

Half-Year Results 2008/09

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Valentin Chapero, CEO

Oliver Walker, CFO

November 11, 2008



PIONEERS IN HEARING

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Media and Analysts Meeting

Business Report Half-Year Results 2008/09

Dr. Valentin Chaperro, Chief Executive Officer

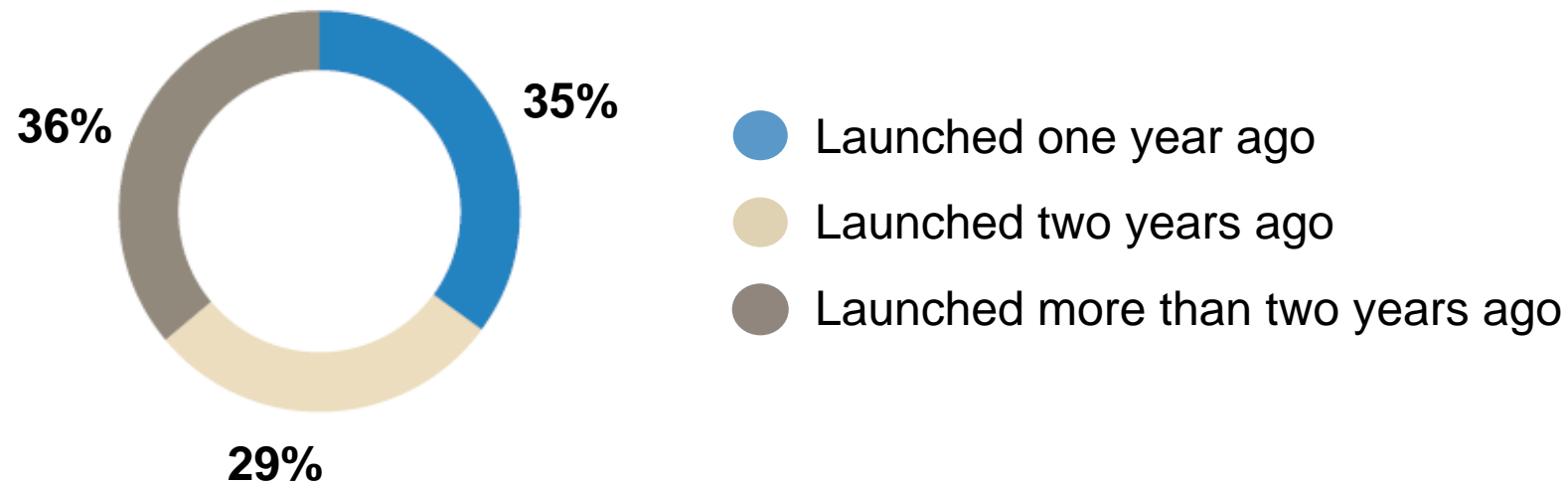
Growth in a demanding market environment

* excluding one-off costs for the prohibited acquisition of the GN ReSound Group

- Sales growth of 8.8% in local currencies, thereof 7.4% organic and 1.4% from acquisitions
- Strong negative currency effects of CHF 48.8 million or -8.2% on sales level
- Gross profit margin increases to 69.1% (previous year 68.4%)
- Negative currency effects offset to a large extent by effective cost management → EBITA margin only slightly below previous year at 26.5% (previous year 26.9%*)
- EPS maintained at previous year's level
- Several highly competitive hearing systems launched: Exélia micro, Naída SP and Audéo III from Phonak; Next from Uniton Hearing
- EUHA October 2008: Certéna and Versáta complement the Phonak product range based on the CORE platform. Uniton Hearing launches 360, a hearing system for people with severe hearing loss

Sustainable innovation strategy remains key

Products launched in the last 24 months generated 64% of total sales

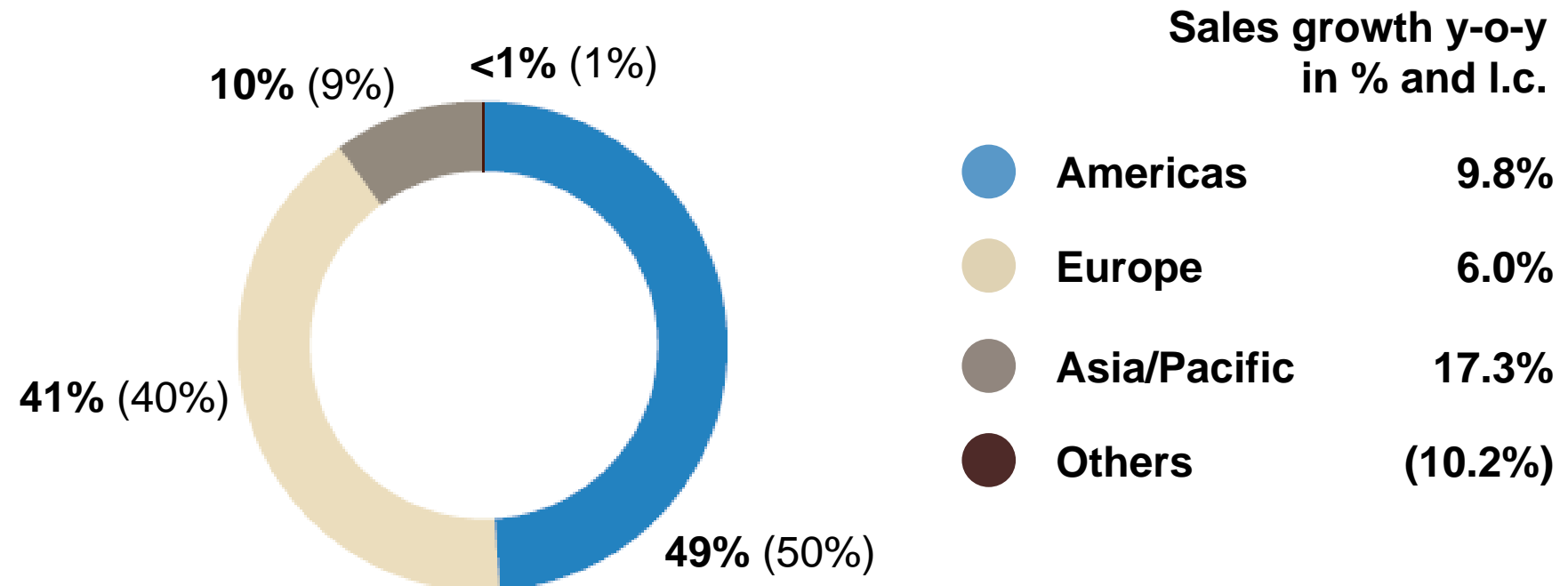


Key elements innovation strategy:

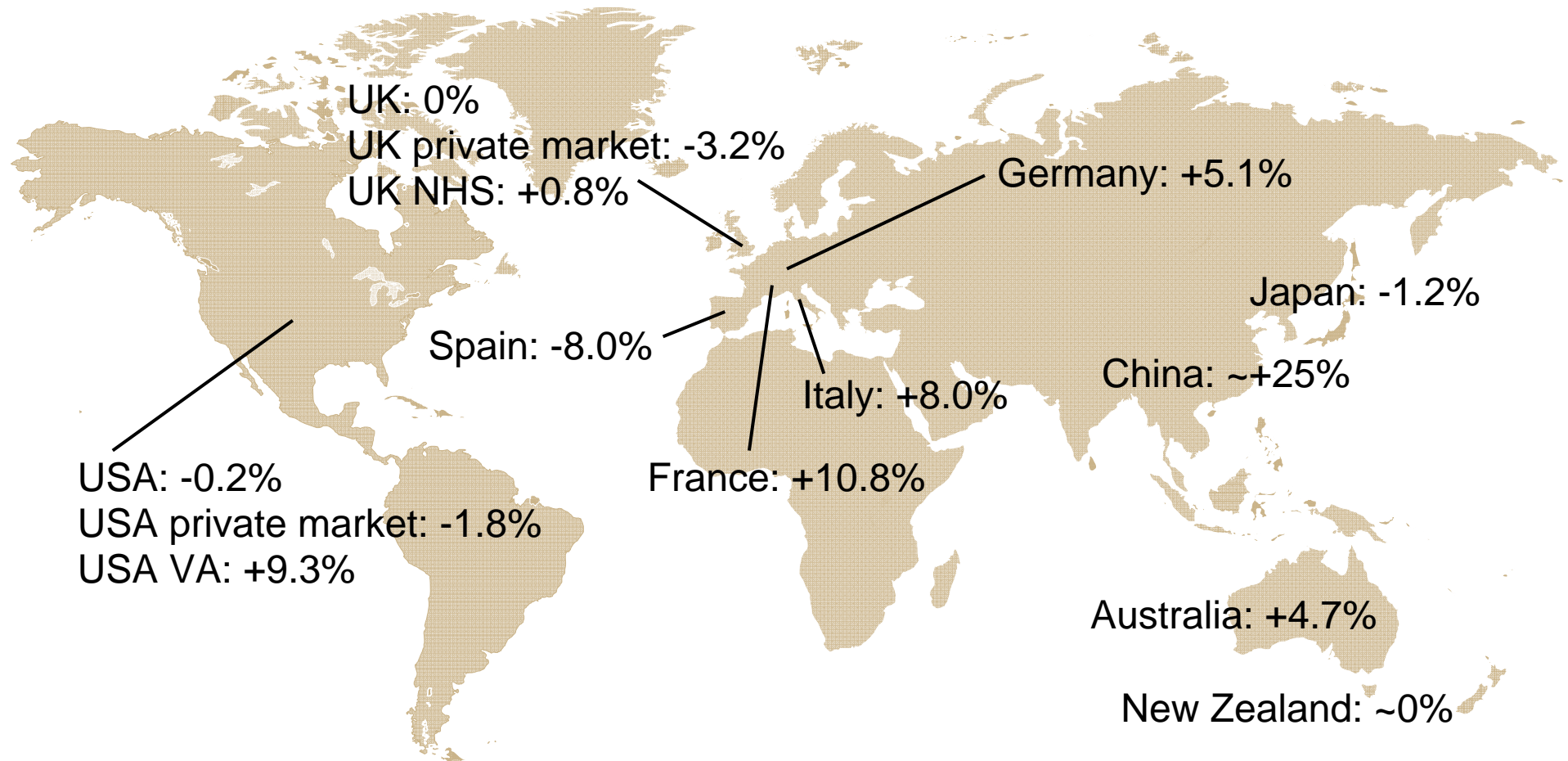
- Improve hearing performance (better speech intelligibility)
- Offer comprehensive and intuitive product portfolio
- Platform concept ensures fast introduction of new products and R&D efficiency

Market share gains in all major markets

Sales distribution by main markets **H1 2008/09** (H1 2007/08)



Global hearing instrument market growth in H1 2008/09



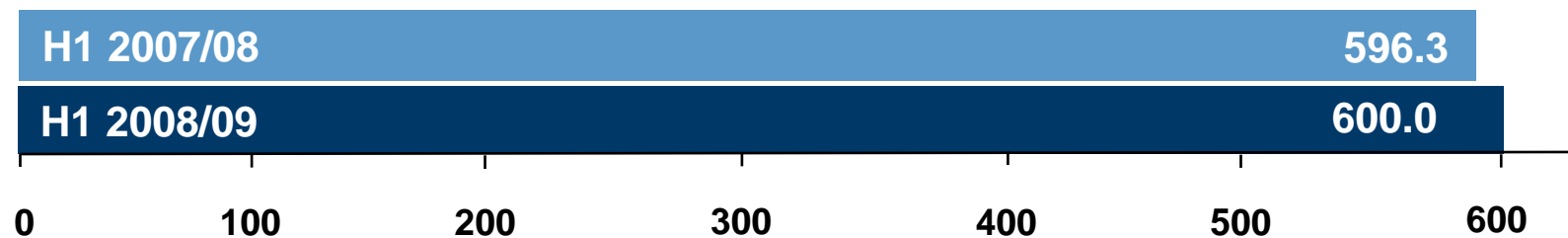
➔ We estimate overall global hearing instrument market growth at ~+3% in units (during H1 2008/09 ie Q2 & Q3 of calendar year 2008)

Sales growth of 8.8% in local currencies

Organic growth	+7.4%
External growth	+1.4%
FX impact	-8.2%
Total growth	+0.6%

Consolidated sales

(in millions of CHF)



Growth based primarily on:

- Dynamic performance of all brands; Unitron grew above Group average
- Continuing success of business and economy class hearing systems, especially Naída from Phonak and Next from Unitron Hearing
- Wireless communication systems expanded their leading market position

➔ Sales growth is broadly supported by all brands, regions and product groups

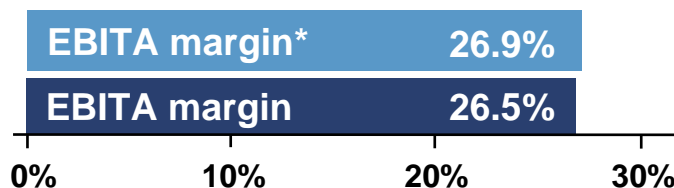
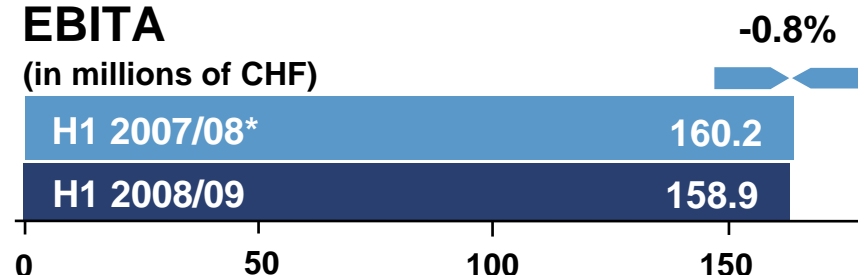
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High profitability, despite strong negative currency effects

* excluding one-off costs for the prohibited acquisition of the GN ReSound Group

EBITA

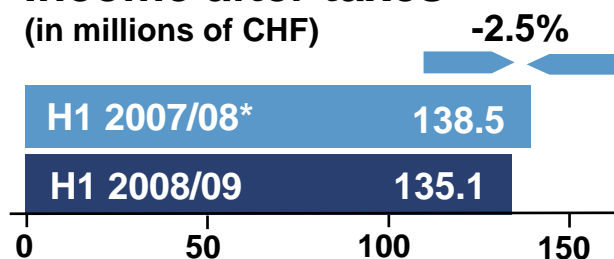
(in millions of CHF)



FX impact on EBITA margin of around -160 bps was offset to a large extent by effective cost management

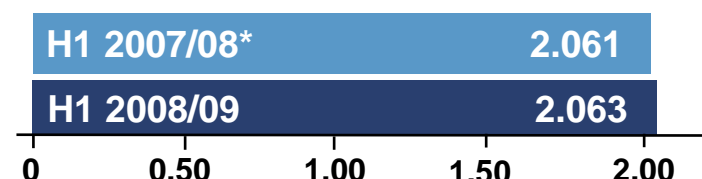
Income after taxes

(in millions of CHF)



Basic Earnings per share

(in CHF)



Income after taxes decreased due to lower financial result

Basic EPS maintained at previous year's level, despite strong negative FX impact

EUHA 2008

Phonak and Unitron Hearing introduced four newly developed and highly innovative product families which deliver unique benefits to endusers and fitters alike:



Versáta



Certéna



360



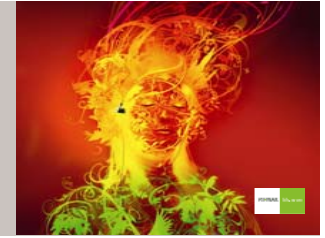
iSense

.... plus a small step into a new product category.....

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Audéo Perfect Fit Earphones (PFE)

Great sound. Perfect fit. Designed for you.



With Audéo PFE we expand our offer of hearing related products leveraging our technological competencies

- Perfect fit for perfect sound:
 - perfect ergonomics combined with outstanding design
 - Three different sizes of silicon and foam tips for the perfect fit
 - Two audio filters for selecting personal frequency response
- Our objectives:
 - Give additional consumer-related product range to dispenser
 - Make Phonak brand more visible for the enduser
 - Learn more about enduser preferences
- Low investment in channel development:
 - By reusing the existing dispenser network
 - By applying an internet-based distribution model www.audeoworld.com



The complete CORE based product portfolio

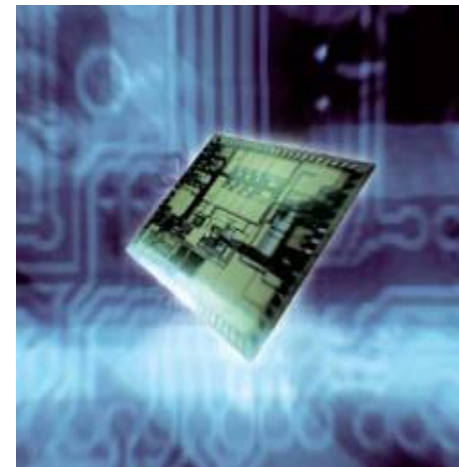


CORE Platform - Reminder

Communication Optimized Real-audio Engine

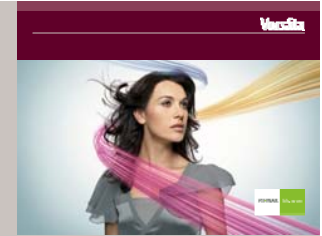
CORE - The most sophisticated audio-processing platform in the industry

- Highest Capacity
 - 6 processors with over 8 million transistors
- Fastest
 - Performs over 120 million calculations per second
- Broadband wireless
 - Supports fast, stable exchange of real-audio data between hearing systems and accessories
- Hearing Instrument Body Area Network (HiBAN)
 - Designed to build-up a network of hearing systems and accessories for adjustment, control, and connectivity
- Cable free fitting with iCube
- Highly specialized audiology instruction set
 - For optimized hearing system performance



Versáta

Life in motion. Enjoy the dynamic world of sound.



Versáta is the premium choice in the mid-price segment and offers:

- SoundFlow Advanced for seamless, automatic adaptation to every soundscape
- High-end performance
- Full wireless connectivity
- A wide range of models: from the ultra-small CIC Petite to the micro and standard BTE models, including the new Power CIC



➔ Versáta shipments have started on October 13, 2008

Certéna

Confidence in life. Proven technology you can truly count on.



Certéna is the entry level product family of the CORE Collection and guarantees:

- A proven value for price-sensitive customers
- Reliable audiological performance
- Freedom from feedback due to WhistleBlock Technology – the industry leading feedback canceller
- Wireless connectivity
- Dependable hardware with durable and ergonomic design

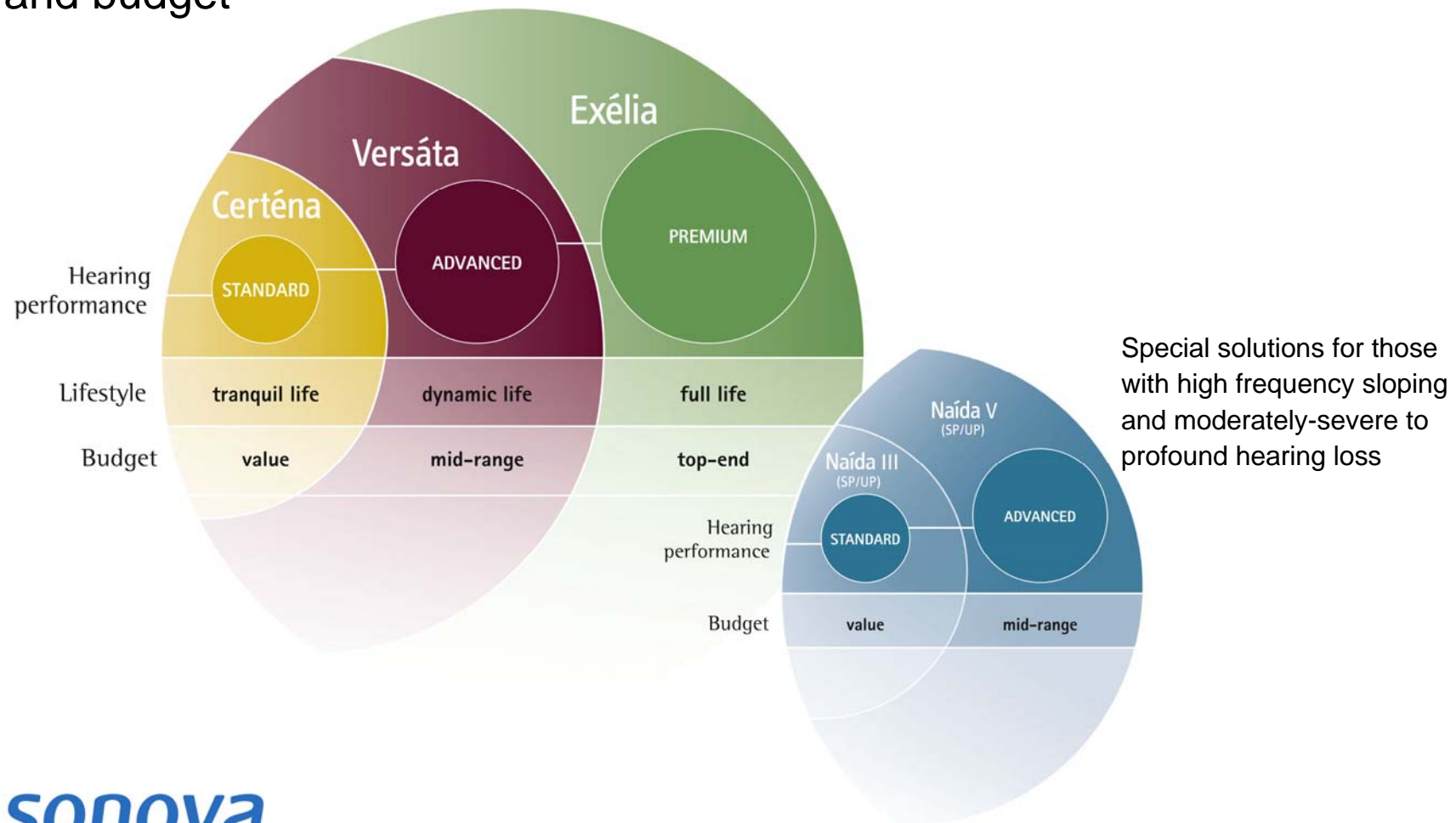


➔ Certéna shipments have started on October 13, 2008

The CORE Collection

The most comprehensive wireless hearing system portfolio

A solution for every hearing loss, lifestyle, personal preference and budget



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Unitron Hearing launches 360™

Power. Uncompromised.



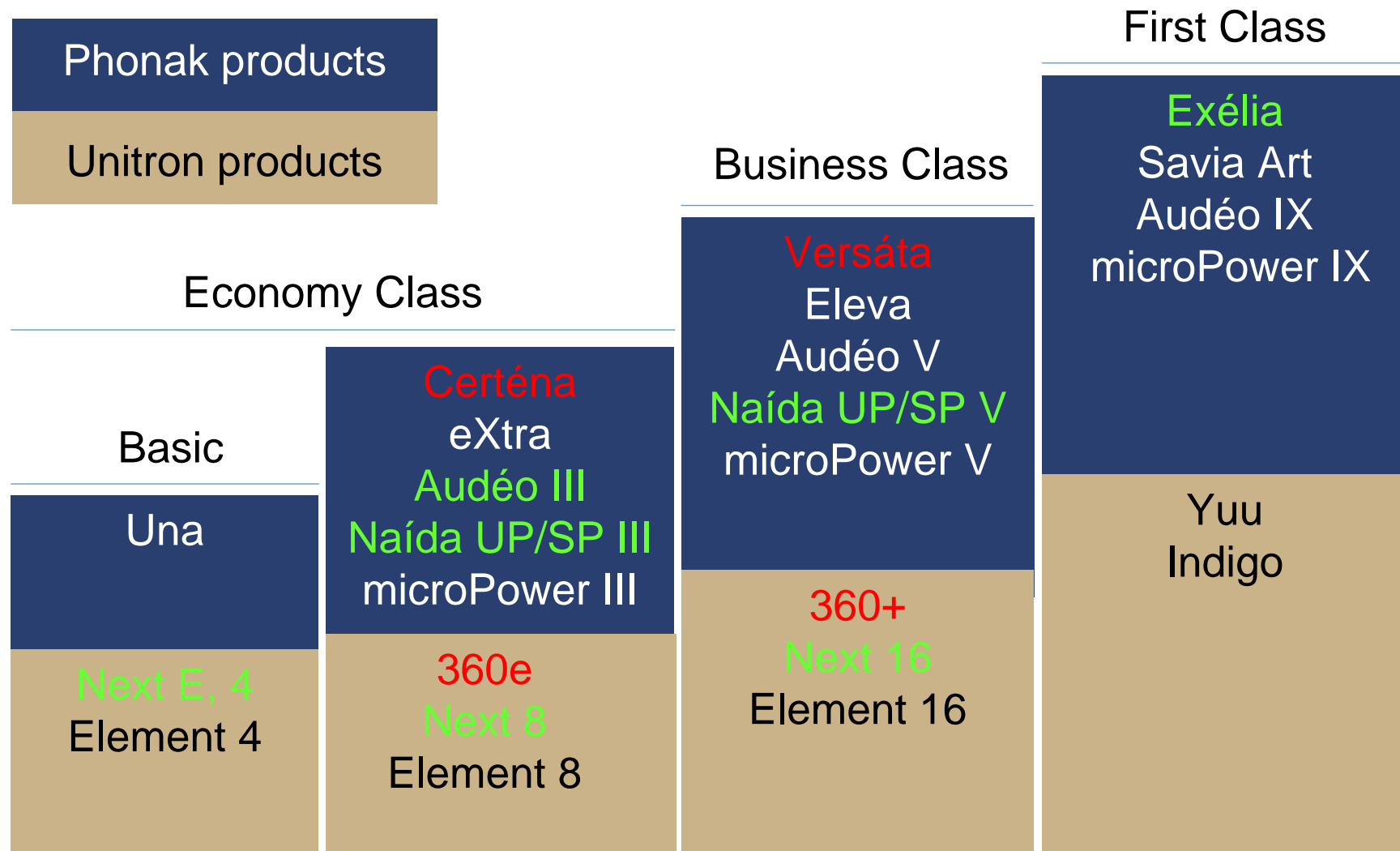
360 the truly innovative super power hearing instrument:

- Offers advanced features for people with severe to profound hearing loss; e.g. Speech Enhancement SP – Adaptive technology to detect speech and apply up to 8dB of amplification
- Fits hearing losses up to 120dB
- 141dB SPL peak output (2cc); 82dB SPL peak gain (2cc)
- Is durable enough to stand up to the toughest demands of everyday life
- Is available in two versions:
 - 360+ in advanced class
 - 360e in essential class



Sonova Group product portfolio

The most competitive in the industry



Media and Analysts Meeting

Facts & Figures Half-Year Results 2008/09

Oliver Walker, Chief Financial Officer

Financial highlights

- **Continuous margin improvements at constant currencies**
 - Economies of scale
 - Steady expansion of the proportion of value added generated in our Asian production facilities
 - Savings in material costs
 - Efficiencies in back-office related business processes
- **Increase in capital employed** due to
 - Product launches in October
 - Strategic expansion
 - Timing difference
- **Solid balance sheet** with an equity ratio of 73.7% which serves as a strong basis for continuing sustainable growth and strategic expansion

Consistent financial performance

Despite strong negative currency effects

* excluding one-off costs for the prohibited acquisition of the GN ReSound Group

in millions of CHF	H1 2008/09	H1 2007/08	Notes
Sales	600.0	596.3	- Organic growth of +7.4% in l.c. - BC/EC main drivers - Negative FX impact (-8.2%)
Gross Profit	414.6	408.1	- Stable sales prices
Gross Profit margin	69.1%	68.4%	- Savings in material costs - Economies of scale
EBITA	158.9	160.2*	- Cont. inv. in R&D and S&M
EBITA margin	26.5%	26.9%*	- Effective cost management - FX impact of 160 bps
Income after taxes	135.1	138.5*	- Lower financial result
Income after taxes-margin	22.5%	23.2%*	- Lower tax rate
Basic EPS (in CHF)	2.063	2.061*	

FX impact on P&L

in millions of CHF	As reported*	FX impact		At constant currencies**
		Absolute	in %	
Sales	600.0	48.8	8.2%	648.8
Gross Profit in % of sales	414.6 69.1%	37.1	8.9%	451.7 69.6%
EBITA in % of sales	158.9 26.5%	23.3	14.6%	182.2 28.1%

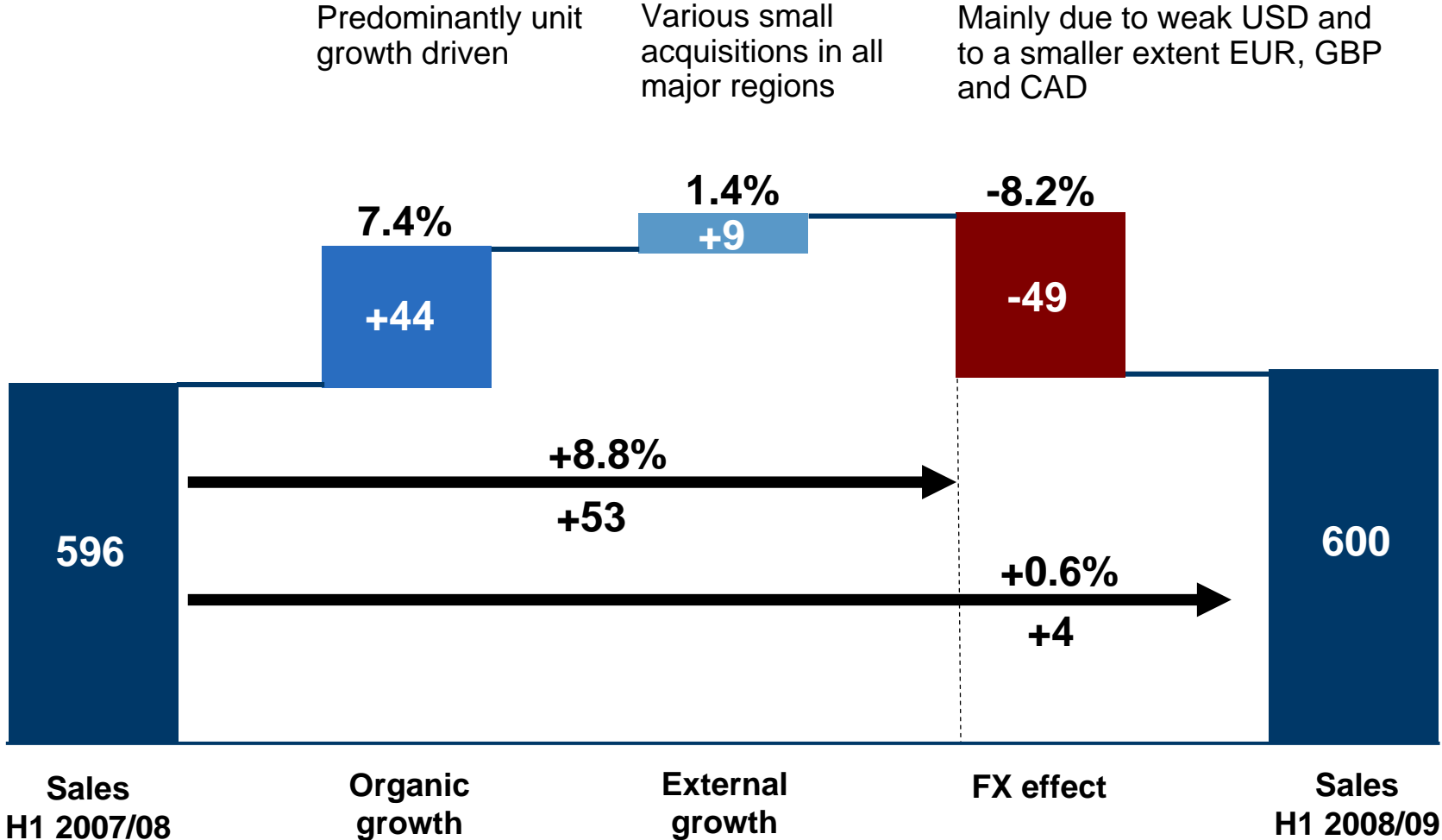
* Average rates H1 2008/09

** Average rates H1 2007/08

➔ Significant impact of revaluation of CHF against all major currencies on sales, profit and profit margins

Sales development analysis

in millions of CHF



Share of sales by product groups

in millions of CHF	Change in % y-o-y in local currencies	H1 2008/09 (in % of sales)	H1 2007/08 (in % of sales)
First Class	+ 2.7%	169 (28%)	180 (30%)
Business Class	+ 12.9%	127 (21%)	122 (21%)
Economy Class	+ 10.6%	174 (29%)	168 (28%)
Wireless Comm.	+ 16.5%	44 (7%)	41 (7%)
Miscellaneous (e.g. Repair services, spare parts, batteries)	+ 9.1%	86 (15%)	85 (14%)
Total	+ 8.8%	600 (100%)	596 (100%)

- ➔ Market share gains across the board
- ➔ Continuing success of business and economy classes
- ➔ Stable ASP, positive intra-segment effects
- ➔ Main growth drivers: Naída from Phonak and Next from Unitron Hearing

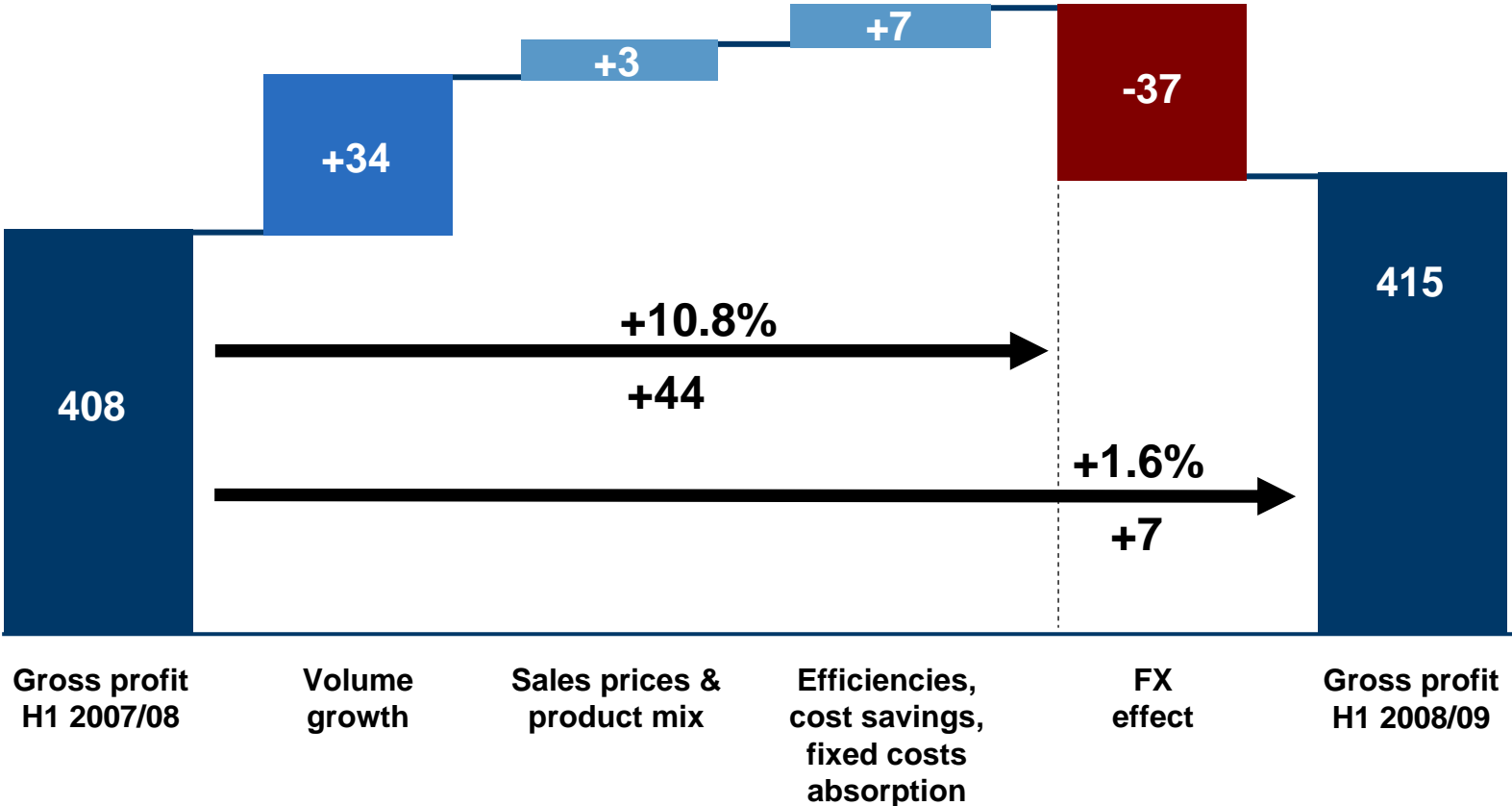
Gross profit development analysis

in millions of CHF

Stable prices,
positive intra- and
negative inter-
segment effect

Savings in
procurement, higher
value added from
Asian manufacturing

Gross profit margin:
H1 2008/09: 69.1%
H1 2008/09: 69.6% const. FX
H1 2007/08: 68.4%



Investment in key success factors

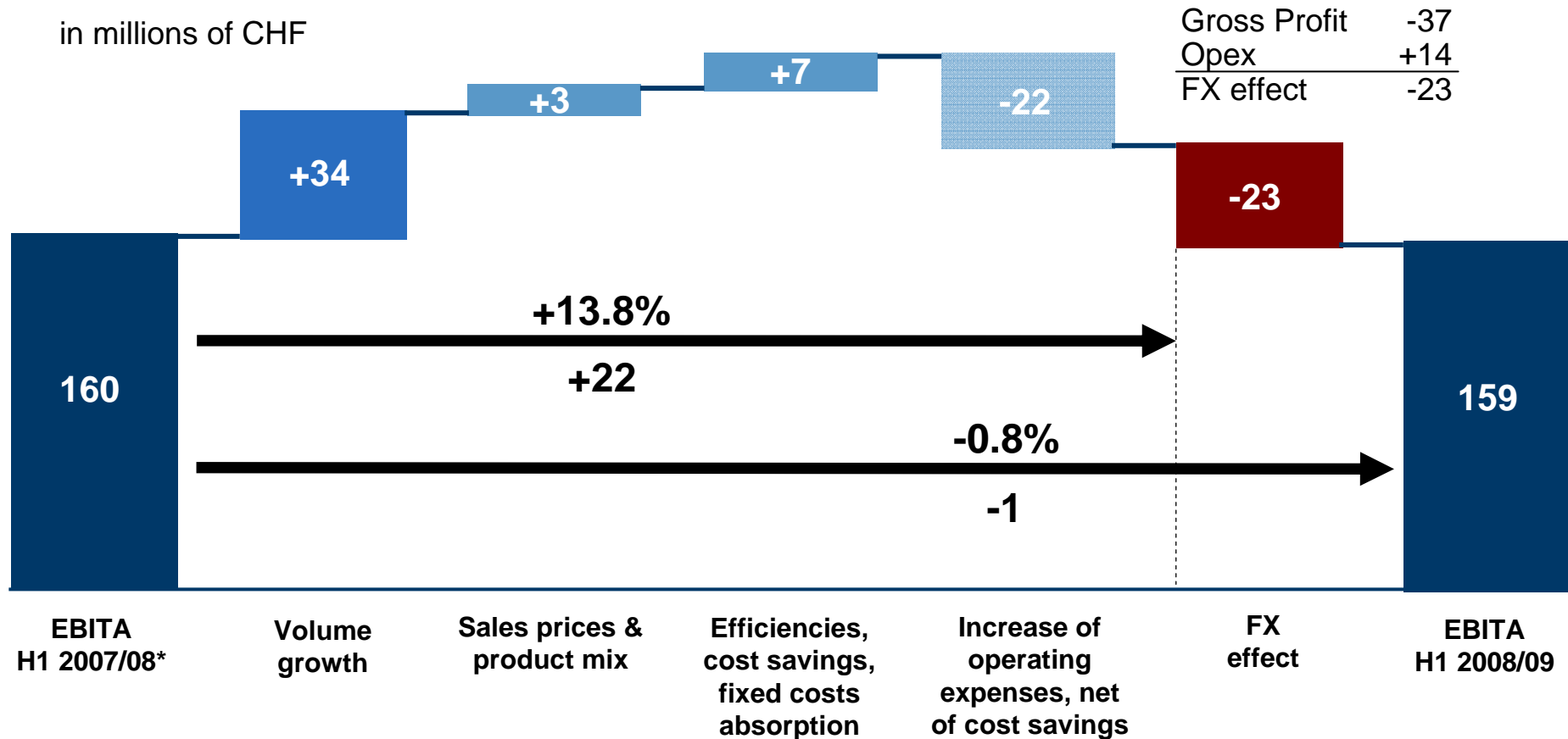
Operating expenses analysis

in millions of CHF	H1 08/09	H2 07/08	H1 07/08	Change in CHF	Change in l.c.	Notes
Sales	600.0	608.5	596.3	+0.6%	+8.8%	- Internal growth + 7.4% - External growth +1.4% - FX effect -8.2%
R&D in % of sales	38.8 6.5%	35.4 5.8%	41.1 6.9%	-5.6%	-4.7%	- Continuous investments - Expansion of R&D team - CORE platform related expenses in H1 2007/08
Sales & Marketing in % of sales	158.3 26.4%	157.1 25.8%	152.1 25.5%	+4.1%	+11.3%	- Development of new markets and sales channels - Expansion of sales force - Sales vol. related increase
General & Admin in % of sales	59.5 9.9%	55.1 9.1%	59.9 10.0%	-0.7%	+4.0%	- Expansion of business - Effective cost management

EBITA development analysis

* excluding one-off costs for the prohibited acquisition of the GN ReSound Group

in millions of CHF



Gross Profit	-37
Opex	+14
FX effect	-23

EBITA margin:

H1 2008/09: 26.5%

H1 2008/09: 28.1% const. FX

H1 2007/08: 26.9%*

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Solid balance sheet

Key figures balance sheet

in millions of CHF	H1 2008/09	FY 2007/08	H1 2007/08	Notes
Net working capital in% of sales (annualized)	14.6%	9.0%	7.9%	- Increase in inventories - Decrease of payables
Capital employed in % of sales (annualized)	61.3%	50.4%	50.0%	- Increase in NWC - Strategic expansion - New building
Net cash	201.2	311.6	316.1	- Share buy-back - Increase in capital employed
Equity	936.8	919.9	917.1	- Treasury shares (90 mio.) - Dividend (66 mio.)
Equity in % of total assets	73.7%	72.2%	71.2%	

➔ Unleveraged balance sheet supporting business expansion initiatives

Capital employed analysis

in millions of CHF	31.03.2008	Variance in NWC	Variance in other capital employed	30.09.2008
Capital employed as reported	607	71	58	736
Product launches		-12		-12
Strategic expansion			-30	-30
New building			-5	-5
Timing difference		-14		-14
FX		-16	-20	-36
Subtotal		-42	-55	-97
Normalized capital employed	607	29	3	639
in % of sales	50%			50%*

* Considering annualized sales at constant currencies excluding impact of acquisitions

Cash flow analysis

in millions of CHF

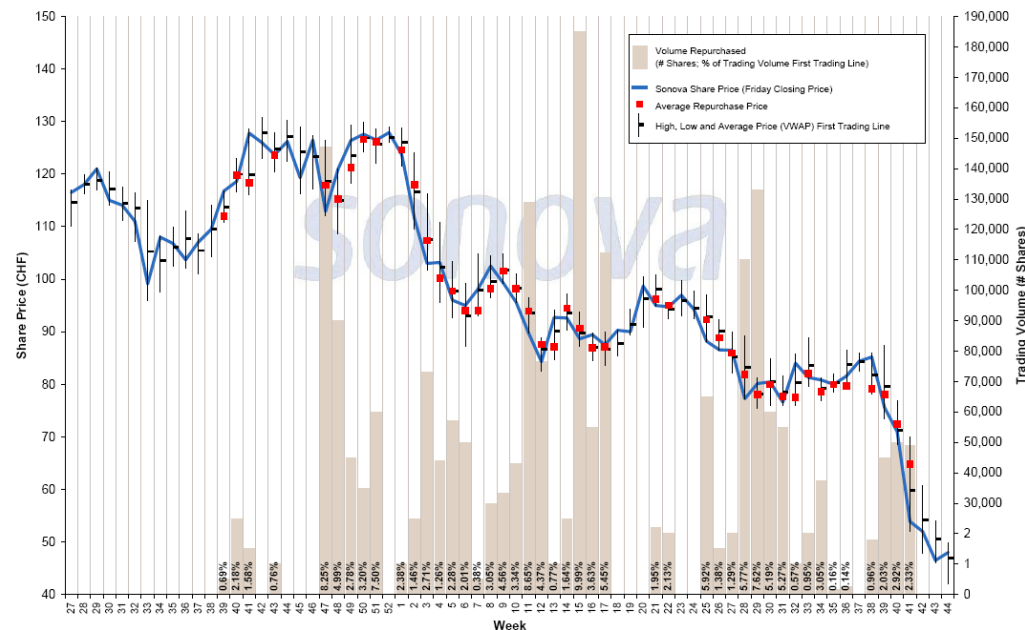
	H1 2008/09	H1 2007/08	H2 2007/08
Cash flow before changes in net working capital	178.1	178.0	217.8
Changes in net working capital	-76.5	-28.1	-64.0
Operating cash flow in % of sales	101.6 16.9%	149.9 25.1%	153.8 25.3%
Cash flow from investing activities	-60.8	-44.8	-39.6
Free cash flow in % of sales	40.9 6.8%	105.1 17.6%	114.3 18.8%
Cash flow from financing activities	-153.3	-86.5	-111.9
Changes in cash including FX differences	-106.8	18.9	-6.0

➔ Cash flow mainly used for business expansion and share buy-back

Share buy-back program

	Number of shares	in %
Shares outstanding as of April 1, 2007	67,125,144	100.0%
Shares created	461,753	+0.7%
Treasury shares (incl. share buy-back of 2,054,500)	-2,284,887	-3.4%
whereof shares cancelled	-1,395,000	-2.1%
Shares outstanding ex treasury as of September 30, 2008	65,302,010	97.3%
Weighted average shares outstanding H1 2008/09¹⁾	65,579,594	97.7%
Weighted average diluted shares outstanding H1 2008/09¹⁾	65,926,107	98.2%

¹⁾ Used for EPS calculation.



Development of FX rates

	Average rates				Variance vs. H1 07/08	Spot rates end of Oct 08	Variance vs. H2 07/08
	H1 07/08	H2 07/08	April 08	H1 08/09			
CAD	1.13	1.12	1.00	1.02	-9.2%	0.94	-15.4%
EUR	1.65	1.63	1.59	1.61	-2.2%	1.48	-8.9%
GBP	2.42	2.23	2.00	2.03	-16.4%	1.87	-16.0%
USD	1.21	1.11	1.01	1.05	-13.1%	1.13	2.4%

➔ If today's currency situation remains unchanged through H2 2008/09, overall negative FX impact will equal ~6.6% on sales and ~220 bps on EBITA margin

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Outlook

Dr. Valentin Chaperro, Chief Executive Officer

Sales outlook FY 2008/09

Sonova is in a strong competitive position

- Most innovative and diversified product portfolio in the industry
 - Strong performing Unitron Hearing due to Next and new 360 product lines
 - Versáta and Certéna will boost Phonak sales in business and economy class segments
 - Audéo YES to be launched in mid January
 - Sustainable market leadership in wireless communication systems
- ➔ **Organic growth of 7-9% in local currencies based on current market conditions**

Audéo YES

More Hearing – Brilliant Design – CORE Performance

Audéo YES - the smallest wireless external receiver device in the world

- More Hearing with SoundRecover
- Wide fitting range with standard and power CRT receivers
- CORE Technology (best features, best performance & fully wireless)
- Small size, preferred design
- 3 price points
(First - Business - Economy)



➔ Audéo YES will be launched on January 15, 2009

EBITA outlook FY 2008/09

Moderate decrease of EBITA margin

- Savings in purchasing
- Cost savings and efficiencies in manufacturing, logistics and back-office related Opex-functions

overcompensated by

- Adverse development of FX rates
- Lower operational leverage due to lower growth dynamics

➔ **EBITA margin of around 27%**

Significant growth potential in hearing instrument market

- Whole hearing system industry in an early development cycle
 - Very low penetration rate at around 20%
 - Demographic trends will accelerate market growth rates (e.g. baby boomers)
 - Higher prevalence driven by modern lifestyle
 - Improving adoption rates as stigma attached with hearing systems will wear-off
 - Dynamic growth in emerging markets
- ➔ **Long-term market growth estimated at 4-7% in units**

Questions & Answers

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