

2007 CHAIRMAN'S ADDRESS

COCHLEAR LIMITED ANNUAL GENERAL MEETING

OCTOBER 23rd, 2007
AUSTRALIA BALLROOM
MENZIES SYDNEY HOTEL
14 CARRINGTON STREET, SYDNEY

LADIES AND GENTLEMEN, IT'S NOW MY PLEASURE TO DELIVER THE CHAIRMAN'S ADDRESS.

2007 WAS ANOTHER SUCCESSFUL YEAR FOR COCHLEAR. THE FINANCIAL RESULTS WERE STRONG AND OUR ORGANISATIONAL CAPABILITIES TO SUPPORT THE ROBUST GROWTH TREND WERE FURTHER STRENGTHENED.

I WILL NOW HIGHLIGHT SOME OF THE SIGNIFICANT EVENTS DURING THE YEAR, WHICH WILL BE FURTHER EXPANDED ON BY OUR CEO DR CHRIS ROBERTS IN HIS PRESENTATION.

FIRST, SOME COMMENTS ON THE FINANCIAL PERFORMANCE:

FINANCIAL RESULTS

REVENUE CONTINUED TO GROW STRONGLY AND INCREASED 24% TO \$559.4 MILLION. THIS WAS ACHIEVED DESPITE A RISING AUSTRALIAN DOLLAR AND ON THE BACK OF A 30% GROWTH IN THE PREVIOUS YEAR.

COCHLEAR IS A GLOBAL BUSINESS WITH SALES IN OVER 100 COUNTRIES. THIS GEOGRAPHICAL COVERAGE MEANS THAT DIFFERENT COUNTRIES TEND TO HAVE DIFFERENT GROWTH RATES FROM YEAR TO YEAR. HOWEVER, THIS YEAR ALL THREE REGIONS – THAT IS, AMERICA, EUROPE/MIDDLE EAST AND ASIA PACIFIC GREW STRONGLY.

THE AMERICA'S REVENUE GREW 32% IN CONSTANT CURRENCY, WITH SALES BEING AUGMENTED BY STRONG BILATERAL IMPLANTS AND NUCLEUS FREEDOM PROCESSOR UPGRADE SALES.

EUROPE ALSO GREW STRONGLY – 19% IN CONSTANT CURRENCY, RESULTING IN THE THIRD YEAR OF APPROXIMATELY 20% REVENUE GROWTH.

ASIA PACIFIC REBOUNDED WITH 38% GROWTH SUPPORTED BY STRONG GROWTH IN MOST COUNTRIES INCLUDING AUSTRALIA, CHINA AND INDIA.

NET PROFIT AFTER TAX OF \$100.1 MILLION WAS UP 25% ON F'06, REFLECTING THE STRONG TOP LINE GROWTH AND A DISCIPLINED APPROACH TO EXPENSES. IMPORTANTLY, OUR EBIT / REVENUE MARGINS IMPROVED BY OVER 2% TO 26.8%.

TO UNDERPIN THIS RAPID EXPANSION AND TO STIMULATE SUSTAINABLE GROWTH, ONGOING INVESTMENTS IN INFRASTRUCTURE AND GROWTH INITIATIVES CONTINUES TO BE MADE.

\$64.7 MILLION, OR 11.4% OF REVENUE, WAS INVESTED IN R&D AND A NUMBER OF PROMISING GROWTH INITIATIVES WERE ALSO COMMENCED.

WORKING CAPITAL INCREASED, BUT AT LEVELS BELOW OUR SALES GROWTH RATE, AND THE \$10 MILLION OF INVENTORY PURCHASED WITH THE MANUFACTURING OPERATIONS FROM CRYSTALOID HAS BEEN ABSORBED INTO OUR GLOBAL INVENTORY.

CASH PROVIDED BY OPERATING ACTIVITIES INCREASED NEARLY 50% TO \$76.8 MILLION. FROM THIS, DIVIDEND PAYMENTS OF OVER \$60 MILLION WERE PAID AND OUR ACQUISITION OF THE MANUFACTURING OPERATIONS OF CRYSTALOID FOR \$19 MILLION WAS ALSO FUNDED.

TOTAL SHAREHOLDER RETURN IS AN IMPORTANT MEASURE FOR MANAGEMENT AT COCHLEAR. SOME 50% OF THE SHARE-HOLDER APPROVED LONG TERM INCENTIVE PLAN IS BASED ON ACHIEVING AMBITIOUS TSR HURDLES. IN ORDER TO ACHIEVE 50% OF THE TOTAL CELTIP ALLOCATION (THE OTHER 50% RELATING TO EPS), THE COMPANY MUST BE IN THE TOP QUARTILE OF ASX 100 COMPANIES OVER A THREE YEAR PERIOD. FOR THE YEAR, TSR RETURN WAS 14%, BUT MORE IMPORTANTLY, FOR THE THREE YEARS ENDED 30TH JUNE 2007, COCHLEAR ACHIEVED A TSR OF 181% WHICH PLACED THE COMPANY IN THE TOP 10 OF THE ASX 100 COMPANIES.

THE STRONG RESULT HAS AGAIN ENABLED THE BOARD TO INCREASE THE DIVIDENDS PAID AND THE TOTAL DIVIDEND FOR THE YEAR WAS RAISED TO 125 CENTS FULLY FRANKED – A 25% INCREASE ON THE PRIOR YEAR.

FOREIGN EXCHANGE

OVER THE PAST SEVERAL MONTHS THE FOREIGN EXCHANGE MARKETS HAVE SHOWN CONSIDERABLE INSTABILITY. AS AN EXPORTER, EFFECTIVE FOREIGN EXCHANGE MANAGEMENT IS VITAL TO COCHLEAR.

TO PROVIDE SOME CONTEXT TO THE FOREIGN EXCHANGE ENVIRONMENTS IN WHICH COCHLEAR OPERATES, IT IS USEFUL TO UNDERSTAND THAT OVER 90% OF COCHLEAR'S SALES AND OVER 50% OF TOTAL EXPENSES ARE IN FOREIGN CURRENCY.

THE CURRENCIES WE TRACK ARE PRINCIPALLY THE USD, EURO, GBP AND JPY. THERE IS THEREFORE A NATURAL HEDGE ON A GOOD PORTION OF COCHLEAR'S FOREIGN CURRENCY EXPOSURE. IN ADDITION, WE MANAGE THE BALANCE OF THE FOREIGN CURRENCY EXPOSURE BY TAKING OUT FOREIGN EXCHANGE COVER ON THE NET FOREIGN CASH FLOWS BACK TO AUSTRALIA. THESE FOREIGN EXCHANGE CONTRACTS COVER A THREE YEAR PERIOD AT A DECLINING LEVEL OF COVER. THIS IS A NON-SPECULATIVE POLICY BUT PROVIDES THE COMPANY WITH SOME FLEXIBILITY TO ADAPT TO CHANGING EXCHANGE TRENDS.

THE AUSTRALIAN DOLLAR STRENGTHENED SIGNIFICANTLY DURING F'07, PARTICULARLY AGAINST THE US DOLLAR AND JAPANESE YEN. REPORTED FOREIGN EXCHANGE GAINS ON OUR HEDGE CONTRACTS OF \$16.5 MILLION WERE DOWN ON LAST YEAR'S \$20.7 MILLION AS THE NEWER CONTRACTS WERE AT HIGHER FOREIGN EXCHANGE RATES.

OVER THE PAST FOUR YEARS, COCHLEAR HAS CONTINUED TO DELIVER IMPRESSIVE PROFIT GROWTH WITHIN A RISING AUSTRALIAN DOLLAR ENVIRONMENT AND WE ARE CONFIDENT THAT OUR FOREIGN CURRENCY STRATEGY WILL CONTINUE TO SERVE US WELL IN MANAGING A VOLATILE CURRENCY OUTLOOK, ALTHOUGH IT DOES NOT TOTALLY MITIGATE ALL OF THE RISK.

INFRASTRUCTURE SUPPORT

I MENTIONED EARLIER THAT THE COMPANY CONTINUES TO STRENGTHEN ITS ORGANISATIONAL CAPABILITIES AND INFRASTRUCTURE IN GENERAL TO SUPPORT FUTURE GROWTH.

TWO AREAS OF PARTICULAR INTEREST IN RECENT TIMES ARE THE SUPPLY CHAIN AND ENTERPRISE RESOURCE PLANNING (ERP) COMPUTER SYSTEM UPGRADES. I WOULD NOW LIKE TO UPDATE YOU ON THESE.

MANUFACTURE AND SUPPLY CHAIN TRANSFORMATION PROGRAMME

DRIVING EFFICIENCIES IN OUR SUPPLY CHAIN IS CRITICAL. THE BUSINESS IS COMPLEX. FOR EXAMPLE, EUROPE PICKS OVER 100,000 INDIVIDUAL ITEMS A MONTH FOR DESPATCH FROM ITS LONDON WAREHOUSE.

THE FIRST STAGE OF THE THREE YEAR PROGRAMME WAS TO INTRODUCE LEAN MANUFACTURING AND SUPPLY CHAIN PROCESSES AND UPDATE THEM FOR SIGNIFICANTLY HIGHER LEVELS OF TRANSACTIONS.

IN ADDITION, MANUFACTURING WAS REORGANISED TO ENSURE A MORE DEPENDABLE SUPPLY OF GOODS, AGAIN AT HIGHER PRODUCTION LEVELS.

THIS FIRST STAGE HAS NOW BEEN SUCCESSFULLY COMPLETED. BECAUSE OF THE PRODUCTIVITY GAINS FROM THESE IMPROVEMENTS, OUR GROSS MARGINS REMAINED CONSTANT AT 71% IN F'07, DESPITE A SIGNIFICANTLY HIGHER AUSTRALIAN DOLLAR WHICH DEPRESSED THE REPORTED SALES LINE. THE VAST MAJORITY OF OUR COST OF GOODS SOLD WAS IN AUSTRALIAN DOLLARS. THIS WAS AN EXCELLENT OUTCOME IN ADDITION TO THE OPERATIONAL ADVANTAGES WE GAINED FROM THE PROGRAMME.

THERE ARE FURTHER DEVELOPMENTS TO BE INTRODUCED AS PART OF OUR MANUFACTURING AND SUPPLY CHAIN TRANSFORMATION PROGRAMME TO ENSURE WE HAVE APPROPRIATE CAPACITY AND FLEXIBILITY TO SUPPORT THIS GROWING MARKET.

ENTERPRISE RESOURCE PLANNING (ERP)

ANOTHER PRIORITY AREA OF INFRASTRUCTURE SUPPORT THAT WE HAVE FOCUSED ON IS THE UPGRADING OF OUR COMPUTER SYSTEMS, AGAIN TO READY US FOR FUTURE GROWTH.

COCHLEAR MADE THE DECISION TO INTRODUCE A GLOBAL ORACLE-BASED ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM IN 2002 AND THERE HAS BEEN A STAGED IMPLEMENTATION SINCE THEN. DURING 2007, MUCH PROGRESS WAS MADE ON COMPLETING THE REMAINING AREAS FOR IMPLEMENTATION, BEING MANUFACTURING AND THE EUROPEAN ORGANISATIONS.

ALL THESE AREAS HAVE BEEN SWITCHED ON IN THE LAST FEW WEEKS AND THIS LARGELY COMPLETES THE GLOBAL ENTERPRISE RESOURCE PLANNING (ERP) IMPLEMENTATION PROGRAMME.

THE WORLD WIDE APPLICATION OF A SINGLE ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM IS IMPORTANT FOR FUTURE GROWTH AND ALREADY WE ARE OBTAINING COMMERCIAL ADVANTAGES IN IMPROVED INVENTORY AND ORDERING MANAGEMENT, AS WELL AS EXCITING NEW CUSTOMER INTERFACE AREAS SUCH AS MYCOCHLEAR.COM.

CHRIS ROBERTS WILL FURTHER ELABORATE ON THESE AND OTHER MARKET DEVELOPMENT AREAS IN HIS SPEECH, AS THERE ARE MANY NEW INITIATIVES THAT WE ARE WORKING ON WHICH WILL STIMULATE SUSTAINABLE GROWTH IN THE FUTURE.

CORPORATE STRATEGY

COCHLEAR'S STRATEGY IS TO OPERATE IN THE IMPLANTABLE HEARING IMPAIRMENT SPACE AND THERE ARE FOUR PILLARS TO THE STRATEGY:

- THE COCHLEAR IMPLANT FIELD RELATING TO PEOPLE WITH SEVERE TO PROFOUND SENSONEURAL HEARING LOSS.
- THE BAHA FIELD FOR PEOPLE WITH A CONDUCTIVE HEARING LOSS INCLUDING SINGLE-SIDED DEAFNESS.
- THE ELECTRICAL ACOUSTIC STIMULATION FIELD (EAS), OR HYBRID, FOR PEOPLE WHO HAVE A DEGREE OF RESIDUAL HEARING AND CAN BENEFIT FROM BOTH ELECTRICAL AND ACOUSTIC STIMULATION.
- THE DACS FIELD FOR SPECIFIC TYPES OF CONDUCTIVE HEARING LOSS FROM WHICH THERE IS CURRENTLY NO ADEQUATE HEARING SOLUTION.

WE BELIEVE EACH OF THESE MARKET SEGMENTS PROVIDES EXCELLENT OPPORTUNITIES FOR FUTURE GROWTH.

COCHLEAR IMPLANTS

THE COCHLEAR IMPLANT FIELD IS NOW WELL ESTABLISHED AND CURRENTLY ACCOUNTS FOR 85% OF OUR REVENUE. WE HAVE MAINTAINED MARKET LEADERSHIP THROUGH OUR NEW PRODUCTS AND SERVICES AND OUR MARKET SHARE REMAINS AROUND 70%. THIS YEAR'S 24% GROWTH IN COCHLEAR IMPLANT UNIT SALES UNDERPINS OUR BELIEF THAT THERE IS CONTINUED GROWTH IN THIS MARKET, ESPECIALLY GIVEN THE GROWTH IN THE BILATERAL IMPLANT AREA.

BAHA

THE SECOND AREA OF FOCUS FOR COCHLEAR IS THE BAHA FIELD, WHICH IS THE ENTIFIC BUSINESS THAT WE ACQUIRED IN MARCH 2005. THIS DISCRETE, NICHE MARKET IN THE IMPLANTABLE HEARING IMPAIRMENT SPACE CONTINUES TO GROW WELL. SALES GREW 21% IN F'07, WHICH REMAINS ABOVE OUR ACQUISITION TARGETS. NEW PRODUCTS ARE IN DEVELOPMENT AND WE HAVE TAKEN R&D INVESTMENT FROM 3% OF SALES AT THE DATE OF ACQUISITION TO APPROXIMATELY 10%, AS WE ARE CONVINCED OF THE LONG TERM GROWTH PROSPECTS OF THE PRODUCT.

EAS

EAS, OR HYBRID IMPLANTS, ARE COCHLEAR IMPLANTS WITH SPECIALLY DESIGNED ELECTRODES, THAT, WHEN COMBINED WITH THE APPROPRIATE SURGICAL TECHNIQUE, PRESERVE THE DELICATE STRUCTURES OF THE INNER EAR, CONSEQUENTLY PRESERVING RESIDUAL HEARING. TWO ELECTRODES - HYBRID S AND HYBRID L - ARE IN CLINICAL TRIALS WITH ENCOURAGING RESULTS. THE MARKET FOR EAS IS SIGNIFICANT AND UNTAPPED AT THIS STAGE.

DACS

THIS IS THE FOURTH PILLAR OF OUR PRODUCT STRATEGY AND HAS A LONGER TERM HORIZON.

WITH THIS PRODUCT WE SEEK TO EXTEND COCHLEAR'S GLOBAL LEADERSHIP IN IMPLANTABLE SOLUTIONS FOR THE HEARING IMPAIRED INTO NEW MARKETS, BY COMBINING OUR MARKET LEADING CAPABILITIES IN IMPLANTABLE ELECTRONICS WITH DIRECT MECHANICAL STIMULATION OF THE COCHLEA.

THE DACS IMPLANT WAS BEING DEVELOPED AS A JOINT VENTURE WITH PHONAK AG.

DURING THE YEAR, THE JOINT VENTURE WAS DISBANDED, WITH BOTH PARTIES SHARING ALL COSTS AND INTELLECTUAL PROPERTY IN SUCH A WAY THAT THE PARTIES CAN CONTINUE THEIR OWN DEVELOPMENT PATHS.

THIS HAS DELAYED THE PROJECT IN THE SHORT TERM, BUT IN THE LONGER TERM CREATES SYNERGIES FOR COCHLEAR THAT WILL BE BENEFICIAL.

OFFICE OF INSPECTOR GENERAL UPDATE

AS ADVISED IN MARCH 2004, OUR AMERICAN SUBSIDIARY, COCHLEAR AMERICAS, RECEIVED A REQUEST FOR INFORMATION FROM THE UNITED STATES DEPARTMENT OF JUSTICE. THE REQUEST SOUGHT A VARIETY OF DOCUMENTS INCLUDING THOSE CONCERNING COCHLEAR AMERICAS' RELATIONSHIPS WITH HEALTHCARE PROFESSIONALS.

DURING THE YEAR UNDER REVIEW, THE DEPARTMENT OF JUSTICE PASSED THE INVESTIGATION ON TO THE OFFICE OF INSPECTOR GENERAL FOR ADMINISTRATIVE PROCESSING.

WE WILL CONTINUE TO COOPERATE FULLY WITH THE OFFICE OF INSPECTOR GENERAL, BUT AT PRESENT, THERE IS NOTHING FURTHER TO REPORT.

BOARD AND EXECUTIVE REMUNERATION

THIS AREA CONTINUES TO BE AN AREA OF INTENSE PUBLIC INTEREST AND YOUR REMUNERATION COMMITTEE AND BOARD HAVE CONTINUED TO FOCUS DURING THE LAST YEAR ON IMPORTANT ASPECTS OF BOARD AND EXECUTIVE REMUNERATION.

FIRST BOARD REMUNERATION:

THIS YEAR WE ARE ASKING THE SHAREHOLDERS TO APPROVE AN INCREASE TO THE MAXIMUM AGGREGATE OF NON-EXECUTIVE DIRECTORS' REMUNERATION OF \$500,000 TO A TOTAL \$1,500,000 PER ANNUM.

THE BACKGROUND TO THIS IS AS FOLLOWS. THE LAST TIME WE REQUESTED AN INCREASE FROM SHAREHOLDERS TO NON-EXECUTIVE DIRECTOR AGGREGATE REMUNERATION WAS OVER THREE YEARS AGO. SINCE THAT TIME WE HAVE ABSORBED THE INCREASES TO BASE FEES NECESSARY TO ADJUST FOR THE DISCONTINUING OF THE NON-EXECUTIVE DIRECTORS' RETIREMENT ALLOWANCES IN LINE WITH MARKET PRACTICE.

IN ADDITION, WE WISH TO PROVIDE SCOPE FOR AN ADDITIONAL DIRECTOR IN THE FUTURE, DEPENDING ON COCHLEAR'S DEVELOPMENT.

I BELIEVE COCHLEAR'S NON-EXECUTIVE DIRECTORS' FEES ARE REASONABLY COMPETITIVE AND THAT THE PROPOSED INCREASE TO THE AGGREGATE REMUNERATION WILL COVER ANNUAL FEE INCREASES FOR THE NEXT THREE TO FOUR YEARS.

FOR YOUR INFORMATION, THE BOARD WILL RECEIVE AN AVERAGE 3.5% INCREASE IN F'08 IF THE INCREASE IN AGGREGATE REMUNERATION IS APPROVED TODAY.

IN THE EXECUTIVE AREA, THE REMUNERATION COMMITTEE HAS RENEGOTIATED THE CEO, DR CHRIS ROBERTS' CONTRACT AND THE DETAILS ARE CONTAINED IN THE REMUNERATION REPORT WHICH WAS ISSUED WITH THE RESULTS ON 14TH AUGUST 2007. DR ROBERTS' APPOINTMENT WAS CONTINUED WITH NO FIXED TERM AND A NOTICE PERIOD OF 6 MONTHS. IF COCHLEAR TERMINATES DR ROBERTS' EMPLOYMENT WITHOUT CAUSE, HE WILL BE ENTITLED TO RECEIVE THE EQUIVALENT OF 12 MONTHS OF HIS FIXED REMUNERATION PLUS THE PRORATA AMOUNT UNDER THE SHORT TERM INCENTIVE PLAN. THIS CONTRACT IS IN LINE WITH BEST MARKET PRACTICE.

DR ROBERTS' INITIAL CONTRACT WAS FOR THREE YEARS AND WE ARE DELIGHTED THAT HE HAS AGREED TO CONTINUE IN THE ROLE.

A FURTHER AREA WHICH WAS DEVELOPED DURING THE YEAR WAS THE FORMALISATION OF THE POLICY COVERING NON-EXECUTIVE DIRECTOR AND EXECUTIVE SHARE OWNERSHIP.

THIS POLICY STIPULATES THAT NON-EXECUTIVE DIRECTORS HOLD A MINIMUM OF ONE YEAR'S WORTH OF FEES IN COCHLEAR SHARES. SIMILARLY, THE CEO AND HIS ELEVEN DIRECT REPORTS ARE ALSO REQUIRED TO HOLD A MINIMUM NUMBER OF COCHLEAR SHARES EQUIVALENT IN VALUE TO THE LAST 12 MONTHS TOTAL FIXED REMUNERATION. THE EXECUTIVES CAN ACCUMULATE THIS AMOUNT OVER TIME BY RETAINING AT LEAST 25% OF THE PROFITS WHEN EXERCISING THEIR LONG TERM INCENTIVES.

THIS NEW POLICY IS A POSITIVE STEP TOWARDS FURTHER ALIGNING THE INTERESTS OF NON-EXECUTIVE DIRECTORS AND MANAGEMENT WITH THOSE OF OTHER SHAREHOLDERS.

EMPLOYEE SHARE PLAN

A SCHEME THAT WE ARE PROUD OF AT COCHLEAR IS THE EMPLOYEE SHARE PLAN WHICH WAS INTRODUCED IN 2000. UNDER THIS SCHEME, ELIGIBLE EMPLOYEES ARE GRANTED SHARES IN THE COMPANY AS A REWARD FOR THE COMPANY ACHIEVING STRONG FINANCIAL RESULTS.

TO DATE, OVER 275,000 SHARES HAVE BEEN ISSUED TO EMPLOYEES UNDER THE SCHEME, WITH A CURRENT TOTAL VALUATION OF APPROXIMATELY \$20 MILLION.

IN VIEW OF THE STRONG F'07 RESULTS, THE SCHEME WAS AGAIN CONTINUED WITH A \$1,000 GRANT PER EMPLOYEE IN SEPTEMBER 2007. THE GRANT WAS MADE TO APPROXIMATELY 1,000 STAFF AS A REWARD FOR LAST YEAR'S STRONG RESULT.

THE BOARD BELIEVES THIS IS A PRACTICAL AND EFFECTIVE MANNER TO REWARD STAFF FOR THE SIGNIFICANT ACHIEVEMENTS OF THE COMPANY.

CORPORATE GOVERNANCE

TURNING NOW TO CORPORATE GOVERNANCE.

COCHLEAR HAS ALWAYS MAINTAINED AN ONGOING COMMITMENT TO TRANSPARENCY AND GOOD CORPORATE GOVERNANCE.

AS DETAILED IN THE CORPORATE GOVERNANCE REPORT, COCHLEAR FULFILS ALL THE RECOMMENDATIONS OF THE ASX CORPORATE GOVERNANCE COUNCIL'S "PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS". WE CONTINUE TO REFINE AND IMPROVE OUR PRACTICES IN THIS AREA.

YOUR BOARD HAS NOTED THE NEW ASX CORPORATE GOVERNANCE PROPOSALS ISSUED BY THE ASX CORPORATE GOVERNANCE COUNCIL IN AUGUST 2007. COCHLEAR SUPPORTS

THESE ENHANCEMENTS AND PLANS TO EARLY ADOPT THE REVISED RECOMMENDATION FOR THE YEAR ENDING 30 JUNE 2008.

DIRECTORS

THREE DIRECTORS RETIRED DURING THE LAST YEAR. MESSRS NORTH AND VEENEKLAAS RETIRED AT THE LAST AGM AND DR JOHN PARKER RETIRED FROM COCHLEAR AND THE BOARD ON HIS RETURN FROM EUROPE IN MARCH.

I WOULD LIKE TO AGAIN THANK ALL THESE DIRECTORS FOR THEIR VALUABLE CONTRIBUTION, IN PARTICULAR, DR PARKER, WHOSE CONTRIBUTION TO INNOVATION AND PRODUCT DEVELOPMENT HAS BEEN SIGNIFICANT AND VALUABLE TO COCHLEAR.

I WAS ALSO DELIGHTED TO WELCOME MR ANDREW DENVER TO THE BOARD FROM 1ST FEBRUARY 2007. ANDREW IS AN EXPERIENCED INTERNATIONAL BUSINESS EXECUTIVE WITH RELEVANT SKILLS THAT WILL ADD VALUE TO THE COCHLEAR BOARD AND YOU WILL HEAR MORE OF HIS BACKGROUND AT THE TIME HE SEEKS ELECTION LATER IN THE MEETING.

EMPLOYEES

COCHLEAR HAS A DEDICATED AND ENGAGED WORKFORCE WHICH WILL ALWAYS BE FUNDAMENTAL TO OUR ONGOING SUCCESS. OUR PEOPLE FORM THE VERY FOUNDATION OF OUR BUSINESS STRATEGY AND THE STRONG PERFORMANCE DURING THE YEAR WAS MADE POSSIBLE BY THE COMMITMENT AND HARD WORK OF OUR NEARLY 1,700 EMPLOYEES.

ON BEHALF OF THE BOARD, I THANK MY FELLOW DIRECTORS, THE CEO/PRESIDENT, CHRIS ROBERTS, HIS MANAGEMENT TEAM AND ALL EMPLOYEES FOR THEIR ONGOING DEDICATION.

OUTLOOK

COCHLEAR CONTINUES TO BE WELL PLACED TO MAINTAIN ITS STRONG GROWTH TREND.

OUR ONGOING INVESTMENT IN R&D, MARKETING, PRODUCTION AND INFRASTRUCTURE WILL SUPPORT COCHLEAR'S AMBITIOUS GROWTH PLANNED FOR THE FUTURE.

LADIES AND GENTLEMEN THAT COMPLETES MY ADDRESS. A COPY OF MY ADDRESS HAS BEEN LODGED WITH THE AUSTRALIAN STOCK EXCHANGE AND IS AVAILABLE FROM THE TABLE IN THE FOYER. A COPY IS ALSO ON THE WEB SITE.

I WOULD NOW LIKE TO INVITE YOUR CEO AND PRESIDENT DR CHRIS ROBERTS TO ADDRESS THE MEETING.

THANK YOU.

TOMMIE BERGMAN
23 OCTOBER 2007