ASX / MEDIA RELEASE

4 MAY 2017

COCHLEAR HOSTS INVESTOR DAY

Cochlear Limited, Sydney, 4 May 2017 (ASX:COH): Cochlear Limited is today hosting analysts to an investor day at its global headquarters in Macquarie University. A copy of the management presentations is attached and includes:

- Overview of strategic priorities – Chris Smith – CEO & President
- Global marketing – Dean Phizacklea – Senior Vice President, Global Marketing
- Building a services business – Stu Sayers – President, Services
- R&D & product portfolio – Jan Janssen – SVP Design & Development
- Overview of the Latin American business – Chris Bertrand – President, Latin America

The presentations will be recorded with a video playback available at the investor centre of the website www.cochlear.com on May 5.

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# Agenda

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Cochlear’s executive operating committee

- Chris Smith
  Chief Executive Officer
- Brent Cubis
  Chief Financial Officer
- Chris Smith
  CEO & President
- Tony Manna
  President, North America
- Richard Brook
  President, European Region
- Anthony Bishop
  President, Asia Pacific Region
- Dig Howitt
  Chief Operating Officer
- Jan Janssen
  Senior Vice President, Design and Development
- Dean Phizacklea
  Senior Vice President, Global Marketing
- Stu Sayers
  President, Services
- Katharine McLennan
  Senior Vice President, People & Culture

Overview

- Cochlear Limited (ASX:COH) is the global leader in implantable hearing devices
  - Cochlear implants
  - Bone conduction implants
  - Acoustic implants
- ~ 3,000 employees
- Direct operations in 20+ countries
- Products sold in 100+ countries
Our 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.

Hearing loss market opportunity

360,000,000
Over 5% of the world’s population - 360 million people - has disabling hearing loss (328 million adults and 32 million children).1

1 in 3
Nearly 1 out of every 3 people over the age of 65 are affected by hearing loss. It affects communication and can contribute to social isolation, anxiety, depression and cognitive decline.2

37,000,000
people who could benefit from a cochlear implant to treat severe to profound hearing loss.3,4

<5%
Market penetration.5
Cochlear implants recognised as a cost effective intervention by the WHO in 2017

World Health Organisation (WHO) report¹ released in March 17…

• estimates the global cost of untreated hearing loss at $750bn pa
• recognises cochlear implants as a cost-effective intervention
• highlights interventions to address hearing loss which lowers costs related to depression and cognitive decline

¹. World Health organisation report - ‘Global costs of unaddressed hearing loss and cost-effectiveness of interventions’

Strategic platforms

Cochlear aims to make implantable hearing solutions the standard of care

Focus on the Customer

Grow the Core

Build a Service Business

Shape the Organisation

Value Creation
1. Grow the Core

- Innovative technology
- Increased awareness
- Improved access
- Business model innovation

What's driving growth…..

Developed markets: market growth of 8-10% past 2 years
- Direct-to-consumer activities
  - Building awareness, especially successful in reaching over 65 year olds who are increasingly using the internet and social media
- Sales force expansion
- Expanding indications
  - Expand criteria in many countries
  - Bilaterals, Hybrid (EAS)
- Great patient outcomes driving confidence
  - Improved speech recognition in noise
  - Sound processor ascetics – smaller, lighter, longer battery life, appeal of Kanso off the ear
  - Wireless accessories
  - Made for iPhone for Baha

Emerging markets: expansion of reimbursement and our presence
- Expanding presence and sales force
  - Middle East (Dubai office)
  - Central & Eastern Europe (Vienna office)
  - China, India, Latin America
- Expansion of funding across many markets
  - Chinese central government tenders
  - Expansion of state tenders across India
  - 2017 approval for bilateral funding in Turkey
  - Growing reimbursement in Latin America
- Government tender activity helps build awareness and drive growth of cochlear implantation in the private pay market
- Growth in surgeons performing CI driving clinic growth
- However, emerging market growth can be more volatile
  - Economic constraints
  - Binary nature of tender outcomes – win or lose
2. Build a Service Business

- Recipient engagement
- Connectivity; both Recipient and Clinics
- Optimise upgrades
- Enhanced digital services

Growing importance of services

Services revenue has grown from <1% to 25% of total revenue over the past 15 years, primarily driven by the growing recipient base.
3. Shape the Organisation

- Globally integrate enabling activities
- Targeted field expansion
- Deep market penetration
  - China and emerging markets
- Building capabilities

4. Value Creation

- Partnerships/Alliances
- Innovation fund
- Drive global efficiency and effectiveness
- Meet or exceed our forecast financial targets
Re-iterate full year net profit guidance range of $210-225m, up ~10-20% on FY16

Key guidance considerations
- continued strong momentum in unit growth
- expect R&D expenditure for FY17 to be similar to FY16
- AUD/USD FX rate of 75 cents for FY17 v 73 cents in FY16
- target dividend payout ratio of ~70% of net profit
- *Chinese Central Government tender units expected to be below FY16 levels*
- ~$1.5m FY net profit impact from the reduction in R&D tax concession rate from 40% to 38.5%*

* changed from original guidance for FY17
References

Slide 6
* Disabling hearing loss refers to hearing loss greater than 40 decibels (dB) in the better hearing ear in adults and a hearing loss greater than 30 dB in the better hearing ear in children.

1. Who.int. WHO | Deafness and hearing loss [Internet]. 2015
2. Who.int. WHO | 10 facts on deafness [Internet]. 2015.
5. Market penetration - global estimate based on Cochlear sourced data.

Disclaimer

Forward looking statements
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<td>Jan Janssen – SVP Design &amp; Development, Clinical &amp; Regulatory</td>
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<td>US Direct-to-consumer</td>
<td>Patricia Trautwein – VP, Marketing – Cochlear Americas</td>
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<td>US recipient services</td>
<td>Rene’ Courtney – VP, Customer Experience &amp; Recipient Services – Cochlear Americas</td>
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<td>Neville Mitchell – CFO</td>
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<td>Tour – manufacturing &amp; hearing hub</td>
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<td>Lunch</td>
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Core growth strategy

WHAT? Grow the Core

WHERE?
- Geographic focus
- Developed & Emerging
- Developed
- Customer segmentation

HOW?
- Drive category growth through increased awareness
- Demonstrate value of Cochlear hearing solutions to increase access
- Leverage technology leadership and product innovation to drive brand choice

CAPABILITY
- Direct To Consumer
- Market Access
- Customer insight
- Connected Health

Levers of growth

Awareness
Access
Brand choice

Grow the Core
Levers of growth

Awareness
Access
Brand choice

Grow the Core

Lack of awareness is a barrier to growth

% Familiar with Cochlear Implants

<20%
<50%

>50% of adults with a moderate to profound hearing loss are not familiar with Cochlear Implants.

1. Data on file, survey conducted by PSB 2014

Source: Cochlear global segmentation study, 2016
Our goal is to empower candidates from awareness to surgery

Create clear treatment pathways

Optimise hearing outcomes

Build customer motivation

Develop sustainable clinic models

Build lifetime relationships

US DTC campaign journey

Channel-Centric
Hearing Health Tour
Web MD digital display

Campaign-Centric
Persona campaigns
SEO

Funnel-Centric
Mature Adult and Pediatric Campaign Architecture

FY14
- Not integrated media
- High CPL
- Limited targeting

FY15
- Integrated media
- Low CPL
- Targeted
- Limited lead quality
- Standalone campaigns
- Some duplication

FY16
- Integrated media
- Low cost per qualified lead
- Targeted
- High lead quality
- End to end
- Less duplication

FY17

FY18
US DTC success

![Graph showing Candidate Web Visits and New Candidate Leads from FY14 to FY17](image)

US are breaking down the stages of the journey, with solutions for each stage

- **Total Potential Audience:** Moderate to Profound Hearing Loss

  - Unfamiliar
  - Aware / Haven't Acted
  - Aware / Have Acted

- **Getting into consideration funnel**
- **Moving people down the funnel**
- **Likely to purchase**
- **Recipient**

**Education**
- *What Are Cochlear Implants*
- *Benefits of a Cochlear Implant Versus Hearing Aids*
- *Triggering Behavior*

**Convince**
- *Benefits of a Cochlear Implant Versus Hearing Aids*

**Drive Action**
- *Triggering Behavior*
Cochlear is ramping up candidate engagement in other markets

- Increasing lead generation and lead quality work across “focused few” developed countries and further roll-out planned for FY18
- Non US lead generation is 5x higher in F17 H1 vs F16 H1
- Able to cost effectively target specific personas online

Using systems to effectively scale

- Global CRM and marketing engine automate initial Candidate support communications
- Using Candidate behaviour and responses to qualify leads
- Able to collect and analyse data to understand key Candidate barriers
Candidate engagement

Concierge
- Concierge service expanded from US to F17
- 5x increase in total Concierge numbers from F16 to F17

Volunteer
- Volunteers support Candidates through a life changing decision
- Where we have introduced a Volunteer to a Candidate, surgery rates are double the average
- We have Volunteer networks of over 4000 individuals across the globe.

Awareness and advocacy

- Countries align their PR and advocacy work with hearing causes to help raise awareness
- In the lead up to International Cochlear Implant Day, Cochlear ran the search for the World’s Happiest Sound, reaching over 22 million people globally
- Cochlear are working with the WHO to raise awareness and help improve access to treatment
Levers of growth

Awareness
Access
Brand choice

Grow the Core

What is market access?

Ensuring that all appropriate patients get rapid and maintained access to our products, at the right price.
The medical device landscape is changing rapidly

- Changing decision makers
- Multiple Buyers
- Rise of new influencers
- Pricing pressure
- Stakeholder fragmentation
- Emerging markets are complex and evolving environments

Building a market access capability to navigate the landscape

<table>
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<tr>
<th>STRUCTURE</th>
<th>SKILLS / KNOWLEDGE</th>
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<td>Virtual Market Access Network</td>
<td>Health Economics Provides the economic value proposition for engagement with budget holders</td>
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<tr>
<td></td>
<td>Clinical data Improves the content for engagement with HTAs and budget holders</td>
</tr>
<tr>
<td></td>
<td>Stakeholder engagement Builds influential relationships</td>
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<td>Negotiations Secures market access through win-win propositions</td>
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There is increasing recognition of the cost effectiveness of cochlear implants in helping to alleviate the cost burden of hearing loss.

Clinical evidence is the foundation for successful market access and reimbursement

Priority areas

- Awareness and Advocacy

- Standard of Care for Adults
  - John Hopkins collaboration on cognitive decline
  - Hearing aid versus Cochlear implant

- Expand Indications/Access
  - Broadening candidacy criteria
  - Bilateral implants in Adults
  - Hybrid indication
Levers of growth

Awareness

Access

Brand choice

Grow the Core

An consumer centric product portfolio that allows personal choice
Core growth strategy

WHAT? Grow the Core

WHERE?
- Geographic focus
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- Developed
- Customer segmentation

HOW?
- Drive category growth through increased awareness
- Demonstrate value of Cochlear hearing solutions to increase access
- Leverage technology leadership and product innovation to drive brand choice

CAPABILITY
- Direct To Consumer
- Market Access
- Customer insight
- Connected Health

Hear now. And always.
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Growing importance of Services

- Service revenue was <1% of total in FY01 on an installed base of less than 50k recipients
- Today it is over 25% on a base of ~450k, growing at 30-40k new recipients pa
The Services flywheel

- Improved Services offering for recipients
- Better conversion/more recipients
- More engaged recipients
- More non-implant revenue
- More volunteers/advocates
- Better customer experience & outcomes
- Improved Services offering for recipients

Our north star

**Love**
- Lifetime commitment
- Engagement with Cochlear
- Satisfaction with each experience
- Satisfaction with hearing
- Propensity to advocate

**Money**
- $/ear
- Greater sell-through of offerings
- Faster upgrading
More than just upgrades

Upgrades account for roughly 75% of the Service revenue, however Services is much more than upgrades

Physical products
- Accessories
  - Mini Mic 2/2+
  - Phone Clip
  - TV Streamer
  - Remote Control
  - Aqua+
  - 3rd party items
    - e.g. shake awake alarm clocks
- Consumables
  - Mic protectors
  - Dry-brik refills

Services and support
- Service offerings
  - Service plans
  - Financing options
  - Travel insurance
  - Rehab/training products
- Support
  - Self-help
  - Customer support
- Spares and repairs
  - Coils
  - Cables
  - Sound processor repairs

What our recipients tell us they want

1. Greater Convenience
   - Reduce the need to visit the clinic
   - Increase the chances I can solve the problem myself
   - Faster support and/or repairs
   - Make it easier to get help when I need it
   - I don’t like using the phone

2. Greater Confidence
   - Help listening to music again
   - More confidence when using the phone
   - Better ability to recognise different sounds in noisy environments
   - Solve minor problems themselves
4 key levers to grow Services

1. Engage with more recipients
   - Establishing the connection
     - Growing B2C to compliment our traditional B2B focus
     - Recipients tell us they want a deeper relationship with Cochlear
     - Simplifying the process – easy self registration
     - Single sign-on for different Services
     - Testing putting less in the ‘box’ at switch-on and spreading it out over time

2. Increase upgrade penetration

3. Make Cochlear easier for Recipients

4. Create new Services

Service spend per Recipient*

- No email: 1x
- Email address: 2.9x
- Email + Store: 3.3x
- Email + Store + Volunteer: 6.6x
- Email + Store + Volunteer + Celebration: 7.7x

* Based on US Data
1. Engage with more recipients

Engaging via Cochlear Family

- 140% growth in subscribed recipients YoY and is now well over 10% of the base
- Gateway to more personalised support
- Access to the online store and exclusive promotions
- A way to access and learn from other recipients
- Initially started in Germany, and then the US several years ago. Launched in 10 new countries in FY17
- The goal here is to deliver increasingly personalised information, Services and support

4 key levers to grow Services

1. Engage with more recipients
2. Increase upgrade penetration
3. Make Cochlear easier for Recipients
4. Create new Services

40% to 50% penetration of the installed base in developed markets with each new Sound Processor generation

- Proactive emails and outbound calling
- Recipient events/Clinic events
- Support with reimbursement processes

Pushing higher where we can establish direct relationships with the recipients

Nucleus 6 Upgrade Penetration by Clinic
Kanso - the first time we have offered 2 form factors for the same underlying technology

Exceeding expectations
It is helping trigger the segment for whom discretion is primary

Strong take-up for private pay option for upgrades in several countries

Baha 5 Product Suite and Made for iPhone (MFi) have been a very strong motivators to upgrade

Simplicity
- Stream directly to the device without a phone clip
- Control device via iPhone
4 key levers to grow Services

1. Engage with more recipients
   - Self-support easier to find and digest

2. Increase upgrade penetration
   - Support easier to access – more non-phone options
   - Products and services easier to explore and buy
   - Less time off air (82% of Service requests completed in under 24 hours at clinics where Link is installed)
   - Ultimately reduce the need for the recipient to visit the clinic

3. Make Cochlear easier for Recipients
   - Short term
     - Trialling new offerings
       - Finance/payment plans
       - Bundled offerings based on lifestyle triggers – e.g. going to school, leaving home
       - Self support & rehabilitation tools

4. Create new Services
   - Longer term we are aiming to transform the way recipients are supported
     - Patient connectivity
     - Remote care and support
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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.
Research & Development at Cochlear

Basic Research → Applied Research → Investigational Device → Product Development → Post Market Studies

Technology Research → Technology Development

Research & Technology Development

Global Innovation Network

- Over 350 R&D staff in international locations
- Main R&D site co-located with Australian Hearing Hub
- Over 100 Research Partners in over 20 countries
- Global network of Design Partners and Suppliers
Cochlear’s R&D Commitment

In F16 Cochlear invested over A$140m in Research & Development (including Clinical, Regulatory and Quality)

Product Planning – a balancing act

- Customer Needs
- Market Insights
- Technology Feasibility
- Financial Commitment
Cochlear Implant product update

State-of-the-Art Cochlear Implant portfolio

- CP920/910 - Nucleus 6 Sound Processors
- N6 with Acoustic Component for Hybrid Hearing
- Custom Sound Fitting Software
- CR220 Intra-Op Assistant
- Aqua+ accessory
Nucleus Profile with Slim Modiolar Electrode (CI532)

Clinical Indications

1. Severe to profound sensorineural hearing loss
2. Mild to moderate low frequency hearing loss* 
3. Special Medical Conditions

*with a pure-tone average loss of moderately severe to profound degree
Indications – the primary criteria for electrode choice

1. Severe to Profound Sensorineural Hearing Loss
   - Traditional CI Candidates
   - Requirement: Optimise electrical stimulation
   - Preferred electrode: Contour Advance® Perimodiolar placement for optimum electrical stimulation

2. Mild to moderate low frequency hearing loss*
   - Hybrid Hearing Candidates
   - Requirement: Maximise hearing preservation
   - Preferred electrode: Slim Straight Hearing preservation electrode for optimal Hybrid Hearing

3. Special Medical Conditions
   - Case-by-case
   - Requirement: Wide range of electrode options to fit individual cases
   - Preferred electrodes: Contour Advance Straight ABI**, Slim Straight

Electrode Type Comparison

- **Lateral wall electrode array**
- **Peri-modiolar electrode array**

**CONTOUR ADVANCE**
- Peri-modiolar
  - Tip: 0.5 x 0.5 mm
  - Base: 0.8 x 0.8 mm

**SLIM STRAIGHT**
- Lateral wall
  - Tip: 0.3 x 0.35 mm
  - Base: 0.5 x 0.6 mm
Surface preparation insertion (robot controlled)
Courtesy Prof. William Gibson, Sydney

Slim Modiolar Electrode Array (CI532)

Image courtesy of Prof. R. Briggs, Hearing CRC

Slim Modiolar  Slim Straight
**Nucleus Profile with Slim Modiolar electrode array – CI532**

- Thinnest perimodiolar array
  - 60% less volume compared to CA
  - Protecting the fine structures (atraumatic design)

- Consistent Perimodiolar positioning
  - Consistent positioning close to the modiolus
  - **Closest to the nerve** to optimise hearing outcomes

- Ease of insertion
  - Improved surgical handling
  - Consistent surgical use
  - Confidence in surgical outcomes

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**Electrode Type Comparison**

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<thead>
<tr>
<th>Type</th>
<th>Tip</th>
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</tr>
</thead>
<tbody>
<tr>
<td>SLIM MODIOLAR</td>
<td>0.35 x 0.4 mm</td>
<td>0.475 x 0.5 mm</td>
</tr>
<tr>
<td>CONTOUR ADVANCE</td>
<td>0.5 x 0.5 mm</td>
<td>0.8 x 0.8 mm</td>
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Data on file (Document 588021 & 415660)
Indications – the primary criteria for electrode choice

1. Severe to Profound Sensorineural Hearing Loss
   - Traditional CI Candidates
   - Preferred electrode: Slim Modiolar
   - Requirement: Optimise electrical stimulation

2. Mild to moderate low frequency hearing loss*
   - Hybrid Hearing Candidates
   - Preferred electrode: Slim Straight / Hybrid-L
   - Requirement: Maximise hearing preservation

3. Special Medical Conditions
   - Case-by-case
   - Preferred electrode: Contour Advance Straight ABI**

Implant reliability matters – an ongoing investment

Reliability of latest generation of commercially available implants**

- Cochlear™ Nucleus® Profile Series
- Advanced Bionics HiRes 90K® Advantage
- MED-EL SYNCHRONY

A smart, simple, discreet off-the-ear sound processor with the proven technology of Nucleus® 6

Nucleus 6
Behind-The-Ear (BTE) Sound Processor

Coil → Processor Unit → Battery Module

Acoustic Component (optional)
Kanso = Nucleus 6 capability in Off-The-Ear (OTE) configuration

KANSO™
A smart, simple, discreet off-the-ear sound processor with the proven technology of Nucleus® 6

Kanso Off-The-Ear Sound Processor
Smart, Simple, Discreet

SMART

SIMPLE

DISCREET
Kanso Off-The-Ear Sound Processor
Uncompromised hearing performance

The world’s first off-the-ear processor with dual microphones and SmartSound iQ with SCAN.

Delivering equivalent hearing outcomes compared to the Nucleus 6 Behind-The-Ear Sound Processor in quiet and in noise

Source: Preliminary data from CLTD 5591 Acceptance of the CP950 processor with experienced CP810/CP900 BTE sound processor users. Data on file, 2016 (sponsored by Cochlear)

Acoustic Implant product update
How Baha works

1. The sound processor captures sound via the microphone.
2. The Baha transducer in the sound processor sends vibrations, via the abutment, to the implant in the skull bone.
3. The skull bone provides a direct pathway for sound to travel to the cochlea through bone conduction.
Baha for Single Sided Deafness
Baha Attract
(transcutaneous Baha)

State-of-the-Art Baha portfolio

BI300 implant with BA400 abutment
Baha Attract system
Baha True Wireless accessories
Baha 5 Sound Processor
Baha 5 Super Power Sound Processor
Cochlear™ Baha® 5 System


Baha 5 sound processors share the same unique technology building blocks to deliver a smart and seamless hearing experience to all patients.

**NEW**
Baha® 5 SuperPower

**NEW**
Baha® 5 Power

**Baha® 5 Sound Processor**

Direct-to-device smart connectivity

With new Bluetooth® technology designed by Apple, Baha 5 sound processors are the hearing implant industry's only Made for iPhone Hearing Devices.

- Streamed phone calls, music and turn-by-turn navigation
- Live Listen and device control

**Bluetooth®**
Made for iPhone, iPad

---

5/3/2017

15
Baha 5 Smart App, now for Android

Advanced control of sound processor and wireless accessories, personalisation and support – directly from iPhone, iPad, iPod touch and now also Android smartphones.

Future Technology Directions
What is in the Cochlear R&D pipeline?
We have come a long way …

- Improved Hearing Outcomes
- Improved Hearing in the real world
- True Wireless Connectivity
- Nucleus Profile CSP 99.94 % @ 3 years!
- Improved Lifestyle
- Sound Processors
- Thin, atraumatic, hearing preservation electrodes
- Thin & ultra-reliable implants

… and broadened the portfolio of Implantable Hearing Solutions …
... but we are not where we need to be …

360,000,000
Over 5% of the world’s population - 360 million people - has disabling hearing loss (328 million adults and 32 million children).¹

1 in 3
Nearly 1 out of every 3 people over the age of 65 are affected by hearing loss. It affects communication and can contribute to social isolation, anxiety, depression and cognitive decline.²

37,000,000
people who could benefit from a cochlear implant to treat severe to profound hearing loss.³ ⁴

<5%
Market penetration.⁵

… getting treated is still an obstacle race!

Lack of Awareness

Limited Access

Fear of surgery

Loss of residual hearing

Variable outcomes

Size & Aesthetics

Complexity of the intervention
Make Implantable Hearing Solutions “Standard of Care”

Future Focus Areas

Hearing Outcomes

Lifestyle

Hearing Indications

Connected Care
Hearing Outcomes … closing the gap

- Hearing in quiet
- Hearing in noise
- Listening to competing talkers
- Music perception
- Listening effort
- Time to proficiency
- # Rehab required
- # Clinical follow-up required
- Spread of hearing outcomes
- Tonal Language performance
- ...

Improved Hearing Outcomes with enhanced Residual Hearing

- Nucleus Profile implant with Slim Straight electrode
- Atraumatic electrode insertion (cochlea cross-section)
- Research drug eluting electrode

First human investigation of a combination device delivering a targeted drug therapy to cochlear implant recipients

B. J. Brage, J. E. O'Leary, M. C. Miller, K. Pianta, J. B. Moore, P. M. Brown, D. B. Shallop, B. C. Chamberlain, A. Dutta, R. Cooper, M. N.
Future Wireless Technology evolution

Nucleus 6 Sound Processor

MiniMic 2

MiniMic Pro

Baha 5 Sound Processor

Phone

Music

Control

Status

Made for iPhone

Standard of care = binaural hearing

Bilateral Cochlear Implants

Bimodal

True Wireless for Bimodal users

Bilateral Cochlear Implants

ReSound
Extended lifestyle / wearing options

SMART
SIMPLE
DISCREET

Transforming Clinical Care with Cloud Connectivity

Pre-op counselling
Product Counselling
Online device registration
Acute mapping & follow up

Performance Assessment
Troubleshooting product & audiology
Upgrades and accessories
### Wireless clinic – Surgery

<table>
<thead>
<tr>
<th><strong>CR220</strong> Wireless Intra-Op Assistant</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONVENIENT</strong></td>
</tr>
<tr>
<td>No equipment or PC setup required</td>
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<td>No setup time and faster measures</td>
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### Wireless clinic – Surgery & Audiology

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</table>

**NFS Touch**

Wireless programming over Bluetooth
Expanding indications for Implantable Hearing Solutions

Sensorineural

Conductive/Mixed

Hearing loss (dB HL)

Frequency (Hz)

125

1000

8000

125

1000

8000

Middle Ear Implants

Bone Conduction Implants

Electro-Acoustic Cochlear Implants

Direct Acoustic Cochlear Implants

Cochlear Implants

Cochlear Implants

Conclusion

• Product Innovation was, is and will be a cornerstone of Cochlear’s success

• New Slim Modiolar CI532 implant and Kanso OTE sound processor have been very well received in the market

• Baha is a key element of Cochlear’s product portfolio and the Baha 5 family is very well received in the market

• Cochlear has full pipeline of product innovations that will help establish Implantable Hearing Solutions as Standard of Care
Disclaimer

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2017 Investor Day
Cochlear Latin America

Chris Bertrand
Presidente Cochlear Latinoamérica
4 May 2017

Latin America

Cochlear Latin America is not a commodity market!

- 21 countries
- Population of 645 Million, 75 year life expectancy with a median age of 29 years
- Countries/markets are at different stages of development
- Most countries provide universal health care, two-tiers (rich & poor / urban & rural)
- “The most unequal region in the world with 25% of population living on $2/ day”¹

Rapid development of the middle class

• For the first time, there are more Latin Americans in the middle class than poor ¹
• By 2030, over half of Latin American countries will have a majority middle class ²
• Latin American middle class population is forecasted to grow from 278 million to 313 million by 2033 ⁵

Severe to profound hearing loss in Latin America

• Many of the 5.5 million people in Latin American with a severe to profound hearing loss are candidates for CI, Baha or Carina implants

75% of people with a severe to profound hearing loss live in Brazil, Mexico, Argentina and Colombia

CI penetration in Latin America

- CI penetration remains a largely untapped opportunity

**CHILDREN (under 18)**

- **Penetration rates**
  - 45-50%
  - 30-35%
  - 15-20%
  - 10-15%
  - 5-10%

<table>
<thead>
<tr>
<th>Country</th>
<th>Penetration Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>45-50%</td>
</tr>
<tr>
<td>Uruguay</td>
<td>30-35%</td>
</tr>
<tr>
<td>Peru</td>
<td>15-20%</td>
</tr>
<tr>
<td>Colombia</td>
<td>10-15%</td>
</tr>
<tr>
<td>Brazil</td>
<td>5-10%</td>
</tr>
</tbody>
</table>

**ADULTS**

- **Penetration rates**
  - 2-3%
  - 1-2%
  - Less than 1%

<table>
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<tr>
<th>Country</th>
<th>Penetration Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>2-3%</td>
</tr>
<tr>
<td>Colombia</td>
<td>1-2%</td>
</tr>
<tr>
<td>Venezuela</td>
<td>Less than 1%</td>
</tr>
<tr>
<td>Uruguay</td>
<td>Less than 1%</td>
</tr>
<tr>
<td>Brazil</td>
<td>Less than 1%</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Less than 1%</td>
</tr>
<tr>
<td>Mexico</td>
<td>Less than 1%</td>
</tr>
<tr>
<td>Chile</td>
<td>Less than 1%</td>
</tr>
<tr>
<td>Peru</td>
<td>Less than 1%</td>
</tr>
<tr>
<td>Panama</td>
<td>Less than 1%</td>
</tr>
</tbody>
</table>

Cochlear implant recipients compared to the number of people with SNHL hearing loss greater than 70dB

Cochlear Latin America

- 39 Cochlear staff (15 Panama based)
- 7 shared services employees
- 14 distributors with approx. 130+ people focused on Cochlear’s business
- Four countries account for ~90% of total revenue:
  - Brazil
  - Argentina
  - Colombia
  - Mexico
Objective: To keep “close to the customer”, better understand our markets and assist distributors to deliver “complex” sales messages and to focus on secondary products, upgrade and accessory sales

Three components

1. Direct field expansion
2. Direct to recipient
3. Advocate/ Volunteer (Ambassador) Program – 150+ strong

“Hybrid Business” field sales model

Hybrid Business Model

Cochlear

Distributor

Professional Recipient Candidate

Mixed funding exists across Latin America

Funding ranges from full reimbursement to no coverage
“Disability law” are often a platform for mandating reimbursement
Laws requiring reimbursement may be limited or not funded at all

CLA Reimbursement In Practice

<table>
<thead>
<tr>
<th></th>
<th>Argentina</th>
<th>Brazil</th>
<th>Colombia</th>
<th>Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adults</td>
<td>Public</td>
<td>Public</td>
<td>Public</td>
<td>Private</td>
</tr>
<tr>
<td>Children</td>
<td>Public</td>
<td>Public</td>
<td>Public</td>
<td>Private</td>
</tr>
<tr>
<td>Accessories</td>
<td>Public</td>
<td>Public</td>
<td>Public</td>
<td>Private</td>
</tr>
<tr>
<td>Upgrades</td>
<td>Public</td>
<td>Public</td>
<td>Public</td>
<td>Private</td>
</tr>
<tr>
<td>Bilateral</td>
<td>Public</td>
<td>Public</td>
<td>Public</td>
<td>Private</td>
</tr>
<tr>
<td>Baha</td>
<td>Public</td>
<td>Public</td>
<td>Public</td>
<td>Private</td>
</tr>
</tbody>
</table>

Public = NHS
Private = Insurance, HMO or Union
Expanding reimbursement

- Successful Cochlear reimbursement expansion projects

  - "Escuchar es lo Máximo" Association Mexico
    A non-profit Association dedicated to improving reimbursement.
    **Result:** New cochlear implant reimbursement law in 2016 (coverage for children at 14 large public hospitals)
  
  - Brazilian Reimbursement Expansion Project
    A cross-functional team to work with surgeons, government officials and politicians to expand funding.
    **Result:** New/expanded reimbursement law in 2016 (Bilateral CIs, Baha, Upgrades and accessories)
    -> mandatory private insurance converge

- Recent coverage expansion in other Latin American countries:
  - Large CI public tender in Peru
  - Argentina expanded coverage down to 10 months of age
  - New law covering pediatric CIs proposed in Paraguay

Source: *World Bank*

Evolution of reimbursement over time

<table>
<thead>
<tr>
<th>Clinical effectiveness</th>
<th>Acceptance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multicenter studies, pediatric bias</td>
<td>Positive outcomes widens acceptance, Adult/senior adoption</td>
</tr>
<tr>
<td>More cases, less bias</td>
<td>Public reimbursement driven by professionals and recipients with HTA data</td>
</tr>
<tr>
<td>Private reimbursement</td>
<td>Criteria and coverage expanded, Bilaterals, etc.</td>
</tr>
<tr>
<td>Greater momentum as a group</td>
<td></td>
</tr>
</tbody>
</table>

As acceptance grows, reimbursement widens, coverage expands and patient mix shifts into adults
Cochlear implant segmentation

**Premium tier**
- Profile implant and Premium processor (CP900 or Kanso)

**High-end technology**
- Freedom implant and High-end processor (CP800)

**Standard**
- Freedom implant and Standard processor (CP802)

“Cochlear Day” growth initiative

- Gatherings of health ministers, politicians, professionals, recipients and parents to improve implantable device awareness and access
  - 2,800 attendees
  - Flyers and screening - Ibirapuera park has 220,000 visitors on a typical Saturday
- Engage health ministers, professionals and politicians to improve market access
  
  Outstanding press and media coverage!
Awareness building programs

- “Taca Cochlear” Recipient vs Candidate football event in 5 cities across Brazil
- Tennis event with famous tennis player Jose Luis Clerc

Sales growth projects

- Detection before 3yrs old
- Baha country tours
- Red de Conexiones referral program
- Bilateral Initiative
- Concierge program in Colombia
- Cochlear Family program (with distributors)

% of children before the age of 6 by age of implantation, F16

<table>
<thead>
<tr>
<th>Region</th>
<th>6 mths</th>
<th>6-11 mths</th>
<th>12-17 mths</th>
<th>18-23 mths</th>
<th>24-29 mths</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latin America</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emerging (Ex. Lat Am)</td>
<td></td>
<td></td>
<td></td>
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- Before 3: 40%
- 67%
- 49%
My passion for cochlear implants
Muchas Gracias!!!

Obrigado!!!

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