Summary Report 2017/18

Highlights 2017/18

Sonova Group: +10.4 % sales growth in Swiss francs

Consolidated sales for the Sonova Group were CHF 2,646 million, an increase of 10.4 % in Swiss francs and of 9.0 % in in local currencies. Organic growth stood at 3.8 %.

Hearing instruments: +10.6 % sales growth in Swiss francs

Sales in the hearing instruments segment reached CHF 2,423 million, an increase of 10.6 % in Swiss francs and 9.0 % in local currencies. Excluding one-time costs [3], EBITA increased by 11.7 % in local currencies.

Cochlear implants: +8.5 % sales growth in Swiss francs

Sales in the cochlear implants segment reached CHF 223 million, up 8.5 % in Swiss francs and 8.6 % in local currencies. This resulted in an EBITA of CHF 11.9 million, up 48.4 % in local currencies from the prior year.

Normalized Group EBITA: +14.6 % in Swiss francs

Excluding one-time costs [3], Group EBITA increased by 14.6 % in Swiss francs and 12.3 % in local currencies to CHF 551.6 million. As reported, Group EBITA reached CHF 532.5 million, up 15.0 % over the prior year.

Earnings per share: +14.6 % to CHF 6.13

Reflecting the strong growth in EBIT, basic earnings per share reached CHF 6.13, up 14.6 %. Normalized for one-time costs, earnings per share increased 14.0 % to CHF 6.36 from prior year.

Dividend increase of 13.0 % proposed

The Board of Directors proposes to the 2018 Annual General Shareholders' Meeting a dividend of CHF 2.60, representing a normalized [3] payout ratio of 41 %.

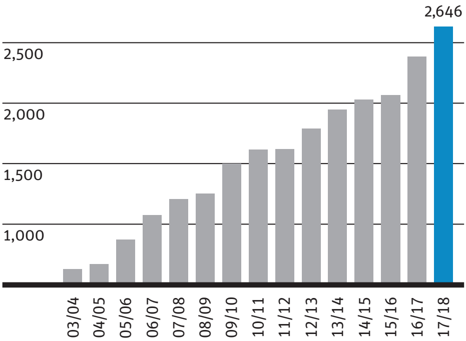
Sonova Group key figures

in CHF millions unless otherwise specified	2017/18	2016/17	Change in Swiss francs	Change in local currencies
Sales	2,645.9	2,395.7	10.4 %	9.0 %
EBITA[1]	532.5	463.0	15.0 %	12.7 %
EPS (CHF)	6.13	5.35	14.6 %	
Operating free cash flow	419.2	424.8	(1.3 %)	
ROCE[2]	18.4 %	20.4 %		
EBITA (normalized)[3]	551.6	481.4	14.6 %	12.3 %
EBITA margin (normalized)[3]	20.8 %	20.1 %		
EPS (CHF) (normalized)[3]	6.36	5.58	14.0 %	

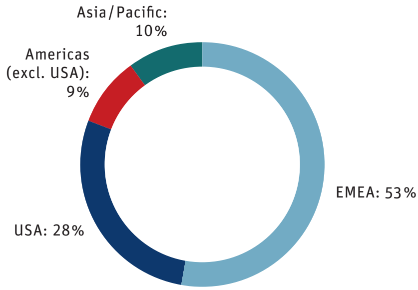
1) EBITA: Earnings before financial result, share of profit / (loss) in associates / joint ventures, taxes and acquisition-related amortization.
2) ROCE (Return on capital employed): EBIT in % of capital employed (average).
3) Excluding one-time costs of CHF 19.2 million (prior year: CHF 18.4 million), consisting of transaction cost and integration related restructuring costs in connection with the acquisition of AudioNova.

Key figures 2017/18

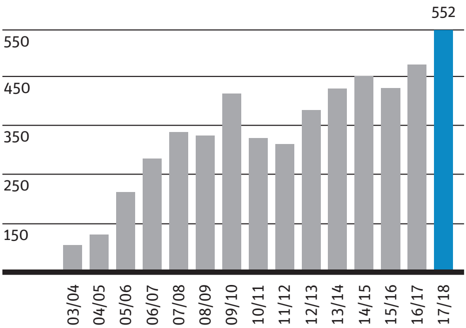
Sales in CHF m



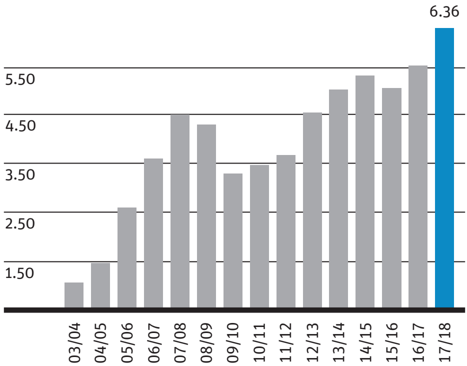
Sales by regions in 2017/18



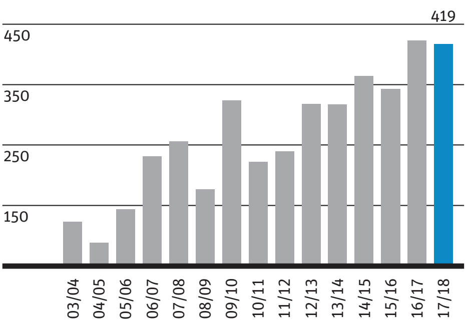
Normalized EBITA in CHF m



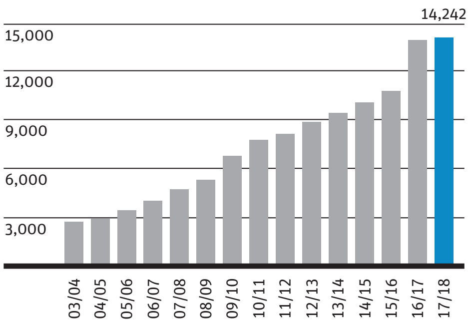
Normalized EPS in CHF



Operating free cash flow in CHF m



Number of employees



Letter to shareholders

Dear shareholders,

We are pleased to report that the Sonova Group has achieved another solid financial performance in the 2017 / 18 financial year, posting record sales and profit. The Group also reached a number of important milestones on the road to fulfilling its growth strategy through the continued launch of advanced new products, further expanding market access, and connecting consumers to Sonova through powerful eSolutions.

The launch of the unique SWORD™ (Sonova Wireless One Radio Digital) Made For All wireless chip sets a new industry benchmark: it provides direct connectivity to almost any cell phone, enabling hands-free calling, connection with televisions and other consumer electronic devices, and laying the foundation for a range of eSolutions.

We have made significant progress with integrating AudioNova, acquired in 2016, into Sonova's retail business, accelerating the implementation of our vertically integrated business model. Additional details about this and other developments are available in the "Strategy and businesses" section of this report.

In a different sort of milestone, we initiated a carefully planned transition at the CEO level, about which there are more details below.

As in past years, we would like to tell you how we operate in one of our key markets. This year the feature story will focus on Switzerland and Austria and offers further insight on local implementation of our global corporate strategies.

Hearing instruments segment

Sonova's hearing instruments business continued on its upward growth path, with a total sales increase of 9.0 % in local currencies, reflecting positive contributions from both our hearing instruments and retail businesses. We maintained our rapid pace of innovation, introducing breakthrough products that set new standards for the industry.

The innovation highlight of 2017 / 18 was the launch of our new wireless chip, SWORD™. This allows direct connectivity to virtually all cell phones currently in use, as well as to a broad range of other consumer electronic devices. Initially introduced in the Phonak Audéo™ B-Direct and subsequently available on the Unitron Moxi™ All, SWORD gives hearing aid wearers true hands-free telephone conversations with no need for a body-worn streaming device. In the future, SWORD will also open new ways for consumers to connect with the support and expertise of hearing care professionals.

Thanks to his Phonak hearing aids, aerialist Jason Brügger is living a life without limitations, performing in the Swiss National circus Knie. They helped him to achieve his dream. "I'll never forget the moment I first put on my hearing aids – a whole world opened up to me again, and I became part of it once more." You can find out more about Jason Brügger's story in the online Annual Report.

Eva-Maria Gahr is fitting a customer with a hearing aid. She never ceases to be amazed: “It’s so impressive how much technology they pack into these little devices.” Having begun her training as a hearing care professional with Hansaton in September 2017, she is still a newcomer to audiology. She retrained as an audiologist because she liked the prospect of learning a trade and providing a service, as well making a concrete improvement to her customers’ quality of life.

Unitron's Moxi All combines SWORD functionality with rechargeability, offering the two most consumer-requested features in one product. Phonak, with the launch of the lithium-ion rechargeable Naída™ B-R power and Phonak Sky™ B-PR pediatric hearing aids, now provides professionals the flexibility to offer rechargeability across the industry's most comprehensive suite of advanced hearing solutions.

The retail business forms a key element in Sonova's vertically integrated business model and provides us with direct access to the consumer, offering valuable insights that also help to drive our technological innovation. Operating 3,500 stores in 18 countries, this network of dedicated highly-trained hearing care professionals delivering advanced audiological services achieved significant progress in 2017/18, with sales growth accelerating over the course of the year.

The major focus of the year was the integration of AudioNova, acquired in September 2016. We made considerable progress in coordinating our global retail activities, harmonizing IT systems, consolidating headquarters, establishing a one-brand-per-country policy, and completing the transition of the product portfolio to Sonova technology. Ongoing restructuring in the Netherlands and further necessary IT harmonization have contributed to higher than planned integration costs, but many countries were delivering ahead of expectations, including France, Belgium, the UK, Canada, and New Zealand.

We have taken active steps to improve performance in challenging markets. In the US, we are consolidating our footprint in the demographically most promising areas of the so-called "Sun Belt" and rolling out a hub-and-spoke model with regional excellence centers. We are taking a similar approach in the Netherlands, adapting our business model to recent regulatory changes.

Cochlear implants segment

Sonova's cochlear implants business saw profitable sales growth of 8.6 % in local currencies in 2017/18, with solid growth in new system sales and double-digit growth in upgrade sales. The synergies between Advanced Bionics and Phonak were further demonstrated by the launch of the Naída™ Link CROS, a wireless audio transmitter that provides full access to sounds for recipients who have a cochlear implant in one ear and no hearing in the other. The collaboration between Advanced Bionics and Phonak means that Sonova is uniquely able to address the full range of severe to complete hearing loss in either ear or both, for children and adults alike. In the second half of the year Advanced Bionics successfully introduced the HiFocus™ SlimJ electrode, featuring a slim, straight design welcomed by professionals for its ability to preserve residual hearing. We have continued to build partnerships with hearing care retailers (including our own retail business) and cochlear implant clinics to provide seamless service to the growing population of those whose increasing hearing loss requires a move from hearing aids to an implant.

Use of cash

Against a background of positive earnings development and continued strong cash generation, the Board of Directors proposes a dividend of CHF 2.60 per share, an increase of 13 % and representing a normalized payout ratio of 41 %. Excess cash will be used to further reduce net debt.

Corporate social responsibility

Sonova's sustainability initiatives are an integral part of our corporate strategy. We are committed to creating sustainable value for all our stakeholders and to conducting our business in a responsible manner.

The Hear the World Foundation has been one of the main pillars of the Sonova Group's CSR engagement for over ten years. It has supported over 90 separate projects with a focus on helping disadvantaged children with hearing loss in developing countries. Sonova covers all the Foundation's administrative costs and provides hearing solutions and professional support free of charge.

Thanks to Sonova's continuous improvement in sustainability, the company remains in the internationally recognized Dow Jones Sustainability and FTSE4Good Global indices.

As part of our commitment to transparency, we report in accordance with the Global Reporting Initiative's Sustainability Reporting Standards. You will find more about our activities in our online CSR report.

Leadership succession

In September 2017, Sonova announced that CEO Lukas Braunschweiler has decided to retire for age reasons after more than six years with the company. The Board of Directors appointed Arnd Kaldowski as his successor, taking on the CEO role on April 1, 2018. A proven and successful leader with a strong track record in the healthcare industry, Arnd Kaldowski initially joined the Group as COO on October 1, 2017. Technology and innovation, digitalization, and proximity to the consumer have been key elements throughout his career – a close fit with Sonova's strategic priorities.

To further support long-term leadership continuity and to secure the benefits of Lukas Braunschweiler's extensive industry insight, the Board of Directors will propose him for election as a member of the Board of Directors at the Annual General Shareholders' Meeting in June 2018.

A dream come true for 18-year-old Allison Emge from San Diego: Thanks to the AquaCase, a water-proof accessory for the Naída CI sound processor, she can hear the sound of the waves. “I lead a perfectly normal life, and I have no end of fun,” she says with a smile.

Our thanks

Sonova's journey is powered by continuous, customer-focused innovation. We reach significant milestones every year because our employees keep the future constantly in mind: it is their knowledge, their passion, and their drive that set new benchmarks for our industry, time after time. Added to these qualities are the insights we gain from our close collaboration with hearing care professionals, and most of all from our consumers, whose right to fully enjoy the delight of hearing motivates us every day. As in every year, it is the support of our shareholders and the dedication of our employees that give us a solid base for future achievements. We thank you all.

Outlook 2018 / 19

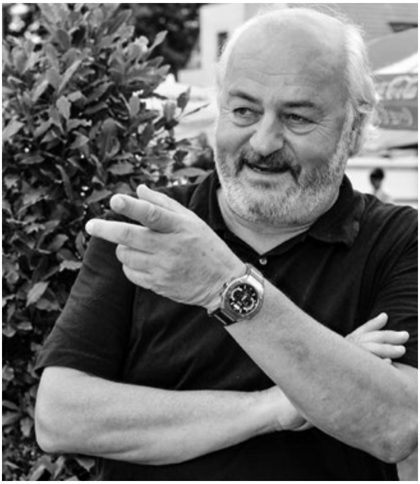
The global hearing care market continues to grow and to demand ever more innovative and comprehensive solutions. Our vertically integrated business model means that we benefit both from the innovation power of each business and the unique advantages of their collaboration and shared market insight. Continuous customer-driven innovation, multiple channels to market, and a versatile eSolutions platform connecting Sonova directly to consumers provide the solid foundation for continued growth. We expect to increase consolidated sales in 2018 / 19 by 2 % – 4 % in local currencies, while further expanding profitability.

Robert Spoerry
Chairman of the Board of Directors

Lukas Braunschweiler
CEO

Arnd Kaldowski
Designated CEO

In memory of Andy Rihs



Very special thanks are due to Andy Rihs, our long-time CEO and Chairman of the Board of Directors, who passed away on April 18, 2018. In Andy, we lost not just a very good friend and a visionary with an extraordinarily creative spirit but also a versatile and passionate entrepreneur, who, more than anyone else, shaped Sonova. For almost fifty years, he contributed with great energy and conviction to developing the Group into a successful market leader.

Remembering his contributions brings many milestones immediately to mind – all closely linked with Andy himself: the company's humble beginnings, followed by numerous innovations in hearing solutions, such as Claro, the first fully digital hearing aid, and the establishment of Phonak Communications. The 1980s saw our first foreign sales subsidiaries and in 1994 the company became listed on the Swiss stock exchange, raising money for further investments.

The 1990s witnessed our first step into the retail business with our own specialist audiology stores, and soon after 2000 we started setting up production facilities in Asia. And almost ten years ago, the Group entered the cochlear implants business.

Andy created a working culture based on trust, where every employee is equally appreciated. His slogan, "ohni Lüt gaht nüt" ("nothing happens without people"), remains a motto for Sonova. Thanks to him, our culture is still characterized by openness, simplicity, strong innovative thinking, high engagement, and teamwork. We are sure that his spirit lives on.

Robert Spoerry
Chairman of the Board of Directors

Financial review

Sales driven by acquisitions and organic growth

In the 2017 / 18 fiscal year Sonova Group sales reached CHF 2,645.9 million, an increase of 10.4 % in Swiss francs. In local currencies sales increased by 9.0 %, representing an organic growth of 3.8 % plus 6.0 % growth from acquisitions, including those made in this reporting period and the full-year effect of prior year acquisitions. The full-year effect mainly consists of five additional months of AudioNova, acquired as of September 2016. Disposals reduced sales growth by 0.8 %. Exchange rate fluctuations had a positive impact, and contributed 1.4 % to the reported growth in Swiss francs, due to the strength of the Euro.

Strong momentum in the EMEA and APAC regions

Europe, Middle East and Africa (EMEA), the Group's largest region, provided a strong increase in sales of 16.3 % in local currencies. We achieved solid organic growth in most markets within the region, supplemented by the full-year effect of the AudioNova acquisition and a further expansion of our retail footprint. This was partially offset by the effects of a difficult market environment in Germany and the Netherlands. The EMEA share of Group sales increased from 48 % in 2016 / 17 to 53 % in the period under review.

Sales in the United States declined by 1.8 % in local currency from the prior year. Low single-digit growth in the hearing instruments and cochlear implants businesses was more than offset by a lower sales level in the retail network; our project to streamline and reposition this business, which had taken up a significant amount of management attention, is now well advanced. The region accounted for 28 % of Group sales in 2017 / 18, down from 33 % in the prior year. The rest of the Americas (excluding the US) achieved a 9.0 % sales increase in local currencies, with accelerating growth in the second half year. The strong growth in this region was carried by all three businesses.

Sales in the Asia / Pacific (APAC) region rose by 9.4 % in local currencies. Strong growth in Japan and China was partially offset by a weaker development in Australia. The cochlear implants business in China benefited from sales worth CHF 7.7 million made through a central government tender.

Solid gross margin development driven by the hearing instruments segment

Gross profit reached CHF 1,868.2 million, an increase of 13.1 % in Swiss francs and of 11.3 % in local currencies. The gross profit margin was 70.6 %, up from 68.9 % in the prior year. This improvement was due both to a higher share of the retail business and an increase in average selling prices across the hearing instruments segment. In the cochlear implants segment, a higher share of upgrade revenues largely offset the impact from the lower-priced China tender.

Reported operating expenses, including other operating income, were CHF 1,335.7 million. This included one-time costs of CHF 19.2 million (2016 / 17: CHF 18.4 million) related to the AudioNova acquisition, specifically to integration and restructuring. Where relevant, we refer to figures normalized for such one-time costs. Normalized operating expenses rose by 12.5 % in Swiss francs or by 10.8 % in local currencies to CHF 1,316.6 million, reflecting the sales growth and a business mix effect from the higher relative share of retail business related to AudioNova.

Research and development (R & D) expenses were CHF 142.9 million, an increase of 4.3 % in local currencies, underlining Sonova's continued commitment to innovation. Technology developments in the field of wireless connectivity again represented an important share of the R & D efforts. The increased relative share of the retail business means that R & D spending as a percentage of sales declined from 5.7 % to 5.4 %.

Normalized sales and marketing costs were up 12.3 % in local currencies and reached CHF 928.2 million: 35.1 % of sales, compared to 33.9 % in the prior year. The higher cost ratio is driven by the increased relative share of retail business, which has a higher ratio of sales and marketing costs to sales than the rest of the Group.

Normalized general and administrative costs increased by 9.6 % in local currencies to CHF 252.7 million, representing 9.5 % of sales, which is unchanged from the prior year. The effect of a generally higher cost ratio from an increased retail business share was offset by firm cost management.

Other income for the current period was largely unchanged at CHF 7.2 million. Similarly to the prior year, this includes a capital gain of CHF 4.0 million (2016 / 17: CHF 3.9 million) from the sale of non-core retail activities in Europe, which had been part of the AudioNova acquisition.

Reported operating profit before acquisition-related amortization (EBITA) was CHF 532.5 million (2016 / 17: CHF 463.0 million), an increase of 15.0 % in Swiss francs or 12.7 % in local currencies. Reported EBITA margin rose to 20.1 % (2016 / 17: 19.3 %), mainly reflecting solid operating leverage from organic growth supplemented by a minor benefit from the exchange rate developments. Normalized for one-time costs, EBITA increased by 14.6 % in Swiss francs or 12.3 % in local currencies to CHF 551.6 million, corresponding to a margin of 20.8 %. Including the expected increase in acquisition-related amortization from the AudioNova acquisition, reported operating profit (EBIT) reached CHF 483.0 million (2016 / 17: CHF 423.7 million), up by 14.0 %.

Significant increase in earnings per share

Reflecting the strong growth in EBIT, basic earnings per share (EPS) reached CHF 6.13 (2016 / 17: CHF 5.35), a significant increase of 14.6 % from the prior year. Normalized for one-time costs, EPS increased 14.0 % to CHF 6.36.

Hearing instruments segment – Acquisitions and new products driving growth

Sales in the hearing instruments segment grew by 10.6 % in Swiss francs and 9.0 % in local currencies to reported sales of CHF 2,423.1 million. Organic growth was 3.3 %, while the contribution from acquisitions in the reporting period and the full-year effect of prior year acquisitions was 6.6 % or CHF 143.8 million. Growth was reduced by 0.9 % through disposals, mainly in the retail business. Exchange rate fluctuations, primarily a stronger Euro, contributed 1.6 % to growth in Swiss francs.

The hearing instruments business, which includes sales to independent audiologists, retail chains, multinational, and government customers, but excludes our own retail business, grew 4.2 % in local currencies to CHF 1,441.6 million. Organic growth was 4.7 %. Solid growth was achieved across all regions, with double-digit organic growth in major markets including Canada, France, UK, Italy and Japan, partially held back by a more modest development in Germany and the United States.

The retail business increased sales by 17.2 % in local currencies to CHF 981.5 million; growth was driven by acquisitions and improving organic sales development in the second half. Solid organic growth in a number of key markets, including UK, Belgium, Canada, France, Poland and New Zealand, was partially offset by a weaker development in Germany and Australia. In addition, business in the US and the Netherlands continued to be affected by the streamlining and strategic repositioning of our store networks, which is in an advanced stage. The integration of the AudioNova acquisition has further progressed and the conversion of its product portfolio to Sonova technology has been completed ahead of plan. Growth was also affected by the sale of non-strategic retail assets, including the AudioNova businesses in France and Portugal in March and April 2017 respectively.

Reported EBITA for the hearing instruments segment amounted to CHF 520.6 million, up 12.1 % in local currencies. The normalized EBITA increased by 11.7 % in local currencies to CHF 539.7 million, corresponding to an EBITA margin of 22.3 % (prior year: 21.6 %). The segment achieved strong organic margin expansion through a positive product mix and strict cost control, partially offset by the expected margin effect of the increased share of retail business.

Cochlear implants segment – Growth driven by upgrade sales

The cochlear implants segment achieved sales of CHF 222.9 million, up 8.5 % in Swiss francs and 8.6 % in local currencies; the main driver was a 27.5 % local currency growth in upgrade sales. After a double-digit increase in the prior year, sales growth in Western markets was slower, due to increased competition and strict internal price discipline. The Asia / Pacific region significantly outperformed, even excluding the CHF 7.7 million in sales related to the government tender in China. New systems sales rose by 3.3 % in local currencies.

Stable average selling prices in developed markets and an increased share of high-margin upgrade sales largely offset the impact of the lower-priced China tender on the gross profit margin. Together with a good operating leverage, this resulted in an EBITA of CHF 11.9 million versus CHF 8.0 million in the prior year.

Stable cash flow

Cash flow from operating activities was CHF 523.4 million, compared to CHF 522.4 million in the prior year. Net investments in tangible and intangible assets were largely unchanged at CHF 95.5 million, resulting in an operating free cash flow of CHF 419.2 million, down by 1.3 %. Cash consideration for acquisitions amounted to CHF 82.5 million, compared to 675.3 million in the prior year, which had included the acquisition of AudioNova. Cash inflow from divestments was CHF 23.3 million, against CHF 17.8 million in the prior year.

In summary, this resulted in a free cash flow of CHF 360.0 million, compared to a negative free cash flow of CHF 232.6 million in the prior year.

Balance sheet remains strong

Reported net working capital was CHF 190.5 million, compared to CHF 169.7 million at the end of the prior year. Capital employed was CHF 2,702.9 million, compared to CHF 2,535.9 million in the prior year. The Group's equity position amounted to CHF 2,474.9 million, resulting in a solid equity ratio of 57.5 %. The net debt position stood at CHF 228.0 million, compared to CHF 404.6 million at the end of the prior year. Reflecting the full year impact of the acquisition of AudioNova, the return on capital employed (ROCE) showed an expected decrease to 18.4 % from 20.4 % in the prior year.

Consolidated financial statements

Consolidated income statements

CHF millions	2017 / 18	2016 / 17
Sales	**2,645.9**	**2,395.7**
Cost of sales	(777.7)	(743.9)
Gross profit	**1,868.2**	**1,651.8**
Research and development	(142.9)	(137.1)
Sales and marketing	(934.5)	(815.0)
General and administration	(265.5)	(242.9)
Other income / (expenses), net	7.2	6.2
Operating profit before acquisition-related amortization (EBITA)[1)]	**532.5**	**463.0**
Acquisition-related amortization	(49.5)	(39.3)
Operating profit (EBIT)[2)]	**483.0**	**423.7**
Financial income	2.1	7.4
Financial expenses	(9.4)	(13.6)
Share of profit / (loss) in associates / joint ventures, net	3.2	(0.2)
Income before taxes	**478.9**	**417.3**
Income taxes	(71.5)	(61.1)
Income after taxes	**407.4**	**356.2**
Attributable to:		
Equity holders of the parent	400.1	349.2
Non-controlling interests	7.3	7.0
Basic earnings per share (CHF)	6.13	5.35
Diluted earnings per share (CHF)	6.11	5.34

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	2017/18	2016/17
Income after taxes	**407.4**	**356.2**
Other comprehensive income		
Actuarial gain/(loss) from defined benefit plans, net	15.0	39.4
Tax effect on actuarial gain/(loss) from defined benefit plans, net	(2.1)	(5.5)
Total items not to be reclassified to income statement in subsequent periods	**12.9**	**33.9**
Currency translation differences	93.2	(5.8)
Tax effect on currency translation items	(0.4)	(2.1)
Total items to be reclassified to income statement in subsequent periods	**92.8**	**(7.9)**
Other comprehensive income, net of tax	**105.7**	**26.0**
Total comprehensive income	**513.1**	**382.2**
Attributable to:		
Equity holders of the parent	504.0	377.1
Non-controlling interests	9.1	5.1

Consolidated balance sheets

Assets CHF millions	**31.3.2018**	**31.3.2017**
Cash and cash equivalents	552.1	374.5
Other current financial assets	4.4	4.2
Trade receivables	449.5	413.4
Current income tax receivables	6.7	6.4
Other receivables and prepaid expenses	90.6	86.3
Inventories	264.5	255.7
Total current assets	**1,367.8**	**1,140.5**
Property, plant and equipment	315.5	310.3
Intangible assets	2,466.4	2,323.1
Investments in associates / joint ventures	13.7	11.5
Other non-current financial assets	24.0	20.3
Deferred tax assets	114.6	130.0
Total non-current assets	**2,934.2**	**2,795.2**
Total assets	**4,302.0**	**3,935.7**

Liabilities and equity CHF millions	**31.3.2018**	**31.3.2017**
Current financial liabilities	161.7	13.3
Trade payables	89.2	106.0
Current income tax liabilities	141.8	117.6
Other short-term liabilities	275.7	259.2
Short-term provisions	117.9	112.3
Total current liabilities	**786.3**	**608.4**
Non-current financial liabilities	619.1	767.0
Long-term provisions	166.5	185.9
Other long-term liabilities	113.9	106.3
Deferred tax liabilities	141.3	136.8
Total non-current liabilities	**1,040.8**	**1,196.0**
Total liabilities	**1,827.1**	**1,804.4**
Share capital	3.3	3.3
Treasury shares	(0.5)	(12.1)
Retained earnings and reserves	2,448.9	2,117.2
Equity attributable to equity holders of the parent	**2,451.7**	**2,108.4**
Non-controlling interests	23.2	22.9
Equity	**2,474.9**	**2,131.3**
Total liabilities and equity	**4,302.0**	**3,935.7**

Consolidated cash flow statements

CHF millions	2017 / 18	2016 / 17
Income before taxes	**478.9**	**417.3**
Depreciation, amortization and impairment of tangible and intangible assets	134.8	147.4
Loss on sale of tangible and intangible assets, net	0.5	0.7
Share of (gain) / loss in associates / joint ventures, net	(3.2)	0.2
Decrease in long-term provisions	(29.0)	(38.3)
Financial (income) / expense, net	7.2	6.2
Share based payments and other non-cash item	21.2	20.0
Income taxes paid	(46.7)	(36.4)
Cash flow before changes in net working capital	**563.7**	**517.1**
Increase in trade receivables	(31.2)	(23.9)
Decrease / (increase) in other receivables and prepaid expenses	10.4	(6.5)
Decrease in inventories	2.2	3.6
(Decrease) / increase in trade payables	(8.3)	14.5
(Decrease) / increase in other payables, accruals and short-term provisions	(13.4)	17.6
Cash flow from operating activities	**523.4**	**522.4**
Purchase of tangible and intangible assets	(96.3)	(98.2)
Cash consideration for acquisitions, net of cash acquired	(82.5)	(675.3)
Cash consideration from divestments, net of cash divested	23.3	17.8
Other, net	(7.9)	0.7
Cash flow from investing activities	**(163.4)**	**(755.0)**
Proceeds from borrowings		880.5
Repayment of borrowings	(0.1)	(411.6)
(Purchase) / sale of treasury shares, net	(26.3)	(32.6)
Dividends paid by Sonova Holding AG	(150.3)	(137.2)
Other, net	(9.5)	(8.6)
Cash flow from financing activities	**(186.2)**	**290.5**
Exchange gains / (losses) on cash and cash equivalents	3.8	(0.7)
Increase in cash and cash equivalents	**177.6**	**57.2**
Cash and cash equivalents at the beginning of the financial year	374.5	317.3
Cash and cash equivalents at the end of the financial year	**552.1**	**374.5**

Consolidated changes in equity

CHF millions

	Attributable to equity holders of Sonova Holding AG					
	Share capital	Retained earnings and other reserves	Translation adjustment	Treasury shares	Non-controlling interests	Total equity
Balance April 1, 2016	**3.3**	**2,330.7**	**(296.0)**	**(155.6)[1)]**	**23.9**	**1,906.3**
Total comprehensive income		383.0	(5.9)		5.1	382.2
Capital decrease – share buy-back program		(155.6)		155.6		
Share-based payments		4.8				4.8
Sale of treasury shares		(6.6)		38.8		32.2
Purchase of treasury shares				(50.9)		(50.9)
Dividend paid		(137.2)			(6.1)	(143.3)
Balance March 31, 2017	**3.3**	**2,419.1**	**(301.9)**	**(12.1)[1)]**	**22.9**	**2,131.3**
Balance April 1, 2017	**3.3**	**2,419.1**	**(301.9)**	**(12.1)[1)]**	**22.9**	**2,131.3**
Total comprehensive income		413.0	91.0		9.1	513.1
Capital decrease – share buy-back program		(11.8)		11.8		
Share-based payments		4.6				4.6
Sale of treasury shares		(14.8)		50.3		35.5
Purchase of treasury shares				(50.5)		(50.5)
Dividend paid		(150.3)			(8.8)	(159.1)
Balance March 31, 2018	**3.3**	**2,659.8**	**(210.9)**	**(0.5)**	**23.2**	**2,474.9**

1) Includes derivative financial instruments on treasury shares.

Financial statements of Sonova Holding AG

Income statements

CHF millions	**2017 / 18**	**2016 / 17**
Income		
Investment income	276.1	125.7
License income	6.5	12.2
Financial income	27.9	31.7
Total income	**310.5**	**169.6**
Expenses		
Administration expenses	(8.3)	(8.8)
Other expenses	(1.0)	(1.0)
Financial expenses	(19.2)	(15.6)
Direct taxes	(0.9)	(1.5)
Total expenses	**(29.4)**	**(26.9)**
Net profit for the year	**281.1**	**142.7**

Balance sheets

Assets CHF millions	**31.3.2018**	**31.3.2017**
Cash and cash equivalents	34.4	8.5
Other receivables, third parties	2.8	2.6
Other receivables, group companies	6.4	6.1
Total current assets	**43.6**	**17.2**
Loans, third parties	0.8	1.0
Loans, group companies	2,310.2	2,193.0
Investments	324.3	319.1
Total non-current assets	**2,635.3**	**2,513.1**
Total assets	**2,678.9**	**2,530.3**

Liabilities and shareholders' equity CHF millions	**31.3.2018**	**31.3.2017**
Short-term interest-bearing liabilities, group companies	17.6	1.4
Bond	150.0	
Other short-term liabilities, third parties	0.3	0.1
Accrued liabilities	5.5	4.5
Total short-term liabilities	**173.4**	**6.0**
Bonds	610.0	760.0
Other long-term liabilities, third parties		0.2
Total long-term liabilities	**610.0**	**760.2**
Total liabilities	**783.4**	**766.2**
Share capital	3.3	3.3
Legal reserves	20.4	20.4
Balance carried forward	1,591.2	1,610.5
Net profit for the year	281.1	142.7
Treasury shares	(0.5)	(12.8)
Total shareholders' equity	**1,895.5**	**1,764.1**
Total liabilities and shareholders' equity	**2,678.9**	**2,530.3**

Appropriation of available earnings

As proposed by the Board of Directors to the Annual General Shareholders' Meeting of June 12, 2018:

CHF millions	**31.3.2018**
Balance carried forward from previous year	**1,591.2**
Net profit for the year	281.1
Statutory retained earnings	**1,872.3**
Dividend distribution[1]	(169.9)
Balance to be carried forward	**1,702.4**

[1] If the Annual Shareholders' Meeting approves the proposed appropriation of available earnings, a gross dividend of CHF 2.60 per registered share of CHF 0.05 will be paid out (previous year distribution of CHF 2.30).

Contacts:

Investor Relations
Thomas Bernhardsgrütter
Phone +41 58 928 33 44
E-mail thomas.bernhardsgruetter@sonova.com

Media Relations
Mirko Meier-Rentrop
Phone +41 58 928 33 24
E-mail mirko.meier-rentrop@sonova.com

Financial calendar

June 12, 2018
General Shareholders' Meeting of
Sonova Holding AG at
Messe Zurich, Halle 7, Zurich-Oerlikon

November 20, 2018
Publication of Semi-Annual Report
as of September 30, 2018
Media and Analyst Conference Call

May 21, 2019
Publication of Annual Report
as of March 31, 2019
Media and Analyst Conference

June 13, 2019
General Shareholders' Meeting of
Sonova Holding AG
Messe Zurich, Halle 7, Zurich-Oerlikon

Financial information

Corporate & ad hoc news
Annual Reports
Semi-Annual Reports
IR presentations
www.sonova.com/en/investors

Information on the General Shareholders' Meeting

Invitation and agenda
General Shareholders' Meeting presentations
General Shareholders' Meeting minutes
www.sonova.com/en/AGM

IR online news service

IR News Service
www.sonova.com/en/registration

Sonova Holding AG
Laubisrütistrasse 28
8712 Stäfa
Switzerland

Phone	+41 58 928 33 33
Fax	+41 58 928 33 99
E-mail	ir@sonova.com
Website	www.sonova.com

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.

Our Brands

PHONAK unitron HANSATON Advanced Bionics AudioNova