

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

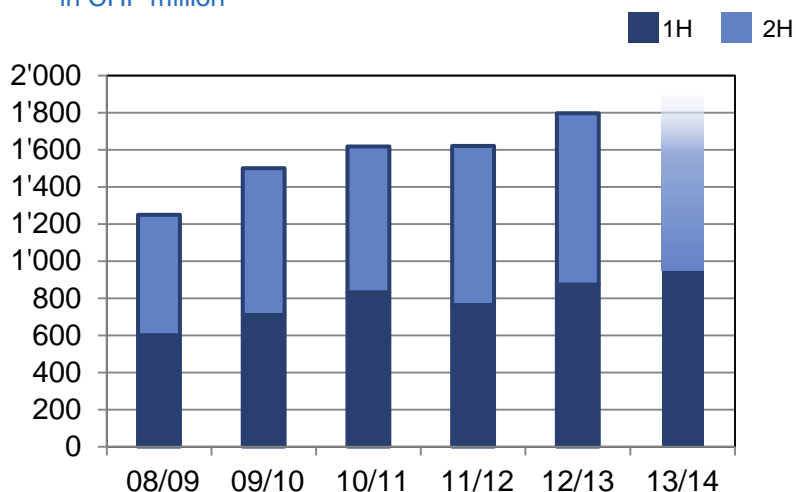
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- **Sonova Group – Sales of CHF 947.8 million**
 - Solid sales growth of 8.6% in Swiss francs or 10.4% in LC
 - Strong contribution from organic growth of 9.6% in LC
 - Growth from acquisitions 0.8%
- **Sonova Group – EBITA of CHF 206.2 million**
 - 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

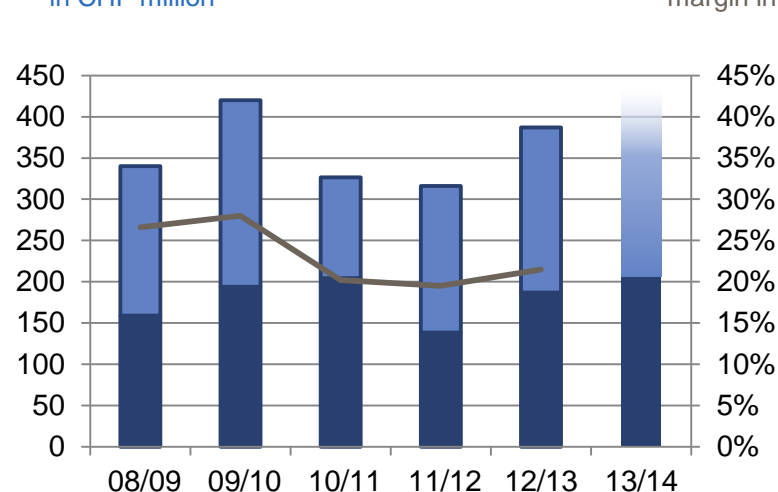
SALES

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

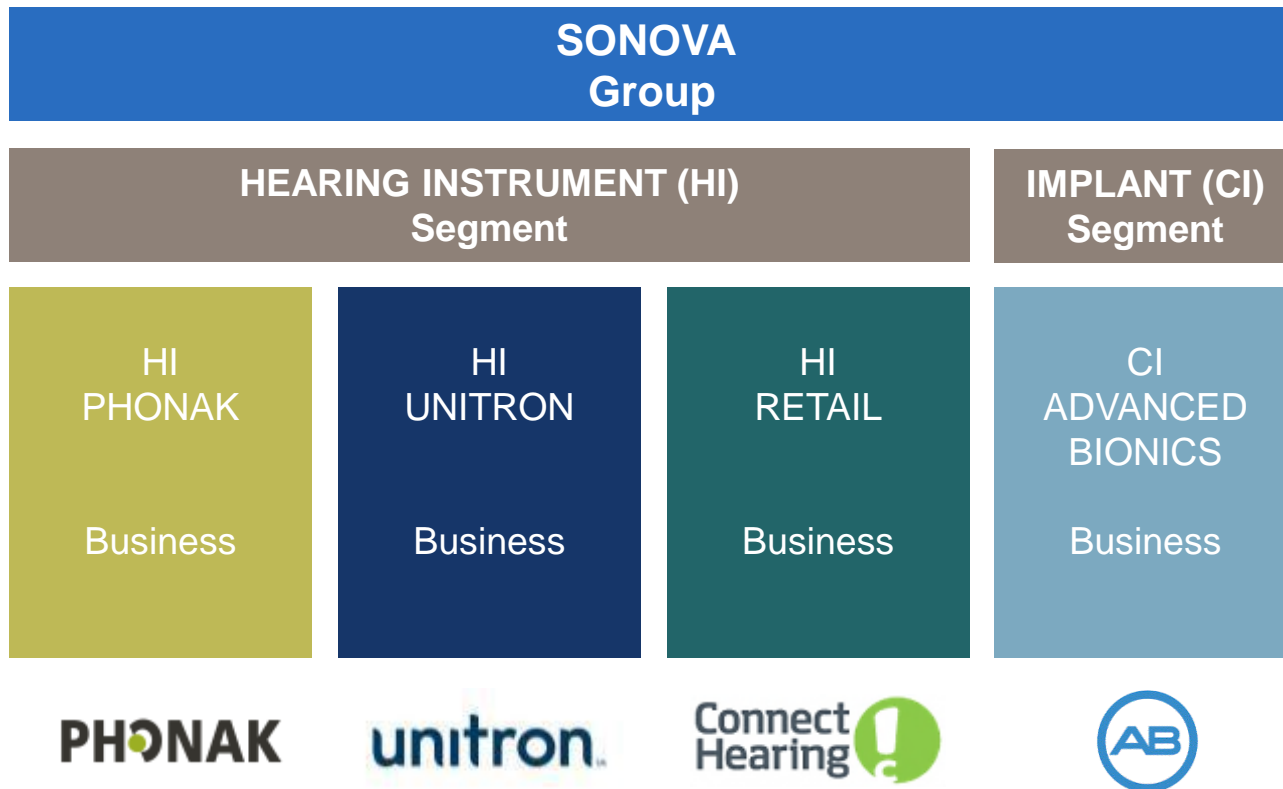
FY 2012/13 Excluding one-off cost for AB Vendor B provision increase, AB Rixheim restructuring and settlement with a group of investors

CLEAR AND FOCUSED STRATEGY – CUSTOMER DRIVEN INNOVATION

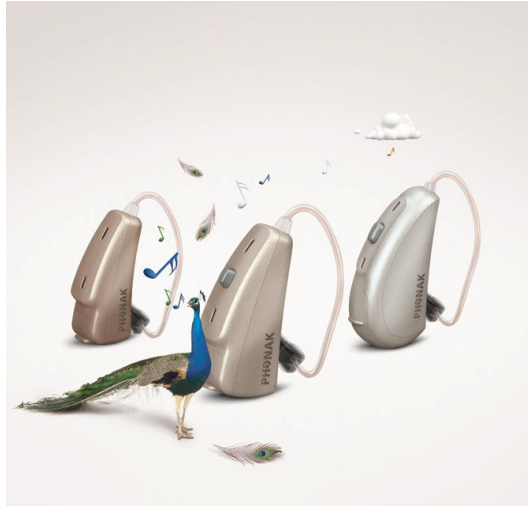
SONOVA: «HEAR THE WORLD»

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



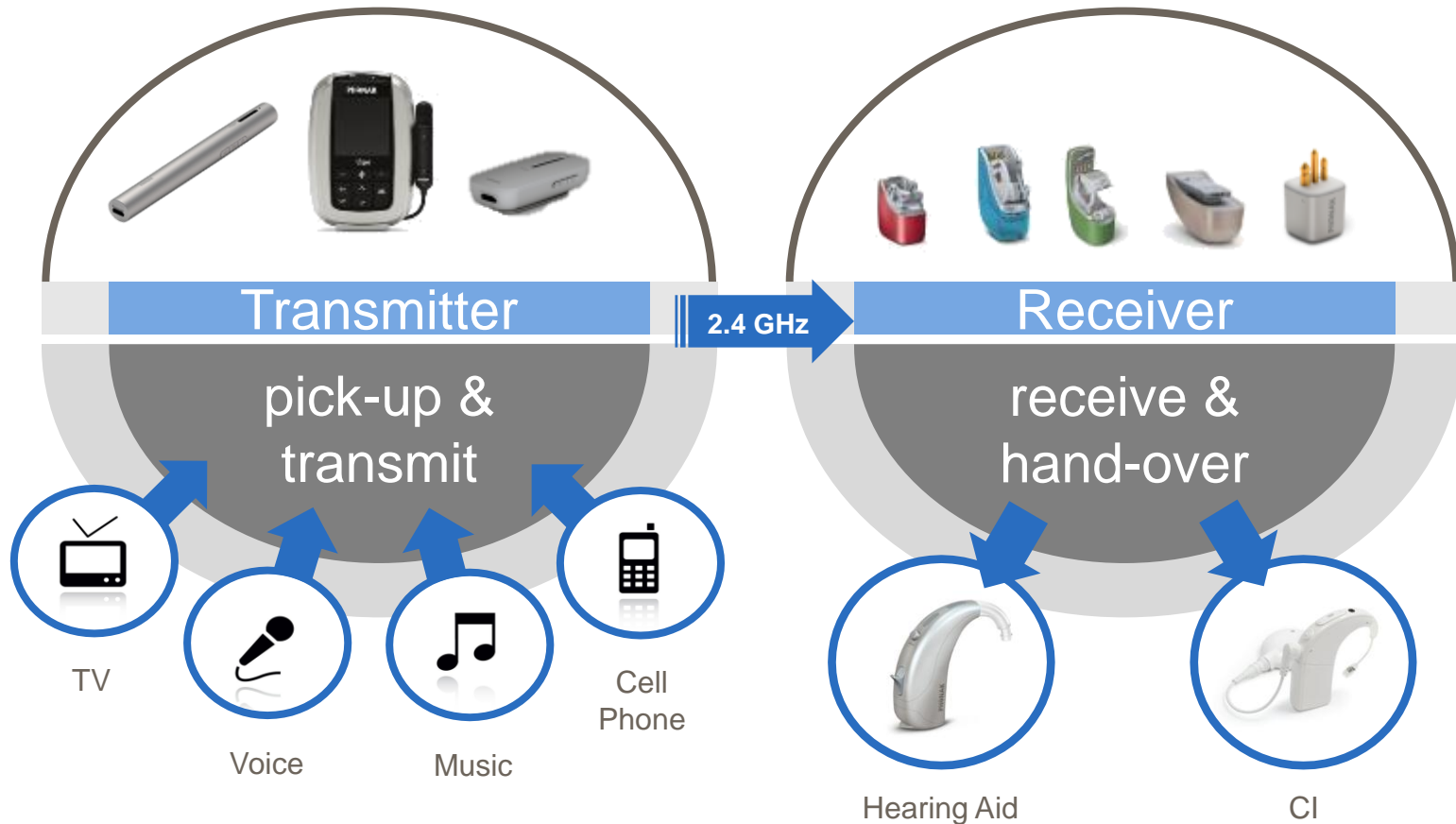
COMPLETING THE RANGE OF SOLUTIONS ON QUEST



	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



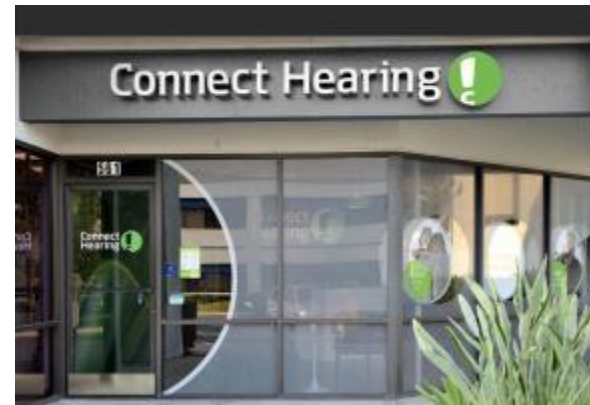
PREMIUM MARKET ACCESS BY PARTNERSHIP WITH LEADING PHARMACY CHAIN

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

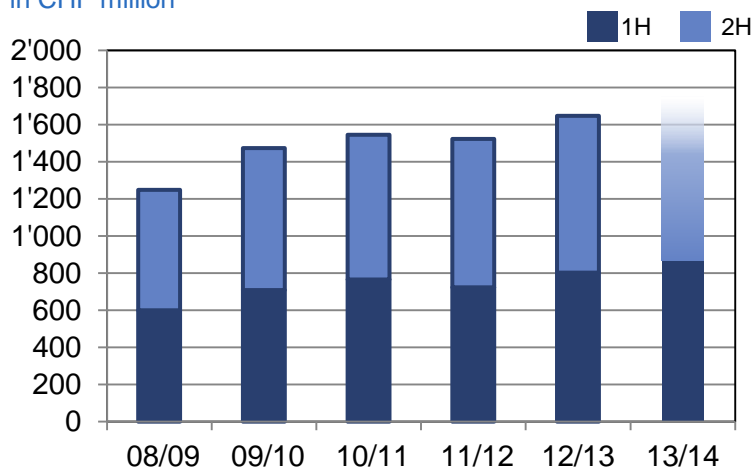
in CHF million	1H 2012/13	in % of total	1H 2013/14	in % of total	Δ % in LC
HI Premium	192.1	22.0%	220.6	23.3%	16.2%
HI Advanced	211.5	24.2%	215.9	22.8%	3.8%
HI Standard	239.8	27.5%	268.6	28.3%	14.6%
Wireless communication	31.3	3.6%	30.9	3.3%	0.5%
Miscellaneous	126.5	14.5%	129.9	13.7%	3.8%
Total HI Segment	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

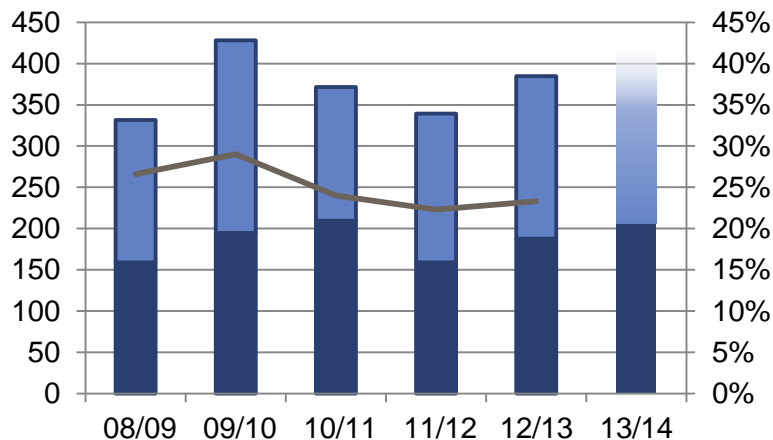
SALES

in CHF million



EBITA

in CHF million

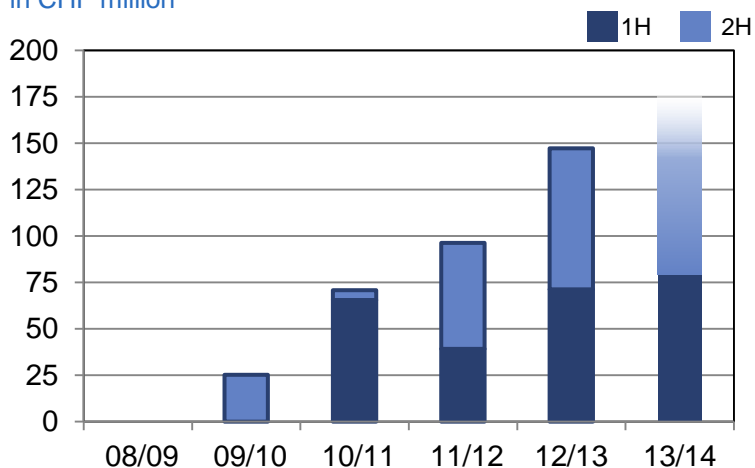


	FY 2008/09	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	CAGR 5-y	1H 2013/14
Sales growth reported	+3.7%	+18.1%	+4.8%	-1.4%	+8.2%	+6.5%	+8.1%
Sales growth in LC	+10.8%	+21.7%	+10.1%	+9.7%	+4.9%	+11.3%	+9.9%
EBITA margin	27.2%	29.0%	24.1%	22.3%	23.3%	N/A	23.8%

COCHLEAR IMPLANTS – PERFORMANCE HISTORY

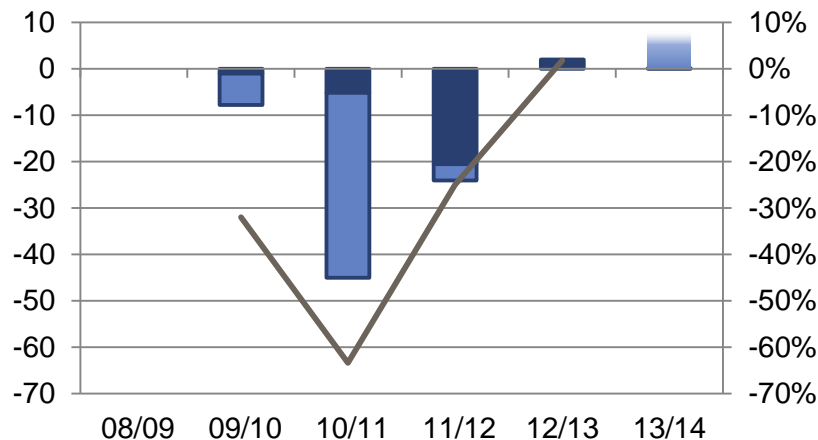
SALES

in CHF million



EBITA

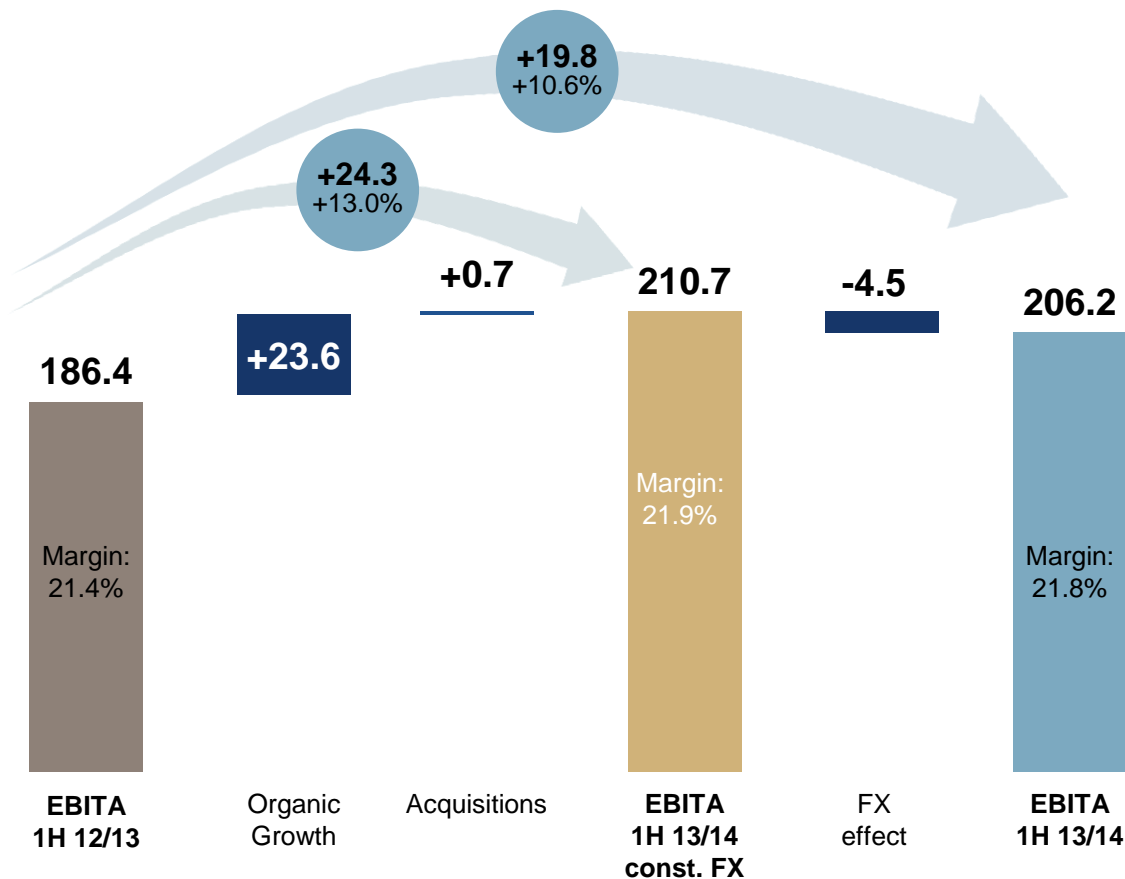
in CHF million



	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



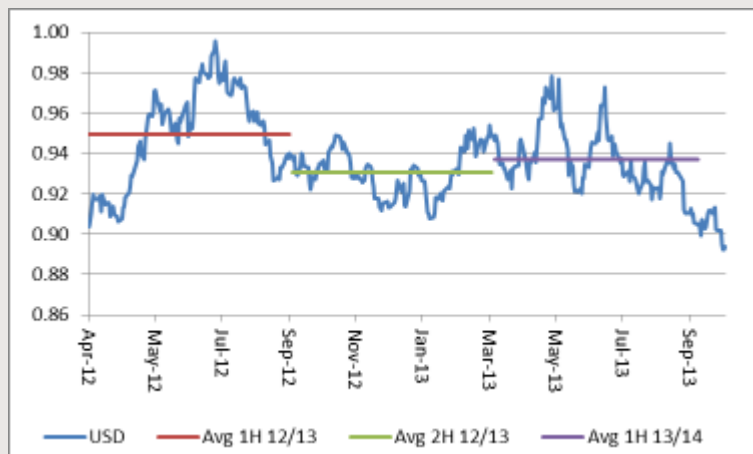
FY 2013/14 GUIDANCE – UPDATE

	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%	

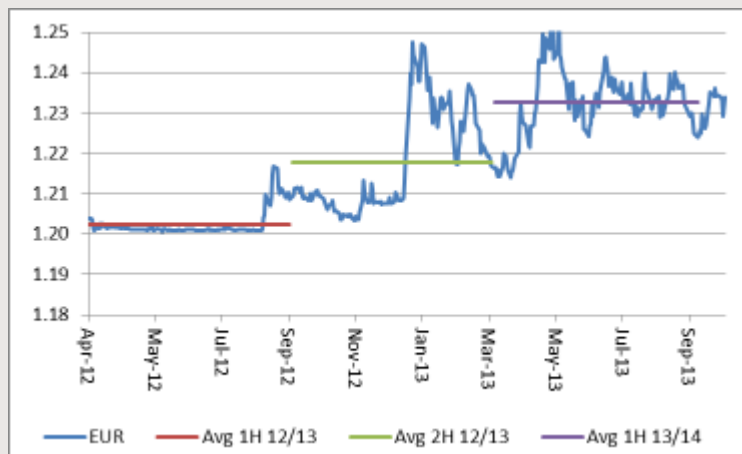
* Growth refers to the normalized prior year values as displayed in the 2012/13 annual report

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

