ANNUAL REPORT 1999

William Demant Holding A/S

The annual report shows staff at work in the Group's factories and sales companies in Denmark and Australia.

Mission

The William Demant Holding Group of international companies develops, manufactures and sells innovative and highly advanced technological solutions. These solutions combine micro-electronics, micro-mechanics, wireless technology, software and acoustics and are sold to professional customers in a global market place.

The core business of the Group is hearing aids. By combining its expertise in the fields of technology, software and audiology, the Group is able to develop products and solutions that help to improve quality of life for the hearing impaired. Audiological expertise is crucial for developing high quality hearing aids, and this is why the Group invests considerable resources in audiological research and product development.

The Group is divided into three business areas: Hearing aids - which comprises two separate companies - Oticon and Bernafon. Diagnostic instruments - which consists of Maico Audiometer, Interacoustics and RhinoMetrics, and finally Personal communication - which consists of Phonic Ear, DanaCom and Logia.

The companies within the William Demant Holding Group work very closely together in the early links of the value chain (i.e. purchasing and production). In those parts of the value chain that focus on markets and customers (such as product development, marketing and sales), each business has its own organisation and identity.

The Group's mission is to become the customers' preferred supplier of advanced, quality solutions, thereby maintaining a basis for organic growth. This will be achieved by ensuring a high degree of innovation, by utilising the Group's technological and audiological expertise, through management proficiency and with the aid of financial resources.

The Group will also participate in the general structural rationalisation of the industry by acquiring companies within existing business areas. Outside the core area of business, the Group intends to acquire companies whose strengths can be utilised to create further growth. The Group will endeavour to increase its inherent value through continued growth in turnover and profitability.

The William Demant Holding Group subscribes to high standards of ethics, quality and fair play, which involves accepting responsibility for the environment and society as a whole. The companies within the group seek to cultivate a stimulating and varied working environment through a flexible, knowledge-based organisational form.

Board of Directors and Management

The company
William Demant Holding A/S
58, Strandvejen, 2900 Hellerup, Denmark
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Phone +45 3917 7100
Telefax +45 3927 7900
william@demant.dk
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Board of Directors
Niels Boserup, Chairman
President & CEO of Københavns Lufhavne A/S.
Chairman of the Board of Directors of Jyllands-Posten A/S.

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

Franck Fogh Andersen
Elected by the employees.

Lars Nørby Johansen
President & CEO of Falck A/S. Chairman of the Board of Directors of Carl Bro as. Deputy Chairman of the Board of Directors of InWear A/S. Member of the Board of Directors of DONG A/S.

Jørgen Kornum
Elected by the employees.

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

Hanne Stephensen
Elected by the employees.

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

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

Annual general meeting
The annual general meeting will be held on Thursday 25 April 2000 at the Experimentarium, 7, Tuborg Havnevej, 2900 Hellerup, Denmark.

Key figures and ratios

Profit and loss account, DKK million	1995	1996	1997	1998	1999
Net revenue	940.2	1,087.3	1,413.4	1,613.1	1,884.3
Gross profit	511.8	590.7	764.9	892.9	1,045.9
Profit on operations	116.8	139.3	195.6	248.3	337.0
Financial items, net	18.5	19.8	14.4	8.5	3.3
Profit before tax	136.5	160.3	211.4	259.3	339.7
Profit after tax	99.4	119.8	160.9	199.8	258.1
Extraordinary items, net	-	-	-13.5	-	-
Net profit for the year	99.2	120.3	148.3	200.8	257.4
Balance sheet, DKK million					
Interest-bearing net assets	236.8	282.8	125.9	33.4	-92.5
Total assets at year-end	835.6	889.7	1,002.4	1,019.5	1,091.1
Shareholders' equity at year-end	448.9	539.8	524.3	504.1	499.4
Other principal figures, DKK million					
Research and development costs	78.2	99.0	118.0	146.4	158.8
Write-downs and depreciation	43.4	52.3	46.6	53.7	57.2
Investment in tangible fixed assets	54.3	39.7	76.1	71.3	84.0
Cash Flow From Operations (CFFO)	43.5	133.5	142.4	198.7	222.5
Cash Earnings (CE)	142.7	172.1	207.4	253.5	315.3
Number of employees (average)	1,485	1,443	1,760	1,925	2,132
Key figures					
Gross profit ratio	54.4%	54.3%	54.1%	55.4%	55.5%
Profit margin	12.4%	12.8%	13.8%	15.4%	17.9%
Return on equity	25.9%	24.3%	30.6%	35.7%	53.8%
Equity ratio	53.7%	60.7%	52.3%	49.4%	45.8%
Earnings Per Share (EPS), DKK*	6.7	7.9	10.5	13.0	17.3
Cash Flow Per Share (CFPS), DKK*	3.0	8.7	9.3	12.9	15.0
Cash Earnings Per Share (CEPS), DKK*	9.7	11.3	13.5	16.4	21.2
Dividend Per Share, DKK*	1.00	1.50	1.80	2.35	3.00
Book value Per Share, DKK*	29.4	35.3	33.8	33.5	33.9
Price earnings (P/E)	22	35	30	30	40
Quoted price Per Share, DKK*	150	273	316	394	700
Total market cap., DKK million	2,287	4,162	4,896	5,931	10,324
Fully diluted no. of shares, million	14.70	15.27	15.36	15.42	14.84

The key figures are calculated according to "Anbefalinger & Nøgletal 1997" (Guidelines & Key Figures 1997) from the Danish Society of Financial Analysts. Cash Earnings is calculated as ordinary profit after tax with the addition of write-downs and depreciation for the year.
** Per share of DKK 5.*

Business units

Today the William Demant Holding Group includes three business units. The units co-operate in a number of areas for maximum exploitation of shared resources, such as manufacturing facilities, IT infrastructure, systems for quality assurance and management, service and technical support as well as finance and administration.

Hearing aids
This business unit comprises two companies - Oticon and Bernafon.

Oticon - a hearing aid company which focuses on psychoacoustics research and advanced digital signal processing - creates solutions that give the user maximum speech intelligibility and thus the best possible conditions for living an active life in society.

Bernafon - a hearing aid company which specialises in advanced digital technology - offers hearing aids that are easy and quick to fit and provides one of the most attractive combinations on the market in terms of performance, size and price.

Diagnostic instruments
The unit comprises Maico Audiometer, Interacoustics and RhinoMetrics, which develop solutions for fast, reliable and accurate measurement of hearing and other conditions diagnosed by audiologists and ear-nose-and-throat specialists.

Personal communication
The unit includes Phonic Ear and Logia, which offer wireless communication systems and assistive listening equipment for the hearing impaired. These products are used in schools, churches, sports centres and theatres. The third firm in Personal communication is DanaCom, which manufactures headsets for professional users who use the telephone throughout most of their working day.

William Demant Holding A/S

Hearing aids	Hearing aids	Diagnostic instruments	Personal communication
Oticon	Bernafon	Maico Audiometer	Phonic Ear
		Interacoustics	Logia
		RhinoMetrics	DanaCom

Operational activities

Finance, production, IT, quality control systems, logistics and service & technical support

Bernafon, Oticon and Logia participate in the World of Hearing Conference in Brussels. At the Bernafon stand visitors explore the mechanisms of the inner ear and learn how it works.

In April, Carsten Koch, the former Danish Minister of Health (in the middle), participates in the inauguration of Oticon's new Hearing Health Care Center at Riu Jin hospital in Shanghai, China.

Oticon is invited to participate with DigiFocus in The Danish Wave - a prestigious design exhibition in Sydney organised by the Danish Cultural Institute and the Danish Embassy in Australia.

HIGHLIGHTS IN 1999

April Oticon introduces a new, complete family of digital hearing aids, *DigiFocus II*. The series includes, amongst others, a completely-in-the-canal (CIC) digital hearing aid.

April Maico acquires a small American audiometer manufacturer, American Electromedics, which specialises in products for children.

May Bernafon and Oticon are co-arrangers of a European conference, World of Hearing, the purpose of which is to raise awareness amongst politicians and the media on the subject of hearing loss. The conference is held in Brussels by EHIMA - European Hearing Instrument Manufacturers Association.

September William Demant Holding acquires the Danish company DanaCom, which manufactures telephone headsets.

October Oticon introduces two new families of programmable hearing aids at extremely competitive prices, namely *Ergo* and *Swift*.

October Bernafon introduces *Smile* - a new family of digital hearing aids. The series includes a completely-in-the-canal (CIC) hearing aid.

December William Demant Holding shares are taken up in the KFX-index on the Copenhagen Stock Exchange.

The turn of 1999/2000

- RhinoMetrics introduces *RhinoSleep*, a diagnostic method capable of locating the position of the obstructions that cause obstructive sleep apnoea. This condition is characterised by abnormally long pauses in breathing during sleep.

- The Group increases Oticon's activities in Brazil and increases its shareholding of Centro Auditivo Telex from 20% to 100%.

- William Demant Holding acquires Interacoustics, thereby becoming one of the world's three largest suppliers of audiometers.

- William Demant Holding acquires the retail chain, Hidden Hearing, in order to strengthen the Group's distribution both in England and Portugal, where the chain occupies a leading position, and in other countries.

- William Demant Holding acquires Dahlberg Sciences, Ltd. in Canada to be included in the Bernafon Group.

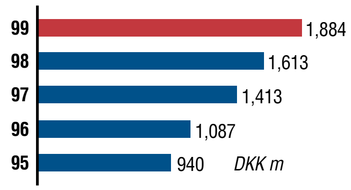
70 students of audiology from the US and Canada participate in the second American Oticon Summer Camp, which runs over a four-day period in Keystone, Colorado.

In August more than 60 young audiologists from all over the world participate in the International Oticon Summer Camp. This five-day event is held each year at Oticon's research centre, Eriksholm.

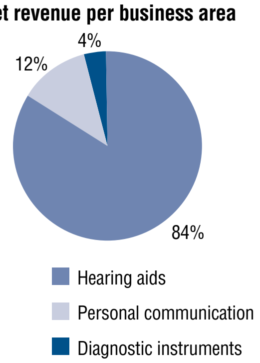
The 'Oticon Focus on People Award' is presented for the second time at a conference arranged by the American Academy of Audiologists. Pictured here, are the two winners, Linda Day and Kathy Goodman. Søren Holst, President, Oticon, Inc., and Niels Jacobsen, President, William Demant Holding, stand to their left.

Directors' report

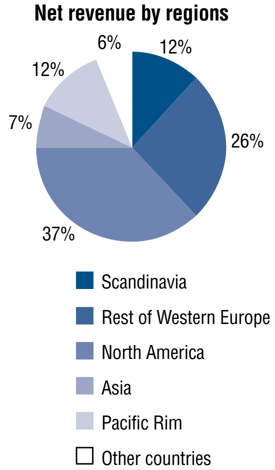
Net revenue



Net revenue per business area



Net revenue by regions



Success on all fronts

1999 saw progress in all Group activities, and for several activity areas the improvement outmatched the Board's expectations as reflected in the 1998 Annual Report and the Interim Report published in August 1999.

- Revenue increased by DKK 271 million, or an increase of 17%.
- Operating profit rose by 36% to DKK 337 million.
- Earnings per share went up by 33% from DKK 13.0 to DKK 17.3.
- The return on equity was 54% against 36% in 1998.
- Total assets of well over DKK 1 billion are more or less the same as in 1997 and 1998.

Market conditions and Group sales

The growth in sales for 1999 of DKK 271 million was mainly realised in the second half-year. During the first six months of the year revenue rose by 9%, or DKK 74 million, but in the second half sales went up by 24%, or just under DKK 200 million. In the Annual Report for 1998 the Board of Directors expected 1999 net profit to increase modestly in the first half and sharply in the second half in line with the introduction of a number of new, innovative products in mid-1999. In the second half of 1999 the introduction of DigiFocus II had a particularly positive effect on Group sales. Some of the other product introductions were postponed and will not contribute to growth until 2000.

The distribution of Group sales by business areas is more or less the same as in 1998, with Hearing aids as the largest area accounting for 84% of Group revenue, Personal communication for 12% and finally Diagnostic instruments 4%.

In terms of fixed exchange rates Diagnostic instruments experienced the highest percentage increase in revenue with 25%. Hearing aids and Personal communication went up by 13% and 10%, respectively.

Hearing aids

Competition on the market for hearing aids in 1999 was marked by two trends.

Firstly, the previous trend towards consolidation in the hearing instrument industry gathered momentum. GN Danavox and ReSound merged in 1999; Philips and Beltone merged their hearing instrument activities, and some of the major players in the industry acquired some of the minor hearing instrument manufacturers.

Secondly, 1999 saw a steady flow of new digital instruments so that today digital technology is available from all major manufacturers on the market. This means that competition is becoming increasingly

Breakdown of Group sales *(DKK million)*	1999*	1998*	1998**
Hearing instruments	1,592	1,363	1,408
Diagnostic instruments	66	52	53
Personal communication	226	198	205
Total	**1,884**	**1,613**	**1,666**

*Computed at the rates of exchange for the period **Translated at 1999 exchange rates

Group revenue by area has been changed compared with prior years. Rather than consolidating all the legal entities included in the various core areas, sales are now computed by product, i.e. the above table is thus based on actual product sales in each business unit. The change was introduced because with the increasing integration of Group undertakings hearing aid companies now also sell diagnostic instruments and equipment for personal communication, and Phonic Ear distributes Oticon's products in Canada. The comparable figures for 1998 have been restated accordingly.

tough on the hearing aid market, and that there is a need to continuously focus on R&D for the company to have an edge on the competition and to be able to offer better products. At the same time the distribution network must be expanded for R&D costs to be supported by growth in volume.

In recent years the continued development of new digital instruments has been expected to trigger competition on prices in the high-end segment, but so far there is no evidence hereof. Innovative new products renew the range of hearing aids and differentiate the new products from the old ones enabling the company to maintain or even slightly increase the price level of the most sophisticated hearing instruments.

In the broader mid-end segment featuring sophisticated analogue and digital instruments competition intensifies.

In 1999 Group sales showed the largest increase in Scandinavia, North America and Australia. Growth in sales in North America is primarily driven by the introduction of Oticon's small in-the-ear instruments and completely-in-the-canal instruments in the DigiFocus II series. Oticon has not previously covered this segment, and particularly on the North American market the share of in-the-ear instruments is very high compared with markets in the rest of the world. Revenue in North America now accounts for 37% of total Group revenue (30% in 1998).

The 1998 Annual Report dealt with the decline in sales of hearing aids caused by the economic crisis in South East Asia. The situation seems to have stabilised and sales are again picking up. The South American and Russian markets are still affected by stagnant sales and consequently, weaker debtors.

The distribution network has been enlarged in recent years and in mid-1999 the stake in Oticon's South African distribution company was increased from 60% to 100%.

Similarly, in January 2000 Oticon increased its stake in the Brazilian distributor, Centro Auditivo Telex S.A., from 20% to 85% by infusing fresh capital. Subsequently Telex bought back remaining shares so that as of 1 March 2000 Telex is a wholly-owned Group company.

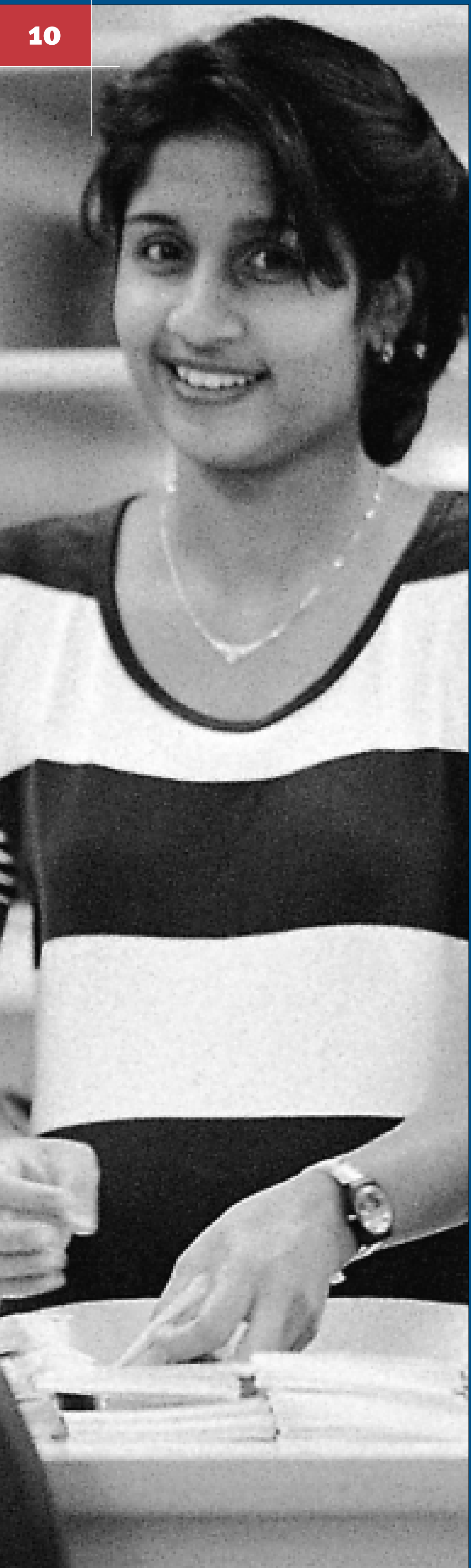
In February 2000 Bernafon strengthened the North American distribution network through the acquisition of Dahlberg Sciences, Ltd., a Canadian company selling its products to independent dispensers in Canada. In recent years Dahlberg Sciences has been a sub-supplier of certain in-the-ear instruments sold by Bernafon.

Diagnostic instruments

Maico Diagnostics, which manufactures and distributes audiometers, accounts for the largest slice of this business area. In 1999 Maico completed a major order to the US Defence Forces which had a positive impact on sales figures and contributed to heavy growth in this business area.

In the first half of 1999 Maico acquired the rights to American Electromedics' audiometers designed for the children's market, and in the second half it took over Beltone's audiometer division which primarily manufactures audiometers for screening purposes. These two acquisitions will contribute to continued growth in the sale of audiometers in 2000.

In January 2000 the Group acquired the Danish audiometer firm Interacoustics. The acquisition is part of the Group's strategy for growth in all business areas and the wish to participate in the ongoing restructuring and consolidation of the audiometer industry. Interacoustics and Maico are almost of the same size, but the new firm has a larger own production. With the integration of Interacoustics, the business area Diagnostic instruments will significantly improve its research & development and production competencies while expanding its distribution power.



In recent years RhinoMetrics has concentrated on developing an instrument using acoustic rhinometry to diagnose the causes of snoring and obstructive sleep apnoea. The instrument was released for sale at the end of 1999 and will be successively introduced on the European markets in the first half of 2000. RhinoMetrics will thus contribute to sales growth in this area in 2000.

Personal communication

The area includes sale of wireless communication equipment from Phonic Ear and assistive listening equipment from Logia and recently with the acquisition of DanaCom in the autumn of 1999 - also headsets for professional telecommunication users. Sales have matched the Board's expectations in early 1999, and net profits are somewhat better than expected.

In the first half of 2000 Phonic Ear will introduce a new hearing aid called Sprite. It has a built-in FM receiver and is designed for people with severe hearing loss. In the R&D plan for 1999 the product was originally scheduled for introduction at the end of 1999 for the profit and loss account for 2000 to include Sprite sales for all 12 months. However the R&D process has been delayed, and Sprite will not be launched on the US market until March or April and subsequently in Europe. Phonic Ear expects Sprite to generate healthy growth in sales.

Logia had its largest-ever result in 1998, but 1999 saw stagnant sales, albeit still with satisfactory profitability.

In August 1999 William Demant Holding acquired 50% of the shares in DanaCom A/S with an option to acquire all the shares over the next two years. DanaCom develops and manufactures headsets for professional users in call centres, reception areas and the like. DanaCom did not significantly contribute to revenue and profits in 1999, but the sale of headsets is a rapid growth area, which is expected to contribute positively to growth in both revenue and profits already in 2000.

Gross profit

In recent years the Group's hearing instrument undertakings have earmarked substantial resources for the development of new production technologies and methods to reduce unit costs. This applies to two new product concepts: Oticon's introduction of DigiFocus II in July and Bernafon's introduction of its Smile products in December 1999. Oticon's introduction of the new products Swift and Ergo developed for the purpose of automating production even further also made a contribution to the Group's gross profit ratio in the second half-year. The reduction in production costs will not be fully reflected until 2000, resulting in a continuous improvement of the gross profit ratio.

The shift in product mix towards more high-end instruments also had a positive effect on the gross profit ratio, albeit less than in 1998. In return foreign exchange rates negatively impacted the gross profit ratio.

Overall gross profits rose from DKK 893 million to DKK 1,046 million, or an increase of 17%.

Research & development costs

In recent years the R&D effort has grown considerably, and costs went up from DKK 146 million in 1998 to DKK 159 million in 1999 - a 9% increase which is less than the rate of growth of revenue.

In 1998 R&D costs accounted for 9.1% of revenue and 8.4% in 1999. The lower growth rate reflects the extraordinary effort in recent years to create an innovative new product range in Bernafon and Oticon, an effort that is now reflected in higher organic growth rates. R&D costs are expected to increase over the next few years, although at a slightly lower rate than the rate of growth in revenue.

Distribution costs

Previously the Group's hearing instrument undertakings mainly introduced single products. Today they increasingly launch entire product families covering the full range from completely-in-the-canal to behind-the-ear instruments. This helps to improve distribution efficiency.

In recent years audiologists and dispensers have embarked upon an education programme for increasing use of computers for fitting of hearing instruments. This has generally raised the level of competency and means that sales subsidiaries can now focus on product audiology rather than the general introduction of computer and fitting software. This also helps to enhance distribution efficiency.

In terms of Group revenue distribution costs in 1999 fell from 23.2% to 22.2%, which boosted the profit margin for the Group as a whole.

Administrative expenses
Total administrative expenses rose from DKK 124 million to DKK 132 million, or merely 6%. This modest increase should be compared with the 17% growth in revenue and demonstrates the Group's administrative efficiency.

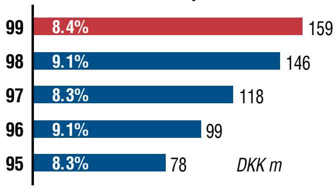
In recent years the administrative systems have been replaced in some Group companies partly due to current updating and partly to protect the systems against any millennium changeover problems. All Group companies started the year 2000 without IT problems of any kind.

Administrative expenses fell by 0.7% from 7.7% in 1998 to 7.0% in 1999.

Overhead costs
In relative terms total overhead costs rose somewhat less than gross profit enabling the Group's profit margin to develop positively throughout 1999.

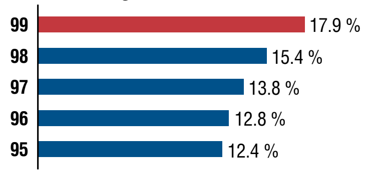
In the first half of 1999 the profit margin was 16.7% and in the second half-year it rose to 18.9%, i.e. a profit margin for all 1999 of 17.9% against 15.4% in 1998.

Research & development costs

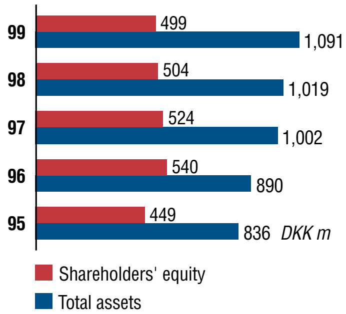


In absolute figures and in % of net revenue

Profit margin



Total assets and shareholders' equity



Profit for the year and shareholders' equity

The Group's operating profit was DKK 337 million, or a 36% increase compared with last year. The comparable cash flow from operating activities before financial items amounted to DKK 311 million in 1999.

Based on the substantial surplus cash flow, the Group initiated a buyback programme of own shares in the second half of 1998 partly to optimise the consolidated balance sheet and partly to increase the share value for the remaining shareholders. Since the start of the programme the Group has spent well over DKK 300 million on buying back its own shares corresponding to 5.1% of the share capital. The buyback programme contributed to reducing the Group's interest-bearing items by DKK 135 million. Consequently financial income fell from DKK 8 million to DKK 3 million.

Pre-tax profit rose by 31% to DKK 340 million, tax accounting for DKK 82 million hereof, i.e. a corporation tax rate of 24% against 23% in 1998. This matched the Board's expectations. In 2000 the tax rate is not expected to change since a few of the foreign Group undertakings still have tax losses that can be carried forward.

Profit after tax and minority interests totalled DKK 257 million, or a 28% increase. Earnings per share (EPS) amounted to DKK 17.3 against DKK 13.0 in 1998. The rise in EPS exceeds the increase in net profit, the buyback programme having reduced the free float of shares to about 14.74 million.

In the Board's opinion the net profit for the year is satisfactory, and it is proposed that for 1999 a dividend of DKK 3.00 per share against DKK 2.35 in 1998 be paid out corresponding to a dividend ratio of 60%. Dividend will thus total DKK 44 million.

The Board proposes that the remaining part of profit for the year be retained.

In addition to the above distribution of profits shareholders' equity is affected by:

- the buyback of own shares written down directly via equity to the tune of DKK 153 million and

- the write-down of goodwill on acquisition of new activities amounting to DKK 66 million.

At year-end shareholders' equity was DKK 499 million against DKK 504 million at the end of 1998, or 46% of total Group assets.

Cash flows, financing and liquidity

The Group also in 1999 had a considerable cash flow from operations (CFFO) amounting to DKK 223 million, or 86% of net profit. In 1999 the strategy to control growth was continued for as few liquid funds as possible to be tied up in operational activities.

In 1999 cash earnings (CE) computed as net profit adjusted for write-downs and depreciation charges totalled DKK 315 million, or an increase of 24% compared with DKK 254 million in 1998.

The Group invested DKK 164 million in 1999, of which acquisitions accounted for DKK 69 million. Investment in tangible fixed assets amounted to DKK 71 million; land and buildings accounting for DKK 23 million. For 2000 tangible fixed assets (excluding any acquisitions) are expected to increase moderately considering the planned extension of Oticon's research centre, Eriksholm.

The Group's financing activities are primarily affected by the above buyback programme of own shares.

Interest-bearing assets changed from a net asset of DKK 33 million at the start of 1999 to a net debt of DKK 93 million at year-end.

Commercial exchange positions are hedged currently through sale of forward exchange contracts, which at year-end totalled DKK 761 million. Forward contracts were made for the following major currencies: USD 706; JPY 6.57 and EUR 750.

It is the opinion of management that there are no major financial risks that have not already been hedged.

Balance sheet

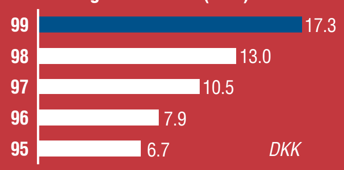
At 31 December 1999 the balance sheet amounted to close on DKK 1.1 billion; a slight increase on 1998, which is acceptable in the light of the Group's heavy growth.

Operational activities are controlled to avoid unnecessary liquid funds being tied up in the balance sheet total. However the delivery capability during new product introductions must be taken into account, and in late 1999 control was not quite as tight as usual because of a build-up of larger-than-usual buffer inventories. In 2000 the rate of turnover of inventories are expected to pick up compared with 1999. Growth in revenue, which was 24% in the second half compared with a year ago, contributed to trade debtors out-

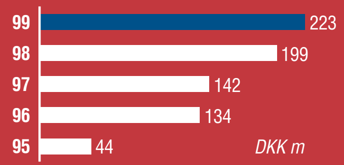
Interest risk at 31 December 1999 *(DKK million)*

Maturity	< 1 year	1-5 years	> 5 years	Totally	Weighted interest
Financial fixed assets	-	-	6.9	6.9	
Liquid fonds	68.7	-	-	68.7	
Interest-bearing assets	**68.7**	**-**	**6.9**	**75.6**	**4.1%**
Mortgages	-	-	4.7	4.7	
Long-term creditors	10.3	36.3	93.2	139.8	
Bank debt	23.6	-	-	23.6	
Interest-bearing liabilities	**33.9**	**36.3**	**97.9**	**168.1**	**4.3%**
Net position	**34.8**	**-36.3**	**-91.0**	**-92.5**	

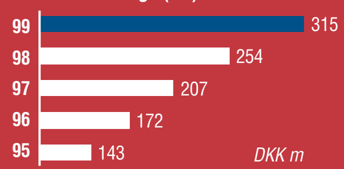
Earnings Per Share (EPS)



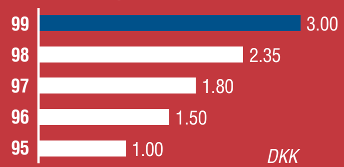
Cash Flow from Operations (CFFO)

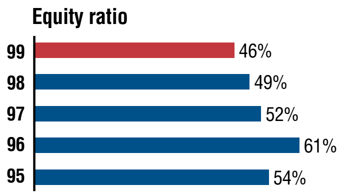


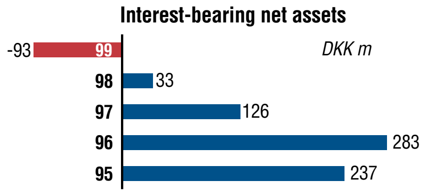
Cash Earnings (CE)



Dividend per share







growing revenue since trade debtors typically concern the last few months of the year. Moreover longer credit terms are a competition parameter on certain markets. 1999 saw no significant losses on bad debts.

Management and employees

At the annual general meeting in 1999 Sven Folmer Thomsen was not eligible for re-election due to age. Michael Pram Rasmussen was elected member of the Board, and subsequently the Directors appointed Niels Boserup Chairman and Jørgen Mølvang Deputy Chairman.

The average number of employees rose to 2,132. In 1999 revenue per employee amounted to DKK 884,000 against DKK 838,000 in 1998.

The Board of Directors wishes to express its warmest thanks to Management and staff for their commitment and excellent performance in a year with many new product introductions.

Capital structure

The foundation, William Demants og Hustru Ida Emilies Fond (the Oticon Foundation), Gentofte Denmark has notified the company that it holds 62% of the shares.

On 9 March 2000 the company held 135,240 of its own shares, or 0.9% of the share capital. No other shareholders have informed the company of any shareholdings reportable under Danish law.

At the annual general meeting in May 1999 it was decided to write down the company's existing holding of own shares of nominally DKK 3.1 million (4.2% of the share capital at the time).

At the annual general meeting on 25 April 2000 the Board will propose that the company's shares be divided into smaller units from DKK 5 per share to DKK 1 per share through a share split to keep the company's shares highly liquid.

The Board has decided to offer the employees shares at a favourable price before the end of 2000. It is expected that employees will be offered app. 0.5% of the share capital.

Prospects for 2000

The William Demant Holding Group will proceed with its growth strategy and expects growth to continue in 2000, partly through the acquisitions in recent months and partly through the strong platform established for the newly introduced products.

- In late 1999 the Group acquired 50% of DanaCom A/S, a manufacturer of headsets, and the Group is expected to exercise an option to acquire another 25% mid-2000. DanaCom shows handsome growth, albeit from a low level, and is expected to contribute positively to Personal communication for this area to generate revenues to the tune of DKK 300 million in 2000.

- On 17 January 2000 the Group acquired Interacoustics, a Danish audiometer firm, which will contribute to Diagnostic instruments in the coming year for this area to more than double its revenues to amount to DKK 140 million.

- In January 2000 the Group made an offer via the London Stock Exchange for all the shares of Hidden Hearing International Plc., a multi-brand hearing instrument distributor. On 24 February 2000 shareholders holding 98.6% of the company's share capital had accepted the offer, and in accordance with British law William Demant Holding A/S therefore proceeded to initiate compulsory redemption of the remaining shares.

Hidden Hearing is expected to contribute some DKK 400 million to Group revenues in 2000.

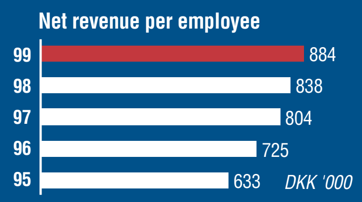
Moreover the sale of many products introduced in 1999 will be fully reflected in the profit and loss account from early 2000.

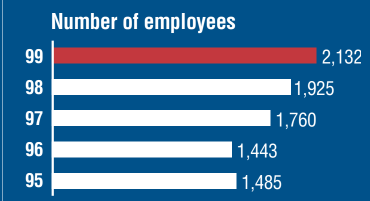
In the light of the above, Group revenues are expected to increase by at least 30% to more than DKK 2.5 billion in the 2000 financial year.

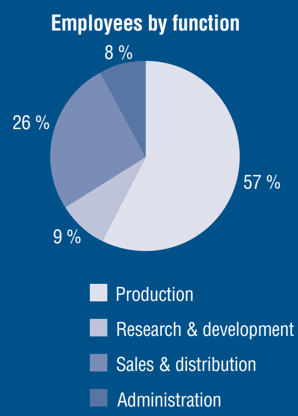
Various initiatives to improve gross margins have been introduced and the effort to optimise the use of resources allocated for R&D and distribution will be continued. This will generally contribute to lifting the profit margin.

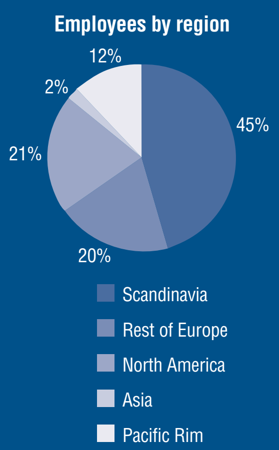
On the acquisition of Hidden Hearing it was decided to implement various efficiency measures to become fully effective in 2001.

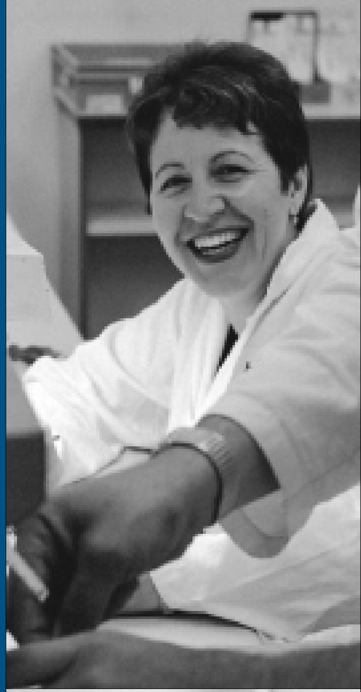
The consolidation of Hidden Hearing will lower the profit margin in 2000, which is consequently expected to be slightly lower than in 1999.

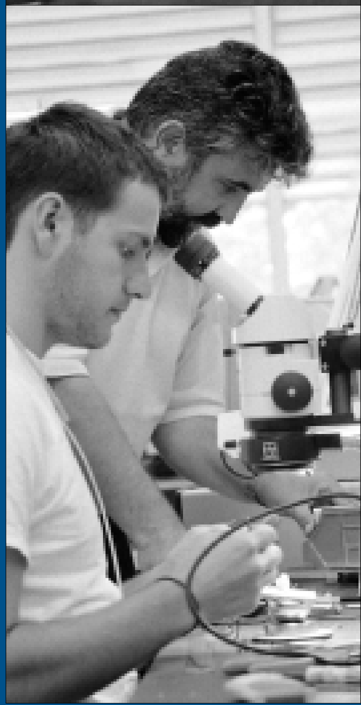












The Group's operating profit for 2000 is estimated at DKK 420-450 million, or an increase in profit of well over 20%.

At the start of 2000 interest-bearing debts amounted to app. DKK 100 million. The acquisitions made in early 2000 were financed by loans and net debts thus grew by app. DKK 400 million. With the increase in debt and with the Group's substantial cash flows from operating activities, financial items for 2000 are expected to constitute a net expense.

Earnings per share are expected to increase to about DKK 21. Assuming that the shareholders accept the proposal for a reduction of the units of shares to DKK 1, the increase is the equivalent of DKK 4.20 per share.

The Board of Directors will proceed with its active strategy to utilise the Group's financial capacity for acquisition of firms within the existing business areas or related activities, a strategy that will continue to contribute to growth in revenues and profits in the years to come.

The modern hearing aid

Contrary to common belief, hearing aids are in reality fitted with only a limited involvement of the user. This may be one of the reasons why hearing aids cannot always satisfy the needs of the individual.

The most important feature of a hearing aid is to provide effective compensation for the user's hearing loss. The foundation for this compensation is normally referred to as hearing aid audiology. However, besides the compensation for the hearing loss, the modern hearing aid also encompasses a suite of functionality, which has been made possible by technological developments and achievements. This 'other' functionality can conveniently be categorised in three classes.

Firstly, a functionality that attempts to compensate for the acoustical changes introduced when the hearing aid is placed in the ear (changes of the natural sound path to the eardrum, introduction of acoustical feedback or howling, introduction of occlusion etc.)

Secondly, a functionality that might help the user communicate better when there is background noise because normal hearing cannot be completely restored (directional microphone, noise reduction.

Thirdly, additional functionality, which may ease the handling and daily use of the hearing aid (warning signal for low battery, mobile telephone interface etc.).

This other functionality may add considerable value to the hearing aid - especially regarding its performance in difficult listening situations and to its daily use - but this should be regarded as being additional to the main purpose of the hearing aid which is to compensate for the user's hearing loss.

Hearing aid audiology

A hearing loss affects several aspects of hearing, and consequently, finding the most effective compensation can be relatively difficult. The best setting of a hearing aid depends on what the hearing aid is intended to provide. For instance, quite different settings are required to improve speech understanding, to optimise sound quality or to improve sound localisation. Therefore, the final setting that is preferred by the individual hearing aid user often comes about as a compromise.

To reach this setting the starting point is a 'fitting rationale', which normally is designed from audiological data from a large group of subjects with impaired hearing. For each hearing aid user the rationale takes the audiometric information - most often the hearing threshold - and calculates the initial setting of the hearing aid.

The fitting rationale only provides a rough estimate and therefore, the initial setting has to be followed by a fine-tuning process. This process is normally based on verbal feedback from the user to the dispenser - as indicated in fig. 1. It is important to realise that successful fine-tuning depends at least on three factors.

Firstly, the ability of the user to express what is perceived, secondly, the ability of the dispenser to interpret what the user says, and thirdly, the ability of the dispenser to translate the interpretation into a set of relevant adjustments of the hearing aid. Among hearing care professionals it is well known that a fitting procedure as described above will not always arrive at the compromise which best satisfies the individual user's needs.

In order to develop more successful fitting procedures there appear to be two complementary approaches one might follow. One is to identify and use a broader variety of user characteristics as input for the initial setting of the hearing aid -

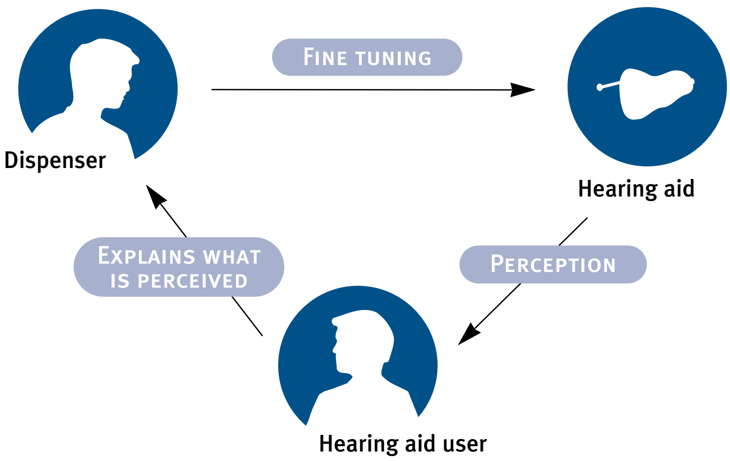


Figure 1.
Traditional fitting procedure

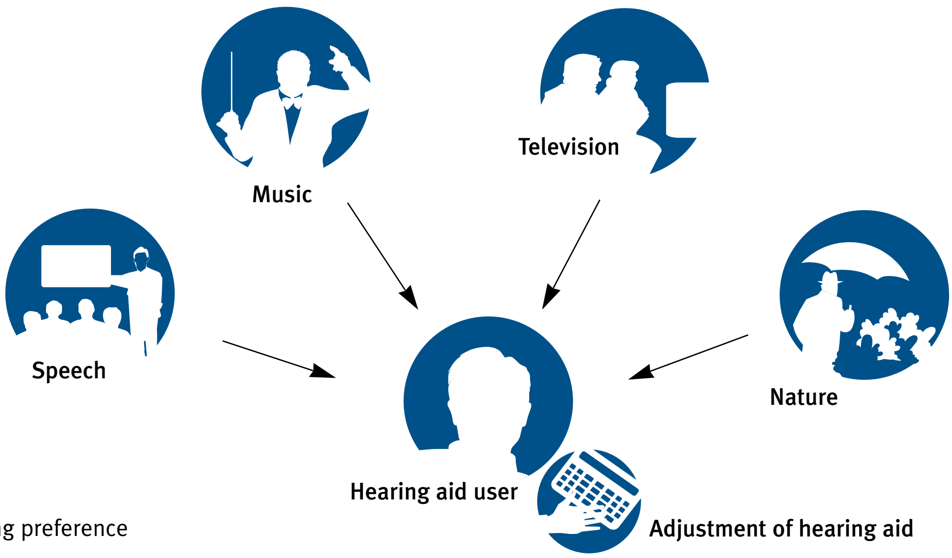


Figure 2.
Fitting by listening preference

information that may include both audiological and non-audiological characteristics. This is a knowledge-based approach. The other is to make the user an integral part of the fitting procedure and to make the user adjust for the preferred setting of the hearing aid. This is a preference approach.

The knowledge-based approach

Until recently, only user characteristics from the audiology domain have been used systematically for the initial setting of hearing aids. As described above, the measured hearing threshold is the only individual data that is normally used by the fitting rationale to calculate the initial setting of the hearing aid.

Although early attempts were made to incorporate further data to improve the accuracy of the fitting it is only over the last ten years or so that more systematic attempts have been made. For instance, along with the introduction of non-linear hearing aids in the early 1990s, investigations began world-wide of how the user's perception of sound level (from 'very soft' to 'very loud') might be used in hearing aid fitting. However, it has still not been demonstrated that this or similar attempts to make the hearing aid fitting more accurate are preferred over the more simple ones based on the hearing threshold alone.

The lack of success within this field of applied audiology is one of the reasons why the focus has been turned to user characteristics from the non-audiology domain. This - on the other hand - fits well with the growing acceptance that a hearing aid user is characterised by more than just the hearing loss, and that individual characteristics related to lifestyle, personality and cognition might also be important elements for successful hearing aid fitting and use. Two such elements have recently been studied at the Eriksholm Research Centre and are therefore mentioned below.

User environment
An integral part of the individual user's lifestyle is the acoustic environment. Descriptions exist that characterise 'standardised' acoustical environments like for instance: normal speech, speech spoken with different vocal effort, speech from males and females, party noise and traffic noise. However, in practice, the most common sound environment is one with a rapidly changing mixture of sounds and a succession of acoustical scenes so the daily life of a hearing aid user varies a lot across individuals.

Therefore, a series of studies have been conducted in which each person in a large group of hearing aid users has carried a device that recorded the sound level over a week of activity. In this way the average sound environment and its variation could be described for the individual. The data provides clear evidence that the sound environment corresponds almost to a 'fingerprint' of the individual hearing aid user. During the fitting of a hearing aid, focusing on the user's lifestyle and related sound environment might improve its function in those acoustical situations that are most important for the individual user.

Cognitive skills
Cognitive skill is the capability of the brain to process and use the information provided from the senses (hearing, vision, feeling etc.). In hearing it has been indicated that one or two dimensions of cognition affect the way acoustical information can be utilised. Amplification preference has been studied in new hearing aid users and their ability to understand

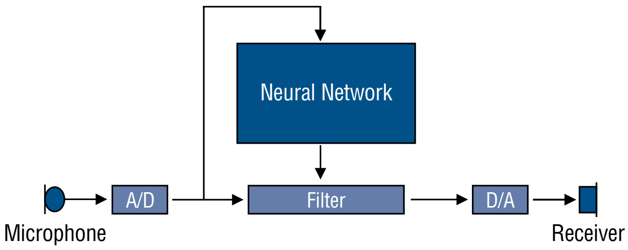


Figure 3.
The core of the experimental hearing aid

A/D = Analogue to digital conversion
D/A = Digital to analogue conversion

speech in noise with the preferred setting of their hearing aids has been measured. A series of research studies has demonstrated that 'short term memory access' (one dimension of cognition) is a user characteristic that is related both to how much amplification is preferred by the individual and to how well speech in background noise is understood. Thus it appears that information about the user's cognitive ability might improve the initial fitting of the hearing aid and thereby increase the probability of successful hearing aid use.

The preference approach

The basic idea that is shown in fig. 2 is centred on the individual hearing aid user and is called 'fitting by listening preference'. The idea is to let the user adjust the hearing aid in response to different Auditory Scenes, and thus find the listening preference. Along this line of thought a series of research studies has been carried out at the Eriksholm Research Centre over the last couple of years, as briefly discussed below.

A signal processing technique was developed containing a Neural Network that controlled the signal processing in an experimental digital hearing aid - as sketched in fig. 3. By means of a unique set of simple controls the user could adjust the hearing aid to the preferred setting for each listening condition. Subsequently, all settings were used to train the Neural Network to contain the user's general listening preference.

This experimental set-up was used to study how subjects with impaired hearing were able to adjust for their preference when listening to a selection of 11 Auditory Scenes. It was also evaluated whether the final setting - at which the individual subject arrived - was reasonable and could be obtained with precision. In brief it was concluded that experienced hearing aid users:

- highly appreciated being personally involved and performing the adjustments themselves
- found the adjustment procedure easy
- liked the fact that they didn't have to explain to others what they wanted to do, and that they could try a different combination of settings

It was also found that:

- the final settings were meaningful
- the individual adjustments could be repeated with surprisingly high accuracy

These experiments were all performed in the laboratory. Therefore the important next question is whether the hearing aid users in their daily environment will accept settings of a hearing aid that are obtained during listening to Auditory Scenes in a clinical environment. Future research, which involves field-testing, will attempt to clarify this question and thus demonstrate the potential benefits of the preference approach.

Oticon

Oticon is represented in 20 countries all over the world. The company's core functions and hearing-aid-related R&D are based in Denmark. It is from the company's headquarters in Copenhagen that Oticon also services the Danish market, plus some 80 independent distributors the world over.

During 1999 Oticon experienced significant growth in revenue through shifting its emphasis to increasing sales of the more expensive instruments in its product range, particularly the sale of in-the-ear instruments.

Virtually all of the leading hearing aid manufacturers have now introduced their first generation of digital hearing aids, and during the course of the year, a few manufacturers launched their second generation. Measured by volume, digital hearing aids today still only account for a small percentage of the total market. Measured by value, however, the picture changes drastically, and it is in this segment that the largest growth is becoming apparent.

The digital hearing aid market share is expected to increase, as dealers become more comfortable with the use of PCs to fit the digital products. We also expect many dealers to concentrate their purchasing around fewer suppliers, partly because they wish to avoid having to learn to master many different types of fitting software.

Full-range

Oticon continues to be one of the market's few full-range suppliers. Firstly, Oticon can offer dispensers new and technologically leading-edge instruments that target all customer segments across the price ranges. And secondly, Oticon offers a wide range of hearing aids, from small in-the-ear devices to powerful behind-the-ear instruments.

This combination meets current demands from dealers for a broad product range from just one supplier. Such an arrangement means less need for training, greater confidence in the selected products and fitting software, larger discounts, plus a more goal-oriented service from Oticon's consultants and audiologists all over the world.

At the American Audiology Conference in April, Oticon introduced *DigiFocus II* - a new, complete family of digital hearing aids. This family is based on a new platform and comprises, amongst others, Oticon's first digital completely-in-the-canal (CIC) hearing aid.

DigiFocus II was released for sale on the first markets during the third quarter, and sales have developed very positively all over the world. This is partly due to the fact that the dealers have considerable experience using Oticon's audiological rationales, ASA2 and SKI, as well as the fitting systems, OtiSet and EasyFit. The increase in sales can also be attributed to the wide range of models offered.

In the fourth quarter Oticon introduced *Ergo* and *Swift* - two new families of very competitively priced programmable hearing aids. These new instruments offer government hearing clinics and private

Hilary Thorp is Associate Director at the Birmingham office of top ten UK PR consultancy, Grayling Public Relations. Approaching forty, she detected something wrong with her hearing:

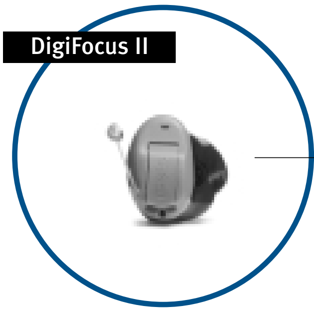
“To be very honest the last thing you imagine happening at this age is finding that you are beginning to lose your hearing. Today, I am wearing Oticon’s in-the-ear DigiFocus II instruments. There is certainly a better quality to sound from digital as opposed to my old analogue models. The sound is much truer to life, it is not as difficult for me to cope in meetings and I don’t get as easily tired.”

dispensers a new programmable alternative to non-programmable instruments in the same price category. Both instruments have been extremely positively received by both dealers and users world-wide.

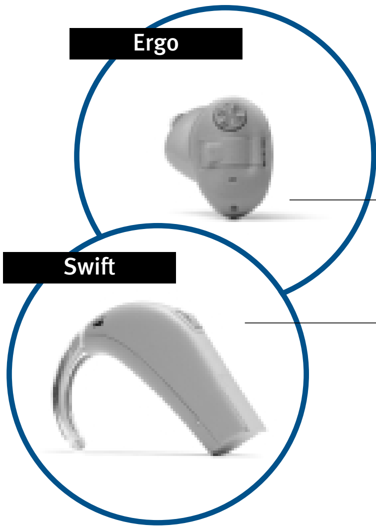
Over the next few years Oticon will continue to invest considerable energy in product development, in order to reinforce its position as a full-range supplier.

At the beginning of the new year, Oticon expanded its management team to include Peter Finnerup, previously President of the Bernafon Group. It will be his responsibility to manage a newly established management area which will include, amongst other tasks, the co-ordination of the Group’s entire production, purchasing and logistics functions.

Also at the turn of 1999/2000, Oticon strengthened its activities in Brazil by increasing its shareholding in Centro Auditivo Telex from 20% to 100%.



DigiFocus II is a complete family of digital hearing aids and an evolution of the world’s first digital hearing aid. The product family covers the full spectrum - from a completely-in-the-canal (CIC) instrument to behind-the-ear instruments.



In 1999 Oticon introduced Ergo and Swift - two new families of programmable hearing aids that offer users a high degree of flexibility at very competitive prices.

Bernafon

The Bernafon business comprises the company, Bernafon AG, with headquarters in Bern, plus 10 foreign sales subsidiaries. The Swiss office serves the domestic market for hearing aids and some 40 independent distributors the world over.

In 1998 Bernafon experienced growth in market share. This tendency continued in 1999, and is based on a continual expansion of the distribution network, combined with new product launches.

In 1999 Bernafon strengthened its position in the market for in-the-ear hearing aids and is well prepared to make its mark in this area and keep apace with the general expansion of sales expected in the small digital instrument sector.

Although the German market went into a general recession in 1999, affecting Bernafon to a degree, the company's strengthened sales effort in South America proved fruitful and the company was still able to increase its market share in that region. Positive results are also expected from two new distributors that were established in 1999 in China and in Taiwan.

The company's co-operation with Australian Hearing Services and The National Acoustics Laboratory in Australia continues to have a positive influence on Bernafon's product development and sales. In 1999, as a result of this liaison, Bernafon became the first company in the world to introduce a new audiological rationale called NAL-NL1 which is incorporated into the new generation of Bernafon fitting software, OASIS 3.5.

In 1999 Bernafon supplemented its product programme with a new family of digital hearing aids called *Smile*. This full-range family covers a broad spectrum, from completely-in-the-canal (CIC) hearing aids to the powerful behind-the-ear instruments. Sales of in-the-ear instruments began at the end of November, with sales of behind-the-ear instruments following in February 2000.

Smile differentiates itself from most competitive products by offering the wearer the flexibility to adjust various operational functions - such as choice of programme, tone and volume control - in a number of ways. Smile is available in three variations: fully automatic without an operational control, fully automatic with a control, or a concept where the user adjusts the hearing aid via a newly designed remote control.

Bernafon's success is based on the three product families: *Dualine*, *Audioflex* and *Opus2*. These are continually expanded to meet market demand. The most recent addition, released at the end of the second quarter, was a new hearing aid in the Audioflex product family.

The new Audioflex model offers several methods of controlling volume - both during the dispenser's fitting (gain control) and by giving the user the opportunity to adjust the volume to accommodate different sound environments (dynamic loudness control). This concept

Silvia Araújo studied art in Brazil and today works as a freelance teacher and painter in Switzerland.

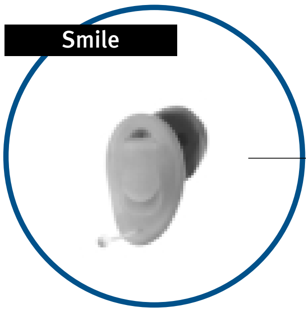
“ My hearing began to deteriorate when I was only twelve. When the doctors told me that just 50% of my hearing remained, I decided to start using a hearing aid. My first experience with a hearing aid made by a well-known company was not entirely satisfactory. I then switched to a new, fully digital hearing system, Smile from Bernafon. Now when I listen to music and take part in conversations, even when there’s a lot of background noise, the excellent sound quality gives me much better listening comfort. I can best describe the difference in visual terms: Hearing with my old hearing aid was like a painting where all the colors and details just merged into one. With my new Smile hearing system, the painting is clearer and the colors are more distinct. ”

was originally introduced in Dualine, but proved to be so popular that Bernafon also applied it to Audioflex. With the expansion of the Audioflex family Bernafon’s products have become even more attractive. The market has certainly reacted positively, with sales increasing considerably, not least in the commercial market in Australia.

The Opus2 family was also expanded in the spring to include two models that target users with severe and profound hearing loss.

At the turn of 1999/2000 Peter Finnerup, previously President of the Bernafon Group, became part of the Oticon management team in Denmark. His successor is Erich Spahr, who has been with Bernafon for over 15 years.

Smile



Smile is a new family of digital hearing aids comprising both the very small, completely-in-the-canal (CIC) instruments and powerful behind-the-ear instruments. These products, which meet user demand for individual fittings, combine digital sound quality with unique flexibility.

Diagnostic instruments

The Diagnostic instruments business, although the smallest business area within the Group, promises a number of exciting growth opportunities. The companies within this group - all of which produce advanced diagnostic instruments - are Maico Audiometer, RhinoMetrics and the recently acquired Interacoustics.

Maico has companies in both the US and Germany, while Interacoustics and RhinoMetrics are based in Denmark. With the acquisition of Interacoustics at the turn of 1999/2000, this business area increased its turnover from DKK 66 million to about DKK 140 million.

Maico Audiometer and Interacoustics manufacture, sell and service audiometers, which are used to measure people's hearing ability. These instruments are used across the industry, by hearing clinics, ear-nose-throat specialists, healthcare centres and schools. The products range from simple, portable instruments to fully digital systems for PCs.

Together, these two companies feature amongst the world's three largest manufacturers, thus countering current consolidations in an audiometer sector that is producing fewer, but larger competitors. In 1999 this business area enjoyed steady growth which is expected to continue throughout this year.

In 1999 Maico strengthened its market position through acquisitions in the US. Acquisitions included the company American Electromedics, and the full range of audiometer activities in Beltone. Maico acquired the rights to a number of products specifically designed for the children's market from American Electromedics. These include products (e.g. RaceCar) intended for examination of the middle ear.

With the acquisition of Beltone's audiometer activities Maico will become the largest supplier of audiometers to schools, expanding its market share from 35% to 65%.

RhinoMetrics is the smallest of the companies in this business area. The company develops, manufactures and sells systems for measuring irregularities in the air passages. The systems are based on two hardware units that are compatible with the company's software modules.

Two of the primary products are *RhinoScan*, which belongs in the Acoustic Rhinometry category, and which is used to measure the inner dimensions of the nasal passages, and *RhinoSleep*, which is used for advanced sleep analysis.

Both products are based on a measurement method that involves sending wideband noise into the nose or throat. The reflected sound is analysed by the system software, which subsequently produces a clear graphical image of the dimensions of the nasal passages, or obstructions in the soft palate. This method is similar in principle to the way a bat uses reflected sound to navigate at night.

RhinoSleep is a diagnostic method capable of locating the position of an obstruction in the upper airway that causes obstructive sleep apnoea. This condition is characterised by abnormally long pauses in breathing during sleep. RhinoSleep enables doctors to make a more precise

Per Djupesland, MD and Ph.D., is an ear-nose-throat specialist and researcher at Ullevaal University Hospital in Norway. With the help of RhinoScan, both for research, and at his private practice, he uses sound signals to scan the contours of the nasal passages.

“In just a few seconds I have a graphical picture of the inside of the patient’s nose, and this helps me make a precise diagnosis. It is simple, fast, and - perhaps most important - my patients feel no discomfort. This is particularly vital when examining sick children. It is a very reliable method which enables me to immediately pinpoint problems such as a constriction in the wrong place. Per Djupesland explains that RhinoScan is an important tool for determining whether constrictions are caused by an infection or by anatomical irregularities, and for documenting the effect of treatment.”

diagnosis, so that they can recommend the most appropriate form of treatment. The first RhinoSleep system was presented to dealers in key markets in the autumn of 1999, and the product will be tested by leading sleep researchers all over the world.

In 1999 RhinoScan experienced satisfactory growth, and with RhinoSleep, growth is expected to increase even further in 2000.

RhinoSleep

RhinoSleep, from RhinoMetrics, is a diagnostic method capable of locating the position of an obstruction in the upper airway that causes obstructive sleep apnoea. This condition is characterised by abnormally long pauses in breathing during sleep. RhinoSleep enables doctors to make a precise diagnosis, so that they can recommend the correct form of treatment.

Personal communication

Phonic Ear
Phonic Ear is a California-based company with direct distribution in North America and more than 60 distributors throughout the rest of the world. The company's core business is wireless communication systems, which can be used with or without hearing aids. These systems are used in classrooms, cinemas, churches, sports centres, theatres and other places where distance and noise make it difficult to understand speech.

The largest single business area for the sale of communication systems is the education sector, which in 1999 experienced an increase of 15%.

In 1999 Phonic Ear developed four new products. The *Sprite BTE-FM System* is a classic example of cross-disciplinary co-operation between the various specialist areas within the Group. The Sprite project is an integrated solution that combines wireless communication with behind-the-ear hearing aids.

OnWave is a favourably priced, advanced FM-system, especially designed for theatres, sports centres and churches. It is expected to generate particular interest in the US market, where legislation demands that all public places be equipped with sound systems. *VocalPort* is a lightweight, portable sound system that is ideally suited to, for example, meeting rooms.

The fourth product developed in 1999 was *VocaLight*, a loudspeaker system based on infrared sound-wave technology. The advantage of using this technology is that infrared waves cannot penetrate walls with teachers in several different rooms using the same frequency to teach individual classes. If FM technology is used, this necessitates using several radio frequencies.

Logia
Logia is Denmark's largest supplier of telecoil systems and assistive listening devices for the hearing impaired.

In 1999 Logia worked on restructuring and improving the efficiency of its key products - particularly those designed for churches, which is one of the company's major markets. In this area, Logia is the leading supplier in Denmark.

Logia has focused on increasing its profitability, and in 2000 expects to harvest the benefits of the effort it has invested in new areas. For example, Logia has been developing new sound systems for the education sector, where co-operation with Phonic Ear will result in a new product designed for classrooms.

DanaCom
In September 1999 DanaCom became part of the William Demant Holding Group. The company develops, manufactures and sells headsets for professional users that spend most of their day on the telephone - such as call-centres, reception areas etc.

DanaCom has a broad product range that combines ergonomics with high quality and design. The company is investing in producing flexible, quality solutions, and in providing a fast and efficient service. DanaCom's products include solutions for fixed and mobile phones as well as PCs.

Johnny Jensen is Department Manager at Falck's Customer Service Department.

" In Falck's salvage corps we take our working environment seriously, and demand a lot from our equipment. DanaCom has delivered headsets and amplifiers that we use at our call-centres. It fully lives up to employee expectations in terms of weight, ability to dampen background noise, sound quality - and it can be customised to meet the needs of the individual. According to Johnny Jensen, it took the company some time to locate a supplier that could live up to Falck's demands for e.g. continual updates about new products and fast repairs of defective equipment. "

In recent years the market for headsets has grown considerably, and expectations for growth are moving apace with the fact that more people are beginning to use professional headsets. As the market develops, design and quality will become more of a competitive parameter. Here, DanaCom is well prepared to meet potential challenges. In 1995 the company received a Danish Design Prize - the ID-Prize - for one of its products.

Sprite

Sprite BTE-FM, from Phonic Ear, is an integrated solution that combines wireless communication with a special behind-the-ear hearing aid that contains an FM receiver. It is especially useful to hearing-impaired children who attend mainstream schools, and who are taught together with children with normal hearing. In order to ensure that the hearing-impaired child gets full benefit from the teaching, teachers use an FM transmitter, which transmits speech directly to the hearing aid.

PRODUCTION AND OPERATIONAL ACTIVITIES

All the companies that comprise the William Demant Holding Group work in close co-operation, preferably utilising common resources, in a number of areas which include the manufacturing facilities, the Information Technology (IT) infrastructure, the quality control systems, service and technical support, finance and administration.

All of the companies use identical administrative systems that can be supported by a central team, an arrangement that nurtures a flexible working procedure and the ability to swiftly implement change.

The production of hearing aids takes place in the Group's own factories in Denmark, Scotland and Australia. For Oticon and Bernafon, the actual development of new hearing aids takes place in Denmark and Switzerland respectively. Phonic Ear, which produces solutions for wireless communication, has its own production facilities in California, while production of audiometers takes place in Denmark, Germany and the US.

DancoTech, in Danmark, produces components for the Group's four business areas, but also functions as a sub-supplier to other companies within the electronics industry. DancoTech specialises in two key areas: the mounting of small, complex microelectronic circuits, and interconnection technologies.

Globally, all the companies within the Group utilise the same IT systems. This helps to increase efficiency and improve internal communication. As the Group entered the new millennium no problems were experienced within the IT area.

The Group's electronic order system is under continual development. Customers have ordered mainstream hearing aids via this system for years, and today the system also processes orders for special types of hearing aids. This has led to a significant reduction in storage space, higher flexibility, and not least, the ability to quickly adapt production to meet individual customer needs. Whilst special types of hearing aids occupy only a minor part of the total production they are, nonetheless, an important link in the Group's strategy to meet dealer demand for full-range suppliers.

In 1999 the Group launched a new project within Supply Chain Management, where key sub-suppliers were invited to join the integrated IT network. This gave them valuable insight into the Group's short-term and long-term stock requirements, which in turn has resulted in improved efficiency and better utilisation of internal resources within the purchasing function.

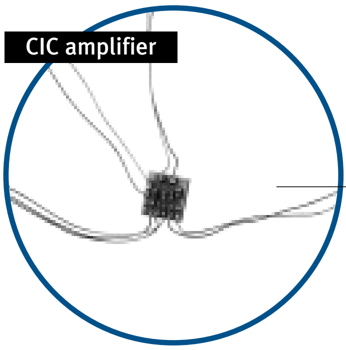
During the course of the year the Group invested considerable resources in maintaining and developing its global quality control systems. In several areas, this included achieving ISO certification. In

For a number of years, orders for mainstream hearing aids have been processed via an electronic order processing system, and in 1999 special variations were taken into the system. For instance, when a French customer requires a special hearing aid, the salesperson can transmit the order directly to the assembly department in Thisted. Within 24 hours the hearing aid is assembled and dispatched. No more than 48 hours after the salesman has submitted the order, the special model arrives at the desired address in France. This illustrates a new level of flexibility and ability to quickly adapt production in order to swiftly meet individual needs.

1999, for example, Oticon's Dutch subsidiary and DanaCom entered the ISO 9002 certification process, which is expected to be completed during 2000. Previously, Oticon A/S, Bernafon AG and RhinoMetrics have been amongst those companies seeking ISO 9001 certification, and other companies within the Group are becoming increasingly interested in starting similar processes.

CIC amplifier



DancoTech specialises in microelectronics packaging and PCB assembly. The company supplies printed circuit boards to the companies within the William Demant Holding Group, as well as to other companies within the electronics industry. DancoTech are specialists in assembling small complex and tightly packed circuitry, which is subsequently incorporated into products such as digital hearing aids, diagnostic equipment and security systems. The printed circuit board shown in the picture is a CIC amplifier.

SHAREHOLDER INFORMATION

Copenhagen Stock Exchange
The company's shares are listed on the Copenhagen Stock Exchange. From 20 December 1999 the William Demant Holding share is included in the computation of the KFX index composed of the most liquid shares listed on the Copenhagen Stock Exchange. With a market value of well over DKK 10 billion at end-1999 the William Demant Holding share accounted for 2.0% of the KFX index.

Revenue and share price trends in 1999
In 1999 7.4 million William Demant shares were traded on the Copenhagen Stock Exchange at a total value of DKK 4 billion. The share price in 1999 rose by 78% from 394 to 700 for each DKK 5 share.

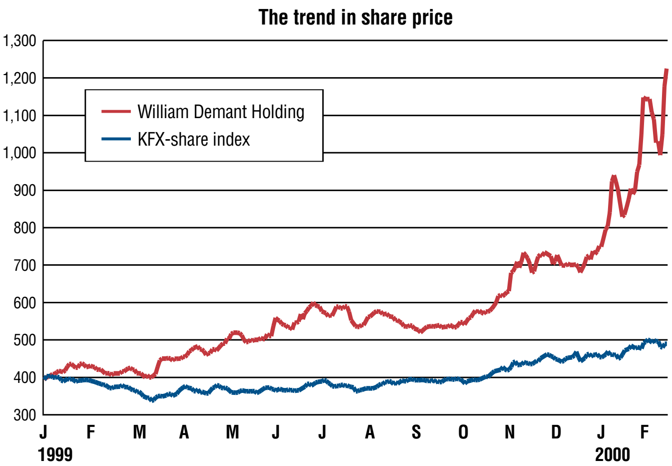
Capital
On 31 December 1999 the company's authorised capital was nominally 74,377,290, which is a decline of nominally 3,098,490 resulting from the decision at the annual general meeting in May 1999 to cancel 619,698 shares.

The foundation 'William Demants og Hustru Ida Emilies Fond' has notified the company that it holds 62% of the company's share capital.

At 9 March 2000 William Demant Holding A/S held 135,240 shares corresponding to 0.9% of the issued capital. Part of these shares will be used in connection with a future employee share ownership plan under which Group employees can acquire shares at a favourable price.

At the annual general meeting on 25 April 2000 the Board of Directors will propose that a share split be carried out in a ratio of 1:5 for share units to be reduced to DKK 1.

Dividend
At the annual general meeting the Board will recommend that a dividend be paid out of DKK 3 per share corresponding to a dividend ratio of 60%.



Reuters: WIDE.CO
Datastream: N:WDH
Bloomberg: WDH DC

Stock exchange information

DKK per share	1995	1996	1997	1998	1999
Highest price	158	313	344	422	734
Lowest price	105	144	245	306	400
Year-end price	150	273	316	394	700
Total market cap. DKK million	2,287	4,162	4,896	5,931	10,324
Average no. of shares, millions	14.70	15.27	15.36	15.42	14.84
No. of shares year-end, millions	15.27	15.27	15.50	15.05	14.74

Stock exchange announcements
In the 1999 financial year:

Financial Statement 1998	17 March 1999
Upgrading profit expectations	11 May 1999
Annual general meeting	11 May 1999
Interim report 1999	20 August 1999
Acquisition of DanaCom A/S	7 September 1999

From end-1999 to 1 March 2000:

Acquisition of Interacoustics and Centro Auditivo Telex S.A.	16 January 2000
Conditional offer for the purchase of Hidden Hearing International Plc.	25 January 2000
Acquisition, Dahlberg Sciences Inc.	14 February 2000
Unconditional offer for the purchase of Hidden Hearing International Plc.	25 February 2000

Financial calendar 2000:
For this financial year announcements to Copenhagen Stock Exchange are planned on the following dates:

Financial Statement 1999	9 March 2000
Annual general meeting	25 April 2000
Interim report 2000	23 August 2000

Internet
www.demant.com has more information on the Group including copies of the published stock exchange announcements.

Investor relations
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Kenneth Aaby Sachse, Vice President, Finance
Phone +45 39 17 71 00, e-mail: kes@demant.dk

Management's and Board of Directors' Report

Copenhagen, 9 March 2000

Management:

Niels Jacobsen

Board of Directors:

Niels Boserup
Chairman

Jørgen Mølvang
Deputy Chairman

Franck Fogh Andersen

Lars Nørby Johansen

Jørgen Kornum

Michael Pram Rasmussen

Hanne Stephensen

Auditors' report

We have audited the financial statements of the Parent Company and the Group of William Demant Holding A/S for the year 1999 presented by the Board of Directors and the Management.

Basis of opinion

We have planned and conducted our audit in accordance with generally accepted auditing standards to obtain reasonable assurance that the financial statements are free of material misstatements. Based on an evaluation of materiality and risk, we have, during the audit, tested the basis and documentation for the amounts and disclosures in the financial statements. Our audit includes an assessment of the accounting policies applied and estimates made. In addition, we have evaluated the overall adequacy of the presentation in the financial statements.
Our audit has not resulted in any qualifications.

Opinion

In our opinion, the financial statements have been prepared in accordance with the accounting provisions of Danish law and give a true and fair view of the Parent Company's and the Group's assets and liabilities, financial position and result for the year.

Copenhagen, 9 March 2000

Deloitte & Touche
Statsautoriseret Revisionsaktieselskab

Henning Møller
State authorised
Public Accountant
(Denmark)

Lone Møller Olsen
State authorised
Public Accountant
(Denmark)

KPMG C.Jespersen

Arne Nielsen
State authorised
Public Accountant
(Denmark)

Carsten Kjær
State authorised
Public Accountant
(Denmark)

Accounting policies

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

The accounting policies are the same as last year.

Consolidation
The consolidated financial statements include the companies shown on page 46. The consolidated financial statements comprise William Demant Holding A/S (parent company) and the companies in which the parent company holds more than 50% of the voting rights. The consolidated financial statements have been prepared on the basis of audited financial statements for the parent company and its subsidiaries by aggregating uniform items and eliminating intercompany income and expenditure, shareholdings, intercompany accounts and dividends as well as non-realised intercompany profits on inventories.

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

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

On acquiring a subsidiary or investing in an associated company, the net assets of such undertaking are valued in accordance with the accounting policies for such valuation to reflect the value of assets and liabilities for William Demant Holding A/S, provisions being made for any restructuring costs. If acquisition cost exceeds net worth for accounting purposes at the time of acquisition, such difference is charged to equity as consolidated goodwill in the year of acquisition. Any negative differences attributable to future operating losses (badwill) are entered under provisions.

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

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

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

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

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

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

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

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

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

Production costs
These include direct and indirect manufacturing costs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debts
Debts are entered at their nominal values.

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

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

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

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

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

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

PROFIT AND LOSS ACCOUNT 1999

PARENT COMPANY		Note	(Amounts in DKK '000)		GROUP
1998	1999			1999	1998
0	**0**	4	**Net revenue**	**1,884,270**	1,613,099
0	0	8	Production costs	-838,410	-720,211
0	**0**		**Gross Profit**	**1,045,860**	892,888
0	0	8	Research and development costs	-158,772	-146,370
0	0	8	Distribution costs	-418,128	-373,770
-12,893	-13,532	8	Administrative expenses	-131,911	-124,402
9,252	9,507		Income from subsidiaries	-	-
-3,641	**-4,025**		**Operating profit**	**337,049**	248,346
252,370	334,621	7	Share of profits before tax, subsidiaries	-	-
577	529		Share of profits before tax, associated companies	-602	2,517
11,070	7,920	5	Financial items, net	3,273	8,485
260,376	**339,045**		**Profit before tax and minority interests**	**339,720**	259,348
-59,550	-81,635	6	Corporation tax on profit before tax	-81,635	-59,550
200,826	**257,410**		**Profit after tax**	**258,085**	199,798
-	-		Minority interests	-675	1,028
200,826	**257,410**		**Net profit for the year**	**257,410**	200,826
			Proposed distribution of net profit:		
35,378	44,223		Dividend		
165,448	213,187		Transferred to reserves		

Balance sheet at 31 December 1999

PARENT COMPANY 1998	PARENT COMPANY 1999	Note	Assets (Amounts in DKK '000)	GROUP 1999	GROUP 1998
0	0		Leasehold improvements	20,214	20,706
0	**0**	8	**Intangible fixed assets**	**20,214**	20,706
27,568	28,905		Land and buildings	88,814	69,780
0	0		Technical plant and machinery	49,570	39,464
914	1,136		Fixtures, tools and equipment	50,360	47,285
28,482	**30,041**	7, 8	**Tangible fixed assets**	**188,744**	156,529
341,488	475,116		Shares in subsidiaries	-	-
189	213		Shares in associated companies	213	243
60,480	31,440		Loans to subsidiaries	-	-
4,268	5,224		Securities and participating interests	6,870	5,594
0	0		Other receivables	13,960	9,186
0	0	6	Deferred tax, asset	7,113	0
0	0	9	Own shares	0	0
406,425	**511,993**	7, 8	**Financial fixed assets**	**28,156**	15,023
434,907	**542,034**		**Total fixed assets**	**237,114**	192,258
0	0		Raw materials and purchased components	125,525	124,863
0	0		Goods in progress	23,087	17,898
0	0		Finished goods	223,660	158,413
0	**0**		**Inventories**	**372,272**	301,174
0	0		Trade debtors	364,397	275,052
178,391	62,363		Accounts receivable, subsidiaries	-	-
0	0		Accounts receivable, associated companies	4,800	4,778
90,882	121,054		Dividends receivable	-	-
246	761		Other debtors	28,161	14,652
0	0		Prepayments and accrued expenses	15,680	16,401
269,519	**184,178**		**Debtors**	**413,038**	310,883
18,960	**0**		**Securities and participating interests**	**0**	18,960
0	**0**		**Liquid funds**	**68,657**	196,208
288,479	**184,178**		**Total current assets**	**853,967**	827,225
723,386	**726,212**		**Total assets**	**1,091,081**	1,019,483

PARENT COMPANY		Note	Liabilities (Amounts in DKK '000)	GROUP	
1998	1999			1999	1998
77,476	74,377		Share capital	74,377	77,476
426,658	425,057		Other reserves	425,057	426,658
504,134	499,434	10	**Shareholders' equity**	499,434	504,134
-	-		**Minority interests**	1,090	449
3,664	2,597	6	Provisions for deferred taxes	0	0
0	0	11	Other provisions	62,001	43,693
3,664	2,597		**Provisions**	62,001	43,693
0	0		Mortgages	4,700	5,032
139,817	129,509		Other long-term creditors	129,509	139,817
139,817	129,509	12	**Long-term creditors**	134,209	144,849
10,265	10,259		Short-term part of long-term creditors	10,259	10,265
21,040	141		Bank debt	23,634	32,286
0	0		Trade creditors	92,303	70,807
7,321	2,279	6	Corporation tax	13,599	16,517
0	35,245		Debt, subsidiaries	-	-
1,767	2,525		Other creditors	161,631	135,028
0	0		Prepayments and accrued income	48,698	26,077
35,378	44,223		Dividend payable for the year	44,223	35,378
75,771	94,672		**Short-term creditors**	394,347	326,358
215,588	224,181		**Total creditors**	528,556	471,207
723,386	726,212		**Total liabilities**	1,091,081	1,019,483

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

Cash flow statement for 1999

(Amounts in DKK '000)	Note	GROUP	
		1999	1998
Net profit for the year		257,410	200,826
Adjustments*	1	153,580	98,402
Change in working capital*	2	-100,123	-49,830
Cash flow from operating activities before financial items		**310,867**	249,398
Interest earned etc.		6,609	22,981
Interest expensed etc.		-3,336	-14,337
Cash flow from operating activities		**314,140**	258,042
Paid corporate tax		-91,666	-59,308
Cash flow from operating activities		**222,474**	198,734
Acquisition of companies	3	-69,354	-20,632
Expensed investments under DKK 50,000*		-13,187	-13,369
Investments in intangible fixed assets*		-4,186	-9,002
Investments in tangible fixed assets*		-70,776	-57,964
Investments in financial fixed assets*		-6,020	34,460
Cash flow from investing activities		**-163,523**	-66,507
Changes in long-term creditors, net		-8,924	102,543
Buyback of own shares		-152,508	-151,287
Dividend paid		-35,378	-27,833
Cash flow from financing activities		**-196,810**	-76,577
Cash flow position for the year, net		**-137,859**	55,650
Cash position net at 1 January		**182,882**	127,232
Cash position net at 31 December		**45,023**	182,882
Breakdown of cash position net at 31 December:			
Liquid funds		68,657	196,208
Securities and participating interests		0	18,960
Bank debt		-23,634	-32,286
		45,023	182,882

* Not including additions from acquired companies.

■ **Note 1 - Adjustments** (Amounts in DKK '000) GROUP

	1999	1998
Depreciation	44,046	40,301
Expensed investments under DKK 50,000	13,187	13,369
Change in provisions	17,985	-6,333
Financial items, net	-3,273	-8,485
Corporation tax	81,635	59,550
Total adjustments	**153,580**	98,402

■ **Note 2 - Cash flow statement - Change in working capital** (Amounts in DKK '000) GROUP

	1999	1998
Change in debtors	-97,494	-25,044
Change in inventories	-63,759	-22,430
Change in trade creditors etc.	61,130	-2,356
Total change in working capital	**-100,123**	-49,830

■ **Note 3 - Acquisition of companies** (Amounts in DKK '000) GROUP

	1999	1998
Fixed assets	-807	0
Inventories	-7,339	-210
Debtors	-4,108	-1,023
Provisions	323	1,701
Short- and long-term creditors	9,584	0
Liquid funds, net	-553	-218
Net assets	**-2,900**	250
Goodwill charged to equity	-66,454	-20,882
Acquisition cost	**-69,354**	-20,632

■ **Note 4 - Net revenue** (Amounts in DKK '000) GROUP

	1999	1998
Scandinavia	235,696	189,855
Rest of Western Europe	484,765	484,534
North America	689,853	551,470
Asia	140,330	105,652
Pacific Rim	219,395	184,198
Other countries	114,231	97,480
Total	**1,884,270**	1,613,099

PARENT COMPANY ■ **Note 5 - Financial items, net** (Amounts in DKK '000) GROUP

1998	1999		1999	1998
13,819	13,763	Interest income from subsidiaries	-	-
-8,911	-8,344	Interest expenses from subsidiaries	-	-
12,579	1,704	Interest income	5,556	20,857
-6,912	-6,903	Interest expenses	-9,983	-12,867
2,410	1,053	Realised exchange adjustments	1,053	2,410
-1,915	6,647	Non-realised exchange adjustments	6,647	-1,915
11,070	**7,920**	**Total**	**3,273**	8,485

PARENT COMPANY ■ **Note 6 - Tax** (Amounts in DKK '000) GROUP

1998	1999		1999	1998
		Expensed tax		
1,699	-4,916	Tax on profit, parent company	-4,916	1,699
-46,521	-62,363	Tax on profit, jointly taxed companies	-62,363	-46,521
-17,899	-15,690	Tax, other subsidiaries and associated companies	-21,736	-27,589
-283	1,067	Change in deferred tax	7,113	8,705
3,243	766	Tax adjustment, prior years	766	3,243
211	0	Adjustment of deferred tax from 34% to 32%	0	913
0	-499	Other taxes	-499	0
-59,550	**-81,635**	**Total**	**-81,635**	-59,550
		Deferred tax		
0	3,664	At 1.1.	0	11,445
3,592	0	Change in policy	0	-1,827
-211	0	Adjustment of deferred tax from 34% to 32%	0	-913
283	-1,067	Adjustment of deferred tax	-7,113	-8,705
3,664	**2,597**	**At 31.12.**	**-7,113**	0
		Corporation tax		
-2,225	7,321	At 1.1	16,517	6,657
-3,243	-766	Adjustment, prior years	-766	-3,243
44,822	67,279	Current tax on the year's profit	89,514	72,411
-32,033	-71,555	Paid in 1999	-91,666	-59,308
7,321	**2,279**	**At 31.12.**	**13,599**	16,517

■ Note 7 - Fixed assets (Amounts in DKK '000)

PARENT COMPANY

	Land and buildings	Fixtures, tools and equipment	Shares in subsidiaries	Shares in associated companies	Securities and participating interests
Acquisition value at 1.1.99	28,044	1,220	439,915	2,819	4,724
Additions in 1999	2,136	563	69,354	0	0
Disposals in 1999	0	-429	0	0	0
Acquisition value at 31.12.99	**30,180**	**1,354**	**509,269**	**2,819**	**4,724**
Revaluations and write-downs at 1.1.99	0	0	-98,427	-2,630	-456
Exchange adjustments of shares in subsidiaries	0	0	1,075	0	0
Profits before tax in subsidiaries	0	0	397,899	0	0
Losses before tax in subsidiaries	0	0	-63,278	0	0
Tax in subsidiaries	0	0	-78,053	0	0
Change in internal profit on inventories	0	0	-9,908	0	0
Dividends	0	0	-124,293	0	0
Write-down of goodwill charged to equity	0	0	-66,454	0	0
Other revaluations and write-downs	0	0	7,286	24	956
Revaluations and write-downs at 31.12.99	**0**	**0**	**-34,153**	**-2,606**	**500**
Depreciation at 1.1.99	-476	-306	0	0	0
Depreciation for the year*	-799	-263	0	0	0
Disposals in 1999		351	0	0	0
Depreciation at 31.12.99	**-1,275**	**-218**	**0**	**0**	**0**
Book value at 31.12.99	**28,905**	**1,136**	**475,116**	**213**	**5,224**
Book value at 31.12.98	**27,568**	**914**	**341,488**	**189**	**4,268**

The Group comprises the companies shown on page 46.

Loans to subsidiaries during the year amount to DKK 22,973,000 and instalments to DKK 52,013,000.

■ Note 8 - Fixed assets (Amounts in DKK '000)

GROUP

	Leasehold improvements	Land and buildings	Technical plant and machinery	Fixtures, tools and equipment	Shares in associated companies	Securities and participating interests
Acquisition value at 1.1.99	40,281	86,603	159,887	159,003	2,919	14,983
Exchange rate adjustments	1,249	2,964	8,656	6,502	0	0
Additions due to acquisition	52	0	587	168	0	0
Additions in 1999	3,987	22,799	22,957	24,806	0	102
Disposals in 1999	-525	0	-273	-11,857	0	0
Acquisition value at 31.12.99	**45,044**	**112,366**	**191,814**	**178,622**	**2,919**	**15,085**
Revaluations at 1.1.99	0	2,732	0	0	0	0
Reversal of revaluations	0	-2,732	0	0	-0	0
Revaluations at 31.12.99	**0**	**0**	**0**	**0**	**0**	**0**
Write-downs and depreciation at 1.1.99	-19,575	-19,555	-120,423	-111,718	-2,676	-9,389
Exchange rate adjustments	-765	-1,557	-6,057	-4,200	0	0
Depreciation for the year*	-4,678	-3,453	-16,002	-19,913	0	0
Write-downs for the year	0	0	0	0	-54	0
Reversal of write-downs	0	0	0	0	24	1,174
Disposals in 1999	188	1,013	238	7,569	0	0
Write-downs and depreciation at 31.12.99	**-24,830**	**-23,552**	**-142,244**	**-128,262**	**-2,706**	**-8,215**
Book value at 31.12.99	**20,214**	**88,814**	**49,570**	**50,360**	**213**	**6,870**
Book value at 31.12.98	**20,706**	**69,780**	**39,464**	**47,285**	**243**	**5,594**

The cash-based value of land and buildings in Denmark according to the official public valuation at 1 January 1999 amounts to DKK 41,044,000 against a book value of DKK 29,578,000. Land and buildings include financially leased assets at a book value of DKK 19,045,000.

***Depreciation for the year by function**	**1999**	1998
Production costs	-13,690	-12,050
Research and development costs	-13,973	-12,459
Distribution costs	-6,859	-8,980
Administrative expenses	-9,524	-6,812
	-44,046	-40,301
Loss/gain on disposals of fixed assets	449	686
Total	**-43,597**	-39,615

Other debtors concern deposits and loans at acquisition cost.

■ Note 9 - Own shares (Amounts in DKK ‘000) — PARENT COMPANY & GROUP

	Number of shares	Nominal	% of share capital	Acquisition cost
Own shares at 1.1.1999	**440,850**	**2,204**	**3.0%**	**151,287**
Additions in 1999	313,188	1,566	2.1%	152,508
Disposals in 1999	-619,698	-3,099	-4.2%	-232,175
Own shares at 31.12.1999	**134,340**	**671**	**0.9%**	**71,620**

Acquired own shares are written off at acquisition cost charged directly to equity. By the end of 1999 outstanding shares amount to 14.74 million shares. For calculation of ratios own shares are reduced in the period of ownership. The number of shares used for calculation of ratios for 1999 is 14.84 million shares.

■ Note 10 - Shareholders’ equity (Amounts in DKK ‘000) — PARENT COMPANY

	Share capital	Other reserves	Total
Shareholders' equity at 1.1.1999	**77,476**	**426,658**	**504,134**
Exchange adjustments of subsidiaries		1,075	1,075
Write-down of goodwill		-66,454	-66,454
Write-down of share capital		3,099	0
Write-down of own shares	-3,099	-152,508	-152,508
Retained profit		213,187	213,187
Shareholders’ equity at 31.12.1999	**74,3770**	**425,057**	**499,434**

The share capital of nominally DKK 74,377,290 is divided into 14,875,458 shares of DKK 5 or multiples thereof.

Shareholders’ equity (Amounts in DKK ‘000) — GROUP

	1999	1998
Shareholders’ equity at 1.1.1999	**504,134**	524,332
Exchange adjustments of subsidiaries	1,075	-15,304
Write-down of goodwill	-66,454	-20,882
Write-down of own shares	-152,508	-151,287
Effect of change in policy, deferred tax	0	1,827
Retained profit	213,187	165,448
Shareholders’ equity at 31.12.1999	**499,434**	504,134

PARENT COMPANY		■ **Note 11 - Other provisions** (Amounts in DKK '000)	GROUP	
1998	**1999**		**1999**	1998
0	0	Retirement and pension commitments	5,996	4,909
0	0	Provisions for guarantees	55,121	38,784
0	0	Other provisions	884	0
0	**0**	**Total**	**62,001**	43,693

PARENT COMPANY		■ **Note 12 - Long-term creditors** (Amounts in DKK '000)	GROUP	
1998	**1999**		**1999**	1998
98,758	88,472	Long-term creditors, payable after 5 years	93,172	103,790

PARENT COMPANY		■ **Note 13 - Contingent liabilities** (Amounts in DKK '000)	GROUP	
1998	**1999**		**1999**	1998
18,259	35,728	Guarantee commitment, subsidiaries' credit lines	-	-
11,180	27,538	Utilised	-	-
-	-	Leasehold liabilities	66,492	72,686
-	-	Leasing commitments	3,344	4,694

The jointly taxed Danish companies are jointly and severally liable for tax of the consolidated taxable income.
The Group's exchange risk at 31 December 1999 is covered by forward contracts at the equivalent of DKK 761 million.

PARENT COMPANY ■ Note 14 - Employees (Amounts in DKK '000) GROUP

1998	1999		1999	1998
6	5	Number of full-time employees	2,132	1,925
		Employee costs:		
6,652	6,239	Wages and salaries	549,426	467,858
25	76	Pensions	10,155	7,488
36	24	Social security costs	35,528	26,858
6,713	6,339	**Total**	595,109	502,204
		Of which remuneration of managers and directors:		
3,694	2,900	Management	2,900	3,694
850	850	Board of Directors	988	988

PARENT COMPANY ■ Note 15 - Audit fees (Amounts in DKK '000)

1998	1999	
		Deloitte & Touche, Statsautoriseret Revisionsaktieselskab
230	240	Audit fees
62	53	Other fees
		KPMG C.Jespersen
230	240	Audit fees
91	52	Other fees

■ Note 16 - Related party transactions

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

The Oticon Foundation lets a property to DanaCom A/S and pays an administrative fee to Oticon A/S for handling of its administration and renting of premises.

Company structure

Companies of the William Demant Group	Function	Domicile	Established/ Acquired	Participation
William Demant Holding A/S	Finance	Denmark		Parent Company
Subsidiaries				
Oticon A/S	Research and Development, Production, Sales and Service	Denmark	1904	100%
Oticon AB	Sales and Service	Sweden	1944	100%
Oticon Nederland B.V.	Sales and Service	Holland	1964	100%
Oticon Inc.	Sales and Service	USA	1965	100%
Oticon A/S	Sales and Service	Norway	1968	100%
Oticon S.A.	Sales and Service	Switzerland	1968	100%
Oticon GmbH	Sales and Service	Germany	1969	100%
Oticon Italia S.r.l.	Sales and Service	Italy	1973	100%
Oticon K.K.	Sales and Service	Japan	1973	100%
Oticon Limited	Production, Sales and Service	Great Britain	1973	100%
Oticon New Zealand Ltd.	Sales and Service	New Zealand	1974	100%
Oticon España S.A.	Sales and Service	Spain	1985	100%
Oticon Australia Pty. Ltd.	Sales and Service	Australia	1985	100%
Oticon do Brasil Ltda.	Finance	Brazil	1994	100%
Oticon Polska Sp.z.o.o.	Sales and Service	Poland	1994	79%
Oticon Belgium N.V.	Sales and Service	Belgium	1997	100%
Oticon Nanjing Audiological Technology Co., Ltd.	Sales and Service	China	1998	100%
Oticon South Africa (Pty.) Ltd.	Sales and Service	South Africa	1998	100%
Prodition S.A.	Sales and Service	France	1974	100%
Bernafon AG	Research and Development, Sales and Service	Switzerland	1995	100%
Bernafon Australia Pty. Ltd.	Sales and Service	Australia	1995	100%
Bernafon Hörgeräte GmbH	Sales and Service	Germany	1995	100%
Maico S.r.l.	Sales and Service	Italy	1995	100%
Bernafon U.K. Ltd.	Sales and Service	Great Britain	1995	100%
Bernafon-Maico Inc.	Research and Development, Sales and Service	USA	1995	100%
Bernafon Denmark A/S	Sales and Service	Denmark	1996	100%
Bernafon AB	Sales and Service	Sweden	1996	100%
Bernafon K.K.	Sales and Service	Japan	1996	100%
Bernafon S.r.l.	Sales and Service	Italy	1998	100%
Australian Hearing Aids Pty. Ltd.	Sales and Service	Australia	1995	100%
Phonic Ear Holdings, Inc.	Finance	USA	1997	100%
Phonic Ear, Inc.	Research and Development, Production, Sales and Service	USA	1997	100%
Phonic Ear Ltd.	Sales and Service	Canada	1997	100%
DanaCom A/S	Research and Development, Production, Sales and Service	Denmark	1999	50%
Logia A/S	Sales and Service	Denmark	1972	100%
Maico Audiometer GmbH	Research and Development, Sales and Service	Germany	1995	100%
RhinoMetrics A/S	Research and Development, Production, Sales and Service	Denmark	1996	100%
DancoTech A/S	Production, Sales and Service	Denmark	1996	100%
Associated Companies				
Otwidan ApS	Sales and Service	Denmark	1963	33%
Hearing Instrument Manufacturers Software Association A/S	Research and Development, Sales and Service	Denmark	1993	25%
National Hearing Aid Systems Pty. Ltd.	Research and Development	Australia	1995	50%

As of the financial year 2000 the following companies are included in the Group

Subsidiaries	Function	Domicile	Established/ Acquired	Participation
Centro Auditivo Telex S.A.	Sales and Service	Brazil	2000	100%
Interacoustics A/S, Assens	Sales and Service	Denmark	2000	100%
Dahlberg Sciences Ltd.	Research and Development, Production, Sales and Service	Canada	2000	100%
Hidden Hearing (UK) Ltd.	Production, Sales and Service	Great Britain	2000	100%
Hidden Hearing (Portugal) Lda.	Sales and Service	Portugal	2000	100%
Lectron Hearing	Sales and Service	Ireland	2000	100%
Akoustica Medica EPE	Sales and Service	Greece	2000	100%

■ Sales and Service □ Production ■ Finance ■ Research and Development

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