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HEAR THE WORLD

INVESTOR & ANALYST DAY 2013

Stäfa, 18 September 2013 | Lukas Braunschweiler, CEO & Hartwig Grevener, CFO

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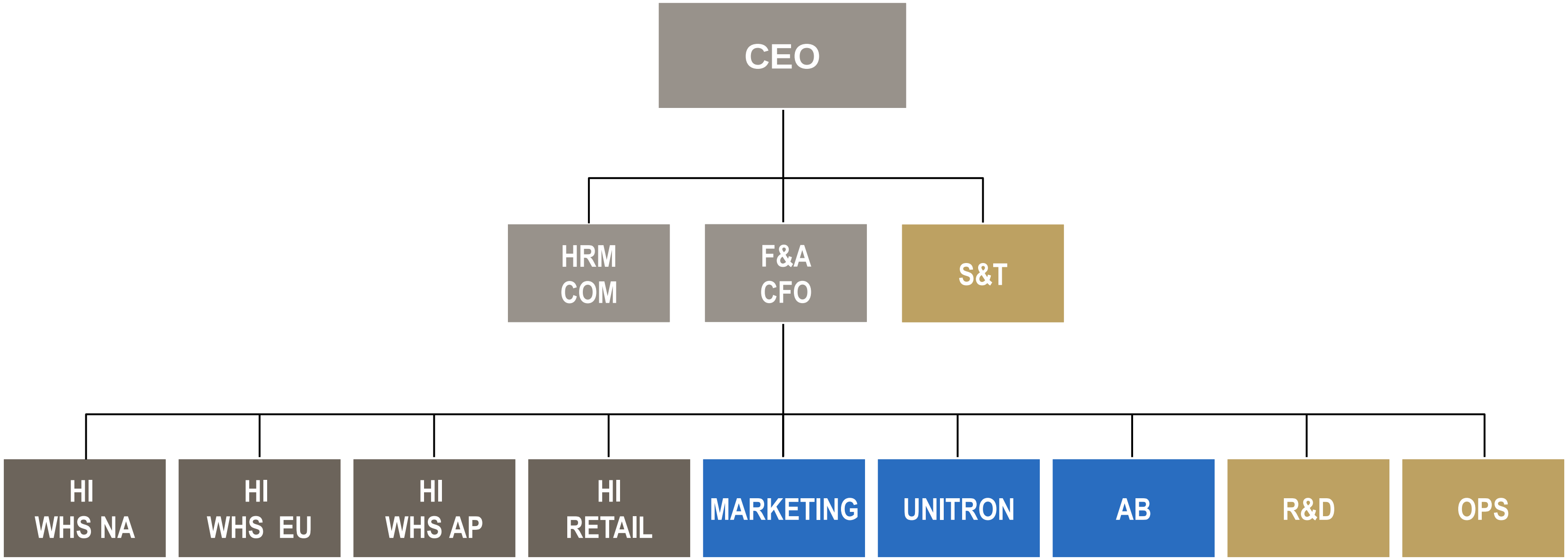
PROGRAM

08.30	**RECEPTION, COFFEE AND CROISSANTS**
09.00	**WELCOME & STRATEGY UPDATE** Lukas Braunschweiler (CEO)
09.30	**SCIENCE AND FICTION OF HEARING HEALTH CARE TECHNOLOGY** Stefan Launer (VP Science & Technology)
10.00	**EXPANDING PERFORMANCE LEADERSHIP IN COCHLEAR IMPLANTS** Hansjuerg Emch (GVP Medical)
10.45	**COFFEE BREAK**
11.00	**THE ROAD TO COCHLEAR IMPLANTATION: A CLINICAL PERSPECTIVE** Prof. Arneborg Ernst (Department of Otolaryngology at ukb Berlin)
11.45	**Q&A**
12.00	**LUNCH BREAK** With market place and product demonstration at the back of the room
13.00	**HOW DO KIDS HEAR? – FOR 40 YEARS WITH A PHONAK!** Angela Pelosi (Head of Pediatrics at Phonak)
13.30	**EVALUATION OF ADVANCED HEARING TECHNOLOGY** Dr. Jace Wolfe (Hearts for Hearing Foundation)
14.15	**Q&A**
14.30	**CLOSING REMARKS AND Q&A** Lukas Braunschweiler (CEO) and Hartwig Grevener (CFO)
15.00	**FACTORY TOUR**

THE MANAGEMENT TEAM

INTRODUCTION OF MANAGEMENT BOARD MEMBERS



STRONG TEAM OF DEDICATED BUSINESS LEADERS

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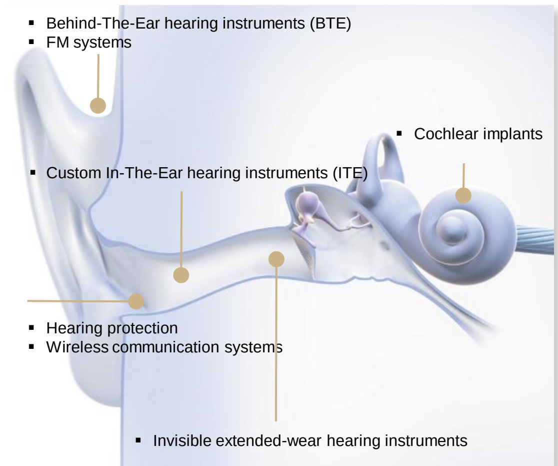
BROADEST OFFERING: HEARING INSTRUMENTS, COCHLEAR IMPLANTS …

HI Hearing Instruments



CI Cochlear Implants

PHONAK unitron

AB

HearingPlanet for hearing professionals · HANSATON Und wir verstehen uns. · LAPPERRE hearing systems · Connect Hearing YOUR HEARING PROFESSIONALS · Boots hearingcare · AuditionSanté Laboratoire de correction auditive

… AND PROFESSIONAL AUDIOLOGICAL SERVICES

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MARKET UPDATE

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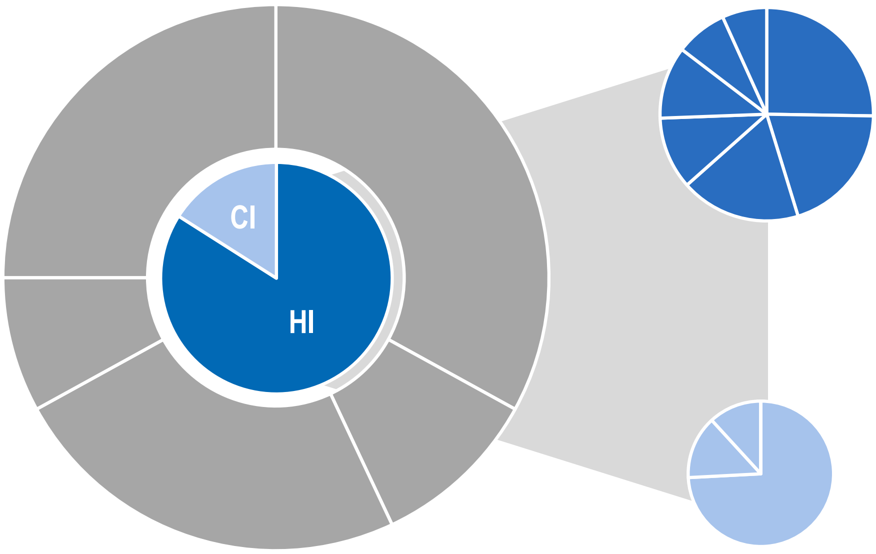
HEARING SOLUTIONS: INSTRUMENTS, IMPLANTS AND SERVICES



HEARING INSTRUMENTS HI	
- Market Size	~ CHF 4.3 billion
- Market CAGR	~ + 2-4%
- HI Size (units)	10-11 million

COCHLEAR IMPLANTS CI	
- Market Size	~ CHF 900 million
- Market CAGR	~ +10%
- CI Size (units)	~ 40 thousand

TOTAL HEARING CARE MARKET	
- Market Size	~ CHF 15-16 billion
- Market CAGR	~ + 3-5%
- HI Size (units)	10-11 million
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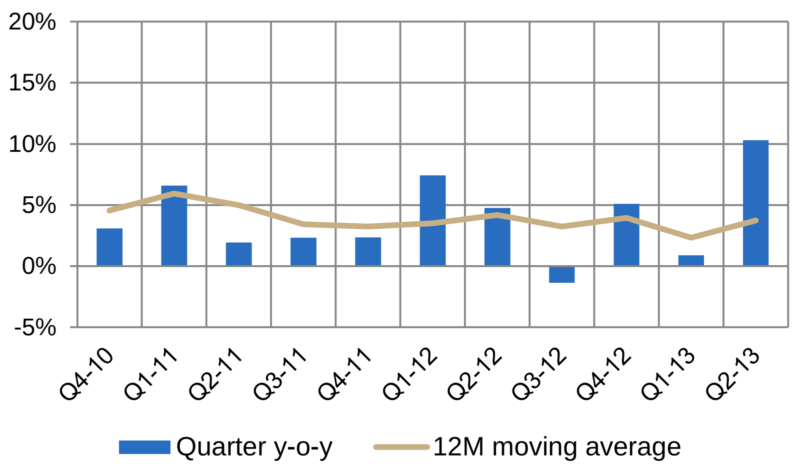
MARKETS

HEARING INSTRUMENTS – GLOBAL

Global Volume Growth *



Recent market factors:

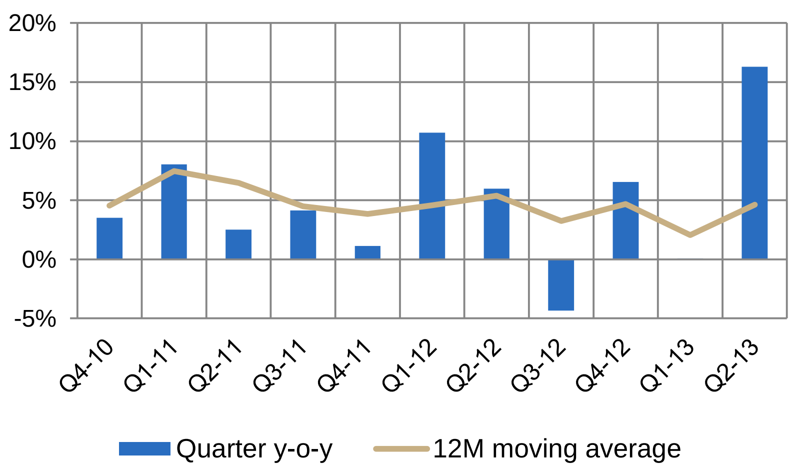
– Average market growth well within our expectations of 2-4%

– Short-term volatility in the quarterly growth numbers

* Aggregated official market statistics, representing around 70-75% of the global market

HEARING INSTRUMENTS – EUROPE

European Volume Growth *



Recent market factors:

– DE: solid performance after period of down-trading

– UK: growth boosted by private market expansion and bulk orders in NHS

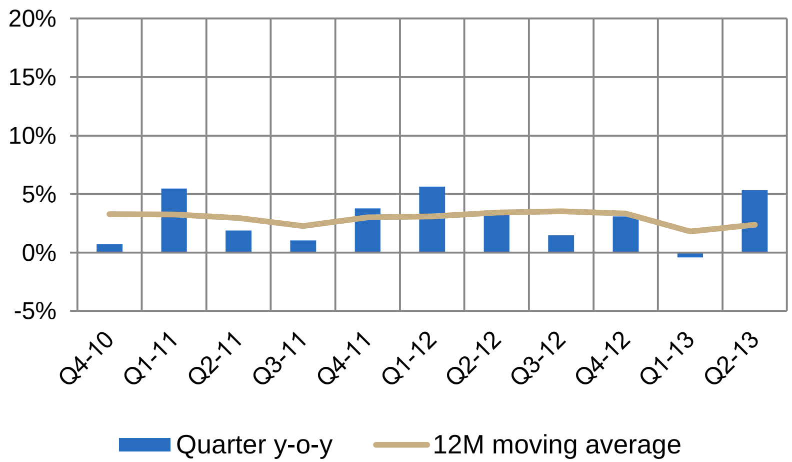
– NL and DK: hurt by reimbursement changes

– CH: normalizing after reimbursement changes in 2011

* Germany, France, UK, Italy, the Netherlands, Denmark, Sweden and Switzerland

HEARING INSTRUMENTS – NORTH AMERICA

North American Volume Growth



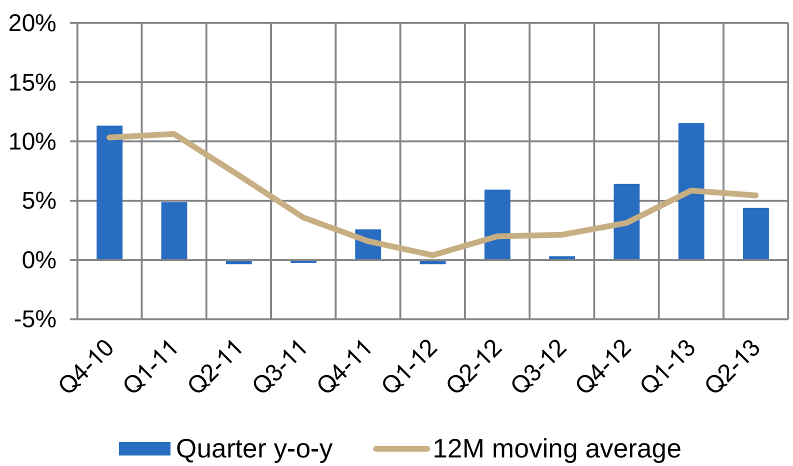
Recent market factors:

- US: growth driven by solid performance in both the private and VA markets
- US: Sonova maintains strong market share within the VA – total share back at around 55%
- CA: solid unit growth in Canada in Q2-13 after slower Q1-13

MARKETS

HEARING INSTRUMENTS – ASIA PACIFIC

Volume Growth Australia & Japan



Recent market factors:

– AUS: solid growth in Australia driving market growth in the region

– JP: solid average LTM performance

– CN: strong growth but from a low base in the relevant segment

– IN and SEA countries: smaller markets with solid growth

STRATEGY UPDATE

MARKET STRATEGY

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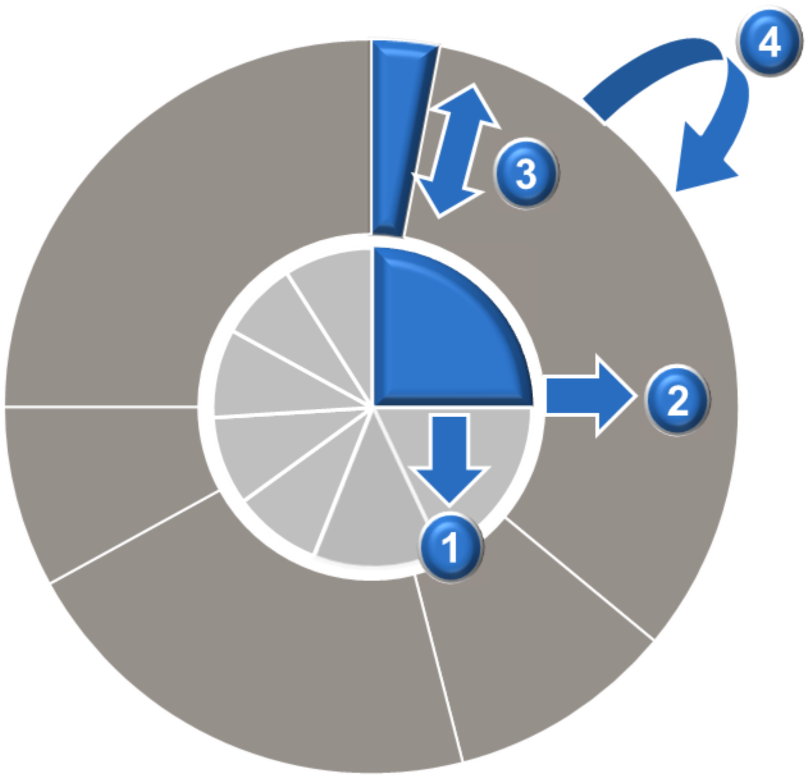
GROW MARKET POSITION ALONG 4 MAIN GROWTH VECTORS

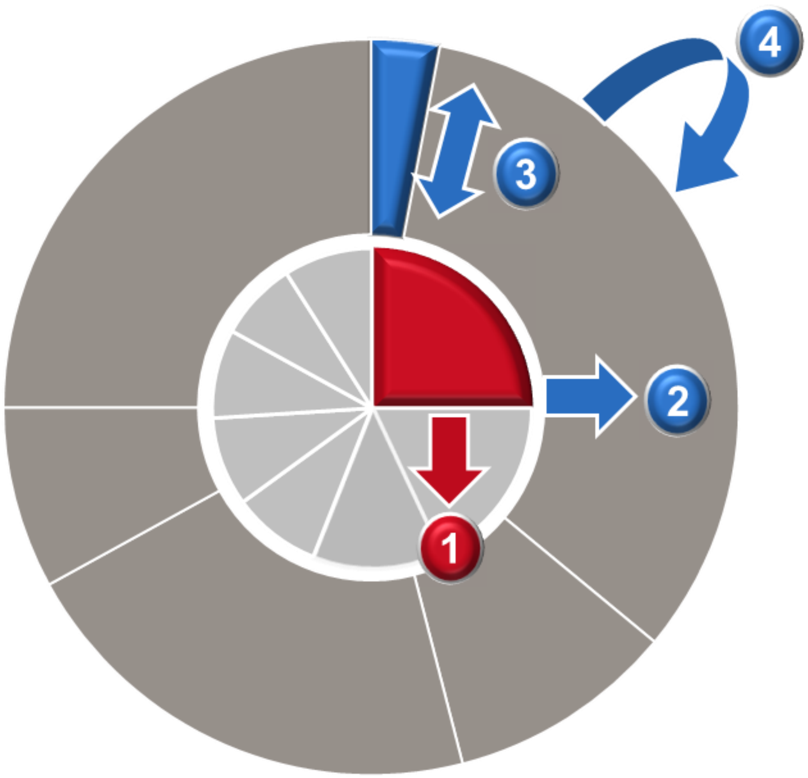


1. Penetrate existing markets
2. Expand accessible markets
3. Integrate service channels
4. Develop consumer base

FOCUS ON KEY INITIATIVES TO SUPPORT GROWTH STRATEGY

MARKET STRATEGY

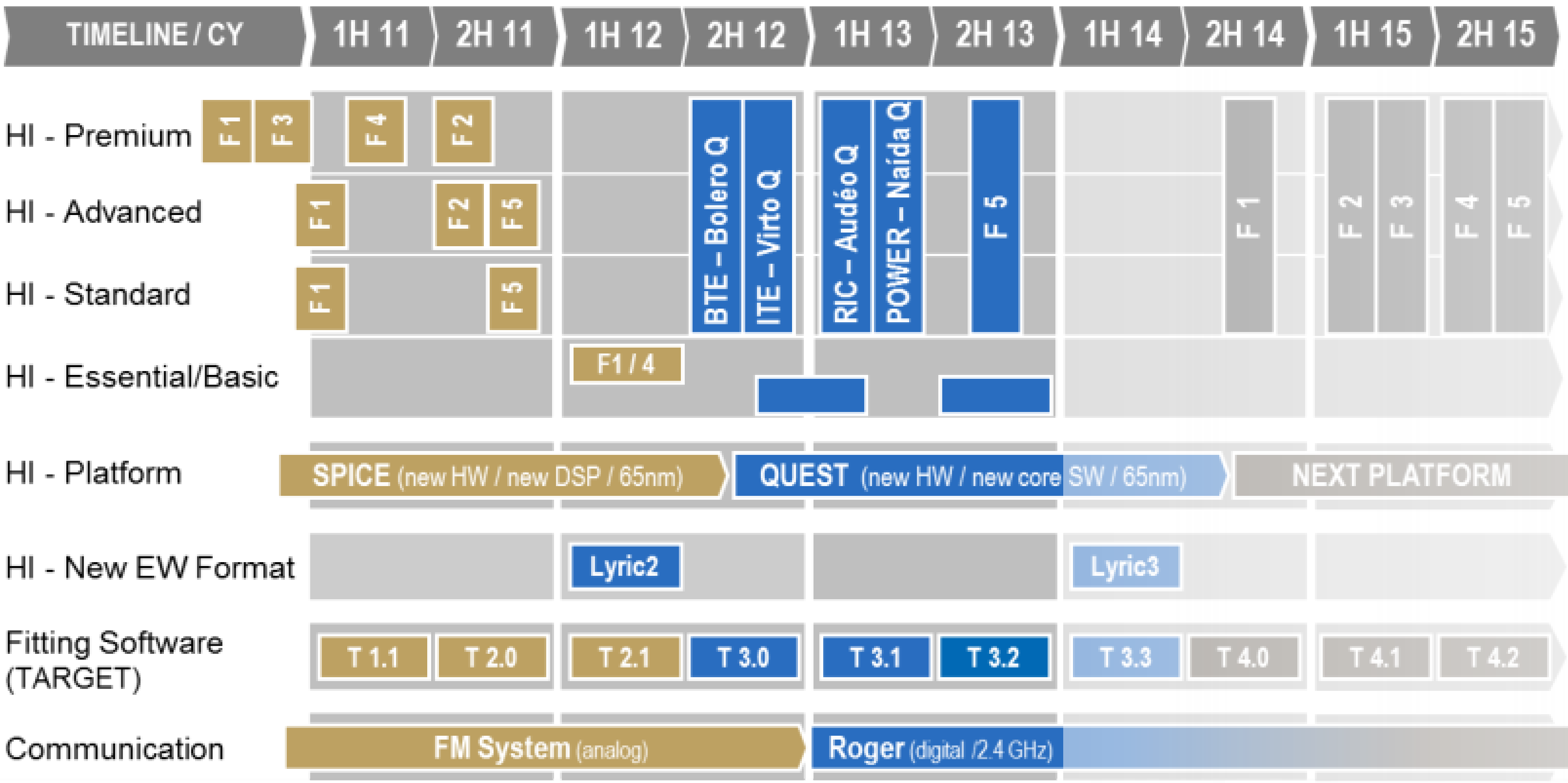
MARKET PENETRATION



1. Penetrate existing markets
   - New products at Phonak
   - New products at Unitron
   - New products at AB
2. Expand accessible markets
3. Integrate service channels
4. Develop consumer base

NEW PRODUCTS PHONAK

PRODUCT PIPELINE: DRIVE HIGH INNOVATION & PRODUCT LAUNCH RATE



Note: Subject to change

COMPLETE RANGE ACROSS ALL FORMATS AND PERFORMANCE LEVELS

NEW PRODUCTS PHONAK

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QUEST LAUNCH: INNOVATION ACROSS THE FULL PRODUCT RANGE

Performance levels	Bolero Q	Virto Q	Audéo Q	Naída Q
	BTE	ITE	RIC	POWER
Q90	●	●	●	●
Q70	●	●	●	●
Q50	●	●	●	●
Q30			●	●
% of overall market	20%	15%	40%	25%
Time of launch	EUHA 2012	EUHA 2012	AAA 2013	AAA 2013

GAINING MARKET SHARE: 20% OF QUEST CUSTOMERS ARE NEWLY ACTIVATED*

* Customers not buying Phonak HI products in the last twelve months

NEW PRODUCTS PHONAK

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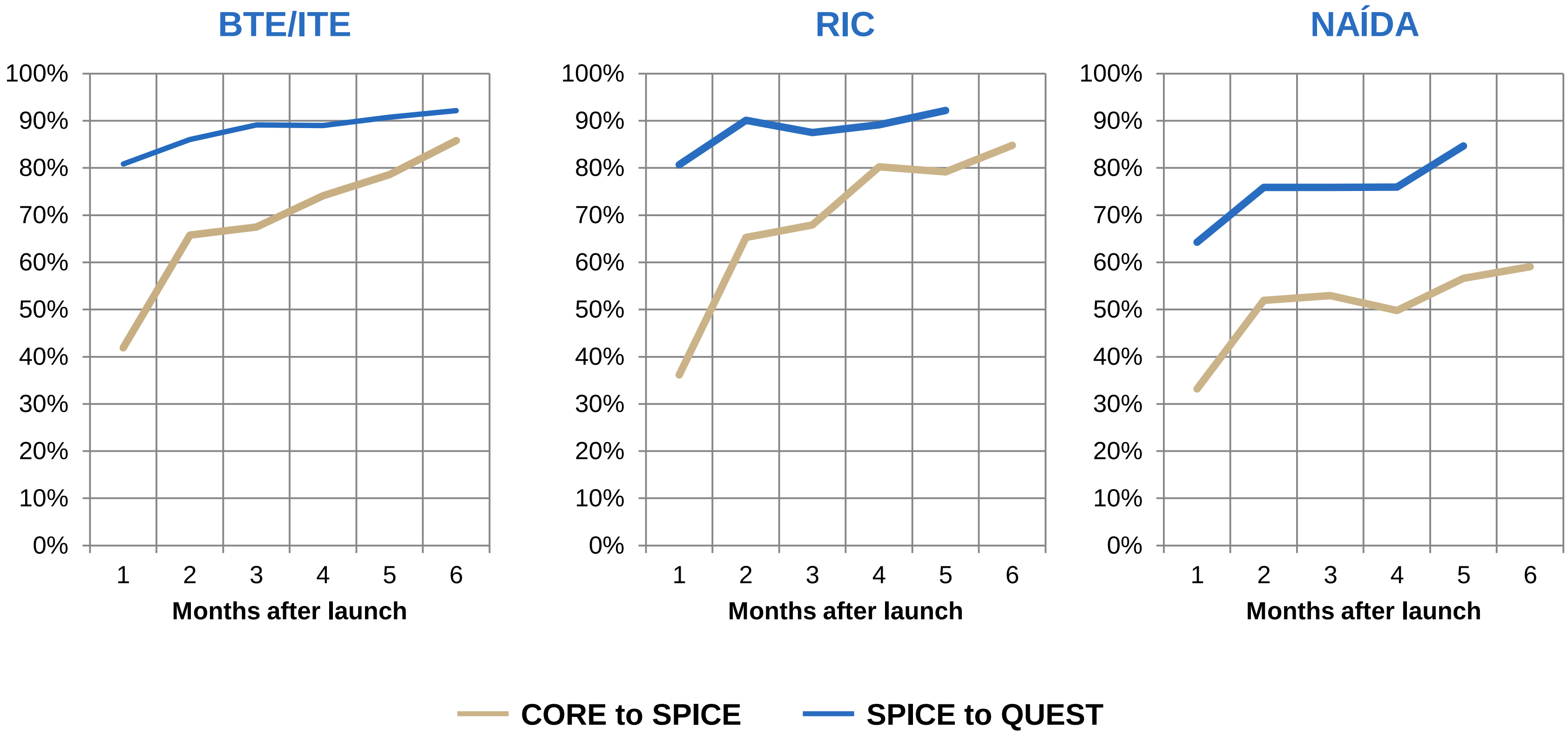
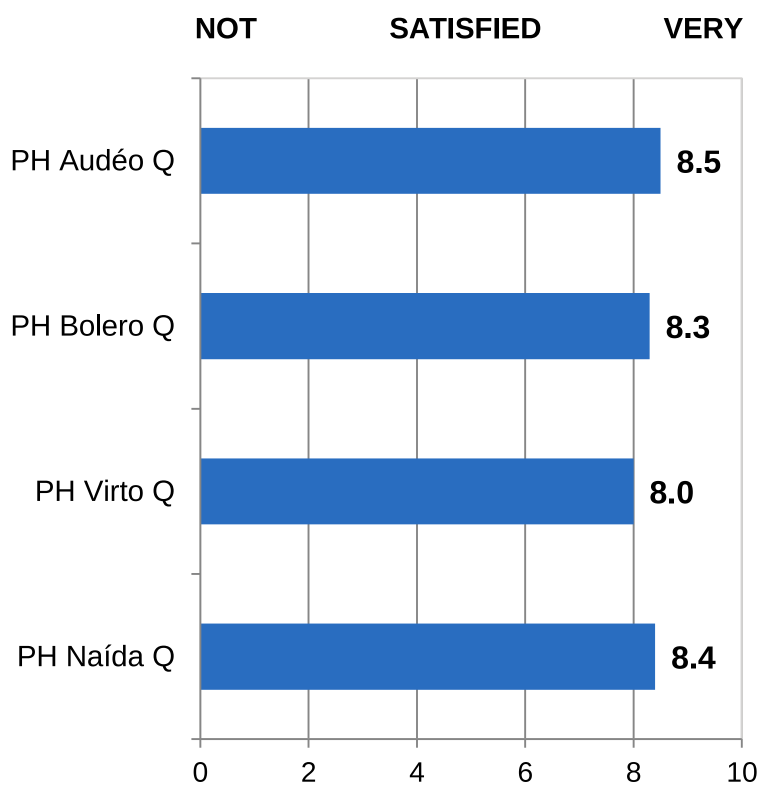
QUEST LAUNCH: FAST REVENUE CONVERSION



THE HIGHER THE TECHNOLOGY LEVEL – THE FASTER THE CONVERSION

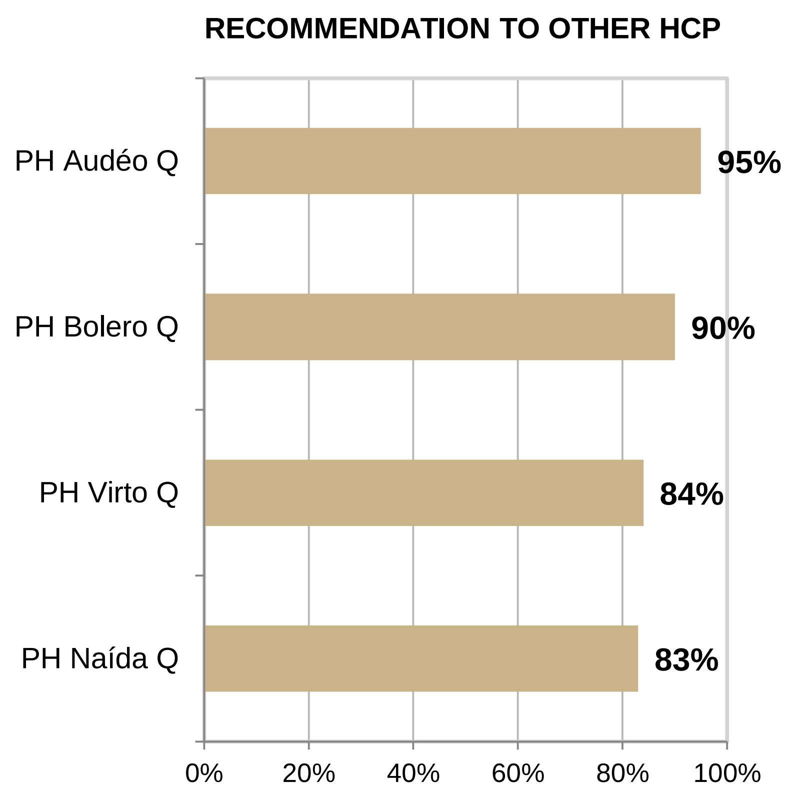
NEW PRODUCTS PHONAK

SATISFACTION RATE HCP: > 8.0



Source: Phonak Post Launch Monitor

RECOMMENDATION RATE HCP: > 80%



Source: Phonak Post Launch Monitor

NEW PRODUCTS PHONAK

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QUEST – THEMATIC LAUNCH STRATEGY CONTINUES WITH PEDIATRICS

Product launch – Fall 2013:

– Comprehensive product launch in pediatric market segment

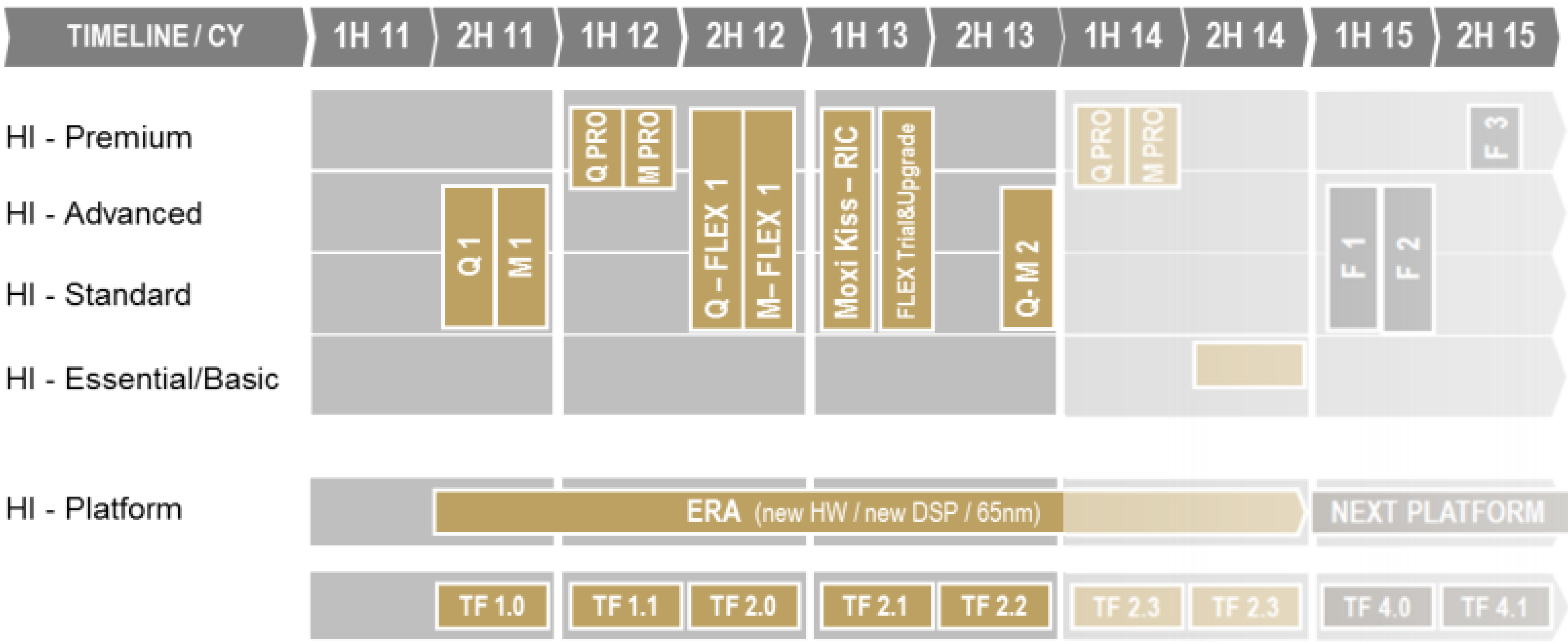
– Including hearing aids and wireless accessories

– Building on new Roger for education launch in June 2013

– Further expansion of the Roger 2.4 GHz technology wireless portfolio

NEW PRODUCTS UNITRON

PRODUCT PIPELINE: DRIVE FOCUSED PRODUCT INNOVATION



Note: Subject to change

FLEXIBLE RANGE ACROSS 3 FORMATS AND ALL PERFORMANCE LEVELS

NEW PRODUCTS UNITRON

FLEX: ONE YEAR IN – STRONG POSITIVE MARKET RESPONSE

– Customer quotes on Flex:trial

> *"(Flex:trial) brought more patients in than I could have imagined and what's even better is for some reason they were quality patients. I had a closing rate of 80 percent..."* – Dominick, New York, NY

> *"The majority of people who have tried (Flex:trial) – something like 90 percent – have bought (Unitron hearing aids) because they were able to try them first." – Ken, McCook, Neb.*

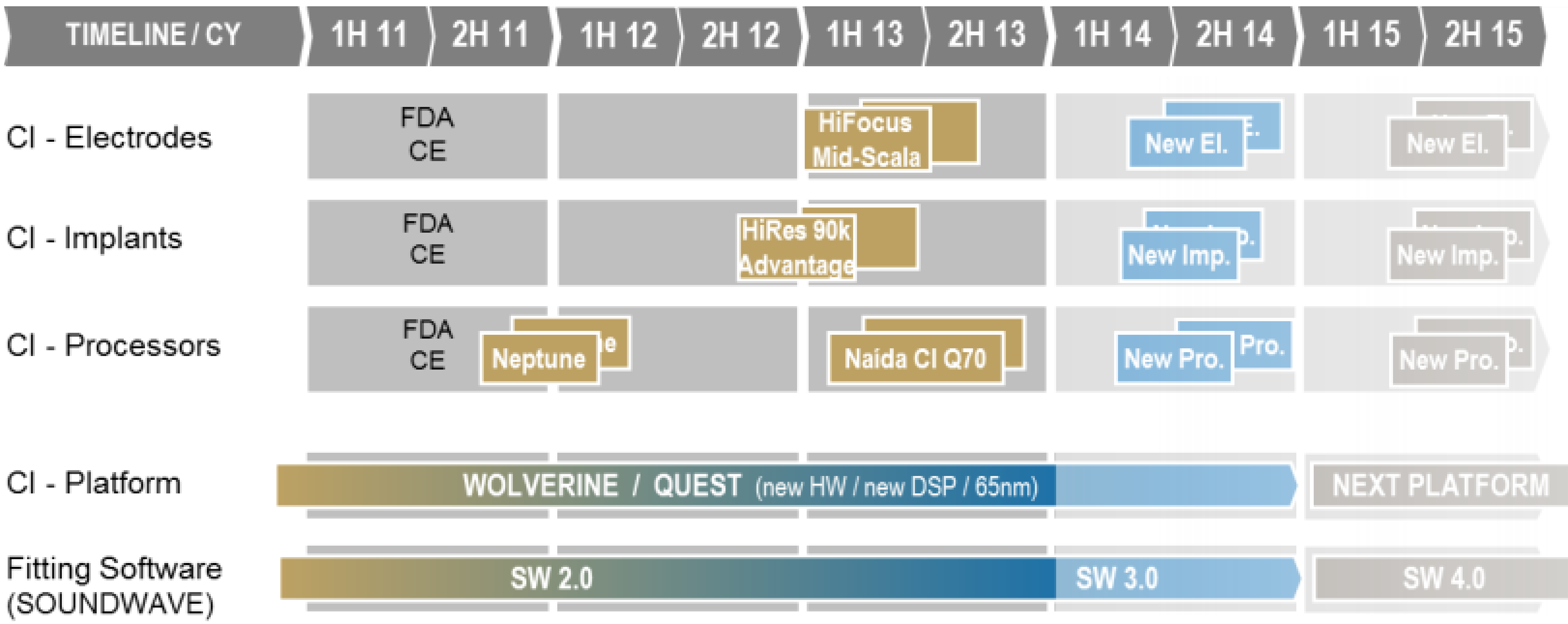
> *"From my perspective, (the process) is much easier because I am not sending units back and making sure we get credit and then ordering and there are fewer invoices." – Lynn, Michigan City, Ind.*

– First results from Flex:upgrade

- Increased patient satisfaction, higher revenues and more effective patient recall
- 50-75% average conversion rate after test-drive
- Best timing for further upgrade: 6-18 months after initial purchase
- Driving higher traffic through targeted marketing

NEW PRODUCTS ADVANCED BIONICS

PRODUCT PIPELINE: ACCELERATE INNOVATION RATE – LEVERAGE PH



Note: Subject to change, timing dependent upon regulatory approvals

EXPAND RANGE OF INNOVATIVE PROCESSORS, IMPLANTS, ELECTRODES

NEW PRODUCTS ADVANCED BIONICS

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UNPRECEDENTED NUMBER OF NEW PRODUCTS IN THE LAST 12 MONTHS

CI PRODUCT		TÜV - EU	FDA - US	OTHER
Naída CI Q70	Sound Processor	✓	✓	✓
HiRes™ Optima	Sound Processing	✓	✓	✓
HiFocus™ ms	Mid-Scala Electrode	✓	✓	✓
HiRes 90K™	Advantage Implant	✓	✓	✓

MARKET STRATEGY

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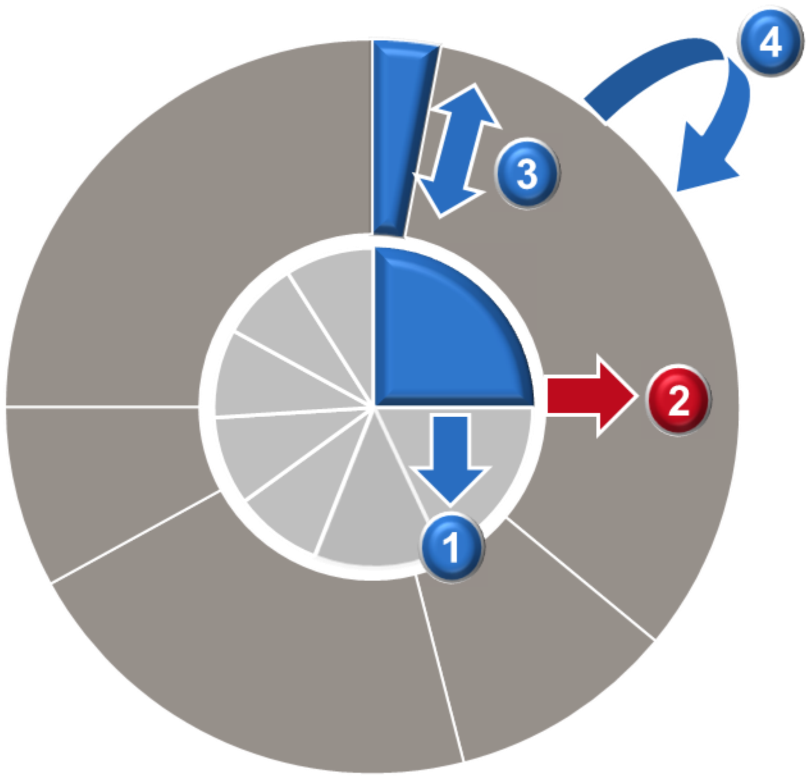
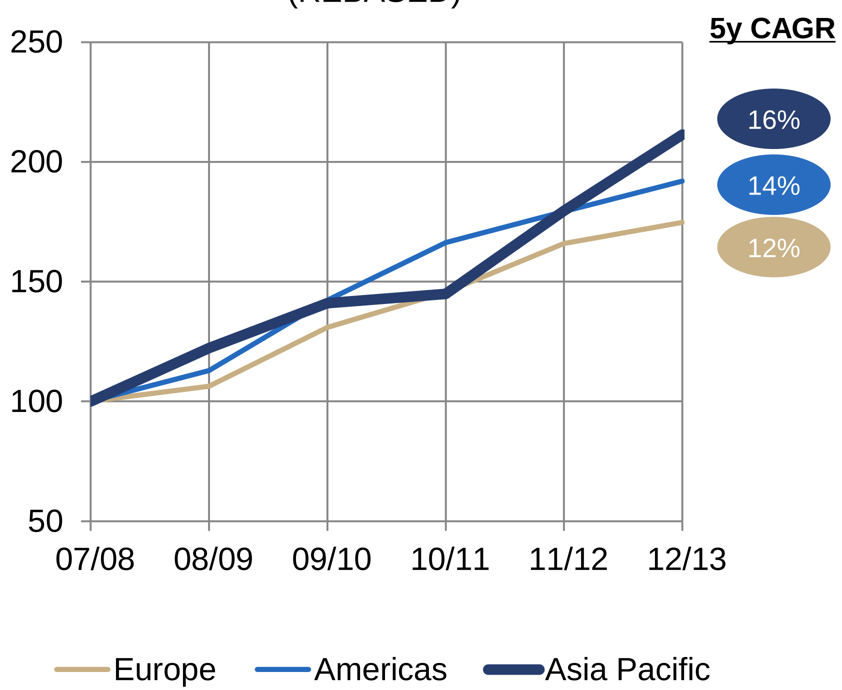
MARKET EXPANSION



1. Penetrate existing markets
2. Expand accessible markets
   - Asia and China
   - New format Lyric
3. Integrate service channels
4. Develop consumer base

THE MOST DYNAMIC MARKET IN THE PAST FIVE YEARS

LC SALES DEVELOPMENT
(REBASED)

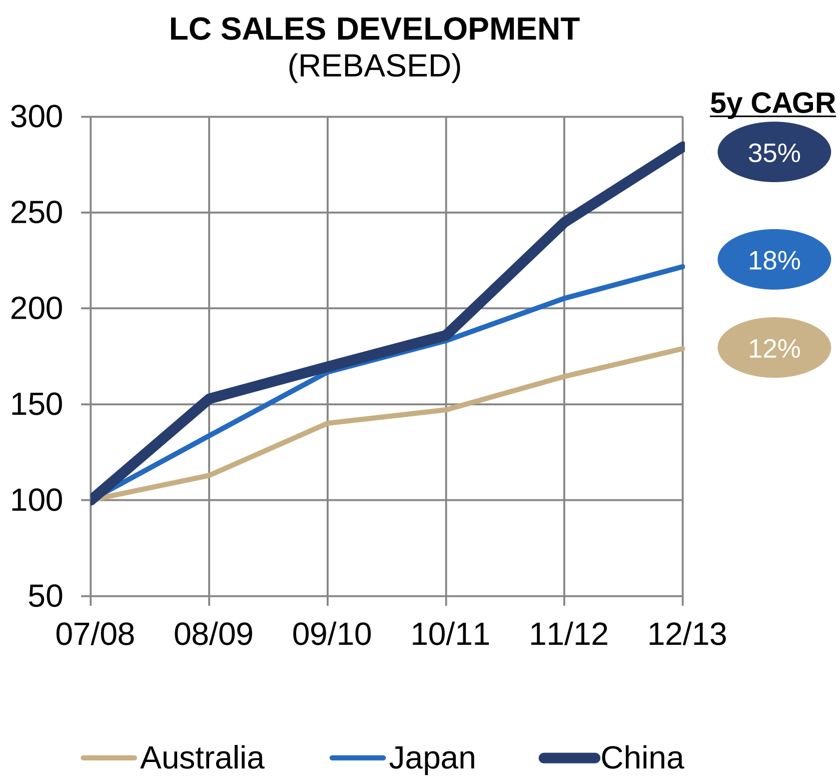


Strong acceleration in last 2 years:

– AP: highest 5y CAGR among three SOON Regions
– AP: representing 11% of SOON sales in FY 12/13
– AU and JP: still the largest SOON markets in APAC
– CN: strong acceleration and catching up fast

SUBSTANTIAL MARKET SHARE GAIN AND GROWTH POTENTIAL

THE NEXT FOCUS IN OUR EMERGING MARKETS STRATEGY



Specific challenges

- Low-end models dominate volume
- Low number of audiologists, dispensers and fitters
- Limited reimbursement today
- End users' apathy to hearing loss

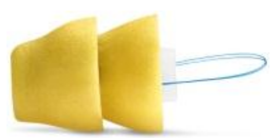
Sonova's approach to China

- Develop base of professional audiologists and dispensers
- Roll-out specific CN products
- Exploit the multi-brand strategy incl. AB (2^{nd} government tender won: 1'500 units)
- Foster educational and research programs

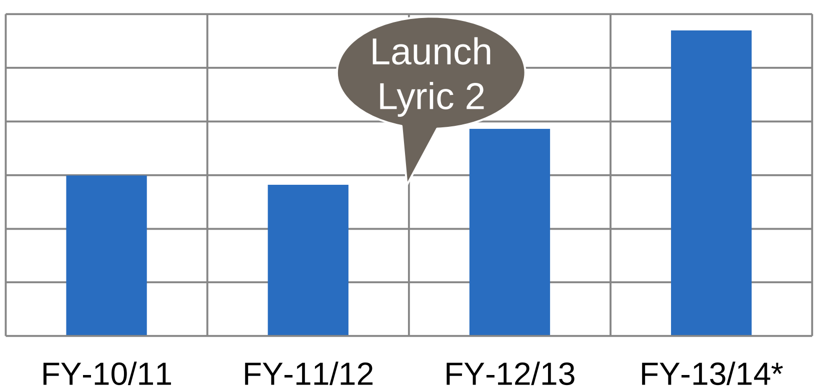
SOLID PROGRESS IN STRATEGY IMPLEMENTATION

NEW FORMAT LYRIC

A NEW PRODUCT FORMAT TO EXPAND THE ACCESSIBLE MARKET



AVG MONTHLY NEW SUBSCRIPTIONS – US



* August YTD figures

Business development update:

- FY 2013/14 YTD: strong double-digit growth
- Significant revenue generator both directly and through cross-selling
- Best-in-class lead generation with lowest cost/contact
- Installed base increasing rapidly
- Introduction of Lyric 2.3 in 2013: improved protection against moisture and cerumen impact

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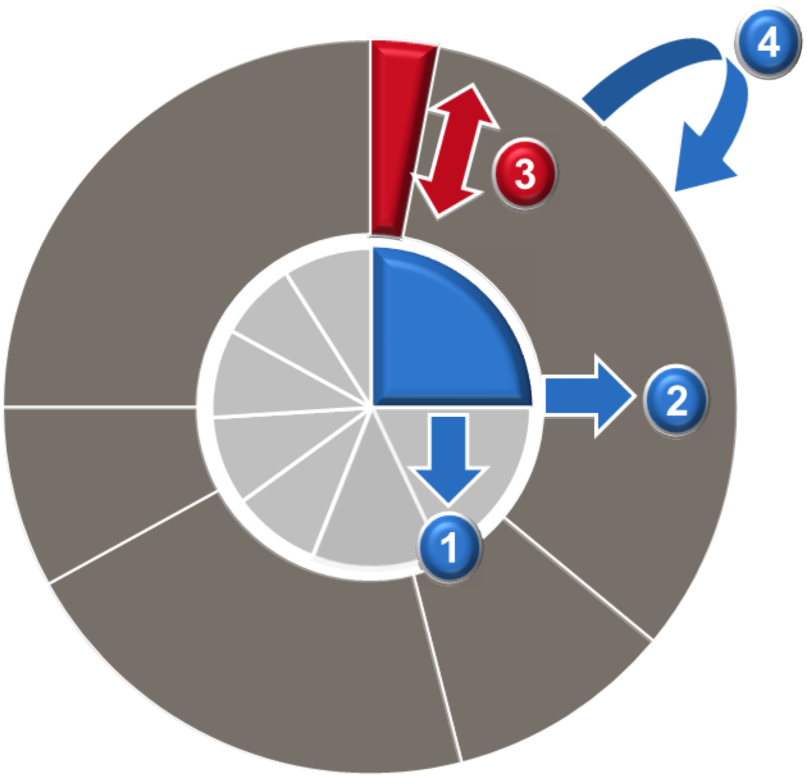
CHANNEL INTEGRATION



1. Penetrate existing markets
2. Expand accessible markets
3. Integrate service channels
   - Growth
   - Profitability
   - Brand equity
4. Develop consumer base

CHG RETAIL STRATEGY

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BASED ON THREE STRATEGIC SUCCESS FACTORS

SUCCESS FACTORS

Success factor	
Growth	Focused **sustainable** and **profitable growth in selected markets.** Balanced approach with four growth levers: base increase, new openings, acquisitions and innovation
Profitability	Systematic introduction of **standard operating procedures** (SOP), **systems** and **skill sets** in order to drive **efficiency and effectiveness**
Brand Equity	**Homogenous** and **consistent branding** to increase **brand recognition** and to take advantage of **economies of scale**

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BOOTS/DOHC SHOP-IN-SHOP APPROACH: A MARKET LEADING CONCEPT

Continued strong development:

– Based on successful business model established ten years ago

– Number of locations in the UK: 359 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

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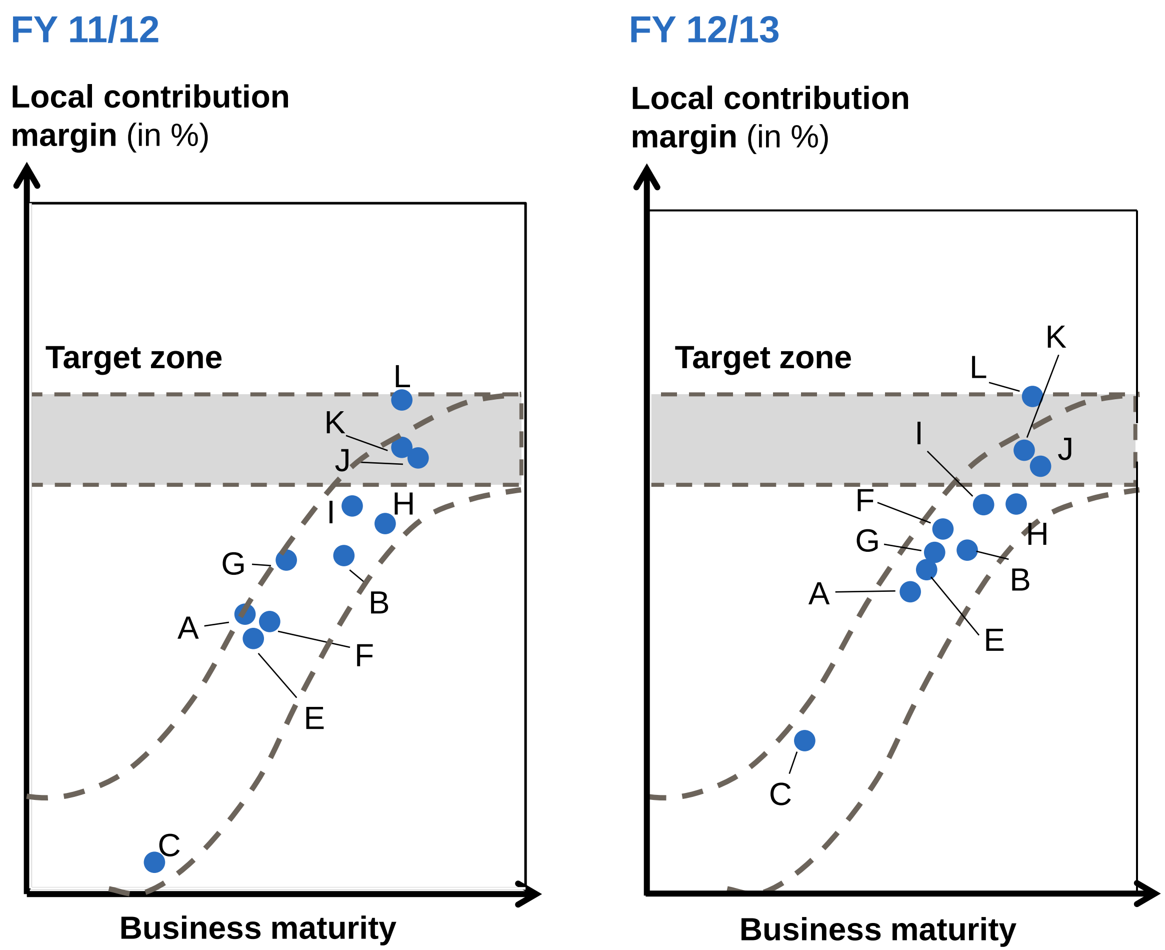
CONTINUOUS MARGIN IMPROVEMENT – DRIVEN BY SUCCESSFUL INTEGRATION

SUCCESS FACTORS

- **Growth**
- **Profitability**
- **Brand Equity**



BRAND EQUITY

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HOMOGENOUS & CONSISTENT BRANDING WITH FEWER BRANDS

SUCCES FACTORS

- **Growth**
- **Profitability**
- **Brand Equity**

Approach to CHG brand strategy: “think global – act local”

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INCREASE BRAND RECOGNITION – MODERN CONSISTENT STORE DESIGN

SUCCESS FACTORS

- Growth
- Profitability
- **Brand Equity**

MARKET STRATEGY

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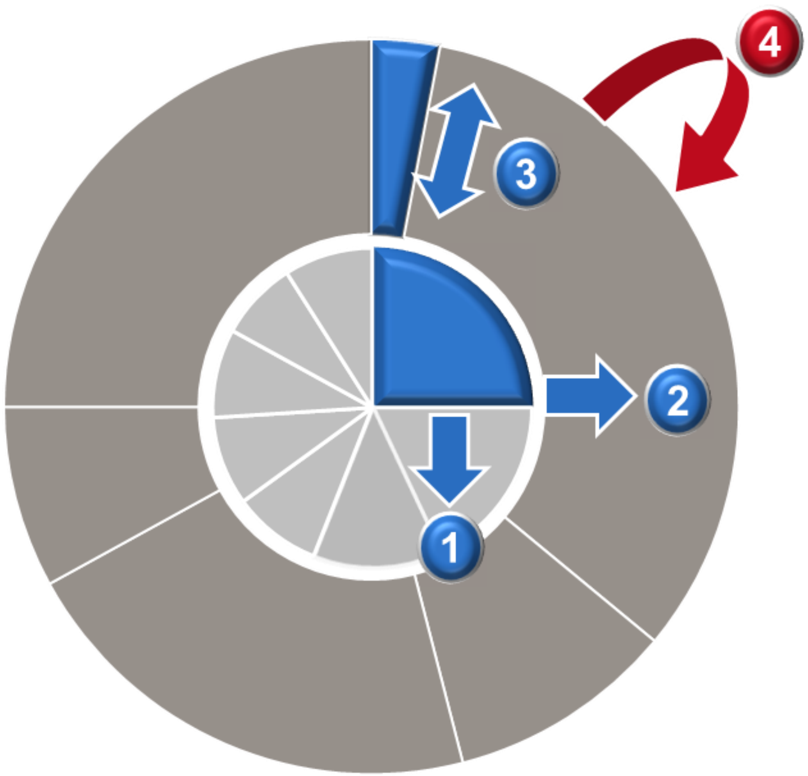
CONSUMER BASE DEVELOPMENT



1. Penetrate existing markets
2. Expand accessible markets
3. Integrate service channels
4. Develop consumer base
   - e-Business strategy
   - e-Based technology

DIGITAL HEALTHCARE CONSUMER

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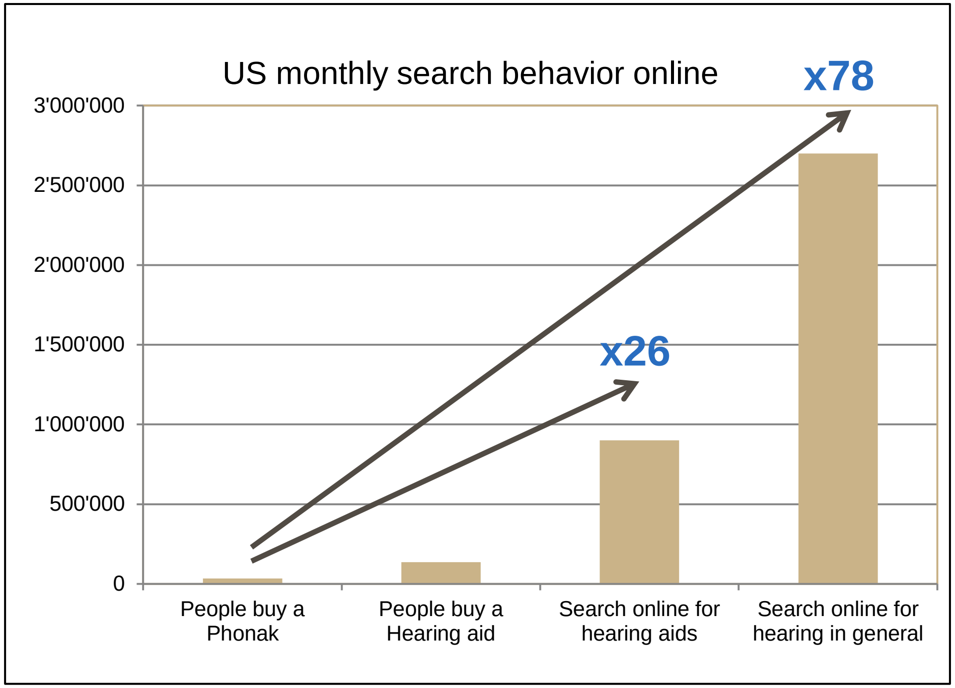
INTERNET USE: SEARCH FOR HEALTH INFORMATION

DEVELOPED MARKETS

80% internet users search for health information online

Source: Google



DEVELOPED MARKETS: 46% OF PEOPLE AGE 65-79 USE THE INTERNET

DEVELOP CONSUMER BASE

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IMPROVE LEAD AND END-USER DEMAND GENERATION

Expand on support services:

– Leverage e-business (marketing and sales) opportunities.

– B2C: drive lead generation by harnessing multiple sources:

  – Online: e.g. HearingPlanet

  – Classic media: e.g. Lyric DTC

  – Social media

  – etc.

– B2B: support key channel partners and own CHG retail organization.

– e-Based technologies and services: tele-audiology and distant support

MARKET STRATEGY

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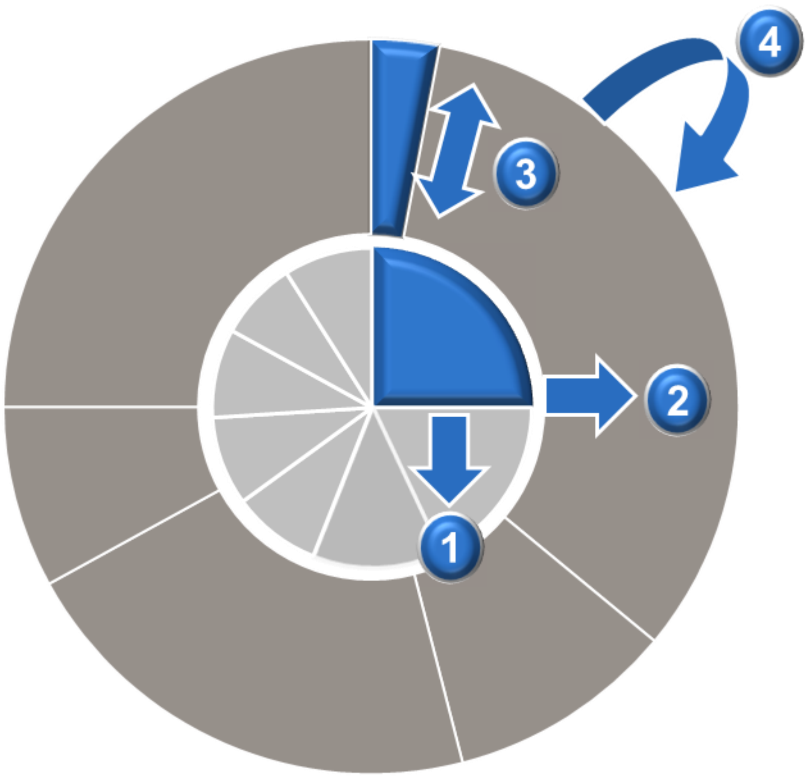
GROW MARKET POSITION ALONG 4 MAIN GROWTH VECTORS



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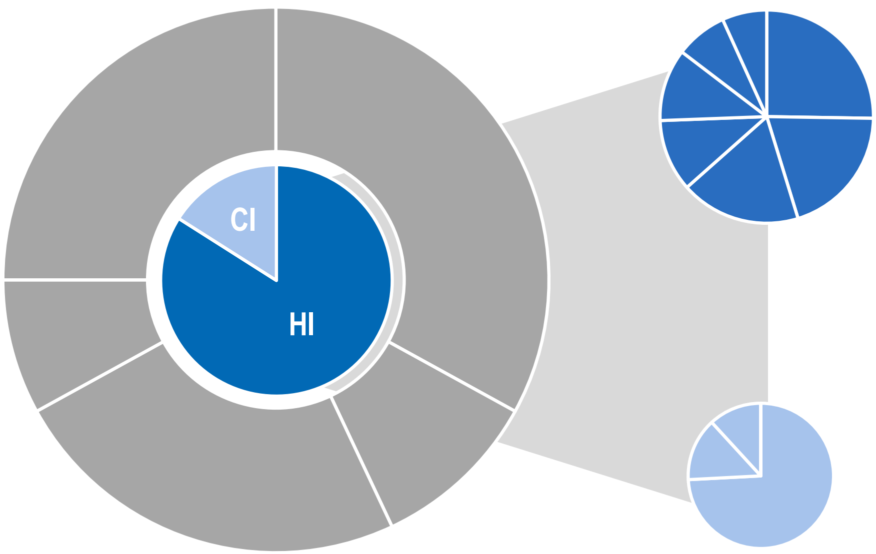
FOCUS ON KEY INITIATIVES TO SUPPORT GROWTH STRATEGY

OUTLOOK

MARKETS

HEARING SOLUTIONS: INSTRUMENTS, IMPLANTS AND SERVICES



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OUTLOOK

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FY 2013/14 GUIDANCE – IN LOCAL CURRENCIES

	Guidance FY 2013/14	Actual - normalized FY 2012/13
Sales		
Sales growth in LC	6%-8%	7.4%
thereof acquisition related growth	approx. 1%	2.2%
FX-impact	n/a	3.4%
Total sales growth in CHF	n/a	10.8%
EBITA		
EBITA growth in LC	9%-13%	15.4%
FX-impact	n/a	7.2%
Total EBITA growth in CHF	n/a	22.6%

CURRENT PERFORMANCE UNDERPINS THE FULL YEAR TARGETS

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FY 2013/14 GUIDANCE – PHASING CONSIDERATIONS

Category/ Impact	Factors	Impact on the results	
		1H	2H
HI Market ➔ Sales & EBITA	US – robust growth	⇗	⇗
	Germany - mild recovery	⇗	⇗
	Switzerland - bottoming out	⇔	⇗
	Netherlands, Denmark - reimbursement changes	⇩	⇩
Products ➔ Sales & EBITA	Phonak - comprehensive product launch	⇧	⇗
	AB – launch of Naída CI	⇘	⇧
Cost control ➔ EBITA	HI wholesale - operating leverage	⇗	⇗
	HI retail US - cost of deeper integration into Connect Hearing	⇩	⇘

Colored arrows indicate improved or more challenging conditions compared to prior year

MODESTLY MORE PRONOUNCED PROFIT SKEW TOWARDS 2H

SAVE THE DATE

IMPORTANT UPCOMING EVENTS

Date	Event	Location
18 Oct 2013	Presentation at EUHA	Nuremberg, Germany
18 Nov 2013	Analyst Meeting HY 2013/14 results	Stäfa, Switzerland
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