Annual Report 2009

William Demant Holding

The English text in this document is an unauthorised translation of the Danish original. In the event of any inconsistencies, the Danish version shall apply.

"Overall, 2009 was a positive year for the Group: we both captured market share and increased earnings, while preparing the company for growth in the coming years."

Niels Jacobsen

Strong Group performance

Dear reader

At the outset of 2009, the hearing aid industry found itself on very shaky ground. In the second half of 2008, the market registered the first outright drop in hearing aid sales in many years, and the market outlook was particularly bleak after the fourth quarter. Consequently, we entered 2009 with a certain amount of trepidation: would the market continue to fall, would the situation stabilise, or would we again experience actual growth? The first six months of 2009 showed that the market had not revived – but neither had it collapsed, as is the case in many other industries. For years, market analysts have discussed the industry's sensitivity to economic fluctuations. After the worst financial crisis in many years, I believe we can conclude that the industry has pulled through reasonably well, and that the hearing aid market has proved resistant, even to major fluctuations in the global economy.

The start of 2009 proved an uncertain and difficult time for William Demant Holding too. In the second half of 2008, we recorded declining sales and earnings for the first time in 15 years. However, we managed to reverse the sales trend, with earnings in the first half of 2009 already significantly higher than in the second half of 2008. Overall, 2009 was a positive year for the Group: we both captured market share and increased earnings, while preparing the company for growth in the coming years.

The first quarter of 2010 will see the launch of Oticon Agil, a Premium product offering several unprecedented user benefits, including further improved wireless features. The instrument takes speech understanding in noisy surroundings to a new level, which means that the user will use fewer resources on listening, thus releasing energy to be used for other important tasks such as social interaction.

Being a frontrunner with the introduction of wireless products has been an exciting challenge for the Group's hearing aid activities. We have successfully established a new standard for connectivity – the connection of hearing aids with external, electronic equipment such as landline and mobile phones, televisions and MP3 players. It has been a great challenge to get the technology to function properly and to establish it in the market, but we feel that we have been quite successful in our endeavours. I am therefore convinced that we are now well ahead of our competitors, particularly when it comes to wireless solutions.

Having seen consolidation and mergers among manufacturers for a number of years, the hearing aid industry saw further consolidation put to an effective stop in 2006 when the German competition authorities prevented Sonova from taking over GN ReSound. Thus, the only reasons preventing the industry from realising the economies of scale that one or more mergers could generate are mere formalities, and this has spurred several manufacturers to shift or expand their focus. At William Demant Holding, we have, through the establishment of Oticon Medical, opted to pursue so-called implantable bone-anchored hearing solutions – and we have high expectations of this field.

Moreover, hearing aid manufacturers increasingly distribute their products directly to end-users – a trend we expect to continue. William Demant Holding too has been involved in distribution activities in specific markets for many years, starting with the acquisition of Hidden Hearing in 2000. We have built up considerable expertise in operating this type of business and have even succeeded in generating higher growth in recent years than the underlying market.

Our activities in the market for audiometers and other diagnostic instruments for hearing and balance measurement, for example, has become increasingly significant both in terms of such activities' share of corporate revenues and in terms of their contribution to the Group's earnings. Today, we are the world's largest manufacturer of audiological equipment and operate in all global markets, offering some of the most prominent brands: Grason-Stadler, Interacoustics, Maico and Amplivox.

Here at the beginning of 2010, we look very much forward to the year ahead: we emerged from 2009 with forward momentum, we started the year by launching a groundbreaking high-end product, and we expect our market share to continue to increase in 2010. We thus foresee 3-5% higher growth in 2010 than the growth rate in the hearing aid market, thereby boosting our market share by about 1 percentage point worldwide when also including the impact of our acquisition of distribution activities. Both Oticon and Bernafon were selected as suppliers to Veterans Affairs (VA) in the USA at the end of 2009, and they have enjoyed an excellent start to their cooperation – a cooperation that we expect will support our growth forecast for 2010.

Niels Jacobsen
President & CEO

2009 at a glance

Considerable growth in earnings despite flat market trends

Corporate development in 2009 confirms that all our areas of activity emerged satisfactorily from the financial crisis and the global recession. Consolidated revenues for 2009 totalled DKK 5,701 million, or a 6% rise, with organic growth accounting for about half the increase and acquisitions for the other half. The effect of exchange rate fluctuations was neutral.

The positive trend is largely due to the strengthening of Oticon's and Bernafon's product portfolios, which began towards the end of 2008 and really gained momentum in 2009. Product introductions included Oticon Hit in the lower mid-priced segment, a new BTE version using a 13 battery and a new Power BTE instrument. The options for wireless connectivity were also hugely expanded with Oticon ConnectLine, which in addition to already existing streaming options also enables users to stream sound directly from television and landline phones to the user's hearing aids. At the end of 2009, Oticon launched Safari, which is the first product family developed specifically for children. Bernafon also launched several interesting products such as a RITE product called Vérité as well as Veras, which is Bernafon's most comprehensive product launch to date. Growth in Oticon was especially driven by the Dual, Vigo and Hit product families, but the Epoq family also made a positive contribution to growth. In Bernafon, Vérité and Win were the principal contributors to unit growth.

Compared with 2008, the Group generated high growth in earnings in a period in which many other companies and industries faced extremely difficult business conditions. Consolidated operating profits (EBIT) for 2009 amounted to DKK 1,149 million and net profits to DKK 795 million, i.e. growth rates of 10% and 16%, respectively. If we only look at trends in the second half-year compared with the difficult second half of 2008, growth in activities and earnings was indeed very considerable. Earnings per share in the second half of 2009, for instance, amounted to DKK 6.9, which is as much as 37% above the level of the last six months of 2008. The high year-over-year growth in earnings in the second half-year was achieved despite the fact that during this period, we incurred costs for the establishment of a sales force and service functions to take care of business relations with American Veterans Affairs (VA) and with customers in the market for Oticon Medical's bone-anchored hearing systems. We also defrayed costs in connection with the completion and launch of Oticon Agil, which is Oticon's next generation of wireless high-end instruments. These efforts enabled us to announce the introduction of Oticon Agil in early February 2010 and to release the product for sale in all variants and on all markets in early March 2010.

It is estimated that in 2009, unit growth in the global hearing aid market was approx. 4% and that this growth has been neutralised by a corresponding fall in the average selling price. Overall, the market developed flatly, which means that with a 6% increase in revenues, the Group captured market shares. Thanks to improved country, product and channel mixes, our wholesale hearing aid activities saw favourable development in average selling prices. There is thus a considerable gap between the development in market prices and Group prices.

In 2009, Diagnostic Instruments realised revenues of DKK 413 million, or a 17% improvement in local currencies. Organic growth accounted for 8 percentage points, with the rest being attributable to the acquisition of British Amplivox and the US brand Grason-Stadler. As it is estimated that the underlying market has developed flatly, Diagnostic Instruments thus gained large market shares in 2009, which means that Diagnostic Instruments has further consolidated its position as the world's biggest and leading player in its field. Diagnostic Instruments accounted for 7% of consolidated revenues in 2009.

Personal Communication generated revenues of DKK 227 million in 2009, corresponding to a decline of 6%. Both FrontRow and Sennheiser Communications were adversely affected by difficult cyclical business conditions; Sennheiser Communications, in particular, whose handsfree communication solutions are positioned in the upper price segments. Personal Communication accounted for just under 4% of consolidated revenues in 2009.

Key figures and financial ratios — DKK

INCOME STATEMENT, DKK MILLION	2005	2006	2007	2008	2009
Revenue	4,522.9	5,085.1	5,488.3	5,373.7	5,701.2
Gross profit	3,133.3	3,575.0	3,971.2	3,725.4	4,034.9
Research and development costs	382.5	459.8	505.1	532.9	576.0
EBITDA	1,251.6	1,433.3	1,436.2	1,216.8	1,341.1
Depreciation etc.	148.8	162.7	168.6	174.4	191.7
Operating profit (EBIT)	1,102.8	1,270.6	1,267.6	1,042.4	1,149.4
Net financials	-36.8	-61.4	-96.9	-139.4	-94.3
Profit before tax	1,066.0	1,209.2	1,170.8	903.0	1,055.1
Net profit for the year	790.6	900.7	894.5	682.4	794.9
BALANCE SHEET, DKK MILLION					
Interest-bearing items, net	-1,110.6	-1,392.0	-1,799.6	-1,908.2	-1,575.0
Total assets	2,881.5	3,122.6	3,713.9	3,914.4	4,626.4
Equity	747.6	661.9	425.9	531.6	1,302.1
OTHER KEY FIGURES, DKK MILLION					
Investment in property, plant and equipment, net	351.4	207.9	165.5	195.5	181.3
Cash flow from operating activities (CFFO)	891.8	964.1	848.4	827.7	950.1
Free cash flow	467.7	661.0	756.3	587.6	655.8
Employees (average)	4,730	4,797	5.072	5.383	5,674
FINANCIAL RATIOS					
Gross profit ratio	69.3%	70.3%	72.4%	69.3%	70.8%
EBITDA margin	27.7%	28.2%	26.2%	22.6%	23.5%
Profit margin (EBIT margin)	24.4%	25.0%	23.1%	19.4%	20.2%
Return on equity	107.4%	114.7%	160.3%	162.9%	87.2%
Equity ratio	25.9%	21.2%	11.5%	13.6%	28.1%
Earnings per share (EPS), DKK*	12.2	14.4	14.8	11.6	13.6
Cash flow per share (CFPS), DKK*	13.7	15.4	14.0	14.1	16.3
Free cash flow per share, DKK*	7.2	10.5	12.5	10.0	11.2
Dividend per share, DKK*	0	0	0	0	0
Book value per share, DKK*	11.6	10.7	7.2	9.2	22.3
Price earnings (P/E)	29	32	32	19	29
Share price, DKK*	350	459	471	218	393
Market capitalisation adj. for treasury shares, DKK million	22,315	28.274	28,063	12,718	22,894
Average number of shares, million	65.03	62.75	60.62	58.77	58.31

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 buyback of shares.

**Per share of DKK 1.*

Key figures and financial ratios — EUR**

INCOME STATEMENT, EUR MILLION	2005	2006	2007	2008	2009
Revenue	607.4	682.9	737.1	721.7	765.6
Gross profit	420.8	480.1	533.3	500.3	541.9
Research and development costs	51.4	61.7	67.8	71.6	77.4
EBITDA	168.1	192.5	192.9	163.4	180.1
Depreciation etc.	20.0	21.8	22.6	23.4	25.7
Operating profit (EBIT)	148.1	170.6	170.2	140.0	154.4
Net financials	-4.9	-8.2	-13.0	-18.7	-12.7
Profit before tax	143.2	162.4	157.2	121.3	141.7
Net profit for the year	106.2	121.0	120.1	91.6	106.8
BALANCE SHEET, EUR MILLION					
Interest-bearing items, net	-149.2	-187.1	-241.8	-256.4	-211.6
Total assets	387.2	419.6	499.1	526.0	621.7
Equity	100.5	88.9	57.2	71.4	175.0
OTHER KEY FIGURES, EUR MILLION					
Investment in property, plant and equipment, net	47.2	27.9	22.2	26.3	24.4
Cash flow from operating activities (CFFO)	119.8	129.5	113.9	111.2	127.6
Free cash flow	62.8	88.8	101.6	78.9	88.1
Employees (average)	4,730	4,797	5,072	5,383	5,674
FINANCIAL RATIOS					
Gross profit margin	69.3%	70.3%	72.4%	69.3%	70.8%
EBITDA margin	27.7%	28.2%	26.2%	22.6%	23.5%
Profit margin (EBIT margin)	24.4%	25.0%	23.1%	19.4%	20.2%
Return on equity	107.4%	114.7%	160.3%	162.9%	87.2%
Equity ratio	25.9%	21.2%	11.5%	13.6%	28.1%
Earnings per share (EPS), EUR*	1.6	1.9	2.0	1.6	1.8
Cash flow per share (CFPS), EUR*	1.8	2.1	1.9	1.9	2.2
Free cash flow per share, EUR*	1.0	1.4	1.7	1.3	1.5
Dividend per share, EUR*	0	0	0	0	0
Book value per share, EUR*	1.6	1.4	1.0	1.2	3.0
Price earnings (P/E)	29	32	32	19	29
Share price, EUR*	47.0	61.7	63.3	29.3	52.8
Market capitalisation adj. for treasury shares, EUR mio.	2,998.7	3,799.5	3,771.1	1,709.0	3,076.6
Average number of shares, million	65.03	62.75	60.62	58.77	58.31

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 buyback of shares.

**Per share of DKK 1.*

***On the transaction of key figures and financial ratios from DKK to EUR, Danmarks Nationalbank's rate of exchange at 31 December 2009 of 744.15 has been used for balance sheet items and the average rate of exchange of 744.63 has been used for income statement items.*

Review

Market conditions and business trends

The hearing aid market in general

The global market for hearing aids was stable in 2009, with an estimated upward trend in unit sales of around 4%. Unit growth must however be viewed in light of the particularly weak comparative figures for 2008, so in absolute terms, unit sales in the market must therefore be characterised as fairly weak in 2009. Comparative figures for the second half-year were particularly weak, and although the period under review saw fair growth in the second half compared with 2008, there was no real market growth quarter by quarter. If we consider overall growth in the past two years, we can conclude that in the period under review as a whole, unit sales in the global hearing aid market developed flatly.

The stability characterising hearing aid sales in 2009 does, however, conceal significant fluctuations in certain markets and segments. Contrary to sales in the commercial US market, the rates of growth in sales to the US government via Veterans Affairs (VA) were excessive with rates as high as 30%. The primary explanations seem to be the continued presence of US troops in many of the world's hot spots and a wider definition of people entitled to free hearing aids under the VA system. If we exclude VA, growth in the global market for hearing aids was only 2-3%. On the other hand, the demand for hearing aids by the British health authorities (NHS) went down in 2009, which is mainly due to a reduction in their waiting lists. As a result of the significant discrepancy in unit growth rates generated by the two major public buyers of hearing aids, also manufacturers had access to widely differing shares of market growth in 2009.

The development in average selling prices was negative in 2009, and we estimate the total drop in prices on the global hearing aid market to have neutralised unit growth by 4% as mentioned previously. In our opinion, part of the explanation for the fall in prices is that the majority of manufacturers have not introduced high-end hearing aids for several years, resulting in part of sales in the high-end segment having shifted towards the mid-priced segment where average selling prices are lower. Consequently, we expect selling prices to go up if most manufacturers will again introduce high-end instruments. As mentioned earlier, Oticon released its high-end instrument, Oticon Agil, for sale at the beginning of March, and 2010 is likely to be a year in which many manufacturers launch new high-end products. In overall terms, value growth on the global market for hearing aids is estimated to have been flat in 2009, and if we exclude the strong VA growth, the development was in fact negative. The part of the hearing aid market that Oticon and Bernafon were able to address in 2009 thus fell by 1-2%.

Historically, periods of low or no growth have often been succeeded by short periods of high growth. Demand on the hearing aid market is mainly driven by demographic changes, and the gradual increase in the number of elderly people will therefore ensure growth in demand. It is conceivable that failing unit growth in recent years has resulted in the build-up of a minor demand for hearing aids, but this assumption is naturally associated with considerable uncertainty.

Our long-term forecasts for unit growth in the global hearing aid market remain unchanged, and unit growth is estimated at 2-4%. Looking ahead, we expect higher fluctuations in average selling prices than seen previously, but on the long term, we foresee increases of about 1-2% annually.

Hearing Aids

The Group's hearing aid activities came back on the growth track in 2009 and won fair market shares. Up until the end of 2009, the Group was prevented from selling to one of the absolutely largest buyers of hearing aids in the world, namely Veterans Affairs, and during the same period, we saw a substantial decline in demand by the NHS. We nevertheless managed to boost unit sales of hearing aids in 2009, thus generating unit growth of approx. 5%, excluding sales to the NHS, with sales to independent dispensers actually accounting for most of this growth. We have thus captured fair market shares in this highly competitive customer segment. The upward trend in business with independent dispensers has had a favourable impact on the product mix and on average selling prices. On balance, our corporate hearing aid activities have gained comfortable market shares in terms of value.

The reason for this improvement is that both Oticon and Bernafon on a current basis enhance their respective product ranges and now have very powerful product portfolios. At the US hearing aid convention, AudiologyNOW! (AAA), Oticon had the opportunity to present a wide range of new hearing aids including the Oticon Hit product family, a new BTE version using a 13 battery and a new Power BTE hearing aid – the latter two in all versions of Epoq, Vigo and Hit and therefore available in as many as seven different price points. In many European markets, BTE hearing aids using a 13 battery are among the best-selling product variants, and these product introductions helped consolidate Oticon's already solid position in Europe. Oticon Hit is positioned in the lower mid-priced segment and is the fourth product family based on Oticon's RISE platform. As both the platform and the technology were well-known and acknowledged, hearing care professionals were quick to accept Oticon Hit. And finally, Oticon ConnectLine has expanded the options for wireless connectivity, at long last enabling end-users to stream sound from televisions and landline phones directly to their hearing aids. The new Bluetooth technology solves many of the most common problems connected with the use of hearing aids, and in 2009, Oticon very successfully marketed ConnectLine, for instance through the extensive *Modern Hearing Care* campaign in which Oticon assisted hearing care professionals in promoting its absolutely unequalled connectivity solution on the market.

At the end of 2009, Oticon also launched Safari, which is the first product family specially designed for children. This launch is part of Oticon's aim to always have one of the industry's broadest product portfolios – also in the paediatric segment. Oticon Safari incorporates many new and groundbreaking concepts in the paediatric area, such as binaural signal processing, 10 kHz bandwidth and wireless connectivity via Bluetooth to for instance televisions, MP3 players and mobile phones. As a completely unique feature, Safari products have a programmable light emitting diode to enable for instance parents and teachers to check if a hearing aid works as it is supposed to.

As a result of the significant reinforcement of Oticon's product portfolio carried through since the end of 2008, Oticon now has new products in largely all product segments and therefore probably has the most complete and updated product portfolio in the industry. Oticon has thus succeeded in covering most of the individual hearing care professional's needs for products matching all types of users and hearing losses, which are vital competitive parameters in the battle for market shares. On top of that, Oticon has launched Oticon Agil, which is the Company's next generation of wireless hearing aids and the most comprehensive product introduction to date. Through this introduction, Oticon has fortified its frontrunner position as regards state-of-the-art signal processing and connectivity and is therefore in a strong position to capture further market shares again in 2010.

Bernafon also launched several interesting products in 2009, thereby significantly strengthening its product portfolio. Launched in April 2009, Vérité 505 has been a success, which is not least due to its cosmetically attractive RITE solution and to users being offered ChannelFree signal processing and wireless ear-to-ear communication. At the German EUHA hearing aid congress in October, Bernafon launched an entirely new product family called Veras 3 | 5 | 7, which is Bernafon's most extensive launch to date. The product family is offered in three price points from the mid-priced to the high-end segments and embraces a complete range of products, including tiny, cosmetically attractive hearing aids and a brand new thin-tube solution called Nano BTE. Veras 3 | 5 | 7 is equipped with state-of-the-art technology, including Bluetooth options for wireless connectivity to televisions and to landline and mobile phones.

In Oticon, primary growth was mainly driven by Dual and by Vigo and Hit in the mid-priced segment, but the Epoq family also contributed to growth, which is quite remarkable, considering the fact that it was launched back in the first half of 2007. Delta and Tego sales pull in the opposite direction. They have both been substituted by products based on our RISE platform. In Bernafon, Vérité and Win were the most important contributors to unit growth, whereas Icos, Prio and Flair sales dropped. The essential renewal of the Oticon and Bernafon product portfolios has boosted the sale of new products. In 2009, products introduced in the past two years thus constituted about half the Group's total unit sales of commercial, Group-manufactured hearing aids.

In 2009, corporate retail activities generated fair organic growth, significantly exceeding market growth in the markets where we have own retail activities.

Oticon Medical entered the market for bone-anchored hearing systems in 2009 and released its first products for sale in the third quarter. Bone-anchored hearing systems are used for patients with ear canal atresia (deformity) or a defective middle ear, whose problems cannot be remedied through ordinary hearing aids. Consequently, bone-anchored hearing systems do not in any way significantly cannibalise the sale of conventional hearing aids, and customers are typically specialised clinics and hospitals. Initially, Oticon Medical will target customers in the USA, the UK, Holland and Scandinavia, where public subsidy schemes are in place for this type of treatment. By the end of 2010, Oticon Medical expects to introduce its products in another five countries, which are not quite as established, but all have great growth potential. In recent years, the market for bone-anchored hearing systems has experienced growth rates exceeding 20% annually, but despite these high rates, there is substantial future growth potential. Oticon Medical's entry on the market has indeed been extremely successful, and the combination of a strong product portfolio and Oticon's good reputation has resulted in highly positive feedback from clinics and hospitals. The release of products relatively late in 2009 and the initial process in respect of approvals by insurance companies etc. have resulted in modest revenues in the period under review, but we expect Oticon Medical to be profitable already in 2010, as sales go up.

Diagnostic Instruments
Diagnostic Instruments is a global market leader in audiological equipment and includes our four audiometer companies: Interacoustics in Denmark, Grason-Stadler in the USA, Amplivox in the UK and Maico in Germany and the USA. In the period under review, Diagnostic Instruments generated as much as 19% growth (organic growth accounting for about 8%) in an otherwise flat market and thus once again captured considerable market shares.

Organic growth in 2009 derives primarily from the sale of equipment for hearing screening and diagnosing of newborns. A growing number of countries have introduced compulsory hearing screening of newborns, either by means of so-called OtoAcoustic Emission (OAE) or by brain stem audiometry (ABR). Diagnostic Instruments is highly competitive in both product categories and offers, among other products, a hearing screening instrument called BeraPhone that does not require disposable electrodes. Today, many countries refrain from hearing screening because of the high costs of disposable electrodes, and BeraPhone therefore has a considerable edge on its competitors in many markets.

On 1 October 2009, William Demant Holding took over the Grason-Stadler brand, including its operating assets. A high-end brand offering diagnostic equipment, US-based Grason-Stadler will be carried on as an independent brand in future. This acquisition has expanded the product portfolio of Diagnostic Instruments and thereby further solidified its position as the world's largest supplier of diagnostic equipment. There are considerable economies of scale to be gained in respect of especially development, production and not least approval and quality systems, and we therefore expect the consolidation of this industry to continue in the years ahead.

Personal Communication
Personal Communication consists of Phonic Ear (including FrontRow), offering wireless sound systems and assistive listening devices, and the joint venture company Sennheiser Communications, acting in the market for headsets for professional and private users.

In 2009, Personal Communication realised negative growth of approx. 6%. The companies in Personal Communication have been somewhat more affected by the economic turbulence than the other companies in our Group, the explanation being particularly severe market conditions for both FrontRow and Sennheiser Communications. However in the second half-year, the situation improved somewhat for FrontRow due to the adoption of a financial crisis package in the USA, which is designed to strengthen the educational area. The adverse effects of the financial crisis are therefore most visible in Sennheiser Communications.

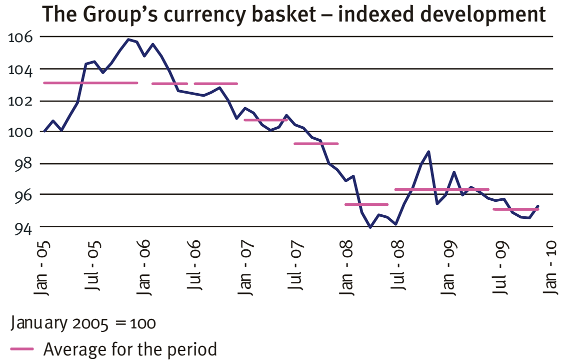
At the end of 2009, Sennheiser Communications introduced DW Office in selected markets. The product, which is a new Dect headset to be used in for instance offices, will be introduced in the rest of the world in the first quarter of 2010 and may be used for landline phones and so-called softphones, i.e. communication lines (e.g. Skype) set up through the Internet.

Financial review 2009

Revenue and foreign exchange
In 2009, consolidated revenues amounted to DKK 5,701 million, corresponding to 6.1% growth compared with 2008. Acquisitions accounted for half such growth in 2009, and the exchange impact was neutral.

With 97% of consolidated sales being invoiced in foreign currencies, reported revenues are significantly affected by movements in corporate trading currencies. Based on the distribution of consolidated sales in 2009 in the respective trading currencies, the graph below shows the monthly trend in the Group's currency basket.

The Group's currency basket – indexed development

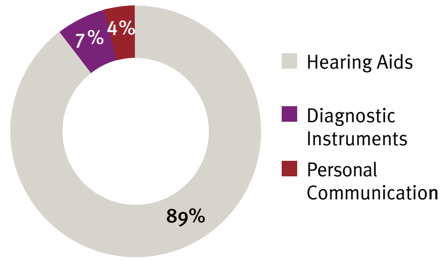


Throughout 2009, the exchange impact was neutral, and although we saw quite considerable fluctuations in some of our most important trading currencies during the period under review, most of them averaged the same level as in 2008.

In North America, the Group generated over 10% growth in terms of local currency in 2009, with acquisitions accounting for about half such growth. We had a larger slice of the private sector market than last year, with Hit, Dual and Epoq creating most of this improvement. VA generated most of the market growth in North America. As mentioned earlier, we were not suppliers to VA for the better part of the period under review, but as of 1 November 2009, both Oticon and Bernafon have been appointed regular VA suppliers. North America now accounts for 35% of consolidated revenues.

In Europe, the Group generated modest revenue growth in terms of local currencies in 2009, such growth having mainly been driven by acquisitions. NHS sales dropped in 2009 compared with 2008, and even if growth rates did recover as the year progressed, the drop in sales had a negative impact on consolidated sales. Sales in Europe accounted for 46% of total consolidated revenues.

Net revenue by business area

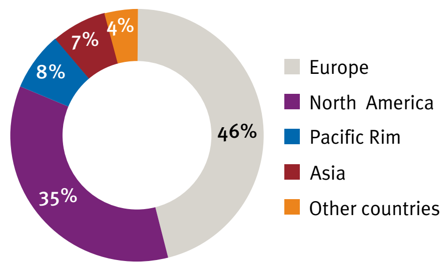


Revenues by business area

DKK million	2009	2008	Percentage change DKK	Local currency
Hearing Aids	5,061	4,784	5.8%	6.3%
Diagnostic Instruments	413	348	18.6%	17.4%
Personal Communication	227	242	-5.9%	-7.4%
Total	**5,701**	**5,374**	**6.1%**	**6.4%**

In 2009, our hearing aid activities generated growth in revenues of well over 6% in terms of local currencies. Sales of Group-manufactured instruments rose by more than 5% if we exclude sales to the NHS, and by just under 1% if we include sales to the NHS. Stagnating sales to chains and public systems were more than counterbalanced by a rise in sales to independent hearing care businesses. It is this shift in mix in particular that had a positive effect on our average selling prices.

Net revenue by region



Corporate retail activities, which are part of our hearing aid activities, saw fair organic growth of just over 8% in 2009 and thus generated growth significantly exceeding growth in the markets in which we have our own retail activities.

In the period under review, revenues in Diagnostic Instruments totalled DKK 413 million, or a 17% increase in local currencies. With 8% organic growth in a zero-growth market, Diagnostic Instruments captured substantial market shares, thereby solidifying its position as the world's biggest supplier of diagnostic equipment. The acquisitions of Amplivox in 2008 and Grason-Stadler in 2009 contributed by a total of about 9 percentage points to growth, and in overall terms, Diagnostic Instruments accounted for just over 7% of consolidated revenues.

Personal Communication generated revenues of DKK 227 million in 2009, or a decline of 7% in local currencies. Both FrontRow and Sennheiser Communications were adversely affected by difficult cyclical market conditions – Sennheiser Communications, in particular, whose handsfree communication solutions are positioned in the upper price segments. Personal Communication accounted for just under 4% of consolidated revenues.

Gross profit
In 2009, the Group realised gross profits of DKK 4,035 million, or an increase of 8%. A consolidated gross profit ratio of 70.8% represents a rise of 1.5 percentage points on 2008. This improvement is closely linked with higher revenues, higher average selling prices of hearing aids as well as the fact that a bigger slice of revenues is generated by our own distribution activities. The improved gross profit ratio is also a result of the Group having been able to retain the same unit cost level, which we managed despite a larger share of instruments now being manufactured on the RISE platform. One of the reasons being that this platform includes more components, making instruments more expensive than hearing aids produced on older platforms. However, the continued optimisation of production and procurement helps us to currently reduce the unit cost of instruments based on any given platform.

Capacity costs
In 2009, consolidated capacity costs rose by approx. 7% to DKK 2,886 million, which more or less matches the increase in revenues. A significant part of this increase occurred at the end of the year and was caused by growing activities in Oticon Medical and the creation of a dedicated US sales organisation to serve the VA clinics. The launch of Oticon Agil is the most comprehensive product introduction from Oticon to date and also contributed to an increase in capacity costs.

Capacity costs

DKK million	2009	2008	Percentage change DKK	Local currency
R&D costs	576	533	8.1%	7.8%
Distribution costs	1,929	1,798	7.2%	8.0%
Administrative expenses	381	354	7.8%	9.5%
Total	**2,886**	**2,685**	**7.4%**	**8.2%**

Research and development costs
In 2009, consolidated research and development costs rose by about 8%. The Group wishes to keep its position as one of the absolutely most innovative hearing aid manufacturers, and a dedicated research and development effort is vital to retain this position. Having a wide product portfolio is also extremely important to reach our corporate goal of becoming the customers' preferred supplier. In future, only few manufacturers will have the required resources and competences to achieve and retain such a position. In recent years, we have been frontrunners in wireless hearing systems, and this position was further reinforced through the launch of Oticon Agil in early March 2010. With this launch, we have introduced our second generation of wireless technology and have thus emphasised the importance of a highly dedicated research and development effort. Our entry into the market for bone-anchored hearing systems and the establishment of Oticon Medical both contributed to the increase in our research and development costs.

Distribution costs
In the period under review, we strengthened our distribution through an expansion of our own retail activities. The rise in distribution costs to DKK 1,929 million corresponds to an increase of 7%, which is in part attributable to acquisitions.

Administrative expenses
In 2009, consolidated administrative expenses totalled DKK 381 million, or an 8% increase of which more than half is attributable to acquisitions.

Profit for the year
Operating profits (EBIT) amounted to DKK 1,149 million, or a 10% improvement on last year. Our profit margin thus rose by 0.8 percentage point to 20.2%. We currently seek to hedge fluctuations in exchange rates by matching 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. Hedging means that fluctuations in the exchange rates 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 out net receivables. At year-end 2009, we had entered into forward exchange contracts with a repurchase value of DKK 701 million (DKK 1,341 million at 31 December 2008) and a market value of DKK -13 million (DKK 51 million at 31 December 2008). The major contracts hedged the following currencies at 31 December 2009:

Forward exchange contracts at 31 December 2009

Currency	Hedging period	Hedging rate
USD	5 months	520
JPY	8 months	5.65
PLN	16 months	163
AUD	11 months	423
EUR	1 month	748
GBP	4 months	826
CAD	6 months	480

In the period under review, consolidated net financials aggregated DKK -94 million against DKK -139 million in 2008. The improvement in net financials mainly reflects a lower interest-bearing debt, a lower interest rate level and foreign exchange conditions.

Consolidated profits before tax amounted to DKK 1,055 million in 2009, or an increase of 17% on 2008. Tax on the year's profits amounted to DKK 260 million, matching an effective tax rate of 24.7% (24.4% in 2008). Earnings per share (EPS) were DKK 13.6, which is a rise of over 17% on last year. The average number of treasury shares was reduced by 35,083 shares compared with 2008.

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

Equity and capital
At 31 December 2009, consolidated equity amounted to DKK 1,302 million (DKK 532 million at 31 December 2008), corresponding to an equity ratio of 28%. At year-end, the Parent's equity was DKK 1,688 million (DKK 976 million at 31 December 2008).

We have not bought back any shares in 2009 (DKK 428 million in 2008). The suspension of our share buyback programme in autumn 2008 is reflected in consolidated equity. We did not carry through any increases or reductions in share capital in 2009.

Consolidated equity

DKK million	2009	2008
Equity at the beginning of the year*	**532**	**426**
Exchange adjustments of subsidiaries	39	-59
Value adjustments of hedging instruments	-98	-35
Buyback of shares	0	-428
Profit for the year	795	682
Other adjustments	35	2
Minority interests	0	-56
Equity at year-end	**1,302**	**532**

** Equity at the beginning of the year has changed due to changes in accounting policies, see page 30.*

Consolidated cash flows
In 2009, consolidated cash flows from operating activities were DKK 950 million, which is approx. 15% above the level of 2008. There was a shift in payment of VAT and tax from the first to the second half-year. In the period under review, the Group paid DKK 208 million in corporation tax, of which DKK 144 million was paid in Denmark.

Free cash flows amounted to DKK 656 million, or an increase of DKK 68 million on 2008.

Cash flows by main items

DKK million	2009	2008
Profit for the year	**795**	**682**
Cash flows from operating activities	950	828
Cash flows from investing activities	-294	-240
Free cash flows	**656**	**588**
Acquisitions	-287	-216
Buyback of shares	0	-428
Other financing activities	8	-29
Net cash flows for the year	**377**	**-85**

Cash flows to investing activities (excluding acquisitions) totalled DKK 294 million in 2009 against DKK 240 million in 2008. The amount primarily includes net investments in property, plant and equipment worth DKK 181 million, which matched our expectations at the start of the year of investments to the tune of DKK 180-200 million. In 2010, we expect an ordinary level of investment matching that of 2009. In connection with the establishment of a new domicile for Oticon Inc. in the USA, we expect to incur extraordinary investment costs in the magnitude of DKK 100 million in total from 2010 through 2012.

In 2009, we took over all or part of the activities in a number of minor distribution businesses, primarily in North America and Australia. At 1 October 2009, we also acquired the diagnostic brand of Grason-Stadler including its related operating assets. For the year as a whole, the cash acquisition sum was DKK 287 million.

In 2009, other financing activities amounted to DKK 8 million (DKK -29 million in 2008), covering service payments on long-term liabilities and payment of minority interests with the addition of the year's proceeds from loans raised in the amount of DKK 97 million.

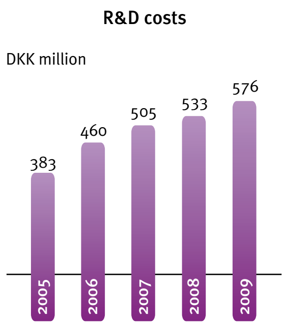
Balance sheet

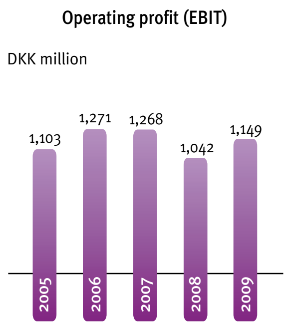
At 31 December 2009, the consolidated balance sheet was DKK 4.6 billion, an increase of 18% on the balance sheet total at the end of 2008. The balance sheet total includes a positive exchange impact of about 3%.

The significant growth in consolidated goodwill, which amounted to DKK 786 million at the end of 2009 (DKK 400 million at end-2008), relates to the acquisition of distribution businesses and Grason-Stadler.

Our loans to corporate customers and business partners totalled DKK 265 million at year-end, which is an increase of approx. DKK 64 million on last year, and we expect a further increase for 2010.

Our working capital rose due to growth in inventories and trade receivables. This trend is among other things due to exchange fluctuations and growth in sales.





Consolidated interest-bearing debt was reduced by DKK 265 million in 2009, mainly because we did not buy back any shares in 2009.

We increasingly use interest swaps to minimise the uncertainties relating to the development in interest rates and resulting interest expenses. Non-realised losses on interest swaps to the tune of DKK 55 million contributed to an increase in non-realised losses on financial contracts.

From the balance sheet date and up until today, there have been no events to change the assessment of the annual report.

Directors and employees

At the annual general meeting on 26 March 2009, Lars Nørby Johansen, Peter Foss and Niels B. Christiansen were re-elected, and Thomas Hofman-Bang, President and CEO of NKT Holding A/S, was elected new member of the Board of Directors. Michael Pram Rasmussen chose not to stand for re-election. After the general meeting, the Directors elected Lars Nørby Johansen Chairman and Peter Foss Deputy Chairman of the Board of Directors.

The Group employed 5,833 staff at year-end (5,542 in 2008), of whom 1,577 were employed in Denmark (1,627 in 2008). The average number of employees (full-time equivalent) was 5,674 in 2009 (5,383 in 2008). Revenue per Group employee amounted to DKK 1,005,000.

Throughout 2009, our many employees have made a great effort, thereby ensuring corporate progress through their commitment and professionalism. We therefore extend our warm thanks to all our staff, whose work and dedication will also be the key to our success in the years to come.

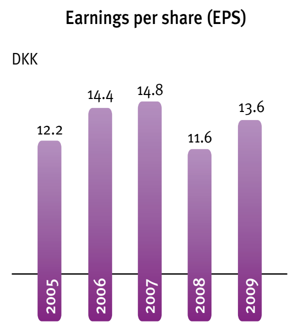
Incentive programmes

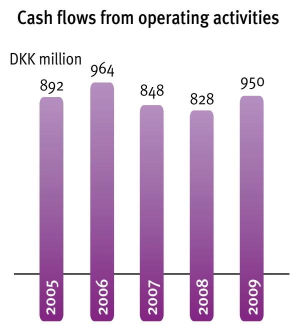
At two- or three-year intervals, we have offered our employees the chance to buy shares at a favourable price depending on their salary and seniority. The shares are subsequently held on trust for five years. The most recent *employee share ownership plan* was carried through in 2006. Since 2008, we have offered employees liable to pay tax in Denmark to participate in *salary sacrifice arrangements*. For 2010, we are planning to offer foreign employees, who cannot participate in such salary sacrifice arrangements, the opportunity to acquire shares under an employee share ownership plan. We estimate this initiative to affect our cost base by DKK 15 million in 2010. Once the specific criteria and conditions of the allotment and subscription of employee shares have been determined, the Company will make a separate announcement.

We have no share option plans or similar arrangements.

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 competences 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 micro-mechanic components.

The Group's products are made in cooperation 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 competences 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.

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

The Oticon Foundation
The primary goal of William Demant Holding's main shareholder, the Oticon Foundation, is to safeguard and expand the William Demant Holding Group's business and provide support for various commercial and charitable purposes with particular focus on the field of audiology. 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. At 11 March 2010, the Foundation owns approx. 60% of the shares in William Demant Holding.

Sound liquidity and a satisfactory free float are important to obtain fair pricing of our shares at NASDAQ OMX Copenhagen. In autumn 2005, the Oticon Foundation consequently announced that in future it would strive to retain an ownership share of 55-60% against previously 60-65% through, if necessary, the sale of shares in the market. The sale of shares by the Foundation is independent of any share buyback programmes.

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 which are 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 on behalf of the Foundation and currently follow up on such investments. The cooperation 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 in William Demant Holding A/S, the Foundation's investment activities are mainly handled by William Demant Invest A/S, a company wholly owned by the Oticon Foundation.

Since 2004, the Oticon Foundation has – through William Demant Invest – made significant investments in the property company Jeudan A/S listed on NASDAQ OMX Copenhagen and in the medical company Össur hf. listed on NASDAQ OMX Iceland hf. The Össur share was also listed on NASDAQ OMX Copenhagen in 2009.

Outlook for 2010
Our long-term forecasts for unit growth in the global hearing aid market remain unchanged at a level of 2-4%, which is also the rate of growth expected for the underlying market in 2010. However, in future we expect to see higher fluctuations in average wholesale prices than we have seen previously, but in the long term, we forecast increases of about 1-2%. In 2010, average wholesale prices in the market are expected to contribute neutrally or slightly negatively to market growth depending on the competition and product launches by our competitors during the year.

At the end of 2009, both Oticon and Bernafon were selected as suppliers to Veterans Affairs (VA) in the USA, and the cooperation with VA is already well under way. Right from the start of 2010, Oticon has also had its introduction of Oticon Agil in place. Agil is a new generation of wireless high-end hearing aids featuring the most sophisticated signal processing concepts on the market. Against this backdrop, we expect trends in corporate wholesale of hearing aids in 2010 to exceed market growth by 3-5 percentage points in terms of value. Together with the effect of retail business acquisitions, this will match an improvement of our share of the wholesale market of about 1 percentage point in 2010.

In 2010, corporate retail activities are estimated to grow in step with trends in the underlying market to which should be added the effect of acquisitions. In Diagnostic Instruments, we forecast moderate single-digit growth in 2010 in an otherwise flat market to which should be added a positive effect on revenues to the tune of DKK 60-70 million from the acquisition of Grason-Stadler. For Personal Communication, we foresee a gradual return to normal market conditions in our various areas of activity, and despite the weak development in 2009, Personal Communication is generally expected to generate positive growth in revenues in 2010.

Based on average exchange rates in February 2010, we expect positive exchange effects on revenues of 3% and on operating profits (EBIT) of 1-2% for 2010.

Overall, we forecast fair growth in both consolidated revenues and operating profits (EBIT) in 2010. The profit margin for 2010 will depend on the composition of realised sales, particularly the distribution of wholesale and retail sales and of organic growth and acquisitions.

The Group's current investments in property, plant and equipment are estimated at DKK 180-200 million for 2010. Moreover, we expect to invest some DKK 100 million from 2010 through 2012 in connection with the planned establishment of a new domicile for Oticon Inc. in the USA. However, at this point we have not yet finally clarified how the DKK 100 million will be distributed over the three financial years.

Our effective tax rate for 2010 is expected to be about 25%, which matches the Danish corporation tax rate.

In continuation of our decision in autumn 2008 to temporarily suspend the buyback of shares, consolidated cash flows have largely been used to settle debt on a continuous basis, and we expect to continue to settle debt in 2010, however depending on current consolidated cash flows and acquisitions, if any. During the next few months, we will review the Group's capital structure and in doing so, also decide whether or not to resume the share buyback programme. The result of such considerations will be announced on the presentation of our Interim Report 2010.

Shareholder information

Søren B. Andersson   Morten Lehmann Nielsen   Stefan Ingildsen

Capital

At 31 December 2009, the Company's authorised share capital was nominally DKK 58,956,257 divided into as many shares of DKK 1. The shares are not divided into classes and have the same rights.

William Demants og Hustru Ida Emilies Fond (the Oticon Foundation) has notified the Company that at 31 December 2009, the Foundation holds approx. 60% of the share capital. On 9 October 2009 and 5 February 2010, respectively, Fidelity International and Marathon Asset Management LLP notified the Company that they each hold more than 5% of the share capital. ATP, including ATP Invest, notified the Company on 11 June 2009 that they have reduced their owner's share and now hold less than 5% of the share capital.

About three fourths of the Group's around 5,800 employees are shareholders in the Company. Shares held by employees and by members of the Board of Directors and the Executive Board account for approx. 2% of the share capital in total.

Unlike previous years, the Company has not bought treasury shares in 2009, nor has it increased its share capital in 2009. At year-end 2009, the Company held 606,382 treasury shares, or 1.0% of the share capital, which was also the case at 11 March 2010.

Share information

DKK	2005	2006	2007	2008	2009
Highest rate	355	504	583	478	396
Lowest rate	256	343	407	158	167
Rate, year-end	350	459	471	218	393
Market capitalisation*	22,315	28,274	28,063	12,858	23,140
Average no. of shares**	65.03	62.75	60.62	58.77	58.31
No. of shares, year-end**	63.79	61.60	59.58	58.31	58.35

* DKK million
** Million shares excluding treasury shares

Specification of movements in share capital

DKK in thousands	2005	2006	2007	2008	2009
Share capital at 1.1.	67,515	65,569	63,323	60,986	58,956
Capital increase	0	139	0	0	0
Capital reduction	-1,946	-2,385	-2,337	-2,030	0
Share capital at 31.12.	**65,569**	**63,323**	**60,986**	**58,956**	**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 empowerment is 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 have the Company 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 Copenhagen.

Dividend

At the general meeting, the Directors will, as in prior years, propose that all profits for the 2009 financial year be retained. Our Directors previously decided that any excess liquidity was to be used for the buyback of shares. However, the global financial crisis and the recession combined with our wish to be able to benefit from any acquisition opportunities mean that this practice was suspended in autumn 2008. Over the next few months, we will review the consolidated capital structure, including any share buyback programmes, and announce the result of our considerations on the presentation of our Interim Report for 2010.

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 2009, the Company made two 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 entered 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 Copenhagen. 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 participants to promote a basis for the fair pricing of Company shares – pricing that currently reflects corporate strategies, financial capabilities and prospects for the future. The flow of information will 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 2009, we held approx. 280 meetings and presentations attended by approx. 560 analysts and investors.

The Company also uses its website www.demant.com for communication with the stock market. The website provides more information about the Group and its business activities.

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

Main Company announcements in 2009

10 March	Annual Report 2008
10 March	New products at AAA and establishment of Oticon Medical
26 March	Annual general meeting
12 May	Interim information, first quarter 2009
19 August	Interim Report 2009
16 November	Interim information, third quarter 2009

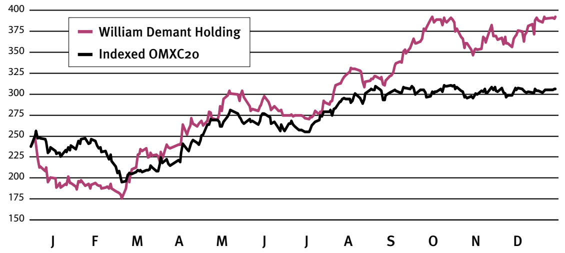
Financial calendar 2010

11 March	Annual Report 2009
7 April	Annual general meeting
12 May	Interim information, first quarter 2010
10 June	Capital market day
17 August	Interim Report 2010
16 November	Interim information, third quarter 2010

General meeting

The annual general meeting will be held on Wednesday, 7 April 2010, at 4 p.m. at the Company's head office Kongebakken 9, 2765 Smørum, Denmark.

Share price development 2009



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. In 2009, the Company was less impacted by the financial crisis than the year before, and we therefore estimate that the risks to which the Company may be exposed are now back on a more normal level. 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.

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 patent 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 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 groundbreaking 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 focuses 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 Company 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 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.

Effect on EBIT, 5% exchange rate change*

DKK million	31.12.2009	31.12.2008
USD	25	25
GBP	10	20
CAD	10	15
AUD	10	10
JPY	5	5

** Estimated. On a non-hedged basis, i.e. 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 currency exchange is 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 exchange as well as any change in net receivables (receivables, payables and bank balances). Average exchange rates from January 2010 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 impact

DKK million	31.12.2009	31.12.2008
USD	9	3
GBP	5	6
CAD	5	5
AUD	6	4
JPY	1	1

Interest rate risks
At present, the Group has limited debts compared with the volume of its activities and uses interest rate swaps to hedge interest rates.

Based on net debt at year-end 2009, a climb of 1 percentage point in the general interest rate level will increase consolidated annual interest expenses before tax by approx. DKK 3 million.

Credit risks
Corporate credit risks relate primarily to trade receivables. Our customer base is fragmented, and credit risks only involve minor losses on individual customers. Together, our five largest customers account for less than 10% of total consolidated revenues. In our opinion, we 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 the credit risk of such deposits is considered to be 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, the Group has committed lending facilities with our two primary bankers worth a total of DKK 900 million. We are of the opinion that the Group has a strong cash flow and satisfactory credit rating to secure the current inflow of working capital and funds for potential acquisitions.

Financial reporting process and internal control
Once a year, we carry through a very detailed planning and budgetary process, and any deviations from the plans and budgets resulting from this process are carefully monitored month by month. In terms of sales and costs, months develop in a very similar fashion, so with the repetitive nature of our business, even minor deviations will become visible fairly quickly.

To ensure high quality in the Group's financial reporting systems, the Board of Directors and Executive Board have adopted policies, procedures and guidelines for financial reporting and internal control to which the subsidiaries and reporting units must adhere, including:

- Continuous follow-up on results achieved compared to the approved budgets
- Policies for IT use, insurance, cash management, procurement etc.
- Reporting instructions as well as reporting and finance manuals

The responsibility for maintaining sufficient and effective internal control and risk management in connection with the financial reporting lies with the Executive Board.

Safeguarding corporate assets
Management continuously seeks to minimise any financial consequences of damage to corporate assets, including any operating losses incidental to potential damage. We current invest in security and surveillance systems to prevent damage and to minimise such damage, should it arise. Major risks, which cannot be adequately minimised, are identified by the Company's Management who will on a continuous basis ensure that appropriate insurance policies are taken out under the Group's 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 identified risks.

The Directors are regularly briefed on 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 governance

Corporate responsibility
Setting high ethical standards in our way of doing business is an integral part of William Demant Holding's mission. Within our natural sphere of interest, we are committed to doing our part to help tackle social and environmental challenges beyond the obligations imposed on us by Danish law.

We have just recently joined the UN *Global Compact* initiative, pledging our Group to comply with and promote the principles of human and labour rights, environmental protection and anti-corruption. Our joining this initiative is based on a wish to further systematise our work with corporate responsibility and to incorporate these efforts into a recognised global framework.

In 2009, we have intensified our work on corporate responsibility and also stepped up our communication in respect of the outcome of such work.

At strategic level, we have adopted 14 principles, outlining Management's approach to business ethics, the environment including work environment, human rights and good corporate governance. We have also formulated a comprehensive business ethics policy, consisting of a set of rules and guidelines outlining our approach to how – from an ethical point of view – we run our business and interact with our customers. We have furthermore adopted an extensive code of conduct for our suppliers, which we are in the process of implementing throughout the Group. At this point, over 100 suppliers of components and packaging have pledged to adhere to this code of conduct.

The most significant operational focus areas in 2009 were purchasing procedures and the environmental impacts of corporate activities. Based on our updated code of conduct, human and labour rights, environmental protection and anti-corruption are some of the formal criteria on which we base our selection and current evaluation of new suppliers. In accordance with our formal procedure for approving potential suppliers, an audit must be carried out if there is a risk that a potential supplier does not comply with our code of conduct. When evaluating suppliers, we naturally concentrate on conditions that need improvement before the Group can enter into or expand a cooperation on the delivery of for instance hearing aid components.

The Group has a zero tolerance policy in certain areas such as child labour and forced labour, and we have strict criteria for compliance with other international conventions. This means that a potential supplier must live up to our criteria before business relations can be established. Basically, suppliers are responsible for remedying any deficiencies, but solutions are often found in consultation with the Group. Our organisation in China, for example, which is responsible for purchasing components in Asia, has a lot of experience incorporating corporate responsibility into our current co-operation with suppliers.

The environmental impact of the maufacture of Group products is limited: firstly, it is in the nature of things that very few materials are used for the manufacture of hearing aids as the major part of corporate production is the assembly of finished components. Secondly, we have worked on making unit packaging uniform, which will further reduce the use of resources. And thirdly, considering that we are manufacturers, our use of energy is fairly low with an annual carbon dioxide (CO_2) emission of about 3.5 tonnes per employee in Denmark and Poland. Over 80% of corporate carbon dioxide emissions derive from the use of electricity, some 10% from the heating of buildings and approx. 7% from company cars. In 2009, we mapped energy consumption in selected locations to identify areas in which the consumption of electricity could be reduced further.

Principles, policies and detailed information on our corporate responsibility efforts are available on the Group's website under *About Us, CSR*. William Demant Holding has also chosen to report on corporate carbon dioxide emissions and climate strategies through the *Carbon Disclosure Project* (CDP), thus enabling investors to compare corporate carbon dioxide emissions and their impact on our business with figures from other companies.

The number of enquiries from investors and other key stakeholders in relation to our corporate responsibility policies rose moderately in 2009, and we expect this trend to continue. With our participation in the CDP and our *Global Compact* commitment, we wish to emphasise that we will prioritise and further develop these activities over the next few years.

Corporate governance
The following review of Corporate governance in combination with parts of the Risk management activities section meets the provisions of section 107b of the Danish Financial Statements Act that Management's review must include a statement on management.

William Demant Holding's Board of Directors and Executive Board consider corporate governance an ongoing process and regularly assess whether amendments to the Company's articles of association or managerial processes are required. The Board of Directors currently considers the *Corporate Governance Recommendations 2005*, which are part of the disclosure requirements laid down by NASDAQ OMX Copenhagen. Drawn up by the *Committee on Corporate Governance* under the auspices of NASDAQ OMX Copenhagen, the recommendations were most recently updated on 6 February and 10 December 2008. 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*.

The Company's Management follows the development in this area fairly closely and is aware that the recommendations are currently undergoing a major revision. It is expected that the Committee's work to that effect will be completed in spring 2010 after which a revised set of recommendations will be published.

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 as a rule to be used for the continuous buyback 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 and the ensuing recession 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 buyback programme for the time being.

As on 11 March 2010, the Company's principal shareholder, *William Demants og Hustru Ida Emilies Fond* (the Oticon Foundation) holds approx. 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
All 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, most of the 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 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 competences of the individual Directors that might be relevant to the duties of the Director, 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. As on 11 March 2010, all Directors are shareholders in the Company. The Board of Directors has chosen not to specify the holding of shares in the Company held by the Directors, 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.

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. The next staff election will take place in 2011. Staff-elected Directors are elected in accordance with the provisions of the *Danish Public 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'sremuneration

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.

As of 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 discussed the general framework relating to the role and function of an audit committee and decided to let the entire Board of Directors perform this task. The Directors have taken the Company's business activities, the size of the Board and 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.

Audit

The audit fee is agreed with the auditor prior to a financial year and is subject to approval by the audit committee. 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.

Risk management

For many years, the hearing aid market has been stable with a limited number of players. 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 22.

Amendments to articles of association

The adoption of a resolution to make amendments to articles other than those listed in section 107 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

Report on the consolidated financial statements and parent financial statements

We have audited the consolidated financial statements and parent financial statements of William Demant Holding A/S for the financial year 1 January – 31 December 2009, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group as well as the Parent and the consolidated statement of cash flows. The consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards* as adopted by the EU, and the parent financial statements have been prepared in accordance with the *Danish Financial Statements Act*. Further, the consolidated financial statements and parent financial statements have been prepared in accordance with additional Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and parent financial statements

Management is responsible for the preparation and fair presentation of consolidated financial statements and parent financial statements in accordance with *International Financial Reporting Standards* as adopted by the EU in respect of the consolidated financial statements, in accordance with the *Danish Financial Statements Act* in respect of the parent financial statements, and in accordance with additional Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and parent financial statements that are 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 these consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with Danish and *International Standards on Auditing*. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and parent financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of consolidated financial statements and parent financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management as well as evaluating the overall presentation of the consolidated financial statements and parent financial statements.

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 qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2009 and of its financial performance and its cash flows for the financial year 1 January – 31 December 2009 in accordance with *International Financial Reporting Standards* as adopted by the EU and additional Danish disclosure requirements for listed companies.

Further, in our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2009, and of its financial performance for the financial year 1 January – 31 December 2009 in accordance with the *Danish Financial Statements Act* and additional Danish disclosure requirements for listed companies.

Statement on the management report

Management is responsible for preparing a management report that contains a fair review in accordance with the *Danish Financial Statements Act*.

Our audit did not include the management report, but we have read it pursuant to the *Danish Financial Statements Act*. We did not perform any procedures other than those performed during the audit of the consolidated financial statements and parent financial statements.

Based on this, we believe that the disclosures in the management report are consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 11 March 2010

Deloitte
Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen
State Authorised Public Accountant

Kirsten Aaskov Mikkelsen
State Authorised Public Accountant

Signatures

Management statement

We have today presented the Annual Report 2009 of William Demant Holding A/S for the financial year 1 January – 31 December 2009.

The consolidated financial statements are presented in accordance with *International Financial Reporting Standards* as adopted by the EU, and the parent financial statements are presented in accordance with the *Danish Financial Statements Act*. Further, the Annual Report 2009 is prepared in accordance with additional Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2009 as well as of their financial performance and their cash flows for the financial year 1 January – 31 December 2009.

We also believe that the management report contains a fair review of the development in the Group's and the Parent's business and of their financial position as a whole together as well as a description of the principal risks and uncertainties that they face.

We recommend the Annual Report 2009 for adoption at the annual general meeting.

Smørum, 11 March 2010

Executive Board:

Niels Jacobsen
President & CEO

Board of Directors:

Lars Nørby Johansen
Chairman

Peter Foss
Deputy Chairman

Niels B. Christiansen

Susanne Fredsø

Thomas Hofman-Bang

Ivan Jørgensen

Ole Lundsgaard

Board of Directors and Executive Board

Board of Directors

Lars Nørby Johansen (born 1949), Chairman
CAT Invest I A/S, chairman of the board
Falck A/S, chairman of the board
Georg Jensen A/S, chairman of the board
OMI People A/S, chairman of the board
DONG Energy A/S, deputy chairman of the board
Codan A/S, director
Index Award A/S, director
The Danish Growth Council, chairman
Lars Nørby Johansen joined the Board of the Company in 1998 and is considered an independent Director.

Peter Foss (born 1956), Deputy Chairman
FOSS A/S, President & CEO plus chairman of the board in two subsidiaries
The Oticon Foundation, deputy chairman of the board
N. Foss & Co. A/S, deputy chairman of the board
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 (born 1966)
Danfoss A/S, President & CEO plus directorships in seven subsidiaries
Axcel II og III, chairman of the board
Sauer Danfoss Inc., deputy chairman of the board
B&O A/S, director
TrygVesta A/S, director
Niels B. Christiansen joined the Board of the Company in 2008 and is considered an independent Director.

Ivan Jørgensen (born 1967), PhD, Electronic Engineering
Oticon A/S, Director of Product Development, Platform
Staff representative
Ivan Jørgensen joined the Board of the Company in 2005.

Susanne Fredsø (born 1961)
Oticon A/S, Thisted
3F Thy-Mors, director
Staff representative
Susanne Fredsø joined the Board of the Company in 2007.

Ole Lundsgaard (born 1969), Electronics Mechanic
Diagnostic Instruments, technical support specialist
Staff representative
Ole Lundsgaard joined the Board of the Company in 2003.

Thomas Hofman-Bang (born 1964)
NKT Holding A/S, President & CEO plus chairman of the board in three subsidiaries
NeuroSearch A/S, chairman of the board
Committee on Corporate Governance, member
Thomas Hofman-Bang joined the Board of the Company in 2009 and is considered an independent Director.

Executive Board

Niels Jacobsen (born 1957), 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 of the board
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 2009, the Board of Directors convened on six occasions.

Accounting policies

General
The consolidated financial statements are presented in compliance with *International Financial Reporting Standards* as adopted by the EU, and the financial statements for the Parent are presented in accordance with the provisions of the *Danish Financial Statements Act* for class D entities. Further, the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports published by listed companies as formulated by NASDAQ OMX Copenhagen and in accordance with 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.

The Group's financial statements and the Parent's financial statements are presented in Danish kroner (DKK), which is considered the primary currency for our corporate activities and the functional currency for the Parent.

The Group's accounting policies remain unchanged compared with previous years, except from the implementation of change to IAS 38.

Effect of change in accounting policies
The implementation of amendments to IAS 38 means that the Group will recognise marketing materials at the time when the Group has access to such material. Previously, the Group recognised such costs at the time of distribution to customers.

The amendment is implemented with retroactive effect in compliance with the interim provisions and caused a reduction in inventories at 1 January 2008 of DKK 11.9 million and a reduction in deferred tax of DKK 3.0 million, resulting in a net adjustment of retained earnings of DKK 8.9 million. The effect at 31 December 2009 was a reduction of inventories of DKK 11.4 million (DKK 11.9 million per 31 December 2008), a reduction of deferred tax of DKK 2.9 million (DKK 3.0 million per 31 December 2008) and a reduction in retained earnings of DKK 8.5 million (DKK 8.9 million per 31 December 2008).

In light of the above changes in accounting policies, the balance sheet figures and the statement of changes in equity with relevant note 11 *Deferred tax* and note 12 *Inventories* are shown with three years' comparative and restated figures. All other notes remain unchanged compared with previous annual reports to which reference is made. The calculation of earnings per share and diluted earnings per share remains unchanged. The key figures and financial ratios have been adjusted.

Effect of new accounting standards
As of 1 January 2009, we have implemented IFRIC 13 and 16 as well as amended standards IAS 1, 23, 38 and 39 and IFRS 7 and 8.

IAS 1, *Presentation of financial statements*, has caused a change in the presentation of primary statements of accounts with the incorporation of a statement of comprehensive income for the period under review and a resulting adjustment of the statement of changes in equity.

Changes in IFRS 7, *Financial instruments: Disclosures*, place higher demands on information on fair value.

IFRS 8, Operating segments, according to which segment reporting is based on internal management reporting, has not affected the segmental composition of the Group.

The amended accounting standards and new interpretations have not resulted in any changes in our accounting policies or in the computation of earnings per share or diluted earnings per share, except IAS 38 as mentioned previously.

Amended or new standards (IAS 24, 27 and 39 as well as IFRS 3 and 9) and interpretations (IFRIC 14), which have been published, but are not yet effective on publication of the annual report, have not been incorporated into this annual report. Only amendments to IAS 27 and 39, IFRS 3 and IFRIC 17 have been adopted by the EU. In Management's opinion, any future implementation of these standards and interpretations will not materially affect the annual report.

Accounting estimates and assumptions
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 therefore re-valued on a current basis. Actual figures may however 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 assessments concerning development costs, business combinations as well as the valuation of long-term assets, inventories, receivables and payables.

In our opinion, the product development undertaken by our Group today cannot meaningfully be allocated to either the development of new products or the further development of existing products. As our 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 companies in which the Parent can or actually does exercise a controlling interest by either directly or indirectly holding more than 50% of the voting rights, or in which the Parent in some other manner has a controlling interest.

The consolidated financial statements have been prepared on the basis of the financial statements for the Parent and its subsidiaries by aggregating uniform items. In case of pro rata consolidation, the consolidated financial statements also include companies which are, by agreement, managed jointly with one or more companies. Intra-Group income, expenditure, shareholdings, accounts and dividends as well as non-realised intra-Group profits on inventories are eliminated.

Companies, 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.

The accounting items of subsidiary companies are recognised 100% in the consolidated financial statements. The proportionate share of profits for the year of minority interests is included in consolidated profits for the year and as a separate portion of consolidated equity. Comprehensive income is allocated to minority interests whether or not, as a result hereof, the value of such interests is negative.

Business combinations
Newly acquired or newly established subsidiaries or associates are recognised in the consolidated financial statements from the time of acquisition or formation. The time of acquisition is the date when control is actually taken over. Companies either divested or discontinued are recognised up until the date of divestment or discontinuation. The date of divestment is the date when control is actually transferred to a third party. In respect of newly acquired companies, comparative figures and key figures have not been restated.

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

The cost of an acquired company includes the fair value of the consideration paid and the costs directly attributable to the acquisition. If the final consideration sum 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 achieving 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.

Profit or loss from the sale or disposal of subsidiaries or associates
Profits or losses from the sale or disposal of subsidiaries or associates, resulting in the Group no longer having a controlling or significant interest, will be computed as the difference between the fair values of the proceeds or disposal sum and the fair values of any minority interests. Any such profits or losses will be recognised in the income statement together with any accumulated exchange adjustments previously recognised in other comprehensive income.

Translation of foreign currency
On initial recognition, transactions in foreign currency are translated at the exchange rates prevailing at the transaction date. The functional currencies of foreign companies are determined by the economic environment in which they operate (normally the local currency).

Receivables, payables and other monetary items in foreign currency are translated into Danish kroner at the rates prevailing at the balance sheet date. Realised and non-realised exchange adjustments are recognised in the income statement under gross profit or net financials, 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 exchange rates prevailing at the transaction date. Non-monetary items, which are re-valued at their fair values, are translated using the exchange rates at the revaluation date.

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

Exchange adjustments, arising from the translation at the beginning of the year of balance sheet items of foreign companies at the exchange rates prevailing at the balance sheet date and from the translation of income statement items at the rates of exchange prevailing at the transaction date to the rates of exchange at the balance sheet date, are recognised in other comprehensive income. Exchange adjustments, resulting from changes made directly in the equity of a foreign company, are also recognised in other comprehensive income.

Exchange adjustments of intra-Group accounts, which are considered additions to or deductions from the total investment in the particular company, are recognised directly in other comprehensive income.

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.

Forward exchange transactions and interest swaps are measured according to commonly recognised valuation methods based on relevant observable swap curves and exchange rates.

Any changes in fair values of derivative financial instruments classified as and satisfying the criteria for hedging 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.

Any changes in fair values of derivative financial instruments classified as and satisfying the conditions for effective hedging of future transactions are recognised directly in other comprehensive income. The ineffective portion is recognised directly in the income statement. On realisation of the hedged transactions, the accumulated changes will be recognised as part of the cost of the particular transactions.

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

Revenues are measured at fair value of the agreed consideration excluding charges. Any discounts and returned goods are set off against revenues.

Revenues from agency-like business are measured at the value of the agency commission.

Production costs
Production costs are costs paid to generate revenues. Commercial firms recognise cost of sales under production costs. Manufacturers recognise cost of raw materials, consumables, production staff, 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
Research and development costs include all costs that do not satisfy capitalisation criteria relating to research and development, prototype construction, development of new business concepts and the depreciation and amortisation of capitalised research and development costs.

Distribution costs
Distribution costs include costs relating to training, sale, marketing, promotion materials, distribution, bad debts, 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 and also include interest on financial leases, amortisation of financial assets and liabilities as well as certain realised and non-realised exchange gains and 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 or in other comprehensive income. Exchange adjustments of deferred tax are recognised as part of the year's adjustments of deferred tax.

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

Deferred tax is recognised using the balance-sheet liability method on any temporary differences between the tax base of assets and liabilities and their carrying amounts except for deferred tax on temporary differences arisen either on initial recognition of goodwill or on initial recognition of a transaction that is not a business combination, and where the temporary difference on initial recognition affects neither net profits nor taxable income.

Deferred tax is computed on the basis of the tax rules and rates prevailing at the balance sheet date in the particular countries. The effect on deferred tax of any changes in tax rates is included 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 or in other comprehensive income. The tax base of a loss, if any, which may be set off against future taxable income, will be carried forward and set off against deferred tax in the same legal tax entity and jurisdiction. Deferred tax assets, including the tax value of any loss carry-forwards, are recognised in the balance sheet at the estimated realisable value of such assets either by a set-off against a deferred tax liability or as a net asset to be set off against future positive taxable income. At the balance sheet date, an assessment is made as to whether it is probable that sufficient taxable income will be available in future against which the deferred tax asset can be utilised.

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 probably 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 and losses.

The Parent is jointly taxed with its Danish subsidiaries and the Danish affiliated company William Demant Invest A/S. Current corporation tax is allocated to the jointly taxed Danish companies 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, liabilities and contingent liabilities acquired, 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 tested for impairment at least once a year. If the recoverable amount of a cash-generating unit exceeds the carrying amounts of the property, plant and equipment and intangible assets, including goodwill, allocated to the particular cash-generating unit, such assets will be written down.

Goodwill acquired before 1 January 2002 was written off immediately 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, 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 amortisation and impairment losses. Other intangible assets are amortised on a straight-line basis over their estimated useful lives of 3-5 years. Intangible assets with non-definable useful lives are however not amortised, 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 until the particular asset is ready for use. As regards assets produced by the Group, cost includes all costs directly attributable to the production of such assets, including materials, components, sub-supplies and payroll. Cost in respect of financially leased assets is calculated as the fair value or the present value of future lease payments, whichever is lower.

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 restoration 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 could upon deduction of cost of sales be obtained through the sale of the asset today, such asset already having the age and being in the state of repair expected after the end of its useful life. The residual value is determined at the time of acquisition and is 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 facilities and machinery	3-5 years
Other plant, 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, intangible assets and interests in subsidiary companies and associates
The carrying amounts of property, plant and equipment and intangible assets with definite useful lives as well as carrying amounts of interests in subsidiary companies and associates are reviewed at the balance sheet date to determine whether there are indications 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 indications of impairment.

The recoverable amount is assessed for the smallest cash-generating unit that includes the asset. The recoverable amount is determined as the higher of the fair value of the asset or the cash-generating unit less cost of sales or the value in use of such asset or unit. On computation of the value in use, estimated future cash flows will be discounted at their present values by using a discount rate that reflects current market valuations of the time value of money and the special risks attaching to the particular asset or cash-generating unit for which no adjustment has been made in the estimated future cash flows. If the recoverable amount of a particular asset or cash-generating unit is 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 on which the calculation of the recoverable amount is based, the carrying amount of an asset or cash-generating unit is increased to the adjusted estimate of the recoverable amount, however not exceeding the carrying amount that would have been determined, had the particular asset or cash-generating unit not been impaired. 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 share of the equity value with the addition of the carrying amount of any goodwill. The Parent's proportionate shares of profits after tax of subsidiaries are recognised in the income statement after the year's changes in non-realised intra-Group profits and with the deduction of amortisation and impairment of 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 matching dividends have been paid by our subsidiaries prior to the next annual general meeting in the Parent.

In the consolidated financial statements, investments in associates are recognised on the same basis as investments in subsidiaries. Goodwill is however not amortised on recognition of profit or loss for the year in the consolidated financial statements. The proportionate shares of all transactions and events, which have been recognised under other comprehensive income in an associate, are recognised under the Group's other comprehensive income.

On the acquisition of interests in associates, the acquisition method is applied.

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

The determination of fair values is based on current market data, and recognised valuation methods are used for such computation.

Inventories
Raw materials, components and goods for resale are measured at the lower of cost or net market price. Group-manufactured products and work in progress are measured at direct cost, direct payroll costs, consumables and at a proportionate share of indirect production costs (IPO) and are subsequently allocated on the basis of the normal capacity of the production facilities. Indirect production costs (IPO) include the proportionate share of capacity costs directly relating to Group-manufactured products and work in progress.

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

The net realisation value of inventories is calculated as the estimated selling price after deduction of cost to complete and cost of sales.

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.

Prepayments and accrued expenses
Prepayments and accrued expenses recognised under assets include costs relating to the following financial year. Prepayments and accrued expenses are measured at cost.

Equity
Foreign currency translation reserve includes exchange differences on translation of financial statements of foreign subsidiaries or associates from their respective functional curren cies into Danish kroner. Foreign 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 acquisition or sale of treasury shares, the acquisition cost or divestment sum, respectively, is recognised directly in equity under distributable reserves. The reduction in capital through the 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, when such dividend will be recognised as a liability.

Pension benefit plans and similar commitments
The Group has pension benefit plans or similar commitments with some 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 annually of the accrued present value of future benefits payable under the benefit plan. The present value is calculated on the basis of assumptions in respect of the future development in wage levels, interest rates and inflation rates. The present value with deduction of 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. Differences between the estimated development of pension assets and liabilities and their realised values are termed actuarial gains or losses and are recognised directly in other comprehensive income. In the Parent, actuarial gains or losses are however recognised directly in the income statement.

Similarly, other long-term employee benefits are recognised using actuarial calculation. Actuarial gains or losses on such benefits are recognised directly in the income statement.

Provisions
Provisions are recognised where, as a result of an earlier event, the Group has a legal or actual liability and where the redemption of any such liability is likely to draw on corporate financial resources. The measurement on a discounted basis of provisions is based on Management's best estimate of the amount at which a particular liability may be redeemed. The discount effect of any differences in the present value of provisions during the financial year is recognised as a financial expense.

On the sale of products with a right of return, a provision is made in respect of the profit on products expected to be returned and of any costs connected with the return of such products. Warranty commitments include the obligation to remedy faulty or defective products in the warranty period.

Lease commitments
Lease commitments concerning finance leases are recognised in the balance sheet as a liability and are measured on signing of the particular lease at the lower of the fair value of the leased asset or the present value of future lease payments. After initial recognition, lease liabilities are measured at amortised cost. The difference between the present 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 leases are recognised on a straight-line basis in the income statement over the lease period.

Other financial liabilities
Debts to credit institutions are recognised at the date of borrowing at their proceeds after deduction of transaction 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 their fair values 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.

Prepayments and accrued income
Prepayments and accrued income recognised under liabilities include income received and pertaining to the following financial year. Prepayments and accrued income are measured at cost.

Cash flow statement
The cash flow statement is based on the indirect method and reflects the Group's consolidated net cash flows 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 companies and financial assets as well as the purchase, development, improvement or sale of intangible assets and property, plant and equipment.

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

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 working capital.

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

Segmental information
Based on the internal reporting model used by Management for the assessment of results and the use of resources, we have identified one operating segment, the *development, manufacture and sale of products and equipment designed to facilitate people's hearing and communication*, which complies with our approach to the organisation and management of activities.

Segmental information also includes a presentation by geographical distribution of revenues, assets and the acquisition of intangible assets and property, plant and equipment.

Income statement

PARENT 2008	PARENT 2009	Note	(DKK million)	GROUP 2009	GROUP 2008
0	**0**	1	**Revenue**	**5,701.2**	**5,373.7**
0	0	2/3	Production costs	-1,666.3	-1,648.3
0	**0**		**Gross profit**	**4,034.9**	**3,725.4**
0	0	2/3	Research and development costs	-576.0	-532.9
0	0	2/3	Distribution costs	-1,928.5	-1.798.2
-37.9	-38.7	2/3/4	Administrative expenses	-380.8	-354.4
0	0		Share of profit after tax, associates undertakings	-0.2	2.5
336.9	20.5		Income from subsidiaries	-	-
299.0	**-18.2**		**Operating profit (EBIT)**	**1,149.4**	**1,042.4**
721.0	790.0	10	Share of profit after tax, subsidiaries	-	-
26.8	28.2	5	Financial income	29.1	29.3
-94.7	-56.5	5	Financial expenses	-123.4	-168.7
952.1	**743.5**		**Profit before tax**	**1,055.1**	**903.0**
18.1	12.1	6	Tax on the year's profit	-260.2	-220.6
970.2	**755.6**		**Net profit for the year**	**794.9**	**682.4**
			Proposed distribution of net profit/Distribution of Group profit:		
970.2	755.6		Retained earnings/Shareholders of William Demant Holding A/S	794.9	682.4
970.2	**755.6**			**794.9**	**682.4**
		7	Earnings per share (EPS), DKK	13.6	11.6
		7	Diluted earnings per share (DEPS), DKK	13.6	11.6

Statement of comprehensive income

(Beløb i DKK mio.)	KONCERN 2009	KONCERN 2008
Net profit for the year	794.9	682.4
Foreign currency translation, foreign companies etc.	38.5	-59.2
Value adjustment of hedging instruments:		
Transferred to revenue	-59.4	-27.7
Value adjustment for the year	-38.5	-7.2
Value adjustment of other investments	0	-2.1
Actuarial gains/(losses) on defined benefit plans	8.5	-7.2
Tax on other comprehensive income	13.5	-3.1
Other comprehensive income after tax	-37.4	-106.5
Total comprehensive income	**757.5**	**575.9**
Distribution of comprehensive income for the year:		
Shareholders of William Demant Holding A/S	757.5	575.5
Minority interests	0	0.4
Comprehensive income for the year	**757.5**	**575.9**
Specification of tax on other comprehensive income:		
Foreign exchange adjustment relating to foreign companies	-5.0	-5.9
Value adjustment of hedging instruments transferred to the income statement	14.9	6.9
Value adjustment of hedging instruments	3.6	-4.1
Tax on other comprehensive income	**13.5**	**-3.1**

Balance sheet at 31 December

PARENT 2008	PARENT 2009	Note	Assets (DKK million)	GROUP 2009	GROUP 2008	GROUP 2007
0	0		Goodwill	785.6	400.1	222.5
0	0		Patents and licences	47.4	6.9	5.7
0	0		Other intangible assets	22.0	14.3	12.6
0	**0**	8	**Intangible assets**	**855.0**	**421.3**	**240.8**
24.2	24.0		Land and buildings	546.5	552.1	561.3
0	0		Plant and machinery	140.2	152.3	159.6
1.0	1.9		Other plant, fixtures and operating equipment	177.8	163.5	171.5
0	0		Leasehold improvements	88.9	72.8	70.9
0	0		Prepayments and property, plant and equipment in progress	23.4	9.6	14.2
25.2	**25.9**	9	**Property, plant and equipment**	**976.8**	**950.3**	**977.5**
1,646.8	1,586.3	10	Interests in subsidiaries	-	-	-
0	6.7	10	Interests in associates	13.9	1.6	1.5
581.5	1,061.5	10	Receivables from subsidiaries	-	-	-
1.4	1.4	10/17	Other investments	10.1	16.3	7.4
45.3	37.1	10/13/15/17	Other receivables	329.5	251.0	222.9
1.6	1.0	11	Deferred tax assets	146.2	160.8	134.6
2,276.6	**2,694.0**		**Other long-term assets**	**499.7**	**429.7**	**366.4**
2,301.8	**2,719.9**		**Total long-term assets**	**2,331.5**	**1,801.3**	**1,584.7**
0	0	12	Inventories	796.5	738.4	735.2
0	0	13/17	Trade receivables	1,196.0	1,072.1	1,106.9
0	0		Receivables from associates	5.8	0	0
9.9	1.1		Corporation tax	34.0	33.8	41.5
0.9	0.6	13/17	Other receivables	35.5	28.0	23.5
0	0	17/18	Unrealised gains on financial contracts	3.5	51.4	19.8
0.1	2.7		Prepayments and accrued expenses	71.7	47.7	51.1
0	0	15/17	Cash	151.9	141.7	151.2
10.9	**4.4**		**Short-term assets**	**2,294.9**	**2,113.1**	**2,129.2**
2,312.7	**2,724.3**		**Total assets**	**4,626.4**	**3,914.4**	**3,713.9**

Balance sheet at 31 December

PARENT 2008	PARENT 2009	Note	Liabilities (DKK million)	GROUP 2009	GROUP 2008	GROUP 2007
59.0	59.0		Share capital	59.0	59.0	61.0
916.9	1,629.4		Other reserves	1,243.1	472.6	356.3
975.9	1,688.4		William Demant Holding A/S' shareholders' share	1,302.1	531.6	417.3
-	-		Minority interests	0	0	8.6
975.9	**1,688.4**		**Total equity**	**1,302.1**	**531.6**	**425.9**
12.4	24.8	15/17	Interest-bearing payables	384.5	517.9	515.0
0	0	11	Deferred tax liabilities	58.1	53.4	40.6
63.4	62.3		Payables to subsidiaries	-	-	-
9.2	12.0	14	Provisions	135.4	137.0	126.3
0	0.1	16	Other payables	41.8	9.6	0
85.0	**99.2**		**Long-term payables**	**619.8**	**717.9**	**681.9**
1,074.9	784.2	15/17	Interest-bearing payables	1,617.8	1,749.6	1,623.3
0	0	17	Trade payables	221.8	219.4	232.4
0	0		Corporation tax	33.5	16.5	29.0
133.4	83.2		Payables to subsidiaries	-	-	-
0	0	14	Provisions	11.0	11.5	27.4
7.7	18.3	16/17	Other payables	593.8	507.1	587.2
35.1	49.5	17/18	Unrealised losses on financial contracts	71.4	45.0	2.0
0.7	1.5		Prepayments and accrued income	155.2	115.8	104.8
1,251.8	**936.7**		**Short-term payables**	**2,704.5**	**2,664.9**	**2,606.1**
1,336.8	**1,035.9**		**Total payables**	**3,324.3**	**3,382.8**	**3,288.0**
2,312.7	**2,724.3**		**Total liabilities**	**4,626.4**	**3,914.4**	**3,713.9**

19 Operating lease commitments
20 Contingent liabilities
21 Related parties
22 Acquisitions
23 Government grants
24 Non-cash items
25 Events after the balance sheet date

Cash flow statement

(DKK million)	Note	2009	2008
			GROUP
Operating profit (EBIT)		1,149.4	1,042.4
Non-cash items	24	176.9	187.3
Change in receivables etc.		-110.5	28.3
Change in inventories		-12.5	-17.2
Change in trade payables and other payables etc.		51.4	-30.8
Change in provisions		3.5	-14.9
Cash flow excluding net financials and corporation tax		**1.258.2**	**1,195.1**
Financial income etc. received		17.8	23.2
Financial expenses etc. paid		-118.0	-153.9
Corporation tax paid		-207.9	-236.7
Cash flow from operating activities (CFFO)		**950.1**	**827.7**
Acquisitions	22	-286.6	-216.4
Investment in intangible assets		-50.7	-2.8
Investment in property, plant and equipment	24	-194.4	-209.0
Disposal of property, plant and equipment		13.1	13.5
Investments in other long-term assets		-125.8	-83.0
Disposal of other long-term assets		63.5	41.2
Cash flow from investing activities (CFFI)		**-580.9**	**-456.5**
Repayment on long-term payables		-36.9	-139.5
Proceeds from borrowings	24	97.3	170.6
Payment of minority interests		-55.3	-61.6
Buy-back of shares		0	-427.9
Other adjustments		2.9	2.7
Cash flow from financing activities (CFFF)		**8.0**	**-455.7**
Cash flow for the year, net		**377.2**	**-84.5**
Net cash and cash equivalents at the beginning of the year		-1,503.5	-1,401.8
Foreign currency adjustment of net cash and cash equivalents		8.4	-17.2
Net cash and cash equivalents at the end of the year		**-1,117.9**	**-1,503.5**
Breakdown of net cash and cash equivalents at the end of the year:			
Cash	15	151.9	141.7
Interest-bearing, short-term bank debt	15	-1,269.8	-1,645.2
Net cash and cash equivalents at the end of the year		**-1,117.9**	**-1,503.5**

Statement of changes in equity

(DKK million)	Share capital	Other reserves: Foreign currency translation reserve	Hedging reserve	Retained earnings	Total equity
					PARENT
Equity at 1.1.2008	**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 changes 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 31.12.2008	**59.0**	**-109.9**	**-26.4**	**1,053.2**	**975.9**
Net profit for the year	-	-	-	755.6	755.6
Foreign currency adjustment of investments in subsidiaries etc.	-	38.3	-	-	38.3
Other changes in equity in subsidiaries	-	-	-	-82.7	-82.7
Value adjustment of hedging instruments	-	-	-14.4	-	-14.4
Tax related to changes in equity	-	-0.9	3.6	-	2.7
Sale of shares to employees	-	-	-	13.0	13.0
Equity at 31.12.2009	**59.0**	**-72.5**	**-37.2**	**1,739.1**	**1,688.4**

At year-end 2009, the share capital was nominally DKK 59.0 million (DKK 59.0 million in 2008) 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 2009, the number of shares on the market was 58,349,875 (58,314,792 in 2008), the Company's holding of treasury shares being 606,382 (641,465 in 2008).

Statement of changes in equity

PARENT

	2009		2008	
	Treasury shares (1,000 shares)	Percentage of share capital	Treasury shares (1,000 shares)	Percentage of share capital
Holding of treasury shares:				
Treasury shares at 1.1.	0.6	1.0%	1.4	2.3%
Buy back of shares	0	0.0%	1.3	2.3%
Used for capital reduction during the year	0	0.0%	-2.0	-3.5%
Sale of shares to employees	0.0	0.0%	-0.1	-0.1%
Treasury shares at 31.12.	**0.6**	**1.0%**	**0.6**	**1.0%**

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

Since November 2008, the Company's share buy back programme has been suspended. The Company acquired a total of 1,328,663 shares at a total amount of DKK 428 million. No dividend was distributed in 2008 and 2009.

Statement of changes in equity

(DKK million) GROUP

	Share capital	Other reserves			William Demant Holding A/S' shareholders' share	Minority interests	Total equity
		Foregin currency translation reserve	Hedging reserve	Retained earnings			
Equity at 1.1.2008	61.0	-60.8	72.4	353.6	426.2	8.6	434.8
Effect of changes to accounting policies	-	-	-	-8.9	-8.9	-	-8.9
Restated equity 1.1.2008	**61.0**	**-60.8**	**72.4**	**344.7**	**417.3**	**8.6**	**425.9**
Comprehensive income for the financial year	-	-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**	**558.6**	**531.6**	**0**	**531.6**
Comprehensive income for the financial year	-	33.5	-79.3	803.3	757.5	-	757.5
Sale of shares to employees	-	-	-	13.0	13.0	-	13.0
Equity at 31.12.2009	**59.0**	**-92.8**	**-39.0**	**1,374.9**	**1,302.1**	**0**	**1,302.1**

Notes

Note 1 – Geographical segment information (DKK million) GROUP

	Revenue 2009	Revenue 2008	Assets 2009	Assets 2008	Investment in intangible assets and property, plant and equipment 2009	Investment in intangible assets and property, plant and equipment 2008
Europe	2,627.5	2,687.8	2,407.4	2,388.7	197.6	171.5
North America	2,017.2	1,757.6	1,554.9	1,082.0	294.2	170.3
Pacific Rim	423.6	385.0	281.4	184.8	39.0	45.5
Asia	403.5	295.8	221.2	141.8	79.0	2.6
Other countries	229.4	247.5	161.5	117.1	6.7	2.8
Total	**5,701.2**	**5,373.7**	**4,626.4**	**3,914.4**	**616.5**	**392.7**

Consolidated revenues mainly derive from the sale of goods.

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 2008	PARENT 2009		GROUP 2009	GROUP 2008
		Employee benefits:		
25.1	23.8	Wages and salaries	1,860.6	1,728.4
0.3	0.3	Defined contribution plans	26.6	26.3
-	-	Defined benefit plans (note 14)	9.4	9.2
0.1	0.1	Social security costs etc.	159.1	135.4
25.5	**24.2**	**Total**	**2,055.7**	**1,899.3**
		Of which cash remuneration for Executive Board and Board of Directors:		
9.2	9.6	Executive Board, salary	9.6	9.2
0	0	Executive Board, bonus and pension	0	0
2.2	2.5	Directors' remuneration	2.5	2.5

An agreement has been made under normal market terms 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 2009, the basic remuneration for a Director in the Parent was DKK 250,000 (DKK 200,000 in 2008). 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 2009.

Note 2 – Employees – continued (DKK million)

PARENT 2008	PARENT 2009		GROUP 2009	GROUP 2008
		Breakdown by function of employee benefits:		
0	0	Production costs	485.6	493.2
0	0	Research and development costs	318.3	271.1
0	0	Distribution costs	982.6	888.8
25.5	24.2	Administrative expenses	269.2	246.2
25.5	**24.2**	**Total**	**2,055.7**	**1,899.3**
10	10	Average number of full-time employees	5,674	5,383

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 452 (587 in 2008), the William Demant Holding Group accounting for 254 (308 in 2008).

Note 3 – Amortisation, depreciation and impairment losses (DKK million)

PARENT 2008	PARENT 2009		GROUP 2009	GROUP 2008
0	0	Amortisation on intangible assets	-8.3	-4.7
-0.5	-0.4	Depreciation on property, plant and equipment	-159.1	-152.6
-0.5	**-0.4**	**Total**	**-167.4**	**-157.3**
		Breakdown by function of amortisation and depreciation:		
0	0	Production costs	-57.9	-57.0
0	0	Research and development costs	-39.0	-34.9
0	0	Distribution costs	-49.1	-49.1
-0.5	-0.4	Administrative expenses	-21.4	-16.3
-0.5	**-0.4**	**Total**	**-167.4**	**-157.3**
0	0.1	Gain on sale of assets, net	-0.3	1.6
0	**0.1**	**Total**	**-0.3**	**1.6**
		Breakdown by function of gain on sale of assets, net:		
0	0	Production costs	-1.5	0.4
0	0	Research and development costs	0.1	0.1
0	0	Distribution costs	0.7	1.0
0	0.1	Administrative expenses	0.4	0.1
0	**0.1**	**Total**	**-0.3**	**1.6**

Neither in 2009 nor in 2008, has there been any impairment losses for property, plant and equipment or intangible assets.

Note 4 – Fees to Parent's auditors elected by general meeting (DKK million)

PARENT 2008	PARENT 2009		GROUP 2009	GROUP 2008
0.8	0.8	Statutory audit	5.9	4.6
0	0	Other declarations with assurance	0.1	0.1
0.1	0.1	Tax counselling	1.4	0.7
1.4	0.5	Other services	2.3	2.4
2.3	**1.4**	**Total**	**9.7**	**7.8**

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

Note 5 – Net financials (DKK million)

PARENT 2008	PARENT 2009		GROUP 2009	GROUP 2008
19.7	17.0	Interest income from subsidiaries	-	-
7.1	2.4	Interest income	23.7	29.3
0	8.8	Foreign exchange gains, net	5.4	0
26.8	**28.2**	**Financial income**	**29.1**	**29.3**
-26.5	-7.6	Interest expenses to subsidiaries	-	-
-54.1	-42.1	Interest expenses	-89.2	-121.3
0	-6.8	Transaction costs	-34.2	-25.2
-14.1	0	Foreign exchange losses, net	0	-22.2
-94.7	**-56.5**	**Financial expenses**	**-123.4**	**-168.7**

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

Note 6 – Tax (DKK million)

PARENT 2008	PARENT 2009		GROUP 2009	GROUP 2008
		Tax on profit for the year:		
21.3	11.7	Current tax on net profit for the year	-225.1	-234.1
-9.5	1.0	Adjustment of current tax for previous years	1.6	-7.0
-0.2	-0.4	Change in deferred tax	-37.1	15.2
6.5	-0.2	Adjustment of deferred tax for previous years	0	5.8
0	0	Adjustment of deferred tax at the beginning of the year resulting from a reduction of corporation tax rates	0.4	-0.5
18.1	**12.1**	**Total**	**-260.2**	**-220.6**
		Reconciliation of tax rates:		
		Danish tax rate	25.0%	25.0%
		Differences in tax rates of non-Danish companies from Danish tax rate	0.3%	-0.4%
		Use of not previously recognised tax assets	-0.3%	-0.4%
		Write-down of tax assets	0.0%	0.0%
		Permanent differences	-0.1%	-0.3%
		Other items, including adjustments related to previous years	-0.2%	0.5%
		Effective tax rate	**24.7%**	**24.4%**

Note 7 – Earnings per share

	GROUP 2009	GROUP 2008
William Demant Holding A/S' shareholders' share of net profit for the year, DKK million	794.9	682.4
Average number of shares	59.0	59.5
Average number of treasury shares	-0.6	-0.7
Average number of shares on the market	**58.4**	**58.8**
Earnings per share (EPS), DKK	**13.6**	**11.6**
Diluted earnings per share (DEPS), DKK	**13.6**	**11.6**

Note 8 – Intangible assets (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**

Note 8 – Intangible assets – continued (DKK million) GROUP

	Goodwill	Patents and licences	Other intangible assets	Total intangible assets
Cost at 1.1.2009	400.1	36.7	19.0	455.8
Foreign currency adjustments	34.9	0	-0.3	34.6
Additions during the year	6.2	43.6	0.9	50.7
Additions relating to acquisitions	344.4	0	12.1	356.5
Disposals during the year	0	0	0	0
Other changes	0	0	0.1	0.1
Cost at 31.12.2009	**785.6**	**80.3**	**31.8**	**897.7**
Amortisation at 1.1.2009	-	-29.8	-4.7	-34.5
Foreign currency adjustments	-	0	0.1	0.1
Amortisation for the year	-	-3.1	-5.2	-8.3
Disposals during the year	-	0	0	0
Amortisation at 31.12.2009	**-**	**-32.9**	**-9.8**	**-42.7**
Carrying amount at 31.12.2009	**785.6**	**47.4**	**22.0**	**855.0**

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 cooperate closely on research and development, purchasing, production as well as marketing and sale, the use of resources in the individual markets being coordinated 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 2009 and 31 December 2008, 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 2009 and 31 December 2008.

Future cash flows are based on the budget for 2010, strategy plans and projections hereof. Projections extending beyond 2010 are based on general parameters. The terminal value for the period after 2010 is determined on the assumption of 2% growth (2% in 2008). The discount rate is 9% before tax (9% in 2008).

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	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**
30.4	1.7	32.1	Cost at 1.1.2009
-	-	-	Foreign currency adjustments
0	1.2	1.2	Additions during the year
0	0	0	Additions relating to acquisitions
0	-0.5	-0.5	Disposals during the year
0	0	0	Transferred to/from other items
30.4	**2.4**	**32.8**	**Cost at 31.12.2009**
-6.2	-0.7	-6.9	Depreciation and impairment losses at 1.1.2009
-	-	-	Foreign currency adjustments
-0.2	-0.2	-0.4	Depreciation for the year
0	0.4	0.4	Disposals during the year
0	0	0	Transferred to/from other items
-6.4	**-0.5**	**-6.9**	**Depreciation and impairment losses at 31.12.2009**
24.0	**1.9**	**25.9**	**Carrying amount at 31.12.2009**

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 equipment 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**

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 equipment in progress	Total property, plant and equipment
Cost at 1.1.2009	638.4	530.2	554.3	143.7	9.6	1,876.2
Foreign currency adjustments	1.2	5.3	16.8	9.9	0	33.2
Additions during the year	6.1	44.7	68.7	29.5	21.9	170.9
Additions relating to acquisitions	0	0.5	13.4	1.0	0	14.9
Disposals during the year	0	-0.6	-27.4	-5.4	-0.4	-33.8
Transferred to/from other items	0.3	4.7	2.7	0	-7.7	0
Cost at 31.12.2009	**646.0**	**584.8**	**628.5**	**178.7**	**23.4**	**2,061.4**
Depreciation and impairment losses at 1.1.2009	-86.3	-377.9	-390.8	-70.9	-	-925.9
Foreign currency adjustments	-0.2	-3.2	-11.9	-5.0	-	-20.3
Depreciation for the year	-13.0	-63.2	-67.7	-15.2	-	-159.1
Disposals during the year	0	0.1	19.3	1.3	-	20.7
Transferred to/from other items	0	-0.4	0.4	0	-	0
Depreciation and impairment losses at 31.12.2009	**-99.5**	**-444.6**	**-450.7**	**-89.8**	**-**	**-1,084.6**
Carrying amount at 31.12.2009	**546.5**	**140.2**	**177.8**	**88.9**	**23.4**	**976.8**
Of which financially leased assets	**46.6**	**0.3**	**0.2**	**0**	**0**	**47.1**

At 1 January 2009, the public assessment of land and buildings in Denmark amounted to DKK 300 million (DKK 298 million in 2008) with a carrying amount of DKK 432 million (DKK 435 million in 2008).

Group land and buildings with a carrying amount of DKK 349 million (DKK 353 million in 2008) have been provided in security of a mortgage debt of DKK 173 million (DKK 183 million in 2008).

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 2008), with accumulated depreciation of DKK 0.6 million (DKK 0.4 million in 2008).

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 the acquisition of property, plant and equipment amounted to DKK 0 million (DKK 0 million in 2008).

Neither in 2009 nor in 2008, 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	Interests in associates	Receivables from subsidiaries	Other investments	Other receivables	
1,512.0	0	369.9	0.3	41.0	Cost at 1.1.2008
-	-	61.0	-	-	Foreign currency adjustments
0.4	0	535.2	0	4.3	Additions during the year
0	0	0	0	-	Additions relating to acquisitions
-82.1	0	-384.6	0	-	Disposals during the year
1,430.3	**0**	**581.5**	**0.3**	**45.3**	**Cost at 31.12.2008**
491.6	0	-	5.2	-	Value adjustments at 1.1.2008
-16.2	0	-	0	-	Foreign currency adjustments
721.0	0	-	0	-	Share of profit after tax
-907.2	0	-	0	-	Dividends received
-72.7	0	-	-4.1	-	Other adjustments
216.5	**0**	**-**	**1.1**	**-**	**Value adjustments at 31.12.2008**
1,646.8	**0**	**581.5**	**1.4**	**45.3**	**Carrying amount at 31.12.2008**
1,430.3	0	581.5	0.3	45.3	Cost at 1.1.2009
-	-	22.4	-	0	Foreign currency adjustments
146.0	7.0	546.4	0	3.9	Additions during the year
4.9	0	0	0	-	Additions relating to acquisitions
-101.0	0	-88.8	0	-12.1	Disposals during the year
1,480.2	**7.0**	**1,061.5**	**0.3**	**37.1**	**Cost at 31.12.2009**
216.5	0	-	1.1	-	Value adjustments at 1.1.2009
34.8	0	-	0	-	Foreign currency adjustments
790.3	-0.3	-	0	-	Share of profit after tax
-855.4	0	-	0	-	Dividends received
-80.1	0	-	0	-	Other adjustments
106.1	**-0.3**	**-**	**1.1**	**-**	**Value adjustments at 31.12.2009**
1,586.3	**6.7**	**1,061.5**	**1.4**	**37.1**	**Carrying amount at 31.12.2009**

The carrying amount of interests in subsidiaries includes capitalised goodwill in the net amount of DKK 61.6 million (DKK 51.6 million in 2008). Amortisation of goodwill for the year is DKK 6.0 million (DKK 1.4 million in 2008).

PARENT		Note 11 – Deferred tax (DKK million)	GROUP		
2008	2009		2009	2008	2007
		Deferred tax is recognised in the balance sheet as follows:			
1.6	1.0	Deferred tax assets	146.2	160.8	134.6
0	0	Deferred tax liabilities	-58.1	-53.4	-40.6
1.6	**1.0**	**Deferred tax, net at 31.12.**	**88.1**	**107.4**	**94.0**
-4.7	1.6	Deferred tax, net at 1.1.	107.4	94.0	61.1
0	0	Effect of changes to accounting policies	0	0	3.0
-4.7	1.6	Adjustment of deferred tax, net at 1.1.	107.4	94.0	64.1
-	-	Foreign currency adjustments	3.6	-0.4	-5.0
-0.2	-0.4	Change in deferred tax	-36.7	15.2	46.4
0	0	Additions relating to acquisitions	0	0	0.8
6.5	-0.2	Adjustment of deferred tax for previous years	0.2	5.8	-8.4
0	0	Adjustment of deferred tax at the beginning of the year due to reduction of corporation tax rates	-0.1	-0.5	0.6
0	0	Deferred tax related to changes in equity, net	13.7	-6.7	-2.5
0	0	Other changes	0	0	-2.0
1.6	**1.0**	**Deferred tax, net at 31.12.**	**88.1**	**107.4**	**94.0**

The tax base of deferred tax assets not recognised is DKK 27.2 million (DKK 24.4 million in 2008) and relates mainly to tax losses. This 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 2008).

Breakdown of the Group's temporary differences and changes:

	Temporary differences at 1.1.2009	Foreign currency adjustments	Recognised in profit for the year	Recognised in other comprehensive income	Temporary differences at 31.12.2009
Intangible assets	-11.8	0	-12.4	0	-24.2
Property, plant and equipment	-31.9	1.0	0.5	0	-30.4
Inventories	67.2	0.1	-13.9	0	53.4
Receivables	7.7	0	3.3	0	11.0
Provisions	42.1	0	-20.3	0	21.8
Tax losses	5.9	0.1	0	0	6.0
Other	28.2	2.4	6.2	13.7	50.5
Total	**107.4**	**3.6**	**-36.6**	**13.7**	**88.1**

Note 12 – Inventories (DKK million)	GROUP		
	2009	2008	2007
Raw materials and purchased components	429.7	371.8	400.7
Work in progress	30.5	36.6	36.8
Finished goods and goods for resale	336.3	330.0	297.7
Inventories	**796.5**	**738.4**	**735.2**
Inventories include write-downs in the amount of	104.1	99.9	97.9
Carrying amount of inventories recognised at fair value after deduction of selling costs	0	0	0
The following is recognised under production costs in the income statement:			
Write-downs of inventories for the year, net	39.7	46.5	49.3
Cost of sales for the year	1,315.6	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	
	2009	2008
Trade receivables	1,196.0	1,072.1
Other long-term receivables	329.5	251.0
Other short-term receivables	35.5	28.0
Total	**1,561.0**	**1,351.1**
Receivables by age:		
Balance not due	1,222.2	1,050.8
0-3 months	224.6	181.4
3-6 months	55.6	58.3
6-12 months	30.4	36.4
Over 12 months	28.2	24.2
Total	**1,561.0**	**1,351.1**
Breakdown of the year's development in provisions for write-downs:		
Write-downs for bad and doubtful debt at 1.1.	63.0	57.9
Foreign currency adjustment	0.2	-1.5
Applied during the year	-7.9	-18.5
Additions during the year	11.7	19.9
Reversals during the year	-1.0	5.2
Write-downs for bad and doubtful debt at 31.12.	**66.0**	**63.0**

For information on security or collateral, please see *Risk management activities* on page 22.

Note 14 – Provisions (DKK million) GROUP

	2009	2008
Other long-term employee benefits	27.0	23.2
Miscellaneous provisions	98.0	99.0
Other provisions	125.0	122.2
Defined benefit plans	21.4	26.3
Provisions at 31.12.	**146.4**	**148.5**
Breakdown of provisions:		
Long-term provisions	135.4	137.0
Short-term provisions	11.0	11.5
Provisions at 31.12.	**146.4**	**148.5**
Other provisions:		
Other provisions at 1.1.	122.2	138.6
Foreign currency adjustments	2.9	-2.0
Additions relating to acquisitions	0	0.2
Provisions for the year	8.0	8.9
Applied during the year	-5.4	-20.4
Reversed during the year	-3.2	-3.5
Discount effect	0.5	0.4
Other provisions at 31.12.	**125.0**	**122.2**
Defined benefit costs recognised in the income statement:		
Current service costs	8.9	9.1
Calculated interest on pension obligations	2.8	2.5
Expected return on plan assets	-2.3	-2.4
Costs recognised in the income statement (note 2)	**9.4**	**9.2**
Breakdown by function of defined benefit costs:		
Production costs	0.5	0.6
Research and development costs	2.0	2.2
Distribution costs	2.3	2.3
Administrative expenses	4.6	4.1
Total	**9.4**	**9.2**
Accumulated actuarial loss recognised in the statement of recognised income and expenses	**-5.8**	**-14.3**

Apart from the provision of DKK 87 million (DKK 90 million in 2008) 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

	2009	2008
Present value of defined benefit obligations:		
Defined benefit obligations at 1.1.	86.3	71.6
Foreign currency adjustments	0.5	5.1
Current service costs	8.9	9.1
Calculated interest on pension obligations	2.8	2.5
Actuarial losses/(gains)	-6.0	-2.1
Benefits paid	0.3	-3.1
Contributions from plan participants	1.2	3.2
Defined benefit obligations at 31.12.	**94.0**	**86.3**
Fair value of plan assets:		
Plan assets at 1.1.	60.0	56.5
Foreign currency adjustments	0.0	5.0
Expected return on plan assets	2.3	2.4
Actuarial gains/(losses)	2.5	-9.3
Contributions	7.5	8.5
Benefits paid	0.3	-3.1
Plan assets at 31.12.	**72.6**	**60.0**
Net obligation recognised in the balance sheet	**21.4**	**26.3**
Return on plan assets:		
Actual return on plan assets	4.8	-6.9
Expected return on plan assets	2.3	2.4
Actuarial gains/(losses) on plan assets	**2.5**	**-9.3**
Assumptions:		
Discount rate	4.1 %	3.7 %
Expected return on plan assets	4.1 %	4.0 %
Future salary increase rate	1.8 %	1.8 %

Key figures for defined benefit plans:	**2009**	**2008**	**2007**	**2006**	**2005**
Present value of defined benefit obligations	94.0	86.3	71.6	64.8	43.4
Fair value of plan assets	72.6	60.0	56.5	52.4	39.2
Deficit	**21.4**	**26.3**	**15.1**	**12.4**	**4.2**
Experience adjustments to plan obligations	**-6.0**	**-2.1**	**-2.8**	**3.4**	**0**
Experience adjustments to plan assets	**2.5**	**-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 2009 include bonds (40%), shares (22%), securities (19%), cash and cash equivalents (6%) and other assets (13%). Plan assets at 31 December 2008 included bonds (39%), shares (18%), property investments (22%), cash and cash equivalents (11%) and other assets (10%).

The Group expects to pay approx. DKK 5 million in 2010 (DKK 5 million in 2009) 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
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**	
2009:					
Other interest-bearing, long-term assets	0	265.3	10.1	275.4	
Cash	151.9	0	0	151.9	
Interest-bearing assets	**151.9**	**265.3**	**10.1**	**427.3**	**2.6%**
Financial lease commitments	-3.2	-19.3	0	-22.5	
Mortgage debt	-8.7	-36.4	-127.7	-172.8	
Debt to credit institutions etc.	-336.1	-142.0	-59.1	-537.2	
Interest-bearing, short-term bank debt	-1,269.8	0	0	-1,269.8	
Interest-bearing debt	**-1,617.8**	**-197.7**	**-186.8**	**-2,002.3**	**3.7%**
Net position	**-1,465.9**	**67.6**	**-176.7**	**-1,575.0**	**4.0%**
Financial lease commitments:					
Minimum lease payments	5.6	23.7	0	29.3	
Interest element	-2.4	-4.4	0	-6.8	
Carrying amount	**3.2**	**19.3**	**0**	**22.5**	

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 15 million, USD 28 million, EUR 100 million and DKK 40 million in 2008). At 31 December 2009, unrealised losses on these interest rate swaps amounted to DKK 55.0 million (DKK 44.6 million in 2008), which are recognised in other comprehensive income. The ineffective share of interest rate swaps amounts to DKK 0 (DKK 0 in 2008).

Group cash mainly consists of bank deposits, of which DKK 22.8 million (DKK 24.3 million in 2008) is in joint ventures.

For information on risk and hedging instruments, please refer to *Risk management activities* on page 22.

Consolidated interest-bearing debt broken down by currency: 39% in euros (49% in 2008), 23% in Danish kroner (17% in 2008), 18% in US dollars (20% in 2008) and 20% in other currencies (14% in 2008).

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 2.2 million in 2008) 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 37 million (DKK 45 million in 2008) will fall due after five years. Of the Parent's long-term debt, DKK 25 million (DKK 12 million in 2008) will fall due after five years. Receivables of DKK 1,062 million (DKK 582 million in 2008) and debt of DKK 62 million (DKK 63 million in 2008) 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 2008	Parent 2009		Group 2009	Group 2008
0	0	Product-related liabilities	124.5	108.6
1.1	1.2	Staff-related liabilities	195.2	175.1
4.6	5.5	Other payables to public authorities	96.1	74.0
1.6	5.5	Payables relating to acquisitions	95.4	74.8
0.4	6.2	Other payables	124.4	84.2
7.7	**18.4**	**Other payables**	**635.6**	**516.7**

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 (DKK million) GROUP

	2009	2008
Other long-term receivables	329.5	251.0
Trade receivables	1,196.0	1,072.1
Other short-term receivables	29.7	24.1
Cash	151.9	141.7
Loans and receivables	**1,707.1**	**1,488.9**
Other investments	10.1	16.3
Financial assets available for sale	**10.1**	**16.3**
Unrealised profit on financial contracts	3.5	51.4
Financial assets used as hedging instruments	**3.5**	**51.4**
Financial lease commitments	22.5	25.0
Mortgage debt	172.8	181.1
Payables to credit institutions etc.	1,807.0	2,061.4
Trade payables	221.8	219.4
Other payables	511.1	417.3
Financial liabilities measured at amortised cost	**2,735.2**	**2,904.2**
Unrealised losses on financial contracts	71.4	45.0
Financial liabilities used as hedging instruments	**71.4**	**45.0**

The fair value of mortgage debts is DKK 175 million (DKK 180 million in 2008). The carrying amount is DKK 173 million (DKK 181 million in 2008). For other financial assets and liabilities, the carrying amount in all material respects matches the fair value.

Other investments include listed shares worth DKK 0 million (DKK 0 million in 2008).

Other securities and equity investments are measured based on unobservable inputs and are included in the fair value hierarchy, level 3.

Gains/losses in respect of other securities and equity investments (level 3) are recognised in the income statement under financial income.

Financial contracts are measured based on observable inputs and are included in the fair value hierarchy, level 2.

There have been no transfers within the fair value hierarchy.

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

Note 18 – Derivative financial instruments (DKK million) GROUP

Financial risks

Financial risk management focuses 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 Company 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 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.

We currently seek to hedge fluctuations in exchange rates by matching 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. Hedging means that fluctuations in the exchange rates 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 out net receivables.

At year-end 2009, we had entered into forward exchange contracts with a repurchase value of DKK 701 million (DKK 1,341 million at 31 December 2008) and a market value of DKK -13 million (DKK 51 million at 31 December 2008).

	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
Forward exchange contracts, net sales:	**2009**			**2008**		
USD	207.6	0.9	0	333.0	11.6	0
JPY	70.3	0.3	0	99.4	0	9.0
AUD	167.1	0	14.0	40.1	4.1	0
EUR	111.6	0.6	0	603.5	0	0
CAD	99.0	0	2.4	68.8	9.1	0
PLN	-16.2	1.5	0	0	0	0
GBP	74.1	0.2	0	145.3	35.2	0
Total	**713.5**	**3.5**	**16.4**	**1,290.1**	**60.0**	**9.0**

The major contracts hedged the following currencies at 31 December 2009:

Currency	Hedging period	Hedging rate
USD	5 months	520
JPY	8 months	5.65
PLN	16 months	163
AUD	11 months	423
EUR	1 month	748
GBP	4 months	826
CAD	6 months	480

The tables below show the impact on equity in case of changes in selected currencies of 5%.

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 currency exchange is 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 exchange as well as any change in net receivables (receivables, payables and bank balances). Average exchange rates from January 2010 have been used for translation.

Effect on EBIT, 5% exchange rate change*

DKK million	31.12.2009	31.12.2008
USD	25	25
GBP	10	20
CAD	10	15
AUD	10	10
JPY	5	5

** Estimated. On a non-hedged basis, i.e. the total annual exchange effect excluding forward exchange contracts.*

Effect on equity, 5% exchange rate impact

DKK million	31.12.2009	31.12.2008
USD	9	3
GBP	5	6
CAD	5	5
AUD	6	4
JPY	1	1

Note 18 – Derivative financial instruments – continued (DKK million) GROUP

Interest rate risks
At present, the Group has limited debts compared with the volume of its activities and uses interest rate swaps to hedge interest rates.

Based on net debt at year-end 2009, a climb of 1 percentage point in the general interest rate level will increase consolidated annual interest expenses before tax by approx. DKK 3 million.

Interest swaps	Expiry	Fixed interest rate	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
	2009					2008		
USD/USD	2010	4.4%	145.3	0	3.3	148.0	0	6.7
EUR/EUR	2013	4.0%	744.2	0	49.6	745.0	0	35.2
DKK/DKK	2015	3.5%	40.0	0	0.7	40.0	0.4	0
CAD/CAD	2011	3.0%	74.2	0	1.4	64.5	0	3.1
I alt			**1,003.7**	**0**	**55.0**	**997.5**	**0.4**	**45.0**

Credit risks
Corporate credit risks relate primarily to trade receivables. Our customer base is fragmented, and credit risks only involve minor losses on individual customers. Together, our five largest customers account for less than 10% of total consolidated revenues. In our opinion, we 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 the credit risk of such deposits is considered to be 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, the Group has committed lending facilities with our two primary bankers worth a total of DKK 900 million. We are of the opinion that the Group has a strong cash flow and satisfactory credit rating to secure the current inflow of working capital and funds for potential acquisitions.

Note 19 – Operating lease commitments (DKK million)

GROUP

	2009	2008
Rent commitments	267.4	181.6
Other operating lease commitments	69.1	61.3
Total	**336.5**	**242.9**
Operating lease commitments, less than 1 year	123.9	63.0
Operating lease commitments, 1-5 years	121.4	105.4
Operating lease commitments, over 5 years	91.2	74.5
Total	**336.5**	**242.9**

Operating leases are recognised in the income statement at an amount of DKK 110.1 million (DKK 93.6 million in 2008).

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

PARENT

Note 20 – Contingent liabilities

GROUP

William Demant Holding A/S has provided guarantees in respect of credit facilities established by Danish associates. Such credit facilities amount to DKK 1,464.3 million (DKK 1,681.6 million in 2008), of which DKK 755.0 million (DKK 1,039.2 million in 2008) has been used.

William Demant Holding A/S has guaranteed the payment of rent by a subsidiary in the amount of DKK 6.0 million (DKK 7.9 million in 2008) and provided guarantees in respect of the continued operation and payment obligations of certain subsidiaries in 2010.

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. A bank guarantee in the amount of DKK 83 million has been provided in respect of the US patent case.

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.

For the purposes of section 17 of the *Republic of Ireland Companies (Amendment) Act, 1986*, William Demant Holding A/S has undertaken to indemnify the creditors of its subsidiaries incorporated in the Republic of Ireland in respect of all losses and liabilities as referred to in section 5c of said act for the financial year ending on the 31 December 2009 or any amended financial period incorporating the said financial year. The company does not expect any material loss to arise from this guarantee.

PARENT

Note 21 – Related parties (DKK million)

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 72.

The Oticon Foundation lets office and production premises to the joint venture, Sennheiser Communications A/S. In 2009, the rental expense amounted to DKK 2.2 million (DKK 1.9 million in 2008). 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 2008) and DKK 0.8 million (DKK 0.8 million in 2008), respectively.

The tax base of the taxable result in William Demant Invest A/S was DKK 0 million in 2009. Last year's tax base (DKK 1,6 million) 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 34 million (DKK 35 million in 2008). At year-end, non-eliminated receivables, net, with joint ventures totalled DKK 5.3 million (DKK 6.5 million in 2008).

In 2009, the Group paid royalties amounting to DKK 1.9 million (DKK 2.7 million in 2008) to associates and received dividends in the amount of DKK 0.5 million (DKK 0.5 million in 2008).

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

	2009	2008
The consolidated financial statements include the following amounts related to joint ventures:		
Revenue	273.5	266.2
Costs	264.5	251.0
Long-term assets	43.0	40.0
Short-term assets	62.9	80.1
Long-term liabilities	5.4	4.9
Short-term liabilities	37.4	48.7
Financial information with respect to associates:		
Revenue	48.2	30.3
Net profit for the year	0.9	1.8
Assets	18.4	9.0
Liabilities	8.5	2.6

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 – Acquisitions (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	0	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	0.1	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	0	0	-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**

Note 22 – Acquisitions – continued (DKK million) GROUP

	2009							
	North America		Australia		Europe/Asia		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	0.1	12.1	0	0	0	0	0.1	12.1
Property, plant and equipment	4.6	14.0	0.7	0.7	0.2	0.2	5.5	14.9
Other long-term assets	1.1	1.1	0	0	0.1	0.1	1.2	1.2
Inventories	17.3	18.0	0	0	4.0	4.0	21.3	22.0
Receivables	10.4	10.4	0	0	4.7	4.7	15.1	15.1
Cash and bank debt	4.3	4.3	0	0	2.6	2.6	6.9	6.9
Long-term payables	-0.5	-0.2	-0.1	-0.1	-0.4	-0.4	-1.0	-0.7
Short-term payables	-12.1	-12.0	-0.7	-0.7	-3.2	-3.2	-16.0	-15.9
Acquired net assets	**25.2**	**47.7**	**-0.1**	**-0.1**	**8.0**	**8.0**	**33.1**	**55.6**
Goodwill		272.6		24.1		47.7		344.4
Acquisition cost including transaction costs		**320.3**		**24.0**		**55.7**		**400.0**
Of which earn-outs and deferred payments		-59.9		-1.6		-45.0		-106.5
Acquired cash and bank debt		-4.3		0		-2.6		-6.9
Cash acquisition cost		**256.1**		**22.4**		**8.1**		**286.6**

Note 22 – Acquisitions – continued (DKK million) GROUP

The Group took over the Grason-Stadler brand on 1 October 2009 including its operating assets. On acquisition, we did not take over any buildings or tenancies, but 20 employees transferred from the Grason-Stadler sales organisation.

On the acquisition of Grason-Stadler, we paid a sum that exceeded the fair value of the acquired identifiable assets, liabilities and contingent liabilities. The positive difference in value is mainly attributable to synergies between the activities in the acquired company and the Group's existing activities and to any future growth opportunities and the value of the Grason-Stadler brand.

In 2009, 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 2008, acquisitions related to minor distribution businesses in Australia, North America and Europe.

In connection with other acquisitions, we paid a sum that exceeded the fair value of the acquired identifiable assets, liabilities and contingent liabilities. The positive difference in value is mainly attributable to synergies between the activities in the acquired company and the Group's existing activities and to any future growth opportunities and to the value of the staff of the particular companies. These synergies have not been recognised separately from goodwill as they are not separately identifiable.

The above computations of the fair values at the times of acquisition in 2009 are not final as regards acquisitions made immediately before year-end. In 2009, we found no basis for revising the computations of 2008.

It is estimated that consolidated revenues and profits for the year would have been DKK 5,783 million (DKK 5,448 million in 2008) and DKK 803 million (DKK 689 million in 2008), respectively, had the businesses been taken over at 1 January 2009. The acquired businesses did not significantly affect profits for the year.

From the balance sheet date and until presentation of the financial statements in 2010, we have acquired some minor distribution businesses in North America and Australia. Fair value computations are ongoing. It is expected that acquisition sums will mainly be related to goodwill.

Note 23 – Government grants GROUP

In 2009, the William Demant Holding Group received government grants in the amount of DKK 0.5 million (DKK 1.2 million in 2008). Grants are offset against research and development costs and administrative expenses in the amount of DKK 0.5 million (DKK 1.0 million in 2008) and DKK 0.0 million (DKK 0.2 million in 2008), respectively.

Note 24 – Non-cash items (DKK million) GROUP

	2009	**2008**
Amortisation and depreciation etc.	191.7	174.4
Share of profit after tax in associates	0.2	-0.6
Proceeds from sale of intangible assets and property, plant and equipment	0.3	-1.6
Other non-cash items	-15.3	15.1
Other non-cash items	**176.9**	**187.3**
Acquired property, plant and equipment	-194.4	-209.0
Acquired property, plant and equipment, paid	**-194.4**	**-209.0**
Proceeds from raising of financial liabilities	97.3	170.6
Proceeds from raising of financial liabilities	**97.3**	**170.6**

In 2008 additions of minority interests for the year are recognised under other payables.

Note 25 – Events after the balance sheet date GROUP

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

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 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%
Oticon Medical Inc., USA	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%
Bernafon Canada Ltd., Canada	100%

Company	*Interest*
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%
Kuulopiiri Oy, Finland	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	58%
Sennheiser Communications A/S, Denmark	50%
nEarcom, LLC, USA	33%
HIMSA A/S, Denmark	25%
SES Isitme Cihazlari San Ve Tic. A.S, Tyrkiet	20%

The list includes all active Group companies.

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