

Hear now. And always



FY21 Result Presentation

20 August 2021

Dig Howitt

CEO & President

Stu Sayers

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.



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.

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



FY21 Summary

Record CI units & sales revenue

- Cochlear implant (CI) units \uparrow 15% to 36,456 (\uparrow 7% on FY19)
- Sales revenue \uparrow 19% to \$1,493m in CC* (\uparrow 6% on FY19 in CC), driven by market share gains, market growth and rescheduled surgeries from COVID shutdowns

Continued investment & solid recovery in profits

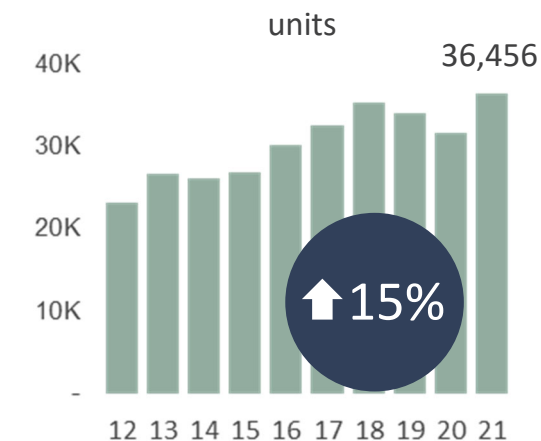
- Retained our people and maintained our market presence throughout COVID
- Continued to invest in market growth activities and R&D to support long-term growth
- Underlying net profit** \uparrow 54% to \$237m with underlying net profit margin @ 16%, well above FY20 and a little below the 18% long range target
- Statutory net profit of \$327m includes \$90m in one-off gains from patent litigation-related tax benefits and innovation fund gains

Strong financial position & positive outlook for FY22

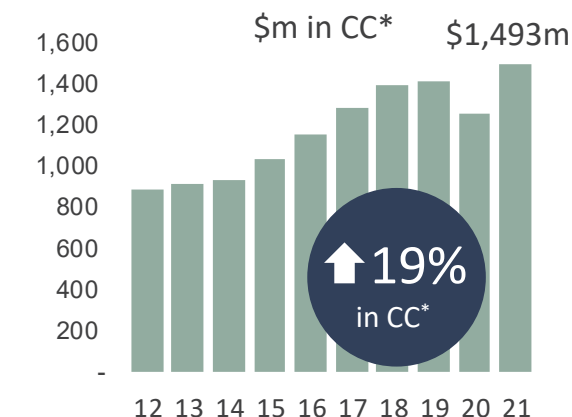
- Strong cash flow generation drives a \$108m \uparrow in net cash position to \$565m
- Improved trading and cash flow generation supports \uparrow 59% increase in full year dividends – ~70% target payout
- FY22 net profit guidance of \$265-285m, a 12-20% increase on underlying net profit for FY21, factors in market growth, a continuing recovery in surgery rates, investment in market growth activities with some near-term COVID impact. A more material disruption from COVID remains a risk factor not factored into guidance



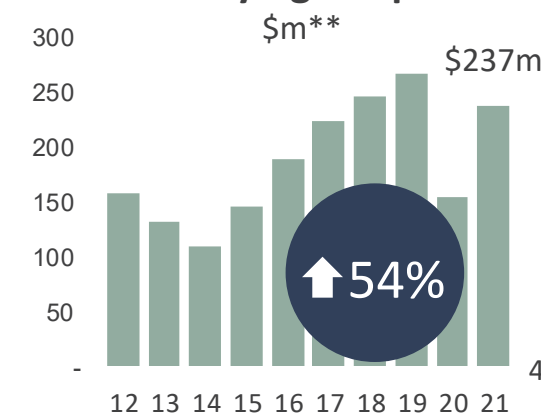
Cochlear implant



Sales revenue



Underlying net profit



FY21 Operational review



Cochlear implants

61% of sales revenue

Improving momentum with the pace of recovery varying across countries

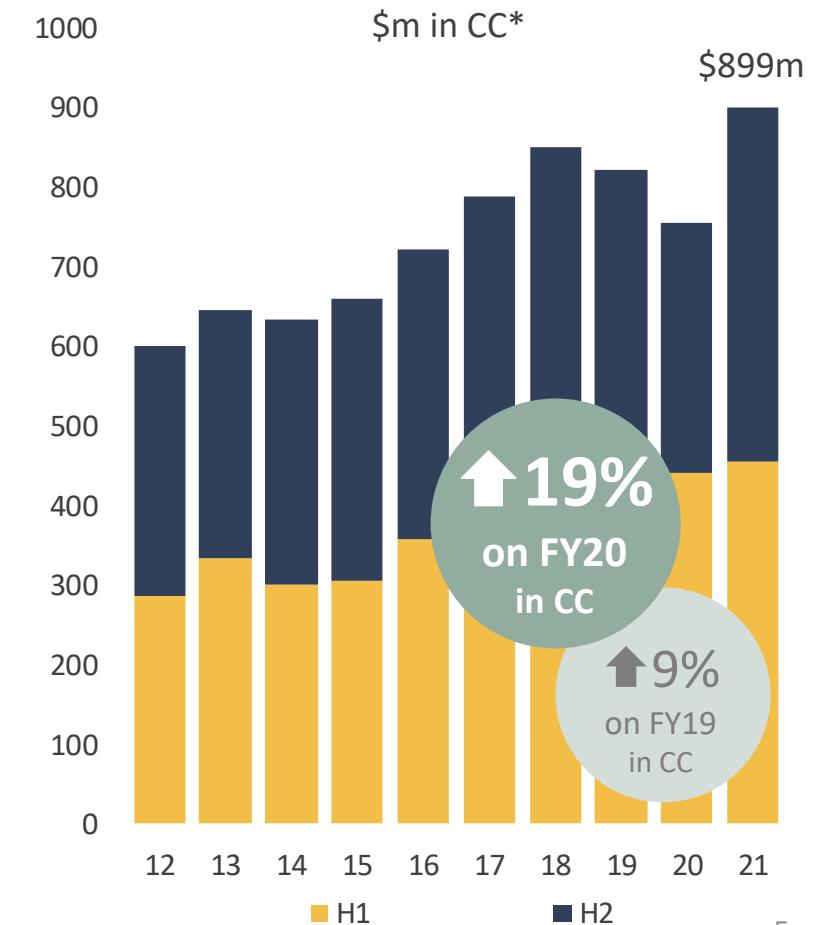
Developed markets

- Units \uparrow ~20% (~10% on FY19) with surgery mix back to pre-COVID levels as patients progress to surgery across all age groups
- US, Japan and Korea delivered strong unit growth on FY20, as well as on FY19. Growth has been driven by market share, market growth and rescheduled surgeries with share gains from successful new product launches and connected care services
- Market position in Western Europe remains strong but surgery rates have recovered more slowly than the US, with CI units still below FY19 levels

Emerging markets

- Units \uparrow ~10% (just above FY19 levels) with an improving rate of surgeries albeit at a slower pace than the developed markets
- China back to growth and parts of Eastern Europe and the Middle East are recovering well, with volumes still materially lower in several markets including India and Brazil

Cochlear implant sales revenue



FY21 Operational review

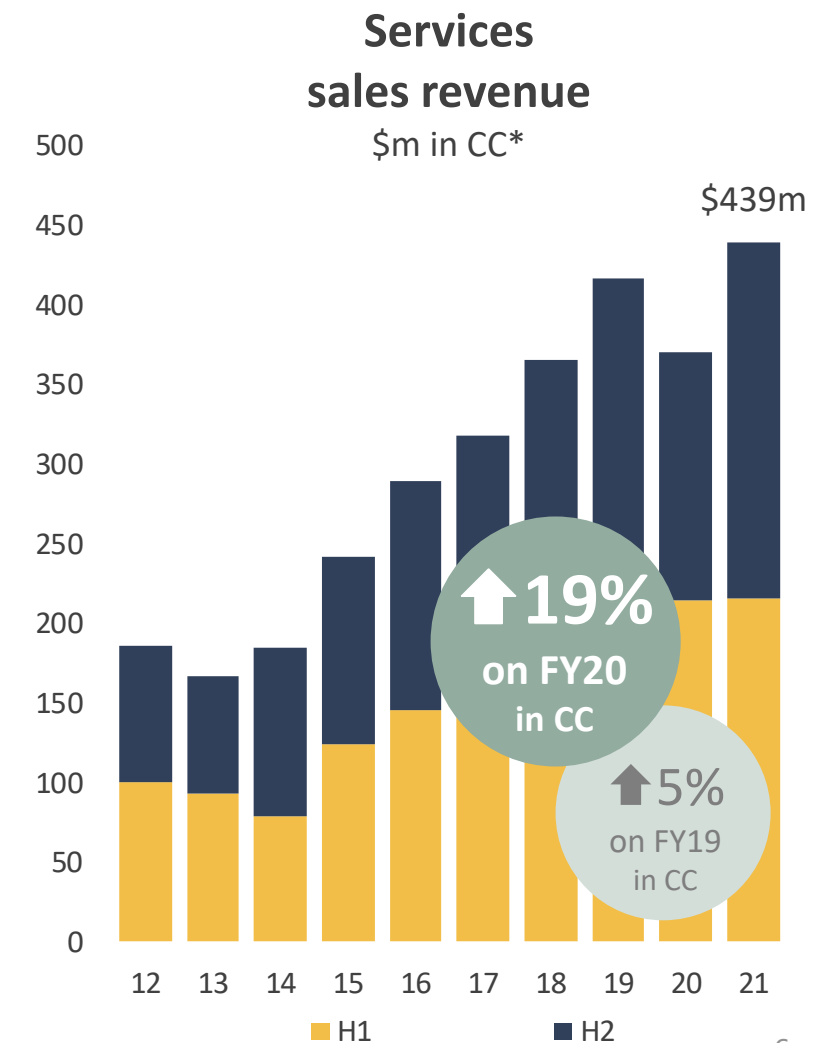


Services

29% of sales revenue

Improvements across the year as clinic capacity improves with new sound processor driving upgrade demand

- Revenue **↑ 19%** in CC (up 5% in CC on FY19)
- Q1 and Q3 revenue impacted by lower clinical capacity for sound processor upgrades, with new patients prioritised as COVID concerns limited clinic capacity
- The Cochlear™ Nucleus® Kanso® 2 Sound Processor was launched in October across the US and Europe, driving demand for upgrades, representing around 30% of the sound processor mix in the US by June
- Cochlear Family, the recipient membership program, provides us with the opportunity to connect directly with recipients to provide service and support. Membership grew 19% to >217,000 members with a 60% join rate for new Cochlear™ Nucleus® implant recipients



FY21 Operational review



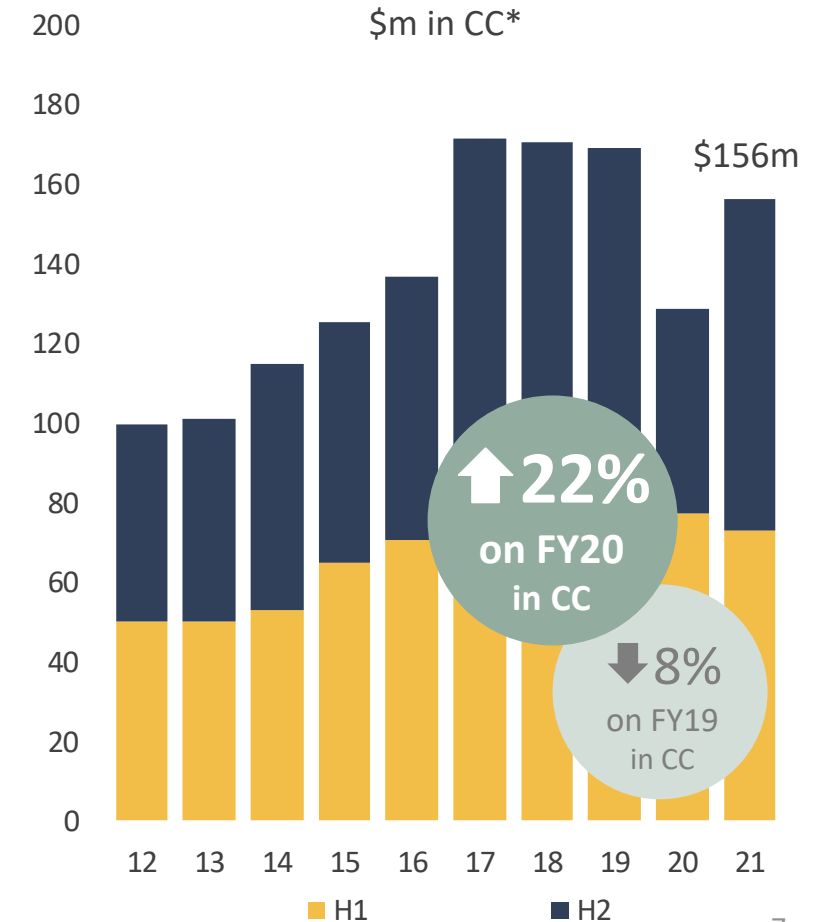
Acoustics

10% of sales revenue

Improving surgery momentum and a rapid shift to the Cochlear™ Osia® 2 System in the US

- Revenue ↑ 22% in CC (down 8% in CC on FY19)
- Surgery volumes have been recovering in the US since May 2020 with strong demand for the Cochlear™ Osia® 2 System
- The Cochlear™ Baha® 6 Max Sound Processor was launched in the US and Europe in H2 and is driving strong demand for upgrades
- Acoustic implant surgeries recommenced in the UK during Q1 with a slower rate of recovery the result of COVID, with disruption again during Q3 as a result of COVID
- The Osia 2 System achieved CE Mark accreditation during H2 with rollout commencing by June
- Expanded reimbursement for Baha sound processors boosted acoustics upgrade revenue in France

Acoustics sales revenue
\$m in CC*



Progress against strategic priorities



Retain market leadership

Market-leading technology

Growing market share

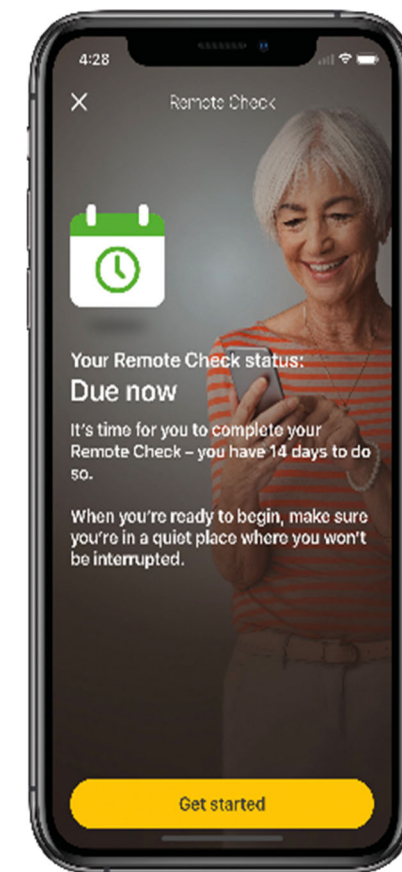
- Eight new products and services achieve FDA approval over the past 18 months
- Accelerated connected care development

Pioneering new implant categories

- Cochlear™ Osia® 2 System driving category shift in the US and achieving CE Mark accreditation



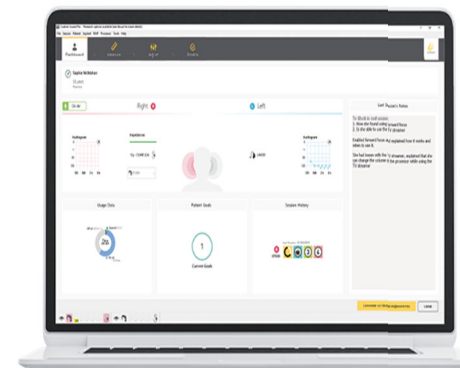
Nucleus® SmartNav System



Remote Check solution for cochlear implants



Cochlear™ Nucleus® Profile™ Plus with Slim 20 Electrode



Custom Sound® Pro fitting software



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

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 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

Improving outcomes through skills training

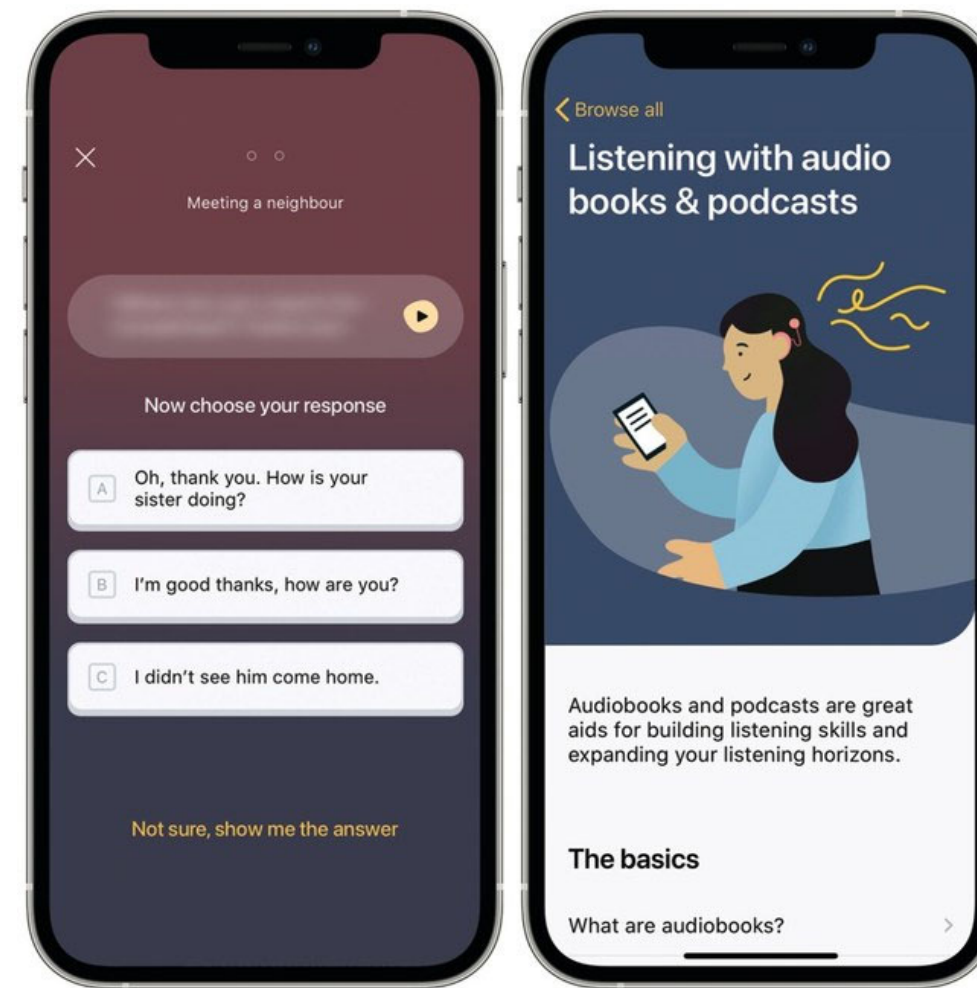
- Cochlear™ CoPilot app launched to help adults improve hearing outcomes through skills training

Growing connectivity and engagement with recipients

- Cochlear Family membership increases 19% to >217,000

Greater convenience and confidence for professional partners

- Remote Check rollout commences in the US and Europe
- Great feedback on new professional customer tools, the Nucleus® SmartNav System and Custom Sound® Pro Fitting Software



Cochlear™ CoPilot – a mobile app that provides cochlear implant recipients with information, personalised support, and practical tips for hearing, listening and communication

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

Advocacy & awareness

- Publication of WHO's first 'World Report on Hearing' calling on governments and societies to prioritise hearing health, with the report recognising the effectiveness of cochlear implants
- Publication of global consensus on a minimum standard of care for treating adult hearing loss with a cochlear implant in *JAMA Otolaryngology*
- Amplification of the consumer advocacy voice with the launch of the Cochlear Implant International Community of Action (CIICA), the first global cochlear implant advocacy network

Benefits from expanded product indications

- Growing demand for our products in Belgium and France following expanded reimbursement

WORLD REPORT ON HEARING



Progress against strategic priorities



Grow the hearing implant market

Clinical evidence

Cost effectiveness studies

- Studies in Sweden and the Netherlands demonstrating the cost-effectiveness of cochlear implants in adults with the Netherlands study detailing the significant cost, health and societal benefits from cochlear implantation across all groups

Cochlear implant v hearing aid trial

- Entered into a contract to conduct an independent, randomised control trial to compare communication and quality of life outcomes of cochlear implants for adults compared to hearing aids

Gumbie et al. *BMC Health Services Research* (2021) 21:319
<https://doi.org/10.1186/s12913-021-06271-0>

BMC Health Services Research

RESEARCH ARTICLE

Open Access

The cost-effectiveness of Cochlear implants in Swedish adults



Mutsa Gumbie, Emma Olin, Bonny Parkinson, Ross Bowman and Henry Cutler*

Abstract

Background: Research has shown unilateral cochlear implants (CIs) significantly improve clinical outcomes and quality of life in adults. However, only 13% of eligible Swedish adults currently use a unilateral CI. The objective was to estimate the cost-effectiveness of unilateral CIs compared to a hearing aid for Swedish adults with severe to profound hearing loss.

Methods: A Markov model with a lifetime horizon and six-month cycle length was developed to estimate the benefits and costs of unilateral CIs from the Swedish health system perspective. A treatment pathway was developed through consultation with clinical experts to estimate resource use and costs. Unit costs were derived from the Swedish National Board of Health and Welfare and the Swedish Association of Local Authorities and Regions. Health outcomes were reported in terms of Quality Adjusted Life Years (QALYs).

Results: Unilateral CIs for Swedish adults with severe to profound hearing loss are likely to be deemed cost-effective when compared to a hearing aid (SEK 140,474 per QALY gained). The results were most sensitive to the age when patients are implanted with a CI and the proportion of patients eligible for CIs after triage.

Conclusions: An increase in the prevalence of Swedish adults with severe to profound hearing loss is expected as the population ages. Earlier implantation of unilateral CIs improves the cost-effectiveness among people eligible for CIs. Unilateral CIs are an efficacious and cost-effective option to improve hearing and quality of life in Swedish adults with severe to profound hearing loss.

Progress against strategic priorities



Deliver consistent revenue and earnings growth

Investing to grow

- Delivered record sales revenue of \$1,493m, up 19% in CC
- R&D investment of \$195m on target @ ~12% of sales revenue
- Increased investment in growth activities with COVID-related savings in travel and conferences

Operational improvement

- Commenced a major 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 \$237m, up 54% on FY20 and within the guidance range
- Strong cash flow generation drives \$108m increase in net cash position
- Dividend re-introduced at H1 with full year payout in line with 70% target payout

Profit & loss



\$m	FY21	FY20	Change (reported)	Change (CC)
Sales revenue	1,493.3	1,352.3	10%	19%
Gross margin %	73%	75%	(2) pts	(1) pt
Selling, marketing and general expenses	444.1	470.0	(6%)	1%
R&D expenses	195.0	185.1	5%	6%
<i>% of sales revenue</i>	<i>13%</i>	<i>14%</i>	<i>(1) pt</i>	<i>(2) pts</i>
Administration expenses	112.2	93.8	20%	21%
Operating expenses	751.3	748.9	0%	5%
<i>% of sales revenue</i>	<i>50%</i>	<i>55%</i>		
Other income / (expenses)	(5.9)	(20.4)		
FX contract gains / (losses)	4.3	(31.7)		
EBIT (underlying)*	330.2	206.9	60%	57%
<i>% EBIT margin*</i>	<i>22%</i>	<i>15%</i>		
Net finance costs	8.4	8.9	(6%)	
Effective tax rate %*	26%	22%		
Underlying net profit*	236.7	153.8	54%	51%
<i>% underlying net profit margin*</i>	<i>16%</i>	<i>11%</i>		
<u>One-off and non-recurring items (after-tax):</u>				
Patent litigation-related tax & other	59.0	(416.3)		
Innovation fund gains	30.8	24.2		
Statutory net profit / (loss)	326.5	(238.3)		

Key points:

- ▶ Improved sales revenue driven by market share gains, market growth and rescheduled surgeries from COVID shutdowns
- ▶ GM% impacted by stronger AUD
- ▶ Includes significant increase in insurance costs
- ▶ Opex includes up-weighted investment in market growth initiatives and re-build of STI provision, partially offset by COVID-related savings
- ▶ FY21 opex/sales of 50% slightly below FY19 rate of 51% in CC
- ▶ Primarily reflects ATO ruling which clarified deductibility of elements of the patent litigation expense treated as non-deductible in Jun20
- ▶ Non-cash revaluation of Nyxoah and EpiMinder shareholdings

* Excluding one-off and non-recurring items

Cash flow



\$m	FY21	FY20	\$ change
EBIT (underlying)	330.2	206.9	123.3
Depreciation and amortisation	79.5	77.5	2.0
Changes in working capital and other	(11.2)	66.9	(78.1)
Cash impact of patent litigation expense	(104.4)	(420.1)	315.7
Net interest paid	(8.4)	(8.9)	0.5
Income taxes paid	(14.4)	(80.1)	65.7
Operating cash flow	271.3	(157.8)	429.1
Capital expenditure	(72.6)	(130.5)	57.9
Other net investments	(18.4)	(14.2)	(4.2)
Free cash flow	180.3	(302.5)	482.8
Proceeds from issue of shares	2.4	1,081.9	(1,079.5)
Dividends paid	(75.6)	(193.7)	118.1
Other	0.5	(25.7)	26.2
Change in net cash – increase / (decrease)	107.6	560.0	(452.4)

Key points:

- ▶ EBIT benefits from improved trading conditions
- ▶ Final AMF-related payment of US\$75m in prejudgment interest and attorneys' fees
- ▶ Benefit of \$55m tax refund from overpayment of tax instalments paid in FY20
- ▶ Capex decline reflects the completion of major projects in FY20

Net cash



\$m	FY21	FY20	\$ change
Cash, cash equivalents and term deposits	609.6	930.0	(320.4)
Less: Loans and borrowings			
Current	-	(393.1)	393.1
Non-current	(45.0)	(79.9)	34.9
Total loans and borrowings	(45.0)	(473.0)	428.0
Net cash	564.6	457.0	107.6

Key points:

- ▶ Strong cash flow generation drives \$108m increase in net cash

Capital employed



\$m	FY21	FY20	\$ change
Trade receivables	262.1	211.4	50.7
Inventories	216.1	223.8	(7.7)
Less: Trade payables	(202.9)	(155.3)	(47.6)
Working capital	275.3	279.9	(4.6)
<i>Working capital / sales revenue</i>	<i>18%</i>	<i>21%</i>	
Property, plant and equipment	239.5	230.5	9.0
Intangible assets	402.8	410.3	(7.5)
Investments & other financial assets	226.8	99.9	126.9
Other net liabilities	(7.3)	(76.1)	68.8
Capital employed	1,137.1	944.5	192.6

Key points:

- ▶ Increase driven by additional investment in, and non-cash revaluation of, Nyxoah and EpiMinder investments
- ▶ Decrease reflects payment of US\$75m in prejudgment interest and attorneys' fees provided for in FY20 and paid in FY21. Net tax liabilities increased by \$43m reflecting deferred tax liabilities of gains made in innovation fund investments

Dividends



	FY21	HY20	% change
Interim ordinary dividend (per share)	\$1.15	\$1.60	(28%)
Final ordinary dividend (per share)	\$1.40	-	
Total ordinary dividends (per share)	\$2.55	\$1.60	59%
% payout ratio (based on underlying net profit)	71%	60%	
% franking	0%	100%	

Key points:

- ▶ Dividend re-introduced following improved trading conditions and positive cash flow generation
- ▶ Full year payout in line with 70% target payout
- ▶ Franking balance depleted as a result of FY20 losses

FY22 Outlook



Sales revenue to benefit from market growth and continuing recovery in surgery rates

- Developed markets to continue to grow with variability across countries – the US has adapted quickly to COVID with the market growing well while Western Europe and parts of Asia Pacific are in the earlier stages of recovery due to impact from more protracted COVID disruptions
- Emerging markets expected to recover at a slower pace than developed markets

Continuing to invest to grow

- Investment priorities continue to be focused on market growth activities and strengthening our competitive position
- Opex to increase with the acceleration a number of growth projects
- Capex expected to be \$70-90m for FY22 and includes around \$20m related to a major process transformation and IT systems upgrade

FY22 net profit guidance of \$265-285m, **↑12-20%***

- Net profit margin expected to remain a little below our longer-term target of 18%
- Guidance factors in some near-term COVID impact. A more material disruption from COVID that significantly impacts sales or the supply chain remains a risk factor that does not form part of guidance
- Impact of any change in recognition of cloud computing investment from capex to opex not factored in guidance. Expecting to invest \$100-120m (before tax) over the next four to five years with any changes to be adopted in the HY22 result – no cash flow impact
- Committed to maintaining the 70% dividend payout policy
- Based on a 74c AUD/USD (74c in FY21)

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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 \$15 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

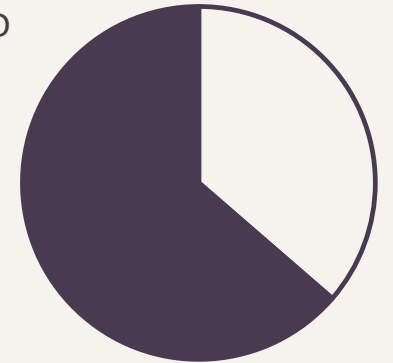
35%
EMEA

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

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.

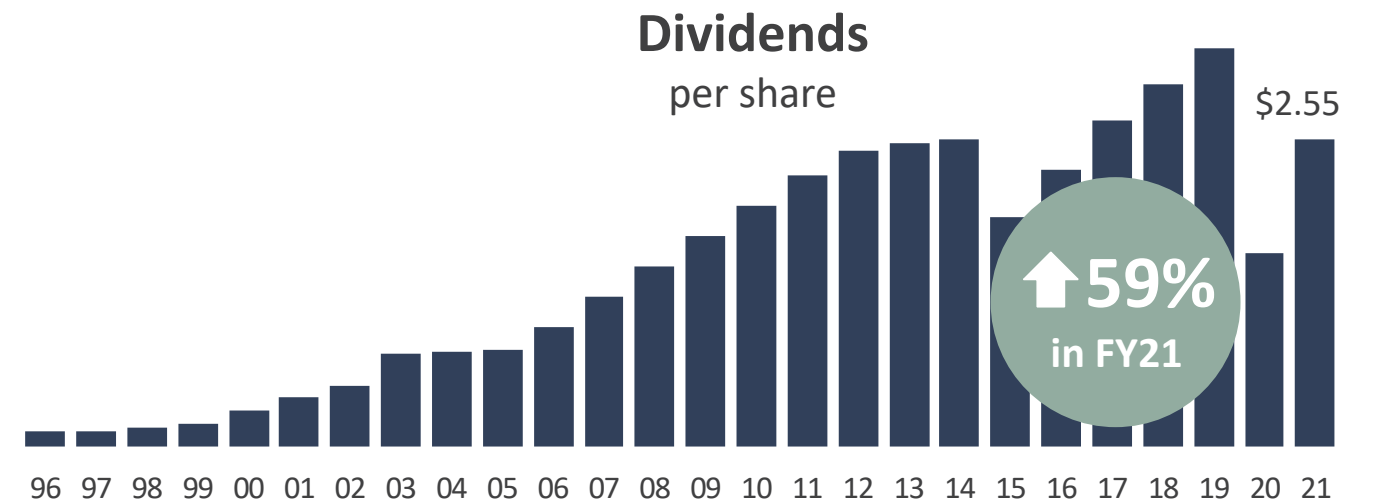
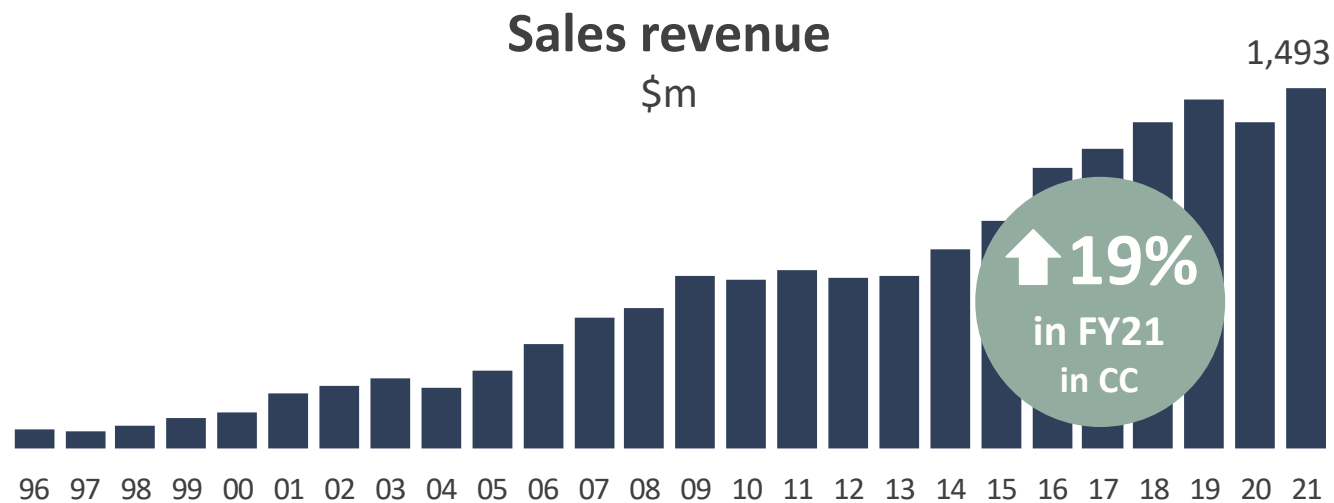
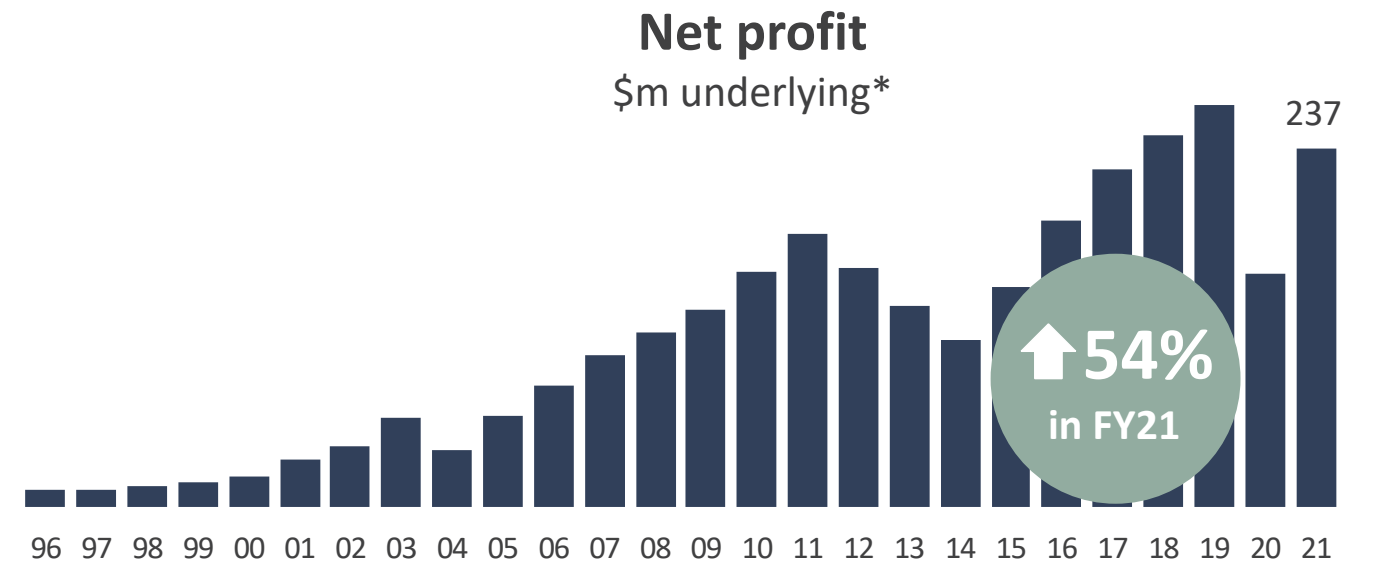
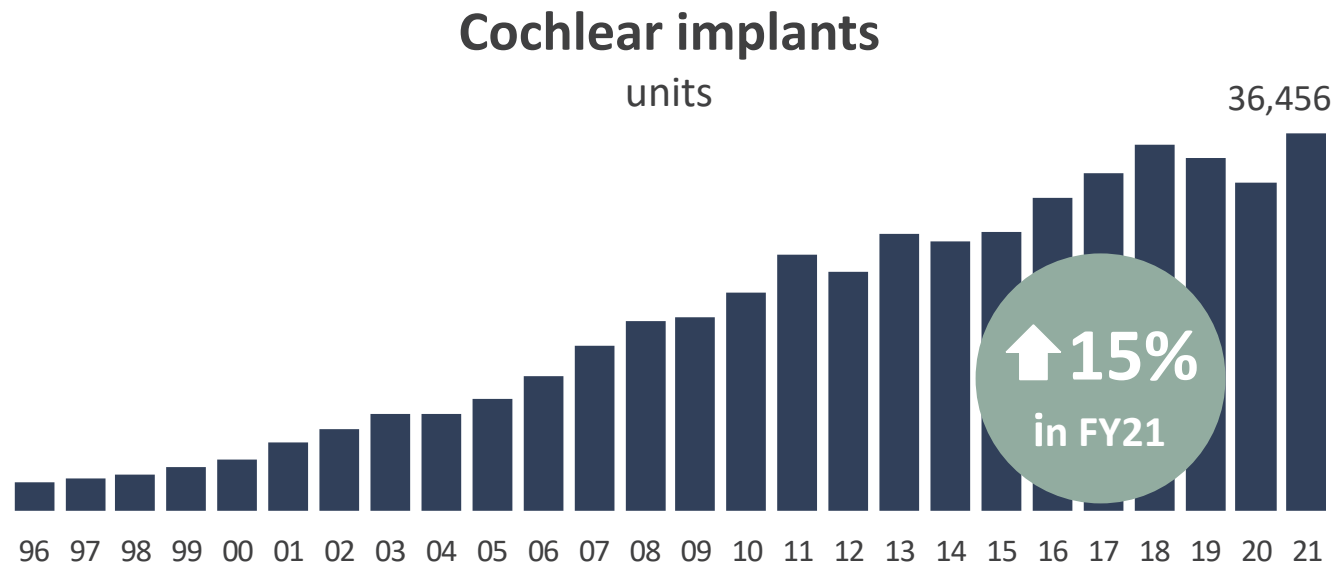
- ✓ **Global leader** in implantable hearing solutions for 40 years with over 60% global market share and more than 650,000 devices sold
- ✓ **Long-term market growth opportunity** with a significant, unmet and addressable clinical need for implantable hearing solutions and less than 5% market penetration
- ✓ **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.



* Excluding one-off and non-recurring items.

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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

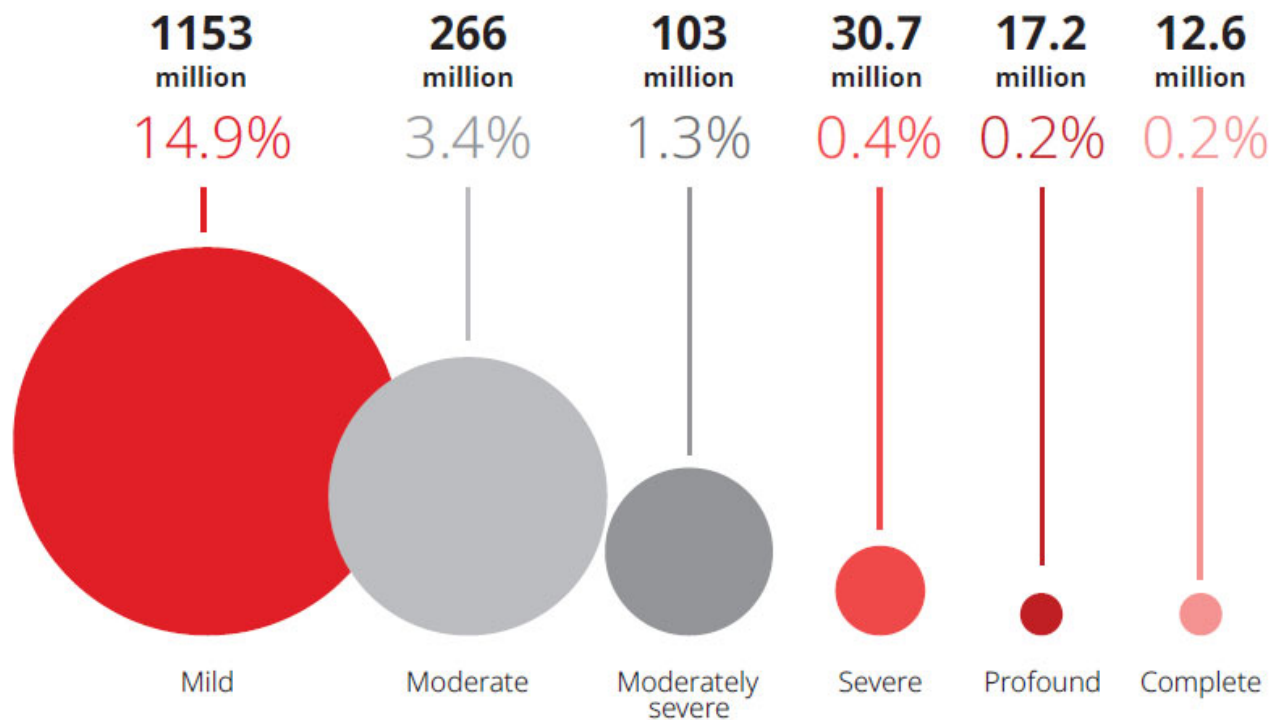
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Hearing loss is prevalent and under-treated



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

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



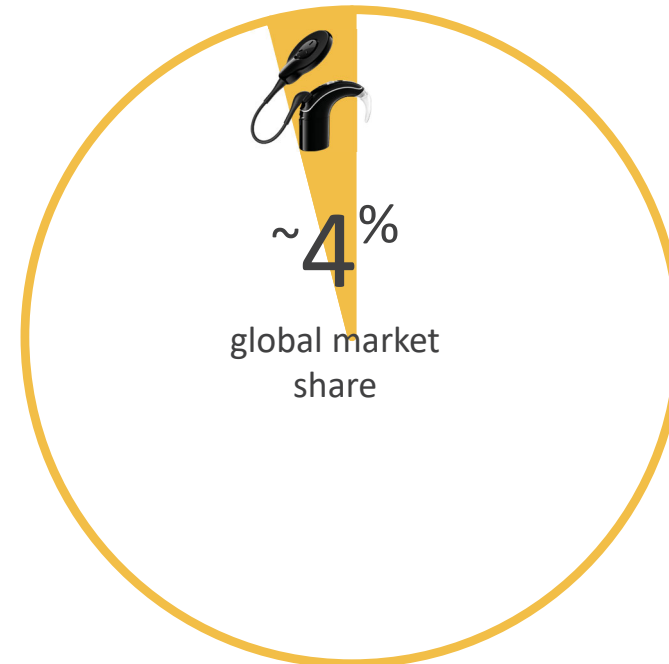
Cochlear implants can provide a significant improvement in hearing outcomes and quality of life when compared to hearing aids for many people with a severe or higher hearing loss.

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

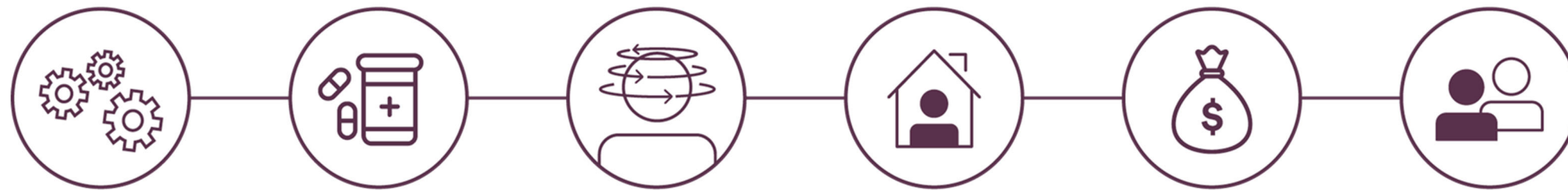
5

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



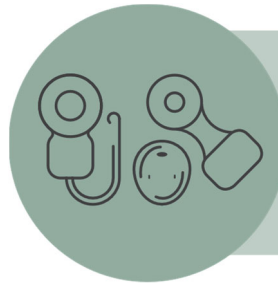
Our strategy is focused on improving awareness of and access to implantable hearing solutions for people indicated for our products.

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.

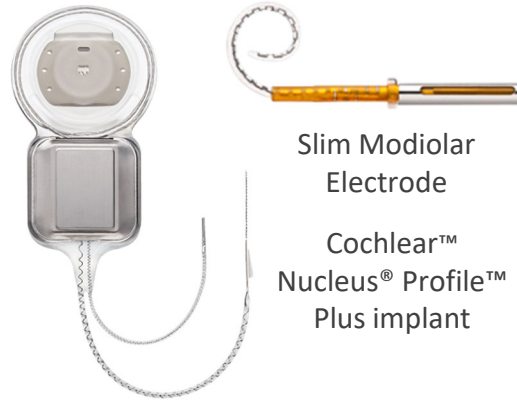
We have a global innovation network with over 350 R&D employees across the globe. Primary R&D is co-located with the Australian Hearing Hub in Sydney, with the 'Cochlear Technology Centre' in Belgium focused on advanced innovation. We have over 100 research partners in over 20 countries and a global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

Improving hearing outcomes

Acoustic implants

Benchmark in performance and aesthetics



Cochlear™ Osia® 2 System

Improving quality of life



Cochlear™ Nucleus® 7 Sound Processor



Cochlear™ Nucleus® Kanso® 2 Sound Processor

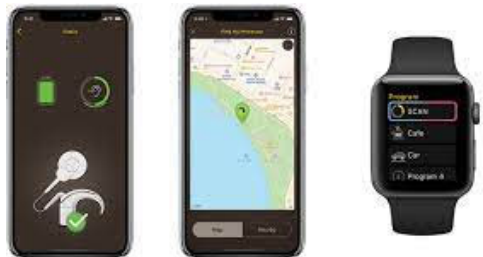


Cochlear™ Baha® 6 Max Sound Processor

Sound processors

Benchmark in size, smartphone connectivity and hearing performance

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



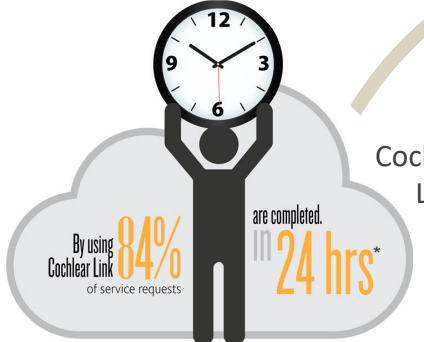
Nucleus, Baha & Osia Smart Apps

Convenience & confidence

Easy to use

Responsive & convenient service

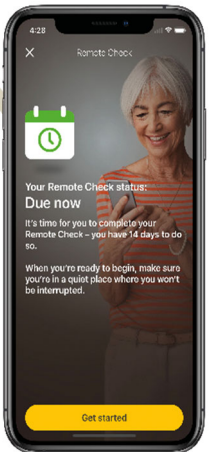
Cloud-based service reducing time spent 'off air' when recipients need a replacement processor



Cochlear™ Link

Telehealth solutions

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



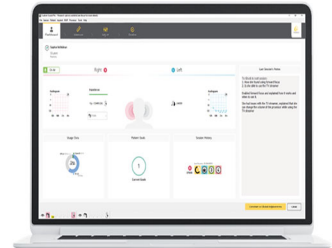
Remote Check solution for cochlear implants

Clinical & surgical support

Nucleus® SmartNav System



Streamlining customer care for surgeons and clinicians



Custom Sound® Pro Fitting Software

Cochlear™ CoPilot





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

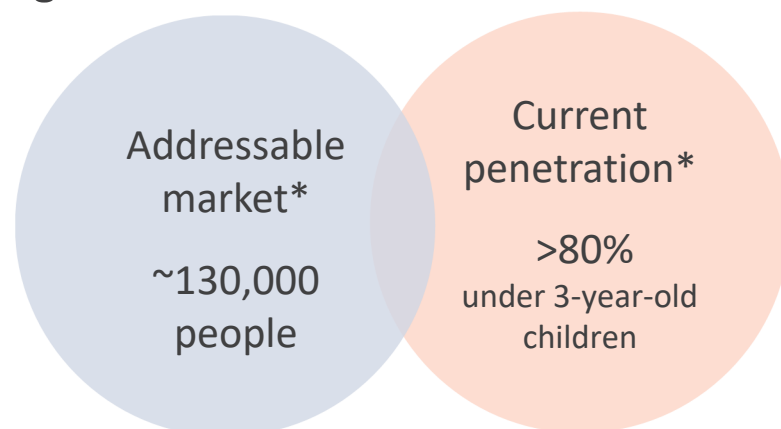
Grow the hearing implant market



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

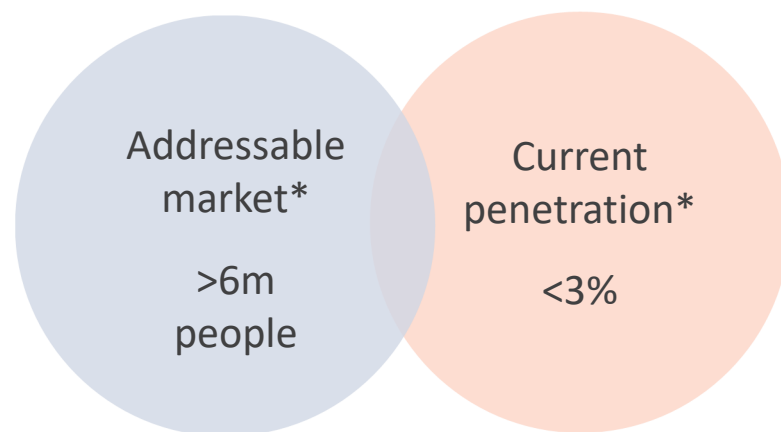
Grow the hearing implant market



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

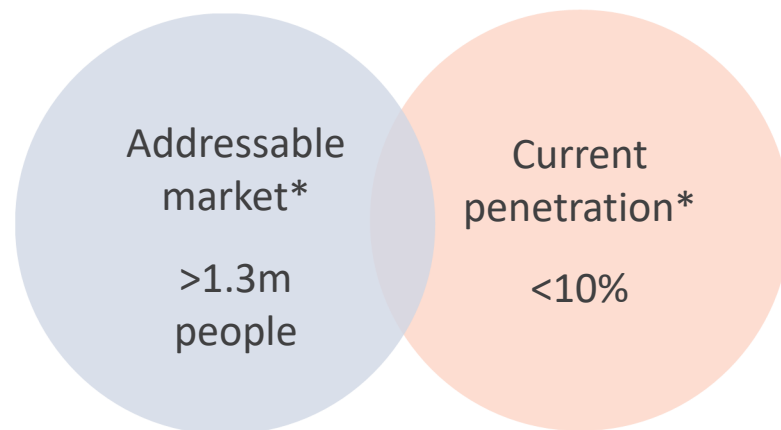
Description

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

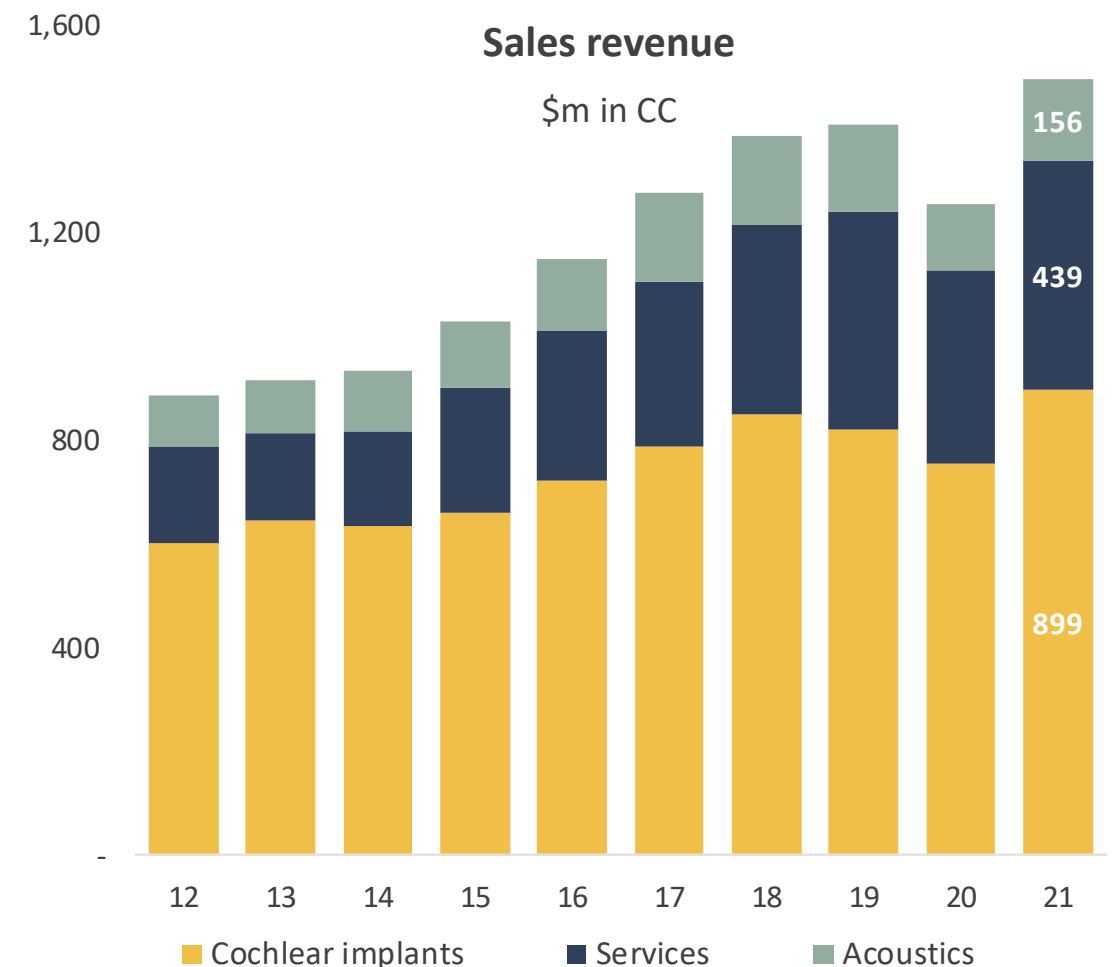
- Growing awareness and uptake by adults and seniors
- Emerging market expansion
- New products driving market growth and market share

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



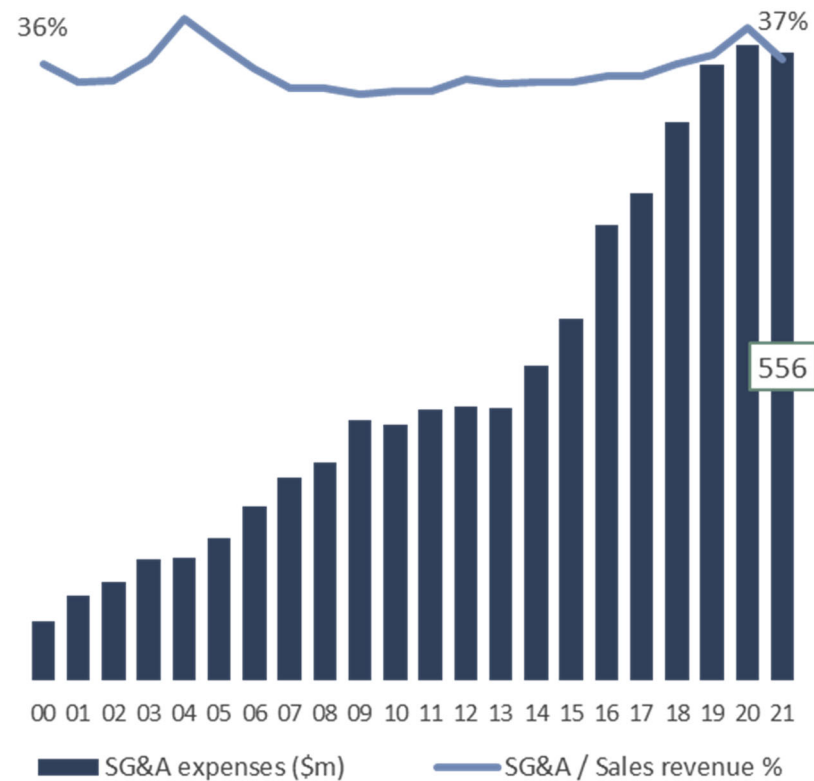
Deliver consistent revenue and earnings growth



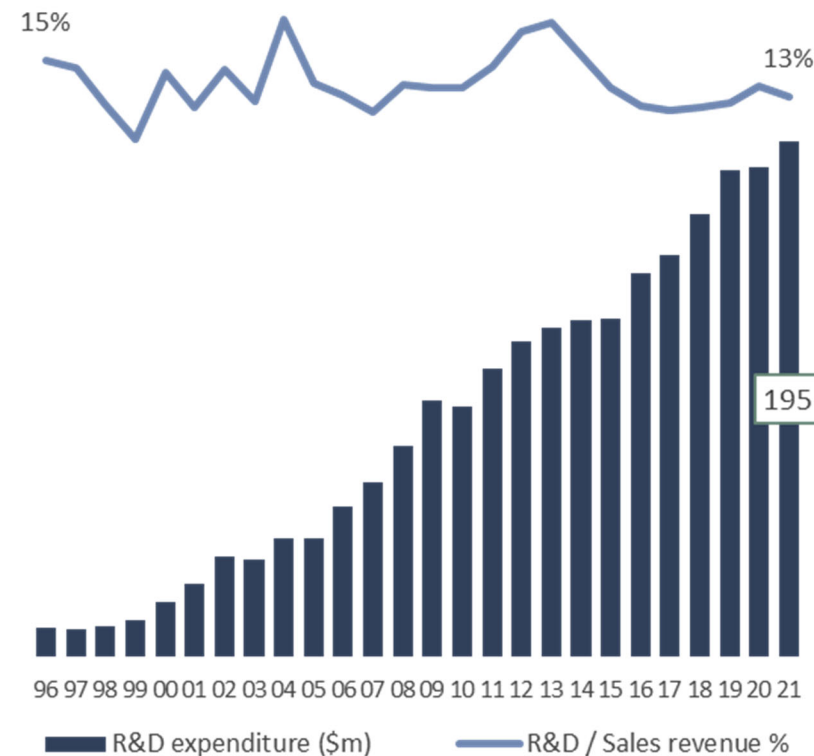
Invest to grow

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

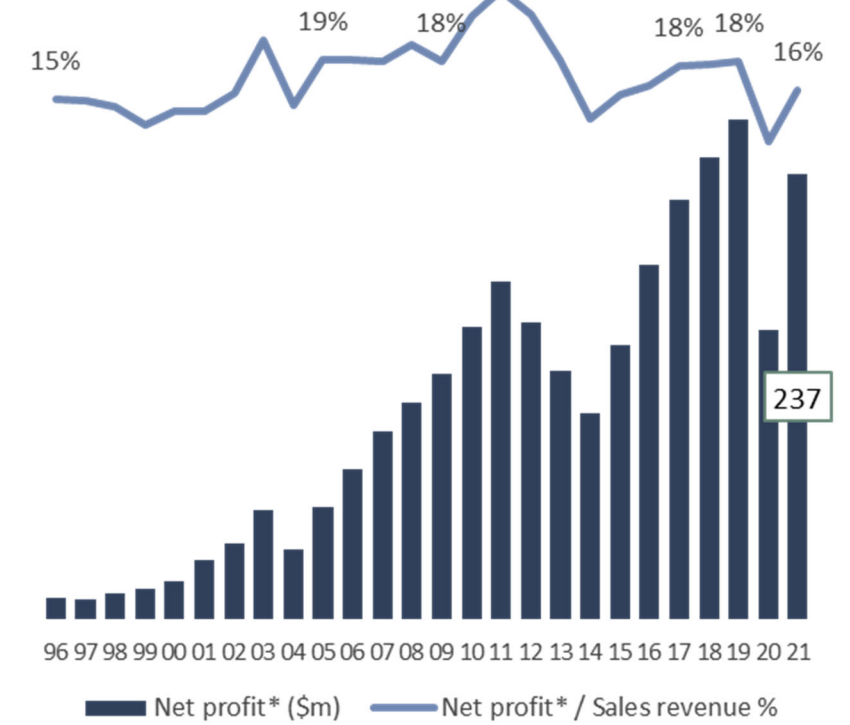
Consistent investment in sales and marketing



Growing R&D capability



Delivering stable net profit margins



* Excluding one-off and non-recurring items

Deliver consistent revenue and earnings growth

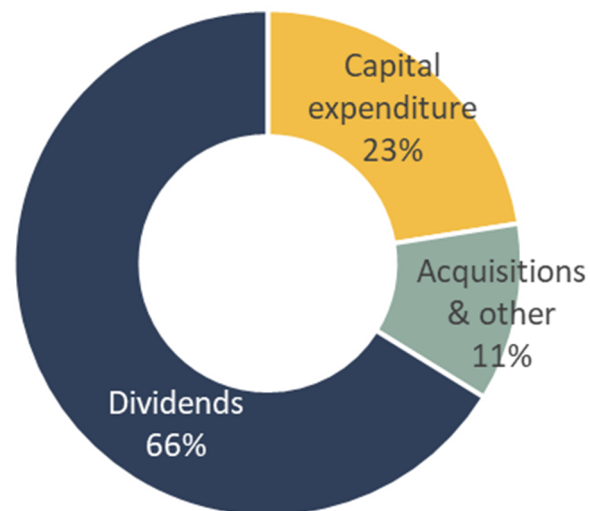


Operational improvement

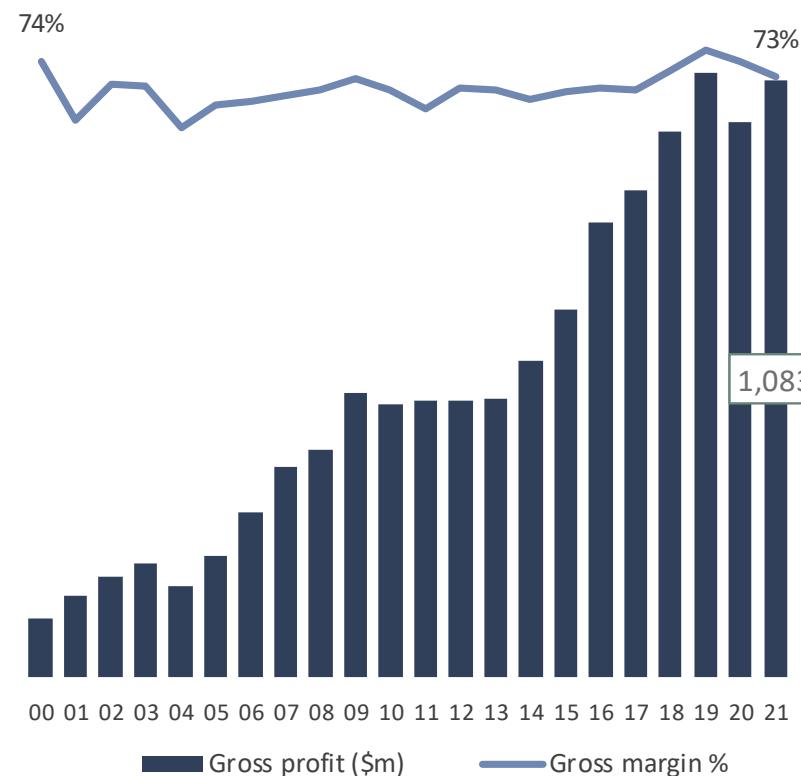
Disciplined capital investment and optimising cost of production strengthens our competitive position.

Disciplined use of capital

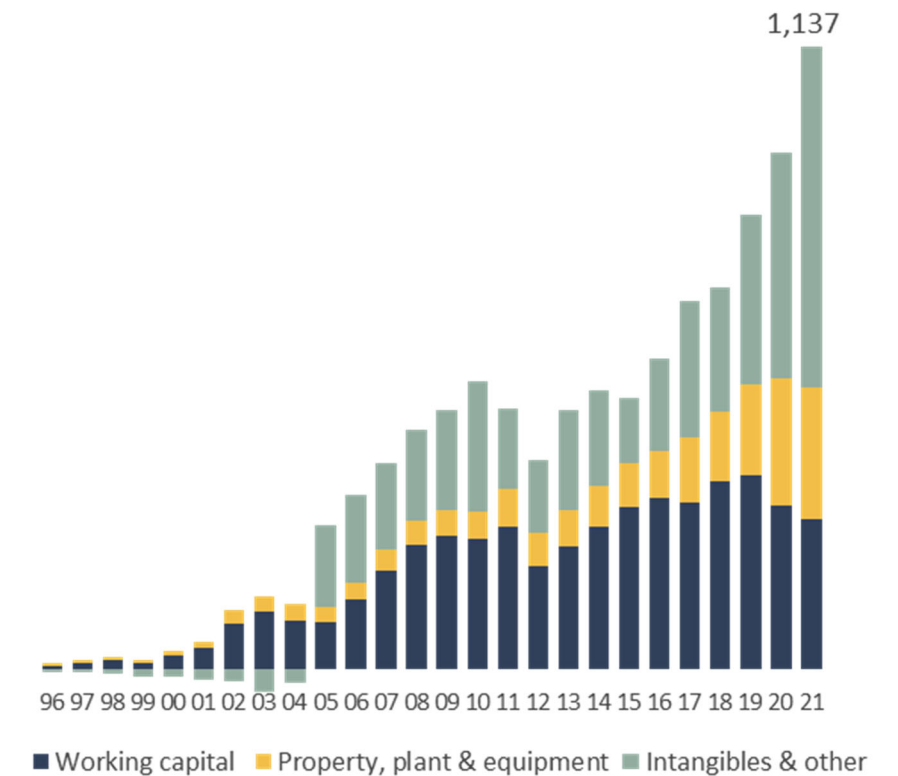
Cumulative use of operating cash flows since listing



Stable gross margin



Capital employed



* Excluding one-off and non-recurring items

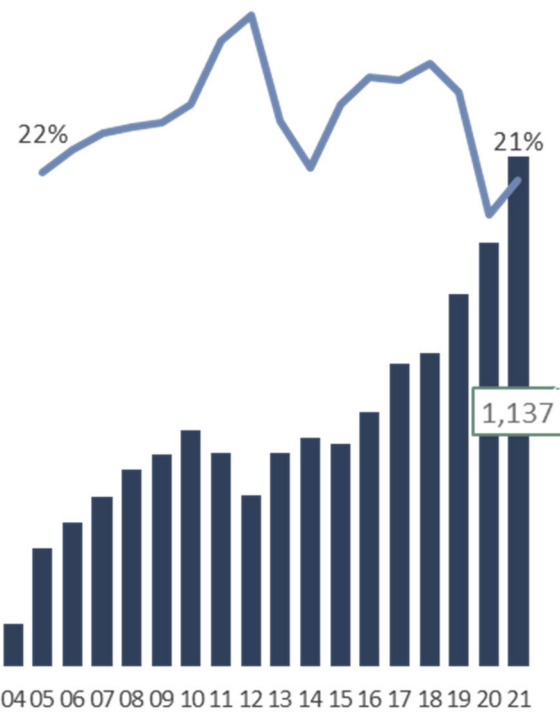
Deliver consistent revenue and earnings growth



Strong financial position

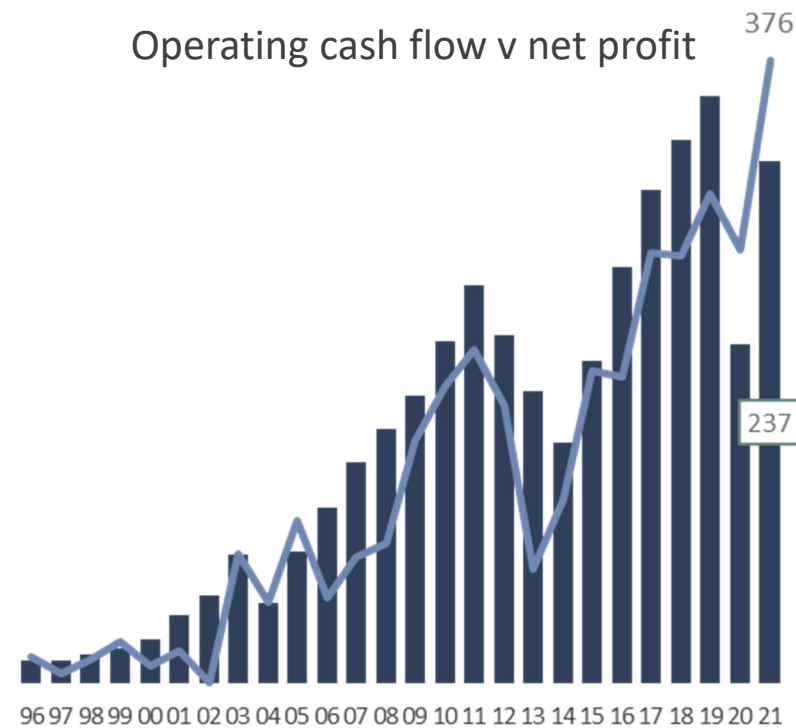
Strong free cash flow generation provides funding for market growth activities and R&D as well as the ability to reward shareholders with a growing dividend stream.

High return on capital employed (ROCE)



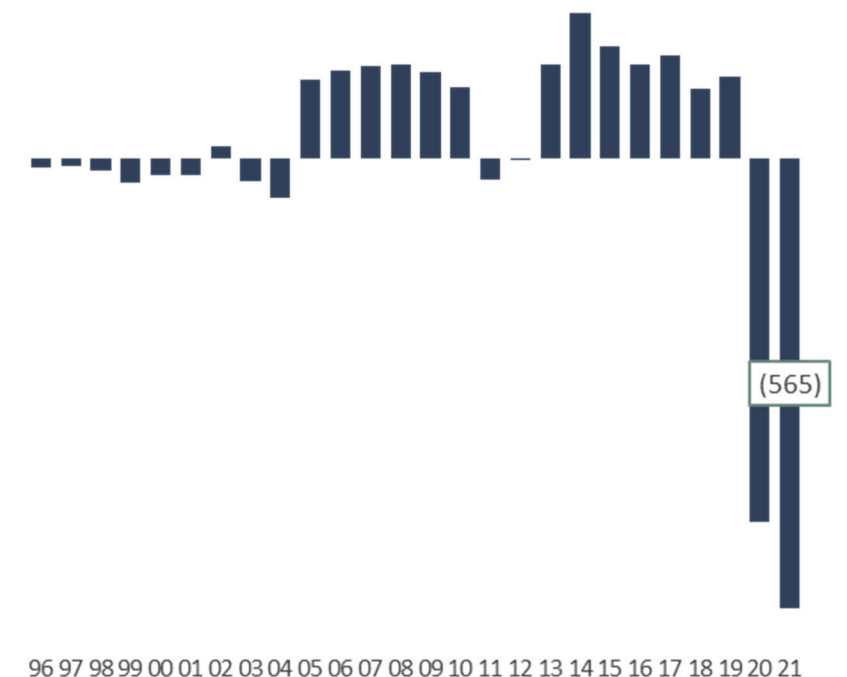
■ Capital employed (\$m) — ROCE % (after tax EBIT* / Capital employed)

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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