

# Financial reporting

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Financial report

# Financial review

In the 2022/23 financial year, Sonova generated sales of CHF 3,738.4 million, up 14.6% in local currencies and 11.1% in Swiss francs. The development was significantly affected by a slowing market momentum due to the challenging macroeconomic environment. Adjusted Group EBITA reached CHF 840.4 million, up 6.1% in local currencies and down 0.5% in Swiss francs, representing a margin of 22.5%.

### Sales development driven by acquisitions and solid organic growth

Sonova Group sales reached CHF 3,738.4 million in the 2022/23 financial year, an increase of 14.6% in local currencies and 11.1% in Swiss francs. Sales were supported by the successful launch of the Phonak Lumity platform in August 2022, as well as by price increases implemented to offset inflationary pressures. The development was held back by a slower than anticipated momentum in certain key hearing care markets, and the non-renewal of a large contract with a single US customer. Groupwide organic growth was 2.3%, or 4.5% excluding the previously mentioned non-renewal of a large contract. Acquisitions, including the significant expansion of Sonova's audiological care network with the acquisition of Alpaca Audiology in the United States and of HYSOUND in China, and the addition of the Sennheiser Consumer Division, contributed 12.3% to sales growth. Exchange rate fluctuations had a significant negative impact, reducing reported sales by CHF 116.3 million or 3.5%.

### Sales by regions

in CHF m	2022/23			2021/22	
	Sales	Share	Growth in local currencies	Sales	Share
EMEA	1,868.2	50%	13.1%	1,775.9	53%
USA	1,150.0	31%	9.5%	1,009.8	30%
Americas (excl. USA)	274.0	7%	11.2%	244.6	7%
Asia/Pacific	446.2	12%	40.3%	333.6	10%
<b>Total sales</b>	<b>3,738.4</b>	<b>100%</b>	<b>14.6%</b>	<b>3,363.9</b>	<b>100%</b>

### Slowing market momentum affecting growth

Sales in Europe, Middle East and Africa (EMEA) were up 13.1% in local currencies. Despite macroeconomic headwinds, the development in some countries, including the Netherlands and Austria, and in distributor markets, remained robust. Growth was further lifted by the acquisition of the Sennheiser Consumer Division as well as the continued expansion of the audiological care network. Regional growth was dampened, however, by weak sales development in France after increased prior-year market volumes resulting from a change in the reimbursement system in 2021, along with softness in the UK private market and slowing momentum in Germany in the second half of the financial year.

In the United States, sales increased by 9.5% in local currency. Growth was driven by the expansion of the audiological care network, in particular through the acquisition of Alpaca Audiology. The country's relatively high proportion of out-of-pocket spending to meet hearing care costs meant that the US private market was negatively impacted by the macroeconomic headwinds in the 2022 calendar year, although it showed signs of recovery in the final quarter of the 2022/23 financial year. The non-renewal of a large hearing instruments contract with a single customer in the US also weighed significantly on sales in the second half of the 2022/23 financial year. This could only be partly offset by positive growth in deliveries to the US Department of Veterans Affairs (VA), where Sonova continues to hold a leading position.

Sales in the rest of the Americas (excluding the US) rose by 11.2% in local currencies, helped by acquisitions and the solid performance of the audiological care network in Canada and Brazil. Sales in the Asia Pacific (APAC) region increased by 40.3% in local currencies, driven by the acquisition of the Sennheiser Consumer Division, and further lifted by the acquisition of HYSOUND in China, which was completed in December 2022. Sales development also benefited from a low comparison base, due to pandemic-related lockdowns in the prior year.

### Sonova Group key figures

in CHF m unless otherwise specified	2022/23	2021/22	Change in Swiss francs	Change in local currencies
Sales	3,738.4	3,363.9	11.1%	14.6%
Gross profit	2,637.4	2,460.7	7.2%	11.6%
EBITA <sup>1)</sup>	801.6	802.9	(0.2%)	6.7%
EBIT <sup>1)</sup>	746.7	760.0	(1.7%)	5.2%
Basic earnings per share (CHF)	10.75	10.42	3.2%	11.4%
Operating free cash flow <sup>1)</sup>	535.6	763.7	(29.9%)	
ROCE <sup>1)</sup>	20.8%	24.1%		
Gross profit (adjusted) <sup>1)</sup>	2,645.1	2,463.7	7.4%	11.8%
EBITA (adjusted) <sup>1)</sup>	840.4	844.4	(0.5%)	6.1%
EBITA margin (adjusted)	22.5%	25.1%		
Basic earnings per share (CHF) (adjusted) <sup>1)</sup>	11.14	10.76	3.5%	11.5%

<sup>1)</sup> For details see table "Reconciliation of non-GAAP financial measures".

**Stable organic margin development – Currency headwinds and dilution from acquisitions**

In response to the macroeconomic challenges, Sonova accelerated its structural optimization initiatives over the course of the reporting period, resulting in restructuring costs of CHF 15.6 million (2021/22: CHF 13.5 million). The focus of these initiatives was on supply chain safety, including the new operations facility in Mexico serving the entire Americas region, and further network optimization in the Audiological Care business. The initiatives are expected to yield annual cost savings of around CHF 25 million once fully implemented. The acquisition of the Sennheiser Consumer Division, Alpaca Audiology, and HYSOUND resulted in transaction and integration costs of CHF 17.0 million (2021/22: CHF 12.0 million). In addition, the Group incurred legal costs of CHF 6.2 million, mainly related to ongoing patent litigation (2021/22: CHF 16.0 million, including a settlement agreement in principle with the US Department of Justice). Income taxes were positively affected by CHF 9.2 million as a result of tax reforms (2021/22: CHF 17.5 million).

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

Reported gross profit amounted to CHF 2,637.4 million. Adjusted gross profit rose by 11.8% in local currencies or 7.4% in Swiss francs to CHF 2,645.1 million. Pressure on the global average selling price (ASP) due to subdued volume growth in higher-price hearing care markets was offset by the previously mentioned price increases. Profit development was also affected by continued headwinds from high transport and component costs, although these eased towards the end of the financial year. The expected dilutive effect from the acquisition of the Sennheiser Consumer Division, coupled with adverse currency exchange rate effects, made for a 2.4 percentage point decline in the adjusted gross profit margin in Swiss francs, to 70.8%. In local currencies, the gross profit margin was down 1.8 percentage points from the prior year, but showed a significant sequential improvement in the second half-year.

Excluding acquisition-related amortization, reported operating expenses were CHF 1,835.8 million (2021/22: CHF 1,657.7 million). Adjusted operating expenses before acquisition-related amortization increased 14.7% in local currencies or 11.5% in Swiss francs to CHF 1,804.7 million (2021/22: CHF 1,619.2 million). Over 80% of the increase was driven by acquisitions. The Group continued to invest in innovation, with adjusted research and development (R&D) expenses before acquisition-related amortization up by 6.2% in local currencies to CHF 242.9 million.

Adjusted sales and marketing costs before acquisition-related amortization increased by 19.1% in local currencies to CHF 1,250.6 million or 33.5% of sales (2021/22: 32.4%). This was largely driven by a shift in the business mix due to the continued expansion of the Audiological Care business, which has a higher ratio of sales and marketing costs to sales than the rest of the Group, as well as the acquisition of the Sennheiser Consumer Division. Adjusted general and administration costs before acquisition-related amortization rose by 6.3% in local currencies, reaching CHF 311.9 million or 8.3% of sales (2021/22: 8.9%). This rise was almost exclusively driven by acquisitions, partly offset by the benefit from structural optimization initiatives. In addition, costs in the 2021/22 financial year were affected by a negative one-time impact from provisions related to the business in Russia. Adjusted other income was CHF 0.6 million (2021/22: zero).

Adjusted operating profit before acquisition-related amortization (EBITA) rose by 6.1% in local currencies and declined by 0.5% in Swiss francs to CHF 840.4 million (2021/22: CHF 844.4 million). The adjusted EBITA margin reached 22.5%, down 2.6 percentage points compared to the prior year but up 0.3 percentage points in local currencies excluding acquisitions. Exchange rate developments reduced the adjusted EBITA by CHF 55.5 million and the margin by 0.7 percentage points. Reported EBITA grew by 6.7% in local currencies but declined by 0.2% in Swiss francs to CHF 801.6 million. Acquisition-related amortization amounted to CHF 54.9 million (2021/22: CHF 42.9 million), reflecting recent acquisitions. Reported operating profit (EBIT) reached CHF 746.7 million (2021/22: CHF 760.0 million), down 1.8% in Swiss francs.

#### Solid increase in EPS

Net financial expenses, including the result from associates, were largely unchanged at CHF 31.0 million (2021/22: CHF 31.8 million). Income taxes amounted to CHF 57.4 million (2021/22: CHF 64.5 million). Income taxes were reduced by CHF 9.2 million due to effects related to tax reforms (2021/22: CHF 17.5 million), and by CHF 0.5 million from the release of tax provisions (2021/22: CHF 26.6 million). The underlying tax rate stood at 9.7% (2021/22: 14.5%). This reflects the temporary impact of the later than expected implementation of the global minimum tax (Pillar 2), as well as considering the temporary initial safe harbor exemptions and related impact on deferred tax balances. Basic earnings per share (EPS) reached CHF 10.75, up 11.4% in local currencies or 3.2% in Swiss francs. Adjusted EPS rose 11.5% in local currencies or 3.5% in Swiss francs to CHF 11.14, compared to CHF 10.76 in the prior year.

#### Hearing Instruments segment – Growth mainly driven by acquisitions

Sales in the Hearing Instruments segment reached CHF 3,451.5 million, an increase of 15.7% in local currencies and 11.9% in Swiss francs compared to the prior year. Organic development was held back by slower than anticipated momentum in certain key hearing care markets, and the non-renewal of a contract with a large US customer, partly offset by price increases. Organic sales growth reached 2.3%, while the contribution from acquisitions in the reporting period (including the full-year effect of prior year acquisitions) lifted sales by 13.4% or CHF 412.9 million. Key contributors were the acquisitions of the Sennheiser Consumer Division and Alpaca Audiology, which were only consolidated in the final month of the 2021/22 financial year. Exchange rate fluctuations reduced reported sales by CHF 115.4 million or 3.7% in Swiss francs.

The Hearing Instruments business generated sales of CHF 1,809.3 million, up by 0.2% in local currencies. Sales development was supported by a favorable market response to the new Phonak Lumity platform launched at the end of August 2022, but was held back in the second half of the financial year by the previously mentioned non-renewal of a contract with a large US customer. Excluding the latter, organic growth of the business reached 4.1%. Pressure on the global ASP from a shift in the country mix was compensated by price increases, resulting in a positive ASP development for the year.

The recently formed Consumer Hearing business generated sales of CHF 284.3 million. Despite a challenging consumer devices market, the recently acquired Sennheiser Consumer Division delivered on plan, supported by a series of successful product launches, including the MOMENTUM True Wireless 3 earbuds and the MOMENTUM 4 wireless noise-canceling headphones. With the introduction of the Sennheiser Conversation Clear Plus, the Consumer Hearing business established a new category of early-entry hearing solutions, a key strategic rationale for acquiring the Sennheiser Consumer Division.

Sales in the Audiological Care business were CHF 1,357.8 million, up 15.7% in local currencies. Organic growth reached 4.5%, supported by good growth in Canada, the Netherlands, the Nordic countries, and Austria. Bolt-on acquisition activity remained high throughout the year, with a particular focus on the United States, Canada, Germany, and France. A key highlight was the acquisition of HYSOUND, completed in December 2022; this added around 200 clinics in the fast-growing China market and provides a strong platform for further expansion. In total, acquisitions lifted sales by 11.2%, primarily from the acquisition of Alpaca Audiology in the United States. Including new store openings, the number of points of sale rose by over 300 to more than 3,900.

#### Sales by business – Hearing Instruments segment

in CHF m	2022/23			2021/22	
	Sales	Share	Growth in local currencies	Sales	Share
Hearing Instruments business	1,809.3	53%	0.2%	1,838.4	60%
Consumer Hearing business	284.3	8%	n/m	8.8	<1%
Audiological Care business	1,357.8	39%	15.7%	1,236.8	40%
<b>Total Hearing Instruments segment</b>	<b>3,451.5</b>	<b>100%</b>	<b>15.7%</b>	<b>3,084.0</b>	<b>100%</b>

Reported EBITA for the Hearing Instruments segment amounted to CHF 771.4 million, up 4.8% in local currencies. Adjusted EBITA increased by 5.7% in local currencies to CHF 804.5 million, corresponding to an EBITA margin of 23.3% (2021/22: 26.2%). The margin decline was driven exclusively by acquisitions and the adverse impact from exchange rate fluctuations.

#### Cochlear Implants segment – Solid growth in system sales

Sales in the Cochlear Implants business reached CHF 286.9 million, an increase of 2.8% in local currencies or 2.5% in Swiss francs. This was achieved despite supply constraints and hospital staffing shortages. System sales were up by 5.1% in local currencies, reflecting strong growth in North America, but were held back by an injunction, which prevented Advanced Bionics from selling its HiRes™ Ultra 3D cochlear implant in and from Germany (until the temporary suspension of the enforcement of the injunction in October 2022). Sales of upgrades and accessories were supported by the continued global rollout of the Naída™ CI Marvel and Sky CI™ Marvel sound processors. Against a high comparison base, sales declined by 1.0% in local currencies.

#### Sales by product groups – Cochlear Implants segment

in CHF m	2022/23			2021/22	
	Sales	Share	Growth in local currencies	Sales	Share
Cochlear implant systems	185.4	65%	5.1%	175.8	63%
Upgrades and accessories	101.5	35%	(1.0%)	104.1	37%
<b>Total Cochlear Implants segment</b>	<b>286.9</b>	<b>100%</b>	<b>2.8%</b>	<b>279.9</b>	<b>100%</b>

Reported EBITA for the Cochlear Implants segment was CHF 30.1 million. The adjusted EBITA reached CHF 35.9 million (2021/22: CHF 36.8 million), representing a margin of 12.5% (2021/22: 13.2%). The margin development was adversely impacted by the strength of the US dollar. Excluding currency developments, the margin improved by 1.5 percentage points.



### Cash flow

Cash flow from operating activities reached CHF 783.9 million (2021/22: CHF 941.1 million). The development was in part due to higher tax payments, cash outflows related to product liabilities, and stable trade payables (these had increased in 2021/22). It also reflects the build-up of trade receivables related to the acquisition of the Sennheiser Consumer Division. Net purchase of tangible and intangible assets increased to CHF 152.3 million (2021/22: CHF 104.8 million), driven by investments in infrastructure, including the new operations facility for the Americas region in Mexico, which will expand Sonova's global manufacturing capabilities for the Hearing Instruments and Cochlear Implants businesses, and in IT projects. This resulted in an operating free cash flow of CHF 535.6 million (2021/22: CHF 763.7 million).

Reflecting the continued expansion of the Group's audiological care network, the cash consideration for acquisitions, including HYSOUND in China, amounted to CHF 261.1 million. This is down from CHF 596.2 million in the prior year, which included the acquisition of the Sennheiser Consumer Division and Alpaca Audiology. In summary, this resulted in a free cash flow of CHF 274.4 million (2021/22: CHF 167.6 million). The cash outflow from financing activities of CHF 545.2 million reflects the dividend payment of CHF 267.6 million and net share repurchases of CHF 486.5 million, mainly related to the share buyback program, partly offset by net proceeds from borrowings of CHF 319.2 million.

### Balance sheet

Cash and cash equivalents stood at CHF 413.9 million compared to CHF 610.5 million at the end of the 2021/22 financial year. Net working capital was CHF 89.5 million (end of 2021/22: CHF – 15 million). Receivable collection continued to be strong while the Group maintained higher safety stock to address supply shortages of microelectronic components. The increase mainly reflects the previously mentioned build-up of trade receivables related to the acquisition of the Sennheiser Consumer Division, along with lower accruals. Driven mainly by the higher M&A activity, capital employed increased to CHF 3,727.3 million compared to CHF 3,439.1 million at the end of the 2021/22 financial year.

The Group's equity of CHF 2,231.4 million represents an equity ratio of 40.2%, down from 43.5% at end of the 2021/22 financial year. The decrease mainly reflects share purchases under the share buyback program, dividend payments, and negative currency effects. Purchases of CHF 421.5 million under the new share buyback program also impacted the net debt position, which increased to CHF 1,495.9 million compared to CHF 1,006.3 million at the end of March 2022. The net debt/EBITDA ratio stood at 1.5x, which is at the upper end of Sonova's target range of 1.0 – 1.5x. The return on capital employed (ROCE) reached 20.8% compared to 24.1% in the prior year.

### Outlook 2023/24

The fundamentals of Sonova's business remain strong despite ongoing macroeconomic volatility. With its proven strategy and continued innovation, the Group is well prepared to capture growth opportunities in the attractive hearing care market. This market has shown signs of recovery in recent months, although uncertainty remains in the short term. For the 2023/24 financial year, Sonova expects consolidated sales to increase by 3% – 7% and adjusted EBITA to grow in the range of 6% – 10%, measured at constant exchange rates.

## Reconciliation of non-GAAP financial measures

April 1 to March 31, CHF  
million

								2022/23
	Income statement as reported	Acquis. related amortization	Income statement EBITA separation	Restructuring costs	Tax reforms	Transaction and integration costs	Litigation costs	Income statement adjusted
<b>Sales</b>	<b>3,738.4</b>		<b>3,738.4</b>					<b>3,738.4</b>
Cost of sales	(1,101.0)		(1,101.0)	7.6		0.2		(1,093.3)
<b>Gross profit</b>	<b>2,637.4</b>		<b>2,637.4</b>	<b>7.6</b>		<b>0.2</b>		<b>2,645.1</b>
Research and development	(244.6)	1.6	(243.0)	0.2				(242.9)
Sales and marketing	(1,316.4)	53.3	(1,263.1)	6.4		6.2		(1,250.6)
General and administration	(330.2)		(330.2)	1.5		10.6	6.2	(311.9)
Other income/(expenses), net	0.6		0.6					0.6
<b>Operating profit before acquisition-related amortization (EBITA) <sup>1)</sup></b>			<b>801.6</b>	<b>15.6</b>		<b>17.0</b>	<b>6.2</b>	<b>840.4</b>
Acquisition-related amortization		(54.9)	(54.9)					(54.9)
<b>Operating profit (EBIT) <sup>2)</sup></b>	<b>746.7</b>		<b>746.7</b>	<b>15.6</b>		<b>17.0</b>	<b>6.2</b>	<b>785.5</b>
<b>Basic earnings per share (CHF)</b>	<b>10.75</b>		<b>10.75</b>	<b>0.20</b>	<b>(0.15)</b>	<b>0.24</b>	<b>0.10</b>	<b>11.14</b>

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).

April 1 to March 31, CHF  
million

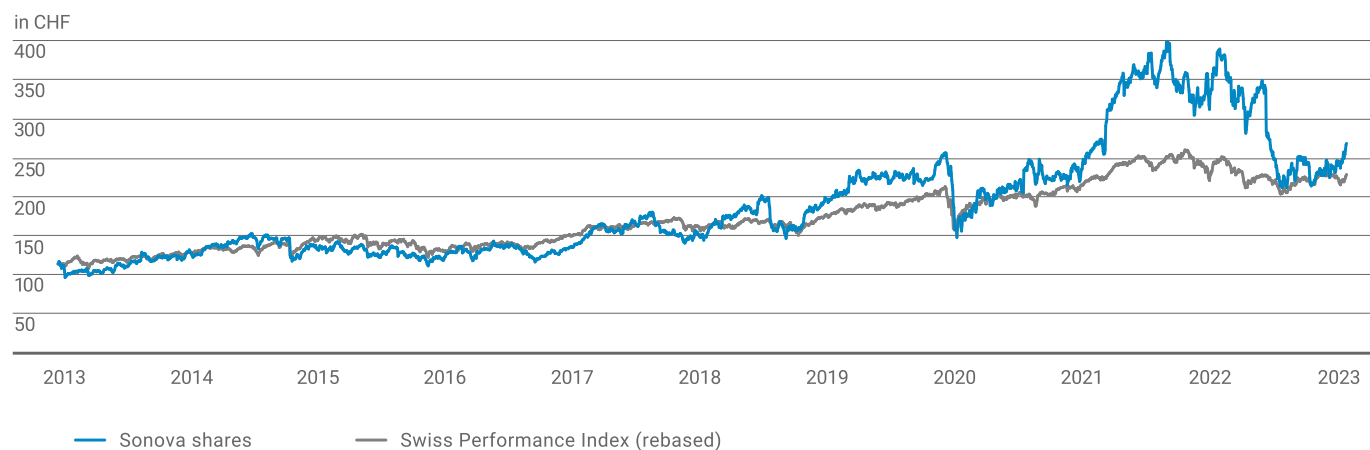
								2021/22
	Income statement as reported	Acquis. related amortization	Income statement EBITA separation	Restructuring costs	Tax reforms	Transaction and integration costs	Settlement agreement in principle and patent litigation	Income statement adjusted
<b>Sales</b>	<b>3,363.9</b>		<b>3,363.9</b>					<b>3,363.9</b>
Cost of sales	(903.3)		(903.3)	3.0				(900.3)
<b>Gross profit</b>	<b>2,460.7</b>		<b>2,460.7</b>	<b>3.0</b>				<b>2,463.7</b>
Research and development	(230.5)	0.6	(230.0)	0.6				(229.4)
Sales and marketing	(1,137.6)	42.4	(1,095.3)	4.8		0.4		(1,090.1)
General and administration	(320.9)		(320.9)	5.1		11.7	4.4	(299.8)
Other income/(expenses), net	(11.5)		(11.5)				11.6	0.0
<b>Operating profit before acquisition-related amortization (EBITA) <sup>1)</sup></b>			<b>802.9</b>	<b>13.5</b>		<b>12.0</b>	<b>16.0</b>	<b>844.4</b>
Acquisition-related amortization		(42.9)	(42.9)					(42.9)
<b>Operating profit (EBIT) <sup>2)</sup></b>	<b>760.0</b>		<b>760.0</b>	<b>13.5</b>		<b>12.0</b>	<b>16.0</b>	<b>801.5</b>
<b>Basic earnings per share (CHF)</b>	<b>10.42</b>		<b>10.42</b>	<b>0.18</b>	<b>(0.28)</b>	<b>0.17</b>	<b>0.26</b>	<b>10.76</b>

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).



Share price development – Sonova versus Swiss Performance Index (rebased)



Share price performance history<sup>1)</sup>

	10 years	5 years	3 years	2 years	1 year
Sonova shares	135.8%	76.9%	54.0%	7.3%	(30.7%)
Swiss Performance Index (SPI) <sup>2)</sup>	100.8%	42.8%	28.5%	3.8%	(6.4%)
Sonova shares relative to the SPI	35.0%	34.2%	25.5%	3.5%	(24.3%)

1) Performance of the Sonova shares and SPI refers to the respective period prior to the last trading day of the 2022/23 financial year.

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

April 1 to March 31, in CHF million unless otherwise specified

	2022/23	2021/22	2020/21	2019/20	2018/19
<b>Sales</b>	<b>3,738.4</b>	<b>3,363.9</b>	<b>2,601.9</b>	<b>2,916.9</b>	<b>2,763.2</b>
change compared to previous year (%)	11.1	29.3	(10.8)	5.6	4.4
<b>Gross profit</b>	<b>2,637.4</b>	<b>2,460.7</b>	<b>1,873.5</b>	<b>2,083.6</b>	<b>1,966.2</b>
in % of sales	70.5	73.1	72.0	71.4	71.2
<b>Gross profit (adjusted) <sup>1)</sup></b>	<b>2,645.1</b>	<b>2,463.7</b>	<b>1,880.2</b>	<b>2,106.9</b>	<b>1,975.1</b>
in % of sales (adjusted)	70.8	73.2	72.3	72.0	71.5
<b>Research &amp; development costs</b>	<b>243.0</b>	<b>230.0</b>	<b>203.9</b>	<b>166.1</b>	<b>148.4</b>
in % of sales	6.5	6.8	7.8	5.7	5.4
<b>Sales &amp; marketing costs</b>	<b>1,263.1</b>	<b>1,095.3</b>	<b>881.2</b>	<b>1,030.8</b>	<b>970.3</b>
in % of sales	33.8	32.6	33.9	35.3	35.1
<b>Operating profit before acquisition-related amortization (EBITA)</b>	<b>801.6</b>	<b>802.9</b>	<b>663.3</b>	<b>554.3</b>	<b>582.5</b>
in % of sales	21.4	23.9	25.5	19.0	21.1
<b>Operating profit before acquisition-related amortization (EBITA) (adjusted) <sup>1)</sup></b>	<b>840.4</b>	<b>844.4</b>	<b>603.0</b>	<b>620.8</b>	<b>594.0</b>
in % of sales (adjusted)	22.5	25.1	23.2	21.2	21.5
<b>Operating profit (EBIT)</b>	<b>746.7</b>	<b>760.0</b>	<b>619.5</b>	<b>510.0</b>	<b>536.2</b>
in % of sales	20.0	22.6	23.8	17.5	19.4
<b>Income after taxes</b>	<b>658.3</b>	<b>663.6</b>	<b>585.3</b>	<b>489.5</b>	<b>460.2</b>
in % of sales	17.6	19.7	22.5	16.8	16.7
<b>Income after taxes (adjusted) <sup>1)</sup></b>	<b>681.5</b>	<b>684.4</b>	<b>489.6</b>	<b>475.5</b>	<b>468.5</b>
in % of sales (adjusted)	18.2	20.3	18.8	16.2	17.0
<b>Basic earnings per share</b>	<b>10.75</b>	<b>10.42</b>	<b>9.23</b>	<b>7.61</b>	<b>6.98</b>
<b>Basic earnings per share (CHF) (adjusted) <sup>1)</sup></b>	<b>11.14</b>	<b>10.76</b>	<b>7.71</b>	<b>7.39</b>	<b>7.11</b>
<b>Dividend/distribution per share (CHF)</b>	<b>4.60 <sup>2)</sup></b>	<b>4.40</b>	<b>3.20</b>	<b>Stock Div.</b>	<b>2.90</b>
<b>Net cash/(debt) <sup>3)</sup></b>	<b>(1,495.9)</b>	<b>(1,006.3)</b>	<b>(83.3)</b>	<b>(663.0)</b>	<b>(253.9)</b>
Net working capital <sup>4)</sup>	89.5	(15.0)	29.6	(18.9)	163.0
Capital expenditure (tangible and intangible assets) <sup>5)</sup>	154.3	106.6	89.3	128.8	117.9
Capital employed <sup>6)</sup>	3,727.3	3,439.1	2,855.7	2,692.5	2,630.0
Total assets	5,552.5	5,588.2	5,925.6	4,486.5	4,292.5
Equity	2,231.4	2,432.8	2,772.5	2,029.4	2,376.1
Equity financing ratio (%) <sup>7)</sup>	40.2	43.5	46.8	45.2	55.4
Free cash flow <sup>8)</sup>	274.4	167.6	571.9	563.7	346.9
<b>Operating free cash flow <sup>9)</sup></b>	<b>535.6</b>	<b>763.7</b>	<b>602.4</b>	<b>638.5</b>	<b>411.8</b>
<b>Return on capital employed (%) <sup>10)</sup></b>	<b>20.8</b>	<b>24.1</b>	<b>22.3</b>	<b>18.2</b>	<b>20.6</b>
<b>Number of employees (end of period)</b>	<b>17,608</b>	<b>16,733</b>	<b>14,508</b>	<b>15,184</b>	<b>14,740</b>

1) Non-GAAP financial measure adjusted for nonrecurring items; for details see the table "Reconciliation of non-GAAP financial measures" in the financial review or refer to the respective annual report.

2) Proposal to the Annual General Shareholders' Meeting of June 12, 2023.

3) Cash and cash equivalents + other current financial assets (without loans) – current financial liabilities – current lease liabilities – non-current financial liabilities – non-current lease liabilities.

4) Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – short-term contract liabilities – other short-term liabilities – short-term provisions.

5) Excluding goodwill and intangibles relating to acquisitions.

6) Equity – net cash/(debt).

7) Equity in % of total assets.

8) Cash flow from operating activities + cash flow from investing activities + payments for lease liabilities.

9) Free cash flow – cash consideration for acquisitions and from divestments, net of cash acquired/divested – cash consideration for associates.

10) EBIT in % of capital employed (average).

# Consolidated financial statements

## Consolidated income statement

April 1 to March 31, in CHF million	Notes	2022/23	2021/22
<b>Sales</b>	<b>2.2,2.3</b>	<b>3,738.4</b>	<b>3,363.9</b>
Cost of sales		(1,101.0)	(903.3)
<b>Gross profit</b>		<b>2,637.4</b>	<b>2,460.7</b>
Research and development <sup>1)</sup>		(244.6)	(230.5)
Sales and marketing <sup>1)</sup>		(1,316.4)	(1,137.6)
General and administration		(330.2)	(320.9)
Other income	<b>2.4</b>	0.6	0.1
Other expenses	<b>2.4</b>	(0.0)	(11.6)
<b>Operating profit (EBIT) <sup>2)</sup></b>		<b>746.7</b>	<b>760.0</b>
Financial income	<b>4.2</b>	15.0	1.7
Financial expenses	<b>4.2</b>	(49.9)	(36.5)
Share of profit/(loss) in associates/joint ventures, net	<b>6.2</b>	3.9	3.0
<b>Income before taxes</b>		<b>715.6</b>	<b>728.2</b>
Income taxes	<b>5.1</b>	(57.4)	(64.5)
<b>Income after taxes</b>		<b>658.3</b>	<b>663.6</b>
Attributable to:			
Equity holders of the parent		647.5	649.0
Non-controlling interests		10.7	14.7
Basic earnings per share (CHF)	<b>2.5</b>	10.75	10.42
Diluted earnings per share (CHF)	<b>2.5</b>	10.72	10.35

1) Includes acquisition-related amortization of CHF 1.6 million (previous year: CHF 0.6 million) in "Research and development" and CHF 53.3 million (previous year: CHF 42.4 million) in "Sales and marketing". EBITA (Earnings before financial result, share of profit/(loss) in associates/joint ventures, taxes and acquisition-related amortization) amounts to CHF 801.6 million (previous year: CHF 802.9 million). Refer to Note 2.1

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 statement of comprehensive income

April 1 to March 31, in CHF million	Notes	2022/23	2021/22
<b>Income after taxes</b>		<b>658.3</b>	<b>663.6</b>
<b>Other comprehensive income</b>			
Actuarial (loss)/gain from defined benefit plans, net	7.3	(36.9)	55.7
Tax effect on actuarial result from defined benefit plans, net		6.5	(9.1)
<b>Total items not to be reclassified to income statement in subsequent periods</b>		<b>(30.4)</b>	<b>46.6</b>
Currency translation differences		(121.9)	(113.1)
Tax effect on currency translation items		4.9	7.6
<b>Total items to be reclassified to income statement in subsequent periods</b>		<b>(117.0)</b>	<b>(105.5)</b>
<b>Other comprehensive income, net of tax</b>		<b>(147.4)</b>	<b>(58.9)</b>
<b>Total comprehensive income</b>		<b>510.8</b>	<b>604.8</b>
Attributable to:			
Equity holders of the parent		501.6	591.6
Non-controlling interests		9.3	13.2

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

## Consolidated balance sheet

Assets CHF million	Notes	31.3.2023	31.3.2022
Cash and cash equivalents	4.1	413.9	610.5
Other current financial assets	4.4	11.0	8.4
Trade receivables	3.1	524.7	474.3
Current income tax receivables		5.8	4.8
Inventories	3.2	419.1	412.7
Other current operating assets	3.6	138.3	148.9
<b>Total current assets</b>		<b>1,512.9</b>	<b>1,659.7</b>
Property, plant and equipment	3.3	371.1	358.9
Right-of-use assets	3.4	288.4	273.8
Intangible assets	3.5	3,057.9	2,948.9
Investments in associates/joint ventures	6.2	18.7	22.3
Other non-current financial assets	4.4	46.9	36.2
Other non-current operating assets	3.6	5.7	5.8
Retirement benefit asset	7.3		39.7
Deferred tax assets	5.1	250.9	242.9
<b>Total non-current assets</b>		<b>4,039.6</b>	<b>3,928.5</b>
<b>Total assets</b>		<b>5,552.5</b>	<b>5,588.2</b>
Liabilities and equity CHF million	Notes	31.3.2023	31.3.2022
Current financial liabilities	4.5	22.2	374.2
Current lease liabilities	3.4	73.4	68.8
Trade payables		192.9	189.2
Current income tax liabilities		171.9	177.6
Short-term contract liabilities	2.3	115.8	106.7
Other short-term operating liabilities	3.8	373.9	437.5
Short-term provisions	3.7	154.0	151.6
<b>Total current liabilities</b>		<b>1,104.2</b>	<b>1,505.7</b>
Non-current financial liabilities	4.5	1,591.6	959.9
Non-current lease liabilities	3.4	223.5	215.5
Long-term provisions	3.7	91.2	132.6
Long-term contract liabilities	2.3	184.0	187.3
Retirement benefit obligation	7.3	12.8	15.7
Deferred tax liabilities	5.1	113.9	138.8
<b>Total non-current liabilities</b>		<b>2,217.0</b>	<b>1,649.8</b>
<b>Total liabilities</b>		<b>3,321.1</b>	<b>3,155.4</b>
Share capital	4.6	3.1	3.2
Treasury shares		(429.0)	(721.0)
Retained earnings and reserves		2,638.4	3,128.2
<b>Equity attributable to equity holders of the parent</b>		<b>2,212.4</b>	<b>2,410.5</b>
Non-controlling interests		18.9	22.3
<b>Equity</b>		<b>2,231.4</b>	<b>2,432.8</b>
<b>Total liabilities and equity</b>		<b>5,552.5</b>	<b>5,588.2</b>

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

## Consolidated cash flow statement

April 1 to March 31, in CHF million	Notes		2022/23	2021/22
<b>Income before taxes</b>			<b>715.6</b>	<b>728.2</b>
Depreciation, amortization and impairment of tangible and intangible assets and right-of-use assets	<b>3.3,3.4,3.5</b>	239.7		211.1
Loss on sale of tangible and intangible assets, net		1.9		0.3
Share of (profit)/loss in associates/joint ventures, net	<b>6.2</b>	(3.9)		(3.0)
Decrease in long-term provisions and long-term contract liabilities		(33.6)		(3.2)
Financial (income)/expenses, net excl. cash flow from management of foreign currencies and exchange (gains)/losses		14.6		34.9
Share based payments	<b>7.4</b>	21.0		33.5
Other non-cash items		(11.0)		5.0
Income taxes paid		(86.8)	141.9	(46.7)
<b>Cash flow before changes in net working capital</b>			<b>857.5</b>	<b>960.1</b>
Increase in trade receivables		(67.3)		(36.2)
Decrease/(increase) in other receivables and prepaid expenses		6.9		(22.6)
Increase in inventories		(7.7)		(55.2)
Increase in trade payables		5.2		74.5
(Decrease)/increase in other payables, accruals, short-term provisions and short-term contract liabilities		(10.7)	(73.7)	20.7
<b>Cash flow from operating activities</b>			<b>783.9</b>	<b>941.1</b>
Purchase of tangible and intangible assets	<b>3.3,3.5</b>	(154.3)		(106.6)
Proceeds from sale of tangible and intangible assets		2.0		1.9
Cash consideration for acquisitions, net of cash acquired	<b>6.1</b>	(261.1)		(594.1)
Cash consideration for associates	<b>6.2</b>			(2.1)
Payments for other financial assets		(27.8)		(19.8)
Repayments of other financial assets		11.7		13.6
Interest received		1.2		1.1
<b>Cash flow from investing activities</b>			<b>(428.3)</b>	<b>(705.9)</b>
Proceeds from borrowings	<b>4.5</b>	649.2		
Repayment of borrowings	<b>4.5</b>	(330.0)		(360.0)
Repayment of lease liabilities	<b>3.4</b>	(75.9)		(64.0)
Share buyback program	<b>4.6</b>	(446.2)		(678.1)
Sale of treasury shares	<b>4.6</b>	16.2		26.3
Purchase of treasury shares	<b>4.6</b>	(56.5)		(79.8)
Dividends paid by Sonova Holding AG		(267.6)		(201.6)
Dividends to non-controlling interests		(12.7)		(15.4)
Interest paid		(21.7)		(19.7)
<b>Cash flow from financing activities</b>			<b>(545.2)</b>	<b>(1,392.4)</b>
Exchange losses on cash and cash equivalents			(7.0)	(4.5)
<b>Decrease in cash and cash equivalents</b>			<b>(196.6)</b>	<b>(1,161.7)</b>
Cash and cash equivalents at the beginning of the financial year			610.5	1,772.2
<b>Cash and cash equivalents at the end of the financial year</b>			<b>413.9</b>	<b>610.5</b>

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

## Consolidated statement of changes in equity

CHF million

	Attributable to equity holders of Sonova Holding AG					Total equity
	Share capital	Retained earnings and other reserves	Translation adjustment	Treasury shares	Non-controlling interests	
<b>Balance April 1, 2021</b>	<b>3.2</b>	<b>3,370.2</b>	<b>(318.6)</b>	<b>(306.9)</b>	<b>24.5</b>	<b>2,772.5</b>
Income for the period		649.0			14.7	663.6
Actuarial gain/(loss) from defined benefit plans, net		55.7				55.7
Tax effect on actuarial result		(9.1)				(9.1)
Currency translation differences			(111.7)		(1.5)	(113.1)
Tax effect on currency translation			7.6			7.6
<b>Total comprehensive income</b>		<b>695.6</b>	<b>(104.0)</b>		<b>13.2</b>	<b>604.8</b>
Capital decrease – share buyback program	(0.1)	(277.5)		277.5		
Share-based payments		5.4		23.5		28.9
Sale of treasury shares <sup>1)</sup>		(41.2)		67.5		26.3
Purchase of treasury shares <sup>2)</sup>				(782.6)		(782.6)
Dividend paid		(201.6)			(15.4)	(217.0)
<b>Balance March 31, 2022</b>	<b>3.2</b>	<b>3,550.8</b>	<b>(422.6)</b>	<b>(721.0)</b>	<b>22.3</b>	<b>2,432.8</b>
<b>Balance April 1, 2022</b>	<b>3.2</b>	<b>3,550.8</b>	<b>(422.6)</b>	<b>(721.0)</b>	<b>22.3</b>	<b>2,432.8</b>
Income for the period		647.5			10.7	658.3
Actuarial (loss)/gain from defined benefit plans, net		(36.9)				(36.9)
Tax effect on actuarial result		6.5				6.5
Currency translation differences			(120.5)		(1.4)	(121.9)
Tax effect on currency translation			4.9			4.9
<b>Total comprehensive income</b>		<b>617.2</b>	<b>(115.6)</b>		<b>9.3</b>	<b>510.8</b>
Capital decrease – share buyback program	(0.1)	(702.7)		702.8		
Share-based payments		8.1		21.1		29.2
Sale of treasury shares <sup>1)</sup>		(29.2)		46.0		16.7
Purchase of treasury shares <sup>2)</sup>				(477.9)		(477.9)
Dividend paid		(267.6)			(12.7)	(280.3)
<b>Balance March 31, 2023</b>	<b>3.1</b>	<b>3,176.6</b>	<b>(538.2)</b>	<b>(429.0)</b>	<b>18.9</b>	<b>2,231.4</b>

<sup>1)</sup> In relation to long-term equity incentive plans.

<sup>2)</sup> Further information on the share buyback program is disclosed in Note 4.6. The Notes are an integral part of the consolidated financial statements.



# Notes to the consolidated financial statements as of March 31, 2023

## I. Basis for preparation

### I.1 Corporate information

The Sonova Group (the "Group") is a global leader in innovative hearing care solutions: from personal audio devices and wireless communication systems to audiological care services, hearing aids and cochlear implants. The Group's globally diversified sales and distribution channels serve an ever growing consumer base in more than 100 countries. The 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.

### I.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, which are prepared in accordance with uniform accounting policies. The consolidated financial statements were prepared under the historical cost convention except for the revaluation of certain financial assets at market value, which were prepared in accordance with International Financial Reporting Standards (IFRS) 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 10, 2023 and are subject to approval by the Annual General Shareholders' Meeting on June 12, 2023.

The consolidated financial statements are presented in millions of Swiss Francs (CHF) and rounded to the nearest hundred thousand. Due to rounding, numbers presented throughout this report may not add up precisely to the totals provided. All ratios and variances are calculated using the underlying amount rather than the presented rounded amounts.

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 consolidated companies is given in [Note 7.7](#).

Accounting policies of relevance for an understanding of the consolidated financial statements are set out in the specific notes to the financial statements.

## 1.3 Significant accounting judgments and estimates

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-recurring 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 a significant risk of resulting in a material adjustment are described in the following notes:

Description	Further information
Allocation of the transaction price to performance obligations	Note 2.3: Revenue
Renewal options in leases	Note 3.4: Leases
Capitalization of development costs	Note 3.5: Intangible assets
Impairment test	Note 3.5: Intangible assets
Provisions for warranty, returns and product liabilities	Note 3.7: Provisions
Fair value of financial liabilities at fair value through profit or loss	Note 4.8: Financial instruments
Deferred tax assets	Note 5.1: Taxes
Business combinations	Note 6.1: Acquisitions/disposals of subsidiaries
Defined benefit plans	Note 7.3: Employee benefits

## 1.4 Changes in accounting policies

In 2022/23 the Group adopted the following amendments to existing standards and interpretations, without having a significant impact on the Group's result and financial position:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- *Onerous Contracts – Costs of Fulfilling a Contract* – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018 – 2020

The Group has assessed the expected impacts of the various new and revised standards and interpretations that will be effective for the financial year starting April 1, 2023 and beyond. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## 2. Operating result

### 2.1 Income statement reconciliation

The Group presents the "Consolidated income statement" based on a classification of costs by function and is continuously amending its business portfolio with acquisitions, resulting in acquisition-related intangibles (see section "Intangible assets" in [Note 3.5](#)) and related amortization charges. To calculate EBITA<sup>1)</sup>, which is the key profit metric for internal (refer to [Note 2.2](#)) as well as external purposes, acquisition-related amortization is separated from the individual functions as disclosed below.

April 1 to March 31, CHF million

2022/23

	Income statement as reported	Acquis. related amortization	Income statement EBITA separation
<b>Sales</b>	<b>3,738.4</b>		<b>3,738.4</b>
Cost of sales	(1,101.0)		(1,101.0)
<b>Gross profit</b>	<b>2,637.4</b>		<b>2,637.4</b>
Research and development	(244.6)	1.6	(243.0)
Sales and marketing	(1,316.4)	53.3	(1,263.1)
General and administration	(330.2)		(330.2)
Other income/(expenses), net	0.6		0.6
<b>Operating profit before acquisition-related amortization (EBITA) <sup>1)</sup></b>			<b>801.6</b>
Acquisition-related amortization		(54.9)	(54.9)
<b>Operating profit (EBIT) <sup>2)</sup></b>	<b>746.7</b>		<b>746.7</b>

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).

April 1 to March 31, CHF million

2021/22

	Income statement as reported	Acquis. related amortization	Income statement EBITA separation
<b>Sales</b>	<b>3,363.9</b>		<b>3,363.9</b>
Cost of sales	(903.3)		(903.3)
<b>Gross profit</b>	<b>2,460.7</b>		<b>2,460.7</b>
Research and development	(230.5)	0.6	(230.0)
Sales and marketing	(1,137.6)	42.4	(1,095.3)
General and administration	(320.9)		(320.9)
Other income/(expenses), net	(11.5)		(11.5)
<b>Operating profit before acquisition-related amortization (EBITA) <sup>1)</sup></b>			<b>802.9</b>
Acquisition-related amortization		(42.9)	(42.9)
<b>Operating profit (EBIT) <sup>2)</sup></b>	<b>760.0</b>		<b>760.0</b>

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).

## 2.2 Segment information

### Information by business segments

The Group is active in the two business segments, hearing instruments and cochlear implants, which are reported separately to the Group's chief operating decision maker (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 sales analysis as well as consolidated income statements and other key financial metrics for the two segments. The Group uses EBITA as a key metric to measure profit or loss for both segments (refer to [Note 2.1](#)). Transactions between segments are based on market terms.

#### Hearing instruments:

This operating segment includes the activities of the design, development, manufacture, distribution and service of hearing instruments and related products, as well as wireless headsets, speech-enhanced hearables and audiophile headphones. Research and development is centralized in Switzerland while some supporting activities are also performed in Canada, Sweden and Germany. Production of hearing instruments is concentrated in three production centers located in Switzerland, China and Vietnam – with technologically advanced production processes being performed in Switzerland and standard product assembly being located in Asia -, whereas the production of consumer hearing devices is based in Germany, Ireland, Romania and the USA. Most of the marketing activities are steered by the brand marketing departments in Switzerland, Canada, the United States, Germany and Sweden. The execution of marketing campaigns lies with the sales organizations in each market. Product distribution is done through sales organizations in the individual markets for hearing instruments and through 21 sales subsidiaries and long-established trading partners for consumer hearing products. The distribution channels of the Group vary in the individual markets depending on the sales strategy and the characteristics of the countries. The distribution channels can be split broadly into a retail business where Sonova operates its own store network and sells directly to end consumers and a hearing instruments business, reflecting the wholesale sales to independent audiologists, 3<sup>rd</sup> party retail chains, multinational and government customers.

**Cochlear implants:**

This operating segment includes the activities of the design, development, manufacture, distribution and service of hearing implants and related products. The segment consists of Advanced Bionics and the related sales organizations. Research and development as well as marketing activities of Advanced Bionics are centralized predominantly 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.

CHF million	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	Hearing Instruments		Cochlear Implants		Corporate/ Eliminations		Total	
Segment sales	3,461.4	3,089.5	293.0	282.3			3,754.4	3,371.7
Intersegment sales	(10.0)	(5.4)	(6.1)	(2.4)			(16.0)	(7.8)
<b>Sales</b>	<b>3,451.5</b>	<b>3,084.0</b>	<b>286.9</b>	<b>279.9</b>			<b>3,738.4</b>	<b>3,363.9</b>
<b>Timing of revenue recognition</b>								
At point in time	3,289.0	2,949.3	274.2	268.0			3,563.2	3,217.4
Over time	162.5	134.7	12.7	11.9			175.2	146.5
<b>Total sales</b>	<b>3,451.5</b>	<b>3,084.0</b>	<b>286.9</b>	<b>279.9</b>			<b>3,738.4</b>	<b>3,363.9</b>
<b>Operating profit before acquisition-related amortization (EBITA)</b>	<b>771.4</b>	<b>782.9</b>	<b>30.1</b>	<b>19.7</b>	<b>0.0</b>	<b>0.4</b>	<b>801.6</b>	<b>802.9</b>
Depreciation, amortization and impairment	(206.7)	(173.2)	(33.0)	(37.8)			(239.7)	(211.1)
<b>Segment assets</b>	<b>4,976.1</b>	<b>4,831.4</b>	<b>578.8</b>	<b>568.2</b>	<b>(686.0)</b>	<b>(686.9)</b>	<b>4,869.0</b>	<b>4,712.6</b>
Unallocated assets <sup>1)</sup>							683.5	875.6
<b>Total assets</b>							<b>5,552.5</b>	<b>5,588.2</b>

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

Reconciliation of reportable segment profit CHF million	2022/23	2021/22
EBITA	801.6	802.9
Acquisition-related amortization	(54.9)	(42.9)
Financial costs, net	(34.9)	(34.9)
Share of profit/(loss) in associates/joint ventures, net	3.9	3.0
<b>Income before taxes</b>	<b>715.6</b>	<b>728.2</b>

## Entity-wide disclosures

Sales by business CHF million	2022/23	2021/22
Hearing Instruments business	1,809.3	1,838.4
Consumer Hearing business	284.3	8.8
Audiological Care business	1,357.8	1,236.8
<b>Total Hearing Instruments segment</b>	<b>3,451.5</b>	<b>3,084.0</b>
Cochlear Implant systems	185.4	175.8
Upgrades and accessories	101.5	104.1
<b>Total Cochlear Implants segment</b>	<b>286.9</b>	<b>279.9</b>
<b>Total sales</b>	<b>3,738.4</b>	<b>3,363.9</b>

Sales and selected non-current assets by regions CHF million	2022/23	2021/22	2022/23	2021/22
Country/region	Sales <sup>1)</sup>		Selected non-current assets <sup>2)</sup>	
Switzerland	44.0	30.8	231.5	238.4
EMEA (excl. Switzerland)	1,824.2	1,745.1	1,708.2	1,765.9
USA	1,150.0	1,009.8	1,052.7	1,021.5
Americas (excl. USA)	274.0	244.6	241.3	217.5
Asia/Pacific	446.2	333.6	502.3	360.6
<b>Total Group</b>	<b>3,738.4</b>	<b>3,363.9</b>	<b>3,736.1</b>	<b>3,603.9</b>

1) Sales based on location of customers.

2) Total of property, plant & equipment, right-of-use assets, 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.

## 2.3 Revenue

The Group generates revenue primarily from the sale of audio devices, hearing instruments, cochlear implants and related services. A disaggregation of revenue from contracts with customers is included in [Note 2.2](#). The following provides information about the Group's revenue recognition policies, performance obligations and related contract assets and liabilities.

The following table summarizes the contract assets and contract liabilities related to contracts with customers:

Contract balances CHF million	31.3.2023	31.3.2022
Contract assets	9.5	8.8
Contract liabilities	299.8	294.1

Contract liabilities relate to advance consideration received from customers for the Group's various services, such as extended warranties, loss and damage and battery plans. In addition to the contract liabilities, the Group also recognizes contract assets that relate to loss and damage services. Contract assets are presented within other operating assets (refer to [Note 3.6](#)) in the consolidated balance sheet.

Significant changes in the contract liabilities during the period are as follows:



<b>Movement in contract liabilities</b> CHF million	<b>2022/23</b>	<b>2021/22</b>
Balance April 1	294.1	302.0
Changes through business combinations		9.3
Increase due to advance consideration received in the period	191.6	143.4
Decrease due to revenue recognized in the period that,		
– was included in the contract liabilities at the beginning of the period	(136.8)	(102.6)
– relates to consideration received in the period	(39.1)	(41.7)
Reversals	(0.1)	(2.3)
Exchange differences	(9.9)	(14.1)
<b>Balance March 31</b>	<b>299.8</b>	<b>294.1</b>
Expectation on timing of revenue recognition:		
Within 1 year	115.8	106.7
Within 2 years	93.6	88.4
Within 3 years	49.8	52.3
Within 4 years	19.1	21.9
More than 4 years	21.5	24.7

No material revenue was recognized in the current period from performance obligations satisfied in previous periods.

#### **Accounting policies**

*The Group recognizes revenue at point in time when control of the products is transferred to the buyer, mainly upon delivery. The transaction price is adjusted for any variable elements, such as rebates and discounts. For audiological care customers, revenue recognition usually occurs after fitting of the device or when the trial period lapses. For hearing instruments sold in bundled packages (i.e. including accessories and services), the transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling price of all performance obligations in the contract.*

*For cochlear implants, sales are generally recognized at point in time when control of the products is transferred to the buyer (mainly hospitals), either at delivery or after surgery.*

*When the customer has a right to return the product within a given period, the amount of revenue is adjusted for expected returns, which are estimated based on historical product return rates. A return provision for the expected returns is recognized as an adjustment to revenue. In addition, an asset for the right to recover returned goods is recognized, measured by reference to the carrying amount, which is presented as part of other current operating assets.*

*The Group also offers various services, such as extended warranties, loss and damage and battery plans. Revenue for these services is predominantly recognized on a straight-line basis over the service period. In the majority of countries in which the Group operates, the standard warranty period is two years and the extended warranty covers periods beyond the second year. Loss and damage is offered in some, but not all countries, in which the Group operates. This service assures replacement of hearing instruments that are not covered by the warranty. In some countries, the Group reinsures loss and damage. Insurance costs are capitalized as contract assets and are recognized as cost of sales over the loss and damage service period.*

*Payment terms vary significantly across countries and also depend on whether the customer is a private or public customer.*

**Accounting judgements and estimates**

*In order to allocate the transaction price to each performance obligation in a contract, management estimates the standalone selling price of the products and services at contract inception. Mostly, the standalone selling price is based on established price lists. For loss and damage services, management considers the likelihood of a customer claim in the calculation of the standalone selling price.*

*If the sum of the standalone selling prices of a bundle of goods or services exceeds the consideration in a contract, the discount is allocated proportionally to all of the performance obligations in the contract unless there is observable evidence that the discount relates to only one or some of the performance obligations.*

## 2.4 Other income/expenses

In the 2022/23 financial year, the net result of other income and expense amounts to CHF 0.6 million (previous year: CHF – 11.5 million).

In the prior year, the expense primarily related to costs in relation to a settlement agreement in principle with the US Department of Justice and ongoing patent litigation in the Cochlear Implants segment. For further information refer to [Note 3.9](#) "Contingent assets and liabilities".

## 2.5 Earnings per share

<b>Basic earnings per share</b>	<b>2022/23</b>	<b>2021/22</b>
Income after taxes (CHF million)	647.5	649.0
Weighted average number of outstanding shares	60,224,264	62,270,275
<b>Basic earnings per share (CHF)</b>	<b>10.75</b>	<b>10.42</b>

<b>Diluted earnings per share</b>	<b>2022/23</b>	<b>2021/22</b>
Income after taxes (CHF million)	647.5	649.0
Weighted average number of outstanding shares	60,224,264	62,270,275
Adjustment for dilutive share awards	208,862	440,731
Adjusted weighted average number of outstanding shares	60,433,126	62,711,006
<b>Diluted earnings per share (CHF)</b>	<b>10.72</b>	<b>10.35</b>

### Accounting policies

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

In the case of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming all outstanding dilutive awards from share participation plans will be exercised. For the option plans, the weighted average number of shares is adjusted for all dilutive options issued under the stock option plans which have been granted in 2016 through to 2023 and which have not yet been exercised. Options that are out-of-the-money (compared to average share price) are not considered. The calculation of diluted earnings per share is based on the same income after taxes for the period as is used in calculating basic earnings per share.

## 3. Operating assets and liabilities

### 3.1 Trade receivables

CHF million	31.3.2023	31.3.2022
Trade receivables	556.1	505.6
Loss allowance for doubtful receivables	(31.5)	(31.3)
<b>Total</b>	<b>524.7</b>	<b>474.3</b>

As is common in this industry, the Sonova Group has a large number of customers. There is no significant concentration of credit risk.

For further information on the aging of the trade receivables and related allowances, please refer to [Note 4.7](#).

During 2022/23, the Group utilized CHF 1.7 million (previous year CHF 3.1 million) of the loss allowance for doubtful receivables to write-off receivables.

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

CHF million	31.3.2023	31.3.2022
BRL	19.0	19.1
CAD	21.5	17.5
CHF	14.0	19.4
EUR	217.5	182.8
GBP	19.6	15.6
USD	155.3	144.2
Other	77.7	75.7
<b>Total trade receivables, net</b>	<b>524.7</b>	<b>474.3</b>

#### Accounting policies

Trade receivables are initially recorded at the transaction price and subsequently measured at amortized cost using the effective interest method, less loss allowance. The Group applies the IFRS 9 simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for trade receivables. This approach considers historical credit loss experience as well as forward-looking factors (see [Note 4.7](#)). The charges to the income statement are included in general and administration costs. Due to the short-term nature of trade receivables, their carrying amount is considered to approximate their fair value.

## 3.2 Inventories

CHF million	31.3.2023	31.3.2022
Raw materials and components	93.9	64.2
Work-in-process	124.3	147.0
Finished products	252.7	254.0
Allowances	(51.7)	(52.5)
<b>Total</b>	<b>419.1</b>	<b>412.7</b>

The "cost of sales" corresponding to the carrying value of inventory (which excludes freight, packaging, logistics as well as certain overhead cost) amounted in 2022/23 to CHF 887.7 million (previous year CHF 736.2 million). The Group recognized write-downs of CHF 18.0 million (previous year CHF 25.9 million) on inventories in cost of sales.

### Accounting policies

*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.*

*Manufactured finished goods and work-in-process are valued at the lower of production cost or net realizable value. 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.*

*Allowances are established for slow moving, phase out and obsolete stock.*

### 3.3 Property, plant and equipment

CHF million

					<b>2022/23</b>
	Land & buildings	Machinery & technical equipment	Room installations & other equipment	Advance payments & assets under construction	Total
<b>Cost</b>					
Balance April 1	221.4	315.9	381.3	21.7	940.3
PPA finalization <sup>1)</sup>		0.1			0.1
Changes through business combinations		0.6	2.3	0.0	2.9
Additions	2.7	25.5	45.7	23.0	96.9
Disposals		(12.4)	(22.6)		(35.0)
Transfers		3.5	10.7	(14.6)	(0.4)
Exchange differences	(2.8)	(7.4)	(15.4)	(0.4)	(26.0)
<b>Balance March 31</b>	<b>221.3</b>	<b>325.7</b>	<b>402.1</b>	<b>29.7</b>	<b>978.8</b>
<b>Accumulated depreciation</b>					
Balance April 1	(96.2)	(238.8)	(246.4)		(581.4)
Additions	(6.9)	(28.6)	(37.8)		(73.3)
Disposals		12.0	19.3		31.3
Transfers		0.2	(0.2)		0.0
Exchange differences	1.4	5.1	9.3		15.7
<b>Balance March 31</b>	<b>(101.7)</b>	<b>(250.2)</b>	<b>(255.8)</b>		<b>(607.7)</b>
<b>Net book value</b>					
Balance April 1	125.2	77.0	134.9	21.7	358.9
<b>Balance March 31</b>	<b>119.6</b>	<b>75.4</b>	<b>146.3</b>	<b>29.7</b>	<b>371.1</b>

<sup>1)</sup> Relates to finalization of purchase price allocation Sennheiser Consumer Division (refer to Note 6.1).

CHF million	2021/22				
	Land & buildings	Machinery & technical equipment	Room installations & other equipment	Advance payments & assets under construction	Total
<b>Cost</b>					
Balance April 1	218.9	290.9	355.1	14.4	879.4
Changes through business combinations	2.9	7.8	9.3	1.8	21.9
Additions	1.9	23.6	37.3	16.7	79.5
Disposals	(0.3)	(6.0)	(11.7)		(18.0)
Transfers		3.5	7.1	(10.6)	
Exchange differences	(2.0)	(3.9)	(15.8)	(0.6)	(22.3)
<b>Balance March 31</b>	<b>221.4</b>	<b>315.9</b>	<b>381.3</b>	<b>21.7</b>	<b>940.3</b>
<b>Accumulated depreciation</b>					
Balance April 1	(90.4)	(218.9)	(234.8)		(544.1)
Changes through business combinations		(0.4)	(0.6)		(1.0)
Additions	(6.9)	(27.0)	(31.8)		(65.7)
Disposals	0.1	4.9	10.9		15.9
Exchange differences	1.0	2.6	9.9		13.5
<b>Balance March 31</b>	<b>(96.2)</b>	<b>(238.8)</b>	<b>(246.4)</b>		<b>(581.4)</b>
<b>Net book value</b>					
Balance April 1	128.5	72.0	120.3	14.4	335.3
<b>Balance March 31</b>	<b>125.2</b>	<b>77.0</b>	<b>134.9</b>	<b>21.7</b>	<b>358.9</b>

#### Accounting policies

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 does not increase the estimated useful lifetimes of the related assets are recognized as an expense in the period in which they are incurred.

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. If the recoverable amount is lower than carrying amount, an impairment loss is recognized.



## 3.4 Leases

Right-of-use assets CHF million				2022/23
	Properties	Vehicles	Other assets	Total
<b>Cost</b>				
Balance April 1	352.1	9.3	1.7	363.1
Changes through business combinations	13.5			13.5
Additions	95.4	3.0	0.2	98.6
Disposals	(117.1)	(3.7)	(0.3)	(121.1)
Exchange differences	(15.7)	(0.5)	(0.0)	(16.3)
<b>Balance March 31</b>	<b>328.2</b>	<b>8.1</b>	<b>1.6</b>	<b>337.9</b>
<b>Accumulated depreciation</b>				
Balance April 1	(84.6)	(3.5)	(1.3)	(89.4)
Additions	(71.0)	(2.3)	(0.2)	(73.4)
Disposals	117.1	3.7	0.3	121.1
Exchange differences	(7.5)	(0.2)	(0.0)	(7.8)
<b>Balance March 31</b>	<b>(46.0)</b>	<b>(2.2)</b>	<b>(1.2)</b>	<b>(49.5)</b>
<b>Net book value</b>				
Balance April 1	267.5	5.8	0.4	273.8
<b>Balance March 31</b>	<b>282.2</b>	<b>5.8</b>	<b>0.4</b>	<b>288.4</b>

Right-of-use assets CHF million				2021/22
	Properties	Vehicles	Other assets	Total
<b>Cost</b>				
Balance April 1	365.5	10.4	2.0	377.9
Changes through business combinations	30.7			30.7
Additions	58.4	1.5	0.4	60.3
Disposals	(84.5)	(2.1)	(0.5)	(87.2)
Exchange differences	(18.0)	(0.5)	(0.1)	(18.6)
<b>Balance March 31</b>	<b>352.1</b>	<b>9.3</b>	<b>1.7</b>	<b>363.1</b>
<b>Accumulated depreciation</b>				
Balance April 1	(110.7)	(4.1)	(1.5)	(116.3)
Additions	(63.0)	(1.6)	(0.4)	(65.0)
Disposals	84.5	2.1	0.5	87.2
Exchange differences	4.6	0.1	0.0	4.7
<b>Balance March 31</b>	<b>(84.6)</b>	<b>(3.5)</b>	<b>(1.3)</b>	<b>(89.4)</b>
<b>Net book value</b>				
Balance April 1	254.8	6.3	0.5	261.6
<b>Balance March 31</b>	<b>267.5</b>	<b>5.8</b>	<b>0.4</b>	<b>273.8</b>

<b>Lease liabilities</b> CHF million	<b>2022/23</b>	<b>2021/22</b>
Balance April 1	284.3	271.3
Changes through business combinations	13.5	30.7
Additions	99.0	60.1
Interest expense	5.2	3.6
Payments	(81.1)	(67.7)
Exchange differences	(24.0)	(13.7)
<b>Balance March 31</b>	<b>296.9</b>	<b>284.3</b>
thereof short-term	73.4	68.8
thereof long-term	223.5	215.5

The maturity analysis of lease liabilities is disclosed in [Note 4.7](#)

<b>Lease disclosures</b> CHF million	<b>2022/23</b>	<b>2021/22</b>
Expenses relating to short-term leases	16.7	11.2
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	0.5	0.3
Expenses relating to variable lease payments	6.8	5.7

The total cash outflow for leases in the financial year 2022/23 amounted to CHF 105.1 million (prior year CHF 84.9 million).

The Group has various lease contracts that as of March 31, 2023 have not yet commenced. The future lease payments for these non-cancellable lease contracts amount to CHF 3.0 million (prior year CHF 1.7 million). The future lease payments relating to variable lease payments amount to CHF 6.8 million (prior year CHF 5.7 million).

#### **Accounting policies**

*The group leases properties for retail stores as well as for office, laboratory, manufacturing and storage use. The leasing terms vary significantly across countries. The leases of office space typically run for a period of up to 10 years, and leases of retail stores typically for a period of 3 to 5 years. Leases of vehicles and other assets have an average lease term of 3.4 years. Some leases include an option to renew the lease for an additional period after the end of the contract term.*

*The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and, subsequently at cost less accumulated depreciation and impairment losses and also includes adjustments for certain remeasurements of the lease liability.*

*The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and are discounted using the Group's incremental borrowing rate if the interest rate implicit in the lease is not readily determinable. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.*

#### **Accounting judgements and estimates**

*The Group uses judgement to determine the lease term for some lease contracts which include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term which significantly affects the amount of lease liabilities and right-of-use assets recognized. Extension options and termination options are re-assessed only when a significant event or change in circumstances occurs that is within the control of the Group and affects whether it is reasonably certain to exercise an option.*

## 3.5 Intangible assets

CHF million

2022/23

	Goodwill	Intangibles relating to acquisitions <sup>1)</sup>	Capitalized development costs	Software and other intangibles	Total
<b>Cost</b>					
Balance April 1	2,440.6	892.7	224.2	117.9	3,675.5
PPA finalization <sup>2)</sup>	(14.9)	9.8		(0.2)	(5.3)
Changes through business combinations	198.5	49.3		1.2	249.0
Additions			18.0	39.3	57.4
Disposals		(0.3)		(1.2)	(1.5)
Transfers				0.4	0.4
Exchange differences	(82.0)	(31.9)	(1.2)	(1.7)	(116.8)
<b>Balance March 31</b>	<b>2,542.2</b>	<b>919.6</b>	<b>241.1</b>	<b>155.7</b>	<b>3,858.5</b>
<b>Accumulated amortization and impairments</b>					
Balance April 1	(142.2)	(386.4)	(115.6)	(82.4)	(726.6)
Additions		(54.9) <sup>3)</sup>	(26.4)	(11.7)	(92.9)
Disposals		0.1		1.2	1.3
Exchange differences	1.4	14.7	0.2	1.3	17.6
<b>Balance March 31</b>	<b>(140.8)</b>	<b>(426.5)</b>	<b>(141.8)</b>	<b>(91.5)</b>	<b>(800.7)</b>
<b>Net book value</b>					
Balance April 1	2,298.4	506.3	108.6	35.6	2,948.9
<b>Balance March 31</b>	<b>2,401.3</b>	<b>493.1</b>	<b>99.3</b>	<b>64.2</b>	<b>3,057.9</b>

<sup>1)</sup> Intangibles relating to acquisitions consists of customer relationships (CHF 295.3 million), trademarks (CHF 185.3 million) and technology (CHF 12.5 million).

<sup>2)</sup> Relates to finalization of purchase price allocation Sennheiser Consumer Division (refer to Note 6.1).

<sup>3)</sup> Relates to research and development (CHF 1.6 million) and sales and marketing (CHF 53.3 million).

CHF million	2021/22				
	Goodwill	Intangibles relating to acquisitions <sup>1)</sup>	Capitalized development costs	Software and other intangibles	Total
<b>Cost</b>					
Balance April 1	2,143.3	642.8	214.1	102.4	3,102.6
Changes through business combinations	393.8	295.4		1.5	690.8
Additions			10.7	16.4	27.1
Disposals	0.0	(13.2)		(0.7)	(13.9)
Exchange differences	(96.4)	(32.4)	(0.6)	(1.7)	(131.1)
<b>Balance March 31</b>	<b>2,440.6</b>	<b>892.7</b>	<b>224.2</b>	<b>117.9</b>	<b>3,675.5</b>
<b>Accumulated amortization and impairments</b>					
Balance April 1	(145.2)	(373.2)	(88.3)	(74.1)	(680.8)
Changes through business combinations		(0.6)	0.0	(0.0)	(0.7)
Additions		(42.9) <sup>2)</sup>	(27.4)	(10.2)	(80.5)
Disposals		13.2		0.6	13.9
Exchange differences	3.0	17.1		1.3	21.4
<b>Balance March 31</b>	<b>(142.2)</b>	<b>(386.4)</b>	<b>(115.6)</b>	<b>(82.4)</b>	<b>(726.6)</b>
<b>Net book value</b>					
Balance April 1	1,998.0	269.7	125.9	28.2	2,421.8
<b>Balance March 31</b>	<b>2,298.4</b>	<b>506.3</b>	<b>108.6</b>	<b>35.6</b>	<b>2,948.9</b>

<sup>1)</sup> Intangibles relating to acquisitions consists of customer relationships (CHF 298.8 million), trademarks (CHF 193.0 million) and technology (CHF 14.5 million).

<sup>2)</sup> Relates to research and development (CHF 0.6 million) and sales and marketing (CHF 42.4 million).

Based on the impairment tests performed, there was no need for the recognition of any impairment of goodwill for the 2022/23 and 2021/22 financial years.

The cash flow projections used for impairment testing, were based on the most recent business plan. The business plan was projected over a five year period.

## Hearing instruments

As of March 31, 2023, the carrying amount of goodwill, expressed in various currencies, amounted to an equivalent of CHF 2,106.5 million (prior year CHF 2,000.7 million) and for intangible assets with indefinite useful lives to CHF 102.7 million (prior year: CHF 100.6 million). The intangible assets with indefinite useful lives relates to the brand value that was acquired as part of the acquisition of the Consumer Division from Sennheiser in financial year 2021/22 as disclosed in [Note 6.1](#). It has been determined to have an indefinite useful life as there is no intention to abandon the brand name. It has existed for many years and the Group has the ability to maintain its brand value for an indefinite period of time. Thus, the brand is not amortized but is assessed for impairment annually.

Cash flows beyond the projection period were extrapolated with a long-term growth rate of 1.9% (prior year 2.0%) which represents the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 10.8% (prior year 9.4%) was used. The Group performed a sensitivity analysis, which shows that changes to the main input parameters (increase of discount rate +1%, or long-term growth rate – 1%) would not result in an impairment of goodwill.

## Cochlear implants

As of March 31, 2023, the carrying amount of the goodwill, expressed in various currencies, amounted to an equivalent of CHF 294.8 million (prior year CHF 297.7 million).

Cash flows beyond the projection period were extrapolated with a long-term growth rate of 2.0% (prior year 2.1%) which represents the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 11.7% (prior year 10.2%) was used. The Group performed a sensitivity analysis, which shows that changes to the main input parameters (increase of discount rate +1%, or long-term growth rate – 1%) would not result in an impairment of goodwill.

The capitalized development costs are reviewed on a regular basis. In the current financial year this review did not lead to any valuation adjustments. The capitalized development costs are included in the reportable segment "cochlear implants" disclosed in [Note 2.2](#).

### Accounting policies

#### Goodwill

*Goodwill is recognized for any difference between the cost of the business combination and the net fair value of the identifiable assets, liabilities, and contingent liabilities (refer to accounting policies in [Note 6.1](#)). 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. 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 is compared to the carrying amount. The carrying amount is determined based on a value-in-use calculation considering a five-year cash flow projection period and extrapolated using a terminal value for cash flows beyond the planning period. The cash flow projections are estimated on the basis of the strategic plan approved by the Board of Directors. Future cash flows are discounted with the Weighted Average Cost of Capital (WACC) including the application of the Capital Asset Pricing Model (CAPM).*

**Intangibles, excluding goodwill**

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 – 20 years (except for the Sennheiser brand name as disclosed above). Other intangible assets are generally amortized over a period of 3 – 10 years. For capitalized development costs in the cochlear implants segment, 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 lifetime 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.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

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.

**Accounting judgements and estimates**

**Goodwill**

The recoverable amount of cash-generating units is measured on the basis of value-in-use calculations and as such is significantly impacted by the projected cash flows, the discount rate, and the long-term growth rate, which are subject to management judgment. Actual cash flows as well as other input parameters could vary significantly from these estimates.

**Capitalized development costs**

The Group capitalizes costs relating to the development of cochlear implants. The capitalized development costs are reviewed on a regular basis as a matter of a standard systematic procedure. In determining the commercial as well as the technical feasibility, management judgment may be required.

### 3.6 Other operating assets

<b>Other current operating assets</b> CHF million	<b>31.3.2023</b>	<b>31.3.2022</b>
Other receivables	73.9	98.1
Prepaid expenses	48.5	37.7
Contract assets	3.8	3.0
Right to recover products	12.2	10.2
<b>Total</b>	<b>138.3</b>	<b>148.9</b>

<b>Other non-current operating assets</b> CHF million	<b>31.3.2023</b>	<b>31.3.2022</b>
Contract assets	5.7	5.8
<b>Total</b>	<b>5.7</b>	<b>5.8</b>

The largest individual items included in other receivables are recoverable value added taxes and deposits. Prepaid expenses mainly consist of advances to suppliers. Contract assets relate to reinsurance of loss and damage services and rights to recover returned goods relate to hearing instrument sales with a right of return (refer to [Note 2.3](#)).



## 3.7 Provisions

CHF million					2022/23
	Warranty and returns	Reimbursement to customers	Product liabilities	Other provisions	Total
Balance April 1	135.3	4.1	94.4	50.4	284.2
PPA finalization <sup>1)</sup>				(0.1)	(0.1)
Changes through business combinations				1.3	1.3
Amounts used	(39.5)	(4.9)	(36.5)	(33.9)	(114.7)
Reversals	(9.7)	(0.2)	(0.5)	(10.8)	(21.1)
Increases	59.2	11.9		30.1	101.1
Present value adjustments			0.5	(0.0)	0.5
Exchange differences	(5.7)	(0.2)	0.6	(0.7)	(5.9)
<b>Balance March 31</b>	<b>139.7</b>	<b>10.7</b>	<b>58.5</b>	<b>36.3</b>	<b>245.2</b>
thereof short-term	101.5	10.7	17.4	24.5	154.0
thereof long-term	38.1		41.2	11.9	91.2

<sup>1)</sup> Relates to finalization of purchase price allocation Sennheiser Consumer Division (refer to Note 6.1).

CHF million					2021/22
	Warranty and returns	Reimbursement to customers	Product liabilities	Other provisions	Total
Balance April 1	125.9	2.8	111.9	52.3	292.8
Changes through business combinations	9.0	1.3		5.2	15.5
Amounts used	(62.6)	(1.4)	(15.3)	(25.7)	(105.0)
Reversals	(13.5)	(1.7)	(0.3)	(9.1)	(24.6)
Increases	81.7	3.2		30.8	115.6
Present value adjustments			0.5		0.5
Transfers				(1.3)	(1.3)
Exchange differences	(5.2)	(0.1)	(2.4)	(1.6)	(9.3)
<b>Balance March 31</b>	<b>135.3</b>	<b>4.1</b>	<b>94.4</b>	<b>50.4</b>	<b>284.2</b>
thereof short-term	98.3	4.1	11.8	37.5	151.6
thereof long-term	37.0		82.6	12.9	132.6

### Warranty and returns

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 audio devices, hearing instruments and related products and up to 10 years on cochlear implants. The calculation is based on turnover, past experience and projected number and costs of warranty claims and returns.

### Reimbursement to customers

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.

### Product liabilities

The provisions for product liabilities consider the expected cost for claims in relation to the voluntary recall of cochlear implant products of Advanced Bionics in 2006 and Advanced Bionics voluntary field corrective action regarding cochlear implant products, as announced on February 18, 2020.

The provision for product liabilities are reassessed on a regular and systematic basis and follow a financial model which is consistently applied. The calculation of the provision is based on past experience regarding the number and cost of current and future claims. In the 2022/23 financial year, changes in the assessment of the expected number and cost of current and future claims led to reversals of CHF 0.5 million (previous year reversals of CHF 0.3 million). The impact of the reassessment of the legal provisions are considered in the income statement in the lines "Other income" or "Other expenses". As per March 31, 2023 the provision for product liabilities amount to CHF 58.5 million (previous year CHF 94.4 million). The timing of future cash outflows is uncertain since it will largely depend on the outcome of administrative and legal proceedings. In the case of the voluntary recall of AB products in 2006, considering periods of limitation, claims will have until 2026 to be filed in most jurisdictions. However, depending on the length of proceedings and negotiations, further years may pass until all claims are settled. We expect the main cash outflow relating to the provision for product liabilities to occur within the next 6 years.

### Other provisions

Other provisions include provisions for specific business risks such as litigation CHF 5.7 million (prior year CHF 21.2 million) and restructuring costs CHF 5.0 million (prior year CHF 11.3 million) which arose during the normal course of business. While the timing of the cash outflow from the restructuring provisions is expected to take place within the next 12 months, the cash outflows for the remainder of the other provisions is expected to take place within the next two years.

### Accounting policies

*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.*

### Accounting judgements and estimates

*Provisions are based upon management's best estimate, taking into consideration past experience regarding the number and cost of claims. Management believes that the provisions are adequate based upon currently available information. However, given that judgment has to be applied, the actual costs and results may differ from these estimates.*

### 3.8 Other operating liabilities

<b>Other short-term operating liabilities</b> CHF million	<b>31.3.2023</b>	<b>31.3.2022</b>
Other payables	92.9	111.5
Accrued expenses	279.9	325.2
Deferred income	1.1	0.8
<b>Total</b>	<b>373.9</b>	<b>437.5</b>

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

## 3.9 Contingent assets and liabilities

### Guarantees

At March 31, 2023 and 2022, there were no pledges given to third parties other than in relation to bank loans and mortgages.

Deposits in the amount of CHF 1.6 million (previous year CHF 1.6 million) were pledged in relation to bank guarantees. Open purchase orders as of March 31, 2023 and 2022, were related to recurring business activities.

### Lawsuits and disputes

On October 4, 2018 MED-EL Elektronische Geräte GmbH and MED-EL Corporation, US, filed a complaint against Advanced Bionics LLC in the US federal court for the district of Delaware for alleged patent infringement of two MED-EL patents related to products launched in 2018. While the ultimate outcome of the dispute remains open, Advanced Bionics continues to believe the complaint has no merit and is vigorously defending its position and intellectual property. In a very recent opinion the US court has granted a summary judgment of non-infringement of the asserted MED-EL patents. On March 8, 2022, the Regional Court of Mannheim in Germany has reached a judgment in the first instance in a patent infringement lawsuit brought by MED-EL Elektromedizinische Geräte GmbH ("Med-El") against its German subsidiary Advanced Bionics GmbH and Swiss subsidiary Advanced Bionics AG ("AB") based on the German part of a respective EP patent of MED-EL. AB believes the complaint has no merit and has therefore appealed the judgment with the Higher Regional Court of Karlsruhe. The first instance Mannheim judgment included an injunction. Med-El enforced the injunction, thus prevented further sales of the HiRes Ultra 3D cochlear implant in and from Germany. On September 29, 2022 the Technical Board of Appeal at the European Patent Office ruled that Med-El's European patent is maintained only in a very restricted version. The Higher Regional Court of Karlsruhe then suspended the enforcement until its decision on AB's appeal. A hearing in the appeal proceedings is not yet scheduled. In related proceedings in the Netherlands, the non-infringement of Med-El's narrowed patent has been confirmed by the first instance court and is now under appeal. In the UK, MED-EL's UK part of the EP patent has been revoked and is now also under appeal.

Advanced Bionics LLC ("AB") entered into settlement agreements ("Agreements") with the U.S. Department of Justice in December 2022 and with various state Medicare agencies in March 2023. AB also entered into a Corporate Integrity Agreement ("CIA") with the Office of the Inspector General at the U.S. Department of Health and Human Services (the "HHS-OIG"). The Agreements, pursuant to which AB agreed to pay USD 12.6 million, and the CIA concluded the government investigation, which began with a January 2020 HHS-OIG subpoena and stemmed from a False Claims Act ("FCA") action filed by a former employee. The FCA action was dismissed in March 2023 by the court as part of the settlement. AB has denied the allegations made in the FCA action and investigation.

## 4. Capital structure and financial management

### 4.1 Cash and cash equivalents

CHF million	31.3.2023	31.3.2022
Cash on hand	1.3	1.2
Current bank accounts	412.1	458.9
Term deposits	0.5	150.4
<b>Total</b>	<b>413.9</b>	<b>610.5</b>

Bank accounts and term deposits are mainly denominated in CHF, EUR and USD. The assessment on the credit risk related to cash and cash equivalents is disclosed in [Note 4.7](#).

#### Accounting policies

Cash and cash equivalents 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.

### 4.2 Financial income/expenses, net

CHF million	2022/23	2021/22
Interest income	1.5	1.4
Other financial income	13.5	0.3
<b>Total financial income</b>	<b>15.0</b>	<b>1.7</b>
Interest expenses	(16.9)	(17.4)
Interest expenses on lease liabilities	(5.2)	(3.6)
Interest and present value adjustments	(1.3)	(0.6)
Other financial expenses	(26.4)	(14.9)
<b>Total financial expenses</b>	<b>(49.9)</b>	<b>(36.5)</b>
<b>Total financial income/expenses, net</b>	<b>(34.9)</b>	<b>(34.9)</b>

Other financial income includes primarily fair value adjustments of financial instruments of CHF 10.9 million (previous year: none). Other financial expenses includes foreign exchange gains and losses from the management of foreign currencies as well as net losses from the hedging of foreign exchange exposures of CHF 20.3 million (previous year CHF 1.4 million) and valuation adjustments on financial instruments of CHF 5.2 million (previous year CHF 13.4 million).

## 4.3 Dividend per share

The Board of Directors of Sonova Holding AG proposes to the Annual General Shareholders' Meeting, to be held on June 12, 2023, that a dividend of CHF 4.60 per share shall be distributed (previous year CHF 4.40).

## 4.4 Other financial assets

### Other current financial assets

CHF million	31.3.2023			31.3.2022		
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total
Marketable securities		0.2	0.2		0.2	0.2
Positive replacement value of forward foreign exchange contracts		0.7	0.7		1.3	1.3
Loans to third parties	10.1		10.1	6.9		6.9
<b>Total</b>	<b>10.1</b>	<b>0.9</b>	<b>11.0</b>	<b>6.9</b>	<b>1.5</b>	<b>8.4</b>

The Group regularly hedges its net exposure from foreign currency balance sheet positions with forward contracts. Such contracts are not qualified as cash flow hedges and are, therefore, not accounted for using hedge accounting principles. Gains and losses on these transactions are recognized directly in the income statement (refer to [Note 4.7](#)).

### Other non-current financial assets

CHF million	31.3.2023			31.3.2022		
	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Total
Loans to associates	1.4		1.4	3.8		3.8
Loans to third parties	39.9		39.9	25.6		25.6
Rent deposits	2.8		2.8	2.8		2.8
Other non-current financial assets		2.8	2.8		4.0	4.0
<b>Total</b>	<b>44.1</b>	<b>2.8</b>	<b>46.9</b>	<b>32.2</b>	<b>4.0</b>	<b>36.2</b>

The loans are primarily denominated in CAD, CHF, EUR, GBP, JPY, PLN and USD. Loans to third parties consist mainly of loans to customers. As of March 31, 2023, the respective repayment periods vary between one and nine years and the interest rates vary generally between 1% and 5%.

Other non-current financial assets mainly consist of certain minority interests in patent and software development companies specific to the hearing aid industry.

### Accounting policies

Financial assets are classified into the following categories:

- Financial assets at amortized cost
- Financial assets at fair value through profit or loss (FVPL)
- Financial assets at fair value through other comprehensive income (FVOCI).

The classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will be recorded either in the income statement or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model changes for managing those assets.

At initial recognition, the Group measures a financial asset at its fair value. In the case of financial assets at amortized cost and FVOCI the fair value includes transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

#### **Financial assets at amortized cost**

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in the income statement.

#### **Financial assets at fair value through profit or loss (FVPL)**

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in the income statement in the period in which it arises.

#### **Financial assets at fair value through other comprehensive income (FVOCI) and equity instruments**

The Group currently holds no financial assets at fair value through other comprehensive income (FVOCI) and has not elected to account for equity instruments in this category.

## 4.5 Financial liabilities

As of March 31, 2023, the Group has the following bonds/US Private Placement outstanding:

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

The Group maintains uncommitted credit facilities from various lenders. The credit facilities are denominated in CHF and can be cancelled at short notice. As of March 31, 2023 the Group did not make use of these credit facilities.

### Current financial liabilities

CHF million	31.3.2023			31.3.2022		
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Bank debt	0.4		0.4	0.4		0.4
Bond	4.8		4.8	334.7		334.7
Deferred payments	1.1		1.1	23.8		23.8
Contingent considerations		13.8	13.8		13.8	13.8
Other current financial liabilities		2.1	2.1		1.6	1.6
<b>Total</b>	<b>6.3</b>	<b>15.9</b>	<b>22.2</b>	<b>358.8</b>	<b>15.3</b>	<b>374.2</b>
Unused borrowing facilities			365.7			366.1



## Non-current financial liabilities

CHF million	31.3.2023			31.3.2022		
	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total	Financial liabilities at amortized cost	Financial liabilities at fair value through profit or loss	Total
Bonds/US Private Placement	1,512.7		1,512.7	864.9		864.9
Deferred payments	2.4		2.4	2.6		2.6
Contingent considerations		72.1	72.1		81.5	81.5
Other non-current financial liabilities	0.0	4.4	4.4	0.1	10.8	10.9
<b>Total</b>	<b>1,515.1</b>	<b>76.5</b>	<b>1,591.6</b>	<b>867.5</b>	<b>92.4</b>	<b>959.9</b>

Besides the bonds, financial liabilities mainly consist of contingent considerations (earn-out agreements) and deferred payments from acquisitions.

Other non-current financial liabilities mainly consist of amounts due in relation to the share appreciation rights (SARs) (refer to [Note 7.4](#)).

## Analysis of non-current financial liabilities by currency

Analysis by currency CHF million

	31.3.2023				31.3.2022			
	Bonds/US Private Placement	Deferred payments and contingent considerations	Other non-current financial liabilities	Total	Bonds/US Private Placement	Deferred payments and contingent considerations	Other non-current financial liabilities	Total
CHF	1,347.4		4.0	1,351.4	699.1		10.4	709.5
USD	165.3	1.0		166.3	165.8	4.0	0.0	169.8
EUR		63.5		63.5		76.4		76.4
CNY		7.0		7.0				
AUD		2.1		2.1		2.1		2.1
BRL		0.3		0.3		1.3		1.3
Other		0.6	0.4	1.0		0.3	0.5	0.8
<b>Total</b>	<b>1,512.7</b>	<b>74.5</b>	<b>4.4</b>	<b>1,591.6</b>	<b>864.9</b>	<b>84.1</b>	<b>10.9</b>	<b>959.9</b>

## Reconciliation of liabilities arising from financing activities

Liabilities from financing activities CHF  
million

						2022/23
	Bank debt	Bonds/US Private Placement	Deferred payments and contingent considerations	Lease liabilities	Other financial liabilities	Total
<b>Balance April 1</b>	<b>0.4</b>	<b>1,199.6</b>	<b>121.6</b>	<b>284.3</b>	<b>12.5</b>	<b>1,618.4</b>
PPA finalization <sup>1)</sup>			(1.3)			(1.3)
Changes through business combinations			(22.8)	13.5		(9.3)
Additions to lease liabilities				99.0		99.0
Proceeds from borrowings		649.2				649.2
Repayment of borrowings		(330.0)				(330.0)
Repayment of lease liabilities – principal portion				(75.9)		(75.9)
Repayment of lease liabilities – interest portion				(5.2)		(5.2)
Exchange differences		(1.7)	(3.8)	(24.0)		(29.5)
Other	0.0	0.4	(4.3)	5.2	(5.9)	(4.6)
<b>Balance March 31</b>	<b>0.4</b>	<b>1,517.5</b>	<b>89.4</b>	<b>296.9</b>	<b>6.5</b>	<b>1,910.7</b>
thereof short-term	0.4	4.8	14.9	73.4	2.1	95.6
thereof long-term		1,512.7	74.5	223.5	4.4	1,815.1

<sup>1)</sup> Relates to finalization of purchase price allocation Sennheiser Consumer Division (refer to Note 6.1).

Liabilities from financing activities CHF  
million

						2021/22
	Bank debt	Bonds/US Private Placement	Deferred payments and contingent considerations	Lease liabilities	Other financial liabilities	Total
<b>Balance April 1</b>	<b>0.1</b>	<b>1,562.4</b>	<b>14.2</b>	<b>271.3</b>	<b>7.9</b>	<b>1,856.0</b>
Changes through business combinations			108.9	30.7		139.5
Additions to lease liabilities				60.1		60.1
Repayment of borrowings	0.0	(360.0)				(360.0)
Repayment of lease liabilities – principal portion				(64.0)		(64.0)
Repayment of lease liabilities – interest portion				(3.6)		(3.6)
Exchange differences		(3.5)	0.2	(13.7)		(17.0)
Other	0.3	0.7	(1.6)	3.5	4.6	7.5
<b>Balance March 31</b>	<b>0.4</b>	<b>1,199.6</b>	<b>121.6</b>	<b>284.3</b>	<b>12.5</b>	<b>1,618.4</b>
thereof short-term	0.4	334.7	37.5	68.8	1.6	443.0
thereof long-term		864.9	84.1	215.5	10.9	1,175.4

**Accounting policies**

*Financial liabilities are classified as measured at amortized cost, at fair value through profit or loss (FVPL) or at fair value through other comprehensive income (FVOCI). A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the income statement. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the income statement.*

*Derivative financial instruments are initially recognized in the balance sheet at fair value and are remeasured as to their current fair value at the end of each subsequent reporting period.*

*Bonds are initially measured at fair value and direct transaction costs included. In subsequent accounting periods, they are remeasured at amortized costs applying the effective interest method.*

*Accounting policies for lease liabilities are included in [Note 3.4](#).*

## 4.6 Movement in share capital

	Issued registered shares	Treasury shares <sup>1)</sup>	Outstanding shares
<b>Issued registered shares</b>			
Balance April 1, 2021	64,398,137	(1,355,464)	63,042,673
Purchase of treasury shares		(250,000)	(250,000)
Sale/transfer of treasury shares		307,451	307,451
Cancellation of treasury shares <sup>2)</sup>	(1,225,980)	1,225,980	
Purchase of treasury shares from share buyback		(2,012,438)	(2,012,438)
<b>Balance March 31, 2022</b>	<b>63,172,157</b>	<b>(2,084,471)</b>	<b>61,087,686</b>
Purchase of treasury shares		(180,000)	(180,000)
Sale/transfer of treasury shares		218,680	218,680
Cancellation of treasury shares <sup>3)</sup>	(2,012,438)	2,012,438	
Purchase of treasury shares from share buyback		(1,532,910)	(1,532,910)
<b>Balance March 31, 2023</b>	<b>61,159,719</b>	<b>(1,566,263)</b>	<b>59,593,456</b>
<b>Nominal value of share capital</b> CHF million	<b>Share Capital</b>	<b>Treasury shares <sup>1)</sup></b>	<b>Outstanding share capital</b>
<b>Balance March 31, 2023</b>	<b>3.1</b>	<b>(0.1)</b>	<b>3.0</b>

Each share has a nominal value of CHF 0.05.

- 1) Treasury shares are purchased on the open market and are not entitled to dividends.
- 2) The Annual General Shareholder's Meeting of June 15, 2021, approved the proposed cancellation of 1,225,980 treasury shares, resulting in a reduction of share capital of 61,299 Swiss francs, retained earnings and other reserves of CHF 277.5 million offset by changes in treasury shares of CHF 277.5 million. This cancellation was executed on September 2, 2021.
- 3) The Annual General Shareholder's Meeting of June 15, 2022, approved the proposed cancellation of 2,012,438 treasury shares, resulting in a reduction of share capital of 100,621.90 Swiss francs, retained earnings and other reserves of CHF 702.7 million offset by changes in treasury shares of CHF 702.8 million. This cancellation was executed on September 2, 2022.

#### Share buyback program

On March 29, 2022, Sonova Holding AG announced that its Board of Directors approved a share buyback program of up to CHF 1.5 billion. The program started in April 2022 and is expected to run over a period of up to 36 months. During financial year 2022/23, 1,532,910 treasury shares were bought under the share buyback program and are intended to be cancelled (proposal to the Annual Shareholders' Meeting June 12, 2023).

In the financial year 2022/23, transaction costs related to the share buyback program in the amount of CHF 1.7 million (prior year CHF 3.5 million) were deducted from equity.

#### Authorized capital

The 2022 Annual General Shareholders' Meeting authorized the Board of Directors to increase the share capital at any time until June 15, 2024 by a maximum amount of CHF 305,798.59 by issuing a maximum of 6,115,971 registered shares that are to be fully paid up, each with a nominal value of CHF 0.05. Increases in partial amounts shall be permissible. The Board of Directors did not make use of this authorized capital in financial year 2022/23.

#### Conditional capital

At the Annual General Shareholders' Meeting on July 7, 2005, the conditional share capital of CHF 264,270 (5,285,400 shares) has been increased by CHF 165,056 (3,301,120 shares) to CHF 429,326 (8,586,520 shares). Consistent with the prior year, 5,322,133 shares remain unissued as of March 31, 2023. These shares are reserved for long-term incentive plans (2,021,013 shares) as well as for initiatives to increase the company's financial flexibility (3,301,120 shares).

#### Accounting policies

*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 purchase 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.*

## 4.7 Risk management

### 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 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, supports the annual risk assessment and is responsible for the management of the risk mitigating initiatives. The risk mitigation progress is reviewed by the Audit Committee on a quarterly basis. 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 Group does not apply hedge accounting.

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 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 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.

Positive replacement values from forward contract hedges 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, 2023, the Group engaged in forward currency contracts amounting to CHF 422.9 million (previous year CHF 296.6 million). The open contracts on March 31, 2023 as well as on March 31, 2022 were all due within one year.

Notional amount of forward contracts CHF million	31.3.2023		31.3.2022	
	Total	Fair value	Total	Fair value
Positive replacement values	115.7	0.7	111.4	1.3
Negative replacement values	307.2	(2.1)	185.2	(1.5)
<b>Total</b>	<b>422.9</b>	<b>(1.4)</b>	<b>296.6</b>	<b>(0.3)</b>

Exchange rate risk CHF million	2022/23	2021/22	2022/23	2021/22
	Impact on income after taxes <sup>1)</sup>		Impact on equity	
Change in USD/CHF +5%	(7.3)	(5.9)	7.6	7.8
Change in USD/CHF -5%	7.3	5.9	(7.6)	(7.8)
Change in EUR/CHF +5%	6.2	2.6	14.8	18.4
Change in EUR/CHF -5%	(6.2)	(2.6)	(14.8)	(18.4)

1) Excluding the impact of forward currency contracts.

#### Interest rate risk

The Group has only limited exposure to interest rate changes. The most substantial interest exposure on assets relates to cash and cash equivalents with an average interest-bearing amount for the 2022/23 financial year of CHF 317.1 million (previous year CHF 1,298.7 million). If interest rates during the 2022/23 financial year had been 1% higher, the positive impact on income before taxes would have been CHF 2.0 million. If interest rates had been 1% lower, the income before taxes would have been negatively impacted by CHF 2.0 million. The Group's long-term financial liabilities are fixed rate instruments and thus not subject to interest rate risk.

#### Other market risks

Risk of price changes of raw materials or components used for production is limited. A change in those prices would not result in financial effects being above the Group's risk management tolerance level. Therefore, no sensitivity analysis has been conducted.

The Group aims to ensure cost effective sourcing, while at the same time managing the risk of supply shortages that could lead to a failure to deliver certain products at the quantities required. Wherever feasible, critical components are sourced from multiple suppliers in order to mitigate this risk.

The relationship with suppliers is governed by Sonova's Group Supplier Principles (SGSP). We regularly audit and visit suppliers and inspect their management capabilities through employee interviews and on-site inspections. Suppliers have to follow all applicable laws and regulations, ensure a healthy and safe working environment and are prohibited from using child labor.

Through its multiple manufacturing sites around the globe, the Group maintains effective options to rebalance its production capacity between different facilities and to shift production where necessary to avoid delivery shortages and to adapt to potential changes of the operating or general environment.

## Credit risk

Financial assets, which could expose the Group to a potential concentration in credit risk, are principally cash and bank balances, receivables from customers and loans.

Core banking relations are maintained with at least “BBB-” rated (S & P) financial institutions. As of March 31, 2023, the largest balance with a single counterparty amounted to 17% (previous year 29%) of total cash and cash equivalents.

The Group performs frequent credit checks on its receivables. Due to customer diversity, there is no single credit limit for all customers, however, the Group assesses its customers based on their financial position, past experience, and other factors. Due to the fragmented customer base (no single customer balance is greater than 10% of total trade accounts receivable), the Group is not exposed to any significant concentration risk. The same applies to loans to third and related parties. As part of the normal process, management held the regular Expected Credit Loss (ECL) Committee meeting to review the expected credit loss rates on an annual basis in January 2023.

## Impairment of financial assets

Impairment losses on financial assets are calculated based on the expected credit loss (ECL) model of IFRS 9. The Group’s loss allowances on financial assets other than trade receivables are not material.

## Accounting policies

*The Group applies the IFRS 9 simplified approach for measuring expected credit losses (ECLs) for trade receivables, which uses a lifetime expected loss allowance for trade receivables at each reporting date. To measure ECLs, trade receivables are grouped based on regions and the days past due. ECLs are calculated separately for state and non-state customers considering historical credit loss experience as well as forward-looking factors. Data sources in determining ECLs include actual historical losses, credit default swaps, country specific risk ratings, development of the customer structure and change in market performance and trends.*



The following table provides information about the exposure to credit risk and ECLs for trade receivables:

CHF million		31.3.2023				31.3.2022			
	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount	
<b>State customers</b>									
Not overdue	0.3%	106.4	(0.3)	106.2	0.4%	96.6	(0.4)	96.3	
Overdue 1–90 days	1.2%	7.8	(0.1)	7.7	0.9%	9.1	(0.1)	9.0	
Overdue 91–180 days	4.0%	2.7	(0.1)	2.6	4.1%	3.5	(0.1)	3.4	
Overdue 181–360 days	24.2%	1.6	(0.4)	1.2	28.2%	2.3	(0.6)	1.6	
Overdue more than 360 days	98.6%	2.9	(2.9)	0.0	98.9%	3.9	(3.8)	0.0	
<b>Total</b>	<b>3.1%</b>	<b>121.4</b>	<b>(3.8)</b>	<b>117.7</b>	<b>4.4%</b>	<b>115.4</b>	<b>(5.1)</b>	<b>110.3</b>	

CHF million		31.3.2023				31.3.2022			
	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount	
<b>Non-state customers</b>									
Not overdue	1.0%	342.1	(3.5)	338.5	1.3%	294.3	(3.9)	290.5	
Overdue 1–90 days	7.9%	56.6	(4.5)	52.1	3.6%	57.3	(2.0)	55.2	
Overdue 91–180 days	20.4%	11.2	(2.3)	8.9	16.2%	12.4	(2.0)	10.4	
Overdue 181–360 days	36.3%	11.6	(4.2)	7.4	34.8%	12.1	(4.2)	7.9	
Overdue more than 360 days	99.6%	13.3	(13.3)	0.1	99.9%	14.1	(14.1)	0.0	
<b>Total</b>	<b>6.4%</b>	<b>434.8</b>	<b>(27.8)</b>	<b>407.0</b>	<b>6.7%</b>	<b>390.2</b>	<b>(26.2)</b>	<b>364.0</b>	

The closing loss allowance for trade receivables as at March 31, 2022 reconciles to the closing loss allowance as at March 31, 2023 as follows:

CHF million	2022/23	2021/22
<b>Loss allowance for doubtful receivables, April 1</b>	<b>(31.3)</b>	<b>(34.5)</b>
Utilization	1.7	3.1
Reversal	2.5	2.7
Additions	(5.3)	(3.8)
Exchange differences	0.9	1.1
<b>Loss allowance for doubtful receivables, March 31</b>	<b>(31.5)</b>	<b>(31.3)</b>

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables and subsequent recoveries are included in general and administration costs.

## Liquidity risk

Group finance is responsible for centrally managing the net cash/debt position and to ensure that the Group's obligations can be settled on time. The Group aims to grow further and wants to remain flexible in making time-sensitive investment decisions. This overall objective is included in the asset allocation strategy. A rolling forecast based on the expected cash flows is conducted and updated regularly to monitor and control liquidity.

Visibility over the majority of bank accounts is provided by central treasury organization. Cash pools are automated and daily SWIFT balance tracking is applied where feasible.

The following table summarizes the Group's financial liabilities as of March 31, 2023 and 2022 based on contractual undiscounted payments. Bonds include the notional amount as well as interest payments.

CHF million				31.3.2023
	Due less than 1 year	Due 1 year to 5 years	Due more than 5 years	Total
Bank debt	0.4			0.4
Trade payables	192.9			192.9
Lease liabilities	73.4	138.2	85.3	296.9
Bonds/US Private Placement	17.8	420.8	1,179.8	1,618.4
Deferred payments	1.1	2.4		3.5
Contingent considerations	13.8	41.8	63.1	118.7
Other financial liabilities	2.1	4.4		6.5
<b>Total financial liabilities</b>	<b>301.5</b>	<b>607.6</b>	<b>1,328.2</b>	<b>2,237.3</b>

CHF million				31.3.2022
	Due less than 1 year	Due 1 year to 5 years	Due more than 5 years	Total
Bank debt	0.4			0.4
Trade payables	189.2			189.2
Lease liabilities	68.8	140.4	75.0	284.3
Bonds/US Private Placement	338.4	390.2	506.4	1,235.0
Deferred payments	23.8	2.6		26.4
Contingent considerations	13.8	39.5	69.8	123.1
Other financial liabilities	0.0	10.8		10.9
<b>Total financial liabilities</b>	<b>634.4</b>	<b>583.5</b>	<b>651.2</b>	<b>1,869.1</b>

## Capital management

It is the Group's policy to maintain a strong equity base and to secure a continuous "investment grade" rating. The Group's strong balance sheet and earnings tracking provides for additional debt capacity.

The company aims to return excess cash to shareholders as far as not required for organic and acquisition related growth, and amortization of debt.

## 4.8 Financial instruments

This note discloses the categorization of financial instruments measured at fair value based on the fair value hierarchy.

### Accounting policies

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

#### Level 1:

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

#### Level 2:

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

#### Level 3:

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

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

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

CHF million		<b>31.3.2023</b>				
	Notes	Carrying amount	Fair value <sup>1)</sup>	Level 1	Level 2	Level 3
<b>Financial assets at amortized cost</b>						
Cash and cash equivalents	4.1	413.9				
Other financial assets	4.4	54.2				
Trade receivables	3.1	524.7				
<b>Total</b>		<b>992.8</b>				
<b>Financial assets at fair value through profit or loss</b>						
Other financial assets	4.4	3.7	3.7	1.0		2.6
<b>Total</b>		<b>3.7</b>	<b>3.7</b>	<b>1.0</b>		<b>2.6</b>
<b>Financial liabilities at amortized cost</b>						
Bank debt	4.5	0.4				
Bonds/US Private Placement	4.5	1,517.5	1,418.3	1,418.3		
Deferred payments	4.5	3.5				
Other financial liabilities	4.5	0.0				
Trade payables		192.9				
<b>Total</b>		<b>1,714.3</b>	<b>1,418.3</b>	<b>1,418.3</b>		
<b>Financial liabilities at fair value through profit or loss</b>						
Contingent considerations	4.5	85.9	85.9			85.9
Negative replacement value of forward foreign exchange contracts	4.7	2.1	2.1			2.1
Other financial liabilities	4.5	6.5	6.5			6.5
<b>Total</b>		<b>94.5</b>	<b>94.5</b>			<b>94.5</b>

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

CHF million		<b>31.3.2022</b>				
	<b>Notes</b>	Carrying amount	Fair value <sup>1)</sup>	Level 1	Level 2	Level 3
<b>Financial assets at amortized cost</b>						
Cash and cash equivalents	<b>4.1</b>	610.5				
Other financial assets	<b>4.4</b>	39.1				
Trade receivables	<b>3.1</b>	474.3				
<b>Total</b>		<b>1,124.0</b>				
<b>Financial assets at fair value through profit or loss</b>						
Other financial assets	<b>4.4</b>	5.5	5.5	2.3		3.3
<b>Total</b>		<b>5.5</b>	<b>5.5</b>	<b>2.3</b>		<b>3.3</b>
<b>Financial liabilities at amortized cost</b>						
Bank debt	<b>4.5</b>	0.4				
Bonds/US Private Placement	<b>4.5</b>	1,199.6	1,170.5	1,170.5		
Deferred payments	<b>4.5</b>	26.4				
Other financial liabilities	<b>4.5</b>	0.1				
Trade payables		189.2				
<b>Total</b>		<b>1,415.6</b>	<b>1,170.5</b>	<b>1,170.5</b>		
<b>Financial liabilities at fair value through profit or loss</b>						
Contingent considerations	<b>4.5</b>	95.3	95.3			95.3
Negative replacement value of forward foreign exchange contracts	<b>4.7</b>	1.5	1.5			1.5
Other financial liabilities	<b>4.5</b>	10.9	10.9			10.9
<b>Total</b>		<b>107.7</b>	<b>107.7</b>			<b>107.7</b>

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

The following table presents the changes in level 3 financial instruments for the year ended March 31, 2023 and 2022:

<b>Financial assets at fair value through profit or loss</b> CHF million		<b>2022/23</b>	<b>2021/22</b>
		Total	Total
Balance April 1		3.3	2.3
(Disposals)/additions, net		(0.6)	1.0
Gain recognized in profit or loss		0.0	0.0
<b>Balance March 31</b>		<b>2.6</b>	<b>3.3</b>

<b>Financial liabilities at fair value through profit or loss</b> CHF million			<b>2022/23</b>	<b>2021/22</b>
	Contingent considerations	Other financial liabilities	Total	Total
Balance April 1	(95.3)	(12.4)	(107.7)	(12.1)
PPA finalization <sup>1)</sup>	1.3		1.3	
Changes through business combinations	(13.3)		(13.3)	(93.3)
Cash outflow for contingent considerations	12.6		12.6	2.2
(Additions)/disposals, net		(1.2)	(1.2)	4.8
Gains/(losses) recognized in profit or loss	5.3	5.0	10.3	(9.4)
Exchange differences	3.4		3.4	
<b>Balance March 31</b>	<b>(85.9)</b>	<b>(8.6)</b>	<b>(94.5)</b>	<b>(107.7)</b>

<sup>1)</sup> Relates to finalization of purchase price allocation Sennheiser Consumer Division (refer to Note 6.1)

Financial liabilities at fair value through profit or loss mainly consist of contingent consideration arrangements arising from business combinations (refer to [Note 6.1](#)). The fair values are determined by considering the possible scenarios of the future performance of the acquired companies, contractual obligations and milestone achievements, the amount to be paid under each scenario and the probability of each scenario. The significant unobservable inputs are the forecast sales and other performance criteria. As at March 31, 2023 and 2022, the maximum potential payments under contingent considerations do not differ significantly from the amounts provided.

The increase in contingent considerations in the financial year 2021/22 mainly related to a license agreement for the Sennheiser brand for which a liability was recognized for the expected future licensing payments (refer to [Note 6.1](#)). The amount of the liability is determined based on a discounted cash flow calculation over a licensing period of 15 years considering five possible payment scenarios. Significant unobservable inputs used in the fair value measurement include the probability of each scenario, projected revenues, the brand licensing fee and the discount rate.

As of March 31, 2023 the fair value of the license liability amounts to CHF 64.2 million. The valuation model remained unchanged to the prior year. Significant unobservable inputs were updated based on the latest strategic plan. For the calculation a licensing fee of 2.5% for the first 8 years, 1.3% for the subsequent years and a discount rate of 2.9% was used. The gain on the fair value change of the financial liability is considered in the income statement in line "Financial income". The Group performed a sensitivity analysis, which shows that a decrease in the discount rate of 1% would increase the licence liability as of March 31, 2023 and negatively impact income before taxes by CHF 4.0 million.

## 4.9 Exchange rates

The following main exchange rates were used for currency translation:

	31.3.2023	31.3.2022	2022/23	2021/22
	Year-end rates		Average rates for the year	
AUD 1	0.61	0.69	0.65	0.68
BRL 1	0.18	0.19	0.19	0.17
CAD 1	0.68	0.74	0.72	0.73
CNY 1	0.13	0.15	0.14	0.14
EUR 1	1.00	1.03	0.99	1.07
GBP 1	1.13	1.21	1.15	1.26
JPY 100	0.69	0.76	0.71	0.82
USD 1	0.91	0.92	0.96	0.92

### Accounting policies

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. 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.

## 5. Taxes

### 5.1 Taxes

CHF million	2022/23	2021/22
Current taxes	85.9	98.6
Deferred taxes	(28.5)	(34.0)
<b>Total income taxes</b>	<b>57.4</b>	<b>64.5</b>
<b>Reconciliation of tax expense</b>		
Income before taxes	715.6	728.2
Group's expected average tax rate	19.7%	20.0%
<b>Tax at expected average rate</b>	<b>141.1</b>	<b>145.6</b>
<b>+/- Effects of</b>		
Non-taxable income/non-tax-deductible expenses	0.9	(0.7)
Changes of unrecognized loss carryforwards/deferred tax assets	(19.8)	8.6
Local actual tax rate different to Group's expected average tax rate	(48.7)	(49.9)
Change in tax rates on deferred tax balances	0.1	5.4
Transitional effect of tax reforms <sup>1)</sup>	(9.2)	(17.5)
Prior year adjustments and other items, net <sup>2)</sup>	(7.1)	(27.0)
<b>Total income taxes</b>	<b>57.4</b>	<b>64.5</b>
Weighted average effective tax rate	8.0%	8.9%

1) Considering impact from annual assessment.

2) Other items include changes in uncertain tax positions.

The Group's expected average tax rate is the rate obtained by applying the expected tax rate for each jurisdiction to its respective result before taxes, adjusted for significant one-time effects. The expected tax rate might vary on a year-over-year basis depending on changes in tax regulations and where the results are achieved.



**Deferred tax assets and (liabilities) CHF**

	31.3.2023			31.3.2022		
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Inventories	30.4	(8.3)	22.1	22.9	(6.3)	16.6
Property, plant & equipment	3.4	(6.8)	(3.4)	2.7	(8.2)	(5.4)
Intangible assets		(140.4)	(140.4)		(148.0)	(148.0)
Right-of-use assets and lease liabilities	66.6	(66.0)	0.6	66.2	(65.2)	1.0
Other assets and liabilities <sup>1)</sup>	262.5	(51.9)	210.7	263.1	(58.2)	204.9
Tax loss carryforwards	47.6		47.6	35.1		35.1
<b>Total tax assets (liabilities)</b>	<b>410.5</b>	<b>(273.4)</b>	<b>137.1</b>	<b>390.0</b>	<b>(285.9)</b>	<b>104.1</b>
Offset of assets and liabilities	(159.6)	159.6		(147.1)	147.1	
<b>Amounts in the balance sheet</b>						
Deferred tax assets	250.9		250.9	242.9		242.9
Deferred tax liabilities		(113.9)	(113.9)		(138.8)	(138.8)
<b>Total deferred taxes, net</b>			<b>137.1</b>			<b>104.1</b>

1) Deferred tax assets mainly relate to provisions and contract liabilities, deferred tax liabilities mainly relate to provisions, contract assets and trade and other receivables. Including deferred tax assets in the amount of CHF 138.0 million (2021/22: CHF 128.8 million) related to tax reforms as described below.

**Movement of deferred tax assets and (liabilities) CHF million**

	2022/23						Total
	Inventories	Property, plant & equipment	Intangible assets	Right-of-use assets and lease liabilities	Other assets and liabilities	Tax loss carryforwards	
Balance April 1	16.6	(5.4)	(148.0)	1.0	204.9	35.1	104.1
PPA finalization <sup>1)</sup>			9.3		1.6		10.8
Changes through business combinations			(12.4)		1.4		(11.1)
Deferred taxes recognized in the income statement <sup>2)</sup>	6.0	2.5	3.9	(0.4)	5.8	10.6	28.5
Deferred taxes recognized in OCI <sup>3)</sup>					6.5		6.5
Exchange differences	(0.4)	(0.6)	6.9	(0.0)	(9.5)	1.9	(1.8)
<b>Balance March 31</b>	<b>22.1</b>	<b>(3.4)</b>	<b>(140.4)</b>	<b>0.6</b>	<b>210.7</b>	<b>47.6</b>	<b>137.1</b>

1) Relates to finalization of purchase price allocation Sennheiser Consumer Division (refer to Note 6.1).

2) Deferred taxes recognized in the income statement include the impact from tax reforms as described below.

3) Other comprehensive income.

**Movement of deferred tax assets and (liabilities)** CHF million

							<b>2021/22</b>
	Inventories	Property, plant & equipment	Intangible assets	Right-of-use assets and lease liabilities	Other assets and liabilities	Tax loss carryforwards	Total
Balance April 1	19.4	(4.9)	(96.9)	0.8	163.8	26.9	109.2
Changes through business combinations			(63.4)		18.5	5.5	(39.4)
Deferred taxes recognized in the income statement <sup>1)</sup>	(2.6)	(1.2)	5.4	(0.2)	31.0	1.7	34.0
Deferred taxes recognized in OCI <sup>2)</sup>					(9.1)		(9.1)
Exchange differences	(0.2)	0.7	6.8	0.4	0.7	1.0	9.4
<b>Balance March 31</b>	<b>16.6</b>	<b>(5.4)</b>	<b>(148.0)</b>	<b>1.0</b>	<b>204.9</b>	<b>35.1</b>	<b>104.1</b>

1) Deferred taxes recognized in the income statement include the impact from tax reforms as described below.

2) 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:

CHF million	<b>31.3.2023</b>	<b>31.3.2022</b>
Within 1 year	10.6	24.4
Within 2–5 years	46.2	36.1
More than 5 years or without expiration	421.1	434.4
<b>Total</b>	<b>478.0</b>	<b>494.9</b>

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

### Tax reforms

On January 1, 2020 the Federal Act on Tax Reform and AHV Financing (TRAF) entered into force. The tax reform abolished the tax regimes for holding, domiciliary and mixed companies and introduced new tax incentives with a focus to promote innovation as well as transition measures in line with the OECD principles.

In the framework of the OECD's BEPS 2.0 initiatives, over 135 jurisdictions agreed in October 2021 to implement Global Anti-Base Erosion Rules (GloBE – Pillar 2) that aim to achieve that large multinational enterprises pay at least 15% income tax in each jurisdiction they operate. In December 2021, the OECD released the respective GloBE Model Rules that provide for a coordinated system to ensure that the 15% tax on the basis of a globally harmonized tax base, considered taxes as well as a system to levy top-up tax, if required. Enactment is expected on 1 January 2024. Sonova analyzes and prepares for the additional layer of compliance.

### Accounting policies

*Income taxes include current and deferred income taxes. The 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 the use of certain estimates and assumptions. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and outcome is uncertain. Management establishes provisions, where appropriate, on the basis of amounts expected to be at risk to be paid to the tax authorities.*

*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 non-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.*

### Accounting judgements and estimates

*The consolidated balance sheet includes deferred tax assets of CHF 112.9 million (previous year CHF 114.1 million) related to deductible differences and, in certain cases, tax loss carry forwards, provided that their utilization is considered 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.*

*Deferred tax assets further include CHF 138.0 million (previous year: CHF 128.8 million) related to tax reforms as described above. The calculation of the deferred tax assets required management to make significant estimates and assumptions. Some of these estimates are based on interpretations of existing tax laws or regulations. Whenever circumstances have changed or there is new information that affects these judgements, the estimates will be reassessed.*

## 6. Changes in Group structure

### 6.1 Acquisitions/disposals of subsidiaries

#### Acquisitions financial year 2022/23

On December 5, 2022, Sonova Holding AG completed the acquisition of 100% of Hubei Hysound Health Technology Corp. Ltd, Wuhan (China) and Shanghai Chengting Technology Corp. Ltd, Shanghai (China) (HYSOUND Group). The HYSOUND Group is one of the leading nationwide chains of audiological care clinics in China with around 200 clinics in over 20 provinces and more than 70 cities across China.

In addition to the acquisition above, during the financial year 2022/23 several small businesses were acquired in EMEA, USA, Americas and Asia/Pacific. All of these companies acquired are in the business of producing and/or distributing and servicing hearing instruments. Due to the size of these transactions, they had no material impact on the financial statements.

#### Acquisitions/disposals financial year 2021/22

On March 1, 2022, Sonova Holding AG completed the acquisition of 100% of the Consumer Division from Sennheiser electronic GmbH & Co. KG, Wedemark (Germany). The Sennheiser Consumer division concentrates on the business of headphones and hearables for private customers and operates with around 600 employees worldwide through a broad online and in-store distribution network. As part of the acquisition, Sonova secured a perpetual license for the Sennheiser brand, under which both existing and new consumer hearing devices will be marketed.

On March 1, 2022, Sonova Holding AG completed the acquisition of 100% of Alpaca Group Holdings LLC, Delaware (USA). Alpaca Audiology is one of the largest independent networks of audiological clinics in the US. The company has over 500 employees and operates around 220 clinics across the country.

In addition to the acquisitions above, during the financial year 2021/22 several small businesses were acquired in EMEA, North America and Asia/Pacific and one small business was divested in Asia.

Assets and liabilities resulting from the acquisitions are as follows:

CHF million	2022/23			2021/22	
	Total	Sennheiser Consumer Division	Alpaca Audiology	Others	Total
Cash and cash equivalents	10.1	65.4	0.6	16.7	82.8
Trade receivables	2.8	8.3	2.8	3.3	14.5
Inventories	3.9	49.5	2.9	3.0	55.5
Other current operating assets	4.0	32.5	2.7	0.9	36.1
<b>Total current assets</b>	<b>20.8</b>	<b>155.8</b>	<b>9.1</b>	<b>24.0</b>	<b>188.8</b>
Property, plant and equipment	2.9	13.3	2.7	4.9	20.9
Right-of-use assets	13.5	3.5	9.7	17.4	30.7
Intangible assets	50.5	175.4	83.2	47.3	306.0
Other non-current assets	0.0	0.1		0.7	0.8
Deferred tax assets	1.4	14.3		3.0	17.4
<b>Total non-current assets</b>	<b>68.3</b>	<b>206.7</b>	<b>95.7</b>	<b>73.4</b>	<b>375.8</b>
Current financial liabilities	(1.2)	(0.0)	(1.4)	(0.8)	(2.2)
Current lease liabilities	(3.4)	(0.9)	(2.4)	(4.4)	(7.7)
Trade payables	(4.2)	(4.5)	(4.4)	(4.1)	(13.0)
Short-term contract liabilities			(6.9)	(2.4)	(9.3)
Other short-term operating liabilities	(11.2)	(23.5)	(1.4)	(7.1)	(32.0)
Short-term provisions	(1.2)	(8.7)	(0.6)	(2.1)	(11.4)
<b>Total current liabilities</b>	<b>(21.2)</b>	<b>(37.6)</b>	<b>(17.1)</b>	<b>(20.8)</b>	<b>(75.5)</b>
Non-current financial liabilities	0.0	(0.0)	(1.5)	(0.4)	(1.9)
Non-current lease liabilities	(10.1)	(2.6)	(7.3)	(13.1)	(23.0)
Long-term provisions	(0.1)	(2.3)		(1.6)	(4.0)
Other long-term operating liabilities		(6.9)			(6.9)
Deferred tax liabilities	(12.4)	(30.5)	(3.0)	(12.6)	(46.0)
<b>Total non-current liabilities</b>	<b>(22.6)</b>	<b>(42.3)</b>	<b>(11.7)</b>	<b>(27.7)</b>	<b>(81.8)</b>
<b>Net assets</b>	<b>45.3</b>	<b>282.6</b>	<b>75.9</b>	<b>48.9</b>	<b>407.3</b>
Goodwill	198.5	47.9	210.4	120.5	378.9
<b>Purchase consideration</b>	<b>243.8</b>	<b>330.6</b>	<b>286.3</b>	<b>169.4</b>	<b>786.2</b>
Liabilities for contingent considerations and deferred payments <sup>1)</sup>	(13.7)	(98.0)		(14.4)	(112.4)
Cash and cash equivalents acquired	(10.1)	(65.4)	(0.6)	(16.7)	(82.8)
Cash outflow for contingent considerations and deferred payments	35.2		0.3	8.7	8.9
<b>Cash consideration for acquisitions, net of cash acquired</b>	<b>255.2</b>	<b>167.1</b>	<b>286.0</b>	<b>146.9</b>	<b>600.0</b>

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

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

Liabilities for contingent considerations amount to CHF 13.2 million and deferred payments amount to CHF 0.5 million. Contingent considerations are dependent on the future performance of the acquired companies as well as contractual obligations and milestone achievements. Goodwill is attributed mainly to economies of scale and expected synergies such as favorable sales growth potential, increase in share of Sonova products within acquired distribution companies and cost reductions in administrative and corporate functions as well as to the labor force. Recognized goodwill is not expected to be deductible for income tax purposes.

Acquisition-related intangible assets in the amount of CHF 50.5 million for the acquisitions in the current financial year relate to customer relationships (CHF 47.4 million) and trademarks (CHF 3.1 million). The assigned lifetime range is between 10 and 15 years for customer relationships and 3 years for trademarks. On these intangibles deferred taxes have been considered.

Acquisition-related transaction costs in the amount of CHF 8.3 million (previous year CHF 9.0 million) were expensed and are included in the line "General and administration".

April 1 to March 31, CHF million	<b>2022/23</b>				<b>2021/22</b>
	Total	Sennheiser Consumer Division	Alpaca Audiology	Others	Total
<b>Contribution of acquired companies from date of acquisition</b>					
Sales	38.3	8.8	8.2	40.4	57.4
Net income	8.0	(8.0)	(0.0)	2.1	(5.9)
<b>Contribution, if the acquisitions had occurred on April 1</b>					
Sales	80.3	245.7	97.0	70.2	412.9
Net income	15.6	1.7	0.1	8.8	10.6

## Finalization of purchase price allocation Sennheiser Consumer Division

During the financial year 2022/23, the purchase price allocation (PPA) of the acquisition of the Sennheiser Consumer Division was finalized, resulting in some fair value adjustments to the identifiable assets acquired and liabilities assumed. Adjustments compared to the provisional PPA relate to intangible assets and deferred tax liabilities and resulted in a decrease in the goodwill of CHF 14.9 million. As a result of adjusting mechanism in the share purchase agreement, the final purchase price increased by CHF 5.0 million and an additional cash consideration of CHF 5.9 million was made during the financial year 2022/23. Liabilities for contingent considerations include a liability in connection with a license agreement (for further information refer to [Note 4.8](#)). As the effect on the financial statements 2021/22 is not material, the prior year information has not been restated.

The final fair values of the net assets acquired are as follows:

CHF million

	Final Fair Values disclosed 2022/23	PPA finalization	Provisional values disclosed 2021/22
Inventories	49.5	(1.2)	50.8
Other current assets	106.3	0.0	106.2
<b>Total current assets</b>	<b>155.8</b>	<b>(1.2)</b>	<b>157.0</b>
Intangible assets	175.4	9.6	165.8
Deferred tax assets	14.3	1.6	12.8
Other non-current assets	16.9	(0.1)	17.1
<b>Total non-current assets</b>	<b>206.7</b>	<b>11.0</b>	<b>195.7</b>
Short-term provisions	(8.7)	1.6	(10.2)
Other current liabilities	(28.9)	0.7	(29.6)
<b>Total current liabilities</b>	<b>(37.6)</b>	<b>2.3</b>	<b>(39.9)</b>
Long-term provisions	(2.3)	(1.4)	(0.9)
Deferred tax liabilities	(30.5)	9.3	(39.7)
Other non-current liabilities	(9.5)		(9.5)
<b>Total non-current liabilities</b>	<b>(42.3)</b>	<b>7.8</b>	<b>(50.1)</b>
<b>Net assets</b>	<b>282.6</b>	<b>20.0</b>	<b>262.6</b>
Goodwill	47.9	(14.9)	62.9
<b>Purchase consideration</b>	<b>330.6</b>	<b>5.0</b>	<b>325.5</b>
Liabilities for contingent considerations and deferred payments	(98.0)	1.3	(99.3)
Cash and cash equivalents acquired	(65.4)	(0.4)	(65.0)
<b>Cash consideration for acquisitions, net of cash acquired</b>	<b>167.1</b>	<b>5.9</b>	<b>161.2</b>

### Accounting policies

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 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 (Refer to [Note 3.5](#)). 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.

### Accounting judgements and estimates

#### 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.

#### Liabilities for contingent considerations

Contingent considerations are dependent on the future performance of the acquired companies as well as contractual obligations. If the future performance is not achieved or the estimate needs to be revised, the liability is adjusted accordingly, with a resulting change in the income statement. At the end of the 2022/23 financial year, such liabilities contingent on future events amount to CHF 85.9 million (previous year CHF 95.3 million) and are disclosed under other financial liabilities ([Note 4.5](#)).



## 6.2 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:

CHF million	2022/23	2021/22
Current assets	4.6	4.7
Non-current assets	4.4	4.7
<b>Total assets</b>	<b>9.0</b>	<b>9.4</b>
Current liabilities	(2.1)	(1.2)
Non-current liabilities	(1.3)	(0.9)
<b>Total liabilities</b>	<b>(3.4)</b>	<b>(2.0)</b>
<b>Net assets</b>	<b>5.6</b>	<b>7.4</b>
Income for the year	9.2	7.6
Expenses for the year	(5.3)	(4.6)
<b>Profit for the year</b>	<b>3.9</b>	<b>3.0</b>
Net book value at year-end	18.7	22.3
Share of profit/(loss) recognized by the Group	3.9	3.0

In the financial year 2022/23, no associates were acquired/divested.

In the financial year 2021/22, the Group acquired a 27% interest in an associate for a total consideration of CHF 1.6 million. In addition, the Group acquired four associates with interests between 25% and 50% as part of an acquisition in the Asia/Pacific region. All associates are in the business of selling hearing instruments.

Sales to associates in the 2022/23 financial year amounted to CHF 12.2 million (previous year CHF 10.9 million). At March 31, 2023, trade receivables towards associates amounted to CHF 2.8 million (previous year CHF 2.6 million).

At the end of the 2022/23 and 2021/22 financial years, no unrecognized losses existed.

Investments with a net book value of CHF 18.7 million (previous year CHF 22.2 million) have a business year different than the Sonova Group. The latest available information for the respective companies are as per December 2022.

#### **Accounting policies**

*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 no 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 recognized initially 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.*

## 7. Other disclosures

### 7.1 Number of employees

On March 31, 2023, the Sonova Group employed the full time equivalent (FTE) of 17,608 people (previous year 16,733). They were engaged in the following regions and activities:

By region	31.3.2023	31.3.2022
Switzerland	1,482	1,445
EMEA (excl. Switzerland)	7,311	7,238
Americas	4,409	4,285
Asia/Pacific	4,406	3,765
<b>Total</b>	<b>17,608</b>	<b>16,733</b>
<b>By activity</b>		
Research and development	1,211	1,100
Operations	4,397	4,668
Sales and marketing, general and administration	12,000	10,965
<b>Total</b>	<b>17,608</b>	<b>16,733</b>

The average number of employees (full time equivalents) of the Sonova Group for the year was 17,191 (previous year 15,114). Total personnel expenses for the 2022/23 financial year amounted to CHF 1,255.4 million (previous year CHF 1,131.9 million).

### 7.2 Transactions and relations with members of the Management Board and the Board of Directors

CHF million	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	Management Board		Board of Directors		Total	
Short-term employee benefits	6.2	9.6	2.1	1.5	8.3	11.1
Post-employment benefits	0.7	0.7			0.7	0.7
Share based payments	5.3	5.0	1.8	1.6	7.1	6.6
<b>Total</b>	<b>12.1</b>	<b>15.2</b>	<b>3.9</b>	<b>3.1</b>	<b>16.1</b>	<b>18.4</b>

The total compensation to the Management Board for the 2022/23 reporting period, as shown above, relates to eight active members (2021/22: nine active members and one former member).

The total compensation to the Board of Directors for the 2022/23 reporting period, as shown above, relates to 10 active members (2021/22: nine active members and two former members).

Transactions between the Group and the various post-employment benefit plans for the employees of the Group are described in [Note 7.3](#).

Further information in accordance with Swiss law relating to remuneration and ownership of shares and options of the Board of Directors and the Management Board can be found in the [Note 3.6](#) of the financial statements of Sonova Holding AG.

## 7.3 Employee benefits

### Defined benefit plans

Sonova Group's retirement plans include defined benefit pension plans in Switzerland, Austria, Belgium, Canada, France, Germany and Israel. These plans are both funded and unfunded and governed by local regulations using independent actuarial valuations according to IAS 19. Sonova Group's major defined benefit plan is located in Switzerland, which in total accounts for CHF 438.6 million or 98.6% (previous year CHF 471.0 million or 98.7%) of Sonova's defined benefit obligation.

### Pension plans in Switzerland

The current pension arrangement for employees in Switzerland is made through a plan governed by the Swiss Federal Occupational Old Age, Survivors and Disability Pension Act (BVG). The plan of Sonova's Swiss companies is administered by a separate legal foundation, which is funded by regular employer and employee contributions as defined in the pension fund rules. The Swiss pension plan contains a cash balance benefit which is, in essence, contribution-based with certain minimum guarantees. Due to these minimum guarantees, the Swiss plan is treated as a defined benefit plan for the purposes of these IFRS financial statements, although it has many of the characteristics of a defined contribution plan. The plan is invested in a diversified range of assets in accordance with the investment strategy and the common criteria of asset and liability management. A potential under-funding may be remedied by various measures such as increasing employer and employee contributions or reducing prospective benefits. Above a set insured salary, the savings capital will be split into pension-accumulating and capital-accumulating savings capital. The pension-accumulating savings capital will generate a life-long retirement pension upon retirement. The capital-accumulating savings capital will generate a one-off capital payment upon retirement. An annuity rate of 5.4% to the individual accumulated retirement savings capital was applied for the financial years 2022/23 and 2021/22.

As of March 31, 2023, 1,514 employees (previous year 1,476 employees) and 165 beneficiaries (previous year 154 beneficiaries) are insured under the Swiss plan. The defined benefit obligation has a duration of 14.3 years (previous year 15.7 years).

The results of all defined benefit plans are summarized below:

Amounts recognized in the balance sheet CHF million	31.3.2023	31.3.2022
Present value of funded obligations	(444.9)	(477.3)
Fair value of plan assets	512.3	516.2
<b>Net present value of funded plans</b>	<b>67.4</b>	<b>39.0</b>
Present value of unfunded obligations	(12.5)	(15.0)
<b>Total assets (liabilities), net</b>	<b>54.9</b>	<b>24.0</b>
Asset ceiling	(67.8)	
<b>(Liabilities)/assets in the balance sheet, net</b>	<b>(12.8)</b>	<b>24.0</b>
Amounts in the balance sheet:		
Retirement benefit obligation	(12.8)	(15.7)
Retirement benefit asset		39.7
<b>(Liabilities)/assets in the balance sheet, net</b>	<b>(12.8)</b>	<b>24.0</b>

Remeasurements recognized in equity CHF million	2022/23	2021/22
Balance April 1	(34.4)	21.4
Actuarial losses/(gains) from		
– changes in demographic assumptions	(0.0)	3.6
– changes in financial assumptions	(63.6)	(53.8)
– changes in experience adjustments	2.3	27.7
Return on plan assets excluding interest income	30.4	(33.1)
Change in asset ceiling	67.8	
<b>Balance March 31</b>	<b>2.5</b>	<b>(34.4)</b>

Amounts recognized in the income statement CHF million	2022/23	2021/22
Current service cost <sup>1)</sup>	18.4	20.0
Net interest cost	(0.3)	0.1
<b>Total employee benefit expenses <sup>2)</sup></b>	<b>18.0</b>	<b>20.1</b>

1) Excluding Participants' contributions.

2) The amount recognized in the consolidated income statement 2022/23 has been charged to:

- cost of sales CHF 2.5 million (previous year CHF 2.8 million);
- research and development CHF 7.4 million (previous year 6.8 million);
- sales and marketing CHF 3.9 million (previous year 3.7 million);
- general and administration CHF 4.6 million (previous year CHF 6.6 million);
- financial income CHF -0.3 million (previous year financial expenses CHF 0.1 million).

<b>Movement in the present value of the defined benefit obligations</b> CHF million	<b>2022/23</b>	<b>2021/22</b>
Beginning of the year	492.2	495.5
Interest cost	6.0	1.6
Current service cost	18.4	20.0
Participants' contributions	15.1	13.8
Benefits paid, net	(12.3)	(23.2)
Actuarial loss on obligations	(61.3)	(22.6)
Changes through business combinations		6.8
Transfers		1.3
Exchange differences	(0.7)	(0.9)
<b>Present value of obligations at end of period</b>	<b>457.4</b>	<b>492.2</b>

<b>Movement in the fair value of the plan assets</b> CHF million	<b>2022/23</b>	<b>2021/22</b>
Beginning of the year	516.2	474.1
Interest income on plan asset	6.2	1.5
Employer's contributions paid	17.3	16.4
Participants' contributions	15.1	13.8
Benefits paid, net	(11.8)	(22.4)
Return on plan assets excluding interest income	(30.4)	33.1
Exchange differences	(0.2)	(0.2)
<b>Fair value of plan assets at end of period</b>	<b>512.3</b>	<b>516.2</b>

<b>The plan assets consist of:</b>	<b>31.3.2023</b>	<b>31.3.2022</b>
Cash	1.7%	2.9%
Domestic bonds	19.0%	17.3%
Foreign bonds	7.8%	7.7%
Domestic equities	11.0%	12.3%
Foreign equities	29.1%	29.9%
Real estates	15.1%	14.6%
Alternative investments	16.3%	15.4%

All of the plan assets have quoted market prices. The actual return on plan assets amounted to CHF –24.3 million (previous year CHF 34.6 million). The expected employer's contributions for the Swiss retirement benefit plan to be paid in the 2023/24 financial year amount to CHF 17.0 million.

<b>Principal actuarial assumptions Swiss retirement benefit plan (weighted average)</b>	<b>2022/23</b>	<b>2021/22</b>
Discount rate	2.10%	1.20%
Future salary increases	1.00%	1.00%
Future pension increases	0%	0%
Fluctuation rate	BVG 2020	BVG 2020
Demography	BVG 2020GT	BVG 2020GT

The following sensitivity analysis shows how the present value of the benefit obligation for the Swiss retirement benefit plan would change if one of the principal actuarial assumptions was changed. For the analysis, changes in the assumptions were considered separately and no interdependencies were taken into account.

<b>Sensitivity analysis – impact on defined benefit obligation</b> CHF million	<b>31.3.2023</b>	<b>31.3.2022</b>
<b>Discount rate</b>		
Discount rate +0.25%	(14.1)	(16.8)
Discount rate -0.25%	16.0	19.2
<b>Salary growth</b>		
Salary growth +0.25%	0.8	1.0
Salary growth -0.25%	(0.7)	(1.0)
<b>Pension growth</b>		
Pension growth +0.5%	15.4	18.5
<b>Fluctuation rate</b>		
Fluctuation rate +5%	(1.8)	(15.0)
Fluctuation rate -5%	3.2	21.4

## Defined contribution plans

Several of the Group's entities have a defined contribution plan. The employer's contributions amounted to CHF 26.4 million in the year ended March 31, 2023 (previous year CHF 22.1 million) and are recognized directly in the income statement.

### Accounting policies

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.

The 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, with the cost of providing pensions 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 high quality corporate bonds, 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.

### Accounting judgements and estimates

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 2022/23 financial year amounts to CHF 457.4 million (previous year CHF 492.2 million). This includes CHF 438.6 million (previous year CHF 471.0 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. In the medium term, such deviations could have an impact on the equity.



## 7.4 Equity plans

Equity plans are offered annually to the members of the Board of Directors (BoD), to the members of the Management Board (MB) as well as to other management and senior employees of the Group, entitling them to receive long-term incentives in the form of equity plans free of charge. Equity plans are settled either with Sonova Holding AG shares (equity-settled share-based payment) or for certain US employees with an equivalent amount in cash (cash-settled share-based payment). The amount granted varies depending on the degree of management responsibility held.

In the 2022/23 and 2021/22 financial years, as part of the Executive Equity Award Plan (EEAP) Sonova granted restricted shares, restricted share units (RSUs), performance share units (PSUs), options, and for US employees, share appreciation rights (SARs). Options as well as PSUs granted to the Management Board in 2022/23 and 2021/22 include a performance criterion.

The following share-based payment costs have been recognized in the financial years:

CHF million	2022/23	2021/22
Equity-settled share-based payment costs	21.5	19.9
Cash-settled share-based payment costs	(0.4)	13.6
<b>Total share-based payment costs</b>	<b>21.0</b>	<b>33.5</b>

The following table shows the outstanding options and/or SARs, granted as part of the EEAP 2017 to 2023. All of the equity instruments listed below (except for the non-recurring performance options granted to the COO (now CEO) in 2017/18) vest in 4 equal tranches, annually over a period of 4 years. The non-recurring performance options granted to the CEO vest earliest on April 1, 2023, subject to the achievement of the performance criteria.

**Summary of outstanding options and SARs granted until March 31, 2023:**

Financial year granted	Instruments granted	First vesting date/ expiry date	Granted	Exercise price (CHF)	Outstanding	Average remaining life (years)	Exercisable
2016/17	Options/SARs <sup>1)</sup>	1.6.2018 31.1.2024	378,652	130.00	83,219	0.8	83,219
2017/18	Options/SARs <sup>2)</sup>	1.4.2023 30.9.2027	47,415	147.85	47,415	4.5	
2017/18	Options <sup>3)</sup>	1.6.2019 31.1.2028	341,943	147.85	146,413	5.8	146,413
2018/19	Options/SARs <sup>4)</sup>	1.6.2020 31.1.2029	249,760	182.40	144,288	5.8	97,648
2019/20	Options/SARs <sup>5)</sup>	1.6.2021 31.1.2030	208,245	241.80	152,242	6.8	72,299
2020/21	Options/SARs <sup>6)</sup>	1.6.2022 31.1.2031	170,694	218.70	143,931	7.8	34,280
2021/22	Options/SARs <sup>7)</sup>	1.6.2023 31.1.2032	112,656	333.60	105,310	8.8	
2022/23	Options/SARs <sup>8)</sup>	1.6.2024 31.1.2033	138,302	233.40	137,288	9.8	
<b>Total</b>			<b>1,647,667</b>		<b>960,106 <sup>9)</sup></b>	<b>6.5</b>	<b>433,859 <sup>10)</sup></b>
Thereof:							
Equity-settled			1,464,258		885,588		407,780
Cash-settled			183,409		74,518		26,079

1) Including 147,948 performance options, granted to the CEO and MB members.

2) Non-recurring performance options, granted to the COO (now CEO). Terms have been amended in the financial year 2020/21 – for further details refer to section "Options" in this note.

3) Including 150,114 performance options, granted to the CEO and MB members.

4) Including 80,850 performance options, granted to the CEO and MB members.

5) Including 77,574 performance options/SAR, granted to the CEO and MB members.

6) Including 61,779 performance options/SAR, granted to the CEO and MB members.

7) Including 38,252 performance options/SAR, granted to the CEO and MB members.

8) Including 46,012 performance options/SAR, granted to the CEO and MB members.

9) Weighted average exercise price of outstanding options/SARs amounts to CHF 209.62.

10) Weighted average exercise price for exercisable options/SARs amounts to CHF 173.46.

The fair value of options and/or SARs is calculated at the grant date by using an “Enhanced American Pricing Model”. The expected volatility is based on historical measures. The main valuation assumptions used for the options and/or SARs granted in the current and in the previous financial year are as follows:

Assumptions for valuation at grant date	EEAP 2023 –	EEAP 2023	EEAP 2022 –	EEAP 2022
	Management Board Options/SARs	Options/SARs	Management Board Options/SARs	Options/SARs
Valuation date	1.2.2023	1.2.2023	1.2.2022	1.2.2022
Expiry date	31.01.2033	31.01.2033	31.01.2032	31.01.2032
Restriction period	5 years		5 years	
Share price on grant date	CHF 233.40	CHF 233.40	CHF 333.60	CHF 333.60
Exercise price	CHF 233.40	CHF 233.40	CHF 333.60	CHF 333.60
Volatility	31.0%	31.0%	26.8%	26.8%
Expected dividend yield	2.0%	2.0%	1.4%	1.4%
Weighted risk free interest rate	1.7%	1.6%	0.3%	0.2%
<b>Weighted average fair value of options/SARs issued</b>	<b>59.40</b>	<b>57.96</b>	<b>71.31</b>	<b>69.27</b>

## Options

The exercise price of options is equal to the market price of Sonova Holding AG shares on the SIX Swiss Exchange at grant date. The fair value of the options granted is estimated at grant date and recorded as an expense over the corresponding vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period (including adjustments due to re-assessments of the likely ROCE targets achievements for performance options granted to the CEO and the other members of the MB) to ensure that only a charge for vested amounts occur. Options may be exercised after the vesting date, until their expiry date. If options are exercised, one share per option from the conditional share capital is issued, or treasury shares are used for fulfillment. In the financial year 2022/23 and 2021/22 the options granted to the CEO and the members of the MB include a restriction period of 5 years, which was considered in the fair value of the options at grant date.

Changes in outstanding options:	2022/23		2021/22	
	Number of options	Weighted average exercise price (CHF)	Number of options	Weighted average exercise price (CHF)
Outstanding options at April 1	903,075	198.29	1,005,440	175.89
Granted <sup>1)</sup>	123,258	233.40	101,860	333.60
Exercised <sup>2)</sup>	(114,480)	149.16	(177,606)	148.03
Forfeited	(26,265)	252.17	(26,619)	205.45
<b>Outstanding options at March 31</b>	<b>885,588</b>	<b>207.93</b>	<b>903,075</b>	<b>198.29</b>
<b>Exercisable at March 31</b>	<b>407,780</b>	<b>171.89</b>	<b>347,871</b>	<b>154.48</b>

<sup>1)</sup> 2022/23 includes 42,477 performance options (previous year 35,483 performance options), granted to the CEO and MB members.

<sup>2)</sup> The total consideration from options exercised amounted to CHF 32.5 million (previous year CHF 44.2 million). The weighted average share price of the options exercised during the year 2022/23 was CHF 314.62 (previous year CHF 299.17).

## Share appreciation rights (SARs)

The exercise price of SARs is generally equal to the market price of Sonova Holding AG shares on the SIX Swiss Exchange at grant date. Upon exercise of SARs, an employee shall be paid an amount in cash equal to the number of shares for which the employee exercised SARs, multiplied by any surplus, of the per share market price at the date of exercise versus the per share exercise price (determined at the date of grant of SARs). The initial fair value of the SARs is in line with the valuation of the options of the respective period and recorded as an expense over the corresponding vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period (including adjustments due to re-assessments of the likely ROCE targets achievements for performance options/SARs granted to the members of the MB) to ensure that only a charge for vested amounts occur. Until the liability is settled, it is revalued at each reporting date recognizing changes in fair value in the income statement. The SARs may be sold after the vesting date, until they expire, except for the SARs granted to members of the MB in the financial year 2022/23 and 2021/22, which include a restriction period of 5 years.

Changes in outstanding SARs:	2022/23		2021/22	
	Number of SARs	Weighted average exercise price (CHF)	Number of SARs	Weighted average exercise price (CHF)
Outstanding SARs at April 1	82,622	215.19	114,028	184.84
Granted <sup>1)</sup>	15,044	233.40	10,796	333.60
Exercised	(17,165)	159.87	(33,286)	150.16
Forfeited	(5,983)	238.17	(8,916)	213.24
<b>Outstanding SARs at March 31 <sup>2)</sup></b>	<b>74,518</b>	<b>229.76</b>	<b>82,622</b>	<b>215.19</b>
<b>Exercisable at March 31 <sup>3)</sup></b>	<b>26,079</b>	<b>197.98</b>	<b>24,558</b>	<b>172.19</b>

<sup>1)</sup> 2022/23 includes 3,535 performance SARs granted to an MB member (previous year 2,769).

<sup>2)</sup> The carrying amount of the liability relating to the SARs at March 31, 2023 is CHF 3.9 million (previous year CHF 10.4 million).

<sup>3)</sup> The intrinsic value of the SARs exercisable at March 31, 2023 amounts to CHF 1.8 million (previous year CHF 5.3 million).

## Performance share units (PSUs)

In 2023, as well as in the previous year, grants made to the members of the Management Board under the EEAP consist of PSUs. The PSUs are measured on relative TSR (rTSR) against the constituents of a recognized index. The fair value of a PSU at grant date was based on a "Monte-Carlo valuation". PSUs entitle the holder up to two shares per PSU, subject to the achievement of the performance criterion. PSUs granted are subject to a restriction period, which was considered in the fair value of the PSU at grant date. Upon vesting of the PSUs, the respective shares are either created out of the conditional share capital or treasury shares are used. The cost of the PSUs granted is expensed over their vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period, to ensure that only vested amounts are expensed.

Assumptions for valuation at grant date	PSU 2023	PSU 2022
Valuation date	1.2.2023	1.2.2022
Date of grant	1.2.2023	1.2.2022
Share price on grant date	CHF 233.40	CHF 333.60
Fair value	CHF 243.35	CHF 334.87
End of restriction period	31.1.2028	31.1.2027
Performance conditions	Total shareholder return (TSR)	Total shareholder return (TSR)
TSR performance period	1.2.2023 – 31.3.2026	1.2.2022 – 31.3.2025
TSR comparator group	Swiss Leader Index (SLI)	Swiss Leader Index (SLI)

## Restricted share units (RSUs)

Under the EEAP grants 2018 to 2023, entitled employees have been granted RSUs. The value of an RSU is equal to the market price of Sonova Holding AG shares on the SIX Swiss Exchange on the grant date, adjusted for the fair value of expected dividends, as RSUs are not entitled to dividends. RSUs entitle the holder to one share per RSU after the vesting period. In the case of RSUs granted to the CEO (2014 to 2018) and the other members of the MB (EEAP 2014 to 2017), vesting of these shares is dependent on the fulfillment of the performance criteria which remains the achievement of a pre-defined minimum return on capital employed (ROCE) target. Upon vesting of the RSUs, the respective shares are either created out of the conditional share capital or treasury shares are used. The cost of the RSUs granted is expensed over their vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period to ensure that only vested amounts are expensed.

## Restricted shares

In addition to the PSUs granted in respect to the EEAP 2023 and 2022, restricted shares have been granted to the Chairman of the Board of Directors as well as to the other members of the Board of Directors in the financial year 2022/23 and 2021/22. These shares are entitled to dividends and are restricted for a period of 64 months (Chairman), respectively 52 months (other members of the Board of Directors).

The costs for the restricted shares granted to the members of the Board of Directors have been fully expensed in the 2022/23 financial year as these shares have no vesting period.

## Changes in outstanding PSUs/RSUs/Restricted shares:

	2022/23				2021/22			
	Number of PSUs	Number of RSUs	Number of restricted shares	Total	Number of PSUs	Number of RSUs	Number of restricted shares	Total
Balance April 1	31,420	197,664	44,800	273,884	40,244	233,157	53,591	326,992
Granted	15,992	73,489	7,750	97,231	20,676	49,758	4,941	75,375
Settled	(13,792)	(59,714)	(12,498)	(86,004)	(29,500)	(69,799)	(13,732)	(113,031)
Forfeited		(17,608)		(17,608)		(15,452)		(15,452)
<b>Balance March 31</b>	<b>33,620</b>	<b>193,831</b>	<b>40,052</b>	<b>267,503</b>	<b>31,420</b>	<b>197,664</b>	<b>44,800</b>	<b>273,884</b>

In addition to the plans described above a cash-settled share based payment arrangement exists in relation to an acquisition entered in the financial year 2019/20. A portion of the deferred payments of that transaction can be settled in Sonova shares (number of shares granted 102,421) or in cash at the discretion of the counterparties and represent share-based payments as the payment is linked to employment conditions. The fair value of the shares granted of CHF 21.3 million was calculated at grant date (July 8, 2019) representing the share price on that date and considering that the shares are not entitled to dividends. The associated cost is expensed over the vesting period (four equal tranches vesting equally over four years). Until the liability is settled, it is revalued at each reporting date recognizing changes in the fair value in the income statement. Due to the discretion of the counterparties to request cash payments, the equity plan is classified as a "cash-settled share based payment plan". For this cash-settled share based payment plan, the corresponding liability is recorded under "Other short-term operating liabilities" in the balance sheet. As per March 31, 2023 the liability amounts to CHF 6.4 million (previous year CHF 15.7 million). The third tranche vested in the financial year 2022/23 and a liability of CHF 8.4 million (previous year CHF 9.0 million) was transferred to equity as the beneficiaries opted for settlement in Sonova shares.

#### *Accounting policies*

*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. 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.*

## 7.5 Government grants

The Group's result for the financial year 2022/23 includes government support received worldwide in connection with the COVID-19 pandemic in the amount of CHF 1.9 million (prior year: CHF 1.1 million). Most of the government grants relate to compensation of salary costs (furlough) and is recognized as a deduction from the costs in the following functional line items of the consolidated income statement:

April 1 to March 31, CHF million	2022/23	2021/22
Cost of sales	0.0	0.3
Research and development	0.0	0.1
Sales and marketing	0.4	0.6
General and administration	1.4	0.1
<b>Total</b>	<b>1.9</b>	<b>1.1</b>

### Accounting policies

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Government grants are presented as a deduction from the relevant functional cost line item in the income statement.

## 7.6 Events after the balance sheet date

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

## 7.7 List of significant companies

Company name	Activity	Domicile (country)	Share/paid-in capital <sup>1)</sup> Local currency 1,000	Shares held
<b>Switzerland</b>				
Sonova Holding AG	A	Stäfa	CHF 3,058	100%
Sonova AG	A, B, C, D	Stäfa	CHF 2,500	100%
Advanced Bionics AG	A, B	Stäfa	CHF 4,350	100%
<b>EMEA (excluding Switzerland)</b>				
Boots Hearing Care Ltd.	B	Conwy (UK)	GBP 0 <sup>2)</sup>	51%
SOD Invest SAS	A	Cahors (FR)	EUR 58,600	100%
Sonova Audiological Care Austria GmbH	B	Wals-Himmelreich (AT)	EUR 450	100%
Sonova Audiological Care France SAS	B	Cahors (FR)	EUR 58,800	100%
Sonova Audiological Care Italia S.r.l	B	Milan (IT)	EUR 1,166	100%
Sonova Audiological Care Nederland B.V.	B	Rotterdam (NL)	EUR 19	100%
Sonova Audiological Care Polska Sp.z.o.o.	B	Lodz (PL)	PLN 678	100%
Sonova Consumer Hearing GmbH	A, B	Wedemark-Hannover (DE)	EUR 26,000	100%
Sonova Deutschland GmbH	B	Fellbach (DE)	EUR 41	100%
Sonova France S.A.S.	B	Bron-Lyon (FR)	EUR 1,000	100%
Sonova Ibérica S.A.U.	B	San Vicente del Raspeig (ES)	EUR 7,000	100%
Sonova Retail Belgium NV	B	Groot-Bijgaarden(BE)	EUR 3,686	100%
Sonova Retail Deutschland GmbH	B	Dortmund (DE)	EUR 1,000	100%
Sonova UK Ltd.	B	Warrington (UK)	GBP 2,500	100%

**Activities:**

A Holding/Finance: The entity is a holding or finance company.

B Sales: The entity performs sales and marketing activities.

C Production: This entity performs manufacturing for the Group.

D Research: This entity performs research and development activities for the Group.

1) Share/paid-in capital may not reflect the taxable share/paid-in capital amount and does not include any paid-in surplus.

2) GBP 133



Company name	Activity	Domicile (country)	Share/paid-in capital <sup>1)</sup> Local currency 1,000	Shares held
<b>Americas</b>				
Advanced Bionics Corp.	A	Valencia (US)	USD 1	100%
Advanced Bionics LLC	B, C, D	Valencia (US)	USD 0 <sup>2)</sup>	100%
Alpaca Group Holdings, LLC	A	Delaware (US)	USD 298,893	100%
Connect Hearing Inc.	B	Aurora (US)	USD 0 <sup>3)</sup>	100%
Development Finance Inc.	A	Aurora (US)	USD 0 <sup>4)</sup>	100%
National Hearing Services Inc.	B	Kitchener (CA)	CAD 0 <sup>2)</sup>	100%
Sonova Canada Inc.	B	Mississauga (CA)	CAD 0 <sup>2)</sup>	100%
Sonova Consumer Hearing USA LLC	B	Old Lyme (US)	USD 20,000	100%
Sonova do Brasil Produtos Audiológicos Ltda.	B	Sao Paulo (BR)	BRL 120,379	100%
Sonova United States Hearing Instruments, LLC	A	Aurora (US)	USD 0 <sup>2)</sup>	100%
Sonova USA, Inc.	B	Aurora (US)	USD 46,608	100%
<b>Asia/Pacific</b>				
Hubei Hysound Health Technology Corp. Ltd.	B	Wuhan (CN)	CNY 1,000	100%
Shanghai Chengting Technology Corp. Ltd	B	Shanghai (CN)	CNY 18,871	100%
Sonova (Shanghai) Co., Ltd.	B	Shanghai (CN)	CNY 20,041	100%
Sonova Audiological Care Australia Pty. Ltd	B	NSW (AU)	AUD 58,000	100%
Sonova Audiological Care New Zealand Ltd	B	Auckland (NZ)	NZD 20,450	100%
Sonova Australia Pty Ltd	B	Norwest (AU)	AUD 10,475	100%
Sonova Hearing (Beijing) Co., Ltd	B	Beijing (CN)	CNY 44,932	100%
Sonova Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY 46,249	100%
Sonova Operation Center Vietnam Co., Ltd.	C	Binh Duong (VN)	VND 36,156,000	100%

**Activities:**

A Holding/Finance: The entity is a holding or finance company.

B Sales: The entity performs sales and marketing activities.

C Production: This entity performs manufacturing for the Group.

D Research: This entity performs research and development activities for the Group.

1) Share/paid-in capital may not reflect the taxable share/paid-in capital amount and does not include any paid-in surplus.

2) Without par value

3) USD 1

4) USD 10

## 7.8 Other accounting policies

### 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 clearly demonstrate 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 do not result in a loss of control will be accounted for as an equity transaction. Hence, 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 transferred to the Group. Group companies divested during the year are excluded from the consolidation as of the date the Group ceased to have control over the company. Intercompany balances and transactions (including unrealized profit on intercompany inventories) are eliminated in full.

### 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.



## Report of the statutory auditor to the General Meeting of Sonova Holding AG

### Statutory auditor's report on the audit of the consolidated financial statements

#### Opinion

We have audited the consolidated financial statements of Sonova Holding AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

#### Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

### Goodwill

Area of focus	Our audit response
<p>As of 31 March 2023, the Group has goodwill of CHF 2,401.3 million representing 43% of the Group's total assets and 108% of the Group's total equity. Per note 3.5, goodwill is tested for impairment at least annually. In performing the impairment analysis, management applies considerable judgment in respect of future market and economic conditions, such as economic growth, expected inflation rates, demographic developments, expected market share, revenue and margin development of the cash generating units (CGUs) to which goodwill has been allocated. Changes in these assumptions might lead to a change in the carrying value of goodwill.</p> <p>We focused on this area given the significant judgment applied in the assessment process.</p>	<p>We assessed and tested the assumptions, including weighted average cost of capital (WACC), methodologies and technical input parameters for the valuation model applied by the Group. We involved our internal valuation specialists to assist us with these audit procedures. In addition, we evaluated the cash flow projections for the CGUs by performing a retrospective assessment of the accuracy of management's past projections and analyzing management's business forecasts. In particular, we focused on the sensitivity in the available headroom of the CGUs and whether reasonably possible changes in assumptions could cause the carrying amount of the CGUs to exceed its recoverable amount.</p> <p>Our audit procedures did not lead to any reservations regarding the carrying value of goodwill.</p>

### Provisions for product liabilities

Area of focus	Our audit response
<p>As of 31 March 2023, the Group has provisions for product liabilities of CHF 58.5 million. Per note 3.7, provisions for product liabilities consider the expected cost for claims in relation to the voluntary recall of cochlear implant products of Advanced Bionics in 2006 and Advanced Bionics voluntary field corrective action regarding cochlear implant products in 2020. Cost includes replacement products, medical expenses, compensation for actual damages as well as legal fees.</p> <p>We focused on this area given the uncertainty in the assumptions and estimates of the provision, as it largely depends on the outcome of administrative and legal proceedings.</p>	<p>We assessed management's process for the identification and evaluation of claims and analyzed the calculation models to determine the amount of the provisions for product liabilities. We tested the mathematical accuracy of the model, assessed key input factors such as number of devices in the market, failure rates, claim rates and costs per case. We enquired with the Group's legal counsel about disputes in relation to product liabilities and analyzed responses from legal letters obtained from third-party legal representatives. We also reviewed the Group's disclosures made in the consolidated financial statements.</p> <p>Our audit procedures did not lead to any reservations regarding the provision for product liabilities.</p>

#### Other information in the annual report

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: <http://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

#### Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Zurich, 10 May 2023

Ernst & Young Ltd

Martin Mattes  
Licensed audit expert  
(Auditor in charge)

Pascal Solèr  
Licensed audit expert

# Financial statements of Sonova Holding AG

## Income statement

CHF million	Notes	2022/23	2021/22
<b>Income</b>			
Investment income		326.8	270.4
Financial income	2.1	17.9	20.0
<b>Total income</b>		<b>344.6</b>	<b>290.4</b>
<b>Expenses</b>			
Administration expenses		(10.7)	(11.8)
Other expenses		(0.8)	(0.9)
Depreciation and amortization		0.0	(8.6)
Financial expenses	2.1	(62.5)	(79.1)
Direct taxes		(0.5)	(0.2)
<b>Total expenses</b>		<b>(74.5)</b>	<b>(100.5)</b>
<b>Net profit for the year</b>		<b>270.1</b>	<b>189.9</b>

## Balance sheet

Assets CHF million	Notes	31.3.2023	31.3.2022
Cash and cash equivalents		4.8	152.3
Other receivables			
– Third parties		0.1	0.0
– Group companies		24.4	5.4
Prepaid expenses		0.3	2.3
<b>Total current assets</b>		<b>29.6</b>	<b>160.1</b>
Financial assets	2.2		
– Third parties		2.0	1.5
– Group companies		1,539.8	1,567.9
Investments	2.3	498.4	477.4
<b>Total non-current assets</b>		<b>2,040.2</b>	<b>2,046.8</b>
<b>Total assets</b>		<b>2,069.8</b>	<b>2,206.9</b>

Liabilities and shareholders' equity CHF million	Notes	31.3.2023	31.3.2022
Trade account payables			
– Third parties		0.1	0.0
Short-term interest-bearing liabilities			
– Third parties		4.8	4.7
– Group companies			18.7
Bond	2.4		330.0
Other short-term liabilities to third parties		1.2	24.8
Accrued liabilities		8.9	8.2
<b>Total short-term liabilities</b>		<b>15.0</b>	<b>386.5</b>
Bonds	2.4	1,514.6	866.2
Other long-term liabilities to third parties		0.1	0.2
<b>Total long-term liabilities</b>		<b>1,514.8</b>	<b>866.4</b>
<b>Total liabilities</b>		<b>1,529.8</b>	<b>1,252.9</b>
Share capital		3.1	3.2
Legal reserves			
– General reserves		1.8	1.8
– Legal reserves for treasury shares held by subsidiaries		5.7	11.4
Voluntary retained earnings			
– Balance carried forward		682.7	1,457.3
– Net profit for the year		270.1	189.9
Treasury shares			
– Treasury shares	2.5	(423.3)	(709.6)
<b>Total shareholders' equity</b>		<b>540.0</b>	<b>954.0</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,069.8</b>	<b>2,206.9</b>



# Notes to the financial statements of Sonova Holding AG as of March 31, 2023

## 1. General information

The financial statements of Sonova Holding AG, with registered office in Stäfa, comply with the requirements of Swiss Law on Accounting and Financial Reporting (32<sup>nd</sup> title of the Swiss Code of Obligations, 'SCO'). The company does not have any employees (previous year: none).

## 2. Accounting principles

### 2.1 Financial income/expenses

Financial income/expenses consists of gains and losses from sale/transfer of shares in relation to long-term incentive plans, realized/unrealized foreign exchange gains and losses as well as interest income/expenses.

### 2.2 Financial assets

Financial assets contain loans to third parties as well as to Group companies and are recognized at cost less adjustments for foreign currency losses and impairment of value. Loans granted in foreign currency are translated at balance sheet date.

### 2.3 Investments

Investments consist mainly of participations in fully consolidated Group companies. They are subject to individual valuation.

### 2.4 Bonds

Bonds are valued at nominal value. Any bond premium/discount is accrued/capitalized and released/amortized linearly over the term.

### 2.5 Treasury shares

Treasury shares are recognized at cost and deducted from shareholders' equity. The gain or loss from sale is recognized in the income statement as financial gain or financial loss.

## 3. Information on income statement and balance sheet items

### 3.1 Bonds

As of March 31, 2023, the Group has the following bonds/US Private Placement outstanding:

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

### 3.2 Treasury shares

On March 29, 2022, Sonova Holding AG announced that its Board of Directors approved a share buyback program of up to CHF 1.5 billion. The program started in April 2022 and is expected to run over a period of up to 36 months. During financial year 2022/23, 1,532,910 treasury shares were bought under the share buyback program and are intended to be cancelled (proposal to the Annual Shareholders' Meeting June 12, 2023).

#### Treasury shares held by Sonova Holding AG Number/CHF million

	Number	Treasury shares at cost
Balance April 1, 2022	2,033,260	709.6
Purchase of treasury shares from share buyback	1,532,910	421.5
Purchase of treasury shares	180,000	56.4
Sale/Transfer of treasury shares	(193,075)	(32.1)
Cancellation of treasury shares	(2,012,438)	(702.8)
Loss from sale of treasury shares		(29.2)
<b>Balance March 31, 2023</b>	<b>1,540,657</b>	<b>423.3</b>

#### Treasury shares held by subsidiaries Number/CHF million

	Number	Legal reserves for treasury shares held by subsidiaries
Balance April 1, 2022	51,211	11.4
Sale/Transfer of treasury shares	(25,605)	(5.7)
<b>Balance March 31, 2023</b>	<b>25,606</b>	<b>5.7</b>

### 3.3 Contingent liabilities

CHF million	31.3.2023	31.3.2022
Letters of comfort given on behalf of Group companies	9.7	9.6
Guarantees given in respect of rental obligations of Group companies	3.1	4.1

The Swiss Sonova entities form a VAT group and, hence, every company participating in the group is jointly and severally liable for VAT debt of other group participants. Further Sonova Group companies participating in the cash pool are jointly and severally liable for any debit position or outstanding overdraft in connection with them.

## 3.4 List of investments

Company name	Activity	Domicile	Share/paid-in capital <sup>1)</sup> Local currency 1,000	Shares held by Sonova Holding
<b>Switzerland</b>				
Sonova AG	A,B,C,D	Stäfa	CHF 2,500	100%
Phonak AG	A	Stäfa	CHF 1,000	100%
Sonova Communications AG	B, C, D	Murten	CHF 500	100%
Verve Hearing Systems AG	A	Stäfa	CHF 100	100%
<b>EMEA (excluding Switzerland)</b>				
Sonova Audiological Care Austria GmbH	B	Wals-Himmelreich (AT)	EUR 450	100%
Sonova Belgium NV	A, B	Asse Zellik (BE)	EUR 15,311	100%
Sonova Holding GmbH	A	Fellbach-Oeffingen (DE)	EUR 153	85% <sup>2)</sup>
Sonova Denmark A/S	B	Middelfart (DK)	DKK 14,182	78% <sup>2)</sup>
Sonova Ibérica S.A.U.	B	San Vicente del Raspeig (ES)	EUR 7,000	100%
Sonova Audiological Care France SAS	B	Cahors (FR)	EUR 58,800	1% <sup>2)</sup>
Sonova France SAS	B	Bron-Lyon (FR)	EUR 1,000	30% <sup>2)</sup>
SCI Du Triangle De Bron	A	Bron-Lyon (FR)	EUR 46	100%
Sonova Hungary KFT	B	Budapest (HU)	HUF 5,000	100%
Sonova Italia S.R.L.	B	Milan (IT)	EUR 1,040	100%
Sonova Nederland B.V.	B	Vianen (NL)	EUR 227	100%
Sonova Norway AS	B	Oslo (NO)	NOK 1,854	49% <sup>2)</sup>
Sonova Polska Sp. Z o.o.	B	Warsaw (PL)	PLN 100	100%
Sonova Warsaw Service Center Sp.Z.o.o.	A	Warsaw (PL)	PLN 100	100%
Sonova RUS LLC	B	Moscow (RU)	RUB 4,000	100%
Sonova Nordic AB	B	Solna (SE)	SEK 200	100%
Sonova Sweden AB	B	Solna (SE)	SEK 100	100%
Sonova UK Ltd.	B	Warrington (UK)	GBP 2,500	100%
Boots Hearing Care Ltd.	B	Llandudno (UK)	GBP 0 <sup>3)</sup>	51%

For significant indirect investments refer to Note 7.7 of the consolidated financial statements of Sonova Holding AG.

Description:

A Holding/Finance: The entity is a holding or finance company.

B Sales: The entity performs sales and marketing activities for the group.

C Production: This entity performs manufacturing for the group.

D Research: This entity performs research and development activities for the group.

1) Share/paid in capital may not reflect the taxable share/paid-in capital amount and does not include any paid-in surplus.

2) The remaining shares are held by a subsidiary of Sonova Holding AG.

3) GBP 133

Company name	Activity	Domicile	Share/paid-in capital <sup>1)</sup> Local currency 1,000	Shares held by Sonova Holding
<b>Americas</b>				
CAS Argosy Participações Ltda.	B	São Paulo (BR)	BRL 22,014	100%
Sonova Canada Inc.	B	Mississauga (CA)	CAD 0 <sup>3)</sup>	85% <sup>2)</sup>
Sonova Mexico Soluciones S.A. de C.V.	B	Ciudad de Mexico (MX)	MXN 94,050	85% <sup>2)</sup>
AudioNova Mexico S.A. de C.V.	B	Ciudad de Mexico (MX)	MXN 66,050	99% <sup>2)</sup>
Sonova United States Hearing Instruments, LLC	B	Aurora (US)	USD 0 <sup>3)</sup>	73% <sup>2)</sup>
Sound Pharmaceuticals, Inc.	A	Seattle (US)	USD 13,105	31%
<b>Asia/Pacific</b>				
Sonova Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY 46,249	100%
Sonova (Shanghai) Co., Ltd	B	Shanghai (CN)	CNY 20,041	80% <sup>2)</sup>
Sonova India Private Limited	B	Mumbai (IN)	INR 459	56% <sup>2)</sup>
Sonova Japan Co., Ltd.	B	Tokyo (JP)	JPY 10,000	100%
Sonova Korea Ltd.	B	Seoul (KR)	KRW 50,000	100%
Sonova New Zealand (Wholesale) Ltd.	B	Auckland (NZ)	NZD 250	100%
Sonova Singapore Pte. Ltd.	B	Singapore (SG)	SGD 250	100%
Sonova Taiwan Pte. Ltd.	B	Zhonghe City (TW)	TWD 3,100	100%
Sonova Operation Center Vietnam Co., Ltd.	C	Thuan An (VN)	VND 36,156,000	100%
Sonova Vietnam Company Limited	B	Ho Chi Minh City (VN)	VND 2,088,000	70% <sup>2)</sup>

For significant indirect investments refer to Note 7.7 of the consolidated financial statements of Sonova Holding AG.

Description:

A Holding/Finance: The entity is a holding or finance company.

B Sales: The entity performs sales and marketing activities for the group.

C Production: This entity performs manufacturing for the group.

1) Share/paid in capital may not reflect the taxable share/paid-in capital amount and does not include any paid-in surplus.

2) The remaining shares are held by a subsidiary of Sonova Holding AG.

3) Shares without par value

### 3.5 Significant shareholders

The following overview shows the significant shareholders as of March 31, 2023 based on shareholdings recorded in the share register and notifications on the [SIX Swiss Exchange online reporting platform](#). Significant shareholders may also hold non-registered shares.

	2023 <sup>1)</sup>		2023 <sup>2)</sup>		2022 <sup>1)</sup>		2022 <sup>2)</sup>	
	No. of shares	In %	No. of shares	In %	No. of shares	In %	No. of shares	In %
Beda Diethelm <sup>3)</sup>	6,712,878	10.98	6,712,878	10.63	6,712,878	10.63	6,712,878	10.63
Family of Hans-Ueli Rihs <sup>3) 4)</sup>	3,683,649	6.02	3,683,648	5.83	3,683,648	5.83	3,683,648	5.83
BlackRock, Inc.	3,334,293	5.10	3,334,293	5.10	3,334,293	5.10	3,334,293	5.10
MFS Investment Management <sup>5)</sup>	1,847,415	3.02	n/a	<3	n/a	<3	n/a	<3
The Capital Group Companies, Inc <sup>6)</sup>	n/a	<3	3,087,638	4.89	3,087,638	4.89	3,087,638	4.89
UBS Fund Management (Switzerland) AG	n/a	<3	1,948,684	3.03	1,948,684	3.03	1,948,684	3.03

- 1) Or at last reported date if shareholdings are not registered in the share register.
- 2) On the basis of the shares registered in the commercial register at last reported date.
- 3) Beda Diethelm and Hans-Ueli Rihs were already shareholders before the Initial Public Offering in November 1994. There are no shareholders' agreements among these individuals and they can trade freely.
- 4) Hans-Ulrich Rihs, Gabriela Rihs and Stefan Rihs as a group jointly control 3,683,649 registered shares (corresponding to 6.02% of total Sonova share capital) pursuant to the last disclosure notice. These shares were previously controlled by Hans-Ulrich Rihs as a single shareholder.
- 5) MFS Investment Management, formerly known as Massachusetts Financial Services, is held by Sun Life Financial Inc which is traded on the TSX, NYSE and PSE (ticker symbol SLF)
- 6) The Capital Group Companies, Inc is held by (i) Capital Research and Management Company ("CRMC"), (ii) Capital Group Private Client Services, Inc. and (iii) Capital International, Inc.

### 3.6 Shareholdings and participations of the Board of Directors and the Management Board

	31.03.2023				31.03.2022			
	Shares	Restricted Shares <sup>1) 3)</sup>	PSUs/RSUs <sup>3)</sup>	Options (incl. SARs) <sup>3)</sup>	Shares	Restricted Shares <sup>2) 3)</sup>	PSUs/RSUs <sup>3)</sup>	Options (incl. SARs) <sup>3)</sup>
Board of Directors	114,939	33,980	–	65,228	84,817	34,672	700	96,016
Management Board	24,878	–	31,356	378,940	41,589	–	34,194	417,423
<b>Total</b>	<b>139,817</b>	<b>33,980</b>	<b>31,356</b>	<b>444,168</b>	<b>126,406</b>	<b>34,672</b>	<b>34,894</b>	<b>513,439</b>

- 1) These shares are subject to a restriction period which varies from June 1, 2023 to June 1, 2028 depending on the grant date.
- 2) These shares are subject to a restriction period which varies from June 1, 2022 to June 1, 2027 depending on the grant date.
- 3) For further details see also Note 7.4 in the consolidated financial statements.

For further details to shareholdings in the company by members of the Board of Directors and by members of the Management Board, in accordance with Swiss Code of Obligation article 663c, refer to the compensation report of Sonova Holding AG.

## 3.7 Events after the balance sheet date

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

### Appropriation of available earnings

As proposed by the Board of Directors to the Annual General Shareholders' Meeting of June 12, 2023:

CHF million	31.3.2023
Balance carried forward from previous year	682.7
Net profit for the year	270.1
<b>Voluntary retained earnings</b>	<b>952.8</b>
Cancellation of treasury shares <sup>1)</sup>	(421.5)
Dividend distribution <sup>2)</sup>	(274.1)
<b>Balance to be carried forward</b>	<b>257.2</b>

1) Subject to approval at the Annual General Shareholders' Meeting of Agenda Item 6 (Capital Reduction Through Cancellation of Shares).

2) If the Annual General Shareholders' Meeting approves the proposed appropriation of available earnings, a gross dividend of CHF 4.60 per registered share of CHF 0.05 will be paid out (previous year: CHF 4.40).



# Report of the statutory auditor to the General Meeting of Sonova Holding AG

## Report of the statutory auditor on the financial statements

### Opinion

We have audited the financial statements of Sonova Holding AG, which comprise the statement of financial position as at 31 March 2023 and the statement of income for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements comply with Swiss law and the Company's articles of incorporation.

### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

### Valuation of investments in subsidiaries

Area of focus	Our audit response
As of 31 March 2023, investments in subsidiaries of the Company amounted to CHF 498.4 million and represent 24 % of total assets. Investments in subsidiaries are valued at historical cost less any impairment of value. The Company values investments in subsidiaries individually (single-asset-valuation principle). Refer to note 2.3 (Investments) in the financial statements for further details.	Our audit procedures included understanding the Company's investment in subsidiaries impairment testing process and the determination of key assumptions. We evaluated the Company's impairment testing model and key assumptions. We further corroborated the Company's key assumptions applied based on internally and externally available evidence and underlying data.  Our audit procedures did not lead to any reservations relating to the valuation of investments in subsidiaries.

### Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

## Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Zurich, 10 May 2023

Ernst & Young Ltd

Martin Mattes  
Licensed audit expert  
(Auditor in charge)

Pascal Solèr  
Licensed audit expert

# Investor information

## Financial calendar

June 12, 2023

General Shareholders' Meeting of Sonova Holding AG

November 21, 2023

Publication of Semi-Annual Report as of September 30, 2023

May 14, 2024

Publication of Annual Report as of March 31, 2024

June 11, 2024

General Shareholders' Meeting of Sonova Holding AG

## Financial information

Corporate & ad hoc news

Annual Reports

Semi-Annual Reports

IR presentations

[www.sonova.com/en/investors](http://www.sonova.com/en/investors)

## Information on the General Shareholders' Meeting

Invitation and agenda

General Shareholders' Meeting presentations

General Shareholders' Meeting minutes

[www.sonova.com/en/AGM](http://www.sonova.com/en/AGM)

## IR online news service

IR News Service

[www.sonova.com/en/services-and-contacts](http://www.sonova.com/en/services-and-contacts)

## Capital structure and shareholder rights

Share data

[www.sonova.com/en/investors/share-data](http://www.sonova.com/en/investors/share-data)

Shareholder structure

[www.sonova.com/en/investors/shareholder-structure](http://www.sonova.com/en/investors/shareholder-structure)

Shareholder participation rights

[www.sonova.com/en/investors/shareholder-participation-rights](http://www.sonova.com/en/investors/shareholder-participation-rights)

## Regulations and principles

Articles of Association

Organizational Regulations

Rules on Board Operations and Procedures

Committee Charters

Code of Conduct

Supplier Principles

[www.sonova.com/en/regulations-principles](http://www.sonova.com/en/regulations-principles)

## Contact form

[www.sonova.com/en/services-and-contacts](http://www.sonova.com/en/services-and-contacts)

## Sonova Headquarters

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