# Appendix 4D

# Cochlear Limited
# Half Yearly Report
# As at 31 December 2024

**Results for announcement to the market**

| | | Movement from 31 December 2023 | | $m |
|---|---|---|---|---|
| Sales Revenue[1] | up | 5% | to | 1,169.9 |
| Total Revenue | up | 7% | to | 1,171.8 |
| Earnings before interest and taxes (EBIT) | up | 8% | to | 274.6 |
| **Net profit for the period attributable to members** | up | **7%** | **to** | **205.1** |
| Underlying net profit for the period[2] | up | 7% | to | 205.5 |
| Basic earnings per share (cents) | up | 7% | to | 313.2 |
| Underlying basic earnings per share (cents)[2] | up | 7% | to | 313.9 |
| Dividend (dollars) | up | 8% | to | 2.15 |

| | | | | |
|---|---|---|---|---|
| Net tangible assets per share at 31 December 2024 (cents)[3] | up | 6% | to | 2,139.4 |
| Net tangible assets per share at 31 December 2023 (cents) | | | | 2,020.2 |

| **Dividends** | Amount per security | Franked amount per security[4] | Conduit foreign income per security[4] |
|---|---|---|---|
| Interim dividend per share (dollars) | $2.15 | $1.72 | $0.43 |
| Previous corresponding period (dollars) | $2.00 | $1.40 | $0.30 |

| | |
|---|---|
| Record date for determining entitlements to the dividend | 21 March 2025 |
| Dividend payment date | 14 April 2025 |

No dividend reinvestment plans were in operation during or since the half-year.

Additional Appendix 4D disclosure requirements can be found in the 31 December 2024 Interim Financial Report lodged with this document. This report is based on the 31 December 2024 Interim Financial Report which has been reviewed by KPMG with the Independent auditor's review report included in the 31 December 2024 Interim Financial Report.

This Appendix 4D and the 31 December 2024 Interim Financial Report should be read in conjunction with the 30 June 2024 Annual Report of Cochlear Limited.

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

[2] Excluding one-off and non-recurring items.

[3] Net tangible assets are net assets less intangible assets.

[4] Rounded to two decimal places.

# Cochlear Limited and its controlled entities

**ACN 002 618 073**

**Consolidated Interim Financial Report**

**31 December 2024**

The directors present their report, together with the Consolidated Interim Financial Report of the Consolidated Entity (Cochlear), being Cochlear Limited (the Company) and its controlled entities, for the half year ended 31 December 2024 and the independent auditor's review report thereon.

## Directors

The directors of the Company during and since the end of the interim period are:

| Name | Period of directorship |
|---|---|
| *Non-Executive Directors* | |
| Alison Deans | Chair since August 2021 |
| | Director since January 2015 |
| Glen Boreham, AM | Director since January 2015 |
| Caroline Clarke | Director since September 2024 |
| Sir Michael Daniell, KNZM | Director since January 2020 |
| Michael del Prado | Director since January 2022 |
| Christine McLoughlin, AM | Director since November 2020 |
| Karen Penrose | Director since July 2022 |
| Prof. Bruce Robinson, AC | Director since December 2016 |
| *Executive Directors* | |
| Dig Howitt, *CEO & President* | Director since November 2017 |
| | Managing Director since January 2018 |

## Principal activities and review of operations and results

Other than as discussed in this report, there were no significant changes in the nature of operating activities during the half year ended 31 December 2024 and the results of those operations are set out below.

## Review of operations

The following provides a summary of Cochlear's performance for the half year ended 31 December 2024.

| | 31 Dec 2024 $m | 31 Dec 2023 $m |
|---|---|---|
| **Total Revenue** | **1,171.8** | **1,098.5** |
| Sales revenue[1] | 1,169.9 | 1,113.4 |
| **Statutory net profit[2]** | **205.1** | **191.4** |
| Underlying net profit[3] | 205.5 | 191.8 |
| Basic earnings per share (cents) | 313.2 | 291.9 |
| Diluted earnings per share (cents) | 312.5 | 291.3 |
| Underlying basic earnings per share (cents)[3] | 313.9 | 292.5 |
| Interim dividend per share (dollars) | $2.15 | $2.00 |

[1] Sales revenue is the primary revenue reporting measure used by Cochlear for the purpose of assessing revenue performance of Cochlear. It represents total revenue excluding foreign exchange (FX) contract gains on hedged sales of $1.9m (Dec 2023: losses of $14.9m).

[2] This represents net profit attributable to members as per Appendix 4D.

[3] Excluding one-off and non-recurring items (refer to page 9).

# Operational review

| $m | 31 Dec 2024 | 31 Dec 2023 | Change % (reported) | Change % (CC) | Sales Mix |
|---|---|---|---|---|---|
| Cochlear implants (units) | 25,390 | 24,193 | ⬆ 5% | | |
| **Sales revenue** | | | | | |
| Cochlear implants | 724.5 | 648.5 | ⬆ 12% | ⬆ 13% | 62% |
| Services (sound processor upgrades and other) | 305.0 | 348.9 | ⬇ 13% | ⬇ 12% | 26% |
| Acoustics | 140.4 | 116.0 | ⬆ 21% | ⬆ 22% | 12% |
| **Total sales revenue** | **1,169.9** | **1,113.4** | **⬆ 5%** | **⬆ 6%** | **100%** |

## Cochlear implants

Cochlear implant revenue increased 12% (13% in CC) to $724.5 million and cochlear implant units increased 5% to 25,390. Sales revenue grew at a faster rate than unit growth as a result of product and country mix in the emerging markets, with a higher mix of higher-priced private pay units during the half. Underlying average selling price remained stable.

**Developed market** units grew 6%, building on ~15% growth in the first half of 2024, with solid growth across the US and Asia Pacific and lower rates of growth across a number of Western European countries. The adults and seniors segment continues to grow strongly, up around 10% for the half, while children declined modestly, as expected, following double-digit growth in HY24.

We continue to see strong growth in adult referral rates in a number of key markets, in part driven by initiatives to improve awareness and access for adult cochlear implant candidates. As demand for cochlear implants grows, we continue to see signs of growing waiting lists for audiological evaluation and/or surgery in some of our key countries. Audiological capacity constraints are being increasingly addressed by streamlining post-operative appointments and increasing the adoption of remote care tools, which can materially improve clinical capacity in many practices.

**Emerging market** units grew 3% with lower-than-expected tender volumes, positive country mix and strong growth in the smaller, but higher-priced, private pay segment in China and India.

## Services

Services revenue declined 13% (12% in CC) to $305.0 million, cycling 29% CC growth in the first half of FY24. We experienced strong uptake of the Cochlear™ Nucleus®8 sound processor when it was launched in FY23, with the rate of uptake slowing over the past 12 months. Lower upgrade rates were experienced for a range of reasons including continuing high satisfaction with the Cochlear™ Nucleus®7 sound processor. In the US, cost of living pressures have been a factor delaying the replacement of ageing sound processing technology, as many recipients incur out-of-pocket expenses to fund their new sound processor.

## Acoustics

Acoustics revenue increased 21% (22% in CC) to $140.4 million, with growth driven by the strong uptake of the Cochlear™ Osia® Implant across existing markets and expansion into new countries including France, Italy and a number of emerging market countries. Osia units grew over 50% in the US driven by the introduction of the new implant late in HY24, market share gains and the continuing shift to active implants.

# Financial review

We delivered sales revenue of $1,170 million, an increase of 5% (6% in CC), driven by strong growth in cochlear and acoustic implants, moderated by a decline in Services revenue.

The gross margin was 75%, in line with our 75% longer-term target. Operating expenses increased 10% (10% in CC) reflecting growing investment in R&D and market growth activities.

Underlying net profit increased 7% (1% in CC) to $206 million. The underlying net profit margin was 18%, and was also 18% excluding the impact of cloud computing-related expenses.

The balance sheet remains strong with net cash of $383 million. An interim dividend of $2.15 per share has been determined, an increase of 8% on last year and representing a payout of 68% of underlying net profit, and $19 million worth of shares were bought back as part of the on-market share buyback program.

## FY25 outlook

As we look to the future, we remain confident of the opportunity to grow our markets. There remains a significant, unmet and addressable clinical need for cochlear and acoustic implants that is expected to continue to underpin the long-term sustainable growth of the business. Our clear growth opportunity and strategy, combined with a strong balance sheet, mean we are well placed to create value for our stakeholders now, and over the long term.

For FY25, we aim to help over 50,000 people to hear with a cochlear or acoustic implant. We expect underlying net profit to be at the lower end of the $410-430m guidance range provided in August 2024, incorporating a lower contribution from Services revenue and higher cloud-related investment.

Cochlear implant trading conditions continue to be solid across most markets, with continuing strong growth in adult referral rates across the developed markets. We are preparing for the release of our next generation cochlear implant, which is expected to be commercially available from mid-2025 (subject to local regulatory approvals). We continue to expect solid market growth rates to drive cochlear implant unit growth of around 10% in FY25.

Services growth has slowed since launching the Nucleus® 8 Sound Processor in FY23. We had expected modest growth in revenue for FY25 and now expect a single-digit decline. We continue to work on initiatives to improve identification and connection with recipients who could benefit from the latest sound processing technology. The introduction of the new off-the-ear Nucleus® Kanso® 3 Sound Processor from mid-2025 is expected to contribute to Services revenue from FY26. Acoustics growth rates are expected to be strong with continuing geographic expansion of the Osia System.

The gross margin is expected to be around 74.5%, half a point below our longer-term target of 75%, due to lower overhead recoveries at the new facility in Chengdu.

We are continuing our investment in R&D and market growth activities to support long-term market growth and our competitive position, with an anticipated investment of around 12% of sales revenue in R&D.

We have been investing in operating model redesign and core business systems upgrades over the past four years to improve efficiency and agility. We expect to invest around $250 million overall, a $100 million increase on our previous estimate, as a result of the expansion of the scope of the program. The final phase of the program will be focussed on our core ERP, underlying data and manufacturing systems. We now expect our cloud-related investment to be around $40 million in FY25, an additional $6 million on prior guidance. The balance of approximately $120 million will be incurred in FY26 and FY27. Given the materiality of the investment, we will report it as a significant item from FY26.

Guidance is based on a 65 cent AUD/USD for FY25 (66 cent average in FY24) and a 61 cent AUD/EUR (61 cent average in FY24). Capital expenditure is expected to be $110-130 million, with capacity expansion across our Australian and Malaysian sites.

The Board approved an on-market share buyback of up to $75 million in shares in August 2024, and the dividend policy continues to target a payout of 70% of underlying net profit.

# Financial review

## Profit & loss

| $m | HY25 | HY24 | Change % (reported) | Change % (CC) |
|---|---|---|---|---|
| **Sales revenue** | **1,169.9** | **1,113.4** | **5%** | **6%** |
| **Cost of sales** | **297.5** | **285.8** | **4%** | **4%** |
| *% Gross margin* | *75%* | *74%* | | |
| Selling, marketing and general expenses | 367.2 | 330.5 | 11% | 12% |
| Research and development expenses | 144.4 | 127.3 | 13% | 14% |
| *% of sales revenue* | *12%* | *11%* | | |
| Administration expenses (excluding cloud investment) | 91.1 | 84.6 | 8% | 7% |
| Administration expenses (cloud investment) | 11.7 | 16.9 | (31%) | (31%) |
| **Operating expenses** | **614.4** | **559.3** | **10%** | **10%** |
| Other expenses / (income) | (15.1) | (1.9) | | |
| FX contract losses / (gains) | (1.9) | 14.9 | | |
| **EBIT (underlying)*** | **275.0** | **255.3** | **8%** | **1%** |
| *% EBIT margin** | *24%* | *23%* | | |
| Net finance expense / (income) | (1.7) | (5.1) | | |
| Income tax expense* | 71.2 | 68.6 | | |
| *% Effective tax rate* | *26%* | *26%* | | |
| **Underlying net profit*** | **205.5** | **191.8** | **7%** | **1%** |
| *% Underlying net profit margin** | *18%* | *17%* | | |
| *% Underlying net profit margin (pre cloud investment)** | *18%* | *18%* | | |
| One-off and non-recurring items (after-tax): | | | | |
| Share of losses on equity-accounted investments | (0.4) | (0.4) | | |
| **Statutory net profit** | **205.1** | **191.4** | **7%** | **1%** |

* Excluding one-off and non-recurring items (refer p9).

Sales revenue increased 5% (6% in CC) to $1,169.9 million and underlying net profit increased 7% (1% in CC) to $205.5 million. Statutory net profit increased 7% to $205.1 million.

Key points of note:

- Selling, marketing and general expenses increased 11% (12% in CC) to $367.2 million reflecting continued investment in market growth activities, standard of care and market access initiatives;
- Investment in R&D increased 13% (14% in CC) to $144.4 million with continued investment made in key R&D projects and development of the product and services pipeline;
- Administration expenses (excluding cloud investment) increased 8% to $91.1 million primarily driven by increases in IT licensing and people costs; and
- Other income increased $13.2 million to $15.1 million and includes $6.8 million in foreign exchange gains.

## Cash flow

| $m | HY25 | HY24 | Change |
|---|---|---|---|
| EBIT (underlying) | 275.0 | 255.3 | 19.7 |
| Depreciation and amortisation | 43.8 | 43.1 | 0.7 |
| Increase in working capital and other | (131.4) | (84.0) | (47.4) |
| Net interest received | 1.7 | 5.1 | (3.4) |
| Income taxes paid | (79.2) | (62.4) | (16.8) |
| **Operating cash flow** | **109.9** | **157.1** | **(47.2)** |
| Capital expenditure | (43.9) | (42.7) | (1.2) |
| Other net investments | (7.3) | (5.1) | (2.2) |
| **Free cash flow** | **58.7** | **109.3** | **(50.6)** |
| Outlay from exercise of share options and performance rights | (24.3) | (2.4) | (21.9) |
| Payments for share buyback | (19.3) | (43.0) | 23.7 |
| Dividends paid | (137.5) | (114.7) | (22.8) |
| Payment of lease liability and other | (8.1) | (19.5) | 11.4 |
| **Decrease in net cash** | **(130.5)** | **(70.3)** | **(60.2)** |

Operating cash flow decreased $47.2 million to $109.9 million, with free cash flow decreasing $50.6 million to $58.7 million.

Key points of note:

- EBIT (underlying) increased $19.7 million as a result of solid business performance;
- The increase in working capital and other was driven by the building of inventory ahead of new product launches and higher safety stock levels for critical components;
- Capital expenditure (capex) of $43.9 million includes investment in the upgrade of the Lane Cove and Kuala Lumpur facilities and stay-in-business capex; and
- Payments for share buyback reflects the $19.3 million outlay for the repurchase of ordinary shares as part of the on-market share buyback.

## Capital employed

| $m | Dec24 | Jun24 | Change |
|---|---|---|---|
| Trade receivables | 435.2 | 425.3 | 9.9 |
| Inventories | 461.1 | 391.6 | 69.5 |
| Less: Trade and other payables | (285.5) | (303.2) | 17.7 |
| **Working capital** | **610.8** | **513.7** | **97.1** |
| *Working capital / sales revenue** | *26%* | *23%* | |
| Property, plant and equipment | 323.4 | 304.8 | 18.6 |
| Intangible assets | 467.8 | 451.0 | 16.8 |
| Investments and other financial assets | 198.9 | 181.3 | 17.6 |
| Other net liabilities | (116.4) | (123.9) | 7.5 |
| **Capital employed** | **1,484.5** | **1,326.9** | **157.6** |
| **Funding sources:** | | | |
| Equity | 1,867.6 | 1,840.5 | 27.1 |
| Less: Net cash | (383.1) | (513.6) | 130.5 |
| **Capital employed** | **1,484.5** | **1,326.9** | **157.6** |

* Dec24 calculation based on doubling HY25 sales revenue.

Capital employed increased $157.6 million to $1,484.5 million since June 2024.

Key points of note:

- Working capital increased $97.1 million, increasing from 23% to 26% of sales revenue, driven by the building of inventory ahead of new product launches and higher safety stock levels for critical components;
- Property, plant and equipment increased $18.6 million primarily reflecting investment in capacity expansion at the Lane Cove and Kuala Lumpur manufacturing facilities; and
- Net cash decreased $130.5 million to $383.1 million.

## Dividends

| | HY25 | HY24 | Change % |
|---|---|---|---|
| Interim ordinary dividend (per share) | $2.15 | $2.00 | 8% |
| % Payout ratio (based on underlying net profit) | 68% | 68% | |
| % Franking | 80% | 70% | |

An interim dividend of $2.15 per share has been determined, an increase of 8% on last year and representing a payout of 68% of underlying net profit. The interim dividend is franked at 80%.

The ex-dividend date is 20 March 2025. The record date for calculating dividend entitlements is 21 March 2025 with the interim dividend expected to be paid on 14 April 2025.

# 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 statement.

## 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 Cochlear.

## Sales revenue

Sales revenue is the primary revenue reporting measure used by Cochlear for the purpose of assessing revenue performance. 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 are 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 Cochlear's entities 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.

## Reconciliation of constant currency net profit

| $m | HY25 | HY24* | Change % |
|---|---|---|---|
| **Underlying net profit** | **205.5** | **191.8** | **7%** |
| FX contract movement | | 16.8 | |
| Spot exchange rate effect to sales revenue and expenses* | | (11.7) | |
| Balance sheet revaluation* | | 6.8 | |
| **Underlying net profit (CC)** | **205.5** | **203.7** | **1%** |
| One-off net gains / (losses) | (0.4) | (0.4) | |
| **Statutory net profit (CC)** | **205.1** | **203.3** | **1%** |

* HY24 actual v HY24 at HY25 rates.

## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act

The lead auditor's independence declaration is set out on page 11 and forms part of the Directors' Report for the half year ended 31 December 2024.

## Rounding off

The Company is of a kind referred to in Australian Securities and Investments Commission (ASIC) (Rounding in Financial/Directors' Reports) Instrument 2016/191 (Rounding instrument) dated 24 March 2016 and in accordance with that Instrument, amounts in the Directors' Report and Financial Report have been rounded off to the nearest one hundred thousand dollars unless otherwise indicated.

Dated at Sydney this 14th day of February 2025.

Signed in accordance with a resolution of the directors:

Director Director

# Lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001*

To the Directors of Cochlear Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Cochlear Limited for the half-year ended 31 December 2024 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Rachel Gatt

KPMG

Rachel Gatt, *Partner*

Sydney, 14 February 2025

# Interim income statement

| | Note | 31 Dec 2024<br>$m | 31 Dec 2023<br>$m |
|---|---|---|---|
| Revenue | 2.2 | 1,171.8 | 1,098.5 |
| Cost of sales | 2.3 | (297.5) | (285.8) |
| **Gross profit** | | **874.3** | **812.7** |
| Selling, marketing and general expenses | | (367.2) | (330.5) |
| Research and development expenses | | (144.4) | (127.3) |
| Administration expenses | | (102.8) | (101.5) |
| Other income | 2.4 | 15.1 | 5.5 |
| Other expenses | 2.3 | – | (3.6) |
| Share of losses on equity-accounted investments | 4.2 | (0.4) | (0.4) |
| **Results from operating activities** | | **274.6** | **254.9** |
| Finance income - interest | | 7.4 | 9.4 |
| Finance expense - interest | | (5.7) | (4.3) |
| **Net finance income** | | **1.7** | **5.1** |
| **Profit before income tax** | | **276.3** | **260.0** |
| Income tax expense | 3 | (71.2) | (68.6) |
| **Net profit** | | **205.1** | **191.4** |
| Basic earnings per share (cents) | 2.5 | 313.2 | 291.9 |
| Diluted earnings per share (cents) | 2.5 | 312.5 | 291.3 |

The notes on pages 17 to 24 are an integral part of these Consolidated Interim Financial Statements.

# Interim statement of comprehensive income

| | 31 Dec 2024<br>$m | 31 Dec 2023<br>$m |
|---|---|---|
| **Net profit** | **205.1** | **191.4** |
| ***Other comprehensive income / (loss)*** | | |
| *Items that will not be reclassified subsequently to the income statement:* | | |
| Financial investments measured at fair value through other comprehensive income, net of tax | 10.7 | (37.2) |
| **Total items that will not be reclassified subsequently to the income statement** | **10.7** | **(37.2)** |
| *Items that may be reclassified subsequently to the income statement:* | | |
| Foreign currency translation differences | 19.7 | 3.1 |
| Effective portion of changes in fair value of cash flow hedges, net of tax | (27.1) | 13.2 |
| Net change in fair value of cash flow hedges transferred to the income statement, net of tax | (1.4) | 10.4 |
| **Total items that may be reclassified subsequently to the income statement** | **(8.8)** | **26.7** |
| **Other comprehensive income/(loss), net of tax** | **1.9** | **(10.5)** |
| **Total comprehensive income** | **207.0** | **180.9** |

The notes on pages 17 to 24 are an integral part of these Consolidated Interim Financial Statements.

# Interim balance sheet

| | Note | 31 Dec 2024<br>$m | 30 Jun 2024<br>$m |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 383.1 | 513.6 |
| Trade and other receivables | 4.1 | 501.6 | 490.7 |
| Forward exchange contracts | | 2.4 | 7.7 |
| Inventories | | 461.1 | 391.6 |
| Current tax assets | | 12.1 | 11.3 |
| Prepayments | | 50.3 | 37.2 |
| **Total current assets** | | **1,410.6** | **1,452.1** |
| Trade and other receivables | | 0.4 | 1.3 |
| Forward exchange contracts | | 0.2 | 3.5 |
| Property, plant and equipment | | 323.4 | 304.8 |
| Intangible assets | | 467.8 | 451.0 |
| Investments | 4.2 | 91.2 | 80.5 |
| Other financial assets | 4.2 | 105.2 | 97.9 |
| Equity-accounted investments | 4.2 | 2.5 | 2.9 |
| Deferred tax assets | | 170.6 | 138.7 |
| Right of use asset | | 214.2 | 212.4 |
| **Total non-current assets** | | **1,375.5** | **1,293.0** |
| **Total assets** | | **2,786.1** | **2,745.1** |
| **Liabilities** | | | |
| Trade and other payables | | 285.5 | 303.2 |
| Forward exchange contracts | | 28.3 | 8.5 |
| Current tax liabilities | | 35.0 | 17.6 |
| Employee benefit liabilities | | 123.9 | 150.5 |
| Provisions | | 36.1 | 43.4 |
| Deferred revenue | | 74.2 | 66.7 |
| Lease liability | | 43.1 | 41.6 |
| **Total current liabilities** | | **626.1** | **631.5** |
| Forward exchange contracts | | 12.5 | 0.4 |
| Employee benefit liabilities | | 9.2 | 7.8 |
| Provisions | | 36.2 | 35.3 |
| Deferred tax liabilities | | 22.6 | 18.9 |
| Deferred revenue | | 8.4 | 8.6 |
| Lease liability | | 203.5 | 202.1 |
| **Total non-current liabilities** | | **292.4** | **273.1** |
| **Total liabilities** | | **918.5** | **904.6** |
| **Net assets** | | **1,867.6** | **1,840.5** |
| **Equity** | | | |
| Share capital | | 1,185.0 | 1,204.2 |
| Reserves | | (52.9) | (31.6) |
| Retained earnings | | 735.5 | 667.9 |
| **Total equity** | | **1,867.6** | **1,840.5** |

The notes on pages 17 to 24 are an integral part of these Consolidated Interim Financial Statements.

# Interim statement of changes in equity

| $m | Issued capital | Treasury share reserve | Translation reserve | Hedging reserve | Fair value reserve | Share-based payment reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2023** | **1,250.3** | **(13.9)** | **(56.3)** | **(15.4)** | **(66.0)** | **94.7** | **555.4** | **1,748.8** |
| *Total comprehensive income/(loss)* | | | | | | | | |
| Net profit | – | – | – | – | – | – | 191.4 | **191.4** |
| Foreign currency translation differences | – | – | 3.1 | – | – | – | – | **3.1** |
| Effective portion of changes in fair value of cash flow hedges, net of tax | – | – | – | 13.2 | – | – | – | **13.2** |
| Net change in fair value of cash flow hedges transferred to the income statement, net of tax | – | – | – | 10.4 | – | – | – | **10.4** |
| Financial investments measured at fair value through other comprehensive income, net of tax | – | – | – | – | (37.2) | – | – | **(37.2)** |
| **Total other comprehensive income/(loss)** | **–** | **–** | **3.1** | **23.6** | **(37.2)** | **–** | **–** | **(10.5)** |
| **Total comprehensive income/(loss)** | **–** | **–** | **3.1** | **23.6** | **(37.2)** | **–** | **191.4** | **180.9** |
| **Transactions with owners, recorded directly in equity** | | | | | | | | |
| Shares issued | 0.1 | – | – | – | – | – | – | **0.1** |
| Treasury shares acquired | – | (43.0) | – | – | – | – | – | **(43.0)** |
| Shares cancelled | (46.2) | 46.2 | – | – | – | – | – | **–** |
| Share options exercised | – | 0.4 | – | – | – | (0.5) | – | **(0.1)** |
| Performance rights vested | – | 10.3 | – | – | – | (12.7) | – | **(2.4)** |
| Share based payment transactions | – | – | – | – | – | 9.2 | – | **9.2** |
| Deferred tax recognised in equity | – | – | – | – | – | 3.0 | – | **3.0** |
| Dividends to shareholders | – | – | – | – | – | – | (114.7) | **(114.7)** |
| **Balance at 31 December 2023** | **1,204.2** | **–** | **(53.2)** | **8.2** | **(103.2)** | **93.7** | **632.1** | **1,781.8** |
| | | | | | | | | |
| **Balance at 1 July 2024** | **1,204.2** | **–** | **(54.4)** | **1.6** | **(86.4)** | **107.6** | **667.9** | **1,840.5** |
| *Total comprehensive income/(loss)* | | | | | | | | |
| Net profit | – | – | – | – | – | – | 205.1 | **205.1** |
| Foreign currency translation differences | – | – | 19.7 | – | – | – | – | **19.7** |
| Effective portion of changes in fair value of cash flow hedges, net of tax | – | – | – | (27.1) | – | – | – | **(27.1)** |
| Net change in fair value of cash flow hedges transferred to the income statement, net of tax | – | – | – | (1.4) | – | – | – | **(1.4)** |
| Financial investments measured at fair value through other comprehensive income, net of tax | – | – | – | – | 10.7 | – | – | **10.7** |
| **Total other comprehensive income/(loss)** | **–** | **–** | **19.7** | **(28.5)** | **10.7** | **–** | **–** | **1.9** |
| **Total comprehensive income/(loss)** | **–** | **–** | **19.7** | **(28.5)** | **10.7** | **–** | **205.1** | **207.0** |
| **Transactions with owners, recorded directly in equity** | | | | | | | | |
| Shares issued | 0.1 | – | – | – | – | – | – | **0.1** |
| Treasury shares acquired | – | (50.9) | – | – | – | – | – | **(50.9)** |
| Shares cancelled | (19.3) | 19.3 | – | – | – | – | – | **–** |
| Share options exercised | – | 14.9 | – | – | – | (5.1) | – | **9.8** |
| Performance rights vested | – | 16.7 | – | – | – | (19.2) | – | **(2.5)** |
| Share based payment transactions | – | – | – | – | – | 11.7 | – | **11.7** |
| Deferred tax recognised in equity | – | – | – | – | – | (10.6) | – | **(10.6)** |
| Dividends to shareholders | – | – | – | – | – | – | (137.5) | **(137.5)** |
| **Balance at 31 December 2024** | **1,185.0** | **–** | **(34.7)** | **(26.9)** | **(75.7)** | **84.4** | **735.5** | **1,867.6** |

The notes on pages 17 to 24 are an integral part of these Consolidated Interim Financial Statements.

# Interim statement of cash flows

| | 31 Dec 2024<br>$m | 31 Dec 2023<br>$m |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash receipts from customers | 1,179.4 | 1,093.3 |
| Cash paid to suppliers and employees | (1,003.8) | (884.4) |
| Grant and other income received | 11.8 | 5.5 |
| Interest received | 7.4 | 9.4 |
| Interest paid | (5.7) | (4.3) |
| Income taxes paid | (79.2) | (62.4) |
| **Net cash provided by operating activities** | **109.9** | **157.1** |
| **Cash flows from investing activities** | | |
| Acquisition of leasehold improvements, plant and equipment and land and buildings | (27.1) | (22.6) |
| Acquisition of IT systems | (11.1) | (8.5) |
| Acquisition of other intangible assets | (5.7) | (11.6) |
| Acquisition of investments and other financial assets | (7.3) | (5.1) |
| **Net cash used in investing activities** | **(51.2)** | **(47.8)** |
| **Cash flows from financing activities** | | |
| Payment of lease liability principal | (16.5) | (17.3) |
| Outlay from exercise of share options and performance rights | (24.3) | (2.5) |
| Proceeds from share issuance | 0.1 | 0.1 |
| Payments for share buyback | (19.3) | (43.0) |
| Dividends paid | (137.5) | (114.7) |
| **Net cash used in financing activities** | **(197.5)** | **(177.4)** |
| **Net decrease in cash and cash equivalents** | **(138.8)** | **(68.1)** |
| Cash and cash equivalents at 1 July | 513.6 | 555.5 |
| Effect of exchange rate fluctuation on cash held | 8.3 | (2.2) |
| **Cash and cash equivalents** | **383.1** | **485.2** |

The notes on pages 17 to 24 are an integral part of these Consolidated Interim Financial Statements.

# Notes to the Consolidated Interim Financial Statements

## 1. Basis of preparation

### 1.1 Reporting entity

Cochlear Limited (the Company) is a company domiciled in Australia. The Consolidated Interim Financial Statements of the Company as at and for the half year ended 31 December 2024 comprises the Company and its controlled entities (together referred to as Cochlear). Cochlear is a for-profit entity and operates in the implantable hearing device industry. Cochlear's Consolidated Annual Financial Statements as at and for the year ended 30 June 2024 is available upon request from the Company's registered office at 1 University Avenue, Macquarie University NSW 2109, Australia or at www.cochlear.com.

### 1.2 Statement of compliance

The Consolidated Interim Financial Statements are a general purpose financial report which has been prepared in accordance with AASB134 *Interim financial reporting* and the *Corporations Act 2001*, and with IAS 34 Interim financial reporting.

The Consolidated Interim Financial Statements do not include all of the information required for a full annual financial report and should be read in conjunction with Cochlear's Consolidated Annual Financial Statements as at and for the year ended 30 June 2024. This report should also be read in conjunction with any public announcements made by Cochlear Limited during the half year ended 31 December 2024 in accordance with continuous disclosure obligations arising under the *Corporations Act 2001*.

The Consolidated Interim Financial Report was approved by the Board of Directors on 14 February 2025.

Cochlear is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (Rounding instrument) dated 24 March 2016 and in accordance with that Instrument, all financial information presented in Australian dollars (AUD) has been rounded to the nearest one hundred thousand dollars unless otherwise stated.

### 1.3 Material accounting policies

The accounting policies applied by Cochlear in this Consolidated Interim Financial Statements are the same as those applied by the Cochlear in the Consolidated Annual Financial Statements as at and for the year ended 30 June 2024.

### 1.4 Estimates and judgements

The preparation of the Consolidated Interim Financial Statement requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this Consolidated Interim Financial Statements, the significant judgements made by management in applying Cochlear's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Annual Financial Statements as at and for the year ended 30 June 2024.

### 1.5 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for financial years beginning after 1 July 2024 and have not been applied in preparing these Consolidated Interim Financial Statements.

# 2. Performance for the half year

## 2.1 Operating segments

| Profit or loss | Americas $m | EMEA[1] $m | Asia Pacific $m | Corporate and other $m | Total $m |
|---|---|---|---|---|---|
| **31 Dec 2024** | | | | | |
| Revenue | 580.7 | 360.2 | 229.0 | 1.9 | **1,171.8** |
| EBIT | 310.4 | 148.0 | 76.6 | (260.4) | **274.6** |
| Net finance income | | | | | **1.7** |
| **Profit before income tax** | | | | | **276.3** |
| Depreciation and amortisation | 5.9 | 4.4 | 2.7 | 30.8 | **43.8** |
| Write-down in value of inventories | 0.4 | 0.3 | 0.3 | 6.4 | **7.4** |
| Equity accounted losses | – | – | – | 0.4 | **0.4** |
| Acquisition of non-current assets | 2.3 | 2.4 | 7.2 | 45.5 | **57.4** |
| **31 Dec 2023** | | | | | |
| Revenue | 585.4 | 352.5 | 175.5 | (14.9) | **1,098.5** |
| EBIT | 334.8 | 160.9 | 24.1 | (264.9) | **254.9** |
| Net finance income | | | | 5.1 | **5.1** |
| **Profit before income tax** | | | | | **260.0** |
| Depreciation and amortisation | 6.0 | 4.3 | 2.9 | 29.9 | **43.1** |
| Write-down in value of inventories | 0.8 | 2.1 | 2.8 | 9.9 | **15.6** |
| Equity accounted losses | – | – | – | 0.4 | **0.4** |
| Acquisition of non-current assets | 3.6 | 4.8 | 0.5 | 33.7 | **42.6** |

| Assets and liabilities | Americas $m | EMEA[1] $m | Asia Pacific $m | Corporate and other $m | Total $m |
|---|---|---|---|---|---|
| **31 Dec 2024** | | | | | |
| Assets | 449.0 | 481.3 | 237.5 | 1,618.3 | **2,786.1** |
| Liabilities | 193.8 | 134.5 | 103.3 | 486.9 | **918.5** |
| **30 June 2024** | | | | | |
| Assets | 396.5 | 431.4 | 222.2 | 1,695.0 | **2,745.1** |
| Liabilities | 195.3 | 127.5 | 83.8 | 498.0 | **904.6** |

[1] Europe, Middle East and Africa

Cochlear Limited is domiciled in Australia and earns less than 5% of its sales revenue from external customers in Australia. Cochlear Limited has $456.8 million (June 2024: $439.6 million) of non-current assets (excluding financial instruments and deferred tax) in Australia, including Australian based manufacturing facilities.

## 2.2 Revenue

The following table disaggregates revenue by product type:

| | 31 Dec 2024 $m | 31 Dec 2023 $m |
|---|---|---|
| Cochlear implants | 724.5 | 648.5 |
| Services (sound processor upgrade and other) | 305.0 | 348.9 |
| **Total cochlear implants** | **1,029.5** | **997.4** |
| Acoustics | 140.4 | 116.0 |
| **Sales revenue** | **1,169.9** | **1,113.4** |
| Foreign exchange gain/(loss) on hedged sales | 1.9 | (14.9) |
| **Revenue** | **1,171.8** | **1,098.5** |

The following table disaggregates revenue by sales type:

| | 31 Dec 2024 $m | 31 Dec 2023 $m |
|---|---|---|
| Sale of goods before hedging | 1,150.9 | 1,095.4 |
| Foreign exchange gain/(loss) on hedged sales | 1.9 | (14.9) |
| **Revenue from sale of goods** | **1,152.8** | **1,080.5** |
| Rendering of services | 19.0 | 18.0 |
| **Total revenue** | **1,171.8** | **1,098.5** |

## 2.3 Expenses

| | 31 Dec 2024 $m | 31 Dec 2023 $m |
|---|---|---|
| **(a) Cost of sales** | | |
| Carrying amount of inventories recognised as an expense | 286.3 | 265.6 |
| Write-down in value of inventories | 7.4 | 15.6 |
| Other | 3.8 | 4.6 |
| **Total cost of sales** | **297.5** | **285.8** |
| | | |
| **(b) Other expenses** | | |
| Net foreign exchange loss | – | 3.6 |
| **Total other expenses** | **–** | **3.6** |

## 2.4 Other income

| | 31 Dec 2024 $m | 31 Dec 2023 $m |
|---|---|---|
| Grant received or due and receivable | 4.1 | 1.6 |
| Net foreign exchange gain | 3.2 | – |
| Other | 7.8 | 3.9 |
| **Total other income** | **15.1** | **5.5** |

## 2.5 Earnings per share

### Basic earnings per share

The calculation of basic EPS has been based on the following net profit attributable to equity holders of the parent entity and weighted average number of ordinary shares of the Company:

| | 31 Dec 2024 | 31 Dec 2023 |
|---|---|---|
| Net profit attributable to equity holders of the parent entity | $205,080,000 | $191,400,000 |
| Weighted average number of ordinary shares (basic): | | |
| Issued ordinary shares at 1 July (number) | 65,494,161 | 65,671,649 |
| Effect of options and performance shares exercised (number) | 856 | 902 |
| Effect of shares cancelled under Share Buy-back (number) | (25,991) | (93,919) |
| Effect of shares purchased and held as treasury stock (number) | – | (109) |
| Effect of shares issued under Employee Share Plan (number) | 154 | 203 |
| **Weighted average number of ordinary shares (basic)** | **65,469,180** | **65,578,726** |
| **Basic earnings per share (cents)** | **313.2** | **291.9** |

### Diluted earnings per share

The calculation of diluted EPS has been based on the following net profit attributable to equity holders of the parent entity and weighted average number of shares outstanding after adjustments for the effects of all dilutive potential ordinary shares:

| | 31 Dec 2024 | 31 Dec 2023 |
|---|---|---|
| Net profit attributable to equity holders of the parent entity | $205,080,000 | $191,400,000 |
| Weighted average number of ordinary shares (diluted): | | |
| Weighted average number of shares (basic) (number) | 65,469,180 | 65,578,726 |
| Effect of options, performance shares and rights unvested (number) | 151,855 | 128,038 |
| **Weighted average number of ordinary shares (diluted)** | **65,621,035** | **65,706,764** |
| **Diluted earnings per share (cents)** | **312.5** | **291.3** |

At 31 December 2024, 113,170 options (December 2023: 126,292) were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been antidilutive.

## 2.6 Options and performance rights

The Company has granted options and performance rights to certain employees and key management personnel under the Cochlear Executive Incentive Plan (CEIP). The terms and conditions of the plan are disclosed in the Consolidated Annual Financial Statements as at and for the year ended 30 June 2024.

Grants made in the current period to certain employee and key management personnel under the CEIP are set out below.

| Grant date | Exercise price of options | Number of options | Number of performance rights | Contractual life |
|---|---|---|---|---|
| 23 September 2024 | – | – | 37,495 | 2 years |
| 23 September 2024 | – | – | 25,837 | 3 years |
| 23 September 2024 | – | – | 17,420 | 4 years |
| 23 September 2024[1] | $306.20 | 54,365 | – | 6 years |

1. Options offered under the Cochlear Executive Incentive Plan (CEIP) with a four-year performance period and 25-month exercise period.

### 2.7 Dividends

Dividends recognised in the current and prior financial period by Cochlear Limited are:

| | Dollars per share | Total amount $m | Franked/unfranked | Date of payment |
|---|---|---|---|---|
| **31 December 2023** | | | | |
| Final – ordinary | 1.75 | 114.7 | 70% Franked | 11 October 2023 |
| **31 December 2024** | | | | |
| Final – ordinary | 2.10 | 137.5 | 80% Franked | 10 October 2024 |
| **Subsequent event** | | | | |
| Since the end of the financial year, the directors declared the following dividend: | | | | |
| Interim – ordinary | 2.15 | 140.7 | 80% Franked | 14 April 2025 |

The financial effect of these dividends has not been brought to account in the Consolidated Interim Financial Statements for the half year ended 31 December 2024 and will be recognised in subsequent financial statements.

## 3. Income taxes

**Numerical reconciliation between income tax expense and profit before income tax**

| | 31 Dec 2024 $m | 31 Dec 2023 $m |
|---|---|---|
| Net profit | 205.1 | 191.4 |
| Income tax expense | 71.2 | 68.6 |
| **Profit before income tax** | **276.3** | **260.0** |
| Tax at the Australian tax rate of 30% (Dec 2023: 30%) | 82.9 | 78.0 |
| ***Add/(less) adjustments for:*** | | |
| Research and development allowances | (11.5) | (9.9) |
| Net (non-assessable)/non-deductible items | (0.2) | 2.3 |
| Effect of tax rate in foreign jurisdictions | (0.4) | (2.5) |
| Other adjustments for prior year | 0.4 | 0.7 |
| **Income tax expense on profit before income tax** | **71.2** | **68.6** |

**Global Anti-Base Erosion Model Rules (Pillar Two)**

The Australian government has adopted the Global Anti-Base Erosion Model Rules (Pillar Two) (GloBE Rules) with legislation that implements the framework of the rules including a global and domestic minimum tax receiving royal assent in December 2024. The GloBE Rules apply to Cochlear from 1 July 2024.

Cochlear has performed an assessment of its exposure under the GloBE Rules using information available as at 31 December 2024. Based on the assessment, Cochlear has determined that there is no current tax impact for the half year ended 31 December 2024. Cochlear will continue to monitor the implementation and interpretation of the GloBE Rules and assess any potential impacts on its tax position in future reporting periods.

Cochlear has applied the mandatory temporary exception under AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules* issued by the Australian Accounting Standards Board in June 2023. The amendments provide a temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to the GloBE Rules.

# 4. Operating assets and liabilities

## 4.1 Trade and other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance under the Expected Credit Loss (ECL) model. The ECL model has not materially changed since 30 June 2024. For further explanation of the ECL approach, refer to the 30 June 2024 Annual Financial Statements.

## 4.2 Investments, equity-accounted investments and other financial assets

The following table shows movements in investments, other financial assets and equity-accounted investments during the period:

| | Investments<br>$m | Other financial assets<br>$m | Equity-accounted investments<br>$m |
|---|---|---|---|
| Balance at 1 July 2024 | 80.5 | 97.9 | 2.9 |
| Additions | – | 7.3 | – |
| Fair value gain through other comprehensive income (before tax) | 10.7 | – | – |
| Share of losses on equity-accounted investments | – | – | (0.4) |
| **Balance at 31 December 2024** | **91.2** | **105.2** | **2.5** |

At 31 December 2024, $118.2 million (June 2024: $110.9 million) of investments and other financial assets are measured at fair value through profit or loss and designated as Level 3 financial assets. The remaining $78.2 million (June 2024: $67.5 million) are measured at fair value through other comprehensive income with $76.6 million (June 2024: $59.7 million) designated as Level 1 and $1.6 million (June 2024: $7.8 million) designated as Level 3.

## 4.3 Contingent liabilities

Contingent liabilities are disclosed where a provision is not recognised due to the uncertainty regarding the outcome of future events and/or inability to reliably measure such liabilities. The details of contingent liabilities are set out below. The directors are of the opinion that provisions are either adequate or are not required in respect of these matters, as it is either not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement.

**Patent infringement claims**

Cochlear operates in an industry that has substantial intellectual property and patents protecting that intellectual property. From time to time, Cochlear is involved in confidential discussions with patent owners including competitors regarding threatened litigation for alleged infringement of patent rights. The outcome of these discussions are not currently expected to result in a significant adverse outcome for Cochlear.

**Product liability claims**

Cochlear is currently, and/or is likely from time to time to be, involved in claims and lawsuits incidental to the ordinary course of business, including claims for damages relating to its products and services.

In addition, Cochlear has received legal claims and lawsuits in various countries including the United States by recipients who have had Cochlear implant CI500 series devices stop functioning for the reason that led to the September 2011 voluntary recall of unimplanted CI500 series devices.

Cochlear carries product liability insurance and has made claims under the policies. The insurers have agreed to indemnify Cochlear in accordance with the terms and conditions of the policies including deductibles and exclusions. In the opinion of the directors, the details of the product liability insurance policies are commercially sensitive and any disclosure of these details may be prejudicial to the interests of Cochlear.

**Regulatory actions**

Cochlear operates in multiple overseas jurisdictions and is currently, and/or is likely from time to time to be, subject to payment claims and tax, customs, and other regulatory reviews, audits, investigations, and litigation by governments, authorities and regulators. These matters may result in additional tax, customs or other liabilities (including interest and penalties). Individual significant confidential investigation(s) by an authority are not disclosed, as disclosure may prejudice Cochlear.

# 5. Financial and capital structure

## 5.1 Loans and Borrowings

| | 31 Dec 2024<br>$m | 30 Jun 2024<br>$m |
|---|---|---|
| **Cash** | | |
| Cash and cash equivalents | 383.1 | 513.6 |
| **Total cash** | **383.1** | **513.6** |
| **Less: Total borrowings** | | |
| Current | – | – |
| Non-current | – | – |
| **Total borrowings** | – | – |
| **Net cash** | **383.1** | **513.6** |

**Multi-option bank facilities - Unsecured bank loan**

As at 31 December 2024, maturity profile of Cochlear's bank loan facilities are as follows:

| Facility type | <1 year term<br>$m | 1 - 2 year term<br>$m | 2 - 3 year term<br>$m | 3 - 4 year term<br>$m | 5 - 6 year term<br>$m | Total facilities<br>$m |
|---|---|---|---|---|---|---|
| Committed debt including guarantees | – | 100.0 | 100.0 | 150.0 | 20.0 | **370.0** |

All facilities are unsecured and have interlocking guarantees provided by certain controlled entities. Interest on the facilities is variable and charged at prevailing market rates.

**Other credit facilities**

***Unsecured bank overdrafts***

Certain unsecured bank overdrafts are payable on demand and are subject to annual review. Interest on unsecured bank overdrafts is variable and is charged at prevailing market rates.

***Secured bank loan***

Cochlear has no secured bank loans.

***Bank guarantees***

As at 31 December 2024, Cochlear had contingent liability facilities denominated in USD, Euros (EUR), Sterling (GBP), Indian Rupee (INR), New Zealand dollar (NZD) and Moroccan Dirham (MAD) totalling AUD 13.6 million (June 2024: AUD 12.8 million).

### 5.2 Financial Instruments

**Fair values**

The carrying amounts and estimated fair value of Cochlear's financial assets and liabilities are materially the same.

The fair value of forward exchange contracts is based upon the listed market price, if available. If a listed market price is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using benchmark bill futures and swap rates. These fair values are provided by independent third parties.

***Valuation of financial assets and liabilities***

For financial asset and liabilities measured and carried at fair value, Cochlear uses the following levels to categorise the valuation methods used:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of Cochlear's forward exchange contracts were valued using observable market inputs (Level 2).

The equity securities classified as financial assets measured at fair value through other comprehensive income are valued where available using quoted prices (Level 1), or where not available using unobservable market inputs (Level 3). Refer to Note 4.2 for further details.

There were no transfers between levels during the half year.

## 6. Other notes

### 6.1 Events subsequent to reporting date

Other than reported below, there has not arisen in the interval between the reporting date and the date of these financial statements, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of Cochlear, the results of those operations, or the state of affairs of Cochlear in future financial years.

**Dividends**

For dividends determined after 31 December 2024, see Note 2.7.

# Directors' Declaration

In the opinion of the directors of Cochlear Limited:

1. The consolidated financial statements and notes set out on pages 12 to 24 are in accordance with the *Corporations Act 2001*, including:
   a. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2024, and of its performance, for the six month period ended on that date; and
   b. complying with Australian Accounting Standard AASB 134 *Interim financial reporting* and the *Corporations Regulations 2001*; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Dated at Sydney this 14th day of February 2025.

Director

Director

Independent Auditor's Review Report

# To the shareholders of Cochlear Limited

## Report on the Interim Financial Report

## Conclusion

We have reviewed the accompanying Interim Financial Report of Cochlear Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Cochlear Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Consolidated Entity's*** financial position as at 31 December 2024 and of its performance for the half year ended on that date; and
- complying with *Australian Accounting Standard* AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

The Interim Financial Report comprises:

- the interim balance sheet as at 31 December 2024;
- the interim income statement, interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the half year ended on that date;
- Notes 1 to 6 comprising material accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Consolidated Entity*** comprises Cochlear Limited (the Company) and the entities it controlled at the half year's end or from time to time during the half year.

## Basis for Conclusion

We conducted our review in accordance with *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in *the Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code)* that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

## Responsibilities of the Directors for the Interim Financial Report

The Directors of the Consolidated Entity are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2024 and its performance for the half year ended on that date, and complying with *Australian Accounting Standard* AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Rachel Gatt

KPMG

Rachel Gatt, *Partner*

Sydney, 14 February 2025