HEAR THE WORLD

Semi-Annual Report 2014/15

Highlights & key figures First half 2014 / 15

The Sonova Group has achieved a sound performance in the first half of fiscal year 2014 / 15. Both segments – hearing instruments and cochlear implants – recorded a strong underlying performance. A major milestone on the innovation roadmap was the development of the third generation technology platform. With Audéo V Phonak launched the first product family that takes advantage of the new possibilities offered by this platform.

+7.7 % sales growth in local currencies for the Sonova Group

For the first half of fiscal year 2014 / 15, consolidated sales were CHF 990.2 million, up 7.7 % in local currencies and 4.5 % in Swiss francs. All four business brands contributed to the increase.

+6.2 % sales growth in local currencies for hearing instruments

Sales in the hearing instruments segment reached CHF 892.2million, representing an increase of 6.2 % in local currencies and 3.0 % in Swiss francs. At constant currencies a 50 basis points expansion of the EBITA margin was achieved which was more than offset by currency headwinds.

+23.0 % sales growth in local currencies for cochlear implants

Supported by a solid growth in system and upgrade sales, the cochlear implants segment achieved sales of CHF 98.0 million, an increase of 23.0 % in local currencies and 19.6 % Swiss francs. The EBITA margin reached 7.9 %, in line with our long-term plans.

CHF 215.9 million EBITA +12.1 % in local currencies

The EBITA reached CHF 215.9 million, up 12.1 % in local currencies and 4.7 % in Swiss francs. The EBITA margin expanded by 90 basis points in local currencies but remained unchanged as reported due to an adverse currency development.

CHF 301.5 million net cash position

The free cash flow reached CHF 133.7 million, up 6.4 % from last year. After repaying the remaining bank loans, the Group ended the reporting period free of financial debt and with a net cash position of CHF 301.5 million.

Distributing excess cash to shareholders

The board has decided to distribute excess cash to shareholders by further stepping up its dividend distribution to a target range of around 40 % and initiating a share buyback program with a value of CHF 500 million running up to three years.

SONOVA GROUP KEY FIGURES – FIRST HALF 2014 / 15

in CHF m unless otherwise specified	1H 2014 / 15	1H 2013 / 14	Change in %
Sales	990.2	947.8	4.5 %
EBITA	215.9	206.2	4.7 %
EBITA margin	21.8 %	21.8 %	
EPS (CHF)	2.52	2.39	5.6 %
Operating free cash flow[1]	141.6	138.7	2.1 %
Equity financing ratio[1]	71.3 %	62.2 %	

[1] For detailed definitions, please refer to “Key figures”.

Letter to shareholders

Both the hearing instruments and the cochlear implants segment contributed to a sound financial result in the first half of the fiscal year 2014/15.

Dear shareholders

We are pleased to report that the Sonova Group achieved a sound financial result in the first half of the fiscal year 2014/15. Both segments – hearing instruments and cochlear implants – as well as all four business brands recorded a strong underlying performance partly offset by a significant currency headwind.

Consolidated sales for the Sonova Group increased by 7.7% in local currencies or 4.5% in reported Swiss francs reaching CHF 990.2 million. The reported operating profit (EBITA) grew by 12.1% in local currencies or 4.7% in Swiss francs to CHF 215.9 million. Excluding the adverse currency development, the operating margin improved by 90 basis points, representing another step towards Sonova's mid-term financial targets. As a result of the strength of the Swiss franc, the reported operating margin was unchanged at the prior year level of 21.8%.

The solid sales momentum was largely driven by highly innovative products introduced in the last two years. While products and technology remain at the core of our innovation strategy, we are also driving innovation in our approach towards marketing and distribution. It is the combination of all these elements that form the foundation for the continued success and progress of the Sonova Group.

Hearing instruments segment

Once again it was the success of both our wholesale and retail activities which led to the positive result of the hearing instruments segment. The Phonak Quest platform continued its market success, driving the growth of the brand. This was supplemented by the sustained encouraging development of Lyric, the world's only extended-wear, completely invisible hearing solution. At the start of the financial year, the roll-out of the Quest platform was completed with the introduction of a number of new products in the basic category. The clear goal of this launch was to strengthen our position as a full portfolio provider for hearing care professionals also in emerging markets, such as the fast-growing market in China. At the same time, Unitron introduced Pro, the premium technology level for its Moxi² and Quantum² product families, which was very well received in the market.

A major milestone on our innovation roadmap was the completion of the development of our third generation technology platform. The centerpiece is the new dual-core chip, which provides for highest processing performance and is the result of many years of development. Our product development is driven by extensive analysis of consumer preferences regarding hearing solutions. The new platform provides the foundation for further substantial product innovation for all of Sonova's brands. At the most recent International Congress of Hearing Aid Acousticians (EUHA) in October 2014, Phonak launched Audéo V, the first product family based on this new technology platform. The Audéo V launch covers four performance levels and all products of this next-generation Receiver-in-Canal hearing aid family offer wireless functionalities. Thanks to the new chip technology, the products on the new Venture platform can take advantage of twice the processing power while reducing battery consumption up to 30%. The introduction of the new instruments was complemented by the launch of a number of new wireless accessories, connecting hearing aid wearers to any type of Bluetooth enabled cell phone and providing "made for all phones" connectivity. These solutions complement the comprehensive wireless communication and connectivity product portfolio and business of the Group which will be further strengthened by the addition of Comfort Audio. Unitron expanded the functionality of its Flex business solution, which allows hearing care professionals to program a given performance profile directly into any of its hearing instruments. With new Flex:tracker functionality clinicians are now able to easily and efficiently track hearing aid trials within the Unitron TrueFit fitting software.

At Sonova, we don't limit our innovation to products but also pursue a broad-based and innovative approach towards distribution and services. This includes the expansion into new sales formats. One successful example is Sonova's partnership with Boots, the UK's leading pharmacy-led health and beauty retailer, which yet again was an important driver for the growth of our hearing instruments business. In the first six months of the fiscal year 2014/15, the number of shop-in-shop points-of-sale within the Boots network continued to expand, increasing to 451 from 428 at the start of the period. In confidence of the strong growth potential of the shop-in-shop concept we took the strategic decision to supply Phonak products to Costco starting in April 2014. Costco is a successful retailer operating a fast-growing shop-in-shop concept for professionally fitting hearing instruments throughout its network in the United States as well as other markets around the world. The pick-up in sales to Costco exceeded our expectations and confirms the strength of our approach to innovation in distribution. As expected the decision did however create some temporary channel conflicts and negative reactions by other private market customers, mainly in the United States.

Cochlear implants segment

Our cochlear implants segment continued on its growth path, further expanding the global footprint and introducing innovative new products for cochlear implant recipients. Introduced in Europe and the United States in the first half of fiscal year 2013/14, the Naída CI Q70 sound processor, which demonstrates the combined strengths of the Advanced Bionics and Phonak research and development, was launched in Australia in August 2014. Building on its strength in waterproof solutions for cochlear implant recipients, Advanced Bionics also introduced the AquaCase accessory in Europe, Canada and the United States. Designed for use with the Naída CI Q70 sound processor, the AquaCase accessory is a waterproof case suited for use with the swimmable AquaMic, which does not require an enclosure that significantly reduces sound quality.

The cochlear implants segment showed solid growth, supported by both new system and upgrade sales. The profitability of the segment developed according to our long-term plan of profitable growth for the business.

Growth investments continue

In order to ensure the future growth of the company, we continued to invest into both distribution and technology during the first half of fiscal year 2014/15. Sonova continued with selected acquisitions of retail businesses within the hearing instruments segment. Furthermore, the acquisition of Comfort Audio announced in June substantially broadens Sonova's product and solution offering and market reach in wireless communication. Comfort Audio is specialized in the development, manufacturing and distribution of innovative assistive listening devices. The business will be consolidated starting in the second half of fiscal year 2014/15. In August, we inaugurated the new Phonak Audiology Research Center in Warrenville near Chicago. This state-of-the-art facility is aimed at advancing the science of hearing aid technology and fitting through investigational research, product validation and post-marketing evidence building and will allow us to further advance the performance of our hearing solutions.

Total shareholder return strategy

In September 2014 Sonova retired the final tranche of financial debt relating to the acquisition of Advanced Bionics in 2009. The Group is now free of financial debt. In the last twelve months Sonova generated a free cash flow of close to CHF 300 million and expects continuing strong cash conversion of future earnings. Also the company has a considerable debt capacity, should a larger amount of cash be required to fund more substantial acquisitions. The board therefore decided to distribute excess cash to shareholders. For the 2013/14 fiscal year the dividend distribution corresponded to a payout ratio of 37%. Sonova intends to further step up its dividend distribution targeting a payout ratio in a range around 40% in the coming years. In addition Sonova announces a share buyback program with a value of CHF 500 million running up to three years from December 2014. At the same time Sonova will have sufficient funds to further invest significant amounts for bolt-on acquisitions, R&D and in the further expansion of the Group's distribution network and market reach. The total shareholder return strategy, consisting of significant dividends and a large share buyback program, evidences our confidence in the future cash generating capacity of Sonova.

Finally, we would like to thank our shareholders for their trust, loyalty and great interest in Sonova. We remain convinced that the consistent implementation of our long-term strategy will continue to ensure profitable growth for the Sonova Group as evidenced by our solid financial result in the first half of fiscal year 2014/15.

Robert Spoerry
Chairman of the Board
of Directors

Lukas Braunschweiler
CEO

Financial review

Sonova generated sales of CHF 990.2 million in the first half of the fiscal year 2014 / 15, an increase of 7.7 % in local currencies or 4.5 % in reported Swiss francs. All businesses contributed to the top-line growth. Group EBITA rose by 12.1 % in local currencies to CHF 215.9 million.

Solid sales growth

During the first six months of fiscal year 2014 / 15, Group sales increased by 7.7 % in local currencies compared to the same period last year. Currency headwinds reduced reported sales by CHF 30.2 million or 3.2 %, resulting in Group sales of CHF 990.2 million which represents a sales growth of 4.5 % in reported Swiss francs. The strengthening of the Swiss franc against most of the currencies significant for Sonova, including the US dollar, the euro and the Canadian dollar, were responsible for the adverse currency impact. Organic growth was at 6.9 % and growth from acquisitions accounted for 0.8 %.

Strong performance in Europe

A major driver for the growth during the period was a strong performance in the EMEA region (Europe, Middle East and Africa), with a sales growth in local currencies of 19.1 %. As a result, the region increased its share of Group sales from 38 % in the first six months of fiscal year 2013 / 14 to 43 % in the period under review. In the hearing instruments segment, the continuing positive development in the UK in combination with a strong growth in Germany, the region's largest market, and in Scandinavia were the main drivers. The cochlear implants segment also added to the growth in the region.

Sales in the United States accounted for 35 % of Group sales in the first six months of fiscal year 2014 / 15, declining slightly by 1.7 % in local currency. In April 2014 Phonak started supplying products to Costco, which operates a fast-growing shop-in-shop concept for professionally fitting hearing instruments throughout its network in the United States as well as other markets around the world. Sales to Costco have quickly reached significant levels, in particular in North America. As expected the decision did create some negative reactions by other private market customers, mainly in the United States. However, the buying patterns of the relevant customer groups stabilized in the second quarter of the fiscal year and have since started to improve again. At the same time, in the period under review the hearing instruments business was held back by a contractual value limit under the then valid term of the supply contract with the US Department of Veterans Affairs (VA). With the new contract term starting 1 November 2014 the Group no longer expects such contractual provisions to impact sales. The rest of the Americas (excluding the US) posted a flat sales development in local currencies and accounted for 11 % of Group sales. This considers reactions of private customers to the entry into Costco in Canada as well as an unfavorable market impact of fewer trading days due to the world soccer championship in Brazil.

The Asia / Pacific region sales rose by 9.4 % in local currencies and contributed 11 % to Group sales. This represents a solid performance as in the same period of last year the cochlear implants business had benefited from shipments related to a central government tender in China and no such volumes occurred in the first half of fiscal year 2014 / 15. The Group's growth in the region was driven by strong hearing instrument revenues in Australia, China and India.

SALES BY REGIONS

in CHF m	1H 2014 / 15			1H 2013 / 14	
	Sales	Share	Growth in local currencies	Sales	Share
EMEA	427	43 %	19.1 %	362	38 %
USA	349	35 %	(1.7 %)	368	39 %
Americas (excl. USA)	108	11 %	0.3 %	117	12 %
Asia / Pacific	106	11 %	9.4 %	101	11 %
Total sales	**990**	**100 %**	**7.7 %**	**948**	**100 %**

Substantial underlying margin improvement

Gross profit reached CHF 680.9 million, an increase of 8.9 % in local currencies and 4.9 % in Swiss francs. Driven by both the hearing instruments and the cochlear implants segment, the reported gross profit margin rose from 68.5 % achieved in the same period of last year to 68.8 % in the first half of fiscal year 2014 / 15. Excluding the adverse currency development, the gross margin increased by 80 basis points which is another strong reflection of the broad and balanced business portfolio both in in terms of global market positions and products and service offerings.

In order to keep its high pace of innovation, the Group continued to significantly invest in research and development (R&D). For the first half of fiscal year 2014 / 15 net R&D expenses rose by 11.2 % in local currencies and by 9.9 % in Swiss francs to CHF 65.3 million or 6.6 % of sales. Some of the increase was the result of fluctuations in charges from external development partners, in part related to the Phonak Venture platform introduced at the International Congress of Hearing Aid Acousticians (EUHA) in October 2014. Gross R&D spending (including the increase in capitalized development costs) amounted to CHF 72.9 million, corresponding to 7.4 % of sales.

Sales and marketing costs increased by 6.7 % in local currencies or 4.0 % in Swiss francs to reach CHF 301.6 million. As a percentage of sales, the reported costs dropped slightly to 30.5 % compared to 30.6 % in the prior year period. This considers additional cost from retail acquisitions as well as cost related to continuing efforts for a deeper integration of the US retail activities, which also impacted general and administrative (G&A) cost. G&A costs reached CHF 98.4 million, an increase of 6.9 % in local currencies or 5.0 % in Swiss francs. As a percentage of sales, G&A cost were unchanged at 9.9 %. As a result, total operating expenses rose by 7.4 % in local currencies or 5.0 % in Swiss francs.

The operating profit before acquisition-related amortization (EBITA) was at CHF 215.9 million, an increase of 12.1 % in local currencies or 4.7 % in Swiss francs. Excluding the adverse impact of the currency development, the operating margin rose by 90 basis points, driven largely by the strong gross profit margin improvement. In absolute terms, the currency headwind negatively affected the reported EBITA by CHF 15.2 million resulting in an unchanged EBITA margin of 21.8 %.

Operating profit (EBIT) rose by 5.1 % to CHF 203.1 million. Net financial expenses fell from CHF 5.1 million to CHF 3.1 million, mainly due to lower interest charges following the repayment of the remaining bank debt and more income from associates. The Group's income after taxes was CHF 173.6 million, up 6.1 % compared to the previous year. For the first six months of 2014 / 15, basic earnings per share were CHF 2.52, up by 5.6 % from the CHF 2.39 last year.

Hearing instruments segment – Maintaining a stable product mix

Sales in the hearing instruments segment reached CHF 892.2 million in the first half of fiscal year 2014 / 15, representing a growth of 6.2 % in local currencies. The increase considers an organic growth rate of 5.3 % whereas acquisitions made in the reporting period and annualization of prior year acquisitions contributed 0.9 %. The adverse currency development reduced the reported sales by CHF 27.3 million and the growth rate by 3.2 percentage points, resulting in an increase of 3.0 % in reported Swiss francs.

Growth within the hearing instruments segment was fueled by both the Group's wholesale and retail businesses. The continued success of both the Phonak Quest and the Unitron Era platform is underpinned by the fact that around 80 % of hearing aid sales in the period under review came from products

SALES BY PRODUCT GROUPS

in CHF m	1H 2014 / 15			1H 2013 / 14	
Product groups	Sales	Share	Growth in local currencies	Sales	Share
Premium hearing instruments	227	23 %	5.6 %	221	23 %
Advanced hearing instruments	204	21 %	(2.3 %)	216	23 %
Standard hearing instruments	287	29 %	9.8 %	268	28 %
Wireless communication systems	39	4 %	30.3 %	31	3 %
Miscellaneous	135	14 %	7.9 %	130	14 %
Total hearing instruments	892	90 %	6.2 %	866	91 %
Cochlear implants and accessories	98	10 %	23.0 %	82	9 %
Total sales	**990**	**100 %**	**7.7 %**	**948**	**100 %**

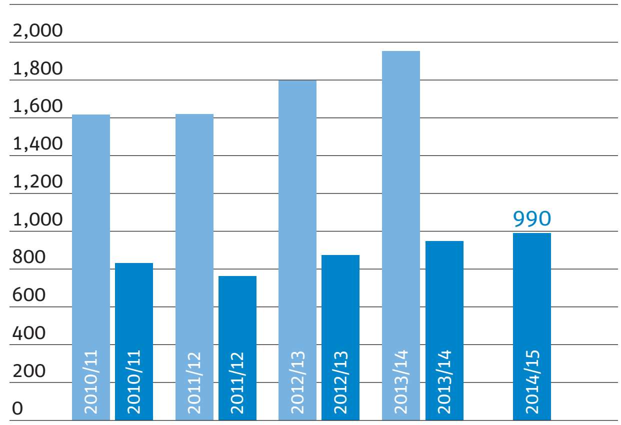
which were launched less than two years ago. The partnership with Boots, the UK's leading pharmacy-led health and beauty retailer, continued its growth trajectory in the period under review and remains a key driver of growth. In Germany, the largest market in Europe, an increase in the reimbursement level introduced in November 2013 lifted market growth significantly. The effect continued in the first half of fiscal year 2014 / 15 and both Phonak and Unitron managed to further improve their market share, driven by successful products including those in the standard performance category, which showed the highest market growth in Germany. As the negative impact of reimbursement changes in the Netherlands and certain Scandinavian markets annualized, also the Group's businesses in these markets achieved significant growth.

The strong positive impact from the ramp-up in sales to Costco, mainly in North America, was more than offset by the initial negative reaction by other private market customers, which have since stabilized and started to reverse. Furthermore, sales in the United States were negatively affected by a temporary contractual limit in regards to the business with the VA, where the Sonova brands combined however continue to hold the leading position.

When looking at the different product categories, premium hearing instruments showed a solid increase, reporting a growth in local currencies of 5.6 %. Drivers for this growth were in particular the ongoing success of the Audéo Q90 RIC launched in April 2013 as well as the continued growth of Lyric, the first and only invisible extended wear solution in the industry. The 9.8 % local currency growth in standard hearings instruments was predominantly the result of a strong growth in the German market, which was to a large extent driven by devices in this category, and was complemented by the strong growth of this product category in China. Sales of advanced hearing instruments declined by 2.3 % in local currencies. As the result of the strong development of the recently introduced Phonak Roger product, sales of wireless communication systems showed a very strong increase of 30.3 % in local currencies.

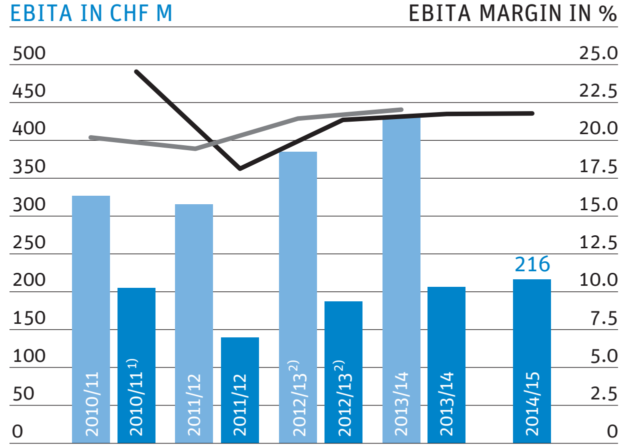
The EBITA for the hearing instruments segment reached CHF 208.1 million, representing a growth of 8.2 % in local currencies. The adverse currency development offset most of this increase, reducing the reported EBITA by CHF 15.1 million and the reported EBITA margin by 100 basis points. In Swiss francs, the EBITA therefore rose by 0.9 %, resulting in an EBITA margin of 23.3 %.

SALES IN CHF M

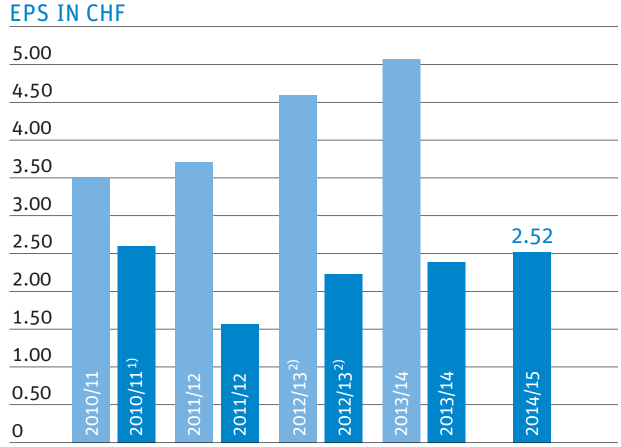


EBITA IN CHF M

EBITA MARGIN IN %



EPS IN CHF



Financial year figures

Half-year figures

1) Restated based on finalization of the acquisition accounting of Advanced Bionics.

2) Restated following the implementation of IAS 19 (revised), Full-year numbers exclude one-off costs.

Cochlear implants segment – New system and upgrades lifting sales

During the period under review, the cochlear implants segment achieved sales of CHF 98.0 million, which represents a growth rate of 23.0 % in local currencies and 19.6 % in Swiss francs. The growth was supported by both new system and upgrade sales. This is a solid achievement given that customers, particularly in the United States, exercised some restraint as Advanced Bionics is in the process introducing certain hardware related product optimizations to its Naída CI processor, aimed at further improving reliability under intensive wear conditions. Furthermore, sales of the same period in the prior year had benefited from shipments related to a central government tender in China while no such sales were recorded in 2014 / 15.

Following break-even result in the prior year period, the cochlear implants segment posted an EBITA of CHF 7.8 million. This represents a margin of 7.9 %. This is in line with our long-term plan of profitable growth for the business.

Sound cash flow – Strong balance sheet

The cash flow before changes in net working capital rose by 7.4 % to CHF 237.6 million. The cash flow from operating activities considers an increase in working capital that was to a large extent driven by higher inventories ahead of the launch of the Phonak Audéo V product family in October and lower payables. The cash consideration for acquisitions, including earn-out payments for prior period acquisitions dropped from CHF 13.1 million to CHF 7.9 million. Coupled with lower investments in tangible and intangible assets as well as a reduction in loans granted to associates and third parties this resulted in a free cash flow of CHF 133.7 million, up 6.4 % and roughly in line with the increase in profit after taxes. The Group further reports CHF 233.9 million cash outflow from financing activities which mainly reflects the retirement of the final tranche of financial debt relating to the acquisition of Advanced Bionics in the amount of CHF 80.0 million as well as the dividend payment of CHF 127.6 million.

The net working capital stood at CHF 238.5 million compared to CHF 190.6 million in March 2014, with non-cash foreign exchange effects coupled with the higher inventories referred to above driving most of the increase. Capital employed stood at CHF 1,570 million after CHF 1,463 million in March 2014. The increase mainly stems from the currency-related appreciation of US dollar based intangible assets and the higher working capital. The number of failures related to Advanced Bionics' Vendor B product recall in 2006 continues to decline and is in line with the underlying assumptions of the provision for claims of this category taken in fiscal year 2012 / 13. The Group ended the period with a net cash position of CHF 301.5 million, down only slightly from the CHF 311.5 million in March 2014. The Group's equity amounted to CHF 1,871 million with the equity ratio rising from 68.4 % in March 2014 to 71.3 % in September 2014.

Outlook 2014 / 15

Sonova remains committed to achieve profitable growth through continuous innovation and to further expand its strong market positions. We continue to expect sustained solid growth in sales and earnings in 2014 / 15, both in the hearing instruments and cochlear implants segment. Our full-year outlook remains unchanged: Group sales are expected to grow by 7 % – 9 % and EBITA to increase by 11 % – 15 %, both measured in local currencies. Based on the current exchange rate environment the strong negative currency effects observed in the first half of the fiscal year 2014 / 15 are not expected to repeat in the second half which suggests a more modest foreign exchange impact for the full fiscal year.

Interim consolidated financial statements as of September 30, 2014

Key figures

April 1 to September 30, in 1,000 CHF unless otherwise specified	2014	2013
Sales	**990,207**	**947,782**
change compared to previous year (%)	4.5	8.6
Gross profit	**680,891**	**649,209**
change compared to previous year (%)	4.9	8.1
in % of sales	68.8	68.5
Research & development costs	**65,287**	**59,424**
in % of sales	6.6	6.3
Sales & marketing costs	**301,581**	**290,049**
in % of sales	30.5	30.6
Operating profit before acquisition-related amortization (EBITA)	**215,877**	**206,240**
change compared to previous year (%)	4.7	10.6
in % of sales	21.8	21.8
Operating profit (EBIT)	**203,145**	**193,328**
change compared to previous year (%)	5.1	11.2
in % of sales	20.5	20.4
Income after taxes	**173,608**	**163,671**
change compared to previous year (%)	6.1	10.1
in % of sales	17.5	17.3
Number of employees (average)	**9,764**	**9,020**
change compared to previous year (%)	8.2	6.2
Number of employees (end of period)	**9,938**	**9,102**
change compared to previous year (%)	9.2	4.1
Net cash[1]	**301,548**	**180,231**
Net working capital[2]	**238,517**	**184,834**
Capital expenditure (tangible and intangible assets)[3]	**40,968**	**44,303**
Capital employed[4]	**1,569,609**	**1,453,353**
Total assets	**2,623,262**	**2,628,072**
Equity	**1,871,157**	**1,633,584**
Equity financing ratio (%)[5]	**71.3**	**62.2**
Free cash flow[6]	**133,745**	**125,644**
Operating free cash flow[7]	**141,619**	**138,709**
in % of sales	14.3	14.6
Return on capital employed (%)[8]	**27.4**	**11.3**
Return on equity (%)[9]	**20.4**	**7.8**
Basic earnings per share (CHF)	2.52	2.39
Diluted earnings per share (CHF)	2.52	2.39

1) Cash and cash equivalents + other current financial assets (without loans) – current financial liabilities – non-current financial liabilities.
2) Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – other short-term liabilities – short-term provisions.
3) Excluding goodwill and intangibles relating to acquisitions.
4) Equity – net cash.
5) Equity in % of total assets.
6) Cash flow from operating activities + cash flow from investing activities.
7) Free cash flow – cash consideration for acquisitions, net of cash acquired.
8) EBIT (last 12 months) in % of capital employed (average).
9) Income after taxes (last 12 months) in % of equity (average).

Consolidated income statements

April 1 to September 30, 1,000 CHF	2014	2013
Sales	**990,207**	**947,782**
Cost of sales	(309,316)	(298,573)
Gross profit	**680,891**	**649,209**
Research and development	(65,287)	(59,424)
Sales and marketing	(301,581)	(290,049)
General and administration	(98,350)	(93,639)
Other income / (expenses), net	204	143
Operating profit before acquisition-related amortization (EBITA)[1]	**215,877**	**206,240**
Acquisition-related amortization	(12,732)	(12,912)
Operating profit (EBIT)[2]	**203,145**	**193,328**
Financial income	1,417	961
Financial expenses	(5,457)	(5,829)
Share of profit / (loss) in associates / joint ventures	892	(229)
Income before taxes	**199,997**	**188,231**
Income taxes	(26,389)	(24,560)
Income after taxes	**173,608**	**163,671**
Attributable to:		
Equity holders of the parent	169,496	160,425
Non-controlling interests	4,112	3,246
Basic earnings per share (CHF)	2.52	2.39
Diluted earnings per share (CHF)	2.52	2.39

[1] Earnings before financial result, share of profit / (loss) in associates / joint ventures, taxes and acquisition-related amortization (EBITA).
[2] 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

1,000 CHF	2014	2013
Income after taxes	**173,608**	**163,671**
Other comprehensive income		
Actuarial gain / (loss) from defined benefit plans, net	7,836	(86)
Tax effect on actuarial gain / (loss) from defined benefit plans	(933)	12
Put options granted to non-controlling interests	6,659	
Total items not to be reclassified to income statement in subsequent periods	**13,562**	**(74)**
Fair value adjustment on cash flow hedges	1,075	2,020
Currency translation differences	53,079	(55,928)
Tax effect on currency translation items	(2,541)	2,094
Total items to be reclassified to income statement in subsequent periods	**51,613**	**(51,814)**
Other comprehensive income, net of tax	**65,175**	**(51,888)**
Total comprehensive income	**238,783**	**111,783**
Attributable to:		
Equity holders of the parent	233,199	108,312
Non-controlling interests	5,584	3,471

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

Consolidated balance sheets

Assets 1,000 CHF	30.9.2014	31.3.2014	30.9.2013
Cash and cash equivalents	314,041	410,004	424,171
Other current financial assets	4,326	3,970	4,484
Trade receivables	358,082	350,807	330,116
Current income tax receivables	7,544	6,931	9,228
Other receivables and prepaid expenses	77,122	65,519	71,368
Inventories	241,779	206,042	203,169
Total current assets	**1,002,894**	**1,043,273**	**1,042,536**
Property, plant and equipment	273,177	263,080	249,193
Intangible assets	1,217,475	1,161,070	1,158,153
Investments in associates / joint ventures	11,601	11,620	19,413
Other non-current financial assets	25,757	20,603	38,016
Deferred tax assets	92,358	94,102	120,761
Total non-current assets	**1,620,368**	**1,550,475**	**1,585,536**
Total assets	**2,623,262**	**2,593,748**	**2,628,072**

Liabilities and equity 1,000 CHF	30.9.2014	31.3.2014	30.9.2013
Current financial liabilities	8,006	93,828	3,896
Trade payables	60,791	75,283	64,326
Current income tax liabilities	64,776	61,870	60,124
Other short-term liabilities	215,266	204,036	184,999
Short-term provisions	109,329	101,509	124,082
Total current liabilities	**458,168**	**536,526**	**437,427**
Non-current financial liabilities	4,661	4,651	240,044
Long-term provisions	212,301	197,574	220,884
Other long-term liabilities	44,000	48,221	46,670
Deferred tax liabilities	32,975	32,401	49,463
Total non-current liabilities	**293,937**	**282,847**	**557,061**
Total liabilities	**752,105**	**819,373**	**994,488**
Share capital	3,359	3,359	3,359
Treasury shares	4,567	4,285	5,521
Retained earnings and reserves	1,833,881	1,737,186	1,594,830
Equity attributable to equity holders of the parent	**1,841,807**	**1,744,830**	**1,603,710**
Non-controlling interests	29,350	29,545	29,874
Equity	**1,871,157**	**1,774,375**	**1,633,584**
Total liabilities and equity	**2,623,262**	**2,593,748**	**2,628,072**

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

Consolidated cash flow statements

April 1 to September 30, 1,000 CHF		2014		2013
Income before taxes		**199,997**		**188,231**
Depreciation and amortization of tangible and intangible assets	41,232		41,217	
Loss on sale of tangible and intangible assets, net	115		236	
Share of (gain) / loss in associates / joint ventures	(892)		229	
Increase in long-term provisions	787		601	
Financial expenses, net	4,040		4,868	
Share based payments	10,055		10,395	
Other non-cash items	(64)		1,538	
Income taxes paid	(17,623)	37,650	(26,044)	33,040
Cash flow before changes in net working capital		**237,647**		**221,271**
Decrease / (increase) in trade receivables	2,668		(6,579)	
Increase in other receivables and prepaid expenses	(10,278)		(1,595)	
Increase in inventories	(25,039)		(10,305)	
Decrease in trade payables	(16,843)		(8,241)	
Decrease in other payables, accruals and short-term provisions	(3,481)	(52,973)	(2,948)	(29,668)
Cash flow from operating activities		**184,674**		**191,603**
Purchase of tangible and intangible assets	(40,997)		(44,519)	
Proceeds from sale of tangible and intangible assets	529		693	
Cash consideration for acquisitions, net of cash acquired	(7,874)		(13,065)	
Changes in other financial assets	(3,222)		(10,228)	
Interest received and realized gain from financial assets	635		1,160	
Cash flow from investing activities		**(50,929)**		**(65,959)**
(Repayment of) / increase in borrowings	(80,767)		579	
Proceeds from capital increases			1,658	
Purchase of treasury shares, net	(12,050)		(22,324)	
Dividends paid by Sonova Holding AG	(127,629)		(107,441)	
Transactions with non-controlling interests	(12,246)		(1,634)	
Interest paid and other financial expenses	(1,226)		(3,084)	
Cash flow from financing activities		**(233,918)**		**(132,246)**
Exchange gains / (losses) on cash and cash equivalents	4,210			(3,993)
Decrease in cash and cash equivalents		**(95,963)**		**(10,595)**
Cash and cash equivalents at April 1		410,004		434,766
Cash and cash equivalents at September 30		**314,041**		**424,171**

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

Consolidated changes in equity

1,000 CHF	Attributable to equity holders of Sonova Holding AG						
	Share capital	Retained earnings and other reserves	Translation adjustment	Treasury shares	Hedge reserve	Non-controlling interests	Total equity
Balance April 1, 2013	**3,358**	**1,788,779**	**(182,520)**	**9,401[1]**	**(6,201)**	**28,443**	**1,641,260**
Income for the period		160,425				3,246	163,671
Actuarial loss from defined benefit plans, net		(86)					(86)
Tax effect on actuarial loss		12					12
Fair value adjustment on hedges					2,020		2,020
Currency translation differences			(56,153)			225	(55,928)
Tax effect on currency translation			2,094				2,094
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[1]**	**(4,181)**	**29,874**	**1,633,584**
Balance April 1, 2014	**3,359**	**2,001,725**	**(263,638)**	**4,285[1]**	**(901)**	**29,545**	**1,774,375**
Income for the period		169,496				4,112	173,608
Actuarial gain from defined benefit plans, net		7,836					7,836
Tax effect on actuarial gain		(933)					(933)
Put options granted to non-controlling interests		6,659					6,659
Fair value adjustment on hedges					1,075		1,075
Currency translation differences			51,607			1,472	53,079
Tax effect on currency translation			(2,541)				(2,541)
Total comprehensive income		**183,058**	**49,066**		**1,075**	**5,584**	**238,783**
Changes in non-controlling interests		(6,333)				(816)	(7,149)
Share-based payments		3,397					3,397
Sale of treasury shares		(5,939)		21,408			15,469
Purchase of treasury shares				(21,126)			(21,126)
Dividend paid		(127,629)				(4,963)	(132,592)
Balance September 30, 2014	**3,359**	**2,048,279**	**(214,572)**	**4,567[1]**	**174**	**29,350**	**1,871,157**

[1] 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, 2014

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, 2014. 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, 2014. The interim consolidated financial statements were approved by the Board of Directors on November 13, 2014.

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, 2014.

The following new standards and amendments have been adopted as of April 1, 2014 without having a significant impact on the Group's result and financial position:

- IFRS 10 "Consolidated financial statements"; IFRS 12 "Disclosures of interest in other entities"; IAS 27 "Consolidated and Separate Financial Statement"
  The amendments to the above mentioned standards are related to investment companies and develop an exemption from the requirement to consolidate subsidiaries.
- IAS 32 "Financial Instruments Presentation"
  This is a clarification related to the offsetting of financial assets and financial liabilities.
- IAS 36 "Impairment of Assets"
  This amendment restricts the requirement to disclose the recoverable amount of an asset to periods in which an impairment loss has been recognized or reversed and introduces additional disclosure for measurement based on fair value less costs of disposal in case of an impairment or reversal of an impairment.
- IAS 39 "Financial Instruments: Recognition and Measurement"
  The clarification amends IAS 39 to allow a novation of a derivative that is designated as a hedging instrument if the novation is required by legislation or regulation without discontinuing hedge accounting.
- Annual improvements of IFRS and interpretations (IFRIC)

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 year starting April 1, 2015, based on the analysis to date the Group does not expect a significant impact on the Group's result and financial position. The Group is also assessing other new and revised standards which are not mandatory until after 2015, notably IFRS 15 "Revenues from Contracts with Customers".

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 12.7 million acquisition-related amortization costs (prior year CHF 12.9 million), CHF 1.8 million (prior year CHF 1.9 million) relate to research and development and CHF 10.9 million (prior year CHF 11.0 million) relate to sales and marketing.

As of September 30, 2014 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 decreased from 2.0 % to 1.5 % compared to March 31, 2014.

3. Significant events and transactions

On June 16, 2014 Sonova Holding AG announced that the Group acquired 100 % of the shares of Comfort Audio i Halmstad AB (Sweden) subject to regulatory approvals. On October 2nd 2014, after having received the regulatory approvals, the Group announced the completion of the acquisition. Comfort Audio is specialized in the development, manufacturing and distribution of assistive listening devices and employs around 90 staff, mainly in Sweden. In calendar year 2013 sales were SEK 143 million (CHF 19 million).

On October 21, 2013 Sonova Holding AG announced that its US subsidiary Advanced Bionics LLC had signed settlement agreements regarding the majority of then-current filed and unfiled product liability claims related to cochlear implant malfunctions, including the case of Sadler v. Advanced Bionics. The parties agreed to keep the settlement terms confidential. As the terms of the settlements were in line with the underlying assumptions of the provision for such product liability claims, the settlements did not have an impact on the half-year result 2013 / 14.

4. Changes in Group structure

During the first six months of the financial year 2014/15 several small companies were acquired in Europe and North America. During the six-month period 2013/14, several small companies were acquired in Europe, North America and Asia/Pacific.

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	2014	2013
Trade receivables	67	142
Other current assets	509	125
Property, plant and equipment	536	125
Intangible assets	2,747	1,961
Other non-current assets		20
Current liabilities	(472)	(187)
Non-current liabilities	(1,436)	(409)
Net assets	**1,951**	**1,777**
Goodwill	6,663	4,761
Purchase consideration	**8,614**	**6,538**
Fair value of previously held stake before the business combination[1]	(953)	
Liabilities for earn-outs or holdbacks[2]	(1,395)	(87)
Cash consideration	**6,266**	**6,451**
Cash and cash equivalents acquired	(308)	
Cash consideration, net of cash acquired	**5,958**	**6,451**
Cash outflow for investments in associates, non-controlling interests and earn-out payments	1,916	6,614
Total cash outflow from acquisitions	**7,874**	**13,065**

[1] The loss of CHF 0.1 million from remeasuring the previously held stakes to fair value is included in the financial result.
[2] 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 0.1 million) have been expensed and are included in the line "General and administration".

April 1 to September 30, 1,000 CHF	2014	2013
Contribution of acquired companies from date of acquisition		
Sales	755	1,541
Net income	(120)	363
Contribution, if the acquisitions occurred on April 1		
Sales	1,921	1,871
Net income	118	400

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 2014 / 15 and 2013 / 14 is as follows:

1,000 CHF	2014	2013	2014	2013	2014	2013	2014	2013
	Hearing instruments		Cochlear implants		Corporate / Eliminations		Total	
Segment sales	893,961	866,515	98,169	82,014			992,130	948,529
Intersegment sales	(1,766)	(711)	(157)	(36)			(1,923)	(747)
Sales	**892,195**	**865,804**	**98,012**	**81,978**			**990,207**	**947,782**
Operating profit before acquisition-related amortization (EBITA)	**208,108**	**206,170**	**7,769**	**70**			**215,877**	**206,240**
Segment assets	**2,259,472**	**2,086,089**	**548,639**	**522,079**	**(602,849)**	**(544,440)**	**2,205,262**	**2,063,728**
Unallocated assets[1]							418,000	564,344
Total assets							**2,623,262**	**2,628,072**

[1] Unallocated assets include cash and cash equivalents, investments in associates / joint ventures and deferred tax assets.

Reconciliation of reportable segment profit 1,000 CHF	2014	2013
EBITA (as per segment reporting)	215,877	206,240
Acquisition-related amortization	(12,732)	(12,912)
Financial costs, net	(4,040)	(4,868)
Share of gain / (loss) in associates / joint ventures	892	(229)
Income before taxes	**199,997**	**188,231**

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	2014	2013
Income after taxes (1,000 CHF)	169,496	160,425
Weighted average number of outstanding shares	67,165,228	67,120,446
Basic earnings per share (CHF)	**2.52**	**2.39**

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 2014 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	2014	2013
Income after taxes (1,000 CHF)	169,496	160,425
Weighted average number of outstanding shares	67,165,228	67,120,446
Adjustment for dilutive share options	180,993	101,736
Adjusted weighted average number of outstanding shares	67,346,221	67,222,182
Diluted earnings per share (CHF)	**2.52**	**2.39**

7. Contingencies and bank debts

There have been no material changes in contingent liabilities since March 31, 2014.

As of September 30, 2014, the Group has no more bank debts in connection with the acquisition of Advanced Bionics in December 2009. In the six month period ending September 30, 2014 the final portion of CHF 80 million has been paid back.

8. Movements in share capital

The Annual General Shareholders' Meeting of June 17, 2014 resolved a gross dividend of CHF 1.90 per registered share for the financial year 2013/14. The dividend was paid in June 2014 to all shares outstanding, excluding treasury shares.

Issued registered shares	Issued registered shares	Treasury shares[1]	Outstanding shares
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		385,389	385,389
Balance September 30, 2013	**67,173,287**	**(9,881)**	**67,163,406**
Balance April 1, 2014	**67,173,287**	**(10,185)**	**67,163,102**
Purchase of treasury shares		(156,031)	(156,031)
Sale/transfer of treasury shares		159,396	159,396
Balance September 30, 2014	**67,173,287**	**(6,820)**	**67,166,467**

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.

9. Events after balance sheet date

Besides the completion of the acquisition of Comfort Audio i Halmstad AB (Sweden) as of October 2nd, 2014 (for further details refer to "3. Significant events and transactions"), there have been no material events after balance sheet date.

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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 10,000 dedicated employees. Sonova generated sales of CHF 2.0 billion in the financial year 2013 / 14 and a net profit of CHF 347 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: CH1012549785) 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.

Disclaimer

This report 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.

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