

## Company announcement no 2018-02

22 February 2018

### Publication of Annual Report 2017

**Organic growth of 9% in Group revenue, with strong performances by all business activities**  
**Hearing aid wholesale generated organic growth of 11% and gained market share**  
**Adjusted EBIT of DKK 2,504 million and growth of 25% in underlying EBIT**

This announcement includes the highlights from the Annual Report 2017:

- Consolidated revenue for 2017 totalled DKK 13,189 million, matching a strong growth rate of 10% of which organic and acquisitive growth accounted for 9 and 2 percentage points, respectively, and exchange rates accounted for -1 percentage point.
- Due to innovation and strong commercial execution, all three business activities gained market share in 2017, resulting in organic growth rates of 8% in Hearing Devices, 28% in Hearing Implants and 11% in Diagnostic Instruments. Our hearing aid wholesale business delivered strong organic growth of 11% due to a combination of positive trends in geography, channel and product mixes, continuously strong performance by Oticon Opn throughout the year and new products launched by Bernafon and Sonic in the second half-year. Our retail business delivered an organic growth rate of 4%.
- Operating profit (EBIT) increased by 18% to DKK 2,504 million before restructuring costs of DKK 166 million, which was within our guidance of DKK 2,300-2,600 million and despite a negative exchange rate impact of DKK 103 million compared to 2016. The corresponding EBIT margin increased by 1.3 percentage points from 17.7% to 19.0%, and the underlying EBIT was up by 25%, corresponding to a margin increase of 2.3 percentage points. The significant improvement in EBIT was mainly driven by strong revenue growth, mix changes and cost savings from strategic initiatives. The reported EBIT for 2017 was DKK 2,338 million, and earnings per share increased by 24% to DKK 6.84.
- Cash flow from operating activities (CFFO) increased by 15% to DKK 2,023 million before restructuring costs (reported CFFO of DKK 1,872 million). Free cash flow before acquisitions amounted to DKK 1,387 million, up by 13% on 2016.
- In 2018, we are guiding for an operating profit (EBIT) of DKK 2,550-2,850 million before restructuring costs of DKK 150 million, and we expect to buy back shares worth DKK 1.5-2.0 billion.

## Comments by the President & CEO

*“The past year’s impressive performance once again confirms that we deliver on our broad hearing healthcare strategy and our vision to make a positive change for people suffering from hearing loss. We have in 2017 reached more people than ever and succeeded in delivering strong growth, and all our business activities have gained market share. In William Demant, we’re committed to supporting our customers and – through our focus on innovation – providing solutions, such as the outstanding Oticon Opn hearing aid, that help people with hearing loss connect with the world around them. As a result of this focus and a lot of hard work, 2017 was a record year with a very satisfactory increase in earnings for William Demant, and I’m confident that we can continue the strong momentum into 2018,”* says Søren Nielsen, President & CEO of William Demant Holding A/S.

Niels B. Christiansen  
Chairman of the Board

Søren Nielsen  
President & CEO

*The full Annual Report 2017 for William Demant Holding A/S totalling 130 pages is attached to this announcement.*

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### *Further information:*

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|   | 2017   | 2016   | 2015   | 2014  | 2013  | Development<br>2016-2017 |
|---|--------|--------|--------|-------|-------|--------------------------|
| <b>Key figures, DKK million</b>         |        |        |        |       |       |                          |
| Revenue                                 | 13,189 | 12,002 | 10,665 | 9,346 | 8,959 | 10%                      |
| Gross profit                            | 10,026 | 9,030  | 7,895  | 6,813 | 6,518 | 11%                      |
| Gross profit – adjusted*                | 10,064 | 9,102  | 7,895  | -     | -     | 11%                      |
| R&D costs                               | 919    | 839    | 763    | 680   | 634   | 10%                      |
| EBITDA                                  | 2,742  | 2,346  | 2,203  | 2,055 | 2,028 | 17%                      |
| Amortisation and depreciation etc.      | 404    | 404    | 325    | 294   | 292   | 0%                       |
| Operating profit (EBIT)                 | 2,338  | 1,942  | 1,878  | 1,761 | 1,736 | 20%                      |
| Operating profit (EBIT) – adjusted*     | 2,504  | 2,130  | 1,902  | -     | -     | 18%                      |
| Net financial items                     | -111   | -101   | -69    | -70   | -72   | 10%                      |
| Profit before tax                       | 2,227  | 1,841  | 1,809  | 1,691 | 1,664 | 21%                      |
| Profit for the year                     | 1,759  | 1,464  | 1,439  | 1,327 | 1,286 | 20%                      |
| <b>Financial ratios</b>                 |        |        |        |       |       |                          |
| Gross profit margin                     | 76.0%  | 75.2%  | 74.0%  | 72.9% | 72.8% | -                        |
| Gross profit margin – adjusted*         | 76.3%  | 75.8%  | 74.0%  | -     | -     | -                        |
| EBITDA margin                           | 20.8%  | 19.5%  | 20.7%  | 22.0% | 22.6% | -                        |
| Profit margin (EBIT margin)             | 17.7%  | 16.2%  | 17.6%  | 18.8% | 19.4% | -                        |
| Profit margin (EBIT margin) – adjusted* | 19.0%  | 17.7%  | 17.8%  | -     | -     | -                        |
| Earnings per share (EPS), DKK           | 6.8    | 5.5    | 5.3    | 4.8   | 4.5   | 24%                      |
| Return on equity                        | 24.0%  | 21.5%  | 23.7%  | 24.7% | 28.0% | -                        |

*Earnings per share (EPS) is per share of nominally DKK 0.20.*

*\* Adjusted for one-off costs related to restructuring activities.*