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FULL-YEAR 2011/12 RESULTS

Staefa, 22 May 2012



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Agenda

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01. INTRODUCTION

Lukas Braunschweiler

02. HIGHLIGHTS 2011/12

Lukas Braunschweiler

03. FINANCIAL REVIEW

Paul Thompson

04. STRATEGY

Lukas Braunschweiler

05. OUTLOOK

Lukas Braunschweiler

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01.
INTRODUCTION

Successfully overcoming challenges



Challenges	Results and initiatives	Status
Management changes	New CEO Lukas Braunschweiler started 1 November 2011 New CFO Hartwig Grevener set to start on 1 August 2012	✓
Maintaining strong momentum	11.6% Ic growth in FY 2011/12 of which 6.7% organic Innovation rate remains high	✓
Unprecedented FX impact	Record sales despite unprecedented FX headwind Strategic initiative to balance our cost base	✓
AB product recall	Back on the market worldwide Sales results above our expectations	✓
Corporate governance standards	Adjustment of organizational regulations and policies Revised compensation system	✓
Proceeding against the company	Submitted relevant information Formally objected to summons to pay	—

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02.

HIGHLIGHTS 2011/12

– Sales of CHF 1'619.8 million

- Strong sales growth of 11.6% in Ic – up 0.2% in Swiss francs
- Organic growth of 6.7% in Ic (+9.2% in H2 11/12)
- Negative currency effect of 11.4%

– Group EBITA of CHF 315.2 million

- Reported EBITA margin of 19.5% – down slightly (-3.5%) in Swiss francs
- Negative currency effect of approximately CHF 82 million (-250bps)
- EBITA increase of 21.6% in Ic

– Solid core business hearing instruments

- Sales of CHF1'524 million –Growth of 9.7% in Ic of which 4.5% organic
- Reported EBITA of CHF339.2m – down 8.7% in Swiss francs but up 14.0% in Ic
- EBITA margin of 22.3% – Improvement of 100bp in Ic offset by FX

– Hearing implant segment exceeds expectations

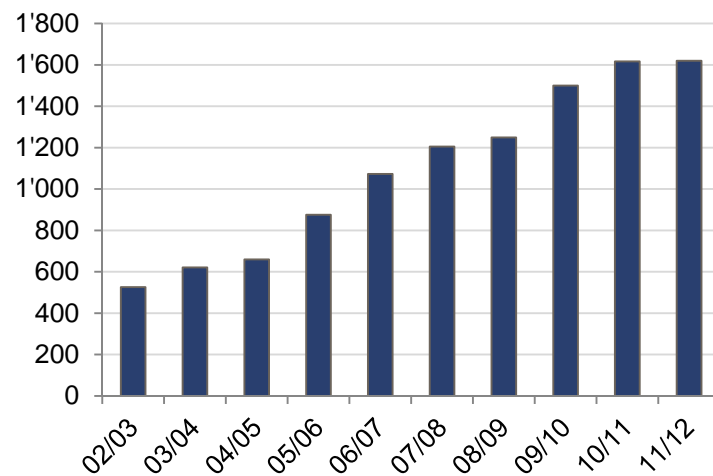
- Market re-entry worldwide over the course of the year
- Sales of CHF96.3 million – ahead of initial expectations
- Encouraging profitability development

Strong Financial Track Record



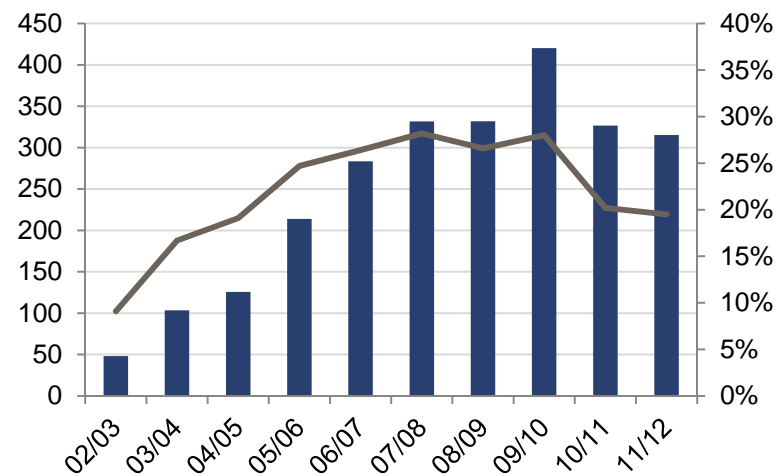
SALES

in CHF million



EBITA

in CHF million

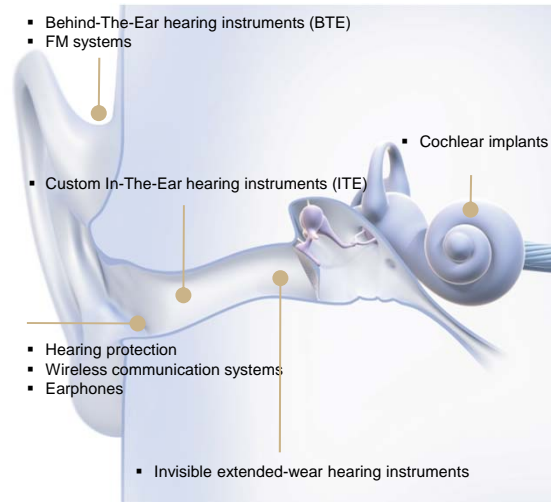


	1) 2007/08	2008/09	2) 2009/10	2010/11	2011/12	5-year CAGR
Sales growth reported	+12.3%	+3.7%	+20.1%	+7.8%	+0.2%	+8.6%
Sales growth Ic	+12.8%	+10.8%	+23.8%	+13.3%	+11.6%	+14.6%
EBITA margin	28.2%	26.6%	28.0%	20.2%	19.5%	
Basic EPS	4.55	4.35	3.32	3.50	3.71	

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

FOCUS ON HEARING INSTRUMENTS AND COCHLEAR IMPLANTS

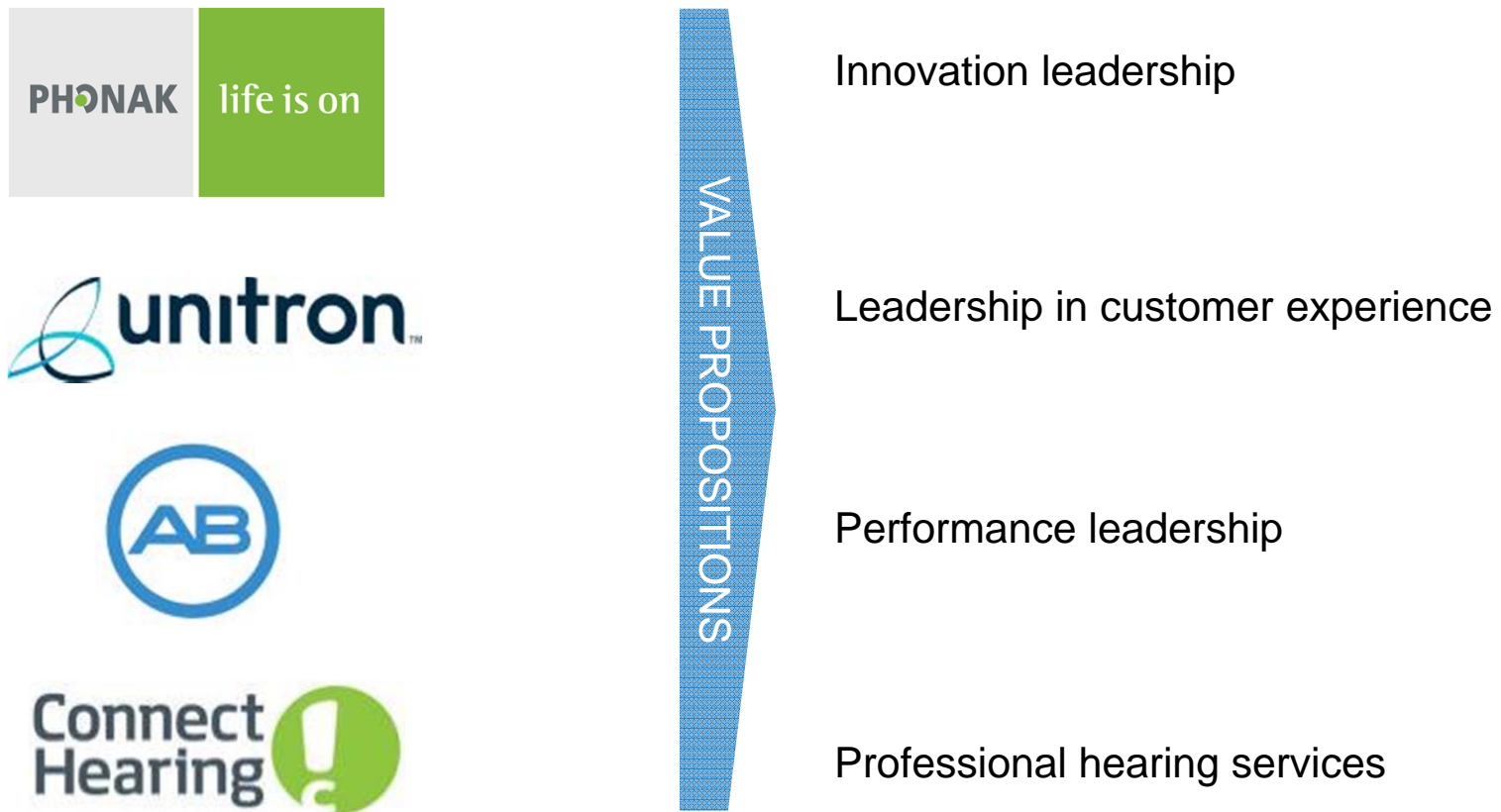
HI Hearing Instruments



CI Cochlear Implants



MULTI-BRAND APPROACH PROVIDES BREADTH OF MARKET REACH



CONTINUED INNOVATION DRIVE

- Strong growth in North America – Maintaining VA market share of over 50%
- Solid performance in Asia – Double digit growth in China and Japan
- Gaining significant market share in the UK – Good traction within the NHS
- Introduction of enhanced Spice platform – Further improved sound quality
- Comprehensive water resistant portfolio – For exceptional reliability
- Phonak nano - The smallest ever custom CIC device
- New Phonak Lyric – increased patient and provider satisfaction
- Phonak Essential line – The entry point into the world of Spice+



Key highlights - Unitron

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ENTERING A NEW ERA

- North America excels – Double digit growth in USA and Canada
- Good growth in European key markets – Strong showing in UK and France
- Complete state-of-the-art product range – New Era platform
- Quantum Pro and Moxi Pro – New premium level
- Quantum micro CIC – The smallest Unitron device ever
- Named among the 50 best Small & Medium employers in Canada

Quantum Pro



Moxi Pro



STRONG COMEBACK

- TÜV and FDA approvals – Back on the market worldwide
- Better than expected sales performance – Exceeding original expectations
- Market shares back to pre recall level – Ready to gain more!
- Introduction of Neptune – First water-resistant swimmable sound processor
- US approval of ClearVoice – Only speech enhancement technology for CI
- Exploring synergies between HI and CI – Results to become visible soon
- Encouraging profitability development – On track to reach break-even next year



BUILDING AN EFFICIENT HEARING CARE NETWORK

- Further expanding presence in the service channel
- Contribution from acquisitions – around 5 percentage points
- Focused effort to increase productivity and efficiency by:
 - develop a strong common value proposition
 - foster high standards in audiology
 - rolling out standard ERP and CRM system
 - implementing best-practice processes
 - achieve best-in-class performance



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03.

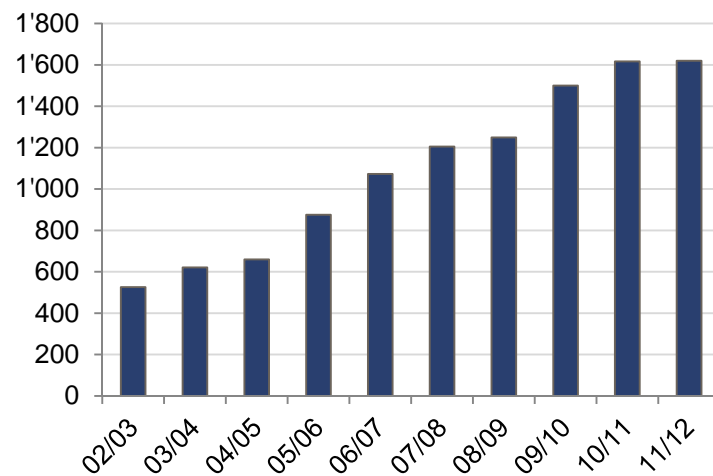
FINANCIAL REVIEW

Strong Financial Track Record



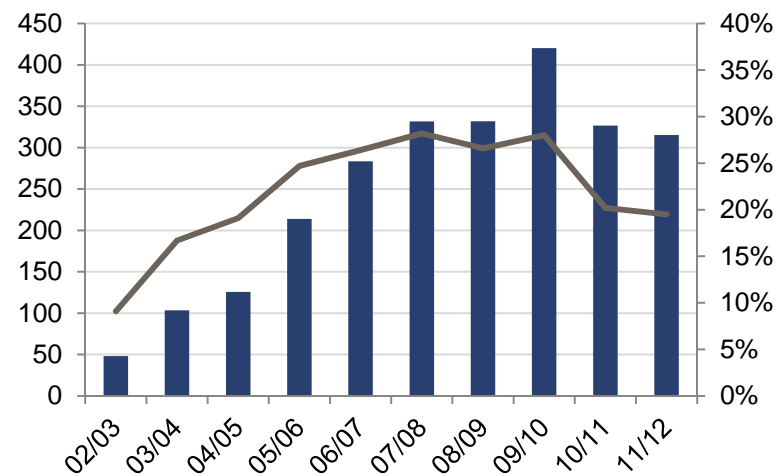
SALES

in CHF million



EBITA

in CHF million



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Sales growth Ic	+12.8%	+10.8%	+23.8%	+13.3%	+11.6%	+14.6%
EBITA margin	28.2%	26.6%	28.0%	20.2%	19.5%	
Basic EPS	4.55	4.35	3.32	3.50	3.71	

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

FINANCIAL HIGHLIGHTS

- Solid **financial results in local currencies** on both Group level and in hearing instruments segment
- **Negative FX** impact of approximately CHF 184 million on sales and CHF 82 million on EBITA
- Gross profit of CHF 1,106 million
 - Gross profit margin of 68.3%
 - Decrease of gross profit margin entirely due to the strength of the Swiss franc
- EBITA margin decreased to 19.5%; excluding FX impact: 22.0%
- **Significant R&D** investments of CHF 116.2 million or 7.2% of sales
- Solid operating free cash flow of CHF 239.5 million
- EPS of CHF 3.71
- Solid balance sheet with an **equity ratio of 64.5%** and net debt of CHF 64.4 million

SOLID FINANCIAL PERFORMANCE

In CHF million	FY 2010/11	FY 2011/12	Change
Sales	1,616.7	1,619.8	+0.2%
Gross profit	1,118.7	1,105.9	-1.1%
Gross profit margin	69.2%	68.3%	
EBITA	326.6	315.2	-3.5%
EBITA margin	20.2%	19.5%	
Operating free cash flow	221.5	239.5	+8.1%
EPS (in CHF)	3.50	3.71	+6.0%
ROCE	19.0%	19.2%	

SUBSTANTIAL FX IMPACT ON RESULTS

In CHF million	FY 2010/11	FY 2011/12 reported	FY 2011/12 (const. currencies)
Sales	1,617	1,620	1,804
Gross Profit	1,119	1,106	1,250
Gross Profit margin	69.2%	68.3%	69.3%
EBITA	327	315	397
EBITA margin	20.2%	19.5%	22.0%
USD (average rate)	1.01	0.88	1.01
EUR (average rate)	1.34	1.21	1.34

SALES RESULTS

In CHF million	FY 2010/11	FY 2011/12	Growth in Ic	Internal Growth	External Growth	FX impact
Hearing instrument sales	1,545.9	1,523.5	+9.7%	+4.5%	+5.2%	-172 (-11.1%)
Hearing implant sales	70.8	96.3	+53.5%	+53.5%	-	-12 (-17.5%)
Consolidated sales	1,616.7	1,619.8	+11.6%	+6.7%	+4.9%	-184 (-11.4%)

SOLID GROWTH IN KEY MARKETS IN LOCAL CURRENCIES

in CHF million	FY 2010/11		FY 2011/12		
	Sales	in %	Sales	in %	Growth in lc
EMEA (excl. Switzerland)	596.8	37%	626.3	39%	+15.4%
Switzerland	41.3	3%	38.2	2%	-7.4%
USA	622.1	37%	590.2	36%	+9.0%
Americas (excl. USA)	220.5	15%	205.6	13%	+4.4%
Asia/Pacific	136.1	8%	159.5	10%	+24.0%
Total sales	1,616.7	100%	1,619.8	100%	11.6%

SALES GROWTH ACROSS PRODUCT GROUPS

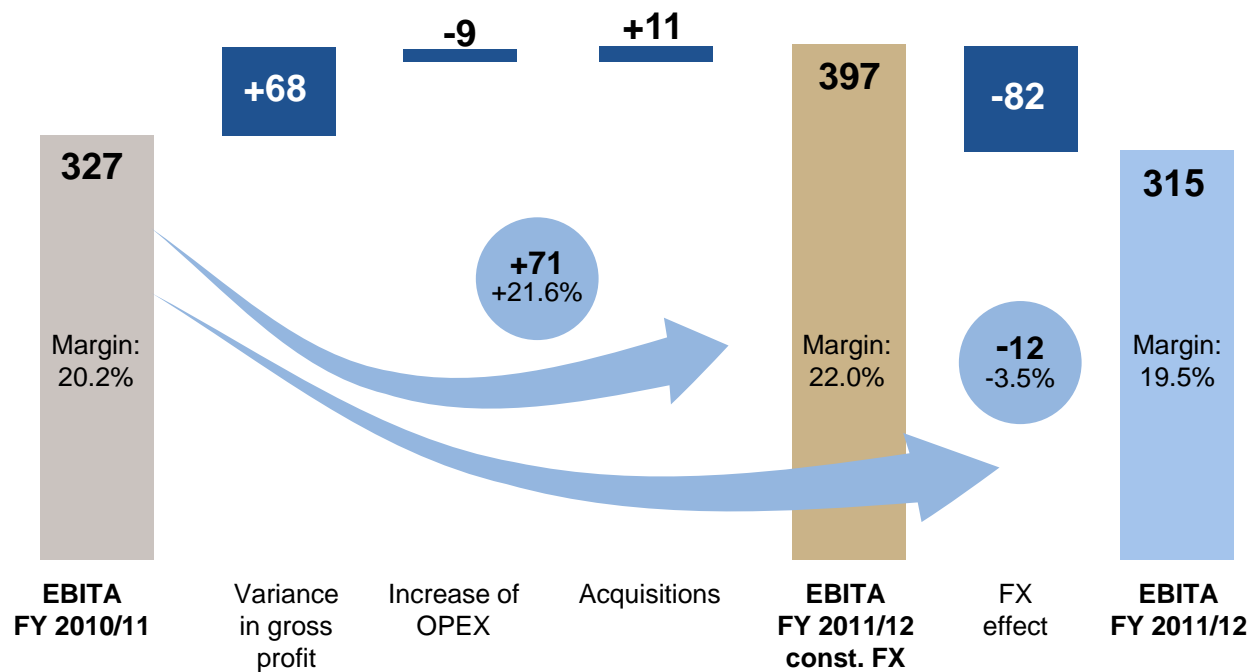
in CHF million	FY 2010/11		FY 2011/12		
	Sales	in %	Sales	in %	Growth in %
Premium HI	398.0	25%	359.8	22%	+3.5%
Advanced HI	378.4	23%	375.9	23%	+10.4%
Standard HI	481.3	30%	490.2	30%	+11.0%
Wireless comm.	75.1	5%	65.3	4%	-3.3%
Miscellaneous	213.1	13%	232.3	15%	+19.2%
Hearing Instruments	1,545.9	96%	1,523.5	94%	+9.7%
CI and accessories	70.8	4%	96.3	6%	+53.5%
Total sales	1,616.7	100%	1,619.8	100%	+11.6%

STRONG LEVERAGE – OPEX +7.7% LC VS TOP-LINE GROWTH OF 11.6% LC

in CHF million	FY 2010/11	FY 2011/12	Change in CHF	Change in lc
Research & Development	107.8	116.2	+7.8%	+11.9%
in % of sales	6.7%	7.2%		
Sales & Marketing	498.6	503.4	+1.0%	+10.7%
in % of sales	30.8%	31.1%		
General & Administration	185.2	168.7	-8.9%	-3.9%
in % of sales	11.5%	10.4%		
Total OPEX	792.1	790.7	-0.2%	+7.7%
	49.0%	48.8%		

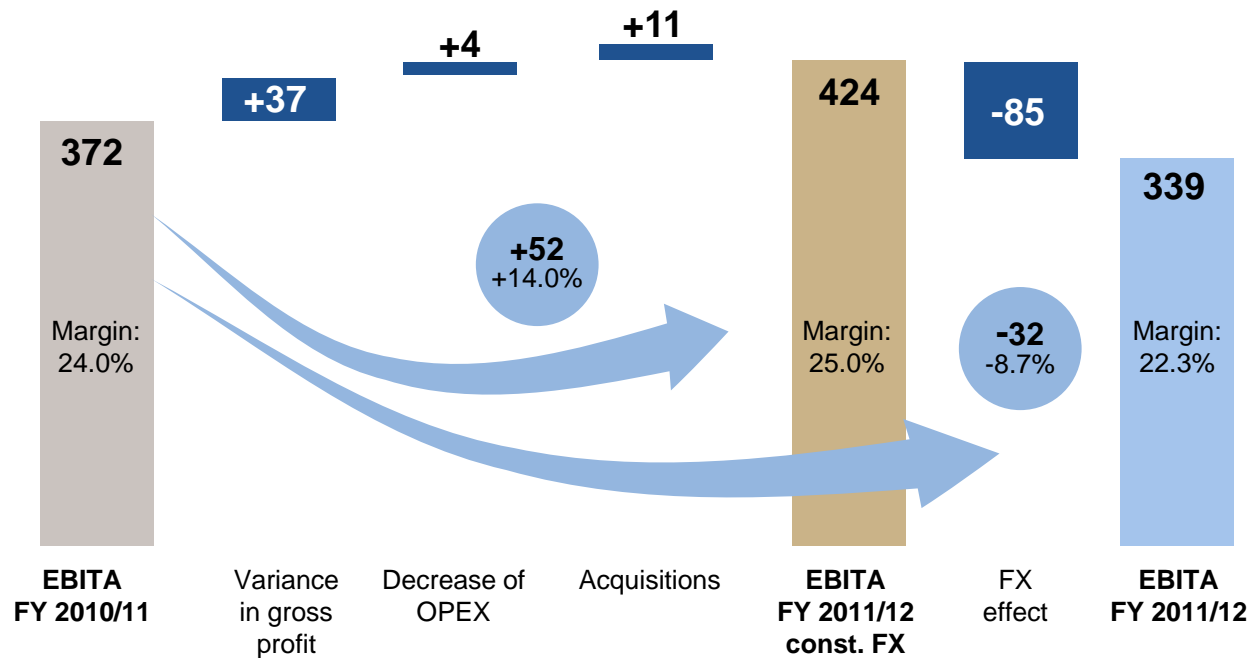
LC GROWTH EXCLUDING ACQUISITIONS – OPEX: +1.1% VS SALES: +6.7%

GROUP EBITA DEVELOPMENT



EBITA REDUCED BY CHF 82 MILLION DUE TO NEGATIVE FX DEVELOPMENT

EBITA DEVELOPMENT HEARING INSTRUMENTS SEGMENT



UNDERLYING MARGIN IMPROVEMENT OFFSET BY FX HEADWIND

FINANCIAL RESULTS AND INCOME TAXES

in CHF million	FY 2010/11	FY 2011/12	Comments
EBITA	326.6	315.2	CHF 2.7m one-time costs (PAI)
Amortization/Impairment	-55.8	-27.5	Impairment of CHF 4.9m (PAI) vs. CHF 35.5m FY 10/11
Operating profit (EBIT)	270.8	287.7	
Financial result, net	-13.7	-6.9	IFRS entries in 2010/11
Share of gain in associates/JVs	+3.0	+1.0	
Income before taxes	260.1	281.8	Slight increase in tax rate from 11.2% to 12.6%
Income taxes	-29.0	-35.4	
Income after taxes	231.1	246.4	Growth of + 6.6%

SIGNIFICANT INCREASE IN FREE CASH FLOW

in CHF million	FY 2010/11	FY 2011/12
Cash flow before changes in net working capital	398.1	387.5
Changes in net working capital	-53.4	-82.7
Operating cash flow	344.6	304.8
in % of sales	21.3%	18.8%
Cash flow from investing activities (excl. acquisitions)	-123.1	-65.3
Operating free cash flow	221.5	239.5
in % of sales	13.7%	14.8%
Free cash flow	71.6	156.4
Cash flow from financing activities	-236.1	-127.5
Changes in cash	-170.8	26.8

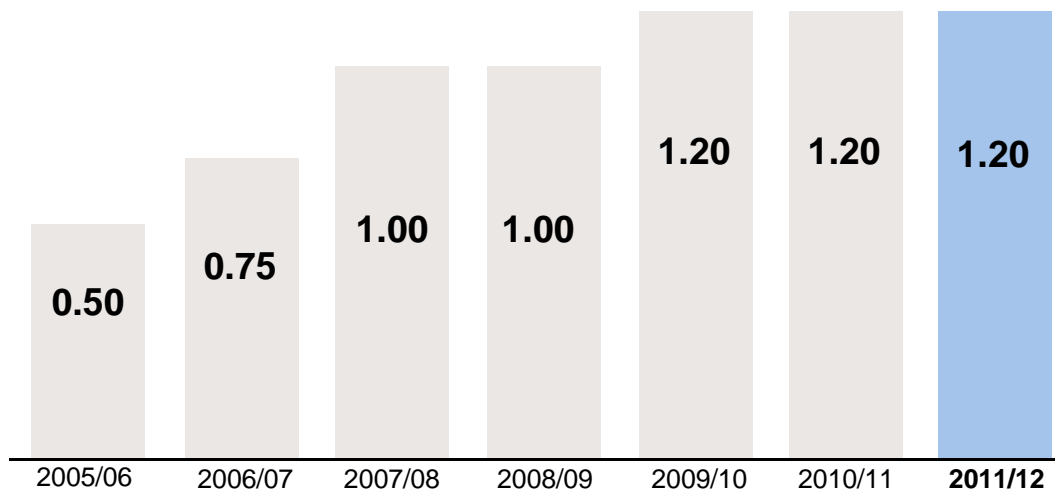
BALANCE SHEET: SOUND FINANCIAL POSITION

in CHF million	31 Mar 2011	31 Mar 2012
Net working capital	158.2	163.4
Days sales outstanding (DSO)	78	72
Days inventory outstanding (DIO)	154	122
Operating capital employed (excluding acquisition-related intangible assets)	441.2	475.3
Capital employed	1,456.0	1,540.3
Net debt	111.3	64.4
Equity	1,344.7	1,475.9
Equity in % of total assets	61.9%	64.5%

UNCHANGED DISTRIBUTION

- Proposed distribution of CHF 1.20 per share, without withholding tax
- Pay-out ratio of around 30%

Dividend / distribution development in CHF per share

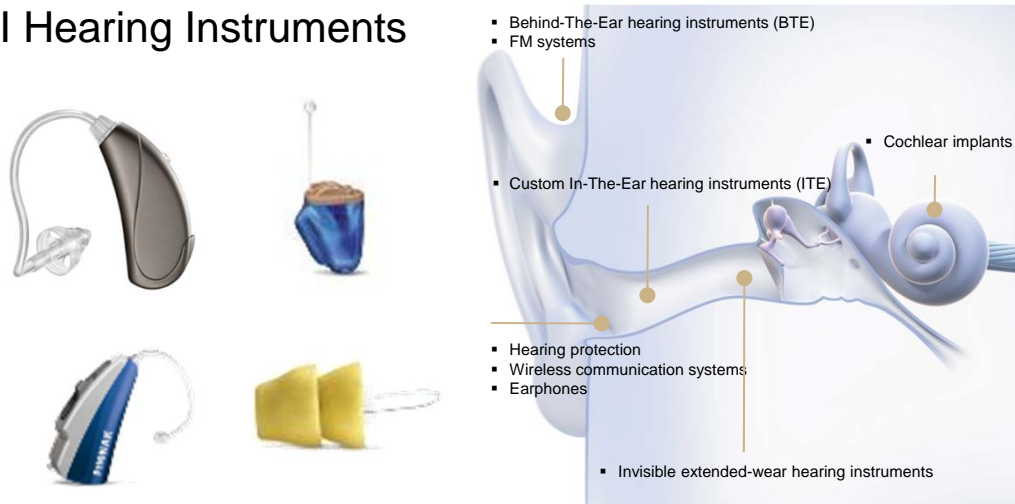


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STRATEGY

RECOGNIZED AS INNOVATION LEADER IN GLOBAL HEARING CARE MARKET

HI Hearing Instruments



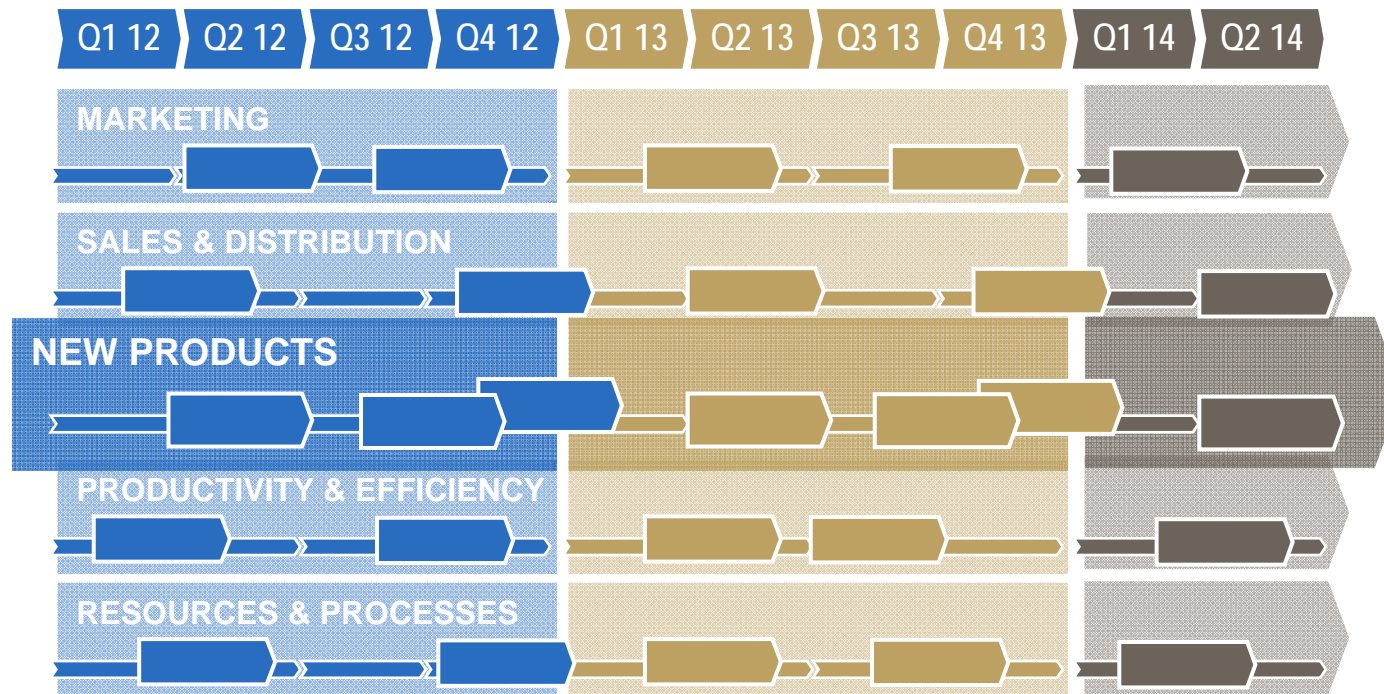
CI Cochlear Implants



KEY STRATEGIES DRIVING CORE SALES AND EARNINGS GROWTH

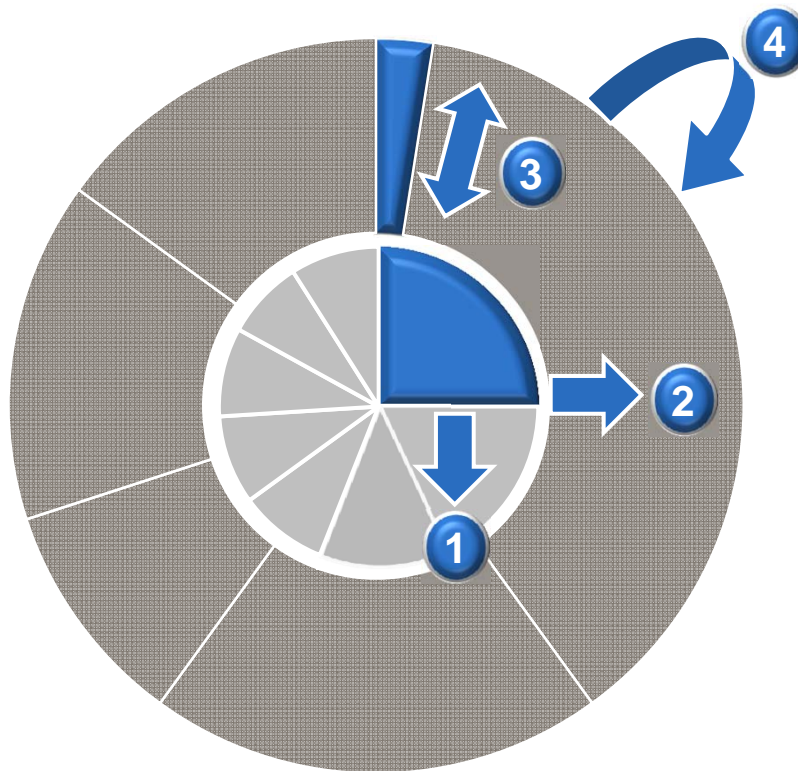


FOCUS ON CONTINUOUS INNOVATION TO GROW SALES AND EARNINGS



CORE: DRIVE STRONG NEW PRODUCT PIPELINE – R&D 7-8% OF SALES

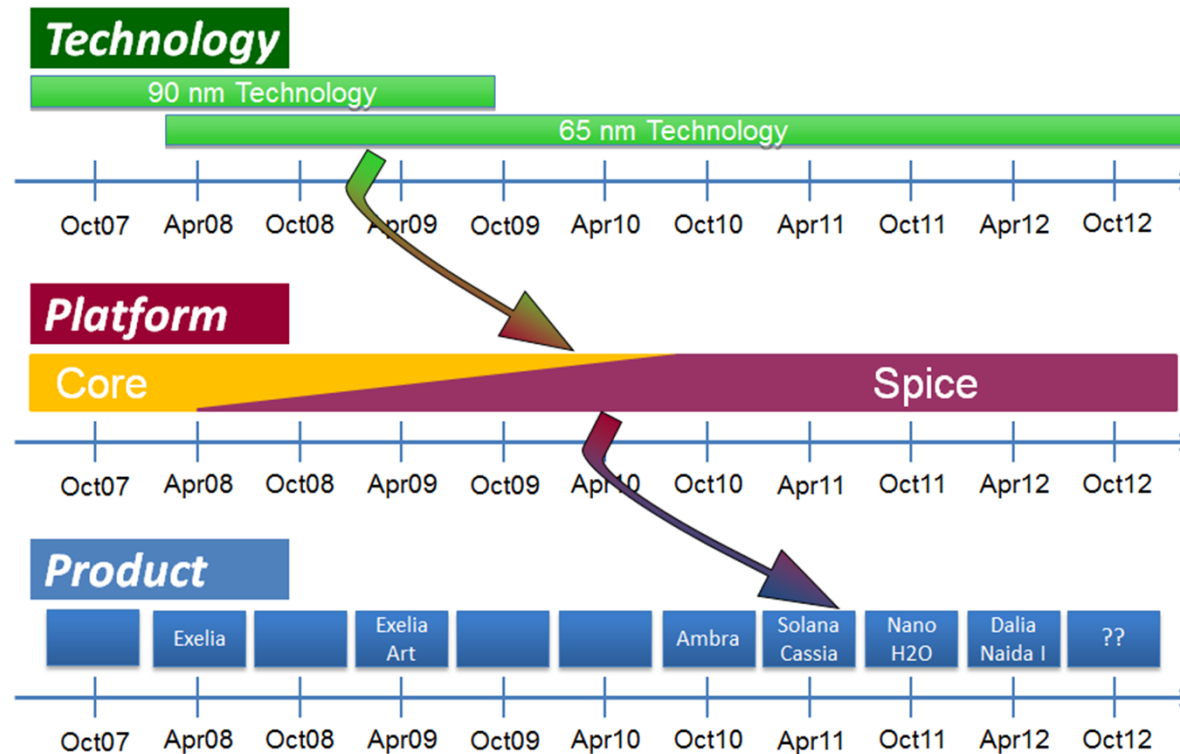
GROW MARKET POSITION ALONG 4 MAIN GROWTH VECTORS



- 1** Penetrate existing markets
 - WHS account development
 - Dual-brand strategy
 - Continuous product innovation
- 2** Expand accessible markets
 - BRIC markets
 - New product formats
- 3** Integrate service channels
 - Retail network expansion
 - Integration & productivity
- 4** Develop consumer base
 - Direct marketing
 - Lead generation processes

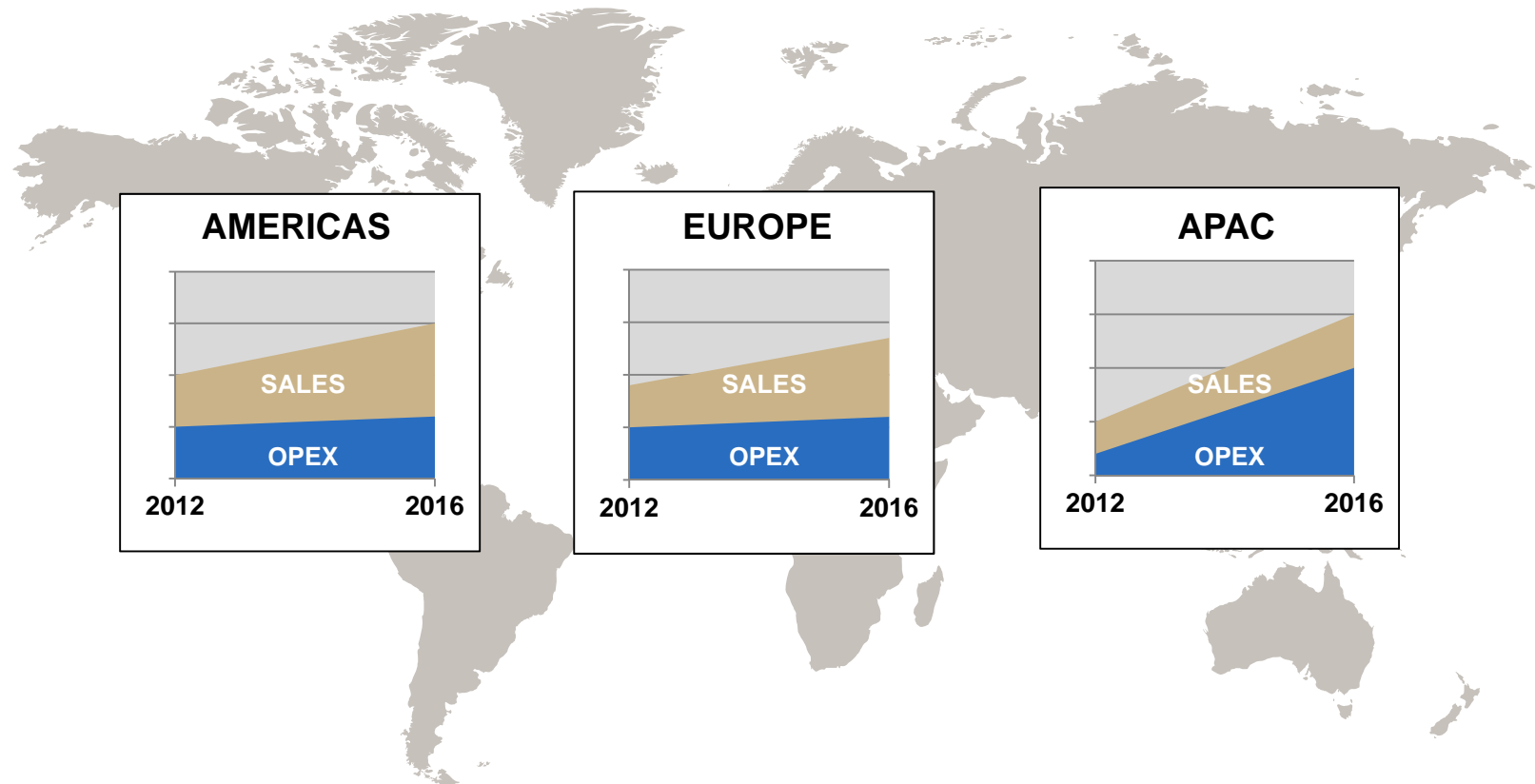
FOCUS ON KEY INITIATIVES TO SUPPORT GROWTH STRATEGY

PROVIDE COMPLETE CUSTOMER SOLUTIONS: HW, SW AND SERVICES



PLATFORM CONCEPT APPROACH TO SOLUTION DEVELOPMENT

LEVERAGE GLOBAL INFRASTRUCTURE TO EXPAND MARGINS



RE-BALANCE GLOBAL OPEX BASE TO CREATE NATURAL HEDGE

KEY INITIATIVES DRIVING CORE SALES AND EARNINGS GROWTH



CLEAR AND FOCUSED STRATEGY – CUSTOMER DRIVEN INNOVATION

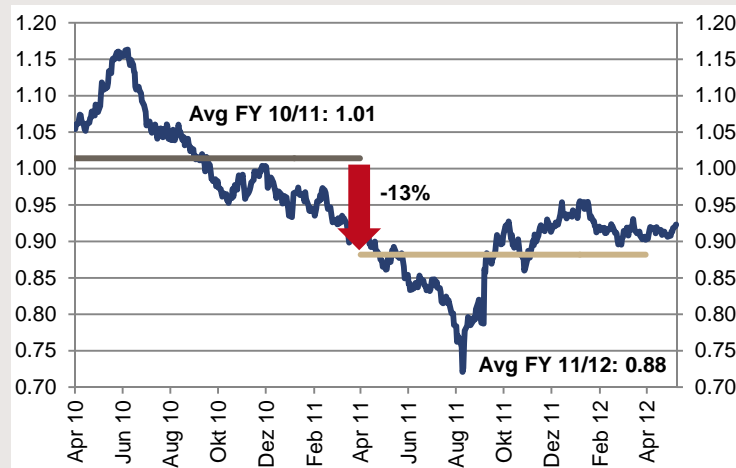
- Key to our success – our customers and employees
- Leading position in hearing instruments – Strong contender in cochlear implants
- Global infrastructure provides opportunities
- Significant potential for market share gains
 - Highest R&D spend – fast rate of product innovation
 - Multi-channel strategy
 - Multi-brand strategy
- Strategic initiatives driving core sales and earnings growth
- Target to return to mid-twenties EBITA margin within five years

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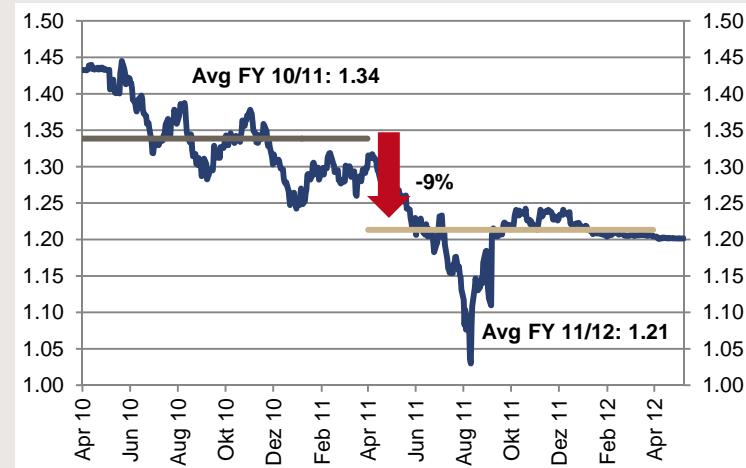
05.
OUTLOOK

FX IMPACT ON SALES AND MARGINS LIKELY TO BE MORE MODERATE

USD/CHF



EUR/CHF



	Rate	Sales	EBITA
USD/CHF	+/- 5%	+/- CHF 34 million	+/- CHF 11 million
EUR/CHF	+/- 5%	+/- CHF 25 million	+/- CHF 15 million

PROFITABLE GROWTH EXPECTED IN 2012/13

in CHF million	FY 2011/12	Guidance FY 2012/13
Sales		
Sales growth in Ic		7%-9%
thereof acquisition related growth		approx. 1%-2%
EBITA		
EBITA growth		15%-20%
Currency assumptions:		
FX (average rates)		
USD	0.88	0.88
EUR	1.21	1.21

UPCOMING EVENTS

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23 May	Roadshow	Zurich
24/25 May	Roadshow	London
28 May	Roadshow	Toronto
29/30 May	Roadshow	New York
31 May	Roadshow	Boston
11 June	Roadshow	Geneva
14-19 June	Share Register closed	
19 June	Annual General Meeting	Zurich
21 June	Ex-Dividend Date	
22 June	Vontobel Summer Conference	Interlaken
28 August	Commerzbank Sector Conference	Frankfurt
5 September	Goldman Sachs Conference	London
25 October	EUHA Investors'/Analysts' Presentation	Frankfurt
13 November	HY 2012/13 Results	Staeefa
14-28 November	Roadshow HY 2012/13	

[DETAILED CALENDAR AT WWW.SONOVA.COM](http://WWW.SONOVA.COM)

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QUESTIONS & ANSWERS

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APPENDIX

CONTACTS

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CORPORATE INVESTOR RELATIONS

Thomas Bernhardsgrütter

Phone +41 58 928 33 44

Mobile +41 79 618 28 07

Email thomas.bernhardsgruetter@sonova.com

Nicole Müller

Phone +41 58 928 33 22

Email nicole.mueller@sonova.com

CORPORATE MEDIA RELATIONS

Audrey Jourdan

Phone +41 58 928 33 24

Mobile +41 79 393 24 61

Email audrey.jourdan@sonova.com

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THANK YOU!

