Financial review

Sonova generated record sales of CHF 2,035.1 million in 2014 / 15, an increase of 4.3 % in reported Swiss francs or 6.2 % in local currencies. Group EBITA rose by 5.9 % in reported Swiss francs and 9.8 % in local currencies to CHF 455.6 million, corresponding to a margin of 22.4 %.

Continuous organic growth

Sonova Group sales in 2014 / 15 grew by 4.3 % in reported Swiss francs or 6.2 % in local currencies, reaching CHF 2,035.1 million. Reported sales and EBITA were adversely impacted by exchange rate fluctuations, which included the strong appreciation of the Swiss franc following the decision by the Swiss National Bank in January 2015 to discontinue its minimum exchange rate policy vis-à-vis the euro. Organic growth represented 5.1 % of sales growth, with acquisitions adding another 1.1 %. About a third of this arose from the acquisition of Comfort Audio, effective October 2014; the remainder represented the addition of various smaller retail distribution businesses, including the full-year effect of such acquisitions made in the previous financial year.

Strong growth in the EMEA region

The Europe, Middle East, and Africa region (EMEA), which accounted for 44 % of Group sales, reported a strong 15.1 % sales increase in local currencies, building on the region's double digit growth in the prior year. Both the hearing instruments and the cochlear implants segment showed further acceleration, based broadly across Europe. The hearing instruments segment achieved pronounced market share increases in Scandinavia, Italy, and the UK. In Germany, a sales increase was achieved due to strong market growth and market share gains achieved in the first nine months of the financial year, despite a slower pace of business towards the end of the period.

After a strong prior year, the Group's business in the United States, representing 35 % of total sales, showed a modest decrease of 2.1 % in local currency. This is the result of largely-expected factors: private-market customer reaction to the adoption of a new commercial distribution channel, along with contractual and supply chain limitations in business with the US Department of Veterans Affairs (VA). These effects abated in the second half of the financial year. In addition, the cochlear implants segment in the US could not increase sales volume over its exceptionally strong prior year. Sales in the rest of the Americas reported only modest sales growth of 2.4 % in local currencies. This mostly reflects stagnant government spending on health care in Brazil and the expected temporary adverse effect of an IT system change on the Group's Canadian retail business.

The Asia / Pacific region represented 10 % of Group sales and achieved sales growth of 5.2 % in local currencies. This reflects the continued successful execution of Sonova's China growth strategy as well as strong market development in Australia, partly offset by restrained growth in Japan due to weak economic trends and the fact that there were no larger orders for cochlear implant systems from government tenders in China this year.

Positive operating margin development

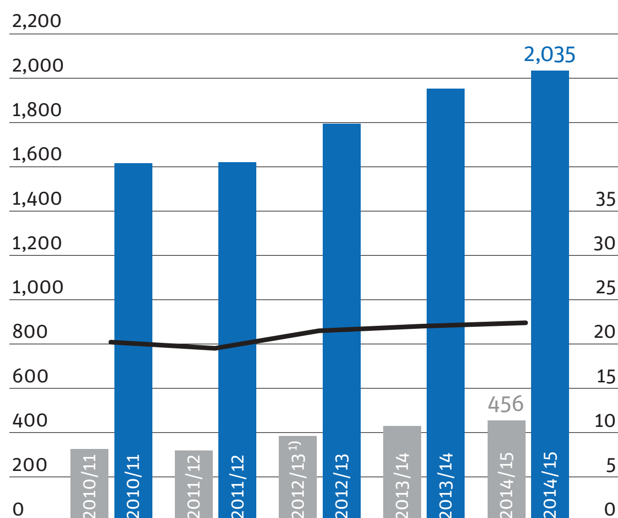
Gross profit reached CHF 1,394.7 million for the year under review (2013 / 14: CHF 1,340.4 million). This figure is normalized for non-recurring costs of CHF 7.1 million, including CHF 6.0 million booked for a restructuring provision related to the transfer of approximately 100 hearing aid assembly staff positions from Switzerland to the UK and China and a one-off charge of CHF 1.1 million related to a move from Group-owned to third-party wholesale hearing aid distribution in non-core emerging markets. These measures should serve to further

SONOVA GROUP KEY FIGURES

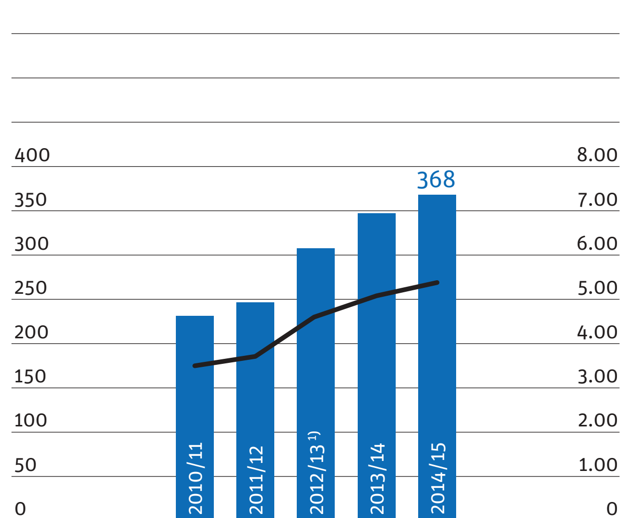
in CHF m unless otherwise specified	2014 / 15	Change in %	2013 / 14
Sales	2,035.1	4.3 %	1,951.3
EBITA	455.6	5.9 %	430.1
EBITA margin	22.4 %		22.0 %
EPS (CHF)	5.37	5.7 %	5.08
Operating free cash flow	366.4	15.1 %	318.4
ROCE[1]	29.1 %		27.7 %
ROE[1]	20.2 %		20.3 %

[1] For detailed definitions, please refer to "5 Year Key Figures".

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



INCOME AFTER TAXES IN CHF M | EPS IN CHF



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

reduce the Group's exposure to foreign exchange fluctuations. Normalized gross profit rose 4.0 % in Swiss francs or 6.3 % in local currencies over the prior year, corresponding to a gross margin of 68.5 %. Including the non-recurring items, reported gross profit reached CHF 1,387.5 million (margin: 68.2 %).

Total operating expenses rose by 3.3 % in Swiss francs or 4.8 % in local currencies to CHF 940.7 million, normalized for three non-recurring items that resulted in a combined net benefit of CHF 8.8 million. These items include a one-time cost of CHF 2.4 million for personnel restructuring, as well as working capital provisioning related mainly to the above-mentioned move to third-party distribution in non-core emerging markets, and a provision of CHF 2.0 million to address risks related to prior years' indirect taxes in one particular market. On the other hand, operating expenses were reduced by CHF 13.2 million (reported under "other income") because of the release of a provision for cochlear implant product liabilities related to Advanced Bionics' Vendor B product recall in 2006, due to better-than-expected development in the number of claims. Reported operating expenses amounted to CHF 932.0 million.

Keeping up its commitment to rapid innovation, the Group maintained a high level of investment in research and development. R & D expenses grew in 2014/15 by 4.4 % in local currencies to CHF 130.9 million or 6.4 % of sales. Gross R & D spending (including the net increase in capitalized development costs) amounted to CHF 150.3 million, corresponding to 7.4 % of sales. Sales and marketing costs, normalized for non-recurring items, increased by 3.8 % in Swiss francs or 5.7 % in local currencies to reach CHF 612.2 million or 30.1 % of sales. Normalized general and administrative expenses rose by 1.2 % in Swiss francs or 2.1 % in local currencies, well below reported sales growth; together, they represent 9.7 % of sales.

As a result, the Group's reported operating profit before acquisition-related amortization (EBITA) was CHF 455.6 million, an increase of 5.9 % in Swiss francs or 9.8 % in local currencies over the prior year. This reflects the fact that non-recurring restructuring costs included in the cost of sales (CHF 7.1 million) were offset by a non-recurring net gain in total operating expenses (CHF 8.8 million). The reported EBITA margin rose to 22.4 % from 22.0 % last year. Excluding the unfavorable exchange rate development, which reduced reported EBITA by CHF 16.5 million, EBITA margin improved by solid 80 basis points. Operating profit (EBIT) reached CHF 429.1 million, an increase of 6.2 % in Swiss francs over the prior year.

Solid growth in EPS

Net financial expenses, including the result from associates, fell from CHF 9.5 million to CHF 8.7 million, reflecting lower interest expenses and a higher profit from associates. Income taxes for the financial year totaled CHF 52.0 million, up from CHF 47.2 million in 2013/14, and representing an effective tax rate of 12.4 %. Reported income after taxes was CHF 368.3 million, up 6.0 % from the previous year. Basic earnings per share (EPS) therefore reached CHF 5.37 (2013/14: CHF 5.08), a solid rise of 5.7 % over the previous year.

SALES BY REGIONS

in CHF m	2014/15			2013/14	
	Sales	Share	Growth in local currencies	Sales	Share
EMEA	886	44%	15.1%	795	41%
USA	722	35%	(2.1%)	727	37%
Americas (excl. USA)	216	11%	2.4%	224	11%
Asia/Pacific	211	10%	5.2%	205	11%
Total sales	**2,035**	**100%**	**6.2%**	**1,951**	**100%**

Workforce increases to 10,184

At the end of the 2014/15 financial year, the Group's total workforce stood at 10,184 full time equivalents – an increase of 655 over the previous year. This growth is broadly based across our sales and distribution organization and also includes additions from acquisitions. Our manufacturing work force also increased at the China and Vietnam operation centers, which continue to gradually absorb some manufacturing functions that were previously hosted in the distribution companies.

Hearing instruments segment – Solid growth and innovation in products and distribution

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

Sales in Europe and Asia Pacific developed strongly: both the wholesale and retail business accelerated over the prior year, measured in local currencies, and clearly exceeded market growth in several countries. In the UK, the success of the Boots Hearingcare partnership further extended Sonova's leading position in the private market. In Scandinavia, sales increased based on a strong presence in government tenders. Italy developed well both in the independent and key account customer groups. Business in Germany experienced a strong positive development during the first nine months while business slowed towards the end of the financial year. This was partly due to declining market volumes and partly caused by customer reactions connected to the Group's decision to have a presence in the German retail market. In China, the Group continued to execute its long term growth plans, delivering a double digit sales increase. The strong position in the Australian market was further expanded, while tightening government healthcare spending in Brazil and weak economic trends in Japan resulted in restrained growth in these markets.

In the United States, sales in the commercial business initially slowed after the strategic decision to supply Phonak products to the innovative shop-in-shop concept at the retailer Costco, but then accelerated in the second half of the year to surpass the prior year's level. Business with the VA was hampered by a temporary contractual value limit that ended in October 2014. In addition, changes in the VA's ordering routines and the consolidation of Unitron into the Phonak contract (effective November 2014) meant that both brands experienced a phase of slow order activity. Starting in 2015, the business regained market share by reducing order cycle times and implementing other measures to improve ease of ordering for VA audiologists.

Among the product categories, Premium hearing instruments (which also includes Phonak Lyric) posted the strongest growth rate, achieving a sales increase of 12.3% in local currencies. This was followed by the Standard category, which was up 8.0% in local currencies, helped by above-average growth in Germany and China. Sales in the Advanced category fell by 3.2% in local currencies. Premium and advanced hearing instruments accounted for 24% and 20% of Group sales respectively, while Standard accounted for 29%. Based on the continued strong sales of Phonak's Roger products and supported by the addition of Comfort Audio, sales of wireless communication systems grew by 30.0% in local currencies. Sales in the "miscellaneous" product category grew by 6.2% in local currencies, accounting for 13% of Group sales.

Sales growth, stringent cost discipline, and a healthy trend in the product mix lifted normalized EBITA for the hearing instruments segment by 6.3% in Swiss francs and 10.0% in local currencies to CHF 443.5 million. This corresponds to an operating margin of 24.1%. Excluding the unfavorable cur-

rency impact, the normalized operating margin rose by 70 basis points and demonstrates continued solid operating leverage. The reported EBITA, including the non-recurring cost amounted to CHF 434.7 million.

Cochlear implants segment – A year of consolidation

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

These factors were only partly offset by very satisfactory sales growth in all other larger markets outside the US and China, where sales continued to grow throughout the year, further strengthening the company's position in Europe and emerging markets. The strong value proposition of Naída CI Q70, representing a competitive advantage in key audiological and connectivity functionalities, drove sales, along with the balanced portfolio of electrodes and Advanced Bionics' strong offering of waterproof solutions.

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

While the development of the cochlear implants segment did not fully meet management's ambitious expectations in 2014/15, the business remains on its expected long-term growth trajectory, achieving a mid-teens compound annual growth rate over the past two financial years.

Significant free cash flow

Cash flow from operating activities rose by 11.8% to CHF 459.5 million in the year under review. The increase reflects the rise in EBITA of 5.9% over the prior year. The cash flow further benefited from significantly lower expenses connected with the settlement of product liability claims linked to the Advanced Bionics' Vendor B product recall. Net expenditure for this purpose in 2014/15 amounted to CHF 5.0 million (after including the benefit of a CHF 4.8 million insurance reimbursement), against CHF 43.4 million in the prior year. The prior year expenditure included the settlements announced in October 2013, which covered the majority of claims pending at that time. Investments in tangible and intangible assets decreased by CHF 5.7 million or 6.0% to CHF 89.0 million, which was partly offset by higher cash out from changes in other financial assets of CHF 4.8 million. This resulted in an

SALES BY PRODUCT GROUPS

in CHF m			2014/15		2013/14
Product groups	Sales	Share	Growth in local currencies	Sales	Share
Premium hearing instruments	484	24%	12.3%	433	22%
Advanced hearing instruments	415	20%	(3.2%)	438	22%
Standard hearing instruments	586	29%	8.0%	556	29%
Wireless communication systems	86	4%	30.0%	68	4%
Miscellaneous	270	13%	6.2%	261	13%
Total hearing instruments	**1,841**	**90%**	**6.9%**	**1,756**	**90%**
Cochlear implants and accessories	194	10%	0.0%	195	10%
Total sales	**2,035**	**100%**	**6.2%**	**1,951**	**100%**

operating free cash flow of CHF 366.4 million, up by a strong 15.1 % from the prior year. The cash consideration for acquisitions, including earn-out payments for prior period acquisitions, amounted to CHF 57.7 million in 2014 / 15, compared to CHF 29.8 million in the prior year. This resulted in a free cash flow of CHF 308.7 million, up 7.0 % from the prior year.

Cash outflow from financing stood at CHF 327.3 million in the period under review, compared to CHF 309.1 million in the previous year. In 2014 / 15, Sonova retired the final CHF 80 million tranche of its financial debt assumed in connection with the acquisition of Advanced Bionics in 2009, rendering the Group essentially debt-free. An installment of CHF 150 million had been paid in the prior year. In December 2014 the Group started a three year share buy-back program and CHF 73.6 million was spent to buy back 546,900 shares. In addition, CHF 19.0 million was spent on the purchase of treasury shares to serve the equity-based compensation plans, compared to CHF 39.1 million in the prior year. The cash outflow from financing also reflects the increase in the dividend by CHF 20.2 million.

Maintaining a solid balance sheet

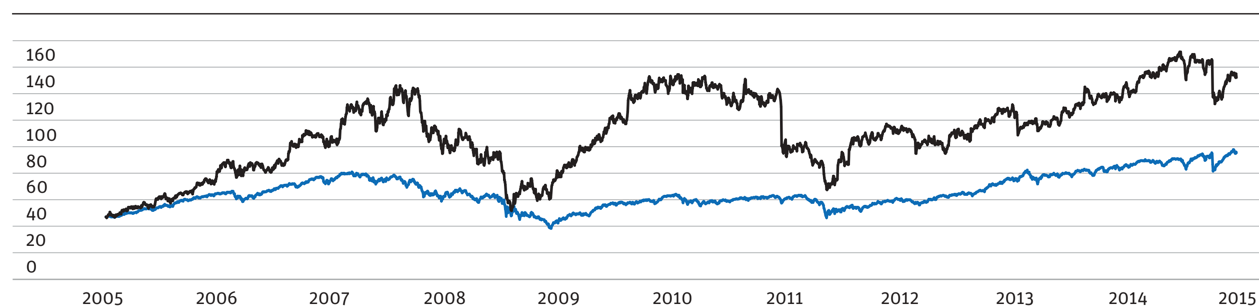
Reported net working capital was CHF 181.4 million, compared to CHF 190.6 million at the end of the 2013 / 14 financial year. Capital employed was CHF 1,489.5 million, compared to CHF 1,462.9 million in the prior year. Helped by its strong free cash flow, the Group ended the period with a net cash position of CHF 382.3 million, up CHF 70.8 million from CHF 311.5 million at the end of the prior year. The return on capital employed (ROCE) was 29.1 % compared to 27.7 % in the prior year, showing that we are on track to reach our mid-term financial targets.

In light of its solid performance during the 2014 / 15 financial year, as well as the solid financial position of the Sonova Group, the Board of Directors will propose to the Annual General Shareholders' Meeting on June 16, 2015 a dividend of CHF 2.05. Compared to the prior year, the proposed distribution is up 7.9 % and represents a payout ratio of 38 % compared to 37 % in the prior year.

Outlook 2015 / 16

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

SONOVA SHARE PRICE
SWISS PERFORMANCE INDEX (Rebased)



Share price performance[1)]

	10 years	5 years	3 years	2 years	1 year
Sonova shares	228.4 %	3.3 %	34.9 %	18.8 %	4.7 %
Swiss Performance Index (SPI)[2)]	105.0 %	52.1 %	59.9 %	26.1 %	11.4 %
Sonova shares relative to the SPI	123.4 %	(48.8 %)	(25.0) %	(7.4 %)	(6.7) %

1) Performance of the Sonova shares and SPI refers to the respective period prior to the last trading day of financial year 2014 / 15
2) The Swiss Performance Index (SPI) is considered Switzerland's overall stock market index. It comprises practically all of the SIX Swiss Exchange-traded equity securities of companies that are domiciled in Switzerland or the Principality of Liechtenstein.

5 year key figures

in 1,000 CHF unless otherwise specified	2014/15	2013/14
Sales	**2,035,085**	**1,951,312**
change compared to previous year (%)	4.3	8.7
Gross profit	**1,387,524**	**1,340,449**
change compared to previous year (%)	3.5	8.1
in % of sales	68.2	68.7
Research & development costs	**130,897**	**125,657**
in % of sales	6.4	6.4
Sales & marketing costs	**613,217**	**589,627**
in % of sales	30.1	30.2
Operating profit before acquisition-related amortization and impairment (EBITA)	**455,564**	**430,109**
change compared to previous year (%)	5.9	11.6
in % of sales	22.4	22.0
Operating profit (EBIT)	**429,069**	**404,030**
change compared to previous year (%)	6.2	12.5
in % of sales	21.1	20.7
Income after taxes	**368,323**	**347,382**
change compared to previous year (%)	6.0	12.9
in % of sales	18.1	17.8
Number of employees (average)	**9,960**	**9,175**
change compared to previous year (%)	8.6	5.4
Number of employees (end of period)	**10,184**	**9,529**
change compared to previous year (%)	6.9	6.4
Net cash[3]	**382,343**	**311,525**
Net working capital[4]	**181,379**	**190,571**
in % of sales	8.9	9.8
Capital expenditure (tangible and intangible assets)[5]	**88,735**	**93,918**
Capital employed[6]	**1,489,461**	**1,462,850**
in % of sales	73.2	75.0
Total assets	**2,691,631**	**2,593,748**
Equity	**1,871,804**	**1,774,375**
Equity financing ratio (%)[7]	**69.5**	**68.4**
Free cash flow[8]	**308,700**	**288,618**
Operating free cash flow[9]	**366,385**	**318,430**
in % of sales	18.0	16.3
Return on capital employed (%)[10]	**29.1**	**27.7**
Return on equity (%)[11]	**20.2**	**20.3**
Basic earnings per share (CHF)	5.37	5.08
Diluted earnings per share (CHF)	5.35	5.07
Dividend/distribution per share (CHF)	2.05[12]	1.90

[1] Restated following the implementation of IAS 19 (revised).
[2] Excluding one-off cost, mainly related to the increase of the product liability provision within the cochlear implants business.
Balance sheet related key figures (including respective ratios) as reported.
[3] Cash and cash equivalents + other current financial assets (without loans) – current financial liabilities – non-current financial liabilities.
[4] Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – other short-term liabilities – short-term provisions.
[5] Excluding goodwill and intangibles relating to acquisitions.
[6] Equity – net cash.

Normalized performance 2012/13[1)/2)]	Reported performance 2012/13[1)]	2011/12	2010/11
1,795,262	**1,795,262**	**1,619,848**	**1,616,700**
10.8	10.8	0.2	7.8
1,239,780	**1,239,780**	**1,105,924**	**1,118,681**
12.1	12.1	(1.1)	5.7
69.1	69.1	68.3	69.2
113,884	**113,884**	**116,178**	**107,760**
6.3	6.3	7.2	6.7
559,077	**559,077**	**503,354**	**498,589**
31.1	31.1	31.1	30.8
385,304	**181,688**	**315,199**	**326,622**
22.2	(42.4)	(3.5)	(22.3)
21.5	10.1	19.5	20.2
359,175	**155,559**	**287,699**	**270,810**
24.8	(45.9)	6.2	7.7
20.0	8.7	17.8	16.8
307,745	**110,869**	**246,410**	**231,080**
24.9	(55.0)	6.6	6.7
17.1	6.2	15.2	14.3
8,709	**8,709**	**7,970**	**7,291**
9.3	9.3	9.3	22.9
8,952	**8,952**	**8,223**	**7,840**
8.9	8.9	4.9	14.6
185,800	**185,800**	**(64,448)**	**(111,287)**
187,148	**187,148**	**163,434**	**158,190**
10.4	10.4	10.1	9.8
82,354	**82,354**	**80,073**	**111,457**
1,455,460	**1,455,460**	**1,540,326**	**1,455,999**
81.1	81.1	95.1	90.1
2,680,042	**2,680,042**	**2,287,202**	**2,171,644**
1,641,260	**1,641,260**	**1,475,878**	**1,344,712**
61.2	**61.2**	**64.5**	**61.9**
262,370	**262,370**	**156,406**	**71,593**
318,553	**318,553**	**239,535**	**221,541**
17.7	17.7	14.8	13.7
10.4	**10.4**	**19.2**	**19.0**
7.1	**7.1**	**17.5**	**17.7**
4.60	1.65	3.71	3.50
4.59	1.64	3.71	3.47
1.60	1.60	1.20	1.20

7) Equity in % of total assets.
8) Cash flow from operating activities + cash flow from investing activities.
9) Free cash flow – cash consideration for acquisitions, net of cash acquired.
10) EBIT in % of capital employed (average).
11) Income after taxes in % of equity (average).
12) Proposal to the Annual General Shareholders' Meeting of June 16, 2015.

Consolidated financial statements

Consolidated income statements

1,000 CHF	Notes	2014/15	2013/14
Sales	6	**2,035,085**	**1,951,312**
Cost of sales		(647,561)	(610,863)
Gross profit		**1,387,524**	**1,340,449**
Research and development		(130,897)	(125,657)
Sales and marketing		(613,217)	(589,627)
General and administration		(201,043)	(195,227)
Other income/(expenses), net	7	13,197	171
Operating profit before acquisition-related amortization (EBITA)[1)]		**455,564**	**430,109**
Acquisition-related amortization	20	(26,495)	(26,079)
Operating profit (EBIT)[2)]		**429,069**	**404,030**
Financial income	8	1,093	5,390
Financial expenses	8	(11,630)	(14,831)
Share of profit/(loss) in associates/joint ventures	18	1,792	(11)
Income before taxes		**420,324**	**394,578**
Income taxes	9	(52,001)	(47,196)
Income after taxes		**368,323**	**347,382**
Attributable to:			
Equity holders of the parent		359,994	340,830
Non-controlling interests		8,329	6,552
Basic earnings per share (CHF)	10	5.37	5.08
Diluted earnings per share (CHF)	10	5.35	5.07

[1)] Earnings before financial result, share of profit/(loss) in associates/joint ventures, taxes and acquisition-related amortization (EBITA).
[2)] Earnings before financial result, share of profit/(loss) in associates/joint ventures and taxes (EBIT).

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

Consolidated statements of comprehensive income

1,000 CHF	Notes	2014/15	2013/14
Income after taxes		**368,323**	**347,382**
Other comprehensive income			
Actuarial (loss)/gain from defined benefit plans, net	30	(33,249)	1,405
Tax effect on actuarial (loss)/gain from defined benefit plans		4,601	(188)
Put options granted to non-controlling interests		7,879	(7,879)
Total items not to be reclassified to income statement in subsequent periods		**(20,769)**	**(6,662)**
Fair value adjustment on cash flow hedges		901	5,300
Currency translation differences		(30,577)	(83,798)
Tax effect on currency translation items		(1,430)	3,140
Total items to be reclassified to income statement in subsequent periods		**(31,106)**	**(75,358)**
Other comprehensive income, net of tax		**(51,875)**	**(82,020)**
Total comprehensive income		**316,448**	**265,362**
Attributable to:			
Equity holders of the parent		308,737	258,350
Non-controlling interests		7,711	7,012

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

Consolidated balance sheets

Assets 1,000 CHF	Notes	31.3.2015	31.3.2014
Cash and cash equivalents	12	390,486	410,004
Other current financial assets	13	5,446	3,970
Trade receivables	14	349,388	350,807
Current income tax receivables		6,323	6,931
Other receivables and prepaid expenses	15	66,349	65,519
Inventories	16	240,834	206,042
Total current assets		**1,058,826**	**1,043,273**
Property, plant and equipment	17	269,988	263,080
Intangible assets	20	1,219,598	1,161,070
Investments in associates / joint ventures	18	9,667	11,620
Other non-current financial assets	19	22,478	20,603
Deferred tax assets	9	111,074	94,102
Total non-current assets		**1,632,805**	**1,550,475**
Total assets		**2,691,631**	**2,593,748**

Liabilities and equity 1,000 CHF	Notes	31.3.2015	31.3.2014
Current financial liabilities	22	3,101	93,828
Trade payables		72,896	75,283
Current income tax liabilities		95,584	61,870
Other short-term liabilities	23	206,548	204,036
Short-term provisions	21	111,933	101,509
Total current liabilities		**490,062**	**536,526**
Non-current financial liabilities	24	5,042	4,651
Long-term provisions	21	205,148	197,574
Other long-term liabilities	26	86,927	48,221
Deferred tax liabilities	9	32,648	32,401
Total non-current liabilities		**329,765**	**282,847**
Total liabilities		**819,827**	**819,373**
Share capital	27	3,359	3,359
Treasury shares		(71,473)	4,285
Retained earnings and reserves		1,912,615	1,737,186
Equity attributable to equity holders of the parent		**1,844,501**	**1,744,830**
Non-controlling interests		27,303	29,545
Equity		**1,871,804**	**1,774,375**
Total liabilities and equity		**2,691,631**	**2,593,748**

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

Consolidated cash flow statements

1,000 CHF	Notes	2014/15		2013/14	
Income before taxes			**420,324**		**394,578**
Depreciation and amortization of tangible and intangible assets	17, 20	84,954		83,100	
Loss on sale of tangible and intangible assets, net		551		1,128	
Share of (gain)/loss in associates/joint ventures	18	(1,792)		11	
Decrease in long-term provisions		(6,000)		(20,903)	
Financial expenses, net	8	10,537		9,441	
Share based payments	31	19,134		19,133	
Other non-cash items		80		2,963	
Income taxes paid		(23,095)	84,369	(37,303)	57,570
Cash flow before changes in net working capital			**504,693**		**452,148**
Increase in trade receivables		(12,867)		(31,958)	
(Increase)/decrease in other receivables and prepaid expenses		(4,412)		4,238	
Increase in inventories		(31,087)		(17,064)	
(Decrease)/increase in trade payables		(4,468)		2,170	
Increase in other payables, accruals and short-term provisions		7,598	(45,236)	1,494	(41,120)
Cash flow from operating activities			**459,457**		**411,028**
Purchase of tangible and intangible assets		(88,956)		(94,653)	
Proceeds from sale of tangible and intangible assets		1,226		1,951	
Cash consideration for acquisitions, net of cash acquired	28	(57,685)		(29,812)	
Changes in other financial assets		(6,357)		(1,553)	
Interest received and realized gain from financial assets		1,015		1,657	
Cash flow from investing activities			**(150,757)**		**(122,410)**
Repayment of borrowings		(87,553)		(150,956)	
Proceeds from capital increases				1,647	
(Purchase)/sale of treasury shares, net		(92,601)		(39,124)	
Dividends paid by Sonova Holding AG		(127,629)		(107,441)	
Transactions with non-controlling interests		(17,276)		(5,987)	
Interest paid and other financial expenses		(2,255)		(7,240)	
Cash flow from financing activities			**(327,314)**		**(309,101)**
Exchange losses on cash and cash equivalents			(904)		(4,279)
Decrease in cash and cash equivalents			**(19,518)**		**(24,762)**
Cash and cash equivalents at the beginning of the financial year			410,004		434,766
Cash and cash equivalents at the end of the financial year			**390,486**		**410,004**

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

Consolidated changes in equity

1,000 CHF

	Attributable to equity holders of Sonova Holding AG						
	Share capital	Retained earnings and other reserves	Translation adjustment	Treasury shares	Hedge reserve	Non-controlling interests	Total equity
Balance April 1, 2013	**3,358**	**1,788,779**	**(182,520)**	**9,401**[1]	**(6,201)**	**28,443**	**1,641,260**
Income for the period		340,830				6,552	347,382
Actuarial gain from defined benefit plans, net		1,405					1,405
Tax effect on actuarial gain		(188)					(188)
Put options granted to non-controlling interests		(7,879)					(7,879)
Fair value adjustment on hedges					5,300		5,300
Currency translation differences			(84,258)			460	(83,798)
Tax effect on currency translation			3,140				3,140
Total comprehensive income		**334,168**	**(81,118)**		**5,300**	**7,012**	**265,362**
Changes in non-controlling interests		(101)				(4,147)	(4,248)
Capital increase from conditional capital	1	1,646					1,647
Share-based payments		6,474					6,474
Sale of treasury shares		(21,800)		58,004			36,204
Purchase of treasury shares				(63,120)			(63,120)
Dividend paid		(107,441)				(1,763)	(109,204)
Balance March 31, 2014	**3,359**	**2,001,725**	**(263,638)**	**4,285**[1]	**(901)**	**29,545**	**1,774,375**
Balance April 1, 2014	**3,359**	**2,001,725**	**(263,638)**	**4,285**[1]	**(901)**	**29,545**	**1,774,375**
Income for the period		359,994				8,329	368,323
Actuarial loss from defined benefit plans, net		(33,249)					(33,249)
Tax effect on actuarial loss		4,601					4,601
Put options granted to non-controlling interests		7,879					7,879
Fair value adjustment on hedges					901		901
Currency translation differences			(29,959)			(618)	(30,577)
Tax effect on currency translation			(1,430)				(1,430)
Total comprehensive income		**339,225**	**(31,389)**		**901**	**7,711**	**316,448**
Changes in non-controlling interests		(7,279)				(994)	(8,273)
Share-based payments		7,583					7,583
Sale of treasury shares		(5,983)		68,284			62,301
Purchase of treasury shares				(144,042)			(144,042)
Dividend paid		(127,629)				(8,959)	(136,588)
Balance March 31, 2015	**3,359**	**2,207,642**	**(295,027)**	**(71,473)**[1]		**27,303**	**1,871,804**

[1] Includes derivative financial instruments on treasury shares.

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

Notes to the consolidated financial statements as of March 31, 2015

1. Corporate information

The Sonova Group (the "Group") specializes in the design, development, manufacture, worldwide distribution and service of technologically advanced hearing systems for adults and children with hearing impairment. The Group operates worldwide and distributes its products in over 90 countries through its own distribution network and through independent distributors. The 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 consolidated financial statements

The consolidated financial statements of the Group are based on the financial statements of the individual Group companies at March 31 prepared in accordance with uniform accounting policies. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets at market value, in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and Interpretations issued by the International Accounting Standards Board (IASB). The consolidated financial statements were approved by the Board of Directors of Sonova Holding AG on May 12, 2015 and are subject to approval by the Annual General Shareholders' Meeting on June 16, 2015.

The consolidated financial statements include Sonova Holding AG as well as the domestic and foreign subsidiaries over which Sonova Holding AG exercises control. A list of the significant companies which are consolidated is given in Note 35.

The preparation of financial statements requires management to make estimates and assumptions 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 for the financial year (refer also to Note 2.7, "Significant accounting judgments and estimates"). Actual results could differ from these estimates.

2.1 Changes in accounting policies

The following new standards and amendments have been adopted as of April 1, 2014 without having a significant impact on the Group's result and financial position:

- IFRS 10 "Consolidated financial statements"; IFRS 12 "Disclosures of interest in other entities"; IAS 27 "Consolidated and Separate Financial Statement"
  The amendments to the above mentioned standards are related to investment companies and develop an exemption from the requirement to consolidate subsidiaries.
- IAS 32 "Financial Instruments Presentation"
  This is a clarification related to the offsetting of financial assets and financial liabilities.
- IAS 36 "Impairment of Assets"
  This amendment restricts the requirement to disclose the recoverable amount of an asset to periods in which an impairment loss has been recognized or reversed and introduces additional disclosure for measurement based on fair value less costs of disposal in case of an impairment or reversal of an impairment.
- IAS 39 "Financial Instruments: Recognition and Measurement"
  The clarification amends IAS 39 to allow a novation of a derivative that is designated as a hedging instrument if the novation is required by legislation or regulation without discontinuing hedge accounting.
- Annual improvements of IFRS and interpretations (IFRIC)

Although the Group is still assessing the potential impacts of the various new and revised standards and interpretations that will be effective for the financial year starting April 1, 2015, based on the analysis to date the Group does not expect a significant impact on the Group's result and financial position. The Group is also assessing other new and revised standards which are not mandatory until after 2015, notably IFRS 15 "Revenues from Contracts with Customers".

2.2 Principles of consolidation

Investments in subsidiaries

Investments in subsidiaries are fully consolidated. These are entities over which Sonova Holding AG directly or indirectly exercises control. Control exists when the Group is exposed, or has rights, to variable returns from its relationship with an entity and has the power to affect those returns. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. For the consolidated entities, 100 % of assets, liabilities, income, and expenses are included. Non-controlling interests in equity and net income or loss are shown separately in the balance sheet and income statement. Changes in the ownership interest of a subsidiary that does not result in a loss of control will be accounted for as an equity transaction. Neither goodwill nor any gains or losses will result.

Group Companies acquired during the year are included in the consolidation from the date on which control over the company is transferred to the Group. Group companies divested during the year are excluded from the consolidation as of the date the Group ceases to have control over the company. Intercompany balances and transactions (including unrealized profit on intercompany inventories) are eliminated in full.

Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method of accounting. Investments in associates are entities in which Sonova has a significant influence but does not exercise control (usually 20 % – 50 % of voting rights). Joint ventures are joint arrangements whereby two or more parties have rights to the net assets of the arrangement.

Under the equity method, the investment in an associate / joint venture is initially recognized at cost (including goodwill on acquisition) and the carrying amount is increased or decreased to recognize Sonova's share of profit or loss of the associate / joint venture after the acquisition date. When the Group's share of losses in an associate / joint venture equals or exceeds its interest in the associate / joint venture, no further losses are recognized, unless there is a legal or constructive obligation. In order to apply the equity method the most recent available financial statements of an associate / joint venture are used, however due to practicability reasons the reporting dates might vary up to three months from the Group's reporting date.

2.3 Currency translation

The consolidated financial statements are expressed in Swiss francs ("CHF"), which is the Group's presentation currency. The functional currency of each Group company is based on the local economic environment to which an entity is exposed, which is normally the local currency.

Transactions in foreign currencies are accounted for at the rates prevailing on the dates of the transactions. The resulting exchange differences are recorded in the local income statements of the Group companies and included in net income.

Monetary assets and liabilities of Group companies which are denominated in foreign currencies are translated using year-end exchange rates. Exchange differences are recorded as an income or expense. Non-monetary assets and liabilities are translated at historical exchange rates. Exchange differences arising on intercompany loans that are considered part of the net investment in a foreign entity are recorded in other comprehensive income in equity.

When translating foreign currency financial statements into Swiss francs, year-end exchange rates are applied to assets and liabilities, while average annual rates are applied to income statement accounts (see Note 5). Translation differences arising from this process are recorded in other comprehensive income in equity. On disposal of a Group company, the related cumulative translation adjustment is transferred from equity to the income statement.

2.4 Accounting and valuation principles

Cash and cash equivalents

This item includes cash on hand and cash at banks, bank overdrafts, term deposits and other short-term highly liquid investments with original maturities of three months or less. The consolidated cash flow statement summarizes the movements in cash and cash equivalents.

Other current financial assets

Other current financial assets consist of financial assets held for trading as well as short-term loans to third parties. Marketable securities within this category are classified as financial assets at fair value through profit or loss (see Note 2.5). Derivatives are classified as held for trading unless they are designated as hedges (see Note 2.6).

Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months.

Trade receivables

Trade receivables are recorded at original invoice amount less provisions made for doubtful accounts. A provision for doubtful accounts is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the invoice. The amount of the provision is the difference between the carrying amount and the recoverable amount, the latter being the present value of expected cash flows.

Inventories

Purchased raw materials, components and finished goods are valued at the lower of cost or net realizable value. To evaluate cost, the standard cost method is applied, which approximates historical cost determined on a first-in first-out basis.

Standard costs take into account normal levels of materials, supplies, labor, efficiency, and capacity utilization. Standard costs are regularly reviewed and, if necessary, revised in the light of current conditions. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion (where applicable) and selling expenses. Manufactured finished goods and work-in-process are valued at the lower of production cost or net realizable value. Provisions are established for slow-moving, obsolete and phase-out inventory.

Property, plant and equipment

Property, plant and equipment is valued at purchase or manufacturing cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the expected useful lifetime of the individual assets or asset categories. Where an asset comprises several parts with different useful lifetimes, each part of the asset is depreciated separately over its applicable useful lifetime. The applicable useful lifetimes are 25 – 40 years for buildings and 3 – 10 years for production facilities, machinery, equipment, and vehicles. Land is not depreciated. Leasehold improvements are depreciated over the shorter of useful life or lease term.

Subsequent expenditure on an item of tangible assets is capitalized at cost only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditure for repair and maintenance which do not increase the estimated useful lifetimes of the related assets are recognized as an expense in the period in which they are incurred.

Leasing

There are no assets that are held under leases which effectively transfer to the Group the risks and rewards of ownership (finance leases). Therefore all leases are classified as operating leases, and payments are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the Group's benefit.

Intangible assets

Purchased intangible assets such as software, licenses and patents are measured at cost less accumulated amortization (applying the straight-line method) and any impairment in value. Software is amortized over a useful lifetime of 3 – 5 years. Intangibles relating to acquisitions of subsidiaries (excluding goodwill) consist generally of technology, client relationships, customer lists, and brand names, and are amortized over a period of 3 – 15 years. Other intangible assets are generally amortized over a period of 3 – 10 years. For capitalized development costs amortization starts when the capitalized asset is ready for use, which is generally after receipt of approval from regulatory bodies. These assets are amortized over the estimated useful life of 2 – 7 years applying the straight-line method. For in-process capitalized development costs these capitalized costs are tested annually for impairment. Except for goodwill, the Sonova Group has no intangible assets with an indefinite useful life.

Research and development

Research costs are expensed as incurred. Development costs are capitalized only if the identifiable asset is commercially and technically feasible, can be completed, its costs can be measured reliably and will generate probable future economic benefits. Group expenditures which fulfill these criteria are limited to the development of tooling and equipment as well as costs related to the development of cochlear implants. All other development costs are expensed as incurred. In addition to the internal costs (direct personnel and other operating costs, depreciation on research and development equipment and allocated occupancy costs), total costs also include externally contracted development work. Such capitalized intangibles are recognized at cost less accumulated amortization and impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. The cost of a business combination is equal to the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Sonova Group, in exchange for control over the acquired company. Any difference between the cost of the business combination and the net fair value of the identifiable assets, liabilities, and contingent liabilities so recognized is treated as goodwill. Goodwill is not amortized, but is assessed for impairment annually, or more frequently if events or changes in circumstances indicate that its value might be impaired. Acquisition-related costs are expensed. For each business combination, the Group recognizes the non-controlling interests in the acquiree at fair value or at the non-controlling interests proportionate share in the recognized amounts of the acquiree's identifiable net assets.

If a business combination is achieved in stages (control obtained over an associate), the previously held equity interest in an associate is remeasured to its acquisition-date fair value and any resulting gain or loss is recognized in "financial income / expenses" in profit or loss.

Other non-current financial assets

Other non-current financial assets consist of investments in third parties and long-term receivables from associates and third parties. Investments in third parties are classified as financial assets at fair value through profit or loss and long-term receivables from associates and third parties are classified as loans and receivables (see Note 2.5).

Current financial liabilities

Current financial liabilities consist of short-term bank debt and all other interest bearing debt with a maturity of 12 months or less. Given the short-term nature of these debts they are recorded at nominal value. In addition, current financial liabilities also consist of financial liabilities resulting from earn-out agreements as well as deferred payments from acquisitions with a maturity of 12 months or less. In the case of earn-outs, they are classified as financial liabilities at fair value through profit or loss.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows.

The Group recognizes provisions for warranty costs to cover any costs arising from the warranty given on its products sold (including costs for legal proceedings and related costs). The provision is calculated using historical and projected data on warranty rates, claim rates and amounts, service costs, remaining warranty period and number of hearing aids and implants on which the warranty is still active. Short-term portions of warranty provisions are reclassified to short-term provisions at each reporting date.

Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recorded in equity in the period in which they are approved by the parent companies' shareholders.

In case any of the Group Companies purchases shares of the parent company, the consideration paid is recognized as treasury shares and presented as a deduction from equity. Any consideration received from the sale of own shares is recognized in equity.

Income taxes

Income taxes include current and deferred income taxes. The Sonova Group is subject to income taxes in numerous jurisdictions and significant judgment is required in determining the worldwide provision for income taxes. The multitude of transactions and calculations implies estimates and assumptions. The Group recognizes liabilities based on estimates of whether additional taxes will be due.

Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred tax is recorded on the valuation differences (temporary differences) between the tax bases of assets and liabilities and their carrying values in the consolidated balance sheet. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences and tax losses can be offset. Deferred income tax liabilities are provided for on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Revenue recognition

Sales are recognized net of sales taxes and discounts upon delivery of products and services and reasonably assured collectibility of the related receivables.

For hearing instruments sold, as standard industry practice, a trial period is granted to the end consumer. Probable returns of products are estimated and a corresponding provision is recognized. The portion of goods sold that are expected to be returned are estimated based on historical product return rates. For cochlear implants, sales are generally recognized upon delivery to the hospital.

Sales of service contracts, such as long-term service contracts and extended warranties are separated from the sale of goods and recognized on a straight-line basis over the term of the contract.

Interest income is recognized on a time proportion basis using the effective interest method. Dividend income is recognized when the right to receive payment is established.

Acquisition-related amortization

The Group is continuously amending its business portfolio with small acquisitions resulting in acquisition-related intangibles (see section "Intangible Assets") and related amortization charges. The Group discloses acquisition-related amortization as a separate line item in the income statement, and identifies EBITA as its key profit metric for internal (refer to Note 6) as well as for external reporting purposes. The functional allocation of these acquisition-related amortization costs are further disclosed in Note 20 "Intangible Assets" in the notes to the financial statements.

Segment reporting

Operating segments are defined on the same basis as information is provided to the chief operating decision maker. For the Sonova Group, the Chief Executive Officer (CEO) is the chief operating decision maker, who is responsible for allocating resources and assessing the performance of operating segments. Additional general information regarding the factors used to identify the entity's reportable segments are disclosed in Note 6.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount of an asset or, where it is not possible to estimate the recoverable amount of an individual asset, a cash-generating unit is the higher of its fair value less cost of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. If the recoverable amount is lower than the carrying amount, an impairment loss is recognized. Impairments of financial assets are described in Note 2.5, Financial assets. For the purpose of impairment testing, goodwill as well as corporate assets are allocated to cash generating units. A goodwill impairment test is performed annually, even if there is no indication of impairment (see section "Business combinations and goodwill").

Related parties

A party is related to an entity if the party directly or indirectly controls, is controlled by, or is under common control with the entity, has an interest in the entity that gives it significant influence over the entity, has joint control over the entity or is an associate or a joint venture of the entity. In addition, members of the Board of Directors and the Management Board

or close members of their families are also considered related parties as well as post-employment plan organizations (pension funds) for the benefit of Sonova employees. No related party exercises control over the Group.

Employee benefits

Pension obligations

Most employees are covered by post-employment plans sponsored by corresponding Group companies in the Sonova Group. Such plans are mainly defined contribution plans (future benefits are determined by reference to the amount of contributions paid) and are generally administered by autonomous pension funds or independent insurance companies. These pension plans are financed through employer and employee contributions. The Group's contributions to defined contribution plans are charged to the income statement in the year to which they relate.

Sonova Group also has several defined benefit pension plans, both funded and unfunded. Accounting and reporting of these plans are based on annual actuarial valuations. Defined benefit obligations and service costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees participating in these plans. The pension obligation is measured as the present value of the estimated future outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Service costs from defined benefit plans are charged to the appropriate income statement heading within the operating results.

A single net interest component is calculated by applying the discount rate to the net defined benefit asset or liability. The net interest component is recognized in the income statement in the financial result.

Actuarial gains and losses, resulting from changes in actuarial assumptions and differences between assumptions and actual experiences, are recognized in the period in which they occur in other comprehensive income in equity.

Other long-term benefits

Other long-term benefits mainly comprise length of service compensation benefits in certain Group companies. These benefits are accrued and the corresponding liabilities are included under "Other provisions".

Equity compensation benefits

The Board of Directors of Sonova Holding AG, the Management Board, and certain management and senior employees of other Group companies participate in equity compensation plans. The fair value of all equity compensation awards granted to employees is determined at the grant date and recorded as an expense over the vesting period (for details refer to Note 31). The expense for equity compensation awards is charged to the appropriate income statement heading within the operating result and an equivalent increase in equity (for equity-settled compensation) or financial liability (for cash-settled compensation) is recorded. In the case of cash-settled compensation, until the liability is settled it is revalued at each reporting date, recognizing changes in the fair value in the income statement.

2.5 Financial assets

Sonova classifies its financial assets in the categories financial assets at fair value through profit or loss, loans and receivables. Management determines the classification of its investments at initial recognition. All purchases and sales are recognized on the settlement date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of cash-settled calls on Sonova shares as a hedge against obligations from warrant appreciation rights (WARs) and share appreciation rights (SARs) allocated to US employees participating in the Executive Equity Award Plan (EEAP) and certain minority investments in hearing aid related businesses. These financial assets are measured at their fair value. Those fair value changes are included in the profit or loss for the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services, directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities of more than 12 months, these are classified as non-current assets. Loans are measured at amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, minus any reduction for impairment or uncollectibility. The effective interest method is a method calculating the amortized cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected lifetime of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.

Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The Group assesses, at each balance sheet date, whether there is any objective evidence that a financial asset may be impaired. If any such evidence exists, the Group estimates the recoverable amount of that asset and recognizes any impairment loss in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the write-down, the write-down of the financial asset is reversed. The reversal will not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been, had the impairment not been recognized, at the date the write-down of the financial asset is reversed. The amount of the reversal is included in profit or loss for the financial year.

2.6 Derivative financial instruments and hedging

The Group regularly hedges its net exposure from foreign currency balance sheet positions with forward contracts and options. Such contracts are not qualified as cash flow hedges and are therefore not accounted for using hedge accounting. Gains and losses on these transactions are recognized directly in the income statement. The forward and option contracts are entered into and closed within the half-year reporting periods.

In connection with the acquisition of Advanced Bionics, the Group entered into an interest swap agreement to protect the company against rising interest rates. The agreement qualified for hedge accounting and the gain or loss on the hedging instrument was recognized in other comprehensive income in equity. In the 2014/15 financial year all of the underlying debt relating to this transaction was paid back and the swap agreement was closed accordingly (for further information refer Note 22).

2.7 Significant accounting judgments and estimates

Key management judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management may be required to make judgments, apart from those involving estimates, which have an effect on the amounts recognized in the financial statements.

These include, but are not limited to, the following areas:

Capitalization of development costs

As outlined under 2.4 "Accounting and valuation principles" the Group capitalizes costs relating to the development of cochlear implants. In determining the commercial as well as the technical feasibility, management judgment may be required.

Business combinations

In the course of recognizing assets and liabilities from business combinations management judgments might be required for the following areas:

- Acquisition-related intangibles resulting from technology, customer relationships, client lists or brand names.
- Contingent consideration arrangements.

Key accounting estimates and assumptions

Preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosures. This includes estimates and assumptions in the ordinary course of business as well as non-operating events such as the outcome of pending legal disputes. The estimates and assumptions are continuously evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable. Actual results may differ from these estimates and assumptions. The main estimates and assumptions with the potential of causing an adjustment, are discussed below.

Cost of business combinations

A business combination agreement may provide for an adjustment to the cost of the combination contingent on future events. If the future events do not occur or the estimate needs to be revised, the cost of a business combination is revised accordingly, with a resulting change in the carrying value of goodwill (for business combinations entered into before April 1, 2010) or in the income statement (for business combinations entered into after April 1, 2010). At the end of the financial year 2014/15 such liabilities contingent on future events amount to CHF 6.8 million (previous year CHF 8.5 million) and are disclosed under other provisions (for business combinations entered into before April 1, 2010) or other financial liabilities (for business combinations entered into after April 1, 2010).

Intangible assets, including goodwill

The Group has intangible assets with a carrying value of CHF 1,219.6 million (previous year CHF 1,161.1 million) as disclosed in Note 20.

Included in the intangible assets is goodwill amounting to CHF 971.5 million (previous year CHF 920.6 million).

Furthermore intangible assets also include capitalized development costs in the amount of CHF 96.3 million (previous year CHF 76.8 million).

The Group determines annually, in accordance with the accounting policy stated in Note 2.4, whether any of the assets are impaired. For the impairment tests, estimates are made of the expected future cash flows from the use of the asset or cash-generating unit. The actual cash flows could vary significantly from these estimates.

Deferred tax assets

The consolidated balance sheet includes deferred tax assets of CHF 111.1 million (previous year CHF 94.1 million) related to deductible differences and, in certain cases, tax loss carryforwards, provided that their utilization appears probable. The recoverable value is based on forecasts of the corresponding taxable Group company over a period of several years. As actual results may differ from these forecasts, the deferred tax assets may need to be adjusted accordingly.

Employee benefit plans

The Sonova Group has various employee benefit plans. Most of its salaried employees are covered by these plans, of which some are defined benefit plans. The present value of the defined benefit obligations at the end of the financial period 2014 / 15 amounts to CHF 350.3 million (previous year CHF 269.1 million) as disclosed in Note 30. This includes CHF 347.1 million (previous year CHF 265.6 million) from the Swiss pension plan. With such plans, actuarial assumptions are made for the purpose of estimating future developments, including estimates and assumptions relating to discount rates, and future wage as well as pension trends. Actuaries also use statistical data such as mortality tables and staff turnover rates with a view to determining employee benefit obligations. If these factors change due to a change in economic or market conditions, the subsequent results could deviate considerably from the actuarial reports and calculations. Over the medium term such deviations could have an impact on the equity. The carrying amounts of the plan assets and liabilities in the balance sheet together with a sensitivity analysis considering changes for the main input parameters in the actuarial valuation are set out in Note 30.

Provisions for warranty and returns

On March 31, 2015 the Group recorded provisions for warranty and returns of CHF 83.0 million (previous year CHF 72.2 million) as disclosed in Note 21.

The calculation of these provisions is based on turnover, past experience and projected number and cost of warranty claims and returns. The actual costs for warranty, claims, and returns may differ from these estimates.

Provision for product liabilities

The Sonova Group accounts consider a provision for product liabilities related to products affected by a voluntary cochlear implant product recall of Advanced Bionics LLC in 2006. The provision was substantially increased as per the end of the financial year 2012 / 13. In 2013 / 14 settlement agreements regarding the majority of the then-current filed and unfiled claims related to the before mentioned cochlear implant products were signed, which were in line with the underlying assumptions of the provision and did not have an impact on the profit for the financial year 2013 / 14.

As of the end of the financial year 2014 / 15 the provision for the above mentioned cochlear implant product liabilities has been reassessed. Improvements in the expected number and cost of current and future claims led to a reduction of CHF 13.2 million which is contributing to the profit of 2014 / 15 in the same amount (disclosed in the annual income statement in the line “Other income / (expenses), net”).

On March 31, 2015 the provision for the before mentioned cochlear implant product liabilities was CHF 192.5 million (previous year CHF 192.0 million).

The calculation of this provision is based on past experience regarding the number and cost of current and future claims. As actual results may differ from these forecasts, the respective provision may need to be adjusted accordingly.

Other provisions

On March 2, 2015 Sonova has announced to transfer a part of its hearing instrument product assembly capacity from Stäfa to other centers while maintaining the production of strategically critical core components in Switzerland. Functions are planned to be gradually transferred over the course of the 2015 / 16 fiscal year, affecting around 100 positions in total. Restructuring cost of CHF 6.0 million have been considered and were included in the annual income statement 2014 / 15 in the line “Cost of sales”.

3. Changes in Group structure

In the financial years 2014 / 15 and 2013 / 14 the Group entered into several business combinations. The companies acquired are in the business of producing and distributing hearing instruments.

With effect of October 2, 2014 Sonova Holding AG acquired 100 % of the shares of Comfort Audio i Halmstad AB (Sweden). Comfort Audio is specialized in the development, manufacturing and distribution of assistive listening devices and employs around 90 staff, mainly in Sweden.

The effect of the acquisitions for the financial year 2014 / 15 and 2013 / 14 is disclosed in Note 28.

4. Number of employees

On March 31, 2015, the Sonova Group employed the full time equivalent of 10,184 people (previous year 9,529). They were engaged in the following regions and activities:

By region	31.3.2015	31.3.2014
Switzerland	1,238	1,189
EMEA (excl. Switzerland)	2,919	2,531
Americas	3,585	3,451
Asia / Pacific	2,442	2,358
Total	**10,184**	**9,529**
By activity		
Research and development	674	617
Operations	3,755	3,675
Sales and marketing, general and administration	5,755	5,237
Total	**10,184**	**9,529**

The average number of employees (full time equivalents) of the Sonova Group for the year was 9,960 (previous year 9,175). Total personnel expenses for the financial year 2014 / 15 amounted to CHF 720.0 million (previous year CHF 675.2 million).

5. Exchange rates

The following main exchange rates were used for currency translation:

	31.3.2015	31.3.2014	2014 / 15	2013 / 14
	Year-end rates		Average rates for the year	
AUD 1	0.74	0.82	0.81	0.86
BRL 1	0.30	0.39	0.38	0.41
CAD 1	0.77	0.80	0.82	0.87
CNY 1	0.16	0.14	0.15	0.15
EUR 1	1.04	1.22	1.18	1.23
GBP 1	1.44	1.48	1.50	1.46
JPY 100	0.81	0.86	0.85	0.92
USD 1	0.98	0.89	0.93	0.92

6. Segment information

Segment information by business segments

Since the acquisition of Advanced Bionics as of December 30, 2009, the Group is active in the two business segments cochlear implants and hearing instruments, which are reported separately to the Group's chief operating decision maker (i.e. Chief Executive Officer). The financial information that is provided to the Group's chief operating decision maker, which is used to allocate resources and to assess the performance, is primarily based on the sales analysis as well as the consolidated income statements and other key financial metrics for the two segments.

Hearing instruments: This operating segment includes the companies that are active in the design, development, manufacture, distribution and service of hearing instruments and related products. Research and development is centralized in Switzerland while some activities are also performed in Canada and Sweden. Production of hearing instruments is concentrated in three production centers in Switzerland, China, and Vietnam. Technologically advanced production processes are performed in Switzerland, whereas standard assembly of products is conducted in Asia. Most of the marketing activities are steered by the brand marketing departments in Switzerland, Canada, the United States and Sweden. The execution of marketing campaigns lies with the sales organizations in each market. The distribution of products is effected through sales organizations in the individual markets. The distribution channels of the Group in the individual markets vary depending on the sales strategy and the characteristics of the countries.

Cochlear implants: This operating segment includes the companies that are active in the design, development, manufacture, distribution and service of hearing implants and related products. The segment consists of Advanced Bionics and the related sales organizations, which were acquired as of December 30, 2009 and which provide cochlear implant systems. Research and development as well as marketing activities of Advanced Bionics are predominantly centralized in the United States and Switzerland while production resides in the United States. The distribution of products is effected through sales organizations in the individual markets.

1,000 CHF	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	Hearing instruments		Cochlear implants		Corporate/ Eliminations		Total	
Segment sales	1,843,900	1,759,039	194,542	195,551			2,038,442	1,954,590
Intersegment sales	(2,987)	(3,039)	(370)	(239)			(3,357)	(3,278)
Sales	**1,840,913**	**1,756,000**	**194,172**	**195,312**			**2,035,085**	**1,951,312**
Operating profit before acquisition-related amortization (EBITA)	**434,700**	**417,267**	**20,864**	**12,842**			**455,564**	**430,109**
Segment assets	**2,247,572**	**2,153,213**	**605,903**	**522,506**	**(673,071)**	**(597,697)**	**2,180,404**	**2,078,022**
Unallocated assets[1]							511,227	515,726
Total assets							**2,691,631**	**2,593,748**

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

Reconciliation of reportable segment profit 1,000 CHF	**2014/15**	**2013/14**
EBITA	455,564	430,109
Acquisition-related amortization	(26,495)	(26,079)
Financial costs, net	(10,537)	(9,441)
Share of gain/(loss) in associates/joint ventures	1,792	(11)
Income before taxes	**420,324**	**394,578**

Entity-wide disclosures

Sales by product groups 1,000 CHF	**2014/15**	**2013/14**
Premium hearing instruments	484,265	433,174
Advanced hearing instruments	414,522	437,552
Standard hearing instruments	585,987	556,013
Wireless communication systems	86,313	68,278
Miscellaneous	269,826	260,983
Total hearing instruments	**1,840,913**	**1,756,000**
Cochlear implants and accessories	194,172	195,312
Total sales	**2,035,085**	**1,951,312**

Sales and selected non-current assets by regions 1,000 CHF	**2014/15**	**2013/14**	**2014/15**	**2013/14**
Country/region	Sales [1]		Selected non-current assets [2]	
Switzerland	25,140	26,425	253,425	245,986
EMEA (excl. Switzerland)	861,415	768,615	355,019	360,593
USA	721,593	726,722	677,975	609,836
Americas (excl. USA)	216,052	224,094	122,241	130,548
Asia/Pacific	210,885	205,456	90,593	88,807
Total Group	**2,035,085**	**1,951,312**	**1,499,253**	**1,435,770**

[1] Sales based on location of customers.
[2] Total of property, plant & equipment, intangible assets and investments in associates/joint ventures.

As common in this industry, the Sonova Group has a large number of customers. There is no single customer who accounts for more than 10 % of total sales.

7. Other income / expenses, net

Other income in the financial year 2014/15 consists of CHF 13.2 million in relation to the reassessment and revaluation of the provision for product liabilities. For further information refer to Note 2.7 “Provision for product liabilities” and Note 21 “Provisions”.

8. Financial expenses, net

1,000 CHF	2014 / 15	2013 / 14
Interest income	1,069	2,130
Other financial income	24	3,260
Total financial income	**1,093**	**5,390**
Interest expenses	(2,948)	(7,641)
Other financial expenses	(8,682)	(7,190)
Total financial expenses	**(11,630)**	**(14,831)**
Total	**(10,537)**	**(9,441)**

Other financial income in 2013 / 14 includes, amongst other items, the gain from remeasuring previously held equity investments to fair value at date of acquisition of these companies.

Other financial expenses in 2014 / 15 and 2013 / 14 include, amongst other items, the unwinding of the discount on provisions and earn-out payments, fair value adjustments of financial instruments as well as the costs for entering into forward foreign currency contracts.

9. Taxes

1,000 CHF	2014 / 15	2013 / 14
Income taxes	67,163	28,217
Change in deferred taxes	(15,162)	18,979
Total tax expense	**52,001**	**47,196**
Reconciliation of tax expense		
Income before taxes	420,324	394,578
Group's expected average tax rate	13.9 %	13.5 %
Tax at expected average rate	**58,245**	**53,313**
+ / – Effects of		
Expenses not subject to tax, net	4,193	3,256
Changes of unrecognized loss carryforwards / deferred tax assets	3,458	25,853
Local actual tax rate different to Group's expected average tax rate	(20,007)	(39,502)
Change in tax rates on deferred tax balances	5,798	80
Prior year adjustments and other items, net	314	4,196
Total tax expense	**52,001**	**47,196**
Weighted average effective tax rate	12.4 %	12.0 %

The Group's expected average tax rate is the aggregate obtained by applying the expected tax rate for each individual jurisdiction to its respective result before taxes.

Deferred tax assets and (liabilities) 1,000 CHF					31.3.2015
	Property, plant & equipment	Intangible assets	Inventories, receivables, provisions and other liabilities	Tax loss carryforwards	Total
Balance April 1	(6,130)	(12,803)	28,236	52,398	61,701
Changes through business combinations		(4,101)			(4,101)
Deferred taxes recognized in the income statement	190	(3,653)	(1,424)	20,049	15,162
Deferred taxes recognized in OCI[1]			4,601		4,601
Exchange differences	33	4,451	(2,881)	(540)	1,063
Balance March 31	**(5,907)**	**(16,106)**	**28,532**	**71,907**	**78,426**
Amounts in the balance sheet					
Deferred tax assets					111,074
Deferred tax liabilities					(32,648)
Total deferred taxes, net					**78,426**

[1] Other comprehensive income.

Deferred tax assets and (liabilities) 1,000 CHF					31.3.2014
	Property, plant & equipment	Intangible assets	Inventories, receivables, provisions and other liabilities	Tax loss carryforwards	Total
Balance April 1	(5,182)	(20,232)	44,278	52,092	70,956
Changes through business combinations		(2,699)		6	(2,693)
Deferred taxes recognized in the income statement	(860)	8,947	(19,555)	(7,511)	(18,979)
Deferred taxes recognized in OCI[1]			(188)		(188)
Exchange differences	(88)	1,181	3,701	7,811	12,605
Balance March 31	**(6,130)**	**(12,803)**	**28,236**	**52,398**	**61,701**
Amounts in the balance sheet					
Deferred tax assets					94,102
Deferred tax liabilities					(32,401)
Total deferred taxes, net					**61,701**

[1] Other comprehensive income.

Deferred tax assets have been capitalized based on the projected future performance of the Group companies.

The gross values of unused tax loss carryforwards, which have not been capitalized as deferred tax assets, with their expiry dates are as follows:

1,000 CHF	31.3.2015	31.3.2014
Within 1 – 3 years	41,447	12,244
Within 4 years	28,702	11,097
Within 5 years	9,134	24,515
More than 5 years	334,380	347,671
Total	**413,663**	**395,527**

Tax loss carryforwards which have not been capitalized also include pre-acquisition tax losses with limitation of use and losses which do not qualify for capitalization. The inherent uncertainty regarding the level and use of such tax losses, and changes in tax regulations and laws can impact the annual assessment of these unused tax loss carryforwards.

10. Earnings per share

Basic earnings per share are calculated by dividing the income after taxes attributable to the ordinary equity holders of the parent company by the weighted average number of shares outstanding during the year.

Basic earnings per share	2014/15	2013/14
Income after taxes (1,000 CHF)	359,994	340,830
Weighted average number of outstanding shares	67,065,191	67,128,869
Basic earnings per share (CHF)	**5.37**	**5.08**

In the case of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming all outstanding dilutive options will be exercised. The weighted average number of shares is adjusted for all dilutive options issued under the stock option plans which have been granted in 2009 through to 2015 and which have not yet been exercised. Anti-dilutive options have not been considered. The calculation of diluted earnings per share is based on the same income after taxes for the period as is used in calculating basic earnings per share.

Diluted earnings per share	2014/15	2013/14
Income after taxes (1,000 CHF)	359,994	340,830
Weighted average number of outstanding shares	67,065,191	67,128,869
Adjustment for dilutive share options	174,754	98,682
Adjusted weighted average number of outstanding shares	67,239,945	67,227,551
Diluted earnings per share (CHF)	**5.35**	**5.07**

11. Dividend per share

The Board of Directors of Sonova Holding AG proposes to the Annual General Shareholders' Meeting, to be held on June 16, 2015, that a dividend of CHF 2.05 shall be distributed (previous year CHF 1.90). For further details refer to 2.4 "Summary of changes in shareholders' equity" in the financial statements 2014/15 of Sonova Holding AG.

12. Cash and cash equivalents

1,000 CHF	31.3.2015	31.3.2014
Cash on hand	644	711
Current bank accounts	349,779	382,423
Term deposits	40,063	26,870
Total	**390,486**	**410,004**

Bank accounts and term deposits are mainly denominated in CHF, EUR and USD.

For details of the movements in cash and cash equivalents refer to the consolidated cash flow statements.

13. Other current financial assets

Other current financial assets of CHF 5.4 million (previous year 4.0 million) primarily consist of short-term customer loans.

14. Trade receivables

1,000 CHF	31.3.2015	31.3.2014
Trade receivables	372,143	372,654
Provision for doubtful receivables	(22,755)	(21,847)
Total	**349,388**	**350,807**

As is common in this industry, the Sonova Group has a large number of customers. There is no significant concentration of credit risk. The aging of trade receivables and related provisions is as follows:

1,000 CHF	31.3.2015	31.3.2014
Total trade receivables, net	**349,388**	**350,807**
of which:		
Not overdue	245,544	249,751
Overdue 1 – 30 days	45,464	50,868
Overdue more than 30 days	58,380	50,188
Total	**349,388**	**350,807**

Provision for doubtful receivables is established based on individual adjustments and past experience. The charges to the income statement are included in general and administration costs. The following table summarizes the movements in the provision for doubtful receivables:

1,000 CHF	2014 / 15	2013 / 14
Provision for doubtful receivables, April 1	**(21,847)**	**(27,531)**
Utilization or reversal	8,260	11,660
Additions	(9,110)	(7,250)
Changes through business combinations	(100)	(344)
Exchange differences	42	1,618
Provision for doubtful receivables, March 31	**(22,755)**	**(21,847)**

During 2014 / 15 the Group has utilized CHF 7.0 million (previous year CHF 8.2 million) of this provision to write-off receivables.

The carrying amounts of trade receivables are denominated in the following currencies:

1,000 CHF	31.3.2015	31.3.2014
BRL	28,808	35,504
CAD	23,604	25,351
CHF	15,185	14,572
EUR	93,057	109,597
USD	119,324	108,223
Other	69,410	57,560
Total trade receivables, net	**349,388**	**350,807**

15. Other receivables and prepaid expenses

1,000 CHF	31.3.2015	31.3.2014
Other receivables	49,715	49,513
Prepaid expenses	16,634	16,006
Total	**66,349**	**65,519**

The largest individual items included in other receivables are recoverable value added taxes and deposits. Prepaid expenses mainly consist of advances to suppliers.

16. Inventories

1,000 CHF	31.3.2015	31.3.2014
Raw materials and components	41,851	34,538
Work-in-process	95,965	75,130
Finished products	133,095	128,223
Allowances	(30,077)	(31,849)
Total	**240,834**	**206,042**

Allowances include value adjustments for slow moving, phase out and obsolete stock.

In 2014/15, CHF 543.9 million (previous year CHF 528.0 million) were recognized as an expense and included in “cost of sales”.

17. Property, plant and equipment

1,000 CHF					31.3.2015
	Land & buildings	Machinery & technical equipment	Room installations & other equipment	Advance payments & assets under construction	Total
Cost					
Balance April 1	169,634	201,560	153,089	12,505	536,788
Changes through business combinations		401	696		1,097
Additions	1,758	22,169	21,705	11,518	57,150
Disposals	(50)	(5,825)	(4,306)	(328)	(10,509)
Transfers		6,614	2,968	(9,582)	
Exchange differences	(2,212)	(919)	(7,143)	485	(9,789)
Balance March 31	**169,130**	**224,000**	**167,009**	**14,598**	**574,737**
Accumulated depreciation					
Balance April 1	(51,226)	(142,023)	(80,459)		(273,708)
Additions	(5,104)	(21,608)	(18,469)		(45,181)
Disposals	48	5,262	3,336		8,646
Exchange differences	1,255	483	3,756		5,494
Balance March 31	**(55,027)**	**(157,886)**	**(91,836)**		**(304,749)**
Net book value					
Balance April 1	118,408	59,537	72,630	12,505	263,080
Balance March 31	**114,103**	**66,114**	**75,173**	**14,598**	**269,988**

1,000 CHF					31.3.2014
	Land & buildings	Machinery & technical equipment	Room installations & other equipment	Advance payments & assets under construction	Total
Cost					
Balance April 1	169,723	196,857	135,137	4,840	506,557
Changes through business combinations		198	1,803		2,001
Additions	3,188	22,016	29,339	10,368	64,911
Disposals	(572)	(12,863)	(8,425)	(240)	(22,100)
Transfers		1,388	903	(2,291)	
Exchange differences	(2,705)	(6,036)	(5,668)	(172)	(14,581)
Balance March 31	**169,634**	**201,560**	**153,089**	**12,505**	**536,788**
Accumulated depreciation					
Balance April 1	(47,552)	(136,550)	(73,884)		(257,986)
Additions	(5,050)	(21,326)	(17,016)		(43,392)
Disposals	136	12,077	7,369		19,582
Exchange differences	1,240	3,776	3,072		8,088
Balance March 31	**(51,226)**	**(142,023)**	**(80,459)**		**(273,708)**
Net book value					
Balance April 1	122,171	60,307	61,253	4,840	248,571
Balance March 31	**118,408**	**59,537**	**72,630**	**12,505**	**263,080**

Property, plant and equipment as of March 31, 2015 was insured against fire for a value of CHF 493.3 million (previous year CHF 492.0 million).

Pledged fixed assets amounted to CHF 0.03 million (previous year CHF 0.03 million).

There are no assets held under finance leases.

18. Investments in associates / joint ventures

The Group's share in the results as well as in assets and liabilities of associates / joint ventures, all unlisted enterprises, is as follows:

1,000 CHF	**2014 / 15**	**2013 / 14**
Current assets	627	642
Non-current assets	1,092	418
Total assets	**1,719**	**1,060**
Current liabilities	(348)	(228)
Non-current liabilities	(32)	(310)
Total liabilities	**(380)**	**(538)**
Net assets	**1,339**	**522**
Income for the year	3,824	4,785
Expenses for the year	(2,032)	(3,721)
Profit for the year	**1,792**	**1,064**
Net book value at year-end	9,667	11,620
Share of gain / (loss) recognized by the Group	1,792	(11)

In the financial year 2014 / 15, the Group acquired additional shares in two (previous year three) previously held equity investments, resulting in a change of control (step up acquisitions). Since the change of control, these companies are fully consolidated. The total net book value at the time of gaining control over these two (previous year three) entities amounted to CHF 1.5 million (previous year CHF 6.2 million).

In the financial year 2013 / 14, the Group acquired two associates for a total purchase consideration of CHF 1.6 million. The associates acquired are in the business of selling hearing instruments.

Sales to associates / joint ventures in the financial year 2014 / 15 amounted to CHF 8.3 million (previous year CHF 10.2 million). At March 31, 2015 trade receivables towards associates / joint ventures amounted to CHF 1.6 million (previous year CHF 4.8 million).

At the end of the financial years 2014 / 15 and 2013 / 14, no material unrecognized losses existed.

Investments with a net book value of CHF 9.7 million (previous year CHF 11.6 million) have a business year different than the Sonova Group. The latest available information for the respective companies are as per December 2014.

19. Other non-current financial assets

1,000 CHF	31.3.2015	31.3.2014
Financial assets at fair value through profit or loss	8,783	7,911
Loans to associates	8,080	4,943
Loans to third parties	5,615	7,749
Total	**22,478**	**20,603**

Financial assets at fair value through profit or loss mainly consist of minority interests in patent and software development companies specific to the hearing aid industry. Besides these non-controlling investments, financial assets at fair value through profit or loss also consists of warrants to hedge the financial exposure in connection with the employee share option program (refer to Note 31).

The loans are primarily denominated in CAD, EUR and USD. Loans to third parties consist mainly of loans to customers. As of March 31, 2015, the respective repayment periods vary between one and ten years and the interest rates vary generally between 3% and 5%. The valuation of the loans approximates to fair value.

20. Intangible assets

1,000 CHF					31.3.2015
	Goodwill	Intangibles relating to acquisitions[1]	Capitalized development costs	Software and other intangibles	Total
Cost					
Balance April 1	1,057,173	258,617	85,485	59,803	1,461,078
Changes through business combinations	42,426	21,374		61	63,861
Additions			26,696	4,889	31,585
Disposals	(231)[2]	(57)		(791)	(1,079)
Exchange differences	22,286	(8,667)	144	(443)	13,320
Balance March 31	**1,121,654**	**271,267**	**112,325**	**63,519**	**1,568,765**
Accumulated amortization and impairments					
Balance April 1	(136,614)	(112,707)	(8,714)	(41,973)	(300,008)
Additions		(26,495)[3]	(7,296)	(5,982)	(39,773)
Disposals		43		789	832
Exchange differences	(13,537)	3,130		189	(10,218)
Balance March 31	**(150,151)**	**(136,029)**	**(16,010)**	**(46,977)**	**(349,167)**
Net book value					
Balance April 1	920,559	145,910	76,771	17,830	1,161,070
Balance March 31	**971,503**	**135,238**	**96,315**	**16,542**	**1,219,598**

[1] Intangibles relating to acquisitions include primarily customer relationships, trademarks, in process R&D and technology.
[2] Disposals of goodwill include primarily earn-out adjustments.
[3] Relates to research and development (CHF 4.4 million) and sales and marketing (CHF 22.1 million).

1,000 CHF					31.3.2014
	Goodwill	Intangibles relating to acquisitions[1]	Capitalized development costs	Software and other intangibles	Total
Cost					
Balance April 1	1,100,413	259,769	61,649	64,813	1,486,644
Changes through business combinations	28,417	12,683		3	41,103
Additions	760[2]	917	23,889	5,118	30,684
Disposals	(43)[2]	(655)		(8,474)	(9,172)
Exchange differences	(72,374)	(14,097)	(53)	(1,657)	(88,181)
Balance March 31	**1,057,173**	**258,617**	**85,485**	**59,803**	**1,461,078**
Accumulated amortization and impairments					
Balance April 1	(146,793)	(93,575)	(2,087)	(44,420)	(286,875)
Additions		(26,079)[3]	(6,627)	(7,002)	(39,708)
Disposals		340		8,272	8,612
Exchange differences	10,179	6,607		1,177	17,963
Balance March 31	**(136,614)**	**(112,707)**	**(8,714)**	**(41,973)**	**(300,008)**
Net book value					
Balance April 1	953,620	166,194	59,562	20,393	1,199,769
Balance March 31	**920,559**	**145,910**	**76,771**	**17,830**	**1,161,070**

[1] Intangibles relating to acquisitions include primarily customer relationships, trademarks, in process R&D and technology.
[2] Additions and disposals of goodwill include primarily earn-out adjustments.
[3] Relates to research and development (CHF 3.7 million) and sales and marketing (CHF 22.4 million).

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit, which is expected to benefit from the synergies of the corresponding business combination.

For the Group, a meaningful goodwill allocation can only be done at the level of the segments, hearing instruments and cochlear implants. This also reflects the level that the goodwill is monitored by management.

For both of the two cash-generating units, the recoverable amount (higher of the cash-generating unit's fair value less cost of disposal and the cash-generating units value in use) is compared to the carrying amount. Future cash flows are discounted with the Weighted Average Cost of Capital (WACC) including the application of the Capital Asset Pricing Model (CAPM). Value in use is normally assumed to be higher than the fair value less cost of disposal. Therefore, fair value less cost of disposal is only investigated when value in use is lower than the carrying amount of the cash-generating unit.

Based on the impairment tests performed, there was no need for the recognition of any impairment of goodwill for the financial years 2014/15 and 2013/14.

Hearing instruments

As of March 31, 2015, the carrying amount of the goodwill, expressed in various currencies, amounted to an equivalent of CHF 657.2 million (prior year CHF 634.6 million).

The cash flow projections were based on the most recent business plan approved by management. The business plan for the hearing instruments business was projected over a five year period. Cash flows beyond the projection period were extrapolated with a long-term growth rate of 1.9 % (prior year 2.1 %) representing the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 9.2 % (prior year 9.9 %) was used.

An increase in the discount rate of 1 % would not result in an impairment of goodwill.

Cochlear implants

As of March 31, 2015, the carrying amount of the goodwill, expressed in various currencies, amounted to an equivalent of CHF 314.3 million (prior year CHF 286.0 million).

The cash flow projections were based on the most recent business plan approved by management. The business plan for the Cochlear implants business was projected over a six year period which reflects the long-term development cycle of the implant business. Cash flows beyond the projection period were extrapolated with a long-term growth rate of 1.9 % (prior year 2.1 %) representing the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 9.1 % (prior year 10.2 %) was used.

An increase in the discount rate of 1 % would not result in an impairment of goodwill.

21. Provisions

1,000 CHF					**31.3.2015**
	Warranty and returns	Reimbursement to customers	Product liabilities	Other Provisions	Total
Balance April 1	72,173	10,705	192,016	24,189	299,083
Changes through business combinations	150			1,505	1,655
Amounts used	(45,631)	(6,681)	(5,030)	(6,771)	(64,113)
Reversals	(7,735)	(9)	(13,200)	(986)	(21,930)
Increases	63,929	6,521		12,624	83,074
Present value adjustments			541		541
Exchange differences	156	305	18,177	133	18,771
Balance March 31	**83,042**	**10,841**	**192,504**	**30,694**	**317,081**
thereof short-term	63,863	10,841	23,992	13,237	111,933
thereof long-term	19,179		168,512	17,457	205,148

1,000 CHF					**31.3.2014**
	Warranty and returns	Reimbursement to customers	Product liabilities	Other Provisions	Total
Balance April 1	72,150	11,712	249,545	28,947	362,354
Changes through business combinations	20			595	615
Amounts used	(48,463)	(6,994)	(43,382)	(7,911)	(106,750)
Reversals	(337)	(85)		(1,169)	(1,591)
Increases	53,152	6,820		5,397	65,369
Present value adjustments			1,794		1,794
Exchange differences	(4,349)	(748)	(15,941)	(1,670)	(22,708)
Balance March 31	**72,173**	**10,705**	**192,016**	**24,189**	**299,083**
thereof short-term	55,225	10,705	26,613	8,966	101,509
thereof long-term	16,948		165,403	15,223	197,574

The provision for warranty and returns considers any costs arising from the warranty given on products sold. In general, the Group grants a 12 to 24 months warranty period for hearing instruments and related products and up to 10 years on cochlear implants. During this period, products will be repaired or a replacement product will be provided free of charge. The provision is based on turnover, past experience and projected warranty claims.

The provision for reimbursement to customers considers commitments to provide volume rebates. The provision is based on expected volumes. The large majority of the cash outflows are expected to take place within the next 12 months.

The provision for product liabilities considers the expected cost for claims in relation to the voluntary recall of cochlear implant products of Advanced Bionics LLC in 2006. The calculation of this provision is based on past experience regarding the number and cost of current and future claims. It covers the cost of replacement products, medical expenses, compensation for actual damages as well as legal fees.

As of the end of the financial year 2014/15 the provision for the above mentioned cochlear implant product liabilities has been reassessed. Improvements in the expected number and cost of current and future claims led to a reduction of CHF 13.2 million which were reversed to the annual income statement in the line "Other income/(expense), net". For further information refer to Note 2.7 "Provision for product liabilities". The timing of the cash outflows corresponding to the said provision for product liabilities is uncertain since it will largely depend on the outcome of administrative and legal proceedings.

Other provisions in 2014/15 include restructuring costs of CHF 6.0 million that have been considered for the around 100 positions that were announced March 2, 2015 to be made redundant as a consequence of a transfer of part of the Group's hearing instrument product assembly capacity from Stäfa to other operation centers. The costs were included in the annual income statement 2014/15 in the line "Cost of sales". The corresponding cash outflows are mostly expected to materialize within the 2015/16 financial year. In addition, other provisions include earn-out provisions as well as provisions for specific business risks such as litigation and restructuring costs which arise during the normal course of business. The timing of cash outflows for the other provisions are expected to take place within the next two years.

22. Current financial liabilities

1,000 CHF	31.3.2015	31.3.2014
Short-term debt	34	79,841
Interest swap – negative replacement value		901
Other current financial liabilities	3,067	13,086
Total	**3,101**	**93,828**
Unused borrowing facilities	37,661	36,807

Short-term debt of CHF 80 million obtained in connection with the acquisition of Advanced Bionics has been paid back in the current financial year (previous year CHF 150 million). In the course of the debt repayment the interest rate swap agreement has been closed accordingly.

Other current financial liabilities consist of financial liabilities resulting from earn-out agreements, deferred payments from acquisitions as well as financial obligations from put options given to non-controlling interests.

Given the short-term nature of the deferred payments as well as the short-term debt they are carried at nominal value. The book value of deferred payments and short-term debt approximates fair value. The put options given to non-controlling interests are measured at fair value.

23. Other short-term liabilities

1,000 CHF	31.3.2015	31.3.2014
Other payables	40,922	35,825
Accrued expenses	140,072	144,626
Deferred income	25,554	23,585
Total	**206,548**	**204,036**

Other payables include amounts to be remitted in respect of withholding taxes, value added taxes, social security payments, employees' income taxes deducted at source, and customer prepayments. Accrued expenses include salaries, social expenses, vacation pay, bonus and incentive compensation as well as accruals for outstanding invoices from suppliers.

24. Non-current financial liabilities

1,000 CHF	31.3.2015	31.3.2014
Bank debt	116	157
Other non-current financial liabilities	4,926	4,494
Total	**5,042**	**4,651**

Other non-current financial liabilities consist of amounts due in relation to the share appreciation rights (SARs) and warrant appreciation rights (WARs) (refer to Note 31) as well as obligations in relation to earn-out agreements from acquisitions.

Analysis by currency 1,000 CHF			31.3.2015			31.3.2014
	Bank debt	Other non-current financial liabilities	Total	Bank debt	Other non-current financial liabilities	Total
CHF		3,592	3,592		1,812	1,812
USD		1,047	1,047		1,720	1,720
EUR		263	263		787	787
Other	116	24	140	157	175	332
Total	**116**	**4,926**	**5,042**	**157**	**4,494**	**4,651**

25. Risk management and financial instruments

Group risk management

Risk management at Group level is an integral part of business practice and supports the strategic decision-making process. The assessment of risk is derived from both "top-down" and "bottom-up" and covers corporate, all business segments, and all consolidated Group companies. This approach allows for the Group to examine all types of risk exposures caused by internal and by external impacts and events, from financial, operational processes, customer and products, management and staff. The risk exposures are managed by specific risk mitigating initiatives, frequent re-evaluations, communication, risk consolidation and prioritization.

The responsibility for the process of risk assessment and monitoring is allocated to the corporate risk function. The Management Board, in addition to Group companies and functional managers, support the annual risk assessment and are responsible for the management of the risk mitigating initiatives. The Board of Directors discusses and analyzes the Group's risks at least once a year in the context of a strategy meeting.

Financial risk management

Due to Sonova Group's worldwide activities, the Group is exposed to a variety of financial risks such as market risks, credit risks and liquidity risks. Financial risk management aims to limit these risks and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses selected financial instruments for this purpose. They are exclusively used as hedging instruments for cash in- and outflows and not for speculative positions.

The fundamentals of Sonova Group's financial risk policy are periodically reviewed by the Audit Committee and carried out by the Group finance department. Group finance is responsible for implementing the policy and for ongoing financial risk management.

Market risk

Exchange rate risk

The Group operates globally and is therefore exposed to foreign currency fluctuations, mainly with respect to the US dollar and the Euro. As the Group uses Swiss francs as presentation currency and holds investments in different functional currencies, net assets are exposed to foreign currency translation risk. Additionally, a foreign currency transaction risk exists in relation to future commercial transactions which are denominated in a currency other than the functional currency.

To minimize foreign currency exchange risks, forward currency contracts and options are entered into. The Group hedges its net foreign currency exposure based on future expected cash in- and outflows. The hedges have a duration of between 1 and 6 months. No hedge accounting has been applied to these hedges, since they do not qualify for such treatment under IAS 39.

Positive replacement values from hedges which do not qualify for hedge accounting are recorded as financial assets at fair value through profit or loss whereas negative replacement values are recorded as financial liabilities at fair value through profit or loss.

As of March 31, 2015 and 2014, no forward currency contracts were open.

Foreign currency sensitivity analysis

A 5% strengthening / weakening of the following currencies against the Swiss franc as of March 31, 2015 and 2014 (for foreign currency rates refer to Note 5) would create an impact on income after taxes and equity as shown in the following table. The analysis assumes all other variables to remain constant.

1,000 CHF	2014/15	2013/14	2014/15	2013/14
	Impact on income after taxes		Impact on equity	
Change in USD/CHF +5%	5,111	3,001	21,225	19,376
Change in USD/CHF –5%	(5,111)	(3,001)	(21,225)	(19,376)
Change in EUR/CHF +5%	3,777	3,841	7,809	8,383
Change in EUR/CHF –5%	(3,777)	(3,841)	(7,809)	(8,383)