

Cochlear Limited

Results for the full year ended 30 June 2013 (F13)



Chris Roberts, CEO

Neville Mitchell, CFO

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Cochlear Overview

- Cochlear Limited (ASX:COH) is the global leader in implantable hearing devices e.g. cochlear implants
- ~ 2,700 employees
- Direct operations in 20+ countries, and products sold in 100+ countries
- Fundamentals of the business remain positive
 - Large unmet clinical need
 - Excellent clinical outcomes
 - Established reimbursement
 - Strong competitive position
 - Opportunities for sustainable growth



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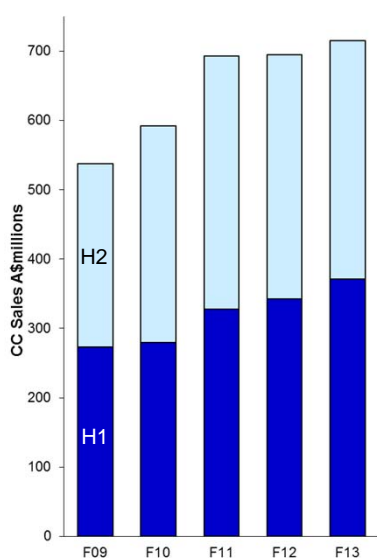
Cochlear: Financial Results for F13

	F13 \$m	F12 \$m	% 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 %

* These items exclude product recall expenses of \$138.8 million before tax for F12



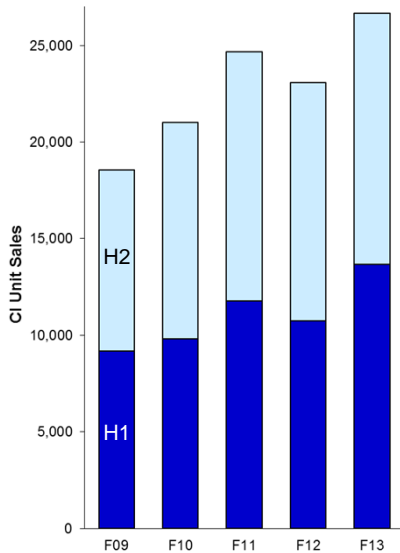
Cochlear: Sales in Constant Currency (CC)



* CC means sales restated at F13 FX rates

- Total revenues of \$752.7 million, down 3%
- Sales up 3% in constant currency
- CI sound processor upgrade sales down \$24 million ahead of Nucleus® 6 product release
- Deferred revenue of \$6.4 million at year end relating to Future Technology Exchange Program (FTEP)

Cochlear: Cochlear Implant (CI) Unit Sales



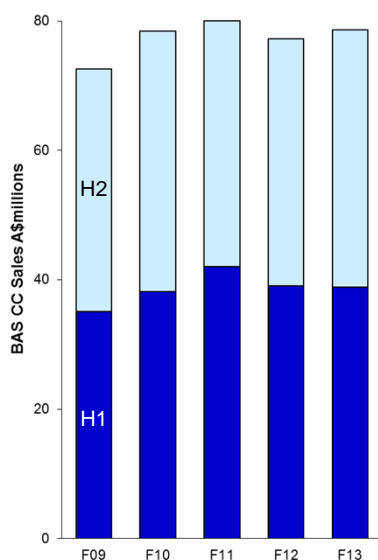
- F13 CI unit sales up 16% to 26,674 units
- CE Mark approval for asymmetrical hearing, including unilateral hearing loss.
- Growth in CI unit sales in all regions – global market share around 65%



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Cochlear: Sales of Bone Anchored Solutions (BAS) in Constant Currency



- BAS sales (including Baha[®] implants) \$78.6 million, up 2% in constant currency
- Completed successful launch of Baha DermaLock[™] Abutment for soft tissue preservation
- Baha Attract (transcutaneous Baha system) now being used clinically

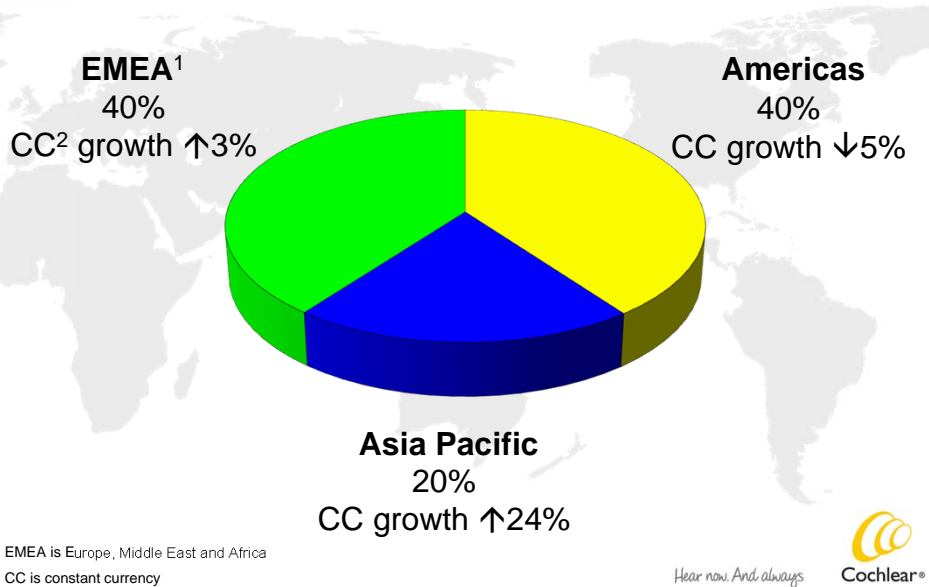


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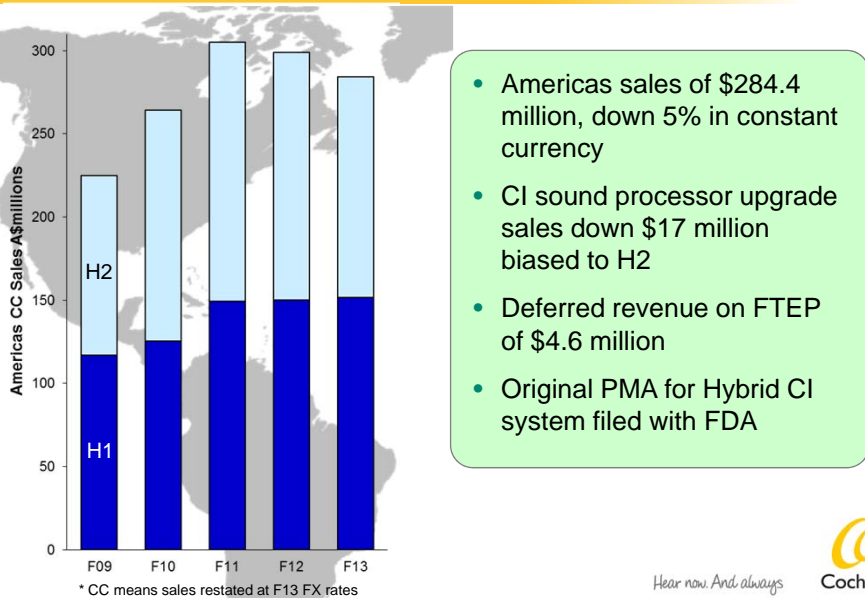


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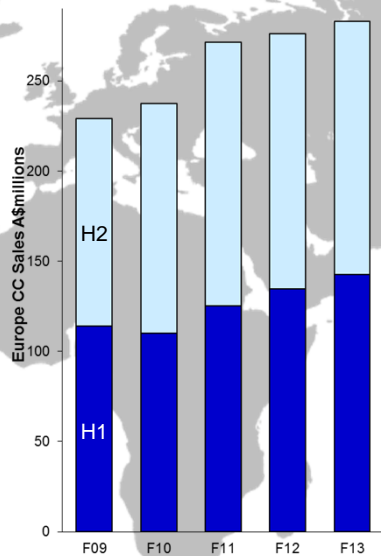
Cochlear: F13 Regional Split of Sales



Cochlear Americas: Sales in Constant Currency



Cochlear EMEA: Sales in Constant Currency



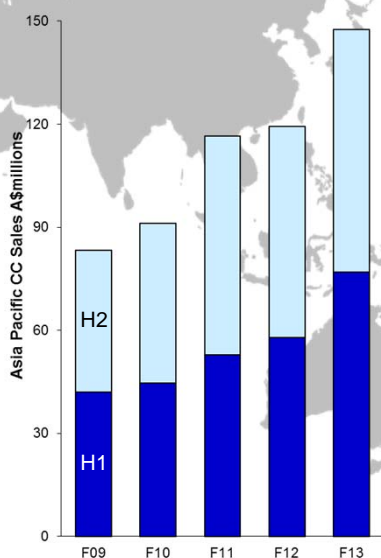
* CC means sales restated at F13 FX rates

- EMEA (Europe, Middle East and Africa) sales of \$283 million, up 3% in constant currency
- CI sound processor upgrade sales down \$4.9 million
- Deferred revenue on FTEP of \$1.8 million
- CE Mark for Nucleus 6 was received in August 2013

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Cochlear Asia Pac: Sales in Constant Currency



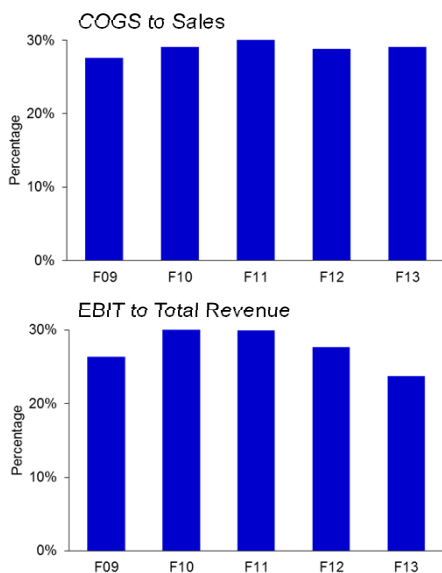
* CC means sales restated at F13 FX rates

- Asia Pacific sales of \$147.6 million, up 24% in constant currency
- China tender of 2,800 units biased to H1
- Nucleus 6 launched in Korea, Malaysia, Hong Kong and India
- Commenced introduction of new clinical care tools

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Operating Margins



- COGS to Sales of 29.1% (28.9% in F12)
- FX contract gains down \$36.7 million
- Operating expenses of \$365.8 million up 1%
- EBIT of \$178.9 million down \$36.4 million on F12
- EBIT to Total Revenue (Sales + FX contracts) of 23.8% (27.6% in F12)

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Cochlear Nucleus 6 – Simply Smarter

6 reasons



- SmartSound® iQ
- Smallest processor
- Integrated Hybrid
- Wireless connectivity
- Water resistant BTE
- Data logging

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Cochlear Hybrid System

- An original PMA has been filed in the USA for a hybrid cochlear implant system
- Combined cochlear implant and hearing aid
- Expanding cochlear implant indications allowing recipients to benefit from residual hearing.



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Cochlear™ Baha® 4 Systems:

More possibilities for a lifetime of better hearing

Baha 4 Attract System:

Invisible link to better hearing



Baha 4 Connect System:

Proven hearing performance with soft tissue preservation



Baha 4 Sound Processor:

Smarter hearing – wireless freedom



Cochlear™ Wireless HiFi Microphone



Cochlear™ Wireless Phone Clip



Cochlear™ Baha® Remote Control



Cochlear™ Wireless TV Streamer

Innovations



CR120 Intraoperative Remote Assistant

Remote Assistant Fitting

Nucleus Fitting Software



Carina MET Acoustic Implant

Carina Acoustic Implant

Codacs Acoustic Implant

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Cochlear F13 Overview



- Record CI unit sales of 26,674 up 16%
- Total revenue of \$752.7 million down 3%, sales in constant currency up 3%
- NPAT of \$132.6 million up 133%
- Nucleus 6 launched in Europe, Canada and Korea
- Building blocks in place for long-term sustainable growth

Molly's Day Video

MOLLY'S DAY

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F13 Financial Results



Neville Mitchell, CFO

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Cochlear F13 Financial Performance

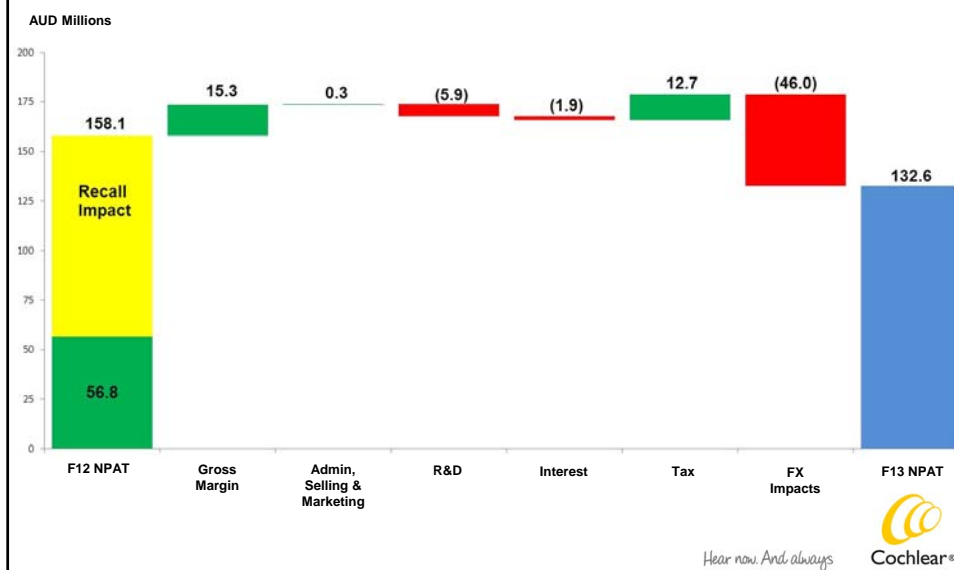
	F13 \$m	F12 \$m	% Change
Total Revenue	752.7	779.0	↓ 3%
EBIT *	178.9	215.3*	↓ 17%
Net Profit after Tax	132.6	158.1*	↓ 16%
Product Recall Costs, net of tax	-	101.3	
Net profit attributable to members	132.6	56.8	↑ 133%
Dividends			
Final Dividend	127c	125c	↑ 2%
Record Date 29 August 2013 Payable Date 19 September 2013			
Franking %	30%	35%	
Conduit Foreign Income %	30%	25%	
Full Year Dividend	252c	245c	↑ 3%

* These items exclude product recall expenses of \$138.8 million before tax for F12

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Cochlear F12 – F13 NPAT Reconciliation



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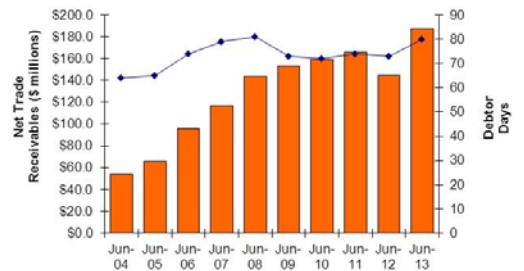
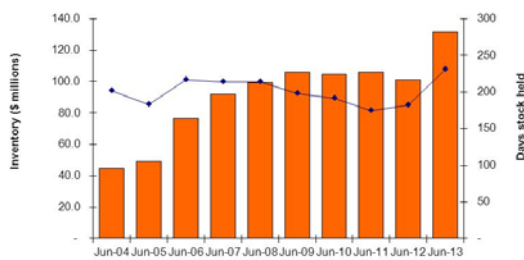
Impact of Appreciating AUD on F13 NPAT

	A\$m	
	F/(U)	
Income Statement Translation Impact		
Sales Revenue	(10.0)	} Difference F13 actual vs F13 at F12 rates
Total Expenses including tax	2.9	
	<u>(7.1)</u>	
Transaction Impact		
- Decrease from F12 of FX gain on hedged sales	(36.7)	← Net difference actuals F13 vs F12
Translation Impact		
- Increase over F12 of FX loss on asset translation	(2.2)	← Net difference actuals F13 vs F12
	<u>(2.2)</u>	
Impact on F13 NPAT of appreciating AUD	<u>(46.0)</u>	

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Cochlear F13 Working Capital Inventory (Days Stock Held) / Debtors Days Outstanding



- F13 Inventory days increased to 231 (F12 182 days)
- Debtor days 80 (F12 73 days)
- Trade receivables at \$187.6 million (F12 \$144.7 million)

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Cochlear F13 (Debt) / Cash

	30 June 2013	30 June 2012
	\$m	\$m
Operations		
Loans and Borrowings		
Current	(3.3)	(45.7)
Non-current	(167.2)	(19.9)
Total Debt	(170.5)	(65.6)
Cash	52.7	68.5
Net Cash	(117.8)	2.9
Total Loan Facilities	300.0	200.0
Unused Portion of Facility	128.7	128.0

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Thank you
Any questions?



FX Contract Cover and Rates as at 30 June 2013

Total FX hedges at 30 June 2013 expressed in Foreign Currency (millions)	USD	EUR	JPY	
	226.5	135.8	1,275	
FX Hedges at 30 June 2013 Expressed in AUD millions	233.8	188.3	15.5	Total 437.6
% of total cover (in AUD)	53%	43%	4%	100%
3 yr weighted average rates FX contracts at 30 June 2013	0.97	0.72	83.72	
FX contracts at 30 June 2012	0.93	0.69	75.98	
F14 weighted average rates FX contracts at 30 June 2013	0.97	0.72	82.77	
Cover for F14 (in AUD millions)	142.5	113.7	9.2	265.4

Foreign Exchange

Rates applied F13 vs. F12

	F13	F12	% Change
Average rates (used for translating P&L)			
USD	1.02	1.03	↓ 1%
Euro	0.79	0.77	↑ 4%
JPY	89.3	81.1	↑ 10%
GBP	0.65	0.65	↑ 1%
Contract rates (used to bring FX to Aust)			
USD	0.93	0.84	↑ 10%
Euro	0.70	0.66	↑ 6%
JPY	81.1	77.1	↑ 5%

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Foreign Exchange

Period end rates applied F13 vs. F12

	30 June 2013	30 June 2012	% change
Period end rates (used for translating Bal Sheet)			
USD	0.93	1.01	↓ 8%
Euro	0.71	0.81	↓ 12%
JPY	90.7	80.1	↑ 13%

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Property, Plant & Equipment & Leasehold Improvements

	30 June 2013
\$m	
Gross value 30 June 2013	179.0
Accumulated depreciation	(113.1)
Net book value at 30 June 2013	65.9
F13 movements	
Additions	21.1
Depreciation	(15.4)
Disposals	(1.0)
FX Impacts	1.6

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Corporate & Other Net Expenses

	F13 \$m	F12 \$m
FX Contracts	(37.7)	(74.4)
Research and Development	123.5	118.1
Corporate Administration & Global Marketing	59.1	63.5
Corporate Other Income	(2.6)	(1.4)
FX losses	2.5	0.3
Corporate and other net expense (note 10)	144.8	106.1

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Journal Entries for Deferred Revenue Relating to F13 FTEP Program

	F13 \$m
Income Statement	
DR Sales Revenue	6.4
CR Cost of Goods Sold	(0.5)
CR Tax Expense	(2.4)
Profit Reduction	<u>3.5</u>
Balance Sheet	
DR Inventory	0.5
CR Deferred FTEP Revenue – Liability	(6.4)
DR Deferred Tax Asset	<u>2.4</u>
Net Liability	<u>(3.5)</u>

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Non-IFRS Financial Measures

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 F12 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.

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