



## **ASX / MEDIA RELEASE**

### **PROFIT ANNOUNCEMENT**

Cochlear Limited today announced a profit update to its forecast first half and full year F'04 profits.

#### **Group**

Overall Cochlear expects first half unit sales growth to be flat on the previous corresponding period. Growth rates closer to our targeted long term average levels are forecast for the second half. For the full year, unit sales growth of approximately 10% is anticipated.

Profit after tax is expected to be marginally below the previous corresponding period's record results for both the full and half year.

Cochlear's prudent policy of taking out forward exchange cover has largely protected this year's profit, but nevertheless there will still be an adverse FX impact of approximately 5% on the profit after tax result for the full and half year.

Cochlear strongly believes that the industry fundamentals remain robust with continued excellent long term growth prospects.

#### **Americas**

There are a number of factors that are impacting the Americas' result for this year and the impact is now expected to be wider than previously forecast.

As announced at the AGM in October 2003, sales to date in the Americas have been below target growth rates. In part this is due to the release of a competitive product which is now expected to result in an estimated 5 – 10% market share loss in the first six months of the year. Cochlear's Market share is expected to recover in the second half in line with prior experience with new competitor product launches.

Although the level of Medicare funding has been increased, tight economic conditions in the health budgets of many states have meant that some medical programmes such as Cochlear implantation, for Medicare and Medicaid patients, have not yet been expanded. These patients account for nearly 35% of sales in the Americas and this segment has shown little growth during the past six months.

Assessment time for potential recipients has been increased following the meningitis alarm twelve months ago and can now be as long as twelve months. This longer lead time has created a temporary slow down in this half, but is now worked into the system.

Consequently, the half year result will be below last year's record sales when growth of nearly 50% was achieved. For the full year, the position is expected to improve as market share is regained and the longer assessment time is fed into the annual run rate. In addition, Cochlear's new product releases aimed at simplifying programming will ease potential clinic capacity issues and assist with freeing up resources for public and private patients. However, the full year unit growth for Cochlear in the Americas is estimated to be 5 – 10% compared to last year's record 30% growth, which was partly driven by the withdrawal of a competitor from the market for six weeks in the first half of last year.

### **Europe**

In Europe the unit sales growth rate for the half and full year is now expected to be below 5%. This is well below the market's capacity to grow and Cochlear's expectations.

Sales in the established markets have not expanded outside the major clinics at the rates anticipated and the new geographical growth regions of the Middle East and Central and Eastern Europe are experiencing cyclical low growth as they improve their infrastructure.

Market share losses in Europe have not been significant.

Reimbursement remains a key issue for growth in Europe, but there are encouraging long term prospects as some markets move to adopt bilateral implantation and health economics begin to play a more significant role in health budget allocations.

### **Asia Pacific**

Asian growth was impacted by SARS in the first two months of this financial year, but sales are now back to normal levels. Strong unit sales growth, in line with our target of 20% is anticipated for the first half and full year.

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