



Cochlear Limited 2019 Annual General Meeting

22 October 2019

Hear now. And always



Cochlear Limited 2019 Annual General Meeting

Rick Holliday-Smith Chairman

Hear now. And always



Board of directors



From left to right: Donal O'Dwyer, Abbas Hussain, Alison Deans, Andrew Denver, Rick Holliday-Smith (Chair), Dig Howitt (CEO & President), Yasmin Allen, Glen Boreham and Bruce Robinson

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China manufacturing facility - Chengdu



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Dig Howitt CEO & President

Hear now. And always



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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Strategic priorities



Retain market leadership

Market-leading technology | World-class customer experience



Grow the hearing implant market

Awareness | Market access | Clinical evidence



Deliver consistent revenue and earnings growth

Invest to grow | Operational improvement | Strong financial position

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Commitment to technology leadership



Retain
market
leadership

R&D investment strengthens our **market-leading technology** position

- Continued R&D investment at ~12% of revenue

- Product and service R&D spans:

- Implants & sound processors
- Sound coding
- Clinical & surgical tools

- Future focus:

- Hearing outcomes
- Hearing indications
- Lifestyle
- Connected care

Over \$1.9bn invested in
R&D since listing



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Market-leading product portfolio



Retain
market
leadership

Cochlear implants (88% of revenue)



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



Cochlear™ Nucleus®
Kanso® Sound
Processor (CP950)



Cochlear™ Nucleus® 7
Sound Processor
(CP1000)



Cochlear™ Nucleus®
Smart App

Bone conduction implants

Acoustics (12% of revenue)



Cochlear™ Baha® 5, Baha 5
Power and Baha 5 SuperPower



Cochlear™ Baha®
SoundArc



Cochlear™ Baha®
Smart App

Acoustic implants



Cochlear™ Carina®
System

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Strategies to improve awareness and access vary by segment



Grow the
hearing
implant
market



Adults and seniors
Developed markets

Current penetration*: 3%

Increase penetration



Children
Developed markets

Current penetration*: 60%

Grow share



Children
Emerging markets

Current penetration*: 10%

Increase penetration,
funding and affordability

* Estimate based on information available to Cochlear

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The goal for the adults & seniors segment is to build a clear and consistent referral path



Increase penetration in adults & seniors

Candidate

Goal: Motivated to treat hearing loss with the best available solution

Initiatives:
- DTC



Non-CI professional

Goal: Understands the indications for cochlear implant candidacy and when to refer

Initiatives:
- CPN, Sytle
- Standard of care



CI professional

Goal: Counsels objectively and services efficiently

Initiatives:
- Standard of care



Payer

Goal: Understands the value of treating severe to profound hearing loss and the value and effectiveness of CI relative to alternatives

Initiatives:
- Market access
- Standard of care



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Quality of life improvements



Increase penetration in adults & seniors

>10x improvement in satisfaction with hearing performance with cochlear implants over hearing aids*

		Bilateral Hearing Aids (Appropriately fit HAs)		Smart Bimodal (Nucleus CI + Resound HA)
	HEARING PERFORMANCE <i>Satisfied or Very Satisfied</i>	9%	→	95%
	Ability to understand what is said on TV	13%	→	76%
	Ability to understand conversations in a small group	8%	→	79%
	Hearing performance in background noise	2%	→	58%
	Ability to listen to and appreciate music	13%	→	68%
	Ability to understand people on the phone	6%	→	71%

* Clinical Evaluation of the Cochlear Nucleus CI532 Cochlear Implants in Adults. 2019 Jan; Data on file.

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Children – Developed markets



Grow share

Cochlear implants have been established as the standard of care for newborns across many developed markets

Key priorities:

- Deeper penetration in some markets – US, France and Japan
- Increased rate of bilateral implantation
- Strengthen the treatment pathway for acquired or progressive hearing loss in older children

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Children – Emerging markets



Increase
penetration,
funding and
affordability

Long term growth potential as wealth increases

Key priorities:

- Building awareness – public education campaigns, direct-to-consumer marketing and hearing screening
- Expanding funding – driven by the compelling health economics of implantation in children
- Expanding our presence – distributor relationships combined with an expanding direct presence
- Developing professional capability – surgeon training and audiology education
- Maximising penetration through a tiered product offering

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Cochlear is investing operating cash flows to drive growth



Deliver consistent revenue and earnings growth

Investment priorities

Investing to grow

- Building awareness and access requires multi-year investment in sales, marketing and R&D activities
- Aim: invest to grow, maintaining the net profit margin

Delivering operational improvements

- Optimising cost of production strengthens our competitive position
- Aim: reinvest efficiency gains from growing scale in to market growth activities

Maintaining a strong financial position

- Strong cash flow generation funds investment in growth
- Aim: maintain the strong balance sheet position and continue to target a dividend payout of around 70% of net profit

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Revenue growth drivers



Deliver consistent revenue and earnings growth

Cochlear implants

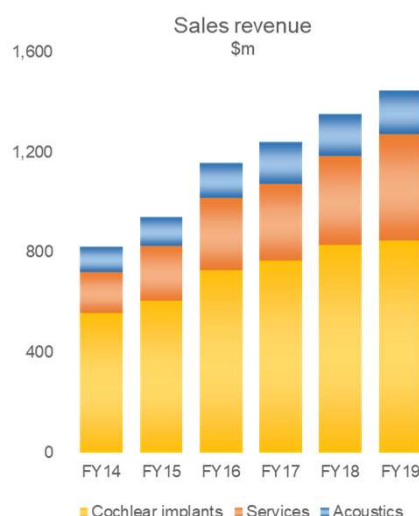
- Growing awareness and uptake by adults and seniors
- Emerging market expansion
- New products driving market growth and market share

Services

- Growing recipient base
- Greater connectivity and engagement with recipients
- Next generation sound processor upgrades

Acoustics

- New products
- Market expansion



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Jan Janssen Chief Technology Officer

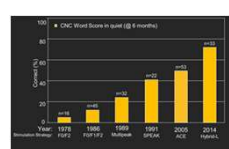
Hear now. And always



Innovation Focus areas



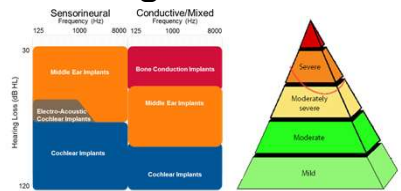
Hearing Outcomes



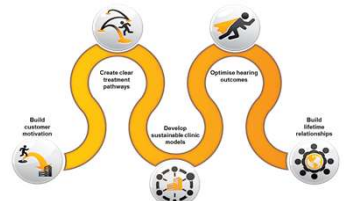

Lifestyle



Hearing Indications



Connected Care



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Cochlear Nucleus Profile Plus Series



Designed for simpler MRI

More convenient MRI scans at 1.5 and 3.0 Tesla without the need for magnet removal. No need to apply a bandage and splint for 1.5 and 3 T MRI scan

Our dedication to implant reliability

Built on Cochlear's unrivalled reliability record of the Profile Series Implant^{1,2,3}

The thinnest cochlear implant platform

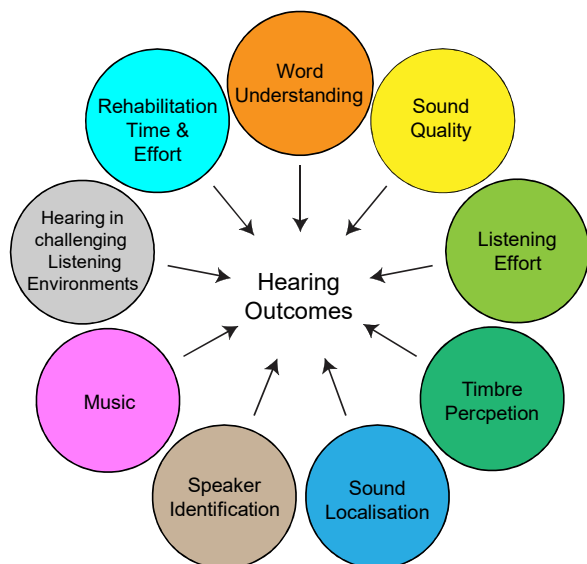
At only 3.9mm, it is the thinnest in the world⁴



1. Cochlear Limited. D1593476. Cochlear Nucleus Reliability Report, Volume 17 December 2018. 2019, Mar.
2. Hearing Implant Reliability Reporting | MED-EL [Internet]. Medel.com. 2019 [cited 7 March 2019]. Available from: <http://www.medel.com/hearing-solutions/cochlear-implants/reliability>
3. 2018 Global Implant Reliability Report. 027-N025-02 Rev B. Advanced Bionics AG and affiliates.; 2018.
4. Data on file

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Closing the gap ... Hearing outcomes



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Slim Modiolar (CI532) – Key features



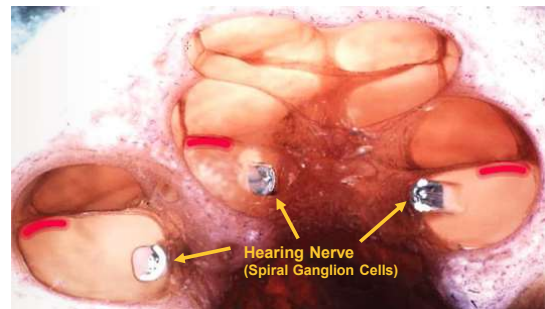
✓ CLOSE TO THE HEARING NERVE

✓ SCALA TYMPANI PLACEMENT

✓ PRESERVE PROTECT &

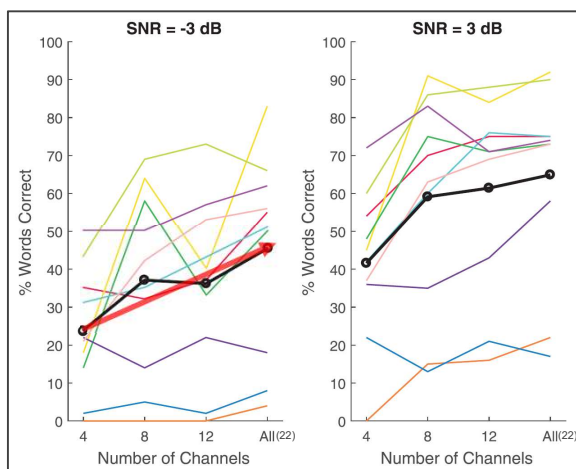
✓ SMOOTH AND EASY INSERTION

✓ RELOADABLE

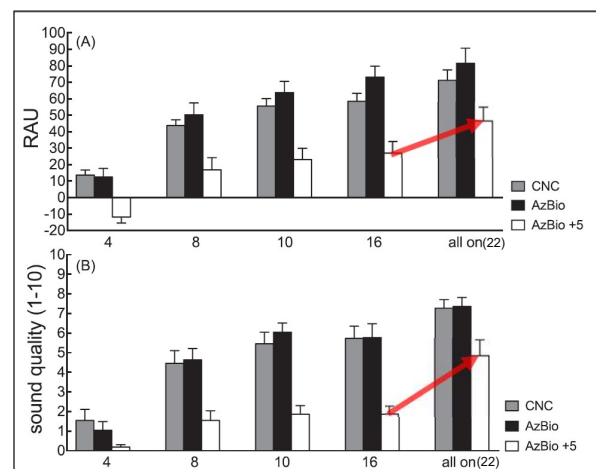


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Better hearing performance and sound quality with 22 electrodes



Coghran et al, JASA 2017(*)



Berg et al, JASA 2019(**)

* Croghan et al., Re-examining the relationship b/w number of cochlear implant channels and maximal speech intelligibility, Journal of the Acoustical Society of America, December 2017
 ** Berg et al. Speech recognition as a function of the number of channels in perimodiolar electrode recipients, Journal of the Acoustical Society of America, March 2019

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Nucleus 7 Sound Processor: Binaural Audio Streaming – via Phone Clip with Android



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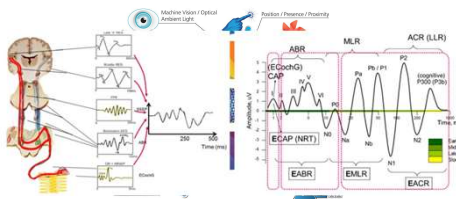
Technology trends moving into clinical care for hearing implants



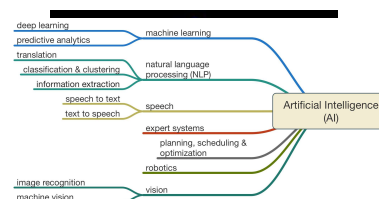
Wireless Technology



Cloud Connectivity



Sensory Objectives of Things



Artificial Intelligence

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Remote Check (pilots in UK, Germany, NZ)



- **About Remote Check:**

- Convenient, at-home testing tool for Nucleus® 7 Sound Processor
- Patient completes hearing tests at home using their mobile device
- Test results & data logs automatically sent to clinician
- Clinician reviews results and determine if in-person visit is required



- **With Remote Check, hearing professionals can:**

- Reduce burden of clinic visits for patients who are on track
- Spend more quality time with patients who have complex needs
- See more patients who are waiting for an initial candidacy assessment

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Osia Clinical Research Device



- Unique piezoelectric transducer chosen for its suitability for active hearing implant application
- 55 dB fitting range
- Flat profile transducer – minimal invasive
- Digital sound quality
- No magnetic material in transducer

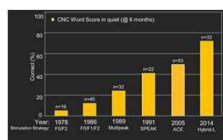


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Innovation Focus areas



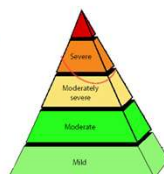
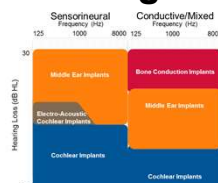
Hearing Outcomes



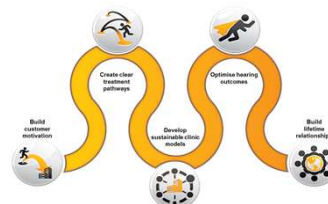
Lifestyle



Hearing Indications



Connected Care



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2019 Annual General Meeting

Rick Holliday-Smith Chairman

Hear now. And always



Resolution 1.1



Financial and other reports

To receive and consider the Company's Financial report, the Directors' report and the Auditor's report in respect of the financial year ended 30 June 2019 and to consider and, if thought fit, to pass the following resolution:

- 1.1 "THAT the Company's Financial report, the Directors' report and the Auditor's report in respect of the financial year ended 30 June 2019 be received."

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Resolution 1.1



Financial and other reports

Proxies and direct votes have been received in respect of this resolution as follows:

	No. of shares	%
For	38,886,370	99.2
Undirected	262,327	0.7
Against	53,980	0.1

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Resolution 2.1



Remuneration Report

To consider and, if thought fit, to pass the following non-binding resolution:

- 2.1 “THAT the Company’s Remuneration report in respect of the financial year ended 30 June 2019 be adopted.”

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Resolution 2.1



Remuneration Report

Proxies and direct votes have been received in respect of this resolution as follows:

	No. of shares	%
For	38,240,530	95.5
Undirected	260,481	0.6
Against	1,541,404	3.9

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Resolution 3.1



Re-election of directors – Yasmin Allen

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

- 3.1 “THAT Mrs Yasmin Allen, being a director who is retiring in accordance with the Company’s Constitution and who, being eligible, offers herself for re-election as a director of the Company, be re-elected as a director of the Company.”



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Resolution 3.1



Re-election of directors – Yasmin Allen

Proxies and direct votes have been received in respect of this resolution as follows:

	No. of shares	%
For	36,794,470	92.2
Undirected	260,398	0.6
Against	2,871,860	7.2

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Resolution 3.2



Re-election of directors – Donal O'Dwyer

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

- 3.2 “THAT Mr Donal O'Dwyer, being a director who is retiring in accordance with the Company's Constitution and who, being eligible, offers himself for re-election as a director of the Company, be re-elected as a director of the Company.”



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Resolution 3.2



Re-election of directors – Donal O'Dwyer

Proxies and direct votes have been received in respect of this resolution as follows:

	No. of shares	%
For	34,802,193	87.0
Undirected	260,798	0.7
Against	4,923,391	12.3

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Resolution 3.3



Re-election of directors – Abbas Hussain

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

- 3.3 “THAT Mr Abbas Hussain, being a director who is retiring in accordance with the Company’s Constitution (this being the first Annual General Meeting of the Company since his appointment by the directors) and who, being eligible, offers himself for re-election as a director of the Company, be re-elected as a director of the Company.”



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Resolution 3.3



Re-election of directors – Abbas Hussain

Proxies and direct votes have been received in respect of this resolution as follows:

	No. of shares	%
For	39,253,622	97.9
Undirected	263,038	0.7
Against	585,521	1.4

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Resolution 3.4



Re-election of directors – Rick Holliday-Smith

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

- 3.4 “THAT Mr Rick Holliday-Smith, being a director who is opting to retire early and who, being eligible, offers himself for re-election as a director of the Company, be re-elected as a director of the Company.”



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Resolution 3.4



Re-election of directors – Rick Holliday-Smith

Proxies and direct votes have been received in respect of this resolution as follows:

	No. of shares	%
For	35,668,012	89.1
Undirected	260,918	0.6
Against	4,123,678	10.3

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Resolution 4.1



Approval of securities to be granted to the CEO & President under the Cochlear Executive Incentive Plan

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

- 4.1 “(a) the grant to Mr Dig Howitt, the Company’s CEO & President, of options and performance rights under the Cochlear Executive Incentive Plan calculated in accordance with the formula and on the terms summarised in the Explanatory Notes attached to the Notice of Annual General Meeting; and
- (b) the transfer to Mr Howitt of existing shares upon the exercise of any options and/or performance rights granted to Mr Howitt pursuant to (a) above.”

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Resolution 4.1



Approval of securities to be granted to the CEO & President under the Cochlear Executive Incentive Plan

Proxies and direct votes have been received in respect of this resolution as follows:

	No. of shares	%
For	39,213,788	97.8
Undirected	260,047	0.6
Against	623,240	1.6

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Cochlear Limited 2019 Annual General Meeting

22 October 2019

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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 not be placed on any forward looking statement.

Non-IFRS financial measures

Given the significance of foreign exchange rate movements, the directors believe the presentation of the non-IFRS financial measure, constant currency, is useful for the users of this document as it reflects the underlying financial performance of the business. This non-IFRS financial measure has not been subject to review or audit. However, KPMG has separately undertaken a set of procedures to agree the non-IFRS financial measures disclosed to the books and records of the group.

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 reported EBIT and net profit is adjusted to calculate the result at constant currency.