

William Demant



Interim Management Statement

Covering the period year-to-date

8 May 2018



Agenda

- Key takeaways
- Hearing Devices
- Hearing Implants
- Diagnostic Instruments
- Personal Communication
- Other matters
- Outlook 2018
- Q&A





Key takeaways



Key takeaways



The strong momentum in our Group has continued with substantial organic growth rates across our business activities



In hearing aid wholesale, our innovative product portfolio drives significant market share gains and strong organic growth, particularly with independents and in the US



Our hearing aid retail business has seen low organic growth with material differences between individual markets



Hearing Implants has seen organic growth in line with estimated market growth of 10-15%. Expect growth to accelerate as we start rolling out Neuro 2 to more new patients



Continued positive momentum in Diagnostic Instruments with strong organic growth



Full-year outlook maintained – EBIT of DKK 2.55-2.85 billion before the announced restructuring costs of DKK 150 million

A pair of dark blue, behind-the-ear hearing aids with clear earbuds and thin wires, resting on a black, textured mousepad. The mousepad is on a green and white checkered surface. In the background, a colorful, abstract pattern is visible.

Hearing Devices

The global hearing aid market year-to-date

We estimate the growth rate in the global hearing aid wholesale market to be 2-4% per year in value

- Global volume growth rate in the global hearing aid market in line with our expectations of 4-6%, possibly towards the lower end of the range
 - The US market growth rate was around 7% in the private market, whereas growth in Veterans Affairs (VA) was slightly negative
 - Growth in Europe impacted negatively by lower demand from NHS, while growth rates in Germany and France were solid
 - Presumably high growth in Asia driven by China
- Flat to slightly negative ASP development
- Overall, we estimate growth to be 2-4% in value



Strong organic growth in Wholesale

Momentum from 2017 continues and we continue to gain market share in value with positive mix changes underpinning our ASP and hence growth

- Mix changes have impacted our ASP positively
 - Particularly strong growth in sales to independents
 - Increasing share of sales of flagship products across all brands
 - Strong growth in US with market share gains in VA
- Solid underlying unit growth year-to-date when adjusting for
 - Loss of sales to a large customer that was acquired by a competitor in 2016
 - Lower demand by the NHS
 - Large, but low-priced, tender orders in the comparative period

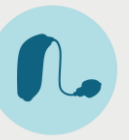




Material differences across markets in retail

Hearing aid retail business has seen low organic growth, however it continues to contribute to overall market share gains for the Group

- European markets characterised by diverse market trends
 - High organic growth above the market rate in France driven by Audika
 - Poland contributed positively to organic growth
 - Negative organic growth in Sweden due to adverse market conditions
- Growth in North America driven by bolt-on acquisitions
 - Organic growth below the market rate in the US
 - Canada continues to deliver solid organic growth
- Despite a negative impact on market growth from pressure on market ASP, we have seen improved productivity in Australia



Continuing to add innovative solutions to portfolio

- RemoteCare
 - Remote supplement to in-clinic visit providing greater flexibility and convenience
 - Focuses on the core of hearing healthcare
 - Meets demands of the “future” client
- HearingFitness™
 - World’s first hearing fitness tracking technology
 - Uses advanced data analytics to help users get the most out of their hearing
- Full connectivity and streaming capabilities for Bernafon and Sonic
 - iPhone as well as Android with SoundClip-A
- Launched rechargeable Oticon Opn and ConnectClip in VA in May



A photograph of two men in a parking garage. The man on the right, with a beard and a red plaid jacket over a teal hoodie, is smiling and gesturing with his hand. The man on the left, wearing a grey sweatshirt, is seen from the back, looking towards the first man. The background is filled with graffiti on the walls and concrete pillars, with a white car parked in the distance.

Hearing Implants



Hearing Implants growth in line with market

Growth expected to accelerate throughout the year as we start rolling out Neuro 2 to more new patients

- BAHS delivered satisfactory organic growth driven by Ponto 3 SuperPower
 - Particularly strong performance in North America
 - Significant tender orders in other markets
- In CI, growth is expected to gradually increase throughout the year
 - Neuro 2, the world's smallest CI sound processor, launched end of February – focus on upgrading existing Neuro One users
 - Very positive feedback from clinics and patients after +250 fittings and commercial effect to follow when rolled out to more new patients
 - Timing of certain tenders





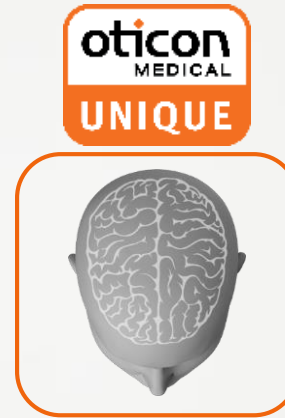
A complete and fully competitive Neuro system



Atraumatic Surgery
MRI Safety
Reliability



Aesthetic



Unique brainhearing-
inspired signal
processing for
maximum hearing
outcomes



New state-of-the-art
fitting suite

Update on Neuro 2 launch

Initial focus on upgrades with excellent feedback from patients and clinics after +250 upgrades

- Neuro 2 received the CE mark at the end of February
 - Customers' focus has so far been on upgrading Neuro One exchange-program users
- Excellent feedback from more than 250 users
 - Sound quality, usability, battery life and comfortability
 - Professionals are excited about ease of fit and quality of the Genie software
- Continue to see an increasing number of clinics that have included the Neuro system in their product portfolio
- Commercial effect to follow when rolled out to more new clients



Diagnostic Instruments





Positive momentum in Diagnostic Instruments

Last year's positive momentum continued with strong organic growth

- Well-positioned in a healthy market due to innovative products, a strong distribution setup and growth from new business areas
- Growth in all regions but centred in Europe
- Broad-based growth across brands with Interacoustics performing particularly well



A person with short brown hair is shown from the side, wearing a black and red Sennheiser gaming headset. They are sitting in a black leather gaming chair, looking at a computer monitor. The monitor displays a game with a dinosaur-like creature in a dark, rocky environment. A black keyboard is visible in the foreground, and a hand is seen typing on it. The scene is dimly lit, with the primary light source being the monitor. A semi-transparent dark grey banner is overlaid across the middle of the image, containing the text "Personal Communication" in white.

Personal Communication

Positive momentum in Personal Communication

Sennheiser Communications, our joint venture with Sennheiser KG, has reported very strong growth

- Very strong growth year-to-date, mainly reflecting the positive momentum in the underlying business but also due to inventory effects
- Gaming and Mobile main drivers of growth while the CC&O-segment contributes less to growth than in the same period last year



**SENNHEISER
COMMUNICATIONS**



Other matters



Other matters

Strategic initiatives

- Expected annual savings of around DKK 200 million compared to 2016 cost base when fully implemented (unchanged)
- Expected restructuring costs for 2018 of DKK 150 million (unchanged)

Share buy-back

- Cash flow generation maintained at a high level in line with expectations
- Bought back shares worth DKK 431 million year-to-date
- Expect to buy back shares worth DKK 1.5-2.0 billion for 2018
- Holding of treasury shares corresponds to approx. 0.65% of share capital

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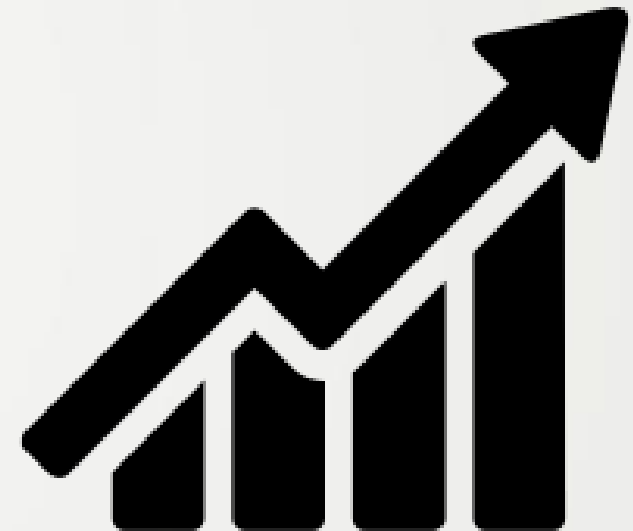
Outlook 2018



The hearing healthcare market

The total hearing healthcare market is still estimated to see a value growth rate of 5% in 2018

- We still estimate that the hearing aid wholesale market will grow by 2-4% in terms of value
 - The unit growth rate is expected to be 4-6%
 - The ASP is expected to decline by a low, single-digit percentage
- The hearing implant market is estimated to see a value growth rate of 10-15%
- The diagnostic equipment market is estimated to see a value growth rate of 3-5%



Outlook 2018

We maintain our expectation of substantial organic sales growth in 2018 and a negative exchange rate effect on revenue of around 4%, including the impact of exchange rate hedging

We reiterate our aim at a gearing multiple of 1.5-2.0 measured as net interest-bearing debt (NIBD) relative to EBITDA, and we expect to buy back shares worth DKK 1.5-2.0 billion

We continue to guide for an operating profit (EBIT) of DKK 2.55-2.85 billion before the announced restructuring costs of DKK 150 million

Q&A



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FINANCIAL CALENDAR 2018:

15 August	Interim Report 2018
6 November	Interim Management Statement

MEET US:

14 May	London (Carnegie)
15 May	Paris (Nordea)
6-7 June	New York (Jefferies Global Healthcare Conference)
12 June	London (Capital Markets Day)
14 June	Los Angeles (Goldman Sachs Global Healthcare Conference)
15 June	San Francisco (Goldman Sachs)
19 June	London (Citi European Healthcare Conference)
27 June	Zurich (Credit Suisse Swiss Healthcare Day)