

Hear now. And always



HY23 Result Presentation

15 February 2023

Dig Howitt

CEO & President

Stu Sayers

CFO



Cochlear's mission

We help people hear and be heard.

We **empower** people to connect with others and live a full life.

We **transform** the way people understand and treat hearing loss.

We **innovate** and bring to market a range of implantable hearing solutions that deliver a lifetime of hearing outcomes.



HY23 Summary

Sales revenue up 9% (up 7% in CC*)

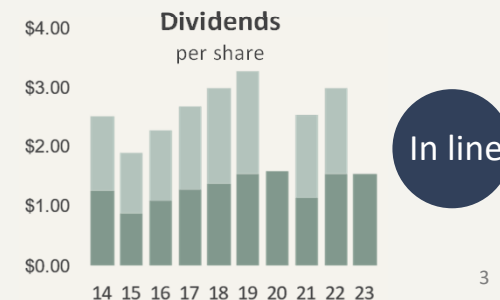
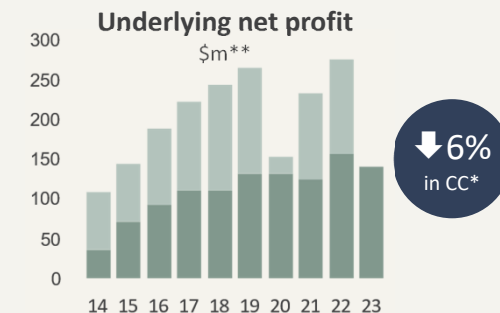
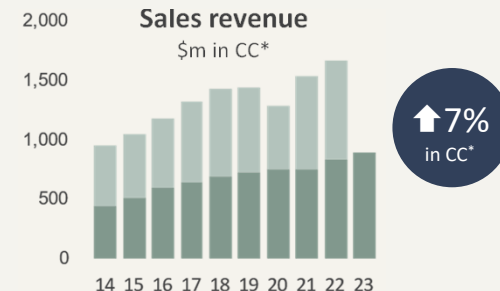
- Strong demand across all regions for cochlear implants driven by the launch of the Nucleus® 8 Sound Processor with cochlear implant units up 14%
- Services revenue growth slowed in anticipation of the launch of the new sound processor with the rollout for existing recipients commencing late in the half
- Strong demand for all acoustic implant products with sales revenue growing 20%

Underlying net profit** down 10% (6% in CC)

- Underlying net profit margin, excluding the impact of cloud computing-related expenses, of 17%, just below our long-term target of 18%
- Key drivers: strong growth in sales revenue, continued investment in market growth activities and R&D to support long-term growth, weighting of operating expenses to the second half of FY22 and a significant uplift in cloud computing-related expenses (in line with guidance)

Strong financial position

- Strong balance sheet with net cash of \$505m and operating cash flows sufficient to fund investing activities and capital expenditure
- Interim dividend of \$1.55 per share, a 72% payout of underlying net profit
- The FY23 underlying net profit guidance range has been maintained at \$290-305m, a 5-10% increase on FY22 underlying net profit, an increase of 8-13% when adjusted for the increase in cloud computing-related expenses



HY23 Operational review



Cochlear implants

57% of sales revenue

Cochlear implant unit growth of 14% with strong growth across both developed and emerging markets

Developed markets

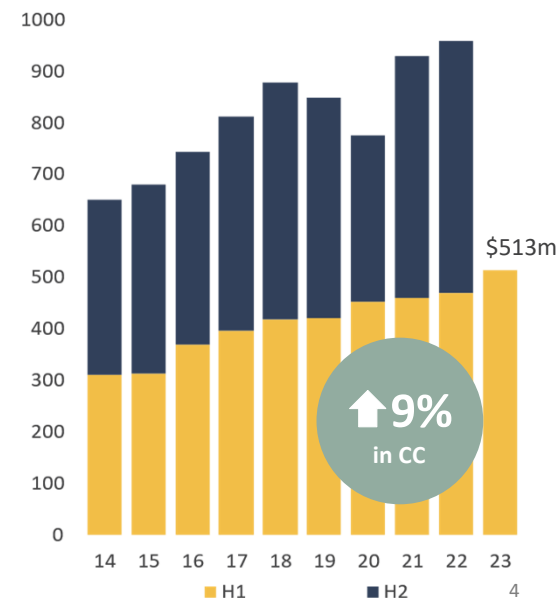
- Volumes grew >10% with the US, Western Europe and Asia Pacific all delivering strong growth and ASP in line with last year
- Cochlear™ Nucleus® 8 Sound Processor well received, commencing its rollout in Western Europe from October and the US during November
- Market share remained strong supported by the strength of the product and services portfolio and the introduction of the Nucleus® 8 Sound Processor

Emerging markets

- Volumes grew ~20% with strong growth across most countries. Government tender activity increased following subdued activity during COVID shutdowns and private pay continued to perform strongly
- Growth was particularly strong in markets most impacted by COVID, including India and Latin America. China delivered strong growth despite the surge in COVID cases

Cochlear implant sales revenue

\$m in CC*



HY23 Operational review



Services

29% of sales revenue

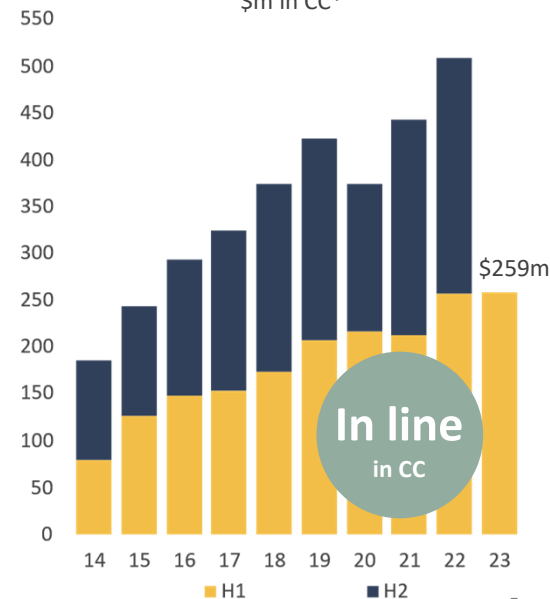
Revenue growth slowed in anticipation of the launch of the Nucleus® 8 Sound Processor

- Revenue flat in CC with revenues slowing in anticipation of the launch of the Nucleus® 8 Sound Processor
- Follows the strong HY22 result where revenues increased 21% in CC as the business benefited from a strong lift in demand following COVID-related clinic shutdowns
- Availability of the Nucleus® 8 Sound Processor as an upgrade for recipients from late in the half, with strong demand since launch



Introducing the Nucleus® 8 Sound Processor
Smaller. Smarter. Better Connected.

Services
sales revenue
\$m in CC*



HY23 Operational review



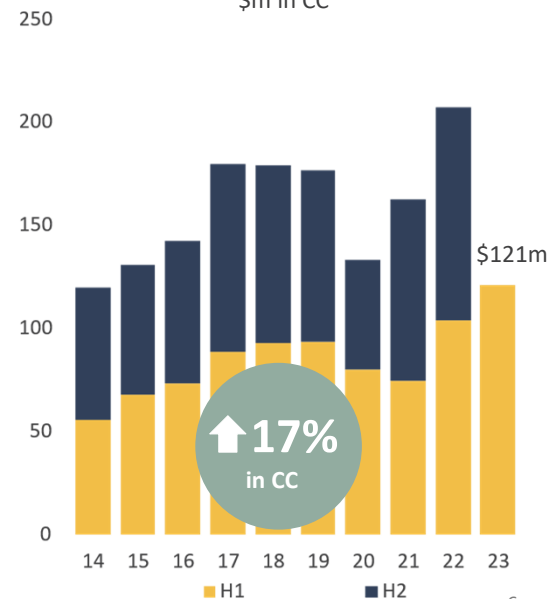
Acoustics

14% of sales revenue

Strong demand for all products across all regions

- Revenue up 17% in CC, the result of a strong product offering and a continued recovery in surgery volumes following COVID delays
- The Cochlear™ Osia® 2 System continues to gain momentum with new accounts opened in existing markets and a growing presence in new markets
- The Cochlear™ Baha® 6 Max Sound Processor continues to generate demand for sound processor upgrades across all regions

Acoustics
sales revenue
\$m in CC*



Profit & loss



\$m	HY23	HY22	Change (reported)	Change (CC)
Sales revenue	892.6	815.3	9%	7%
Gross margin %	75%	75%	0 pts	0 pts
Selling, marketing and general expenses	275.4	231.6	19%	17%
R&D expenses	102.6	98.6	4%	5%
<i>% of sales revenue</i>	<i>11%</i>	<i>12%</i>	<i>(1 pt)</i>	<i>(1 pt)</i>
Administration expenses (excl cloud investment)	76.2	65.1	17%	17%
Administration expenses (cloud investment)	17.3	5.2	233%	233%
Operating expenses	471.5	400.5	18%	17%
Other income / (expenses)	(1.1)	5.1		
FX contract gains / (losses)	(7.4)	5.4		
EBIT (underlying)*	185.7	217.6	(15%)	(10%)
<i>% EBIT margin*</i>	<i>21%</i>	<i>27%</i>		
Net finance costs	2.0	3.5		
Effective tax rate %*	25%	26%		
Underlying net profit*	141.6	157.5	(10%)	(6%)
<i>% Underlying net profit margin*</i>	<i>16%</i>	<i>19%</i>		
<i>% Underlying net profit margin (excl cloud inv.)*</i>	<i>17%</i>	<i>20%</i>		
<u>One-off and non-recurring items (after-tax):</u>				
Innovation fund gains	-	11.8		
Statutory net profit	141.6	169.3	(16%)	(12%)

Key points:

- ▶ Strong demand for cochlear and acoustic implants
- ▶ Gross margin maintained – in line with the longer-term target
- ▶ Continued investment in market growth initiatives, new product launch costs primarily in H1, FY22 expenses weighted to H2
- ▶ Broadly aligned with the 12% of sales revenue target
- ▶ Primarily driven by an increase in short-term incentives and costs associated with the Oticon Medical transaction
- ▶ \$100-150m to be invested over 4-5 years
- ▶ \$7m increase in balance sheet FX revaluation losses
- ▶ In line with expectations – FY23 underlying net profit expected to be weighted to H2
- ▶ Net profit margin (pre cloud) just below our 18% longer-term target

* Excluding one-off and non-recurring items.

Capital employed



\$m	Dec22	Jun22	Change
Trade receivables	337.5	308.4	29.1
Inventories	285.7	270.2	15.5
Less: Trade payables	(201.2)	(232.4)	31.2
Working capital	422.0	346.2	75.8
<i>Working capital / sales revenue*</i>	<i>24%</i>	<i>21%</i>	
Property, plant and equipment	263.0	260.2	2.8
Intangible assets	408.3	392.5	15.8
Investments & other financial assets	175.1	187.9	(12.8)
Other net liabilities	(58.5)	(87.8)	29.3
Capital employed	1,209.9	1,099.0	110.9

Funding sources:

Equity	1,715.3	1,685.7	29.6
Less: Net cash	(505.4)	(586.7)	81.3
Capital employed	1,209.9	1,099.0	110.9

Key points:

- ▶ Increase driven by growing sales revenue and impact of the timing of the launch of the Nucleus® 8 Sound Processor late in the half
- ▶ Stay-in-business inventory levels remain higher than pre-COVID levels reflecting the building of safety stocks of both finished goods and some componentry over the past few years in anticipation of potential ongoing global supply chain shortages
- ▶ Timing of payments

- ▶ Net cash decreased \$81m

* Dec22 calculation based on doubling HY23 sales revenue.

Cash flow



\$m	HY23	HY22	Change
EBIT (underlying)*	185.7	217.6	(31.9)
Depreciation and amortisation	37.3	35.8	1.5
Changes in working capital and other	(85.3)	(79.0)	(6.3)
Net interest paid	2.0	(3.5)	5.5
Income taxes paid	(50.6)	(45.9)	(4.7)
Operating cash flow	89.1	125.0	(35.9)
Capital expenditure	(42.7)	(38.1)	(4.6)
Other net investments	(17.9)	(42.3)	24.4
Free cash flow	28.5	44.6	(16.1)
(Outlay) / proceeds from issue of shares	-	(1.2)	1.2
Dividends paid	(95.4)	(92.1)	(3.3)
Other	(14.4)	(10.3)	(4.1)
Change in net cash – increase / (decrease)	(81.3)	(59.0)	(22.3)

Key points:

▶ EBIT decline driven by increased cloud computing investment, new product launch costs and the impact of the weighting in operating expenses to the second half of FY22

▶ Increase in working capital with trade receivables and inventory increases a function of the timing of the launch of the Nucleus® 8 Sound Processor late in the half

▶ Additional investment in innovation fund investments – Precisis

* Excluding one-off and non-recurring items.

Dividends



	HY23	HY22	% change
Interim ordinary dividend (per share)	\$1.55	\$1.55	0%
% Payout ratio (based on underlying net profit)	72%	65%	
% Franking (final dividend)	35%	0%	

Key points:

- ▶ Franking balance depleted as a result of FY20 losses

On-market share buyback

- Commencing a progressive on-market share buy-back program that aims to reduce the cash balance to ~\$200m over a number of years
- Aligns with shareholder interests by reducing shares on issue and providing gradual EPS and DPS accretion over the long term
- Targeting to buy-back up to \$75m in shares over the next 12 months (~0.5% of shares on issue)
- The dividend policy which targets a 70% payout of underlying net profit will be maintained
- Net cash of \$505m (as at Dec22) will reduce by ~\$170m following the acquisition of Oticon Medical

FY23 Outlook



The FY23 underlying net profit guidance range maintained at \$290-305m, an increase of 8-13% when adjusted for the increase in cloud computing-related expenses

Key assumptions:

- Guidance anticipates strong growth in sales revenue and ~18% underlying net profit margin before cloud computing-related expenses
- FY23 net profit is expected to be weighted to H2 driven by the rollout of the Cochlear™ Nucleus® 8 Sound Processor – demand for the new sound processor has been strong since its launch which commenced in October
- Trading conditions have been progressively improving, in line with expectations, with intermittent COVID-related hospital or region-specific elective surgery restrictions or staffing shortages continuing. While surgical and clinical capacity to serve implant candidates appears to have stabilised, we continue to be mindful of the pressure on the healthcare system globally to contend with surgical waiting lists, ongoing staffing challenges and growing demand
- Continued investment in R&D and market growth activities to support long-term market growth
- Cloud computing-related investment expected to increase to ~\$36m (\$25m after tax), a \$14m increase (\$10m after tax) on FY22
- Guidance is based on a 70 cent AUD/USD and 65 cent AUD/EUR
- Capital expenditure is expected to be ~\$100m
- The Board maintains a dividend policy that targets a 70% payout of underlying net profit
- Guidance does not factor in earnings from the proposed acquisition of Oticon Medical, which is targeted to complete by the end of FY23

Hear now. And always



Supplementary information

Cochlear overview & strategy

About Cochlear

For over 40 years, Cochlear has been the global leader in implantable hearing solutions.

Cochlear commenced operations in 1981 as part of the Nucleus group and in 1995 listed on the Australian Securities Exchange. Today, it is a Top 50 listed Australian company with a market capitalisation of over \$13 billion.

We aim to improve awareness of and access to implantable hearing solutions for people indicated for our products. We have provided more than 700,000 implant devices to people who benefit from one – or two – of our implantable solutions. Whether these hearing solutions were implanted today or many years ago, we continue to bring innovative new products to market as well as sound processor upgrades for all generations of recipients.

We invest around 12% of sales revenue each year in R&D, with over \$2 billion invested since listing, and participate in over 100 collaborative research programs worldwide. Our global headquarters are on the campus of Macquarie University in Sydney, with regional offices in Asia Pacific, Europe and the Americas. We have a deep geographical reach, selling in over 180 countries, with a direct presence in over 30 countries and a global workforce of close to 4,500 employees.



Cochlear at a glance



Business segments

Cochlear implants*

57%

Cochlear implant systems



Cochlear™ Nucleus® Profile™ Plus with Slim Modiolar Electrode (CI632)

Services*

31%

Sound processor upgrades, accessories & other



Cochlear™ Nucleus® 8 Sound Processor (CP1110)



Cochlear™ Nucleus® Kano® 2 Sound Processor (CP950)

Acoustics*

12%

Bone conduction systems and sound processor upgrades



Cochlear™ Baha® 6 Max Sound Processor



Cochlear™ Baha® 2 System

Global sales

>\$1.6b

in sales revenue*

~80%

Developed markets

~20%

Emerging markets



48%

Americas

35%

EMEA

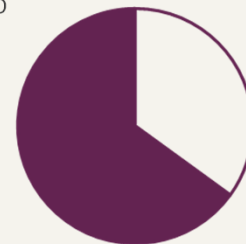
17%

Asia Pacific

Market leader

\$200m⁺ in annual R&D

>60% global market share**



700,000⁺ implants sold***

Growing scale

~4,500

employees

100⁺

collaborative research programs

30⁺

countries with direct operations

6

key manufacturing sites

Investment proposition

Cochlear provides shareholders with an opportunity to invest in the global leader in implantable hearing solutions, in an industry that has the potential to grow over the long term.

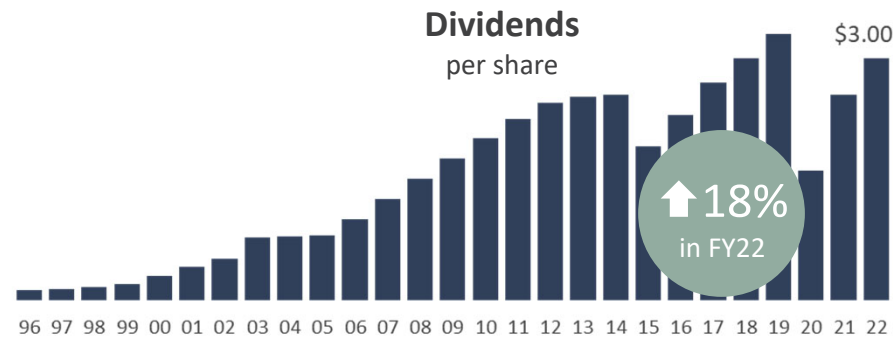
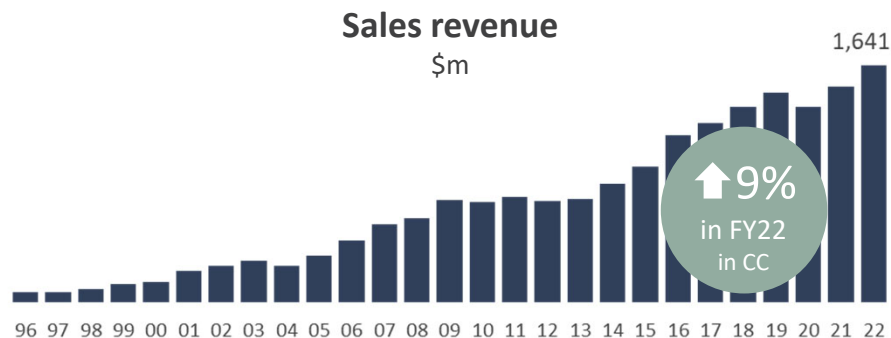
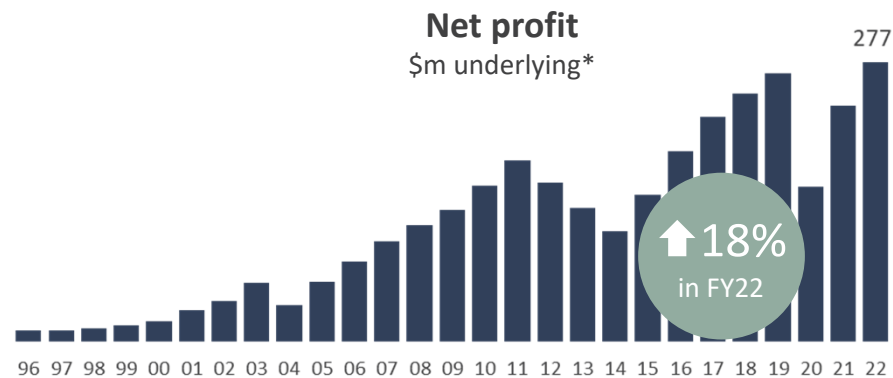
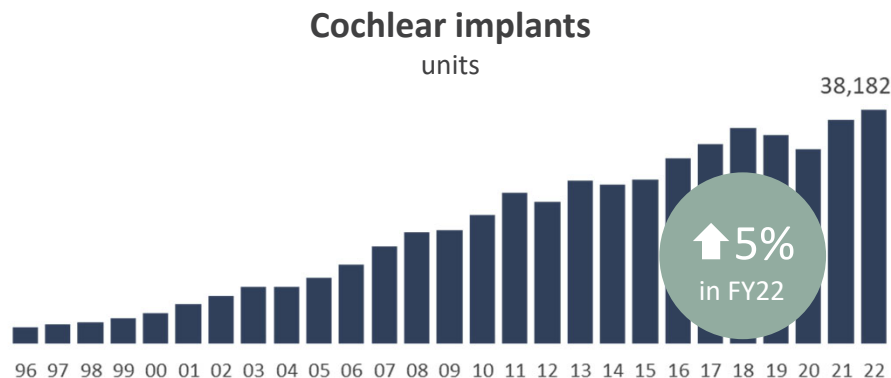
- ✓ **Global leader** in implantable hearing solutions for over 40 years with over 60% global market share and more than 700,000 devices sold
- ✓ **Long-term market growth opportunity** with a significant, unmet and addressable clinical need for implantable hearing solutions and less than 5% market penetration
- ✓ **Unrivalled commitment to product innovation**, bringing innovative new products and services to market as well as sound processor upgrades compatible with prior generation implants
- ✓ **Growing income stream** from servicing our expanding recipient base
- ✓ **Strong free cash flow generation** provides funding for market growth activities and R&D as well as the ability to reward shareholders with a growing dividend stream*



Financial history



Cochlear has a long track record of delivering growing sales revenue, profits* and dividends.



* Excluding one-off and non-recurring items.

Our mission

The passion that drives the organisation and focuses the strategy

- Empower
- Transform
- Innovate

Our strategy

Where we focus our time and resources to create value

- Growth opportunity
- Strategic priorities
- A stronger organisation

Value creation

How the outcomes of our activities impact all key stakeholders - our customers, our people, our shareholders and society more broadly

- A healthier & more productive society
- Empowered customers
- A lifetime of hearing solutions
- Thriving people
- Sustained value

How we create value



Our
strategy

Growth opportunity

Growth
opportunity

Strategic
priorities

A stronger
organisation

The factors driving industry growth

- Hearing loss is prevalent and under-treated
- Cochlear implants are a cost-effective solution for all age groups
- Product indications are broadening and funding is expanding
- Cochlear implants can deliver superior outcomes to hearing aids for indicated patients
- Good hearing is essential for healthy ageing

Our strategy

Growth opportunity

Strategic priorities

A stronger organisation

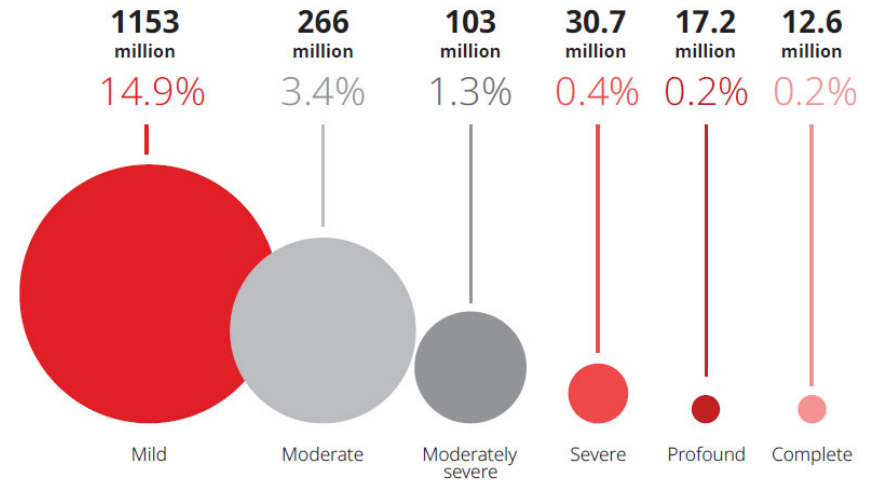
Growth opportunity

Hearing loss is prevalent and under-treated

The WHO estimates that there are more than 60 million people worldwide who experience severe or higher hearing loss.⁴

A challenge for hearing care providers is that less than 5% of the people that could benefit from an implantable hearing solution have received one.⁵

>60m people with severe or higher hearing loss



Globally 1.5 billion people live with hearing loss

Our strategy

Growth opportunity

Strategic
priorities

A stronger
organisation

Growth opportunity

Cochlear implants are a cost-effective solution for all age groups

Cochlear implants provide life changing outcomes for recipients, empowering them to connect with others and live a full life.

They also provide a cost-effective solution for all age groups, delivering significant returns on the investment made by the healthcare system.



The estimated lifetime societal costs for a pre-lingual deaf child in developed markets exceeds US\$1.5 million⁶⁻⁸



The effective use of implants is cost-effective in adults and seniors with an estimated return on investment of 10:1⁹

Our strategy

Growth opportunity

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organisation

Growth opportunity

Product indications are broadening and funding is expanding

Product indications and funding are expanding as payers increasingly recognise the improved outcomes and cost-effectiveness of Cochlear's implantable solutions.

US: lowered the age of cochlear implantation from 12 to 9 months and included single-sided deafness as an indication for Cochlear's Nucleus implant

Japan, UK and Belgium: expansion of reimbursement criteria for cochlear implants to include severe hearing loss

New Zealand: cochlear implant funding to reduce the adult waiting list

Cochlear™ Osia® 2 System: reimbursement achieved across a number of countries including the US, Germany and UK

Australia: reimbursement for remote programming of cochlear and bone conduction implants

France: reimbursement approved for Baha sound processors

Our strategy

Growth opportunity

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Growth opportunity

Cochlear implants can deliver superior outcomes to hearing aids for indicated patients

Cochlear implants can provide a significant improvement in hearing outcomes and quality of life when compared to hearing aids for many people with a severe or higher hearing loss.

**We are the market
leader in cochlear
implants....**



Cochlear implant
market share

**But a small player in the severe
or higher hearing loss segment
where hearing aids dominate**



Hearing devices treating the
severe or higher hearing loss
segment

Our strategy

Growth opportunity

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Growth opportunity

Good hearing is essential for healthy ageing

Hearing loss is particularly prevalent in people over the age of 60, with one in four suffering moderate or higher hearing loss. There is a growing understanding of the importance of properly treating hearing loss in this age group. It affects communication and is associated with social isolation, anxiety, depression and cognitive decline.¹⁰⁻¹¹

Growing understanding of the link between good hearing and healthy ageing



Cognitive decline

Hearing loss associated with accelerated cognitive decline and dementia in older adults.¹²



Depression

Significant association between hearing impairment and moderate to severe depression.¹³⁻¹⁵



Falls

Higher risk of dizziness causing falling.¹⁴



Social isolation

Hearing loss linked to withdrawal from social interactions, which can have a significant impact on psychological well-being and physical health.¹⁶⁻¹⁸



Ability to work

Hearing loss can affect sufferers' ability to work or stay in the workforce.¹⁸⁻²⁰



Loss of independence

Seniors with hearing loss less likely to be able to self-care.¹⁵

**Our
strategy**

Strategic priorities

Growth
opportunity

**Strategic
priorities**

A stronger
organisation

How we focus our time and resources to create value



Retain market leadership

We are committed to retaining our market leadership position in the industry by continuing to make substantial investments in R&D that enable us to bring to market implantable hearing solutions that deliver a lifetime of hearing outcomes.



Grow the hearing implant market

We grow the hearing implant market by transforming the way people understand and treat hearing loss. Our efforts are targeted at improving awareness, expanding access and building on the clinical evidence that demonstrates the effectiveness of our products.



Deliver consistent revenue and earnings growth

To deliver consistent revenue and earnings growth over time, we balance maximising spending to grow the market with investment to maintain our competitive position.

**Our
strategy**

Growth
opportunity

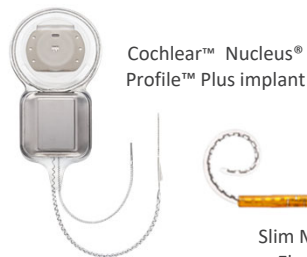
**Strategic
priorities**

A stronger
organisation

Retain market leadership

Our market-leading product and services portfolio

Cochlear implants



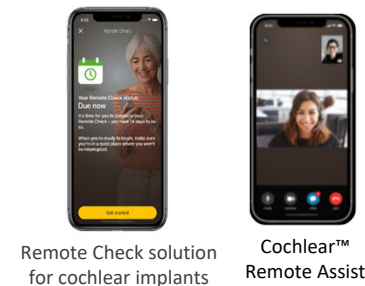
Acoustic implants



Convenience & confidence



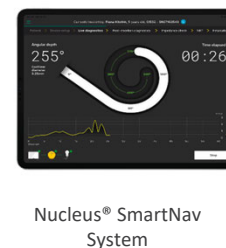
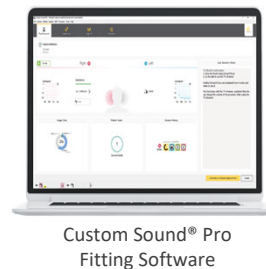
Telehealth solutions



Sound processors



Clinical & surgical support



Responsive & convenient service



Our strategy

Growth
opportunity

**Strategic
priorities**

A stronger
organisation

Retain market leadership

What we are doing

We create value through innovation, bringing to market new products and services that deliver a lifetime of hearing outcomes.

Key focus areas:

Market-leading technology

- Maintain market leadership through growing levels of investment in R&D (targeted at 12% of sales revenue)
- Innovation focus on hearing implants, sound processing technology, connectivity and clinical and surgical support
- Introduce new products that provide improved hearing outcomes, functionality, connectivity and aesthetic benefits

World-class customer experience

- Grow connectivity and engagement with recipients
- Introduce connected care solutions and skills training tools for recipients
- Introduce sound processor upgrades that provide functional and aesthetic benefits
- Develop technology solutions that provide greater convenience and confidence to professional customers

Our strategy

Growth
opportunity

Strategic
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A stronger
organisation

Grow the hearing implant market

We grow the market by transforming the way people understand and treat hearing loss

Our efforts are targeted at improving awareness, expanding access and building on the clinical evidence that demonstrates the effectiveness of our products.

We focus on four key segments:



Cochlear implants
**Children
developed markets**



Cochlear implants
**Children
emerging markets**



Cochlear implants
**Adults and seniors
developed markets**



Acoustic implants
**Next generation bone
conduction hearing solutions**

**Our
strategy**

Grow the hearing implant market

What we are doing

Our biggest opportunities to create value will be from building a sustainable adult referral pipeline for cochlear implants and by broadening the acoustics market.

Key focus areas:

- Improve the awareness of cochlear and acoustic implants
- Broaden reimbursement and improve the indications for cochlear and acoustic implants
- Support the development of consistent practice guidelines to strengthen the referral pathway for adults
- Build on the clinical evidence that supports the superior outcomes of cochlear implants over hearing aids for people with severe or higher hearing loss
- Collaborate with research institutions studying the links between hearing loss and healthy ageing



Our strategy

Deliver consistent revenue and earnings growth

What we are doing

We create value by maintaining discipline around our long-term investment model and continuing to refine our capital allocation processes to ensure we optimise investment. We balance maximising spending to grow the market with investment to maintain our competitive position while ensuring we have agile, efficient and environmentally responsible business processes to support our growth ambitions.

Key focus areas:

- Optimise growth investment
- Target an 18% net profit margin over the long term
- Target net-zero carbon emissions in our operations by 2030 and across our value chain by 2050
- Grow our contribution to the United Nations Sustainable Development Goals
- Maintain a strong balance sheet
- Improve efficiency and agility
- Maintain high levels of corporate governance

Our strategy

Growth opportunity

Strategic priorities

A stronger organisation

Deliver consistent revenue and earnings growth

Revenue drivers

Cochlear implants

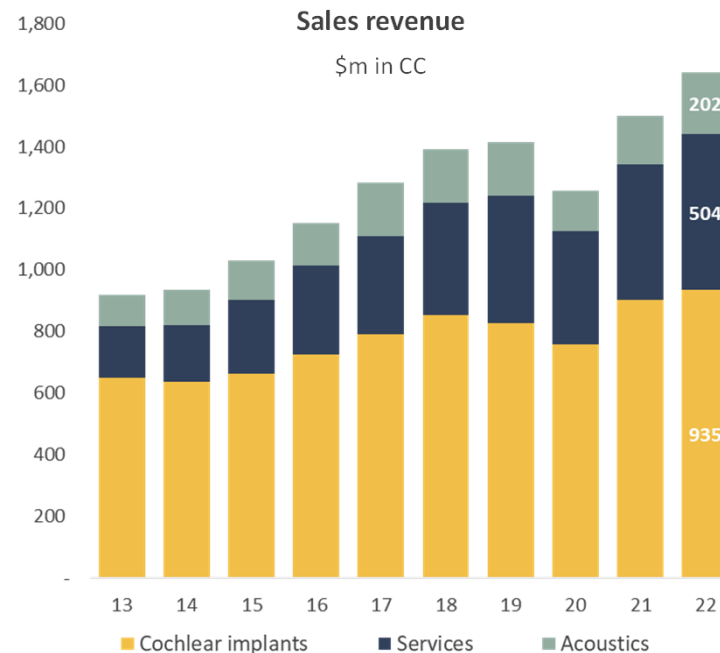
- Growing awareness and uptake by adults and seniors
- Emerging market expansion
- New products driving market growth and market share

Services

- Growing recipient base
- Greater connectivity and engagement with recipients
- Next generation sound processor upgrades

Acoustics

- New products
- Market expansion led by Cochlear™ Osia® 2 System



Our strategy

Deliver consistent revenue and earnings growth

Invest to grow

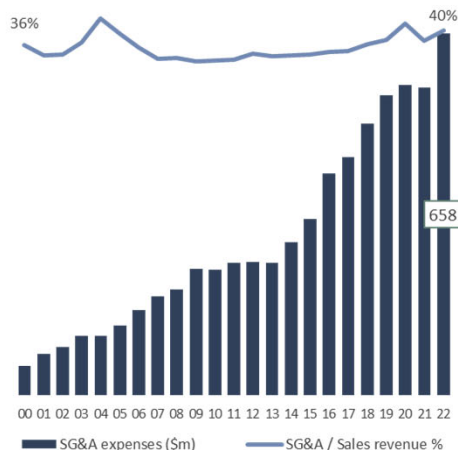
Growth opportunity

Strategic priorities

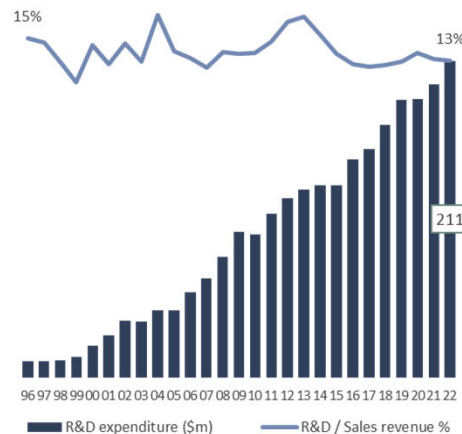
A stronger organisation

We take a long term approach to investing and have invested in growing the market for implantable solutions since listing in 1995.

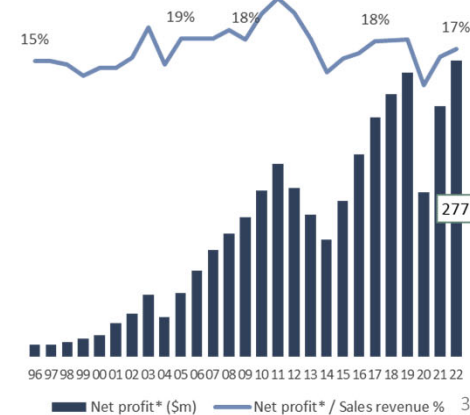
Consistent investment in sales and marketing



Growing R&D capability



Delivering stable net profit margins



Our strategy

Deliver consistent revenue and earnings growth

Operational improvement

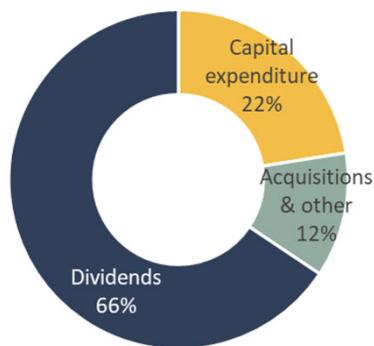
Growth opportunity

Strategic priorities

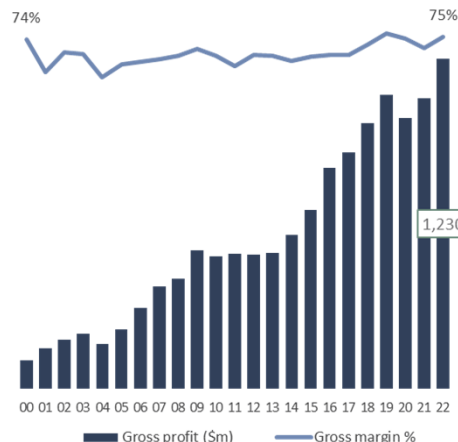
A stronger organisation

Disciplined capital investment and optimising cost of production strengthens our competitive position.

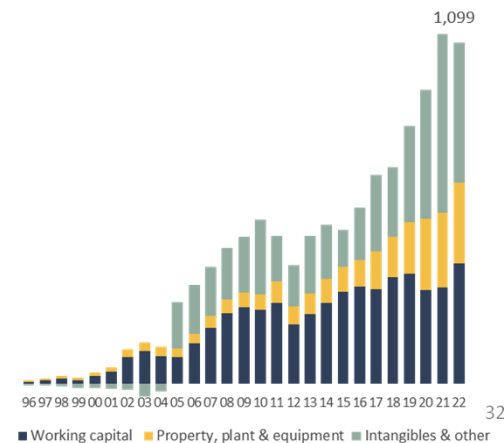
Disciplined use of capital



Stable gross margin



Capital employed



* Excluding one-off and non-recurring items

Our strategy

Deliver consistent revenue and earnings growth

Strong financial position

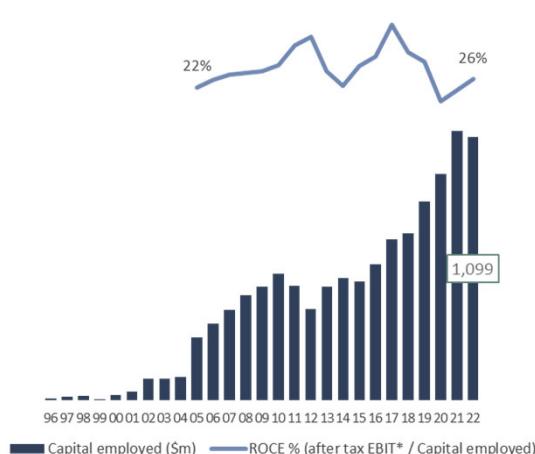
Strong free cash flow generation provides funding for market growth activities and R&D as well as the ability to reward shareholders with a growing dividend stream.

Growth opportunity

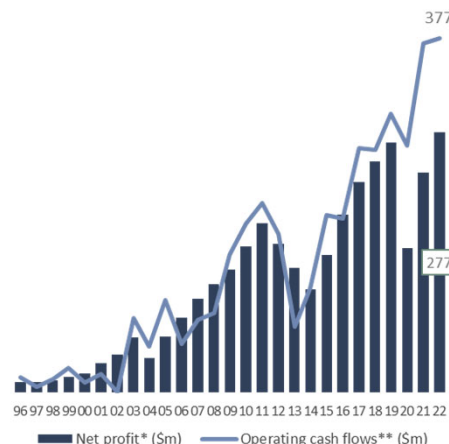
Strategic priorities

A stronger organisation

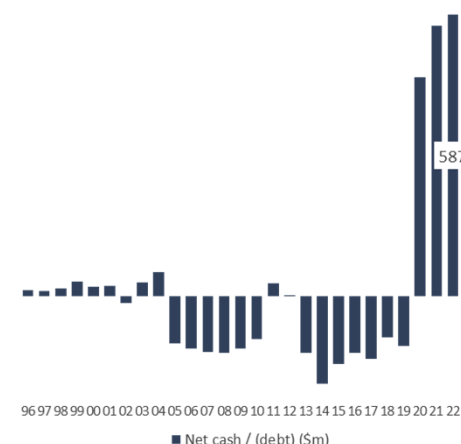
High return on capital employed (ROCE)



Quality operating cash flows



Conservative gearing levels



* Excluding one-off and non-recurring items

Our
strategy

A stronger organisation

Growth
opportunity

Strategic
priorities

A stronger
organisation

The pillars that set the foundation for success



Shaping our culture

Our people are our most valuable asset and are an engaged, capable, high-performing and diverse team. The way our people work together is a critical determinant of our success.



Creating value sustainably

We have a responsibility to be here to support a lifetime of hearing for the children, and adults, being implanted with our devices, which means we need to deliver sustainable financial growth. Sustainable business practices contribute to the creation of long-term value for all our stakeholders.



Being agile and efficient

We are investing in strengthening our business processes and IT platforms to improve efficiency and agility. Successfully executing this transformation program will enable us to scale more effectively and provide even better solutions for our customers.

Our strategy

Growth
opportunity

Strategic
priorities

A stronger organisation

A stronger organisation

What we are doing

To be successful over the long term, our organisation needs to be strong, agile and sustainable to enable us to execute our strategy, support our customers and deliver on our growth ambitions

Key focus areas:

Shaping our culture

- Learning and development to facilitate innovation
- Talent attraction and retention
- Strengthen and nurture the organisational culture
- Competitive, inclusive compensation and benefits to attract, motivate and retain talent
- Succession planning
- Embracing diversity in all forms

Creating value sustainably

- Target net-zero carbon emissions in our operations by 2030 and across our value chain by 2050
- Grow our contribution to the United Nations Sustainable Development Goals
- Maintain high levels of corporate governance

Being agile and efficient

- Successful implementation of cloud-based platforms
- Standardisation of processes across the business
- Establish and maintain strong governance structures for processes and platforms
- Achieve continuous improvement of processes to capture efficiencies in the years to come

Value creation

The value we create for all stakeholders, driving success now and into the future

Success means achieving the following outcomes for our stakeholders:

 A healthier & more productive society	 Empowered customers	 A lifetime of hearing solutions	 Thriving people	 Sustained value
Payers and society more broadly • Appropriate funding for a cost-effective intervention • Standard treatment pathway for implantable hearing devices for all age groups • Education and productivity opportunities for children and adults • Understanding of the link between good hearing and healthy ageing and the need to take action	Our customers Services that deliver: • Convenience and confidence • Improving quality of life • Improving hearing outcomes • Positive customer experience • Reduced cost to serve for professional customers	Our customers Products that deliver: • High quality and reliability • Improving hearing outcomes for both new and existing customers from next generation implants and sound processors • Improving quality of life • Expanded product indications	Our people • Engaged, capable and high-performing employees • Diverse, equitable and inclusive workplace • Strong health, wellbeing and safety culture	Our shareholders Creating value sustainably • Consistent financial performance • Disciplined capital management • Strong corporate governance • Ethical and sustainable supply chain Advancing environmental responsibility • Reduced carbon emissions • Smaller environmental impact

Notes



Forward looking statements

Cochlear advises that this document contains forward-looking statements which may be subject to significant uncertainties outside of Cochlear's control. No representation is made as to the accuracy or reliability of forward-looking statements or the assumptions on which they are based. Actual future events may vary from these forward-looking statements and it is cautioned that undue reliance is not placed on any forward-looking statements.

Non-International Financial Reporting Standards (IFRS) financial measures

Cochlear uses non-IFRS financial measures to assist readers in better understanding Cochlear's financial performance. Cochlear uses three non-IFRS measures in this document: Sales revenue, Underlying net profit and Constant currency. The Directors believe the presentation of these non-IFRS financial measures are useful for the users of this document as it reflects the underlying financial performance of the business. Each of these measures is described below in further detail including reasons why Cochlear believes these measures are of benefit to the reader.

These non-IFRS financial measures have not been subject to review or audit. However, Cochlear's external auditor has separately undertaken a set of procedures to compare the non-IFRS financial measures disclosed to the books and records of the Group.

Sales revenue

Sales revenue is the primary revenue reporting measure used by Cochlear for the purpose of assessing revenue performance of the Consolidated Entity. It represents total revenue excluding foreign exchange contract gains/losses on hedged sales.

Underlying net profit

Underlying net profit allows for comparability of the underlying financial performance by removing one-off and non-recurring items. The determination of items that are considered one-off or non-recurring is made after consideration of their nature and materiality and is applied consistently from period to period. Underlying net profit is used as the basis on which the dividend payout policy is applied. The Financial Review section includes a reconciliation of Underlying net profit (non-IFRS) to Statutory net profit (IFRS) which details each item excluded from Underlying net profit.

Constant currency

Constant currency removes the impact of foreign exchange rate movements to facilitate comparability of operational performance for Cochlear. This is done by converting the prior comparable period net profit of entities in the Group that use currencies other than Australian dollars at the rates that were applicable to the current period (translation currency effect) and by adjusting for current year foreign currency gains and losses (foreign currency effect). The sum of the translation currency effect and foreign currency effect is the amount by which EBIT and net profit is adjusted to calculate the result at constant currency.

Authorised for lodgement to the ASX by the Board of directors of Cochlear Limited

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