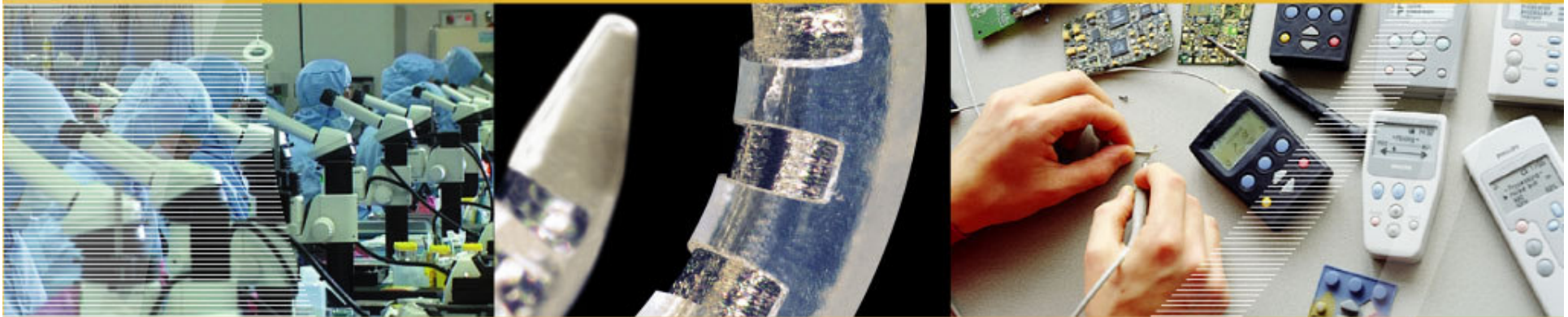


The world leader.



Cochlear Limited Results for the year ended 30 June 2004



Cochlear Limited

Analyst Briefing – August 17th 2004

Dr Chris Roberts

Neville Mitchell

Background

- Cochlear Limited: 23 year old medical device company with dominant global position in cochlear implants, 57,000 recipients
- F'04 result in line with guidance
- F'04 – loss of market share (USA), profit downgrades, DOJ investigation, executive changes.....
- New CEO appointed Feb 1st, 2004
- Issues:
 - What do the results tell us?
 - What are the strategies?
 - What is the upward trajectory?



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Summary Financial Performance

	F'04	F'03	% Change
System Sales	9,306	9,342	-
	A\$m	A\$m	
Total Revenue	285.8	307.6	↓ 7%
Operating Profit before tax	47.3	80.0	↓ 41%
PAT	36.8	58.2	↓ 37%
Full year dividend	79c	77c	↑ 3%
Franking	100%	100%	



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What has changed at Cochlear?

New CEO – appointed Feb '04

Go back to the basics

Focus: priorities + stopping things!

Cultural:

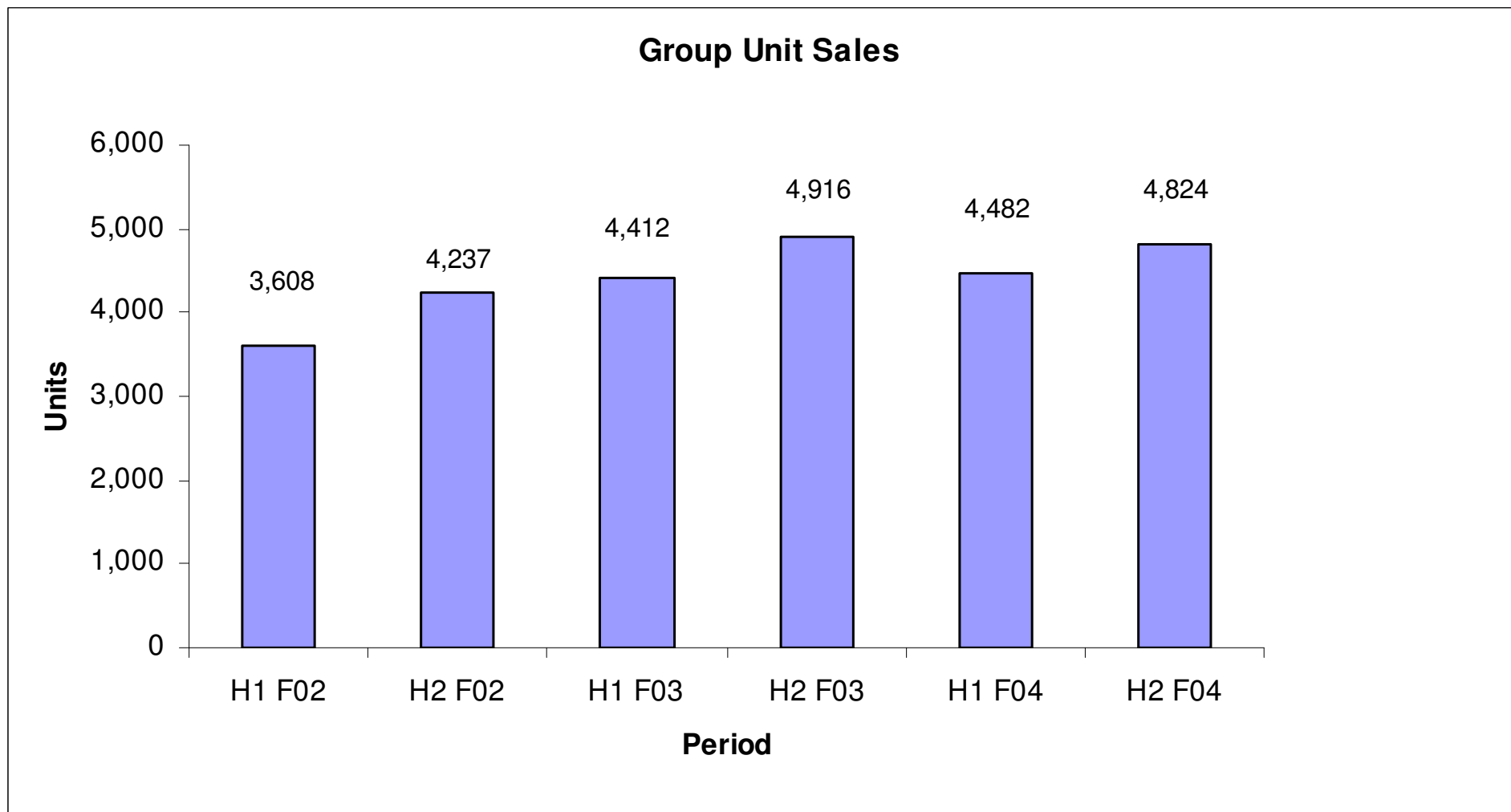
- Issues onto the table
- Regional/Corporate balance
- Innovation

The right people into the key positions

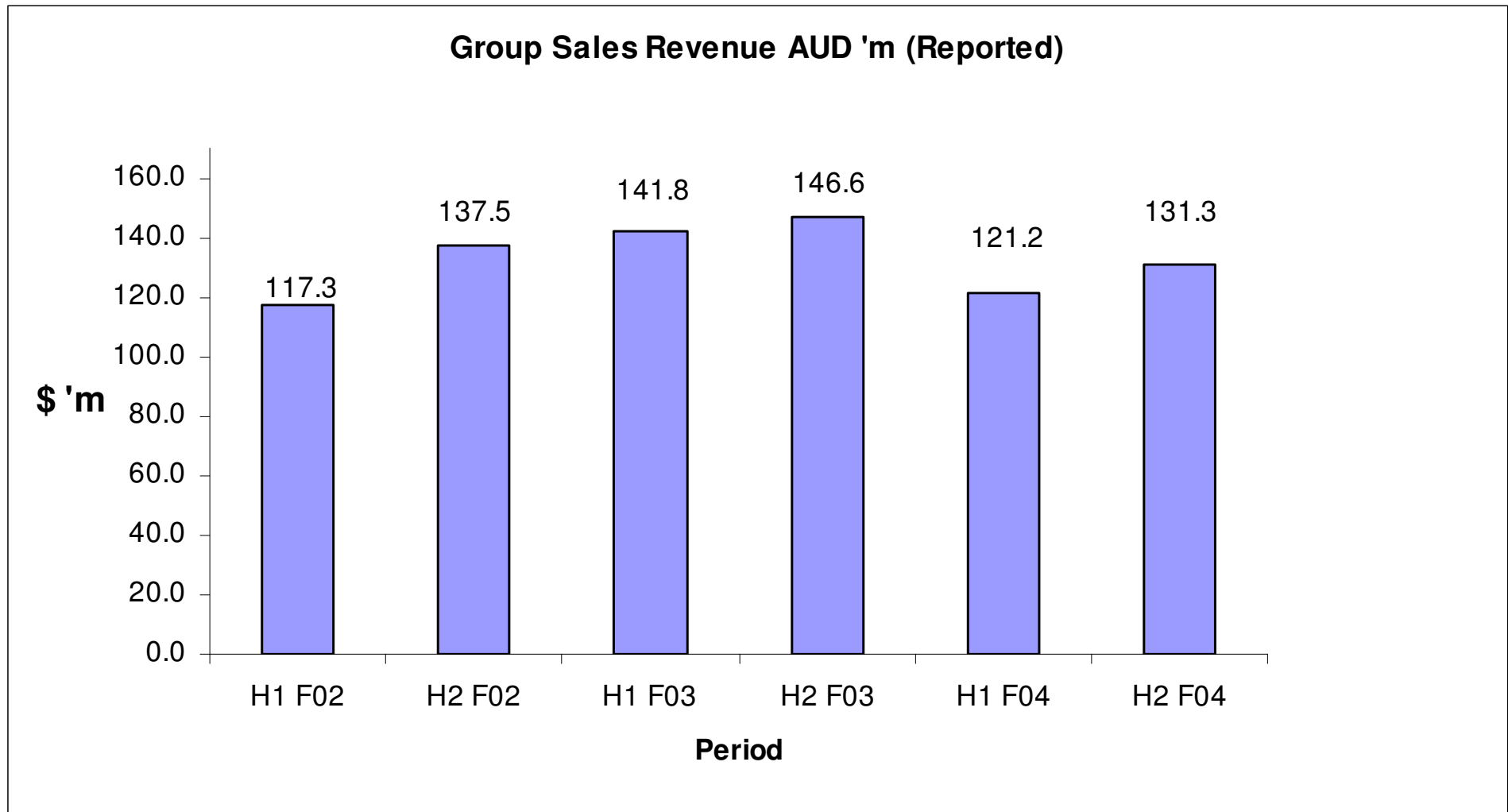


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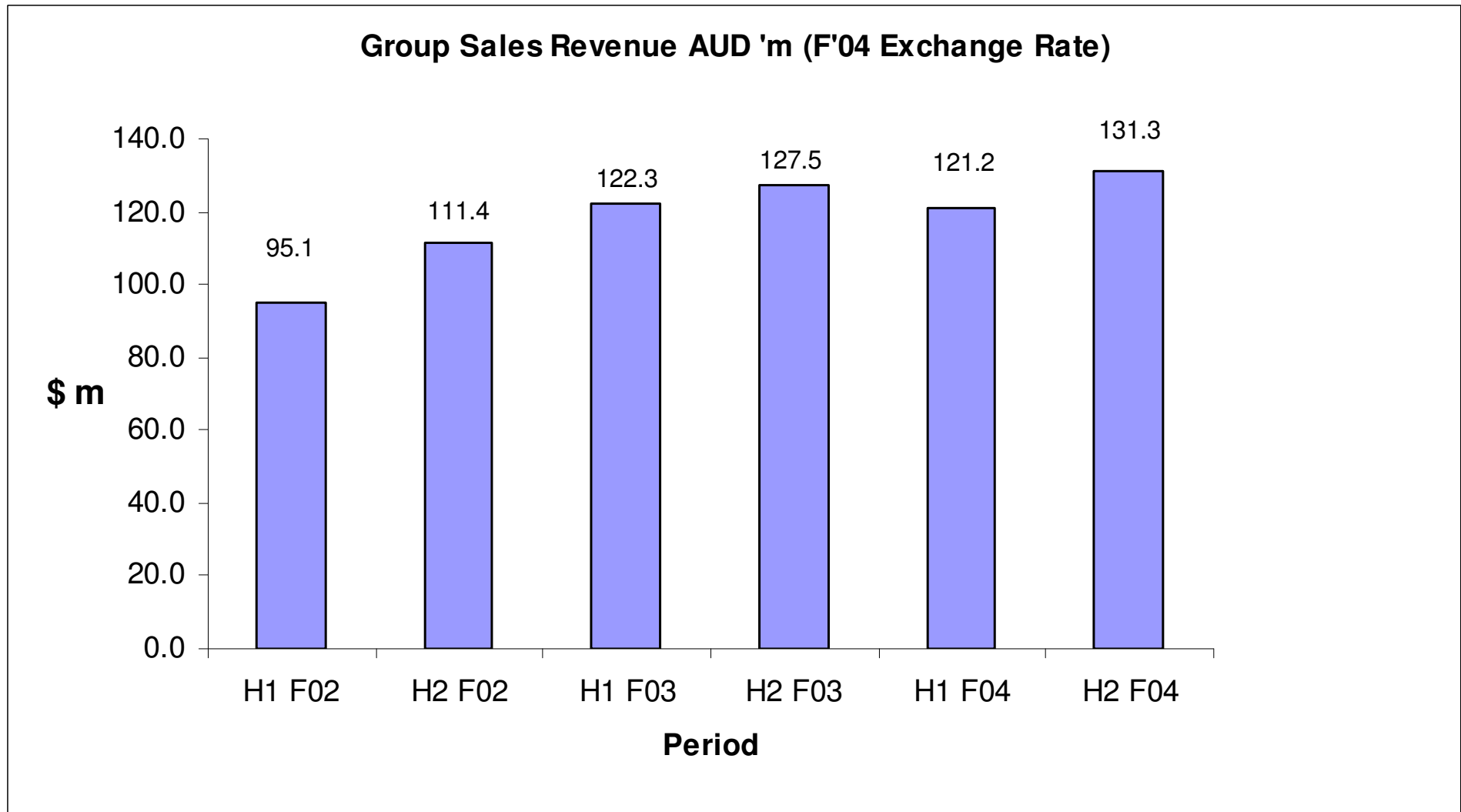
Group Unit Sales



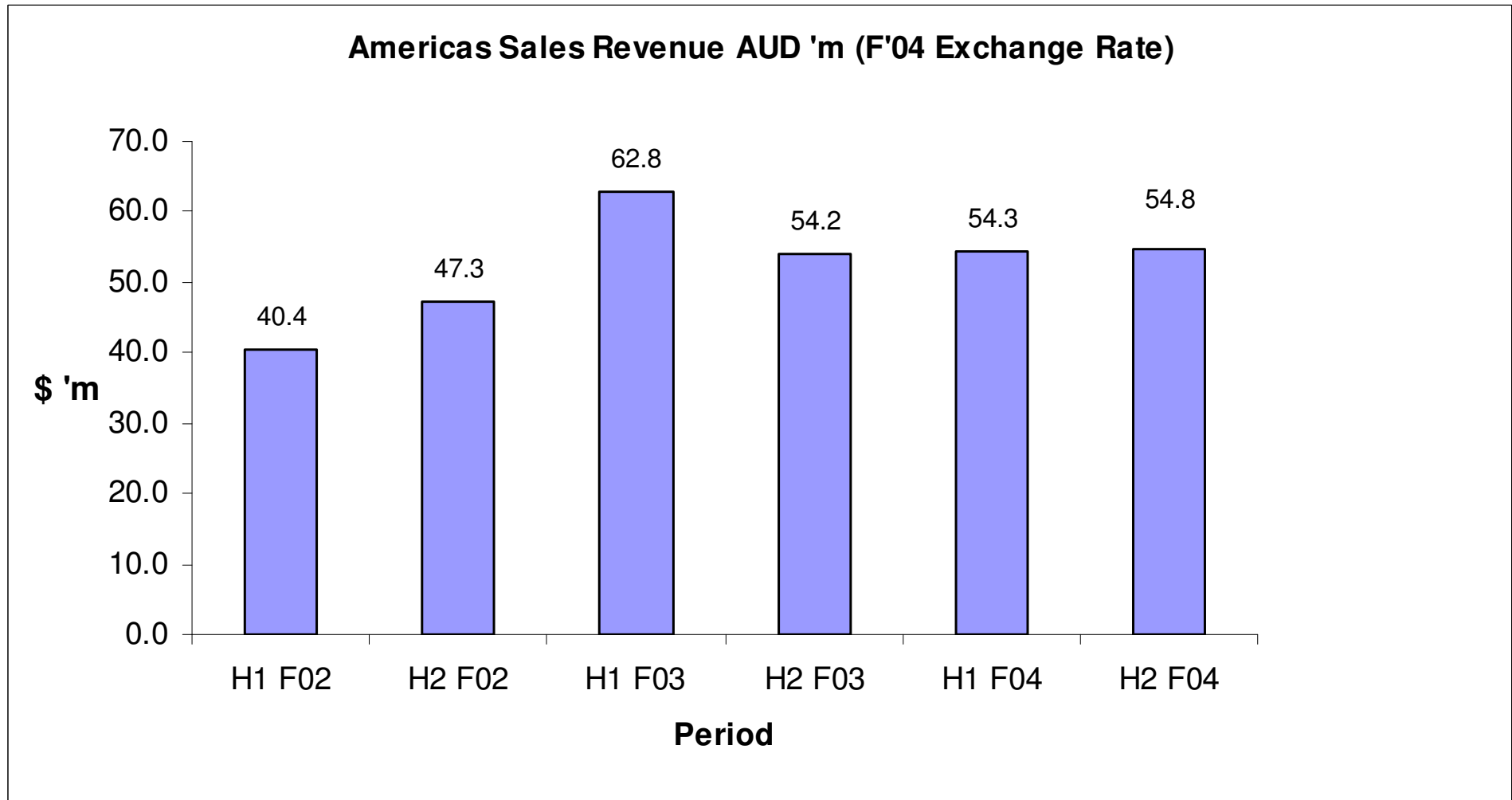
Group Sales Revenue A\$m (Reported)



Group Sales Revenue A\$m (Constant Currency)



Americas Sales Revenue A\$m (Constant Currency)



Regional Profile

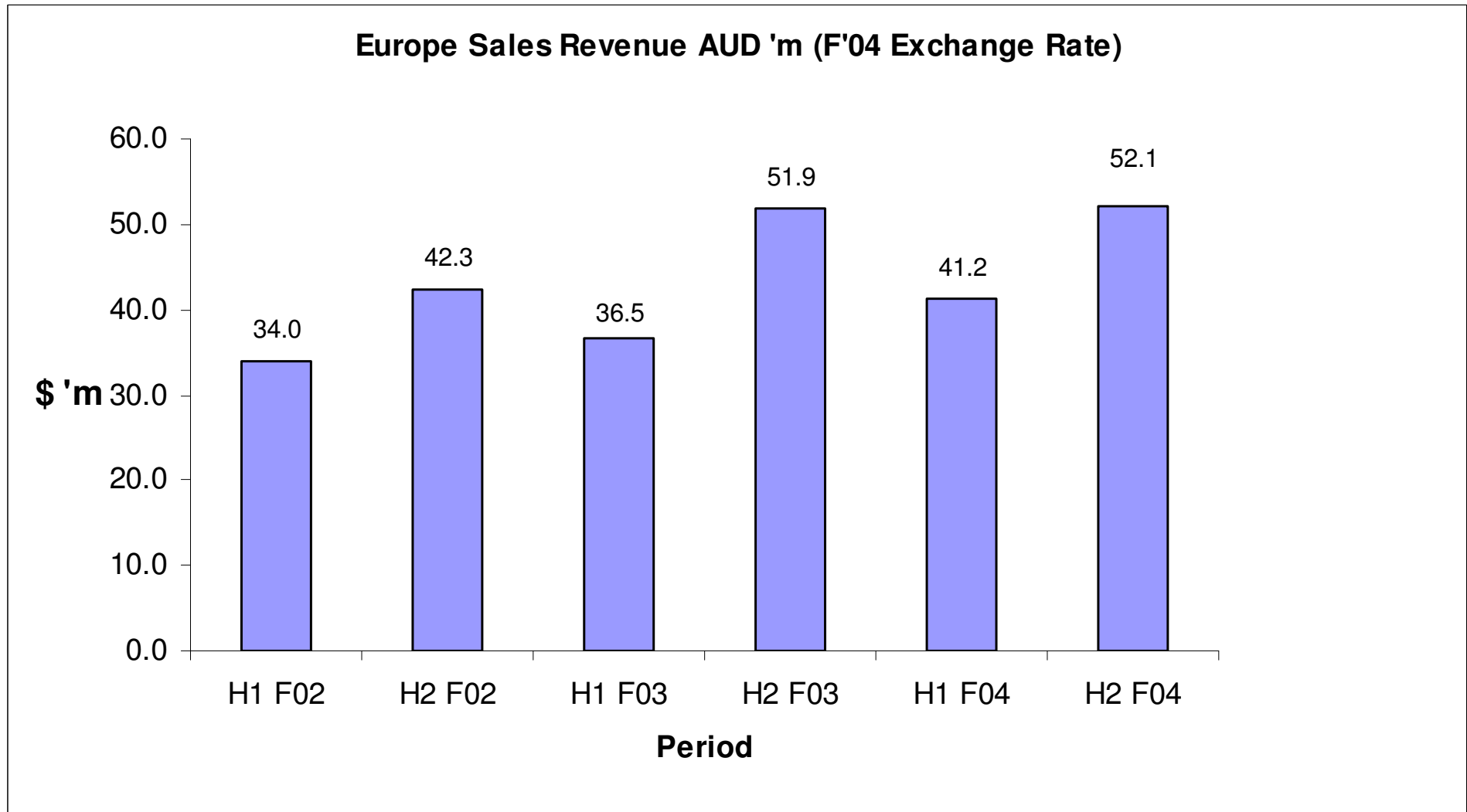
Americas

- New President – Chris Smith
- DOJ – status unchanged
- Loss of market share
 - Now stabilised
- Reimbursement
 - CMS reviewing expansion eligibility criteria



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Europe Sales Revenue A\$m (Constant Currency)



Regional Profile

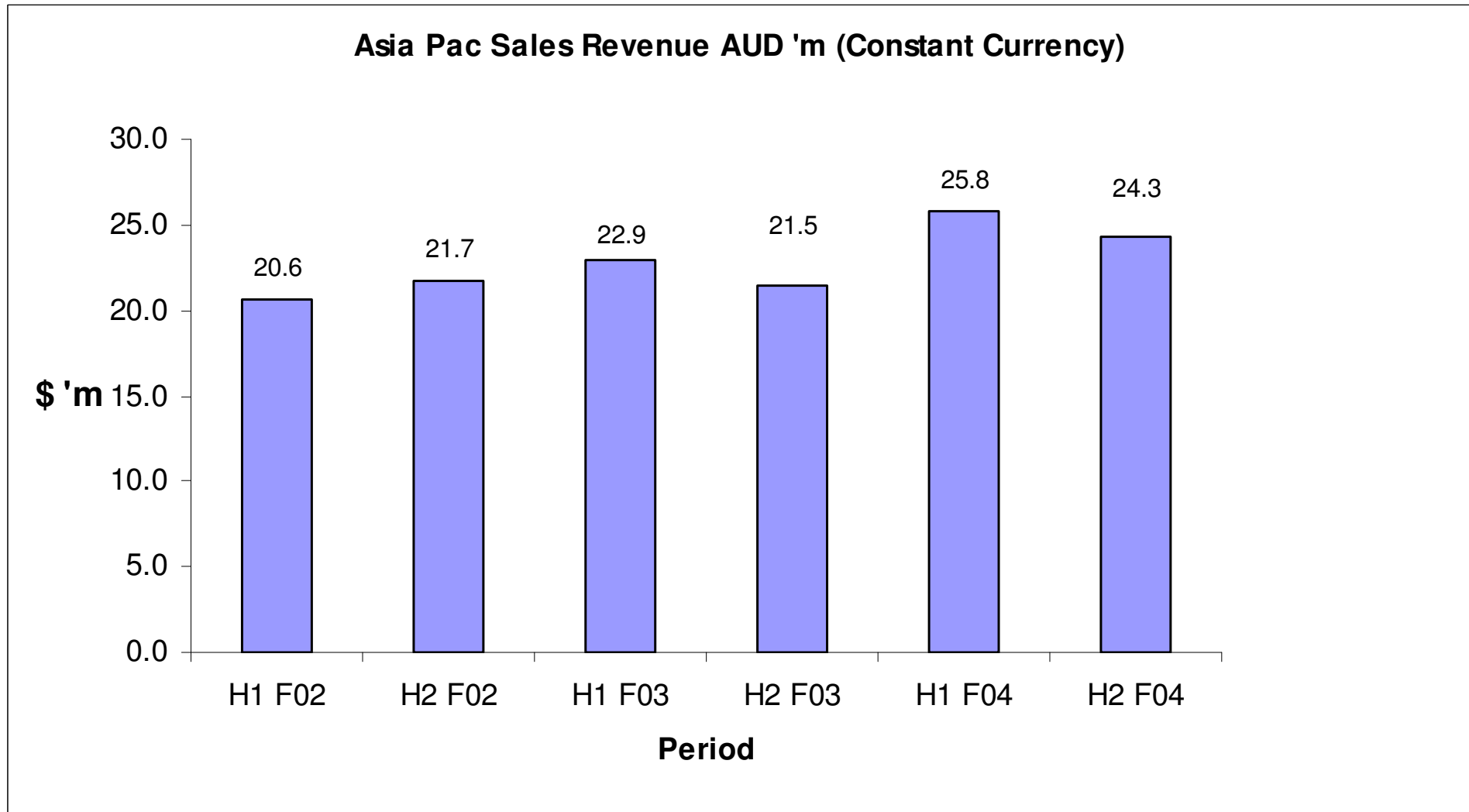
Europe

- Market share maintained
- Volatility of sales related to tender sales
- Reimbursement – small incremental improvements
- Direct in Belgium, The Netherlands and France
 - Direct business now > 50%



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Asia Pacific Sales Revenue A\$m (Constant Currency)



Regional Profile

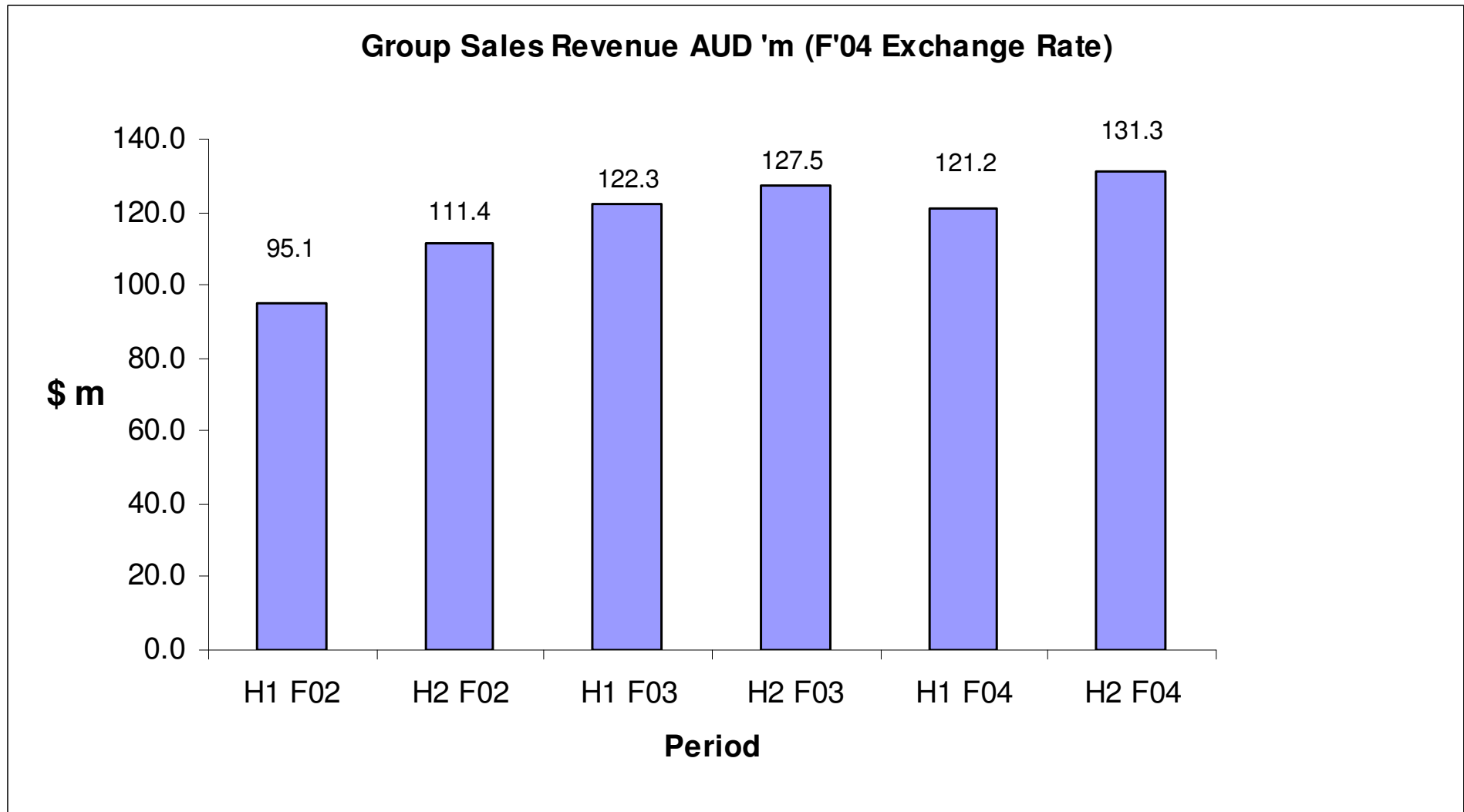
Asia Pacific

- 18% unit growth
- New President – Mark Salmon
- China strong
- Australia growth strong ~ 20%
- Direct in Japan



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Group Sales Revenue A\$m (Constant Currency)



F'05 Strategies:

- Internal effectiveness and efficiency
- Product Development: System 4 - number one priority
- Regional Presidents
 - Chris Smith – President of Americas (Aug '04)
 - Richard Brook – President of Europe (May '03)
 - Mark Salmon – President of Asia-Pacific (Jul '04)



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F'05 Strategies:

- Marketing
 - New marketing appointments in all regions
 - Fact based marketing decisions (market research)
- Distribution
 - Direct in key markets
 - Purchased distributors in Japan, France, Belgium, Netherlands
- Culture - innovation, regional/corporate balance
- Quarterly planning



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New Executives to Grow Business

Regional Presidents

- Americas – Chris Smith appointed August '04
- Europe – Richard Brook appointed May '03
- Asia Pacific – Mark Salmon appointed July '04

Marketing

- All regions expanded functions

Quality

- Snr VP Quality – Dr Adrian Oates



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R&D Refocused on Core Business

- Focus on hearing impairment
- All FES & peripheral products stopped
- New Generation System 4 is immediate focus
- Strong product pipeline
- Alternate approaches to severely hearing impaired



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The Way Ahead

- Technologic innovation
 - Implant criteria
 - Simplification
- Reimbursement
 - Favourable health economics
 - Ref. August 2004 Ear & Hearing article
 - Ongoing issue
- Overall market growth
 - Unmet clinical need
 - Growing market



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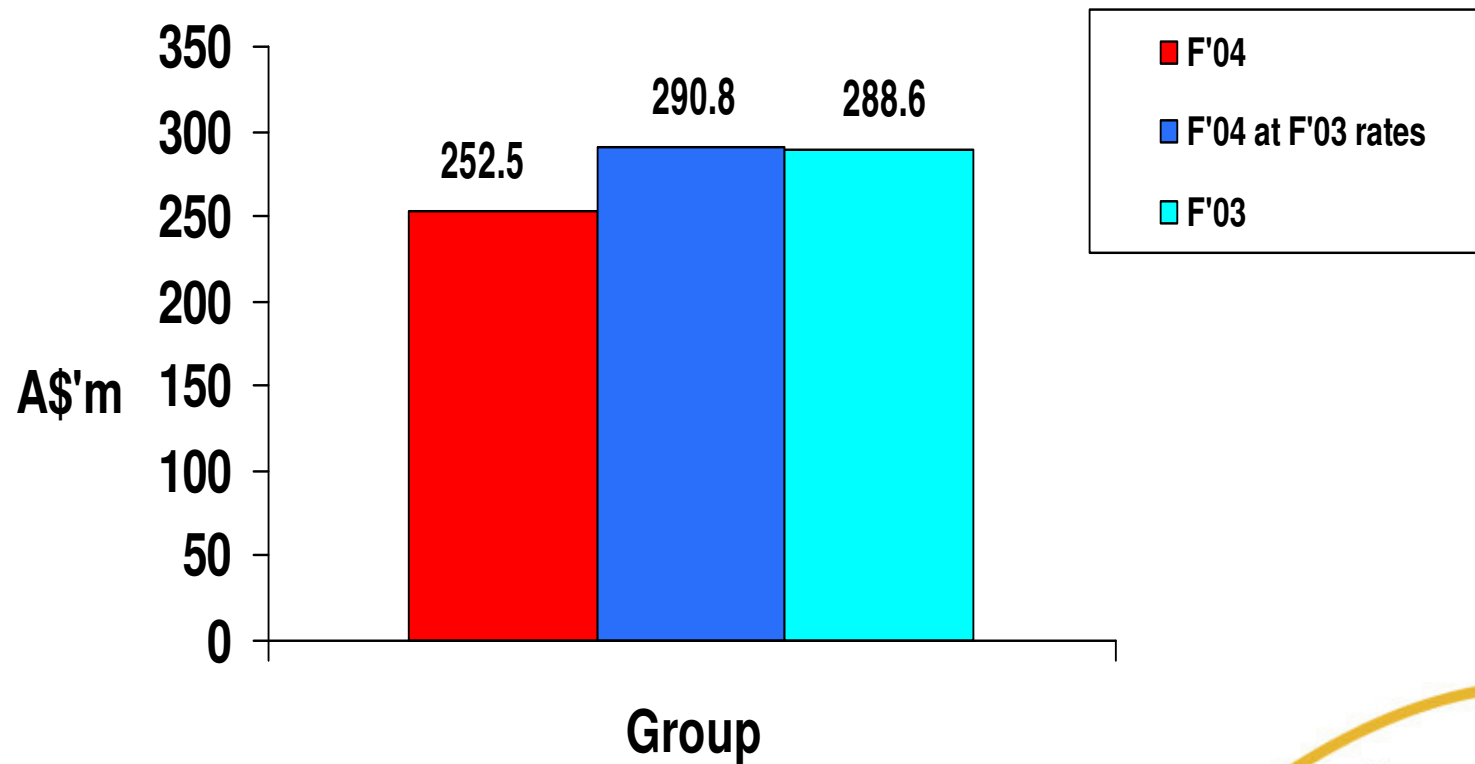
Financial Results – F'04

Neville Mitchell
Chief Financial Officer

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Financial Performance F'04

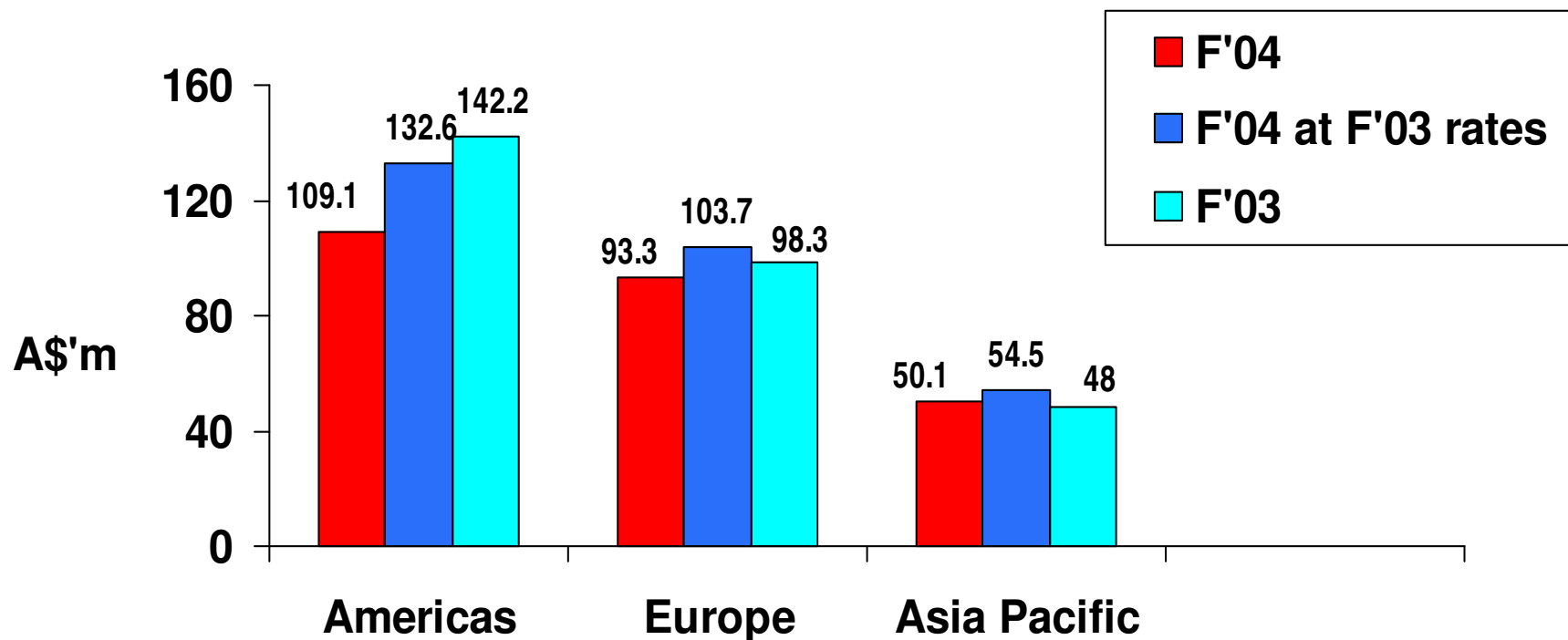
Group Revenue



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Financial Performance F'04

Revenue by region

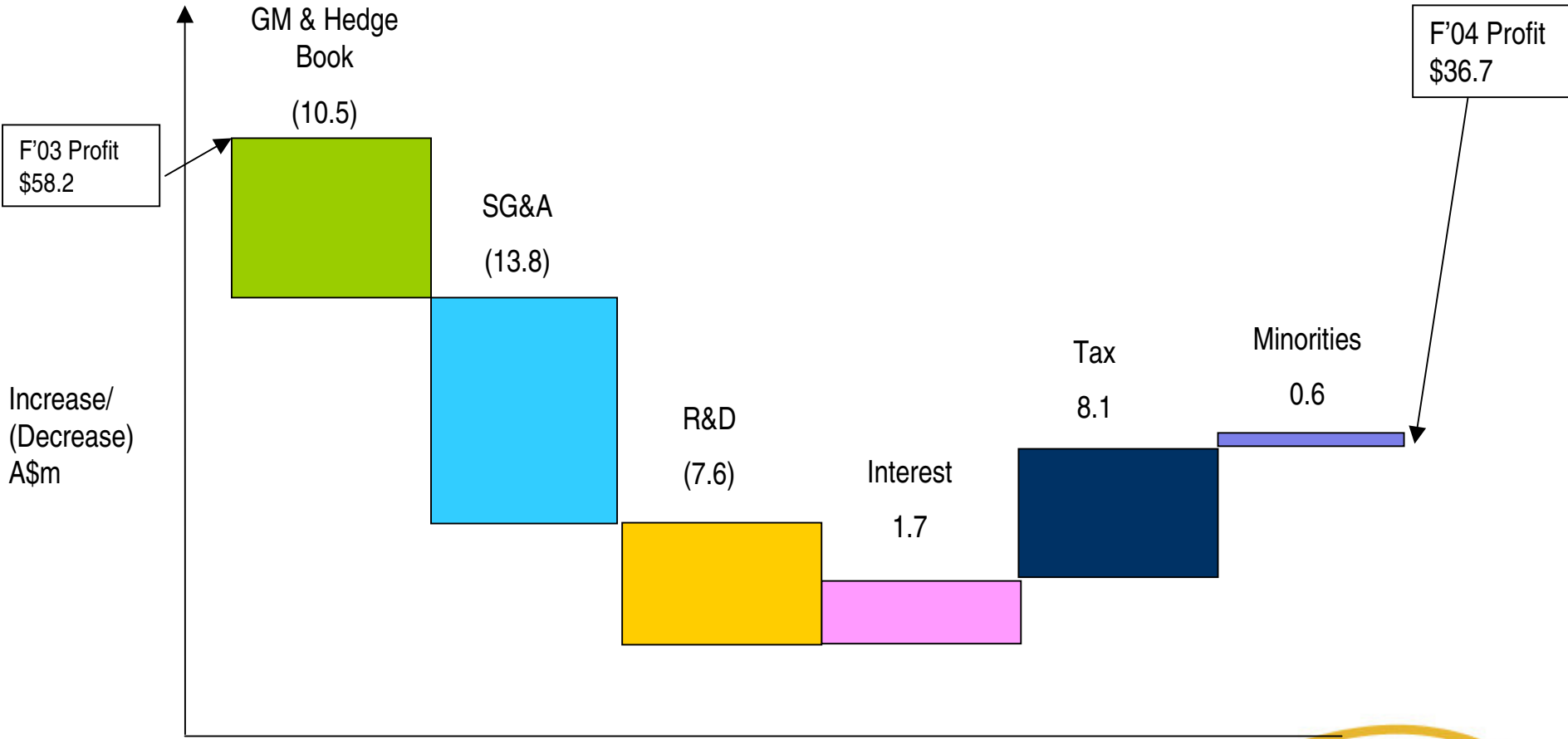


Growth in constant currency – Asia / Europe

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PAT Reconciliation F'04 – F'03

In constant currency



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Successful Currency Management

- Board approved Treasury Policy
- External review of FX trading – no issues
- Full Year Impact:
 - Foreign sales revenue translation impact (A\$38.3m)
 - FX contract profit A\$30.3m



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Foreign Exchange

Rates applied F'04 vs F'03

	F'04	F'03
Average rates (used for translating P&L)		
USD	0.71	0.59
GBP	0.41	0.37
JPY	80	71
Contract rates (used to bring FX to Australia)		
USD	0.54	0.52
GBP	0.35	0.36
JPY	55	59



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Foreign Exchange Rates Going Forward

Average Contract Rates	USD	GBP	JPY
12 months ending June '05	58	0.36	52
12 months ending June '06	62	0.36	52

- **Total mark to market FX gain at 30 June 2004
A\$22m**
- **Hedge book rolling off**



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Financial Performance F'04

Expenses

	F'04	F'03	
	A\$m	A\$m	
COGS	85.0	82.6	↑ 3%
SG&A	108.4	107.2	↑ 1%
R&D	44.4	37.0	↑ 20%
Individually Significant	12.5	-	



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Financial Performance F'04

	F'04	F'03
Tax rate	23.5%	27.2%
Rate decline		
• High R&D deduction at 175%	3.4%	
• Lower overseas profits at high rates	<u>0.3%</u>	
	<u>3.7%</u>	



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Working Capital F'04

	June '04 A\$m	June '03 A\$m
Current assets		
Cash (net)	50.0	28.9
Receivables	54.0	56.9
Inventory	44.8	45.0
Current liabilities		
Payables	31.7	28.5
Provisions	22.4	18.8



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Cochlear