

Chair's report at Demant A/S' annual general meeting on Wednesday 8 March 2023 at 4 p.m.

Once again, a warm welcome to all of you.

Every year, I look forward to this day where I represent this company that we can justly be proud of. When I enter the building, I feel the dynamic atmosphere, a “buzzing” of people crisscrossing through the buildings or engaging in conversations at the coffee machines and desks, who all have one common overall goal – to create life-changing value through our hearing healthcare solutions. I am happy to be part of this company and experience first-hand the value that our employees create every single day for users all over the world, and I always look forward to inviting you, the shareholders, to the annual general meeting here at our headquarters, so you get a chance to feel the soul of the company and get an impression of our employees' daily life.

We can look back on a year where we have once again helped a lot of people by providing treatment to alleviate their hearing loss. Our solutions have facilitated the screening and diagnosing of more than 200 million people with a presumed hearing loss and the screening of 20 million newborn babies. And if we focus on the people we help in our clinics or through wholesale of our hearing aids, we have contributed to more than 12 million years with improved quality of life. These are huge numbers, which also emphasise the value of our products and services.

Based on a strong 2021 for the Group, positive expectations of the market development and a pandemic on retreat, we made ambitious plans for 2022. At the beginning of the year, most of the world had quickly started to reopen, and the normalisation after coronavirus gathered speed, which gave us all the opportunity to get out and meet each other face to face again.

And facilitating interaction is exactly what we work towards. Communicating, meeting, interacting freely and without limitations and talking with each other. Hearing health and high-tech assistive devices help break isolation and enable freedom to interact in and with the surrounding world.

But happiness was short-lived. Free trade and general world stability took a blow when the war in Ukraine broke out, and we have all felt the subsequent macroeconomic uncertainty and decreasing consumer confidence that followed suit. The general uncertainty has impacted our results, and both markets in which we operate – hearing healthcare and audio technology – have to varying degrees felt the macroeconomic uncertainty during 2022.

Unfortunately, the situation in Ukraine remains unsolved. We have the deepest compassion with everybody affected by the conflict. I am therefore very grateful and proud that last year, Demant's main shareholder, William Demant Foundation, donated a total of DKK 9 million in aid of Ukraine, which was distributed among different relief organisations. This includes a special donation that made it possible for Demant employees to take part in helping affected Ukrainians through specific projects, and the donation benefitted a total of 30 different projects in 2022. Demant chose to stop all trade with Russia and Belarus when the war broke out. So let us hope that the conflict – and the heartbreaking situation – in Ukraine will soon stop.

Overall, we did well in 2022 in a difficult hearing aid market. Our core business has won market share thanks to the Diagnostics and Hearing Aids business areas, and despite global challenges, we demonstrated a unique ability to keep our supply chains running throughout the year.

Unfortunately, the difficult conditions had a negative impact on our overall results, and because of lower-than-expected profit at the end of the year, we implemented cost reduction initiatives to adjust the business to the current development. For the year as a whole, we nonetheless generated organic growth of 4%, which we consider a solid growth rate under difficult conditions and a testament to the strength of our organisation, culture and employees. This has also reinforced our belief that Demant will continue to do well despite the current macroeconomic uncertainty that has continued into 2023.

In his speech, Søren will elaborate on the results and the individual elements of our financial statements, so I will just briefly touch upon the development in our business areas.

Business segments

As you may know, our activities are split into two segments, Hearing Healthcare and Communications.

Before I delve into the Hearing Healthcare business segment, I would like to address the very difficult decision to discontinue our Hearing Implants business area, which we communicated at the beginning of the second quarter.

Since the establishment 15 years ago of the Hearing Implants business, which operates under the Oticon Medical brand, Demant has invested considerably in implantable solutions for the treatment of hearing loss, and Oticon Medical's highly skilled employees have worked tirelessly to bring industry-leading technology to thousands of patients. We have, however, come to the conclusion that the prospects of becoming a global leader in hearing implants is not realistic within a reasonable time frame unless we make disproportionately big investments and thus dilute the Group's profitability. That is why we announced our decision to discontinue our Hearing Implants business and to divest these activities to Cochlear. Overcoming the challenges of a hearing loss – and living with hearing implant technology to alleviate such hearing loss – is a lifelong journey, and we believe that it is in our patients' best interest to continue this journey together with Cochlear. As part of our agreement with Cochlear, they have committed to servicing Oticon Medical's existing patients now and in the future, which was crucial for us. The transaction has not yet been approved by the competition authorities, but we still expect this to happen before the end of the first half-year 2023.

Demant is still fully committed to furthering global hearing health and providing audio technology that makes it easier to work and communicate – and thus socialise – on digital platforms. We will continue to expand the Group's activities in our three business areas, Hearing Care, Hearing Aids and Diagnostics, where we are in a unique position to service users and customers from the first screening and fitting to continuous personal treatment, just as we will continue to tap into the big growth potential in our Communications business segment where the EPOS brand is the core in our headset and communication tools business.

The best and most up-to-date way in which I can illustrate both the diversity in and the coherence of our business areas is by showing you our new film called *Tune in to life*. The film describes life in Demant and how our products and services enable the users to tune in to the things in life that really matter. We invite the viewer into our world of hearing health by taking them to our sound studios, our laboratories, our hearing clinics and into the heart of our production and distribution, and you see how engagement, a diverse culture and teamwork across borders and business areas are crucial for our daily work. [FILM].

Hearing Healthcare

I would now like to offer you insight into how the different business areas have fared in the past year:

Hearing Aids. In 2022, the hearing aid market saw weaker-than-expected development. Market unit growth was lower than normal, which had an adverse effect on our Hearing Aids business. But despite the negative market development, the business gained considerable market share in 2022, and during the year, we expanded our portfolio of high-end hearing aids with new form factors and price points, which cemented our leading position in audiology and created strong momentum.

Our R&D organisation has been totally absorbed in preparing this year's big premium launch, which we announced together with the Annual Report. The launch includes a new premium product, Oticon Real, which is based on our new technology platform where the built-in artificial intelligence has been improved and our unique BrainHearing technology is still part of the platform. This technology was developed to increase speech clarity and reduce the listening effort of the user. In addition, the product offers a special feature that reduces sudden disruptive sounds.

Of critical importance for the Hearing Aids business in 2022 has also been our dedicated production and distribution efforts. Supply chains in more or less all parts of the world have been under pressure, but we have demonstrated a unique ability to mitigate these disruptions and thus to avoid any disruptive effects on our results and the customer experience. This part of our business also helped us meet the increased sales momentum towards the end of the year, so we – despite the prevailing difficult market conditions – succeeded in delivering organic growth of 11% for 2022 as a whole.

Hearing Care is our global network of clinics, which we know as Audika in Denmark and several other countries, as Hidden Hearing in the UK and Ireland and as HearingLife in the US and Canada. 2022 was off to a good start with the acquisition of the Sheng Wang chain in China, which has – with more than 500 clinics – provided a strong platform for future growth on the Chinese market. In the long term, there is potential to help quite a lot of people hear better, as we expect China to become a very big market in the coming decades.

Overall, the results generated in Hearing Care did not quite live up to our expectations for 2022, as, in the course of the year, we felt the increasingly negative effects of the general macroeconomic uncertainty on the hearing aid market. Despite this continuous uncertainty, we are, however, optimistic about 2023.

The last business area in the Hearing Healthcare segment is our **Diagnostics** business where 2022 was another year in a row of years with tremendous commercial development and strong organic revenue growth. Not only did we win market shares in most geographical areas, we also saw positive market development. Taking strong innovation, a complete product portfolio represented by many brands and a well-functioning global distribution set-up as our starting point, our Diagnostics business is market-leading in its field and thus has the possibility to reach a lot of people, who – thanks to our products – can be screened and diagnosed with a view to hearing better.

Communications

And now to our second business segment, Communications, which consists of our EPOS business:

In **Communications**, 2022 was characterised by an extremely challenged market with heavily declining demand, especially in the Gaming area, which was the main reason why this – albeit minor – part of our business did not live up to our expectations for 2022. We continue to face difficult market conditions in 2023, but

we still plan to develop the EPOS business in audio and video solutions and to promote EPOS as a strong premium brand, while focusing strongly on the cost base in order to obtain profitability in this area in the future.

Share buy-backs and capital allocation

According to our business model, we each year use cash flow from our operating activities for value-creating investments and acquisitions. It is our intention to use any surplus liquidity for share buy-backs of which the major part will be deducted from the share capital through capital reduction. In that way, we channel a big part of our earnings back to you shareholders.

Our distribution policy is based on the so-called gearing multiple of 2.0-2.5, which is an expression of our medium- to long-term target for a sound ratio between the company's debt and its earnings. It is thus our policy to distribute the free cash flow after acquisitions as share buy-backs, provided that we can stay within this span.

Towards the end of 2022, we announced that we expected the gearing multiple at the end of the year to be slightly under 3.0. This was due to the adjustment of our expected earnings and our previously announced strategic acquisition of the Sheng Wang chain in China. Based on this, we put our share buy-back programme on hold.

At the end of the year, our gearing multiple was 2.9, and now at the beginning of 2023, our share buy-back programme remains on hold. We thus prioritise bringing the gearing multiple down in 2023. As we – at the same time – see good acquisition potential, we do not currently see any potential for buying back shares this year. We do, however, expect to reach a gearing multiple at the end of 2023, which is around the high end of our target range.

Outlook for 2023

The plan we put forward for 2023 is ambitious – and we think that it should be for a company that aims to grow more than the market. Having said that, we do, however, also see a higher degree of uncertainty than we have been used to for the past many years. How will the macroeconomy develop? Will the inflation decline? We can, of course, not predict the future, so we all have to live with this uncertainty.

In view of this uncertainty and now well into 2023, we expect to see a hearing aid market this year that will grow slightly below the normal growth level. We see considerable uncertainty when it comes to how the market for communication devices will develop in 2023 due to purchase restraint among consumers and caution by enterprises when it comes to investment decisions. However, we expect both business segments to grow in overall terms. These growth expectations and our continuous focus on keeping costs at a moderate level mean that we also expect to see considerable growth in earnings.

Sustainability

I started by stressing the importance of our core contribution to society through *life-changing hearing health* and the increased quality of life that our products and solutions bring to our users and thus society. This is also our focus area when it comes to sustainability work. We have selected two specific focus areas in Demant: climate and diversity. In the past year, we have made progress in both these areas, which I would like to elaborate on here:

We have in 2022 worked towards becoming more concrete on how we can reduce our direct climate footprint. Our goal is that by 2030, we will have reduced our CO2 emissions by minimum 50% compared to 2019, and by 2050, we will have reached climate neutrality in the whole value chain, also called “net zero”. At the end of 2022, we submitted our climate targets to the Science Based Targets initiative. We expect to receive their validation later this year.

More specifically, the short-term goal will be attained by transitioning to 100% renewable electricity by 2030. One of the ways that this will be done is by installing solar energy panels at our largest sites here in Smørum, Denmark, in Poland and in Mexico, the last two sites being our main production sites. We will also look at how we can nudge our suppliers to reduce their CO2 emissions. This is crucial in order for us to attain our short-term reduction targets for 2030.

The other focus area is the creation of an even more diverse and inclusive culture in our company to further support and promote equal opportunities for all. In more international terms, we call it *Diversity, Equity and Inclusion*. The Demant Group employs a diverse group of people from all parts of the world, who come with many different backgrounds. We are convinced that our ability to embrace the strengths that this diversity brings to the table is one of the pillars of our success. In 2022, we have worked even more with this area in our diversity programme. This has resulted in a new policy for this area, which was launched in 2022. In this policy, we set clear targets for what we want to attain when it comes to equal representation of women and men. Today of all days – the International Women’s Day – it is clear that all data point towards the need to do something, and we are ready to take our part of this responsibility.

We are happy to report that we have seen progress in our targets this year. We have increased the share of women in our global top management, consisting of approximately 110 people, by 1 percentage point to 23%. Our target is to reach 30% by 2025. We have also reduced the number of management teams where the gender distribution is poorly balanced, from 35% to 29%. The target for 2025 is that fewer than 25% of the management teams have an unbalanced gender distribution. Of the total number of five Board members elected by the general meeting, two members are women, corresponding to 40%.

There is, however, still a lot of work to be done, and we are focused on continuing this development and meeting these targets.

Corporate governance

It is very important for the Board to have value-creating and effective structures for corporate governance that balance Demant being a listed company with many shareholders on the one side with being owned by a strong foundation with a long-term perspective on the other side. We consider the work with corporate governance an ongoing process. We continue to comply with the Danish Recommendations on Corporate Governance to a very high degree, and our report on corporate governance can as always be found on the company’s website.

We have recently conducted an election of staff representatives to the Board. Casper Jensen was re-elected, and Charlotte Hedegaard and Heidir Hørby were both elected to the Board for the first time – all representatives were elected for a four-year term. Could you please stand up? Welcome – we look forward to the cooperation. I would also like to thank Thomas Duer and Jørgen Møller Nielsen for their dedicated and long-standing contribution as Board members.

Every year, we evaluate our work in the Board. The evaluation is either conducted through individual interviews with the Board members or by means of a questionnaire. In both instances, the entire Board discuss the findings afterwards. At least every third year, the evaluation is conducted with external support. In 2022, the evaluation was conducted through individual interviews with me.

Overall, the evaluation in 2022 confirmed that the Board is content with its management structure and that the interaction between the Board members is well-functioning. The collaboration between the Board of Directors and the Executive Board also works very well and takes place in an open and trustful atmosphere. The Board is focused on the long-term strategic development of the company and would like to invest even more time to understand the company's needs and challenges to ensure that its potential is used to the fullest at any given time.

Remuneration Policy

In 2022, the Board introduced a new Remuneration Policy, containing changes to the remuneration structure for the Executive Board, which means that apart from the fixed remuneration, we have introduced schemes under which pay-out is dependent on the fulfilment of certain performance criteria. The general meeting approved the new Policy.

It has always been our goal to have a simple remuneration structure and policy. The purpose of the Remuneration Policy is to reward members of the Board of Directors and Executive Board for their engagement in and achieved results for the company. In addition, the purpose is to attract qualified potential members to the Board of Directors and Executive Board, and once a member, to motivate and retain them.

For the Board, we propose that the annual fee is increased by DKK 50,000 to DKK 450,000. The Chair's fee is still three times the basic fee and the Vice Chair's fee twice the basic fee. Moreover, we propose to increase the annual fee for audit committee members by also DKK 50,000 to DKK 100,000. In that connection, we propose that in the future, the chair of the audit committee receives twice the basic fee and not three times the basic fee, which has been the case up until now. The members of the other Board committees do not receive separate fees.

It is worth noticing that the Board fee in Demant – even with the proposed increase – is on average compared to board fees in the other companies in the OMXC25 index, consisting of the 25 most traded stocks on Nasdaq Copenhagen, whereas the audit committee fee is at the low end of similar fees compared to the companies in the index.

The Board considers the Executive Board's remuneration fair and competitive. As usual, we put forward all information about the Board of Directors' and Executive Board's salary in our Remuneration Report where the performance criteria can also be found.

Final remarks

Demant has a strong purpose, which is to create life-changing value by providing hearing healthcare solutions and audio technology. By continuing to provide high-quality products and individual support to our users, we not only enable them to hear better but also to take active part in society without limitations. It is our ambition to be a world leader in hearing health and enable as many people as possible to "tune in to" and take active part in society for the benefit of all.

This is the exact purpose that our employees all over the world keep in mind and work towards accomplishing on a daily basis. I would therefore like to say a warm thank you to the now more than 20,000 employees in the Group who have once again made a tremendous effort.

Before I give the floor to Søren Nielsen, who will go through the company's financial statements for 2022, I would also like to extend my thanks to you shareholders – and also to our users, customers and business partners – for your continuous great support to Demant.

Søren, the floor is yours.