

HALF-YEAR 2013/14 RESULTS

Staefa | 18 November 2013 | Lukas Braunschweiler, CEO & Hartwig Grevener, CFO



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AGENDA

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1. BUSINESS REVIEW 1H 2013/14

LUKAS BRAUNSCHWEILER

2. FINANCIAL REVIEW 1H 2013/14

HARTWIG GREVENER

3. OUTLOOK FY 2013/14

LUKAS BRAUNSCHWEILER

4. Q&A

LUKAS BRAUNSCHWEILER

5. UPCOMING EVENTS

1. BUSINESS REVIEW 1H 2013/14



HIGHLIGHTS HALF-YEAR 2013/14

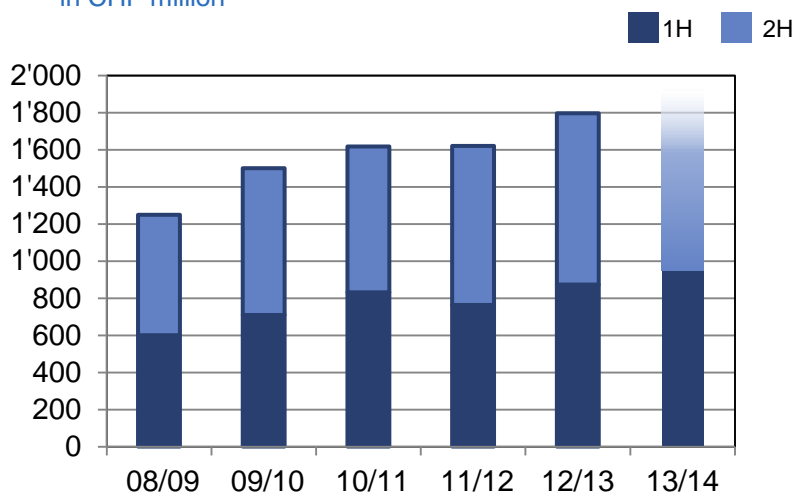
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- **Sonova Group – Sales of CHF 947.8 million**
 - Solid sales growth of 8.6% in Swiss francs or 10.4% in LC
 - Strong contribution from organic growth of 9.6% in LC
 - Growth from acquisitions 0.8%
- **Sonova Group – EBITA of CHF 206.2 million**
 - EBITA increase of 13.0% in LC
 - EBITA margin expanding by 40 bps to 21.8%
- **Hearing instruments – Sales of CHF 865.8 million – Expanding market leadership**
 - Growth of 9.9% in LC – Strong contribution from organic growth
 - EBITA of CHF 206.2 million, EBITA margin rising by 50 bps to 23.8%
- **Cochlear implants – Sales of CHF 82.0 million – Strong system sales**
 - Marked sales increase by 15.0% in Swiss francs or 16.2% in LC
 - Break-even EBITA result, despite significant product launch cost
- **FY 2013/14 guidance raised based on solid development and sound prospects**
 - Expecting sales to grow by 8%-10% and the EBITA by 11%-14% in LC

PERFORMANCE HISTORY – STRONG FINANCIAL TRACK RECORD

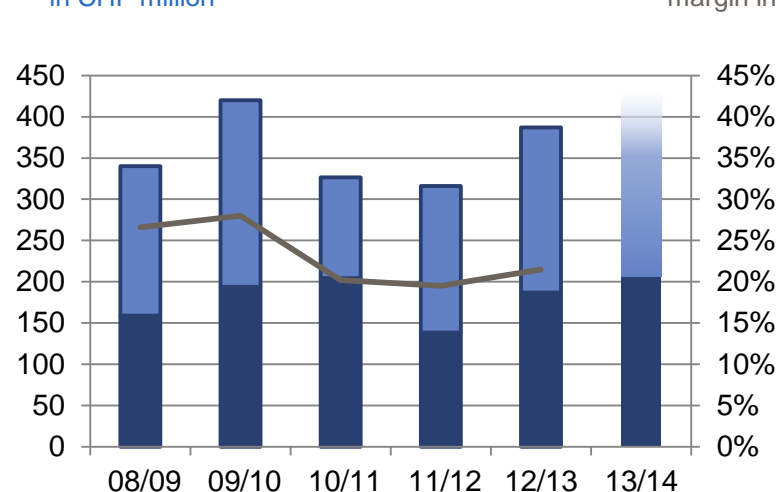
SALES

in CHF million



EBITA

in CHF million



EBITA

margin in %

| | FY 2008/09 | FY 2009/10 | FY 2010/11 | FY 2011/12 | FY 2012/13 | CAGR 5-y | 1H 2013/14 |
|-----------------------|------------|------------|------------|------------|------------|----------|------------|
| Sales growth reported | +3.7% | +20.1% | +7.8% | +0.2% | +10.8% | +8.3% | +8.6% |
| Sales growth in LC | +10.8% | +23.8% | +13.3% | +11.6% | +7.4% | +13.2% | +10.4% |
| EBITA margin | 26.6% | 28.0% | 20.2% | 19.5% | 21.5% | N/A | 21.8% |
| Basic EPS | 4.35 | 3.32 | 3.50 | 3.71 | 4.62 | +0.3% | 2.39 |

Notes: FY 2009/10 Restated based on finalization of the acquisition accounting of Advanced Bionics

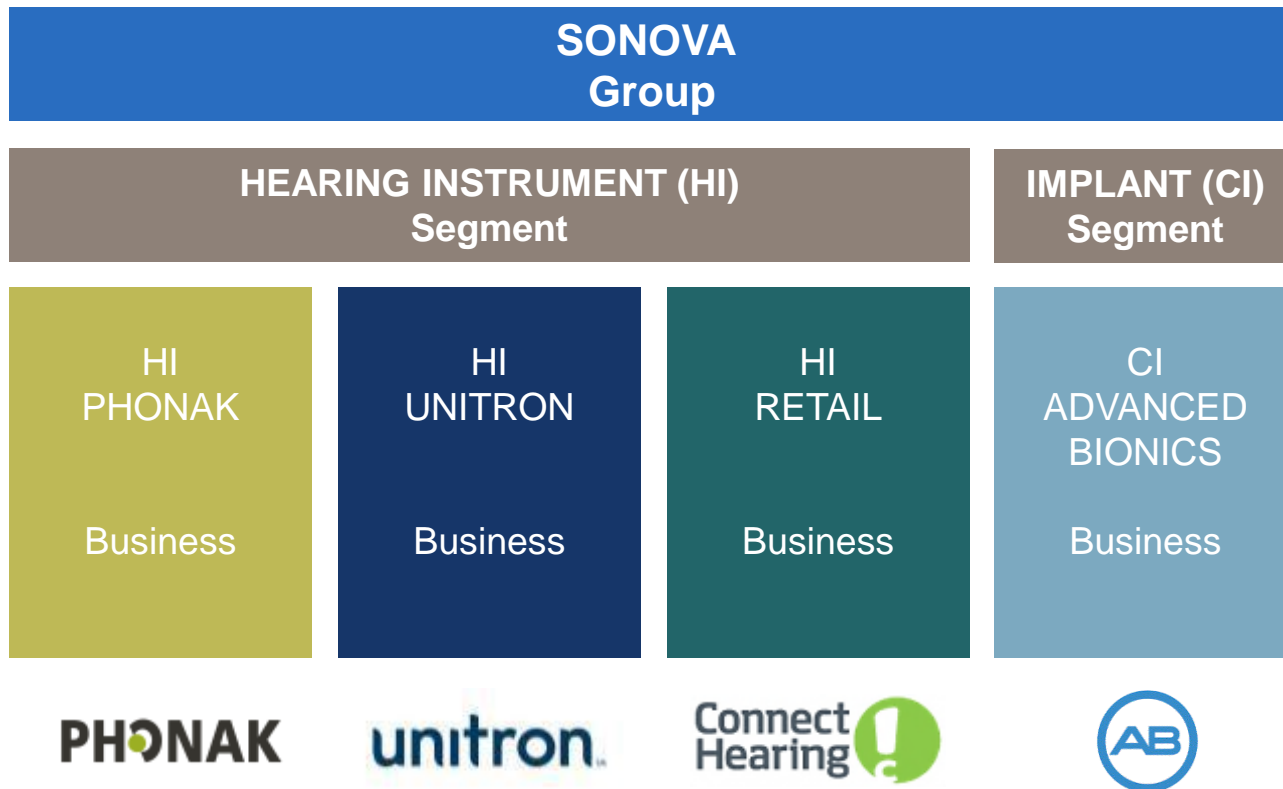
FY 2012/13 Excluding one-off cost for AB Vendor B provision increase, AB Rixheim restructuring and settlement with a group of investors

CLEAR AND FOCUSED STRATEGY – CUSTOMER DRIVEN INNOVATION

SONOVA: «HEAR THE WORLD»

| | |
|---|--|
| Key to our success | - Our customers and our employees |
| Broadest product and service offering / portfolio | - Hearing instruments (Phonak, Unitron) - Cochlear implants (Advanced Bionics) - Professional services (Connect Hearing Group) |
| Strong competitive positions | - Leading position in hearing instruments - Strong contender on cochlear implants - Strong position in selected key retail markets |
| Significant market share gain potential | - High R&D spend – fast product introduction - Differentiated multi-brand strategy - Optimized multi-channel approach |
| Strong product pipelines | - High innovation rate and rapid new product introduction |
| Productivity / efficiency gains | - Leverage existing global infrastructure to expand margins |
| Mid-term financial targets (excluding FX impact) | - EBITA margin: return to mid-twenties - ROCE: expand to low-thirties |

BALANCED PORTFOLIO OF PROFITABLE GROWTH BUSINESSES



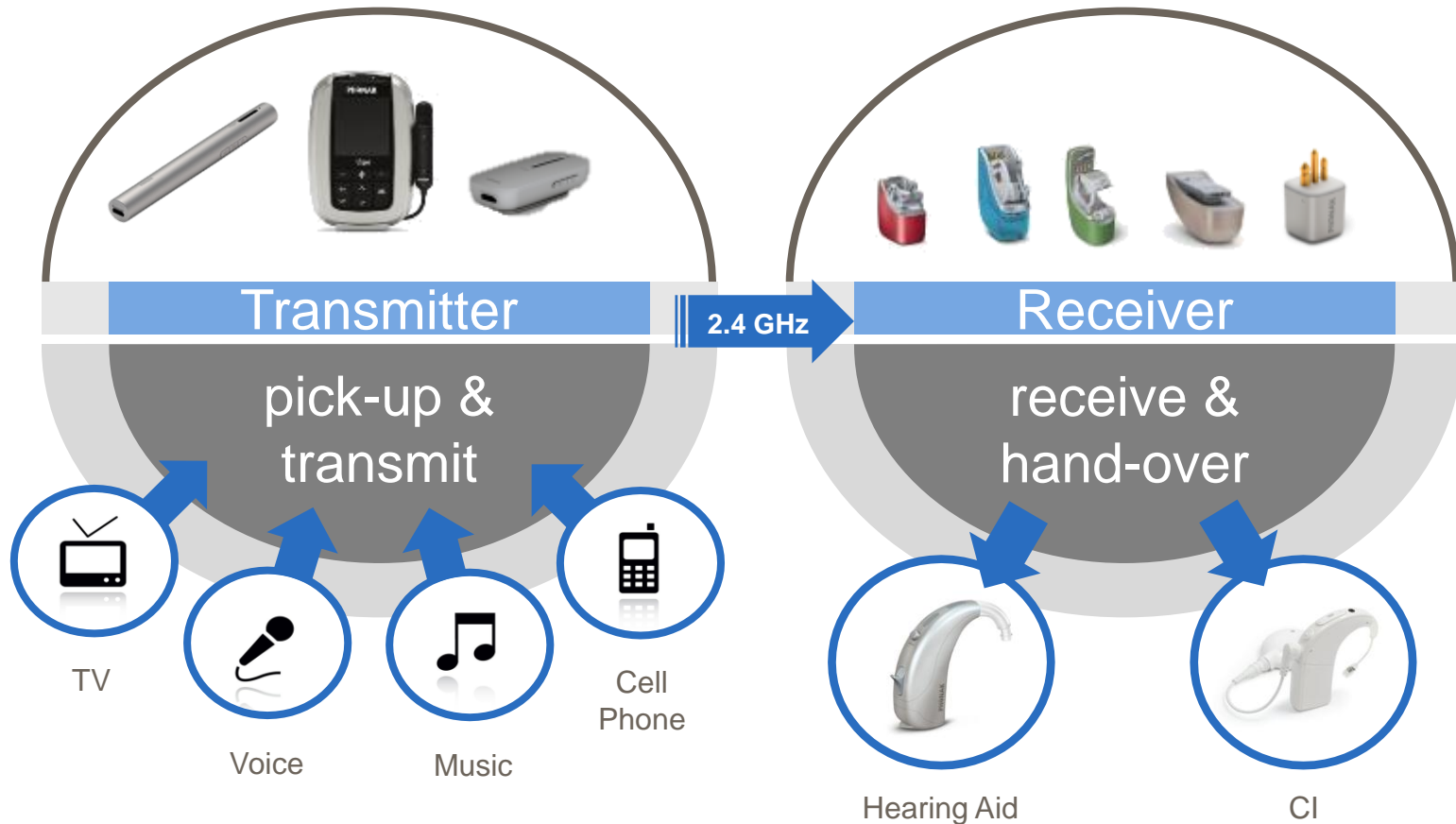
COMPLETING THE RANGE OF SOLUTIONS ON QUEST



| | BTE | Custom | RIC | Power | Pediatric |
|------------------|------------|----------------|------------|--------------|------------------|
| Premium | Bolero Q90 | Virto Q90 | Audéo Q90 | Naída Q90 | Sky Q90 |
| Advanced | Bolero Q70 | Virto Q70 | Audéo Q70 | Naída Q70 | Sky Q70 |
| Standard | Bolero Q50 | Virto Q50 | Audéo Q50 | Naída Q50 | Sky Q50 |
| Essential | Bolero Q30 | Virto Q30 | Audéo Q30 | Naída Q30 | |
| Basic | Baseo Q15 | Phonak Tao Q15 | | | |

BUILDING ON THE SUCCESS OF THE PLATFORM

ROGER - FIRST TO USE DIGITAL ADAPTIVE WIRELESS TECHNOLOGY AT 2.4 GHz



OVERCOMING THE CHALLENGES OF NOISE AND DISTANCE

NEXT GENERATION OF PRODUCTS ON THE ERA PLATFORM



| | BTE | Custom | RIC | Power | Flex Trial & Upgrade |
|------------------|-------------------------|-------------------------|----------------------|--------------|--|
| Premium | Quantum Pro | Quantum Pro | Moxi Pro | | <div style="text-align: center;"> ↑ Any Performance Level ↓ </div> |
| Advanced | Quantum ² 20 | Quantum ² 20 | Moxi ² 20 | Max 20 | |
| | Quantum ² 16 | Quantum ² 16 | Moxi ² 16 | | |
| Standard | Quantum ² 10 | Quantum ² 10 | Moxi ² 10 | Max 6 | |
| Essential | Quantum ² E | Quantum ² E | Moxi ² E | Max E | |
| Basic | Shine | Shine | | | |

BUILDING ON THE SUCCESS OF THE FLEX CONCEPT

CONNECT HEARING

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BOOTS/DOHC SHOP-IN-SHOP APPROACH – CONTINUED STRONG DEVELOPMENT

- Based on a market-leading concept established ten years ago
- Number of locations in the UK: Around 370 today – up from 64 ten years ago
- Value proposition: professional audiological services at attractive locations
- Tangible synergies for both sides from increased store traffic
- Solid long-term SOON/Boots partnership: 51/49 joint ownership of DOHC



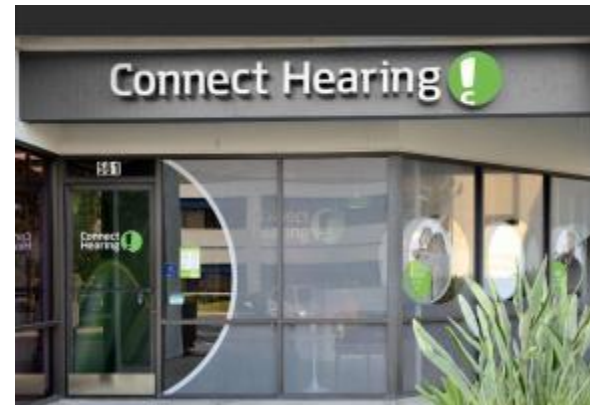
PREMIUM MARKET ACCESS BY PARTNERSHIP WITH LEADING PHARMACY CHAIN

CONNECT HEARING

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US RETAIL – FURTHER INTEGRATION

- Roll out of modern consistent store design and branding approach
- Centralization of administration
- Harmonization of business systems
- Broadening of lead generation services to support own retail as well as wholesale customers
 - e-marketing/call center
 - Healthcare insurance contracting



EXTRA EFFORTS TO HARVEST SYNERGIES BETWEEN CHANNELS

UNPRECEDENTED NUMBER OF NEW PRODUCTS IN THE LAST 12 MONTHS



Implants

HiRes 90K Advantage

HiRes 90K

Electrodes

HiFocus Mid-Scala

HiFocus 1j

HiFocus Helix

Sound Processors

Naída CI

Neptune

Harmony BTE

EXPANDING RANGE OF INNOVATIVE PROCESSORS, IMPLANTS AND ELECTRODES

2. FINANCIAL REVIEW



FINANCIAL HIGHLIGHTS

- **Solid sales growth** +10.4% in LC and 8.6% in CHF – both segments exceeding estimated market growth
- **Gross profit margin** of 68.5%, down 30 bps due to segment mix and FX
- **EBITA margin** increased by 40 bps to 21.8%
- **R&D spending** at CHF 70.4 million or 7.4% of sales including net capitalization
- **Basic EPS** of CHF 2.39
- **Free cash flow** up by 45.5% to CHF 125.6 million,
- **Net cash** at CHF 180.2 million
- **Equity ratio** at 62.2% in September 2013 (61.2% in March 2013)

SONOVA GROUP – KEY FINANCIALS

| in CHF million | 1H 2012/13 | 1H 2013/14 | Δ % | Δ % in LC |
|--------------------------|---------------|---------------|-------|-----------|
| Sales | 872.4 | 947.8 | 8.6% | 10.4% |
| Gross profit | 600.5 | 649.2 | 8.1% | 9.8% |
| - Gross profit margin | 68.8% | 68.5% | | |
| OPEX | -414.1 | -443.0 | 7.0% | 8.4% |
| EBITA | 186.4 | 206.2 | 10.6% | 13.0% |
| - EBITA margin | 21.4% | 21.8% | | |
| Operating free cash flow | 127.1 | 138.7 | 9.1% | |
| EPS (in CHF) | 2.23 | 2.39 | 7.0% | |

DOUBLE DIGIT LC GROWTH IN SALES AND EBITA

GROUP SALES – GROWTH COMPONENTS

| in CHF million | 1H 2013/14 | Growth Contribution |
|------------------------|-------------|---------------------|
| Growth in LC | 91.0 | 10.4% |
| - Thereof organic | 84.0 | 9.6% |
| - Thereof acquisitions | 7.0 | 0.8% |
| Currency effect | -15.6 | -1.8% |
| Growth in CHF | 75.3 | 8.6% |

ACCELERATION OF SALES DRIVEN BY ORGANIC GROWTH

GROUP SALES – REGIONS AND KEY MARKETS

| in CHF million | 1H 2012/13 | | 1H 2013/14 | | Δ % in LC |
|----------------------|--------------|-------|--------------|-------|-----------|
| | Sales | in % | Sales | in % | |
| EMEA | 331.6 | 38.0% | 361.7 | 38.1% | 8.3% |
| USA | 338.9 | 38.9% | 368.2 | 38.9% | 10.1% |
| Americas (excl. USA) | 114.2 | 13.1% | 116.9 | 12.3% | 8.0% |
| Asia / Pacific | 87.7 | 10.0% | 101.0 | 10.7% | 22.9% |
| Total SONOVA | 872.4 | 100% | 947.8 | 100% | 10.4% |

ALL REGIONS CONTRIBUTING TO GROWTH, APAC IN PARTICULAR

GROUP SALES – PRODUCT GROUPS

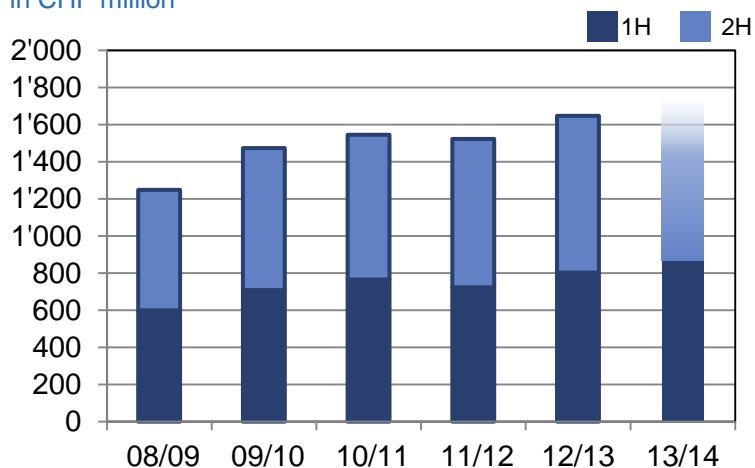
| in CHF million | 1H 2012/13 | in % of total | 1H 2013/14 | in % of total | Δ % in LC |
|-------------------------|--------------|---------------|--------------|---------------|--------------|
| HI Premium | 192.1 | 22.0% | 220.6 | 23.3% | 16.2% |
| HI Advanced | 211.5 | 24.2% | 215.9 | 22.8% | 3.8% |
| HI Standard | 239.8 | 27.5% | 268.6 | 28.3% | 14.6% |
| Wireless communication | 31.3 | 3.6% | 30.9 | 3.3% | 0.5% |
| Miscellaneous | 126.5 | 14.5% | 129.9 | 13.7% | 3.8% |
| Total HI Segment | 801.2 | 91.8% | 865.8 | 91.4% | 9.9% |
| CI and accessories | 71.3 | 8.2% | 82.0 | 8.6% | 16.2% |
| Total sales | 872.4 | 100% | 947.8 | 100% | 10.4% |

WELL BALANCED GROWTH PROFILE CONFIRMS HI LAUNCH STRATEGY

HEARING INSTRUMENTS – PERFORMANCE HISTORY

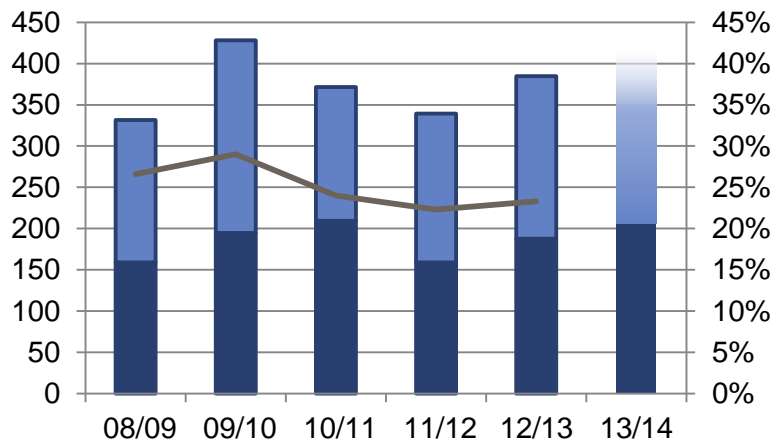
SALES

in CHF million



EBITA

in CHF million



EBITA

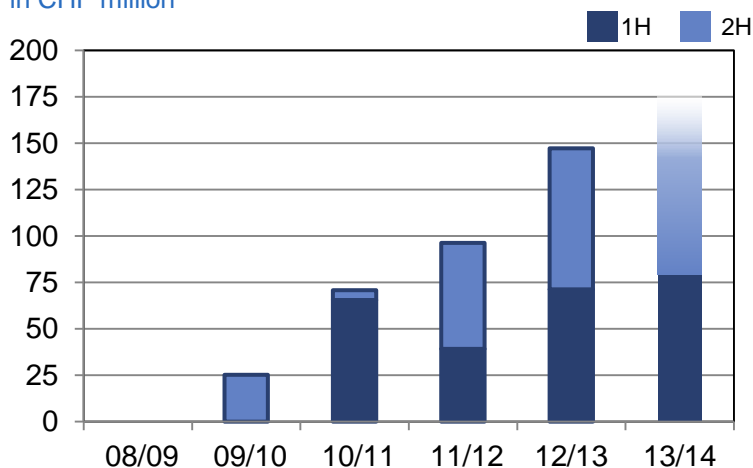
margin in %

| | FY 2008/09 | FY 2009/10 | FY 2010/11 | FY 2011/12 | FY 2012/13 | CAGR 5-y | 1H 2013/14 |
|-----------------------|------------|------------|------------|------------|------------|----------|------------|
| Sales growth reported | +3.7% | +18.1% | +4.8% | -1.4% | +8.2% | +6.5% | +8.1% |
| Sales growth in LC | +10.8% | +21.7% | +10.1% | +9.7% | +4.9% | +11.3% | +9.9% |
| EBITA margin | 27.2% | 29.0% | 24.1% | 22.3% | 23.3% | N/A | 23.8% |

COCHLEAR IMPLANTS – PERFORMANCE HISTORY

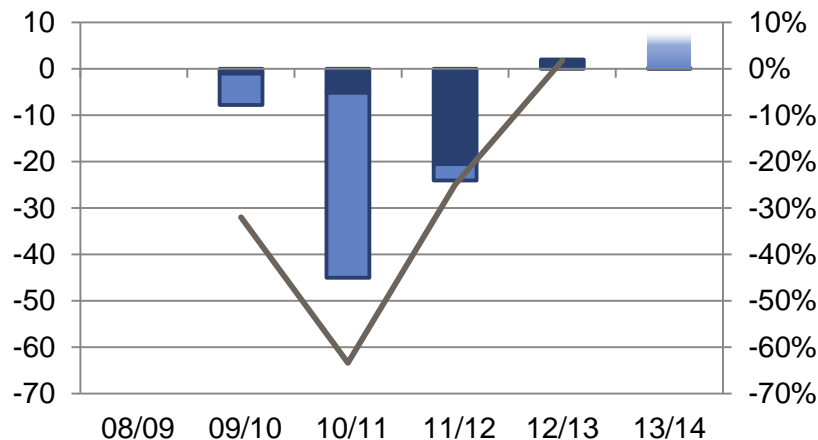
SALES

in CHF million



EBITA

in CHF million



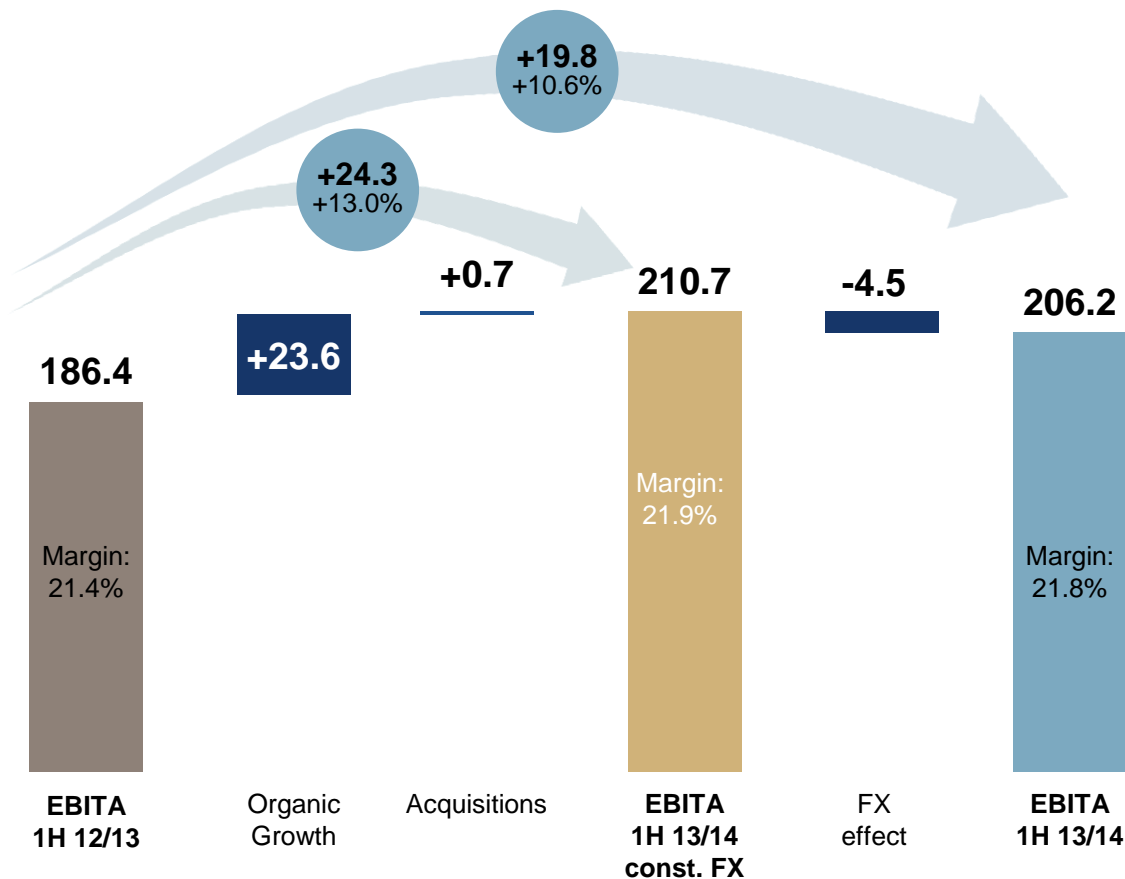
EBITA

margin in %

| | FY 2008/09 | FY 2009/10 | FY 2010/11 | FY 2011/12 | FY 2012/13 | CAGR 3-y | 1H 2013/14 |
|-----------------------|------------|------------|------------|------------|------------|----------|------------|
| Sales growth reported | -- | -- | +180.5% | +36.0% | +52.3% | > +80.0% | +15.0% |
| Sales growth in LC | -- | -- | +202.1% | +53.5% | +47.1% | > +80.0% | +16.2% |
| EBITA margin | -- | -31.0% | -63.4% | -25.0% | 1.2% | N/A | 0.1% |

* FY 2012/13 Excluding one-off cost for Vendor B provision at AB and AB Rixheim restructuring

SONOVA GROUP – EBITA DEVELOPMENT



| Avg FX Rates | 1H 12/13 | 1H 13/14 |
|--------------|----------|----------|
| USD | 0.95 | 0.94 |
| EUR | 1.20 | 1.23 |
| GBP | 1.50 | 1.45 |
| JPY (100) | 1.20 | 0.95 |
| BRL | 0.48 | 0.43 |
| AUD | 0.97 | 0.89 |
| CAD | 0.95 | 0.91 |

EBITA PERFORMANCE DRIVEN BY ORGANIC GROWTH; NEGATIVE FX EFFECT

SONOVA GROUP – OPERATING EXPENSES

| in CHF million | 1H 2012/13 | 1H 2013/14 | Δ % in CHF | Δ % in LC | Comments |
|--------------------------|---------------|---------------|------------|-----------|----------------------------------|
| Research & Development | -56.7 | -59.4 | 4.9% | 5.3% | |
| in % of sales | 6.5% | 6.3% | | | |
| Sales & Marketing | -266.6 | -290.0 | 8.8% | 10.5% | Intense product launch activity |
| in % of sales | 30.6% | 30.6% | | | |
| General & Administration | -88.3 | -93.6 | 6.1% | 7.1% | US retail integration cost |
| in % of sales | 10.1% | 9.9% | | | |
| Subtotal | -411.6 | -443.1 | | | |
| in % of sales | 47.2% | 46.8% | | | |
| Other expenses* | -2.6 | 0.1 | | | Non recurring cost in prior year |
| Total OPEX | -414.1 | -443.0 | 7.0% | 8.4% | |
| in % of sales | 47.5% | 46.7% | | | |

*H1 2012/13 one-off cost: settlement a with group of investors CHF 2.6m

IMPROVEMENTS IN SG&A PARTLY OFFSET BY CI LAUNCH & US RETAIL EFFORTS

SONOVA GROUP – R&D SPENDING

| in CHF million | 1H 2012/13 | 1H 2013/14 | Δ % in CHF | Δ % in LC | Comments |
|-----------------------------------|-------------|-------------|------------|-----------|--|
| R&D charged to the P&L | 56.7 | 59.4 | 4.9% | 5.3% | |
| in % of sales | 6.5% | 6.3% | | | |
| Capitalized development costs | 15.4 | 14.0 | | | Investments to sustain high pace of innovation in CI |
| in % of sales | 1.8% | 1.5% | | | |
| Amortization of development costs | 0.8 | 3.0 | | | New product launches triggers higher amortization |
| in % of sales | 0.1% | 0.3% | | | |
| Total R&D spending | 71.2 | 70.4 | -1.1% | -0.7% | |
| in % of sales | 8.2% | 7.4% | | | |

CONTINUED HIGH R&D INVESTMENT

SONOVA GROUP – REPORTED RESULTS AND INCOME TAXES

| in CHF million | 1H 2012/13 | 1H 2013/14 | Δ % in CHF | Comments |
|---|-----------------------|-----------------------|------------|--|
| EBITA | 186.4 | 206.2 | 10.6% | Adverse FX impact of CHF 4.5 million reduces margin by 10 basis points |
| Acquisition related amortization | -12.6 | -12.9 | 2.4% | |
| Operating profit (EBIT) in % of sales | 173.8 19.9% | 193.3 20.4% | 11.2% | |
| Financial result | -2.2 | -5.1 | 129.4% | Unwinding of discount on increased product liability provision; lower result from associates |
| Income before taxes | 171.6 | 188.2 | 9.7% | |
| Income taxes | -23.0 | -24.6 | 6.8% | |
| - Income tax rate | 13.4% | 13.0% | | |
| Income after taxes in % of sales | 148.6 17.0% | 163.7 17.3% | 10.1% | |
| Thereof attributable to non-controlling interests | -0.89 | 3.2 | | Change attributable to Boots partnership |
| EPS (in CHF) | 2.23 | 2.39 | 7.0% | |

SOLID EBITA DEVELOPMENT TRANSLATES INTO DOUBLE-DIGIT EARNINGS GROWTH

SONOVA GROUP – SOLID FREE CASH FLOW

| in CHF million | 1H 2012/13 | 1H 2013/14 | Δ % in CHF | Comments |
|---|-----------------------|-----------------------|------------|---|
| Cash flow before changes in NWC | 218.5 | 260.2 | 19.1% | |
| Changes in net working capital and taxes paid | -51.4 | -68.6 | 33.6% | Movements in receivables, other payables, accruals and provisions |
| Operating cash flow in % of sales | 167.1 19.2% | 191.6 20.2% | 14.7% | |
| Cash flow from investing activities (excl. acquisitions) | -40.0 | -52.9 | 32.2% | |
| Operating free cash flow in % of sales | 127.1 14.6% | 138.7 14.6% | 9.1% | |
| Cash consideration for acquisitions | -40.8 | -13.1 | -68.0% | Policy unchanged, firm application of quality thresholds on M&A targets |
| Free cash flow | 86.3 | 125.6 | 45.5% | |
| Cash flow from financing activities | -79.2 | -132.2 | 66.9% | Higher distribution to shareholders and share purchases to serve management option programs |
| Changes in cash and cash equivalents | 8.5 | -10.6 | | |

STRONG FREE CASH FLOW SUPPORTED BY LOWER M&A ACTIVITY

SONOVA GROUP – BALANCE SHEET

| in CHF million | 31 Mar 2013 | 30 Sep 2013 | Δ % in CHF | Comments |
|----------------------------------|----------------|----------------|------------|--|
| Net working capital | 187.1 | 184.8 | -1.2% | |
| Days sales outstanding (DSO) | 71 | 67 | -5.6% | Continuous efforts to manage receivables |
| Days inventory outstanding (DIO) | 148 | 140 | -5.4% | Continuous efforts to manage inventory |
| Capital employed | 1'455.5 | 1'453.4 | -0.1% | |
| Net cash | 185.8 | 180.2 | -3.0% | Considers CHF 107 million capital distribution in 1H 2013/14 |
| Equity | 1'641.3 | 1'633.6 | -0.5% | |
| Equity in % of total assets | 61.2% | 62.2% | | |

STABLE NET WORKING CAPITAL AND CAPITAL EMPLOYED

UPDATE ON VENDOR B RECALL – STATUS AS OF 1 NOVEMBER 2013

- Advanced Bionics signed settlement agreements in October 2013
 - Agreements cover the majority of current product liability claims related to cochlear implant malfunctions, including the case Sadler vs. Advanced Bionics
 - Cash impact and accounting recognition in 2H 2013/14
 - Excluding the claims covered by the settlement agreements, there currently are less than 10 pending claims filed with a court

- October 2013 settlements and development of all other product liability costs **in line with the underlying assumptions of the provision for such claims**
 - Failure rates are tracking well within our expectations
 - Development of claims in line with the underlying assumptions
 - Advanced Bionics continues to deal with the failures under the normal warranty and through out-of-court settlements

3. OUTLOOK



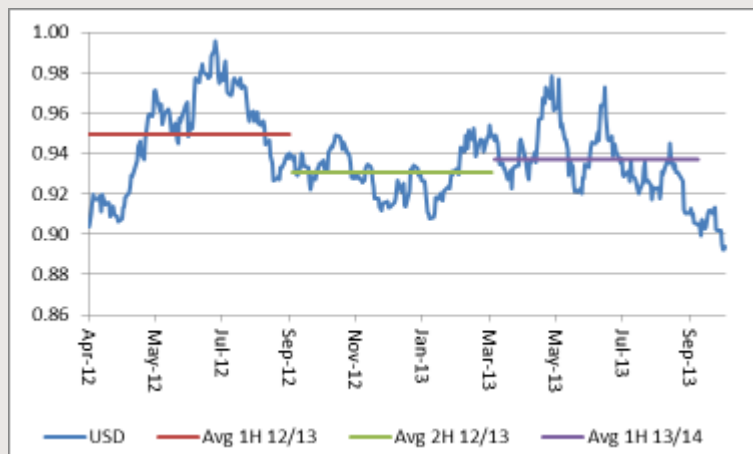
FY 2013/14 GUIDANCE – UPDATE

| | Actual FY 2012/13 | Old guidance FY 2013/14 <small>(as of 21 May 2013)</small> | Actual 1H 2013/14 | New guidance FY 2013/14 <small>(as of 18 Nov 2013)</small> |
|------------------------------------|----------------------|---|----------------------|---|
| Sales | | | | |
| Sales growth in LC | 7.4% | 6%-8% | 10.4% | 8%-10% |
| thereof acquisition related growth | 2.2% | approx. 1% | 0.8% | approx. 1% |
| FX-impact | 3.4% | n/a | -1.8% | |
| Total sales growth in CHF | 10.8% | n/a | 8.6% | |
| EBITA | | | | |
| EBITA growth in LC | 15.4%* | 9-13%* | 13.0% | 11-14%* |
| FX-impact | 7.2%* | n/a | -2.4% | |
| Total EBITA growth in CHF | 22.6%* | n/a | 10.6% | |

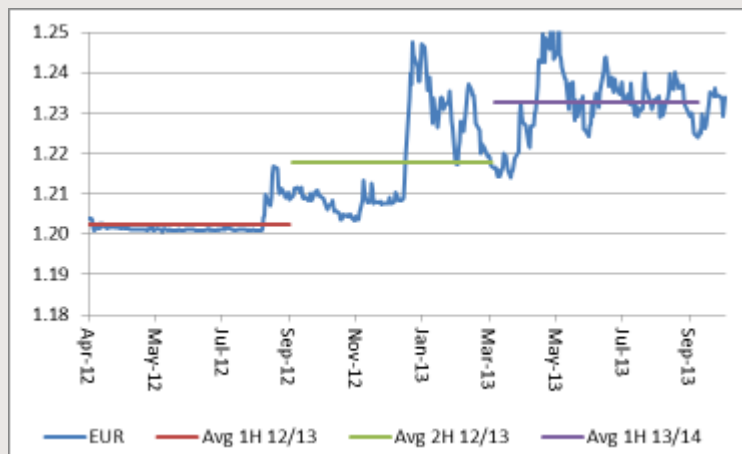
* Growth refers to the normalized prior year values as displayed in the 2012/13 annual report

FY 2013/14 GUIDANCE – FX IMPACT ON SALES AND MARGINS

USD/CHF



EUR/CHF



| | Rate | Sales | EBITA |
|----------------|--------|--------------------|--------------------|
| USD/CHF | +/- 5% | +/- CHF 38 million | +/- CHF 11 million |
| EUR/CHF | +/- 5% | +/- CHF 24 million | +/- CHF 12 million |

FX RATES – MAIN CURRENCIES

| | Avg 1H 12/13 | Avg FY 12/13 | Avg 1H 13/14 | Spot 15-Nov-13 | Effect |
|----------------|-----------------|-----------------|-----------------|-------------------|--------|
| USD | 0.95 | 0.94 | 0.94 | 0.92 | - |
| EUR | 1.20 | 1.21 | 1.23 | 1.23 | + |
| GBP | 1.50 | 1.48 | 1.45 | 1.48 | - |
| JPY 100 | 1.20 | 1.14 | 0.95 | 0.92 | - |
| BRL | 0.48 | 0.47 | 0.43 | 0.40 | - |
| AUD | 0.97 | 0.97 | 0.89 | 0.86 | - |
| CAD | 0.95 | 0.94 | 0.91 | 0.88 | - |

Effects have added up to a noticeable adverse impact in 1H

ADVERSE IMPACT OF NON USD AND EUR CURRENCIES

4. QUESTIONS & ANSWERS



5. UPCOMING EVENTS



IMPORTANT UPCOMING EVENTS

| Date | Event | Location |
|----------------|------------------------------------|---------------------|
| 26-29 Mar 2014 | Audiology NOW! Congress 2014 | Orlando, USA |
| 20 May 2014 | Analyst Meeting FY 2013/14 results | Stäfa, Switzerland |
| 17 Jun 2014 | Annual General Meeting | Zurich, Switzerland |
| 17 Sep 2014 | Investor & Analyst Day 2014 | TBD |

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THANK YOU VERY MUCH

