

Company announcement no 2019-10 17 September 2019

Update on IT infrastructure incident

As previously announced, the Demant Group experienced a critical incident in our internal IT infrastructure on 3 September 2019 when the Group's IT infrastructure was hit by cyber-crime. Our quick response to the issue by shutting down IT systems across multiple sites and business units contained and limited the issue.

Due to the lack of core IT infrastructure since the incident, key business processes throughout the value chain have been impacted, including R&D, production and distribution. With different magnitude and regional variances, this has impacted all business areas. Across our wholesale businesses in Hearing Devices, Diagnostics and Hearing Implants, we have experienced delays in the supply of products as well as an impact on our ability to receive orders. In our hearing aid retail business, many clinics across our network have not been able to service end-users in a regular fashion. Despite manual workarounds, we have not been able to run our business at a normal activity level. Sennheiser Communications has also been affected by the IT incident – albeit to a lesser extent.

Since the company announcement issued on 4 September 2019, we have been able to reactivate our core IT infrastructure, including user access administration, global network, central data servers, basic telephony and e-mail access. With regional variances, we have been able to recover and reactivate several ERP systems, but some business-critical systems, applications and servers still need to be restored and subsequently released for use again.

In terms of our main production and distribution facilities in Poland, covering hearing aids and implant processors, our distribution centre is now operating in normal capacity. In terms of Hearing Devices, our production lines in Poland are in a controlled ramp-up, and normal capacity is expected by the end of this week. In most parts of the world, we have been able to uphold some manual production capacity of custom-made hearing aids and service. Our production and service site in Mexico has just been re-opened and is ramping up. The ramp-up of operations of Diagnostics and Hearing Implants is also progressing, and we are quickly approaching normal capacity.

Due to the time of day of the cyber-crime, the IT recovery is more extensive in Asia-Pacific, and we still have a significant recovery task in front of us in this region. As our primary operational set-up is located in EMEA, and since this region is the most complex due to our many locations and entities, we are also undergoing a large recovery process in this region, but the pace of recovery has been fast so far. The Americas region is least impacted, and commercial operations in both hearing aid wholesale and retail businesses are now very close to normalised in the US. The other entities and business areas in the region will follow imminently.

We continue to work around the clock in all time zones on the normalisation of the IT infrastructure in a structured manner. Our ability to run our businesses has materially improved since 4 September, but we have not fully recovered yet, and we still await full access to systems supporting central functions, such as R&D, Finance and Sales & Marketing. While milestones in the recovery process have been achieved gradually across the Group, our Global IT has worked in a parallel track on further improving security in the IT infrastructure.

We expect to have the remaining core business-critical systems, applications and servers restored within the next month. Currently, we cannot conclude on the financial impact of the incident.

At this time of recovery, we are very fortunate and grateful for the understanding and patience we experience from our highly valued customers and the users of our products. Across the Demant Group, employees have done their utmost to support our customers and each other in challenging times.

We have no further comments. We will provide an update when we have significant, additional information.

* * * * *

Further information:

Søren Nielsen, President & CEO

Phone +45 3917 7300

www.demant.com

Other contacts:

René Schneider, CFO

Søren B. Andersson, VP Investor Relations & Corporate Strategy

Mathias Holten Møller, Investor Relations Officer

Trine Kromann-Mikkelsen, VP Corporate Communication and Relations