

William Demant



# Interim Management Statement

November 2016



# Agenda

- Key take-aways
- Global hearing aid market
- Group highlights
- Strategic initiatives
- Outlook 2016
- Q&A





# Key take-aways



## Key take-aways



Satisfactory revenue growth – mainly driven by retail activities and continued positive momentum for Oticon Opn™



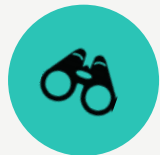
US retail and Hearing Implants below expectations



Diagnostic Instruments performance has improved compared to H1 2016



Execution on strategic initiatives on track



Full-year outlook maintained – lower half of EBIT range most likely





# Global hearing aid market



# Global hearing aid market

Global market unit  
growth > 4-5%



- Year-to-date, the estimated global market growth rate is slightly above the Group's general expectations of 4-5% unit growth
- Solid unit growth in the US driven by the commercial market
- The global average selling price (ASP) is still under some pressure, mainly due to shifts in channels and fierce competition
- In terms of value, the global market for hearing aids is estimated to have seen modest growth in 2016



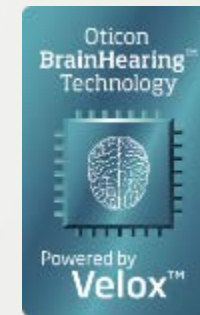


# Group highlights



# Hearing Devices

- Our Hearing Devices business activity has continued its satisfactory organic growth path
- Oticon Opn and our retail activities, including acquisitions, remain key growth drivers
- Oticon Opn drives ASP improvements compared to H1 2016
- Performance in US retail below expectations due to consolidation and weak response to marketing activities





# Expanding the Opn portfolio

- Opn 2 and Opn 3 to be launched in the upper mid-priced and the mid-priced segments
- Improving fitting range with Power solution
- Continuing to leverage on Opn benefits



# Hearing Implants

- Soft growth below expectations
  - Adverse market conditions in oil-dependent markets
  - Slower than initially expected uptake of new Neuro CI system
  - Increased competition in BAHS
- More than 70 clinics have started fitting Neuro
  - 25 new clinics since the first Neuro implantation
- Launch of new Ponto 3 family initiated in October 2016
- Sales momentum expected to gradually improve due to strong product portfolio and roadmap



# Diagnostic Instruments

- Performance has improved compared to H1 2016
  - Strong growth in Europe and Oceania
  - Unfavourable market conditions persist in oil-dependent countries
  - New product launches in Q4 2016



  
**Interacoustics**

 **gsi**  
Grason-Stadler

  
amplivox

**MedRx**

 **Micromedical**  
TECHNOLOGIES™

 **MAICO**



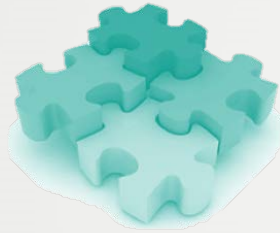


# Strategic initiatives



# 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 of which 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 it is still early days
- Transfer of activities from the production site in Thisted (Denmark) to Poland has been initiated
- Eagan site has been closed down and all activities have been transferred
- Successful ramp-up in Mexico continues
- R&D in Bern will be transferred to Denmark and Poland at the end of 2017
- Official opening of new offices in Warsaw to house our Polish sales organisation and R&D expansion





# Outlook for 2016



# 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.

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

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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.

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In 2016, EBIT is expected to be skewed further than normal towards H2 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. The lower half of the EBIT range is regarded as the most likely, reflecting the development in our US retail activities and in our Hearing Implant business activity.**





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Q&A