

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.

For further information, please contact:

Analysts

Kristina Devon
Head of Investor Relations
Email: kdevon@cochlear.com
Ph: + 61 2 9611 6691

Media

Piers Shervington
Senior Manager Corporate Affairs
Email: pshervington@cochlear.com
Ph: +61 2 9425 5416



2017 Investor Day

4 May 2017

Chris Smith

CEO & President

Hear now. And always



Agenda		
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



Global Headquarters
Regional Office



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

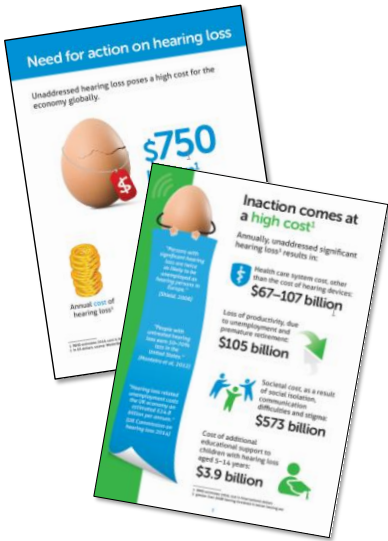
people who could benefit from a cochlear implant to treat severe to profound hearing loss.^{3,4}



<5%

Market penetration.⁵

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



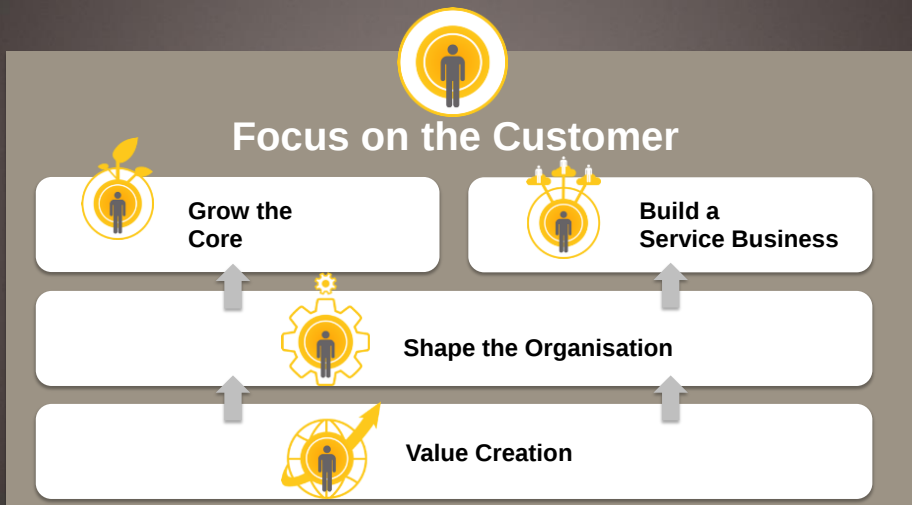
World Health Organisation (WHO) report¹ released in March 17...

- 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**





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

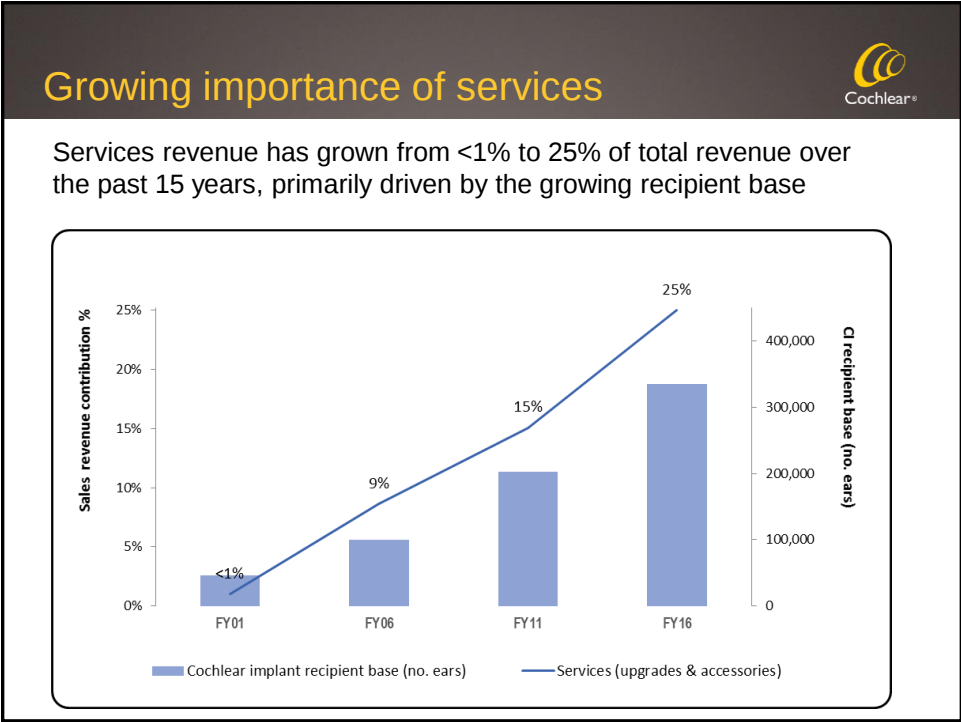




2. Build a Service Business

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







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



ReSound
rediscover hearing

FY17 Financial outlook



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



Hear now. And always

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

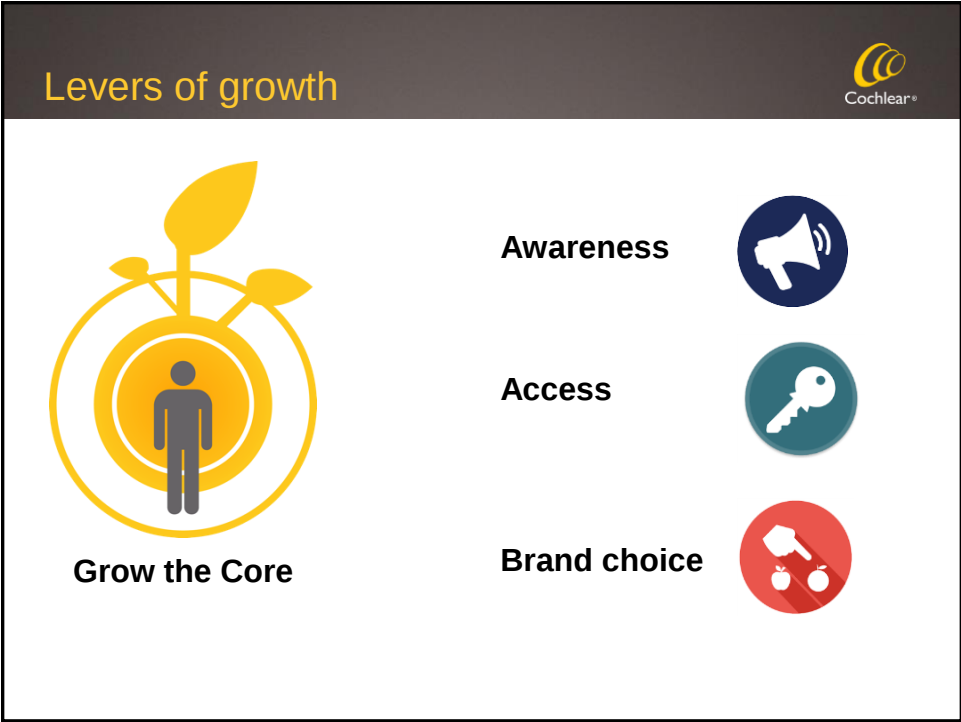
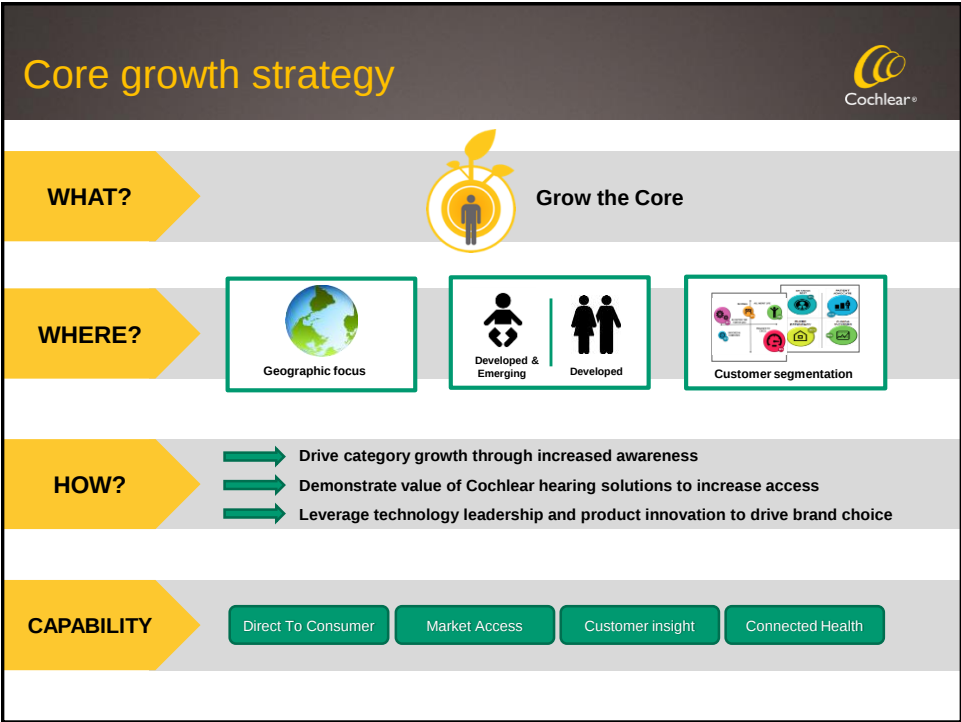
4 May 2017

Dean Phizacklea
SVP Global Marketing

Hear now. And always



Agenda		
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		



Levers of growth





Grow the Core

Awareness



Access



Brand choice



Lack of awareness is a barrier to growth



% Familiar with Cochlear Implants



General Population

<20%



Audiologists

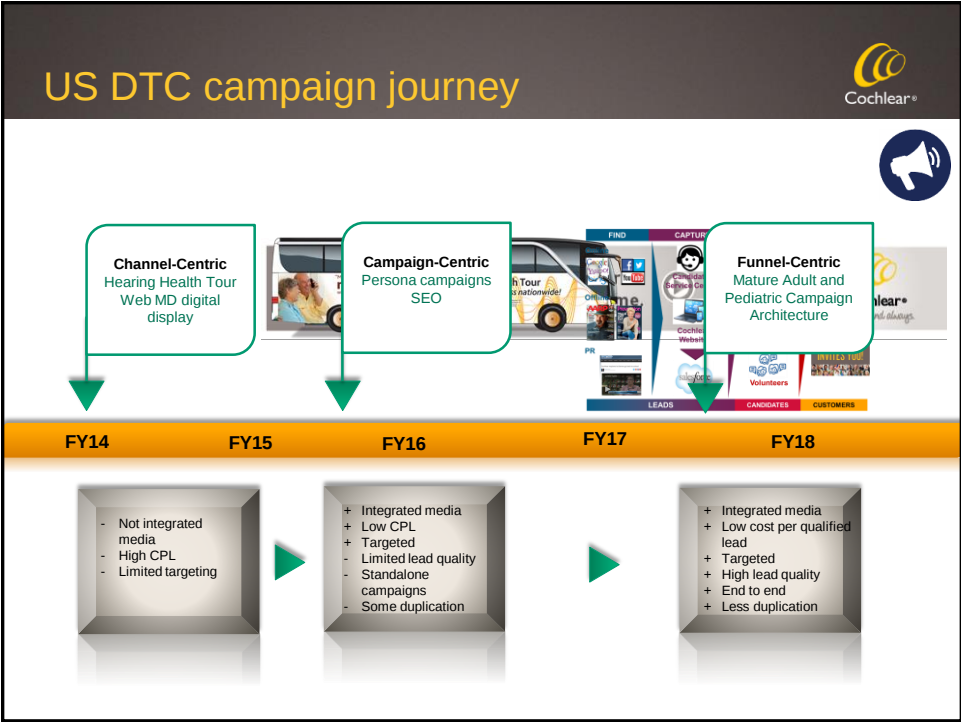
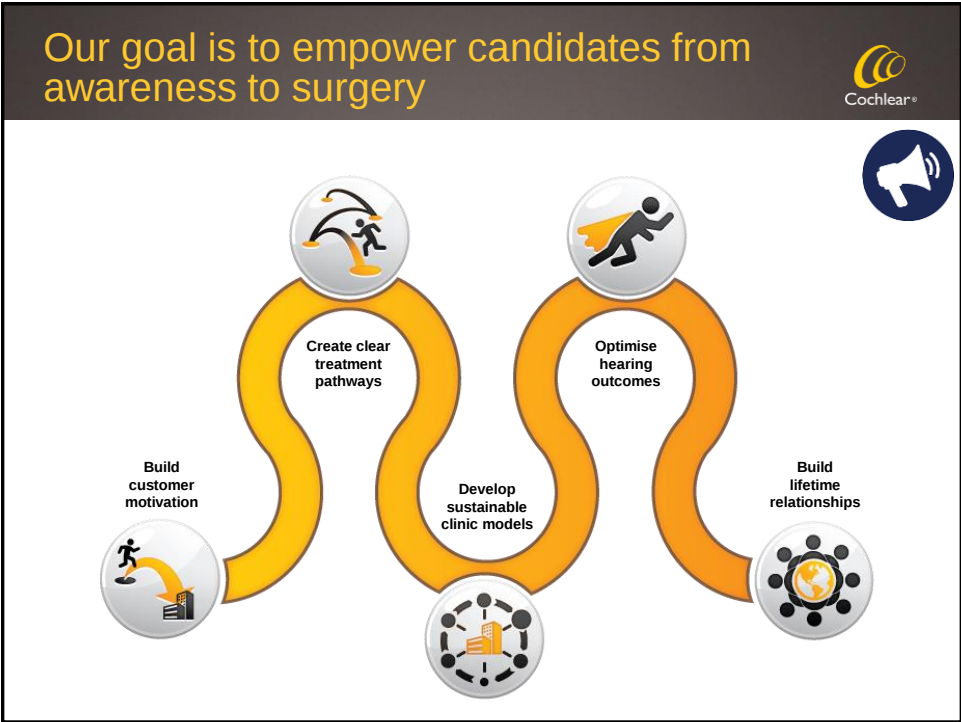
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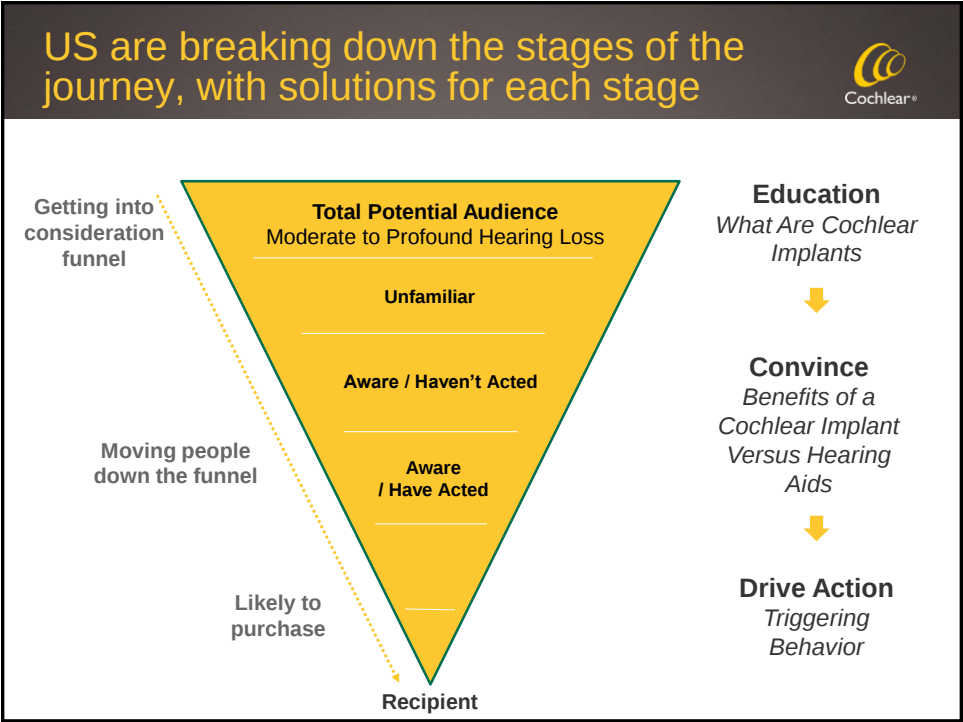
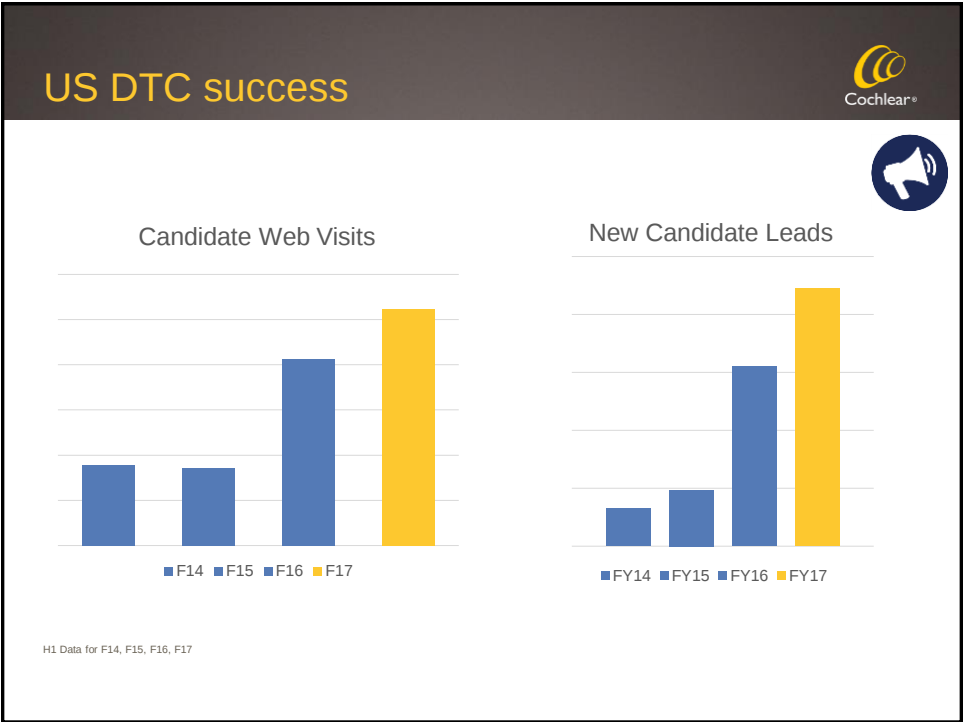


>50% of adults with a moderate to profound hearing loss are not familiar with Cochlear Implants.

1. Data on file, survey conducted by PSB 2014

Source: Cochlear global segmentation study, 2016



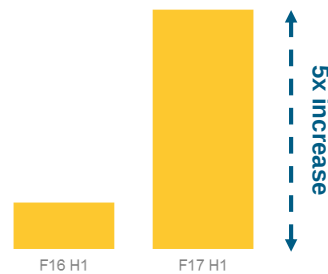


Cochlear is ramping up candidate engagement in other markets



- 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

New Candidates



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

RECLAIMING YOUR LIFE
When hearing aids are no longer enough

Frequently asked QUESTIONS

How much does a Cochlear implant cost?
For some people medical insurance or other forms of financial assistance will cover part or all of the cost of a Cochlear implant. This depends on your country's health care system. The implant centre staff may help you explore your options.

Can I take advantage of future advancements?
Yes. A common misconception is that choosing a Cochlear implant now will exclude you from future improvements. Rest assured, the more advanced implants and processors are designed to allow you to benefit from future upgrades, without the need for additional surgery. This is a primary consideration when researching solutions you will need to live with for years to come.

Am I too old for a Cochlear implant?
Age should not prevent you from considering a cochlear implant. Children as young as 12 months and seniors well beyond 80 years can be candidates for a cochlear implant. In fact the oldest Cochlear implant recipient was 103 years old when he was implanted.

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



Carol Rigby with husband Simon and sons Adam (left) and Zach (right)

Let's find
:) THE HAPPIEST SOUND
IN THE WORLD
to raise awareness about hearing health

让我们发现
:) 世界上最幸福的声音
提高听力健康意识

Levers of growth





Grow the Core

Awareness



Access



Brand choice



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





STRUCTURE

Virtual Market Access Network



SKILLS / KNOWLEDGE



Health Economics

Provides the economic value proposition for engagement with budget holders



Clinical data

Provides the content for engagement with HTAs and budget holders



Stakeholder engagement

Builds influential relationships

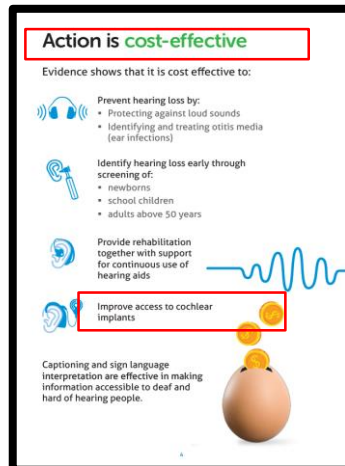


Negotiations

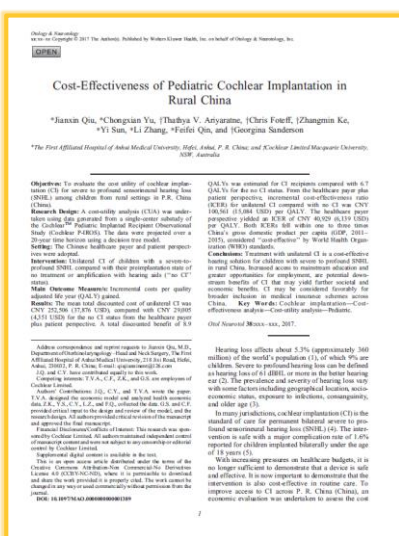
Secures market access through win-win propositions

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**World Health
Organization**



- Broadening candidacy criteria
- Bilateral implants in Adults
- Hybrid indication



Levers of growth





Grow the Core

Awareness



Access

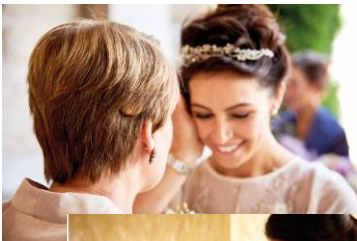


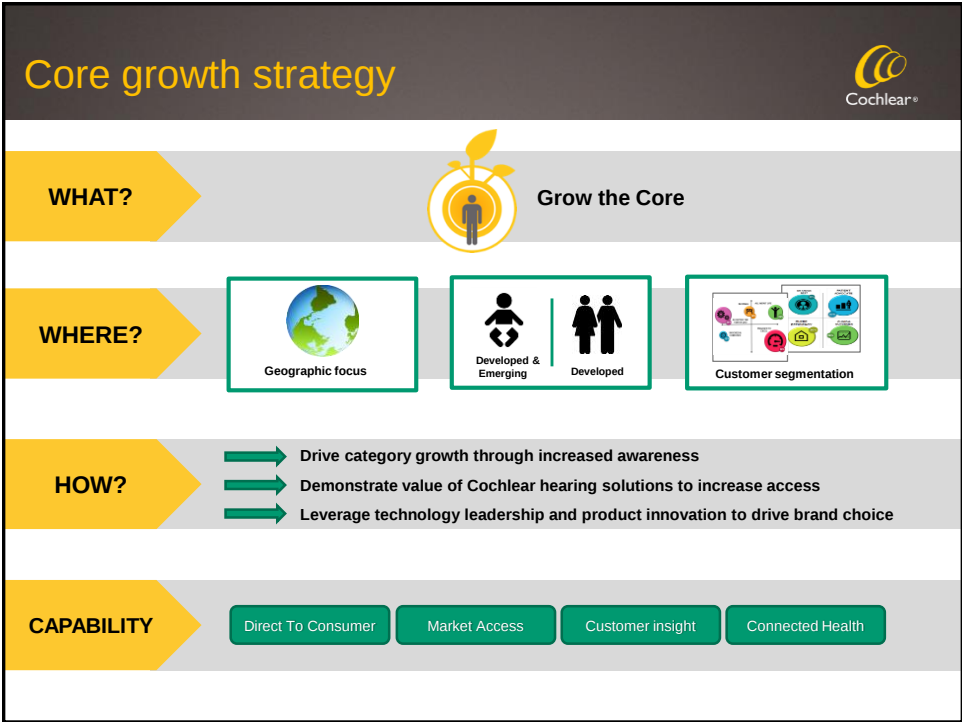
Brand choice



An consumer centric product portfolio that allows personal choice







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Stu Sayers
President, Services

Hear now. And always

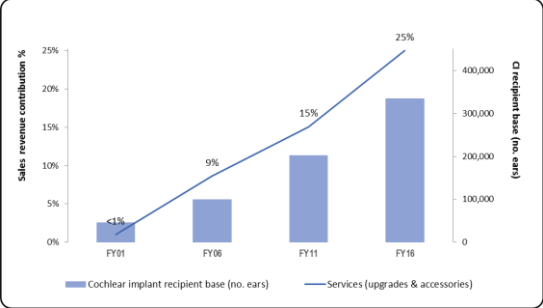


Growing importance of Services

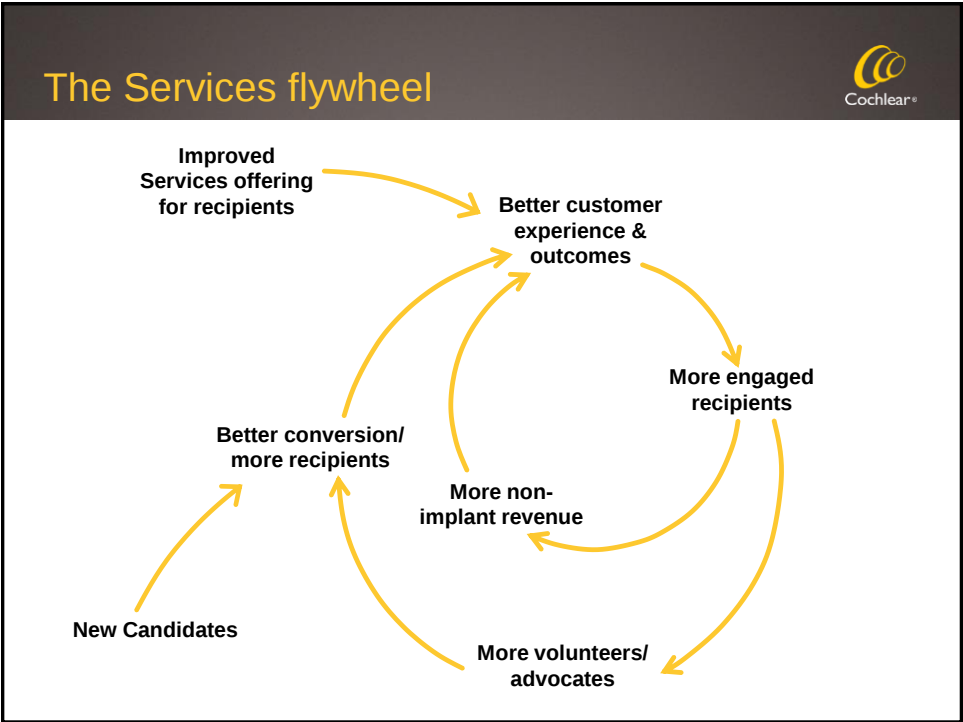


Hear now. And always

- 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



Fiscal Year	Cochlear implant recipient base (no. ears)	Services (upgrades & accessories) revenue contribution %
FY01	<50,000	<1%
FY06	~100,000	9%
FY11	~200,000	15%
FY16	~450,000	25%



Our north star

Love

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

Money

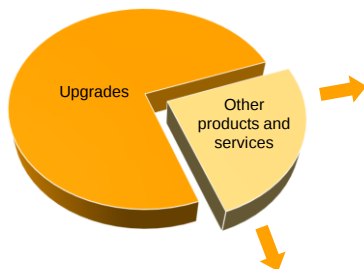
- \$/ear
- Greater sell-through of offerings
- Faster upgrading



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

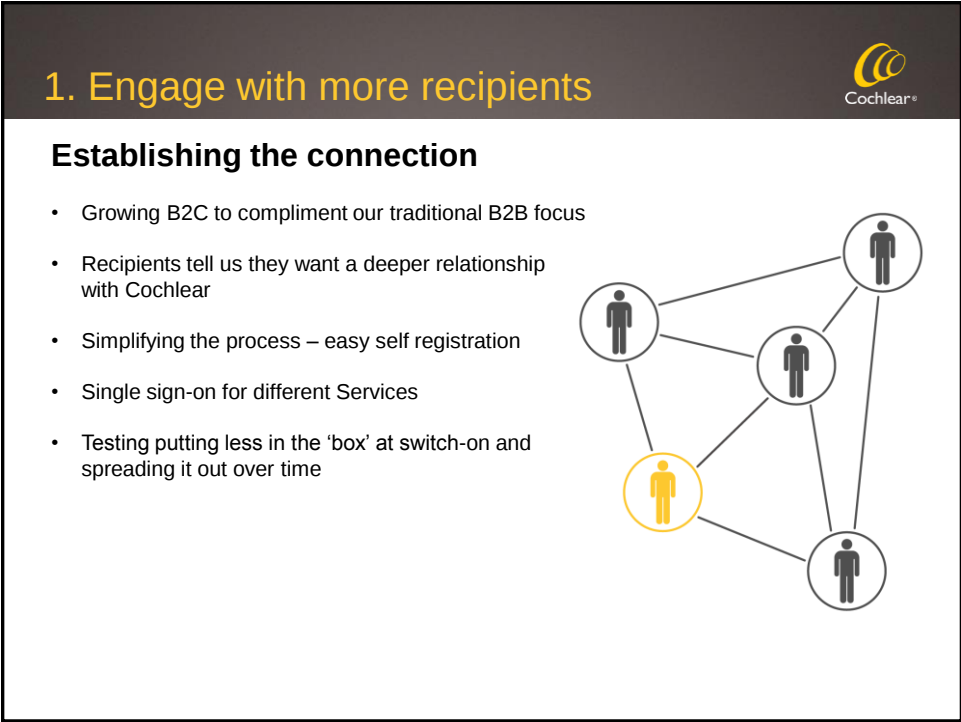
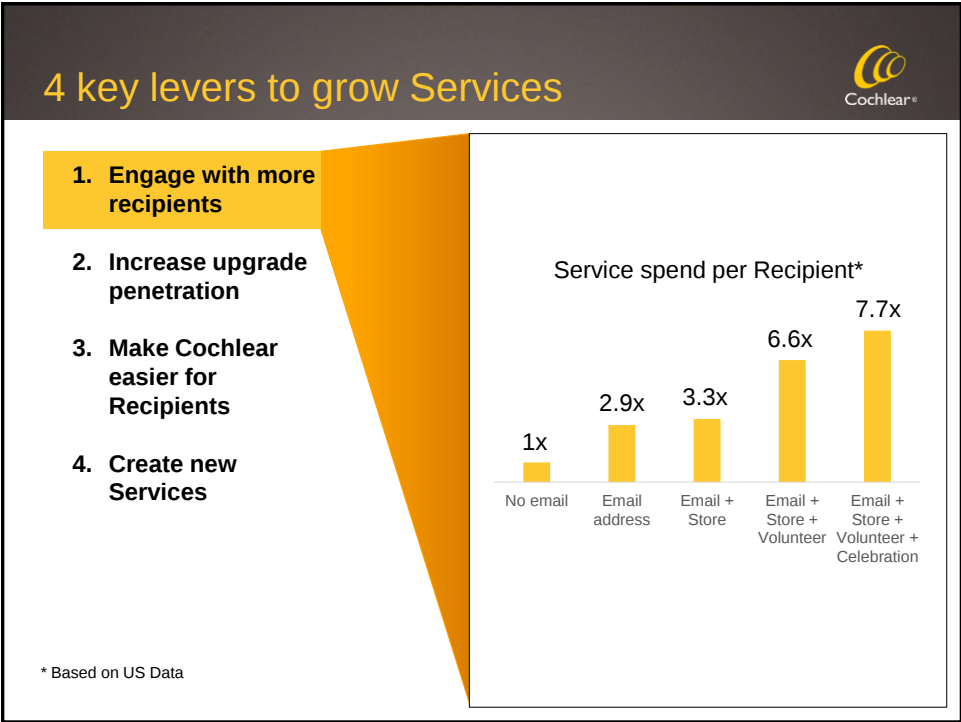
- Reduce the need to visit the clinic
- Increase the chances I can solve the problem myself
- Faster support and/or repairs
- Make it easier to get help when I need it
- I don't like using the phone



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





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

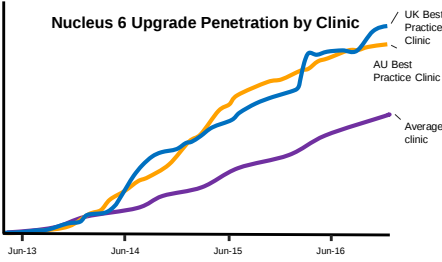
4. Create new Services

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



Time Period	UK Best Practice Clinic	AU Best Practice Clinic	Average clinic
Jun-13	~5%	~5%	~5%
Jun-14	~15%	~15%	~10%
Jun-15	~35%	~35%	~20%
Jun-16	~45%	~45%	~30%

5

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



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



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



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



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



Hear now. And always

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Jan Janssen
SVP Design & Development

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Cochlear's mission



We help people hear and be heard.

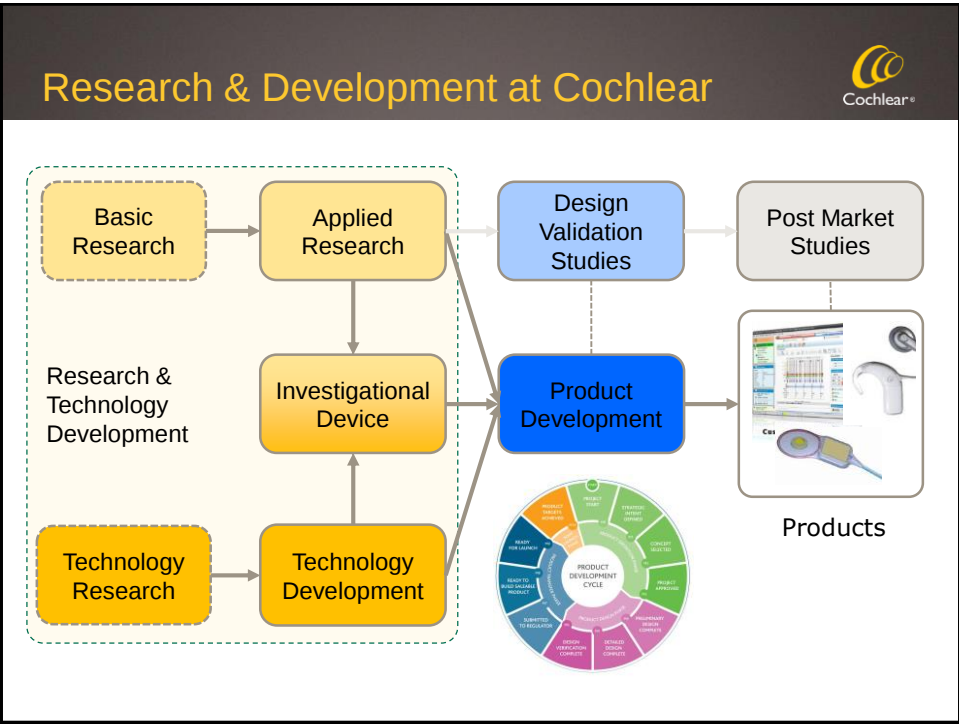
We **empower** people to connect with others and live a full life.

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.



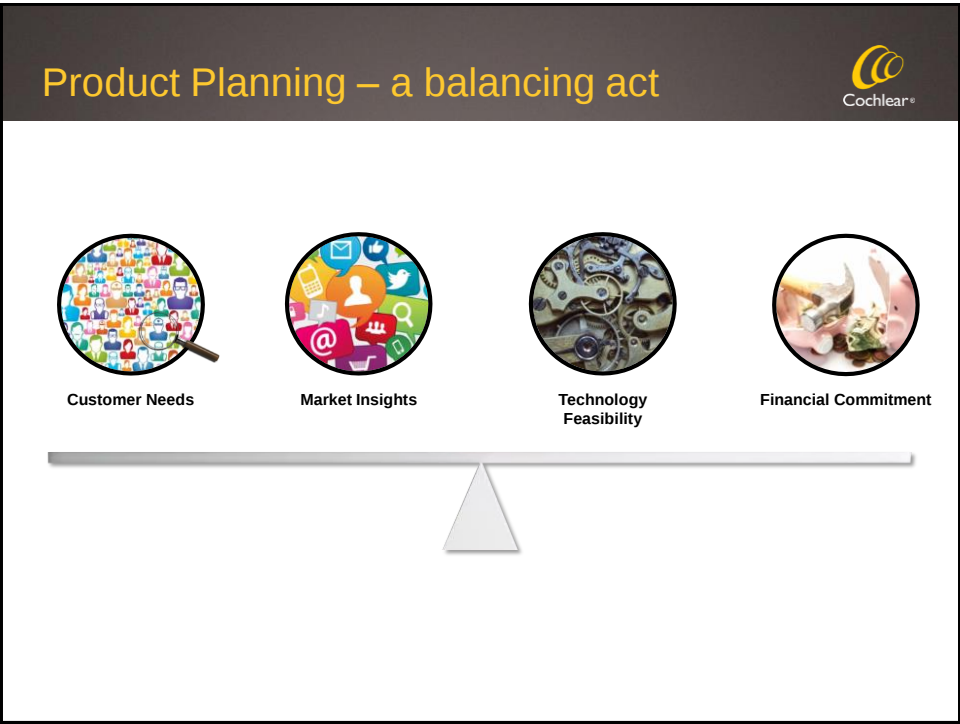
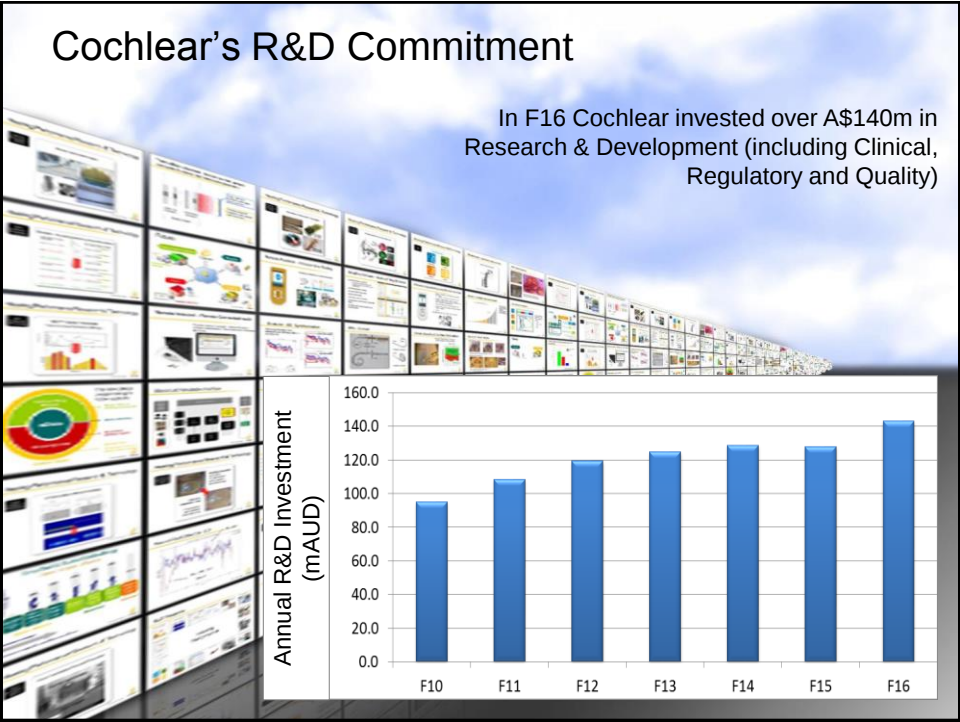
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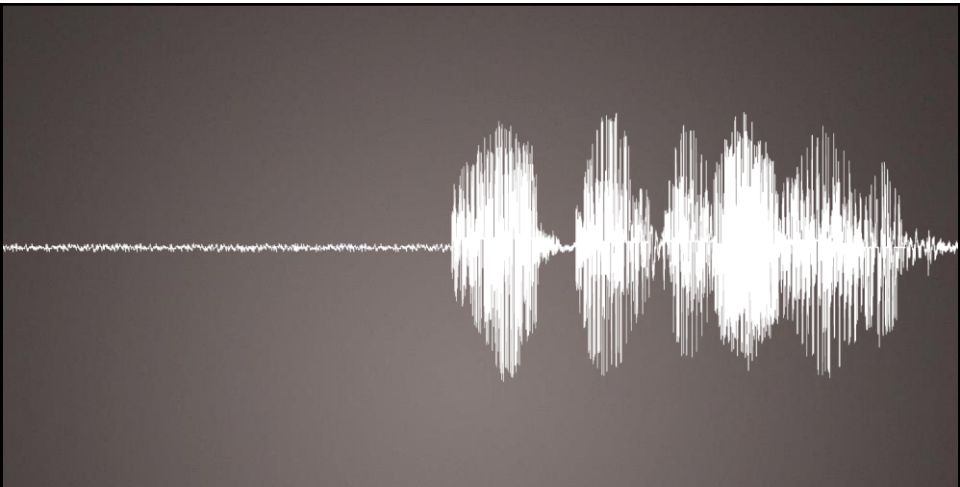


Global Innovation Network

- 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

A photograph of the Cochlear building at night, showing its modern architecture with large glass windows and illuminated interiors. The Cochlear logo is visible on the building's facade.





Cochlear Implant product update

Hear now. And always



State-of-the-Art Cochlear Implant portfolio





CI512 - Nucleus Profile with Contour Advance electrode



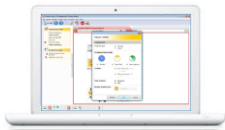
CP950 - OTE Sound Processor



CP920/910 - Nucleus 6 Sound Processors



N6 with Acoustic Component for Hybrid Hearing



Custom Sound



Nucleus Fitting Software



CI522 - Nucleus Profile with Slim Straight electrode



Slim Modiolar electrode CI532



Phone Clip



MiniMic 2



MiniMic 2+



TV Streamer



Cochlear Link



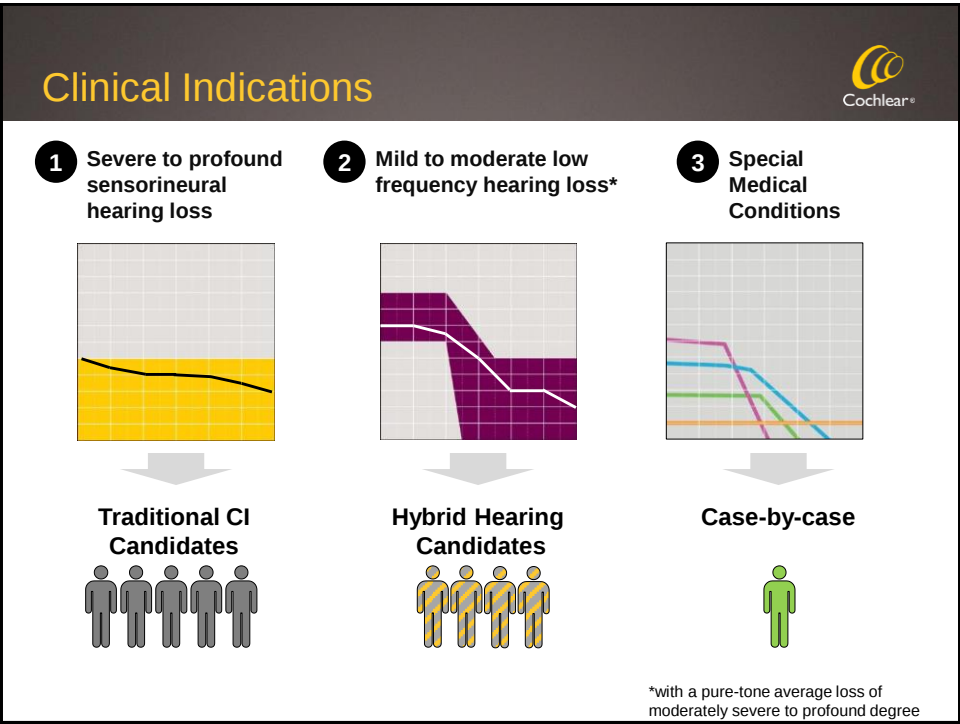
Nucleus 6 Remote Control

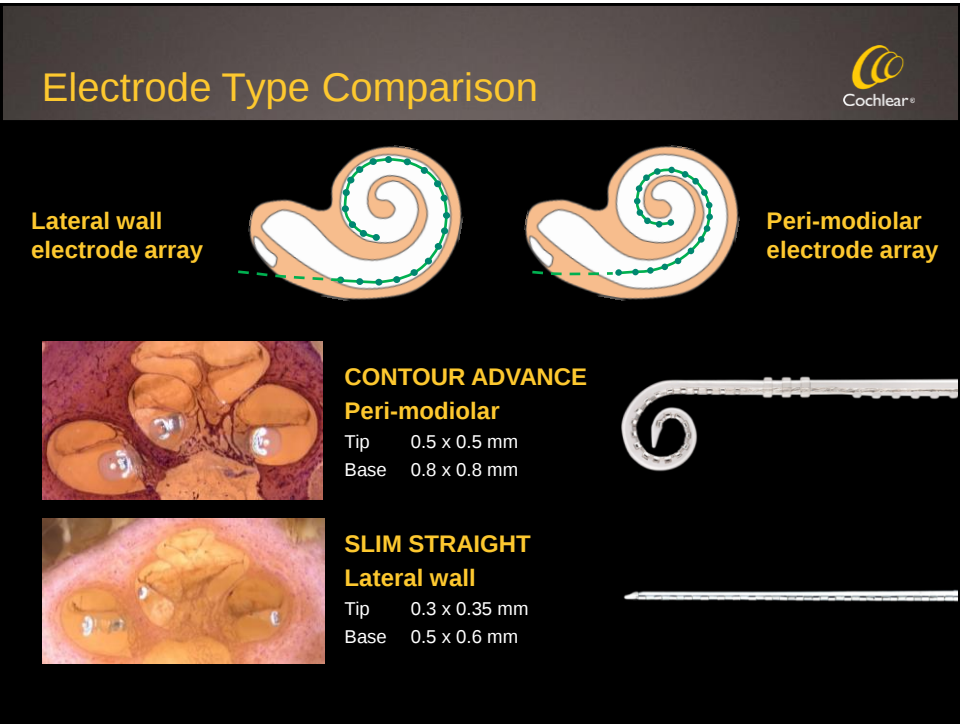
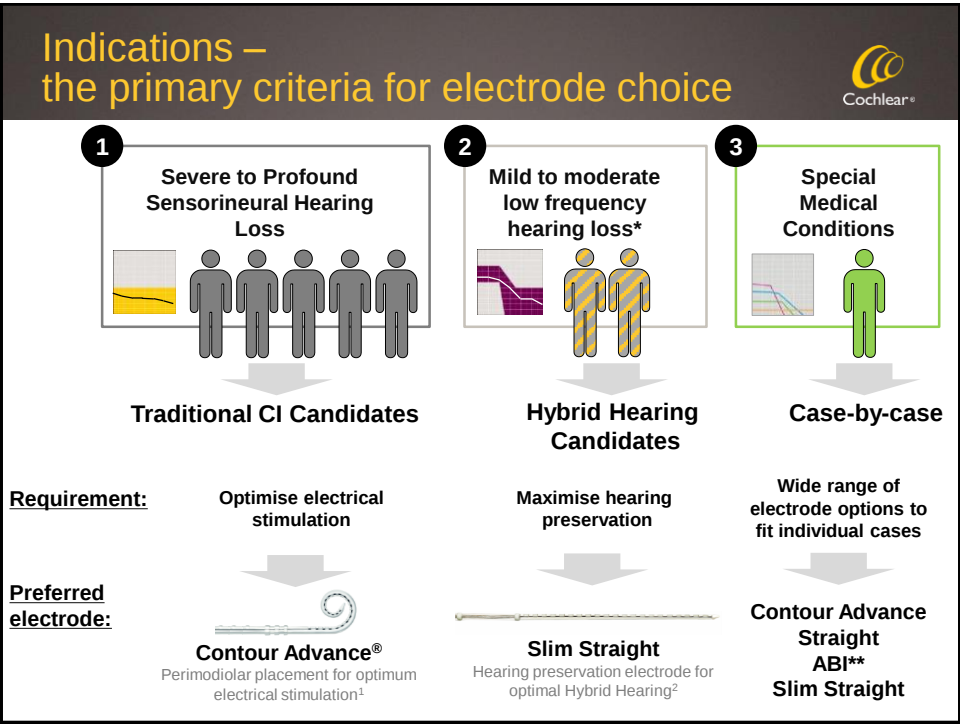


Aqua+ accessory



CR220 Intra-Op Assistant



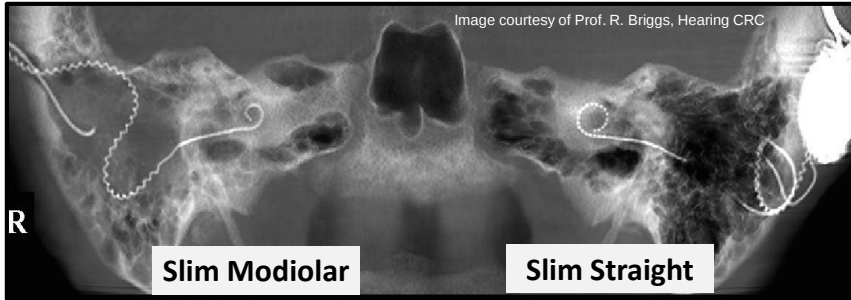
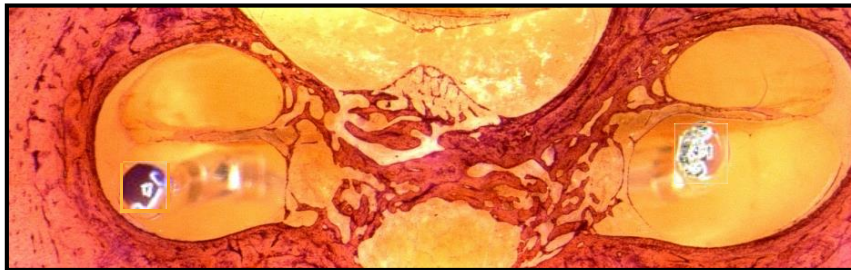


Slim Straight Electrode (CI422 / CI522)



Surface preparation insertion (robot controlled)
Courtesy Prof. William Gibson, Sydney

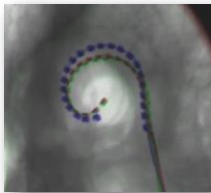
Slim Modiolar Electrode Array (CI532)



Nucleus Profile with Slim Modiolar electrode array – CI532



- 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



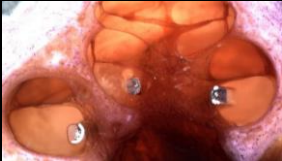
1st insertion Slim Modiolar

2nd insertion CA

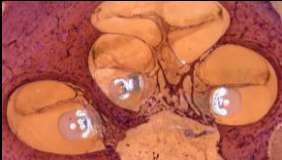
3rd insertion reloaded Slim Modiolar

Electrode Type Comparison





SLIM MODIOLAR
Tip 0.35 x 0.4 mm
Base 0.475 x 0.5 mm



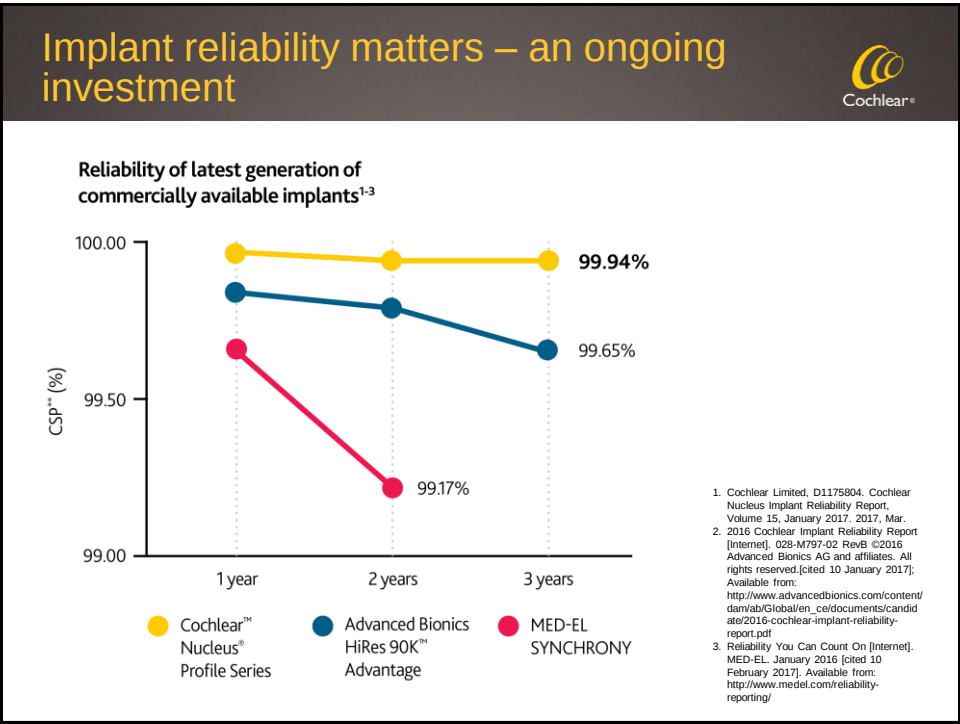
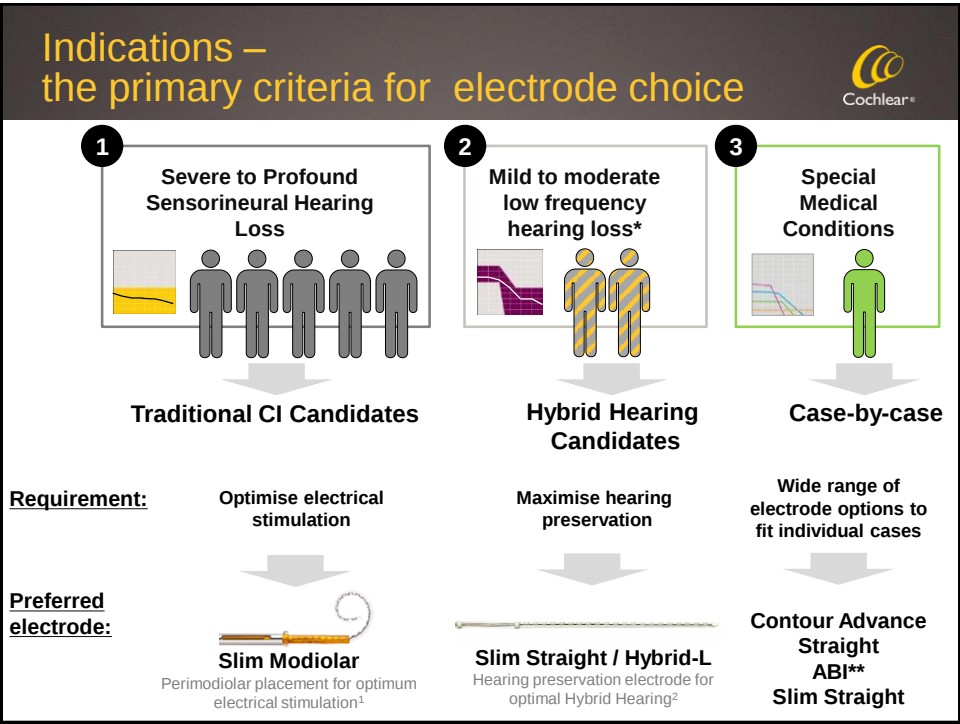
CONTOUR ADVANCE
Tip 0.5 x 0.5 mm
Base 0.8 x 0.8 mm



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



Data on file (Document 588021 & 415680)





KANSO™

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

Hear now. And always



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





Coil → Processor Unit → Acoustic Component (optional)

Battery Module

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

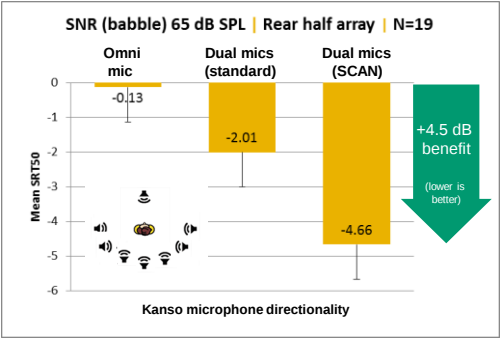


Kanso Off-The-Ear Sound Processor

Uncompromised hearing performance



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

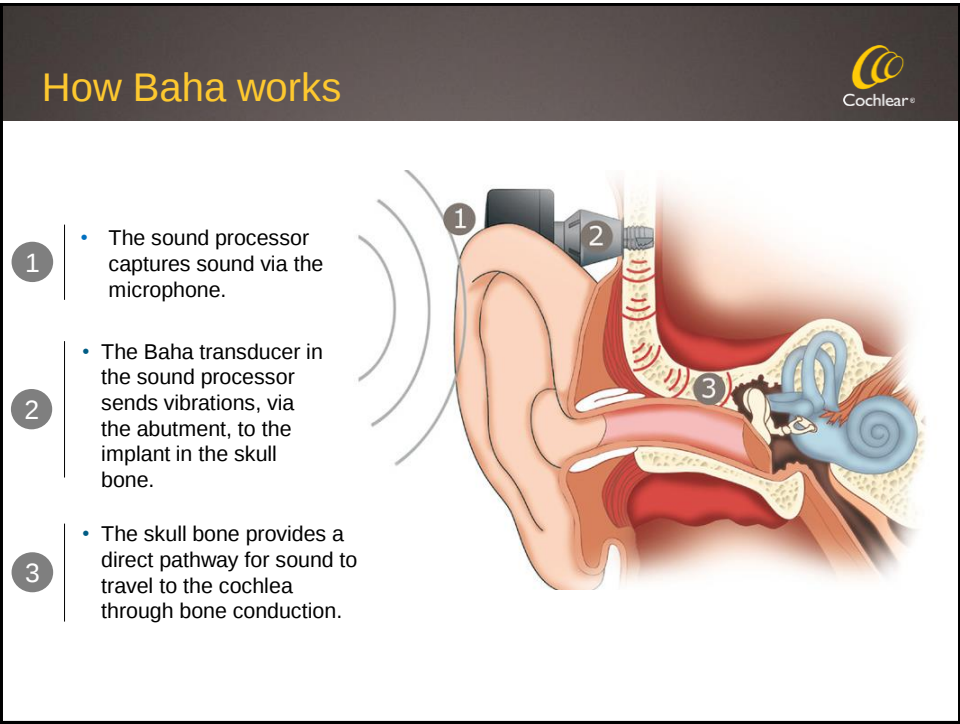
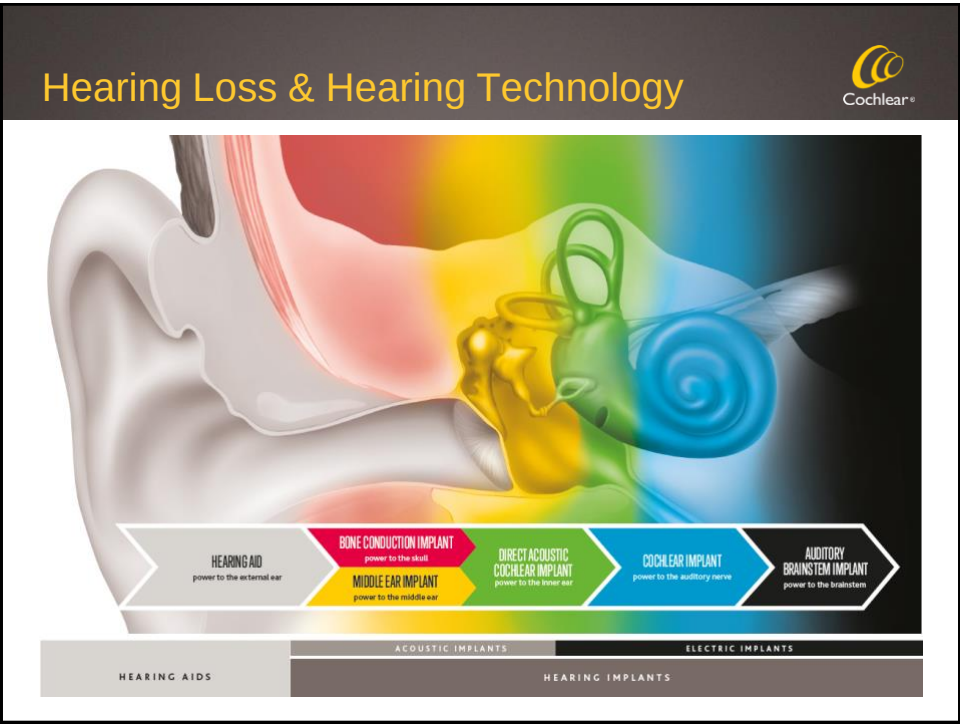


Delivering equivalent hearing outcomes compared to the Nucleus 6 Behind-The-Ear Sound Processor in quiet and in noise

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

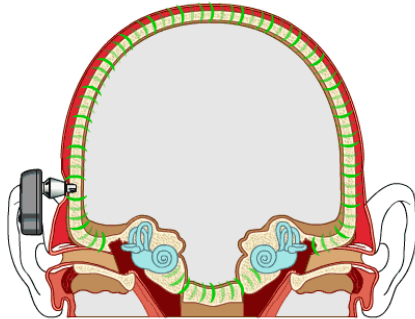
Hear now. And always



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



Bluetooth
SMART

Made for
iPhone

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 Power

NEW
Baha® 5 SuperPower

Baha® 5 Sound Processor



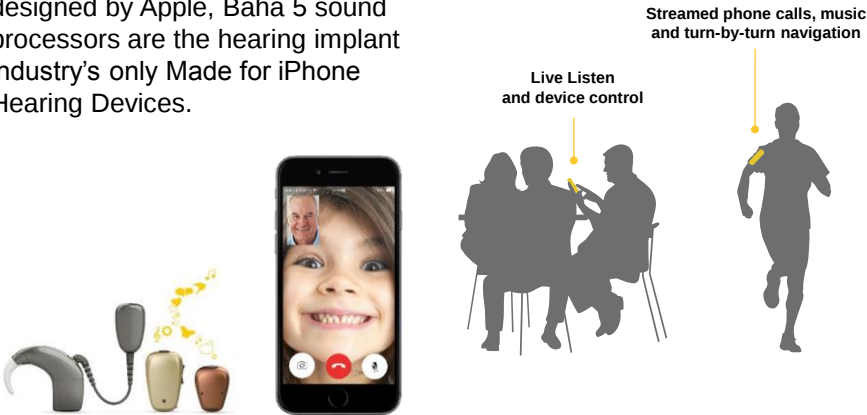


Direct-to-device smart connectivity

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





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.**









Future Technology Directions

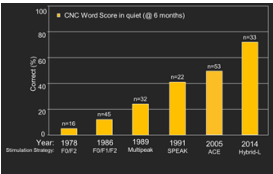
What is in the Cochlear R&D pipeline?

Hear now. And always



We have come a long way ...





Year	CMC Word Score in quiet (Q 6 months)
1978	10
1985	15
1989	25
1991	35
2005	45
2014	75



Improved Hearing in the real world



True Wireless Connectivity



Improved Lifestyle Sound Processors



Thin, atraumatic, hearing preservation electrodes



Nucleus Profile CSP
99.94 % @ 3 years !
3.9 mm

Thin & ultra-reliable implants

... and broadened the portfolio of Implantable Hearing Solutions ...



Bone Conduction Implants	Acoustic Implants	Cochlear Implants
 Baha 5 Sound Processor  Baha Connect System  Baha 5 Power Sound Processor  Baha 5 SuperPower Sound Processor  Baha Attract System	 Carina System	 Nucleus Profile Implant  Nucleus 6 Sound Processors  Nucleus 24 with Auditory Brainstem Electrode  Nucleus 24 Auditory Brainstem Electrode  Nucleus 6 Sound Processor  Nucleus 24 Sound Processor



Make Implantable Hearing Solutions “Standard of Care”

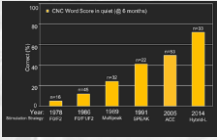




Future Focus Areas



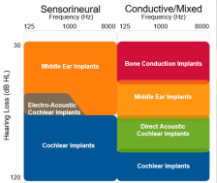
Hearing Outcomes



Lifestyle



Hearing Indications



Connected Care



Future Wireless Technology evolution

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

Bilateral Cochlear Implants

Bimodal True Wireless for Bimodal users

Cochlear™

ReSound
rediscover hearing

Extended lifestyle / wearing options

SMART



SIMPLE

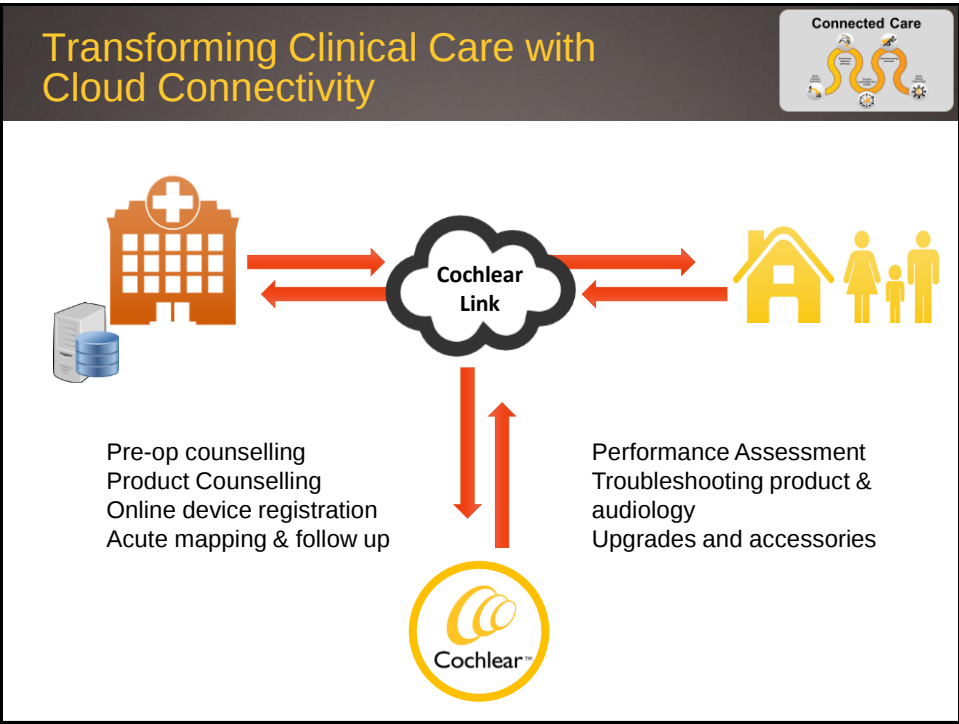


DISCREET



Lifestyle





Wireless clinic – Surgery

Connected Care





CONVENIENT
No equipment or PC setup required

FAST
No setup time and faster measures

SIMPLE
One button diagnostics

CR220
Wireless Intra-Op Assistant

Wireless clinic – Surgery & Audiology

Connected Care





CONVENIENT
No equipment or PC setup required

FAST
No setup time and faster measures

SIMPLE
One button diagnostics

CR220
Wireless Intra-Op Assistant



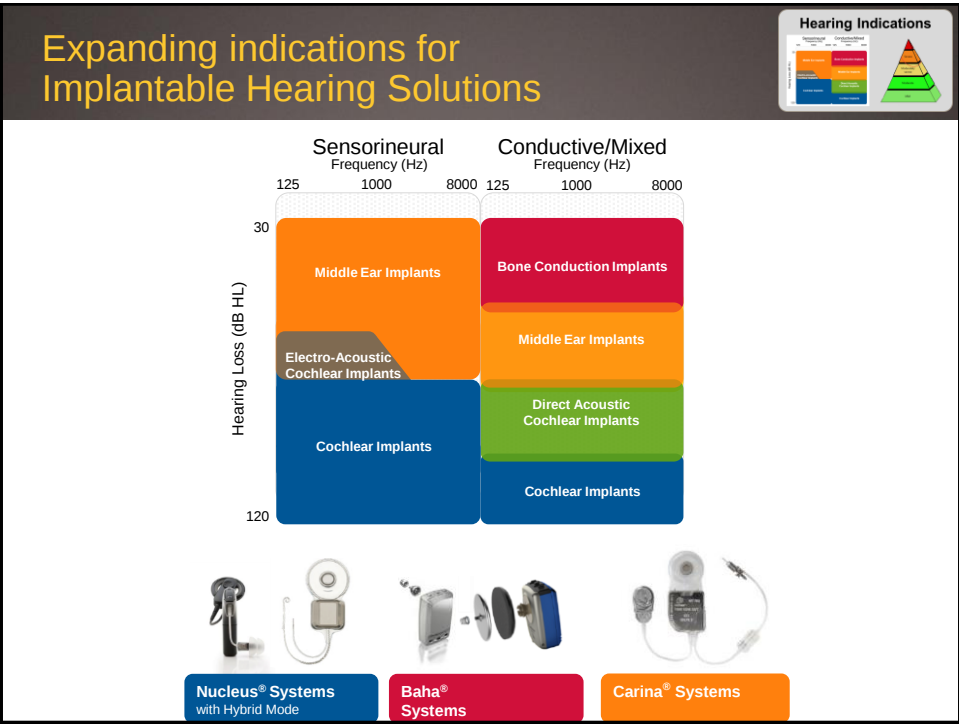
NFS Touch



Bluetooth

Wireless programming over Bluetooth





Conclusion

Cochlear®

- 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



Hear now. And always

Disclaimer



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2017 Investor Day Cochlear Latin America

Chris Bertrand
Presidenté Cochlear Latinoamérica
4 May 2017

Hear now. And always



Latin America



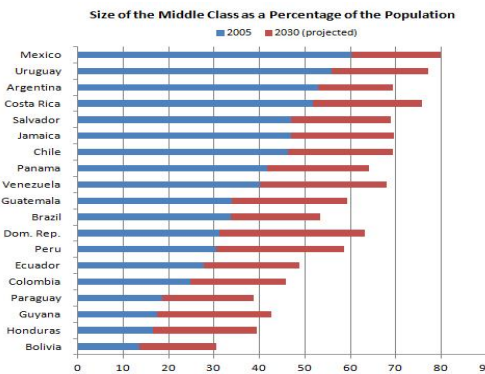

Cochlear Latin America is not a commodity market!

- 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




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



- 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



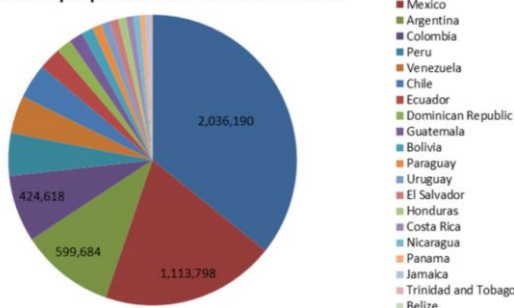
Sources:
 1) World Bank
 2) <http://shannononeil.com/blog/measuring-the-global-middle-class/>
 3) More Latin Americans Are Middle Class Than Poor 04/30/2014, World Bank Group, Jim Yong Kim.
 4) World Economic Forum on Latin America 2015, Riviera Maya, Mexico 06 - 08 May 2015
 5) Prospects for Latin America's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

Severe to profound hearing loss in Latin America



- 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

Number of people with S&P HL - Latin America



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

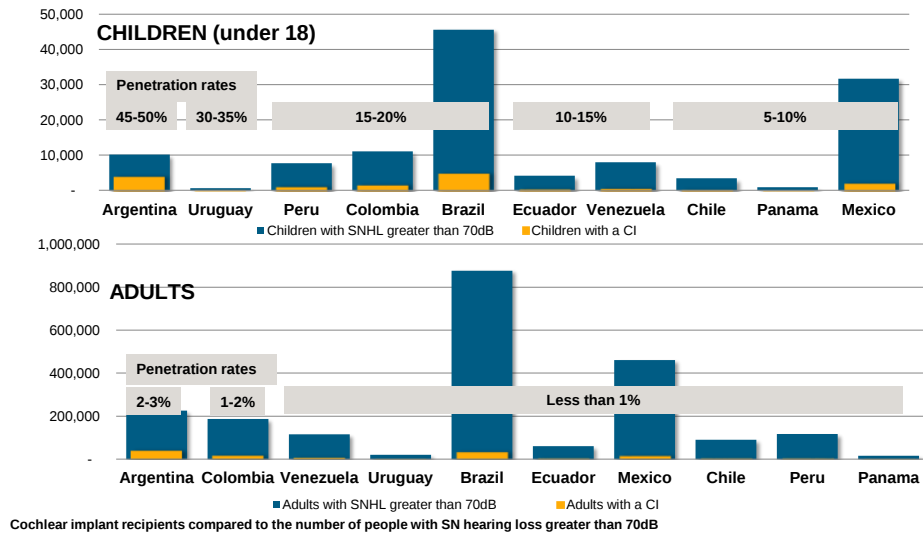


Source: World Health Organisation, prevention of blindness and deafness (<http://www.who.int/pbd/deafness/en>)

CI penetration in Latin America



- CI penetration remains a largely untapped opportunity



Cochlear 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



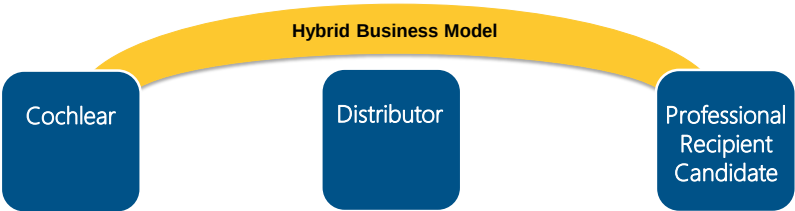
PANAMA PACIFICO
Special Economic Area



“Hybrid Business” field sales model



- 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



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

CI & Baha	Argentina		Brazil		Colombia		Mexico	
	Public	Private	Public	Private	Public	Private	Public	Private
Adults	Green		Green		Green		Red	
Children							Yellow	
Accessories	Green		Yellow		Green		Red	
Upgrades	Green		Yellow		Green		Red	
Bilateral	Green		Yellow		Green		Red	
Baha	Green		Yellow		Green		Red	

Public = NHS
Private = Insurance, HMO or Union

Covered in practice Green Recent coverage expansion Yellow No Reimbursement Red

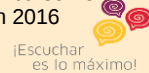
Expanding reimbursement



- 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)



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



PARECER TÉCNICO N° 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)



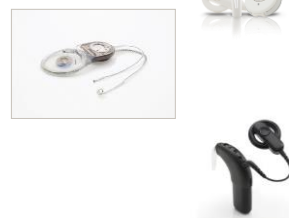
High-end technology

- Freedom implant and High-end processor (CP800)



Standard

- Freedom implant and Standard processor (CP802)



"Cochlear Day" growth initiative



- Gatherings of 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

**INTERESSADO EM IMPLANTE AUDITIVO?
VOCÊ ESTÁ CONVOCADO!**

COCHLEAR SPORTS CLUB APRESENTA

1ª TAÇA COCHLEAR DE FUTEBOL

21.07.2016 das 17 às 22h

**Belém • Curitiba • Fortaleza
Natal • Recife**

Participe do evento esportivo mais sonoro do Brasil

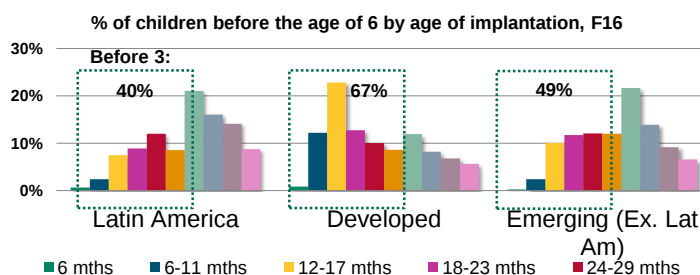
Juninho Paulista
Former National Team Player

Emerson Leão
Former Coach National Team

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



Muchas Gracias!!!



Hear now. And always

Obrigado!!!

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