

Cochlear Limited

Results for the half year ended 31 December 2010 (H1 F11)



Chris Roberts, CEO

Neville Mitchell, CFO

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Cochlear Overview

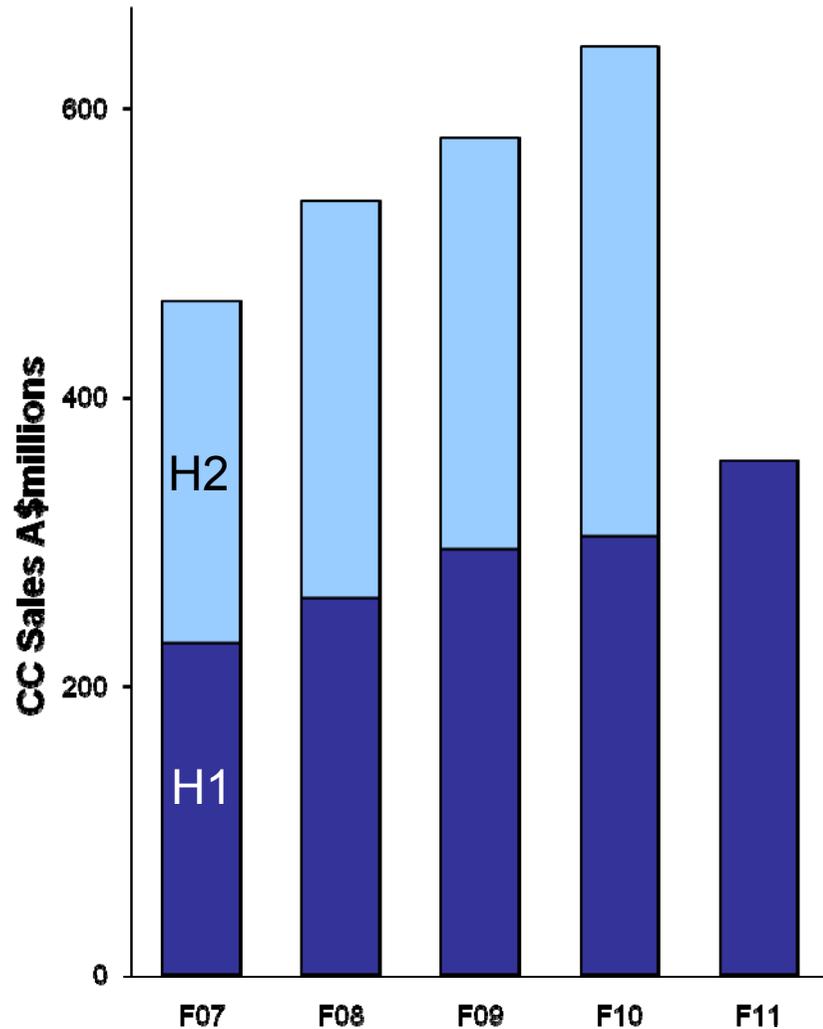
- Cochlear Limited (ASX:COH) is the global leader in implantable devices for the hearing impaired (cochlear implants, auditory brainstem implants, hybrid implants, DACS and bone conduction implants)
- ~ 2,200 employees
- Direct operations in 20+ countries, and products sold in 100+ countries
- ~ 13% of revenue 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: Financial Results for H1 F11

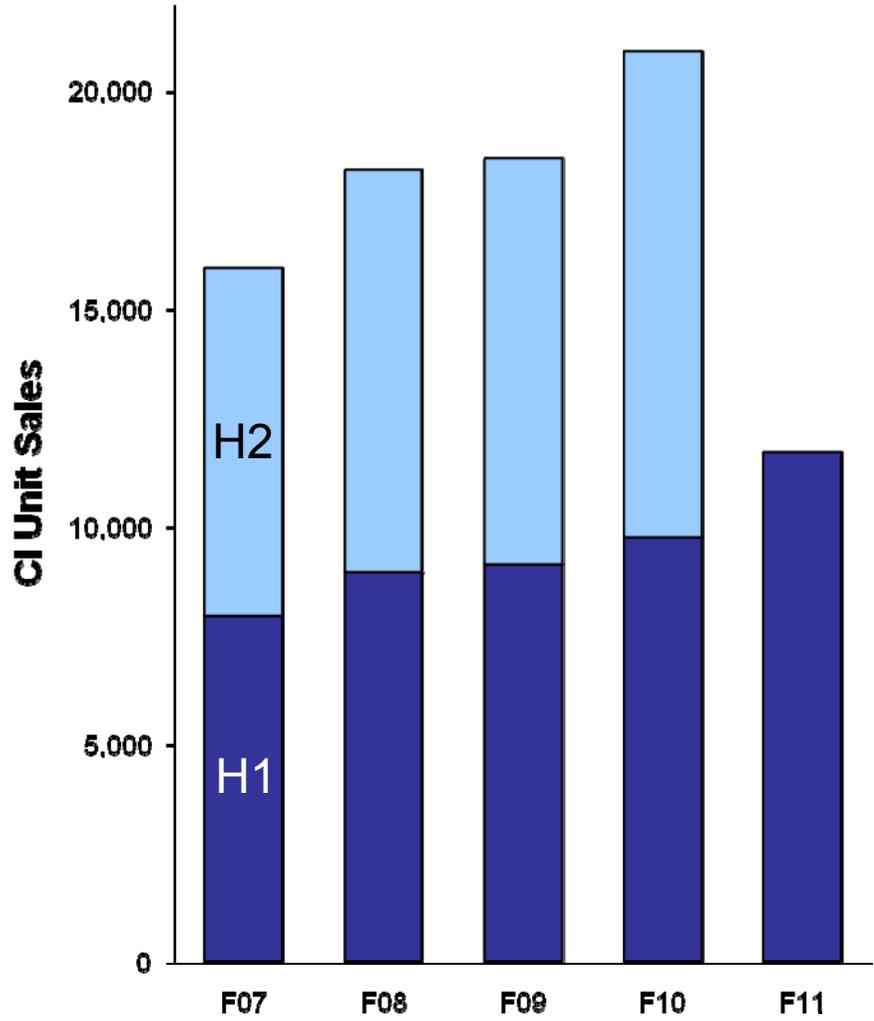
	H1 F11 \$ millions	H1 F10 \$ millions	+ %
Cochlear Implants	309.6	290.5	↑7
Bone Anchored (Baha)	45.6	46.4	↓2
FX Contracts	21.9	10.7	
Revenue	377.1	347.6	↑8
EBIT	121.1	107.3	↑13
Net Profit After Tax	87.2	75.2	↑16
EPS	154.3 cps	134.0 cps	↑15
Interim Dividend (60% franked)	105.0c	95.0c	↑11

Cochlear: Sales in Constant Currency (CC)



- H1 F11 revenues up 8% to \$377.1 million
- H1 F11 sales (excluding FX contracts) up 5% to \$355.2 million
- H1 F11 sales in constant currency (prior period restated at H1 F11 rates) up 17%

Cochlear: Cochlear Implant (CI) Unit Sales



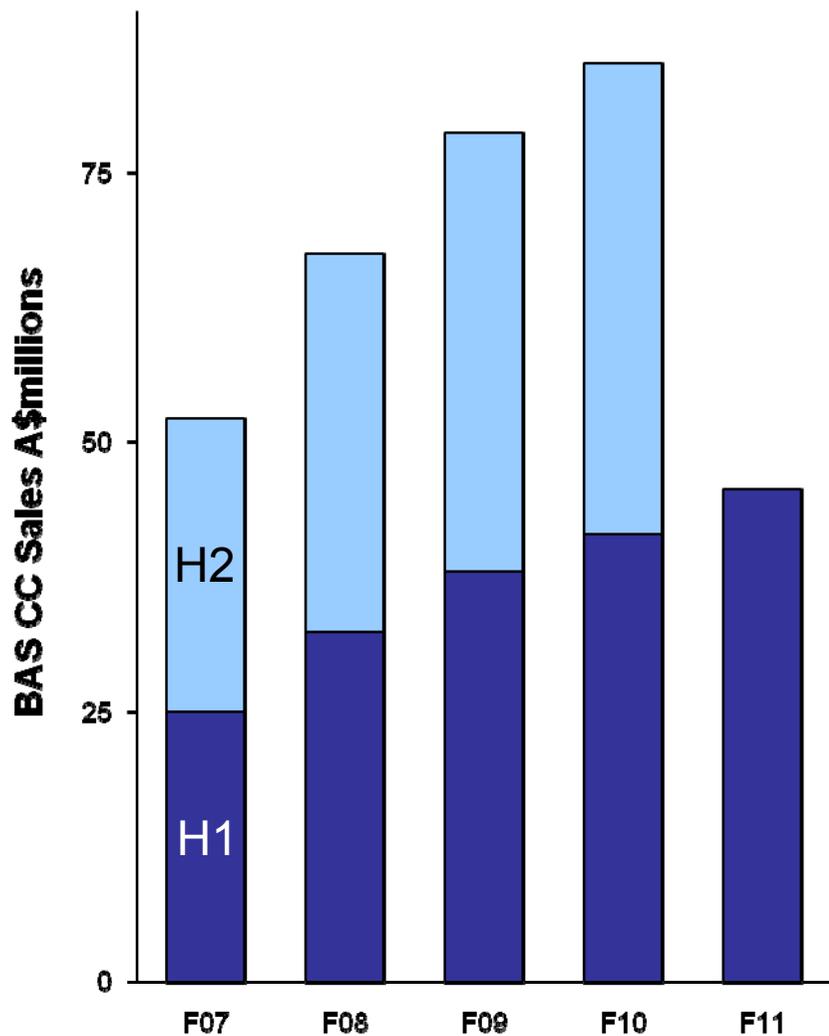
- H1 F11 cochlear implant (CI) unit sales up 20% to 11,765 implants
- Emerging markets comprised ~ a third of CI unit sales
- Over two thirds of CI sales were Nucleus 5 implants



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Cochlear: Sales of Bone Anchored Solutions (BAS) in Constant Currency



- BAS sales (including Baha implants) \$45.6 million for H1 F11, up 10% in constant currency
- Cochlear Baha 3 System launched



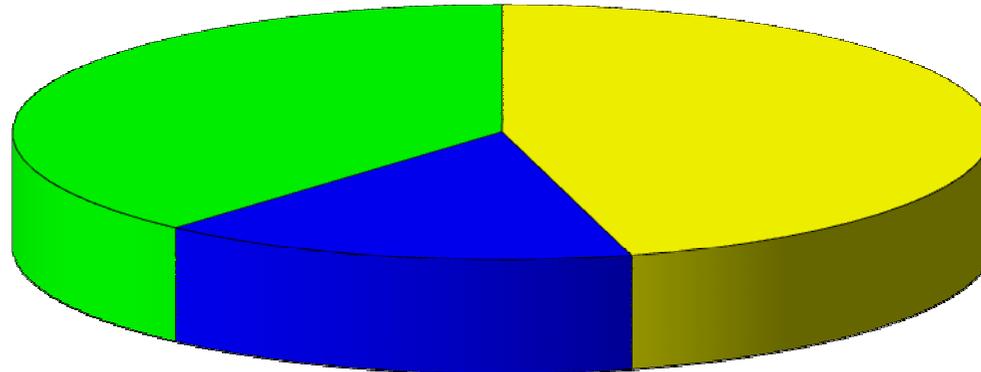
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Cochlear: H1 F11 Regional Split of Sales

EMEA¹
38%
CC² growth ↑13%

Americas
46%
CC growth ↑20%

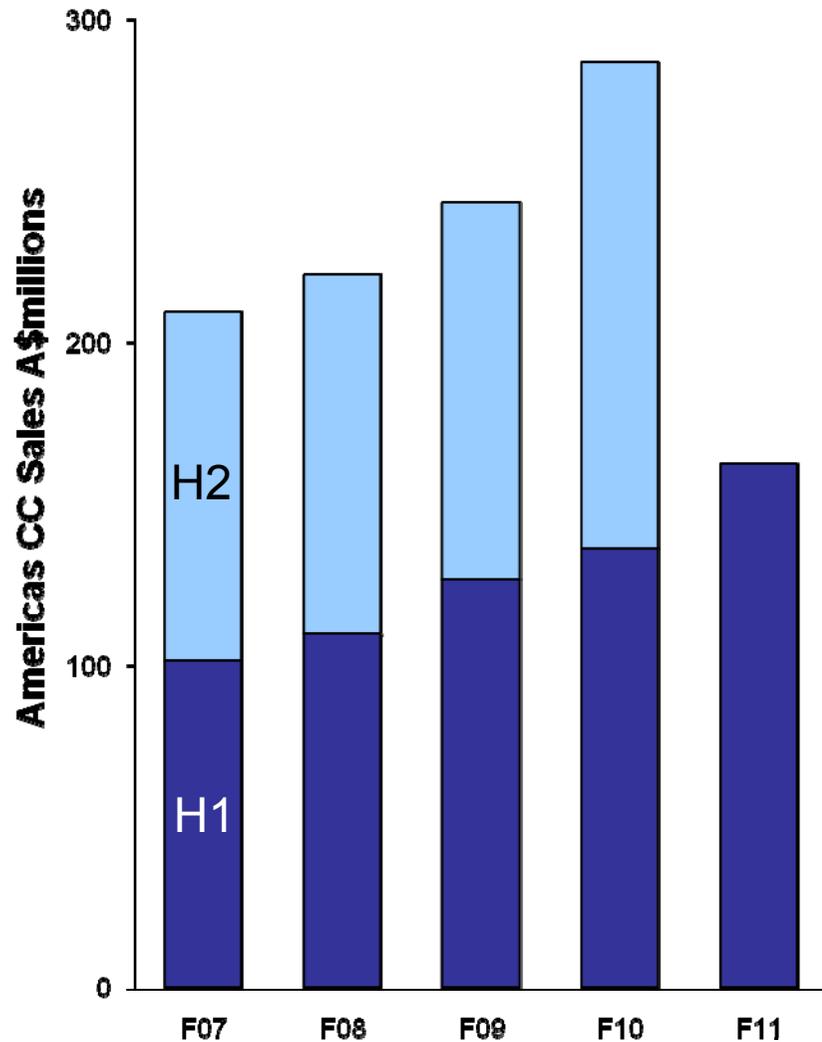


Asia Pacific
16%
CC growth ↑20%

¹ EMEA is Europe, Middle East and Africa

² CC is Constant Currency

Cochlear Americas: Sales in Constant Currency



- H1 F11 Americas sales of \$162.5 million, up 20% in constant currency
- Continued investments in field expansion, recipient services and marketing programs driving awareness and demand



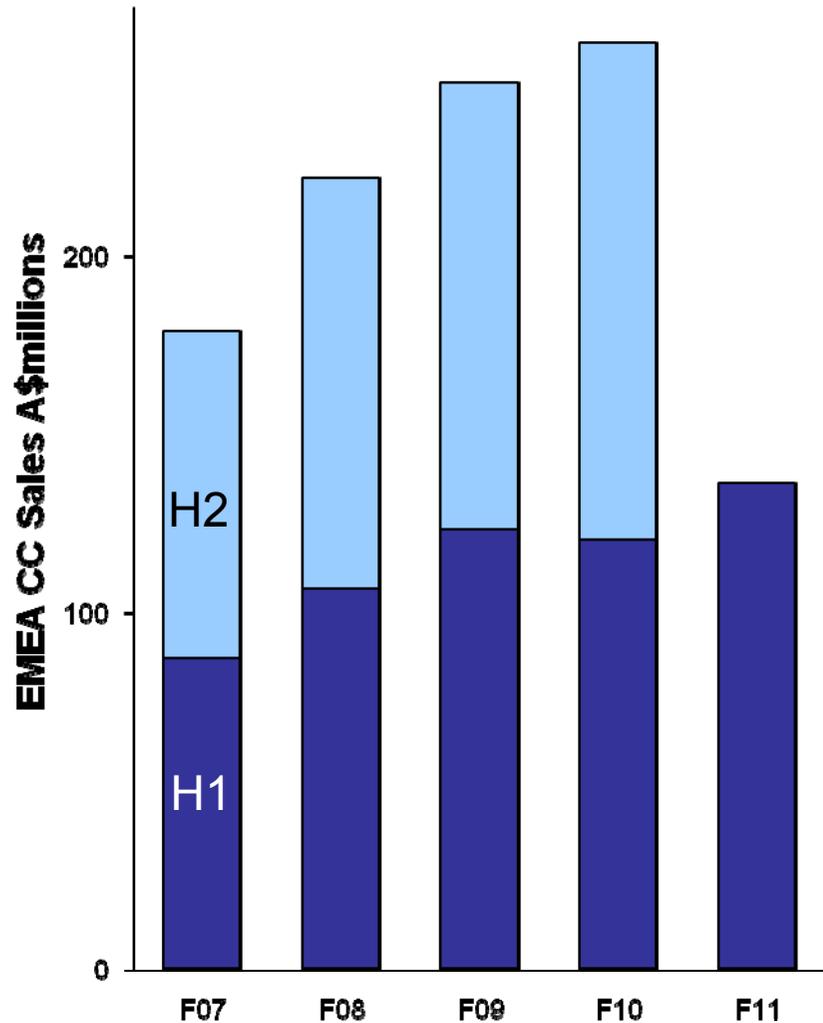
Cochlear™ Awareness Network
passion · action · education · support



Cochlear™

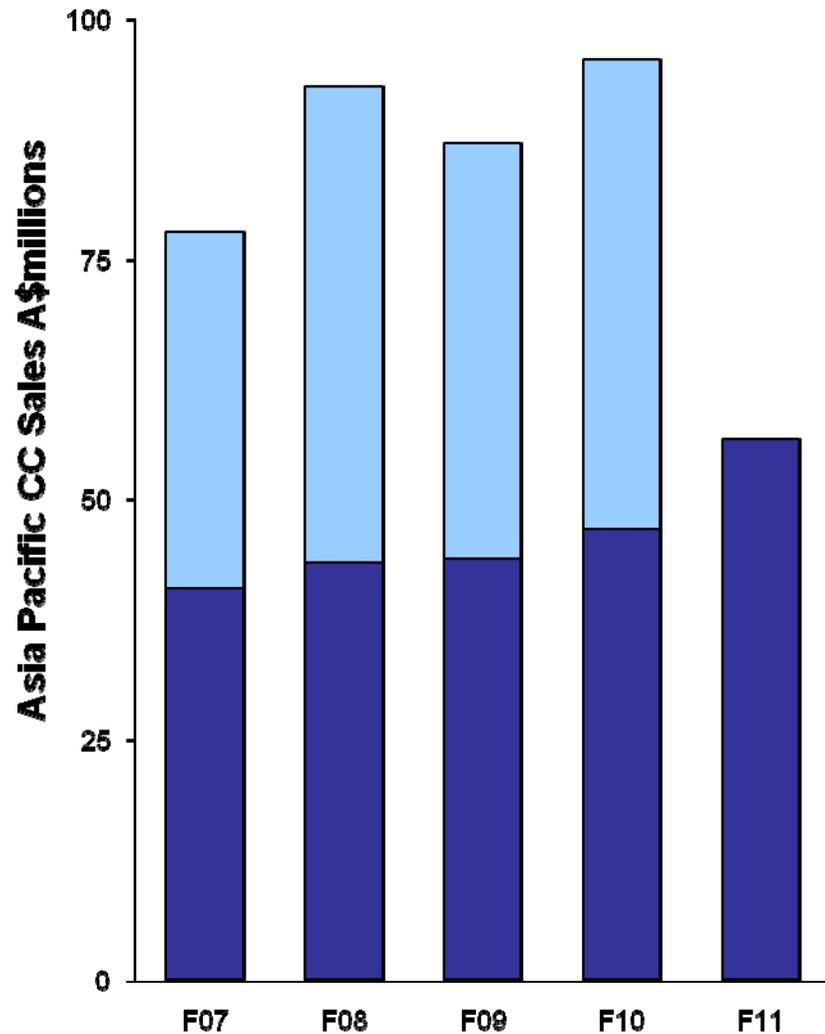
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Cochlear EMEA: Sales in Constant Currency



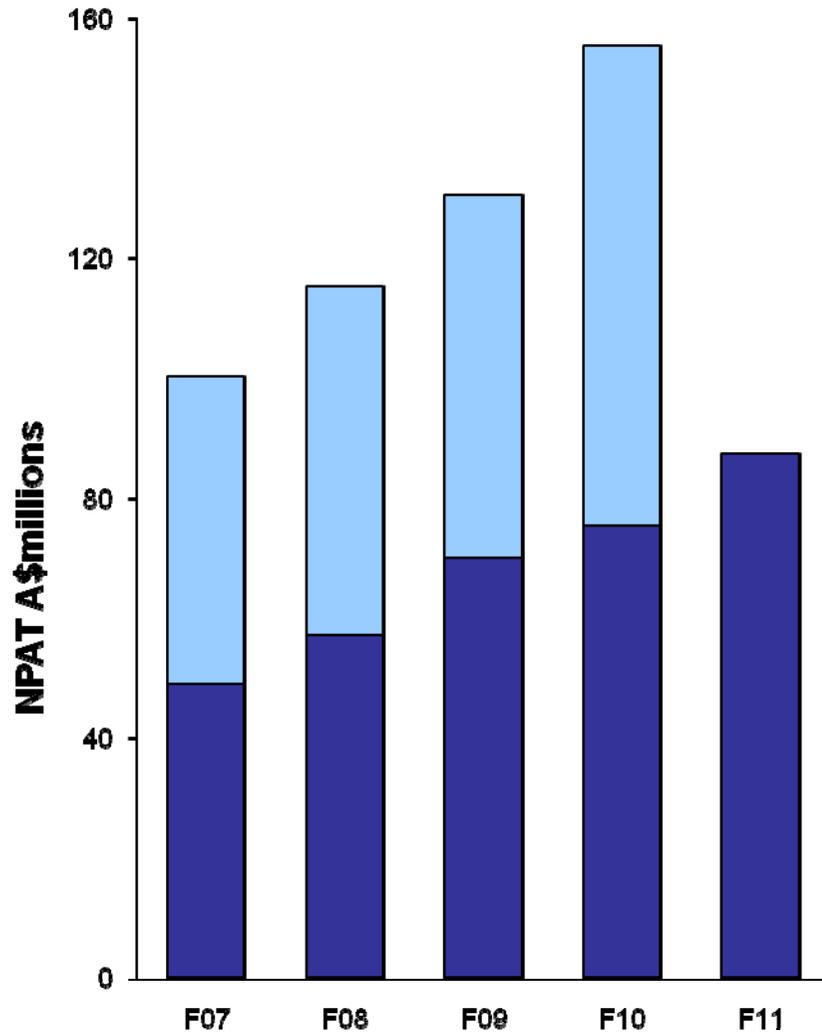
- H1 F11 Europe sales of \$136.5 million, up 13% in constant currency
- Growth in both Western Europe and Middle East
- Continued building of field team and initiatives driving awareness and growth

Cochlear Asia Pac: Sales in Constant Currency



- H1 F11 Asia Pacific sales of \$56.2 million, up 20% in constant currency
- Cochlear Nucleus 5 launched in Korea
- Direct operations in India working well, including investment in infrastructure & people
- China: government tender expands patient access and awareness

Cochlear: Net Profit After Tax (NPAT)



- H1 F11 NPAT of \$87.2 million, up 16%
- EPS of \$1.54, up 15%
- EBIT of \$121.1 million up 13% , being 32% of revenue (H1 F10: 31%)
- Interim dividend \$1.05, up 11% (60% franked, 40% conduit foreign income)

Cochlear Nucleus 5 System



- Cochlear Nucleus 5 remains very successful
 - Excellent clinical outcomes (hearing performance)
 - Best ever reliability
- Custom Sound 3.2 software for release in H2 F11, provides more features and N24 upgradeability

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Positive Trends:

- Developed markets
 - Increasing penetration of adults (~ 60% of new recipients)
 - Increasing penetration of bilaterals (~ 25% of surgeries)
- Emerging economies
 - Growing faster than developed markets
 - Driven up implants in children (~ 80% of new recipients)
- Clinical outcomes continue improving supporting favourable health economics and hence reimbursement

NEJM 363;15 October 7, 2010

The NEW ENGLAND JOURNAL of MEDICINE

REVIEW ARTICLE

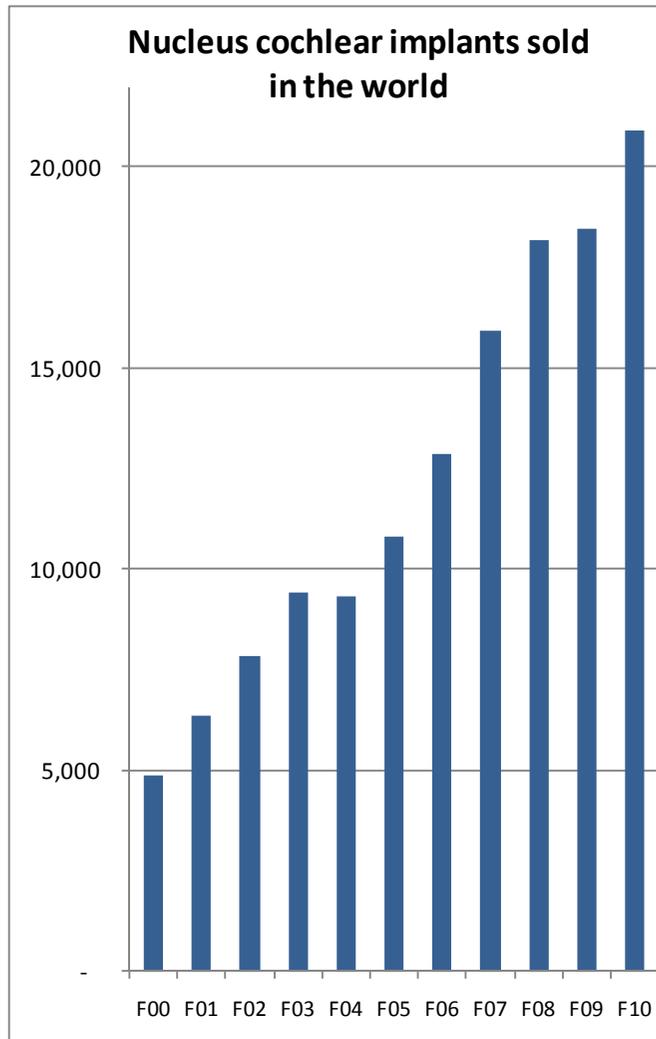
MEDICAL PROGRESS

Profound Deafness in Childhood

Andrej Kral, M.D., Ph.D., and Gerard M. O'Donoghue, M.D.



Cochlear Continues Investing for Long Term



- Ongoing commitment to technologic innovation (R&D ~ 13% of revenues)
- Investments in scalability for healthcare professionals (Scalability Suite driving simplification, automaticity, remote connectivity)
- Building customer “self-service” (from on-line service tools to web stores)
- Significant investments in market research (focusing on customer experience)
- New headquarters at Macquarie University (MU) completed – opportunity as catalyst for local hearing precinct plus global collaboration.

Cochlear H1 F11 Overview

- Record H1 F11 financial results:
 - Sales up 17% in constant currency (to \$355.2 million) driven by CI units up 20%
 - NPAT up 16% to \$87.2 million
 - Net debt ↓ to \$17.3 million
- Market trends favourable (eg bilaterals and adult penetration in developed economies, children in emerging economies)
- Ongoing investments in products and capabilities supporting sustainable long term growth



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Cochlear Limited

H1 F11 Financial Results



Neville Mitchell, CFO

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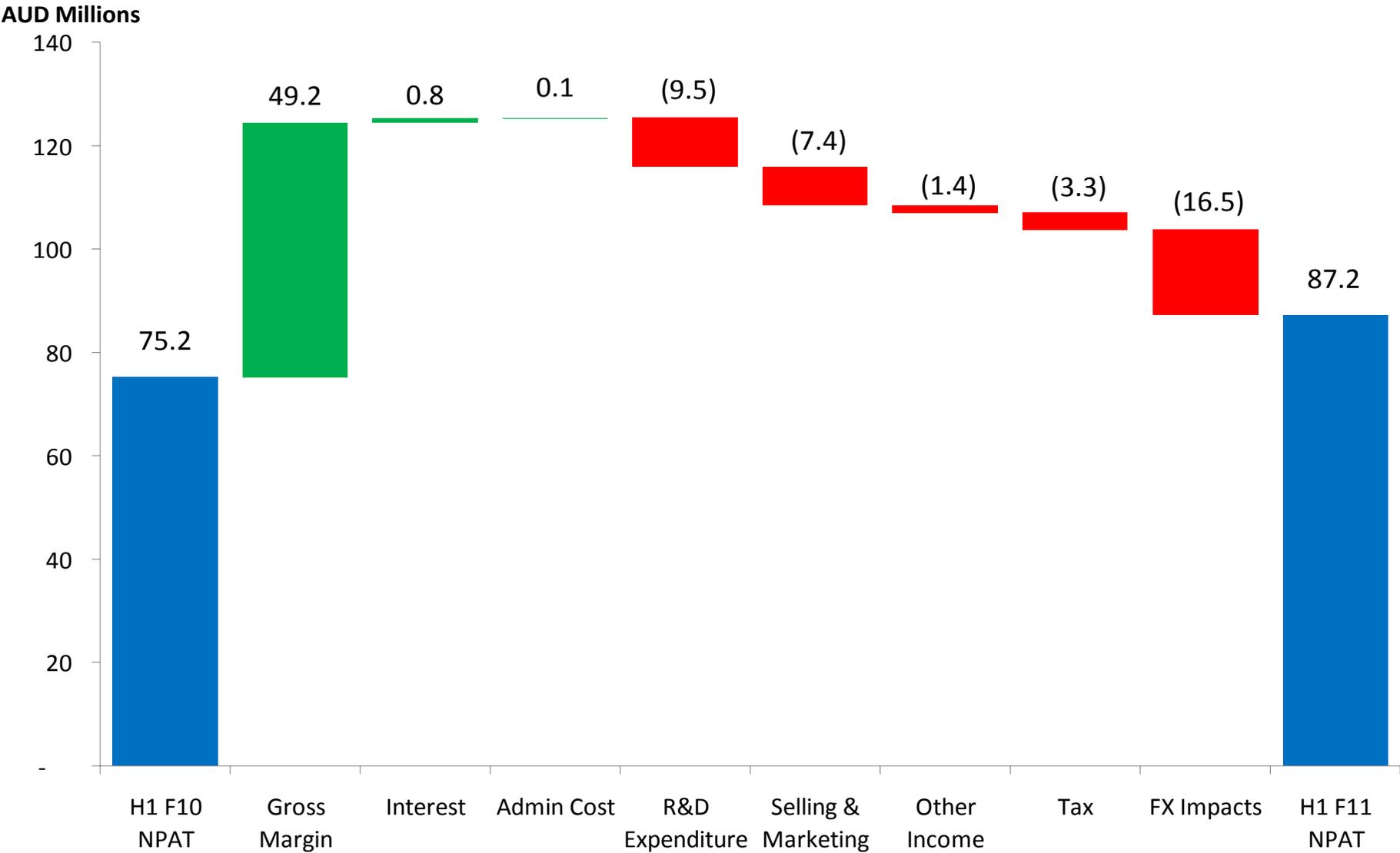


Cochlear H1 F11 Financial Performance

	H1 F11 \$m	H1 F10 \$m	% Change
Total Revenue	377.1	347.6	↑8%
EBIT	121.1	107.3	↑13%
NPAT	87.2	75.2	↑16%
Dividends			
Interim Dividend	105c	95c	↑11%
Record Date 25 February 2011 Payable Date 15 March 2011			
Franking*	60%	100%	

* Unfranked portion declared Conduit Foreign Income

Cochlear H1 F10 – H1 F11 NPAT Reconciliation



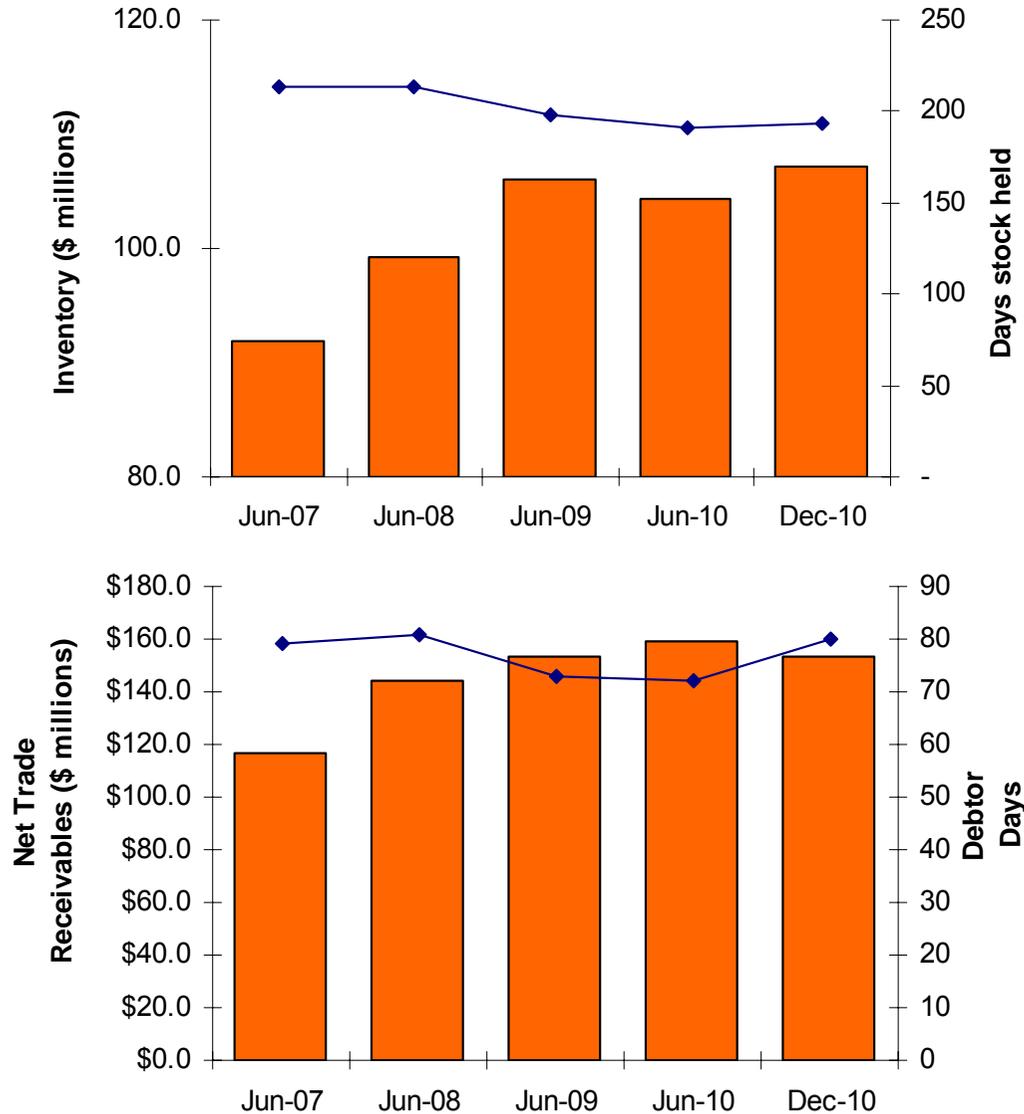
Completion of Global Headquarters

	\$m
Proceeds from Macquarie University	130.3
Total cost	(118.7)
Onerous lease commitments at present value	(3.7)
Relocation expenses	(1.8)
Construction profit net of relocation expenses	6.1

(Note 12)

Cochlear H1 F11 Working Capital

Inventory (Days Stock Held) / Debtors Days Outstanding



- H1 F11 Inventory days increased to 193 (June F10 192 days)
- Debtor days 80 (June F10 72 days)
- Trade receivables at \$153.7m (June F10 159.5m)

Cochlear H1 F11 Debt

	31 Dec 2010	30 Jun 2010	31 Dec 2009
Operations	\$m	\$m	\$m
Loans and Borrowings			
Current	-	-	-
Non-current	80.9	82.9	142.5
Total Debt – operations	80.9	82.9	142.5
Cash	63.6	41.8	73.5
Net Debt – operations	17.3	41.1	69.0
<i>Gearing ratio - operations (net debt/net debt + equity)</i>	3%	9%	15%
Net Debt for new building	-	72.8	34.4
Total Net Debt	17.3	113.9	103.4

Negative Impact of Appreciating AUD on H1 F11 NPAT

	A\$m	
		F/(U)
Income Statement Translation Impact		
Sales Revenue	(38.4)	Difference H1 F11 actual vs H1 F11 at H1 F10 rates
Total Expenses including tax	12.2	
	(26.2)	
Transaction Impact		
- Increase from H1 F10 of FX gain on hedged sales	11.2	Net difference actuals H1 F11 vs H1 F10
Translation Impact		
- Increase over H1 F10 of FX gain on asset translation	(1.5)	Net difference actuals H1 F11 vs H1 F10
Negative impact on H1 F11 NPAT of appreciating AUD	(16.5)	

FX Contract Cover and Rates as at 31 December 2010

Total FX cover at 31 Dec 2010	USD 312.8m	Euro 246.7m	JPY 10.5m	Total AUD 570.0m
% of total cover (in AUD)	54.87%	43.28%	1.85%	100%
3 yr weighted average rates FX contracts at 31 Dec 10	0.77	0.57	75.5	
FX contracts at 31 Dec 09	0.77	0.55	80.5	
H2 F11 weighted average rates FX contracts at 31 Dec 10	0.79	0.55	78.5	
Cover for H2 F11 (in AUD)	106.1m	111.6m	5.0m	222.7m

Cochlear H1 F11 Overview

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Thank you
Any questions?

Foreign Exchange

Rates applied H1 F11 vs. H1 F10

	H1 F11	H1 F10	% Change
Average rates (used for translating P&L)			
USD	0.94	0.87	8%
Euro	0.72	0.60	20%
JPY	79.5	79.9	(1%)
GBP	0.60	0.53	13%
Contract rates (used to bring FX to Aust)			
USD	0.80	0.80	-
Euro	0.57	0.55	4%
JPY	80.2	87.2	(8%)

Foreign Exchange

Period end rates applied F11 vs. F10

	31 Dec 2010	30 June 2010	% change
Period end rates (used for translating Bal Sheet)			
USD	1.01	0.87	16%
Euro	0.77	0.71	8%
JPY	83.2	78.1	7%