sonova
HEAR THE WORLD

Summary Report 2014/15

Highlights 2014/15

+ 6.2 % sales growth for the Sonova Group in local currencies

The Sonova Group generated record sales of CHF 2,035.1 million, an increase of 6.2 % in local currencies. Adverse exchange rate developments reduced reported sales by CHF 37.0 million, resulting in 4.3 % growth in Swiss francs.

+ 6.9 % sales growth for hearing instruments in local currencies

Sales in the hearing instruments segment reached CHF 1,840.9 million, an increase of 4.8 % in Swiss francs and 6.9 % in local currencies. At constant currencies, the normalized EBITA margin grew by 70 basis points, partly offset by the adverse exchange rate effect.

CHF 194.2 million sales in cochlear implants, stable from prior year

The cochlear implants segment consolidated its overall position after an extraordinary performance in 2013 / 14. Sales reached CHF 194.2 million, stable compared to the prior year, with a normalized EBITA of CHF 10.4 million.

CHF 455.6 million EBITA + 9.8 % in local currencies

Group EBITA reached CHF 455.6 million, up 5.9 % in Swiss francs and 9.8 % in local currencies from the prior year. Operating margin improved by 40 basis points to 22.4 %, despite the adverse exchange rate effect.

Cash conversion remains strong

Operating free cash flow rose by 15.1 %. As a result, the Group maintained its sound balance sheet and ended the year with solid net cash position of CHF 382.3 million. The Board of Directors proposes to the 2015 AGM a dividend of CHF 2.05, up 7.9 % from the prior year.

ROCE of 29.1 % improving further

Return on capital employed (ROCE) rose further to 29.1 %, keeping us well on track to reach our mid-term financial targets.

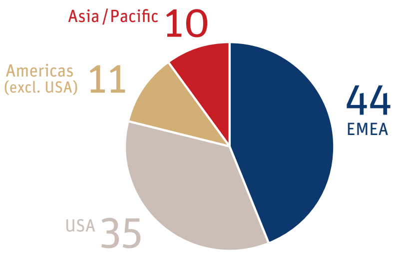
SONOVA GROUP KEY FIGURES

in CHF millions unless otherwise specified	2014 / 15	Change in %	2013 / 14
Sales	2,035.1	4.3 %	1,951.3
EBITA[1]	455.6	5.9 %	430.1
EBITA margin	22.4 %		22.0 %
EPS (CHF)	5.37	5.7 %	5.08
Operating free cash flow	366.4	15.1 %	318.4
ROCE[2]	29.1 %		27.7 %
ROE[3]	20.2 %		20.3 %

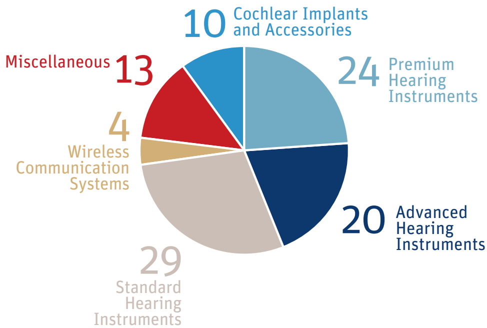
[1] EBITA: Earnings before financial result, share of profit / (loss) in associates / joint ventures, taxes and acquisition-related amortization.
[2] ROCE (Return on capital employed): EBIT in % of capital employed (average).
[3] ROE (Return on equity): Income after taxes in % of equity (average).

Key figures 2014/15

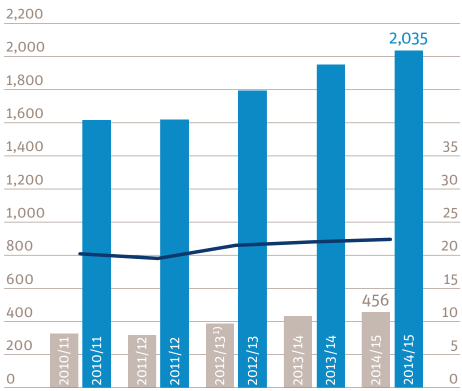
SALES BY REGIONS IN %



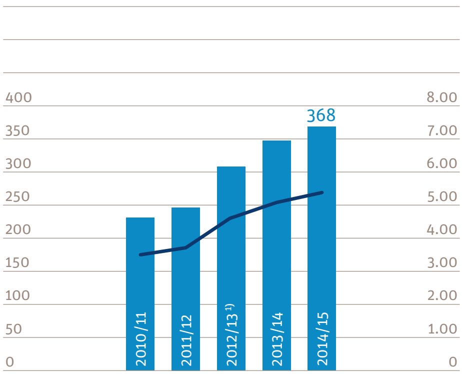
SALES BY PRODUCTS GROUPS IN %



SALES IN CHF M
EBITA IN CHF M
EBITA MARGIN IN %



INCOME AFTER TAXES IN CHF M
EPS IN CHF



[1)] Restated following the implementation of IAS 19 (revised). Excluding one-off cost, mainly related to the increase of the product liability provision within the cochlear implants business.

19 May 2015

Dear Shareholders

We are pleased to report that the Sonova Group achieved a solid performance in the 2014/15 financial year, with record sales of more than CHF 2 billion despite the sudden appreciation of the Swiss franc in January 2015.

In the hearing instruments segment, the highlight of the year was the introduction of Sonova's third-generation technology platform, which provides the basis for the newly introduced product platforms of Phonak and Unitron. The retail business has contributed to solid growth, thanks to the expansion of successful new business approaches and service formats. After an extraordinarily strong result for 2013/14, we have seen a stable sales level in our cochlear implants segment this year. We remain confident, however, that the cochlear implants business will stay on its expected long-term growth trajectory.

Sonova remains committed to pursuing its strategy of profitable growth through continuous customer-driven innovation. The strategic decisions taken in 2014/15, including the acquisition of Comfort Audio and Hansaton, put us in a good position to take advantage of future opportunities. We continue to address the challenge posed by the strength of the Swiss franc and have taken additional measures to mitigate its impact on our results.

For further details, please refer to the included abbreviated version of the financial review. You can access our online Annual Report at http://report.sonova.com/2015, where you can also download the full PDF version of the report.

We would like to take this opportunity to express sincere thanks to you, our shareholders, whose continuing trust lets us develop the company for the future.

Yours sincerely,

Robert Spoerry
Chairman of the Board of Directors

Financial review

Continuous solid organic growth

Sonova Group sales in 2014 / 15 grew by 4.3 % in reported Swiss francs or 6.2 % in local currencies, reaching CHF 2,035.1 million. Reported sales and EBITA were adversely impacted by exchange rate fluctuations. Organic growth represented 5.1 % of sales growth, with acquisitions adding another 1.1 %.

Strong growth in the EMEA region

The Europe, Middle East, and Africa region (EMEA), which accounted for 44 % of Group sales, reported a strong 15.1 % sales increase in local currencies, building on the region's double digit growth in 2013 / 14. After a strong prior year, the Group's business in the United States, representing 35 % of total sales, showed a small decrease of 2.1 % in local currency. Sales in the rest of the Americas reported only modest sales growth of 2.4 % in local currencies. The Asia / Pacific region represented 10 % of Group sales and achieved sales growth of 5.2 % in local currencies.

Positive operating margin development

Gross profit reached CHF 1,387.5 million (margin: 68.2 %) for the year under review, including non-recurring costs of CHF 6.0 million booked for a restructuring provision related to the transfer of approximately 100 hearing aid assembly staff positions from Switzerland to the UK and China. Reported operating expenses amounted to CHF 932.0 million with the sum of non-recurring items resulting in a combined net benefit of CHF 8.8 million. These items included one-time cost for personnel restructuring, working capital provisioning related to the move to third-party distribution in two non-core emerging markets, and a provision to address risks related to prior years' indirect taxes in one particular market. On the other hand, operating expenses were reduced by CHF 13.2 million because of the release of a provision for cochlear implant product liabilities related to Advanced Bionics' Vendor B product recall in 2006, due to better-than-expected development in the number of claims.

As a result, the Group's reported operating profit before acquisition-related amortization (EBITA) was CHF 455.6 million, an increase of 5.9 % in Swiss francs or 9.8 % in local currencies over the prior year. The reported EBITA margin rose to 22.4 % from 22.0 % last year. Reported income after taxes was CHF 368.3 million, up 6.0 % from the previous year. Basic earnings per share (EPS) therefore reached CHF 5.37 (2013 / 14: CHF 5.08), a solid rise of 5.7 % over the previous year.

Hearing instruments segment – Solid growth and innovation

Driven by organic growth, sales in the hearing instruments segment reached CHF 1,840.9 million, representing an increase of 4.8 % in reported Swiss francs and 6.9 % in local currencies. Organic growth was 5.6 % in local currencies, supplemented by 1.3 % or CHF 22.1 million from acquisitions in this financial year and the full year effect from prior year acquisitions. About a third of this contribution came from the acquisition of Comfort Audio. Growth in the second half was supported by the strongly positive market response to Phonak Audéo V, the highly popular Receiver-In-Canal (RIC) form factor and the first product family to take advantage of the possibilities offered by the new Venture product platform.

Sales growth, stringent cost discipline, and a healthy trend in the product mix lifted normalized EBITA for the hearing instruments segment by 6.3 % in Swiss francs and 10.0 % in local currencies to CHF 443.5 million. This corresponds to an operating margin of 24.1 %. Excluding the unfavorable currency impact, the normalized operating margin rose by 70 basis points and demonstrates continued solid operating leverage. The reported EBITA, including the non-recurring cost amounted to CHF 434.7 million.

Cochlear implants segment – A year of consolidation

Following its extraordinary performance in 2013 / 14, particularly during the second half of the financial year, the cochlear implants segment consolidated its overall position, albeit with differing trends between the US market and China versus other parts of the world. Total sales were CHF 194.2 million, on the same level as in the prior year. After strong growth in the first half year, the second half saw a partly expected decline due to the exceptional second-half growth in the prior year of 50.2 % in local currencies. This extraordinary performance had been driven by the approval of the Naída CI Q70 processor in the US in August 2013 and the fulfillment of a central government tender in China. Furthermore, there was an adverse operating development in the US market, where we saw increased competitive pressure and where customers exercised some restraint during the period when the company undertook product optimizations to further improve the performance of the Naída CI Q70 sound processor under intensive wear conditions. Positive data from several clinical studies continues to demonstrate the strong advantages of the processor and bodes well for future sales.

Cost management was a key priority, though research and development programs proceeded as planned. With sales at the prior year level, the normalized EBITA for the cochlear implants segment reached CHF 10.4 million, down slightly from the CHF 12.8 million reported in 2013 / 14. This corresponds to an operating margin of 5.4 %. Reported EBITA, including the non-recurring gains from the release of the product liability provision and non-recurring costs, amounted to CHF 20.9 million.

Significant free cash flow

Cash flow from operating activities rose by 11.8 % to CHF 459.5 million in the year under review. Investments in tangible and intangible assets decreased by CHF 5.7 million or 6.0 % to CHF 89.0 million. Operating free cash flow was CHF 366.4 million, up by a strong 15.1 % from the prior year. The cash consideration for acquisitions amounted to CHF 57.7 million in 2014 / 15, compared to CHF 29.8 million in the prior year. This resulted in a free cash flow of CHF 308.7 million, up 7.0 % from the prior year.

Cash outflow from financing stood at CHF 327.3 million in the period under review, compared to CHF 309.1 million in the previous year. In 2014 / 15, Sonova retired the final CHF 80 million tranche of its financial debt, rendering the Group essentially debt-free. An installment of CHF 150 million had been paid in the prior year. In December 2014 the Group started a three year share buy-back program and CHF 73.6 million was spent to buy back 546,900 shares.

Maintaining a solid balance sheet

Helped by its strong free cash flow, the Group ended the period with a net cash position of CHF 382.3 million, up CHF 70.8 million from CHF 311.5 million at the end of the prior year. The return on capital employed (ROCE) was 29.1 % compared to 27.7 % in the prior year.

Outlook 2015 / 16

Continuous customer-driven innovation and building on our strong market positions remain the Sonova Group's chosen paths to profitable and sustainable growth. We foresee solid sales and earnings increases during 2015 / 16 in both the hearing instruments and cochlear implants segments, with Group sales expected to grow by 7 % – 9 % in local currencies. Growth will be supported by the acquisition of Hansaton, which became effective in April 2015.

Consolidated financial statements

Consolidated income statements

CHF millions	2014/15	2013/14
Sales	**2,035.1**	**1,951.3**
Cost of sales	(647.6)	(610.9)
Gross profit	**1,387.5**	**1,340.4**
Research and development	(130.9)	(125.7)
Sales and marketing	(613.2)	(589.6)
General and administration	(201.0)	(195.2)
Other income / (expenses), net	13.2	0.2
Operating profit before acquisition-related amortization (EBITA)[1)]	**455.6**	**430.1**
Acquisition-related amortization	(26.5)	(26.1)
Operating profit (EBIT)[2)]	**429.1**	**404.0**
Financial income	1.1	5.4
Financial expenses	(11.6)	(14.8)
Share of profit / (loss) in associates / joint ventures	1.7	0.0
Income before taxes	**420.3**	**394.6**
Income taxes	(52.0)	(47.2)
Income after taxes	**368.3**	**347.4**
Attributable to:		
Equity holders of the parent	360.0	340.8
Non-controlling interests	8.3	6.6
Basic earnings per share (CHF)	5.37	5.08
Diluted earnings per share (CHF)	5.35	5.07

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).

Consolidated Statements of Comprehensive Income

CHF millions	2014 / 15	2013 / 14
Income after taxes	**368.3**	**347.4**
Other comprehensive income		
Actuarial (loss) / gain from defined benefit plans, net	(33.2)	1.4
Tax effect on actuarial (loss) / gain from defined benefit plans	4.6	(0.2)
Put options granted to non-controlling interests	7.8	(7.8)
Total items not to be reclassified to income statement in subsequent periods	**(20.8)**	**(6.6)**
Fair value adjustment on cash flow hedges	0.9	5.3
Currency translation differences	(30.6)	(83.8)
Tax effect on currency translation items	(1.4)	3.1
Total items to be reclassified to income statement in subsequent periods	**(31.1)**	**(75.4)**
Other comprehensive income, net of tax	**(51.9)**	**(82.0)**
Total comprehensive income	**316.4**	**265.4**
Attributable to:		
Equity holders of the parent	308.7	258.4
Non-controlling interests	7.7	7.0

Consolidated Balance Sheets

Assets CHF millions	31.3.2015	31.3.2014
Cash and cash equivalents	390.5	410.0
Other current financial assets	5.5	4.0
Trade receivables	349.4	350.8
Current income tax receivables	6.3	6.9
Other receivables and prepaid expenses	66.3	65.5
Inventories	240.8	206.0
Total current assets	**1,058.8**	**1,043.2**
Property, plant and equipment	270.0	263.1
Intangible assets	1,219.6	1,161.1
Investments in associates / joint ventures	9.6	11.6
Other non-current financial assets	22.5	20.6
Deferred tax assets	111.1	94.1
Total non-current assets	**1,632.8**	**1,550.5**
Total assets	**2,691.6**	**2,593.7**

Liabilities and equity CHF millions	31.3.2015	31.3.2014
Current financial liabilities	3.1	93.8
Trade payables	72.9	75.3
Current income tax liabilities	95.6	61.9
Other short-term liabilities	206.6	204.0
Short-term provisions	111.9	101.5
Total current liabilities	**490.1**	**536.5**
Non-current financial liabilities	5.1	4.7
Long-term provisions	205.1	197.5
Other long-term liabilities	86.9	48.2
Deferred tax liabilities	32.6	32.4
Total non-current liabilities	**329.7**	**282.8**
Total liabilities	**819.8**	**819.3**
Share capital	3.4	3.4
Treasury shares	(71.5)	4.3
Retained earnings and reserves	1,912.6	1,737.2
Equity attributable to equity holders of the parent	**1,844.5**	**1,744.9**
Non-controlling interests	27.3	29.5
Equity	**1,871.8**	**1,774.4**
Total liabilities and equity	**2,691.6**	**2,593.7**

Consolidated Cash Flow Statements

CHF millions	2014/15	2013/14
Income before taxes	**420.3**	**394.6**
Depreciation and amortization of tangible and intangible assets	85.0	83.1
Loss on sale of tangible and intangible assets, net	0.5	1.1
Share of (gain)/loss in associates/joint ventures	(1.7)	0.0
Decrease in long-term provisions	(6.0)	(20.9)
Financial expenses, net	10.5	9.4
Share based payments	19.1	19.1
Other non-cash items	0.1	3.0
Income taxes paid	(23.1)	(37.3)
Cash flow before changes in net working capital	**504.7**	**452.1**
Increase in trade receivables	(12.8)	(32.0)
(Increase)/decrease in other receivables and prepaid expenses	(4.4)	4.2
Increase in inventories	(31.1)	(17.0)
(Decrease)/increase in trade payables	(4.5)	2.2
Increase in other payables, accruals and short-term provisions	7.6	1.5
Cash flow from operating activities	**459.5**	**411.0**
Purchase of tangible and intangible assets	(89.0)	(94.7)
Cash consideration for acquisitions, net of cash acquired	(57.7)	(29.8)
Other, net	(4.1)	2.1
Cash flow from investing activities	**(150.8)**	**(122.4)**
Repayment of borrowings	(87.6)	(151.0)
(Purchase)/sale of treasury shares, net	(92.6)	(39.1)
Dividends paid by Sonova Holding AG	(127.6)	(107.4)
Other, net	(19.5)	(11.6)
Cash flow from financing activities	**(327.3)**	**(309.1)**
Exchange losses on cash and cash equivalents	(0.9)	(4.3)
Decrease in cash and cash equivalents	**(19.5)**	**(24.8)**
Cash and cash equivalents at the beginning of the financial year	410.0	434.8
Cash and cash equivalents at the end of the financial year	**390.5**	**410.0**

Consolidated Changes in Equity

CHF millions

	Attributable to equity holders of Sonova Holding AG					
	Share capital	Reserves[1]	Translation adjustment	Treasury shares[2]	Non-controlling interests	Total equity
Balance April 1, 2013	**3.4**	**1,782.6**	**(182.5)**	**9.4**	**28.4**	**1,641.3**
Total comprehensive income		339.5	(81.1)		7.0	265.4
Changes in non-controlling interests		(0.1)			(4.1)	(4.2)
Capital increase[3]		1.6				1.6
Share-based payments		6.4				6.4
Sale of treasury shares		(21.8)		58.0		36.2
Purchase of treasury shares				(63.1)		(63.1)
Dividend paid		(107.4)			(1.8)	(109.2)
Balance March 31, 2014	**3.4**	**2,000.8**	**(263.6)**	**4.3**	**29.5**	**1,774.4**
Balance April 1, 2014	**3.4**	**2,000.8**	**(263.6)**	**4.3**	**29.5**	**1,774.4**
Total comprehensive income		340.1	(31.4)		7.7	316.4
Changes in non-controlling interests		(7.3)			(1.0)	(8.3)
Share-based payments		7.6				7.6
Sale of treasury shares		(6.0)		68.2		62.2
Purchase of treasury shares				(144.0)		(144.0)
Dividend paid		(127.6)			(8.9)	(136.5)
Balance March 31, 2015	**3.4**	**2,207.6**	**(295.0)**	**(71.5)**	**27.3**	**1,871.8**

1) Reserves includes retained earnings, other reserves and hedge reserve.
2) Includes derivative financial instruments on treasury shares.
3) Capital increase from conditional capital.

Financial statements of Sonova Holding AG

Income Statements

CHF millions	2014/15	2013/14
Income		
Investment income	262.6	304.7
Financial income	25.8	23.3
Other income	22.4	21.1
Total income	**310.8**	**349.1**
Expenses		
Financial expenses	(41.2)	(81.2)
Administration expenses	(8.2)	(7.6)
Other expenses	(1.2)	(2.1)
Total expenses	**(50.6)**	**(90.9)**
Net profit for the year	**260.2**	**258.2**

Balance sheets

Assets CHF millions	**31.3.2015**	**31.3.2014**
Cash and cash equivalents	68.3	11.1
Marketable securities	73.6	1.3
Amounts due from Group Companies	54.6	269.2
Other current assets	3.0	4.4
Total current assets	**199.5**	**286.0**
Loans to third parties		0.5
Loans to Group Companies	1,340.8	1,223.8
Investments	314.6	294.4
Total non-current assets	**1,655.4**	**1,518.7**
Total assets	**1,854.9**	**1,804.7**

Liabilities and shareholders' equity CHF millions	**31.3.2015**	**31.3.2014**
Liabilities to Group Companies		4.0
Bank loans		80.0
Other current liabilities	10.2	8.5
Total short-term liabilities	**10.2**	**92.5**
Total liabilities	**10.2**	**92.5**
Share capital	3.4	3.4
Reserve	93.9	21.6
Retained earnings	1,747.4	1,687.2
Total shareholders' equity	**1,844.7**	**1,712.2**
Total liabilities and shareholders' equity	**1,854.9**	**1,804.7**

Appropriation of available earnings

As proposed by the Board of Directors to the Annual General Shareholders' Meeting of June 16, 2015:

CHF millions	**31.3.2015**	**31.3.2014**[1)]
Carried forward from previous year	**1,559.6**	**1,427.4**
Allocation (to) / from reserve for treasury shares	(72.4)	1.6
Net profit for the year	260.2	258.2
Available earnings	**1,747.4**	**1,687.2**
Dividend distribution[2)]	(136.6)	(127.6)
Balance to be carried forward	**1,610.8**	**1,559.6**

[1)] Approved by the Annual General Shareholders' Meeting of June 17, 2014.
[2)] If the Annual Shareholders' Meeting approves the proposed appropriation of available earnings, a gross dividend of CHF 2.05 per registered share of CHF 0.05 will be paid out (previous year distribution of CHF 1.90).

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Financial calendar

June 16, 2015
General Shareholders' Meeting of
Sonova Holding AG at
Zurich Hallenstadion, Zurich-Oerlikon

November 16, 2015
Publication of Semi-Annual Report
as of September 30, 2015
Media and Analysts Conference

May 17, 2016
Publication of Annual Report
as of March 31, 2016
Media and Analysts Conference

June 14, 2016
General Shareholders' Meeting of
Sonova Holding AG

Financial information

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Information on the General Shareholders' Meeting
Invitation and agenda
General Shareholders' Meeting presentations
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