



Cochlear Limited
Results for half year ended 31 December 2014 (H1 F15)
Chris Roberts CEO
Neville Mitchell CFO

Hear now. And always



Cochlear Overview



- Cochlear Limited (ASX:COH) is the global leader in implantable hearing devices, including:
 - Cochlear implants
 - Bone conduction implants
 - Acoustic implants
- There remains a large unmet clinical need for treating severe to profound hearing loss
- Direct operations in 20+ countries, and products sold in 100+ countries
- ~ 2,700 employees

H1 F15 Overview



- F15 builds on the product launches that started in F14 when products were launched across all product categories, eg Nucleus® 6, Baha® 4, Baha Attract
- In addition, further regulatory approvals in F15 is a key focus, eg Nucleus Profile implants, Wireless Accessories for Nucleus 6



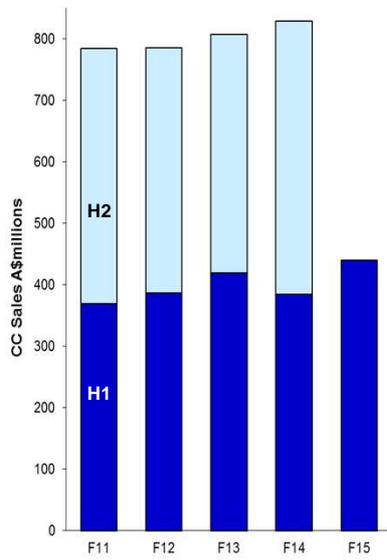
Cochlear: Financial results for H1F15



	H1F15 \$m	H1F14 \$m	% Change
Cochlear implant sales	383.0	331.1	↑16 %
Bone Conduction/Acoustic sales	57.5	45.9	↑25 %
Sales Revenue	440.5	377.0	↑17 %
FX Contracts (loss)	(2.2)	(5.9)	
Total Revenue	438.3	371.1	↑18 %
EBIT*	100.5	26.9*	↑274 %
Net profit after tax*	71.4	21.0*	↑240 %
EPS (cents per share)	125.3	37.0	↑239 %
Interim Dividend (cents per share)	90c	127c	↓29 %
Franking	35%	0%	

*Includes patent dispute provision of \$22.5m, \$15.8m net of tax in H1 F14

Cochlear: Sales in Constant Currency (CC) up 15%

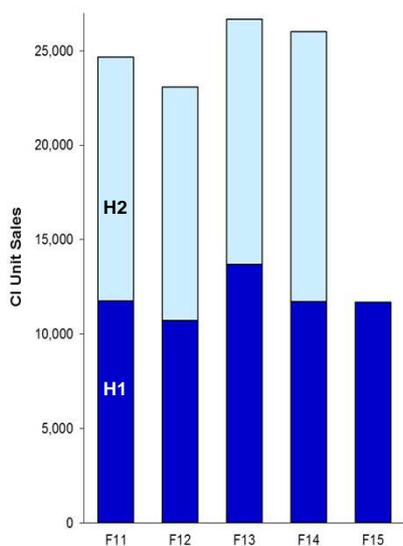


* CC means sales restated at F15 FX rates

- Record H1 sales of \$440.5 million
- Sales up 17% and in constant currency (H1 F14 restated at F15 rates) up 15%
- Sound processor upgrade sales \$82.2 million up 98%. Since Nucleus 6 launch ~ 15,000 recipients have upgraded



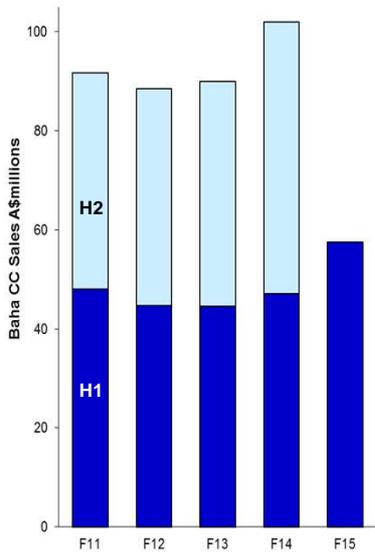
Cochlear: Cochlear Implant (CI) Unit Sales



- H1 F15 cochlear implant unit sales 11,689, in line with H1 F14
- Stronger CI unit growth in developed countries (North America up 17%, Western Europe up 8%), offset by lower tender sales in developing countries
- Further Nucleus Profile launches scheduled for H2 F15



Cochlear: Sales of Bone Conduction / Acoustic Implants in Constant Currency (CC) up 22%

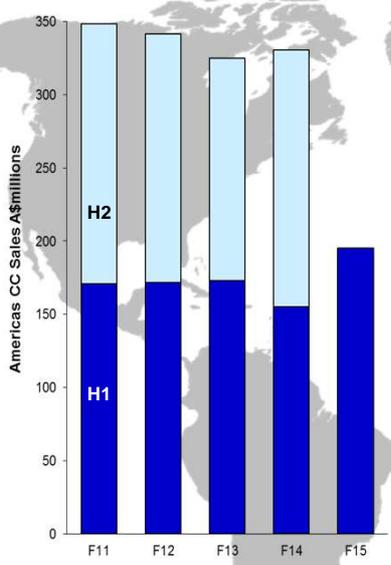


* CC means sales restated at F15 FX rates

- Record bone conduction/acoustic implant sales of \$57.5 million up 25% (up 22% in CC)
- USA: CMS will continue coverage of Baha System for Medicare patients
- Over 4,000 Baha Attract systems sold since launch in F14



Cochlear Americas: H1 F15 Sales in Constant Currency up 26%

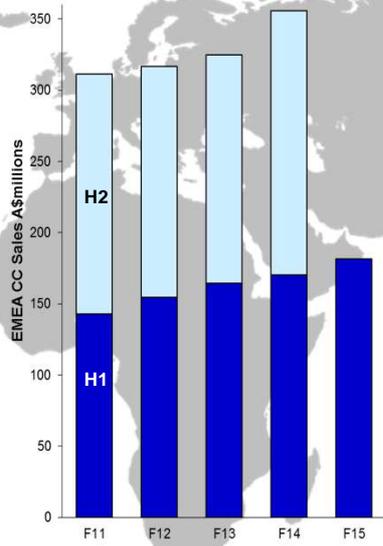


* CC means sales restated at F15 FX rates

- Record H1 F15 Americas sales of \$195.3 million up 30% (up 26% in CC)
- FDA regulatory approvals include:
 - Nucleus 6 Wireless Accessories
 - SmartSound® iQ for Nucleus 6 (Hybrid)
 - Nucleus Profile with Contour Advance® electrode.
 These launch in H2 F15



Cochlear EMEA: H1 F15 Sales in Constant Currency up 7%

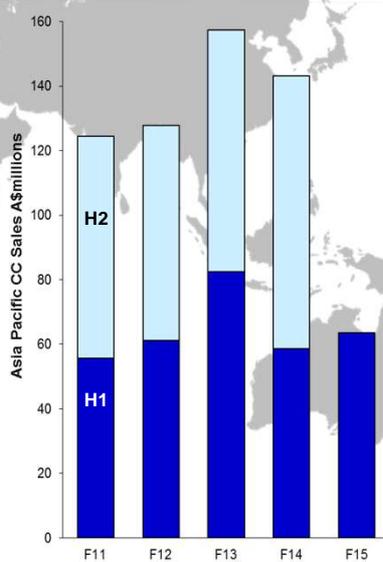


* CC means sales restated at F15 FX rates

- Record H1 F15 EMEA sales of \$181.6 million, up 7% (up 7% in CC)
 - Growth biased to Western Europe with sales up 12% in CC
 - CE Mark approvals include:
 - Wireless Accessories and Aqua+ for Nucleus 6
 - Nucleus Profile with Slim Straight electrode; launching H2 F15
- This complements Nucleus Profile with Contour Advance electrode



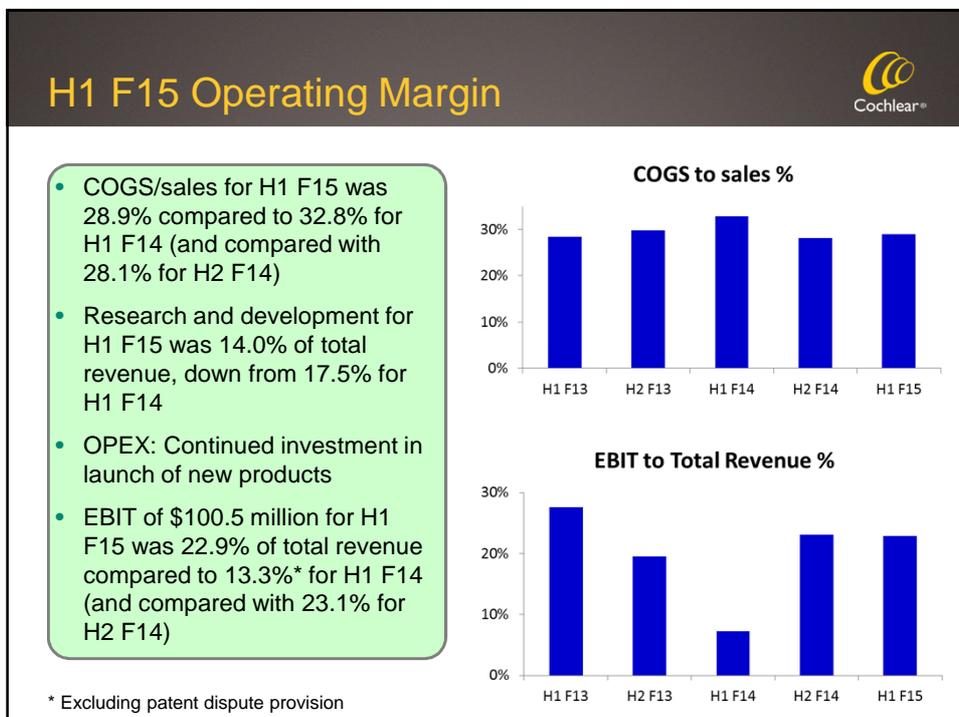
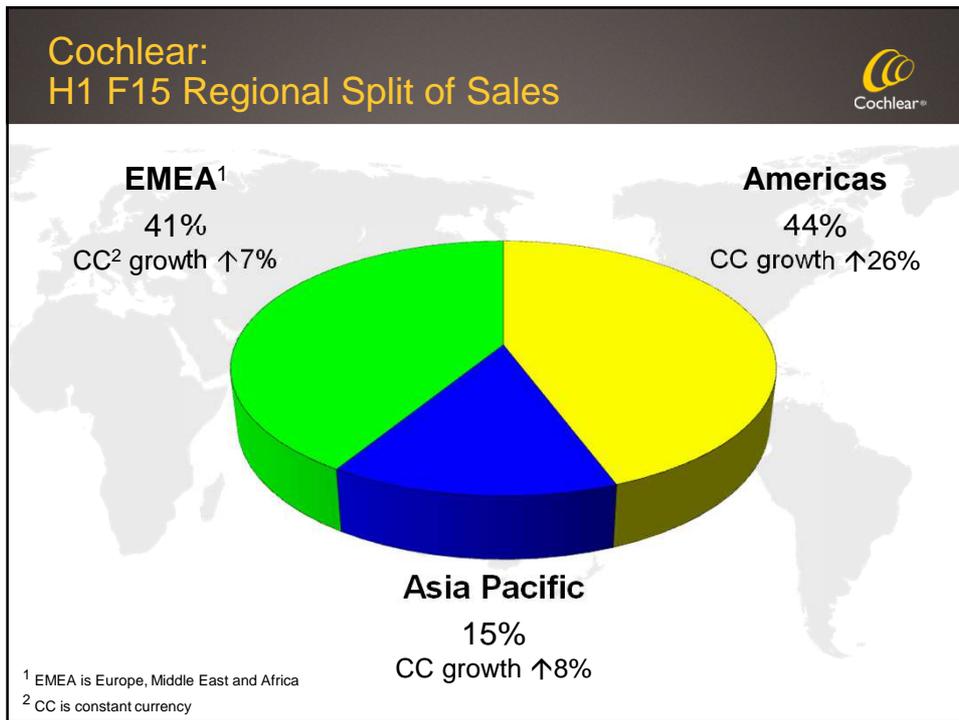
Cochlear Asia Pacific: H1 F15 Sales in Constant Currency up 8%



* CC means sales restated at F15 FX rates

- H1 F15 sales in Asia Pacific of \$63.6 million, up 10% (8% in CC)
- No China Central Government tender sales in H1 F15. Tender signed for delivery to China of ~1,900 CI units in H2 F15
- Dig Howitt appointed President of Asia Pacific in October replacing Mark Salmon (retired)





Nucleus 6



- SmartSound® iQ
- Industry's smallest processor
- Waterproof with Aqua+ accessory
- Data logging
- Hybrid hearing
- True wireless



True Wireless with Nucleus 6



For the most challenging situations

		
Listening to speech over a distance or in noise	Streaming music or voice from smartphone	Watching TV at a volume comfortable for everyone
		

True Wireless with Nucleus 6





Cochlear Wireless
Mini Microphone

Carry on conversations in the noisiest environments



Cochlear Wireless
Phone Clip

Connect hands-free to friends and family using smartphone



Cochlear Wireless
TV Streamer

Watch TV and participate in family conversation simultaneously



H1 F15 Summary



- Continued roll out of new products across all categories that started in F14
- Record H1 sales of \$440.5 million up 17%, and up 15% in constant currency
- H1 F15 NPAT of \$71.4 million, up 94%*
- Regulatory approvals have been obtained for further product launches in H2 F15, including:
 - Nucleus Profile with Slim Straight in Europe
 - Nucleus Profile with Contour Advance in USA
 - Aqua+ for Nucleus 6 in Europe
 - SmartSound iQ for Nucleus 6 (Hybrid) in USA
 - True Wireless for Nucleus 6 in all regions



*Excludes patent dispute provision of \$22.5m, \$15.8m net of tax for H1 F14



Neville Mitchell CFO
Results for the half year ended 31 December 2014

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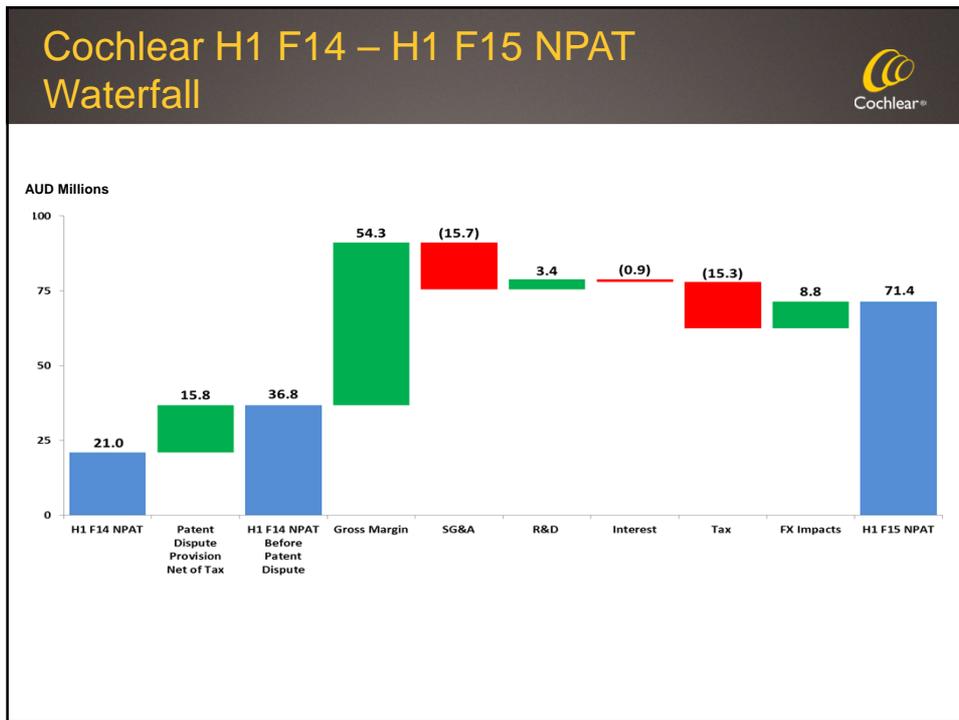


Cochlear H1 F15 Financial Performance



	H1 F15 \$m	H1 F14 \$m	% Change
Sales Revenue	440.5	377.0	↑ 17%
FX Contracts (loss)	(2.2)	(5.9)	
Total Revenue	438.3	371.1	↑ 18%
EBIT *	100.5	49.4*	↑ 103%
Net Profit after Tax*	71.4	36.8*	↑ 94%
Patent dispute provision net of tax	-	15.8	
Net profit attributable to members	71.4	21.0	↑ 240%
Dividends			
Interim Dividend	90c	127c	↓ 29%
Record Date 5 th March 2015			
Payable Date 26 th March 2015			
Franking %	35%	-	
Conduit Foreign Income %	40%	24%	

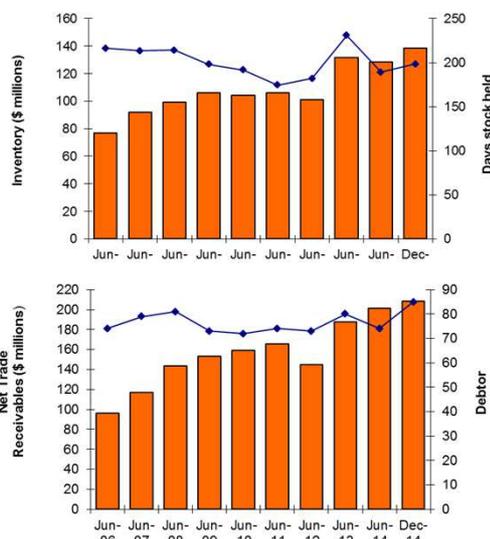
* These items exclude patent dispute provision of \$22.5 million before tax, \$15.8 million after tax



Impact of Changing FX Rates on H1 F15 NPAT

	A\$m	
Income Statement Translation Impact		
Sales Revenue	7.3	} Difference H1 F15 actual vs H1 F15 at H1 F14 rates
Total Expenses including tax	(3.3)	
	4.0	
Transaction Impact		
- Decrease from H1 F14 of FX loss on hedged sales	3.7	← Net difference actuals H1 F15 vs H1 F14
Translation Impact		
- Increase over H1 F14 of FX gain on asset translation	1.1	← Net difference actuals H1 F15 vs H1 F14
	8.8	
Positive impact on H1 F14 NPAT of changing FX rates	8.8	

Cochlear H1 F15 Working Capital



- H1 F15 inventory days increased to 199 (189 days in June F14)
- Debtor days 85 (74 days in June F14)
- Trade receivables at \$208.3 million (\$201.3 million in June F14)

Cochlear H1 F15 (Debt) / Cash



	31 Dec 2014	30 Jun 2014
Operations	\$m	\$m
Loans and Borrowings		
Current	(3.1)	(3.1)
Non-current	(227.4)	(234.3)
Total Debt	(230.5)	(237.4)
Cash	58.9	56.1
Net Debt	(171.6)	(181.3)
Total Loan Facilities	350.0	350.0
Unused Portion of Debt Facilities	117.0	110.0

H1 F15 Summary



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*Excludes patent dispute provision of \$22.5m, \$15.8m net of tax for H1 F14

Thank you
Any questions?

Hear now. And always



FX Contract Cover and Rates as at 31 December 2014



Total FX hedges at 31 Dec 2014 expressed in Foreign Currency (millions)	USD	EUR	JPY	
	263.0	154.0	1,549	
<hr/>				
FX Hedges at 31 December 2014 Expressed in AUD millions	295.7	230.2	17.5	Total
% of total cover (in AUD)	55%	42%	3%	100%
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3 yr weighted average rates FX contracts at 31 Dec 2014	0.89	0.67	88.7	
FX contracts at 31 Dec 2013	0.94	0.70	85.2	
<hr/>				
H2 F15 weighted average rates FX contracts at 31 Dec 2014	0.92	0.70	88.1	
Cover for H2 F15 (in AUD millions)	100.6	75.6	5.9	182.1

Foreign Exchange



Rates applied H1 F15 vs H1 F14	H1 F15	H1 F14	% Change
<hr/>			
Average rates (used for translating P&L)			
USD	0.89	0.93	↓ 4%
Euro	0.69	0.69	-
JPY	96.8	92.1	↑ 5%
GBP	0.55	0.58	↓ 5%
Contract rates (used to bring FX to Aust)			
USD	0.92	0.97	↓ 5%
Euro	0.69	0.71	↓ 3%
JPY	89.6	84.3	↑ 6%

Foreign Exchange: Period End Rates



	31 Dec 2014	30 June 2014	% change
Period end rates (used for translating Bal Sheet)			
USD	0.81	0.94	↓ 14%
Euro	0.67	0.69	↓ 3%
JPY	98.0	95.5	↑ 3%

Property, Plant & Equipment & Leasehold Improvements



	31 Dec 2014 \$m
Gross value 31 December 2014	211.7
Accumulated depreciation	(136.6)
Net book value at 31 December 2014	75.1
H1 F15 movements	
Additions	7.8
Depreciation	(9.2)
Disposals	(0.1)
FX Impacts	0.9

Corporate & Other Net Expenses



	H1 F15	H1 F14
	\$m	\$m
Research and Development	61.0	64.1
Corporate Administration & Marketing	39.1	30.5
Other Income and FX (gains) / losses	(2.2)	(2.3)
Corporate and other net expense (note 5)	97.9	92.3

Non-IFRS Financial Measures



Non-IFRS financial measures

Given the significance of the patent dispute and 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:

- Excluding patent dispute provision: IFRS measures adjusted for the expense of the patent dispute provision
- Constant currency: restatement of IFRS financial measures in comparative years using F15 FX rates

The above 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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