

ASX Announcement

18 August 2026

Cochlear Limited Financial Results

For the year ended June 2026

FY26 result at the upper end of revised guidance; continued strategic progress to support growth; Cochlear remains confident in the long-term opportunity to grow the hearing implant market

- **Sales revenue increased 2%** in constant currency to \$2.3 billion, up 6% in the second half, and delivered underlying net profit of \$322 million, achieving the upper end of revised guidance provided in April. The result reflects flat cochlear implant revenue, lower gross margin, transitional costs and foreign exchange movements.
- **Strategic priorities advanced**, including the launch of the Cochlear™ Nucleus® Nexa™ System, which improves the patient experience, and growing investment in R&D.
- **Reducing fixed costs**, to provide flexibility to invest in growth and improve margins.
- **Accelerating medicalisation of hearing loss**, to make diagnosis, referral and treatment more consistent, making adult cochlear implantation the standard of care for people with severe to profound hearing loss.
- **Expecting low single-digit constant currency sales revenue growth and underlying net profit of \$330-350 million in FY27**, which assumes gradual improvement in developed market cochlear implant performance, cost discipline and targeted investment in growth initiatives.

\$m	FY26	FY25	Change % (reported)	Change % (CC)*
Sales revenue	2,343.4	2,355.8	(1%)	2%
Gross margin	71%	74%	(3 pts)	(3 pts)
Operating expenses**	1,251.4	1,188.4	5%	6%
Underlying net profit**	322.4	414.5	(22%)	(21%)
% Underlying net profit margin**	14%	18%		
Significant items (after-tax):				
▶ Cloud expense**	(66.0)	(22.9)		
▶ Fair value, share of losses and impairment losses on investments (non-cash)	(109.1)	(2.7)		
Statutory net profit	147.3	388.9	(62%)	(61%)
Underlying earnings per share**	\$4.93	\$6.33	(22%)	
Dividends per share	\$3.45	\$4.30	(20%)	

*Constant currency (CC) removes the impact of foreign exchange (FX) rate movements to facilitate comparability of operational performance (refer p11).

**Excluding significant items. FY25 adjusted to report cloud expenses as a significant item for comparative purposes (refer p11).

FY26 Operational review

\$m	FY26	FY25	Change % (reported)	Change % (CC)	Sales Mix
Cochlear implants (units)	56,692	53,968	5%		
Sales revenue					
Cochlear implants	1,435.2	1,470.2	(2%)	0%	61%
Services (replacement sound processors, accessories and other)	634.9	609.2	4%	6%	27%
Acoustics	273.3	276.4	(1%)	1%	12%
Total sales revenue	2,343.4	2,355.8	(1%)	2%	100%

Cochlear implants

Cochlear implant units increased 5% to 56,692, with revenue flat in constant currency at \$1.4 billion. Cochlear implant units grew at a faster rate than sales revenue driven by the higher mix of lower-priced emerging market units.

We reached a major milestone with the launch of the Nucleus Nexa System, the world's first and only smart cochlear implant system with upgradeable firmware. The Nexa System provides a key foundation to support future implant innovation and reinforces Cochlear's long-term product differentiation. Adoption has been strong, with the Nexa System achieving more than 95% of implant sales across developed markets by June. Feedback has been positive and an average 3% price increase was achieved, with software updates to improve clinician workflows to be deployed over the coming months.

Developed market revenue grew 1% in constant currency. In the US, revenue increased 4%. Growth remained strong where we had greater visibility and influence on the pathway to surgery, with direct-to-consumer surgeries growing 10%. The largest US accounts, which have well-established and structured referral programs, continued to see strong growth. While market share was maintained across the year, market growth was softer, with a higher rate of insurance approval delays and broader economic pressures on healthcare affecting time to surgery.

Western Europe revenue declined 8%, with performance affected by concurrent country-specific challenges, including elective surgery backlogs in the UK and industrial action in Spain, which constrained procedure volumes across multiple markets at the same time. We also experienced lower market share in Germany.

Asia Pacific revenue increased 7%, with strong performance across the region and improved market share. Australia achieved strong growth in the private segment driven by a focus on referral paths and supporting patients with private health insurance to navigate the healthcare system. Korean growth was driven by the success of the Nexa System launch in the fourth quarter and expansion of the professional customer base.

We remain confident in the long-term market growth opportunity and our strong market position. The FY26 outcome highlights that adult growth remains subject to inconsistent referral pathways despite well-established reimbursement. Where we have greater visibility and influence over the referral pathway, referral activity remains strong, providing confidence in the actions being taken. We are scaling these activities to make adult cochlear implant growth more systematic and clinically led.

In **emerging markets**, revenue declined 2% in constant currency. Strong growth in Latin America and Eastern Europe was offset by declines in the Middle East and China. Performance in the Middle East was affected by conflict in the region, which disrupted market access, with sales activity improving late in the year. In China, revenue declined with volume growth offset by lower average selling prices from the implementation of volume-based procurement, with special access zone reimbursement reductions impacting from the second half.

Services

Services revenue increased 6% in constant currency to \$635 million. Developed market revenue grew 13%, supported by growth in the eligible recipient base and demand for the Nucleus® 8 Sound Processor following the retirement of the prior-generation processor in some markets. Growth was also supported by improved awareness of eligibility and clinical benefits, together with optimised reimbursement workflows. Emerging markets revenue declined, mainly due to lower pricing in China and disruption to sound processor orders in the Middle East.

Acoustics

Acoustics revenue increased 1% in constant currency to \$273 million. Revenue declined in the first half as a result of increased competitor activity in the US and UK. The stronger second half, up 5% in constant currency, reflects continued expansion of the Osia® System into newer markets including Western Europe and Asia Pacific.

FY26 Financial review

Sales revenue increased 2% in constant currency to \$2,343 million, with constant currency revenue growth of 6% in the second half at the top end of the revised guidance provided in April.

Gross margin declined from 74% to 71%. Sales mix, including lower-than-expected developed market revenue and increased low-tier sales in China, reduced gross margin by 1.5 percentage points. Manufacturing variances impacted gross margin by 1.2 percentage points. These were driven by a reduction in production following lower-than-expected demand, reducing fixed overhead recovery. Foreign exchange movements impacted gross margin a further 0.6 percentage points.

Comparable operating expenses declined 1%, reflecting disciplined management of discretionary spend, early benefits from actions to improve cost flexibility, while continuing to invest in growth. R&D increased 15% as major product pipeline investment progressed, including the drug-eluting electrode and the totally implantable cochlear implant. Investment also continued in priority growth areas including medicalising hearing loss, referral pathway initiatives and digital capabilities. Reported operating expenses increased 5% due to \$69 million in transitional costs, including \$32 million in restructuring costs associated with organisational changes in the fourth quarter and \$37 million replenishment of the short-term incentive provision following the low payout in FY25.

Foreign exchange movements reduced underlying net profit by 8%, or \$24 million when compared to spot foreign exchange rates that formed part of earnings guidance provided in August 2025. While Cochlear actively manages currency exposure, hedging helps smooth the timing of foreign exchange impacts but does not fully offset sustained currency movements.

Underlying net profit of \$322 million was at the upper end of revised guidance provided in April. Net profit margin was 14%, below the medium-term 18% target, due to flat cochlear implant revenue, lower gross profit, transitional costs and foreign exchange movements. We continued to invest in R&D and strategic growth initiatives, reflecting confidence in the long-term market opportunity.

Significant items, which do not form part of underlying net profit, include cloud computing-related investment and impairment on investments. The cloud program is modernising core systems to improve scalability, data capability and operating efficiency. \$66 million after tax was invested in FY26 and the program will be completed in FY27.

The innovation fund provides access to adjacent neurostimulation technologies through investments that build learning and strategic optionality, recognising individual investments may be volatile. In FY26, Cochlear recognised a \$109 million non-cash impact on the value of its investments, primarily driven by a decline in Epiminder's share price. The underlying strategic rationale for the investment remains intact.

Free cash flow increased by \$141 million to \$264 million, supported by improved working capital. Net cash decreased by \$88 million to \$188 million, incorporating lower earnings, cloud investment, capital expenditure and dividend payments.

Cochlear's on-market share buyback program remained inactive during the year as net cash was below the target level of around \$200 million.

Actions to support growth

We are focusing investment and resources on the initiatives most critical to improving execution, strengthening demand generation and supporting growth:

- **Reducing fixed costs**, to provide flexibility to invest in growth and improve margins;
- **Accelerating medicalisation of hearing loss**, to make diagnosis, referral and treatment more consistent, making adult cochlear implantation the standard of care for people with severe to profound hearing loss; and
- **Building on the Nexa platform**, to strengthen the implant portfolio, support future personalised care and further advance Cochlear's long-term product differentiation.

Reducing fixed costs to invest in growth and margin

In response to the current operating environment, we have lowered fixed costs to create capacity for \$25 million of additional growth investment in FY27. This provides greater flexibility to continue investing in initiatives that support more consistent market growth while improving operating leverage over time.

Externally, resources are being directed toward activities that can improve market growth and demand consistency, including referral support programs, digital candidate support tools, clinical workflow improvements and evidence generation for payers and policy makers. These investments support our strategy to medicalise hearing loss and strengthen adult referral pathways.

Internally, we are prioritising efficiency and scalability across support and back-office functions, including customer service, sales support and corporate functions, supported by improved technology platforms and AI-enabled tools.

Medicalising hearing loss to strengthen adult referral pathways

The clinical need for cochlear implants remains high, supported by health consequences and cost to the healthcare system of untreated severe hearing loss. This has underpinned historical adult segment growth of around 10% per annum. Establishing more consistent adult referral pathways is central to making cochlear implant growth more consistent over time, with the adult segment still too dependent on non-medical referral channels and patient self-navigation.

Medical and professional referrals are typically higher quality and convert at higher rates, but today account for only 40% of adult cochlear implant referrals in the US. Increasing medical engagement to drive awareness of clinical referral guidelines and referral mechanisms represents a significant opportunity to improve referral quality, conversion and demand consistency.

The foundations for medicalising hearing loss have been building over many years through investment in generating clinical evidence, supporting clinical guideline development, professional education, referral capability and market access. We are now moving to operationalise this work by scaling more systematic referral pathways, strengthening medical engagement and improving progression from diagnosis to surgery.

Over the past two years, we have developed direct-to-professional referral capability, which is being adopted with medical channel referrers in the US, Germany, the UK and Australia, improving our ability to identify, prioritise and engage adult referral sources. Early results provide confidence that stronger referral pathways can support growth, with improved referrals contributing to more than 15% growth in Australian private hospitals in FY26 and quality referrals in the UK nearly doubling over the past four years.

Visibility of the adult referral funnel has also improved, with referral propensity now captured across nearly 10,000 referrer accounts and more than 1,500 referrer contacts in the UK, Germany and Australia. This is supporting more targeted field activity and better prioritisation of higher-quality adult referral sources.

Clinical practice guidelines are in the process of being adopted across 25 countries, supported by a growing body of published evidence linking cochlear implantation with broader health outcomes, including cognition, falls and quality of life. ENT education and referral pilots have also commenced across four major US cities to test more systematic referral behaviours. These programs will be prioritised and expanded to 12 cities over the coming months, with Germany and Australia to follow as learnings are embedded.

Nexa strengthens the innovation pipeline

The Nucleus Nexa System is a key part of Cochlear's long-term innovation roadmap. It is a smart implant platform that improves patient and clinician experience today and creates a foundation for future implant innovation.

We are undertaking clinical development that aims to improve hearing outcomes by enhancing how the implant stimulates the hearing nerve. Clinical evidence indicates that by combining Cochlear's perimodiolar electrode platform with smart implant capabilities and richer diagnostics, the Nexa System may enable more personalised care and improved patient experience and hearing outcomes. Key programs being developed aim to deliver:

- **Simpler activation for sound**, with the implant able to be pre-programmed with an activation map at surgery so recipients can access sound sooner after implantation;
- **Richer measures of neural health**, using Nexa System data to help clinicians predict individual hearing outcomes, guide programming and monitor whether a recipient is progressing as expected; and
- **More precise stimulation**, with more focused stimulation of the auditory nerve, which may allow stimulation to be shaped more precisely for each recipient and support better hearing outcomes.

The Nexa System technology is foundational to Cochlear's longer-term product pipeline and major new products including the drug-eluting electrode and the totally implantable cochlear implant, helping extend product differentiation and strengthen competitive advantage.

FY27 outlook

We remain confident in the long-term opportunity to grow the hearing implant market. The significant unmet and addressable clinical need, supported by low penetration and increasing awareness of the health consequences of untreated hearing loss, is expected to continue to underpin sustainable long-term growth. Growing recognition of the link between hearing loss and cognitive decline, together with our focus on medicalising hearing loss, positions the business to expand access to cochlear and acoustic implants over time.

Over the medium term, we expect the actions we are undertaking to strengthen referral pathways and increase medical engagement to lift developed market adult growth rates. Early results from more systematic referral activity, including growth in Australian private hospitals and improved referrals in the UK, provide confidence that more clinically led pathways can improve referral quality, conversion and demand consistency over time.

For FY27, **Cochlear expects low single-digit constant currency sales revenue growth and underlying net profit of \$330-350 million.**

Key revenue assumptions:

- **Developed market cochlear implants:** revenue is expected to grow modestly, supported by benefits from referral pathway initiatives, direct-to-consumer activity and increased medical channel engagement. Current trading conditions remain mixed, and many of the actions being taken will take time to translate into more consistent growth;
- **Emerging market cochlear implants:** revenue is expected to grow modestly. Middle East revenue is expected to decline given the ongoing conflict. China revenue is expected to be broadly in line with FY26, with volume growth to be offset by lower average selling prices following reimbursement cuts;
- **Services:** revenue growth is expected to be slightly lower than FY26, reflecting the maturing of the current sound processor replacement cycle. Growth is expected to be weighted to the first half; and
- **Acoustics:** revenue is expected to grow, supported by the launch of the Cochlear™ Osia® 3 Sound Processor in the first half, following recent FDA and CE Mark approval.

Gross margin is expected to be broadly in line with FY26, in a range of approximately 70% to 71%, as annualisation of foreign exchange and lower China pricing are expected to be largely offset by improvements in cost of goods sold and manufacturing overhead recovery, with the Chengdu manufacturing facility breaking even in FY27.

Operating expenditure (reported) is expected to decline slightly on FY26. Actions to reshape the cost base will reduce support costs, improve cost flexibility and create capacity to fund investment in growth. Further restructuring costs are expected in FY27 and have been factored into the outlook.

Net profit margin is expected to return to 18% over the medium term.

Assumptions included in the outlook:

- **R&D** investment is expected to be around 13% of sales revenue, supporting a significant product pipeline including the drug-eluting electrode and the totally implantable cochlear implant, and targeted clinical studies in adjacent neurostimulation technologies;
- **Cloud computing-related investment** will complete in FY27 with a balance of around \$60 million after tax to be reported as a significant item;
- **Foreign exchange.** Guidance is based on a 70 cent AUD/USD (68 cent average in FY26) and a 61 cent AUD/EUR (58 cent average in FY26). At these rates, the stronger Australian dollar is expected to reduce underlying net profit by approximately 10% relative to FY26 average rates, with guidance factoring in translation impacts which are partly offset by foreign exchange contract gains;
- **Capital expenditure** of \$100-110 million; and
- **Tariffs** are assumed to remain in line with current settings.

The **dividend policy** continues to target a payout of 70% of underlying net profit.

Detailed financial review

Profit and loss

\$m	FY26	FY25	Change % (reported)	Change % (CC)
Sales revenue	2,343.4	2,355.8	(1%)	2%
Cost of sales	688.0	615.2	12%	12%
Gross profit	1,655.4	1,740.6	(5%)	(2%)
% Gross margin	71%	74%	(3 pts)	(3 pts)
Selling, marketing and general expenses	744.7	732.0	2%	4%
Research and development expenses	323.2	281.2	15%	14%
% of sales revenue	14%	12%		
Administration expenses*	183.5	175.2	5%	5%
Operating expenses*	1,251.4	1,188.4	5%	6%
Other expenses / (income)	(15.7)	(19.1)		
FX contract losses / (gains)	(12.9)	17.3		
EBIT (underlying)*	432.6	554.0	(22%)	(20%)
% EBIT margin*	18%	24%		
Net finance expense / (income)	3.0	(0.7)		
Income tax expense*	107.2	140.2		
% Effective tax rate	25%	25%		
Underlying net profit*	322.4	414.5	(22%)	(21%)
% Underlying net profit margin*	14%	18%		
Significant items (after-tax):				
▶ Cloud expense*	(66.0)	(22.9)		
▶ Fair value, share of losses and impairment losses on investments (non-cash)	(109.1)	(2.7)		
Statutory net profit	147.3	388.9	(62%)	(61%)

* Excluding significant items. FY25 adjusted to report cloud expenses as a significant item for comparative purposes (refer p11).

Sales revenue decreased 1%, up 2% in constant currency, to \$2,343.4 million and underlying net profit decreased 22% to \$322.4 million. Statutory net profit decreased 62% to \$147.3 million.

Key points of note:

- Sales mix, including lower-than-expected developed market revenue and increased low-tier sales in China, reduced gross margin by 1.5 percentage points. Manufacturing variances impacted gross margin by 1.2 percentage points. These were driven by a reduction in production following lower-than-expected demand, reducing fixed overhead recovery. Foreign exchange movements impacted gross margin a further 0.6 percentage points;
- Comparable operating expenses declined 1%, reflecting disciplined management of discretionary spend, early benefits from actions to improve cost flexibility, while continuing to invest in growth. R&D increased 15% as major product pipeline investment progressed, including the drug-eluting electrode and the totally implantable cochlear implant. Investment also continued in priority growth areas including medicalising hearing loss, referral pathway initiatives and digital capabilities. Reported operating expenses increased 5% due to \$69 million in transitional costs, including \$32 million in restructuring costs associated with organisational changes in the fourth quarter, with costs allocated across each of the operating expense lines, and \$37 million replenishment of the short-term incentive provision following the low payout in FY25; and
- Significant items after tax includes \$66.0 million in cloud computing-related expense and non-cash write downs in innovation fund investments, primarily Epiminder.

Cash flow

\$m	FY26	FY25	Change
EBIT (underlying)*	432.6	554.0	(121.4)
Cloud expense	(94.3)	(32.7)	(61.6)
Depreciation and amortisation	106.0	90.4	15.6
Change in working capital and other	58.6	(218.8)	277.4
Net interest received / (paid)	(3.0)	0.7	(3.7)
Income taxes paid	(131.9)	(156.0)	24.1
Operating cash flow	368.0	237.6	130.4
Capital expenditure	(90.7)	(102.6)	11.9
Other net investments	(13.8)	(12.6)	(1.2)
Free cash flow	263.5	122.4	141.1
Outlay from exercise of share options and performance rights	(26.6)	(24.3)	(2.3)
Payments for share buyback	-	(28.2)	28.2
Dividends paid	(281.2)	(278.2)	(3.0)
Payment of lease liability and other	(43.7)	(29.6)	(14.1)
Decrease in net cash	(88.0)	(237.9)	149.9

* Excluding significant items. FY25 adjusted to report cloud expenses as a significant item for comparative purposes (refer p11).

Operating cash flow increased \$130.4 million to \$368.0 million, with free cash flow increasing \$141.1 million to \$263.5 million.

Key points of note:

- Working capital and other reflects improved working capital levels following an increase in FY25 in advance of the launch of the Nexa System;
- Income taxes paid of \$131.9 million exceeds income tax expense in the profit and loss as a result of the timing of tax instalment payments; and
- Capital expenditure (capex) of \$90.7 million reflects stay-in-business capex.

Capital employed

\$m	Jun26	Jun25	Change
Trade and other receivables	568.4	593.7	(25.3)
Inventories	491.3	499.4	(8.1)
Less: Trade and other payables	(270.6)	(298.4)	27.8
Working capital	789.1	794.7	(5.6)
<i>Working capital / sales revenue</i>	<i>34%</i>	<i>34%</i>	
Property, plant and equipment	343.5	332.7	10.8
Intangible assets	483.2	500.8	(17.6)
Investments and other financial assets	52.6	189.4	(136.8)
Other net liabilities	(115.6)	(143.0)	27.4
Capital employed	1,552.8	1,674.6	(121.8)
Funding sources:			
Equity	1,740.5	1,950.3	(209.8)
Less: Net cash	(187.7)	(275.7)	88.0
Capital employed	1,552.8	1,674.6	(121.8)

Capital employed decreased \$121.8 million to \$1,552.8 million since June 2025.

Key points of note:

- Working capital declined slightly, with moderating receivables and lower inventory levels following the stock build ahead of the Nexa System launch;
- Investment and other financial assets reduced \$136.8 million primarily reflecting the write down in value of Epiminder; and
- Net cash decreased \$88.0 million to \$187.7 million.

Dividends

	FY26	FY25	Change %
Interim ordinary dividend (per share)	\$2.15	\$2.15	0%
Final ordinary dividend (per share)	\$1.30	\$2.15	(40%)
Total ordinary dividends (per share)	\$3.45	\$4.30	(20%)
% Payout ratio (based on underlying net profit)	70%	68%	
% Franking (final dividend)	85%	85%	

A final dividend of \$1.30 per share has been determined, a decrease of 40% and representing a payout of 67% of underlying net profit. Full year dividends declined 20%, with a payout of 70% of underlying net profit. The interim dividend was 85% franked and the final dividend is 85% franked. The ex-dividend date is 21 September 2026. The record date for calculating dividend entitlements is 22 September 2026 with the final dividend expected to be paid on 14 October 2026.

Reconciliation of constant currency net profit

\$m	FY26	FY25	Change %
Underlying net profit (reported)	322.4	414.5	(22%)
FX contract movement – after tax		21.1	
Spot exchange rate effect to sales revenue and expenses – after tax*		(28.8)	
Balance sheet revaluation – after tax*		(0.4)	
Underlying net profit (CC)	322.4	406.4	(21%)

* FY26 actual v FY25 at FY26 rates.

The constant currency result removes the impact of foreign exchange movements between FY26 and FY25 to provide a clearer view of underlying operating performance. Cochlear actively manages foreign currency exposure through hedging, which is intended to reduce earnings volatility over time rather than fully offset sustained currency movements. In FY26, foreign exchange contract gains provided an after-tax benefit of \$9.0 million, compared with a \$12.1 million after-tax loss in FY25. The \$21.1 million year-on-year movement in foreign exchange contracts helped offset the impact of spot exchange rate movements, contributing to the broadly flat constant currency outcome.

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.

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 significant items. The determination of items that are considered significant 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.

For further information, please contact:

Analysts

Kristina Devon
VP Corporate Strategy and
Investor Relations
kdevon@cochlear.com
Ph: + 61 2 9073 4194

Analysts

Cale Brown
Director Investor Relations
cabrown@cochlear.com
Ph: + 61 2 9072 2769

Media

Jennifer Stewart
VP Communications, Brand & Digital
Marketing
jstewart@cochlear.com
Ph: +61 2 9073 4186

Authorised for lodgement by the Cochlear Board of Directors.