

# Cochlear Limited

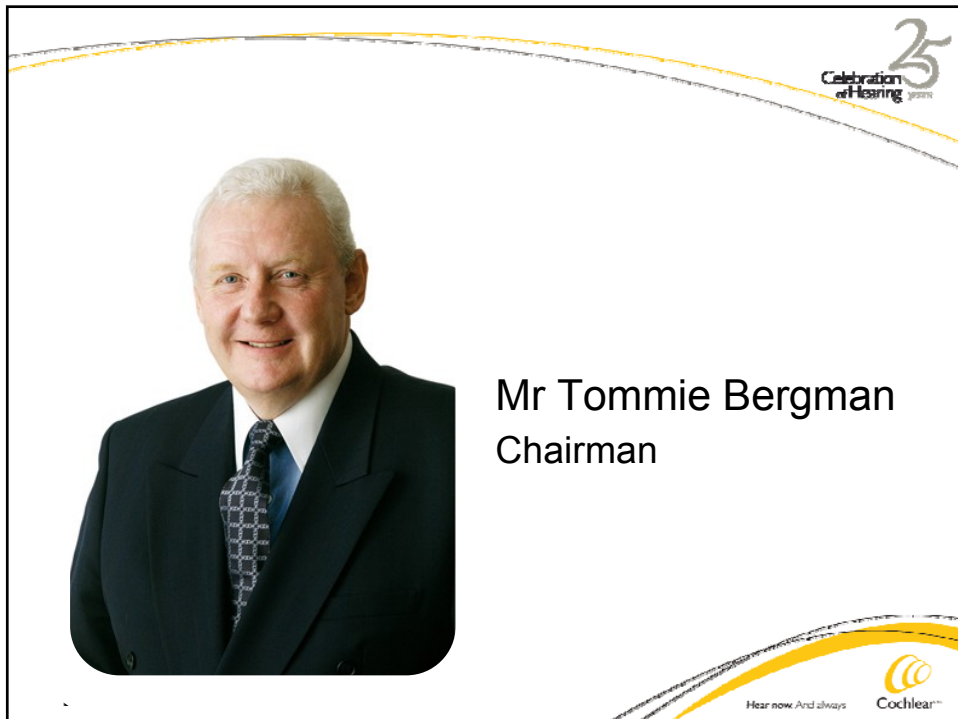
## 2007 Annual General Meeting

Australia Ballroom  
The Menzies Sydney Hotel  
14 Carrington Street  
Sydney NSW

Tuesday, 23rd October 2007



Hear now. And always



Mr Tommie Bergman  
Chairman

Hear now. And always






Celebration  
of Hearing 25 years

**Mr Neville Mitchell**  
Company Secretary




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of Hearing 25 years

**Dr Chris Roberts**  
Chief Executive Officer/  
President



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of Hearing 25 years

Prof Ed Byrne AO  
Director




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of Hearing 25 years

Mr Rick Holliday-Smith  
Director



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of Hearing 25 years

Mr Paul Bell  
Director



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of Hearing 25 years

Mr Donal O'Dwyer  
Director



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Celebration  
of Hearing 25 years

Mr Andy Denver  
Director

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A portrait of Mr. Andy Denver, a middle-aged man with short brown hair, wearing a dark suit, white shirt, and patterned tie. The background is a light gray. The slide features decorative yellow and gray curved lines at the top and bottom. Logos for 'Celebration of Hearing 25 years' and 'Cochlear™' are present.

**Proceedings**

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

Celebration  
of Hearing 25 years

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A yellow background with decorative white and gray curved lines at the bottom. The text is centered. Logos for 'Celebration of Hearing 25 years' and 'Cochlear™' are at the bottom.




  
**Cochlear Limited**  
**2007 Annual**  
**General Meeting**  
  
**Mr Tommie Bergman**  
**Chairman's Address**

  
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**Record Financial Results  
for F07**

	<b>F07</b>	<b>F06</b>	
	<b>\$ millions</b>	<b>\$ millions</b>	<b>Growth</b>
Cochlear Implants	480.2	379.9	26%
Bone Anchored (Baha)	62.7	51.7	21%
FX Contracts	16.5	20.7	(20)%
<b>Revenue</b>	<b>559.4</b>	<b>452.3</b>	<b>24%</b>
EBIT	150.2	111.5	35%
Net Profit After Tax	100.1	80.0	25%
<b>Core Earnings</b>	<b>107.6</b>	<b>86.4</b>	<b>24%</b>
Core Earnings per share	196.5 cps	158.4 cps	24%

  
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## Foreign Exchange

- Effective foreign exchange management is vital to Cochlear
- Over 90% of Cochlear's sales and over 50% of total expenses are in foreign currency
- Cochlear delivered impressive profit growth despite a rising Australian Dollar
- Our foreign exchange strategy has served us well in managing a volatile currency outlook, but does not mitigate all risk

## Infrastructure Support

- Underpinning growth with ongoing investment in infrastructure and organisation capabilities
- Two areas of concentration:
  - Supply chain and manufacturing
  - ERP computer system upgrades





## Manufacture and Supply Chain

- Driving efficiencies in our supply chain is critical
- Three year programme to introduce “lean” manufacturing and supply chain processes
- Next stage to introduce new innovative electrode designs



## Enterprise Resource Planning

- Oracle based ERP systems introduced in Europe and Swedish BAS organisations
- A single ERP system is important for future growth with improved inventory and ordering management
- Improving areas of customer focus – [mycochlear.com](http://mycochlear.com)



## Corporate Strategy

- Four pillars to strategy:
  - Cochlear implant field
  - BAHA field
  - Electro-acoustic stimulation field (EAS), or Hybrid
  - Direct acoustic cochlear stimulator (DACS)
- Provides scope for continuing growth

## Cochlear Implants

- Cochlear implants account for  $\approx$  85% of revenue
- Market share approximately 70%
- F'07 - 24% growth in cochlear implant unit sales



## Baha®

- Entific business acquired in March 2005
- Sales revenue grew 21% in F'07
- Intenso™ launched
- New products in development
- Increase in R&D investment



## Electro-Acoustic Stimulation

- EAS, Hybrid implants contain specially designed electrodes to preserve the delicate structures of the inner ear and residual hearing
- Hybrid S and Hybrid L in clinical trials
- Significant and untapped market



## Direct Acoustic Cochlear Stimulator

- Longer term horizon
- Expanding Cochlear's global leadership in implantable solutions for the hearing impaired
- Technology combines implantable electronics with direct mechanical stimulation of the cochlea
- Joint venture with Phonak disbanded during the year

Celebration  
of Hearing 25 years

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## Office of Inspector General Update

- Department of Justice passed the investigation over to the Office of Inspector General (OIG) for administrative processing
- Cochlear is cooperating fully with the OIG
- Nothing further to report at this stage

Celebration  
of Hearing 25 years

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## Board & Executive Remuneration

- Asking shareholders to approve an increase in aggregate remuneration to a total of \$1,500,000 per annum
- Increase to aggregate remuneration will cover annual fee increases for the next several years
- Potential for additional Director
- Dr Roberts' contract renewed and in line with best market practice

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of Hearing 25 years

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## Share Ownership Policy

- Non-Executive Director and Executive Share Ownership Policy:
  - Non-Executive Directors must hold one year's worth of fees in Cochlear shares
  - CEO and his direct reports are required to hold a minimum number of Cochlear shares equivalent in value to the last 12 months fixed remuneration
- Demonstrates a high level of commitment to the Company

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of Hearing 25 years

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## Employee Share Plan

- Eligible employees are granted shares in the Company as a reward for the Company achieving strong financial results
- The scheme continued in September 2007 with a \$1,000 grant per employee
- Rewarding staff for the significant achievements of the Company

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of Hearing 25 years

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## Corporate Governance

- Ongoing commitment to transparency and good Corporate Governance
- Cochlear fulfils all recommendations of the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations"
- Cochlear supports the new ASX Corporate Governance proposals issued in August 2007 and plans to early adopt the revised recommendation for the year ending 30 June 2008

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## Directors

- Mr Andrew Denver joined the Board from 1<sup>st</sup> February 2007
- Messrs Peter North AM and Justus Veeneklaas retired at the last AGM
- Dr John Parker retired from Cochlear and the Board in March 2007

## Employees

- Dedicated and engaged workforce fundamental to our ongoing success
- On behalf of the Board, thank you to 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 growth trend
- Ongoing investment in all areas of the business will support Cochlear's ambitious growth planned for the future



25  
Celebration  
of Hearing years

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## Cochlear Limited 2007 Annual General Meeting

Dr Chris Roberts  
CEO's Address

25  
Celebration  
of Hearing years

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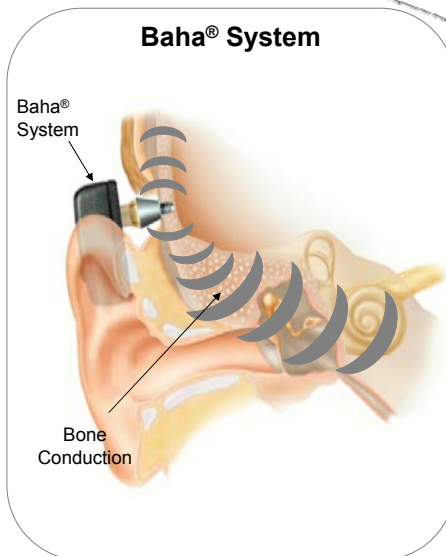
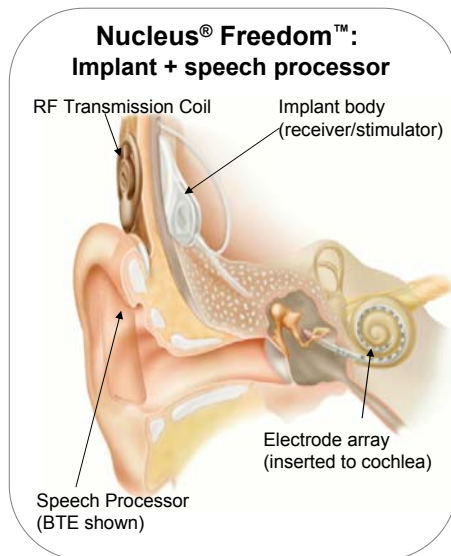


## Cochlear – Background

- Medical device company (~25yr) - global leader in implantable devices for the hearing impaired:
  - Leading global position (~70% market share) in cochlear implants for sensorineural hearing loss
  - Bone anchored hearing implants (Baha) for conductive hearing loss, mixed losses and single sided deafness
- Huge unmet clinical need
  - After 25 years, implanting less than annual incidence
- Global footprint with focus on innovation
  - ~ 1,700 employees & direct operations in 20 countries
  - ~ 11% of sales spent on R&D
  - Products sold in 100+ countries



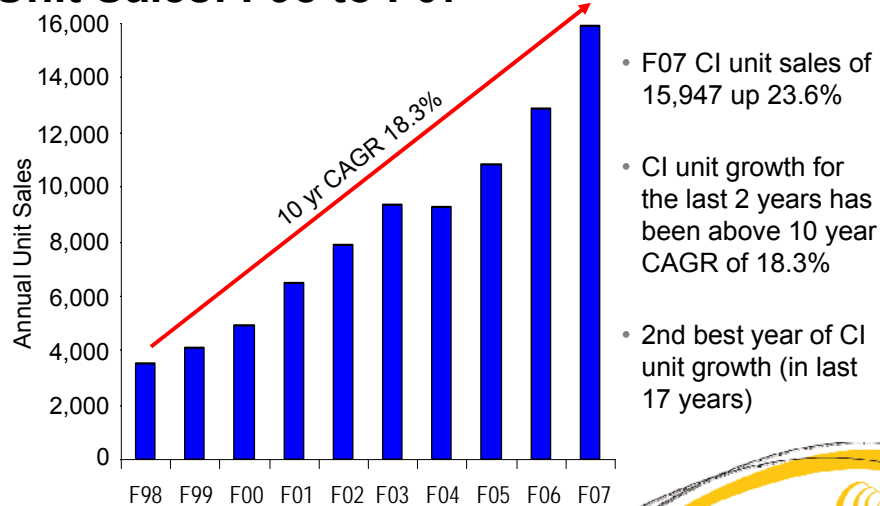
## Cochlear's Implant Systems

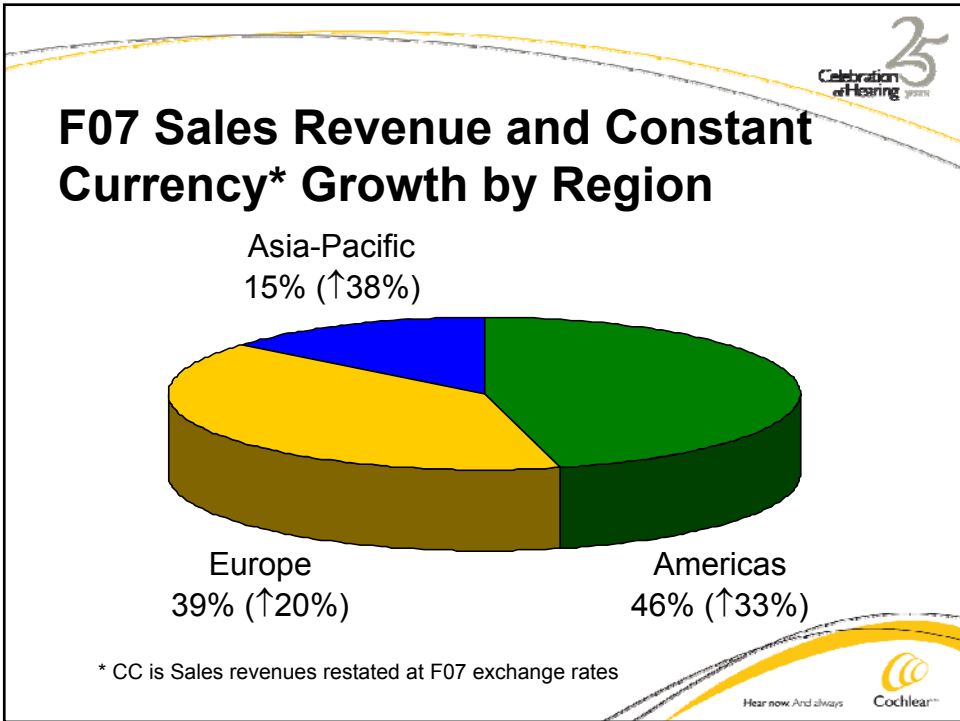
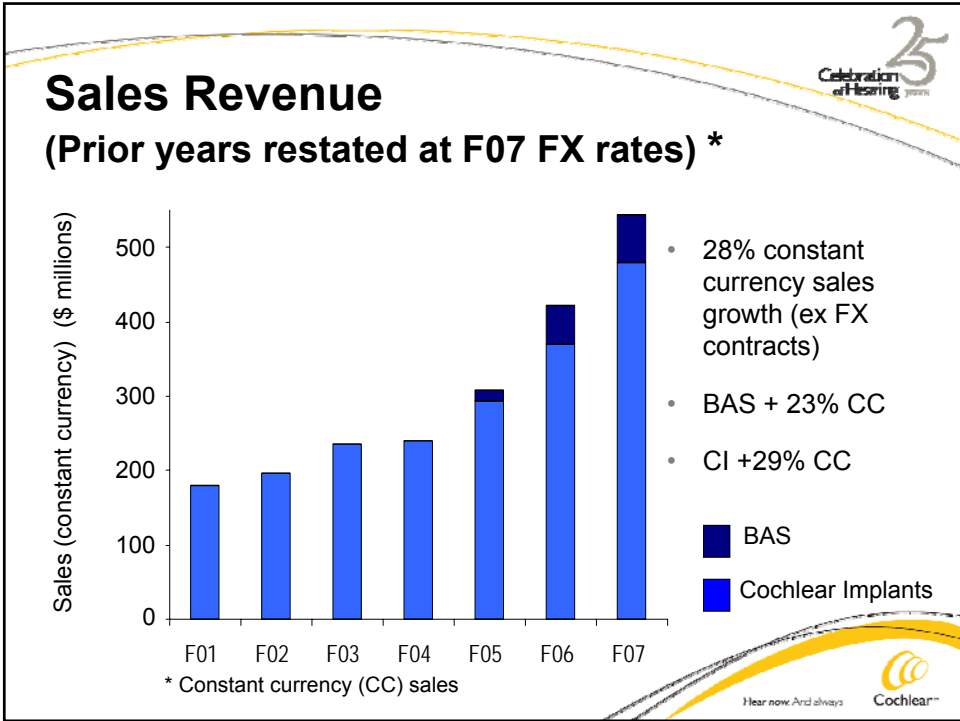


## Record Financial Results for F07

	F07	F06	Growth
	\$ millions	\$ millions	
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## 10 Year Cochlear Implant (CI) Unit Sales: F98 to F07



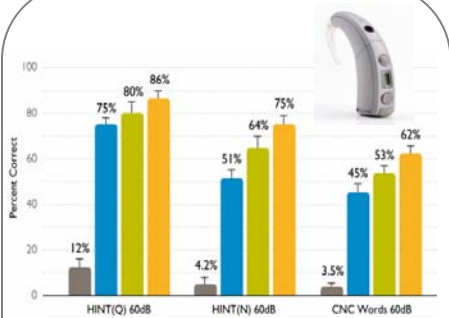


## What have we done in F07?

- Continued successful roll-out of Nucleus® Freedom™
  - Unmatched clinical results and reliability
  - Released product enhancements, e.g. pediatric options
- Released Freedom for N24 (backwards compatible speech processor)
  - ~ 20% potential recipients upgraded in F07 (regional differences)
- Baha: launched Intenso™
  - Powerful new vibrator expands indications into mixed hearing losses
- Continued upgrading manufacturing and global supply chain capability
  - Treated 25% more people!!
- Expanded activities around consumer marketing (e.g. advocacy)
- Expanded activities to help clinic capacity
  - Sound Partnership program with clinics, including HearAlways™
- Maintained R&D spend – technology is key
  - Dissolved Phonak JV to bring DACS to COH

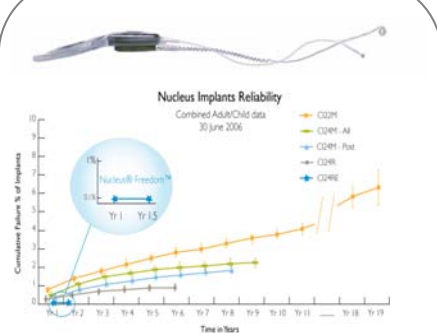
## Nucleus Freedom – The Industry Benchmark

### Hearing Performance



- Improved clinical outcomes achieved faster than previous systems
- Clinical Outcomes continue to improve over time

### Device Reliability



- The most reliable CI implant available
- Constant attention to quality control, assurance and root cause analysis

## Two ears are better than one

- Bilateral cochlear implantation (one for each ear) is an important trend underpinning unit sales growth
- This bilateral trend is supported by excellent clinical results around the advantages of binaural hearing as well as other factors (e.g. redundancy, always implanting the better ear etc.)
- Over 15% of unit sales in Europe and Americas are bilaterals
- The majority of bilateral implants are sequential (rather than simultaneous) – bilaterals driven by existing recipient pool



## Growth Drivers Include:

- Increasing patient demand
  - E.g. consumer advocacy network
- Expanding patient access/  
↑Clinic Capacity
  - E.g. Hear Always for supporting the installed base
- Expanding indications
  - E.g. bilateral, single sided deafness
- Geographic expansion
  - Active in 100+ countries
- Installed base
  - 140,000 patients (CI + Baha)
- Expanding product portfolio
  - Range of implantable solutions:  
CI/Electro-acoustic/Baha/DACS



## Cochlear F07 Overview

- Record financial results for F07
  - Revenues of \$559.4 million up 24%
  - NPAT of \$100.1 million up 25%
  - Core Earnings of \$107.6 million up 24%
- Nucleus® Freedom™: the best cochlear implant ever – with product offering expanding, including Freedom for N24
- Intenso™ (more powerful Baha) very well received
- F08 core earnings guidance: 15-20% core earnings growth depending on strength and rapidity of AUD appreciation



# Cochlear Limited 2007 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 2007.



## Resolution No. 1

### Financial and other reports

#### Proxy Summary

• Total number of proxy votes available to be cast	26,441,165	100%
• Votes in favour of the resolution	25,853,984	97.8%
• Votes against the resolution	14,167	<1%
• Votes to be cast at the discretion of the proxy	548,560	2.1%
• Votes directed to abstain from voting	24,454	<1%





## Resolution No. 2

### Remuneration Report

To consider and, if though 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 available to be cast	26,441,165	100%
• Votes in favour of the resolution	25,293,790	95.7%
• Votes against the resolution	524,126	2.0%
• Votes to be cast at the discretion of the proxy	552,459	2.1%
• Votes directed to abstain from voting	71,028	<1%

## Resolution No. 3

### Re-election and election of directors

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

## Resolution No. 3.1

### Re-election of directors

3.1 “THAT Prof Edward Byrne AO, 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 – Prof Edward Byrne AO

#### Proxy Summary

• Total number of proxy votes available to be cast	26,441,165	100%
• Votes in favour of the resolution	25,849,553	97.8%
• Votes against the resolution	19,562	<1%
• Votes to be cast at the discretion of the proxy	552,459	2.1%
• Votes directed to abstain from voting	19,591	<1%

## Resolution No. 3.2

### Re-election of directors

3.2 “THAT Mr Donal O’Dwyer, 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. 3.2

### Re-election of directors – Mr Donal O’Dwyer

#### Proxy Summary

• Total number of proxy votes available to be cast	26,441,165	100%
• Votes in favour of the resolution	25,519,481	96.5%
• Votes against the resolution	341,337	1.3%
• Votes to be cast at the discretion of the proxy	550,256	2.1%
• Votes directed to abstain from voting	30,091	<1%

## Resolution No. 3.3

### Election of directors

3.3 “THAT Mr Andrew Denver, being a director who is retiring in accordance with the Company’s Constitution (this being the first Annual General Meeting of the Company since his appointment by the directors) and who, being eligible, offers himself for election as a director of the Company, be elected as a director of the Company.”



## Resolution No. 3.3

### Election of directors – Mr Andrew Denver

#### Proxy Summary

• Total number of proxy votes available to be cast	26,441,165	100%
• Votes in favour of the resolution	25,512,999	96.5%
• Votes against the resolution	342,812	1.3%
• Votes to be cast at the discretion of the proxy	555,966	2.1%
• Votes directed to abstain from voting	29,388	<1%

## Resolution No. 4

### Approval of securities issue 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 for:

- a) The grant to Dr Christopher Graham 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 to Dr Roberts of any shares upon the exercise of any of those 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 available to be cast	26,441,165	100%
• Votes in favour of the resolution	25,027,666	94.7%
• Votes against the resolution	608,013	2.3%
• Votes to be cast at the discretion of the proxy (Open Usable and Open Conditional)	357,300	1.4%
• Votes undirected with no Chairman’s voting instruction	178,099	<1%
• Votes directed to abstain from voting	270,087	1.0%

## Resolution No. 5

### To increase the maximum aggregate remuneration of non-executive directors

To consider and, if thought fit, to pass the following resolution as a special resolution:

- 5.1 “THAT with effect from the financial year commencing on 1 July 2007, the aggregate maximum sum available for remuneration of non-executive directors is increased by A\$500,000 per year to A\$1,500,000 per year”.

## Resolution No. 5.1

### To increase the maximum aggregate remuneration of non-executive directors

#### Proxy Summary

• Total number of proxy votes available to be cast	26,007,257	100%
• Votes in favour of the resolution	22,763,408	87.5%
• Votes against the resolution	1,027,143	4.0%
• Votes to be cast at the discretion of the proxy (Open Usable and Open Conditional)	355,710	1.4%
• Votes undirected with no Chairman's voting instruction	169,599	<1%
• Votes directed to abstain from voting	1,691,397	6.5%

## Resolution No. 6

### Adoption of a new Article 12.8A of the Company's Constitution

To consider and, if thought fit, to pass the following resolution as a special resolution:

- 6.1 "THAT the proposed version of the new Article 12.8A of the Company's Constitution tabled at the meeting, regarding Direct Voting, be adopted".



## Resolution No. 6.1



### Adoption of a new Article 12.8A of the Company's Constitution

#### Proxy Summary

• Total number of proxy votes available to be cast	26,441,185	100%
• Votes in favour of the resolution	25,735,452	97.3%
• Votes against the resolution	69,245	<1%
• Votes to be cast at the discretion of the proxy	543,919	2.1%
• Votes directed to abstain from voting	92,549	<1%



# Close of Meeting



Hear now. And always

