number of acquisitions as well as the related consolidated goodwill amounts totalling DKK 827 million, which was written off via shareholders' equity.

In connection with the Avada joint venture the company issued nominally 335,616 shares at a price of 439, or total proceeds of DKK 147 million to be added to shareholders' equity.

In the autumn the Directors took the opportunity for the fifth time to sell shares to Group employees at a favourable price. About 1,700 employees accepted the offer and acquired nominally 236,913 shares with proceeds totalling DKK 18 million.

At year-end the consolidated shareholders' equity amounted to DKK 212 million, or 14% of total consolidated assets. Overall the Directors consider this an appropriate equity ratio considering the substantial goodwill write-downs. In our opinion the sizeable cash flows from operating activities will quickly reduce interest-bearing debts and generate operating profits, thereby also increasing shareholders' equity.

Dividend policy

From the listing on the Stock Exchange in May 1995 until the general meeting in 2000 the Group paid out dividends amounting to DKK 450 million either in the form of direct dividends or the buy-back of shares, corresponding to a payout ratio of 55% of net profits during the same 5-year period.

In the light of the many acquisitions in 2000 and the company's wish to currently plan its capital resources the Directors have decided to change the company's dividend policies. In future the traditional approach with payment of dividend in connection with the annual general meeting will be replaced by an active buyback programme of own shares.

The company will thus currently assess its capital resources and if required use surplus funds to buy back outstanding shares. This will provide a more dynamic planning of dividend policies rather than the static once-a-year dividend payout.

For decision by the shareholders the Directors thus propose that the year's entire profits be retained.

Consolidated cash flows, financing and liquidity

The drastic increases in operating profits also resulted in increasing cash flows from operating activities (CFFO). In 2000

CFFO rose to DKK 316 million and cash earnings (CE = expressed as net profit with the addition of depreciation and write-downs) rose by well over DKK 200 million to more than DKK 500 million. This is a doubling over two years.

The level of investment in 2000 (excluding acquisitions) totalled DKK 113 million against DKK 90 million in 1999. On expiry of a 10-year lease with Thisted Municipality the Group took over the last building of its production and logistics centre in Thisted, and also invested in a new fully automatic, unmanned components warehouse which was completed recently.

In view of the increased number of Group companies, investments in tangible fixed assets are estimated to increase to DKK 100-120 million in 2001.

Interest-bearing debt related to the acquisitions increased from DKK 93 million at year-start to DKK 595 million at year-end.

The Group co-operates currently with bankers that provide credit facilities for operations and expansion. These credit facilities enable the Group to expand and acquire new companies through loan funding of the same magnitude as in 2000. In the Management's opinion interest and loan terms are comparable with the best on the market.

Balance sheet
The consolidated balance sheet total rose to DKK 1.5 billion, or a 40% increase compared with the start of the year. The rate of growth is lower than the increase in business from the acquired companies and organic growth.

Financing of customers is a competition parameter which plays an increasingly important role. It is therefore natural that credit terms are longer than just two or three years ago. The Group is aware of the increased credit risk and currently assesses customers who ask for extended credit terms when purchasing from Group companies. In 2000 losses and provisions for bad debts accounted for less than 1% of average debtors.

Management and employees
At the company's ordinary general meeting Niels Boserup and Jørgen Mølvang were both re-elected. The Directors subsequently appointed Mr. Boserup chairman and Mr. Mølvang deputy chairman of the Board of Directors.

With the acquisition of the new distribution companies the Group's staff increased considerably in 2000. At end-2000 the Group had about 3.655 employees. The average number employed throughout the year (calculated on a full-time basis) was 3,323 employees (2,132 in 1999). In Denmark the average number of employees in 2000 was 1,098 (917 in 1999).

In 2000 revenue per employee amounted to 891 thousand DKK against 884 in 1999.

The Group strengthened its market position considerably in 2000, and the new companies were integrated quickly and competently. The Directors thank both new and old staff for their enthusiastic effort and great commitment in this connection.

Table: Interest rate risk at 31 December 2000 (DKK million)

Maturity	Under 1 year	1-5 years	Over 5 years	Total	Weighted interest
Financial fixed assets	0.0	0.0	8.5	8.5	
Liquid funds	139.1	0.0	0.0	139.1	
Interest-bearing assets	**139.1**	**0.0**	**8.5**	**147.6**	**4.4%**
Mortgages	0.3	1.6	2.5	4.4	
Long-term investments	13.9	210.7	83.2	307.8	
Interest-bearing short-term debt	430.6	0.0	0.0	430.6	
Interest-bearing debt	**444.8**	**212.3**	**85.7**	**742.8**	**5.7%**
Net position	**-305.7**	**-212.3**	**-77.2**	**-595.2**	

Capital structure
The company's main shareholder with 61% of shares is William Demants og Hustru Ida Emilies Fond (the Oticon Foundation), Gentofte.

In connection with the general meeting in April 2000 a 1:5 share split was carried through according to which the company's share capital was divided into shares of DKK 1.

In the autumn the share capital was increased with an issue of new shares of nominally DKK 335,616 on the establishment of the Avada joint venture.

At year-start the Group held 671,700 own shares. In 2000 we acquired another 78,825 shares at a total sum of DKK 21 million.

In the autumn our employees were offered shares at a favourable price, and 236,913 shares were sold from the company's own holding. At the end of the financial year we held 513,612 of our own shares (0.7% of the share capital).

Prospects for 2001

Throughout 2000 the William Demant Holding Group experienced tremendous growth generated by major acquisitions and high organic growth. This growth trend is expected to continue in 2001, albeit at a somewhat slower rate and driven by the activities existing in the Group at the start of 2001.

Acquisitions are still an active part of the Group's growth strategy, but it is impossible to predict when and to what extent such acquisitions can be carried through.

As in recent years the global market for hearing aids also in 2000 grew by only 2-4% in terms of units and there is no immediate expectation that it will increase considerably over the next few years. Statistics for the fourth quarter of 2000 from US hearing care professionals seemed to suggest stagnation on the US market at the end of 2000, and continued stagnation or an outright fall in unit sales in the US can have a negative impact on our growth potential. At present it is not possible to see whether the stagnating sale of hearing aids in the US is rooted in changes in the US economy or is merely a short seasonal fluctuation.

Based on the acquisitions made in 2000, today's competition on the markets and more or less the same exchange rates of the yen and the dollar as at year-end 2000, the Directors expect the consolidated revenue to grow by 12-15% to about DKK 3.4 billion in 2001.

The profit margin for 2001 is estimated at 18.5-20%. Compared with 2000 the profit margin will be negatively affected by increasing sales to end-users and by rising R&D costs that outmatch revenue growth. On the other hand the focus on reduction of unit costs and a shift in product mix towards sale of more expensive products are expected to impact the profit margin positively. For 2001 operating profit (EBIT) is thus estimated at DKK 670-700 million and growth in earnings per share (EPS) at over 10%.

The Group's next financial announcement is planned for publication in August 2001 in connection with the interim report for the first half of 2001.

Capital

At 31 December 2000 the company's authorised capital was nominally DKK 74,712,906 divided into as many shares of DKK 1. All shares have the same rights and are not divided into classes. In 2000 shareholders' equity was increased by nominally DKK 335,616 in connection with acquisition of companies.

At the annual general meeting on 25 April 2000 a share split was carried through in a 1:5 ratio, share units being reduced from DKK 5 to DKK 1.

William Demants and Hustru Ida Emilies Fond (the Oticon Foundation) has notified the company that it holds 61% of the company's share capital.

The company's holding of own shares was reduced in 2000, 236,913 shares being sold as part of an employee share scheme. In addition the company bought back 78,825 shares in 2000 so that the holding of own shares at 31 December 2000 was 513,612 (0.7% of the share capital).

Dividend

At the annual general meeting on 4 April 2001 the Directors will propose that all profits for 2000 be retained. The company will instead currently assess its capital resources and if required use any surplus cash funds to buy back outstanding shares. This approach will provide the basis for a more dynamic planning of dividend policies.

Copenhagen Stock Exchange

The William Demant Holding share is listed on the Copenhagen Stock Exchange and is included in the KFX index which is composed of the 20 most liquid shares on the Danish stock exchange. At year-end the William Demant Holding share accounted for 4.2% of the KFX index (2.0% at 31 December 2000).

Internet

www.demant.com has more information on the Group and its business areas.

Investor relations

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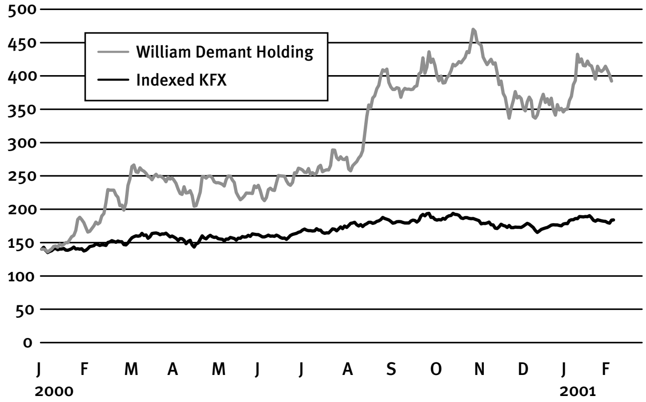
The trend in share price



Important stock exchange announcements in 2000

16 January	Acquisition of Interacoustics (audiometers) and Centro Auditivo Telex (distributor in Brazil)
25 January	Acquisition of Hidden Hearing International (multi-brand hearing aid distributor)
14 February	Acquisition of Dahlberg Sciences (Canadian distributor)
9 March	Financial Statement 1999
25 April	Annual general meeting and upgrading of forecasts for 2000
23 August	Interim Report 2000
3 October	Technology collaboration between Starkey and the William Demant Holding Group
22 November	Joint venture with Avada on the US market

Financial calendar for 2001

6 March	Financial Statement 2000
4 April	Annual general meeting
22 August	Interim Report 2001

Stock exchange information

DKK	1996	1997	1998	1999	2000
High	63	69	84	147	484
Low	29	49	61	80	134
Year-end	55	63	79	140	360
Market cap. DKK million	4,162	4,896	5,931	10,324	26,727
Average no. of shares, million	76.36	76.90	77.08	74.22	73.72
No. of shares year-end, million	76.36	77.50	75.25	73.70	74.20

Signatures

The Directors and the Management have today signed the annual report for 2000 for William Demant Holding A/S.

The annual report has been drawn up in accordance with the Danish Company Accounts Act, Danish accounting standards and the Copenhagen Stock Exchange regulations for quoted companies. We consider the accounting policies appropriate for the annual report to provide a true and fair view.

Management: Copenhagen, 6 March 2001

Niels Jacobsen

Directors:

Niels Boserup
Chairman

Jørgen Mølvang
Deputy Chairman

Franck Fogh Andersen

Lars Nørby Johansen

Jørgen Kornum

Michael Pram Rasmussen

Hanne Stephensen

Auditors' report

We have audited the consolidated financial statements and the financial statements of William Demant Holding A/S for the year 2000 presented by the Board of Directors and Management.

Basis of opinion

We planned and conducted our audit in accordance with generally accepted Danish auditing principles and international standards on auditing (ISA) to obtain reasonable assurance that the financial statements are free from material misstatement. Based on an evaluation of materiality and risk, during the audit, we tested the basis and documentation for the amounts and disclosures in the financial statements. An audit includes an assessment of the accounting policies applied and the accounting estimates made. In addition, we evaluated the overall adequacy of the presentation in the financial statements.
Our audit did not result in any qualifications.

Opinion

In our opinion, the consolidated financial statements and the financial statements of William Demant Holding A/S have been presented in accordance with the accounting provisions of Danish legislation and give a true and fair view of the Group's and the Parent Company's assets and liabilities, financial position and profit/loss for the year.

Copenhagen, 6 March 2001

Deloitte & Touche
Statsautoriseret Revisionsaktieselskab

Henning Møller
State-authorised
Public Accountant
(Denmark)

Lone Møller Olsen
State-authorised
Public Accountant
(Denmark)

KPMG C.Jespersen

Arne Nielsen
State-authorised
Public Accountant
(Denmark)

Carsten Kjær
State-authorised
Public Accountant
(Denmark)

General

The consolidated and the parent company's financial statements have been prepared in accordance with the Danish Company Accounts Act, the Copenhagen Stock Exchange regulations for listed companies and Danish accounting standards.

The accounting policies are the same as last year.

Consolidation

The consolidated financial statements include the companies shown on page 33. The consolidated financial statements comprise William Demant Holding A/S (parent company) and the companies in which the parent company holds more than 50% of the voting rights. The consolidated financial statements have been prepared on the basis of audited financial statements for the parent company and its subsidiaries by aggregating uniform items and eliminating intercompany income and expenditure, shareholdings, intercompany accounts and dividends as well as non-realised intercompany profits on inventories.

Companies in which the Group holds between 20% and 50% of the voting rights, are considered to be associated and have been incorporated proportionately into the consolidated financial statements based on the equity method.

The consolidated financial statements also include companies, which by agreement are managed jointly with one or more companies, based on pro rata consolidation, with proportionate shares of individual assets, liabilities, income and expenses.

Newly acquired or established subsidiary and associated companies are included in the profit and loss account from the time of acquisition or formation. Companies either sold or closed down are included until the date of divestment or closedown. Comparative key figures and ratios are not restated for newly acquired or divested companies.

On acquiring a subsidiary or investing in an associated company, the net assets of such undertaking are valued in accordance with the accounting policies for such valuation to reflect the value of assets and liabilities for William Demant Holding A/S, provisions being made for any restructuring costs.

If acquisition cost exceeds net worth for accounting purposes at the time of acquisition, such difference is charged to shareholders' equity as consolidated goodwill in the year of acquisition. Any negative differences attributable to future operating losses (badwill) are entered under provisions.

Minority interests

On computation of consolidated profits and shareholders' equity, the subsidiaries' proportionate shares of profits and equity ascribable to minority interests are entered separately.

Foreign currency

Transactions in foreign currency are translated at the exchange rates ruling on the transaction day or at the forward rates.

Receivables and debts in foreign currency are translated into Danish kroner at their rates on the balance sheet day or at their forward rates. Realised and non-realised exchange adjustments are entered in the profit and loss account under gross profit or financial items.

For foreign subsidiaries the profit and loss account items are translated at the appropriate average exchange rates for the year, whereas balance sheet items are translated at the appropriate rates on the balance sheet day. Any exchange differences arising from the translation of foreign subsidiaries' profit and loss account items at average rates and balance sheet items at the rates ruling on the balance sheet day are charged to shareholders' equity. Any exchange differences from translation of foreign subsidiaries' equity at the start of the year at the rates on the balance sheet day are charged to shareholders' equity.

Any exchange differences from intercompany accounts with foreign subsidiaries, which in reality constitute an addition to equity for the particular subsidiary, and any exchange differences from hedging of foreign subsidiaries' equity are charged to shareholders' equity.

Unrealised exchange gains or losses on forward contracts made for the purpose of hedging future income or expenditure are entered on invoicing of the hedged sale.

Other exchange gains or losses are reported in the profit and loss account.

Profit and loss account

All major incomes or costs are entered on an accruals basis. In the profit and loss account all costs including depreciation expenses are broken down by production costs, distribution costs, administrative expenses and R&D costs, regardless of the objectives of the particular company.

Net revenue

The invoicing principle is applied as income criterion. Net revenue represents the year's sales with the deduction of commissions, discounts and returns.

Production costs

These include direct and indirect manufacturing costs.

Research & development costs

These include all costs relating to research, development and prototype construction as well as the development of new business concepts. R&D costs are charged directly to the profit and loss account.

Distribution costs

Distribution costs include costs relating to staff training, customer support, sales, marketing and distribution.

Administrative expenses

Administrative expenses include administrative staff costs as well as office and IT costs.

Extraordinary items

These include substantial income or expenses related to events or transactions that clearly fall outside the Group's ordinary activities.

Taxation

The parent company is jointly taxed with some wholly-owned Danish and foreign subsidiaries. Corporation tax is distributed among the jointly taxed companies according to their proportionate shares of the joint income. For the jointly taxed Danish companies, the tax rate for current taxes is 32% and for deferred taxes 30%.

Tax on the year's profit includes current tax and any changes in deferred taxes. Any additions, deductions or allowances in respect of the Danish on-account tax scheme are included in current tax. Tax on the year's profit is reported under ordinary and extraordinary profits, respectively. Tax on movements in shareholders' equity is entered direct via shareholders' equity. Current tax includes tax payable computed on the basis of the estimated taxable income for the year and any prior-year tax adjustments.

A provision is made for deferred tax on any timing differences between the valuations for tax and accounting purposes apart from any differences originating from shares in subsidiaries. Deferred tax is reported as a balance sheet liability. Deferred tax is based on the current tax rules and rates in the particular countries. Any effect on deferred tax due to a change in tax rate is reflected in the profit and loss account. The tax value of a loss that may be set off against any future taxable income will be carried forward and set off against deferred tax in the same legal tax unit and jurisdiction. Any deferred tax assets are conservatively estimated and recorded in the balance sheet.

Any tax payable on the sale of shares in a subsidiary is not recorded in the balance sheet if the shares are not likely to be sold within a short period of time.

Balance sheet

Intangible fixed assets

Intangible fixed assets are entered at cost with the deduction of accumulated depreciation expenses. Leasehold improvements are depreciated on a straight-line basis over the term of the lease. Other intangible fixed assets are depreciated on a straight-line basis over their estimated useful lives.

Tangible fixed assets

Tangible fixed assets are entered at cost with the addition of any revaluation and the deduction of accumulated depreciation expenses or write-downs. Tangible fixed assets are depreciated on a straight-line basis over their expected useful lives.

Buildings	33-50 years
Technical plant and machinery	3-5 years
Fixtures, tools and equipment	3-5 years
IT hardware and software	3 years

Assets acquired at less than DKK 50,000 are fully charged to the profit and loss account in the year of acquisition.

Financially leased assets are entered in the balance sheet at the lower of market value or the present value at the time of acquisition of future rental payments. Financially leased assets are depreciated based on the same methods as the Group's other tangible fixed assets. The capitalised remaining rental is shown as a liability in the balance sheet.

For operational leases rentals are expensed over the term of the lease.

Financial fixed assets
The parent company's shares in subsidiaries are entered based on the equity method; i.e. shares are entered at their proportionate value of net worth. The parent company's loans or investments made for the purpose of balancing foreign currency amounts in subsidiaries are included in the value of shares in subsidiaries. The parent company's proportionate shares of its subsidiaries' pretax profits are included in the profit and loss account after proportionate deduction of any differences in non-realised intercompany profits on inventories.

Investments in associated companies are entered on the same basis as subsidiaries.

Other securities include bonds and shares valued at cost, but subject to depreciation as a result of any permanent decrease in value.

Own shares
On buyback or sale of own shares, the acquisition cost or divestment sum is included directly as expense or income in distributable reserves under shareholders' equity. The reduction in capital on cancellation of own shares will reduce the share capital by an amount corresponding to the nominal value of the shares. The amount is transferred to distributable reserves.

Inventories
Raw materials, components and merchandise are entered at the lower of cost or net market price. Finished goods or goods in process are valued at direct cost, direct payroll and consumables as well as a proportionate share of indirect production overheads. Indirect production overheads include the proportionate share of overhead costs directly related to finished goods or goods in process.

Inventories are valued on a First In First Out basis, i.e. it will be the latest deliveries that will be in stock. Non-marketable goods or slow-moving items are written down.

Trade debtors
Trade debtors are entered after deduction of provisions for bad debts computed on the basis of an assessment of the particular risks.

Other securities and participating interests
Securities entered as current assets are valued at their market prices on the balance sheet day.

Debts
Debts are entered at their nominal values.

Cash flow statement

The cash flow statement is based on the indirect method and reflects the Group's net cash position by operating, investing and financing activities.

Cash flows from operating activities include inflows from the year's operations, adjusted for operating items not affecting liquid funds and movements in working capital. Working capital includes current assets excluding liquid assets and short-term debts adjusted for repayment of long-term debts, bank debts and dividends.

Cash flows from investing activities include inflows generated by the purchase or sale of fixed assets.

Cash flows from financing activities include payments to or from shareholders and the raising or repayment of long-term or short-term debts not included in the working capital.

Liquid assets are cash funds and securities with the deduction of bank debts.

Cash flows cannot be compiled exclusively on the basis of the published accounting material.

PARENT COMPANY 1999	PARENT COMPANY 2000	Note	(DKK - in thousands)	GROUP 2000	GROUP 1999
0	0	2	**Net revenue**	2,959,686	1,884,270
0	0	6	Production costs	-1,119,382	-838,410
0	0		**Gross Profit**	1,840,304	1,045,860
0	0	6	Research and development costs	-197,661	-158,772
0	0	6	Distribution costs	-827,661	-418,128
-13,532	-14,439	6	Administrative expenses	-230,028	-131,911
9,507	9,848		Income from subsidiaries	-	-
-4,025	-4,591		**Operating profit**	584,954	337,049
334,621	559,180	5	Share of profits before tax, subsidiaries	-	-
529	36		Share of profits before tax, associated companies	-2,079	-602
7,920	4,435	3	Financial items, net	-22,050	3,273
339,045	559,060		**Profit before tax and minority interests**	560,825	339,720
-81,635	-133,293	4	Corporation tax	-133,293	-81,635
257,410	425,767		**Profit after tax**	427,532	258,085
-	-		Minority interests	-1,765	-675
257,410	425,767		**Net profit for the year**	425,767	257,410
			Proposed distribution of net profit:		
44,223	0		Dividend		
213,187	425,767		Transferred to reserves		

Balance sheet at 31 December 2000

PARENT COMPANY 1999	PARENT COMPANY 2000	Note	Assets (DKK - in thousands)	GROUP 2000	GROUP 1999
0	0		Leasehold improvements	24,114	20,214
0	**0**	6	**Intangible fixed assets**	**24,114**	**20,214**
28,905	28,210		Land and buildings	136,523	88,814
0	0		Technical plant and machinery	68,321	49,570
1,136	865		Fixtures, tools and equipment	98,303	50,360
30,041	**29,075**	5,6	**Tangible fixed assets**	**303,147**	**188,744**
475,116	346,529		Shares in subsidiaries	-	-
213	120		Shares in associated companies	120	213
31,440	12,755		Loans to subsidiaries	-	-
5,224	5,584		Securities and participating interests	8,526	6,870
0	0		Other receivables	13,647	13,960
0	0	7	Deferred tax, asset	26,576	19,611
0	0	8	Own shares	0	0
511,993	**364,988**	5,6	**Financial fixed assets**	**48,869**	**40,654**
542,034	**394,063**		**Total fixed assets**	**376,130**	**249,612**
0	0		Raw materials and purchased components	191,501	125,525
0	0		Goods in progress	39,153	23,087
0	0		Finished goods	268,714	223,660
0	**0**		**Inventories**	**499,368**	**372,272**
0	0		Trade debtors	478,341	364,397
62,363	105,523		Accounts receivable, subsidiaries	-	-
0	0		Accounts receivable, associated companies	6,569	4,800
121,054	241,175		Dividends receivable	-	-
761	121		Other debtors	30,678	28,161
0	0		Prepayments and accrued expenses	18,826	15,680
184,178	**346,819**		**Debtors**	**534,414**	**413,038**
0	**0**		**Liquid funds**	**139,104**	**68,657**
184,178	**346,819**		**Total current assets**	**1,172,886**	**853,967**
726,212	**740,882**		**Total assets**	**1,549,016**	**1,103,579**

PARENT COMPANY 1999	2000	Note	Liabilities (DKK - in thousands)	GROUP 2000	1999
74,377	74,713		Share capital	74,713	74,377
0	137,752		Share premium account	137,752	0
425,057	0		Other reserves	0	425,057
499,434	**212,465**	9	**Shareholders' equity**	**212,465**	**499,434**
-	-		**Minority interests**	**2,674**	**1,090**
2,597	3,367	7	Provisions for deferred taxes	18,906	12,498
0	0	10	Other provisions	113,804	62,001
2,597	**3,367**		**Provisions**	**132,710**	**74,499**
0	0		Mortgages	4,023	4,700
129,509	119,544		Other long-term creditors	293,958	129,509
129,509	**119,544**	11	**Long-term creditors**	**297,981**	**134,209**
10,259	10,302		Short-term part of long-term creditors	14,210	10,259
141	251,202		Interest-bearing short-term debt	430,606	23,634
0	0		Trade creditors	130,939	92,303
2,279	14,209	4	Corporation tax	53,855	13,599
35,245	126,352		Debt, subsidiaries	-	-
2,525	3,441		Other creditors	213,930	161,631
0	0		Prepayments and accrued income	59,646	48,698
44,223	0		Dividend payable for the year	0	44,223
94,672	**405,506**		**Short-term creditors**	**903,186**	**394,347**
224,181	**525,050**		**Total creditors**	**1,201,167**	**528,556**
726,212	**740,882**		**Total liabilities**	**1,549,016**	**1,103,579**

12 Contingent liabilities
13 Employees
14 Audit fees
15 Related party transactions
16 Government subsidies

Cash flow statement for 2000

(DKK - in thousands)	Note	GROUP 2000	1999
Operating profit		584,954	337,049
Write-downs and depreciation		85,779	57,233
Changes in debtors*		-54,386	-98,047
Changes in inventories*		-101,487	-63,759
Changes in trade creditors etc.*		-69,892	61,130
Changes in provisions*		5,645	17,985
Cash flow from operating activities		**450,613**	**311,591**
Financial items etc.		-25,894	1,996
Corporation tax		-108,774	-91,666
Net cash flow from operating activities		**315,945**	**221,921**
Acquisition of companies	1	-773,057	-68,801
Expensed investments under DKK 50,000*		-21,025	-13,187
Investments in intangible fixed assets*		-10,570	-4,523
Disposals of intangible fixed assets		1,234	337
Investments in tangible fixed assets*		-91,580	-76,818
Disposals of tangible fixed assets		6,839	6,042
Investments in financial fixed assets*		-1,250	-6,020
Cash flow from investing activities		**-889,409**	**-162,970**
Changes in long-term creditors, net		150,630	-10,640
Issue of shares		147,121	0
Proceeds from sale of employee shares		17,712	0
Buyback of own shares		-20,903	-152,508
Other adjustments		-13,398	1,716
Dividend paid		-44,223	-35,378
Cash flow from financing activities		**236,939**	**-196,810**
Net cash flow position for the year		**-336,525**	**-137,859**
Net cash position at 1 January		**45,023**	**182,882**
Net cash position at 31 December		**-291,502**	**45,023**
Breakdown of net cash position at 31 December:			
Liquid funds		139,104	68,657
Interest-bearing short-term debt		-430,606	-23,634
		-291,502	**45,023**

* Not including additions from acquired companies.

■ Note 1 - Acquisition of companies (DKK - in thousands)

	GROUP 2000	GROUP 1999
Fixed assets	-88,980	-807
Inventories	-25,609	-7,339
Debtors	-66,990	-4,108
Provisions	46,158	323
Short-term creditors	175,726	9,584
Long-term creditors	13,142	0
Liquid funds, net	-62,084	-553
Net assets	**-8,637**	**-2,900**
Goodwill charged to shareholders' equity	-826,504	-66,454
Acquisition cost	**-835,141**	**-69,354**
Liquid funds, net	62,084	553
Purchase price	**-773,057**	**-68,801**

■ Note 2 - Net revenue (DKK - in thousands)

	GROUP 2000	GROUP 1999
Scandinavia	316,979	235,696
Rest of Europe	1,052,333	526,677
North America	1,000,503	689,853
Asia	182,216	140,330
Pacific Rim	256,309	219,395
Other countries	151,346	72,319
Total	**2,959,686**	**1,884,270**

■ Note 3 - Financial items, net (DKK - in thousands)

PARENT COMPANY 1999	PARENT COMPANY 2000		GROUP 2000	GROUP 1999
13,763	11,881	Interest income from subsidiaries	-	-
-8,344	-5,956	Interest expenses to subsidiaries	-	-
1,704	293	Interest income	8,984	5,556
-6,903	-19,484	Interest expenses	-32,630	-9,983
1,053	-644	Realised exchange adjustments	-644	1,053
6,647	18,345	Non-realised exchange adjustments	2,240	6,647
7,920	4,435	**Total**	**-22,050**	3,273

PARENT COMPANY		■ Note 4 - Corporation tax (DKK - in thousands)	GROUP	
1999	2000		2000	1999
		Corporation tax		
-4,916	26,494	Tax on profit, parent company	26,494	-4,916
-62,363	-105,523	Tax on profit, jointly taxed companies	-105,523	-62,363
-15,690	-54,675	Tax, other subsidiaries and associated companies	-56,823	-21,736
1,067	-932	Change in deferred tax, net	557	7,113
766	1,361	Tax adjustments, prior years	1,361	766
0	162	Adjustment of deferred tax from 32% to 30%	-451	0
-499	-180	Other taxes	1,092	-499
-81,635	-133,293	**Total**	-133,293	-81,635
		Corporation tax rate adjustments		
		Danish tax rate	32.0%	32.0%
		Difference in tax rate of non-Danish companies from Danish tax rate (32%)	-1.6%	-3.0%
		Adjustment of deferred tax from 32% to 30%	-0.1%	-
		Utilisation of non-capitalised tax losses	-5.8%	-4.5%
		Other adjustments etc., prior years	-0.7%	-0.5%
		Total	23.8%	24.0%
		Corporation tax, payable		
7,321	2,279	At 1 January	13,599	16,517
-766	-1,361	Prior-year adjustments	-1,361	-766
67,279	79,029	Tax on the year's profit	135,211	89,514
-71,555	-80,918	Paid in 2000	-108,774	-91,666
0	15,180	Tax on movements in shareholders' equity	15,180	0
2,279	14,209	**At 31 December**	53,855	13,599

■ **Note 5 - Fixed assets** (DKK - in thousands)

	Land and buildings	Fixtures, tools and equipment	Shares in subsidiaries	Shares in associated companies	Securities and participating interests
Acquisition value at 1 Jan 2000	30,180	1,354	509,269	2,819	4,724
Additions in 2000	138	0	835,141	0	101
Disposals in 2000	0	0	0	0	0
Acquisition value at 31 Dec 2000	**30,318**	**1,354**	**1,344,410**	**2,819**	**4,825**
Revaluations and write-downs at 1 Jan 2000	0	0	-34,153	-2,606	500
Exchange adjustments of shares in subsidiaries	0	0	-14,982	0	0
Profits before tax in subsidiaries	0	0	620,834	0	0
Losses before tax in subsidiaries	0	0	-61,654	0	0
Tax in subsidiaries	0	0	-160,198	0	0
Change in internal profit on inventories	0	0	-8,420	0	0
Dividends	0	0	-241,175	0	0
Write-down of goodwill charged to shareholders' equity	0	0	-826,504	0	0
Other revaluations and write-downs	0	0	-271,629	-93	259
Revaluations and write-downs at 31 Dec 2000	**0**	**0**	**-997,881**	**-2,699**	**759**
Depreciation at 1 Jan 2000	-1,275	-218	0	0	0
Depreciation for the year	-833	-271	0	0	0
Disposals in 2000	0	0	0	0	0
Depreciation at 31 Dec 2000	**-2,108**	**-489**	**0**	**0**	**0**
Book value at 31 Dec 2000	**28,210**	**865**	**346,529**	**120**	**5,584**
Book value at 31 Dec 1999	**28,905**	**1,136**	**475,116**	**213**	**5,224**

The Group comprises the companies shown on page 33.

Loans to subsidiaries during the year amount to DKK 2.8 million and instalments to DKK 21.5 million.

■ Note 6 - Fixed assets (DKK - in thousands) GROUP

	Leasehold improvements	Land and buildings	Technical plant and machinery	Fixtures, tools and equipment	Shares in associated companies	Securities and participating interests
Acquisition value at 1 Jan 2000	45,044	112,366	191,814	178,622	2,919	15,085
Exchange rate adjustments	174	1,754	4,444	2,024	0	0
Additions due to acquisition	5,520	43,012	19,067	60,261	0	0
Additions in 2000	7,671	14,405	28,821	48,694	0	101
Disposals in 2000	-3,100	-741	-27,353	-32,973	0	0
Acquisition value at 31 Dec 2000	**55,309**	**170,796**	**216,793**	**256,628**	**2,919**	**15,186**
Write-downs and depreciation at 1 Jan 2000	-24,830	-23,552	-142,244	-128,262	-2,706	-8,215
Exchange rate adjustments	83	-997	-3,070	-1,853	0	0
Additions due to acquisition	-2,878	-4,654	-7,214	-24,134	0	0
Depreciation for the year*	-5,436	-5,094	-21,712	-32,512	0	0
Write-downs for the year	0	0	0	0	-93	-102
Reversal of write-downs	0	0	0	0	0	1,657
Disposals in 2000	1,866	24	25,768	28,436	0	0
Write-downs and depreciation at 31 Dec 2000	**-31,195**	**-34,273**	**-148,472**	**-158,325**	**-2,799**	**-6,660**
Book value at 31 Dec 2000	**24,114**	**136,523**	**68,321**	**98,303**	**120**	**8,526**
Book value at 31 Dec 1999	**20,214**	**88,814**	**49,570**	**50,360**	**213**	**6,870**

The cash-based value of land and buildings in Denmark according to the official public valuation at 1 January 2000 amounts to DKK 59.8 million against a book value of DKK 57.7 million. Land and buildings include financially leased assets at a book value of DKK 6.0 million.

***Depreciation for the year by function**	**2000**	1999
Production costs	-17,044	-13,690
Research and development costs	-13,932	-13,973
Distribution costs	-16,513	-6,859
Administrative expenses	-17,265	-9,524
	-64,754	-44,046
Loss/gain on disposals of fixed assets	174	449
Total	**-64,580**	-43,597

Other debtors concern deposits and loans at acquisition cost.

PARENT COMPANY		■ **Note 7 - Deferred tax** (DKK - in thousands)	GROUP	
1999	**2000**		**2000**	1999
		Deferred tax, asset		
0	0	At 1 January	19,611	0
0	0	Adjustment of deferred tax from 32% to 30%	-1,228	0
0	0	Change in deferred tax, asset	8,193	19,611
0	**0**	**At 31 December**	**26,576**	19,611
		Provisions for deferred tax		
3,664	2,597	At 1 January	12,498	0
0	-162	Adjustment of deferred tax from 32% to 30%	-777	0
-1,067	932	Change in provision for deferred tax	7,185	12,498
2,597	**3,367**	**At 31 December**	**18,906**	12,498
Tax assets	Tax liabilities	**Specification of deferred tax at 31 December 2000**	Tax assets	Tax liabilities
0	0	Intangible fixed assets	0	-751
0	3,367	Tangible fixed assets	0	9,923
0	0	Current assets	26,499	9,035
0	0	Other	77	699
0	**3,367**	**Total**	**26,576**	**18,906**

■ **Note 8 - Own shares**

PARENT COMPANY & GROUP

	Number of shares/ nominal	% of share capital
Own shares at 1 January 2000	**671,700**	**0.9%**
Additions in 2000	78,825	0.1%
Disposals in 2000	-236,913	-0.3%
Own shares at 31 December 2000	**513,612**	**0.7%**

On buyback or sale of own shares, the acquisition cost or divestment sum is included directly as expense or income in distributable reserves under shareholders' equity.

In 2000 as part of the company's share buyback programme it acquired a total of 78,825 own shares at an amount of DKK 20.9 million. In connection with an employee share scheme, the company sold 236,913 shares to Group employees at a total amount of DKK 17.7 million.

PARENT COMPANY		■ **Note 9 - Shareholders' equity** (DKK - in thousands)	GROUP	
1999	**2000**		**2000**	1999
77,476	74,377	Share capital at 1 January	74,377	77,476
-3,099	336	Issue of shares	336	-3,099
74,377	**74,713**	**Share capital at 31 December**	**74,713**	74,377
0	0	Share premium account at 1 January	0	0
0	146,785	Issue of shares	146,785	0
0	-9,033	Transferred to distributable reserves	-9,033	0
0	**137,752**	**Share premium account at 31 December**	**137,752**	0
426,658	425,057	Distributable reserves at 1 January	425,057	426,658
1,075	-14,982	Exchange adjustment of subsidiaries etc.	-14,982	1,075
3,099	0	Write-down of share capital	0	3,099
-66,454	-826,504	Write-down of goodwill	-826,504	-66,454
0	17,712	Proceeds from sale of employee shares	17,712	0
0	-15,180	Tax on movements in shareholders' equity	-15,180	0
-152,508	-20,903	Write-down of own shares	-20,903	-152,508
213,187	425,767	Retained profit	425,767	213,187
0	9,033	Transferred from share premium account	9,033	0
425,057	**0**	**Distributable reserves at 31 December**	**0**	425,057
499,434	**212,465**	**Shareholders' equity at 31 December**	**212,465**	499,434

The share capital of nominally DKK 74,712,906 is divided into the corresponding number of shares of 1 DKK or multiples thereof following the 1:5 share split. At year-end the number of shares traded on the market was 74.2 million. The company holds 0.5 million of its own shares. In the share ratios own shares are not included for the period in which such shares have been held by the company.

On 22 November 2000 the company carried through a share issue of nominally DKK 335,616 without pre-emption rights for existing shareholders.

PARENT COMPANY		■ **Note 10 - Other provisions** (DKK - in thousands)	GROUP	
1999	**2000**		**2000**	1999
0	0	Retirement and pension commitments	6,747	5,996
0	0	Provisions for guarantees	64,834	55,121
0	0	Other provisions	42,223	884
0	**0**	**Total**	**113,804**	62,001

PARENT COMPANY		Note 11 - Long-term creditors (DKK - in thousands)	GROUP	
1999	2000		2000	1999
88,472	78,333	Long-term creditors, payable after 5 years	85,731	93,172

PARENT COMPANY		Note 12 - Contingent liabilities (DKK - in thousands)	GROUP	
1999	2000		2000	1999
35,728	43,192	Guarantee commitment, subsidiaries' credit lines	-	-
27,538	32,514	Utilised	-	-
-	-	Leasehold liabilities	56,835	66,492
-	-	Leasing commitments	7,635	3,344

The jointly taxed Danish companies are jointly and severally liable for tax of the consolidated taxable income.

The Group's exchange risk at 31 December 2000 is covered by forward contracts at the equivalent of DKK 927 million (DKK 761 million in 1999).

PARENT COMPANY		Note 13 - Employees (DKK - in thousands)	GROUP	
1999	2000		2000	1999
5	6	Number of full-time employees	3,323	2,132
		Employee costs:		
6,239	7,331	Wages and salaries	827,500	549,426
76	89	Pensions	11,315	10,155
24	20	Social security costs	58,438	35,528
6,339	7,440	**Total**	897,253	595,109
		Of which remuneration of managers and directors:		
2,900	3,525	Management	3,525	2,900
850	1,140	Directors	1,335	988

Note 14 - Audit fees (DKK - in thousands)

PARENT COMPANY 1999	2000	
		Deloitte & Touche, Statsautoriseret Revisionsaktieselskab
240	255	Audit fees
53	45	Other fees
		KPMG C.Jespersen
240	255	Audit fees
52	187	Other fees

Note 15 - Related party transactions

Related parties are the principal shareholder, William Demants og Hustru Ida Emilies Fond (the Oticon Foundation), Strandvejen 58, DK-2900 Hellerup, Denmark and the company's Management and Board of Directors.

The Oticon Foundation lets a property to Danacom A/S and pays rent and a fee to Oticon A/S for handling of its administration.

Apart from the above no agreements or other arrangements or transactions were made in 2000, in which related parties have a financial interest.

Note 16 - Government subsidies

Neither in 1999 nor 2000 has the William Demant Group received any significant Government subsidies.

Company	Interest
William Demant Holding A/S, Denmark	**Parent company**

Subsidiaries	
Oticon A/S, Denmark	100%
Oticon AB, Sweden	100%
Oticon Nederland B.V., Netherlands	100%
Oticon Inc., USA	100%
Oticon A/S, Norway	100%
Oticon S.A., Switzerland	100%
Oticon GmbH, Germany	100%
Oticon Italia S.r.l., Italy	100%
Oticon K.K., Japan	100%
Oticon Limited, United Kingdom	100%
Oticon New Zealand Limited, New Zealand	100%
Oticon España S.A., Spain	100%
Oticon Australia Pty Limited, Australia	100%
Oticon Polska Sp.z o.o., Poland	91%
Oticon Belgium N.V., Belgium	100%
Oticon Nanjing Audiological Technology Co. Ltd., China	100%
Oticon South Africa (Pty) Ltd, South Africa	100%
Oticon Singapore Pte. Ltd., Singapore	100%
Prodition S.A., France	100%
Bernafon AG, Switzerland	100%
Bernafon Australia Pty Ltd, Australia	100%
Bernafon Hörgeräte GmbH, Germany	100%
Maico S.r.l., Italy	100%
Bernafon U.K. Ltd., United Kingdom	100%
Bernafon Inc., USA	100%

Subsidiaries	
Bernafon Danmark A/S, Denmark	100%
Bernafon AB, Sweden	100%
Bernafon K.K., Japan	100%
Bernafon S.r.l., Italy	100%
Australian Hearing Aids Pty. Ltd., Australia	100%
Phonic Ear Inc., USA	100%
Phonic Ear Ltd., Canada	100%
Danacom A/S, Denmark	75%
Logia A/S, Denmark	100%
Maico Diagnostic GmbH, Germany	100%
RhinoMetrics A/S, Denmark	100%
DancoTech A/S, Denmark	100%
Centro Auditivo Telex S.A., Brazil	100%
Interacoustics A/S, Assens, Denmark	100%
Dahlberg Sciences Ltd., Canada	100%
Hidden Hearing Ltd., United Kingdom	100%
Hidden Hearing (Portugal), Lda., Portugal	100%
Hidden Hearing Limited, Ireland	100%
Hidden Hearing, Akoustica Medica M EPE, Greece	100%

Joint venture	
HDN Holding, Inc. (Avada), USA	47%

Associated companies	
Otwidan ApS, Denmark	33%
HIMSA A/S, Denmark	25%
National Hearing Aid Systems Pty. Ltd., Australia	50%
NewDae Technologies Inc., USA	25%

The above list covers the Group's active companies.

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