

Hear now. And always



FY23 Result Presentation

15 August 2023

Dig Howitt

CEO & President

Stu Sayers

CFO

A young boy with short brown hair is shown in profile, facing right. He is wearing a cochlear implant on his left ear, which consists of a circular external processor on his head and a magnetic coil around his ear. He is wearing a blue and yellow long-sleeved shirt. In the background, a woman with dark hair and glasses is smiling warmly at him. The setting appears to be a home or a library with bookshelves.

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.

FY23 Highlights



In FY23, we helped over 44,000 people hear with one – or two – of our cochlear or acoustic implants, providing an estimated net societal benefit of more than \$7 billion over the lifetime of the recipients from improved health outcomes, educational cost savings and productivity gains.¹

A healthier and more productive society	A lifetime of hearing solutions	Thriving people	Environmental responsibility	Sustained value
 <ul style="list-style-type: none">• Helped over 44,000 more people to hear with an implant, up 15%• Progress made in strengthening the referral pathway for adults• New evidence showing hearing intervention may slow cognitive decline• Expanding indications and reimbursement in a number of countries	 <ul style="list-style-type: none">• Invested over \$240m in R&D, 13% of sales revenue, with a strong pipeline of products and services in development• Launched the Cochlear™ Nucleus® 8 Sound Processor which is smaller, smarter and better connected than its predecessor• Delivered latest generation sound processors to over 48,000 prior generation cochlear implant recipients, up 19%• Bimodal control in the Nucleus® Smart App	 <ul style="list-style-type: none">• Continued focus on shaping our culture through training and leadership development programs• Employee engagement maintained at 80%• Continued to exceed gender targets with 43% women in senior manager roles and 40% women on the Board of directors	 <ul style="list-style-type: none">• Reached 96% renewable energy at our manufacturing facilities, using 100% renewable energy in five of our six facilities• Reduced our Scope 1 and 2 emissions by 68%, from our FY19 baseline• Reduced the number of flights taken per full time employee by 47%, from our FY19 baseline, and our flight related emissions by 91%• Initiated an inventory of our Scope 3 emissions	 <ul style="list-style-type: none">• Delivered record sales revenue, up 19% (16% in CC*)• Underlying net profit** up 10% (14% in CC), the top end of the guidance range• Underlying net profit margin of 17% (pre cloud investment)• Full year dividends up 10%• Obtained ISO 27001 Information Security certification of our Connected Care products• Commenced on-market share buyback

FY23 Financial summary

Sales revenue up 16% in CC* to \$1,956m, up 24% in H2

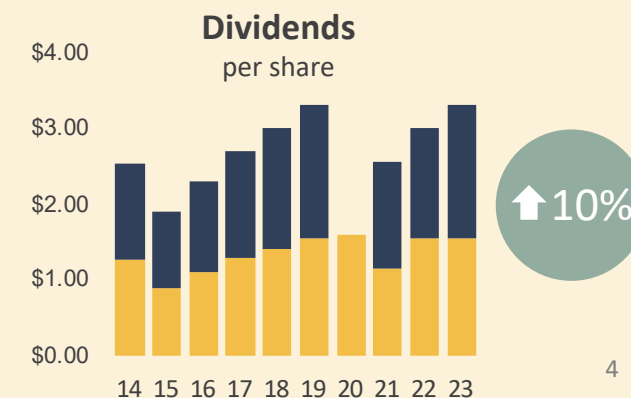
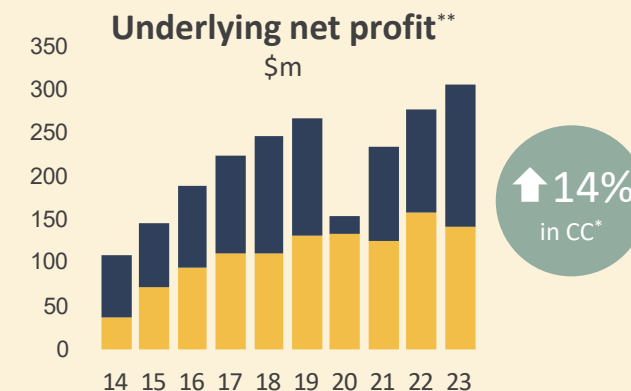
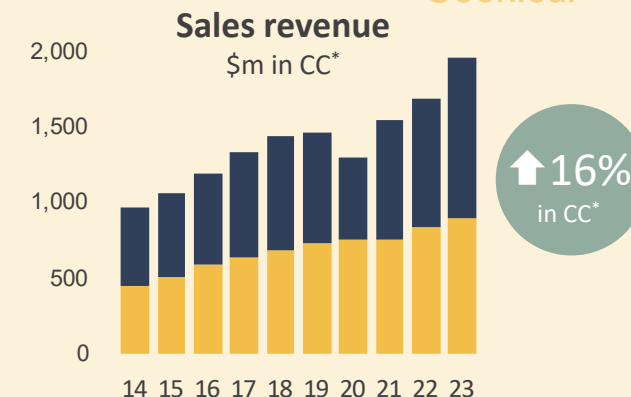
- Strong growth across all business units
- Cochlear implant units up 16% driven by market growth, improved clinical capacity, market share gains and COVID catch-up surgeries
- The successful launch of the Cochlear™ Nucleus® 8 Sound Processor late in Q2 generated strong demand for cochlear implant systems and sound processor upgrades during H2
- An improving trend in adult referral rates provides early indications that awareness and access initiatives are having some success.

Underlying net profit** up 14% in CC to \$305m, the top end of guidance

- Underlying net profit margin, pre cloud investment, of 17%, a ppt below our long-term target of 18% driven by the decision to further lift growth investment as H2 sales momentum increased

Strong financial position

- Strong balance sheet with net cash of \$556m and operating cash flows sufficient to fund investing activities and capital expenditure whilst delivering dividends to shareholders
- Final dividend up 21% to \$1.75 per share, with full year dividends up 10% to \$3.30 per share, a 71% payout
- FY24 underlying net profit guidance range is \$355-375m, a 16-23% increase on FY23, which is expected to be driven by a combination of revenue growth and improved net profit margin



FY23 Operational review



Cochlear implants

58% of sales revenue

Sales revenue increased 17% in CC with strong growth across both developed and emerging markets

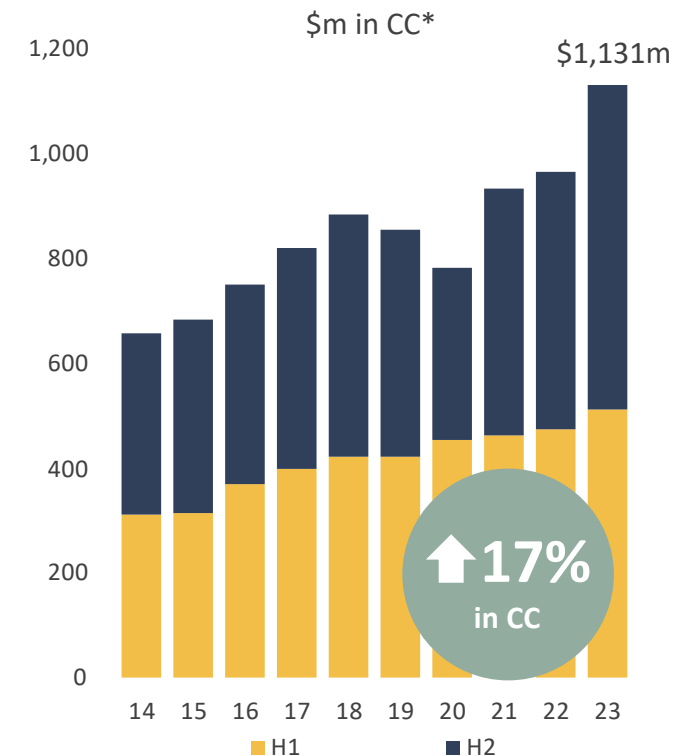
Developed markets

- Volumes grew ~15% (18% in H2) with strong demand for the Cochlear™ Nucleus® 8 Sound Processor
- Growth rates strong across all markets driven by market growth, improved clinical capacity, market share gains and COVID catch-up surgeries
- Clinical capacity constraints from FY22 stabilised during H1, with indications that much of the remaining COVID-related surgical backlog cleared during FY23
- Improving trend in adult referral rates in key markets with early indications that growth initiatives for adult cochlear implant candidates are having some success

Emerging markets

- Volumes up ~20% with strong growth across all regions
- Government tender activity increased following subdued activity during COVID shutdowns and private pay continued to perform strongly

Cochlear implant sales revenue



FY23 Operational review

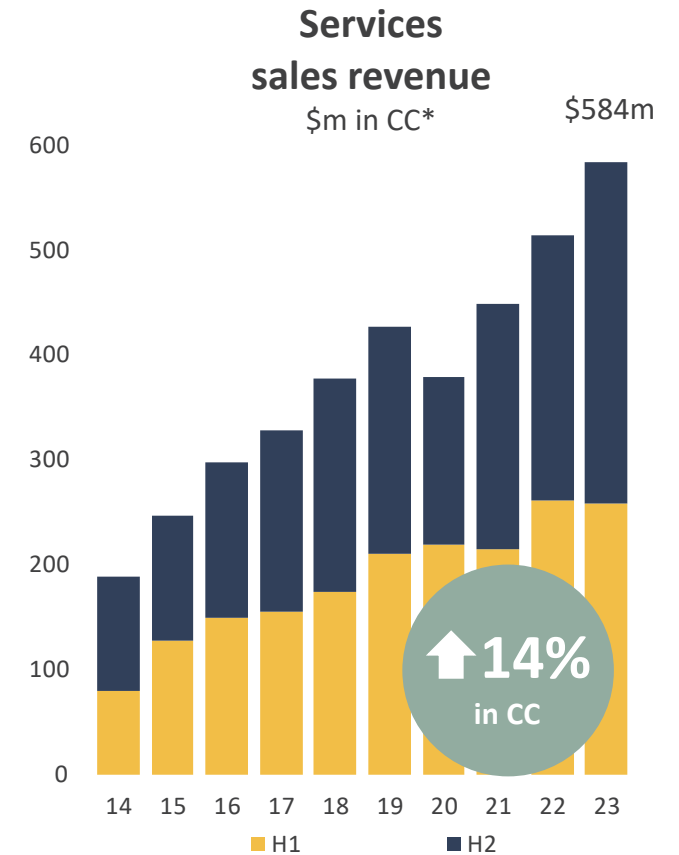


Services

30% of sales revenue

Services revenue up 14% in CC, up 27% in H2, with availability of the Nucleus[®] 8 Sound Processor as an upgrade from late in H1

- H1 revenues slowed in anticipation of the launch of the Nucleus[®] 8 Sound Processor with strong uptake since launch
- Emerging markets performed well with growing rates of sound processor upgrade penetration across most markets



FY23 Operational review



Acoustics

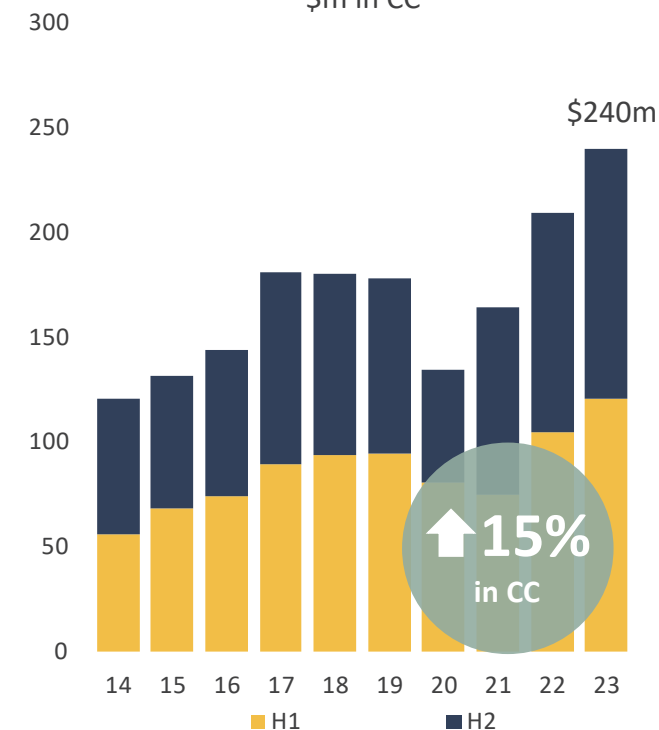
12% of sales revenue

Strong demand for all products across all regions

- Revenue up 15% in CC, the result of a strong product offering and a continued recovery in surgery volumes following COVID delays
- The Cochlear™ Osia® 2 System continues to gain momentum with new accounts opened in existing markets and a growing presence in new markets, with more than 12,000 systems sold since launch
- The Cochlear™ Baha® 6 Max Sound Processor continued to generate demand for sound processor upgrades across all regions

Acoustics sales revenue

\$m in CC*



Our strategy

Our goal is to deliver value by helping more people to hear, which contributes to building a healthier and more productive society.

At Cochlear, we are strongly connected to our mission to help people hear and be heard. It's the passion that drives the organisation and focuses the strategy.

With every hearing implant, we begin a lifelong journey with our recipients. We have a responsibility to be here to support that lifetime of hearing which means we need to deliver sustainable financial growth, benefiting all our stakeholders.

How we create value

Our strategy is focused on improving awareness of and access to implantable hearing solutions for people indicated for our products.

In helping more people to hear, we create value for our stakeholders by building a healthier and more productive society, providing a lifetime of hearing solutions for our recipients, having thriving employees and being environmentally responsible. Doing these things well should enable us to achieve sustainable financial returns over time.



We help more people to hear, creating value across five pillars

A healthier and more productive society

Delivering societal benefit through improved health outcomes, educational cost savings and productivity gains.



A lifetime of hearing solutions

Innovating to build a market-leading portfolio of products and services that improve hearing outcomes and provide a lifetime of hearing solutions for recipients.



Thriving people

An engaged, capable, high-performing and diverse workforce that delivers on our strategy and supports the creation of sustained value.



Environmental responsibility

Minimising the impact of our operations on the environment.



Sustained value

Maximising spending to grow the market while maintaining our competitive position. Ensuring we operate fairly, honestly and legally.

What we aim to achieve over the longer term

Grow the hearing implant market

Help at least 8% more people to hear each year with a cochlear or acoustic implant.

Retain market leadership

Develop market-leading technology and deliver a world-class customer experience to recipients and professional customers.

A stronger organisation

Retain employee engagement levels at or above 80%.

Minimise environmental impact

Net-zero carbon emissions in our operations by 2030 and across our value chain by 2050.

Consistent and sustainable growth

Sustainable and responsible business practices, targeting growth in sales revenue of around 10% per annum and an 18% net profit margin.

FY23 Key achievements



A healthier and more productive society

Strategic focus: Grow the hearing implant market

Helping more people hear

- We helped over 44,000 people hear with one – or two – of our cochlear or acoustic implants, providing an estimated net societal benefit of more than \$7 billion over the lifetime of the recipients from improved health outcomes, educational cost savings and productivity gains¹ (up 15%)

Developing a treatment pathway for adults

- Adapting the Living Guidelines into country-based clinical guidelines, with plans for their roll out over the coming years
- Increasing professional education to strengthen the referral channel

New evidence showing hearing intervention slows cognitive decline

- New research found that after wearing hearing aids for three years, cognitive decline slowed by 48% for a group of older adults with mild to moderate hearing loss who were at a higher risk of cognitive decline²
- The results add to the growing evidence that support addressing modifiable risk factors for cognitive decline and dementia could be effective in reducing the future global burden of dementia

Expanding indications and reimbursement

- A number of wins including US CMS expanding cochlear implant coverage, commitment to adopting newborn hearing screening in Thailand and Malaysia, Osia[®] 2 System funding in Australia and New Zealand and additional funding for cochlear implants in Canada, Argentina, Mexico and the Netherlands

FY23 Key achievements



A lifetime of hearing solutions

Strategic focus: Retain market leadership

Growing investment in research and development

- Invested over \$240m in R&D, 13% of sales revenue, with good progress made across our key projects
- Launch of the Cochlear™ Nucleus® 8 Sound Processor
- Bimodal control in the Nucleus® Smart App

Helping recipients hear better

- Helped over 48,000 of our prior generation cochlear implant recipients to hear better (up 19%), improving their hearing and quality of life



Cochlear™ Nucleus® 8 Sound Processor

FY23 Key achievements



Thriving people

Strategic focus: A stronger organisation

Shaping our culture

- Continued focus on shaping our culture through training and leadership development programs with a focus on building enterprise leadership skills
- 75% of all people leaders have completed our Culture Conversations training
- Employee engagement maintained at 80%

Championing a diverse and inclusive workplace

- Continued to exceed gender targets:
 - 53% of our people are female
 - 43% women in senior manager roles
 - 40% women on the Board of directors
- Committed to maintaining at least 40% female representation at senior manager and Board level



FY23 Key achievements



Environmental responsibility

Strategic focus: Minimise environmental impact

Pathway to net-zero emissions

- Reached 96% renewable energy at our manufacturing facilities, using 100% renewable energy in five of our six facilities
- Reduced Scope 1 and 2 emissions by 68% from our FY19 baseline
- Reduced the number of flights taken per full time employee by 47%, from our FY19 baseline, and our flight related emissions by 91%
- Initiated a complete Scope 3 emissions inventory and expect to complete the process during FY24

Enhancing resource efficiency

- Worked with the US regulator to change to electronic labelling for the Nucleus® 8 Sound Processor, saving > 9.4 million paper pages of manual labelling and > 45,000 plastic sleeves since November



Solar panels at our Lane Cove site in Australia

FY23 Key achievements



Sustained value

Strategic focus: Consistent and sustainable growth

- Delivered record sales revenue with underlying net profit* up 14% in CC**
- Balance sheet remains strong with net cash of \$556 million and strong cash flows supporting a 21% increase in the final dividend
- Commencement of sound processor manufacturing in China, with implant approval expected within 18 months
- Strengthening our business processes and IT platforms to improve efficiency and agility – \$100-150m investment in cloud-based technology over 4-5 years
- Obtained ISO 27001 Information Security certification of our Connected Care products
- Following the UK CMA blocking the acquisition of Demant’s bone conduction implant business, Cochlear and Demant will pursue a transfer of Oticon Medical’s cochlear implant business to Cochlear at a zero headline purchase price. Expected to close by Dec23

Profit and loss



\$m	FY23	FY22	Change (reported)	Change (CC)
Sales revenue	1,955.7	1,641.1	19%	16%
Gross margin %	75%	75%	0 pts	0 pts
Selling, marketing and general expenses	606.5	498.7	22%	19%
R&D expenses	244.9	210.7	16%	17%
<i>% of sales revenue</i>	<i>13%</i>	<i>13%</i>		
Administration expenses (excl cloud investment)	165.4	137.4	20%	
Administration expenses (cloud investment)	38.5	21.6	78%	
Operating expenses	1,055.3	868.4	22%	20%
Other income	3.3	13.8		
FX contract gains / (losses)	(19.6)	7.2		
EBIT (underlying)*	396.1	382.7	4%	7%
<i>% EBIT margin*</i>	<i>20%</i>	<i>23%</i>		
Net finance expense / (income)	(7.1)	6.2		
Effective tax rate %*	24%	26%		
Underlying net profit*	305.2	277.0	10%	14%
<i>% Underlying net profit margin*</i>	<i>16%</i>	<i>17%</i>		
<i>% Underlying net profit margin (excl cloud inv.)*</i>	<i>17%</i>	<i>18%</i>		
One-off and non-recurring items (after-tax):				
Innovation fund gains / (losses)	(4.6)	12.1		
Statutory net profit	300.6	289.1	4%	7%

Key points:

- ▶ Strong demand across all business units
- ▶ Gross margin maintained – in line with the longer-term target
- ▶ Continued investment in market growth initiatives, with decision to further lift growth investment as H2 sales momentum increased
- ▶ A little above our 12% of sales revenue target
- ▶ Primarily driven by an increase in short-term incentives, additional headcount, costs associated with the Oticon Medical transaction as well as restructuring expenses
- ▶ \$100-150m to be invested over 4-5 years
- ▶ \$10m increase in balance sheet FX revaluation losses (\$0m in FY22)
- ▶ At the top end of guidance
- ▶ Net profit margin (pre cloud) a ppt below our 18% longer-term target

* Excluding one-off and non-recurring items.

Capital employed



\$m	Jun23	Jun22	Change
Trade receivables	388.4	308.4	80.0
Inventories	311.5	270.2	41.3
Less: Trade payables	(270.4)	(232.4)	(38.0)
Working capital	429.5	346.2	83.3
<i>Working capital / sales revenue</i>	<i>22%</i>	<i>21%</i>	
Property, plant and equipment	276.7	260.2	16.5
Intangible assets	444.1	392.5	51.6
Investments and other financial assets	188.1	187.9	0.2
Other net liabilities	(145.1)	(87.8)	(57.3)
Capital employed	1,193.3	1,099.0	94.3
Funding sources:			
Equity	1,748.8	1,685.7	63.1
Less: Net cash	(555.5)	(586.7)	31.2
Capital employed	1,193.3	1,099.0	94.3

Key points:

- ▶ Strong growth in sales revenue in H2
- ▶ Stay-in-business inventory levels remain higher than pre-COVID levels reflecting the building of safety stocks over the past few years in anticipation of potential ongoing global supply chain shortages
- ▶ Timing of payments
- ▶ IT system costs and acquired and licenced technology
- ▶ Driven by the increase in employee incentives
- ▶ Net cash decreased \$31m, with \$30m in shares bought back

Cash flow



\$m	FY23	FY22	Change	Key points:
EBIT (underlying)*	396.1	382.7	13.4	
Depreciation and amortisation	80.9	73.0	7.9	
Changes in working capital and other	(42.4)	(46.9)	4.5	▶ Investment in working capital as the business grows
Net interest paid	7.1	(6.2)	13.3	
Income taxes paid	(79.3)	(26.1)	(53.2)	▶ Timing of tax payments and a larger tax refund received last year
Operating cash flow	362.4	376.5	(14.1)	
Capital expenditure	(95.9)	(77.2)	(18.7)	
Other net investments	(29.8)	(61.7)	31.9	▶ Additional investment in innovation fund investments – Precisis, Epiminder and Nyxoah
Free cash flow	236.7	237.6	(0.9)	
Outlay from exercise of share options and performance rights	(10.7)	(1.1)	(9.6)	
Payments for share buyback	(29.6)	-	(29.6)	
Dividends paid	(197.4)	(194.0)	(3.4)	
Payment of lease liability and other	(30.2)	(20.4)	(9.8)	
Change in net cash – increase / (decrease)	(31.2)	22.1	(53.3)	

* Excluding one-off and non-recurring items.

Dividends

	FY23	FY22	% change
Interim ordinary dividend (per share)	\$1.55	\$1.55	0%
Final ordinary dividend (per share)	\$1.75	\$1.45	21%
Total ordinary dividends (per share)	\$3.30	\$3.00	10%
% Payout ratio (based on underlying net profit)	71%	71%	
% Franking (final dividend)	70%	40%	

Key points:

- ▶ Full year dividends up 10%, in line with underlying net profit growth
- ▶ Full year payout aligned to the 70% target payout
- ▶ Franking balance depleted as a result of FY20 losses

On-market share buyback

- Commenced a progressive on-market share buyback program aimed at reducing the cash balance to ~\$200m over a number of years
- Aligns with shareholder interests by reducing shares on issue and providing gradual EPS and DPS accretion over the long term
- Targeting to buyback up to \$75m in shares between Mar22-Mar23 (~0.5% of shares on issue) with \$30m in shares (40%) bought by 30 June
- The dividend policy which targets a 70% payout of underlying net profit has been maintained

FY24 Outlook



FY24 underlying net profit guidance range of \$355-375m, an increase of 16-23%

Key assumptions:

- Guidance anticipates growth in sales revenue and improved net profit margin
- Cochlear implant trading conditions continue to be strong across most markets, with an improving trend in adult referral rates in many developed countries. At this stage, we expect solid market growth rates to drive high single digit growth in our cochlear implant units for FY24. We expect market share gains from FY23 to stabilise and for there to be fewer COVID-related backlog surgeries
- The Services segment is expected to perform strongly with continuing strong demand for upgrades to the Nucleus® 8 Sound Processor.
- Acoustics growth rates are expected to be lower than FY23, with continuing growth from the rollout of the Osia® 2 System to be moderated by a smaller contribution from upgrades to the Baha® 6 Max Sound Processor
- Continued investment in R&D and market growth activities to support long-term market growth
- Cloud computing-related investment expected to be ~\$34m (\$24m after tax)
- Guidance is based on a 67 cent AUD/USD (67.5 cent average in FY23) and 61 cent AUD/EUR (64.4 cent average in FY23)
- Capital expenditure is expected to be \$70-90m
- The Board maintains a dividend policy that targets a 70% payout of underlying net profit
- Guidance does not factor in any impact from the proposed acquisition of Oticon Medical, which is targeted to complete by end Dec23

Hear now. And always



Supplementary information

Our
company

About Cochlear

Cochlear has been the global leader in implantable hearing solutions for over 40 years, providing a range of implants and sound processor upgrades that deliver a lifetime of hearing outcomes.

Our story

Graeme Clark, an Australian ear surgeon, saw first-hand the isolation and frustration that comes from living in a world of silence as his father struggled with hearing difficulties.

On holiday in 1977, fiddling with a shell and a blade of grass, Graeme realised there was a safe way to insert electrodes into the inner ear. It was Graeme's determination to help others that realised our first implantable solution, reconnecting Rod Saunders to hearing and bringing music into his life.

Professor Clark partnered with Australian entrepreneur Paul Trainor – and his Nucleus Group – and the University of Melbourne to commercialise the cochlear implant. With funding from the Australian government, they developed the Cochlear™ Nucleus® 22 Implant, the first multi-channel cochlear implant, and Cochlear, the company, was formed.

Today, Cochlear is the leader in implantable hearing solutions, connecting hundreds of thousands of people globally to a life full of hearing. The pioneering spirit that started Cochlear all those years ago continues to drive us forward and our commitment is stronger than ever. We're transforming the way people understand and treat hearing loss, and we're committed to reaching more people to provide support for a lifetime of hearing.

Our company

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 30 listed Australian company with a market capitalisation of over \$15 billion.

Our goal is to deliver value by helping more people to hear, which contributes to building a healthier and more productive society. Our strategy is focused on improving awareness of and access to implantable hearing solutions for people indicated for our products.

We are pioneers and global leaders in the development, manufacture and commercialisation of implantable hearing solutions, collaborating in over 100 research programs worldwide to further research into hearing loss.

We invest around 12% of sales revenue each year in research and development, with over \$2.7 billion invested since listing, and we have a portfolio of more than 1,700 patents and patent applications worldwide.

Over the past 40 years we have provided more than 750,000 implant devices to people who benefit from one – or two – of our implantable solutions. And we deliver a lifetime of hearing solutions for recipients, with sound processor upgrades and services to support prior generation products.

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 global workforce of around 4,800 employees and a wide geographical reach, selling in over 180 countries, with employees based in over 50 countries.



Cochlear at a glance



Business segments

Cochlear Implants*

58% Cochlear implant systems



Services*

30% Sound processor upgrades, accessories and other



Acoustics*

12% Bone conduction systems and sound processor upgrades



Global presence

>\$1.9b in sales revenue* across
180+ countries

~4.8k employees across
50+ countries

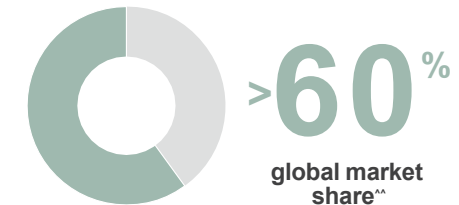


Market leader

\$240m+ in annual R&D investment

750k+ implants sold helping
~650k people to hear**

AAA
MSCI ESG rating
Healthcare equipment
& supplies**



99.87%
Cochlear implant reliability

* Based on sales revenue (FY23) ^Nucleus® Profile™ Plus Series implant cumulative survival percentage within four years ^^Cochlear estimate for cochlear and acoustic implants #Includes cochlear and acoustic implants. ** Measures a company's resilience to financially material environmental, societal and governance (ESG) risk

Product and services portfolio



Cochlear's market-leading portfolio aims to improve hearing outcomes for recipients and provide a lifetime of hearing solutions.

Cochlear implant portfolio



Cochlear Nucleus System

Acoustic solutions portfolio



Cochlear Osia System

Cochlear Baha System

Recipient support tools



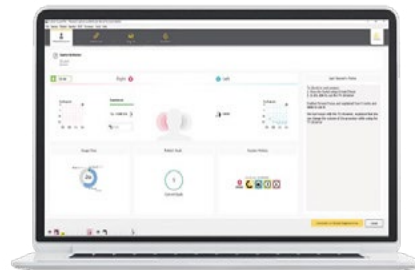
Cochlear Nucleus, Baha and Osia Smart Apps

Cochlear CoPilot App

Cochlear Connected Care solutions



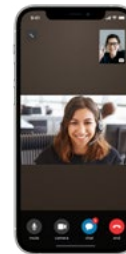
Cochlear Nucleus SmartNav System



Cochlear Custom Sound Pro Fitting Software



Cochlear Link



Cochlear Remote Assist



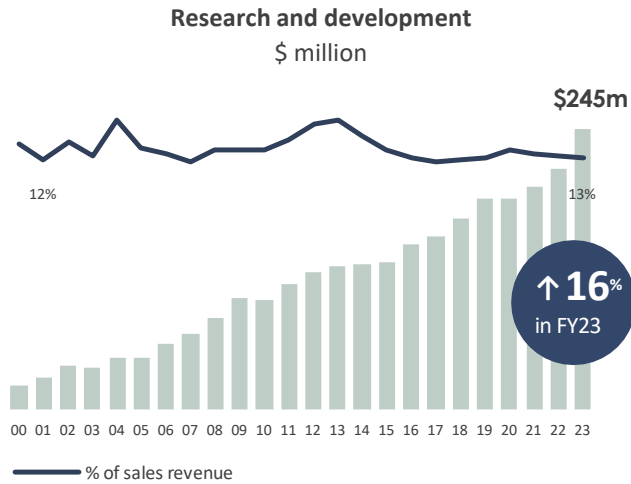
Cochlear Remote Check solution for cochlear implants

Financial history

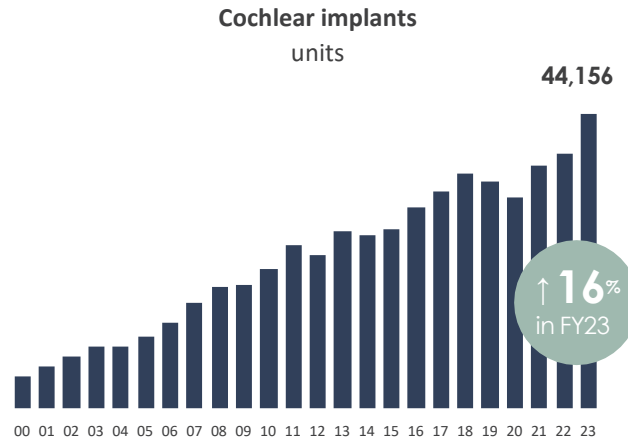


Cochlear has a long track record of investing to grow, delivering growing sales revenue, profits* and dividends.

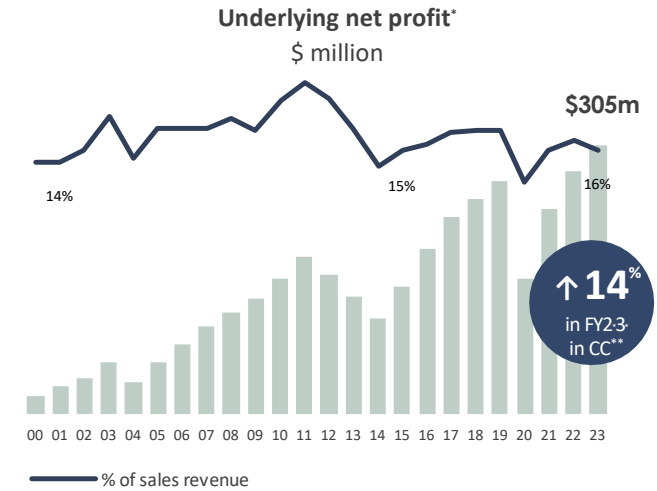
Consistent investment in R&D and market growth activities



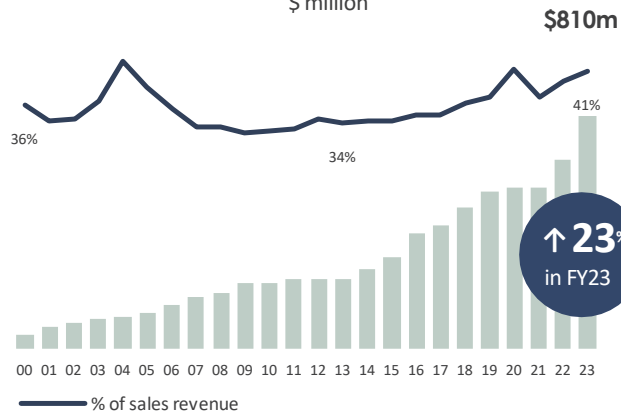
Long-term growth in sales revenue



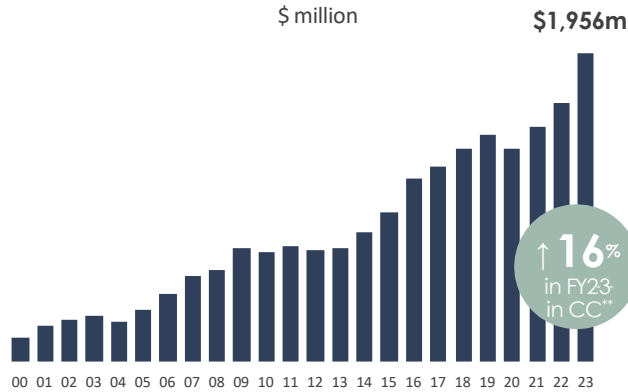
Growing profits and dividends



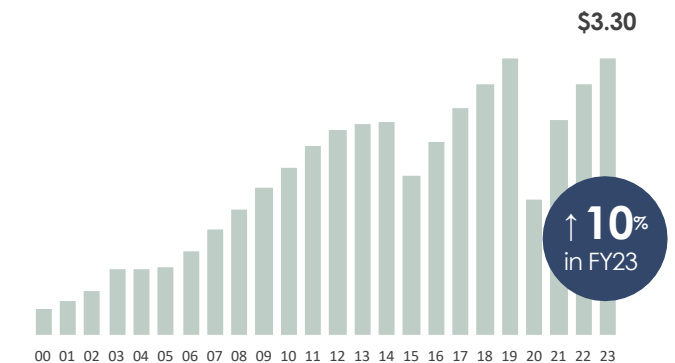
Operating expenses (excl R&D) \$ million



Sales revenue \$ million



Dividends per share



* Excluding one-off and non-recurring items. ** Constant currency

Hear now. And always



Supplementary information

Strategy and
value creation

Our strategy

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A healthier and more productive society

Delivering societal benefit through improved health outcomes, educational cost savings and productivity gains.



A lifetime of hearing solutions

Innovating to build a market-leading portfolio of products and services that improve hearing outcomes and provide a lifetime of hearing solutions for recipients.



Thriving people

An engaged, capable, high-performing and diverse workforce that delivers on our strategy and supports the creation of sustained value.



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A stronger organisation

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Net-zero carbon emissions in our operations by 2030 and across our value chain by 2050.

Consistent and sustainable growth

Sustainable and responsible business practices, targeting growth in sales revenue of around 10% per annum and an 18% net profit margin.

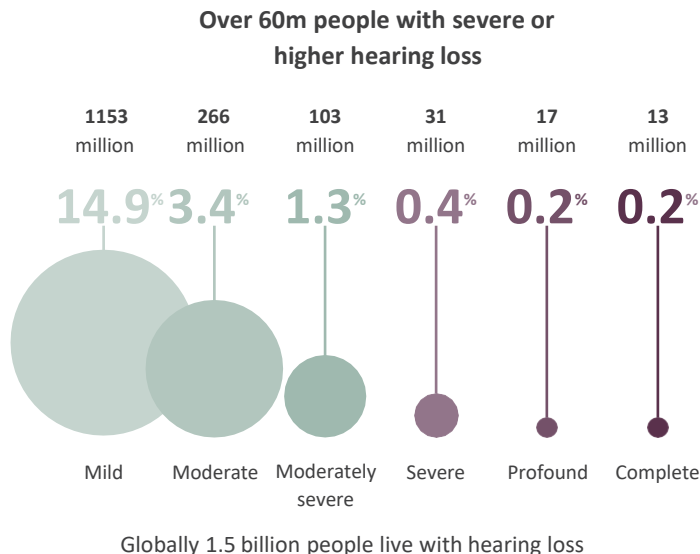
Growth opportunity



Growing awareness of the cost-effectiveness and quality of life benefits of our products has the potential to underpin long-term industry growth.

Hearing loss is prevalent and under-treated

The World Health Organization estimates that there are over 60 million people worldwide who experience severe or higher hearing loss,¹ yet fewer than 5% of the people that could benefit from an implantable hearing solution have received one.²



* Cochlear estimate

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.

Significant return on investment for healthcare systems investing in cochlear implants



For a pre-lingual deaf child, the return to society is more than 13 times for every dollar spent on a cochlear implant solution based on the cost savings in education and improved productivity as an adult.³

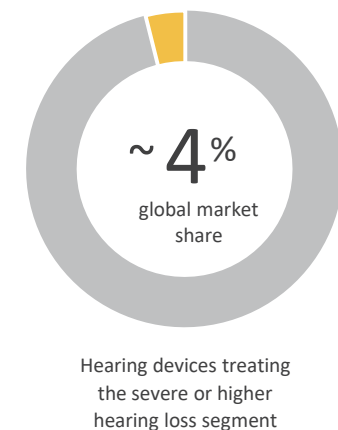
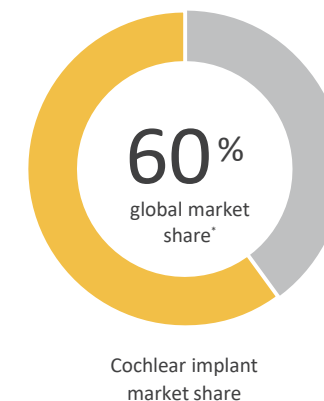


The effective use of implants is cost-effective in adults and seniors with an estimated return on investment of 10:1.⁴

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

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 but a small player in the severe or higher hearing loss segment where hearing aids dominate



Growth opportunity



Product indications are broadening and funding is expanding

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

Recent changes to reimbursement or indications

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	US, UK, Germany and Australia: Cochlear™ Osia® 2 System reimbursement achieved across a number of countries
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
US: the Centers for Medicare & Medicaid Services expanded coverage for cochlear implants to cover a broader spectrum of hearing loss	Australia: reimbursement for remote programming of cochlear and bone conduction implants
	France: reimbursement approved for Baha® sound processors

Good hearing is essential to healthy ageing

Hearing loss is particularly prevalent in people over the age of 60, with one in four suffering moderate or higher hearing loss.⁵

There is a growing understanding of the importance of properly treating hearing loss in this age group. It affects communication and is associated with cognitive decline, social isolation, anxiety and depression.⁶

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.⁷



Depression
Significant association between hearing impairment and moderate to severe depression.⁸



Falls
Higher risk of dizziness causing falling.⁸



Social isolation
Hearing loss linked to withdrawal from social interactions, which can have a significant impact on psychological well-being and physical health.⁹



Ability to work
Hearing loss can affect sufferers' ability to work or stay in the workforce.¹⁰



Loss of independence
Seniors with hearing loss less likely to be able to self-care.⁸

Key market segments

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

Cochlear implants: Children in developed markets

Cochlear implantation has been established as the standard of care for newborns across the developed markets, with bilateral implants indicated across most countries as evidence supports the benefit of binaural hearing.



Addressable market*
~130,000 people
Current penetration
>80% under 3-year-old children

What we are doing

Cochlear implants started as a solution for children with a profound hearing loss. Over the last 30 years, neonatal screening has been successfully established across the developed world leading to high rates of cochlear implantation for young children.

The key priority for this segment is to maintain our leadership position while aiming to improve the rate of implantation, and/or the uptake of bilateral implants, in countries where current levels are below average.

There is also an opportunity to strengthen the treatment pathway for acquired or progressive hearing loss in older children. Lack of screening for children who have progressive hearing loss in childhood means that hearing loss often remains unidentified and without care.

The WHO's World Report on Hearing notes the importance of hearing in education and says that the inclusion of ear and hearing care in school health services is essential. It highlights pre-school and school children as a group 'at risk' and proposes that screening and early intervention programs be put in place for this group as part of the holistic package of ear and hearing care interventions it proposes all countries adopt.

Cochlear implants: Adults and seniors in developed markets

Adults and seniors in the developed markets provide the biggest opportunity for us to address the unmet need for hearing implants given the large, and growing, market size as the population ages and the low levels of penetration.



Addressable market*
>6m people
Current penetration
~3%

What we are doing

According to the WHO, hearing loss is particularly prevalent in people over the age of 60, with 65% experiencing hearing loss and one in four people suffering moderate or higher hearing loss. It affects communication and is associated with social isolation, anxiety, depression and cognitive decline.¹ The segment is however challenging to address as most candidates suffer from a progressive hearing loss and, together with their care providers, either do not know about cochlear and acoustic implants or do not understand the indications for them.

While penetration rates are currently very low, at around 3%, the seniors segment has been the fastest growing segment for us over the past few years as awareness begins to improve. We have a range of programs for driving growth of the adults and seniors segment including:

- **Direct-to-consumer (DTC) marketing** – building awareness directly with candidates motivated to find a better solution for their hearing loss;
- **Hearing aid channel referrals** – building a referral path from hearing aid and ENT clinics to cochlear and acoustic implants; and
- **Standard of care initiatives** – supporting initiatives to deliver a consistent treatment.

* Cochlear estimates of segment prevalence of severe or higher hearing loss.

Key market segments



Cochlear implants: Children in emerging markets

Our emerging markets business has been growing rapidly as awareness of cochlear implants increases and wealth grows across many emerging economies.



Addressable market*
>1.3m people
Current penetration
<10%

What we are doing

Our emerging markets business has been growing rapidly as awareness of cochlear implants increases and wealth grows across many emerging economies. Most countries however remain very under-penetrated. Our priorities for this segment are focused around market expansion with activities targeted at:

- **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; and
- **Maximising penetration** through a tiered product offering.

Acoustic implants: Next generation bone conduction hearing solutions

The bone conduction market is under-penetrated and currently has limited geographic reach. We have developed a product that we believe provides the opportunity to drive deeper category penetration.



Addressable market*
>3m people in developed markets
Current penetration
<1%

What we are doing

We have recently introduced the next generation of bone conduction hearing solutions into our Acoustics portfolio with the Cochlear™ Osia® 2 System, providing a significant improvement in performance and aesthetics for bone conduction patients.

Pre-market trials have demonstrated significant improvements in outcomes for patients² over traditional bone conduction hearing solutions, and we are already experiencing high demand for the new implant in markets where we have launched.

We believe the Osia 2 System has the opportunity to become the gold standard acoustics implant in our current markets, more effectively competing with reconstructive surgery, and is the right product to pursue geographic expansion, with our Acoustics business today generating the majority of revenue from just two markets, the US and UK.

* Cochlear estimates of segment prevalence of severe or higher hearing loss.

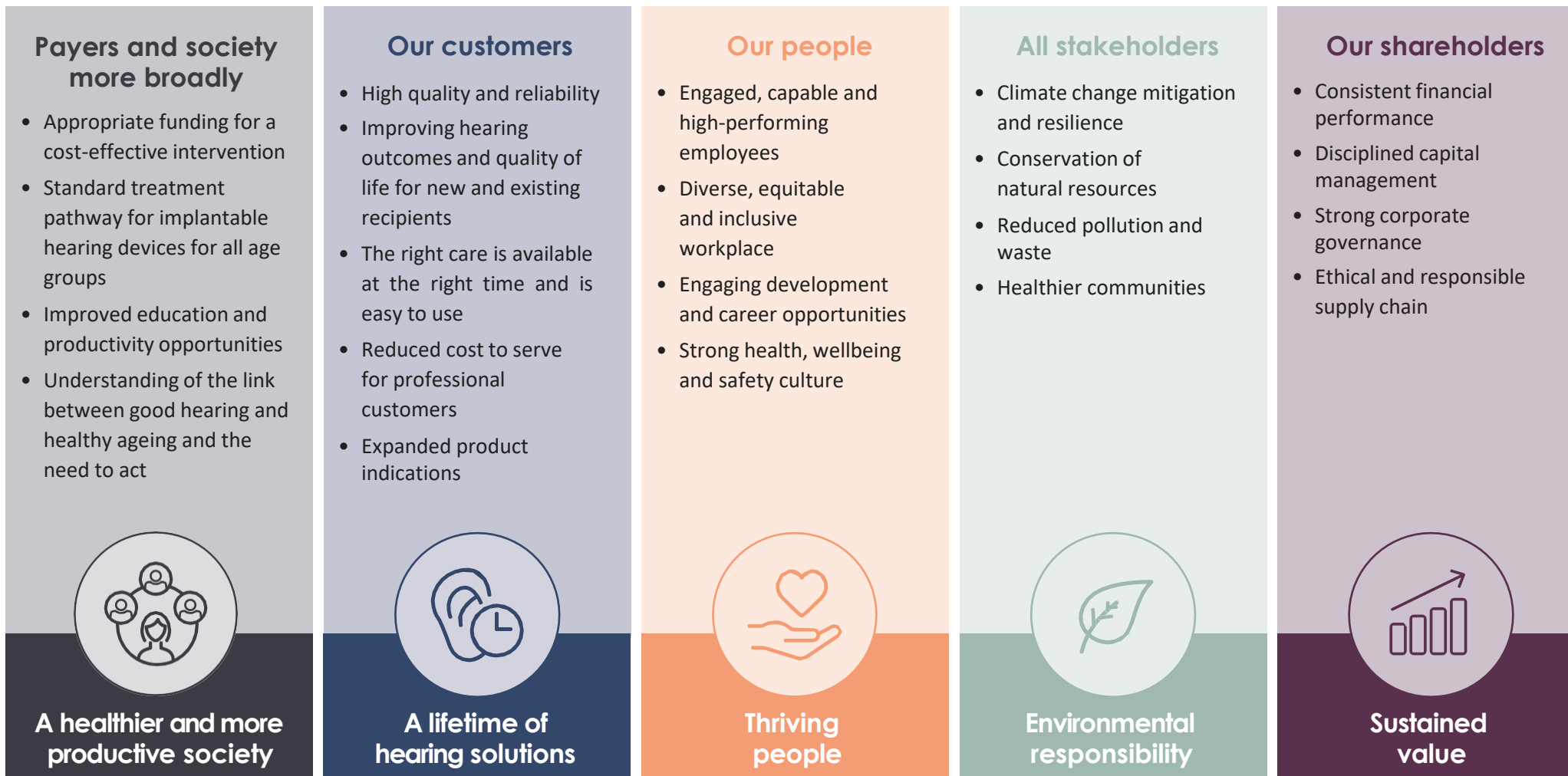
Strategic priorities

Our strategic priorities determine how we focus our time and resources to create value. Over the coming years we are focusing our efforts on delivering value across the following initiatives:

<h3>Grow the hearing implant market</h3> <ul style="list-style-type: none">• Strengthen the referral pathway for adults• Develop the acoustic implant segment• Broaden reimbursement and improve indications• Expand access in emerging markets	<h3>Retain market leadership</h3> <ul style="list-style-type: none">• Advance the product and services pipeline, with annual R&D investment of ~12% of revenue• Deliver our latest sound processor upgrade technology to existing recipients• Strengthen our lead in customer service and support• Maintain high standards of product quality, safety and reliability	<h3>A stronger organisation</h3> <ul style="list-style-type: none">• Strengthen and nurture the organisational culture• Attract, develop and retain talent• Champion a culture of diversity and inclusion• Support the wellness and safety of our teams	<h3>Minimise environmental impact</h3> <ul style="list-style-type: none">• Advance the implementation of initiatives to reduce our Scope 1, 2 and 3 carbon emissions• Embed sustainability into product design, development and manufacturing• Deliver a global approach to managing the environmental impacts of packaging and waste	<h3>Consistent and sustainable growth</h3> <ul style="list-style-type: none">• Optimise growth investment• Maintain a strong balance sheet• Improve efficiency and agility• Maintain high levels of corporate governance and an ethical and sustainable supply chain• Vigilance around data security and privacy
 <p>A healthier and more productive society</p>	 <p>A lifetime of hearing solutions</p>	 <p>Thriving people</p>	 <p>Environmental responsibility</p>	 <p>Sustained value</p>

Creating value for stakeholders

Value creation describes the impact we have on all our key stakeholders – our customers, our people, our shareholders as well as society more broadly. Successful execution means achieving the following outcomes for our stakeholders:



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 compare 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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FY23 Highlights (slide 8)

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Growth opportunity (slide 25-26)

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Key market segments (slide 27-28)

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