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ROADSHOW | FULL-YEAR 2011/12 RESULTS

May 2012

Disclaimer

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Business Case

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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

Businesses

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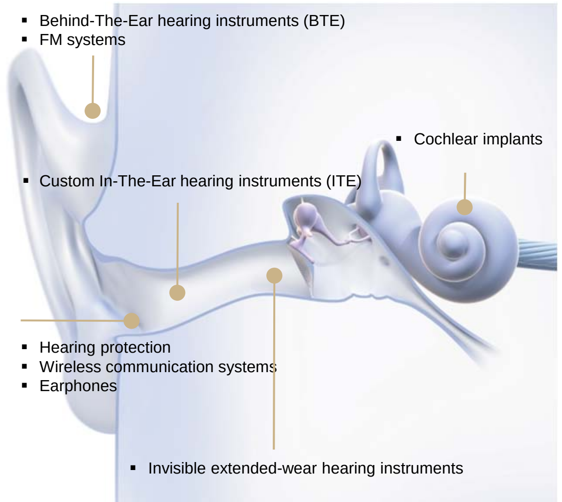
FOCUS ON HEARING INSTRUMENTS AND COCHLEAR IMPLANTS

HI Hearing Instruments



CI Cochlear Implants

PHONAK life is on | unitron | AB

epic Hearing Health Care | HANSATON Und wir verstehen uns. | LAPPERRE hearing systems | Connect Hearing | davidormerod HEARING CENTRES | AUDITIONSANTE LABORATOIRE DE CORRECTION AUDITIVE

Contents

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01.

MARKET

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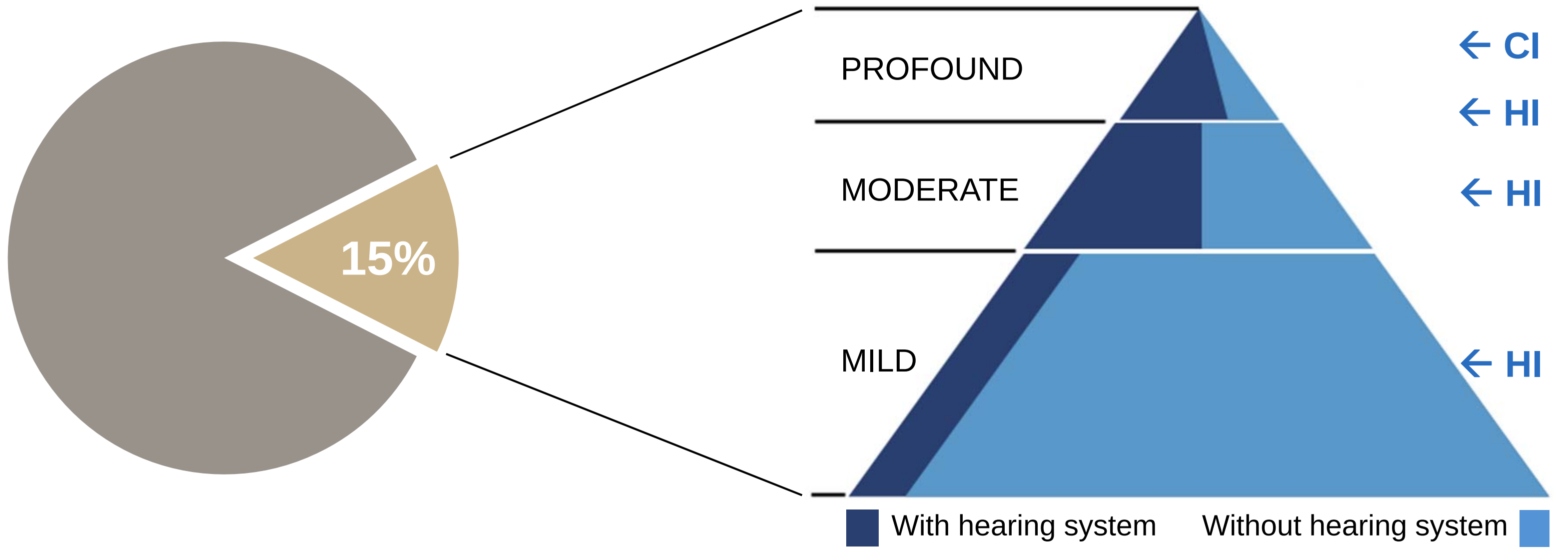
AROUND 15% OF PEOPLE HAVE SOME DEGREE OF HEARING IMPAIRMENT

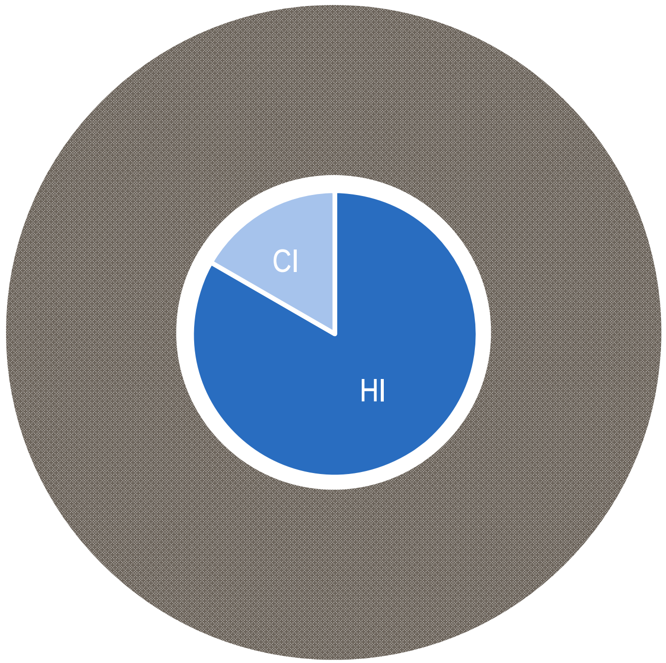


END-USER MARKET – PENETRATION*	
- Profound loss	70%
- Moderate loss	50%
- Mild loss	10%

* Source: Several industry statistics, Sonova estimates

LOW PENETRATION RATE - AROUND 20% IN DEVELOPED COUNTRIES

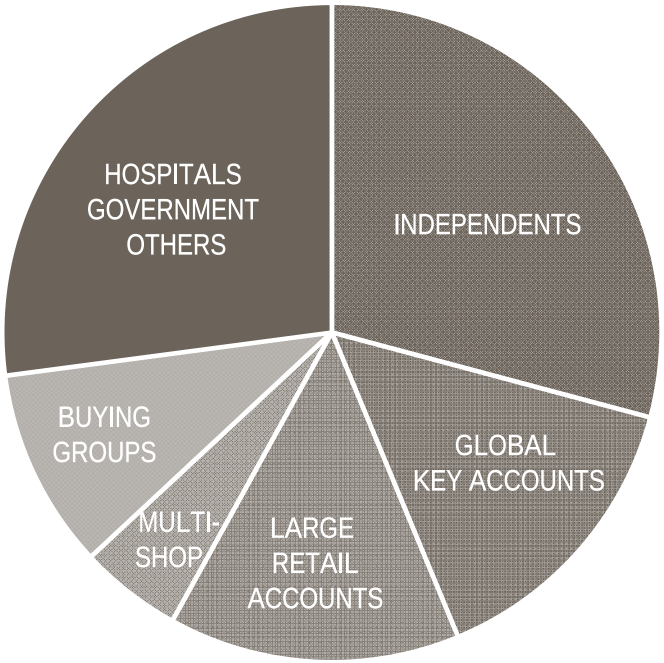
HEARING SOLUTIONS : INSTRUMENTS AND COCHLEAR IMPLANTS

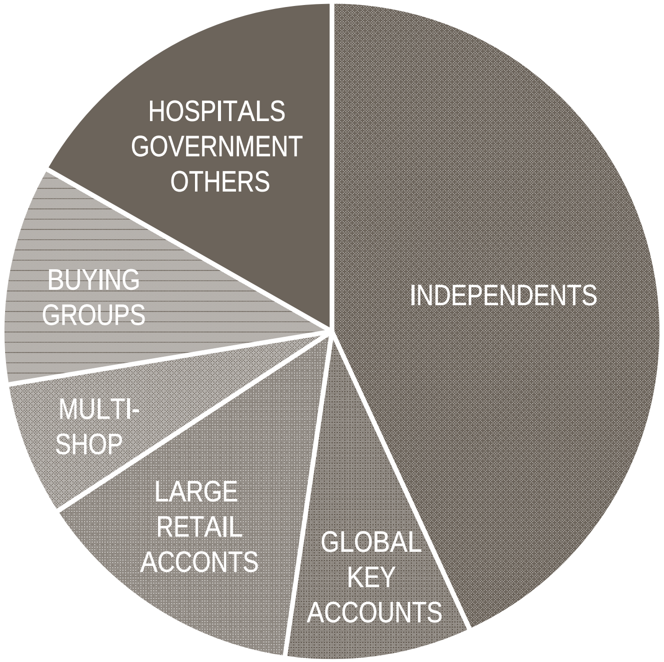


MARKET - UNITS	
- HI Size	> 10 million
- HI CAGR	+ 3-4 %
- CI Size	~ 30 thousand
- CI CAGR	+10-15 %

MARKET - VALUE	
- HI Market - Total	~ CHF 15 billion
- HI Market - OEM	~ CHF 4 billion
- CI Market - OEM	~ CHF 800 million

SERVICE CHANNELS : KEY TO ACCESS END-USERS





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02.

BUSINESS

Strong Financial Track Record

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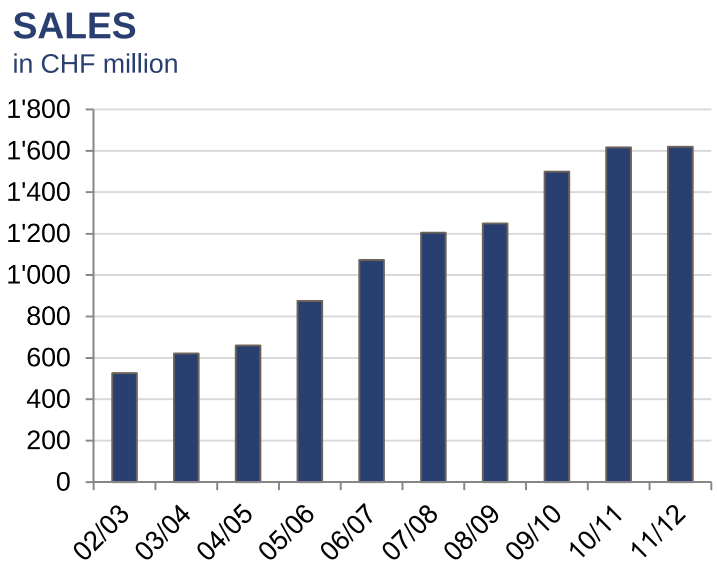

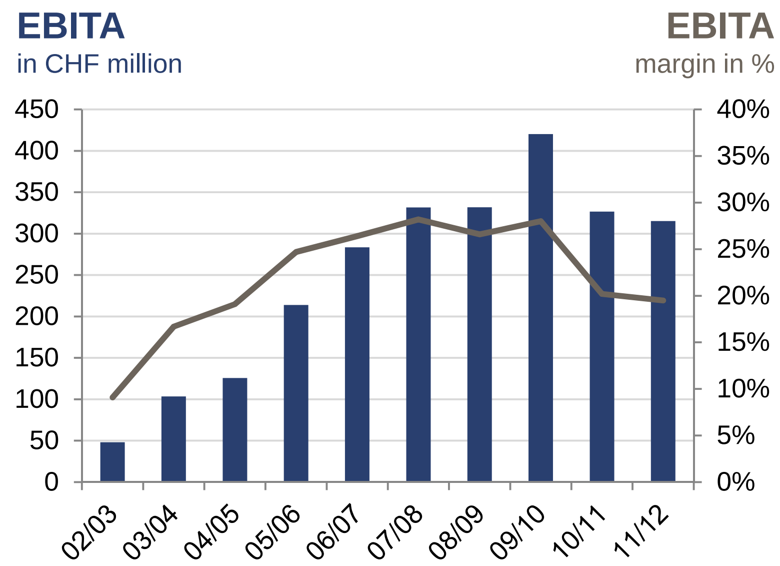

	[1] 2007/08	2008/09	[2] 2009/10	2010/11	2011/12	5-year CAGR
Sales growth reported	+12.3%	+3.7%	+20.1%	+7.8%	+0.2%	+8.6%
Sales growth in lc	+12.8%	+10.8%	+23.8%	+13.3%	+11.6%	+14.6%
EBITA margin reported	28.2%	26.6%	28.0%	20.2%	19.5%	
Basic EPS	4.55	4.35	3.32	3.50	3.71	

[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

Market Position

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EXPANDING STRONG HI POSITION INTO LARGER HEARING CARE MARKET

HI : LEADING POSITION	
- Market Size - Market CAGR - Position - Share	~ CHF 4 billion + 3-4% No 1 ~ 25%

CI : EXPANDING POSITION	
- Market Size - Market CAGR - Position - Share	~ CHF 800 million + 10-15% No 2 ~ 15%

Market Position

SOLID COMPETITIVE ADVANTAGES IN BOTH HEARING AID SEGMENTS

HI : LEADING BRAND(S)	CI : RESPECTED No 2 BRAND
- Largest manufacturer in HI industry - Most extensive product portfolio - Multi-brand strategy Phonak / Unitron - Multi-channel approach Wholesale / Retail - Solid financial performance	- CI solution with strong performance - CI solution with high reliability - Technology synergies with HI business - Distribution synergies with HI business

Channels

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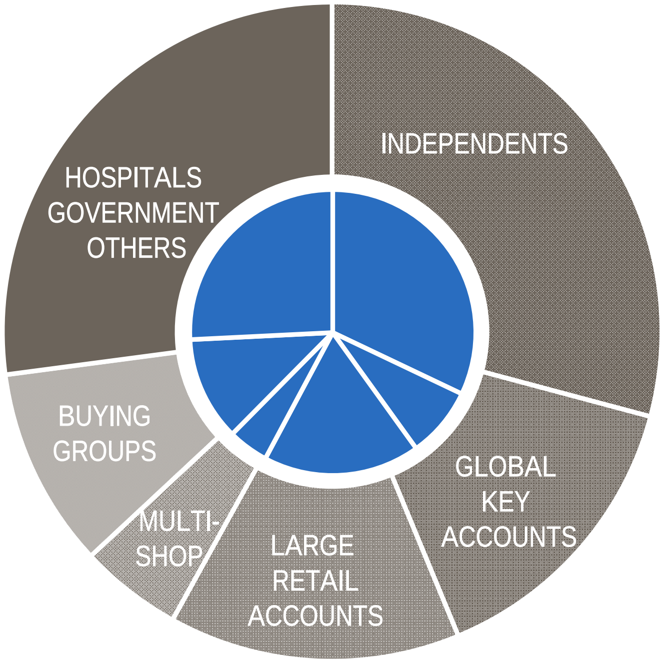
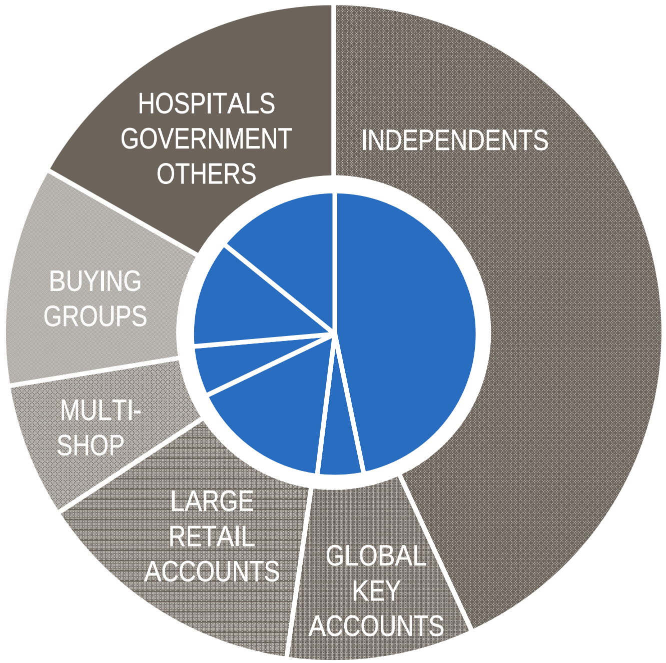
STRONG POSITIONS IN INDEPENDENTS, LRA, BG AND GOVERNMENT





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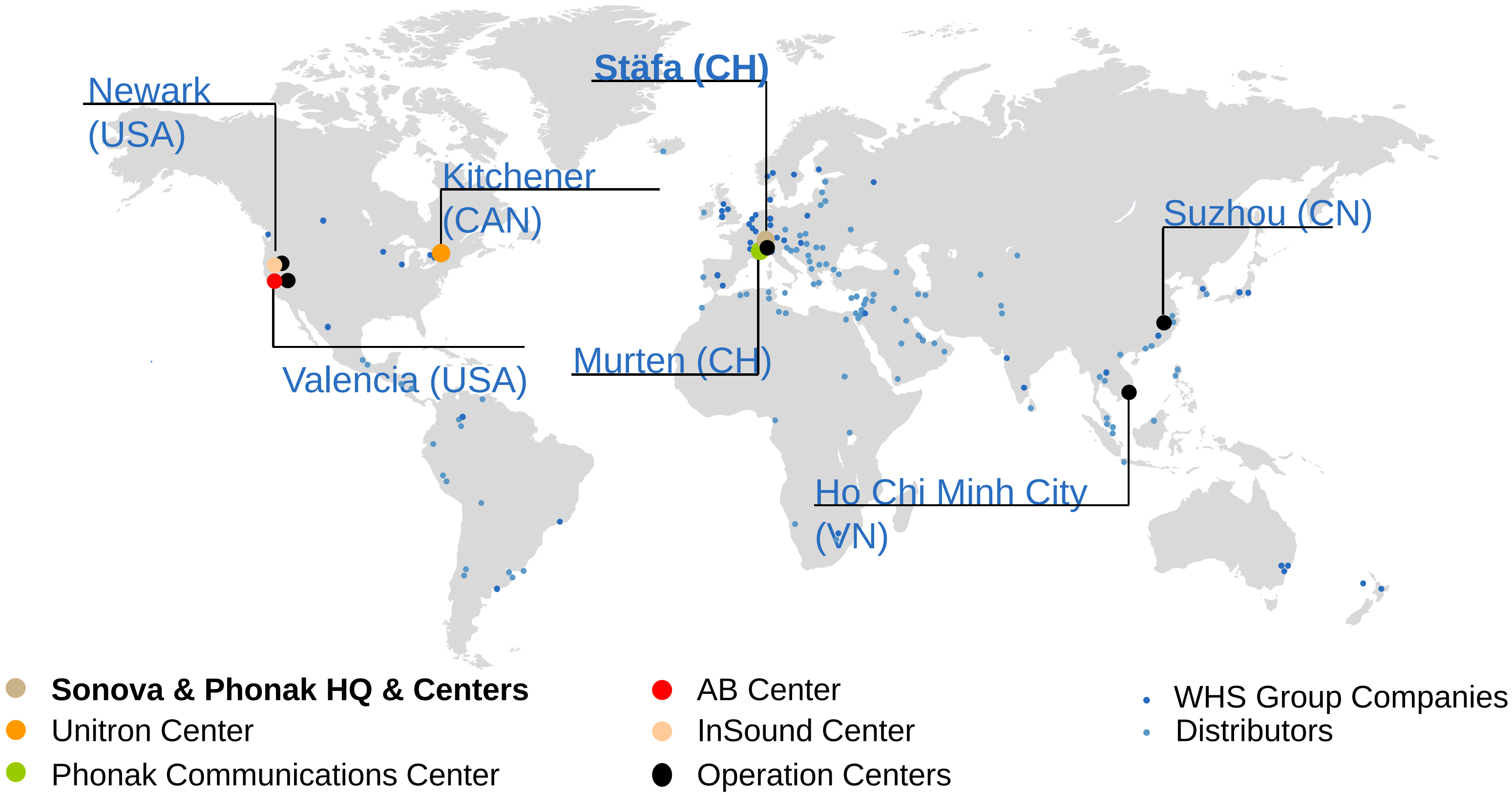
WELL ESTABLISHED GLOBAL INFRASTRUCTURE AND NETWORK



STRONG LOCAL PRESENCE - SUPPORTING CUSTOMERS WORLDWIDE

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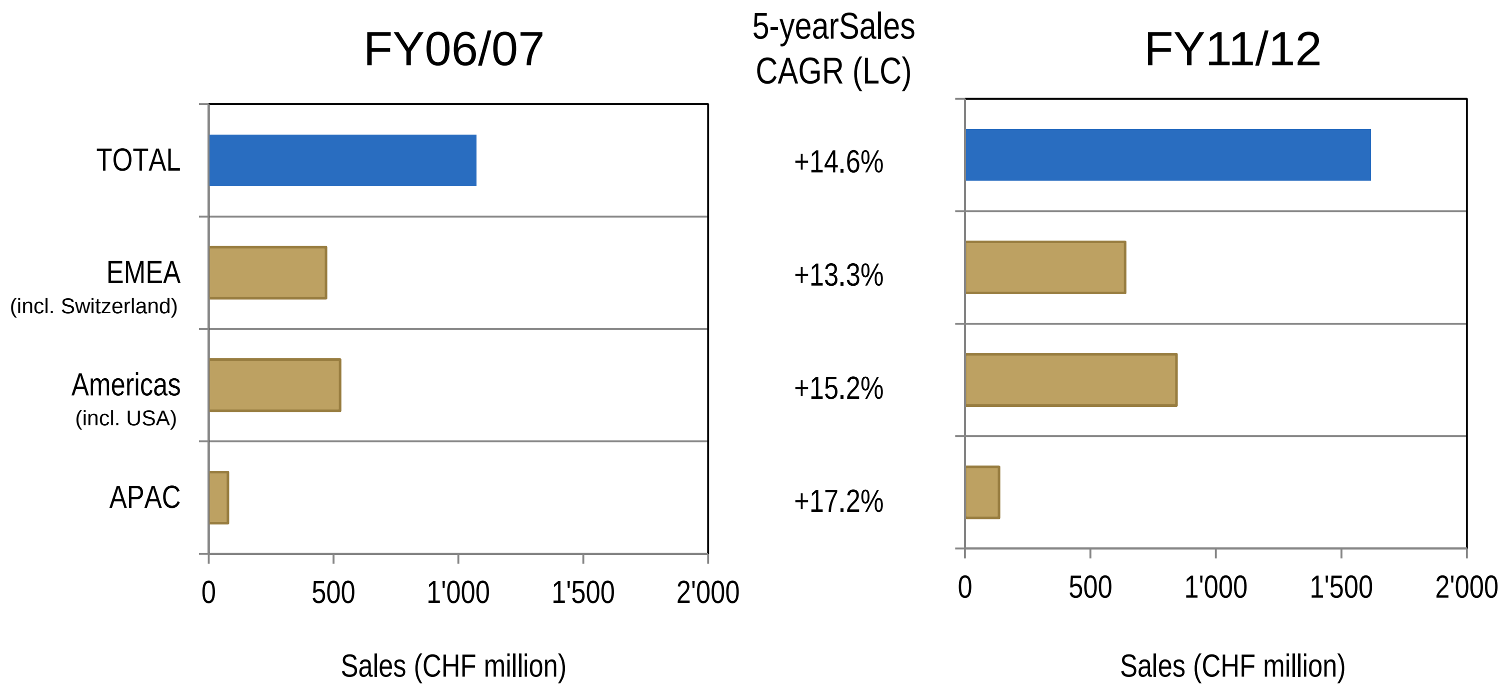
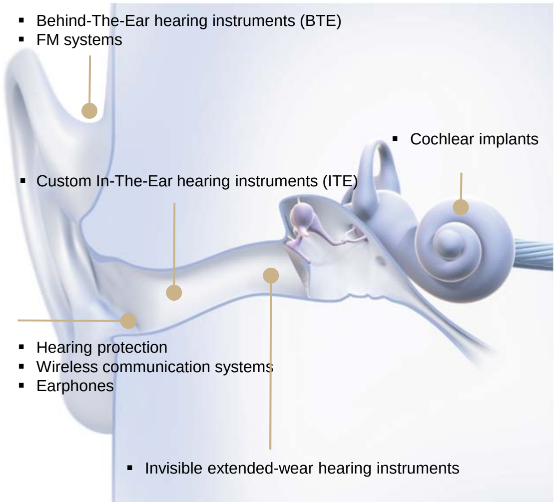
EUROPE AND AMERICAS - MAIN CONTRIBUTORS TO GROUP SALES



ASIA-PACIFIC - ATTRACTIVE GROWTH OPPORTUNITIES

FOCUS ON HEARING INSTRUMENTS AND COCHLEAR IMPLANTS

HI Hearing Instruments



CI Cochlear Implants

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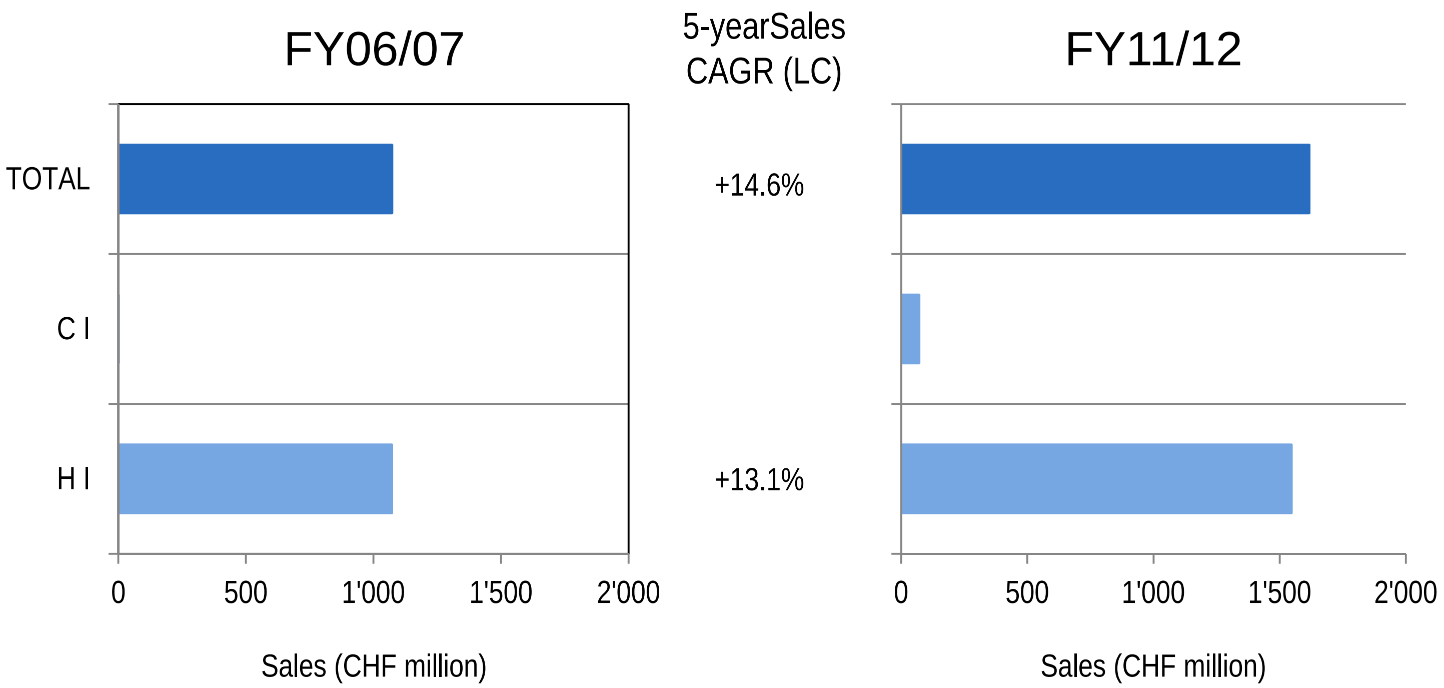
SOLID GROWTH IN BOTH HEARING INSTRUMENTS AND IMPLANTS

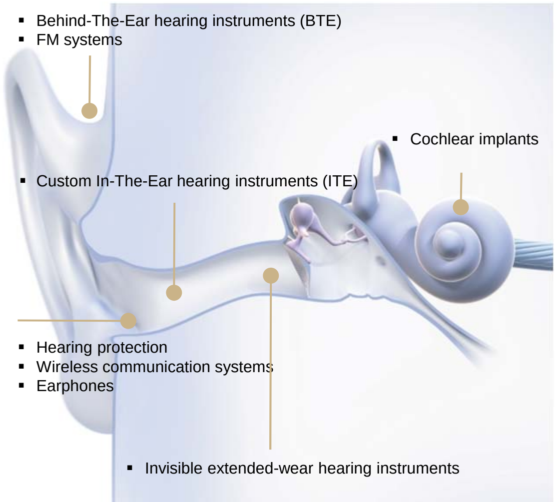


03.

STRATEGY

RECOGNIZED AS INNOVATION LEADER IN GLOBAL HEARING CARE MARKET

HI Hearing Instruments



CI Cochlear Implants

PHONAK life is on
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AB

epic Hearing Health Care
HANSATON Und wir verstehen uns.
LAPPERRE hearing systems
Connect Hearing
davidormerod HEARING CENTRES
AUDITIONSANTE LABORATOIRE DE CORRECTION AUDITIVE

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SIX KEY STRATEGIES DRIVING CORE SALES AND EARNINGS GROWTH

STRATEGIES	STRATEGIC IMPLEMENTATION INITIATIVES
• INNOVATION • MARKET • PRODUCT • PORTFOLIO • RESOURCE • ACQUISITION	1 MARKETING (MAR) 2 SALES & DISTRIBUTION (S&D) 3 NEW PRODUCTS (PRO) 4 PRODUCTIVITY & EFFICIENCY (P&E) 5 PROCESSES & RESOURCES (P&R)

Innovation Strategy

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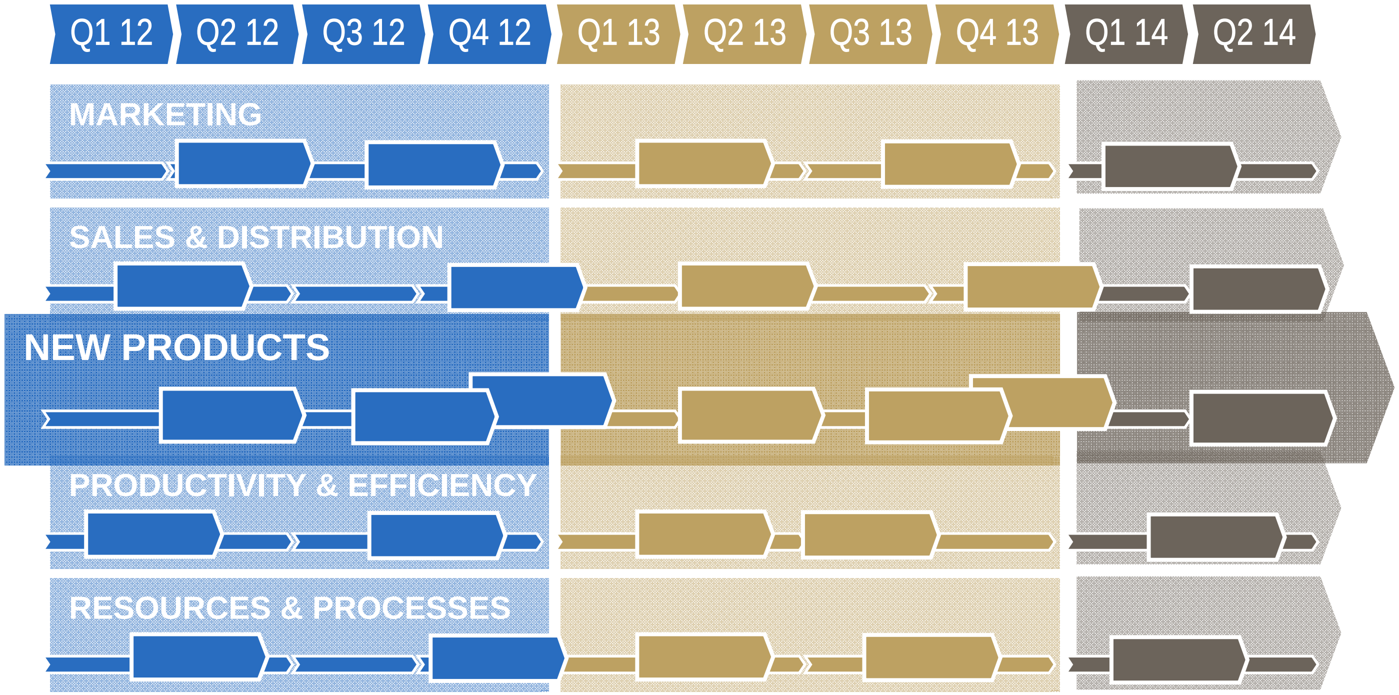
FOCUS ON CONTINUOUS INNOVATION TO GROW SALES AND EARNINGS



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

Market Strategy

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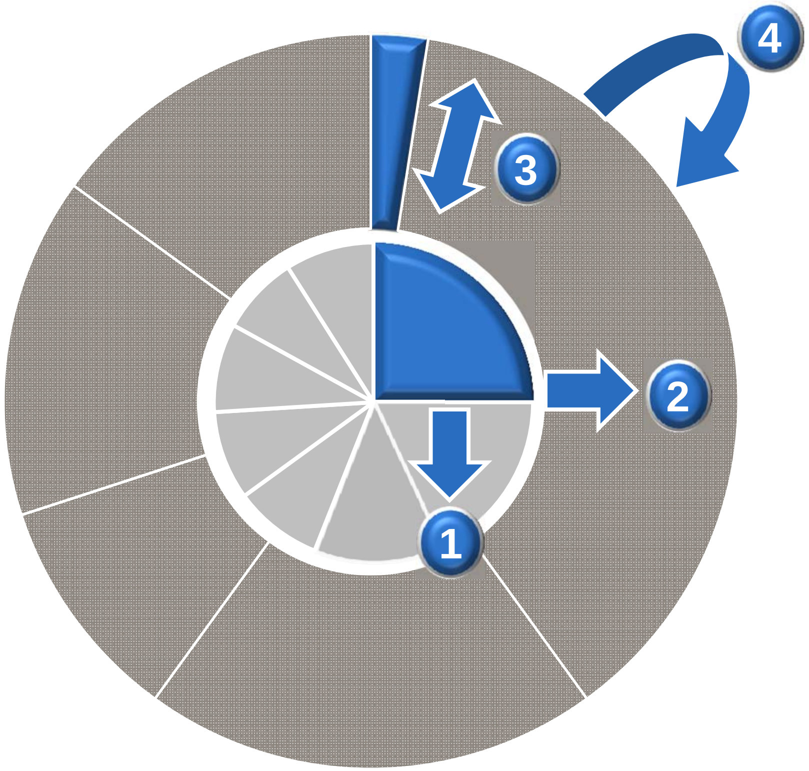
GROW MARKET POSITION ALONG 4 MAIN GROWTH VECTORS



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

Product Strategy

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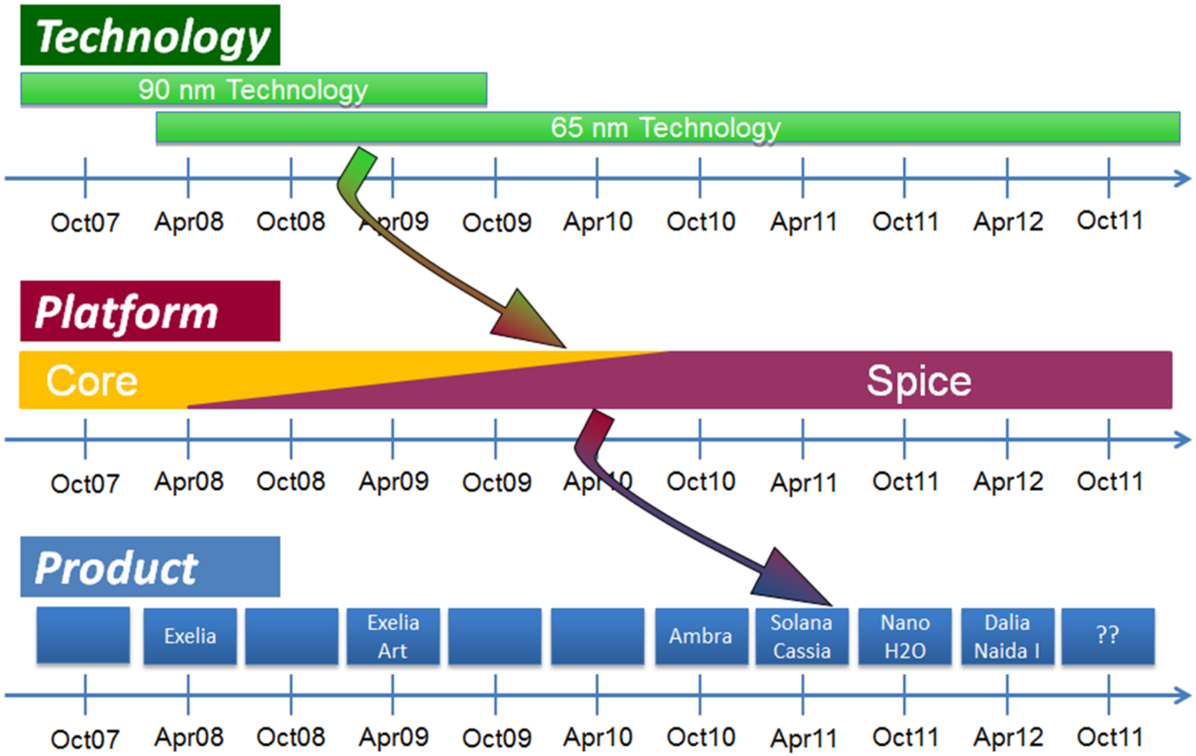
PROVIDE COMPLETE CUSTOMER SOLUTIONS: HW, SW AND SERVICES



PLATFORM CONCEPT APPROACH TO SOLUTION DEVELOPMENT

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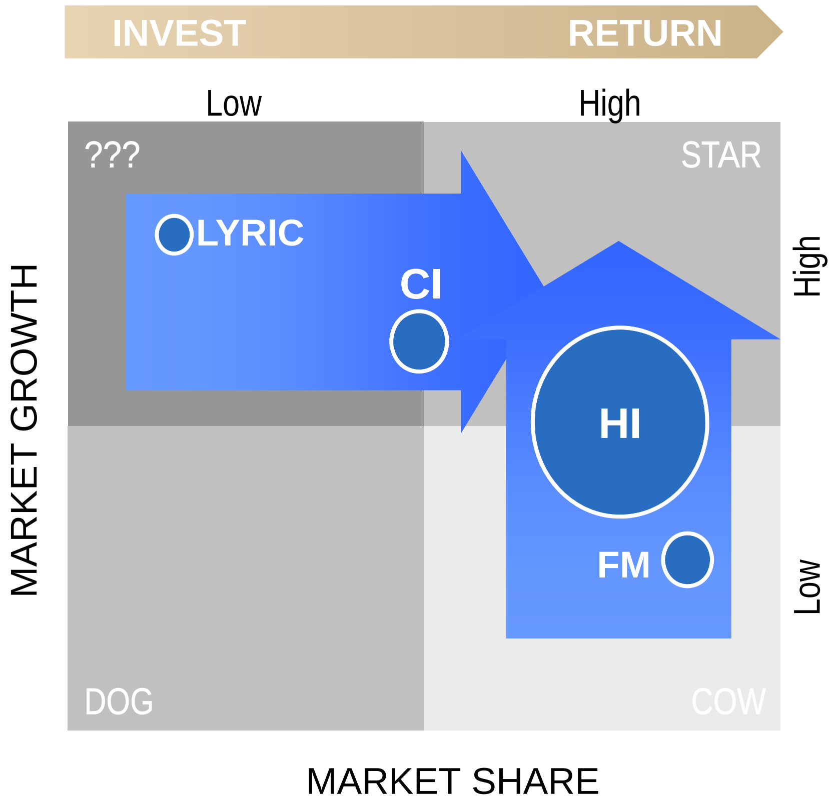
DEVELOP BALANCED PORTFOLIO OF PROFITABLE GROWTH BUSINESSES



LEAD INNOVATION IN HEARING INSTRUMENTS AND IMPLANTS

Resource Strategy

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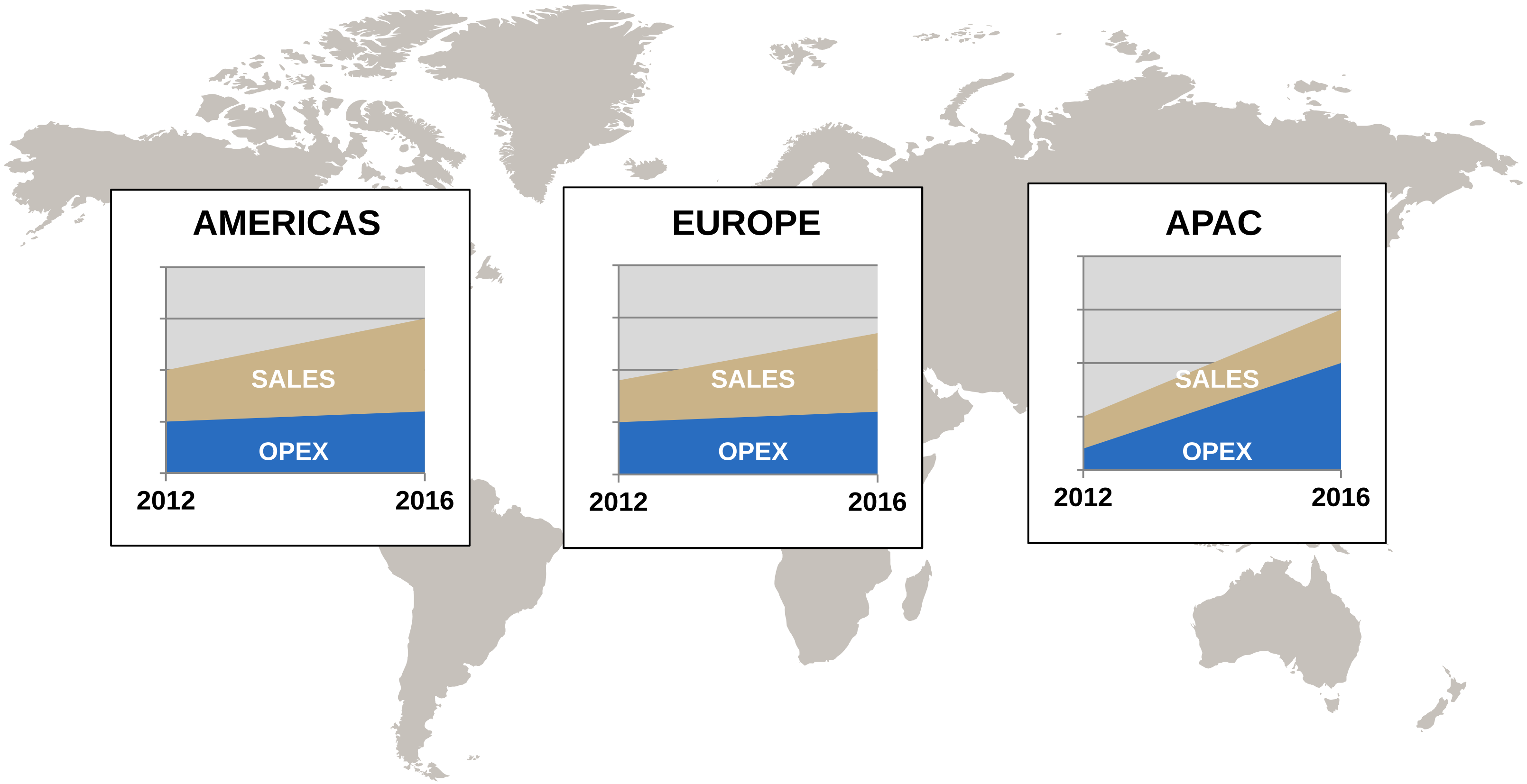
LEVERAGE GLOBAL INFRASTRUCTURE TO EXPAND MARGINS



RE-BALANCE GLOBAL OPEX BASE TO CREATE NATURAL HEDGE

Acquisition Strategy

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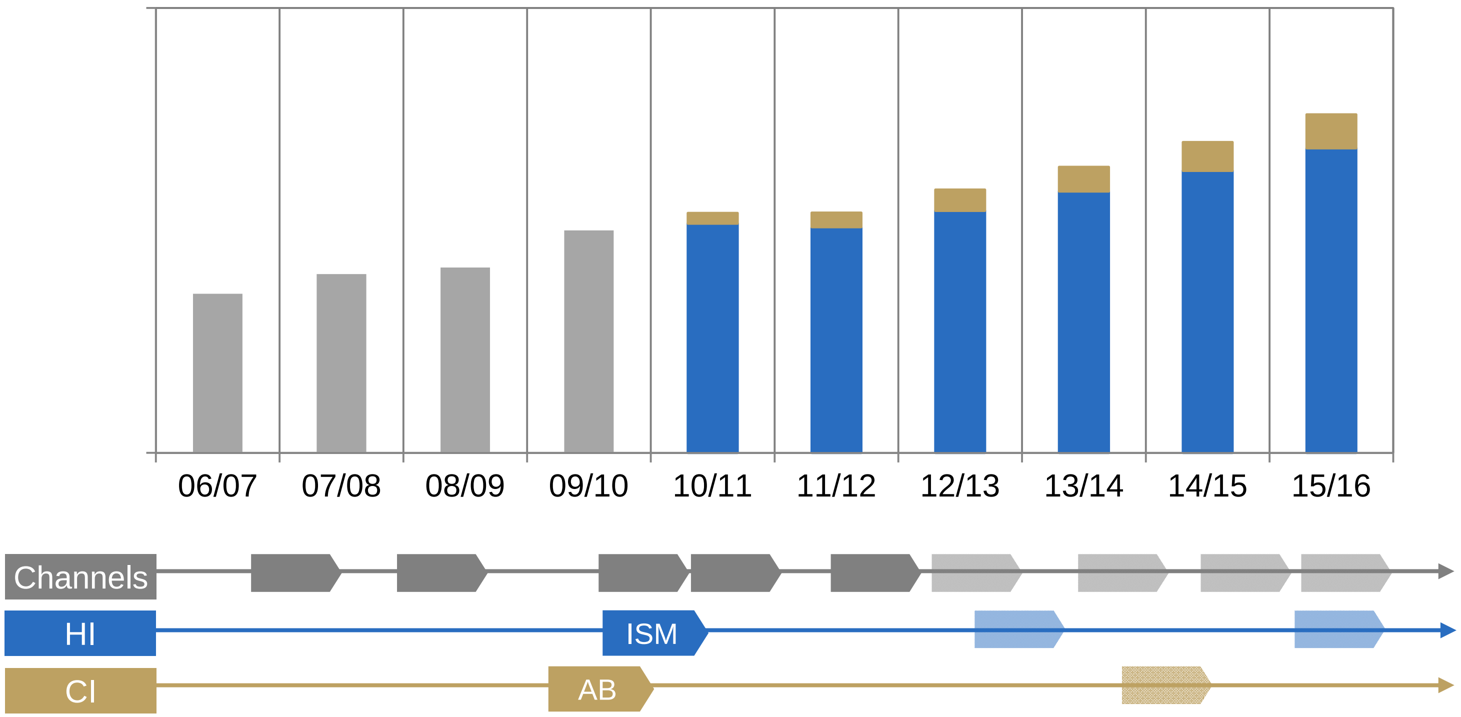
INVEST TO LEVERAGE EXISTING CHANNELS AND PRODUCTS



TARGETS: STRICT CRITERIA FOR STRATEGIC AND FINANCIAL FIT

04.

IMPLEMENTATION INITIATIVES

Strategic Implementation Initiatives

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KEY INITIATIVES DRIVING CORE SALES AND EARNINGS GROWTH

STRATEGIES	STRATEGIC IMPLEMENTATION INITIATIVES
• INNOVATION • MARKET • PRODUCT • PORTFOLIO • RESOURCE • ACQUISITION	1 MARKETING (MAR) 2 SALES & DISTRIBUTION (S&D) 3 NEW PRODUCTS (PRO) 4 PRODUCTIVITY & EFFICIENCY (P&E) 5 PROCESSES & RESOURCES (P&R)

Strategic Implementation Initiatives

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	HEARING INSTRUMENTS	HEARING IMPLANTS
MARKETING	• Multi-brand strategy • Raise awareness for hearing related issues (PR) • Direct marketing: referral and lead generation • Direct marketing: lead conversion programs	• Co-marketing with Phonak (trusted name) • Leverage hearing instrument patient database • Address adult market segment • Leverage HI network to service CI patients
SALES & DISTRIBUTION	• Multi-channel approach (both WHS, RET) • Increase share with “B” and “C” customers • Focus on opportunities in emerging markets • Expand retail network	• Leverage existing Phonak global sales network • Exploit distribution / service synergies • Focus on opportunities in emerging markets
NEW PRODUCTS	• Capitalize on highest R&D spending • Platform concept in product development • Rapid rate of new product introduction • Unique, innovative technologies (Lyric, FM)	• Platform concept in product development • Accelerate product innovation and introduction • Incorporate Phonak HI technology to CI processing
PRODUCTIVITY & EFFICIENCY	• Leverage operation platform in Asia • Cost efficiency in manufacturing • Cost efficiency in distribution – lead conversion • Leverage global OPEX base	• Volume growth (sales and market share gains) • Cost efficiency in distribution – lead conversion • Leverage global OPEX base
PROCESSES & RESOURCES	• Strategic technology and IP management • Focus basic research on key technologies • Strategic management and talent development • Leverage Corporate Functions (HR, IT, etc.)	

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MULTI-BRAND APPROACH PROVIDES BREADTH OF MARKET REACH

PHONAK life is on

unitron

AB

Connect Hearing

VALUE PROPOSITIONS

- Innovation leadership
- Leadership in customer experience
- Performance leadership
- Professional hearing services

Raising Awareness

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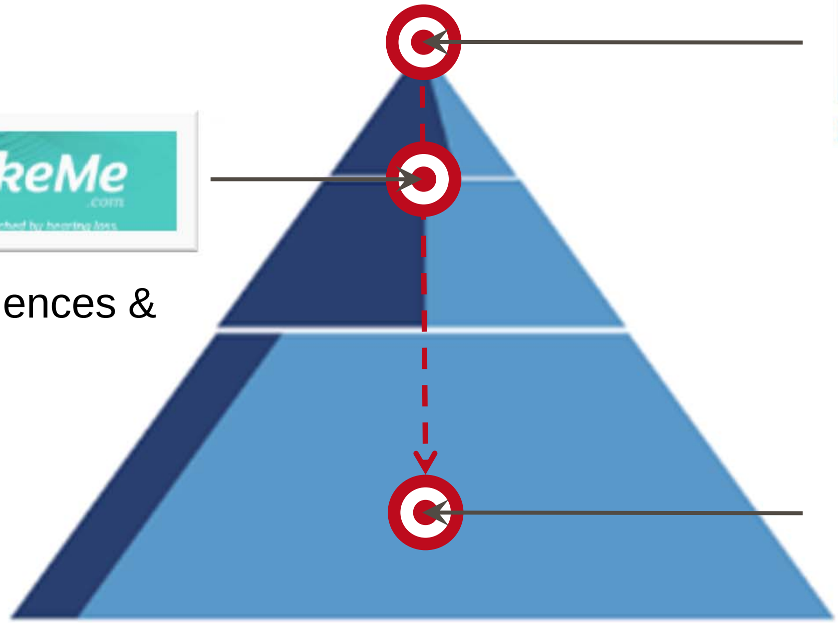
MULTIPLE INITIATIVES TO ADDRESS LEVELS OF HEARING LOSS



HearingLikeMe.com

Sharing experiences & offer support

bea Bionic Ear Association

Information and education on cochlear implants

Hear the world FOUNDATION

Create awareness about the importance of hearing

Direct Marketing / Lead Generation

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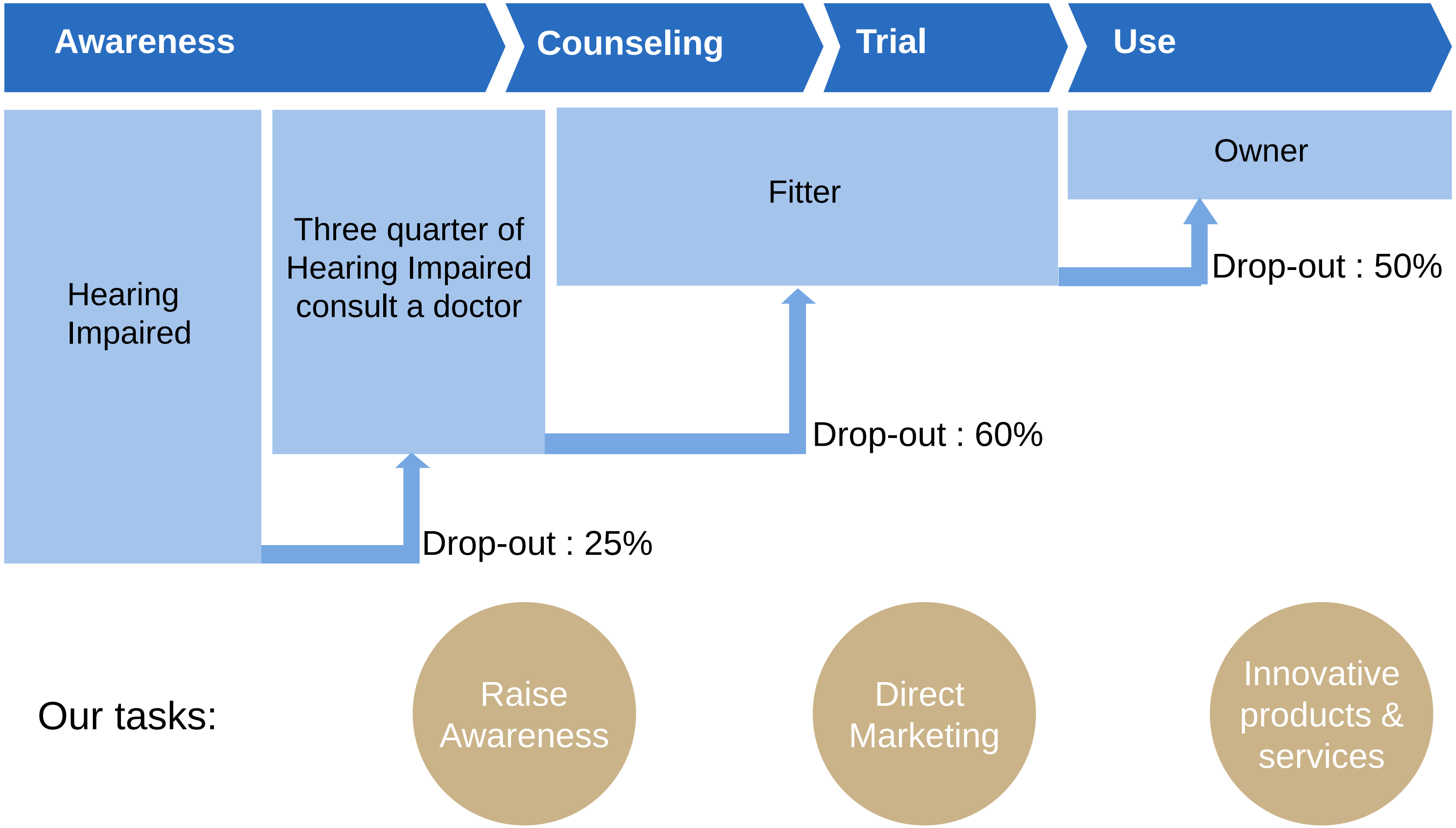
REDUCE COST FOR LEAD GENERATION – IMPROVE LEAD CONVERSION



Drive Customer Penetration

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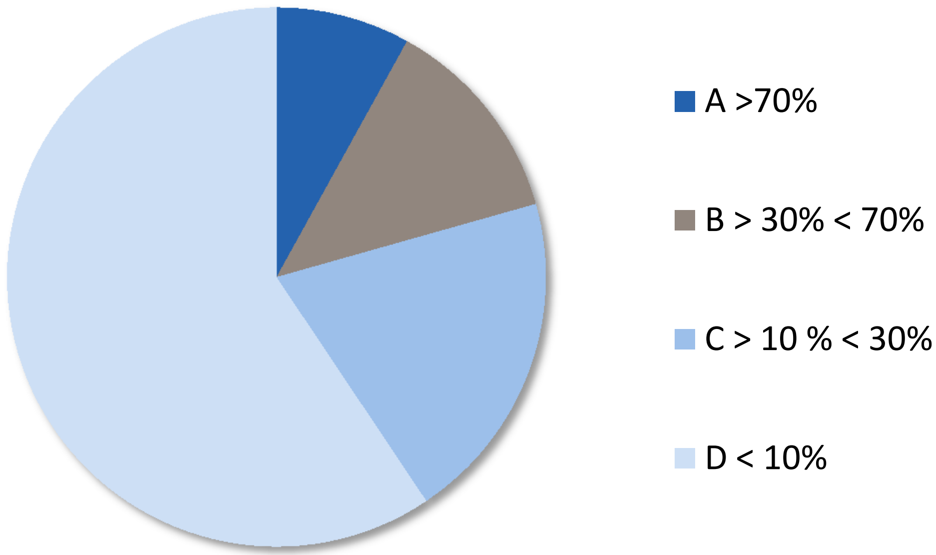
KEEP SHARE OF WALLET WITH A - INCREASE WITH B & C CUSTOMERS



EXPAND BEYOND «MILK-RUN» - ALIGN SALESFORCE INCENTIVES

Develop Business in Emerging Markets

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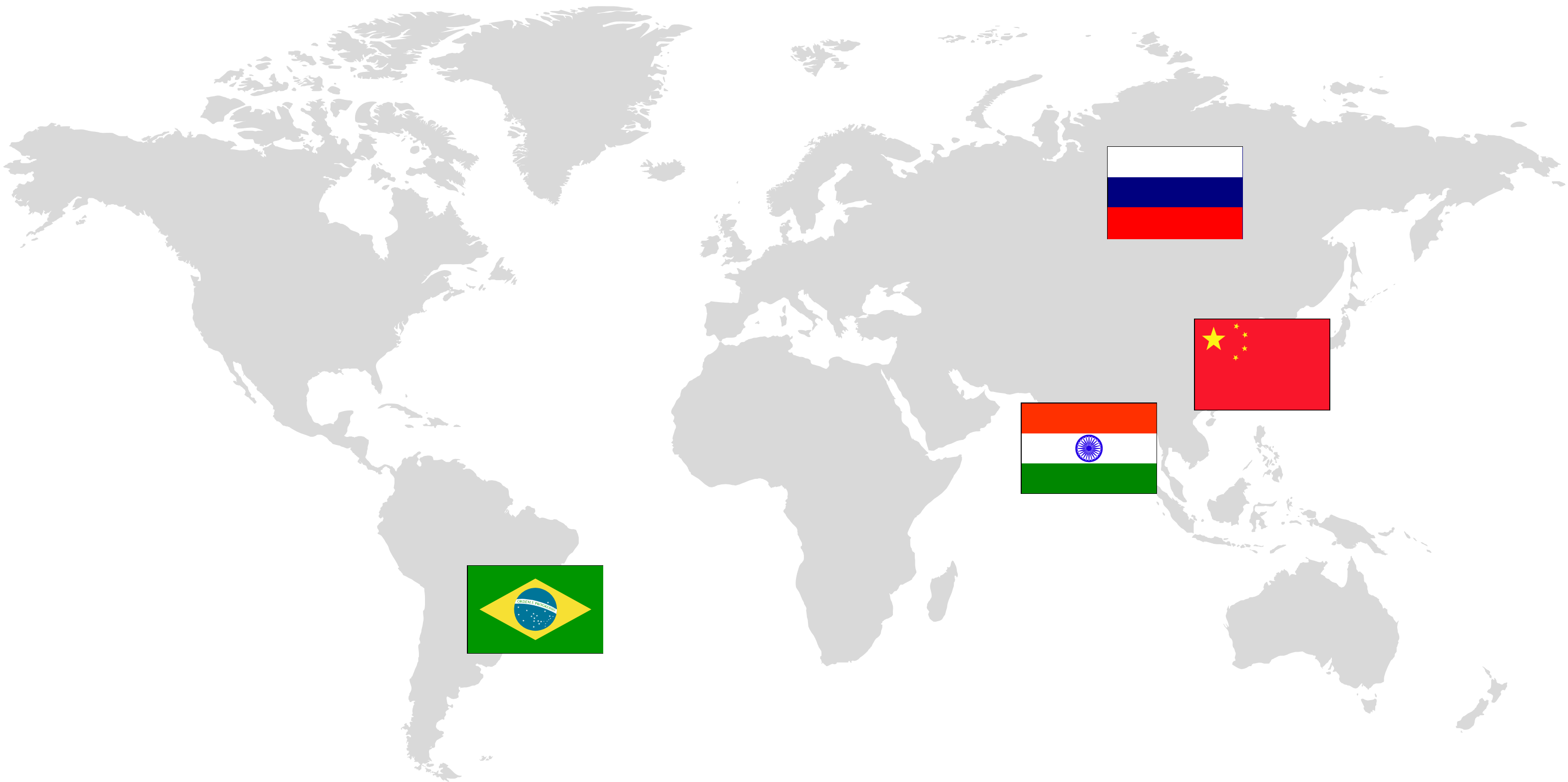
FOCUS ON UNTAPPED POTENTIAL IN (B)RIC MARKETS



DEVELOP TAILORED PRODUCT AND DISTRIBUTION INITIATIVES

Retail Network Expansion

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KEY PROJECTS & INITIATIVES DRIVING PROFITABILITY

	SALES SYSTEM (SHOPS)	SALES FORCE (PEOPLE)
PROCESSES	**Operational Excellence** • Integration of acquisitions • Standardization • Systems & Tools	**Sales Excellence** • Lead generation • Customer experience • Lead conversion
STRUCTURES	**Capacity** • Greenfield openings • Acquisitions • New channels	**Human Resources** • Leadership and KPIs • Recruiting • Education

Brand & Format
- Unified branding strategy
- Store formats

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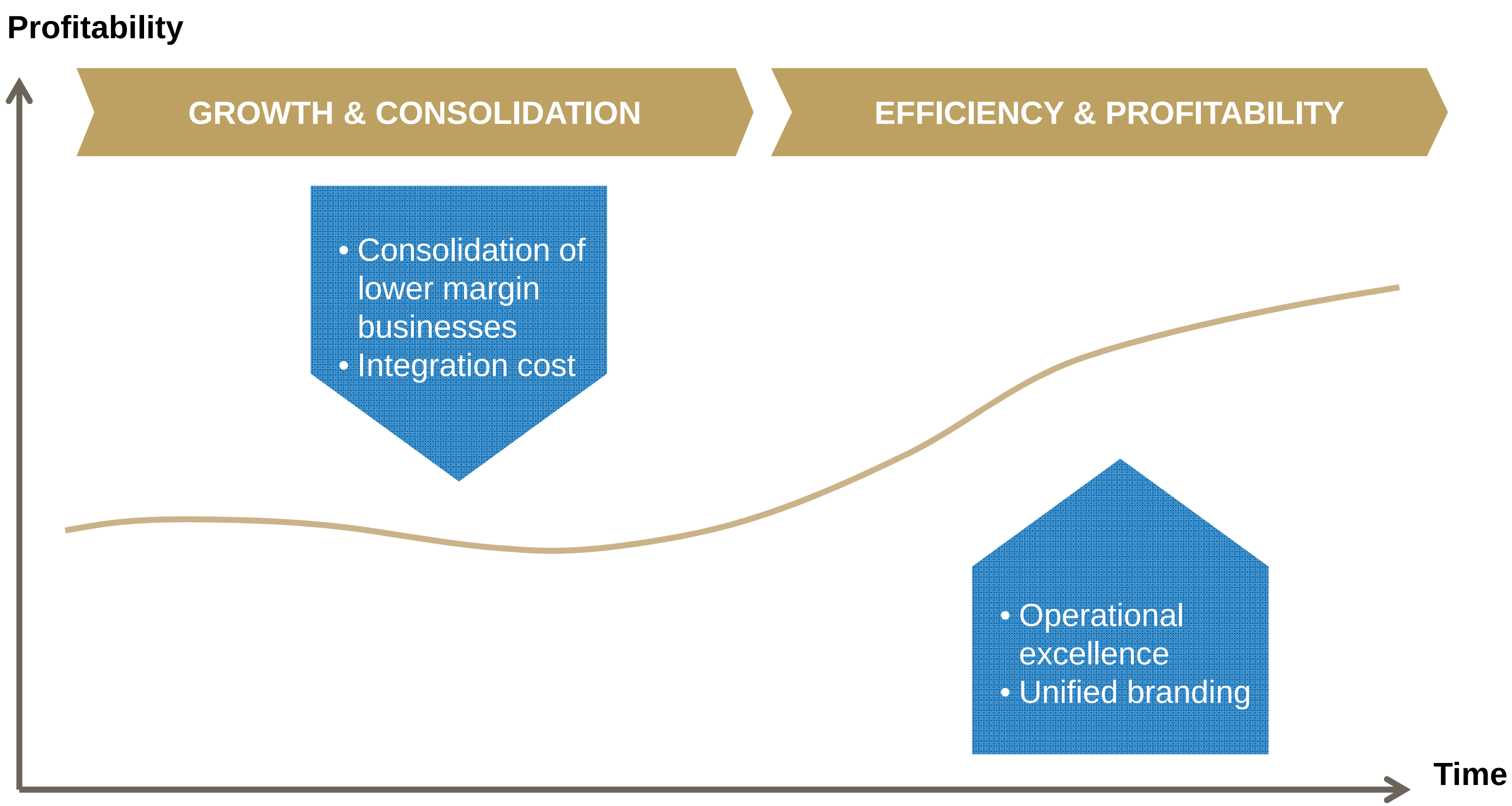
CONSOLIDATION EFFECT ON MARGINS



TRADE-OFF – SHORT-TERM DILUTION VS. LONG-TERM PROFIT GROWTH

New Product Innovation Rate

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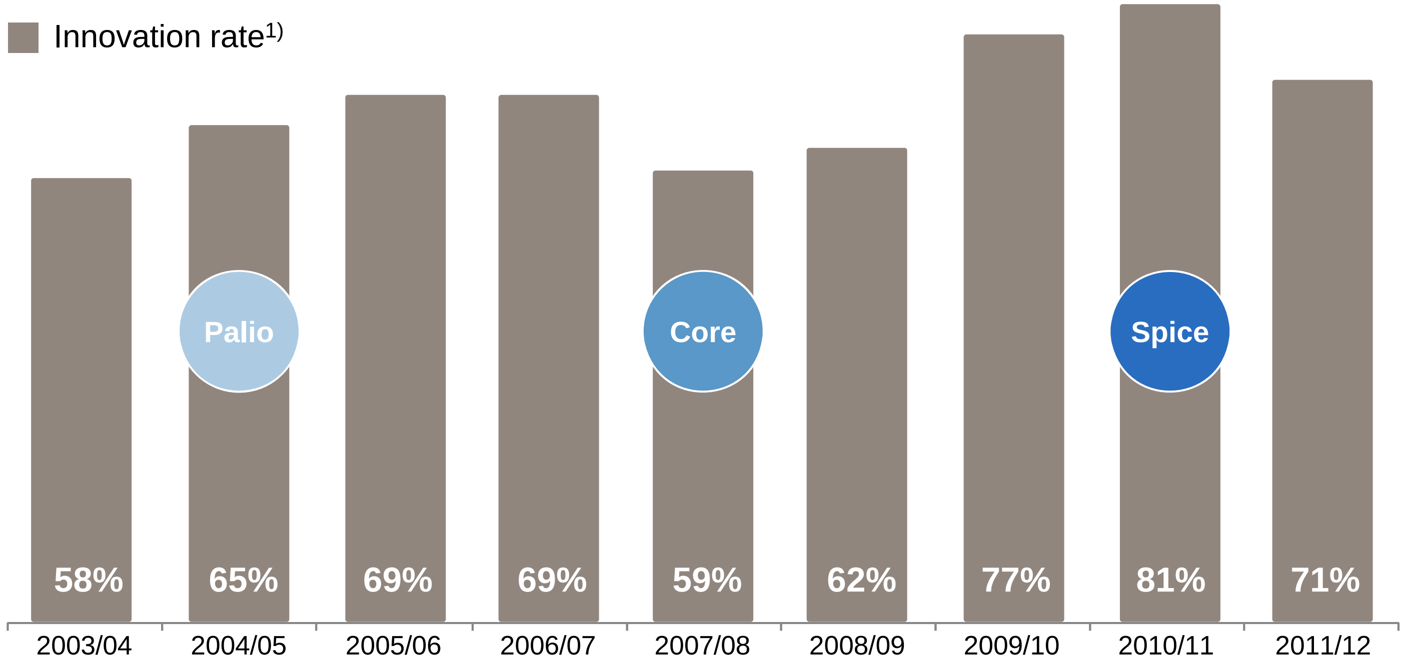
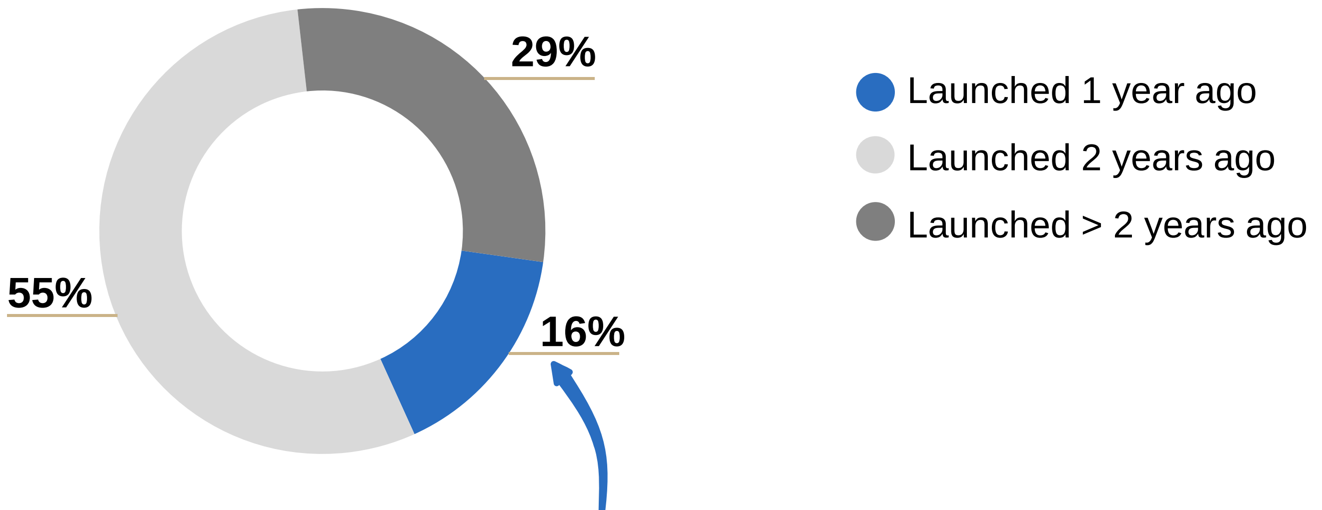
REGULAR INTRODUCTION OF NEW PLATFORMS



[1)] Sales of products launched less than 2 years ago in % of total sales

ON AVERAGE OVER 2/3 OF SALES WERE FROM PRODUCTS < 2 YEARS

CONSISTENTLY UPDATED RANGE OF PRODUCTS



BROAD RANGE ACROSS ALL FORM FACTORS AND PERFORMANCE LEVELS

Phonak Lyric

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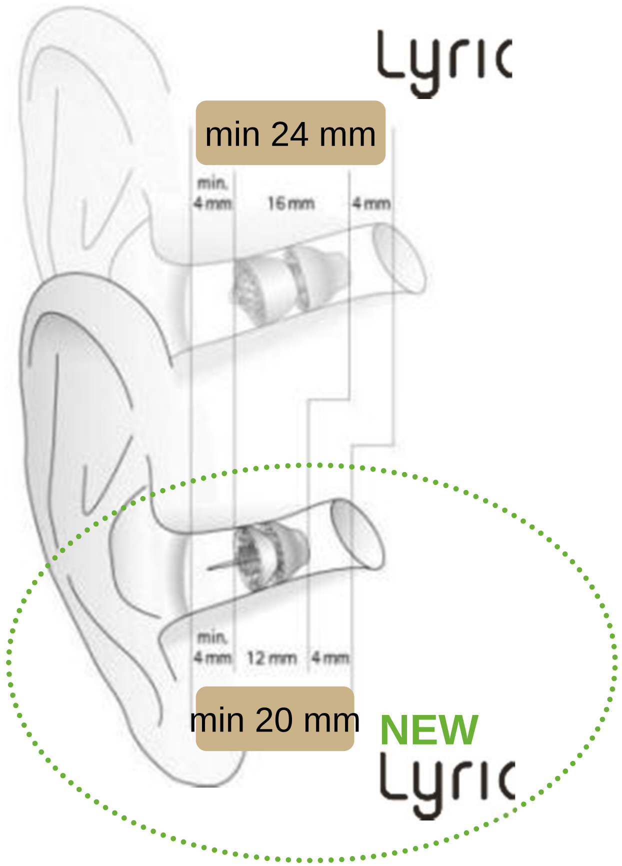
INTRODUCING A NEW PRODUCT CATEGORY

Unique selling proposition

- Invisible and hassle-free 24/7 for up to 120 days
- Immediate insertion, no ear impression necessary
- Worn during daily activities

Further improved with new version

- 50% higher anatomical fit rate
- Improved longevity
- Smaller consignment stock
- Improved sizing and fitting process



STRONG LEAD GENERATOR AND CROSS SELLING POTENTIAL

Accelerating Innovation Rate in CI

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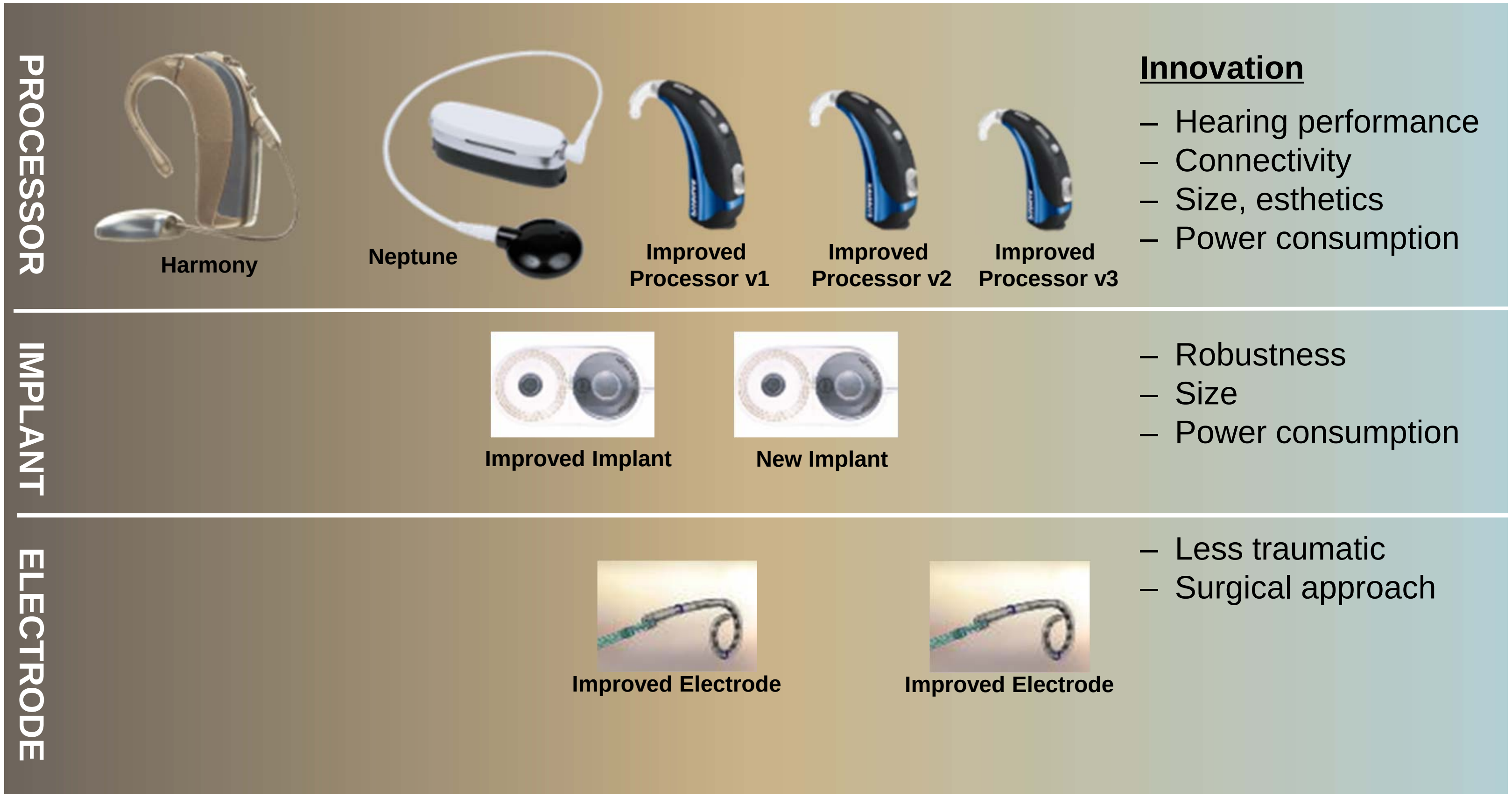
ATTRACTIVE PRODUCT DEVELOPMENT – PHONAK AND AB SYNERGIES*



Today → Mid-Term

* Illustrative Chart

Incorporating HI Technology in CI

LEVERAGING R&D - PRODUCT IMPROVEMENTS AND COST SYNERGIES

	Feature	Phonak Ambra	AB Harmony	Competitor A	Competitor B
	Stationary Noise Reduction	NoiseBlock	ClearVoice	-	(X)
	Impulsive Noise Reduction	SoundRelax	-	-	-
	Wind Noise Reduction	WindBlock	-	-	-
	Dereverberation	EchoBlock	-	-	-
	Automatic Control System	SoundFlow	-	-	-
	Learning Functions	Preference Learning	-	-	-
	Binaural Directivity Steering	Auto ZoomControl	-	-	-
	Binaural Beamfoaming	StereoZoom	-	-	-

CURRENT HI FEATURES PROVIDE A GLIMPSE AT FUTURE CI POTENTIAL

Business Case

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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
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- Target to return to mid-twenties EBITA margin within five years

05.

FINANCIAL INFORMATION

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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

FULL YEAR 2011/12

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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**

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SALES RESULTS

In CHF million	FY 2010/11	FY 2011/12	Growth in lc	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%)

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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%**

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SALES GROWTH ACROSS PRODUCT GROUPS

in CHF million	FY 2010/11		FY 2011/12		
	Sales	in %	Sales	in %	Growth in lc
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%**

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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%

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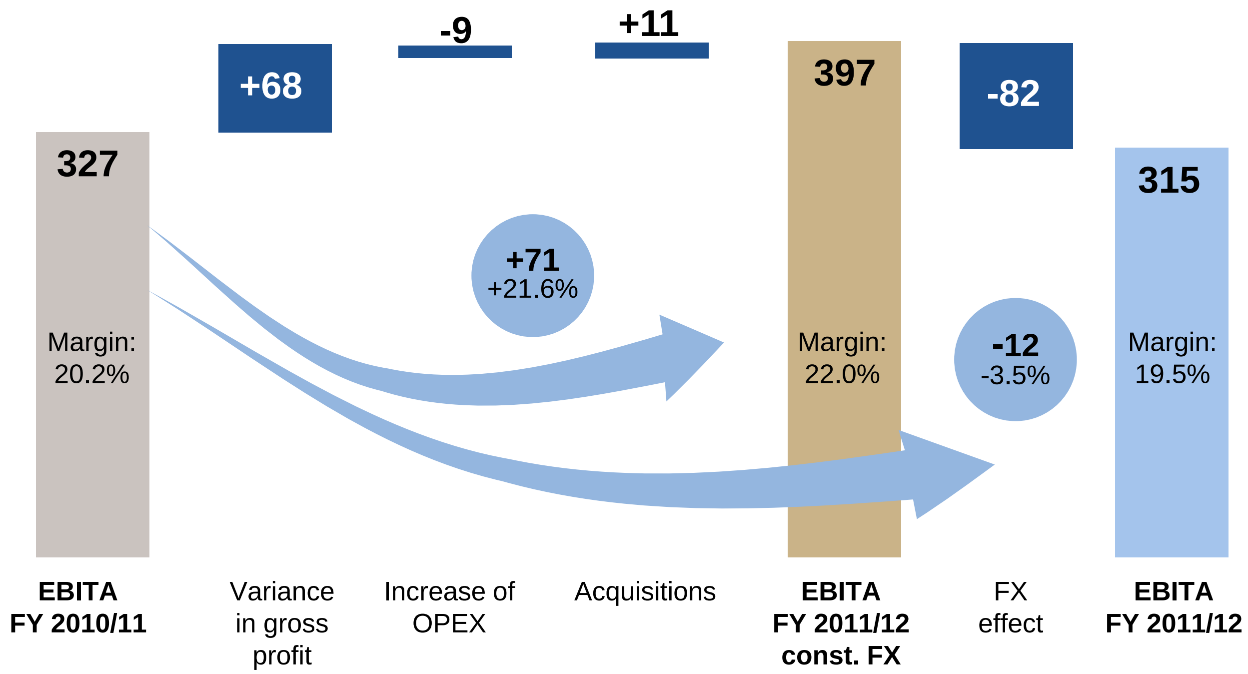
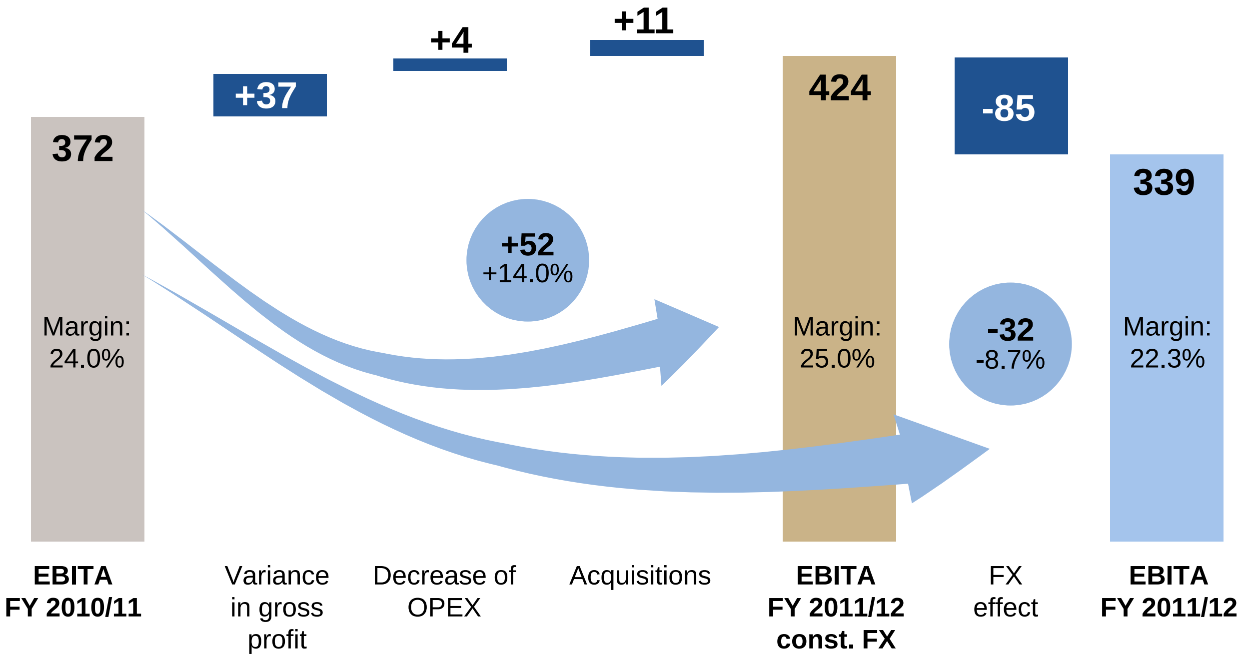
GROUP EBITA DEVELOPMENT



EBITA REDUCED BY CHF 82 MILLION DUE TO NEGATIVE FX DEVELOPMENT

EBITA DEVELOPMENT HEARING INSTRUMENTS SEGMENT



UNDERLYING MARGIN IMPROVEMENT OFFSET BY FX HEADWIND

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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%

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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

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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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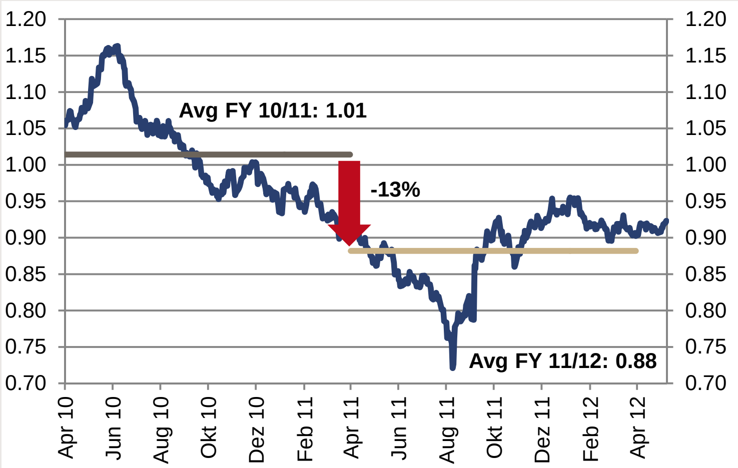
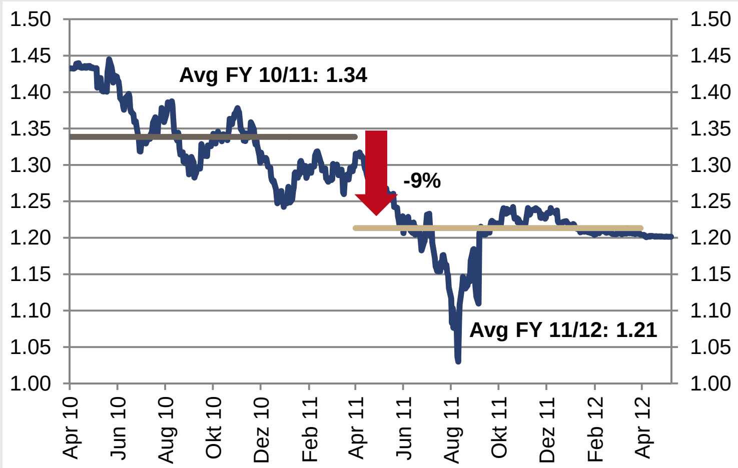
FX IMPACT ON SALES AND MARGINS LIKELY TO BE MORE MODERATE

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

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PROFITABLE GROWTH EXPECTED IN 2012/13

in CHF million	FY 2011/12	Guidance FY 2012/13
Sales		
Sales growth in lc		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

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THANK YOU!