



sonova
HEAR THE WORLD

Investor & Analyst Day 2018

Stäfa, October 16, 2018

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Investor & Analyst Day 2018

Agenda

08.30	Reception, coffee and croissants
09.00	Introduction Arnd Kaldowski, CEO
09.15	Market and strategy update – Laying the groundwork for future growth Arnd Kaldowski, CEO
10.15	Coffee break
10.45	A multifunctional marvel – Love at first sound Martin Grieder, GVP Hearing Instruments Marketing The technology inside Marvel – Powering audiological performance & connectivity Andi Vonlanthen, GVP Research & Development
12.00	Lunch break and product demonstrations
13.30	Audiological care – Harnessing the consumer opportunity Christophe Fond, GVP Retail
14.30	Summary and Q&A Arnd Kaldowski, CEO
14.45	Optional factory tour

Market and strategy update

Laying the groundwork for future growth

Arnd Kaldowski, CEO
Stäfa, October 16, 2018

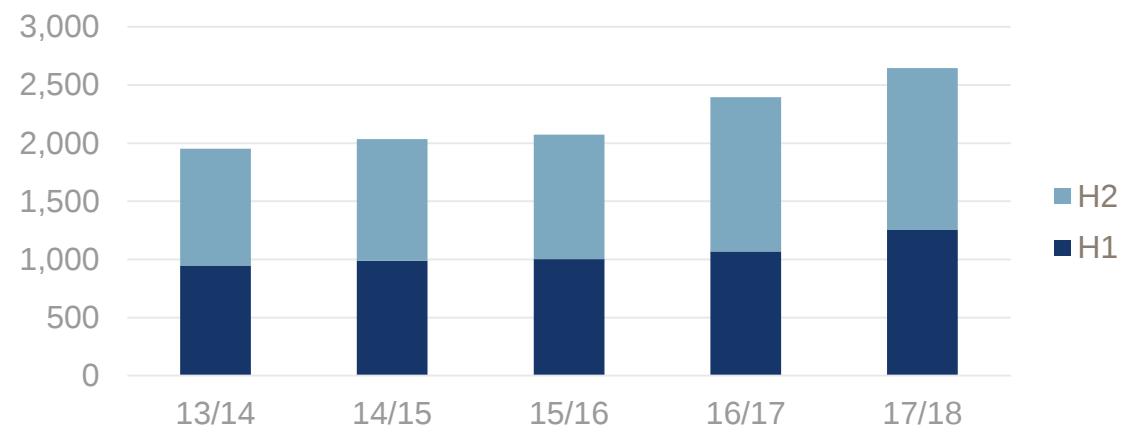


Introduction

Sonova Group – Performance history

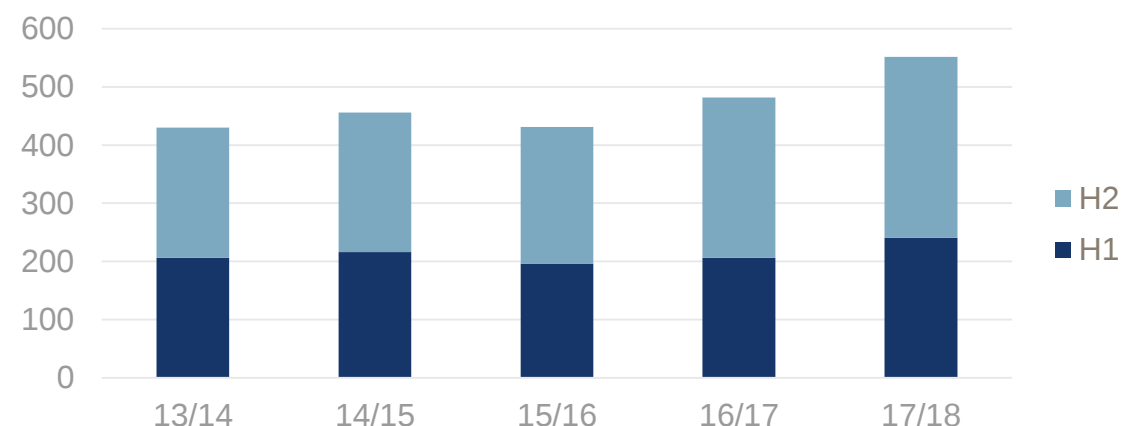
Sales

in CHF million



EBITA

in CHF million

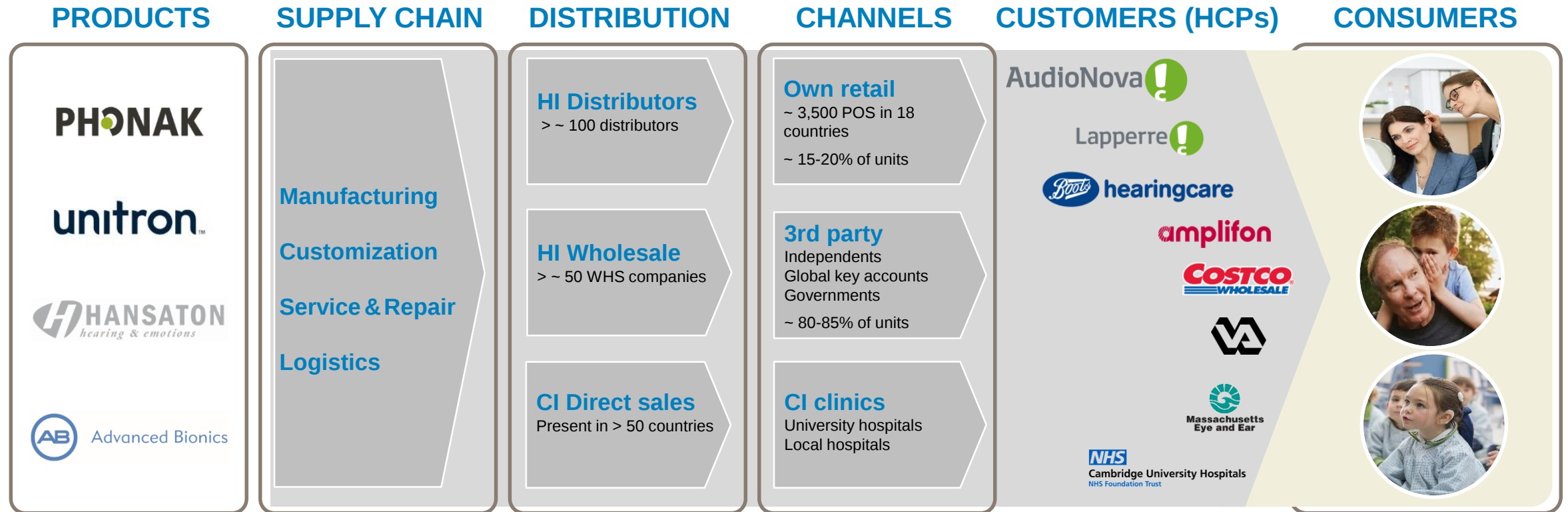


	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	CAGR 4Y
Sales growth reported	+4.3%	+1.8%	+15.6%	+10.4%	+7.9%
Sales growth in LC	+6.2%	+5.8%	+15.3%	+9.0%	+9.0%
Organic sales growth in LC	+5.1%	+2.2%	+4.3%	+3.8%	+3.8%
EBITA Margin	+22.4%	+20.8%	+20.1%	+20.8%	n/a

Notes: FY 2016/17 and FY 2017/18 excluding one-time transaction and integration costs related to AudioNova acquisition

Introduction

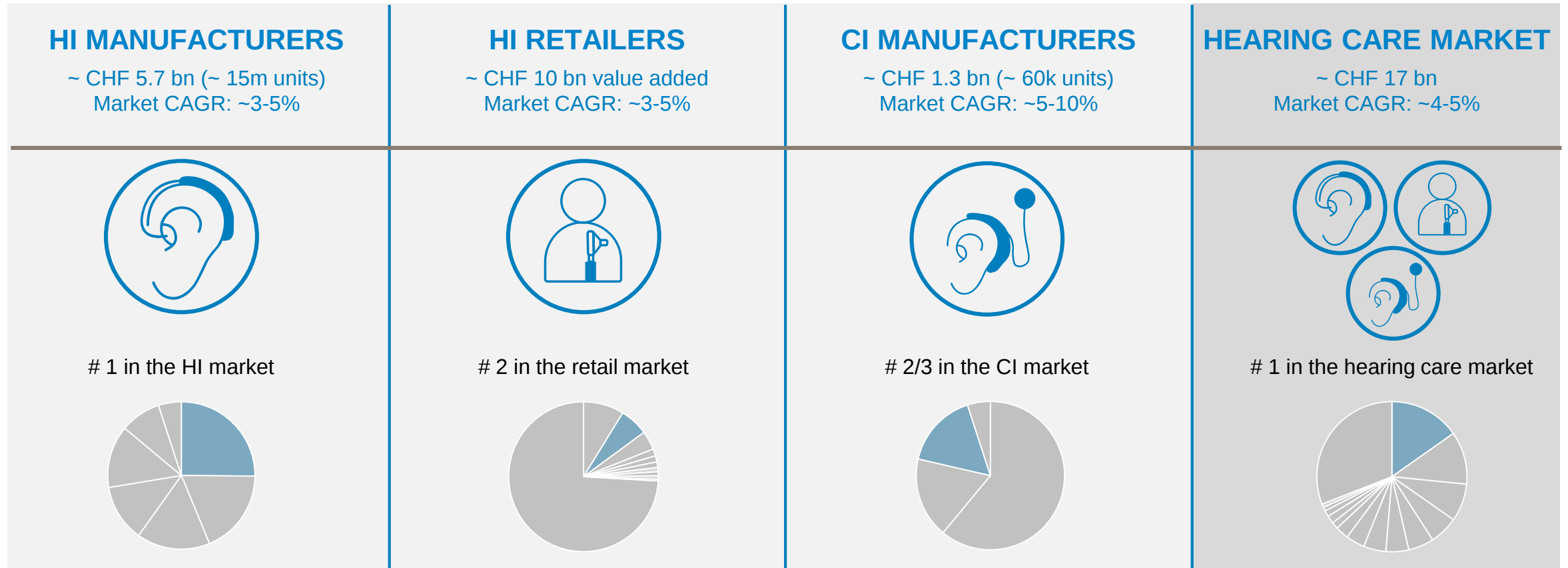
Unique vertically integrated business model – Focused on customer value



► Covering the whole value chain from product to the consumer

Market

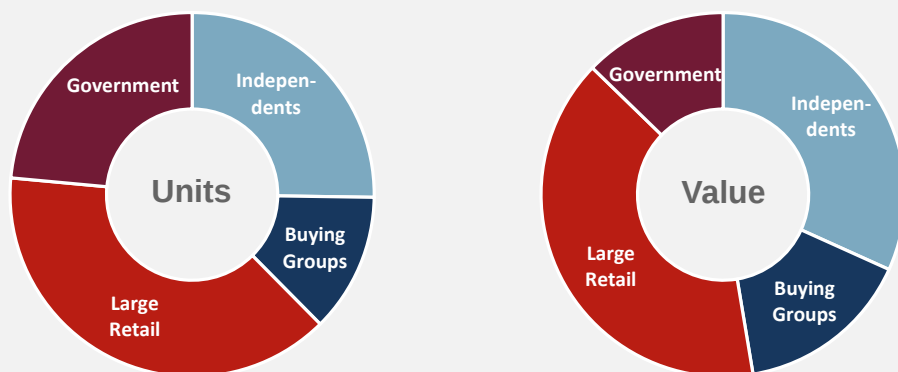
The hearing care market – Attractive size and growth potential



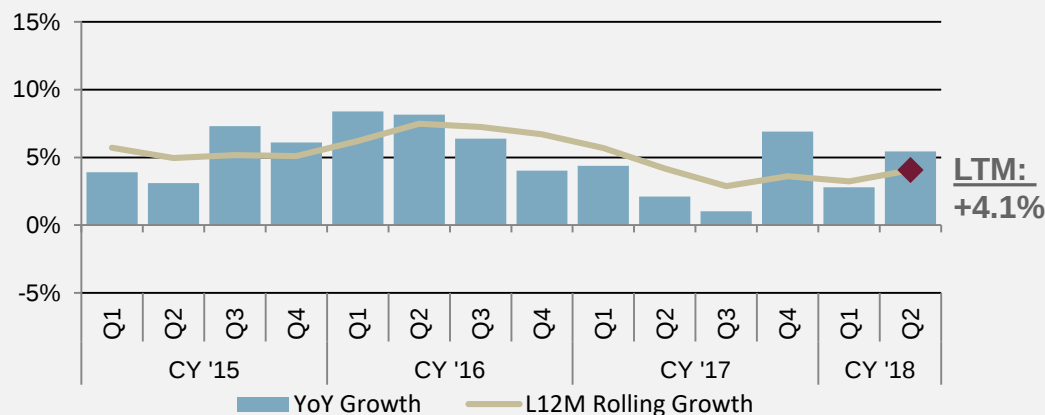
► Sonova – Leadership in the overall hearing care market

Hearing instruments – Global

Unit/Value split



Unit Growth - Global

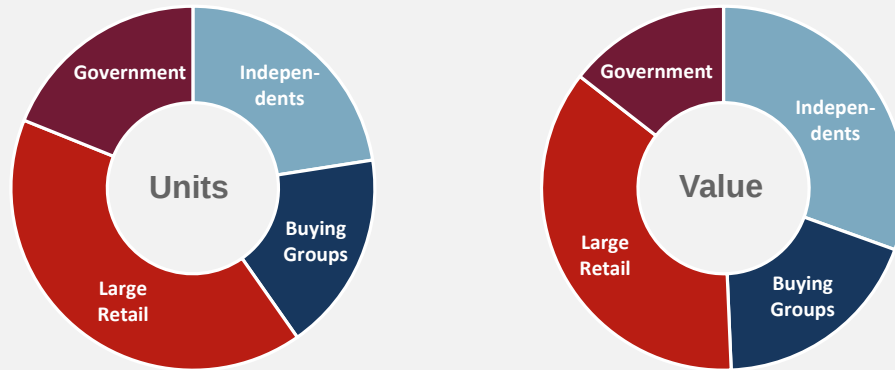


Recent market trends

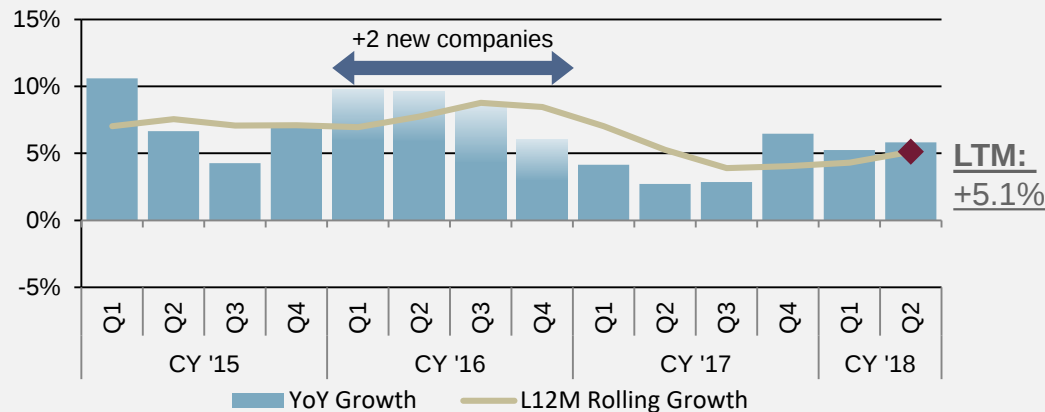
- Steady long-term unit growth driven by an ageing population as well as increased adoption and insurance coverage
- 12 month rolling growth of tracked markets is normalizing towards 3-5%
- Moderate structural pricing headwind was recently offset by positive effect of innovations on ASP (e.g. rechargeability, connectivity, sound comfort)
- Developing Markets growth exceeding tracked markets, driven by rising penetration rates from a low base

Hearing instruments – North America

Units/Value split



Unit Growth – North America



Recent market trends

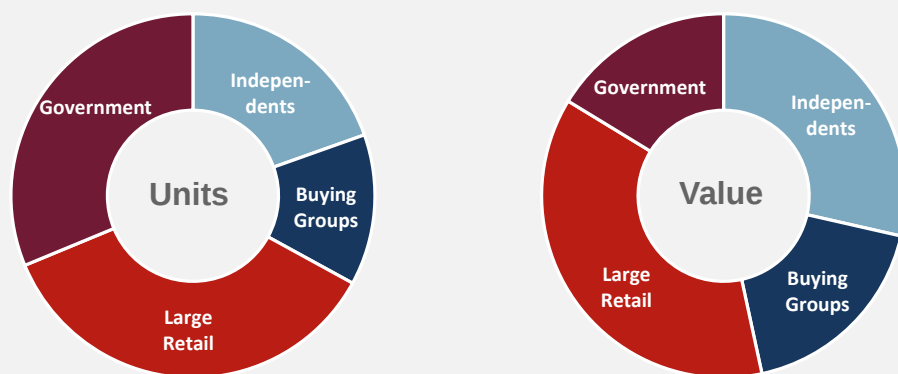
United States:

- Unit growth driven by private market, which benefits from:
 - Continued strong product launches
 - Focus on innovative features, e.g. rechargeable solutions
 - Increased coverage from managed care
 - Positive Costco development
- VA continues to operate at capacity, resulting in slight growth in CY 2018
- RIC form factor driving market growth at the expense of BTE and ITE form factors

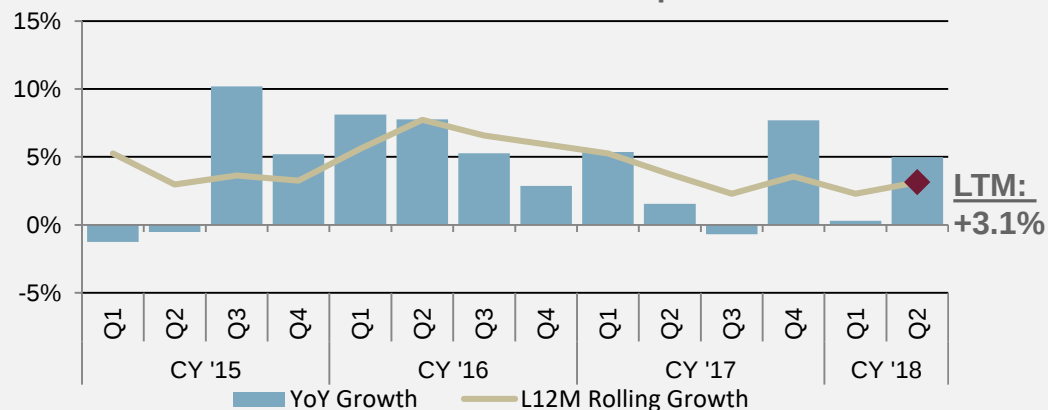
Canada:

- Positive market volume growth while retail market consolidation continues

Units/Value split



Unit Growth – Europe



Recent market trends

Germany:

- After a flat market development in CY2017, unit market growth significantly accelerated in H1 CY2018 to HSD, driven by mid to low end segments

France:

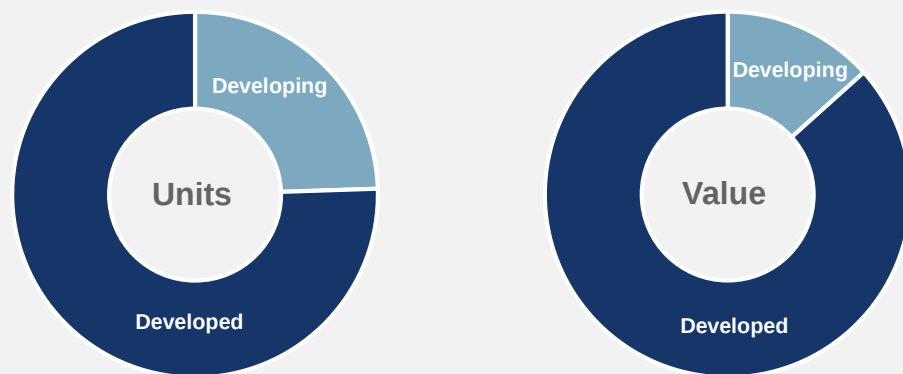
- YoY growth driven by new store openings and an increase of new patients fitted, despite government announcement to implement improved reimbursement model in 2021

UK:

- Private market: Rechargeable and connectivity created long-term market trend at new higher ASP, driving revenue growth; widespread market shift towards Premium end of market
- Public market: Continued unit growth driving volumes, continuous development of AQP business

Hearing instruments – Developing markets

Market characteristics



Market size and growth:

- We estimate that developing markets account for ~25% of global units and ~13-14% of global value, which are not covered in official market statistics
- Developing markets clearly outpace the developed markets, growing at LDD in value terms

Market dynamics

Access to hearing care and penetration:

- Penetration of hearing aids* in developing markets with 2-3% significantly below the ~27% in developed markets
- Main reasons for low penetration:
 - Access to hearing care professionals
 - Awareness & trust
 - Purchasing power
- We estimate that there are currently ~55k people per POS in China and India and ~20k in other developing markets compared to just 2k in the developed markets

Growth drivers:

- Increasing general wealth and the level of healthcare spending
- Educational efforts to increase the number of qualified hearing care professionals and consumer awareness

Market trends

Market trends and growth drivers



Favorable demographics
and increased adoption of implants



Growth driven by baby boomers and aging population



Provide best-in-class solutions and exploit opportunities in high-growth markets



Accelerated bi-furcation of
service channels



Dedicated channels for expert and mainstream services



Leverage multi-channel strategy to expand consumer access



Internet of things enables
creation of eSolutions



Emergence of digital solutions enhancing the consumer journey



Develop consumer and medical applications and take advantage of Big Data analytics

► Sonova well positioned to address key market trends

Market trends

Evolving consumer and customer behavior



CONSUMER (USER)

The modern baby boomers are driving change and solutions tailored to different consumer types



The traditional



The modern



The self-reliant

- The modern & self-reliant will represent close to 50% of consumers in 5 years
- eSolutions and flexible service delivery models a must to win them over

► **Sonova's opportunity: Innovation leadership to elevate consumer and customer journey**



CUSTOMER (HCP)

More demanding customers are expecting increased business support and a high level of service orientation



Business support

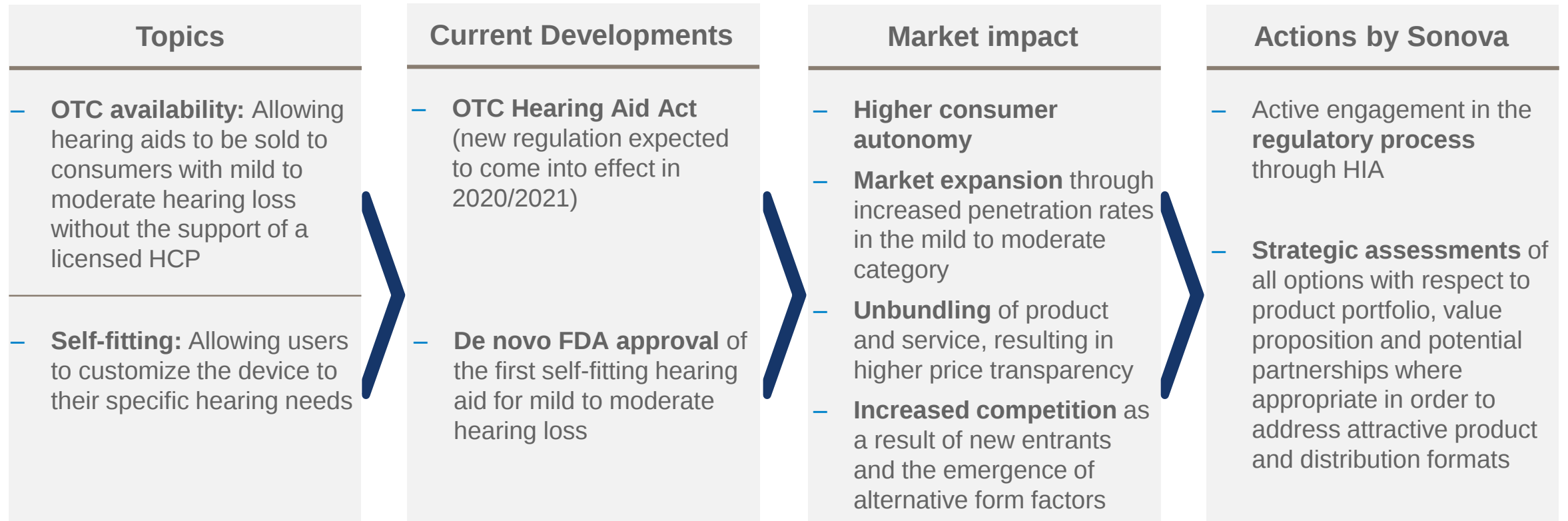


High level of service orientation

- Customers need to elevate their marketing and service capabilities
- Value add above hearing aid required to win them over

Market trends

US regulatory developments



► Sonova is actively engaged in the regulatory process and working on strategic options

Sonova's strategy



Lead **innovation** in audiological performance and consumer experience



Expand and optimize our **differentiated audiological care network**



Extend reach through **multi-channel partnerships** and **commercial excellence**



Invest in **high growth developing markets**



Continuous **process improvement** and **structural optimization**



Leverage **M&A** to accelerate growth strategically

► Leadership in hearing care through innovation and consumer access, leveraging emerging digitization

Lead innovation

Our current product launches



► Sonova continues expansion of its innovative product range in 2018

Note: * Available now in the United States. Pending European Regulatory approval.

Lead innovation

Example: Launch of Phonak Marvel

Marvel benefits

Higher initial acceptance

Better sound quality while streaming through
classification of streamed sounds

Binaural VoiceStream Technology

Reduced listening effort

New sound delivery system

RogerDirect

Direct Music & Phone streaming to both ears
from all phones

True hands-free calling (Own voice pickup)

Easy to use, yet versatile TV connector

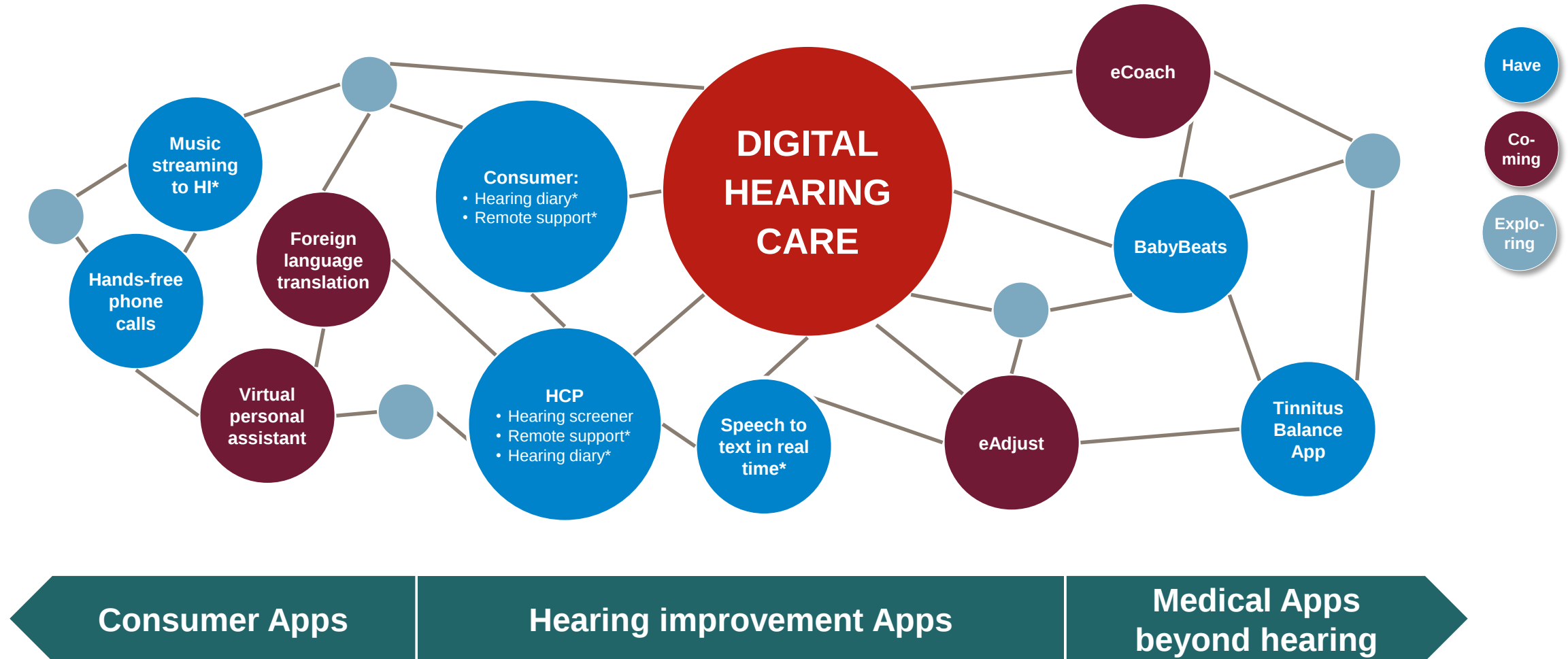
eSolutions for empowerment and convenience

● Unique



Lead innovation

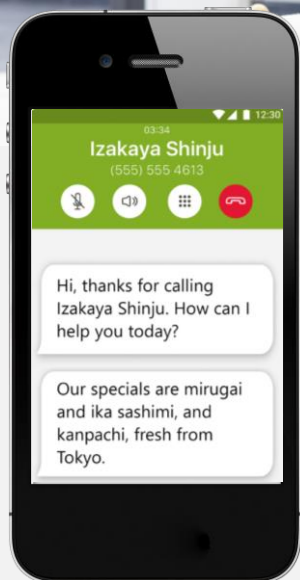
SWORD and Marvel enabling IoT solutions in hearing care



► New growth vectors emerging through connection between hearing aids and mobile phones

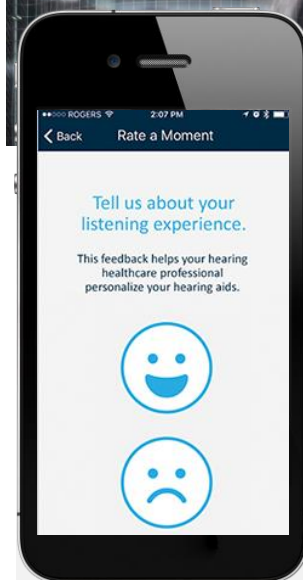
Lead innovation

Example: myCall-to-Text app and Patient Ratings



Phonak myCall-to-Text app

- Live transcription of phone calls in more than 80 languages
- Person on the other end of the call can use any type of phone
- Hands-free calling enables user to look at the screen while calling



Unitron Patient Ratings

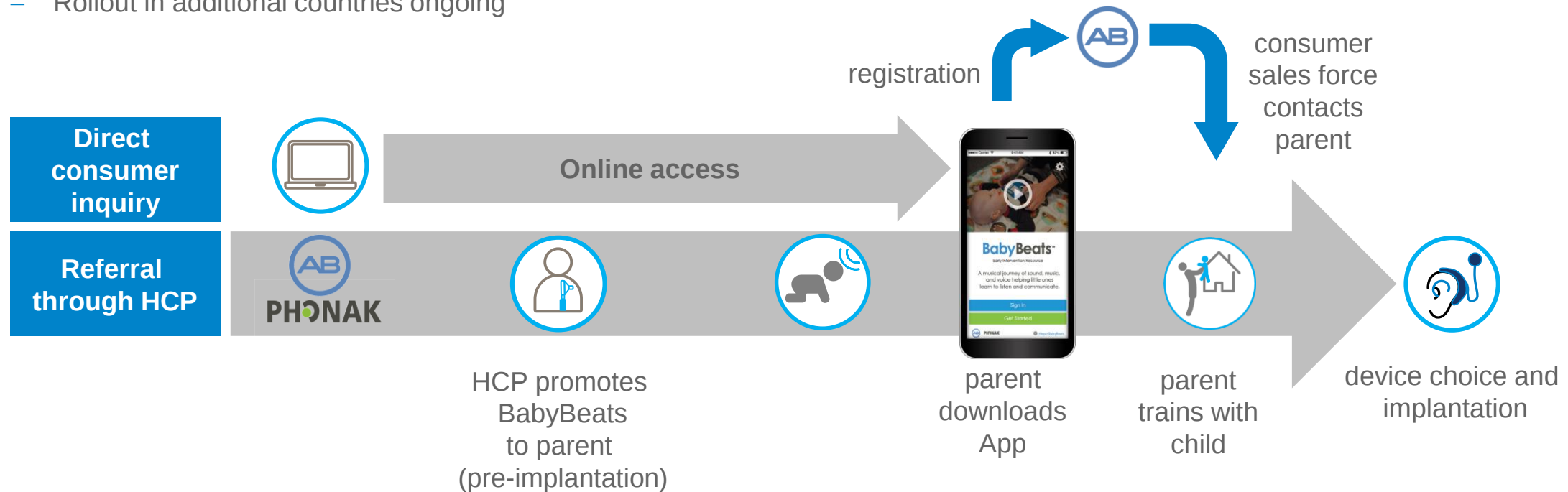
- Patient can provide real-time rating on their hearing experience
- Helps HCP to assess patient listening lifestyle
- Provides insights into fine tuning adjustments
- Smooth activation for patient in Remote Plus app

Lead innovation

Example: Pediatric early education and listening support with BabyBeats™

App launched in US February 2018 on iTunes and Google Play

- Over 1000 global registrations in 1H, of which >40% direct patient inquiries with 52 potential CI candidates tracked in North America
- Rollout in additional countries ongoing

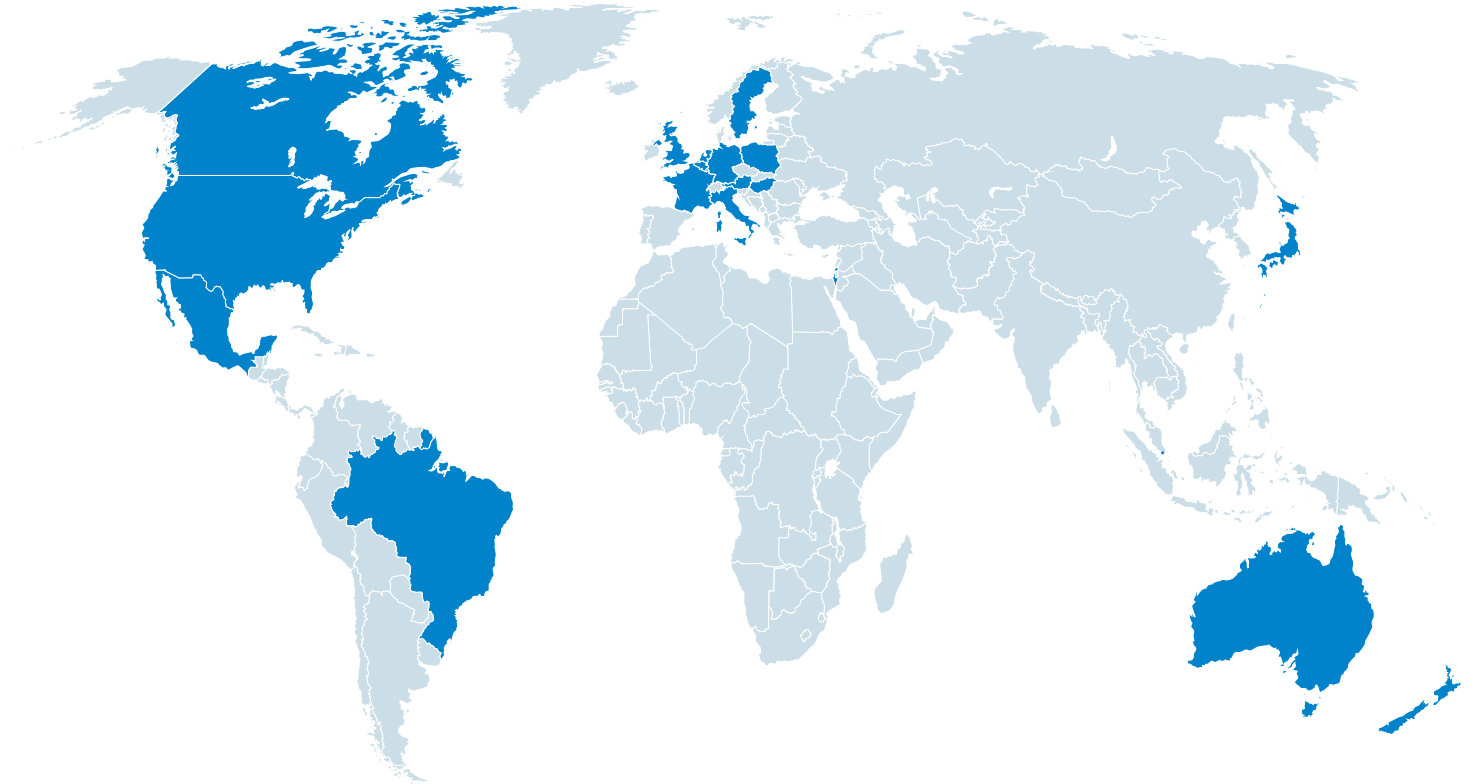


► Unique solution to support education and direct interaction with future recipients

Differentiated audiological care network

Over 3,500 stores and clinics – 7,000 employees

- A leading global platform of over **3,500 stores and clinics**
- Over **7,000 employees** in Sonova Audiological Care across **18 markets**
- One of the leading store networks in **Europe** with over **2,500** stores in 12 countries
- Close to **CHF 1bn revenues** in FY 2017/18



► No. 2 global provider with ample growth runway

Differentiated audiological care network

Example: Vitakustik and Advanced Bionics customer events in Germany

- 6 customer events held so far in CY 2018
- **316** participants attended events combined
- **46** appointments in CI clinics booked directly at the events
- Excellent rating from participants of customer events
- Strong positive feedback from CI surgeons



► Positive impact for all stakeholders – Similar activities initiated in other markets

Multi-channel partnerships and commercial excellence

Example: Hearing instruments business



Areas of focus

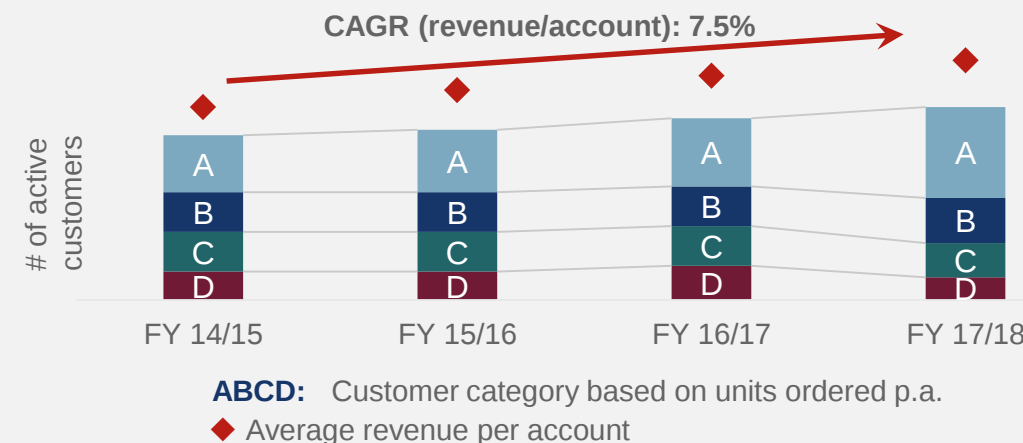
- **Lead generation support**
- **Sales excellence**
 - Sales force effectiveness
 - Funnel and territory management
 - Strategic account management
- **Customer loyalty** through increased business and practice support



Goals

- **Gain** new customers
- **Retain** existing customer base
- **Increase share of wallet** with existing customers

Example France:



► Growing our customer base through increased value add and commercial execution

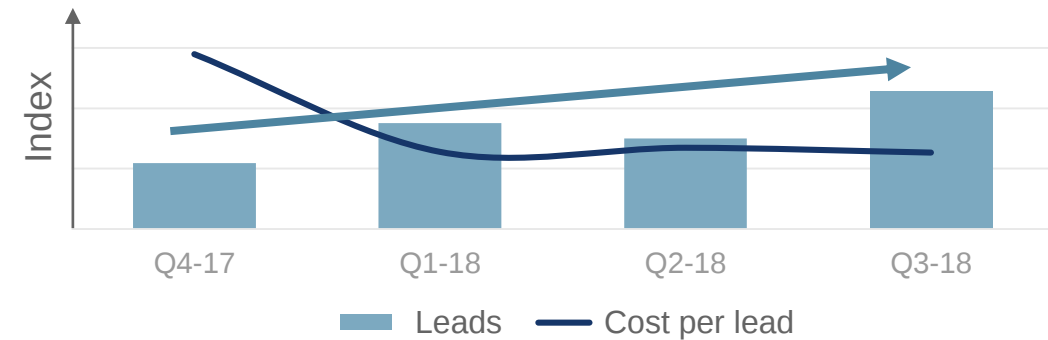
Multi-channel partnerships and commercial excellence

Example: US wholesale and retail online lead generation

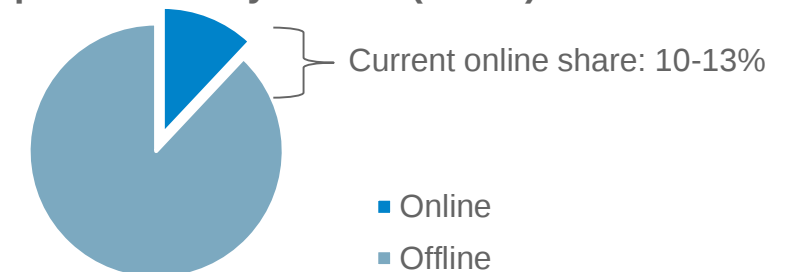
Building a high quality lead engine:

- Omni-channel lead sourcing
- Targeted lead generation by ZIP code, linked to available store capacity
- Effective online and call-center execution
- Direct booking into audiologist's schedule (for own retail)
- Continuous optimization of conversion of qualified leads (for own retail)
- Best-practice and resource sharing globally at Sonova

Example US Online leads + cost per lead



Share of appointments by source (Retail)



► Leads growing at decreasing cost – Share of first appointments generated online increasing

Multi-channel partnerships and commercial excellence

Example: Target center strategic account reviews introduced at Advanced Bionics USA



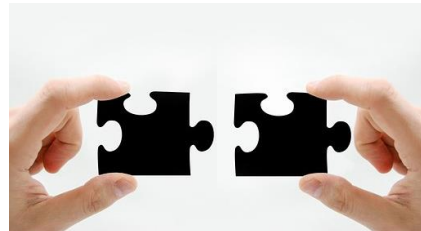
Select the right target CI clinic

- Size
- Strategic relevance
- Probability to convert



Understand their ambition

- Customer needs
- Stakeholder review (ally, neutral, enemy)
- AB hurdles to overcome



Strategic acct. plan and offering

- Customer account strategy
- Initiatives / tools / resources we will leverage to win



Align our resources

- All in approach: all US functions participating
- Partnerships with WHS and Retail
- Senior Management



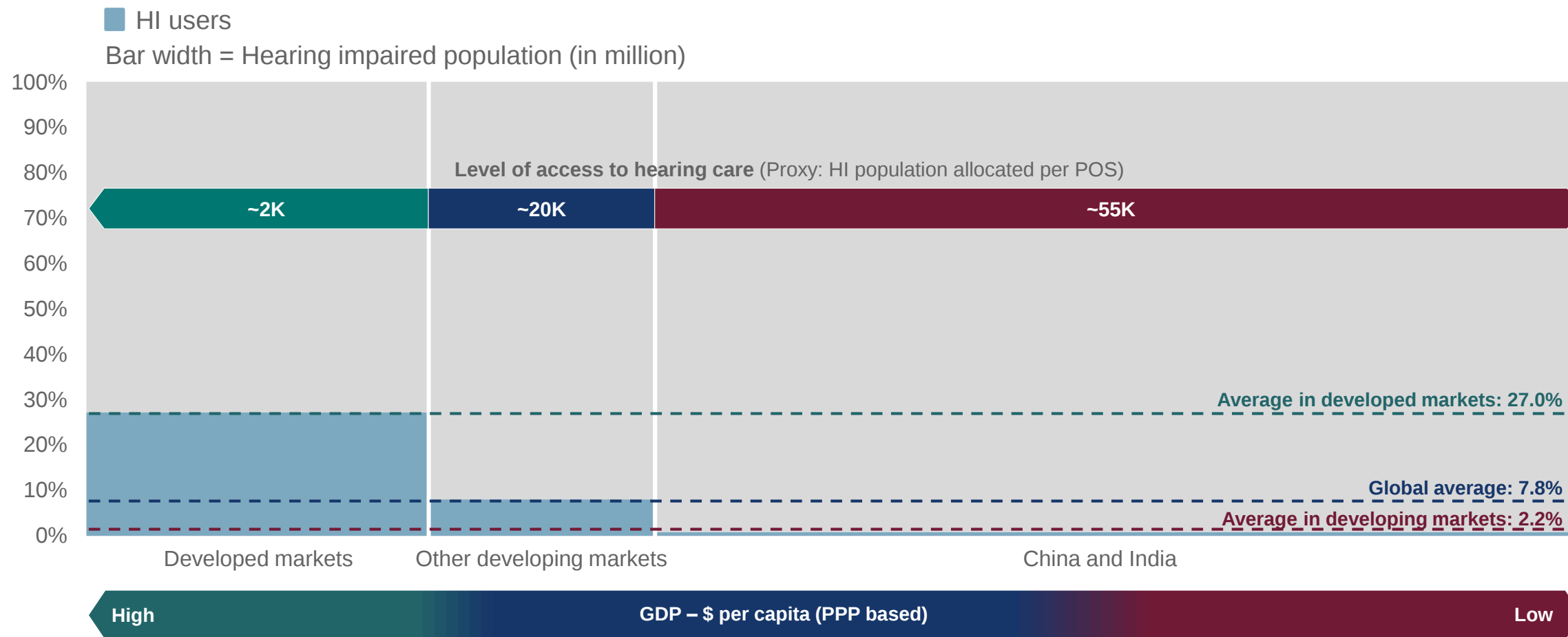
Track & correct

- Monthly reviews
- Tracking actions, milestones and results
- Correct course if necessary

► Driving funnel and strategic account management with monthly cadence in the US

High growth developing markets

Very low penetration of hearing solutions in China and developing markets overall



► Overcoming the lack of consumer access to hearing care offers significant mid-term upside

High growth developing markets

Example: Unlocking the market potential in China

Well established footprint in China

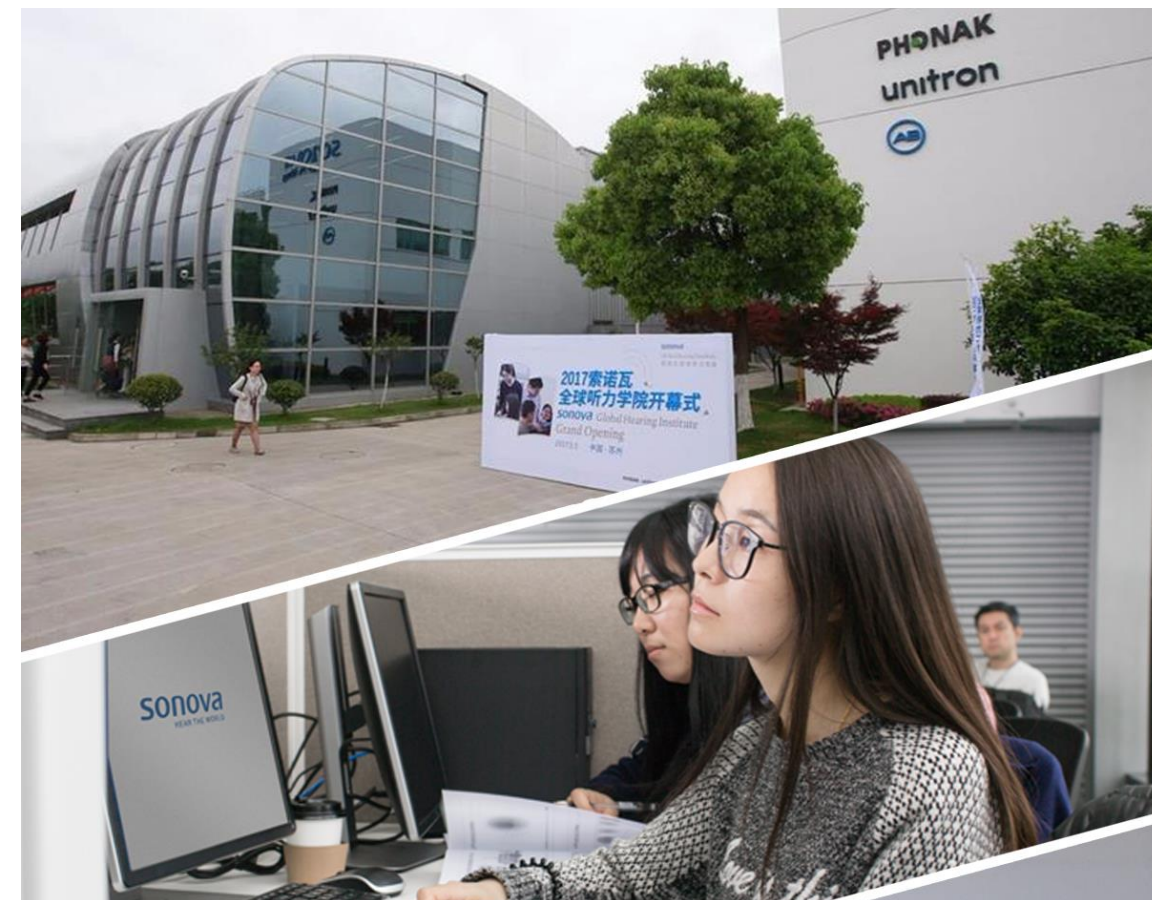
- 2003: Manufacturing plant established in Suzhou
- 2006: Establishment of distribution company in Shanghai
- Distributing Sonova hearing aids and accessories through more than 1,500 hearing centers or clinics across China

Accelerating our local R&D activities in China

- Built dedicated R&D staff in the past 3 years to locally collaborate with universities
- Implemented 7 clinical research programs related specifically to tonal languages
- Strategic collaborations with top universities and hospitals incl. leading research facilities in Beijing, Shanghai and Hong Kong

Now scaling up education program for HCPs through our Sonova Global Hearing Institute (SGHI) in Suzhou

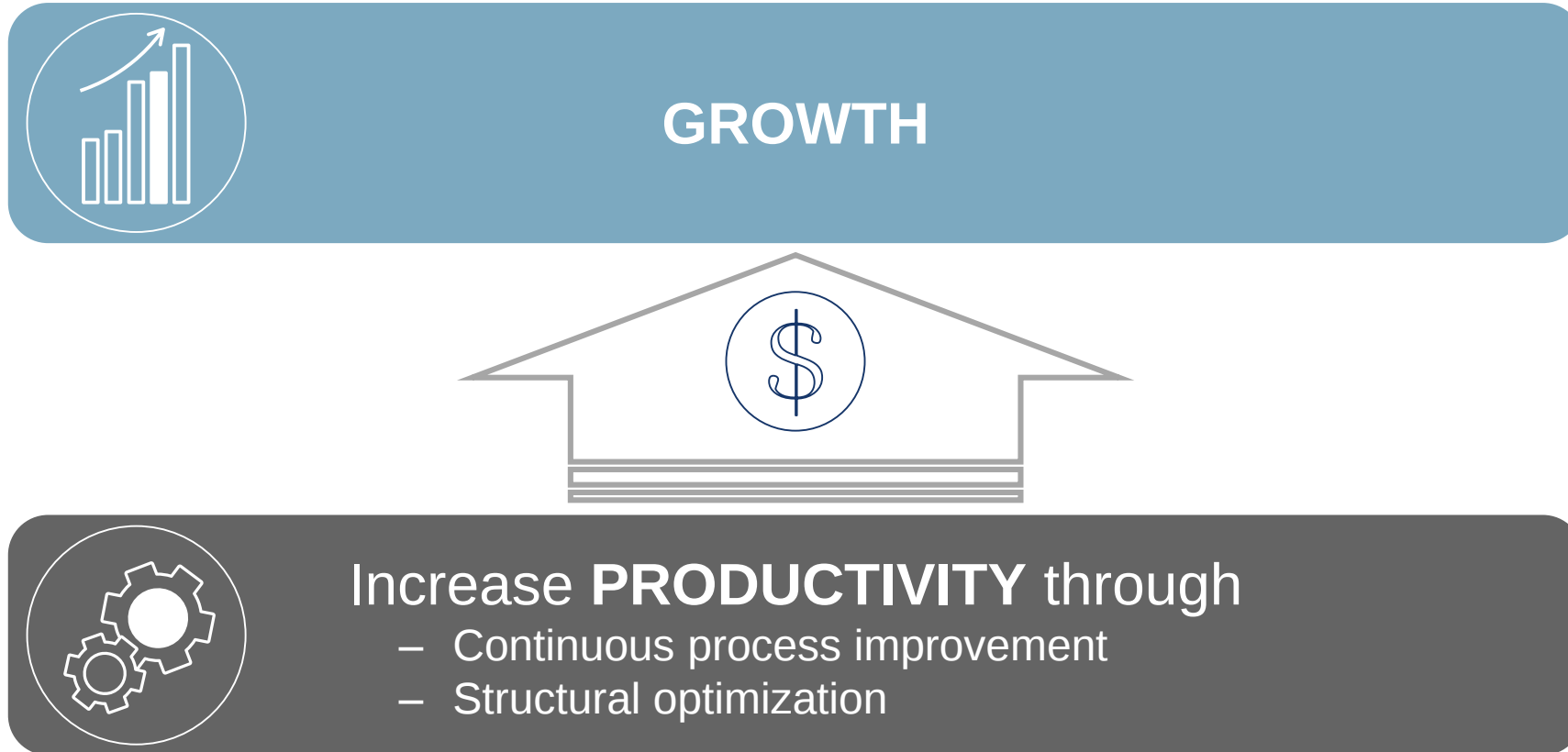
- State-of-the-art training facility (established 2017)
- More than 450 students have been enrolled and trained at SGHI
- Online training provided to 4,000 licensed fitters and others p.a.



► Strong established sales presence and research collaborations, while scaling up our trainings efforts

Sonova's strategy

Creating investment capacity



- Accelerate productivity initiatives to expand investments into growth drivers

Productivity initiatives

Harvest cost savings opportunities through structural and continuous process improvements



Structural cost improvements

- Shift of manufacturing to lower cost locations
- Creation of regional labs / service hubs
- Optimization of logistics network and digitization of order process
- Reduction of site footprint

Continuous process improvements

- Procurement processes (direct and indirect)
- Assembly processes
- Design for reliability
- Portfolio streamlining / SKU reduction

Example: Structure optimization of US operations – Leading to direct labor cost efficiency increase of 10%



► Building capability to accelerate number of projects realized per year

Talent initiatives

Employee engagement and leadership development



Objectives

- Foster high employee engagement
- Achieve low voluntary attrition
- Grow strong talent bench driven primarily from within

Focus areas

- Engagement survey driving local improvement action plans
- Talent development process through
 - Development planning
 - Internal leadership training programs
- Diversity and inclusion initiative

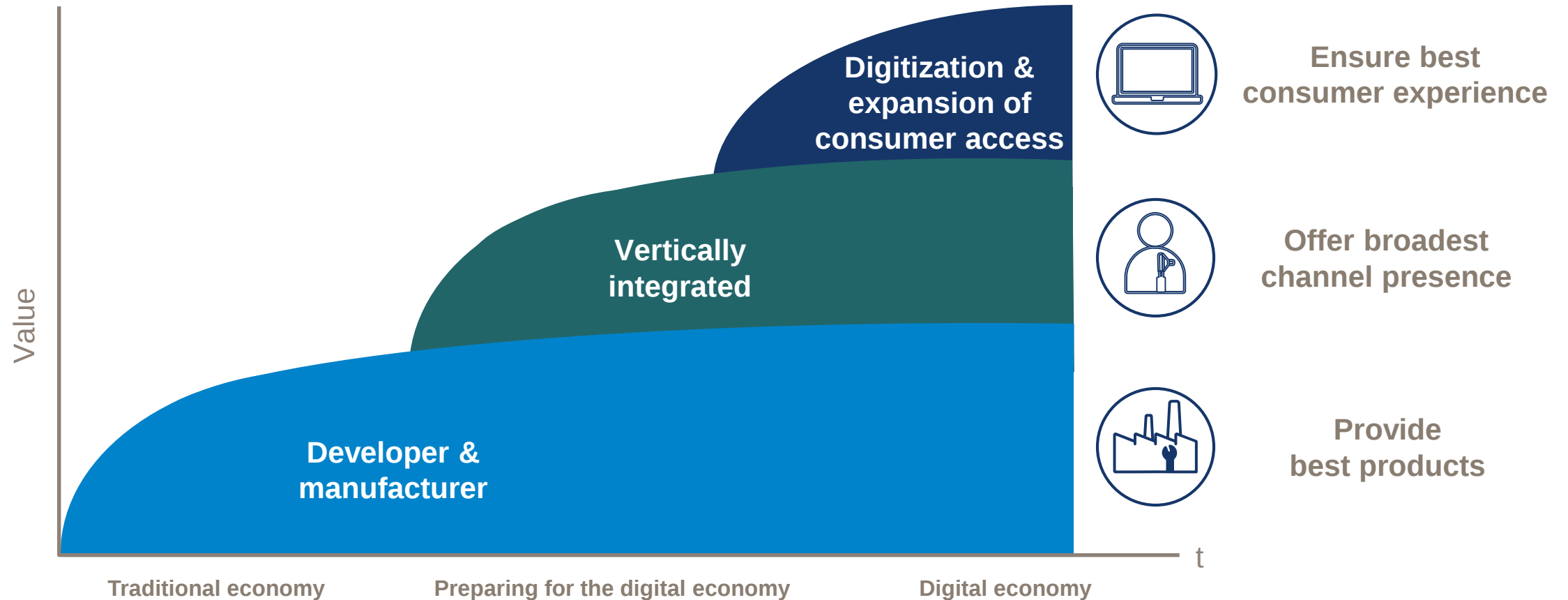


Goals

- Internal leadership recruitment rate increased from 40% to over 55% in the past 4 years, targeting 70% in 3 years
- Targeting upper quartile vs. benchmark for voluntary attrition rate and engagement

► Building the foundation for growth through developing a strong and engaged employee base

Sonova's strategy development



► Transforming our business strategy by expanding of our access to consumers

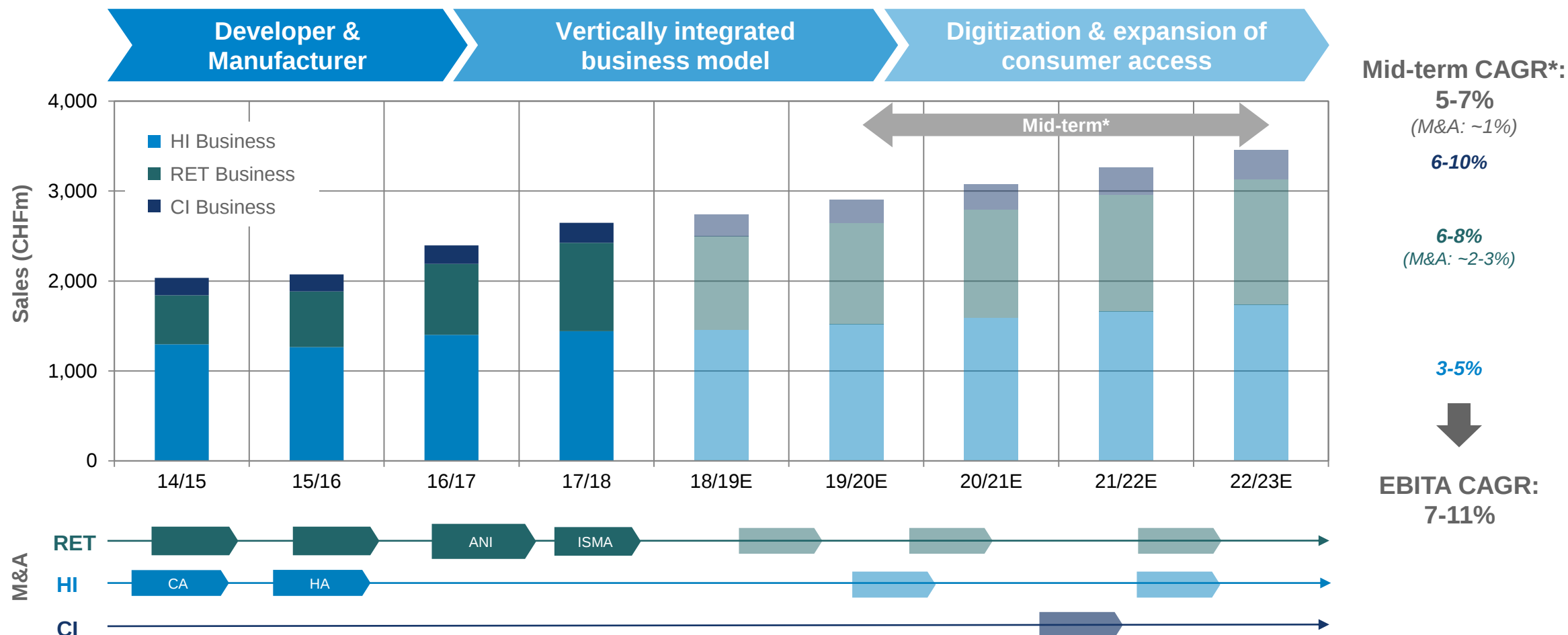
Financial implications

The four pillars of growth



- Creating shareholder value and generating investment capacity for future growth

Mid-term outlook



► Mid-term guidance unchanged

Notes: * Illustrative chart, expected development based on FY 2017/18, **excluding FX impact**



Broad product portfolio and vertically integrated business model represent a **strong foundation**



Strategic focus on **innovation leadership and consumer access**

- Leveraging Marvel launch and SWORD technology to win new customers and consumers
- Capitalizing on digitization to elevate the consumer experience



Accelerating productivity gains to create additional investment capacity for growth

A multifunctional marvel – Love at first sound

Stäfa, Switzerland | October 16, 2018 | Martin Grieder, GVP Hearing Instruments Marketing



Key Consumer & Customer needs

Consumer

Key Consumer needs...



- Great hearing in all life situations
- Full day of hearing with one battery charge
- One touch of a button connectivity to all devices
- Discrete and appealing design
- Service delivery when and where they want it

Customer

Key Customer needs...



- Ensure excellent patient outcome with great sound quality and first fit acceptance
- Solutions enabling great face to face and online support
- Rechargeable solution that always works
- Connectivity without a hit and miss risk
- Differentiated solution featuring new design



Introducing Audéo™ M

**Powered by
Marvel technology**

Love at first sound

- Clear, rich sound
- Connects to smartphones, TV and more
- Rechargeable
- Smart apps

**It's not just a great hearing aid.
It's a multifunctional marvel.**



Marvel – the combination of all things great

**Clear,
rich sound**

**Connects to
smartphones,
TV and more**

**Smart
apps**

Rechargeable

Love at first sound



Key Consumer & Customer hearing needs

Consumer

Key Consumer needs



- Exceptional sound quality from first fit
- Better speech understanding in noise
- Reduced listening effort in noise
- Top rated streamed sound quality



Customer

Key Customer needs



- Patient “WOW” effect at first fit
- High patient satisfaction in noisy situations
- Simple and easy to use fitting process
- Top rated streamed sound quality on all devices



New standard in sound quality and hearing performance – From the first moment of truth to when hearing gets tough



New
pre-calculation

=

**Exceptional sound quality
from the first fit¹**



Binaural VoiceStream
Technology™ in all models

=

**Better speech understanding
in noise²**



Adaptive compression speed
and Binaural VoiceStream
Technology

=

**Reduced listening effort
in noise³**



Classifies
streamed signals

=

**Top rated streamed
sound quality⁴**

Clinical evidence – Exceptional sound quality from the first fit

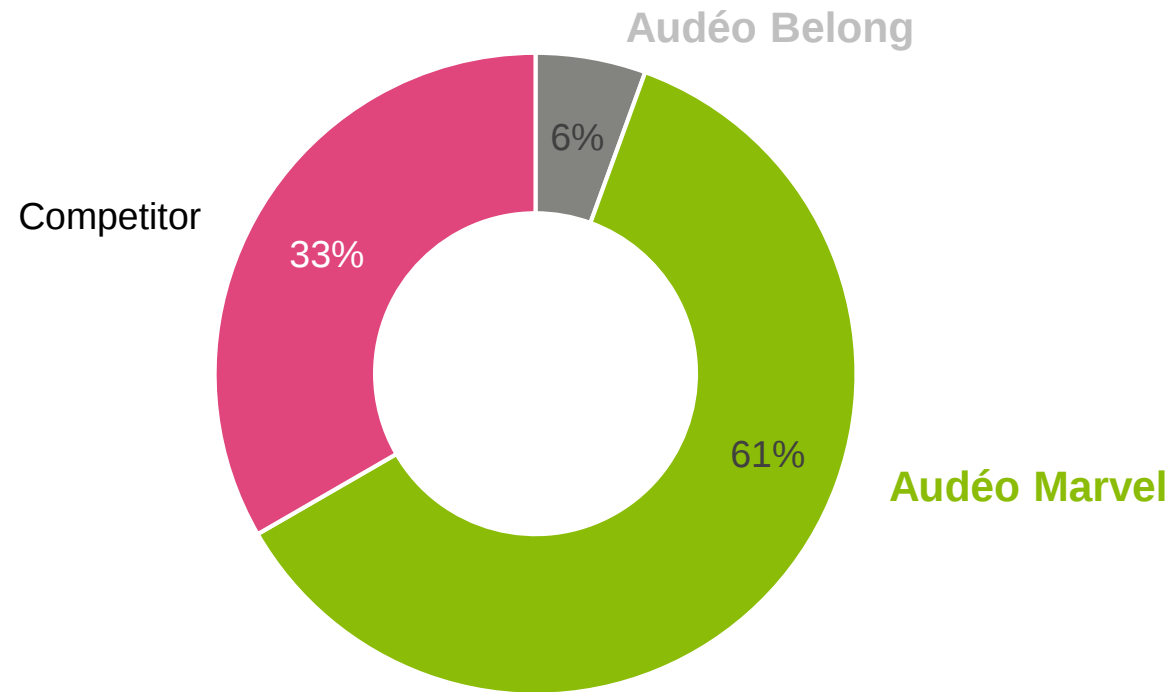
New pre-calculation delivers exceptional sound quality from the first fit

- External study **compared sound quality preference** of Belong vs Marvel with first time users
- Study participants **preferred the Audéo M first fit**



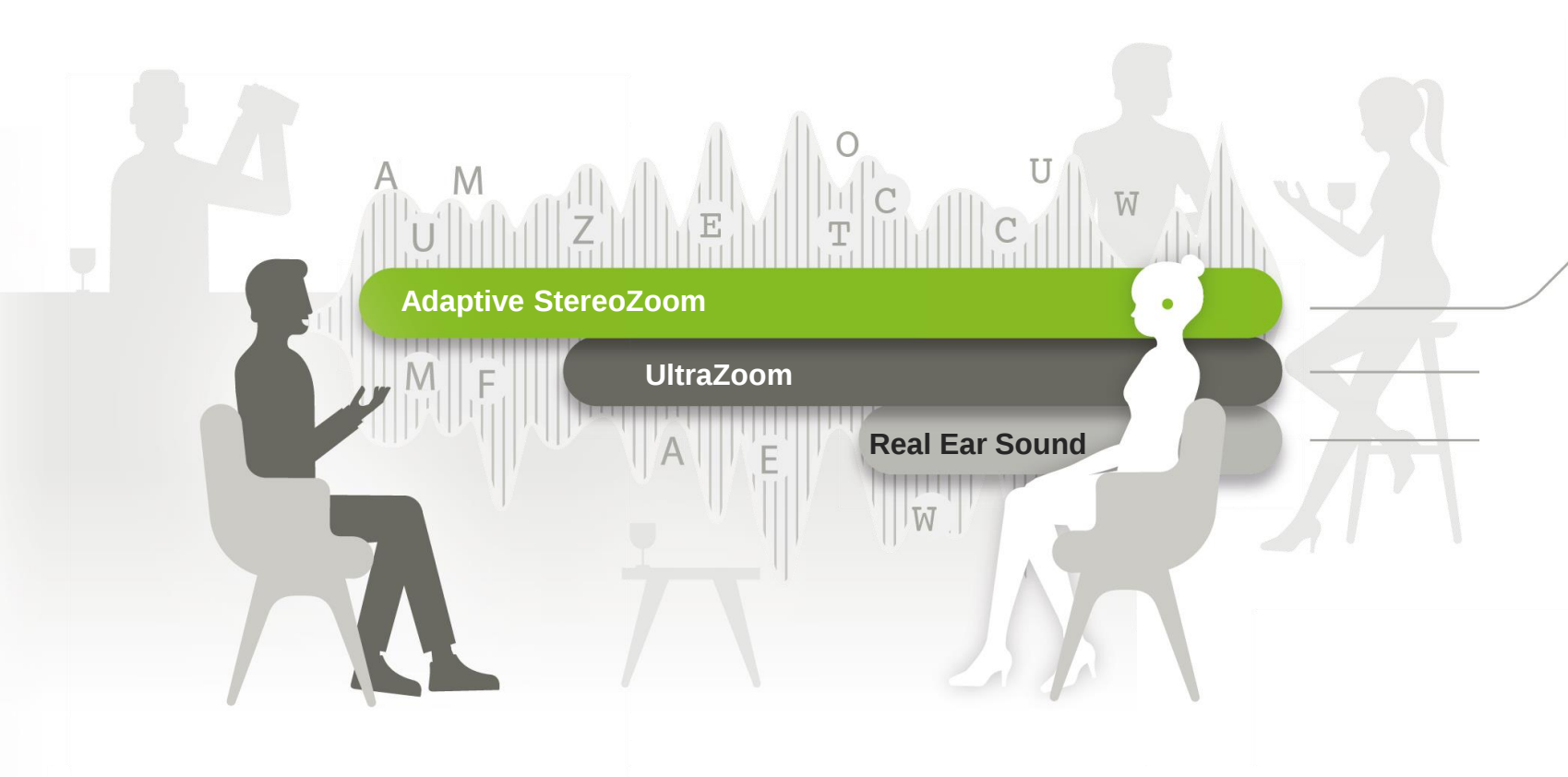
ClinicalNew pre-calculation delivers exceptional sound quality from the first fit evidence – Exceptional sound quality from the first fit

- Study **compared spontaneous acceptance of** Belong vs Marvel vs Competitor with first time users
- Study participants **preferred Audéo M almost 2x more than Competitor**



Clinical evidence – Better hearing performance in noise

Binaural VoiceStream Technology greatly improves speech intelligibility especially in challenging listening situations



Phonak Marvel features
Binaural VoiceStream
Technology delivering a

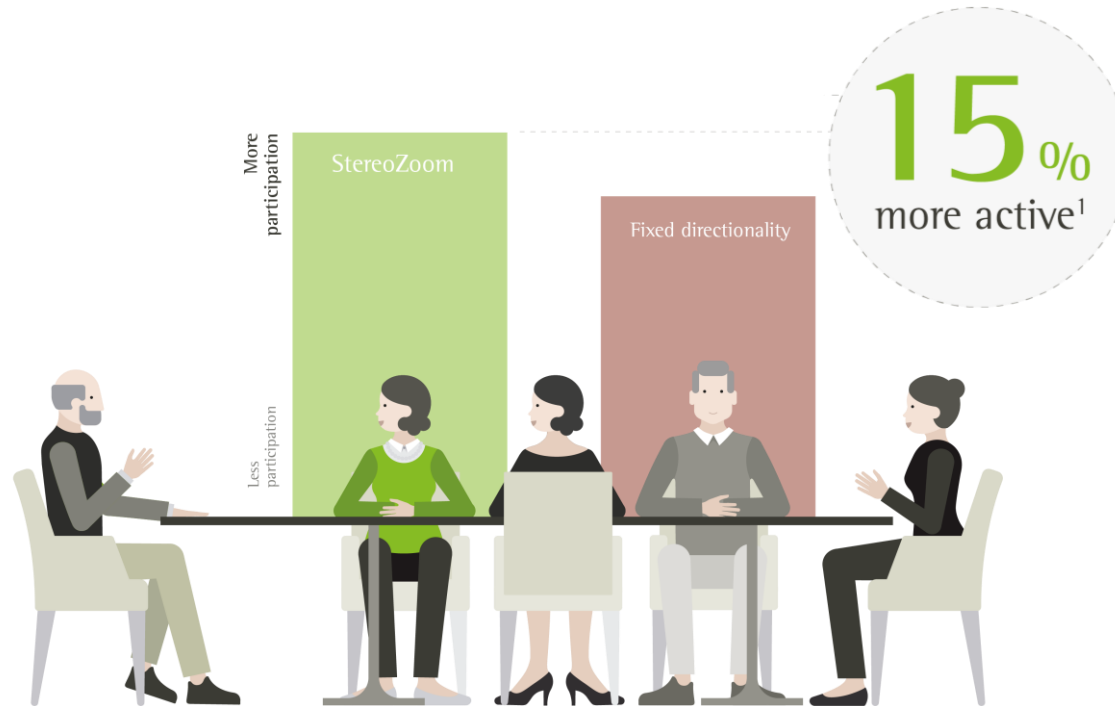
60% improvement

in speech understanding in noise

Proven in multiple studies

Clinical evidence – More participation in conversation

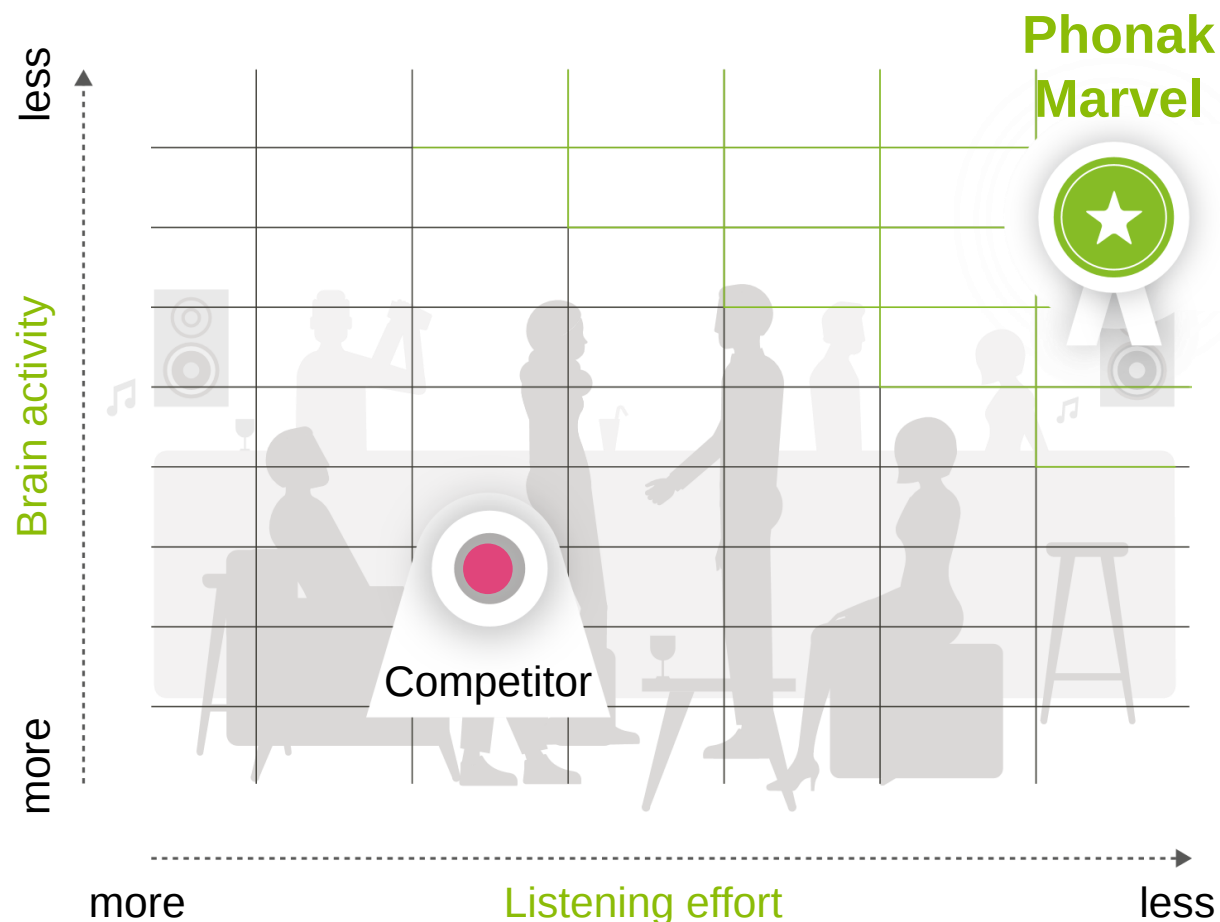
StereoZoom helps people to be more actively involved in group conversations compared to fixed directionality



- Recent video study assessed body language and behavior depending on the technology used
- People using the BVST StereoZoom feature were **15% more actively involved** in the conversation, showed less body movement and were more relaxed

Clinical evidence – Reduced listening and memory effort

StereoZoom delivers reduced listening effort in noise

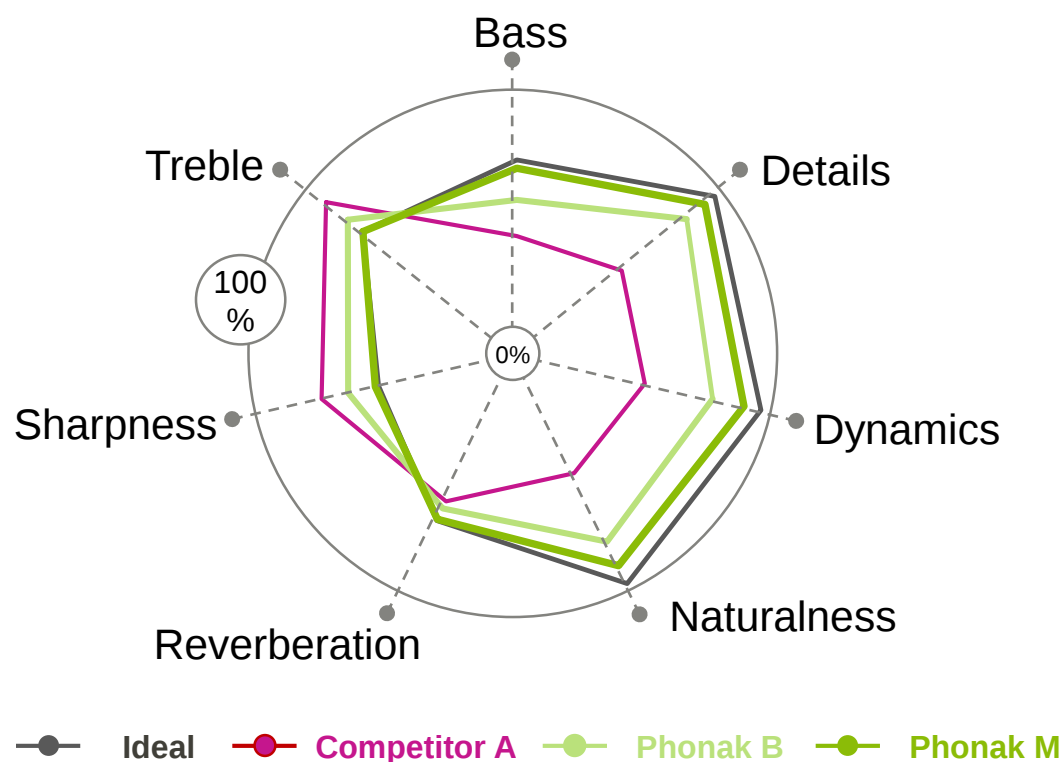


- External study **assessed memory effort** via EEG brain activity measurements as well as subjective **listening effort** in noisy situations
- Listening effort with the Phonak device was rated significantly **lower by 19%** compared to a competitive device, coupled with a **reduced memory effort**

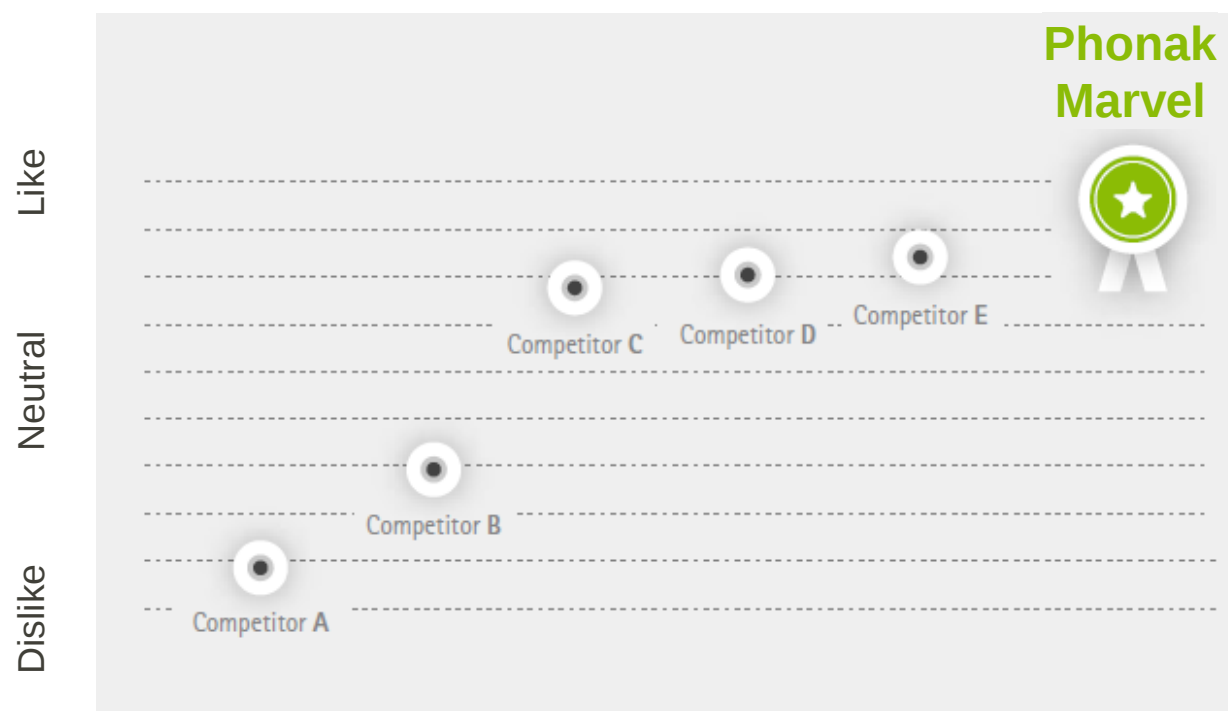
Clinical evidence – Top rated streamed sound quality

Phonak Marvel gets top marks and outranks the competition in external study

- Phonak Marvel is a **close match to the “ideal” sound profile** for streamed media



- Phonak Marvel is the **top rated solution** for streamed sound quality vs. the competition



Marvel – the combination of all things great

Clear,
rich sound

Connects to
smartphones,
TV and more

Smart
apps

Rechargeable

Love at first sound



Key Consumer & Customer connectivity needs

Consumer

Key Consumer Needs



Customer

Key Customer Needs



- One touch of a button pairing
- Works on any Bluetooth device 
- Allows for hands-free phone calls
- Connects seamlessly to any TV



- One touch of a button pairing
- No hit and miss compatibility
- Integrated and optional upgrade to Roger™
- Simple to install and use TV Connector



Marvel connects to a world of Bluetooth devices...

World's
First




Bluetooth

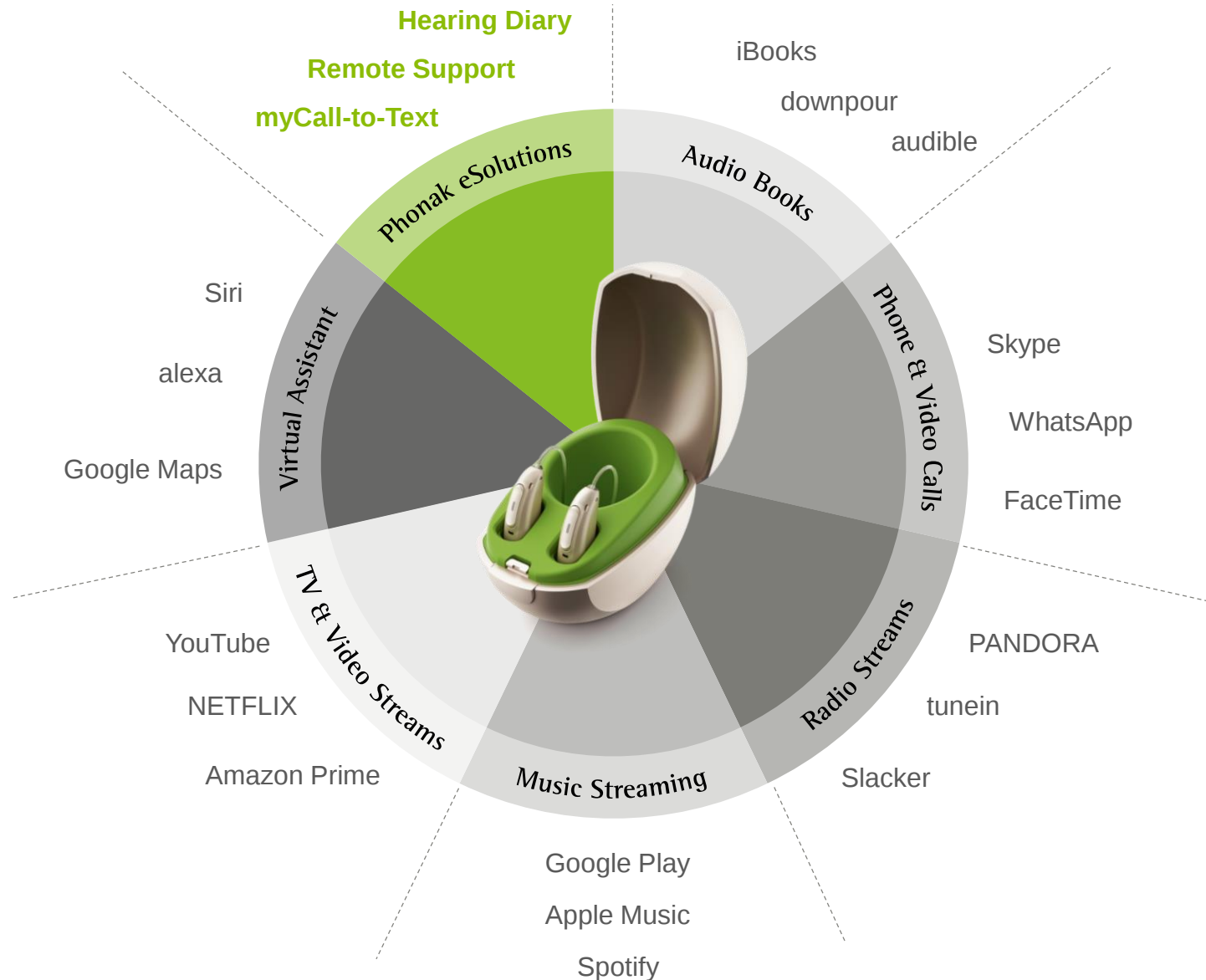
10 billion
devices



Including all...



Redefining direct connectivity for the consumer and enabling access to all apps on App Store and Google Play...



Wireless technology – Innovations on SWORD for Marvel

Binaural VoiceStream Technology



Stream the full audio bandwidth between hearing aids for **better speech understanding in noise and reduced listening effort**

Bluetooth protocol extension



Hands-free phone calls and music streaming to both ears from iOS and Android.

RogerDirect™



No external receiver needed to stream Roger signal directly to the hearing aids

Enjoy TV, music and more with the new easy to use TV Connector



Easy to use

Plug and Play

Buttons for easy on/off and volume control

Automatically connects if within range



Great sound quality

Top rated streamed sound quality thanks to AutoSense OS 3.0

Dolby compatible



Marvel – the combination of all things great

Clear,
rich sound

Connects to
smartphones,
TV and more

Smart
apps

Rechargeable

A photograph of two women laughing and pointing at each other, framed within a large green heart shape. The woman on the left has grey hair and is wearing a white top. The woman on the right has blonde hair and is wearing a green cardigan over a white top. A semi-transparent white box with green text is overlaid on the bottom of the heart.

Love at first sound

Key Consumer & Customer digital benefit need

Consumer

Key consumer needs



- Service delivered whenever and wherever with real time remote fitting and instant feedback
- Time saving and effective support
- Audio & Video connection to the provider
- Access to all value added apps on Apple and Android eco systems



Customer

Key Customer needs



- Simply and easy to use remote fitting process
- Real time feedback from patients on the go
- High level of personalized engagement
- Increased practice efficiency



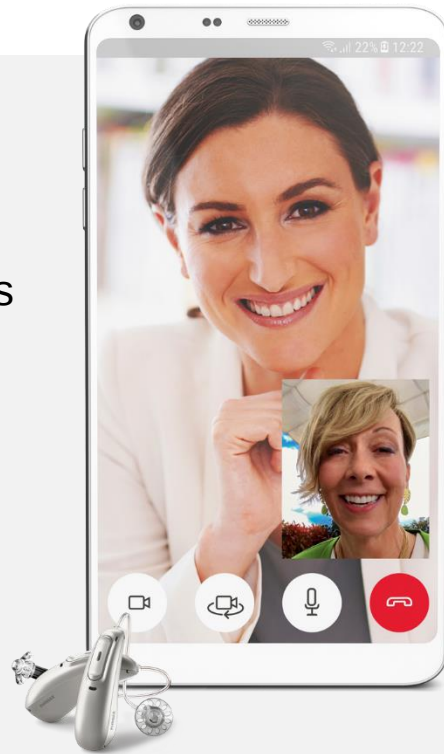


Phonak eSolutions

An easy to use app that allows the HCP to stay connected with consumers, assist them and adjust their hearing aids wherever and whenever needed

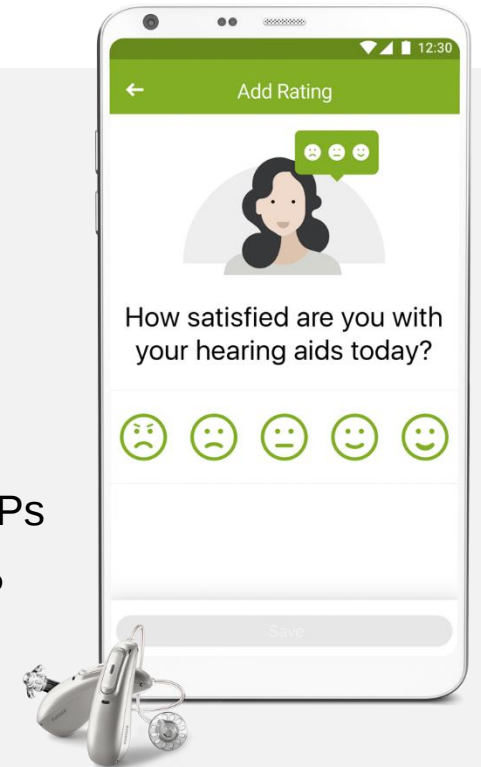
Remote support

- **Real time** fitting wherever the consumer is
- Change settings directly in the fitting software



Hearing diary

- Overview on hearing aid usage
- Overview on client satisfaction
- Push-notifications to HCPs
- Share data log with HCP

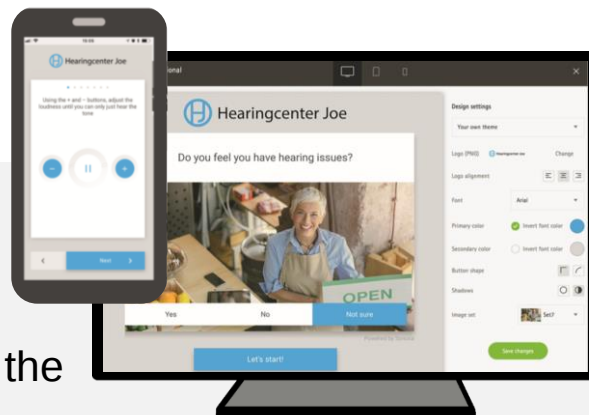


Phonak eSolutions: Convenient services for the professionals

An easy to use app that allows the HCP to stay connected with consumers, assist them and adjust their hearing aids wherever and whenever needed

Hearing Screener

- Easy to integrate into the HCP's website
- Differentiate HCP's practice and create leads
- Build relationships to clients early on



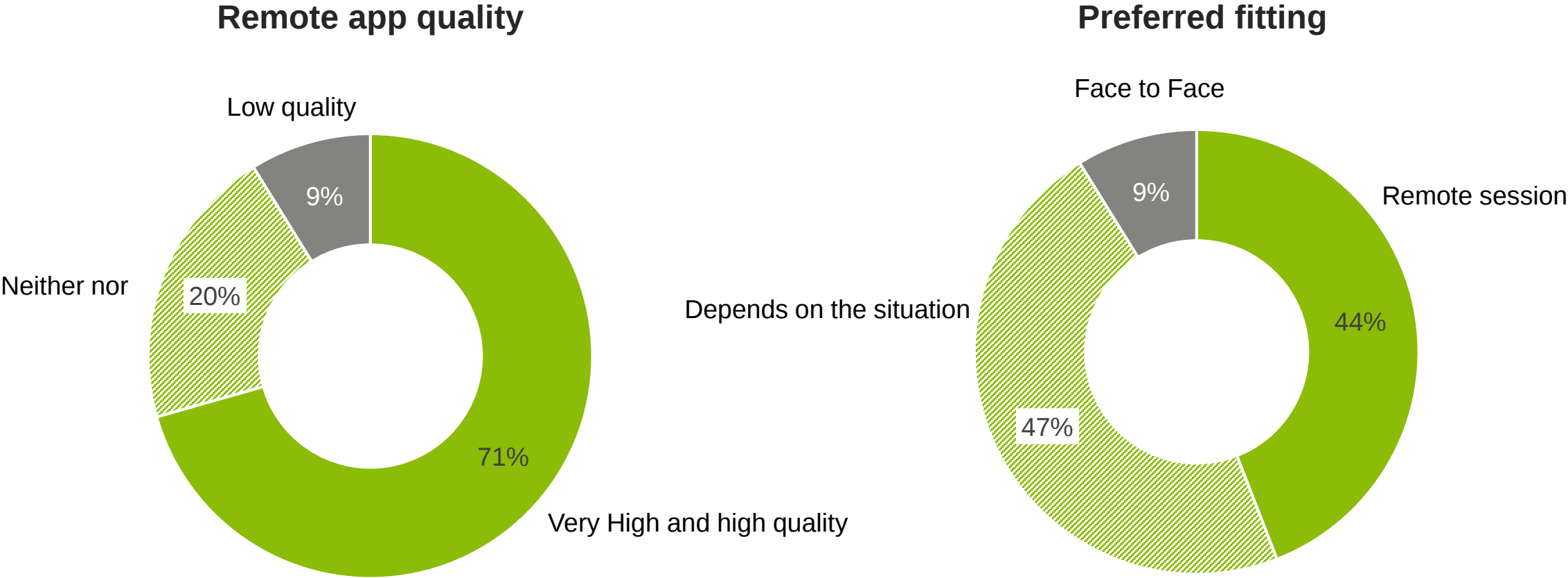
Remote support & Hearing diary

- Offer innovative services with Remote Support
- Gain more insight with Hearing Diary
- Work with familiar solution within Phonak Target



Real time remote support – high satisfaction levels with Consumer

71% of the test users rated remote app very high and high quality,
44% preferred remote fitting compared to 9% face to face session



Source: Carstens, M. (2018). Customer survey (US, DE) "End-User Feedback". Please contact info@sonova.com if you are interested in further information. n=34

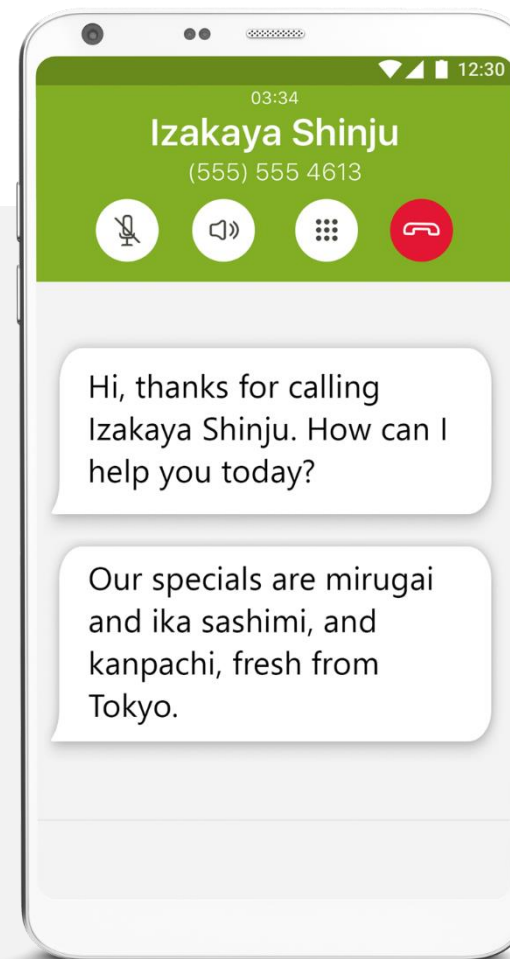
myCall-to-Text app – Feel confident communicating on the phone

Like closed captions on the TV, the Phonak Voice-to-Text app lets the user hear and read what's being said by the person on the other phone

myCall-to-Text app

- Live transcription of phone calls in more than 80 languages
- The person on the other end of the call can use any type of phone
- Hands-free enables the user to look at the screen while calling

Particularly important to severe to profound hearing loss



Rechargeable – the revolution continues

Clear,
rich sound

Connects to
smartphones,
TV and more

Smart
apps

Rechargeable

Love at first sound



Consumer

Consumer needs



Customer

Customer needs



- Full day hearing incl. audio streaming with one charge
- Peace of mind solution and easy to use
- No battery replacement needed



- Reliable rechargeable solution with warranty
- Easy to use and easy to explain solution



Enjoy a full day of hearing including streaming



Easy to use

Automatically on out
of the charger

Super Quick Charging

3 color LED



World's
First

No compromise

The only Lithium-Ion
rechargeable hearing aid
with direct iOS and Android
connectivity and with T-Coil



NEW Mini charger

Summary – With Marvel consumer & customers can have it all, trade offs and compromises are a thing of the past



Clear and rich sound

- AutoSense OS 3.0 and Binaural VoiceStream Technology
 - Exceptional sound quality from the first fit
 - Better speech understanding in noise
 - Reduced listening effort in noise
 - Top rated streamed sound quality



Smart Apps

- **Real time** remote support
- Remote support integrated in Target

Leading edge innovation



Connectivity

- Standard Bluetooth Classic & direct streaming to all existing players (iOS, **Android** and feature phones)
- Hands-free phone calls
- RogerDirect



Rechargeable

- Extending Rechargeable lead with new and improved features

Offering Audéo Marvel benefits across a broad product portfolio



Audéo M-312



Audéo M-R



Audéo M-312T



Audéo M-13T



Audéo M-RT

BVST



Direct  



Hands-free phone calls



Roger



Rechargeable



T-Coil



Available in 90, 70, 50, 30



Summary – Marvel: the combination of all things great



Audéo Marvel

Competitor 1 Competitor 2 Competitor 3 Competitor 4

iOS and Android direct streaming	●				
Hands-free phone calls	●				
Lithium-Ion Rechargeable	●		●	●	●
Remote Support	●		●	●	●
Hearing Diary	●		●	●	●
Voice Transcription	●				●
Exceptional sound quality	●	●			
Binaural VoiceStream Technology	●			●	

Its been a long wait but now Consumer & Customer can finally have it all, no compromise, no trade offs, no wait!

Consumer

Key Consumer needs...



Customer

Key Customer needs...



- Great hearing in all life situations
- Full day of hearing with one battery charge
- One touch of a button connectivity to all devices
- Discrete and appealing design
- Service delivery when and where they want it



- Ensure excellent patient outcome with great sound quality and first fit acceptance
- Solutions enabling great face to face and online support
- Rechargeable solution that always works
- Connectivity without a hit and miss risk
- Differentiated solution featuring new design



Love at first sound

- Clear, rich sound
- Connects to smartphones, TV and more
- Rechargeable
- Smart apps

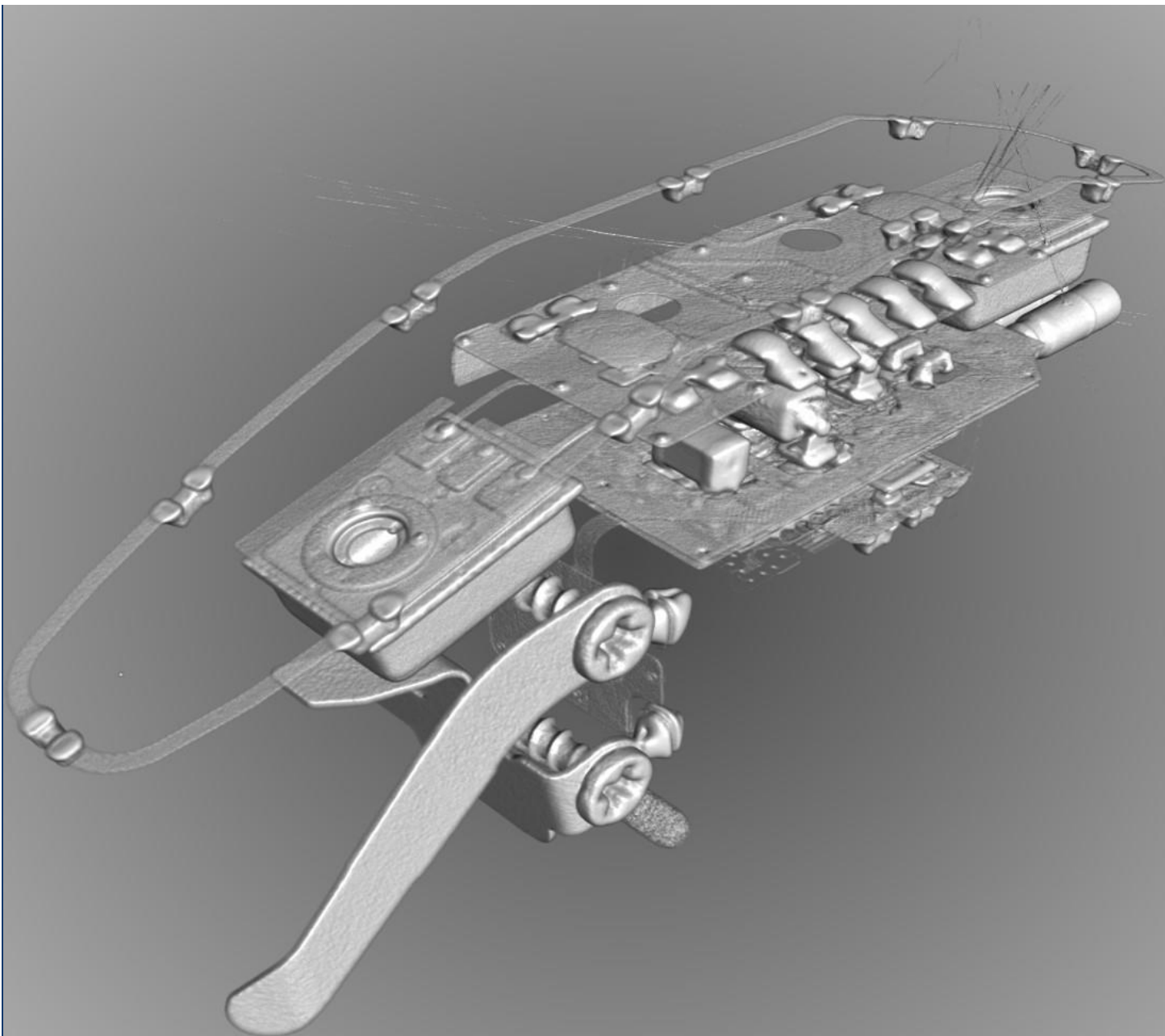
**It's not just a great hearing aid.
It's a multifunctional marvel.**



References

- ¹ Jansen, S., & Woodward, J. (2018). Love at first sound: the new Phonak precalculation. Phonak Insight, retrieved from www.phonakpro.com/evidence, accessed October 16th, 2018.
- ² Field Study News about Phonak StereoZoom in preparation, available by end of 2018 at www.phonakpro.com/evidence.
- ³ Winneke, A., Latzel, M., & Appleton-Huber, J. (2018). Less listening- and memory effort in noisy situations with StereoZoom. Phonak Field Study News, retrieved from www.phonakpro.com/evidence, accessed October 16th, 2018.
- ⁴ Legarth, S., Latzel, M., & Rodrigues, T. (2018). Media streaming: The sound quality wearers prefer. Phonak Field Study News, retrieved from www.phonakpro.com/evidence, accessed October 16th, 2018.

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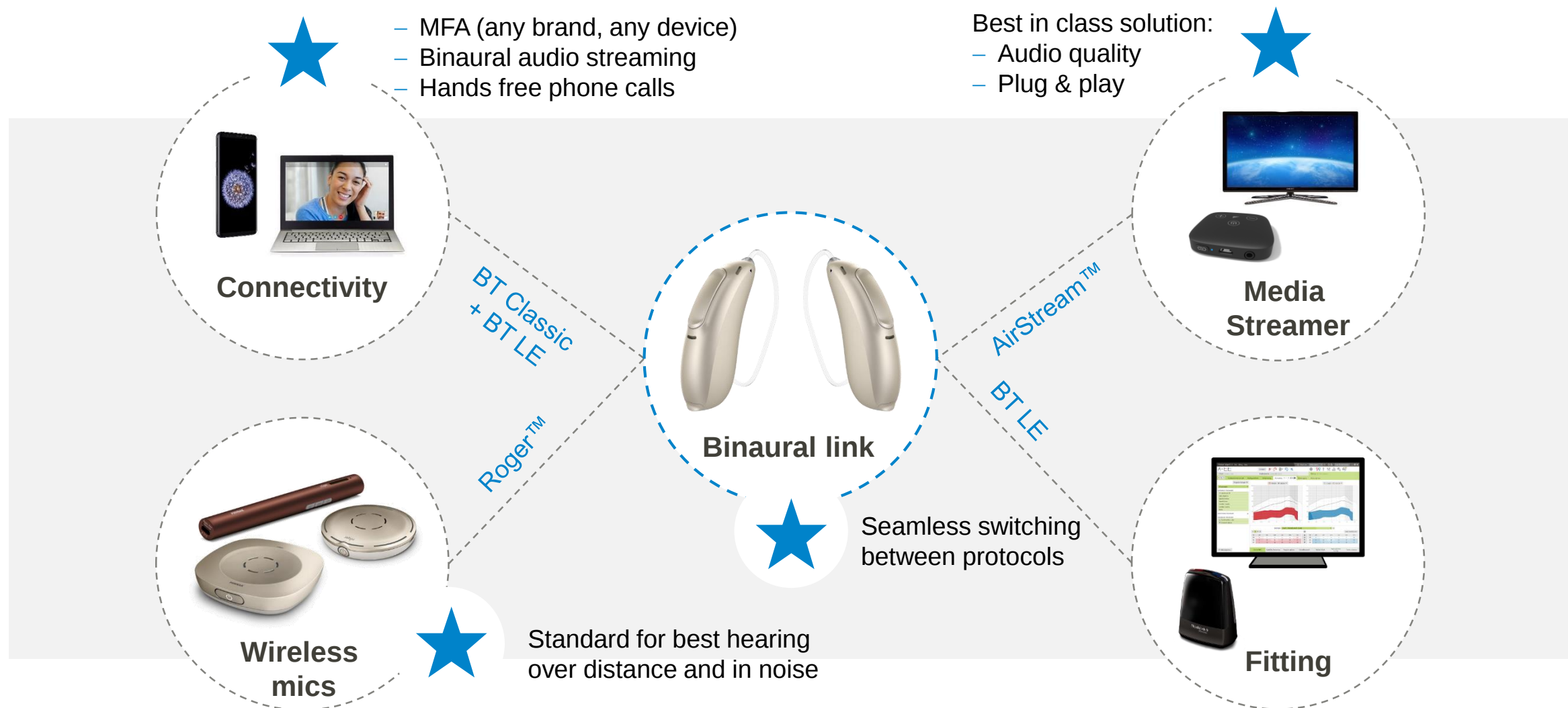


The technology inside Marvel

Powering audiological performance
& connectivity

Stäfa, October 16, 2018
Andi Vonlanthen, GVP R&D

Marvel – Unique and unparalleled set of features



Low power consumption

- Excellent specs. for phone and streaming using BT Classic, which allows MFA connectivity
- 2x better than the current Roger platform

= Great battery life



Small size

- Small radio chip
- One radio, one antenna

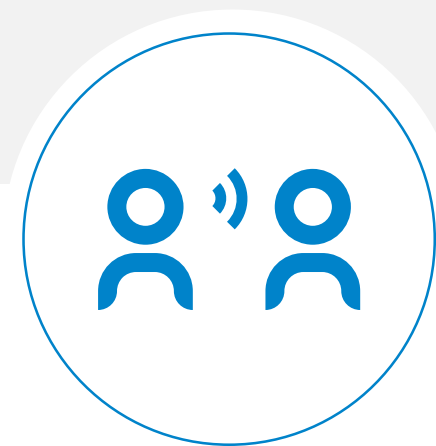
= Attractive cosmetics



Great performance

- High sensitivity enabling binaural audio link (BVST)
- Increased robustness for stable connection

= High speech intelligibility



Wireless system – System optimization is key to success

The data highway to the ear



1. Antenna

- Optimization for transmission around the head

2. Protocol optimization

- Power efficient – HW & SW optimization
- Robustness against interferers
- Bilateral audio streaming from external devices using a proprietary solutions

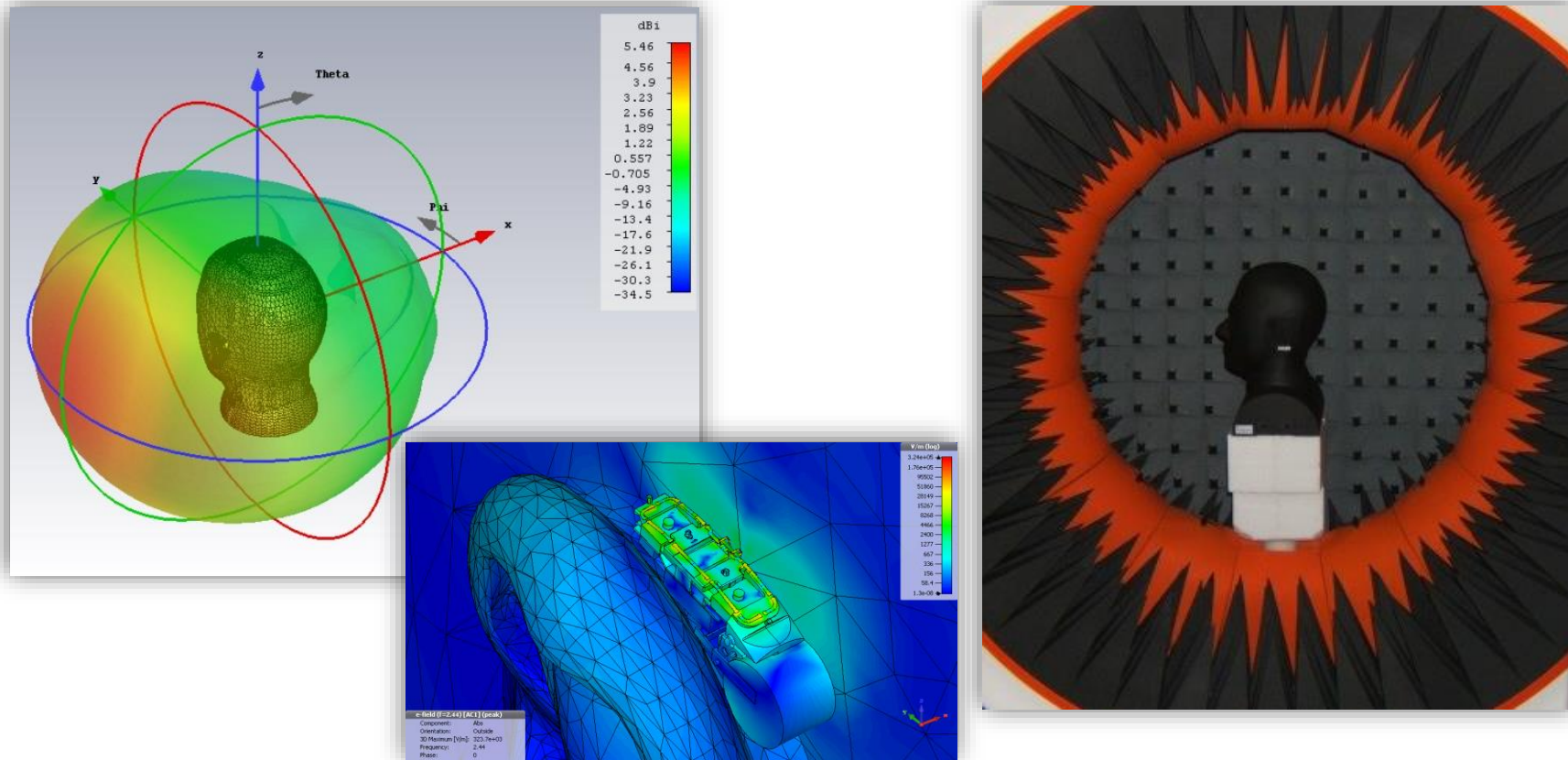
3. Radio ASIC

- Ultra-low power
- 40 nm, 42 million transistors on 6mm²
- Superb radio sensitivity

Wireless system – Antenna

Antenna performance strongly depends on environment, characterization on body

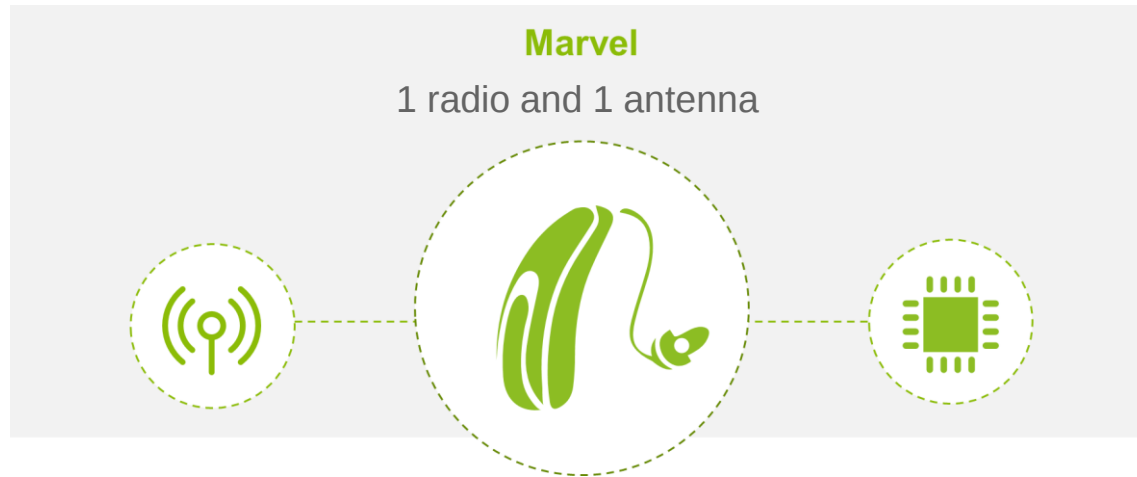
Optimization through simulation and measurements



- New antenna design for optimum ear-to-ear and off-body performance

SWORD Advantage – Single chip & antenna system

Radio sensitivity and new antenna allows for a single frequency approach



- Short distance / on-body: BVST™, QuickSync
- Long distance / off-body: Bluetooth Classic / LE, Roger™, AirStream™

► Smaller size and lower complexity

Multifunctional & great performance

MFA: Bluetooth Classic in a hearing instruments with hands free feature

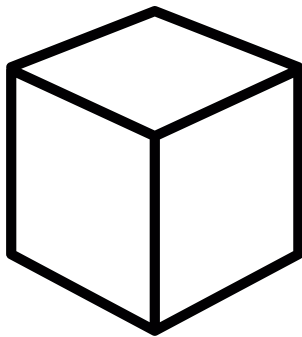
BVST: Establish the binaural link at 2.4 GHz

Stereo music streaming using Bluetooth Classic

Rechargeable solution with Bluetooth Classic

Direct connectivity to smartphones

iOS with MFI



Android with ASHA



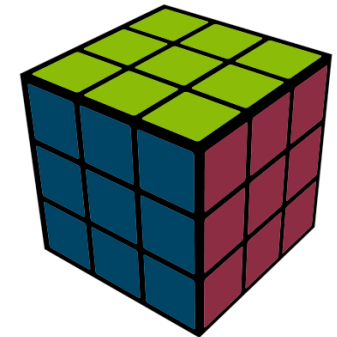
ASHA
NOT YET AVAILABLE



Universal Bluetooth Classic

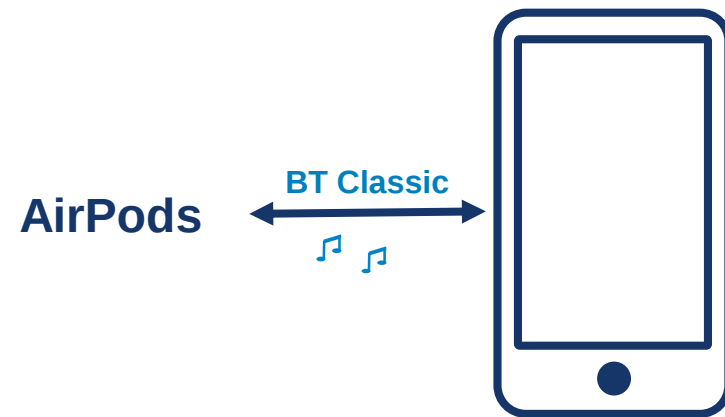


BT CLASSIC
AVAILABLE NOW

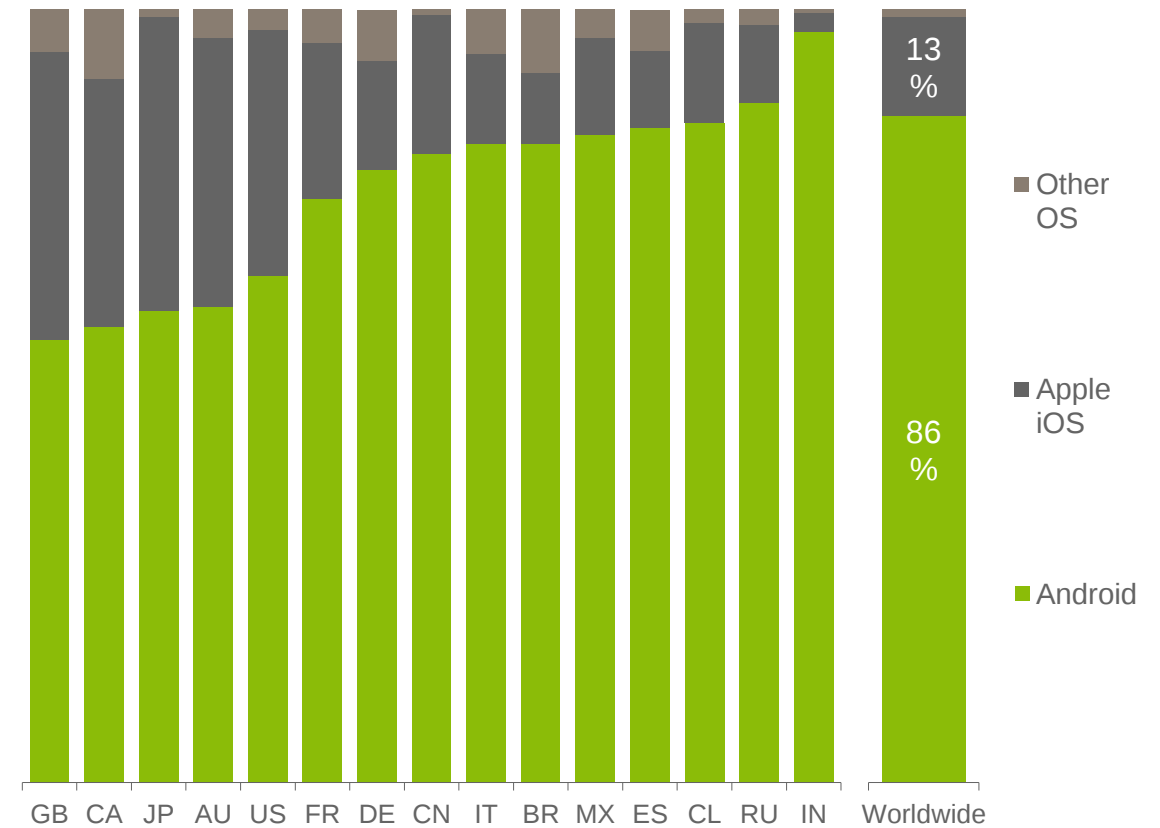


► Bluetooth Classic available and compatible to all phones

Why has even Apple chosen A2DP for the AirPods?



Market share of smartphone operating systems (2016)*



► Apple also decided for 100% of the smartphone market by choosing Bluetooth Classic for audio streaming

Adoption of new protocols

ASHA

- A new feature like ASHA introduced in an upcoming release will take time to be available in devices

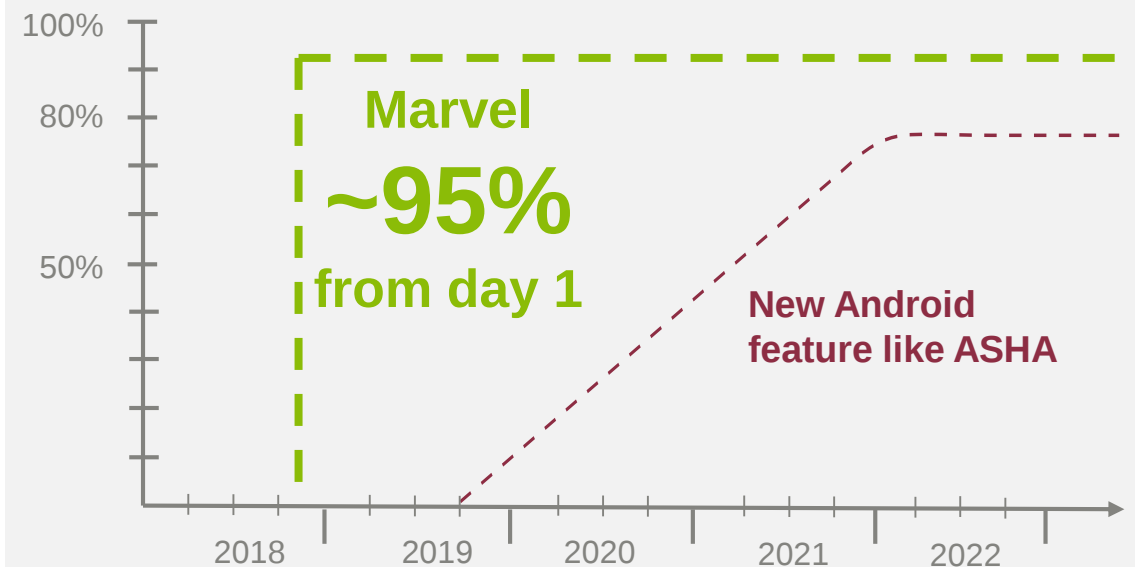
Bluetooth Classic

- Available in all phones providing immediate access to more than 95% of all smartphones and feature phones

HAP (BT Hearing Aid Profile)

- 2020 (Expected): Ratification of the HAP standard
- 2021 (Expected): Market release of first products

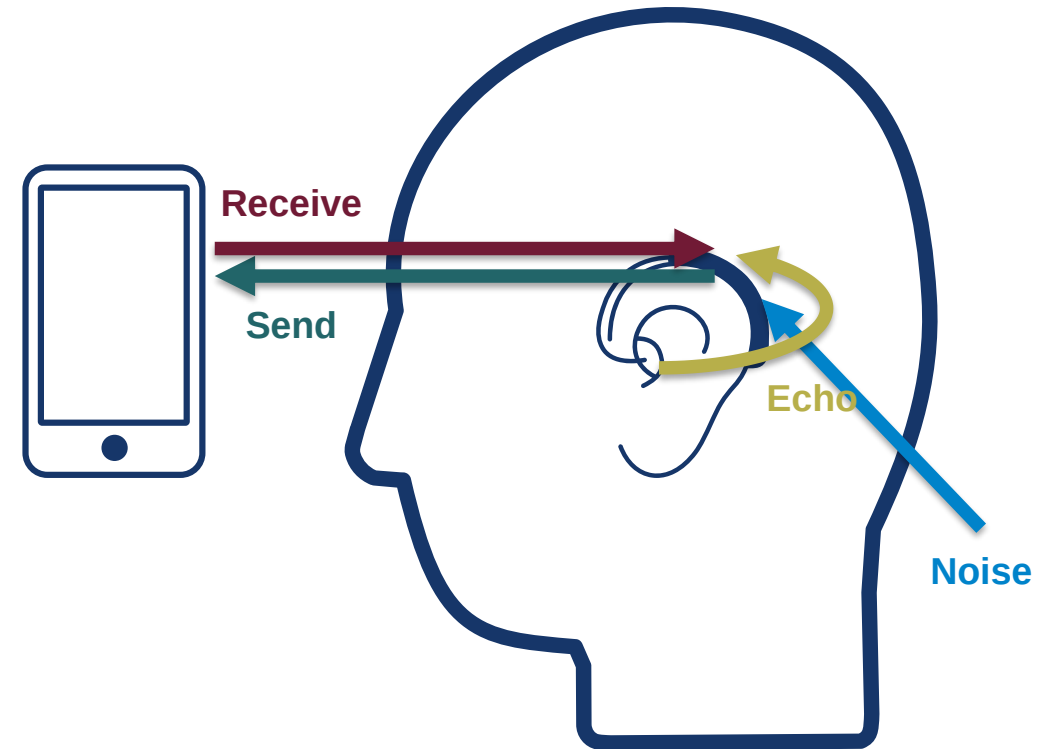
Estimated compatibility rate



- A new feature in Android will take three years to achieve 90% penetration

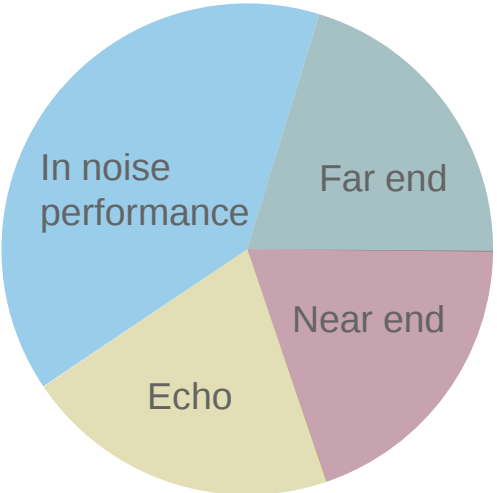
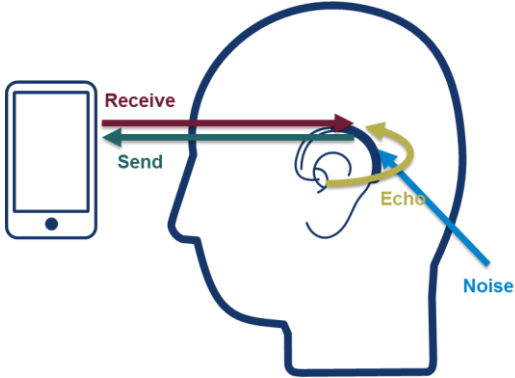
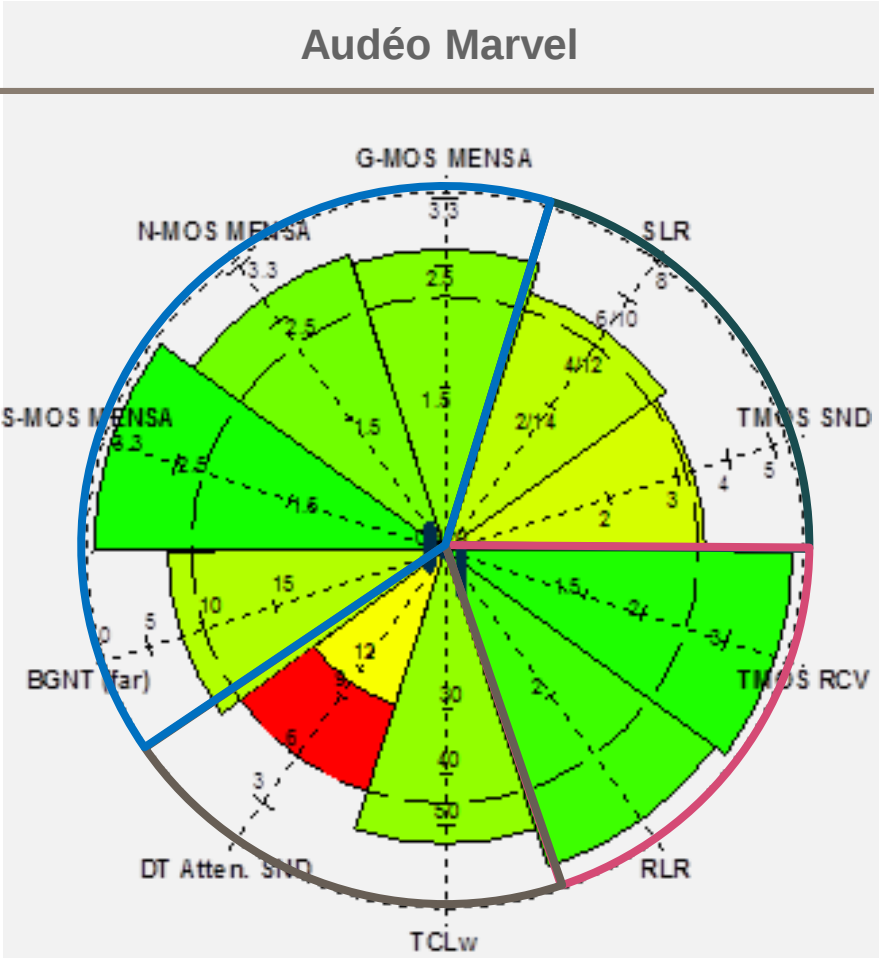
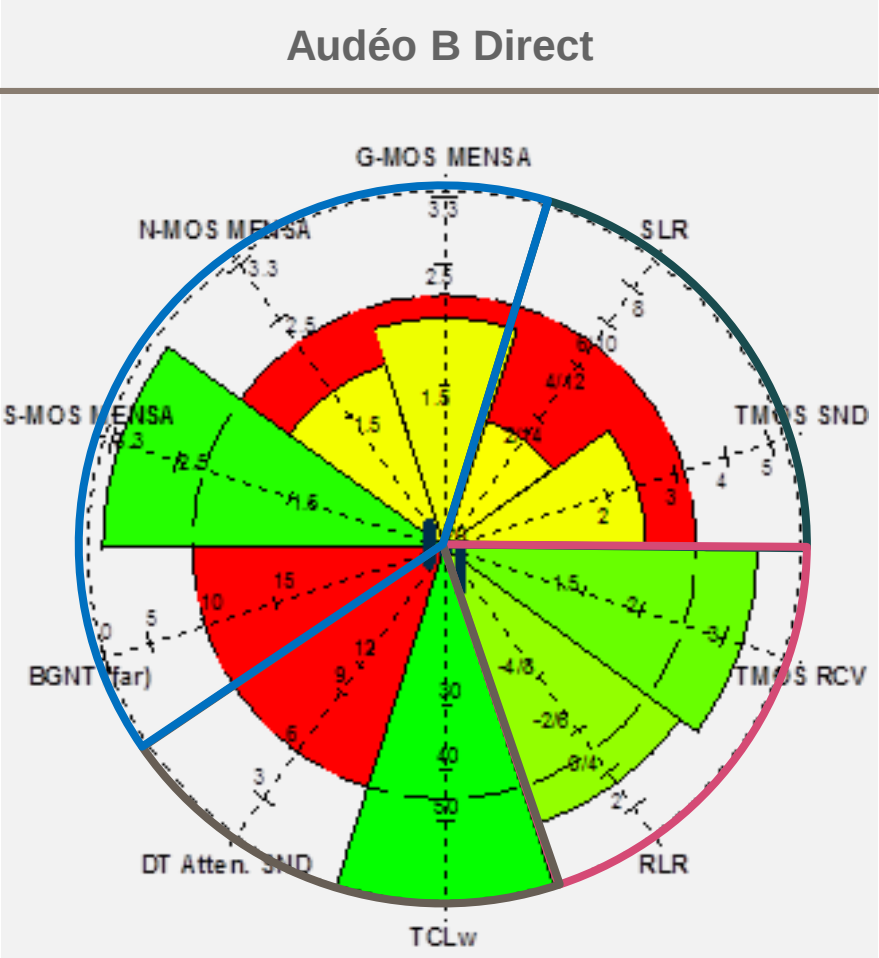
Quality aspects in hands free telephony (ITU-T P.1110)

- **Send:** Quality impression for the far-end subscriber, i.e. sending direction
- **Receive:** Quality impression for the hearing aid wearer, i.e. receiving direction
- **Echo:** Audibility at the far-end side; Possibility that both talker are able to talk and understand at the same time, i.e. double-talk capability
- **Noise:** Performance in background noise



► Four key aspects of hands free telephony need to be mastered to enable high quality calls

Audéo B-Direct vs. Audéo Marvel



Sound quality and streaming

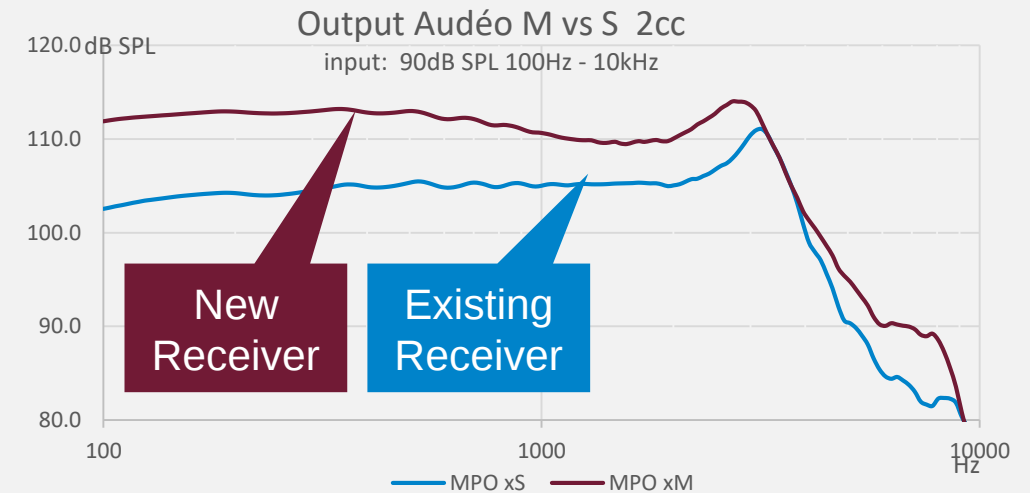
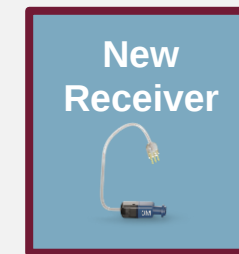
Improved Sound Delivery System (SDS)

Advantages

New Standard receiver with the new SDS4.0 delivers

- Improved sound quality for open fittings
- Improved streaming signals (music)
- No fit rate penalty

Output performance



- New Sound Delivery System allows for higher dynamic range with fuller low frequency sound for streaming signals without compromising on receiver size

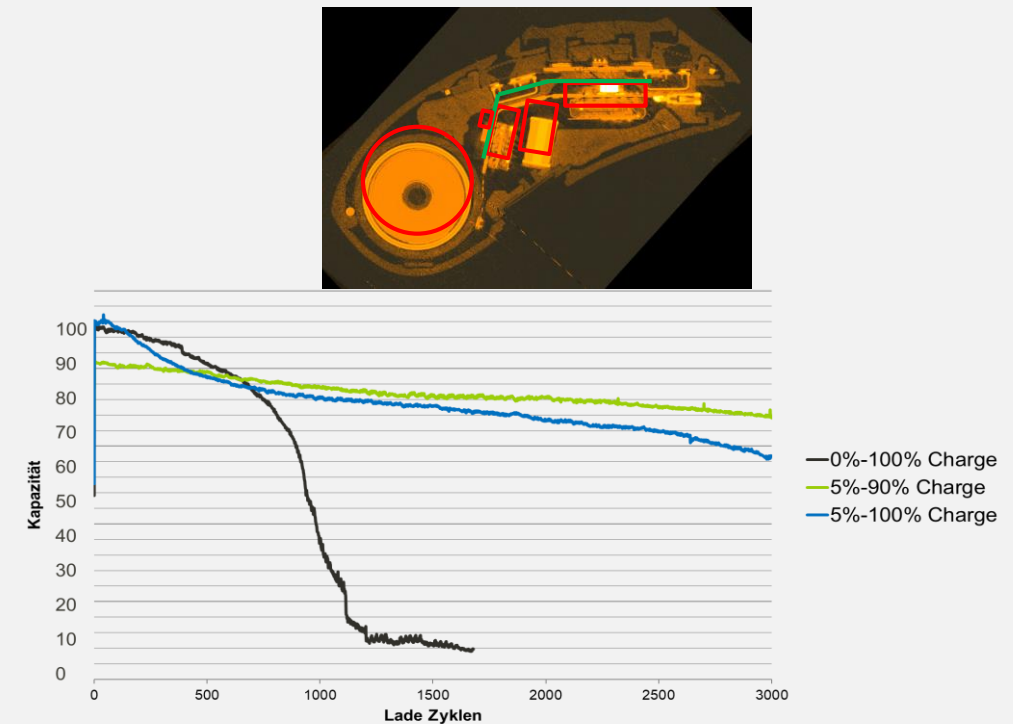
2nd generation Li-ion technology

Additional improvements to the successful first generation

Advantages

- New improved **environmental protection** through hybridization and hermetic seal
- **Higher integration** equals lower volume resulting in smaller devices
- **Higher efficiency** voltage conversion allows for more useful energy extracted from the battery
- Battery management with **higher flexibility** to accommodate future functionalities
- 3 color LED for **easy user interaction**
- Charge-discharge algorithm results in **extended life time** (capacity and number of cycles) of the lithium-ion battery

Charge-discharge



► Expanded user benefits through technological advancements

Innovation in technology and platforms for all brands

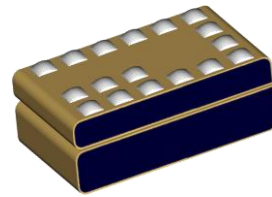
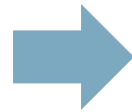
TECHNOLOGY

PLATFORM

PRODUCT



ASIC + SW



Hybrid



PHONAK



unitron



HANSATON
hearing & emotions

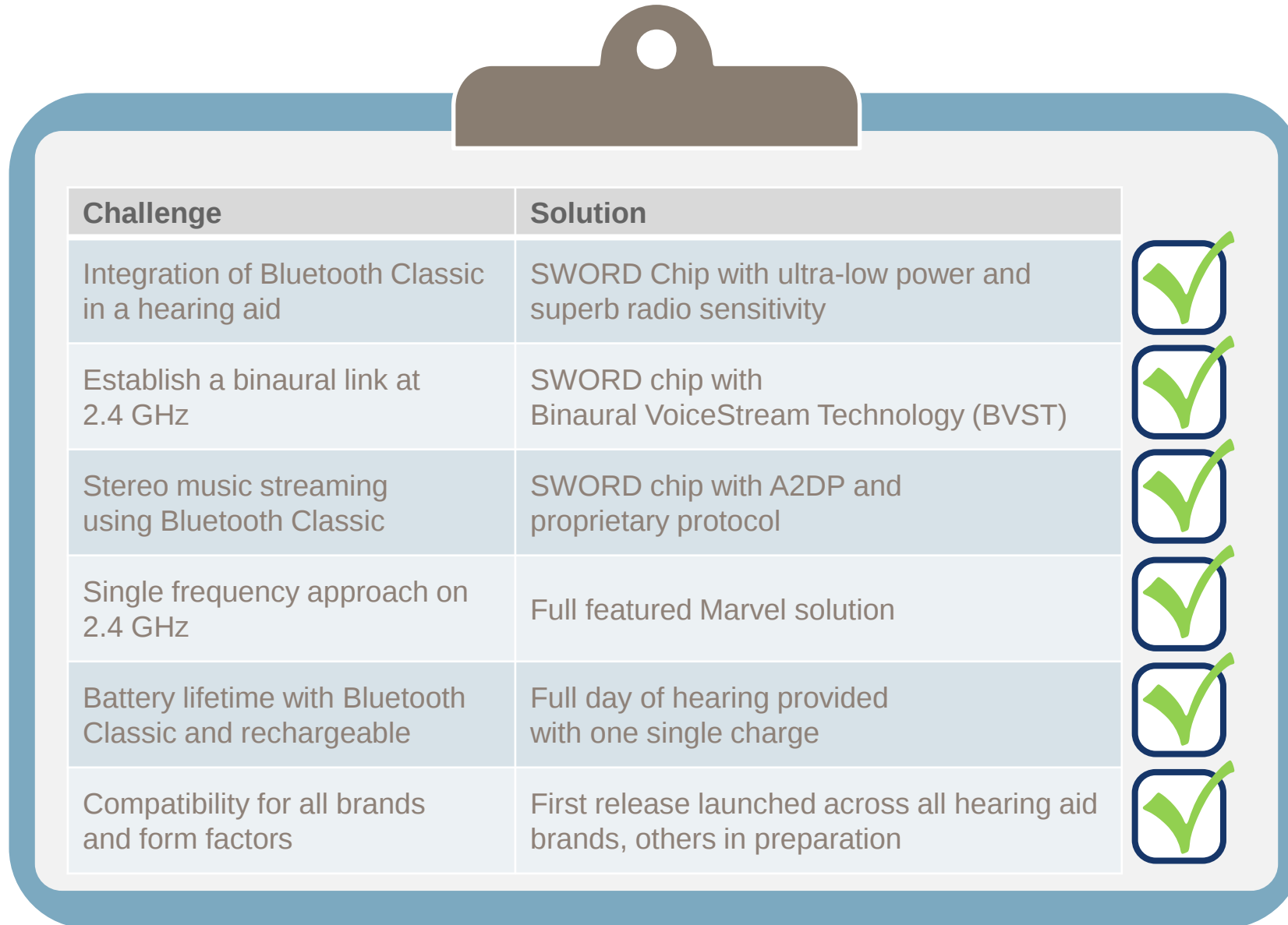


AB

Keys to success

- Close collaboration on key topics
→ system performance
- Clear definition of interfaces and work partitioning
- Frequent on-site exchanges

Key Take-aways



Challenge	Solution	
Integration of Bluetooth Classic in a hearing aid	SWORD Chip with ultra-low power and superb radio sensitivity	✓
Establish a binaural link at 2.4 GHz	SWORD chip with Binaural VoiceStream Technology (BVST)	✓
Stereo music streaming using Bluetooth Classic	SWORD chip with A2DP and proprietary protocol	✓
Single frequency approach on 2.4 GHz	Full featured Marvel solution	✓
Battery lifetime with Bluetooth Classic and rechargeable	Full day of hearing provided with one single charge	✓
Compatibility for all brands and form factors	First release launched across all hearing aid brands, others in preparation	✓



sonova
HEAR THE WORLD

Audiological Care

Harnessing the consumer opportunity

Christophe Fond, GVP Retail

Stäfa, October 16, 2018

Christophe Fond – Global Vice President Retail

Professional experience



Vice President AudioNova Group &
member of the Sonova Management Board

Since 2017



2008 - 2016

CEO GrandVision Latam,
member of the Management Team
GrandVision NV

Group Vice President

2006 - 2008



1997 - 2005

General Manager Switzerland and China

Retail – An inaccurate term

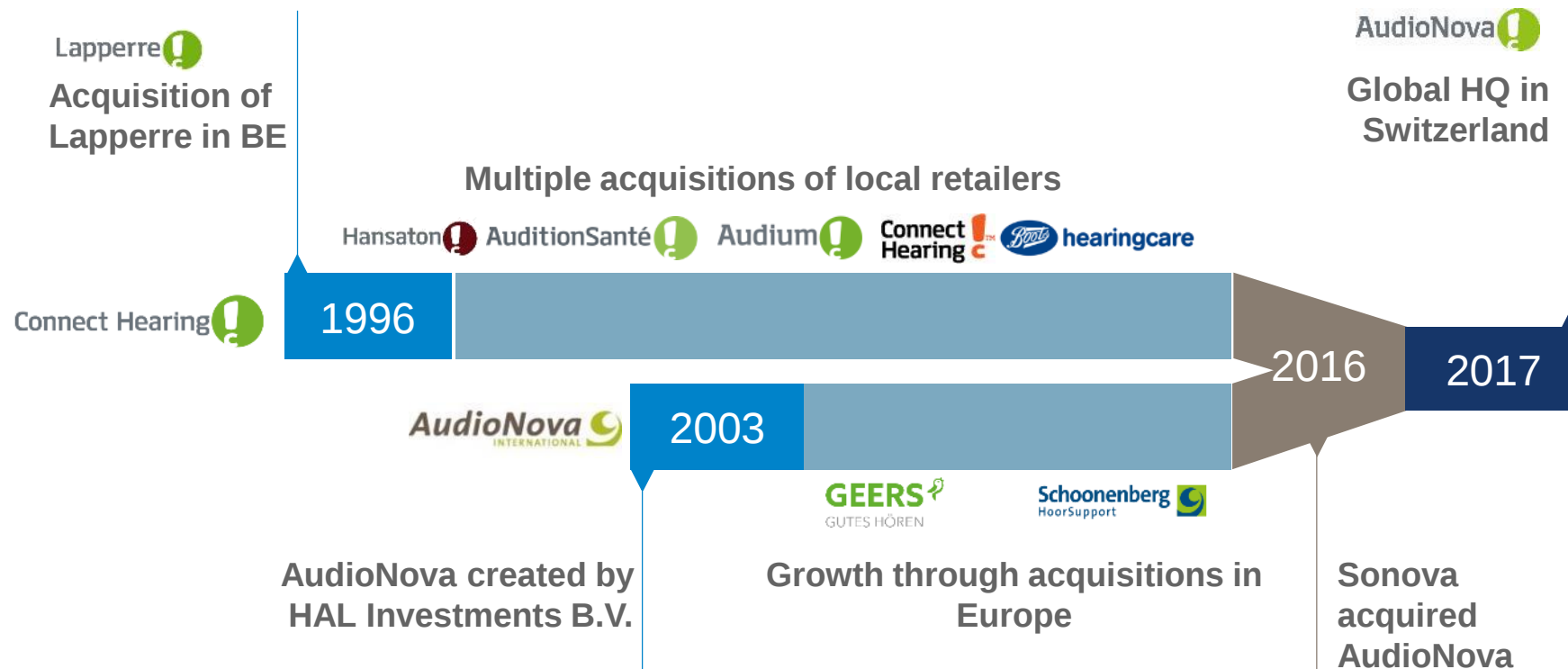
A successful hearing solution involves a high level of counseling and service



► Our new name will help focus the organization on consumer intimacy and our medical positioning

Where we come from

Our history in Audiological Care



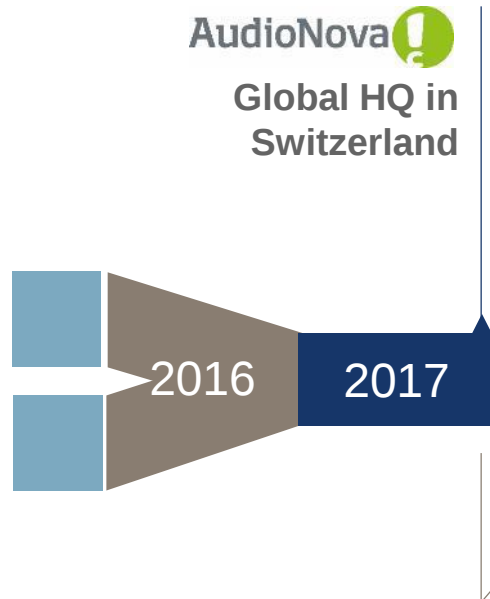
Outcome of the merger

- Integrated business functioning around consistent processes
- Greater scale to operate more efficiently
- Increased profitability of the legacy AudioNova business
- Increased profitability of the overall Audiological Care business

► Creating a global Audiological Care organization enables acceleration of profitable growth

Sonova Audiological Care business

A lean and efficient organization



Audiological Care organization

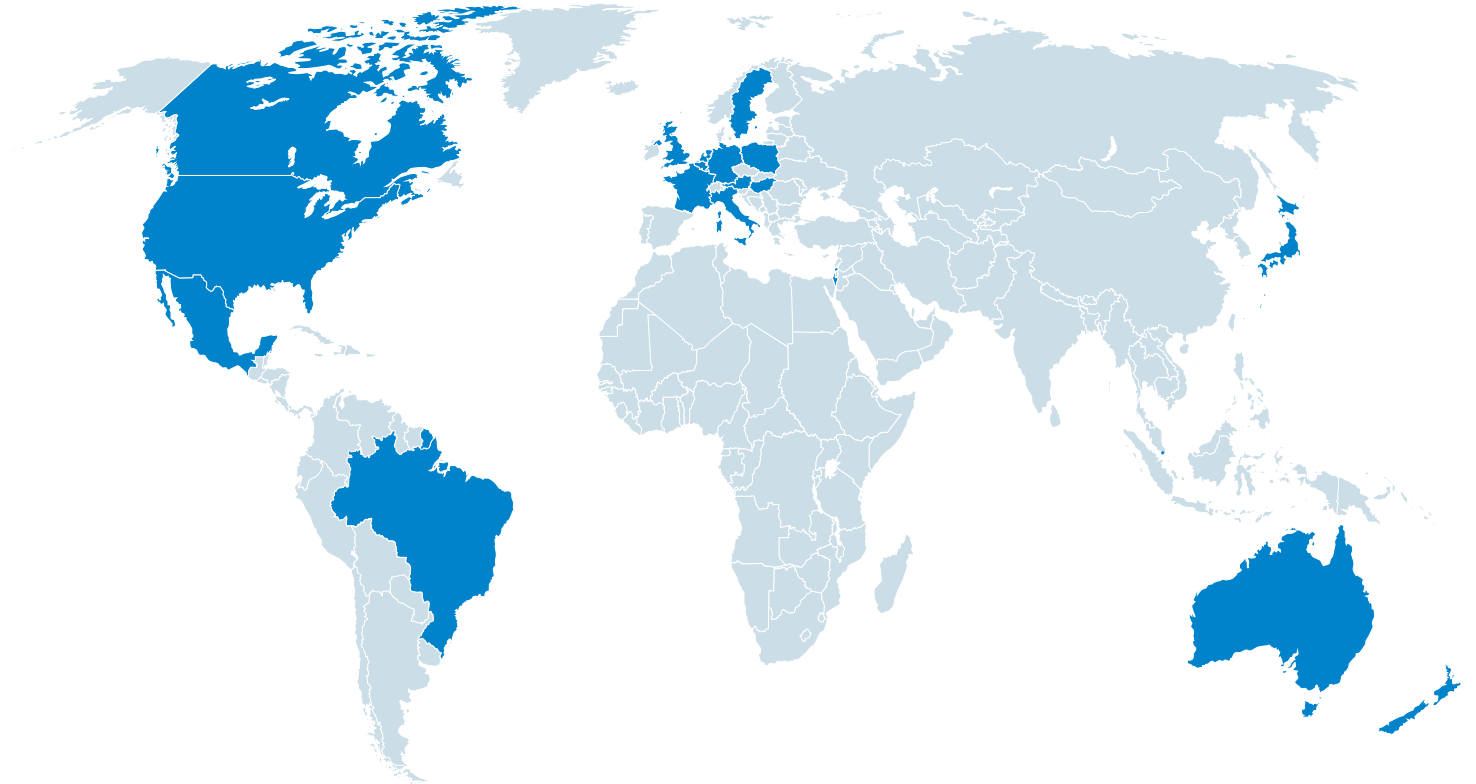
- **HQ: lean, marketing focused and enabling countries while driving horizontal platforms**
- **Strong regional teams, executing local strategies and business**
- **Global Audiological Care leadership team**
 - Focused and experienced team
 - Blend of retail, medical and hearing care: GVP (optical retail), CFO (medical devices), VP Ops & IT (retail), VP Marketing (Sonova)
 - Global Executive Committee for alignment and best practices sharing
- **Elevated strength of regional leadership**
 - Retained 4 out of 6 AudioNova leaders
 - Elevated bench strength in 4 markets with external fills (from retail or fast moving consumer goods)

► Strong enabled regional teams guided by lean and experienced HQ

Sonova Audiological Care business

Over 3,500 stores and clinics – 7,000 employees

- A leading global platform of over **3,500 stores and clinics**
- Over **7,000 employees** in Sonova Audiological Care across **18 markets**
- One of the leading store networks in **Europe** with over **2,500** stores in 12 countries
- Close to **CHF 1bn revenues** in FY 2017/18

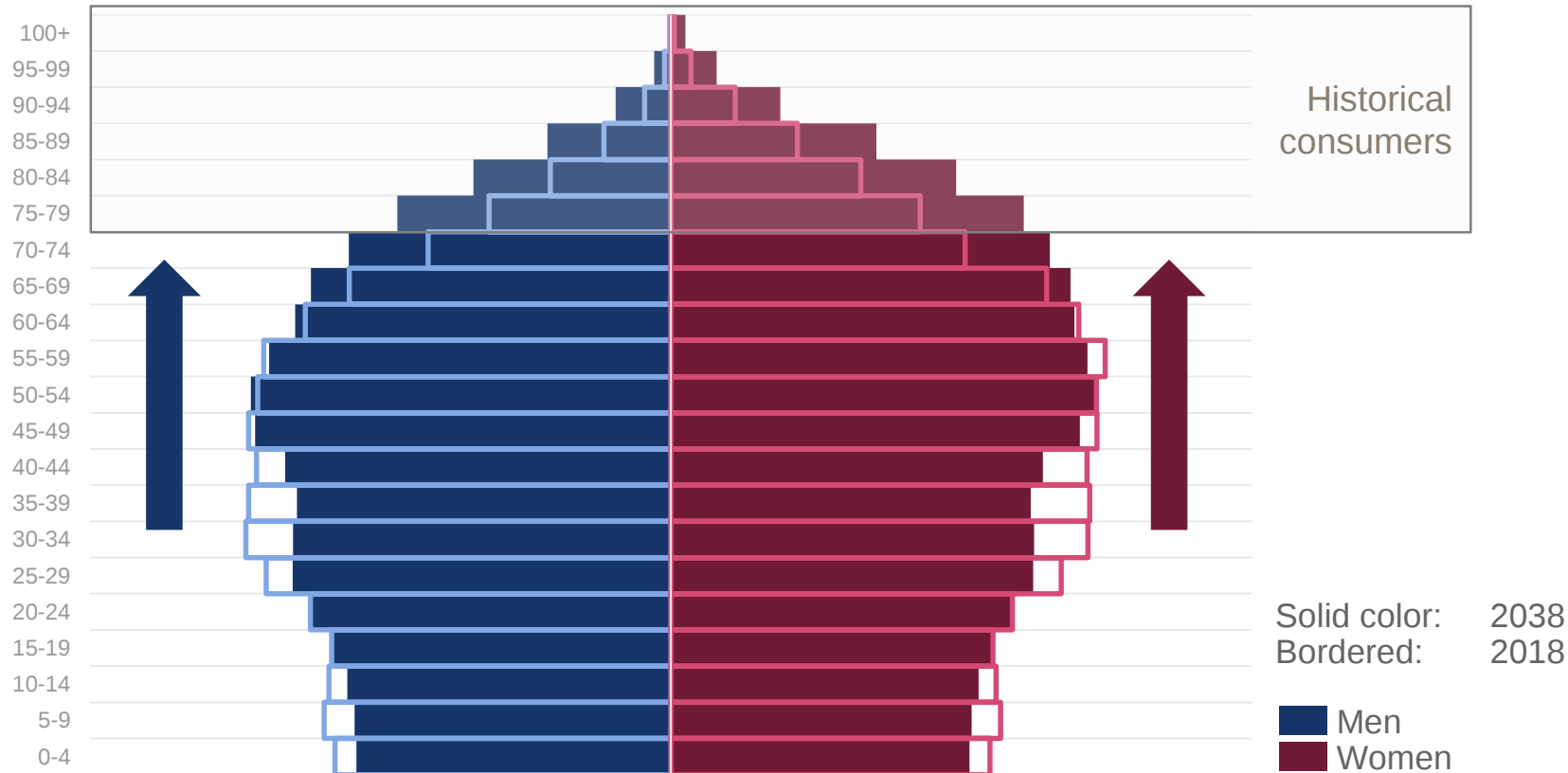


► No. 2 global provider with ample growth runway

- 1 Market trends
- 2 Positioning & brands
- 3 Growth & profitability
- 4 Business update

Market trends – The Baby Boomers

Baby Boomers a potential game changer



► Population over 65 is expected to grow faster over the coming years thanks to Baby Boomers

Market trends – The Baby Boomers

The growing Baby Boomers segment will be specifically targeted

Preferences



- **Spend more time online than the 16-34 age group** (27 hours), 82% have access to social media
- Are the fastest growing adopters of digital media
- **62% have the best shopping experience at a brick & mortar store** (compared to 19% with online-only retailer)
- **2/3 would pay a premium** to companies offering superior services

Expectations

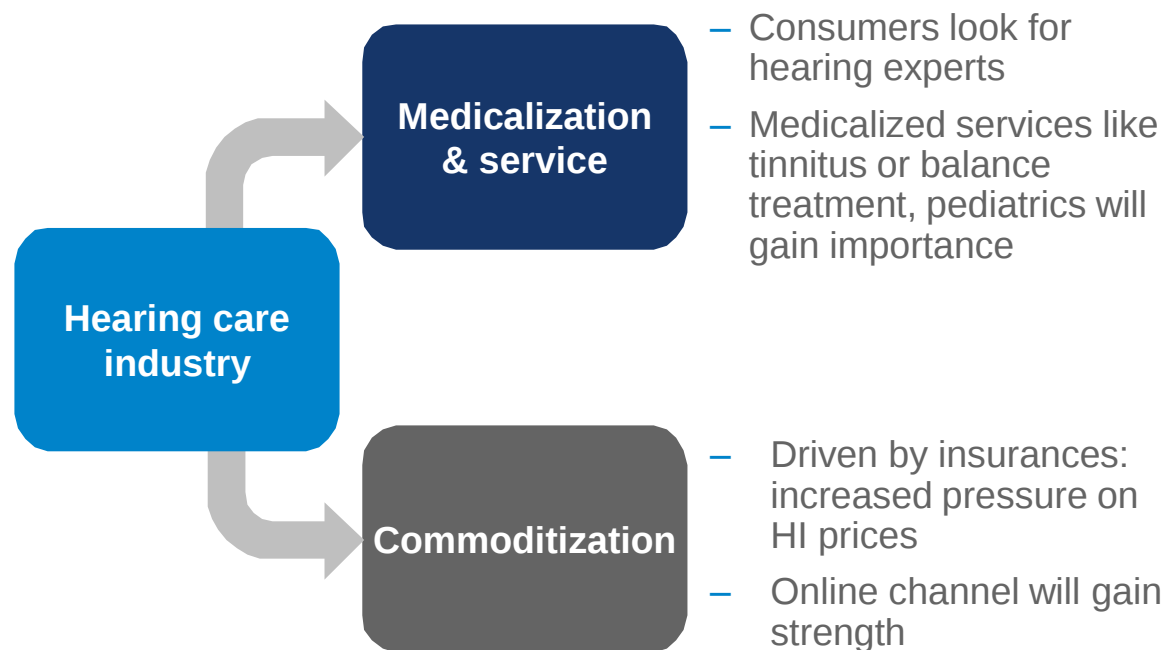


- **Online availability** of information
- Possibility to **combine online and physical touchpoints** for an efficient consumer journey
- **Simple, reliable and easy-to-use** products
- **Smartphone connectivity**
- Ability to listen to **music in a good quality**
- Higher price to be justified by **features not brand**

► Baby Boomers expect a more dynamic consumer journey to be offered

Market trends – Medicalization or commoditization

Sonova focused on positioning towards medicalization and service



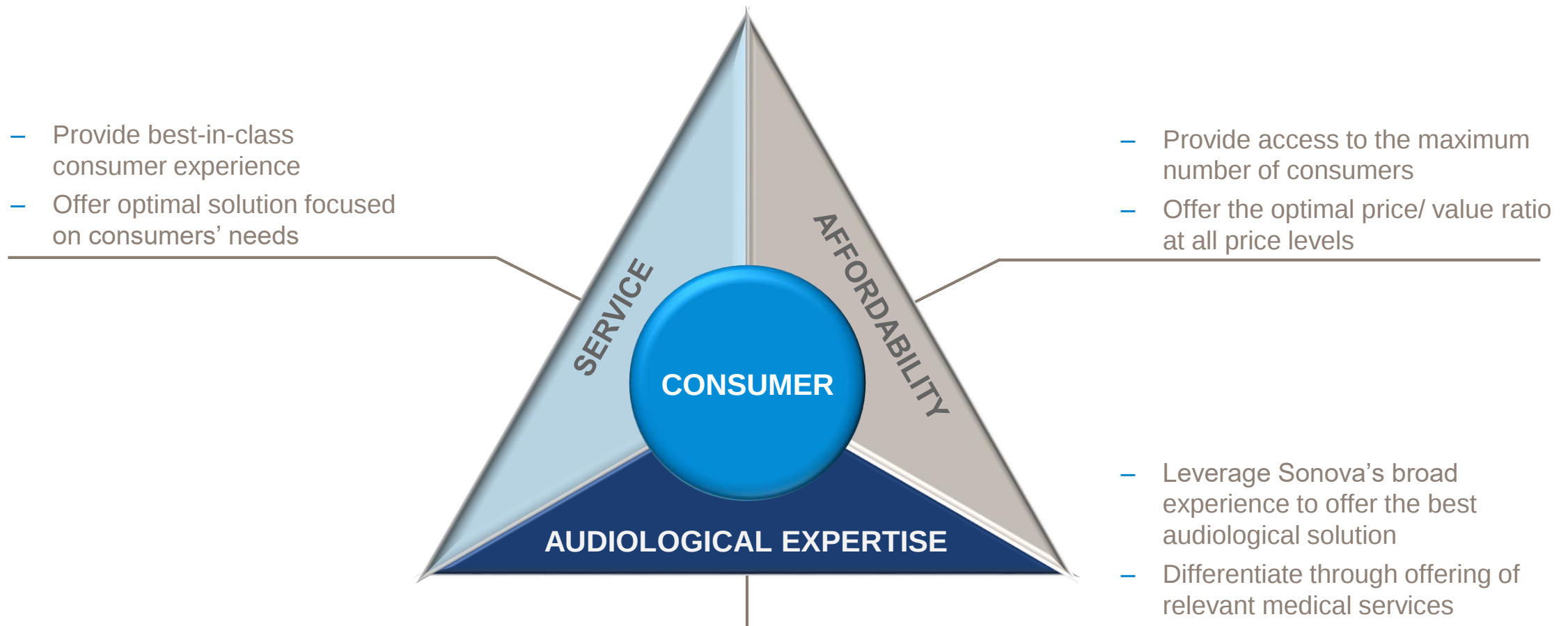
- Sonova Audiological Care has defined a **new store concept** to respond to this trend
- Objective to **attract baby boomers** and **offer relevant “hearing services”**
- **Excellence centers** will work as **audiological hub**, standard stores as **local, close to consumers spokes**



► Excellence centers will act as medicalized flagship stores across Sonova Audiological Care countries

Positioning & brands aligned with consumer segment

Our differentiating value proposition



► New value proposition leveraging the vertical integration within Sonova

Positioning & brands aligned with consumer segment

Audiological Care is building a true seamless omni-channel consumer journey



Consumers go through the **channels of their choice**

Same messages, offers and products across all media

Omni-channel touch points offer customers the **same experience across all channels**

Increased **personalization** to make each customer experience unique and seamless

► Omni-channel is not a technology – It is a consumer experience

Positioning & brands – Marvel

Marvel launch as a unique global opportunity

Access to the full range of Sonova solutions

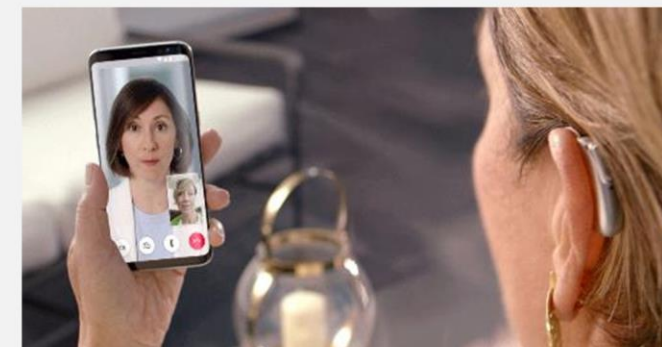


Launch of Marvel

- **First ever global product launch** across Sonova
- **Leveraging the full potential** of our vertically integrated business model



Marvel
hearing aid



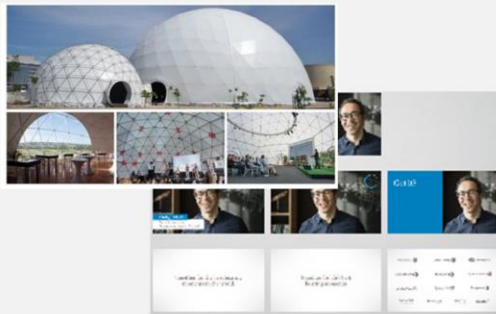
eSolutions suite

► Global and consistent product launch across Audiological Care increases market impact

Positioning & brands – Marvel

For the first time, Marvel's launch is centrally coordinated within Audiological Care

Internal engagement



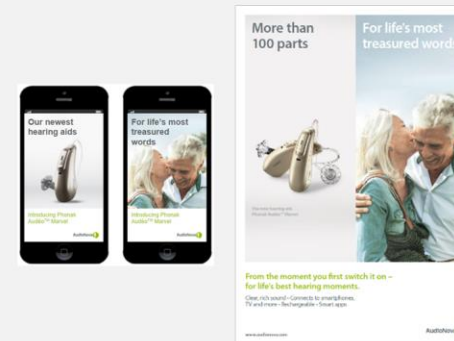
- Launch events building excitement
- Management involvement
- Connection between sales and R&D

Global HCPs training



- Anticipation ahead of launch
- HCPs' involvement

Toolbox & B2C support



- Centrally developed marketing toolbox
- Consistent consumer communication

ENT & GP material

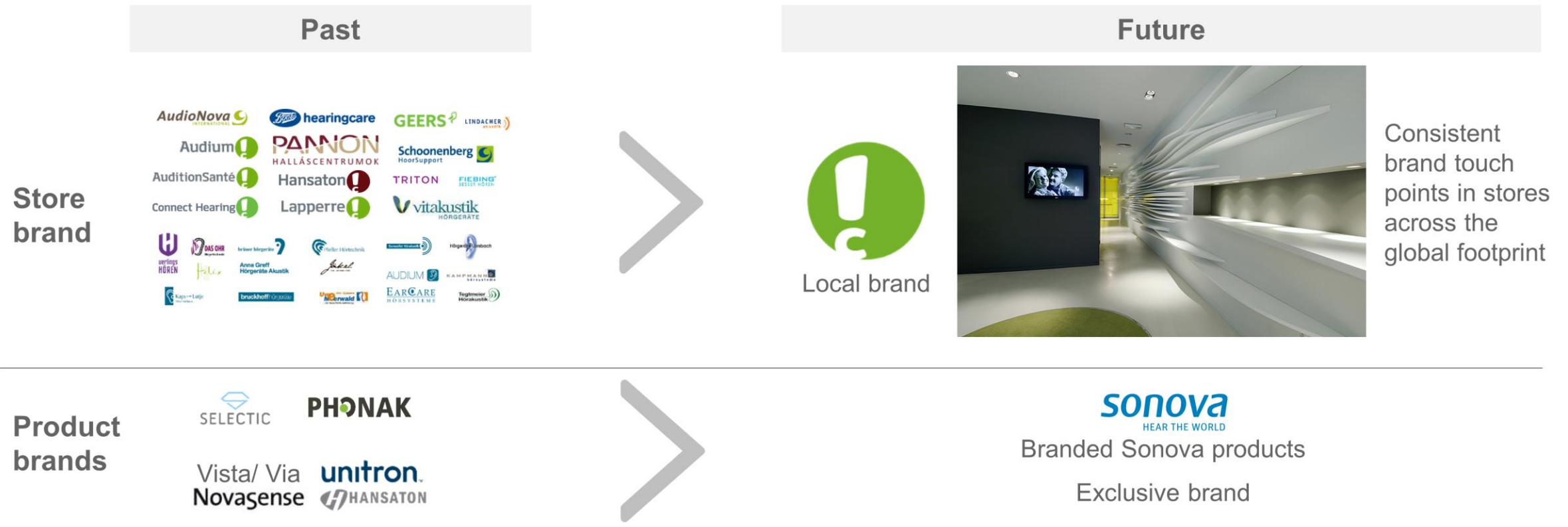


- Awareness amongst ENTs for new products
- Highlight topics that are relevant to this target group

► Audiological Care is fully leveraging its vertical integration within Sonova for the Marvel launch

Positioning & brands – Sonova products at the core

Brand architecture from now on



► Simplified brand architecture for greater consistency across Sonova Audiological Care

Growth & profitability

Five key drivers for growth and profitability



► Driving the business through effective processes and systems

1 Talent management & retention

Sonova Academies were recently launched in Austria and Germany

Example Austria

Audiologist

- Apprenticeship, duration 18 months
- 2 months in school, 16-month internship
- 20 apprentices starting each April & October

Master-Audiologist

- Additional course, duration 12 months
 - 2 months in school, diploma thesis
 - 15 participants per year

Cooperation with education center WIFI Tirol

- Exclusive Hansaton classes
- Strong collaboration combining theory and practice
- State-approved also in Germany



Attendees
in Austria

Germany's soon
to be opened
training academy

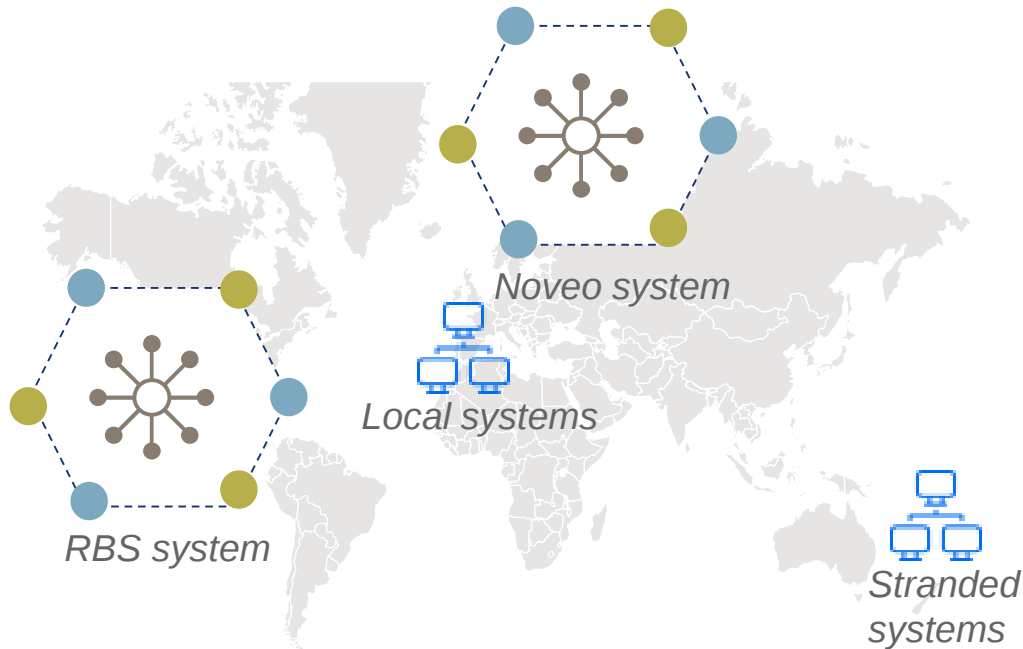


► Developing own audiologist base through targeted education initiatives

4 Integrated IT & process landscape

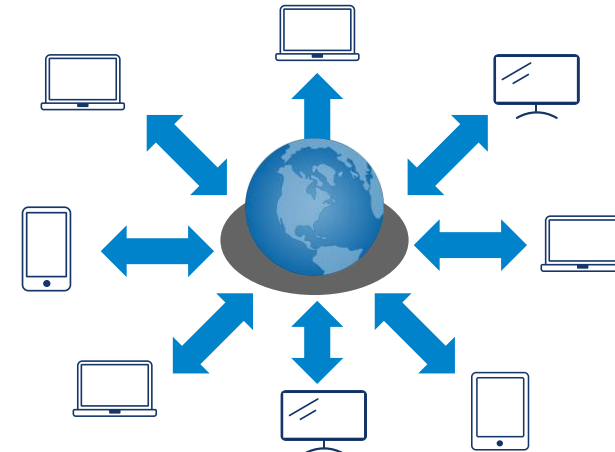
Audiological Care IT system – A global enabler

Moving from a disaggregate system...



- Locally managed, too much time spent by business on systems instead of added value tasks
- Lack of leverage of learnings across countries

... to an integrated platform solution for all countries

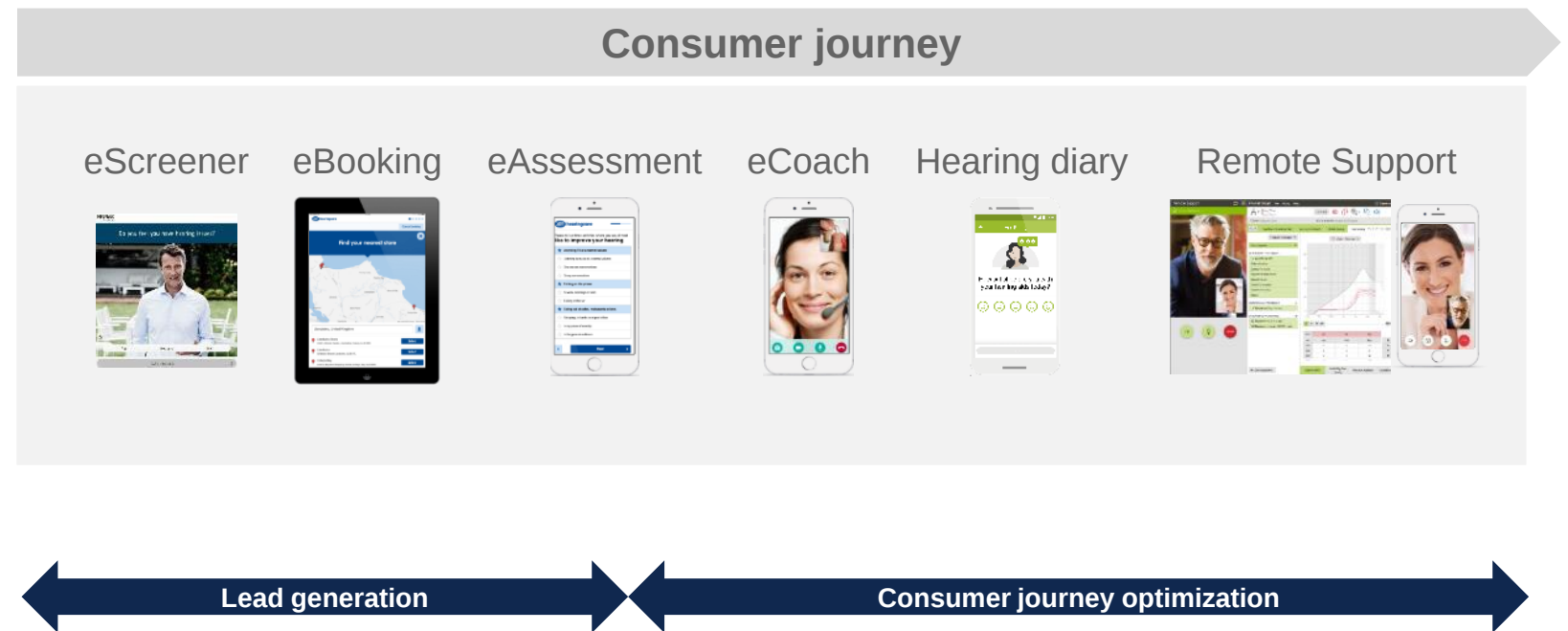
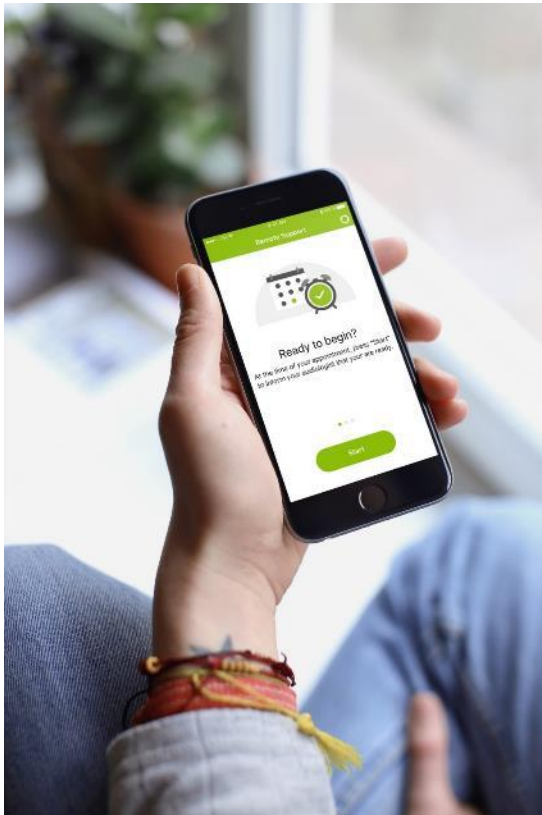


- Platform solution maintained centrally / in the cloud
- Country-specific solutions to be added as required
- Enables seamless collaboration across businesses and use of shared learnings
- Business to focus on business, not IT and systems
- Integrated additional digital marketing solutions

► Roll-out starting now – Completion expected within 2-3 years

4 Integrated IT & process landscape

A complete eSolutions suite – Further expanded with the Marvel launch



► Leveraging eSolutions along the hearing journey to drive consumer journey satisfaction

5 Continuous store network development

Expansion as core competency of the Audiological Care business

1	Organic Same-store growth	Increase productivity of current network by driving lead generation, in-store conversion rate and up-selling
2	Openings Greenfield	Increase pace of greenfield openings , leveraging fixed operational base whilst managing P&L and CAPEX impact
3	M&A	Bolt-on acquisitions Expansion to new geographies

► Gaining market share through leveraging all growth vectors

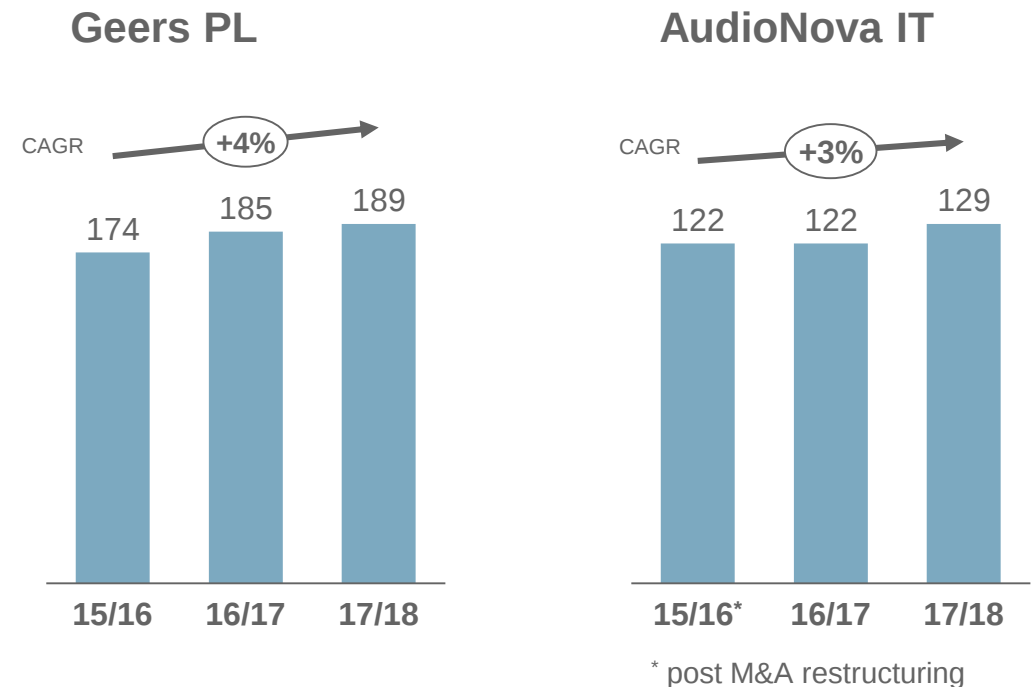
5 Continuous store network development

Business development – Greenfield openings

Strategy

- **Acceleration of greenfield openings** in key markets to continue
- Use **geo-targeting** to identify most suitable locations
- Accelerate ramp-up of **store profitability** after opening
- Faster volume break-even supported by initial **marketing boost** and **targeted database acquisition**
- Branding alignment and store concept implementation to support **improved CAPEX deployment**
- Target number per year: above 150 stores

Greenfield openings (# of stores)



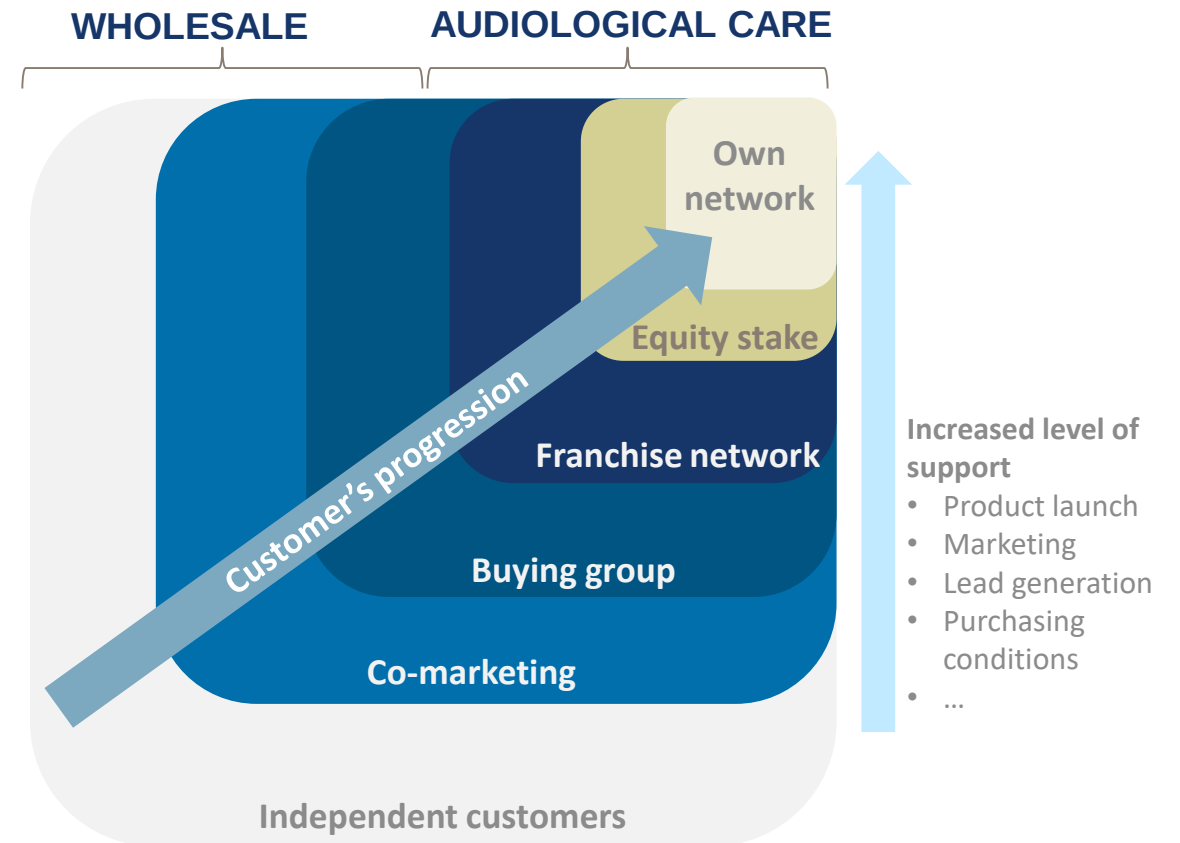
► Acceleration of greenfield openings is one of the key expansion drivers

5 Continuous store network development

Funneling Sonova wholesale customers to integrated Audiological Care network

Goals

- Objective to **strengthen Sonova's partnership with existing customers**
- **Different levels of collaboration** from independent to own network
- **Gradually increased support** from Sonova to partners across each level



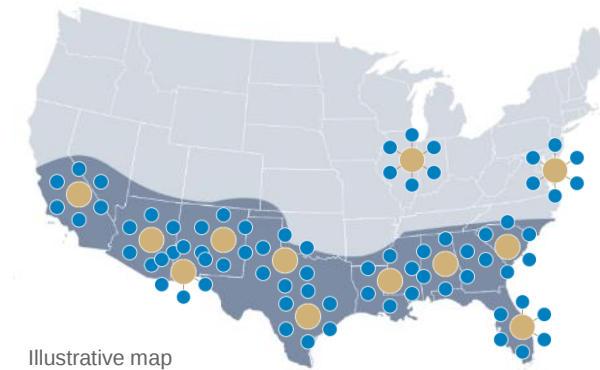
► Sonova breaks the barriers while supporting customers across the continuum

Business update

US strategy – Strategic plan focuses on attractive geographies with relevant presence

Strategy

- **Focus geographic footprint** on demographically attractive areas such as the Sun Belt or large metropolitan areas (high share of retirees, high level of disposable income) ✓
- **Provide full range** of professional audiological services, including specialties (e.g. pediatrics, severe to profound, Roger, etc.) ✓
- **Streamline existing store network** by divesting around 100 (out of 300) stores outside of the geographic focus and lacking critical mass to loyal Sonova customers ✓
- **Roll-out hub and spoke business model** with excellence centers surrounded by smaller satellites providing basic services and acting as lead generators for the centers In progress



► Process completed in summer 2018 – Returning to growth in legacy store base in FY 2018/19

Business update

NL strategy – Focus on key restructuring topics

Strategy		
–	OPEX reduction: reduced # of stores, store FTEs and HQ FTEs	✓
–	Productivity increase: introduced shorter consumer journey, increased in-store capacity for appointments	✓
–	Marketing boost: increased marketing TV presence and support to stores. Resulting in increased in-store conversion	✓
–	Private market device push: maintained SPU, despite higher price pressure from the regulator and insurances	✓
–	New store concept introduction: opening planned in Q4 to address a new consumer segment and offer medical services	In progress

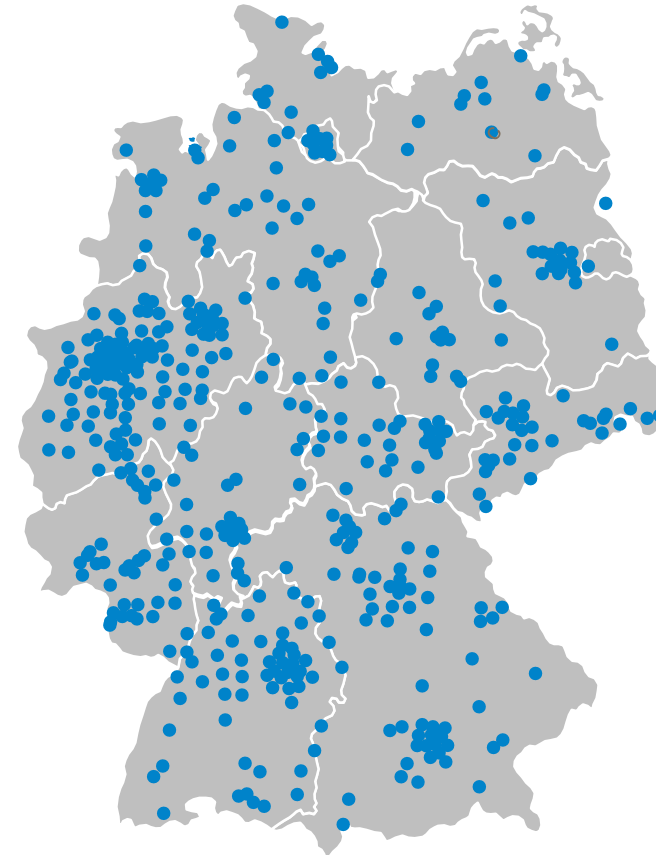


► Process completed in summer 2018 – Business performance above last year's despite restructuring

Business update

Germany is the perfect example of Audiological Care's strategy execution

Strategy	
– Talent management and retention: Sonova Academy launch planned in Q3. Objective to train audiologists to support further business growth	In progress
– Effective lead generation and in-store execution: positive revenue growth vs last year, thanks to higher sales to existing customers and improved in-store conversion	✓
– Integrated IT and processes: combined legacy support functions and IT systems into a single back office in Düsseldorf	✓
– Continuous network development – Integrated ISMA into the German business while maintaining adherence to business case – Initiated the brand portfolio simplification, while consolidating into 2 brands Geers and Vitakustik, focused on medical, and rebranding stores	✓ ✓



► Consistently applying the chosen strategy delivers positive results

Key Take-aways



Adapt continuously to consumers' expectations through **greater medical and digital focus**



Yield vertical integration **leveraging Sonova's expertise and ultimate product technology**



Continue to **deliver growth** through increased store profitability and strengthened network



Win **our battles** on the key markets