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25 March 2020

Cochlear Limited announces capital raising to enhance liquidity

Key points:

- **Cochlear expects a significant negative impact from COVID-19 for an uncertain period of time**
- **The combination of COVID-19, and the likely increase in debt from the adverse judgment in the long-running AMF case, is expected to push debt above the Board's comfort levels**
- **Cochlear's implant recipients rely on the Company for support throughout their lifetime which makes eliminating liquidity risk non-negotiable**
- **Important to emerge from this global health pandemic in a strong competitive position, which includes maintaining Cochlear's valuable workforce intact and continuing to invest in key R&D and capex programs**

Cochlear Limited (ASX:COH) ("**Cochlear**" or the "**Company**") is taking pre-emptive and decisive action to ensure it remains strongly capitalised during the current market uncertainties and to position the Company for the future. Cochlear anticipates most of the surgery delays due to COVID-19 will be recovered.

Cochlear today announces the launch of an equity capital raising comprising:

- a fully underwritten A\$800 million Institutional Placement ("**Placement**"); and
- a non-underwritten Share Purchase Plan ("**SPP**"), to raise up to A\$50 million¹, (together, the "**Offer**").

The Offer forms part of a comprehensive capital raising package undertaken by Cochlear, which also includes:

- a credit approved commitment for an additional A\$150 million bank facility from an existing lender²; and

¹ Cochlear may decide to accept applications (in whole or in part) that result in the SPP raising more or less than this amount in its absolute discretion

² Cochlear is also in dialogue with its lenders in relation to potential additional commitments of up to A\$100 million. Cochlear has also been granted relief from the leverage and interest cover tests under Cochlear's debt facility agreements in respect of the testing to occur as at 30 June 2020 and 31 December 2020

- the suspension of the Company's dividend until trading conditions improve following payment of the 1H20 dividend on 17 April 2020.

Rationale and use of proceeds

In line with our previous market update, COVID-19 is expected to cause significant business disruption for Cochlear as elective surgeries are deferred across a growing number of countries. Concurrent with this disruption and as announced to ASX on 17 March 2020, the U.S. Court of Appeal has affirmed the U.S. District Court patent infringement damages award against Cochlear.

In response, Cochlear has decided to fortify its balance sheet with a significant additional liquidity injection, enabling Cochlear to both navigate current market uncertainties while continuing to invest and reinforce its position as the global leader in implantable hearing solutions.

The proceeds of the Offer will be used to:

- enhance balance sheet and financial flexibility;
- support the business during the current macro-economic uncertainty; and
- materially increase liquidity and reduce net debt.

Cochlear Chairman Rick Holliday-Smith said, *"While Cochlear commenced the year with a strong balance sheet and conservative gearing levels, the expected impact of COVID-19 on sales, combined with the likely cost of an adverse judgment in a long-running litigation case, is expected to lift gearing to a level that the Board is not comfortable with. To ensure we emerge from this global health pandemic in an even stronger competitive position than before, we are strengthening the balance sheet by raising equity."*

The Cochlear investment thesis remains strong

- **Market leader in a growing market:** Cochlear is the global leader in implantable hearing solutions, with an estimated market share globally of 60%³ and in excess of 600,000 implants sold over the last ~40 years⁴. The positive long-term growth outlook is underpinned by a significant, unmet clinical need for implantable hearing solutions.
- **Most deferred surgeries expected to be recovered:** Most of the demand deferred is expected to be realised once elective surgeries recommence. A material proportion of the

³ Based on Cochlear estimates for cochlear implants

⁴ Includes cochlear and acoustic implants

cochlear implant market comprises implants for children where early intervention is desirable to ensure the best long-term outcomes⁵.

- **Resilient elements of the business:** Cochlear is exposed to various geographies at different stages of COVID-19 related disruptions. Services, which are around 30% of Cochlear's revenue, have an element of defensiveness with sound processor upgrades and accessories available to recipients in jurisdictions where clinical appointments are not required.

Details of the Placement

Cochlear is undertaking a fully underwritten Placement of new fully paid ordinary shares in Cochlear ("**New Shares**") to eligible institutional investors to raise approximately A\$800 million.

The Placement will be conducted at A\$140.00 per New Share ("**Placement Price**") which represents a 16.7% discount to the last closing price of A\$168.00 on Tuesday, 24 March 2020.

The Placement will result in approximately 5.7 million New Shares being issued, representing approximately 9.9% of Cochlear's existing issued capital.

New Shares issued under the Placement will rank equally with existing Cochlear shares and are expected to settle on Monday, 30 March 2020 and be issued, and commence trading on the following business day, Tuesday, 31 March 2020.

The Placement is fully underwritten by J.P. Morgan Securities Australia Limited.

Details of the Share Purchase Plan

Following completion of the Placement, Cochlear will offer existing eligible shareholders the opportunity to participate in a non-underwritten SPP, to raise up to A\$50 million⁶.

Under the SPP, eligible Cochlear shareholders, being shareholders with a registered address in Australia or New Zealand on Cochlear's register as at 7:00pm (Sydney time) on Tuesday, 24 March 2020, will have the opportunity to apply for up to A\$30,000 of New Shares without incurring brokerage or transaction costs.

⁵ Addressing the rising prevalence of hearing loss. Geneva: World Health Organization; 2018. Available at <https://apps.who.int/iris/bitstream/handle/10665/260336/9789241550260-eng.pdf;jsessionid=AA6E0D4217190D3AB7AA732959A23ABD?sequence=1>; Ching TYC, Dillon H, Leigh G, Cupples L. Learning from the Longitudinal Outcomes of Children with Hearing Impairment (LOCHI) study: summary of 5-year findings and implications. Int J Audiol. (2018 May); 57(sup2); Ching TYC and Dillon H. Major Findings of the LOCHI study on children at 3 years of age and implications for audiological management. Int J Audiol. (2013 Dec); 52:sup2, S6-S68; Ching TYC, Dillon H, Button L, Seeto M, Van Buynder P, Marnane V, Cupples L, Leigh G. Age at Intervention for Permanent Hearing Loss and 5-Year Language Outcomes. Pediatrics. (2017 Sep); 140(3).

⁶ Cochlear may decide to accept applications (in whole or in part) that result in the SPP raising more or less than this amount in its absolute discretion

The issue price of the New Shares under the SPP will be the lesser of:

- the Placement Price; and
- a 2% discount to the 5-day VWAP of Cochlear shares up to, and including, the closing date of the SPP (currently scheduled for Thursday, 23 April 2020).

New Shares issued under the SPP will rank equally with existing Cochlear shares from the date of issue.

Cochlear may decide to accept applications (in whole or in part) that result in the SPP raising more or less than A\$50 million in its absolute discretion.

Full details of the SPP will be set out in the SPP offer booklet, which is expected to be released to ASX and dispatched to eligible shareholders on Wednesday, 1 April 2020.

Key dates

Event	Date ⁷
Record date for SPP	7:00pm (Sydney time), 24 March 2020
Trading halt and announcement of the Placement and SPP	25 March 2020
Placement bookbuild	25 March 2020
Announcement of the outcome of the Placement	26 March 2020
Trading halt lifted – trading resumes on the ASX	26 March 2020
Settlement of New Shares issued under the Placement	30 March 2020
Allotment and normal trading of New Shares issued under the Placement	31 March 2020
SPP offer opens and SPP offer booklet is dispatched	1 April 2020
SPP offer closes	5:00pm (Sydney time), 23 April 2020
SPP allotment date	30 April 2020
Normal trading of New Shares issued under the SPP	1 May 2020
Dispatch of holding statements	5 May 2020

⁷ The above timetable is indicative only and subject to change. The commencement and quotation of New Shares is subject to confirmation from ASX. Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable rules, Cochlear, reserves the right to amend this timetable at any time, including extending the period for the SPP or accepting late applications, either generally or in particular cases, without notice.

Additional information

Further details of the Offer are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the Placement.

Cochlear will conduct a conference call in relation to the announcement today at 10.30am (Sydney time). We recommend participants pre-register 5 to 10 minutes prior to the conference call via the following link:

<https://s1.c-conf.com/diamondpass/10004972-invite.html>.

Following pre-registration, participants will receive the teleconference details and a unique access passcode.

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This announcement is authorised by the Board of Directors.

Important Notice

FORWARD-LOOKING STATEMENTS

This announcement contains certain “forward-looking statements”. The words “expect”, “anticipate”, “estimate”, “intend”, “believe”, “guidance”, “should”, “could”, “may”, “will”, “predict”, “plan” and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of Cochlear, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of Cochlear’s business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or regulation, none of Cochlear, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward-looking statements are based on information available to Cochlear as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of Cochlear, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

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