

**DEROGATION LETTER
IN RESPECT OF INITIAL ENFORCEMENT ORDERS ISSUED
PURSUANT TO SECTION 72(2) ENTERPRISE ACT 2002**

**Consent under section 72(3C) of the Enterprise Act 2002 (the 'Act') to certain
actions for the purposes of the Initial Enforcement Order made by the
Competition and Markets Authority ('CMA') on 14 November 2022**

**Anticipated acquisition by Cochlear Limited of the hearing implants division of
Demant A/S, known as Oticon Medical**

Dear Mr Parker,

We refer to your submission dated 13 January 2023 requesting that the CMA consent to a derogation to the Initial Enforcement Order of 14 November 2022 (the 'Initial Order'). Unless otherwise stated, the terms defined in the Initial Order have the same meaning in this letter. Further, in this letter:

Oticon Medical Support Activities means any activities carried out by the Demant business which support the activities of Oticon Medical in relation to the procurement, supply and/or development of Oticon Medical's products. The Oticon Medical Support Activities include (without limitation) any operational, relationship management, strategic, development, technical or back-office activities or services.

Under the Initial Order, save for written consent by the CMA, Demant and Oticon Medical are required to refrain from taking any action which might prejudice a reference of the transaction under section 22 or 33 of the Act or impede the taking of any remedial action which may be justified by the CMA's decisions on such a reference.

After due consideration of your request for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, the CMA consents to Demant and Oticon Medical carrying out the following actions, in respect of the specific paragraphs:

1. Paragraph 6(c) and 6(i) of the Initial Order

In order to safeguard the continuing viability of the business, Demant has sought CMA consent to carry out the following reorganisation of the Oticon Medical business (the '**Reorganisation**'). This amounts to (i) a substantive change to the organisational

structure of, and the management responsibilities within, the Oticon Medical business and (ii) the following key staff changes within the Oticon Medical business and in the provision of Oticon Medical Support Activities:

Key Staff	Current Title	Post-Reorganisation Title
<i>Oticon Medical</i>		
[X]	[X]	[X]
[X]	[X]	[X]
[X]	[X]	[X]
[X]	[X]	[X]
[X]	[X]	[X]
[X]	[X]	[X]
<i>Oticon Medical Support Activities</i>		
[X]	[X]	[X]
[X]	[X]	[X]

On the basis of the representations made by Demant, and in the circumstances of this case, the CMA consents to a derogation from paragraphs 6(c) and 6(i) to implement the changes described above, strictly on the basis that:

- (i) The Reorganisation will not result in any detriment to the ongoing viability of the Oticon Medical business;
- (ii) The Reorganisation is intended to ensure the continuing viability of the business;
- (iii) The Reorganisation does not involve the transfer of any employees between the Oticon Medical business and the Demant business;
- (iv) All relevant Key Staff members have the necessary capacity, experience and expertise to assume new roles under the Reorganisation;
- (v) All Key Staff appointments to new roles are made entirely independently of Cochlear and of the transaction;
- (vi) All decisions in relation to the Reorganisation are taken independently of Cochlear and without consideration of the transaction;
- (vii) This derogation will not result in any integration between the Oticon Medical and Cochlear businesses;

- (viii) This derogation will not result in any pre-emptive action which might prejudice the reference or impede the taking of any action which may be justified by the CMA's decisions on the reference.

Sincerely,

Susan Oxley
Director
30 January 2023