

sonova

# HALF-YEAR 2011/12 RESULTS – *Investor & Analyst Conference*

Staeafa, 15 November 2011



## Disclaimer

This presentation may contain forward-looking statements including, but not limited to, projections of future performance of products, financial conditions, results of operations and cash flows. The statements are made on the basis of management's views and assumptions regarding future events and business performance as of the time the statements are made. Sonova cautions you that a number of important risks and uncertainties could cause actual results to differ materially from those discussed in the forward-looking statements. Such differences may result from the ability of Sonova to successfully develop and introduce new products and market existing products, changes in competitive conditions and regulatory developments as well as from changes in the economic conditions that may affect the performance of the operations of Sonova. Sonova undertakes no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Therefore you should not place undue reliance on them.

This presentation serves marketing purposes and constitutes neither an offer to sell nor a solicitation to buy any securities. This presentation does not constitute an offering prospectus within the meaning of Article 652a of the Swiss Code of Obligations nor a listing prospectus within the meaning of the listing rules of SIX Swiss Exchange.

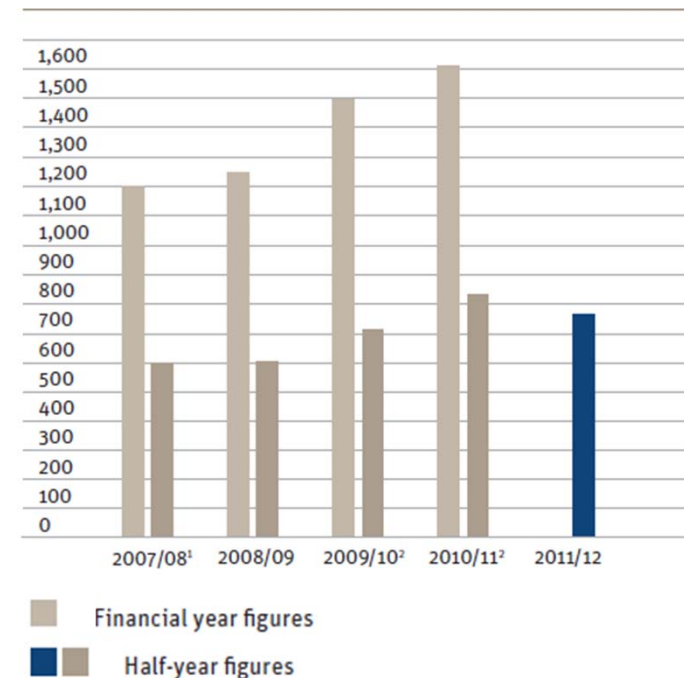
*sonova*

# BUSINESS REVIEW

# Half Year 2011/12 Highlights

- **Sales of CHF 763.0 million**
  - Total sales growth of +8.3% in Ic
  - Negative currency effect of 16.5%
- **Group EBITA of CHF 138.4 million or 18.1% of sales**
  - Negative currency effect of CHF 53.2 million
- **Solid core business hearing instruments**
  - Growth of 11.4% in Ic
  - Organic growth of 7.0% in Ic
  - EBITA margin of 22.0%
  - On-going product innovation
- **Hearing implants sales of CHF 39.2 million**
  - Outside U.S. markets performed well after TÜV-approval
  - U.S. market re-entry effective September 13, 2011
  - Focus on cochlear implant market opportunities
  - EBITA of CHF -20.6 million (incl. restructuring charges of CHF 3.9 million related to the closure of Phonak Acoustic Implants)

SALES  
in CHF m



<sup>1</sup>) Excluding one-off costs for the prohibited acquisition of the GN ReSound Group  
<sup>2</sup>) Restated based on finalization of the acquisition accounting of Advanced Bionics

# Sonova

## Key topics for 2011/12

Topic	Initiatives	Status
<b>AB temporary recall</b>	Complete submission and receive FDA approval; resume selling in U.S.A.	✓
<b>AB Neptune product launch</b>	Complete launch of new off-the-ear, water-proof power supply	On track
<b>AB next generation product</b>	Continue development of next generation cochlear implant	On track
<b>Unitron ERA product launches</b>	Launch of product portfolio based on new platform technology according to existing product roadmap	✓
<b>Lyric</b>	Complete integration of Lyric into Phonak – expand U.S. market reach Next generation Lyric device in development	✓ On track
<b>Phonak product launches</b>	According to existing product roadmap	✓
<b>Next generation hardware platform</b>	Continued development of next generation chip platform for hearing instruments	On track
<b>Cost management</b>	Target operational leverage	On track

# EUHA 2011 - Highlights



Preliminary H1 2011/12 sales results

- Solid local currency sales growth
- Innovation leadership continues with Spice



More than ever the industry's leading brand

- Spice+, the next significant step forward
- Innovations in performance, miniaturization, water resistance, connectivity

Lyric

Next generation in clinical trial phase

- Integration into Phonak complete



Back in growth mode

- Continuous product innovation
- Sona joins Unitron



Sona ready to go mainstream

- Transfer of distribution, service & product development into Unitron







Back in the market worldwide

- FDA-approval received
- New Neptune sound processor
- Strong commitment to next generation development

# Phonak

The best performing portfolio in the industry – now on Spice+

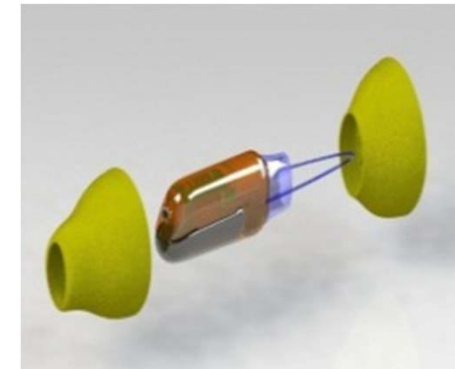
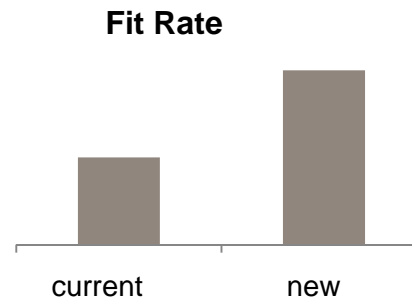
	Power			Standard				CRT			CROS/ BiCROS
Segment											
Premium			AVAILABLE NOW	AVAILABLE NOW	AVAILABLE NOW	AVAILABLE NOW					
Advanced	Naída S SP	Naída S UP	Naída S CRT	Nano CIC	Power Custom	WaterResistant portfolio	Audéo S YES	Audéo S SMART	Audéo S MINI	CROS	
Standard											
Accessories	Phonak TVLink			Phonak PilotOne				Phonak ComPilot			AVAILABLE NOW

# Phonak

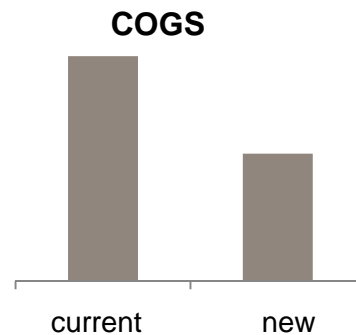
## Next generation Lyric (in clinical trial phase)

Next Generation Lyric will improve on following attributes:

- Smaller in size
- significantly improved fit rate








- Industrialized by Sonova
- Improved reliability
- Improved COGS



Launch planned in course of 2012

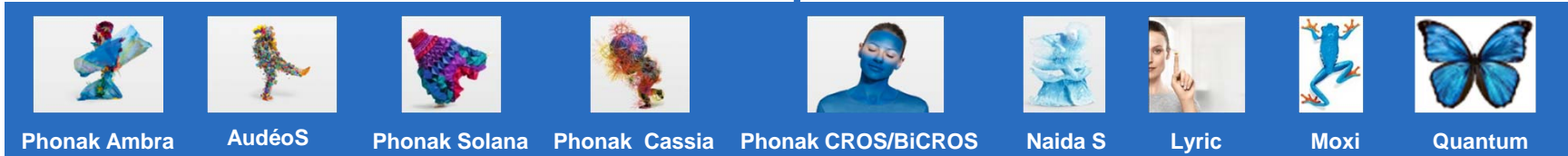
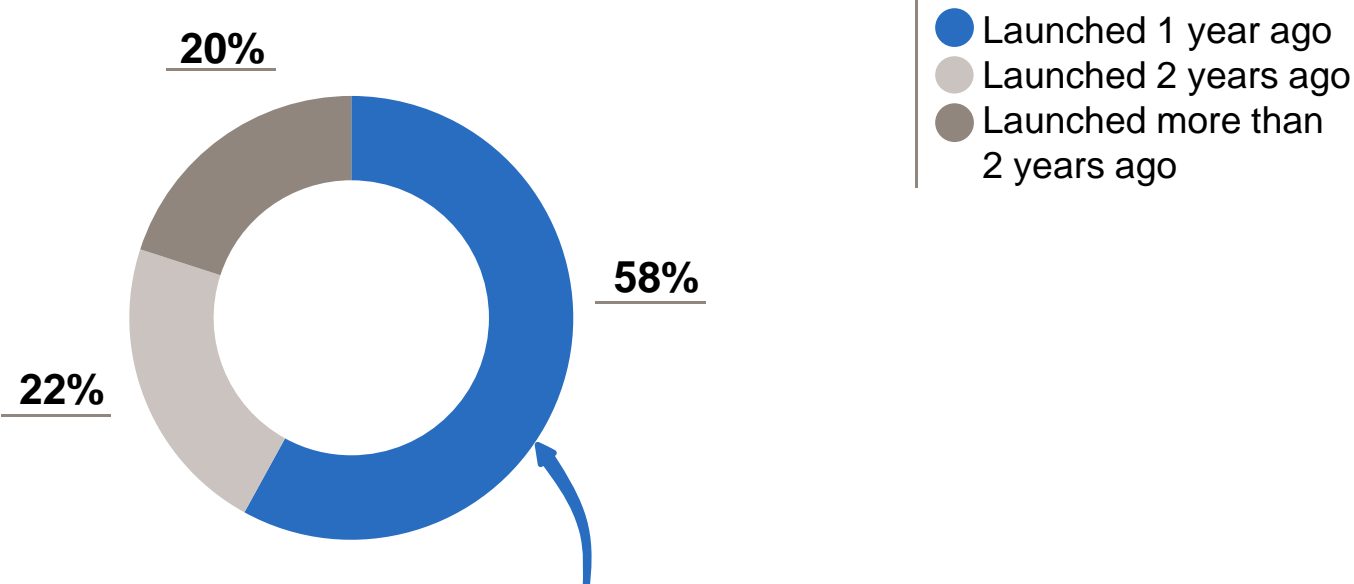
# Unitron

## Enhanced product portfolio

	Super Power	Traditional BTEs	CRT	ITEs (custom)	Sona:
Segment					
Premium		Passport	Passport	Passport	<p>Business is in the process of being transferred into Unitron Hearing</p> <p>vogue:ric vogue:micro vogue:intro</p>
Advanced	360	Quantum 20, 12, 6	Moxi 20, 12, 6	Quantum 20, 12, 6	
Standard Basic		Quantum micro 312 BTE <b>NEW</b>	Latitude 4	Latitude 4	
		Shine	Shine	Shine	
		Ziel			
Accessories	Unitron Remote Control <b>NEW</b>				

# Strongest product portfolio in the industry

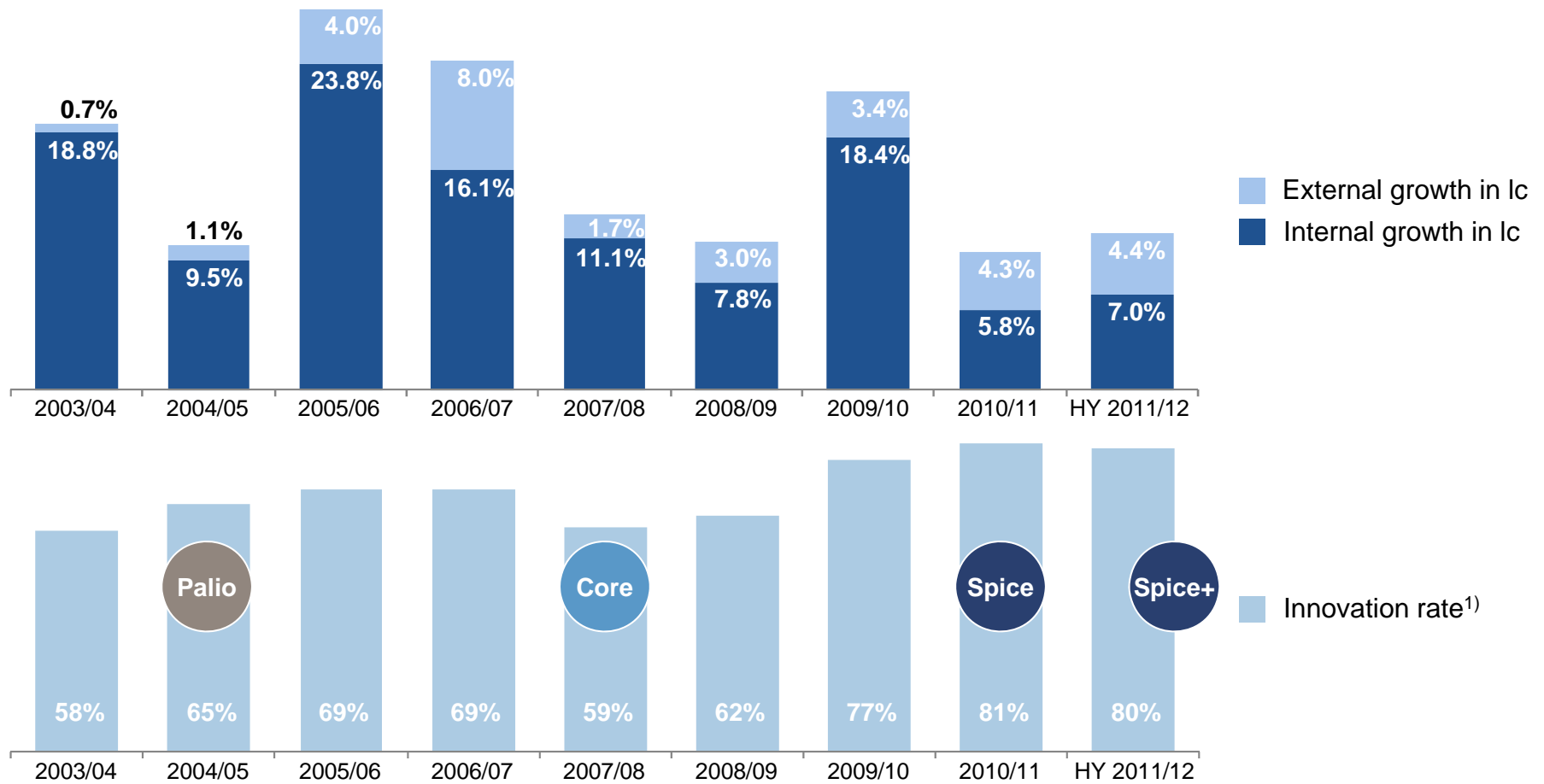
## High innovation rate of 80%



Continuously outperforming the market

# Sonova is the innovation leader

## Launch of new platforms drives organic growth in hearing instruments segment



<sup>1)</sup> Sales of products launched less than 2 years ago in % of total sales

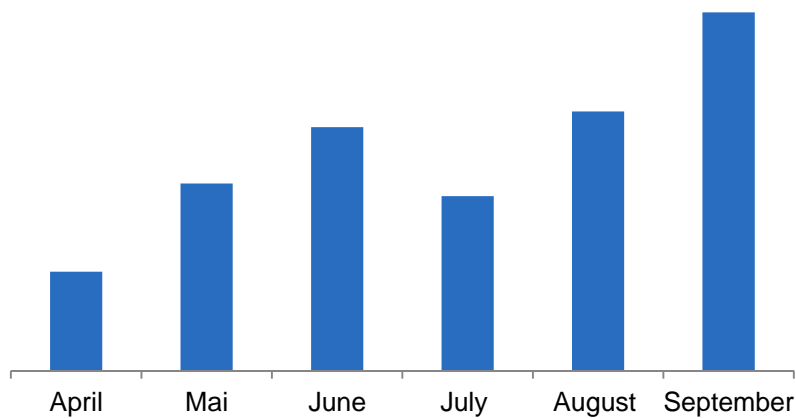
# Advanced Bionics

## Back on the market worldwide

On **September 13<sup>th</sup>, 2011** the Advanced Bionics HiRes 90K cochlear implant was **FDA approved** for market re-entry. Therefore Advanced Bionics has resumed distribution in the United States and **re-entered all markets worldwide**.

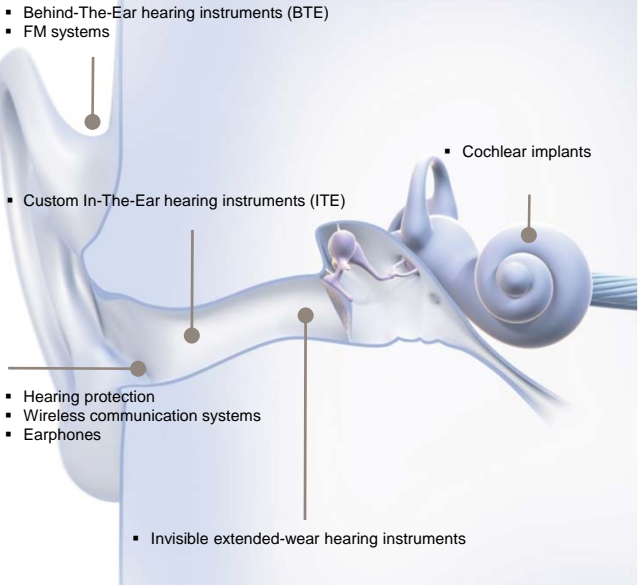
### Hearing implants sales H1 2011/12

■ in CHF million



# Sonova – The Hearing Care Company

## Hearing instruments 95% of revenue

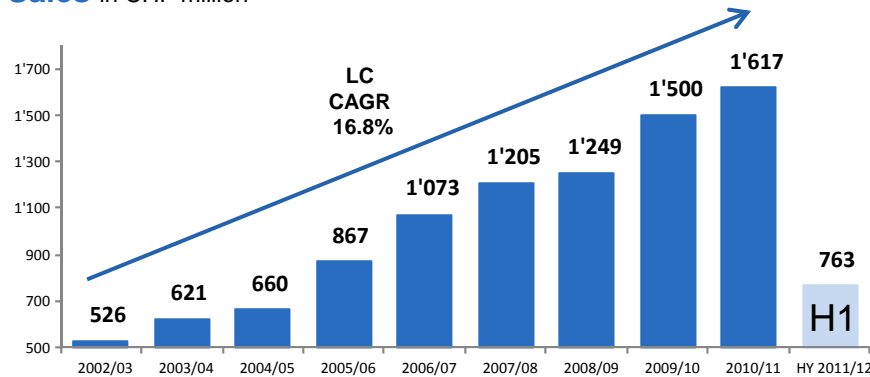


## Hearing implants 5% of revenue

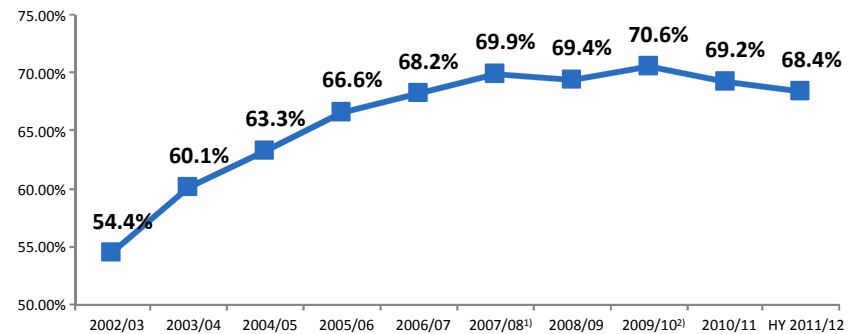


# Financial Track Record

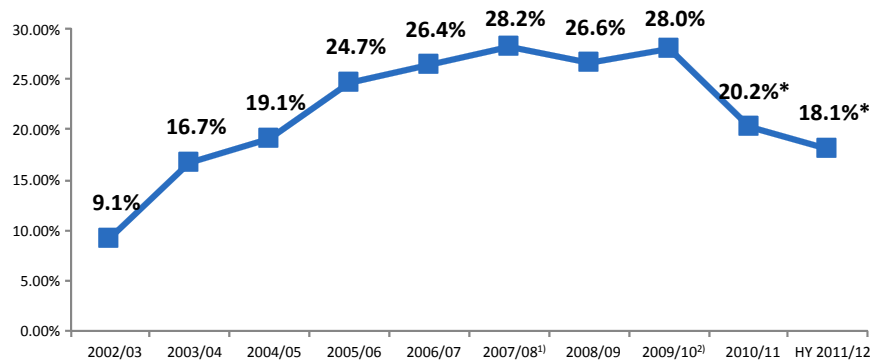
Sales in CHF million



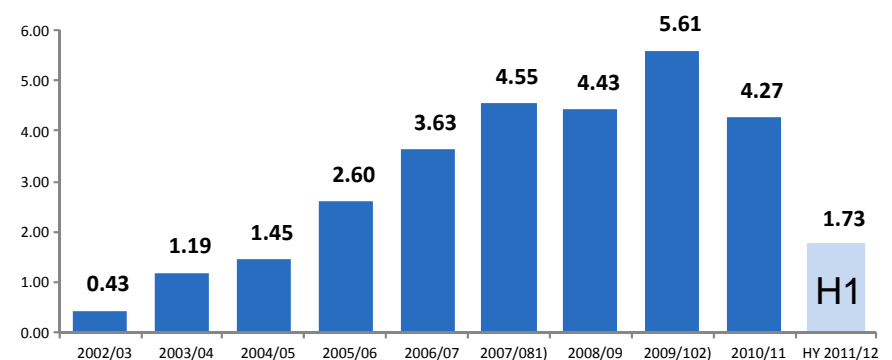
Gross profit margin in % of sales



EBITA margin in % of sales



Cash-based basic EPS\*\* in CHF



\*Impacted by FX development and AB voluntary recall

\*\*EPS: Excluding the amortization of acquisition-related intangibles, impairment and unwinding effect of the discount on acquisition-related earn-out payments, net of tax.

<sup>1)</sup> Excluding one-off costs for the prohibited acquisition of the GN ReSound Group  
<sup>2)</sup> Restated based on finalization of the acquisition accounting of Advanced Bionics



# The business case for Sonova

Sonova serves an attractive market

Sonova has strong leading positions in this market

Significant opportunities for market share gains

- Highest R&D spend – fast rate of product innovation
- Multi-channel strategy
- Multi-brand strategy

Growth strategies

- Innovation
- Marketing
- Global distribution
- Margin expansion

*sonova*

# FINANCIAL REVIEW

# Half Year 2011/12

## Financial Highlights

- Solid **financial results in local currencies** on both Group level and in hearing instruments segment
- **Negative FX** impact of CHF 136.8 million on sales and CHF 53.2 million on EBITA
- Gross profit of CHF 522.1 million
  - Gross profit margin of 68.4%
  - Decrease of gross profit margin of 1.8% largely due to the strength of the Swiss franc
- EBITA margin decreased to 18.1%; excluding FX impact: 21.3%
- **Significant R&D** investments of CHF 58.6 million or 7.7% of sales
- Solid operating free cash flow of CHF 83.8 million
- Cash-based basic EPS of CHF 1.73
- Solid balance sheet with an **equity ratio of 61.7%** and net debt of CHF 172.2 million

# Half Year 2011/12

## Solid financial performance

In CHF million	H1 2011/12	Change	H1 2010/11 <sup>1)</sup>
Sales	<b>763.0</b>	-8.2%	831.5
Gross profit	<b>522.1</b>	-10.5%	583.4
Gross profit margin	<b>68.4%</b>		70.2%
EBITA	<b>138.4</b>	-32.3%	204.4
EBITA margin	<b>18.1%</b>		24.6%
Operating free cash flow	<b>83.8</b>	+2.2%	82.0
Cash-based basic EPS (in CHF)	<b>1.73</b>	-36.2%	2.71
ROCE	<b>8.5%</b>		14.0%

<sup>1)</sup> Restated based on finalization of the acquisition accounting of Advanced Bionics

# Half Year 2011/12

## Substantial FX impact on results

In CHF million	H1 2011/12 reported	H1 2011/12 (constant currencies)	H1 2010/11 <sup>1)</sup>
Sales	<b>763.0</b>	899.9	831.5
Gross Profit	<b>522.1</b>	623.3	583.4
Gross Profit margin	<b>68.4%</b>	69.3%	70.2%
EBITA	<b>138.4</b>	191.6	204.4
EBITA margin	<b>18.1%</b>	21.3%	24.6%
USD (average rate)	<b>0.848</b>	1.071	1.071
EUR (average rate)	<b>1.210</b>	1.372	1.372

<sup>1)</sup> Restated based on finalization of the acquisition accounting of Advanced Bionics

# Half Year 2011/12

## Sales results

In CHF million	H1 2011/12	H1 2010/11 <sup>1)</sup>	Growth in Ic	Internal Growth	External Growth	FX impact
Hearing instrument sales	<b>723.8</b>	766.0	<b>+11.4%</b>	<b>+7.0%</b>	<b>+4.4%</b>	-129.4 (-16.9%)
Hearing implant sales	<b>39.2</b>	65.5	<b>-28.8%</b>	-28.8%	-	-7.4 (-11.3%)
Consolidated sales	<b>763.0</b>	831.5	<b>+8.3%</b>	<b>+4.2%</b>	<b>+4.1%</b>	-136.8 (-16.5%)

- Hearing instrument sales account for 95% of consolidated sales
- Strong growth in hearing instruments
- Sales ahead of expectation in hearing implants; below prior year due to recall

<sup>1)</sup> Restated based on finalization of the acquisition accounting of Advanced Bionics

# Half Year 2011/12

## Solid growth in local currencies

in CHF million	H1 2011/12			H1 2010/11	
	Sales	in %	Growth in lc	Sales	in %
EMEA (excl. Switzerland)	289	38%	8.1%	303	36%
Switzerland	21	3%	29.3%	16	2%
USA	277	36%	9.6%	319	39%
Americas (excl. USA)	102	13%	2.4%	117	14%
Asia/Pacific	74	10%	7.2%	77	9%
<b>Total sales</b>	<b>763</b>	<b>100%</b>	<b>8.3%</b>	<b>832</b>	<b>100%</b>

- Above market growth in all regions (despite recall effect)

# Half Year 2011/12

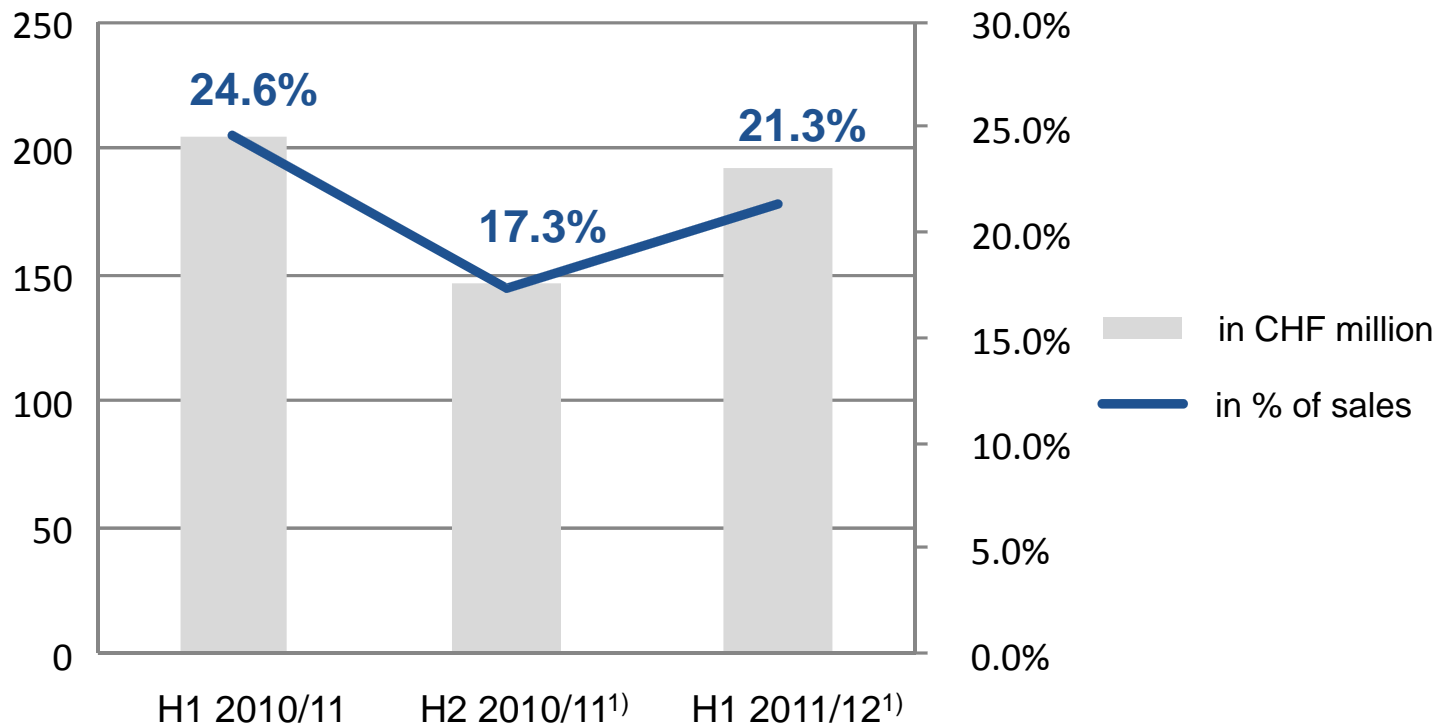
## Sales growth across hearing instrument product groups

in CHF million	H1 2011/12			H1 2010/11	
	Sales	in %	Growth in %	Sales	in %
First class	173	23%	11.4%	189	23%
Business class	174	23%	9.3%	189	23%
Economy class	233	31%	13.5%	240	29%
Wireless comm.	34	4%	0.2%	41	5%
Miscellaneous	110	14%	14.4%	107	12%
<b>Hearing Instruments</b>	<b>724</b>	<b>95%</b>	<b>11.4%</b>	<b>766</b>	<b>92%</b>
Hearing implants	39	5%	(28.8%)	66	8%
<b>Total sales</b>	<b>763</b>	<b>100%</b>	<b>8.3%</b>	<b>832</b>	<b>100%</b>

# Half Year 2011/12

## EBITA and EBITA margin development (at constant currencies)

### EBITA and EBITA margin

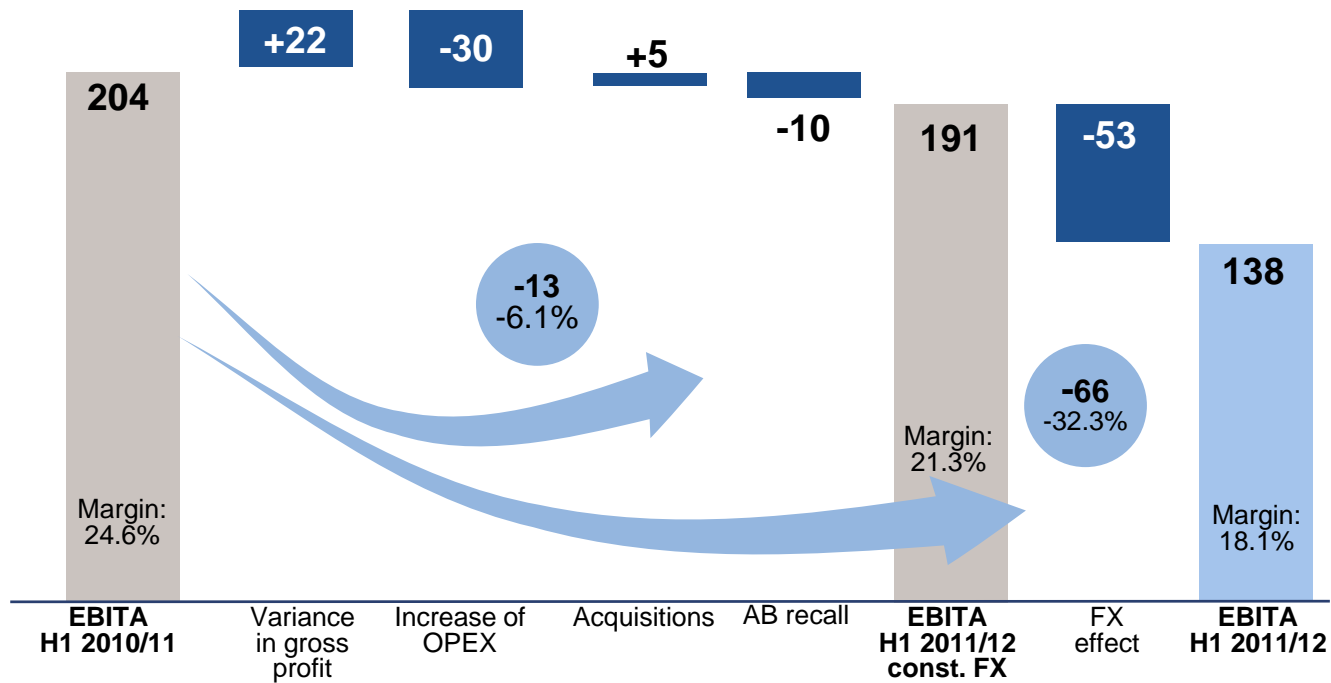


<sup>1)</sup> Based on constant currency rates from H1 2010/11, USD 1.071 and EUR 1.372

# Half Year 2011/12

## EBITA heavily impacted by FX

### EBITA development in CHF million



**EBITA reduced by CHF 53 million due to negative FX development**

# Half Year 2011/12

## Operating expenses

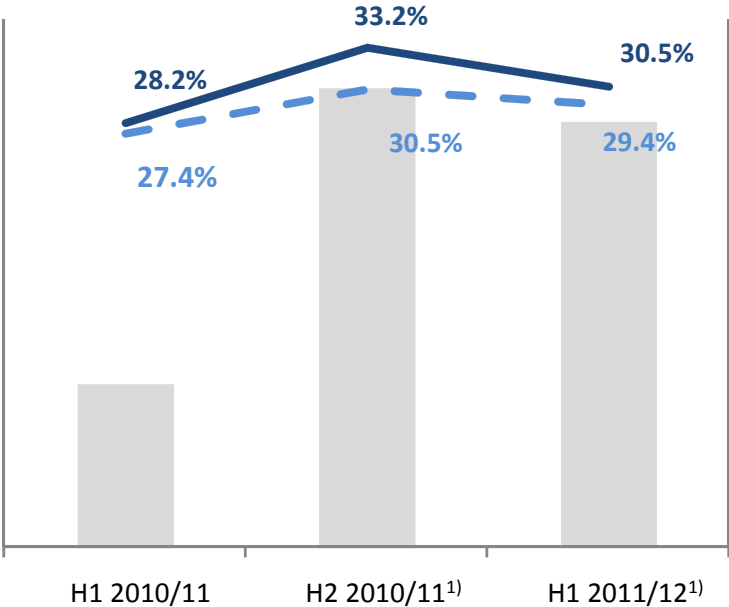
in CHF million	H1 2011/12	H1 2010/11 <sup>1)</sup>	Change in CHF	Change in Ic	Thereof acquisition related in Ic
Research & Development	<b>58.6</b>	59.6			
in % of sales	<b>7.7%</b>	7.2%	-1.6%	+3.6%	+0.0%
Sales & Marketing	<b>237.1</b>	234.7			
in % of sales	<b>31.1%</b>	28.2%	+1.0%	+17.0%	+9.4%
General & Administration	<b>83.9</b>	84.0			
in % of sales	<b>11.0%</b>	10.1%	-0.1%	+10.9%	+3.0%

<sup>1)</sup> Restated based on finalization of the acquisition accounting of Advanced Bionics

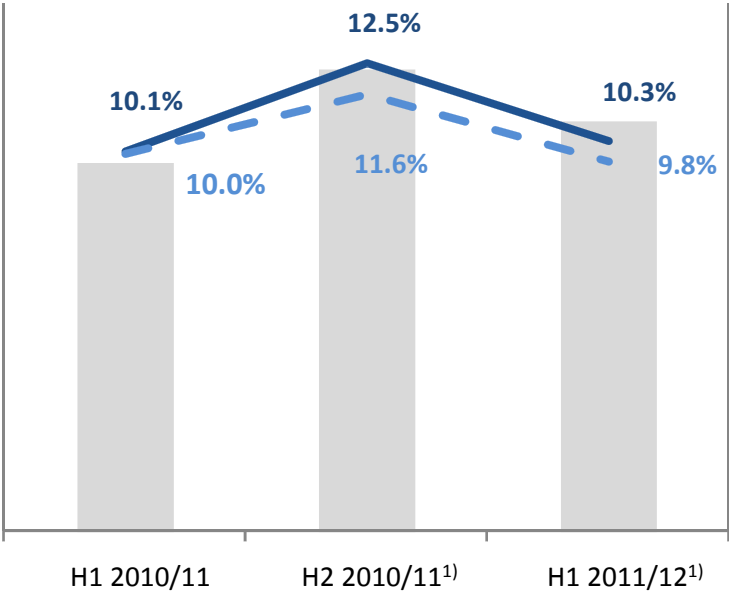
# Half Year 2011/12

## Cost management: OPEX development (at constant currencies)

### Sales & Marketing OPEX



### General & Administration OPEX



in CHF million
  in % of sales
  Hearing instruments segment

<sup>1)</sup> Based on constant currency rates from H1 2010/11, USD 1.071 and EUR 1.372

# Half Year 2011/12

## Financial result and income taxes

in CHF million	H1 2011/12	H1 2010/11 <sup>1)</sup>	Comments
EBITA	<b>138.4</b>	204.4	CHF 3.9m one-time costs (PAI)
Amortization/Impairment	<b>-15.3</b>	-10.1	Impairment of capitalized R&D costs CHF 4.9m (PAI)
Operating profit (EBIT)	<b>123.1</b>	194.2	
Financial result, net	<b>-3.7</b>	-6.3	
Share of gain in associates/JVs	<b>+0.2</b>	+2.7	
Income before taxes	<b>119.6</b>	190.6	
Income taxes	<b>-15.9</b>	-18.8	
Income after taxes	<b>103.7</b>	171.8	

<sup>1)</sup> Restated based on finalization of the acquisition accounting of Advanced Bionics

# Half Year 2011/12

## Cash Flow: Improved working capital; reduced capital expenditures

in CHF million	H1 2011/12	H1 2010/11 <sup>1)</sup>
<b>Cash flow before changes in net working capital</b>	<b>169.7</b>	<b>250.5</b>
Changes in net working capital	-57.4	-99.1
<b>Operating cash flow</b>	<b>112.3</b>	<b>151.4</b>
in % of sales	14.7%	18.2%
Cash flow from investing activities (excl. acquisitions)	-28.4	-69.4
<b>Operating free cash flow</b>	<b>83.8</b>	<b>82.0</b>
in % of sales	11.0%	9.9%
<b>Free cash flow</b>	<b>47.3</b>	<b>62.2</b>
Cash flow from financing activities	-105.8	-152.9
Changes in cash	-61.4	-94.1

<sup>1)</sup> Restated based on finalization of the acquisition accounting of Advanced Bionics

# Half Year 2011/12

## Balance Sheet: Sound financial position

in CHF million	30.9.2011	30.9.2010 <sup>1)</sup>
Net working capital	<b>172.8</b>	202.4
Days sales outstanding (DSO)	<b>79</b>	74
Days inventory outstanding (DIO)	<b>142</b>	153
Operating capital employed (excluding acquisition-related intangible assets)	<b>457.0</b>	481.1
Capital employed	<b>1,457.2</b>	1,395.5
Net debt	<b>172.2</b>	143.2
Equity	<b>1,285.0</b>	1,252.2
Equity in % of total assets	<b>61.7%</b>	56.4%

<sup>1)</sup> Restated based on finalization of the acquisition accounting of Advanced Bionics

*sonova*

# OUTLOOK

# Outlook

FX impact on sales and margins likely to continue



	Rate	Sales	EBITA
USD/CHF	+/- 5%	+/- CHF 30 million	+/- CHF 10 million
EUR/CHF	+/- 5%	+/- CHF 25 million	+/- CHF 15 million

# Outlook

Original 2011/12 guidance is confirmed

in CHF million	Original Guidance 2011/12	Actual Year-to-September 2011	Confirmed Guidance 2011/12
Sales		763	
Sales growth in Ic	8%-10%	8.3%	8%-10%
	incl. 2%-3% acquisition growth	incl. 4.1% acquisition growth	incl. approx. 3% acquisition growth
EBITA		138	
in % of sales	20%-21%	18.1%	19%-20%
FX (average rates)			
USD	0.89	0.85	0.87
EUR	1.28	1.21	1.21

# The business case for Sonova

Sonova serves an attractive market

Sonova has strong leading positions in this market

Significant opportunities for market share gains

- Highest R&D spend – fast rate of product innovation
- Multi-channel strategy
- Multi-brand strategy

Growth strategies

- Innovation
- Marketing
- Global distribution
- Margin expansion

*sonova*

THANK YOU