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William Demant acquires French manufacturer of cochlear implants

Today, William Demant has signed an agreement to take over 100% of the shares in the French manufacturer of cochlear implants, Neurelec SA, at a total cost of EUR 57.5 million, corresponding to DKK 428 million. The purchase agreement does not contain any future earn-out payments.

With the acquisition of Neurelec, the William Demant Group will get additional access to a competitive and strong product portfolio of implantable hearing solutions. The Group's entry into this part of the implant market, which is characterised by significant, long-term growth potential, is the natural continuation of our successful stake in bone anchored hearing solutions – an area in which we have, within a very few years, captured about a fourth of the world market.

Neurelec develops and manufactures cochlear implants that are sold to hospitals through a network of distributors and a few own sales companies. Established in 2006 as a spin-off from its holding company MXM, which has up until today been the sole owner of the company, Neurelec is based in the Sophia Antipolis technology park in the south of France and was the first to launch a fully digital cochlear implant system back in 1992. With the sale of Neurelec to William Demant, MXM wants to create the best possible conditions for the further development of the company.

Neurelec's focus on quality and its strong history in terms of patient safety have induced several of the world's leading surgeons in the cochlear implant area to cooperate with the company today. The majority of Neurelec's hearing solutions are sold in a very few markets, including France, where Neurelec's market share is more than 20%. Under the new ownership, Neurelec will not only have competencies in sound processing at its disposal, it will also benefit from the William Demant Group's capital base and global distribution network, which will enable Neurelec to expand its business.

The three product categories, hearing aids, bone anchored hearing solutions and cochlear implants, address different types of hearing loss and thus complement each other in the best possible way. Together, the three product categories account for by far the largest share of hearing loss treatments carried out today. *"With the takeover of Neurelec, the William Demant Group will acquire a strategically important business activity and will thus become the only company in the world that covers all three product categories. And since the William Demant Group is also the world's largest and leading player in diagnostic instruments, the Group now has a unique position when it comes to alleviating hearing losses,"* says Niels Jacobsen, President & CEO of William Demant Holding.

The market for cochlear implants has shown annual growth rates of more than 10% for the past many years, and due to the still low penetration rate, we expect the market to also show healthy growth rates in the coming years. Today, annual sales of cochlear implants total 35-40,000 units, or wholesale revenue of EUR 700-800 million in total. Last year, Neurelec generated revenue of DKK 138 million and a modest profit.

"After three successful years during which we have succeeded in obtaining a significant market position in bone anchored hearing solutions, cochlear implants are the next natural step for Oticon Medical. Innovative products, patient safety, service and support have always been essential drivers of our success, and we expect these elements to continue to form the basis for Neurelec's further development," says Jes Olsen, President of Oticon Medical.

"In William Demant and Oticon Medical, Neurelec has found the right partners to make Neurelec a global player on the market for cochlear implants. Through the combination of Neurelec's know-how when it comes to stimulation technology and Oticon Medical's access to state-of-the-art sound processing technology, we can together create products that will increase the quality of life for people with profound to severe hearing losses," says Cedric Briand, General Manager of Neurelec.

William Demant wants to maintain Neurelec's present organisation in France. In the longer run, the ambition is for Neurelec to obtain a position as one of the leading players in the area of cochlear implants. For many years to come, Neurelec expects to generate revenue growth exceeding growth in the underlying market. The acquisition of Neurelec will thus strengthen the William Demant Group's growth profile, but will at first dilute our profitability. In the longer term, Neurelec will however generate a profit margin on par with the average profit margin in the Group's other business activities.

We expect the acquisition of Neurelec to impact our revenue in 2013 by approx. DKK 100 million, corresponding to about three fourths of the revenue realised in 2012, and we expect to see a neutral impact on the Group's EBITA in 2013. The acquisition will not affect our announced expectations of 2013.

For further information on Neurelec, please visit the company's website, www.neurelec.com/en.



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