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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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2017 Investor Day

4 May 2017

Chris Smith CEO & President

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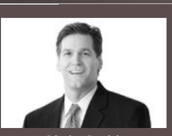
Agenda

Cochlear

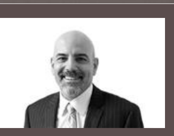
Introduction and strategic priorities	Chris Smith – CEO & President
Global Marketing	Dean Phizacklea – Senior Vice President, Global Marketing
Building a services business	Stu Sayers – President, Services
R&D / product portfolio	Jan Janssen – SVP Design & Development
Overview of the Latin American business	Chris Bertrand – President, Latin America
A surgeon's view of CI	Brian A. Kaplan, MD, FACS Chair, Department of Otolaryngology at Greater Baltimore Medical Center & CI surgeon
Wrap up and Q&A	Chris Smith – CEO & President
Technology expo	
Lunch	

Cochlear's executive operating committee



Chris Smith
CEO & President

Brent Cubis
Chief Financial Officer



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

Cochlear

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

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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

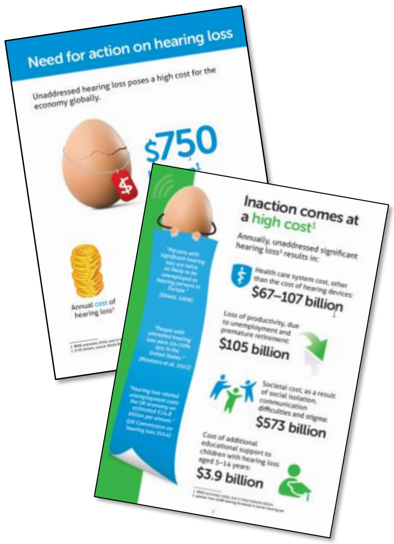
people who could benefit from a cochlear implant to treat severe to profound hearing loss.[3,4]

<5%

Market penetration.[5]

Cochlear implants recognised as a cost effective intervention by the WHO in 2017

Cochlear



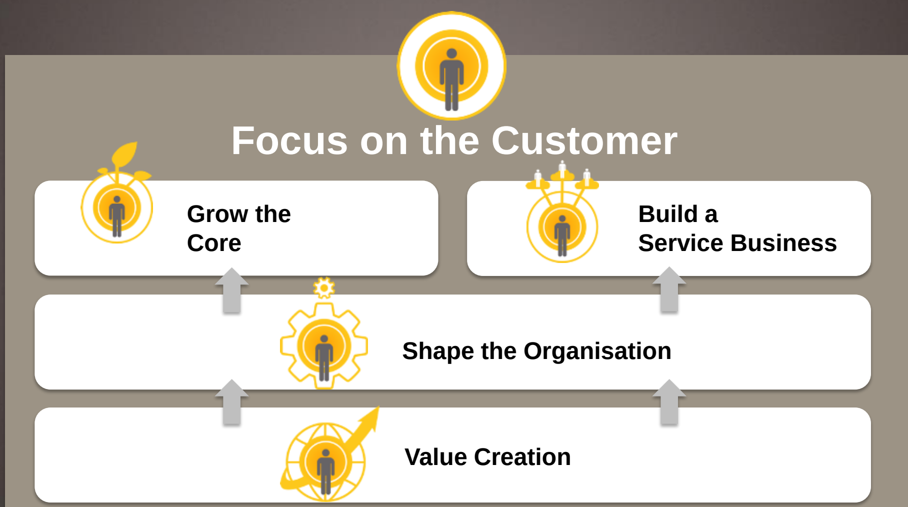
World Health Organisation (WHO) report[1] released in March 17…

- 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**



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1. Grow the Core

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

What's driving growth…..

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Developed markets: market growth of 8-10% past 2 years

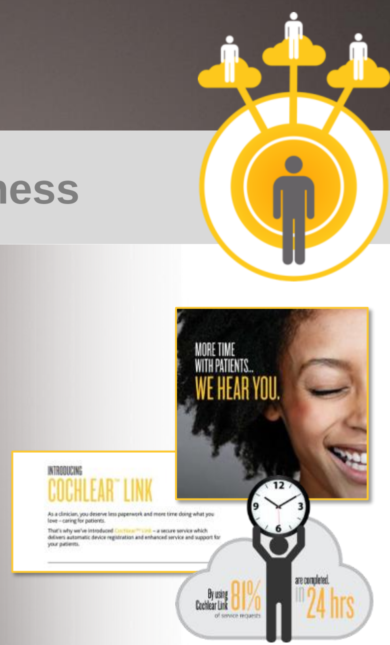
- **Direct-to-consumer activities**
  - Building awareness, especially successful in reaching over 65 year olds who are increasingly using the internet and social media
- **Sales force expansion**
- **Expanding indications**
  - Expand criteria in many countries
  - Bilaterals, Hybrid (EAS)
- **Great 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

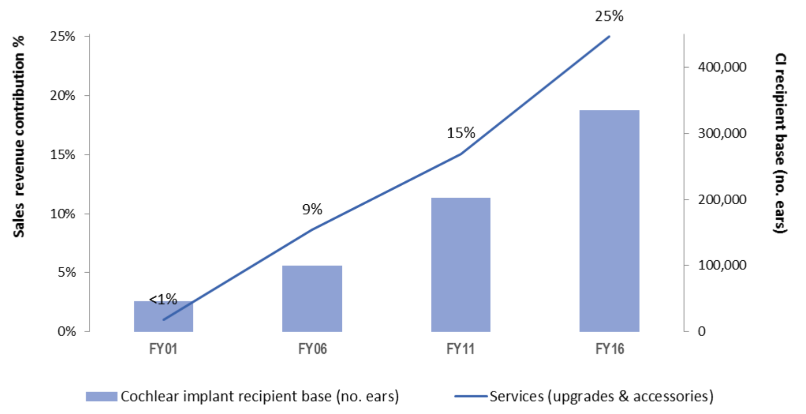
2. Build a Service Business

- 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

FY17 Financial outlook

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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

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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.
3. Hearing Loss Prevalence in the United States [Internet]. Lin, Niparko, Ferrucci [cited 26 April 2016].
4. The Severely to Profoundly Hearing-Impaired Population in the United States [Internet]. Blanchfield, Feldman, Dunbar, Gardner [cited 26 April 2016].
5. Market penetration - global estimate based on Cochlear sourced data.

Disclaimer

Forward looking statements

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2017 Investor Day

4 May 2017

Dean Phizacklea
SVP Global Marketing

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Agenda

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Introduction & Strategic priorities	Chris Smith – CEO & President
R&D & review of product portfolio	Jan Janssen – SVP Design & Development, Clinical & Regulatory
APAC strategy - Australia and China	Dig Howitt – President, Asia Pacific
Break	
US Direct-to-consumer	Patricia Trautwein – VP, Marketing – Cochlear Americas
US recipient services	Rene' Courtney – VP, Customer Experience & Recipient Services – Cochlear Americas
Wrap up and Q&A	Chris Smith – CEO & President Neville Mitchell – CFO
Tour – manufacturing & hearing hub	
Lunch	

Core growth strategy

Cochlear

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

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Grow the Core

- Awareness
- Access
- Brand choice

Levers of growth

Cochlear

Grow the Core

Awareness

Access

Brand choice

Lack of awareness is a barrier to growth

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% Familiar with Cochlear Implants

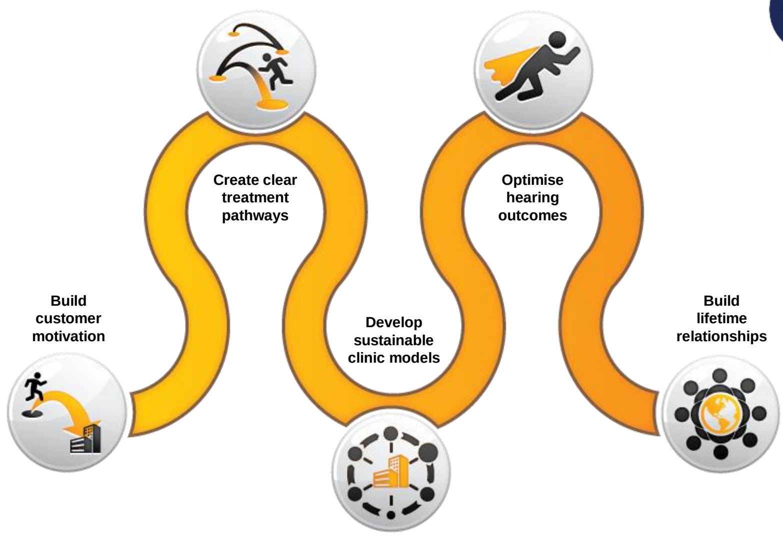
General Population	**<20%**
Audiologists	**<50%**

>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



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 | FY15 | FY16 | FY17 | FY18

- Not integrated media
- High CPL
- Limited targeting

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

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

US DTC success

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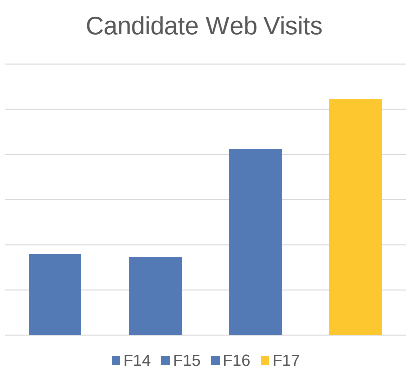

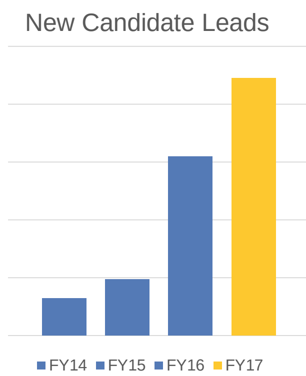

H1 Data for F14, F15, F16, F17

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

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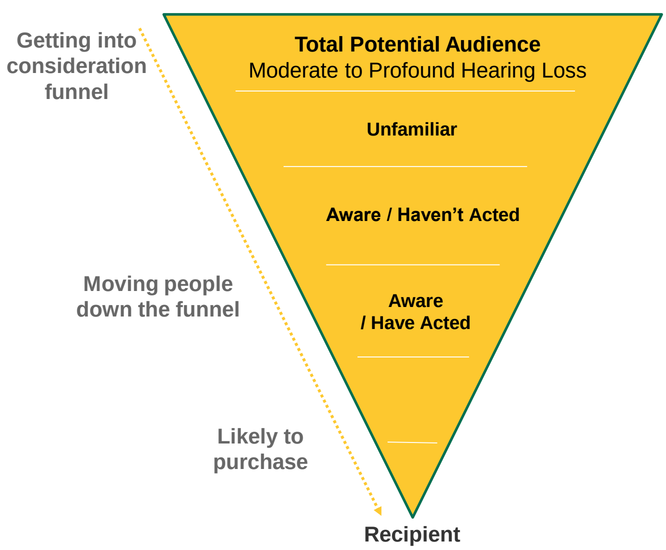

Education
What Are Cochlear Implants

Convince
Benefits of a Cochlear Implant Versus Hearing Aids

Drive Action
Triggering Behavior

Cochlear is ramping up candidate engagement in other markets

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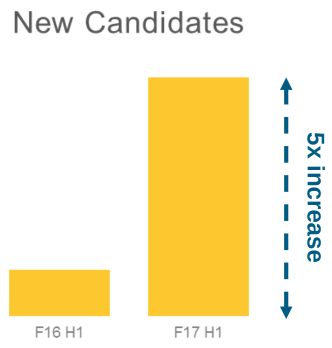
- Increasing lead generation and lead quality work across "focused few" developed countries and further roll-out planned for FY18
- Non US lead generation is 5x higher in F17 H1 vs F16 H1
- Able to cost effectively target specific personas online



Using systems to effectively scale

Cochlear

- 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

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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

Cochlear

- 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

Cochlear

Grow the Core

Awareness

Access

Brand choice

What is market access ?

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Ensuring that all appropriate patients get rapid and maintained access to our products, at the right price.

The medical device landscape is changing rapidly

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- **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

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STRUCTURE	SKILLS / KNOWLEDGE			
Virtual Market Access Network	**Health Economics**	**Clinical data**	**Stakeholder engagement**	**Negotiations**
	Provides the economic value proposition for engagement with budget holders	Provides the content for engagement with HTAs and budget holders	.gov Builds influential relationships	Secures market access through win-win propositions

There is increasing recognition of the cost effectiveness of cochlear implants in helping to alleviate the cost burden of hearing loss.

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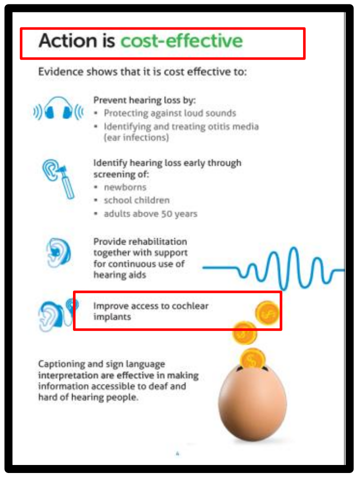
World Health Organization



Clinical evidence is the foundation for successful market access and reimbursement

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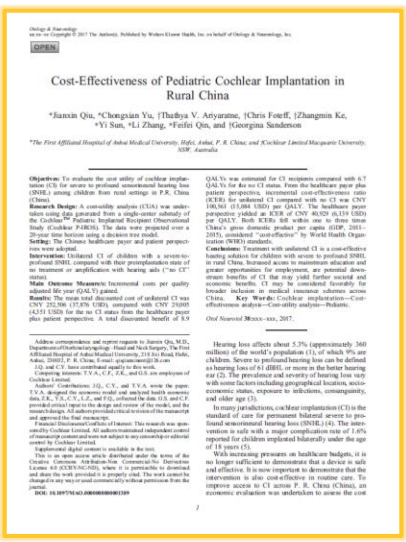
Otology & Neurotology

OPEN

Cost-Effectiveness of Pediatric Cochlear Implantation in Rural China

*Jianxin Qiu, *Chongxian Yu, †Thathya V. Ariyaratne, †Chris Foteff, †Zhangmin Ke, *Yi Sun, *Li Zhang, *Feifei Qin, and †Georgina Sanderson

*The First Affiliated Hospital of Anhui Medical University, Hefei, Anhui, P. R. China; and †Cochlear Limited Macquarie University, NSW, Australia

Priority areas

- Awareness and Advocacy
- <u>Standard of Care for Adults</u>
  - John Hopkins collaboration on cognitive decline
  - Hearing aid versus Cochlear implant
- <u>Expand Indications/Access</u>
  - Broadening candidacy criteria
  - Bilateral implants in Adults
  - Hybrid indication

Levers of growth

Cochlear

Grow the Core

Awareness

Access

Brand choice

An consumer centric product portfolio that allows personal choice

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Core growth strategy

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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

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4 May 2017

Stu Sayers
President, Services

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Growing importance of Services

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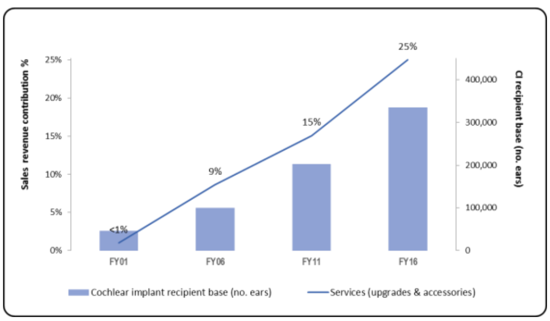
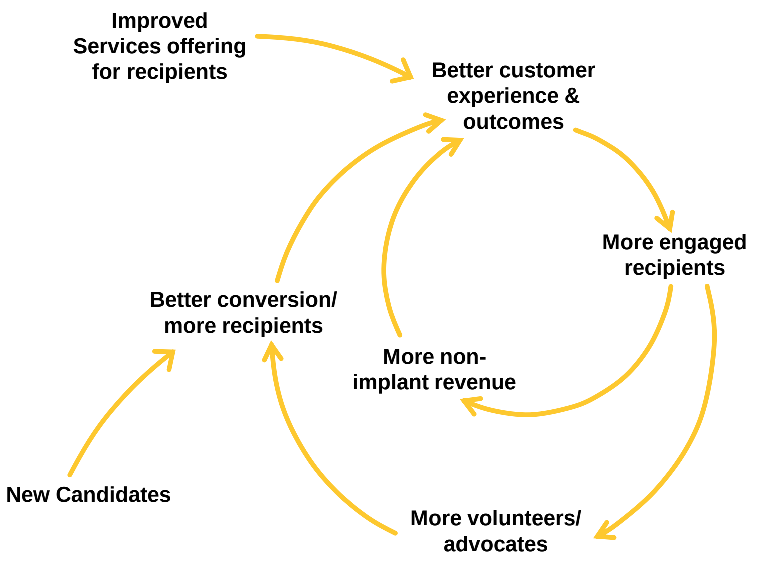
- Service revenue was <1% of total in FY01 on an installed base of less than 50k recipients
- Today it is over 25% on a base of ~450k, growing at 30-40k new recipients pa



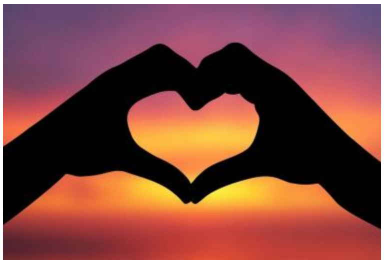
The Services flywheel



Our north star

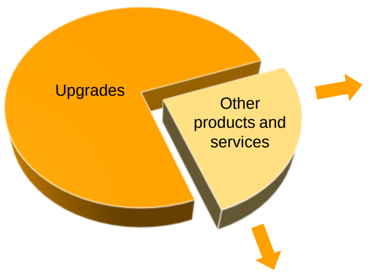
Love
- Lifetime commitment
- Engagement with Cochlear
- Satisfaction with each experience
- Satisfaction with hearing
- Propensity to advocate

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

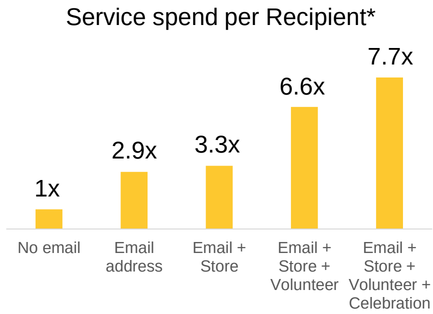
What our recipients tell us they want

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**
2. **Increase upgrade penetration**
3. **Make Cochlear easier for Recipients**
4. **Create new Services**

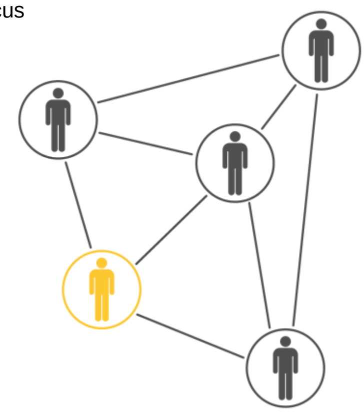


* Based on US Data

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



1. Engage with more recipients

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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

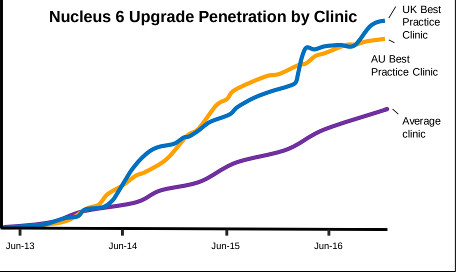
Cochlear

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



4 key levers to grow Services

Cochlear

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

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

4 key levers to grow Services

Cochlear

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

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

Cochlear

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

- Self-support easier to find and digest
- 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

4 key levers to grow Services

Cochlear

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

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

Longer term we are aiming to transform the way recipients are supported

- Patient connectivity
- Remote care and support

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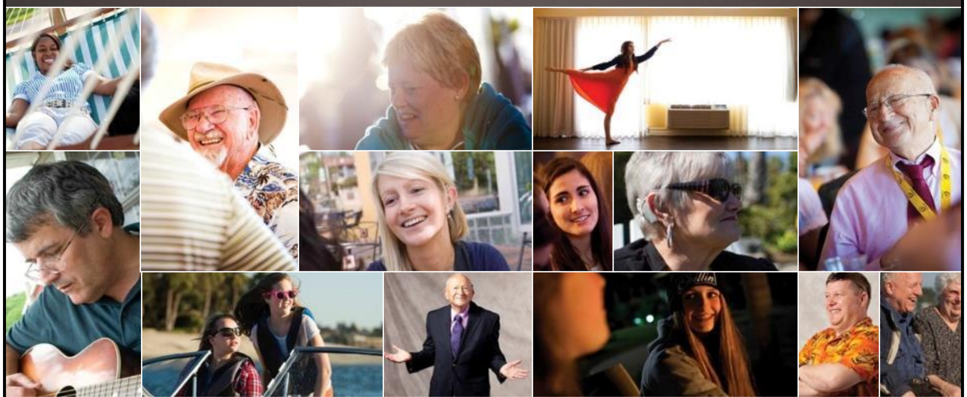

2017 Investor Day

4 May 2017

Jan Janssen
SVP Design & Development

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Cochlear's mission

Cochlear

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.

2

Research & Development at Cochlear

Basic Research → Applied Research → Design Validation Studies → Post Market Studies

Applied Research → Investigational Device

Technology Research → Technology Development → Investigational Device

Research & Technology Development

Investigational Device → Product Development

Technology Development → Product Development

Applied Research → Product Development

Product Development → Products

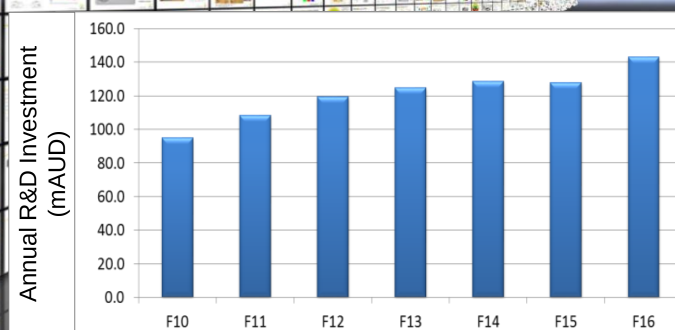
Products

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

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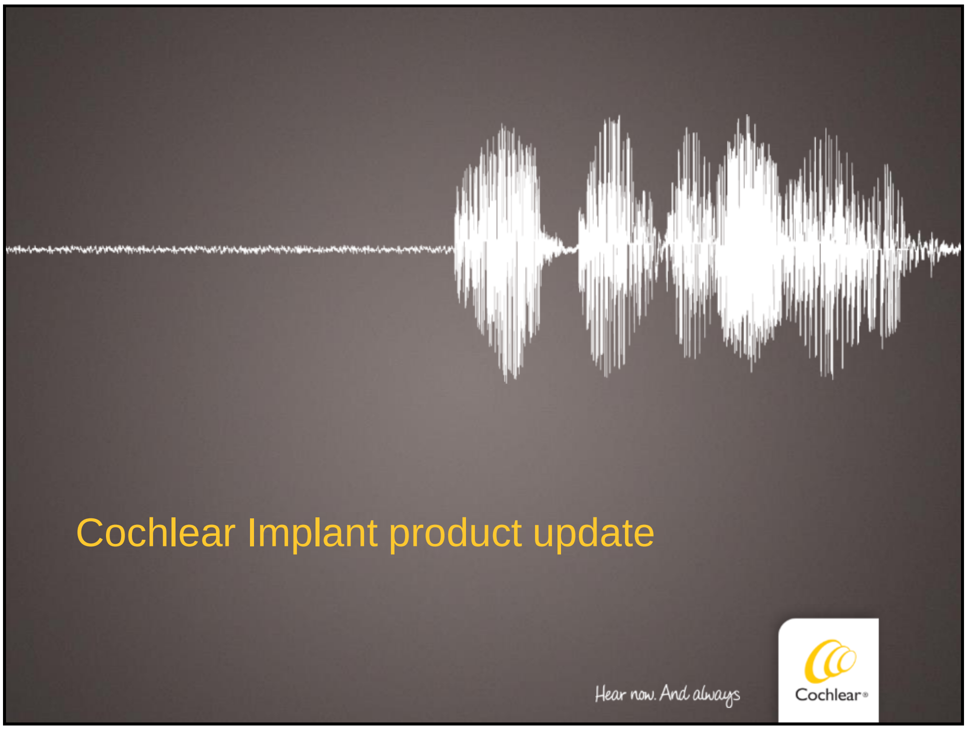
Customer Needs

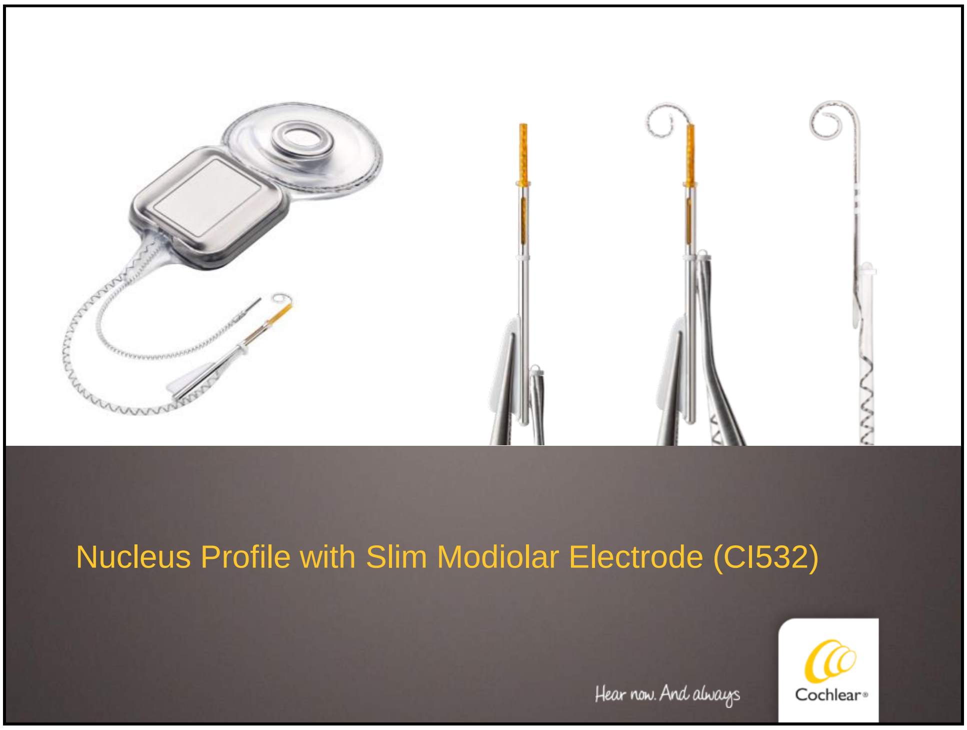
Market Insights

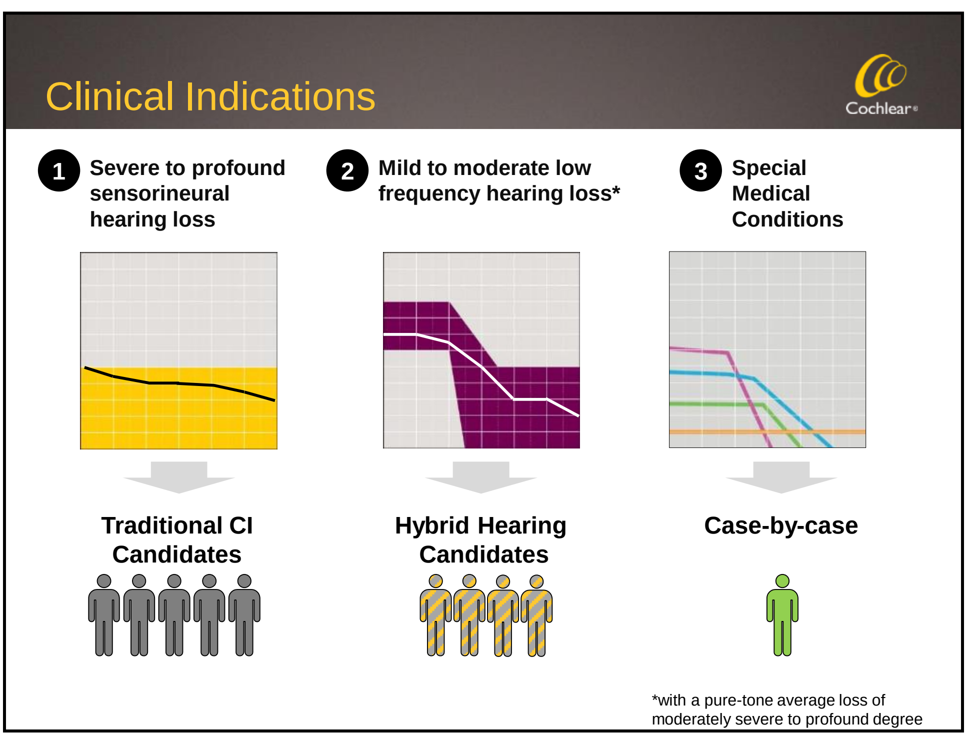
Technology Feasibility

Financial Commitment


Cochlear Implant product update
Hear now. And always
Cochlear


State-of-the-Art Cochlear Implant portfolio
Cochlear
CI512 - Nucleus Profile with Contour Advance electrode
CP950 - OTE Sound Processor
CP920/910 - Nucleus 6 Sound Processors
N6 with Acoustic Component for Hybrid Hearing
Custom Sound
Nucleus Fitting Software
Slim Modiolar electrode CI532
Phone Clip
MiniMic 2
MiniMic 2+
TV Streamer
Cochlear Link
CI522 - Nucleus Profile with Slim Straight electrode
Nucleus 6 Remote Control
Aqua+ accessory
CR220 Intra-Op Assistant

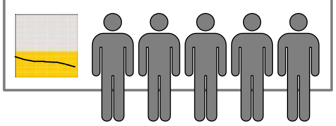

Nucleus Profile with Slim Modiolar Electrode (CI532)
Hear now. And always
Cochlear


Clinical Indications
Cochlear
1 Severe to profound sensorineural hearing loss
2 Mild to moderate low frequency hearing loss*
3 Special Medical Conditions
Traditional CI Candidates
Hybrid Hearing Candidates
Case-by-case
*with a pure-tone average loss of moderately severe to profound degree

Indications – the primary criteria for electrode choice

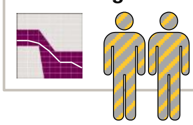
Cochlear

1 Severe to Profound Sensorineural Hearing Loss



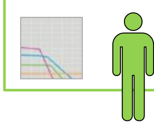
Traditional CI Candidates

2 Mild to moderate low frequency hearing loss*



Hybrid Hearing Candidates

3 Special Medical Conditions



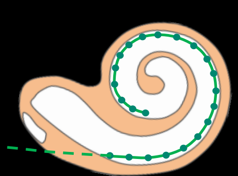
Case-by-case

	1	2	3
Requirement:	Optimise electrical stimulation	Maximise hearing preservation	Wide range of electrode options to fit individual cases
Preferred electrode:	 **Contour Advance®** Perimodiolar placement for optimum electrical stimulation[1]	**Slim Straight** Hearing preservation electrode for optimal Hybrid Hearing[2]	**Contour Advance Straight ABI** Slim Straight**

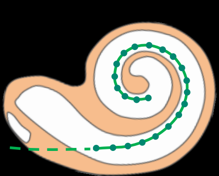
Electrode Type Comparison

Cochlear

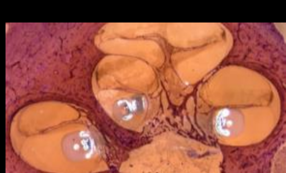
Lateral wall electrode array



Peri-modiolar electrode array



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



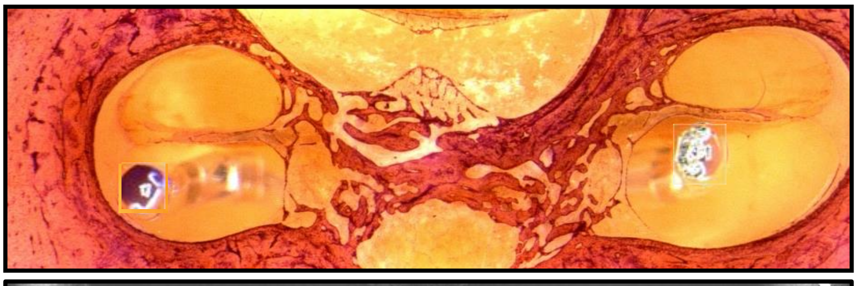
SLIM STRAIGHT
Lateral wall
Tip 0.3 x 0.35 mm
Base 0.5 x 0.6 mm

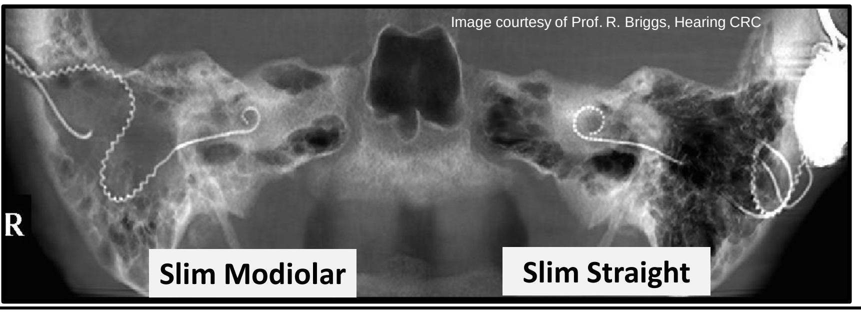
Slim Straight Electrode (CI422 / CI522)

Surface preparation insertion (robot controlled)

Courtesy Prof. William Gibson, Sydney

Slim Modiolar Electrode Array (CI532)





Nucleus Profile with Slim Modiolar electrode array – CI532

Cochlear

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

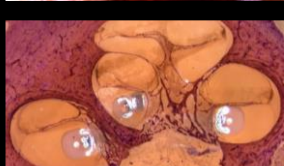
- Consistent Perimodiolar positioning
  - Consistent positioning close to the modiolus
  - **Closest to the nerve** to optimise hearing outcomes
- Ease of insertion
  - Improved surgical handling
  - Consistent surgical use
  - Confidence in surgical outcomes

Electrode Type Comparison

Cochlear

SLIM MODIOLAR

Tip	0.35 x 0.4 mm
Base	0.475 x 0.5 mm



CONTOUR ADVANCE

Tip	0.5 x 0.5 mm
Base	0.8 x 0.8 mm

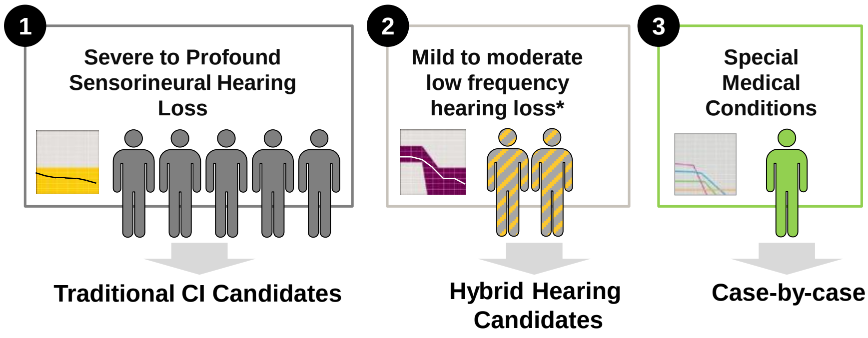
SLIM STRAIGHT

Tip	0.3 x 0.35 mm
Base	0.5 x 0.6 mm

Data on file (Document 588021 & 415680)

Indications – the primary criteria for electrode choice

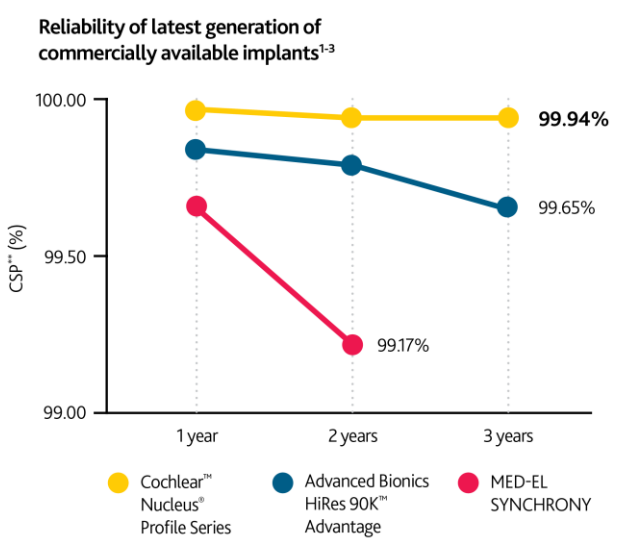
Cochlear®



	Traditional CI Candidates	Hybrid Hearing Candidates	Case-by-case
Requirement:	Optimise electrical stimulation	Maximise hearing preservation	Wide range of electrode options to fit individual cases
Preferred electrode:	**Slim Modiolar** Perimodiolar placement for optimum electrical stimulation[1]	**Slim Straight / Hybrid-L** Hearing preservation electrode for optimal Hybrid Hearing[2]	**Contour Advance** **Straight** **ABI**** **Slim Straight**

Implant reliability matters – an ongoing investment

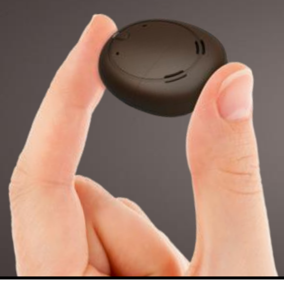
Cochlear®



1. Cochlear Limited, D1175804. Cochlear Nucleus Implant Reliability Report, Volume 15, January 2017. 2017, Mar.
2. 2016 Cochlear Implant Reliability Report [Internet]. 028-M797-02 RevB ©2016 Advanced Bionics AG and affiliates. All rights reserved.[cited 10 January 2017]; Available from: http://www.advancedbionics.com/content/dam/ab/Global/en_ce/documents/candidate/2016-cochlear-implant-reliability-report.pdf
3. Reliability You Can Count On [Internet]. MED-EL. January 2016 [cited 10 February 2017]. Available from: http://www.medel.com/reliability-reporting/

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

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

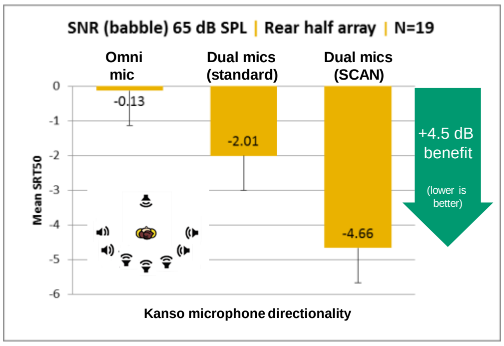
SIMPLE

DISCREET

Kanso Off-The-Ear Sound Processor
Uncompromised hearing performance

Cochlear

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

Hear now. And always

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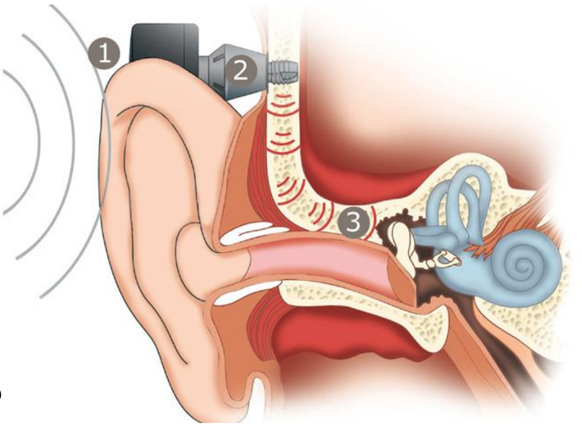
Hearing Loss & Hearing Technology

Cochlear

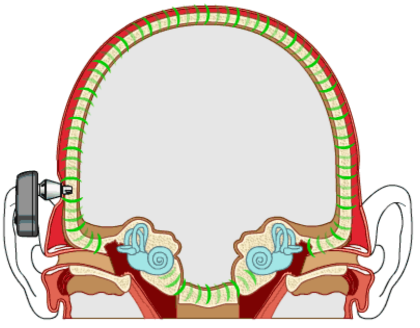
How Baha works

Cochlear

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



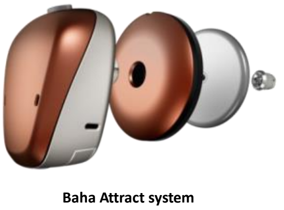
Baha for Single Sided Deafness

Baha Attract
(transcutaneous Baha)

State-of-the-Art Baha portfolio

BI300 implant with
BA400 abutment

Baha 5 Sound Processor



Baha Attract system

Baha True Wireless accessories

Baha 5 Super Power
Sound Processor

Cochlear™ Baha® 5 System

Small. Smart. Powerful.

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

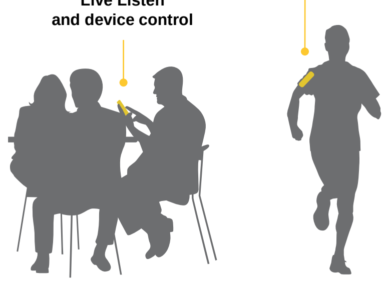
Baha® 5 Sound Processor

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.

Live Listen
and device control

Streamed phone calls, music
and turn-by-turn navigation



Bluetooth SMART

Made for iPod iPhone iPad

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**.

Available on the App Store

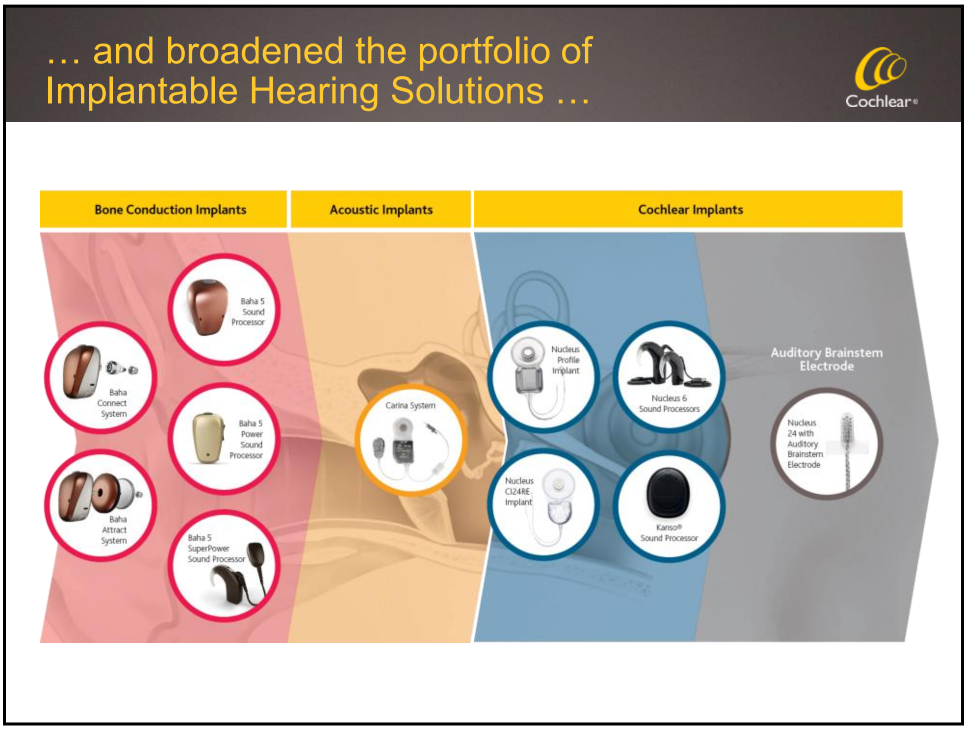
GET IT ON Google Play

Future Technology Directions

What is in the Cochlear R&D pipeline?

Hear now. And always


We have come a long way …
Cochlear
CNC Word Score in quiet (@ 6 months)
100
80
60
40
20
0
Correct (%)
n=16
n=45
n=32
n=22
n=53
n=33
Year: 1978 1986 1989 1991 2005 2014
Stimulation Strategy: F0/F2 F0/F1/F2 Multipeak SPEAK ACE Hybrid-L
Improved
Hearing Outcomes
SmartSound
iQ
Improved Hearing
in the real world
True Wireless
Connectivity
Nucleus Profile CSP
99.94 % @ 3 years !
3.9 mm
Aqua+
Improved Lifestyle
Sound Processors
Thin, atraumatic, hearing
preservation electrodes
Thin &
ultra-reliable implants


… and broadened the portfolio of
Implantable Hearing Solutions …
Cochlear
Bone Conduction Implants
Acoustic Implants
Cochlear Implants
Baha 5 Sound Processor
Baha Connect System
Baha 5 Power Sound Processor
Baha Attract System
Baha 5 SuperPower Sound Processor
Carina System
Nucleus Profile Implant
Nucleus 6 Sound Processors
Nucleus CI24RE Implant
Kanso® Sound Processor
Auditory Brainstem Electrode
Nucleus 24 with Auditory Brainstem Electrode

… but we are not where we need to be …

Cochlear

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 !

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Lack of Awareness

Limited Access

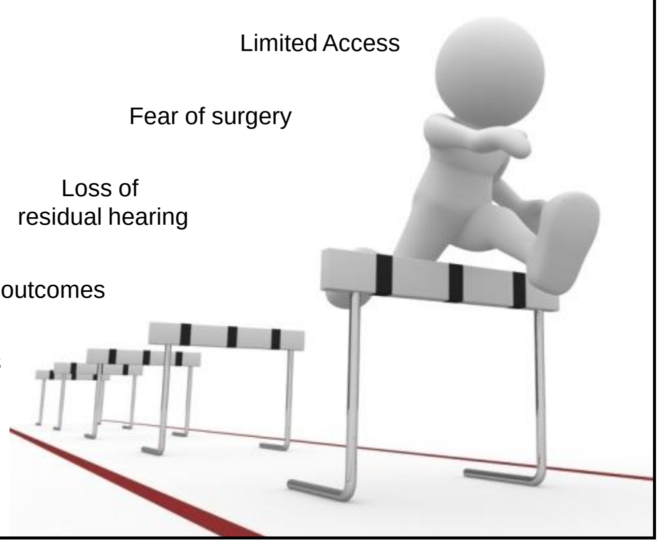
Fear of surgery

Loss of
residual hearing

Variable outcomes

Size & Aesthetics

Complexity
of the intervention



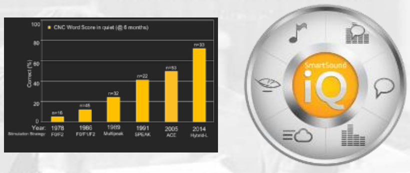
Make Implantable Hearing Solutions "Standard of Care"

Cochlear

Future Focus Areas

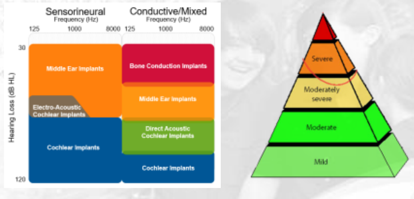
Cochlear

Hearing Outcomes



Lifestyle

Hearing Indications



Connected Care

Hearing Outcomes … closing the gap

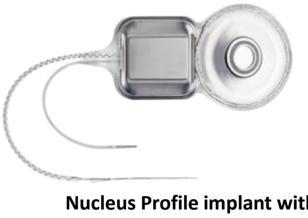
Hearing Outcomes

- Hearing in quiet
- Hearing in noise
- Listening to competing talkers
- Music perception
- Listening effort
- Time to proficiency

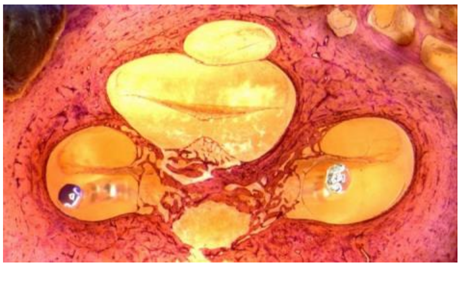
- # Rehab required
- # Clinical follow-up required
- Spread of hearing outcomes
- Tonal Language performance
- …

Improved Hearing Outcomes with enhanced Residual Hearing

Hearing Outcomes



Nucleus Profile implant with Slim Straight electrode



Atraumatic electrode insertion (cochlea cross-section)

Research drug eluting electrode

Future Wireless Technology evolution

Hearing Outcomes

Nucleus 6 Sound Processor

Nucleus 6
True Wireless accessories

MiniMic 2 MiniMic Pro

Phone

Music

Control

Status

Baha 5 Sound Processor

Made for iPhone

Standard of care = binaural hearing

Hearing Outcomes

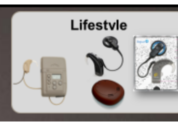
Bilateral Cochlear Implants

Bimodal
True Wireless for Bimodal users

Cochlear™

ReSound rediscover hearing

Extended lifestyle / wearing options

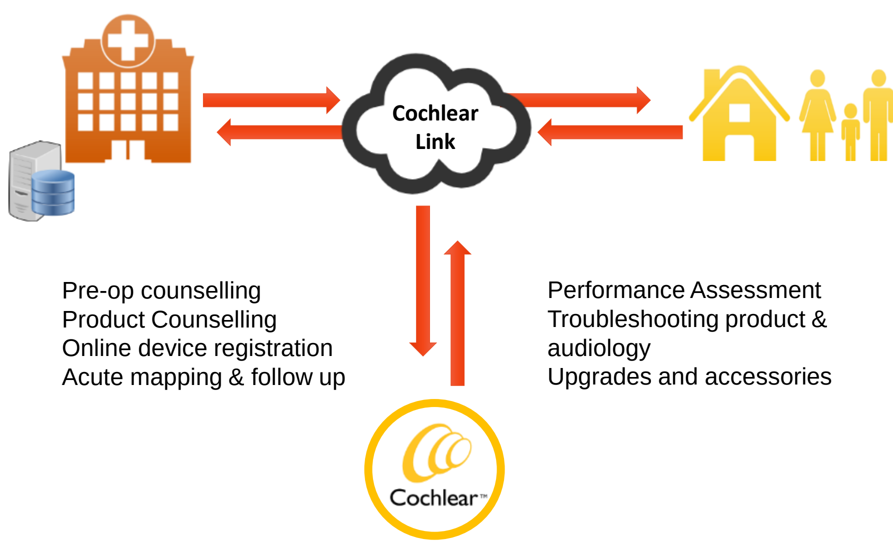


SMART

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

Connected Care

CR220
Wireless Intra-Op Assistant

CONVENIENT
No equipment or PC setup required

FAST
No setup time and faster measures

SIMPLE
One button diagnostics

Wireless clinic – Surgery & Audiology

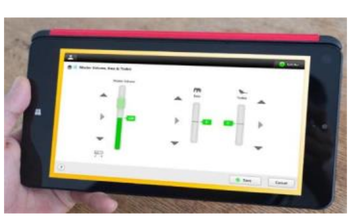
Connected Care

CR220
Wireless Intra-Op Assistant

CONVENIENT
No equipment or PC setup required

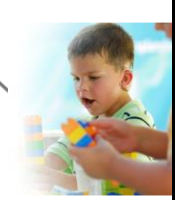
FAST
No setup time and faster measures

SIMPLE
One button diagnostics



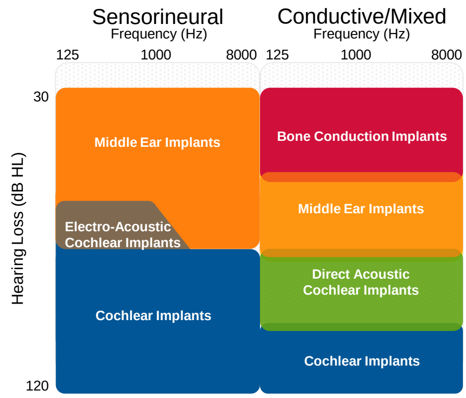
NFS Touch

Bluetooth



Wireless programming over Bluetooth

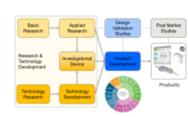
Expanding indications for Implantable Hearing Solutions

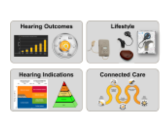


Nucleus® Systems with Hybrid Mode | **Baha® Systems** | **Carina® Systems**

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





Cochlear®

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Disclaimer

Cochlear®

Forward looking statements

Cochlear advises that these presentation slides contain 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 you are cautioned not to place undue reliance on any forward looking statement.

2017 Investor Day
Cochlear Latin America

Chris Bertrand
Presidenté Cochlear Latinoamérica
4 May 2017

Hear now. And always

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Latin America

Cochlear

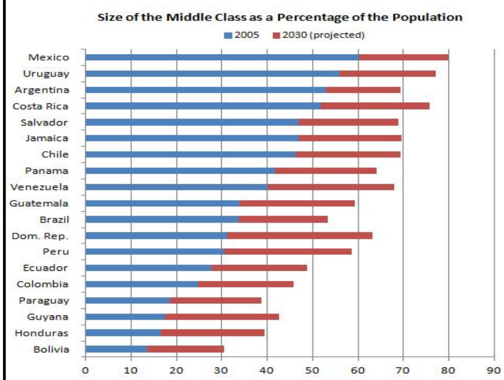
Cochlear Latin America is not a commodity market!

- 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]

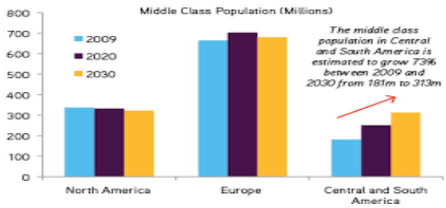
SOURCE: 1) IMF; World Bank, *"Deconstructing the Decline in Inequality in Latin America, in* Proceedings of IEA Roundtable on Shared Prosperity and Growth, *ed. by Kaushik Basu and Joseph Stiglitz*

Rapid development of the middle class

Cochlear®



- For the first time, there are more Latin Americans in the middle class than poor [4]
- 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]

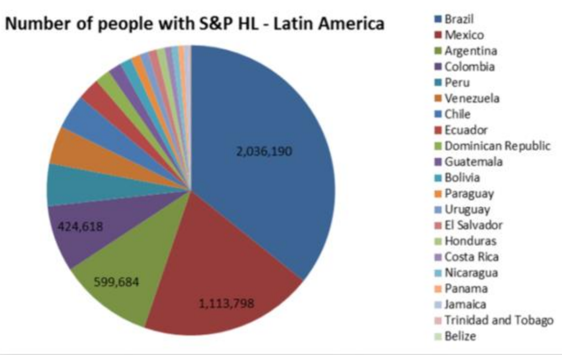


Sources:
1) World Bank
2) http://shannononeil.com/blog/measuring-the-global-middle-class/
3) More Latin Americans Are Middle Class Than Poor 04/30/2014 ,World Bank Group, Jim Yong kim,
4) World Economic Forum on Latin America 2015, Riviera Maya, Mexico 06 - 08 May 2015
5) Prospects for Latin America's middle class after the commodity boom, February 10, 2015 Michael Penfold

Severe to profound hearing loss in Latin America

Cochlear®

- 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

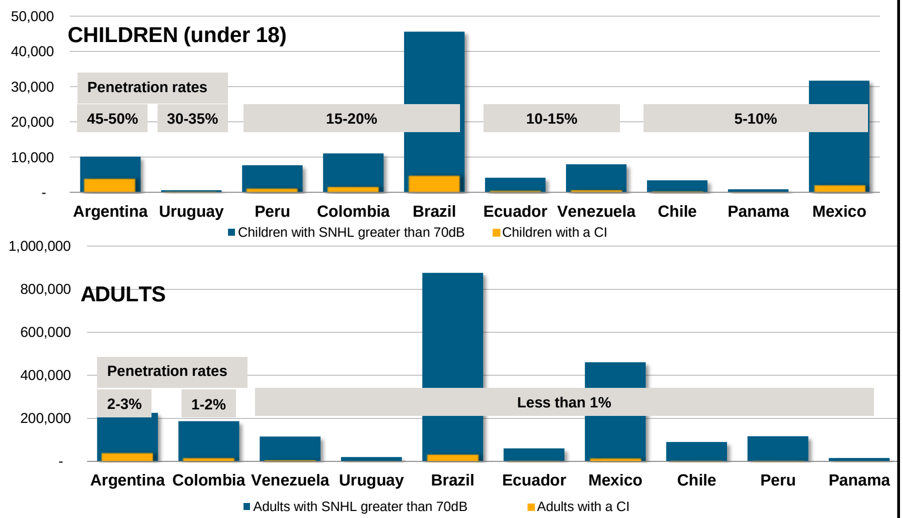


75% of people with a severe to profound hearing loss live in Brazil, Mexico, Argentina and Colombia

Source: World Health Organisation, prevention of blindness and deafness (http://www.who.int/pbd/deafness/en)

CI penetration in Latin America

- CI penetration remains a largely untapped opportunity



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

Cochlear Latin America

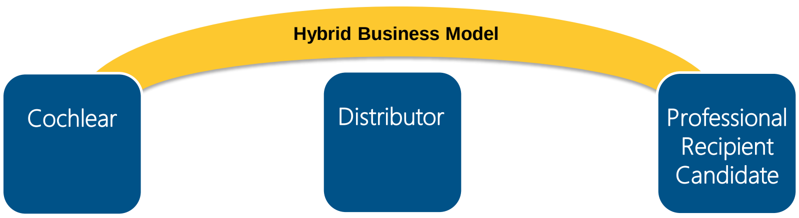
- 39 Cochlear staff (15 Panama based)
- 7 shared services employees
- 14 distributors with approx. 130+ people focused on Cochlear's business
- Four countries account for ~90% of total revenue:
  - Brazil
  - Argentina
  - Colombia
  - Mexico

“Hybrid Business” field sales model

Cochlear

- 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

EMBAJADA COCHLEAR
BOLETÍN OFICIAL A LOS EMBAJADORES DE COCHLEAR LATINOAMÉRICA

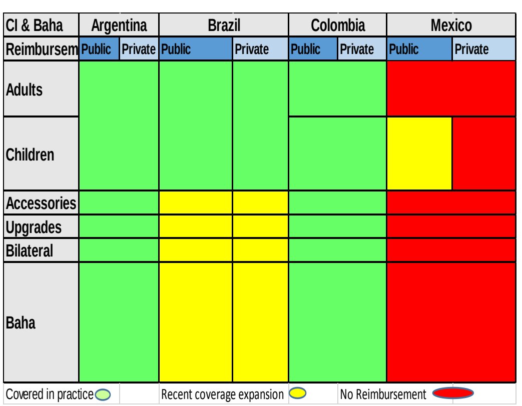


Mixed funding exists across Latin America

Cochlear

- 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



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)

¡Escuchar es lo máximo!

"el artículo 177 de la Ley General de Salud "

• 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

ANS Agência Nacional de Saúde Suplementar

PARECER TÉCNICO Nº 16/GEAS/GGRAS/DIPRO/2016

COBERTURA: IMPLANTE COCLEAR

- 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

Clinical effectiveness → **Acceptance**

- Multicenter studies, pediatric bias
- More cases, less bias
- Private reimbursement
- Greater momentum as a group

- Positive outcomes widens acceptance, Adult/ senior adoption
- Public reimbursement driven by professionals and recipients with HTA data
- Criteria and coverage expanded, Bilaterals, etc.

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 heath 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!

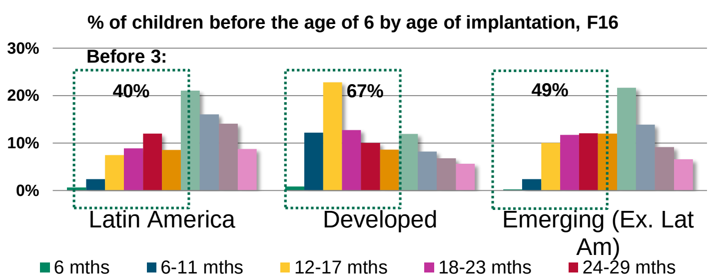



Awareness building programs

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

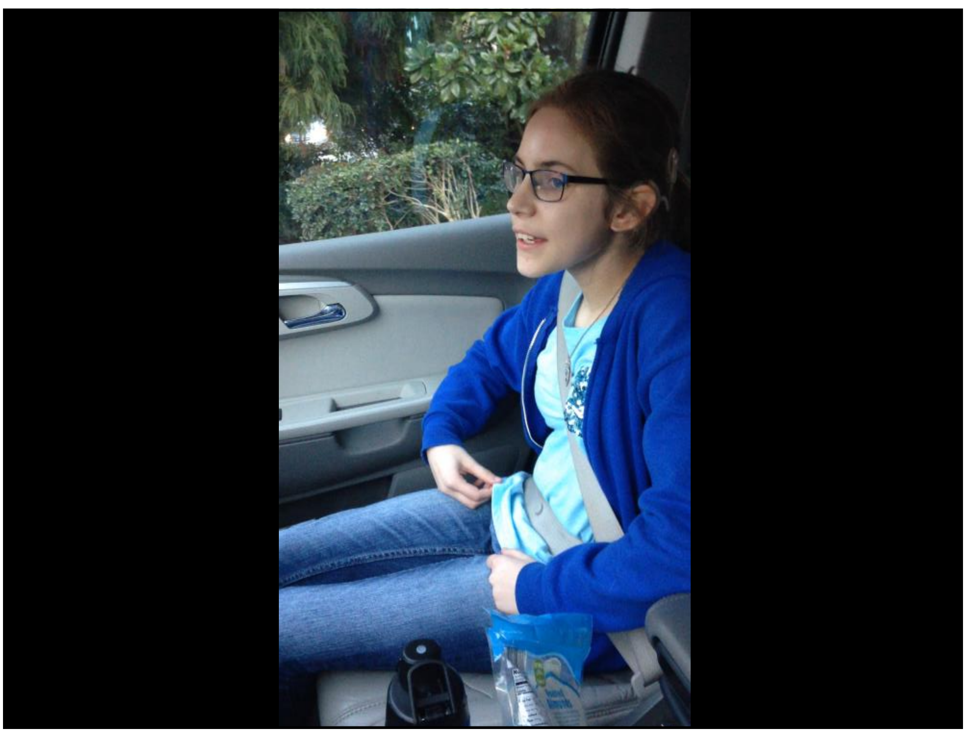
Sales growth projects

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



My passion for cochlear implants

Cochlear



Muchas Gracias!!!

Cochlear®

Hear now. And always

Obrigado!!!

Disclaimer

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