

## Company announcement no 2017-01

23 February 2017

### Publication of Annual Report 2016

#### **Strong revenue growth of 13% driven by successful Oticon Opn™ and retail activities Record-high EBIT of DKK 2,130 million supported by a strong finish to the year**

This announcement includes the highlights from the Annual Report 2016:

- Consolidated revenue totalled DKK 12,002 million, matching a growth rate of 13% in local currencies of which organic and acquisitive growth accounted for 6 and 7 percentage points, respectively. Exchange rates had a minor negative impact on revenue of less than 1%.
- Driven by the very successful launch of the Oticon Opn™ hearing aid, the Group saw 6% organic growth in the wholesale of hearing aids. Our retail business saw very satisfactory revenue growth of 30% in local currencies of which 8 percentage points can be attributed to organic growth. While Europe was the main contributor to growth, which consists of a combination of organic growth and growth due to the acquisition of Audika, our US retail activities delivered below expectations.
- Our hearing implants business delivered 7% organic growth, despite a slower-than-expected uptake of the Neuro cochlear implant and adverse market conditions in several oil-dependent markets. Performance by the hearing implants business in the second half-year was significantly better than in the first half-year, as momentum improved.
- Even though our Diagnostic Instruments business activity delivered modest 3% growth in local currencies – mainly due to an economic slowdown in a number of oil-dependent markets – we cemented our leading position in the market for diagnostic equipment.
- Supported by a strong finish to the year, operating profit (EBIT) increased by 12% to a record-high DKK 2,130 million before restructuring costs of DKK 188 million, which compares favourably to our expectations of an EBIT *in the lower half of the EBIT range of DKK 2-2,300 million*. EBIT in the second half-year amounted to DKK 1,238 million before restructuring costs, corresponding to an EBIT margin of 20.0% (full-year EBIT margin of 17.7%). The reported EBIT in 2016 was DKK 1,942 million.
- Cash flow from operating activities (CFFO) increased by a solid 10% to DKK 1,756 million before restructuring costs (reported CFFO of DKK 1,679 million).
- In 2017, we expect to generate solid growth in our three business activities, and we are guiding for an EBIT in the range of DKK 2.2-2.5 billion before the announced restructuring costs of around DKK 200 million. Free cash flow after acquisitions will be spent on buying back shares, and we aim at a target gearing multiple of 1.5-2.0 measured as net interest-bearing debt (NIBD) relative to EBITDA.

## Comments by the President & CEO

*"2016 was a strong year for William Demant where Oticon's game changer Opn and increased retail activities drove our very satisfactory growth. Overall, our activities resulted in a record year for our Group, and I am pleased that we continue to deliver consistently and at a steady pace on our hearing healthcare strategy. William Demant's presence in all product segments of hearing healthcare enables us to harvest synergies and obtain economies of scale. Leveraging on our R&D, global infrastructure and distribution network across the Group gives us a truly competitive edge. Furthermore, our long-term and extremely valuable relationship with our customers has once again proven to be essential for us in our endeavours to continue to develop our position and not least make a positive difference for people who live with a hearing loss,"* says Niels Jacobsen, President & CEO of William Demant Holding.

Lars Nørby Johansen  
Chairman of the Board

Niels Jacobsen  
President & CEO

*The full Annual Report 2016 for William Demant Holding A/S totalling 132 pages is attached to this announcement.*

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### *Further information:*

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	2016	2015	2014	2013	2012	Development 2015-2016
<b>Key figures, DKK million</b>						
Revenue	12,002	10,665	9,346	8,959	8,555	13%
Gross profit	9,030	7,895	6,813	6,518	6,127	14%
Adjusted gross profit*	9,102	7,895	-	-	-	15%
Operating profit (EBIT)	1,942	1,878	1,761	1,736	1,653	3%
Adjusted operating profit (EBIT)*	2,130	1,902	-	-	-	12%
Net financial items	-101	-69	-70	-72	-132	46%
Profit before tax	1,841	1,809	1,691	1,664	1,521	2%
Profit for the year	1,464	1,439	1,327	1,286	1,151	2%
Assets	15,548	14,390	11,219	10,318	8,777	8%
Equity	6,966	6,500	5,584	5,056	4,059	7%
Cash flow from operating activities (CFFO)	1,679	1,592	1,495	1,282	1,272	5%
Adjusted cash flow from operating activities (CFFO)*	1,756	1,602	-	-	-	10%
<b>Financial ratios</b>						
Gross profit margin	75.2%	74.0%	72.9%	72.8%	71.6%	-
Adjusted gross profit margin*	75.8%	74.0%	-	-	-	-
Profit margin (EBIT margin)	16.2%	17.6%	18.8%	19.4%	19.3%	-
Adjusted profit margin (EBIT margin)*	17.7%	17.8%	-	-	-	-
Earnings per share (EPS), DKK	5.5	5.3	4.8	4.5	4.0	4%
Return on equity	21.5%	23.7%	24.7%	28.0%	31.8%	-

*Key figures and financial ratios for 2012 have not been adjusted to the changes in accounting policies from 2014. Earnings per share (EPS) is per share of nominally DKK 0.20.*

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