

Stäfa, April 8, 2016, Lukas Braunschweiler, CEO

News from AudiologyNOW!

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Strategic focus

Focus on hearing care – Continuous innovation to grow sales, earnings & cash flow

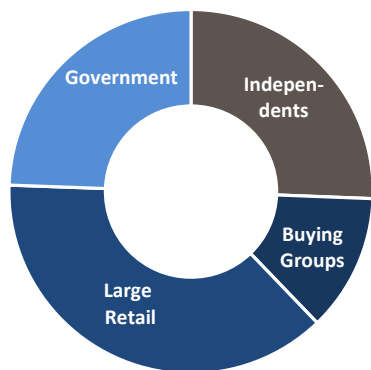


Lead digital (r)evolution and e-business transformation in hearing care

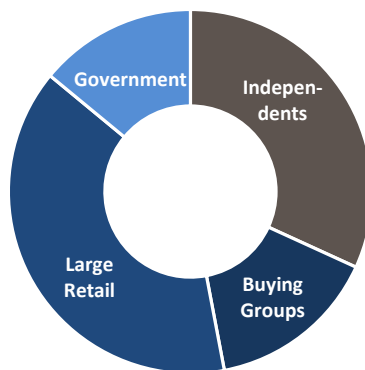
Market update

Hearing instruments – Global

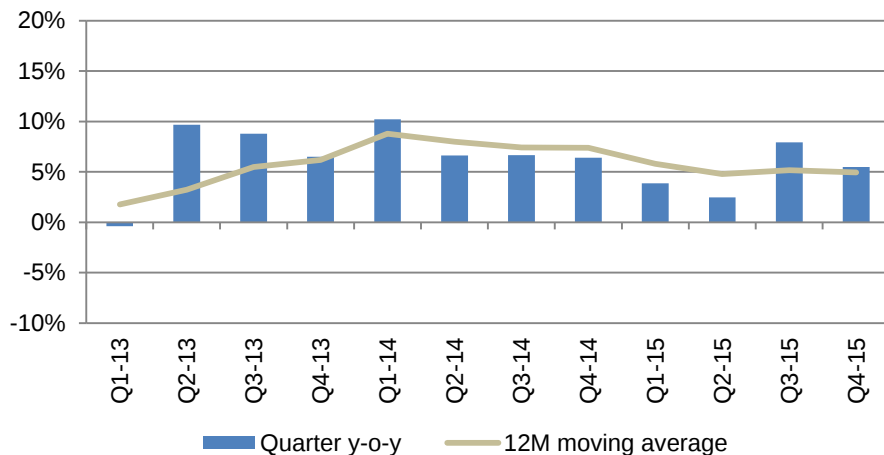
Units



Value



Unit growth – Global



Recent developments:

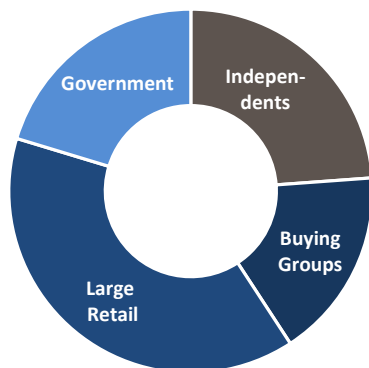
- Slight slowdown in 2015, mainly driven by previous FTC (free-to-client) growth in Europe (DE, NL)
- Quarterly growth numbers remain volatile and driven by short-term factors

Sources:

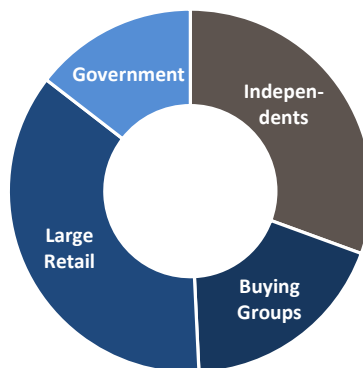
- Unit and value split: Sonova estimates
- Unit growth: Sonova estimates based on aggregated local market statistics, representing around 70-75% of the global market

Hearing instruments – North America

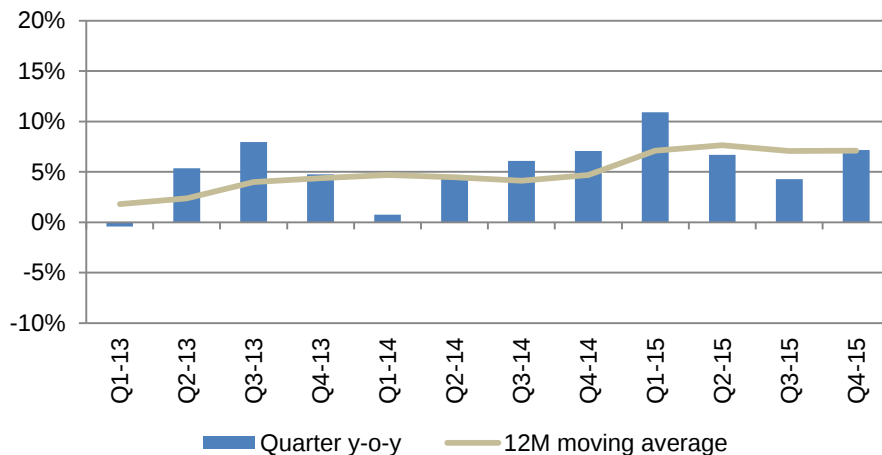
Units



Value



Unit growth – USA & Canada



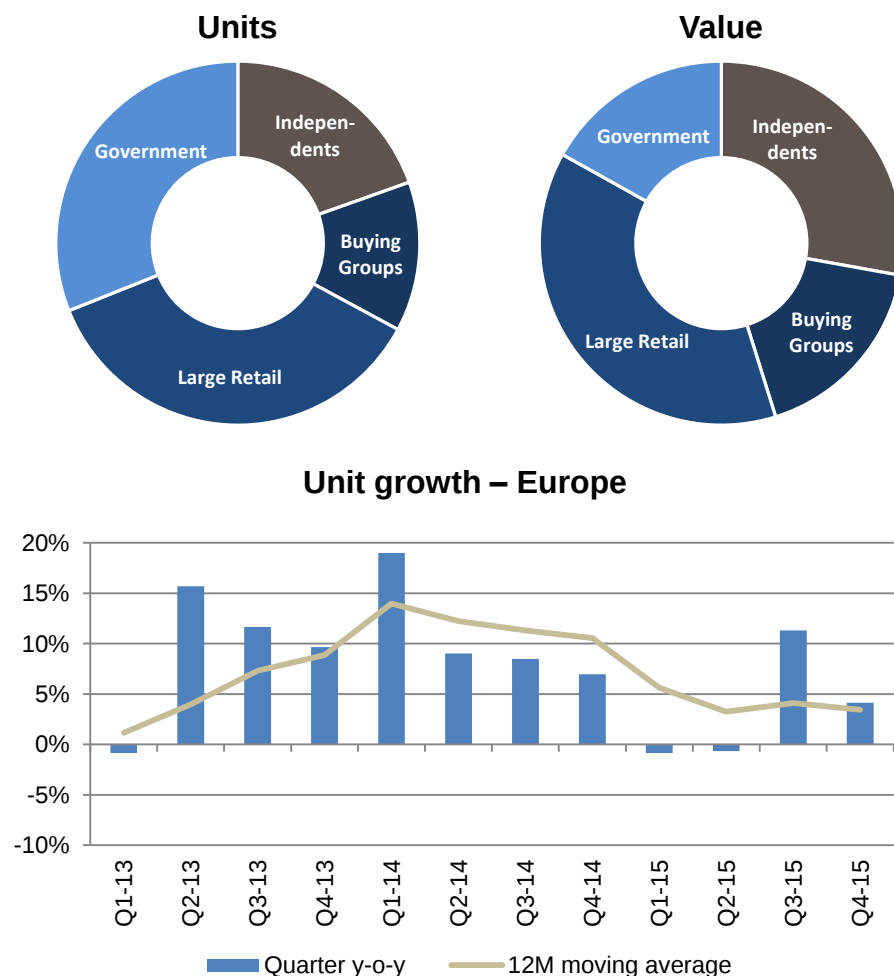
Recent developments:

- US: current growth above historic average due to strength in the commercial market; modest growth in the VA
- CA: accelerated unit growth

Sources:

- Unit and value split: Sonova estimates
- Unit growth: Sonova estimates based on aggregated local market statistics for US, CA

Hearing instruments – Europe



Recent developments:

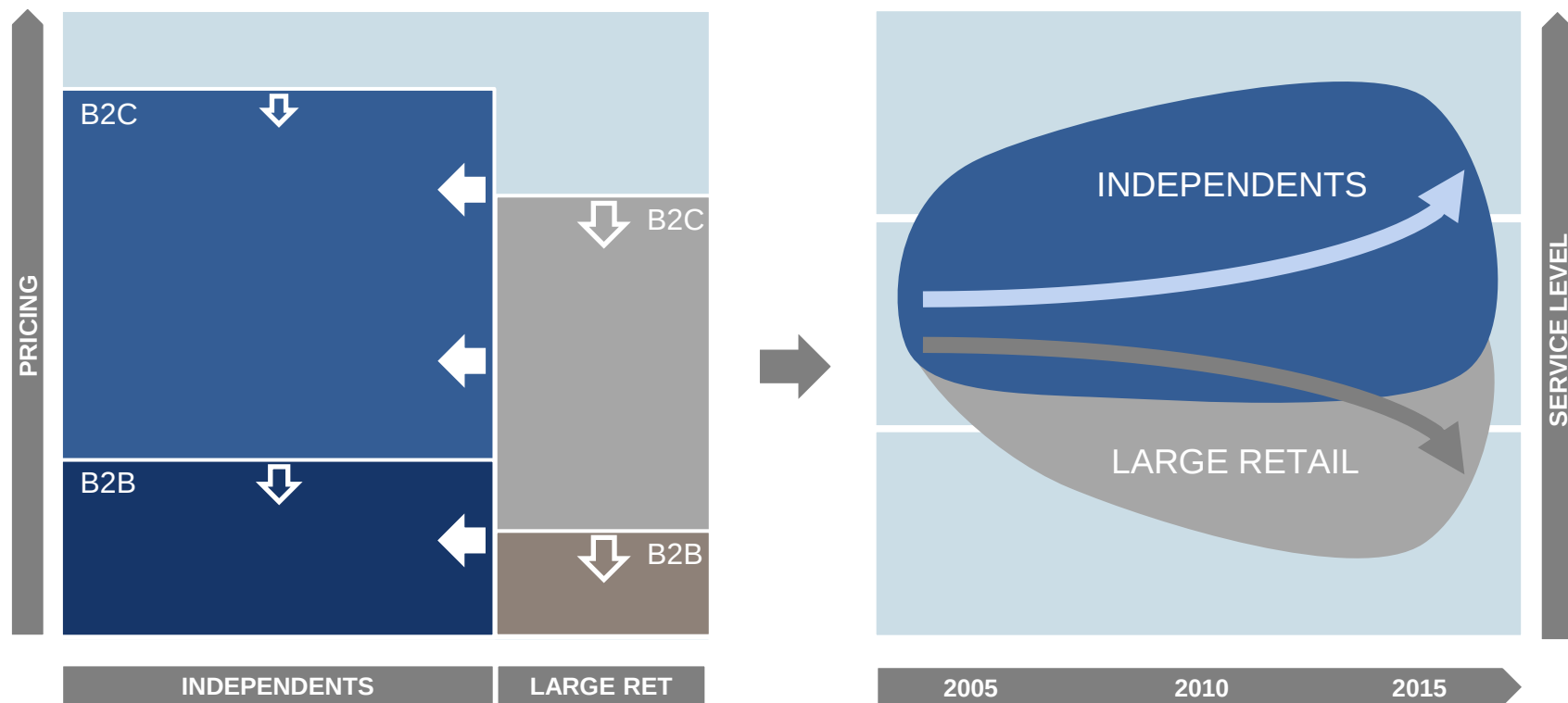
- DE: Mid-low single digit growth driving market recovery in 2H-15 after decline in 1H-15 – FY 2015 slightly down
- FR: Softening of the market growth to mid-single digit in 2H-15 after double digit growth in 1H-15
- UK: High single digit growth in the private market driven by continuous marketing investments of national chains – Low single digit growth in the public market triggered by AQP roll-out freeze.
- IT: Confirmation of high single digit growth of the market in 2H-15

Sources:

- Unit and value split: Sonova estimates
- Unit growth: Sonova estimates based on aggregated local market statistics for 10 large European markets

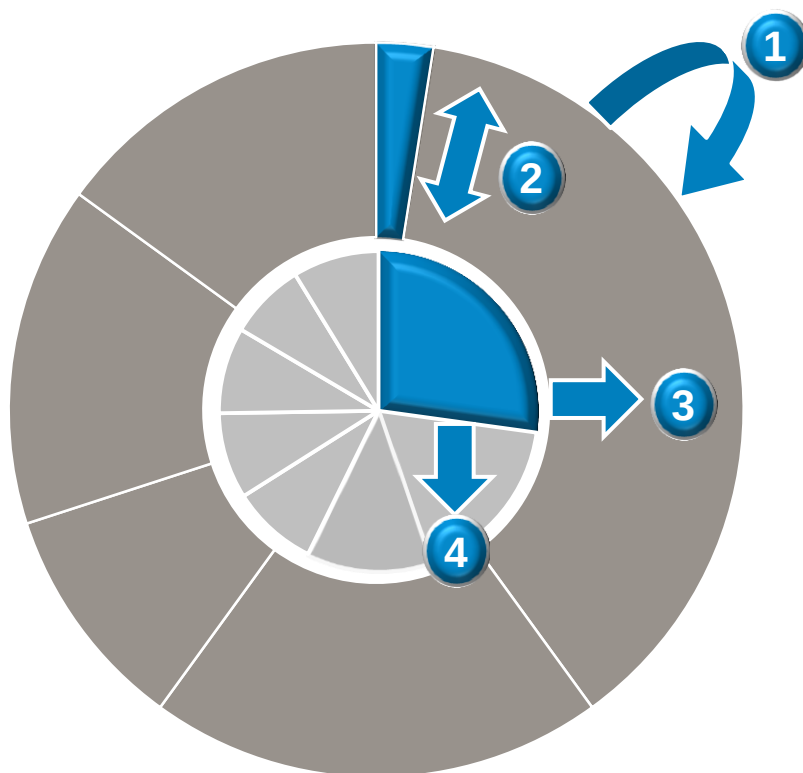
Go-to-market

Trend 2 – Accelerated bi-furcation of professional service channels



Conclusion – Vertical integration to access value-added potential and consumer

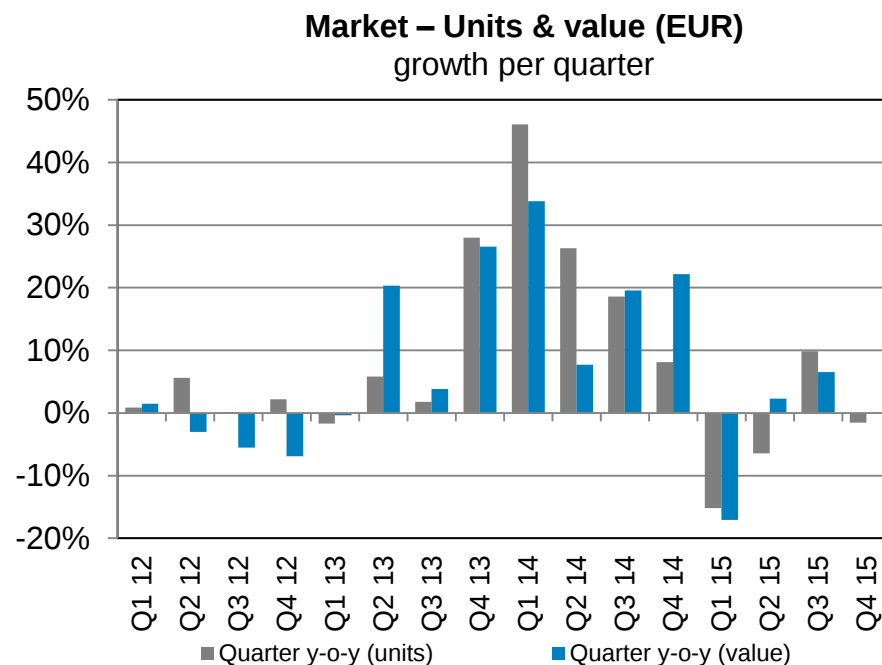
Grow market position along 4 main vectors – Drive vertical integration



- 1** Develop consumer base
 - e-Marketing / direct marketing
 - Demand generation processes
- 2** Integrate service channels
 - Retail network expansion
 - Integration & productivity
- 3** Expand accessible markets
 - Emerging markets
 - New product formats
- 4** Penetrate existing markets
 - Multi-brand strategy
 - Continuous product innovation

Increase customer demand generation – B2B and B2C e-Marketing approach

Market with attractive size and HI volume – Sonova returning to growth in Q1 2016



Recent developments:

Market:

- Stabilizing on higher level in recent quarters

Sonova wholesale:

- Q1-15: acquisition of Hansaton and disclosure of DE retail strategy
- Initial push-back from buying groups and local chains mainly
- Independents / large key accounts showed stable volume
- Hansaton integration on track
- Q1-16: returning to growth

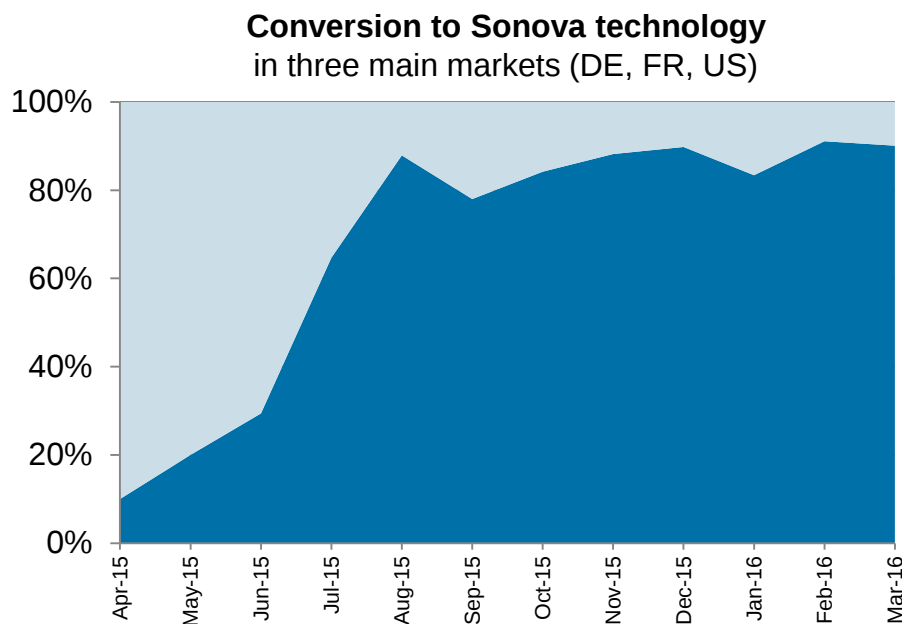
Source: Sonova estimates based on market statistics

Reimbursement changes at the end of 2013 driving step-change in annual volume

Hansaton conversion to Sonova technology – Completed in main markets

Recent developments:

- Product, technology and operational integration completed
- Comprehensive and up-to-date offering based on new easeHD platform
- Siemens technology fully phased out in direct markets



Full conversion to Sonova technology expected within the next 6 months

Sonova DE – Hearing instruments wholesale

Hansaton value proposition – Building on strong relationships with independents



	BTE	Custom	RIC	Power
Premium	jamHD 9	jamHD 9	soundHD 9	
Advanced	jamHD 5	jamHD 5	soundHD 7	beat 7
Standard	jamHD 7	jamHD 7	soundHD 5	
Essential	jamHD 3	jamHD 3	soundHD 3	beat 3
Basic	flow 2 / flow 1	flow 2		

Complete and up-to-date offering based on new easeHD platform

Consistent implementation of strategy – Successfully addressing a changing market



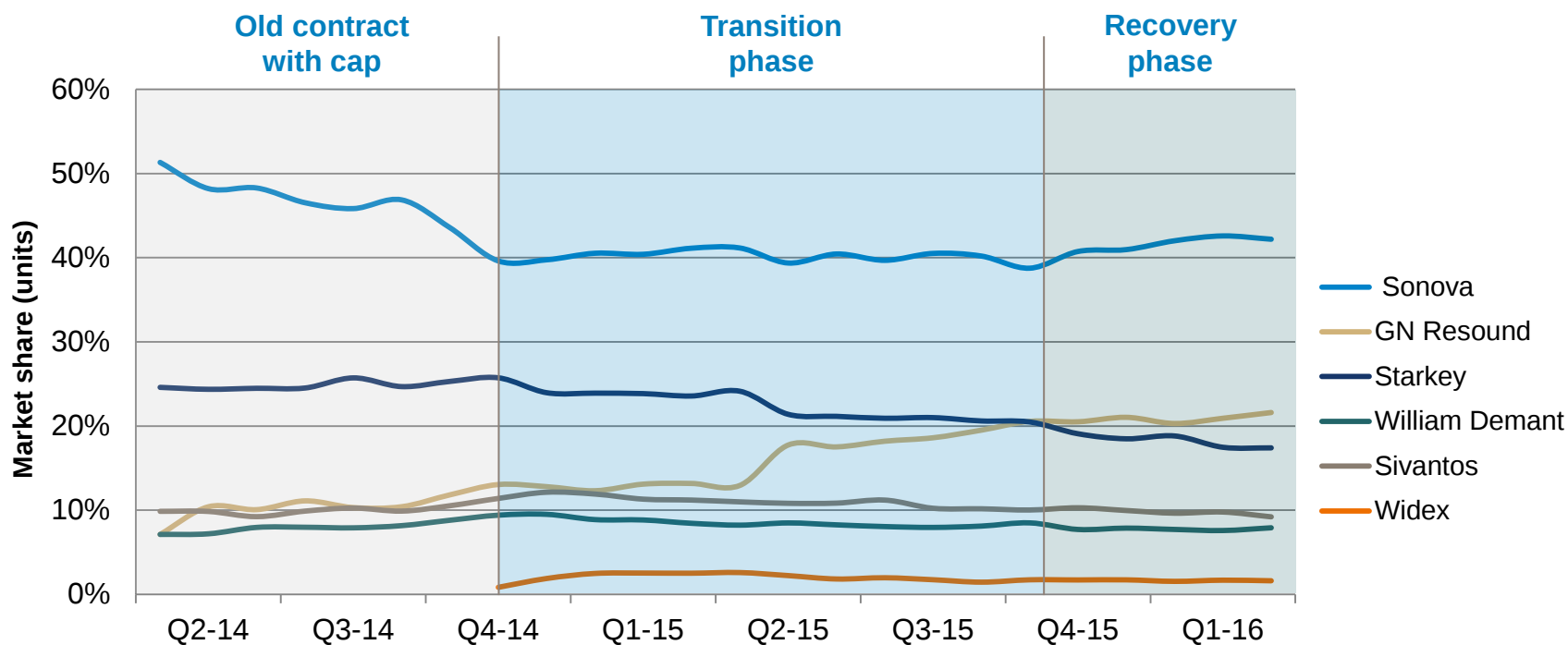
Recent developments:

- Growing presence of Sonova in German retail market
- Fast expanding network – Number of stores increased by 50% to around 150 within last six months
- Strong basis for future growth based on three chains (Vitakustik, Fiebing, Lindacher)
- Network integration project in 2016

Maintain and expand first-class support for both wholesale and retail customers

VA Market share development – Recovery on track

- Contractual cap led to market share decline until November 2014
- Stable market share during the transition to the new contract in the first year
- Encouraging market share recovery in the last two quarters

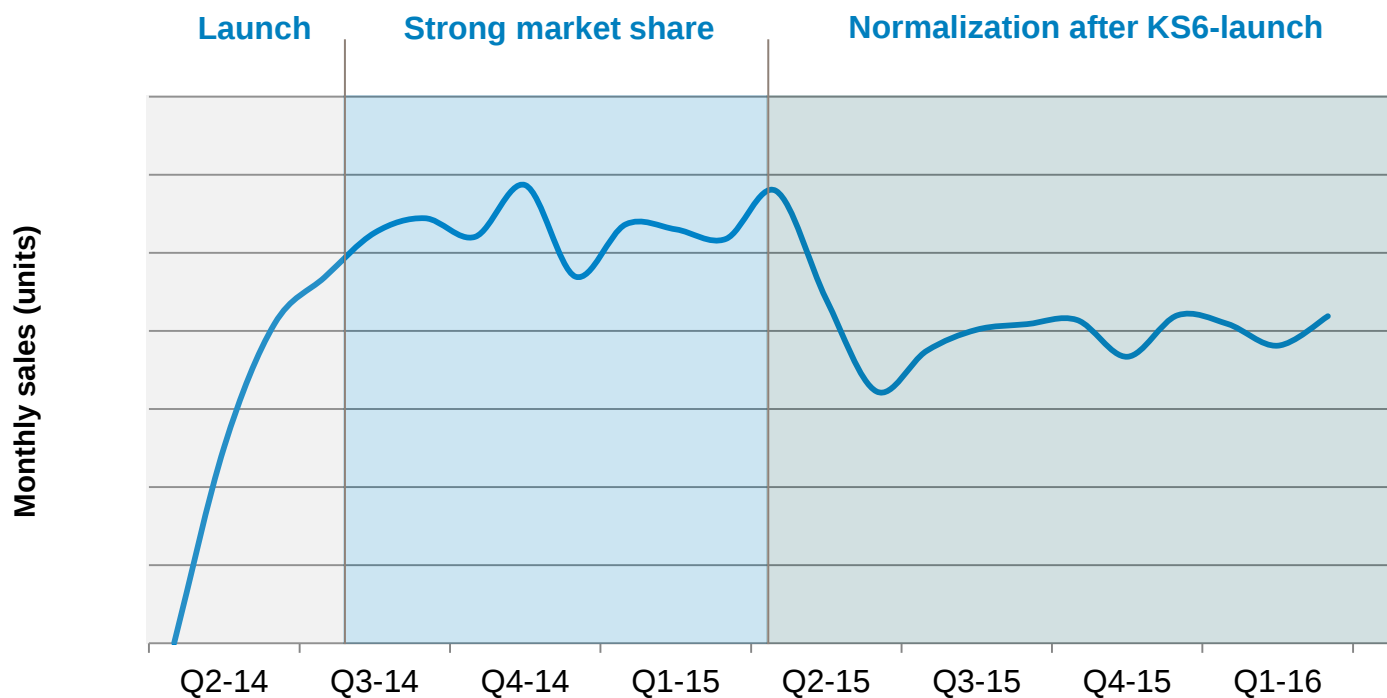


Source: Sonova estimates based on market statistics

Market share gains driven by new products and service improvements

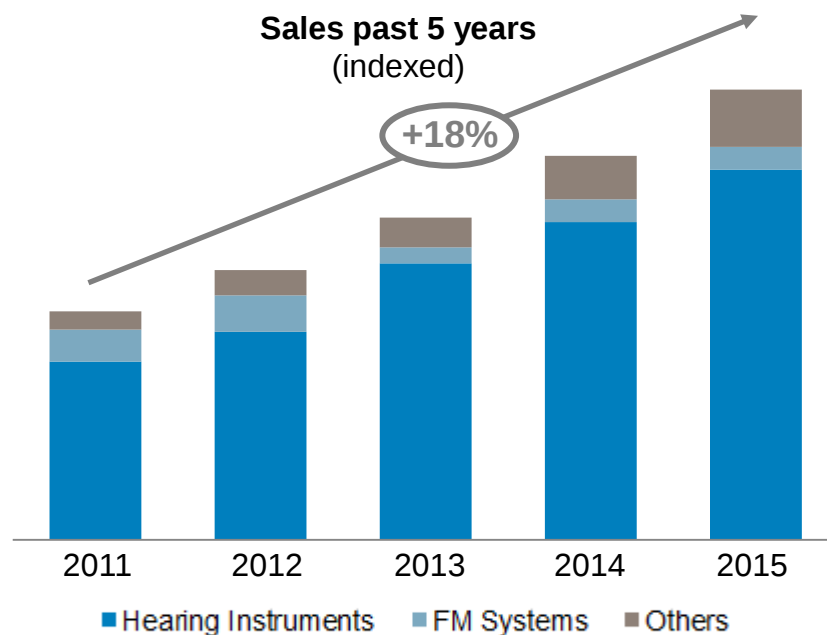
Phonak sales to Costco – Strong position in branded HI offering

- Strong uptake after introducing bespoke Phonak Brio product in April 2014
- Holding on to significant market share throughout 2014/15
- Drop in market share after launch of KS 6 in April 2015 – Normalization of share since Q3-15



Stable market share in the last three quarters

Strong growth in recent years



Recent developments:

Market /customers:

- Growth in government tenders – First tier one cities
- Large retail accounts – Increasing share of wallet in growing networks
- Increasing number of professional dispensers/fitters for Sonova HI products

Products:

- Expansion in basic and premium segments
- First launch of made-for-China products in 2014 (Basic segment)
- Strong custom form factor capability to address end users unmet needs

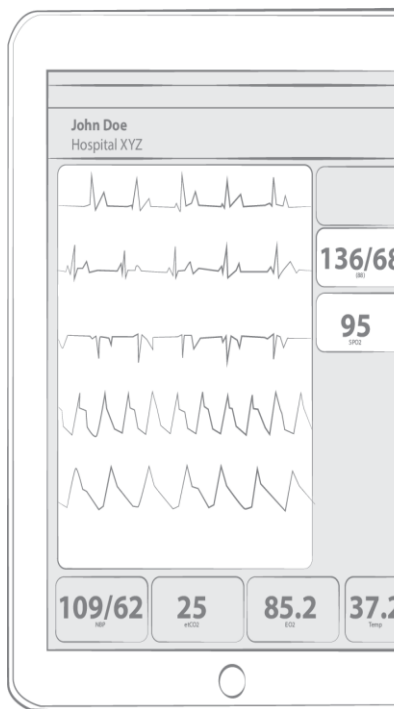
e-Solutions

Trend 3 – e-Health and e-Hearing care – Expanding digital value proposition



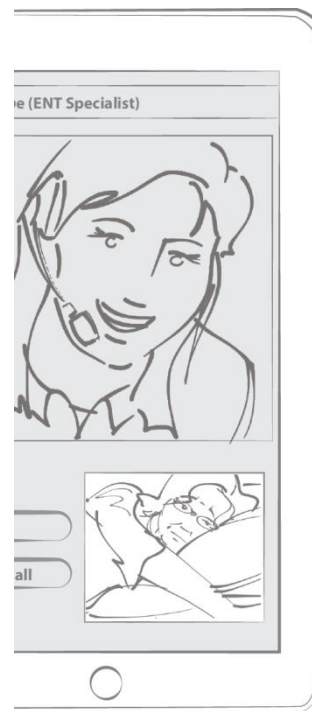
Self Diagnostic

i.e. Diabetes App



Monitoring

Remote Patient Data



Virtual Care

Online Care Services

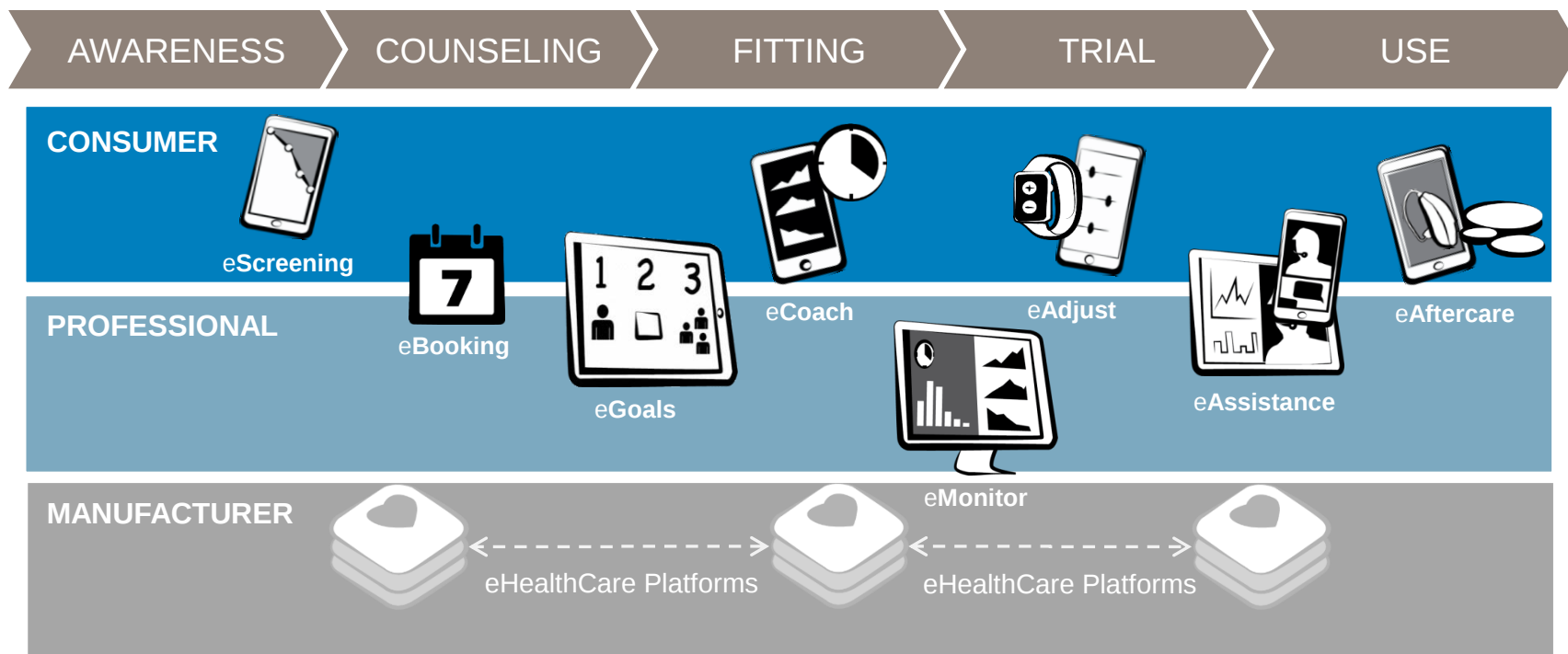


Self Adjust

Hand Prosthesis App

Conclusion – Develop e-Hearing care solution offering based on e-Technologies

Develop complete solution and service offering based on e-Technologies



Expand technology platform approach to include e-based technologies

Example Boots – Results from on-line version for FY-15/16



- Now over 30,000 e-Hearing Checks completed online and in store
- Attracting a younger customer demographic (average age 61 compared to 69)
- Conversion level to appointment comparable to other on-line marketing driven activities
- Higher ASP driven by younger customer demographic
- 20% of customers surveyed said they would not have booked in store otherwise
- 96% of customers said it was easy to use and 90% said they would recommend it

Example Boots – ePTQ (Pre-Test Questionnaire) – Live from February 2016



- Currently posted via email to all customers due to attend an appointment for a Full Hearing Assessment (FHA) via eScreening
- Customer completes the ePTQ in the comfort of their home prior to the appointment
- Content of the completed ePTQ is seamlessly integrated into the full assessment screen in our CRM system
- All information automatically available to the audiologist to prepare for the appointment, allowing more time to be focused on the needs of the customer

April 2016 – ePTQ will be offered via email to all customers booked for a FHA

Example Unitron – Patient Insights – HI evaluations taken to a new level

Log It All

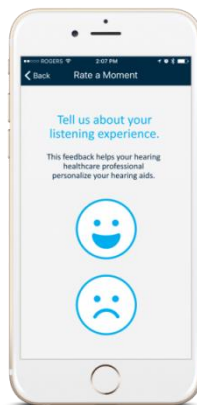
- Real-time monitoring of 7 listening situations
- Data logging info for 7 situations visible in HA
- Evidence based counselling and upselling tool

Patient Ratings

- My Ratings feature in the uControl 2.0 app
- Direct patient feedback about their HA experience
- Deeper understanding of patient's listening experience



Log It All
(evidence-based)



Patient Ratings
(patient perception)



NEW

Patient Insights

Completing the Flex concept (Flex:trial, Flex:upgrade, Log It All, Patient Ratings)

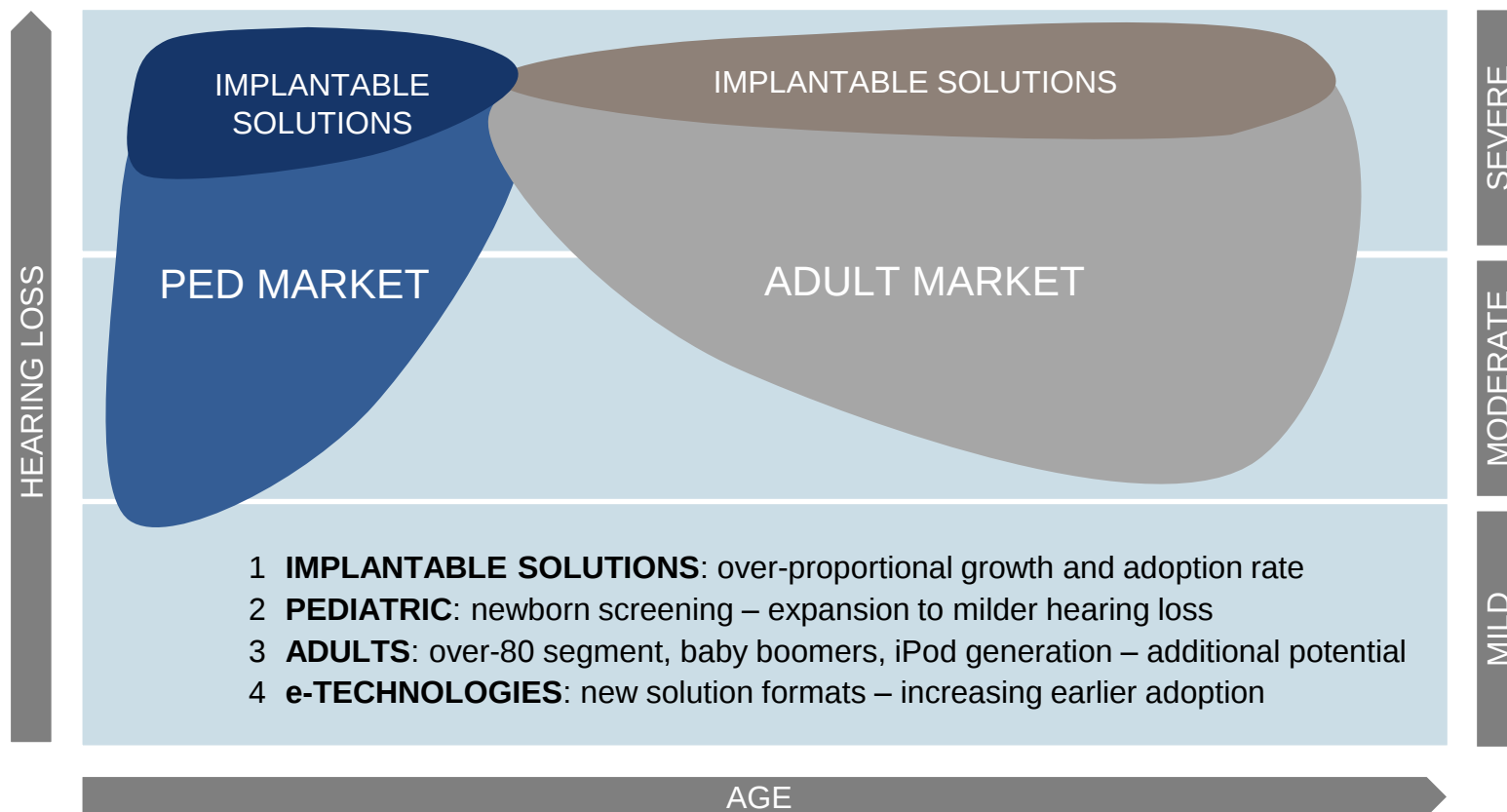
Example Unitron – Patient Insights – Providing an exceptional client experience



Industry first innovation directly linking customer with HCP via cloud

New products

Trend 1 – Increased adoption of implantable solutions – Aging population increasing



Conclusion – Provide complete HI and CI solutions – Leverage e-Technologies

New product strategy

Implement consistent platform approach for HI & CI solution development

TECHNOLOGY

Palio 1 - 90 nm

Palio 2 - 65 nm

Palio 3 – 65 nm dual-core

PLATFORM

Core

Spice

Quest

Venture

PRODUCT

Exélia

Exélia Art

Ambra

Solana
Cassia

Nano H₂O

Dalia
Naida I

Bolero Q
Virtu Q

Audéo Q
Naida Q

Sky Q

Baseo Q
Tao Q

Audéo V

Bolero V

Virtu V

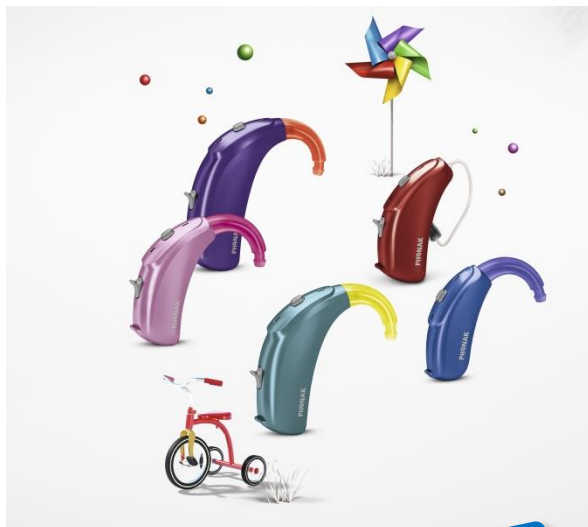
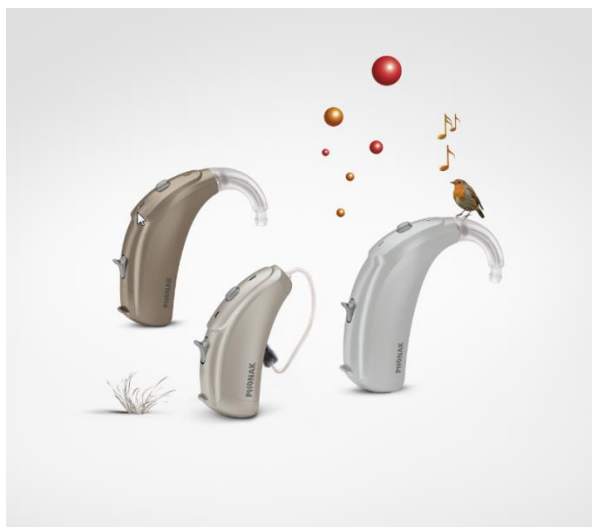
Naida V
Sky V

Apr08 Oct08 Apr09 Oct09 Apr10 Oct10 Apr11 Oct11 Apr12 Oct12 Apr13 Oct13 Apr14 Oct14 Apr15 Oct15 Apr16

Drive strong new product pipelines – Gross R&D 7-8% of sales

New products – Phonak

Value proposition – Innovation leadership



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

NEW!

NEW!

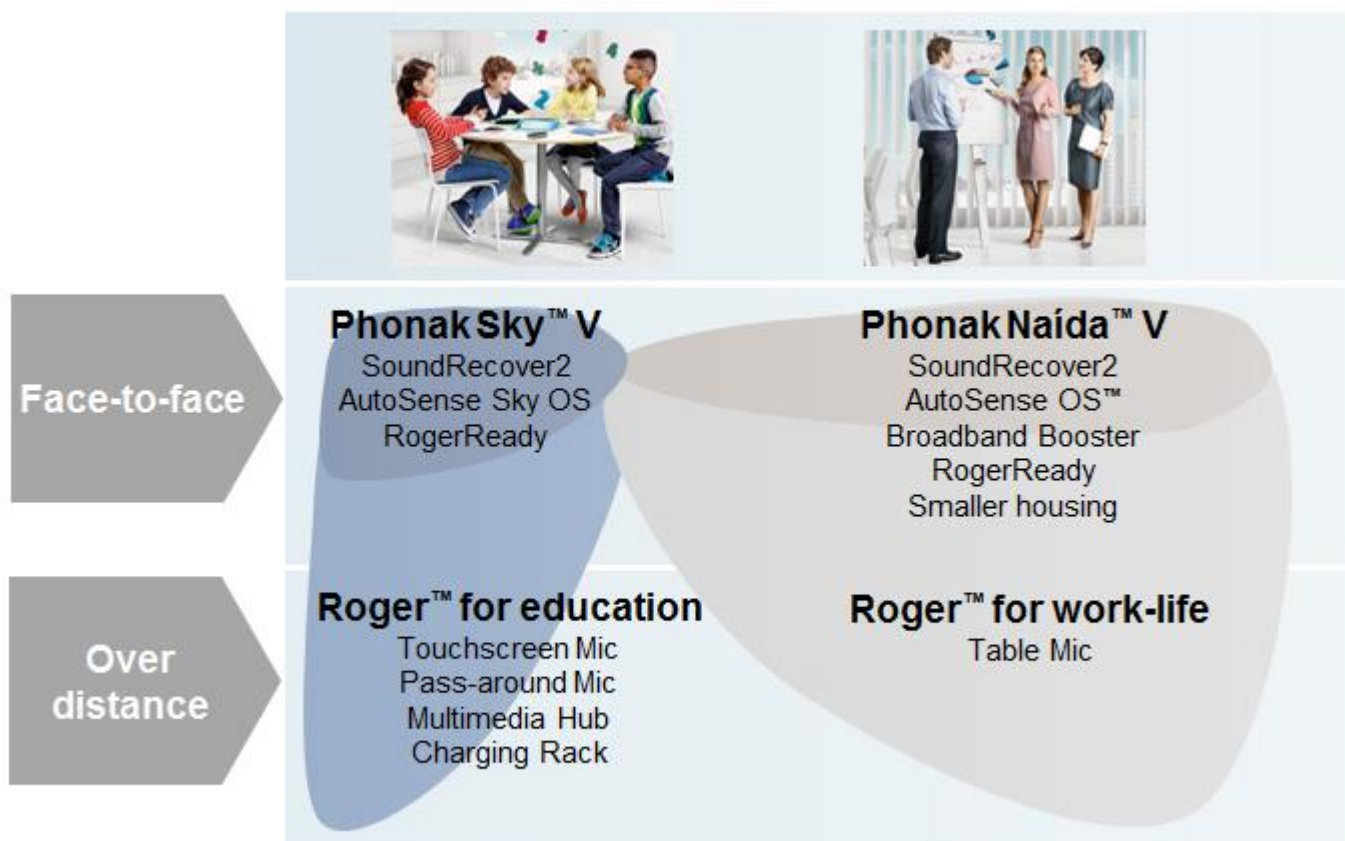
Continuing to build on the success and power of the Venture platform

Offer complete solutions – Cover all listening situations and communication needs



Leading hearing healthcare provider for severe to profound users

Overview new products and key features



Offering a complete solution for all relevant hearing situations

Sky V – Key features



Offering a complete solution for all relevant hearing situations

Sky V – New unique pediatric features – Covering the listening challenges of children

Performance

- Phonak Venture technology
- AutoSense Sky OS: designed specifically for kids
- SoundRecover2: further improves speech audibility*

Ease of use

- RogerReady: no need for additional programming
- Indicator light: shows battery status, volume/program changes etc.

Aesthetics

- Tamperproof battery doors
- Tamperproof ear hooks

Value

- Across four performance levels and five models



Sky V-M



Sky V-P



Sky V-SP



Sky V-UP



Sky V-RIC

Source: *Phonak Insight SoundRecover2, 2016

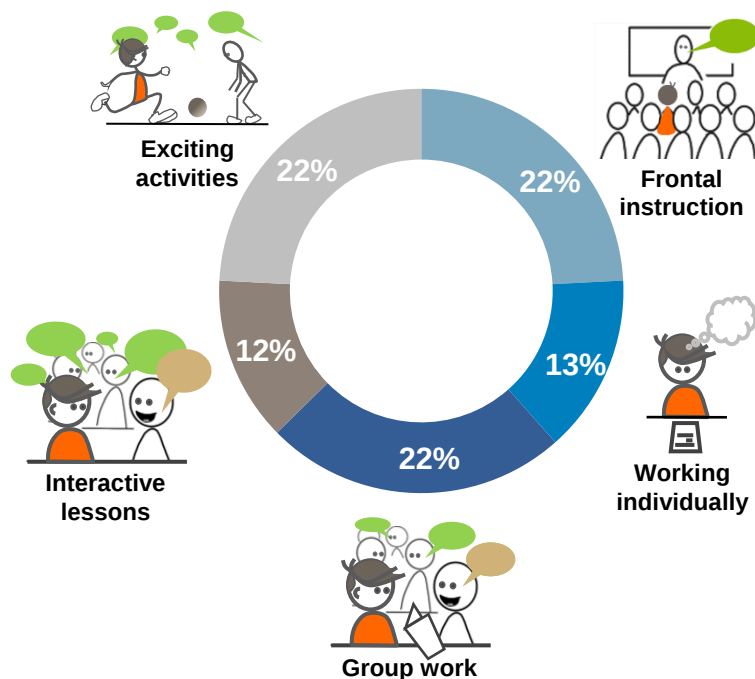
AutoSense OS™ – Recognizes and automatically adapts to listening situations



Combined with a full range of wireless solutions for every need

Sky V – AutoSense Sky OS – Pediatric specific version of AutoSense OS™

Breakdown in % of time in a student's day



Source: Graphic from Sonova

¹Ricketts, Phonak Sound Foundations, 2010, ²Roger and Phonak directionality, Phonak Field Study News (2016)

³Phonak Insight Automatic and Directional for Kids (2016)

- No single specific hearing aid program is optimal for all pediatric listening situations
- Manual switchings are not reliably done even by older children¹
- Interactive lessons and exciting activities are most difficult listening situation for kids
- 26% more precise speech in noise classification (classroom activities) when combined with the Roger product portfolio²
- Up to 39% more precise in recognizing yelling and shouting as unwanted noise compared to the adult system.³

Specific soundscapes for a child's life helps to improve understanding

Naída V – Key features



Offering a complete solution for all relevant hearing situations

Naida V – Severe to profound segment

Performance	– SoundRecover2: more audibility of high frequency sounds* – BroadbandBooster: improved audibility of mid- & loud broadband signals
Ease of use	– RogerReady: Roger compatible without any additional programming
Aesthetics	– New cosmetically optimized Power Slim Tube – Smaller housing: 25% slimmer vs previous design (SP and UP models)
Value	– Across 4 performance levels



Naida V UP



Naida V SP



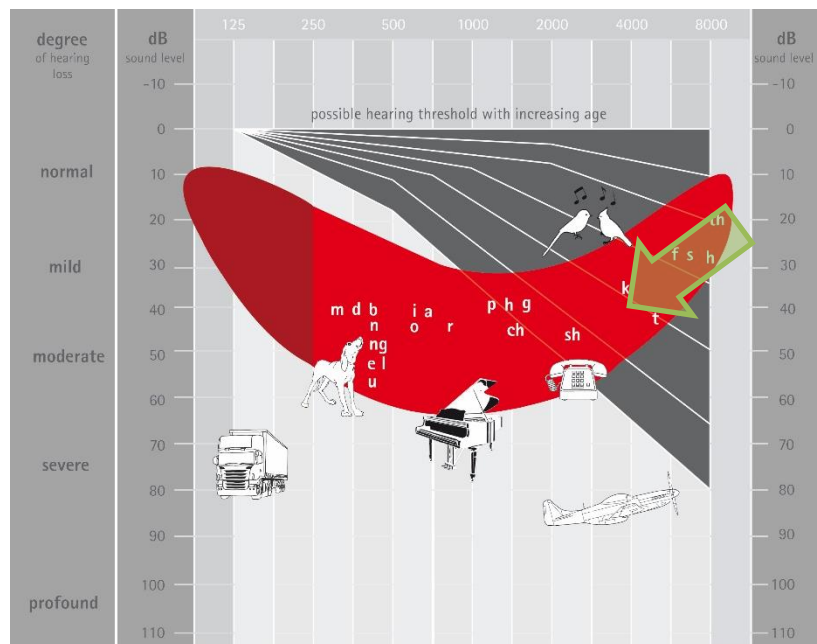
Naida V RIC

Source: *Phonak Insight SoundRecover2, 2016

Power segment most important for independents, VA and Sonova strategy

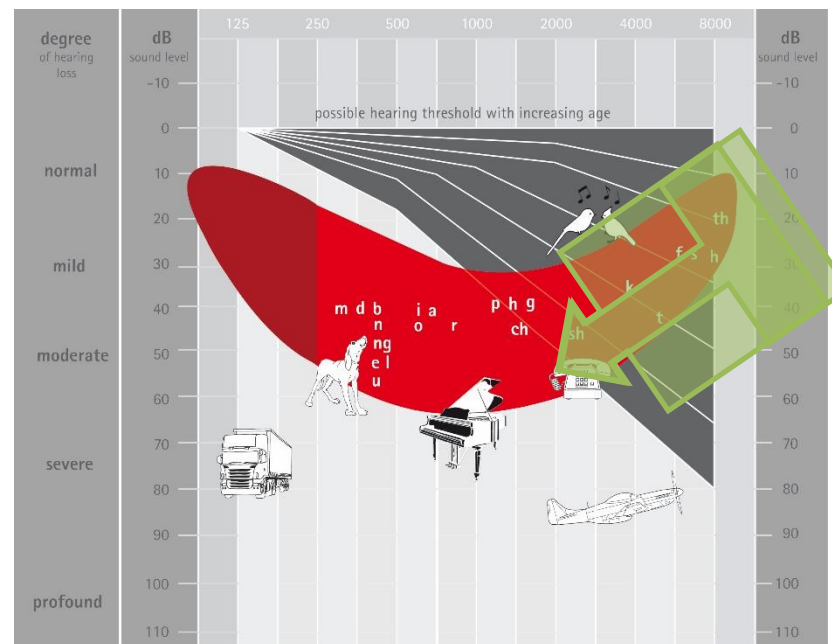
SoundRecover2 – Intelligent adaptive frequency compression algorithm

Speech banana Frequency in Hz



Sound Recover

Speech banana Frequency in Hz

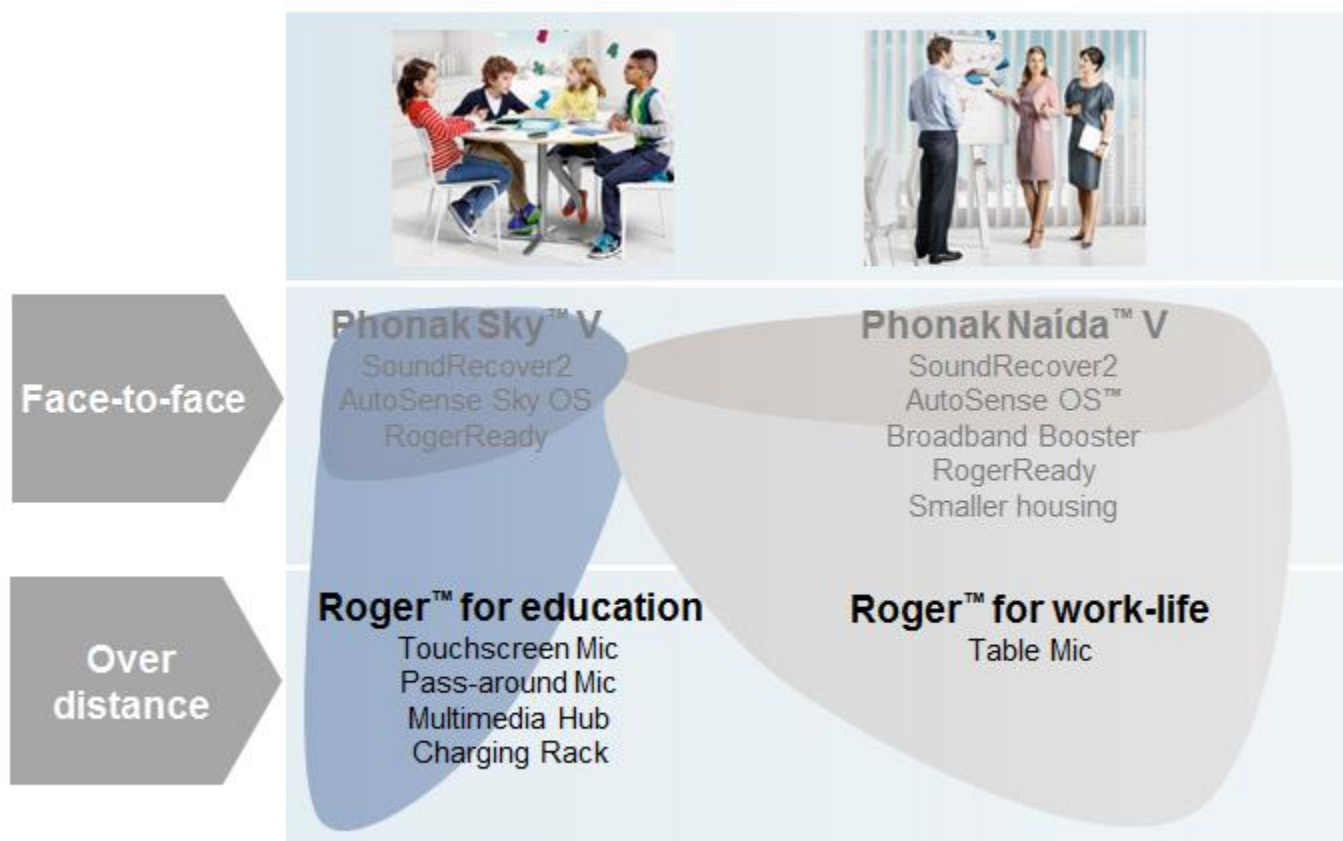


SoundRecover2

- Special benefit for severe to profound
- Adaptive

Improves the detection of high-frequency sounds vs SoundRecover

Roger™ Wireless Accessories – Expanded offering



Offering a complete solution for all relevant hearing situations

Roger™ – Simplicity for modern learning and work-life market – All 2.4 GHz based



Based on combined Phonak Communications & Comfort Audio technology

Roger TableMic – Applies latest wireless microphone technology – All 2.4 GHz based

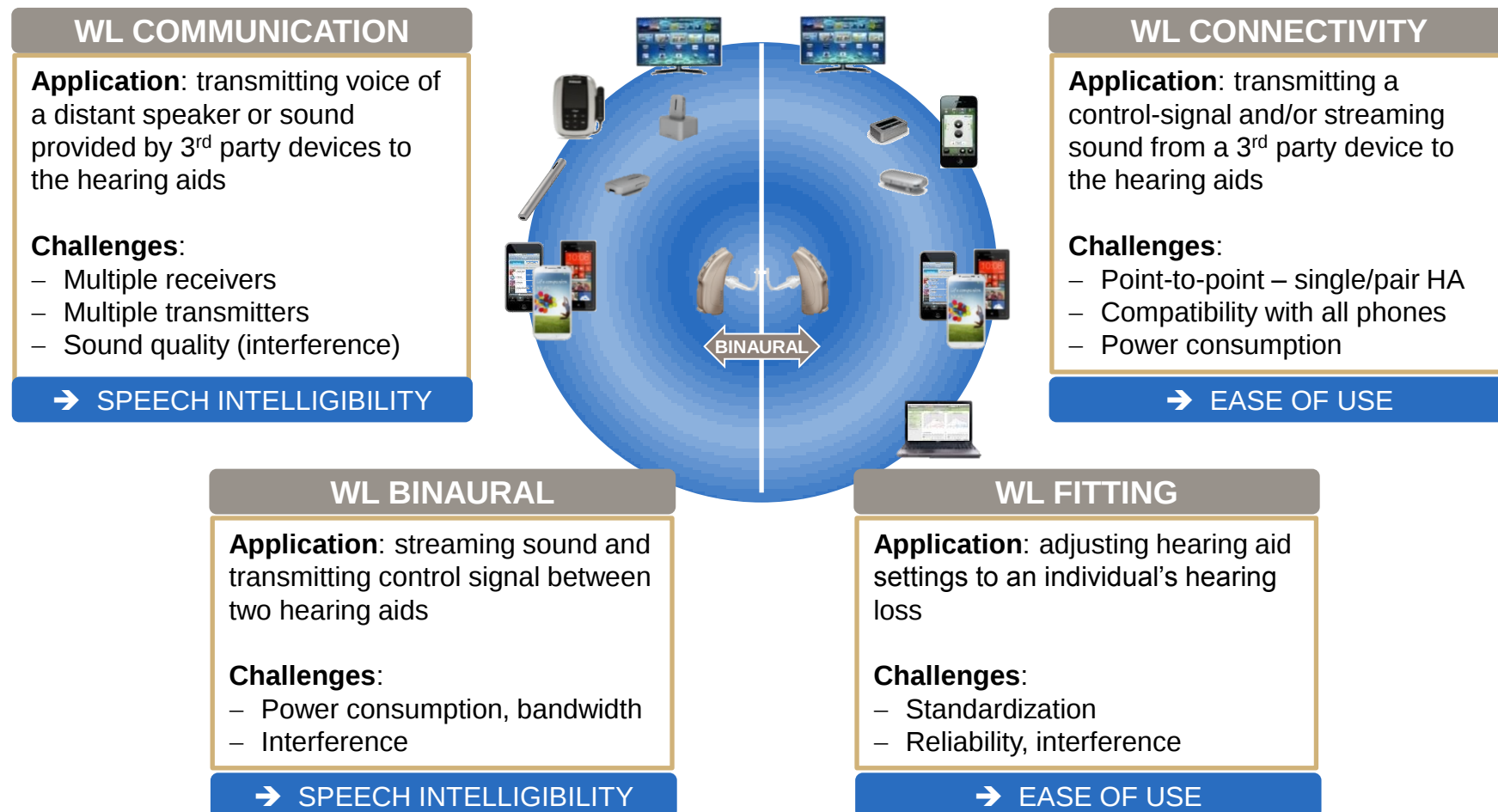


Source: *Statistics Sweden, The labor market situation for people with disabilities 2013

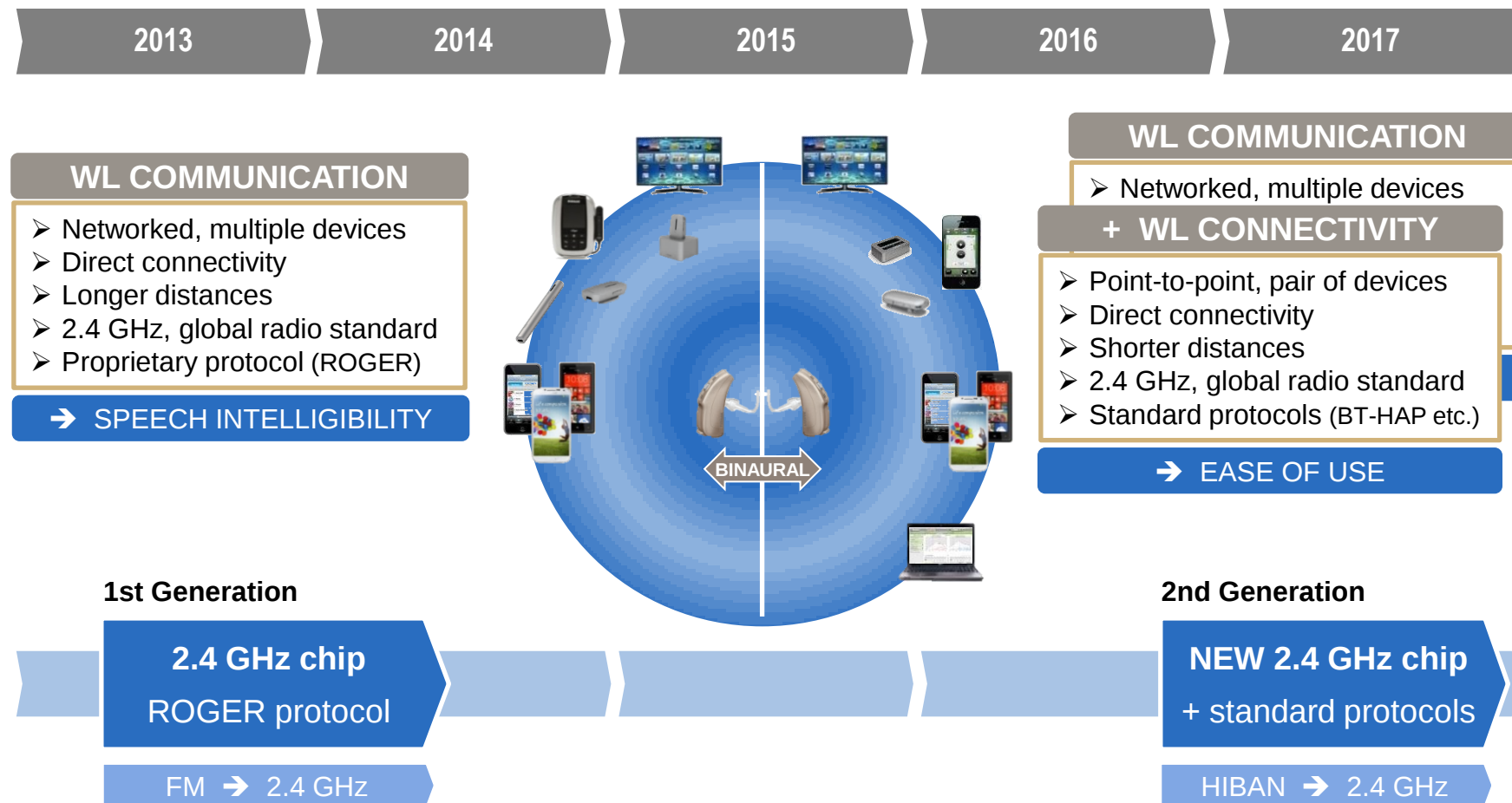
- 55% of all hearing impaired are of working age*
- Modern working life put high demands on people's ability to communicate
- Especially designed for meetings with several speakers in noise and over distance
- MultiTalker Network with several Roger Table Mics or other Roger microphones
- 20 meters range to receiver, over 20 hours of operating time
- Compatibility with every HA & CI with a Roger receiver

Phonak wireless communication solutions – Better hearing and performance at work

Main applications for hearing aids



Strategic approach – Move wireless platform to 2.4 GHz radio technology



Summary

Strategic focus

Focus on hearing care – Continuous innovation to grow sales, earnings & cash flow



Lead digital (r)evolution and e-business transformation in hearing care

Q & A