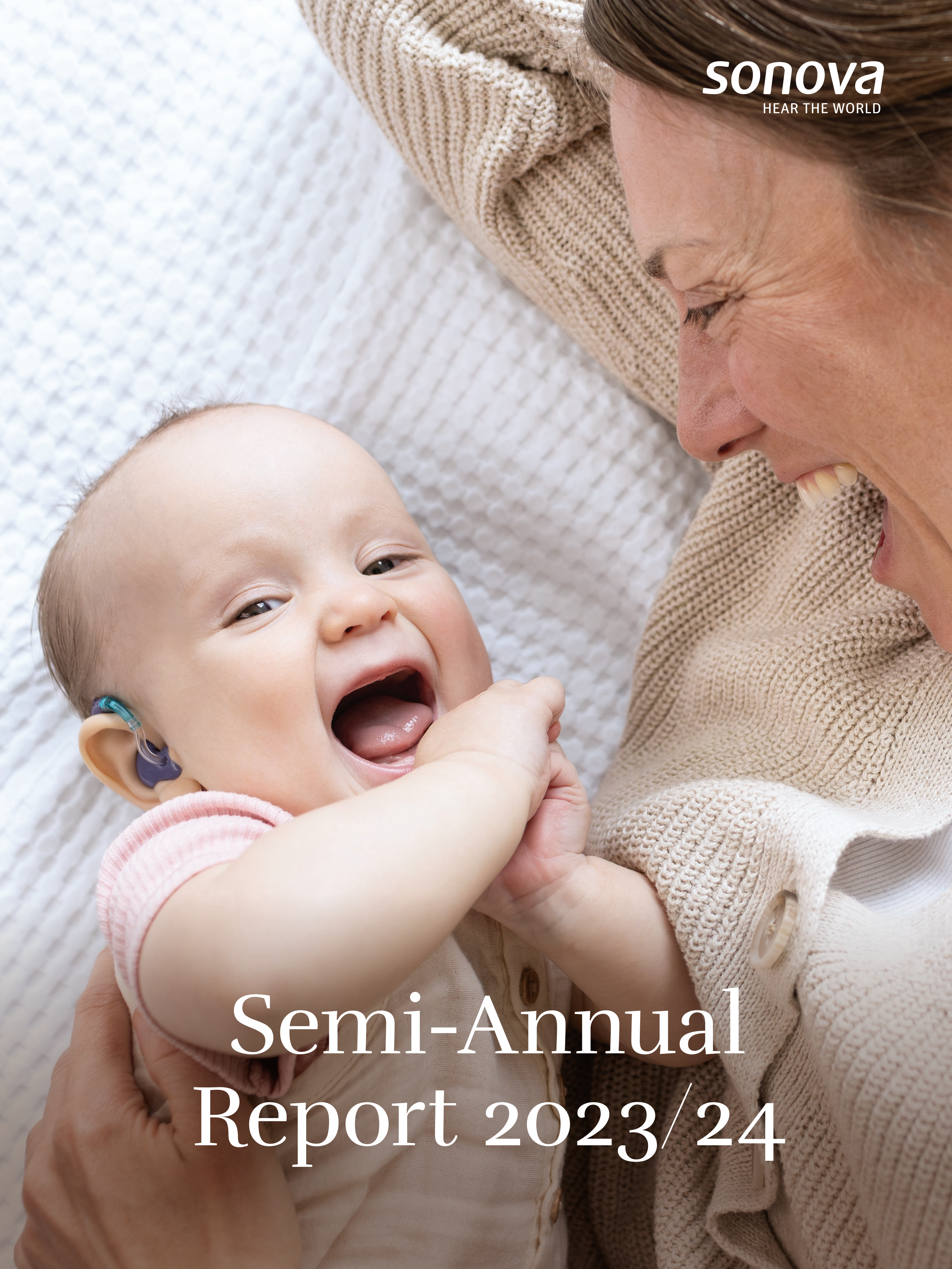

Semi-Annual Report 2023/24

Highlights & key figures First half 2023/24

Sonova Group: Sales of CHF 1,753.0 million

Consolidated sales in the first half of financial year 2023/24 reached CHF 1,753.0 million, up 1.6% in local currencies but down 5.1% in Swiss francs.

Hearing Instruments segment: Sales of CHF 1,620.3 million

The Hearing Instruments segment achieved sales of CHF 1,620.3 million, an increase of 1.8% in local currencies but a decline of 4.9% in Swiss francs. Adjusted EBITA [1] reached CHF 337.6 million, representing a margin of 20.8%.

Cochlear Implants segment: Sales of CHF 132.6 million

Sales in the Cochlear Implants segment reached CHF 132.6 million, down 0.9% in local currencies or 7.5% in Swiss francs. Adjusted EBITA [1] was CHF 12.7 million, resulting in a margin of 9.5%.

Adjusted Group EBITA margin of 20.0%

Adjusted Group EBITA [1] reached CHF 350.0 million, up 2.5% in local currencies but down 12.1% in Swiss francs. This represents a margin of 20.0%. As reported, Group EBITA reached CHF 333.3 million, a decrease of 0.4% in local currencies vs. the prior year period.

Expanding the Phonak Lumity platform

In August 2023, Phonak expanded its Lumity hearing aid platform to include Sky and Naída, addressing the unique requirements of children, teenagers and adults with severe-to-profound hearing loss. The new products were positively received by the market.

Science-based CO_2 reduction targets approved

The Science Based Targets initiative (SBTi) has officially approved Sonova's CO_2 reduction targets for the Group's own operations (Scope 1+2) and value chain emissions (Scope 3), an important milestone on our journey to drive impactful actions for our society and the planet.

Sonova Group key figures – First half 2023/24

April 1 to September 30, in CHF m unless otherwise specified	2023	2022	Change in Swiss francs	Change in local currencies
Sales	1,753.0	1,846.6	(5.1%)	1.6%
Gross profit	1,251.6	1,283.7	(2.5%)	5.5%
EBITA [1]	333.3	391.8	(14.9%)	(0.4%)
EBIT [1]	305.6	363.8	(16.0%)	(0.7%)
Basic earnings per share (CHF)	4.11	4.81	(14.6%)	5.0%
Operating free cash flow	150.5	185.3	(18.8%)	
Gross profit (adjusted) [1]	1,255.2	1,284.4	(2.3%)	5.8%
EBITA (adjusted) [1]	350.0	398.1	(12.1%)	2.5%
EBITA margin (adjusted)	20.0%	21.6%		
Basic earnings per share (CHF) (adjusted) [1]	4.34	4.90	(11.3%)	8.1%

1) For details see table "Reconciliation of non-GAAP financial measures".

Letter to shareholders

As anticipated, the 2023/24 financial year was off to a slow start, impacted by the non-renewal of a large contract, temporary operational challenges and a significant strengthening of the Swiss franc. Momentum picked up over the course of the reporting period, supported by the improvement of the overall hearing care market, the expansion of our product portfolio, and the continued execution of our strategy. Further supported by an increase in growth investments to sustain the positive trajectory, we are confident that we will achieve a substantial acceleration in sales growth in the second half.

Dear Shareholders

Sonova continued to implement its strategy during the first half of financial year 2023/24. We further expanded our Audiological Care network both organically and through acquisitions while continuing to invest in our digital ecosystem. We launched a range of innovative solutions, broadening our portfolio of traditional hearing aids under the Phonak and Unitron brands and extending the range of Sennheiser-branded hearing solutions with All-Day Clear, a new self-fitting hearing aid which represents Sonova's entry into the over-the-counter solutions market. We continued to foster operational efficiencies through our Sonova eXcellence System and started production at our new operations facility for the Americas in Mexicali. The new site will help improve delivery times, improve our global supply chain footprint and reduce costs while helping us to achieve our CO_2 emission targets.

Consolidated sales reached CHF 1,753.0 million, up 1.6% in local currencies or up 5.1% excluding the non-renewal of a large hearing instruments contract in the US. The significant strengthening of the Swiss franc reduced reported sales by CHF 123.7 million or 6.7%. Profitability development was supported by a gradual easing of headwinds from transport and component costs as well as higher global average selling prices across all businesses but held back by the modest sales growth, the shift in the business mix, above historic wage increases and currency headwinds. Adjusted for restructuring, transaction and integration costs, operating profit before acquisition-related amortization (EBITA) reached CHF 350.0 million, up 2.5% in local currencies. This represents a margin of 20.0%, an increase of 0.2 percentage points in local currencies compared to the prior year period, despite the modest sales growth. The strong headwind from exchange rate developments reduced the adjusted EBITA by CHF 58.0 million, resulting in decline of 12.1% in Swiss francs.

Hearing Instruments segment

Sales for the Hearing Instruments segment rose by 1.8% in local currencies, driven by strong performance of the Audiological Care business, both from organic growth and acquisitions, including a strong contribution from HYSOUND in China. The non-renewal of the previously mentioned contract with a major US customer as well as temporary operational challenges affected the development of the Hearing Instruments business. Momentum improved over the course of the reporting period, helped by a positive market response to the expansion of the Phonak Lumity platform with Sky for children and Naída for adults with severe-to-profound hearing loss, as well as the launch of the Unitron Vivante™ platform. The Consumer Hearing business performed in line with its peers in a challenging consumer electronics market. Product launches, including the ACCENTUM Wireless headphones introduced in September, are expected to support sales in the second half.

Cochlear Implants segment

Sales for the Cochlear Implants segment declined by 0.9% in local currencies. The market continued to improve as hospital staffing shortages abated. Our system sales grew year-over-year, despite the launch of a new sound processor by the largest competitor. With the Marvel sound processors entering their third year after the launch in 2021, the installed base of recipients waiting for an upgrade is tapering off. Coupled with residual supply chain issues that have been largely resolved by now, this resulted in lower upgrade sales.

Outlook 2023/24

The continued strong execution in the Audiological Care business, a further strengthening of the hearing care market and improving momentum in the Hearing Instruments business provide a solid foundation for a substantial acceleration in sales growth in the second half. For the 2023/24 financial year, Sonova continues to expect consolidated sales to grow by 3%–7% at constant exchange rates. Reflecting higher investments to sustain the positive trajectory in the Hearing Instruments and Audiological Care business, adjusted EBITA is now expected to increase by 4%–8% at constant exchange rates. This implies a continued margin expansion in the second half.

Robert Spoerry
Chair of the Board of Directors

Arnd Kaldowski
Chief Executive Officer

Financial review

Group sales in the first half of financial year 2023/24 reached CHF 1,753.0 million, up 1.6% in local currencies but down 5.1% in Swiss francs. Adjusted Group EBITA reached CHF 350.0 million, up 2.5% in local currencies but down 12.1% in Swiss francs, representing a margin of 20.0%.

Slow start to the year – Improving momentum over the course of the period

Sonova Group sales reached CHF 1,753.0 million in the first half of financial year 2023/24, up 1.6% in local currencies but down 5.1% in Swiss francs. The development was held back by the non-renewal of a large contract with a single US customer and temporary operational challenges. After a slow start, the overall hearing care market gradually improved, in part helped by an easing comparison base, although regional differences persist. For the Group, this resulted in an organic sales decline of 0.4% in local currencies but an increase of 3.0% in local currencies excluding the previously mentioned non-renewal of a large contract. Acquisitions in the reporting period (including the full-year effect of prior year acquisitions) contributed 2.0% to sales growth. Exchange rate fluctuations had a significant negative impact, reducing reported sales by CHF 123.7 million or 6.7%.

Volatile market development despite gradual improvement

Sales in Europe, Middle East and Africa (EMEA) rose by 4.8% in local currencies. Good growth in a number of key markets, including Germany, Belgium, the Netherlands and Poland, was partly offset by a weaker development in France, Italy and Sweden. Growth was supported by the continued expansion of the audiological care network.

In the United States, sales declined by 4.6% in local currency. While benefiting from a solid market recovery and the expansion of our audiological care network, the previously mentioned non-renewal of a large contract heavily weighed on growth during the reporting period.

Sales in the rest of the Americas (excluding the US) fell by 1.2% in local currencies, held back by a soft development in Canada, primarily related to the previously mentioned non-renewal of a large contract. This was partly offset by bolt-on acquisitions in our Audiological Care business.

Sales in the Asia Pacific (APAC) region rose by 7.8% in local currencies, driven by the acquisition of HYSOUND in China and strong growth in Japan, but dampened by a weak performance in Australia and New Zealand.

Sales by regions

April 1 to September 30, in CHF m	2023			2022	
	Sales	Share	Growth in local currencies	Sales	Share
EMEA	881.6	51%	4.8%	879.8	47%
USA	530.7	30%	(4.6%)	602.7	33%
Americas (excl. USA)	126.5	7%	(1.2%)	140.1	8%
Asia/Pacific	214.2	12%	7.8%	224.0	12%
Total sales	**1,753.0**	**100%**	**1.6%**	**1,846.6**	**100%**

Sonova Group key figures

April 1 to September 30, in CHF m unless otherwise specified	2023	2022	Change in Swiss francs	Change in local currencies
Sales	1,753.0	1,846.6	(5.1%)	1.6%
Gross profit	1,251.6	1,283.7	(2.5%)	5.5%
EBITA[1)]	333.3	391.8	(14.9%)	(0.4%)
EBIT[1)]	305.6	363.8	(16.0%)	(0.7%)
Basic earnings per share (CHF)	4.11	4.81	(14.6%)	5.0%
Operating free cash flow	150.5	185.3	(18.8%)	
Gross profit (adjusted)[1)]	1,255.2	1,284.4	(2.3%)	5.8%
EBITA (adjusted)[1)]	350.0	398.1	(12.1%)	2.5%
EBITA margin (adjusted)	20.0%	21.6%		
Basic earnings per share (CHF) (adjusted)[1)]	4.34	4.90	(11.3%)	8.1%

1) For details see table “Reconciliation of non-GAAP financial measures”.

Profitability held back by strong currency headwinds and moderate sales development

As a result of additional structural optimization initiatives, including the build-up of a new operations facility in Mexico, the Group incurred restructuring costs of CHF 10.2 million (1H 2022/23: CHF 2.8 million). Transaction and integration costs related to acquisitions, including HYSOUND, the Sennheiser Consumer Division and Alpaca Audiology, amounted to CHF 6.5 million (1H 2022/23: CHF 2.5 million). In the prior year period, the Group had incurred legal costs of CHF 1.0 million, mainly related to an ongoing patent litigation.

Adjusted figures and growth rates in this financial review exclude these items. For more details, please refer to the table “Reconciliation of non-GAAP financial measures” at the end of the financial review.

Reported gross profit reached CHF 1,251.6 million. Adjusted gross profit was CHF 1,255.2 million, an increase of 5.8% in local currencies but a decline of 2.3% in Swiss francs. This was supported by prior year price increases implemented to offset inflationary pressures as well as a shift in the business mix due to the strong growth in our Audiological Care business. The development was further helped by a gradual easing of headwinds from transport and component costs. As a result, the adjusted gross profit margin reached 71.6%, up by 2.0 percentage points in Swiss francs or 2.8 percentage points in local currencies.

Excluding acquisition-related amortization, reported operating expenses were CHF 918.3 million (1H 2022/23: CHF 891.8 million). Impacted by the previously mentioned shift in the business mix, which was in part driven by acquisitions, and reflecting the slow sales development, adjusted operating expenses before acquisition-related amortization rose by 7.2% in local currencies or by 2.1% in Swiss francs to CHF 905.2 million (1H 2022/23: CHF 886.3 million). Adjusted research and development (R&D) expenses before acquisition-related amortization declined by 0.6% in local currencies to CHF 115.6 million, reflecting stable investments in innovation.

Adjusted sales and marketing costs before acquisition-related amortization were up by 8.2% in local currencies to CHF 625.3 million or 35.7% of sales (1H 2022/23: 33.2%). Growth was largely driven by acquisitions as well as the previously mentioned shift in the business mix resulting from the higher share of the Audiological Care business, which has a higher ratio of sales and marketing costs to sales than the rest of the Group. Adjusted general and administration costs before acquisition-related amortization increased by 10.8% in local currencies, reaching CHF 163.8 million or 9.3% of sales (1H 2022/23: 8.3%). Adjusted other expenses were CHF 0.5 million (1H 2022/23: zero).

Sales by business – Hearing Instruments segment

April 1 to September 30, in CHF m			2023		2022
	Sales	Share	Growth in local currencies	Sales	Share
Hearing Instruments business	824.5	51%	(4.3%)	930.0	55%
Consumer Hearing business	120.3	7%	(1.9%)	133.0	8%
Audiological Care business	675.5	42%	11.5%	640.1	37%
Total Hearing Instruments segment	**1,620.3**	**100%**	**1.8%**	**1,703.2**	**100%**

Adjusted operating profit before acquisition-related amortization (EBITA) reached CHF 350.0 million (1H 2022/23: CHF 398.1 million), up 2.5% in local currencies but down 12.1% in Swiss francs. The adjusted EBITA margin was 20.0%, a decline of 1.6 percentage points in Swiss francs but an increase of 0.2 percentage points in local currencies compared to the prior year period. The strong headwind from exchange rate developments reduced adjusted EBITA by CHF 58.0 million and the margin by 1.7 percentage points. Reported EBITA declined by 0.4% in local currencies or 14.9% in Swiss francs to CHF 333.3 million (1H 2022/23: CHF 391.8 million). Acquisition-related amortization amounted to CHF 27.8 million (1H 2022/23: CHF 28.0 million).

Reported operating profit (EBIT) reached CHF 305.6 million (1H 2022/23: CHF 363.8 million), down 0.7% in local currencies or 16.0% in Swiss francs. Net financial expenses, including the result from associates, declined from CHF 13.3 million in the prior year period to CHF 11.9 million. Income taxes amounted to CHF 44.1 million, representing an underlying tax rate of 15.0% (1H 2022/23: 15.5%). Basic earnings per share (EPS) reached CHF 4.11, up 5.0% in local currencies but down 14.6% in Swiss francs. Adjusted EPS increased by 8.1% in local currencies but decreased 11.3% in Swiss francs to CHF 4.34, compared to CHF 4.90 in the prior year period.

Hearing Instruments segment – Modest growth driven by strong performance in Audiological Care

Sales in the Hearing Instruments segment reached CHF 1,620.3 million, an increase of 1.8% in local currencies but down 4.9% in Swiss francs compared to the prior year period. The strong performance in the Audiological Care business partly offset the impact from the non-renewal of a large contract with a single US customer in the Hearing Instruments business and headwinds from temporary operational challenges. This resulted in a slight organic sales decline of 0.3%. The contribution from acquisitions, including HYSOUND, lifted sales by 2.2% or CHF 37.1 million. Exchange rate fluctuations reduced reported sales by CHF 114.2 million or 6.7% in Swiss francs.

The Hearing Instruments business generated sales of CHF 824.5 million, down by 4.3% in local currencies. Excluding the impact from the previously mentioned non-renewal of a large contract, the sales rose by 2.4% in local currencies. The development was supported by a lift in the global average selling price (ASP) as a result of prior year price increases. Phonak successfully expanded the Lumity platform with Sky, Naída and CROS to meet the unique requirements of kids, teenagers and adults with severe-to-profound hearing loss. Recent data shows a further 30% improvement in reliability of the Phonak Lumity platform over its already strong predecessor, which is communicated to hearing care professionals through a dedicated campaign. Unitron successfully introduced its new Vivante™ platform as part of our strategic commitment to roll out our latest technologies across our brands.

Sales in Consumer Hearing business reached CHF 120.3 million. This represents a decline of 1.9% in local currencies against a high comparison base and is reflecting fewer product introductions than in the prior year period. However, the business performed in line with its peers in a challenging consumer electronic market. As part of its broader range of Sennheiser-branded hearing solutions, the business introduced All-Day Clear, a new self-fitting hearing aid, which marks the entry into the over-the-counter (OTC) market in the United States. The launch of the AMBEO Soundbar Mini at the end of August and of the ACCENTUM wireless headphones in September are expected to support sales in the second half of the financial year.

The Audiological Care business reported a strong performance with sales up 11.5% in local currencies to CHF 675.5 million. Organic growth reached 5.7%, driven by solid growth in most European markets, supported by both higher volume and ASP. Acquisitions (including the full-year effect of prior year acquisitions) lifted sales by 5.8%. A key contributor was HYSOUND in China, which performed ahead of plan, supported by our strong digital presence in this high-growth market. In addition, there were smaller bolt-on acquisitions across all regions.

Sales by product group – Cochlear Implants segment

April 1 to September 30, in CHF m	2023			2022	
	Sales	Share	Growth in local currencies	Sales	Share
Cochlear implant systems	89.3	67%	2.8%	93.3	65%
Upgrades and accessories	43.4	33%	(7.8%)	50.2	35%
Total Cochlear Implants segment	**132.6**	**100%**	**(0.9%)**	**143.5**	**100%**

Reported EBITA for the Hearing Instruments segment amounted to CHF 323.9 million, an increase of 1.8% in local currencies. Adjusted EBITA rose by 4.2% in local currencies to CHF 337.6 million, corresponding to a margin of 20.8% (1H 2022/23: 22.2%). Excluding the adverse currency development, the adjusted EBITA margin rose by 0.5 percentage points compared to the prior year period.

Cochlear Implants segment – Improving market but held back by competitor product launch

Sales in the Cochlear Implants segment reached CHF 132.6 million, a decrease of 0.9% in local currencies and 7.5% in Swiss francs versus the prior year period. System sales rose by 2.8% in local currencies. This was helped by a continued market improvement as hospital staffing shortages abated, but was held back by pressure following the launch of a new sound processor from the largest competitor. Sales of upgrades and accessories fell by 7.8% in local currencies. With the Marvel sound processors entering their third year after the launch in 2021, the installed base of recipients waiting for an upgrade is tapering off. In addition, the development was impacted by residual supply chain issues, which have been largely resolved by now.

Reported EBITA for the Cochlear Implants segment reached CHF 9.7 million. The adjusted EBITA reached CHF 12.7 million (1H 2022/23: CHF 19.5 million), representing a margin of 9.5% (1H 2022/23: 13.6%). Lower sales and production volumes, adverse shifts in the geographic and product mix, as well as residual supply chain issues weighed on the gross margin. The margin development was also impacted by continued investments in sales and marketing to drive future sales.

Cash flow and balance sheet

Cash flow from operating activities reached CHF 252.8 million (1H 2022/23: CHF 303.0 million). The decline was almost entirely driven by lower income before taxes as a result of adverse currency developments against the prior year period and was further compounded by higher tax payments. This was partly compensated by a lower cash outflow from changes in net working capital. Coupled with lower capital expenditure versus the prior year period this resulted in an operating free cash flow of CHF 150.5 million (1H 2022/23: CHF 185.3 million).

Cash consideration for acquisitions amounted to CHF 59.9 million (1H 2022/23: CHF 85.7 million), reflecting the further expansion of our audiological care network through bolt-on acquisitions. In summary, this resulted in a free cash flow of CHF 90.6 million (1H 2022/23: CHF 99.5 million). The cash outflow from financing activities of CHF 290.3 million mainly reflects the dividend payment of CHF 274.1 million.

Cash and cash equivalents stood at CHF 250.6 million compared to CHF 413.9 million at the end of the 2022/23 financial year. Net working capital rose to CHF 207.6 million, compared to CHF 89.5 million at the end of the 2022/23 financial year. Capital employed increased to CHF 3,802.9 million compared to CHF 3,727.3 million at the end of the 2022/23 financial year. The Group's equity of CHF 2,130.6 million represents an equity ratio of 39.5%, slightly down from 40.2% at end of the 2022/23 financial year. This was mainly driven by dividend payments and negative currency effects. The net debt position increased to CHF 1,672.3 million compared to CHF 1,495.9 million at the end of the 2022/23 financial year. The net debt/EBITDA ratio reached 1.8x, rising above the Group's target range of 1.0–1.5x due to seasonal factors.

Outlook 2023/24

The continued strong execution in the Audiological Care business, a further strengthening of the hearing care market and improving momentum in the Hearing Instruments business provide a solid foundation for a substantial acceleration in sales growth in the second half. For the 2023/24 financial year, Sonova continues to expect consolidated sales to grow by 3%–7% at constant exchange rates. Reflecting higher investments to sustain the positive trajectory in the Hearing Instruments and Audiological Care business, adjusted EBITA is now expected to increase by 4%–8% (previously: 6%–10%) at constant exchange rates. This implies a continued margin expansion in the second half.

Reconciliation of non-GAAP financial measures

April 1 to September 30, CHF million						2023
	Income statement as reported	Acquisition related amortization	**Income statement EBITA separation**	Restructuring costs	Transaction and integration costs	**Income statement adjusted**
Sales	**1,753.0**		**1,753.0**			**1,753.0**
Cost of sales	(501.3)		(501.3)	3.6		(497.8)
Gross profit	**1,251.6**		**1,251.6**	**3.6**		**1,255.2**
Research and development	(117.8)	0.8	(117.0)	1.5		(115.6)
Sales and marketing	(658.5)	27.0	(631.5)	2.8	3.4	(625.3)
General and administration	(169.3)		(169.3)	2.4	3.1	(163.8)
Other income/(expenses), net	(0.5)		(0.5)			(0.5)
Operating profit before acquisition-related amortization (EBITA)[1]			**333.3**	**10.2**	**6.5**	**350.0**
Acquisition-related amortization		(27.8)	(27.8)			(27.8)
Operating profit (EBIT)[2]	**305.6**		**305.6**	**10.2**	**6.5**	**322.3**
Basic earnings per share (CHF)	**4.11**		**4.11**	**0.15**	**0.09**	**4.34**

April 1 to September 30, CHF million							2022
	Income statement as reported	Acquisition related amortization	**Income statement EBITA separation**	Restructuring costs	Transaction and integration costs	Patent litigation	**Income statement adjusted**
Sales	**1,846.6**		**1,846.6**				**1,846.6**
Cost of sales	(563.0)		(563.0)	0.7			(562.2)
Gross profit	**1,283.7**		**1,283.7**	**0.7**			**1,284.4**
Research and development	(120.0)	0.8	(119.2)	0.0			(119.2)
Sales and marketing	(644.6)	27.2	(617.4)	2.6	1.6		(613.1)
General and administration	(155.3)		(155.3)	(0.6)	0.9	1.0	(154.0)
Other income/(expenses), net	(0.0)		(0.0)				(0.0)
Operating profit before acquisition-related amortization (EBITA)[1]			**391.8**	**2.8**	**2.5**	**1.0**	**398.1**
Acquisition-related amortization		(28.0)	(28.0)				(28.0)
Operating profit (EBIT)[2]	**363.8**		**363.8**	**2.8**	**2.5**	**1.0**	**370.1**
Basic earnings per share (CHF)	**4.81**		**4.81**	**0.03**	**0.04**	**0.02**	**4.90**

[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).

Key figures

April 1 to September 30, in CHF million unless otherwise specified	2023	2022
Sales	**1,753.0**	**1,846.6**
change compared to previous year (%)	(5.1)	15.1
Gross profit	**1,251.6**	**1,283.7**
in % of sales	71.4	69.5
Gross profit (adjusted)[1)]	**1,255.2**	**1,284.4**
in % of sales (adjusted)	71.6	69.6
Research & development costs	**117.0**	**119.2**
in % of sales	6.7	6.5
Sales & marketing costs	**631.5**	**617.4**
in % of sales	36.0	33.4
Operating profit before acquisition-related amortization (EBITA)	**333.3**	**391.8**
in % of sales	19.0	21.2
Operating profit before acquisition-related amortization (EBITA) (adjusted)[1)]	**350.0**	**398.1**
in % of sales (adjusted)	20.0	21.6
Operating profit (EBIT)	**305.6**	**363.8**
in % of sales	17.4	19.7
Income after taxes	**249.6**	**296.2**
in % of sales	14.2	16.0
Income after taxes (adjusted)[1)]	**263.8**	**301.8**
in % of sales (adjusted)	15.1	16.3
Basic earnings per share (CHF)	**4.11**	**4.81**
Basic earnings per share (CHF) (adjusted)[1)]	**4.34**	**4.90**
Net debt[2)]	**1,672.3**	**1,497.3**
Net working capital[3)]	207.6	125.7
Capital expenditure (tangible and intangible assets)[4)]	53.1	68.6
Capital employed[5)]	3,802.9	3,498.1
Total assets	5,387.4	5,197.2
Equity	2,130.6	2,000.8
Equity financing ratio (%)[6)]	39.5	38.5
Free cash flow[7)]	90.6	99.5
Operating free cash flow[8)]	**150.5**	**185.3**
Number of employees (end of period)	**17,636**	**17,073**

1) Non-GAAP financial measure adjusted for nonrecurring items; for details see the table "Reconciliation of non-GAAP financial measures" in the financial review.
2) Cash and cash equivalents + other current financial assets (without loans) – current financial liabilities – current lease liabilities – non-current financial liabilities – non-current lease liabilities.
3) Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – short-term contract liabilities – other short-term liabilities – short-term provisions.
4) Excluding goodwill and intangibles relating to acquisitions.
5) Equity + net debt
6) Equity in % of total assets.
7) Cash flow from operating activities + cash flow from investing activities + payments for lease liabilities.
8) Free cash flow – cash consideration for acquisitions and from divestments, net of cash acquired/divested – cash consideration for associates.

Interim consolidated financial statements as of September 30, 2023

Consolidated income statement

April 1 to September 30, in CHF million	2023	2022
Sales	**1,753.0**	**1,846.6**
Cost of sales	(501.3)	(563.0)
Gross profit	**1,251.6**	**1,283.7**
Research and development[1]	(117.8)	(120.0)
Sales and marketing[1]	(658.5)	(644.6)
General and administration	(169.3)	(155.3)
Other expenses	(0.5)	(0.0)
Operating profit (EBIT)[2]	**305.6**	**363.8**
Financial income	7.6	7.0
Financial expenses	(21.9)	(22.0)
Share of profit/(loss) in associates/joint ventures, net	2.4	1.7
Income before taxes	**293.7**	**350.5**
Income taxes	(44.1)	(54.3)
Income after taxes	**249.6**	**296.2**
Attributable to:		
Equity holders of the parent	244.9	291.9
Non-controlling interests	4.7	4.3
Basic earnings per share (CHF)	4.11	4.81
Diluted earnings per share (CHF)	4.09	4.78

1) Includes acquisition-related amortization of CHF 0.8 million (previous year: CHF 0.8 million) in "Research and development" and CHF 27.0 million (previous year: CHF 27.2 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 333.3 million (previous year: CHF 391.8 million). Refer to Note 4.
2) Earnings before financial result, share of profit/(loss) in associates/joint ventures and taxes (EBIT).

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

Consolidated statement of comprehensive income

April 1 to September 30, in CHF million	2023	2022
Income after taxes	**249.6**	**296.2**
Other comprehensive income		
Actuarial loss from defined benefit plans, net	(1.5)	(40.2)
Tax effect on actuarial result from defined benefit plans, net	0.3	7.3
Total items not to be reclassified to income statement in subsequent periods	**(1.3)**	**(32.9)**
Currency translation differences	(73.2)	(101.1)
Tax effect on currency translation items	2.9	5.1
Total items to be reclassified to income statement in subsequent periods	**(70.3)**	**(96.0)**
Other comprehensive income, net of tax	**(71.6)**	**(128.9)**
Total comprehensive income	**178.0**	**167.3**
Attributable to:		
Equity holders of the parent	173.4	165.0
Non-controlling interests	4.6	2.3

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

Consolidated balance sheet

Assets CHF million	**30.9.2023**	**31.3.2023**	**30.9.2022**
Cash and cash equivalents	250.6	413.9	279.6
Other current financial assets	12.5	11.0	12.2
Trade receivables	545.7	524.7	490.3
Current income tax receivables	6.3	5.8	4.9
Inventories	419.8	419.1	423.6
Other current operating assets	154.9	138.3	181.7
Total current assets	**1,389.7**	**1,512.9**	**1,392.3**
Property, plant and equipment	373.1	371.1	356.7
Right-of-use assets	259.4	288.4	253.9
Intangible assets	3,009.3	3,057.9	2,912.3
Investments in associates/joint ventures	19.8	18.7	18.9
Other non-current financial assets	59.5	46.9	38.7
Other non-current operating assets	5.8	5.7	5.1
Deferred tax assets	270.8	250.9	219.3
Total non-current assets	**3,997.7**	**4,039.6**	**3,805.0**
Total assets	**5,387.4**	**5,552.5**	**5,197.2**

Liabilities and equity CHF million	**30.9.2023**	**31.3.2023**	**30.9.2022**
Current financial liabilities	75.8	22.2	101.8
Current lease liabilities	67.7	73.4	65.7
Trade payables	148.9	192.9	147.9
Current income tax liabilities	178.6	171.9	185.3
Short-term contract liabilities	118.4	115.8	106.2
Other short-term operating liabilities	342.6	373.9	382.0
Short-term provisions	141.4	154.0	162.7
Total current liabilities	**1,073.4**	**1,104.2**	**1,151.6**
Non-current financial liabilities	1,580.8	1,591.6	1,414.9
Non-current lease liabilities	200.2	223.5	197.4
Long-term provisions	94.2	91.2	127.5
Long-term contract liabilities	175.3	184.0	181.5
Retirement benefit obligation	13.2	12.8	16.6
Deferred tax liabilities	119.6	113.9	106.9
Total non-current liabilities	**2,183.3**	**2,217.0**	**2,044.9**
Total liabilities	**3,256.8**	**3,321.1**	**3,196.4**
Share capital	3.0	3.1	3.1
Treasury shares	(0.3)	(429.0)	(315.7)
Retained earnings and reserves	2,107.6	2,638.4	2,296.6
Equity attributable to equity holders of the parent	**2,110.4**	**2,212.4**	**1,984.0**
Non-controlling interests	20.3	18.9	16.8
Equity	**2,130.6**	**2,231.4**	**2,000.8**
Total liabilities and equity	**5,387.4**	**5,552.5**	**5,197.2**

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

Consolidated cash flow statement

April 1 to September 30, in CHF million		2023		2022
Income before taxes		**293.7**		**350.5**
Depreciation, amortization and impairment of tangible and intangible assets and right-of-use assets	121.3		119.0	
Loss on sale of tangible and intangible assets, net	0.4		0.1	
Share of (profit)/loss in associates/joint ventures, net	(2.4)		(1.7)	
Decrease in long-term provisions and long-term contract liabilities	(1.2)		(6.9)	
Financial (income)/expenses, net excl. cash flow from management of foreign currencies and exchange (gains)/losses	7.1		15.0	
Share based payments	11.6		9.9	
Other non-cash items	(5.2)		(3.4)	
Income taxes paid	(45.6)	86.0	(37.3)	94.6
Cash flow before changes in net working capital		**379.7**		**445.1**
Increase in trade receivables	(31.5)		(30.8)	
Increase in other receivables and prepaid expenses	(20.4)		(40.5)	
Increase in inventories	(3.6)		(10.8)	
Decrease in trade payables	(41.6)		(39.7)	
Decrease in other payables, accruals, short-term provisions and short-term contract liabilities	(29.9)	(127.0)	(20.3)	(142.1)
Cash flow from operating activities		**252.8**		**303.0**
Purchase of tangible and intangible assets	(53.1)		(68.7)	
Proceeds from sale of tangible and intangible assets	0.2		0.0	
Cash consideration for acquisitions, net of cash acquired	(59.9)		(85.7)	
Payments for other financial assets	(20.3)		(12.7)	
Repayments of other financial assets	10.1		3.0	
Interest received	1.7		0.1	
Cash flow from investing activities		**(121.3)**		**(164.0)**
Proceeds from borrowings	50.0		525.0	
Repayment of borrowings			(330.0)	
Repayment of lease liabilities	(37.6)		(37.1)	
Share buyback program			(304.3)	
Sale of treasury shares	8.3		11.9	
Purchase of treasury shares	(27.3)		(46.8)	
Dividends paid by Sonova Holding AG	(274.1)		(267.6)	
Dividends to non-controlling interests	(3.3)		(7.8)	
Interest paid	(6.2)		(7.0)	
Cash flow from financing activities		**(290.3)**		**(463.6)**
Exchange losses on cash and cash equivalents		(4.6)		(6.3)
Decrease in cash and cash equivalents		**(163.3)**		**(330.9)**
Cash and cash equivalents as of April 1		413.9		610.5
Cash and cash equivalents as of September 30		**250.6**		**279.6**

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

Consolidated statement of 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, 2022	**3.2**	**3,550.8**	**(422.6)**	**(721.0)**	**22.3**	**2,432.8**
Income for the period		291.9			4.3	296.2
Actuarial (loss)/gain from defined benefit plans, net		(40.2)				(40.2)
Tax effect on actuarial result		7.3				7.3
Currency translation differences			(99.1)		(2.1)	(101.1)
Tax effect on currency translation			5.1			5.1
Total comprehensive income		**258.9**	**(93.9)**		**2.3**	**167.3**
Capital decrease – share buyback program	(0.1)	(702.7)		702.8		0.0
Share-based payments		(0.3)		19.3		19.0
Sale of treasury shares[1]		(26.1)		38.6		12.5
Purchase of treasury shares[2]				(355.4)		(355.4)
Dividend paid		(267.6)			(7.8)	(275.4)
Balance September 30, 2022	**3.1**	**2,813.2**	**(516.5)**	**(315.7)**	**16.8**	**2,000.8**

	Share capital	Retained earnings and other reserves	Translation adjustment	Treasury shares	Non-controlling interests	Total equity
Balance April 1, 2023	**3.1**	**3,176.6**	**(538.2)**	**(429.0)**	**18.9**	**2,231.4**
Income for the period		244.9			4.7	249.6
Actuarial (loss)/gain from defined benefit plans, net		(1.5)				(1.5)
Tax effect on actuarial result		0.3				0.3
Currency translation differences			(73.1)		(0.1)	(73.2)
Tax effect on currency translation			2.9			2.9
Total comprehensive income		**243.6**	**(70.2)**		**4.6**	**178.0**
Capital decrease – share buyback program	(0.1)	(421.4)		421.5		0.0
Share-based payments		(1.2)		18.1		16.9
Sale of treasury shares[1]		(7.5)		16.4		9.0
Purchase of treasury shares				(27.3)		(27.3)
Dividend paid		(274.1)			(3.3)	(277.4)
Balance September 30, 2023	**3.0**	**2,716.1**	**(608.4)**	**(0.3)**	**20.3**	**2,130.6**

1) In relation to long-term equity incentive plans.
2) Further information on the share buyback program are disclosed in Note 12.

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

Notes to the interim consolidated financial statements as of September 30, 2023

1. Corporate information

The Sonova Group (the “Group”) is a global leader in innovative hearing care solutions: from personal audio devices and wireless communication systems to audiological care services, hearing aids and cochlear implants. The Group’s globally diversified sales and distribution channels serve an ever growing consumer base in more than 100 countries. 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 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, 2023. 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, 2023. The interim consolidated financial statements were approved by the Board of Directors on November 15, 2023.

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, 2023, the actuarial valuations for the primary pension plans were updated. For the Swiss pension plans the discount rate was decreased from 2.10% as per March 31, 2023 to 1.85%.

Income tax expense is recognized based upon the best estimate of the average annual income tax rate expected for the full year.

3. Changes in accounting policies

Except for the 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, 2023.

A number of minor amendments to existing standards and interpretations were effective from April 1, 2023 without having a significant impact on the Group’s result and financial position.

In May 2023, the International Accounting Standard Board (IASB) issued the amendments to IAS 12 “Income Taxes” relating to “International Tax Reform - Pillar Two Model Rules”. The Group has applied the exception to recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

New and revised standards and interpretations that will be effective for the financial year starting April 1, 2024 and beyond are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4. Income statement reconciliation

The Group presents the "Consolidated income statement" based on a classification of costs by function and is continuously 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			2023
	Income statement as reported	Acquisition related amortization	**Income statement EBITA separation**
Sales	**1,753.0**		**1,753.0**
Cost of sales	(501.3)		(501.3)
Gross profit	**1,251.6**		**1,251.6**
Research and development	(117.8)	0.8	(117.0)
Sales and marketing	(658.5)	27.0	(631.5)
General and administration	(169.3)		(169.3)
Other income/(expenses), net	(0.5)		(0.5)
Operating profit before acquisition-related amortization (EBITA)[1]			**333.3**
Acquisition-related amortization		(27.8)	(27.8)
Operating profit (EBIT)[2]	**305.6**		**305.6**

April 1 to September 30, CHF million			2022
	Income statement as reported	Acquisition related amortization	**Income statement EBITA separation**
Sales	**1,846.6**		**1,846.6**
Cost of sales	(563.0)		(563.0)
Gross profit	**1,283.7**		**1,283.7**
Research and development	(120.0)	0.8	(119.2)
Sales and marketing	(644.6)	27.2	(617.4)
General and administration	(155.3)		(155.3)
Other income/(expenses), net	(0.0)		(0.0)
Operating profit before acquisition-related amortization (EBITA)[1]			**391.8**
Acquisition-related amortization		(28.0)	(28.0)
Operating profit (EBIT)[2]	**363.8**		**363.8**

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

Restructuring costs

The Group's result for the first half of the financial year 2023/24 includes restructuring costs in connection with structural optimization initiatives in the amount of CHF 10.2 million (thereof CHF 3.6 million in cost of sales, CHF 1.5 million in research and development, CHF 2.8 million in sales and marketing and CHF 2.4 million in general and administration). Restructuring costs are included in short-term provisions in the balance sheet. The Group expects the cash outflows to occur within the next 12 months. In the first half of the financial year 2022/23 restructuring costs amounted to CHF 2.8 million (thereof CHF 0.7 million in cost of sales, CHF 2.6 million in sales and marketing and a reversal of CHF – 0.6 million of a prior year provision in general and administration).

6. Changes in Group structure

During the first half of financial year 2023/24 and 2022/23 several small businesses were acquired in EMEA, North America and Asia/Pacific.

All of these companies acquired are in the business of distributing and servicing hearing instruments. Due to the size of these transactions, they had no material impact on the financial statements. Assets and liabilities resulting from the acquisitions are as follows:

CHF million	2023	2022
	Total	Total
Cash and cash equivalents	4.2	1.6
Trade receivables	0.7	1.1
Other current operating assets	0.9	(0.4)
Total current assets	**5.8**	**2.3**
Property, plant and equipment	1.0	0.2
Right-of-use assets	2.7	4.1
Intangible assets	17.1	19.5
Deferred tax assets	1.5	1.0
Total non-current assets	**22.3**	**24.8**
Current financial liabilities	(0.7)	(0.0)
Current lease liabilities	(0.8)	(1.0)
Trade payables	(1.3)	(0.9)
Other short-term operating liabilities	(1.6)	(3.0)
Short-term provisions	(1.5)	
Total current liabilities	**(5.9)**	**(4.8)**
Non-current lease liabilities	(1.9)	(3.1)
Other long-term operating liabilities	(0.1)	
Deferred tax liabilities	(3.9)	(4.8)
Total non-current liabilities	**(5.9)**	**(7.9)**
Net assets	**16.2**	**14.4**
Goodwill	41.6	52.6
Purchase consideration	**57.9**	**67.0**
Liabilities for contingent considerations and deferred payments[1)]	(6.5)	(5.5)
Cash and cash equivalents acquired	(4.2)	(1.6)
Cash outflow for contingent considerations and deferred payments	12.7	25.8
Cash consideration for acquisitions, net of cash acquired	**59.9**	**85.7**

1) Contingent considerations (earn-out payments) are dependent on the future performance of the acquired companies as well as contractual conditions. The liability for contingent considerations is based on the latest estimate of the future performance.

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

Liabilities for contingent considerations amount to CHF 6.4 million and deferred payments amount to CHF 0.1 million. Contingent considerations are dependent on the future performance of the acquired companies as well as contractual obligations and milestone achievements. Goodwill is attributed mainly to economies of scale and expected synergies such as favorable sales growth potential, increase in share of Sonova products within acquired distribution companies and cost reduction in administrative and corporate functions as well as to the labor force. Recognized goodwill is not expected to be deductible for income tax purposes.

Acquisition-related intangible assets in the amount of CHF 16.8 million for the acquisitions in the current financial year relate to customer relationships. The assigned lifetime range is between 10 and 15 years. On these intangibles deferred taxes have been considered.

Acquisition-related transaction costs in the amount of CHF 0.5 million (prior year period: CHF 0.5 million) have been expensed and are included in the line "General and administration".

April 1 to September 30, CHF million	2023	2022
	Total	Total
Contribution of acquired companies from date of acquisition		
Sales	4.0	7.1
Net income	0.9	0.7
Contribution, if the acquisitions had occurred on April 1		
Sales	9.3	13.3
Net income	2.1	2.9

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 2023/24 and 2022/23 is as follows:

CHF million	2023	2022	2023	2022	2023	2022	2023	2022
	Hearing Instruments		Cochlear Implants		Corporate/ Eliminations		Total	Total
Segment sales	1,625.5	1,708.4	134.9	147.6			1,760.4	1,856.0
Intersegment sales	(5.1)	(5.2)	(2.3)	(4.1)			(7.4)	(9.3)
Sales	**1,620.3**	**1,703.2**	**132.6**	**143.5**			**1,753.0**	**1,846.6**
Timing of revenue recognition								
At point in time	1,567.5	1,642.9	127.9	136.6			1,695.4	1,779.6
Over time	52.8	60.2	4.8	6.8			57.6	67.1
Total sales	**1,620.3**	**1,703.2**	**132.6**	**143.5**			**1,753.0**	**1,846.6**
Operating profit before acquisition-related amortization (EBITA)	**323.9**	**373.5**	**9.7**	**18.5**	**(0.2)**	**(0.1)**	**333.3**	**391.8**
Depreciation and amortization	(106.3)	(100.3)	(15.1)	(18.7)			(121.3)	(119.0)
Segment assets	**5,013.4**	**4,776.5**	**582.5**	**586.3**	**(749.6)**	**(683.1)**	**4,846.2**	**4,679.7**
Unallocated assets[1]							541.1	517.5
Total assets							**5,387.4**	**5,197.2**

[1] Unallocated assets include cash and cash equivalents, other current financial assets (excluding loans), investments in associates/joint ventures and deferred tax assets.

Reconciliation of reportable segment profit CHF million	2023	2022
EBITA	333.3	391.8
Acquisition-related amortization	(27.8)	(28.0)
Financial costs, net	(14.3)	(14.9)
Share of profit/(loss) in associates/joint ventures, net	2.4	1.7
Income before taxes	**293.7**	**350.5**

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	**2023**	**2022**
Income after taxes (CHF million)	244.9	291.9
Weighted average number of outstanding shares	59,652,269	60,710,052
Basic earnings per share (CHF)	**4.11**	**4.81**

In the case of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming all outstanding dilutive awards from share participation plans will be exercised. For the option plans, the weighted average number of shares is adjusted for all dilutive options issued under the stock option plans which have been granted in 2017 through to 2023 and which have not yet been exercised. Options that are out-of-the-money (compared to average share price) are not considered. The calculation of diluted earnings per share is based on the same income after taxes for the period as is used in calculating basic earnings per share.

Diluted earnings per share	**2023**	**2022**
Income after taxes (CHF million)	244.9	291.9
Weighted average number of outstanding shares	59,652,269	60,710,052
Adjustment for dilutive share awards	155,282	333,871
Adjusted weighted average number of outstanding shares	59,807,551	61,043,923
Diluted earnings per share (CHF)	**4.09**	**4.78**

9. Contingent assets and liabilities

Lawsuits and disputes

On October 4, 2018 MED-EL Elektronische Geräte GmbH and MED-EL Corporation, US (together, "MED-EL") filed a complaint against Advanced Bionics LLC ("AB") in the US district court for the District of Delaware for alleged patent infringement of two MED-EL patents related to AB's Ultra 3D product. After years of litigation, in February 2023, the US district court granted summary judgment of non-infringement of the asserted MED-EL patents, effectively ending MED-EL's district court case – and any threat of damages or injunction – subject to appeal. In a related case brought by MED-EL in Germany, the Regional Court of Mannheim has reached in March 2022 a first instance judgment which included an injunction enforced later by MED-EL. AB appealed that first instance judgement and after the European Patent Office substantially limited MED-EL's asserted European patent, the Higher Regional Court of Karlsruhe suspended MED-EL's enforcement of the injunction until its final decision. AB believes that the complaint in Germany is without merit and continues to strongly defend its position, particularly in view of divisional patents recently granted to MED-EL in Europe. In further related proceedings in the Netherlands, AB's non-infringement of Med-El's narrowed European patent has also been confirmed by the first instance court and is now under appeal by MED-EL. In the UK, the UK part of one of MED-EL's patents was invalidated by the High Court in June 2022, and this decision was upheld by the Court of Appeal in May 2023. MED-EL has since surrendered two further patents in the UK, thus surrendering the legal basis for further offensive action against AB in the UK.

10. Financial liabilities

As of September 30, 2023, the Group has the following bonds/US Private Placement outstanding:

Financial liabilities	Currency	Nominal value	Interest rate	Maturity
US Private Placement	USD	180	2.84%	July 14, 2025
Fixed-rate bond	CHF	200	0.50%	October 6, 2025
Fixed-rate bond	CHF	300	0.75%	October 6, 2028
Fixed-rate bond	CHF	200	1.05%	February 19, 2029
Fixed-rate bond	CHF	100	0.00%	October 11, 2029
Fixed-rate bond	CHF	200	1.95%	December 12, 2030
Fixed-rate bond	CHF	250	1.40%	February 19, 2032
Fixed-rate bond	CHF	100	0.40%	October 11, 2034

The Group maintains credit facilities from various lenders. The credit facilities are denominated in CHF and can be utilized on short notice. As of September 30, 2023, the Group had drawn CHF 50 million of the credit facilities (March 31, 2023: none).

11. Financial instruments

Financial instruments measured at fair value are allocated to one of the following three hierarchical levels:

Level 1:

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

Level 2:

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques are based on observable market data, where applicable. If all significant inputs required to value an instrument are observable, the instrument is included in level 2.

Level 3:

If a significant amount of inputs is not based on observable market data, the instrument is included in level 3. For this level, other techniques, such as discounted cash flow analysis, are used to determine fair value.

During the reporting period, there were no reclassifications between the individual levels.

Financial liabilities at fair value through profit or loss mainly consist of contingent consideration arrangements arising from business combinations. The fair values are determined by considering the possible scenarios of the future performance of the acquired companies, contractual obligations and milestone achievements, the amount to be paid under each scenario and the probability of each scenario. The significant unobservable inputs are the forecast sales and other performance criteria. As at September 30, 2023 and 2022, the maximum potential payments under contingent considerations do not differ significantly from the amounts provided.

Contingent considerations include a license agreement for the Sennheiser brand for which a liability was recognized for the expected future licensing payments. As of September 30, 2023 the fair value of the license liability amounts to CHF 59.6 million (March 31, 2023: 64.2 million). The valuation model remained unchanged compared to March 31, 2023. Significant unobservable inputs were updated based on the latest strategic plan. For the calculation a licensing fee of 2.5% for the first 8 years, 1.3% for the subsequent years and a discount rate of 3.6% was used. The gain on the fair value change of the financial liability of CHF 2.3 million is considered in the income statement in line "Financial income".

The following table summarizes the financial instruments of the Group and the valuation method for financial instruments at fair value through profit and loss.

CHF million					**30.9.2023**
	Carrying amount	Fair value[1)]	Level 1	Level 2	Level 3
Financial assets at amortized cost					
Cash and cash equivalents	250.6				
Other financial assets	66.6				
Trade receivables	545.7				
Total	**862.9**				
Financial assets at fair value through profit or loss					
Other financial assets	5.4	5.4	2.0		3.4
Total	**5.4**	**5.4**	**2.0**		**3.4**
Financial liabilities at amortized cost					
Bank debt	50.7				
Bonds/US Private Placement	1,523.7	1,448.8	1,448.8		
Deferred payments	2.4				
Other financial liabilities	0.0				
Trade payables	148.9				
Total	**1,725.7**	**1,448.8**	**1,448.8**		
Financial liabilities at fair value through profit or loss					
Contingent considerations	75.7	75.7			75.7
Negative replacement value of forward foreign exchange contracts	1.5	1.5			1.5
Other financial liabilities	2.8	2.8			2.8
Total	**80.0**	**80.0**			**80.0**

1) For financial assets and financial liabilities measured at amortized cost, fair value information is not provided if the carrying amount is a reasonable approximation of fair value.

CHF million					31.3.2023
	Carrying amount	Fair value[1)]	Level 1	Level 2	Level 3
Financial assets at amortized cost					
Cash and cash equivalents	413.9				
Other financial assets	54.2				
Trade receivables	524.7				
Total	**992.8**				
Financial assets at fair value through profit or loss					
Other financial assets	3.7	3.7	1.0		2.6
Total	**3.7**	**3.7**	**1.0**		**2.6**
Financial liabilities at amortized cost					
Bank debt	0.4				
Bonds/US Private Placement	1,517.5	1,418.3	1,418.3		
Deferred payments	3.5				
Other financial liabilities	0.0				
Trade payables	192.9				
Total	**1,714.3**	**1,418.3**	**1,418.3**		
Financial liabilities at fair value through profit or loss					
Contingent considerations	85.9	85.9			85.9
Negative replacement value of forward foreign exchange contracts	2.1	2.1			2.1
Other financial liabilities	6.5	6.5			6.5
Total	**94.5**	**94.5**			**94.5**

1) For financial assets and financial liabilities measured at amortized cost, fair value information is not provided if the carrying amount is a reasonable approximation of fair value.

The following table presents changes in level 3 financial instruments for the period ended September 30, 2023 and 2022:

Financial assets at fair value through profit or loss CHF million	2023	2022
	Total	Total
Balance April 1	2.6	3.3
Additions/(disposals), net	0.8	2.5
Gains/(losses) recognized in profit or loss	0.0	(1.1)
Balance September 30	**3.4**	**4.7**

Financial liabilities at fair value through profit or loss CHF million			2023	2022
	Contingent considerations	Other financial liabilities	Total	Total
Balance April 1	85.9	8.6	94.5	107.7
Changes through business combinations	6.4		6.4	4.6
Cash outflow for contingent considerations	(11.5)		(11.5)	(4.4)
(Disposals)/additions, net		(2.5)	(2.5)	8.6
Gains recognized in profit or loss	(2.3)	(1.9)	(4.2)	(5.5)
Exchange differences	(2.8)		(2.8)	(5.8)
Balance September 30	**75.7**	**4.3**	**80.0**	**105.1**

12. Movements in share capital

The Annual General Shareholders' Meeting of June 12, 2023 declared a gross dividend of CHF 4.60 per registered share for the financial year 2022/23. The dividend was paid in June 2023 to all shares outstanding, excluding treasury shares.

Issued registered shares	Issued registered shares	Treasury shares[1]	Outstanding shares
Balance April 1, 2022	63,172,157	(2,084,471)	61,087,686
Purchase of treasury shares		(140,000)	(140,000)
Sale/transfer of treasury shares		182,169	182,169
Cancellation of treasury shares[2]	(2,012,438)	2,012,438	
Purchase of treasury shares from share buyback		(1,013,606)	(1,013,606)
Balance September 30, 2022	**61,159,719**	**(1,043,470)**	**60,116,249**
Balance April 1, 2023	61,159,719	(1,566,263)	59,593,456
Purchase of treasury shares		(110,000)	(110,000)
Sale/transfer of treasury shares		142,291	142,291
Cancellation of treasury shares[3]	(1,532,910)	1,532,910	
Balance September 30, 2023	**59,626,809**	**(1,062)**	**59,625,747**

Each share has a nominal value of CHF 0.05.

[1] Treasury shares are purchased on the open market and are not entitled to dividends.
[2] The Annual General Shareholder's Meeting of June 15, 2022, approved the proposed cancellation of 2,012,438 treasury shares, resulting in a reduction of share capital of 100,621.90 Swiss francs, retained earnings and other reserves of CHF 702.7 million offset by changes in treasury shares of CHF 702.8 million. This cancellation was executed on September 2, 2022.
[3] The Annual General Shareholder's Meeting of June 12, 2023, approved the proposed cancellation of 1,532,910 treasury shares, resulting in a reduction of share capital of 76,645.50 Swiss francs, retained earnings and other reserves of CHF 421.4 million offset by changes in treasury shares of CHF 421.5 million. This cancellation was executed on September 8, 2023.

13. Events after balance sheet date

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

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