sonova
HEAR THE WORLD

SEMI-ANNUAL REPORT 2013/14

HIGHLIGHTS & KEY FIGURES

SONOVA GROUP KEY FIGURES – FIRST HALF 2013 / 14

in CHF m unless otherwise specified	1H 2013 / 14	1H 2012 / 13[1]	Change in %
Sales	947.8	872.4	8.6 %
EBITA	206.2	186.4	10.6 %
EBITA margin	21.8 %	21.4 %	
Basic earnings per share (CHF)[2]	2.39	2.23	7.0 %
Operating free cash flow[2]	138.7	127.1	9.1 %
Equity financing ratio[2]	62.2 %	67.4 %	

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.
[2] For detailed definitions, please refer to "Key Figures".

Sales increase of 10.4 % in local currencies to CHF 947.8 million

+9.6 % organic growth rate

+0.8 % growth from acquisitions

1.8 % negative currency impact

EBITA of CHF 206.2 million or 21.8 % of sales

+ 13.0 % in local currencies

Basic earnings per share of CHF 2.39

HEARING INSTRUMENTS SEGMENT

+9.9 % growth in local currencies

+9.0 % organic growth:

Successful product introductions

All regions contributing, Asia / Pacific in particular

+0.9 % growth from acquisitions

EBITA margin rising by 50 bps

COCHLEAR IMPLANTS SEGMENT

+ 16.2 % growth in local currencies:

Jump in system sales implies improved market position

Demonstrating synergies with the successful introduction of Naída CI Q70 speech processor

Break-even result despite significant product launch cost

LETTER TO SHAREHOLDERS

EXPANDING MARKET LEADERSHIP

– Sonova gained further market share during the first half of the current business year with both the hearing instruments and the cochlear implants segment showing solid growth. At the same time, the Group further expanded the operating margin and is on track to achieve its mid-term targets.

DEAR SHAREHOLDERS

We are pleased to report that the Sonova Group achieved solid financial results in the first half of fiscal year 2013/14. Supported by the launch of a broad range of innovative new products, both segments – hearing instruments and cochlear implants – achieved increases above the respective estimates for market growth, further expanding their positions. The Group achieved a marked margin improvement, while at the same time continued to invest in future growth.

Consolidated sales for the Sonova Group increased by 8.6 % in reported Swiss francs or 10.4 % in local currencies reaching CHF 947.8 million. The reported operating profit (EBITA) grew by 10.6 % in Swiss francs or 13.0 % in local currencies to CHF 206.2 million. This represents a 40 basis points improvement of the operating margin to reach 21.8 % and is another step towards Sonova's mid-term financial targets. The margin expansion was achieved despite significant launch costs for new products, investments towards a further integration of the US retail business and adverse mix effects from deferred processor revenues in the cochlear implants segment.

At Sonova, we remain committed to offer the most comprehensive range of solutions to treat all major forms of hearing loss and to bring the delight of hearing to ever more people. Consistent with this promise, we introduced an unprecedented range of new products and solutions both in our hearing instruments and cochlear implants segment, which provide true benefits to our customers. The success of our innovation strategy is reflected in our positive sales momentum and bodes well for the future growth of the Sonova Group.

HEARING INSTRUMENTS SEGMENT

In the period under review, both our wholesale and retail activities contributed to the positive result of the hearing instruments segment. Innovation continues to be the key for our business. Based on the Quest platform, the Phonak brand completely rejuvenated its entire product offering across all performance categories and form factors within twelve months. One of the main drivers of the growth was the very successful Receiver-In-Canal (RIC) form factor introduced in April 2013. The high level of satisfaction with the new Phonak products was reflected in that the Quest launch achieved a faster conversion from the previous platform than any prior new platform launch in the company's history. Also we continue to be encouraged by the ongoing uptake of Lyric, the world's only extended-wear, completely invisible hearing solution.

First introduced in October 2012, our Unitron brand broadened the application of the Flex concept, encouraged by a strong positive market response. With Flex:trial, the industry's first flexible and risk-free hearing trial solution, Unitron provides hearing care professionals with the opportunity to instantly offer their clients the experience of new hearing instruments at no cost or obligation. By providing Flex and other effective solutions to clinics, Unitron continues to prove the brand's dedication to be a customer service leader in the industry.

Sonova continues to set a fast pace of innovation as evidenced by the wide spectrum of products launched at the most recent International Congress of Hearing Aid Acousticians (EUHA) in October 2013. Phonak significantly expanded the Roger portfolio of solutions with the introduction of the easy-to-use wireless Roger Clip-On Mic and the inconspicuous Roger Pen. Operating at 2.4 GHz, these wireless devices transmit the speaker's voice or sound from a mobile phone or the TV directly into the user's hearing aid. With Sky Q, Phonak also introduced the most complete portfolio of pediatric solutions, which is based on 40 years of experience in this field and was developed in close collaboration with pediatric fitters worldwide. With Moxi² and Quantum² the Unitron brand introduced the next step in the evolution of the Era platform, offering new styles and a full set of features across four technology levels. These and other new products are a strong basis for the future growth of the hearing instruments segment.

Innovation does not only extend to products, but also into our services. Our retail business has harmonized corporate design and branding, centered around the Connect Hearing name. Innovative approaches like shop-in-shop concepts as well as online marketing and lead generation allows the company to provide easier access to best in class service in efficient clinic set ups. The success of Sonova's partnership with Boots, the UK's leading pharmacy-led health and beauty retailer, was evidenced by a particularly strong growth of this business in the first half of fiscal year 2013 / 14 and the further expansion of the number of hearing care locations.

COCHLEAR IMPLANTS SEGMENT

Over the past twelve months, the cochlear implants segment has introduced an unprecedented number of new products. They include the HiFoucs Mid-Scala electrode, which is designed to protect the delicate structures of the cochlea and ClearVoice, the first sound-processing algorithm in the industry to get a superiority claim. The highlight during the first half of fiscal year 2013 / 14 was the introduction of the Naída CI Q70 sound processor, which demonstrates the combined strengths of the Advance Bionics and Phonak R&D teams.

All these innovations were reflected in the strong growth of system sales, which exceeded overall market growth estimates. Advanced Bionics also won a large central government tender in China for the second time, for which deliveries will be mostly fulfilled in the second half of the current fiscal year. The cochlear implants segment remained on track to further improve its profitability and achieved a break-even result in the period under review, despite significant up-front investments into the broad global launch of all new Advanced Bionics products.

UPDATE ON PRODUCT LIABILITY CLAIMS

In April 2013, Advanced Bionics announced an increase of its product liability provision following the verdict of a US District Court in Kentucky in a case brought by a patient who had a cochlear implant that malfunctioned. The device in question was part of a voluntary recall announced by Advanced Bionics in March 2006, more than three years before the company was acquired by Sonova. The provision increase was reported with the results of financial year 2012 / 13. During the first half of fiscal year 2013 / 14 Advanced Bionics continued to settle product liability claims both under warranty and through out of court settlements. In addition, the Group announced in October 2013 that Advanced Bionics had signed settlement agreements regarding all claims of two US law firms, representing the majority of filed and unfiled product liability claims that were pending at that time, including the case in Kentucky. The terms of all the settlements are in line with the underlying assumptions of the provision for such product liability claims, which covers the costs of existing and expected future claims. Sonova will continue to provide updates if and when required and relevant.

CONTINUOUS INVESTMENT IN WORLD CLASS OPERATIONS

Sonova has a history of continuously improving the already lean manufacturing operations. Over the last decade the Group has been developing its global footprint of manufacturing sites to secure cost advantages, highest product quality and low supply chain risk. In October our Suzhou plant in China, with a staff of around 700 today's largest assembly plant in the hearing aid industry, celebrated its 10th anniversary, which received wide attention from both Chinese officials and the media. In the last three months, our regional customer service centers for repair and logistics in the US and in the UK moved into new purpose-fitted buildings in Aurora, Illinois, just south of Chicago, and in Warrington near Manchester respectively. Both facilities provide for state of the art work environments, with customers, employees and the company benefiting from even more efficient operations and are built to further consolidate Sonova's activities in the respective regions.

OUTLOOK 2013 / 14

Following the solid development and in light of the positive growth prospects for the second half of the fiscal year 2013 / 14 in both the hearing instruments and cochlear implants segment, Sonova is raising its guidance for the full year. The Group now expects sales to grow by 8 % – 10 % and the EBITA to rise between 11 % – 14 %, both measured in local currencies and referring to the normalized prior year values as displayed in the 2012/13 annual report. The previous guidance indicated a sales growth of 6 % – 8 % and an increase in the EBITA of 9 % – 13 % in local currencies and on a normalized basis.

We would also like to thank our shareholders for their trust, loyalty and great interest in Sonova. We are convinced that Sonova is well positioned to successfully implement the long-term strategy as communicated.

Robert Spoerry Chairman of the Board of Directors	Lukas Braunschweiler CEO

FINANCIAL REVIEW

– In the first half of the fiscal year 2013 / 14, Sonova generated sales of CHF 947.8 million, an increase of 8.6 % in reported Swiss francs or 10.4 % in local currencies. All businesses contributed to the top-line growth. Group EBITA rose by 13.0 % in local currencies to CHF 206.2 million.

DOUBLE-DIGIT SALES GROWTH

During the first six months of fiscal year 2013 / 14, Group sales increased by 8.6 % in reported Swiss francs or 10.4 % in local currencies compared to the same period last year. With the exception of the euro, the Swiss franc strengthened against all of the most relevant currencies over the course of the reporting period, reducing the reported sales growth by CHF 15.6 million or 1.8 %. Organic growth was at a very solid 9.6 % and growth from acquisitions accounted for 0.8 %.

GROWTH ACROSS ALL REGIONS, LED BY ASIA / PACIFIC

All major regions posted a solid sales increase in local currencies, and the success of the new Phonak products based on the Quest platform was an important common driver of growth. Sales in the EMEA region (Europe, Middle East and Africa), which accounted for 38 % of Group sales, rose by 8.3 % in local currencies. In the hearing instruments segment, a strong growth in key markets like Germany and the United Kingdom was partly offset by the negative impact of reimbursement changes in the Netherlands and Denmark. The cochlear implants segment also added to the growth in the region.

Sales in the United States increased by 10.1 % in local currency, accounting for 39 % of Group sales in the first six months of fiscal year 2013 / 14. The Group benefited from the strong demand in the commercial market and successfully expanded its high market share in the business with the US Department of Veterans Affairs (VA). Sales in the cochlear implants segment developed very satisfactory as well. The US regulatory approval of the highly anticipated new speech processor Naída CI Q70 was obtained in late August 2013. In the months before, sales were negatively impacted by the deferral of revenues for processors and by lower processor upgrade sales. Sales in the rest of the Americas (excluding the US) grew by 8.0 % in local currencies and accounted for 12 % of Group sales.

In the Asia / Pacific region sales rose by a strong 22.9 % in local currencies and contributed 11 % to Group sales. Growth was driven by strong hearing instrument revenues in China, Australia and Japan. The cochlear implants business benefited from a central government tender in China, where Advanced Bionics started to ship products in September.

POSITIVE MARGIN DEVELOPMENT

The reported gross profit margin for the period under review reached 68.5 %, close to the 68.8 % achieved in the prior year. The minor variance was caused by temporary product mix effects within the cochlear implants business, which recorded a lower share of high margin upgrade sales as customers deferred orders and waited for the availability of the new Naída CI Q70 speech processor. In the hearing instruments segment, the gross profit margin remained stable.

Reflecting its focus on innovation, the Group continued to invest in research and development (R&D) with net expenses rising by 5.3 % in local currencies to CHF 59.4 million or 6.3 % of sales for the first half of 2013 / 14. Gross R&D spending (including the increase in capitalized development costs) amounted to CHF 70.4 million, a similar level as in the prior year period and corresponding to 7.4 % of sales.

SALES BY REGIONS

in CHF m	1H 2013 / 14			1H 2012 / 13	
	Sales	Share	Growth in local currencies	Sales	Share
EMEA	362	38 %	8.3 %	331	38 %
USA	368	39 %	10.1 %	339	39 %
Americas (excl. USA)	117	12 %	8.0 %	114	13 %
Asia / Pacific	101	11 %	22.9 %	88	10 %
Total sales	**948**	**100 %**	**10.4 %**	**872**	**100 %**

Driven by organic volume growth, acquisitions in the retail business and product launches such as the Phonak Quest platform and Advanced Bionics Naída CI Q70 speech processor, sales and marketing costs increased by 8.8 % in Swiss francs or 10.5 % in local currencies and reached CHF 290.0 million. As a percentage of sales, the reported costs were largely unchanged at 30.6 %.

General and administrative expenses rose by 6.1 % in Swiss francs or 7.1 % in local currencies, slower than sales. The benefit of rigorous cost management was partly offset by cost for a deeper integration of the US retail activities. As a percentage of sales, general and administrative expenses dropped from 10.1 % to 9.9 %. Other income amounted to CHF 0.1 million. This compares to other expenses of CHF 2.6 million during the first half of fiscal year 2012/13, which reflected mainly the amount paid in connection with an out-of-court settlement with a group of investors. As a result, total operating expenses rose by 7.0 % in Swiss francs or 8.4 % in local currencies.

Thus, the operating profit before acquisition-related amortization (EBITA) was CHF 206.2 million, which represents an increase of 10.6 % in Swiss francs or 13.0 % in local currencies. The reported EBITA margin rose to a solid 21.8 %, up from 21.4 % during the same period last year. The unfavorable currency development impacted the reported EBITA by CHF 4.5 million or the reported EBITA margin by about 10 basis points.

The reported operating profit (EBIT) rose by 11.2 % to CHF 193.3 million, reflecting both the growth in the EBITA but also the slower growth in acquisition-related amortization, which rose by just 2.4 % compared to the prior year. Net financial expenses rose from CHF 2.2 million to CHF 5.1 million, caused by the unwinding of the discount on product liability provisions and a lower profit from associates. The Sonova Group's income after taxes was CHF 163.7 million, up 10.1 % compared to the previous year. For the first six months of 2013/14, basic earnings per share were CHF 2.39 compared to CHF 2.23 last year.

HEARING INSTRUMENTS SEGMENT: GROWING OUR MARKET-LEADING POSITION

With an organic sales increase of 9.0 % in the first half of 2013/14, the hearing instruments segment outpaced estimated market growth rates and further expanded the Group's leading market position. Sales reached CHF 865.8 million, representing a growth of 8.1 % in reported Swiss francs and 9.9 % in local currencies. Acquisitions contributed 0.9 % to the sales growth.

Both the Group's wholesale and retail businesses contributed to the growth within the hearing instruments segment. The success of the Phonak Quest platform introduced in October 2012 and substantially expanded with the very important Receiver-In-Canal (RIC) form factor at the AudiologyNOW! congress in April 2013 continued through the first half of 2013/14. Unitron managed to further expand its market share with the US Department of Veterans Affairs (VA) and posted strong growth in Germany, France and China. Growth in the retail business continued to be driven by a strong performance of the partnership with Boots, the UK's leading pharmacy-led health and beauty retailer.

Within the product categories, premium hearing instruments showed the strongest increase, reporting a growth in local currencies of 16.2 %. This further demonstrates the success of Sonova's launch strategy, to provide new products simultaneously over a broad range of performance categories. The increase in premium hearing instruments is also supported by growth of the Lyric product, the first and only invisible extended wear solution in the industry. Both standard and advanced hearing instruments contributed to the growth as well, with a

SALES BY PRODUCT GROUPS

in CHF m			1H 2013/14		1H 2012/13
	Sales	Share	Growth in local currencies	Sales	Share
Premium hearing instruments	221	23 %	16.2 %	192	22 %
Advanced hearing instruments	216	23 %	3.8 %	212	24 %
Standard hearing instruments	268	28 %	14.6 %	240	28 %
Wireless communication systems	31	3 %	0.5 %	31	4 %
Miscellaneous	130	14 %	3.8 %	126	14 %
Total hearing instruments	**866**	**91 %**	**9.9 %**	**801**	**92 %**
Cochlear implants and accessories	82	9 %	16.2 %	71	8 %
Total sales	**948**	**100 %**	**10.4 %**	**872**	**100 %**

sales increase in local currencies of 14.6 % and 3.8 % respectively. After declining for two years, sales of wireless communication systems started to turn around with the introduction of the all-new 2.4 GHz technology based Roger system.

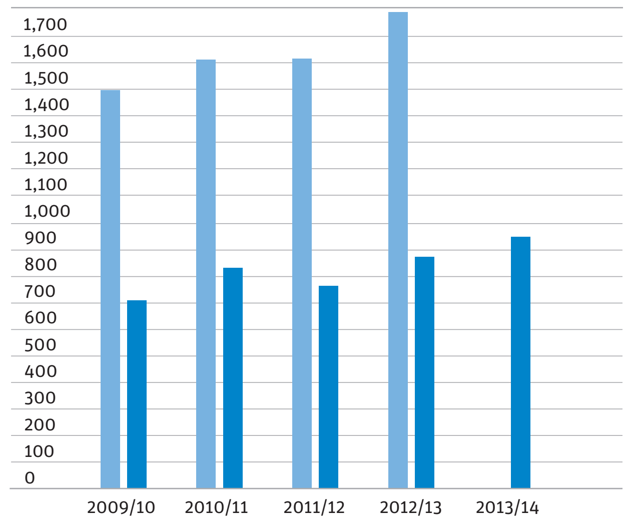
The EBITA margin of the hearing instruments segment expanded by 50 basis points to 23.8 %, corresponding to an EBITA of CHF 206.2 million. This represents an increase of 10.2 % in Swiss francs and 12.6 % in local currencies. The positive operating leverage in the wholesale business was partly offset by the cost of the effort for a deeper integration of our US retail business with regards to branding under the Connect Hearing name and to centralized administration and harmonized retail business systems.

COCHLEAR IMPLANTS SEGMENT: STRONG SYSTEM SALES

The cochlear implants segment achieved sales of CHF 82.0 million in the first half of 2013 / 14, which represents a growth rate of 15.0 % in Swiss francs and 16.2 % in local currencies. This was a remarkable achievement given the effects of deferred customer demand in the US where patients were waiting for the highly anticipated new speech processor Naída CI Q70. Shipments started in August 2013, two months later than the launch in most other larger markets. This negatively affected mainly sales of speech processor upgrades and led to deferred revenues, as under the pre-launch program for implant systems, the portion of sales related to the Naída CI Q70 speech processor was not yet recognized. With system sales in both the developed and emerging markets clearly exceeding revenue growth, Advanced Bionics maintained the strong momentum and clearly expanded its market position on the back of the recent product launches.

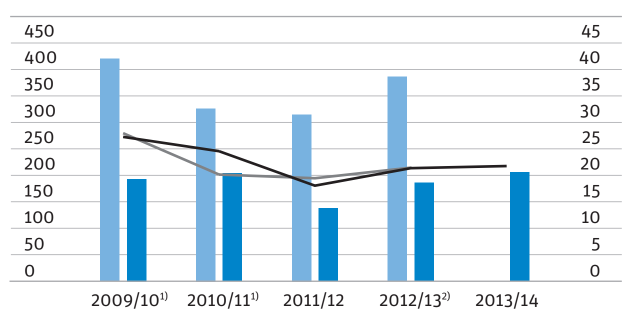
The cochlear implants segment reached break-even, below the previous year's performance, which was a satisfactory result given the mentioned non-recurring effects of the period. In particular the deferral of high margin upgrade sales and significant expenses from the launch of new products, namely the new Naída CI Q70 speech processor, impacted the EBITA for the period.

SALES
in CHF m



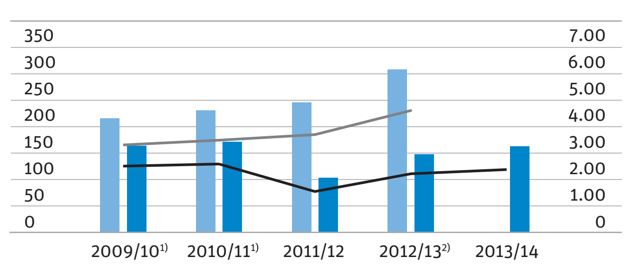
EBITA
in CHF m

EBITA
margin in %



INCOME AFTER TAXES
in CHF m

EPS in CHF



Financial year figures

Half-year figures

1) Restated based on finalization of the acquistion accounting of Advanced Bionics.
2) Restated following the implementation of IAS 19 (revised), refer Note 2. Full-year numbers exclude one-off costs.

SOLID FREE CASH FLOW

The cash flow from operating activities rose by 14.7 % to CHF 191.6 million in the period under review. A strong cash flow before changes in net working capital was partly offset by movements in certain working capital positions that were unfavorable to the cash flow if compared to prior year. Those were in particular the receivables as well as other payables, accruals and short term provisions. With investments in tangible and intangible assets largely unchanged at CHF 44.5 million, the operating free cash flow increased by 9.1 % to CHF 138.7 million. Given significantly lower M&A activity during the first half, the cash consideration for acquisitions dropped from CHF 40.8 million last year to CHF 13.1 million during the reporting period. In summary, this resulted in a free cash flow of CHF 125.6 million which is up 45.5 % from last year.

The reported net working capital was relatively stable at CHF 184.8 million compared to CHF 187.1 million in March 2013, as non-cash foreign exchange effects offset the cash effective movements referred to above. Capital employed was largely unchanged at CHF 1,453 million after CHF 1,455 million in March 2013. Helped by the strong free cash flow, the Group ended the period with a net cash position of CHF 180.2 million, slightly down from the CHF 185.8 million in March 2013. This was achieved despite the fact that in June 2013 Sonova paid out CHF 107 million to its shareholders in the form of a distribution from the capital contribution reserve an increase of 34 % compared to the prior financial year.

In October 2013 Advanced Bionics was able to settle the majority of pending “Vendor B” product liability claims. The terms of settlements were fully in line with the underlying assumptions of the provision for such claims. The impact of said settlements will affect the accounts of the second half of 2013 / 14. The Group’s equity amounted to CHF 1,634 million with the equity ratio rising from 61.2 % in March 2013 to 62.2 % in September 2013.

OUTLOOK 2013 / 14

Following the solid development and in light of the positive growth prospects for the second half of the fiscal year 2013 / 14 in both the hearing instruments and cochlear implants segment, Sonova is raising its guidance for the full year. The Group now expects sales to grow by 8 % – 10 % and the EBITA to rise between 11 % – 14 %, both measured in local currencies and referring to the normalized prior year values as displayed in the 2012/13 annual report. The previous guidance indicated a sales growth of 6 % – 8 % and an increase in the EBITA of 9 % – 13 % in local currencies and on a normalized basis.

Based on the current exchange rate environment the somewhat negative currency effects observed in the first half year can be expected to continue in the second half year. While actual reported results may vary based on currency fluctuations, Sonova continues to mitigate the impact of the strong Swiss franc on earnings growth through its long-term global resource allocation strategy.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2013

KEY FIGURES

April 1 to September 30, in 1,000 CHF unless otherwise specified	2013	2012[1]
Sales	**947,782**	**872,434**
change compared to previous year (%)	8.6	14.3
Gross profit	**649,209**	**600,545**
change compared to previous year (%)	8.1	15.0
in % of sales	68.5	68.8
Research and development costs	**59,424**	**56,673**
in % of sales	6.3	6.5
Sales and marketing costs	**290,049**	**266,582**
in % of sales	30.6	30.6
Operating profit before acquisition-related amortization (EBITA)	**206,240**	**186,420**
change compared to previous year (%)	10.6	34.7
in % of sales	21.8	21.4
Operating profit (EBIT)	**193,328**	**173,814**
change compared to previous year (%)	11.2	41.2
in % of sales	20.4	19.9
Income after taxes	**163,671**	**148,603**
change compared to previous year (%)	10.1	43.2
in % of sales	17.3	17.0
Number of employees (average)	**9,020**	**8,494**
change compared to previous year (%)	6.2	8.1
Number of employees (end of period)	**9,102**	**8,741**
change compared to previous year (%)	4.1	9.3
Net cash[2]	**180,231**	**(51,353)**
Net working capital[3]	**184,834**	**207,411**
in % of sales	19.5	23.8
Capital expenditure (tangible and intangible assets)[4]	**44,303**	**43,241**
Capital employed[5]	**1,453,353**	**1,652,354**
Total assets	**2,628,072**	**2,376,426**
Equity	**1,633,584**	**1,601,001**
Equity financing ratio (%)[6]	**62.2**	**67.4**
Free cash flow[7]	**125,644**	**86,341**
Operating free cash flow[8]	**138,709**	**127,114**
in % of sales	14.6	14.6
Return on capital employed (%)[9]	**11.3**	**21.8**
Return on equity (%)[10]	**7.8**	**20.2**
Basic earnings per share (CHF)	**2.39**	**2.23**
Diluted earnings per share (CHF)	2.39	2.23

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.
[2] Cash and cash equivalents + other current financial assets (without loans) – current financial liabilities – non-current financial liabilities.
[3] Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – other short-term liabilities – short-term provisions.
[4] Excluding goodwill and intangibles relating to acquisitions.
[5] Equity – net cash.
[6] Equity in % of total assets.
[7] Cash flow from operating activities + cash flow from investing activities.
[8] Free cash flow – cash consideration for acquisitions, net of cash acquired.
[9] EBIT (last 12 months) in % of capital employed (average). 2013 figure significantly affected by one-off costs in financial year 2012 / 13.
[10] Income after taxes (last 12 months) in % of equity (average). 2013 figure significantly affected by one-off costs in financial year 2012 / 13.

CONSOLIDATED INCOME STATEMENTS

April 1 to September 30, 1,000 CHF	2013	2012[1]
Sales	**947,782**	**872,434**
Cost of sales	(298,573)	(271,889)
Gross profit	**649,209**	**600,545**
Research and development	(59,424)	(56,673)
Sales and marketing	(290,049)	(266,582)
General and administration	(93,639)	(88,273)
Other income / (expenses), net	143	(2,597)
Operating profit before acquisition-related amortization (EBITA)[2]	**206,240**	**186,420**
Acquisition-related amortization	(12,912)	(12,606)
Operating profit (EBIT)[3]	**193,328**	**173,814**
Financial income	961	1,134
Financial expenses	(5,829)	(4,378)
Share of (loss) / profit in associates / joint ventures	(229)	1,022
Income before taxes	**188,231**	**171,592**
Income taxes	(24,560)	(22,989)
Income after taxes	**163,671**	**148,603**
Attributable to:		
Equity holders of the parent	160,425	148,692
Non-controlling interests	3,246	(89)
Basic earnings per share (CHF)	2.39	2.23
Diluted earnings per share (CHF)	2.39	2.23

1) Restated following the implementation of IAS 19 (revised), refer Note 2.
2) Earnings before financial result, share of profit / (loss) in associates / joint ventures, taxes and acquisition-related amortization (EBITA).
3) Earnings before financial result, share of profit / (loss) in associates / joint ventures and taxes (EBIT).

The Notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

April 1 to September 30, 1,000 CHF	2013	2012[1]
Income after taxes	**163,671**	**148,603**
Other comprehensive income		
Actuarial loss from defined benefit plans, net	(86)	(4,286)
Tax effect on actuarial loss from defined benefit plans	12	581
Total items not to be reclassified to income statement in subsequent periods	**(74)**	**(3,705)**
Fair value adjustment on cash flow hedges	2,020	300
Currency translation differences	(55,928)	44,139
Tax effect on currency translation items	2,094	(1,708)
Total items to be reclassified to income statement in subsequent periods	**(51,814)**	**42,731**
Other comprehensive income, net of tax	**(51,888)**	**39,026**
Total comprehensive income	**111,783**	**187,629**
Attributable to:		
Equity holders of the parent	108,312	187,641
Non-controlling interests	3,471	(12)

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.

The Notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Assets 1,000 CHF	30.9.2013	31.3.2013[1)]	30.9.2012[1)]
Cash and cash equivalents	424,171	434,766	200,434
Other current financial assets	4,484	4,640	5,367
Trade receivables	330,116	339,689	336,413
Current income tax receivables	9,228	10,968	7,493
Other receivables and prepaid expenses	71,368	71,505	61,690
Inventories	203,169	204,258	175,942
Total current assets	**1,042,536**	**1,065,826**	**787,339**
Property, plant and equipment	249,193	248,571	247,723
Intangible assets	1,158,153	1,199,769	1,182,495
Investments in associates / joint ventures	19,413	19,339	16,919
Other non-current financial assets	38,016	30,032	41,110
Deferred tax assets	120,761	116,505	100,840
Total non-current assets	**1,585,536**	**1,614,216**	**1,589,087**
Total assets	**2,628,072**	**2,680,042**	**2,376,426**

Liabilities and equity 1,000 CHF	30.9.2013	31.3.2013[1)]	30.9.2012[1)]
Current financial liabilities	3,896	7,196	8,394
Trade payables	64,326	74,684	52,560
Current income tax liabilities	60,124	57,209	55,648
Other short-term liabilities	184,999	205,748	190,230
Short-term provisions	124,082	106,271	80,895
Total current liabilities	**437,427**	**451,108**	**387,727**
Non-current financial liabilities	240,044	241,770	243,554
Long-term provisions	220,884	256,083	80,374
Other long-term liabilities	46,670	44,272	34,344
Deferred tax liabilities	49,463	45,549	29,426
Total non-current liabilities	**557,061**	**587,674**	**387,698**
Total liabilities	**994,488**	**1,038,782**	**775,425**
Share capital	3,359	3,358	3,334
Treasury shares	5,521	9,401	7,568
Retained earnings and other reserves	1,594,830	1,600,058	1,588,560
Equity attributable to equity holders of the parent	**1,603,710**	**1,612,817**	**1,599,462**
Non-controlling interests	29,874	28,443	1,539
Equity	**1,633,584**	**1,641,260**	**1,601,001**
Total liabilities and equity	**2,628,072**	**2,680,042**	**2,376,426**

1) Restated following the implementation of IAS 19 (revised), refer Note 2.

The Notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENTS

April 1 to September 30, 1,000 CHF		2013		2012[1]
Income before taxes		**188,231**		**171,592**
Depreciation and amortization of tangible and intangible assets	41,217		39,351	
Loss on sale of tangible and intangible assets, net	236		121	
Share of loss / (gain) in associates / joint ventures	229		(1,022)	
Increase / (decrease) in long-term provisions	601		(982)	
Financial expenses, net	4,868		3,244	
Unrealized exchange differences	12,921		(3,152)	
Share based payments	10,395		8,411	
Other non-cash items	1,538	72,005	929	46,900
Cash flow before changes in net working capital		**260,236**		**218,492**
(Increase) / decrease in trade receivables	(6,579)		8,979	
Increase in other receivables and prepaid expenses	(1,595)		(6,721)	
Increase in inventories	(10,305)		(8,873)	
Decrease in trade payables	(8,241)		(18,557)	
(Decrease) / increase in other payables, accruals and short-term provisions	(15,869)		9,270	
Income taxes paid	(26,044)	(68,633)	(35,478)	(51,380)
Cash flow from operating activities		**191,603**		**167,112**
Purchase of tangible and intangible assets	(44,519)		(43,290)	
Proceeds from sale of tangible and intangible assets	693		284	
Cash consideration for acquisitions, net of cash acquired	(13,065)		(40,773)	
(Increase) / decrease in other financial assets	(10,228)		2,164	
Interest received and realized gain from financial assets	1,160		844	
Cash flow from investing activities		**(65,959)**		**(80,771)**
Increase in borrowings	579		494	
Proceeds from capital increases	1,658		9,226	
(Purchase) / sale of treasury shares, net	(22,324)		(1,095)	
Dividends paid	(107,441)		(79,888)	
Changes in non-controlling interests	(1,634)		(4,680)	
Interest paid and other financial expenses	(3,084)		(3,306)	
Cash flow from financing activities		**(132,246)**		**(79,249)**
Exchange (losses) / gains on cash and cash equivalents		(3,993)		1,404
(Decrease) / increase in cash and cash equivalents		**(10,595)**		**8,496**
Cash and cash equivalents at April 1		434,766		191,938
Cash and cash equivalents at September 30		**424,171**		**200,434**

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.

The Notes are an integral part of the interim consolidated financial statements.

CONSOLIDATED CHANGES IN EQUITY

	Attributable to equity holders of Sonova Holding AG						
1,000 CHF	Share capital	Retained earnings and other reserves[1]	Translation adjustment	Treasury shares	Hedge reserve	Non-controlling interests	Total equity[1]
Balance March 31, 2012 (as published)	**3,329**	**1,710,080**	**(233,551)**	**2,733[2]**	**(8,466)**	**1,753**	**1,475,878**
Effect of adopting IAS 19 (revised)		4,961					4,961
Balance April 1, 2012 (revised)	**3,329**	**1,715,041**	**(233,551)**	**2,733[2]**	**(8,466)**	**1,753**	**1,480,839**
Income for the period		148,692				(89)	148,603
Other comprehensive income		(3,705)	42,354		300	77	39,026
Total comprehensive income		**144,987**	**42,354**		**300**	**(12)**	**187,629**
Changes in non-controlling interests		(4,185)				(202)	(4,387)
Capital increase from conditional capital	5	9,221					9,226
Share-based payments		2,907					2,907
Sale of treasury shares		(160)		5,930			5,770
Purchase of treasury shares				(1,095)			(1,095)
Dividend paid		(79,888)					(79,888)
Balance September 30, 2012	**3,334**	**1,787,923**	**(191,197)**	**7,568[2]**	**(8,166)**	**1,539**	**1,601,001**
Balance March 31, 2013 (as published)	**3,358**	**1,782,857**	**(182,520)**	**9,401[2]**	**(6,201)**	**28,443**	**1,635,338**
Effect of adopting IAS 19 (revised)		5,922					5,922
Balance April 1, 2013 (revised)	**3,358**	**1,788,779**	**(182,520)**	**9,401[2]**	**(6,201)**	**28,443**	**1,641,260**
Income for the period		160,425				3,246	163,671
Other comprehensive income		(74)	(54,059)		2,020	225	(51,888)
Total comprehensive income		**160,351**	**(54,059)**		**2,020**	**3,471**	**111,783**
Changes in non-controlling interests		427				(2,040)	(1,613)
Capital increase from conditional capital	1	1,657					1,658
Share-based payments		6,094					6,094
Sale of treasury shares		(14,277)		35,057			20,780
Purchase of treasury shares				(38,937)			(38,937)
Dividend paid		(107,441)					(107,441)
Balance September 30, 2013	**3,359**	**1,835,590**	**(236,579)**	**5,521[2]**	**(4,181)**	**29,874**	**1,633,584**

1) Restated following the implementation of IAS 19 (revised), refer Note 2.
2) Includes derivative financial instruments on treasury shares.

The Notes are an integral part of the interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2013

1. CORPORATE INFORMATION

The Sonova Group (the "Group") specializes in the design, development, manufacture, worldwide distribution and service of technologically advanced hearing systems for adults and children with hearing impairment. The Group operates worldwide and distributes its products in over 90 countries through its own distribution network and through independent distributors. The Group operates in industries where no material seasonal or cyclical variations in sales have been experienced. The ultimate parent company is Sonova Holding AG, a limited liability company incorporated in Switzerland. Sonova Holding AG's registered office is located at Laubisrütistrasse 28, 8712 Stäfa, Switzerland.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These unaudited financial statements are the interim consolidated financial statements of Sonova Holding AG and its subsidiaries for the six month period ended September 30, 2013. These financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in conjunction with the consolidated financial statements for the year ended March 31, 2013. The interim consolidated financial statements were approved by the Board of Directors on November 14, 2013.

Except as described below, the Group consistently applied the same accounting policies as in the Annual Financial Statements for the financial year ended March 31, 2013.

The following new standards and amendments have been adopted as of April 1, 2013 without having a significant impact on the Group's result and financial position:

- IFRS 10 "Consolidated financial statements"
  The new standard which replaced IAS 27, introduced a new single definition of control.
- IFRS 11 "Joint arrangements"
  The new standard which replaced IAS 31, eliminated the policy choice of proportionate consolidation for jointly controlled entities.
- IFRS 12 "Disclosures of interest in other entities"
  The new standard combined and enhanced disclosure requirements for subsidiaries, joint arrangements and unconsolidated entities.
- IFRS 13 "Fair value measurement"
  The new standard provides guidance on how to measure and to disclose assets and liabilities at fair value. The new standard does not specify rules in which cases the fair value has to be used.
- IAS 1 "Presentation of items of other comprehensive income"
  The amendment to IAS 1 requires that items that are presented in other comprehensive income have to be separated based on whether they may be recycled to profit or loss in the future or not.
- Annual improvements of IFRS and interpretations (IFRIC)

In addition the Group has adopted IAS 19 (revised) "Employee benefits" as of April 1, 2013. The effects arising from the application of IAS 19 (revised) are explained below.

Application of IAS 19 (revised) "Employee benefits"
Among other items the revised standard requires that the previously separately calculated interest costs and the expected return on plan assets was replaced by a single net interest component calculated by applying the discount rate to the net defined benefit asset or liability. The net interest component is recognized in the income statement in the financial result.

The revised standard IAS 19 requires a retrospective application, resulting in a restatement of previously published figures. The impact on the equity as of April 1, 2012 amounted to CHF 5.0 million, increasing total equity to CHF 1,480.8 million. The main impact from the restatement on the income statement for the six month period ending September 2012 was an effect on the EBITA of CHF –0.6 million and an increase in financial expenses of CHF 0.1 million. A reconciliation between the previously published results and the restated amounts as per the respective dates is presented below.

EFFECTS ON THE CONSOLIDATED INCOME STATEMENT

Consolidated income statement

April 1 to September 30, 1,000 CHF	2012		2012
	Published	Application of IAS 19 (revised)	Restated
Cost of sales	(271,727)	(162)	(271,889)
Gross profit	**600,707**	**(162)**	**600,545**
Research and development	(56,494)	(179)	(56,673)
Sales and marketing	(266,474)	(108)	(266,582)
General and administration	(88,159)	(114)	(88,273)
Operating profit before acquisition-related amortization (EBITA)	**186,983**	**(563)**	**186,420**
Operating profit (EBIT)	**174,377**	**(563)**	**173,814**
Financial expenses	(4,263)	(115)	(4,378)
Income before taxes	**172,270**	**(678)**	**171,592**
Income taxes	(23,084)	95	(22,989)
Income after taxes	**149,186**	**(583)**	**148,603**
Attributable to:			
Equity holders of the parent	149,275	(583)	148,692
Non-controlling interests	(89)		(89)
Basic earnings per share (CHF)	2.24	(0.01)	2.23
Diluted earnings per share (CHF)	2.24	(0.01)	2.23

EFFECTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income

April 1 to September 30, 1,000 CHF	2012		2012
	Published	Application of IAS 19 (revised)	Restated
Income after taxes	**149,186**	**(583)**	**148,603**
Actuarial loss from defined benefit plans, net	(5,420)	1,134	(4,286)
Tax effect on actuarial loss from defined benefit plans	731	(150)	581
Other comprehensive income, net of tax	38,042	984	39,026
Total comprehensive income	**187,228**	**401**	**187,629**
Attributable to:			
Equity holders of the parent	187,240	401	187,641
Non-controlling interests	(12)		(12)

EFFECTS ON THE CONSOLIDATED BALANCE SHEETS

Consolidated Balance Sheets

1,000 CHF	31.03.2013		31.03.2013	30.09.2012		30.09.2012
	Published	Application of IAS 19 (revised)	Restated	Published	Application of IAS 19 (revised)	Restated
Deferred tax assets	117,397	(892)	116,505	101,653	(813)	100,840
Total non-current assets	1,615,108	(892)	1,614,216	1,589,900	(813)	1,589,087
Total assets	**2,680,934**	**(892)**	**2,680,042**	**2,377,239**	**(813)**	**2,376,426**
Long-term provisions	256,908	(825)	256,083	81,113	(739)	80,374
Other long-term liabilities	50,261	(5,989)	44,272	39,780	(5,436)	34,344
Total non-current liabilities	**594,488**	**(6,814)**	**587,674**	**393,873**	**(6,175)**	**387,698**
Total liabilities	**1,045,596**	**(6,814)**	**1,038,782**	**781,600**	**(6,175)**	**775,425**
Retained earnings and other reserves	1,594,136	5,922	1,600,058	1,583,198	5,362	1,588,560
Equity attributable to equity holders of the parent	**1,606,895**	**5,922**	**1,612,817**	**1,594,100**	**5,362**	**1,599,462**
Equity	**1,635,338**	**5,922**	**1,641,260**	**1,595,639**	**5,362**	**1,601,001**
Total liabilities and equity	**2,680,934**	**(892)**	**2,680,042**	**2,377,239**	**(813)**	**2,376,426**

Although the Group is still assessing the potential impacts of the various new and revised standards and interpretations that will be effective for the financial years starting April 1, 2014 and beyond, based on the analysis to date the Group does not expect a significant impact on the Group's result and financial position.

The preparation of financial statements requires management to make assumptions and estimates that affect the amounts reported for assets and liabilities and contingent assets and liabilities at the date of the financial statements as well as revenue and expenses reported. Actual results could differ from these estimates.

Income tax expense is recognized based upon the best estimate of the average annual income tax rate expected for the full year.

From the total of CHF 12.9 million acquisition-related amortization costs (prior year CHF 12.6 million), CHF 1.9 million (prior year CHF 2.0 million) relate to research and development and CHF 11.0 million (prior year CHF 10.6 million) relate to sales and marketing.

As of September 30, 2013 the actuarial valuations for the main pension plans were updated. While most parameters for the calculation remained unchanged, the discount rate for the Swiss pension plans was increased from 2.0 % to 2.4 % compared to March 31, 2013, and for the demographic assumptions the BVG 2010 generation tables were applied whereas per March 31, 2013 BVG 2010 periodic tables were applied.

3. SIGNIFICANT EVENTS AND TRANSACTIONS

As of April 16, 2013 Advanced Bionics was confronted with a verdict of the Kentucky Western District Court. A case was brought by a patient whose cochlear implant malfunctioned as a result of moisture ingress. The device in question was part of a voluntary recall issued by Advanced Bionics in March 2006. A jury awarded the plaintiff, Sadler, unexpectedly high damages, including punitive damages, totaling USD 7.25 million. As of April 26, 2013 the Group informed that its US subsidiary Advanced Bionics LLC decided to appeal the verdict of the Kentucky Western District Court. In the light of the verdict, Sonova reassessed its provision for such claims and decided to increase the provision by CHF 197.8 million to CHF 249.5 million as per the end of the financial year 2012 / 13. As of October 21, 2013 Advanced Bionics LLC had signed settlement agreements that resolved the majority of current product liability claims, including the case Sadler v. Advanced Bionics as mentioned above. For further information refer to Note 9 “Events after balance sheet date”.

As of February 22, 2013 Sonova Holding AG announced that Boots UK Limited, the UK’s leading pharmacy-led health and beauty retailer and member of Alliance Boots, acquired a 49 % minority stake in David Ormerod Hearing Centres, a company owned 100 % by the Sonova Group. As the change in ownership interest did not result in a loss of control, the sale was accounted as an equity transaction.

As of October 10, 2012 Sonova Holding AG announced the potential reorganization of AB Sarl in Rixheim France, which then employed 47 people. Since October 2012 the plans have further developed and substantiated. Restructuring costs have been considered and were included in the annual income statement 2012 / 13 in the line “Other expenses, net”. As of September 30, 2013 the reorganization was still ongoing, but no further reorganization costs were recognized in the six month period ending September 30, 2013.

As of October 5, 2012 the Group announced an out-of-court settlement with investors represented by Deminor. The settlement related to purported claims raised by these investors in connection with the profit warning on March 16, 2011. Under the terms of the agreement, Sonova agreed to pay CHF 2.6 million in full settlement of all alleged claims without acknowledging any legal obligation. In the interim financial statements for the six month period ended September 30, 2012, this settlement has been considered and the related costs are included in the income statement 2012 in the line “Other income / (expenses), net”.

4. CHANGES IN GROUP STRUCTURE

During the first six months of the financial year 2013 / 14, as well as in the prior period 2012 / 13, several small companies were acquired in Europe, Asia / Pacific and North America.

All of the acquired companies are engaged in the business of selling hearing instruments and have been accounted for applying the purchase method of accounting. Incremental assets and liabilities resulting from the acquisitions look as follows:

1,000 CHF	2013	2012
Trade receivables	142	244
Other current assets	125	639
Property, plant and equipment	125	999
Intangible assets	1,961	8,530
Other non-current assets	20	1,285
Current liabilities	(187)	(735)
Non-current liabilities	(409)	(1,877)
Net assets	**1,777**	**9,085**
Goodwill	4,761	19,686
Purchase consideration	**6,538**	**28,771**
Liabilities for earn-outs or holdbacks[1)]	(87)	(4,371)
Cash consideration	**6,451**	**24,400**
Cash and cash equivalents acquired		(356)
Cash consideration, net of cash acquired	**6,451**	**24,044**
Cash outflow for investments in associates, non-controlling interests and earn-out payments	6,614	16,729
Total cash outflow from acquisitions	**13,065**	**40,773**

1) Earn-out payments are dependent on the future performance of the acquired companies and the liability for earn-outs is based on the latest estimate of the future performance.

The initial accounting for the acquisitions in the current financial year is provisional and the fair values assigned to the identifiable assets acquired and liabilities assumed are still subject to change. The goodwill is attributed mainly to expected synergies, the labor force and the favorable sales growth potential. Acquisition-related costs in the amount of CHF 0.1 million (prior year period CHF 0.2 million) have been expensed and are included in the line “General and administration”.

April 1 to September 30, 1,000 CHF	2013	2012
Contribution of acquired companies from date of acquisition		
Sales	1,541	3,338
Net income	363	71
Contribution, if the acquisitions occurred on April 1		
Sales	1,871	5,732
Net income	400	11

5. SEGMENT INFORMATION

The Group is active in two business segments, hearing instruments and cochlear implants. The segment information for the first six months of the financial years 2013 / 14 and 2012 / 13 is as follows:

1,000 CHF	2013	2012[1)]	2013	2012[1)]	2013	2012	2013	2012[1)]
	Hearing instruments		Cochlear implants		Corporate / Eliminations		Total	
Segment sales	866,515	801,194	82,014	71,324			948,529	872,518
Intersegment sales	(711)	(41)	(36)	(43)			(747)	(84)
Sales	**865,804**	**801,153**	**81,978**	**71,281**			**947,782**	**872,434**
Operating profit before acquisition-related amortization (EBITA)	**206,170**	**187,011**	**70**	**2,009**		**(2,600)**	**206,240**	**186,420**
Segment assets	**2,086,089**	**2,063,510**	**522,079**	**494,212**	**(544,440)**	**(499,650)**	**2,063,728**	**2,058,072**
Unallocated assets[2)]							564,344	318,354
Total assets							**2,628,072**	**2,376,426**

1) Restated following the implementation of IAS 19 (revised), refer Note 2.
2) Unallocated assets include cash and cash equivalents, other current financial assets (excluding loans), investments in associates / joint ventures, employee benefit assets and deferred tax assets.

Reconciliation of reportable segment profit 1,000 CHF	2013	2012[1)]
EBITA (as per segment reporting)	206,240	186,420
Acquisition-related amortization	(12,912)	(12,606)
Financial expenses, net	(4,868)	(3,244)
Share of (loss) / gain in associates / joint ventures	(229)	1,022
Income before taxes	**188,231**	**171,592**

1) Restated following the implementation of IAS 19 (revised), refer Note 2.

6. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the income after taxes attributable to the ordinary equity holders of the parent company by the weighted average number of shares outstanding during the year.

Basic earnings per share	2013	2012[1)]
Income after taxes (1,000 CHF)	160,425	148,692
Weighted average number of outstanding shares	67,120,446	66,571,033
Basic earnings per share (CHF)	**2.39**	**2.23**

[1)] Restated following the implementation of IAS 19 (revised), refer Note 2.

In the case of diluted earnings per share, the weighted average number of shares outstanding is adjusted for all outstanding dilutive options. The weighted average number of shares is adjusted for all dilutive options issued under the stock option plans which have been granted in 2009 through 2013 and which have not yet been exercised. Non-dilutive options have not been considered. The calculation of diluted earnings per share is based on the same income after taxes for the period as used in calculating basic earnings per share.

Diluted earnings per share	2013	2012[1)]
Income after taxes (1,000 CHF)	160,425	148,692
Weighted average number of outstanding shares	67,120,446	66,571,033
Adjustment for dilutive share options	101,736	108,269
Adjusted weighted average number of outstanding shares	67,222,182	66,679,302
Diluted earnings per share (CHF)	**2.39**	**2.23**

[1)] Restated following the implementation of IAS 19 (revised), refer Note 2.

7. CONTINGENCIES AND BANK DEBTS

There have been no material changes in contingent liabilities since March 31, 2013.

As of September 30, 2013, out of the total bank debts of CHF 470 million granted in connection with the acquisition of Advanced Bionics in December 2009, CHF 230 million were still outstanding. In the six month period ending September 30, 2013 there have been no repayments.

8. MOVEMENTS IN SHARE CAPITAL

The Annual General Shareholders' Meeting of June 18, 2013 resolved a distribution of CHF 1.60 per registered share for the financial year 2012 / 13. The distribution was paid in June 2013 to all shares outstanding, excluding treasury shares.

Issued registered shares	Issued registered shares	Treasury shares[1]	Outstanding shares
Balance April 1, 2012	**66,574,333**	**(39,782)**	**66,534,551**
Issue of new shares from conditional capital[2]	97,648		97,648
Purchase of treasury shares		(11,352)	(11,352)
Sale / transfer of treasury shares[3]		49,789	49,789
Balance September 30, 2012	**66,671,981**	**(1,345)**	**66,670,636**
Balance April 1, 2013	**67,151,815**	**(26,714)**	**67,125,101**
Issue of new shares from conditional capital[2]	21,472		21,472
Purchase of treasury shares		(368,556)	(368,556)
Sale / transfer of treasury shares[3]		385,389	385,389
Balance September 30, 2013	**67,173,287**	**(9,881)**	**67,163,406**

Each share has a nominal value of CHF 0.05.

[1] Treasury shares are purchased on the open market and are not entitled to dividends.

[2] Created for the purpose of the employee share option plan.

[3] Mainly in connection with the employee share option plan.

9. EVENTS AFTER BALANCE SHEET DATE

As of October 21, 2013 Sonova Holding AG announced that its US subsidiary Advanced Bionics LLC had signed settlement agreements regarding the majority of current filed and unfiled product liability claims related to cochlear implant malfunctions, including the case of Sadler v. Advanced Bionics, in which a trial was completed earlier this year in Kentucky but which was subject to a pending post-trial motion and a potential appeal. As the terms of the settlements were in line with the underlying assumptions of the provision for such product liability claims, this settlement did not lead to an adjustment of the provision for product liabilities as of September 30, 2013.

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ABOUT SONOVA

Sonova Holding AG, headquartered in Staefa, Switzerland, is the leading manufacturer of innovative hearing care solutions. The Group operates through its core business brands Phonak, Unitron, Advanced Bionics and Connect Hearing. Sonova offers its customers one of the most comprehensive product portfolios in the industry – from hearing instruments to cochlear implants to wireless communication solutions.

Founded in 1947, the Group is currently present in over 90 countries across the globe and has a workforce of around 9,000 dedicated employees. Sonova generated sales of CHF 1.8 billion in the financial year 2012/13 and a normalized net profit of CHF 309 million. By supporting the Hear the World Foundation, Sonova pursues its vision of a world where everyone enjoys the delight of hearing and therefore lives a life without limitations.

For more information please visit
www.sonova.com and www.hear-the-world.com.

Sonova shares (ticker symbol: SOON, Security no: 1254978, ISIN: CH0012549785) have been listed on the SIX Swiss Exchange since 1994. The securities of Sonova have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or under the applicable securities laws of any state of the United States of America, and may not be offered or sold in the United States of America except pursuant to an exemption from the registration requirements under the U.S. Securities Act and in compliance with applicable state securities laws, or outside the United States of America to non-U.S. Persons in reliance on Regulation S under the U.S. Securities Act.

IMPRINT
Concept / Design:
hilda design matters, Zurich

Publishing System: Multimedia Solutions AG, Zurich

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This Semi-Annual Report is also available in German.
The English version is the governing text.