

Graham Carrick

The first commercial cochlear
implant recipient (1982)



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 5 February 2013.

Highlights

- Total revenues for H1 F13 were \$391.7 million, up 1% on H1 F12. Sales, excluding FX contracts, were \$368.2 million, up 5%. In constant currency (that is restating H1 F12 at H1 F13 FX rates), H1 F13 sales were up 9%.
- Cochlear implant sales, which included accessories and sound processor upgrades, were \$329.7 million, up 6% in reported currency and up 10% in constant currency.
- Cochlear implant unit sales were 13,672, up 27%.
- Bone Anchored Solutions sales of \$38.5 million were down 3% in reported currency and unchanged in constant currency.
- Regional performance:
 - Americas sales of \$150.4 million grew 1% in constant currency (up 1% in reported currency).
 - EMEA (Europe, Middle East and Africa) sales of \$140.1 million were up 7% in constant currency (down 2% in reported currency).
 - Asia Pacific sales of \$77.7 million were up 33% in constant currency (30% in reported currency).
- EBIT to Revenue was 27.6%; the same as for F12 despite FX contracts down \$12.8 million for the half.



Dr Chris Roberts
Chief Executive Officer / President

5th February 2013

Cochlear Limited and its controlled entities
Interim Income Statement
For the six months ended 31 December 2012

| | 31 Dec 2012 \$'000 | 31 Dec 2011 \$'000 |
|--|--------------------|--------------------|
| Revenue | 391,699 | 387,491 |
| Cost of sales | (104,842) | (100,280) |
| Cost of sales – product recall | - | (138,835) |
| Gross profit | 286,857 | 148,376 |
| Selling and general expenses | (97,536) | (98,573) |
| Administration expenses | (21,319) | (22,249) |
| Research and development expenses | (59,901) | (57,862) |
| Other income | 898 | 728 |
| Other expenses | (698) | (581) |
| Results from operating activities | 108,301 | (30,161) |
| Finance income | 293 | 445 |
| Finance expense | (3,123) | (2,828) |
| Net finance expense | (2,830) | (2,383) |
| Profit / (loss) before income tax | 105,471 | (32,544) |
| Income tax (expense) / benefit | (27,806) | 12,155 |
| Net profit / (loss) | 77,665 | (20,389) |
| Earnings per share | | |
| Basic earnings per share (cents) | 136.6 | (35.9) |
| Diluted earnings per share (cents) | 136.1 | (35.8) |

Cochlear Limited and its controlled entities
Interim Balance Sheet
As at 31 December 2012

| | 31 Dec 2012 \$'000 | 30 Jun 2012 \$'000 |
|--------------------------------------|--------------------|--------------------|
| Current assets | | |
| Cash and cash equivalents | 69,796 | 68,486 |
| Trade and other receivables | 200,047 | 189,085 |
| Inventories | 115,715 | 101,298 |
| Current tax receivables | 7,713 | 5,763 |
| Prepayments | 7,001 | 9,249 |
| Total current assets | 400,272 | 373,881 |
| Non-current assets | | |
| Trade and other receivables | 17,748 | 11,840 |
| Property, plant and equipment | 62,262 | 59,611 |
| Goodwill | 158,275 | 151,066 |
| Other intangible assets | 61,571 | 55,649 |
| Deferred tax assets | 42,233 | 50,495 |
| Total non-current assets | 342,089 | 328,661 |
| Total assets | 742,361 | 702,542 |
| Current liabilities | | |
| Trade and other payables | 80,931 | 100,218 |
| Loans and borrowings | 78,372 | 45,744 |
| Current tax liabilities | 6,246 | 19,526 |
| Provisions | 66,391 | 78,366 |
| Deferred revenue | 18,525 | 18,089 |
| Total current liabilities | 250,465 | 261,943 |
| Non-current liabilities | | |
| Trade and other payables | 583 | 735 |
| Loans and borrowings | 63,947 | 19,928 |
| Provisions | 36,276 | 35,056 |
| Total non-current liabilities | 100,806 | 55,719 |
| Total liabilities | 351,271 | 317,662 |
| Net assets | 391,090 | 384,880 |
| Equity | | |
| Share capital | 118,446 | 121,136 |
| Reserves | (14,311) | (16,762) |
| Retained earnings | 286,955 | 280,506 |
| Total equity | 391,090 | 384,880 |

Cochlear Limited and its controlled entities
Interim Statement of Cash Flows
For the six months ended 31 December 2012

| | 31 Dec 2012 \$'000 | 31 Dec 2011 \$'000 |
|---|--------------------|--------------------|
| Cash flows from operating activities | | |
| Cash receipts from customers | 341,712 | 367,841 |
| Cash payments to suppliers and employees | (280,399) | (273,793) |
| Grant and other income received | 898 | 728 |
| Interest received | 307 | 415 |
| Interest paid | (3,248) | (2,787) |
| Income taxes paid | (30,755) | (25,039) |
| Net cash from operating activities | 28,515 | 67,365 |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (9,624) | (9,683) |
| Acquisition of enterprise resource planning system | (7,572) | (3,833) |
| Acquisition of intangible assets | (13,305) | (3,752) |
| Net cash used in investing activities | (30,501) | (17,268) |
| Cash flows from financing activities | | |
| Repayment of borrowings | (5,000) | (30,000) |
| Proceeds from borrowings | 82,000 | 50,000 |
| Payments for repurchase of issued capital, net | (2,690) | 1,534 |
| Dividends paid by the parent | (71,216) | (68,171) |
| Net cash from / (used in) financing activities | 3,094 | (46,637) |
| Net increase in cash and cash equivalents | 1,108 | 3,460 |
| Cash and cash equivalents at 1 July | 68,486 | 72,423 |
| Effect of exchange rate fluctuation on cash held | 202 | (935) |
| Cash and cash equivalents at 31 December | 69,796 | 74,948 |

Cochlear Limited and its controlled entities
Financial Highlights
For the six months ended 31 December 2012

| | 31 Dec 2012 \$000 | 31 Dec 2011 \$000 | % Change |
|--|-------------------|-------------------|----------|
| Cochlear implant systems sales (units) | 13,672 | 10,724 | 27 |
| Revenue | 391,699 | 387,491 | 1 |
| EBIT before product recall costs * | 108,301 | 108,674 | Flat |
| Net profit after tax but before product recall costs * | 77,665 | 80,147 | (3) |
| Product recall costs, net of tax * | - | (100,536) | |
| Net profit/(loss) after tax | 77,665 | (20,389) | |
| Basic earnings per share (cents) | 136.6 | (35.9) | |
| Interim dividend per share (cents) | 125.0 | 120.0 | 4 |

* The product recall costs were \$138,835,000 before tax and \$100,536,000 after tax

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 F12 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.

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