

Cochlear Limited

Results for the half year ended 31 December 2009 (H1 F10)



Chris Roberts, CEO

Neville Mitchell, CFO

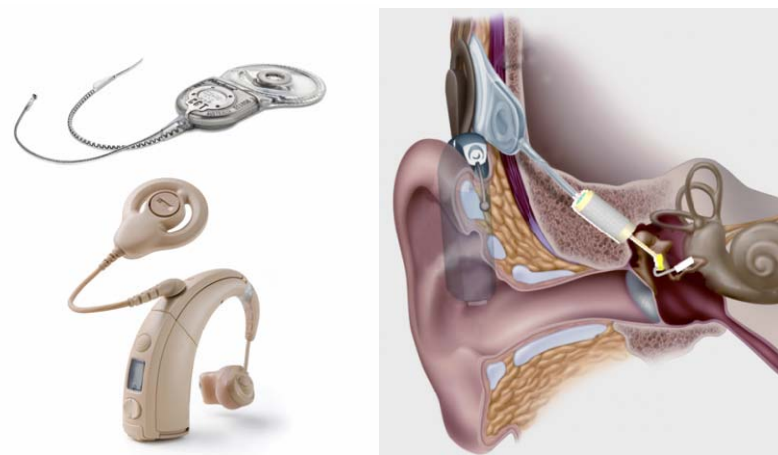
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Cochlear Overview



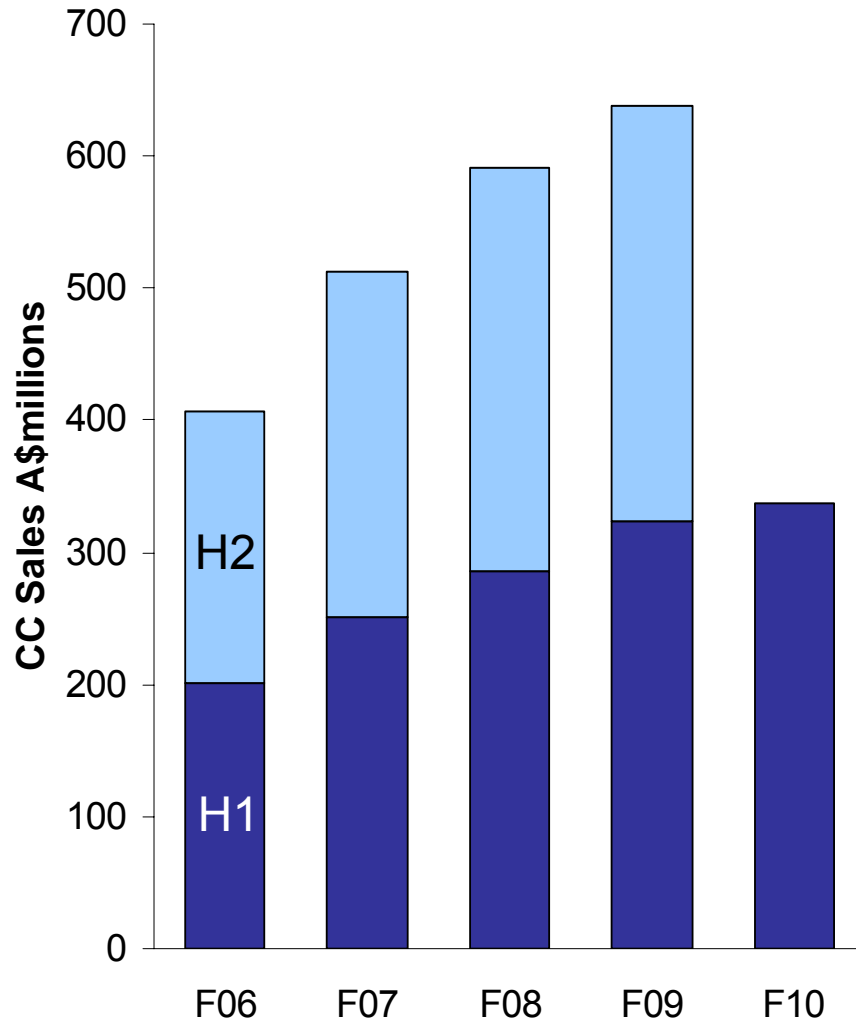
- Cochlear Limited (ASX:COH) is a medical device company focused on implantable devices for the hearing impaired
- Over 2,000 employees
- Direct operations in 20+ countries, and products sold in 100+ countries
- ~13% of revenues spent on R&D



Cochlear: Financial Results for H1 F10

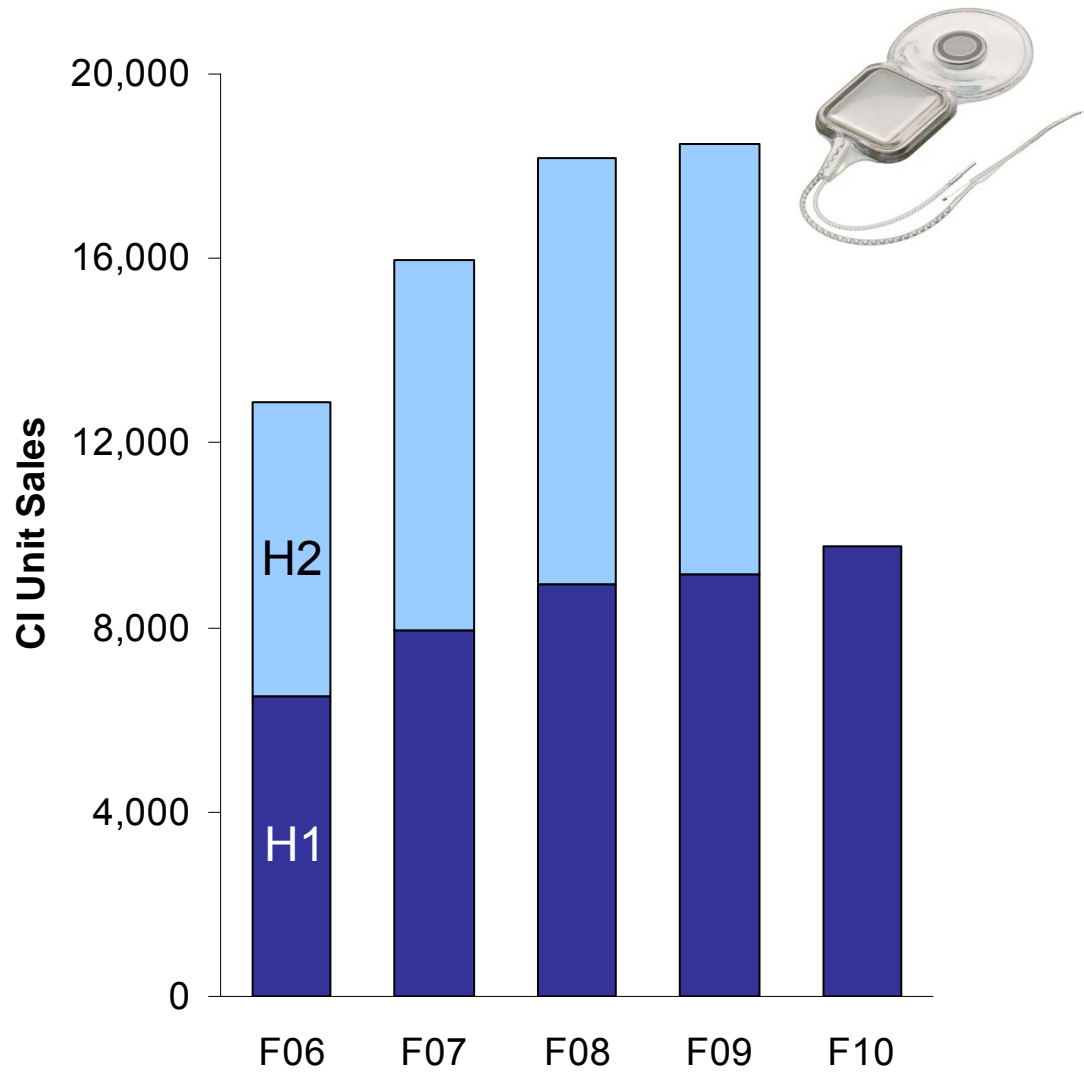
	H1 F10 \$ millions	H1 F09 \$ millions	+ %
Cochlear Implants	290.5	301.1	↓3
Bone Anchored (Baha)	46.4	45.8	↑1
FX Contracts	10.7	8.3	↑29
Revenue	347.6	355.2	↓2
EBIT	107.3	100.4	↑7
Net Profit After Tax	75.2	69.9	↑8
EPS	134.0 cps	125.5 cps	↑7
Interim Dividend	95.0c	80.0c	↑19

Cochlear: Sales in Constant Currency (CC)



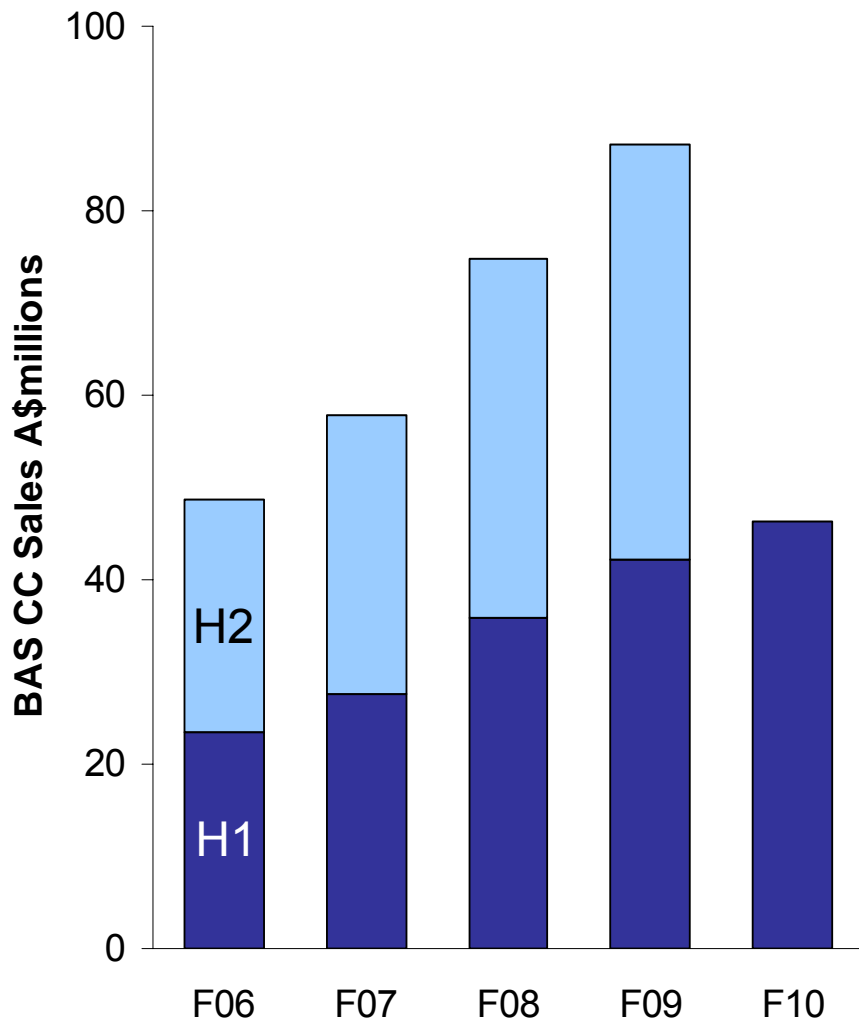
- Sales (excluding FX contracts) down 3% to \$336.9 million
- Sales in constant currency (prior periods restated at H1 F10 rates) up 4% compared to H1 F09 and up 7% compared to H2 F09
- Nucleus Freedom upgrade sales ↓29% with launch of Nucleus 5

Cochlear: Cochlear Implant (CI) Unit Sales



- H1 F10 cochlear implant (CI) unit sales up 7% to 9,811
- CI unit sales growth biased to Q2 (Dec qtr) with Q2 unit sales growth of 13%
- CI unit sales growth of ~ 20% for the countries in which Nucleus 5 was launched

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



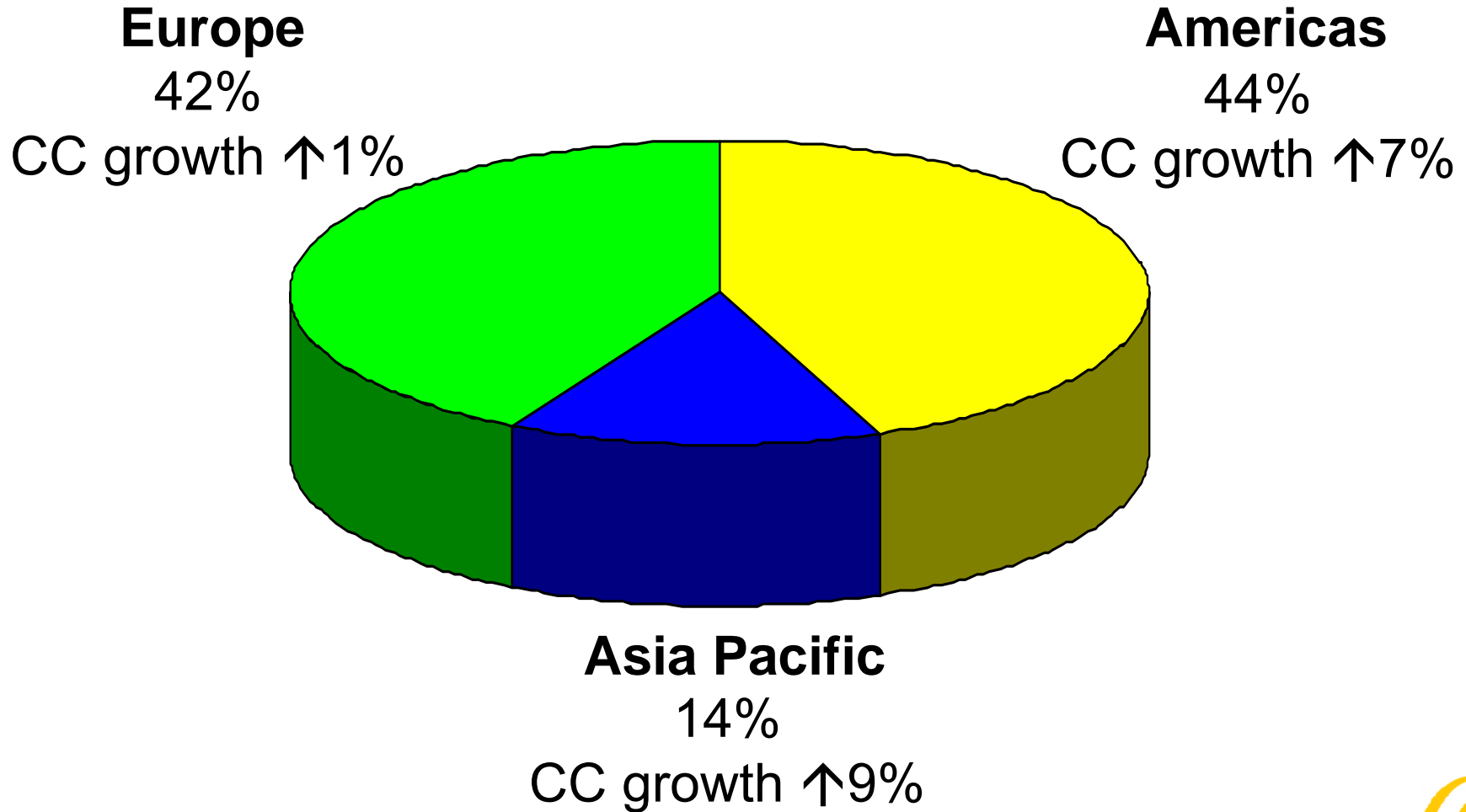
- BAS sales (including Baha implants) \$46.4 million for H1 F10, up 10% in constant currency
- Successful launch of Cochlear Baha BP100



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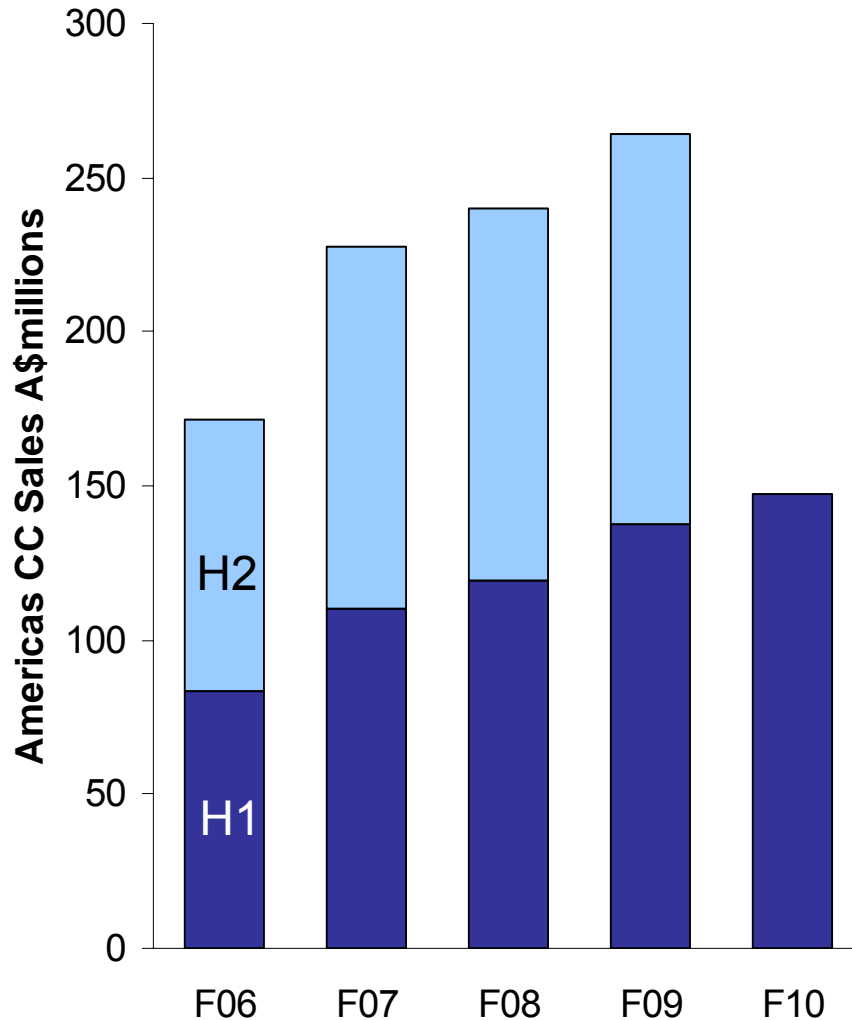
Cochlear: H1 F10 Regional Split of Sales



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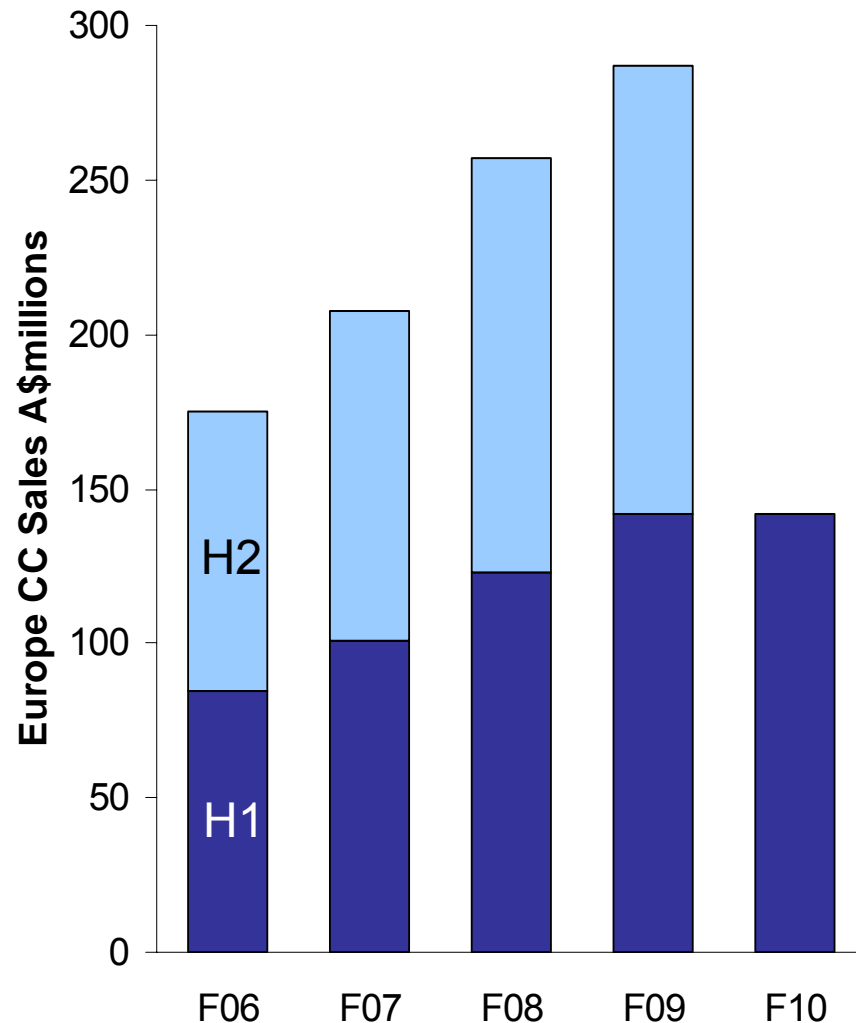


Cochlear Americas: Sales in Constant Currency



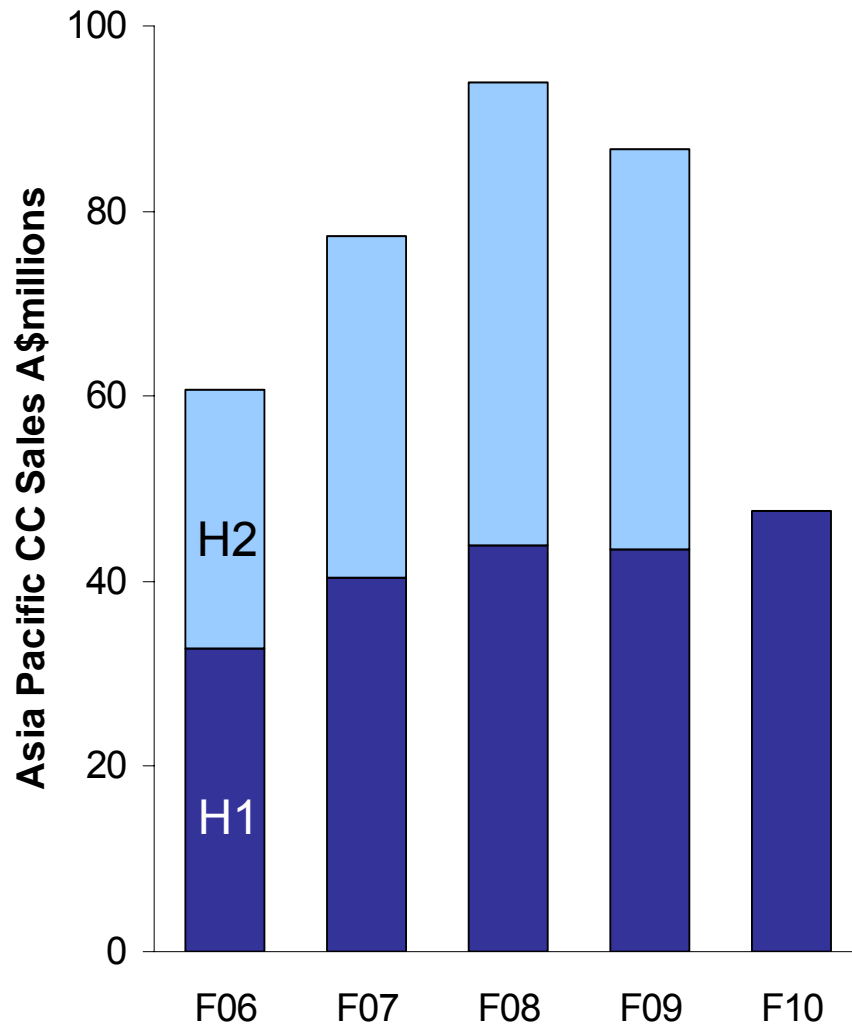
- Americas sales of \$147.7 million, up 7% in constant currency
- USA: FDA approval for Nucleus 5 submission (implant and externals) in Sep 09
- USA Nucleus 5 launch: rapid roll-out of Nucleus 5 across the USA post FDA approval

Cochlear Europe: Sales in Constant Currency



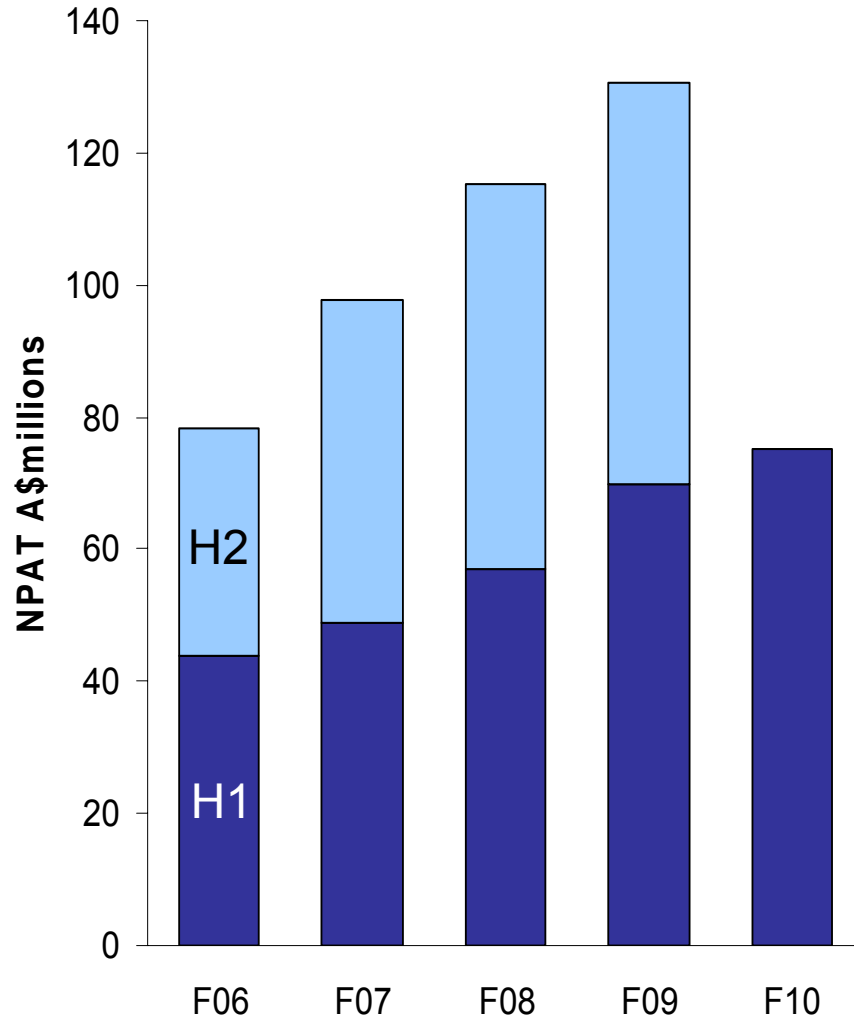
- Europe sales of \$141.7 million, up 1% in constant currency
- Tender sales (Middle East and Central/Eastern Europe) down on H1 F09 (timing issues)
- Nucleus 5 launched in many key countries in H1 with many more in H2 F10

Cochlear Asia Pacific: Sales in Constant Currency



- Asia Pacific sales of \$47.5 million, up 9% in constant currency
- Nucleus Freedom launched in Japan
- Nucleus 5 launched in Australia/NZ, Hong Kong, Singapore and Malaysia
- 300 CI units supplied for China Donation program

Cochlear: Net Profit After Tax (NPAT)



- NPAT of \$75.2 million, up 8% on H1 F09
- EPS of \$1.34, up 7%
- EBIT of \$107.3 million up 7% , being 31% of revenue (H1 F09: 28%)
- Free cash flow \$89 million
- Interim dividend \$0.95, up 19%

Cochlear Nucleus 5 System

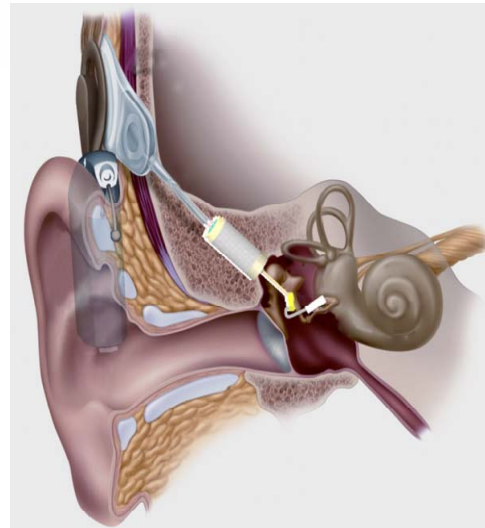


- The next generation cochlear implant system includes over 50 technologic innovations
- ~20 countries launched in H1 F10
- Launch execution well planned and implemented
- Customer feedback (healthcare professionals and recipients) has been extremely positive

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Cochlear Hybrid and Cochlear DACS



- Continued controlled market release of Cochlear Hybrid for electro-acoustic stimulation
- First patients implanted with Cochlear DACS with switch on Jan 2010

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Cochlear H1 F10 Overview

- Net Profit After Tax (NPAT) of \$75.2 million up 8%, with EPS of \$1.34 up 7%
- Successful launch of Cochlear Nucleus 5 in ~ 20 countries in H1 with more country launches in H2
- Cochlear Nucleus 5 customer feedback extremely positive and CI unit sales building momentum
- F10 guidance: F10 NPAT growth at least 15% over F09



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Cochlear Limited

H1 F10 Financial Results



Neville Mitchell, CFO

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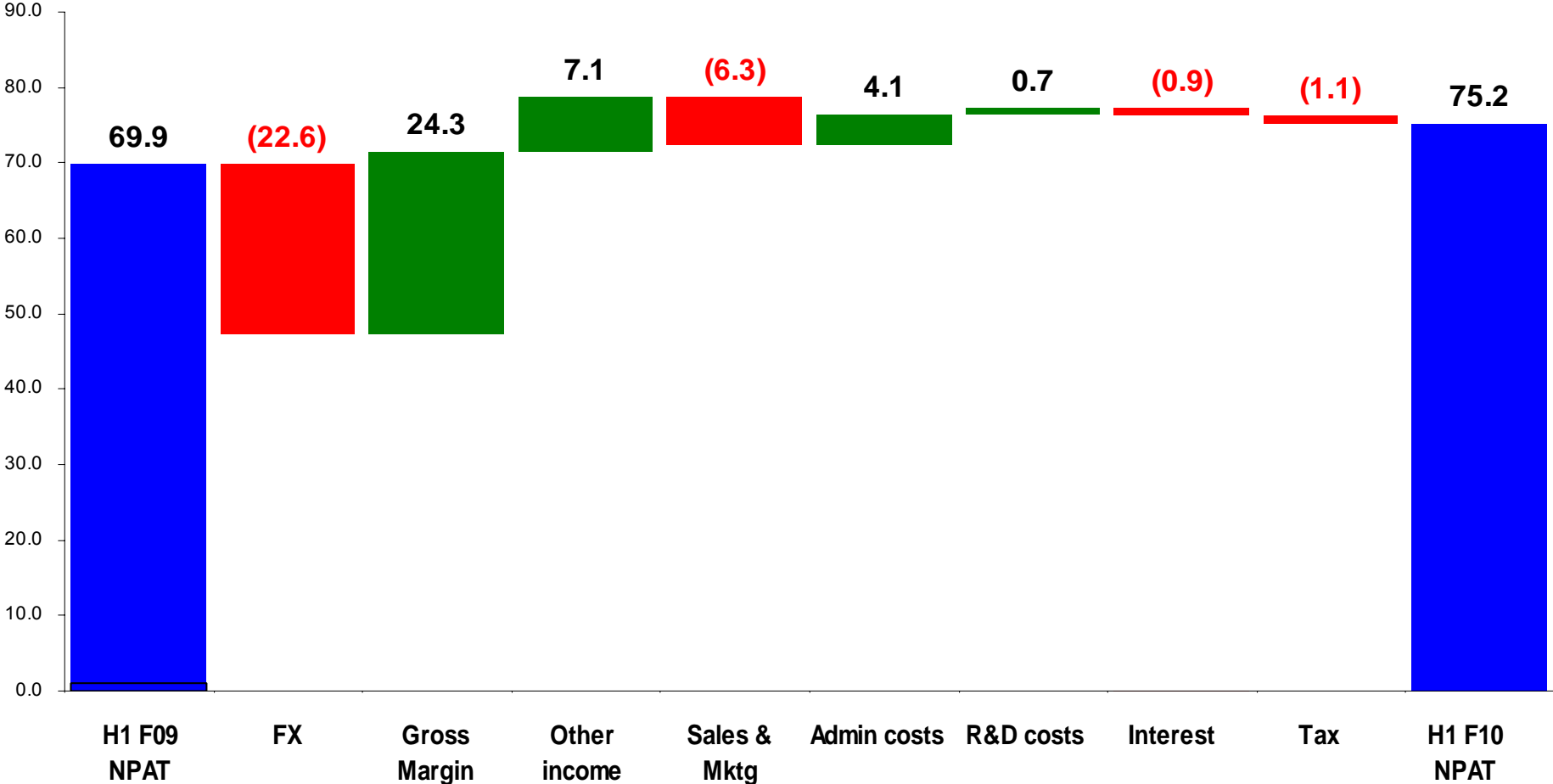


Cochlear H1 F10 Financial Performance

	H1 F10 \$m	% Rev	H1 F09 \$m	% Rev	% Change
Total Revenue	347.6		355.2		↓ 2%
EBIT	107.3	31%	100.4	28%	↑ 7%
NPAT	75.2	22%	69.9	20%	↑ 8%
Dividends					
Interim Dividend	95c		80c		↑ 19%
Record Date 26 February 2010 Payable Date 16 March 2010					
Franking*	100%		100%		

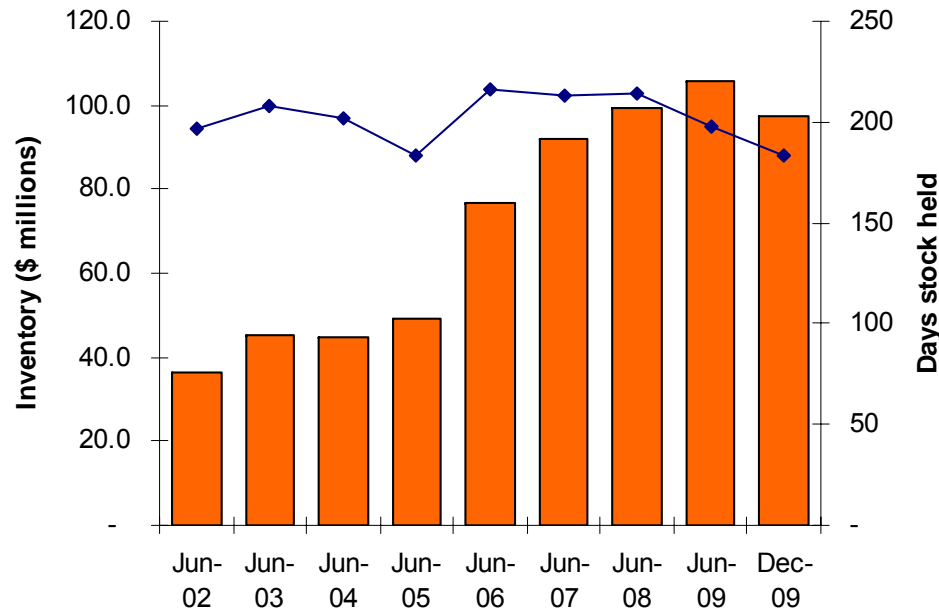
* 100% franking is becoming increasingly difficult

Cochlear H1 F09 – H1 F10 NPAT Reconciliation

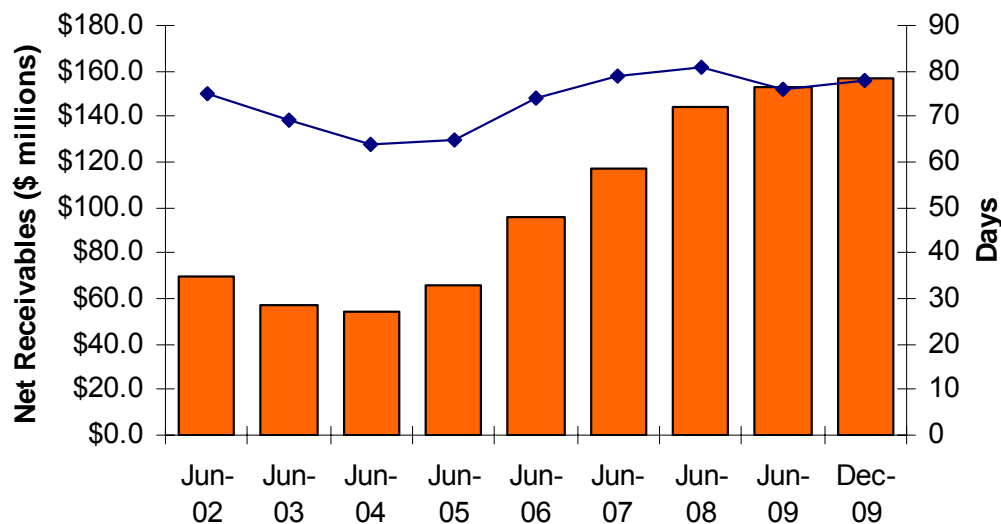


Cochlear H1 F10 Working Capital

Inventory (Days Stock Held) / Debtors Days Outstanding



- H1 F10 Inventory days fallen to 183 (June F09 198 days)
- Debtor days 78 (June F09 76)
- Trade receivables at \$156.7m (June F09 153.3m)



Cochlear H1 F10 Debt

	31 Dec 2009	30 Jun 2009	31 Dec 2008
Operations	\$m	\$m	\$m
Loans and Borrowings			
Current	-	-	16.8
Non-current	142.5	176.6	180.5
Total Debt – operations	142.5	176.6	197.3
Cash	73.5	77.9	62.9
Net Debt – operations	69.0	98.7	134.4
<i>Gearing ratio - operations (net debt/net debt + equity)</i>	15%	21%	32%
Net Debt for new building	34.4	9.9	-
Total Net Debt	103.4	108.6	134.4

Negative Impact of Appreciating AUD on H1 F10 NPAT

	A\$m	
		F/(U)
Income Statement Translation Impact		
Sales Revenue	(28.2)	<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Difference H1 F10 actual vs H1 F10 at H1 F09 rates </div>
Total Expenses including tax	10.0	
	(18.2)	
Transaction Impact		
- Increase from H1 F09 of FX gain on hedged sales		2.4
Translation Impact		
- Decrease over H1 F09 of FX gain on asset translation		(6.8)
Negative impact on H1 F10 NPAT of appreciating AUD		(22.6)

Cochlear H1 F10 Overview

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Thank you
Any questions?

Foreign Exchange

Rates applied H1 F10 vs. H1 F09

	H1 F10	H1 F09	% Change
Average rates (used for translating P&L)			
USD	0.87	0.80	9%
Euro	0.60	0.56	7%
JPY	79.9	82.6	(3%)
GBP	0.53	0.46	15%
Contract rates (used to bring FX to Aust)			
USD	0.80	0.79	1%
Euro	0.55	0.58	(5%)
JPY	87.2	87.2	-

Foreign Exchange

Period end rates applied F10 vs. F09

	31 Dec 2009	30 June 2009	% change
Period end rates (used for translating Bal Sheet)			
USD	0.89	0.81	10%
Euro	0.62	0.57	9%
JPY	81.2	76.9	6%

FX Contract Cover and Rates as at 31 December 2009

Total FX cover at 31 Dec 2009	USD 257.3m	Euro 167.0m	JPY 1,055m	Total AUD 657.6m
% of total cover (in AUD)	52%	46%	2%	100%
3 yr weighted average rates FX contracts at 31 Dec 09	0.77	0.55	80.5	
FX contracts at 31 Dec 08	0.78	0.55	84.3	
H2 F10 weighted average rates FX contracts at 31 Dec 09	0.79	0.56	83.1	
Cover for H2 F10	82.3m	60.9m	495.2m	218.9m