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COCHLEAR FULL YEAR FINANCIAL RESULTS FOR YEAR ENDED 30 JUNE 2013 IN LINE WITH GUIDANCE

- Record cochlear implant unit sales of 26,674 units, up 16%
- Total revenue down 3% to $752.7 million, with sales revenue up 3% in constant currency
- FX contract profit of $37.7 million, down 49% from $74.4 million
- Net profit after tax of $132.6 million, up 133% from $56.8 million
- Final dividend of $1.27 per share (30% franked) up 2%

	F13 $ million	F12 $ million	Change	
Cochlear implant sales	**636.4**	**626.7**	↑	**2%**
Bone Anchored Solutions (BAS) sales	**78.6**	**77.9**	↑	**1%**
FX contracts gains	**37.7**	**74.4**	↓	**49%**
Total revenue	**752.7**	**779.0**	↓	**3%**
EBIT	**178.9**	**215.3***	↓	**17%**
Net profit after tax	**132.6**	**158.1***	↓	**16%**
Product recall costs, net of tax	**-**	**101.3**		
Net profit attributable to members	**132.6**	**56.8**	↑	**133%**
Final dividend (payable 19 Sep 2013)	**127c**	**125c**	↑	**2%**
Franking	**30%**	**35%**		
Conduit foreign income	**30%**	**25%**		

*For F12 these items exclude product recall expenses of $138.8 million before tax and $101.3 million after tax.

Dr Roberts commented:

"We are proud that once more a record number of recipients received one of our implants. Our mission is to help people hear and be heard, empowering them to connect with others and lead a full life.

"Approval for sale of Nucleus® 6 in Europe has just been received and product roll-out is now underway. Nucleus 6 is the most advanced cochlear implant sound processor ever released both in terms of hearing performance and usability.

"During F13, we continued investing in key business drivers and remain confident in our ongoing growth. Cochlear is well placed with new products, market growth initiatives and systems and processes in place supporting our long-term future."

FULL YEAR RESULTS REVIEW

Total Revenue

Total revenue for F13 was $752.7 million, down 3% on F12. Sales, excluding FX contracts, were $715.0 million, up 1%. In constant currency (that is restating F12 at F13 FX rates), F13 sales were up 3%.

Cochlear implant sales, which included sound processor upgrades, were $636.4 million, up 2% and up 3% in constant currency.

Cochlear implant unit sales were 26,674, up 16%.

Bone Anchored Solutions sales of $78.6 million were up 1% and up 2% in constant currency.

FX contract gains of $37.7 million were down 49% on F12 ($74.4 million).

Regional performance:

- Americas sales of $284.4 million were down $12.6 million, or 4% (down 5% in constant currency). Sales of sound processor upgrades to existing cochlear implant recipients were down $17.0 million, ahead of the release of Nucleus 6. $4.6 million of sales was deferred as at 30 June as part of the Future Technology Exchange Program (FTEP) initiated in April 2013.

- EMEA (Europe, Middle East and Africa) sales of $283.0 million were down 1% (up 3% in constant currency). Sales of sound processor upgrades were down $4.9 million ahead of the release of Nucleus 6. $1.8 million of revenue was deferred as at 30 June under FTEP.

- Asia Pacific sales of $147.6 million were up 20% (up 24% in constant currency) supported by the Chinese tender sale of approximately 2,800 units.

Gross Margin

Cost of goods sold (COGS) of $208.1 million gave a COGS/sales margin of 29.1% compared with 28.9% for the previous financial year. This was despite the appreciating AUD, for example, the AUD appreciated 4% against the Euro.

Expenses

Selling, General and Administration expenses of $240.9 million were down 1% in reported currency and unchanged in constant currency. No addition was made to the recall provision in F13.

Investment in research and development of $124.7 million was up 5% in reported and constant currency.

EBIT of $178.9 million was down $36.4 million (F12 $215.3 million excluding product recall expenses). FX contracts gains were down $36.7 million for the year.

Working Capital and Debt

Trade receivables were $187.6 million with debtors days of 80 (June 2012, 73). Some $15 million of the year end trade receivables related to the China tender sale. Inventory was $131.6 million (June 2012, $101.3 million).

Net debt was $117.8 million at 30th June 2013. At 30th June 2013, the unused portion of the facility was $128.7 million (June 2012, $128.0 million).

Dividends

The Board remains confident on Cochlear's long term sustainable growth and has declared a final partially franked dividend of $1.27 (franked to 30%) per share which will be paid on 19th September 2013 based on a record date of 29th August 2013.

Operational Review

F13 was characterised by continued investments in the business. R&D programs across a broad range of innovative hearing technologies were 16.6% of total revenues.

During the second half of F13, the industry-first Baha® DermaLock™ Abutment was launched in our major markets. Clinical trials of Baha Attract, a non-skin penetrating bone conduction system (transcutaneous), commenced in Q4 F13 with encouraging results. This product further broadens the market for bone conduction.

Cochlear acquired intellectual property, fixed assets and inventory from Otologics LLC in Boulder, Colorado, in H1 F13. This asset acquisition further augments Cochlear's acoustic implant capabilities, including the Codacs™ device. First sales of the relaunched Carina MET acoustic implant system were made in June 2013.

In F13 we rolled out the Aqua Accessory that makes the Nucleus 5 the only swimmable behind the ear sound processor. In Europe, we achieved CE Mark for a cochlear implant system for the indication of permanent sensorineural Unilateral Hearing Loss (UHL)

A range of new clinical innovations were approved in F13, including the CR120 intraoperative wireless hand-held device, wireless remote assistant fitting and a simplified version of our advanced Custom Sound Suite called Nucleus Fitting Software. The CR120 and Remote Assistant Fitting both won international design awards.

In the US, an original PMA has been filed for a hybrid cochlear implant system, which expands cochlear implant indications allowing recipients to benefit from residual hearing.

Internally, processes necessary to support the growing number of new customers, clinics and customer base continued to be a focus and further enhancements were made. Oracle ERP systems were upgraded in F13 as part of an emphasis on scalable systems and processes.

The Nucleus 6 Sound Processor was approved for sale in Europe in August 2013 and is now being rolled out. Nucleus 6 delivers a range of industry-first innovations on a new microchip platform.

Outlook

Cochlear enters F14 with a strong product pipeline that continues to drive growth. Nucleus 6 is currently being rolled out in Europe and regulatory approvals in other jurisdictions are anticipated during the year. Timing of regulatory approvals and effectiveness of the Nucleus 6 launch execution will be important for the F14 result.

The building blocks underpinning Cochlear's long-term growth are firmly in place.

These include excellent technology partnerships; the developing Macquarie Hearing Hub; a growing global footprint; sound financials; and leading market share. These strengths, along with our ongoing investments in R&D and the sound fundamentals of the market in which we operate, give Cochlear great confidence in the company's long-term, sustainable growth prospects.

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Non-IFRS financial measures

Given the significance of the product recall 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 recall costs: IFRS measures adjusted for the costs of the product recall
- Constant currency: restatement of IFRS financial measures in comparative years using F13 FX rates
- Free cash flow: IFRS cash flow from operating and investing activities excluding interest and tax paid related to non-operating activities.

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.