

ASX MARKET RELEASE

Nuheara Company Update and H1 2019FY Financial Results

20 February 2019 – PERTH, Australia

Nuheara Limited (**ASX: NUH**) ("Company" or "Nuheara") has announced its interim financial results for the half-year ended December 31, 2018 (H1 FY19). Nuheara is pleased to report strong sales, aligned with the recent strategic repositioning of its products and the diversification of its retail channel.

HIGHLIGHTS

- Newly launched IQbuds BOOST™ achieves 73% of all unit sales in H1 FY19 with an Average Selling Price (ASP) above \$400 per unit;
- Increase in the overall Average Sales Price (ASP) per unit of all products from \$181 H1 FY18 to \$337 H1 FY19;
- Half year revenue (net of sales returns) of \$1.42 million;
- Company's strategic repositioning to new retailers that provide a consultative sales approach has proven fundamentally successful with a solid base for further growth;
- New sales appointments made in Europe and North America to drive new hearing focused retailers;
- IQbuds MAX™ has successfully completed EVT production cycle;
- IQstream TV™ is currently in late stages of pre-production and will enter compliance testing in the coming weeks for certification and release;
- LiveIQ™ production remains on hold and subject to ongoing OEM interest;
- The appointment of Ms Michelle Hallé as Chief Operations Officer to replace the retiring Mr David Ward.

Financial Overview

Nuheara has experienced strong sales for the reporting period with total revenue of \$1.42 million. Representing 73% of all sales in H1 FY19, IQbuds BOOST™ has only been made available to sales retailers that can provide a consultative value add sales process at the point of sale. The significance, and long-term benefit of this positioning, is highlighted by the dramatic 86% increase in the overall Average Selling Price (ASP) per unit, with the ASP moving from \$181 in H1 FY18 to \$337 H1 FY19. This strategic retail shift created a short-term revenue impact for H1 FY19, down 28% from the corresponding period in FY18.

Other adverse impacts on overall Gross Margin's this half included the one-off costs associated with the repurposing of the production line and test equipment from IQbuds™ to IQbuds BOOST™ and negative foreign exchange impacting the Cost of Sales.

Commenting on the financial results, Nuheara CEO Justin Miller said, "The Company's decision to pursue the development of higher specification and with it, higher priced products, is paying off with the launch of IQbuds BOOST™. Significantly, with market price pressure being placed on IQbuds™ in the wireless earbud category, IQbuds BOOST's™ technological advantages and subsequent positioning as a hearing bud, has allowed us to achieve an ASP in excess of \$400 per unit. In turn, this has unlocked a committed retail channel focused on a consultative sales process that enables long-term customer relationships and ongoing sales."

"We are buoyed by the strategic partnerships we have unveiled with global retailers – most recently, Specsavers joining us in December. Our focus on ensuring customers have a consultative sales process, and only working with retailers that provide this, will ensure the sales momentum will continue through 2019.

"We are excited by the prospect of truly supporting the customer journey with accessory products such as the IQstream TV™ as well as a full-service sales process. Our customer relationships will further strengthen through IQconnect, the newest Point of Sale hearing screening kiosk in retail stores, and comprehensive Customer Relationship Management (CRM) platform."

Product Development

On the back of a very successful CES 2019 product launch, the Company is pleased to provide an update on the following product developments:

LiveIQ™

As previously flagged by the Company, with its move to concentrate on high end, high value hearing products and related retail channels, LiveIQ production has remained on hold pending ongoing interest by OEM's (OEMs are third party manufacturers who resell another company's **product** under their own name and branding). The product has completed the first stages of production EVT (4 cycles) and remains in situ to enter the latter stages of mass production, as any OEM interest is crystalised. Importantly in support of Nuheara's hearing channel growth, the LiveIQ™ development has fast tracked the development and subsequent release of the premium IQbuds MAX™ product.

IQbuds MAX™

IQbuds MAX has successfully completed its first EVT cycle on the Company's new production line. Although far more technically advanced, IQbuds MAX™ has taken the same form factor as LiveIQ™ and subsequently enabled the rapid development of this product, without impacting the ongoing production of IQbuds BOOST™. IQbuds MAX™ remains on track for release in second half of the 2019 calendar year.

IQstream TV™

IQstream™ is currently going through the late stages of pre-production with several hundred units now successfully manufactured from the production line. Units are planned to enter compliance testing in the coming weeks for certification and release.

Human Resources

Managing Director/CEO Remuneration Changes

The Nuheara Board advises that the remuneration package of the Company's Managing Director/CEO and current Executive Chairman, Mr Justin Miller, has been updated to bring his remuneration into line with market rates. The Board was assisted in its review by an external benchmarking process. Mr Miller's total annual remuneration package has been increased to \$400,000 (plus statutory superannuation). All other terms of Mr Miller's employment agreement with the Company remain unchanged.

COO Appointment

The Company is pleased to announce the internal appointment of Ms Michelle Hallé, to the role of Chief Operations Officer (COO). Reporting directly to the CEO, the COO assumes responsibility for manufacturing, compliance, supply chain excellence and customer care.

Michelle brings extensive Operations and Supply Chain experience and has a proven track record of delivering outstanding business results with previous large business employers including Orora, Electrolux and SAB Miller. Michelle will carry on with the great work from retiring COO, David Ward and will add process and structure to support the business global expansion.

Michelle's appointment underpins Nuheara values in diversity and internal development and promotion. Her strengths will enhance the Senior Management Team capabilities and compliments the existing leadership strength at Nuheara.

Sales Management Changes

The Company is pleased to announce the appointment of Ms Anna Thomas and Mr Russell Rogers to key sales roles in the UK/Europe and North America respectively. These key appointments will continue to drive Nuheara's expansion into the optical and hearing related channels.

- Ms Thomas, Director of Sales and Retail Merchandising EMEA, has joined Nuheara from Acuitis Optical & Hearing where she was Operations Director. Prior to this Ms Thomas had five years of experience in sales operations with Tesco Pharmacies/Opticians and 11 years in related roles at Specsavers.
- Mr Rogers, Sales Director Americas, joined Nuheara following eight years as the Executive Director of Sales (Americas) for industrial hearing specialist Sensear.

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About Nuheara

Nuheara is a global leader in smart personal hearing devices which change people's lives by enhancing the power to hear. Nuheara has developed proprietary and multi-functional intelligent hearing technology that augments a person's hearing and facilitates cable free connection to smart devices. Nuheara is based in Perth, Australia and has offices in San Francisco and New York, USA. Nuheara was the first consumer wearables technology company to be listed on the Australian Stock Exchange (ASX).

In 2016, the Company released its revolutionary wireless earbuds, IQbuds™, which allow consumers to augment their hearing according to their personal hearing preferences and connect hands free with their voice-enabled smart devices. IQbuds™ are now sold in major consumer electronics retailers, professional hearing clinics and optical chains around the world. The Company's mission is to transform the way people hear by creating smart hearing solutions that are both accessible and affordable.

Learn more about Nuheara: www.nuheara.com.