sonova
HEAR THE WORLD

FINANCIAL REPORT

Semi-Annual Report 2020/21

Highlights & key figures First half 2020/21

In light of the headwinds from the COVID-19 pandemic, Sonova achieved a solid result, driven by a strong product portfolio and the successful execution on the Group's growth and productivity initiatives. The development was further supported by a continued market recovery over the course of the reporting period.

Sonova Group: Sales of CHF 1,069.6 million

Consolidated sales in the first half of financial year 2020/21 were CHF 1,069.6 million, a decrease of 20.9% in local currencies or 25.0% in Swiss francs. Driven by the market recovery, business activities consistently picked up throughout the reporting period.

Hearing Instruments segment: Sales of CHF 986.5 million

The Hearing Instruments segment achieved sales of CHF 986.5 million, down 19.6% in local currencies or 23.8% in Swiss francs. The adjusted EBITA[1] reached CHF 184.3 million, representing a margin of 18.7%.

Cochlear Implants segment: Sales of CHF 83.1 million

Sales in the Cochlear Implants segment reached CHF 83.1 million, declining by 33.8% in local currencies or 37.2% in Swiss francs. This resulted in an adjusted EBITA[1][2] loss of CHF 10.1 million vs. a profit of CHF 8.9 million in the prior year period.

Adjusted Group EBITA margin reaching 16.3%:

The adjusted Group EBITA[1][2] reached CHF 174.3 million, down 28.5% in local currencies or 37.6% in Swiss francs. As reported, Group EBITA reached CHF 251.4 million, an increase of 6.6% in local currencies vs. the prior year period.

Sound cash flow, healthy balance sheet

The Group maintains healthy balance sheet ratios and a high cash balance. Sonova also achieved a strong operating free cash flow of CHF 252.8 million. Cash and cash equivalents stood at CHF 1.4 billion, which puts the Group in a good position to withstand market challenges.

Successful introduction of Phonak Paradise platform

In August 2020, Sonova introduced the Phonak Paradise platform, designed with a clear focus on delivering an excellent sound experience for consumers coupled with industry-leading universal wireless connectivity.

Sonova Group key figures[4] – First half 2020/21

April 1 to September 30, in CHF m unless otherwise specified	2020	2019	Change in Swiss francs	Change in local currencies
Sales	1,069.6	1,426.3	(25.0%)	(20.9%)
Gross profit	739.0	1,009.6	(26.8%)	(22.0%)
EBITA	251.4	264.0	(4.8%)	6.6%
EBIT	230.0	241.2	(4.6%)	7.4%
Basic earnings per share (CHF)	3.25	5.55	(41.5%)	(33.3%)
Operating free cash flow	252.8	268.5	(5.8%)	
Gross profit (adjusted)[1]	740.3	1,011.1	(26.8%)	(22.0%)
EBITA (adjusted)[1][2]	174.3	279.5	(37.6%)	(28.5%)
EBITA margin (adjusted)[1][2]	16.3%	19.6%		
Basic earnings per share (CHF) (adjusted)[1][2][3]	1.97	3.32	(40.6%)	(29.1%)

1) In 2020 and 2019, excluding restructuring costs.
2) In 2020, excluding damages awarded in patent infringement lawsuit to Advanced Bionics.
3) In 2019, excluding one-time positive transition impacts of the Swiss tax reform.
4) For detailed definitions, please refer to "Key figures".

Letter to shareholders

During the first half of the financial year, Sonova successfully navigated the challenges of the COVID-19 pandemic. Sales in the Hearing Instruments segment picked up during the period, led by a solid market recovery and supported by the Group's growth initiatives. The improvement of the Cochlear Implants segment was held back by lower surgical volumes and competitive pressure.

Dear Shareholders

The hearing care market was severely impacted by the COVID-19 pandemic but consistently recovered month by month from its low point in April 2020. The Group's consolidated sales in the first half of the financial year 2020 / 21 reached CHF 1,069.6 million, down 20.9 % in local currencies. After a decline of 41 % in the first quarter of the reporting period, sales in the second quarter approached prior year levels. The strengthening of the Swiss franc reduced reported sales by CHF 58.9 million or 4.1 % . In line with measures taken in prior years, Sonova accelerated structural optimization initiatives to preserve the ability to invest into growth and to protect profitability with good progress already achieved during the first half. Adjusted for restructuring costs as well as damages awarded to Advanced Bionics in a patent infringement lawsuit, operating profit before acquisition-related amortization (EBITA) reached CHF 174.3 million. This represents a margin of 16.3 %, a good result and strong evidence of the Group's ability to actively manage its cost base.

Hearing Instruments segment

Due to the pandemic, sales in the Hearing Instruments segment declined by 19.6 % in local currencies in the first half of the financial year 2020 / 21, but the segment returned to positive growth towards the end of the reporting period. The improvement was driven by a solid market recovery as lockdown restrictions were lifted and audiology stores gradually reopened. The well-received launch of the Phonak Paradise platform at the end of August significantly contributed to the acceleration of our sales momentum towards the end of the reporting period. Based on a new sound processing chip, Phonak Paradise delivers crisp natural sound and brilliant speech understanding coupled with industry-leading wireless connectivity. Momentum within the Audiological Care business improved, following the step up of marketing activities. The Audiological Care business further progressed its omni-channel strategy and entered the Chinese market by collaborating with established local partners.

Cochlear Implants segment

Sales in the Cochlear Implants segment declined by 33.8 % in local currencies. Weighing on the performance was the fact that in response to the pandemic, many hospitals continue to operate at reduced surgical volume and audiology counseling capacity. By maintaining a high level of customer interactions and by expanding the availability of the improved version of the HiRes Ultra and Ultra 3D cochlear implants, progress was achieved in mitigating the impact of the voluntary field corrective action. Nevertheless, competitive pressure remained high.

Outlook

Supported by the new Phonak Paradise platform and good momentum from our commercial initiatives, the Group expects to return to growth in the second half of the business year. Our efforts to optimize our organizational structure are expected to drive growth in profitability for the remainder of the financial year. The outlook considers a limited temporary impact from the recent rise in infection rates and re-tightening of lockdown restrictions in several markets. The attractive fundamentals of the hearing care market are very much intact and we expect a continued gradual market recovery beyond the headwinds from the momentary reacceleration of the pandemic. Adverse currency trends will continue to impact the reported growth in Swiss francs.

Robert Spoerry
Chairman of the Board
of Directors

Arnd Kaldowski
Chief Executive Officer

Financial review

Due to an adverse market development related to the COIVD-19 pandemic, Group sales declined by 20.9 % in local currencies or 25.0 % in Swiss francs to CHF 1,069.6 million in the first half of financial year 2020 / 21. Despite the market challenges, adjusted EBITA reached CHF 174.3 million, a solid margin of 16.3 %.

Significant impact from COVID-19 – Strong rebound with positive growth in September

Sonova Group sales decreased by 20.9 % in local currencies in the first half of financial year 2020 / 21. The development was adversely impacted by the COVID-19 pandemic, which led to lower in-store consumer traffic as a result of restrictions on movement, as well as a reduced number of cochlear implant surgeries. Sales momentum picked up strongly over the course of the reporting period, approaching prior year levels during the second quarter. Growth from acquisitions accounted for 0.3 %. Exchange rate fluctuations had a significant negative impact, reducing growth by 4.1 % due to a strengthening of the Swiss franc against all major currencies. This resulted in Group sales of CHF 1,069.6 million, a decrease of 25.0 % in Swiss francs.

Market rebound led by APAC, followed by EMEA

With the gradual easing of restrictions, business activity picked up from a low point in April and momentum improved sequentially each month. The development was further supported by the successful launch of the Phonak Paradise platform at the end of August 2020. For the Sonova Group, the APAC (Asia / Pacific) region led the rebound in the second quarter of financial year 2020 / 21 with positive sales growth in local currencies, followed by the regions EMEA (Europe, Middle East and Africa) and Americas (excl. US) at approximately prior year sales levels. In the United States, sales remained below the prior year level.

Sales in EMEA declined by 19.1 % in local currencies. Several key markets including Germany, France, the Nordic countries, Spain and Switzerland rebounded strongly, returning to positive growth year-over-year in the second quarter of financial year 2020 / 21. The EMEA share of Group sales increased slightly from 52 % in the first six months of financial year 2019 / 20 to 54 % in the period under review, driven by the faster recovery.

Sales in the United States decreased by 26.0 % in local currency versus the prior year period. While the independent channel for hearing instruments picked up strongly and returned to growth towards the end of the reporting period, deliveries to the US Department of Veterans Affairs (VA) as well as the business with large retail chains were slower to recover. Growth in the Cochlear Implants business was held back by a reduced volume of elective surgeries. The region accounted for 28 % of Group sales versus 30 % in the first half of financial year 2019 / 20.

Sales in the rest of the Americas (excluding the US) fell by 26.7 % in local currencies, held back by the economic impact from the pandemic. Sales in the APAC region decreased by 10.5 % in local currencies, with an earlier market recovery leading to a strong development in China but also in Australia and New Zealand. The recovery in China was particularly strong in our Cochlear Implants business.

Sales by regions

April 1 to September 30, in CHF m			2020		2019
	Sales	Share	Growth in local currencies	Sales	Share
EMEA	572.8	54 %	(19.1 %)	738.5	52 %
USA	302.3	28 %	(26.0 %)	431.1	30 %
Americas (excl. USA)	71.7	7 %	(26.7 %)	110.9	8 %
Asia / Pacific	122.8	11 %	(10.5 %)	145.8	10 %
Total sales	**1,069.6**	**100 %**	**(20.9 %)**	**1,426.3**	**100 %**

Sonova Group key figures

April 1 to September 30, in CHF m unless otherwise specified	2020	2019	Change in Swiss francs	Change in local currencies
Sales	1,069.6	1,426.3	(25.0%)	(20.9%)
Gross profit	739.0	1,009.6	(26.8%)	(22.0%)
EBITA[1)]	251.4	264.0	(4.8%)	6.6%
EBIT[1)]	230.0	241.2	(4.6%)	7.4%
Basic earnings per share (CHF)	3.25	5.55	(41.5%)	(33.3%)
Operating free cash flow[1)]	252.8	268.5	(5.8%)	
Gross profit (adjusted)[1)]	740.3	1,011.1	(26.8%)	(22.0%)
EBITA (adjusted)[1)]	174.3	279.5	(37.6%)	(28.5%)
EBITA margin (adjusted)	16.3%	19.6%		
Basic earnings per share (CHF) (adjusted)[1)]	1.97	3.32	(40.6%)	(29.1%)

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

Strong cost management and decisive measures to protect profitability

Sonova made good progress on cost containment without compromising investment into new products. In line with measures taken in the prior years, Sonova accelerated its structural optimization initiatives to preserve the ability to invest into growth and to protect profitability. The steps are expected to result in annual costs savings of CHF 50 – 70 million once fully implemented. During the first half of financial year 2020 / 21 these measures resulted in restructuring costs of CHF 21.9 million (1H 2019 / 20: CHF 15.5 million). In addition, Advanced Bionics successfully reached a milestone in a long patent infringement lawsuit resulting in a one-time income of CHF 99.0 million from damages awarded. Adjusted figures and growth rates in this financial review exclude these two items.

Reported gross profit reached CHF 739.0 million, down 22.0% in local currencies. Adjusted for restructuring costs of CHF 1.3 million, gross profit reached CHF 740.3 million, a decrease of 22.0% in local currencies and 26.8% in Swiss francs. The adjusted gross profit margin was 69.2%, a decrease of 1.7 percentage points over the prior year period. The gross profit margin benefited from improved average selling prices (ASPs) in the Hearing Instruments segment, driven by a faster market recovery of higher price channels and countries. At the same time the gross profit margin was negatively impacted by lower sales volumes in particular in the first quarter of the financial year and by higher transportation costs out of Asia as a result of the pandemic. Government support received in connection with the pandemic contributed CHF 4.4 million.

Excluding acquisition-related amortization, reported operating expenses were CHF 487.6 million. Excluding restructuring costs of CHF 20.5 million and the one-time income from the patent infringement lawsuit mentioned above, adjusted operating expenses before acquisition-related amortization reached CHF 566.0 million, a decrease of 19.5% in local currencies. In the following, adjusted operating expenses by category are shown excluding restructuring costs. Government support received worldwide in connection with the pandemic reduced total operating expenses by CHF 39.1 million.

Adjusted research and development (R&D) expenses before acquisition-related amortization reached CHF 78.1 million, a small decrease of 1.4% in local currencies. The stable investment level reflects the Group’s long-term commitment to continuously invest in innovation despite the temporary negative market impact from the COVID-19 pandemic and to further advance Sonova’s industry leading portfolio of products and services.

Adjusted sales and marketing costs before acquisition-related amortization reached CHF 368.2 million, a decline of 24.1% in local currencies over the prior year period. Adjusted general and administration costs before acquisition-related amortization were CHF 120.2 million down 12.1% in local currencies. The decrease in both cost categories reflects strong cost management across all three businesses as well as the above mentioned government support. Marketing investments and discretionary spend were significantly reduced during the lock-down. Further, the cost development benefited from the ramp up of structural optimization initiatives. At the same time, we continued to invest

Sales by business – Hearing Instruments segment

April 1 to September 30, in CHF m	2020			2019	
	Sales	Share	Growth in local currencies	Sales	Share
Hearing Instruments business	607.8	62 %	(16.7 %)	770.3	60 %
Audiological Care business	378.7	38 %	(23.8 %)	523.8	40 %
Total Hearing Instruments segment	**986.5**	**100 %**	**(19.6 %)**	**1,294.1**	**100 %**

into the renewal of our Audiological Care IT system to yield improved in-store and cross-business process efficiency. Adjusted other income was CHF 0.5 million (1H 2019 / 20: CHF 0.2 million).

Adjusted operating profit before acquisition-related amortization (EBITA) reached CHF 174.3 million (1H 2019 / 20: CHF 279.5 million), declining by 28.5 % in local currencies or 37.6 % in Swiss francs. This result reflects our strong cost management and the decisive measures taken to protect profitability. The adjusted EBITA margin reached 16.3 %, down 1.9 percentage points in local currencies, a solid result in light of the lower sales level. Exchange rate developments negatively affected the adjusted EBITA by CHF 25.5 million and reduced the margin by 1.4 percentage points. Including restructuring costs and the benefit from damages awarded in the patent infringement lawsuit, reported EBITA increased by 6.6 % in local currencies, but fell by 4.8 % in Swiss francs to CHF 251.4 million.

Reported operating profit (EBIT) reached CHF 230.0 million (1H 2019 / 20: CHF 241.2 million), up 7.4 % in local currencies but down 4.6 % in Swiss francs. Net financial expenses increased from CHF 5.2 million to CHF 10.3 million, driven by increased borrowings and bond issues totaling CHF 1 billion. Income taxes amounted to CHF 16.5 million. This compares to a tax income of CHF 122.4 million in the prior year period which included a one-time benefit as a result of the Swiss tax reform of CHF 154.3 million. The reported tax rate for the first half of financial year 2020 / 21 was 7.5 %. It benefited from the utilization of tax-loss carryforwards, which previously had not yet been capitalized, in the context of the damages awarded to Advanced Bionics mentioned above. Excluding this one-time impact, the tax rate remained unchanged at 13.5 %, in line with the underlying tax rate in the prior year period (excluding one-time transition impact of the Swiss tax reform in 1H 2019 / 20).

Basic earnings per share (EPS) reached CHF 3.25, down 41.5 %. Adjusted EPS for the first six months of 2020 / 21 were CHF 1.97 compared to CHF 3.32 in the prior year period, a decrease of 29.1 % in local currencies or 40.6 % in Swiss francs. Adjusted EPS excludes negative impacts from restructuring costs (incl. tax impact) of CHF 18.9 million (1H 2019 / 20: CHF 11.3 million) and the above mentioned damages awarded in patent infringement lawsuit of CHF 99.0 million (1H 2019 / 20: excluding positive transition impacts of the Swiss tax reform of CHF 154.3 million).

Hearing Instruments segment – Strong rebound supported by new Phonak Paradise platform

Sales in the Hearing Instruments segment were down by 19.6 % in local currencies to CHF 986.5 million as a result of the market decline related to the global COVID-19 pandemic. The segment returned to positive growth towards the end of the reporting period, driven by a market rebound as lockdown restrictions were lifted and audiology stores gradually reopened. The development was further supported by the successful launch of the new Phonak Paradise platform at the end of August 2020. The segment recorded an organic sales decline of 19.9 %. The contribution from acquisitions in the reporting period and the annualization of prior year acquisitions lifted sales by 0.3 % or CHF 3.8 million. Exchange rate fluctuations reduced growth by CHF 54.5 million or 4.2 % in Swiss fracs. This resulted in a reported sales decline of 23.8 %.

The Hearing Instruments business posted a sales decline of 16.7 % in local currencies, resulting in sales of CHF 607.8 million. The launch of the Phonak Paradise platform in August 2020 supported a strong recovery toward the end of the reporting period and contributed to year-over-year growth in a number of key markets in the second quarter. ASPs benefitted from a favorable shift in the country and channel mix as higher price markets and channels were rebounding faster from the pandemic. Sonova's share of business with the US Department of Veterans Affairs (VA) expanded further and reached 55 % in value terms in September, the highest level in seven years.

Momentum in the Audiological Care business consistently picked up over the course of the reporting period, reflecting the gradual easing of government restrictions related to the pandemic and following the step up of marketing activities. Sales decreased by 23.8 % in local currencies to CHF 378.7 million driven by negative organic growth of 24.3 %. Acquisitions contributed 0.5 % as M & A activities were largely halted during the reporting period due to the pandemic. The business further progressed on its

Sales by product groups – Cochlear Implants segment

April 1 to September 30, in CHF m	2020			2019	
	Sales	Share	Growth in local currencies	Sales	Share
Cochlear implant systems	60.6	73 %	(35.4 %)	98.6	75 %
Upgrades and accessories	22.5	27 %	(29.1 %)	33.6	25 %
Total Cochlear Implants segment	**83.1**	**100 %**	**(33.8 %)**	**132.2**	**100 %**

omni-channel strategy by expanding its digital lead generation capabilities and entered the fast-growing market in China through a collaboration with established local partners.

Reported EBITA for the Hearing Instruments segment reached CHF 163.6 million, down 26.4 % in local currencies. Restructuring costs amounted to CHF 20.8 million (1H 2019 / 20: CHF 15.5 million). Excluding these restructuring costs, the adjusted EBITA was CHF 184.3 million, down 22.6 % in local currencies or 32.0 % in Swiss francs, corresponding to a margin of 18.7 % (1H 2019 / 20: 21.0 %). Excluding the negative impact from currency developments of 1.5 percentage points, the margin decreased by 0.8 percentage points compared to the prior year period.

Cochlear Implants segment – Responding to a challenging period with strict cost control

Sales in the Cochlear Implants segment reached CHF 83.1 million, down 33.8 % in local currencies and 37.2 % in Swiss francs. In response to the pandemic, many hospitals continued to operate at reduced surgical volume throughout the reporting period. Momentum improved over the course of the reporting period albeit at a considerably slower pace than in the Hearing Instruments segment. The segment continued to make progress in mitigating the impact of the voluntary field corrective action announced in February 2020, but faced increased competitive pressure. Decisive steps were taken to adapt costs to the lower sales volume and to implement structural improvements.

The reported EBITA of CHF 87.7 million (1H 2019 / 20: CHF 8.9 million) includes a one-time income of CHF 99.0 million from damages awarded in a patent infringement lawsuit and restructuring costs of CHF 1.1 million. Excluding these items, the segment realized an adjusted EBITA loss of CHF 10.1 million.

Strong cash flow and balance sheet

Cash flow from operating activities reached CHF 325.8 million, down 10.6 % versus the prior year period. Operating free cash flow decreased by 5.8 % to CHF 252.8 million. The cash consideration for acquisitions amounted to CHF 12.2 million reflecting subdued M & A activity as a result of the COVID-19 pandemic. In summary, this resulted in a free cash flow of CHF 240.6 million (1H 2019 / 20: CHF 227.8 million). During the reporting period, Sonova further strengthened its financial position by issuing bonds and a US private placement totaling CHF 1 billion and by distributing a stock dividend instead of a cash dividend. This translated into a cash inflow from financing activities of CHF 718.4 million. Cash and cash equivalents stood at CHF 1.4 billion, which puts the Group in a good position to withstand market challenges.

Net working capital was virtually unchanged at CHF –17.0 million versus CHF –18.9 million at the end of March 2020. Strong receivable collection efforts throughout the pandemic prevented adverse effects from the economic downturn on working capital. Trade payables were reduced by CHF 30.4 million. Other payables and accruals increased by CHF 23.3 million driven by postponed tax payments. Capital employed slightly increased to CHF 2,712.3 million compared to CHF 2,692.5 million at the end of March 2020.

The Group's equity amounted to CHF 2,287.5 million, representing an equity ratio of 41.9 %, down from 45.2 % at end of March 2020, driven by the increased borrowing. The net debt position stood at CHF 424.8 million compared to CHF 663.0 million at the end of March 2020, driven by free cash flow generation.

Outlook 2020 / 21

Supported by the successful launch of the new Phonak Paradise platform and good momentum from our commercial initiatives, the Group expects to return to growth in the second half of the business year. Coupled with our efforts to optimize our organizational structure, this is expected to drive a strong growth in profitability for the remainder of the financial year. The guidance issued on September 28, 2020 is unchanged. For the second half of the financial year 2020/21, the Group expects revenue growth of 4 % – 8 % and an increase of the adjusted EBITA in the range of 20 % – 30 % compared with the prior year period, both at constant exchange rates. For financial year 2020 / 21, this implies a sales decline of 6 % – 8 % and the adjusted EBITA to be at around prior year levels, both at constant exchange rates. The outlook considers a limited temporary impact from the recent rise in infection rates and re-tightening of lockdown restrictions in several markets. Beyond the headwinds from the momentary reacceleration of the pandemic, the Group expects a continued gradual market recovery. As a consequence of the strengthening of the Swiss franc and reflecting current exchange rates, Sonova anticipates reported sales growth in Swiss francs to be reduced by around 5 percentage points and the adjusted EBITA growth in Swiss francs to be negatively affected by around 10 percentage points in financial year 2020 / 21.

Reconciliation of non-GAAP financial measures

April 1 to September 30, CHF million					2020
	Income statement as reported	Acquis. related amortization	**Income statement EBITA separation**	Adjustments[3]	**Income statement adjusted**
Sales	**1,069.6**		**1,069.6**		**1,069.6**
Cost of sales	(330.6)		(330.6)	1.3	(329.3)
Gross profit	**739.0**		**739.0**	**1.3**	**740.3**
Research and development	(78.8)	0.4	(78.3)	0.2	(78.1)
Sales and marketing	(405.7)	20.9	(384.8)	16.6	(368.2)
General and administration	(124.0)		(124.0)	3.8	(120.2)
Other income / (expenses), net	99.5		99.5	(99.0)	0.5
Operating profit before acquisition-related amortization (EBITA)[1]			**251.4**	**(77.1)**	**174.3**
Acquisition-related amortization		(21.4)	(21.4)		(21.4)
Operating profit (EBIT)[2]	**230.0**		**230.0**	**(77.1)**	**153.0**
Basic earnings per share (CHF)	**3.25**		**3.25**	**(1.28)**	**1.97**

April 1 to September 30, CHF million					2019
	Income statement as reported	Acquis. related amortization	**Income statement EBITA separation**	Adjustments[3]	**Income statement adjusted**
Sales	**1,426.3**		**1,426.3**		**1,426.3**
Cost of sales	(416.8)		(416.8)	1.5	(415.3)
Gross profit	**1,009.6**		**1,009.6**	**1.5**	**1,011.1**
Research and development	(81.6)	0.5	(81.2)	0.9	(80.3)
Sales and marketing	(538.5)	22.4	(516.1)	6.2	(510.0)
General and administration	(148.4)		(148.4)	6.9	(141.5)
Other income / (expenses), net	0.2		0.2		0.2
Operating profit before acquisition-related amortization (EBITA)[1]			**264.0**	**15.5**	**279.5**
Acquisition-related amortization		(22.8)	(22.8)		(22.8)
Operating profit (EBIT)[2]	**241.2**		**241.2**	**15.5**	**256.6**
Basic earnings per share (CHF)	**5.55**		**5.55**	**(2.23)**	**3.32**

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).
3) Adjustments in the first half of financial year 2020 / 21 relate to restructuring costs of CHF 21.9 million (2019 / 20: CHF 15.5 million) and damages awarded in patent infringement lawsuit to Advanced Bionics of CHF 99.0 million (2019 / 20: one-time positive transition impacts of the Swiss tax reform).

Key figures

April 1 to September 30, in CHF million unless otherwise specified	2020	2019
Sales	**1,069.6**	**1,426.3**
change compared to previous year (%)	(25.0)	9.4
Gross profit	**739.0**	**1,009.6**
in % of sales	69.1	70.8
Gross profit (adjusted)[1]	**740.3**	**1,011.1**
in % of sales	69.2	70.9
Research & development costs	**78.3**	**81.2**
in % of sales	7.3	5.7
Sales & marketing costs	**384.8**	**516.1**
in % of sales	36.0	36.2
Operating profit before acquisition-related amortization (EBITA)	**251.4**	**264.0**
in % of sales	23.5	18.5
Operating profit before acquisition-related amortization (EBITA) (adjusted)[2]	**174.3**	**279.5**
in % of sales	16.3	19.6
Operating profit (EBIT)	**230.0**	**241.2**
in % of sales	21.5	16.9
Income after taxes[3]	**203.2**	**358.4**
in % of sales	19.0	25.1
Income after taxes (adjusted)[3]	**123.2**	**215.5**
in % of sales	11.5	15.1
Basic earnings per share (CHF)[3]	**3.25**	**5.55**
Basic earnings per share (CHF) (adjusted)[3]	**1.97**	**3.32**
Net debt[4]	**424.8**	**755.8**
Net working capital[5]	(17.0)	98.4
Capital expenditure (tangible and intangible assets)[6]	41.0	61.0
Capital employed[7]	2,712.3	3,008.2
Total assets	5,453.8	4,511.7
Equity	2,287.5	2,252.4
Equity financing ratio (%)[8]	41.9	49.9
Free cash flow[9]	240.6	227.8
Operating free cash flow[10]	**252.8**	**268.5**
Number of employees (end of period)	**14,349**	**14,985**

1) In 2020, excluding restructuring costs of CHF 1.3 million (2019: CHF 1.5 million).
2) In 2020, excluding restructuring costs of CHF 21.9 million (2019: CHF 15.5 million) and damages awarded in patent infringement lawsuit to Advanced Bionics of CHF 99.0 million.
3) In 2020, reported income after taxes and reported basic earnings per share consider damages awarded in patent infringement lawsuit to Advanced Bionics of CHF 99.0 million (2019: positive transition impacts of the Swiss tax reform of CHF 154.3 million) and negative impacts from restructuring costs (incl. tax impact) of CHF 18.9 million (2019: CHF 11.3 million), which have been excluded in adjusted income after taxes and adjusted basic earnings per share.
4) Cash and cash equivalents + other current financial assets (without loans) – current financial liabilities – current lease liabilities – non-current financial liabilities – non-current lease liabilities.
5) Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – short-term contract liabilities – other short-term liabilities – short-term provisions.
6) Excluding goodwill and intangibles relating to acquisitions.
7) Equity + net debt.
8) Equity in % of total assets.
9) Cash flow from operating activities + cash flow from investing activities + payment of lease liabilities (prior year adjusted for IFRS 16).
10) Free cash flow – cash consideration for acquisitions and from divestments, net of cash acquired / divested (prior year adjusted for IFRS 16).

Interim consolidated financial statements as of September 30, 2020

Consolidated income statements

April 1 to September 30, in CHF million	2020	2019
Sales	**1,069.6**	**1,426.3**
Cost of sales	(330.6)	(416.8)
Gross profit	**739.0**	**1,009.6**
Research and development[1]	(78.8)	(81.6)
Sales and marketing[1]	(405.7)	(538.5)
General and administration	(124.0)	(148.4)
Other income / (expenses), net[2]	99.5	0.2
Operating profit (EBIT)[3]	**230.0**	**241.2**
Financial income	1.3	1.2
Financial expenses	(12.1)	(7.7)
Share of profit / (loss) in associates / joint ventures, net	0.4	1.2
Income before taxes	**219.8**	**236.0**
Income taxes[4]	(16.5)	122.4
Income after taxes[4]	**203.2**	**358.4**
Attributable to:		
Equity holders of the parent	204.1	355.4
Non-controlling interests	(0.8)	2.9
Basic earnings per share (CHF)[4]	3.25	5.55
Diluted earnings per share (CHF)[4]	3.23	5.52

[1] Includes acquisition-related amortization of CHF 0.4 million (previous year: CHF 0.5 million) in "Research and development" and CHF 20.9 million (previous year: CHF 22.4 million) in "Sales and marketing". EBITA (Earnings before financial result, share of profit / (loss) in associates / joint ventures, taxes and acquisition-related amortization) amounts to CHF 251.4 million (previous year: CHF 264.0 million). Refer to Note 4.

[2] In 2020, including damages awarded in patent infringement lawsuit to Advanced Bionics of CHF 99.0 million.

[3] Earnings before financial result, share of profit / (loss) in associates / joint ventures and taxes (EBIT).

[4] In 2019, including one-time positive transition impacts of the Swiss tax reform of CHF 154.3 million.

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

Consolidated statements of comprehensive income

April 1 to September 30, in CHF million	2020	2019
Income after taxes	**203.2**	**358.4**
Other comprehensive income		
Actuarial gain / (loss) from defined benefit plans, net	27.5	(17.3)
Tax effect on actuarial result from defined benefit plans, net	(3.3)	1.6
Fair value adjustment of financial liabilities at fair value through other comprehensive income (FVOCI)	(5.0)	
Total items not to be reclassified to income statement in subsequent periods	**19.2**	**(15.7)**
Currency translation differences	9.3	(56.7)
Tax effect on currency translation items	0.4	1.9
Total items to be reclassified to income statement in subsequent periods	**9.7**	**(54.8)**
Other comprehensive income, net of tax	**28.9**	**(70.5)**
Total comprehensive income	**232.1**	**287.9**
Attributable to:		
Equity holders of the parent	233.1	286.4
Non-controlling interests	(1.0)	1.5

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

Consolidated balance sheets

Assets CHF million	**30.9.2020**	**31.3.2020**	**30.9.2019**
Cash and cash equivalents	1,444.1	450.2	242.0
Other current financial assets	6.5	7.7	6.1
Trade receivables	383.7	382.1	428.8
Current income tax receivables	5.1	13.6	12.6
Inventories	259.1	265.4	269.2
Other current operating assets	109.0	101.9	127.3
Total current assets	**2,207.4**	**1,221.1**	**1,086.0**
Property, plant and equipment	329.3	332.8	325.6
Right-of-use assets	262.2	260.6	265.5
Intangible assets	2,404.2	2,420.2	2,487.8
Investments in associates / joint ventures	17.9	17.4	18.7
Other non-current financial assets	27.4	30.0	30.2
Other non-current operating assets	6.7	6.4	6.0
Deferred tax assets	198.7	198.0	292.0
Total non-current assets	**3,246.4**	**3,265.4**	**3,425.7**
Total assets	**5,453.8**	**4,486.5**	**4,511.7**

Liabilities and equity CHF million	**30.9.2020**	**31.3.2020**	**30.9.2019**
Current financial liabilities	23.2	254.9	326.8
Current lease liabilities	57.9	61.2	60.4
Trade payables	73.9	104.3	68.3
Current income tax liabilities	170.9	154.8	122.2
Short-term contract liabilities	95.5	105.6	101.5
Other short-term operating liabilities	304.6	297.5	313.8
Short-term provisions	134.4	125.2	137.6
Total current liabilities	**860.3**	**1,103.4**	**1,130.7**
Non-current financial liabilities	1,580.5	591.8	399.8
Non-current lease liabilities	208.5	207.8	211.7
Long-term provisions	147.0	143.4	117.8
Long-term contract liabilities	200.3	212.8	224.3
Other long-term operating liabilities	48.1	73.5	44.6
Deferred tax liabilities	121.6	124.5	130.3
Total non-current liabilities	**2,306.0**	**1,353.7**	**1,128.6**
Total liabilities	**3,166.3**	**2,457.1**	**2,259.3**
Share capital	3.2	3.2	3.2
Treasury shares	(309.1)	(447.5)	(201.3)
Retained earnings and reserves	2,576.2	2,455.5	2,432.8
Equity attributable to equity holders of the parent	**2,270.3**	**2,011.2**	**2,234.7**
Non-controlling interests	17.2	18.2	17.7
Equity	**2,287.5**	**2,029.4**	**2,252.4**
Total liabilities and equity	**5,453.8**	**4,486.5**	**4,511.7**

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

Consolidated cash flow statements

April 1 to September 30, in CHF million		2020		2019
Income before taxes		**219.8**		**236.0**
Depreciation and amortization of tangible and intangible assets and right-of-use assets	97.7		100.2	
Loss on sale of tangible and intangible assets, net	2.8		0.1	
Share of gain in associates / joint ventures, net	(0.4)		(1.2)	
(Decrease) / increase in long-term provisions and long-term contract liabilities	(9.0)		1.7	
Financial expense / (income), net	10.7		6.5	
Share based payments	11.4		10.7	
Other non-cash items	8.9		(4.9)	
Income taxes paid	(3.3)	118.7	(51.9)	61.1
Cash flow before changes in net working capital		**338.4**		**297.1**
(Increase) / decrease in trade receivables	(3.8)		82.0	
Increase in other receivables and prepaid expenses	(7.2)		(7.9)	
Decrease in inventories	2.3		10.2	
Decrease in trade payables	(30.2)		(33.6)	
Increase in other payables, accruals, short-term provisions and short-term contract liabilities	26.3	(12.7)	16.7	67.5
Cash flow from operating activities		**325.8**		**364.6**
Purchase of tangible and intangible assets	(41.0)		(61.0)	
Proceeds from sale of tangible and intangible assets	0.7		0.6	
Cash consideration for acquisitions, net of cash acquired	(12.2)		(40.7)	
Changes in other financial assets	2.0		(1.5)	
Interest received	1.0		1.0	
Cash flow from investing activities		**(49.6)**		**(101.7)**
Proceeds from borrowings	997.9		50.3	
Repayment of borrowings	(230.0)			
Repayment of lease liabilities	(33.7)		(33.2)	
Share buyback program	(22.4)		(159.8)	
Sale of treasury shares[1)]	10.2		23.4	
Purchase of treasury shares			(78.8)	
Dividends paid by Sonova Holding AG[2)]	(0.2)		(186.5)	
Dividends to non-controlling interests			(6.1)	
Interest paid	(3.4)		(2.4)	
Cash flow from financing activities		**718.4**		**(393.0)**
Exchange losses on cash and cash equivalents		(0.7)		(2.7)
Increase / (decrease) in cash and cash equivalents		**993.9**		**(132.7)**
Cash and cash equivalents as of April 1		450.2		374.8
Cash and cash equivalents as of September 30		**1,444.1**		**242.0**

1) In relation to long-term equity incentive plans.
2) In 2020, the Annual General Shareholders' Meeting declared a stock dividend, for further information refer to Note 11.

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

Consolidated changes in equity

CHF million

	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, 2019	**3.3**	**2,784.3**	**(266.8)**	**(166.9)**	**22.3**	**2,376.1**
Income for the period		355.4			2.9	358.4
Actuarial loss from defined benefit plans, net		(17.3)				(17.3)
Tax effect on actuarial result		1.6				1.6
Currency translation differences			(55.3)		(1.4)	(56.7)
Tax effect on currency translation			1.9			1.9
Total comprehensive income		**339.7**	**(53.4)**		**1.5**	**287.9**
Capital decrease – share buyback program	(0.0)	(157.8)		157.9		
Share-based payments		(1.5)				(1.5)
Sale of treasury shares[1]		(25.2)		60.1		34.8
Purchase of treasury shares				(252.4)		(252.4)
Dividend paid		(186.5)			(6.1)	(192.6)
Balance September 30, 2019	**3.2**	**2,753.0**	**(320.2)**	**(201.3)**	**17.7**	**2,252.4**

Balance April 1, 2020	**3.2**	**2,862.3**	**(406.8)**	**(447.5)**	**18.2**	**2,029.4**
Income for the period		204.1			(0.8)	203.2
Actuarial gain from defined benefit plans, net		27.5				27.5
Tax effect on actuarial result		(3.3)				(3.3)
Fair value adjustment of financial liabilities at FVOCI		(5.8)		0.8		(5.0)
Currency translation differences			9.5		(0.2)	9.3
Tax effect on currency translation			0.4			0.4
Total comprehensive income		**222.5**	**9.8**	**0.8**	**(1.0)**	**232.1**
Share-based payments		(0.4)				(0.4)
Sale of treasury shares[1]		(10.8)		37.4		26.6
Stock dividend[2]		(100.4)		100.2		(0.2)
Balance September 30, 2020	**3.2**	**2,973.1**	**(396.9)**	**(309.1)**	**17.2**	**2,287.5**

[1] In relation to long-term equity incentive plans. In 2020, includes CHF 4.9 million for contingent consideration settled with treasury shares.
[2] In 2020, the Annual General Shareholders' Meeting declared a stock dividend, for further information refer to Note 11.

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

Notes to the interim consolidated financial statements as of September 30, 2020

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 100 countries through its own distribution network and through independent distributors. The Group operates in industries where no material seasonal or cyclical variations in sales are experienced. The ultimate parent company is Sonova Holding AG, a public 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 that ended September 30, 2020. 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 that ended March 31, 2020. The interim consolidated financial statements were approved by the Board of Directors on November 11, 2020.

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.

As of September 30, 2020, the actuarial valuations for the primary pension plans were updated. For the Swiss pension plans the discount rate was decreased from 0.45 % as per March 31, 2020 to 0.25 %.

Income tax expense is recognized based upon the best estimate of the average annual income tax rate expected for the full year (13.5 %, unchanged versus the prior year period underlying tax rate), excluding damages awarded in patent infringement lawsuit to Advanced Bionics as disclosed in Note 5, for which the Group expects no income tax expense because previously unrecognized tax loss carryforwards are available.

3. Changes in accounting policies

Except for the new and revised IFRS standards and amendments, the Group consistently applied the same accounting policies as in the Annual Financial Statements for the financial year that ended March 31, 2020.

A number of minor amendments to existing standards and interpretations were effective from April 1, 2020 without having a significant impact on the Group’s result and financial position.

The Group is currently assessing the potential impacts of the various new and revised standards and interpretations that will be effective for the financial year starting April 1, 2021 and beyond, as summarized in the Annual Financial Statements.

4. Income statement reconciliation

The Group presents the "Consolidated income statement" based on a classification of costs by function and is frequently amending its business portfolio with acquisitions, resulting in acquisition-related intangibles and related amortization charges. To calculate EBITA[1], which is the key profit metric for internal as well as external purposes, acquisition-related amortization is separated from the individual functions as disclosed below.

April 1 to September 30, CHF million			2020
	Income statement as reported	Acquis. related amortization	**Income statement EBITA separation**
Sales	**1,069.6**		**1,069.6**
Cost of sales	(330.6)		(330.6)
Gross profit	**739.0**		**739.0**
Research and development	(78.8)	0.4	(78.3)
Sales and marketing	(405.7)	20.9	(384.8)
General and administration	(124.0)		(124.0)
Other income / (expenses), net	99.5		99.5
Operating profit before acquisition-related amortization (EBITA)[1]			**251.4**
Acquisition-related amortization		(21.4)	(21.4)
Operating profit (EBIT)[2]	**230.0**		**230.0**

April 1 to September 30, CHF million			2019
	Income statement as reported	Acquis. related amortization	**Income statement EBITA separation**
Sales	**1,426.3**		**1,426.3**
Cost of sales	(416.8)		(416.8)
Gross profit	**1,009.6**		**1,009.6**
Research and development	(81.6)	0.5	(81.2)
Sales and marketing	(538.5)	22.4	(516.1)
General and administration	(148.4)		(148.4)
Other income / (expenses), net	0.2		0.2
Operating profit before acquisition-related amortization (EBITA)[1]			**264.0**
Acquisition-related amortization		(22.8)	(22.8)
Operating profit (EBIT)[2]	**241.2**		**241.2**

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).

5. Significant events and transactions

COVID-19 pandemic

The COVID-19 pandemic significantly affected the hearing instruments market and the Group's result for the first half of the financial year 2020 / 21. The consolidated income statement includes government support received worldwide in connection with the pandemic in the amount of CHF 43.4 million (thereof CHF 4.4 million in cost of sales, CHF 1.8 million in research and development, CHF 31.3 million in sales and marketing and CHF 5.9 million in general and administration).

Advanced Bionics awarded damages in patent infringement lawsuit

On May 18, 2020 the United States Court of Appeals for the Federal Circuit denied the petition by Cochlear Ltd. (Cochlear) for an en banc review of the Court's earlier judgement, with which it affirmed a verdict in the patent infringement lawsuit by the Alfred E. Mann Foundation for Scientific Research (AMF) and Advanced Bionics LLC (AB) v. Cochlear. The court thereby ultimately confirmed the earlier judgement and that Cochlear willfully infringed two patents, and confirmed the awarded damages of USD 268 million, plus interest. As a co-plaintiff, AB is entitled to a share of the damages awarded, after deduction of certain costs for the proceedings. The verdict resulted in a one-time income of CHF 99.0 million in cash which is reported in other income in the first half of financial year 2020 / 21. In August 2020, the parties to the lawsuit signed a settlement relating to the last remaining petitions regarding the prejudgment interest and attorney's fees claimed by AMF and AB. The settlement and a potential pay-out is conditional upon the outcome of an appeal by Cochlear to the United States Supreme Court, with which it has sought a review of legal aspects of the lower court's judgements, which resulted in the CHF 99.0 million damage award portion received by AB. In the event that the appeal is unsuccessful, Sonova expects to receive an additional pay-out of USD 25 to 30 million.

Restructuring costs

The Group's result for the first half of the financial year 2020 / 21 includes restructuring costs in connection with structural optimization initiatives in the amount of CHF 21.9 million (thereof CHF 1.3 million in cost of sales, CHF 0.2 million in research and development, CHF 16.6 million in sales and marketing and CHF 3.8 million in general and administration) that are included in short-term provisions in the balance sheet as of September 30, 2020. The Group expects the cash outflows to occur within the next 12 months.

6. Changes in Group structure

During the first six months of financial year 2020 / 21 no businesses were acquired / divested.

During the first half of 2019 / 20 several small businesses were acquired in EMEA and North America. The Group acquired a 51 % majority stake in a company active in technology development. An agreement was concluded with the seller for the acquisition of the remaining 49 % shares in the company. Based on the terms and conditions of the agreement, the Group considered the outstanding minority interests to have already been acquired and consolidated 100 % of the company since acquisition.

Assets and liabilities from acquisitions in the reporting period 2020 / 21 relate to fair value changes from acquisitions recorded provisionally in the previous financial year.

In the reporting period 2019 / 20, except for one acquisition, which was active in research and development, all other acquired companies were engaged in the business of selling hearing instruments. All acquisitions have been accounted for by applying the acquisition method. Incremental assets and liabilities resulting from the acquisitions are as follows:

CHF million	2020	2019
	Total	Total
Trade receivables		0.1
Other current assets	0.4	0.6
Property, plant & equipment	0.0	0.3
Intangible assets	(0.1)	12.5
Other non-current assets		0.4
Current liabilities		(1.1)
Non-current liabilities	(0.0)	(3.9)
Net assets	**0.3**	**8.9**
Goodwill	(0.1)	77.7
Purchase consideration	**0.2**	**86.6**
Liabilities for contingent considerations and deferred payments	(0.2)	(47.6)
Cash and cash equivalents acquired	(0.4)	(0.4)
Cash outflow for investments in associates, contingent considerations and deferred payments	12.7	2.1
Cash consideration for acquisitions, net of cash acquired	**12.2**	**40.7**
Contingent considerations settled with treasury shares	4.9	
Total consideration transferred	**17.2**	**40.7**

The total consideration transferred in the reporting period 2020 / 21 relates to the settlement of contingent considerations (earn-out payments) and deferred payments of acquisitions in previous reporting periods.

The initial accounting for the acquisitions completed in the previous financial year is provisional and the fair values assigned to the identifiable assets acquired and liabilities assumed are still subject to change.

The companies acquired in the reporting period 2019 / 20 contributed sales of CHF 1.7 million and net income of CHF 0.2 million to the Group’s result. If the acquisition had occurred on April 1, 2019, the companies would have contributed sales of CHF 3.2 million and net profit of CHF 1.1 million for the first half of the financial year 2019 / 20.

7. Segment information

The Group is active in two business segments, Hearing Instruments and Cochlear Implants. The segment information for the first six months of financial years 2020/21 and 2019/20 is as follows:

CHF million	2020	2019	2020	2019	2020	2019	2020	2019
	Hearing Instruments		Cochlear Implants		Corporate / Eliminations		Total	Total
Segment sales	990.8	1,300.6	84.0	133.9			1,074.7	1,434.5
Intersegment sales	(4.2)	(6.5)	(0.8)	(1.7)			(5.1)	(8.2)
Sales	**986.5**	**1,294.1**	**83.1**	**132.2**			**1,069.6**	**1,426.3**
Timing of revenue recognition								
At point in time	918.0	1,210.8	81.1	128.3			999.1	1,339.1
Over time	68.5	83.3	2.0	3.9			70.5	87.2
Total sales	**986.5**	**1,294.1**	**83.1**	**132.2**			**1,069.6**	**1,426.3**
Operating profit before acquisition-related amortization (EBITA)	**163.6**	**255.7**	**87.7**[1]	**8.9**	**0.1**	**(0.6)**	**251.4**	**264.0**
Depreciation and amortization	(85.8)	(85.9)	(11.9)	(14.3)			(97.7)	(100.2)
Segment assets	**3,969.3**	**4,119.3**	**600.1**	**648.6**	**(776.4)**	**(809.0)**	**3,793.1**	**3,958.9**
Unallocated assets[2]							1,660.7	552.8
Total assets							**5,453.8**	**4,511.7**

[1] Including damages awarded in patent infringement lawsuit to Advanced Bionics of CHF 99.0 million.
[2] Unallocated assets include cash and cash equivalents, other current financial assets (excluding loans), investments in associates / joint ventures, employee benefit assets and deferred tax assets.

Reconciliation of reportable segment profit CHF million	2020	2019
EBITA	251.4	264.0
Acquisition-related amortization	(21.4)	(22.8)
Financial costs, net	(10.7)	(6.5)
Share of gain / (loss) in associates / joint ventures, net	0.4	1.2
Income before taxes	**219.8**	**236.0**

8. Earnings per share

Basic earnings per share is 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	2020	2019
Income after taxes (CHF million)	204.1	355.4
Weighted average number of outstanding shares	62,884,277	64,031,791
Basic earnings per share (CHF)[1]	**3.25**	**5.55**

1) In the first half of financial year 2020/21, including damages awarded in patent infringement lawsuit to Advanced Bionics of CHF 99.0 million (2019/20 one-time positive transition impacts of the Swiss tax reform of CHF 154.3 million).

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 2014 through 2020 and which have not yet been exercised. 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	2020	2019
Income after taxes (CHF million)	204.1	355.4
Weighted average number of outstanding shares	62,884,277	64,031,791
Adjustment for dilutive share options	218,966	382,993
Adjusted weighted average number of outstanding shares	63,103,242	64,414,784
Diluted earnings per share (CHF)[1]	**3.23**	**5.52**

1) In the first half of financial year 2020/21, including damages awarded in patent infringement lawsuit to Advanced Bionics of CHF 99.0 million (2019/20 one-time positive transition impacts of the Swiss tax reform of CHF 154.3 million).

9. Contingent assets and liabilities

There have been no material changes in contingent assets and liabilities since March 31, 2020, except for damages awarded in patent infringement lawsuit to Advanced Bionics as disclosed in Note 5.

10. Financial liabilities

As of September 30, 2020, the Group has the following bonds / US Private Placement outstanding.

Financial liabilities (CHF million)	Currency	Nominal value	Maturity
Fixed-rate bond	CHF	360	October 11, 2021
Fixed-rate bond	CHF	330	April 6, 2022
US Private Placement	USD	180	July 14, 2025
Fixed-rate bond	CHF	200	October 6, 2025
Fixed-rate bond	CHF	300	October 6, 2028
Fixed-rate bond	CHF	100	October 11, 2029
Fixed-rate bond	CHF	100	October 11, 2034

On April 6, 2020, the Group issued a CHF 330 million two year fixed-rate bond with an interest rate of 0.55 % and a maturity date of April 6, 2022. The bond was issued at 100.084 % for the first tranche of CHF 260 million and at 100.139 % for the second tranche of CHF 70 million.

On May 26, 2020, the Group issued a CHF 200 million five year fixed-rate bond with an interest rate of 0.50 % and a maturity date of October 6, 2025 and a CHF 300 million eight year fixed-rate bond with an interest rate of 0.75 % and a maturity date of October 6, 2028. The bonds were issued at 100.402 % and 100.084 %, respectively. This bond issuance terminated / replaced the CHF 300 million revolving bridge facility with three of its relationship banks which the Group entered on April 29, 2020.

On July 14, 2020, the Group entered into a USD 180 million five year fixed-rate US Private Placement with an interest rate of 2.84 % and a maturity on July 14, 2025.

During the first half of financial year 2020 / 21, the Group repaid credit facilities in the amount of CHF 230 million.

11. Movements in share capital

The Annual General Shareholders' Meeting of June 11, 2020 declared a stock dividend[1]. Each shareholder was entitled to receive one Sonova share for 150 existing Sonova shares. In case of fractional entitlements, the number of shares was rounded down so that each shareholder received an integer number of Sonova shares, and the fraction was paid out in cash. The delivery of Sonova shares and payment in lieu of fractional entitlements occurred in June 2020 to all shares outstanding, excluding treasury shares.

Issued registered shares	Issued registered shares	Treasury shares[2]	Outstanding shares
Balance April 1, 2019	65,330,887	(966,324)	64,364,563
Purchase of treasury shares		(352,421)	(352,421)
Sale / transfer of treasury shares		273,755	273,755
Cancellation of treasury shares[3]	(932,750)	932,750	
Purchase of treasury shares from share buyback		(780,350)	(780,350)
Balance September 30, 2019	**64,398,137**	**(892,590)**	**63,505,547**
Balance April 1, 2020	64,398,137	(1,970,548)	62,427,589
Sale / transfer of treasury shares		179,166	179,166
Stock dividend[4]		417,110	417,110
Balance September 30, 2020	**64,398,137**	**(1,374,272)**	**63,023,865**

Each share has a nominal value of CHF 0.05.

1) The stock dividend was sourced from Sonova shares which were repurchased by Sonova under the share buyback program 2018 – 2021. The Board of Directors of Sonova Holding AG decided to amend the purpose of share buyback program and to add reuse of the repurchased shares. Thus, the company has the choice to resell the shares repurchased on the second trading line and / or to request their cancellation.

2) Treasury shares are purchased on the open market and are not entitled to dividends.

3) The Annual General Shareholder's Meeting of June 13, 2019, approved the proposed cancellation of 932,750 treasury shares, resulting in a reduction of share capital of 46,637.50 Swiss francs, retained earnings and other reserves of CHF 157.8 million offset by changes in treasury shares of CHF 157.9 million. This cancellation has been executed on September 24, 2019.

4) The Annual General Shareholder's Meeting of June 11, 2020, approved the proposed distribution of a stock dividend, resulting in a reduction of retained earnings and other reserves of CHF 100.4 million and changes in treasury shares of CHF 100.2 million.

12. Events after balance sheet date

There have been no material events after the balance sheet date.

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