

ASX / MEDIA RELEASE

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COCHLEAR ANNOUNCES RECORD F11 FINANCIAL RESULTS AND IS WELL POSITIONED FOR LONG TERM SUSTAINABLE GROWTH

- Total revenue up 10% to \$809.6 million, with sales up 17% in constant currency
- Cochlear implant unit sales up 17% to 24,661 units
- Net Profit after Tax (NPAT) of \$180.1 million, up 16%, EPS \$3.18, up 15%
- Net cash of \$9.4 million at 30th June 2011 (June 2010, net debt \$113.9 million)
- Final dividend of \$1.20 per share (70% franked and 30% CFI), up 14%

Results summary

	F11 \$ million	F10 \$ million	Change
Cochlear implant sales	648.0	603.7	↑ 7%
Bone Anchored Solutions (Baha)	84.2	92.5	↓ 9%
FX Contracts Gains	77.4	38.6	↑ 101%
Total Revenue	809.6	734.8	↑ 10%
EBITDA	270.1	243.6	↑ 11%
EBIT	242.7	220.5	↑ 10%
EBIT / Revenue	30%	30%	
Net Profit After Tax	180.1	155.2	↑ 16%
Basic EPS (cents)	318.2	275.7	↑ 15%
Final dividend (payable 22/09/2011)	120c	105c	↑ 14%
Franking	70%	60%	
Conduit Foreign Income	30%	40%	

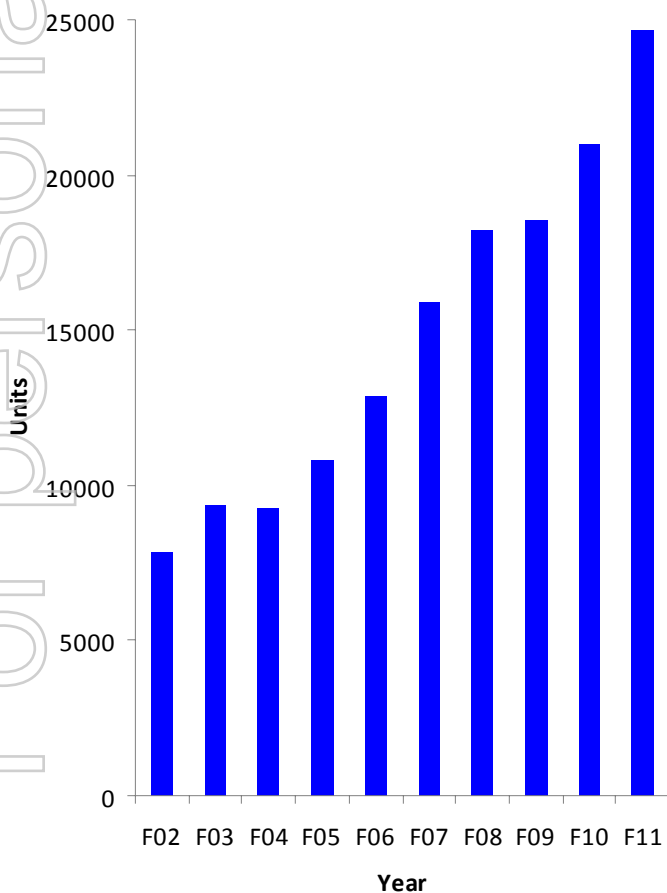
Commenting on the result, CEO & President, Dr Chris Roberts said, “This is an excellent financial result with record revenue, profit and a net cash position at year end.

“This result was achieved in difficult global financial conditions and highlights the multiple growth drivers the business delivers across products and geographical spread. These drivers continue to stimulate long term sustainable growth.

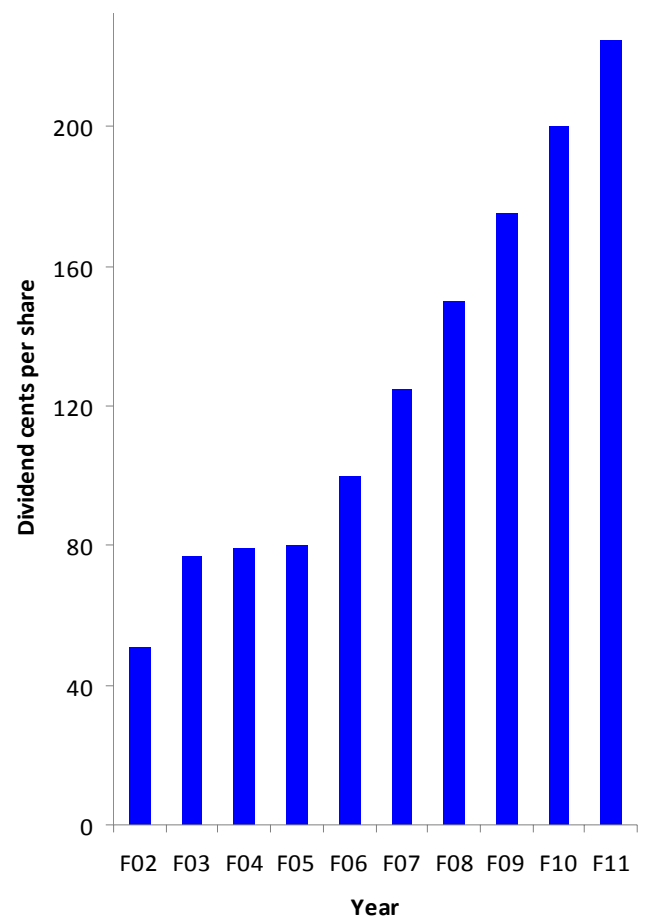
“Importantly, the business was strengthened and readied for ongoing growth from the areas of technological innovation, further improvements in manufacturing and supply chain processes and advancement of online digital strategies.

“It was also a milestone for the Company moving to its new headquarters. The new headquarters forms part of the Hearing Health Precinct at Macquarie University which, when completed, will host over 2,000 people across a variety of disciplines in the hearing industry.”

10 Year Cochlear Implant Unit Sales



10 Year Cochlear Dividends



COH Full Year 09_08_11 Analyst Final.pptx

F'11 RESULTS REVIEW

Total Revenue

Total revenues were \$809.6 million, up 10%. Sales, excluding FX contracts, were \$732.2 million, up 5%. In constant currency (that is restating F10 at F11 FX rates), F11 sales were up 17% compared to F10.

Cochlear implant (CI) sales, which included accessories and sound processor upgrades, were \$648.0 million, up 20% in constant currency (up 7% in reported currency).

Cochlear implant unit sales increased 17% to 24,661 units. Emerging economies comprised over one third of cochlear implant unit sales, marginally above last year.

Baha sales of \$84.2 million grew 2% in constant currency (down 9% in reported currency).

Operationally, all regions grew:

- Americas sales of \$317.0 million were up 16% in constant currency (3% in reported currency).
- EMEA (Europe, Middle East and Africa) sales of \$293.3 million were up 14% in constant currency (up 1% in reported currency).
- Asia Pacific sales of \$121.9 million were up 31% in constant currency (26% in reported currency).

Margins

EBIT was up 10% to \$242.7 million and the EBIT/Revenue margin was 30%. This is consistent with last year despite the 12% appreciation of the AUD against USD and 14% appreciation against the Euro. Over 90% of Cochlear's revenue is in non-AUD currencies.

Research & Development expenses of \$108.9 million were up 15%.

Cash Management

Cash generated from operating activities was up 12% to a record \$201.3 million.

Cochlear is now cash positive with net cash of \$9.4 million at year end (F10: net debt \$113.9 million).

Free cash flow of \$166 million for the year was equivalent to last year's.

The free cash flow was not higher largely due to spending \$40 million on plant and equipment (F10: \$18 million) which was principally associated with the new headquarters.

Trade receivables of \$165.9 million grew 4% from June 2010 and debtors days were 74 days (F10, 72 days). Inventory grew 2% to \$106.1 million over the June 2010 position.

Dividends

A final partially franked dividend of \$1.20 (franked to 70%) per share was declared and will be paid on 22nd September 2011 based on a record date of 1 September 2011, an increase of 14% over the F10 final dividend. The unfranked portion of the dividend has been declared Conduit Foreign Income. This is beneficial to overseas shareholders as no withholding tax applies to the dividend.

BUILDING THE BUSINESS

Relocation to New Headquarters on Macquarie University Campus

Cochlear's new global headquarters was successfully completed in F11 and all Sydney based functions, except manufacturing, have relocated to the Macquarie building. Manufacturing will transfer as regulatory approvals are obtained.

Macquarie University has commenced work on an adjacent building. Together, these buildings will create a hearing precinct employing over 2,000 people involved in diverse aspects of hearing, and act as a catalyst for global collaboration.

Geographical Footprint – Expanding and Deepening Continues

Cochlear continued its global investments in distribution underpinning future growth, for example F11 was the first full year of direct distribution in India. The focus on building out customer support capabilities throughout the regions remains important. A subsidiary company was established in Panama supporting distribution in Latin America.

Ongoing Technologic Innovation

The success of the latest generation cochlear implant system, Cochlear Nucleus 5 (N5), is testament to the importance of technologic innovation informed by thorough market research.

During the second half of F11, release 3 of N5 was rolled out providing a number of enhancements, including an improved and simplified user interface for the wireless assistant, as well as software enabling backwards compatibility of the N5 sound processor to N24 cochlear implant recipients.

Innovation in the Baha products resulted in the launch of an improved Baha 3 system, and by June 30th, of Baha 3 Power, which replaces the Intenso product range.

Cochlear has signed a technology development and licence agreement with GN Resound for the use of certain GN Resound technology with Cochlear's implantable hearing solutions. The emphasis of this agreement is to further enhance Cochlear's wireless technology capabilities.

Online / Digital Strategy

F11 advanced key projects that take advantage of the on-line world to scale certain aspects of the hearing implant intervention. Projects addressing remote connectivity of the products, as well as a suite of transaction tools will transform important aspects of this intervention over the coming years.

Manufacturing and Supply Chain

Productivity gains in manufacturing and supply chain have been a feature of Cochlear's results over the past five years. Gross margin to revenue of 71.8% in F11 compares with a gross margin to revenue of 71.2% five years ago in F07. This is despite the AUD strengthening 25% over the USD and 19% over the Euro during this period.

Outlook

Cochlear is strategically well positioned for long term sustainable growth and the outlook remains positive.

There is a significant unmet clinical need for Cochlear's products, leading to ongoing demand from the emerging and developed markets.

Continued investments in capacity, resources and capabilities together with an exciting new product pipeline will underpin and drive this long term growth.

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About Cochlear Limited (ASX: COH)

Cochlear is the global leader in implantable hearing solutions. It has a dedicated global team of more than 2,500 people who deliver the gift of sound to the hearing impaired in over 100 countries around the world. Our vision is to connect people, young and old, to a world of sound by offering life enhancing hearing solutions.

Over almost 30 years this vision has seen Cochlear help over 250,000 people either hear for the first time or reconnect them to their families, friends, workplaces and communities.

To this end, Cochlear offers solutions for different types of hearing loss. These include: cochlear implants, bone conduction implants, implants for electro-acoustic stimulation, auditory brain stem implants and implants for direct acoustic stimulation. Whether these hearing solutions were implanted 25 years ago or today, the company's commitment to backward compatibility ensures new upgrades and innovations can be offered to Cochlear recipients.

Cochlear's mission of "Hear now. And always" embodies the company's commitment to providing its recipients with the best possible hearing performance today and for the rest of their lives.

www.cochlear.com