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HEAR THE WORLD

Investor & Analyst Day 2016

Stäfa | October 18, 2016

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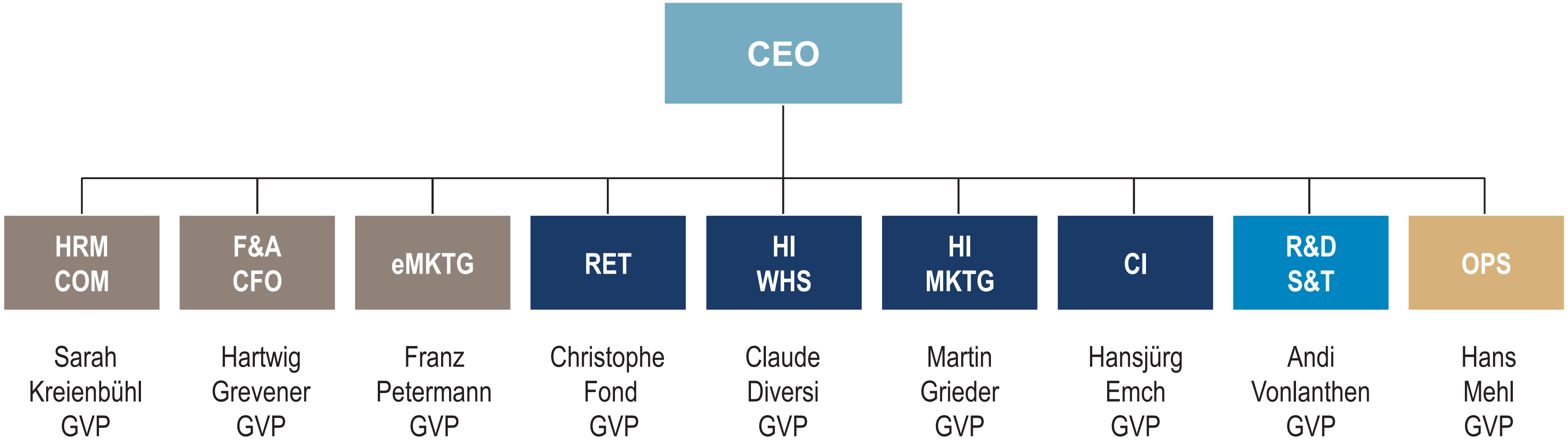
Program

08.30	**Reception, Coffee and Croissants**
09.00	**Introduction** Lukas Braunschweiler, CEO
09.30	**New products – Cochlear implants** Hansjürg Emch, GVP Medical Prof. Dr. Dipl. Inform. Andreas Büchner, Deutsches Hörzentrum Hannover
11.00	**Coffee break**
11.15	**New Products – Hearing instruments** Martin Grieder, GVP Hearing Instruments Marketing
11.45	**e-Solutions – New technologies** Andi Vonlanthen, GVP Research & Development
12.15	**Lunch break**
13.30	**Go-to-market – Retail professional services & AudioNova** Lukas Braunschweiler, CEO & Hartwig Grevener, CFO
14.30	**Summary and Q&A** Lukas Braunschweiler, CEO
15.00	**Factory tour**

Sonova Management Board (MB)



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Sonova Management Board (MB)

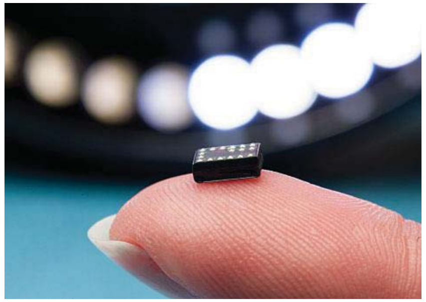
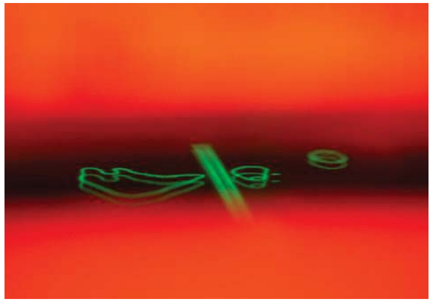
CEO

HRM COM	F&A CFO	eMKTG	RET	HI WHS	HI MKTG	CI	R&D S&T	OPS
Sarah Kreienbühl GVP	Hartwig Grevener GVP	Franz Petermann GVP	Christophe Fond GVP	Claude Diversi GVP	Martin Grieder GVP	Hansjürg Emch GVP	Andi Vonlanthen GVP	Hans Mehl GVP

MB team members presenting today

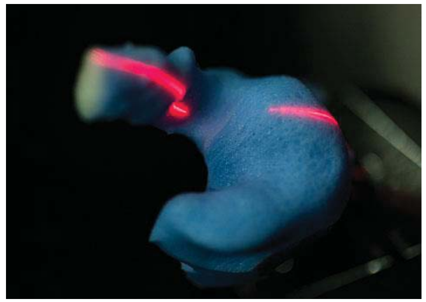
Driving innovation in hearing care

Stäfa, Switzerland | October 18, 2016 | Lukas Braunschweiler, CEO







1. Sonova Group

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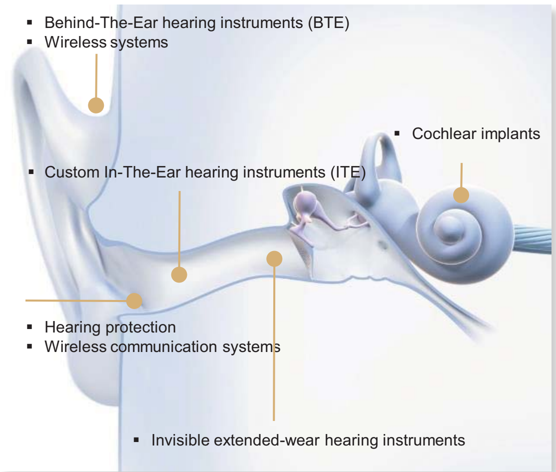
Broadest and most advanced offering – Hearing instruments, cochlear implants …

HI Hearing Instruments



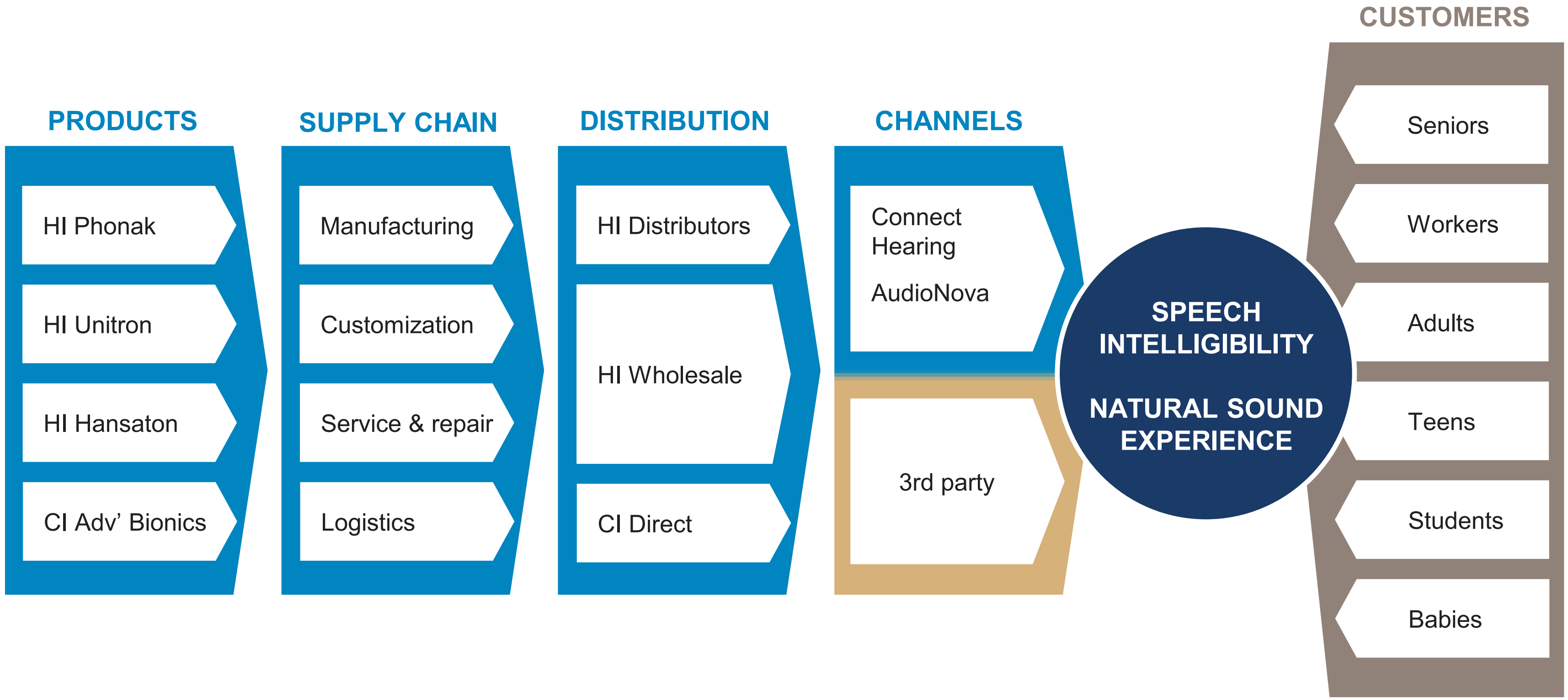
CI Cochlear Implants

PHONAK unitron HANSATON hearing & emotions AB

Connect Hearing Hansaton Lapperre AudioNova Boots hearingcare AuditionSanté Laboratoire de correction auditive

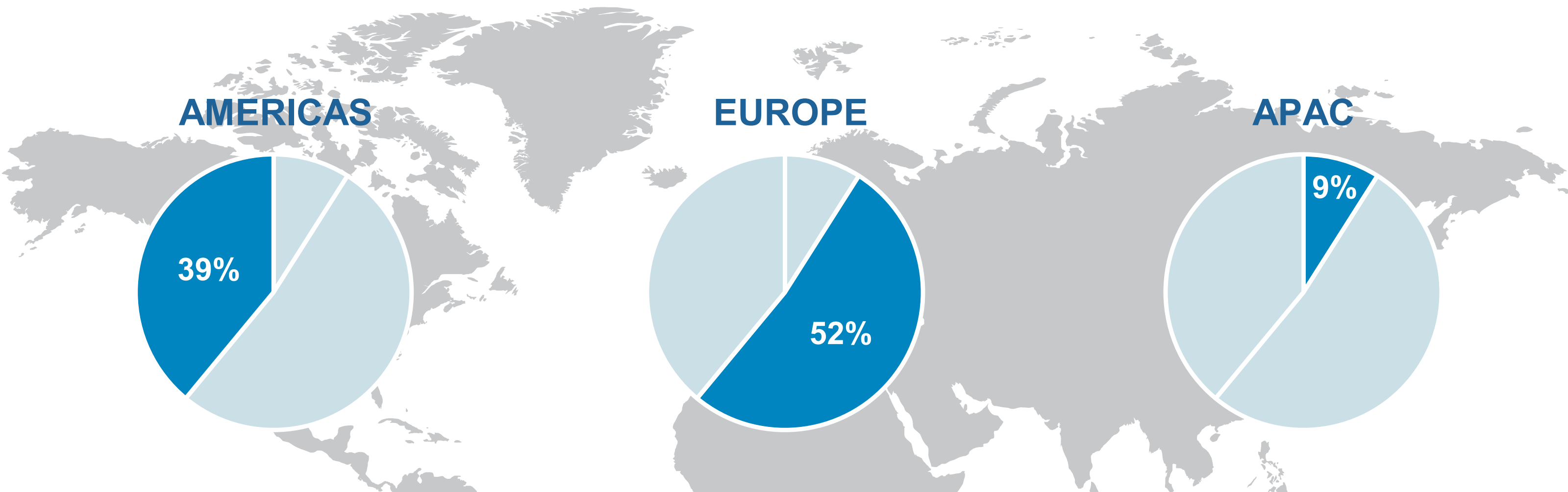
… and professional audiological services

Unique vertically integrated business model – Focused on customer value



Own technology, products, supply chain, wholesale and retail networks

Strong global presence – Well established network and infrastructure

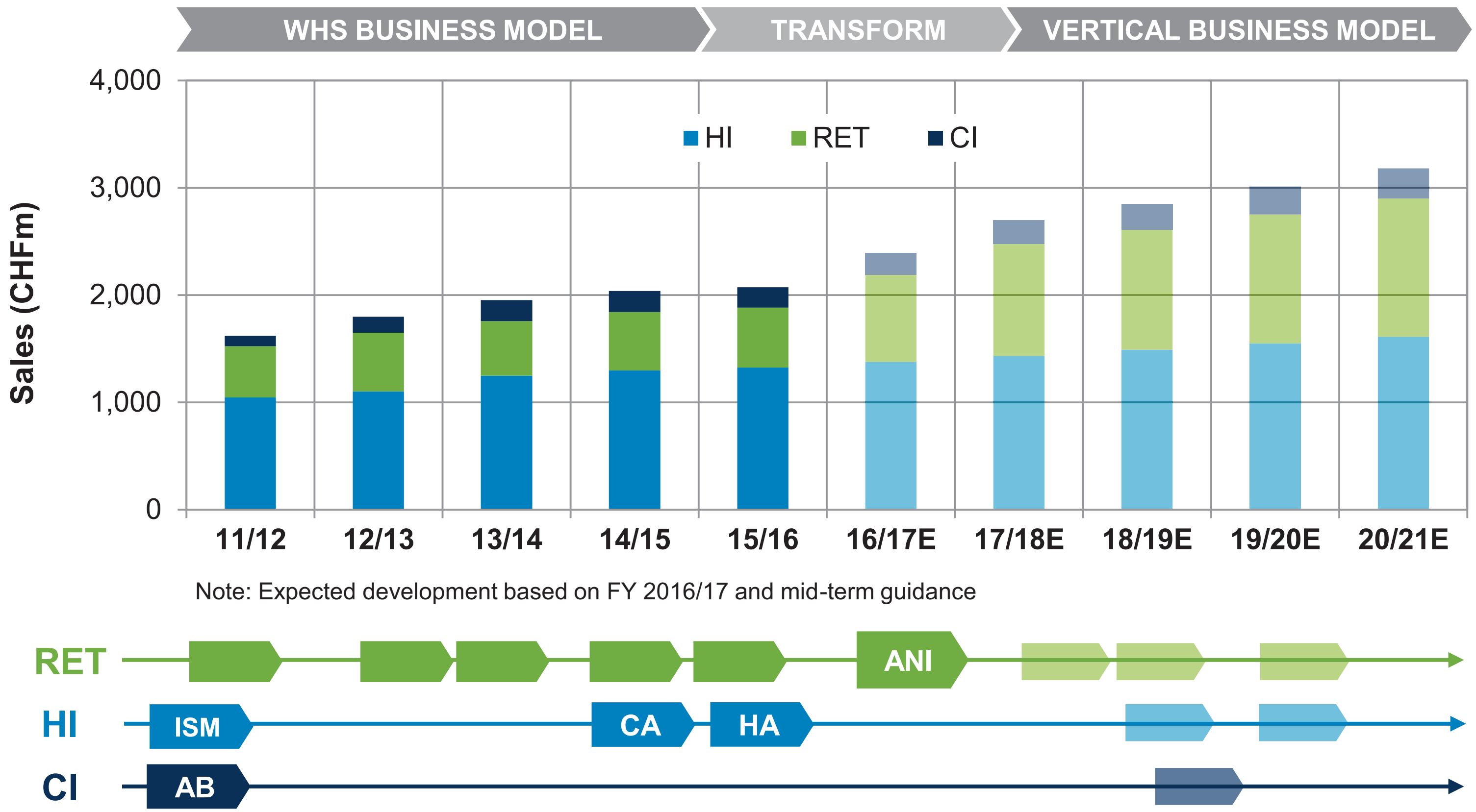


Note: Regional sales split including pro-forma 12-month impact of AudioNova

- PH, UT, HA, AB: over 50 wholesale group companies – more than 100 independent distributors
- AudioNova: over 3,300 POS retail clinics in 12 key markets
- R&D: 6 product and development competence centers (2 CH, 2 US, 1 CA, 1 CN)
- Operations: 4 production centers (1 CH, 1CN, 1 VI, 1 US)

Largest global sales and distribution network in the industry – Wholesale and retail

Transformation into unique vertically integrated business model



AudioNova integration – Continued bolt-on acquisitions activity mid-term

2. Hearing care market

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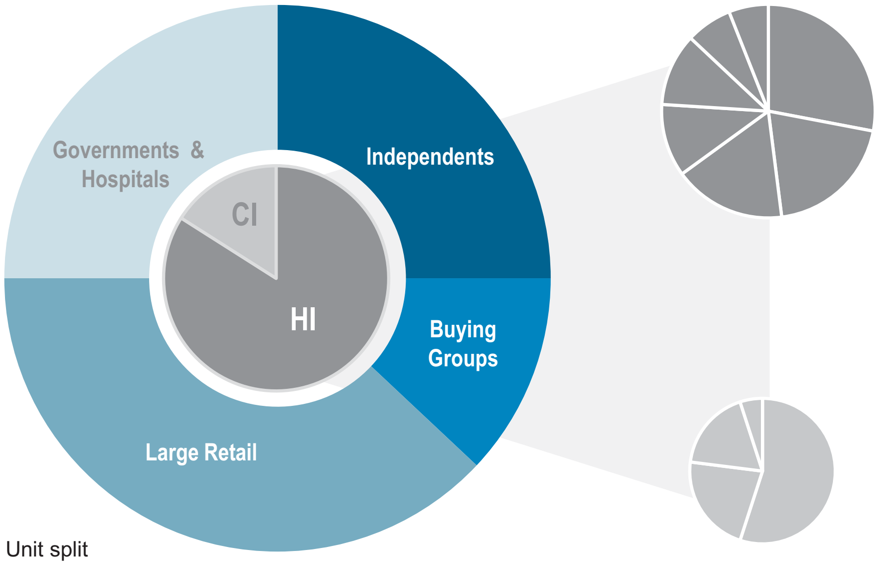
Hearing care market – Attractive size and growth potential – Strong fundamentals



Note: Unit split

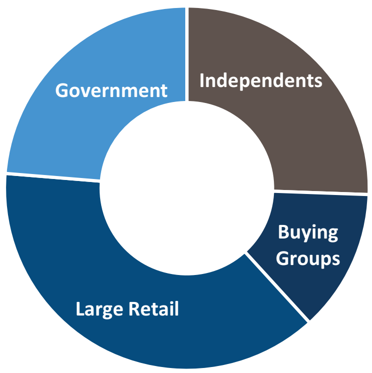
HEARING INSTRUMENTS HI	
- Market Size	~ CHF 5 billion
- Market CAGR	~ + 3-5%
- HI Size (units)	~ 13 million

COCHLEAR IMPLANTS CI	
- Market Size	~ CHF 1.1 billion
- Market CAGR	~ + 5-10%
- CI Size (units)	~ 55 thousand

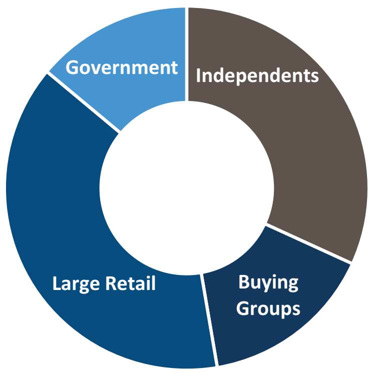
TOTAL HEARING CARE MARKET	
- Market Size	~ CHF 16 billion
- Market CAGR	~ + 4-5%
- HI Size (units)	~ 13 million
- CI Size (units)	~ 55 thousand

Hearing instruments – Global

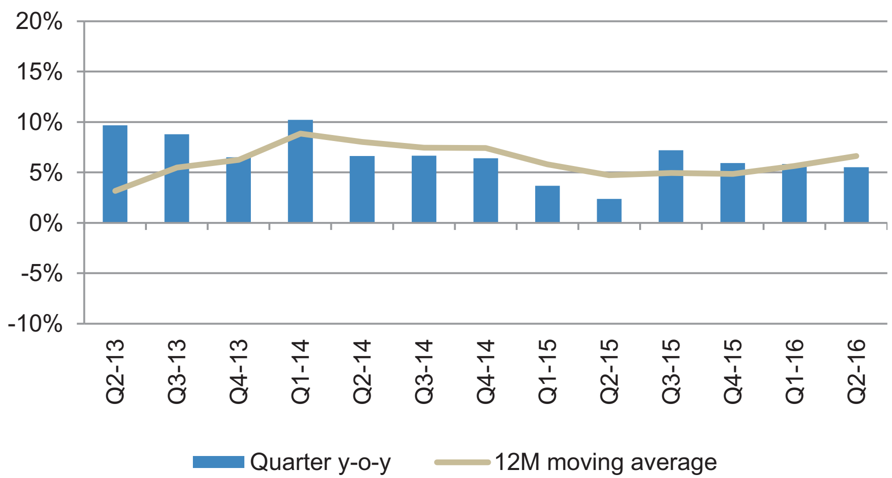
Units



Value



Unit Growth - Global



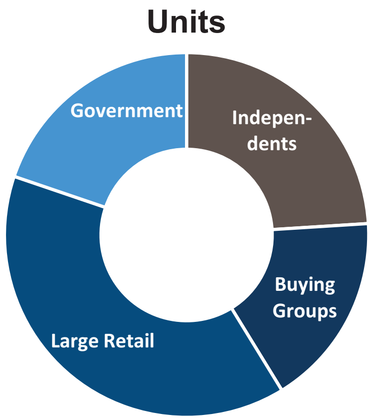
Recent market factors:

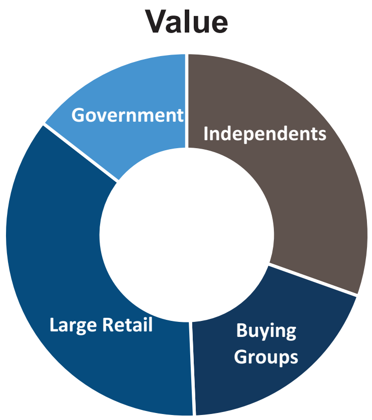
– Key markets such as US, DE, FR, UK: Recent growth rates of 5% after sequential slowdown.

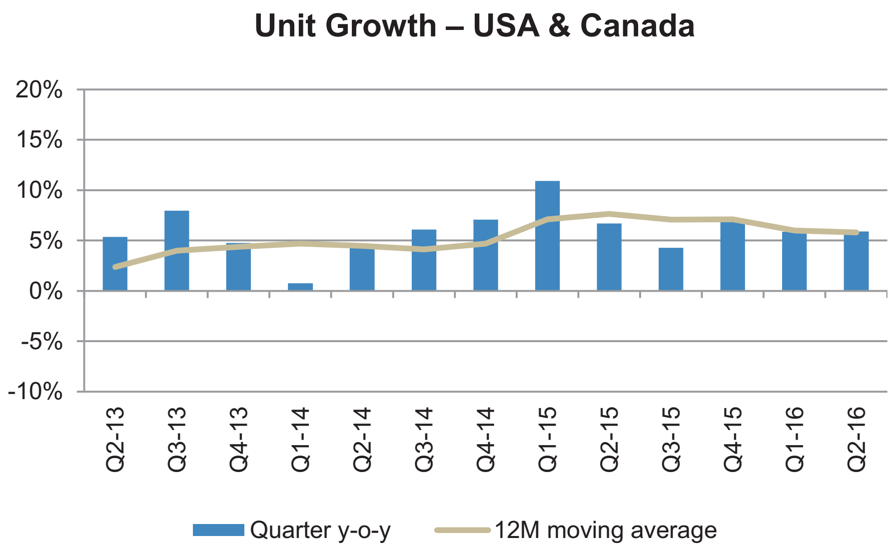
Sources:

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

Hearing instruments – North America







Recent market factors:

– US: Unit growth largely from private segment

  – Private market: Growth in Q2-16 driven by promotional activities and new product introductions.

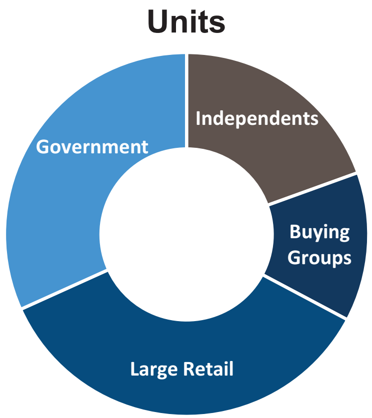
  – VA: Modest growth in recent quarters.

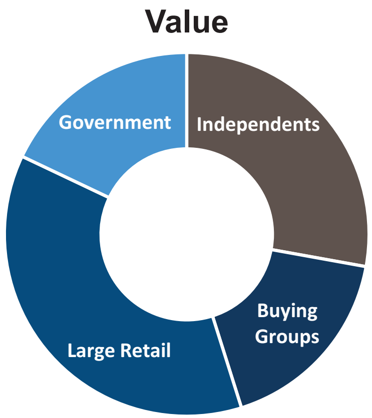
– CA: Continued YoY market growth contributing to the overall positive trend.

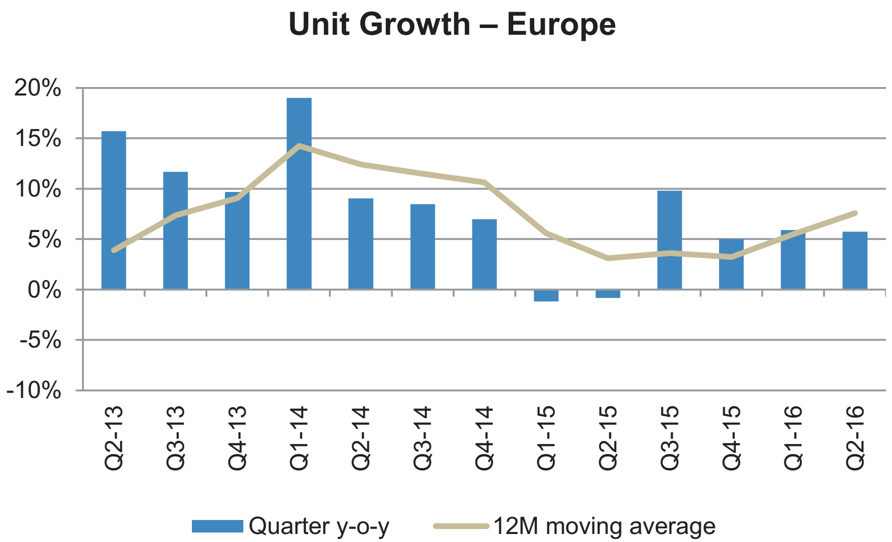
  – Private market: Manufacturer-owned retail consolidation increased recently.

Sources:
- Unit and value split: Sonova estimates for US, CA and MX
- Unit growth: aggregated official local market statistics for US, CA

Hearing instruments – Europe







Recent market factors:

- DE: Stabilizing market with slight upside since Q3-15, after decline in 1H-15 post reimbursement-driven boom in 2014.
- FR: Solid YoY growth driven by new store openings. Increased presence of optical retail and private insurances.
- UK: NHS contributing to strong unit growth in Q3-15 after a slow-down in 1H-15 from freeze of AQP roll-out; Continued solid growth in the private market.
- NL: Unit sales boost in recent quarters as a result of a further price cut in the reimbursement system and the introduction of new tenders.

Sources:
- Unit and value split: Sonova estimates
- Unit growth: aggregated official local market statistics for 16 large European markets

Market position

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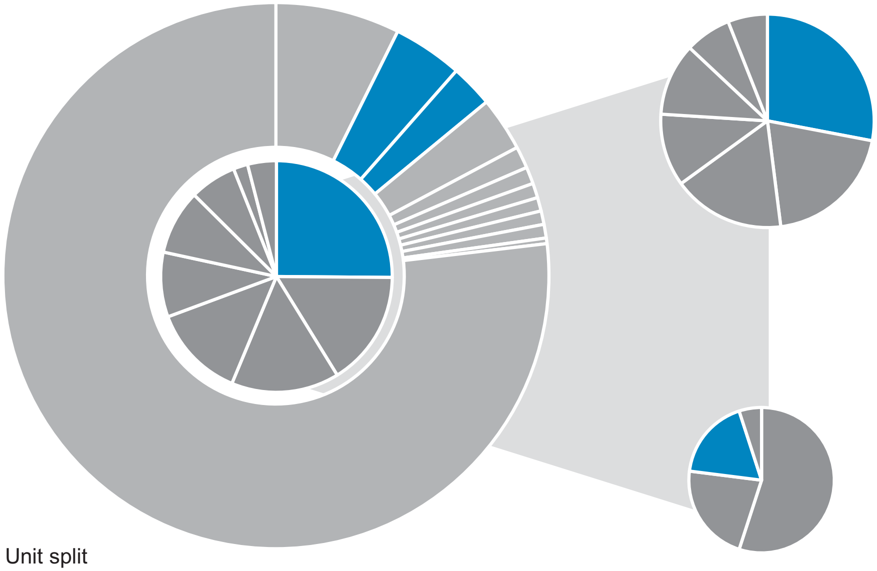
Expanding into larger hearing care market – Leverage strong HI position



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Market trends

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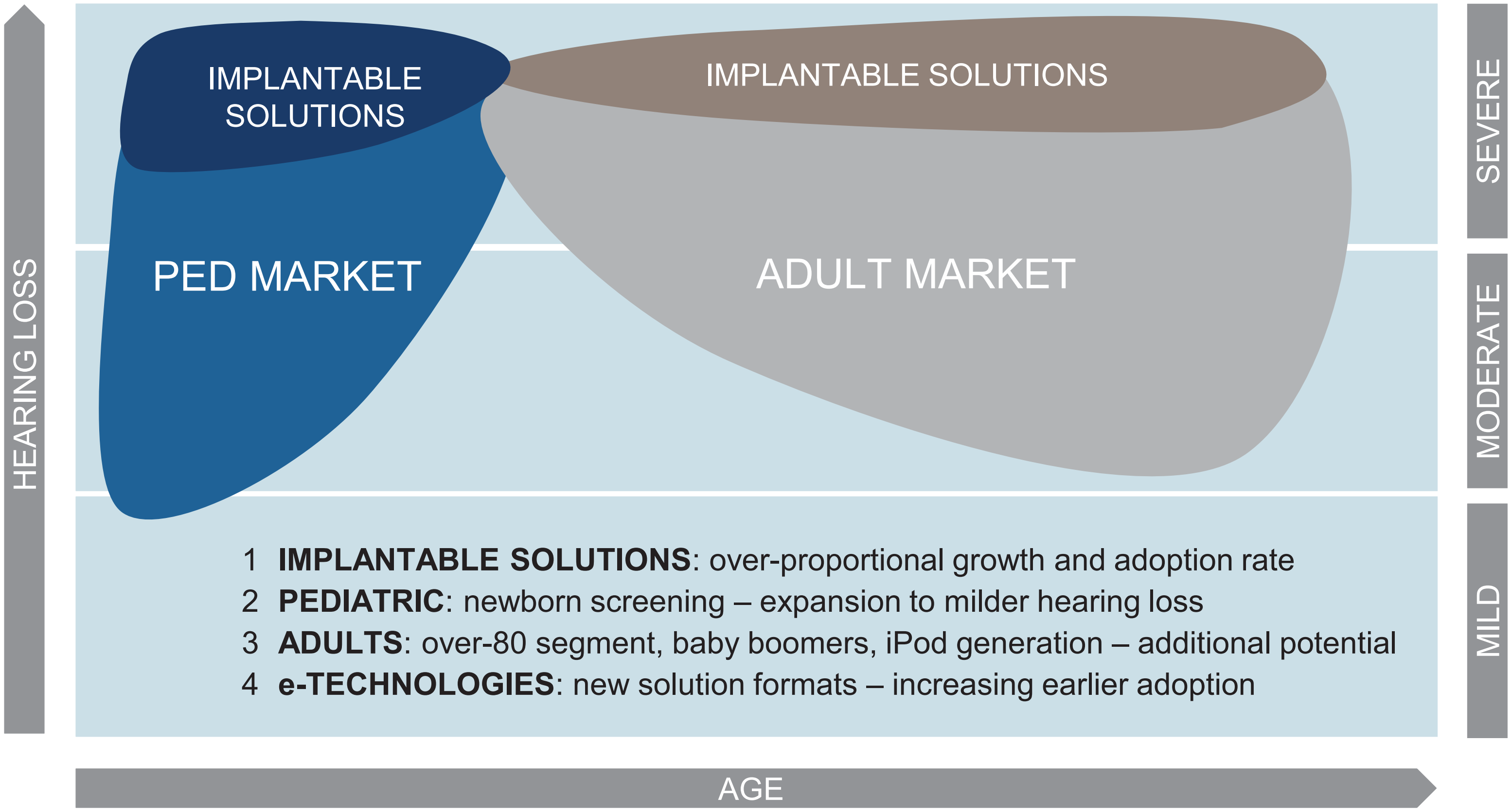
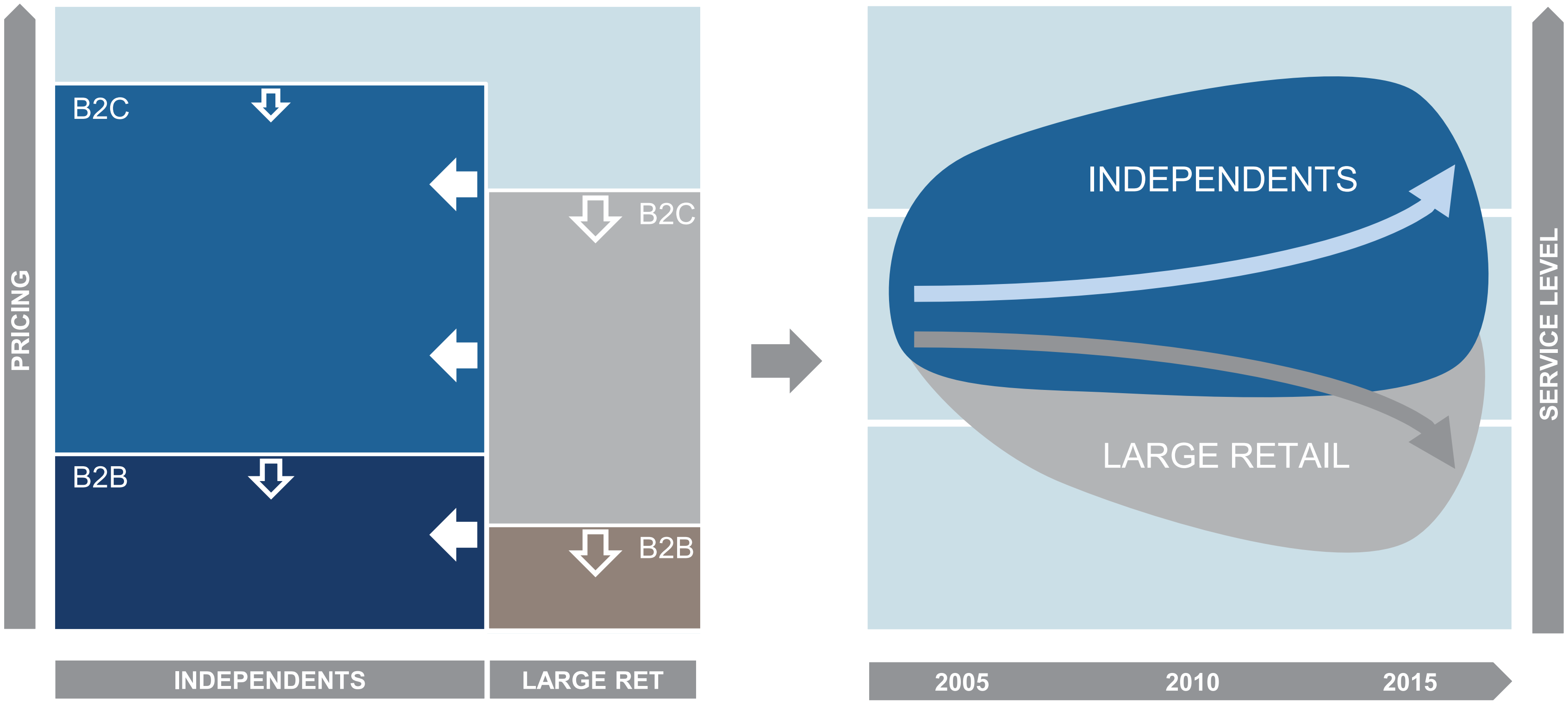
Trend 1 – Increased adoption of implantable solutions – Aging population increasing



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

Market trends

Trend 2 – Accelerated bi-furcation of professional service channels



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

Market trends

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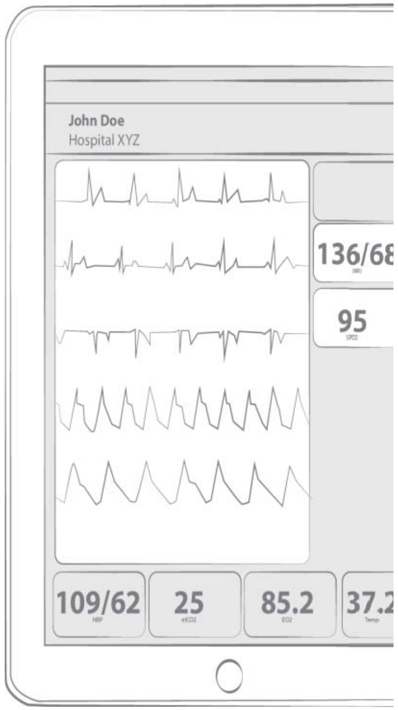
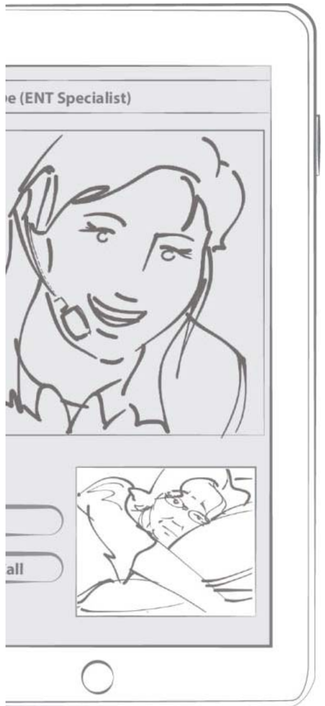
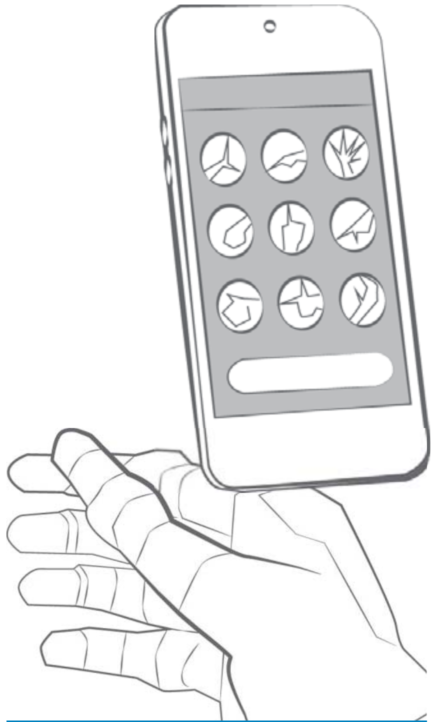
Trend 3 – e-Health and e-Hearing care – Expanding digital value proposition







Self Diagnostic	Monitoring	Virtual Care	Self Adjust
i.e. Diabetes App	Remote Patient Data	Online Care Services	Hand Prothesis App

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

3. Corporate strategy

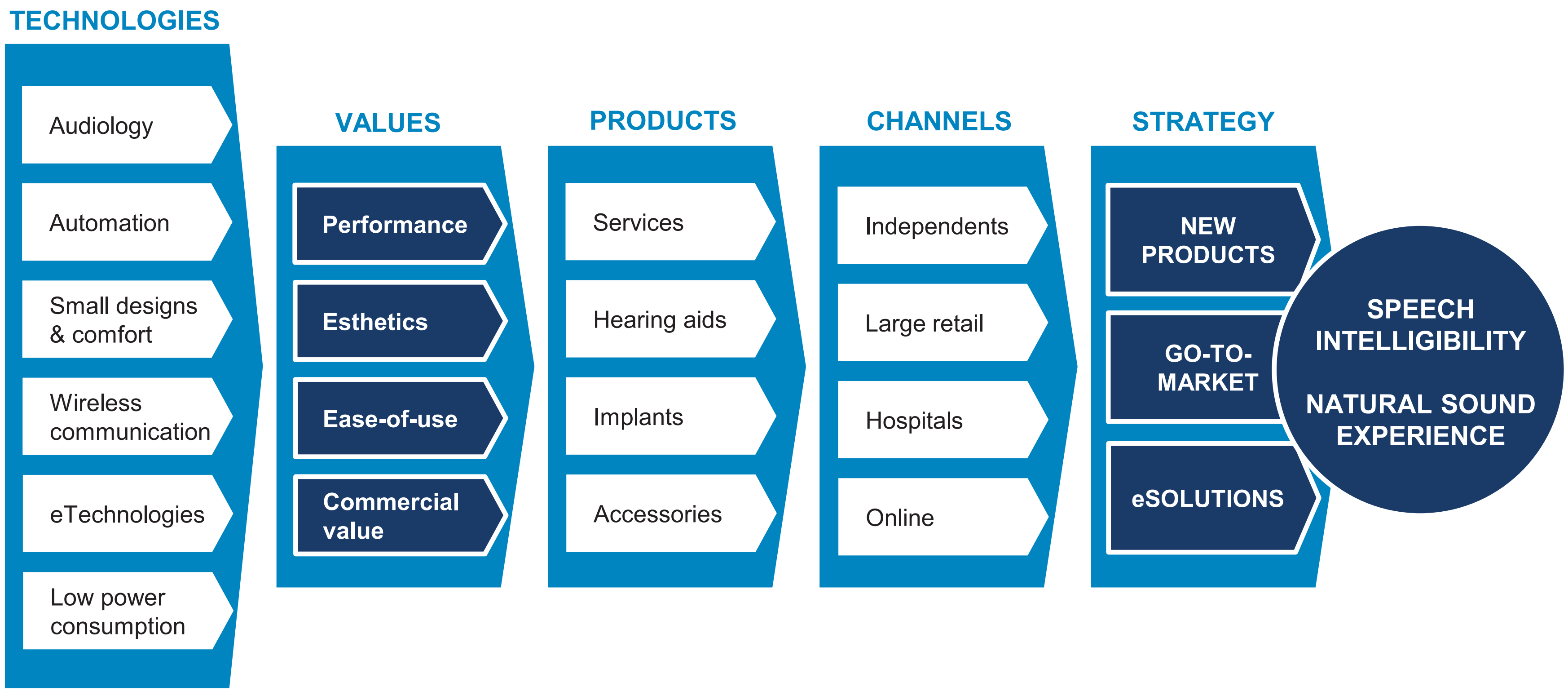
Strategic focus

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

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

Strategic focus

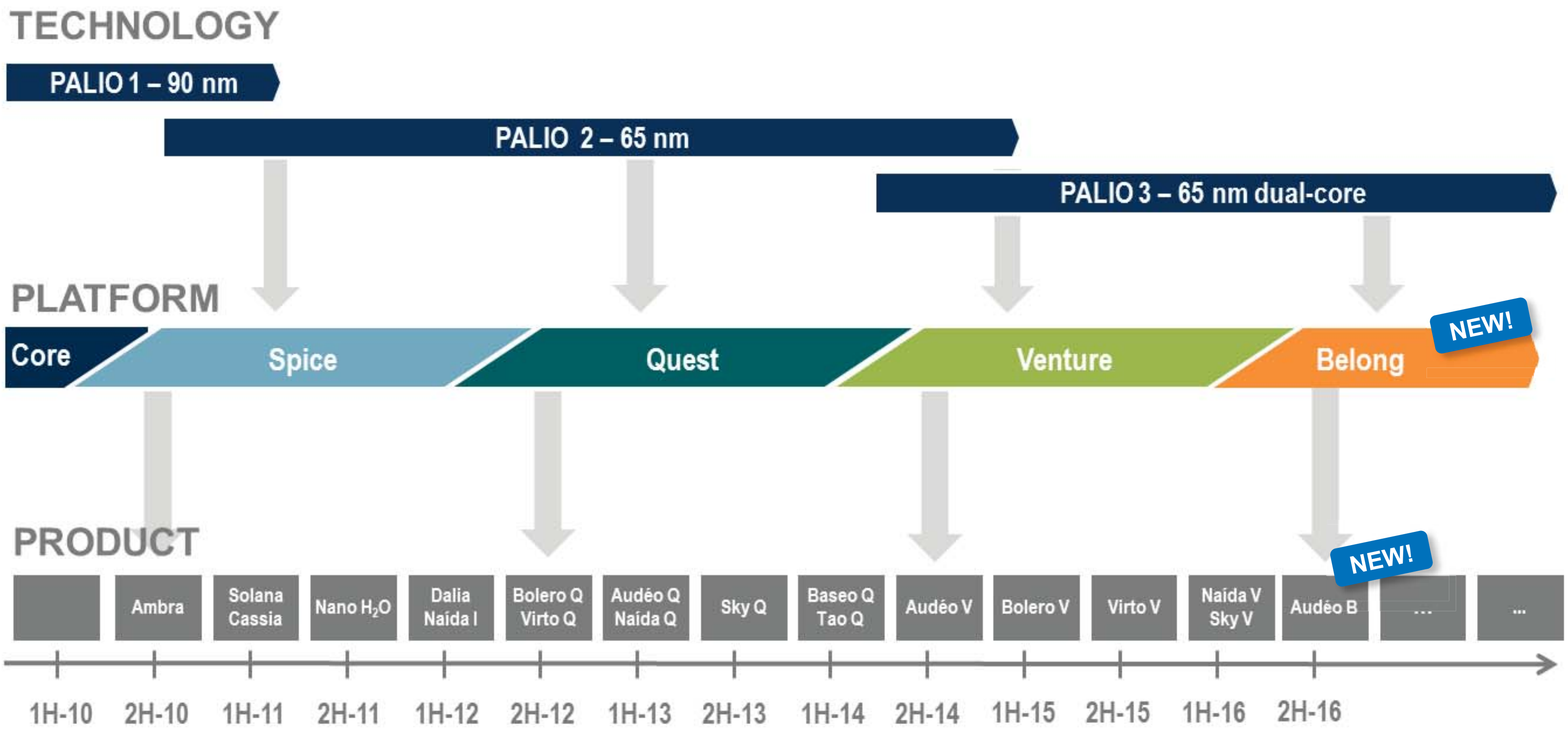
Focus on ultimate customer value proposition



Speech intelligibility and natural sound experience – In every listening situation

New product strategy

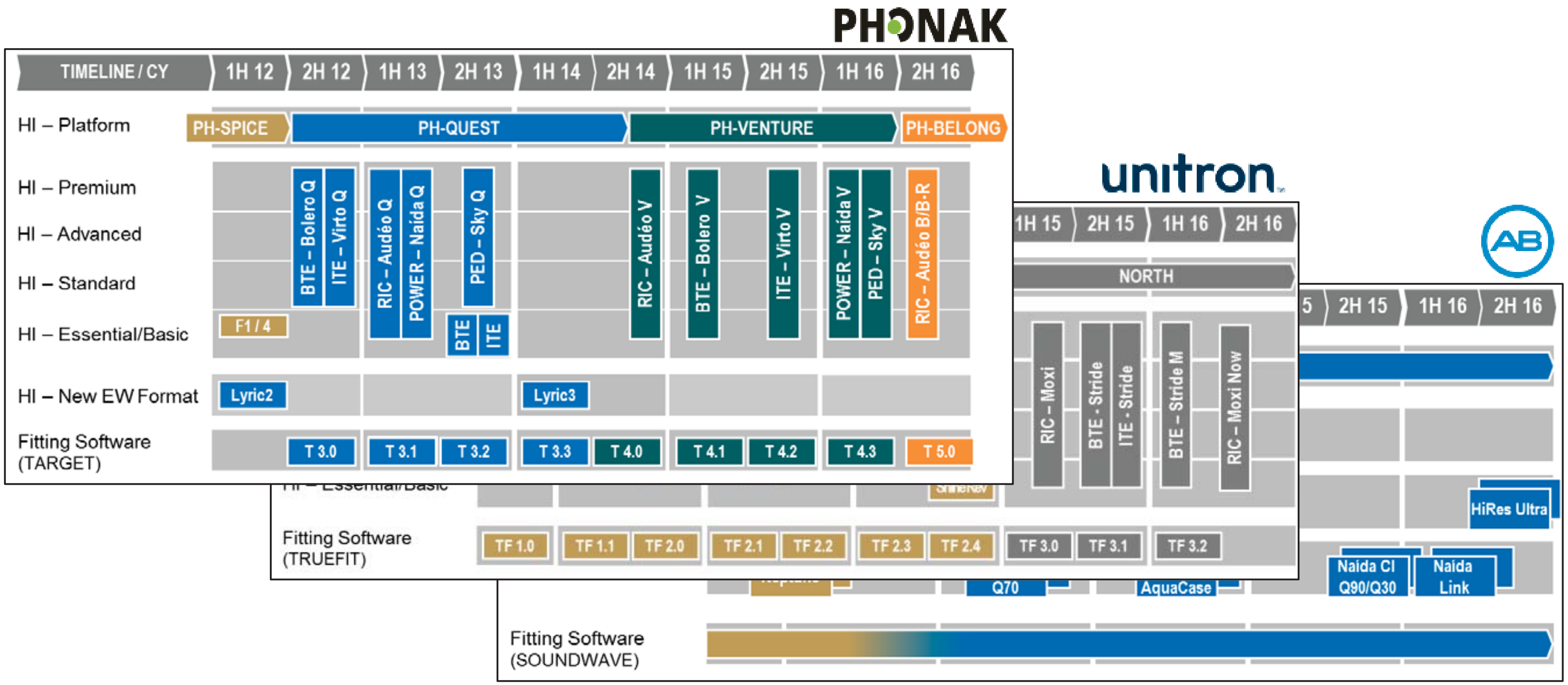
Implement consistent platform approach for HI & CI solution development



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

New product strategy

Leverage platform approach to offer complete range of products



Product pipelines: Consistently meeting product development targets

Go-to-market strategy

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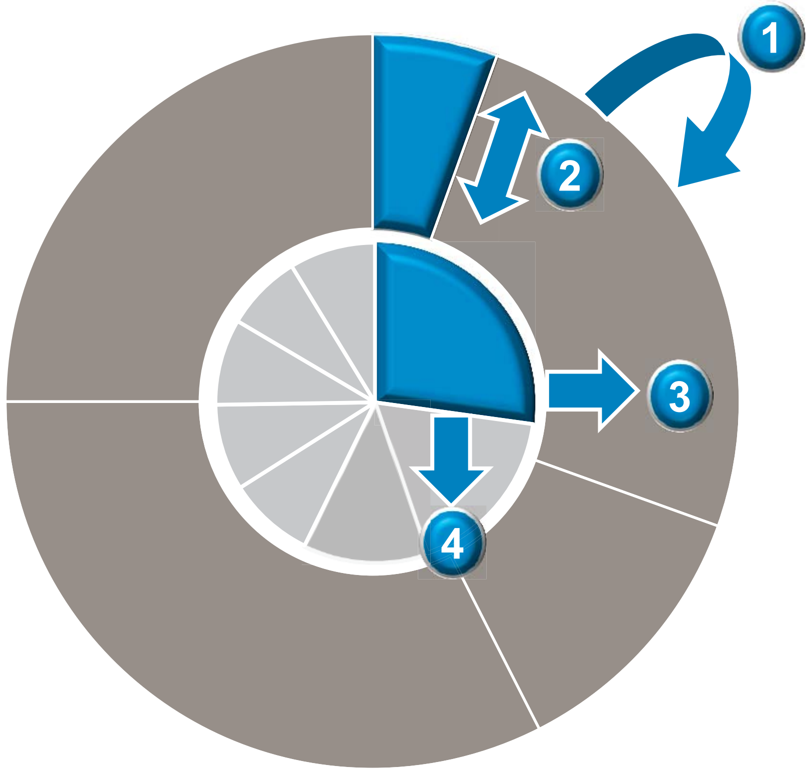
Grow market position along 4 main vectors – Drive vertical integration



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

Go-to-market strategy

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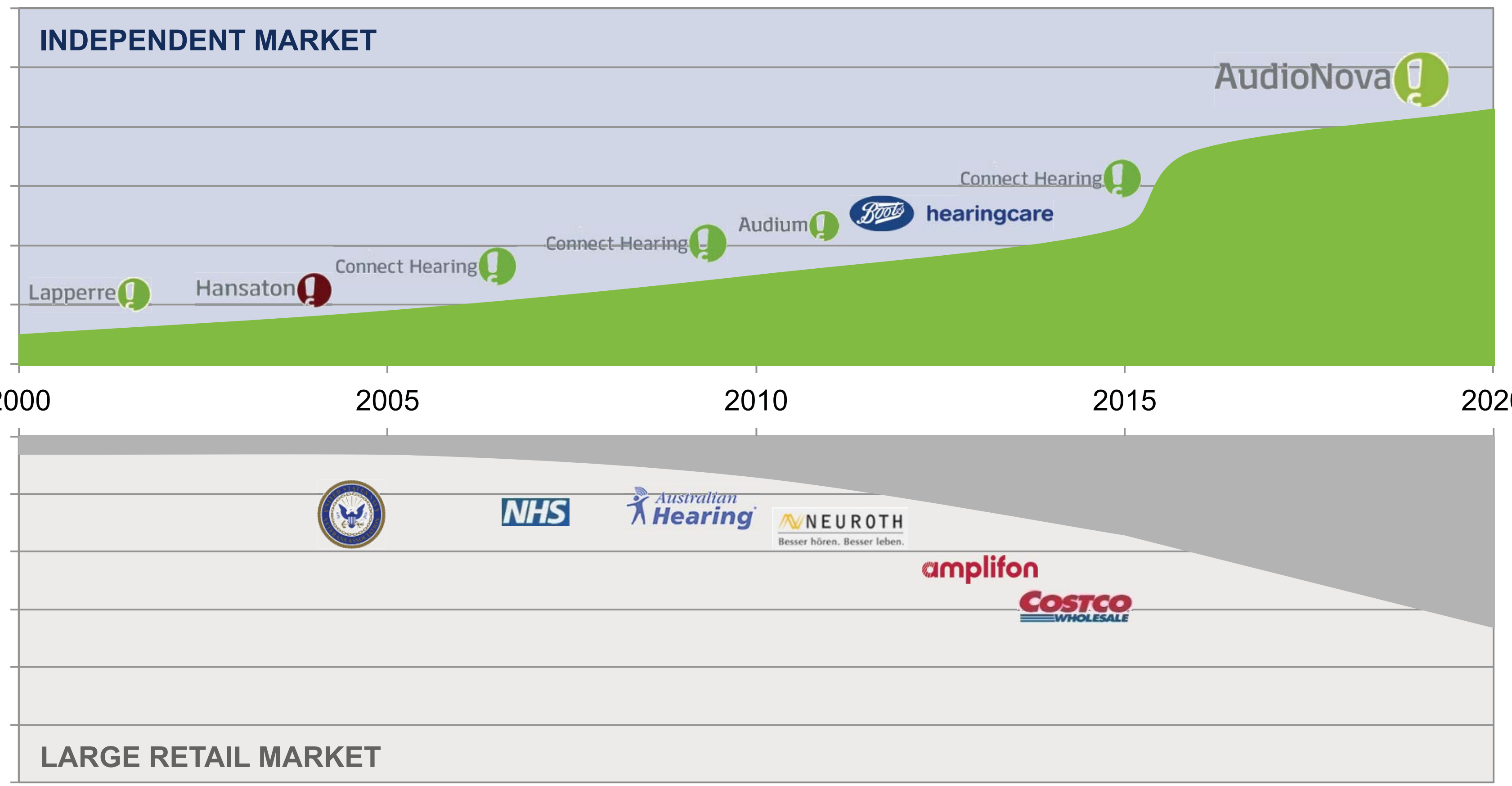
Strong position in independent market



Large retail market – Growing relationships

Business strategies

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

RET Business	HI Business	CI Business
↓	↓	↓
Secure market access	Expand market reach	Build medical position
↑	↑	↑
Offer best-in-class professional services	Drive solution innovation leadership	Strive for performance leadership

e-Solution strategy

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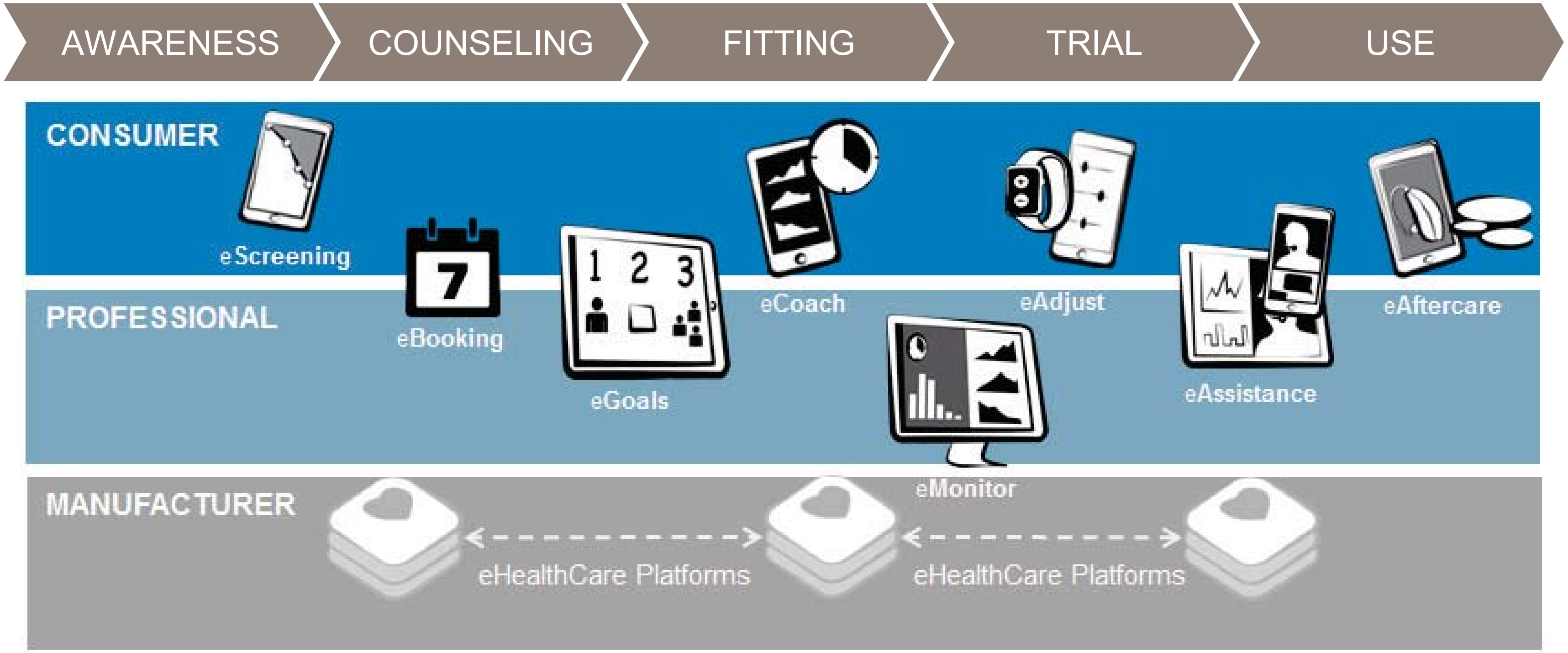
Develop complete solution and service offering based on e-Technologies



Expand technology platform approach to include e-based technologies

4. Financial targets

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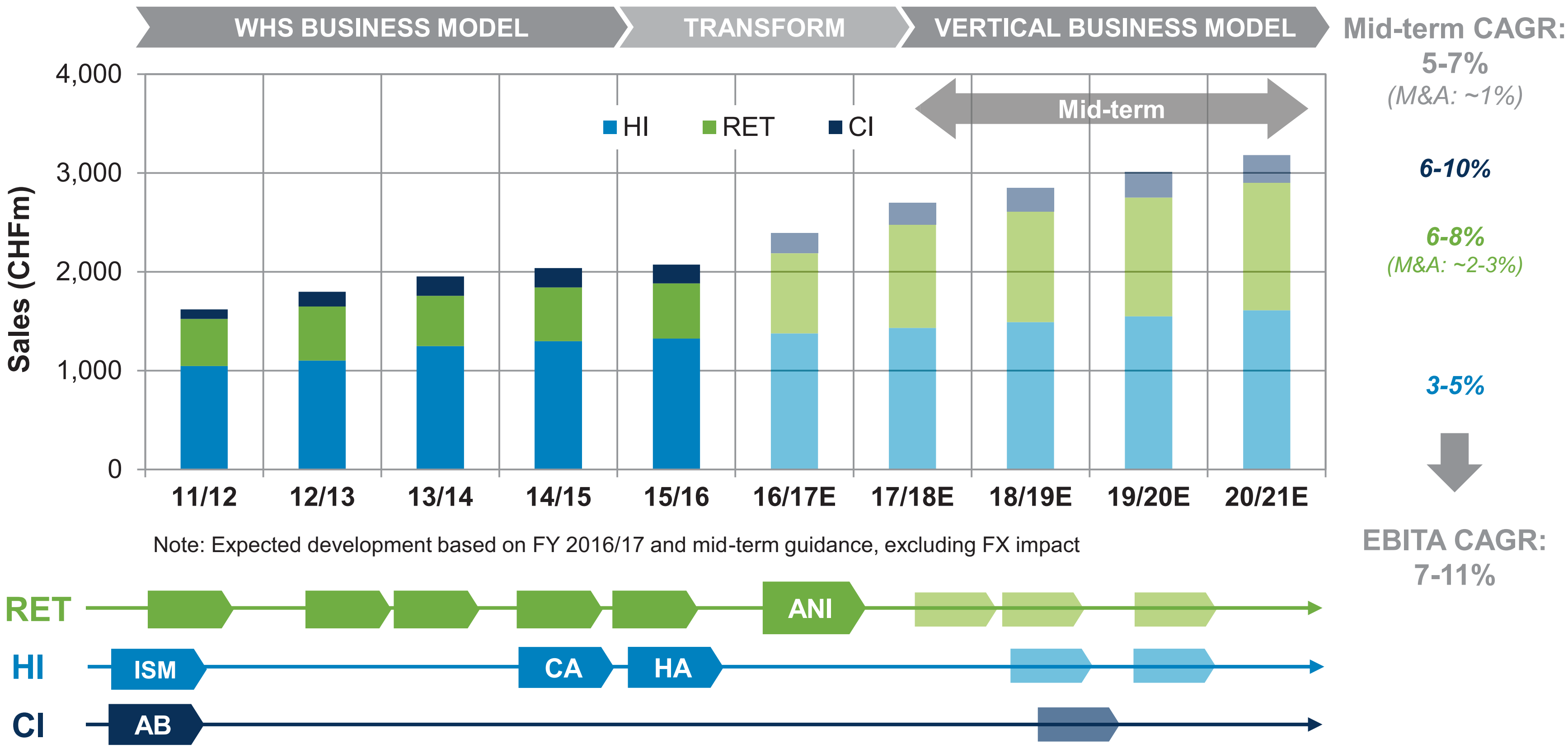
Retail to outgrow group average – Continued bolt-on acquisition activity



Transformation into unique vertically integrated business model

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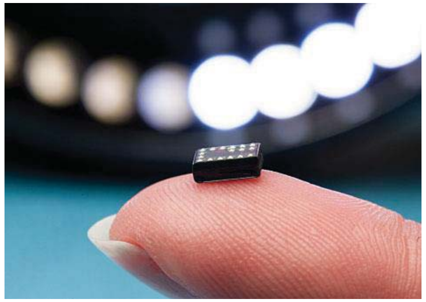
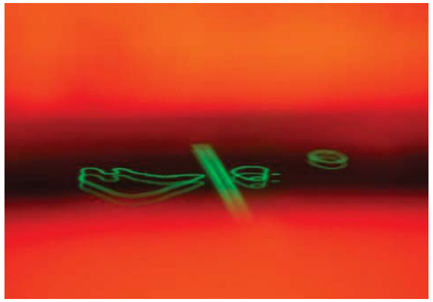
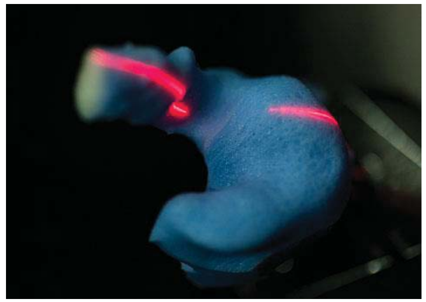
New Products – Cochlear Implants

Stäfa, Switzerland | October 18, 2016 | Hansjürg Emch, GVP Medical
Prof. Dr. Dipl. Inform. Andreas Büchner, Deutsches Hörzentrum Hannover

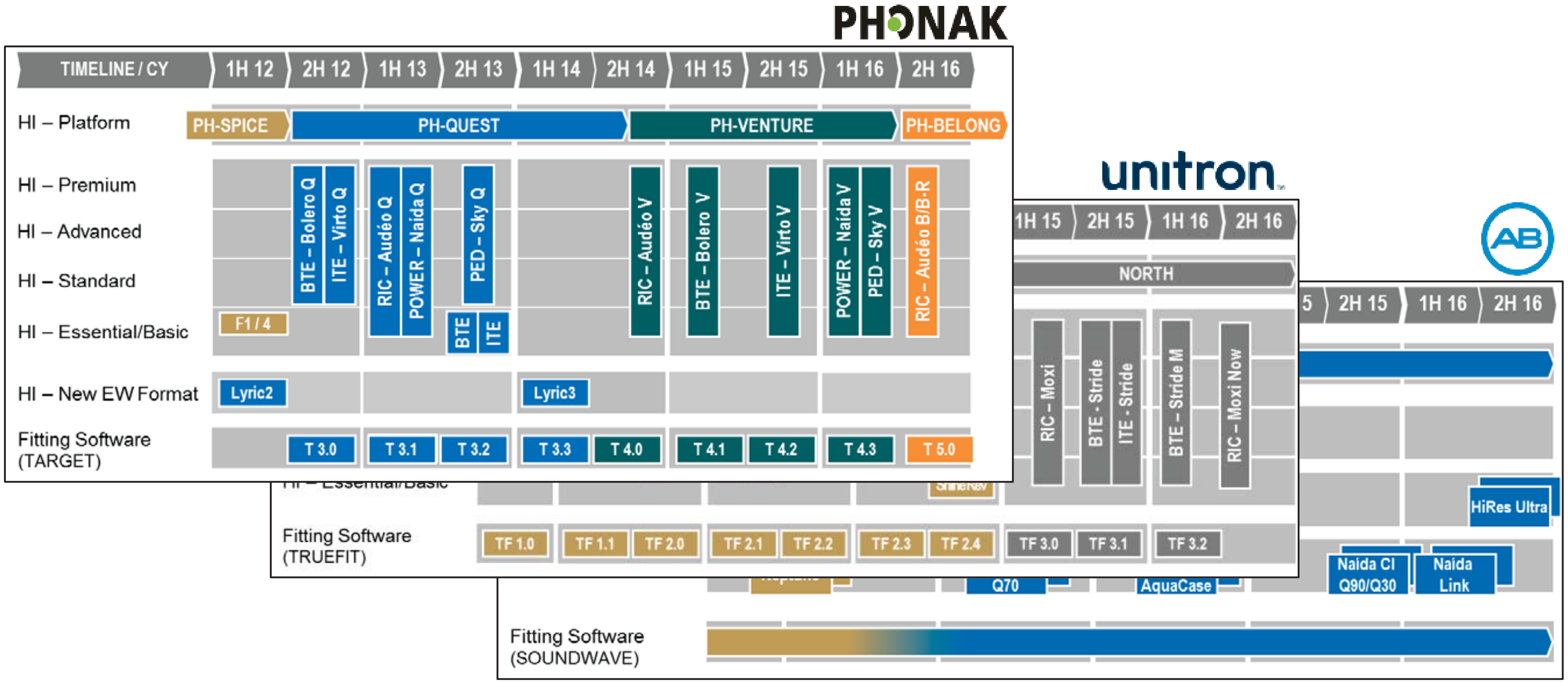






New product strategy

Leverage platform approach to offer complete range of products



Product pipelines: Consistently meeting product development targets

Gaining Momentum

Speech intelligibility and natural sound experience – in every listening situation

CI Innovation Strategy:

Build on audiological strengths and benefits by leveraging Phonak and unique AB implant technology

AB is building momentum

with adults in developed markets

in emerging markets

with pediatrics

PHONAK

Introducing the

Naída™ Link Bimodal Hearing Solution

Clinical Experience with the new AB Naída Bimodal System

Prof. Andreas Büchner

Presentation slides are available at:
www.sonova.com/en/investors/presentations



MHH Medizinische Hochschule Hannover

DHZ Deutsches HörZentrum Hannover

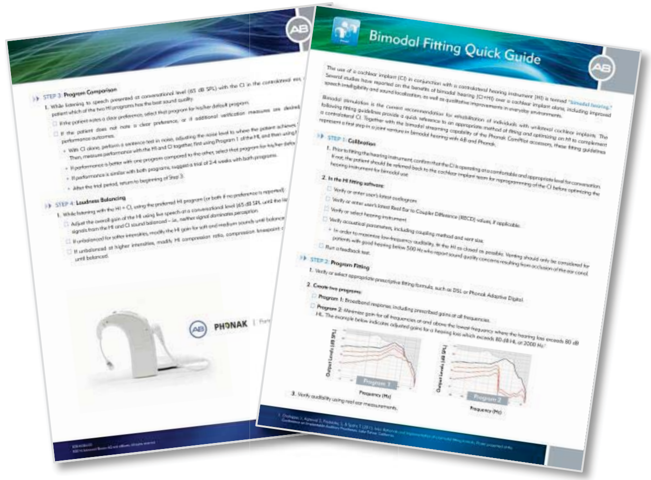
VIANNA

Hearing 4all

Made for Each Other

The Naída Bimodal Hearing Solution

Naída Bimodal Hearing Solution
Key Features **yesterday**



Bimodal streaming via wireless accessories

Bimodal fitting guideline (manual)

Naída Bimodal Hearing Solution
Key Benefits **today**

Shared signal processing

Ear-to-ear audio sharing
(Binaural VoiceStream Technology™)

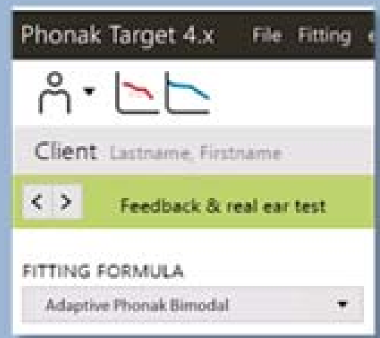
Shared Automation
(auto UltraZoom, WindBlock, SoundRelax)

Shared Controls
(QuickSync)

Bimodal streaming via wireless accessories

Adaptive Phonak Digital Bimodal Fitting Formula

Exclusive for use with Naída Link



Bimodal Fitting Report in SoundWave

Naída Bimodal Hearing Solution
Key Benefits **today**

Made For Each Other

Performance **Ease-of-Use**

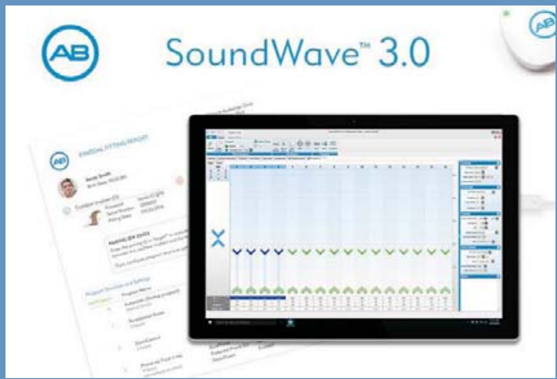
EASY to hear

EASY to communicate

EASY to use

EASY to connect

Easy to Program



Consumers Professionals

Competitive Landscape

Naída Bimodal Hearing System

- Easy to Hear
- Easy to Use
- Easy to Communicate
- Easy to Program

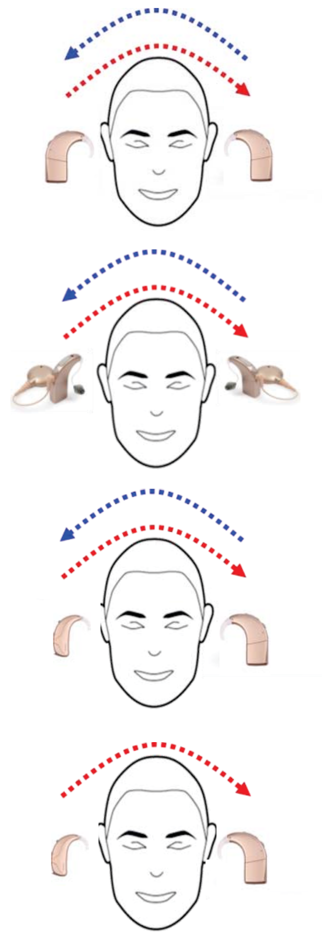
Easy to Connect

Bimodal Hearing

Any combination of a cochlear implant (CI) on one ear and a hearing aid (HA) on the other ear.

Naída CI Q Series – bring on the Sound

Naída CI Q30	Naída CI Q70	Naída CI Q90
		EAS
		StereoZoom Feature
	QuickSync Feature	QuickSync Feature
	DuoPhone Feature	DuoPhone Feature
	ZoomControl Feature	ZoomControl Feature
	SoundRelax Feature	SoundRelax Feature
	EchoBlock Feature	EchoBlock Feature
	WindBlock Feature	WindBlock Feature
UltraZoom Feature	UltraZoom Feature	UltraZoom Feature
ClearVoice™ Speech Enhancement Technology	ClearVoice™ Speech Enhancement Technology	ClearVoice™ Speech Enhancement Technology
AutoSound™ Technology	AutoSound™ OS Technology	AutoSound™ OS Technology
Phonak Bluetooth Wireless	Phonak Bluetooth Wireless	Phonak Bluetooth Wireless
Uncompromised, Underwater Hearing	Uncompromised Underwater Hearing	Uncompromised Underwater Hearing
T-Mic™ & Headpiece Microphone	T-Mic & Headpiece Microphone	T-Mic & Headpiece Microphone



Bilateral CI
Bilateral Deaf
➔ Bilateral

Bilateral CI
Residual Hearing
➔ EAS

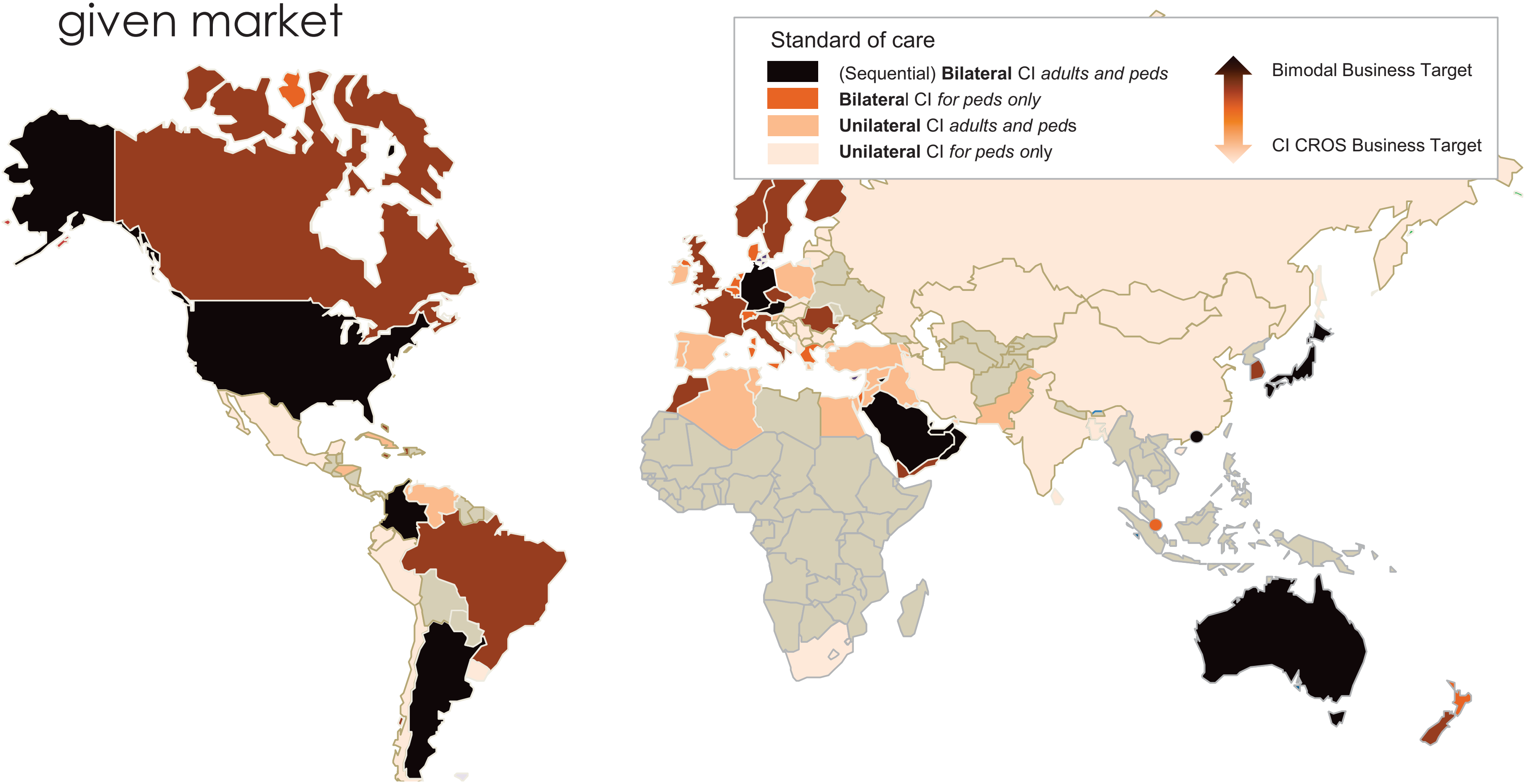
Single CI
Residual Hearing
➔ Bimodal

Single CI
Bilateral Deaf
➔ CROS

Improved hearing performance – Combining the innovation DNA of AB and Phonak

Global standard of care for bilateral deafness

Bimodal vs CI CROS solution is depending on standard of care in a given market

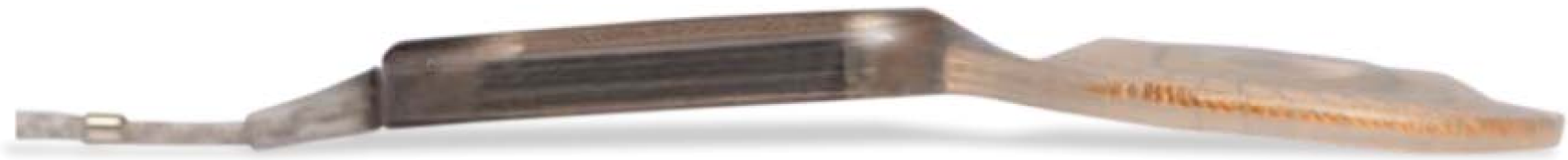


Primary target for Naída Link are markets with bilateral sequential adults, while CI CROS will bring advantages in all markets with unilateral CI only

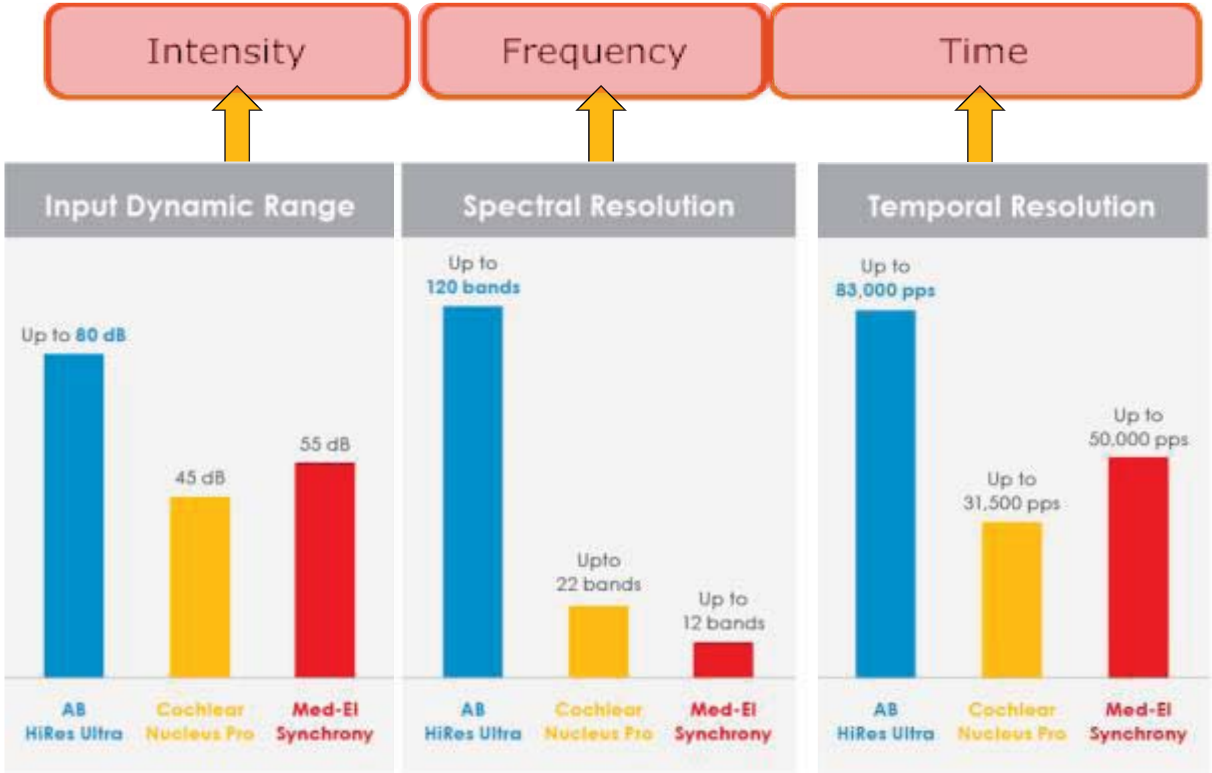
Advanced Bionics

Introducing the

HiRes™ Ultra Cochlear Implant



HiResolution™ Hearing Technology in the HiRes™ Ultra implant provides key advantages necessary for more natural hearing and the best speech and language development



Temporal Rate: The highest stimulation rate available preserves fine temporal structure **leading to a more natural sound**

Spectral Resolution: The highest number of spectral bands **to fully appreciate music and hear in noisy environments**

Intensity: The widest Input Dynamic Range captures more of the acoustic environment **of soft, loud and near to distant sounds**

Most advanced technology in a smaller, thinner package

BUILT KID TOUGH™

30% overall size reduction compared to the previous generation implant

- Smaller implant from AB makes it the ideal solution for patients of all ages, including the very young
- Minimal intrusive implantation due to the surface mount implant placement indication
- Built Kid Tough™, with superior impact resistance

Improved MRI compatibility

- With any cochlear implant, the best way to achieve a clear diagnostic image is to remove the magnet.
  Hi Res™ Ultra provides:
  - 3T compatibility with magnet removed, *easy to remove* magnet (later with tools to make it easier)
  - 1.5T compatibility with magnet in place

HiRes™ Ultra vs. HiRes™ 90K Advantage

Comparative Data

HiResolution™ Implants	HiRes™ 90K Advantage	HiRes™ Ultra
Thickness	6.5 mm (3 mm bone depth)	4.5 mm
Implant Fixation Options	Bone bed with sutures	Ramped Recess with Sutures, or in Europe also "surface mount"
Angle between package and antenna	10 degrees	15 degrees
MRI Conditional Compatibility	1.5 T (magnet out for US, magnet in for EU)	1.5 T (magnet in or out) and 3.0 T (magnet out)
Electrodes	HF MS, 1J, Helix	HF MS, future options

Advanced Bionics

AB is building momentum

Building momentum with adults in developed markets

Naída Link is a competitive advantage with adults in markets where sequential bilateral CIs are standard of care (EU, US, KSA)

Building momentum in emerging markets

The CI CROS will be a competitive advantage where bilateral deaf people only receive a single CI (emerging markets)

Building momentum with pediatrics

HiRes Ultra opens doors to pediatric programs

sonova
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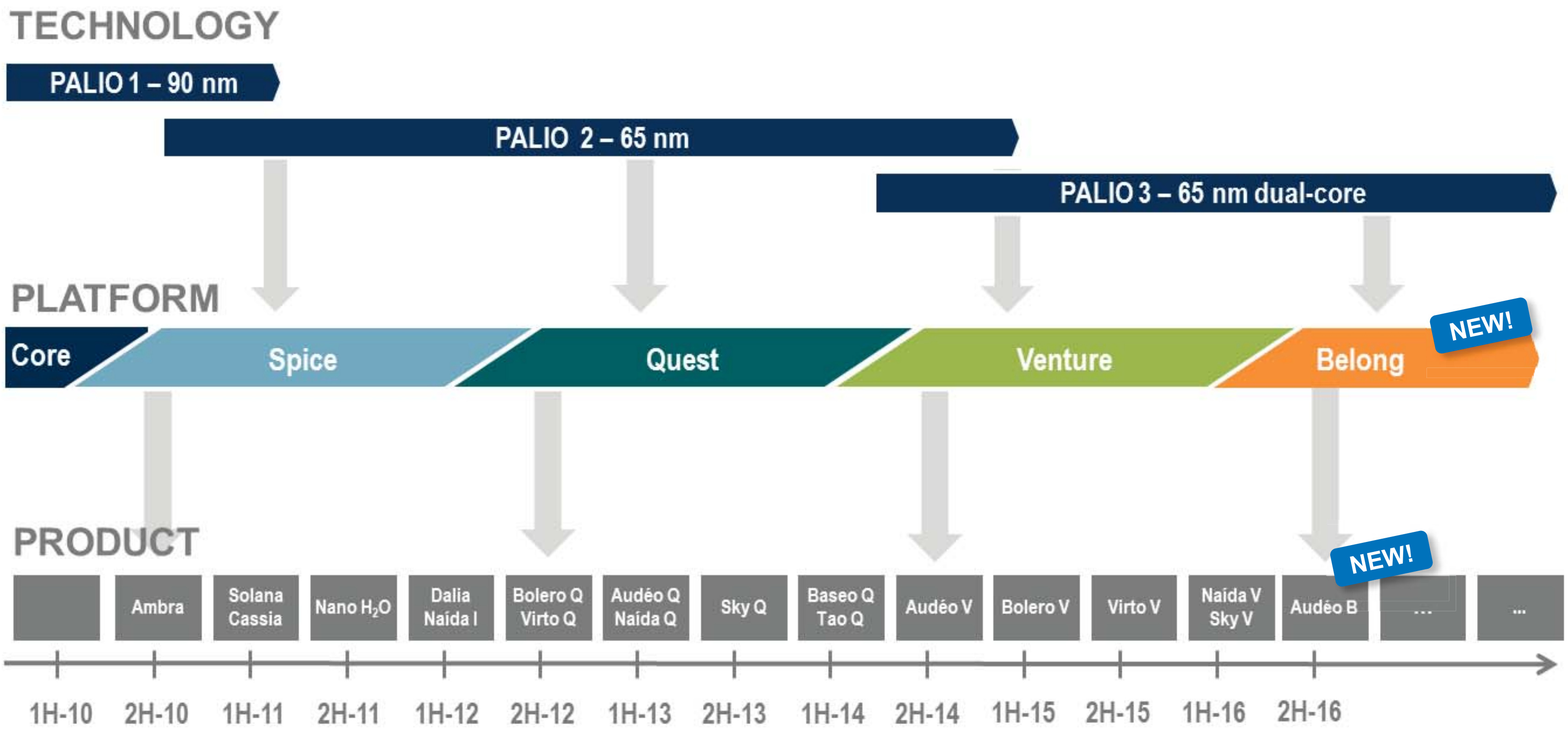
New products – Hearing Instruments

Stäfa | October 18, 2016 | Martin Grieder, GVP Hearing Instruments Marketing

New product strategy

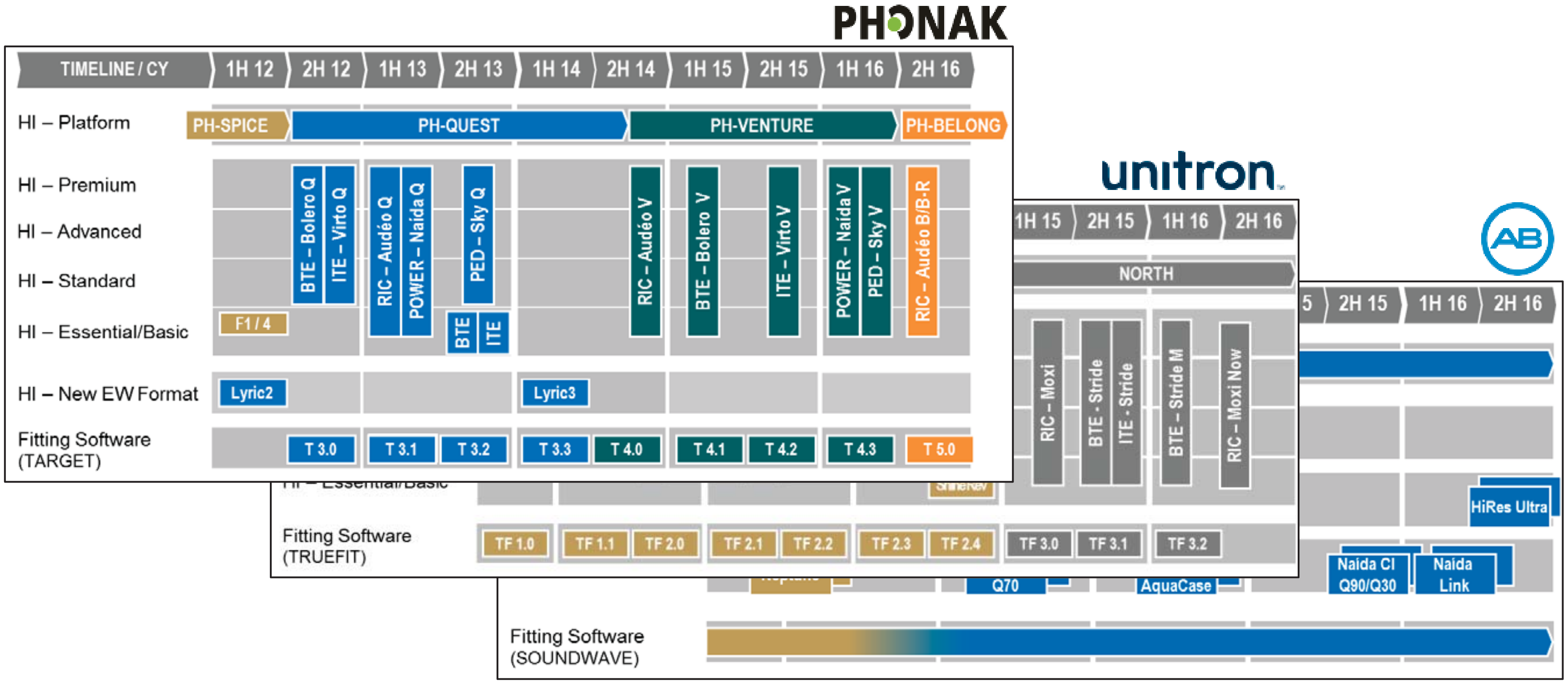
Implement consistent platform approach for HI & CI solution development



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

New product strategy

Leverage platform approach to offer complete range of products



Product pipelines: Consistently meeting product development targets

Strong line-up of product launches

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PHONAK | unitron | HANSATON hearing & emotions

Phonak Audéo B

- Rechargeable
- AutoSense OS

Moxi Now

- Smallest RIC

AQ HD

- Rechargeable
- Design Award

1. Consumer insights

Consumer insights

Key consumer needs for hearing aid owners

1 Hearing Performance
"How well do I hear?"

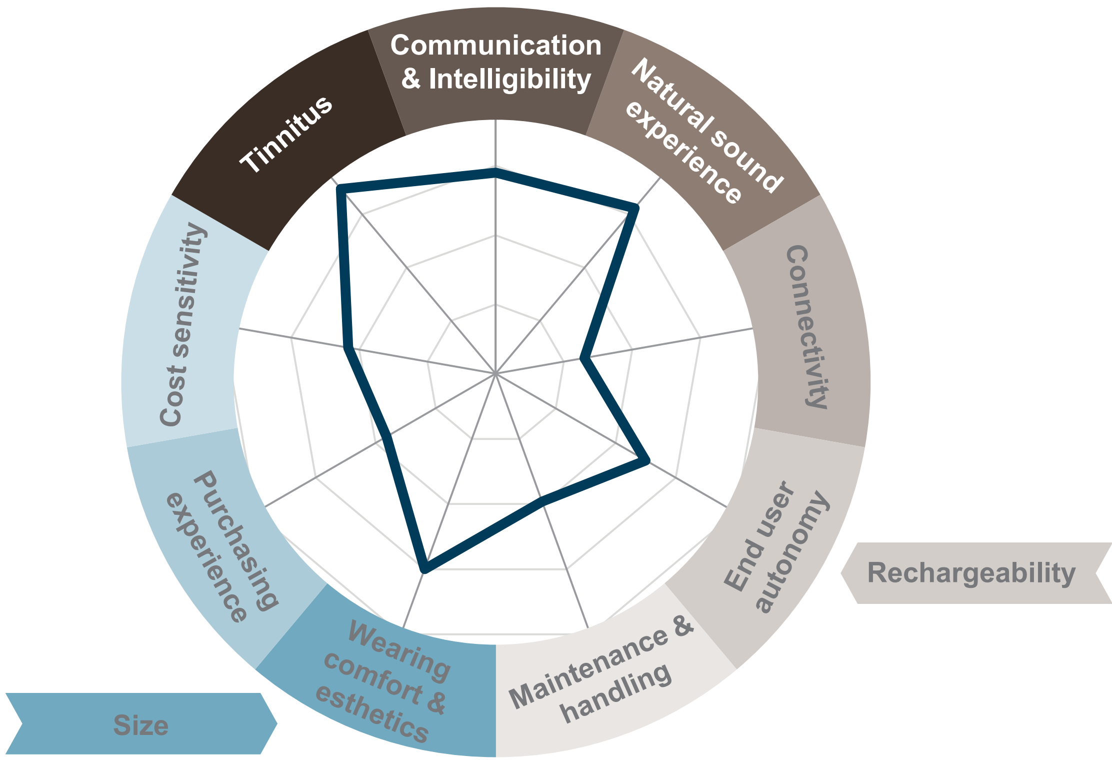
2 Ease of use
"Is it easy to handle?"

3 Aesthetics
"Does it look good?"

4 Value
"Does it provide value for money?"

Consumer insights

Key consumer needs for hearing aid owners – Rechargeability and Size !



Source: Überlacker, Tchorz, and Latzel, 2014, Automatic classification of acoustic situation versus manual selection, University of Applied sciences Lübeck and Phonak AG, Hörakustik January 2015 edition


Consumer insights
Rechargeability is the top reason that would motivate a first time consumer when selecting a hearing aid

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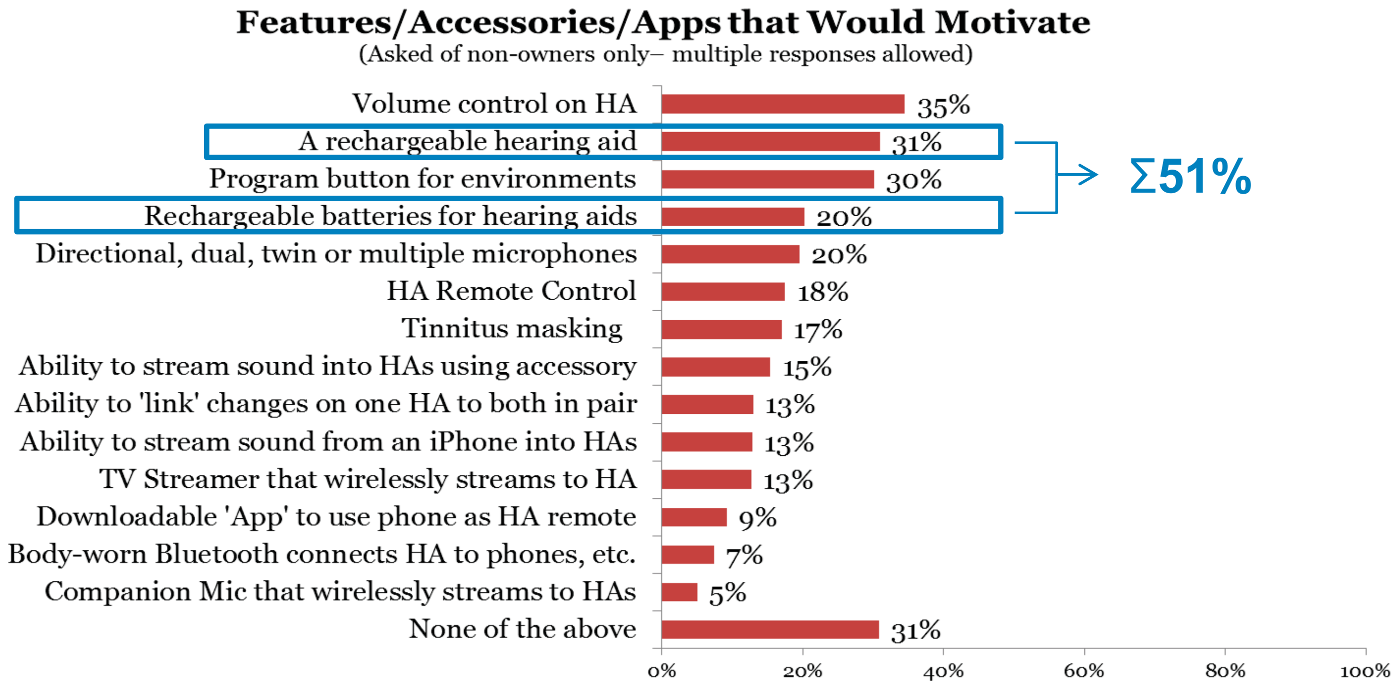
Key HI features/accessories to motivate non-owners – Rechargeability!

- The most compelling technology features to non-owners (top-of-mind) are very practical (e.g. volume control, rechargeable, program button for different listening environments)



Source: Marketrak 2015, asked of non-owners only (n=2099) - multiple responses allowed

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Key HI features – Size and aesthetics!

14%

of people avoid seeking amplification because they think hearing instruments are too noticeable.

27%

of people who stop wearing their hearing instruments do so because they find them uncomfortable.

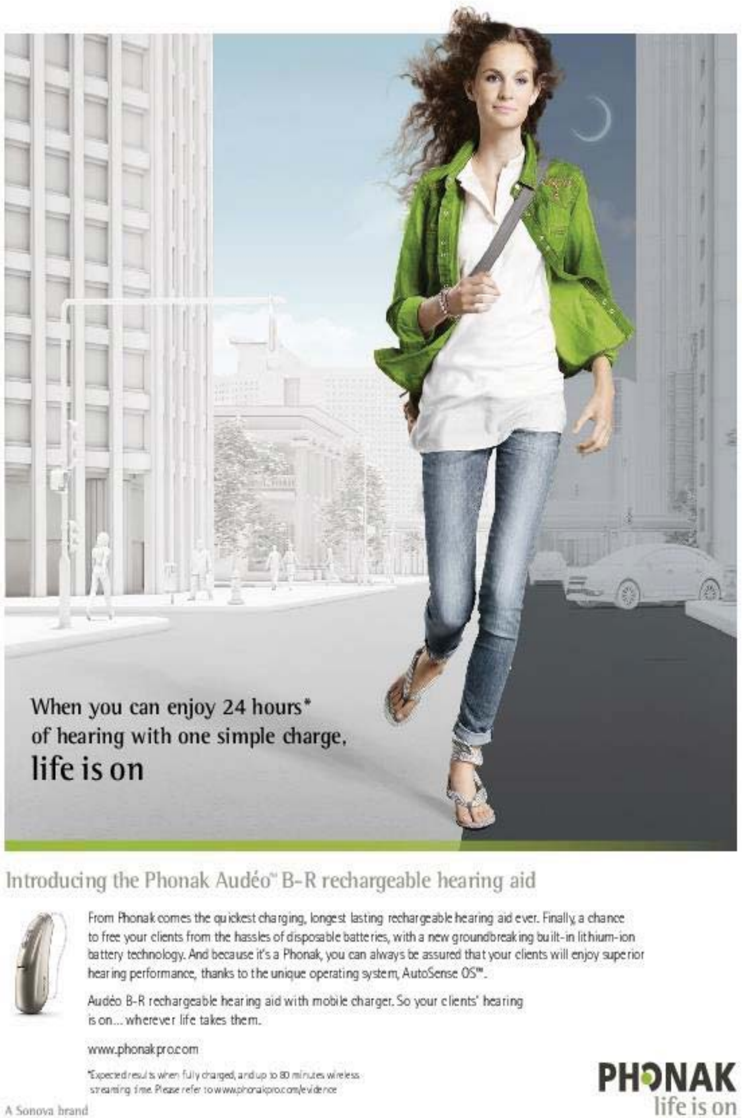
Source: Marketrak 9, March 2014, A new baseline. “Estimating hearing loss and adoption rates and exploring key aspects of the patient journey”

2. New products – Phonak Belong:

– Breakthrough Li-Ion rechargeable battery technology
– New and further enhanced AutoSense OS

The essence of Phonak Belong™ is about simplifying the lives of consumers

PHONAK
life is on



When you can enjoy 24 hours of hearing with one simple charge,

life is on

Rechargeable battery technologies and consumer benefits of Lithium-ion

	Nickel-Metal Hydride (Ni-MH)	Silver-Zinc (Ag-Zn)	Lithium-ion (Li-ion)	Consumer benefit Phonak Audéo Belong rechargeable Li-Ion
Voltage (V)	1.2	1.6	3.6	24 hours* of hearing
Capacity (mAh)	30	35	42	
Charge time (h)	5	6	3	Just 3 hours for a full charge Fast-charging option
Charging cycles	500	400	1500	Battery lifetime 4 years plus
Expected Battery lifetime (years)	1	1	4	
Self-discharge per month	<20%	<5%	1-2%	

Phonak Pioneering

*Expected results when fully charged, and up to 80 minutes wireless streaming time. Please refer to www.phonakpro.com/evidence

PHONAK life is on

When your hearing aids adapt to every sound automatically, life is on

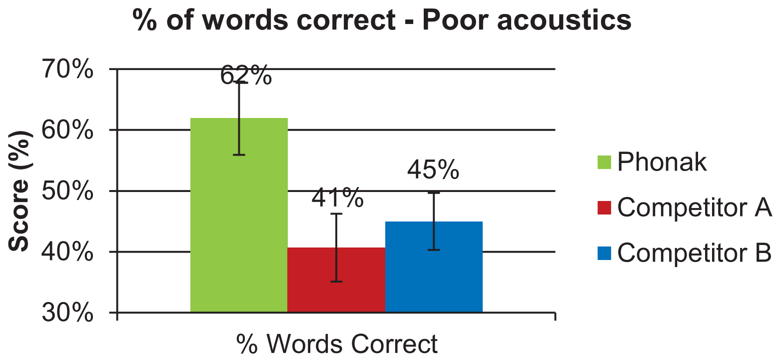
AutoSense OS™

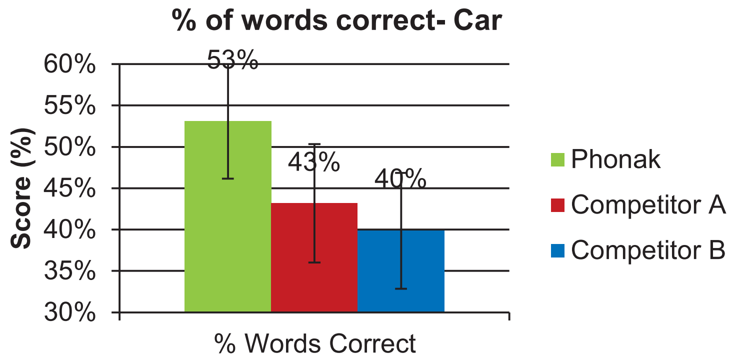
Unmatched hearing performance in everyday listening situations

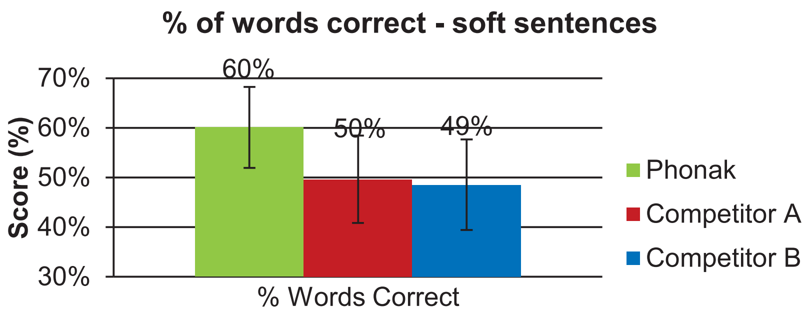
...and it's automatic

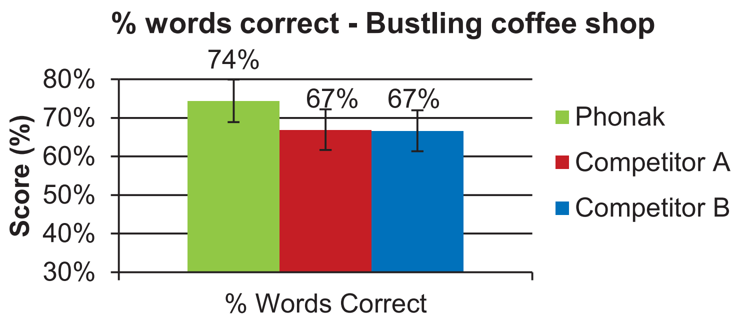
AutoSense OS – Industry leading automatic hearing system

- Unmatched hearing performance in everyday listening situations









Source: Rakita, L. and Jones, C. (2016). Comparing objective and subjective outcomes of automatic classification systems across manufacturers. Phonak Field Study News

PHONAK
life is on

AutoSense OS – Outperforming competition on most features

Phonak		Most recent competitor launch
64 frequency band resolution since (1999)	=	**64 frequency band resolution**
AutoSense OS • Analyzes the environment **689 times/second** to create over 200 unique settings • BVST • Speech in Loud Noise • AutoZoomControl • DuoPhone	>	Operating system • Analyses the environment 100 times/second • Automatic switching, but no blending like AutoSense OS • No BVST or audio streaming between the ears • No wireless CROS
118 dB SPL max input dynamic range in Venture (2014)	>	**113 dB SPL** max input dynamic range
65 nm technology since 2010	=	First time on **65 nm** Silicon technology
NFMI bitrate of **596 kbits/s** for program, volume & full audio streaming	>	NFMI bitrate of 320 Kbit7s for program & volume only
Extensive portfolio of products	>	Portfolio currently has only 1 RIC (Premium only)

PHONAK
life is on

When your hearing aid becomes an object of desire, life is on

New design – Phonak Audéo B setting new standards

- Wonderful, ergonomic design

New design

Bigger push button
+ indicator light for the rechargeable model

IP 68

New microphone positioning

New design – Phonak Audéo B-R compact rechargeable system

Phonak Charger Case

Phonak Power Pack

Phonak Mini Charger

Sealed battery compartment

Audéo B-R RIC

Phonak Belong B-R – Field Test Satisfaction Feedback

- When asking 40 audiologists and 182 consumers to evaluate Belong on a scale from 1-10 the results are outstanding

		
24 h – Full Day Use	9.4	9.6
Quickest Charging	9.4	9.6
Conversation with a Person		9.3
First Fit	9.3	
Reliable Solution	9.3	9.2
Overall Satisfaction	8.8	8.7
Recommendation	9.0	9.3
Price Perception	7.9	8.1

Source: Phonak Field Test USA and France (2016)

Phonak Belong B-R – Consumer & customer feedback

- High success rate and Interest of first ever digital pre-launch marketing campaign

» Email marketing

55k

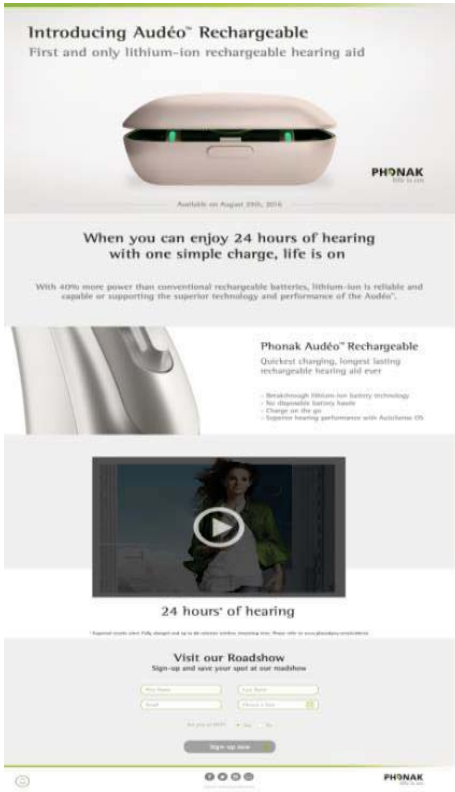
opened emails

» Websites

40k visits

to homepage

» Branded content



» Social Ads / PR

4.5m unpaid

impressions

» Email blast

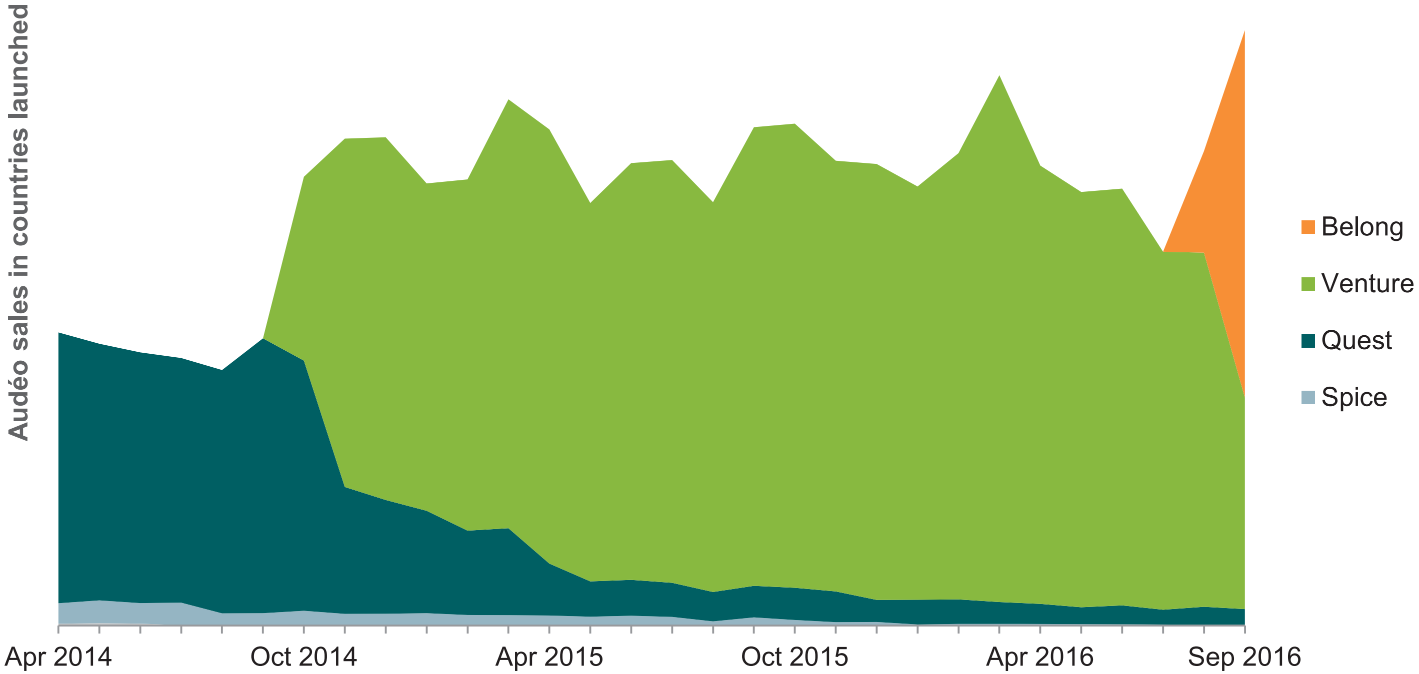
» Display Advertising

2.4m paid

impressions

Phonak Belong launch – Strong with high share of B-R

- Audéo B with fast conversion and substantial share of rechargeable – Far beyond expectations



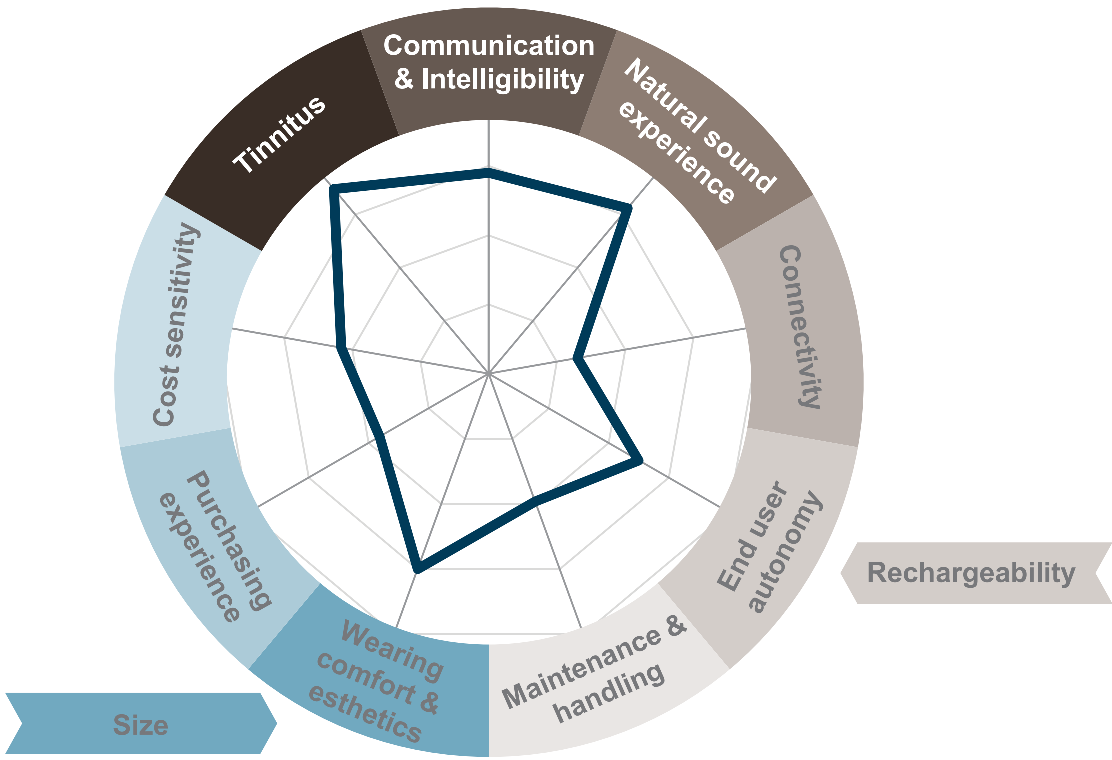
Source: Sonova sales statistics for Audéo products only comparing countries launched

3. New products – Unitron Moxi Now:

– Smallest RIC in the world

Consumer insights

Key consumer needs for hearing aid owners – Rechargeability and Size !



Source: Überlacker, Tchorz, and Latzel, 2014, Automatic classification of acoustic situation versus manual selection, University of Applied sciences Lübeck and Phonak AG, Hörakustik January 2015 edition

Smallest in the world

- 39% smaller than Moxi Kiss with same performance
- 14% smaller than next smallest competitor
- Voted number 1 for aesthetics and comfort by field trial participants

It’s actually this small!

Moxi Now

Consumer & customer feedback

- The highest average comfort rating compared to competitor A & B
- The highest average aesthetics compared to competitor A & B

4. New products – Hansaton:

– Breakthrough Li-Ion rechargeable battery technology: AQ HD S
– Design award winning RIC hearing system

Hansaton Rechargeable – AQ HD Campaign

- HANSATON has more than 20 years experience in rechargeable battery technology
- AQ HD is the fourth rechargeable battery generation and the first with ease HD technology (Li-ion battery technology)
- HANSATON rechargeable portfolio: BTE, ITE and accessories

Hansaton: AQ HD S – Rechargeable technology

Light Charger

Comfort Charger

Comfort Power Pack

Intelligent charging management with a high sustainability factor.

Strong industry first innovations driving growth in H2

PHONAK	unitron	HANSATON hearing & emotions
Phonak Audéo B	Moxi Now	AQ HD

AQ HD S   soundHD S312e

- Rechargeable
- AutoSense OS

✓

- Smallest RIC

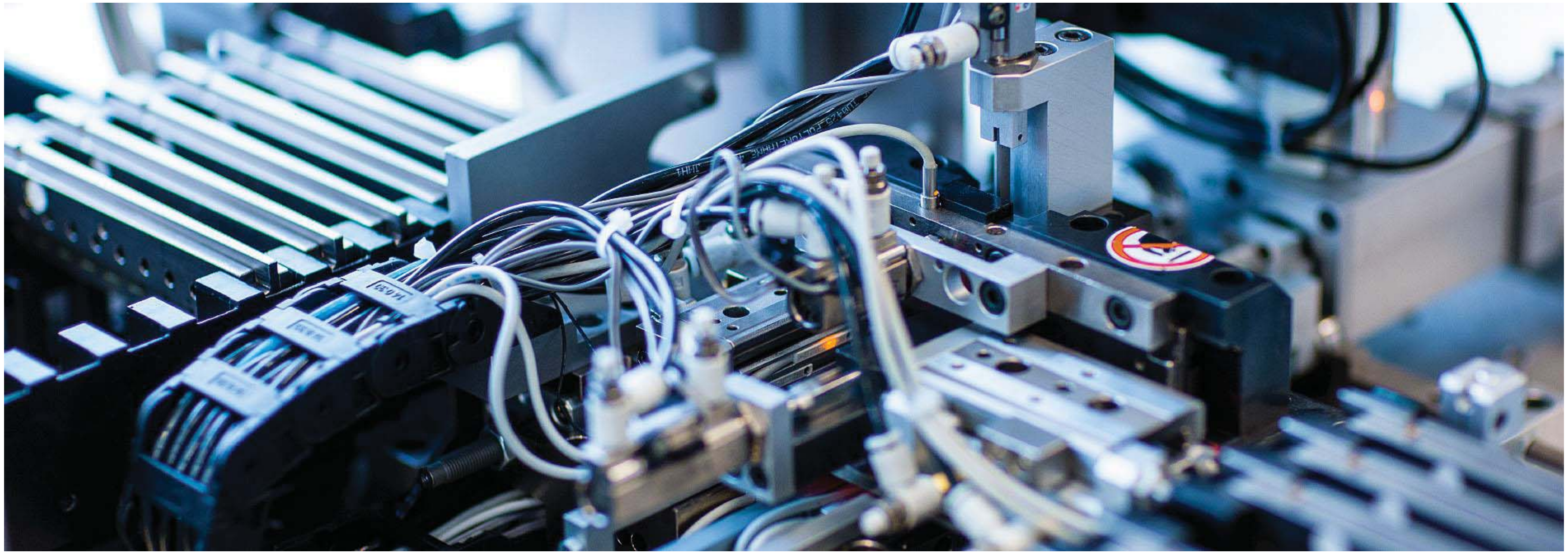
✓

- Rechargeable
- Design Award

✓

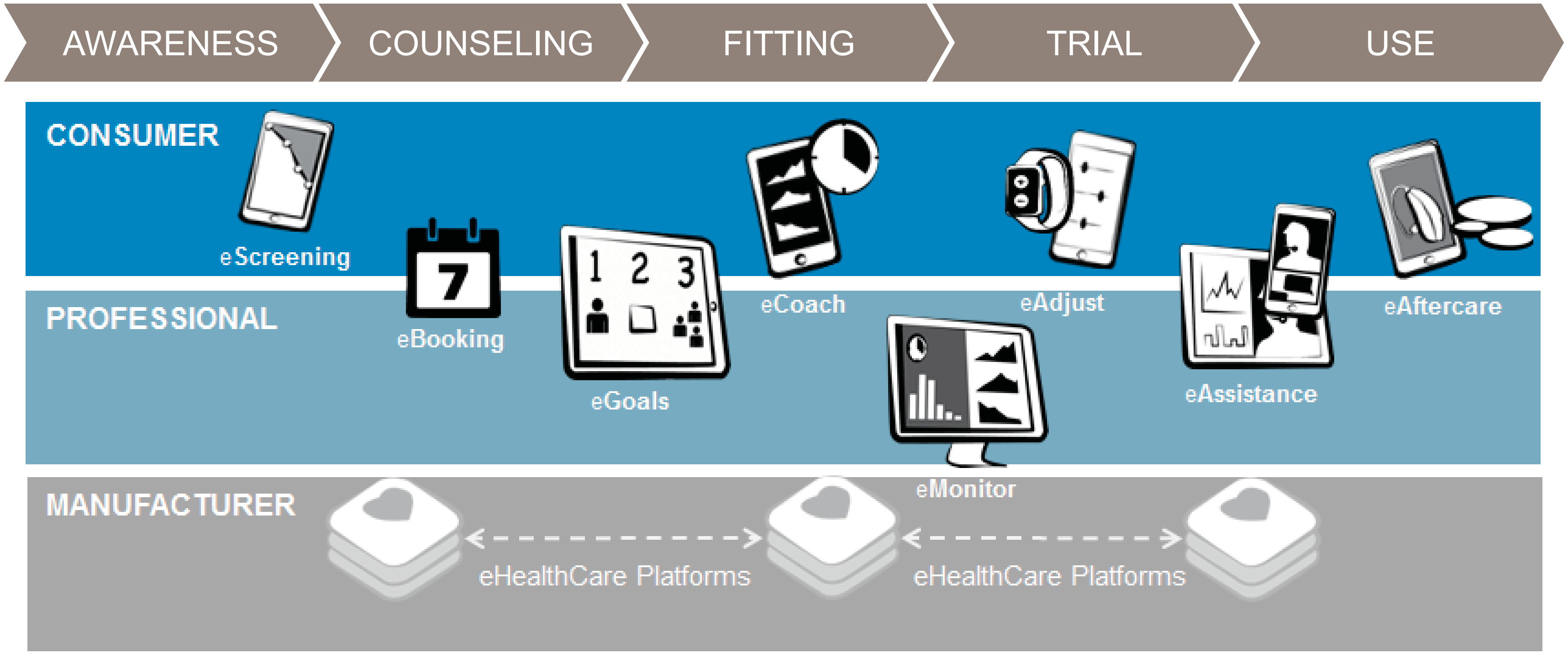
e-Solutions – New Technologies

Stäfa, Switzerland | October 18, 2016 | Andi Vonlanthen, GVP Research & Development



e-Solution strategy

Develop complete solution and service offering based on e-Technologies



Expand technology platform approach to include e-based technologies

New wireless platform

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HEAR THE WORLD

Wireless – Move platform to 2.4 GHz radio technology

2013 | 2014 | 2015 | 2016 | 2017

WL COMMUNICATION
- Networked, multiple devices
- Direct connectivity
- Longer distances
- 2.4 GHz, global radio standard
- Proprietary protocol (ROGER)

→ SPEECH INTELLIGIBILITY

WL COMMUNICATION
- Networked, multiple devices

+ WL CONNECTIVITY
- Point-to-point, pair of devices
- Direct connectivity
- Shorter distances
- 2.4 GHz, global radio standard
- Standard protocols (BT, HAP etc.)

→ EASE OF USE

1st Generation

2.4 GHz chip
ROGER protocol

FM → 2.4 GHz

2nd Generation

NEW 2.4 GHz chip
+ standard protocols

HIBAN → 2.4 GHz

New wireless platform

sonova
HEAR THE WORLD

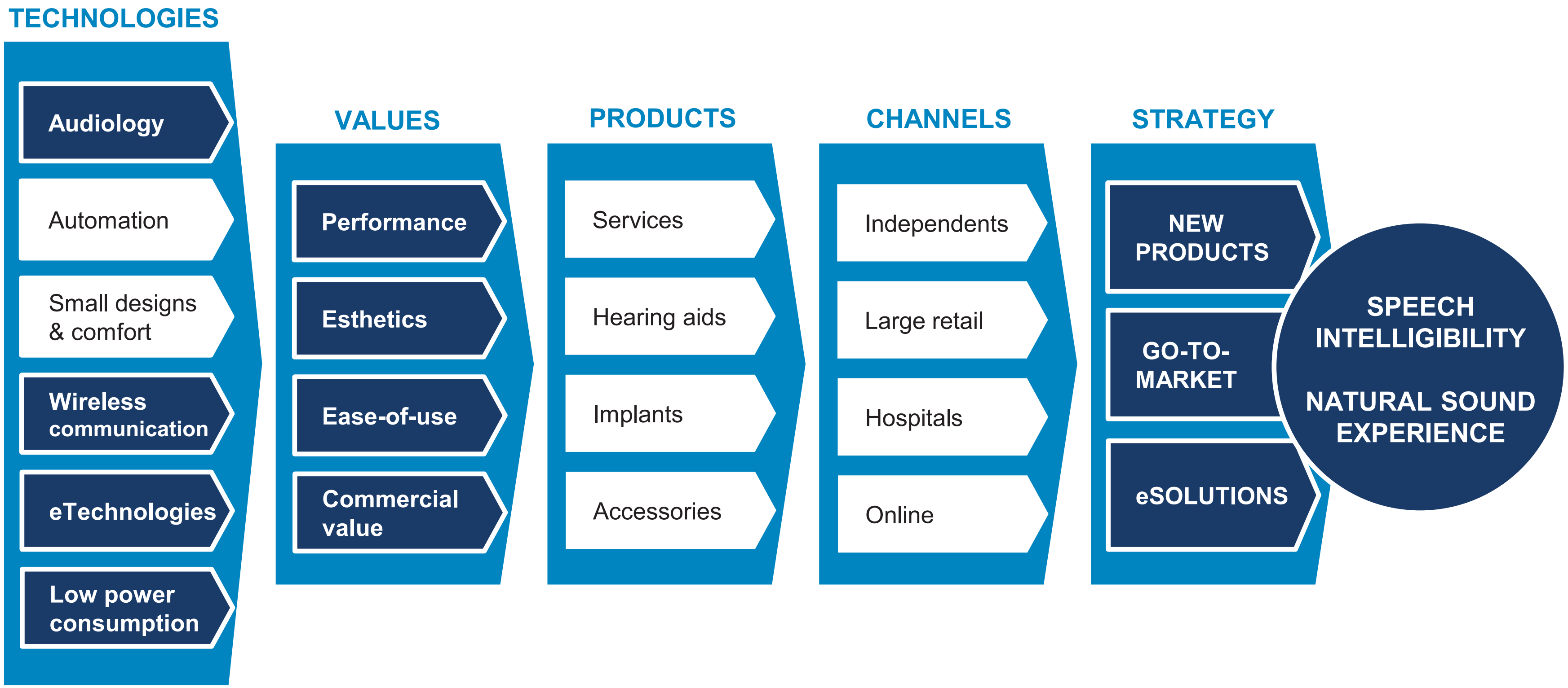
Direct wireless connection «Made for All»

- Connection to standard devices (Smart phone, TV, Remote Mic)
- Ear-to-ear connection for improved speech intelligibility
- Connection to the internet (to the cloud)

«Made for All» solution opens opportunities for new features and functions

New wireless platform

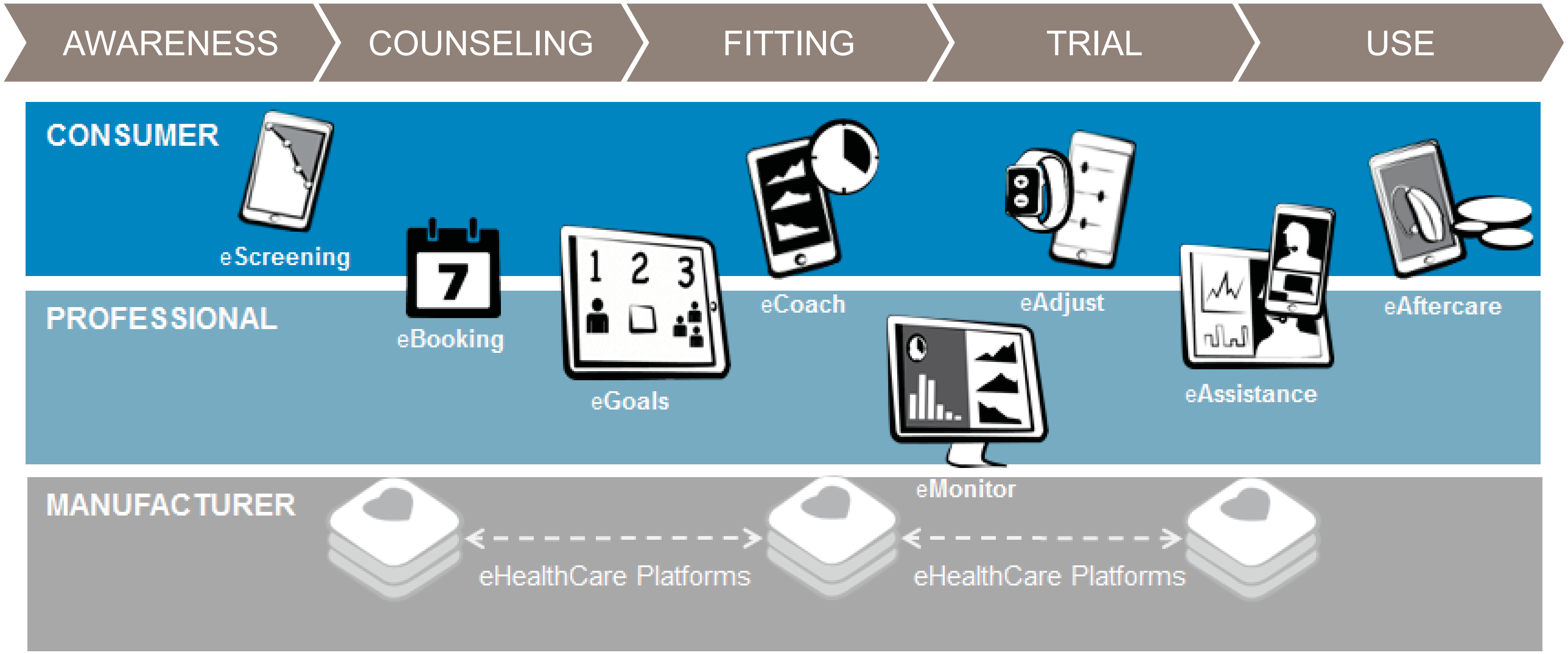
2nd generation 2.4 GHz radio – Leadership in wireless technology



Enabling further innovation across different areas

e-Solution strategy

Wireless connectivity offers new solution and tools for consumer and HCP



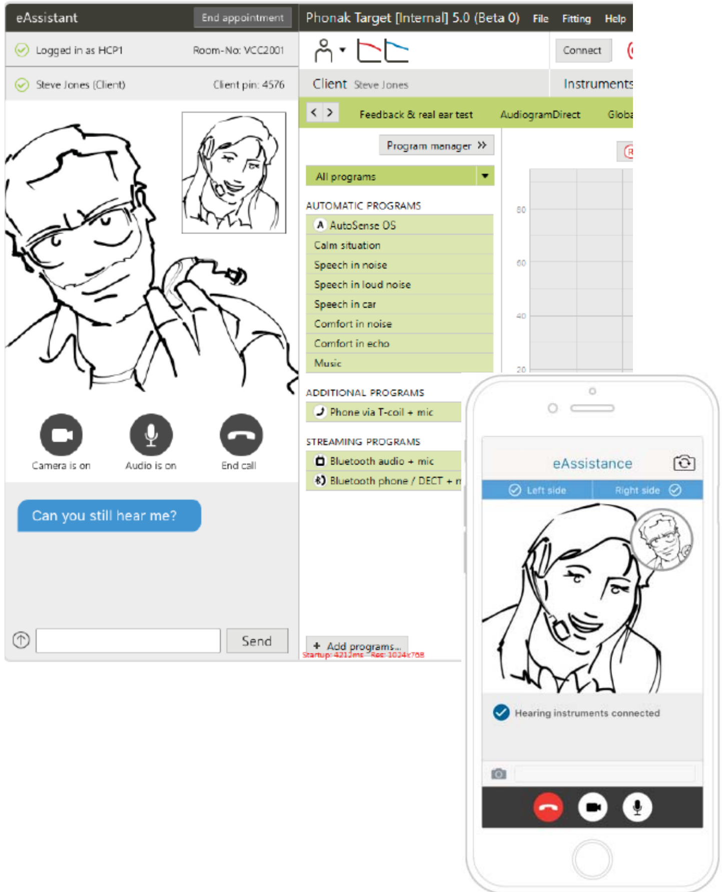
1 PROFESSIONALS: ➔ cost efficiencies, relationships, insights
2 CONSUMERS: ➔ involvement, accessibility, seamlessness, control, autonomy, convenience
3 MANUFACTURERES: ➔ differentiation, relationship, lock-in, insights

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

Distance support (eAssistance) - Based on 2.4 GHz wireless platform

Distance support

Sonova/Phonak DS 1.0 – Follow-up fit with consumer service offered by HCP



Key features:

– Distance support solution compatible with all directly connected products

– System including support App, target fitting software, backend services

– Business model provides for:

  – Billing services

  – End user authentication

  – Data collection

Development steps:

– Strong interest from large retail

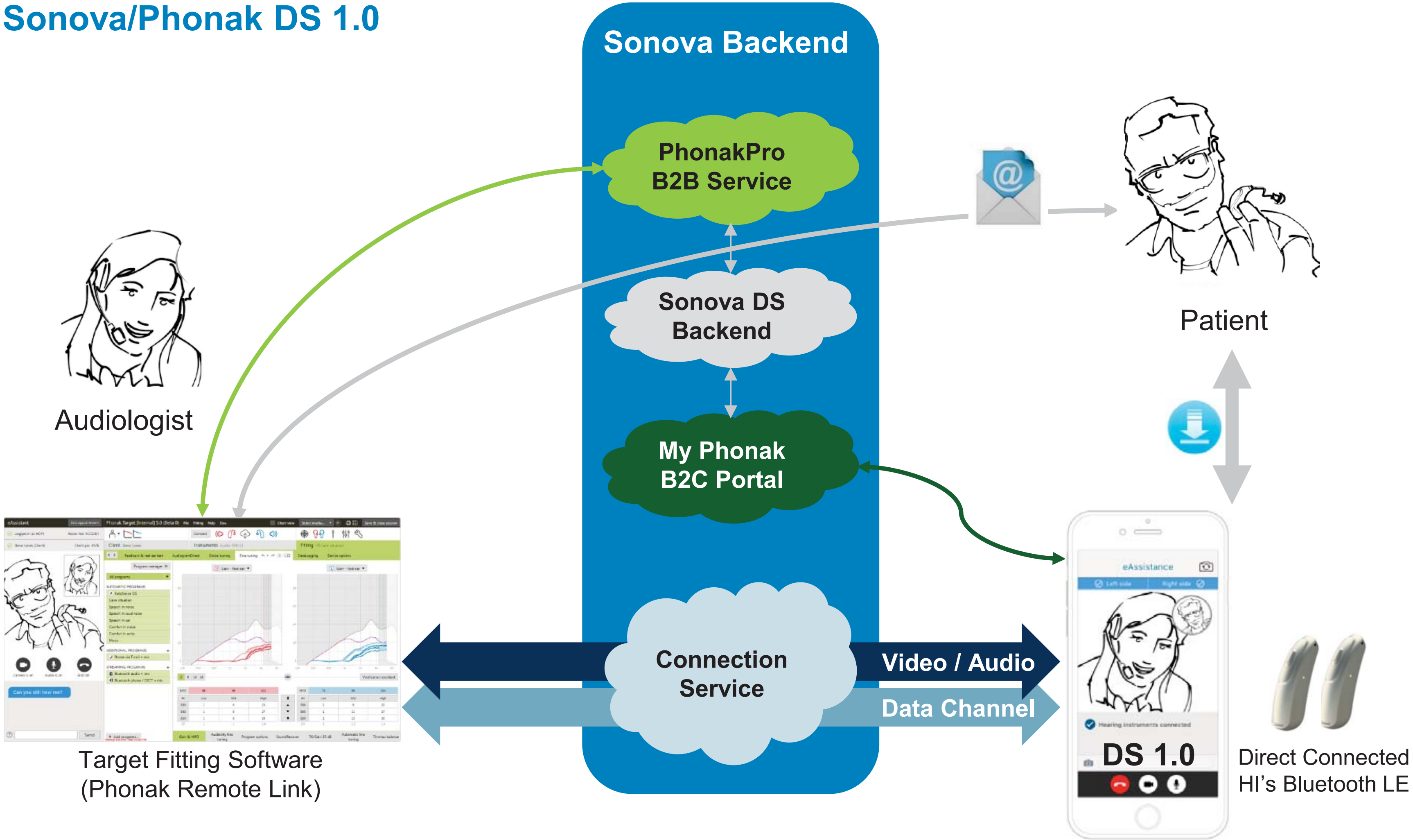
– Pilot project/study with VA in 2017

– Broader commercial solution

Consumer is in known acoustic environment – HI's connected via a mobile phone

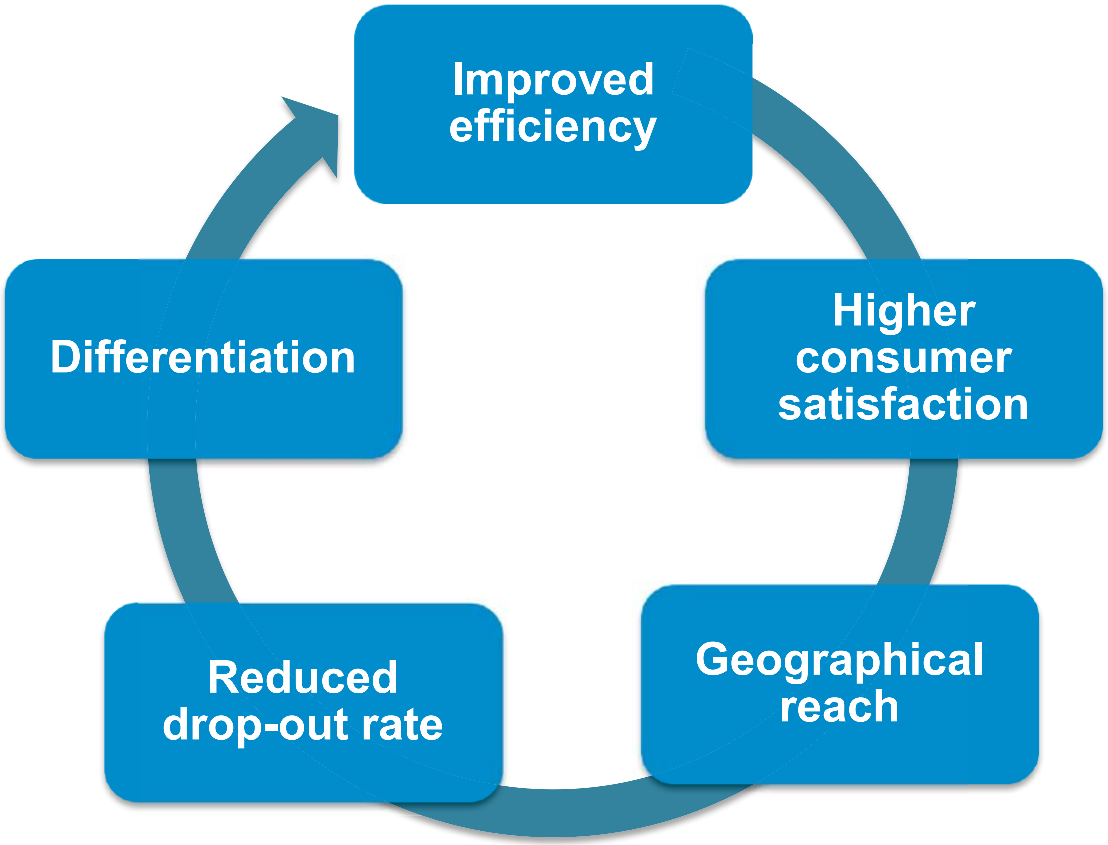
Distance support

Sonova/Phonak DS 1.0



Distance support

Sonova/Phonak DS 1.0 – Key value propositions & business drivers



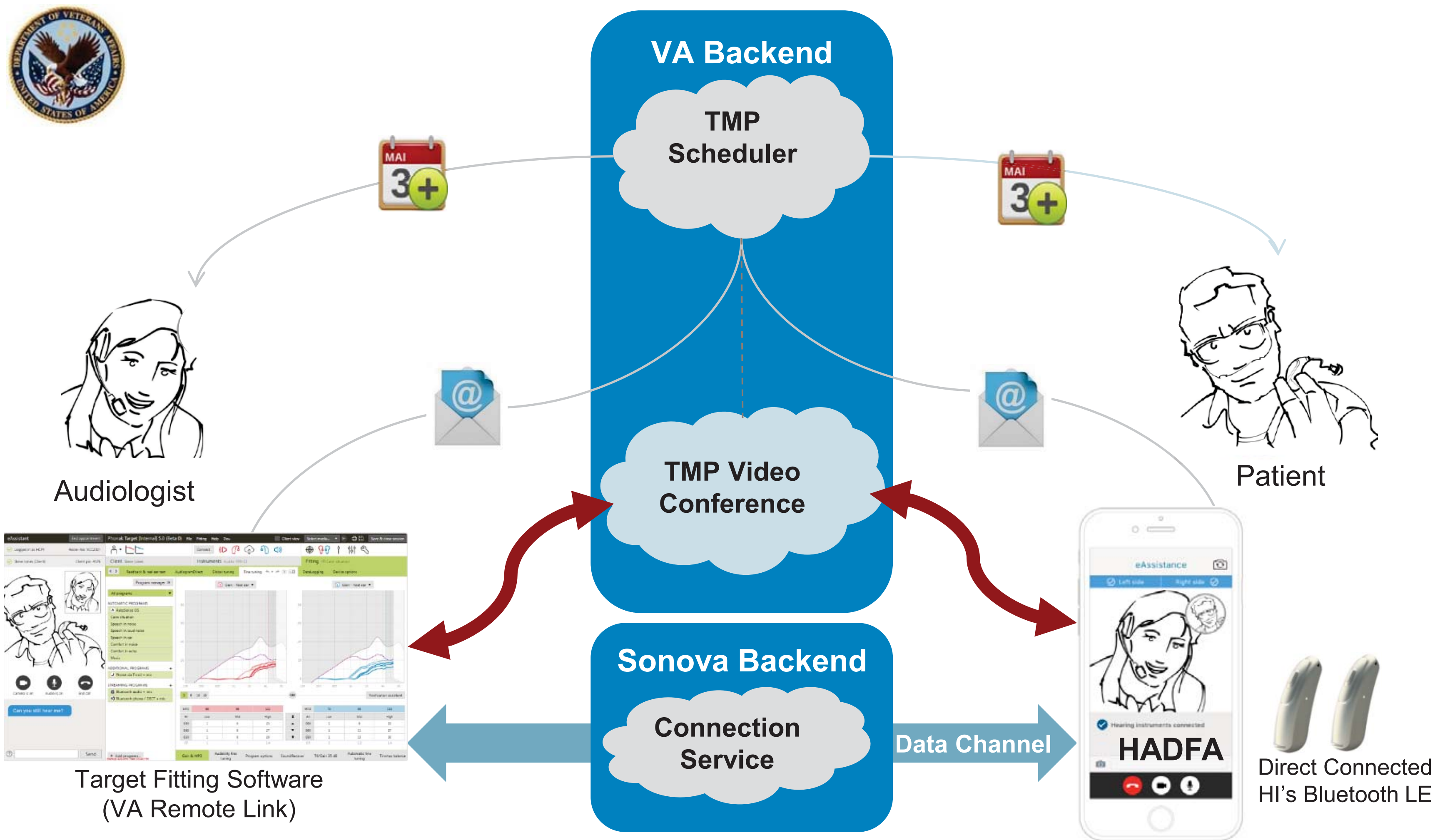
Distance support

VA – HADFA (Hearing Aid Distance Fitting Application):

- Sonova/Phonak partner of VA
- Project on VA IT infrastructure
- Pilot study with direct connected products in 2017
- System including HADFA App, target fitting software, backend services
- Pilot study @ 3 VA clinics, ca. 20-30 patients per facility
- Pilot study duration: 3 months
- Followed by a broader roll-out

Distance support

VA – HADFA (Hearing Aid Distance Fitting Application):



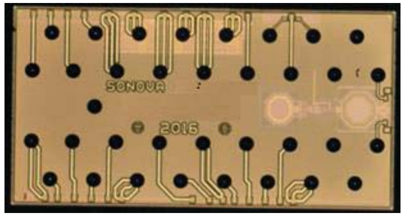
New 2.4 GHz wireless platform

New 2.4 GHz wireless platform

sonova HEAR THE WORLD

"Direct Connectivity" – New 2.4 GHz radio chip – Leap-frog step in technology

NEW 2.4 GHz chip
+ standard protocols



- ✓ Compatibility – 2.4 GHz "MFA" (*) connectivity to all BT phones, TVs, devices
- ✓ Flexibility – independent from devices, vendors, partnerships
- ✓ Standards – embedded standard and proprietary protocols
- ✓ Power – lowest energy for hearing aid applications, usage
- ✓ Ease of use – reducing complexity, standardization of accessories

- ✓ Universal – use one radio technology long-term
- ✓ Complexity – migrate complete product range to new technology
- ✓ Leap frog – apply latest radio chip technology
- ✓ Long-term – get ready for broader wearables market

(*) "MFA" = made for all

Specification targets achieved – Long-term application challenges solved

New 2.4 GHz wireless platform

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2.4 GHz "MFA" – An industry first!

Key features:

– Small RIC form factor optimized for 2.4 GHz antenna

– First "MFA" hearing aid

New 2.4 GHz wireless platform

sonova
HEAR THE WORLD

Wireless – Move platform to 2.4 GHz radio technology

2013 | 2014 | 2015 | 2016 | 2017

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2nd Generation

NEW 2.4 GHz chip
+ standard protocols

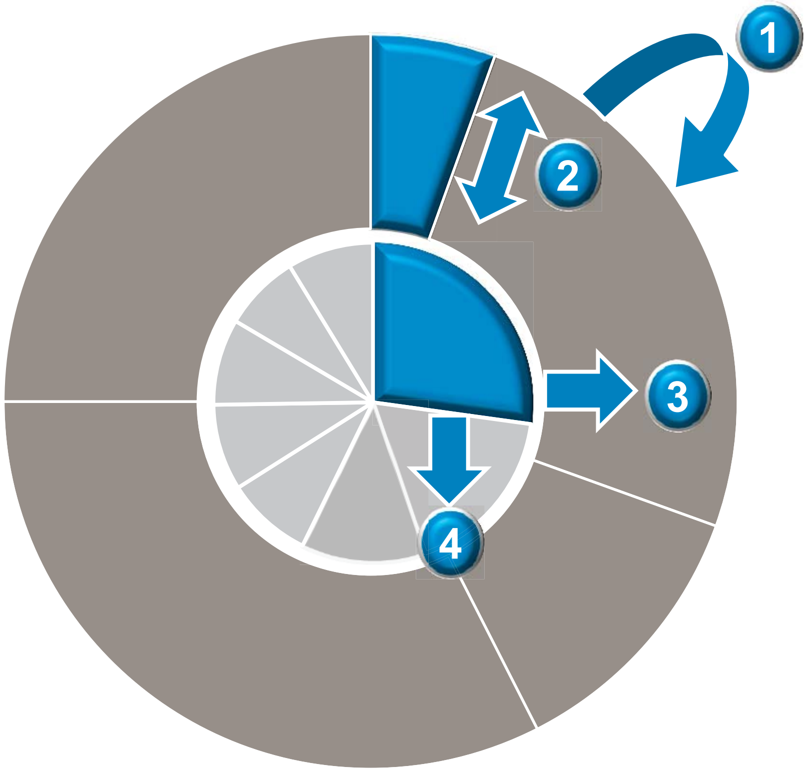
HIBAN → 2.4 GHz

Go-to-market – Retail professional services

Stäfa, Switzerland | October 18, 2016 | Lukas Braunschweiler, CEO, Hartwig Grevener, CFO

Go-to-market strategy

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

Business strategies

sonova
HEAR THE WORLD

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

RET Business	HI Business	CI Business
Secure market access	Expand market reach	Build medical position
Offer best-in-class professional services	Drive solution innovation leadership	Strive for performance leadership

Our Retail Business

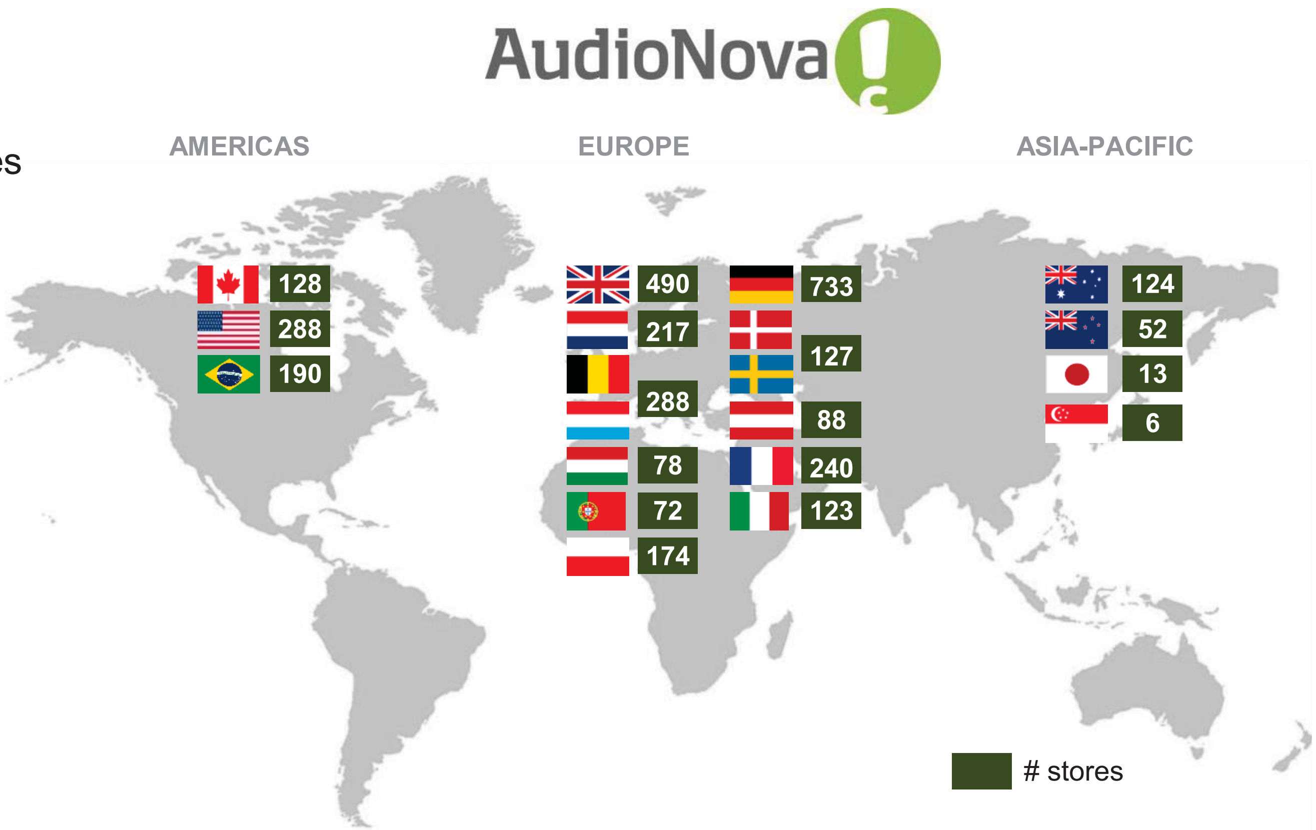
AudioNova

1. Global footprint and strategy

Global footprint and strategy

Sonova retail business "AudioNova" – 3,300 stores – 6,000 employees

- A leading global retail platform of **3,300 stores**
- Over **6,000 employees** in Sonova retail in 20 countries
- One of the leading store networks in **Europe** with over **2,500 stores** in 13 countries
- AudioNova brand used as umbrella name for Sonova retail



Global footprint and strategy

Secure market access – Offer best-in-class professional services

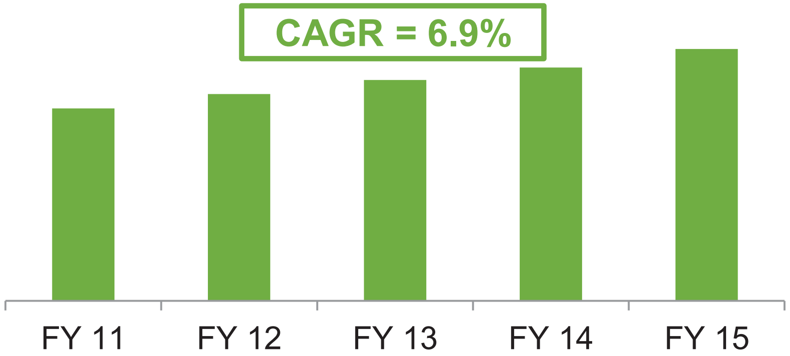
1 Strategic focus	– Build best-in-class professional service positions and networks in key focus markets
2 Go-to-market	– Apply consistent country-level store branding within key local markets – Standardize business systems and processes – Increase productivity/profitability – Execute on selected acquisitions and store openings
3 New services	– Expand new business and service concepts to increase store productivity – Offer Sonova products and technology in all markets
4 e-Solutions	– Drive web-based lead and demand generation approach – increase funnel efficiency – Develop integrated omni-channel marketing and CRM capabilities – Build brand recognition on best-in-class professional services
5 Integration	– Merge ANI and CHG into one Sonova RET Business – Transition to Sonova products and technology – Roll-out integrated and standardized Sonova RET IT SYSTEM

2. Go-to-market

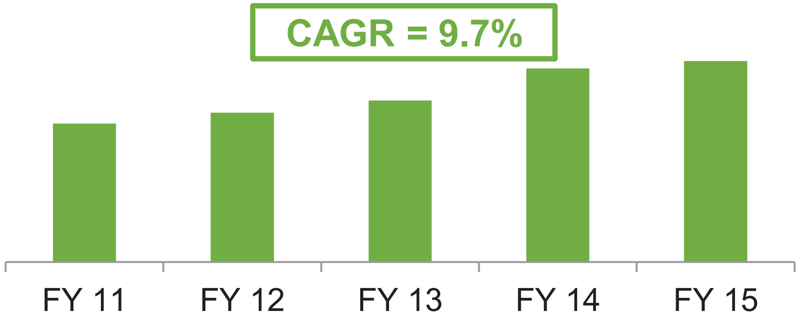
- Apply consistent country-level store branding within key local markets
- Standardize business systems and processes – Increase productivity / profitability
- Execute on selected acquisitions and store openings

Geers DE – Impressive track record of growth and productivity

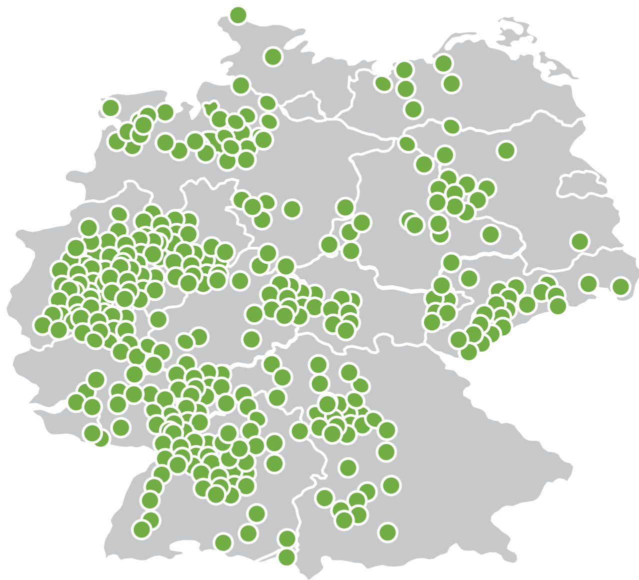
Stores (#)



Net sales



Germany POS



Go-to-market

Geers DE – Strategic drivers and key initiatives

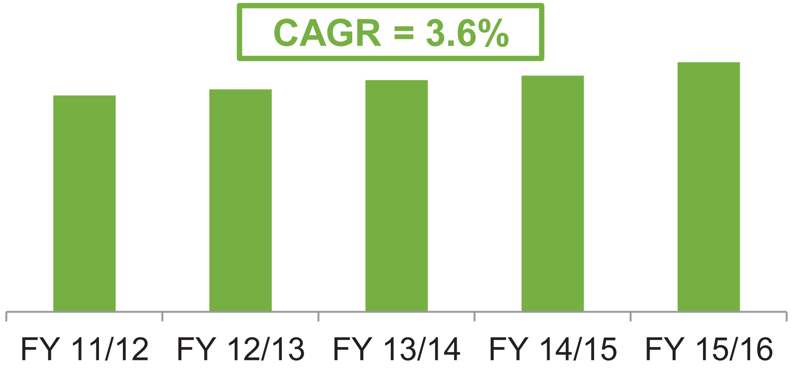
- Spirit of ambition and customer orientation
- Aggressive network growth approach based on greenfield openings
  - Up to 30 POS/a
  - Sophisticated geo-targeting process
- Marketing approach built around Multi-Channel Customer Management
  - Conventional (TV, print)
  - Web, call center, CRM
- Standardized operating procedures for efficient customer satisfaction
- Employee engagement
  - Employer branding investment
  - Meister education sponsorships
  - Leadership programs

Uniform business model and operation on national scale – Efficiency advantage

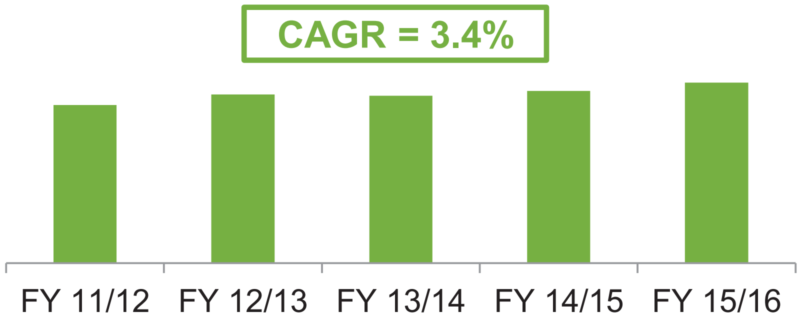
Go-to-market

Lapperre BE – High level of market access, service, productivity and efficiency

Stores (#)



Net sales



Belgium POS

Go-to-market

Lapperre BE – Strategic drivers and key initiatives

- Premium audiological service spirit
  - Setting the reference in the market
  - Special interests (S2P, pediatric, work place)
- Network growth based on greenfield openings
  - SIS/part time ⇨ full time stand alone
  - Sophisticated geo-targeting process
- Marketing
  - Strongest brand – Unaided recognition 33%*
  - Geo-intelligent marketing, mature CRM system
- Excellence in operations
  - Centralized staff scheduling, “flying” audiologists
  - Sophisticated yield management
- Employee engagement
  - Dedicated audiological training resources
  - In-house product experts

Note. * 33% general population, 58% HA wearers

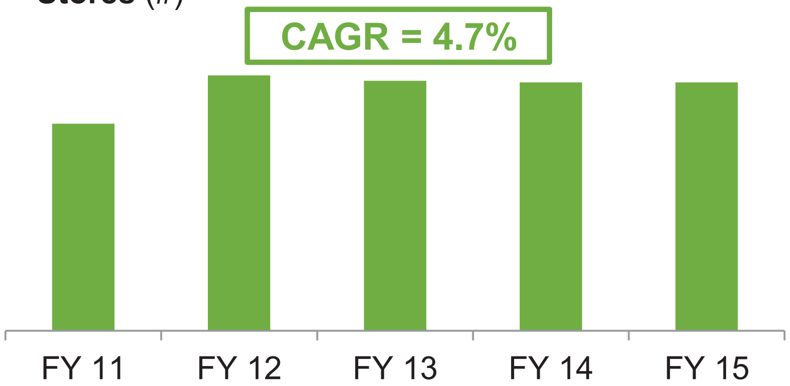
Undisputed brand leadership – Clear premium position and margin advantage

Go-to-market

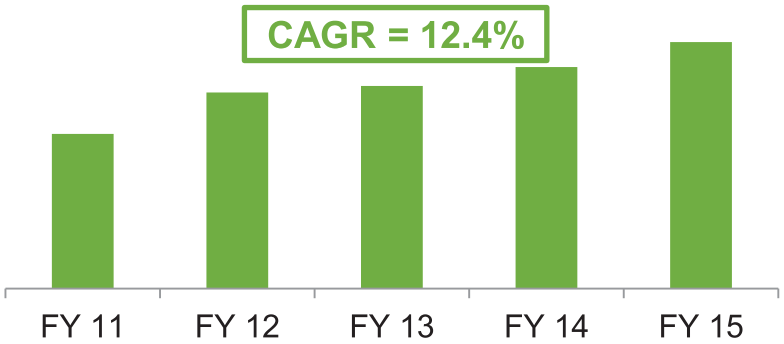
GEERS DOBRY SŁUCH

Geers PL– Solid track record of expansion and market access

Stores (#)



Net sales

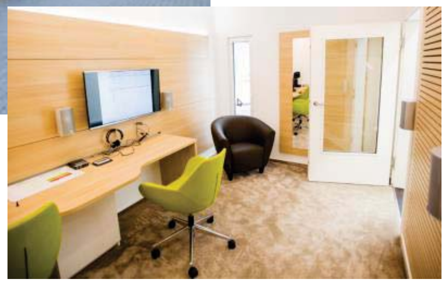


Poland POS

Go-to-market

GEERS DOBRY SŁUCH

Geers PL – Strategic drivers and key initiatives



- Spirit centered around customer orientation and best practice service
- Network growth includes hospital based SIS
- Marketing – Broad mix including national TV
- Excellence in operations
  - Conversion focus
  - Focus on POS staff calendar management
- Employee engagement
  - Strongest employer brand in the market
  - In-house education system

Excellent execution through applying best practices

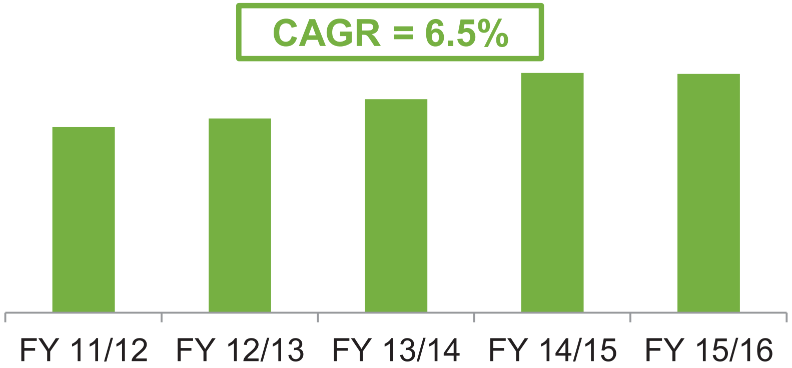
3. New products and services

- Expand new business and service concepts to increase store productivity
- Offer Sonova products and technology in all markets

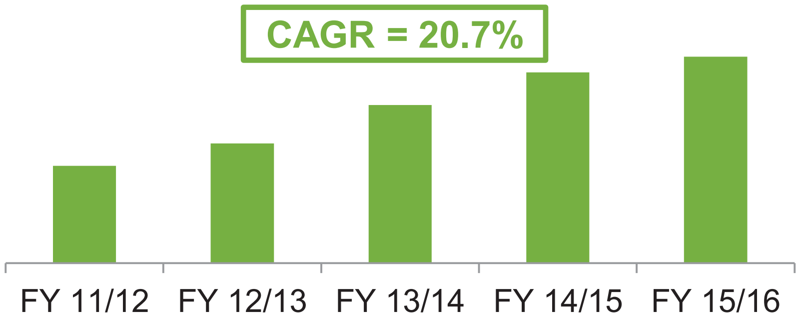
New products and services

Boots Hearingcare – Strong track record of growth and productivity

Stores (#)



Net sales



UK POS

New products and services

Boots Hearingcare strategic drivers and key initiatives

Large scale shop in shop:

– Capitalize on Boots footfall of 8 million customers/week – Access to 18 million Boots Advantage Card customers

– Expansion into Boots Pharmacy format (from 391 shops since FY 12/13 to close to 500 March 2016) – Beyond Boots Optical

– Creating awareness: Collaboration with the International Longevity Centre (ILC)

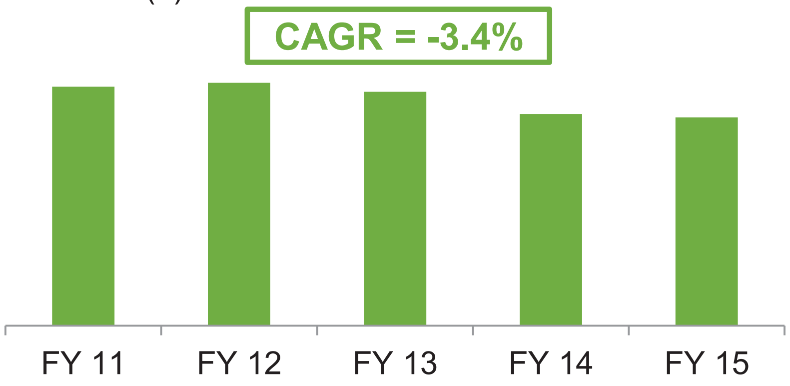
– Continuously increase efficiency by best in class appointment scheduling and colleague deployment (many stores fully utilized 6 days per week)

Premium market access by partnership with leading pharmacy chain

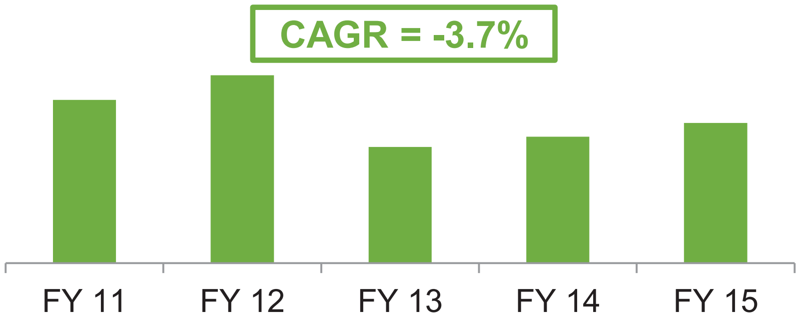
New products and services

Schoonenberg NL – Track record of best-in-class services in changing market

Stores (#)



Net sales (EURm)



Netherlands POS

New products and services

Schoonenberg NL – Strategic drivers and key initiatives

Expertise centers:

– 9 centers, 2 more to open
– Specialized in "extra hear care"
– Strong cooperation ENT, audiological centers
– State-of-the-art equipment
– High-level trained staff
– Extensive assortment of hearing aids
– Experience room for accessories

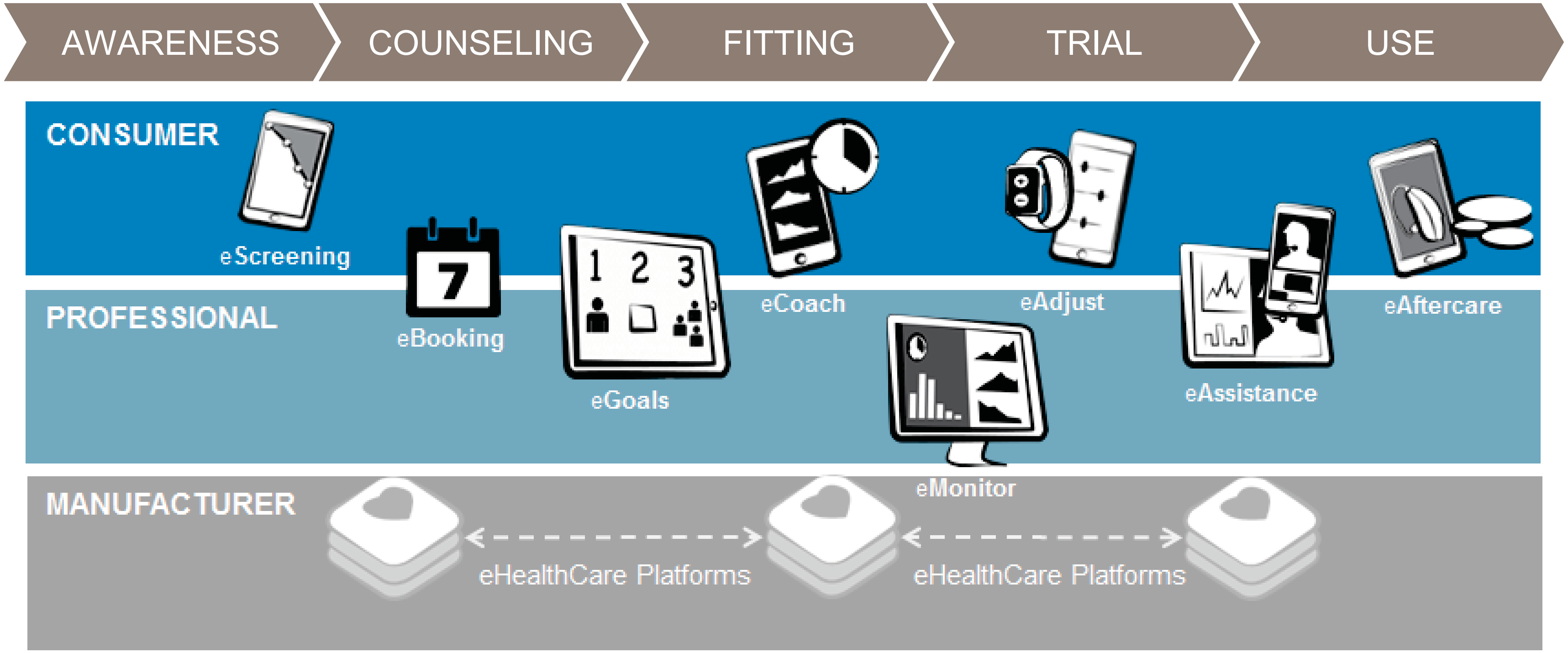
Portfolio of innovations – Continuing business model adaptations

4. e-Solutions

- Drive web-based lead and demand generation approach – increase funnel efficiency
- Develop integrated omni-channel marketing and CRM capabilities
- Build brand recognition on best-in-class professional services

e-Solutions

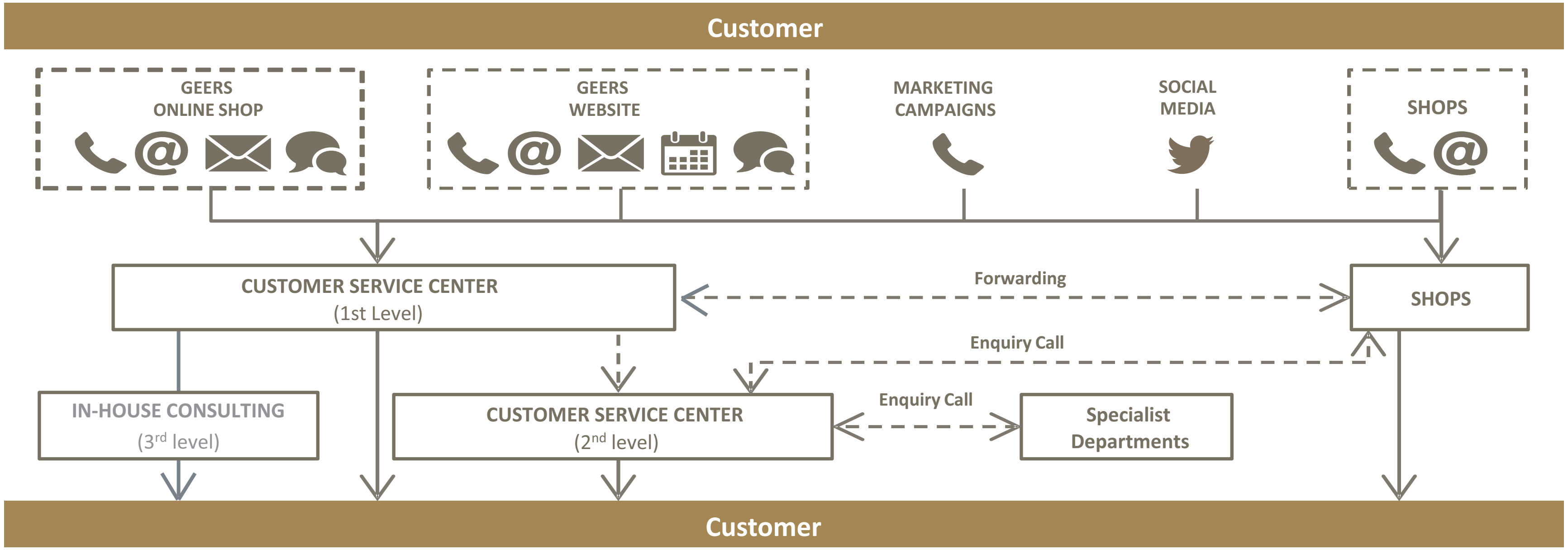
e-Hearing care opportunity



Expanded technology platform approach to include e-based technologies

e-Solutions

Geers DE – Multi-Channel Customer Management – Streamlined customer experience



Outside the shop, all customer requests will be centralised at one point independent of the contact channel	New Live Chat as service channel on homepage and in the web shop	Simple business cases will be directly solved at the 1st Level (outsourced) Complex / consultancy customer requests will be forwarded to the audiologist	Direct customer calls to the shops will be rerouted to the Customer Service Centre if shop is not available or busy Same for unanswered emails	Active consulting through 3rd Level (in-house)

Omni-sales channel – Online consulting and call center

e-Solutions

Schoonenberg NL – www.schoonenbergdirect.nl

- Online preparation + FIT&GO in POS + Online final check
- 14 Direct stores and in all Shop-in-Shop locations
- Contact center guides customers through the process
- Advantages:
  - Fast and simple process for internet savvy customer (high penetration online 65+)
  - First indications: Better motivated customers, higher conversion and higher satisfaction
  - Efficient process (less appointments, preparation at home)

Online preparation – Engage the customer and maximize in-store productivity

5. Integration

- Merge ANI and CHG into one Sonova RET Business
- Transition to Sonova products and technology
- Roll-out integrated and standardized Sonova RET IT SYSTEM

Integration

Four post merger integration workstreams

1 Build strong global leadership team

- Retention of key employees
- Determine global leadership of retail business
- Assess key management staff
- Confirm / determine country GM's
- Manage workers councils (DE, NL, BE, FR)
- HR: LTI program, leadership culture, systems, processes & policies

2 Secure operational &value chain integration

- Process harmonization (local, global)
- Product portfolio
- Branding (local, global)
- Supply chain
- Back office shared service centre in Poland
- Country level harmonization and integration
  - DE, BE, NL, DK/SE, IT, HU

3 Perform corporate Integration

- Financial reporting – internal/external: Systems, processes and policies
- Compliance policies
- Tax structuring

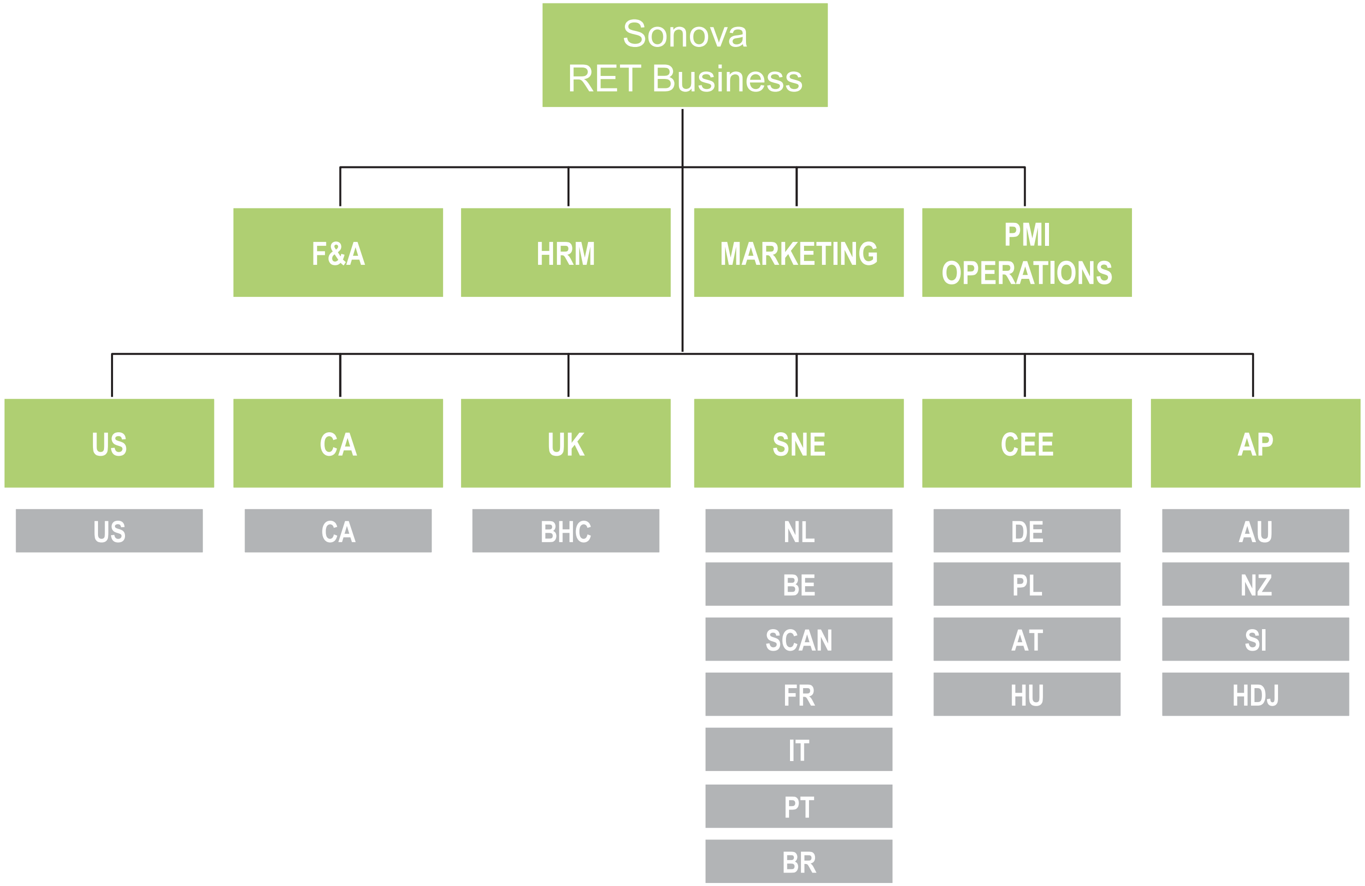
4 Define & build Sonova integrated IT system

- Define future IT systems and platforms
- Multi/Omni channel marketing / lead generation
- CRM system (lead management)
- In-store POS system (store management)
- Back office system (accounting, SCM)

Straight forward approach – Both organizations with solid integration track record

Integration

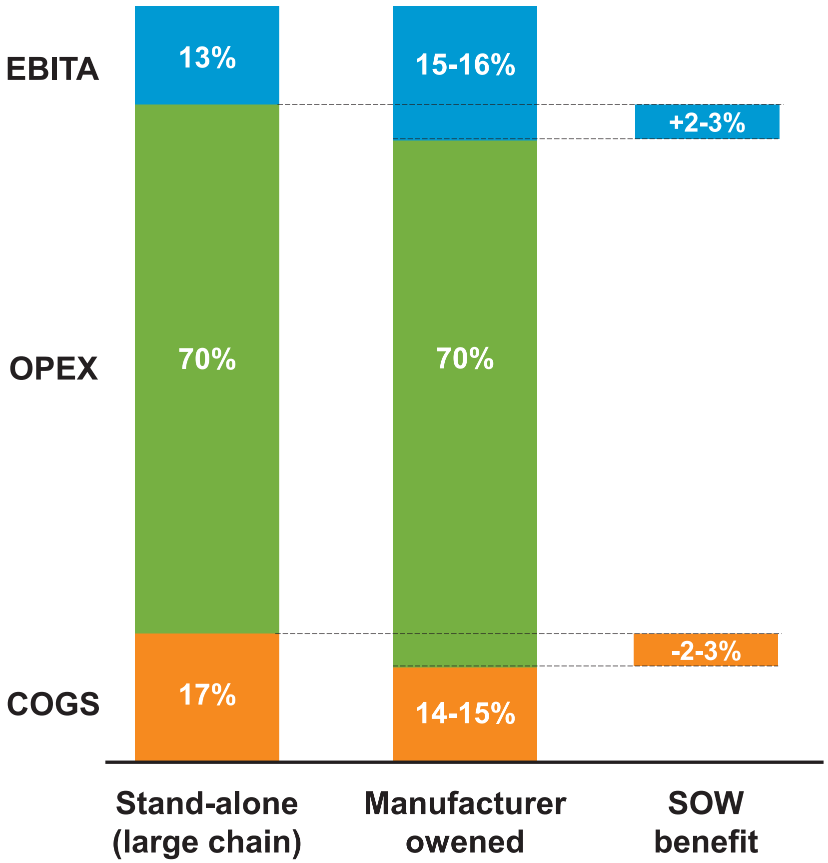
Global RET Business leadership and organisation



One global SOON RET Business – One retail support center in NL

Integration

Product range transition – Share of wallet economies



Illustrative example

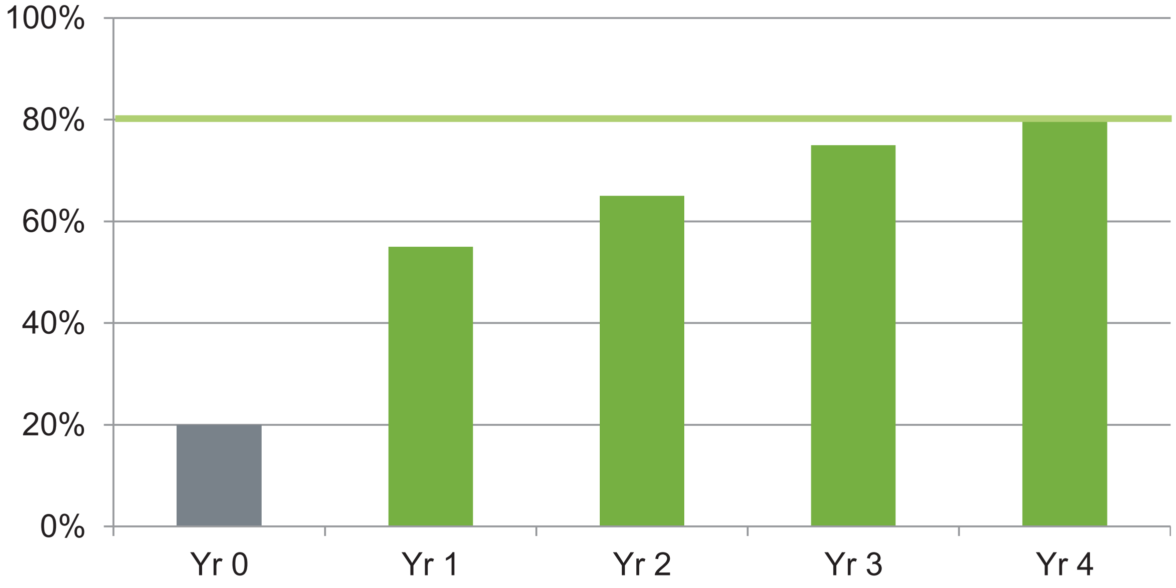
- Large chains have significant volume rebates
  ⇨ COGS: ~17%* for large chains (vs. independents ~25%)
- Manufacturer margin advantage for each in-sourced hearing aid
  ⇨ 20-30% for large chains (vs. independents 40-60%)
- Share-of-wallet increase of ~60% significantly contributes to retail EBITA margin
  ⇨ 2-3%-pts for large retail (vs. 6-9%-pts for independents)

* excludes non-standard businesses like buying group, franchise concepts etc.

Share-of-wallet increase adds to stand alone retail profitability

Integration

Product range transition – Share of wallet evolution post acquisition



- Legacy supply commitments to be honored
- Ramp up and transition: faster in large retail chains
- Conversion slower in highly regulated markets
- Audiologists maintain freedom of choice

Note: Illustrative chart

Own product target share of wallet ~ 80+%

Integration

IT systems and platforms

Functional Blocks	Content
Omni channel marketing MCCM system (lead generation) Web / e-commerce · Portal / App · Customer Journey	Omni Channel – lead generation – improve customer facing functionality, allow business to utilize new channels
CRM system (lead management) 360 Cust. history · Campaign Mgmt. · Knowledge Mgmt.	CRM – lead management – gather and utilize customer data to target customer and improve sales & service
In-store POS system (store mgmt.) Sales process (Docs mgmt., guided proc., NOAH) Standard retail process (logistics, Appts, POS)	In-store POS – integrate standardized sales process in a user friendly, guided manner for shops – utilize best practice and customize towards own requirements
Back office system (accounting, SCM) Accounting · (HR) · BI	Back office – interface to existing solutions or establish new solutions

Omni channel and CRM functionalities – Key future requirements for RET Business

Integration

Bond financing – Bridge facility replaced by bond issue

Maturity	Issue Amount (CHF)	Issue price	Coupon	Yield (p.a.) [1]
2 years	150 million	100.40%	0.00%-0.05%	(0.15%)-(0.20%)
3 years	250 million	100.15%	0.00%	(0.05%)
5 years	360 million	100.00%	0.01%	0.01%
	760 million			**~ (0.05%)**

Note [1] interest costs in the first year minus issue price premium amortized over the lifetime of the bond, excl. issue costs

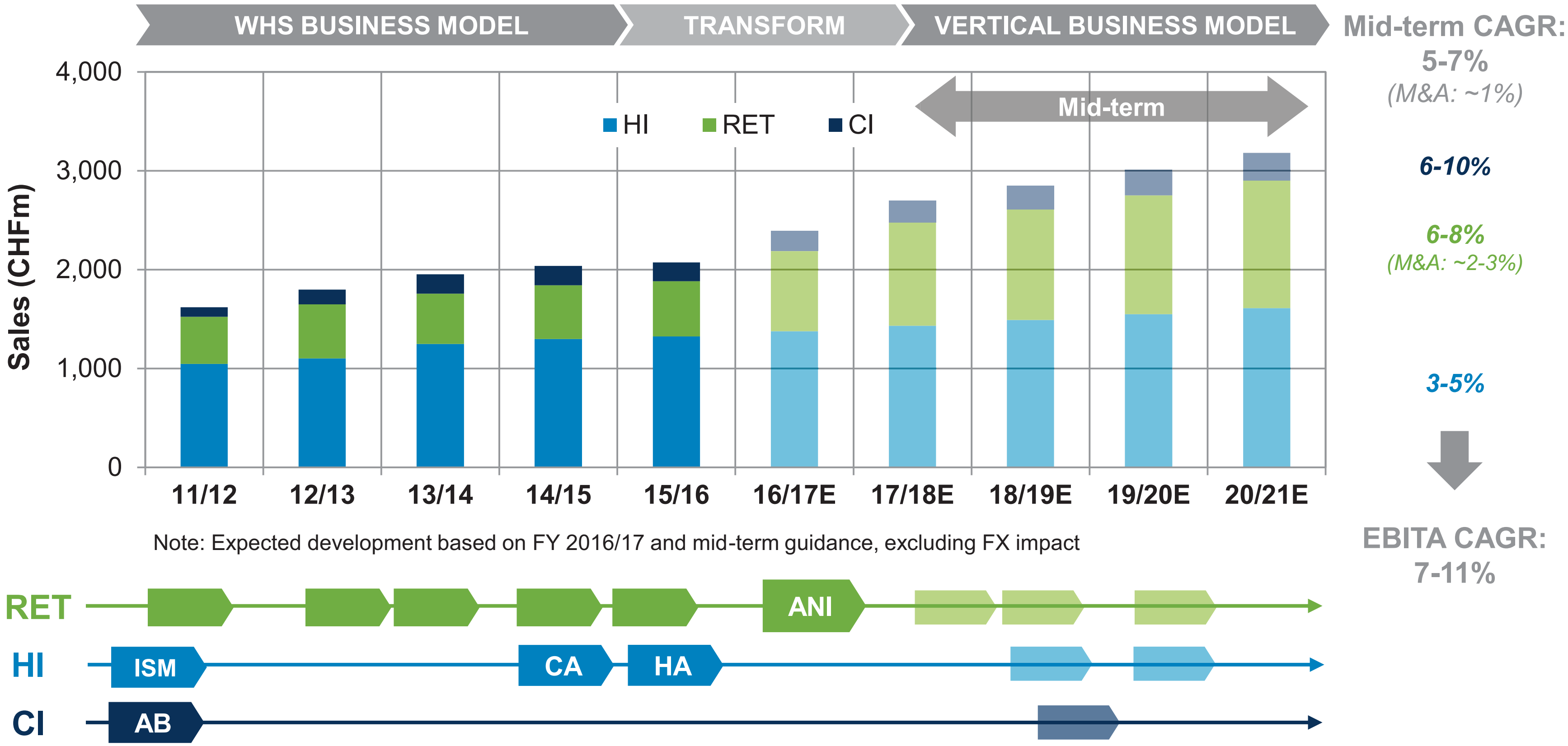
- Negative yield of bond financing
- One-time cost of around CHF 5 million – transitional bridge financing and bond set-up

Favorable interest rate environment results in minimal financing costs

6. Summary and outlook

sonova
HEAR THE WORLD

Retail to outgrow group average – Continued bolt-on acquisition activity



Transformation into unique vertically integrated business model

Summary and outlook

Retail strategic focus – Innovation along the three strategic pillars of the Group

Innovative approach in what we do, how we do it and how we sell it

Upcoming events

Important dates

14 Nov 2016	1H 2016/17 Results
April 2017	Investor Call AudiologyNow!
16 May 2017	FY 2016/17 Results
13 Jun 2017	Annual General Meeting
17 Oct 2017	6. Sonova Investor & Analyst Day