

Hear now. And always



HY22 Result Presentation

22 February 2022

Dig Howitt

CEO & President

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CFO



Cochlear's mission

We help people hear and be heard.

We **empower** people to connect with others and live a full life.

We **transform** the way people understand and treat hearing loss.

We **innovate** and bring to market a range of implantable hearing solutions that deliver a lifetime of hearing outcomes.

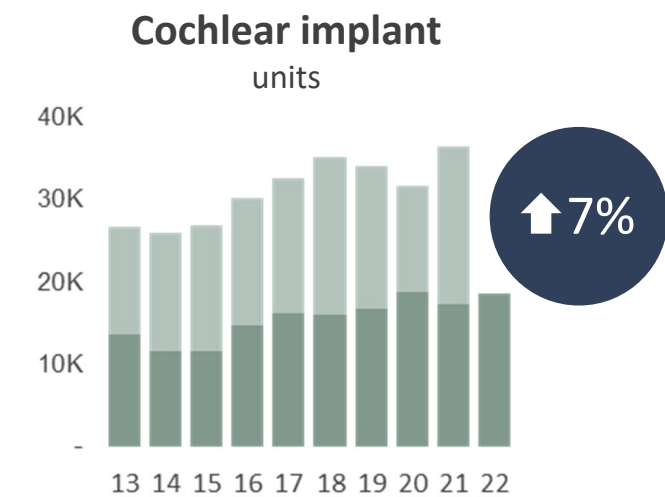


HY22 Summary



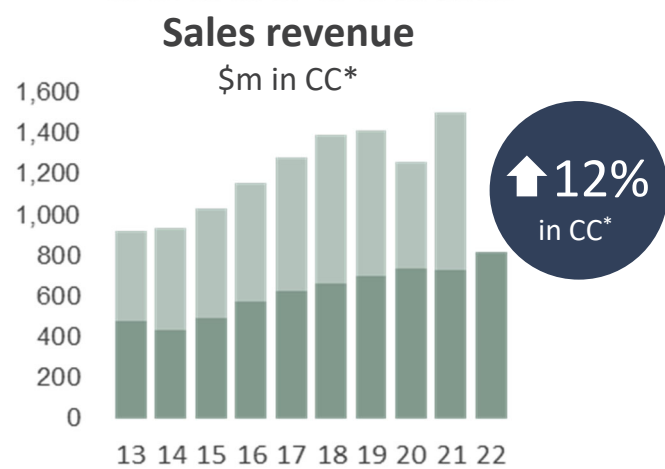
Sales revenue up 12% in CC*

- Sales growth driven by strong demand for sound processor upgrades and new acoustic implant products
- Cochlear implant revenue continued to experience variability in performance across countries with intermittent COVID-related restrictions reducing overall operating theatre capacity. Developed market volumes were ahead of pre-COVID levels despite a modest decline in the half, and our market share position remains strong



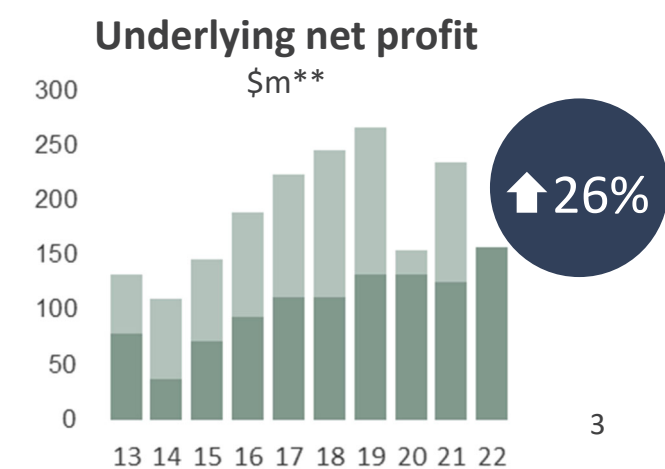
Underlying net profit** up 26%

- Profit growth driven by the combination of strong sales growth and improved gross margin, with some benefit from lower than expected operating expenses
- Continued investment made in market growth activities and R&D to support long-term growth



Strong financial position

- Strong balance sheet with net cash of \$506m and operating cash flows sufficient to fund investing activities and capital expenditure
- Interim dividend up 35%, a 65% payout of underlying net profit
- FY22 underlying net profit guidance range maintained at \$265-285m, a 13-22% increase on underlying net profit for FY21***. Guidance now incorporates cloud computing expenses and anticipates continuing COVID impacts for the balance of the year



* Constant currency ** Excluding one-off and non-recurring items. Prior year net profit has been restated to reflect the reclassification of cloud-related investment from capex to opex.

*** Based on FY21 net profit (underlying) of \$234.0m, which includes a \$2.7m adjustment for cloud-related expenses.

HY22 Operational review



Cochlear implants

56% of sales revenue

Cochlear implant unit growth of 7% reflects continuing recovery from COVID, with variable recovery rates across countries

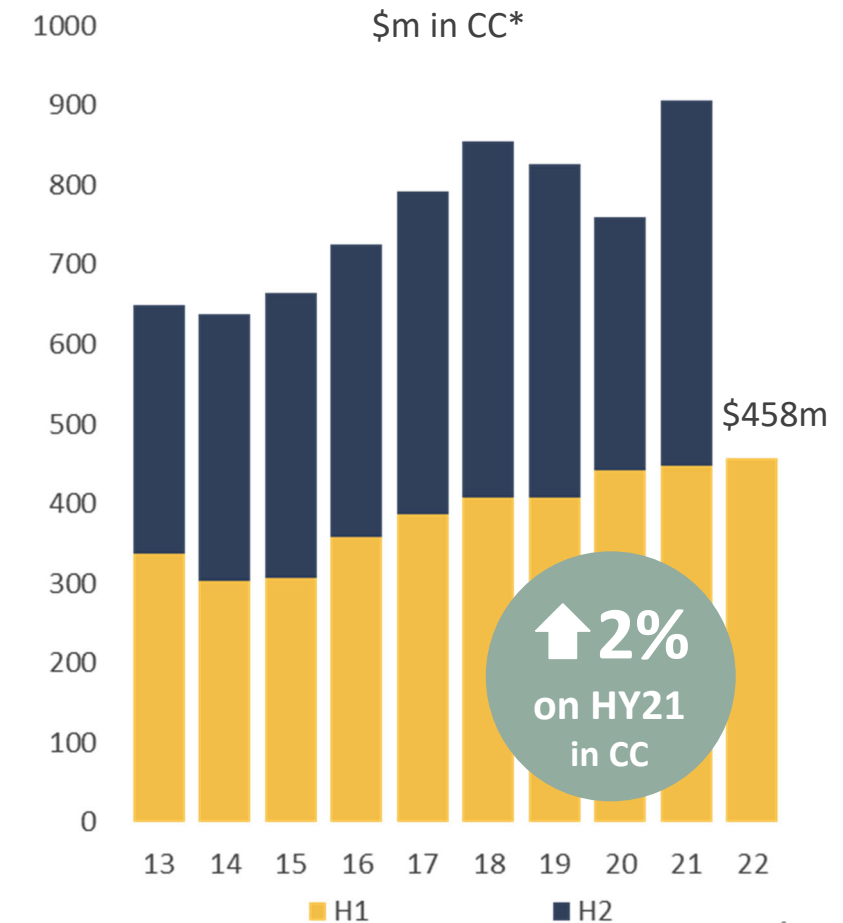
Developed markets – CI units down 2%

- Volumes overall are tracking ahead of pre-COVID levels
- Volume declines in the US follow a strong HY21, with impact of COVID and hospital staffing shortages in HY22. Our strong market share position was retained
- Solid recovery in Western Europe following a COVID-affected HY21. Rate of recovery however continues to vary by country

Emerging markets – CI units up ~30%

- Strong recovery from COVID-related surgery deferrals experienced across most countries

Cochlear implant sales revenue



HY22 Operational review



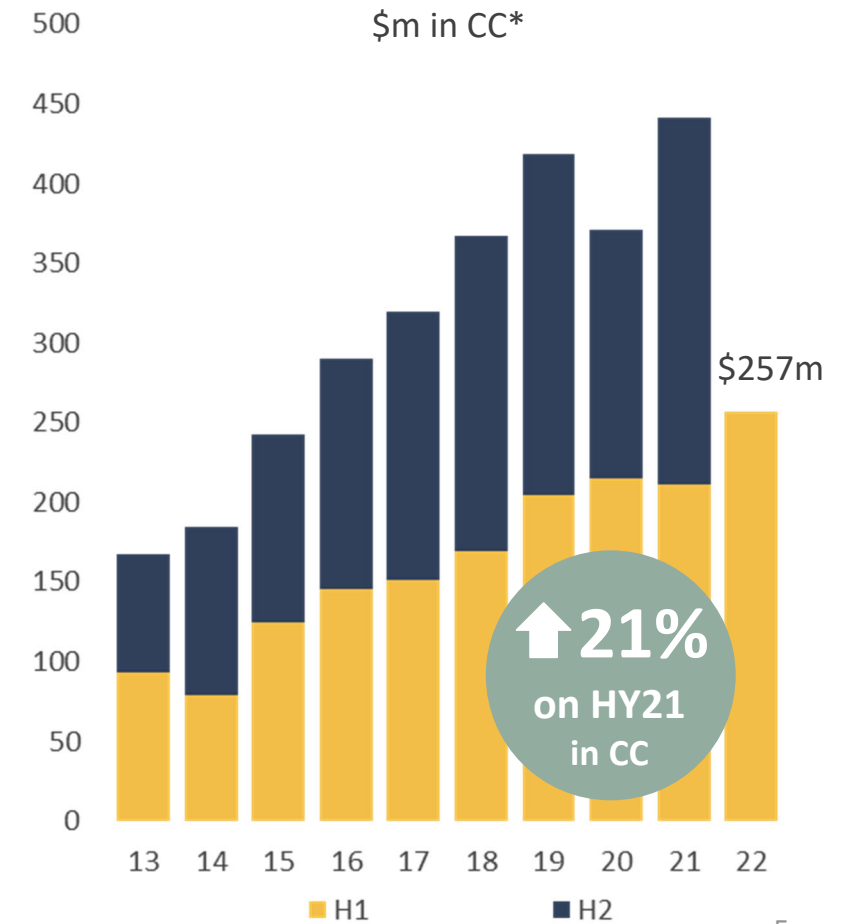
Services

32% of sales revenue

Growing recipient base and access to sound processor upgrades drive demand

- Revenue up 21% in CC
- Growing recipient base increases sound processor upgrade opportunity
- Improved access to clinics following lockdowns drives recovery demand
- Many clinics allocated greater resources to Services where access to surgeries was limited by COVID

Services sales revenue
\$m in CC*



HY22 Operational review



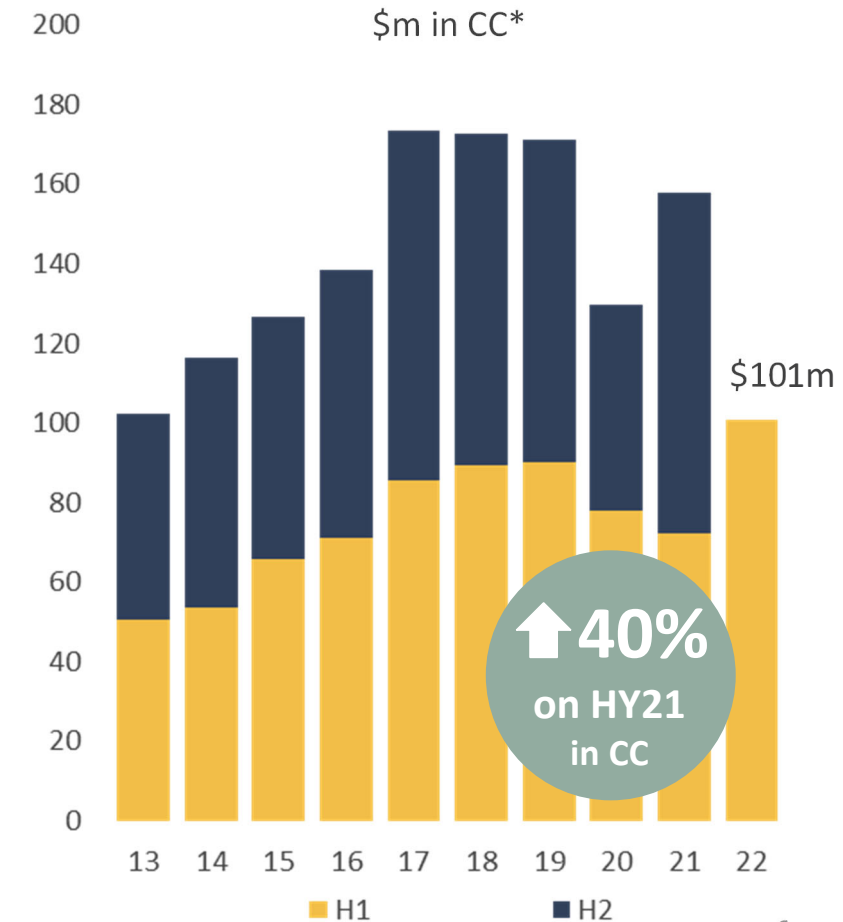
Acoustics

12% of sales revenue

Strong demand for new products and a recovery from COVID-related surgery delays

- Revenue up 40% in CC
- Rollout commenced for the Cochlear™ Osia® 2 System across Western Europe following the recent CE Mark accreditation
- Demand for the Osia 2 System continues to be strong in the US
- The recent launch of the Cochlear™ Baha® 6 Max Sound Processor is driving strong demand for sound processor upgrades across all regions

Acoustics sales revenue
\$m in CC*



Progress against strategic priorities



Retain market leadership

Market-leading technology


Strong market position

- Nine new products and services achieve FDA approval over the past two years
- Accelerated connected care development with Cochlear™ Remote Assist solution achieving FDA approval during H1

Pioneering new implant categories

- Cochlear™ Osia® 2 System driving category shift in the US, with European rollout underway

Cochlear™ Remote Assist: available to clinicians in Custom Sound® Pro. Connects to the patient's sound processor via the Nucleus Smart App to make live global changes to the patient's programs via Master Volume, Bass & Treble adjustments and enable other processor features.



Cochlear™ Nucleus® Profile™ Plus with Slim 20 Electrode



Cochlear™ Nucleus® 7 Sound Processor for Nucleus® 22 implant recipients



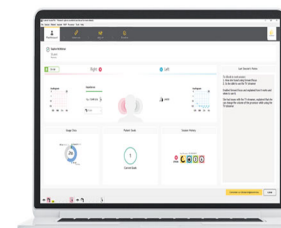
Cochlear™ Osia® 2 System



Cochlear™ Baha® 6 Max Sound Processor



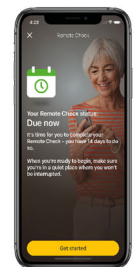
Cochlear™ Nucleus® Kanso® 2 Sound Processor



Custom Sound® Pro fitting software



Nucleus® SmartNav System



Remote Check solution for cochlear implants 7

Progress against strategic priorities



Retain market leadership

World-class customer experience

Providing the latest technology to our existing customers

- Cochlear™ Nucleus® Kanso® 2 Sound Processor and Cochlear™ Baha® 6 Max Sound Processor driving demand for sound processor upgrades
- Cochlear™ Nucleus® 7 Sound Processor for Nucleus® 22 implant recipients providing the latest technology to our first commercial implant recipients

Growing connectivity and engagement with recipients

- Cochlear Family membership increases 20% to ~240,000

Greater convenience and confidence for recipients and professional partners

- Cochlear™ CoPilot app launched to help adults improve hearing outcomes through skills training
- Rollout of Remote Check
- Great feedback on new professional customer tools, the Nucleus® SmartNav System and Custom Sound® Pro Fitting Software



Cochlear™ Baha® 6 Max Sound Processor

Progress against strategic priorities



Grow the hearing implant market

Awareness & access

Demand generation programs continue to strengthen

- Growing referrals from direct-to-consumer (DTC) marketing activities
- Growing rate of hearing aid channel referrals from the Cochlear Provider Network and Cycle

Developing a treatment pathway for adults

- Publication of WHO's 'Hearing Screening: considerations for implementation' which builds on the recommendations made in the 'World report on hearing', providing guidance for establishing evidence-based programmes for hearing screening in different target age-groups and to facilitate early interventions for ear diseases and hearing loss
- Next steps: over the coming years, an international taskforce of leading cochlear implant professionals, academics and cochlear implant users will deliver clinical guidelines to enable early identification and referral for patients. This will also raise awareness of treatment pathways for both candidates and hearing professionals

Expanded product indications

- FDA approval for the treatment of unilateral hearing loss and single-sided deafness (SSD) with a Cochlear™ Nucleus® implant in the US



HEARING SCREENING CONSIDERATIONS FOR IMPLEMENTATION



Hearing Screening: considerations for implementation front cover. Geneva: World Health Organization; 2021. Licence: CC BY-NC-SA 3.0 IGO

Progress against strategic priorities



Deliver consistent revenue and earnings growth

Investing to grow

- Delivered record H1 sales revenue of \$815m, up 12% in CC*
- R&D investment of \$99m on target @ ~12% of sales revenue
- Increased investment in growth activities with COVID-related savings continuing for travel and conference spend

Operational improvement

- Commenced a major process transformation and IT systems upgrade to improve agility and provide an even better customer experience
- Commitment to reduce business travel related carbon emissions by at least 50% by FY25, contributing to a 25% reduction in total emissions

Strong financial position

- Underlying net profit** of \$158m, up 26% on HY21
- Strong balance sheet with net cash of \$506m
- Operating cash flows sufficient to fund investing activities and capital expenditure
- Interim dividend up 35% with 65% payout of underlying net profit. ~70% payout expected for FY22

Profit & loss



\$m	HY22	HY21	Change (reported)	Change (CC)
Sales revenue	815.3	742.8	10%	12%
Gross margin %	75%	72%	3%	3%
Selling, marketing and general expenses	231.6	209.8	10%	12%
R&D expenses	98.6	88.4	12%	12%
<i>% of sales revenue</i>	<i>12%</i>	<i>12%</i>	<i>0 pts</i>	<i>0 pts</i>
Administration expenses (excl cloud investment)	65.1	54.2	20%	18%
Administration expenses (cloud investment)	5.2	0.7	643%	643%
Operating expenses	400.5	353.1	13%	14%
Other income / (expenses)	5.1	(6.0)		
FX contract gains / (losses)	5.4	0.4		
EBIT (underlying)*	217.6	174.9	24%	20%
<i>% EBIT margin*</i>	<i>27%</i>	<i>24%</i>		
Net finance costs	3.5	4.5	(22%)	
Effective tax rate %*	26%	27%		
Underlying net profit*	157.5	124.8	26%	20%
<i>% underlying net profit margin*</i>	<i>19%</i>	<i>17%</i>		
<u>One-off and non-recurring items (after-tax):</u>				
Innovation fund gains	11.8	34.7		
Patent litigation-related tax & other	-	59.0		
COVID government assistance	-	17.2		
Statutory net profit	169.3	235.7	(28%)	(30%)

Key points:

- ▶ Strong demand for sound processor upgrades and new acoustic implant products
- ▶ Gross margin back in line with the longer-term target
- ▶ Continued investment in market growth activities, standard of care and market access initiatives
- ▶ In line with 12% of sales revenue target
- ▶ Includes increases in IT expenses and higher insurance costs
- ▶ \$100-150m to be invested over the next four to five years
- ▶ Opex increase from COVID-affected lows. FY22 opex to be weighted to H2
- ▶ Net profit margin a little ahead of our 18% longer-term target
- ▶ Primarily reflects the increase in value of the EpiMinder shareholding

* Excluding one-off and non-recurring items. HY21 net profit has been restated to reflect the reclassification of cloud-related investment from capex to opex.

Capital employed



\$m	Dec21	Jun21**	Change
Trade receivables	284.8	262.1	22.7
Inventories	238.0	216.1	21.9
Less: Trade payables	(169.8)	(202.9)	33.1
Working capital	353.0	275.3	77.7
<i>Working capital / sales revenue*</i>	<i>22%</i>	<i>18%</i>	
Property, plant and equipment	248.0	239.5	8.5
Intangible assets	388.3	385.5	2.8
Investments & other financial assets	239.9	226.8	13.1
Other net liabilities	(5.0)	(2.1)	(2.9)
Capital employed	1,224.2	1,125.0	99.2

Key points:

- ▶ Driven by increased sales revenue
- ▶ Building of safety stocks of both finished goods and some componentry
- ▶ Timing of payments
- ▶ Includes cash investments and net revaluation losses for innovation fund investments including Nyxoah, Precisis and EpiMinder

* Dec21 calculation based on doubling HY22 sales revenue. ** Jun21 capital employed has been restated to reflect the impact of changes to recognition of cloud computing investments.

Cash flow



\$m	HY22	HY21**	Change
EBIT (underlying*)	217.6	174.9	42.7
Depreciation and amortisation	35.8	35.8	-
Changes in working capital and other	(79.0)	3.3	(82.3)
Cash impact of US\$75m AMF payment (pre-tax)	-	(104.4)	104.4
Cash impact of COVID government assistance (pre-tax)	-	24.6	(24.6)
Net interest paid	(3.5)	(4.5)	1.0
Income taxes paid	(45.9)	(42.9)	(3.0)
Operating cash flow	125.0	86.8	38.2
Capital expenditure	(38.1)	(34.6)	(3.5)
Other net investments	(42.3)	(15.6)	(26.7)
Free cash flow	44.6	36.6	8.0
(Outlay) / proceeds from issue of shares	(1.2)	2.0	(3.2)
Dividends paid	(92.1)	-	(92.1)
Other	(10.3)	6.3	(16.6)
Change in net cash – increase / (decrease)	(59.0)	44.9	(103.9)

Key points:

- ▶ EBIT benefits from strong sales growth and improved gross margin
- ▶ Increase in working capital to fund business growth. Includes an increase in inventory to buffer potential supply shortages
- ▶ FY22 expectation of ~\$70m reflects shift in cloud investment from capex to opex
- ▶ Additional investment in innovation fund investments – Nyxoah and Precisis

* Excluding one-off and non-recurring items. HY21 net profit has been restated to reflect the reclassification of cloud-related investment from capex to opex. ** HY21 cash flow items have been restated to reflect the reclassification of cloud-related investment from capex to operating cash flows. Free cash flow remains unchanged.

Net cash



\$m	Dec21	Jun21	Change
Cash, cash equivalents and term deposits	553.1	609.6	(56.5)
Less: Loans and borrowings			
Current	(2.4)	-	(2.4)
Non-current	(45.1)	(45.0)	(0.1)
Total loans and borrowings	(47.5)	(45.0)	(2.5)
Net cash	505.6	564.6	(59.0)

Key points:

- ▶ Balance sheet remains strong with >\$500m in net cash

Dividends



	HY22	HY21	% change
Interim ordinary dividend (per share)	\$1.55	\$1.15	35%
% payout ratio (based on underlying net profit)	65%	61%	
% franking	0%	0%	

Key points:

- ▶ Expect FY 70% payout, in line with target payout
- ▶ Franking balance depleted as a result of FY20 losses

FY22 Outlook



FY22 underlying net profit guidance range maintained at \$265-285m, up 13-22%*

Guidance now incorporates cloud computing expenses and anticipates continuing COVID impacts for the balance of the year

Key assumptions:

- Sales revenue growth to be weighted to Services and Acoustics
- Cochlear implant revenue outlook factors in continuing COVID impacts with intermittent hospital or region-specific elective surgery restrictions and constrained capacity from hospital staffing shortages
- Opex weighted to H2
 - Investment in market growth activities to support long-term market growth to continue
 - Guidance now factors in \$18-20m (pre tax) in cloud expenses as a result of the change in recognition of cloud computing investment from capex to opex
- Net profit margin to remain a little below our longer-term target of 18% for FY22 and FY23
- A more material disruption from COVID that significantly impacts sales remains a risk factor that does not form part of guidance. Despite the ongoing disruption to surgeries caused by COVID, we continue to be confident of the resilience of our hearing implant business over the longer term

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Supplementary information

Cochlear overview

Growth opportunity

Strategy

Hear now. And always



Cochlear overview

About Cochlear

For 40 years, Cochlear has been the global leader in implantable hearing solutions.

Cochlear commenced operations in 1981 as part of the Nucleus group and in 1995 listed on the Australian Securities Exchange. Today, it is a Top 50 listed Australian company with a market capitalisation of over \$12 billion.

We aim to improve awareness of and access to implantable hearing solutions for people indicated for our products. We have provided more than 650,000 implant devices to people who benefit from one – or two – of our implantable solutions. Whether these hearing solutions were implanted today or many years ago, we continue to bring innovative new products to market as well as sound processor upgrades for all generations of recipients.

We invest more than \$190 million each year in R&D and participate in over 100 collaborative research programs worldwide. Our global headquarters are on the campus of Macquarie University in Sydney, with regional offices in Asia Pacific, Europe and the Americas. We have a deep geographical reach, selling in over 180 countries, with a direct presence in over 30 countries and a global workforce of over 4,000 employees.



Cochlear at a glance



Business segments

Cochlear implants*
61%

Cochlear implant systems



Cochlear™ Nucleus® Profile™ Plus with Slim Modiolar Electrode (CI632)

Services*
29%

Sound processor upgrades, accessories & other



Cochlear™ Nucleus® 7 Sound Processor (CP1000)



Cochlear™ Nucleus® Kanso® 2 Sound Processor (CP950)

Acoustics*
10%

Bone conduction systems and sound processor upgrades



Cochlear™ Baha® 6 Max Sound Processor



Cochlear™ Osia® 2 System

Global sales

~\$1.5b
in sales revenue*

~80%
Developed markets

~20%
Emerging markets



48%
Americas

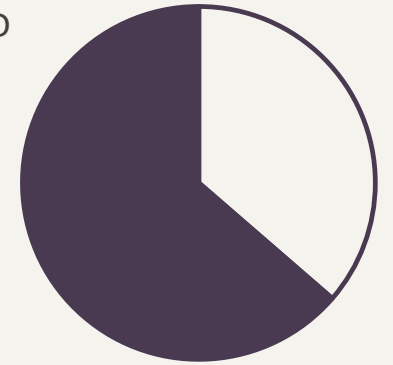
35%
EMEA

17%
Asia Pacific

Market leader

\$190m⁺ in annual R&D

>60% global market share**



650,000⁺ implants sold***

Growing scale

4,000⁺
employees

100⁺
collaborative
research programs

30⁺
countries with
direct operations

6
key manufacturing
sites

* Based on sales revenue (FY21) ** Based on Cochlear estimates for cochlear implants *** Includes cochlear and acoustic implants

How we create value



The key inputs to creating value

- Customers & communities**
Our capacity to create value depends on the strong and trusted relationships we build with our candidates, recipients, professional customers and payers.
- Innovation capability**
We are pioneers and global leaders in the development, manufacture and commercialisation of implantable hearing solutions, collaborating with a global network of research partners.
- People & capabilities**
Our people's knowledge and expertise are central to how we deliver our strategy.
- Financial & environmental**
Prudent management of financial capital and responsible production and consumption underpins the delivery of consistent returns over time.

Resources & relationships

The value we create, driving success now and into the future

- A healthier & more productive society**
Transforming the way people understand and treat hearing loss by improving awareness and access.
 - Empowered customers**
Improving the wellbeing of recipients and providing convenience and confidence to our professional customers.
 - A lifetime of hearing solutions**
Innovating to build a market-leading portfolio of products and services that provides a lifetime of hearing solutions for recipients.
 - Thriving people**
An engaged, capable and high-performing workforce that delivers on our strategy and supports the creation of sustained value.
 - Sustained value**
Maximising spending to grow the market and maintain our competitive position. Agile, efficient and environmentally responsible business processes to support our growth ambitions.
- Societal benefits:**
- Healthy ageing
 - Education and productivity opportunities
 - Standard treatment pathway for children and adults
 - Appropriate funding for a cost-effective intervention
- Customer benefits:**
- Positive customer experience
 - Improving quality of life
- Innovation delivers:**
- Quality and reliability
 - Improving hearing outcomes
 - Connected care solutions
 - Easy to use products
 - Expanding product indications
- People outcomes:**
- Employee engagement
 - Inclusion and diversity
 - Health and safety
- Financial outcomes:**
- Consistent financial and environmental performance
 - Disciplined capital management
 - Strong corporate governance
 - Operational improvement
 - Reduced climate impact

Value created



Investment proposition

Cochlear provides shareholders with an opportunity to invest in the global leader in implantable hearing solutions, in an industry that has the potential to grow over the long term.

- ✓ **Global leader** in implantable hearing solutions for 40 years with over 60% global market share and more than 650,000 devices sold
- ✓ **Long-term market growth opportunity** with a significant, unmet and addressable clinical need for implantable hearing solutions and less than 5% market penetration
- ✓ **Unrivalled commitment to product innovation**, bringing innovative new products to market as well as sound processor upgrades for prior generations of our recipient base
- ✓ **Growing annuity income stream** from servicing of the expanding recipient base
- ✓ **Strong free cash flow generation** provides funding for market growth activities and R&D as well as the ability to reward shareholders with a growing dividend stream*



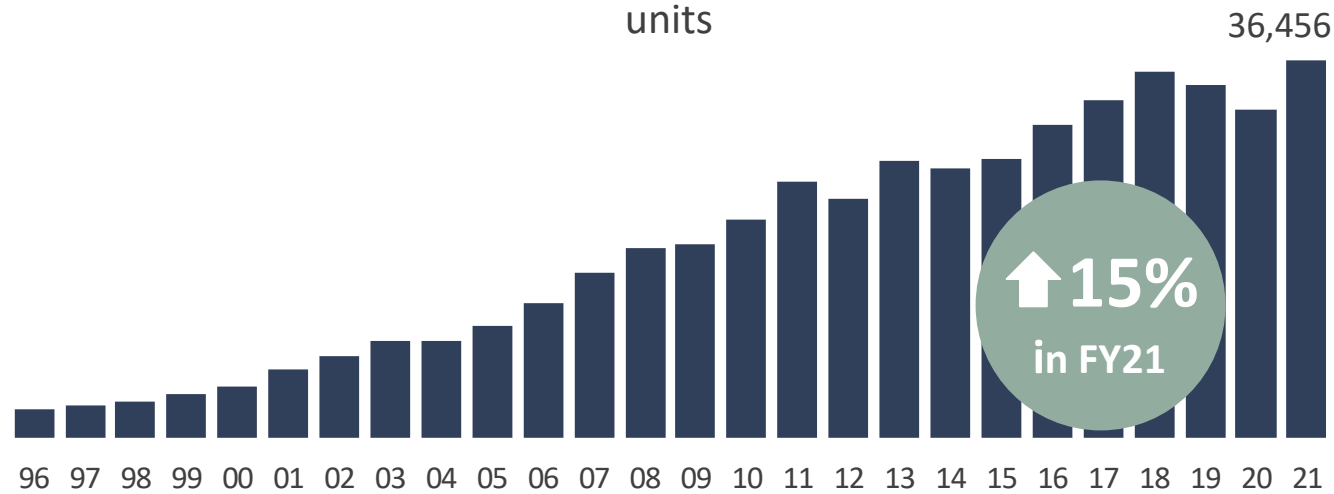
Financial history



Cochlear has a long track record of delivering growing sales revenue, profits* and dividends, disrupted in FY20 by the impact of COVID.

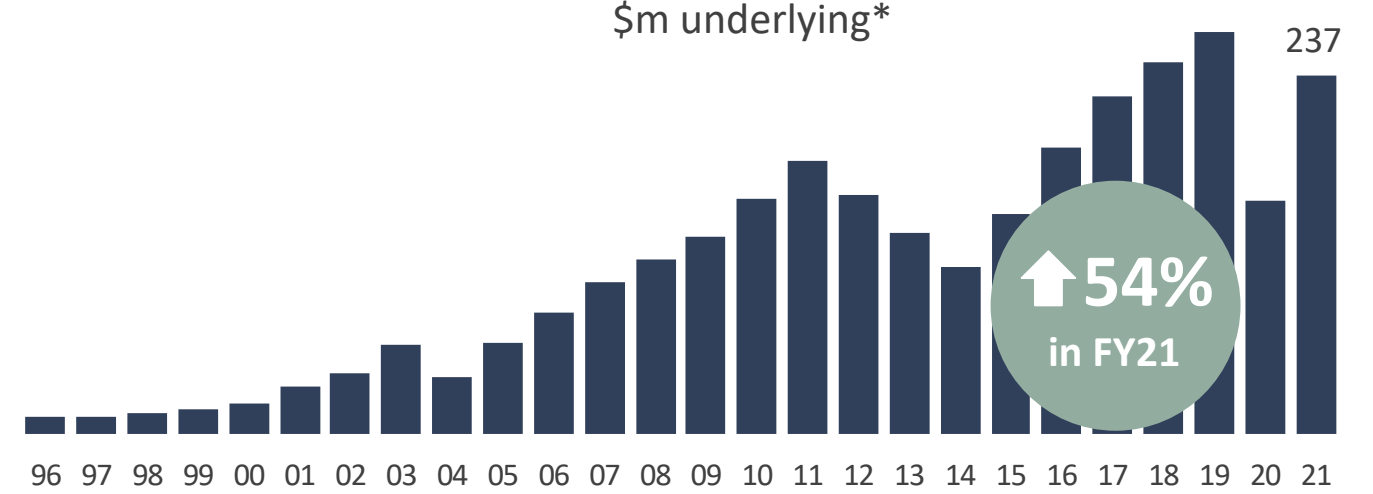
Cochlear implants

units



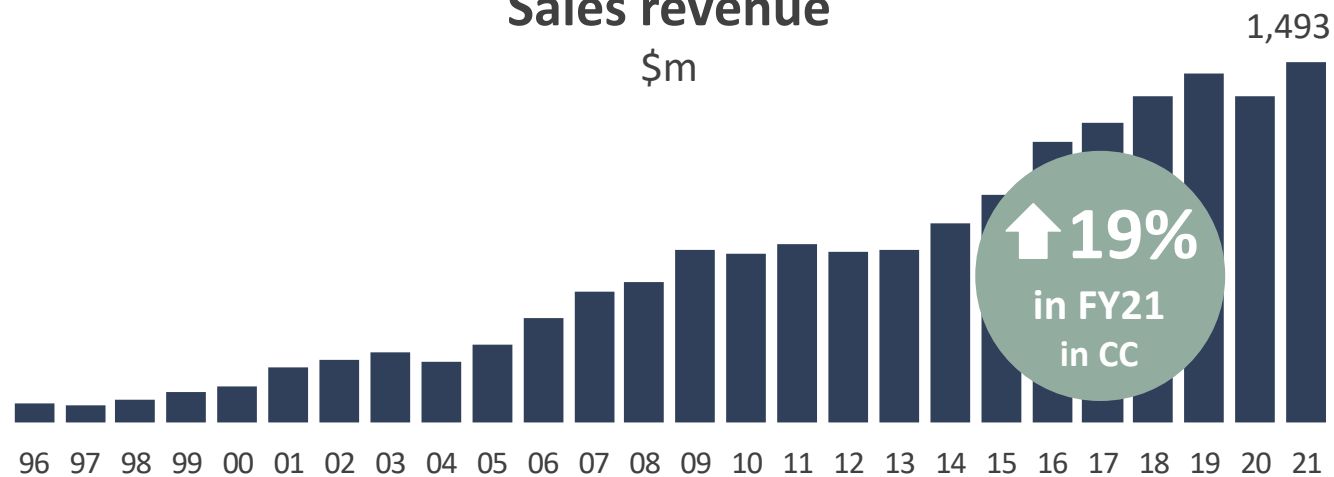
Net profit

\$m underlying*



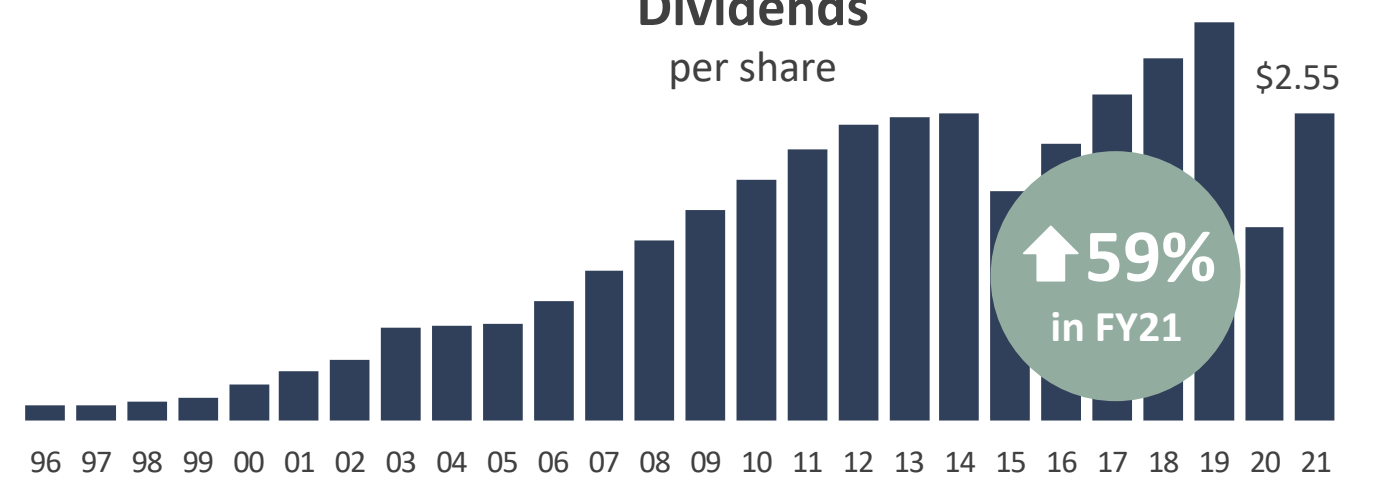
Sales revenue

\$m



Dividends

per share



* Excluding one-off and non-recurring items.

Hear now. And always



Growth opportunity

Potential to deliver long-term growth



Growing awareness of the cost-effectiveness and quality of life benefits of our products has the potential to underpin long-term industry growth.

- 1 Hearing loss is **prevalent** and **under-treated**
- 2 Cochlear implants are a **cost-effective** solution for all age groups
- 3 **Product indications are broadening** and **funding is expanding**
- 4 Cochlear implants can deliver **superior outcomes** to hearing aids for indicated patients
- 5 **Good hearing is essential** for healthy ageing
- 6 Opportunity to **drive deeper penetration** of the bone conduction segment

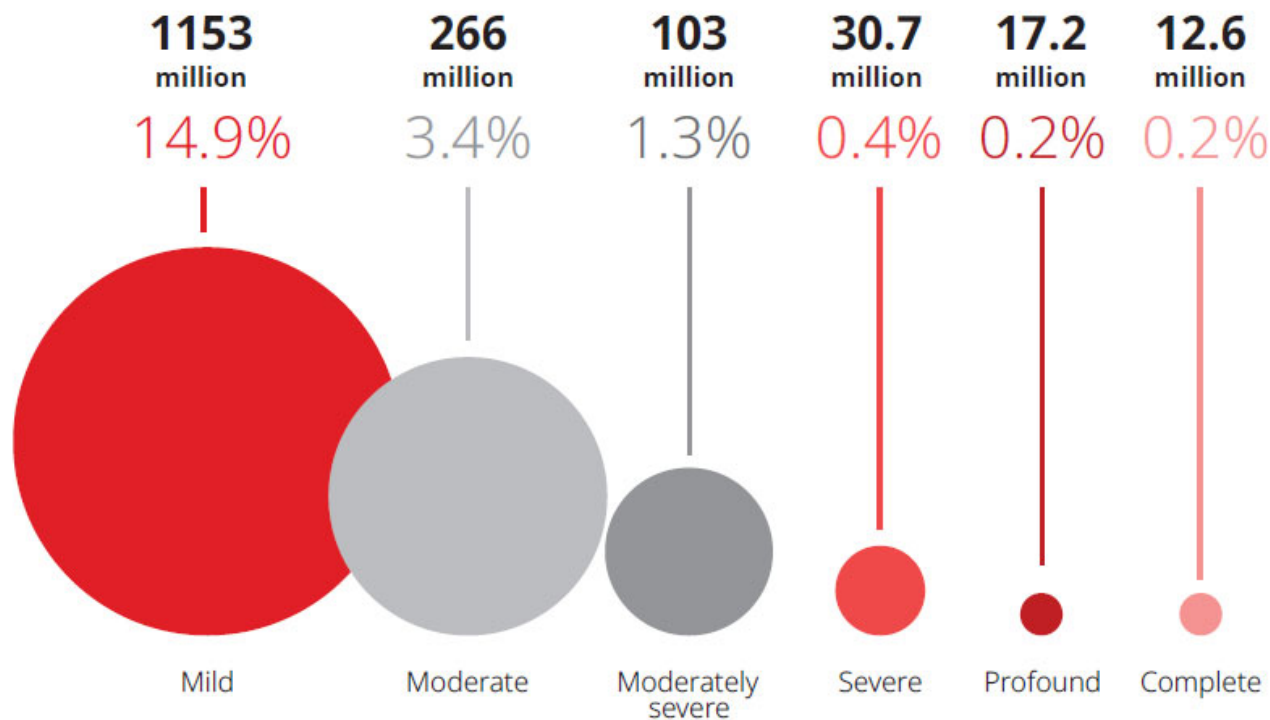
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Hearing loss is prevalent and under-treated



The World Health Organization estimates that there are over 60 million people worldwide who experience severe or higher hearing loss.¹ A challenge for hearing care providers is that less than 5% of the people that could benefit from an implantable hearing solution have received one.²

>60m people with severe or higher hearing loss



Globally 1.5 billion people live with hearing loss

Our focus

- Collaborating with governments, academic and research institutions, hearing care providers, consumer and professional representative NGO's and significant health setting bodies such as the WHO to build awareness of the importance of properly treating hearing loss
- Segment focus – adults and seniors in developed markets, children in developed markets and children in emerging markets – with strategies to improve awareness and access that vary by segment

2

Cochlear implants are a cost-effective solution for all age groups



Cochlear implants provide life changing outcomes for recipients, empowering them to connect with others and live a full life. They also provide a cost-effective solution for all age groups, delivering significant returns on the investment made by the healthcare system.



The estimated lifetime societal costs for a pre-lingual deaf child in developed markets exceeds US\$1.5 million³



The effective use of implants is cost-effective in adults and seniors with an estimated return on investment of 10:1⁴

Our focus

- Working with industry to building even more clinical data
- Demonstrating the benefit of connected care tools like Cochlear™ Link and Remote Check to deliver clinic efficiencies, cost savings and convenience

3

Product indications are broadening and funding is expanding



Product indications and funding are expanding as payers increasingly recognise the improved outcomes and cost-effectiveness of Cochlear's implantable solutions.

Japan, UK and Belgium expansion of reimbursement criteria for cochlear implants to include severe hearing loss

New Zealand cochlear implant funding to reduce the adult waiting list

Czech Republic funding for cochlear implants for adults

US lowered the age of cochlear implantation from 12 to 9 months for Cochlear's Nucleus implant

France reimbursement approved for Baha sound processors

Our focus

- Expansion of bilateral reimbursement and/or unilateral indication change from 80dB to 70dB in some developed markets
- Increasing reimbursement in markets with funding caps

4

Cochlear implants can deliver superior outcomes to hearing aids for indicated patients



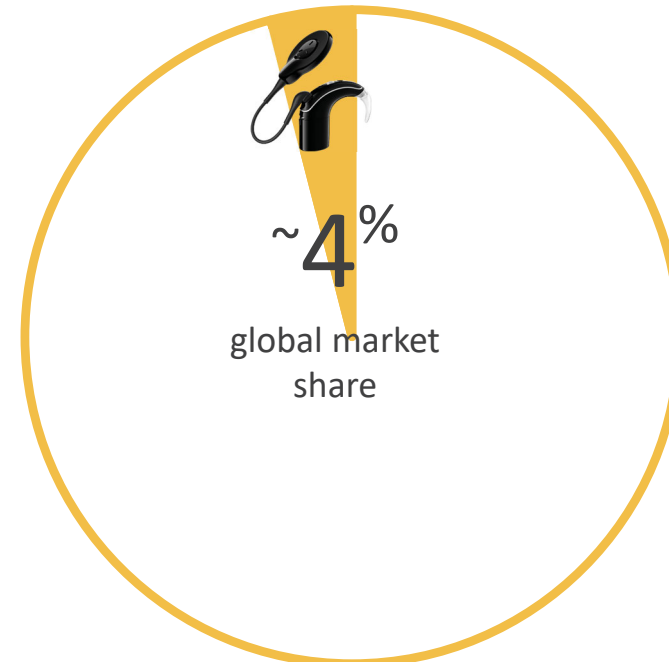
Cochlear implants can provide a significant improvement in hearing outcomes and quality of life when compared to hearing aids for many people with a severe or higher hearing loss.

We are the market leader in cochlear implants....



Cochlear implant market share

But a small player in the severe or higher hearing loss segment where hearing aids dominate



Hearing devices treating the severe or higher hearing loss segment

Our focus

- Educating hearing aid professionals and cochlear implant candidates on the benefits of cochlear implants when compared to hearing aids
- Building on the growing body of evidence of the superior outcomes of cochlear implants over hearing aids for many people with a severe or higher hearing loss (>70dB)⁵
- Commencing a randomised control trial to compare communication and quality of life outcomes of cochlear implants for adults compared to hearing aids

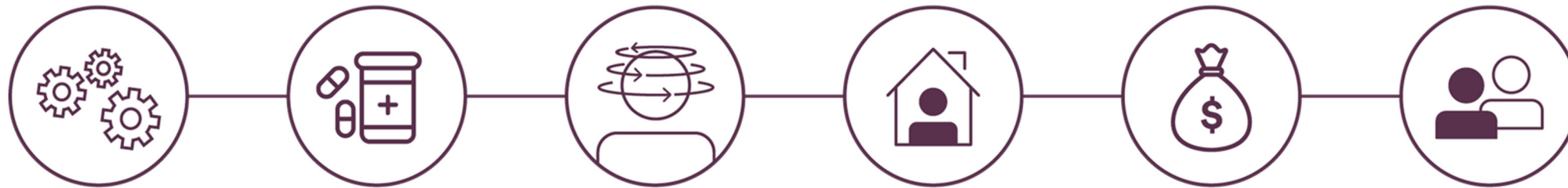
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Good hearing is essential for healthy ageing



Hearing loss is particularly prevalent in people over the age of 60, with one in four suffering moderate or higher hearing loss.⁶ There is a growing understanding of the importance of properly treating hearing loss in this age group. It affects communication and is associated with social isolation, anxiety, depression and cognitive decline.⁷

Growing understanding of the link between good hearing and healthy ageing



Cognitive decline

Hearing loss associated with accelerated cognitive decline and dementia in older adults.⁸

Depression

Significant association between hearing impairment and moderate to severe depression.⁹⁻¹¹

Falls

Higher risk of dizziness causing falling.¹⁰

Social isolation

Hearing loss linked to withdrawal from social interactions, which can have a significant impact on psychological well-being and physical health.¹²⁻¹³

Ability to work

Hearing loss can affect sufferers' ability to work or stay in the workforce.¹⁴⁻¹⁶

Loss of independence

Seniors with hearing loss less likely to be able to self-care.¹¹

Our focus

- Building more evidence. More data has the potential to influence public policy, payers, professionals and candidates to act
- Communicating the proven consequences of untreated hearing loss

6

Opportunity to drive deeper penetration of the bone conduction segment



The bone conduction market is under-penetrated and currently has limited geographic reach. The Cochlear™ Osia® 2 System expands the Acoustics portfolio into the next generation of bone conduction hearing solutions, providing a significant improvement in performance and aesthetics for bone conduction patients.

High power & high gain

For hearing performance in noise & quiet¹⁷



Designed to implant, made to last

For a straightforward surgery¹⁸ and reliability over time¹⁹

Slim, connected & off-the-ear

To help patients hear and connect easily and discreetly

Human Design™

Our focus

- Position the Osia 2 System as the gold standard acoustics implant
- Expand funding for Osia to support geographic expansion
- More effectively compete with reconstructive surgery

Hear now. And always



Strategy

Strategic priorities



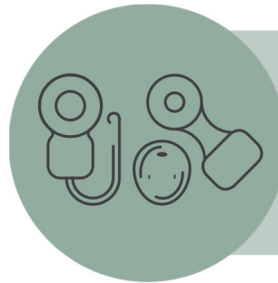
Our strategy is focused on improving awareness of and access to implantable hearing solutions for people indicated for our products.

We are committed to maintaining our technology leadership position in the industry by investing in R&D to improve hearing outcomes and expand reimbursement and indications for our implantable solutions. We aim to grow the hearing implant market by growing awareness and access for implant candidates. And with a growing recipient base, we are actively strengthening our servicing capability to provide products, programs and services to support our lifetime relationship with recipients. In achieving our goals, we will be disciplined in our investment, aiming to deliver consistent revenue and earnings growth over time.



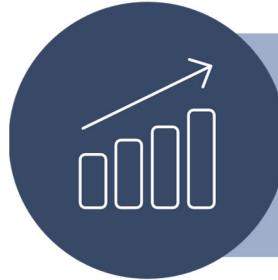
Retain market leadership

Market-leading technology | World-class customer experience



Grow the hearing implant market

Awareness | Market access | Clinical evidence



Deliver consistent revenue and earnings growth

Invest to grow | Operational improvement | Strong financial position



Retain market leadership

Market-leading technology | World-class customer experience

We innovate to bring to market a range of implantable hearing solutions that deliver a lifetime of hearing outcomes.

Cochlear has been the global leader in implantable hearing solutions for 40 years. The investment in R&D aims to strengthen our leadership position through the development of market-leading technology. We invest around 12% of sales revenue each year in R&D, with over \$2 billion invested since listing.

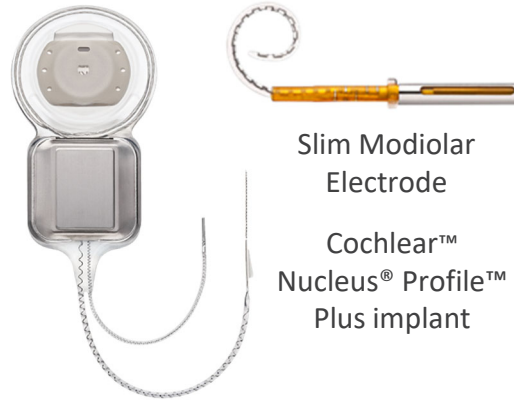
We have a global innovation network with over 350 R&D employees across the globe. Primary R&D is co-located with the Australian Hearing Hub in Sydney, with the 'Cochlear Technology Centre' in Belgium focused on advanced innovation. We have over 100 research partners in over 20 countries and a global network of design partners and suppliers.

R&D investment priorities are focused on hearing outcomes, hearing indications, lifestyle and connected care.

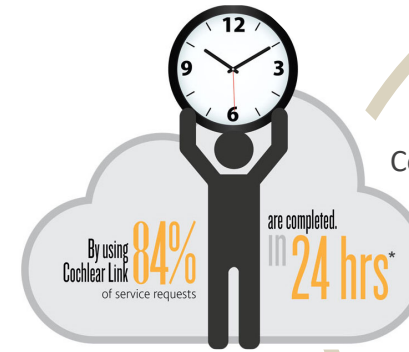
Market-leading product & services portfolio

Cochlear implants

Benchmark in size, implant reliability and neural interface, with proven perimodiolar advantage



Slim Modiolar Electrode
Cochlear™ Nucleus® Profile™ Plus implant



Cloud-based service reducing time spent 'off air' when recipients need a replacement processor

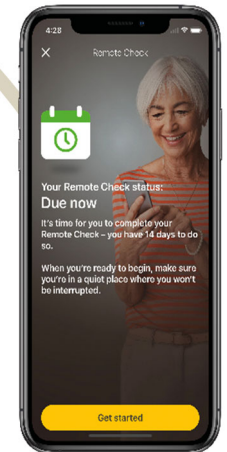
Responsive & convenient service

Cochlear™ Link

By using Cochlear Link 84% of service requests are completed in 24 hrs*

Telehealth solutions

Convenient, at-home testing for routine cochlear implant checks outside the hearing clinic



Remote Check solution for cochlear implants



Acoustic implants

Benchmark in performance and aesthetics



Cochlear™ Osia® 2 System

Improving quality of life



Nucleus® SmartNav System

Streamlining customer care for surgeons and clinicians

Improving hearing outcomes

Sound processors

Benchmark in size, smartphone connectivity and hearing performance



Cochlear™ Nucleus® 7 Sound Processor



Cochlear™ Nucleus® Kanso® 2 Sound Processor



Cochlear™ Baha® 6 Max Sound Processor

Apps and rehabilitation tools aimed at improving ease of use and quality of life for recipients



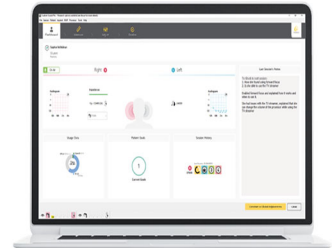
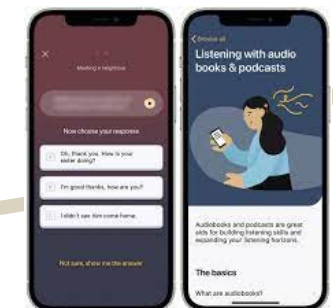
Nucleus, Baha & Osia Smart Apps

Convenience & confidence

Easy to use

Clinical & surgical support

Cochlear™ CoPilot



Custom Sound® Pro Fitting Software



Grow the hearing implant market

Awareness | Market access | Clinical evidence

We grow the market by transforming the way people understand and treat hearing loss through awareness and access activities.

Three key market segments have been prioritised with strategies to improve awareness and access which vary by segment.



Children in developed markets

Current penetration*: >80% (under 3-year-olds)

Focus: Improving penetration and bilateral implant uptake



Adults and seniors in developed markets

Current penetration*: ~3%

Focus: Consumer and professional awareness and building a standard treatment pathway



Children in emerging markets

Current penetration*: <10%

Focus: Development of clinical infrastructure, increasing funding and affordability

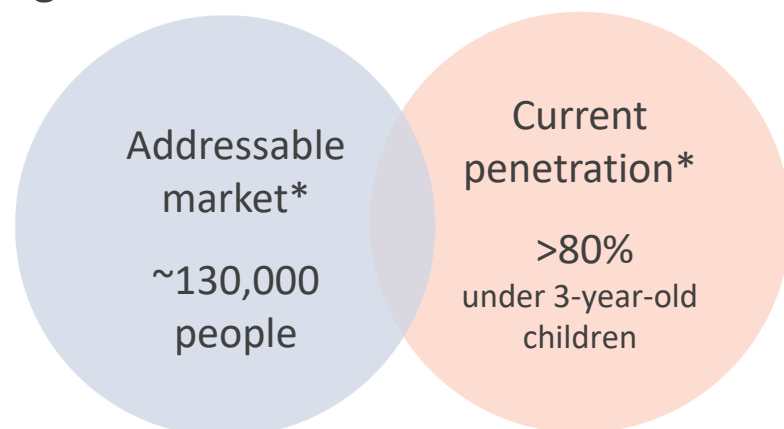
Grow the hearing implant market



Children in developed markets

Description

Cochlear implantation has been established as the standard of care for newborns across many developed markets, with bilateral implants indicated across most markets as evidence supports the benefit of binaural hearing.



What we are doing

Cochlear implants started as a solution for children with a profound hearing loss. Over the last 30 years, neonatal screening has been successfully established across the developed world leading to high penetration levels.

The key priority for this segment is to maintain our leadership position while aiming to deepen our penetration in a few markets where rates of implantation for newborns with severe or higher hearing loss, and uptake of bilateral implantation, are below average.

There is also an opportunity to strengthen the treatment pathway for acquired or progressive hearing loss in older children. Lack of screening for children who have progressive hearing loss in childhood means that hearing loss often remains unidentified and without care. The WHO's World Report on Hearing notes the importance of hearing in education and says that the inclusion of ear and hearing care in school health services is essential. It highlights pre-school and school children as a group 'at risk' and proposes that screening and early intervention programs be put in place for this group as part of the holistic package of ear and hearing care interventions it proposes all countries adopt.

* Cochlear estimates of segment prevalence of severe or higher hearing loss

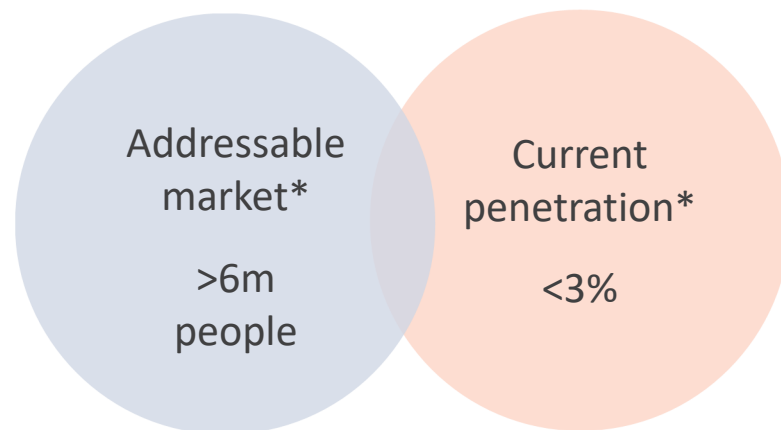
Grow the hearing implant market



Adults and seniors in developed markets

Description

Adults and seniors in the developed markets provide the biggest opportunity for us to address the unmet need for hearing implants given the large, and growing, market size as the population ages and the low levels of penetration.



What we are doing

According to the WHO, hearing loss is particularly prevalent in people over the age of 60, with 65% experiencing hearing loss and one in four people suffering moderate or higher hearing loss. It affects communication and is associated with social isolation, anxiety, depression and cognitive decline.⁷ The segment is however challenging to penetrate as most candidates suffer from a progressive hearing loss and, together with their care providers, either do not know about cochlear and acoustic implants or do not understand the indications for them.

While penetration rates are currently very low, at around 3%, the seniors segment has been the fastest growing segment for us over the past few years as awareness begins to improve. We have three programs for driving growth of the adults and seniors segment which include:

- **Direct-to-consumer marketing (DTC)** – building awareness directly with candidates motivated to find a better solution for their hearing loss;
- **Hearing aid channel referrals** – building a referral path from hearing aid and ENT clinics to cochlear and acoustic implants; and
- **Standard of care initiatives** – supporting initiatives to deliver a consistent treatment pathway for all adults with severe or higher hearing loss.

* Cochlear estimates of segment prevalence of severe or higher hearing loss

Grow the hearing implant market



Adults and seniors in developed markets

Developing a treatment pathway for adults

Standard of care initiatives aim to establish a consistent process for diagnosing and referring adult cochlear implant candidates by all healthcare professionals.

Adults and seniors in the developed markets provide the biggest opportunity for us given the large, and growing, market size as the population ages and the low levels of penetration. One of our challenges is that there is no consistent treatment pathway to a cochlear implant for adults with severe or higher hearing loss. In addition, there is low awareness of cochlear implant indications amongst key hearing loss professionals – ear, nose and throat (ENT) surgeons and hearing aid audiologists.

We are making investments in long term initiatives to develop a standard clinical pathway for adults that aims to establish a more sustained referral model. These investments are geared to:

- **Develop consistent guidelines** to enable early identification and referral;
- **Build a body of clinical and economic evidence** that compels early adult referral and coverage; and
- **Drive awareness and advocacy** through hearing professionals.

What standard of care looks like for adults

- ✓ Links between **good hearing and healthy ageing** established
- ✓ **Links to cognitive decline and dementia are understood** by ALL medical professionals
- ✓ Primary care providers **routinely assess hearing loss** in older patients
- ✓ Professionals **know when to refer** for a cochlear implant assessment
- ✓ The hearing aid channel is educated and the **referral process is simple** for a cochlear implant
- ✓ **After-care is simple**

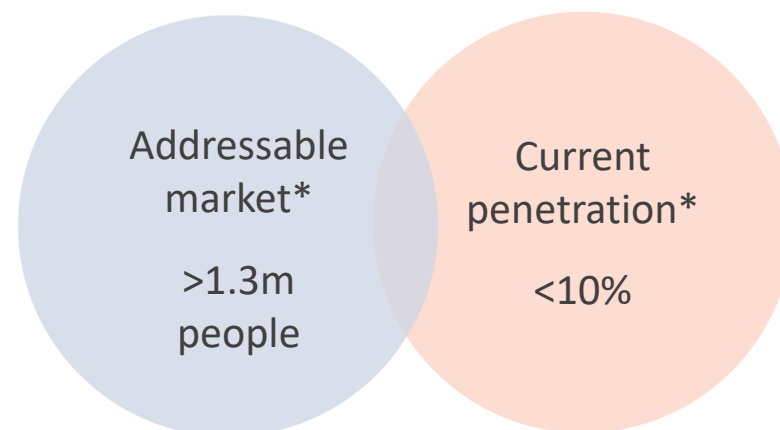
Grow the hearing implant market



Children in emerging markets

Description

Cochlear's emerging markets business has been growing rapidly as awareness of cochlear implants increases and wealth grows across many emerging economies.



What we are doing

China has become a leading market for cochlear implants driven by a commitment from the government to fund implants for children which has driven the development of clinical infrastructure. Most other markets however remain under-penetrated. Our priorities for this segment are focused around market expansion with activities targeted at:

- **Building awareness** – public education campaigns, direct-to-consumer marketing and hearing screening;
- **Expanding funding** – driven by the compelling health economics of implantation in children;
- **Expanding our presence** – distributor relationships combined with an expanding direct presence;
- **Developing professional capability** – surgeon training and audiology education; and
- **Maximising penetration** through a tiered product offering.

* Cochlear estimates of segment prevalence of severe or higher hearing loss



Deliver consistent revenue and earnings growth

Invest to grow | Operational improvement | Strong financial position

To deliver consistent revenue and earnings growth over time, we balance maximising spending to grow the market with investment to maintain our competitive position while ensuring we have agile, efficient and environmentally responsible business processes to support our growth ambitions.

Investment priorities:

**Invest to
grow**

Building awareness and access requires multi-year investment in sales, marketing and R&D activities

Aim: invest to grow, maintaining the net profit margin

**Operational
improvement**

Optimising cost of production strengthens our competitive position

Aim: reinvest efficiency gains from growing scale into market growth activities

**Strong
financial
position**

Strong cash flow generation funds investment in growth

Aim: maintain the strong balance sheet position and target a dividend payout of around 70% of underlying net profit

Deliver consistent revenue and earnings growth



Revenue drivers

Cochlear implants

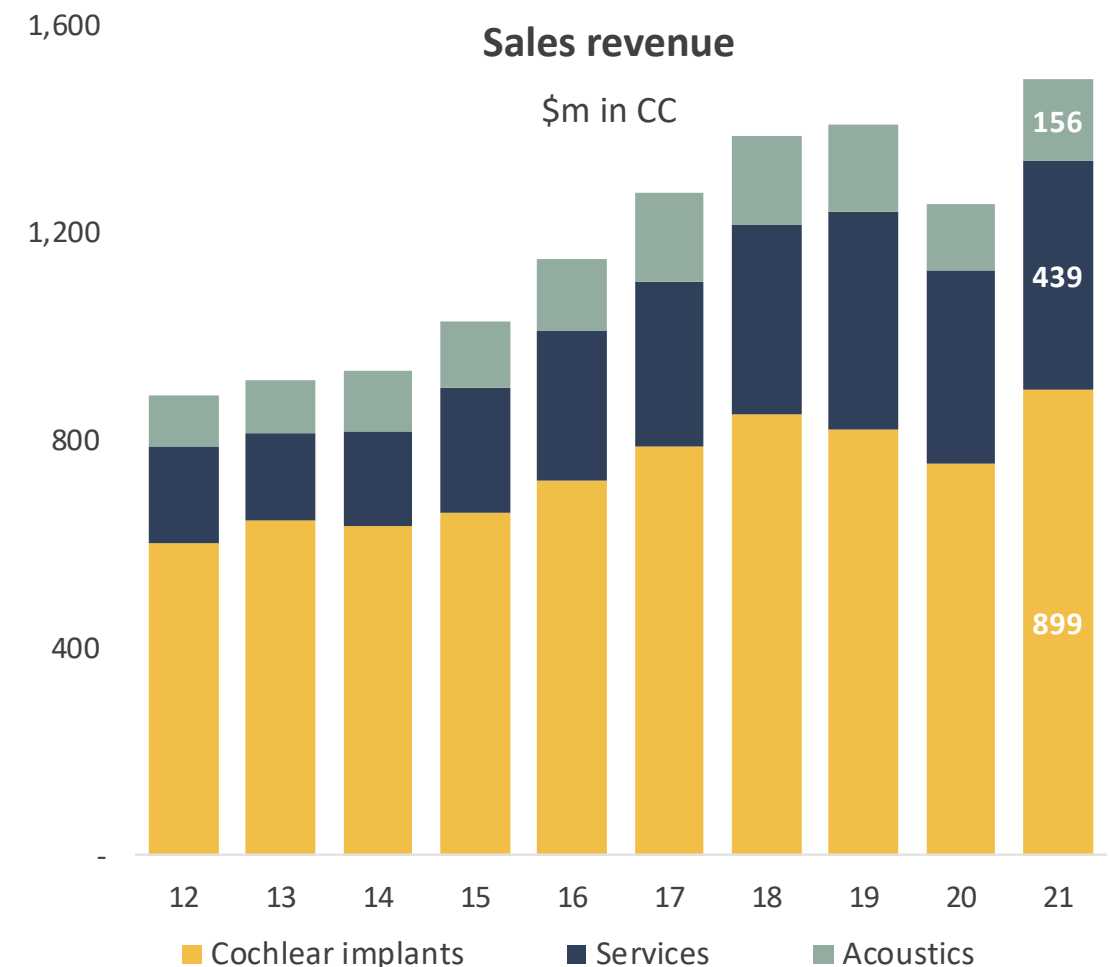
- Growing awareness and uptake by adults and seniors
- Emerging market expansion
- New products driving market growth and market share

Services

- Growing recipient base
- Greater connectivity and engagement with recipients
- Next generation sound processor upgrades

Acoustics

- New products
- Market expansion led by Cochlear™ Osia® 2 System



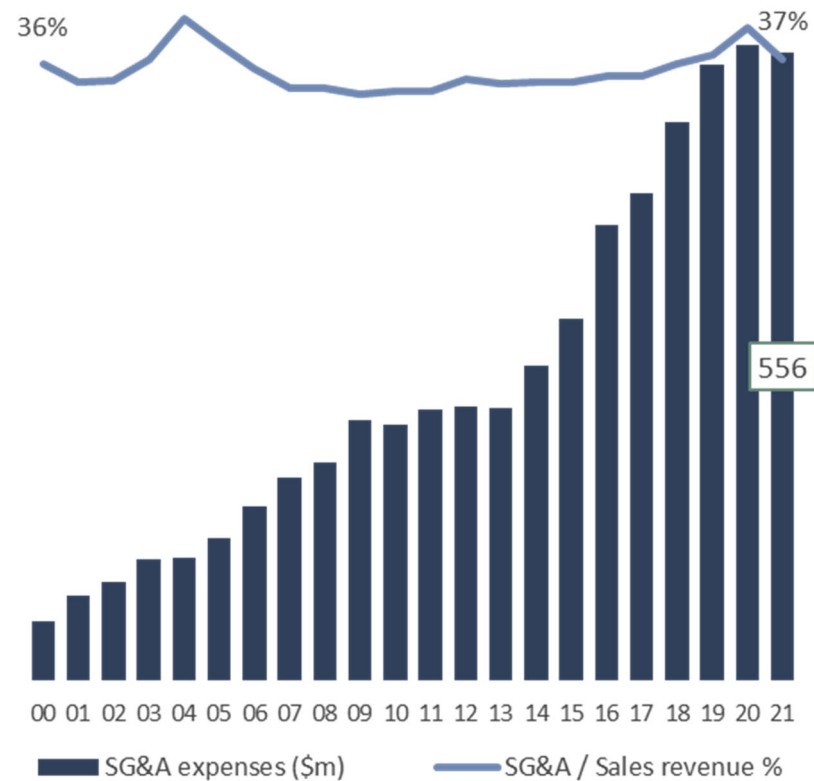
Deliver consistent revenue and earnings growth



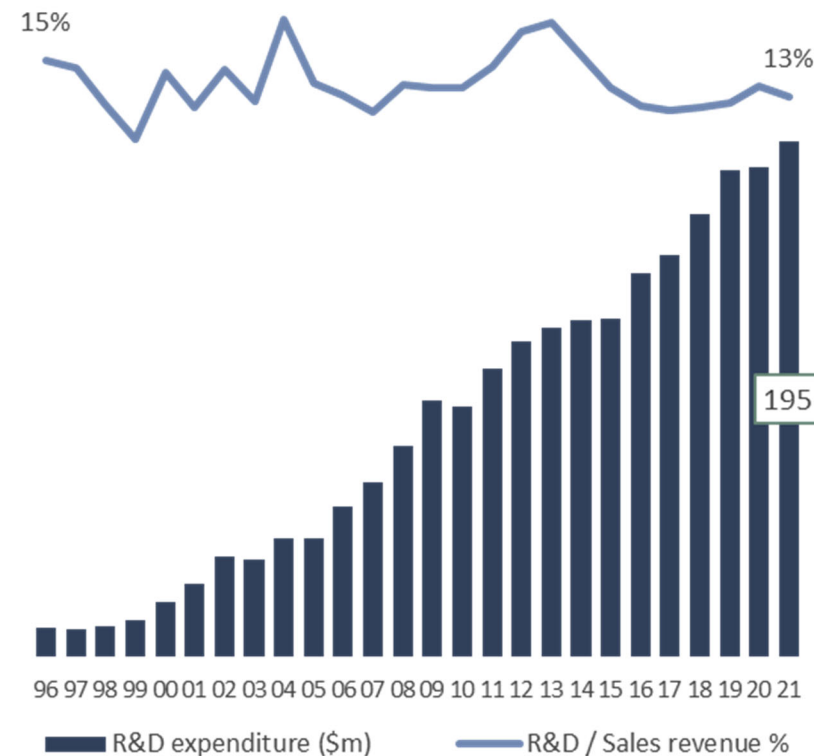
Invest to grow

We take a long-term approach to investing and have invested in growing the market for implantable solutions since listing in 1995.

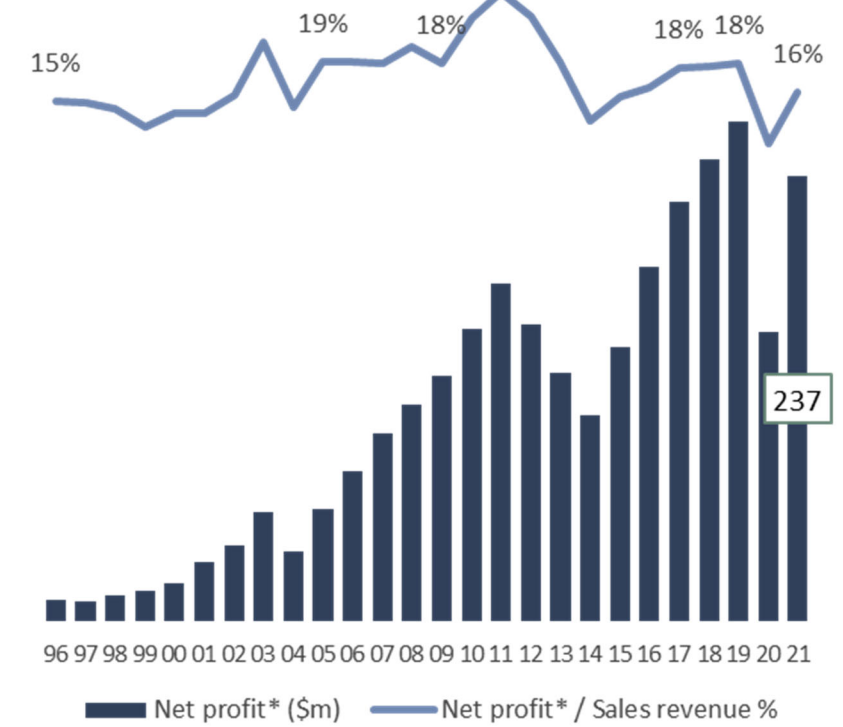
Consistent investment in sales and marketing



Growing R&D capability



Delivering stable net profit margins



* Excluding one-off and non-recurring items

Deliver consistent revenue and earnings growth

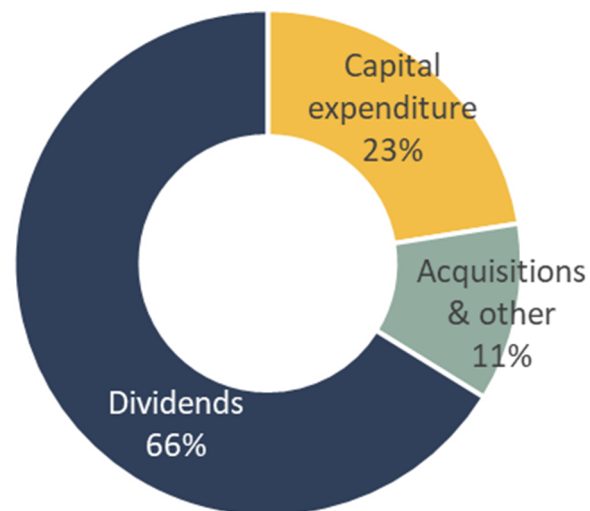


Operational improvement

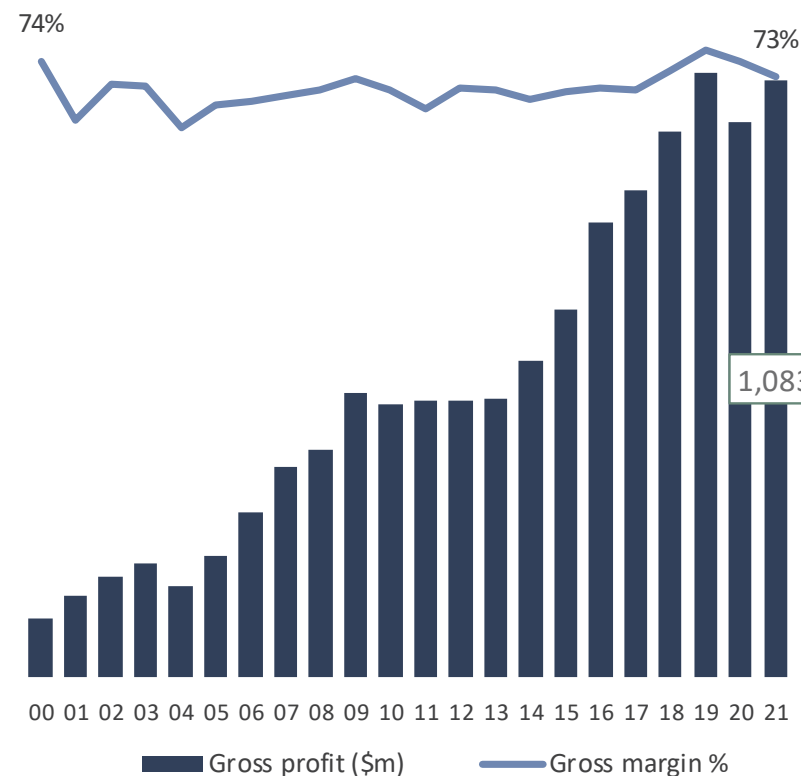
Disciplined capital investment and optimising cost of production strengthens our competitive position.

Disciplined use of capital

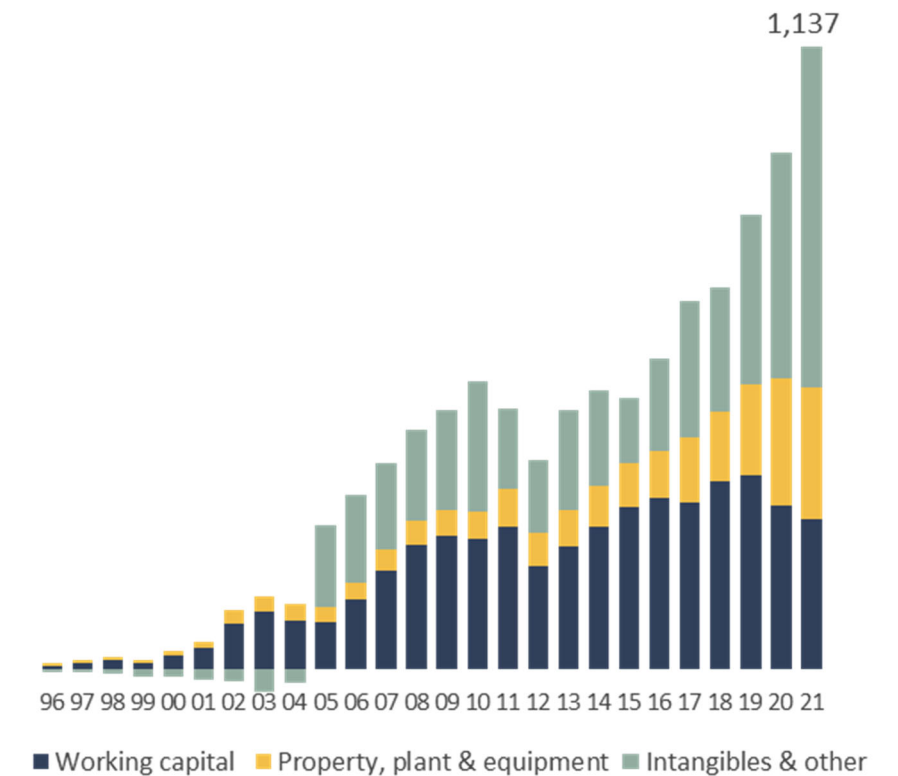
Cumulative use of operating cash flows since listing



Stable gross margin



Capital employed



* Excluding one-off and non-recurring items

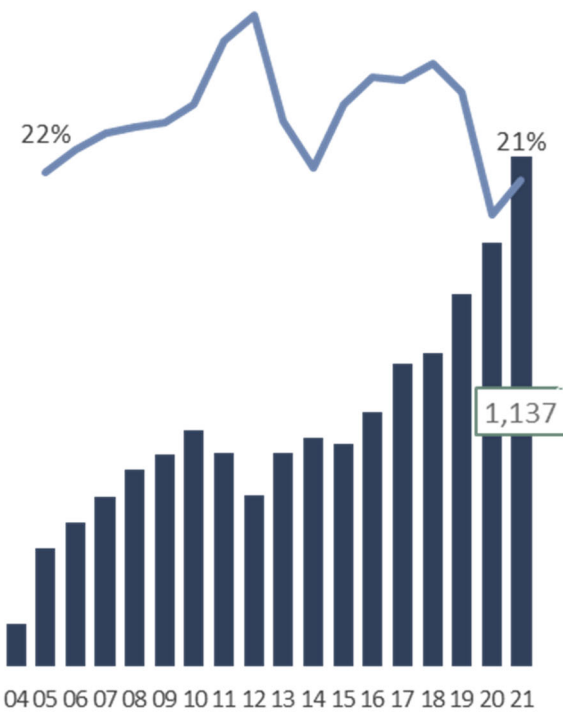
Deliver consistent revenue and earnings growth



Strong financial position

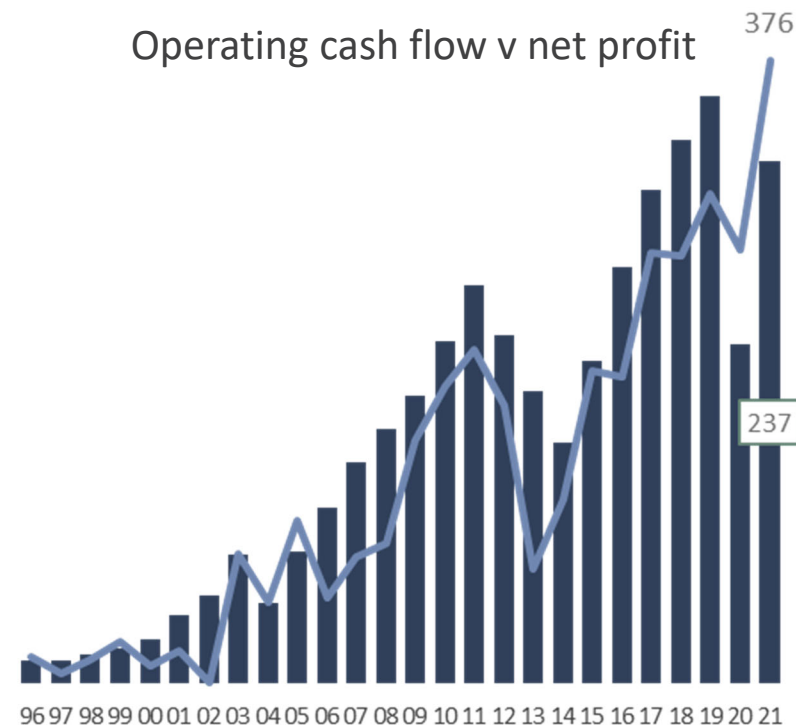
Strong free cash flow generation provides funding for market growth activities and R&D as well as the ability to reward shareholders with a growing dividend stream.

High return on capital employed (ROCE)



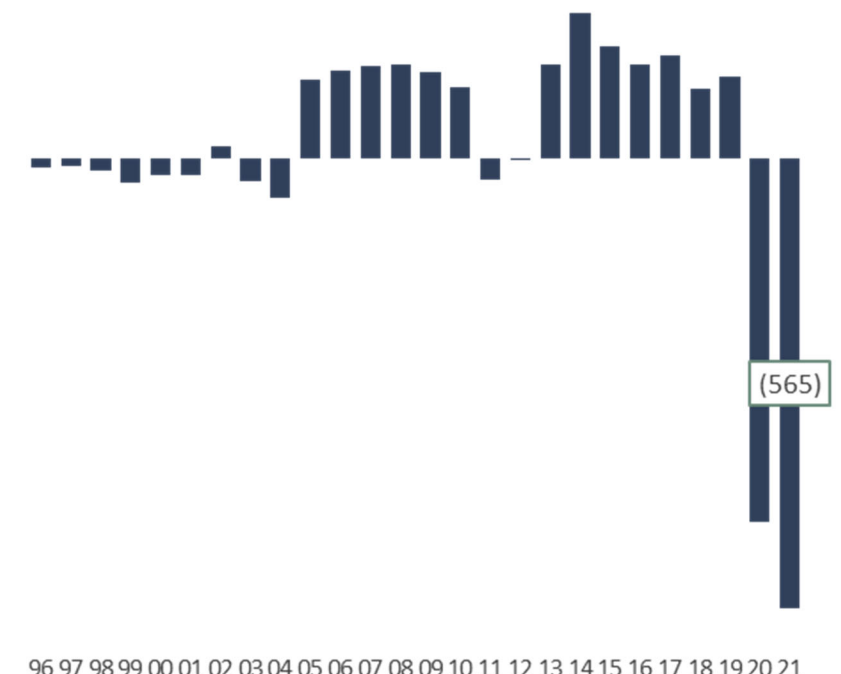
■ Capital employed (\$m) — ROCE % (after tax EBIT* / Capital employed)

Quality operating cash flows



■ Net profit* (\$m) — Operating cash flows** (\$m)

Conservative gearing levels



■ Net debt / (cash) (\$m)

* Excluding one-off and non-recurring items ** Disrupted in FY20 by the impact of an adverse litigation outcome and COVID. Operating cash flow in FY20-21 excludes the cash impact of patent litigation expenses.

Notes



Forward looking statements

Cochlear advises that this document contains forward-looking statements which may be subject to significant uncertainties outside of Cochlear's control. No representation is made as to the accuracy or reliability of forward-looking statements or the assumptions on which they are based. Actual future events may vary from these forward-looking statements and it is cautioned that undue reliance is not placed on any forward-looking statements.

Non-International Financial Reporting Standards (IFRS) financial measures

Cochlear uses non-IFRS financial measures to assist readers in better understanding Cochlear's financial performance. Cochlear uses three non-IFRS measures in this document: Sales revenue, Underlying net profit and Constant currency. The Directors believe the presentation of these non-IFRS financial measures are useful for the users of this document as it reflects the underlying financial performance of the business. Each of these measures is described below in further detail including reasons why Cochlear believes these measures are of benefit to the reader.

These non-IFRS financial measures have not been subject to review or audit. However, Cochlear's external auditor has separately undertaken a set of procedures to agree the non-IFRS financial measures disclosed to the books and records of the Group.

Sales revenue

Sales revenue is the primary revenue reporting measure used by Cochlear for the purpose of assessing revenue performance of the Consolidated Entity. It represents total revenue excluding foreign exchange contract gains/losses on hedged sales.

Underlying net profit

Underlying net profit allows for comparability of the underlying financial performance by removing one-off and non-recurring items. The determination of items that are considered one-off or non-recurring is made after consideration of their nature and materiality and is applied consistently from period to period. Underlying net profit is used as the basis on which the dividend payout policy is applied. The Financial Review section includes a reconciliation of Underlying net profit (non-IFRS) to Statutory net profit (IFRS) which details each item excluded from Underlying net profit.

Constant currency

Constant currency removes the impact of foreign exchange rate movements to facilitate comparability of operational performance for Cochlear. This is done by converting the prior comparable period net profit of entities in the Group that use currencies other than Australian dollars at the rates that were applicable to the current period (translation currency effect) and by adjusting for current year foreign currency gains and losses (foreign currency effect). The sum of the translation currency effect and foreign currency effect is the amount by which EBIT and net profit is adjusted to calculate the result at constant currency.

Authorised for lodgement to the ASX by the Board of directors of Cochlear Limited

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