



Investor Presentation

January 2020







This presentation contains forward-looking statements, which offer no guarantee with regard to future performance. These statements are made on the basis of management's views and assumptions regarding future events and business performance at the time the statements are made. They are subject to risks and uncertainties including, but not confined to, future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside Sonova's control. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual outcomes may vary materially from those forecasted or expected. Each forward-looking statement speaks only as of the date of the particular statement, and Sonova undertakes no obligation to publicly update or revise any forward-looking statements, except as required by law.

This presentation constitutes neither an offer to sell nor a solicitation to buy any securities. This presentation does not constitute an offering prospectus within the meaning of Article 652a of the Swiss Code of Obligations nor a listing prospectus within the meaning of the listing rules of SIX Swiss Exchange.

1	Sonova Group & hearing care market	Page 4
2	Sonova's strategy	Page 14
3	Financial information	Page 29
4	Outlook	Page 49

1

*Sonova Group &
hearing care market*

<p>Sales</p>  <p>+12.0% in LC CHF 1,426.3 million</p>	<p>EPS (adj.)</p>  <p>+14.0% in CHF CHF 3.32 per share</p>	<p>New sales outlook</p>  <p>+8-10% growth in LC in FY 2019/20</p>
<p>EBITA (adj.)</p>  <p>+16.1% in LC CHF 279.5 million</p>	<p>Innovation</p>  <p>Phonak Marvel ongoing momentum & portfolio expansion</p>	<p>New EBITA outlook</p>  <p>+12-15%* growth in LC in FY 2019/20</p>

Note: adj. refers to figures adjusted for restructuring costs and excluding one-time positive transition impacts of the Swiss tax reform

* excluding restructuring costs in FY 2018/19, 1H 2019/20 and potential larger restructuring costs going forward; includes expected impact of IFRS 16

Group

- Sales of CHF 1,426.3 million – up +12.0% in LC (organic +11.0%), +9.4% in CHF (FX headwind: CHF 32.9 million)
- EBITA (adj.) of CHF 279.5 million – up +16.1% in LC, +11.2% in CHF (FX headwind: CHF 12.1 million)
- EBITA margin (adj.) increasing from 19.3% to 19.6% – up 70bps in LC
- Accelerated DD growth investments (in R&D and go-to-market)

Hearing Instruments

- Sales up +11.0% in LC (organic +10.0%), +8.4% in CHF
- +12.2% organic growth in the Hearing Instruments business – driven by ongoing success of Phonak Marvel
- Audiological Care business delivering +6.9% organic growth

Cochlear Implants

- Sales up +22.3% in LC, +20.9% in CHF
- Strong momentum of the HiRes™ Ultra 3D implant and strong upgrade sales
- EBITA margin of 6.7% – up +440bps in LC excluding prior year provision release

EPS, Cash Flow, Balance sheet

- EPS (adj.) up +14.0% to CHF 3.32
- Strong operating free cash flow – driven by working capital improvements
- Share buyback progressing – 780k shares worth CHF 174.9 million bought back in 1H 2019/20

Note: adj. refers to figures adjusted for restructuring costs and excluding one-time positive transition impacts of the Swiss tax reform

► New products and strong execution driving sequential acceleration in all three businesses in 1H 2019/20

ATTRACTIVE MARKET

- Attractive secular growth drivers
- Low penetration rate in both HI & CI
- Continued potential to innovate “Better Hearing”
- New growth opportunities through connectivity and IoT

LEADING MARKET POSITION

- Leading positions in key market segments
- Broadest most advanced product offering
- Global and differentiated distribution network



STRONG FINANCIALS

- Attractive margin with further upside
- Solid balance sheet
- High free cash flow and low tax rate

► Strong fundamentals and attractive growth potential across geographies & product categories

Hearing Instruments segment

Hearing Instruments
(HI) business



Drive penetration &
expand market coverage

Drive innovation
leadership

Audiological Care
(AC) business



Gain consumer access

Provide audiological services
leadership

Cochlear Implants segment

Cochlear Implants
(CI) business

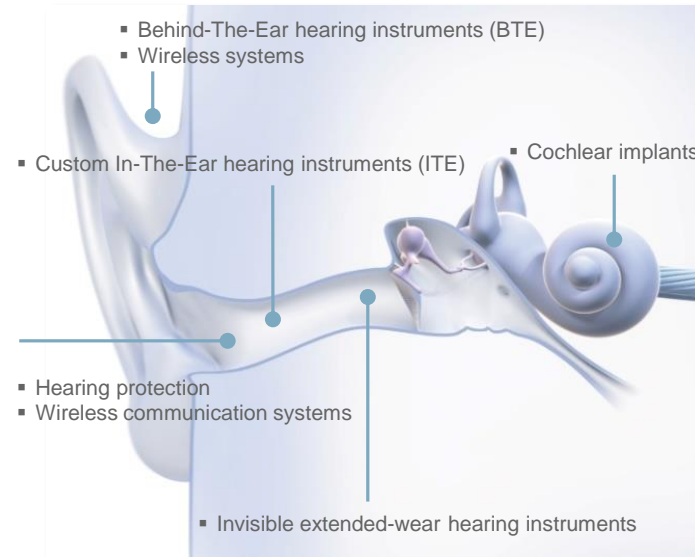
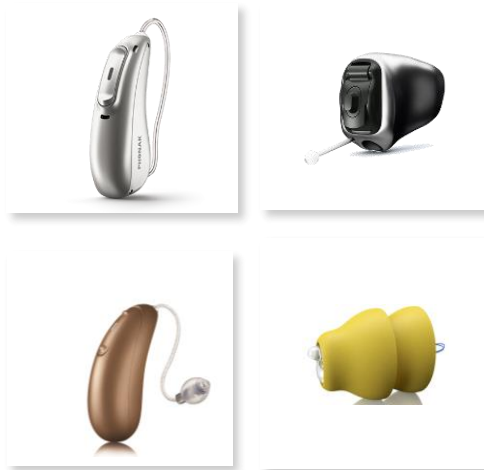


Build medical position

Strive for performance
leadership

► Continuous innovation to grow sales, earnings & cash flow

Hearing Instruments



Cochlear Implants



PHONAK **unitron** **HANSATON**

AB **ADVANCED BIONICS**
POWERFUL CONNECTIONS

Audiological Care

Connect Hearing

Hansaton

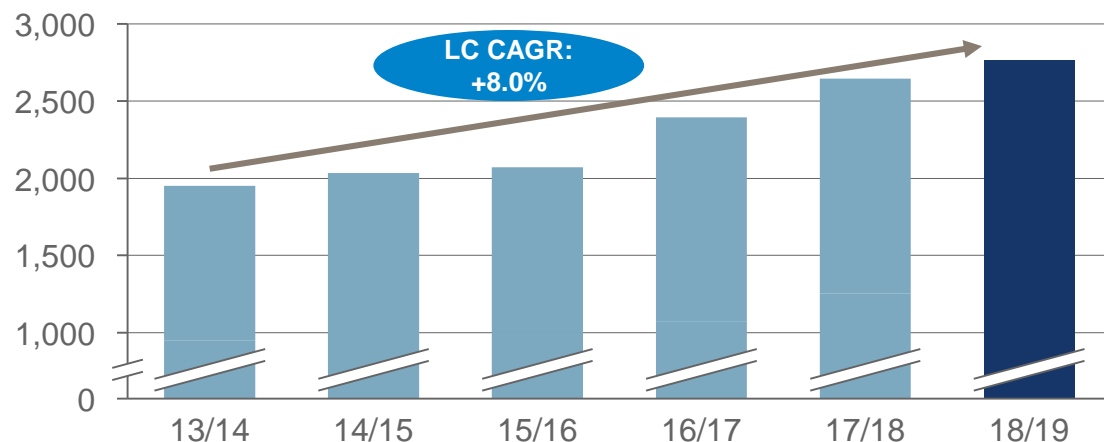
Lapperre

AudioNova

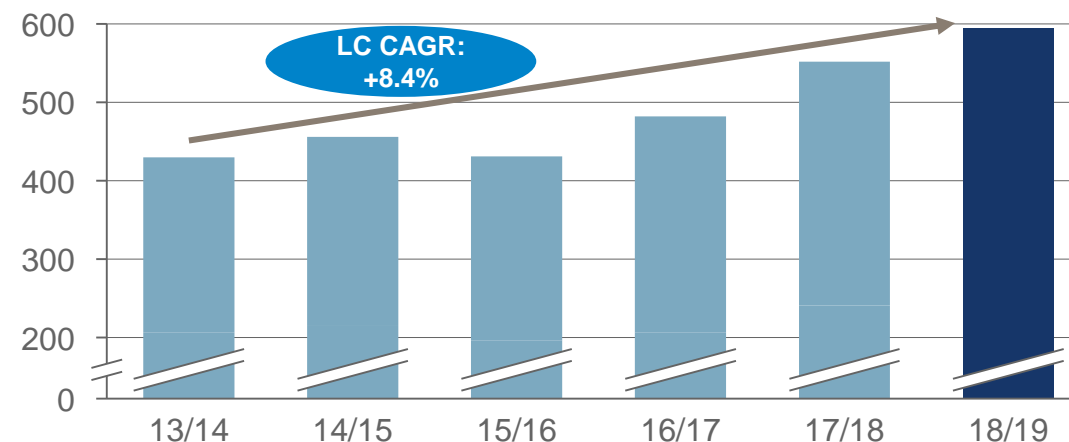
hearingcare

AuditionSanté

Sales
in CHF million



EBITA (adj.)
in CHF million

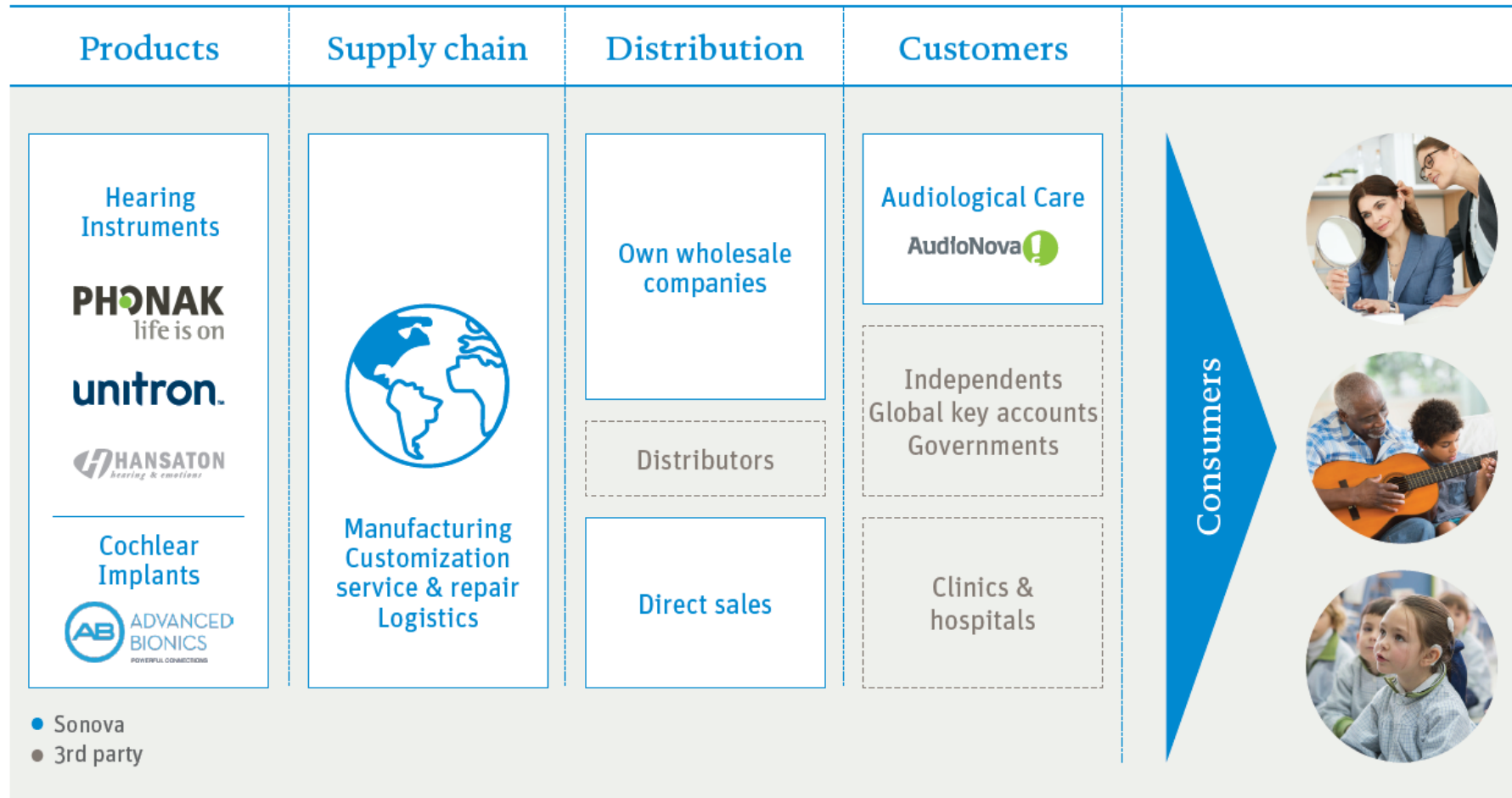


	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	CAGR 5Y
Sales growth reported	+4.3%	+1.8%	+15.6%	+10.4%	+4.4%	+7.2%
Sales growth in LC	+6.2%	+5.8%	+15.3%	+9.0%	+4.1%	+8.0%
Organic sales growth in LC	+5.1%	+2.2%	+4.3%	+3.8%	+4.9%	+4.0%
EBITA Margin (adj.)	22.4%	20.8%	20.1%	20.8%	21.5%	n/a

► Solid growth in sales and EBITA in recent years

Sonova Group


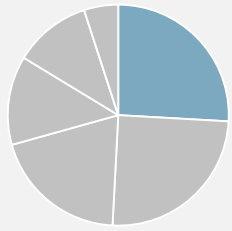

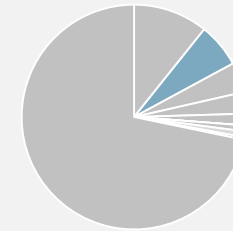

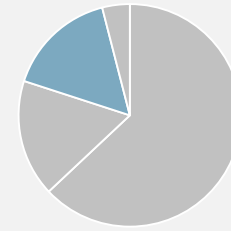

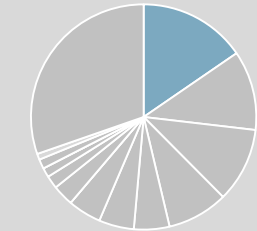
Unique vertically integrated business model – Focused on customer value



► Covering the whole value chain from product to the consumer

Market

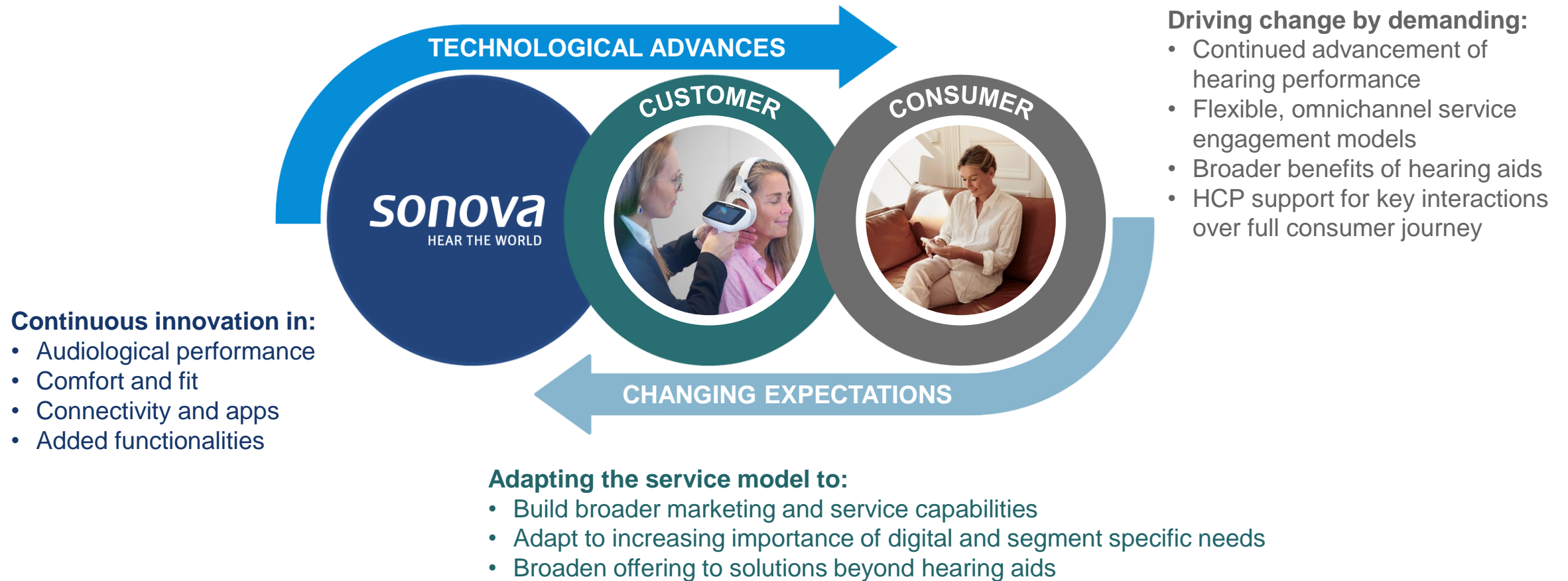
The hearing care market – Attractive size and growth potential

HI MANUFACTURERS ~ CHF 6 bn (~ 16m units) Market CAGR: ~3-5%	HI RETAILERS ~ CHF 10.5 bn value added Market CAGR: ~3-5%	CI MANUFACTURERS ~ CHF 1.4 bn (~ 65k units) Market CAGR: ~5-10%	HEARING CARE MARKET ~ CHF 18 bn Market CAGR: ~4-5%
 # 1 in the HI market 	 # 2 in the retail market 	 # 2/3 in the CI market 	 # 1 in the hearing care market 

► Sonova – #1 position in the overall hearing care market

Market trends

Evolving consumer and customer expectations and needs



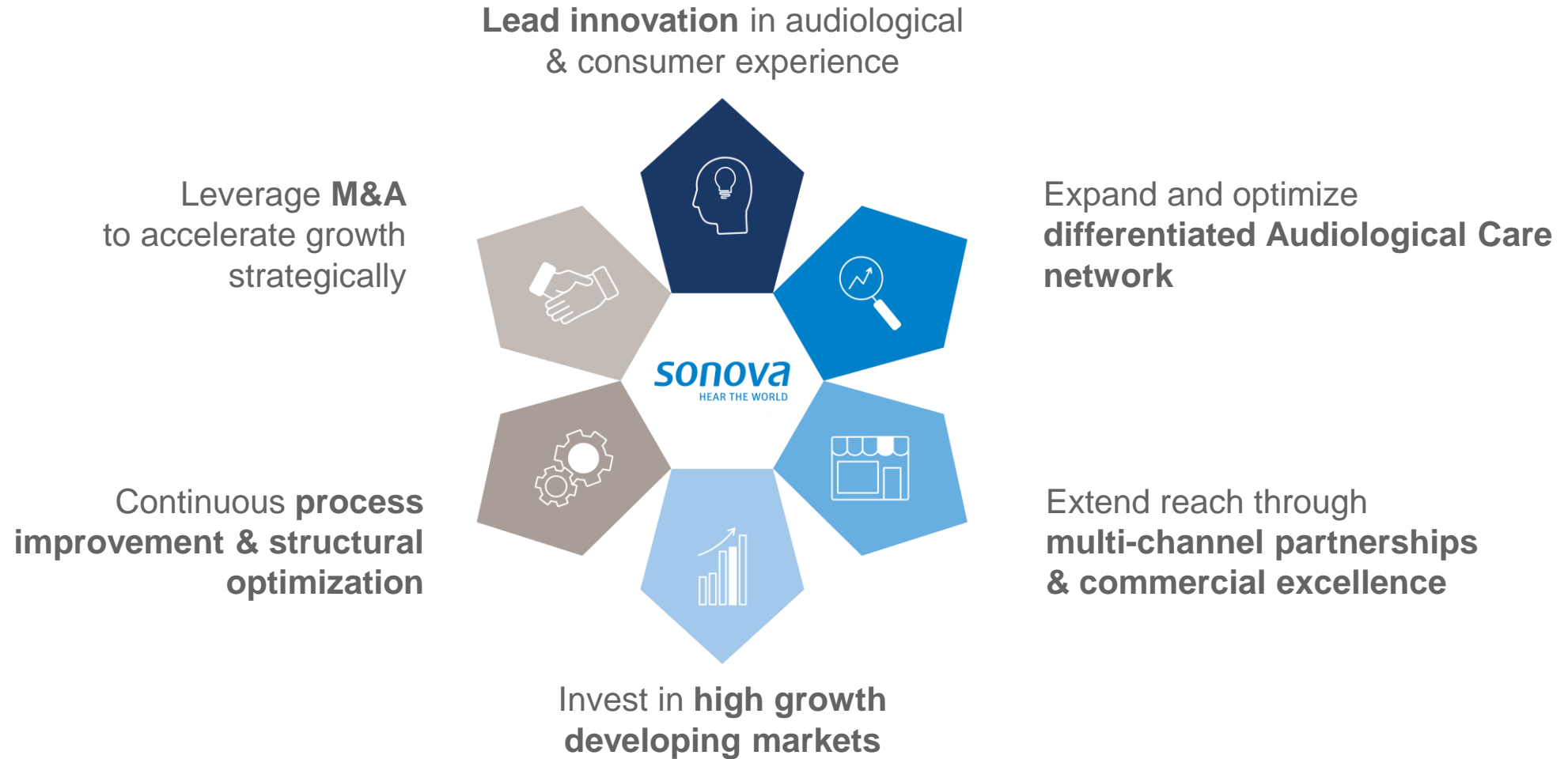
► Sonova's opportunity: Innovation leadership to elevate consumer and customer journey

2

Sonova's strategy

Sonova's strategy

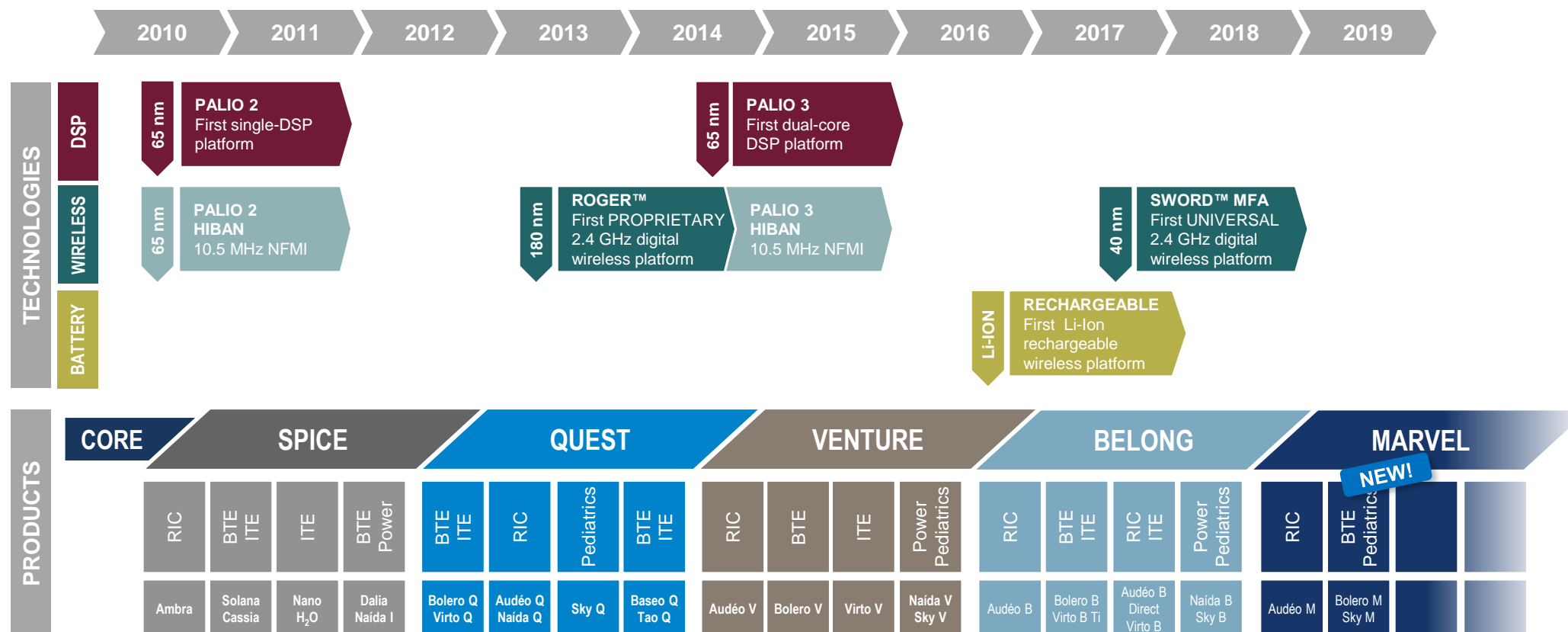
Strategic pillars



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

Lead innovation

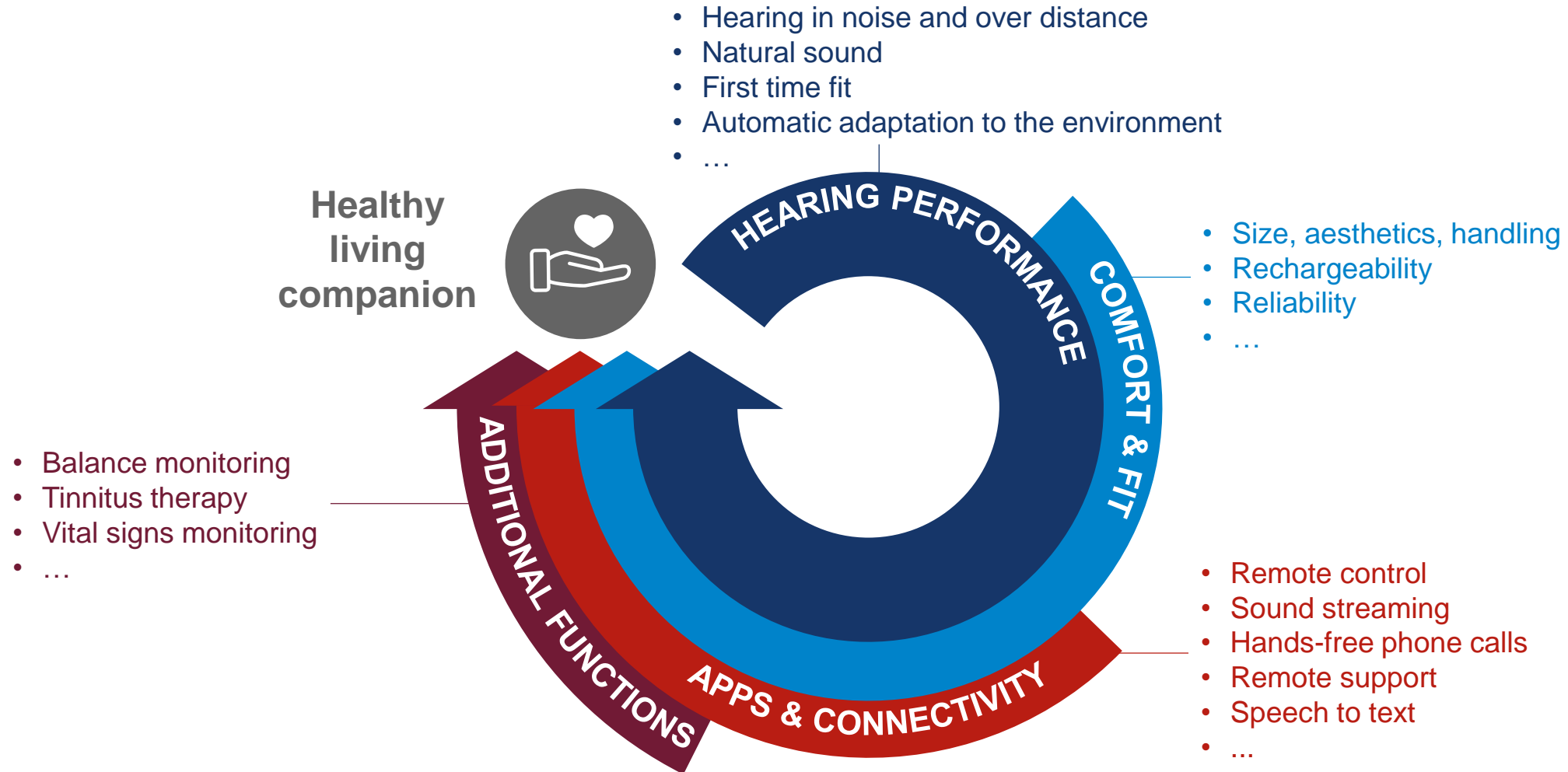
Implement consistent platform approach for HI & CI – Example Phonak



► Driving strong product pipelines – Gross R&D spending > CHF150 million

Lead innovation

Innovation framework



► Driving innovation to elevate hearing aids to become healthy living companions

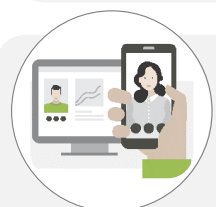
Lead innovation

Example: Launch of Phonak Marvel



Clear and rich sound

- AutoSense OS™ 3.0 and Binaural VoiceStream Technology™
 - Exceptional sound quality from the first fit¹
 - Better speech understanding in noise²
 - Reduced listening effort in noise³
 - Top rated streamed sound quality⁴



Smart Apps

- **Real time** remote support in Target
- myCall-to-Text app allowing for live transcription of phone calls

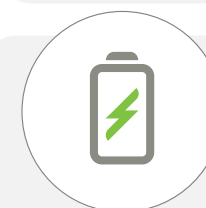


Leading edge innovation



Connectivity

- Standard Bluetooth Classic & direct streaming to all existing players (iOS, **Android** and feature phones)
- Only company offering hands-free phone calls & MFA
- RogerDirect™



Rechargeable

- Extending Rechargeable lead with new and improved features

► **Strong customer feedback: «Hands-down choice with clear sound, rechargeability and connectivity»**

Source: ¹Jansen, S. & Woodward, J. (2018). Love at first sound: the new Phonak precalculation. Phonak Insight, retrieved from www.phonakpro.com/evidence, accessed 17.10.2018.

²Stewart, E., Rakita, L. & Drexler, J. (2019). StereoZoom Part 1: The benefit of wirelessly connected narrow directionality in Phonak hearing aids for speech intelligibility. Phonak Compendium, retrieved from www.phonakpro.com/evidence, accessed 26.02.2019

³Winneke, A., Latzel, M. & Appleton-Huber (2018). Less listening- and memory effort in noisy situations with StereoZoom, Phonak Field Study News, retrieved from www.phonakpro.com/evidence, accessed 17.10.2018.

⁴Legarth, S., Latzel, M. & Rodrigues, T. (2018). Media streaming: The sound quality wearers prefer, Phonak Field Study News, retrieved from www.phonakpro.com/evidence, accessed 17.10.2018

Lead innovation

Our most recent product launches

PHONAK



Audéo™ Marvel
A multifunctional marvel
– Love at first sound

unitron



Moxi™ Jump R
MFA hearing aids with
freedom of rechargeability

AB ADVANCED
BIONICS



**AIM™ – Active Insertion
Monitoring**
Tool for surgeons and
hearing care professionals

FY-18/19

1H-19/20

AB ADVANCED
BIONICS



HiRes™ Ultra 3D
Hassle free MRI-compatible
cochlear implant

HANSATON
hearing & emotions



Hansaton Excite
SWORD functionalities with
sophisticated designer
housing

PHONAK



Marvel 2.0
New form factors,
Roger Direct™

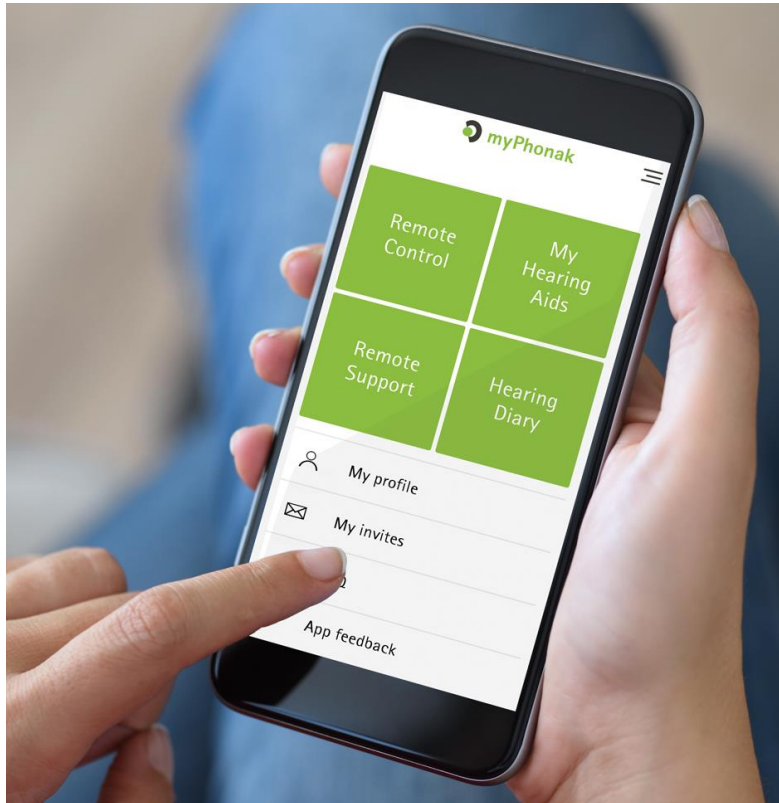


myPhonak App
All in one
consumer App

► Sonova continues to advance its innovative product portfolio

Lead innovation

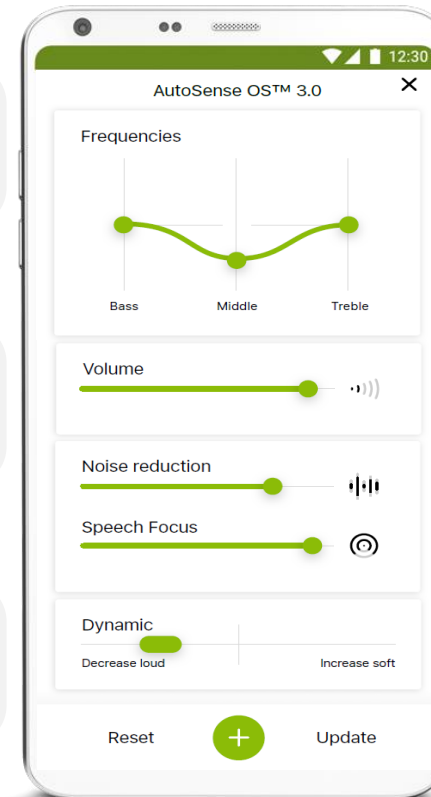
Example: New myPhonak app with advanced functionalities



**Volume up
and down**

Program change

**Environmental
balance**



**Bass and treble
weighting**

New

**The strength of the
noise canceller**

New

Focus

New

► All-in-one app combines advanced Remote Control, Remote Support Hearing Diary and more

Differentiated Audiological Care network

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

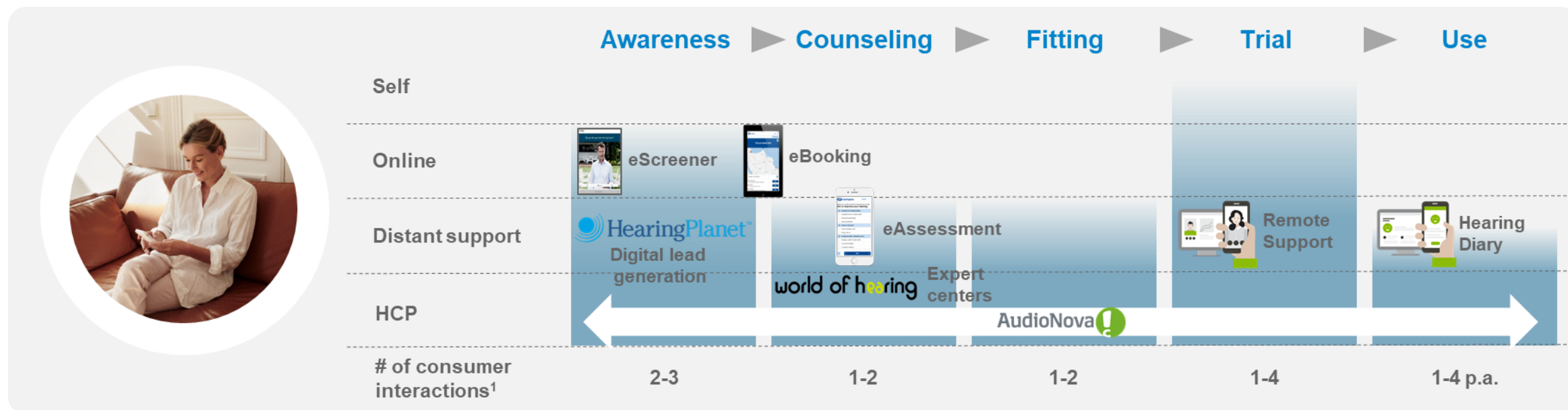
- A leading global platform of over **3,500 stores and clinics**
- Over **7,000 employees** in Sonova Audiological Care (AC) across **19 markets**
- High concentration of networks in **Europe** with over **2,600** stores in 13 countries
- Surpassed **CHF 1bn revenues** in FY 2018/19
- Active in eCommerce for accessories in **7 markets** today



► No. 2 global provider with ample growth runway

Differentiated Audiological Care network

Different consumer types have different needs along their journey



- While **consumers demand more flexible engagement models**, counseling, fitting and service will remain HCP-centric
- AC business is **building omnichannel consumer journey** with required IT and data analytics capabilities
- Integrated business model creates **positive feedback loop** to understand and anticipate changing consumer needs
- The Group offers a **comprehensive range of solutions and services** along the consumer journey

► **Broad range of solutions and services along the consumer journey – Well positioned with our eSolutions**

¹ Average numbers based on Sonova estimates

Extending reach through commercial excellence

Driving growth beyond product innovation (example HI business, also deployed in CI business)



Enabling sustainable market share gains

- Elevating commercial execution to drive market penetration
- Driving growth beyond product launches and innovation



Three workstreams

1

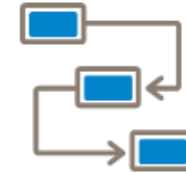
Sales excellence: Improving funnel management and targeting to increase # of visits/rep and to target segments with biggest growth potential

2

Sales coverage: Right size territories and expand feet on the street where growth potential exists

3

Marketing excellence: Improving B2B marketing to increase market visibility and ability to drive segment specific campaigns



Rollout plan

- Current focus on key markets
- Processes and learnings to be standardized for global deployment

► Project initiated in 1H 19/20 to grow customer base through better coverage and commercial execution

High growth developing markets

Example: Unlocking the market potential in China

Well established footprint in China

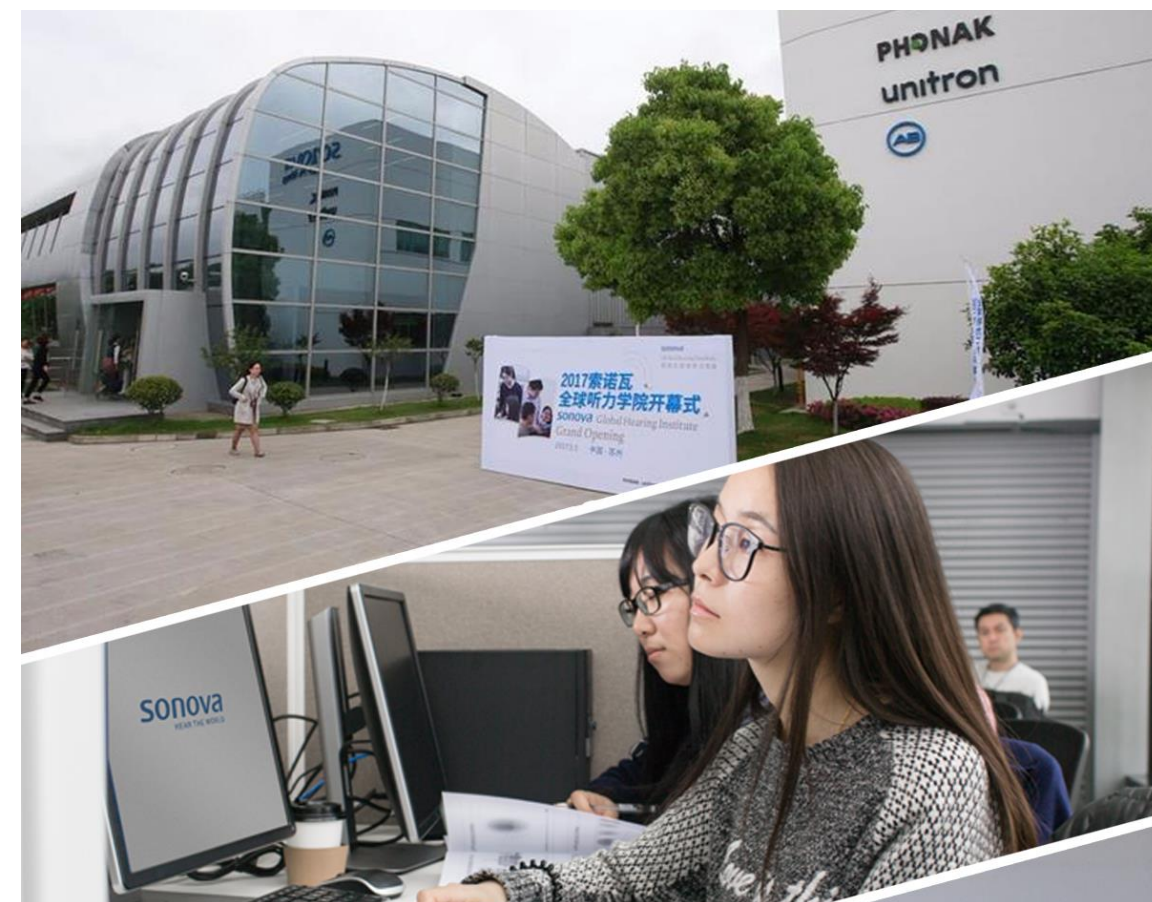
- 2003: Manufacturing plant established in Suzhou
- 2006: Establishment of distribution company in Shanghai
- Distributing Sonova hearing aids and accessories through more than 1,500 hearing centers or clinics across China

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)
- Around 1'600 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

Process improvement & structural optimization

Harvest cost savings opportunities for structural optimization

Structural cost improvements







- Shift of operational tasks 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




Structural cost initiatives:

Announced initiatives on track:

-  Service lab  (Q3 19/20)
-  WHS integration (Hansaton)  (Q3 19/20)
-  Repair center  (Q1 19/20)

➔ Expected CHF 7 million run-rate savings p.a. confirmed

Additional initiatives launched in 1H 2019/20:

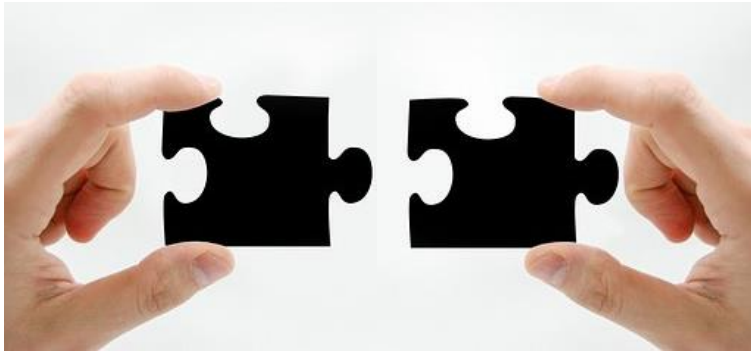
-  Integration of all HI segment back-office functions at one site
-  Streamlining of AC back-office functions to drive efficiencies
-  Centers of Excellence for HI business marketing execution

➔ Targeted run-rate savings of CHF 10 million p.a.

► Created ability to optimize footprint at higher pace

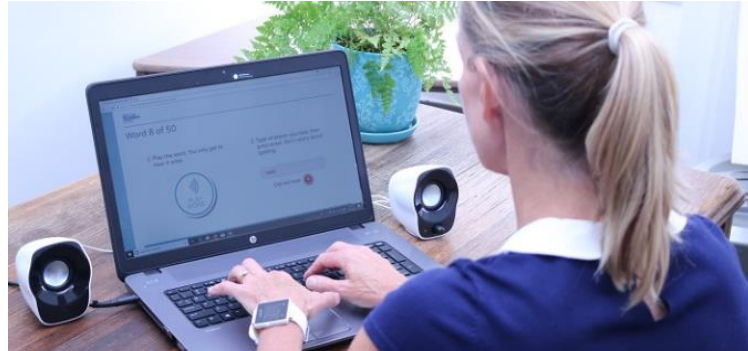
Leverage M&A to accelerate growth strategically

Acquisitions in the area of AC bolt-ons and novel retail & distribution formats



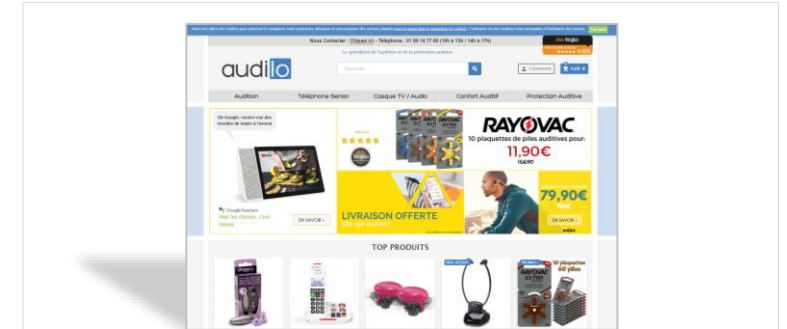
Bolt-ons

- Continuation of bolt-on acquisitions to expand and optimize our differentiated Audiological Care network
- Target remains to add 2-3% incremental sales p.a. in AC



Blamey Saunders hears

- Australian omnichannel hearing aid retailer with a distinctive blended service model
- Addressing younger customers
- Acquired in April 2019

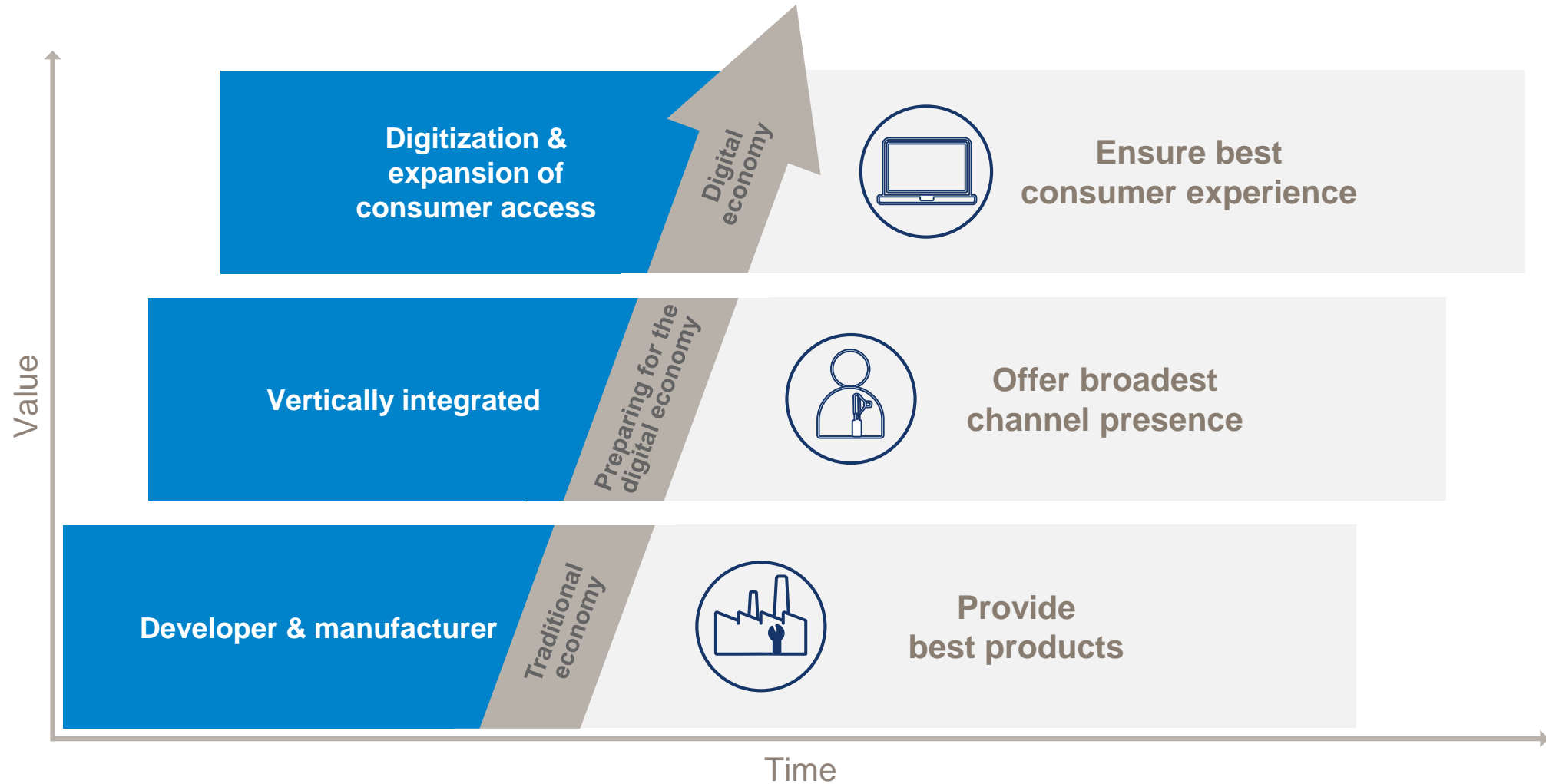


Audilo

- Leading French online provider of batteries and accessories for hearing aid users
- Strong customer database offers significant marketing and cross-selling opportunities
- Acquired in February 2019

► M&A supports our strategy to extend our differentiated Audiological Care network

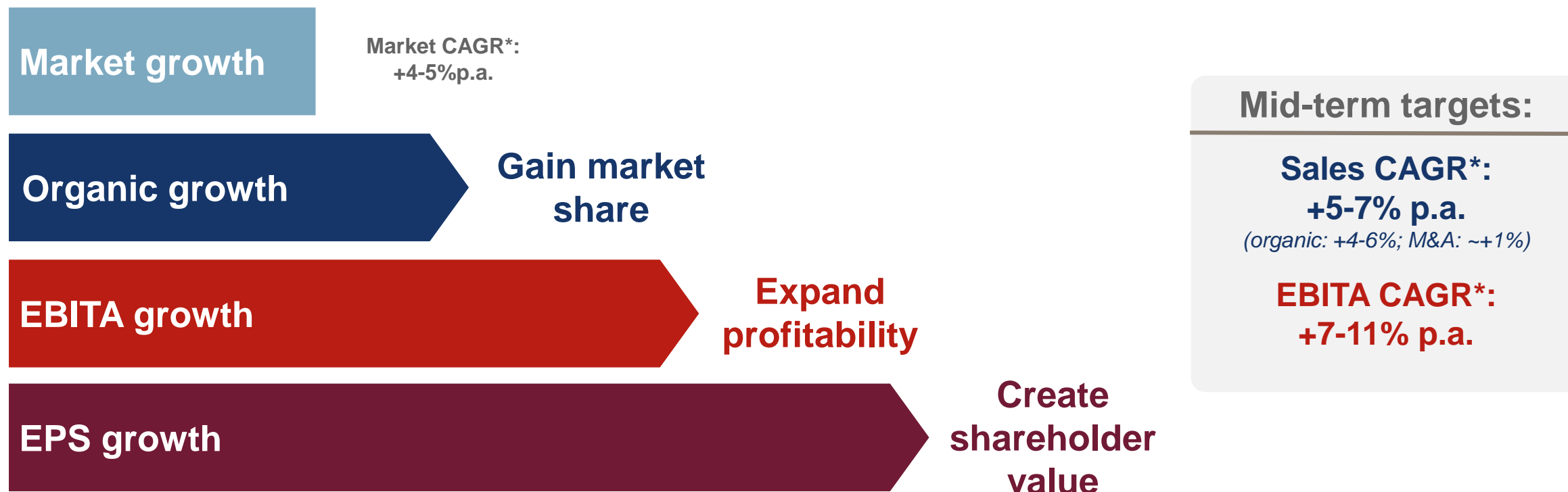
Sonova's strategy development



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

Financial implications

The four pillars of growth and our mid-term targets



► Create shareholder value and generate investment capacity for future growth – Mid-term targets confirmed

3

Financial information

Half-Year 2019/20

Sonova Group – Financial highlights

Sales

- Sales of CHF 1,426.3 million
- Growth of +12.0% in LC (organic +11.0%), +9.4% in CHF
- Good organic growth across all businesses

Profitability & EPS

- Gross profit margin (adj.) of 70.9%, margin up +40bps
- EBITA (adj.) of CHF 279.5 million, up +16.1% in LC, margin up +70bps in LC
- EPS (adj.) of CHF 3.32, up +14.0% reflecting earnings growth and share buyback

OpFCF

- Operating free cash flow (OpFCF) at CHF 303.6 million, +83.3% increase
- Significant improvements in working capital management – effect from trade receivables CHF 75.6 million
- Positive impact of CHF 35.1 million from implementation of new leasing standard (IFRS 16)

TSR & Balance Sheet

- Share buyback progressing – 780k shares worth CHF 174.9 million bought back in 1H 2019/20
- Net debt of CHF 746.5 million, increase driven by IFRS 16 adoption and share buyback program
- Increase in capital employed, driven mainly by adoption of IFRS 16 (CHF 272 million) and one-time deferred tax impacts of the Swiss tax reform (CHF 153 million)

Note: adj. refers to figures adjusted for restructuring costs and excluding one-time positive transition impacts of the Swiss tax reform

Half-Year 2019/20

Sonova Group – Major developments and initiatives in 1H 2019/20

HI segment	HI business 	<ul style="list-style-type: none"> – Continued positive market response to Phonak Marvel – 1 million units sold 10 months after launch – US supported by significant market share gains in the VA, following the Marvel launch in May – Rechargeable share of Phonak Marvel exceeding 70% – MFA functionality introduced at Unitron and Hansaton – Marvel 2.0 launched – expansion of the Marvel functionality and range
	AC business 	<ul style="list-style-type: none"> – DD same-store growth across several key markets, including US, UK, AT and Nordics – Growth supported by positive consumer response to Phonak Marvel – Progressing with our omnichannel strategy – Blamey Saunders acquisition in April 2019 – Completing single local champion brand by country, leveraging established store brand awareness,
CI segment	CI business 	<ul style="list-style-type: none"> – Ongoing success of the HiRes™ Ultra 3D implant – positive ASP and volume effect – DD growth in North America and Western Europe – Launch of Naída™ CI Connect and Chorus™ sound processor in March, supporting upgrade sales – Regulatory approval of AIM™ system to support surgical procedure in real-time
Group	<ul style="list-style-type: none"> – Go-to-market investments – additional marketing initiatives and more feet on the street in all three businesses 	

Note: LSD: low single-digit; MSD: mid-single-digit; HSD: high single-digit; DD: double-digit; HT: high-teens

► Significant progress achieved across all three businesses, capitalizing on Marvel and 3D MRI innovation

Half-Year 2019/20

Sonova Group – Key financials – As reported and adjusted

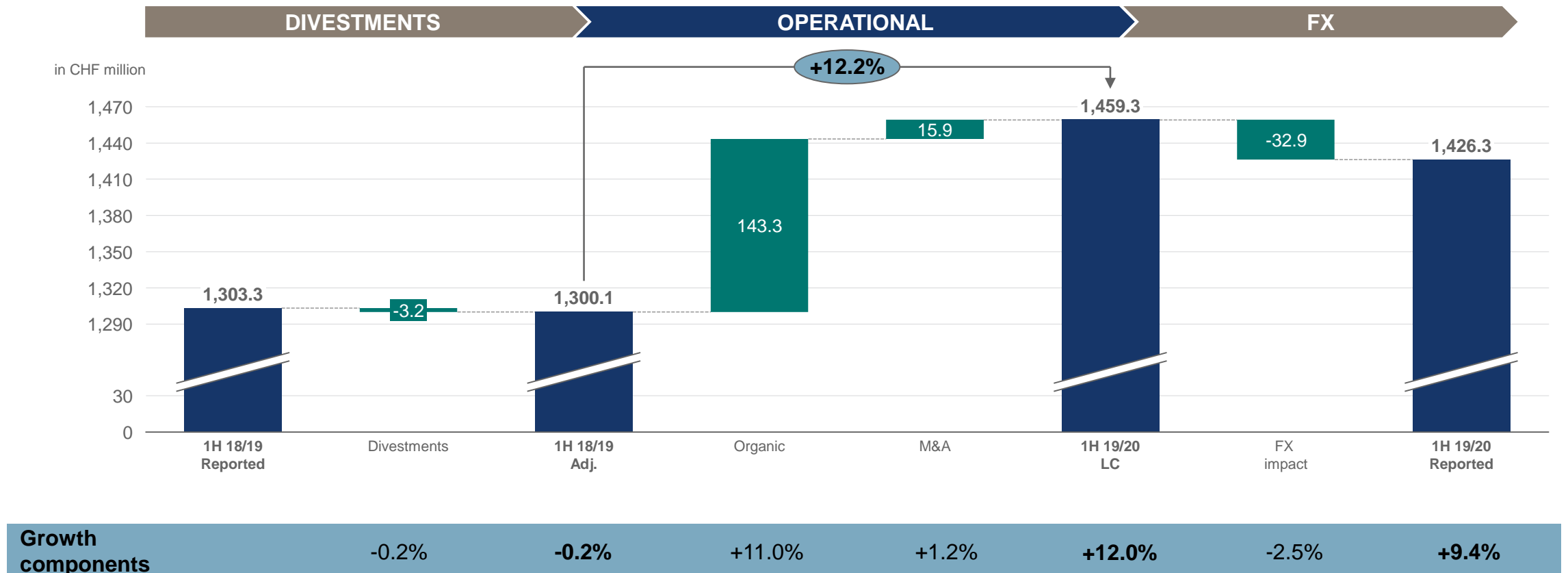
	1H 2018/19		1H 2019/20			
	CHF m	Margin	CHF m	Margin	Δ % in CHF	Δ % in LC
Sales	1,303.3		1,426.3		+9.4%	+12.0%
Gross profit (adj.)	919.4	70.5%	1,011.1	70.9%	+10.0%	+13.1%
OPEX (adj.)	668.1		731.6		+9.5%	+11.9%
EBITA (adj.)	251.3	19.3%	279.5	19.6%	+11.2%	+16.1%
Adjustments	-		-15.5			
EBITA (reported)	251.3	19.3%	264.0	18.5%	+5.0%	+9.9%
EPS (adj. in CHF)	2.91		3.32		+14.0%	
EPS (reported in CHF)	2.91		5.55		+90.6%	
Operating free cash flow (reported)	165.6		303.6		+83.3%	
ROCE (pre IFRS 16)	19.0%		20.6%		+1.6%	

Note: adj. refers to figures adjusted for restructuring costs and excluding one-time positive transition impacts of the Swiss tax reform
 EPS (reported) excl. one-time positive transition impacts of the Swiss tax reform: CHF 3.14 (+7.9% in CHF)

► Solid performance in LC – Gross profit margin impacted by higher rechargeable share

Half-Year 2019/20

Sonova Group – Sales components



► Strong first half driven by organic growth while adverse FX development affected reported sales

Half-Year 2019/20

Sonova Group – Sales by segment and sales components

	1H 2018/19			1H 2019/20		
	CHF m	Δ % in CHF	Δ % in LC	CHF m	Δ % in CHF	Δ % in LC
HI segment	1,194.0	+3.7%	+1.7%	1,294.1	+8.4%	+11.0%
CI segment	109.3	+7.9%	+6.7%	132.2	+20.9%	+22.3%
Total Sonova	1,303.3	+4.0%	+2.1%	1,426.3	+9.4%	+12.0%
Δ organic	32.8		+2.6%	143.3		+11.0%
Δ acquisitions	13.9		+1.1%	15.9		+1.2%
Δ disposals	-20.2		-1.6%	-3.2		-0.2%
Δ FX	23.8	+1.9%		-32.9	-2.5%	

► Both HI and CI segment driving DD growth for the Group

Half-Year 2019/20

Sonova Group – Sales by regions and key markets

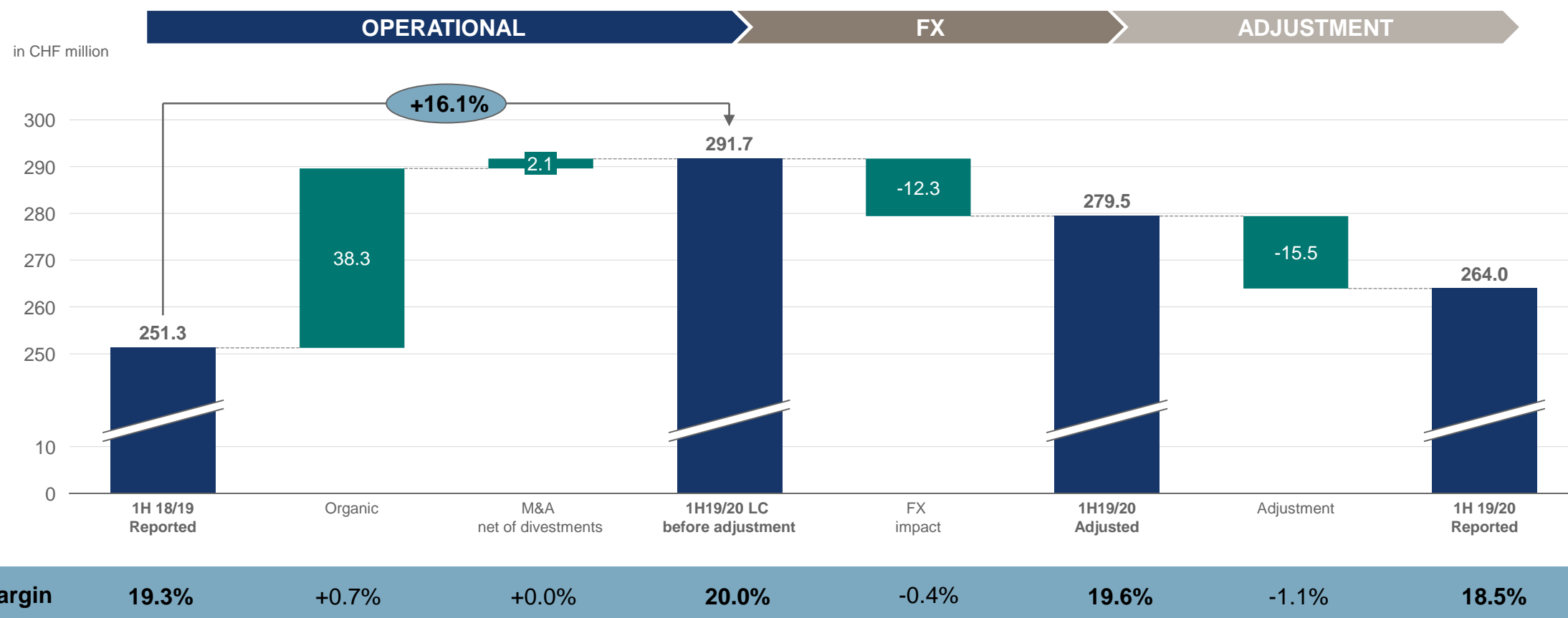
	1H 2018/19			1H 2019/20		
	CHF m	Δ % in LC	% Group sales	CHF m	Δ % in LC	% Group sales
EMEA	701.2	+6.9%	54%	738.5	+9.7%	52%
USA	355.0	-8.8%	27%	431.1	+20.3%	30%
Americas (excl. USA)	112.2	+6.2%	9%	110.9	+0.5%	8%
Asia / Pacific	134.9	+8.0%	10%	145.8	+11.5%	10%
Total Sonova	1,303.3	+2.1%	100%	1,426.3	+12.0%	100%

EMEA	<ul style="list-style-type: none"> – HI business: Solid growth driven by strong performance in FR, Nordics and ES – AC business: Strong growth in UK, AT and Nordics – CI business: DD growth in system and upgrade sales – very strong performance in DE
US	<ul style="list-style-type: none"> – HI business: Strong market share gains across all sales channels – AC business: DD same store organic growth after successful store network streamlining – CI business: Further acceleration in system and upgrades sales driving strong DD increase
OTHER	<ul style="list-style-type: none"> – HI business: DD growth in APAC driven by AU and CN, Americas held back by CA and ceased distribution contract in BR – AC business: DD growth (incl. bolt-ons) in BR and CA, APAC held back by AU – CI business: Strong DD growth in APAC led by CN, Americas

► DD growth driven by strong US momentum across all channels

Half-Year 2019/20

Sonova Group – EBITA components



Note: Adjustments refer to figures adjusted for restructuring costs

► Organic growth driving 70bps LC improvement in adjusted EBITA margin – Negative FX effect

Half-Year 2019/20

Sonova Group – Operating expenses excluding acquisition-related amortization

	1H 2018/19	1H 2019/20			Comments
	CHF m	CHF m	Δ % in CHF	Δ % in LC	
Research & Development (adj.) - in % of sales	-71.7 5.5%	-80.3 5.6%	+12.0%	+12.2%	– Increased investment in innovation
Sales & Marketing (adj.) - in % of sales	-473.7 36.3%	-510.0 35.8%	+7.7%	+10.7%	– Investments into sales & marketing in all three businesses – Expanding store network
General & Administration (adj.) - in % of sales	-126.5 9.7%	-141.5 9.9%	+11.9%	+13.6%	– Ongoing investment in IT platform for AC business, provisions for contract obligations and increase in bad debt expenses
Other income/expenses	3.8	0.2	NM	NM	– 1H 2018/19: CHF 3.8 million CI provision release
Total OPEX (adj.) - in % of sales	-668.1 51.3%	-731.6 51.3%	+9.5%	+11.9%	
Adjustments	-	-14.0			– 2019/20: restructuring in US, DE, CH and CA
Total OPEX (reported) - in % of sales	-668.1 51.3%	-745.6 52.3%	+11.6%	+14.0%	

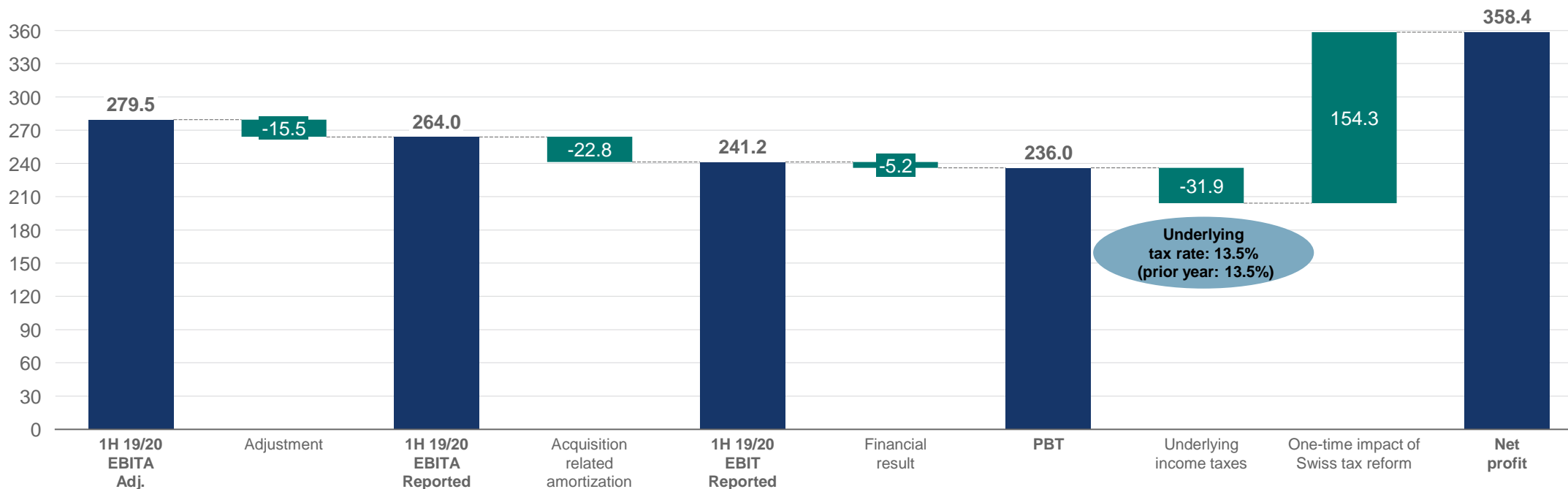
Note: adj. refers to figures adjusted for restructuring costs; functional OPEX lines exclude acquisition-related amortization

► Strong top-line growth enabling investments in innovation, sales and marketing

Half-Year 2019/20

Sonova Group – Reported results and income taxes

in CHF million



Margin	19.6%	18.5%	16.9%	16.5%	NM
Δ YOY	+30bps	-80bps	-60bps	-70bps	NM

Note: Adjustments refer to figures adjusted for restructuring costs

► One-time transition impacts of the Swiss tax reform lifting reported net profit – Underlying tax rate unchanged

Half-Year 2019/20

HI segment – Summary 1H 2019/20

Sales +11.0% in LC

- Sales of CHF 1,294.1 million – up +11.0% in LC (organic growth +10.0%), +8.4% in CHF
- Strong momentum in HI business, driven by ongoing success of Phonak Marvel
- Further acceleration of organic growth in the AC business

EBITA (adj.) +15.5% in LC

- EBITA (adj.) of CHF 271.2 million – up +15.5% in LC, +11.2% in CHF,
- EBITA margin (adj.) of 21.0%, up +90bps in LC and +60bps in CHF
- Accelerated DD growth investments (in R&D and go-to-market) driving OPEX increase

New Products

- Phonak Marvel 2.0 – further portfolio expansion
- Introduction of new comprehensive myPhonak app allowing for advanced customization options
- New private label contract with a large US hearing aid retailer
- Expansion of MFA portfolio to Unitron and Hansaton

Note: adj. refers to figures adjusted for restructuring

► Broad based top-line growth driving margin improvement – Marvel portfolio expansion in September

Half-Year 2019/20

HI segment – Key financials – Adjusted

	1H 2018/19			1H 2019/20		
	CHF m	Δ % in CHF	Δ % in LC	CHF m	Δ % in CHF	Δ % in LC
Sales	1,194.0	+3.7%	+1.7%	1,294.1	+8.4%	+11.0%
Δ organic	26.0		+2.3%	119.0		+10.0%
Δ acquisitions	13.9		+1.2%	15.9		+1.3%
Δ disposals	-20.2		-1.8%	-3.2		-0.3%
Δ FX	22.6	+2.0%		-31.5	-2.6%	
EBITA (adj.)	243.9	+1.1%	-2.6%	271.2	+11.2%	+15.5%
EBITA margin (adj.)	20.4%	-50bps	-90bps	21.0%	+60bps	+90bps

Note: adj. refers to figures adjusted for restructuring costs

► Further organic growth acceleration in 1H 2019/20 following the successful Marvel launch

Half-Year 2019/20

HI segment – Hearing Instruments business

	1H 2018/19			1H 2019/20		
	CHF m	Δ % in CHF	Δ % in LC	CHF m	Δ % in CHF	Δ % in LC
Sales	696.8	-0.5%	-1.7%	770.3	+10.6%	+12.2%
Δ organic	3.8		+0.5%	84.5		+12.1%
Δ acquisitions	-		-	0.4		+0.1%
Δ disposals	-15.9			-		+0.0%
Δ FX	8.5	+1.2%		-11.3	-1.6%	

- Continued momentum of Phonak Marvel driving market share gains – growth driven by both higher unit volume and improved ASP
- Strong rebound in the VA – returning to historic market position following the Phonak Marvel introduction at VA in May 2019
- New private label contract with large US hearing aid retailer supporting growth in the US
- Increasing coverage through managed care in the US – Sonova benefiting from partnership with leading health insurance provider

► Organic growth of 12.1% – Broad based share gains across markets and channels

Half-Year 2019/20

HI segment – Audiological Care business

	1H 2018/19			1H 2019/20		
	CHF m	Δ % in CHF	Δ % in LC	CHF m	Δ % in CHF	Δ % in LC
Sales	497.2	+10.2%	+7.0%	523.8	+5.3%	+9.4%
Δ organic	22.1		+4.9%	34.5		+6.9%
Δ acquisitions	13.8		+3.1%	15.5		+3.1%
Δ disposals	-4.2		-0.9%	-3.2		-0.6%
Δ FX	14.0	+3.2%		-20.2	-4.1%	

- DD same-store growth across several key markets, including US, UK, AT and Nordics
- Increasing centralization and optimization of digital lead generation
- Improved in-store execution driving ASP and sales conversion
- Ongoing network expansion (greenfield and acquisitions) across the regions supporting growth
- Positive consumer response to Phonak Marvel supporting growth and elevating product brand awareness

► Solid organic momentum driven by strong lead generation and in-store execution

Half-Year 2019/20

CI segment – Summary 1H 2019/20

Sales +22.3% in LC

- Sales of CHF 132.2 million – up +22.3% in LC, +20.9% in CHF
- Systems sales driven by continued success of HiRes Ultra 3D implant and stronger sales execution
- Strong growth in upgrade revenue driven especially by US and DE

EBITA CHF 8.9 million

- EBITA up 37.5% in LC to CHF 8.9 million – EBITA margin of 6.7% up +440bps in LC and excl. PY provision release
- Adverse FX development holding back improvement, reducing reported EBITA margin by 130bps
- Strong growth and favorable business mix supporting underlying margin improvement
- Productivity improvements on track – investments in sales & marketing

New Products

- Launch of Naída CI Connect, based on SWORD™ technology and Chorus sound processor
- Regulatory approval of AIM™ system to support surgical procedure in real-time

► Strong growth and underlying margin improvement

Half-Year 2019/20

CI segment – Key financials

	1H 2018/19			1H 2019/20		
	CHF m	Δ % in CHF	Δ % in LC	CHF m	Δ % in CHF	Δ % in LC
Sales	109.4	+7.9%	+6.7%	132.2	+20.9%	+22.3%
Δ organic	6.8		+6.7%	24.3		+22.3%
Δ FX	1.2	+1.2%		-1.4	-1.3%	
EBITA	7.7	NM	NM	8.9	+15.3%	+37.5%
EBITA margin	7.1%	+790bps	+690bps	6.7%	-40bps	+90bps

- Significant FX headwind – sales growth and EBITA margin negatively affected by 130bps
- EBITA margin up 440bps in LC and 310bps in CHF excluding prior year product liability provision release of CHF 3.8 million

► Reported EBITA development held back by prior year provision release and adverse FX impact

Half-Year 2019/20

CI segment – Sales by product groups

	1H 2018/19		1H 2019/20	
	CHF m	Δ % in LC	CHF m	Δ % in LC
Cochlear implant systems	81.0	+8.8%	98.6	+23.0%
Upgrades and accessories	28.4	+1.2%	33.6	+20.1%
Total CI segment	109.4	+6.7%	132.2	+22.3%

System sales:

- Growth of 23.0% in LC driven by strong product offering and expanded sales & marketing efforts
- Strong adoption of HiRes Ultra 3D implant leading to improved account penetration

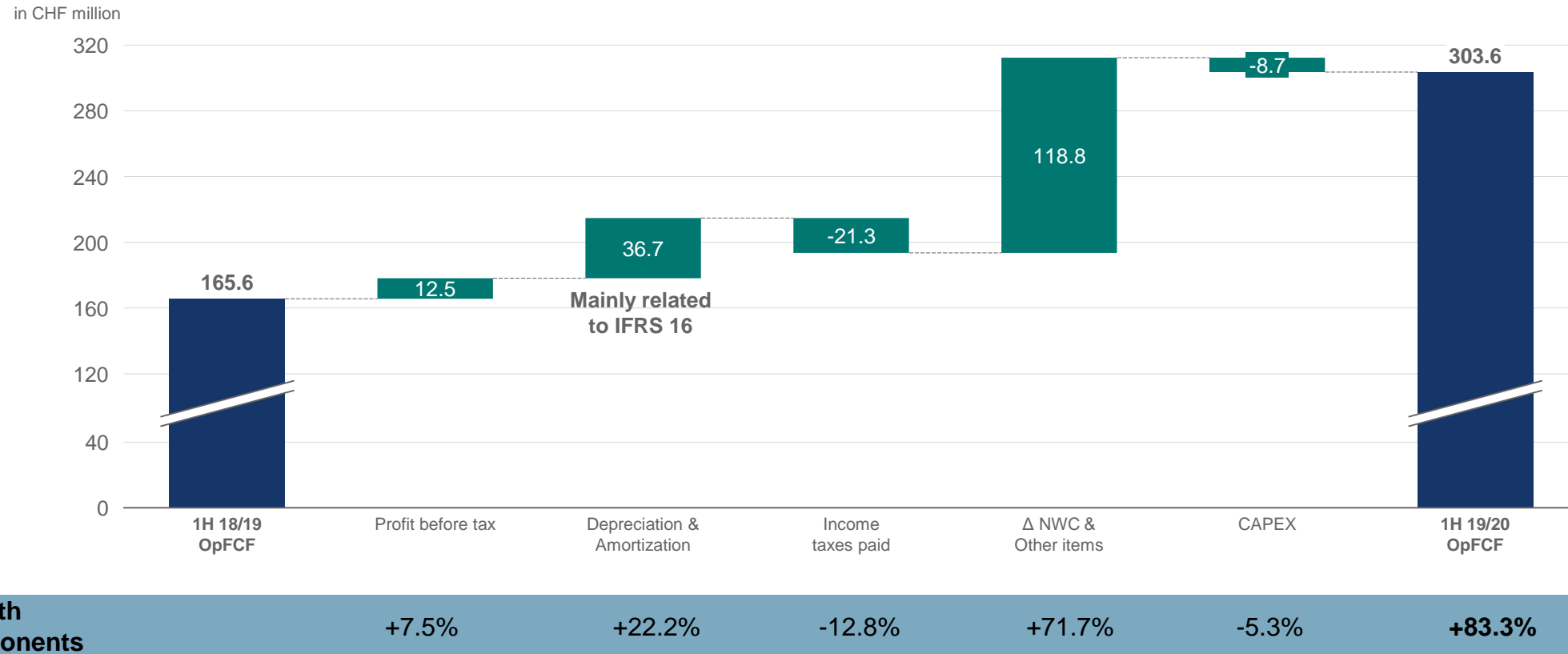
Upgrade sales:

- Recent product introductions resulting in significant acceleration vs. prior year
- Significant growth especially in US and DE

► New products and expanded commercial efforts – Significant acceleration in system and upgrade sales

Half-Year 2019/20

Sonova Group – Operating free cash flow (OpFCF)



► Strong growth in OpFCF, driven by NWC improvements and supported by adoption of IFRS 16

Half-Year 2019/20

Sonova Group – Balance sheet

CHF m	30 Sep 2018	30 Sep 2019	Comments
Days sales outstanding (DSO)	60	58	<ul style="list-style-type: none"> – Improved receivable collection management – Improvement by 8 days since March 31, 2019
Days inventory outstanding (DIO)	123	130	<ul style="list-style-type: none"> – Increase driven by product lifecycle – Ongoing improvement program
Capital employed	2,573.0	3,008.2	<ul style="list-style-type: none"> – Driven by the adoption of IFRS 16 and higher deferred tax asset as a result of the Swiss tax reform
ROCE <small>(pre IFRS 16)</small>	19.0%	20.6%	<ul style="list-style-type: none"> – Reflecting margin improvement – 60bps headwind from higher deferred tax asset as a result of the Swiss tax reform
Net debt <small>(reported)</small>	290.0	755.8	<ul style="list-style-type: none"> – Including CHF 272.1 million impact from IFRS 16
Net debt <small>(pre IFRS 16)</small>	290.0	483.7	<ul style="list-style-type: none"> – Driven mainly by the ongoing share buyback program
Net debt/EBITDA <small>(pre IFRS 16)</small>	0.4x	0.7x	

► Significant balance sheet changes mainly driven by IFRS 16 and Swiss tax reform

Half-Year 2019/20

Sonova Group – Impact of IFRS 16 (implemented as of March 31, 2019) on 1H 2019/20 financials

in CHF million	1H 2019/20 reported	IFRS 16 Impact	1H 2019/20 excl. IFRS16
P&L			
EBITDA	341.4	+35.1	306.3
EBITA	264.0	+2.2	261.8
EBIT	241.2	+2.2	239.0
Profit before tax	236.0	+0.3	235.7
Cash flow			
Operating free cash flow	303.6	+35.1	268.5
Cash flow from financing activities	-393.0	-35.1	-357.9
Balance sheet			
Capital employed	3,008.2	+272.1	2,736.1
Net debt	755.8	+272.1	483.7

► Full year impact expected to be in line with previously communicated numbers

4

Outlook

Outlook FY 2019/20

Guidance and mid-term target

		Guidance FY 2019/20* May 2019	New Guidance FY 2019/20* November 2019	Mid-term Target
Sales	Organic sales growth in LC	+5%-7%	+7%-9%	+4%-6% p.a.
	Net M&A	ca. +1%	ca. +1%	ca. +1% p.a.
	Sales growth in LC	+6%-8%	+8%-10%	+5%-7% p.a.
EBITA	EBITA growth in LC	+9%-13%	+12%-15%	+7%-11% p.a.

* EBITA guidance refers to LC EBITA growth excluding restructuring costs in FY 2018/19, 1H 2019/20 and potential larger restructuring costs going forward; includes expected impact of IFRS 16

**Growth target by business
(CAGR):**

HI business: 3-5%

Audiological Care: 6-8%
(incl. M&A ~2-3%)

CI business: 6-10%

► Current FX rates imply additional negative impact in 2H 2019/20

Outlook FY 2019/20

Factors impacting 1H performance and considerations for outlook into 2H

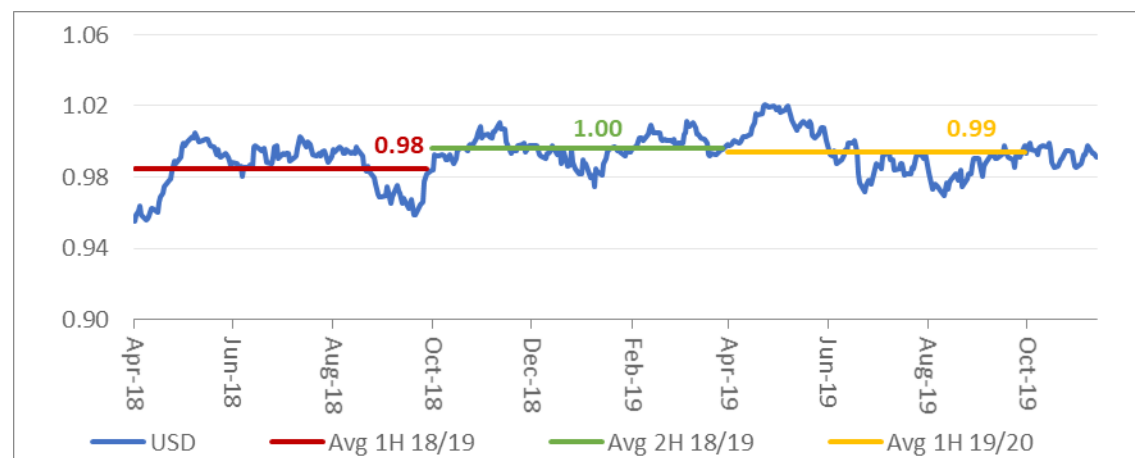
	Factor	1H 2019/20	2H 2019/20
Hearing Instruments	HI business dynamic	<ul style="list-style-type: none"> – Strong volume growth and ASP benefit from Marvel product launch – Support from VA market share rebound – Lower comparison base (0.5% organic growth in 1H 2018/19 vs. 8.1% in 2H 2018/19) 	<ul style="list-style-type: none"> – Tougher comparison base (annualization of Marvel starting in November) – Continued contribution from recent market share gains in the VA and new private label contract in the US
	AC business dynamic	<ul style="list-style-type: none"> – Solid organic momentum across key markets – Benefit of Phonak Marvel introduction 	<ul style="list-style-type: none"> – Higher comparison base – Continued solid momentum expected
	New product benefits	<ul style="list-style-type: none"> – Continued strong momentum of Phonak Audéo™ Marvel – Launch of Unitron Discover and Hansaton Excite platform with MFA functionality 	<ul style="list-style-type: none"> – Expansion of the Marvel portfolio including Phonak Bolero™ M and Phonak Sky™ M – Full benefit of recent launches at Unitron and Hansaton
Cochlear Implants	Business dynamic	<ul style="list-style-type: none"> – Strong growth in system and upgrade sales 	<ul style="list-style-type: none"> – Annualization of the launch of HiRes™ Ultra 3D implant and increased competition
	New product benefit	<ul style="list-style-type: none"> – Success of HiRes™ Ultra 3D implant driving growth 	<ul style="list-style-type: none"> – Rollout of AIM™ system to support surgical procedure in real-time

► Annualization of successful product launches leading to higher comparison base in 2H

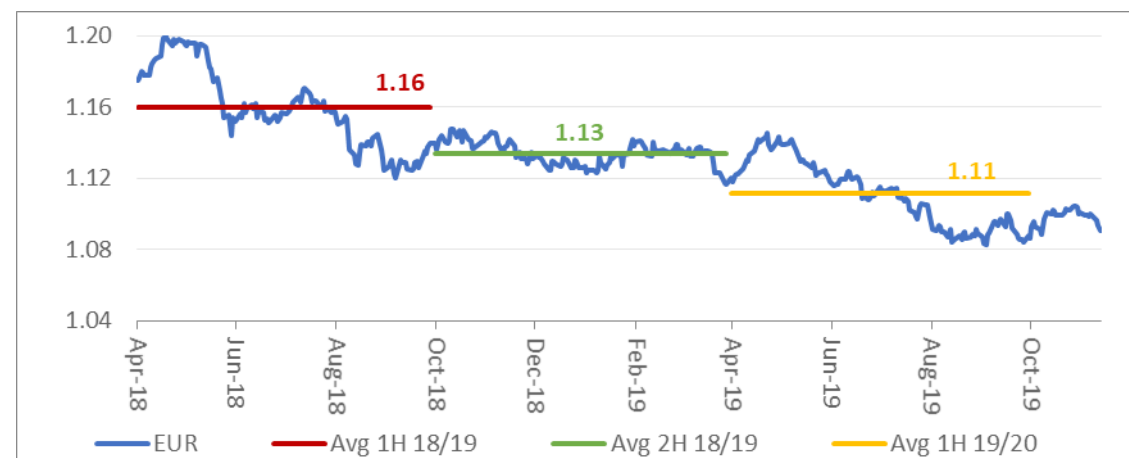
Outlook FY 2019/20

FX impact on sales and margins

USD/CHF



EUR/CHF

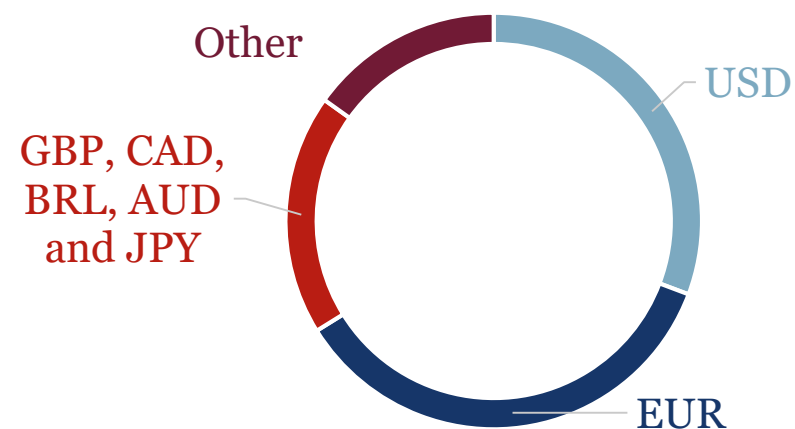


	Rate	Sales	EBITA
USD/CHF	+/- 5%	+/- CHF 45 million	+/- CHF 13 million
EUR/CHF	+/- 5%	+/- CHF 55 million	+/- CHF 25 million

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

Outlook FY 2019/20

Sales by currency and FX rates



	1H-18/19	1H-19/20	Effect FY-18/19	2H-18/19	FY-18/19	Spot Nov-2019
USD	0.98	0.99	=	1.00	0.99	0.99
EUR	1.16	1.11	-	1.13	1.15	1.09
GBP	1.31	1.25	-	1.29	1.30	1.27
CAD	0.76	0.75	-	0.75	0.75	0.75
AUD	0.73	0.69	-	0.71	0.72	0.68
BRL	0.26	0.25	-	0.26	0.26	0.24
JPY 100	0.89	0.92	+	0.89	0.89	0.91

- Seven main currencies account for around 85% of Group sales