

William Demant



Unique hearing healthcare position

EUHA 2016

Niels Jacobsen, President & CEO

Søren Nielsen, COO

Jes Olsen, President of Oticon Medical



Agenda

- General update, Niels Jacobsen
- Hearing Devices, Søren Nielsen
- Hearing Implants, Jes Olsen
- Q&A



General update



Key take-aways H1 2016



16% revenue growth – mainly driven by retail



Introduction of Oticon Opn™ late in H1 2016



Diagnostic Instruments and Hearing Implants challenged by difficult market conditions






























Continued commitments to R&D



Execution on strategic initiatives

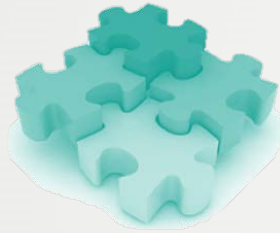
A relatively strong foundation for growth

Offerings		William Demant	sonova	ivantos	GN	Starkey	WIDEX	Cochlear	MED-EL	amplifon	natus
Hearing aid wholesale											
Cochlear implants											
Bone-conducting systems											
Diagnostic instruments											
Distribution											

 = Relative strength in business segment

Executing on initiatives to improve efficiency

To create the best possible platform for future growth with the most competitive, scalable and cost-efficient set-up, we have defined several ***strategic initiatives*** to be implemented in 2016 to 2018.



Initiatives with the largest impact

- Consolidating production at fewer locations
- Building two main R&D hearing aid hubs in Denmark and Poland



Financial impact

- Expected total costs of DKK 500 million – hereof DKK 200 million in 2016
- Restructuring costs of DKK 52 million in H1 2016
- Annual savings of around DKK 200 million when initiatives are fully implemented in addition to scale effects on future growth

Status on strategic initiatives

- All the restructuring projects are on track, but its still early days
- Eagan site has been closed down and all activities have been transferred
- R&D in Bern will be transferred to Denmark and Poland at the end of 2017
- Agreements have been made with employees, and migration initiatives have been started for production in Thisted (Denmark)
- Successful ramp-up in Mexico continues
- Official opening of new office in Warsaw to cater for Polish sales organisation and R&D expansion

Outlook for 2016

We expect to see a market unit growth rate of 4-5% in the hearing aid market, which will however be partly offset by a decline in the market's ASP due to continued mix changes and fierce competition. In terms of value, we expect to see a slightly positive market trend in 2016.

We expect to generate growth in sales in all the Group's three business activities: Hearing Devices, Hearing Implants and Diagnostic Instruments.

Based on exchange rates in early 2016 and including the impact of exchange rate hedging, we expect the exchange rate impact on revenue to be neutral in 2016. Acquisitions made in 2015 will impact consolidated revenue by approx. 6% in 2016.

In 2016, EBIT is expected to be skewed further than normal towards the second half of the year due to, among other things, the timing of the Oticon Opn™ launch, losses on forward exchange contracts affecting H1 and seasonality in Hearing Implants.

We maintain our guidance for an operating profit (EBIT) of DKK 2.0-2.3 billion before restructuring costs, which are expected to total DKK 200 million in 2016



Hearing Devices



“

It opened up the world. I was able to engage again.

I went out to dinner with friends in a noisy restaurant.
And although I heard the background sounds,
I was able to speak across the table [...]. I just loved it.


Barbara Abramowitz , hearing aid user



A Paradigm Shift in Hearing Care



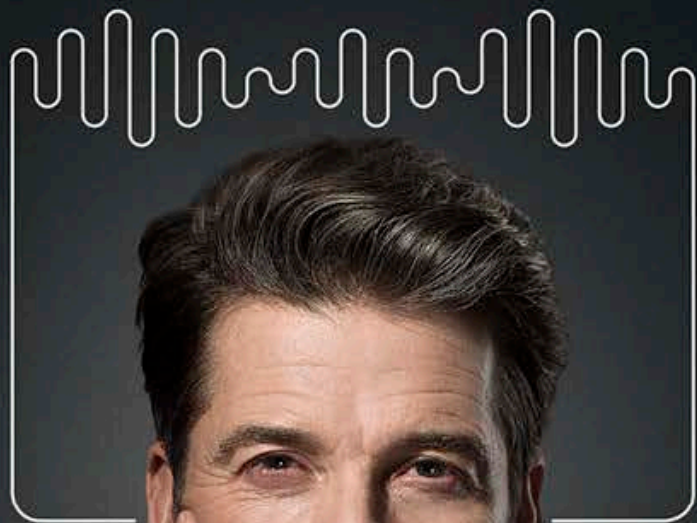
Today's challenge



Today's
directional
technology ...

Oticon Opn empowers the brain!





**For the first time ever,
a hearing aid with two communication systems**



Higher than expected brain load from background noise

Very big need for reducing the load on the brain, even when all words are understood –
Oticon Opn1™ provides significant relief

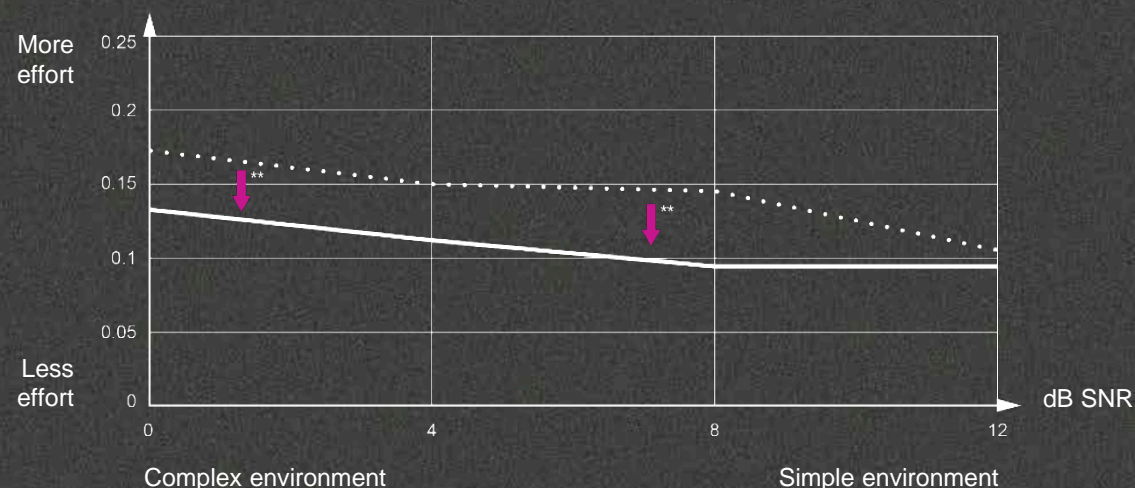
Multiple Speaker Access Technology (MSAT)

=

OpenSound Navigator reduces noise
+ delivers an open sound experience.*

OpenSound Navigator significantly narrows the gap between untreated hearing loss and normal hearing in everyday listening environments.

Listening effort, as indicated by Peak Pupil Dilation (mm)



..... Hearing impaired*

—— Normal hearing*

↓ Reduction of listening effort
With OpenSound Navigator*



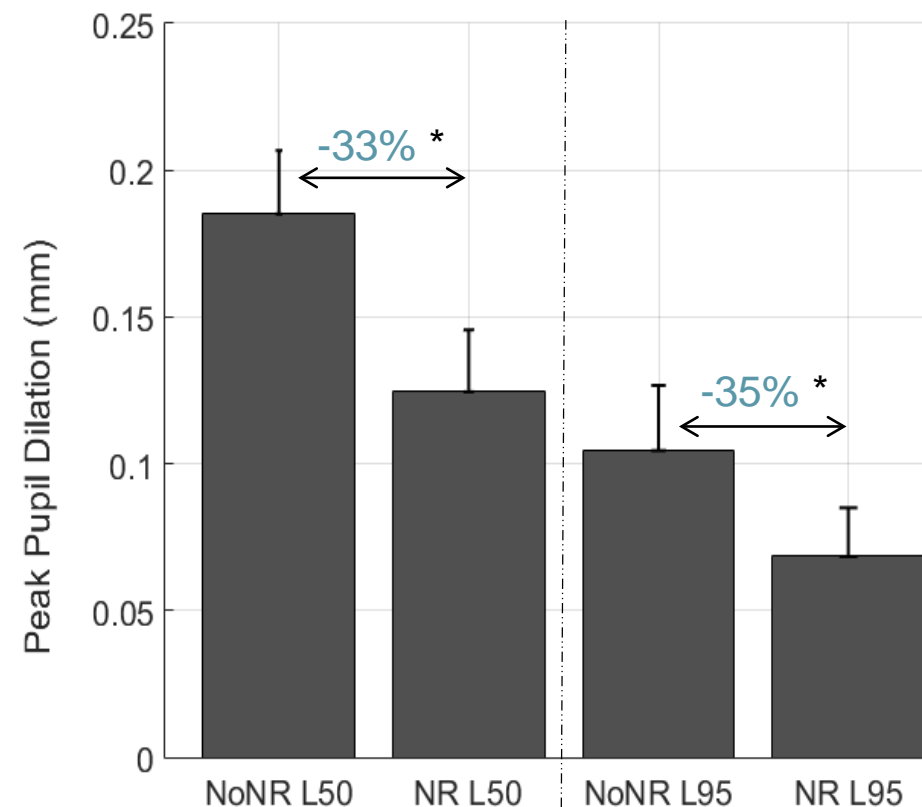
Ohlenforst et al. 2016. Persons with hearing loss had audibility compensated with amplification. Wendt et al. 2016, Lunner et al. 2016. Data indicates a 33% and a 35% reduction in Peak Pupil Dilation at SNRs of 1.3dB and 7.1dB, respectively. Individual benefits may depend on prescription.

*Only Oticon Opn1 has the full effect of OpenSound Navigator™

Major benefits documented for Oticon Opn1

- ▶ Testing shows that OpenSound Navigator reduces pupil size by 33-35% thus significantly reducing the load on the brain
- ▶ For the first time, hearing technology has demonstrated these kinds of benefits!

Reduction in cognitive effort shown by pupil dilation



Note: NoNR L50 = No noise reduction at a presentation level of 50 dB

*Wendt et al. 2016. Data indicates a 33% and a 35% reduction in Peak Pupil Dilation at SNRs of 1.3dB and 7.1dB, respectively. Individual benefits may depend on prescription



Opn status and outlook

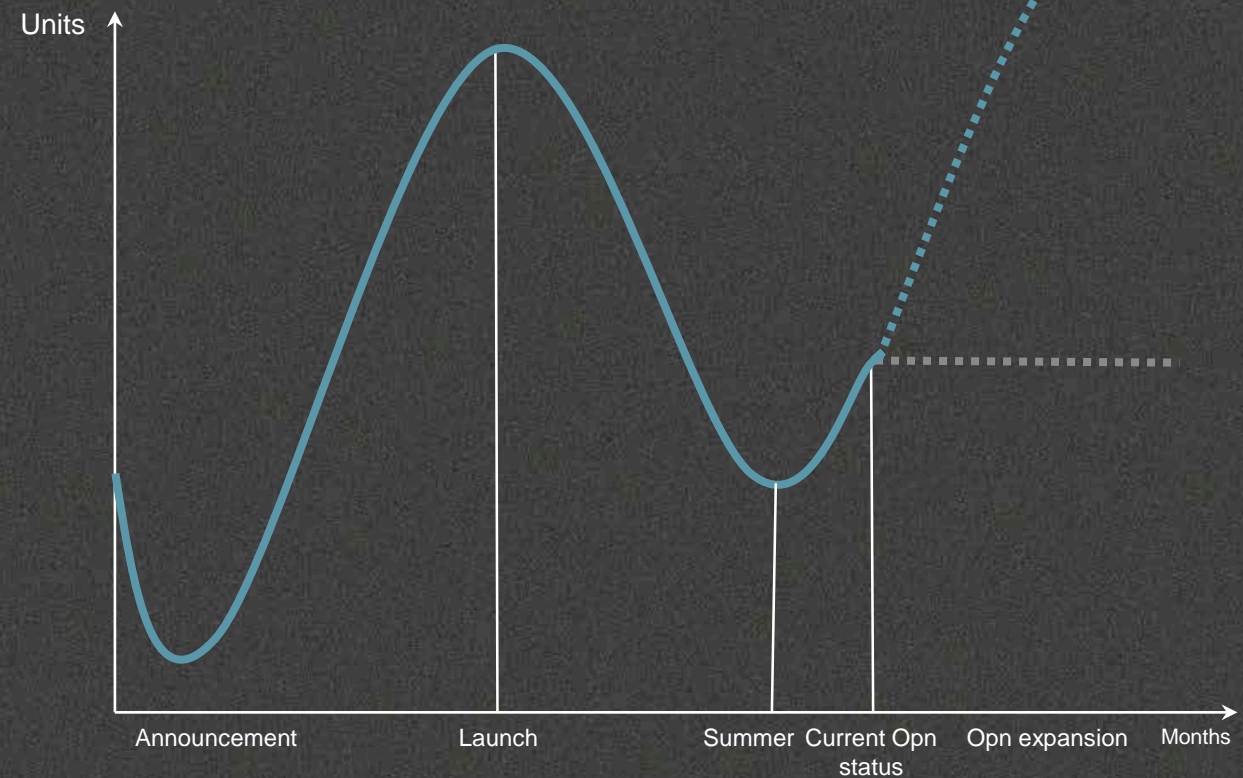


The Opn cycle

We are approaching the expansion phase

- ▶ Slowdown in high-end prior to launch
- ▶ Strong initial uptake
- ▶ Relatively soft months after introduction
 - ▶ Impacted by summer
- ▶ Expanding Opn

Opn launching cycle










For illustration purposes only



Introducing Opn 2 and 3

One open sound experience

Three levels of BrainHearing support

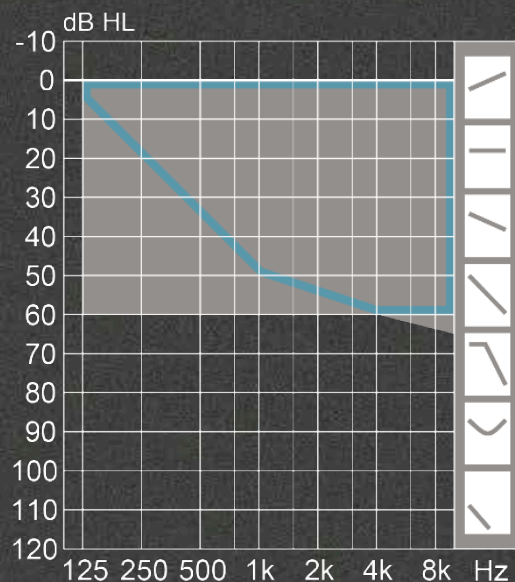
						
Product	BrainHearing support	Open access to all speakers	Rapid noise reduction	Localisation of sounds	Speech clarity	A personalised listening experience
Oticon Opn 1	Level 1	Yes	• • •	• • •	• • •	• • •
Oticon Opn 2	Level 2	Yes	• •	• •	• •	• •
Oticon Opn 3	Level 3	Yes	•	•	•	•
Supporting features:		<ul style="list-style-type: none"> • OpenSound Navigator • Spatial Sound LX 	<ul style="list-style-type: none"> • OpenSound Navigator • Frequency bands 	<ul style="list-style-type: none"> • Spatial Sound LX • Bandwidth 	<ul style="list-style-type: none"> • OpenSound Navigator • Speech Guard™ LX • Clear Dynamics • Bandwidth • Frequency bands 	<ul style="list-style-type: none"> • Fitting bands • Configuration options • YouMatic™ LX • Soft Speech Booster LX

Open up to more power!

Covering hearing loss from mild to severe-to-profound

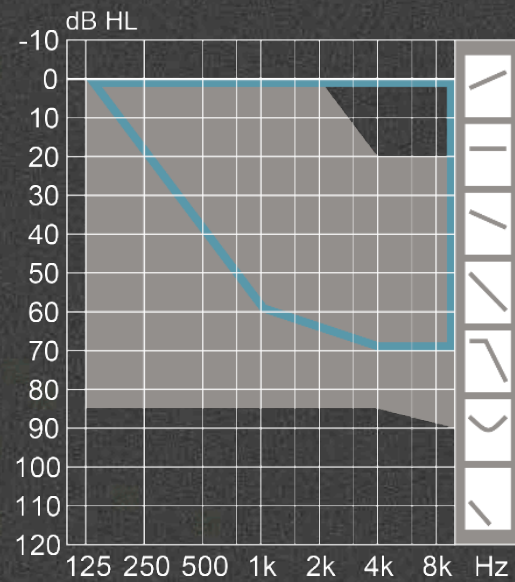
miniFit 60 receivers

60



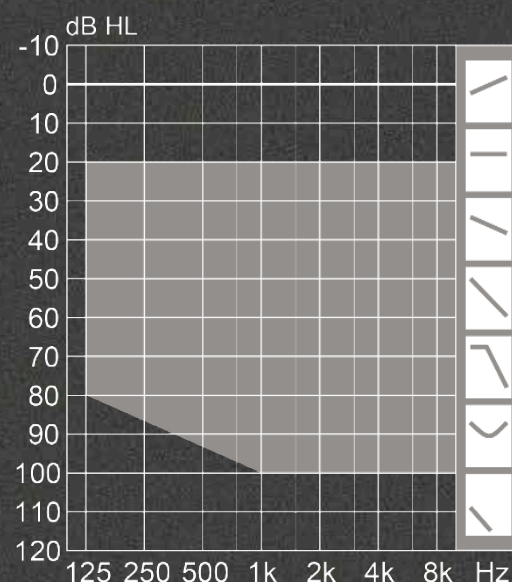
miniFit 85 receivers

85



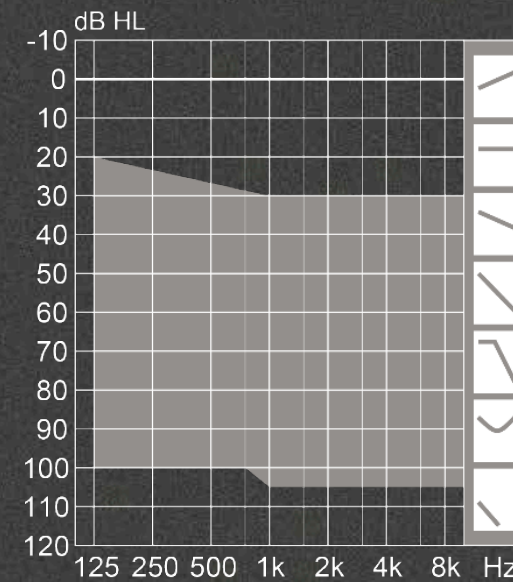
miniFit 100 power receivers

100*



miniFit 105 power receivers

105



Open dome
Mould, Bass & Power dome

Fitting range details for Oticon Opn 2 & Oticon Opn 3 are available in technical data sheets.
* In addition to the miniFit 100 speaker with dome, the 100 Power Flex mould will be introduced in early 2017.

Open up and connect to the world



Made for
iPod iPhone iPad



Explore the endless possibilities available when connecting to Oticon Opn.

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- ▶ 95 % are satisfied or very satisfied with Opn*
- ▶ Almost 50% of users are cell phone streaming*
- ▶ Around 1/3 of users was inspired by direct streaming to buy Opn*

*Based on internal survey including 400 Opn users. Internal data, not claim data.

IFTTT



Change settings in hearing aid when arriving at work



Receive notification when it's time to take medicine



Automatically start TV streaming



Receive calendar notifications



Receive notification when hearing aid battery is low



Receive notification when an SMS arrives



Receive a spoken notification when someone is at the door

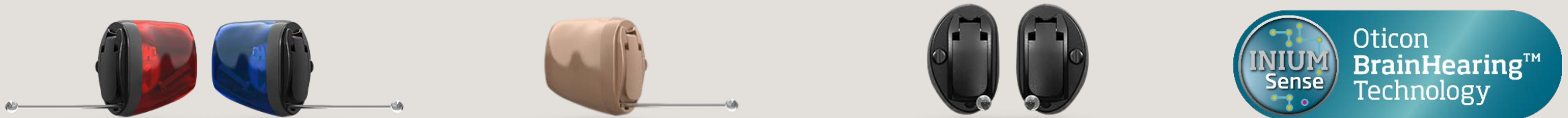


Turn lights off when leaving home

Introducing new improved invisible solution

Doubling the IIC fit rate

- ▶ More than doubling the fit rate of IIC
- ▶ Supporting BrainHearing technology for 96% customer satisfaction
- ▶ An extensive portfolio of custom-made HA



Expanding the entire Oticon portfolio

REM* AutoFit

- ▶ Entire REM process completed in under 6 minutes
- ▶ Gives more time for counselling and validation
- ▶ REM verification reduces the number of return visits

*Real Ear Measurement

Sound Studio

- ▶ Better first fits
- ▶ Less follow-up visits
- ▶ Higher user satisfaction

Bimodal fitting – bringing Dynamo and CI together

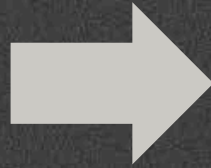
- ▶ Quick and easy bimodal fittings
- ▶ Both acoustic and electric stimulation
- ▶ Higher quality of life in social activities



Rechargeable solutions has significant limitations

General considerations

- ▶ Power consumption
- ▶ Instrument size
- ▶ User convenience
- ▶ Signal processing



Current limitations

- ▶ No direct streaming (2.4 GHz)
- ▶ 13 size battery
- ▶ Travel chargers
- ▶ Potential limitations to signal processing



Hearing Implants



Ponto 3 – the world's most powerful family of abutment-level processors



Ponto 3
45 dB HL

Ponto 3 Power
55 dB HL

Ponto 3 SuperPower
65 dB HL

Ponto 3 – the definition of power



Power your brain

- Introducing BrainHearing for BAHS
- Direct sound transmission and Inium Sense platform

Powerful sound quality

- Highest output ever from an abutment level sound processor
 - Widest frequency bandwidth
- 15% better speech understanding for 70% of time



Power to participate

- Wireless power
- Reliable performance

Super Power made beautiful

- The world's first single-unit Super Power

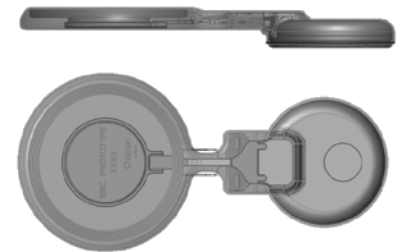
Empowering children

- First ever DSL-BC

Direct transmission is still the golden standard in bone-anchored hearing systems

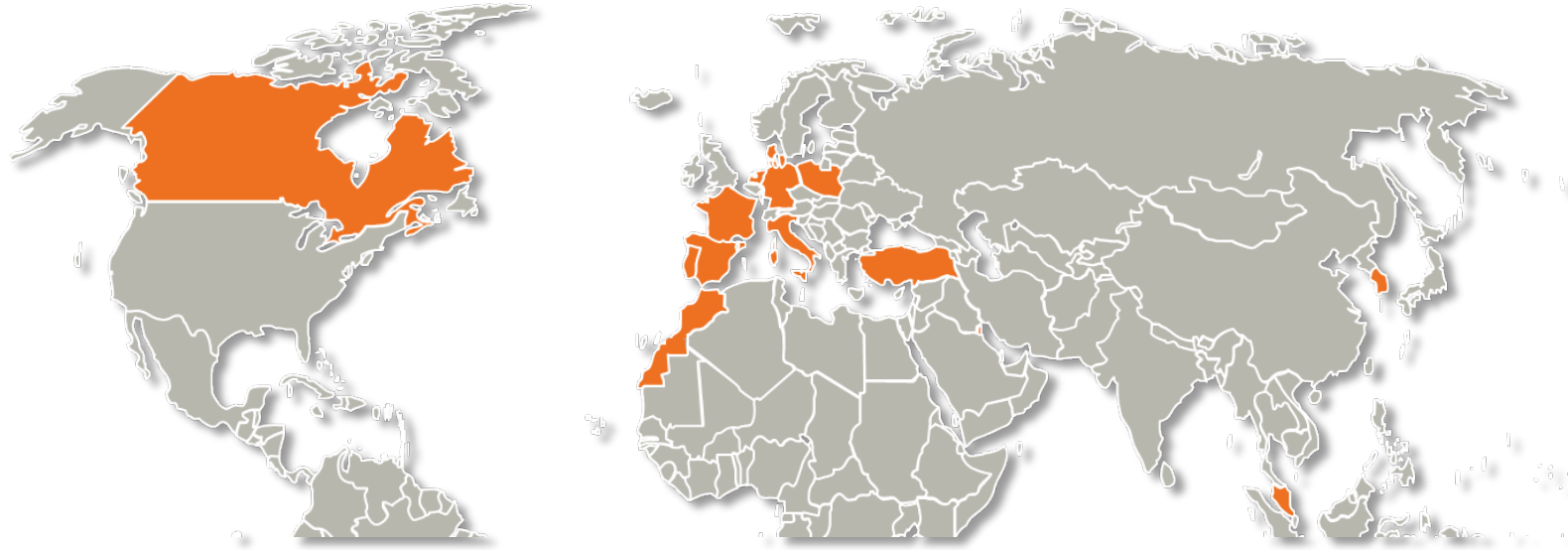
Direct drive	Ponto	<ul style="list-style-type: none">• Paediatrics* and adults• Conductive and mixed• Single-sided deafness
Skin drive	Transcutaneous, magnet	<ul style="list-style-type: none">• Adults• Conductive
	Headband or softband	<ul style="list-style-type: none">• Paediatrics before surgery is an option and adults• Conductive• Testing and before surgery is an option
Direct drive	Transcutaneous, active	<ul style="list-style-type: none">• Paediatrics* and adults• Conductive and mixed• Single-sided deafness

* Above the age of 5 years



oticon
MEDICAL

Global Neuro Zti implantations



- To date, 200-300 patients worldwide have been fitted with a Neuro system
- Activated: 200+ patients
- Implantations in 15 countries and 4 continents:
 - Europe: France, Denmark, Germany, Holland, Italy, Turkey, Belgium,*
 - Africa: Morocco,*
 - Asia: South Korea, Kuwait, Malaysia*
 - North-America: Canada and counting ...*
- Over 70 clinics started up, including 25+ new clinics

Neuro Zti

The surgeon's point of view



- The Neuro Zti system is very much appreciated by surgeons
- The receiver's design, in particular its thin profile, monobloc design, allowing surgery without drilling a bony well is regarded as very positive
- The unique fixation system with self-tapping screws and the dedicated screw-driver are regarded as very positive
- Surgeons are enthusiastic with the Neuro Zti surgical characteristics



The Neuro experience – testimonials

Understanding speech
in small groups or with my family

The Neuro Zti System is life changing

I can hear somebody that talks from behind

To hear again... to participate in meetings at the local
city council again and be able to communicate

At the hospital, people come to me and ask
about my implantation,
I tell them they should not hesitate to do it

Hearing more,
hearing 'small' sounds

I can have conversations with others

In conversation situations, I don't need
to come so close to people anymore

I don't need to ask people
to repeat anymore

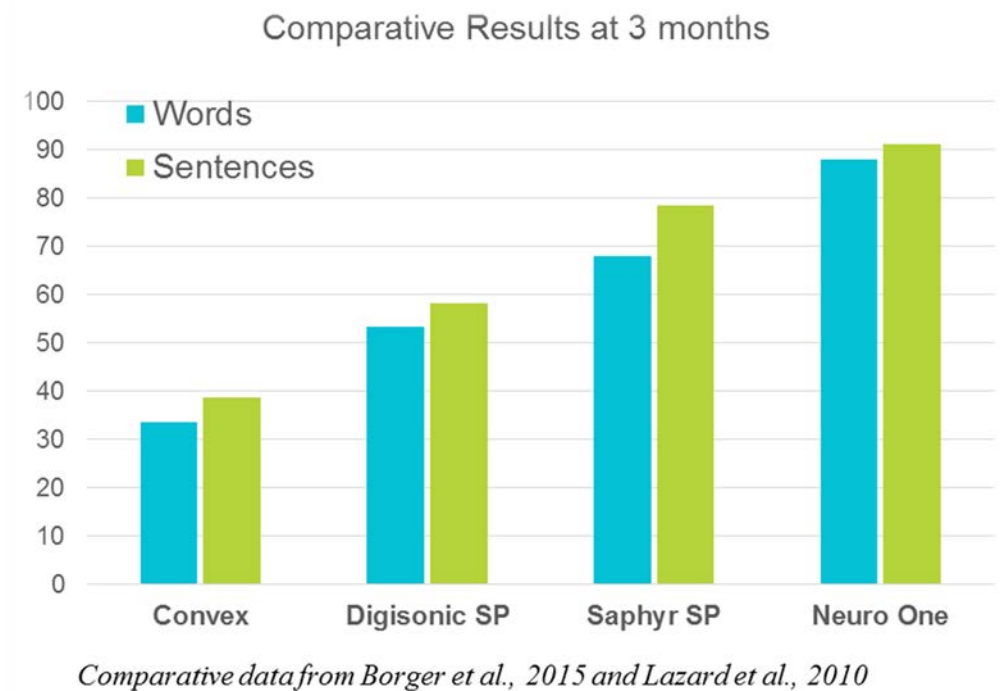
I can hear sounds that were unknown to me before



Group audiological evaluation – Italy

Indicative comparison with Saphyr Neo collection renewal data at 3M

- 10 patients aged 54.3 years on average; post-lingual adults; deprivation duration of 1 to 8 years
- Compared to data obtained over three months on former sound processor generations (Borger et al., 2015; Lazard et al., 2010):
- Another average increase of 16.4% - reaching the 90%
- Trend towards continuous improvement
- Good outcomes could be reached faster



Committed to your future of sounds!



oticon
MEDICAL

FITTING

 Thresholds Item#2 Item#3

MORE TOOLS

 Item#4 Item#5 Item#6 Item#7 Item#8

120 %C



PATIENT



CONNECT



MEASURE



FITTING



PROGRAMMING

AUDIOMETRIC

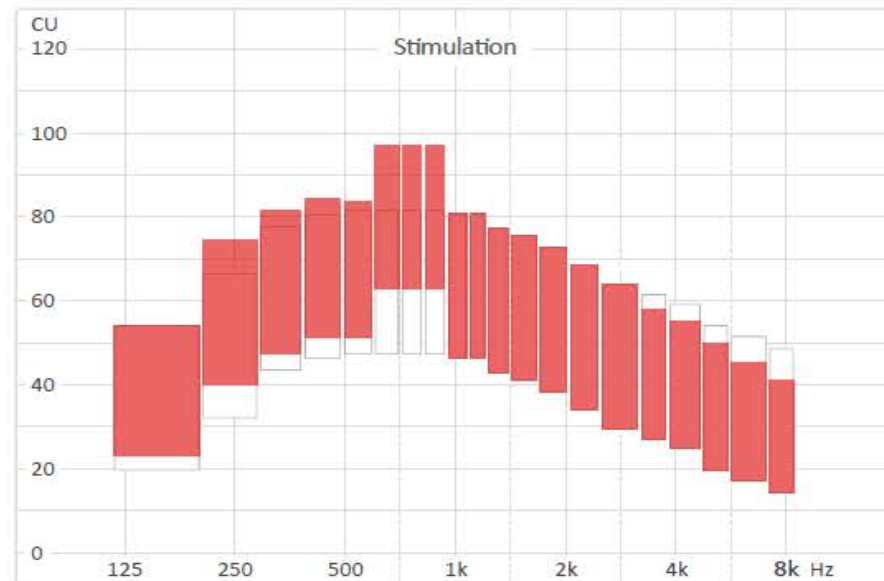
PHYSICAL

◀ 23 24 25 26 ▶ 

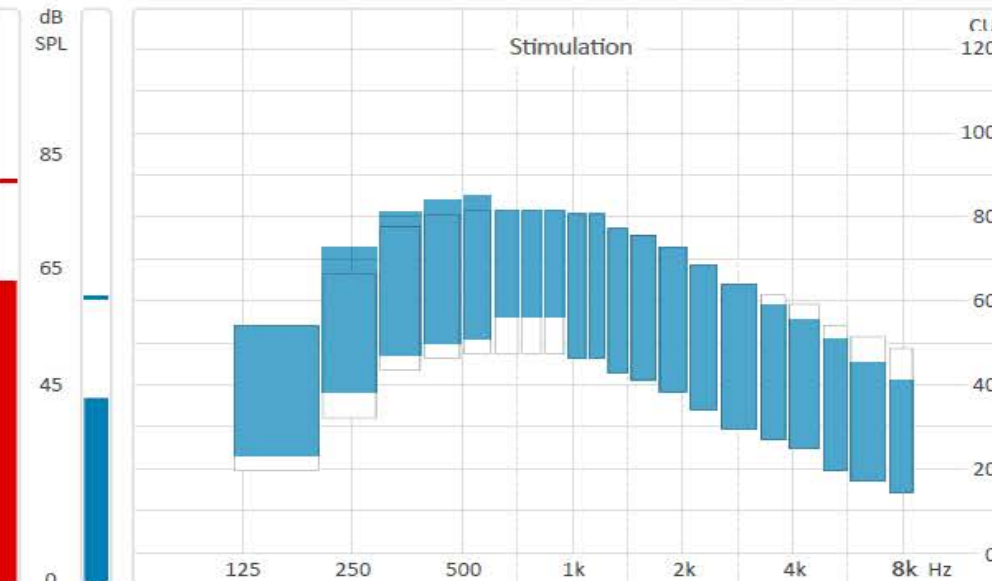
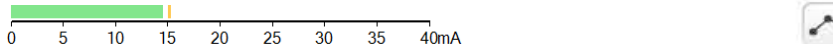
General

 ECAP

General

◀ 23 24 25 26 ▶ Smooth adjustments  0 5 10 15 20 25 30 35 40mA

X ⁺	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1
C	11	18	18	23	23	30	30	30	30	30	30	30	23	23	23	23	11	11	11	11
T	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10

mA  0 5 10 15 20 25 30 35 40mA

X ⁺	20	19	18	17	16	15	14	13	12	11	10	9	8	7	6	5	4	3	2	1
C	11	18	18	23	23	30	30	30	30	30	30	30	23	23	23	23	11	11	11	11
T	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10



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Q&A