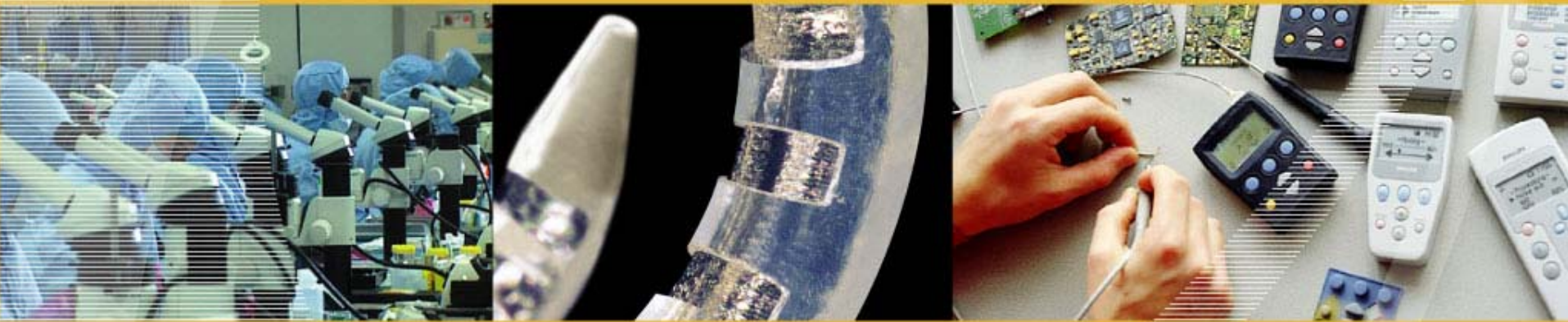


The world leader.



Cochlear Limited Results for the half year ended 31 December 2003



Cochlear Limited

Presentation Agenda 17th February 2004

Introduction

Dr Chris Roberts

Results

Neville Mitchell

Technology

Dr John Parker

Introduction



First Impressions

- Fundamentals of the business are intact
 - Unmet clinical need
 - Great technology / products
 - Strong market position
 - Good people
- Need renewed focus on execution
- Good opportunities for expanding access into these markets

Long Term Trends

- Implant rate less than incidence of severe deafness
- Neonatal screening
- Technology developments
- Ageing population
- Growing critical mass of recipients

Financial Results - H104

Neville Mitchell
Chief Financial Officer

Financial Results Profile 1H04

- Sales in line with expectations
- FX PAT impact (A\$1m)
- Margin improvement
- Strict expense control
- Additional \$2.6m investment in R&D, ahead of new system launch in F'05
- Capital management
 - Review complete
 - Payout ratio maintained
- New accounting disclosures

Accounting Disclosures – 1H04

- FX hedge gains
 - Profit on hedges in Total Revenue (previously COGS)
 - Separate line item
 - Complies Accounting Standards AASB 1012
- Intangible
 - Relates to Phonak contribution to Cochlear Acoustics
- Deferred revenue
 - 2nd processor sales

Financial Performance

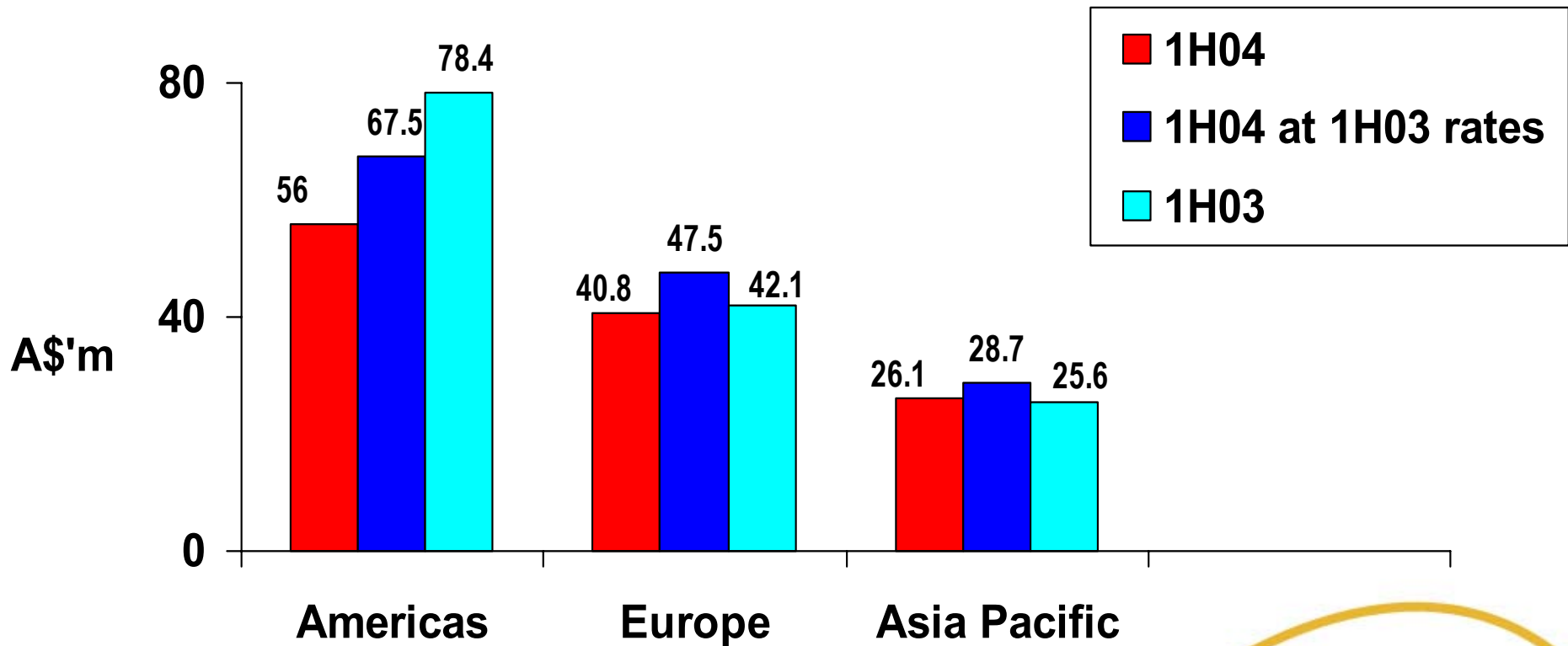
	1H 04 A\$m	1H 03 A\$m	% Change
Units	4,482	4,415	↑2%
Total Revenue*	139.2	150.5	↓7%
Operating Profit before tax	36.3	36.0	-
PAT	26.9	27.0	-
Half year's dividend	35c	33c	↑6%
Franking	100%	100%	

* Restated 1H03 with accounting standards

Hear now. And always

Financial Performance 1H04

Revenue by region



Americas – Overview 1H04

- Comparatives difficult: last year's growth 50%
- Market leader – 60-65% market share – an increase from the start of F'03
- Market share loss minimal from 2H03 to 1H04
- FX impact on reported A\$ sales
- Clinic capacity / profitability
- Reimbursement

Europe – Overview 1H04

- High market share maintained – 60-65%
- Good growth in major markets of UK and Germany
- Middle East / Central Eastern Europe slower growth
- Reimbursement breakthroughs uneven

Asia Pacific – Overview 1H04

- Cochlear clear market leader in Asia – 80% market share
- First two months impacted by SARS
- Strong unit growth of 21%
- Strong North East Asia / China sales
- Good growth in Australian sales

PAT Reconciliation 1H04 – 1H03



Financial Performance – FX 1H04

- Portfolio of currencies – USD, EURO, JPY, HKD
- Policy maintained to hedge out 3 years on rolling basis
- 100% first six months down to 20% 36 months out

1H04 - Impact	A\$m
Sales revenue translation impact	(21)
FX contracts	15
Foreign expenses – translation impact	<u>5</u>
Net adverse impact half on half	<u>(1.0)</u>

Foreign Exchange 1H04

Rates applied 1H04 and 1H03

	1H04	1H03
Average rates (used for translating P&L)		
USD	69	56
GBP	42	37
JPY	79	68
Contract rates (used to bring FX to Australia)		
USD	59	52
EURO	55	57
GBP	36	36
JPY	54	58

Foreign Exchange Going Forward

Contract Rates	USD	EURO	JPY
6 months to June '04	55	56	58
12 months to June '05	59	56	53
12 months to June '06	62	53	54

**Total mark to market FX gain at 31 December
A\$47m**

Financial Position 1H04

	Dec 31 2003 A\$m	June 30 2003 A\$m
Current assets		
Cash (net)	38.8	28.9
Receivables	53.9	56.9
Inventory	49.0	45.0
Current liabilities		
Provisions	15.3	18.8



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Capital Management

Process

- External expert review and advice
- Understanding of debt/equity benchmarks
- Maximising options for shareholders
- CEO to review

- CELTIP purchase
- **70% dividend payout ratio confirmed**

F'04 Outlook

- In line with December announcement
- Double digit 2nd half growth
- F04 PAT marginally below last year's record result

Technology & Product Development

Dr John Parker
Chief Technology Officer

Technology & Product Development

Upcoming Product Releases

F04

- Nucleus[®] 24 Contour Advance[™] – Softip[™] Electrode
- Streamlined fitting
- ESPrit 3G for Nucleus[®] 22

F05

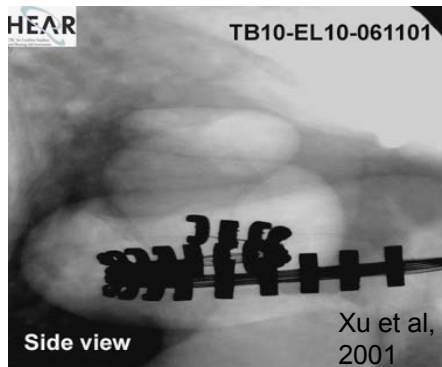
- System 4
 - Implant
 - Processor
 - Improved Streamlined Fitting

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Contour Advance update

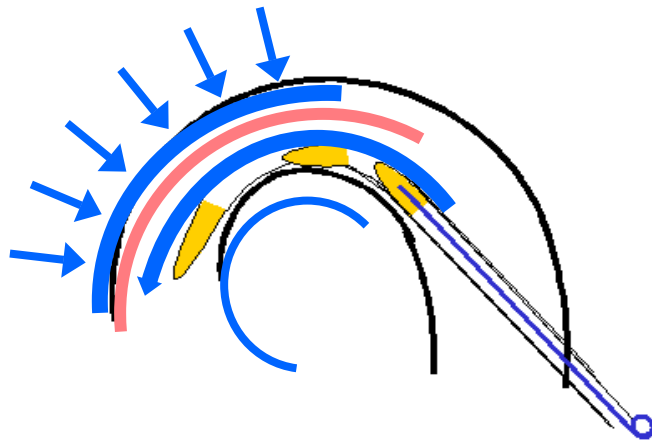
Change in electrode tip and insertion



790 implants as at Jan04

Related studies:

- NYU confirmed improved coiling (deeper & closer perimodiolar position)
- Clinical studies on residual hearing underway in US & Europe

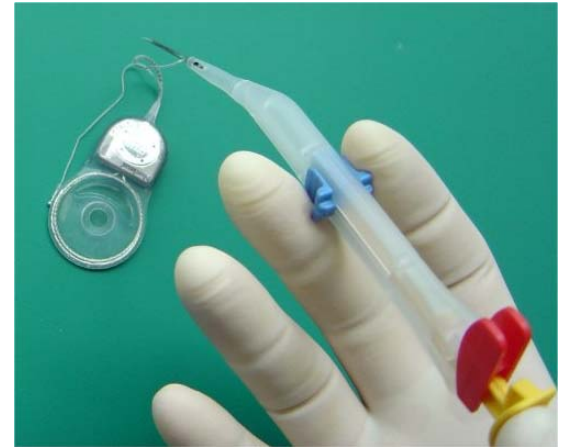
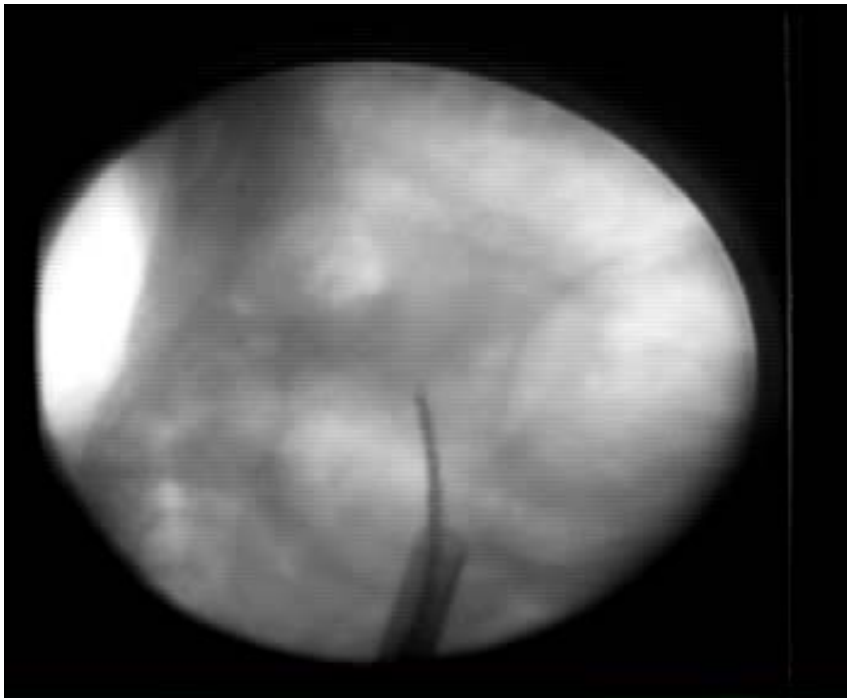


Long term goal to preserve residual hearing

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Insertion Tool for Contour Advance

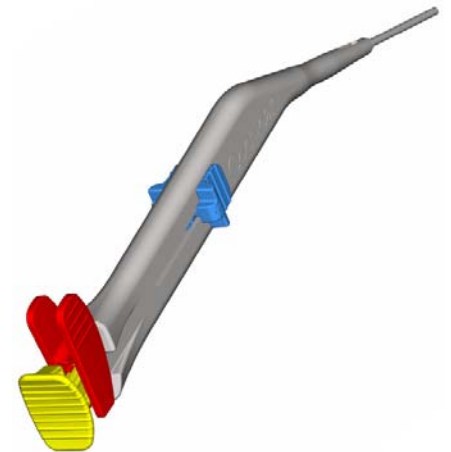
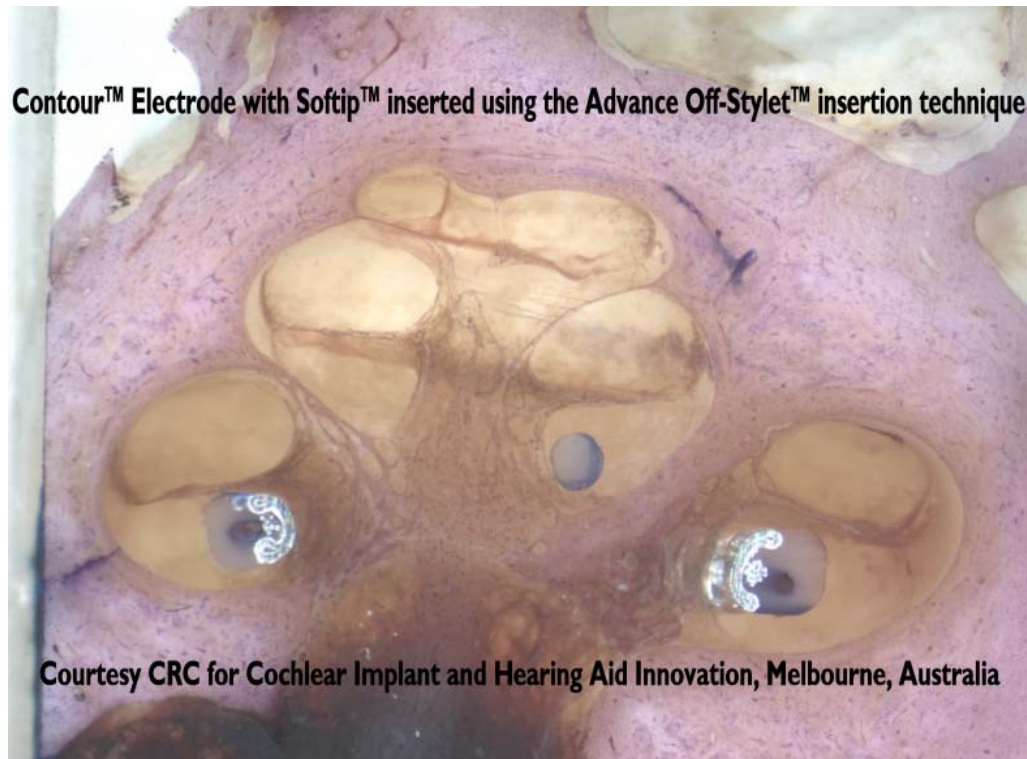
- Full-function
- Single-handed
- Sterile & disposable



Hear now. And always

Insertion Tool Studies

- Surgical usability and safety complete
- Market Acceptance Test worldwide to start Mar 04

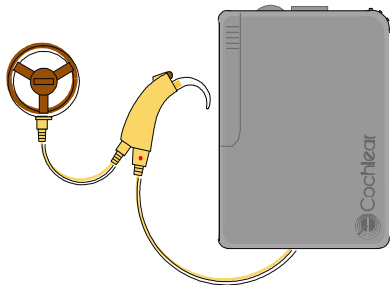
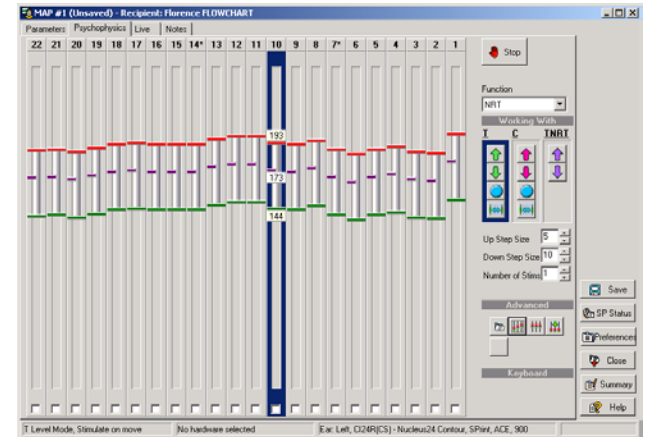


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Streamlined Fitting

A range of important new features

- Support for the Nucleus22
- NRT-based Mapping
- Bilateral MAP support
- Session History
- Translated user interface
- and many more.



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Software in Japan (installed in 50 clinics)

The screenshot displays the Nucleus R126 (V2.1) software interface. The main window is titled "MAP 管理 MAP リストを見る" (MAP Management View MAP List). A sub-window titled "スピーチプロセッサステータス" (Speech Processor Status) is open, showing the status of a speech processor: "スピーチプロセッサ PPS, ESPrIt 3G, S/N: 001618 ステータスOK" (Speech Processor PPS, ESPrIt 3G, S/N: 001618 Status OK).

The main window contains a table with the following columns: 番... (No.), タイトル (Title), プロセッ... (Process), コード... (Code), 耳 (Ear), 作成済み (Created), レート (Rate), マク... (Max), モード (Mode), and 総合レート (Overall Rate). The table currently shows two rows:

番...	MAP	タイトル	コード...	作成済み	レート	マクシ...	モード	ステータス	現行
1									
2									

The interface also includes a sidebar with navigation options: 装用者 (User), セッション詳細 (Session Details), スピーチプロセッサ (Speech Processor), インプラント (Implant), MAP 管理 (MAP Management), 医師 (Physician), and システムユーティリティ (System Utility). The status bar at the bottom shows: 医師: レーネー (Physician: Rainer), 装用者: Test Recipient (User: Test Recipient), and PPS - ESPrIt 3G (Device: PPS - ESPrIt 3G).

Results of Streamlined Fitting Study

European study* shows significant improvement in fitting times (n=51):

- Standard mapping – 41.8 minutes
- NRT-based mapping – 20.7 minutes

No significant difference in resulting performance

* Angel Ramos Macias, Justine Maggs, Denise Cafarelli Dees, Paula Greenham, Carmen Castillo, 2003.

New Streamlined Fitting Method

Combined Product & Service Development

- Option of NRT-based mapping or:
- Interpolation and live-voice C-level setting
- Faster, simpler, “more natural” fitting

46 US clinics enrolled in clinical study

- Early results very promising
- Fitting times of less than 15 minutes

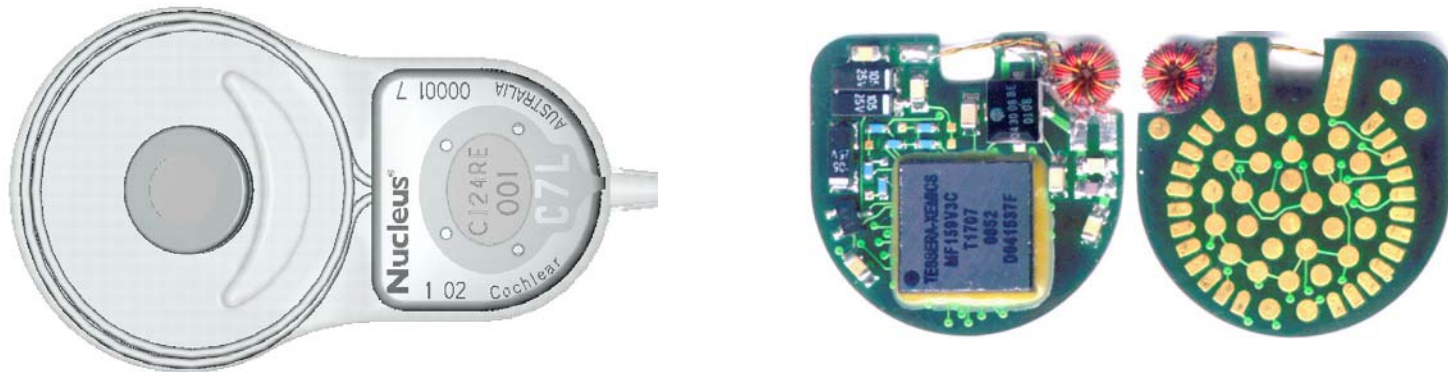
Esprit 3G for N22 users

- Speak strategies for N22 users
- 18,000 installed base
- Addresses more recipients than original ESPrit
- Provides Whisper Setting, FM integration



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System 4 Development



New Implant

- Higher Stimulation rates
- Improved Streamlined Fitting
- New Stimulation modes

System 4

- Clinical trial continues with expansion to the USA
- New algorithms appear very promising with small trial numbers
- Further trial expansion 1H04

Hear now. *And always*



Cochlear