

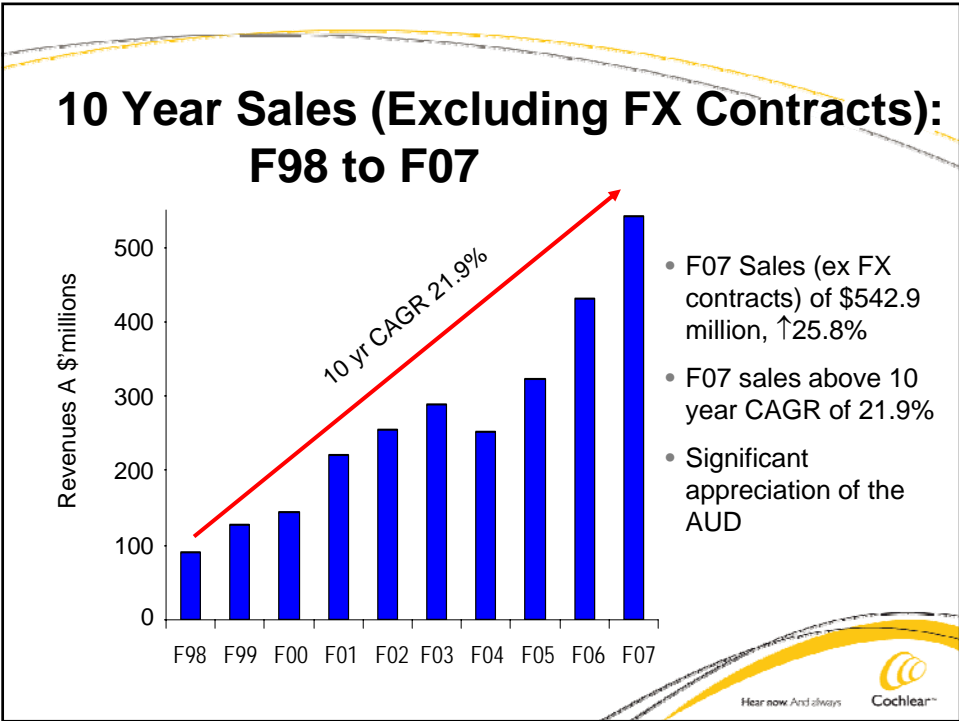
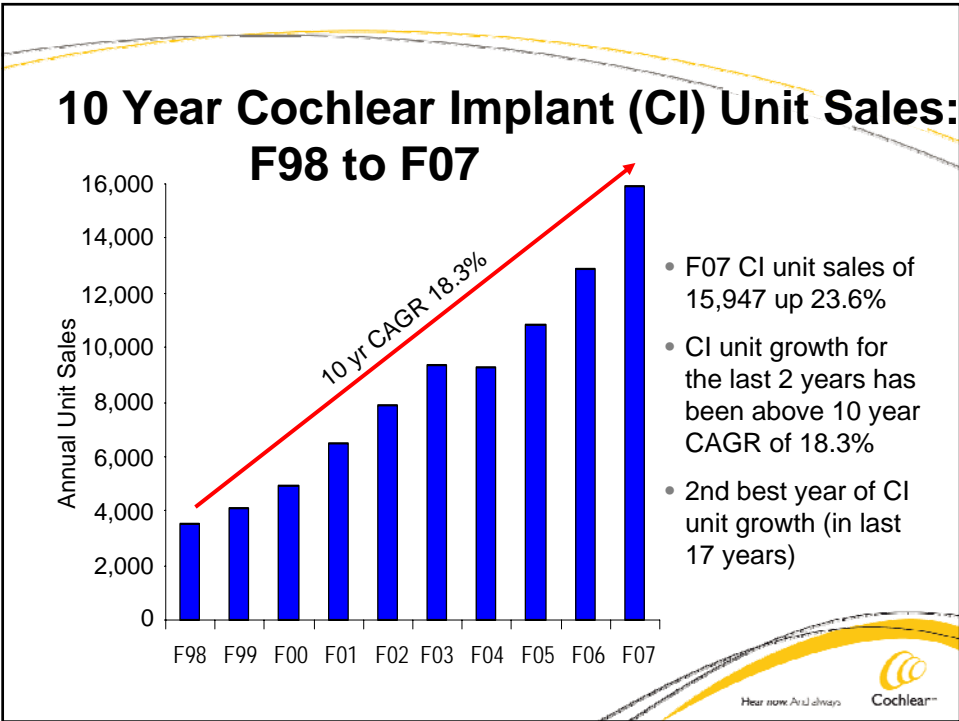
# Cochlear – Background

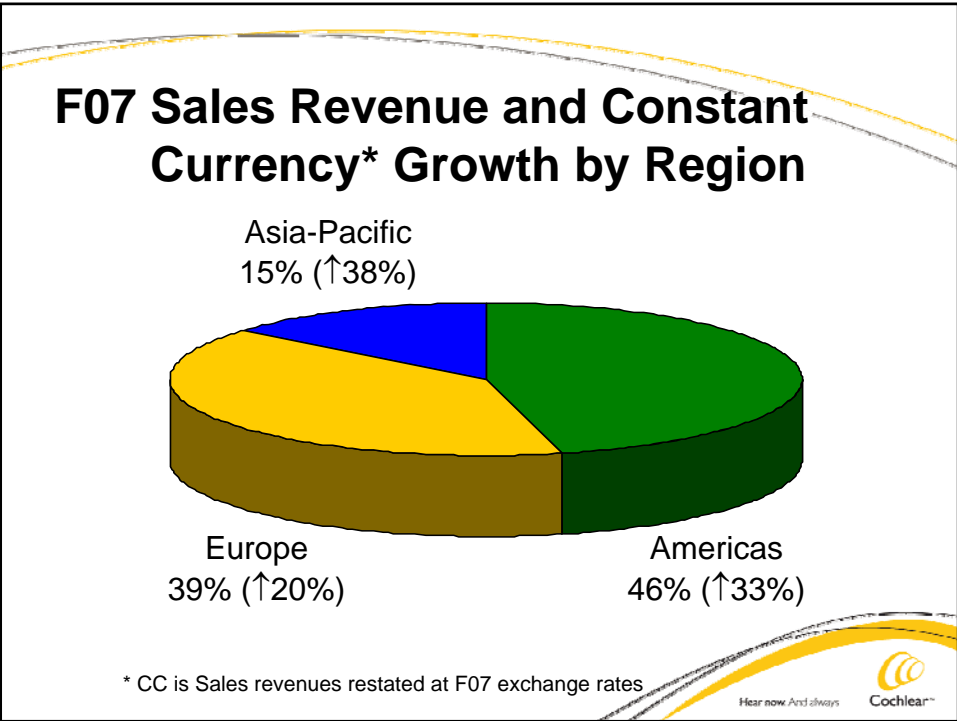
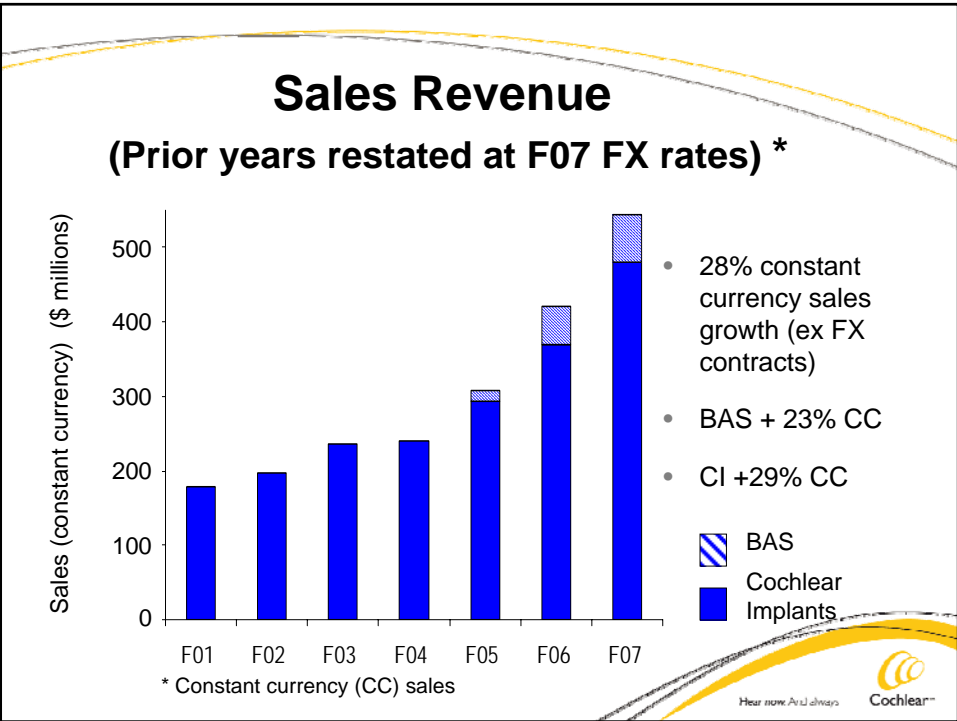


- Medical device company (~25yr): global leader in implantable devices for the hearing impaired:
  - Leading global position (~70% market share) in cochlear implants for sensorineural hearing loss
  - Bone anchored hearing implants (Baha) for conductive hearing loss, mixed losses and single sided deafness
- 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

# Record Financial Results for F07

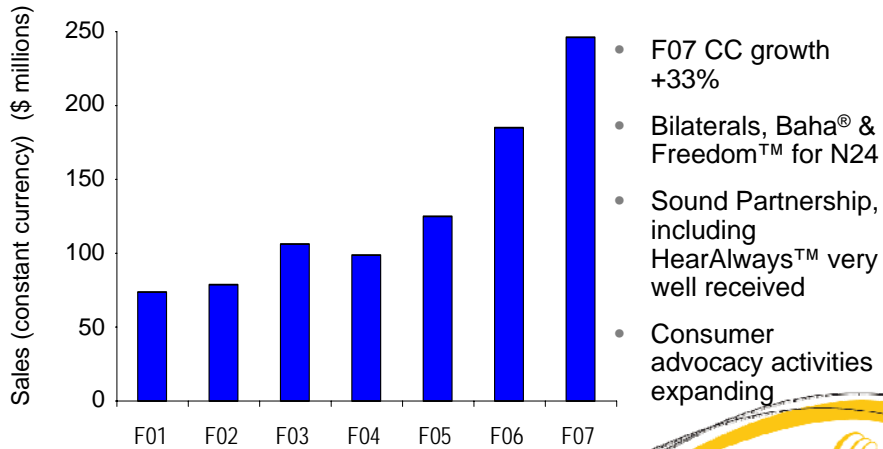
	F07	F06	Growth
	\$ millions	\$ millions	
Cochlear implants	480.2	379.9	26%
Bone Anchored (Baha)	62.7	51.7	21%
FX Contracts	16.5	20.7	(20)%
<b>Revenue</b>	<b>559.4</b>	<b>452.3</b>	<b>24%</b>
EBIT	150.2	111.5	35%
Net Profit After Tax	100.1	80.0	25%
<b>Core Earnings</b>	<b>107.6</b>	<b>86.4</b>	<b>24%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





## Americas

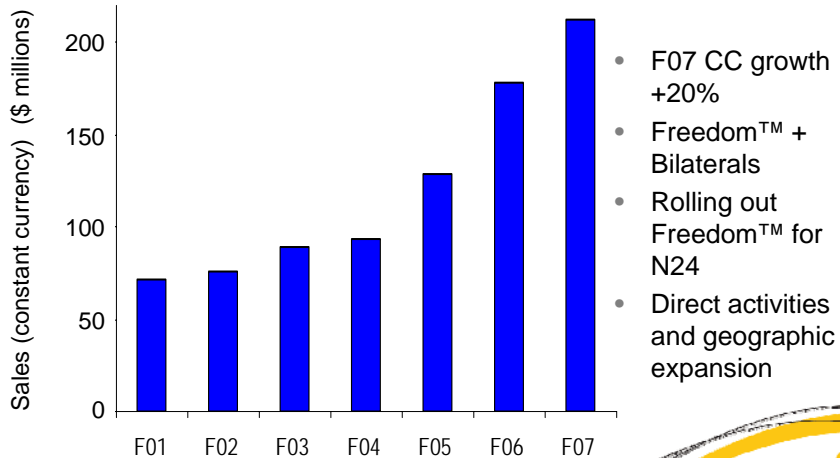
(Prior years restated at F07 FX rates)



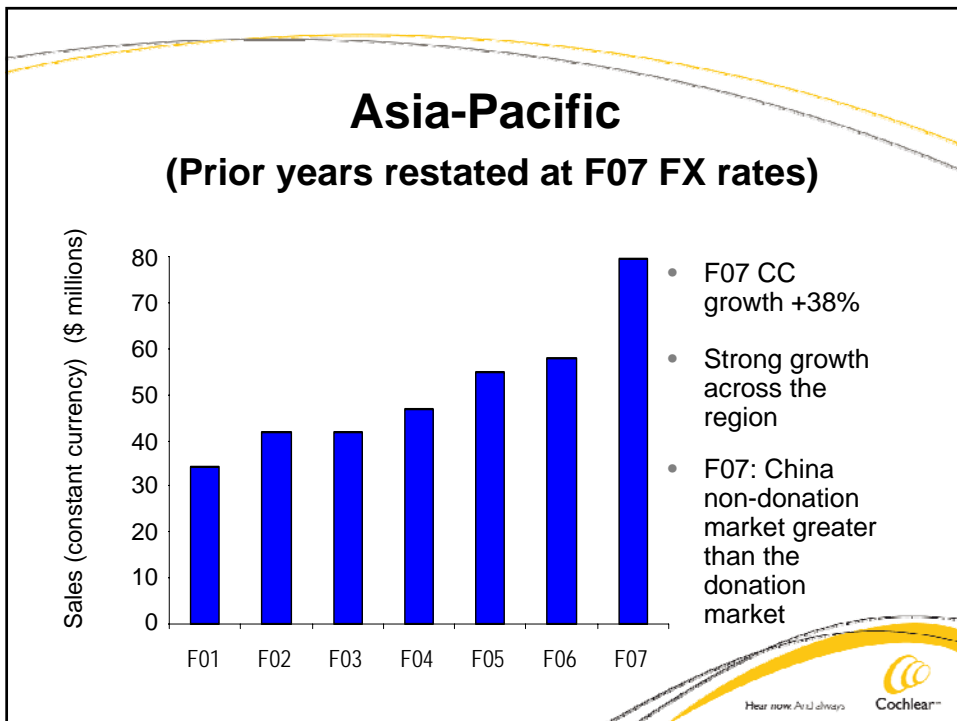
Hear now. And always. Cochlear™

## Europe

(Prior years restated at F07 FX rates)




Hear now. And always. Cochlear™



## 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 Research and Development spend – technology is key
  - Dissolved Phonak JV to bring the DACS development into COH



Hear now. And always. Cochlear™

## 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 (eg 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



Hear now. And always



## How we think about Cochlear

- Delivering sustainable growth through a focus on implantable solutions for the hearing impaired
- How we grow & deliver:
  - Building internal capability/capacity/scale/leverage in our global operations
  - Driving product innovation including widening product range beyond CI (EAS & Baha & DACS)
  - Innovating the business model - contribution of consumer healthcare (eg advocacy) and services to directly support recipients

Hear now. And always



## 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
- Momentum continuing
- F08 core earnings guidance: 15-20% core earnings growth depending on strength and rapidity of AUD appreciation



## Financial Results

Neville Mitchell - CFO



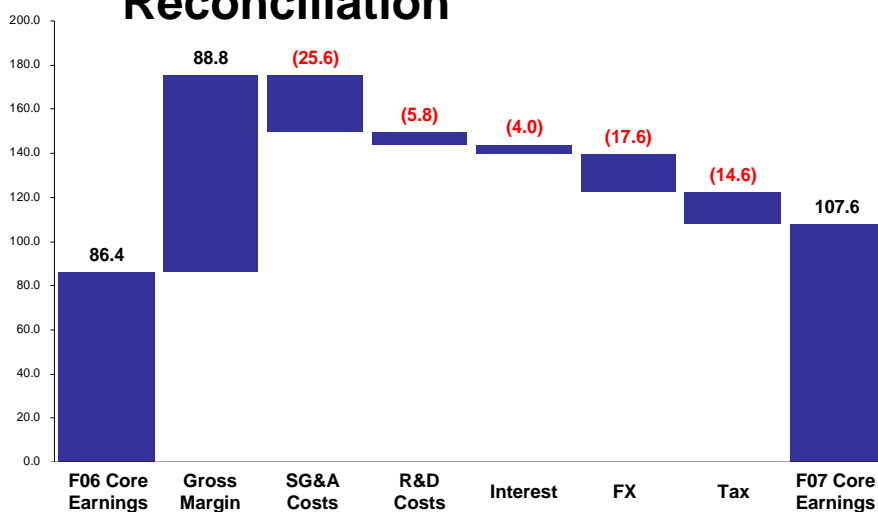
## F07 Financial Performance

	F07	F06	%
	\$m	\$m	Change
Total Revenue	559.4	452.3	↑ 24%
Reported NPAT	100.1	80.0	↑ 25%
Core Earnings	107.6	86.4	↑ 24%
<b>Dividends</b>			
Final Dividend	70c	55c	↑ 27%
Record Date 6 <sup>th</sup> September 2007			
Payable Date 27 <sup>th</sup> September 2007			
Full Year	125c	100c	↑ 25%
Franking	100%	100%	

## F07 Core Earnings Calculations

	F07	F06
	\$m	\$m
<b>NPAT</b>	<b>100.1</b>	<b>80.0</b>
Adjustment items (after tax)		
• R&D	1.6	1.6
• Acquired intangible amortisation	2.3	2.3
• Share based compensation	3.6	2.5
Total adjustments	7.5	6.4
<b>Core earnings</b>	<b>107.6</b>	<b>86.4</b>

## F06 – F07 Core Earnings Reconciliation



## Research & Development (R&D Expense)

\$m	F07	F06
R&D Expenditure	63.7	56.7
Capitalised Development	(0.4)	(0.2)
Amortised Development	2.6	2.4
<b>Total R&amp;D Expense</b>	<b>65.9</b>	<b>58.9</b>

<b>R&amp;D Expenditure as % of Total Revenue</b>	<b>11.4%</b>	<b>12.5%</b>
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## F07 Net Financing Expense

	F07	F06
	\$m	\$m
<b>Net financing (expense)/income</b>		
Interest income	2.2	3.7
Other net foreign exchange gain	-	3.0
<b>Financial income</b>	<b>2.2</b>	<b>6.7</b>
Interest (expense)	(8.9)	(6.4)
Net foreign exchange (loss)	(3.4)	-
<b>Financial (expense)</b>	<b>(12.3)</b>	<b>(6.4)</b>
<b>Net financing (expense)/income</b>	<b>(10.1)</b>	<b>0.3</b>

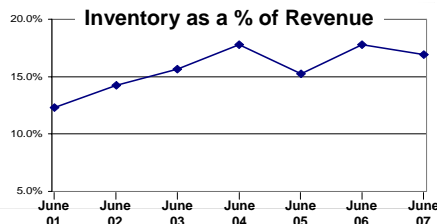
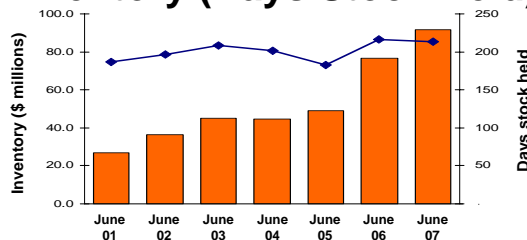
## F07 Income Tax Reconciliation

	F07	F06
	\$m	\$m
<b>Profit before tax</b>	<b>143.5</b>	<b>108.8</b>
Income tax expense at 30%	43.0	32.7
<b>Add: Increases in income tax</b>		
Foreign tax rates	1.9	(0.5)
Amortisation and other non-deductible	4.1	0.7
<b>Less:</b>		
R&D allowance	(4.7)	(2.0)
<b>Add:</b>		
Under/(over) provided from prior years	1.5	(0.3)
<b>Income tax expense</b>	<b>45.8</b>	<b>30.6</b>
<b>% Effective tax rate</b>	<b>31.9%</b>	<b>28.1%</b>

## Cash Generated

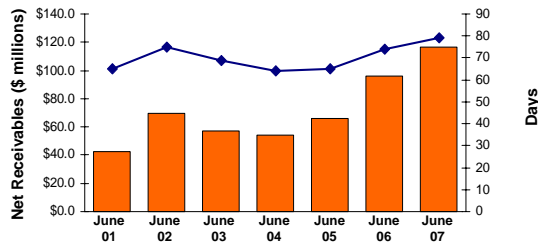
	F07	F06
	\$m	\$m
<b>Net cash provided by operating activities before changes in assets and liabilities</b>	<b>149.6</b>	<b>115.5</b>
Changes in assets & liabilities		
Increase in debtors	(23.7)	(29.5)
Increase in inventories	(5.0)	(27.3)
Decrease in current tax liabilities & provisions	(42.2)	(3.3)
Other	(1.9)	(3.8)
	(72.8)	(63.9)
<b>Net cash provided by operating activities</b>	<b>76.8</b>	<b>51.6</b>
<b>Dividends paid</b>	<b>60.4</b>	<b>49.1</b>

## F07 Working Capital Inventory (Days Stock Held)

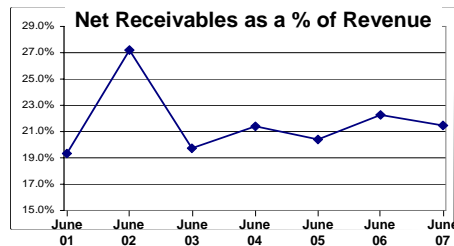


- F07 Inventory at 214 days, \$91.9m
- F07 Inventory including \$10m from Crystalaid acquisition
- Inventory up 20% versus sales growth of 26%
- Policy of 8 weeks finished goods plus strategic stocks now on hand

## F07 Working Capital Debtors (Days Outstanding)



- Debtors increase 22% to \$116.9m vs. sales increase of 26%
- Increase in debtor days to 79 (F06 74)



## Cochlear F07 Overview

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# Thank you

- Any questions?

## Foreign Exchange

- Rates applied F07 vs. F06

	<u>F07</u>	<u>F06</u>
Average rates (used for translating P&L)		
USD	0.79	0.75
Euro	0.61	0.62
JPY	94.4	86.5
Contract rates (used to bring FX to Aust)		
USD	0.74	0.70
Euro	0.57	0.56
JPY	67.5	60.5

## Foreign Exchange Rates Going Forward

Average Contract Rates      USD   Euro   JPY   SEK

Weighted average – exchange rates going forward      0.78      0.59      83.0      5.29

- Total mark to market FX gain at 30 June 2007: \$22.1m (year-end USD rate 0.85)

## F07 Core Earnings Reconciliation

	F07	F06
	\$m	\$m
<b>Earnings before interest and tax</b>	<b>150.2</b>	<b>111.5</b>
<i>Core earnings adjustments pre-tax</i>		
• R&D	2.3	2.3
• Acquired intangible amortisation	2.3	2.3
• Share based compensation	3.6	2.5
<b>Core EBIT</b>	<b>158.4</b>	<b>118.6</b>
Net interest	(6.7)	(2.7)
Core tax expense	(46.6)	(31.3)
Core NPAT (incl. minority interest)	105.1	84.6
Minority interest	2.5	1.8
<b>Core earnings attributable to members</b>	<b>107.6</b>	<b>86.4</b>