

HALF YEAR REPORT 2015

A hearing life



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 10 February 2015.

Highlights – Revenue

A focus for the first half of fiscal year ended 31 December 2014 (H1 F15) was continuing the sales momentum for products launched during the fiscal year ended 31 June 2014 (F14). Feedback on these products throughout the half was extremely positive. These products continue to improve the lives of the hearing impaired in line with Cochlear's mission.

Total revenue for H1 F15 was \$438.3 million, up 18% on H1 F14. Sales, excluding FX contracts, were \$440.5 million, up 17%. In constant currency (that is restating H1 F14 at H1 F15 FX rates) H1 F15 sales were up 15%.

Cochlear implant sales revenue, which included sound processor upgrades, was \$383.0 million, up 16% on the prior year and up 14% in constant currency.

Sales of sound processor upgrades of \$82.2 million were up 98%. The doubling of revenue from sound processor upgrades reflected strong market enthusiasm for the Nucleus® 6 Sound Processor.

Cochlear implant (CI) unit sales were 11,689, in line with H1 F14. CI unit growth was stronger in developed countries, for example Western Europe up 8% and North America up 17%. This was offset by weaker CI unit tender sales in developing countries.

Bone Anchored Solutions, (including acoustic implant sales) of \$57.5 million were up 25% and up 22% in constant currency again reflecting the impact of the Baha® 4 and Baha Attract Systems.

The Australian dollar (AUD) depreciated against the United States dollar (USD) during the half which benefits foreign sales when translated into AUD. From a translation perspective, sales benefited by net \$7.3 million. Offsetting this was a loss from FX contracts. FX contract losses were \$2.2 million for H1 F15 compared to a loss of \$5.9 million in H1 F14.



Dr Chris Roberts
Chief Executive Officer / President

10th February 2015

Cochlear Limited and its controlled entities
Interim Income Statement
For the half year ended 31 December 2014

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Revenue	438,346	371,060
Cost of sales	(127,369)	(123,669)
Gross profit	310,977	247,391
Selling and general expenses	(122,686)	(114,276)
Administration expenses	(28,559)	(19,351)
Patent dispute provision	-	(22,545)
Research and development expenses	(61,360)	(65,057)
Other income	2,086	1,255
Other expenses	-	(537)
Results from operating activities	100,458	26,880
Finance income	90	150
Finance expense	(5,542)	(4,740)
Net finance expense	(5,452)	(4,590)
Profit before income tax	95,006	22,290
Income tax expense	(23,631)	(1,245)
Net profit	71,375	21,045
Basic earnings per share (cents)	125.3	37.0
Diluted earnings per share (cents)	124.9	36.9

Cochlear Limited and its controlled entities
Interim Balance Sheet
As at 31 December 2014

	31 Dec 2014 \$'000	30 Jun 2014 \$'000
Current assets		
Cash and cash equivalents	58,871	56,127
Trade and other receivables	227,329	214,953
Inventories	138,495	128,613
Current tax receivables	9,759	8,600
Prepayments	13,414	12,586
Total current assets	447,868	420,879
Non-current assets		
Trade and other receivables	1,061	5,505
Property, plant and equipment	75,122	75,776
Intangible assets	231,304	234,115
Deferred tax assets	72,403	52,761
Total non-current assets	379,890	368,157
Total assets	827,758	789,036
Current liabilities		
Trade and other payables	85,030	78,644
Foreign exchange contracts	24,677	6,643
Loans and borrowings	3,061	3,141
Current tax liabilities	16,297	8,442
Provisions	61,677	57,557
Deferred revenue	18,497	15,151
Total current liabilities	209,239	169,578
Non-current liabilities		
Foreign exchange contracts	11,505	2,624
Loans and borrowings	227,417	234,274
Provisions	58,151	53,355
Total non-current liabilities	297,073	290,253
Total liabilities	506,312	459,831
Net assets	321,446	329,205
Equity		
Share capital	144,136	144,136
Reserves	(38,856)	(32,191)
Retained earnings	216,166	217,260
Total equity	321,446	329,205

Cochlear Limited and its controlled entities
Interim Statement of Cash Flows
For the half year ended 31 December 2014

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Cash flows from operating activities		
Cash receipts from customers	440,141	402,668
Cash payments to suppliers and employees	(325,495)	(350,926)
Grant and other income received	1,508	1,216
Interest received	99	166
Interest paid	(5,436)	(4,821)
Income taxes paid	(20,875)	(14,692)
Net cash from operating activities	89,942	33,611
Cash flows from investing activities		
Acquisition of property, plant and equipment	(7,768)	(10,247)
Acquisition of enterprise resource planning system	(2,683)	(3,661)
Net cash used in investing activities	(10,451)	(13,908)
Cash flows from financing activities		
Repayment of borrowings	(79,382)	(18,500)
Proceeds from borrowings	72,382	74,500
Dividends paid by the parent	(72,469)	(72,442)
Net cash used in financing activities	(79,469)	(16,442)
Net increase in cash and cash equivalents	22	3,261
Cash and cash equivalents at 1 July	56,127	52,689
Effect of exchange rate fluctuation on cash held	2,722	4,042
Cash and cash equivalents at 31 December	58,871	59,992

Cochlear Limited and its controlled entities
Financial Highlights
For the half year ended 31 December 2014

	31 Dec 2014 \$'000	31 Dec 2013 \$'000
Total Revenue	438,346	371,060
Sales revenue	440,481	376,967
Earnings before interest and tax and patent dispute provision * (EBIT)	100,458	49,425
Net profit after tax but before patent dispute provision *	71,375	36,826
Patent dispute provision, net of tax*	-	(15,781)
Profit attributable to members	71,375	21,045
Basic earnings per share (cents)	125.3	37.0
Diluted earnings per share (cents)	124.9	36.9
Interim dividend per share (cents)	90.0	127.0

* The patent dispute provision costs were nil for the six months ended 31 December 2014 and \$22,545,000 before tax and \$15,781,000 after tax for the six months ended 31 December 2013.

Given the significance of the FX movements and patent dispute 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 F15 FX rates
- Excluding patent dispute provision: IFRS measures adjusted for the expense of the patent dispute provision.

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.

For further information, please contact:

Cochlear Limited

1 University Avenue
 Macquarie University NSW 2109 Australia

Telephone: 61 2 9428 6555

Facsimile: 61 2 9428 6353

Share Registry Services

Computershare Investor Services Pty Ltd
 GPO Box 2975
 Melbourne VIC 3001 Australia

Telephone: 61 3 9415 4000

Within Australia: 1300 850 505