

Hear now. And always



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**Chris Roberts**  
**CEO/President**  
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September 26<sup>th</sup>, 2011

### Letter to Shareholders

Dear Shareholder

This letter is an update on events following our decision on 11<sup>th</sup> September to voluntarily recall the unimplanted Nucleus CI500 series implants and consequent suspension of the sales and distribution of those implants.

The recall was due to a recent increase in the number of failures of the Nucleus CI512 implant. While less than 1% of the CI512 implants have failed since launch in 2009, it is important that we fully understand the reason for the recent increase.

Following the decision to implement the voluntary recall, Cochlear has:

- a) ensured relevant healthcare professionals have been informed and provided with necessary support, including provision of the alternative Nucleus CI24RE implant (Freedom implant). We have been able to meet demand for surgeries.
- b) ensured necessary communications are available for recipients of the Nucleus CI500 series implant who may have questions about the recall.
- c) worked with relevant regulatory authorities and are following our documented quality and regulatory procedures covering such situations, including the return of unimplanted CI500 series implants from the market
- d) developed and is implementing a manufacturing plan to ramp up production of the Nucleus CI24RE implant and
- e) assigned a dedicated cross functional team of experts investigating the cause that has led to the recent increase in failures. This complex process has high priority.

Cochlear has a range of implants available to the market including the Nucleus CI24RE implant. This has been the most used cochlear implant globally with over 62,000 implanted to date. There is no hearing performance difference between the Nucleus CI24RE implant and the Nucleus CI512 implant when used with the CP810 sound processor (Nucleus 5 Sound processor).

The Nucleus CI24RE is fully compatible with the CP810 sound processor and also comes with the full range of our electrode portfolio. It was on the Nucleus CI24RE platform that we recently released our latest electrode, the Slim Straight electrode in Europe.

I have been truly humbled by the support Cochlear has received from healthcare professionals around the world. The support for our decision has been a great source of encouragement to staff whom remain committed to our long term mission of bringing hearing to more people around the world and living up to our brand promise of "*Hear now. And always*".

Cochlear continues to assess the implications to the business and will advise you as additional information becomes available. You would have received your notification that our Annual General Meeting is to take place on 18<sup>th</sup> October. A further update will be given during that meeting.

Thank you for your support and be assured that your company is focused on its commitments to recipients, candidates, healthcare professionals, employees and shareholders.

Yours sincerely

A handwritten signature in black ink, appearing to read "Chris Roberts".

Dr Chris Roberts  
CEO/President