



# Cochlear Limited

## 2008 Annual General Meeting


Grand Ballroom  
Four Points by Sheraton Hotel  
161 Sussex Street  
Sydney NSW

**Tuesday 21<sup>st</sup> October 2008**

Hear now. And always  Cochlear™



### Mr Tommie Bergman Chairman

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Mr Neville Mitchell  
Company Secretary



Dr Chris Roberts  
Chief Executive Officer/  
President





Prof Ed Byrne AO  
Director



Mr Rick Holliday-Smith  
Director





Mr Paul Bell  
Director



Mr Donal O'Dwyer  
Director





Mr Andy Denver  
Director




## Proceedings



- Chairman's Address
- CEO's Address
- Formal Resolutions






**Cochlear Limited**  
2008 Annual General Meeting


Mr Tommie Bergman  
Chairman's Address

Marie-Louise Eliasson,  
Sweden

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## Record Financial Results for F08

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

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## Regional Performance

- Europe revenue up 30% in constant currency
- Americas revenue up 6% in constant currency
- Asia Pacific revenue up 20% in constant currency
- Baha revenue up 27% in constant currency – now represents ~ 13% of our group sales

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## Low Debt Levels

- Net debt at 30<sup>th</sup> June 2008 was \$133 million
- Gearing reduced to 29%
- Debt facilities renegotiated
- 90% of debt classified as long term
- Conservative approach serving the Company well
- Interest cover of 8 times



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## Increased Shareholder Value

- Philosophy of long-term sustainable growth
- Cochlear's TSR for 3 years to 30 June 2008 was in the top 25% of the ASX 100 companies
- Cochlear's share price has since increased 32% since 30 June 2008



## Cochlear's Long Term Strategy

- Strategy remains focused on sustainable growth through four areas:
  - Cochlear Implants
  - Electro-Acoustic Stimulation (EAS)
  - Bone Conduction Implants – Baha
  - Direct Acoustic Cochlear Stimulation (DACs)
- Impressive product portfolio
- Internal projects focused on productivity gains in supply chain, sales and admin areas





## Sustainability

- Committed to long-term sustainable financial growth
- Also committed to sustainability in areas of environment and society
- Very low carbon footprint
- Support to the communities we work with, with sponsorships, charity donations and time
- Continuing support to the Cochlear Foundation



## Cochlear's Outstanding Export Success

- Cochlear has a history of winning prestigious awards both for innovative product design and business success in world markets.
- 2007: Won Australian Exporter of the Year
- 2008: Inducted into the Australian Export Awards Hall of Fame
  - One of eight companies in the 46 year history of the Awards program to be honoured with this exclusive acknowledgement.



## Office of Inspector General Update

- In March 2004 Cochlear Americas received a request for information from the United States Department of Justice
- Request sought documents including those relating to Cochlear Americas' relationships with healthcare professionals
- In 2006 the Department of Justice passed the investigation over to the Office of Inspector General (OIG) for administrative processing
- Cochlear continues to cooperate fully with the OIG
- Nothing further to report at this stage



## Regulatory Environment

- FDA has advised it is lifting the import alert issued in February 2008, which arose from an inspection of our Swedish Baha manufacturing facility
- Cochlear's products are covered by over 20 regulatory bodies
- Increasingly complex environment
- Cochlear well placed to manage the complexity



## Board and Management

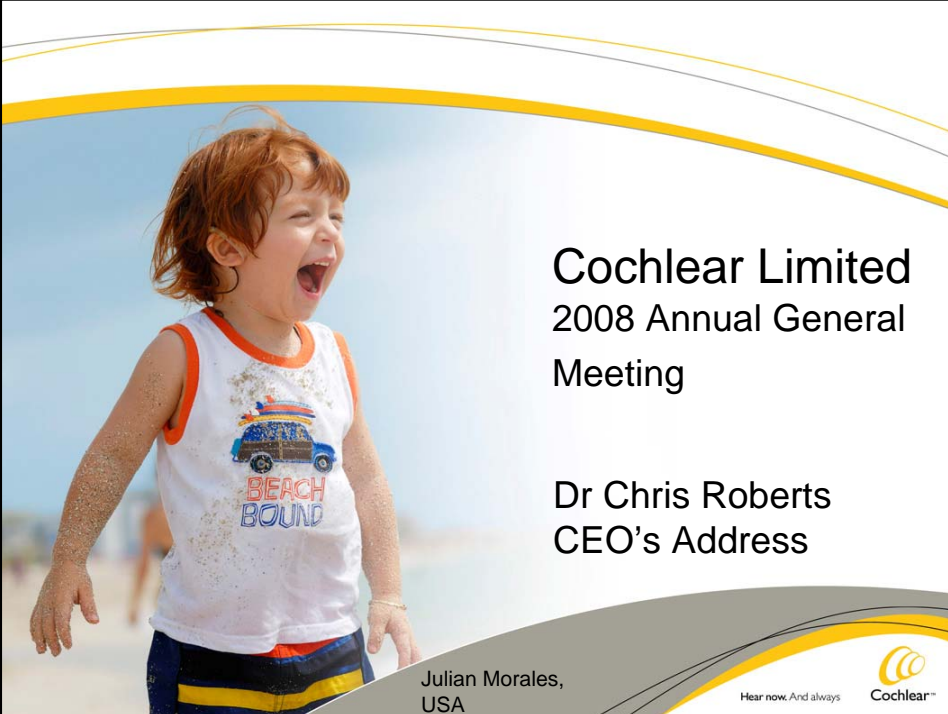
- Board and Senior Management team remain unchanged
- Cochlear has over 1,900 employees based in 20 countries around the world
- Over 1,000 employees are shareholders



## Outlook

- Cochlear continues to be well positioned to maintain growth and market leadership
- Ongoing investment in R&D, growth initiatives and internal capabilities will support Cochlear's continuous positive development






**Cochlear Limited**  
**2008 Annual General Meeting**


**Dr Chris Roberts**  
**CEO's Address**


Julian Morales,  
 USA

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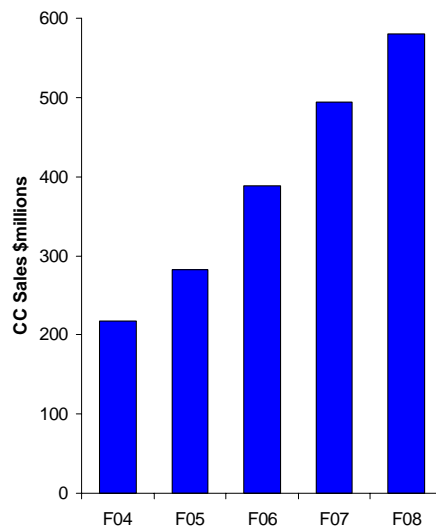
## Cochlear Background

- 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)



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## 5 Year Sales in Constant Currency\*

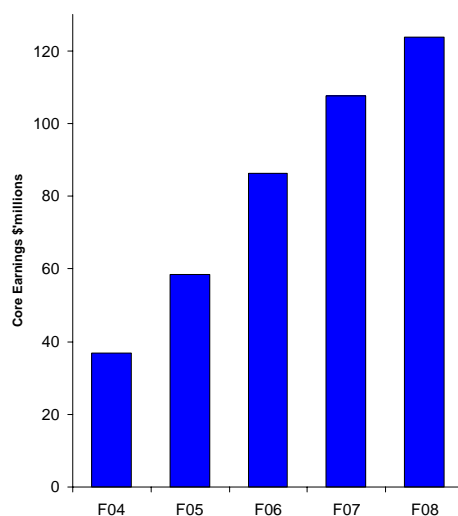


- During F08 there was significant appreciation of AUD, e.g. up 14% against USD, up 10% against GBP
- In constant currency terms, F08 sales revenue up 18%

\* CC means sales restated at F08 FX rates



## 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



Nucleus<sup>®</sup>  
freedom<sup>™</sup>  
System

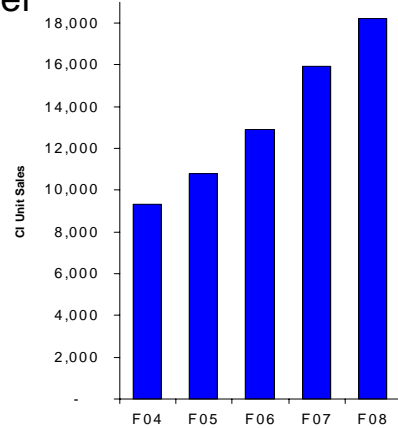
Hear now. And always  
Cochlear<sup>™</sup>

Nucleus<sup>®</sup>  
freedom<sup>™</sup> cochlear implant

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Cochlear<sup>™</sup>

## Record cochlear implant unit sales, driven by Nucleus Freedom - the best cochlear implant system, ever

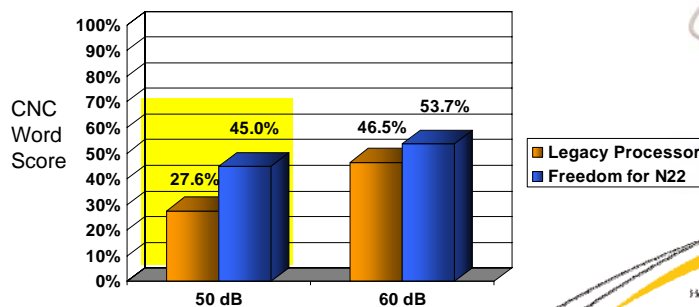
- Superior clinical performance
- Electrode design for correct placement (scala tympani)
- Powerful speech processor, pre-processing of sound
- Superior implant reliability
- Bilateral cochlear implantation is becoming standard in many market segments



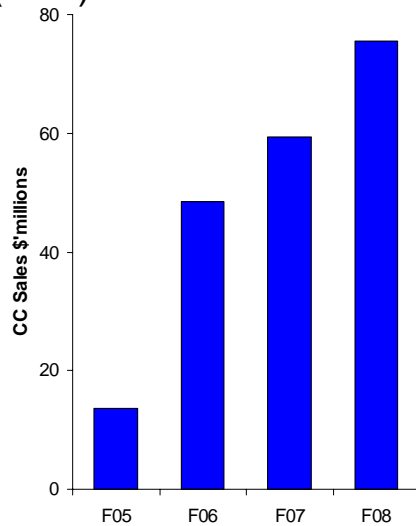
## Speech Processor Upgrades: Release of Freedom for N22 in F08

- Freedom for N22 released in F08
- While 85%+ of sales are new patients, sales to existing recipients (upgrades) is an important growing business

CNC Word Test in Quiet



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



\* CC means sales restated at F08 FX rates

- BAS (Baha implants) sales of \$75.6 million up 21%
- Up 27% in constant currency terms
- Update: FDA is lifting its Import Alert

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## Hybrid™

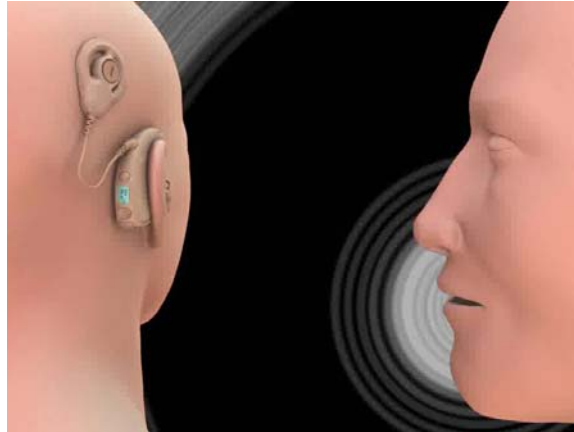
- Combines cochlear implant with hearing aid technology
- For severe to profound high frequency SNHL but some low frequency hearing
- Clinical trials shown excellent results
- CE mark obtained for implant, speech processor and software for Hybrid L
- Controlled market release in F09 in certain countries



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## How Hybrid Works



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## 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)
- Recipient services

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## Outlook: Major Operational Trends

- Four product areas provide short and long term growth potential
- Geographic sales spread provides reduced risk (portfolio effect)
- Largest product segment – cochlear implants – remains hugely under-penetrated in both the infant and adult market.
- Bilateral cochlear implantation is still < 15% of unit sales. It is becoming routine in many segments
- Baha growth robust at > 20%
- Importance and opportunity for upgrade sales
- Technologic leadership being maintained (through R&D spend) + opportunity for clinic scale and leverage



## F09 Financial Outlook

- Cochlear should successfully ride out the financial global challenges (cash flow positive, low debt, falling interest rates/AUD and high medical necessity for its products, with global spread of sales)
- A weaker AUD definitely provides earnings upside, as the hedge strategy covers net cash flow from regions, not sales or NPAT *per se*
- As announced in August, Core Earnings growth rate for F09 will be biased to H2 (because of H1 F08 asset translation effect)
- On track for another year of double-digit growth (10 – 20% core earnings growth), depending on FX rates



# Cochlear Limited 2008 Annual General Meeting

## Business of the Meeting



## **Resolution No. 1**

### **Financial and other reports**

To receive and consider the Company's Financial Report, Directors' Report and Auditor's Report in respect of the financial year ended 30 June 2008.



## Resolution No. 2

### Remuneration Report

To consider and, if thought fit, to pass the following non-binding resolution:

2.1 “THAT the Remuneration Report be adopted”



## Resolution No. 2

### Remuneration Report

#### Proxy Summary

• Total number of proxy votes cast	29,257,954	100%
• Votes in favour of the resolution	28,417,914	97%
• Votes to be cast at the discretion of the proxy	536,957	2%
• Votes against the resolution	303,083	1%
• Votes directed to abstain from voting	80,348	<1%



## Resolution No. 3

### Re-election and election of directors

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:



### Tommie Bergman / Non-Executive Directorships

Cochlear Limited	Chairman, October 2002 – Present Deputy Chairman, January 2002
Rinker Group Ltd / Cemex Pty Ltd	Director, June 2007 – April 2008
Smorgon Steel Group Ltd	Director, August 1999 – June 2007
WMC Resources Ltd	Chairman, May 2003 – June 2005
WMC Ltd	Director, January 2001 Deputy Chairman, March 2002
Ancor Ltd	Director, December 1997 – October 2003
Atlas Copco Australia Pty Ltd	Director, May 1996 – May 2002

#### Advisory Boards

Calburn Advisory Board	August 2003 – June 2007
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## **Tommie Bergman / Executive Career Summary**

### **ABB AUSTRALASIA GROUP**

**ASEA Brown Boveri Pty Ltd**, Executive Chairman & Managing Director 1991 – 2002

***Chairman of the following Group Companies:***

ABB Transmission & Distribution Ltd; ABB Industry Pty Ltd; ABB Service Pty Ltd (formerly ABB Engineering Construction); ABB Instrumentation Pty Ltd; ABB Daimler-Benz Transportation (Australia) Pty Ltd; ABB Power Generation Ltd; ABB New Zealand

### **USA**

**ABB Industrial Systems Inc, Milwaukee WI**, President 1988 – 1991

***Chairman of the following Group Companies:***

ABB Traction Inc; ABB Kent-Taylor Inc; ABB Harnco Inc; Florida High Speed Rail Inc; ABB Service Inc

**ASEA Industrial Systems Inc**, President 1986 – 1988

***Chairman of the following Group Companies:***

Asea Harnco Inc; Stromberg Inc; Asea Controls Inc

### **PORTUGAL**

**Asea Electrica Ltd, Lisbon**, Managing Director 1984 – 1986

### **INDIA**

**Asea Electrica Ltd, Bombay**, Managing Director 1981 – 1984

### **SINGAPORE**

**Asea Pty Ltd, Singapore/Indonesia**, Managing Director 1979 – 1981

## **Resolution No. 3.1**

### **Re-election of directors**

3.1 “THAT Mr Tommie Bergman, being a director who is retiring by rotation in accordance with the Company’s Constitution and who, being eligible, offers himself for re-election as a director of the Company, be re-elected as a director of the Company.”



## Resolution No. 3.1

### Re-election of directors – Mr Tommie Bergman

#### Proxy Summary

• Total number of proxy votes cast	29,257,954	100%
• Votes in favour of the resolution	28,181,007	96%
• Votes to be cast at the discretion of the proxy	548,605	2%
• Votes against the resolution	574,579	2%
• Votes directed to abstain from voting	34,111	<1%



### Paul Bell / Career Summary

#### Non-Executive Directorships

Cochlear Limited	Director, August 2005 – Present Chairman of Remuneration Committee
Biota Holdings Ltd	Director, September 2006 – Present
Bio-Link Partners Ltd	Director, January 2005 – Present
Gropep Ltd	Director, August 2003 – December 2006

#### Advisory Boards

Westmead Millennium Institute of Medical Research	Chairman, Advisory Board March 2004 – Present
Federal Government Pharmaceutical Partnership Program	Committee Member December 2003 – Present
Business Development Council, Garvan Institute of Medical Research	Council Member May 2004 – June 2008



## Paul Bell / Career Summary

### Executive Career

<b>Merck &amp; CO</b>	<b>1973 – 2002</b>
Merck Human Health Division Asia Pacific Region, President	1997 – 2002
Merck & Co Management Committee, Member	1997 – 2002
Merck, Sharp and Dohme Australia/New Zealand, Vice President	1993 – 1997
Merck, Sharp and Dohme Australia, Managing Director	1988 – 1993
Merck, Sharp and Dohme Australia, Director Business Development	1986 – 1988
Positions of increasing responsibility in New Zealand, USA and Australia	1973 – 1986
IBM New Zealand Ltd, Manager Human Resources	1968 – 1973

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## Resolution No. 3.2

### Re-election of directors

3.2 “THAT Mr Paul Bell, being a director who is retiring by rotation in accordance with the Company’s Constitution and who, being eligible, offers himself for re-election as a director of the Company, be re-elected as a director of the Company.”



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## Resolution No. 3.2

### Re-election of directors – Mr Paul Bell

#### Proxy Summary

• Total number of proxy votes cast	29,257,954	100%
• Votes in favour of the resolution	28,137,585	96%
• Votes to be cast at the discretion of the proxy	551,486	2%
• Votes against the resolution	586,605	2%
• Votes directed to abstain from voting	80,626	<1%



## Resolution No. 4

### Approval of securities issued to the CEO/President under the Cochlear Executive Long Term Incentive Plan (CELTIP)

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

4.1 "THAT approval be given to:

- a) The grant to Dr Christopher Roberts, the CEO/President of the Company, of options calculated in accordance with the formula and on the terms summarised in the Explanatory Notes attached to this Notice of Annual General Meeting;
- b) The issue, allocation or transfer to Dr Roberts of any shares upon the exercise of any options."



## Resolution No. 4.1

### Approval of securities issue to the CEO/President under the Cochlear Executive Long Term Incentive Plan (“CELTIP”)

#### Proxy Summary

• Total number of proxy votes cast	29,257,954	100%
• Votes in favour of the resolution	27,794,175	96%
• Votes to be cast at the discretion of the proxy (Open Usable and Open Conditional)	404,801	1%
• Votes against the resolution	898,381	3%
• Votes undirected with no Chairman's voting instruction	130,790	<1%
• Votes directed to abstain from voting	110,155	<1%



## Close of Meeting

