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EUROPEAN COMPANY OF THE YEAR AWARD

On 6 June 2003, William Demant Holding was granted the prestigious European Company of the Year Award. Previous award winners include BMW, Nokia and H&M Hennes & Mauritz. The founders of the prestigious award are the European Business Press federation. The federation consists of 47 European business papers and magazines in 23 countries. The award is granted every year to a European company whose financial and business performance has been outstanding for a number of years.



M i s s i o n

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 undertakings 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 quality 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 enterprises 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 endeavours to increase its value through continued growth in revenues and results.

All Group undertakings 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 AREAS

The William Demant Group develops, manufactures and sells products and equipment designed to aid the hearing and communication of individuals. The Group focuses on three business areas: Hearing Aids, Diagnostic Instruments and Personal Communication. Group undertakings collaborate in many areas and to a wide extent also share resources and technologies.

Hearing Aids

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

Oticon's vision is "to enable people to live the life they want with the hearing they have". Oticon aims to supply the most sophisticated technology and audiology based on the needs and wishes of the hearing impaired and to offer a full range of the best hearing aids and fitting systems on the market. Oticon wishes to be the most attractive provider of hearing aids and looks upon the hearing care professional as its business partner.

Oticon sells its products through sales companies in 20 countries and about 80 independent distributors world-wide.

Bernafon aims to help hearing-impaired people to hear and communicate better through innovative hearing-aid solutions. Bernafon offers a large range of quality hearing systems in all product categories. Bernafon's hearing aids are flexible and easy to fit for hearing-care professionals, and its products represent one of the most attractive combinations on the market in terms of performance, size and price.

Bernafon continuously expands its distribution power through the establishment or acquisition of sales companies on the most important markets. Today it sells its products through 13 marketing subsidiaries and over 60 independent distributors.

A condition for both Oticon's and Bernafon's solutions is that they master a wide spectrum of technologies, including the design of integrated circuits for advanced processing of sound signals, the development of fitting software, the design of micro-amplifiers and the development of micro-mechanical components. The products are created in collaboration with experts having in-depth knowledge of their particular fields and through the interaction of suppliers, users and hearing-care professionals.

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.

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 subsidiary undertakings 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, its products are primarily sold through external distributors.

Personal Communication

This unit includes Phonic Ear, which provides wireless communication systems and assistive listening devices for the hearing impaired, and Sennheiser Communications offering headsets for professional users.

Phonic Ear develops, manufactures and distributes communication equipment within three main areas: Assistive listening devices, FM systems and major audio systems. Assistive listening devices like for instance alarm systems, teleloop amplifiers and amplifier phones are typically used by hearing impaired in their private homes. Wireless FM systems are mainly used in classrooms. Teleloop and audio systems etc. are mainly sold to old people's homes, churches, cinemas, theatres etc.

Sennheiser Communications, a joint venture created by German Sennheiser electronic and the William Demant Group, develops, manufactures and markets hand-free communication solutions, mainly headsets, and sells these products through a global network of distributors, OEM manufacturers, retailers and telecommunications businesses. Sennheiser Communications aims to become the customers' preferred supplier of quality solutions on the headset market.

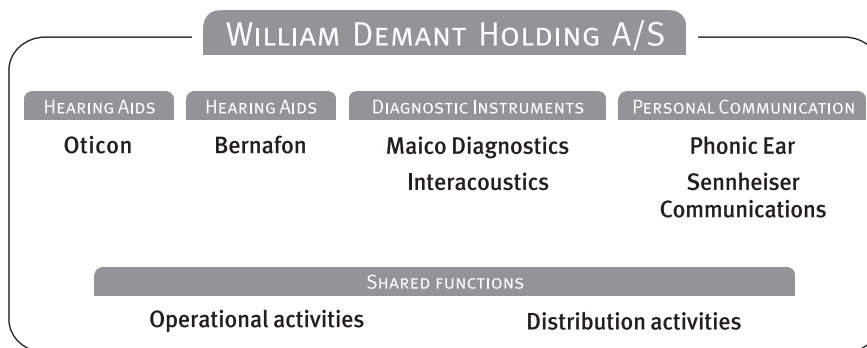
Shared functions

Operations

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

Distribution

Group products are sold through a number of distribution undertakings in some countries direct to end-users and to other suppliers both under own brands and as private labels.



KEY FIGURES AND RATIOS - DKK

PROFIT AND LOSS ACCOUNT, DKK MILLION	1999	2000	2001	2002	2003
Net revenue	1,884.3	2,959.7	3,506.2	3,923.7	3,869.7
Gross profit	1,045.9	1,840.3	2,230.0	2,505.3	2,521.3
Operating profit (EBIT)	336.4	582.9	683.1	810.2	855.5
Net financials	3.3	-22.1	-43.3	-30.8	-28.2
Profit before tax	339.7	560.8	639.7	779.4	827.3
Ordinary profit after tax	258.1	427.5	482.0	578.6	618.3
Net profit for the year	257.4	425.8	481.4	578.6	618.3
BALANCE SHEET, DKK MILLION					
Interest-bearing items, net	-92.5	-595.2	-897.3	-741.7	-632.9
Total assets	1,103.7	1,554.2	2,006.5	1,991.6	2,015.0
Shareholders' equity	470.0	200.3	162.8	427.8	522.2
OTHER KEY FIGURES, DKK MILLION					
Research and development costs	158.8	197.7	253.0	272.2	294.9
Depreciation and amortisation	57.2	85.8	98.1	108.0	117.0
Investment in tangible fixed assets, net	84.0	105.8	168.9	114.2	124.4
Cash flow from operating activities (CFFO)	221.9	315.9	317.4	669.4	753.7
Free cash flow	127.8	199.6	133.7	548.8	615.5
Cash earnings (CE)	315.3	513.3	580.1	686.6	735.3
Employees (average)	2,132	3,323	3,997	4,208	4,272
RATIOS					
Gross profit ratio	55.5%	62.2%	63.6%	63.9%	65.2%
Profit margin	17.9%	19.7%	19.5%	20.6%	22.1%
Return on equity	55.5%	156.4%	179.2%	168.0%	139.8%
Equity ratio	42.6%	12.9%	8.1%	21.5%	25.9%
Earnings per share (EPS), DKK*	3.5	5.8	6.5	7.9	8.8
Cash flow per share (CFPS), DKK*	3.0	4.3	4.3	9.1	10.8
Free cash flow per share, DKK*	1.7	2.7	1.8	7.5	8.8
Cash earnings per share (CEPS), DKK*	4.2	7.0	7.8	9.4	10.5
Dividend per share, DKK*	0.60	-	-	-	-
Book value per share, DKK*	6.4	2.7	2.2	5.9	7.5
Price earnings (P/E)	40	62	33	19	23
Share price, DKK*	140	360	216	152	200
Market capitalisation adj. for own shares, DKK million	10,324	26,727	15,981	10,935	13,710
Average number of shares, million	74.22	73.72	74.16	73.31	69.95

Ratios are calculated in accordance with "Anbefalinger & Nøgletal 1997" (Guidelines and ratios 1997) 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.

* Per share of DKK 1.

KEY FIGURES AND RATIOS - EUR**

PROFIT AND LOSS ACCOUNT, EUR MILLION	1999	2000	2001	2002	2003
Net revenue	253.1	397.6	471.0	527.0	519.8
Gross profit	140.5	247.2	299.5	336.5	338.7
Operating profit (EBIT)	45.2	78.3	91.8	108.8	114.9
Net financials	0.4	-3.0	-5.8	-4.1	-3.8
Profit before tax	45.6	75.3	85.9	104.7	111.1
Ordinary profit after tax	34.7	57.4	64.7	77.7	83.1
Net profit for the year	34.6	57.2	64.7	77.7	83.1
BALANCE SHEET, EUR MILLION					
Interest-bearing items, net	-12.4	-79.9	-120.5	-99.6	-85.0
Total assets	148.3	208.8	269.5	267.5	270.7
Shareholders' equity	63.1	26.9	21.9	57.5	70.1
OTHER KEY FIGURES, EUR MILLION					
Research and development costs	21.3	26.6	34.0	36.6	39.6
Depreciation and amortisation	7.7	11.5	13.2	14.5	15.7
Investment in tangible fixed assets, net	11.3	14.2	22.7	15.3	16.7
Cash flow from operating activities (CFFO)	29.8	42.4	42.6	89.9	101.2
Free cash flow	17.2	26.8	18.0	73.7	82.7
Cash earnings (CE)	42.4	69.0	77.9	92.2	98.8
Employees (average)	2,132	3,323	3,997	4,208	4,272
RATIOS					
Gross profit ratio	55.5%	62.2%	63.6%	63.9%	65.2%
Profit margin	17.9%	19.7%	19.5%	20.6%	22.1%
Return on equity	55.5%	156.4%	179.2%	168.0%	139.8%
Equity ratio	42.6%	12.9%	8.1%	21.5%	25.9%
Earnings per share (EPS), EUR*	0.47	0.78	0.87	1.06	1.19
Cash flow per share (CFPS), EUR*	0.40	0.58	0.57	1.23	1.45
Free cash flow per share, EUR*	0.23	0.36	0.24	1.01	1.18
Cash earnings per share (CEPS), EUR*	0.57	0.94	1.05	1.26	1.41
Dividend per share, EUR*	0.08	-	-	-	-
Book value per share, EUR*	0.86	0.36	0.30	0.80	1.00
Price earnings (P/E)	40	62	33	19	23
Share price, EUR*	19	48	29	20	27
Market capitalisation adj. for own shares, EUR million	1,387	3,590	2,147	1,469	1,842
Average number of shares, million	74.22	73.72	74.16	73.31	69.95

Ratios are calculated in accordance with "Anbefalinger & Nøgletal 1997" (Guidelines and ratios 1997) 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.

* Per share of DKK 1.

** Danmarks Nationalbank's rate of exchange at 31 December 2003 of 744.46 has been used on the translation of key figures and ratios from DKK to EUR.

BOARD OF DIRECTORS AND MANAGEMENT

Parent company

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Denmark
CVR 71186911
Phone +45 3917 7100
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Board of Directors

Niels Boserup, Chairman

President and CEO of Københavns Lufthavne A/S. Member of the board of directors of Jyllands-Posten Holding A/S.

Jørgen Mølvang, Deputy Chairman

Chairman of the boards of directors of Reson System A/S and Hedorf Holding A/S.

Nils Smedegaard Andersen

President and CEO of Carlsberg Breweries A/S.

Lars Nørby Johansen

President and CEO of Group 4 Falck A/S. Deputy chairman of the board of directors of DONG A/S.

Ole Lundsgaard

Staff representative.

Stig Michelsen

Staff representative.

Michael Pram Rasmussen

President and CEO of Topdanmark A/S. Chairman of the board of directors of A.P. Møller - Mærsk A/S.

Hanne Stephensen

Staff representative.

Management

Niels Jacobsen, President and CEO

Chairman of the board of directors of HIMPP A/S. Member of the boards of directors of Novo Nordisk A/S, Nielsen & Nielsen Holding A/S, Højgaard Holding A/S, Sennheiser Communications A/S, HIMSA A/S and HIMSA II A/S.

Auditors

Deloitte

Statsautoriseret Revisionsaktieselskab

and

KPMG C.Jespersen

Statsautoriseret Revisionsinteressentskab

Annual general meeting

The annual general meeting will be held on Thursday, 25 March 2004 at 4 p.m. at the Experimentarium, Tuborg Havnevej 7, DK-2900 Hellerup.



LEXIS – WIRELESS COMMUNICATION

Noise, distance and reverberation. Today's advanced hearing instruments can't always provide optimal speech understanding in very difficult listening situations. Combining unique digital technology, which has made it easier to determine where a sound comes from, with the latest in wireless communication, Lexis has set a new standard for general speech understanding and speech development of children. With Lexis, named so after the Greek word for "speech", we can now offer the users exceptional speech understanding in noisy environments and in rooms where there is great distance between speaker and listener.



LEXIS



S E N N H E I S E R C O M M U N I C A T I O N S

Sennheiser Communications' product range comprises integrated solutions for professional telephony, including call centres and office environments as well as PC and multimedia applications. In developing products, top priority is given to first-class sound quality, sophisticated design and optimal user comfort. Sennheiser Communications' strong technological core competencies and the fact that it is backed by world-leading parent companies provide Sennheiser Communications with the basis for contributing meaningfully to, and succeeding in, tomorrow's information society.



The William Demant Holding Group continues growth trend

The William Demant Holding Group continued the favourable trends in 2003 and generated 8% organic growth. This improvement was achieved in a market with moderate growth and in a year without any major product introductions from the Group’s hearing-aid undertakings.

The Group expects to maintain its strong market position in 2004. In the first two months of 2004, Oticon has already introduced two new hearing-aid families - GO and Atlas Plus. A third major product introduction is scheduled for 2004 also. All other business areas will currently update existing products and introduce new ones during 2004.

Despite unfavourable foreign-exchange trends, the Group was able to improve its operating profits. The year’s highlights may be summarised as follows:

- In 2003, revenues rose by 8% in local currency. Our core business improved by 10%.
- The consolidated revenues amounted to DKK 3.87 billion after a negative foreign-exchange impact of 9%.
- The gross profit ratio increased to 65.2% against 63.9% in 2002.
- Operating profits (EBIT) totalled DKK 856 million against DKK 810 million in 2002.
- The profit margin was up to 22.1% in 2003 from 20.6% in 2002.
- Earnings per share (EPS) improved by 12% to DKK 8.8.
- Net cash flow from operating activities accounted for DKK 754 million, and the free cash flow was DKK 616 million.

Overall, the rate of growth matched expectations at the start of the year. The product mix was slightly different though with higher-than-expected growth in the sale of less costly hearing

aids, and the total increase of 14% in the number of instruments manufactured by Group undertakings was higher than estimated.

As in 2002, consolidated revenues were negatively affected by falling exchange rates in 2003. The falling exchange rates also affected consolidated earnings, even though the Group’s cost structure provides a partial hedge against fluctuations in exchange rates and despite the major trading currencies being hedged through forward-exchange contracts. With the expiry of existing forward-exchange contracts, new contracts will be concluded at lower exchange rates, and the negative impact will thus continue into 2004. Overall, it is estimated that the lower foreign-exchange rates will result in an annual negative effect on operating profits in 2004 and onwards of about DKK 120 million compared with 2002.

Consolidated revenues and operating profits matched our previously announced expectations.

Business conditions

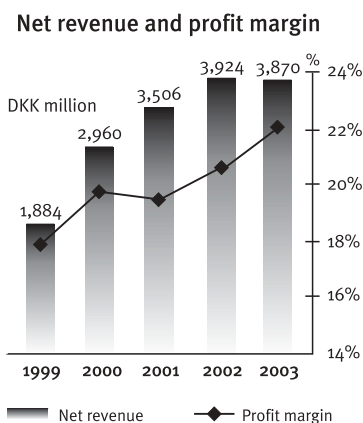
Hearing Aids

The market for hearing aids was flat in the first half of 2003, but picked up nicely in the second half. Throughout the year, global sales of hearing aids grew moderately which is marginally better than expected at the start of the year. On the important US market, trends as a whole matched expectations, whereas the major European markets such as France, Germany and to some degree the Netherlands developed more favourably than expected.

Over time, growth rates in the hearing-aid business will fluctuate, and development on the short term is difficult to foresee. The Group still expects that on the medium to long term, the market will grow by 3-5% annually. Growth will be sustained by the demographic development, an increasing number of users requiring binaural fitting, development in new markets and modest price increases.

Trends in 2003 confirmed that having competitive products is all-important, and that the launching of new products is of far greater significance to the success of a manufacturer than are random price reductions. The positive shifts in demand, which are typical on product introductions, show that new products can differentiate themselves from existing ones enabling such new products to generate growth.

With no major product introductions, 2003 was an “intermediate” year for the Group’s hearing-aid undertakings – Oticon and Bernafon. The focus was instead on expanding the product portfolios, and today both Oticon and Bernafon have a complete digital product portfolio with digital products in all relevant price categories.



Atlas, which was introduced in August 2002, accounts for a large slice of the growth in 2003. In order to maintain the positive momentum in the medium to low-end segment, Oticon has decided to launch the Atlas Plus product family on selected markets. Atlas Plus offers more user features and is priced slightly higher than Atlas.

In April 2003, Oticon introduced the Gaia product family, which is positioned in the high-end segment just under Adapto. Gaia was a growth contributor in 2003, and we expect the Gaia product family to continue the favourable trends in 2004.

In order to benefit from the continued conversion of very inexpensive analogue instruments into inexpensive digital instruments, Oticon in January 2004 introduced a new inexpensive, digital product family, GO, with the most basic user features. The product family will help Oticon expand its position in the low-end segment of the hearing-aid market, a position which has been obtained in the past five years through the sale of Swift and Ergo.

Bernaфон has already successfully convinced a number of the customers who used to buy inexpensive analogue instruments to buy the slightly more expensive digital Flair, which was launched in the second quarter of 2003. In December 2003, Bernaфон also introduced a new upgraded version of its high-end product, now called Symbio XT.

At the end of August, Oticon was chosen as one of two main suppliers of digital hearing aids to the British government through its National Health Service (NHS). The agreement is a continuation of Oticon's long-standing cooperation with the NHS and an expansion of the existing cooperation relating to the NHS' roll-out of digital instruments to the public hearing clinics in Great Britain. The collaboration will boost growth in the number of aids sold in 2004, but its effect on earnings will not be as significant because of the relatively low prices, at which the products are sold. Moreover, the increased sale of digital instruments will have a negative impact on the sale of analogue products to the NHS. The volume growth will also to some extent be offset by the fact that Bernaфон lost its contract as main supplier to the Australian government through the Australian Hearing Services (AHS) in spring 2003.

Compared with 2002, the Group's retail activities with sale of hearing aids direct to end-users saw reasonable growth as well as improved profitability in 2003. Retail activities depend more directly on the underlying market trends than wholesale activities with the individual hearing clinics being immediately affected by the general demand in the local market.

In recent years, Oticon has grown tremendously on the North American market partly through organic growth and partly

through strategic acquisitions. The greater activity level has of course also put growing pressure on financing and manufacturing systems. In the second and third quarters of 2003, Oticon's American sales company, Oticon, Inc., introduced a new IT system, which with the simultaneous implementation of a new telephone system meant that in certain periods, Oticon, Inc. was unable to meet the demand for Group products and provide a satisfactory service to customers. The problems created by the new IT system have now been solved, and Oticon, Inc. is again geared for growth.

In 2003, Bernaфон chose to reposition its activities on the US market resulting in the replacement of its management team and the relocation of its head office to New Jersey. The related restructuring costs are included in the 2003 financial statements.

In line with the increasing sale of in-the-ear units, the Group has successfully extended its local manufacturing capacity, and the various undertakings are geared for volume growth as forecast for 2004.

The manufacture of in-the-ear instruments used to be very labour-intensive and the possibilities for improving efficiency fairly limited. In recent years, the hearing-aid industry has worked on a new technology for manufacture of shells for in-the-ear instruments. This technology is based on 3D scanning of the ear impression for subsequent modelling on a computer and automatic production of the shell by a machine that prints the shell. Oticon and Bernaфон have waited for this technology to be ready for implementation, and it will be introduced at a number of the Group's major production sites during 2004. The necessary laboratory tests and modification of the technology to match the Group's products and production sites were carried through in 2003.

Diagnostic Instruments

The diagnostic Instruments business area is more sensitive to economic fluctuations than our core business, and sales in 2003 were affected by the adverse economic situation. The total market for audiometric equipment dropped slightly in 2003. The unfavourable market trends had a detrimental effect on the sale of almost all product lines in this business area. There were however signs in the fourth quarter of a rise in the order inflow suggesting that 2004 will be a better year than 2003.

In the autumn, Interacoustics introduced an OAE screener for screening of the hearing of children and infants. OAE stands for OtoAcoustic Emission and enables objective identification of a hearing loss. At UHA, the German hearing-aid conference, Interacoustics introduced a PC-based audiometer and fitting system, Affinity, designed for hearing-care professionals. This

system will be ready for delivery in the second quarter of 2004 and will appeal to a market segment in which Interacoustics and Maico, historically, have had a weak track record.

Personal Communication

The market for Phonic Ear’s products, wireless communication systems and technical aids for people with hearing impairment, continued its sluggish trends into 2003, and US sales were particularly disappointing.

Phonic Ear changed management in early 2003, and the year was influenced by production being moved to other production sites in the Group, to local sub-suppliers or suppliers in the Far East. This resulted in some supply problems, but these were solved during the autumn of 2003.

For Phonic Ear, the most significant event in 2003 was the introduction of Lexis, which is a hand-held, wireless, directional microphone with an FM receiver for mounting on a hearing aid. Lexis has been introduced in the USA and on most European markets and will be a growth driver in 2004. Lexis was developed in close collaboration with Oticon’s R&D team and is distributed by Phonic Ear, Oticon and Bernafon as well as the American hearing-aid manufacturer, Starkey, which was also a member of the development team. The introduction of Lexis is evidence that wireless communication is increasingly becoming an integral part of general hearing-aid development. Distribution will increasingly take place through the same channels as hearing aids. All sales of Lexis products are reported under the Personal Communication business area.

In 2003, the other business unit under Personal Communication, Sennheiser Communications, launched three new headset series: For PC’s, for SoHo (Small office/Home office) and for call centres. Each series consists of five products.

Sennheiser Communications was very successful with the first series of PC headsets. It perfectly matched the distribution system of our joint-venture partner, Sennheiser electronic. In 2004, the major challenge for Sennheiser Communications will be the establishment of a distribution network for headsets for the SoHo and call-centre segments where competition is tougher. The SoHo and call-centre series were introduced at the end of 2003, and the effect on sales will not be visible until 2004.

Financial statements for 2003

Revenues and the impact of foreign-exchange rates

As forecast, the Group realised revenues of DKK 3.87 billion in 2003, or 8% growth measured in local currency. In Danish kroner, this is a slight fall of 1%. The reason for the negative impact of minus 9% is generally the strength of the Danish

krone vis-à-vis the Group’s major trading currencies. The conversion of Danacom A/S into the Sennheiser Communications A/S joint venture only had a limited adverse impact on revenues.

With 10% organic growth, our core business, wholesale of hearing aids, fully matched our expectations. This rate of growth was achieved in an “intermediate year”, in which the frequency of introductions of new hearing aids was lower than in previous years.

In terms of the number of hearing aids manufactured by Group undertakings, the rate of growth in terms of units is 14% (10% in 2002) in a market, where growth is estimated at 4-6%.

With 97% of revenues being generated outside Denmark, the Group depends not only on market trends, but most definitely also on trends in foreign-exchange markets on the medium to long term. Our forecasts for 2003 at the beginning of the year were based on the exchange rates at the time. The strengthening of the Danish krone during the year negatively affected revenues measured in Danish kroner compared with our original forecasts. The graph and table below reflect the drastic changes in our major trading currencies since 2001, with the USD for instance having been weakened by 30% vis-à-vis the Danish krone.

Indexed development in trading currencies 2002-2004



1 January 2002 = 100

The realised consolidation rate of the USD in 2003 of 659 is 16% lower than the rate of 789 realised in 2002. With today’s rate of 591, which is the realised exchange rate for January 2004, the dollar has dropped another 10% compared with 2003.

The Group's major trading currencies are USD, JPY and GBP:

Foreign-exchange rates	USD	JPY	GBP
31 December 2001	841	6.41	1219
Realised rate 2002	789	6.30	1182
31 December 2002	708	5.97	1140
Realised rate 2003	659	5.68	1075
31 December 2003	596	5.57	1058
Realised rate January 2004	591	5.55	1076

If consolidated revenues for the past three years are translated at the exchange rates for January 2004, consolidated revenues will still be negatively affected in 2004.

Net revenue

(DKK million)	2001	2002	2003
At realised rates	3,506	3,924	3,870
At realised rates January 2004	3,042	3,459	3,741
Difference	-13.2%	-11.9%	-3.3%

Since, as a result of sales and earnings, the Group generates substantial transactions in foreign currencies, it currently hedges future cash flows. Hedging is made through forward-exchange contracts, typically with a horizon of 6-24 months.

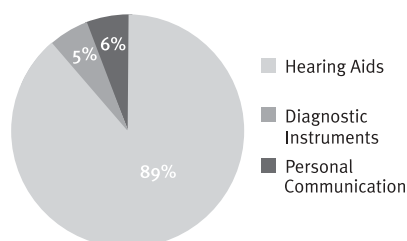
At end-2003, the Group had forward-exchange contracts to the tune of DKK 951 million (DKK 753 million at 31 December 2002) with a market value of DKK 31 million (DKK 52 million at 31 December 2002). The major contracts hedge the following currencies and periods:

Currency	Hedging period	Hedging rate
USD	13 months	650
JPY	19 months	6.11
EUR	10 months	745

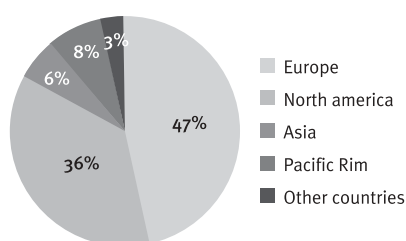
The Group also hedges single investments in foreign subsidiary undertakings by raising loans in the particular currencies. Where goodwill in prior years has been written off via shareholders' equity, the goodwill-related part of such financing will be treated as hedging of any future returns on the investment in such subsidiary undertaking. At 31 December, shareholders' equity included an amount of DKK 150 million for such hedging purposes. At the end of 2003, such loans in foreign currency constituted DKK 363 million.

European revenues account for 47% of consolidated revenues. In terms of local currency, revenues in Europe rose by 9%. The North American region also experienced growth in local currency, but with the weakened USD and CAD the region's share of consolidated revenues dropped to 36%. The Pacific Rim region saw a slight decline due to the loss of sales to the Australian government. Countries such as Japan, South Africa, New Zealand and Russia showed satisfactory growth in local currencies.

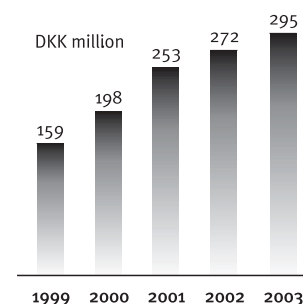
Net revenue by business unit



Net revenue by region



R&D costs



Revenue by business area

(DKK million)	2002*	2002**	2003**
Hearing Aids	3,429	3,135	3,424
Diagnostic Instruments	240	227	211
Personal Communication	255	225	235
Total	3,924	3,587	3,870

*Computed at 2002 exchange rates **Computed at 2003 exchange rates

With revenues of DKK 3,424 million, or 89% of the consolidated revenues, Hearing Aids is the biggest business area in the Group, and also the area with the relatively largest increase in terms of local currency with a rate of growth of 9%. Compared with 2002, both wholesale and retail activities performed satisfactorily.

The market for diagnostic instruments has been affected by the recession in recent years. This is the major reason for the flat trend in sales in Diagnostic Instruments. Sales are also affected by the postponement of a major product introduction.

The consolidated revenues of Personal Communication show a moderate increase in terms of local currency, which reflects good progress in Canada and Europe, but disappointing sales by Phonic Ear in the USA. Due to the establishment of the Sennheiser Communications joint venture on 1 January 2003 50% of Danacom's revenues have not been consolidated, and this had a negative impact on this business area of 5%, or DKK 11 million.

Despite falling revenues, the Group's gross profit was maintained at DKK 2.5 billion, which improved to a total of 65.2% against 63.9% in 2002. If gross profit is translated at fixed rates, it rose by 7%, which is satisfactory in a year, in which the product mix shifted towards less expensive instruments due to the introduction of Atlas in mid-2002 and Flair in early 2003. AHAA also showed relatively higher growth than the remaining Group, which also had an adverse impact on the gross profit ratio.

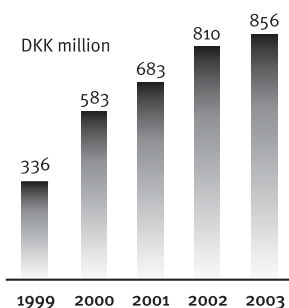
Overheads

The following table shows overheads with percentage changes in Danish kroner and in local currency. The table shows that relatively speaking total overheads rose more moderately than revenues resulting in a positive impact on the profit margin.

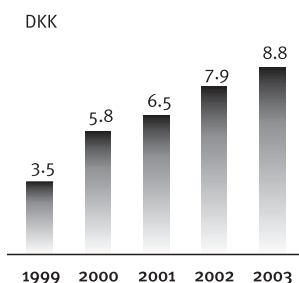
Overheads

(DKK million)	2002	2003	Percentage change	
			DKK	Local currency
R&D costs	272.2	294.9	8%	11%
Distribution costs	1,160.2	1,130.4	-3%	7%
Admin. expenses	263.3	242.1	-8%	-1%
Total	1,695.7	1,667.4	-2%	6%

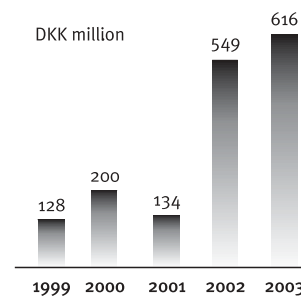
Operating profit (EBIT)



Earnings per share (EPS)



Free cash flow



R&D costs

R&D activities also rose in 2003 with the Group spending DKK 295 million, or an increase of 11% in local currency. The Group's strategy of increasing the R&D effort has turned out to be the major reason that we have been able to maintain long-term growth. Most R&D efforts are based in Copenhagen, and most R&D costs are therefore paid in Danish kroner.

The William Demant Holding Group's development functions work across business areas and continents for optimal exploitation of know-how and knowledge. This process also ensures that basic technologies and special competencies developed for specific purposes in one part of the Group are used in other parts of the Group in other contexts for maximum utilisation of all development resources.

The Group has major development centres in Denmark, Switzerland, Germany and the USA, and participates in various research networks and institutions throughout the world.

R&D costs are estimated to grow also in 2004.

Distribution costs

Apart from production costs, the largest cost item is distribution, which in 2003 accounted for 29.2% of consolidated revenues. With 7% growth in local currency, distribution costs rose in line with consolidated revenues. A relatively large share is attributable to our retail activities. Measured in terms of core business alone – wholesale of hearing aids – distribution costs account for 21% of revenues.

Through a targeted focus on closer contact to hearing-care professionals as well as training and education, our sales companies have been able to increase the sale per customer and create new customer relations.

Also in 2004, distribution costs are forecast at 29-30% of consolidated revenues.

Administrative expenses

The flat development in administrative expenses is a continuation of trends in recent years. Expenses fell by 1% in local currency. The development of the Group's administrative systems has now in general been completed in the various sales companies, and increasing the activity level based on the existing capacity will thus not necessarily trigger new costs.

All Group undertakings are linked up on the same intranet, which facilitates day-to-day communication between Group staff and improves the centralisation and efficiency of support functions.

We expect a slight increase in administrative expenses in 2004.

The year's profit

The Group's profit margin went up by 1.5 percentage point to 22.1% in 2003. The explanation is the negative trend in our trading currencies, operating profits (EBIT) having gone up by 6% to DKK 856 million despite the fall in consolidated revenues, which is satisfactory.

As in previous years, profits were to a high degree converted into free cash flow, and cash flow from operating activities rose to DKK 754 million from DKK 669 million in 2002.

Amortisation of goodwill accounted for DKK 0.4 million.

The continued low interest level, internationally, enabled the Group to realise net financials of DKK 28 million, which is slightly lower than in 2002 with DKK 31 million. Interest expenses are mainly attributable to the loans raised for financing of acquisitions in the USA. The free cash flow is still used for buyback of shares, consequently there is no significant financial income.

Pre-tax profits rose by 6% to DKK 827 million. Corporation tax is 25%, which is at the same level as in 2002, and the year's profit is therefore DKK 618 million. The return on equity is 140% (p.a.).

Earnings per share (EPS) are DKK 8.8, or a 12% increase, which matches our previously announced expectations.

The Board of Directors recommend that the shareholders in general meeting decide that all the year's profit be transferred to free reserves since the Board of Directors intend to pursue its policy of buying back shares as the only dividend instrument.

In 2003, we acquired 3,412,652 own shares at a total of DKK 541 million. At 3 March 2004, the Company's holding is 2,426,740 shares, or 3.5% of the share capital. At the general meeting, the Directors will propose that the share capital be written off by the number of shares corresponding to the holding of own shares on that date. Our shareholders will thus increase their ownership interest.

In this connection William Demant og Hustru Ida Emilies Fond (the Oticon Foundation) has informed us that concurrently with the cancellation of shares it will make shares available to the share market in order to maintain the liquidity of the share and that it will seek to retain its ownership interest at a level of 60-65%.

Shareholders' equity and capital

At 31 December 2003, shareholders' equity amounted to DKK 522 million, or 26% of the consolidated balance-sheet total.

Development in consolidated shareholders' equity

(DKK million)	2002	2003
Shareholders' equity at 1 January	163	428
Value adjustments of hedging instruments	133	43
Exchange adjustments of subsidiary undertakings	-40	-33
Write-down of own shares	-423	-541
Other adjustments	16	7
Profit for the period	579	618
Total	428	522

Cash flows, financing and cash position

Cash flows improved in 2003. The Group continues its effort to minimise Group undertakings' working capital while maintaining growth in revenues and earnings. Cash flows from operating activities accounted for DKK 754 million, which is an increase compared with DKK 669 million in 2002.

Development in cash flows by main items

(DKK million)	2001	2002	2003
Year's profit	481	579	618
CFFO	317	669	754
CFFI, excl. acquisitions	-184	-120	-138
Free cash flow	133	549	616
Acquisitions	-477	-7	0
Buyback of shares	-27	-423	-541
Other financing activities	524	-84	-156
Year's net effect	153	35	-81

The Company has relevant credit facilities mainly with Danish credit institutes to ensure continued funding of operations or acquisitions, if and when opportunity arises.

The Directors and the Executive Board are of the opinion that the interest and loan terms obtained from the Group's credit institutes are comparable with the best on the market.

The composition of the Company's interest-bearing assets and liabilities are reflected in the table below. The maximum credit risk at the balance sheet day is identical with the book value of the assets. There is no significant concentration of credit risks.

Interest rate risk at 31 December 2003 (DKK million)

Rate	Under 1 year	1-5 years	Over 5 years	Total	Weighted interest
Financial asset investments	0.0	23.5	1.7	25.2	
Liquid funds	108.1	0.0	0.0	108.1	
Interest-bearing assets	108.1	23.5	1.7	133.3	1.9%
Mortgages	0.4	1.8	1.1	3.3	
Long-term interest-bearing debt	12.6	403.0	50.0	465.6	
Interest-bearing short-term debt	295.6	1.7	0.0	297.3	
Interest-bearing debt	308.6	406.5	51.1	766.2	3.6%
Net position	-200.5	-383.0	-49.4	-632.9	3.9%

The Group has chosen to fix interest rates for part of the long-term debt through interest swaps of USD 37 million and EUR 8 million. At 31 December 2003, there was a non-realised loss on these swaps of DKK 6 million.

In the Board of Directors' and the Management's opinion, there are no significant financial risks that have not been hedged.

Investments

Investments in tangible fixed assets in 2003 amounted to DKK 124 million net. Investments of less than DKK 50,000 totalling DKK 17 million were written off when acquired.

The Group currently tests new production technologies such as the new technology for printing of shells for in-the-ear hearing aids described previously. This particular technology will be implemented at our major production sites during 2004.

In 2001 and 2002, the Group invested heavily in the expansion of the Eriksholm research centre and the facilities in Oticon, USA. In 2003, investments focused on the expansion and maintenance of our productive capacity both in the central factories and locally in the sales companies. For 2004, the level of investments is expected to be DKK 120-140 million.

Balance sheet

The consolidated balance-sheet total is unchanged at a level of DKK 2 billion, of which total assets and investments account for about 27%.

The largest asset items are inventories and trade debtors. Investments in new automatic inventory handling equipment and increased integration with our suppliers resulted in inventories (based on fixed exchange rates) developing at a slower rate than the increase in consolidated revenues.

Board of Directors, Executive Board and employees

At the annual general meeting in March 2003, Mr Lars Nørby Johansen and Mr Michael Pram Rasmussen were both re-elected. Mr Nils Smedegaard Andersen was elected to sit on the Board. Employees elected new staff representatives to sit on the Board. Mr Stig Michelsen and Mr Ole Lundsgaard were elected and Ms Hanne Stephensen was re-elected.

At year-end, the Group employed 4,352 staff against 4,325 in 2002. The average number of employees throughout the year on a full-time basis was 4,272 against 4,208 in 2002. Denmark had 1,250 employees against 1,272 in 2002.

The Board of Directors would like to take the opportunity to thank all staff for their tremendous effort and commitment throughout 2003, which is vital to the Group's success.

Corporate governance

At the end of 2001, the Nørby Committee submitted a number of recommendations for good corporate governance in Denmark. The Directors currently discuss corporate governance, and how

to ensure good corporate management vis-à-vis the shareholders. The Directors are of the opinion that corporate governance in the William Demant Group matches the basic principles expressed in the Committee's recommendations. Our website, www.demant.com, provides a more detailed review of the Group's approach to and handling of the principles reflected in the Nørby committee's report.

We have chosen to publish quarterly reviews rather than quarterly financial statements. A quarterly review describes the market situation and provides a general description of the Group's activities in the past quarter compared with previously announced expectations in respect of revenues and performance. In our opinion, quarterly financial statements would not promote a better understanding of the Group's activities and might in fact give some very short-term targets for the development of the Group, which may result in a misleading picture of such development, because the Group's activities in any given quarter will vary considerably from one year to the next.

Incentive programmes

At two or three years' interval, the Group offers its employees the opportunity to acquire shares at a favourable price depending on salary and seniority conditions. The purchased shares are held in trust for five years. Since 1990, we have carried through six employee share programmes – most recently in 2002. Today, almost half the Group's employees are shareholders.

Apart from ordinary sales-related bonus schemes, we have no other incentive programmes such as share option programmes or similar initiatives.

The Oticon Foundation

The William Demant Holding Group has carried through no major acquisitions since the autumn of 2001, and in pursuit of the Group's dividend policy, consolidated free cash flows are applied for buyback of shares.

To achieve correct pricing of the William Demant share at the Copenhagen Stock Exchange, it is important that the liquidity of the share is good and that it has a large free flow. In order to ensure this, our main shareholder, William Demant og Hustru Ida Emilies Fond (the Oticon Foundation), has informed us that it seeks to retain an ownership interest of 60-65%.

The Oticon Foundation seeks to keep its relative interest under 65% by currently selling shares in the market, which takes place independently of the Company's buyback of shares. The Foundation's alternative to the sale of shares is an increased ownership interest, and subsequently future de-listing of the Company.

The Foundation and the Company consider the continued listing of the Company at the Stock Exchange absolutely vital to the positive development of the Company. Listing is important for others to take part in the ownership, including the Company's employees, while also maintaining the focus on improvement of shareholder value in the day-to-day operations of the business. Furthermore, listed shares can be used as a means of payment in connection with major acquisitions.

On this background, the Oticon Foundation is convinced that it can generate the best return in relation to risk by placing free funds in low-risk assets and by investing more actively in businesses whose business model and structure resemble that of the William Demant Holding Group, but which are of course outside the Company's strategic sphere of interest.

In the Directors' and the Management's opinion, collaboration between a business owned by the Foundation and the William Demant Holding Group may provide synergies in back-office functions and the development of technologies as well as creating more career and work opportunities for Group employees.

William Demant Holding A/S and the Oticon Foundation have therefore made an agreement that the Company seeks to identify active investment opportunities, and following any such investment the Company will be in charge of the control and development of the particular investments. In each case, a management agreement will be made between the Oticon Foundation and the Company on commercial terms.

The Oticon Foundation and the Company are of the clear opinion that this strategy ensures the continuation of positive development of the William Demant Holding Group for the benefit of all stakeholders, including shareholders and staff.

Knowledge resources

The William Demant Holding Group's mission states that the Group will endeavour to expand growth in revenues and profits, and that it will seek innovation through a flexible, knowledge-based organisational structure.

The prerequisite for the Group's continued competitiveness is extensive know-how of audiology and a wide spectrum of competencies including the design of integrated circuits for sophisticated analogue and digital processing of sound signals, the development of software for optimum fitting of hearing aids, the design of micro-amplifiers and related acoustic systems as well as the development and production of micro-mechanic components. The Group's R&D activities are also described on page 14 under the heading R&D costs.

The Group's products are made in collaboration with a wide range of specialists each with thorough knowledge of their own fields and in-depth understanding of other professional areas as well as the appreciation of the corporate approach as such. In order to utilise competencies and knowledge across the organisation, substantial resources are spent on communication and sharing of knowledge including a shared IT platform, a high degree of openness, secondment of employees to other Group undertakings and a flat organisational structure.

Centenary

In 1904, William Demant's father began selling hearing aids, and on 8 June 2004, the Group will celebrate its centenary. The centenary celebrations will include activities involving customers and business partners as well as staff. The one-off expense for centenary celebrations and staff gifts is estimated at some DKK 30 million. This cost will be expensed under ordinary operations and is thus included in our 2004 forecasts.

Prospects for the future

2004 started with the introduction of two new product families in Oticon, GO and Atlas Plus. A third major product introduction from Oticon is planned for 2004 also. All other business areas will currently update existing products and introduce new ones during 2004.

Compared with the realised foreign-exchange rates for 2003, the level is 3% lower in January 2004. Provided that this level will exist throughout 2004, consolidated revenues for 2004 are expected to grow to about DKK 4.0 billion, or an organic growth rate of 7-10%. As in prior years, the Group's core business, wholesale of hearing aids, is expected to outgrow the other Group activities.

In line with the continued fall in trading currencies, forward-exchange contracts will be made at lower rates. This will have a significant impact on operating profits, and the Company expects that the lower foreign-exchange rates will have an annual negative effect in 2004 and onwards of about DKK 120 million compared with 2002.

The underlying growth of the business has more than compensated for this adverse development, and in 2004 after centenary celebration costs of about DKK 30 million, the Company expects to continue its growth trends. Operating profits (EBIT) are thus estimated at about DKK 875 million. The largest profit will be generated in the second half-year of 2004, when the largest effect of product introductions will be reflected in performance figures.

We intend to continue our policy of buying back shares in line with the generation of free cash flows, and provided that the level of interest rates is unchanged, net financials are expected to be at the same level as in 2003.

A slight increase in the corporation-tax rate is expected for 2004.

Earnings per share (excl. centenary celebrations) are expected to go up by approximately 10%.

General meeting

William Demant Holding A/S will hold its annual general meeting on 25 March 2004 at 4 p.m. at the Experimentarium, Tuborg Havnevej 7, DK-2900 Hellerup.

The Directors will propose that the year's profit be transferred to corporate reserves.

At the annual general meeting, the Directors will propose that the Company's share capital be reduced by an amount corresponding to its holding of own shares immediately prior to the general meeting.

At the annual general meeting, Mr Niels Boserup and Mr Nils Smedegaard Andersen will both retire from the Board of Directors in accordance with the Company's Articles of Association. The Directors will recommend that both be re-elected. Moreover, Mr Jørgen Mølvang will retire due to age.



G A I A - H A R M O N I O U S H E A R I N G

Gaia ensures comfortable sound without compromising the high standard of speech understanding, which is one of the hallmarks of Oticon. Oticon aims to enable an increasing number of people to experience as many as possible of the advantages afforded by modern digital technology – through one hearing aid and with maximum listening comfort. Gaia fulfils all the most important demands of a hearing aid today and creates a natural balance between speech understanding and pleasant sound quality.





FULLY DIGITAL PRODUCT RANGE

Bernafon has completed its full range of innovative digital hearing solutions with the introduction of the Flair product family. The launch of Flair has marked the most successful launch of a digital product at Bernafon ever. Bernafon now offers three complete digital hearing-system families: Flair in the entry-level segment, Smile Plus in the mid-range segment and Symbio XT in the high-end segment. Symbio XT, a revolution in the industry, is the first ChannelFree™ digital hearing system to process sound without the constraints of channels or bands.



Capital

At 31 December 2003, the Company's authorised capital was nominally DKK 70,293,953 divided into as many shares of DKK 1. All shares have the same rights and are not divided into classes.

William Demant og Hustru Ida Emilies Fond (the Oticon Foundation), Gentofte, has notified the Company that it holds 61% of the share capital.

In 2003, the Company bought back 3,412,652 own shares at a total cost of DKK 541 million. At the general meeting on 25 March 2003, the share capital was reduced by nominally DKK 4,418,953 by cancellation of the Company's own shares. At 31 December 2003, the holding of own shares was 1,765,790 (2.5% of the share capital). At 3 March 2004, the holding was 2,426,740 shares, or 3.0% of the share capital. At the general meeting, the Directors will propose that the share capital be reduced by the number of shares held by the Company at the time of the general meeting.

Dividend

At the general meeting, the Directors will propose that all profits for the 2003 financial year be retained. In the Company's opinion, the buyback of own shares will provide the basis for a more dynamic planning of dividend policies. The Directors have thus authorised the Management to continue on behalf of the Company the buyback of William Demant shares with due regard to the Group's current cash inflow.

Insider register

In accordance with the Danish Securities Trading Act, the Company is obliged to establish and maintain an insider register. The insider register includes over 600 persons who via their attachment to the Company will regularly have internal knowledge of the Group's affairs, which could be of importance in connection with trading in the Company's shares. Persons entered in the insider register can only buy or sell the Company's shares for a limited period after the Company's reporting to the Copenhagen Stock Exchange. Such persons are also obliged to inform the Company of any purchase or sale of the Company's shares. At the end of January 2004, Company insiders held a total of 688,330 shares.

Investor information

www.demant.com has more information on the Group and its business areas. Investors may also contact Kenneth Aaby Sachse or Karsten Dyhrberg Nielsen by phone at +45 3917 7100 or by e-mail on william@demant.dk.

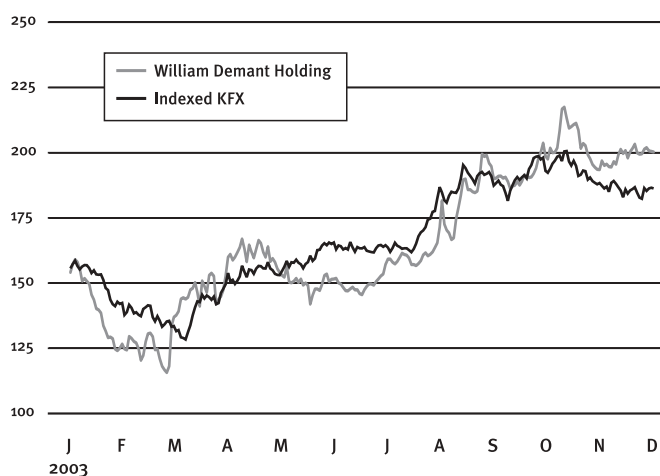
Stock-exchange information

DKK	1999	2000	2001	2002	2003
High	147	484	450	238	222
Low	80	134	170	139	111
Year-end	140	360	216	152	200
Market cap. DKK million	10,324	26,727	15,981	10,935	13,710
Average no. of shares*	74.22	73.72	74.16	73.31	69.95
No. of shares year-end*	73.70	74.20	74.08	71.94	68.53

*Million shares, excluding own shares

Trends in share prices – William Demant Holding

The William Demant Holding share is listed on the Copenhagen Stock Exchange and included in the KFX index, which is composed of the 20 most traded shares at the Danish Stock Exchange.



Main stock-exchange announcements in 2003

- 4 March Annual report for 2002
- 25 March Annual general meeting
- 15 May Quarterly review for the first quarter of 2003
- 21 August Interim report for the first half of 2003
- 12 November Quarterly review for the third quarter of 2003

Financial calendar 2004

- 3 March Annual report for 2003
- 25 March Annual general meeting
- 13 May Quarterly review for the first quarter of 2004
- 18 August Interim report for the first half of 2004
- 11 November Quarterly review for the third quarter of 2004

Statement by the Management and the Board of Directors

The Board of Directors and the Management have today presented the annual report for 2003 for William Demant Holding A/S.

The annual report has been prepared in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the Copenhagen Stock Exchange regulations for listed companies. In our opinion, the accounting policies used are appropriate and the annual report gives a true and fair view of the Group's and the Parent Company's assets and liabilities, financial position, result and consolidated cash flows.

We present the annual report for approval at the general meeting.

Management:

Copenhagen, 3 March 2004

Niels Jacobsen

Board of Directors:Niels Boserup
ChairmanJørgen Mølvang
Deputy Chairman

Nils Smedegaard Andersen

Lars Nørby Johansen

Ole Lundsgaard

Stig Michelsen

Michael Pram Rasmussen

Hanne Stephensen

Auditors' Report**To the Shareholders of William Demant Holding A/S**

We have audited the annual report of William Demant Holding A/S for the financial year 2003.

The annual report is the responsibility of the Company's Board of Directors and Management. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of opinion

We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and the Management as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the Parent Company's assets and liabilities, financial position at 31 December 2003 and of the results of the Group's and the Parent Company's operations and consolidated company cash flows for the financial year 2003 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

Copenhagen, 3 March 2004

Deloitte

Statsautoriseret Revisionsaktieselskab

KPMG C.Jespersen

Statsautoriseret Revisionsinteressentskab

Lone Møller Olsen
State-authorised Public Accountant
(Denmark)Anders Dons
State-authorised Public Accountant
(Denmark)Arne Nielsen
State-authorised Public Accountant
(Denmark)Carsten Kjær
State-authorised Public Accountant
(Denmark)

General

The annual report has been prepared in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the Copenhagen Stock Exchange regulations for class D undertakings. The accounting policies are the same as in 2002. A few items have been reclassified but they are not in the nature of changes in accounting policies.

Consolidation

The consolidated financial statements include the undertakings shown on page 39. The consolidated financial statements comprise William Demant Holding A/S (the parent company) and the undertakings, in which the parent company holds more than 50% of the voting rights, or in which in some other manner it can or actually does exercise a controlling interest. The consolidated financial statements have been prepared on the basis of the financial statements for the parent company and its subsidiary undertakings by aggregating uniform items. Based on pro rata consolidation, the consolidated financial statements also include undertakings, which by agreement are managed jointly with one or more undertakings. Intra-group income and expenditure, shareholdings, intra-group accounts and dividends as well as non-realised intra-group profits on inventories are eliminated.

Undertakings, in which the Group holds between 20% and 50% of the voting rights or in some other manner can or actually does exercise a significant interest, are considered to be associated and have been incorporated proportionately into the consolidated financial statements based on the equity method.

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

On acquiring new undertakings, the purchase method is applied, and the identified assets and liabilities of the newly acquired undertakings are measured at their fair values at the time of acquisition. Provisions are made for any restructuring either decided or announced on acquisition.

If acquisition cost exceeds the fair values of the assets and liabilities identified on acquisition (including any provisions for restructuring), any remaining positive differences (goodwill) are recognised in the balance sheet as goodwill under intangible fixed assets in the acquiring business.

Minority interests

On computation of consolidated profits and shareholders' equity, the proportionate shares of profits and shareholders' equity of

subsidiary undertakings ascribable to minority interests, are recognised separately.

Translation of foreign currency

When first recognised, transactions in foreign currency are translated at the exchange rates ruling on the transaction day.

Monetary items such as debtors and debts in foreign currency are translated into Danish kroner at their rates on the balance-sheet day. Realised and non-realised exchange adjustments are recognised in the profit and loss account under gross profit or net financials.

For independent foreign subsidiary undertakings, profit-and-loss-account items are translated at the average exchange rates for the year, whereas balance-sheet items are translated at the rates on the balance-sheet day. Any exchange adjustments arising from the translation at average rates of profit-and-loss-account items of foreign Group undertakings and balance-sheet items at the rates ruling on the balance-sheet day are recognised via shareholders' equity. Any exchange adjustments from translation at the beginning of the year of shareholders' equity of foreign subsidiary or associated undertakings at the rates on the balance-sheet day are recognised via shareholders' equity.

Any exchange adjustments from intra-group accounts with independent foreign subsidiary undertakings, considered to constitute part of the total investment in such undertakings, as well as any exchange adjustments from the hedging of shareholders' equity of such undertakings are recognised via shareholders' equity.

Some investments in foreign subsidiary undertakings are balanced via financing in the currency of the particular country. Where a foreign subsidiary undertaking finances an acquisition, and where goodwill has been written off via shareholders' equity at the time of acquisition, the goodwill-related part of such finance will be treated as hedging of exchange of any future returns on the investment in such subsidiary undertaking.

Derivative financial instruments

Derivative financial instruments, primarily forward exchange contracts and interest swaps, are measured at their fair values and recognised under debtors and creditors.

Changes in fair values of derivative financial instruments classified as and satisfying the criteria for hedging of the fair value of a recognised asset or a recognised liability are recognised in the profit and loss account together with the changes in value of the hedged asset or hedged liability.

Changes in fair values of derivative financial instruments classified as and satisfying the conditions for hedging of future assets

or liabilities are recognised direct via shareholders' equity. Any income or cost relating to such hedging transactions is transferred from shareholders' equity on realisation of the hedged financial instruments and recognised in the same accounting item as the hedged asset or liability.

Profit and loss account

All major income and costs are recognised on an accruals basis. The profit and loss account is broken down by function and all costs including depreciation expenses are therefore charged to production, distribution, administration or R&D functions, respectively, regardless of the objectives of the particular undertaking.

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

Production costs comprise direct and indirect manufacturing costs, including raw materials, consumables, maintenance costs, salaries, depreciation on production plant and write-down on inventories.

Research and development costs

These include all costs that do not satisfy the criteria for capitalisation in connection with research and development, prototype construction, the development of new business concepts as well as depreciation on capitalised R&D costs.

In the Group's opinion, R&D activities cannot meaningfully be divided into either the development of new products or the further development of existing products, consequently R&D costs are generally charged to the profit and loss account as previously.

Distribution costs

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

Administrative expenses

Administrative expenses include administrative staff costs, office and IT costs as well as depreciation expenses. Losses on bad debts are also recognised under this item.

Net financials

These mainly consist of interest income and expenses. They also include loan costs, realised and non-realised exchange gains or losses, certain monetary items and value adjustments at fair values.

Taxation

The parent company is jointly taxed with certain 100%-owned Danish and foreign subsidiary undertakings. Corporation tax is distributed among the jointly taxed undertakings according to their proportionate shares of the joint income or loss (full distribution with tax relief for losses). For the jointly taxed Danish undertakings, the tax rate for current and deferred taxes is 30%.

Tax on the year's profit includes current tax and any changes in deferred tax. Any additions, deductions or allowances in respect of the Danish on-account tax scheme are included in current tax. Tax on movements in shareholders' equity is recognised direct via shareholders' equity. Current tax includes tax payable computed on the basis of the estimated taxable in-come 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 of assets and liabilities. Deferred tax is reported as a balance-sheet liability. Deferred tax is computed on the basis of the current tax rules and rates in the particular countries. Any effect on deferred tax due to changes in tax rates is reflected in tax on the year's profit. The tax value of a loss that may be set off against any future taxable in-come will be carried forward and set off against deferred tax in the same legal tax unit and jurisdiction. Any deferred tax assets (net) are conservatively estimated and recognised in the balance sheet.

Any tax payable on the sale of shares in a subsidiary undertaking is recorded in the balance sheet, if such shares are likely to be sold within a short period of time.

Balance sheet

Intangible fixed assets

As at 1 January 2002, goodwill is capitalised and depreciated on a straight-line basis over its estimated economic life, however maximum 20 years. Any goodwill acquired before 1 January 2002 was written off via shareholders' equity at the time of acquisition.

Provided certain criteria are satisfied, R&D costs are recognised under intangible fixed assets and measured at cost with the deduction of accumulated depreciation expenses. R&D costs are capitalised if the conditions for capitalisation are thought to be satisfied, taking into account whether future earnings are able to adequately cover such R&D costs. In the Group's opinion, the prerequisite for capitalisation is normally that the development of the particular product has been completed and that all required registration approvals have been obtained. If not, R&D costs are charged to the profit and loss account in line with the payment of such costs. In the Group's opinion, its R&D efforts cannot meaningfully be divided into either the development of

new products or the further development of existing ones, consequently R&D costs are expensed as previously.

Patents and licences acquired from a third party are measured at cost with the deduction of accumulated depreciation and write-down expenses. Patents are written down on a straight-line basis over the remaining patent period, and licences are depreciated over their estimated economic life, however maximum 20 years.

Intangible fixed assets are written down to their recoverable amounts if lower than their carrying amounts. Individual assets and groups of assets are currently tested for write-down purposes.

Tangible fixed assets

Tangible fixed assets are recognised at cost with the deduction of accumulated depreciation and write-down expenses. Tangible fixed assets are depreciated on a straight-line basis over their estimated useful life with the exception of land. Assets are currently tested for write-down purposes.

Buildings	33-50 years
Manufacturing plant and machinery	3-5 years
Fixtures, tools and equipment	3-5 years
IT hardware and software	3 years
Leasehold improvements	over the lease period

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

For operational leases, rentals are expensed over the term of the lease. Lease commitments are included under contingent liabilities at nominal values.

Investments

The parent company's interests in subsidiary undertakings are measured on the basis of the equity method, i.e. such interests are recognised in the balance sheet at their proportionate values of net worth. Loans granted by or to the parent company, which are considered part of the overall investment, are included in the value of shares in these undertakings. The parent company's proportionate shares of pre-tax profits from subsidiary undertakings are recognised in the profit and loss account after proportionate

deduction of any differences in non-realised intra-group profits and with the deduction of depreciation on consolidated goodwill acquired after 1 January 2002.

Interests in associated undertakings are recognised on the same basis as subsidiary undertakings.

The accumulated net revaluation of interests in subsidiary and associated undertakings is retained in a "Reserve for net revaluation based on the equity method" and recognised under shareholders' equity.

Other debtors are measured at cost on acquisition and subsequently adjusted at amortised cost. The risk of bad debts is assessed on an individual basis.

Securities, which include investments in shares and bonds, are measured at their fair values on the balance-sheet day. Investments, for which a reliable fair value cannot be estimated, are measured at cost.

Inventories

Raw materials, components and merchandise are recognised at the lower of cost or net market price. Finished goods or goods in process are measured 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 measured at cost on a First-In-First-Out basis, i.e. the most recent deliveries will be in stock. Non-marketable goods or slow-moving items are written down.

Debtors

Debtors are measured at amortised cost. Provisions are made for bad debts based on an assessment of the particular risks.

Own shares and dividend

On the buyback or sale of own shares, the acquisition cost or divestment sum is recognised direct via 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 such shares. The amount is transferred to distributable reserves.

The proposed dividend is recognised as a separate item under shareholders' equity until adoption at the annual general meeting, upon which such dividend will be recognised as a liability.

Provisions for liabilities

Provisions for liabilities include redundancy payments, pensions, restructuring costs etc. Provisions for liabilities are recognised, where as a result of an earlier event, the Group has a legal or actual liability and where the redemption of any such liability will draw on the corporate financial resources.

On acquisition of undertakings, provisions for restructuring decided or announced on or before the day of acquisition are considered part of acquisition cost and recognised under goodwill or consolidated goodwill.

Mortgages and loans

Mortgages and loans from mortgage credit institutes or credit institutes are recognised at the proceeds after the deduction of transaction costs on the raising of such loan or mortgage. In subsequent periods, mortgages and loans are recognised at amortised cost corresponding to the capitalised value using the effective interest rate so that the difference between the proceeds and the nominal values is recognised in the profit and loss account over the term of the loan.

Other creditors include taxes and charges payable, holiday-pay provisions, guarantees and any obligations in respect of returned goods etc.

Other debts are measured at amortised cost, which more or less matches their cash 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, undertakings or activities.

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 with the deduction of bank debts.

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

Segmental information

The William Demant Group's activities are based on a single business segment, i.e. the development, manufacturing and sale of products and equipment designed to facilitate people's hearing and communication. Consequently, only geographic segmental information is provided.

Fixed assets in this segment consist of all the fixed assets used for the direct operation of the segment including intangible fixed assets, tangible fixed assets and participating interests in associated undertakings.

Segmental liabilities consist of liabilities linked with segment operations including trade creditors and services as well as other creditors.

PROFIT AND LOSS ACCOUNT 2003

PARENT COMPANY		Notes (DKK - in thousands)	GROUP	
2002	2003		2003	2002
0	0	2 Net revenue	3,869,693	3,923,669
0	0	7 Production costs	-1,348,438	-1,418,389
0	0	Gross profit	2,521,255	2,505,280
0	0	6/7 Research and development costs	-294,893	-272,178
0	0	7 Distribution costs	-1,130,438	-1,160,212
-21,797	-21,042	7 Administrative expenses	-242,053	-263,346
0	0	6 Amortisation of goodwill	-435	-330
38,035	10,305	Income from subsidiary/associated undertakings	2,110	937
16,238	-10,737	Operating profit (EBIT)	855,546	810,151
761,342	844,575	8 Share of profit before tax, subsidiary undertakings	-	-
1,787	-6,505	3 Net financials	-28,213	-30,784
779,367	827,333	Profit before tax	827,333	779,367
-200,802	-209,052	4 Corporation tax	-209,052	-200,802
578,565	618,281	Net profit for the year	618,281	578,565
Proposed distribution of net profits:				
578,565	618,281	Transferred to <i>Retained earnings</i>		
		5 Earnings per share (EPS), DKK	8.8	7.9

BALANCE SHEET AT 31 DECEMBER 2003

PARENT COMPANY		Notes	Assets (DKK - in thousands)		GROUP
2002	2003			2003	2002
0	0		Patents and licences	6,477	2,611
0	0		Goodwill	7,144	8,578
0	0	6	Intangible assets	13,621	11,189
26,627	25,788		Land and buildings	167,058	165,254
0	0		Production plant and machinery	103,563	104,109
1,269	1,314		Fixtures, tools and equipment	135,381	122,937
0	0		Leasehold improvements	29,143	34,607
0	0		Prepayments and plants under construction	3,694	3,369
27,896	27,102	7	Tangible fixed assets	438,839	430,276
552,512	792,182	8	Shares in subsidiary undertakings	-	-
0	0	8	Shares in associated undertakings	2,174	1,356
1,063	1,106	8	Securities and participating interests	1,720	1,843
0	0	8	Other receivables	33,202	26,997
0	0	9	Deferred tax, asset	61,567	47,772
553,575	793,288		Financial asset investments	98,663	77,968
581,471	820,390		Total fixed assets	551,123	519,433
0	0		Raw materials and purchased components	231,768	239,826
0	0		Goods in progress	42,572	42,949
0	0		Finished goods	298,666	331,300
0	0		Inventories	573,006	614,075
0	0		Trade debtors	643,787	618,614
118,484	3,904		Intra-group receivable, subsidiary undertakings	-	-
22,188	20,503	4	Corporation tax	26,712	0
1,244	373		Other debtors	55,228	35,505
0	0		Non-realised gains on financial contracts	31,091	51,866
127	785	14	Prepayments and accrued expenses	25,881	35,590
142,043	25,565		Debtors	782,699	741,575
0	0		Liquid funds	108,144	116,478
142,043	25,565		Total current assets	1,463,849	1,472,128
723,514	845,955		Total assets	2,014,972	1,991,561

P A R E N T C O M P A N Y		Notes	Liabilities (DKK - in thousands)	G R O U P	
2002	2003			2003	2002
74,713	70,294		Share capital	70,294	74,713
353,054	451,867		Retained earnings	451,867	353,054
<u>427,767</u>	<u>522,161</u>	11	Shareholders' equity	<u>522,161</u>	<u>427,767</u>
3,545	3,926	9	Provision for deferred tax	49,684	30,578
0	0	12	Other provisions	15,216	12,546
<u>3,545</u>	<u>3,926</u>		Provisions	<u>64,900</u>	<u>43,124</u>
0	0		Mortgage debt	2,862	3,267
98,684	88,539	13	Other long-term debt	538,248	707,647
<u>98,684</u>	<u>88,539</u>		Long-term creditors	<u>541,110</u>	<u>710,914</u>
10,249	10,277		Short-term part of long-term debt	15,305	27,666
150,747	203,419		Interest-bearing short-term debt	293,725	220,636
0	0		Trade creditors	144,794	124,705
0	0	4	Corporation tax	36,096	20,477
27,413	13,671		Intra-group payable, subsidiary undertakings	-	-
4,057	2,365		Other creditors	297,152	317,431
1,052	1,012		Non-realised losses on financial contracts	5,773	10,241
0	585	14	Prepayments and accrued income	93,956	88,600
<u>193,518</u>	<u>231,329</u>		Short-term creditors	<u>886,801</u>	<u>809,756</u>
<u>292,202</u>	<u>319,868</u>		Total creditors	<u>1,427,911</u>	<u>1,520,670</u>
<u>723,514</u>	<u>845,955</u>		Total liabilities	<u>2,014,972</u>	<u>1,991,561</u>

- 15 Rent and lease obligations
- 16 Contingent liabilities
- 17 Employees
- 18 Fees to auditors
- 19 Related parties
- 20 Government grants

C A S H F L O W S T A T E M E N T F O R 2 0 0 3

(DKK - in thousands)	Notes	2003	G R O U P 2002
Operating profit (EBIT)		855,546	810,151
Depreciation and amortisation		116,974	108,027
Change in debtors*		-31,818	36,552
Change in inventories*		41,069	61,468
Change in creditors*		5,166	-92,886
Change in other provisions*		2,670	-242
Cash from operating activities excluding net financials and corporation tax		989,607	923,070
Financial income etc.	3	19,314	15,020
Financial expenses etc.	3	-47,527	-45,804
Corporation tax	4	-207,657	-222,871
Cash flow from operating activities (CFFO)		753,737	669,415
Acquisition of undertakings	1	0	-6,575
Expensed investments under DKK 50,000*		-16,942	-17,449
Investment in intangible assets*		-737	-2,611
Disposal of intangible assets		18	0
Investment in tangible fixed assets*		-120,118	-111,332
Disposal of tangible fixed assets		12,694	14,586
Financial asset investments		-13,153	-3,784
Cash flow from investing activities (CFFI)		-138,238	-127,165
Change in debt, net		-113,564	-47,593
Sale of shares to Group employees		0	15,266
Buyback of own shares		-541,469	-423,257
Other adjustments		-41,889	-52,134
Cash flow from financing activities (CFFF)		-696,922	-507,718
Net cash-flow position for the year		-81,423	34,532
Net cash position at 1 January		-104,158	-138,690
Net cash position at 31 December		-185,581	-104,158
Break-down of net cash position at 31 December:			
Liquid funds		108,144	116,478
Interest-bearing short-term debt		-293,725	-220,636
		-185,581	-104,158

* Not including additions from acquired undertakings.

NOTES

		■ Note 1 - Acquisition of undertakings (DKK - in thousands)		G R O U P	
		2003		2002	
	Fixed assets	0		-643	
	Inventories	0		-2,399	
	Debtors	0		-4,364	
	Other provisions	0		44	
	Short-term creditors	0		9,661	
	Liquid funds, net	0		-1,625	
	Net assets	0		674	
	Goodwill	0		-8,874	
	Acquisition price	0		-8,200	
	Liquid funds, net	0		1,625	
	Acquisition price in cash	0		-6,575	

		■ Note 2 - Segment information (DKK - in thousands)						G R O U P	
		Net revenue		Fixed assets		Liabilities			
		2003	2002	2003	2002	2003	2002		
	Europe	1,818,742	1,721,655	436,573	410,094	760,988	653,065		
	North America	1,383,682	1,524,391	76,323	76,432	656,721	822,224		
	Asia	239,748	243,030	12,594	15,561	22,010	33,971		
	Pacific Rim	302,083	319,506	17,125	11,163	38,828	44,308		
	Other countries	125,438	115,087	8,508	6,183	14,264	10,226		
	Total	3,869,693	3,923,669	551,123	519,433	1,492,811	1,563,794		

Net revenue by customer location.

P A R E N T C O M P A N Y		■ Note 3 - Net financials (DKK - in thousands)		G R O U P	
2002	2003			2003	2002
16,528	6,041	Interest income from subsidiary undertakings		-	-
1,011	5,903	Interest income		14,914	10,536
2,393	4,330	Realised foreign-exchange gains		4,330	2,393
2,091	70	Non-realised foreign-exchange gains		70	2,091
22,023	16,344	Financial income		19,314	15,020
-11,752	-13,151	Interest expenses to subsidiary undertakings		-	-
-7,733	-9,516	Interest expenses		-47,345	-45,053
-43	-49	Realised foreign-exchange losses		-49	-43
-708	-133	Non-realised foreign-exchange losses		-133	-708
-20,236	-22,849	Financial expenses		-47,527	-45,804
1,787	-6,505	Net financials		-28,213	-30,784

P A R E N T C O M P A N Y		■ Note 4 - Corporation tax (DKK - in thousands)	G R O U P	
2002	2003		2003	2002
		Corporation tax		
10,668	6,884	Tax on profit, parent company	6,884	10,668
-156,502	-165,671	Tax on profit, jointly taxed companies	-165,671	-156,502
-56,100	-58,904	Tax, other subsidiary and associated undertakings	-48,993	-70,421
-164	381	Change in deferred tax	-5,311	2,032
0	-458	Change in deferred tax on movements in shareholders' equity	-4,236	11,781
1,296	8,716	Prior-year adjustments	8,275	1,640
<u>-200,802</u>	<u>-209,052</u>	Total	<u>-209,052</u>	<u>-200,802</u>
		Tax-rate reconciliation*		
		Danish tax rate	30.0%	30.0%
		Differences in tax rates of non-Danish undertakings from Danish tax rate	-1.4%	-0.7%
		Utilisation of non-capitalised tax losses	-0.6%	-1.0%
		Permanent differences	-1.7%	-2.0%
		Other adjustments, prior years	-1.0%	-0.5%
		Effective tax rate	<u>25.3%</u>	<u>25.8%</u>
		Corporation tax		
13,300	-22,188	Corporation tax at 1 January	20,477	41,666
145,834	217,691	Current tax on the year's profit	207,780	216,255
-167,093	-204,349	Paid in 2003	-207,657	-222,871
-1,296	-8,716	Prior-year adjustments	-8,275	-1,640
-12,933	-2,941	Tax on movements in shareholders' equity	-2,941	-12,933
<u>-22,188</u>	<u>-20,503</u>	Corporation tax at 31 December	<u>9,384</u>	<u>20,477</u>

* Tax-rate reconciliation for the parent company is not shown separately, the tax costs of the parent company and the Group being identical.

		■ Note 5 - Earnings per share	G R O U P	
			2003	2002
		Net profit for the year, DKK - in thousands	618,281	578,565
		Average number of shares	71,310,918	74,712,906
		Average number of own shares	-1,357,243	-1,398,049
		Average number of shares on the market	<u>69,953,675</u>	<u>73,314,857</u>
		Earnings per share (EPS), DKK	<u>8.8</u>	<u>7.9</u>

■ Note 6 - Intangible assets (DKK - in thousands)

G R O U P

	Patents and licences	Goodwill
Cost at 1 January 2003	2,611	8,874
Additions in 2003	4,892	346
Disposals in 2003	0	-18
Cost at 31 December 2003	7,503	9,202
Depreciation at 1 January 2003	0	-296
Foreign-exchange adjustments	0	-1,362
Depreciation for the year*	-1,026	-387
Other additions	0	-13
Depreciation at 31 December 2003	-1,026	-2,058
Book value at 31 December 2003	6,477	7,144
Book value at 31 December 2002	2,611	8,578

* Depreciation on intangible assets in the Group by function:

	2003	2002
Research and development costs	-1,026	0
Amortisation of goodwill	-387	-330
Total	-1,413	-330

Goodwill and cost of acquisitions before 1 January 2002 (DKK million)

Year	1995	1996	1997	1998	1999	2000	2001
Goodwill**	51	7	189	21	66	827	468
Cost	Negative	8	243	21	69	835	521

Danish Accounting Standard 18 on capitalisation of goodwill is used for acquisitions made after 1 January 2002.

** Goodwill written off via shareholders' equity at time of acquisition.

■ Note 7 - Tangible fixed assets (DKK - in thousands)	P A R E N T C O M P A N Y	
	Land and buildings	Fixtures, tools and equipment
Cost at 1 January 2003	30,407	1,557
Additions in 2003	0	385
Disposals in 2003	0	-280
Cost at 31 December 2003	30,407	1,662
Depreciation at 1 January 2003	-3,780	-288
Depreciation for the year*	-839	-301
Disposals in 2003	0	241
Depreciation at 31 December 2003	-4,619	-348
Book value at 31 December 2003	25,788	1,314
Book value at 31 December 2002	26,627	1,269
* Depreciation on tangible fixed assets by function:		
	2003	2002
Administrative expenses	-1,140	-1,110
Total	-1,140	-1,110

■ Note 7 - Tangible fixed assets continued (DKK - in thousands)

G R O U P

	Land and buildings	Production plant and machinery	Fixtures, tools and equipment	Leasehold improvements	Prepayments and plants under construction
Cost at 1 January 2003	209,862	296,175	314,788	74,983	3,369
Foreign-exchange adjustments	-7,936	-10,536	-11,481	-753	0
Additions in 2003	15,251	43,397	64,182	3,664	4,572
Disposals in 2003	-52	-1,747	-25,042	-1,083	-3,369
Reclassification	89	-15,371	18,002	927	-878
Cost at 31 December 2003	217,214	311,918	360,449	77,738	3,694
Depreciation at 1 January 2003	-44,608	-192,066	-191,851	-40,376	-
Foreign-exchange adjustments	2,537	8,417	6,623	59	-
Depreciation for the year*	-7,883	-34,739	-47,456	-8,541	-
Disposals in 2003	15	1,103	18,602	759	-
Reclassification	-217	8,930	-10,986	-496	-
Depreciation at 31 December 2003	-50,156	-208,355	-225,068	-48,595	-
Book value at 31 December 2003	167,058	103,563	135,381	29,143	3,694
Book value at 31 December 2002	165,254	104,109	122,937	34,607	3,369

* Depreciation on tangible fixed assets by function:

	2003	2002
Production costs	-34,180	-25,905
Research and development costs	-23,823	-19,648
Distribution costs	-26,166	-26,378
Administrative expenses	-14,450	-18,317
Total	-98,619	-90,248

The cash-based value of land and buildings in Denmark according to the official valuation at 1 January 2003 amounts to DKK 85 million (DKK 85 million in 2002) against a book value of DKK 92 million (DKK 84 million in 2002).

P A R E N T C O M P A N Y		■ Note 8 - Financial asset investments (DKK - in thousands)			G R O U P
Shares in subsidiary undertakings	Securities and participating interests		Shares in associated undertakings	Securities and participating interests	Other receivables
1,349,308	258	Cost at 1 January 2003	717	10,222	26,948
34,001	43	Additions in 2003	600	90	19,284
-2,129	0	Disposals in 2003	0	0	-11,867
0	0	Reclassification	-467	0	0
1,381,180	301	Cost at 31 December 2003	850	10,312	34,365
-796,796	805	Changes at 1 January 2003	639	-8,379	49
20,487	0	Foreign-exchange adjustments	0	0	-1,279
904,152	-	Profit-making undertakings (before tax)	3,629	-	-
-56,778	-	Loss-producing undertakings (before tax)	-1,519	-	-
-224,575	-	Tax on the year's profits	0	-	-
-2,799	-	Change in internal profits on inventories	0	-	-
-369,782	-	Dividends received	0	-	-
-54,982	-	Changes in long-term Group loans	0	-	-
-7,925	0	Other changes	-1,892	-213	67
0	0	Reclassification	467	0	0
-588,998	805	Changes at 31 December 2003	1,324	-8,592	-1,163
792,182	1,106	Book value at 31 December 2003	2,174	1,720	33,202
552,512	1,063	Book value at 31 December 2002	1,356	1,843	26,997

The book value of shares in subsidiary undertakings includes capitalised goodwill in the net amount of DKK 7.1 million (DKK 8.6 million in 2002). The year's depreciation expenses amount to DKK 0.4 million (DKK 0.3 million in 2002).

Group undertakings are listed on page 39.

P A R E N T C O M P A N Y		■ Note 9 - Deferred tax (DKK - in thousands)	G R O U P	
2002	2003		2003	2002
0	0	Deferred tax asset at 1 January	47,772	41,820
0	0	Change in deferred tax asset	13,795	5,952
<u>0</u>	<u>0</u>	Deferred tax asset at 31 December	<u>61,567</u>	<u>47,772</u>
3,381	3,545	Deferred tax at 1 January	30,578	26,658
164	381	Change in deferred tax	19,106	3,920
<u>3,545</u>	<u>3,926</u>	Deferred tax at 31 December	<u>49,684</u>	<u>30,578</u>
Tax assets	Tax liabilities		Tax assets	Tax liabilities
Specification of deferred taxes at 31 December 2003				
0	0	Intangible assets	42	5,115
0	3,622	Tangible fixed assets	6,353	8,046
0	0	Inventories	36,063	13,317
0	0	Debtors	120	72
0	0	Other provisions	10,427	0
0	304	Tax losses carried forward	3,860	0
0	0	Other	4,702	23,134
<u>0</u>	<u>3,926</u>	Total	<u>61,567</u>	<u>49,684</u>

■ Note 10 - Shares

G R O U P

	Number of shares/share capital nominal	Number of own shares nominal	% of share capital
Shares at 1 January	74,712,906	2,772,091	3.7%
Additions in 2003	0	3,412,652	-
Share-capital reduction in 2003	-4,418,953	-4,418,953	-
Shares at 31 December	<u>70,293,953</u>	<u>1,765,790</u>	<u>2.5%</u>

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

Our share-buyback programme was continued in 2003 and we have acquired a total of 3,412,652 own shares (2,421,277 own shares in 2002) at an amount of DKK 541 million (DKK 423 million in 2002).

P A R E N T C O M P A N Y		■ Note 11 - Shareholder's equity (DKK - in thousands)		G R O U P	
2002	2003		2003	2002	
74,713	74,713	Share capital at 1 January	74,713	74,713	
0	-4,419	Reduction of share capital	-4,419	0	
<u>74,713</u>	<u>70,294</u>	Share capital at 31 December	<u>70,294</u>	<u>74,713</u>	
93,943	353,054	Retained earnings at 1 January	353,054	93,943	
-5,855	0	Changes in accounting policies	0	-5,855	
<u>88,088</u>	<u>353,054</u>	Adjusted retained earnings at 1 January	<u>353,054</u>	<u>88,088</u>	
-40,149	-33,168	Exchange adjustments, subsidiary and associated undertakings	-33,168	-40,149	
125,025	168,598	Value adjustments of hedging instruments at year-end	168,598	125,025	
8,364	-125,025	Reversal of value adjustments of hedging instruments at beginning of year	-125,025	8,364	
15,266	0	Proceeds from sale of employee shares	0	15,266	
1,152	7,177	Tax on movements in shareholders' equity	7,177	1,152	
0	4,419	Reduction of share capital	4,419	0	
-423,257	-541,469	Write-down of own shares	-541,469	-423,257	
<u>578,565</u>	<u>618,281</u>	Transferred from profit and loss statement	<u>618,281</u>	<u>578,565</u>	
<u>353,054</u>	<u>451,867</u>	Retained earnings at 31 December	<u>451,867</u>	<u>353,054</u>	
<u>427,767</u>	<u>522,161</u>	Shareholders' equity at 31 December	<u>522,161</u>	<u>427,767</u>	

After the share-capital reduction in 2003, the share capital of nominally DKK 70,293,953 is divided into the corresponding number of shares of DKK 1 or multiples thereof. At year-end 2003, the number of shares on the market was 68.5 million, the William Demant Holding Group holding 1.8 million of its own shares. Own shares are not included in the share-related ratios for the period in which such shares have been held by the Group.

Specification of movements in share capital	1999	2000	2001	2002	2003
Share capital at 1 January	77,476	74,377	74,713	74,713	74,713
Increase of share capital	0	336	0	0	0
Reduction of share capital	-3,099	0	0	0	-4,419
Share capital at 31 December	<u>74,377</u>	<u>74,713</u>	<u>74,713</u>	<u>74,713</u>	<u>70,294</u>

P A R E N T C O M P A N Y		■ Note 12 - Other provisions (DKK - in thousands)	G R O U P	
2002	2003		2003	2002
0	0	Other provisions at 1 January	12,546	12,744
0	0	Foreign-exchange adjustments	-47	-384
0	0	Provisions for the year	4,159	1,602
0	0	Used in 2003	-1,442	-1,416
<u>0</u>	<u>0</u>	Other provisions at 31 December	<u>15,216</u>	<u>12,546</u>

Other provisions include estimated costs in respect of pensions, retirement payment etc.

P A R E N T C O M P A N Y		■ Note 13 - Long-term creditors (DKK - in thousands)	G R O U P	
2002	2003		2003	2002
57,687	50,000	Long-term creditors, payable after 5 years	50,000	59,215

■ Note 14 - Prepayments and accrued expenses/income

Prepayments and accrued expenses under debtors are mainly prepaid expenses.

Prepayments and accrued income under short-term creditors are mainly accrued income from service contracts and prepayments from customers.

P A R E N T C O M P A N Y		■ Note 15 - Rent and lease obligations (DKK - in thousands)	G R O U P	
2002	2003		2003	2002
0	0	Rent	72,141	65,660
0	0	Other operating leases	14,373	19,924
<u>0</u>	<u>0</u>	Total	<u>86,514</u>	<u>85,584</u>

P A R E N T C O M P A N Y		■ Note 16 - Contingent liabilities (DKK - in thousands)	G R O U P	
2002	2003		2003	2002
172,247	170,294	Guarantee commitments in respect of subsidiary undertakings' credit lines	-	-
74,358	64,333	Utilised	-	-

The jointly taxed Danish undertakings are jointly and severally liable for tax on the consolidated taxable income.

The William Demant Holding Group is party to a few lawsuits, the outcomes of which, in the Management's and the Board of Directors' opinion, are insignificant in terms of the financial position of the Group.

The William Demant Holding Group has not provided any assets for security apart from those that relate to the mortgage debt.

P A R E N T C O M P A N Y		■ Note 17 - Employees (DKK - in thousands)		G R O U P	
2002	2003		2003	2002	
		Employee costs:			
10,645	11,608	Wages and salaries	1,132,159	1,080,820	
286	330	Pensions	21,419	19,451	
19	29	Social security costs etc.	99,294	87,310	
<u>10,950</u>	<u>11,967</u>	Total	<u>1,252,872</u>	<u>1,187,581</u>	
		Of which remuneration of Management and Board of Directors:			
5,232	5,701	Management	5,701	5,232	
1,140	1,470	Board of Directors	1,750	1,335	
7	7	Average number of full-time employees*	4,272	4,208	

* The number of employees in pro rata-consolidated undertakings is included with the interest held by the Group in the particular undertakings. For these undertakings, the average number of employees is 554 (579 in 2002), of which the William Demant Holding Group's share is 272 (274 in 2002).

P A R E N T C O M P A N Y		■ Note 18 - Fees to auditors (DKK - in thousands)		G R O U P	
2002	2003		2003	2002	
		Deloitte			
375	425	Audit fees	1,854	1,988	
43	317	Other fees	750	438	
		KPMG			
375	425	Audit fees	4,275	4,771	
478	643	Other fees	3,338	3,634	

■ Note 19 - Related parties

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

The Oticon Foundation lets office and production premises on a commercial basis to Oticon A/S and Sennheiser Communication A/S amounting to DKK 11 million. The Oticon Foundation pays an administrative fee amounting to DKK 0.6 million to Oticon A/S for handling of its administration.

William Demant Holding A/S and the Oticon Foundation have furthermore made an agreement that the Company seeks to identify active investment opportunities, and following any such investment the Company will be in charge of the control and development of the particular investments. In each case, a management agreement will be made on commercial terms. For further information, please see the Management Report under the heading The Oticon Foundation on page 16.

■ Note 20 - Government grants

Neither in 2002 nor in 2003 has the William Demant Holding Group received any significant Government grants.

GROUP COMPANIES

<i>Company</i>	<i>Interest</i>
William Demant Holding A/S, Denmark	Parent company
<i>Subsidiary undertakings</i>	
Oticon A/S, Denmark	100%
Oticon A/S, Norway	100%
Oticon AB, Sweden	100%
Oticon GmbH, Germany	100%
Oticon Nederland B.V., the Netherlands	100%
Oticon S.A., Switzerland	100%
Oticon Italia S.r.l., Italy	100%
Oticon España S.A., Spain	100%
Oticon Polska Sp. z o.o., Poland	100%
Oticon Limited, United Kingdom	100%
Oticon, Inc., USA	100%
Oticon Australia Pty Ltd., Australia	100%
Oticon New Zealand Ltd., New Zealand	100%
Oticon K.K., Japan	100%
Oticon Singapore Pte Ltd., Singapore	100%
Oticon Nanjing Audiological Technology Co. Ltd., China	100%
Oticon South Africa (Pty) Ltd., South Africa	100%
Prodition S.A., France	100%
Bernaфон AG, Switzerland	100%
Bernaфон AB, Sweden	100%
Bernaфон Hörgeräte GmbH, Germany	100%
Bernaфон S.r.l., Italy	100%
Maico S.r.l., Italy	100%
Bernaфон U.K. Ltd., United Kingdom	100%
Bernaфон Inc., USA	100%
Bernaфон Canada Ltd., Canada	100%

<i>Subsidiary undertakings</i>	
Bernaфон Australia Pty Ltd., Australia	100%
Australian Hearing Aids Pty. Ltd., Australia	100%
Bernaфон New Zealand Pty. Ltd., New Zealand	100%
Bernaфон K.K., Japan	100%
Acustica Sp. z o.o., Poland	100%
Phonic Ear Inc., USA	100%
Phonic Ear Ltd., Canada	100%
Phonic Ear A/S, Denmark	100%
Maico Diagnostic GmbH, Germany	100%
Interacoustics A/S, Assens, Denmark	100%
DancoTech A/S, Denmark	100%
Danacom Produktion A/S, Denmark	100%
Inmed Sp. z o.o., Poland	100%
Hidden Hearing Ltd., United Kingdom	100%
Hidden Hearing (Portugal), Unipessoal Lda., Portugal	100%
Hidden Hearing Limited, Ireland	100%
Akoustica Medica M EPE, (Hidden Hearing), Greece	100%
Centro Auditivo Telex S.A., Brazil	100%
<i>Joint-venture companies</i>	
Sennheiser Communications A/S, Denmark	50%
American Hearing Aid Association, Inc. (AHAA), USA	49%
Bernaфон Nederland B.V., the Netherlands	49%
Hearing Healthcare Management, Inc. (Avada), USA	49%
<i>Associated companies</i>	
HIMSA A/S, Denmark	25%
NewDae Technologies Inc., Canada	25%

The list includes all active Group undertakings.



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