



Cochlear Limited

Results for Year Ended 30 June 2008

Chris Roberts - CEO

Neville Mitchell - CFO



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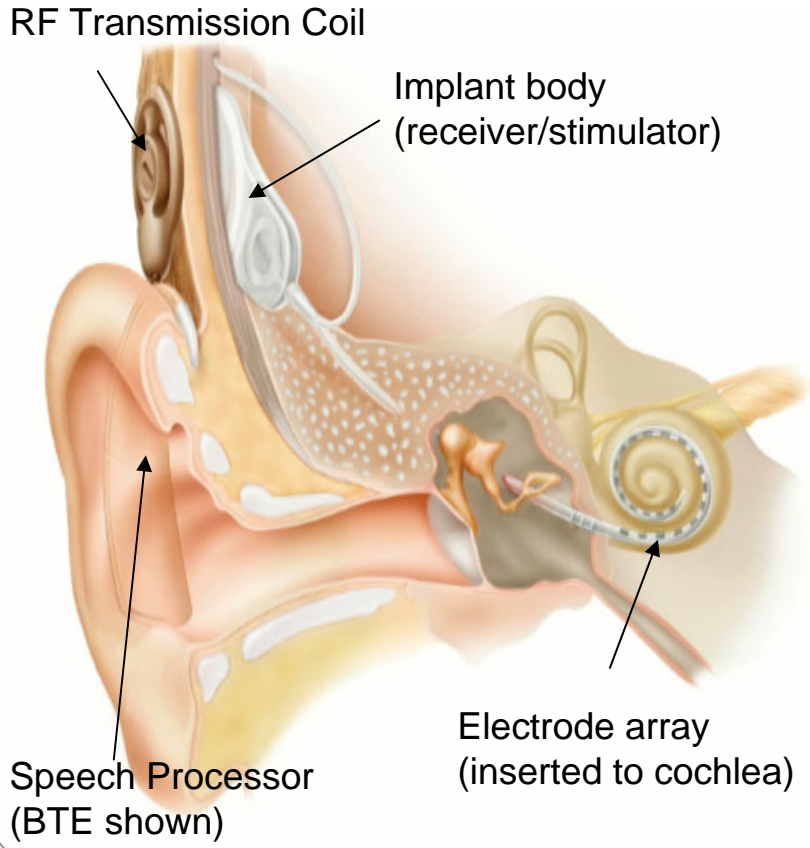
Cochlear Background

- Leader in implantable devices for hearing impaired
 - Cochlear implants (CI) for sensorineural hearing loss (SNHL)
 - Bone anchored hearing implants (Baha®) for conductive hearing loss, mixed losses and single sided deafness
 - Electro-Acoustic Stimulation (Hybrid™) for high frequency SNHL, but some residual low frequency
 - Direct Acoustic Cochlear Stimulator (DACS) for severe mixed losses
- Global footprint with focus on innovation
 - ~ 1,900+ employees & direct operations in 20+ countries
 - Products sold in 100+ countries
 - ~ 13% of sales spent on R&D
- Fundamentals of the business remain positive (large unmet clinical need, excellent clinical outcomes, established reimbursement, strong competitive position, opportunities for sustainable growth)

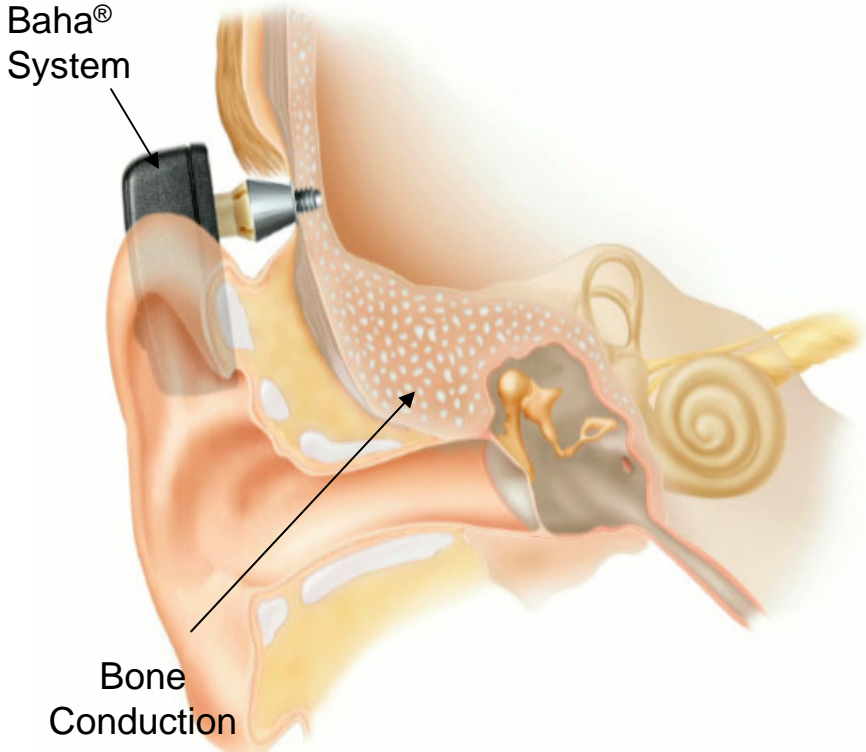


Cochlear's Implant Systems

Nucleus® Freedom™: Implant + Speech Processor



Baha® System



Record Financial Results for F08

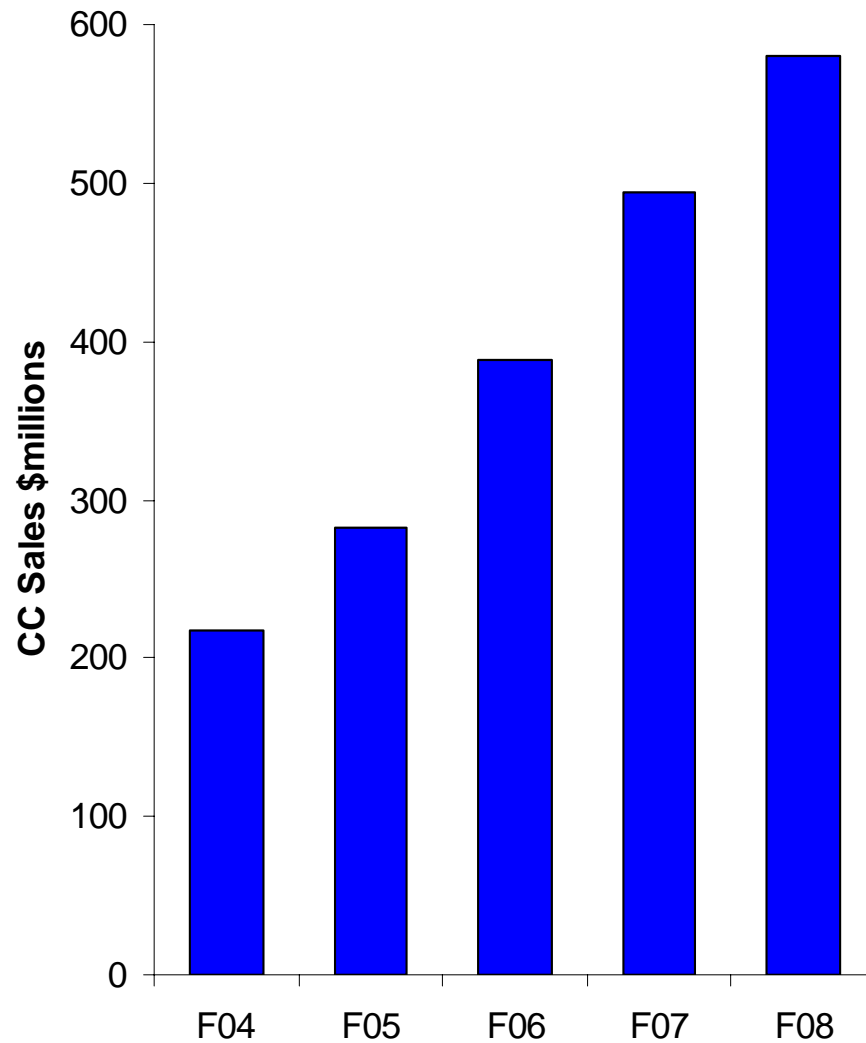
	F08	F07	
	\$ million	\$ million	Growth
Cochlear implants	504.5	480.2	5%
Bone Anchored (Baha)	75.9	62.7	21%
FX Contracts	21.3	16.5	29%
Revenue	601.7	559.4	8%
EBITDA	193.3	170.9	13%
Net Profit After Tax	115.2	100.1	15%
Core Earnings	123.7	107.6	15%
Core Earnings per share	\$2.23	\$1.97	14%

Record Financial Results for F08

	F08	F07	Growth
	\$ million	\$ million	
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Impact of F08 AUD appreciation was -\$47 million at the sales line

5 Year Sales in Constant Currency*



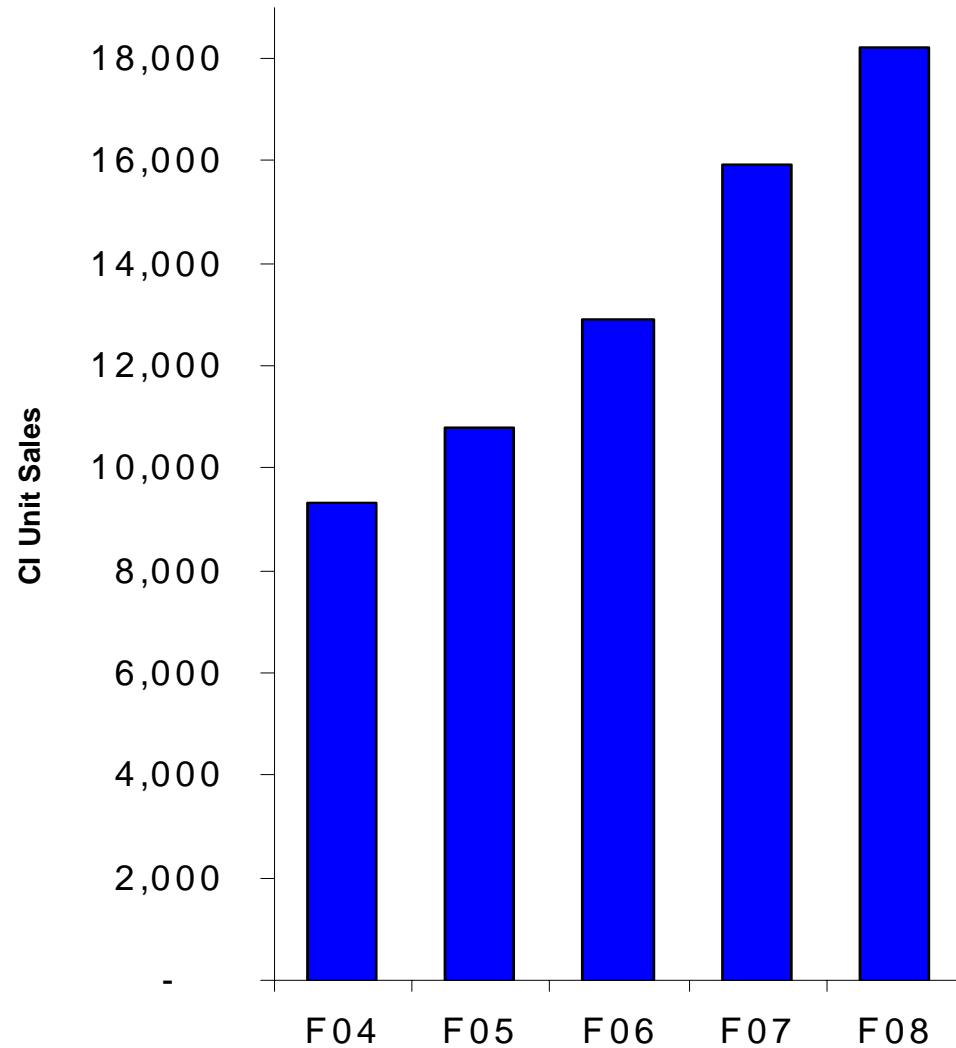
- During F08 there was significant appreciation of AUD, e.g. up 14% against USD, up 10% against GBP
- In constant currency terms, F08 sales revenue up 18%

* CC means sales restated at F08 FX rates

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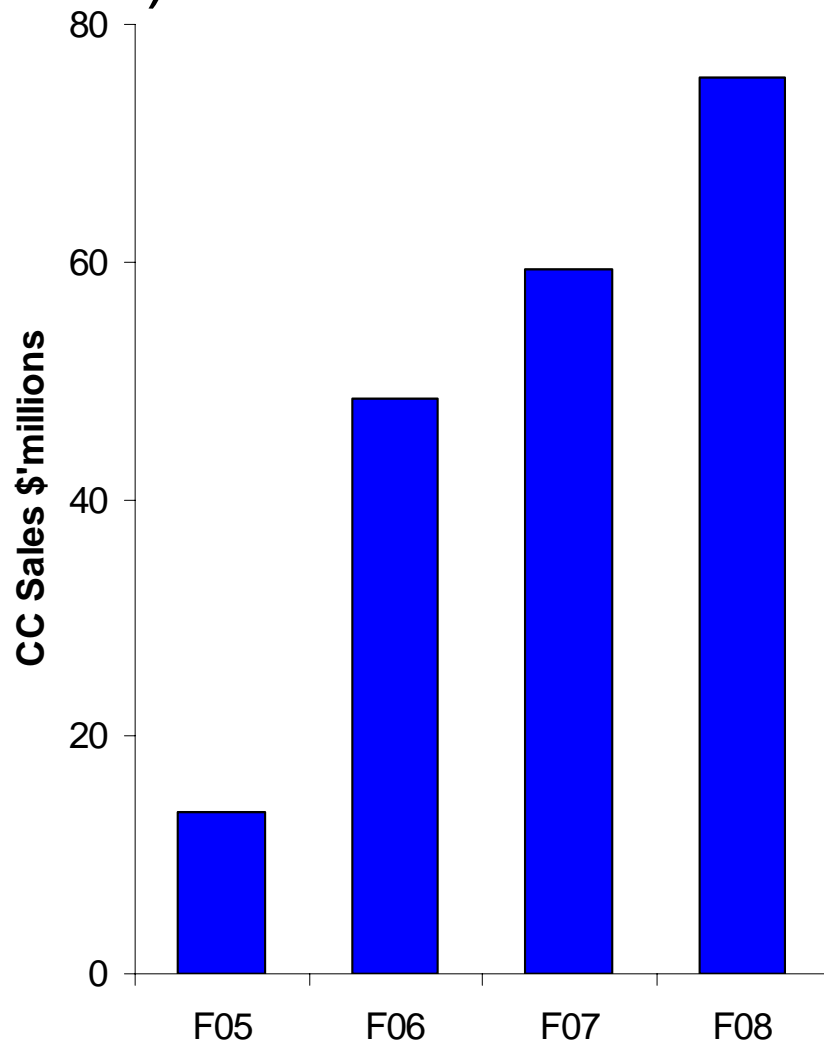


5 Year Cochlear Implant Unit Sales



- Cochlear implant unit sales for F08 of 18,228 units, up 14% over F07
- H2 F08 cochlear implant unit sales up 16% over H2 F07

Sales of Bone Anchored Solutions (BAS) in Constant Currency*



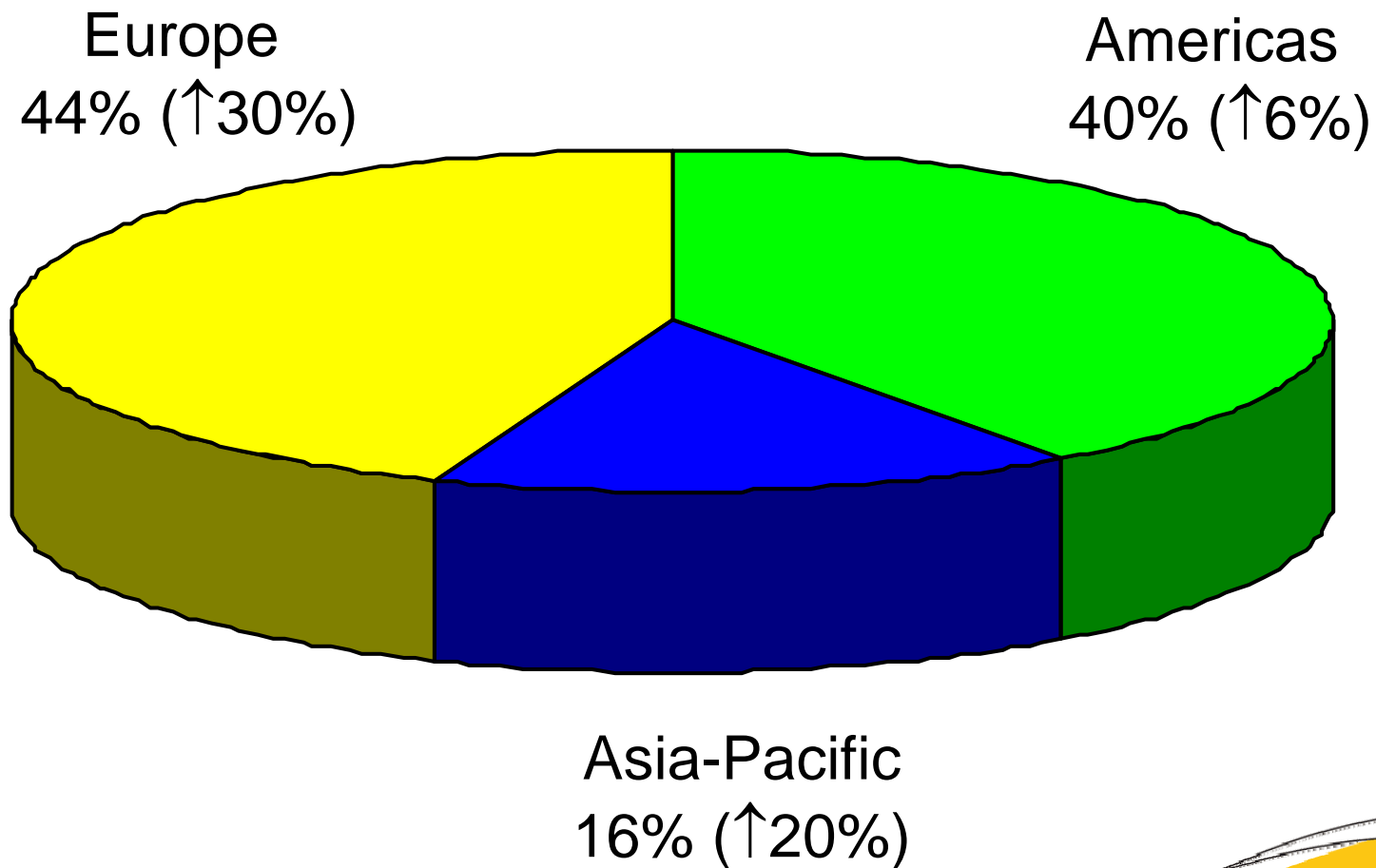
- BAS (Baha implants) sales of \$75.6 million up 21%
- Up 27% in constant currency terms
- FDA Import Alert update: FDA reinspection completed
- Manufacturing of certain Baha items in USA has been established

* CC means sales restated at F08 FX rates

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F08 Sales Revenue Split and Constant Currency* Growth by Region

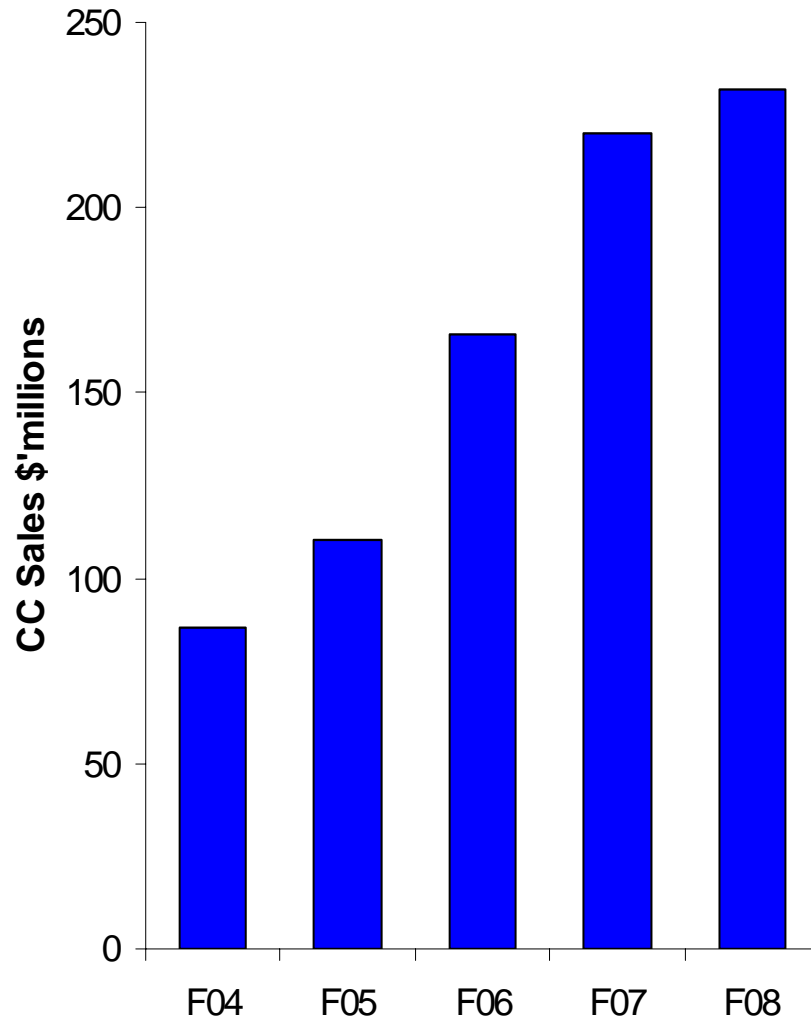


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5 Year Americas Sales in Constant Currency*



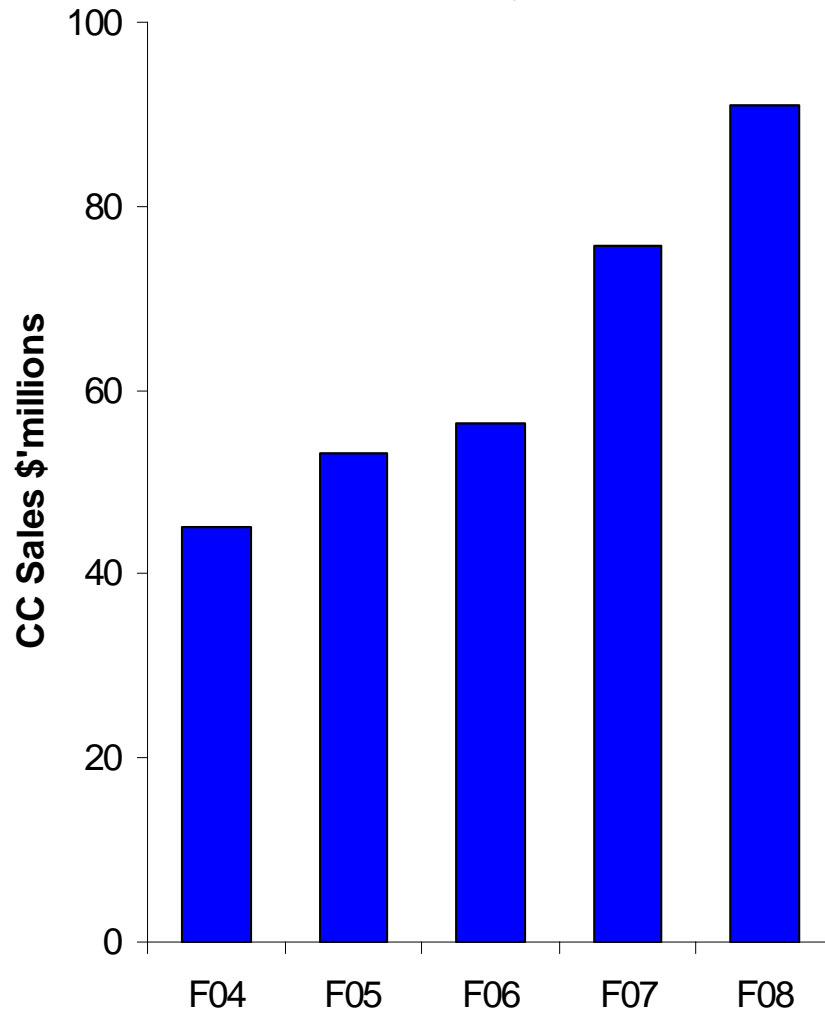
- 6% growth in constant currency terms for F08
- Upgrade sales ↓34% on F07 due to fast uptake of upgrades in F07, ~ 50% of USA recipients with N24 implant have now upgraded to Freedom for N24
- Excluding upgrades, USA sales (in USD) grew 13%

* CC means sales restated at F08 FX rates

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5 Year Asia Pacific Sales in Constant Currency*



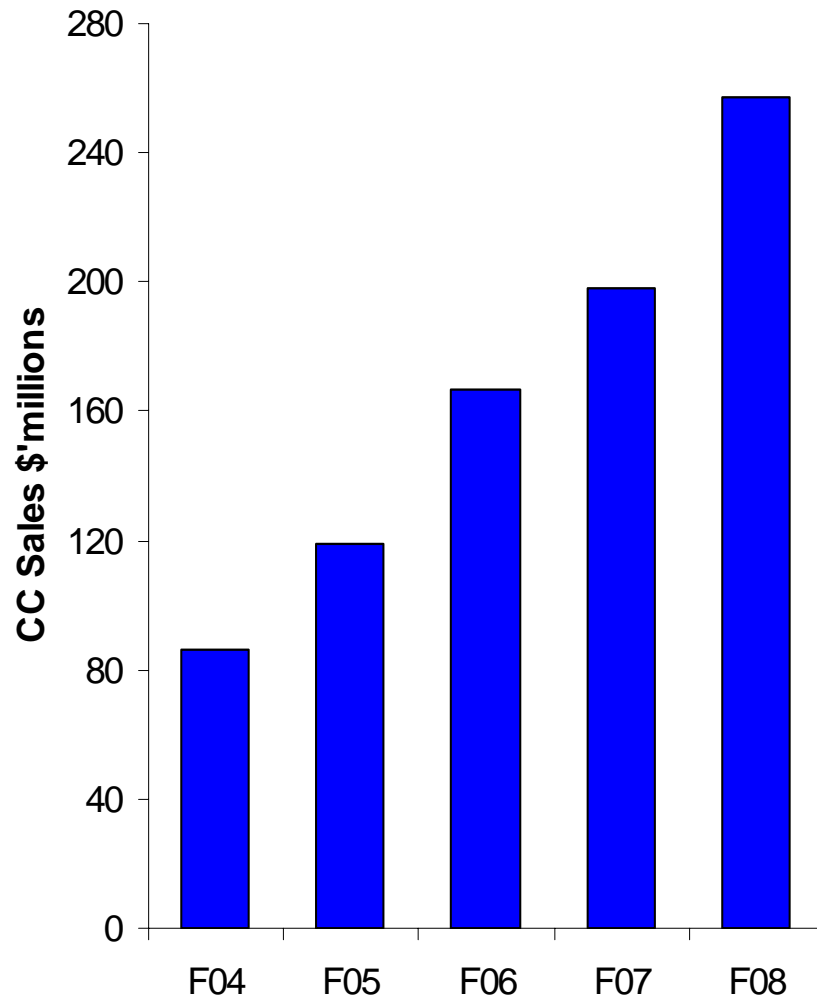
- 20% growth in constant currency terms for F08
- Established direct operation in Korea
- ~ 700 CI units shipped to China in F08 as part of “donation” program, although non donation market remains larger

* CC means sales restated at F08 FX rates

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5 Year Europe Sales in Constant Currency*



- 30% growth in constant currency terms for F08
- Direct presence established in Turkey
- Growth in both developed markets and emerging markets
- Strong upgrade sales (↑ 38%)

* CC means sales restated at F08 FX rates

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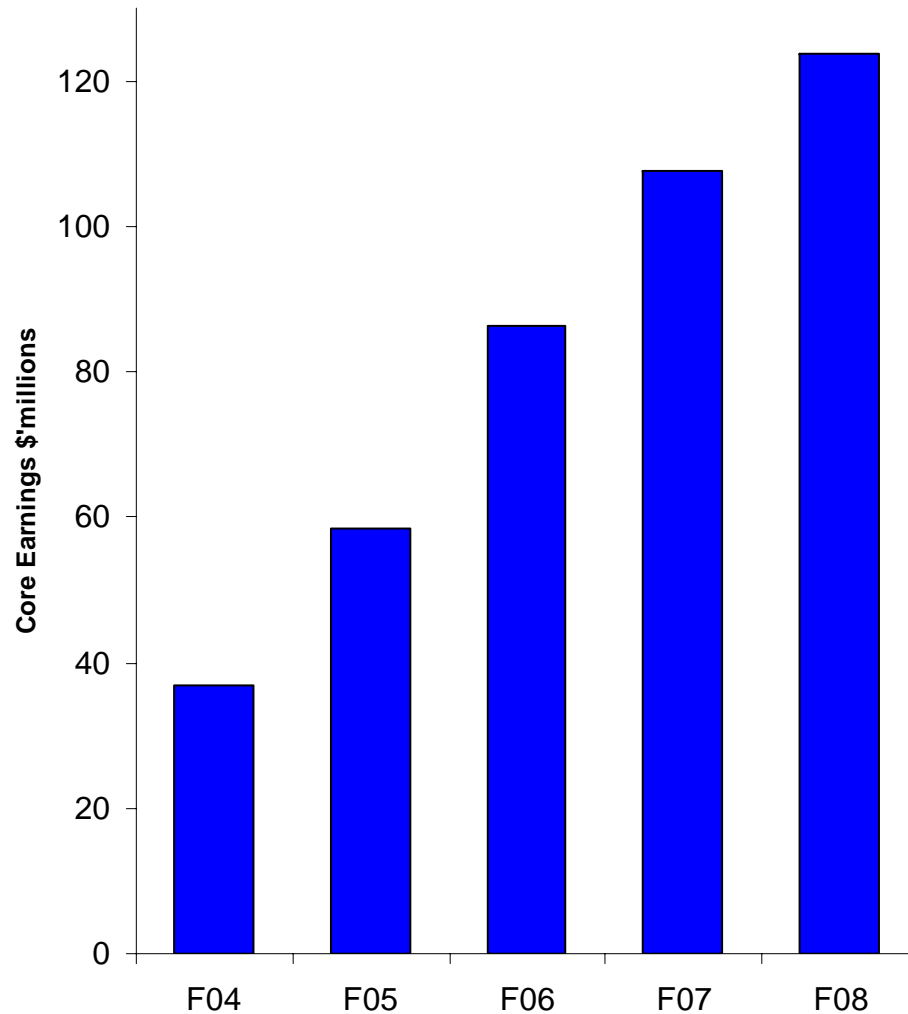


Manufacturing and Supply Chain

- Significant progress in manufacturing and supply chain areas, resulting in increased flexibility, response time, capacity and quality
- This includes significant progress on externals manufacturing in Brisbane (key external supplier, Crystalaid, acquired Jan 2007)
- COGS as a % of revenues continue improving despite significant AUD appreciation over last 3 years

	F06	F07	F08
COGS % of revenues	29.0%	28.8%	28.1%
Average AUD/USD	0.75	0.79	0.90

5 Year Core Earnings* Growth



- Core earnings growth in F08 of 15%
- F08 core earnings as % of revenue 20.6% (F07: 19.2%)
- 42% ↑ of AUD v USD over 5 years (0.67 to 0.96 spot rates)
- Impact of F08 AUD appreciation: \$47 million less sales and ~\$20 million less NPAT

*Core Earnings excludes capitalised R&D, amortisation of acquired intangibles and share based compensation

Competitive Position Strengthening

- F08 product launches:
 - Freedom™ sound processor for N22 implant recipients (in addition to Freedom sound processor for N24 implant recipients)
 - Freedom sound processor for ABI and Double Electrode Array implant recipients
 - Custom Sound™ Suite 2.0, providing access to enhanced functionality (e.g. **SmartSound™ 2**, HearingMentor™, bilateral enhancements, Implant ID)
- Increasing evidence that Contour Advance™ electrode with Advance-Off-Stylet™ insertion technique provides best assurance of scala tympani electrode placement → significant hearing benefits
- Continuing evidence of Nucleus Freedom implant is most reliable cochlear implant (CI), and Nucleus Freedom CI system provides best hearing performance
- Continuing clinic and recipient services investments
- Baha and cochlear implant synergies

Cochlear's Strategic Vision

Delivering **profitable sustainable growth** through a focus on **implantable solutions** for the **hearing impaired**



Building internal capability

- Competencies
- Capacity
- Scale
- Leverage



Driving product innovation

- Across a range: CI, EAS, DACS, BAS



Innovating the business model

- Consumer healthcare (advocacy)
- Installed base
- Digital strategy

Growth Drivers Include....

- Binaural hearing as standard
 - 15-20% of cochlear implants in established markets are for recipients going bilateral
- New technologies/products → R&D continues as major focus
- Widening indications (e.g. Baha for mixed hearing loss)
- Increasing penetration in adult market
- Geographical depth

Growth Initiatives Include Evolving the Business Model

Building awareness
and driving consumer
demand

- Expanding **consumer advocacy network**
- Territory Outreach Specialists **mobilising referral channel**

Freeing up
clinic capacity

- Expanding Sound Partnership program supporting clinics eg **i-tech** training program addressing shortage of audiologists
- **LEAN** programs around clinic processes

↑ ↑ services
to customers

- Recipient services, eg **“Hear Always”** recipient support program
- Reimbursement support activities

F08 Overview: Growth Continues

- Record financial results (despite currency headwind)
 - Revenues of \$601.7 million ↑8%
 - In constant currency terms, sales ↑18%
 - EBITDA ↑13% of \$193.3 million
 - Core Earnings ↑15% \$123.7 million
- Nucleus Freedom cochlear implant is best system ever (reliability & hearing performance)
- Baha: strong growth & complementary to CI
- F09 guidance: double digit growth in core earnings maintained (currency is the biggest unknown)



Financial Results

Neville Mitchell - CFO



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Cochlear™

F08 Financial Performance

	F08	F07	%
	\$m	\$m	Change
Total Revenue	601.7	559.4	↑ 8%
NPAT	115.2	100.1	↑ 15%
Core Earnings	123.7	107.6	↑ 15%
Dividends			
Final Dividend	80c	70c	↑ 14%
Record Date 4 th September 2008 Payable Date 25 th September 2008			
Full Year (Interim and final)	150c	125c	↑ 20%

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100%

100%

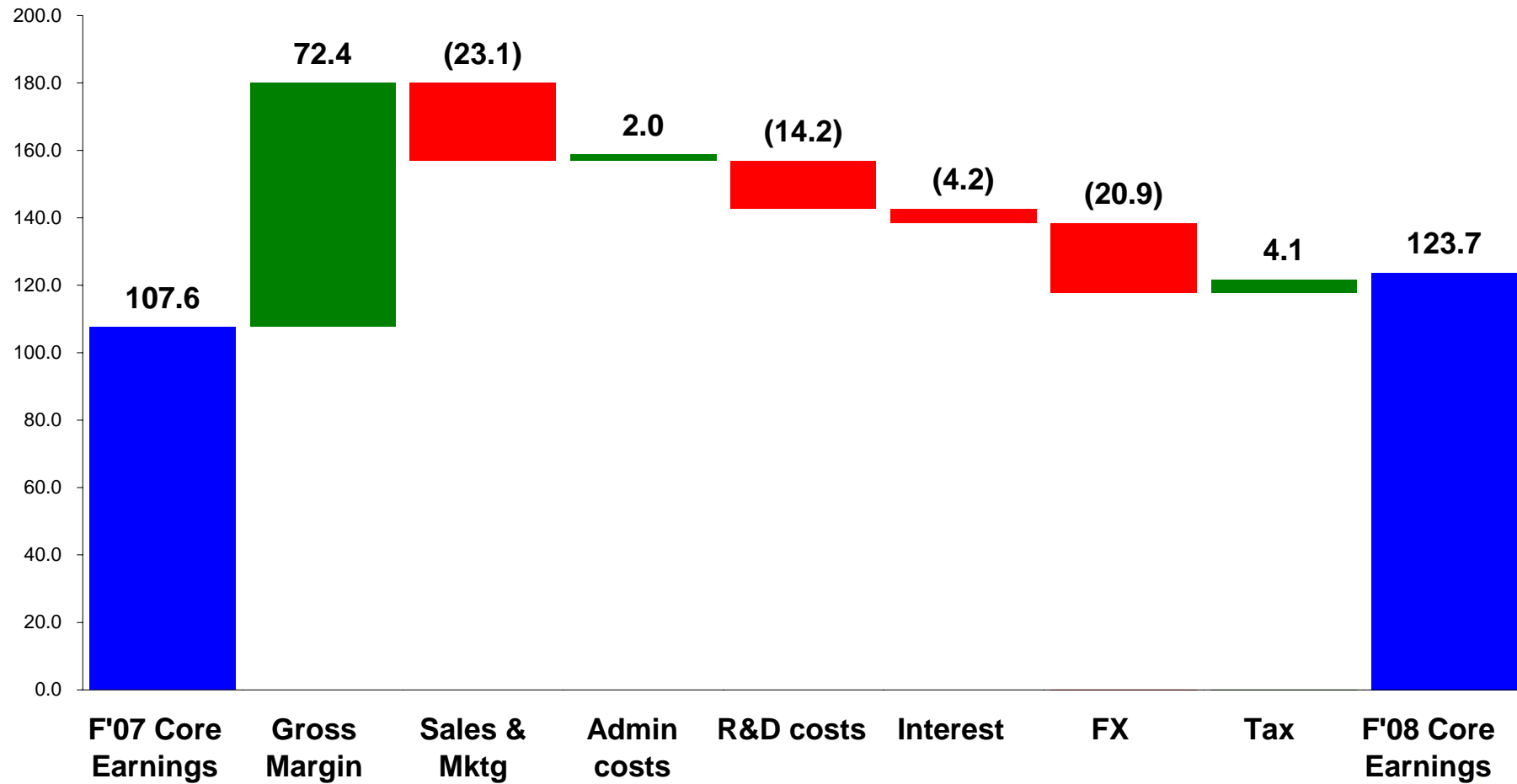
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F08 Core Earnings Calculations

	F08	F07
	\$m	\$m
NPAT	115.2	100.1
Adjustment items (after tax)		
• Net R&D (capitalisation & amortisation)	1.2	1.6
• Acquired intangible amortisation	2.6	2.3
• Share based compensation	4.7	3.6
Total adjustments	8.5	7.5
Core earnings	123.7	107.6

F07 – F08 Core Earnings Reconciliation



Impact of Appreciating AUD on F08 Core Earnings

	A\$m	
	F/(U)	
Income Statement Translation Impact		
Sales Revenue	(47.0)	Difference F08 actual vs F08 at F07 rates
Total Expenses including tax	13.2	
	(33.8)	
Transaction Impact		
- Increase over F07 of FX gain on hedged sales (Note 5a)	4.8	Net difference actuals F08 vs F07
Translation Impact		
- Increase over F07 of FX gain on asset translation (Note 6)	8.1	Net difference actuals F08 vs F07
F08 impact on core earnings of appreciating AUD	(20.9)	

F08 Income Tax Reconciliation

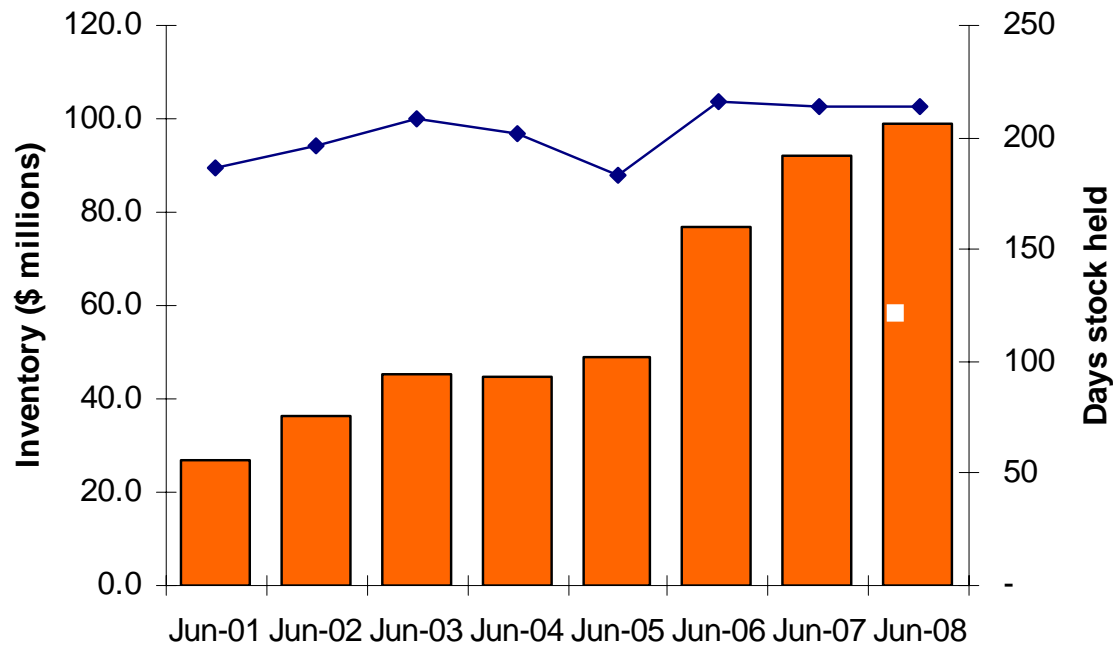
	F08	F07
	\$m	\$m
Profit before tax	156.7	143.5
Income tax expense at 30%	47.0	43.0
Foreign tax rates	(0.2)	1.9
Amortisation and other non-deductible	2.7	4.1
R&D allowance	(3.7)	(4.7)
Share based payment deductions	(2.6)	-
Under/(over) provided from prior years	(1.7)	1.5
Income tax expense	41.5	45.8
% Effective tax rate	26.5%	31.9%

F08 Debt

	30 June 2008 \$m	30 June 2007 \$m
Loans and Borrowings		
Current	15.4	161.3
Non-current	154.6	37.6
Total Debt	170.0	198.9
Net Debt	133.3	115.2
Net gearing ratio	29%	31%

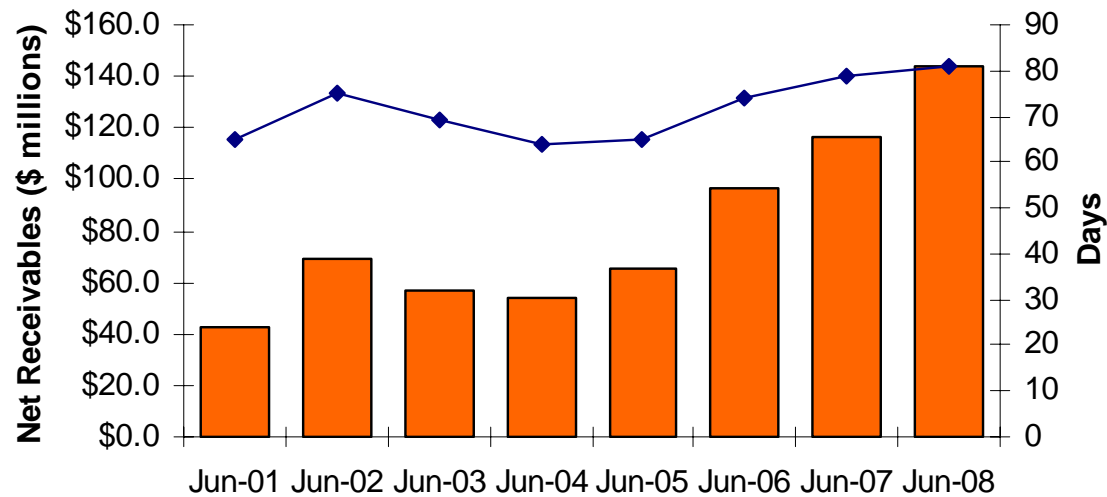
All debt covenants met

F08 Working Capital Inventory (Days Stock Held)



- F08 Inventory at 214 days, \$99.2m
- June 30 2008 Inventory down on December 2007
- Implementation of Oracle assisted inventory management

F08 Working Capital Debtors (Days Outstanding)



- Decrease in debtor days to 81 from 85 at Dec 07
- Europe and Americas debtor days improved
- Asia Pacific debtor days marginally up

Thank you
Any questions?


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Foreign Exchange

- Rates applied F08 vs. F07

	F08	F07	%
Average rates (used for translating P&L)			
USD	0.90	0.79	14%
Euro	0.61	0.61	-
JPY	99.3	94.4	5%
GBP	0.45	0.41	10%
Contract rates (used to bring FX to Aust)			
USD	0.80	0.74	8%
Euro	0.59	0.57	4%
JPY	84.3	67.5	25%



Foreign Exchange Rates Going Forward

Average Contract Rates	<u>USD</u>	<u>Euro</u>	<u>JPY</u>
Weighted average – exchange rates going forward	0.83	0.57	86.5

- Total mark to market FX gain at 30 June 2008: \$33.1 m (year-end USD rate 0.96)

F08 Core Earnings

Reconciliation

	F08	F07
	\$m	\$m
Earnings before interest and tax	167.3	150.2
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<i>Core earnings adjustments pre-tax</i>		
• R&D	2.8	2.3
• Acquired intangible amortisation	2.6	2.3
• Share based compensation	2.8	3.6
Core EBIT	175.5	158.4
Net interest	(10.6)	(6.7)
Core tax expense	(41.2)	(46.6)
Core NPAT (incl. minority interest)	123.7	105.1
Minority interest	-	2.5
Core earnings attributable to members	123.7	107.6

F08 Net Finance Expense

	F08	F07
	\$m	\$m
Net finance (expense)/income		
Interest (expense)	(10.6)	(6.7)
Net foreign exchange gain on translation of assets	4.7	-
Net foreign exchange loss on translation of assets	-	(3.4)
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Net finance (expense)	(5.9)	(10.1)