

Company announcement no 2022-09

27 April 2022

Demand intends to divest its Hearing Implants business, while ensuring lifelong support of existing patients

Demand has negotiated an agreement with the intention to divest its Hearing Implants business, Oticon Medical, to Cochlear Limited for a total consideration of DKK 850 million. The transaction follows a review of strategic options for the business area, including how to ensure the best lifelong support of existing patients.

Since the establishment of its Hearing Implants business in 2007, Demand has invested significantly in implantable solutions for the treatment of hearing loss, and the employees of Oticon Medical have worked tirelessly to bring industry-leading technology to thousands of patients, reaching many major milestones along the way. However, Demand has now concluded that the prospect of becoming a global leader in hearing implants is not achievable within a reasonable timeframe without disproportionate levels of investments and significant dilution of the Group's profitability. In this light, Demand has taken the decision to discontinue its efforts in hearing implants.

As a result, Demand believes it is in the best interest of both patients and the company to divest its Hearing Implants business to Cochlear, which is the global leader in implantable solutions for hearing loss. As part of the transaction, Cochlear has committed to servicing existing patients of Oticon Medical now and in the future.

"Overcoming the challenges of hearing loss – and living with implant technology to alleviate this – is a life-long journey, and we believe it is best for our patients to continue this journey with Cochlear. We will do everything in our power to ensure minimal implications of the intended divestment for customers and patients as well as the employees of Oticon Medical, who have delivered beyond expectations and are some of the brightest minds in the industry," says, Søren Nielsen, President & CEO of Demand, and continues:

"Demand remains fully committed to hearing healthcare and audio technology. We will continue to grow and expand in hearing aids, hearing care and diagnostics, where we are uniquely positioned to service users and customers from the first screening, over the first fitting to continued personalised care, and to pursue the strong growth potential in Communications with our EPOS brand."

Dig Howitt, Cochlear's CEO & President, adds: *"We look forward to welcoming Oticon Medical's entire base of implant customers and patients to the Cochlear family. Driven by our mission to innovate and deliver a lifetime of hearing outcomes, we will seek to ensure that Oticon Medical's customers and patients continue to be supported with a lifetime of hearing solutions. We will work closely with Demand to ensure a seamless transition of the business to Cochlear to ensure continued access to current Oticon Medical technology for customers and patients in the coming years. We will develop next-generation sound processors and services that will enable customers to transition to and benefit from Cochlear's technology platform over time. The acquisition of Oticon Medical will provide us with greater scale and will enable us to increase our investments in R&D and market growth activities."*

Transaction details

The transaction involves the divestment of Demand's Hearing Implants business area, which comprises its cochlear implants (CI) and bone anchored hearing systems (BAHS) product categories. Of the total consideration of DKK 850 million, DKK 700 million will be paid in cash at closing and DKK 150 million within 18 months after closing.

Subject to regulatory approvals and other customary closing conditions, the transaction is expected to close in H2 2022, following consultation of relevant workers' councils.

Financial impact

In 2021, Hearing Implants realised revenue of DKK 512 million and EBIT of DKK -117 million, and the business area thus had a dilutive impact on the Group's EBIT margin of 1.2 percentage points.

Income statement in 2021*	Group	Hearing Implants	Group excl. Hearing Implants
Revenue	18,418	512	17,906
EBIT	3,386	-117	3,503
EBIT margin	18.4%	n.a.	19.6%

* Adjusted for one-off items.

Going forward, Hearing Implants will be recognised separately as a discontinued operation in the Group's financial reporting, and comparative figures will be restated to reflect this. As a consequence, Hearing Implants will neither be included in the Group's EBIT nor in the Group's outlook for continuing operations.

Excluding Hearing Implants from the Group's outlook for 2022 has a positive impact of around DKK 150 million on the Group's expected EBIT for the full year. Consequently, the Group now expects EBIT of DKK 3,600-3,900 million (previously DKK 3,450-3,750 million). The impact on other outlook metrics is neutral.

The profit after tax of discontinued operations in 2022 is expected to be negative by around DKK 150-200 million. This mostly reflects the expected operating loss in Hearing Implants, which may be further negatively impacted by the announced transaction in the period until closing, and also certain one-off items, such as the fair value adjustment of assets and liabilities that reflects the realised sales price and transaction costs. The net impact of the one-off items is expected to be roughly neutral, subject to adjustments for working capital and other items at closing.

There are no changes to the Group's medium- to long-term outlook.

Conference call details

Demant will host a conference call on 27 April 2022 at 14:00 CEST. To attend this call, please use one of the following dial-ins: +45 7876 8490 (DK), +44 2037 696 819 (UK) or +1 6467 870 157 (US). The pin code is 314337. A presentation for the call will be uploaded to www.demant.com shortly before the call.

About Demant

Demant is a world-leading hearing healthcare and technology Group built on a heritage of care, health and innovation since 1904. The Group offers innovative technologies, solutions and know-how to help improve people's health and hearing. Headquartered in Denmark, the Group employs approx. 18,100 people globally and is present with solutions in 130 countries where we create life-changing hearing health. William Demant Foundation is the majority shareholder in Demant A/S, which is listed on Nasdaq Copenhagen as a blue-chip stock.

About Oticon Medical

Oticon Medical is a global company in implantable hearing solutions, dedicated to bringing the power of sound to people at every stage of life. Oticon Medical's competencies span more than a century of innovations in sound processing and decades of pioneering experience in hearing implant technology. Oticon Medical works collaboratively with patients, physicians and hearing care professionals to ensure that every solution is designed with users' needs in mind. Oticon Medical has a strong passion to provide innovative solutions and support that enhance the quality of life and help people live full lives – now and in the future.

About Cochlear Limited

People have always been Cochlear's inspiration, ever since Professor Graeme Clark set out to create the first multi-channel cochlear implant after seeing his father struggle with hearing loss. Since 1981, Cochlear has provided more than 650,000 devices in more than 180 countries, helping people of all ages around the

world to hear. As the global leader in implantable hearing solutions, Cochlear connects people with life's opportunities and welcomes them to the world's largest hearing implant community.

Cochlear has a global workforce of more than 4,000 people, with a passion for progress, who strive to meet the needs of people living with hearing loss. The company continually innovates to anticipate future needs, investing more than AUD 2 billion to date in research and development to push the boundaries of technology and help more people hear.

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