

Cochlear Limited

Results for the full year ended 30 June 2011 (F11)



Chris Roberts, CEO

Neville Mitchell, CFO

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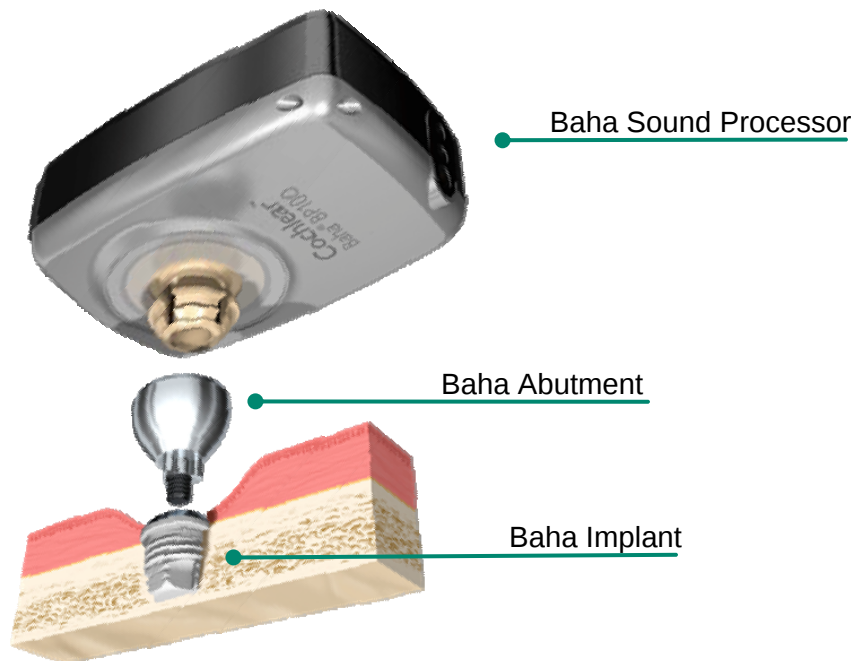
Cochlear Overview

- Cochlear Limited (ASX:COH) is the global leader in implantable devices for the hearing impaired (cochlear implants, auditory brainstem implants, hybrid implants, DACS and bone conduction implants)
- ~ 2,500 employees
- Direct operations in 20+ countries, and products sold in 100+ countries
- ~ 13% of revenue 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

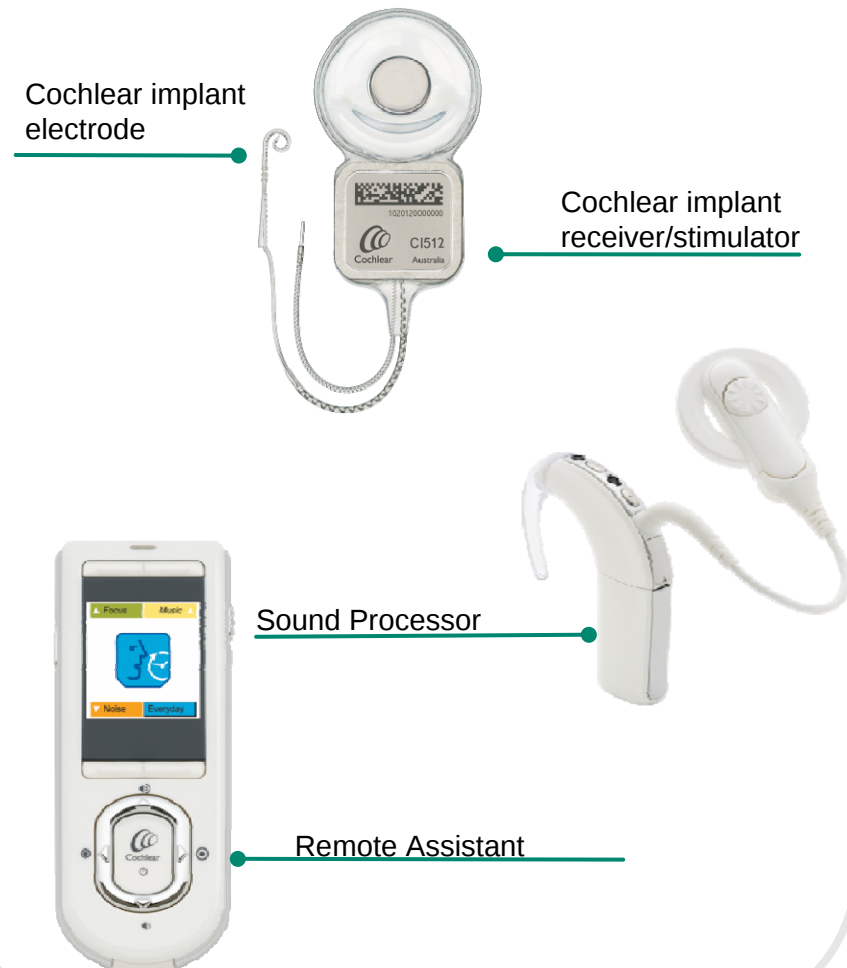


Cochlear's implant systems include:

Cochlear Baha 3



Cochlear Nucleus 5



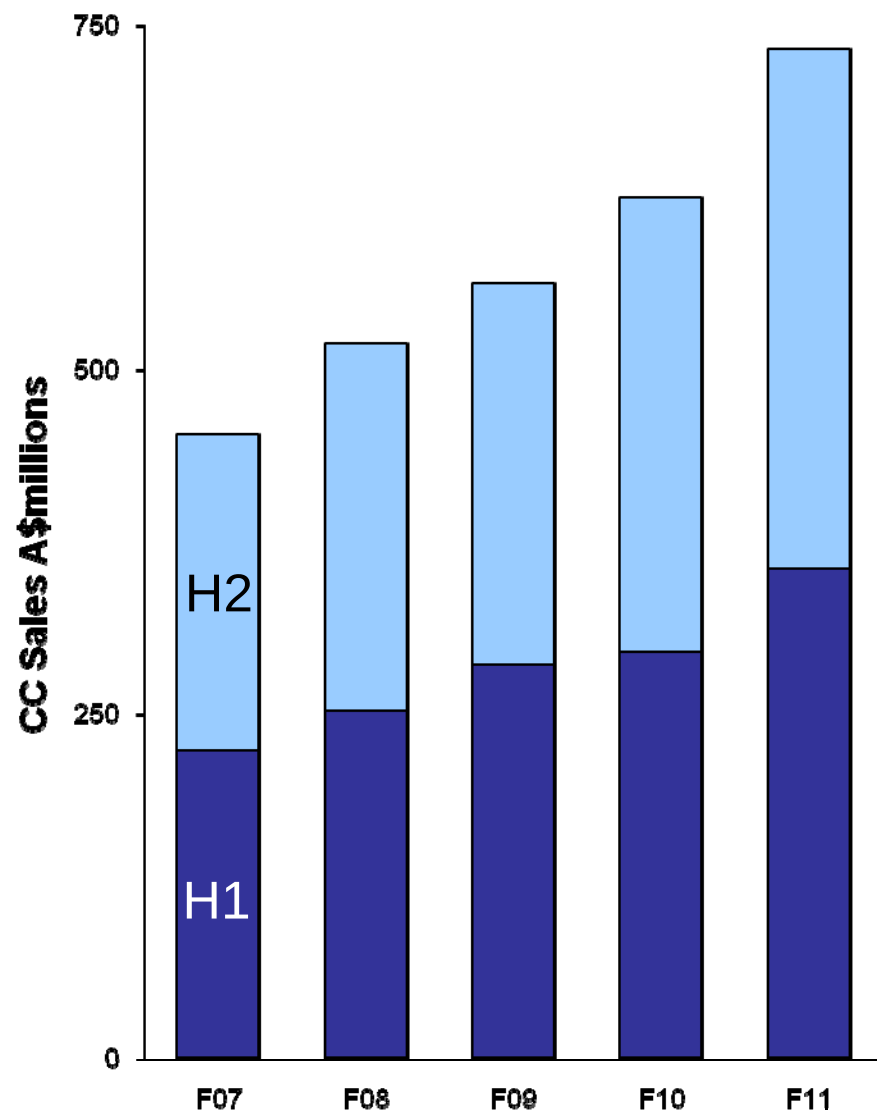
Cochlear: Financial Results for F11

	F11 \$ millions	F10 \$ millions	± %
Cochlear Implants	648.0	603.7	↑7
Bone Anchored Solutions (Baha)	84.2	92.5	↓9
FX Contracts	77.4	38.6	↑101
Revenue	809.6	734.8	↑10
EBIT	242.7	220.5	↑10
Net Profit After Tax	180.1	155.2	↑16
Earnings per Share (EPS)	\$3.18	\$2.76	↑15
Final Dividend per share (70% Franked, 30% CFI)	\$1.20	\$1.05	↑14
Full Year Dividend per share (68% Franked, 32% CFI)	\$2.25	\$2.00	↑13

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Cochlear: Sales in Constant Currency (CC)

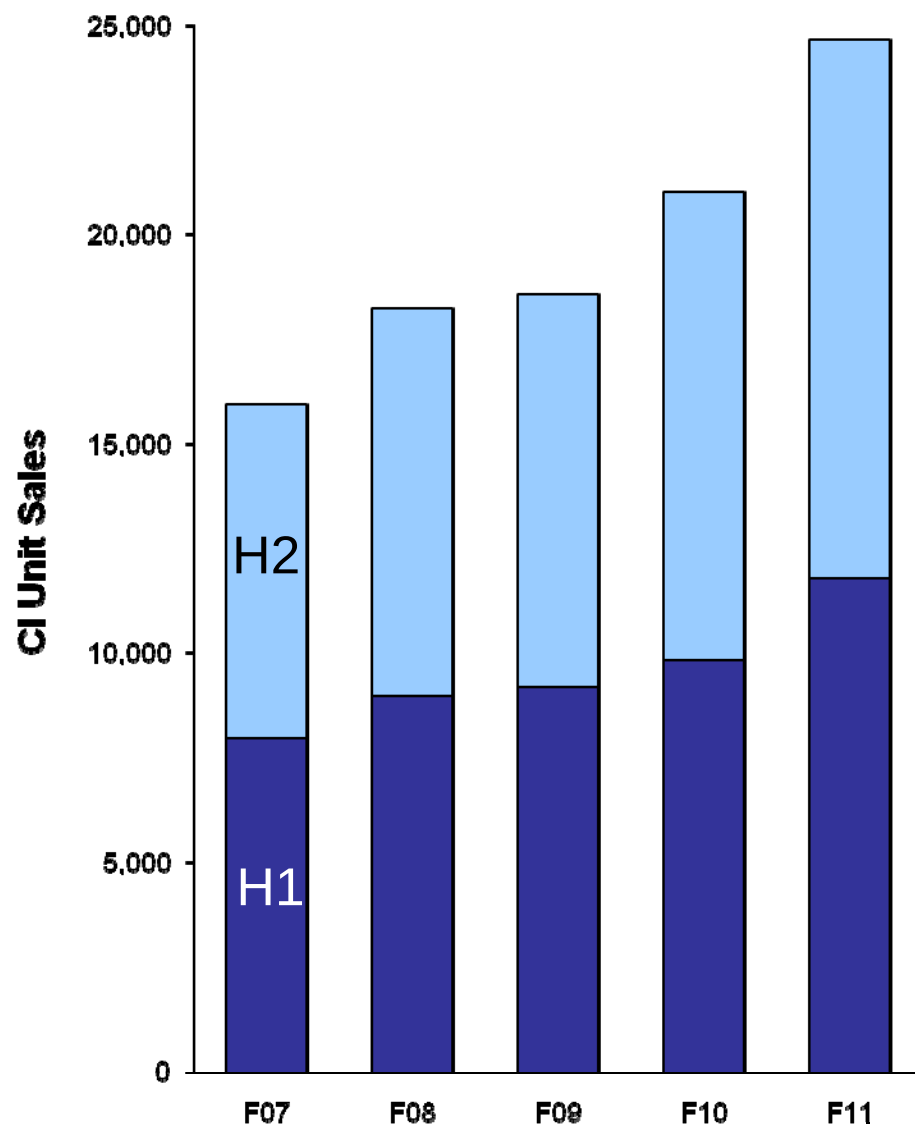


- Total revenues of \$809.6 million, up 10%
- Sales (excluding FX contracts) up 17.3% in constant currency (prior periods restated at F11 rates)
- H1 sales momentum of 17.2% CC growth continued through H2 (CC sales growth of 17.4%)

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Cochlear: Cochlear Implant (CI) Unit Sales



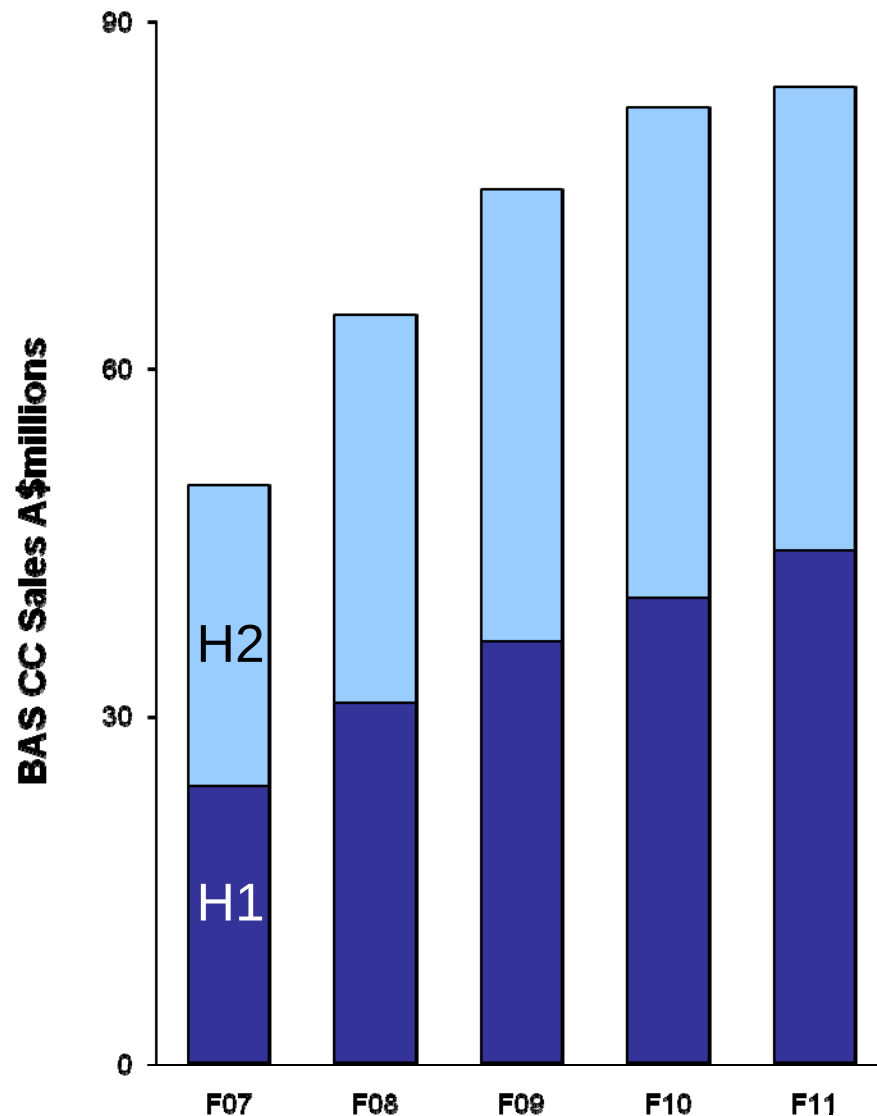
- F11 cochlear implant (CI) unit sales up 17% to 24,661 units
- F11: 70+% of implants were Nucleus 5 (N5)
- N5 release 3 successfully launched in H2



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

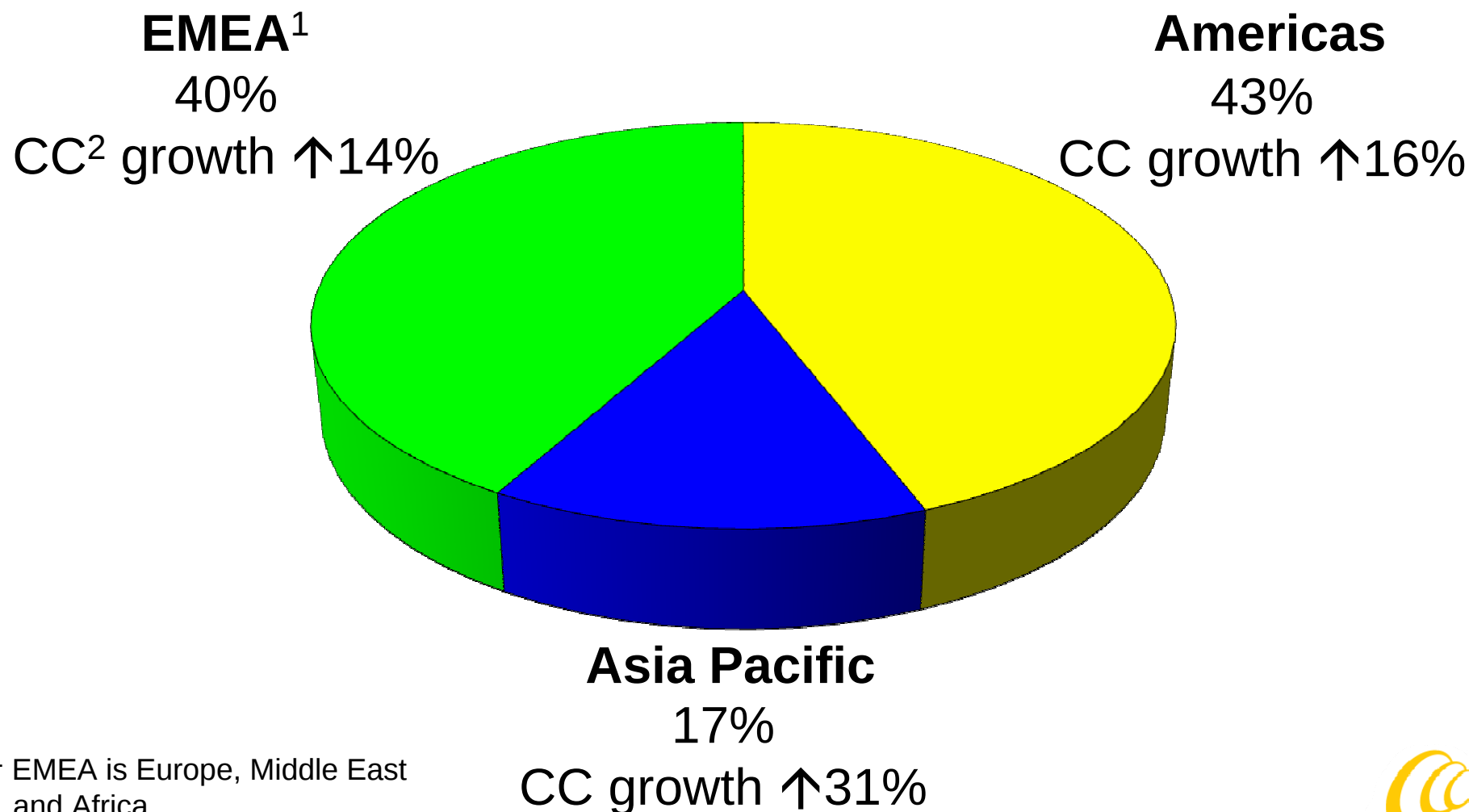


- BAS sales (including Baha implants) \$84.2 million for F11, up 2% in constant currency
- Baha 3 Power launched end of June 2011



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Cochlear: F11 Regional Split of Sales



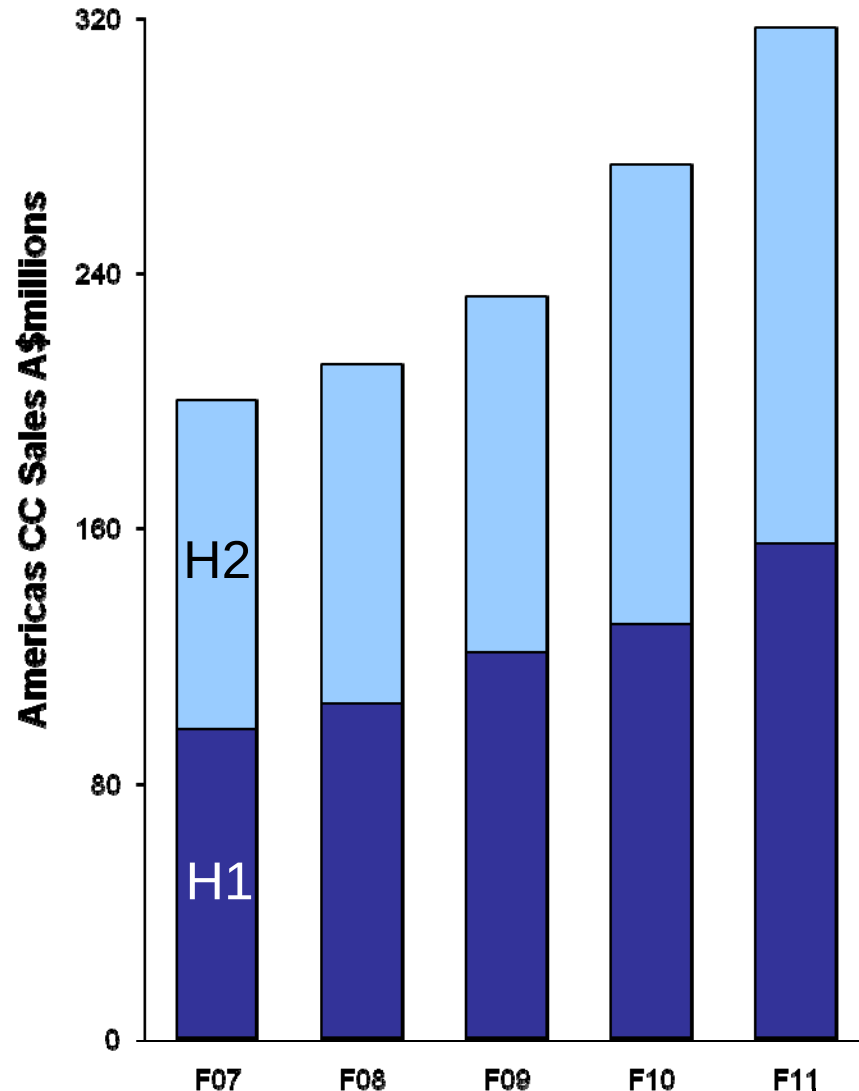
¹ EMEA is Europe, Middle East and Africa

² CC is Constant Currency

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Cochlear Americas: Sales in Constant Currency

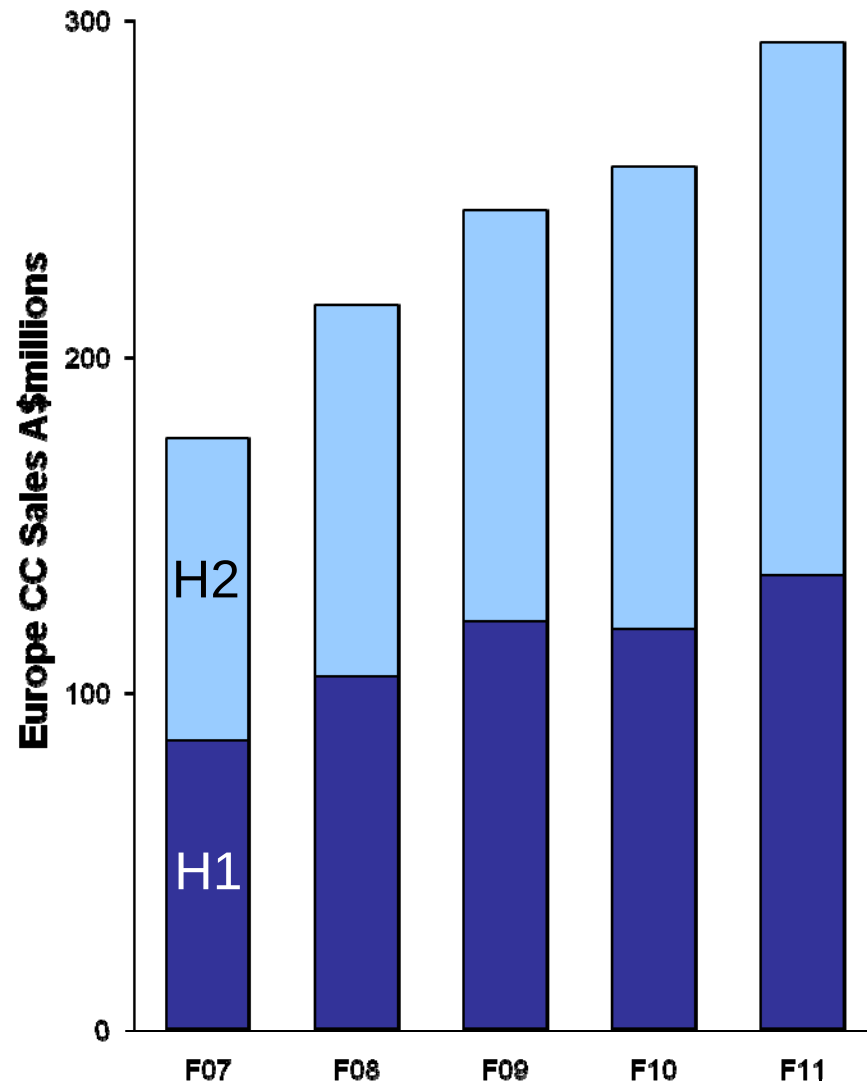


- Americas sales of \$317 million, up 16% in constant currency
- USA field expansion being implemented (from 20 territories to 29 territories)
- Further expansion in Latin America, including establishment of operations in Panama

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Cochlear EMEA: Sales in Constant Currency

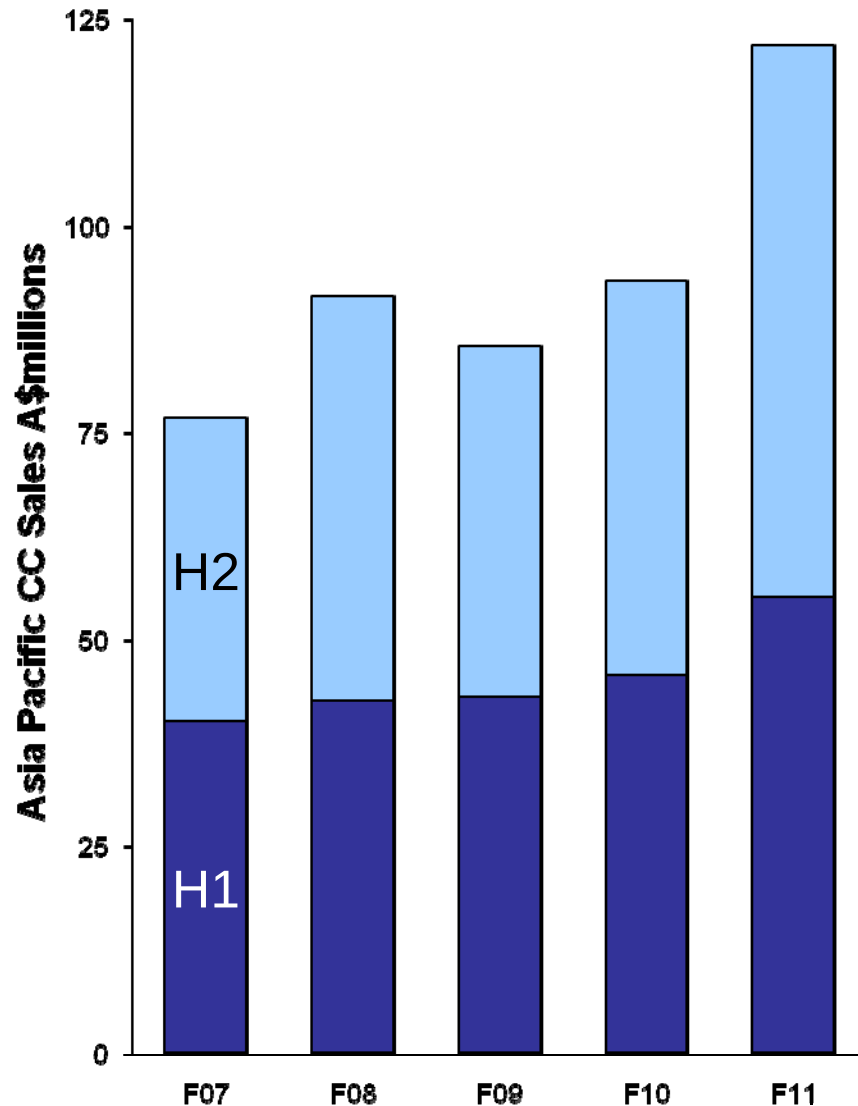


- EMEA (Europe, Middle East and Africa) sales of \$293.3 million, up 14% in constant currency
- Sales growth across developed and emerging economies
- Challenging Middle East/North Africa situation

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Cochlear Asia Pac: Sales in Constant Currency

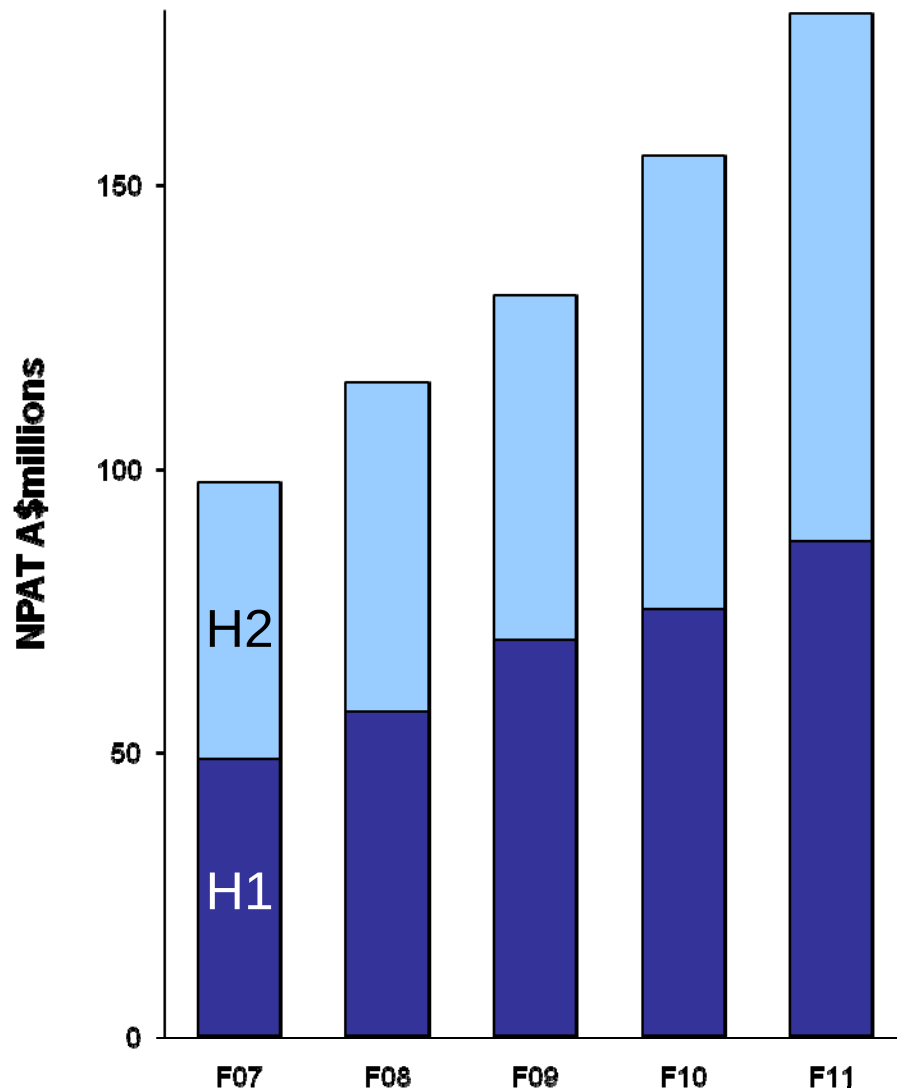


- Asia Pacific sales of \$121.9 million, up 31% in constant currency
- Australia (most penetrated adult market per capita) still double digit growth, reinforcing the importance of awareness/referral path
- Growth across Asia-Pacific region
- Established direct operations in India

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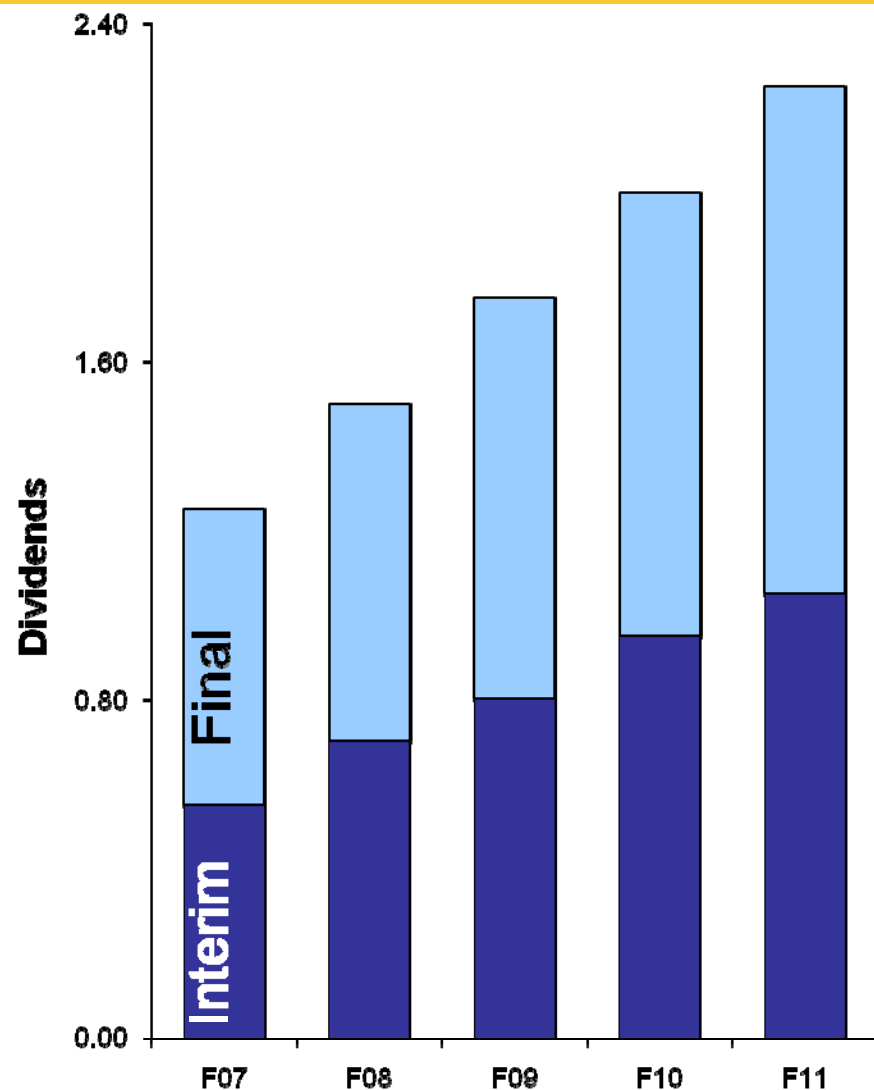
Cochlear: Net Profit After Tax (NPAT)



- EBIT up 10% to \$242.7 million
- EBIT 30% of revenue, same as F10, (despite appreciation of the AUD)
- NPAT up 16% to \$180.1 million.
- EPS of \$3.18, up 15%

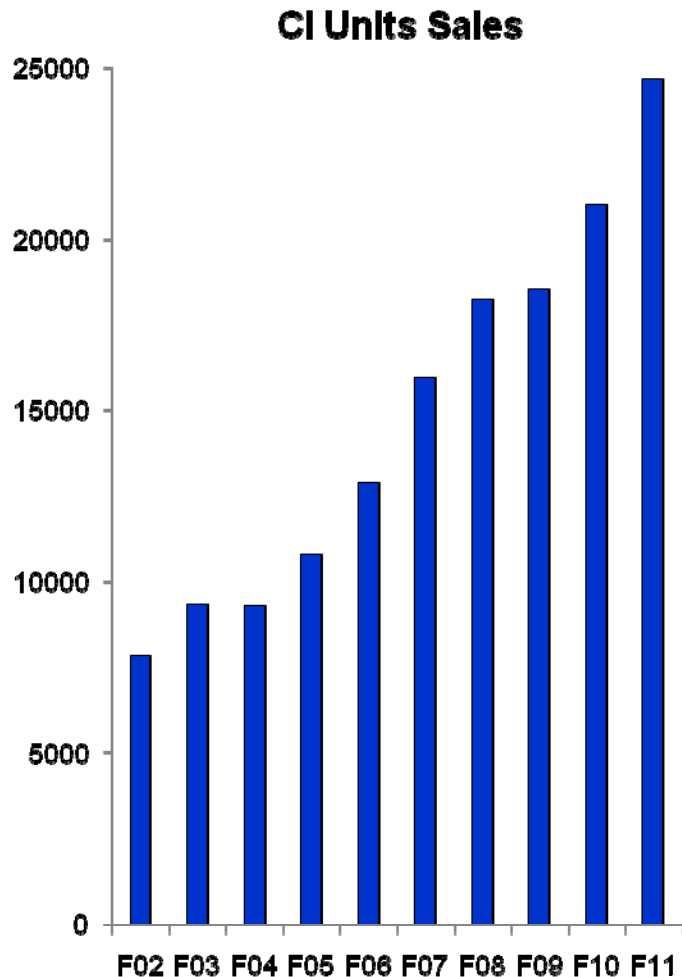


Cochlear: Free Cash Flow and Dividends



- Free cash flow of \$166 million similar to F10, as capital expenditure increased for new facility
- Final dividend \$1.20 per share (70% franked, 30% CFI), up 14%
- Full year dividend (interim and final) \$2.25 up 13%

Cochlear: Investing for Long Term Growth



- Ongoing commitment to technologic innovation (R&D ~ 13% of revenues)
- Significant ongoing investments in manufacturing and global supply chain
- New headquarters at Macquarie University (MU) completed –catalyst for local hearing precinct plus global collaboration
- Deepening and broadening global footprint
- Investments in scalability for healthcare professionals, covering products (eg scalability suite driving simplification, automaticity, remote connectivity), transactions (on-line transactional tools) and customer interactions

Cochlear at Macquarie University

- 24,000m² head office facility housing specialist research and manufacturing functions on campus at Macquarie University
- Future expansion over next 25 years
- Part of a hearing precinct
- Vision is to create a world leading hearing precinct as a catalyst for global collaboration



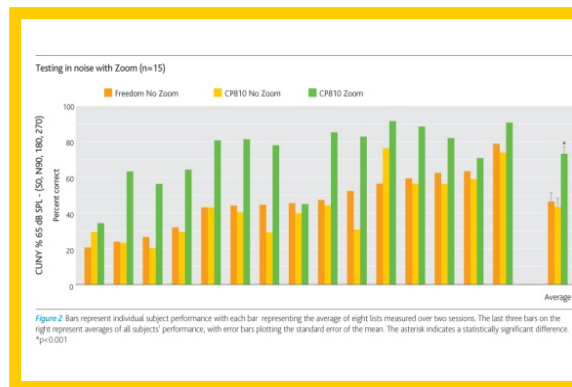
Technologic innovation

- R&D spend ~ 13 % of revenue
- Nucleus 5: release 3 has been very successful (eg improved remote assistant interface and N24 backwards compatibility)
- BAS: Baha 3 and Baha 3 Power
- Full pipeline of opportunities
- Technology development and license agreement with GN Resound enhancing certain capabilities, particularly wireless



Technologic innovation

Outcome driven innovation / new benchmarks



Hearing Performance



Ease of Use



Cosmetics / Ergonomics



Miniaturisation / Reliability



Manufacturing / Supply Chain



Building blocks to scale clinical pathway

Cochlear H1 F11 Overview

- Record F11 financial results:
 - Revenue of \$810 million, ↑10% with sales ↑17% in constant currency (CI units ↑17%)
 - NPAT ↑16% to \$180.1 million
 - Net cash position of \$9.4 million
- Market trends remain favourable with opportunities in both developed and developing economies
- Ongoing investments in products and capabilities supporting sustainable long term growth



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F11 Financial Results

Neville Mitchell

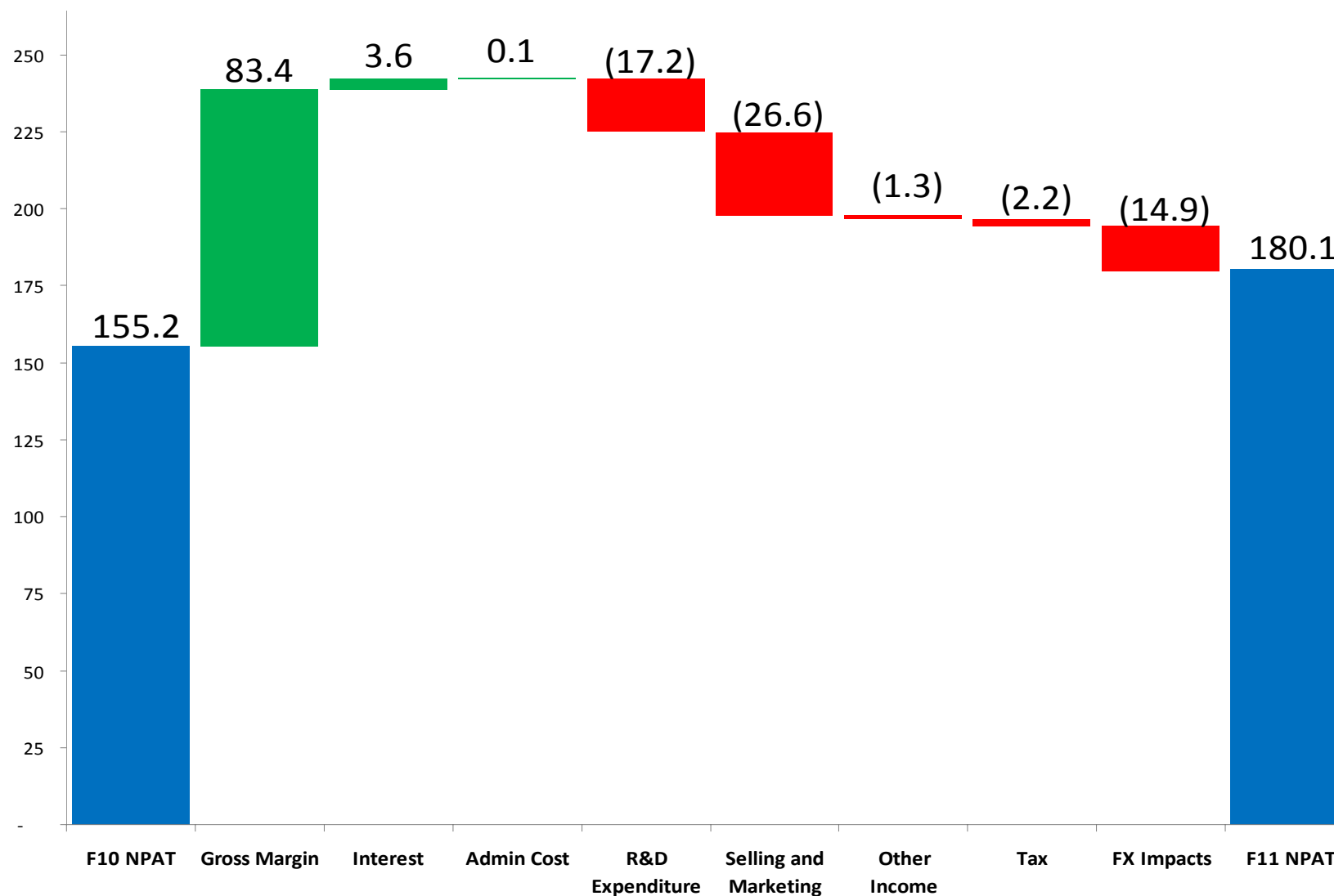


F11 Financial Performance

	F11	F10	%
	\$m	\$m	Change
Total Revenue	809.6	734.8	↑ 10%
EBIT	242.7	220.5	↑ 10%
NPAT	180.1	155.2	↑ 16%
Dividends			
Full Year (interim and final)	225c	200c	↑ 13%
Final Dividend	120c	105c	↑ 14%
Franking %	70%	60%	
Conduit Foreign Income %	30%	40%	

Record Date 1st September 2011
Payable Date 22nd September 2011

F10 - F11 NPAT Reconciliation

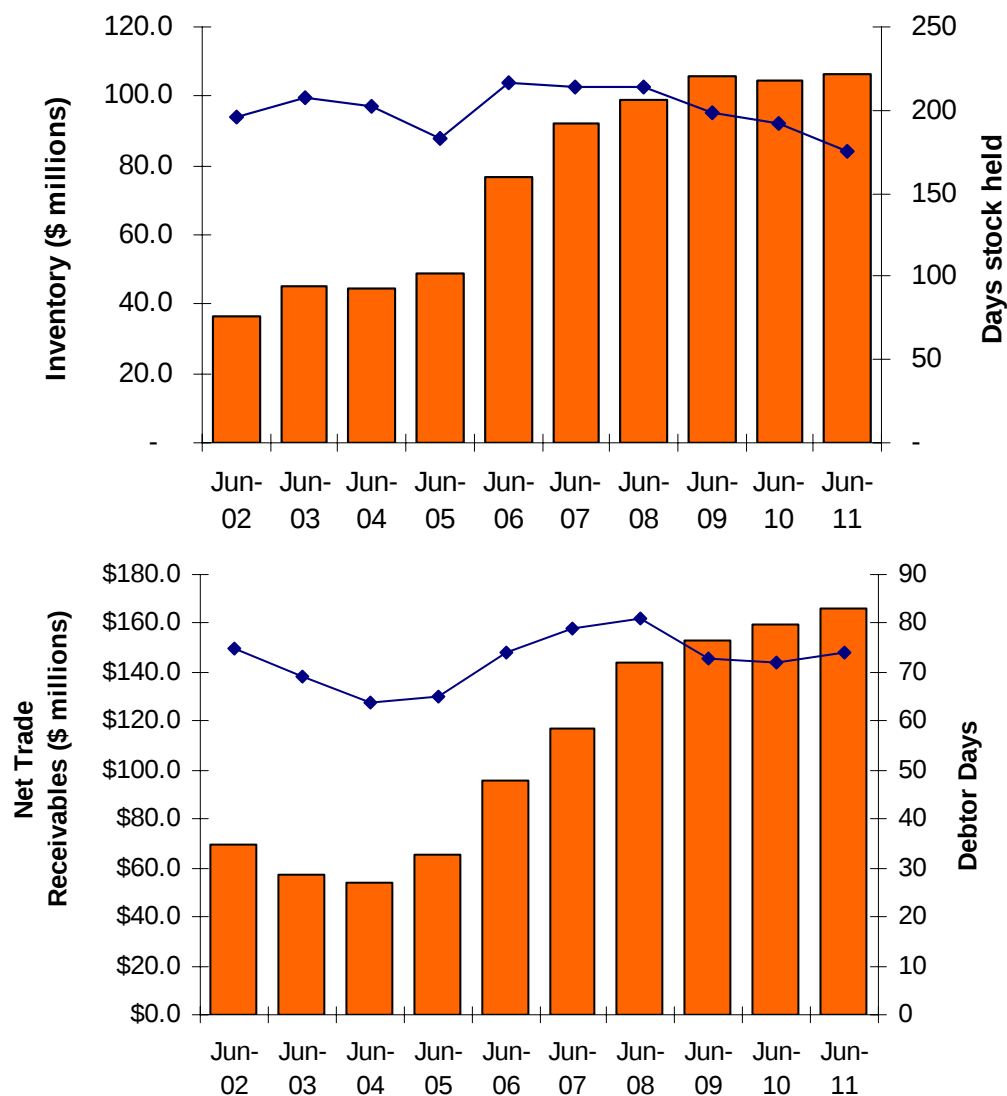


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F11 Working Capital

Inventory (Days Stock Held) / Debtors Days Outstanding



- F11 Inventory at 173 days (F10 192 days) \$106.1 (F10 \$104.4m)
- Debtor days to 74 (F10: 72, F09: 73)
- F11 debtors at \$165.9m (F10 \$159.5m)

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Impact of Appreciating AUD on F11 NPAT

	A\$m	
	F/(U)	
Income Statement Translation Impact		
Sales Revenue	(82.9)	Difference F11 actual vs F11 at F10 rates
Total Expenses including tax	27.9	
	(55.0)	
Transaction Impact		
- Increase from F10 of gain on FX Contracts	38.8	Difference between actual F11 vs F10
Translation Impact		
- Increase from F10 of FX gain on asset translation	1.3	Difference between actual F11 vs F10
Negative impact on F11 NPAT of appreciating AUD	(14.9)	
(i.e. Profit in F11 would have been \$14.9m greater if F10 average rates had applied to F11)		

Cochlear F11 Cash /(Debt)

	30 June 2011	30 June 2010
	\$m	\$m
Operations		
Loans and Borrowings		
Current	(60.0)	-
Non-current	(3.0)	(82.9)
Total Debt – operations	(63.0)	(82.9)
Cash	72.4	41.8
Net Cash/(Debt) – operations	9.4	(41.1)
<i>Gearing ratio - operations (net debt/net debt + equity)</i>	<i>(2%)</i>	<i>9%</i>
Net Debt for new building	-	(72.8)
Total Net Cash/(Debt)	9.4	(113.9)

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Cochlear H1 F11 Overview

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Thank you

Any questions?

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Completion of Global Headquarters

	\$m
Proceeds from Macquarie University	130.3
Total cost	(118.7)
Onerous lease commitments at present value	(3.7)
Relocation expenses	(1.8)
Construction profit net of relocation expenses	6.1

(Note 28)

Corporate & Other Expenses

	F11	F10
	\$m	\$m
FX Contracts	(77.4)	(38.6)
Research and Development	108.9	94.9
Corporate Administration & Marketing	58.4	55.0
Corporate Other Income	(7.6)	(9.3)
Corporate and other net expense (note 10)	82.3	102.0

Foreign Exchange

Rates applied F11 vs F10

	F11	F10	%
Average rates (used for translating P&L)			
USD	0.98	0.88	12%
Euro	0.72	0.63	14%
JPY	82.0	80.5	2%
GBP	0.62	0.55	13%
Contract rates (used to bring FX to Aust)			
USD	0.83	0.80	4%
Euro	0.58	0.56	4%
JPY	78.38	84.70	(7%)

Foreign Exchange

Period end rates applied F11 vs F10

	30 June 2011	30 June 2010	% change
Period end rates (for translating Balance Sheet)			
USD	1.05	0.87	21%
Euro	0.73	0.71	3%
JPY	84.8	78.1	9%

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FX Contract Cover and Rates as at 30 June 2011

Total FX cover at 30 June 11	USD 246.7m	Euro 216.7m	JPY 9.4m	Total AUD 472.8m
% of total cover (in AUD)	52.2%	45.8%	2%	100%
3 yr weighted average rates				
FX contracts at 30 June 11	0.82	0.64	75.4	
FX contracts at 30 June 10	0.78	0.57	76.7	
F12 weighted average rates				
FX contracts at 30 June 11	0.80	0.63	75.1	
Cover for F12	165.7m	146.8m	6.8m	