



Cochlear Limited

Results for the half year ended
31 December 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
 - ~ 2,000 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)

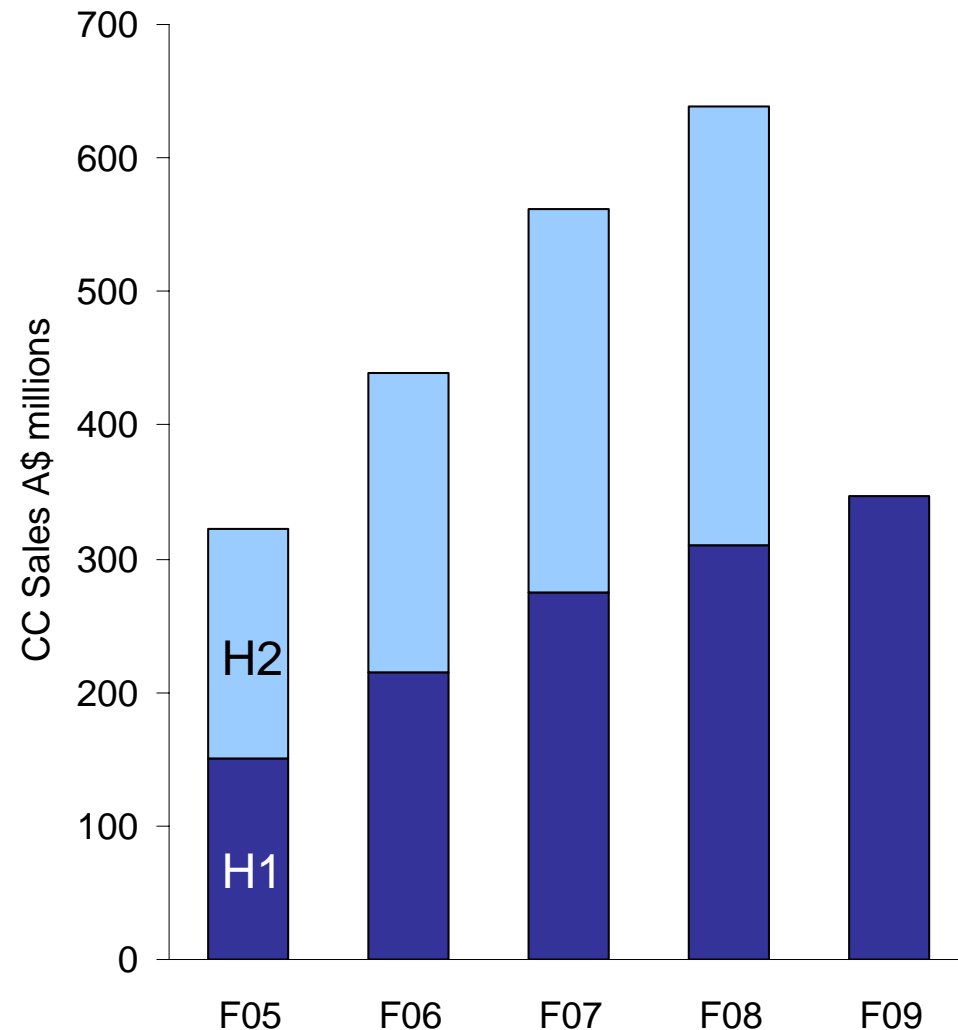


Record Financial Results for H1 F09

	H1 F09	H1 F08	
	\$ millions	\$ millions	+/(-)%
Cochlear implants	301.1	247.5	↑ 22%
Bone Anchored (Baha)	45.8	36.7	↑ 25%
FX Contracts	8.3	13.8	↓ (40)%
Revenue	355.2	298.0	↑ 19%
EBIT	100.4	84.7	↑ 19%
Net Profit After Tax	69.9	57.1	↑ 22%
EPS	125.5 cps	103.3 cps	↑ 22%
Core Earnings*	74.4	61.9	↑ 20%
Interim Dividend	80 cps	70 cps	↑ 14%

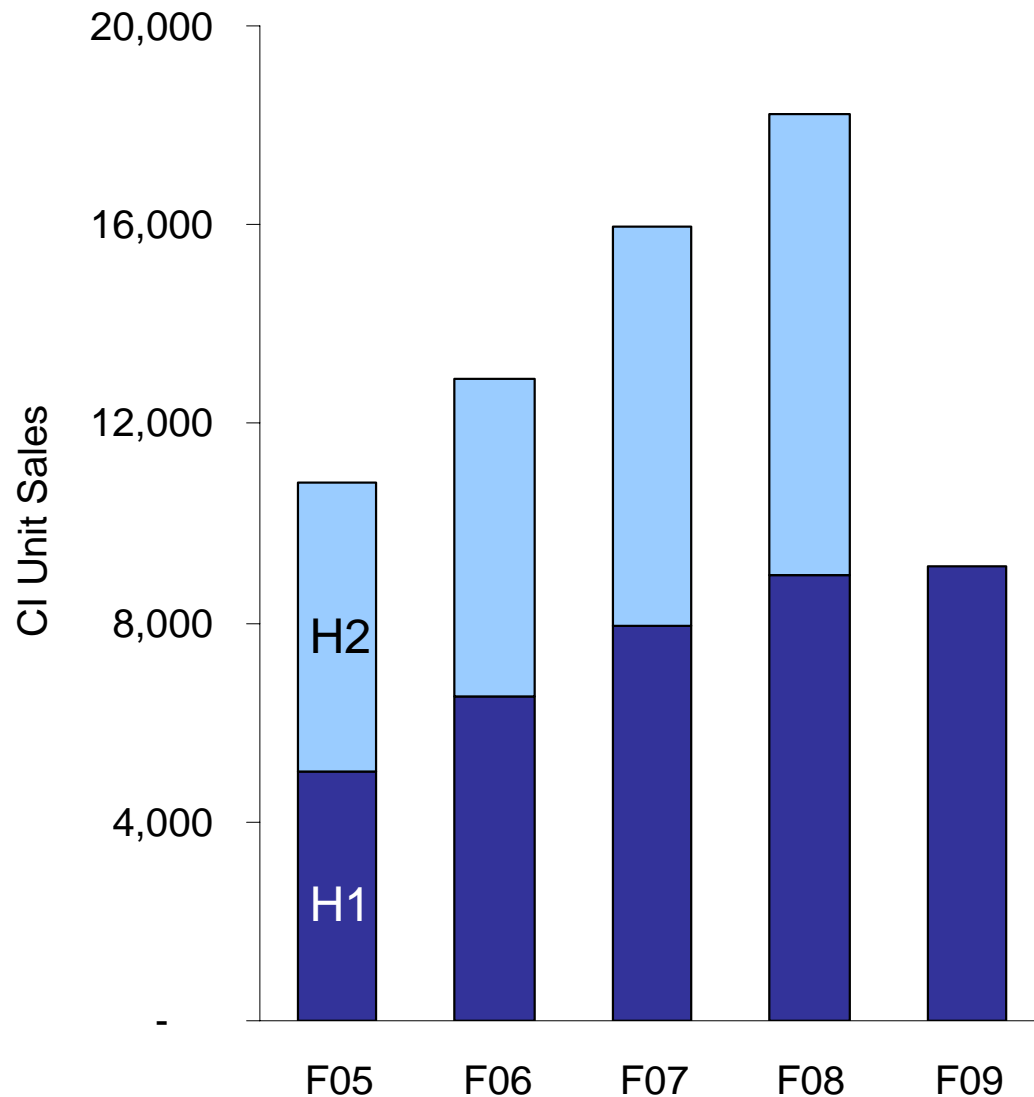
*Core Earnings assumes all R&D is expensed and excludes both amortisation of acquired intangibles and share based compensation expenses

Sales in Constant Currency (CC)



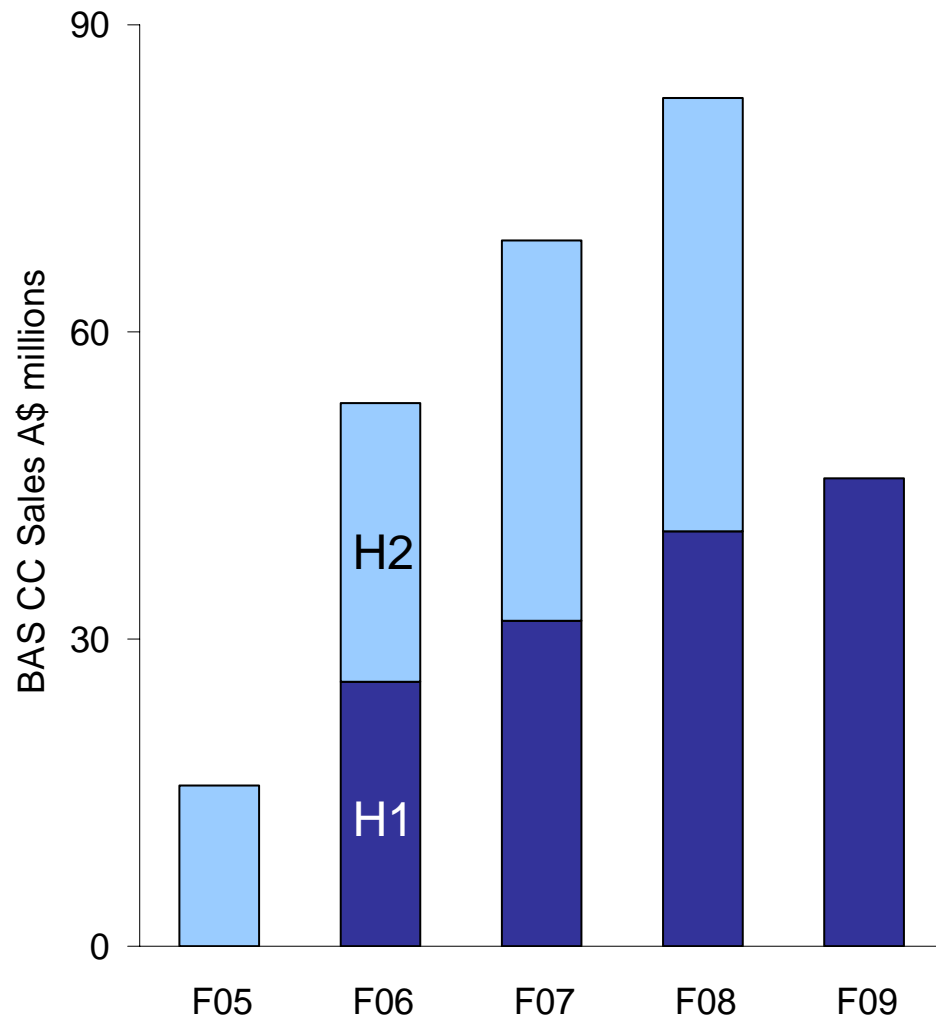
- Total revenue (including FX contracts) up 19% to \$355.2 million
- Sales (ex FX contracts) up 22% to \$346.9 million
- Sales in constant currency (prior period restated at H1 F09 rates) up 12%

Cochlear Implant (CI) Unit Sales



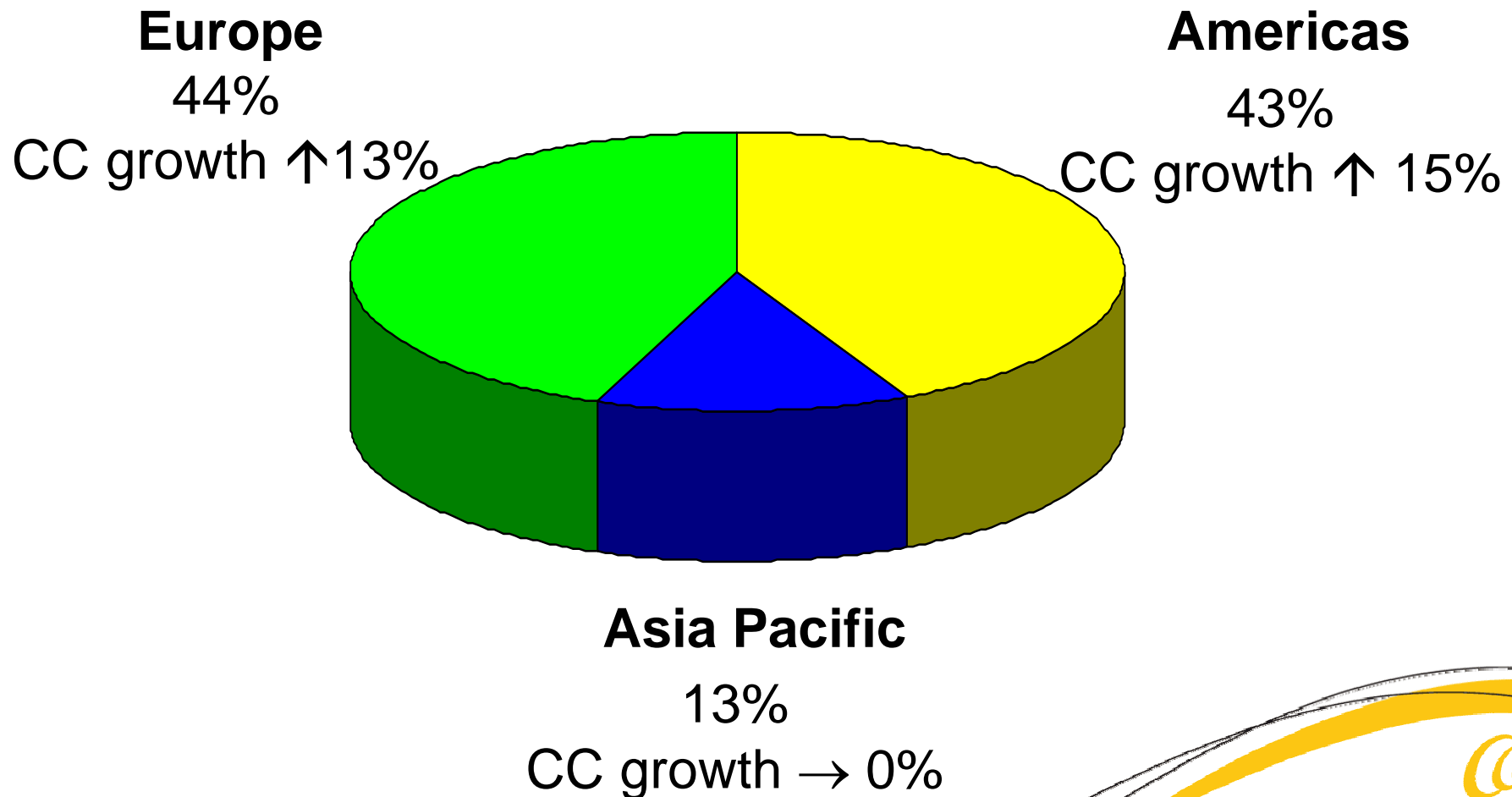
- H1 F09 cochlear implant unit sales up 2% to 9,178
- Global market share remains in 70% range
- No sales to China of donation CI units in H1 F09 - negative Asia-Pacific CI unit sales growth

Sales of Bone Anchored Solutions (BAS) in Constant Currency



- BAS sales (including Baha implants) up 25% to \$45.8 million for H1 F09
- In constant currency, BAS sales were up 13%
- USA FDA Import Alert (2/08) impacted sales in Q1F09, but was lifted in October 08

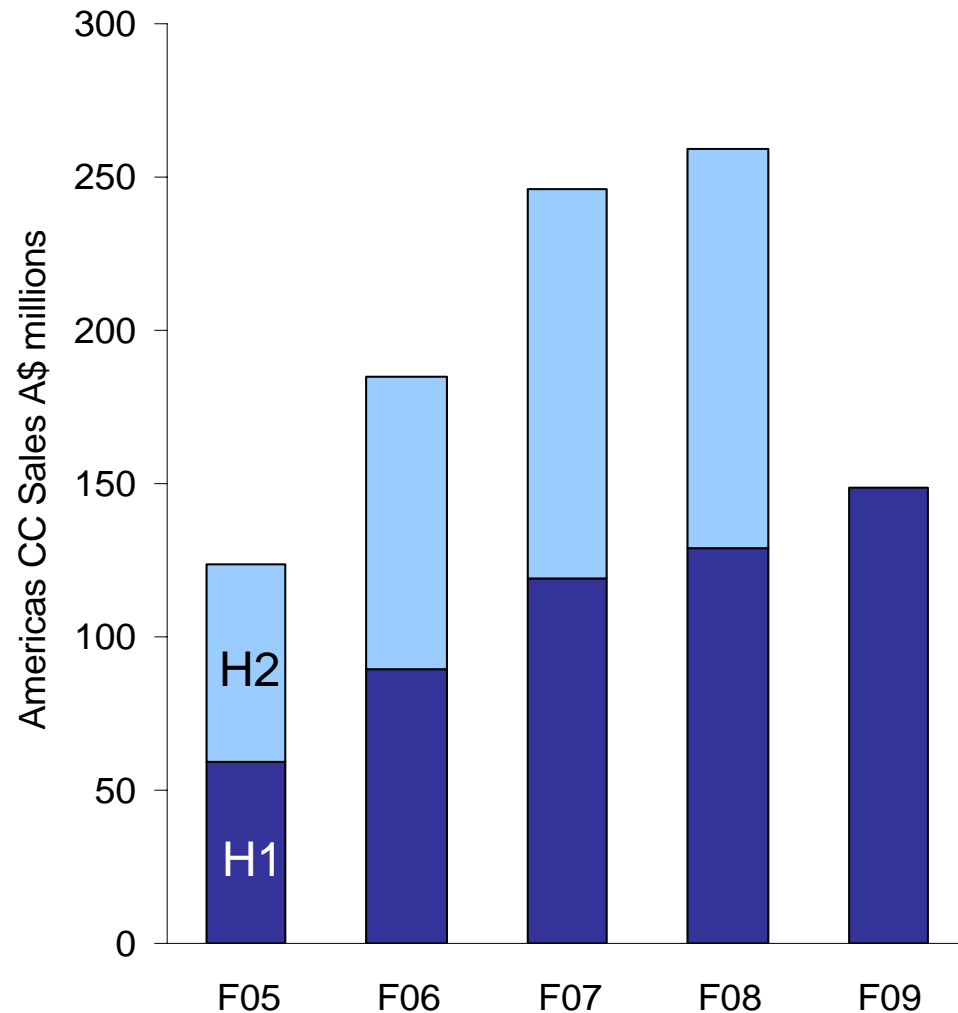
H1 F09 Regional Split of Sales and Constant Currency (CC) Growth



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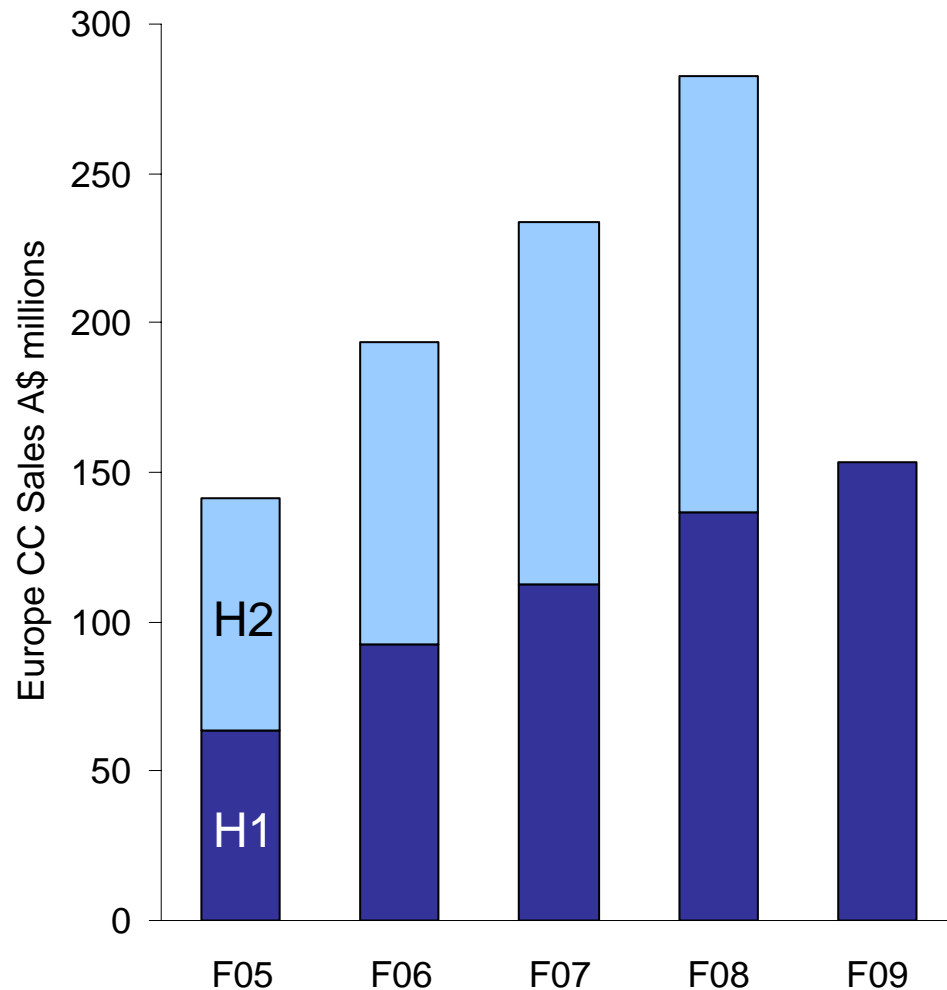


Americas: Sales in Constant Currency (CC)



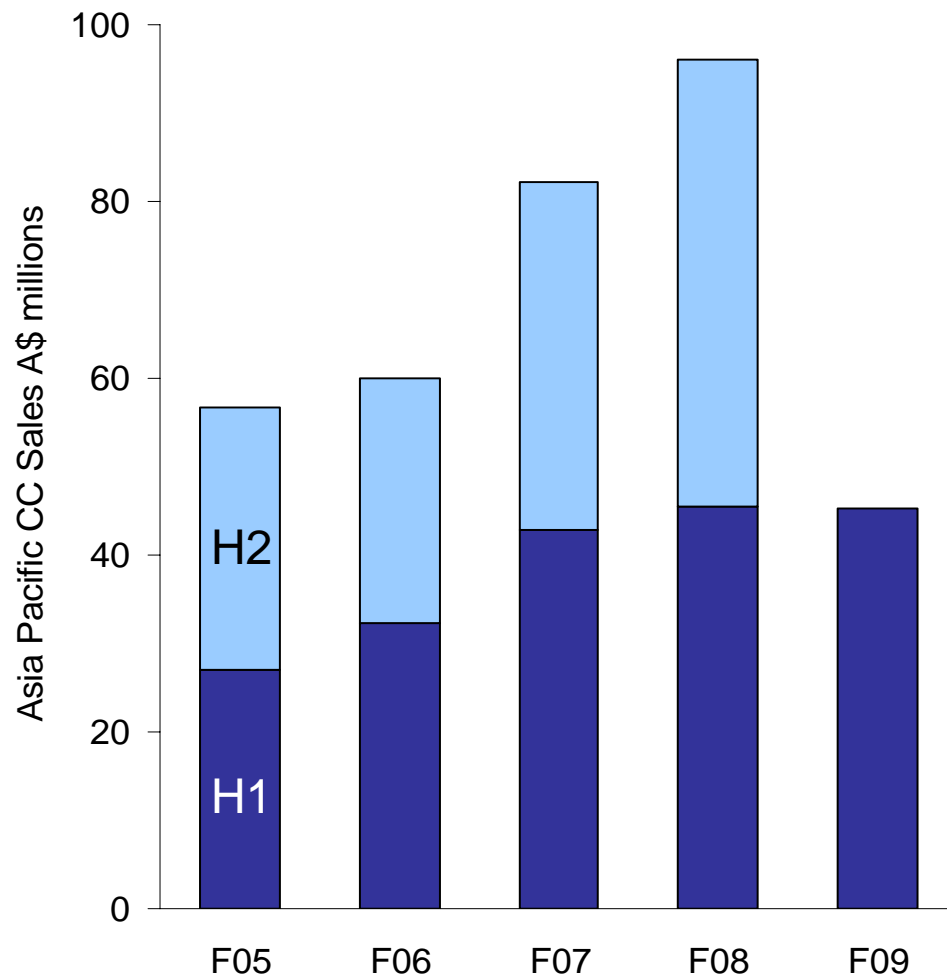
- Americas sales up 25% to \$148.5 million for half
- H1 F09 sales in CC up 15%
- FDA Import Alert (lifted 10/08) affected BAS growth (< the regional 15% CC growth)

Europe: Sales in Constant Currency (CC)



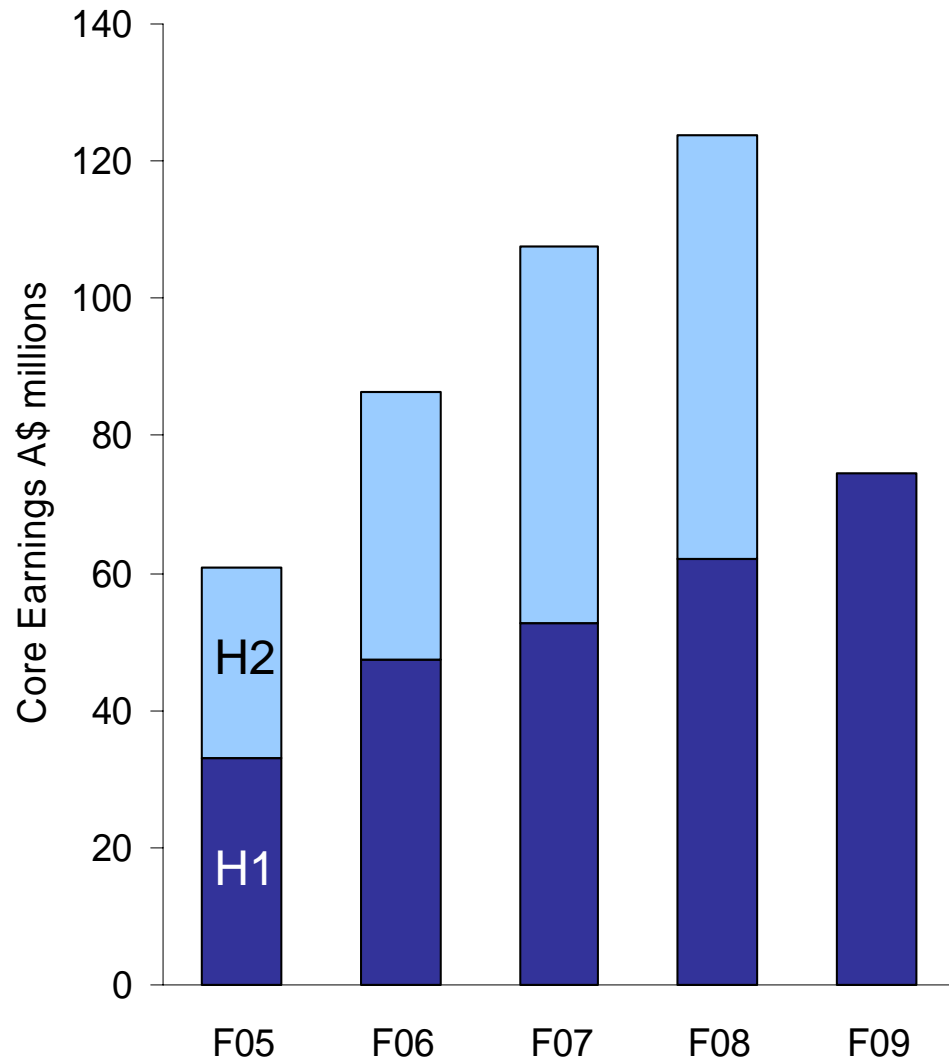
- Europe sales up 25% to \$153.1 million for half
- H1 F09 sales in CC up 12%
- UK NICE guidelines on CI published 28 Jan 09
- Direct after sales service in Germany going well

Asia Pacific: Sales in Constant Currency (CC)



- Asia-Pacific sales up 6% to \$45.3 million for half
- H1 F09 sales in CC flat
- Asia-Pacific had negative CI unit growth - no China donation units shipped
- Korea, India, ANZ doing well

Continuing Core Earnings Growth



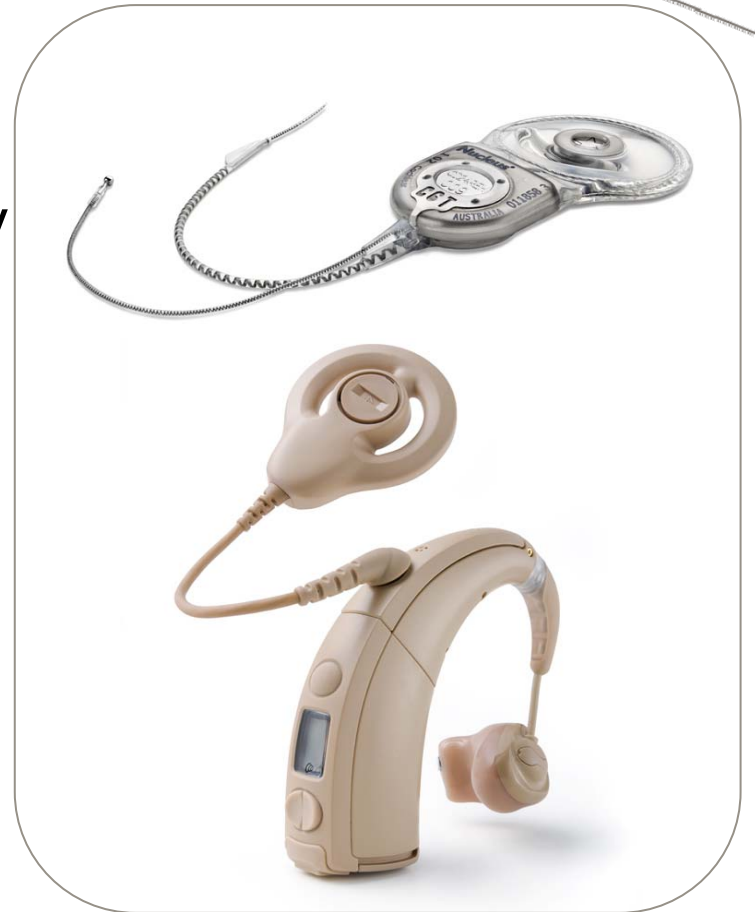
- COGS impacted by ↓ AUD because of PPV (short term effect only)
- R&D up 14%
- Operating expenses up 19%
- EBIT up 19%

Cochlear Weathering Global Financial Crisis (GFC)

- H1 F09 impact of GFC on major customers relatively minor overall and reimbursement remains intact
- Cochlear remains vigilant and conservative: capital management, cost control, credit management, supplier liaison
- No change to fundamental strategies around technologic innovation, business model innovation, and scale and leverage of both internal (Cochlear) and external (clinical pathway) activities
- Cochlear remains well positioned in this GFC

Hybrid™

- Combines electrical stimulation (cochlear implant) with acoustic amplification (hearing aid technology)
- For severe to profound high frequency SNHL with some low frequency residual hearing
- Controlled market release of Hybrid L electrode and combined speech processor in Europe
- Clinical results (hearing preservation with the electrode and hearing performance with the combined processor) are excellent



De-constructing Cochlear's Growth into a Range of Drivers

- Product segments: CI, Hybrid, BAS, DACS
- Unit sales for each product segment
- Average selling prices
- Direct versus distributors
- New patients versus installed base sales
- Unilateral versus bilateral
- Market growth versus market share
- Health care systems & economies: developed, developing and emerging
- Penetration of existing indications versus new indications

Cochlear H1 F09 Overview

- Record financial results:
 - Revenue up 19% to \$355.2 million
 - NPAT up 22% to \$69.9 million
 - Core earnings up 20% to \$74.4 million
- Hybrid controlled market release in Europe
- Global financial crisis: Cochlear remains well positioned and vigilant (capital management, cost control, credit management and suppliers)
- F09 guidance: Core earnings up 15 to 20%



Financial Results

Neville Mitchell - CFO



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Cochlear™

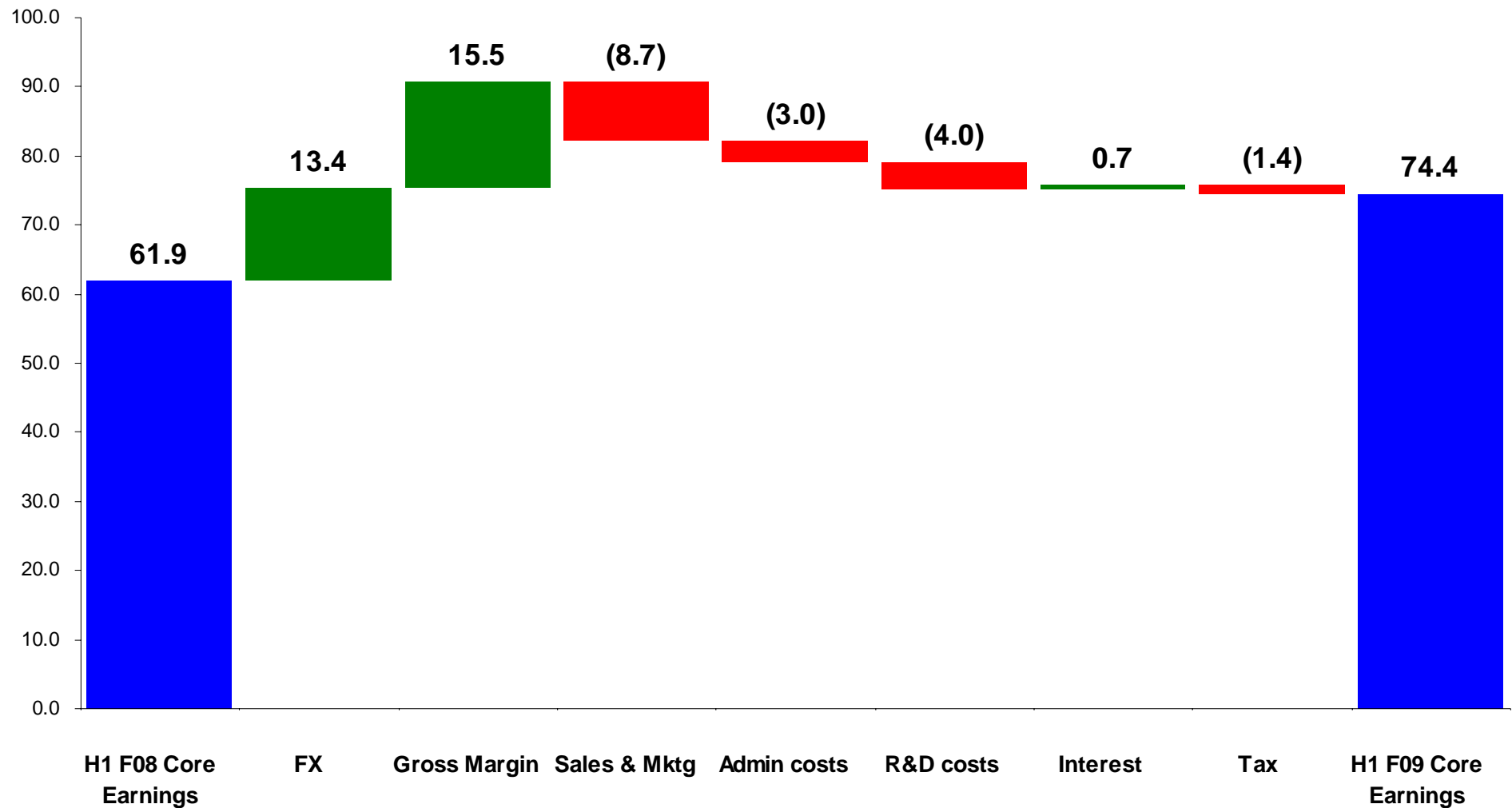
F09 Financial Performance

	H1 F09	H1 F08	%
	\$m	\$m	Change
Total Revenue	355.2	298.0	↑ 19%
NPAT	69.9	57.1	↑ 22%
Core Earnings	74.4	61.9	↑ 20%
Dividends			
Interim Dividend	80c	70c	↑ 14%
Record Date 27 February 2009			
Payable Date 17 March 2009			
Franking	100%	100%	

F09 Core Earnings Calculations

	H1 F09	H1 F08
	\$m	\$m
NPAT	69.9	57.1
Adjustment items (after tax)		
• R&D amortisation	0.2	0.6
• Acquired intangible amortisation	1.2	1.4
• Share based compensation	3.1	2.8
Total adjustments	4.5	4.8
Core Earnings	74.4	61.9

H1 F08 – H1 F09 Core Earnings Reconciliation



Impact of Depreciating AUD on F09 Core Earnings

	A\$m F/(U)	
Income Statement Translation Impact		
Sales Revenue	23.0	<div style="border: 1px solid black; padding: 5px; width: fit-content;"> Difference H1 F09 actual vs H1 F09 at H1 F08 rates </div>
Total Expenses including tax	(10.4)	
	12.6	
Transaction Impact		
- Decrease from H1 F08 of FX gain on hedged sales	(5.5)	<div style="border: 1px solid black; padding: 5px; width: fit-content;"> Net difference actuals H1 F09 vs H1 F08 </div>
Translation Impact		
- Increase over H1 F08 of FX gain on asset translation	6.3	<div style="border: 1px solid black; padding: 5px; width: fit-content;"> Net difference actuals H1 F09 vs H1 F08 </div>
F09 impact on core earnings of depreciating AUD	13.4	

F09 Debt

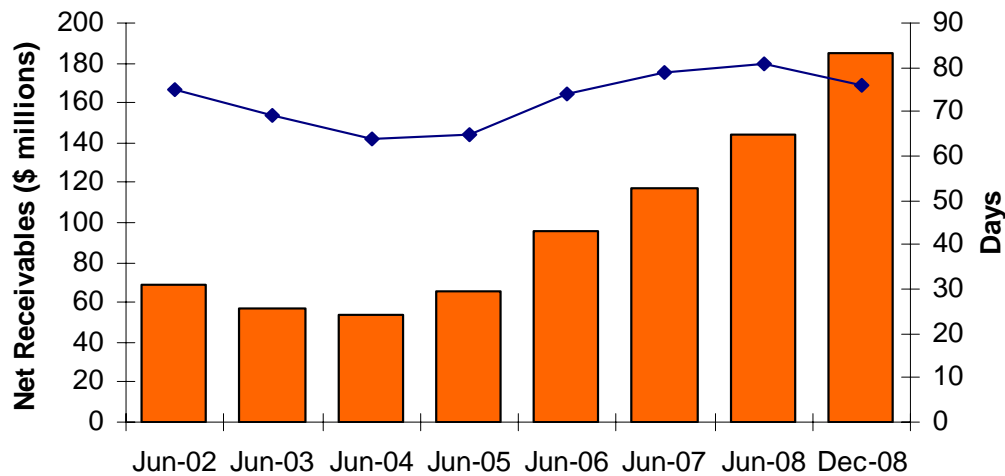
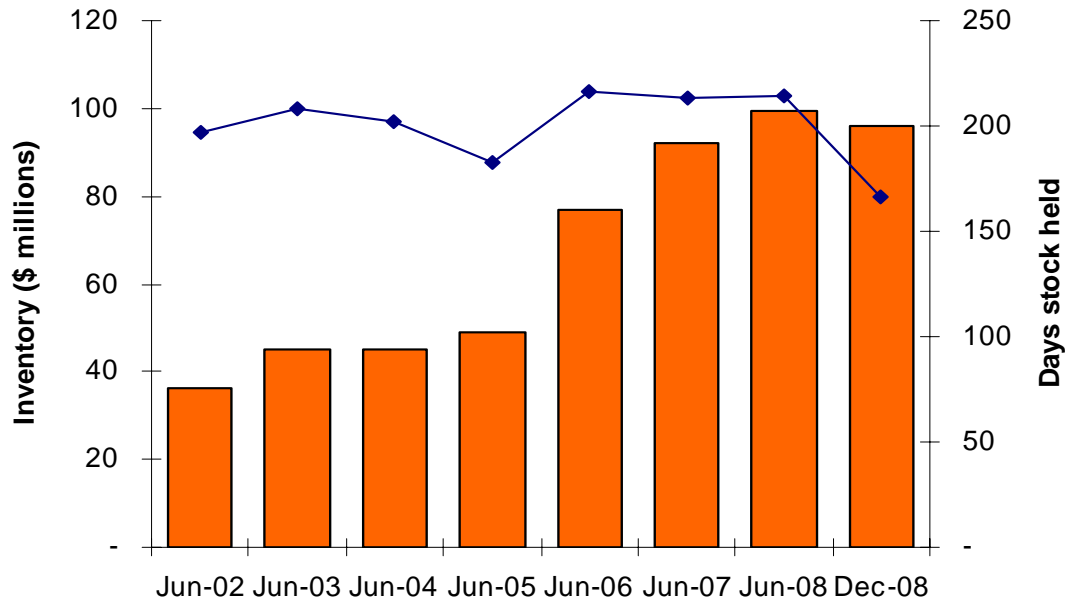
	31 Dec 2008 \$m	30 June 2008 \$m
Loans and Borrowings		
Current	16.8	15.4
Non-current	180.5	154.6
Total Debt	197.3	170.0
Cash on hand	62.9	36.7
Net Debt	134.4	133.3
Net gearing ratio	32%	29%

All debt covenants met at 31 December 2008

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F09 Working Capital



- Inventory days down 22% to 166; inventory of \$96.2m (June '08, \$99.2m)
- Debtors days down to 76 (June '08, 81)
- Capex expenditure of ~ \$8m approximating depreciation

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Thank you
Any questions?

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Foreign Exchange

- Rates applied F09 vs. F08

	H1 F09	H1 F08	%
Average rates (used for translating P&L)			
USD	0.80	0.87	(8%)
Euro	0.56	0.62	(10%)
JPY	82.6	101.2	(18%)
GBP	0.46	0.43	7%
Contract rates (used to bring FX to Aust)			
USD	0.79	0.78	1%
Euro	0.58	0.59	(2%)
JPY	87.2	83.0	5%

Foreign Exchange

- Period end rates applied F09 vs. F08

	31 Dec 08	30 June 08	% change
Period end rates (used for translating Bal Sheet)			
USD	0.68	0.95	(28%)
Euro	0.49	0.61	(20%)
JPY	62.3	102.1	(39%)

FX Contract Cover and Rates as at 31 December 2008

	USD	Euro	JPY	AUD Total
Total FX cover at 31 Dec 2008	270m	184m	1,690m	709m
Weighted average exchange rates contracted	0.78	0.55	84.3	
H2 F09 weighted average exchange rates contracted	0.83	0.57	87.0	

H1 F09 Core Earnings Reconciliation

	H1 F09	H1 F08
	\$m	\$m
Earnings before interest and tax	100.4	84.7
<i>Core earnings adjustments pre-tax</i>		
• R&D	0.2	0.8
• Acquired intangible amortisation	1.2	1.4
• Share based compensation	3.1	2.9
Core EBIT	104.9	89.8
Net interest	(4.5)	(5.0)
Core tax expense	(26.0)	(22.9)
Core earnings attributable to members	74.4	61.9