

Hear now. And always



HY24 Result Presentation

19 February 2024

Dig Howitt

CEO & President

Stu Sayers

CFO

A young boy with short brown hair is shown in profile, facing right. He is wearing a cochlear implant on his left ear, which consists of a circular external processor on his head and a magnetic coil around his ear. He is wearing a blue and yellow long-sleeved shirt. In the background, a woman with dark hair and glasses is smiling warmly. The setting appears to be a home or a comfortable indoor space with wooden furniture and warm lighting.

Our 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.

HY24 Financial summary

Sales revenue up 20% in CC* to \$1,113m

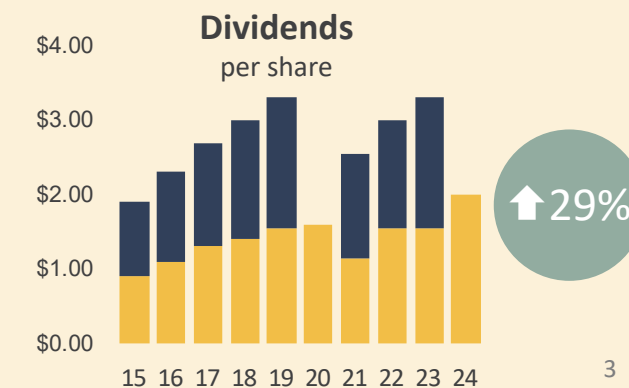
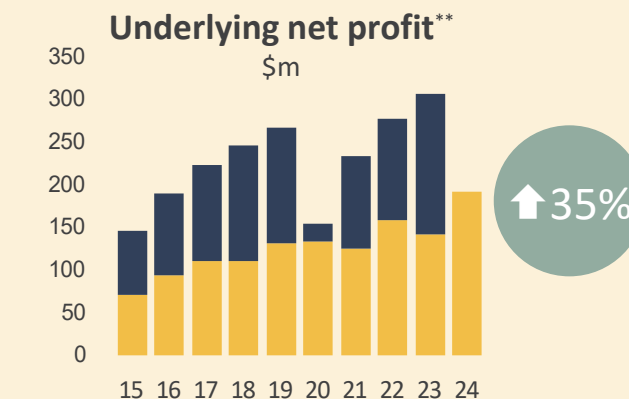
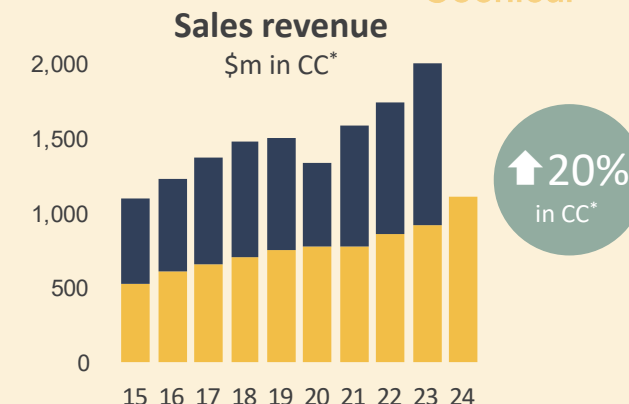
- Strong growth in cochlear implants and sound processor upgrades
- Cochlear implant units up 14% driven by the consolidation of recent market share gains and strong market growth across both developed and emerging markets, as well as all age segments
- Services revenue increased 35% (29% in CC) driven by strong upgrade demand for the recently released Cochlear™ Nucleus® 8 Sound Processor

Underlying net profit** up 35% to \$192m

- Statutory net profit increased 35% (21% in CC) to \$191m
- Underlying net profit increased 35% (21% in CC) to \$192m
- Underlying net profit margin of 17% (18% pre cloud investment), a ppt below our long-term target of 18%

Strong financial position

- Strong balance sheet with net cash of \$485m and operating cash flows sufficient to fund investing activities and capital expenditure whilst delivering dividends to shareholders
- Interim dividend up 29% to \$2.00 per share, a 68% payout of underlying net profit
- FY24 underlying net profit guidance range upgraded to \$385-400m on 8 February, a 26-31% increase on FY23



HY24 Operational review



Cochlear implants

59% of sales revenue

Sales revenue increased 22% in CC with strong growth across both developed and emerging markets

- Sales revenue increased 18% in CC after adjusting for the impact of the technology exchange program in HY23, with around \$20m in revenue deferred from H1 23 to H2 23
- Comparable average selling price increased around 3% in CC as a result of positive country mix and price increases in some countries

Developed markets

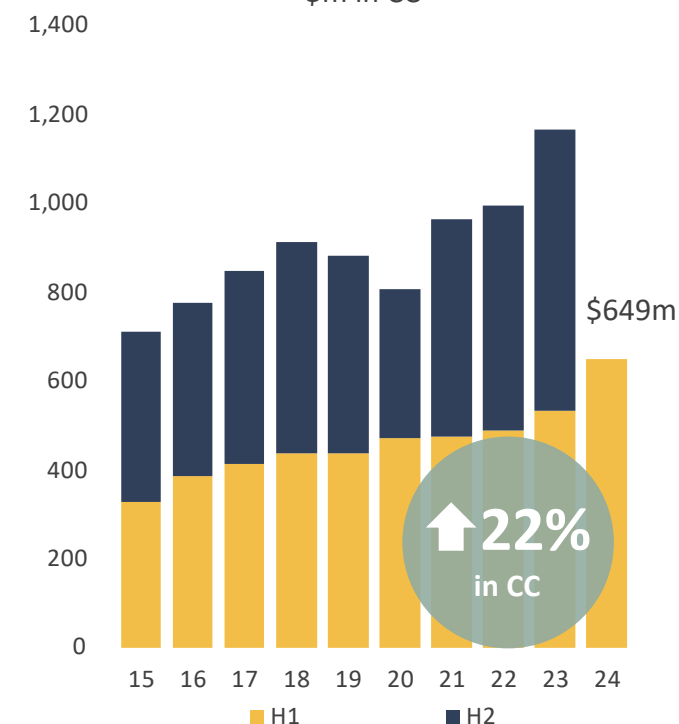
- Volumes grew ~15% with strong growth across all markets driven by consolidation of market share gains following the launch of the Nucleus® 8 Sound Processor as well as strong market growth
- Implant growth has been strong across all segments – children, adults and seniors. We continue to see an improving trend in adult referral rates in key markets, in part driven by initiatives to improve awareness and access for adult cochlear implant candidates

Emerging markets

- Volumes up ~10% with strong growth across a broad range of countries including China, India, Central Europe and the Middle East

Cochlear implant sales revenue

\$m in CC*



HY24 Operational review



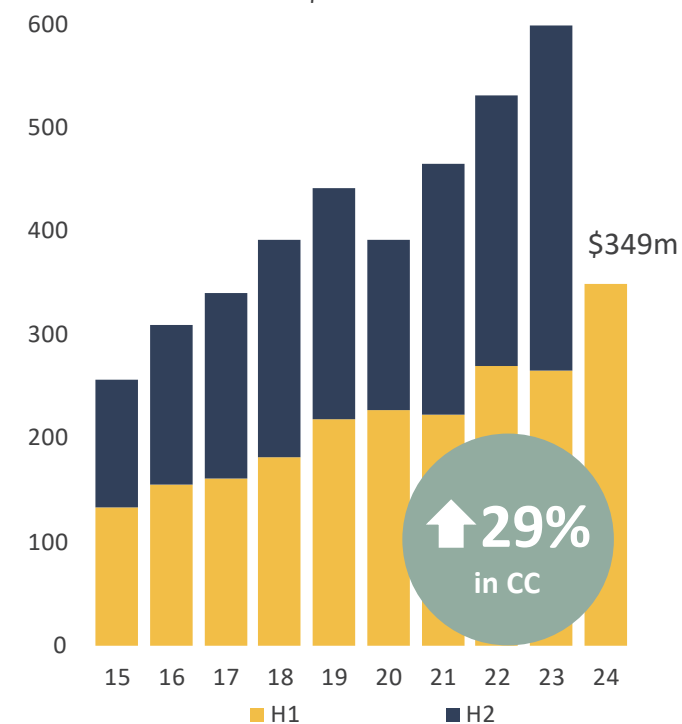
Services

31% of sales revenue

Services revenue up 29% in CC with strong demand for the new Nucleus® 8 Sound Processor

- Strong uptake of the new sound processor across the developed markets
- Emerging markets performed well with growing rates of sound processor upgrade penetration across many markets

Services sales revenue
\$m in CC*



HY24 Operational review



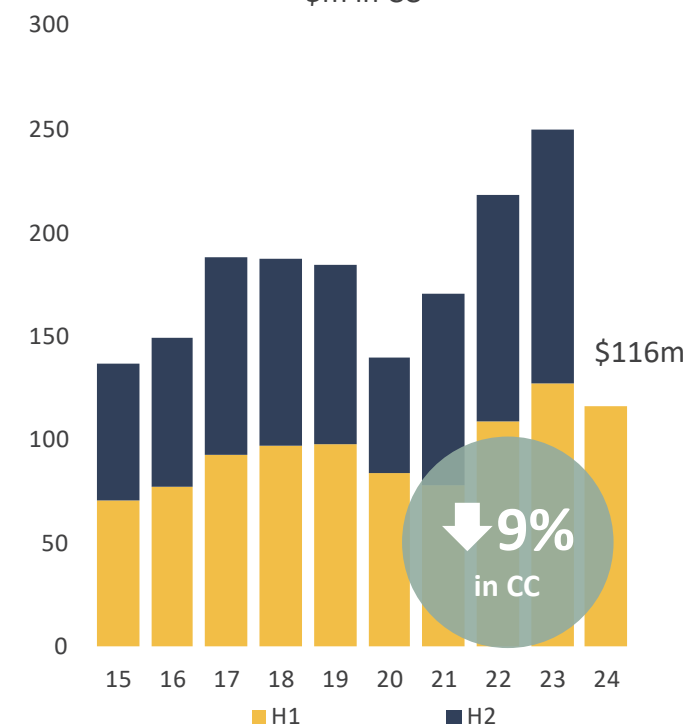
Acoustics

10% of sales revenue

Acoustics revenue declined 9% in CC with lower demand for Cochlear™ Baha® 6 Max Sound Processor upgrades

- Lower demand for the Cochlear™ Baha® 6 Max Sound Processor upgrades following strong demand since its launch three years ago
- The 3 Tesla MRI compatible Cochlear™ Osia® 2 System was launched in the US late in the half with strong demand from December

Acoustics sales revenue
\$m in CC*



Profit and loss



\$m	HY24	HY23	Change (reported)	Change (CC)
Sales revenue	1,113.4	892.6	25%	20%
Gross margin %	74%	75%	(1) pt	(1) pt
Selling, marketing and general expenses	330.5	275.4	20%	16%
R&D expenses	127.3	102.6	24%	21%
<i>% of sales revenue</i>	<i>11%</i>	<i>11%</i>		
Administration expenses (excl cloud investment)	84.6	76.2	11%	11%
Administration expenses (cloud investment)	16.9	17.3	(2)%	(2)%
Operating expenses	559.3	471.5	19%	16%
Other income / (expenses)	1.9	(1.1)		
FX contract losses	(14.9)	(7.4)		
EBIT (underlying)*	255.3	185.7	37%	23%
<i>% EBIT margin*</i>	<i>23%</i>	<i>21%</i>		
Net finance income	5.1	2.0		
Effective tax rate %*	26%	25%		
Underlying net profit*	191.8	141.6	35%	21%
<i>% Underlying net profit margin*</i>	<i>17%</i>	<i>16%</i>		
<i>% Underlying net profit margin (excl cloud inv.)*</i>	<i>18%</i>	<i>17%</i>		
Share of losses on equity-accounted investments	(0.4)	-		
Statutory net profit	191.4	141.6	35%	21%

Key points:

- ▶ Strong growth in cochlear implants and sound processor upgrades
- ▶ GM decline driven by the \$15.6m write-down of inventories, largely related to components for older generation products which are being progressively obsoleted, and commencement of production at Chengdu
- ▶ Investment in market growth initiatives, standard of care and market access initiatives
- ▶ Investment in key R&D projects and development of the product and services pipeline
- ▶ ~\$150m to be invested (~\$80m since FY21)
- ▶ Underlying net profit margin nearing our 18% long-term target

* Excluding one-off and non-recurring items.

Capital employed



\$m	Dec23	Jun23	Change
Trade receivables	379.3	388.4	(9.1)
Inventories	321.5	311.5	10.0
Less: Trade payables	(247.1)	(270.4)	23.3
Working capital	453.7	429.5	24.2
<i>Working capital / sales revenue *</i>	20%	22%	
Property, plant and equipment	279.7	276.7	3.0
Intangible assets	458.7	444.1	14.6
Investments and other financial assets	155.2	188.1	(32.9)
Other net liabilities	(50.7)	(145.1)	94.4
Capital employed	1,296.6	1,193.3	103.3
Funding sources:			
Equity	1,781.8	1,748.8	33.0
Less: Net cash	(485.2)	(555.5)	70.3
Capital employed	1,296.6	1,193.3	103.3

Key points:

- ▶ Revaluation of Nyxoah and Seer
- ▶ Driven by the reduction in employee benefit liabilities (following incentive payments) and an increase in prepayments and other receivables
- ▶ Net cash decreased \$70m, with \$43m in shares bought back

* Dec23 calculation based on doubling HY24 sales revenue.

Cash flow



\$m	HY24	HY23	Change	Key points:
EBIT (underlying)*	255.3	185.7	69.6	▶ Strong business performance
Depreciation and amortisation	43.1	37.3	5.8	
Changes in working capital and other	(84.0)	(85.3)	1.3	
Net interest received	5.1	2.0	3.1	
Income taxes paid	(62.4)	(50.6)	(11.8)	
Operating cash flow	157.1	89.1	68.0	
Capital expenditure	(42.7)	(42.7)	-	▶ Includes investment in the upgrade of the Lane Cove facility and stay-in-business capex
Other net investments	(5.1)	(17.9)	12.8	
Free cash flow	109.3	28.5	80.8	
Outlay from exercise of share options and performance rights	(2.4)	-	(2.4)	
Payments for share buyback	(43.0)	-	(43.0)	▶ Buyback paused given the current high interest rate environment. \$73 million in shares have been repurchased since March 2023.
Dividends paid	(114.7)	(95.4)	(19.3)	
Payment of lease liability and other	(19.5)	(14.4)	(5.1)	
Decrease in net cash	(70.3)	(81.3)	11.0	

* Excluding one-off and non-recurring items.

FY24 Outlook



FY24 underlying net profit guidance range upgraded to \$385-400m on 8 February, a 26-31% increase on FY23

Key assumptions:

- Cochlear implant trading conditions continue to be strong across most markets, with an improving trend in adult referral rates in many developed countries. We have maintained the market share gains made in FY23, with strong market growth across the first half. The key change to our expectations is that we now expect to achieve 10-15% growth in our cochlear implant units for FY24 compared to the high single-digit growth expected in August
- The Services segment is expected to perform strongly with continuing strong demand for upgrades to the Nucleus® 8 Sound Processor.
- Acoustics growth rates are expected to be lower than FY23, with continuing growth from the rollout of the Osia® 2 System to be moderated by a smaller contribution from upgrades to the Baha® 6 Max Sound Processor. The new 3 Tesla MRI compatible Osia® 2 System has just been launched in the US and expected to be progressively launched across the rest of the world as regulatory approvals are obtained
- Continued investment in R&D and market growth activities to support long-term market growth
- Cloud computing-related investment expected to be ~\$34m (\$24m after tax)
- Guidance is based on a 66 cent AUD/USD, a cent below the 67 cents guided in August (67.5 cent average in FY23) and a 61 cent AUD/EUR (64.4 cent average in FY23)
- Capital expenditure is expected to be \$70-90 million
- The Board maintains a dividend policy that targets a 70% payout of underlying net profit
- Guidance does not factor in any impact from the proposed acquisition of Oticon Medical, which is targeted to complete by the end of June 2024, with integration costs currently estimated at \$30 million

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Supplementary information

Our
company

For further details please refer to the 2023 Annual Report
<https://www.cochlear.com/au/en/corporate/investors/annual-reports>

About Cochlear

Cochlear has been the global leader in implantable hearing solutions for over 40 years, providing a range of implants and sound processor upgrades that deliver a lifetime of hearing outcomes.

Our story

Graeme Clark, an Australian ear surgeon, saw first-hand the isolation and frustration that comes from living in a world of silence as his father struggled with hearing difficulties.

On holiday in 1977, fiddling with a shell and a blade of grass, Graeme realised there was a safe way to insert electrodes into the inner ear. It was Graeme's determination to help others that realised our first implantable solution, reconnecting Rod Saunders to hearing and bringing music into his life.

Professor Clark partnered with Australian entrepreneur Paul Trainor – and his Nucleus Group – and the University of Melbourne to commercialise the cochlear implant. With funding from the Australian government, they developed the Cochlear™ Nucleus® 22 Implant, the first multi-channel cochlear implant, and Cochlear, the company, was formed.

Today, Cochlear is the leader in implantable hearing solutions, connecting hundreds of thousands of people globally to a life full of hearing. The pioneering spirit that started Cochlear all those years ago continues to drive us forward and our commitment is stronger than ever. We're transforming the way people understand and treat hearing loss, and we're committed to reaching more people to provide support for a lifetime of hearing.

Our company

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 30 listed Australian company with a market capitalisation of over \$15 billion.

Our goal is to deliver value by helping more people to hear, which contributes to building a healthier and more productive society. Our strategy is focused on improving awareness of and access to implantable hearing solutions for people indicated for our products.

We are pioneers and global leaders in the development, manufacture and commercialisation of implantable hearing solutions, collaborating in over 100 research programs worldwide to further research into hearing loss.

We invest around 12% of sales revenue each year in research and development, with over \$2.7 billion invested since listing, and we have a portfolio of more than 1,700 patents and patent applications worldwide.

Over the past 40 years we have provided more than 750,000 implant devices to people who benefit from one – or two – of our implantable solutions. And we deliver a lifetime of hearing solutions for recipients, with sound processor upgrades and services to support prior generation products.

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 global workforce of around 4,800 employees and a wide geographical reach, selling in over 180 countries, with employees based in over 50 countries.



Cochlear at a glance



Business segments

Cochlear Implants*

58% Cochlear implant systems



Services*

30% Sound processor upgrades, accessories and other



Acoustics*

12% Bone conduction systems and sound processor upgrades



Global presence

>\$1.9b in sales revenue* across
180+ countries

~4.8k employees across
50+ countries



6 manufacturing locations

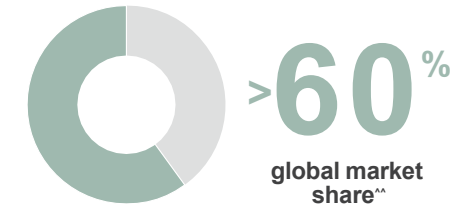


Market leader

\$240m+ in annual R&D investment

750k+ implants sold helping
~650k people to hear**

AAA
MSCI ESG rating
Healthcare equipment
& supplies**



99.87%
Cochlear implant reliability

* Based on sales revenue (FY23) ^Nucleus® Profile™ Plus Series implant cumulative survival percentage within four years ^^Cochlear estimate for cochlear and acoustic implants #Includes cochlear and acoustic implants. ** Measures a company's resilience to financially material environmental, societal and governance (ESG) risk

Product and services portfolio



Cochlear's market-leading portfolio aims to improve hearing outcomes for recipients and provide a lifetime of hearing solutions.

Cochlear implant portfolio



Cochlear Nucleus System

Acoustic solutions portfolio



Cochlear Baha System

Cochlear Osia System

Recipient support tools



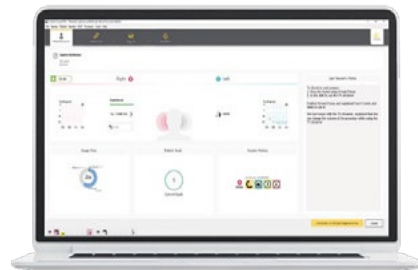
Cochlear Nucleus, Baha and Osia Smart Apps

Cochlear CoPilot App

Cochlear Connected Care solutions



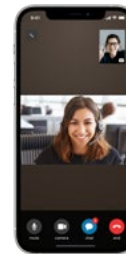
Cochlear Nucleus SmartNav System



Cochlear Custom Sound Pro Fitting Software



Cochlear Link



Cochlear Remote Assist



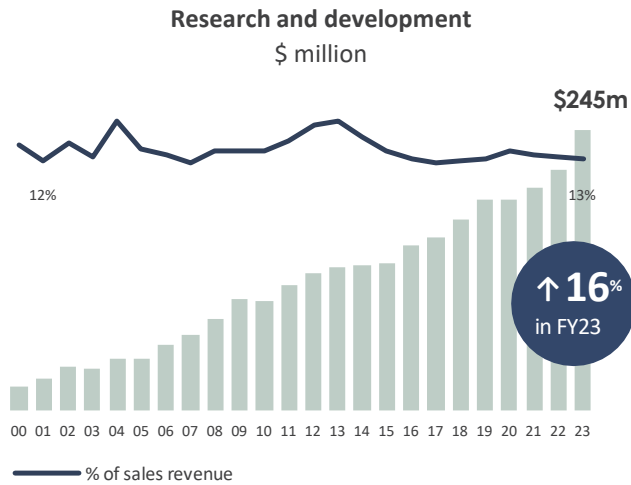
Cochlear Remote Check solution for cochlear implants

Financial history

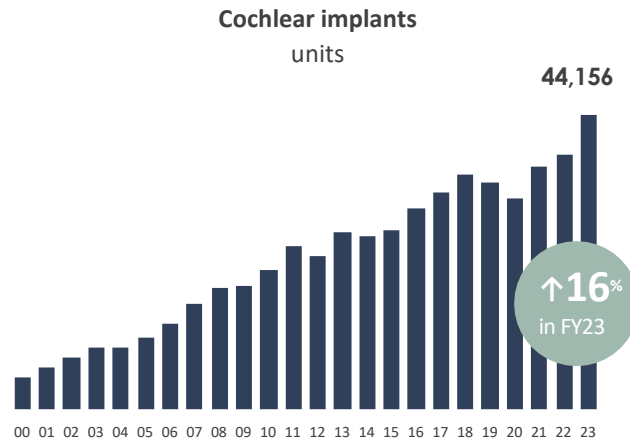


Cochlear has a long track record of investing to grow, delivering growing sales revenue, profits* and dividends.

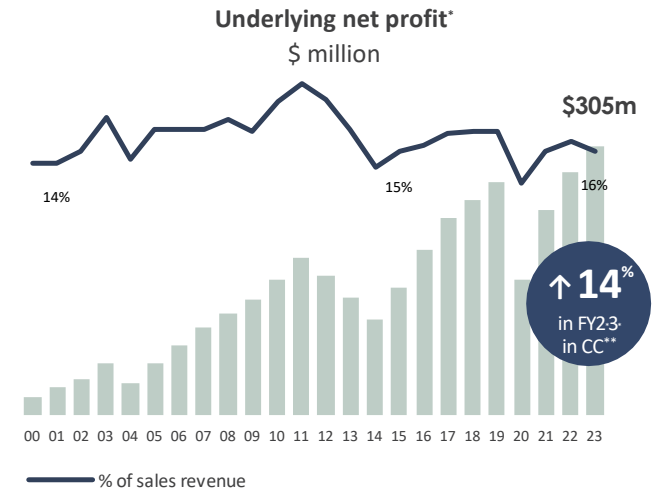
Consistent investment in R&D and market growth activities



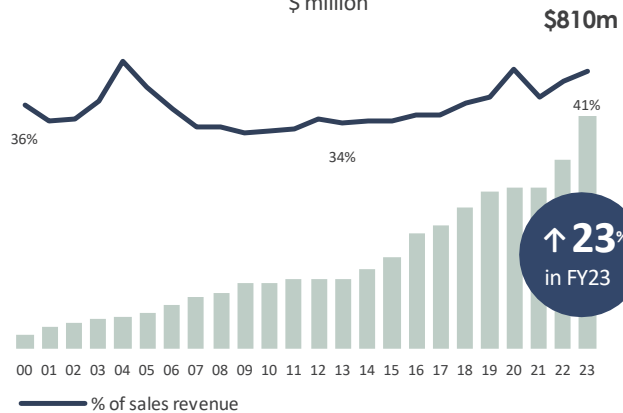
Long-term growth in sales revenue



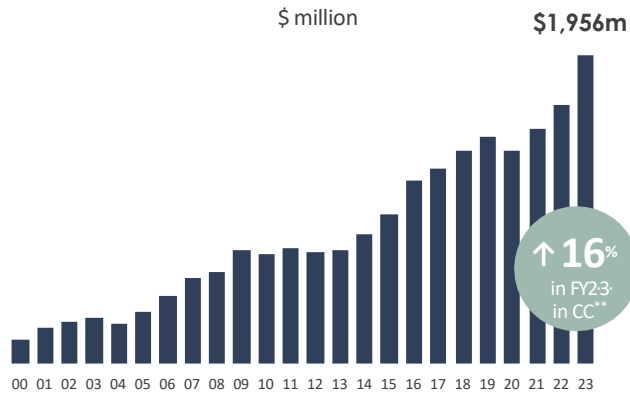
Growing profits and dividends



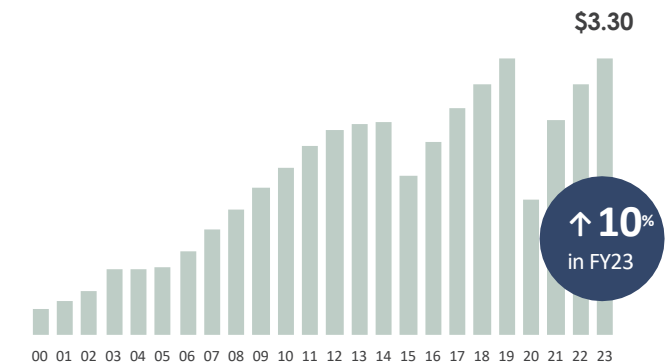
Operating expenses (excl R&D)



Sales revenue



Dividends



* Excluding one-off and non-recurring items. ** Constant currency

Hear now. And always



Supplementary information

Strategy and value creation

For further details please refer to the 2023 Annual Report
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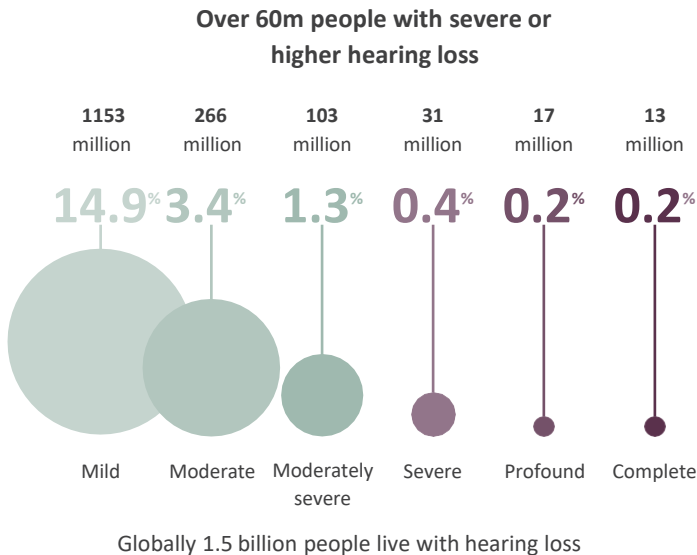
Growth opportunity



Growing awareness of the cost-effectiveness and quality of life benefits of our products has the potential to underpin long-term industry growth.

Hearing loss is prevalent and under-treated

The World Health Organization estimates that there are over 60 million people worldwide who experience severe or higher hearing loss,¹ yet fewer than 5% of the people that could benefit from an implantable hearing solution have received one.²



* Cochlear estimate

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.

Significant return on investment for healthcare systems investing in cochlear implants



For a pre-lingual deaf child, the return to society is more than 13 times for every dollar spent on a cochlear implant solution based on the cost savings in education and improved productivity as an adult.³

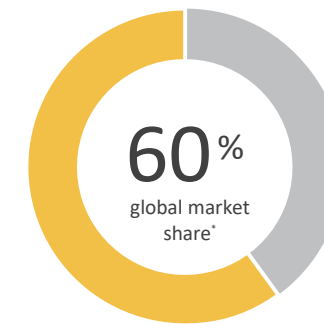


The effective use of implants is cost-effective in adults and seniors with an estimated return on investment of 10:1.⁴

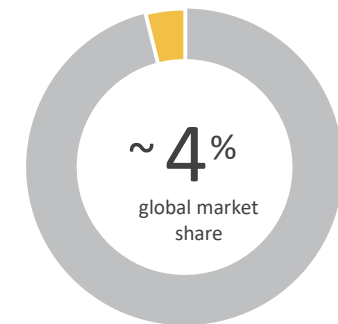
Cochlear implants can deliver superior outcomes to hearing aids for indicated patients

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



Cochlear implant market share



Hearing devices treating the severe or higher hearing loss segment

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 our implantable solutions.

Recent changes to reimbursement or indications

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	US, UK, Germany and Australia: Cochlear™ Osia® 2 System reimbursement achieved across a number of countries
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
US: the Centers for Medicare & Medicaid Services expanded coverage for cochlear implants to cover a broader spectrum of hearing loss	Australia: reimbursement for remote programming of cochlear and bone conduction implants
	France: reimbursement approved for Baha® sound processors

Good hearing is essential to healthy ageing

Hearing loss is particularly prevalent in people over the age of 60, with one in four suffering moderate or higher hearing loss.⁵

There is a growing understanding of the importance of properly treating hearing loss in this age group. It affects communication and is associated with cognitive decline, social isolation, anxiety and depression.⁶

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.⁷



Depression
Significant association between hearing impairment and moderate to severe depression.⁸



Falls
Higher risk of dizziness causing falling.⁸



Social isolation
Hearing loss linked to withdrawal from social interactions, which can have a significant impact on psychological well-being and physical health.⁹



Ability to work
Hearing loss can affect sufferers' ability to work or stay in the workforce.¹⁰



Loss of independence
Seniors with hearing loss less likely to be able to self-care.⁸

Key market segments

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

Cochlear implants: Children in developed markets

Cochlear implantation has been established as the standard of care for newborns across the developed markets, with bilateral implants indicated across most countries as evidence supports the benefit of binaural hearing.



Addressable market*
~130,000 people
Current penetration
>80% under 3-year-old children

What we are doing

Cochlear implants started as a solution for children with a profound hearing loss. Over the last 30 years, neonatal screening has been successfully established across the developed world leading to high rates of cochlear implantation for young children.

The key priority for this segment is to maintain our leadership position while aiming to improve the rate of implantation, and/or the uptake of bilateral implants, in countries where current levels are below average.

There is also an opportunity to strengthen the treatment pathway for acquired or progressive hearing loss in older children. Lack of screening for children who have progressive hearing loss in childhood means that hearing loss often remains unidentified and without care.

The WHO's World Report on Hearing notes the importance of hearing in education and says that the inclusion of ear and hearing care in school health services is essential. It highlights pre-school and school children as a group 'at risk' and proposes that screening and early intervention programs be put in place for this group as part of the holistic package of ear and hearing care interventions it proposes all countries adopt.

Cochlear implants: Adults and seniors in developed markets

Adults and seniors in the developed markets provide the biggest opportunity for us to address the unmet need for hearing implants given the large, and growing, market size as the population ages and the low levels of penetration.



Addressable market*
>6m people
Current penetration
~3%

What we are doing

According to the WHO, hearing loss is particularly prevalent in people over the age of 60, with 65% experiencing hearing loss and one in four people suffering moderate or higher hearing loss. It affects communication and is associated with social isolation, anxiety, depression and cognitive decline.¹ The segment is however challenging to address as most candidates suffer from a progressive hearing loss and, together with their care providers, either do not know about cochlear and acoustic implants or do not understand the indications for them.

While penetration rates are currently very low, at around 3%, the seniors segment has been the fastest growing segment for us over the past few years as awareness begins to improve. We have a range of programs for driving growth of the adults and seniors segment including:

- **Direct-to-consumer (DTC) marketing** – building awareness directly with candidates motivated to find a better solution for their hearing loss;
- **Hearing aid channel referrals** – building a referral path from hearing aid and ENT clinics to cochlear and acoustic implants; and
- **Standard of care initiatives** – supporting initiatives to deliver a consistent treatment.

* Cochlear estimates of segment prevalence of severe or higher hearing loss.

Key market segments



Cochlear implants: Children in emerging markets

Our emerging markets business has been growing rapidly as awareness of cochlear implants increases and wealth grows across many emerging economies.



Addressable market*
>1.3m people
Current penetration
<10%

What we are doing

Our emerging markets business has been growing rapidly as awareness of cochlear implants increases and wealth grows across many emerging economies. Most countries however remain very under-penetrated. Our priorities for this segment are focused around market expansion with activities targeted at:

- **Building awareness** – public education campaigns, direct-to-consumer marketing and hearing screening;
- **Expanding funding** – driven by the compelling health economics of implantation in children;
- **Expanding our presence** – distributor relationships combined with an expanding direct presence;
- **Developing professional capability** – surgeon training and audiology education; and
- **Maximising penetration** through a tiered product offering.

Acoustic implants: Next generation bone conduction hearing solutions

The bone conduction market is under-penetrated and currently has limited geographic reach. We have developed a product that we believe provides the opportunity to drive deeper category penetration.



Addressable market*
>3m people in developed markets
Current penetration
<1%

What we are doing

We have recently introduced the next generation of bone conduction hearing solutions into our Acoustics portfolio with the Cochlear™ Osia® 2 System, providing a significant improvement in performance and aesthetics for bone conduction patients.

Pre-market trials have demonstrated significant improvements in outcomes for patients² over traditional bone conduction hearing solutions, and we are already experiencing high demand for the new implant in markets where we have launched.

We believe the Osia 2 System has the opportunity to become the gold standard acoustics implant in our current markets, more effectively competing with reconstructive surgery, and is the right product to pursue geographic expansion, with our Acoustics business today generating the majority of revenue from just two markets, the US and UK.

* Cochlear estimates of segment prevalence of severe or higher hearing loss.

Our strategy

Our goal is to help more people to hear, which contributes to building a healthier and more productive society.

We create value for our stakeholders by **empowering** people to connect with others and live a full life, **transforming** the way people understand and treat hearing loss and **innovating** and bringing to market a range of implantable hearing solutions that deliver a lifetime of hearing outcomes.



A lifetime of hearing solutions

Innovating to build a market-leading portfolio of products and services that improve hearing outcomes and provide a lifetime of hearing solutions for recipients.



A healthier and more productive society

Delivering societal benefit through improved health outcomes, educational cost savings and productivity gains.



Thriving people

An engaged, capable, high-performing and diverse workforce that delivers on our strategy and supports the creation of sustained value.



Environmental responsibility

Minimising the impact of our operations on the environment.



Sustained value

Maximising spending to grow the market while maintaining our competitive position. Ensuring we operate fairly, honestly and legally.

Strategic priorities focus our time and resources

Retain market leadership

Grow the hearing implant market

Build a stronger organisation

Minimise environmental impact

Consistent and sustainable growth

Longer-term targets aim to provide clear stakeholder benefits

Customers

Develop market-leading technology and deliver a world-class customer experience to recipients and professional customers.

Society

Help at least 8% more people to hear each year with a cochlear or acoustic implant.

People

Retain employee engagement levels at or above 80%.

Planet

Net-zero carbon emissions in our operations by 2030 and across our value chain by 2050.

Shareholders

Sustainable and responsible business practices, targeting growth in sales revenue of around 10% per annum and an 18% net profit margin.

Strategic priorities

Our strategic priorities determine how we focus our time and resources to create value. Over the coming years we are focusing our efforts on delivering value across the following initiatives:

Retain market leadership

- Advance the product and services pipeline, with annual R&D investment of ~12% of revenue
- Deliver our latest sound processor upgrade technology to existing recipients
- Strengthen our lead in customer service and support
- Maintain high standards of product quality, safety and reliability



A lifetime of hearing solutions

Grow the hearing implant market

- Strengthen the referral pathway for adults
- Develop the acoustic implant segment
- Broaden reimbursement and improve indications
- Expand access in emerging markets



A healthier and more productive society

Build a stronger organisation

- Strengthen and nurture the organisational culture
- Attract, develop and retain talent
- Champion a culture of diversity and inclusion
- Support the wellness and safety of our teams



Thriving people

Minimise environmental impact

- Advance the implementation of initiatives to reduce our Scope 1, 2 and 3 carbon emissions
- Embed sustainability into product design, development and manufacturing
- Deliver a global approach to managing the environmental impacts of packaging and waste



Environmental responsibility

Consistent and sustainable growth

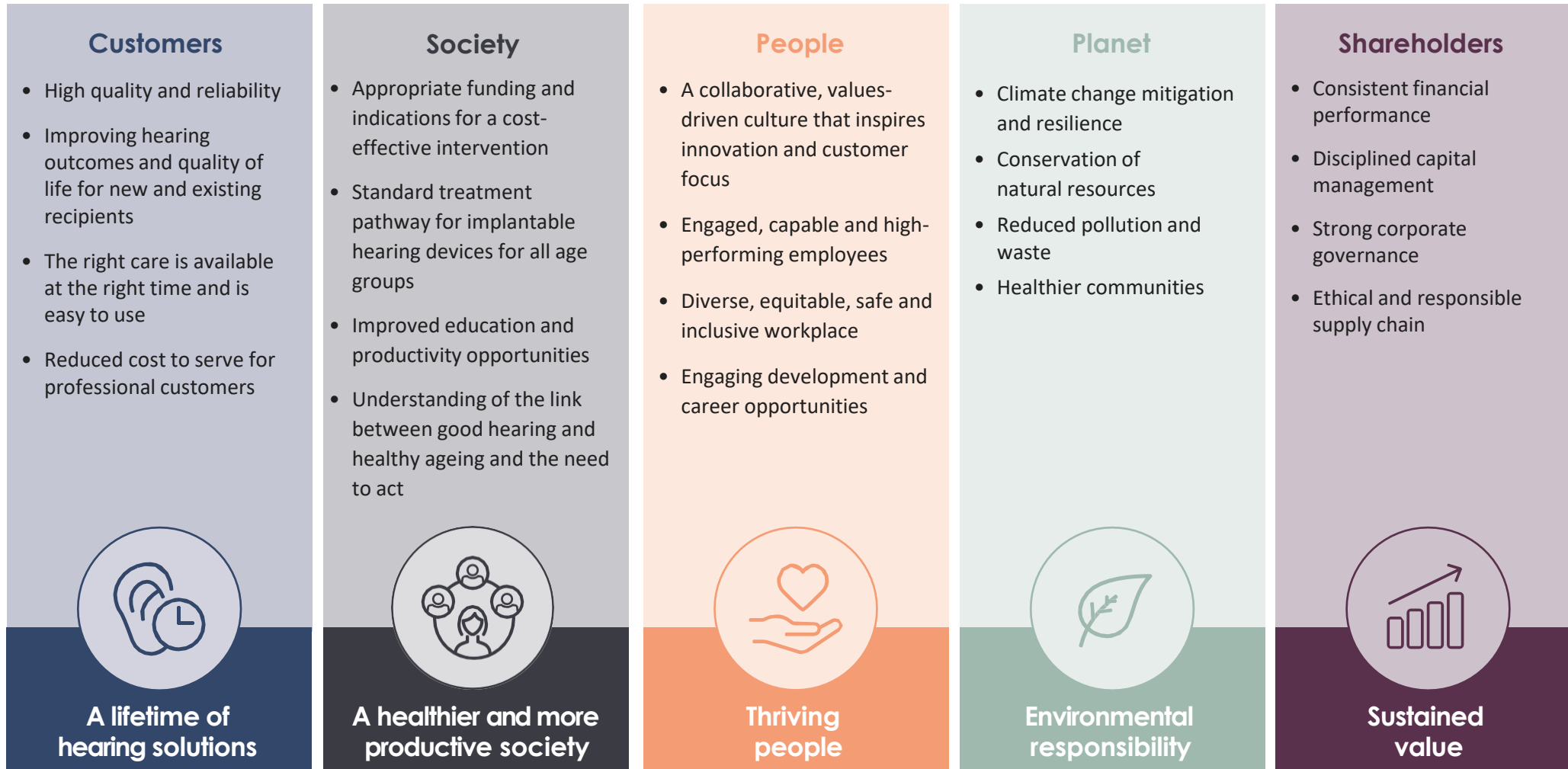
- Deliver sustainable financial returns
- Improve efficiency and agility
- Maintain high levels of corporate governance
- Ensure our supply chain is ethical and sustainable
- Vigilance around data security and privacy



Sustained value

Creating value for stakeholders

Value creation describes the impact we have on all our key stakeholders – our customers, our people, our planet, our shareholders as well as society more broadly. Successful execution means achieving the following outcomes for our stakeholders:



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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Growth opportunity (slide 18-19)

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Key market segments (slide 20-21)

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