

A woman with dark hair pulled back, wearing a dark blazer over a light-colored top, is smiling and looking down at a document. Another person's hand is visible, holding the document. The background is slightly blurred, suggesting an office setting. A large, semi-transparent blue circle is overlaid on the left side of the image, containing the text.

Demant

Interim Management Statement

May 7 2019 – covering the period year-to-date

Søren Nielsen, President & CEO

René Schneider, CFO

Investor Relations

Demant

**Life-changing
hearing health**

Key take-aways year-to-date



Successful Oticon Opn S launch drives growth acceleration after slow start to the year. Product launches expected to drive market share gains in 2019



Solid organic growth in wholesale business thanks to a strong uptake of Oticon Opn S since its launch. Further product introductions in Bernafon and Sonic in April as well as Philips HearLink announcement



Growth in hearing aid retail business mainly driven by acquisitions. Positive – albeit low – organic growth despite significant, negative one-off impact from the French hearing healthcare reform



Strong organic growth in Hearing Implants driven by very strong growth in cochlear implants. Solid organic growth in BAHS – preparing for launch of Ponto 4 at the end of first half-year



Continued strong organic growth in Diagnostic Instruments in line with plans – growth broadly based across regions, brands and product categories



R&D costs have increased due to full-year effect of step-up of R&D efforts in 2018 and distribution costs increased due to acquisitions made in 2018



Material skew towards second half-year – EBIT for the first half-year expected to be around or slightly lower than reported EBIT of DKK 1,226 million in first half of 2018



Outlook 2019 maintained: We expect to generate organic sales growth above market level in 2019. Reported EBIT of DKK 2.65-2.95 billion and share buy-backs worth a minimum of DKK 1.2 billion.

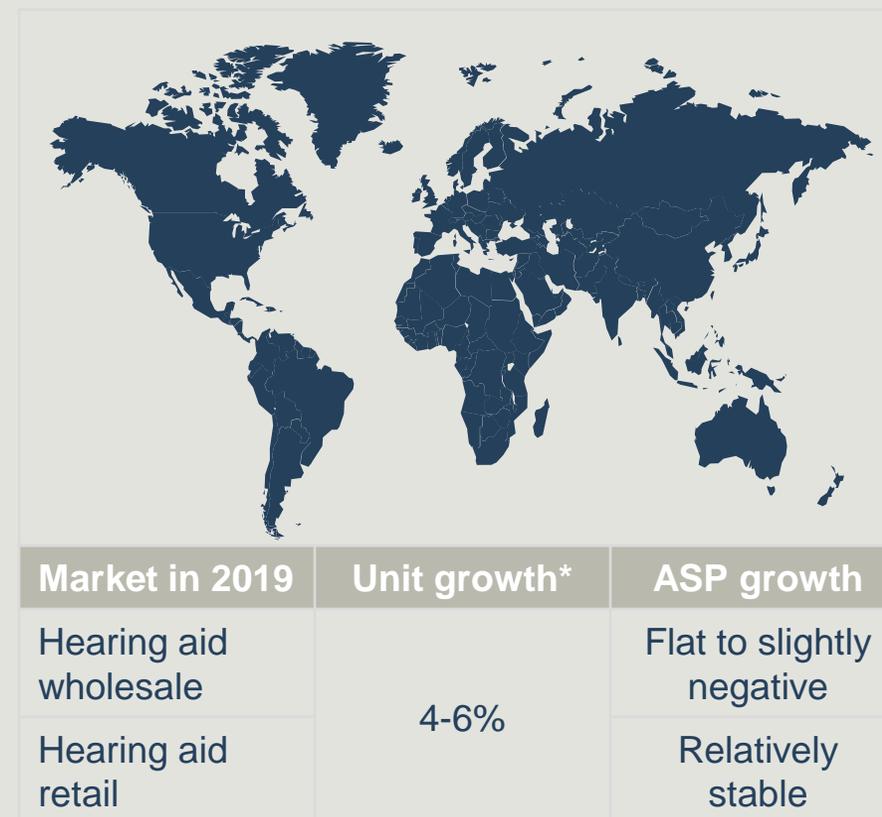
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Update on business activities

The global hearing aid market year-to-date

Growth rates in line with our general expectation of 4-6% unit growth per year when adjusting for NHS stock-building in preparation for Brexit

- Unit growth in the US of 2.5% in first quarter (1.5% in the commercial market and 6.7% in Veterans Affairs)
- Very strong unit growth in Europe driven by NHS stock-building in preparation for Brexit. Strong unit growth in Germany, Italy and several other markets
 - Very solid unit growth in France albeit significant fluctuations due to new hearing healthcare reform
- Wholesale value growth consistent with our general expectations of 2-4% when adjusting for extraordinary growth in NHS. Slightly negative price development due to mix shifts
- Retail ASPs vary significantly across markets

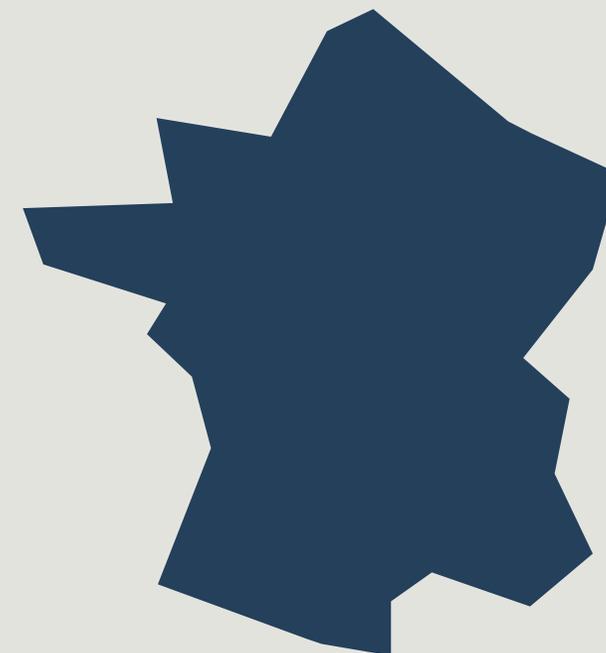


*adjusted for growth in NHS

Hearing healthcare reform in France

Changes have resulted in a significant, negative one-off impact of approx. DKK 50 million on EBIT for Hearing Devices, particularly our retail business

- Reform took effect on 1 January 2019 with a number of elements:
 - Increased reimbursement for hearing aid users
 - Eligibility for renewal every four years
 - Mandatory trial period of 30 days
 - Mandatory warranty period of four years
 - Ambition to increase number of trained audiologists to meet demand
- We are generally positive about the potential impact of the reform over the coming years



Weak start to the year in wholesale – growth acceleration since launch

- Solid organic growth in wholesale above estimated market value growth rate
- Strong unit growth year-to-date whereas ASP growth has been negative
 - Very strong unit sales to NHS and to customers in Asia, particularly China
 - Weak year-to-date growth in premium segment
 - Growth in mid-priced products launched in August 2018
- Year-over-year cost impact of step-up in R&D effort last year will gradually decrease



OTICON | **Opn S**

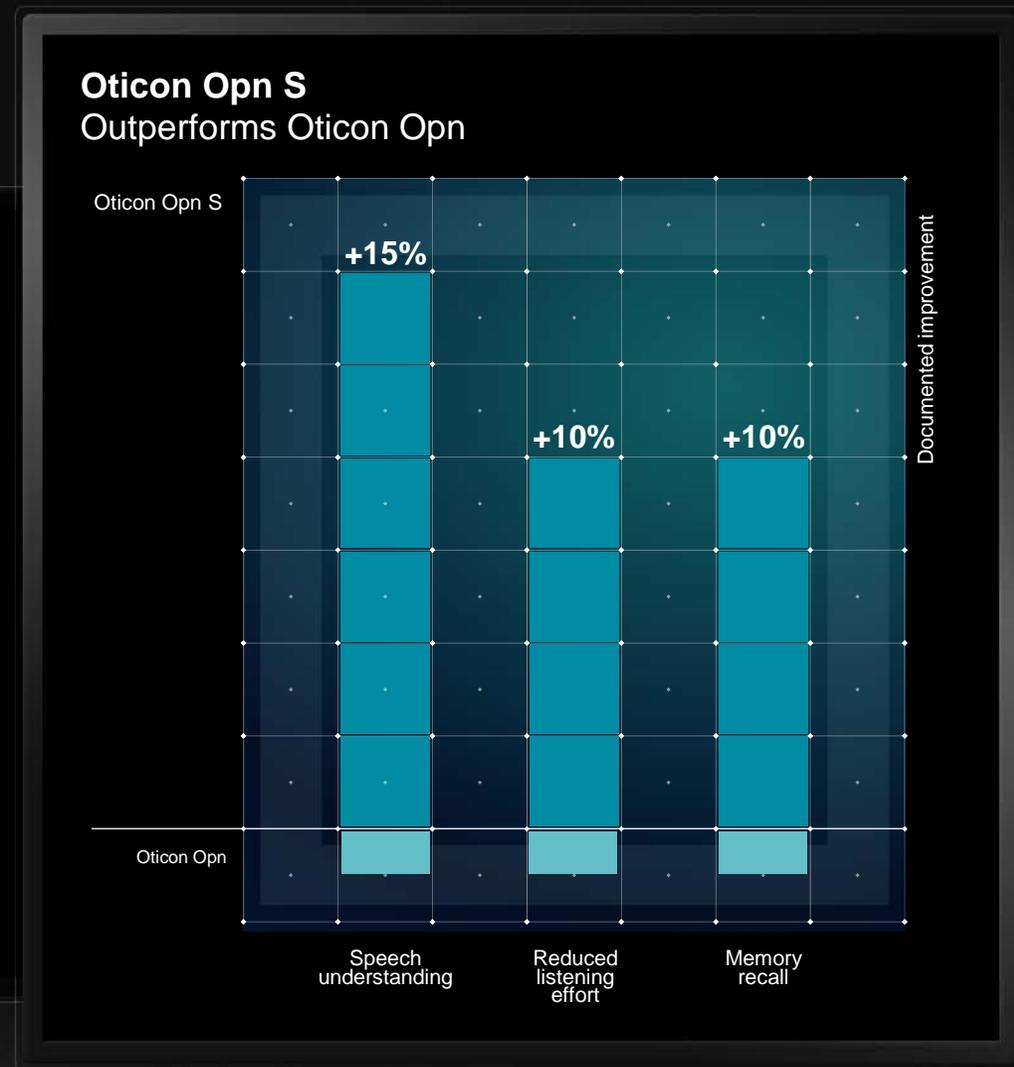
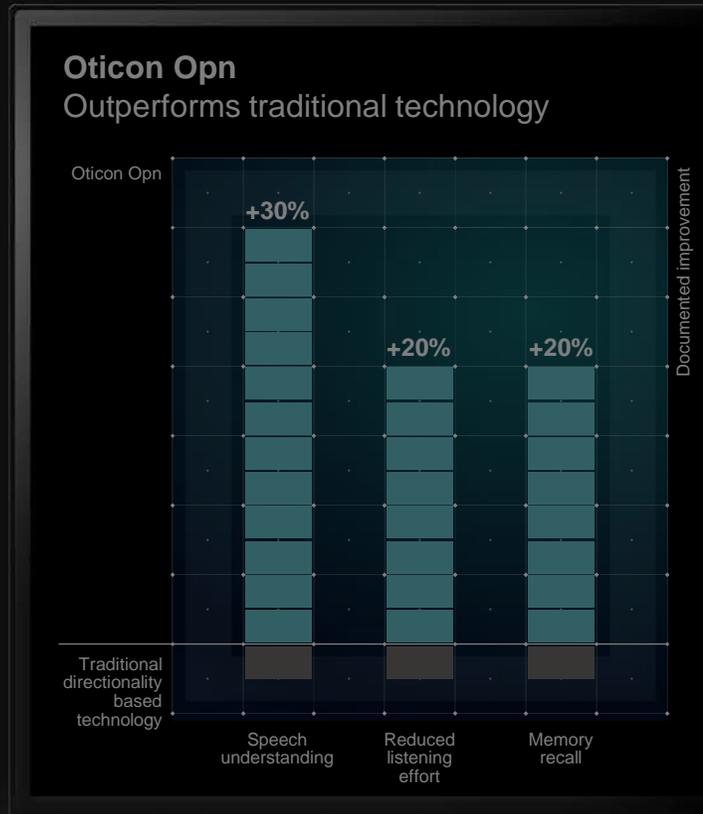
The new Oticon Opn S™

Breaking a law of physics

96% prefer Oticon Opn S over the
ground-breaking Oticon Opn



Oticon Opn S takes the BrainHearing™ benefits even further



Juul Jensen 2019, Oticon Whitepaper

The Oticon Opn S family

Launched in top three price points across four styles

miniRITE

miniRITE T

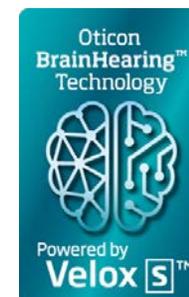
miniRITE R

BTE PP



Strong uptake of the new Oticon Opn S product family since its launch

- Launched at scale in most major markets at the end of March and in April
- Very well received – best-in-class audiology and highly robust lithium-ion rechargeable battery technology
- Material growth acceleration since launch expected to continue, particularly in premium segment
- Expansion of rechargeable version to additional price points since beginning of May
- VA offering significantly strengthened in May
- Roll-out still ongoing across brands and price points – no year-to-date impact of these launches



Additional launches will support growth

No material impact on year-to-date sales from Bernafon, Sonic and Philips launches

Viron 9|7|5

- Sound experience simply closer to reality
- Four styles including new lithium-ion rechargeable battery



bernafon[®]
Your hearing • Our passion

Captivate 100|80|60

- Flexibility in focus
- Three performance levels and seven colour options



SONIC
Everyday Sounds Better

HearLink

- Announced April 10
- Completely new portfolio of hearing solutions



Year-to-date growth in retail mainly driven by acquisitions



- Positive – albeit low – organic growth despite significant one-off impact from French hearing healthcare reform
- Positive development in key markets
 - Positive organic growth in US due to improvement in marketing activities both centrally and at store level
 - Activities in Australia have improved and organic growth has been positive
- Positive growth contributions from UK and Poland
- Growth in distribution costs primarily related to acquisitions in 2018 previously recognised as investments in associates

Strong organic growth in Hearing Implants driven by cochlear implants

Cochlear implants (CI)

- Very strong growth, exceeding estimated market growth despite decision to reduce activity level in select markets with lower prices
- Strong, broad-based progress in Europe, particularly Germany
- Strong growth in Brazil and in various export markets

Bone anchored hearing systems (BAHS)

- Solid growth reflecting limited market growth due to lack of new product launches
- Expectation of material growth acceleration in second half-year with launch of Ponto 4
- Ponto 4 is based on the latest hearing aid platform from Oticon, Velox S
 - Strong testament to synergies across our business activities



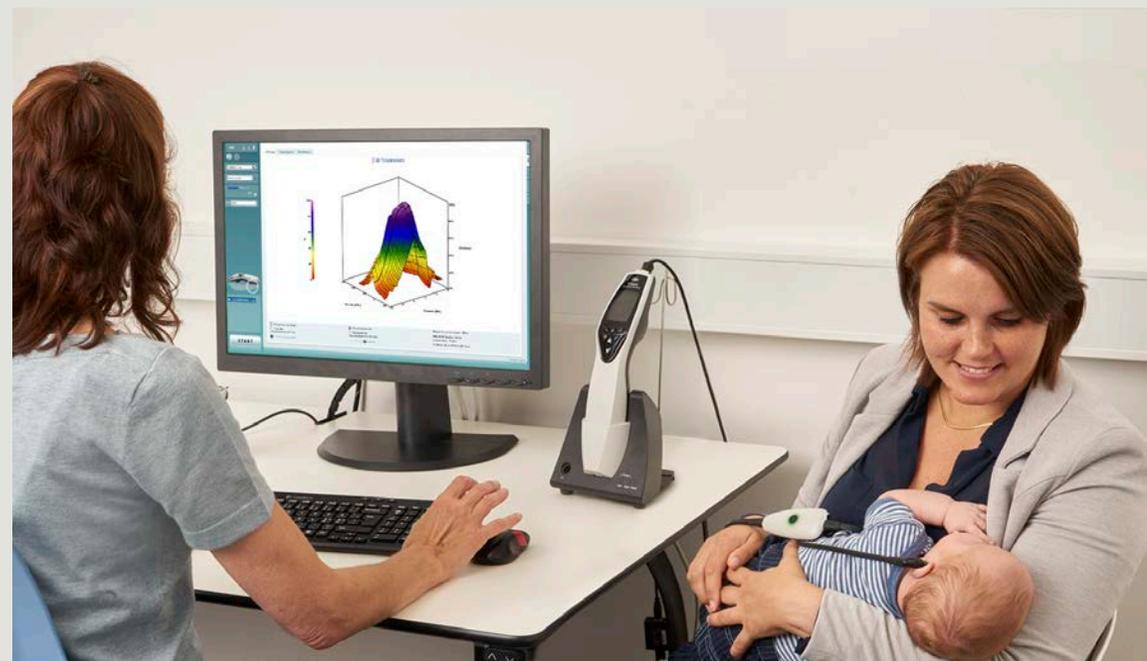


Ponto 4 brings a paradigm shift in bone anchored hearing

- All new, super small mechanics
- New Oticon Velox S™ platform
- OpenSound Navigator™
- Wireless Bluetooth connectivity technology
- Released for sale by end of H1 2019

Continued strong organic growth in Diagnostic Instruments

- Strong organic growth in line with our plans across regions, brands and product categories
- Positive market trends and solid competitive position in terms of both product offering and distribution
- US-based businesses most significant growth drivers year-to-date – also strong performance in Asia



Strong organic growth in Personal Communication

- Slightly better than expected performance in our 50/50 joint venture, Sennheiser Communications
- Strong growth driven by Enterprise Solutions, Mobile Music segments
- Particularly strong growth in North America
 - Great potential for growth in most of our markets
- Profit in line with last year
- Preparation for separation of joint venture from 1 January 2020 progressing according to plan



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Other matters

Acquisitions

- In 2019, we have continued to make acquisitions in Hearing Devices, and we expect the cash flow to acquisitions for the full-year to be slightly below the level seen in 2018
- A significant proportion of expected acquisitions involve taking full ownership of assets in which we have previously held a minority share, predominantly in hearing aid retail

Estimated impacts of IFRS 16

- Implemented with effect from 2019 (comparative figures not re-stated)
- Nearly all leases recognised on balance sheet, i.e. material impact on financial statement (see note 9.1 in Annual Report 2018)
- No changes to estimated impacts

(DKK million)	2018 reported	IFRS 16 impact*
P&L (DKK million):		
EBITDA	2,978	~500
EBIT	2,532	Minor positive
Profit before tax	2,368	Minor negative
Cash flow (DKK million):		
CFFO / FCF	1,765 / 1,185	~500 less minor interest
CFFF	-628	~-500 plus minor interest
Balance sheet (DKK million):		
Total assets/total liabilities	17,935	~2,000
Net interest-bearing debt (NIBD)	5,835	~2,000
Financial ratios:		
Gearing (NIBD/EBITDA)	2.0x	0.3x

* The impact from IFRS 16 is the estimated impact for 2019

Consolidation of Sennheiser Communication joint venture in 2020

- As previously communicated, the Gaming and Enterprise Solutions (CC&O) segments of our Sennheiser Communications JV will be fully consolidated with effect from 1 January 2020
- Previously communicated guidelines for modelling purposes:
 - Adding approx. 2/3 of the JV's revenue (DKK 1,085 million in 2018) plus a distribution mark-up of approx. 1/3 to Group revenue
 - More or less neutral impact on absolute EBIT for the Group
- Net effect in 2020: Additional revenue, neutral EBIT and dilutive effect on EBIT margin

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Outlook 2019

Outlook 2019

- We maintain our expectation to generate organic sales growth above market level in 2019, accelerating through the year as a reflection of the timing of new product launches
- We still expect a positive exchange rate effect of 1% on revenue in 2019
- **We continue to guide for a reported EBIT of DKK 2,650-2,950 million** with a material skew towards the second half-year as we expect EBIT for the first half-year to be around or slightly lower than reported EBIT of DKK 1,226 million in the first half of 2018
- We still expect to deliver substantial growth in our cash flow from operating activities (CFFO) and to buy back shares worth a minimum of DKK 1.2 billion
- We aim for a gearing multiple of 1.8-2.3 measured as net interest-bearing debt (NIBD) relative to EBITDA, corresponding to an unchanged gearing multiple of 1.5-2.0 before the implementation of IFRS 16.)

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Q&A

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Roadshows and conferences:

08 May	London (Goldman Sachs Conference)
09 May	Paris (Danske Bank)
10 May	Copenhagen (Carnegie)
14 May	Madrid (ABG)
15 May	Milan (Handelsbanken)
21-22 May	New York (UBS Conference)
23 May	Boston (UBS)
24 May	Frankfurt (Danske Bank)
11-12 June	LA (Goldman Sachs Conference)
13 June	San Francisco (Goldman Sachs)
18 June	London (Citibank Conference)
26 June	Zurich (Credit Suisse Conference)