

HALF YEAR REPORT 2016

Hearing Performance

Hear now. And always



Dear Shareholder

I am pleased to provide you with extracts from our half year report lodged with the Australian Securities Exchange on 11 February 2016.

Overview

The positive momentum we saw in FY15 has continued into HY16 with both our Implant business and Services business delivering strong growth.

We are particularly pleased with the Implant business, which delivered sales growth across both developed and emerging markets, with some countries like the United States (US) experiencing accelerated market growth.

The business is benefitting from the rollout of new products launched in FY15 and the continued investment in strategic growth initiatives that commenced two years ago.

The Services business continues to grow strongly and now represents around 25% of sales revenue. We are building a lifetime relationship with our recipients to provide products, programmes and services, and expect its contribution to continue to trend upward over time as the recipient base grows.

Highlights

- Sales revenue of \$581.7 million, up 32% (up 16% in constant currency) delivered across developed and emerging markets
- Total revenue of \$558.1 million, up 27%
- Recent product releases and continued investments in strategic growth initiatives driving market growth
- Net profit of \$94.0 million, up 32%
- Sales revenue and earnings benefit from the depreciation of the Australian dollar
- Basic earnings per share of 164.7 cents per share, up 31%
- Interim dividend of 110.0 cents per share, up 22%, franked at 100%, representing a payout of 67% of first half net profit.

A detailed discussion of the results for the half can be found at our website: www.cochlear.com.



Chris Smith
Chief Executive Officer & President

11th February 2016

Cochlear Limited and its controlled entities
Interim Statement of Comprehensive Income
For the half year ended 31 December 2015

	31 Dec 2015 \$000	31 Dec 2014 \$000
Revenue	558,088	438,346
Cost of sales	(171,278)	(127,369)
Gross profit	386,810	310,977
Selling and general expenses	(158,870)	(122,686)
Administration expenses	(34,717)	(28,559)
Research and development expenses	(70,193)	(61,360)
Other income	7,937	2,086
Results from operating activities	130,967	100,458
Finance income – interest	130	90
Finance expense – interest	(4,814)	(5,542)
Net finance expense	(4,684)	(5,452)
Profit before income tax	126,283	95,006
Income tax expense	(32,250)	(23,631)
Net profit	94,033	71,375
Basic earnings per share (cents)	164.7	125.3
Diluted earnings per share (cents)	164.4	124.9

Cochlear Limited and its controlled entities
Interim Balance Sheet
As at 31 December 2015

	31 Dec 2015 \$000	30 Jun 2015 \$000
Assets		
Cash and cash equivalents	80,251	72,208
Trade and other receivables	271,733	249,744
Forward exchange contracts	2,276	3,853
Inventories	150,784	145,861
Current tax assets	5,182	3,606
Prepayments	15,758	13,754
Total current assets	525,984	489,026
Other receivables	2,728	63
Forward exchange contracts	1,610	1,910
Property, plant and equipment	80,533	80,809
Intangible assets	234,725	228,531
Deferred tax assets	78,557	68,717
Total non-current assets	398,153	380,030
Total assets	924,137	869,056
Liabilities		
Trade and other payables	107,295	99,858
Foreign exchange contracts	18,851	24,162
Loans and borrowings	168,426	168,159
Current tax liabilities	14,459	20,645
Employee benefit liabilities	37,177	43,223
Provisions	30,649	26,652
Deferred revenue	23,102	20,585
Total current liabilities	399,959	403,284
Foreign exchange contracts	8,848	10,961
Loans and borrowings	44,687	44,552
Employee benefit liabilities	11,949	11,479
Provisions	43,349	43,394
Total non-current liabilities	108,833	110,386
Total liabilities	508,792	513,670
Net assets	415,345	355,386
Equity		
Share capital	157,180	144,136
Reserves	(16,151)	(26,201)
Retained earnings	274,316	237,451
Total equity	415,345	355,386

Cochlear Limited and its controlled entities
Interim Statement of Cash Flows
For the half year ended 31 December 2015

	31 Dec 2015 \$000	31 Dec 2014 \$000
Cash flows from operating activities		
Cash receipts from customers	544,572	440,141
Cash paid to suppliers and employees	(418,752)	(325,495)
Grant and other income received	2,101	1,508
Interest received	113	99
Interest paid	(6,375)	(5,436)
Income taxes paid	(48,119)	(20,875)
Net cash from operating activities	73,540	89,942
Cash flows from investing activities		
Acquisition of property, plant and equipment	(13,427)	(7,768)
Acquisition of enterprise resource planning system	(3,334)	(2,683)
Net cash used in investing activities	(16,761)	(10,451)
Cash flows from financing activities		
Repayment of borrowings	(57,110)	(79,382)
Proceeds from borrowings	57,110	72,382
Proceeds from exercise of share options, net	7,538	-
Dividends paid	(57,168)	(72,469)
Net cash used in financing activities	(49,630)	(79,469)
Net increase in cash and cash equivalents	7,149	22
Cash and cash equivalents at 1 July	72,208	56,127
Effect of exchange rate fluctuation on cash held	894	2,722
Cash and cash equivalents at 31 December	80,251	58,871

Cochlear Limited and its controlled entities
Financial Highlights
For the half year ended 31 December 2015

	31 Dec 2015 \$000	31 Dec 2014 \$000
Total Revenue	558,088	438,346
Sales revenue	581,720	440,481
Earnings before interest and tax (EBIT)	130,967	100,458
Profit attributable to members	94,033	71,375
Basic earnings per share (cents)	164.7	125.3
Interim dividend per share (cents)	110.0	90.0
Franking %	100%	35%
Conduit Foreign Income %	-	40%

Given the significance of the FX movements the directors believe the presentation of non-IFRS financial measures is useful for the users of this document as they reflect the underlying financial performance of the business.

The non-IFRS financial measures included in this document have been calculated on the following basis:

- Constant currency: restatement of IFRS financial measures in comparative years using F16 FX rates.

These non-IFRS financial measures have not been subject to review or audit. However, KPMG have separately undertaken a set of procedures to agree the non-IFRS financial measures disclosed to the books and records of the consolidated entity.

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