Financial reporting

Financial report

Financial review

In the 2021/22 financial year, Sonova generated sales of CHF 3,363.9 million, up 29.0% in local currencies and 29.3% in Swiss francs. The strong increase was supported by a solid market recovery as well as a favorable comparison base due to the COVID-19 pandemic. Adjusted Group EBITA reached CHF 844.4 million, up 39.3% in local currencies and 40.0% in Swiss francs, representing a margin of 25.1%.

Strong growth – Sustained recovery despite residual challenges

Sonova Group sales reached CHF 3,363.9 million in the 2021/22 financial year, up 29.0% in local currencies and 29.3% in Swiss francs. The hearing care market continued to recover from the impacts of the COVID-19 pandemic, despite some regional differences and residual challenges. Compared to the 2019/20 financial year, which was only affected in its final weeks by the COVID-19 pandemic, sales were up 20.4% in local currencies, representing a two-year compound annual growth rate (CAGR) of 9.7%. Acquisitions, including the significant expansion of our audiological care store network and the addition of the Sennheiser Consumer Division in the final month of the financial year, contributed 2.4% to the growth. The impact from exchange rate fluctuations was minimal, adding 0.3%.

Sales by regions

in CHF m			2021/22		2020/21
	Sales	Share	Growth in local currencies	Sales	Share
EMEA	1,775.9	53%	25.4%	1,416.6	54%
USA	1,009.8	30%	38.6%	732.2	28%
Americas (excl. USA)	244.6	7%	32.7%	178.2	7%
Asia/Pacific	333.6	10%	19.4%	275.0	11%
Total sales	**3,363.9**	**100%**	**29.0%**	**2,601.9**	**100%**

Solid recovery across all regions, led by strong growth in the United States

Sales in Europe, Middle East and Africa (EMEA) rose by 25.4% in local currencies. The rise was supported by the strong recovery of the private market in the UK, and by a change in the reimbursement system in France, which increased market volumes throughout 2021. Despite achieving significantly higher sales overall, some important markets – including Germany, Belgium and the Netherlands – were slower to recover, dampening growth in the region.

In the United States, sales increased by 38.6% in local currency. Sales growth was supported by the success of our most recent product introductions as well as by the renewal of a private label contract with a large hearing aid retailer. It was further aided by Sonova's leading position with the US Department of Veterans Affairs (VA) and the strong recovery in this market segment, which had been particularly hard hit by the pandemic in the prior year.

Sales in the rest of the Americas (excluding the US) increased by 32.7% in local currencies, helped by acquisitions but held back by a slow recovery in Canada. Sales in the Asia Pacific (APAC) region rose by 19.4% in local currencies, supported by a solid development in China but held back by temporary lockdowns in Australia and New Zealand.

Sonova Group key figures

in CHF m unless otherwise specified	2021/22	2020/21	Change in Swiss francs	Change in local currencies
Sales	3,363.9	2,601.9	29.3%	29.0%
Gross profit	2,460.7	1,873.5	31.3%	30.9%
EBITA [1]	802.9	663.3	21.0%	20.3%
EBIT [1]	760.0	619.5	22.7%	21.9%
Basic earnings per share (CHF)	10.42	9.23	13.0%	12.2%
Operating free cash flow [1]	763.7	602.4	26.8%	
ROCE [1]	24.1%	22.3%		
Gross profit (adjusted) [1]	2,463.7	1,880.2	31.0%	30.6%
EBITA (adjusted) [1]	844.4	603.0	40.0%	39.3%
EBITA margin (adjusted)	25.1%	23.2%		
Basic earnings per share (CHF) (adjusted) [1]	10.76	7.71	39.6%	38.7%

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

Further progress on profitability despite supply chain headwinds

Sonova continued to advance its profitability while increasing its growth investments. In line with measures taken in prior years, the Group implemented additional structural optimization initiatives, resulting in restructuring costs of CHF 13.5 million (2020/21: CHF 38.9 million). These steps are expected to yield annual cost savings of around CHF 15-20 million. The acquisition of the Sennheiser Consumer Division and Alpaca Audiology resulted in transaction and integration costs of CHF 12.0 million. In addition, the Group incurred costs of CHF 16.0 million related to a settlement agreement in principle with the US Department of Justice and ongoing patent litigation in the Cochlear Implants segment. As a result of tax reforms, income taxes were affected positively by CHF 17.5 million (2020/21: CHF 28.0 million).

In the 2020/21 financial year, the Group had also recorded one-time income of CHF 124.4 million related to the successful conclusion of a long-running patent infringement lawsuit.

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

Reported gross profit amounted to CHF 2,460.7 million. Adjusted gross profit rose by 30.6% in local currencies or 31.0% in Swiss francs to CHF 2,463.7 million. The adjusted gross profit margin was up 0.9 percentage points at 73.2%, reflecting the structural and continuous improvement measures as well as the increase in the sales volume. This positive development was partly offset by some pressure on average selling prices (ASPs) due to a further normalization of the channel mix and higher transportation and component costs, in part as a result of the pandemic.

Excluding acquisition-related amortization, reported operating expenses were CHF 1,657.7 million (2020/21: CHF 1,210.3 million). Adjusted operating expenses before acquisition-related amortization increased by 26.4% in local currencies or by 26.8% in Swiss francs to CHF 1,619.2 million. Adjusted research and development (R&D) expenses before acquisition-related amortization rose at a double-digit rate for the third consecutive year in a row, growing by 28.7% in local currencies to CHF 229.4 million. This clearly reflects the Group’s long-term commitment to invest continuously in innovation and to further advance Sonova’s industry leading portfolio of products and services.

Adjusted sales and marketing costs before acquisition-related amortization were CHF 1,090.1 million, an increase of 26.5% in local currencies, reflecting the higher sales volume, ongoing investments in customer-facing resources, and temporarily higher lead generation costs in the Audiological Care business. Adjusted general and administrative costs rose by 23.5% in local currencies to CHF 299.8 million or 8.9% of sales (2020/21: 9.3%). This development benefited from strong top-line growth as well as ongoing structural optimization initiatives. It also reflects ongoing investment in the new Audiological Care IT system, aimed at improving in-store and cross-business process efficiency. In addition, it was affected by a negative one-time impact from provisions related to the business in Russia. Adjusted other expenses were CHF 0.0 million (2020/21: CHF 1.4 million income).

Adjusted operating profit before acquisition-related amortization (EBITA) rose by 39.3% in local currencies or 40.0% in Swiss francs to CHF 844.4 million (2020/21: CHF 603.0 million). Compared to pre-pandemic levels in the 2019/20 financial year, adjusted EBITA was up by 48.2% in local currencies. The adjusted EBITA margin reached 25.1%, up 1.9 percentage points compared to the prior year and up 3.9 percentage points compared to the 2019/20 financial year. Exchange rate developments lifted the adjusted EBITA by CHF 4.6 million and the margin by 0.1 percentage points. Reported EBITA increased by 20.3% in local currencies and by 21.0% in Swiss francs to CHF 802.9 million. Acquisition-related amortization amounted to CHF 42.9 million (2020/21: CHF 43.8 million). Reported operating profit (EBIT) reached CHF 760.0 million (2020/21: CHF 619.5 million), up 22.7% in Swiss francs.

Strong increase in earnings per share

Driven by increased borrowings and bond issues, net financial expenses, including the result from associates, increased from CHF 19.1 million to CHF 31.8 million. Income taxes amounted to CHF 64.5 million. They were reduced by CHF 17.5 million from effects related to tax reforms and by CHF 26.6 million from the release of tax provisions. The underlying tax rate stood at 14.5% (2020/21: 12.5%). Basic earnings per share (EPS) reached CHF 10.42, up 13.0% in Swiss francs. Adjusted EPS increased by 38.7% in local currencies or 39.6% in Swiss francs to CHF 10.76, compared to CHF 7.71 in the prior year.

Employees

The Group's total workforce at the end of March 2022 was 16,733 full-time equivalents. This represents an increase of 2,225 or 15.3% and largely reflects the recent acquisitions, including of the Sennheiser Consumer Division and Alpaca Audiology, as well as continued investment in R&D and customer-facing staff to support further growth.

Hearing Instruments segment – Strong organic growth and support from acquisitions

Sales in the Hearing Instruments segment reached CHF 3,084.0 million, an increase of 27.2% in local currencies compared to the prior year. Sales were up 19.8% in local currencies compared to the 2019/20 financial year, representing a two-year CAGR of 9.4%. The global hearing care market continued its recovery, despite some regional differences and residual challenges. Organic sales growth reached 24.7%, while the contribution from acquisitions in the reporting period (including the full-year effect of prior year acquisitions) lifted sales by 2.6% or CHF 63.3 million. This includes the recently completed acquisitions of the Sennheiser Consumer Division and Alpaca Audiology, which were consolidated in the final month of the 2021/22 financial year. Exchange rate fluctuations contributed CHF 8.2 million or 0.3% in Swiss francs, resulting in a reported sales growth of 27.6%.

The Hearing Instruments business generated sales of CHF 1,838.4 million, rising by 25.4% in local currencies. Important contributors to the positive momentum were the continued strong customer response to the Phonak Paradise platform, which was further extended, as well as the successful launch of the Unitron BLU platform. Average selling prices (ASPs) were under pressure as a result of the further normalization of the channel mix.

Sales the Audiological Care business were CHF 1,236.8 million, up 29.1% in local currencies. Organic growth reached 23.4% with acquisitions adding 5.7%. Bolt-on acquisition activity accelerated throughout the year with a focus on the United States, Australia, Germany and France. Momentum in the second half was negatively affected by some capacity constraints related to the surge in the COVID-19 Omicron variant. The highlight was the acquisition of Alpaca Audiology, one of the largest independent networks of audiological care clinics in the United States with around 220 clinics. With this acquisition, Sonova has doubled its US network.

Following the successful completion of the acquisition of the Sennheiser Consumer Division on March 1, 2022, the newly formed Consumer Hearing business generated sales of CHF 8.8 million during the final month of financial year 2021/22. The new business provides a strong platform for growth by combining Sennheiser's globally-recognized brand, established consumer sales channels, and strong know-how in sound delivery with Sonova's comprehensive expertise in audiological performance and miniaturization.

Sales by business – Hearing Instruments segment

in CHF m	2021/22			2020/21	
	Sales	Share	Growth in local currencies	Sales	Share
Hearing Instruments business	1,838.4	60%	25.4%	1,463.9	61%
Audiological Care business	1,236.8	40%	29.1%	953.5	39%
Consumer Hearing business	8.8	<1%	n/a	n/a	n/a
Total Hearing Instruments segment	**3,084.0**	**100%**	**27.2%**	**2,417.3**	**100%**

Reported EBITA for the Hearing Instruments segment amounted to CHF 782.9 million, an increase of 34.2% in local currencies. Adjusted EBITA increased by 30.2% in local currencies to CHF 807.2 million, corresponding to an EBITA margin of 26.2% (2020/21: 25.5%). Exchange rate fluctuations did not have a material impact on the margin development compared to the prior year.

Cochlear Implants segment – Return to profitable growth

The Cochlear Implants business achieved sales of CHF 279.9 million, an increase of 51.7% both in local currencies and in Swiss francs versus prior year. The strong growth was driven by the success of two recently launched sound processors – Naída™ CI Marvel for adults and Sky CI™ Marvel designed for children. Elective surgeries picked up at the start of the year but volumes were negatively affected by supply shortages as well as by rising infection rates from COVID-19 variants leading to hospital staffing shortages in the second half of the 2021/22 financial year.

Sales by product groups – Cochlear Implants segment

in CHF m	2021/22			2020/21	
	Sales	Share	Growth in local currencies	Sales	Share
Cochlear implant systems	175.8	63%	35.7%	129.3	70%
Upgrades and accessories	104.1	37%	88.9%	55.2	30%
Total Cochlear Implants segment	**279.9**	**100%**	**51.7%**	**184.5**	**100%**

Reported EBITA for the Cochlear Implants segment reached CHF 19.7 million. This includes costs related to the above-mentioned settlement agreement in principle and patent litigation of CHF 16.0 million. In the prior year, the reported EBITA of CHF 82.4 million had included restructuring costs of CHF 2.3 million, a one-time income of CHF 124.4 million from the award in a patent infringement lawsuit and a CHF 25.3 million impairment of capitalized development costs. Supported by the strong revenue development as well as good progress made in our productivity improvement and efficiency enhancement measures, the adjusted EBITA reached CHF 36.8 million (2020/21: adjusted EBITA loss of CHF 14.3 million). This resulted in an adjusted EBITA margin of 13.2%, reaching double-digits for the first time in the history of the segment.

Solid cash flow

Cash flow from operating activities was CHF 941.1 million, up 23.1% compared to the prior year. Main driver for the increase was the strong operating result, supported by less tax payments (timing impacts) and positive impact from the changes in net working capital mainly in regards to trade payables. Net investments in tangible and intangible assets increased to CHF 104.8 million (2020/21: CHF 86.8 million), reflecting a normalization in capital expenditure after the reduction during the height of the pandemic. Operating free cash flow increased by 26.8% to CHF 763.7 million.

With the increase in M&A activity, including the acquisition of the Sennheiser Consumer Division and Alpaca Audiology, the cash consideration for acquisitions increased significantly to CHF 596.2 million (2020/21: CHF 30.5 million). In summary, this resulted in a free cash flow of CHF 167.6 million (2020/21: CHF 571.9 million). The cash outflow from financing activities of CHF 1,392.4 million reflects the repayment of a bond of CHF 360.0 million, the dividend payment of CHF 201.6 million and net share repurchases of CHF 731.6 million, mainly related to the share buyback program.

Sound balance sheet – Further increase in return on capital

Net working capital fell to CHF –15.0 million, compared to CHF 29.6 million at the end of the prior year. Receivable collection continued to be strong while the Group allowed for an increase in inventories related to safety stock to manage supply shortages of microelectronic components. Increase in short term assets was over-compensated by an increase in trade payables of CHF 86.0 million and additional increases mainly in regards to VAT and withholding tax payables (share buy-back program). Driven mainly by the higher M&A activity, capital employed increased to CHF 3,439.1 million compared to CHF 2,855.7 million at the end of March 2021.

The Group’s equity position amounted to CHF 2,432.8 million, down from CHF 2,772.5 million in the previous year. The result was an equity ratio of 43.5%. This was mainly driven by share purchases under the share buyback program and dividend payments. Coupled with the higher acquisition activity this resulted in an increase of the net debt position, which reached CHF 1,006.3 million compared to CHF 83.3 million at the end of the prior year. The return on capital employed (ROCE) improved significantly to 24.1% from 22.3% in the prior year.

Outlook 2022/23

Recent developments have clearly demonstrated that the attractive fundamentals of the hearing care market remain intact. Despite certain supply chain constraints and variations in market recovery rates, healthy demand will continue to support further market recovery, barring a further deterioration of the geopolitical situation. Sonova’s growth focus, founded on innovation, targeted go-to-market investments, and ever closer consumer contact, puts it in an excellent position both to expand the overall market and to increase its market share. Supported by this, Sonova expects consolidated sales to increase by 17%-21% at constant exchange rates, along with a further growth in profits.

Reconciliation of non-GAAP financial measures

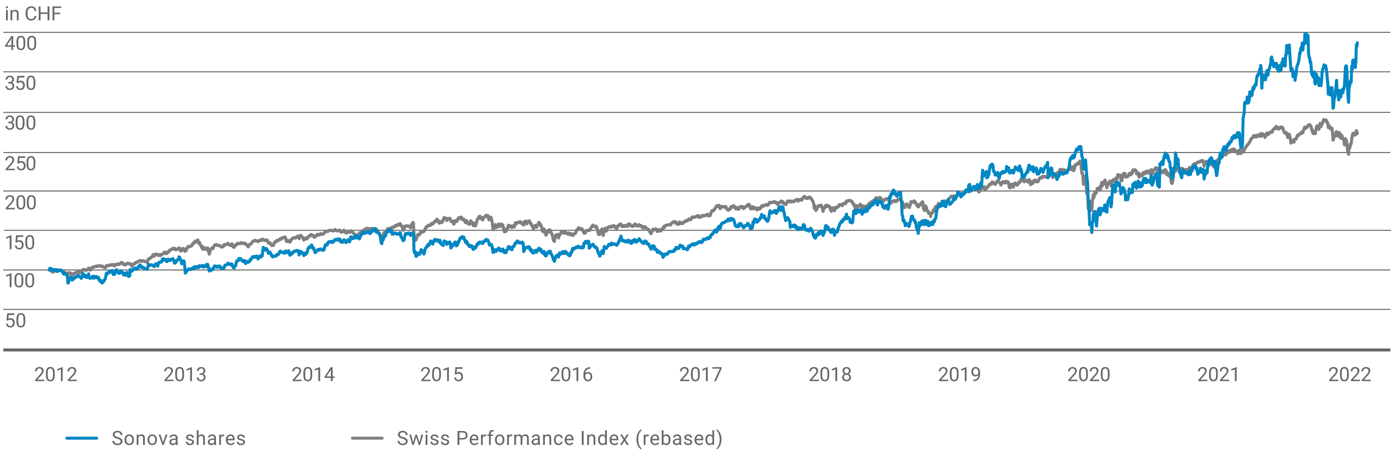
April 1 to March 31, CHF million								2021/22
	Income statement as reported	Acquis. related amortization	**Income statement EBITA separation**	Restructuring costs	Tax reforms	Transaction and integration costs	Settlement agreement in principle and patent litigation	**Income statement adjusted**
Sales	**3,363.9**		**3,363.9**					**3,363.9**
Cost of sales	(903.3)		(903.3)	3.0				(900.3)
Gross profit	**2,460.7**		**2,460.7**	**3.0**				**2,463.7**
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
Operating profit before acquisition-related amortization (EBITA) [1]			**802.9**	**13.5**		**12.0**	**16.0**	**844.4**
Acquisition-related amortization		(42.9)	(42.9)					(42.9)
Operating profit (EBIT) [2]	**760.0**		**760.0**	**13.5**		**12.0**	**16.0**	**801.5**
Basic earnings per share (CHF)	**10.42**		**10.42**	**0.18**	**(0.28)**	**0.17**	**0.26**	**10.76**

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								2020/21
	Income statement as reported	Acquis. related amortization	**Income statement EBITA separation**	Restructuring costs	Tax reforms	Patent infringement lawsuit income	Impairment of capitalized development cost	**Income statement adjusted**
Sales	**2,601.9**		**2,601.9**					**2,601.9**
Cost of sales	(728.3)		(728.3)	6.6				(721.7)
Gross profit	**1,873.5**		**1,873.5**	**6.6**				**1,880.2**
Research and development	(204.8)	0.9	(203.9)	0.7			25.3	(177.9)
Sales and marketing	(924.1)	42.9	(881.2)	22.6				(858.6)
General and administration	(250.9)		(250.9)	8.9				(242.0)
Other income/(expenses), net	125.8		125.8			(124.4)		1.4
Operating profit before acquisition-related amortization (EBITA) [1]			**663.3**	**38.8**		**(124.4)**	**25.3**	**603.0**
Acquisition-related amortization		(43.8)	(43.8)	0.0				(43.7)
Operating profit (EBIT) [2]	**619.5**		**619.5**	**38.9**		**(124.4)**	**25.3**	**559.3**
Basic earnings per share (CHF)	**9.23**		**9.23**	**0.50**	**(0.45)**	**(1.98)**	**0.40**	**7.71**

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[1]

	10 years	5 years	3 years	2 years	1 year
Sonova shares	286.4%	179.0%	96.8%	122.2%	54.8%
Swiss Performance Index (SPI) [2]	171.9%	61.2%	38.2%	37.3%	10.9%
Sonova shares relative to the SPI	114.6%	117.8%	58.5%	85.0%	43.9%

1) Performance of the Sonova shares and SPI refers to the respective period prior to the last trading day of the 2021/22 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	2021/22	2020/21	2019/20	2018/19	2017/18
Sales	**3,363.9**	**2,601.9**	**2,916.9**	**2,763.2**	**2,645.9**
change compared to previous year (%)	29.3	(10.8)	5.6	4.4	10.4
Gross profit	**2,460.7**	**1,873.5**	**2,083.6**	**1,966.2**	**1,868.2**
in % of sales	73.1	72.0	71.4	71.2	70.6
Gross profit (adjusted) [1]	**2,463.7**	**1,880.2**	**2,106.9**	**1,975.1**	**1,868.2**
in % of sales (adjusted)	73.2	72.3	72.0	71.5	70.6
Research & development costs	**230.0**	**203.9**	**166.1**	**148.4**	**142.9**
in % of sales	6.8	7.8	5.7	5.4	5.4
Sales & marketing costs	**1,095.3**	**881.2**	**1,030.8**	**970.3**	**934.5**
in % of sales	32.6	33.9	35.3	35.1	35.3
Operating profit before acquisition-related amortization (EBITA)	**802.9**	**663.3**	**554.3**	**582.5**	**532.5**
in % of sales	23.9	25.5	19.0	21.1	20.1
Operating profit before acquisition-related amortization (EBITA) (adjusted) [1]	**844.4**	**603.0**	**620.8**	**594.0**	**551.6**
in % of sales (adjusted)	25.1	23.2	21.2	21.5	20.8
Operating profit (EBIT)	**760.0**	**619.5**	**510.0**	**536.2**	**483.0**
in % of sales	22.6	23.8	17.5	19.4	18.3
Income after taxes	**663.6**	**585.3**	**489.5**	**460.2**	**407.4**
in % of sales	19.7	22.5	16.8	16.7	15.4
Income after taxes (adjusted) [1]	**684.4**	**489.6**	**475.5**	**468.5**	**422.7**
in % of sales (adjusted)	20.3	18.8	16.2	17.0	16.0
Basic earnings per share	**10.42**	**9.23**	**7.61**	**6.98**	**6.13**
Basic earnings per share (CHF) (adjusted) [1]	**10.76**	**7.71**	**7.39**	**7.11**	**6.36**
Dividend/distribution per share (CHF)	**4.40** [2]	**3.20**	**Stock Div.**	**2.90**	**2.60**
Net cash/(debt) [3]	**(1,006.3)**	**(83.3)**	**(663.0)**	**(253.9)**	**(228.0)**
Net working capital [4]	(15.0)	29.6	(18.9)	163.0	190.5
Capital expenditure (tangible and intangible assets) [5]	106.6	89.3	128.8	117.9	96.3
Capital employed [6]	3,439.1	2,855.7	2,692.5	2,630.0	2,702.9
Total assets	5,588.2	5,925.6	4,486.5	4,292.5	4,302.0
Equity	2,432.8	2,772.5	2,029.4	2,376.1	2,474.9
Equity financing ratio (%) [7]	43.5	46.8	45.2	55.4	57.5
Free cash flow [8]	167.6	571.9	563.7	346.9	360.0
Operating free cash flow [9]	**763.7**	**602.4**	**638.5**	**411.8**	**419.2**
Return on capital employed (%) [10]	**24.1**	**22.3**	**18.2**	**20.6**	**18.4**
Number of employees (end of period)	**16,733**	**14,508**	**15,184**	**14,740**	**14,242**

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 15, 2022.
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	2021/22	2020/21
Sales	2.2,2.3	**3,363.9**	**2,601.9**
Cost of sales		(903.3)	(728.3)
Gross profit		**2,460.7**	**1,873.5**
Research and development [1]		(230.5)	(204.8)
Sales and marketing [1]		(1,137.6)	(924.1)
General and administration		(320.9)	(250.9)
Other income	2.4	0.1	135.6
Other expenses	2.4	(11.6)	(9.8)
Operating profit (EBIT) [2]		**760.0**	**619.5**
Financial income	4.2	1.7	5.0
Financial expenses	4.2	(36.5)	(26.0)
Share of profit/(loss) in associates/joint ventures, net	6.2	3.0	1.9
Income before taxes		**728.2**	**600.4**
Income taxes	5.1	(64.5)	(15.2)
Income after taxes		**663.6**	**585.3**
Attributable to:			
Equity holders of the parent		649.0	581.0
Non-controlling interests		14.7	4.3
Basic earnings per share (CHF)	2.5	10.42	9.23
Diluted earnings per share (CHF)	2.5	10.35	9.19

1) Includes acquisition-related amortization of CHF 0.6 million (previous year: CHF 0.9 million) in “Research and development” and CHF 42.4 million (previous year: CHF 42.9 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 802.9 million (previous year: CHF 663.3 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	2021/22	2020/21
Income after taxes		**663.6**	**585.3**
Other comprehensive income			
Actuarial gain/(loss) from defined benefit plans, net	7.3	55.7	55.7
Tax effect on actuarial result from defined benefit plans, net		(9.1)	(6.6)
Total items not to be reclassified to income statement in subsequent periods		**46.6**	**49.1**
Currency translation differences		(113.1)	90.4
Tax effect on currency translation items		7.6	(0.2)
Total items to be reclassified to income statement in subsequent periods		**(105.5)**	**90.2**
Other comprehensive income, net of tax		**(58.9)**	**139.3**
Total comprehensive income		**604.8**	**724.6**
Attributable to:			
Equity holders of the parent		591.6	718.3
Non-controlling interests		13.2	6.3

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

Consolidated balance sheet

Assets CHF million	Notes	31.3.2022	31.3.2021
Cash and cash equivalents	4.1	610.5	1,772.2
Other current financial assets	4.4	8.4	6.8
Trade receivables	3.1	474.3	438.8
Current income tax receivables		4.8	4.7
Inventories	3.2	412.7	302.3
Other current operating assets	3.6	148.9	96.6
Total current assets		**1,659.7**	**2,621.4**
Property, plant and equipment	3.3	358.9	335.3
Right-of-use assets	3.4	273.8	261.6
Intangible assets	3.5	2,948.9	2,421.8
Investments in associates/joint ventures	6.2	22.3	19.7
Other non-current financial assets	4.4	36.2	38.9
Other non-current operating assets	3.6	5.8	6.2
Retirement benefit asset	7.3	39.7	
Deferred tax assets	5.1	242.9	220.7
Total non-current assets		**3,928.5**	**3,304.2**
Total assets		**5,588.2**	**5,925.6**

Liabilities and equity CHF million	Notes	31.3.2022	31.3.2021
Current financial liabilities	4.5	374.2	375.7
Current lease liabilities	3.4	68.8	58.9
Trade payables		189.2	103.2
Current income tax liabilities		177.6	128.1
Short-term contract liabilities	2.3	106.7	101.5
Other short-term operating liabilities	3.8	437.5	338.2
Short-term provisions	3.7	151.6	148.1
Total current liabilities		**1,505.7**	**1,253.8**
Non-current financial liabilities	4.5	959.9	1,208.9
Non-current lease liabilities	3.4	215.5	212.4
Long-term provisions	3.7	132.6	144.7
Long-term contract liabilities	2.3	187.3	200.5
Retirement benefit obligation	7.3	15.7	21.3
Deferred tax liabilities	5.1	138.8	111.5
Total non-current liabilities		**1,649.8**	**1,899.4**
Total liabilities		**3,155.4**	**3,153.1**
Share capital	4.6	3.2	3.2
Treasury shares		(721.0)	(306.9)
Retained earnings and reserves		3,128.2	3,051.6
Equity attributable to equity holders of the parent		**2,410.5**	**2,748.0**
Non-controlling interests		22.3	24.5
Equity		**2,432.8**	**2,772.5**
Total liabilities and equity		**5,588.2**	**5,925.6**

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

Consolidated cash flow statement

April 1 to March 31, in CHF million	Notes		2021/22		2020/21
Income before taxes			**728.2**		**600.4**
Depreciation, amortization and impairment of tangible and intangible assets and right-of-use assets	3.3,3.4,3.5	211.1		222.7	
Loss on sale of tangible and intangible assets, net		0.3		3.2	
Share of (profit)/loss in associates/joint ventures, net	6.2	(3.0)		(1.9)	
Decrease in long-term provisions and long-term contract liabilities		(3.2)		(9.2)	
Financial (income)/expense, net	4.2	34.9		21.0	
Share based payments	7.4	33.5		31.3	
Other non-cash items		5.0		14.5	
Income taxes paid		(46.7)	231.9	(76.3)	205.3
Cash flow before changes in net working capital			**960.1**		**805.7**
Increase in trade receivables		(36.2)		(45.7)	
(Increase)/decrease in other receivables and prepaid expenses		(22.6)		8.1	
Increase in inventories		(55.2)		(36.3)	
Increase/(decrease) in trade payables		74.5		(3.2)	
Increase in other payables, accruals, short-term provisions and short-term contract liabilities		20.7	(18.9)	35.8	(41.3)
Cash flow from operating activities			**941.1**		**764.4**
Purchase of tangible and intangible assets	3.3,3.5	(106.6)		(89.2)	
Proceeds from sale of tangible and intangible assets		1.9		2.4	
Cash consideration for acquisitions, net of cash acquired	6.1	(594.1)		(29.3)	
Cash consideration for associates	6.2	(2.1)		(1.2)	
Changes in other financial assets		(6.2)		(6.2)	
Interest received		1.1		1.8	
Cash flow from investing activities			**(705.9)**		**(121.8)**
Proceeds from borrowings	4.5			1,002.5	
Repayment of borrowings	4.5	(360.0)		(230.0)	
Repayment of lease liabilities	3.4	(64.0)		(66.7)	
Share buyback program	4.6	(678.1)		(25.1)	
Sale of treasury shares	4.6	26.3		16.8	
Purchase of treasury shares	4.6	(79.8)		(9.7)	
Dividends paid by Sonova Holding AG		(201.6)		(0.2)	
Dividends to non-controlling interests		(15.4)			
Interest paid		(19.7)		(11.5)	
Cash flow from financing activities			**(1,392.4)**		**676.1**
Exchange (losses)/gains on cash and cash equivalents			(4.5)		3.3
(Decrease)/Increase in cash and cash equivalents			**(1,161.7)**		**1,322.0**
Cash and cash equivalents at the beginning of the financial year			1,772.2		450.2
Cash and cash equivalents at the end of the financial year			**610.5**		**1,772.2**

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					
	Share capital	Retained earnings and other reserves	Translation adjustment	Treasury shares	Non-controlling interests	Total equity
Balance April 1, 2020	**3.2**	**2,849.0**	**(406.8)**	**(447.5)**	**18.2**	**2,016.2**
Income for the period		581.0			4.3	585.3
Actuarial gain/(loss) from defined benefit plans, net		55.7				55.7
Tax effect on actuarial result		(6.6)				(6.6)
Currency translation differences			88.4		2.0	90.4
Tax effect on currency translation			(0.2)			(0.2)
Total comprehensive income		**630.1**	**88.2**		**6.3**	**724.6**
Share-based payments		6.1		18.8		24.9
Sale of treasury shares [1)]		(14.6)		31.4		16.8
Purchase of treasury shares				(9.7)		(9.7)
Dividend paid		(100.4)		100.2		(0.2)
Balance March 31, 2021	**3.2**	**3,370.2**	**(318.6)**	**(306.9)**	**24.5**	**2,772.5**
Balance April 1, 2021	**3.2**	**3,370.2**	**(318.6)**	**(306.9)**	**24.5**	**2,772.5**
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
Total comprehensive income		**695.6**	**(104.0)**		**13.2**	**604.8**
Capital decrease – share buyback program	(0.1)	(277.5)		277.5		
Share-based payments		5.4		23.5		28.9
Sale of treasury shares [1)]		(41.2)		67.5		26.3
Purchase of treasury shares [2)]				(782.6)		(782.6)
Dividend paid		(201.6)			(15.4)	(217.0)
Balance March 31, 2022	**3.2**	**3,550.8**	**(422.6)**	**(721.0)**	**22.3**	**2,432.8**

1) In relation to long-term equity incentive plans.
2) Further information on the share buyback program are 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, 2022

1. Basis for preparation

1.1 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.

1.2 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 12, 2022, and are subject to approval by the Annual General Shareholders' Meeting on June 15, 2022.

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
Deferred tax assets	Note 5.1: Taxes
Business combinations	Note 6.1: Acquisitions/disposals of subsidiaries
Defined benefit plans	Note 7.3: Employee benefits

Impact of the Covid-19 pandemic

The global health and economic crisis resulting from the COVID-19 pandemic is affecting the hearing care market and with it, the Group's business activities. Audiology stores, the primary consumer channel for hearing care products and services, were partially closed or operating with reduced hours during most of the financial year 2020/21 and to a lesser extent in some markets during financial year 2021/22. The Cochlear Implants business was also significantly impacted, as healthcare providers have deferred non-essential surgeries during financial year 2020/21. However, the situation mostly normalized during financial year 2021/22. In this context, Sonova implemented strict cost-saving programs, and temporary government-subsidized work time reductions in a number of countries. Refer to Note 7.5 for government support received worldwide.

1.4 Changes in accounting policies

In 2021/22 the Group adopted the following minor amendments to existing standards and interpretations, without having a significant impact on the Group's result and financial position:

- Interest Rate Benchmark Reform – Phase 2: *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

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, 2022 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[1], 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			2021/22
	Income statement as reported	Acquis. related amortization	**Income statement EBITA separation**
Sales	**3,363.9**		**3,363.9**
Cost of sales	(903.3)		(903.3)
Gross profit	**2,460.7**		**2,460.7**
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)
Operating profit before acquisition-related amortization (EBITA) 1)			**802.9**
Acquisition-related amortization		(42.9)	(42.9)
Operating profit (EBIT) 2)	**760.0**		**760.0**

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			2020/21
	Income statement as reported	Acquis. related amortization	**Income statement EBITA separation**
Sales	**2,601.9**		**2,601.9**
Cost of sales	(728.3)		(728.3)
Gross profit	**1,873.5**		**1,873.5**
Research and development	(204.8)	0.9	(203.9)
Sales and marketing	(924.1)	42.9	(881.2)
General and administration	(250.9)		(250.9)
Other income/(expenses), net	125.8		125.8
Operating profit before acquisition-related amortization (EBITA) 1)			**663.3**
Acquisition-related amortization		(43.8)	(43.8)
Operating profit (EBIT) 2)	**619.5**		**619.5**

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. 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. Technologically advanced production processes are performed in Switzerland, whereas standard assembly of products is conducted in Asia. Most of the marketing activities are steered by the brand marketing departments in Switzerland, Canada, the United States, 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. 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, 3rd party retail chains, multinational and government customers.

The hearing instruments segment further includes the new Consumer Hearing business in which Sonova is active in the fast-growing market for true wireless headsets, speech-enhanced hearables as well as audiophile headphones. In financial year 2021/22, Sonova acquired the consumer division from Sennheiser (refer to Note 6.1), which manufactures headphones, microphones and wireless transmission systems and has production facilities in Germany, Ireland, Romania and the USA. Product distribution is done through 21 sales subsidiaries and long-established trading partners.

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	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	Hearing Instruments		Cochlear Implants		Corporate/ Eliminations		Total	
Segment sales	3,089.5	2,425.8	282.3	186.2			3,371.7	2,612.0
Intersegment sales	(5.4)	(8.4)	(2.4)	(1.7)			(7.8)	(10.2)
Sales	**3,084.0**	**2,417.3**	**279.9**	**184.5**			**3,363.9**	**2,601.9**
Timing of revenue recognition								
At point in time	2,949.3	2,273.1	268.0	179.5			3,217.4	2,452.6
Over time	134.7	144.2	11.9	5.0			146.5	149.2
Total sales	**3,084.0**	**2,417.3**	**279.9**	**184.5**			**3,363.9**	**2,601.9**
Operating profit before acquisition-related amortization (EBITA)	**782.9**	**580.6**	**19.7**	**82.4**	**0.4**	**0.3**	**802.9**	**663.3**
Depreciation, amortization and impairment	(173.2)	(173.3)	(37.8)	(49.4)			(211.1)	(222.7)
Segment assets	**4,831.4**	**4,035.7**	**568.2**	**593.3**	**(686.9)**	**(716.0)**	**4,712.6**	**3,913.0**
Unallocated assets [1]							875.6	2,012.6
Total assets							**5,588.2**	**5,925.6**

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	2021/22	2020/21
EBITA	802.9	663.3
Acquisition-related amortization	(42.9)	(43.8)
Financial costs, net	(34.9)	(21.0)
Share of profit/(loss) in associates/joint ventures, net	3.0	1.9
Income before taxes	**728.2**	**600.4**

Entity-wide disclosures

Sales by business CHF million	**2021/22**	**2020/21**
Hearing Instruments business	1,838.4	1,463.9
Audiological Care business	1,236.8	953.5
Consumer Hearing business	8.8	n/a
Total Hearing Instruments segment	**3,084.0**	**2,417.3**
Cochlear Implant systems	175.8	129.3
Upgrades and accessories	104.1	55.2
Total Cochlear Implants segment	**279.9**	**184.5**
Total sales	**3,363.9**	**2,601.9**

Sales and selected non-current assets by regions CHF million	**2021/22**	**2020/21**	**2021/22**	**2020/21**
Country/region	Sales [1]		Selected non-current assets [2]	
Switzerland	30.8	30.9	238.4	259.0
EMEA (excl. Switzerland)	1,745.1	1,385.7	1,765.9	1,759.8
USA	1,009.8	732.2	1,021.5	696.6
Americas (excl. USA)	244.6	178.2	217.5	193.7
Asia/Pacific	333.6	275.0	360.6	129.2
Total Group	**3,363.9**	**2,601.9**	**3,603.9**	**3,038.4**

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	**31.3.2022**	**31.3.2021**
Contract assets	8.8	9.3
Contract liabilities	294.1	302.0

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:

Movement in contract liabilities CHF million	**2021/22**	**2020/21**
Balance April 1	302.0	318.4
Changes through business combinations	9.3	0.4
Increase due to advance consideration received in the period	143.4	132.4
Decrease due to revenue recognized in the period that,		
– was included in the contract liabilities at the beginning of the period	(102.6)	(137.1)
– relates to consideration received in the period	(41.7)	(21.0)
Reversals	(2.3)	
Exchange differences	(14.1)	8.9
Balance March 31	**294.1**	**302.0**
Expectation on timing of revenue recognition:		
Within 1 year	106.7	101.5
Within 2 years	88.4	104.2
Within 3 years	52.3	50.9
Within 4 years	21.9	16.4
More than 4 years	24.7	29.1

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 2021/22 financial year, the net result of other income and expense amounts to CHF –11.5 million (previous year: CHF 125.8 million). The expense primarily relates 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”.

In the prior year, the income primarily related to Advanced Bionics which was awarded damages in a patent infringement lawsuit of CHF 124.4 million (for further information refer to Note 3.9 “Contingent assets and liabilities”). The remaining other income and expenses are primarily related to the regular and systematic assessment of the provision for product liabilities in the cochlear implants segment (reversal of CHF 10.8 million recorded in “Other income” and increase of CHF 9.8 million recorded in “Other expenses”). For further information refer to Note 3.7 “Provisions”.

2.5 Earnings per share

Basic earnings per share	2021/22	2020/21
Income after taxes (CHF million)	649.0	581.0
Weighted average number of outstanding shares	62,270,275	62,967,588
Basic earnings per share (CHF)	**10.42**	**9.23**

Diluted earnings per share	2021/22	2020/21
Income after taxes (CHF million)	649.0	581.0
Weighted average number of outstanding shares	62,270,275	62,967,588
Adjustment for dilutive share options	440,731	255,916
Adjusted weighted average number of outstanding shares	62,711,006	63,223,504
Diluted earnings per share (CHF)	**10.35**	**9.19**

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 options will be exercised. The weighted average number of shares is adjusted for all dilutive options issued under the stock option plans which have been granted in 2015 through to 2022 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	31.3.2022	31.3.2021
Trade receivables	505.6	473.3
Loss allowance for doubtful receivables	(31.3)	(34.5)
Total	**474.3**	**438.8**

As is common in this industry, the Sonova Group has a large number of customers. There is no significant concentration of credit risk. The increase compared to previous year is primarily driven by the acquisition of the Sennheiser Consumer Division and other acquisitions (refer to Note 6.1).

For further information on the aging of the trade receivables and related allowances, please refer to Note 4.7.

During 2021/22, the Group utilized CHF 3.1 million (previous year CHF 7.8 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	31.3.2022	31.3.2021
BRL	19.1	11.1
CAD	17.5	19.4
CHF	19.4	11.2
EUR	182.8	166.3
GBP	15.6	11.2
USD	144.2	147.9
Other	75.7	71.7
Total trade receivables, net	**474.3**	**438.8**

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	31.3.2022	31.3.2021
Raw materials and components	64.2	36.2
Work-in-process	147.0	134.8
Finished products	254.0	185.1
Allowances	(52.5)	(53.8)
Total	**412.7**	**302.3**

The increase compared to previous year is primarily driven by the acquisition of the Sennheiser Consumer Division and other acquisitions (refer to Note 6.1) and an increase in inventories related to safety stock to manage supply shortages of microelectronic components.

The “cost of sales” corresponding to the carrying value of inventory (which excludes freight, packaging, logistics as well as certain overhead cost) amounted in 2021/22 to CHF 736.2 million (previous year CHF 582.8 million). The Group recognized write-downs of CHF 25.9 million (previous year CHF 28.3 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					2021/22
	Land & buildings	Machinery & technical equipment	Room installations & other equipment	Advance payments & assets under construction	Total
Cost					
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)	0.0	(18.0)
Transfers		3.5	7.1	(10.6)	
Exchange differences	(2.0)	(3.9)	(15.8)	(0.6)	(22.3)
Balance March 31	**221.4**	**315.9**	**381.3**	**21.7**	**940.3**
Accumulated depreciation					
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
Balance March 31	**(96.2)**	**(238.8)**	**(246.4)**		**(581.4)**
Net book value					
Balance April 1	128.5	72.0	120.3	14.4	335.3
Balance March 31	**125.2**	**77.0**	**134.9**	**21.7**	**358.9**

CHF million					2020/21
	Land & buildings	Machinery & technical equipment	Room installations & other equipment	Advance payments & assets under construction	Total
Cost					
Balance April 1	205.7	300.4	383.2	15.9	905.3
Changes through business combinations		0.1	0.6		0.7
Additions	7.6	15.5	27.0	13.6	63.8
Disposals	(0.7)	(35.2)	(73.7)	(1.0)	(110.6)
Transfers	3.9	5.7	4.9	(14.5)	
Exchange differences	2.4	4.4	13.2	0.3	20.2
Balance March 31	**218.9**	**290.9**	**355.1**	**14.4**	**879.4**
Accumulated depreciation					
Balance April 1	(83.3)	(225.4)	(263.7)		(572.4)
Additions	(6.3)	(25.2)	(32.8)		(64.3)
Disposals	0.4	34.9	70.1		105.3
Exchange differences	(1.1)	(3.1)	(8.4)		(12.6)
Balance March 31	**(90.4)**	**(218.9)**	**(234.8)**		**(544.1)**
Net book value					
Balance April 1	122.4	75.0	119.6	15.9	332.8
Balance March 31	**128.5**	**72.0**	**120.3**	**14.4**	**335.3**

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				**2021/22**
	Properties	Vehicles	Other assets	Total
Cost				
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)
Balance March 31	**352.1**	**9.3**	**1.7**	**363.1**
Accumulated depreciation				
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
Balance March 31	**(84.6)**	**(3.5)**	**(1.3)**	**(89.4)**
Net book value				
Balance April 1	254.8	6.3	0.5	261.6
Balance March 31	**267.5**	**5.8**	**0.4**	**273.8**

Right-of-use assets CHF million				**2020/21**
	Properties	Vehicles	Other assets	Total
Cost				
Balance April 1	313.1	8.7	1.5	323.3
Changes through business combinations	0.2			0.2
Additions	60.5	2.0	0.6	63.1
Disposals	(17.7)	(0.6)	(0.2)	(18.4)
Exchange differences	9.4	0.3	0.1	9.8
Balance March 31	**365.5**	**10.4**	**2.0**	**377.9**
Accumulated depreciation				
Balance April 1	(60.7)	(1.7)	(0.3)	(62.7)
Additions	(63.7)	(2.9)	(1.3)	(67.9)
Disposals	17.7	0.6	0.2	18.4
Exchange differences	(4.0)	(0.1)	(0.0)	(4.1)
Balance March 31	**(110.7)**	**(4.1)**	**(1.5)**	**(116.3)**
Net book value				
Balance April 1	252.4	7.0	1.2	260.6
Balance March 31	**254.8**	**6.3**	**0.5**	**261.6**

Lease liabilities CHF million	**2021/22**	**2020/21**
Balance April 1	271.3	269.0
Changes through business combinations	30.7	0.2
Additions	60.1	62.2
Interest expense	3.6	4.0
Payments	(67.7)	(70.6)
Exchange differences	(13.7)	6.5
Balance March 31	**284.3**	**271.3**
thereof short-term	68.8	58.9
thereof long-term	215.5	212.4

The maturity analysis of lease liabilities is disclosed in Note 4.7

Lease disclosures CHF million	**2021/22**	**2020/21**
Expenses relating to short-term leases	11.2	5.1
Expenses relating to leases of low-value assets (excluding short-term leases of low-value assets)	0.3	0.4
Expenses relating to variable lease payments	5.7	5.8

The total cash outflow for leases in the financial year 2021/22 amounted to CHF 84.9 million (prior year CHF 81.9 million).

The Group has various lease contracts that as of March 31, 2022 have not yet commenced. The future lease payments for these non-cancellable lease contracts amount to CHF 1.7 million (prior year CHF 0.1 million). The future lease payments relating to variable lease payments amount to CHF 5.7 million (prior year CHF 5.8 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					2021/22
	Goodwill	Intangibles relating to acquisitions [1]	Capitalized development costs	Software and other intangibles	Total
Cost					
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		(13.2)		(0.7)	(13.9)
Exchange differences	(96.4)	(32.4)	(0.6)	(1.7)	(131.1)
Balance March 31	**2,440.6**	**892.7**	**224.2**	**117.9**	**3,675.5**
Accumulated amortization and impairments					
Balance April 1	(145.2)	(373.2)	(88.3)	(74.1)	(680.8)
Changes through business combinations		(0.6)		(0.0)	(0.7)
Additions		(42.9) [2]	(27.4)	(10.2)	(80.5)
Disposals		13.2		0.6	13.9
Exchange differences	3.0	17.1		1.3	21.4
Balance March 31	**(142.2)**	**(386.4)**	**(115.6)**	**(82.4)**	**(726.6)**
Net book value					
Balance April 1	1,998.0	269.7	125.9	28.2	2,421.8
Balance March 31	**2,298.4**	**506.3**	**108.6**	**35.6**	**2,948.9**

1) Intangibles relating to acquisitions consists of customer relationships (CHF 298.8 million), trademarks (CHF 193.0 million) and technology (CHF 14.5 million).
2) Relates to research and development (CHF 0.6 million) and sales and marketing (CHF 42.4 million).

CHF million					2020/21
	Goodwill	Intangibles relating to acquisitions [1]	Capitalized development costs	Software and other intangibles	Total
Cost					
Balance April 1	2,064.5	615.5	223.9	100.5	3,004.3
Changes through business combinations	20.0	8.3			28.3
Additions			15.9	9.6	25.5
Disposals		(6.7)	(25.3)	(8.8)	(40.9)
Exchange differences	58.8	25.8	(0.3)	1.1	85.3
Balance March 31	**2,143.3**	**642.8**	**214.1**	**102.4**	**3,102.6**
Accumulated amortization and impairments					
Balance April 1	(148.8)	(322.7)	(75.3)	(73.0)	(619.8)
Additions		(42.5) [2]	(12.9)	(8.5)	(63.9)
Disposals		6.7	25.3	8.6	40.7
Impairment		(1.3)	(25.3)		(26.6)
Exchange differences	3.6	(13.4)		(1.3)	(11.1)
Balance March 31	**(145.2)**	**(373.2)**	**(88.3)**	**(74.1)**	**(680.8)**
Net book value					
Balance April 1	1,915.6	292.7	148.5	27.5	2,384.4
Balance March 31	**1,998.0**	**269.7**	**125.9**	**28.2**	**2,421.8**

1) Intangibles relating to acquisitions consists of customer relationships (CHF 153.6 million), trademarks (CHF 108.8 million) and technology (CHF 7.3 million).
2) Relates to research and development (CHF 0.9 million) and sales and marketing (CHF 41.6 million).

Based on the impairment tests performed, there was no need for the recognition of any impairment of goodwill for the 2021/22 and 2020/21 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, 2022, the carrying amount of goodwill, expressed in various currencies, amounted to an equivalent of CHF 2,000.7 million (prior year CHF 1,694.1 million) and for intangible assets with indefinite useful lives to CHF 100.6 million (prior year: none). The increase in intangible assets with indefinite useful lives relates to a brand value that was acquired as part of the acquisition of the Consumer Division from Sennheiser as disclosed in Note 6.1.

Cash flows beyond the projection period were extrapolated with a long-term growth rate of 2.0% (prior year 2.0%) which represents the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 9.4% (prior year 9.0%) 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, 2022, the carrying amount of the goodwill, expressed in various currencies, amounted to an equivalent of CHF 297.7 million (prior year CHF 303.9 million).

Cash flows beyond the projection period were extrapolated with a long-term growth rate of 2.1% (prior year 2.2%) which represents the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 10.2% (prior year 9.3%) 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. Due to a revision of the Cochlear implants product roadmap in the 2020/21 financial year, Sonova identified the need of valuation adjustments on certain R&D projects. As a result, an impairment of previously capitalized development costs was recorded, resulting in a write-off amounting to CHF 25.3 million. This amount was included in the income statement in the function “Research and development” in the financial year 2020/21. 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 below). 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 from 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

Other current operating assets CHF million	**31.3.2022**	**31.3.2021**
Other receivables	98.1	54.4
Prepaid expenses	37.7	28.5
Contract assets	3.0	3.1
Right to recover products	10.2	10.6
Total	**148.9**	**96.6**

Other non-current operating assets CHF million	**31.3.2022**	**31.3.2021**
Contract assets	5.8	6.2
Total	**5.8**	**6.2**

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					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)
Balance March 31	**135.3**	**4.1**	**94.4**	**50.4**	**284.2**
thereof short-term	98.3	4.1	11.8	37.5	151.6
thereof long-term	37.0		82.6	12.9	132.6

CHF million					2020/21
	Warranty and returns	Reimbursement to customers	Product liabilities	Other provisions	Total
Balance April 1	111.6	5.0	120.4	31.5	268.6
Changes through business combinations		0.0		0.4	0.4
Amounts used	(72.8)	(4.1)	(4.8)	(19.3)	(101.0)
Reversals	(10.0)	(2.5)	(11.0)	(3.4)	(26.9)
Increases	94.4	4.4	9.8	42.1	150.6
Present value adjustments			0.5		0.5
Exchange differences	2.7		(3.0)	0.9	0.5
Balance March 31	**125.9**	**2.8**	**111.9**	**52.3**	**292.8**
thereof short-term	92.2	2.8	15.3	37.8	148.1
thereof long-term	33.7		96.6	14.5	144.7

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 2021/22 financial year, changes in the assessment of the expected number and cost of current and future claims led to reversals of CHF 0.3 million (previous year reversals/increases, net of CHF 1.0 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, 2022 the provision for product liabilities amount to CHF 94.4 million (previous year CHF 111.9 million). The timing of the 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 7 years.

Other provisions

Other provisions include provisions for specific business risks such as litigation CHF 21.2 million (prior year CHF 21.6 million), including provisions relating to the agreement in principle with the U.S. Department of Justice (refer to Note 3.9), and restructuring costs CHF 11.3 million (prior year CHF 15.3 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

Other short-term operating liabilities CHF million	**31.3.2022**	**31.3.2021**
Other payables	111.5	54.8
Accrued expenses	325.2	282.4
Deferred income	0.8	1.0
Total	**437.5**	**338.2**

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, 2022 and 2021, 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 1.7 million) were pledged in relation to bank guarantees. Open purchase orders as of March 31, 2022 and 2021, were related to recurring business activities.

Lawsuits and disputes

The patent infringement lawsuit by the Alfred E. Mann Foundation for Scientific Research (AMF) and Advanced Bionics LLC (AB) v. Cochlear was concluded in 2020. As a co-plaintiff, AB was ultimately entitled to a share of the damages awarded, after deduction of certain costs for the proceedings. The verdict resulted in a total amount of CHF 124.4 million in cash for damages, pre-trial interest and attorney fees. This one-time income is reported in “other income” in the financial year 2020/21.

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. 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). The court’s judgment includes an injunction which, if and when enforced by Med-El, would prevent sales of the HiRes Ultra 3D cochlear implant in and from Germany. AB believes the complaint has no merit and has therefore appealed the judgment.

On January 20, 2020, Advanced Bionics Corporation (“AB”), Delaware, received a subpoena from the Office of the Inspector General at the U.S. Department of Health and Human Services, (the “HHS-OIG”). The subpoena related to AB’s testing of radio frequency emissions of certain of AB’s sound processors and AB’s reporting of those test results in submissions to the U.S. Food and Drug Administration from 2010 to the present. AB has continuously cooperated with the HHS-OIG and the U.S. Department of Justice in connection with this subpoena, and has reached an agreement in principle with the U.S. Department of Justice. AB has made appropriate financial provisions for this agreement in principle. AB is negotiating definitive agreements with the U.S. Department of Justice and expects a final settlement to be reached in the first half of FY 2022/23.

4. Capital structure and financial management

4.1 Cash and cash equivalents

CHF million	31.3.2022	31.3.2021
Cash on hand	1.2	1.3
Current bank accounts	458.9	419.8
Term deposits	150.4	1,351.1
Total	**610.5**	**1,772.2**

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	2021/22	2020/21
Interest income	1.4	1.8
Other financial income	0.3	3.2
Total financial income	**1.7**	**5.0**
Interest expenses	(17.4)	(13.1)
Interest expenses on lease liabilities	(3.6)	(4.0)
Unwinding of the discount on provisions	(0.6)	(0.5)
Foreign exchange hedge costs	(1.4)	(1.5)
Other financial expenses	(13.4)	(6.9)
Total financial expenses	**(36.5)**	**(26.0)**
Total financial income/expenses, net	**(34.9)**	**(21.0)**

Other financial income and financial expenses include primarily the fair value adjustments of financial instruments.

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 15, 2022, that a dividend of CHF 4.40 per share shall be distributed (previous year CHF 3.20).

4.4 Other financial assets

Other current financial assets

CHF million			31.3.2022			31.3.2021
	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		1.3	1.3		0.3	0.3
Loans to third parties	6.9		6.9	6.3		6.3
Total	**6.9**	**1.5**	**8.4**	**6.3**	**0.5**	**6.8**

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			31.3.2022			31.3.2021
	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	3.8		3.8	3.3		3.3
Loans to third parties	25.6		25.6	22.8		22.8
Rent deposits	2.8		2.8	3.6		3.6
Other non-current financial assets		4.0	4.0		9.2	9.2
Total	**32.2**	**4.0**	**36.2**	**29.7**	**9.2**	**38.9**

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, 2022, the respective repayment periods vary between one and nine years and the interest rates vary generally between 1% and 3%.

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, 2022, the Group has the following bonds/US Private Placement outstanding:

Financial liabilities	Currency	Nominal value	Interest rate	Maturity
Fixed-rate bond	CHF	330	0.55%	April 6, 2022
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	100	0.00%	October 11, 2029
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, 2022 the Group did not make use of credit facilities.

Current financial liabilities

CHF million			31.3.2022			31.3.2021
	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	0.1		0.1
Bond	334.7		334.7	364.6		364.6
Deferred payments	23.8		23.8	7.0		7.0
Contingent considerations		13.8	13.8		2.9	2.9
Other current financial liabilities		1.6	1.6		1.1	1.1
Total	**358.8**	**15.3**	**374.2**	**371.7**	**4.0**	**375.7**
Unused borrowing facilities			366.1			366.2

Non-current financial liabilities

CHF million			31.3.2022			31.3.2021
	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	864.9		864.9	1,197.8		1,197.8
Deferred payments	2.6		2.6	3.0		3.0
Contingent considerations		81.5	81.5		1.3	1.3
Other non-current financial liabilities	0.1	10.8	10.9	0.0	6.8	6.8
Total	**867.5**	**92.4**	**959.9**	**1,200.8**	**8.1**	**1,208.9**

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				31.3.2022				31.3.2021
	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	699.1		10.4	709.5	1,028.7		6.3	1,035.0
USD	165.8	4.0	0.0	169.8	169.1		0.0	169.1
EUR		76.4		76.4		2.9		2.9
AUD		2.1		2.1				
BRL		1.3		1.3		0.3		0.3
Other		0.3	0.5	0.8		1.1	0.5	1.6
Total	**864.9**	**84.1**	**10.9**	**959.9**	**1,197.8**	**4.3**	**6.8**	**1,208.9**

Reconciliation of liabilities arising from financing activities

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
Balance April 1	**0.1**	**1,562.4**	**14.2**	**271.3**	**7.9**	**1,856.0**
Changes through business combinations			108.9	30.7		139.5
Additions to lease liabilities				60.1		60.1
Repayment of borrowings		(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
Balance March 31	**0.4**	**1,199.6**	**121.6**	**284.3**	**12.5**	**1,618.4**
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

Liabilities from financing activities CHF million						**2020/21**
	Bank debt	Bonds/US Private Placement	Deferred payments and contingent considerations	Lease liabilities	Other financial liabilities	Total
Balance April 1	**230.2**	**559.1**	**22.0**	**269.0**	**5.2**	**1,085.5**
Changes through business combinations			(3.7)	0.2		(3.5)
Additions to lease liabilities				62.2		62.2
Proceeds from borrowings		999.7			2.8	1,002.5
Repayment of borrowings	(230.0)					(230.0)
Repayment of lease liabilities – principal portion				(66.7)		(66.7)
Repayment of lease liabilities – interest portion				(4.0)		(4.0)
Exchange differences		(1.8)		6.5		4.7
Other	(0.1)	5.4	(4.1)	4.2	(0.1)	5.2
Balance March 31	**0.1**	**1,562.4**	**14.2**	**271.3**	**7.9**	**1,856.0**
thereof short-term	0.1	364.6	9.9	58.9	1.1	434.6
thereof long-term		1,197.8	4.3	212.4	6.8	1,421.3

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	Issued registered shares	Treasury shares [1]	Outstanding shares
Balance April 1, 2020	64,398,137	(1,970,548)	62,427,589
Purchase of treasury shares		(40,100)	(40,100)
Sale/transfer of treasury shares		238,074	238,074
Stock dividend [2]		417,110	417,110
Balance March 31, 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 [3]	(1,225,980)	1,225,980	
Purchase of treasury shares from share buyback		(2,012,438)	(2,012,438)
Balance March 31, 2022	**63,172,157**	**(2,084,471)**	**61,087,686**

Nominal value of share capital CHF million	Share Capital	Treasury shares [1]	Outstanding share capital
Balance March 31, 2022	**3.2**	**(0.1)**	**3.1**

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 11, 2020, approved the proposed distribution of a stock dividend, resulting in a reduction of retained earnings and other reserves of CHF 100.4 million and changes in treasury shares of CHF 100.2 million.

3) 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.

Share buyback program

On May 18, 2021, Sonova Holding AG announced that its Board of Directors approved a share buyback program of up to CHF 700 million. The program started in June 2021 and ended in March 2022. In total, 2,012,438 treasury shares were bought under the share buyback program and are intended to be cancelled (proposal to the Annual Shareholders' Meeting June 15, 2022). On March 29, 2022 the Board of Directors approved a new share buyback program of up to CHF 1.5 billion which is expected to run over a period of up to 36 months.

In the financial year 2021/22, transaction costs related to the share buyback program in the amount of CHF 3.5 million were deducted from equity.

Authorized capital

The 2020 Annual General Shareholders' Meeting authorized the Board of Directors to increase the share capital at any time until June 11, 2022 by a maximum amount of CHF 321,990.65 by issuing a maximum of 6,439,813 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 2021/22.

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, 2022. 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 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, 2022, the Group engaged in forward currency contracts amounting to CHF 296.6 million (previous year CHF 280.0 million). The open contracts on March 31, 2022 as well as on March 31, 2021 were all due within one year.

Notional amount of forward contracts CHF million		**31.3.2022**		**31.3.2021**
	Total	Fair value	Total	Fair value
Positive replacement values	111.4	1.3	96.7	0.3
Negative replacement values	185.2	(1.5)	183.3	(0.6)
Total	**296.6**	**(0.3)**	**280.0**	**(0.3)**

Exchange rate risk CHF million	**2021/22**	**2020/21**	**2021/22**	**2020/21**
	Impact on income after taxes [1]		Impact on equity	
Change in USD/CHF +5%	(5.9)	2.7	7.8	9.6
Change in USD/CHF −5%	5.9	(2.7)	(7.8)	(9.6)
Change in EUR/CHF +5%	2.6	3.1	18.4	16.9
Change in EUR/CHF −5%	(2.6)	(3.1)	(18.4)	(16.9)

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 2021/22 financial year of CHF 1,298.7 million (previous year CHF 1,364.6 million). If interest rates during the 2021/22 financial year had been 1% higher, the positive impact on income before taxes would have been CHF 6.2 million. If interest rates had been 1% lower, the income before taxes would have been negatively impacted by CHF 11.9 million. The Group's long-term financial liabilities are fixed rate instruments 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, 2022, the largest balance with a single counterparty amounted to 29% (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 2022.

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				31.3.2022				31.3.2021
State customers	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Not overdue	0.4%	96.6	(0.4)	96.3	0.3%	85.0	(0.3)	84.7
Overdue 1–90 days	0.9%	9.1	(0.1)	9.0	0.9%	14.4	(0.1)	14.3
Overdue 91–180 days	4.1%	3.5	(0.1)	3.4	3.7%	2.7	(0.1)	2.6
Overdue 181–360 days	28.2%	2.3	(0.6)	1.6	19.0%	2.9	(0.5)	2.3
Overdue more than 360 days	98.9%	3.9	(3.8)	0.0	98.5%	3.2	(3.2)	0.0
Total	**4.4%**	**115.4**	**(5.1)**	**110.3**	**3.9%**	**108.2**	**(4.2)**	**103.9**

CHF million				31.3.2022				31.3.2021
Non-state customers	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**	**Expected loss rate**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
Not overdue	1.3%	294.3	(3.9)	290.5	1.2%	279.9	(3.5)	276.5
Overdue 1–90 days	3.6%	57.3	(2.0)	55.2	4.7%	43.4	(2.0)	41.3
Overdue 91–180 days	16.2%	12.4	(2.0)	10.4	21.1%	11.2	(2.4)	8.8
Overdue 181–360 days	34.8%	12.1	(4.2)	7.9	53.1%	10.2	(5.4)	4.8
Overdue more than 360 days	99.9%	14.1	(14.1)	0.0	83.2%	20.4	(17.0)	3.4
Total	**6.7%**	**390.2**	**(26.2)**	**364.0**	**8.3%**	**365.1**	**(30.3)**	**334.9**

The closing loss allowance for trade receivables as at March 31, 2021 reconcile to the closing loss allowance as at March 31, 2022 as follows:

CHF million	2021/22	2020/21
Loss allowance for doubtful receivables, April 1	**(34.5)**	**(51.9)**
Utilization	3.1	7.8
Reversal	2.7	16.5
Additions	(3.8)	(6.0)
Exchange differences	1.1	(1.0)
Loss allowance for doubtful receivables, March 31	**(31.3)**	**(34.5)**

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.

At the end of financial year 2020/21, expected credit loss (ECL) rates improved due to an easing of the COVID-19 pandemic, which resulted in a significant reversal of loss allowances.

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, 2022 and 2021 based on contractual undiscounted payments. Bonds include the notional amount as well as interest payments.

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
Total financial liabilities	**634.4**	**583.5**	**651.2**	**1,869.1**

CHF million				**31.3.2021**
	Due less than 1 year	Due 1 year to 5 years	Due more than 5 years	Total
Bank debt	0.1			0.1
Trade payables	103.2			103.2
Lease liabilities	58.9	159.8	52.5	271.2
Bonds/US Private Placement	370.3	731.1	509.1	1,610.5
Deferred payments	7.0	3.0		10.0
Contingent considerations	2.9	1.3		4.2
Other financial liabilities	0.0	6.8		6.9
Total financial liabilities	**542.5**	**902.1**	**561.5**	**2,006.1**

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

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

CHF million						31.3.2021
	Notes	Carrying amount	Fair value [1)]	Level 1	Level 2	Level 3
Financial assets at amortized cost						
Cash and cash equivalents	4.1	1,772.2				
Other financial assets	4.4	36.1				
Trade receivables	3.1	438.8				
Total		**2,247.1**				
Financial assets at fair value through profit or loss						
Other financial assets	4.4	9.7	9.7	7.4		2.3
Total		**9.7**	**9.7**	**7.4**		**2.3**
Financial liabilities at amortized cost						
Bank debt	4.5	0.1				
Bonds/US Private Placement	4.5	1,562.4	1,590.0	1,590.0		
Deferred payments	4.5	10.0				
Other financial liabilities	4.5	0.0				
Trade payables		103.2				
Total		**1,675.7**	**1,590.0**	**1,590.0**		
Financial liabilities at fair value through profit or loss						
Contingent considerations	4.5	4.2	4.2			4.2
Negative replacement value of forward foreign exchange contracts	4.7	0.6	0.6			0.6
Other financial liabilities	4.5	7.3	7.3			7.3
Total		**12.1**	**12.1**			**12.1**

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, 2022 and 2021:

Financial assets at fair value through profit or loss CHF million	**2021/22**	**2020/21**
	Total	Total
Balance April 1	2.3	4.2
Additions/(disposals), net	1.0	(2.0)
Gain recognized in profit or loss	0.0	0.1
Balance March 31	**3.3**	**2.3**

Financial liabilities at fair value through profit or loss CHF million			**2021/22**	**2020/21**
	Contingent considerations	Other financial liabilities	Total	Total
Balance April 1	(4.2)	(7.9)	(12.1)	(10.4)
Changes through business combinations	(93.3)		(93.3)	2.4
(Additions)/disposals, net	2.4	4.6	7.0	0.8
Losses recognized in profit or loss	(0.2)	(9.2)	(9.4)	(4.9)
Balance March 31	**(95.3)**	**(12.4)**	**(107.7)**	**(12.1)**

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, 2022 and 2021, 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 relate to a license agreement for the Sennheiser brand for which a liability in the amount of CHF 79.5 million was recognized. The amount was determined based on a discounted cash flow calculation over a licensing period of 15 years. Significant unobservable inputs used in the fair value measurement include the projected revenues, the brand licensing fee and the discount rate. 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 4.8% was used.

4.9 Exchange rates

The following main exchange rates were used for currency translation:

	31.3.2022	31.3.2021	2021/22	2020/21
	Year-end rates		Average rates for the year	
AUD 1	0.69	0.72	0.68	0.66
BRL 1	0.19	0.16	0.17	0.17
CAD 1	0.74	0.75	0.73	0.70
CNY 1	0.15	0.14	0.14	0.14
EUR 1	1.03	1.11	1.07	1.08
GBP 1	1.21	1.30	1.26	1.21
JPY 100	0.76	0.85	0.82	0.87
USD 1	0.92	0.94	0.92	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	2021/22	2020/21
Current taxes	98.6	61.7
Deferred taxes	(34.0)	(46.6)
Total income taxes	**64.5**	**15.2**
Reconciliation of tax expense		
Income before taxes	728.2	600.4
Group's expected average tax rate	20.0%	15.9%
Tax at expected average rate	**145.6**	**95.7**
+/– Effects of		
Non-taxable income/non-tax-deductible expenses	(0.7)	(2.8)
Changes of unrecognized loss carryforwards/deferred tax assets [1)]	8.6	(21.6)
Local actual tax rate different to Group's expected average tax rate	(49.9)	(27.3)
Change in tax rates on deferred tax balances	5.4	(1.8)
Transitional effect of tax reforms	(17.5)	(28.0)
Prior year adjustments and other items, net [2)]	(27.0)	0.9
Total income taxes	**64.5**	**15.2**
Weighted average effective tax rate	8.9%	2.5%

1) In 2020/21, mainly related to the use of tax loss carryforwards as a result of damages awarded in patent infringement lawsuit to Advanced Bionics as described below.
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 where the results are achieved.

Deferred tax assets and (liabilities) CHF million			**31.3.2022**			**31.3.2021**
	Assets	Liabilities	Net amount	Assets	Liabilities	Net amount
Inventories	22.9	(6.3)	16.6	22.7	(3.3)	19.4
Property, plant & equipment	2.7	(8.2)	(5.4)	2.5	(7.4)	(4.9)
Intangible assets		(148.0)	(148.0)		(96.9)	(96.9)
Right-of-use assets and lease liabilities	66.2	(65.2)	1.0	68.0	(67.2)	0.8
Other assets and liabilities [1]	263.1	(58.2)	204.9	204.3	(40.4)	163.8
Tax loss carryforwards	35.1		35.1	26.9		26.9
Total tax assets (liabilities)	**390.0**	**(285.9)**	**104.1**	**324.4**	**(215.2)**	**109.2**
Offset of assets and liabilities	(147.1)	147.1		(103.7)	103.7	
Amounts in the balance sheet						
Deferred tax assets	242.9		242.9	220.7		220.7
Deferred tax liabilities		(138.8)	(138.8)		(111.5)	(111.5)
Total deferred taxes, net			**104.1**			**109.2**

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 128.8 million (2020/21: CHF 88.5 million) related to tax reforms as described below.

Movement of deferred tax assets and (liabilities) CHF million							**2021/22**
	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 [1]	(2.6)	(1.2)	5.4	(0.2)	31.0	1.7	34.0
Deferred taxes recognized in OCI [2]					(9.1)		(9.1)
Exchange differences	(0.2)	0.7	6.8	0.4	0.7	1.0	9.4
Balance March 31	**16.6**	**(5.4)**	**(148.0)**	**1.0**	**204.9**	**35.1**	**104.1**

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

Movement of deferred tax assets and (liabilities) CHF million							**2020/21**
	Inventories	Property, plant & equipment	Intangible assets	Right-of-use assets and lease liabilities	Other assets and liabilities	Tax loss carryforwards	Total
Balance April 1	24.1	(6.6)	(88.4)	0.2	109.0	35.2	73.5
Changes through business combinations			(1.8)				(1.8)
Deferred taxes recognized in the income statement [1)]	(1.0)	1.8	(5.1)	0.4	58.2	(7.7)	46.6
Deferred taxes recognized in OCI [2)]					(6.6)		(6.6)
Exchange differences	(3.7)	(0.1)	(1.6)	0.2	3.2	(0.6)	(2.5)
Balance March 31	**19.4**	**(4.9)**	**(96.9)**	**0.8**	**163.8**	**26.9**	**109.2**

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	**31.3.2022**	**31.3.2021**
Within 1 year	24.4	2.2
Within 2–5 years	36.1	70.7
More than 5 years or without expiration	434.4	442.6
Total	**494.9**	**515.6**

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

Tax reforms

On May 19, 2019, the Swiss electorate passed the Federal Act on Tax Reform and AHV Financing (TRAF). The tax reform abolished the tax regimes for holding, domiciliary and mixed companies as of January 1, 2020 and introduced new tax measures. To the extent that the tax reform requires cantonal and communal tax law changes, these had to be implemented through modification of the cantonal tax law. On September 1, 2019, in a public vote, the electorate of the canton of Zurich accepted the respective revision of the cantonal tax law. The relevant changes to the Group include a decrease in the statutory income tax rate in the canton of Zurich, effective from January 1, 2021.

Following the latest international developments: the contemplated introduction of new minimum taxation under GloBe Model Rules (Global anti-Base Erosion – Pillar 2) and the enactment of ATAD 2 (Anti-Tax Avoidance Directive 2) regulations as well as the publication of final ATAD 2 guidance in certain European jurisdictions during financial year 2021/22, the Group has reassessed and revalued its Swiss deferred tax position by an overall positive income tax effect of CHF 17.5 million (prior year: positive effect of CHF 28.0 million after finalization of STAF measures).

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 estimates and assumptions. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and outcome is uncertain. It establishes provisions, where appropriate, on the basis of amounts expected 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 114.1 million (previous year CHF 132.2 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 128.8 million (previous year: CHF 88.5 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

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. In the financial year 2020/21, the Group acquired several small companies in EMEA, 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.

Assets and liabilities resulting from the acquisitions are as follows:

CHF million				2021/22	2020/21
	Sennheiser Consumer Division	Alpaca Audiology	Others	Total	Total
Cash and cash equivalents	65.0	0.6	16.7	82.4	1.9
Trade receivables	8.7	2.8	3.3	14.8	0.5
Inventories	50.8	2.9	3.0	56.7	0.6
Other current operating assets	32.5	2.7	0.9	36.1	0.1
Total current assets	**157.0**	**9.1**	**24.0**	**190.0**	**3.2**
Property, plant and equipment	13.2	2.7	4.9	20.9	0.7
Right-of-use assets	3.5	9.7	17.4	30.7	
Intangible assets	165.8	83.2	47.3	296.4	8.3
Other non-current assets	0.3		0.7	1.0	0.2
Deferred tax assets	12.8		3.0	15.8	0.5
Total non-current assets	**195.7**	**95.7**	**73.4**	**364.7**	**9.6**
Current financial liabilities	(0.0)	(1.4)	(0.8)	(2.2)	(0.2)
Current lease liabilities	(0.9)	(2.4)	(4.4)	(7.7)	
Trade payables	(5.2)	(4.4)	(4.1)	(13.7)	(0.3)
Short-term contract liabilities		(6.9)	(2.4)	(9.3)	(0.4)
Other short-term operating liabilities	(23.5)	(1.4)	(7.1)	(32.0)	(1.1)
Short-term provisions	(10.2)	(0.6)	(2.1)	(12.9)	(0.4)
Total current liabilities	**(39.9)**	**(17.1)**	**(20.8)**	**(77.8)**	**(2.4)**
Non-current financial liabilities	(0.0)	(1.5)	(0.4)	(1.9)	(0.7)
Non-current lease liabilities	(2.6)	(7.3)	(13.1)	(23.0)	
Long-term provisions	(0.9)		(1.6)	(2.5)	(0.0)
Other long-term operating liabilities	(6.9)			(6.9)	
Deferred tax liabilities	(39.7)	(3.0)	(12.6)	(55.3)	(2.2)
Total non-current liabilities	**(50.1)**	**(11.7)**	**(27.7)**	**(89.6)**	**(2.9)**
Net assets	**262.6**	**75.9**	**48.9**	**387.4**	**7.5**
Goodwill	62.9	210.4	120.5	393.8	20.0
Purchase consideration	**325.5**	**286.3**	**169.4**	**781.2**	**27.5**
Liabilities for contingent considerations and deferred payments [1]	(99.3)		(14.4)	(113.7)	(3.2)
Cash and cash equivalents acquired	(65.0)	(0.6)	(16.7)	(82.4)	(1.9)
Cash outflow for contingent considerations and deferred payments		0.3	8.7	8.9	6.9
Cash consideration for acquisitions, net of cash acquired	**161.2**	**286.0**	**146.9**	**594.1**	**29.3**

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

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

Liabilities for contingent considerations amount to CHF 90.5 million and deferred payments amount to CHF 23.2 million. Contingent considerations are dependent on the future performance of the acquired companies as well as contractual obligations and milestone achievements. Liabilities for contingent considerations for the Sennheiser Consumer Division include a liability in connection with a license agreement in the amount of CHF 79.5 million that is dependent on future revenues (for further information refer to Note 4.8). For the Sennheiser Consumer Division, Goodwill is attributed mainly to economies of scale and expected synergies. For Alpaca and other acquisitions, 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 for the Sennheiser Consumer Division mainly contain trademarks (CHF 100.6 million), customer relationships (CHF 55.6 million) and technology (CHF 8.2 million). For Alpaca Audiology acquisition-related intangibles contain customer relationships (CHF 83.2 million). For other acquisitions, acquisition-related intangibles assets mainly relate to customer relationships (CHF 47.2 million). In the previous year, acquisition-related intangibles related to customer relationships and amounted to CHF 8.3 million. The assigned lifetime is 7 years for technology and 10 to 15 years for customer relationships. On these intangible assets, deferred taxes have been considered.

As part of the acquisition of the Consumer Division from Sennheiser, the Group acquired a brand value with an indefinite useful life. 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.

Acquisition-related transaction costs in the amount of CHF 9.0 million (previous year CHF 0.3 million) were expensed and are included in the line "General and administration".

April 1 to March 31, CHF million				**2021/22**	**2020/21**
	Sennheiser Consumer Division	Alpaca Audiology	Others	Total	Total
Contribution of acquired companies from date of acquisition					
Sales	8.8	8.2	40.4	57.4	2.6
Net income	(8.0)	(0.0)	2.1	(5.9)	0.6
Contribution, if the acquisitions had occurred on April 1					
Sales	245.7	97.0	70.2	412.9	12.4
Net income	1.7	0.1	8.8	10.6	3.6

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 2021/22 financial year, such liabilities contingent on future events amount to CHF 95.3 million (previous year CHF 4.2 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	2021/22	2020/21
Current assets	4.7	2.9
Non-current assets	4.7	3.6
Total assets	**9.4**	**6.5**
Current liabilities	(1.2)	(0.8)
Non-current liabilities	(0.9)	(0.6)
Total liabilities	**(2.0)**	**(1.4)**
Net assets	**7.4**	**5.1**
Income for the year	7.6	5.1
Expenses for the year	(4.6)	(3.2)
Profit for the year	**3.0**	**1.9**
Net book value at year-end	22.3	19.7
Share of profit/(loss) recognized by the Group	3.0	1.9

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.

In the financial year 2020/21, no associates were acquired/divested. In the case of one associate, an additional contribution of CHF 1.2 million was made, without increasing the participation rights.

Sales to associates in the 2021/22 financial year amounted to CHF 10.9 million (previous year CHF 7.8 million). At March 31, 2022, trade receivables towards associates amounted to CHF 2.6 million (previous year CHF 2.5 million).

At the end of the 2021/22 and 2020/21 financial years, no unrecognized losses existed.

Investments with a net book value of CHF 22.2 million (previous year CHF 19.7 million) have a business year different than the Sonova Group. The latest available information for the respective companies are as per December 2021.

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, 2022, the Sonova Group employed the full time equivalent (FTE) of 16,733 people (previous year 14,508). They were engaged in the following regions and activities:

By region	31.3.2022	31.3.2021
Switzerland	1,445	1,321
EMEA (excl. Switzerland)	7,238	6,443
Americas	4,285	3,415
Asia/Pacific	3,765	3,329
Total	**16,733**	**14,508**
By activity		
Research and development	1,100	879
Operations	4,668	4,398
Sales and marketing, general and administration	10,965	9,231
Total	**16,733**	**14,508**

The acquisition of the Sennheiser Consumer Division and Alpaca Audiology (for further details on acquisition impacts refer to Note 6.1) contributed to the increase with 595 FTE's, and 486 FTE's respectively.

The average number of employees (full time equivalents) of the Sonova Group for the year was 15,114 (previous year 14,436). Total personnel expenses for the 2021/22 financial year amounted to CHF 1,131.9 million (previous year CHF 940.2 million).

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

CHF million	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
	Management Board		Board of Directors		Total	
Short-term employee benefits	9.6	7.2	1.5	1.4	11.1	8.5
Post-employment benefits	0.7	0.6			0.7	0.6
Share based payments	5.0	4.5	1.6	1.6	6.6	6.2
Total	**15.2**	**12.3**	**3.1**	**3.0**	**18.4**	**15.3**

The total compensation to the Management Board for the 2021/22 reporting period, as shown above, relates to nine active members and one former member of the Management Board (2020/21: nine active members).

The total compensation to the Board of Directors for the 2021/22 reporting period, as shown above, relates to nine active members and two former members (2020/21: nine active 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 471.0 million or 98.7% (previous year CHF 483.9 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 2021/22 and 2020/21.

As of March 31, 2022, 1,476 employees (previous year 1,363 employees) and 154 beneficiaries (previous year 143 beneficiaries) are insured under the Swiss plan. The defined benefit obligation has a duration of 15.7 years (previous year 14.0 years).

The results of all defined benefit plans are summarized below:

Amounts recognized in the balance sheet CHF million	**31.3.2022**	**31.3.2021**
Present value of funded obligations	(477.3)	(490.1)
Fair value of plan assets	516.2	474.1
Net present value of funded plans	**39.0**	**(16.0)**
Present value of unfunded obligations	(15.0)	(5.3)
Total assets (liabilities), net	**24.0**	**(21.3)**
Amounts in the balance sheet:		
Retirement benefit obligation	(15.7)	(21.3)
Retirement benefit asset	39.7	
Assets/(liabilities) in the balance sheet, net	**24.0**	**(21.3)**

Remeasurements recognized in equity CHF million	**2021/22**	**2020/21**
Balance April 1	21.4	77.1
Actuarial losses/(gains) from		
– changes in demographic assumptions	3.6	
– changes in financial assumptions	(53.8)	10.1
– changes in experience adjustments	27.7	10.8
Return on plan assets excluding interest income	(33.1)	(76.7)
Balance March 31	**(34.4)**	**21.4**

Amounts recognized in the income statement CHF million	**2021/22**	**2020/21**
Current service cost [1]	20.0	19.3
Net interest cost	0.1	0.3
Total employee benefit expenses [2]	**20.1**	**19.6**

1) Excluding Participants' contributions.
2) The amount recognized in the consolidated income statement 2021/22 has been charged to:
– cost of sales CHF 2.8 million (previous year CHF 3.3 million);
– research and development CHF 6.8 million (previous year 6.3 million);
– sales and marketing CHF 3.7 million (previous year 3.9 million);
– general and administration CHF 6.6 million (previous year CHF 5.8 million);
– financial expenses CHF 0.1 million (previous year CHF 0.3 million).

Movement in the present value of the defined benefit obligations CHF million	**2021/22**	**2020/21**
Beginning of the year	495.5	448.9
Interest cost	1.6	2.0
Current service cost	20.0	19.3
Participants' contributions	13.8	12.4
Benefits paid, net	(23.2)	(8.0)
Actuarial loss on obligations	(22.6)	20.9
Changes through business combinations	6.8	
Transfers	1.3	
Exchange differences	(0.9)	(0.1)
Present value of obligations at end of period	**492.2**	**495.5**

Movement in the fair value of the plan assets CHF million	**2021/22**	**2020/21**
Beginning of the year	474.1	375.4
Interest income on plan asset	1.5	1.7
Employer's contributions paid	16.4	15.3
Participants' contributions	13.8	12.4
Benefits paid, net	(22.4)	(7.6)
Return on plan assets excluding interest income	33.1	76.7
Exchange differences	(0.2)	0.2
Fair value of plan assets at end of period	**516.2**	**474.1**

The plan assets consist of:	**31.3.2022**	**31.3.2021**
Cash	2.9%	2.6%
Domestic bonds	17.3%	16.2%
Foreign bonds	7.7%	7.5%
Domestic equities	12.3%	12.8%
Foreign equities	29.9%	31.5%
Real estates	14.6%	14.8%
Alternative investments	15.4%	14.6%

All of the plan assets have quoted market prices. The actual return on plan assets amounted to CHF 34.6 million (previous year CHF 78.4 million). The expected employer's contributions to be paid in the 2022/23 financial year amount to CHF 16.0 million.

Principal actuarial assumptions (weighted average)	**2021/22**	**2020/21**
Discount rate	1.20%	0.30%
Future salary increases	1.00%	1.00%
Future pension increases	0%	0%
Fluctuation rate	BVG 2020GT	10%
Demography	BVG 2020GT	BVG 2015GT

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.

Sensitivity analysis – impact on defined benefit obligation CHF million	**31.3.2022**	**31.3.2021**
Discount rate		
Discount rate +0.25%	(16.8)	(15.6)
Discount rate –0.25%	19.2	17.7
Salary growth		
Salary growth +0.25%	1.0	0.8
Salary growth –0.25%	(1.0)	(0.8)
Pension growth		
Pension growth +0.5%	18.5	18.4
Pension growth –0.5%	(18.5)	(18.4)
Fluctuation rate		
Fluctuation rate +5%	(15.0)	(19.2)
Fluctuation rate –5%	21.4	32.8

Defined contribution plans

Several of the Group's entities have a defined contribution plan. The employer's contributions amounted to CHF 22.1 million in the year ended March 31, 2022 (previous year CHF 19.6 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 2021/22 financial year amounts to CHF 492.2 million (previous year CHF 495.5 million). This includes CHF 471.0 million (previous year CHF 483.9 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 2021/22 and 2020/21 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 2021/22 and 2020/21 include a performance criterion.

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

CHF million	**2021/22**	**2020/21**
Equity-settled share-based payment costs	19.9	20.4
Cash-settled share-based payment costs	13.6	10.9
Total share-based payment costs	**33.5**	**31.3**

The following table shows the outstanding options and/or SARs, granted as part of the EEAP 2016 to 2022. 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, 2022:

Financial year granted	Instruments granted	First vesting date/ expiry date	Granted	Exercise price (CHF)	Outstanding	Average remaining life (years)	Exercisable
2015/16	Options/SARs [1)]	1.6.2017 31.1.2023	298,520	124.20	41,425	0.8	41,425
2016/17	Options/SARs [2)]	1.6.2018 31.1.2024	378,652	130.00	109,176	1.8	109,176
2017/18	Options/SARs [3)]	1.4.2023 30.9.2027	47,415	147.85	47,415	5.5	
2017/18	Options [4)]	1.6.2019 31.1.2028	341,943	147.85	178,498	5.8	117,727
2018/19	Options/SARs [5)]	1.6.2020 31.1.2029	249,760	182.40	164,878	6.8	66,173
2019/20	Options/SARs [6)]	1.6.2021 31.1.2030	208,245	241.80	169,734	7.8	37,205
2020/21	Options/SARs [7)]	1.6.2022 31.1.2031	170,694	218.70	161,915	8.8	723
2021/22	Options/SARs [8)]	1.6.2023 31.1.2032	112,656	333.60	112,656	9.8	
Total			**1,807,885**		**985'697** [9)]	**6.6**	**372'429** [10)]
Thereof:							
Equity-settled			1,604,418		903,075		347,871
Cash-settled			203,467		82,622		24,558

1) Including 126,206 performance options, granted to the CEO and MB members.
2) Including 147,948 performance options, granted to the CEO and MB members.
3) 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.
4) Including 150,114 performance options, granted to the CEO and MB members.
5) Including 80,850 performance options, granted to the CEO and MB members.
6) Including 77,574 performance options/SAR, granted to the CEO and MB members.
7) Including 61,779 performance options/SAR, granted to the CEO and MB members.
8) Including 38,252 performance options/SAR, granted to the CEO and MB members.
9) Weighted average exercise price of outstanding options/SARs amounts to CHF 199.70
10) Weighted average exercise price for exercisable options/SARs amounts to CHF 155.65

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 2022 – Management Board Options/SARs**	**EEAP 2022 Options/SARs**	**EEAP 2021 – Management Board Options/SARs**	**EEAP 2021 Options/SARs**
Valuation date	1.2.2022	1.2.2022	1.2.2021	1.2.2021
Expiry date	31.01.2032	31.01.2032	31.01.2031	31.01.2031
Restriction period	5 years		5 years	
Share price on grant date	CHF 333.60	CHF 333.60	CHF 218.70	CHF 218.70
Exercise price	CHF 333.60	CHF 333.60	CHF 218.70	CHF 218.70
Volatility	26.8%	26.8%	25.0%	25.0%
Expected dividend yield	1.4%	1.4%	1.5%	1.5%
Weighted risk free interest rate	0.3%	0.2%	(0.4%)	(0.5%)
Weighted average fair value of options/SARs issued	**71.31**	**69.27**	**39.90**	**37.31**

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 2021/22 and 2020/21 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:		**2021/22**		**2020/21**
	Number of options	Weighted average exercise price (CHF)	Number of options	Weighted average exercise price (CHF)
Outstanding options at April 1	1,005,440	175.89	1,010,087	165.54
Granted [1]	101,860	333.60	149,592	218.70
Exercised [2]	(177,606)	148.03	(126,260)	133.16
Forfeited	(26,619)	205.45	(27,979)	194.12
Outstanding options at March 31	**903,075**	**198.29**	**1,005,440**	**175.89**
Exercisable at March 31	**347,871**	**154.48**	**310,167**	**139.99**

1) 2021/22 includes 35,483 performance options (previous year 57,080 performance options), granted to the CEO and MB members.
2) The total consideration from options exercised amounted to CHF 44.2 million (previous year CHF 29.9 million). The weighted average share price of the options exercised during the year 2021/22 was CHF 299.17 (previous year CHF 204.63).

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 2021/22 and 2020/21, which include a restriction period of 5 years.

Changes in outstanding SARs:		**2021/22**		**2020/21**
	Number of SARs	Weighted average exercise price (CHF)	Number of SARs	Weighted average exercise price (CHF)
Outstanding SARs at April 1	114,028	184.84	107,966	173.87
Granted [1]	10,796	333.60	21,102	218.70
Exercised	(33,286)	150.16	(10,903)	136.57
Forfeited	(8,916)	213.24	(4,137)	198.35
Outstanding SARs at March 31 [2]	**82,622**	**215.19**	**114,028**	**184.84**
Exercisable at March 31 [3]	**24,558**	**172.19**	**30,941**	**142.38**

1) 2021/22 includes 2,769 performance SARs granted to an MB member (previous year 4,699).
2) The carrying amount of the liability relating to the SARs at March 31, 2022 is CHF 10.4 million (previous year CHF 6.8 million).
3) The intrinsic value of the SARs exercisable at March 31, 2022 amounts to CHF 5.3 million (previous year CHF 3.3 million).

Performance share units (PSUs)

In 2022, 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 2022	PSU 2021
Valuation date	1.2.2022	1.2.2021
Date of grant	1.2.2022	1.2.2021
Share price on grant date	CHF 333.60	CHF 218.70
Fair value	CHF 334.87	CHF 198.67
End of restriction period	31.1.2027	31.1.2026
Performance conditions	Total shareholder return (TSR)	Total shareholder return (TSR)
TSR performance period	1.2.2022 – 31.3.2025	1.2.2021 – 31.3.2024
TSR comparator group	Swiss Leader Index (SLI)	Swiss Leader Index (SLI)

Restricted share units (RSUs)

Under the EEAP grants 2017 to 2022, 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 2022 and 2021, 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 2021/22 and 2020/21. 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 2021/22 financial year as these shares have no vesting period.

Changes in outstanding PSUs/RSUs/Restricted shares:				2021/22				2020/21
	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	40,244	233,157	53,591	326,992	31,689	259,065	60,258	351,012
Granted	20,676	49,758	4,941	75,375	10,359	68,605	7,539	86,503
Settled	(29,500)	(69,799)	(13,732)	(113,031)		(78,670)	(14,206)	(92,876)
Forfeited		(15,452)		(15,452)	(1,804)	(15,843)		(17,647)
Balance March 31	**31,420**	**197,664**	**44,800**	**273,884**	**40,244**	**233,157**	**53,591**	**326,992**

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, 2022 the liability amounts to CHF 15.7 million (previous year CHF 11.8 million). The second tranche vested in the financial year 2021/22 and a liability of CHF 9.0 million (previous year CHF 5.1 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 2021/22 includes government support received worldwide in connection with the COVID-19 pandemic in the amount of CHF 1.1 million (prior year: 47.4 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	2021/22	2020/21
Cost of sales	0.3	4.9
Research and development	0.1	2.1
Sales and marketing	0.6	33.7
General and administration	0.1	6.7
Total	**1.1**	**47.4**

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

On April 6, 2022, the Group repaid a CHF 330 million fixed-rate bond.

On May 2, 2022, Sonova Holding AG issued a CHF 200 million fixed-rate bond with interest rate of 1.05% and maturity on February 19, 2029 and a CHF 250 million fixed-rate bond with interest rate of 1.40% and maturity on February 19, 2032.

Besides the above mentioned transaction 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 [1] Local currency 1,000		Shares held
Switzerland					
Sonova Holding AG	A	Stäfa	CHF	3,159	100%
Sonova AG	A, B, C, D	Stäfa	CHF	2,500	100%
Advanced Bionics AG	A, B	Stäfa	CHF	4,350	100%
EMEA (excluding Switzerland)					
Boots Hearing Care Ltd.	B	Conwy (UK)	GBP	0 [2]	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	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 Israel Ltd.	B	Haifa (IL)	ILS	5,150	100%
Sonova Norway AS	B	Oslo (NO)	NOK	1,854	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 [1] Local currency 1,000		Shares held
Americas					
Advanced Bionics Corp.	A	Valencia (US)	USD	1	100%
Advanced Bionics LLC	B, C, D	Valencia (US)	USD	0 [2]	100%
Alpaca Group Holdings, LLC	A	Deleware (US)	USD	298,893	100%
Connect Hearing Inc.	B	Aurora (US)	USD	0 [3]	100%
Development Finance Inc.	A	Aurora (US)	USD	0 [4]	100%
National Hearing Services Inc.	B	Kitchener (CA)	CAD	0 [2]	100%
Sonova Canada Inc.	B	Mississauga (CA)	CAD	0 [2]	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 [2]	100%
Sonova USA, Inc.	B	Aurora (US)	USD	46,608	100%
Asia/Pacific					
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 (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 income statement, the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows and consolidated statement of changes in equity for the year ended 31 March 2022, 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 2022, and 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 (ISAs) and Swiss Auditing Standards. 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 and the requirements of the Swiss audit profession, as well as the *International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (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
As of 31 March 2022, the Group has goodwill of CHF 2'298.4 million representing 41% of the Group's total assets and 94% 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. We focused on this area given the significant judgment applied in the assessment process.	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. Our audit procedures did not lead to any reservations regarding the carrying value of goodwill.

Provisions for product liabilities

Area of focus	Our audit response
As of 31 March 2022, the Group has provisions for product liabilities of CHF 94.4 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. 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.	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. Our audit procedures did not lead to any reservations regarding the provision for product liabilities.

Business combinations

Area of focus	Our audit response
As outlined in note 6.1, Sonova entered into significant business combinations during the reporting period. The Group acquired 100% of the Sennheiser Consumer division and Alpaca Audiology for a total purchase consideration of CHF 611.8 million. As a result of these acquisitions, goodwill of CHF 273.3 million, other intangibles of CHF 249.0 million and remaining assets of CHF 208.5 million were recognized and liabilities of CHF 118.8 million were assumed. We focused on these transactions because of the complexity of acquisition accounting, the level of judgment required in the identification and valuation of tangible and intangible assets acquired, and of the liabilities assumed.	As part of the audit, we assessed the provisional fair values of the identifiable assets acquired and liabilities assumed as at the acquisition date. Our audit procedures included, amongst others, reading the purchase agreements and amendments to obtain an understanding of the key terms for the transactions. We also assessed, amongst others, the accounting for the purchase consideration, audited the identified assets and liabilities acquired, assessed the valuation of other intangibles including the underlying assumptions such as discount and growth rates, and assessed the appropriateness and completeness of the disclosures made in note 6.1. We involved our internal valuation specialists to assist us with the valuation of other intangibles performed by management's external valuation experts to evaluate the methods used and assumptions made. We included internal tax specialists on our team for the assessment of current and deferred taxes. Our audit procedures did not lead to any reservations relating to the acquisitions of the Sennheiser Consumer division and Alpaca Audiology.

Other information in the annual report

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

Our opinion on the consolidated financial statements does not cover the other information in the annual report 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 in the annual report 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.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that 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, ISAs and Swiss Auditing Standards 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 at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of 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, 12 May 2022

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	2021/22	2020/21
Income			
Investment income		270.4	211.8
Financial income	2.1	20.0	26.0
Total income		**290.4**	**237.7**
Expenses			
Administration expenses		(11.8)	(10.0)
Other expenses		(0.9)	(1.4)
Depreciation and amortization		(8.6)	(6.7)
Financial expenses	2.1	(79.1)	(21.2)
Direct taxes		(0.2)	(0.2)
Total expenses		**(100.5)**	**(39.5)**
Net profit for the year		**189.9**	**198.3**

Balance sheet

Assets CHF million	Notes	31.3.2022	31.3.2021
Cash and cash equivalents		152.3	935.9
Financial assets		0.0	80.0
Other receivables			
– Third parties		0.0	0.1
– Group companies		5.4	5.6
Prepaid expenses		2.3	1.6
Total current assets		**160.1**	**1,023.3**
Financial assets	2.2		
– Third parties		1.5	2.1
– Group companies		1,567.9	1,893.0
Investments	2.3	477.4	314.4
Total non-current assets		**2,046.8**	**2,209.5**
Total assets		**2,206.9**	**3,232.8**

Liabilities and shareholders' equity CHF million	Notes	31.3.2022	31.3.2021
Trade account payables			
– Third parties		0.0	0.1
Short-term interest-bearing liabilities			
– Third parties		4.7	4.7
–Group companies		18.7	
Bond	2.4	330.0	360.0
Other short-term liabilities to third parties		24.8	0.1
Accrued liabilities		8.2	4.0
Total short-term liabilities		**386.5**	**368.9**
Bonds	2.4	866.2	1,199.7
Other long-term liabilities to third parties		0.2	0.2
Total long-term liabilities		**866.4**	**1,200.0**
Total liabilities		**1,252.9**	**1,568.9**
Share capital		3.2	3.2
Legal reserves			
– Reserves from capital contribution		0.0	18.5
– General reserves		1.8	1.8
– Legal reserves for treasury shares held by subsidiaries		11.4	17.0
Voluntary retained earnings			
– Balance carried forward		1,457.3	1,714.9
– Net profit for the year		189.9	198.3
Treasury shares			
– Treasury shares to offset with reserves from capital contribution		0.0	(18.5)
– Treasury shares	2.5	(709.6)	(271.3)
Total shareholders' equity		**954.0**	**1,663.9**
Total liabilities and shareholders' equity		**2,206.9**	**3,232.8**

Notes to the financial statements of Sonova Holding AG as of March 31, 2022

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 (32nd title of the Swiss Code of Obligations, 'SCO'). The company does not have any employees.

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, 2022, the Group has the following bonds/US Private Placement outstanding:

Financial liabilities	Currency	Nominal value	Interest rate	Maturity
Fixed-rate bond	CHF	330	0.55%	April 6, 2022
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	100	0.00%	October 11, 2029
Fixed-rate bond	CHF	100	0.40%	October 11, 2034

3.2 Treasury shares

On May 18, 2021, Sonova Holding AG announced that its Board of Directors approved a share buyback program of up to CHF 700 million. The program started in June 2021 and ended in March 2022. In total, 2,012,438 treasury shares were bought under the share buyback program and are intended to be cancelled (proposal to the Annual Shareholders' Meeting June 15, 2022). On March 29, 2022 the Board of Directors approved a new share buyback program of up to CHF 1.5 billion which is expected to run over a period of up to 36 months.

Treasury shares held by Sonova Holding AG Number/CHF million

	Number	Treasury shares at cost
Balance April 1, 2021	1,278,648	289.8
Purchase of treasury shares from share buyback	2,012,438	702.8
Purchase of treasury shares	250,000	79.8
Sale/Transfer of treasury shares	(281,846)	(44.2)
Cancellation of treasury shares	(1,225,980)	(277.5)
Loss from sale of treasury shares		(41.2)
Balance March 31, 2022	**2,033,260**	**709.6**

Treasury shares held by subsidiaries Number/CHF million

	Number	Legal reserves for treasury shares held by subsidiaries
Balance April 1, 2021	76,816	17.0
Sale/Transfer of treasury shares	(25,605)	(5.6)
Balance March 31, 2022	**51,211**	**11.4**

3.3 Contingent liabilities

CHF million	31.3.2022	31.3.2021
Letters of comfort given on behalf of Group companies	9.6	4.0
Guarantees given in respect of rental obligations of Group companies	4.1	0.0

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 1) Local currency 1,000		Shares held by Sonova Holding
Switzerland					
Sonova AG	A,B,C,D	Stäfa	CHF	2,500	100%
Phonak AG	A	Stäfa	CHF	100	100%
Sonova Communications AG	B, C, D	Murten	CHF	500	100%
Verve Hearing Systems AG	A	Stäfa	CHF	100	100%
EMEA (excluding Switzerland)					
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% 2)
Sonova Denmark A/S	B	Middelfart (DK)	DKK	14,182	78% 2)
Sonova Ibérica S.A.U.	B	San Vincente del Raspeig (ES)	EUR	7,000	100%
Sonova Audiological Care France SAS	B	Cahors (FR)	EUR	58,800	1% 2)
Sonova France SAS	B	Bron-Lyon (FR)	EUR	1,000	30% 2)
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% 2)
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 3)	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 [1] Local currency 1,000		Shares held by Sonova Holding
Americas					
CAS Argosy Participações Ltda.	B	São Paulo (BR)	BRL	22,014	100%
Sonova Canada Inc.	B	Mississauga (CA)	CAD	0 [3]	85% [2]
Sonova Mexico Soluciones S.A. de C.V.	B	Ciudad de Mexico (MX)	MXN	94,050	85% [2]
AudioNova Mexico S.A. de C.V.	B	Ciudad de Mexico (MX)	MXN	66,050	99% [2]
Sonova United States Hearing Instruments, LLC	B	Aurora (US)	USD	0 [3]	73% [2]
Sound Pharmaceuticals, Inc.	A	Seattle (US)	USD	13,105	31%
Asia/Pacific					
Sonova Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY	46,249	100%
Sonova (Shanghai) Co., Ltd	B	Shanghai (CN)	CNY	20,041	80% [2]
Sonova India Private Limited	B	Mumbai (IN)	INR	459	56% [2]
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	Zhonge 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% [2]

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, 2022 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.

	2022 [1]	2022 [2]	2021 [1]	2021 [2]
	No. of shares	In %	No. of shares	In %
Beda Diethelm [3]	6,712,878	10.63	6,710,440	10.42
Family of Hans-Ueli Rihs [3] [4]	3,683,648	5.83	3,692,049	5.73
BlackRock, Inc.	3,334,293	5.10	3,334,392	5.10
The Capital Group Companies, Inc [5]	3,087,638	4.89	n/a	<3
UBS Fund Management (Switzerland) AG	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 3,683,648 registered shares (corresponding to 5.83% 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) 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

				31.03.2022				31.03.2021
	Shares	Restricted Shares [1] [3]	PSUs/RSUs [3]	Options (incl. SARs) [3]	Shares	Restricted Shares [2] [3]	PSUs/RSUs [3]	Options (incl. SARs) [3]
Board of Directors	84,817	34,672	700	96,016	84,263	49,630	2,183	96,016
Management Board	41,589		34,194	417,423	41,522		44,818	430,982
Total	**126,406**	**34,672**	**34,894**	**513,439**	**125,785**	**49,630**	**47,001**	**526,998**

1) These shares are subject to a restriction period which varies from June 1, 2022 to June 1, 2027 depending on the grant date.
2) These shares are subject to a restriction period which varies from June 1, 2021 to June 1, 2026 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

On April 6, 2022, the Sonova Holding AG repaid a CHF 330 million fixed-rate bond.

On May 2, 2022, Sonova Holding AG issued a CHF 200 million fixed-rate bond with interest rate of 1.05% and maturity on February 19, 2029 and a CHF 250 million fixed-rate bond with interest rate of 1.40% and maturity on February 19, 2032.

Besides the above mentioned transaction 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 15, 2022:

CHF million	**31.3.2022**
Balance carried forward from previous year	1,457.3
Net profit for the year	189.9
Voluntary retained earnings	**1,647.2**
Cancellation of treasury shares [1)]	(702.8)
Dividend distribution [2)]	(268.8)
Balance to be carried forward	**675.7**

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 4.40 per registered share of CHF 0.05 will be paid out (previous year: CHF 3.20).

Building a better working world

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

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Sonova Holding AG, which comprise the income statement, balance sheet and notes, for the year ended 31 March 2022.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 March 2022 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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 responsibility 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 2022, investments in subsidiaries of the Company amounted to CHF 477.4 million and represent 21.6% 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.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

We further 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, 12 May 2022

Ernst & Young Ltd

Martin Mattes Licensed audit expert (Auditor in charge)	Pascal Solèr Licensed audit expert

Investor information

Financial calendar

June 15, 2022
General Shareholders’ Meeting of Sonova Holding AG

November 14, 2022
Publication of Semi-Annual Report as of September 30, 2022

May 16, 2023
Publication of Annual Report as of March 31, 2023

June 12, 2023
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

Information on the General Shareholders’ Meeting

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

IR online news service

IR News Service
www.sonova.com/en/services-and-contacts

Capital structure and shareholder rights

Share data
www.sonova.com/en/investors/share-data

Shareholder structure
www.sonova.com/en/investors/shareholder-structure

Shareholder participation rights
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

Contact form

www.sonova.com/en/services-and-contacts

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Share register

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