Cochlear Limited

Results for the year ended 30 June 2006

Chris Roberts – CEO
Neville Mitchell – CFO

Cochlear – Background

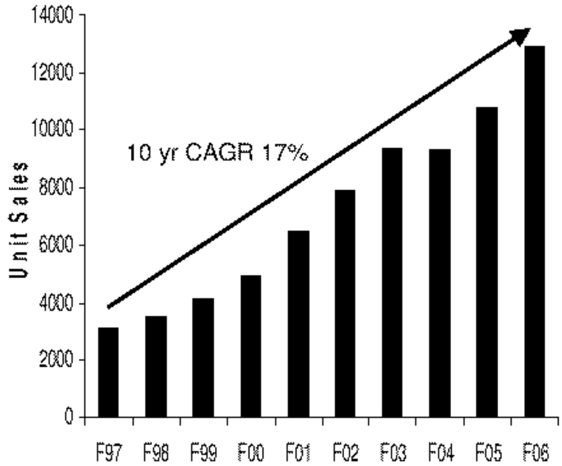
- Medical device company (~24yr): global leader in implantable devices for the hearing impaired
  - Leading global position (~70% share) in cochlear implants (bionic ear) for sensorineural hearing loss
  - Bone anchored hearing implants (Baha) from 3/05 acquisition of Entific Medical Systems for conductive hearing loss and single sided deafness
- F06: First full year of Nucleus Freedom and Baha
- F06 financial results:
  - Record results, beats guidance, growth continues

Record Financial Results for F06

	F06	F05	
	$ millions	$ millions	
Cochlear implants	379.9	307.4	↑ 24%
Bone Anchored (Baha)	51.7	14.8	↑ 249%
FX Contracts	20.7	26.8	↓ 23%
Revenue	452.3	349.0	↑ 30%
EBIT (25% of revenue)	111.5	82.5	↑ 35%
Net Profit After Tax	80.0	59.6	↑ 34%
Core Earnings*	86.4	60.8	↑ 42%
Core Earnings per share	158.4 cps	112.4 cps	↑ 41%

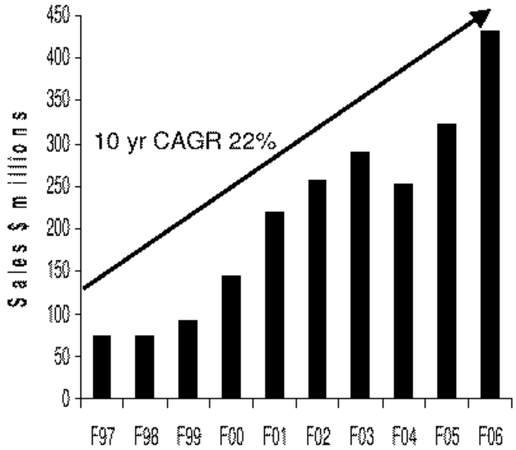
* Core Earnings guidance was 'at least $80 million'

10 Year Cochlear Implant (CI) Unit Sales: F97 to F06



- F06 CI unit sales of 12,901 up 19%
- CI growth above 10 year CAGR of 17%
- F06 H1/H2 split distorted by timing effects (tenders/China)

10 Year Sales (Excluding FX Contracts): F97 to F06



- F06 Sales (ex FX contracts) of $431.6 million, ↑ 34%
- F06 sales above 10 year CAGR of 22%
- F06 CI sales up 24% above CI unit sales growth

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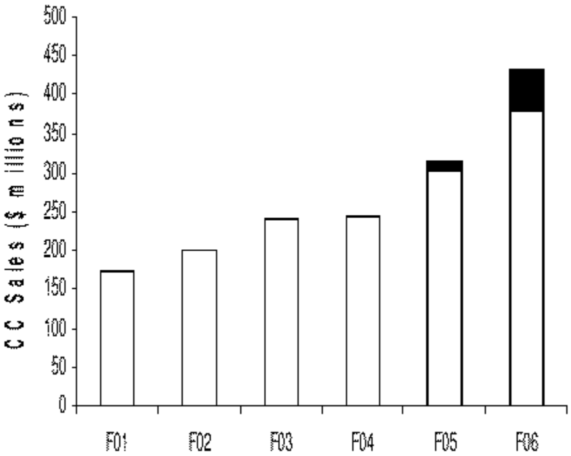
Sales Restated using F06 FX Rates*



- 37% constant currency sales growth (ex FX contracts) for F06

* Constant Currency (CC) Sales

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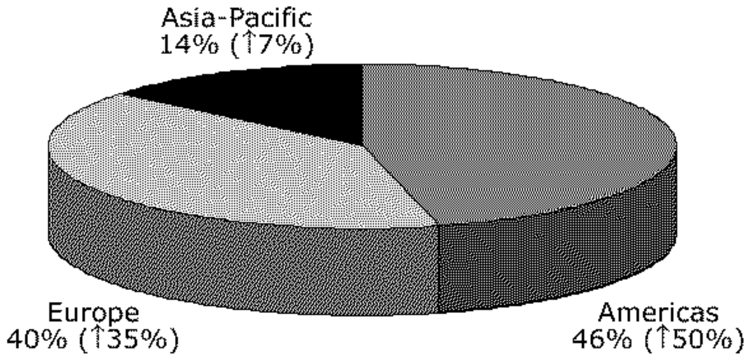
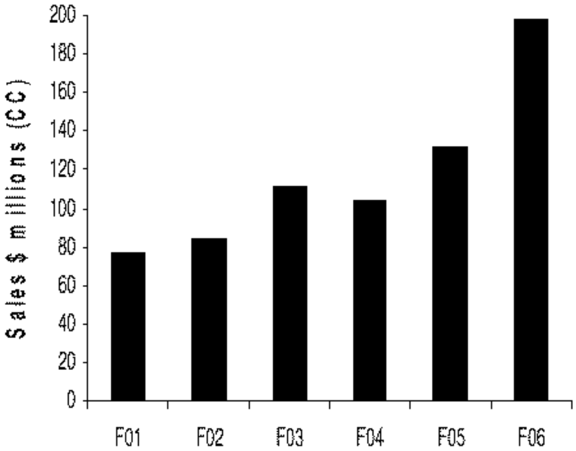
F06 Sales Revenue and Constant Currency* growth by Region



* CC is Sales revenues restated at F06 exchange rates

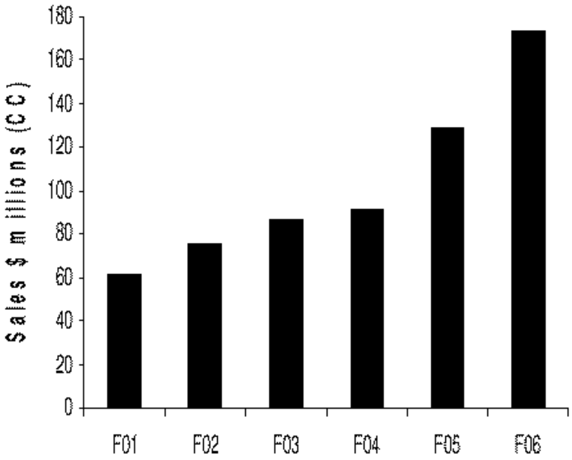
Americas:
F06 Sales in Constant Currency (F06 FX Rates)



- Americas up 50% in constant currency
- Successful integration of US operations of Entific Medical Systems
- Full year of Nucleus Freedom
- Doubling of US field force and continuing upgrade of internal capability

Europe:

F06 Sales in Constant Currency (F06 FX Rates)



- Europe up 35% in constant currency
- Full year of Nucleus Freedom
- Benefit from increasing direct operations
- Ongoing upgrade of European internal capability

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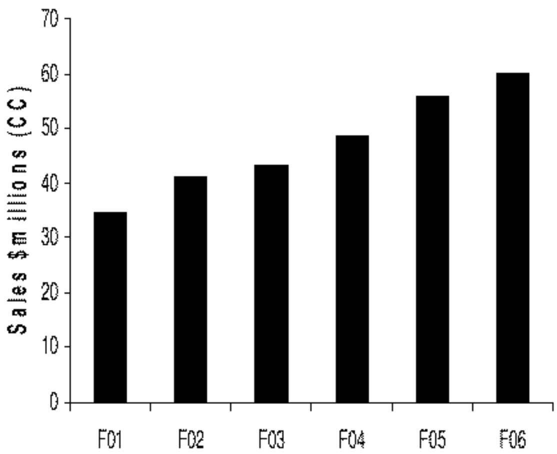
Asia Pacific:

F06 Sales in Constant Currency (F06 FX Rates)



- Asia Pacific up 7% in constant currency
- Received Regulatory approval in Japan for Contour electrode (as part of the Nucleus 3 Cochlear Implant System)
- Received China order for ~ 15,000 CI over 6 years (first delivery July 06)

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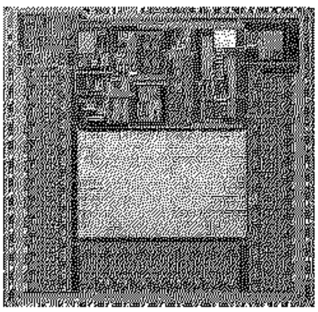
What have we done in F06?

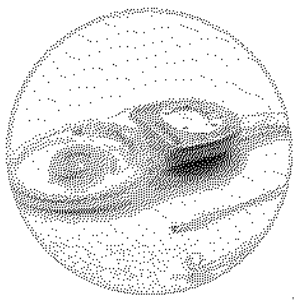
- Continued successful roll-out of Nucleus Freedom
  - Unmatched clinical results and reliability
- Successfully integrated bone anchored products (Baha)
  - Kept growth going (30% over full year F05)
- Significant progress in upgrading manufacturing capability
  - People / Lean thinking / Processes
- Significant building of regional organisations
  - eg doubled field force in US
- Implementing global supply chain strategy to support growth
  - From new warehouses in all regions to redesigned information flow
- Continued building direct distribution in key markets
- China order for ~15,000 implants over 6 years
- Maintained Research and Development spend – technology is key

Nucleus Freedom Implant

- 4th generation ASIC CMOS chip
- Cleaner sound reproduction
- Less internal noise
- Low power consumption
- Ultra-low-noise NRT amp (~1μV)
- Capability for the future

- Unmatched reliability
- Decades of in-house hermetic feed though manufacturing
- 18 month cumulative survival rate of 99.91%
- Contour Advance electrode well proven

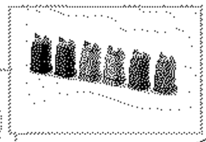




Nucleus Freedom CI Systems

- Clinical results surpass previous Cochlear Implant systems
  - Hearing performance – short, medium and long-term results setting new benchmark criteria
  - Speech in complex listening situations; eg speech in noisy environments or music – excellent results with 'SmartSound' based on pre-processing of sound
- Excellent reliability
- New External offerings (Nucleus Freedom is a platform)
  - Eg rechargeable batteries / 2 ZnAir / Freedom for N24 backwards compatible
- Options to truly match each person's 'unique fingerprint of hearing'



Cochlear F06 Overview



- Record financial results for F06
  - Revenues of $452.3 million up 30%
  - NPAT of $80.0 million up 34%
  - Core Earnings of $86.4 million up 42%
- Acquisition and subsequent integration of Baha product range successful, with growth at 30%
- Nucleus Freedom: the best cochlear implant ever
- Significant investment in internal capability
- Continued commitment to R&D
- F07 core earnings guidance: $100 million

Financial Results

Neville Mitchell – CFO

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F06 Financial Performance

	F06	F05 AIFRS	F05 AGAAP
	$m	**$m**	**$m**
Total Revenue	452.3	349.0	344.9
Reported NPAT	80.0	59.6	54.5
Core Earnings	86.4	60.8	58.4
Dividends			
Final Dividend Record Date 31 August 2006 Payable Date 21 September 2006	55c	45c	45c
Full Year	100c	80c	80c
Franking	100%	100%	100%

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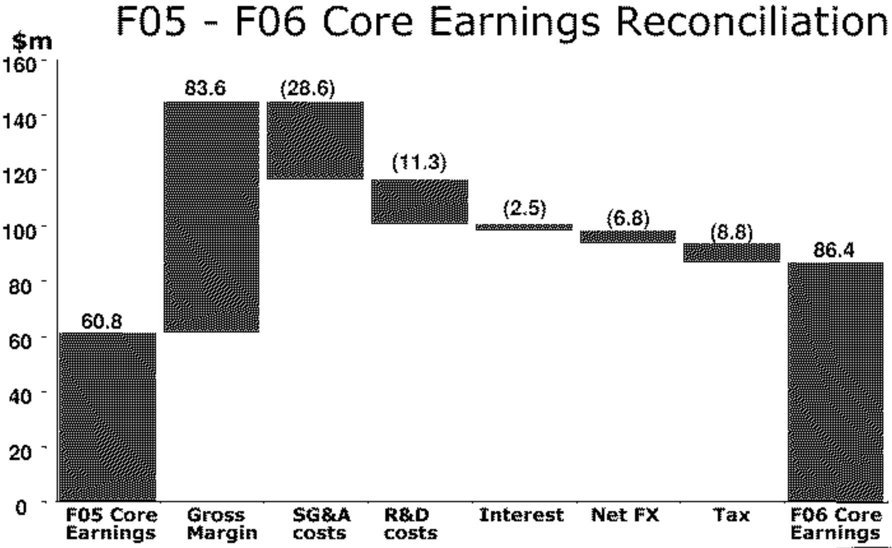
F06 Core Earnings Calculation

	F06 $m	F05 $m
NPAT	**80.0**	**59.6**
Adjustment items (after tax)		
• R&D	1.6	(2.1)
• Acquired intangible amortisation	2.3	0.7
• Share based compensation	2.5	2.6
Core earnings	**86.4**	**60.8**

F05 - F06 Core Earnings Reconciliation



Research & Development (R&D) Expense

$m	AIFRS F06	AIFRS F05
R&D Expense (incl. minority share)	56.7	44.6
Capitalised Development	(0.2)	(4.4)
Amortised Development	2.4	1.3
	58.9	**41.5**
Pre-tax minority interest (all R&D)	2.5	1.7
R&D Expense (excl. minority) as % of total revenue	12.0%	12.5%

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Cash Generated

	F06 $m	F05 $m
Net cash provided by operating activities before changes in assets and liabilities	**115.5**	**83.0**
Changes in assets & liabilities		
Increase in debtors	(29.5)	(1.5)
Increase in inventory	(27.3)	2.3
Other	(7.1)	19.2
	(63.9)	20.0
Net cash provided by operating activities	**51.6**	**103.0**
Investment and financing activities	(72.6)	(74.1)
Net cash (usage)/increase	**(21.0)**	**28.9**
Dividends paid	(49.1)	(42.8)

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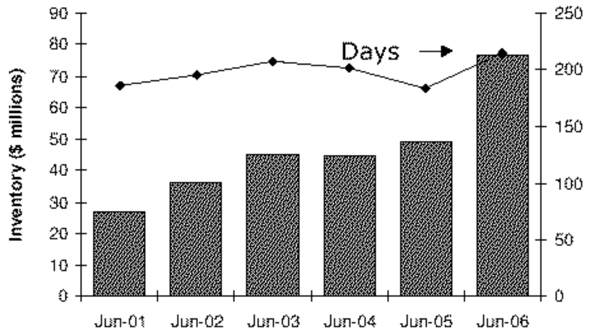
F06 Working Capital
Inventory (Days Stock Held)



- F06 Inventory at 214 days, $76.8m
- Finished goods returned to policy levels (generally 8 weeks)
- Year-end build up of processors ahead of backwards compatible Freedom processor release in F07

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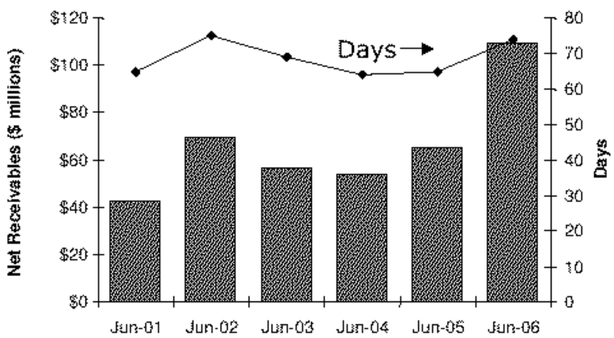
F06 Working Capital
Debtors (Days Outstanding)



- Debtor days 74 (F05 65)
- European direct distribution increases days as anticipated

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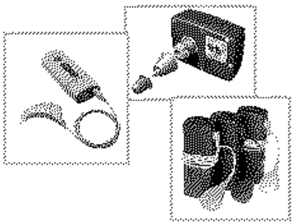
AIFRS

Impacts

- No material changes in F06 opening balances for AIFRS adjustments from estimates made in F05
- No impact on dividend payments
  - Payout ratio target remains approximately 70% of AIFRS NPAT
- No significant impact on gearing ratios
- No change to Company structures and strategy
  - FX policy maintained

Cochlear F06 Summary



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Thank you… Any questions?

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Foreign Exchange

Core Earnings FX – F06 vs F05

	F06 $m
Translation impact	(0.7)
Transaction impact *	
F05	(26.8)
F06	(20.7)
	(6.1)
Net FX impact for F06	(6.8)

*FX gains on Hedged sales

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Foreign Exchange

Rates applied F06 vs F05

	F06	F05
Average rates (used for translating P&L)		
USD	0.75	0.75
Euro	0.62	0.60
JPY	86.5	81.0
Contract rates (used to bring FX to Aust)		
USD	0.70	0.65
Euro	0.56	0.56
JPY	60.5	54.4

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Foreign Exchange Rates Going Forward

Average Contract Rates	USD	Euro	JPY	SEK
Weighted average – exchange rates going forward	0.72	0.57	0.68	5.29

- Total mark to market FX gain at 30 June 2006: $5.1m (year-end USD rate 0.732)

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