

# Full-Year 2016/17 Results

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# Agenda

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- 1. Sonova Group**

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- 2. Hearing instruments segment**

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- 3. Cochlear implants segment**

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- 4. Financial review**

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- 5. Outlook**

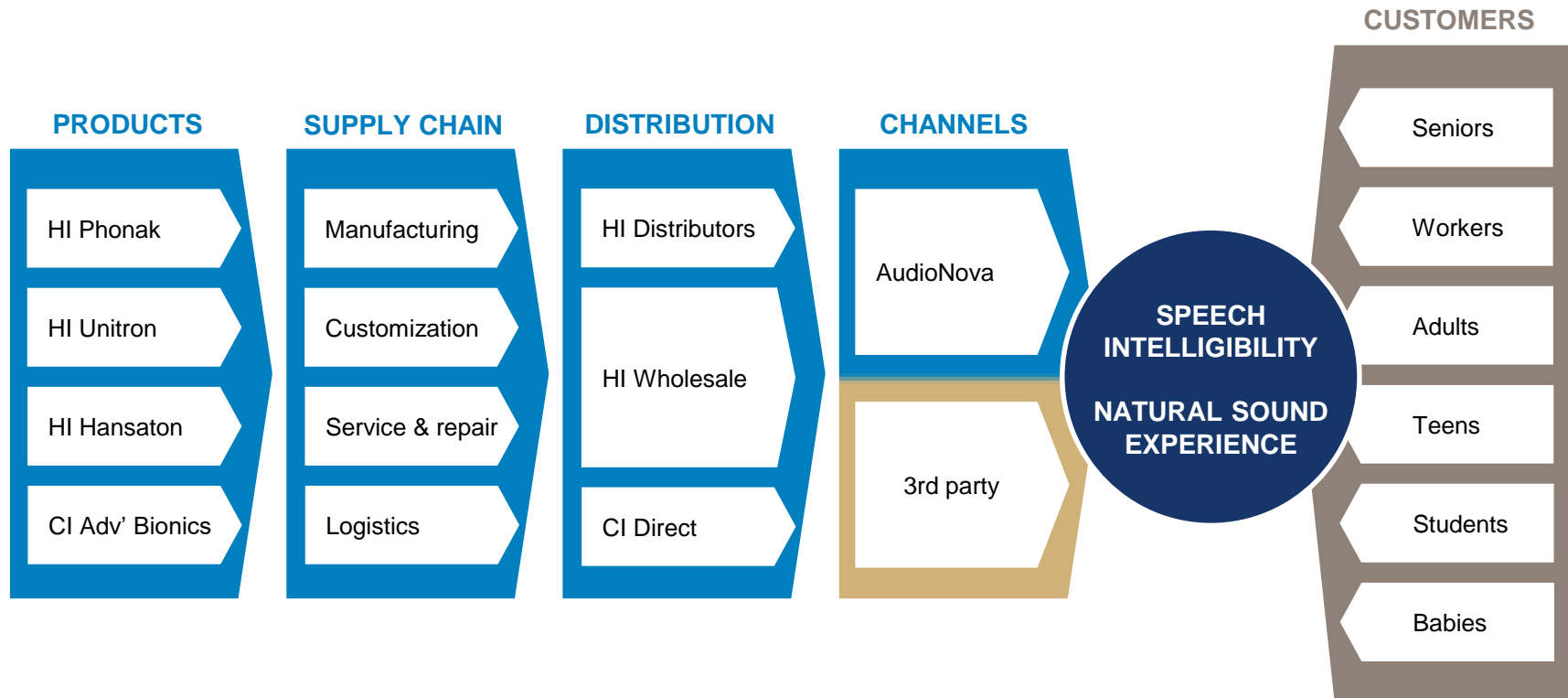
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- 6. Questions & Answers**

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- 7. Upcoming Events**

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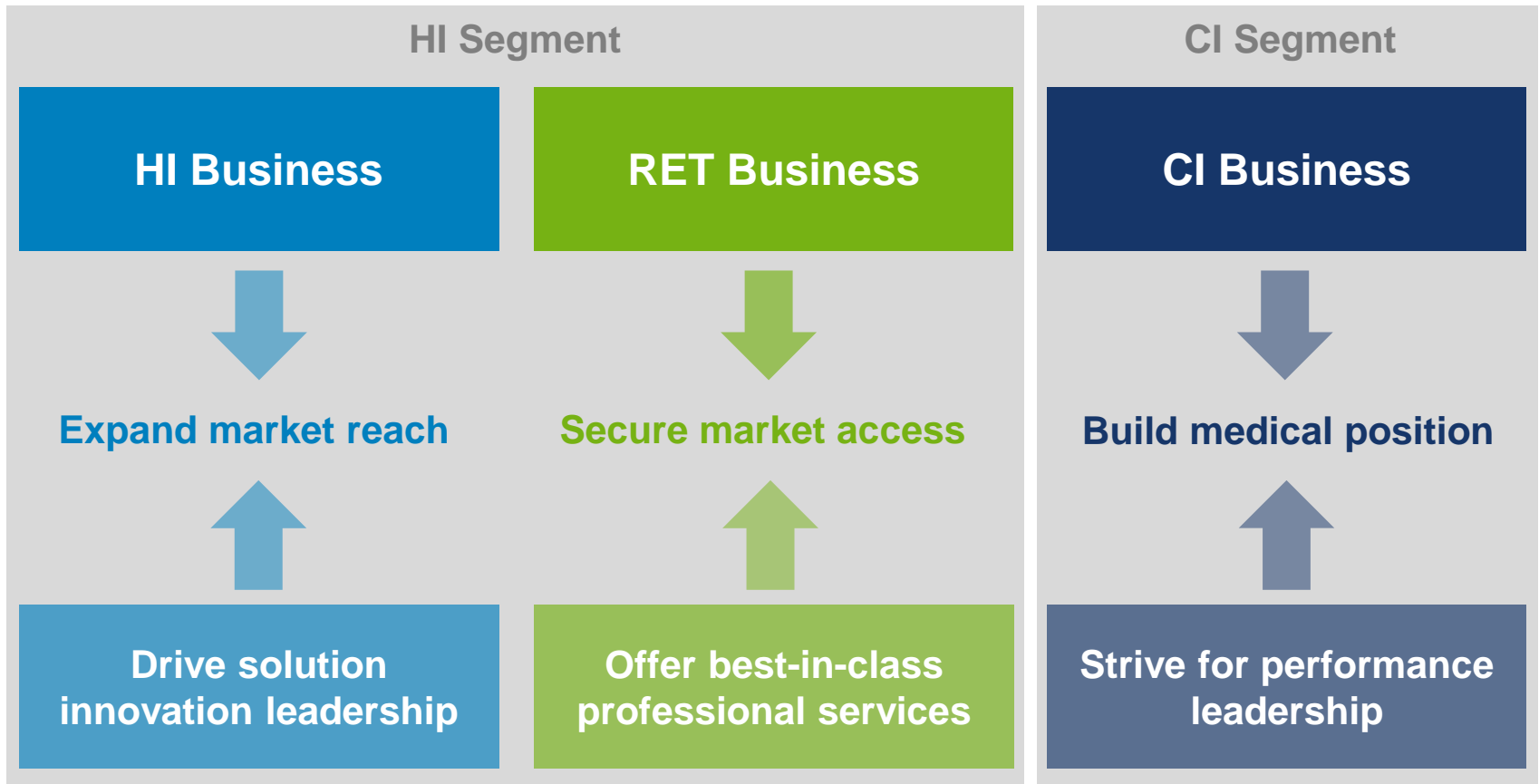
# 1. Sonova Group

## Unique vertically integrated business model – Focused on customer value



Own technology, products, supply chain, wholesale and retail networks

## Business strategies – Focus on hearing care



**Continuous innovation to grow sales, earnings & cash flow**

## Summary FY 2016/17 – Substantial acceleration and strong fiscal year

- **Sonova Group: Strong progress in H1 – solid growth in CI**
  - Sales of CHF 2,395.7 million up 15.6% as reported in CHF and up by 15.3% in LC
  - EBITA of CHF 481.4 million – margin of 20.1% (normalized for AudioNova one-time costs)
- **Hearing instruments segment: Solid organic growth – AudioNova integration on track**
  - Sales of CHF 2,190.3 million up by 15.9% in LC – driven by organic growth and acquisitions
  - Marked 2H organic acceleration in particular driven by Phonak Audéo™ B
  - AudioNova net sales contribution of CHF 216.1 million for 7 months in FY 2016/17
  - Integration on track – CHF 18.4 million one-time costs
  - EBITA (normalized) of CHF 473.4 million – margin of 21.6%
- **Cochlear implants segment: Strong acceleration in 2H – return to profitability**
  - Sales of 205.4 million, up 9.6% in LC – strong momentum from new products
  - EBITA of CHF 8.0 million – year-on-year improvement driven by higher sales and cost control
- **High cash conversion – very good cash flow – sound balance sheet**
  - Operating free cash flow at CHF 424.8 million – Strong cash conversion of 88% (OpFCF/EBITA)
  - Equity ratio 54.2% post AudioNova acquisition

## Major developments and initiatives in FY 2016/17

<b>Go-to-market</b>	<ul style="list-style-type: none"><li>– EU: Strong growth despite headwind in DE – accelerating with new products</li><li>– EU: AudioNova integration on track – creating one of Europe’s largest retailers</li><li>– US: Increase in VA market share to 45%</li><li>– US: Introduction of next generation product at Costco – 2H strong acceleration</li><li>– BR, CN, IN: Reducing exposure to low margin channels and products</li></ul>
<b>New products</b>	<ul style="list-style-type: none"><li>– HI: Phonak Belong™ – successful new platform, high share of rechargeable</li><li>– HI: Phonak Virto™ Titanium – smallest Phonak custom product ever</li><li>– CI: HiRes™ Ultra – latest generation implant with thinner profile</li></ul>
<b>e-Solutions</b>	<ul style="list-style-type: none"><li>– Distance support: Partnering with VA – pilot project on track</li><li>– Continued investments: Developing complete solution and service offering</li></ul>

## Executing well on strategic initiatives for sustainable profitable growth



## Key Financials – As reported and normalized – Variances in CHF

in CHF million	FY 2015/16 as reported	FY 2016/17 as reported	Δ % in CHF	One-time costs*	FY 2016/17 normalized	Δ % in CHF
Sales	<b>2'071.9</b>	<b>2'395.7</b>	15.6%		<b>2'395.7</b>	15.6%
Gross profit	<b>1'375.5</b>	<b>1'651.8</b>	20.1%		<b>1'651.8</b>	20.1%
- Gross profit margin	66.4%	68.9%	+250bps		68.9%	+250bps
OPEX	<b>-944.8</b>	<b>-1'188.8</b>	25.8%	<b>18.4</b>	<b>-1'170.3</b>	23.9%
EBITA	<b>430.6</b>	<b>463.0</b>	7.5%	<b>18.4</b>	<b>481.4</b>	11.8%
- EBITA margin	20.8%	19.3%	-150bps		20.1%	-70bps
EPS (in CHF)	<b>5.11</b>	<b>5.35</b>	+4.7%	<b>0.23</b>	<b>5.58</b>	+9.2%
Operating free cash flow	<b>344.2</b>	<b>424.8</b>	+23.4%			
ROCE	<b>26.0%</b>	<b>20.4%</b>				

\* One-time costs, consisting of transaction cost and integration related restructuring costs in connection with the acquisition of AudioNova

Note: EPS:CHF 5.67 (+11%), adjusted for one-time cost and temporary tax rate increase pending full integration of AudioNova

## Normalized EBITA up CHF 51 million or +11.8% in CHF

## Key Financials – As reported and normalized – Variances in LC

in CHF million	FY 2015/16 as reported	FY 2016/17 as reported	Δ % in LC	One-time costs*	FY 2016/17 normalized	Δ % in LC
Sales	<b>2'071.9</b>	<b>2'395.7</b>	15.3%		<b>2'395.7</b>	15.3%
Gross profit	<b>1'375.5</b>	<b>1'651.8</b>	20.1%		<b>1'651.8</b>	20.1%
- Gross profit margin	66.4%	68.9%	+270bps		68.9%	+270bps
OPEX	<b>-944.8</b>	<b>-1'188.8</b>	25.7%	<b>18.4</b>	<b>-1'170.3</b>	23.7%
EBITA	<b>430.6</b>	<b>463.0</b>	7.9%	<b>18.4</b>	<b>481.4</b>	12.1%
- EBITA margin	20.8%	19.3%	-150bps		20.1%	-60bps

\* One-time costs, consisting of transaction cost and integration related restructuring costs in connection with the acquisition of AudioNova

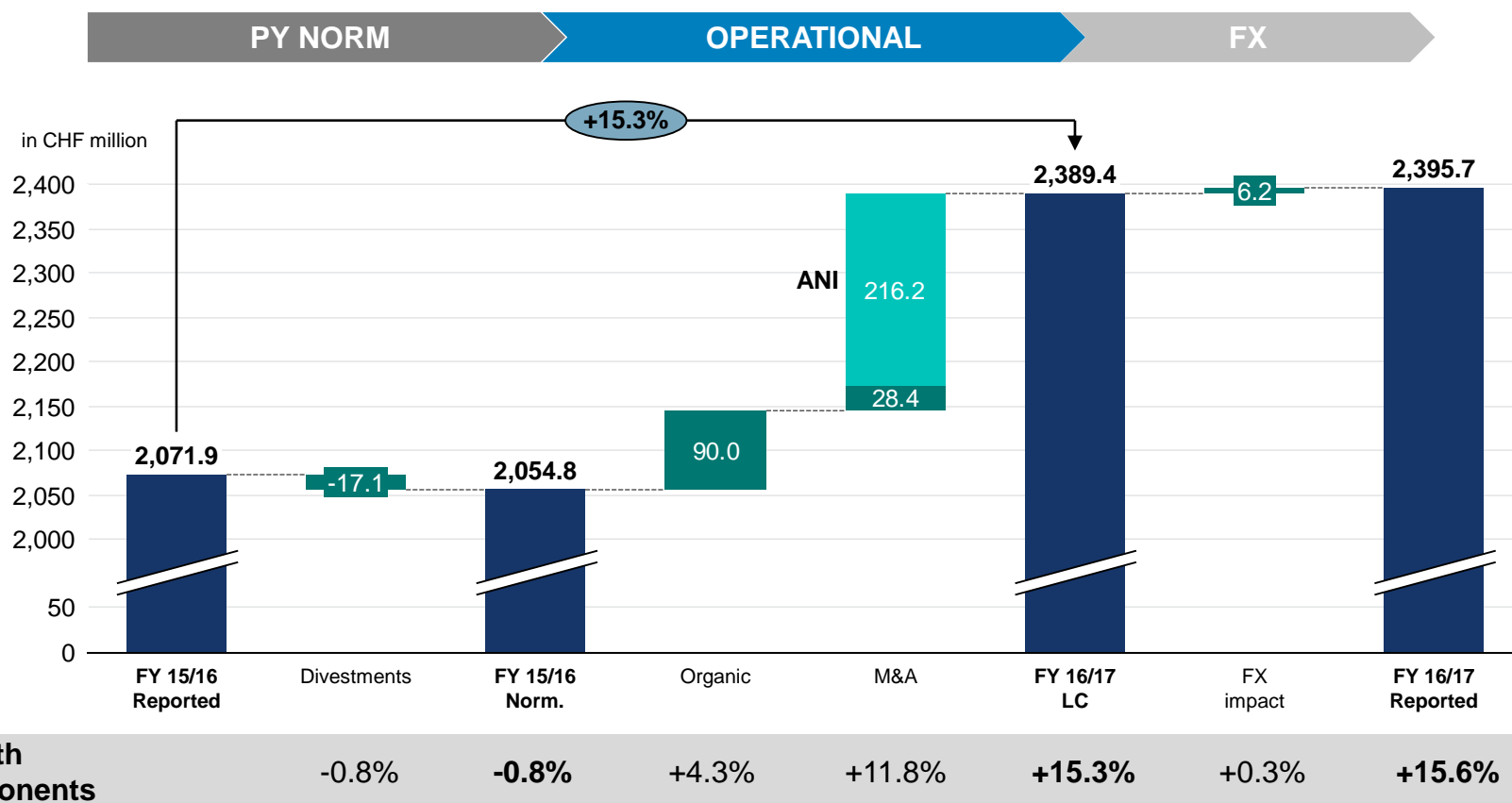
## Normalized EBITA +12.1% in LC

## Key Financials – Normalized – Variances in LC

in CHF million	1H 2016/17	Δ % in LC	2H 2016/17	Δ % in LC	FY 2016/17	Δ % in LC
Sales	<b>1'069.9</b>	5.5%	<b>1'325.8</b>	24.5%	<b>2'395.7</b>	15.3%
Gross profit	<b>723.8</b>	8.2%	<b>928.0</b>	31.1%	<b>1'651.8</b>	20.1%
- Gross profit margin	67.6%	+160bps	70.0%	+350bps	68.9%	+270bps
OPEX	<b>-517.9</b>	10.5%	<b>-652.5</b>	36.6%	<b>-1'170.3</b>	23.7%
EBITA	<b>205.9</b>	2.7%	<b>275.5</b>	20.0%	<b>481.4</b>	12.1%
- EBITA margin	19.2%	-50bps	20.8%	-80bps	20.1%	-60bps

## Significant acceleration in the second half

## Sales and components – YoY



**Sales +15.3% in LC as reported – Sonova legacy business +5.8% in LC**

## Key Financials – Normalized

	1H 2016/17			2H 2016/17			FY 2016/17		
in CHF million	Normalized	Δ % in CHF	Δ % in LC	Normalized	Δ % in CHF	Δ % in LC	Normalized	Δ % in CHF	Δ % in LC
<b>Sales</b>	<b>1,069.9</b>	<b>+6.7%</b>	<b>+5.5%</b>	<b>1,325.8</b>	<b>+24.0%</b>	<b>+24.5%</b>	<b>2,395.7</b>	<b>+15.6%</b>	<b>+15.3%</b>
Δ organic	20.6		+2.0%	69.4		+6.5%	90.0		+4.3%
Δ acquisitions	44.8		+4.5%	199.8		+18.7%	244.6		+11.8%
Δ disposals	-10.0		-1.0%	-7.1		-0.7%	-17.1		-0.8%
Δ FX	11.4	+1.2%		-5.2	-0.5%		6.2	+0.3%	
<b>EBITA</b>	<b>205.9</b>	<b>+5.2%</b>	<b>+2.7%</b>	<b>275.5</b>	<b>+17.3%</b>	<b>+20.0%</b>	<b>481.4</b>	<b>+11.8%</b>	<b>+12.1%</b>
EBITA-margin	19.2%			20.8%			20.1%		

**Solid organic acceleration – Further supported by acquisitions**

## Sonova Group – Sales by segment

	1H 2016/17		2H 2016/17		FY 2016/17	
in CHF million	Sales	Δ % in LC	Sales	Δ % in LC	Sales	Δ % in LC
<b>HI Segment</b>	<b>977.5</b>	+5.4%	<b>1,212.8</b>	+25.9%	<b>2,190.3</b>	15.9%
<b>CI Segment</b>	<b>92.4</b>	+7.0%	<b>113.0</b>	+11.8%	<b>205.4</b>	+9.6%
<b>Total SONOVA</b>	<b>1,069.9</b>	+5.5%	<b>1,325.8</b>	+24.5%	<b>2,395.7</b>	+15.3%

### HI Segment

- Second half acceleration driven by successful new product introductions and AudioNova
- Solid organic growth accelerating to +5.9% in 2H
- AudioNova acquisition consolidated for 7 months

### CI Segment

- Double digit systems growth – driven by attractive portfolio and new products
- Temporarily lower upgrade sales growth – affected by low qualifying customer base

## Solid growth across both segments – Marked acceleration in 2H 2016/17

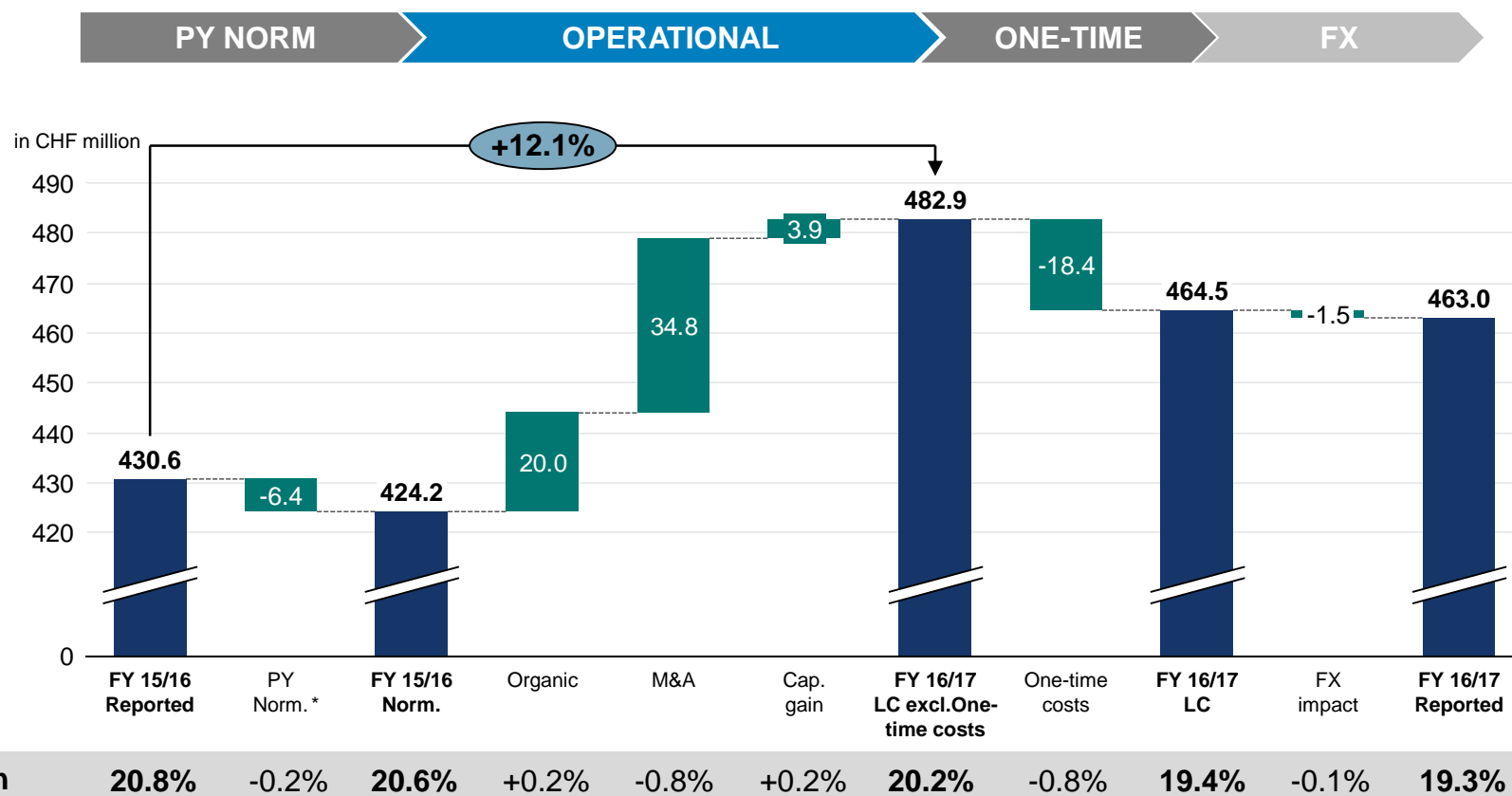
## Sales by regions and key markets

	1H 2016/17		2H 2016/17		FY 2016/17	
in CHF million	Sales	Δ % in LC	Sales	Δ % in LC	Sales	Δ % in LC
EMEA	<b>470.0</b>	+12.2%	<b>692.2</b>	+53.2%	<b>1,162.2</b>	+33.8%
USA	<b>383.0</b>	-0.1%	<b>404.3</b>	+2.0%	<b>787.3</b>	+1.0%
Americas (excl. USA)	<b>102.7</b>	+3.1%	<b>108.2</b>	+4.5%	<b>210.9</b>	+3.8%
Asia / Pacific	<b>114.2</b>	+1.6%	<b>121.1</b>	+2.3%	<b>235.3</b>	+2.0%
<b>Total SONOVA</b>	<b>1,069.9</b>	+5.5%	<b>1,325.8</b>	+24.5%	<b>2,395.7</b>	+15.3%

<b>EMEA</b>	<ul style="list-style-type: none"> <li>– HI Business (WHS): Good growth momentum – accelerating with new products</li> <li>– Retail Business: Growth boosted by acquisitions</li> <li>– CI Business: Double-digit growth in system sales, held back by limited upgrade business</li> </ul>
<b>US</b>	<ul style="list-style-type: none"> <li>– HI Business (WHS): Solid and accelerating growth in Phonak, partially offset by Unitron</li> <li>– Retail Business: Streamlining store network, focus on productivity and efficiency gains</li> <li>– CI Business: Double-digit growth in system sales, held back by limited upgrade business</li> </ul>
<b>APAC</b>	<ul style="list-style-type: none"> <li>– HI Business (WHS): Growth in AU and JP – reduction of lower margin business in CN and IN</li> <li>– Retail Business: Solid growth supported by small acquisitions in AU</li> <li>– CI Business : Exiting low-margin business in selected emerging markets</li> </ul>

## Solid LC growth led by EMEA – Acceleration across all regions in 2H 2016/17

## EBITA and components – YoY



\* Capital gain: CHF -8.7m; FX loss on W/C: CHF +2.3m

## Expanding organic margin despite investments in marketing and innovation



## 2. Hearing Instruments Segment

## Business summary FY 2016/17

- **Strong top-line acceleration after new platform launch**
  - Sales of CHF 2,190.3 million up by 15.9% in LC – driven by organic growth and acquisitions
  - Strong organic growth in EMEA – some headwinds in Germany after AudioNova announcement
  - Phonak Belong™: successful launch of new platform – strong demand for rechargeable
  - Unitron: slow-down ahead of new platform launch
  
- **Positive organic margin development**
  - EBITA (normalized) of CHF 473.4 million – margin of 21.6% (prior year: 22.9%)
  - AudioNova with expected modest dilutive impact on EBITA margin
  - Continued R&D investment at high level in both product pipeline and new technologies
  - Continued development and expansion of eSolutions
  
- **Ongoing investment in retail professional services**
  - AudioNova – integration well on track
  - Creating one of the broadest professional service networks in Europe
  - Expanding network to over 3,300 locations globally

## Key Financials – As reported and normalized – variances in LC

in CHF million	FY 2015/16 as reported	FY 2016/17 as reported	Δ % in LC	One-time costs*	FY 2016/17 normalized	Δ % in LC
<b>Sales</b>	<b>1'885.0</b>	<b>2'190.3</b>	15.9%		<b>2'190.3</b>	15.9%
<b>EBITA</b>	<b>430.8</b>	<b>455.0</b>	6.0%	<b>18.4</b>	<b>473.4</b>	10.3%
- EBITA margin	22.9%	20.8%	-210bps		21.6%	-110bps

\* One-time costs consisting of transaction cost and integration related restructuring costs in connection with the acquisition of AudioNova

## Normalized EBITA +10.3% in LC – Expected RET/Hi mix effect on margin

## Key Financials – Normalized

	1H 2016/17			2H 2016/17			FY 2016/17		
in CHF million	Normalized	Δ % in CHF	Δ % in LC	Normalized	Δ % in CHF	Δ % in LC	Normalized	Δ % in CHF	Δ % in LC
<b>Sales</b>	<b>977.5</b>	<b>+6.5%</b>	<b>+5.4%</b>	<b>1,212.8</b>	<b>+25.4%</b>	<b>+25.9%</b>	<b>2,190.3</b>	<b>+16.2%</b>	<b>+15.9%</b>
Δ organic	+15.0		+1.6%	+57.4		+5.9%	+72.4		+3.8%
Δ acquisitions	+44.3		+4.8%	+200.0		+20.7%	+244.3		+13.0%
Δ disposals	-10.0		-1.1%	-7.1		-0.7%	-17.1		-0.9%
Δ FX	+10.4	+1.1%		-4.6	-0.5%		+5.8	+0.3%	
<b>EBITA</b>	<b>206.9</b>	<b>+4.3%</b>	<b>+2.3%</b>	<b>266.5</b>	<b>+14.7%</b>	<b>+17.2%</b>	<b>473.4</b>	<b>+9.9%</b>	<b>+10.3%</b>
EBITA-margin	21.2%			21.9%			21.6%		

**Solid organic acceleration – Further supported by acquisitions**

## Sales by Business

	1H 2016/17		2H 2016/17		FY 2016/17	
in CHF million	Sales	Δ % in LC	Sales	Δ % in LC	Sales	Δ % in LC
<b>HI Business</b> (third party sales)	<b>629.6</b>	+0.1%	<b>681.6</b>	+5.6%	<b>1,311.2</b>	+2.8%
HI Business (incl. sales to own retail)		+2.0%		+10.0%		+6.0%
<b>RET Business</b>	<b>347.9</b>	+16.3%	<b>531.2</b>	+67.7%	<b>879.1</b>	+42.7%
<b>Total HI Segment</b>	<b>977.5</b>	+5.4%	<b>1,212.8</b>	+25.9%	<b>2,190.3</b>	+15.9%

### – HI Business: Significant acceleration in 2H 2016/17

- Phonak Belong™: successful launch of new platform – strong demand for rechargeable products
- Strong organic growth in EMEA – some headwinds in Germany after AudioNova announcement
- Unitron: slow-down ahead of new platform launch

### – RET Business: Growth driven by solid organic development and acquisitions

- AudioNova acquisition adds net sales of CHF 216.1m
- Europe, Canada and Asia Pacific continue to perform strongly
- US – streamlining store network, focus on productivity and efficiency gains

## Broad based sequential improvement in 2H 2016/17

# Hearing Instruments

## Sales by product groups

	1H 2016/17		2H 2016/17		FY 2016/17	
in CHF million	Sales	Δ % in LC	Sales	Δ % in LC	Sales	Δ % in LC
HI Premium	<b>272.8</b>	+6.3%	<b>331.7</b>	+22.4%	<b>604.5</b>	+14.7%
HI Advanced	<b>207.8</b>	+1.3%	<b>256.9</b>	+24.2%	<b>464.7</b>	+12.8%
HI Standard	<b>318.6</b>	+4.9%	<b>395.3</b>	+26.7%	<b>713.9</b>	+15.8%
Wireless communication	<b>50.5</b>	+10.9%	<b>56.2</b>	+18.7%	<b>106.7</b>	+14.9%
Miscellaneous	<b>127.9</b>	+9.6%	<b>172.6</b>	+38.5%	<b>300.5</b>	+24.9%
<b>Total HI Segment</b>	<b>977.5</b>	+5.4%	<b>1,212.8</b>	+25.9%	<b>2,190.3</b>	+15.9%

**Continued positive mix trend with healthy ASP effect – Solid growth in wireless**

## 3. Cochlear Implants Segment

## Business summary FY 2016/17

- **Double digit system sales growth – strong momentum from new products**
  - Sales of 205.4 million – growth of 9.6% in LC
  - Strong system sales growth – driven by double-digit increase in North America and EMEA
  - Temporarily lower upgrade sales – affected by low qualifying customer base
  - Successful launch of HiRes™ Ultra implant rounding off product portfolio
- **Strong return to profitability**
  - EBITA at CHF 8.0 million
  - Good top-line development and strict opex control help offset mix impact on margin



## Key Financials – As reported

	1H 2016/17			2H 2016/17			FY 2016/17		
in CHF million	Reported	Δ % in CHF	Δ % in LC	Reported	Δ % in CHF	Δ % in LC	Reported	Δ % in CHF	Δ % in LC
<b>Sales</b>	<b>92.4</b>	<b>8.2%</b>	<b>+7.0%</b>	<b>113.0</b>	<b>11.2%</b>	<b>+11.8%</b>	<b>205.4</b>	<b>9.8%</b>	<b>+9.6%</b>
Δ organic	5.6		+6.6%	11.9		+11.8%	17.6		+9.4%
Δ net acquisitions	0.4		+0.4%	-			0.4		+0.2%
Δ FX	1.0	+1.2%		-0.6	-0.6%		0.4	+0.2%	
<b>EBITA</b>	<b>-1.0</b>	NM	NM	<b>9.0</b>	<b>+264%</b>	<b>+289%</b>	<b>8.0</b>	NM	NM
EBITA-margin	-1.1%		+100bps	8.0%		+600bps	3.9%		+390bps

Note: EBITA includes CHF 1.8 million net benefit from non-operating items

## Significant sequential improvement in 2H 2016/17

# Cochlear Implants

## Sales by product groups

	1H 2016/17		2H 2016/17		FY 2016/17	
in CHF million	Sales	Δ % in LC	Sales	Δ % in LC	Sales	Δ % in LC
Cochlear implant systems	73.1	+13.7%	86.9	+11.8%	160.0	+12.8%
Upgrades and accessories	19.3	-10.7%	26.1	+11.3%	45.4	+0.5%
<b>Total Cochlear implants segment</b>	<b>92.4</b>	<b>+7.0%</b>	<b>113.0</b>	<b>+11.8%</b>	<b>205.4</b>	<b>+9.6%</b>

**Continued positive mix trend with healthy ASP effect – Solid growth in implants**

## 4. Financial Review 2016/17

## Sonova Group – Financial highlights

- **Sales** of CHF 2,395.7 million – driven by organic growth and acquisitions
- **Gross Profit** of CHF 1,651.8 million or 68.9% of sales
- **Reported EBITA margin** of 19.3%
  - Continued investment in innovation – gross R&D spending of CHF 159.4 million or 6.7% of sales
  - Increase of sales and marketing cost ratio by 320bps to 34% – driven by retail acquisitions
  - CHF 18.4 million one-time costs consisting of transaction cost and integration related restructuring costs in connection with the acquisition of AudioNova
- **Normalized basic EPS** of CHF 5.58 – up 9.2% vs. prior year
- **Operating free cash flow** at 424.8 million – up 23.4% vs. prior year
- **Cash outflow for acquisitions** (gross of debt acquired) at CHF 966.1 million
  - CHF 880 million bridge facility refinanced through bond issuance in October 2016
  - Solid balance sheet with equity ratio of 54.2% – increase in capital employed to CHF 2.5 billion

## Sonova Group – Key Financials – As reported and normalized – variances in CHF

in CHF million	FY 2015/16 as reported	FY 2016/17 as reported	Δ % in CHF	One-time costs*	FY 2016/17 normalized	Δ % in CHF
Sales	<b>2'071.9</b>	<b>2'395.7</b>	15.6%		<b>2'395.7</b>	15.6%
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- Gross profit margin	66.4%	68.9%	+250bps		68.9%	+250bps
OPEX	<b>-944.8</b>	<b>-1'188.8</b>	25.8%	<b>18.4</b>	<b>-1'170.3</b>	23.9%
EBITA	<b>430.6</b>	<b>463.0</b>	7.5%	<b>18.4</b>	<b>481.4</b>	11.8%
- EBITA margin	20.8%	19.3%	-150bps		20.1%	-70bps
EPS (in CHF)	<b>5.11</b>	<b>5.35</b>	+4.7%	<b>0.23</b>	<b>5.58</b>	+9.2%
Operating free cash flow	<b>344.2</b>	<b>424.8</b>	+23.4%			
ROCE	<b>26.0%</b>	<b>20.4%</b>				

\* One-time costs, consisting of transaction cost and integration related restructuring costs in connection with the acquisition of AudioNova

Note: EPS:CHF 5.67 (+11%), adjusted for one-time cost and temporary tax rate increase pending full integration of AudioNova

## Normalized EBITA +11.8% as reported in CHF

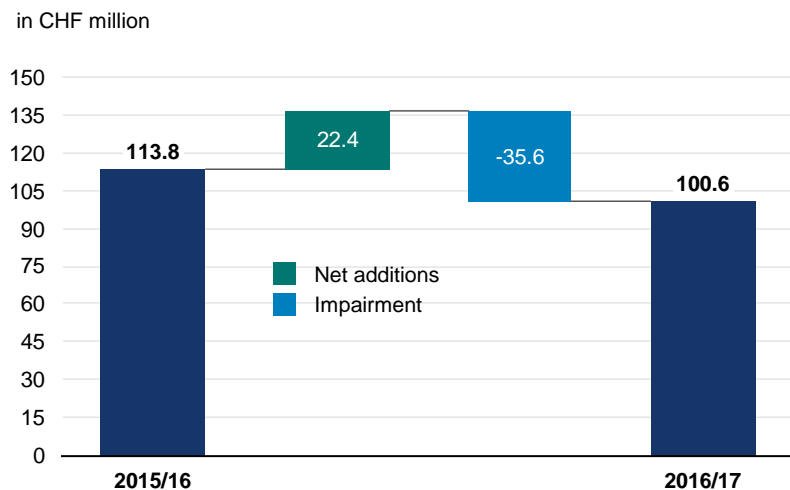
## Sonova Group – Operating expenses

in CHF million	FY 2015/16	FY 2016/17	Δ % in CHF	Δ % in LC	Comments
Research & Development <i>- in % of sales</i>	<b>-130.3</b> 6.3%	<b>-137.1</b> 5.7%	+5.3%	+5.0%	Continued investment in next generation platform – ratio change driven by larger share of retail
Sales & Marketing <i>- in % of sales</i>	<b>-638.2</b> 30.8%	<b>-811.0</b> 33.9%	+27.1%	+26.9%	Driven by AudioNova acquisition thus resulting in higher share of retail
General & Administration <i>- in % of sales</i>	<b>-194.2</b> 9.4%	<b>-228.5</b> 9.5%	+17.6%	+17.3%	Driven by AudioNova acquisition thus resulting in higher share of retail
Other income and expenses	<b>17.9</b>	<b>6.3</b>	-64.8%	-64.8%	Lower capital gains vs prior year
<b>Total OPEX normalized*</b> <i>- in % of sales</i>	<b>-944.8</b> 45.6%	<b>-1,170.3</b> 48.9%	<b>+23.9%</b>	<b>+23.7%</b>	
<b>Total OPEX reported</b> <i>- in % of sales</i>	<b>-944.8</b> 45.6%	<b>-1,188.8</b> 49.6%	<b>+25.8%</b>	<b>+25.7%</b>	

\* Excludes one-time costs of CHF 18.4 million, consisting of transaction cost and integration related restructuring costs in connection with the acquisition of AudioNova

## Continued investment in innovation and marketing – Expansion in sales & distribution

## CI Segment – Non-operating items – Capitalized development cost

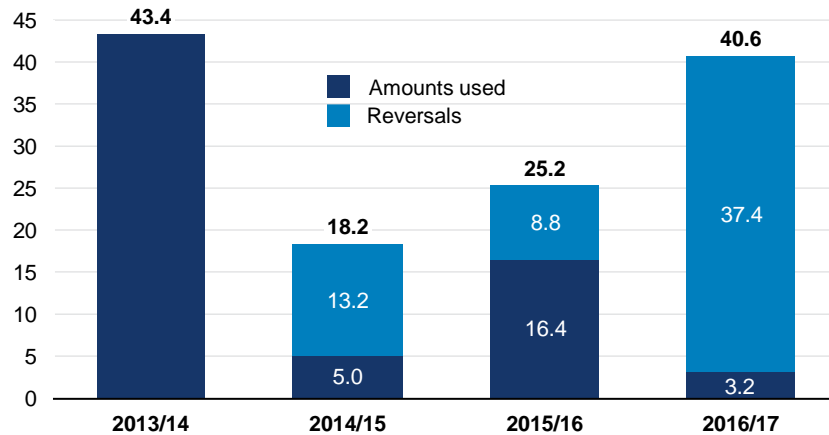


- Decision to directly skip to our new 2.4 GHz platform for the sound processor technology triggers CHF 35.6 million impairment of capitalized development costs

## Impairment of CHF 35.6 million triggered by wireless strategy

## CI Segment – Non-operating items – Product liability provision

in CHF million



- Close to 1'000 cases out of 2'000 overall expected failures resolved (no claim or settled)
- Average historic claim rate and cost per claim favorable to prior expert supported modelling
- Failure occurrence tracking well to failure prognosis model
- Provision release of CHF 37.4 million for cochlear implant product liabilities

## Reversal of provision by CHF 37.4 million – Favorable claim rate & cost / claim history



## Sonova Group – Reported results and income taxes

in CHF million	FY 2015/16	FY 2016/17	Δ % in CHF
<b>EBITA</b>	<b>430.6</b>	<b>463.0</b>	+7.5%
Acquisition - related amortization	-27.2	-39.3	+44.6%
<b>Operating profit (EBIT)</b> <i>in % of sales</i>	<b>403.4</b> 19.5%	<b>423.7</b> 17.7%	+5.0%
Financial result	-6.4	-6.3	-0.5%
<b>Income before taxes</b>	<b>397.1</b>	<b>417.3</b>	+5.1%
Income taxes	-51.2	-61.2	+19.4%
- Income tax rate	12.9%	14.7%	+180 bps
<b>Income after taxes</b> <i>- in % of sales</i>	<b>345.8</b> 16.7%	<b>356.2</b> 14.9%	+3.0%
<b>EPS (in CHF)</b>	<b>5.11</b>	<b>5.35</b>	+4.7%

Note: EPS:CHF 5.67 (+11%), adjusted for one-time cost and temporary tax rate increase pending full integration of AudioNova

## Temporary higher tax rate for ANI – pending full integration

## Sonova Group – Cash flow

in CHF million	FY 2015/16	FY 2016/17	Δ % in CHF
Cash flow before changes in NWC (incl. taxes paid)	<b>449.1</b>	<b>517.1</b>	+15.1%
Changes in net working capital	<b>-20.6</b>	<b>5.3</b>	NM
Operating cash flow <i>in % of sales</i>	<b>428.4</b> 20.7%	<b>522.4</b> 21.8%	+21.9%
Cash flow from investing activities (excl. acquisitions)	<b>-84.2</b>	<b>-97.5</b>	+15.8%
Operating free cash flow <i>in % of sales</i>	<b>344.2</b> 16.6%	<b>424.8</b> 17.7%	+23.4%
Cash consideration for acquisitions, net of disposals	<b>-91.6</b>	<b>-657.5</b>	NM
Free cash flow	<b>252.6</b>	<b>-232.6</b>	NM
Cash flow from financing activities	<b>-325.6</b>	<b>290.5</b>	NM
Changes in cash and cash equivalents	<b>-73.2</b>	<b>57.2</b>	NM

**Growing operating free cash flow – strong cash conversion – AudioNova acquisition**

## Sonova Group – Balance sheet

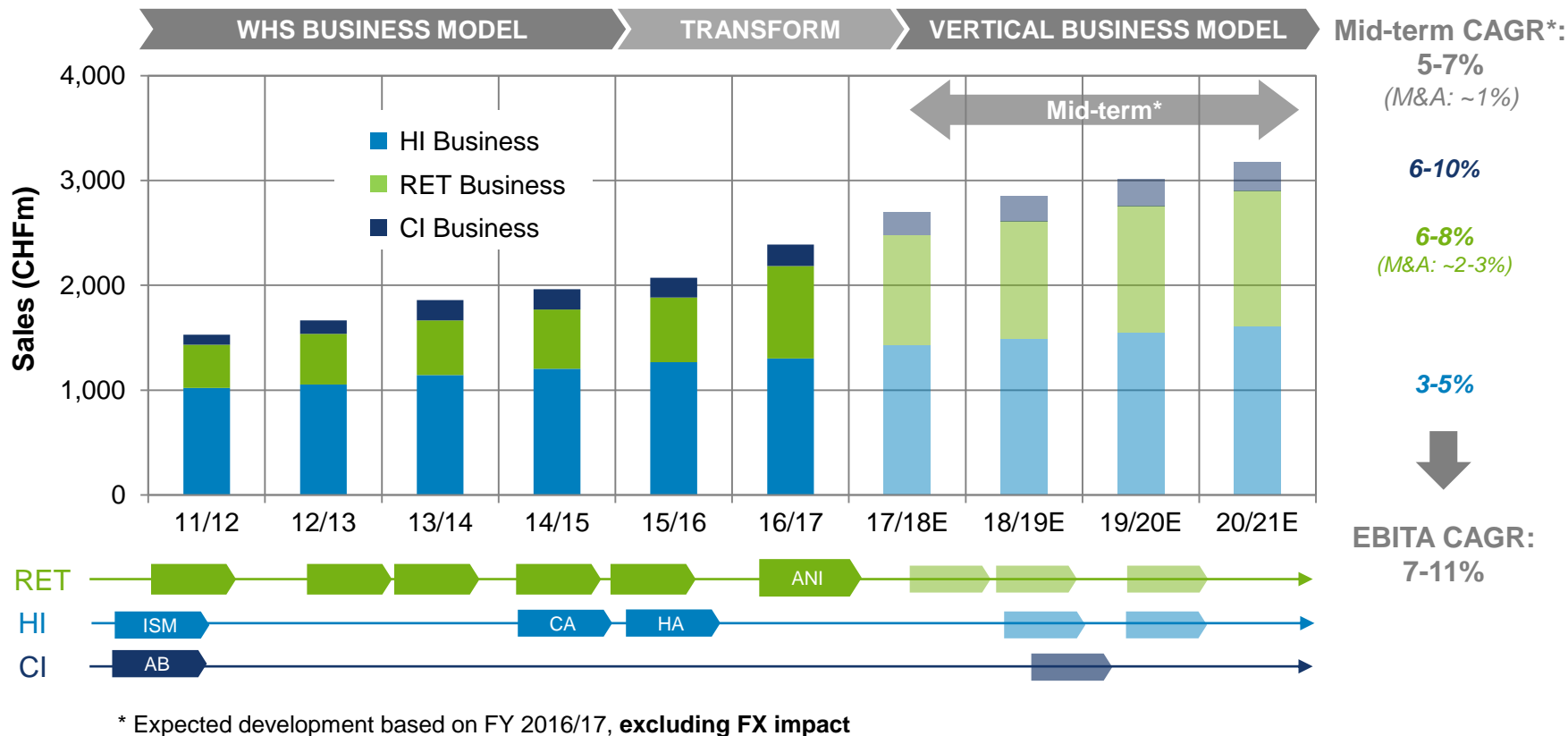
in CHF million	31 Mar 2016	31 Mar 2017	Δ % in CHF
Net working capital	185.5	169.7	-8.5%
Days sales outstanding (DSO)	64	61	-4.6%
Days inventory outstanding (DIO)	132	127	-3.7%
Capital employed	1,608.0	2,535.9	+57.7%
Net cash / (debt)	298.3	-404.6	NM
Equity	1,906.3	2,131.3	+11.8%
Equity in % of total assets	69.3%	54.2%	

## Tight working capital management – AudioNova acquisition effect

## 5. Outlook 2017/18

# Outlook FY 2017/18

## Retail to outgrow group average – Continued bolt-on acquisition activity



## Transformation into unique vertically integrated business model

## Factors impacting performance – expectations and considerations for outlook

### Market

- Growth of HI and CI market in line with long-term average and trends
- Continued retail channel bifurcation – independents versus chains
- Further retail consolidation in focus of major players – channel conflicts in cases
- eSolutions becoming a key topic for the industry

### Hearing Instruments

- Sales momentum supported by new and modern product portfolio, new product and technology introductions
- EU: market share expansion by AudioNova product portfolio transition
- NA: further gains in independent channel – building on strong position at VA and Costco – recovery of Unitron on new product platform
- AP: solid position in AU, re-acceleration in CN and IN
- AudioNova: continued integration
- Acquisitions: strong contribution in 1H 2017/18 due to annualization (AudioNova)

### Cochlear Implants

- Sales momentum supported by with new product portfolio and launches
- NA and EU: further market share gains with new and modern product portfolio
- Positive leverage through close cooperation with Sonova retail and Phonak

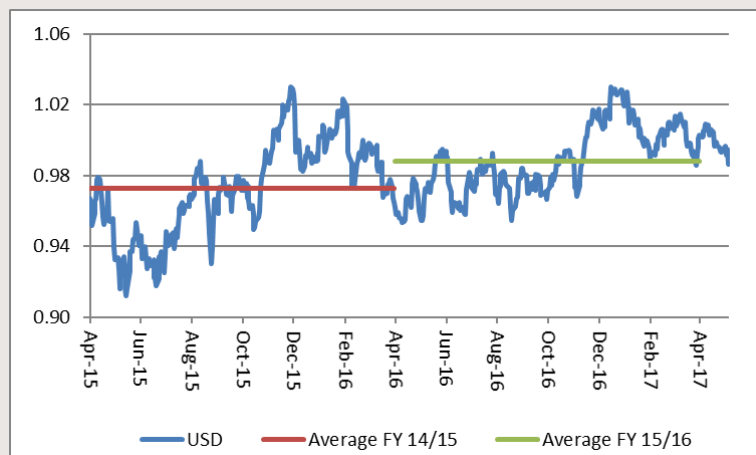
## FY 2017/18 guidance and mid-term target

		Actual* FY 2016/17	Guidance* FY 2017/18	Mid-term Target
<b>Sales</b>	<b>Sales growth in LC</b>	<b>+15.3%</b>	<b>10%-12%</b>	<b>+5%-7% p.a.</b>
	thereof M&A	+11.0%	ca. +6.0%	ca. +1.0% p.a.
	FX-impact	+0.3%		
	Total sales growth in CHF	+15.6%		
<b>EBITA</b>	<b>EBITA growth in LC</b>	<b>+12.1%</b>	<b>10%-14%</b>	<b>+7%-11% p.a.</b>
	FX-impact	-0.3%		
	Total EBITA growth in CHF	+11.8%		

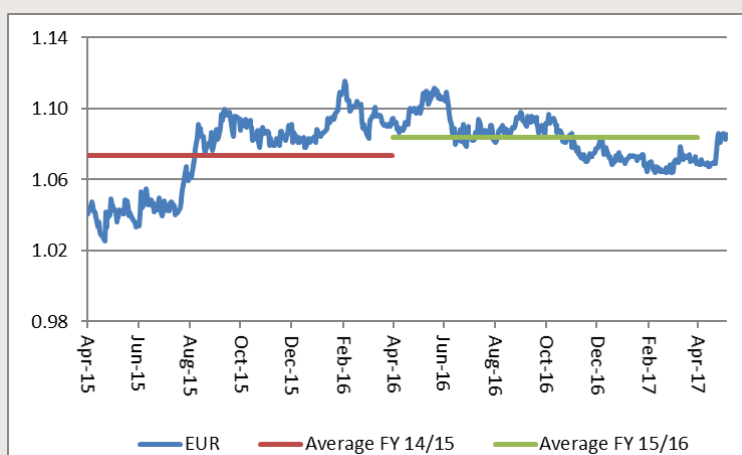
\* EBITA FY 2016/17 and FY 2017/18 excluding one-time transaction and integration costs related to AudioNova acquisition

## FX impact on sales and margins

**USD/CHF**



**EUR/CHF**

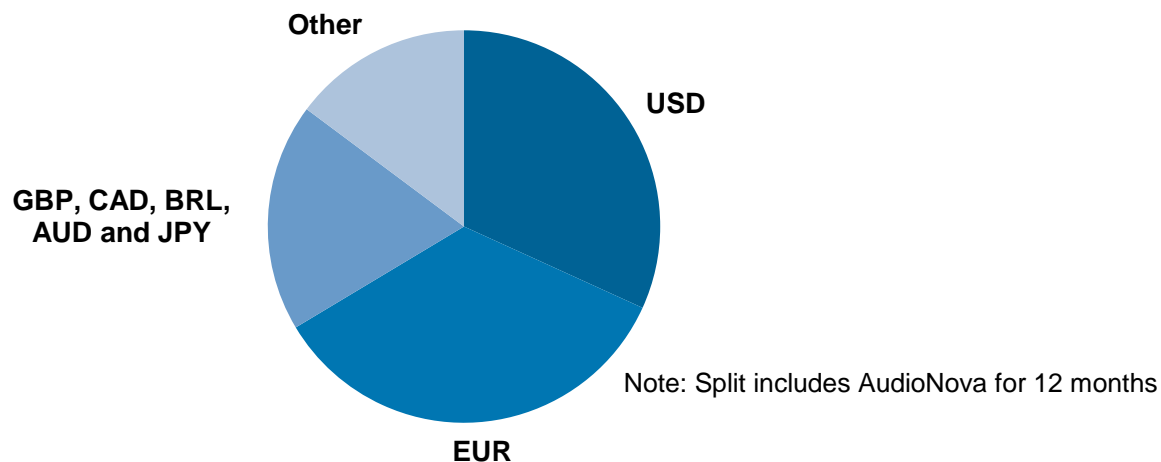


	Rate	Sales	EBITA
<b>USD/CHF</b>	+/- 5%	+/- CHF 43 million	+/- CHF 10 million
<b>EUR/CHF</b>	+/- 5%	+/- CHF 45 million	+/- CHF 18 million

**USD and EUR account for roughly two thirds of the overall FX exposure**



## FX rates – Seven main currencies account for around 85% of Group sales



	FY-15/16	1H-16/17	2H-16/17	FY-16/17	Effect	Spot May 2017
USD	0.97	0.97	1.00	0.99	+	0.99
EUR	1.07	1.09	1.07	1.08	+	1.09
GBP	1.47	1.34	1.24	1.29	-	1.28
CAD	0.74	0.75	0.75	0.75	+	0.72
AUD	0.72	0.73	0.76	0.74	+	0.73
BRL	0.27	0.29	0.31	0.30	+	0.31
JPY 100	0.81	0.93	0.90	0.91	+	0.88

## Positive impact from USD and EUR strength – Largely offset by strong GBP decline

## 6. Questions & Answers

## 7. Upcoming Events

# Upcoming events

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## Important dates

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17-26 May 2017	Roadshow Full-Year Results 2016/17
13 Jun 2017	Annual General Meeting
17 Oct 2017	6. Sonova Investor & Analyst Day
13 Nov 2017	Publication & Call Half-Year Results 2017/18

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