

Hear now. And always



FY22 Result Presentation

19 August 2022

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.



FY22 Summary

Sales revenue up 10% (up 9% in CC*)

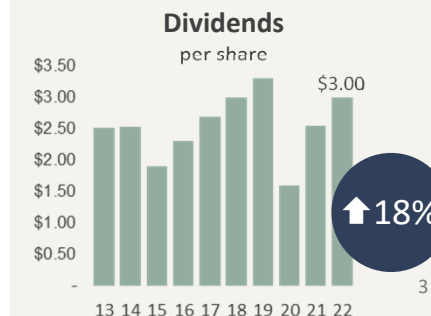
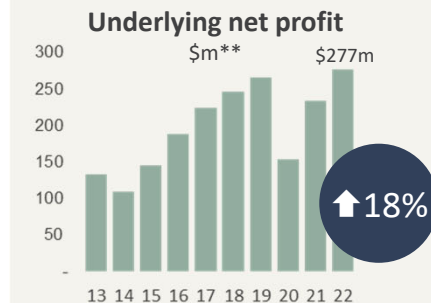
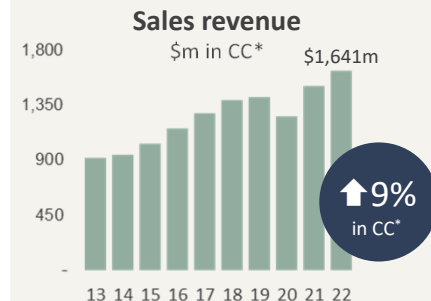
- Strong demand for acoustic implants and sound processor upgrades with all regions and product segments tracking above pre-COVID levels
- Cochlear implant revenue growth rates improved across the year with continued variability in performance across countries with COVID and hospital staffing shortages impacting operating theatre capacity

Underlying net profit** up 18% (up 10% in CC)

- Underlying net profit margin was 17%. Excluding the impact of cloud computing-related expenses, underlying net profit margin was 18%, in line with our long-term target
- Key drivers: strong growth in sales revenue, continued investment in market growth activities and R&D to support long-term growth, with a significant uplift in cloud computing-relating expenses

Strong financial position

- Strong balance sheet with net cash increasing \$22m to \$587m
- Cash flows sufficient to fund investing activities and capital expenditure whilst delivering dividends to shareholders
- Full year dividends up 18%, a 71% payout of underlying net profit, and aligned to our 70% target payout
- FY23 underlying net profit guidance range is \$290-305m, a 5-10% increase on FY22 underlying net profit, an increase of 8-13% when adjusted for the increase in cloud computing-related expenses. Guidance anticipates strong growth in sales revenue and an underlying net profit margin of ~18% before cloud computing-related expenses



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

FY22 Operational review



Cochlear implants

57% of sales revenue

Cochlear implant unit growth of 5% reflects continuing recovery from COVID, with variable recovery rates across countries

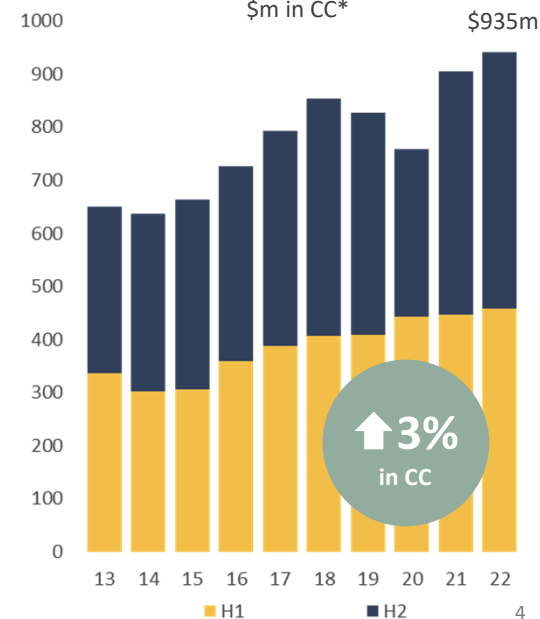
Developed markets

- Second half volumes grew following a decline in the first half. Volumes overall tracked ~10% above pre-COVID levels
- US volumes were ~20% above pre-COVID levels with a swift and strong recovery in FY21 following COVID shutdowns partly offset by a small volume decline in FY22. Professional partners reported strong patient pipelines and growing waiting lists with access to operating theatres constrained by hospital staffing shortages
- Solid recovery in Western Europe following a COVID-affected FY21. Rate of recovery however continued to vary by country

Emerging markets

- Strong recovery with many countries trading above pre-COVID levels, including China and the Middle East. India and Brazil recovered well although volumes were still below pre-COVID levels

Cochlear implant sales revenue
\$m in CC*



FY22 Operational review



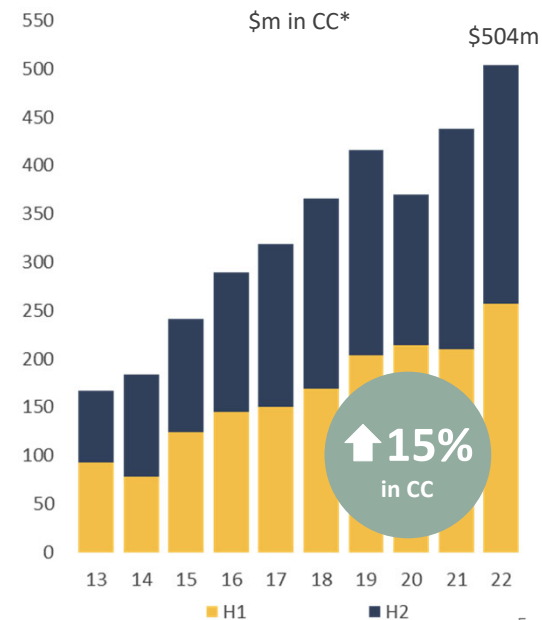
Services

31% of sales revenue

Growing recipient base and access to sound processor upgrades drive demand

- Revenue up 15% in CC
- Growing recipient base increases sound processor upgrade opportunity
- Improved access to clinics following lockdowns drove recovery demand, particularly in H1

Services sales revenue



FY22 Operational review



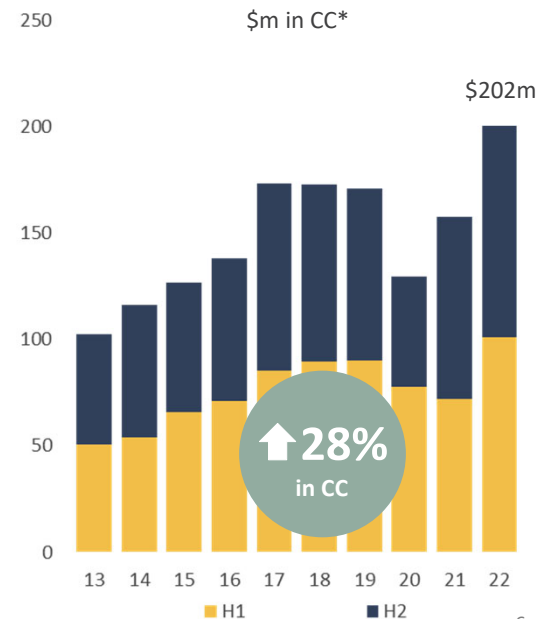
Acoustics

12% of sales revenue

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

- Revenue up 28% in CC
- Rollout of the Cochlear™ Osia® 2 System across Western Europe following CE Mark accreditation
- Demand for the Osia 2 System continued to be strong in the US
- Cochlear™ Baha® 6 Max Sound Processor drove strong demand for sound processor upgrades across all regions

Acoustics sales revenue



Our mission

The passion that drives the organisation and focuses the strategy

- Empower
- Transform
- Innovate

Our strategy

Where we focus our time and resources to create value

- Growth opportunity
- Strategic priorities
- A stronger organisation

Value creation

How the outcomes of our activities impact all key stakeholders - our customers, our people, our shareholders and society more broadly

- A healthier & more productive society
- Empowered customers
- A lifetime of hearing solutions
- Thriving people
- Sustained value



How we create value



A healthier & more productive society

Key achievements:

Helping more people hear

- We helped over 40,000 people hear with one – or two – of our cochlear or acoustic implants, providing an estimated net societal benefit of more than \$6 billion over the lifetime of the recipients from improved health outcomes, educational cost savings and productivity gains¹
- Growing referrals from direct-to-consumer marketing activities and hearing aid channel referral programs

Developing a treatment pathway for adults

- The World Health Organization provided guidance for establishing evidence-based programs for hearing screening² aimed at improving the identification and treatment of hearing loss
- The ‘Living guidelines’ initiative was established to deliver clinical guidelines to enable early identification and referral for cochlear implant candidates

Broadening indications and reimbursement

- Achieved FDA approval for the treatment of unilateral hearing loss and single-sided deafness with a Cochlear™ Nucleus® implant in the US
- Achieved reimbursement for the Cochlear™ Osia® 2 System across a number of countries including the US, Germany and UK
- Achieved reimbursement for remote programming in Australia

Improving access to education

- Formed a partnership³ with Malala Fund aimed at removing hearing loss as a barrier to education in emerging markets

FY22 Value creation



Empowered customers

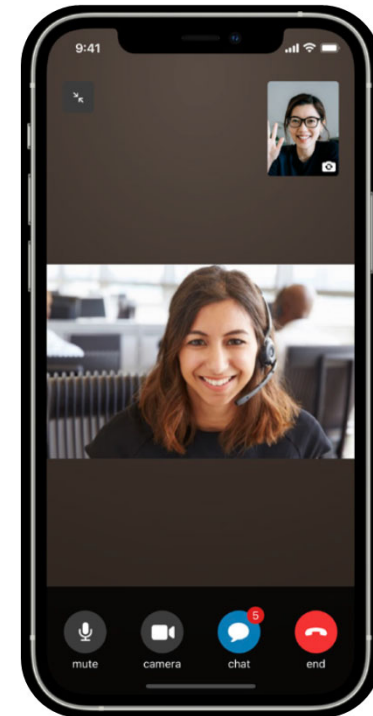
Key achievements:

Providing convenience and confidence to customers

- We became the first company to offer app-based Remote Care solutions to both acoustic and cochlear implant recipients
- Cochlear™ Remote Assist achieved FDA approval, enabling live video appointments for both cochlear implant and Baha® Implant recipients

Growing connectivity and engagement with recipients

- Cochlear Family membership grew 20% to 260,000, with a 60% join rate for new Cochlear™ Nucleus® implant recipients



Cochlear™ Remote Assist



A lifetime of hearing solutions

Key achievements:

Market-leading technology underpins over 60% global market share

- Invested over \$200m in R&D, 13% of sales revenue, with many new products and services achieving regulatory approval over the past few years across all parts of the portfolio

Providing the latest technology to our existing customers

- Cochlear™ Nucleus® 8 Sound Processor achieved CE Mark approval in Aug22
- Strong demand experienced for the new Cochlear™ Baha® 6 Max Sound Processor
- Launched the Cochlear™ Nucleus® 7 S and Nucleus® 7 SE Sound Processors across the emerging markets



Cochlear™ Baha® 6 Max Sound Processor



Thriving people

Key achievements:

Shaping our culture

- Continued to intentionally shape the culture that will enable us to grow and deliver for our customers in the future eg: training and leadership development programs
- Employee engagement maintained at 80%

Broadening incentives to benefit more employees

- Introduced changes to our reward offering to achieve greater alignment and consistency of reward across the business

Gender equality

- 41% women in senior and executive management roles, exceeding 40% 18 months ahead of our June 2023 target
- 33% women on the Board of directors by end June, with the transition in August 2021 to our first female Chair

Reconciliation Action Plan

- Formalised our commitment to recognition and reconciliation through our first Reconciliation Action Plan



Sustained value

Key achievements:

Emission reduction targets

- Targeting net-zero emissions in our operations (Scope 1 and 2) by FY30 and across our value chain (Scope 1, 2 and 3) by FY50, aligned with SBTi
- By the end of FY22, manufacturing at 5 of our 6 facilities had transitioned to 100% renewable energy

Strong financial position

- Underlying net profit** of \$277m, up 18% (up 10% in CC) and within the guidance range
- 17% underlying net profit margin, 18% after excluding the impact of cloud computing-related expenses
- Full year dividends up 18%, with the 71% payout aligned to the 70% target

Investing to improve efficiency, agility and build scale

- Strengthening our business processes and IT platforms to improve efficiency and agility – \$100-150m investment in cloud-based technology over 4-5 years
- Agreement to acquire Oticon Medical, Demant's hearing implant business for ~A\$170m (subject to competition approvals)

Profit & loss



\$m	FY22	FY21	Change (reported)	Change (CC)
Sales revenue	1,641.1	1,493.3	10%	9%
Gross margin %	75%	73%	2 pts	2 pts
Selling, marketing and general expenses	498.7	444.1	12%	12%
R&D expenses	210.7	195.0	8%	9%
<i>% of sales revenue</i>	<i>13%</i>	<i>13%</i>	<i>0 pts</i>	<i>0 pts</i>
Administration expenses (excl cloud investment)	137.4	112.2	22%	22%
Administration expenses (cloud investment)	21.6	3.9	454%	454%
Operating expenses	868.4	755.2	15%	15%
Other income / (expenses)	13.8	(5.9)		
FX contract gains / (losses)	7.2	4.3		
EBIT (underlying)*	382.7	326.3	17%	11%
<i>% EBIT margin*</i>	<i>23%</i>	<i>22%</i>		
Net finance costs	6.2	8.4	(26%)	
Effective tax rate %*	26%	26%		
Underlying net profit*	277.0	234.0	18%	10%
<i>% Underlying net profit margin*</i>	<i>17%</i>	<i>16%</i>		
<i>% Underlying net profit margin (excl cloud inv.)*</i>	<i>18%</i>	<i>16%</i>		
<u>One-off and non-recurring items (after-tax):</u>				
Innovation fund gains	12.1	30.8		
Patent litigation-related tax & other	-	59.0		
Statutory net profit	289.1	323.8	(11%)	(15%)

Key points:

- ▶ Strong demand for sound processor upgrades and new acoustic implant products
- ▶ Gross margin back in line with the longer-term target
- ▶ Continued investment in market growth activities, standard of care and market access initiatives
- ▶ Aligned with the 12% of sales revenue target
- ▶ Primarily increase in IT expenses, with some higher insurance costs and costs associated with the Oticon Medical transaction
- ▶ \$100-150m to be invested over 4-5 years
- ▶ \$16 million in balance sheet FX revaluation losses in FY21
- ▶ Net profit margin (pre cloud) in line with our longer-term target
- ▶ Primarily reflects the increase in value of the Epiminder shareholding

* Excluding one-off and non-recurring items. FY21 net profit has been restated to reflect the reclassification of cloud-related investment from capex to opex.

Capital employed



\$m	Jun22	Jun21*	Change
Trade receivables	308.4	262.1	46.3
Inventories	270.2	216.1	54.1
Less: Trade payables	(232.4)	(202.9)	(29.5)
Working capital	346.2	275.3	70.9
<i>Working capital / sales revenue</i>	<i>21%</i>	<i>18%</i>	
Property, plant and equipment	260.2	239.5	20.7
Intangible assets	392.5	385.5	7.0
Investments & other financial assets	187.9	226.8	(38.9)
Other net liabilities	(87.8)	(2.1)	(85.7)
Capital employed	1,099.0	1,125.0	(26.0)
Funding sources:			
Equity	1,685.7	1,689.6	(3.9)
Less: Net cash	(586.7)	(564.6)	(22.1)
Capital employed	1,099.0	1,125.0	(26.0)

Key points:

- ▶ Increase driven by growing sales revenue
- ▶ Building of safety stocks of both finished goods and some componentry in anticipation of potential global supply chain shortages
- ▶ Includes cash investments and net revaluation losses for innovation fund investments including Nyxoah, Precisis and Epiminder
- ▶ Primarily reflects the utilisation of tax losses from prior years
- ▶ Net cash increased \$22m

* Jun21 capital employed has been restated to reflect the impact of changes to recognition of cloud computing investments.

Cash flow



\$m	FY22	FY21**	Change
EBIT (underlying)*	382.7	326.3	56.4
Depreciation and amortisation	73.0	76.4	(3.4)
Changes in working capital and other	(46.9)	(10.1)	(36.8)
Cash impact of US\$75m AMF payment (pre-tax)	-	(104.4)	104.4
Net interest paid	(6.2)	(8.4)	2.2
Income taxes paid	(26.1)	(14.4)	(11.7)
Operating cash flow	376.5	265.4	111.1
Capital expenditure	(77.2)	(66.7)	(10.5)
Other net investments	(61.7)	(18.4)	(43.3)
Free cash flow	237.6	180.3	57.3
(Outlay) / proceeds from issue of shares	(1.1)	2.4	(3.5)
Dividends paid	(194.0)	(75.6)	(118.4)
Other	(20.4)	0.5	(20.9)
Change in net cash – increase / (decrease)	22.1	107.6	(85.5)

Key points:

- ▶ EBIT benefits from strong sales growth and improved gross margin
- ▶ Increase in working capital to fund business growth. Includes an increase in inventory to buffer potential supply shortages
- ▶ Benefit of a \$62 million tax refund resulting from an overpayment of tax instalments paid in FY21
- ▶ Additional investment in innovation fund investments – Nyxoah, Precisis and Epiminder
- ▶ Return to full dividend payments following COVID-related suspension

* Excluding one-off and non-recurring items. FY21 net profit has been restated to reflect the reclassification of cloud-related investment from capex to opex. ** FY21 cash flow items have been restated to reflect the reclassification of cloud-related investment from capex to operating cash flows. Free cash flow remains unchanged.

Dividends



	FY22	FY21	% change
Interim ordinary dividend (per share)	\$1.55	\$1.15	35%
Final ordinary dividend (per share)	\$1.45	\$1.40	4%
Total ordinary dividends (per share)	\$3.00	\$2.55	18%
% Payout ratio (based on underlying net profit)	71%	72%	
% Franking (final dividend)	40%	0%	

Key points:

- ▶ Full year payout in line with 70% target payout
- ▶ Franking balance depleted as a result of FY20 losses

FY23 Outlook



FY23 underlying net profit guidance range is \$290-305m, a 5-10% increase on FY22 underlying net profit, an increase of 8-13% when adjusted for the increase in cloud computing-related expenses

Key assumptions:

- Guidance anticipates strong growth in sales revenue and ~18% underlying net profit margin before cloud computing-related expenses
- FY23 net profit is expected to be weighted to H2 with trading conditions to progressively improve across the year and Cochlear™ Nucleus® 8 Sound Processor expected to contribute from Q2 as commercial availability commences in European countries
- Continued investment in R&D and market growth activities to support long-term market growth
- Cloud computing-related investment expected to increase to ~\$36m (\$25m after tax), a \$14m increase (\$10m after tax) on FY22
- Guidance is based on a 70 cent AUD/USD and 68 cent AUD/EUR
- Capital expenditure is expected to be ~\$80m
- The Board maintains a dividend policy that targets a 70% payout of underlying net profit
- Guidance does not factor in earnings from the proposed acquisition of Oticon Medical, which is expected to complete by end CY22
- A more material disruption from COVID or hospital capacity restrictions that significantly impacts sales remains a risk factor that does not form part of guidance

Hear now. And always



Supplementary information

Cochlear overview & strategy

About Cochlear

For over 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 \$13 billion.

We aim to improve awareness of and access to implantable hearing solutions for people indicated for our products. We have provided more than 700,000 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 around 12% of sales revenue each year in R&D, with over \$2 billion invested since listing, 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 close to 4,500 employees.



Cochlear at a glance



Business segments

Cochlear implants*

57%

Cochlear implant systems



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

Services*

31%

Sound processor upgrades, accessories & other



Cochlear™ Nucleus® 7 Sound Processor (CP1000)



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

Acoustics*

12%

Bone conduction systems and sound processor upgrades



Cochlear™ Baha® 6 Max Sound Processor



Cochlear™ Osia® 2 System

Global sales

>\$1.6b

in sales revenue*

~80%

Developed markets

~20%

Emerging markets



48%

Americas

35%

EMEA

17%

Asia Pacific

Market leader

\$200m⁺ in annual R&D

>60% global market share**



700,000⁺ implants sold***

Growing scale

~4,500

employees

100⁺

collaborative research programs

30⁺

countries with direct operations

6

key manufacturing sites

* Based on sales revenue (FY22) ** 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.

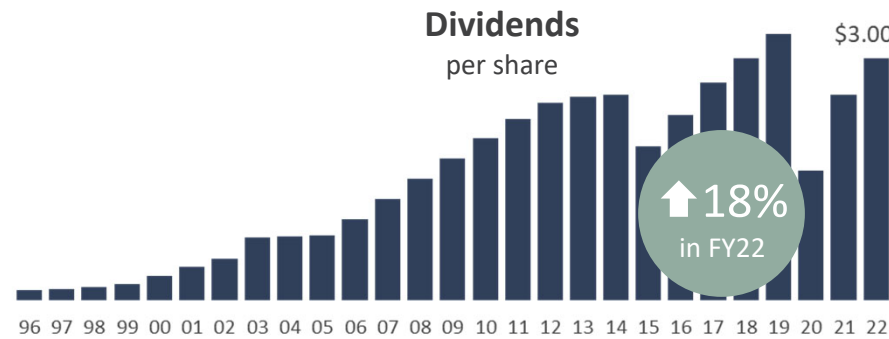
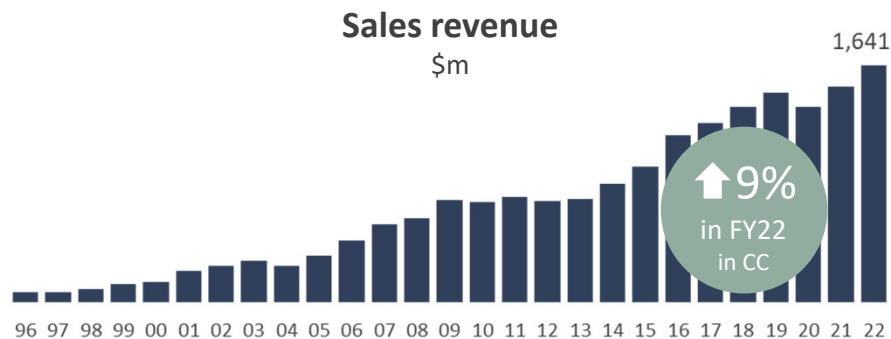
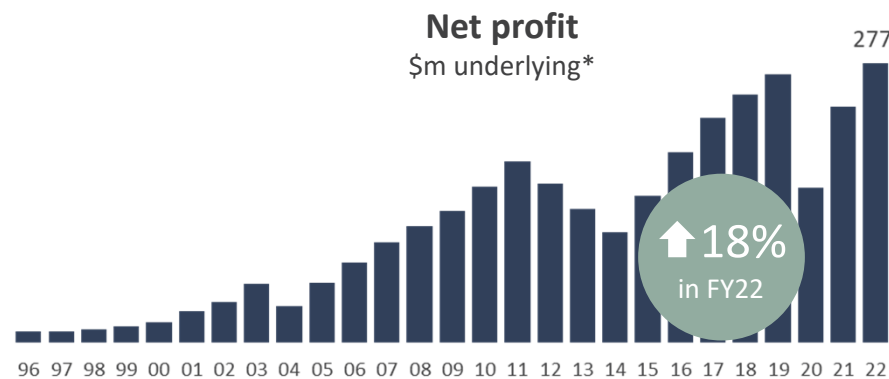
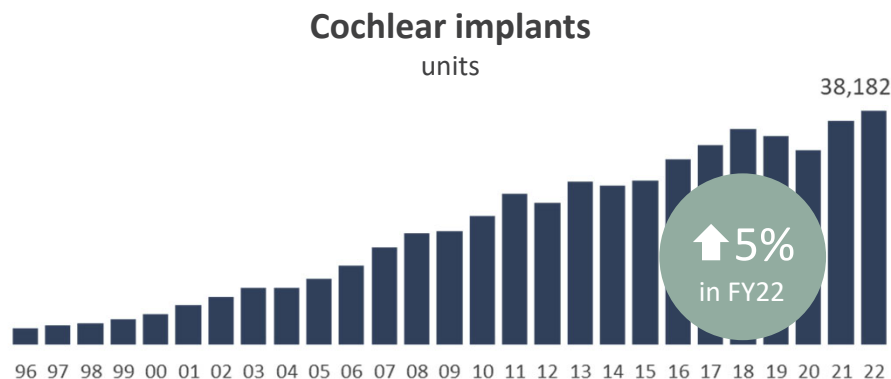
- ✓ **Global leader** in implantable hearing solutions for over 40 years with over 60% global market share and more than 700,000 devices sold
- ✓ **Long-term market growth opportunity** with a significant, unmet and addressable clinical need for implantable hearing solutions and less than 5% market penetration
- ✓ **Unrivalled commitment to product innovation**, bringing innovative new products and services to market as well as sound processor upgrades compatible with prior generation implants
- ✓ **Growing income stream** from servicing our 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.



* Excluding one-off and non-recurring items.

Our mission

The passion that drives the organisation and focuses the strategy

- Empower
- Transform
- Innovate

Our strategy

Where we focus our time and resources to create value

- Growth opportunity
- Strategic priorities
- A stronger organisation

Value creation

How the outcomes of our activities impact all key stakeholders - our customers, our people, our shareholders and society more broadly

- A healthier & more productive society
- Empowered customers
- A lifetime of hearing solutions
- Thriving people
- Sustained value



How we create value

Our
strategy

Growth opportunity

Growth
opportunity

Strategic
priorities

A stronger
organisation

The factors driving industry growth

- Hearing loss is prevalent and under-treated
- Cochlear implants are a cost-effective solution for all age groups
- Product indications are broadening and funding is expanding
- Cochlear implants can deliver superior outcomes to hearing aids for indicated patients
- Good hearing is essential for healthy ageing

Our strategy

Growth opportunity

Hearing loss is prevalent and under-treated

Growth opportunity

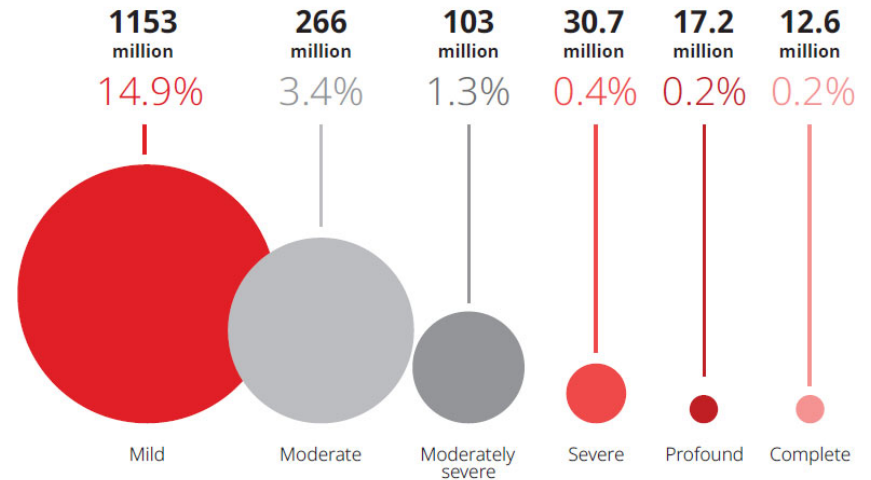
Strategic priorities

A stronger organisation

The WHO estimates that there are more than 60 million people worldwide who experience severe or higher hearing loss.⁴

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.⁵

>60m people with severe or higher hearing loss



Globally 1.5 billion people live with hearing loss

Our strategy

Growth opportunity

Strategic priorities

A stronger organisation

Growth opportunity

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 million⁶⁻⁸



The effective use of implants is cost-effective in adults and seniors with an estimated return on investment of 10:1⁹

**Our
strategy**

Growth opportunity

Product indications are broadening and funding is expanding

**Growth
opportunity**

Strategic
priorities

A stronger
organisation

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

US: lowered the age of cochlear implantation from 12 to 9 months and included single-sided deafness as an indication for Cochlear's Nucleus implant

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

Cochlear™ Osia® 2 System: reimbursement achieved across a number of countries including the US, Germany and UK

Australia: reimbursement for remote programming of cochlear and bone conduction implants

France: reimbursement approved for Baha sound processors

**Our
strategy**

Growth opportunity

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

**Growth
opportunity**

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

Strategic priorities

A stronger organisation

Our strategy

Growth opportunity

Strategic priorities

A stronger organisation

Growth opportunity

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. 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.¹⁰⁻¹¹

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.¹²



Depression

Significant association between hearing impairment and moderate to severe depression.¹³⁻¹⁵



Falls

Higher risk of dizziness causing falling.¹⁴



Social isolation

Hearing loss linked to withdrawal from social interactions, which can have a significant impact on psychological well-being and physical health.¹⁶⁻¹⁸



Ability to work

Hearing loss can affect sufferers' ability to work or stay in the workforce.¹⁸⁻²⁰



Loss of independence

Seniors with hearing loss less likely to be able to self-care.¹⁵

**Our
strategy**

Strategic priorities

Growth
opportunity

**Strategic
priorities**

A stronger
organisation

How we focus our time and resources to create value



Retain market leadership

We are committed to retaining our market leadership position in the industry by continuing to make substantial investments in R&D that enable us to bring to market implantable hearing solutions that deliver a lifetime of hearing outcomes.



Grow the hearing implant market

We grow the hearing implant market by transforming the way people understand and treat hearing loss. Our efforts are targeted at improving awareness, expanding access and building on the clinical evidence that demonstrates the effectiveness of our products.



Deliver consistent revenue and earnings growth

To deliver consistent revenue and earnings growth over time, we balance maximising spending to grow the market with investment to maintain our competitive position.

Our strategy

Retain market leadership

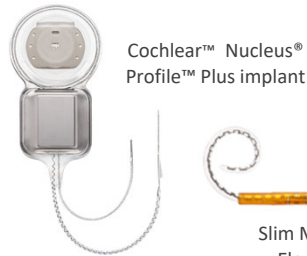
Our market-leading product and services portfolio

Growth opportunity

Strategic priorities

A stronger organisation

Cochlear implants



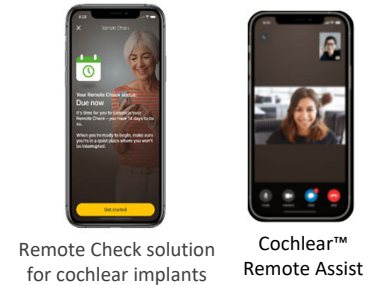
Acoustic implants



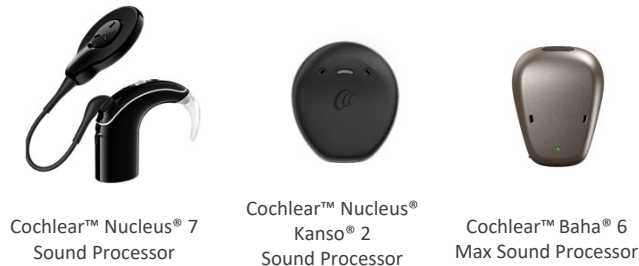
Convenience & confidence



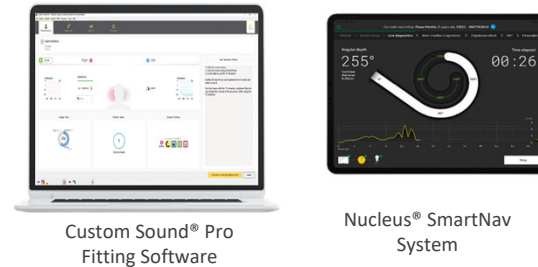
Telehealth solutions



Sound processors



Clinical & surgical support



Responsive & convenient service



Our strategy

Growth opportunity

Strategic priorities

A stronger organisation

Retain market leadership

What we are doing

We create value through innovation, bringing to market new products and services that deliver a lifetime of hearing outcomes.

Key focus areas:

Market-leading technology

- Maintain market leadership through growing levels of investment in R&D (targeted at 12% of sales revenue)
- Innovation focus on hearing implants, sound processing technology, connectivity and clinical and surgical support
- Introduce new products that provide improved hearing outcomes, functionality, connectivity and aesthetic benefits

World-class customer experience

- Grow connectivity and engagement with recipients
- Introduce connected care solutions and skills training tools for recipients
- Introduce sound processor upgrades that provide functional and aesthetic benefits
- Develop technology solutions that provide greater convenience and confidence to professional customers

Our strategy

Growth opportunity

Strategic priorities

A stronger organisation

Grow the hearing implant market

We grow the market by transforming the way people understand and treat hearing loss

Our efforts are targeted at improving awareness, expanding access and building on the clinical evidence that demonstrates the effectiveness of our products.

We focus on four key segments:



Cochlear implants
**Children
developed markets**



Cochlear implants
**Children
emerging markets**



Cochlear implants
**Adults and seniors
developed markets**



Acoustic implants
**Next generation bone
conduction hearing solutions**

Our strategy

Grow the hearing implant market

What we are doing

Growth opportunity

Strategic priorities

A stronger organisation

Our biggest opportunities to create value will be from building a sustainable adult referral pipeline for cochlear implants and by broadening the acoustics market.

Key focus areas:

- Improve the awareness of cochlear and acoustic implants
- Broaden reimbursement and improve the indications for cochlear and acoustic implants
- Support the development of consistent practice guidelines to strengthen the referral pathway for adults
- Build on the clinical evidence that supports the superior outcomes of cochlear implants over hearing aids for people with severe or higher hearing loss
- Collaborate with research institutions studying the links between hearing loss and healthy ageing

Our strategy

Deliver consistent revenue and earnings growth

What we are doing

Growth opportunity

Strategic priorities

A stronger organisation

We create value by maintaining discipline around our long-term investment model and continuing to refine our capital allocation processes to ensure we optimise investment. 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.

Key focus areas:

- Optimise growth investment
- Target an 18% net profit margin over the long term
- Target net-zero carbon emissions in our operations by 2030 and across our value chain by 2050
- Grow our contribution to the United Nations Sustainable Development Goals
- Maintain a strong balance sheet
- Improve efficiency and agility
- Maintain high levels of corporate governance

Our strategy

Deliver consistent revenue and earnings growth

Revenue drivers

Growth opportunity

Strategic priorities

A stronger organisation

Cochlear implants

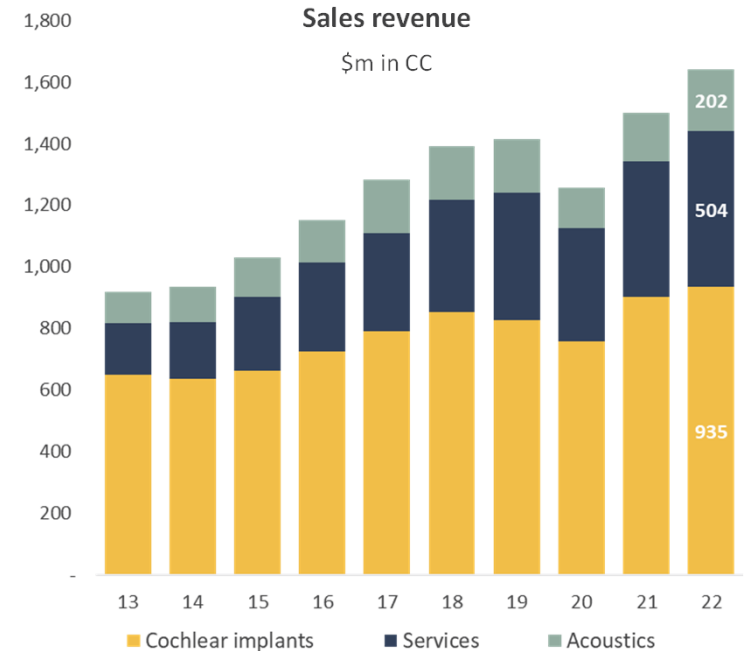
- Growing awareness and uptake by adults and seniors
- Emerging market expansion
- New products driving market growth and market share

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



Our strategy

Deliver consistent revenue and earnings growth

Invest to grow

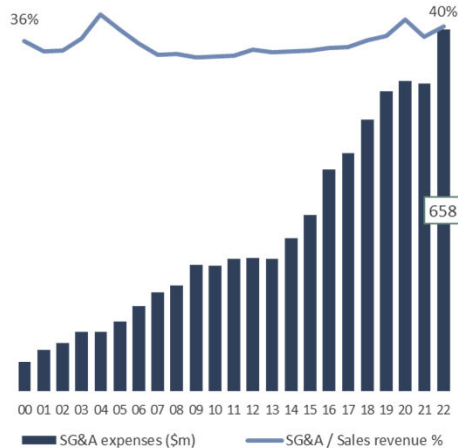
Growth opportunity

Strategic priorities

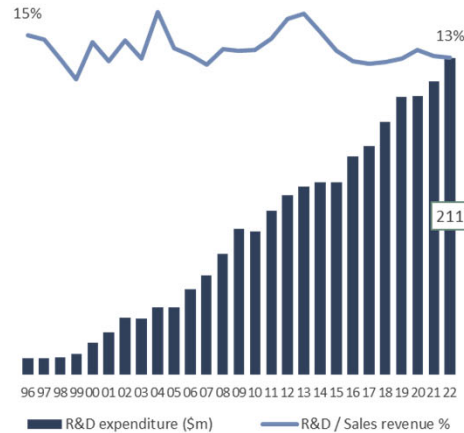
A stronger organisation

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

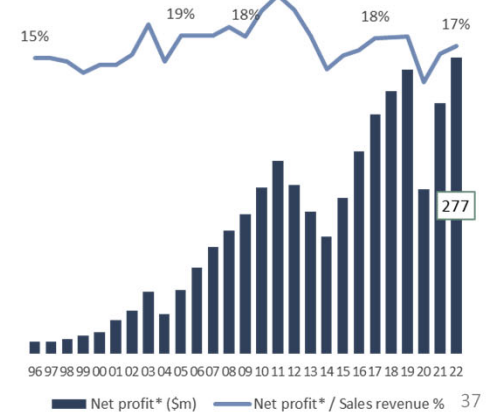
Consistent investment in sales and marketing



Growing R&D capability



Delivering stable net profit margins



* Excluding one-off and non-recurring items

Our strategy

Deliver consistent revenue and earnings growth

Operational improvement

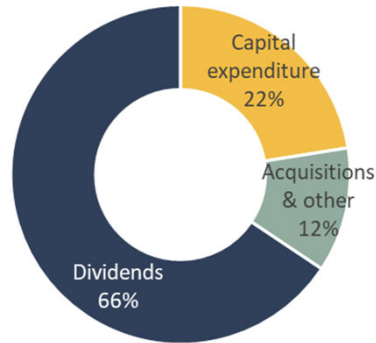
Growth opportunity

Strategic priorities

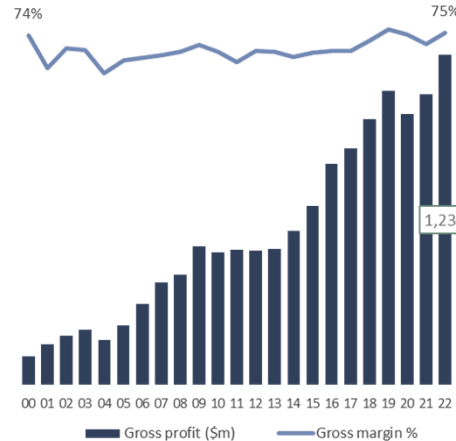
A stronger organisation

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

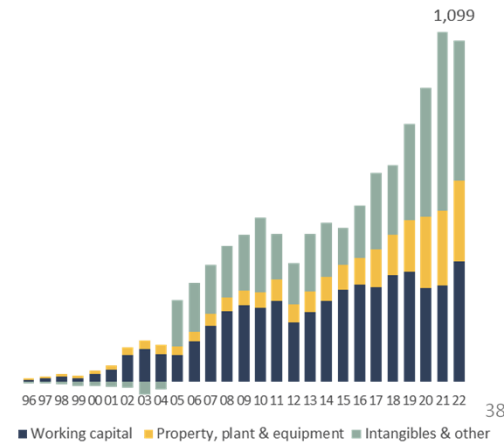
Disciplined use of capital



Stable gross margin



Capital employed



* Excluding one-off and non-recurring items

Our strategy

Deliver consistent revenue and earnings growth

Strong financial position

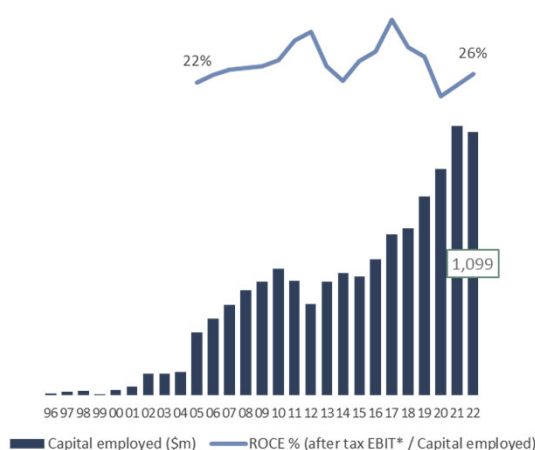
Growth opportunity

Strategic priorities

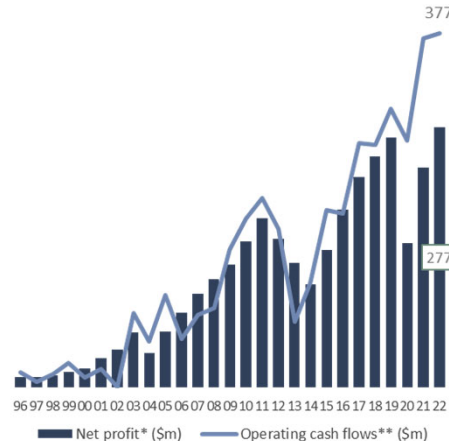
A stronger organisation

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.

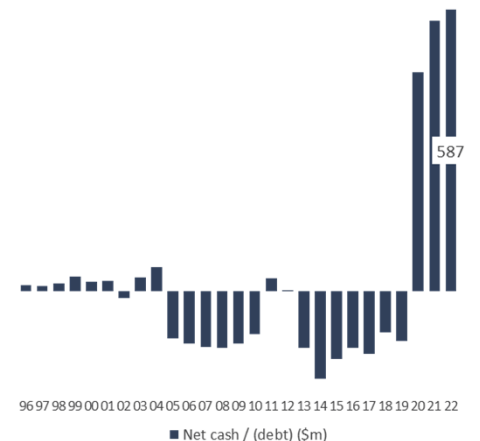
High return on capital employed (ROCE)



Quality operating cash flows



Conservative gearing levels



* Excluding one-off and non-recurring items

Our strategy

Growth opportunity

Strategic priorities

A stronger organisation

A stronger organisation

The pillars that set the foundation for success



Shaping our culture

Our people are our most valuable asset and are an engaged, capable, high-performing and diverse team. The way our people work together is a critical determinant of our success.



Creating value sustainably

We have a responsibility to be here to support a lifetime of hearing for the children, and adults, being implanted with our devices, which means we need to deliver sustainable financial growth. Sustainable business practices contribute to the creation of long-term value for all our stakeholders.



Being agile and efficient

We are investing in strengthening our business processes and IT platforms to improve efficiency and agility. Successfully executing this transformation program will enable us to scale more effectively and provide even better solutions for our customers.

Our strategy

A stronger organisation

What we are doing

Growth opportunity

Strategic priorities

A stronger organisation

To be successful over the long term, our organisation needs to be strong, agile and sustainable to enable us to execute our strategy, support our customers and deliver on our growth ambitions

Key focus areas:

Shaping our culture

- Learning and development to facilitate innovation
- Talent attraction and retention
- Strengthen and nurture the organisational culture
- Competitive, inclusive compensation and benefits to attract, motivate and retain talent
- Succession planning
- Embracing diversity in all forms

Creating value sustainably

- Target net-zero carbon emissions in our operations by 2030 and across our value chain by 2050
- Grow our contribution to the United Nations Sustainable Development Goals
- Maintain high levels of corporate governance

Being agile and efficient

- Successful implementation of cloud-based platforms
- Standardisation of processes across the business
- Establish and maintain strong governance structures for processes and platforms
- Achieve continuous improvement of processes to capture efficiencies in the years to come

Value
creation

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

Success means achieving the following outcomes for our stakeholders:

 <p>A healthier & more productive society</p>	 <p>Empowered customers</p>	 <p>A lifetime of hearing solutions</p>	 <p>Thriving people</p>	 <p>Sustained value</p>
<p>Payers and society more broadly</p> <ul style="list-style-type: none"> • Appropriate funding for a cost-effective intervention • Standard treatment pathway for implantable hearing devices for all age groups • Education and productivity opportunities for children and adults • Understanding of the link between good hearing and healthy ageing and the need to take action 	<p>Our customers</p> <p>Services that deliver:</p> <ul style="list-style-type: none"> • Convenience and confidence • Improving quality of life • Improving hearing outcomes • Positive customer experience • Reduced cost to serve for professional customers 	<p>Our customers</p> <p>Products that deliver:</p> <ul style="list-style-type: none"> • High quality and reliability • Improving hearing outcomes for both new and existing customers from next generation implants and sound processors • Improving quality of life • Expanded product indications 	<p>Our people</p> <ul style="list-style-type: none"> • Engaged, capable and high-performing employees • Diverse, equitable and inclusive workplace • Strong health, wellbeing and safety culture 	<p>Our shareholders</p> <p>Creating value sustainably</p> <ul style="list-style-type: none"> • Consistent financial performance • Disciplined capital management • Strong corporate governance • Ethical and sustainable supply chain <p>Advancing environmental responsibility</p> <ul style="list-style-type: none"> • Reduced carbon emissions • Smaller environmental impact

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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