Annual Report 2008

'08

William Demant Holding

Good results in a challenging year	5
2008 at a glance	6
Management's review	
Key figures and financial ratios	8
Review	10
Shareholder information	22
Risk management activities	24
Corporate responsibility	26
Corporate governance	27
Financial statements	
Signatures	29
Executive Board and Board of Directors	31
Accounting policies	32
Income statement	39
Balance sheet at 31 December	40
Cash flow statement	42
Statements of changes in equity	43
Notes	46
Subsidiaries and associates	69

"Although 2009 does look challenging as far as the market is concerned, we nonetheless enter the year with a good deal of optimism for our business areas."

Niels Jacobsen

Good results in a challenging year

Dear reader

2008 was a year of challenges for the entire hearing aid industry. For the first time in many years, we witnessed an actual fall in unit sales of hearing aids in several markets. We also saw that the financial crisis caused many users to postpone their purchases of hearing aids, particularly in the second half-year. In a sluggish market, we also experienced mounting competition on prices with some manufacturers choosing price as a competitive parameter in order to compensate to some degree for the decline in unit sales.

In addition to market-related challenges, 2008 also saw big challenges for the William Demant Holding Group. Recent years' commercial success, Oticon Delta, came under pressure already from the beginning of 2008. At the same time, the wireless paradigm shift introduced with Oticon Epoq in 2007 meant that towards the end of 2007 and in early 2008, the better part of our research and development resources was earmarked to ensure the technical stability of our wireless system. We are now past the shift to an entirely new technological platform, which today appears very stable and offers significant user benefits enjoyed on a daily basis by the users of our most recent hearing aids – Oticon Epoq, Oticon Dual and Oticon Vigo.

With the introductions of Oticon Dual and Bernafon's Move and Avanti, the Group is highly geared for competition in 2009, and already this spring a palette of new products will further fortify our product programme. It is therefore with optimism that we have entered the year 2009.

In my opinion, the market situation in 2009 will continue to be difficult, but an increasing population of elderly means that our services will also be needed in future. And historically speaking, previous setbacks in single markets have been followed by particularly favourable periods, as the many users who postponed their purchases of hearing aids for a time will revert together with all the potential users having joined the ranks of the elderly in the meantime. Consequently, we expect the current period of low growth to be replaced by a high-growth period, and we are also convinced that the second half of 2009 will be better than the second half-year of 2008. In the current situation, these predictions are of course subject to uncertainty.

Although 2009 does look challenging as far as the market is concerned, we nonetheless enter the year with a good deal of optimism for our business areas. Our hearing aid businesses are based on updated technological platforms and several new product introductions early in 2009. Having experienced very high growth in 2008, Diagnostic Instruments is now a world leader in its field and also a highly profitable business. This success is not least due to the substantial resources that we currently invest in product development, thereby consolidating the market position of Diagnostic Instruments. Personal Communication is the business area mostly affected by the slump, and 2009 is expected to see some pressure on both Phonic Ear and Sennheiser Communications. However, both businesses are very strong in their fields, and their strength will enable them to keep capturing market shares.

Despite the financial crisis and the world recession, the Group is, generally speaking, in a favourable situation, as our substantial positive cash flows will give us a free hand on the market, if and when opportunities arise. We have therefore chosen to keep investing heavily in product development, as we are convinced that we will profit from such investments on the slightly longer term and undoubtedly emerge stronger from this recession once market growth returns.

We have also chosen to allocate resources for the development of entirely new business areas such as Oticon Medical, whose product area is so-called bone-anchored hearing solutions. Globally, there is a promising market with sizeable unexploited growth potential – and furthermore a market in which only few manufacturers have the technical expertise to operate. Oticon Medical is expected to release its first commercial products on the market in the second half of 2009.

As described above, 2008 was a year of challenges which will no doubt continue into 2009. The William Demant Holding Group is fortunate to have a very strong corporate and social culture, and I have been pleased to see how all our employees have been willing to go the extra mile in a very demanding year. I would therefore like to take this opportunity to extend my warm thanks to all corporate staff for their huge efforts in 2008.

Niels Jacobsen
President & CEO

2008 at a glance

A challenging year

Despite some bright spots, it is no secret that 2008 was in many ways an unusual and challenging year for the entire hearing aid industry, as the general economic uncertainty had a negative impact on the sale of hearing aids. Our industry experienced a simultaneous drop in volumes in several major markets, which is very rare, and which was particularly pronounced in the second half-year, and of course our two hearing aid businesses were also affected by the failing market growth. Another contributory factor was that the sales success of recent years, Oticon Delta, faced increased competition already from the start of 2008. Despite this adversity, our Group managed quite well in 2008, although realised revenues of DKK 5,374 million and 1% organic growth obviously fell short of our original plans for the period under review. Overall, consolidated revenues dropped by 2% on 2007, but with a negative exchange rate impact of 4% the Group did actually improve revenues by 2% in local currencies. Operating profits (EBIT) amounted to DKK 1,042 million, or a profit margin of 19.4%. Even so, earnings were negatively affected by the trends in exchange rates, especially the fluctuations in the rates of the British pound and the US dollar.

Once again the most powerful product portfolio in the industry

The Group's substantial investment in the wireless RISE architecture and the introduction of such architecture in 2007 most definitely helped ensure the Group's leading position in the industry in terms of technology, but also required considerable resources in our research and development organisation. In 2007 and in early 2008, we were therefore not able to launch new product concepts at the same pace and to the same extent as previously, which was part of the explanation for the Group being unable to capture quite the same market shares as in prior years.

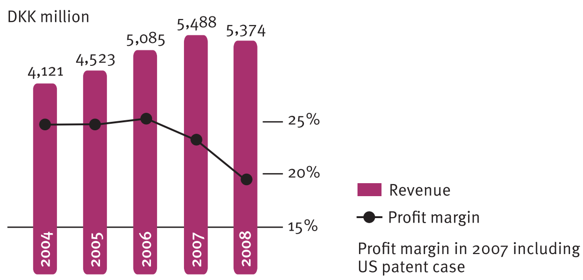
As 2008 progressed, we expanded our product portfolios and that of Oticon in particular. With the introduction of Oticon Vigo in spring, we strengthened our position in the mid-priced segment notably, and the successful product concept has given the more cost-conscious consumer the chance to take advantage of our fast RISE architecture. The month of October presented what was probably the most interesting launch of the year, as Oticon Dual solved the end-user's dilemma of having to choose between the best hearing aid on the market in terms of audiology and the market's most attractive design. Oticon Dual combines the best of Oticon Delta with the best of Oticon Epoq, and the large range of product variants makes the product concept very appealing to a very broad target group, as far as prices and user benefits are concerned. Autumn 2008 also saw the presentation by Oticon of its new Power RITE solutions designed for use with all BTE variants of Epoq and Vigo. The Power RITE solutions offer users with severe hearing losses not only exquisite sound quality in an attractive design, but also features such as wireless Bluetooth connectivity to phones and television.

Also a positive year in many respects

Despite the challenges it presented, 2008 was also a positive year in many respects. Besides the pronounced expansion and improvement of particularly Oticon's product portfolio, which saw considerable transformation and renewal as mentioned previously, we would like to emphasise the following positive elements:

- Despite generally unfavourable market conditions, our retail activities managed to generate positive organic growth, for instance on the very difficult UK market.

Revenue and profit margin



- Our Diagnostic Instruments business area once more succeeded in capturing substantial market shares due to an increase in revenues by no less than 16% in local currencies – and in point of fact this was done without jeopardising the business area's already high profitability.

- Our recently established production facilities in Poland have got off to a flying start with a substantial product volume with highly satisfactory quality and productivity.

- The corporate ability to generate cash flows seems to be only marginally affected by the financial crisis and the adverse market conditions. In 2008, the Group thus managed to generate cash flows from operating activities of just under DKK 1.2 billion, which is no less than 15% above operating profits (EBIT) for the period under review.

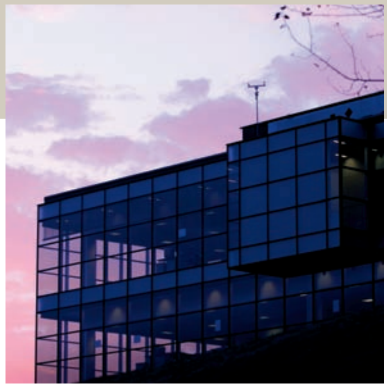
Capture of market shares in 2009 despite uncertainty

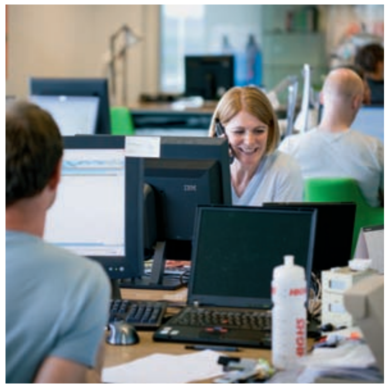
The current financial crisis and the uncertainty resulting from the global recession make it difficult to forecast trends for 2009.

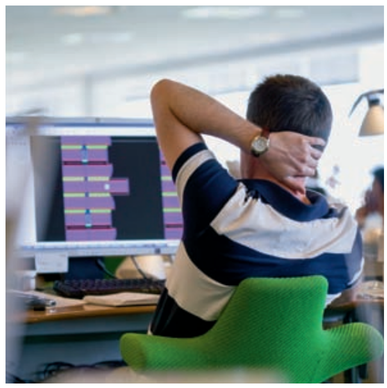
Overall, we expect to see flat volume growth in the market in 2009, and average selling prices are expected to contribute neutrally or negatively to market growth.

At the start of 2009, the Group's hearing aid businesses have strong product portfolios which will be further strengthened through the product introductions scheduled for spring 2009. The development in corporate wholesale of hearing aids is therefore estimated to exceed market growth by 2-4 percentage points in 2009.

We expect corporate business activities to be more or less affected by the global recession. The main part of our business activities are, however, expected to continue to increase their market shares.







Key figures and financial ratios — DKK

INCOME STATEMENT, DKK MILLION	2004	2005	2006	2007	2008
Revenue	4,120.9	4,522.9	5,085.1	5,488.3	5,373.7
Gross profit	2,858.5	3,133.3	3,575.0	3,971.2	3,725.4
Research and development costs	324.2	382.5	459.8	505.1	532.9
EBITDA	1,143.9	1,251.6	1,433.3	1,436.2	1,216.8
Depreciation etc.	140.2	148.8	162.7	168.6	174.4
Operating profit (EBIT)	1,003.7	1,102.8	1,270.6	1,267.6	1,042.4
Net financials	-38.6	-36.8	-61.4	-96.9	-139.4
Profit before tax	965.1	1,066.0	1,209.2	1,170.8	903.0
Net profit for the year	716.9	790.6	900.7	894.5	682.4
BALANCE SHEET, DKK MILLION					
Interest-bearing items, net	-901.8	-1,110.6	-1,392.0	-1,799.6	-1,908.2
Total assets	2,440.9	2,893.4	3,134.5	3,725.8	3,926.3
Shareholders' equity	645.6	756.5	670.8	434.8	540.5
OTHER KEY FIGURES, DKK MILLION					
Investment in property, plant and equipment, net	311.7	351.4	207.9	165.5	195.5
Cash flow from operating activities (CFFO)	719.7	891.8	964.1	848.4	827.7
Free cash flow	353.5	467.7	661.0	756.3	587.6
Employees (average)	4,490	4,730	4,797	5,072	5,383
FINANCIAL RATIOS					
Gross profit ratio	69.4%	69.3%	70.3%	72.4%	69.3%
EBITDA margin	27.8%	27.7%	28.2%	26.2%	22.6%
Profit margin (EBIT margin)	24.4%	24.4%	25.0%	23.1%	19.4%
Return on equity	134.2%	106.7%	114.0%	169.0%	161.1%
Equity ratio	26.4%	26.1%	21.4%	11.7%	13.8%
Earnings per share (EPS), DKK*	10.7	12.2	14.4	14.8	11.6
Cash flow per share (CFPS), DKK*	10.7	13.7	15.4	14.0	14.1
Free cash flow per share, DKK*	5.3	7.2	10.5	12.5	10.0
Dividend per share, DKK*	0	0	0	0	0
Book value per share, DKK*	9.6	11.6	10.7	7.2	9.2
Price earnings (P/E)	24	29	32	32	19
Share price, DKK*	257	350	459	471	218
Market capitalisation adj. for treasury shares, DKK million	16,989	22,315	28,274	28,063	12,718
Average number of shares, million	67.05	65.03	62.75	60.62	58.77

Financial ratios are calculated in accordance with "Anbefalinger & Nøgletal 2005" ("Recommendations and Financial Ratios 2005") from the Danish Society of Financial Analysts.
The free cash flow is calculated as the sum of cash flows from operating activities (CFFO) and investing activities (CFFI) adjusted for acquisitions.
On computation of the return on equity, average equity is calculated duly considering the current buy-back of shares.

**Per share of DKK 1.*

Key figures and financial ratios — EUR**

INCOME STATEMENT, EUR MILLION	2004	2005	2006	2007	2008
Revenue	553.1	607.0	682.5	736.6	720.7
Gross profit	383.7	420.5	479.8	533.0	499.7
Research and development costs	43.5	51.3	61.7	67.8	71.5
EBITDA	153.5	168.0	192.4	192.8	163.2
Depreciation etc.	18.8	20.0	21.8	22.6	23.4
Operating profit (EBIT)	134.7	148.0	170.5	170.1	139.8
Net financials	-5.2	-4.9	-8.2	-13.0	-18.7
Profit before tax	129.5	143.1	162.3	157.1	121.1
Net profit for the year	96.2	106.1	120.9	120.1	91.5
BALANCE SHEET, EUR MILLION					
Interest-bearing items, net	-120.9	-148.9	-186.7	-241.3	-256.1
Total assets	327.4	388.0	420.4	499.7	527.0
Equity	86.6	101.5	90.0	58.3	72.5
OTHER KEY FIGURES, EUR MILLION					
Investment in property, plant and equipment, net	41.8	47.1	27.9	22.2	26.2
Cash flow from operating activities (CFFO)	96.6	119.7	129.4	113.9	111.0
Free cash flow	47.4	62.8	88.7	101.5	78.8
Employees (average)	4,490	4,730	4,797	5,072	5,383
FINANCIAL RATIOS					
Gross profit ratio	69.4%	69.3%	70.3%	72.4%	69.3%
EBITDA margin	27.8%	27.7%	28.2%	26.2%	22.6%
Profit margin (EBIT margin)	24.4%	24.4%	25.0%	23.1%	19.4%
Return on equity	134.2%	106.7%	114.0%	169.0%	161.1%
Equity ratio	26.4%	26.1%	21.4%	11.7%	13.8%
Earnings per share (EPS), EUR*	1.4	1.6	1.9	2.0	1.6
Cash flow per share (CFPS), EUR*	1.4	1.8	2.1	1.9	1.9
Free cash flow per share, EUR*	0.7	1.0	1.4	1.7	1.3
Dividend per share, EUR*	0	0	0	0	0
Book value per share, EUR*	1.3	1.6	1.4	1.0	1.2
Price earnings (P/E)	24	29	32	32	19
Share price, EUR*	34.4	46.9	61.6	63.2	29.3
Market capitalisation adj. for treasury shares, EUR million	2,277.2	2,991.1	3,792.1	3,763.5	1,707.0
Average number of shares, million	67.05	65.03	62.75	60.62	58.77

Financial ratios are calculated in accordance with "Anbefalinger & Nøgletal 2005" ("Recommendations and Financial Ratios 2005") from the Danish Society of Financial Analysts. The free cash flow is calculated as the sum of cash flows from operating activities (CFFO) and investing activities (CFFI) adjusted for acquisitions. On computation of the return on equity, average equity is calculated duly considering the current buy-back of shares.

**Per share of EUR 1.*

***On the translation of key figures and financial ratios from DKK to EUR, Danmarks Nationalbank's rate of exchange at 31 December 2008 of 745.06 has been used for balance sheet items and the average rate of exchange of 745.59 has been used for income statement items.*

Review

Market conditions and business trends

The hearing aid market in general

In 2008, the global market for hearing aids was much weaker than in the past few years in which the annual volume growth averaged close on 4%. The feeble market trends were particularly manifest in the second half of 2008 where we saw negative unit growth. Historically, our line of business has rarely seen a volume decline on several major markets simultaneously which makes the development in 2008 very unusual. Overall, in terms of volume the development on the global hearing aid market in 2008 is estimated at 0-2%. The decelerating demand must be viewed in light of the global financial crisis and the recession in world economy, resulting in sluggish consumer spending which has led to diminished demand for hearing aids, particularly in the commercial markets. This is most obvious in the USA where the incomes and wealth of many elderly frequently seem to follow the movements in the financial markets.

Furthermore, we estimate that the global setback towards the end of 2008 spurred some customers to choose less expensive hearing aids. This caused hearing aid manufacturers to compete aggressively on prices, thereby squeezing average wholesale prices in our industry in the second half of 2008. Another contributory factor is that the demand by retail chains and public procurement entities has generally developed more favourably than has the demand from the private, independent hearing care businesses. The overall contribution to growth by prices and by product and channel mixes is estimated to have fallen by 0-2 percentage points. On this basis, we estimate that the world market for hearing aids developed flatly in 2008 compared with 2007.

If we exclude the two major public entities in charge of procurement of hearing aids, American Veterans Affairs (VA) and the National Health Service (NHS) in the UK, both of which grew considerably in 2008, global market growth fell by just over 1 percentage point in terms of units.

As far as VA is concerned, it is worth noting that their demand rose by about 10% in 2008. This is substantially above the growth rate in the commercial part of the US market, which in 2008 experienced a drop in unit sales of 2-3%. Today, neither Oticon nor Bernafon is a regular supplier to VA.

As regards the NHS, the sizeable double-digit growth rates in the overall demand, which we saw in 2007, stabilised at a much lower level in 2008. The endeavours to reduce waiting lists had temporarily boosted NHS growth rates to over 20% in 2007 and early 2008. In the second half of 2008, the demand by the NHS was slightly negative compared with the same period last year, but for the year as a whole the NHS saw handsome growth in 2008. Oticon is one of the main suppliers to the NHS.

However, corporate long-term forecasts in respect of growth in the global hearing aid market remain unchanged, namely 3-5% in terms of value; prices and product mixes contributing by an estimated 1-2 percentage points in total. We thus estimate that the underlying, long-term growth factors in the hearing aid market are unaffected by the current global recession:

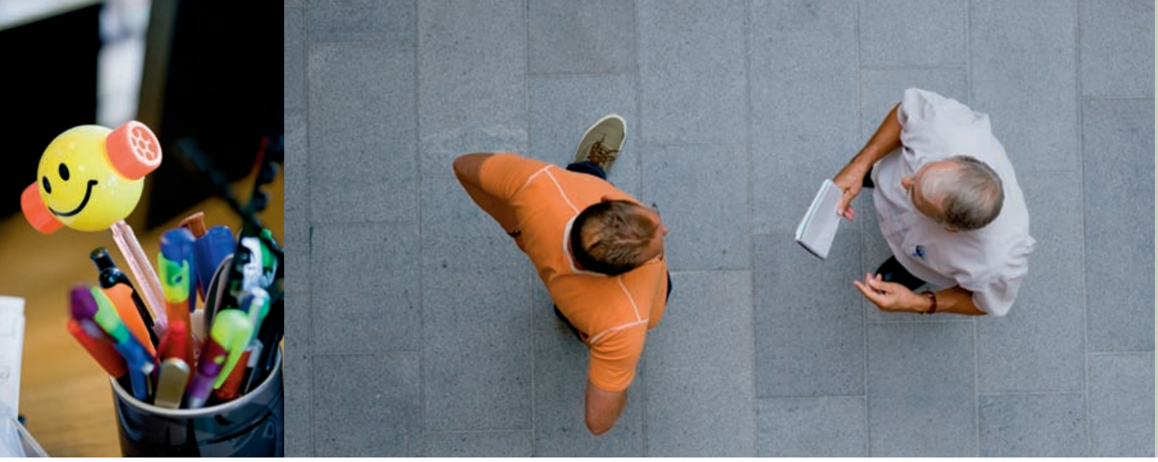
- The number of elderly in the OECD countries rises by 1.5-2.0% annually; however the number of elderly in the USA rising somewhat more than in Europe.

- An increasing number of hearing-impaired people have binaural fittings. In many European countries and in Japan, the percentage of binaural fittings is still at a fairly low level (10-40%), but in many major markets, including the USA, Germany and Holland, the percentage is already 65-80%.

- Unit growth in many developing countries is much higher than in the OECD countries – however growth typically starts from a very low level and at fairly low prices.

In future, the so-called large baby boomer generations of people born in the post-war years from 1946 through 1964 are expected to contribute to a gradual increase in the number of people over 65 years. The increase in life expectancy also adds to the size of the elderly population. Over a number of years, this trend is generally expected to lead to growing demand for health services, including hearing aids.

We also expect the popularity of hearing aids based on wireless ear-to-ear communication to boost the share of binaural fittings. The reason is that the audiological benefits from binaural fittings seem to be so obvious that consumers,



hearing care professionals and health authorities can hardly ignore the strong arguments in favour of binaural rather than monaural fittings.

On the short term, the weak market trends, which were particularly apparent in the second half of 2008, are expected to continue into 2009. In our opinion, there will, however, be some improvement in growth conditions in the market in the second half of 2009. For 2009, we forecast flat development in the market in terms of volume compared with 2008.

The short-term development in average wholesale prices in the hearing aid industry is also difficult to forecast, since the global recession may lead to unforeseen movements in product, channel and country mixes in our industry and to changes in the intensity of competitive rivalry on prices. Our best estimate is that prices and mixes will contribute neutrally or negatively to market growth in 2009. With the global recession, our estimate of market growth for 2009 is, however, subject to considerable uncertainty.

We are thus convinced that sooner or later the current situation with sagging demand for hearing aids, resulting from the financial crisis and recession, will be superseded by more stable market conditions with growth rates of 3-5%. Moreover, we are of the opinion that particularly high market growth will characterise the transition period between the current unfavourable market conditions and the long-term scenario of higher and more stable growth rates. The explanation is that with the uncertain financial situation, a large number of existing and potential users currently choose to postpone their decision to buy a hearing aid. But as the loss of hearing for most customers is an age-related disorder, which only gets worse over time, there will be a growing, latent demand in the market.

Recent years' drastic increase in the sale of tiny, cosmetically attractive behind-the-ear (BTE) hearing aids continued in 2008. The mini hearing aids are gaining ground at the expense of in-the-ear hearing aids (ITE). This trend has been particularly manifest in the USA with BTEs accounting for 60% towards the end of 2008, of which mini hearing aids accounted for slightly less than half. Over a five-year period, the total BTE share in the USA rose by about 35 percentage points. Although the share of BTE hearing aids has historically been high in Europe, the trend towards increasing sales of BTEs driven by the success of mini hearing aids has also been visible in Europe. However, typical BTE markets such as Germany and France seem to have stabilised with BTE shares of 80-90%.

Hearing Aids
Despite the fact that we estimate that we have retained our market share in 2008, and even managed to boost such share towards the end of the year thanks to the launches of Oticon Dual and the Power RITE (Receiver-In-The-Ear) solutions, 2008 was much more of a challenge than we had anticipated. As mentioned earlier, absent market growth is one of the main reasons for this challenge.

For Oticon, 2008 was also challenging, because its cosmetically attractive mini hearing aid Oticon Delta was met with intensified rivalry from almost all other manufacturers. Of course, the multitude of simultaneous launches of RITE instruments reflects mounting acceptance of the product concept, but for Oticon the challenge was to maintain the substantial sales generated by Delta since its launch in spring 2006. The increasing range of similar products introduced by the competition negatively impacted Delta sales throughout most of 2008.

However, at the German hearing aid congress EUHA in the autumn Oticon presented a prominent expansion of its product portfolio with the introduction of Oticon Dual. Oticon Dual represents uncompromising and as yet unseen product synergy between the most attractive design and the best audiological performance on the market, spearheaded by features such as ear-to-ear communication and the ability of the instruments to re-create the user's sense of space and localise sound sources. By combining the best of Oticon Delta and the best of Oticon Epoq into one and the same product, including the wireless features of Epoq, we are setting new standards for what hearing care professionals and end-users may expect from the most attractive and sophisticated products on the market. Oticon Dual is not just a new reference product in the high-end segment, it also appeals to a very broad target group thanks to a large number of product variants, a wide price range and a multitude of user benefits.

Dual was released for sale on the main markets towards the end of 2008 and has since then fortified Oticon's market position. Not only the first positive responses from customers and end-users, but also realised sales give rise to optimism under the given market conditions. Sales are spread fairly evenly over the broad price range, and there are no signs to suggest that demand would focus on either the high- or low-priced variants. Since Dual was launched towards year-end, the effects of its introduction will not materialise until 2009.

Generally speaking, 2008 was a year in which Oticon invigorated its product programme, so that at the beginning of 2009 the Oticon portfolio is probably the strongest in the industry as regards both breadth and depth. In addition to the launch of Oticon Dual, spring 2008 also saw the launch of Oticon Vigo, which further consolidated the Group's strong position in the mid-priced segment. Vigo and Vigo Pro are two complete families of quality hearing aids offered at prices that enable the more cost-conscious consumers to benefit from Oticon's fast RISE architecture. Released for sale in connection with the US hearing aid convention AudiologyNOW! (AAA), the Vigo products have generated handsome sales with only little cannibalisation of the Tego family products, which Vigo was originally intended to replace. Total sales of Tego and Vigo in 2008 thus exceeded the plans for the period. This success is the reason that the Group managed to retain its market share in 2008 despite a fall in Delta sales.

At AAA, we strengthened the Epoq concept even further through the launch of Epoq V, which is available at a price in the lower range of the high-end segment. New features were also added to the entire Epoq product programme, including a new advanced anti-feedback system. Epoq now covers the entire high-end segment, which has contributed to total Epoq sales in 2008 being quite satisfactory, given the present market conditions and despite the teething problems it experienced when it was launched in 2007.

In the autumn, Oticon introduced its new Power RITE solutions that may be used with all BTE variants of Epoq and Vigo. Now, also users with severe hearing losses have got the opportunity to have a cosmetically attractive solution that not only delivers exquisite sound quality, but also provides access to the most sophisticated technologies on the market, including wireless ear-to-ear communication and Bluetooth connectivity to mobile phones, TV sets, MP3 players etc. The Power RITE solutions released for sale in October 2008 represent a crucial expansion of the sales potential of the Epoq and Vigo families. For users with more severe hearing losses for whom the new Power RITE products were designed, wireless connectivity to phones and TV sets is absolutely essential, as the market has not previously offered any satisfactory solutions to their problems. Not surprisingly, the Power RITE solutions have been very enthusiastically received by hearing care businesses and end-users alike.

In the autumn, we introduced various managerial changes in Oticon with Søren Nielsen and Mikael Worning being appointed President and Executive Vice President, respectively. They were both already members of Oticon's managerial team. Consequently, the Group now has separate operational managements for all business activities. Niels Jacobsen's role as President & CEO of William Demant Holding A/S remains unchanged.

For Bernafon, 2008 was a year in which the organisation concentrated on the roll-out of Brite, a cosmetically attractive mini hearing aid available in two versions from early 2008. Even if the segment was hampered by a number of product launches by our competitors at the start of the period under review, which did cause quite intense competition, Bernafon managed to make Brite a success. At the EUHA congress in the autumn, Bernafon launched a third variant, Brite 50x, which is positioned between Brite 503 in the high-end segment and Brite 502 at the upper end of the mid-priced segment. For Bernafon, 2008 also saw the launch of Move positioned at the upper end of the mid-priced segment. The sale of Move has been highly satisfactory. More-over, Bernafon introduced the volume product Avanti in the autumn of 2008.

Total corporate unit sales of Group-manufactured hearing aids rose by 2% in 2008, which is at the level of or slightly above market growth for the period under review. A significant fall in Delta sales has thus been more than counterbalanced by the sale of other products – in the Oticon portfolio headed by the mid-priced products in the two Vigo families and fair sales of Epoq despite a somewhat sluggish start in 2007. In the first half-year, sales to the NHS contributed materially to corporate unit growth, but in the second half sales to the NHS fell compared not only with the first half-

year, but also with the same period in 2007. In Bernafon's product portfolio, Brite, Move, Avanti, Win and Xtreme were among the positive contributors to volume development in the period under review, whereas a number of fairly old products were negative contributors compared with 2007.

It may thus be established that 2008 was a challenging year for our hearing aid companies. Apart from adverse market conditions, Oticon in particular was affected by the scope of product introductions in 2007 and the first half of 2008 not living up to its usual momentum. The explanation is first and foremost that with our endeavours to ensure that we are at the cutting edge of wireless technology, our development organisation expended immense resources for a fairly long period until mid-2008. As we have to a wide extent put more focus on wireless technologies at the expense of other projects, other product concepts were consequently introduced and released for sale at a later point in time than originally planned. For most of 2008, we have therefore to a much higher extent than previously concentrated our sales efforts on hearing aid solutions which have been on the market for more than two years.

In 2008, products introduced in the past two years thus accounted for less than 40% of total unit sales of Group-manufactured hearing aids, which is considerably below the level of recent years. The eye-catching renewal of Oticon's product programme as the year progressed, and in particular the new products Vigo and Dual, did however result in a noticeable change in the composition of sales towards more new products. With substantial Vigo and Dual sales, products with less than two years on the market again accounted for over half the corporate unit sales towards the end of the period under review. The positive trend, which is expected to continue in 2009, reflects the significant transformation and renewal that product portfolios, and Oticon's portfolio in particular, underwent in 2008.

The development and marketing of user benefits, product concepts and fitting systems continue to be absolutely vital in the competition between hearing aid manufacturers, as does the service offered to hearing care professionals, including marketing activities, repairs and hotline support. As manufacturers, we are – as has been the case in previous years – constantly met with exacting demands for flexibility by the distribution link and must therefore in some cases be prepared to act as a source of finance in connection with succession processes or the expansion of a customer's business. In 2008, we acquired some minor businesses in the distribution link and occasionally made funds available to existing and new customers. We expect this practice to continue in future.

Despite the difficult market conditions, corporate retail activities managed to generate positive organic growth in 2008, and so did Hidden Hearing on the very tough UK market. This development is considered satisfactory, given the recession. Furthermore, the reduction of the NHS waiting lists has resulted in a dramatic drop in sales to the private sector market. Overall, corporate retail activities did not, however, live up to the plans for the period under review. The retail link will typically be squeezed when market growth fails, as it is difficult for this part of the value chain to compensate for adverse market conditions. Retailing of hearing aids is also subject to relatively high fixed overheads, and any sudden changes in revenues will typically be mirrored promptly in the profitability of such activities.

Diagnostic Instruments

The world's leading supplier of audiological equipment, Diagnostic Instruments includes three audiometer businesses: Maico in Germany and the USA, Interacoustics in Denmark and the recently acquired UK-based Amplivox. In 2008, this business area generated 16% growth, which means that Diagnostic Instruments has increased its market share considerably in a market that is estimated to have seen 3-4% growth.

Growth has been broadly founded in the various product areas and markets, with particular emphasis on equipment for hearing screening and diagnosing of children, balance measurement and the fitting of hearing aids.

Diagnostic Instruments was strengthened through the acquisition of British Amplivox at the end of 2008. Most of Amplivox' revenues are generated in the UK, but we expect to capitalise on a substantial unexploited export potential in a number of other markets. Amplivox will be carried on as a separate brand and company and will also continue to have its own sales and marketing functions.

Again in 2008, Diagnostic Instruments introduced a series of innovative products, including equipment that enables testing of a person's hearing and checking for liquid in the middle ear, all in one operation. Diagnostic Instruments also launched new balance measurement equipment, which cuts testing times by 50%, and an entirely new generation of hearing aid fitting equipment. More product introductions are in the pipeline for 2009, which will help promote future corporate growth in this business area

Personal Communication
Personal Communication includes Phonic Ear and the joint venture Sennheiser Communications. Phonic Ear is engaged in wireless active learning systems (FrontRow) and assistive listening devices. Sennheiser Communications acts in the market for headsets for professional and private use.

In 2008, this business area realised a negative rate of growth of 6%, which we consider unsatisfactory. The decline in revenues was caused by tough market conditions for both FrontRow and Sennheiser Communications.

The sale of wireless learning systems to schools in the USA accounts for most of FrontRow's business, but these customers have been severely affected by more uncertainty and budgetary cutbacks due to the financial crisis.

2008 saw flat development in revenues from assistive listening devices. Towards the end of 2008, Phonic Ear introduced its first wireless communication system called HearIt All. In addition to speech, this system also amplifies sound from televisions, radios and MP3 players as well as sound via landline and mobile phones. In other words, HearIt All offers several solutions in just one product.

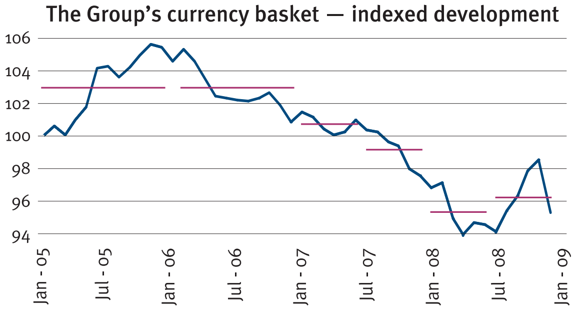
In 2008, Sennheiser Communications generated double-digit growth rates on a broad range of products under the Sennheiser brand, but has seen a decline in revenues in relation to a large OEM customer.

Financial review 2008

Revenues and foreign exchange conditions
In 2008, consolidated revenues totalled DKK 5,374 million, matching 1% organic growth. The negative exchange impact in the period under review was 4%, whereas acquisitions contributed by 1% to the year's growth. Overall, consolidated revenues fell by 2% compared with 2007.

With 97% of corporate sales being invoiced in foreign currencies, revenues in Danish kroner are significantly affected by trends in the rates of our trading currencies. The graph below shows consolidated revenues in 2008, as they would have been reported using historical monthly exchange rates from early 2005.

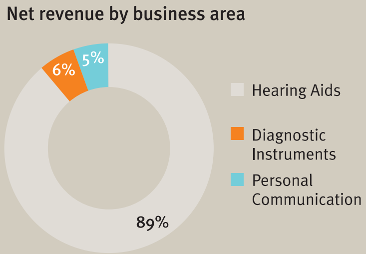
The Group's currency basket — indexed development

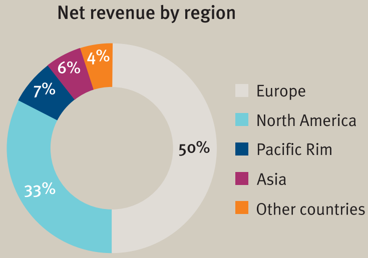


January 2005 = 100
— Average for the period

Throughout most of 2008, foreign exchange markets were extremely volatile due to the economic instability in most of the world. Measured in terms of fluctuations in average exchange rates in 2008 and 2007, most of the negative exchange impact on consolidated revenues in 2008 was caused by trends in the rates of the British pound sterling and the US dollar which dropped by 14% and 6%, respectively, against the Danish krone. In 2008, movements in Canadian and Australian dollars also adversely affected consolidated revenues, however not by nearly as much.

In North America, the Group generated 5% growth in terms of local currencies in 2008. Acquisitions accounted for just over 3 percentage points of total growth in the period under review. In the USA, we succeeded in generating corporate growth in a year in which Veterans Affairs, to which neither Oticon nor Bernafon is a regular supplier, grew by as much





as 10% in terms of volume, and in which the available private market fell by 2-3%. That the Group managed to boost its market share in the private part of the market is considered quite satisfactory. The favourable development was achieved despite a significant drop in the sale of Oticon Delta, which was highly successful on the US market until early 2008. Market shares were won particularly in the fourth quarter, following the launches of Oticon Dual and the Power RITE solutions. Sales in North America account for 33% of total corporate sales.

In Europe, revenues in local currencies fell by 1% in 2008. In many European countries where Oticon and Bernafon have substantial market shares, compensating fully for the fall in Oticon Delta sales in the period under review has proved more difficult. On the sagging UK market, our wholesale business experienced falling sales whereas NHS sales rose nicely. Following several years of tremendous growth in NHS sales, we do however expect sales to stabilise at a slightly lower level in 2009; waiting lists in the UK having gradually been reduced to the desired level. Sales in Europe account for 50% of total consolidated revenues.

Revenues by business area

DKK million	2008	2007	Percentage change DKK	Local currency
Hearing Aids	4,784	4,920	-2.8%	1.5%
Diagnostic Instruments	348	303	14.8%	16.3%
Personal Communication	242	265	-8.6%	-5.5%
Total	**5,374**	**5,488**	**-2.1%**	**2.0%**

In terms of local currencies, our hearing aid business rose by just over 1% in 2008. Our core business, which includes the development, manufacture and wholesale of hearing aids, boosted its sale of Group-manufactured instruments by 2%, which matches the level of or is slightly above unit growth in the market. Sales to retail chains grew considerably in 2008, and like the development in previous years, sales reflect our decision to concentrate on the retail chains while retaining our focus on independent hearing care businesses.

An integral part of our hearing aid business, corporate retail activities generated organic growth in 2008 substantially above the rate of market growth. Acquisitions also had a positive effect on revenues. Retail activities accounted for approximately 20% of total consolidated revenues.

In 2008, Diagnostic Instruments generated revenues of DKK 348 million, or an improvement of 16% in local currencies. The acquisition of British Amplivox was made towards the end of 2008. Consequently, revenues for the period under review are only marginally affected by acquisitions. Trends have been very satisfactory in a market which is estimated to have grown by a mere 3-4%. Business activities accounted for just over 6% of consolidated revenues, and Diagnostic Instruments retained its high profitability in 2008.

Personal Communication saw a decrease in revenues of 6% in local currencies caused by difficult market conditions for both FrontRow and Sennheiser Communications. The latter has obtained sizeable growth under the Sennheiser brand, which was however not able to compensate for the fall in revenues originating from a large OEM customer. Business activities accounted for close on 5% of consolidated revenues, and Personal Communication managed to maintain its profitability in 2008 compared with 2007.

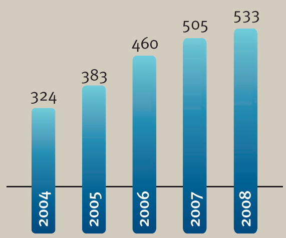
Gross profits

In 2008, the Group realised gross profits of DKK 3,725 million matching a 6% fall. With lower than forecast revenues for 2008, we failed to realise all economies of scale in production in the period under review, which a higher sale would otherwise have brought about. A consolidated gross profit ratio of 69.3% represents a fall of just over 3 percentage points on last year; exchange movements in the period under review accounting for one third of this fall. As 2008 progressed, we stepped up our production of hearing aids with wireless features. Instruments produced on the new technological platform include more components than do conventional instruments and are more expensive and more complicated to manufacture, despite the fact that we always seek to maximise procurement and manufacturing efficiency.

The consolidated gross profit ratio is also negatively impacted by shifts in corporate product and customer mixes, which is among other factors due to the decline in Delta sales. In 2008, this adversely affected the Group's average selling prices, and the consolidated gross profit ratio typically reflects such decline. Following the launch of Dual, our hearing aid business did however see some improvement in product mixes towards the end of 2008.

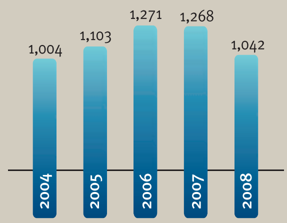
R&D costs

DKK million



Operating profit (EBIT)

DKK million



The restructuring of our production capacity and the merging of activities into two large production sites began in 2007 and have progressed very satisfactorily. Today, our factory at Thisted focuses on scaling up the production of new products and co-operates on technical aspects with our research and development divisions in Bern and Copenhagen, whereas the Mierzyn facility in Poland concentrates on volume production. The adjustment of production in Thisted in 2008 resulted in the dismissal of about 100 of the factory's 700 staff. Today, the Mierzyn factory employs about 350 staff and fully satisfies our expectations in respect of good quality and high productivity.

Capacity costs

In 2008, we reduced consolidated capacity costs by 1% to DKK 2,685 million. In the 2007 base year, the Group was affected by special items including non-recurring costs in relation to an American patent case (ETG). Adjusted for these costs, 2008 saw an increase in capacity costs.

Capacity costs

DKK million	2008	2007	Percentage change DKK	Local currency
R&D costs	533	505	5.5%	5.4%
Distribution costs	1,798	1,726	4.2%	9.2%
Administrative expenses	354	475*	-25.3%	-23.4%
Total	**2,685**	**2,706**	**-0.7%**	**2.7%**

* Administrative expenses for 2007 include DKK 140 million related to the ETG patent case.

Research and development costs

Dedicated investment in research and development is essential to our endeavours to launch innovative products and thus ensure our long-term growth. Consolidated research and development costs rose by almost 6% in 2008; most of the increase being due to the general pressure on wages, resulting from a low unemployment rate and our continuous pursuit of excellence when it comes to research and development capabilities.

In 2008, we launched new ground-breaking product concepts based on the RISE architecture, and the successful launches of both Oticon Vigo and Oticon Dual emphasise that RISE is innovative as well as highly suitable for launch in different segments.

The development functions in the William Demant Holding Group collaborate across activities and continents with a view to maximum exploitation of knowhow. In other words, we make sure that special competencies and basic technologies developed for specific purposes in one area of the Group are re-used in other contexts and that we employ our research and development resources to the greatest possible advantage. The Group's domicile and development centre in Smørum is the setting for our dedicated research and development investment. Having the world's leading and most exciting development house for hearing aids, and thereby providing optimal conditions for our innovative power and competitiveness on the long term, has been and still is our vision. In addition to our facilities in Denmark, we have major development centres in Switzerland and the USA, and we have also set up a minor division for software development in Mierzyn in Poland. Moreover, the Group participates in various networks of researchers and research institutes worldwide.

Distribution costs

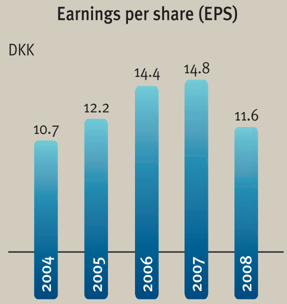
In 2008, consolidated distribution costs rose by 4% to DKK 1,798 million. Efforts to strengthen corporate retail activities accounted for part of the increase, as retail expansion involves substantial distribution costs, particularly in sales and marketing.

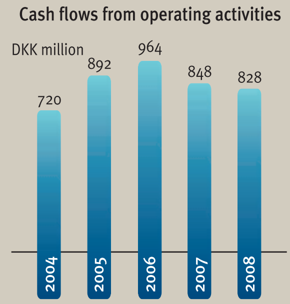
Administrative expenses

Administrative expenses were reduced to DKK 354 million in 2008, or a fall of 25%. Adjusted for non-recurring costs relating to the ETG patent case in 2007, 2008 saw a 6% increase in administrative expenses.

Profits for the year

Operating profits (EBIT) amounted to DKK 1,042 million, or a profit margin of 19.4%. Compared with reported profits for 2007, this corresponds to a fall in earnings of DKK 225 million. Adjusted for the ETG patent case in 2007 and negative exchange impacts in 2008, the decline is DKK 279 million. In 2008, the Group's profit margin was negatively affected by 1 percentage point due to exchange rate fluctuations in the period under review. We currently hedge any such fluctuations by seeking to match positive and negative cash flows in the main currencies and by entering into forward exchange contracts. With our current use of such contracts, forecast





cash flows are hedged with a horizon of up to 24 months. Any movements in the exchange rates of main currencies will affect revenues immediately, whereas the effect on earnings will be somewhat delayed. Realised forward exchange contracts are recognised in the income statement together with the items hedged by such contracts. In addition, we have raised loans in foreign currencies to balance our net receivables. This was previously done through forward exchange contracts.

Because currency transactions are hedged at steadily falling hedging rates, the continuous negative exchange rate impact from several of our central trading currencies will adversely affect operating profits in 2009 and in the years to come.

At year-end, the Group had entered into forward exchange contracts at a surrender value of DKK 1,341 million (DKK 981 million at 31 December 2007) and a market value of DKK 51 million (DKK 17 million at 31 December 2007). The major contracts hedged the following currencies at 31 December 2008:

Forward exchange contracts at 31 December 2008

Currency	Hedging period	Hedging rate
USD	9 months	557
JPY	12 months	5.43
GBP	8 months	955
AUD	3 months	403
EUR	8 months	747
CAD	5 months	489

In 2008, consolidated net financials amounted to DKK -139 million against DKK -97 million in 2007. The increase primarily reflects a rise in interest-bearing debt, a higher interest rate level and foreign exchange losses. Consequently, we have in recent years bought back a considerable number of shares. However, in autumn 2008 we decided to temporarily suspend our buy-back programme in the light of the global financial crisis and our wish to always have at our disposal considerable financial resources for any further expansion, which has, if viewed in isolation, checked the increase in financial expenses.

Consolidated profits before tax totalled DKK 903 million in 2008. Tax on the year's profits amounted to DKK 221 million, matching an effective tax rate of 24.4% (23.6% in 2007); the higher tax rate being the result of growth in corporate activities in countries with higher tax levels.

The year's profits amounted to DKK 682 million, which is somewhat below the level of 2007. Earnings per share (EPS) were DKK 11.6 against DKK 14.8 last year. In 2008, the average number of shares was reduced by 1,850,961 shares compared with 2007. For more details on the Group's buy-back of shares, we refer to *Shareholder information, Capital* on page 22.

At the annual general meeting, the Directors will propose that all profits for the year be retained and transferred to reserves.

Equity and capital

At 31 December 2008, consolidated equity amounted to DKK 541 million (DKK 435 million at 31 December 2007), corresponding to an equity ratio of 14%. Compared with mid-2008, this is an increase in equity of slightly over DKK 100 million. At year-end, the Parent's equity aggregated DKK 976 million (DKK 515 million at 31 December 2007).

The buy-back of shares worth DKK 428 million is considerably below the level of 2007. This amount has been recognised directly in equity. We did not carry through any increases in capital in 2008.

Consolidated equity

DKK million	2008	2007
Equity at the beginning of the year	**435**	**671**
Exchange adjustments of subsidiaries	-59	-32
Value adjustments of hedging instruments	-35	-19
Buy-back of shares	-428	-993
Profit for the year	682	894
Other adjustments	2	10
Minority interests	-56	-96
Equity at year-end	**541**	**435**

Consolidated cash flows

In 2008, consolidated cash flows from operating activities totalled DKK 828 million, which is at the same level as in 2007. In the period under review, the Group paid DKK 237 million in corporation taxes, of which DKK 148 million was paid in Denmark.

Free cash flows amounted to DKK 588 million, or a fall of DKK 168 million compared with 2007, the major explanation being the sale of a property in Australia in 2007.

Cash flows by main items

DKK million	2008	2007
Profit for the year	**682**	**894**
Cash flows from operating activities	828	848
Cash flows from investing activities*	-240	-92
Free cash flows	**588**	**756**
Acquisitions	-216	-80
Buy-back of shares	-428	-993
Other financing activities	-29	-176
Net cash flows for the year	**-85**	**-493**

* The 2007 base year includes a sum of DKK 122 million from the sale of a corporate production facility in Australia.

Cash flows for investing activities (excluding acquisitions) amounted to DKK 240 million in the period under review against DKK 92 million in 2007. The amount mainly constitutes net investments in property, plant and equipment worth DKK 196 million, which is slightly below expectations at the start of the year when we forecast investments to the tune of DKK 200-240 million for 2008. Forecast investments for 2009 are estimated at DKK 180-200 million. Adjusted for the sale of a corporate production facility in Australia, cash flows for investing activities (excluding acquisitions) totalled DKK 214 million in 2007.

In 2008, the Group took over in full or in part a number of minor distribution businesses in North America and Australia. The cash acquisition sum amounted to DKK 216 million.

Other financing activities in 2008 amounted to DKK -29 million, which first and foremost covered instalments on long-term liabilities and the acquisition of minority items, including the year's proceeds from loans raised in the amount of DKK 171 million.

Balance sheet

At 31 December 2008, the consolidated balance sheet totalled DKK 3.9 billion, or a 5% increase on year-end 2007, including a negative exchange impact of about 1%.

Loans to corporate customers and business partners amounted to DKK 201 million at 31 December 2008, which reflects an increase of approximately DKK 21 million compared with 2007. A further increase is expected in 2009.

Our working capital developed satisfactorily with a modest fall in both inventories and trade receivables.

Consolidated interest-bearing debt rose by DKK 129 million in 2008, mainly due to the buy-back of shares and acquisitions.

We increasingly use interest swaps to minimise any uncertainties about trends in interest rates and resultant interest expenses. Non-realised losses on interest swaps to the tune of DKK 35 million contributed to the increase in non-realised losses on financial contracts.

There have been no events to change the assessment of the annual report after the balance sheet date and until today.

Directors and employees

At the annual general meeting on 31 March 2008, Lars Nørby Johansen, Peter Foss and Michael Pram Rasmussen were re-elected, and Niels B. Christiansen, President & CEO of Danfoss A/S, was elected new member of the Board of Directors. After the general meeting, the Directors elected Lars Nørby Johansen Chairman and Peter Foss Deputy Chairman of the Board of Directors.

The Group employed 5,542 staff at year-end. The average number of staff in 2008 (full-time equivalent) was 5,383 (5,072 in 2007), of whom 1,627 were employed in Denmark (1,619 in 2007). In connection with its take-over of some of Sonion's production facilities in Poland, the Group insourced just under 100 Sonion staff. Revenue per Group employee amounted to DKK 998,000.

Crucial to our enduring success is the dedication, diligence and professional competence of our staff. We therefore extend our warm thanks to all staff throughout the Group for their formidable and professional effort in 2008, which was indeed a challenging year. Their commitment and work will also in the years to come be the key to our continued success.

Incentive programmes

The Group has at two- or three-year intervals offered the employees the opportunity to buy shares at a favourable price depending on their salary and seniority. Such shares

are subsequently held on trust for five years. The most recent employee share ownership plan was carried through in 2006.

The Company has no share option programmes or other similar programmes.

Knowledge resources

Our mission statement stipulates that the Group must aim for continuous growth in revenues and earnings, and that we must strive for a high innovation level through a flexible and knowledge-based organisation. The prerequisite for the Group's continued competitiveness is extensive audiological know-how and a broad spectrum of competencies, such as further developing wireless technology, designing integrated circuits for sophisticated analogue and digital processing of sound signals, developing software for optimum fitting of hearing aids, designing micro-amplifiers and related acoustic systems as well as developing and manufacturing micromechanic components.

The Group's products are made in co-operation with a wide range of specialists, each with thorough knowledge of their own fields, in-depth understanding of other professional areas and appreciation of the corporate approach. In order to utilise competencies and knowledge across the organisation, substantial resources are channelled into communication and knowledge sharing through a shared IT platform, a high degree of openness, secondment of employees to other Group companies and a flat organisational structure.

The corporate development centre in Denmark is a major catalyst for both ongoing and future innovation projects.

The Oticon Foundation

William Demant Holding's main shareholder, the Oticon Foundation, has as its primary goal to safeguard and expand the William Demant Holding Group's business and provide support for various commercial and charitable purposes. The Oticon Foundation, whose full name is *William Demants og Hustru Ida Emilies Fond*, was founded in 1957 by William Demant, son of the Company's founder Hans Demant. The Foundation's interest in the Company was just under 60% at the end of 2008, which is also the case at 10 March 2009.

The William Demant Holding Group has not carried out any major acquisitions since the autumn of 2001, and in compliance with Company policy any free cash flows have for a number of years now been applied for the buy-back of shares. However, in autumn 2008 the Group decided to temporarily suspend the purchase of own shares. This decision should be seen in the light of the global financial crisis and the Company's wish to constantly have at its disposal considerable funds for any further expansion.

Sound liquidity and a satisfactory free flow are important to obtain fair pricing of our shares at NASDAQ OMX Copenhagen A/S. In autumn 2005, the Oticon Foundation consequently announced that in future it would strive to retain an ownership interest of 55-60% against previously 60-65% through, if necessary, the current sale of shares in the market concurrently with any buy-back of shares by the Company. This sale is independent of our share buy-back programme.

In accordance with the Oticon Foundation's investment strategy, the Foundation's investments – apart from shares in William Demant Holding – also include other assets, as the Foundation can make direct, active investments in companies whose business models and structures resemble that of the William Demant Holding Group, but fall outside its strategic sphere of interest.

In 2003, William Demant Holding and the Oticon Foundation thus agreed that the Company would identify active investment opportunities and on a continuous basis follow up on the investments made. The co-operation between William Demant Holding and the Oticon Foundation is based on a management agreement made on a commercial arm's length basis. Apart from the Oticon Foundation's ownership share held in William Demant Holding A/S, the Foundation's investment activities are mainly carried out by William Demant Invest A/S, a company wholly owned by the Oticon Foundation.

Since 2004, the Oticon Foundation has – in the framework of William Demant Invest – made significant investments in the property company Jeudan A/S, listed on NASDAQ OMX, and in the medical company Össur hf., listed on NASDAQ OMX Iceland hf. In 2008, the Foundation considerably increased its stake in Jeudan and also made a minor share purchase in Össur. Moreover, the Oticon Foundation has a portfolio of listed securities that are managed by an external asset manager.

Outlook for 2009

The current financial crisis and the uncertainty resulting from the global recession make it difficult to forecast trends for 2009.

The uncertainty relating to growth in the global hearing aid market in 2009 is significant. Preliminary indications from our main markets seem to suggest that the adverse market conditions prevailing towards the end of 2008 will still prevail in 2009. For 2009, we estimate flat volume growth in the market. Trends in the 2008 base year suggest that unit growth in the market in the first half of 2009 will be slightly negative, whereas in the second half market growth is expected to be marginally positive. In 2009, average selling prices are expected to contribute neutrally or negatively to market growth. Due to the general uncertainty, Management's growth estimates are however subject to considerable uncertainty.

At the start of 2009, the Group's hearing aid businesses have strong product portfolios which will be further strengthened through the product introductions scheduled for spring 2009. The development in corporate wholesale of hearing aids is therefore estimated to exceed market growth by 2-4 percentage points in 2009.

In 2009, corporate retail activities are to a wide extent expected to follow the trends in the underlying market, but it is difficult to stem a sluggish market in this part of the value chain where fixed overheads are fairly high. However, we are convinced that our retail activities are well equipped to cope with the altered market conditions.

Following a highly satisfactory trend in 2008, Diagnostic Instruments will probably encounter somewhat bigger challenges in 2009, which is thought to be characterised by customers' dampened reluctance to invest. The market for diagnostic equipment is thus expected to develop weakly in 2009, but we do expect to gain market shares in this business area, however not at quite the same rate as in 2008.

In Personal Communication, Sennheiser Communications is favoured by a powerful product programme which will ensure the continued capture of market shares. However, this will hardly fully compensate for the estimated decline in the global market for headsets. Activities in Phonic Ear are only expected to be affected by the recession to a less extent, although FrontRow's sale of school systems in the USA is under pressure due to the economic decline.

Despite difficult and uncertain conditions in most of our markets, we are optimistic about the development of our business on the slightly longer term. Demographic trends will on an ongoing basis contribute to an expansion of the total hearing aid market, which is also characterised by fairly low penetration rates. Our Group is among the most powerful players in the industry with unique, innovative products and a strong market position in all major markets. Recent years' targeted focus on and investments in development have made us a technological front-runner; a position that we expect to consolidate even further in the years ahead.

We are therefore convinced that we are geared to handle any changes in market conditions to enable us to capture further market shares on the short as well as the long term. This development will be supported by our solid financial position and ability to generate substantial cash flows combined with our unique corporate culture. Especially in the current situation marked by credit crisis and global recession, the Oticon Foundation's stable and long-term ownership is considered a valuable asset for corporate development.

Based on average exchange rates for January 2009, we expect a neutral exchange effect in 2009 on both revenues and operating profits (EBIT).

For 2009, total consolidated investment in property, plant and equipment is estimated at DKK 180-200 million.

We maintain our decision to temporarily suspend our buy-back of shares, as announced on 5 November 2008. The global financial crisis and our wish to always have substantial financial resources available for any further expansion are the main reasons for this decision.

The effective tax rate for 2009 is estimated at 25%, corresponding to the tax rate level in Denmark.

Management intends to observe market trends closely and if the existing market conditions and prospects for our line of business stabilise, we will clarify our forecasts for 2009 on publication of our interim report and our announcements following the first and third quarters.

Shareholder information

Capital

At 31 December 2008, the Company's authorised share capital was nominally DKK 58,956,257 divided into as many shares of DKK 1. All shares have the same rights and are not divided into classes.

William Demants og Hustru Ida Emilies Fond (the Oticon Foundation), Egedal, has notified the Company that at 31 December 2008 the Foundation held just under 60% of the share capital. In September 2005, the Foundation announced its intention to retain an ownership interest of 55-60% in the Company's capital.

Shares held by members of the Board of Directors, by the Executive Board and by employees account for approximately 2% of the share capital. About three fourths of the Group's around 5,500 employees are shareholders in the Company.

In 2008, the Company bought back 1,328,663 shares at a total price of DKK 428 million. At the annual general meeting on 31 March 2008, the share capital was reduced by nominally DKK 2,030,270 through the cancellation of treasury shares. The Company did not increase its capital in 2008. At year-end 2008, the Company held 641,465 treasury shares, or 1.0% of the share capital, which was also the case at 10 March 2009.

Share information

DKK	2004	2005	2006	2007	2008
Highest rate	274	355	504	583	478
Lowest rate	196	256	343	407	158
Rate, year-end	257	350	459	471	218
Market capitalisation*	16,989	22,315	28,274	28,063	12,858
Average no. of shares**	67.05	65.03	62.75	60.62	58.77
No. of shares, year-end**	66.11	63.79	61.60	59.58	58.31

* DKK million
**Million shares excluding treasury shares

Specification of movements in share capital

DKK in thousands	2004	2005	2006	2007	2008
Share capital at 1.1.	70,294	67,515	65,569	63,323	60,986
Capital increase	0	0	139	0	0
Capital reduction	-2,779	-1,946	-2,385	-2,337	-2,030
Share capital at 31.12.	**67,515**	**65,569**	**63,323**	**60,986**	**58,956**

Powers relating to share capital

The shareholders in general meeting have empowered the Directors to increase the share capital by up to nominally DKK 1,179,527 in connection with the issue of employee shares at a subscription price to be determined by the Directors, however minimum DKK 1.05 per share of DKK 1. The powers are valid until 1 January 2011. Until 1 January 2012, the Directors have been authorised to increase the share capital by up to DKK 6,664,384 for other purposes. The subscription price will be determined by the Directors.

Until the next annual general meeting, the Directors have been authorised to acquire treasury shares at a nominal value of up to 10% of the share capital. The purchase price may, however, not deviate by more than 10% from the price listed on NASDAQ OMX.

Dividend

At the general meeting, the Directors will, as in previous years, propose that all profits for the 2008 financial year be retained. Generally, we are of the opinion that the buy-back of shares provides opportunities for a more dynamic planning of dividend policies. However, as mentioned earlier we temporarily suspended our buy-back of shares in the second half-year.

Insider rules

The Group's insider rules and in-house procedures comply with the provisions of the Danish Securities Trading Act, under which the Executive Board and the Board of Directors and their related parties are obliged to inform the Company of their transactions with the Company's securities with a view to subsequent publication and reporting to the Danish Financial Supervisory Authority. In 2008, the Company made three such announcements, which can be seen on the Company's website under *Insider trade announcements*.

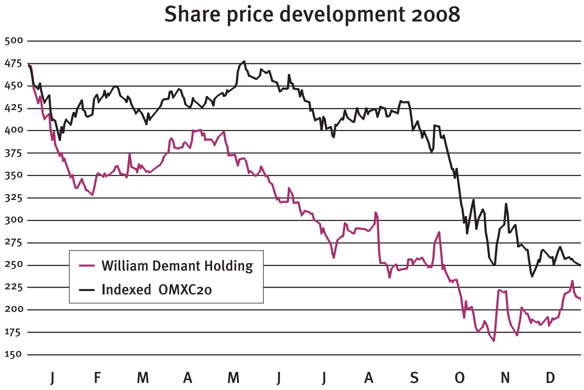
In its internal rules, the Company has chosen to operate an insider register containing a relatively large number of persons, including leading staff members who – through their attachment to the Company – may possess price-affecting knowledge of the Group's internal affairs. Persons recorded in the insider register may only trade in Company shares for six weeks following publication of the annual report and the interim report through NASDAQ OMX. Such persons are also obliged to inform the Company of their transactions in Company shares.

IR policy and investor information

It is the aim of William Demant Holding to ensure a steady and consistent flow of information to stock market players to promote a basis for the fair pricing of Company shares – pricing that reflects current corporate strategies, financial capabilities and prospects for the future. The flow of information should contribute to a reduction of any Company-specific risks associated with investing in William Demant Holding shares, thereby leading to a reduction of the Company's cost of capital.

We aim to reach this goal by continuously providing relevant, correct and adequate information in our Company announcements. The Company also maintains an active and open dialogue with analysts as well as current and potential investors. Through presentations, individual meetings and participation in investor conferences, we aim to maintain an ongoing dialogue with a broad section of share market players. In 2008, we held approximately 240 meetings and presentations attended by approximately 550 analysts and investors. The Company also uses its website www.demant.com for communication with the market. The website provides more information about the Group and its business activities.

Share price development 2008



Investors and analysts may also contact Stefan Ingildsen, VP, Finance and IR, or Søren B. Andersson, IR Officer, by phone +45 3917 7100 or by e-mail to william@demant.dk.


Stefan Ingildsen


Søren B. Andersson

Main Company announcements in 2008

5	February	Outcome of lawsuit
6	March	Annual Report 2007
6	March	Launch of Oticon Vigo
31	March	Annual general meeting
7	May	Interim information, first quarter 2008
4	July	Reduction of capital after expiry of statutory notice
14	August	Interim Report 2008
10	September	Management change in Oticon A/S
5	November	Interim information, third quarter 2008

Financial calendar 2009

10	March	Annual Report 2008
26	March	Annual general meeting
12	May	Interim information, first quarter 2009
19	August	Interim Report 2009
16	November	Interim Information, third quarter 2009

General meeting

The annual general meeting will be held on Thursday, 26 March 2009, at 4 p.m. at the Company's head office Kongebakken 9, 2765 Smørum, Denmark.

Risk management activities

Risk management activities

Risk management activities in the William Demant Holding Group primarily focus on the business and financial risks to which the Company with a certain degree of probability may be exposed.

The Company generally operates in a stable market with a limited number of players. The risks to which the Company may be exposed are under normal circumstances unlikely to change in the short term. However, the current financial crisis has increased corporate risks and the resulting turbulence has, among other things, triggered a fall in growth rates in several central markets and caused higher volatility in important trading currencies. When preparing the strategic, budgetary and annual plans, the Directors consider the risks identified by the Company.

Business risks

The major risks to which the William Demant Holding Group may be exposed are of a business nature – be they risks within the Company's control or external risks due to, for instance, the behaviour of the competition. As outlined above, 2008 was characterised by very weak growth rates, particularly in the second half-year, and such changes in market conditions also affect business risks.

The market in which the Company acts is a highly product-driven market. The Group's significant research and development initiatives help underpin our market position. It is therefore also vital in the long term to maintain the Group's innovative edge and to attract the most qualified and competent staff.

The William Demant Holding Group is involved in a few disputes. In the patents case against American ETG, we are still awaiting the judge's decision upon which we will decide what action to take. Apart from the provision relating to the ETG case, which affected the income statement negatively in 2007, Management is of the opinion that any other disputes do not or will not significantly affect the Group's financial position. We seek to make adequate provisions for legal proceedings. It is Group policy to take out patents for our own ground-breaking innovations and currently monitor that third-party products do not infringe on our patents and that our products do not infringe on any third-party patents.

Financial risks

Financial risk management concentrates on exchange rate, interest rate, credit and liquidity risks and on hedging against the risk of loss of property, plant and equipment. The purpose of financial risk management is to protect the business against potential losses and to make sure that Management's forecasts for the current year will only be affected to a limited extent by changes in the surrounding world – be they fluctuating exchange or interest rates or direct damage to corporate assets. We are exclusively hedging commercial risks and are not involved in any financial transactions of a speculative nature.

Exchange rate risks

The Company seeks to hedge any exchange rate risks through foreign exchange contracts and other hedging instruments. Major net exchange positions are normally hedged up to 24 months ahead. Currency hedging gives Management the opportunity and necessary time to redirect business strategies in the event of persistent foreign exchange fluctuations.

Estimated effect on EBIT on non-hedged* basis, 5% exchange rate change

DKK million	2009	2008
USD	20	25
GBP	15	20
CAD	10	15
AUD	10	10
JPY	5	5

* Non-hedged is defined as the total annual exchange effect excluding forward exchange contracts.

The exchange risk has been calculated on the basis of simple adding up of EBIT figures for Group companies in local currencies. Whereas the adding up of EBIT figures includes all Group companies, the net exchange flow is identical to the flow in Oticon A/S. We estimate that about 90% of all exchange translations are made in Oticon A/S and that the analysis therefore provides a true and fair view of the flow in the entire Group. The exchange flow includes the actual translation as well as any change in net receivables (receivables, payables and bank balances). Exchange rates at the beginning of the year have been used for translation.

The table below shows the impact on equity in case of changes in selected currencies of 5%.

Effect on equity, 5% exchange rate effect

DKK million	2008*	2007*
USD	3	3
GBP	6	6
CAD	5	5
AUD	4	5
JPY	1	1

* At year-end.

Interest rate risks

At present, the Group has limited debts compared with the volume of business activity and uses interest rate swaps to hedge interest rates.

Based on net debt at year-end 2008, a climb of 1 percentage point in the general interest rate level will increase consolidated annual interest expenses before tax by approximately DKK 5 million.

Credit risks

Corporate credit risks relate primarily to trade receivables. Our customer base is fragmented and any credit risks would only involve minor losses on individual customers. Together, our three largest customers account for less than 10% of total consolidated revenues. We thus have no major credit exposure, which is supported by our track record of insignificant previous losses on bad debts. When undertaking lending transactions with customers or business partners, we require the provision of security in their particular businesses.

The Group has no major deposits in financial institutions, for which reason we consider the credit risk low.

Liquidity risks

The Group is obliged to have sufficient cash resources to meet its obligations. The Group has access to non-utilised credit facilities, and the liquidity risk is therefore considered low. In addition, our Group has committed lending facilities with our two primary bankers worth a total of DKK 2 billion. We are of the opinion that the Group has a strong cash flow and satisfactory credit rating to secure the inflow of current working capital and funds for potential acquisitions.

Safeguarding corporate assets

Company Management continuously seeks to minimise any financial consequences of damage to corporate assets, including any operating losses incidental to potential damage. We are currently investing in security and surveillance systems to prevent damage and to minimise such damage, should it arise. Major risks that cannot be adequately minimised are identified by Company Management who will on a continuous basis ensure that appropriate insurance policies are taken out under the corporate global insurance programme administered by recognised and credit-rated insurance brokers and that such insurances are taken out with insurance companies with high credit ratings. The Group's insurance programme has deductible clauses in line with normal market terms. The Directors review the Company's insurance policies once a year, including coverage of any identified risks.

The Directors are regularly briefed on any developments in identified risks. The purpose of this reporting is to keep the Directors fully updated and enable them to take corrective action to minimise such risks.

Corporate responsibility

Corporate responsibility

Acting responsibly towards the Company's stakeholders has always been part of our mission statement, be they customers, staff, investors or other groups. We have high ethical standards for our mode of operation and as a business we recognise our responsibility to act sensibly, taking our social and environmental responsibilities into consideration.

In all corporate product areas, we support communication between people as well as social interaction, knowledge sharing and social relations. In this manner, we contribute by virtue of our products to promoting the quality of life for hearing aid users and furthering social development and growth.

Our core business is hearing aids which also account for the best part of consolidated revenues. As a modern biomedical company, we find it natural to work towards ensuring that the improvement in the quality of life experienced by the users of our products is accomplished in an honest and responsible manner and in consideration of the conditions of life of other stakeholders.

Being a responsible and proactive company, Management therefore decided in 2008 to initiate a process with a view to documenting that the principles of corporate responsibility are firmly anchored in the Group. Management is also convinced that the basic corporate business philosophy could be reflected more actively in both the internal and external communication.

For the companies in the William Demant Holding Group, corporate responsibility includes four main themes, which we employ in a global context, consideration being had to local conditions:

- Corporate management – ensuring that the Group is run with maximum transparency and responsibility vis-à-vis owners and other stakeholders.

- Business ethics – ensuring that the Group's results are generated honestly and fairly.

- Social and human relations – ensuring that the Group contributes to the growth of society, while respecting basic human rights and maintaining a safe and engaging working environment.

- Environment – ensuring that Group companies limit any adverse impacts on the external environment as much as possible.

The most essential business processes have now been reviewed, and the review has confirmed that social and environmental considerations are a natural aspect of the Group's day-to-day work routines. We already have initiatives in place that ensure that we currently reduce any adverse impacts on the environment and only choose suppliers whose employees are treated properly. With a steadily growing organisation and a more complex business, we need to target and further systematise this effort.

In 2009, we aim to formalise our approach to corporate responsibility through the development of more transparent principles and policies, for instance in relation to business ethics and the environment, and our code of conduct vis-à-vis suppliers will also be extended and incorporated further into our quality management system.

Our corporate responsibility effort will involve relevant staff on an ongoing basis for the future initiatives in this area to be firmly anchored with both Management and staff. This is a must for our effort to provide the desired results and contribute to the positive development of all companies in the William Demant Holding Group.

Corporate governance

William Demant Holding's Management (Board of Directors and Executive Board) considers corporate governance an ongoing process and regularly assesses whether amendments to the Company's articles of association or managerial pro-cesses are required. The Board of Directors currently considers the *Corporate Governance Recommendations 2005*, which were most recently updated on 10 December 2008. The recommendations are part of the disclosure requirements laid down by the *Copenhagen Stock Exchange Committee on Corporate Governance*. The Board of Directors determines the extent to which the Company should implement such recommendations. By and large, William Demant Holding complies with the recommendations, and if it decides to deviate from them, the Company explains its decision, also known as the "comply-or-explain principle". A complete review of the manner in which William Demant Holding complies with the corporate governance recommendations is available on our website under *Corporate Governance*.

Shareholders' role and interaction with Management

William Demant Holding communicates currently with its shareholders through the annual general meeting, shareholder meetings, investor presentations, e-mail, telephone, website, webcasts, capital market days, the annual report and company announcements etc., and we strive to communicate in both Danish and English.

In recent years, the Board of Directors has decided that any excess cash funds are to be used for the continuous buy-back of shares for the purpose of writing down the share capital, if it is considered prudent and does not inhibit the Company's long-term development or credit rating. The global financial crisis, which began in 2008, in combination with the Company's wish to constantly be able to benefit from any acquisition opportunities have, however, caused the Company to suspend its buy-back programme for the time being.

As on 10 March 2009, the Company's principal shareholder, *William Demants og Hustru Ida Emilies Fond (the Oticon Foundation)* holds 60% of the share capital and votes. The Oticon Foundation has a statute according to which the Foundation should always – directly or indirectly – seek to hold the majority of shares in the Company in order to limit any attempts at takeover.

Openness and transparency

Any information essential to shareholders and financial markets for their assessment of the Company and its activities is published as promptly as possible in compliance with the rules of the *Danish Financial Supervisory Authority* and NASDAQ OMX.

We have chosen to present our website in English only as we believe that stakeholders seeking information from our website are familiar with this language. However, all documents that can be downloaded from the website are available in both Danish and English.

In compliance with the *Danish Securities Trading Act*, the Company publishes annual and interim reports. In the time span between publication of such reports, we have chosen to publish quarterly information rather than actual quarterly reports. In Management's opinion, actual quarterly reports will not enhance a better understanding of the Company's activities, as the quarterly information gives an adequate account of the important events and transactions which have taken place during the period in question. Furthermore, such information gives a general account of the Group and its financial position and results.

Duties and responsibilities of the Board of Directors

The Board of Directors is responsible for the overall strategic management as well as the financial and managerial supervision of the Company, and it regularly evaluates the work of the Executive Board as for instance stated in the annual plan and budget prepared for the Board of Directors. Its duties and responsibilities are determined through the rules of procedure for the Board of Directors and instructions to the Executive Board. Specific work and task descriptions for the Chairman and Deputy Chairman of the Board of Directors are incorporated into the rules of procedure for the Board of Directors.

Composition of the Board of Directors

The Company has chosen not to publish a complete overview of the special competencies of the individual Directors that might be relevant to their duties as Directors, as we are of the opinion that such an overview would not adequately reflect their expertise.

Currently, the Board has seven Directors: four Directors elected by the general meeting and three Directors elected by staff in Denmark. The majority of the Directors are shareholders of the Company. The Board of Directors has chosen not to specify the holding of shares in the Company held by the individual Director, as the Board is of the opinion that such information is not useful. Any changes in Directors' shareholdings are, however, published in each instance and are at the same time reported to the *Danish Financial Supervisory Authority*. Such changes are also published on the Company's website.

None of the Directors elected by the general meeting has been employed with the Company or has (had) any attachment to or interest in the Company apart from the duty as Director and as shareholder.

Normally, the Company holds five ordinary Board meetings a year as well as extraordinary meetings if deemed necessary by the Executive Board or the Board of Directors. The general meeting elects the Company's Directors for a term of one year, and staff-elected Directors are elected for a term of four years. Staff-elected Directors are elected in accordance with the provisions of the *Danish Companies Act*. A Director cannot be re-elected once he or she has reached the age of 70.

The Directors do not use formalised self-evaluation. The Chairman currently evaluates the work done by the Directors who consider the Chairman's evaluation satisfactory.

Board of Directors' and Executive Board's remuneration

Once a year, the Board of Directors assesses the remuneration paid to Directors and the Executive Board. The basis for the assessment is a competitive and reasonable level that will attract and retain the most suitable and competent candidates.

Board committees

At present, no independent Board committees have been nominated, as the Board of Directors deems such committees unnecessary, given the Company's business activities and the size of the Board.

An amendment to the Danish act on auditors and audit enterprises stipulates that as of 1 January 2009, listed companies must set up audit committees to monitor if their financial reporting, internal controls, risk management and statutory audit are appropriately planned and carried through. The Directors of William Demant Holding have therefore discussed the general framework relating to the role and function of an audit committee and decided to let the entire Board of Directors handle such role and function of such committee. In addition to the business activities and the size of the Board, the Directors have taken the limited scope of estimates and assessments in relation to financial reporting into account. The stipulation that no directors may be members of the executive board – in case the entire board acts as the audit committee – is fulfilled.

Risk management

For many years, the hearing aid market has been stable with a limited number of players. In the light of the present finacial crisis, the Group has decided to hedge its credit facilities and at the same time reduce the exchange rate and interest rate risks to which it is exposed through the conclusion of forward exchange contracts and interest rate swaps. A description of all material risks is given in the annual plan and budget for the Board of Directors. Please also see *Risk management activities* on page 24.

Audit

The audit fee is agreed with the auditor prior to a financial year and is subject to approval by the chairmanship of the Board of Directors. The auditor may be asked to perform non-audit services. Such services are to be agreed with the Company's Executive Board in each case. If the fee in respect of non-audit services exceeds the ordinary auditors' remuneration, such remuneration is subject to approval by the Board of Directors.

Amendments to articles of association

The adoption of a resolution to make amendments to articles other than those listed in s. 79 of the *Danish Public Companies Act* shall require that at least 51% of the share capital is represented at the general meeting, and that the resolution is approved by a two-thirds majority of the votes cast and of the represented share capital which is entitled to vote. Where 51% of the share capital is not represented at the general meeting, but two thirds of the votes cast and of the represented share capital which is entitled to vote have approved the proposal, the Board shall call an extraordinary general meeting within 14 days, at which meeting the proposal may be adopted by a two-thirds majority of the votes cast, irrespective of the number of shares represented.

Independent auditor's report

To the shareholders of William Demant Holding A/S

We have audited the Annual Report of William Demant Holding A/S for the financial year 1 January – 31 December 2008, which comprises Management's review, the statement by the Executive Board and the Board of Directors on the Annual Report, accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Group as well as the Parent and consolidated statement of recognised income and expenses and cash flow statement for the Group. The consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards* as adopted by the EU, and the Parent's financial statements have been prepared in accordance with the *Danish Financial Statements Act*. Further, the Annual Report has been prepared in accordance with the additional Danish disclosure requirements for annual reports of listed companies.

The Executive Board's and Board of Directors' responsibility for the Annual Report

The Executive Board and the Board of Directors are responsible for the preparation and fair presentation of this Annual Report in accordance with *International Financial Reporting Standards* as adopted by the EU (the Group), the *Danish Financial Statements Act* (the Parent) and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on this Annual Report based on our audit. We conducted our audit in accordance with Danish auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the Annual Report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive board and board of directors, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualifications.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's financial position at 31 December 2008 and of the results of its financial performance and its cash flows for the financial year 1 January – 31 December 2008 in accordance with *International Financial Reporting Standards* as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Further, in our opinion, the Annual Report gives a true and fair view of the Parent's financial position at 31 December 2008 and of its finacial performance for the financial year 1 January – 31 December 2008 in accordance with the *Danish Financial Statements Act* and additional Danish disclosure requirements for annual reports of listed companies.

Copenhagen, 10 March 2009

Deloitte
Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen
State-authorised Public Accountant

Anders Dons
State-authorised Public Accountant

Signatures

Management statement

We have today presented the Annual Report 2008 for William Demant Holding A/S.

The consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards* as adopted by the EU and the Parent's financial statements have been prepared in accordance with the *Danish Financial Statements Act*. Further, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed companies.

In our opinion, the accounting policies used are appropriate and the Annual Report gives a true and fair view of the Group's and the Parent's assets, liabilities and financial position, results and the Group's cash flows.

In our opinion, Management's review gives a true and fair view of the Group's and Parent's activities and financial position, the results for the year, the Group's and Parent's financial position as a whole and a true and fair description of the most important risks and factors of uncertainty faced by the Group and the Parent.

We present the Annual Report for approval at the general meeting.

Smørum, 10 March 2009

Executive Board:

Niels Jacobsen
President & CEO

Board of Directors:

Lars Nørby Johansen
Chairman

Peter Foss
Deputy Chairman

Niels B. Christiansen

Ivan Jørgensen

Susanne Kold

Ole Lundsgaard

Michael Pram Rasmussen

Board of Directors and Executive Board

Niels Jacobsen | Lars Nørby Johansen | Peter Foss | Susanne Kold | Niels B. Christiansen

Board of Directors

Lars Nørby Johansen (59), Chairman
CAT Invest I A/S, chairman of the board
Falck A/S, chairman of the board plus in two subsidiaries
Georg Jensen A/S, chairman of the board
DONG Energy A/S, deputy chairman
The Danish Growth Council, chairman
Lars Nørby Johansen joined the Board of the Company in 1998 and is considered an independent Director.

Peter Foss (52), Deputy Chairman
FOSS A/S, President & CEO plus chairman of the board in two subsidiaries
N. Foss & Co. A/S, deputy chairman
A.R. Holding af 1999 A/S, director
VICH 9625 A/S, director
Peter Foss joined the Board of the Company in 2007. Because of his seat on the Board of the Company's principal shareholder, the Oticon Foundation, he is not considered an independent Director.

Niels B. Christiansen (42)
Danfoss A/S, President & CEO plus directorships in 13 subsidiaries
Axcel II and III, director
B&O A/S, director
TrygVesta A/S, director
Sauer Danfoss Inc., director
Niels B. Christiansen joined the Board of the Company in 2008 and is considered an independent Director.

Ivan Jørgensen (41), PhD, Electronic Engineering
Oticon A/S, competence manager for IC design (analogue and RF)
Staff representative
Ivan Jørgensen joined the Board of the Company in 2005.

Susanne Kold (47)
Oticon A/S, Thisted, shop steward for 3F members
3F Thy-Mors, director
Staff representative
Susanne Kold joined the Board of the Company in 2007.

Ole Lundsgaard (39), Electronics Mechanic
Diagnostic Instruments, technical support specialist
Staff representative
Ole Lundsgaard joined the Board of the Company in 2003.

Michael Pram Rasmussen (54)
A.P. Møller - Mærsk A/S, chairman of the board plus deputy chairman in one subsidiary
Coloplast A/S, chairman of the board
Semler Holding A/S, chairman of the board
Topdanmark A/S, chairman of the board plus in one subsidiary
Louisiana Museum of Modern Art, director
JPMorgan Chase International Council, member
Michael Pram Rasmussen joined the Board of the Company in 1999 and is considered an independent Director.

Executive Board

Niels Jacobsen (51), President & CEO
Niels Jacobsen joined the Company in 1992 as Executive Vice President and was appointed President & CEO in 1998
LEGO A/S, chairman of the board
KIRKBI A/S, deputy chairman
A.P. Møller - Mærsk A/S, director
Directorships in a number of wholly and partly owned companies in the William Demant Group, including William Demant Invest A/S, Össur hf., Sennheiser Communications A/S, HIMPP A/S, HIMSA A/S and HIMSA II A/S.

Auditor

Deloitte
Statsautoriseret Revisionsaktieselskab

Board meetings

In 2008, the Board of Directors convened on five occasions.

Accounting policies

General
The consolidated financial statements are presented in compliance with the *International Financial Reporting Standards* as adopted by the EU. The financial statements for the Parent are presented in accordance with the provisions of the *Danish Financial Statements Act* for class D entities. The Annual Report has been prepared in accordance with further Danish disclosure requirements for annual reports published by listed entities as formulated by NASDAQ OMX Copenhagen A/S as well as the IFRS order issued in compliance with the Danish Financial Statements Act.

The Parent's accounting policies on recognition and measurement are generally consistent with the Group's accounting policies. The instances in which the Parent's accounting policies deviate from those of the Group have been described below. To ensure uniform presentation the terminology used in the consolidated financial statements has as far as possible also been applied in the Parent's financial statements.

Effective as of 1 January 2008, the Group has implemented IFRIC 11 and 14 as well as the amended standards IAS 39 and IFRS 7. The amended accounting standards and the new interpretations have neither caused changes in the accounting policies nor in the calculation of earnings per share and diluted earnings per share.

Standards and interpretations not yet incorporated
Amended or new standards (IAS 1, 23 and 27 as well as IFRS 2, 3 and 8) and interpretations (IFRIC 13 and 15-17) published but not yet effective at the time of publication of the Annual Report have not been incorporated into the Annual Report. Only IAS 1 and 23, IFRS 8 and IFRIC 13 and 14 have been adopted by the EU. In Management's opinion, any future implementation of the above-mentioned standards and interpretations will not materially affect the Annual Report.

Accounting estimates and judgements
Many accounting items can only be estimated rather than accurately measured. Such estimates are based on the most recent information available on preparation of the accounts. Estimates and assumptions are thus revalued on a current basis. However, the actual figures may deviate from such estimates. Any changes in accounting estimates will be recognised in the accounting period in which such changes are made.

In connection with the practical application of the accounting policies, Management has made normal accounting estimates and judgements concerning development costs and business combinations as well as measurement of long-term assets, inventories, receivables and payables.

It is the Group's opinion that the product development undertaken by the Group today cannot meaningfully be allocated to either the development of new products or the further development of existing products. As the products are subject to various authority approvals, it is difficult to determine the final completion of new corporate products.

Consolidation
The consolidated financial statements comprise William Demant Holding A/S (the Parent) and the entities, in which the Parent can or actually does exercise a controlling interest through direct or indirect ownership of more than 50% of the voting rights or in some other manner. The consolidated financial statements have been prepared on the basis of the financial statements for the Parent and its subsidiaries by aggregating uniform items. Using proportionate consolidation, the consolidated financial statements also include entities, which by agreement are managed jointly with one or more entities. Intra-Group income, expenditure, share holdings, accounts and dividends as well as non-realised intra-Group profits on inventories are eliminated.

Entities in which the Group holds 20-50% of the voting rights or in some other manner can or actually does exercise a significant interest are considered to be associates and have been incorporated proportionately into the consolidated financial statements using the equity method.

Newly acquired or newly established subsidiaries or associates are recognised in the consolidated financial statements from the time of acquisition or formation. Entities either divested or discontinued are recognised until the date of divestment or discontinuation. Comparative figures and financial highlights in respect of newly acquired entities have not been restated.

The accounting items of subsidiary companies are recognised 100% in the consolidated financial statements. The proportionate share of profits of minority interests is included in consolidated profits for the year and as a separate portion of consolidated equity.

Business combinations
On acquiring new entities, the purchase method is applied, according to which the identified assets, liabilities and contingent liabilities of the acquired entities are measured at their fair values on acquisition. Any tax effects of revaluations will be taken into account.

The cost of an acquired entity includes the fair value of the consideration paid and the costs directly attributable to the acquisition. If the final consideration is conditional upon one or more future events, such adjustments will be recognised in cost only, if the particular event is likely to happen and its effect on cost can be reliably calculated.

If cost exceeds the fair values of the assets, liabilities and contingent liabilities identified on acquisition, any remaining positive differences (goodwill) are recognised in the balance sheet under intangible assets and tested for impairment at least annually. If the carrying amount of an asset exceeds its recoverable amount, it will be written down to such lower recoverable amount.

On the purchase or sale of minority interests after gaining control, the effect hereof is recognised directly in equity, and no revaluation will be made of the acquired net assets. In the Parent's financial statements, such transactions are treated as additional purchases of shares in subsidiaries.

Translation of foreign currency
On initial recognition, transactions in foreign currency are translated at the exchange rates ruling on the transaction date. The functional currency and the presentation currency are the same in the consolidated financial statements. The functional currencies of foreign entities are determined by the economic environment in which such entities operate (normally the local currency).

Receivables, payables and other monetary items in foreign currency are translated into Danish kroner at their rates on the balance sheet date. Realised and non-realised exchange adjustments are recognised in the income statement under gross profit or financial items, depending on the purpose of the transaction.

Property, plant and equipment, intangible assets, inventories and other non-monetary assets, purchased in foreign currency and measured on the basis of historical cost, are translated at the rates of exchange on the transaction date.

For subsidiaries and associates presenting financial statements in foreign currency, income statement items are translated at the rates of exchange of the transaction date, whereas balance sheet items are translated at the rates on the balance sheet date.

Any exchange adjustments, arising from the translation at the beginning of the year of balance sheet items of foreign entities at the exchange rates on the balance sheet date and from the translation of income statement items from the rates of exchange of the transaction date to the rates of exchange on the balance sheet date, are recognised directly in equity. Any exchange adjustments, resulting from changes made directly in the equity of a foreign entity, are also recognised directly in equity.

Any exchange adjustments of intra-Group accounts, which are considered additions to or deductions from the total investment in the particular entity, are recognised directly in equity under foreign currency translation reserve.

On recognition in the consolidated financial statements of entities presenting their financial statements in a functional currency other than Danish kroner, the income statement is translated at average exchange rates for the months, unless they deviate materially from actual exchange rates on the transaction dates. If so, actual rates of exchange are applied. Balance sheet items are translated at the rates of exchange on the balance sheet day. Goodwill is considered as belonging to the acquired entity in question and is translated at the rate of exchange on the balance sheet day.

Derivative financial instruments
Derivative financial instruments, primarily forward exchange contracts and interest rate swaps, are recognised from the transaction date and measured at their fair values in the balance sheet. Derivative financial instruments are recognised under other receivables and other payables, respectively.

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

Changes in fair values of derivative financial instruments, classified as and satisfying the conditions for effective hedging of future transactions, are recognised directly in equity. The ineffective portion is recognised in the income statement. On realisation of the hedged transactions, the accumulated changes will be recognised as part of the particular transactions from equity to the income statement. In the financial statements, the purchase or sale of financial assets is recognised on the transaction date.

Employee shares
The Group has employee share ownership plans, enabling employees to subscribe for shares in the Parent at a lower-than-market price. The fair value (gift element) is recognised as an expense under employee benefits on the grant date (in the Parent, with the deduction of re-invoiced benefits to subsidiaries). The item is set off directly against equity.

Income statement
Income and costs are recognised on an accruals basis. The income statement is broken down by function and all costs including depreciation expenses are therefore charged to production, distribution, administration or research and development.

Revenue
Revenue is recognised in the income statement on delivery and transfer of risk to buyer. Revenue from services including service packages and extended warranties is recognised on a straight-line basis in step with the delivery of such services.

Revenue is measured at fair value of the agreed consideration excluding charges. Discounts and returned goods are offset against revenue.

Revenue from agency-like business is measured at the agency commission value.

Production costs
Production costs are costs paid to generate revenue. Commercial businesses recognise cost of goods sold under production costs. Manufacturers recognise cost of raw materials, consumables and production staff as well as maintenance, depreciation, amortisation and impairment losses on property, plant and equipment and intangible assets used in the production process under production costs.

Research and development costs
These include all costs that do not satisfy capitalisation criteria relating to research and development, prototype construction, development of new business concepts as well as depreciation and amortisation of capitalised development costs.

Distribution costs
Distribution costs include costs relating to training, sale, marketing and distribution, bad debts as well as depreciation and impairment losses on assets used for distribution purposes.

Administrative expenses
Administrative expenses include administrative staff costs, office expenses as well as depreciation and impairment losses on assets used for administration purposes.

Net financials
Net financials mainly consist of interest income and expenses. They also include interest on financial leases, amortisation of financial assets and liabilities as well as certain realised and non-realised exchange gains or losses.

Tax
Tax on the year's profit includes current tax and any changes in deferred tax. Current tax includes tax payable computed on the basis of the estimated taxable income for the year and any prior-year tax adjustments. Tax on movements in equity is recognised directly in equity.

Current tax payable or receivable is recognised in the balance sheet and computed as calculated tax on the year's taxable income adjusted for any tax paid on account. The tax rates on the balance sheet date are used for calculation of the year's taxable income.

Deferred tax is recognised under the balance sheet liability method on all temporary differences between the tax base of assets and liabilities and the carrying amounts of such assets and liabilities. Deferred tax is computed on the basis of the tax rules and rates existing on the balance sheet date in the particular countries. Any effect on deferred tax due to changes in tax rates is reflected in tax on the year's profit, unless such deferred tax is attributable to items previously recognised directly in equity. If so, such change will also be recognised directly in equity. The tax base of a loss, which may be set off against any future taxable income, will be carried forward and set off against deferred tax in the same legal tax entity and jurisdiction. Any deferred tax assets are recognised at their expected realisable values.

Deferred tax on any temporary differences relating to investments in subsidiaries and associates is recognised, unless the Parent is able to control the time of realisation of such deferred tax, and it is probable that such deferred tax will not be released as current tax in the foreseeable future.

Deferred tax is recognised in respect of eliminations of intra-Group profits or losses.

The Parent is jointly taxed with its Danish subsidiaries and the Danish affiliated company William Demant Invest A/S. Current corporation tax is distributed among the jointly taxed Danish entities in proportion to their taxable incomes.

Balance sheet

Intangible assets

On initial recognition, goodwill is recognised and measured as the difference between the cost of the acquisition and the fair values of the assets acquired and of liabilities and contingent liabilities assumed, see *Business combinations*.

On recognition of goodwill, goodwill is allocated to each of the corporate activities generating independent inflows (cash-generating units). The definition of a cash-generating unit complies with the corporate managerial structure, internal financial management and reporting.

Goodwill is not amortised, but reviewed for impairment at least annually. If the recoverable amount of a cash-generating unit exceeds the carrying amounts of property, plant and equipment and intangible assets, including goodwill, allocated to the cash-generating unit, such assets will be written down.

Goodwill acquired before 1 January 2002 was written off in equity at the time of acquisition.

Patents and licences acquired from a third party are measured at cost with the deduction of accumulated amortisation and impairment losses. Patents and licences are amortised over their estimated economic lives, however maximum 20 years.

Other intangible assets, including intangible assets acquired in connection with a business combination, are measured at cost with the deduction of accumulated depreciation and impairment losses. Other intangible assets are depreciated on a straight-line basis over their estimated useful lives of 3-5 years. Intangible assets with non-definable useful lives are not depreciated, but tested annually for impairment.

Property, plant and equipment

Property, plant and equipment are recognised at cost with the deduction of accumulated depreciation and impairment losses. Cost is defined as the acquisition sum and costs directly relating to the acquisition. As regards assets produced by the Group, cost includes any costs directly attributable to the production of such assets, including materials, components, sub-supplies and wages. Cost in respect of financially leased assets is calculated either as the fair value or the current value of future lease payments.

Interest expenses on loans for financing of the production of property, plant and equipment are recognised at cost, if they pertain to the manufacturing period. Other borrowing costs are recognised in the income statement.

If the acquisition or use of an asset requires the Group to incur costs for the demolition or reestablishment of such asset, the calculated costs hereof are recognised as a provision and as part of the cost of the particular asset, respectively.

The cost of a total asset is divided into various elements, which will be depreciated separately if their useful lives are not the same.

The depreciation basis is cost less the estimated residual value of an asset after the end of its useful life. The residual value is the estimated amount, which upon deduction of costs to sell could be obtained through the sale of the asset today, such asset already having the age and being in the state of repair as may be expected after the end of its useful life. The residual value is determined at the time of acquisi-tion and reviewed annually. If the residual value exceeds the carrying amount, depreciation will be discontinued.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives with the exception of land.

Buildings	33-50 years
Technical installations	10 years
Manufacturing plant and machinery	3-5 years
Fixtures, tools and equipment	3-5 years
IT hardware and software	3 years
Leasehold improvements	over the lease period

Depreciation methods, useful lives and residual values are reviewed annually.

Property, plant and equipment are written down to their recoverable amounts, if lower than their carrying amounts.

Impairment of property, plant and equipment and intangible assets
The carrying amounts of property, plant and equipment and intangible assets with definite useful lives are reviewed on the balance sheet date to determine whether there is an indication of impairment. If so, the recoverable amount of the particular asset is calculated to determine the need for impairment, if any. The recoverable amounts of goodwill and other intangible assets with indefinite useful lives will be assessed whether or not there are indicators suggesting impairment.

The recoverable amount is assessed for the smallest cash-generating unit that includes the asset. The recoverable amount is assessed as the higher of the fair value of the asset or the cash-generating unit less costs to sell or the value in use of such asset or unit.

If the recoverable amount of an asset or cash-generating unit is calculated to be lower than its carrying amount, such asset or unit is written down to its recoverable amount.

Impairment losses are recognised in the income statement. On any subsequent reversal of impairment losses due to changes in the assumptions of the calculated recoverable amount, the carrying amount of an asset or cash-generating unit is increased to the adjusted estimate of the recoverable amount, however at most to the carrying amount that would have been determined (net of amortisation or depreciation), had no impairment loss been recognised for the asset in prior years. Amortisation on goodwill is not reversed.

Interests in subsidiaries and associates
The Parent's investments in subsidiaries are measured on the basis of the equity method, i.e. such investments are recognised in the balance sheet at their proportionate shares of the equity value. The Parent's proportionate shares of profits after tax from subsidiaries are recognised in the income statement after the year's changes in non-realised intra-Group profits less depreciation and amortisation on goodwill, if any, acquired after 1 January 2002.

The accumulated net revaluation of investments in subsidiaries is retained in the Parent on distribution of profit under net revaluation according to the equity method under equity, unless prior to the next annual general meeting in the Parent, matching dividends have been paid by the subsidiaries.

Investments in associates are recognised on the same basis as investments in subsidiaries, however goodwill is not amortised on recognition of profit or loss for the year in the consolidated financial statements.

Other securities and interests
On initial recognition, other securities and interests are classified as "held for sale", recognised at cost and subsequently measured at fair value. Nonrealised value adjustments are recognised directly in equity. On realisation, value adjustments will be transferred to net financials in the income statement. In the Parent, non-realised value adjustments are recognised in the income statement.

Fair value is calculated based on current market data, using recognised measurement methods.

Inventories
Raw materials, components and merchandise are measured at the lower of cost or net realisable value. Group-manufactured goods and work in progress are measured at direct cost, direct payroll and consumables as well as a proportionate share of indirect production costs. Indirect production costs include the proportionate share of capacity costs directly relating to finished goods or work in progress.

Inventories are measured at the lower of cost on a First-In-First-Out basis, i.e. the most recent supplies are considered to be in stock, or net realisable value.

Receivables
Receivables are measured at cost on initial recognition and are subsequently adjusted at amortised cost. Provisions are made for bad debts based on an assessment of the particular risks using an impairment account.

Equity
Foreign currency translation reserve includes any exchange differences on translation of accounts of foreign subsidiaries or associates from their respective functional currencies into Danish kroner. Exchange adjustments are recognised in the income statement on realisation of the net investment.

Hedging reserve includes fair value adjustments of financial instruments or loans satisfying the criteria for hedging of future transactions. The amounts are recognised in the income statement or the balance sheet in step with the recognition of the hedged transactions.

Treasury shares and dividend
On the purchase or sale of treasury shares, the acquisition cost or divestment sum is recognised directly in equity under distributable reserves. The reduction in capital upon cancellation of treasury shares will reduce the share capital by an amount corresponding to the nominal value of such shares.

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

Pension benefit plans and similar commitments
The Group has pension benefit plans or similar commitments with a number of its employees. As regards *defined contribution plans*, the Group pays regular, fixed contributions to independent pension companies. Such contributions are recognised in the income statement in the period in which employees have performed work entitling them to contributions under a benefit plan. Contributions due are recognised in the balance sheet as a liability.

As regards *defined benefit plans*, an actuarial calculation is made on a periodical basis of the defined benefit obligation, reflecting future benefits payable under the benefit plan. The fair value is calculated on the basis of assumptions in respect of the future development in wage levels, interest rates and inflation rates. The defined benefit obligation less the fair value of any assets attaching to the benefit plan is recognised in the balance sheet under provisions.

The annual pension costs are recognised in the income statement based on actuarial estimates and the financial forecasts at the beginning of the year. Any differences between the estimated development of pension assets and liabilities and the realised values are termed actuarial gains or losses and are recognised directly in equity. In the Parent, any actuarial gains or losses are recognised directly in the income statement.

Other long-term employee benefits are similarly recognised using actuarial computation. Actuarial gains or losses on such benefits are recognised directly in the income statement.

Provisions
Provisions are recognised, if, as a result of an earlier event, the Group has a legal or actual liability and if the redemption of any such liability is likely to draw on corporate financial resources. Provisions are measured on a discounted basis at Management's best estimate of the amount at which the liability is expected to be redeemed. The discount effect of any changes in current value of provisions in the financial year is recognised as a financial expense.

On sale of goods with a right of return, a provision is made for coverage of any profit on goods expected to be returned and any costs connected with the return of such goods. Warranty commitments include an obligation to remedy faults or defects on goods sold within the warranty period.

Lease commitments
Lease commitments concerning finance leases are recognised in the balance sheet as a liability and measured at the time of signing the particular lease agreement at the lower of the fair value of the leased asset or the current value of future lease payments. After initial recognition, lease liabilities are measured at amortised cost. The difference between the current value and the nominal value of lease payments is recognised in the income statement as a financial expense over the lease period.

Lease payments concerning operational lease agreements are recognised on a straight-line basis in the income statement over the lease period.

Other financial liabilities
Payables to credit institutions are recognised at their proceeds after deduction of borrowing costs. In subsequent periods, financial liabilities are measured at amortised cost for the difference between proceeds and nominal values to be recognised in the income statement under financial expenses over the term of the loan.

On initial recognition, other payables are measured at fair value and subsequently at amortised cost using the effective interest method for the difference between proceeds and nominal values to be recognised in the income statement under financial expenses over the term of the loan.

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 generating cash and for movements in working capital.

Cash flows from investing activities include payments in respect of the acquisition or divestment of entities and other financial assets as well as the purchase, development, improvement or sale of intangible assets and property, plant and equipment.

Finance lease agreements are considered non-cash transactions. Cash flows relating to finance leases are recognised as payment of interest and instalments.

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.

Cash and cash equivalents are cash funds less interest-bearing, short-term bank debts.

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

The segmental information provided complies with the Group's internal financial management and risks. Segmental information includes items directly attributable to the individual segment as well as items reliably attributable to the various segments.

Income statement

PARENT			(DKK million)		GROUP
2007	**2008**	Note		**2008**	2007
0	**0**	1	**Revenue**	**5,373.7**	5,488.3
0	0	2/3	Production costs	-1,648.3	-1,517.1
0	**0**		**Gross profit**	**3,725.4**	3,971.2
0	0	2/3	Research and development costs	-532.9	-505.1
0	0	2/3	Distribution costs	-1,798.2	-1,725.9
-33.1	-37.9	2/3/4	Administrative expenses	-354.4	-474.6
0	0		Share of profit after tax, associates	2.5	2.0
18.7	336.9		Income from subsidiaries	-	-
-14.4	**299.0**		**Operating profit (EBIT)**	**1,042.4**	1,267.6
925.8	721.0	10	Share of profit after tax, subsidiaries	-	-
28.6	26.8	5	Financial income	29.3	28.8
-77.0	-94.7	5	Financial expenses	-168.7	-125.6
863.0	**952.1**		**Profit before tax**	**903.0**	1,170.8
21.0	18.1	6	Tax on the year's profit	-220.6	-276.3
884.0	**970.2**		**Net profit for the year**	**682.4**	894.5
			Proposed distribution of net profit/Distribution of Group profit:		
884.0	970.2		Retained earnings/Shareholders of William Demant Holding A/S	682.4	894.5
-	-		Minority interests	0	0
884.0	**970.2**			**682.4**	894.5
		7	Earnings per share (EPS), DKK	11.6	14.8
		7	Diluted earnings per share (DEPS), DKK	11.6	14.8

Balance sheet at 31 December

PARENT			Assets (DKK million)	GROUP	
2007	**2008**	Note		**2008**	2007
0	0		Goodwill	400.1	222.5
0	0		Patents and licences	6.9	5.7
0	0		Other intangible assets	14.3	12.6
0	**0**	8	**Intangible assets**	**421.3**	**240.8**
24.4	24.2		Land and buildings	552.1	561.3
0	0		Plant and machinery	152.3	159.6
1.3	1.0		Other plant, fixtures and operating equipment	163.5	171.5
0	0		Leasehold improvements	72.8	70.9
0	0		Prepayments and property, plant and equipment in progress	9.6	14.2
25.7	**25.2**	9	**Property, plant and equipment**	**950.3**	**977.5**
2,003.6	1,646.8	10	Interests in subsidiaries	-	-
0	0		Interests in associates	1.6	1.5
369.9	581.5	10	Receivables from subsidiaries	-	-
5.5	1.4	10/17	Other investments	16.3	7.4
41.0	45.3	10/13/15/17	Other receivables	251.0	222.9
0	1.6	11	Deferred tax assets	160.8	134.6
2,420.0	**2,276.6**		**Other long-term assets**	**429.7**	**366.4**
2,445.7	**2,301.8**		**Total long-term assets**	**1,801.3**	**1,584.7**
0	0	12	Inventories	750.3	747.1
0	0	13/17	Trade receivables	1,072.1	1,106.9
7.4	9.9		Corporation tax	33.8	41.5
0.1	0.9	13/17	Other receivables	28.0	23.5
0.0	0	17/18	Unrealised gains on financial contracts	51.4	19.8
0.1	0.1		Prepayments and accrued expenses	47.7	51.1
0	0	15/17	Cash	141.7	151.2
7.6	**10.9**		**Short-term assets**	**2,125.0**	**2,141.1**
2,453.3	**2,312.7**		**Total assets**	**3,926.3**	**3,725.8**

Balance sheet at 31 December

PARENT 2007	PARENT 2008	Note	Liabilities (DKK million)	GROUP 2008	GROUP 2007
61.0	59.0		Share capital	59.0	61.0
454.0	916.9		Other reserves	481.5	365.2
515.0	975.9		William Demant Holding A/S' shareholders' share	540.5	426.2
-	-		Minority interests	0.0	8.6
515.0	**975.9**		**Total equity**	**540.5**	**434.8**
50.0	12.4	15/17	Interest-bearing debt	517.9	515,0
4.7	0	11	Deferred tax liabilities	56.4	43,6
679.4	63.4		Payables to subsidiaries	-	-
5.2	9.2	14	Provisions	137.0	126.3
739.3	**85.0**		**Long-term payables**	**711.3**	**684.9**
891.2	1,074.9	15/17	Interest-bearing debt	1,749.6	1,623.3
0	0	17	Trade payables	219.4	232.4
0	0		Corporation tax	16.5	29.0
300.1	133.4		Payables to subsidiaries	-	-
0	0	14	Provisions	11.5	27.4
5.7	7.7	16/17	Other payables	516.7	587.2
0	35.1	17/18	Unrealised losses on financial contracts	45.0	2.0
2.0	0.7		Prepayments and accrued income	115.8	104.8
1,199.0	**1,251.8**		**Short-term payables**	**2,674.5**	**2,606.1**
1,938.3	**1,336.8**		**Total payables**	**3,385.8**	**3,291.0**
2,453.3	**2,312.7**		**Total liabilities**	**3,926.3**	**3,725.8**

19 Operating lease commitments
20 Contingent liabilities
21 Related parties
22 Government grants
23 Non-cash items
24 Acquisitions

Cash flow statement

(DKK million)			GROUP
	Note	**2008**	2007
Operating profit (EBIT)		1,042.4	1,267.6
Non-cash items	23	187.3	72.2
Change in receivables etc.		28.3	-177.7
Change in inventories		-17.2	-132.7
Change in trade payables and other payables etc.		-30.8	112.7
Change in provisions		-14.9	113.4
Cash flow excluding net financials and corporation tax		**1,195.1**	**1,255.5**
Financial income etc. received		23.2	17.8
Financial expenses etc. paid		-153.9	-125.6
Corporation tax paid		-236.7	-299.3
Cash flow from operating activities (CFFO)		**827.7**	**848.4**
Acquisitions	24	-216.4	-80.4
Investment in intangible assets		-2.8	-2.7
Investment in property, plant and equipment	23	-209.0	-185.9
Disposal of property, plant and equipment		13.5	20.3
Purchase and disposal of assets held for sale		0.0	122.4
Investments in other long-term assets		-83.0	-89.3
Disposal of other long-term assets		41.2	43.1
Cash flow from investing activities (CFFI)		**-456.5**	**-172.5**
Repayment on long-term payables		-139.5	-173.4
Proceeds from borrowings	23	170.6	0
Addition of minority interests		-61.6	-
Buy-back of shares		-427.9	-992.8
Other adjustments		2.7	-2.8
Cash flow from financing activities (CFFF)		**-455.7**	**-1,169.0**
Cash flow for the year, net		**-84.5**	**-493.1**
Net cash and cash equivalents at the beginning of the year		-1,401.8	-907.4
Foreign currency adjustment of net cash and cash equivalents		-17.2	-1.3
Net cash and cash equivalents at the end of the year		**-1,503.5**	**-1,401.8**
Breakdown of net cash and cash equivalents at the end of the year:			
Cash	15	141.7	151.2
Interest-bearing, short-term bank debt	15	-1,645.2	-1,553.0
Net cash and cash equivalents at the end of the year		**-1,503.5**	**-1,401.8**

PARENT (DKK million)

	Share capital	Other reserves: Foregin currency translation reserve	Other reserves: Hedging reserve	Other reserves: Retained earnings	Total equity
Equity at 1.1.2007	**63.3**	**-114.2**	**0**	**716.2**	**665.3**
Net profit for the year	-	-	-	884.0	884.0
Foreign currency adjustment of investments in subsidiaries etc.	-	-5.1	-	-	-5.1
Other movements in equity in subsidiaries	-	-	-	-40.1	-40.1
Value adjustment of hedging instruments	-	-	0	-	0
Tax related to changes in equity	-	3.7	0	-	3.7
Reduction of share capital through cancellation of treasury shares	-2.3	-	-	2.3	0
Buy-back of shares	-	-	-	-992.8	-992.8
Egenkapital 31.12.2007	**61.0**	**-115.6**	**0**	**569.6**	**515.0**
Net profit for the year	-	-	-	970.2	970.2
Foreign currency adjustment of investments in subsidiaries etc.	-	12.9	-	-	12.9
Other movements in equity in subsidiaries	-	-	-	-74.4	-74.4
Value adjustment of hedging instruments	-	-	-35.2	-	-35.2
Tax related to changes in equity	-	-7.2	8.8	-	1.6
Reduction of share capital through cancellation of treasury shares	-2.0	-	-	2.0	0
Buy-back of shares	-	-	-	-427.9	-427.9
Sale of shares to employees	-	-	-	13.7	13.7
Equity at 31.12.2008	**59.0**	**-109.9**	**-26.4**	**1,053.2**	**975.9**

At year-end 2008, the share capital was nominally DKK 59.0 million (DKK 61.0 million in 2007) divided into the corresponding number of shares of DKK 1.

There are no restrictions on the negotiability or voting rights of the shares. At year-end 2008, the number of shares on the market was 58,314,792 (59,580,157 in 2007), the Company's holding of treasury shares being 641,465 (1,406,370 in 2007).

Holding of treasury shares:	2008 Treasury shares (1,000 shares)	2008 Percentage of share capital	2007 Treasury shares (1,000 shares)	2007 Percentage of share capital
Treasury shares at 1.1.	1.4	2.3%	1.7	2.7%
Buy-back of shares	1.3	2.3%	2.0	3.3%
Used for capital reduction during the year	-2.0	-3.5%	-2.3	-3.7%
Sale of shares to employees	-0.1	-0.1%	-	-
Treasury shares at 31.12.	**0.6**	**1.0%**	**1.4**	**2.3%**

On buy-back of shares, the acquisition cost is recognised in retained earnings under equity.

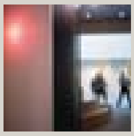
The Company's share buy-back programme continued in 2008. The Company acquired a total of 1,328,663 shares (2,023,820 in 2007) at a total amount of DKK 428 million (DKK 993 million in 2007). No dividend was distributed in 2007 and 2008.

Recognised income and expenses

GROUP (DKK million)	2008	2007
Foreign currency translation, foreign companies etc.	-59.2	-31.7
Value adjustment of hedging instruments:		
Transferred to revenue	-23.6	-31.0
Transferred to production costs	-17.7	-2.7
Value adjustment for the year	6.4	14.3
Value adjustment of other investments	-2.1	1.0
Actuarial gains/(losses) on defined benefit plans	-7.2	1.7
Tax relating to above items	-3.1	3.9
Income and expenses recognised directly in equity	**-106.5**	**-44.5**
Net profit for the year	682.4	894.5
Total recognised income and expenses	**575.9**	**850.0**
Distribution:		
Shareholders of William Demant Holding A/S	575.5	853.0
Minority interests	0.4	-3.0
	575.9	**850.0**

Statement of changes in equity

GROUP (DKK million)	Share capital	Other reserves: Foregin currency translation reserve	Other reserves: Hedging reserve	Other reserves: Retained earnings	William Demant Holding A/S' shareholders' share	Minority interests	Total equity
Equity at 1.1.2007	**63.3**	**-38.3**	**94.6**	**551.2**	**670.8**	**0**	**670.8**
Additions relating to acquisitions	-	-	-	-	-	29.0	29.0
Total recognised income and expenses	-	-22.5	-22.2	897.7	853.0	-3.0	850.0
Reduction of share capital through cancellation of treasury shares	-2.3	-	-	2.3	0	-	0
Buy-back of shares	-	-	-	-992.8	-992.8	-	-992.8
Addition of minority interest	-	-	-	-107.8	-107.8	-17.4	-125.2
Other changes	-	-	-	3.0	3.0	-	3.0
Equity at 31.12.2007	**61.0**	**-60.8**	**72.4**	**353.6**	**426.2**	**8.6**	**434.8**
Total recognised income and expenses	-	-65.5	-32.1	673.1	575.5	0.4	575.9
Reduction of share capital through cancellation of treasury shares	-2.0	-	-	2.0	0	-	0
Buy-back of shares	-	-	-	-427.9	-427.9	-	-427.9
Addition of minority interests	-	-	-	-47.0	-47.0	-9.0	-56.0
Sale of shares to employees	-	-	-	13.7	13.7	-	13.7
Equity at 31.12.2008	**59.0**	**-126.3**	**40.3**	**567.5**	**540.5**	**0**	**540.5**



Notes

Note 1 – Geographical segment information (DKK million) — GROUP

	Revenue		Assets		Investment in intangible assets and property, plant and equipment	
	2008	2007	**2008**	2007	**2008**	2007
Europe	2,687.8	2,804.3	2,400.6	2,369.9	171.5	212.1
North America	1,757.6	1,783.2	1,082.0	898.1	170.3	123.7
Pacific Rim	385.0	403.6	184.8	202.0	45.5	1.9
Asia	295.8	291.0	141.8	115.7	2.6	56.1
Other countries	247.5	206.2	117.1	140.1	2.8	4.3
Total	**5,373.7**	5,488.3	**3,926.3**	3,725.8	**392.7**	398.1

Consolidated revenues mainly derive from the sale of goods.

Transfers between segments are settled on market terms.

Revenues are broken down by customers' geographical location, assets and acquisition of assets by the physical location of such assets.

Note 2 – Employees (DKK million)

PARENT 2007	PARENT **2008**		GROUP **2008**	GROUP 2007
		Employee benefits:		
19.7	25.1	Wages and salaries	1,728.4	1,648.4
0.4	0.3	Defined contribution plans	26.3	29.8
-	-	Defined benefit plans (note 14)	9.2	6.7
0.1	0.1	Social security costs etc.	135.4	136.8
20.2	**25.5**	**Total**	**1,899.3**	**1,821.7**
		Of which cash remuneration for Executive Board and Board of Directors:		
8.5	9.1	Executive Board, salary	9.1	8.5
0	0	Executive Board, bonus and pension	0	0
2.2	2.2	Directors' remuneration	2.5	2.7

An agreement has been made for William Demant Holding's President & CEO, who for every four years' employment after 2005 will be entitled to a severance package corresponding to one year's salary.

In 2008, the basic remuneration for a Director in the Parent was DKK 200,000 (DKK 200,000 in 2007). The Chairman of the Board received three times the basic remuneration and the Deputy Chairman received twice the basic remuneration.

No employee shares were issued in 2008. For further information, please see *Incentive programmes* on page 18.

PARENT		Note 2 – Employees – continued (DKK million)		GROUP
2007	2008		2008	2007
		Breakdown by function of employee benefits:		
0	0	Production costs	493.2	503.0
0	0	Research and development costs	271.1	249.0
0	0	Distribution costs	888.8	838.1
20.2	25.5	Administrative expenses	246.2	231.6
20.2	**25.5**	**Total**	**1,899.3**	**1,821.7**
10	10	Average number of full-time employees*	**5,383**	5,072

*The number of employees in proportionately consolidated companies is included with the Group's percentage interest in the particular companies. The average number of such employees is 587 (484 in 2007), the William Demant Holding Group accounting for 308 (246 in 2007).

PARENT		Note 3 – Amortisation, depreciation and impairment losses (DKK million)		GROUP
2007	2008		2008	2007
0	0	Amortisation on intangible assets	-4.7	-3.5
-0.5	-0.5	Depreciation on property, plant and equipment	-152.6	-143.5
-0.5	**-0.5**	**Total**	**-157.3**	**-147.0**
		Breakdown by function of amortisation and depreciation:		
0	0	Production costs	-57.0	-45.1
0	0	Research and development costs	-34.9	-39.6
0	0	Distribution costs	-49.1	-47.3
-0.5	-0.5	Administrative expenses	-16.3	-15.0
-0.5	**-0.5**	**Total**	**-157.3**	**-147.0**
0	0	Gain on sale of property held for sale	0	59.1
0.1	0	Gain on sale of other assets, net	1.6	10.0
0.1	**0**	**Total**	**1.6**	**69.1**
		Breakdown by function of gain on sale of assets, net:		
0	0	Production costs	0.4	59.5
0	0	Research and development costs	0.1	-0.6
0	0	Distribution costs	1.0	3.0
0.1	0	Administrative expenses	0.1	7.2
0.1	**0**	**Total**	**1.6**	**69.1**

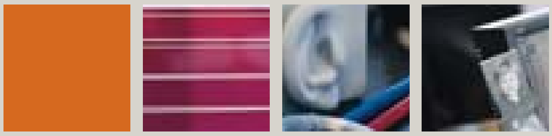
Neither in 2008 nor in 2007, has there been any impairment losses for property, plant and equipment or intangible assets.

PARENT		Note 4 – Auditors' remuneration (DKK million)		GROUP
2007	**2008**		**2008**	2007
		Remuneration for Deloitte:		
0.5	0.8	Audit	4.6	2.8
0.7	1.5	Other services	3.2	2.4
		Remuneration for other auditors:		
0.5	0	Audit	2.2	4.3
0	0.3	Other services	2.1	2.2
1.7	**2.6**	**Total**	**12.1**	11.7

A few Group companies are not audited by auditors elected by shareholders at the annual general meeting.

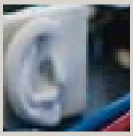
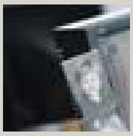
PARENT		Note 5 – Net financials (DKK million)		GROUP
2007	**2008**		**2008**	2007
21.7	19.7	Interest income from subsidiaries	-	-
1.9	7.1	Interest income	29.3	23.5
5.0	0	Foreign exchange gains, net	0	5.0
-	0	Gains on derivative financial instruments, net	0	0.3
28.6	**26.8**	**Financial income**	**29.3**	28.8
-33.8	-26.5	Interest expenses to subsidiaries	-	-
-43.2	-54.1	Interest expenses	-121.3	-102.5
-	0	Transaction costs	-25.2	-23.1
-	-14.1	Foreign exchange losses, net	-22.2	0
-77.0	**-94.7**	**Financial expenses**	**-168.7**	-125.6

Interest income and expenses are related to items measured at amortised cost.



PARENT		Note 6 – Tax (DKK million)	GROUP	
2007	2008		2008	2007
		Tax on profit for the year:		
15.8	21.3	Current tax on net profit for the year	-234.1	-323.1
4.9	-9.5	Adjustment of current tax for previous years	-7.0	8.3
0.1	-0.2	Change in deferred tax	15.2	46.4
-0.1	6.5	Adjustment of deferred tax for previous years	5.8	-8.5
0.3	0	Adjustment of deferred tax at the beginning of the year resulting from a reduction of corporation tax rates	-0.5	0.6
21.0	**18.1**	**Total**	**-220.6**	**-276.3**
		Reconciliation of tax rates:		
		Danish tax rate	25.0%	25.0%
		Differences in tax rates of non-Danish companies from Danish tax rate	-0.4%	0.4%
		Use of not previously recognised tax assets	-0.4%	-2.2%
		Write-down of tax assets	0.0%	0.7%
		Permanent differences	-0.3%	-0.4%
		Other items, including adjustments related to previous years	0.5%	0.1%
		Effective tax rate	**24.4%**	**23.6%**

Note 7 – Earnings per share	GROUP	
	2008	2007
William Demant Holding A/S' shareholders' share of net profit for the year, DKK million	682.4	894.5
Average number of shares	59.5	61.5
Average number of treasury shares	-0.7	-0.9
Average number of shares on the market	**58.8**	**60.6**
Earnings per share (EPS), DKK	**11.6**	**14.8**
Diluted earnings per share (DEPS), DKK	**11.6**	**14.8**

Note 8 – Intangible assets (DKK million) GROUP

	Goodwill	Patents and licences	Other intangible assets	Total intangible assets
Cost at 1.1.2007	86.7	33.9	1.7	122.3
Foreign currency adjustments	-7.2	0.0	-1.3	-8.5
Additions during the year	0	1.4	1.3	2.7
Additions relating to acquisitions	142.1	0.0	5.8	147.9
Disposals during the year	0	-0.2	0	-0.2
Other changes	0.9	0	5.5	6.4
Cost at 31.12.2007	**222.5**	**35.1**	**13.0**	**270.6**
Amortisation at 1.1.2007	-	-26.6	0	-26.5
Foreign currency adjustments	-	0.0	0	0.0
Amortisation for the year	-	-3.0	-0.4	-3.5
Disposals during the year	-	0.2	0	0.2
Amortisation at 31.12.2007	**-**	**-29.4**	**-0.4**	**-29.8**
Carrying amount at 31.12.2007	**222.5**	**5.7**	**12.6**	**240.8**

Note 8 – Intangible assets – continued (DKK million)

GROUP

	Goodwill	Patents and licences	Other intangible assets	Total intangible assets
Cost at 1.1.2008	222.5	35.1	13.0	270.6
Foreign currency adjustments	-22.2	-0.1	-0.4	-22.7
Additions during the year	0	1.6	1.1	2.7
Additions relating to acquisitions	200.8	0.1	5.3	206.2
Disposals during the year	0	0	0	0
Other changes	-1.0	0	0	-1.0
Cost at 31.12.2008	**400.1**	**36.7**	**19.0**	**455.8**
Amortisation at 1.1.2008	-	-29.4	-0.4	-29.8
Foreign currency adjustments	-	0.0	0.0	0.0
Amortisation for the year	-	-0.4	-4.3	-4.7
Disposals during the year	-	0	0	0
Amortisation at 31.12.2008	**-**	**-29.8**	**-4.7**	**-34.5**
Carrying amount at 31.12.2008	**400.1**	**6.9**	**14.3**	**421.3**

Impairment testing is carried out annually in preparation of the annual report. On impairment testing, discounted values of future cash flows are compared with the book values.

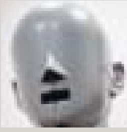
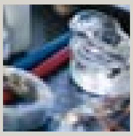
Group companies co-operate closely on research and development, purchasing, production as well as marketing and sale, the use of resources in the individual markets being co-ordinated and monitored by Management in Denmark. The Group companies are thus highly integrated. Consequently, Management considers the overall business as one cash-generating unit.

Certain business activities, which to a higher degree act with more autonomy in relation to the Group, and whose profitability can be measured independently of the other activities, will constitute a separate cash-generating unit. With the existing integration in the Group and recognised goodwill at 31 December 2008 and 31 December 2007, no separate cash-generating units have been identified to which goodwill can be allocated. The annual impairment test was thus based on the Group as a whole.

Based on the impairment test, there was no indication to suggest impairment of goodwill at 31 December 2008 and 31 December 2007.

Future cash flows are based on the budget for 2009, strategy plans and projections hereof. Projections extending beyond 2009 are based on general parameters. The terminal value for the period after 2009 is determined on the assumption of 2% growth (2% in 2007). The discount rate is 9% (8% in 2007).

Apart from goodwill, all intangible assets have definite lives.

PARENT

Note 9 – Property, plant and equipment (DKK million)

Land and buildings	Other plant, fixtures and operating equipment	Total property, plant and equipment	
30.4	2.0	32.4	Cost at 1.1.2007
-	-	-	Foreign currency adjustments
0	0	0	Additions during the year
0	0	0	Additions relating to acquisitions
0	-0.3	-0.3	Disposals during the year
0	0	0	Transferred to/from other items
30.4	**1.7**	**32.1**	**Cost at 31.12.2007**
-5.8	-0.4	-6.2	Depreciation and impairment losses at 1.1.2007
-	-	-	Foreign currency adjustments
-0.2	-0.3	-0.5	Depreciation for the year
0	0.3	0.3	Disposals during the year
0	0	0	Transferred to/from other items
-6.0	**-0.4**	**-6.4**	**Depreciation and impairment losses at 31.12.2007**
24.4	**1.3**	**25.7**	**Carrying amount at 31.12.2007**
30.4	1.7	32.1	Cost at 1.1.2008
-	-	-	Foreign currency adjustments
0	0	0	Additions during the year
0	0	0	Additions relating to acquisitions
0	0	0	Disposals during the year
0	0	0	Transferred to/from other items
30.4	**1.7**	**32.1**	**Cost at 31.12.2008**
-6.0	-0.4	-6.4	Depreciation and impairment losses at 1.1.2008
-	-	-	Foreign currency adjustments
-0.2	-0.3	-0.5	Depreciation for the year
0	0	0	Disposals during the year
0	0	0	Transferred to/from other items
-6.2	**-0.7**	**-6.9**	**Depreciation and impairment losses at 31.12.2008**
24.2	**1.0**	**25.2**	**Carrying amount at 31.12.2008**

Note 9 – Property, plant and equipment – continued (DKK million) GROUP

	Land and buildinge	Plant and machinery	Other plant, fixtures and operating equipment	Leasehold improvements	Prepayments and property, plant and equipment in progress	Total property, plant and equipment
Cost at 1.1.2007	573.4	456.9	505.1	90.3	14.6	1,640.3
Foreign currency adjustments	-5.4	-3.2	-9.1	-0.4	0	-18.1
Additions during the year	64.2	52.8	69.0	19.9	17.5	223.4
Additions relating to acquisitions	0	1.5	5.5	0.9	0	7.9
Disposals during the year	0	-12.3	-38.4	-9.5	-0.3	-60.5
Transferred to/from other items	5.1	-11.8	-10.7	35.0	-17.6	0
Cost at 31.12.2007	**637.3**	**483.9**	**521.4**	**136.2**	**14.2**	**1,793.0**
Depreciation and impairment losses at 1.1.2007	-67.5	-299.3	-312.9	-50.4	-	-730.1
Foreign currency adjustments	1.9	2.9	2.6	0.5	-	7.9
Depreciation for the year	-10.4	-53.3	-66.8	-13.0	-	-143.5
Disposals during the year	0	10.8	30.5	8.9	-	50.2
Transferred to/from other items	0	14.6	-3.3	-11.3	-	0
Depreciation and impairment losses at 31.12.2007	**-76.0**	**-324.3**	**-349.9**	**-65.3**	**-**	**-815.5**
Carrying amount at 31.12.2007	**561.3**	**159.6**	**171.5**	**70.9**	**14.2**	**977.5**
Of which financially leased assets	**59.4**	**0**	**1.0**	**0**	**0**	**60.4**

Note 9 – Property, plant and equipment – continued (DKK million)						GROUP
	Land and buildings	Plant and machinery	Other plant, fixtures and operating equipment	Leasehold improvements	Prepayments and property, plant and equip-ment in progress	Total property, plant and equipment
Cost at 1.1.2008	637.3	483.9	521.4	136.2	14.2	1.793.0
Foreign currency adjustments	-12.9	-5.1	-23.6	-13.0	-0.4	-55.0
Additions during the year	8.1	50.1	68.9	21.6	9.5	158.2
Additions relating to acquisitions	0	0.9	5.9	1.4	0	8.2
Disposals during the year	0	-2.6	-20.2	-4.9	-0.5	-28.2
Transferred to/from other items	5.9	3.0	1.9	2.4	-13.2	0
Cost at 31.12.2008	**638.4**	**530.2**	**554.3**	**143.7**	**9.6**	**1,876.2**
Depreciation and impairment losses at 1.1.2008	-76.0	-324.3	-349.9	-65.3	-	-815.5
Foreign currency adjustments	1.3	5.0	13.5	5.9	-	25.7
Depreciation for the year	-11.6	-59.9	-68.1	-13.0	-	-152.6
Disposals during the year	0	0.7	14.1	1.7	-	16.5
Transferred to/from other items	0	0.6	-0.4	-0.2	-	0
Depreciation and impairment losses at 31.12.2008	**-86.3**	**-377.9**	**-390.8**	**-70.9**	**0**	**-925.9**
Carrying amount at 31.12.2008	**552.1**	**152.3**	**163.5**	**72.8**	**9.6**	**950.3**
Of which financially leased assets	**48.9**	**0.2**	**0.5**	**0.2**	**0**	**49.8**

At 1 January 2008, the public assessment of land and buildings in Denmark amounted to DKK 299 million (DKK 298 million in 2007) with a carrying amount of DKK 435 million (DKK 431 million in 2007).

Group land and buildings with a carrying amount of DKK 353 million (DKK 354 million in 2007) have been provided in security of a mortgage debt of DKK 183 million (DKK 192 million in 2007).

Under land and buildings, capitalised interest as regards the property Kongebakken 9 at Smørum, Denmark, is recognised at a total of DKK 5.9 million (DKK 5.9 million in 2007), with accumulated depreciation of DKK 0.4 million (DKK 0.3 million in 2007).

Financial leases mainly concern properties acquirable at favourable prices on expiry of the term of such leases.

At year-end, the contractual obligation as regards property, plant and equipment amounted to DKK 0 million (DKK 0 million in 2007).

Neither in 2008 nor in 2007, have changes been made in material estimates in respect of property, plant and equipment.

PARENT **Note 10 – Other long-term assets** (DKK million)

Interests in subsidiaries	Receivables from subsidiaries	Other investments	Other receivables	
1,435.6	416.0	0.3	39.0	Cost at 1.1.2007
-	-40.7	-	-	Foreign currency adjustments
76.4	0.5	0	2.0	Additions during the year
0	0	0	0	Additions relating to acquisitions
0	-5.9	0	0	Disposals during the year
1,512.0	**369.9**	**0.3**	**41.0**	**Cost at 31.12.2007**
336.9	-	3.2	-	Value adjustments at 1.1.2007
-8.0	-	-	-	Foreign currency adjustments
925.8	-	-	-	Share of profit after tax
-740.3	-	-	-	Dividends received
-22.8	-	2.0	-	Other adjustments
491.6	**-**	**5.2**	**-**	**Value adjustments at 31.12.2007**
2,003.6	**369.9**	**5.5**	**41.0**	**Carrying amount at 31.12.2007**
1,512.0	369.9	0.3	41.0	Cost at 1.1.2008
-	61.0	-	-	Foreign currency adjustments
0.4	535.2	0	4.3	Additions during the year
-	0	0	-	Additions relating to acquisitions
-82.1	-384.6	0	-	Disposals during the year
1,430.3	**581.5**	**0.3**	**45.3**	**Cost at 31.12.2008**
491.6	-	5.2	-	Value adjustments at 1.1.2008
-16.2	-	-	-	Foreign currency adjustments
721.0	-	-	-	Share of profit after tax
-907.2	-	-	-	Dividends received
-72.7	-	-4.1	-	Other adjustments
216.5	**-**	**1.1**	**-**	**Value adjustments at 31.12.2008**
1,646.8	**581.5**	**1.4**	**45.3**	**Carrying amount at 31.12.2008**

The carrying amount of interests in subsidiaries includes capitalised goodwill in the net amount of DKK 51.6 million (DKK 53.0 million in 2007). Amortisation of goodwill for the year is DKK 1.4 million (DKK 1.4 million in 2007).

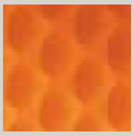
PARENT		Note 11 – Deferred tax (DKK million)	GROUP	
2007	**2008**		**2008**	2007
		Deferred tax is recognised in the balance sheet as follows:		
0	1.6	Deferred tax assets	160.8	134.6
-4.7	0	Deferred tax liabilities	-56.4	-43.6
-4.7	**1.6**	**Deferred tax, net at 31.12.**	**104.4**	**91.0**
-5.0	-4.7	Deferred tax, net at 1.1.	91.0	61.1
-	-	Foreign currency adjustments	-0.4	-5.0
0.1	-0.2	Change in deferred tax	15.2	46.4
-	-	Additions relating to acquisitions	-	0.8
-0.1	6.5	Adjustment of deferred tax for previous years	5.8	-8.4
0.3	0	Adjustment of deferred tax at the beginning of the year due to reduction of corporation tax rates	-0.5	0.6
0	0	Deferred tax related to changes in equity, net	-6.7	-2.5
0	0	Other changes	0	-2.0
-4.7	**1.6**	**Deferred tax, net at 31.12.**	**104.4**	**91.0**

The tax base of deferred tax assets not recognised is DKK 24.4 million (DKK 33.3 million in 2007) and relates mainly to tax losses.
The provision is due to considerable uncertainty concerning the use of the above tax assets. The tax losses will not expire in the near future.

Any sale of shares in subsidiaries and associates at the balance sheet date is expected to result in tax in the amount of DKK 0 million (DKK 0 million in 2007).

Breakdown of the Group's temporary differences and changes:

	Temporary differences at 1.1.2008	Foreign currency adjustments	Recognised in profit for the year	Recognised in equity	Temporary differences at 31.12.2008
Intangible assets	-13.3	-0.2	1.7	0	-11.8
Property, plant and equipment	-23.3	-0.5	-8.1	0	-31.9
Inventories	56.2	-0.2	8.2	0	64.2
Receivables	7.2	-0.3	0.8	0	7.7
Provisions	56.2	0.4	-14.5	0	42.1
Tax losses	9.2	0.9	-4.2	0	5.9
Other	-1.2	-0.5	36.6	-6.7	28.2
Total	**91.0**	**-0.4**	**20.5**	**-6.7**	**104.4**



Note 12 – Inventories (DKK million) GROUP

	2008	2007
Raw materials and purchased components	322.4	341.5
Work in progress	36.6	36.8
Finished goods and goods for resale	391.3	368.8
Inventories	**750.3**	747.1
Inventories include write-downs in the amount of	99.9	97.9
Carrying amount of inventories recognised at fair value after deduction of selling costs	0	0
The following is recognised under production costs in the income statement:		
Write-downs of inventories for the year, net	46.5	49.3
Cost of sales for the year	1,199.1	1,205.7

Write-downs for the year are shown net, as breakdown into reversed write-downs and new write-downs is not possible.

Inventories are generally expected to be sold within one year.

Note 13 – Receivables (DKK million) GROUP

	2008	2007
Trade receivables	1,072.1	1,106.9
Other long-term receivables	251.0	222.9
Other short-term receivables	28.0	23.5
Total	**1,351.1**	1,353.3
Receivables by age:		
Balance not due	1,050.8	996.5
0-3 months	181.4	242.5
3-6 months	58.3	49.5
6-12 months	36.4	33.9
Over 12 months	24.2	30.9
Total	**1,351.1**	1,353.3
Breakdown of the year's development in provisions for write-downs:		
Write-downs for bad and doubtful debt at 1.1.	57.9	49.3
Foreign currency adjustment	-1.5	-0.6
Applied during the year	-18.5	-5.6
Additions during the year	19.9	14.2
Reversals during the year	5.2	0.6
Write-downs for bad and doubtful debt at 31.12.	**63.0**	57.9

For information on security or collateral, please see *Risk management activities* on page 24.

Note 14 – Provisions (DKK million)

GROUP

	2008	2007
Other long-term employee benefits	23.2	19.5
Miscellaneous provisions	99.0	119.1
Other provisions	122.2	138.6
Defined benefit plans	26.3	15.1
Provisions at 31.12.	**148.5**	**153.7**
Breakdown of provisions:		
Long-term provisions	137.0	126.3
Short-term provisions	11.5	27.4
Provisions at 31.12.	**148.5**	**153.7**
Other provisions:		
Other provisions at 1.1.	138.6	23.7
Foreign currency adjustments	-2.0	0.1
Additions relating to acquisitions	0.2	0.6
Provisions for the year	8.9	119.7
Applied during the year	-20.4	-5.1
Reversed during the year	-3.5	-0.8
Discount effect	0.4	0.4
Other provisions at 31.12.	**122.2**	**138.6**
Defined benefit costs recognised in the income statement:		
Current service costs	9.1	6.6
Calculated interest on pension obligations	2.5	2.0
Expected return on plan assets	-2.4	-1.9
Costs recognised in the income statement (note 2)	**9.2**	**6.7**
Breakdown by function of defined benefit costs:		
Production costs	0.6	0.7
Research and development costs	2.2	1.5
Distribution costs	2.3	1.8
Administrative expenses	4.1	2.7
Total	**9.2**	**6.7**
Accumulated actuarial loss recognised in the statement of recognised income and expenses	**-14.3**	**-7.1**

Apart from the provision of DKK 90 million (DKK 110 million in 2007) made in respect of the US patent case, other provisions mainly relate to other disputes and are generally expected to be applied within the next two years.

Note 14 – Provisions – continued (DKK million) GROUP

	2008	2007
Present value of defined benefit obligations		
Defined benefit obligations at 1.1.	71.6	67.6
Foreign currency adjustments	5.1	-1.5
Current service costs	9.1	6.6
Calculated interest on pension obligations	2.5	2.0
Actuarial loss/(gains)	-2.1	-2.8
Benefits paid	-3.1	-3.2
Contributions from plan participants	3.2	2.9
Defined benefit obligations at 31.12.	**86.3**	71.6
Fair value of plan assets:		
Plan assets at 1.1.	56.5	52.4
Foreign currency adjustments	5.0	-1.3
Expected return on plan assets	2.4	1.9
Actuarial gains/(losses)	-9.3	-1.1
Contributions	8.5	7.8
Benefits paid	-3.1	-3.2
Plan assets at 31.12.	**60.0**	56.5
Net obligation recognised in the balance sheet	**26.3**	15.1
Return on plan assets:		
Actual return on plan assets	-6.9	0.8
Estimated return on plan assets	2.4	1.9
Actuarial gains/(losses) on plan assets	**-9.3**	-1.1
Assumptions:		
Discount rate	3.7%	3.7%
Estimated return on plan assets	4.0%	4.0%
Future salary increase rate	1.8%	1.8%

Key figures for defined benefit plans:	**2008**	2007	2006	2005
Present value of defined benefit obligations	86.3	71.6	64.8	43.4
Fair value of plan assets	60.0	56.5	52.4	39.2
Deficit	**26.3**	15.1	12.4	4.2
Experience adjustments to plan obligations	**-2.1**	-2.8	3.4	0
Experience adjustments to plan assets	**-9.3**	-1.1	1.5	0

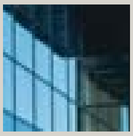
Normally, the Group does not offer defined benefit plans, but it has such plans in Switzerland and the Netherlands, where they are required by law.

Plan assets at 31 December 2008 include bonds (39%), shares (18%), property investments (22%), cash and cash equivalents (11%) and other assets (10%).

The Group expects to pay approximately DKK 5 million in 2009 (DKK 5 million in 2008) into defined benefit plans.

Note 15 – Interest-bearing items (DKK million) GROUP

	Under 1 year	1-5 years	Over 5 years	Total	Weighted rate of return
2007:					
Other interest-bearing, long-term assets	0	180.1	7.4	187.5	
Cash	151.2	0	0	151.2	
Interest-bearing assets	**151.2**	**180.1**	**7.4**	**338.7**	**3.7%**
Financial lease commitments	-2.8	-18.7	-5.7	-27.2	
Mortgage debt	-7.9	-34.4	-146.7	-189.0	
Debt to credit institutions etc.	-59.6	-269.5	-40.0	-369.1	
Interest-bearing, short-term bank debt	-1,553.0	0	0	-1,553.0	
Interest-bearing debt	**-1,623.3**	**-322.6**	**-192.4**	**-2,138.3**	**4.9%**
Net position	**-1,472.1**	**-142.5**	**-185.0**	**-1,799.6**	**5.1%**
Financial lease commitments:					
Minimum lease payments	4.4	22.9	5.8	33.1	
Interest element	-1.6	-4.2	-0.1	-5.9	
Carrying amount	**2.8**	**18.7**	**5.7**	**27.2**	
2008:					
Other interest-bearing, long-term assets	0	201.3	16.3	217.6	
Cash	141.7	0	0	141.7	
Interest-bearing assets	**141.7**	**201.3**	**16.3**	**359.3**	**2.8%**
Financial lease commitments	-3.0	-21.8	-0.2	-25.0	
Mortgage debt	-8.3	-35.4	-137.4	-181.1	
Debt to credit institutions etc.	-93.1	-270.7	-52.4	-416.2	
Interest-bearing, short-term bank debt	-1,645.2	0	0	-1,645.2	
Interest-bearing debt	**-1,749.6**	**-327.9**	**-190.0**	**-2,267.5**	**4.1%**
Net position	**-1,607.9**	**-126.6**	**-173.7**	**-1,908.2**	**4.3%**
Financial lease commitments:					
Minimum lease payments	4.4	24.7	0.2	29.3	
Interest element	-1.4	-2.9	0	-4.3	
Carrying amount	**3.0**	**21.8**	**0.2**	**25.0**	



Note 15 – Interest-bearing items – continued (DKK million) GROUP

The Group has locked in interest rates for a part of its long-term payables through interest rate swaps of CAD 15 million, USD 28 million, EUR 100 million and DKK 40 million (CAD 0 million, USD 20 million, EUR 1 million and DKK 40 million in 2007). At 31 December 2008, unrealised gains on these interest rate swaps amounted to DKK 44.6 million (DKK 1.2 million in 2007), which are recognised in the equity. The ineffective share of interest rate swaps amounts to DKK 0 (DKK 0 in 2007).

Group cash mainly consists of bank deposits, of which DKK 24.3 million (DKK 33.8 million in 2007) is in joint ventures.

For information on risk and hedging instruments, please refer to *Risk management activities* on page 24.

Consolidated interest-bearing debt broken down by currency: 49% in euros (11% in 2007), 17% in Danish kroner (63% in 2007), 20% in US dollars (21% in 2007) and 14% in other currencies (5% in 2007).

Some properties leased by the Group have been sublet to third parties. Future rents from these properties will as a minimum amount to DKK 2.2 million (DKK 4.0 million in 2007) in the non-cancellable period.

Apart from variable interest rates, lease agreements contain no conditional rent payments.

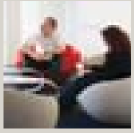
All the Parent's external receivables of DKK 45 million (DKK 41 million in 2007) will fall due after five years. Of the Parent's long-term debt, DKK 12 million (DKK 0 million in 2007) will fall due after five years. Receivables of DKK 582 million (DKK 370 million in 2007) and debt of DKK 63 million (DKK 679 million in 2007) relating to subsidiaries are considered additions to and deductions from, respectively, the overall investments in the particular companies and are therefore considered long-term assets.

PARENT **Note 16 – Other payables** (DKK million) GROUP

PARENT 2007	PARENT **2008**		GROUP **2008**	GROUP 2007
0	0	Product-related liabilities	108.6	102.2
1.0	1.1	Staff-related liabilities	175.1	168.6
0	4.6	Other payables to public authorities	74.0	66.0
3.0	1.6	Payables relating to acquisitions	74.8	79.0
1.7	0.4	Other payables	84.2	171.4
5.7	**7.7**	**Other payables**	**516.7**	587.2

Product-related liabilities mainly relate to provisions concerning service packages, warranties and expected returns.

Staff-related liabilities include holiday pay, wages and salaries etc.



Note 17 – Financial assets and liabilities as defined in IAS 39 (DKK million) GROUP

	2008	2007
Financial assets:		
Other long-term receivables	251.0	222.9
Trade receivables	1,072.1	1,106.9
Other short-term receivables	24.1	20.0
Cash	141.7	151.2
Financial assets	**1,488.9**	**1,501.0**
Other investments	16.3	7.4
Financial assets available for sale	**16.3**	**7.4**
Unrealised profit on financial contracts	51.4	19.8
Financial assets used as hedging instruments	**51.4**	**19.8**
Financial liabilities:		
Financial lease commitments	25.0	27.2
Mortgage debt	181.1	189.0
Payables to credit institutions etc.	2,061.4	1,922.1
Trade payables	219.4	232.4
Other payables	417.3	490.1
Financial liabilities measured at amortised cost	**2,904.2**	**2,860.8**
Unrealised losses on financial contracts	45.0	2.0
Financial liabilities used as hedging instruments	**45.0**	**2.0**

The fair value of mortgage debts is DKK 181 million (DKK 180 million in 2007). The carrying amount is DKK 181 million (DKK 189 million in 2007). For other financial assets and liabilities, as defined in IAS 39, the carrying amount in all material respects matches the fair value.

Other investments include listed shares worth DKK 0 million (DKK 4.2 million in 2007).

For computation of fair value, please refer to *Accounting policies* on page 32.

Note 18 – Derivative financial instruments (DKK million) GROUP

	Contract amount at year-end	Positive fair values at year-end	Negative fair values at year-end	Contract amount at year-end	Positive fair values at year-end	Negative fair values at year-end
		2008			**2007**	
Forward exchange contracts, net sales:						
USD	333.0	11.6	-	223.3	4.6	0
JPY	99.4	-	9.0	67.3	6.5	0
AUD	40.1	4.1	-	26.8	1.5	0
EUR	603.5	-	-	566.7	0.4	0
CAD	68.8	9.1	-	62.2	3.0	0
GBP	145.3	35.2	-	-	-	-
Others	-	-	-	18.7	0.6	0
Total	**1,290.1**	**60.0**	**9.0**	**965.0**	**16.6**	**0**
Interest rate swaps:						
USD/USD	148.0	-	6.7	101.5	0	2.0
EUR/EUR	745.0	-	35.2	7.7	0	0
DKK/DKK	40.0	0.4	-	40.0	3.2	0
CAD/CAD	64.5	-	3.1	-	-	-
Total	**997.5**	**0.4**	**45.0**	**149.2**	**3.2**	**2.0**

PARENT		Note 19 – Operating lease commitments (DKK million)	GROUP	
2007	2008		2008	2007
0	0	Rent commitments	181.6	194.8
0	0	Other operating lease commitments	61.3	22.3
0	**0**	**Total**	**242.9**	**217.1**
0	0	Operating lease commitments, less than 1 year	63.0	52.4
0	0	Operating lease commitments, 1-5 years	105.4	92.1
0	0	Operating lease commitments, over 5 years	74.5	72.6
0	**0**	**Total**	**242.9**	**217.1**

Operating leases are recognised in the income statement at an amount of DKK 93.6 million (DKK 81.9 million in 2007).

The Group's operating leases mainly relate to rent and vehicles.

PARENT		Note 20 – Contingent liabilities (DKK million)	GROUP	
2007	2008		2008	2007
84.4	281.6	Recourse guarantee commitments relating to subsidiaries' credit facilities	0	0
44.7	98.9	Of which utilised credit facilities	0	0

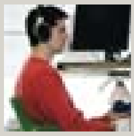
William Demant Holding A/S acts as a guarantor for the credit facilities established with the Group's Danish subsidiaries in the amount of DKK 1,400 million (DKK 794 million in 2007).

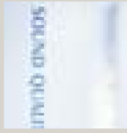
William Demant Holding A/S has guaranteed the payment of rent by a subsidiary in the amount of DKK 7.9 million (DKK 9.2 million in 2007) and provided guarantees in respect of the continued operation and payment obligations of certain subsidiaries in 2009.

Together with the jointly taxed companies, William Demant Holding A/S is jointly and severally liable for the payment of corporation tax for the 2004 tax year and previous years.

The William Demant Holding Group is involved in a few disputes, lawsuits etc. Apart from the provision relating to the US patent case, Management is of the opinion that other disputes do not or will not significantly affect the Group's financial position. The Group seeks to make adequate provisions for legal proceedings.

As part of our business activities, the Group has entered into normal agreements with customers and suppliers etc. as well as agreements for the purchase of shareholdings.





PARENT **Note 21 – Related parties** GROUP

Related parties include the principal shareholder, William Demants og Hustru Ida Emilies Fond (the Oticon Foundation), Kongebakken 9, 2765 Smørum, Denmark, including the Foundation's subsidiary, William Demant Invest A/S.

Related parties with significant influence are the Company's Executive Board, Board of Directors and their related parties. Furthermore, related parties are companies in which the above persons have significant interests.

Subsidiaries, joint ventures and associates as well as the William Demant Holding Group's ownership interests in these companies are shown on page 69.

The Oticon Foundation lets office and production premises to the joint venture, Sennheiser Communications A/S. In 2008, the rental expense amounted to DKK 1.9 million (DKK 1.6 million in 2007). The Oticon Foundation and William Demant Invest A/S paid administration fees to the Group of DKK 0.4 million (DKK 0.4 million in 2007) and DKK 0.8 million (DKK 0.8 million in 2007), respectively.

William Demant Invest A/S is jointly taxed with William Demant Holding A/S and its fully owned Danish subsidiaries. The tax base of DKK 1.6 million (DKK 7.0 million in 2007) of the taxable result in William Demant Invest A/S was utilised by the other Danish companies which pay joint taxation contributions in respect hereof.

Sales to joint ventures not eliminated in the consolidated financial statements amounted to DKK 35 million (DKK 38 million in 2007). At year-end, non-eliminated receivables, net, with joint ventures totalled DKK 6.5 million (DKK 8 million in 2007).

In 2008, the Group paid royalties amounting to DKK 2.7 million (DKK 2.9 million in 2007) to associates and received dividends in the amount of DKK 0.5 million (DKK 1.5 million in 2007).

There have been no transactions with the Executive Board and the Board of Directors apart from normal remuneration, please refer to note 2 *Employees*.

	2008	2007
The consolidated financial statements include the following amounts related to joint ventures:		
Revenue	266.2	260.1
Costs	251.0	240.3
Long-term assets	40.0	24.4
Short-term assets	80.1	79.5
Long-term liabilities	4.9	0.1
Short-term liabilities	48.7	45.0
Financial information with respect to associates:		
Revenue	30.3	31.1
Net profit for the year	1.8	1.4
Assets	9.0	9.3
Liabilities	2.6	3.5

Apart from the activities in Sennheiser Communications A/S, joint ventures include distribution activities.

There are no major contingent liabilities in joint ventures.

Note 22 – Government grants

GROUP

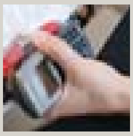
In 2008, the William Demant Holding Group received government grants in the amount of DKK 1.2 million (DKK 0.4 million in 2007). Grants are offset against research and development costs and administrative expenses in the amount of DKK 1.0 million and DKK 0.2 million, respectively.

Note 23 – Non-cash items (DKK million)

GROUP

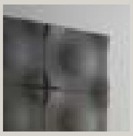
	2008	2007
Amortisation and depreciation expenses	174.4	168.6
Share of profit after tax in associates	-0.6	-2.0
Proceeds from sale of intangible assets and property, plant and equipment	-1.6	-69.1
Other non-cash items	15.1	-25.3
Other non-cash items	**187.3**	**72.2**
Acquired property, plant and equipment	-209.0	-211.7
Of which assets held under a finance lease	0	25.8
Acquired property, plant and equipment, paid	**-209.0**	**-185.9**
Proceeds from raising of financial liabilities	170.6	25.9
Of which lease commitments	0	-25.9
Proceeds from raising of financial liabilities	**170.6**	**0**

Additions of minority interests for the year are recognised under other payables.



Note 24 – Acquisitions (DKK million) GROUP

	2007					
	North America		Australia		Total	
	Carrying amount prior to acquisition	Fair value on acquisition	Carrying amount prior to acquisition	Fair value on acquisition	Carrying amount prior to acquisition	Fair value on acquisition
Intangible assets	0	5.8	0.0	0.0	0	5.8
Property, plant and equipment	4.8	4.8	3.0	3.0	7.8	7.8
Other long-term assets	14.9	14.9	0.6	1.6	15.5	16.5
Inventories	1.0	1.0	0.7	0.7	1.7	1.7
Receivables	55.5	55.5	3.2	3.2	58.7	58.7
Cash and bank debt	-0.2	-0.2	0.6	0.6	0.4	0.4
Long-term payables	0	-2.3	0	0	0	-2.3
Short-term payables	-36.2	-36.2	-6.9	-6.9	-43.1	-43.1
Minority interests	-26.4	-29.0	0	0	-26.4	-29.0
Acquired net assets	**13.4**	**14.3**	**1.2**	**2.2**	**14.6**	**16.5**
Goodwill		102.6		39.5		142.1
Acquisition cost including transaction costs		**116.9**		**41.7**		**158.6**
Of which earn-outs and deferred payments		-71.2		-6.6		-77.8
Acquired cash and bank debt		0.2		-0.6		-0.4
Cash acquisition cost		**45.9**		**34.5**		**80.4**



Note 24 – Acquisitions – continued (DKK million) GROUP

	2008							
	North America		Australia		Europe		Total	
	Carrying amount prior to acquisition	Fair value on acquisition	Carrying amount prior to acquisition	Fair value on acquisition	Carrying amount prior to acquisition	Fair value on acquisition	Carrying amount prior to acquisition	Fair value on acquisition
Intangible assets	0.2	0.2	-	-	0.1	5.1	0,3	5.3
Property, plant and equipment	4.4	4.4	2,8	2.8	0.9	0.9	8,2	8.2
Other long-term assets	0.4	0.4	0,0	0.0	0.1	0.1	0,5	0.5
Inventories	3.6	3.6	0,3	0.3	4.0	5.7	7,9	9.6
Receivables	14.1	14.1	1,1	1.1	17.7	17.7	32,9	32.9
Cash and bank debt	9.8	9.8	0,8	0.8	3.3	3.3	13,9	13.9
Long-term payables	-1.7	-1.7	-0,8	-0.8	-	-	-2,5	-2.5
Short-term payables	-12.1	-12.1	-7,4	-7.4	-2.4	-2.4	-22,0	-22.0
Acquired net assets	**18.7**	**18.7**	**-3,2**	**-3.2**	**23.7**	**30.4**	**39,2**	**45.9**
Goodwill		144.3		35.7		20.8		200.8
Acquisition cost including transaction costs		**163.0**		**32.5**		**51.2**		**246.7**
Of which earn-outs and deferred payments		-13.3		-2.9		-0.2		-16.4
Acquired cash and bank debt		-9.8		-0.8		-3.3		-13.9
Cash acquisition cost		**139.9**		**28.8**		**47.7**		**216.4**

In 2008, the Group's acquisitions related to the acquisition in full or in part of the activities in minor distribution businesses in Australia, North America and Europe. In 2007, acquisitions related to minor distribution businesses in Australia and North America.

In connection with these acquisitions, the purchase sums exceeded the fair values of identifiable assets, liabilities and contingent liabilities. The positive differences are mainly due to expected synergies between activities in the acquired businesses and the Group's existing activities, future growth potential and the value of the employees of such businesses. Such value cannot be reliably measured.

The above computations of the fair values at the times of acquisition in 2008 is not final as regards acquisitions made immediately before year-end.
In 2008, we found no basis for revising the computations of 2007.

It is estimated that consolidated revenues and profits for the year would have been DKK 5,448 million (DKK 5,510 million in 2007) and DKK 689 million (DKK 896 million in 2007), respectively, had the businesses been taken over at 1 January 2008. The acquired businesses did not significantly affect profits for the year.

From the balance sheet date and until presentation of the financial statements in 2009, we have acquired some minor distribution businesses in Holland, Australia and North America at a total acquisition sum of DKK 21 million. Fair value computations are ongoing. It is expected that acquisition sums will mainly be related to goodwill.

Subsidiaries and associates

Company	*Interest*
William Demant Holding A/S, Denmark	**Parent**
Oticon A/S, Denmark	100%
Oticon AS, Norway	100%
Oticon AB, Sweden	100%
Oy Oticon Ab, Finland	100%
Oticon GmbH, Germany	100%
Oticon Nederland B.V., the Netherlands	100%
Oticon S.A., Switzerland	100%
Oticon Italia S.r.l., Italy	100%
Oticon España S.A., Spain	100%
Oticon Polska Sp. z o.o., Poland	100%
Oticon Polska Production Sp. z o.o., Poland	100%
Oticon Limited, United Kingdom	100%
Oticon, Inc., USA	100%
Oticon Canada Ltd., Canada	100%
Oticon Australia Pty. Ltd., Australia	100%
Oticon New Zealand Ltd., New Zealand	100%
Oticon K.K., Japan	100%
Oticon Singapore Pte Ltd., Singapore	100%
Oticon Nanjing Audiological Technology Co. Ltd., China	100%
Oticon Shanghai Hearing Technology Co. Ltd., China	100%
Oticon Trading Shanghai Co. Ltd., China	100%
Oticon South Africa (Pty) Ltd., South Africa	100%
Oticon Medical A/S, Denmark	100%
Oticon Medical AB, Sweden	100%
Prodition S.A., France	100%
Bernafon AG, Switzerland	100%
Bernafon Hörgeräte GmbH, Germany	100%
Bernafon S.r.l., Italy	100%
Maico S.r.l., Italy	100%
Bernafon, LLC, USA	100%

Company	*Interest*
Bernafon Canada Ltd., Canada	100%
Bernafon Australia Pty. Ltd., Australia	100%
Bernafon New Zealand Pty. Ltd., New Zealand	100%
Bernafon K.K., Japan	100%
Bernafon Nederland B.V., the Netherlands	100%
Acustica Sp. z o.o., Poland	100%
Phonic Ear Inc., USA	100%
DelNew Inc., USA	100%
WDH Canada Ltd., Canada	100%
Phonic Ear A/S, Denmark	100%
Maico Diagnostic GmbH, Germany	100%
Diagnostic Group LLC, USA	100%
Interacoustics A/S, Denmark	100%
Interacoustics A/S Pty. Ltd., Australia	100%
Amplivox Ltd., United Kingdom	100%
DancoTech A/S, Denmark	100%
Inmed Sp. z o.o., Poland	100%
Hidden Hearing (UK) Ltd., United Kingdom	100%
Hidden Hearing (Portugal), Unipessoal Lda., Portugal	100%
Hidden Hearing Limited, Ireland	100%
Akoustica Medica M EPE, Greece	100%
Digital Hearing (UK) Ltd., United Kingdom	100%
Centro Auditivo Telex S.A., Brazil	100%
Western Hearing Services Pty. Ltd., Australia	100%
Adelaide Digital Hearing Solutions Pty. Ltd., Australia	100%
American Hearing Aid Associates, Inc., USA	100%
AD Styla Sp. z o.o., Poland	100%
Hearing Healthcare Management, Inc., USA	54%
Sennheiser Communications A/S, Denmark	50%
nEarcom, LLC, USA	33%
HIMSA A/S, Denmark	25%

The list includes all active Group companies.

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Editor, design and production:
William Demant Holding A/S

Print: Quickly Tryk A/S
Print run: 3,400