Interim Management Statement

5 May 2020 – covering the period year-to-date

Søren Nielsen, President & CEO

René Schneider, CFO

Investor Relations

Extraordinarily mixed performance year-to-date

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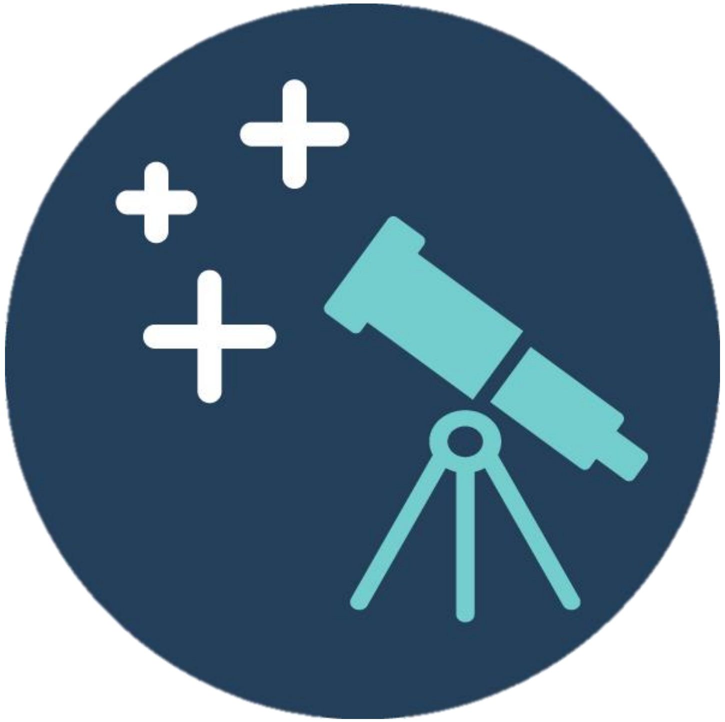
Life-changing hearing health

- Double-digit organic growth until mid-March driven by innovation and strong product portfolio
- Significant negative growth since mid-March due to severe market impact of coronavirus
- Year-to-date revenue and profits significantly below last year

- Key priority is to ensure the health and safety of our employees and other stakeholders
- Dedicated to servicing customers and users by introducing new remote services

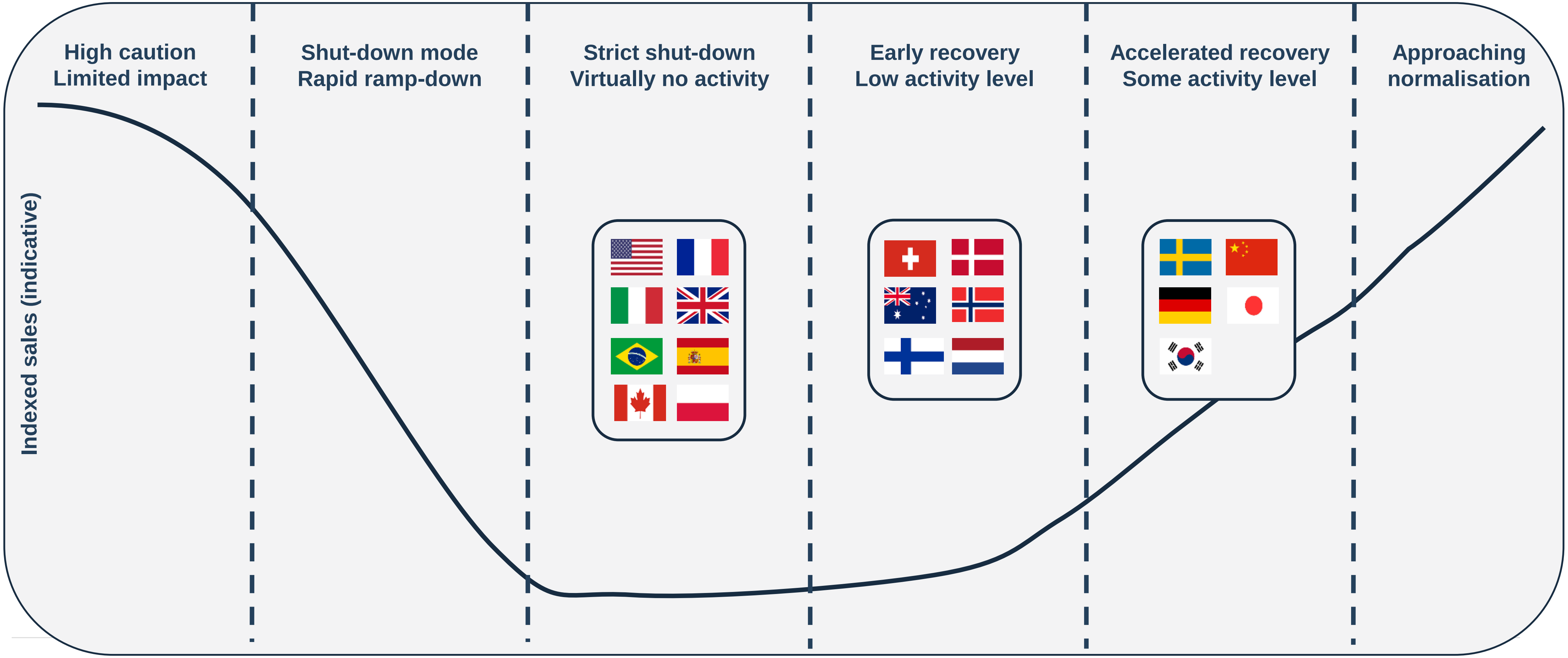
No changes to fundamental drivers of demand for hearing healthcare

- Impact of coronavirus expected to be temporary
- Market recovery will take longer than initially expected and is likely to spill over into 2021
- Increased uncertainty on pent-up demand materialising in 2020
- Duration of recovery dependent on timing of society re-openings and comfort of the elderly population



Indicative stage model for key markets

We are monitoring developments closely and adapting plans locally



Key take-aways year-to-date

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Key take-aways year-to-date

Strong organic growth in hearing aid wholesale until mid-March driven by Oticon Opn S and Philips HearLink – significant sales decline since mid-March due to lockdowns across all major markets

Strong start to the year in hearing aid retail with strong organic growth driven by Europe, partly due to low comparative figures in France – vast majority of clinics closed since mid-March

Exceptionally strong organic growth until mid-March in BAHS driven by Ponto 4 and slightly negative growth in CI – severe impact on Hearing Implants since mid-March

Current revenue run rate*	
Hearing aid wholesale	~20%
Hearing aid retail	~20%
Hearing Implants	~20%
Diagnostics	~60%
Communications (EPOS)	~120%
Group	**~30%**

** Approximate run rates as % of original expectations*

Strong start to the year in Diagnostics with broad-based organic growth – orders placed in past periods and revenue from service business have supported the business since mid-March

Significant sales acceleration in EPOS driven by current working-from-home trend after supply chain headwinds in the first months of the year – current sales significantly above ambitious growth plans

Key take-aways year-to-date (continued)

EPOS and increasing sales of rechargeable products driving expected gross profit dilution unrelated to coronavirus – production level reduced during April in response to coronavirus, resulting in significant, temporary gross margin headwind

Numerous actions taken to reduce costs – significant savings in staff costs through government salary compensation schemes and significantly reduced sales and marketing activities – OPEX run rate currently around 60% of initial plans – R&D activities kept in line with original plans

Positive free cash flow as a result of strong start to the year – significant negative impact on cash flows expected in coming months – we have expanded credit facilities considerably at terms similar to existing facilities

Negative impact of coronavirus expected to be temporary – hearing healthcare fundamentals remain unchanged – market recovery will take longer than initially anticipated – increased uncertainty on pent-up demand in 2020

Outlook for 2020 remains withdrawn – still lacking visibility on duration of lockdowns and pace of subsequent recovery

Update on business activities

Global hearing aid market

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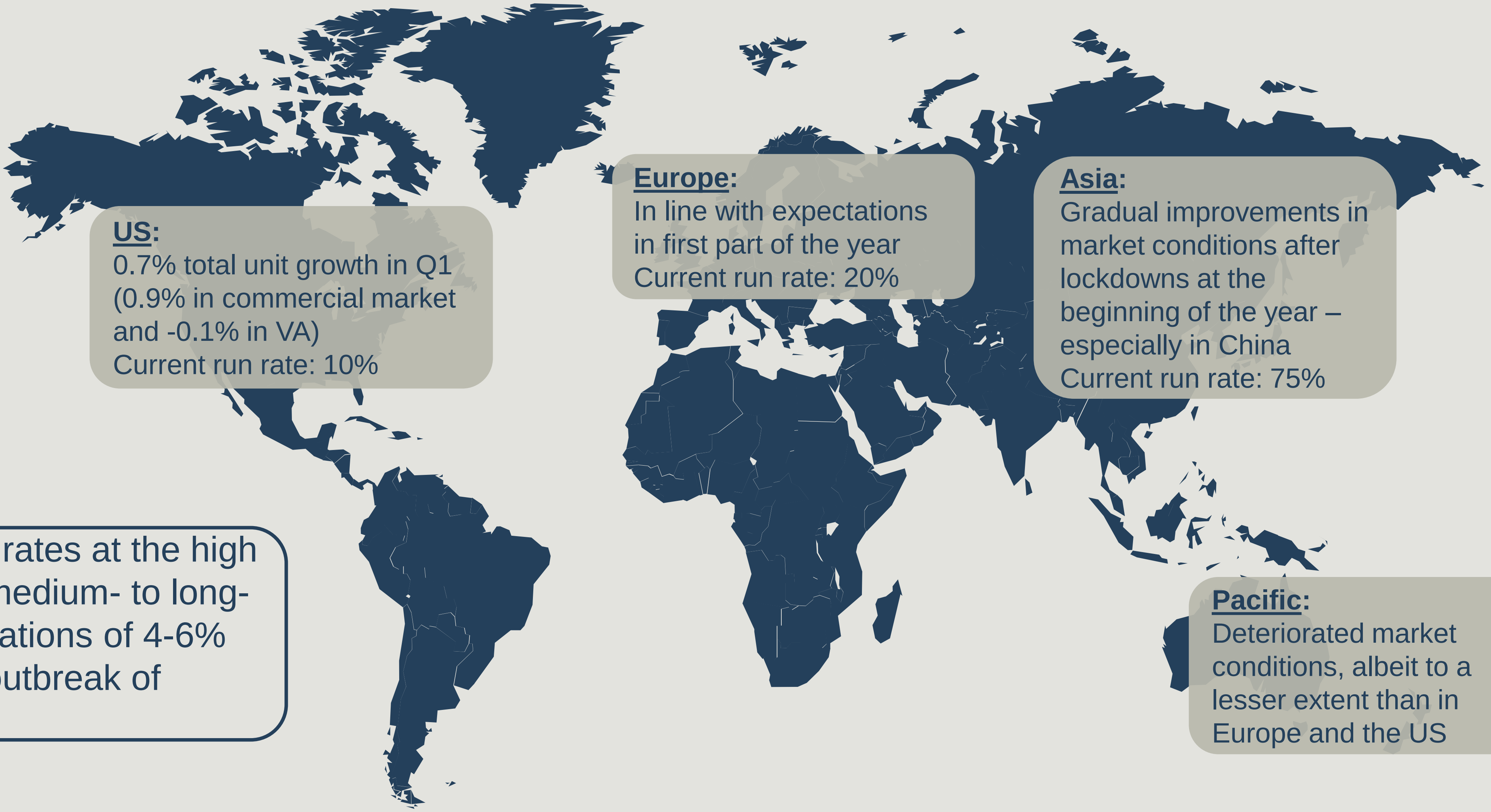
Current estimated run rate of approx. 20% compared to normal expectations



US:
0.7% total unit growth in Q1 (0.9% in commercial market and -0.1% in VA)
Current run rate: 10%

Europe:
In line with expectations in first part of the year
Current run rate: 20%

Asia:
Gradual improvements in market conditions after lockdowns at the beginning of the year – especially in China
Current run rate: 75%

Pacific:
Deteriorated market conditions, albeit to a lesser extent than in Europe and the US

Unit growth rates at the high end of our medium- to long-term expectations of 4-6% before the outbreak of coronavirus

Rough estimates of current run rates as % of normal expectations

Double-digit organic growth in wholesale until mid-March – severe impact since then

Strong start to the year until mid-March

- Double-digit ASP increase and solid unit growth
- Strong growth in the US, Germany, France and in export sales
- Growth driven by our highly competitive product portfolio, including Oticon Opn S and Philips HearLink
- New mid-priced rechargeable products launched in all brands – limited impact on sales so far

Severe impact of coronavirus

- Severe market deterioration across Europe and North America
- Flat organic growth in Q1
- Negative year-to-date organic growth in wholesale
- Current revenue run rate is only approx. 20% compared to original plans
- Strong R&D focus maintained

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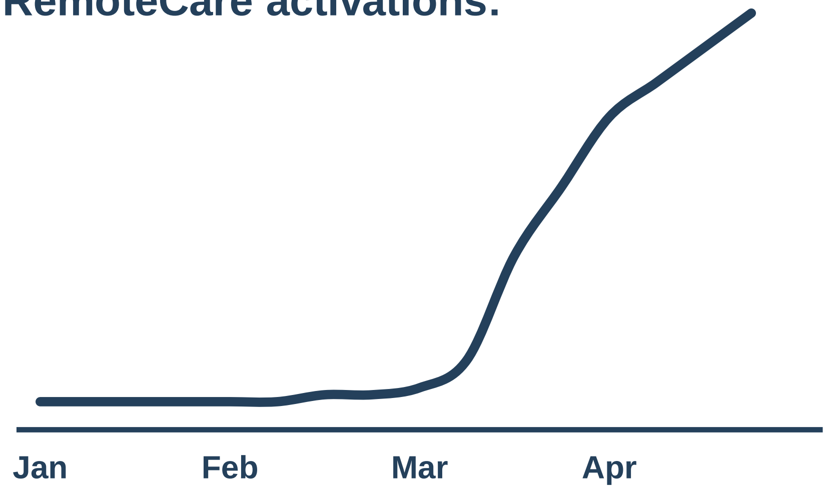
Significant increase in use of RemoteCare

- Significant increase in Oticon RemoteCare activations driven by social distancing measures
- Very positive feedback from users and hearing care professionals
- Oticon RemoteCare now available to VA

RemoteCare activations:



- Oticon RemoteCare combined with AMTAS Flex is the most complete remote solution in the marketplace
- Consultation with audiologist when possible is still important
  - Avoiding false positives
  - Mechanical fitting

AMTAS from Grason-Stadler

Oticon RemoteCare

Strong start to the year in retail before outbreak of coronavirus

Strong start to the year until mid-March

- Strong organic growth in Europe, partly due to weak comparative figures in France
- Slightly behind plans in the US due to optimisations of operating model in shops acquired in 2018 – rest of US clinic network in line with plans
- Performance in line with expectations in Pacific – solid organic growth despite anticipated IT incident spill-over effect

Vast majority of clinics currently closed

- Lockdowns of almost all our markets leading to temporary closure of most clinics
  - Most open clinics running at lower-than-normal activity level
- Focus on servicing users through call centres, direct battery deliveries and virtual solutions
- We closely monitor governments' plans to partly re-open society
- Current revenue run rate approx. 20%

Currently very little commercial activity in cochlear implants (CI)

- Slightly negative growth in CI until mid-March
  - Strong comparative figures
  - Lower-than-expected sales in France
  - Timing of tender sales
- Postponement of elective surgeries since mid-March
  - Currently very little commercial activity
- Production facilities in Nice temporarily closed – stock sufficient to meet short- to medium-term demand
- Critical service functions continue to operate
- Final application for pre-market approval of Neuro system in the US submitted to the FDA at the end of March

Exceptionally strong organic growth in BAHS until mid-March

- Momentum from H2 last year carried over into 2020
- Continued success of Ponto 4 sound processor
  - Very positive feedback from users
  - Velox S platform powering strong combination of connectivity and audiology
- Significant impact on sales of coronavirus since mid-March, albeit to a lesser extent than in CI

- Hearing Implants R&D activities continue
- Current revenue run rate of approx. 20% in Hearing Implants

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Strong organic growth in Diagnostics until mid-March

- Momentum from last year continued into 2020
- Broad-based growth across product segments, brands and markets with US as primary driver
- Material slowdown in new orders for instruments since mid-March – business supported by orders placed in past periods and recurring revenue from services and disposables
- Modest year-to-date organic growth
- Current revenue run rate around 60% of initial expectations

Significant sales acceleration in EPOS

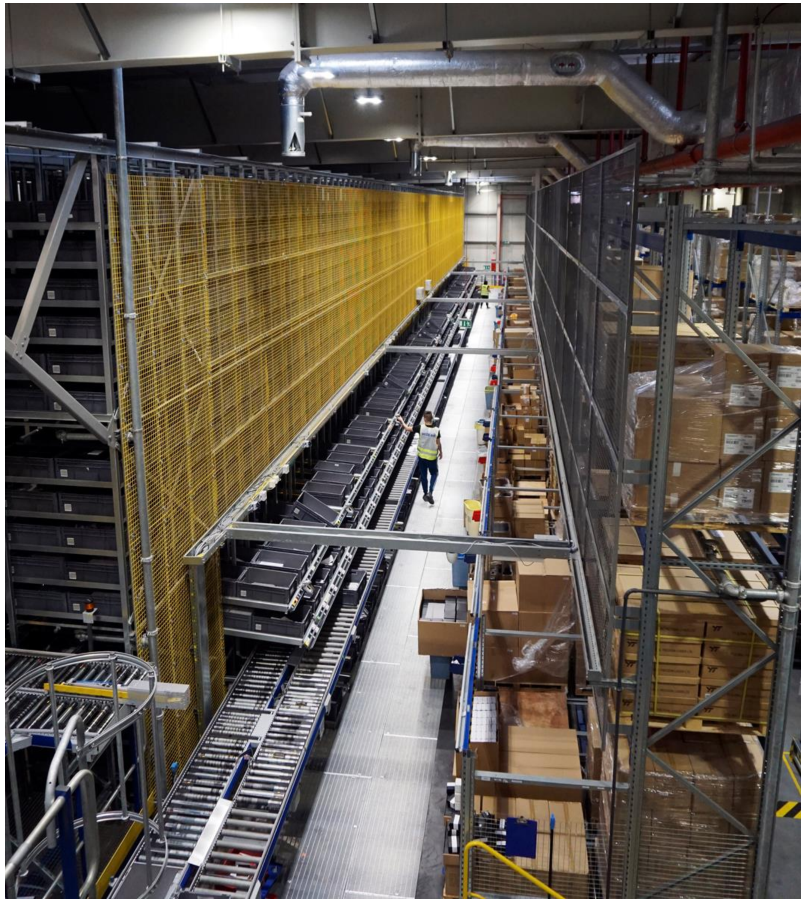
- EPOS fully consolidated with financial effect from 1 January 2020
- Supply chain headwinds hampered sales in the first months of the year
- Coronavirus has led to a surge in the demand for headsets and a significant increase in the use of virtual collaboration tools
- Year-to-date sales are slightly ahead of initial expectations
- Current revenue run rate 120% of initial expectations of very strong growth

Other matters

Gross margin year-to-date below same period last year

Expected gross margin dilution	Impact of coronavirus
• Consolidation of EPOS • Increased sales of rechargeable products	• Temporary negative impact of increased shipping costs • Production output reduced during April – temporary gross profit margin headwind from lower coverage of fixed costs until output normalises

- Production at close to full capacity in Q1 ensuring stock levels and mitigating risk of supply chain constraints



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Numerous actions taken to reduce costs in response to coronavirus

- Low double-digit growth in OPEX until mid-March – around half attributable to organic growth and other half to EPOS and acquisitions
- Numerous actions taken since then to reduce costs:

R&D costs	Distribution costs	Administrative expenses
• Costs and activities in line with original plans • Focus on keeping R&D activities running	• Significant number of employees on furlough or working under similar arrangements • Reduced sales and marketing activities	• Some employees on furlough or working under similar arrangements
• Savings on travel, conferences etc.		

- Current OPEX run rate is around 60% of initial plans

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Significant negative impact on cash flows expected in coming months

- Positive cash flow year-to-date before acquisitions and share buy-backs
  - Share buy-backs suspended since 15 March – shares worth DKK 197 million bought back prior to suspension
- Significant negative impact on cash flows expected in coming months
  - Logical consequence of currently low level of revenue
  - Expected delays in customer payments
- Negative impact expected until market conditions approach a normalisation

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Ample access to funding – available credit facilities expanded considerably

- Continued strong support from banks
- Financing still available at terms similar to our existing facilities
- We do not foresee any short- to medium-term liquidity challenges
- Financial expenses in 2020 will increase due to expansion of credit facilities

Financial position (DKK billion)	31 Dec 2019	5 May 2020	Change
Unutilised credit facilities and other available liquidity	2.1	6.0	3.9
Debt to credit institutions maturing in 2020*	2.0	1.0	-1.0

** Excluding rolling short-term bank facilities*

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Outlook for 2020 remains withdrawn

- **Outlook withdrawn on 15 March** due to uncertainty of impact of coronavirus – still lacking visibility as to duration of lockdowns and pace of recovery
- Organic growth significantly above estimated market growth rate until mid-March – lacking visibility to guide on our performance for the full year relative to the market
- Suspension of share buy-backs maintained pending a better overview of the financial implications of coronavirus
- Guidance on one-offs related to EPOS consolidation also withdrawn
  - However, material, positive fair value adjustment and negative revaluation of inventory still expected to be recognised in H1 2020 (no cash effect)
  - Extraordinary spending on branding likely to be back-end loaded (cash effect)

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Q&A

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Virtual roadshows and conferences:

6 May	**London, Edinburgh & Dublin** (DNB Markets)
6 May	**New York** (J.P. Morgan)
7 May	**Chicago** (J.P. Morgan)
7 May	**Copenhagen** (Nordea)
11 May	**Madrid** (SEB)
20 May	**Paris & Brussels** (Kepler Cheuvreux)
10-12 June	**Goldman Sachs Conference**
18 June	**JP Morgan Conference**