Semi-Annual Report 2015/16

Highlights & key figures First half 2015 / 16

In the first half of fiscal year 2015 / 16, a solid performance in hearing instruments was offset by lower sales of the cochlear implants segment and the Swiss franc strength.

+ 6.7 % sales growth for the Sonova Group in local currencies

For the first half of fiscal year 2015 / 16, consolidated sales were CHF 1,003.2 million, up 6.7 % in local currencies and by 1.3 % in Swiss francs.

+ 8.7 % sales growth for hearing instruments in local currencies

The hearing instruments segment achieved sales of CHF 917.8 million, an increase of 8.7 % in local currencies and of 2.9 % in Swiss francs. The EBITA grew by 5.0 % at constant currencies and by 8.6 % excluding non-hedged currency losses on working capital.

CHF 85.4 million in sales for cochlear implants in a challenging environment

Sales in the cochlear implants segment declined by 11.2 % in local currencies against a strong prior year period. The lower sales level resulted in an EBITA loss of CHF 2.6 million.

CHF 195.8 million EBITA for the Sonova Group

Group EBITA of CHF 195.8 million rose by 0.7 % in local currencies and by 4.2 % excluding non-hedged currency losses on working capital. Due to the adverse currency development the reported result in Swiss francs declined by 9.3 %.

Operating free cash flow rising by 3.9 %

Due to a strong cash conversion and despite currency headwinds, the operating free cash flow rose 3.9 % to CHF 147.2 million, supporting a healthy balance sheet.

SONOVA GROUP KEY FIGURES – FIRST HALF 2015 / 16

in CHF m unless otherwise specified	1H 2015 / 16	1H 2014 / 15	Change in Swiss francs	Change in local currencies
Sales	1,003.2	990.2	1.3 %	6.7 %
EBITA	195.8	215.9	(9.3 %)	0.7 %
EBITA margin	19.5 %	21.8 %		
EPS (CHF)	2.32	2.52	(8.2 %)	
Operating free cash flow[1)]	147.2	141.6	3.9 %	
Equity financing ratio[1)]	67.7 %	71.3 %		

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

Letter to shareholders

A continued solid performance in hearing instruments was held back by lower sales of our cochlear implants segment and the Swiss franc strength.

Dear shareholders

Despite a significant currency headwind, consolidated sales of Sonova increased by 1.3 % in reported Swiss francs to a new first half record of CHF 1,003.2 million, driven by solid organic growth and the contribution from recent acquisitions in the hearing instruments segment. The cochlear implants business faced a challenging comparison base in addition to some continued buyer restraint, resulting in lower sales for the period. The reported operating profit (EBITA) reached CHF 195.8 million, a slight increase of 0.7 % in local currencies or up 4.2 % excluding non-hedged currency losses on working capital. The reported operating margin of 19.5 % was negatively affected by the strength of the Swiss franc, the lower first-year profitability of the acquired businesses and the sales decline in cochlear implants, but positively supported by the organic growth in hearing instruments and by strict control of operating costs. The cash conversion was again strong resulting in an operating free cash flow of CHF 147.2 million up 3.9 % in the period.

Hearing instruments segment

Both our wholesale and retail business contributed to the solid growth of 8.7 % in local currencies in hearing instruments, despite some headwinds in selected markets. In combination with the contribution from acquisitions, in particular from Hansaton and Comfort Audio, we continued to further strengthen our market position. We benefited again from the successful rollout of our Phonak Venture platform. With the Phonak Bolero™ V Behind-The-Ear family launched in April 2015 and the Phonak Virto™ V In-The-Ear family later in the reporting period, even more customers can now benefit from unique features such as AutoSense OS, which allows for automatic and seamless adjustment and superior speech intelligibility in the most challenging listening situations. Unitron moved to the new North platform, starting with the Moxi™ Receiver-In-Canal products in April 2015 and followed by the Stride™ Behind-The-Ear and In-The-Ear families launched at this year's International Congress of Hearing Aid Acousticians (EUHA) in October 2015. Sonova's retail business showed again a solid growth across all regions.

Cochlear implants segment

After a slow start to the year, our cochlear implants business returned to growth towards the end of the reporting period. We continued to bring significant innovations to the market. At the end of May 2015, Advanced Bionics (AB) announced that the new Naída™ CI Q90 EAS sound processor received TÜV approval for distribution in Europe. This sound processor was developed for recipients who can benefit from the combined acoustic amplification of their natural hearing together with electrical stimulation through a cochlear implant. This innovation was followed in August 2015 by the US approval of the new Naída CI Q90 and Q30 sound processors. The powerful new processor family combines AB's proven innovations with even more of Phonak's most popular sound processing features relied on by hundreds of thousands of hearing aid users for better hearing and superior speech intelligibility in all relevant situations. A launch of the Naída CI Q Series is planned in the coming months and we are confident that it will help the business to regain momentum.

Outlook

Despite the temporary challenges in the first half, we remain confident to achieve solid earnings growth in the second half of the year and going forward. For the remainder of fiscal year 2015 / 16, we expect a continued solid performance in the hearing instruments business and a return to profitability for the cochlear implants segment. This is expected to lead to an acceleration of earnings growth in the second half. Our strong cash flow will continue to support our solid cash position and a healthy balance sheet.

Robert Spoerry
Chairman of the Board
of Directors

Lukas Braunschweiler
CEO

Financial review

In the first half of the fiscal year 2015 / 16 Sonova generated sales of CHF 1,003.2 million, an increase of 6.7 % in local currencies or 1.3 % in reported Swiss francs. Group EBITA reached CHF 195.8 million, up 0.7 % compared to the same period last year in local currencies or up 4.2 % excluding non-hedged currency losses on working capital.

Continuing solid sales growth in local currencies

Year-on-year, Group sales increased by 6.7 % in local currencies during the first six months of fiscal year 2015 / 16. Organic growth was 2.6 % whereas growth from acquisitions made in the reporting period and the annualization of prior year acquisitions accounted for 4.2 %. As a result of the significant strengthening of the Swiss franc following the decision of the Swiss National Bank to discontinue its minimum exchange rate policy on the euro, currency headwinds reduced reported sales by CHF 53.8 million or 5.4 %, resulting in Group sales of CHF 1,003.2 million which represents a new first half record and still an increase of 1.3 % in reported Swiss francs.

Europe and APAC region driving growth

EMEA (Europe, Middle East and Africa), the Group's largest region, showed a strong sales increase of 9.0 % in local currencies. As a result of adverse currency movements, in particular the weakness of the euro, the share of Group sales declined slightly from 43 % in the first six months of fiscal year 2014 / 15 to 42 % in the period under review. In the hearing instruments segment, growth was driven by a strong performance in important markets such as France, Italy and Spain. The acquisition of Hansaton contributed to the growth in Germany while the like-for-like performance of the hearing instruments segment remained subdued in the country. This was in part due to the temporary market stagnation related to prior period reimbursement changes. In addition the Phonak business experienced an expected headwind in the independent channel following the Group's announcement of the new German retail strategy in early 2015.

Sales in the United States increased by 1.9 % in local currency, negatively impacted by the ongoing weakness of our cochlear implants business. The region accounted for 37 % of Group sales in the first six months of fiscal year 2015 / 16 up from 35 % in the prior year period. A sound performance of our hearing instruments business in the commercial channel was in part offset by lower sales to the Department of Veterans Affairs (VA). The rest of the Americas (excluding the US) posted a solid sales increase of 8.2 % in local currencies, while reported sales were held back by the significant decline of major currencies, in particular the Brazilian real and the Canadian dollar, versus the Swiss franc.

Driven by a strong performance in our hearing instruments segment in Australia, New Zealand, China and Japan, the Asia / Pacific region posted a double-digit sales increase with growth reaching 11.9 % in local currencies. The contribution to Group sales remained stable at 11 %.

Stable underlying margin

Gross profit reached CHF 661.3 million, an increase of 3.5 % in local currencies, adjusted for changes in average exchange rates. The underlying margin excluding the effects of currencies, a one-time provision and acquisitions was stable compared to the prior year period. The reported gross margin was at 65.9 % compared to 68.8 % in the first half of fiscal year 2014 / 15 and the reported gross profit declined by 2.9 % in Swiss francs. The gross profit rose by 5.8 %, excluding the negative impact of lower average exchange rates, non-hedged currency losses on working capital of CHF 7.4 million, mainly

SALES BY REGIONS

in CHF m	1H 2015 / 16			1H 2014 / 15	
	Sales	Share	Growth in local currencies	Sales	Share
EMEA	418	42 %	9.0 %	427	43 %
USA	376	37 %	1.9 %	349	35 %
Americas (excl. USA)	100	10 %	8.2 %	108	11 %
Asia / Pacific	109	11 %	11.9 %	106	11 %
Total sales	**1,003**	**100 %**	**6.7 %**	**990**	**100 %**

related to emerging markets, and a CHF 8.6 million provision for the higher return rates of the initial release of the Naída™ processors in the cochlear implants segment. The growth includes acquisitions, in particular Hansaton, which contributed to profits but had an expected dilutive margin impact in the first year.

Supporting commitment to innovation, the Group maintained its high level of investment in research and development (R&D). Net R&D expenses reached CHF 65.4 million or 6.5% of sales, stable compared to the first half of fiscal year 2014/15. Gross R&D spending (including the increase in capitalized development costs) amounted to CHF 73.3 million, corresponding to 7.3% of sales.

Reaching CHF 313.4 million, sales and marketing costs increased by 10.0% in local currencies or 3.9% in Swiss francs. Around half of the increase in local currencies was related to acquisitions. Thus, as a percentage of sales, the reported costs rose to 31.2% compared to 30.5% in the prior year period. Reflecting strict cost-control, G&A cost declined by 0.1% in local currencies or 2.9% in Swiss francs to CHF 95.5 million. As a percentage of sales, G&A costs dropped to 9.5% from 9.9% in the first half of fiscal year 2014/15. Other operating income included CHF 8.8 million of a provision release for cochlear implant product liabilities related to Advanced Bionics' Vendor B product recall in 2006, as the number of claims continued to develop better than expected. As a result, total operating expenses rose less than sales by 4.8% in local currencies or 0.1% in Swiss francs.

The operating profit before acquisition-related amortization (EBITA) reached CHF 195.8 million. The EBITA increased 0.7% compared to the same period last year in local currencies, adjusted for changes in average exchange rates (negative effect of CHF 21.7 million), and was up 4.2% excluding the above mentioned non-hedged currency losses on working capital (negative effect of CHF 7.4 million). In reported Swiss francs EBITA declined by 9.3%. Thus, the negative currency development was the main driver behind the reported EBITA margin dropping to 19.5% and the operating profit (EBIT) margin declining to 18.2%. Net financial expenses fell from CHF 3.1 million to CHF 1.0 million, mainly as a result of one-time financial income. Combined with a stable tax rate, this resulted in an income after taxes of CHF 157.3 million. For the first six months of 2015/16, basic earnings per share were CHF 2.32 compared to CHF 2.52 last year.

Hearing instruments segment – Solid growth and favorable mix development

A healthy organic growth rate, despite above mentioned headwinds in the US and in Germany, as well as a strong contribution from recent acquisitions resulted in sales of CHF 917.8 million for the hearing instruments segment in the first half of fiscal year 2015/16. This represents a solid growth rate of 8.7% in local currencies, consisting of an organic increase of 4.1% and contributions from acquisitions made in the reporting period and the annualization of prior year acquisitions of 4.6%. Reported sales rose by 2.9% considering the adverse currency development which reduced the growth rate by 5.8 percentage points or CHF 52.1 million.

Both the Group's hearing instrument wholesale and retail businesses contributed to the growth. Over two thirds of hearing aid sales in the reporting period were from products launched less than two years ago. The success of the recently introduced Phonak Venture and Unitron North platform provided a strong momentum and a positive mix effect. Premium hearing instruments increased their share of revenues as a result of a strong 10.6% increase in local currencies. This was driven by the success of the Phonak Audéo™ V90 Receiver-In-Canal and Phonak Bolero™ V90 Behind-The-Ear products as well as the continued growth of Lyric™, the first and only invisible extended wear solution in the industry.

SALES BY PRODUCT GROUPS

in CHF m	1H 2015/16			1H 2014/15	
Product groups	Sales	Share	Growth in local currencies	Sales	Share
Premium hearing instruments	247	25%	10.6%	227	23%
Advanced hearing instruments	199	20%	3.3%	204	21%
Standard hearing instruments	293	29%	3.2%	287	29%
Wireless communication systems	44	4%	21.1%	39	4%
Miscellaneous	135	13%	8.0%	135	13%
Total hearing instruments	**918**	**91%**	**8.7%**	**892**	**90%**
Cochlear implants and accessories	85	9%	(11.2%)	98	10%
Total sales	**1,003**	**100%**	**6.7%**	**990**	**100%**

Sales of advanced and standard hearing instruments rose by 3.3 % and 3.2 % in local currencies respectively. Supported by the acquisition of Comfort Audio completed in October 2014, sales of wireless communication systems increased by 21.1 % in local currencies.

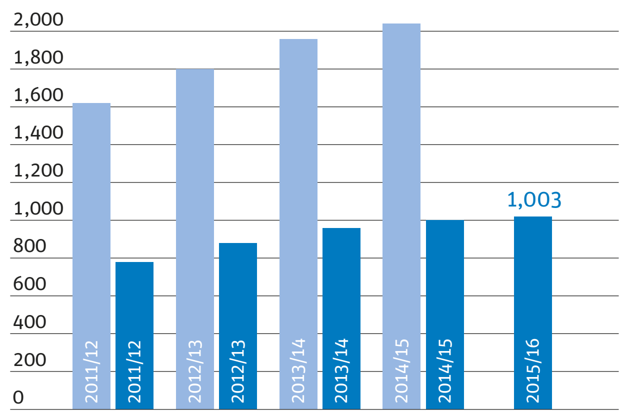
The segment EBITA grew by 5.0 % in local currencies, adjusted for changes in average exchange rates, and by 8.6 % excluding the currency losses on working capital. This was achieved despite the expected first-year dilutive impact from acquisitions, in particular from the transition of the Hansaton product portfolio to Sonova products. Reported EBITA for the hearing instruments segment declined by 4.7 % in Swiss francs to CHF 198.4 million, representing an EBITA margin of 21.6 %.

Cochlear implants segment – Slow start but improving momentum

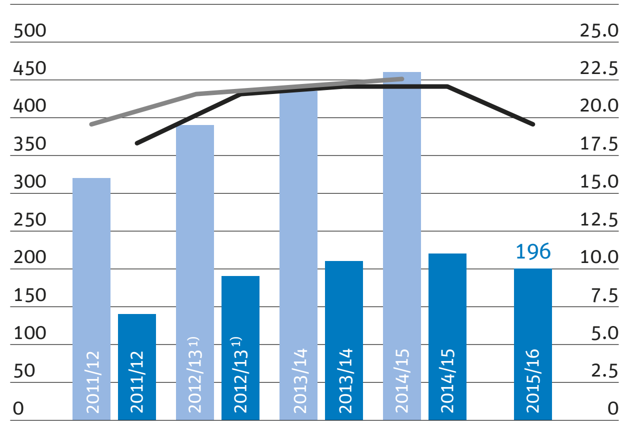
During the period under review, the cochlear implants segment achieved sales of CHF 85.4 million. This represents a decline of 11.2 % in local currencies and 12.9 % in Swiss francs against the first half of fiscal year 2014 / 15, which was a very strong period with 23 % organic growth related to the Naída CI sound processor. Sales in the period under review were further impacted by weaker market dynamics, increased competition and continued customer restraint in the United States related to recent product optimizations to Advanced Bionics' Naída CI processor. However, momentum improved over the course of the first half and the business started to grow again at the end of the period under review. Coupled with the upcoming launch of the Naída CI Q Series of sound processors, the business is on track to return to sustainable growth in the second half of fiscal year 2015 / 16.

While research and development programs proceeded as planned, cost management was a key priority during the period. The before mentioned one-time increase in the warranty provision negatively impacted the gross margin but was largely offset by the non-recurring gain from the release of the product liability provision at EBITA level. With costs at a stable level, the lower sales resulted in a reported loss of CHF 2.6 million at the EBITA level compared to a profit of CHF 7.8 million in the first half of fiscal year 2014 / 15.

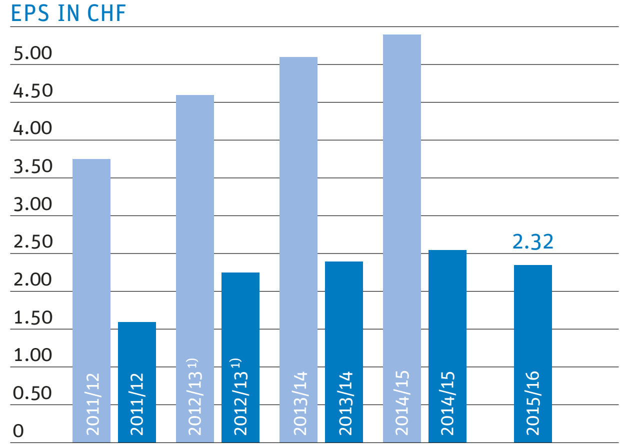
SALES IN CHF M



EBITA IN CHF M EBITA MARGIN IN %



EPS IN CHF



Financial year figures

Half-year figures

[1] Restated following the implementation of IAS 19 (revised), full-year numbers exclude one-off costs.

Sound cash flow – Strong balance sheet

A strong cash conversion increased the operating free cash flow by 3.9 % to CHF 147.2 million. The cash consideration for acquisitions, in particular Hansaton, and earn-out payments for prior period acquisitions increased from CHF 7.9 million to CHF 71.7 million. The cash outflow from financing activities of CHF 260.9 million reflects CHF 99.1 million related to the ongoing share buy-back program as well as the dividend payment of CHF 136.0 million.

The net working capital stood at CHF 194.1 million, a slight increase compared to CHF 181.4 million in March 2015, which is partly related to acquisitions. Capital employed increased to CHF 1,585.1 million after CHF 1,489.5 million in March 2015, largely driven by acquisitions. The Group's equity amounted to CHF 1,769.6 million, resulting in a solid equity ratio of 67.7 %. The net cash position stood at CHF 184.5 million compared to CHF 382.3 million in March 2015, reflecting the increased return of cash to shareholders – higher dividends and the ongoing share buy-back program – as well as more cash spent for acquisitions.

Outlook 2015 / 16

The hearing instruments business achieved a healthy sales increase in the first half and we expect a continued solid performance for the remainder of fiscal year 2015 / 16. After a slow start to the year, the cochlear implants business returned to growth towards the end of the period. Nevertheless, the sales of the segment did not fully meet original expectations. As a result, we are adjusting the growth outlook for the year and now expect Group sales to grow by 6 % – 8 % in local currencies in 2015 / 16, which compares to the original expectations of an increase of 7 % – 9 %.

The lower than expected sales level in the cochlear implants business and the non-hedged currency losses on working capital held back the profitability for the Group during the first six months of fiscal year 2015 / 16. In the second half, we expect an improved performance in both businesses, with the cochlear implants segment returning to profitability and the dilutive effect of recent acquisitions abating. However, in the second half of fiscal year 2014 / 15 we benefited from a gain on working capital hedges, which results in a more challenging comparison base. Thus in summary we now expect Group EBITA to increase by 3 % – 7 % in local currencies for the full year 2015 / 16 versus our guidance of 9 % – 13 % issued back in May 2015. However, further normalized for the mentioned currency impact on working capital in the current and prior year, this corresponds to an expected EBITA increase of 7 % – 11 %.

Sonova remains committed to pursuing its strategy of profitable growth. Maintaining a high pace of innovation and continuing to expand its market-presence through advanced approaches and solutions will help Sonova to further build on its market-leading position and thus allow the Group to achieve sustainable earnings growth in the second half and going forward.

Interim consolidated financial statements as of September 30, 2015

Key figures

April 1 to September 30, in 1,000 CHF unless otherwise specified	2015	2014
Sales	**1,003,196**	**990,207**
change compared to previous year (%)	1.3	4.5
Gross profit	**661,303**	**680,891**
change compared to previous year (%)	(2.9)	4.9
in % of sales	65.9	68.8
Research & development costs	**65,358**	**65,287**
in % of sales	6.5	6.6
Sales & marketing costs	**313,397**	**301,581**
in % of sales	31.2	30.5
Operating profit before acquisition-related amortization (EBITA)	**195,775**	**215,877**
change compared to previous year (%)	(9.3)	4.7
in % of sales	19.5	21.8
Operating profit (EBIT)	**182,259**	**203,145**
change compared to previous year (%)	(10.3)	5.1
in % of sales	18.2	20.5
Income after taxes	**157,329**	**173,608**
change compared to previous year (%)	(9.4)	6.1
in % of sales	15.7	17.5
Number of employees (average)	**10,645**	**9,764**
change compared to previous year (%)	9.0	8.2
Number of employees (end of period)	**10,769**	**9,938**
change compared to previous year (%)	8.4	9.2
Net cash[1]	**184,450**	**301,548**
Net working capital[2]	**194,054**	**238,517**
Capital expenditure (tangible and intangible assets)[3]	**38,470**	**40,968**
Capital employed[4]	**1,585,140**	**1,569,609**
Total assets	**2,614,361**	**2,623,262**
Equity	**1,769,590**	**1,871,157**
Equity financing ratio (%)[5]	**67.7**	**71.3**
Free cash flow[6]	**75,550**	**133,745**
Operating free cash flow[7]	**147,207**	**141,619**
in % of sales	14.7	14.3
Return on capital employed (%)[8]	**25.9**	**27.4**
Return on equity (%)[9]	**19.3**	**20.4**
Basic earnings per share (CHF)	2.32	2.52
Diluted earnings per share (CHF)	2.31	2.52

[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	2015	2014
Sales	**1,003,196**	**990,207**
Cost of sales	(341,893)	(309,316)
Gross profit	**661,303**	**680,891**
Research and development	(65,358)	(65,287)
Sales and marketing	(313,397)	(301,581)
General and administration	(95,516)	(98,350)
Other income / (expenses), net	8,743	204
Operating profit before acquisition-related amortization (EBITA)[1)]	**195,775**	**215,877**
Acquisition-related amortization	(13,516)	(12,732)
Operating profit (EBIT)[2)]	**182,259**	**203,145**
Financial income	3,630	1,417
Financial expenses	(5,322)	(5,457)
Share of profit / (loss) in associates / joint ventures	688	892
Income before taxes	**181,255**	**199,997**
Income taxes	(23,926)	(26,389)
Income after taxes	**157,329**	**173,608**
Attributable to:		
Equity holders of the parent	153,469	169,496
Non-controlling interests	3,860	4,112
Basic earnings per share (CHF)	2.32	2.52
Diluted earnings per share (CHF)	2.31	2.52

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	2015	2014
Income after taxes	**157,329**	**173,608**
Other comprehensive income		
Actuarial (loss) / gain from defined benefit plans, net	(6,240)	7,836
Tax effect on actuarial (loss) / gain from defined benefit plans	874	(933)
Put options granted to non-controlling interests		6,659
Total items not to be reclassified to income statement in subsequent periods	**(5,366)**	**13,562**
Fair value adjustment on cash flow hedges		1,075
Currency translation differences	(6,455)	53,079
Tax effect on currency translation items	687	(2,541)
Total items to be reclassified to income statement in subsequent periods	**(5,768)**	**51,613**
Other comprehensive income, net of tax	**(11,134)**	**65,175**
Total comprehensive income	**146,195**	**238,783**
Attributable to:		
Equity holders of the parent	141,577	233,199
Non-controlling interests	4,618	5,584

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

Consolidated balance sheets

Assets 1,000 CHF	30.9.2015	31.3.2015	30.9.2014
Cash and cash equivalents	204,734	390,486	314,041
Other current financial assets	3,578	5,446	4,326
Trade receivables	343,989	349,388	358,082
Current income tax receivables	8,209	6,323	7,544
Other receivables and prepaid expenses	81,953	66,349	77,122
Inventories	256,651	240,834	241,779
Total current assets	**899,114**	**1,058,826**	**1,002,894**
Property, plant and equipment	272,418	269,988	273,177
Intangible assets	1,303,249	1,219,598	1,217,475
Investments in associates / joint ventures	9,572	9,667	11,601
Other non-current financial assets	22,939	22,478	25,757
Deferred tax assets	107,069	111,074	92,358
Total non-current assets	**1,715,247**	**1,632,805**	**1,620,368**
Total assets	**2,614,361**	**2,691,631**	**2,623,262**

Liabilities and equity 1,000 CHF	30.9.2015	31.3.2015	30.9.2014
Current financial liabilities	4,645	3,101	8,006
Trade payables	73,688	72,896	60,791
Current income tax liabilities	88,549	95,584	64,776
Other short-term liabilities	217,236	206,548	215,266
Short-term provisions	120,853	111,933	109,329
Total current liabilities	**504,971**	**490,062**	**458,168**
Non-current financial liabilities	15,639	5,042	4,661
Long-term provisions	191,201	205,148	212,301
Other long-term liabilities	96,954	86,927	44,000
Deferred tax liabilities	36,006	32,648	32,975
Total non-current liabilities	**339,800**	**329,765**	**293,937**
Total liabilities	**844,771**	**819,827**	**752,105**
Share capital	3,331	3,359	3,359
Treasury shares	(97,663)	(71,473)	4,567
Retained earnings and reserves	1,838,194	1,912,615	1,833,881
Equity attributable to equity holders of the parent	**1,743,862**	**1,844,501**	**1,841,807**
Non-controlling interests	25,728	27,303	29,350
Equity	**1,769,590**	**1,871,804**	**1,871,157**
Total liabilities and equity	**2,614,361**	**2,691,631**	**2,623,262**

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

Consolidated cash flow statements

April 1 to September 30, 1,000 CHF		2015		2014
Income before taxes		**181,255**		**199,997**
Depreciation and amortization of tangible and intangible assets	43,383		41,232	
Loss on sale of tangible and intangible assets, net	160		115	
Share of (gain) / loss in associates / joint ventures	(688)		(892)	
(Decrease) / increase in long-term provisions	(11,076)		787	
Financial expenses, net	1,692		4,040	
Share based payments and other non-cash items	10,686		9,991	
Income taxes paid	(28,029)	16,128	(17,623)	37,650
Cash flow before changes in net working capital		**197,383**		**237,647**
Decrease in trade receivables	12,577		2,668	
Increase in other receivables and prepaid expenses	(6,447)		(10,278)	
Increase in inventories	(13,382)		(25,039)	
Decrease in trade payables	(14,913)		(16,843)	
Increase / (decrease) in other payables, accruals and short-term provisions	10,833	(11,332)	(3,481)	(52,973)
Cash flow from operating activities		**186,051**		**184,674**
Purchase of tangible and intangible assets	(38,470)		(40,997)	
Proceeds from sale of tangible and intangible assets	213		529	
Cash consideration for acquisitions, net of cash acquired	(71,657)		(7,874)	
Changes in other financial assets	(1,326)		(3,222)	
Interest received and realized gain from financial assets	739		635	
Cash flow from investing activities		**(110,501)**		**(50,929)**
Repayment of borrowings	(3,974)		(80,767)	
(Purchase) / sale of treasury shares, net	(114,404)		(12,050)	
Dividends paid by Sonova Holding AG	(136,039)		(127,629)	
Transactions with non-controlling interests	(6,193)		(12,246)	
Interest paid and other financial expenses	(321)		(1,226)	
Cash flow from financing activities		**(260,931)**		**(233,918)**
Exchange (losses) / gains on cash and cash equivalents		(371)		4,210
Decrease in cash and cash equivalents		**(185,752)**		**(95,963)**
Cash and cash equivalents at April 1		390,486		410,004
Cash and cash equivalents at September 30		**204,734**		**314,041**

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, 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**
Balance April 1, 2015	**3,359**	**2,207,642**	**(295,027)**	**(71,473)[1]**		**27,303**	**1,871,804**
Income for the period		153,469				3,860	157,329
Actuarial loss from defined benefit plans, net		(6,240)					(6,240)
Tax effect on actuarial loss		874					874
Currency translation differences		42	(7,255)			758	(6,455)
Tax effect on currency translation			687				687
Total comprehensive income		**148,145**	**(6,568)**			**4,618**	**146,195**
Capital decrease – share buy-back program	(28)	(73,551)		73,579			
Share-based payments		(1,423)					(1,423)
Sale of treasury shares		(4,985)		21,737			16,752
Purchase of treasury shares				(121,506)			(121,506)
Dividend paid		(136,039)				(6,193)	(142,232)
Balance September 30, 2015	**3,331**	**2,139,789**	**(301,595)**	**(97,663)[1]**		**25,728**	**1,769,590**

[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, 2015

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, 2015. 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, 2015. The interim consolidated financial statements were approved by the Board of Directors on November 12, 2015.

The Group consistently applied the same accounting policies as in the Annual Financial Statements for the financial year ended March 31, 2015.

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, 2016, 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 2016, 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 13.5 million acquisition-related amortization costs (prior year CHF 12.7 million), CHF 2.5 million (prior year CHF 1.8 million) relate to research and development and CHF 11.0 million (prior year CHF 10.9 million) relate to sales and marketing.

As of September 30, 2015 the actuarial valuations for the main pension plans were updated. The most relevant parameters for the calculation remained unchanged compared to March 31, 2015.

3. Significant events and transactions

On April 16, 2015 Sonova Holding AG announced that it has completed the acquisition of Hansaton Akustik GmbH, a Hamburg (Germany) based wholesale hearing aid company, following regulatory approvals. The company develops and manufactures hearing aids and employs around 200 staff in Germany, France and the US. In calendar year 2014 sales were EUR 42 million (CHF 44 million).

On October 2nd, 2014 Sonova Holding AG announced that it has completed the acquisition of Comfort Audio i Halmstad AB (Sweden). 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).

4. Changes in Group structure

Beside the acquisition of Hansaton Akustik GmbH as of April 16, 2015 (for further information refer to "3. Significant events and transactions") several small companies were acquired in Europe, North America and Asia / Pacific during the first six months of the financial year 2015 / 16. During the six-month period 2014 / 15, several small companies were acquired in Europe and North America.

All of the acquired companies are engaged in the business of selling hearing instruments and cochlear implants 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	2015	2014
Trade receivables	13,643	67
Other current assets	17,628	509
Property, plant and equipment	2,974	536
Intangible assets	21,302	2,747
Other non-current assets	3,401	
Current liabilities	(27,004)	(472)
Non-current liabilities	(11,128)	(1,436)
Net assets	**20,816**	**1,951**
Goodwill	66,121	6,663
Purchase consideration	**86,937**	**8,614**
Fair value of previously held stake before the business combination[1]		(953)
Liabilities for earn-outs or holdbacks[2]	(14,521)	(1,395)
Cash consideration	**72,416**	**6,266**
Cash and cash equivalents acquired	(2,976)	(308)
Cash consideration, net of cash acquired	**69,440**	**5,958**
Cash outflow for investments in associates, non-controlling interests and earn-out payments	2,217	1,916
Total cash outflow from acquisitions	**71,657**	**7,874**

[1] The loss of CHF 0.1 million in financial year 2014 / 15 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 completed 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 1.4 million (prior year period CHF 0.1 million) have been expensed and included in the line "General and administration".

April 1 to September 30, 1,000 CHF	2015	2014
Contribution of acquired companies from date of acquisition		
Sales	25,928	755
Net income	(1,382)	(120)
Contribution, if the acquisitions occurred on April 1		
Sales	29,348	1,921
Net income	(913)	118

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 2015 / 16 and 2014 / 15 is as follows:

1,000 CHF	2015	2014	2015	2014	2015	2014	2015	2014
	Hearing instruments		Cochlear implants		Corporate / Eliminations		Total	
Segment sales	918,931	893,961	85,602	98,169			1,004,533	992,130
Intersegment sales	(1,090)	(1,766)	(247)	(157)			(1,337)	(1,923)
Sales	**917,841**	**892,195**	**85,355**	**98,012**			**1,003,196**	**990,207**
Operating profit before acquisition-related amortization (EBITA)	**198,373**	**208,108**	**(2,598)**	**7,769**			**195,775**	**215,877**
Segment assets	**2,376,462**	**2,259,472**	**590,665**	**548,639**	**(674,141)**	**(602,849)**	**2,292,986**	**2,205,262**
Unallocated assets[1)]							321,375	418,000
Total assets							**2,614,361**	**2,623,262**

[1)] 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	2015	2014
EBITA	195,775	215,877
Acquisition-related amortization	(13,516)	(12,732)
Financial costs, net	(1,692)	(4,040)
Share of gain / (loss) in associates / joint ventures	688	892
Income before taxes	**181,255**	**199,997**

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	2015	2014
Income after taxes (1,000 CHF)	153,469	169,496
Weighted average number of outstanding shares	66,260,758	67,165,228
Basic earnings per share (CHF)	**2.32**	**2.52**

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 2015 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	2015	2014
Income after taxes (1,000 CHF)	153,469	169,496
Weighted average number of outstanding shares	66,260,758	67,165,228
Adjustment for dilutive share options	122,076	180,993
Adjusted weighted average number of outstanding shares	66,382,834	67,346,221
Diluted earnings per share (CHF)	**2.31**	**2.52**

7. Contingencies, bank debts and credit lines

There have been no material changes in contingent liabilities since March 31, 2015.

In the first six months of the financial year 2015/16, the Group entered into an agreement for a credit line in the amount of CHF 150 million with an option to increase to CHF 250 million. The terminal date of this credit line is July 31, 2018 with an option to extend for two years. The credit line was not used at balance sheet date.

In the first six months of the financial year 2014/15 the Group repaid CHF 80 million in connection with the acquisition of Advanced Bionics in December 2009 and was free of bank debt as of September 30, 2014.

8. Movements in share capital

The Annual General Shareholders' Meeting of June 16, 2015 resolved a gross dividend of CHF 2.05 per registered share for the financial year 2014/15. The dividend was paid in June 2015 to all shares outstanding, excluding treasury shares.

Issued registered shares	Issued registered shares	Treasury shares[1]	Outstanding shares
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**
Balance April 1, 2015	**67,173,287**	**(547,313)**	**66,625,974**
Purchase of treasury shares		(162,116)	(162,116)
Sale / transfer of treasury shares		156,800	156,800
Cancelation of treasury shares	(546,900)	546,900	
Purchase of shares intended to be cancelled[2]		(747,500)	(747,500)
Balance September 30, 2015	**66,626,387**	**(753,229)**	**65,873,158**

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] Shares purchased by the Group as part of the share buyback program.

9. Events after balance sheet date

There have been no material events after balance sheet date.

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About Sonova

Sonova, headquartered in Stäfa, 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 over 10,000 dedicated employees. Sonova generated sales of CHF 2.0 billion in the financial year 2014/15 and a net profit of CHF 368 million. Across all businesses, and 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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