Stäfa, 17 November 2014, Lukas Braunschweiler, CEO & Hartwig Grevener, CFO

Half-Year 2014/15 Results

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Agenda

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1. **Business Review 1H 2014/15**
2. **Financial Review 1H 2014/15**
3. **Total shareholder return strategy**
4. **Outlook FY 2014/15**
5. **Q&A**
6. **Upcoming Events**

Clear and focused strategy – Customer driven innovation

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
Mid-term financial targets (excluding FX impact)	- EBITA margin: expand to mid-twenties at constant FX - ROCE: expand to low-thirties

Sonova Group

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Balanced portfolio of profitable growth businesses

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HEARING INSTRUMENT (HI) Segment

IMPLANT (CI) Segment

HI PHONAK	HI UNITRON	HI RETAIL	CI ADVANCED BIONICS
Business	Business	Business	Business

1. Business Review 1H 2014/15

Business highlights 1H 2014/15

- **Strong sales increase, driven by both segments**
  - Sales of CHF 990.2 million – up 4.5% in Swiss francs and 7.7% in LC
  - Organic sales growth of 6.9% – driving market share expansion in both segments
- **Solid underlying margin development**
  - EBITA of CHF 215.9 million – up 4.7% in Swiss francs and 12.1% in LC
  - EBITA margin of 21.8% – underlying improvement of 90 bps in LC offset by FX
- **Both segments contributing to solid financial results**
  - Hearing instruments: solid growth of 6.2% in LC – EBITA margin +50 bps in LC
  - Cochlear implants: continued progress with sales up 23.0% in LC – EBITA margin reaching 7.9%
- **High rate of innovation continues in both segments**
  - Hearing instruments: continued success of Quest driving growth, successful launch of Venture
  - Cochlear implants: growth driven by new system and upgrade sales
- **Solid balance sheet – acceleration of cash distribution to shareholders**
  - Net cash position of CHF 301.5 million up from CHF 180.2 million a year ago – all financial debt repaid
  - Dividend payout ratio to increase in steps to a range of around 40% in the coming years
  - Initiating three year share buy back program amounting to CHF 500 million

Sonova Group – Key financials

in CHF million	1H 2013/14	1H 2014/15	Δ %	Δ % in LC
Sales	**947.8**	**990.2**	4.5%	7.7%
Gross profit	**649.2**	**680.9**	4.9%	8.9%
- Gross profit margin	**68.5%**	**68.8%**		
OPEX	**-443.0**	**-465.0**	5.0%	7.4%
EBITA	**206.2**	**215.9**	4.7%	12.1%
- EBITA margin	**21.8%**	**21.8%**		
Operating free cash flow	**138.7**	**141.6**	2.1%	
Basic EPS (in CHF)	**2.39**	**2.52**	5.6%	

Double-digit EBITA growth in LC – Leverage driven by gross profit margin

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Sonova Group – Growth components

in CHF million	1H 2013/14 as reported	Growth contribution		1H 2014/15 @ const. FX	FX impact	1H 2014/15 as reported
		Organic	Acquisitions			
Sales	**947.8**	64.9	7.7	**1,020.4**	**-30.2**	**990.2**
- Δ % to prior year	n/a	+6.9%	+0.8%	+7.7%	-3.2%	+4.5%
EBITA	**206.2**	**+24.9**		**231.1**	**-15.2**	**215.9**
- EBITA margin	21.8%	+90 bps		22.7%	-90 bps	21.8%

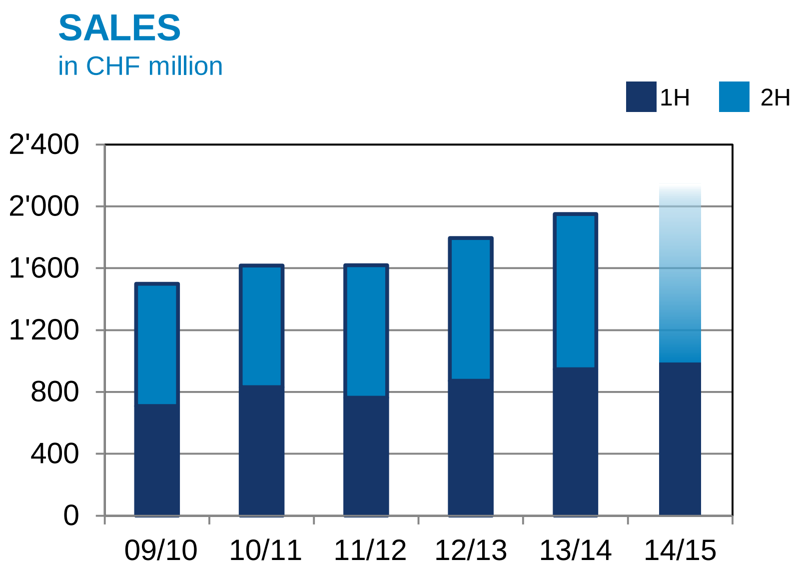
Underlying EBITA margin improvement of 90 bps offset by currency headwind

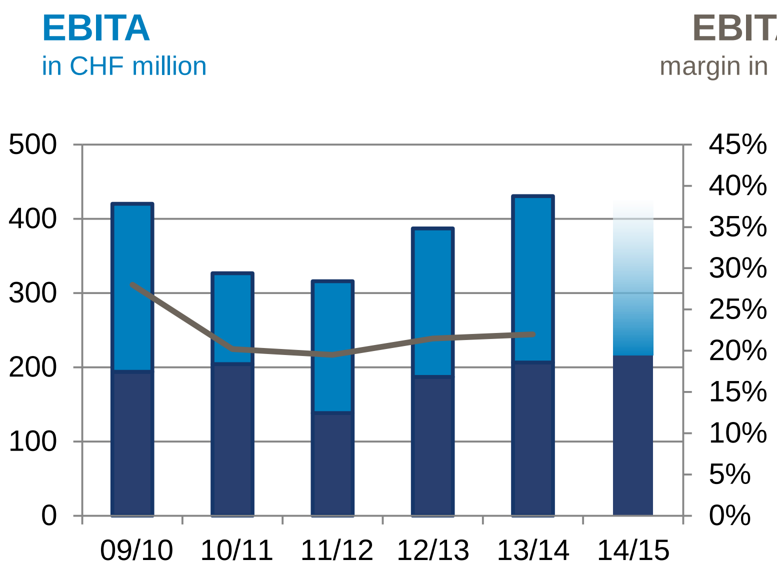
Sonova Group – Sales by regions

	1H 2013/14		1H 2014/15		
in CHF million	**Sales**	In %	**Sales**	in %	Δ % in LC
EMEA	**361.7**	38.1%	**427.3**	43.1%	19.3%
USA	**368.2**	38.9%	**348.7**	35.2%	-1.7%
Americas (excl. USA)	**116.9**	12.3%	**108.3**	10.9%	0.3%
Asia / Pacific	**101.0**	10.7%	**105.9**	10.7%	9.4%
Total SONOVA	**947.8**	100.0%	**990.2**	100.0%	7.7%

Strong performance in Europe – Driven by UK, DE and Scandinavia

Strong financial track record





	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	CAGR 5-y	1H 2014/15
Sales growth reported	+20.1%	+7.8%	+0.2%	+10.8%	+8.7%	+9.3%	+4.5%
Sales growth in LC	+23.8%	+13.3%	+11.6%	+7.4%	+11.7%	+13.4%	+7.7%
Organic sales growth in LC	+18.4%	+5.8%	+6.7%	+5.2%	+11.0%	+9.3%	+6.9%
EBITA margin	+28.0%	+20.2%	+19.5%	+21.5%	+22.0%	n/a	+21.8%
Basic EPS	3.32	3.50	3.71	4.60	5.08	+3.2%	2.52

Notes: FY 2009/10 Restated based on finalization of the acquisition accounting of Advanced Bionics
FY 2012/13 Excluding one-off cost for AB Vendor B provision increase, AB Rixheim restructuring and settlement with a group of investors

Hearing instruments – Sales by product groups

in CHF million	1H 2013/14	% Group sales	1H 2014/15	% Group sales	Δ % in LC
HI Premium	**220.6**	23.3%	**226.7**	22.9%	5.6%
HI Advanced	**215.9**	22.8%	**204.4**	20.6%	-2.3%
HI Standard	**268.6**	28.3%	**286.8**	29.1%	9.8%
Wireless communication	**30.9**	3.3%	**38.8**	3.9%	30.3%
Miscellaneous	**129.9**	13.7%	**135.8**	13.7%	7.9%
Total HI Segment	**865.8**		**892.2**		6.2%

Well balanced growth – Premium category with strong contribution

Hearing instruments – Growth components

in CHF million	1H 2013/14 as reported	Growth contribution		1H 2014/15 @ const. FX	FX impact	1H 2014/15 as reported
		Organic	Acquisitions			
Sales	**865.8**	46.0	7.7	**919.5**	**-27.3**	**892.2**
- Δ % to prior year	n/a	+5.3%	+0.9%	+6.2%	-3.2%	+3.0%
EBITA	**206.2**	**+17.0**		**223.2**	**-15.1**	**208.1**
- EBITA margin	23.8%	+50 bps		24.3%	-100 bps	23.3%

Underlying EBITA margin improvement offset by currency headwind

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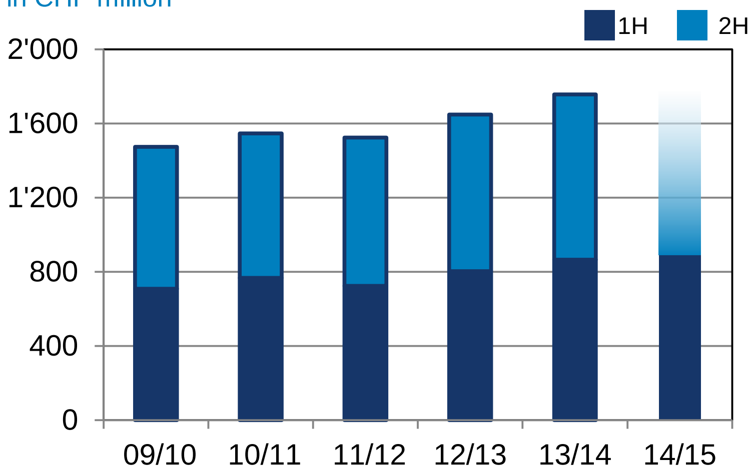
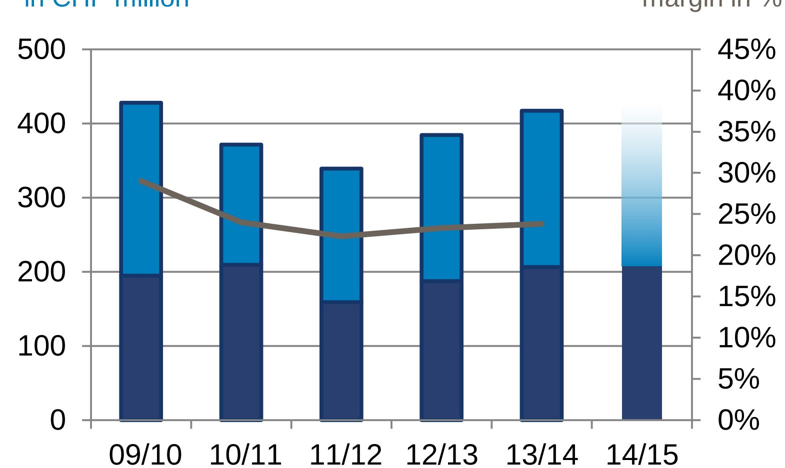
Hearing instruments – Performance history





	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	CAGR 5-y	1H 2014/15
Sales growth reported	+18.1%	+4.8%	-1.4%	+8.2%	+6.5%	+7.1%	+3.0%
Sales growth in LC	+21.7%	+10.1%	+9.7%	+4.9%	+9.5%	+11.0%	+6.2%
Organic sales growth in LC	+18.4%	+5.8%	+4.5%	+2.6%	+8.8%	+7.9%	+5.3%
EBITA margin	+29.0%	+24.1%	+22.3%	+23.3%	+23.8%	n/a	+23.3%

Product strategy

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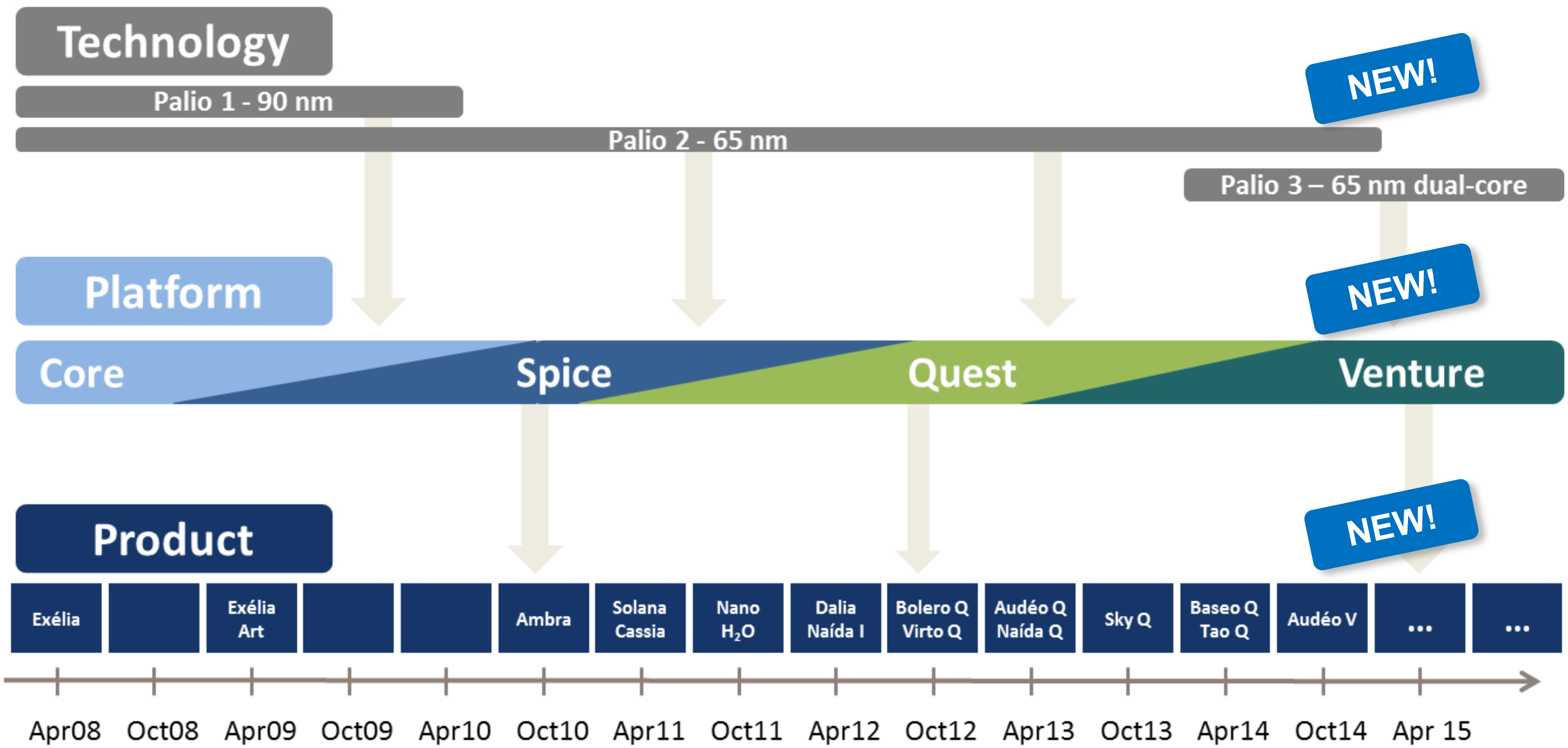
Provide complete customer solutions: HW, SW and Services



Platform concept approach to solution development for HI & CI

Venture platform successfully launched – Early indications very promising

NEW!

	BTE	Custom	RIC	Power	Pediatric
Premium	Bolero Q90	Virto Q90	Audéo V90	Naída Q90	Sky Q90
Advanced	Bolero Q70	Virto Q70	Audéo V70	Naída Q70	Sky Q70
Standard	Bolero Q50	Virto Q50	Audéo V50	Naída Q50	Sky Q50
Essential	Bolero Q30	Virto Q30	Audéo V30	Naída Q30	
Basic	Baseo Q	Tao Q			

Building on the success of our rigorous platform approach

Next generation of products on the Era platform

	BTE	Custom	RIC	Power	Flex Trial & Upgrade
Premium	Quantum^2 Pro	Quantum^2 Pro	Moxi^2 Pro		
Advanced	Quantum^2 20	Quantum^2 20	Moxi^2 20	Max 20	
	Quantum^2 16	Quantum^2 16	Moxi^2 16		Any Performance Level
Standard	Quantum^2 10	Quantum^2 10	Moxi^2 10	Max 6	
Essential	Quantum^2 E	Quantum^2 E	Moxi^2 E	Max E	
Basic	Shine Rev	Shine Rev			

NEW!

Building on the success of the Flex concept

Connect Hearing

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Connect Hearing US

– Undergoing phase of increased integration efforts to consolidate bolt on acquisitions
– Positioned for efficient lead generation and service delivery

Key initiatives
– Harmonized branding and positive customer experience
– Focus on lead generation and consumer evaluations
– Develop leading practices in sales training, business process and information systems
– Harmonization of processes and introduction of advanced IT system
– Systems and processes suited for increasing insurance based business

Connect Hearing US being positioned for profitable growth

Boots Hearingcare shop-in-shop concept – Continued strong development

- Growth from 391 shops since the end of FY 2012/13 to 451 in October 2014
- Success founded on Sonova hearingcare operations competence and Boots brand value
- High utilization and efficiency – Many shops fully booked for rolling next 7+ days

Key initiatives

- Expansion into Boots Pharmacy format – Beyond Boots Optical
- Developing efficient patient care processes using on-line tools
- Creating awareness of hearing loss and solutions: The Great Big Hearing Check; International Longevity Centre
- Leveraging of Boots customer data base and loyalty program/Card
- Continuously increase efficiency by best in class appointment scheduling and staff rostering

Premium market access by partnership with leading pharmacy chain

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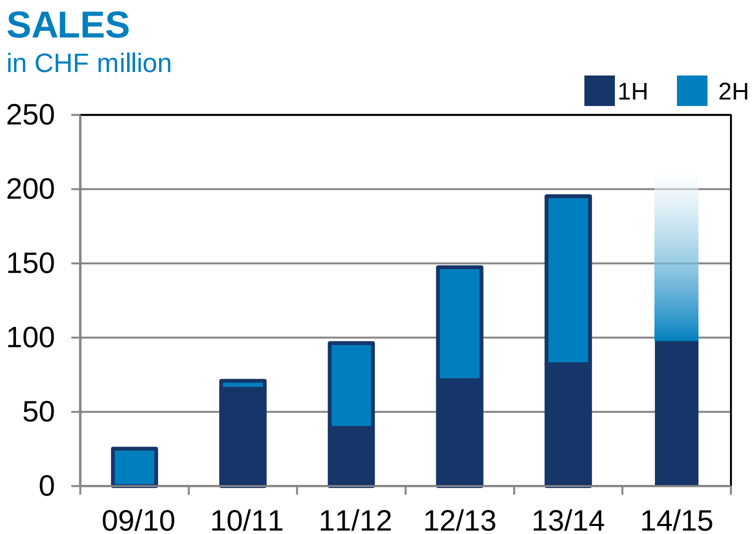
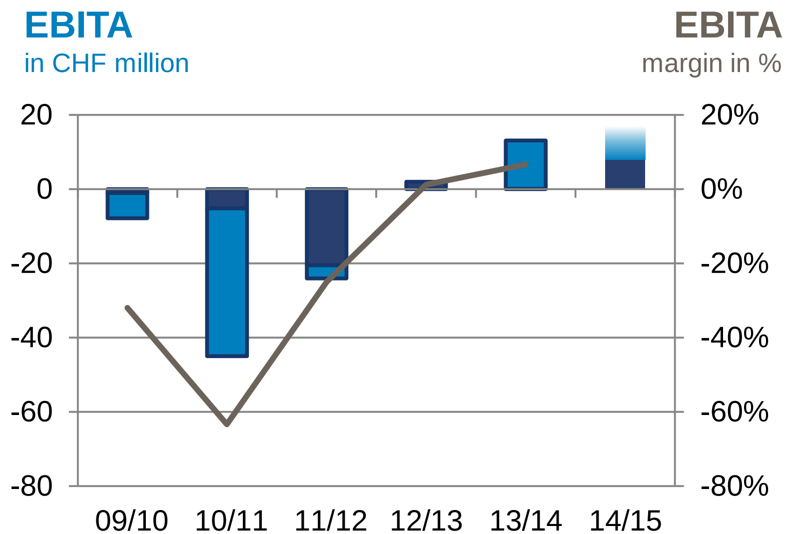
Cochlear implants – Growth components

in CHF million	1H 2013/14 as reported	Growth contribution		1H 2014/15 @ const. FX	FX impact	1H 2014/15 as reported
		Organic	Acquisitions			
Sales	**82.0**	18.9	-	**100.9**	**-2.9**	**98.0**
- Δ % to prior year		+23.0%	+0.0%	+23.0%	-3.4%	+19.6%
EBITA	**0.1**	**+7.9**		**8.0**	**-0.2**	**7.8**
- EBITA margin	0.1%	+ 780 bps		7.9%	0 bps	7.9%

Solid growth – Profitability development in line with long-term plan

Cochlear implants – Performance history





	FY 2009/10	FY 2010/11	FY 2011/12	FY 2012/13	FY 2013/14	CAGR 4-y	1H 2014/15
Sales growth reported	--	+180.5%	+36.0%	+52.3%	+33.1%	+66.8%	+19.6%
Sales growth in LC	--	+202.1%	+53.5%	+47.1%	+36.0%	+74.5%	+23.0%
EBITA margin	-31.0%	-63.4%	-25.0%	+1.2%	+6.6%	n/a	+7.9%

* FY 2012/13 Excluding one-off cost for AB Vendor B provision increase, AB Rixheim restructuring and settlement with a group of investors

Competitive portfolio of sound processors, implants, electrodes and accessories

Implants	Electrodes	Sound Processors
HiRes 90K Advantage	HiFocus Mid-Scala	Naída CI
HiRes 90K	HiFocus 1j	Neptune
	HiFocus Helix	Harmony BTE

Building on the combined R&D strength of Advanced Bionics and Phonak

AquaCase – Leadership in waterproof hearing technology continues

Featuring the AquaMic – Enabling uncompromised hearing in and out of the water

2. Financial Review

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Financial highlights

- **Sales** of CHF 990.2 million – mainly driven by double-digit sales growth in the EMEA region
- **Gross Profit** of CHF 680.9 million or 68.8% of sales – 80 bps expansion in LC
- **Reported EBITA margin** of 21.8% – up by 90 bps in LC
  - FX headwind – reduces reported EBITA margin by 90 bps
  - OPEX – growth of 7.4% in LC compared to 7.7% sales growth in LC
  - Continued investment in R&D – R&D spending of CHF 72.9 million or 7.4% of sales
- **ROCE** of 27.4% – considers operating improvements more than offset by adverse FX impact
- **Basic EPS** of CHF 2.52, up by 5.6%
- **Operating free cash flow** at 141.6 million – higher inventory (Venture launch, FX impact)
- **Free Cash Flow** of CHF 133.7 million – growth in line with net profit growth
- **Net cash** of CHF 301.5 million – all financial debt retired

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Sonova Group – Key financials

in CHF million	1H 2013/14	1H 2014/15	Δ %	Δ % in LC
Sales	**947.8**	**990.2**	4.5%	7.7%
Gross profit	**649.2**	**680.9**	4.9%	8.9%
- Gross profit margin	**68.5%**	**68.8%**		
OPEX	**-443.0**	**-465.0**	5.0%	7.4%
EBITA	**206.2**	**215.9**	4.7%	12.1%
- EBITA margin	**21.8%**	**21.8%**		
Operating free cash flow	**138.7**	**141.6**	2.1%	
EPS (in CHF)	**2.39**	**2.52**	5.6%	
ROCE*	**11.3%**	**27.4%**		

* EBIT (last twelve months) in % of capital employed (average), 1H 13/14 figure significantly affected by one-off costs in FY 2012/13

Double-digit EBITA growth in LC – Leverage driven by gross margin

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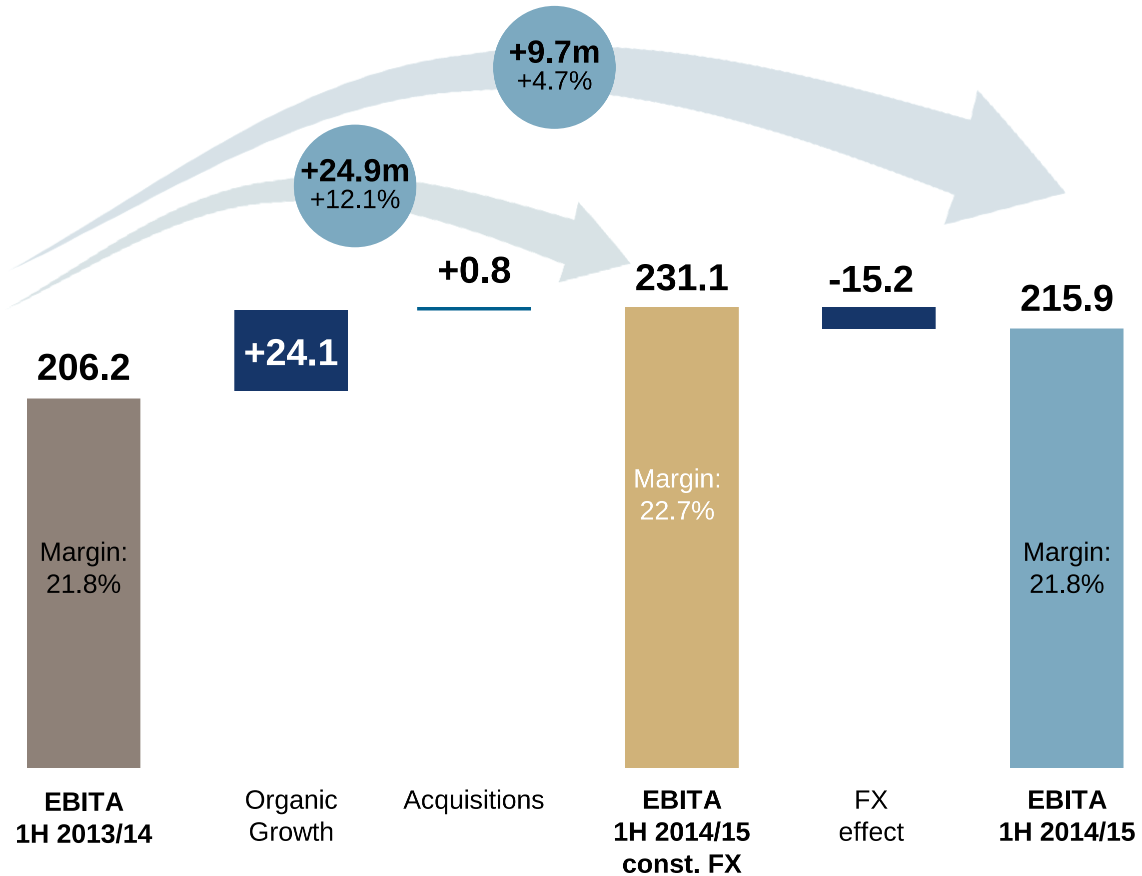
Sonova Group – EBITA development



Avg FX Rates	1H 2013/14	1H 2014/15
USD	0.94	0.90
EUR	1.23	1.22
GBP	1.45	1.51
JPY (100)	0.95	0.88
BRL	0.43	0.40
AUD	0.89	0.84
CAD	0.91	0.83

EBITA performance driven by organic growth – Substantial negative FX effect

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Sonova Group - Operating expenses

in CHF million	1H 2013/14	1H 2014/15	Δ % in CHF	Δ % in LC	Comments
Research & Development	**-59.4**	**-65.3**	9.9%	11.2%	Reflects new Palio 3 platform launch
in % of sales	6.3%	6.6%			
Sales & Marketing	**-290.0**	**-301.6**	4.0%	6.7%	Growing slower than sales–operating leverage
in % of sales	30.6%	30.5%			
General & Administration	**-93.6**	**-98.4**	5.0%	6.9%	Growing slower than sales–operating leverage
in % of sales	9.9%	9.9%			
Other income / (expenses), net	**0.1**	**0.2**			
Total OPEX	**-443.0**	**-465.0**	**5.0%**	**7.4%**	
in % of sales	**46.7%**	**47.0%**			

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Sonova Group – R&D spending

in CHF million	1H 2013/14	1H 2014/15	Δ % in CHF	Δ % in LC	Comments
R&D charged to the P&L	**59.4**	**65.3**	9.9%	11.2%	Increase driven by both segments
in % of sales	6.3%	6.6%			
Capitalized development costs	**14.0**	**11.3**	-19.4%	-19.2%	Fluctuation capitalized vs. expensed projects
in % of sales	1.5%	1.1%			
Amortization of development costs	**3.0**	**3.7**	22.4%	22.4%	
in % of sales	0.3%	0.4%			
Total R&D spending	**70.4**	**72.9**	**3.5%**	**4.7%**	
in % of sales	**7.4%**	**7.4%**			

Continued high R&D investment

Sonova Group – Reported results and income taxes

in CHF million	1H 2013/14	1H 2014/15	Δ % in CHF	Comments
EBITA	**206.2**	**215.9**	4.7%	Adverse FX impact of CHF15.2m, LC variance +12.1%
Acquisition related amortization	**-12.9**	**-12.7**	-1.4%	
Operating profit (EBIT) in % of sales	**193.3** 20.4%	**203.1** 20.5%	5.1%	
Financial result	**-5.1**	**-3.1**	-38.2%	Lower interest payments following debt repayment and higher associate income
Income before taxes	**188.2**	**200.0**	6.3%	
Income taxes	**-24.6**	**-26.4**	7.4%	
- Income tax rate	**13.0%**	**13.2%**		
Income after taxes in % of sales	**163.7** 17.3%	**173.6** 17.5%	6.1%	
Thereof attributable to non-controlling interests	**3.2**	**4.1**	+26.7%	Change attributable to continued success of Boots partnership
Basic EPS (in CHF)	**2.39**	**2.52**	5.6%	

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Significant free cash flow

in CHF million	1H 2013/14	1H 2014/15	Δ % in CHF	Comments
Cash flow before changes in NWC (incl. taxes paid)	**221.3**	**237.6**	7.4%	
Changes in net working capital	**-29.7**	**-52.9**	78.6%	Driven by higher inventories for Venture
Cash flow from operating activities in % of sales	**191.6** 20.2%	**184.7** 18.7%	-3.6%	
Cash flow from investing activities (excl. acquisitions)	**-52.9**	**-43.1**	-18.6%	Less loans granted to associates
Operating free cash flow in % of sales	**138.7** 14.6%	**141.6** 14.3	2.1%	
Cash consideration for acquisitions	**-13.1**	**-7.9**	-39.7%	Less retail acquisitions closed
Free cash flow	**125.6**	**133.8**	6.4%	
Cash flow from financing activities	**-132.2**	**-233.9**	76.9%	Higher dividend and repayment of financial debt
Changes in cash and cash equivalents	**-10.6**	**-96.0**	>100%	

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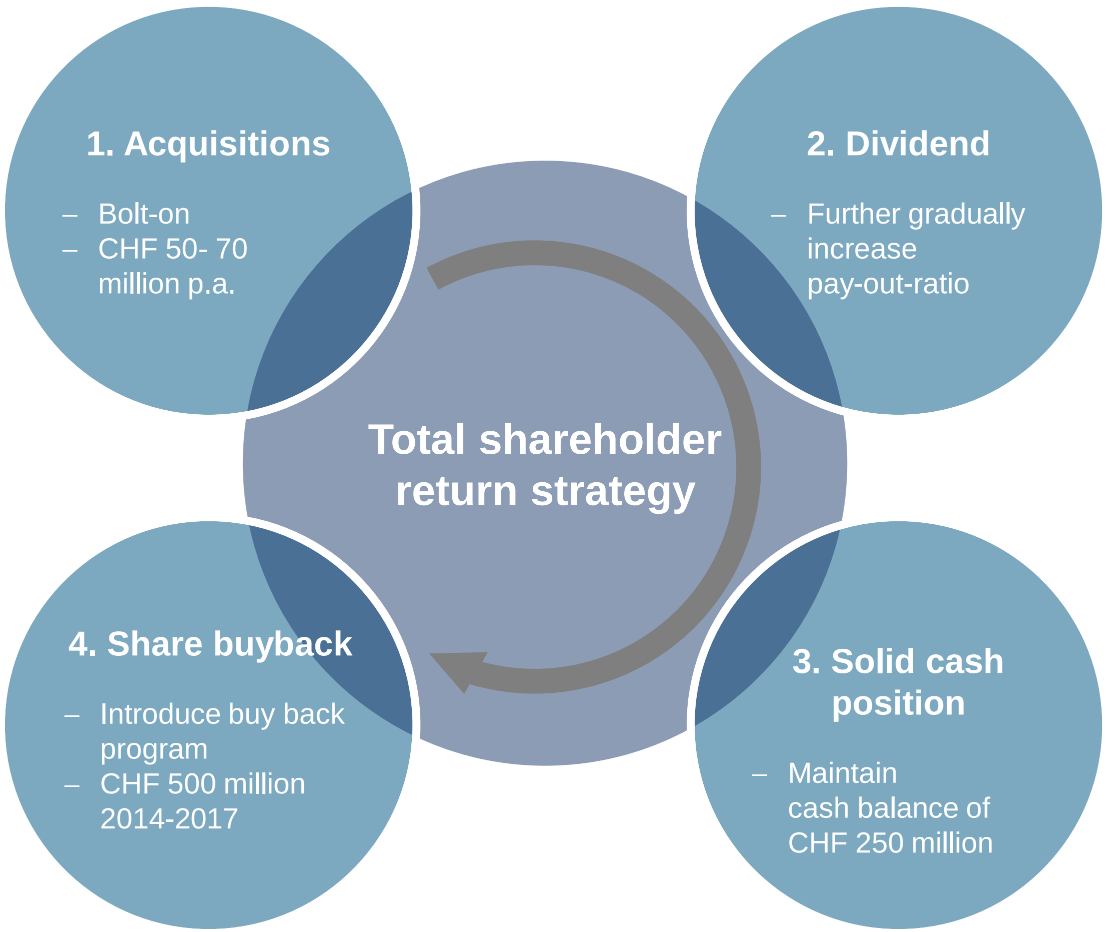
Sonova Group – Balance sheet

in CHF million	31 Mar 2014	30 Sep 2014	Δ % in CHF	Comments
Net working capital	**190.6**	**238.5**	25.1%	Venture launch; includes CHF10m FX effect on inventory
Days sales outstanding (DSO)	**69**	**69**	0.0%	
Days inventory outstanding (DIO)	**140**	**162**	15.6%	Effect of Venture launch and FX
Capital employed	**1,462.9**	**1,569.6**	7.3%	FX effect on intangible assets, higher inventory
Net cash	**311.5**	**301.5**	-3.2%	
Equity	**1,774.4**	**1,871.2**	5.5%	
Equity in % of total assets	**68.4%**	**71.3%**		

3. Total shareholder return strategy

Total shareholder return

Cash deployment strategy



Secure funding of business growth – Return excess cash to shareholders

Total shareholder return

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Cash deployment strategy

2. Dividend

Dividend increase

- Dividend paid for FY 2013/14 represented a payout ratio of 37%
- Dividend to further increase in steps
- Target of a range around 40 % pay-out-ratio within 3 years

4. Share buyback

Share buy-back program

- Value of CHF 500 million
- Term: three years from December 2014

TSR strategy footed on confidence in continued strong earnings & cash conversion

4. Outlook

Outlook FY 2014/15

FY 2014/15 guidance

		Actual 1H 2014/15	Guidance FY 2014/15*
Sales	Sales growth in local currencies	7.7%	7%-9%
	thereof acquisition related growth	0.8%	approx. 1%
	FX-impact	-3.2%	
	Total sales growth in CHF	4.5%	
EBITA	EBITA growth in local currencies	12.1%	11%-15%
	FX-impact	-7.4%	
	Total EBITA growth in CHF	4.7%	

*Unchanged compared to guidance issued in May 2014

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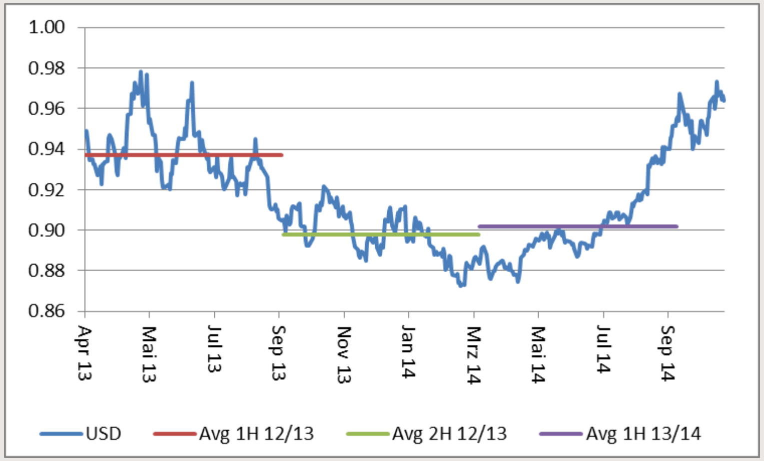
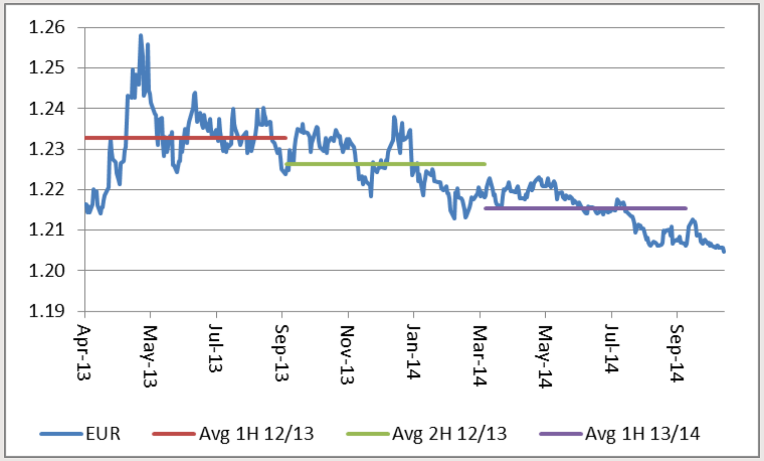
FX impact on sales and margins

USD/CHF



EUR/CHF



	Rate	Sales	EBITA
USD/CHF	+/- 5%	+/- CHF 38 million	+/- CHF 12 million
EUR/CHF	+/- 5%	+/- CHF 26 million	+/- CHF 14 million

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

Outlook FY 2014/15

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FX rates – Main currencies accounted for around 90% of Group sales

	Avg 1H 2013/14	Avg 1H 2014/15	Effect	Avg FY 2013/14	Spot 13-Nov-14
USD	0.94	0.90	–	0.92	0.96
EUR	1.23	1.22	–	1.23	1.20
GBP	1.45	1.51	+	1.46	1.52
CAD	0.91	0.83	–	0.87	0.85
AUD	0.89	0.84	–	0.86	0.84
BRL	0.43	0.40	–	0.41	0.38
JPY 100	0.95	0.88	–	0.92	0.83

Adverse impact of all main currencies in 1H 2014/15

5. Questions & Answers

6. Upcoming Events

Important dates

18-21 Nov 2014	Roadshow Half-Year Results 2014/15	
19 May 2015	Publication Full-Year Results 2014/15	Stäfa
20-29 May 2015	Roadshow Full-Year Results 2014/15	
16 Jun 2015	Annual General Meeting	Zurich
13 Oct 2015	Sonova Investor & Analyst Day	Stäfa

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