

Company announcement no 2023-10

Divestment of Oticon Medical to Cochlear amended in scope

22 June 2023

The amended transaction with Cochlear includes only CI business
BAHS business will remain with Demant for now, pending review of strategic options
Transaction remains subject to final approval by the CMA and other regulatory authorities
Now expect negative profit after tax from discontinued operations in 2023 of DKK 700-1,000 million (prev. DKK 100-200 million), including non-cash write-downs of assets related to the CI business

Following dialogues with regulatory authorities and today's final report published by the UK Competition and Markets Authority (CMA), Demant and Cochlear Limited have agreed to amend the scope of the original transaction, involving the divestment of Demant's Hearing Implants business, Oticon Medical, to Cochlear Limited. The amended transaction only involves Demant's cochlear implants (CI) business, whereas the bone anchored hearing systems (BAHS) business is no longer part of the transaction and will thus remain with Demant for now, pending a review of strategic options.

Today, the CMA has issued its final report, concluding that the original transaction may be expected to result in a substantial lessening of competition (SLC) in the supply of bone conduction solutions in the UK. This is in line with the CMA's provisional findings dated 20 April 2023. The CMA has found that a partial prohibition of the original transaction, preventing the sale of the BAHS business to Cochlear, is an effective remedy to comprehensively address the SLC. This finding is subject to final approval by the CMA and their oversight of the separation of the CI and BAHS businesses.

"Following the final report from the UK competition authorities, we have concluded that there is now no viable path to obtain all necessary regulatory approvals for the full divestment of our Hearing Implants business to Cochlear. Consequently, we have agreed on an amended transaction, which only includes the CI business, and we are happy that a global leader in implantable solutions for hearing loss, Cochlear, remains committed to servicing Oticon Medical's existing cochlear implant patients now and in the future," says Søren Nielsen, President & CEO of Demant and continues:

"With the BAHS business no longer being part of the transaction with Cochlear, we remain fully committed to operating and further developing this business to continue serving all our BAHS customers and patients. The BAHS business is growing and delivering positive results, making for a solid starting point for a strategic review of future options."

Demant's decision to exit Hearing Implants, including the BAHS business, still stands, and for accounting purposes, we will thus continue to report the entire Hearing Implants business area as a discontinued operation.

Financial impact

Due to the amended scope, no consideration will be paid as part of the transaction. The transaction is expected to close before the end of 2023, however subject to regulatory approvals by the CMA, the Australian Competition and Consumer Commission (ACCC) and the European Commission (EC). This includes oversight of the separation of the CI and BAHS businesses by the CMA. The review of strategic options relating to the BAHS business is not expected to be complete until after closing of the transaction with Cochlear.

As a result of the amendment to the transaction, we will incur non-recurring, non-cash costs of DKK 600-800 million. These costs comprise write-downs of assets related to the CI business and will be recognised in H1 2023 as part of discontinued operations. Profit after tax of discontinued operations will also continue to include the operating activities of both the BAHS business and the CI business (until closing), which are still expected to contribute negatively by DKK 100-200 million in total in 2023. The contribution of the BAHS business is expected to be positive.

For 2023 as a whole, we now expect total profit after tax from discontinued operations to be negative by DKK 700-1,000 million (previously DKK 100-200 million). There are no other impacts on the Group's outlook for 2023.

Further information:

Søren Nielsen, President & CEO

Phone +45 3917 7300

www.demant.com

Other contacts:

René Schneider, CFO

Mathias Holten Møller, Head of Investor Relations

Trine Kromann-Mikkelsen, VP Corporate Communication & Sustainability