

**sonova**  
HEAR THE WORLD

## HALF-YEAR 2012/13 RESULTS

Staefa | 13 November 2012 | Lukas Braunschweiler, CEO & Hartwig Grevener CFO



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# Agenda

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01. BUSINESS REVIEW 1H 2012/13

Lukas Braunschweiler

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02. FINANCIAL REVIEW 1H 2012/13

Hartwig Grevener

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03. OUTLOOK FY 2012/13

Hartwig Grevener

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04. Q&A

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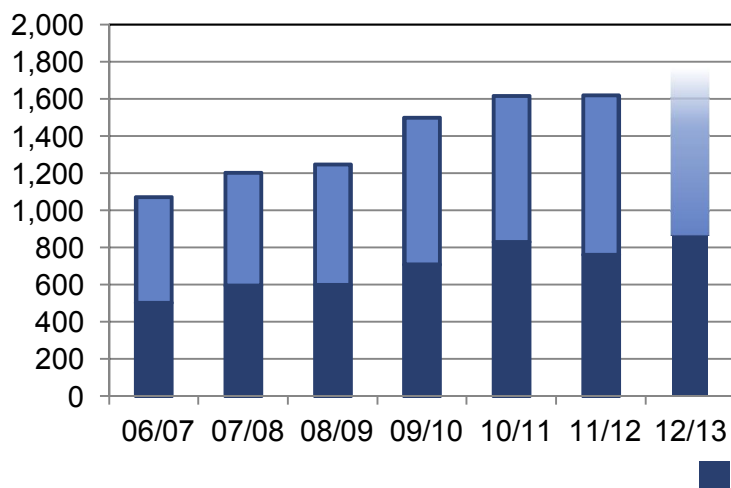
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# BUSINESS REVIEW 1H 2012/13

## STRONG FINANCIAL TRACK RECORD

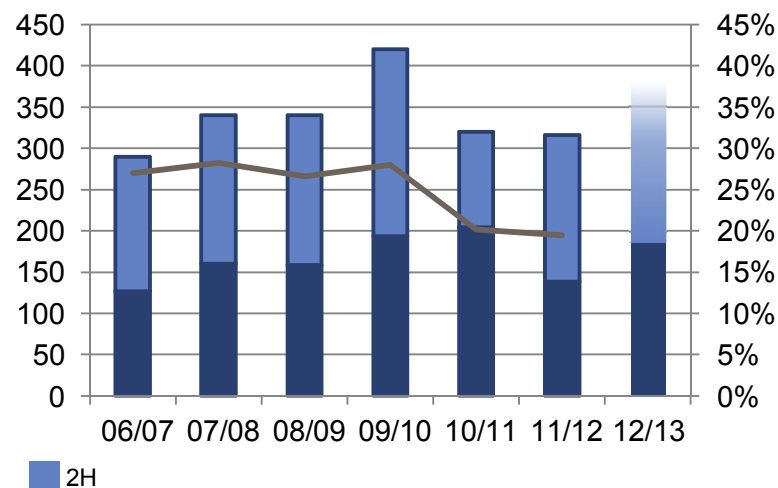
### SALES

in CHF million



### EBITA

in CHF million



	2007/08	2008/09	2009/10	2010/11	2011/12	CAGR 5-year	1H 2012/13
Sales growth reported	+12.3%	+3.7%	+20.1%	+7.8%	+0.2%	+8.6%	+14.3%
Sales growth in LC	+12.8%	+10.8%	+23.8%	+13.3%	+11.6%	+14.6%	+7.9%
EBITA margin reported	28.2%	26.6%	28.0%	20.2%	19.5%		+21.4%
Basic EPS	4.55	4.35	3.32	3.50	3.71	-3.8%	2.24

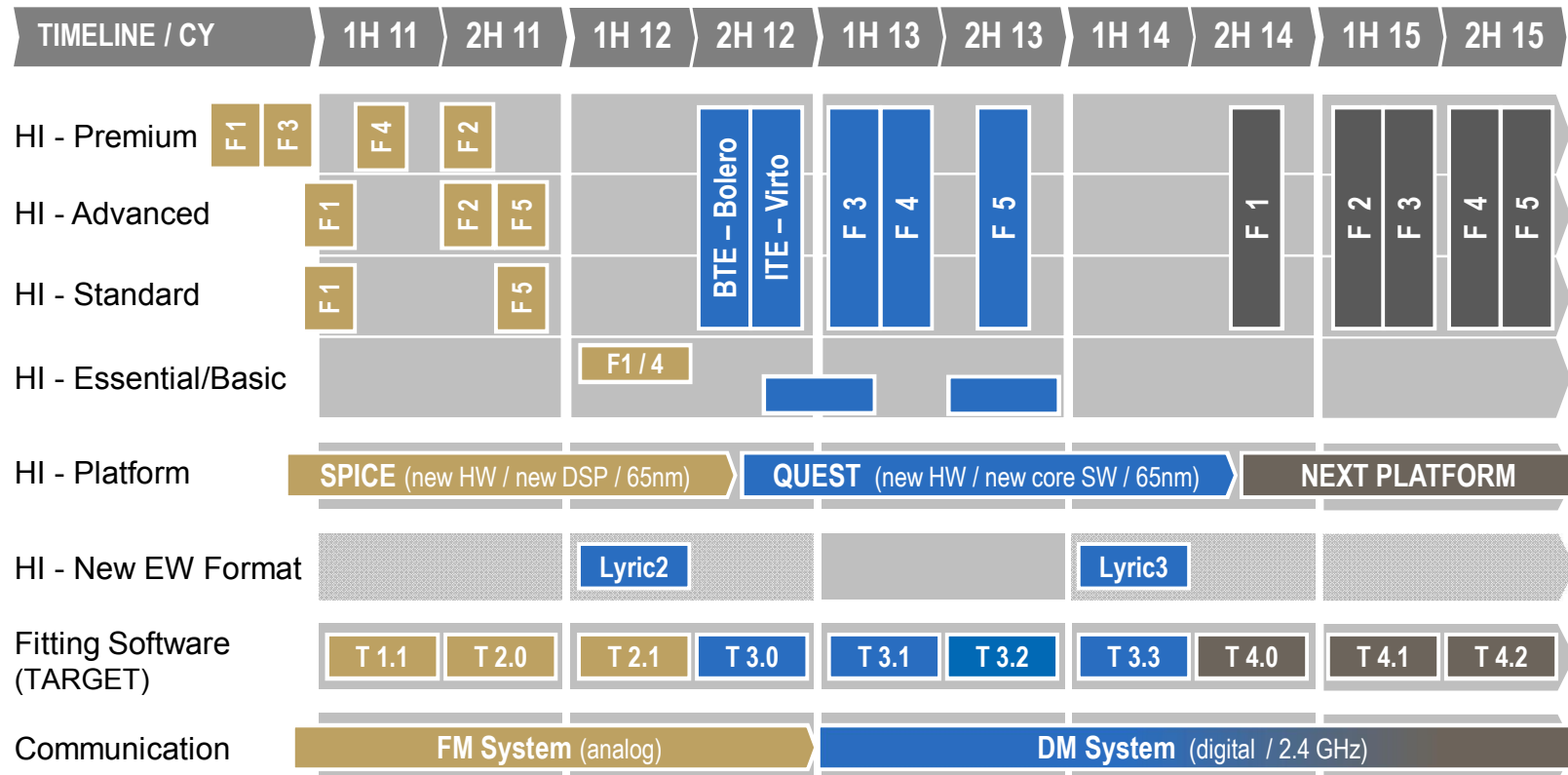
FY 2007/08 Excluding one-off costs for the prohibited acquisition of the GN ReSound Group  
 FY 2009/10 Restated based on finalization of the acquisition accounting of Advanced Bionics

# Highlights Half-Year 2012/13



- **Sales of CHF 872.4 million**
  - Strong sales growth of 14.3% in Swiss francs or 7.9% in Ic
  - Organic growth of 5.9% in Ic
  - Positive currency effect of 6.4%
- **Group EBITA of CHF 187.0 million**
  - EBITA margin of 21.4%
  - Positive currency effect of CHF 21.9 million on EBITA-level
  - EBITA increase of 35.1% in Swiss francs or 19.3% in Ic
- **Hearing instruments: Consolidating market leadership**
  - Sales of CHF 801.2 million – Growth of 4.5% in Ic of which 2.4% organic
  - EBITA of CHF 187.6 million – up 18.0% in Swiss francs
  - EBITA margin of 23.4%
  - 80% of HI revenues with products less than two years old
- **Cochlear implants: Strong rebound**
  - Sales rose by 81.8% in Swiss francs or 70.5% in Ic to CHF 71.3 million
  - EBITA break-even in 1H 2012/13, posting EBITA of CHF 2.0 million

## PRODUCT PIPELINE: DRIVE HIGH INNOVATION & PRODUCT LAUNCH RATE



Note: Subject to change

## COMPLETE RANGE ACROSS ALL FORMATS AND PERFORMANCE LEVELS

# Phonak product portfolio

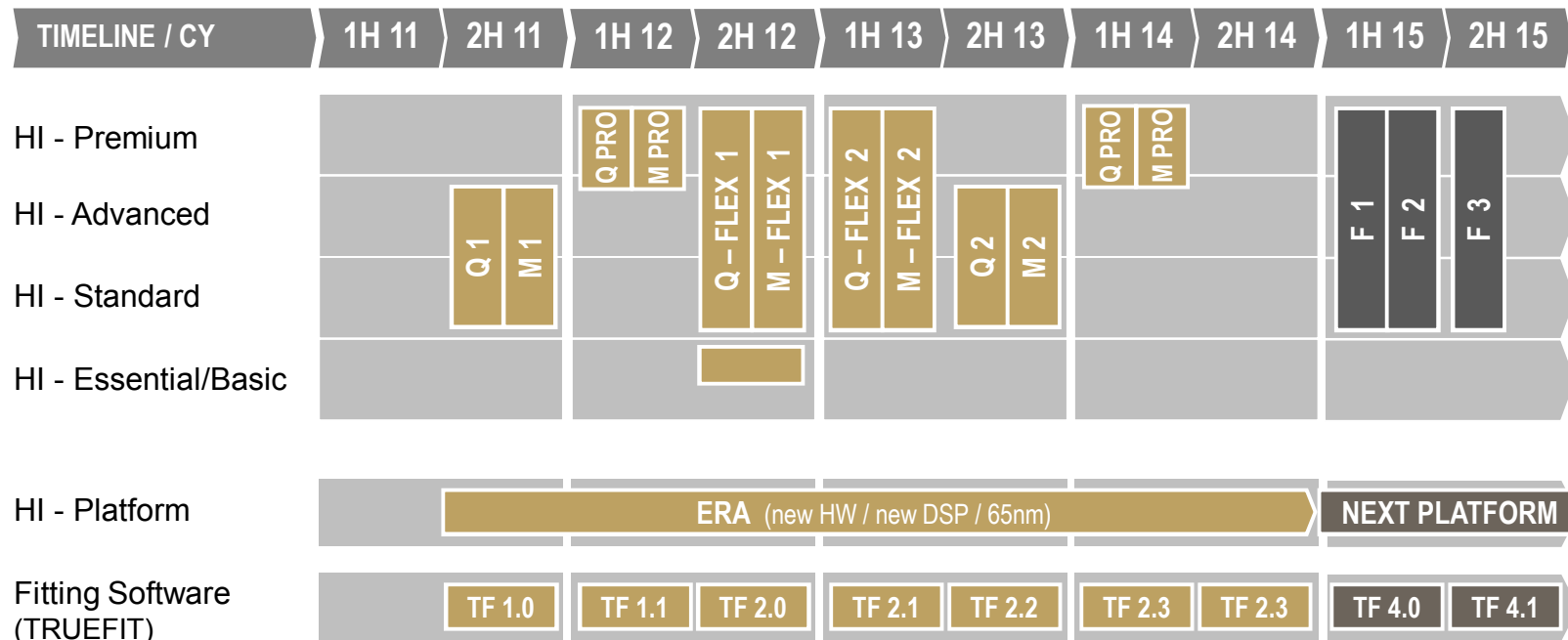


	<b>BTE product line</b>	<b>Custom product line</b>	<b>RIC</b>	<b>Power</b>	<b>Pediatric</b>
<b>Premium</b>	<b>Phonak Bolero Q90</b>	<b>Phonak Virto Q90</b>	Audéo S IX*	Naída S IX*	
<b>Advanced</b>	<b>Phonak Bolero Q70</b>	<b>Phonak Virto Q70</b>	Audéo S V*	Naída S V*	Nios S V* / Naída S VII*
<b>Standard</b>	<b>Phonak Bolero Q50</b>	<b>Phonak Virto Q50</b>	Audéo S III*	Naída S III*	Nios S III* / Naída S III*
<b>Essential</b>	<b>Phonak Dalia*</b>	<b>Phonak Dalia*</b>	Audéo S I*	Naída S I*	
<b>Basic</b>	Milo*	Milo*			

\* based on previous generation platforms



**PRODUCT PIPELINE: DRIVE FOCUSED PRODUCT INNOVATION**



Note: Subject to change

**FLEXIBLE RANGE ACROSS 3 FORMATS AND ALL PERFORMANCE LEVELS**

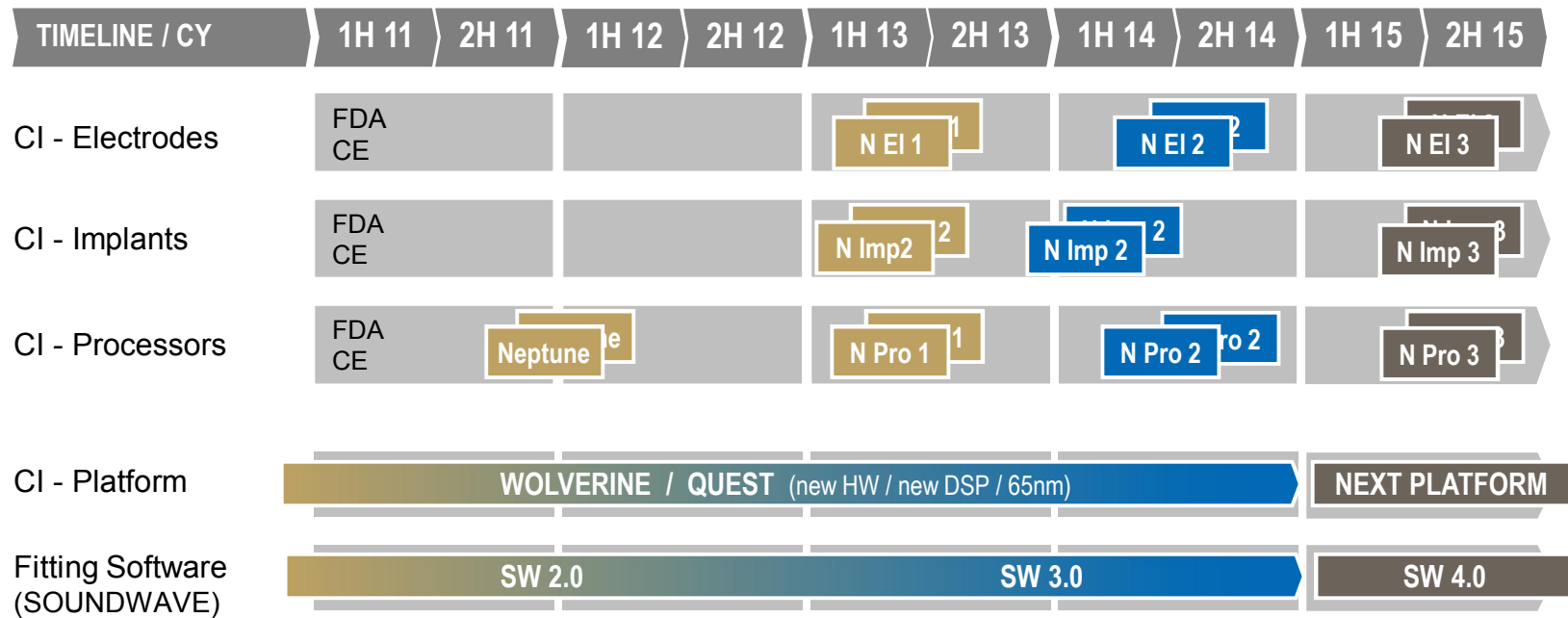
# Unitron product portfolio



	<b>HdO Produktelinie</b>	<b>IdO Produktelinie</b>	<b>RIC</b>	<b>Power</b>	<b>Flex Trial</b>
<b>Premium</b>	<b>Quantum Pro</b>	<b>Quantum Pro</b>	<b>Moxi Pro</b>		<b>Any Performance Level</b>
<b>Advanced</b>	Quantum 20	Quantum 20	Moxi 20	<b>Max 20</b>	
	Quantum 12	Quantum 12	Moxi 12		
<b>Standard</b>	Quantum 6	Quantum 6	Moxi 6	<b>Max 6</b>	
<b>Essential</b>	Quantum E	Quantum E	Moxi E	<b>Max E</b>	
<b>Basic</b>	Shine*	Shine*			

\* based on previous generation platforms

## PRODUCT PIPELINE: ACCELERATE INNOVATION RATE – LEVERAGE PH



Note: Subject to change, timing dependent upon regulatory approvals

## EXPAND RANGE OF INNOVATIVE PROCESSORS, IMPLANTS, ELECTRODES

# Advanced Bionics product portfolio

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<b>Implant</b>	<b>HiRes 90K</b>
<b>Electrodes</b>	<b>HiFocus 1j, HiFocus Helix</b>
<b>Sound Processors</b>	<b>Harmony BTE, Neptune Sound Processor</b>
<b>Software</b>	<b>SoundWave 2.1</b>

## 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
5-year financial targets (at constant FX rates)	- EBITA margin: return to mid-twenties - ROCE: expand to low-thirties

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# FINANCIAL REVIEW

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## FINANCIAL HIGHLIGHTS

- **Solid growth** in both sales and earnings – both segments meeting expectations
- **Gross profit margin** of 68.9% up 0.5%pts., driven by positive currency effects
- **OPEX** growth of 3.4% in Ic compared to 7.9% sales growth in Ic
- **EBITA margin** increased to 21.4%; excluding FX impact: 20.1%
- **R&D spend** at CHF 56.5 million or 6.5% of sales (excluding capitalized development cost of CHF 15.4 million or 1.7%)
- Basic **EPS** of CHF 2.24, up by 43.6%
- **Operating free cash flow** up by 51.6% to CHF 127.1 million
- **Equity ratio** of 67.1%, up from 64.5% as of March 2012
- **ROCE** last twelve months 21.8% (up from 14.0% in prior year)

## SOLID FINANCIAL PERFORMANCE

In CHF million	1H 2011/12	1H 2012/13	Change	Change in 1c
Sales	763.0	872.4	14.3%	7.9%
Gross profit	522.1	600.7	15.1%	7.6%
Gross profit margin	68.4%	68.9%		
OPEX	383.7	413.7	7.8%	3.4%
EBITA	138.4	187.0	35.1%	19.3%
EBITA margin	18.1%	21.4%		
Operating free cash flow	83.8	127.1	51.6%	
<b>EPS (in CHF)</b>	<b>1.56</b>	<b>2.24</b>	<b>+43.6%</b>	
ROCE last 12 months	14.0%	21.8%		



## SOLID GROWTH IN KEY MARKETS IN LOCAL CURRENCIES

in CHF million	1H 2011/12		1H 2012/13		
	Sales	in %	Sales	in %	Growth in lc
EMEA (excl. Switzerland)	289	38%	317	36%	+8.6%
Switzerland	21	3%	14	2%	-32.9%
USA	277	36%	339	39%	+9.2%
Americas (excl. USA)	102	13%	114	13%	+9.7%
Asia/Pacific	74	10%	88	10%	+9.7%
<b>Total sales</b>	<b>763</b>	<b>100%</b>	<b>872</b>	<b>100%</b>	<b>7.9%</b>

## SALES GROWTH ACROSS PRODUCT GROUPS

in CHF million	1H 2011/12		1H 2012/13		
	Sales	in %	Sales	in %	Growth in %
Premium HI	173	23%	192	22%	+2.2%
Advanced HI	174	23%	212	24%	+9.8%
Standard HI	233	31%	240	28%	+0.9%
Wireless comm.	34	4%	31	4%	-14.4%
Miscellaneous	110	14%	126	14%	+12.9%
<b>Hearing Instruments</b>	<b>724</b>	<b>95%</b>	<b>801</b>	<b>92%</b>	<b>+4.5%</b>
CI and accessories	39	5%	71	8%	+70.5%
<b>Total sales</b>	<b>763</b>	<b>100%</b>	<b>872</b>	<b>100%</b>	<b>+7.9%</b>

## HI MARGINS INFLUENCED BY MIX CHALLENGES

Category	Mix Effect	Impact Sonova 1H	
		Sales Growth	Gross Margin
Country	Switzerland: Reimbursement change effective in July 2011	↓	↓
	Germany: Slowdown/product mix shift (upcoming reimbursement changes)	↔	↘
	France and Italy: High growth in prior year, market negative in 1H	↘	↘
Product	Highest growth in the Advanced segment	↗	↔
	Adverse intra-segment mix shift in the Standard category	↘	↓
	Unitron high-end launch	↗	↗
	Quest launch in October	↘	↘

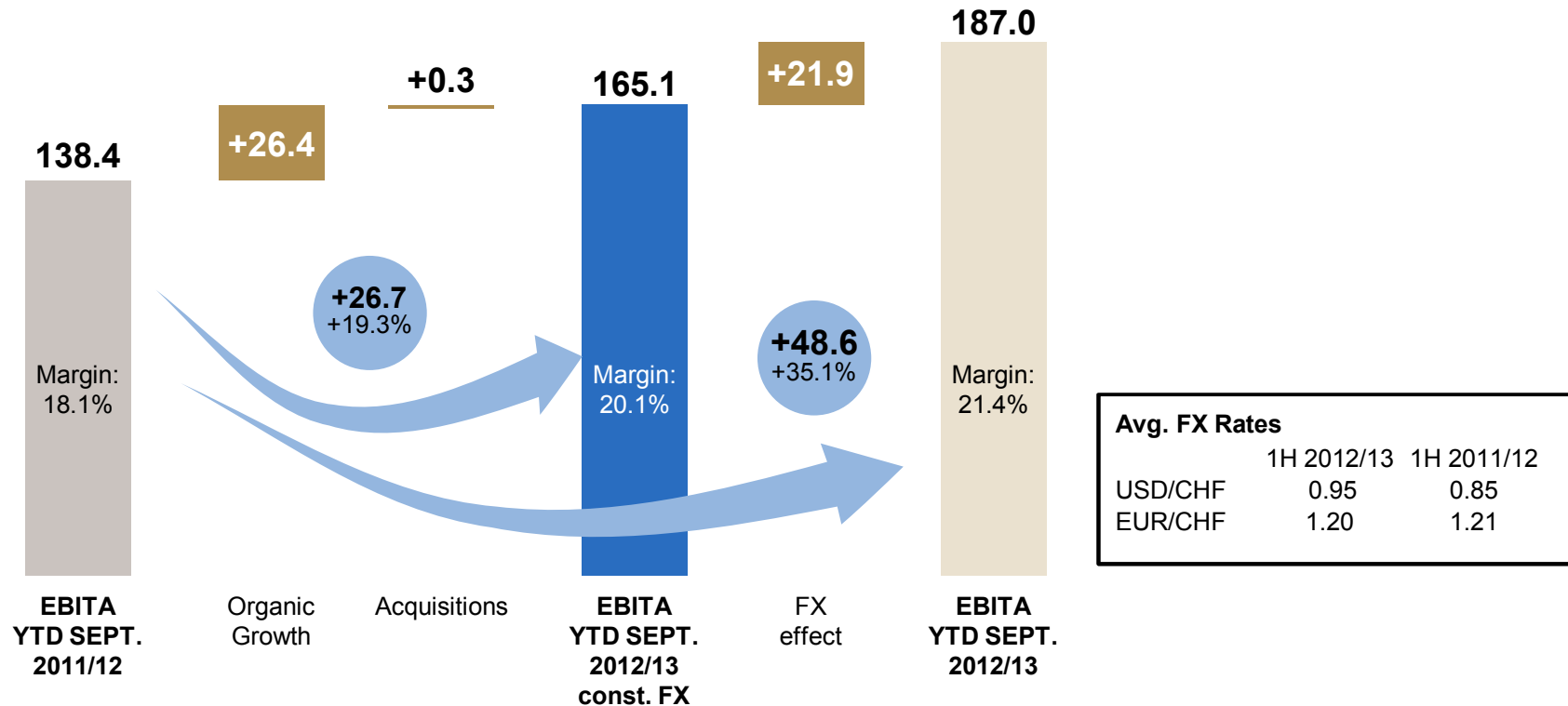
- Sonova’s broad product & country portfolio mitigates mix challenges
- Strong performance in the UK, Brazil, and Spain

## STRONG LEVERAGE – OPEX +3.4 % LC VS. TOP-LINE GROWTH OF 7.9% LC

in CHF million	1H 2011/12	1H 2012/13	Change in CHF	Change in Lc
Sales	763.0	<b>872.4</b>	+14.3%	+7.9%
Research & Development*	58.6	<b>56.5</b>	-3.6%	-6.0%
in % of sales	7.7%	<b>6.5%</b>		
Sales & Marketing	237.1	<b>266.5</b>	+12.4%	+7.1%
in % of sales	31.1%	<b>30.5%</b>		
General & Administration	83.9	<b>88.2</b>	+5.1%	+1.5%
in % of sales	11.0%	<b>10.1%</b>		
Other expenses, net	4.1	<b>2.6</b>		
<b>Total OPEX</b>	<b>383.7</b>	<b>413.7</b>	<b>+7.8%</b>	<b>+3.4%</b>
	50.3%	<b>47.4%</b>		

\* excluding capitalized development cost of 15.4m / 1.7% of sales (prior year 6.5m / 0.9% of sales)

## GROUP EBITA DEVELOPMENT



## EBITA IMPROVEMENT DRIVEN BY ORGANIC GROWTH AND FX

## DETAILS BY BUSINESS SEGMENTS

In CHF million	1H 2011/12	1H 2012/13	Growth in Ic	Organic Growth	External Growth	FX impact
<b>Sales</b>						
HI	723.8	<b>801,2</b>	+4.5%	+2.4%	+2.1%	+44.6 (+ 6.2%)
CI	39.2	<b>71.2</b>	+70.5%	+70.5%	-	+4.4 (+11.3%)
Group	763.0	<b>872.4</b>	+7.9%	+5.9%	+2.0%	+ 49.0 (+6.4%)
<b>EBITA</b>						
HI	158.9	<b>187.6</b>	+4.8%	+4.6%	+0.2%	+21.0 (+13.2%)
CI	-20.6	<b>2.0</b>	n/a	n/a	n/a	+0.9
Corporate	-	<b>-2.6*</b>	n/a	n/a	n/a	n/a
Group	138.4	<b>187.0</b>	+19.3%	+19.1%	+0.2%	+21.9 (+15.8%)

\* Out-of-court settlement with Deminor

## FINANCIAL RESULTS AND INCOME TAXES

in CHF million	1H 2011/12	1H 2012/13	Comments
EBITA	138.4	187.0	
Amortization/Impairment	-15.3	-12.6	No impairment in 1H 2012/13 vs. impairment of CHF 4.9m in 1H 2011/12
Operating profit (EBIT) in % of sales	123.1 16.1%	174.4 20.0%	
Financial result	-3.5	-2.1	Lower net debt level, higher income from associates/JVs
Income before taxes	119,6	172,3	
Income taxes	-15.9	-23.1	Tax rate 13.3% (PY 13.4%)
Income after taxes in % of sales	103.7 13.6%	149.2 17.1%	Growth of + 43.9%

## SIGNIFICANT INCREASE IN FREE CASH FLOW

in CHF million	1H 2011/12	1H 2012/13
<b>Cash flow before changes in net working capital</b>	<b>169,7</b>	<b>218,5</b>
Changes in net working capital	-57.4	-51.4
<b>Operating cash flow</b>	<b>112.3</b>	<b>167.1</b>
in % of sales	14.7%	19.2%
Cash flow from investing activities (excl. acquisitions)	-28.5	-40.0
<b>Operating free cash flow</b>	<b>83.8</b>	<b>127.1</b>
in % of sales	11.0%	14.6%
<b>Free cash flow</b>	<b>47.3</b>	<b>86.3</b>
Cash flow from financing activities	-105,8	-79,2
Changes in cash	-61.4	8.5



## BALANCE SHEET: SOUND FINANCIAL POSITION

in CHF million	31 Mar 2012	30 Sep 2012	Comments
Net working capital	163.4	207.4	Higher inventory, lower payables and FX effect
Days sales outstanding (DSO)	72	73	
Days inventory outstanding (DIO)	122	140	New HI platform launch and timing of larger government tender delivery in CI
Capital employed	1,540	1,647	FX effect Higher net working capital
Net debt	64.5	51.4	Considers dividend payment of CHF 79.9 m
Equity	1,476	1,596	
Equity in % of total assets	64.5%	67.1%	

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OUTLOOK

## GUIDANCE IN LOCAL CURRENCIES CONFIRMED

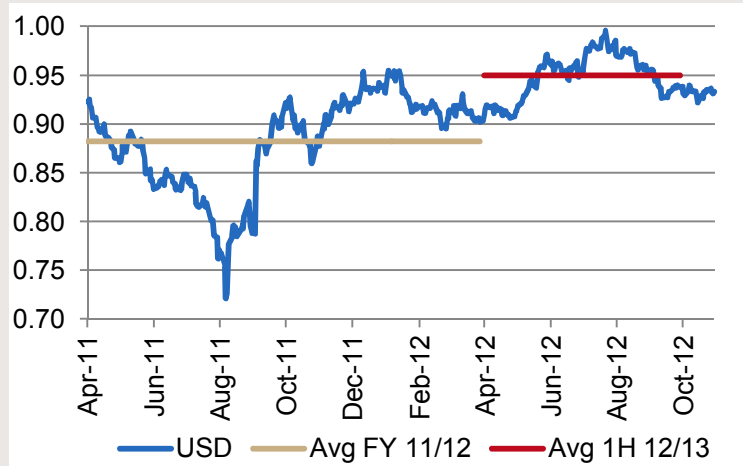
	Guidance FY 2012/13*	Half-Year (actuals) 2012/13
<b>Sales</b>		
Sales growth in Ic	7%-9%	7.9%
thereof acquisition related growth	approx. 1%-2%	2.0%
FX-impact	n/a	6.4%
Total sales growth in CHF	n/a	14.3%
<b>EBITA</b>		
EBITA growth in Ic	15%-20%	19.3%
FX-impact	n/a	15.8%
Total EBITA growth in CHF	n/a	35.1%

\* Unchanged compared to guidance issued in May 2012

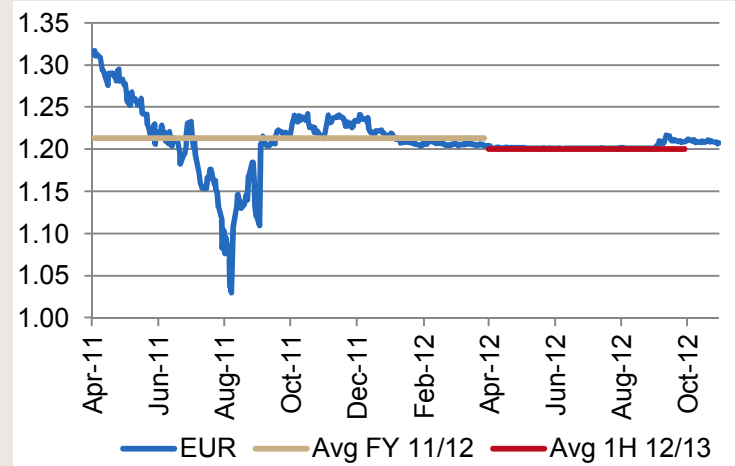
- If today's currency situation remains unchanged, positive FX impact will continue to add to the y-o-y growth
- Currency benefit likely to be less significant in 2H

## FX IMPACT ON SALES AND MARGINS

**USD/CHF**



**EUR/CHF**



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

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# QUESTIONS & ANSWERS

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# APPENDIX

## Upcoming Events

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**SONOVA**

14 November 2012	Roadshow	Zurich
15/16 November 2012	Roadshow	London
16 November 2012	Roadshow	Paris
19 November 2012	Roadshow	Boston
20/21 November 2012	Roadshow	New York
22 November 2012	Roadshow	Toronto
11 January 2013	BaB meets Management	Flims (CH)
18 January 2013	Helvea Conference	Bad Ragaz (CH)
21 May 2013	FY 2012/13 Results	Staefa
22-31 May 2013	Roadshow FY 2012/13	
18 June 2013	AGM	Zurich
18 November 2013	HY 2013/14 Results	Staefa

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

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THANK YOU!

