Financial reporting

Financial review

Sonova generated sales of CHF 2,071.9 million in 2015 / 16, an increase of 5.8 % in local currencies or 1.8 % in reported Swiss francs. Group EBITA increased by 1.4 % in local currencies, but declined by 5.5 % in reported Swiss francs to CHF 430.6 million, corresponding to a margin of 20.8 %.

Continuous organic growth

Sonova Group sales in 2015 / 16 grew by 5.8 % in local currencies to CHF 2,071.9 million. A less favorable currency environment reduced sales by CHF 80.5 million, resulting in growth of 1.8 % in reported Swiss francs. Organic growth was 2.2 %, driven by the hearing instruments segment. Acquisitions made in the reporting period and the annualization of prior year acquisitions added another 3.5 % to growth, which includes the acquisition of the Hansaton brand, effective April 2015, and the further expansion of the Group's retail network.

Strong growth in the EMEA and APAC regions

The Europe, Middle East, and Africa region (EMEA), which accounted for 43 % of Group sales, reported a 7.2 % sales increase in local currencies. This was achieved despite a decline in our German hearing instruments wholesale business, due to an expected headwind in the independent channel after the Group's announcement of its new German retail strategy in March 2015. The increase also reflects the acquisition of Hansaton, the expansion of our German retail network, and the disposal of our Italian retail business at the end of 2015. On an organic basis, the hearing instruments segment achieved pronounced market share increases in France and the UK. The cochlear implants business was stable compared to the prior year, with an acceleration in the second half.

The Group's business in the United States, representing 37 % of total sales, showed a modest increase of 1.8 % in local currency. Positive development in the private market was partly offset by Costco's shift from branded to private-label products, and by unchanged sales volume with the US Department of Veterans Affairs (VA). Market share with the VA improved in the second half of the financial year. The cochlear implants segment could not increase sales volume, but returned to growth towards the end of the year. The rest of the Americas (excluding the US), which represented 9 % of total sales, reported sales growth of 6.1 % in local currencies, with strong contributions from Canada partly offset by Brazil.

The Asia / Pacific region represented 11 % of Group sales and achieved exceptional sales growth of 13.3 % in local currencies. This acceleration reflects the continued successful execution of Sonova's China growth strategy as well as a strong performance across all key geographies in the hearing instruments business. Australia in particular was a bright spot in both our wholesale and retail businesses. The cochlear implants segment achieved double-digit growth in the region, despite the absence of Chinese central government tender business.

Margin affected by currency environment and cochlear implants business

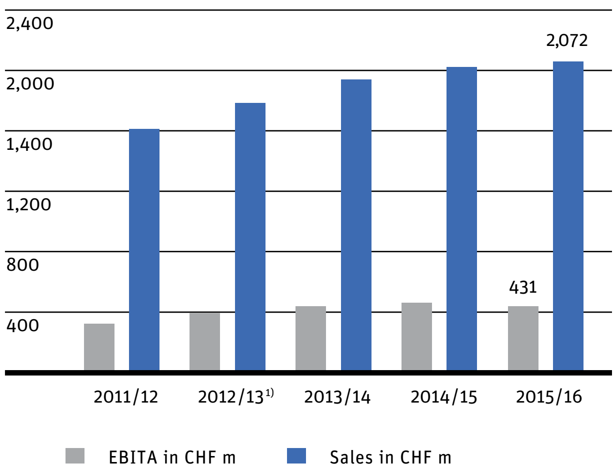
Reported gross profit reached CHF 1,375.5 million (gross margin of 66.4 %), an increase of 3.7 % in local currencies but down 0.9 % in reported Swiss francs. Normalized for non-recurring items for both the 2014 / 15 and 2015 / 16 financial years, gross profit in local currencies rose 4.6 % over the prior year to CHF 1,449.3 million (2014 / 15: CHF 1,385.3 million), corresponding to a gross margin of 67.3 % compared to 68.1 % in the previous year. The normalized gross profit for the 2014 / 15 financial year excludes currency gains on working capital of CHF 9.3 million and CHF 7.1 million in non-recurring costs, mainly related to the move of certain manufacturing activities out of Switzerland. For the 2015 / 16 financial year, the gross profit has been normalized to exclude currency losses

SONOVA GROUP KEY FIGURES

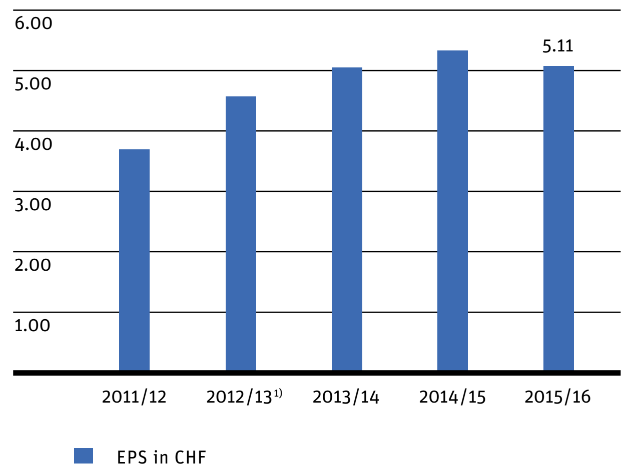
in CHF m unless otherwise specified	2015 / 16	2014 / 15	Change in Swiss francs	Change in local currencies
Sales	2,071.9	2,035.1	1.8 %	5.8 %
EBITA	430.6	455.6	(5.5 %)	1.4 %
EBITA margin	20.8 %	22.4 %		
EPS (CHF)	5.11	5.37	(4.8 %)	
Operating free cash flow	344.2	366.4	(6.1 %)	
ROCE[1]	26.0 %	29.1 %		
ROE[1]	18.3 %	20.2 %		

[1] For detailed definitions, please refer to "Key figures".

Sales and EBITA development in CHF m



EPS development in CHF



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

on working capital of CHF 2.3 million and the establishment of a specific warranty provision for our cochlear implant business, booked in the first half, of CHF 8.6 million.

Excluding acquisitions, normalized gross margin was stable in the hearing instruments business, reflecting a positive trend in average selling price, partly offset by lower efficiency related to the ramp up of our UK-based shared service operation for custom product manufacturing and repairs, which was significantly expanded. Margin was temporarily further diluted by the acquisition of Hansaton, which originally sourced its products from a third party. Hansaton's product portfolio was converted to Sonova technology during the year. The cochlear implants segment's normalized gross margin declined due to a shift in its geographic and product sales mix.

Reported operating expenses reached CHF 944.8 million, an increase of 4.8 % in local currencies and 1.4 % in reported Swiss francs. Normalized operating expenses in local currencies rose by 5.6 % to CHF 993.5 million (2014 / 15: CHF 940.7 million). Normalized operating expenses for the 2014 / 15 financial year exclude a non-recurring net benefit of CHF 8.8 million, mainly related to the release of a provision for cochlear implant product liabilities. For the 2015 / 16 financial year, normalized operating expenses exclude the benefit from a capital gain of CHF 8.7 million from the divestment of the Italian retail and South African wholesale business, and a CHF 8.8 million provision release for cochlear implant product liabilities.

Normalized R & D expenses in local currencies remained stable year-over-year. Sales and marketing costs, normalized for non-recurring items, increased by 8.6 % in local currencies. The increase was mainly driven by retail acquisitions, as well as by continued investments in the operating business. Normalized general and administrative expenses increased 0.4 % in local currencies, well below local currency sales growth. Normalized other income was negligible as the reported values almost entirely related to normalization items, i.e. from gain from disposals and provision releases for cochlear implant product liabilities.

Reported operating profit before acquisition-related amortization (EBITA) was CHF 430.6 million (2014 / 15: CHF 455.6 million), an increase of 1.4 % in local currencies or a decline of 5.5 % in Swiss francs from the prior year. Reported EBITA margin reached 20.8 % (2014 / 15: 22.4 %). Unfavorable exchange rate development reduced reported EBITA by CHF 31.5 million and the EBITA margin by 70 basis points. Normalized for non-recurring items for both the 2014 / 15 and 2015 / 16 financial years, the EBITA in local currencies increased by 2.5 % to CHF 455.8 million (2014 / 15: CHF 444.6 million). Reported operating profit (EBIT) reached CHF 403.4 million, compared to CHF 429.1 million for the prior year, down by 6.0 %, in line with the development of the reported EBITA.

Earnings per share

Net financial expenses, including the result from associates, fell from CHF 8.7 million to CHF 6.4 million, reflecting higher net interest income and other financial income, partly offset by higher currency hedging cost. Income taxes for the financial year totaled CHF 51.2 million, down from CHF 52.0 million in 2014 / 15, and representing an effective tax rate of 12.9 %. Reported income after taxes was CHF 345.8 million, down 6.1 % from the previous year. Basic earnings per share (EPS) therefore reached CHF 5.11 (2014 / 15: CHF 5.37), a decline of 4.8 % from the previous year.

SALES BY REGIONS

in CHF m	2015/16			2014/15	
	Sales	Share	Growth in local currencies	Sales	Share
EMEA	883	43%	7.2%	886	44%
USA	768	37%	1.8%	722	35%
Americas (excl. USA)	197	9%	6.1%	216	11%
Asia / Pacific	224	11%	13.3%	211	10%
Total sales	**2,072**	**100%**	**5.8%**	**2,035**	**100%**

Workforce increases to 10,894

At the end of the 2015/16 financial year, the Group's total workforce stood at 10,894 full-time equivalents – an increase of 710 over the previous year. This growth comes almost entirely from the hearing instruments segment and is predominantly due to additions from acquisitions. Our manufacturing work force also increased at the China and Vietnam operation centers, which continue to gradually absorb some manufacturing functions that were previously hosted in the distribution companies. The transfer announced in March 2015 of ca. 100 staff positions from Switzerland to China and the UK was completed as planned by the end of the financial year.

Hearing instruments segment – Solid growth supported by acquisitions

Sales in the hearing instruments segment reached CHF 1,885.0 million, representing an increase of 6.6% in local currencies and 2.4% in reported Swiss francs. Organic growth was 2.8% in local currencies, supplemented by 3.8% or CHF 70.8 million from acquisitions, net of disposals, in this financial year, along with the full-year effect from prior year acquisitions. The bulk of this came from the acquisition of Hansaton, partly offset by the disposal of the Italian retail business. Growth in the second half was in part affected by a challenging comparison base as a result of a strong positive market response to the launch of the Phonak Audéo™ V Receiver-In-Canal product in the prior year.

Europe showed a solid development despite strong headwinds in Germany after the disclosure of the Group's retail strategy in March 2015. France outgrew the market in both retail and wholesale. In the UK, Boots Hearingcare continued its success story and extended its leading position in the private market, reaching nearly 500 points of sale. Sales in the region were further supported by acquisitions, in particular Hansaton.

In the United States, strong growth in the private market was partly offset by a decline in sales to Costco. After a very strong performance in 2014/15, this year saw strong competition from Costco's own private-label products, leading to a reduced overall share of branded products. Business with the VA was slower in the first half but accelerated in the second half when the Group achieved solid gains in market share, supported by strong performance of Phonak custom products, along with improved supply chain efficiency and customer fitting support.

Asia/Pacific delivered double digit growth across the region. In China, the Group continued to execute its long-term growth strategy, delivering a double digit sales increase. Strong positions in the Australian, Japanese, and New Zealand markets were further expanded. In Brazil, the business was affected by the difficult economic situation and decline of the Brazilian real. Sonova has taken measures to optimize its business portfolio in the country by reducing its exposure to the government channel and further strengthening its own retail activities.

By product category, Premium hearing instruments achieved a 7.0% sales increase in local currencies, driven by Sonova's innovative product portfolio. This was closely matched by the Standard category, which was up 7.6% in local currencies. Sales in the Advanced category increased by 1.8% in local currencies. Premium and advanced hearing instruments accounted for 25% and 20% of Group sales respectively, while Standard accounted for 29%. Thanks mainly to the acquisition of Comfort Audio, sales of wireless communication systems grew by 10.0% in local currencies, although stronger organic growth in this product category was hindered by a significant decline in orders from the Brazilian government. Sales in the "miscellaneous" product category grew by 9.8% in local currencies, accounting for 13% of Group sales. This category includes accessories, batteries and services, and accelerated to double digit local currency growth in the second half of the financial year.

Reported EBITA amounted to CHF 430.8 million, corresponding to an EBITA margin of 22.9 %. The normalized EBITA for the hearing instruments segment increased by 4.4 % in local currencies. Stringent cost discipline in our legacy business allowed for a modest normalized margin expansion of 20 basis points, which was more than offset by the lower profitability of the acquired sales. This resulted in a drop in the normalized EBITA margin by 50 basis points.

Cochlear implants segment – Returning to growth in the second half

After a slow start to the year – partly due to a challenging comparison to the prior year period – the cochlear implants business picked up momentum and returned to growth across all regions in the second half of the financial year. Total sales were CHF 187.0 million, a decline of 2.4 % in local currencies and 3.7 % in reported Swiss francs.

Solid unit growth in new systems across Europe, Asia / Pacific and Latin America was partly offset by a decline in the United States. Unit growth in new systems could not fully compensate for lower upgrade sales to existing users and an adverse geographic mix. The successful launch of the new Naída CI Q90 sound processor in November 2015 supported the return to growth in the second half-year.

Cost management was a key priority, though research and development programs proceeded as planned. Lower sales and the adverse sales and product mix reduced the gross profit margin; combined with slightly higher operating costs, this led to a break-even operating profit. The abovementioned one-time increase in warranty provision negatively affected gross margin, but was largely offset by a non-recurring gain from the release of the product liability provision at EBITA level. The normalized EBITA in local currencies decreased by CHF 8.0 million.

Significant free cash flow

Cash flow from operating activities reached CHF 428.4 million, compared to CHF 459.5 million in the prior year. The decrease mainly reflects lower EBITA and higher taxes paid. Investments in tangible and intangible assets decreased by CHF 5.9 million or 6.6 % to CHF 83.1 million. This resulted in an operating free cash flow of CHF 344.2 million versus CHF 366.4 million in the prior year. The cash consideration for acquisitions, including earn-out payments for prior period acquisitions, amounted to CHF 121.3 million in 2015 / 16, compared to CHF 57.7 million in the prior year; this increase was largely due to the acquisition of Hansaton, along with further expansion of the Group's retail network. The cash inflow from divestments amounted to CHF 29.6 million. In summary, this resulted in a significant free cash flow of CHF 252.6 million compared to CHF 308.7 million in the prior year.

Cash outflow from financing was CHF 325.6 million, largely unchanged from the prior year. The Group spent CHF 155.6 million in 2015 / 16 to purchase 1,203,500 shares under the current share buy-back program, up from CHF 73.6 million in the prior year. A sum of CHF 80 million was also spent in 2014 / 15 to retire a tranche of financial debt. In the 2015 / 16 financial year, CHF 19.7 million was spent on the purchase of treasury shares to support equity-based compensation plans, compared to CHF 19.0 million in the prior year. The cash outflow from financing also reflects the increase in the dividend by CHF 8.4 million.

SALES BY PRODUCT GROUPS

in CHF m			2015 / 16		2014 / 15
Product groups	Sales	Share	Growth in local currencies	Sales	Share
Premium hearing instruments	513	25 %	7.0 %	484	24 %
Advanced hearing instruments	404	20 %	1.8 %	415	20 %
Standard hearing instruments	600	29 %	7.6 %	586	29 %
Wireless communication systems	90	4 %	10.0 %	86	4 %
Miscellaneous	278	13 %	9.8 %	270	13 %
Total hearing instruments	**1,885**	**91 %**	**6.6 %**	**1,841**	**90 %**
Cochlear implants and accessories	187	9 %	(2.4 %)	194	10 %
Total sales	**2,072**	**100 %**	**5.8 %**	**2,035**	**100 %**

Maintaining a solid balance sheet

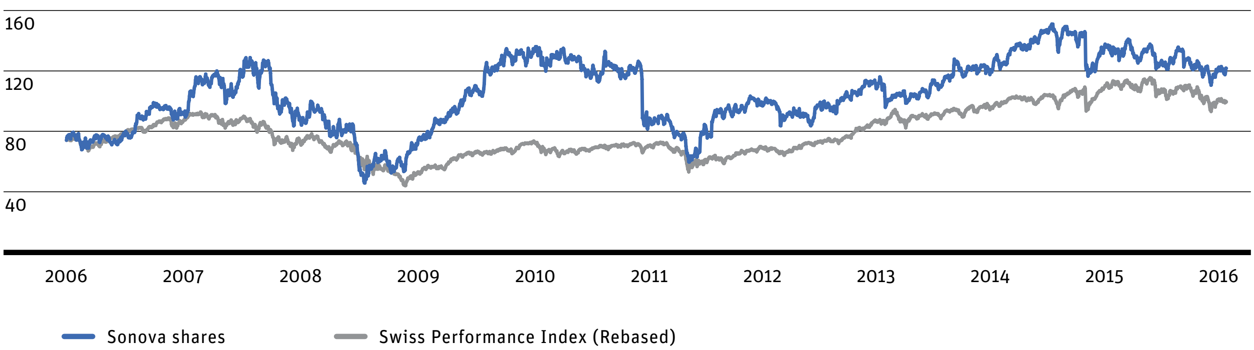
Reported net working capital was CHF 185.5 million, compared to CHF 181.4 million at the end of the prior year. Capital employed was CHF 1,608.0 million, compared to CHF 1,489.5 million in the prior year; this was mainly due to acquisitions. Reflecting its strong free cash flow, increased acquisition spend, and a higher return of cash to shareholders, the Group ended the period with a net cash position of CHF 298.3 million, down CHF 84.1 million from CHF 382.3 million at the end of the prior year. The return on capital employed (ROCE) was 26.0 %, compared to 29.1 % in the prior year, reflecting the balance sheet effect of acquisitions and the lower EBITA in reported Swiss francs.

In light of the continued solid profitability of the Sonova Group, as well as its healthy financial position, the Board of Directors will propose to the Annual General Shareholders' Meeting on June 14, 2016 a dividend of CHF 2.10. This proposed distribution is up 2.4 % over the prior year, and represents an increased payout ratio of 41 %, compared to 38 % in the prior year.

Outlook 2016 / 17

We expect to achieve solid growth in sales and profitability in both the hearing instruments and cochlear implants segments during 2016 / 17, reflecting our attractive product and solution portfolio as well as our continued commitment to innovation. We expect overall sales to grow in the range of 4 % – 6 % in local currencies.

Share price performance



Share price performance[1)]

	10 years	5 years	3 years	2 years	1 year
Sonova shares	65.5 %	50.0 %	7.8 %	(5.0 %)	(9.2 %)
Swiss Performance Index (SPI)[2)]	34.9 %	43.6 %	14.8 %	1.4 %	(9.0 %)
Sonova shares relative to the SPI	30.6 %	6.4 %	(7.0 %)	(6.3 %)	(0.3 %)

1) Performance of the Sonova shares and SPI refers to the respective period prior to the last trading day of the 2015/16 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

in 1,000 CHF unless otherwise specified	2015 / 16	2014 / 15
Sales	**2,071,930**	**2,035,085**
change compared to previous year (%)	1.8	4.3
Gross profit	**1,375,468**	**1,387,524**
change compared to previous year (%)	(0.9)	3.5
in % of sales	66.4	68.2
Research & development costs	**130,255**	**130,897**
in % of sales	6.3	6.4
Sales & marketing costs	**638,240**	**613,217**
in % of sales	30.8	30.1
Operating profit before acquisition-related amortization and impairment (EBITA)	**430,632**	**455,564**
change compared to previous year (%)	(5.5)	5.9
in % of sales	20.8	22.4
Operating profit (EBIT)	**403,437**	**429,069**
change compared to previous year (%)	(6.0)	6.2
in % of sales	19.5	21.1
Income after taxes	**345,847**	**368,323**
change compared to previous year (%)	(6.1)	6.0
in % of sales	16.7	18.1
Number of employees (average)	**10,697**	**9,960**
change compared to previous year (%)	7.4	8.6
Number of employees (end of period)	**10,894**	**10,184**
change compared to previous year (%)	7.0	6.9
Net cash[3)]	**298,274**	**382,343**
Net working capital[4)]	**185,459**	**181,379**
in % of sales	9.0	8.9
Capital expenditure (tangible and intangible assets)[5)]	**83,051**	**88,735**
Capital employed[6)]	**1,607,992**	**1,489,461**
in % of sales	77.6	73.2
Total assets	**2,751,611**	**2,691,631**
Equity	**1,906,266**	**1,871,804**
Equity financing ratio (%)[7)]	**69.3**	**69.5**
Free cash flow[8)]	**252,573**	**308,700**
Operating free cash flow[9)]	**344,212**	**366,385**
in % of sales	16.6	18.0
Return on capital employed (%)[10)]	**26.0**	**29.1**
Return on equity (%)[11)]	**18.3**	**20.2**
Basic earnings per share (CHF)	5.11	5.37
Diluted earnings per share (CHF)	5.10	5.35
Dividend / distribution per share (CHF)	2.10[12)]	2.05

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

2013 / 14	Normalized performance 2012 / 13[1)/2)]	Reported performance 2012 / 13[1)]	2011 / 12
1,951,312	**1,795,262**	**1,795,262**	**1,619,848**
8.7	10.8	10.8	0.2
1,340,449	**1,239,780**	**1,239,780**	**1,105,924**
8.1	12.1	12.1	(1.1)
68.7	69.1	69.1	68.3
125,657	**113,884**	**113,884**	**116,178**
6.4	6.3	6.3	7.2
589,627	**559,077**	**559,077**	**503,354**
30.2	31.1	31.1	31.1
430,109	**385,304**	**181,688**	**315,199**
11.6	22.2	(42.4)	(3.5)
22.0	21.5	10.1	19.5
404,030	**359,175**	**155,559**	**287,699**
12.5	24.8	(45.9)	6.2
20.7	20.0	8.7	17.8
347,382	**307,745**	**110,869**	**246,410**
12.9	24.9	(55.0)	6.6
17.8	17.1	6.2	15.2
9,175	**8,709**	**8,709**	**7,970**
5.4	9.3	9.3	9.3
9,529	**8,952**	**8,952**	**8,223**
6.4	8.9	8.9	4.9
311,525	**185,800**	**185,800**	**(64,448)**
190,571	**187,148**	**187,148**	**163,434**
9.8	10.4	10.4	10.1
93,918	**82,354**	**82,354**	**80,073**
1,462,850	**1,455,460**	**1,455,460**	**1,540,326**
75.0	81.1	81.1	95.1
2,593,748	**2,680,042**	**2,680,042**	**2,287,202**
1,774,375	**1,641,260**	**1,641,260**	**1,475,878**
68.4	**61.2**	**61.2**	**64.5**
288,618	**262,370**	**262,370**	**156,406**
318,430	**318,553**	**318,553**	**239,535**
16.3	17.7	17.7	14.8
27.7	**10.4**	**10.4**	**19.2**
20.3	**7.1**	**7.1**	**17.5**
5.08	4.60	1.65	3.71
5.07	4.59	1.64	3.71
1.90	1.60	1.60	1.20

7) Equity in % of total assets.
8) Cash flow from operating activities + cash flow from investing activities.
9) Free cash flow – cash consideration for acquisitions and from divestments, net of cash acquired / divested.
10) EBIT in % of capital employed (average).
11) Income after taxes in % of equity (average).
12) Proposal to the Annual General Shareholders' Meeting of June 14, 2016.

Consolidated financial statements

Consolidated income statements

1,000 CHF	Notes	2015/16	2014/15
Sales	6	**2,071,930**	**2,035,085**
Cost of sales		(696,462)	(647,561)
Gross profit		**1,375,468**	**1,387,524**
Research and development		(130,255)	(130,897)
Sales and marketing		(638,240)	(613,217)
General and administration		(194,223)	(201,043)
Other income/(expenses), net	7	17,882	13,197
Operating profit before acquisition-related amortization (EBITA)[1)]		**430,632**	**455,564**
Acquisition-related amortization	20	(27,195)	(26,495)
Operating profit (EBIT)[2)]		**403,437**	**429,069**
Financial income	8	4,298	1,093
Financial expenses	8	(12,249)	(11,630)
Share of profit/(loss) in associates/joint ventures	18	1,574	1,792
Income before taxes		**397,060**	**420,324**
Income taxes	9	(51,213)	(52,001)
Income after taxes		**345,847**	**368,323**
Attributable to:			
Equity holders of the parent		337,026	359,994
Non-controlling interests		8,821	8,329
Basic earnings per share (CHF)	10	5.11	5.37
Diluted earnings per share (CHF)	10	5.10	5.35

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

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

Consolidated statements of comprehensive income

1,000 CHF	Notes	2015/16	2014/15
Income after taxes		**345,847**	**368,323**
Other comprehensive income			
Actuarial (loss)/gain from defined benefit plans, net	30	(6,610)	(33,249)
Tax effect on actuarial (loss)/gain from defined benefit plans		893	4,601
Put options granted to non-controlling interests			7,879
Total items not to be reclassified to income statement in subsequent periods		**(5,717)**	**(20,769)**
Fair value adjustment on cash flow hedges			901
Currency translation differences		(2,547)	(30,577)
Tax effect on currency translation items		760	(1,430)
Total items to be reclassified to income statement in subsequent periods		**(1,787)**	**(31,106)**
Other comprehensive income, net of tax		**(7,504)**	**(51,875)**
Total comprehensive income		**338,343**	**316,448**
Attributable to:			
Equity holders of the parent		330,309	308,737
Non-controlling interests		8,034	7,711

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

Consolidated balance sheets

Assets 1,000 CHF	Notes	31.3.2016	31.3.2015
Cash and cash equivalents	12	317,266	390,486
Other current financial assets	13	6,748	5,446
Trade receivables	14	354,672	349,388
Current income tax receivables		7,755	6,323
Other receivables and prepaid expenses	15	69,610	66,349
Inventories	16	240,451	240,834
Total current assets		**996,502**	**1,058,826**
Property, plant and equipment	17	267,870	269,988
Intangible assets	20	1,349,628	1,219,598
Investments in associates / joint ventures	18	9,275	9,667
Other non-current financial assets	19	19,970	22,478
Deferred tax assets	9	108,366	111,074
Total non-current assets		**1,755,109**	**1,632,805**
Total assets		**2,751,611**	**2,691,631**

Liabilities and equity 1,000 CHF	Notes	31.3.2016	31.3.2015
Current financial liabilities	22	6,546	3,101
Trade payables		77,828	72,896
Current income tax liabilities		93,812	95,584
Other short-term liabilities	23	214,189	206,548
Short-term provisions	21	105,220	111,933
Total current liabilities		**497,595**	**490,062**
Non-current financial liabilities	24	15,174	5,042
Long-term provisions	21	191,880	205,148
Other long-term liabilities	26	94,764	86,927
Deferred tax liabilities	9	45,932	32,648
Total non-current liabilities		**347,750**	**329,765**
Total liabilities		**845,345**	**819,827**
Share capital	27	3,331	3,359
Treasury shares		(155,676)	(71,473)
Retained earnings and reserves		2,034,677	1,912,615
Equity attributable to equity holders of the parent		**1,882,332**	**1,844,501**
Non-controlling interests		23,934	27,303
Equity		**1,906,266**	**1,871,804**
Total liabilities and equity		**2,751,611**	**2,691,631**

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

Consolidated cash flow statements

1,000 CHF	Notes	2015/16	2015/16	2014/15	2014/15
Income before taxes			**397,060**		**420,324**
Depreciation and amortization of tangible and intangible assets	17,20	88,743		84,954	
Loss on sale of tangible and intangible assets, net		769		551	
Share of gain in associates / joint ventures	18	(1,574)		(1,792)	
Decrease in long-term provisions		(7,403)		(6,000)	
Financial income / expenses, net	8	7,951		10,537	
Share based payments and other non-cash items		4,061		19,214	
Income taxes paid		(40,545)	52,002	(23,095)	84,369
Cash flow before changes in net working capital			**449,062**		**504,693**
Decrease / (increase) in trade receivables		312		(12,867)	
Decrease / (increase) in other receivables and prepaid expenses		4,415		(4,412)	
Decrease / (increase) in inventories		5,019		(31,087)	
Decrease in trade payables		(11,327)		(4,468)	
(Decrease) / increase in other payables, accruals and short-term provisions		(19,038)	(20,619)	7,598	(45,236)
Cash flow from operating activities			**428,443**		**459,457**
Purchase of tangible and intangible assets		(83,051)		(88,956)	
Proceeds from sale of tangible and intangible assets		576		1,226	
Cash consideration for acquisitions, net of cash acquired	28	(121,252)		(57,685)	
Cash consideration from divestments, net of cash divested	28	29,613			
Changes in other financial assets		(5,034)		(6,357)	
Interest received and realized gain from financial assets		3,278		1,015	
Cash flow from investing activities			**(175,870)**		**(150,757)**
Repayment of borrowings		(479)		(87,553)	
(Purchase) / sale of treasury shares, net		(175,377)		(92,601)	
Dividends paid by Sonova Holding AG		(136,039)		(127,629)	
Transactions with non-controlling interests		(11,403)		(17,276)	
Interest paid and other financial expenses		(2,312)		(2,255)	
Cash flow from financing activities			**(325,610)**		**(327,314)**
Exchange losses on cash and cash equivalents			(183)		(904)
Decrease in cash and cash equivalents			**(73,220)**		**(19,518)**
Cash and cash equivalents at the beginning of the financial year			390,486		410,004
Cash and cash equivalents at the end of the financial year			**317,266**		**390,486**

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

Consolidated changes in equity

1,000 CHF

	Attributable to equity holders of Sonova Holding AG						
	Share capital	Retained earnings and other reserves	Translation adjustment	Treasury shares	Hedge reserve	Non-controlling interests	Total equity
Balance April 1, 2014	**3,359**	**2,001,725**	**(263,638)**	**4,285**[1]	**(901)**	**29,545**	**1,774,375**
Income for the period		359,994				8,329	368,323
Actuarial loss from defined benefit plans, net		(33,249)					(33,249)
Tax effect on actuarial loss		4,601					4,601
Put options granted to non-controlling interests		7,879					7,879
Fair value adjustment on hedges					901		901
Currency translation differences			(29,959)			(618)	(30,577)
Tax effect on currency translation			(1,430)				(1,430)
Total comprehensive income		**339,225**	**(31,389)**		**901**	**7,711**	**316,448**
Changes in non-controlling interests		(7,279)				(994)	(8,273)
Share-based payments		7,583					7,583
Sale of treasury shares		(5,983)		68,284			62,301
Purchase of treasury shares				(144,042)			(144,042)
Dividend paid		(127,629)				(8,959)	(136,588)
Balance March 31, 2015	**3,359**	**2,207,642**	**(295,027)**	**(71,473)**[1]		**27,303**	**1,871,804**
Balance April 1, 2015	**3,359**	**2,207,642**	**(295,027)**	**(71,473)**[1]		**27,303**	**1,871,804**
Income for the period		337,026				8,821	345,847
Actuarial loss from defined benefit plans, net		(6,610)					(6,610)
Tax effect on actuarial loss		893					893
Currency translation differences		19	(1,779)			(787)	(2,547)
Tax effect on currency translation			760				760
Total comprehensive income		**331,328**	**(1,019)**			**8,034**	**338,343**
Capital decrease – share buy-back program	(28)	(73,551)		73,579			
Share-based payments		7,565					7,565
Sale of treasury shares		(6,222)		22,732			16,510
Purchase of treasury shares				(180,514)			(180,514)
Dividend paid		(136,039)				(11,403)	(147,442)
Balance March 31, 2016	**3,331**	**2,330,723**	**(296,046)**	**(155,676)**[1]		**23,934**	**1,906,266**

[1] Includes derivative financial instruments on treasury shares.

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

Notes to the consolidated financial statements as of March 31, 2016

1. Corporate information

The Sonova Group (the "Group") specializes in the design, development, manufacture, worldwide distribution and service of technologically advanced hearing systems for adults and children with hearing impairment. The Group operates worldwide and distributes its products in over 90 countries through its own distribution network and through independent distributors. The ultimate parent company is Sonova Holding AG, a limited liability company incorporated in Switzerland. Sonova Holding AG's registered office is located at Laubisrütistrasse 28, 8712 Stäfa, Switzerland.

2. Basis of consolidated financial statements

The consolidated financial statements of the Group are based on the financial statements of the individual Group companies at March 31 prepared in accordance with uniform accounting policies. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets at market value, in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and Interpretations issued by the International Accounting Standards Board (IASB). The consolidated financial statements were approved by the Board of Directors of Sonova Holding AG on May 10, 2016, and are subject to approval by the Annual General Shareholders' Meeting on June 14, 2016.

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

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities and contingent assets and liabilities at the date of the financial statements as well as revenue and expenses reported for the financial year (refer also to Note 2.7, "Significant accounting judgments and estimates"). Actual results could differ from these estimates.

2.1 Changes in accounting policies

The following new standards and amendments have been adopted as of April 1, 2015, without having a significant impact on the Group's result and financial position:

- Amendments to IAS 19 "Employee Benefits": Employee Contributions provide clarifications regarding the contributions from employees or third parties when accounting for defined benefit plans as defined by IAS 19 "Employee Benefits". If the amount of the contributions is independent of the number of years of service, such contributions are recognised as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.
- Annual Improvements to IFRSs 2010 – 2012 Cycle (except for the amendment to IFRS 3 "Business combinations") include amendments to a number of IFRSs (IFRS 2 "Share-based Payment", IFRS 8 "Operating Segments", IFRS 13 "Fair Value Measurement", IAS 16 "Property, Plant and Equipment", IAS 38 "Intangible Assets" and IAS 24 "Related Party Disclosures").
- Annual Improvements to IFRSs 2011 – 2013 Cycle include amendments to a number of IFRSs (IFRS 1 "First-time Adoption of IFRSs", IFRS 3 "Business Combinations", IFRS 13 "Fair Value Measurement" and IAS 40 "Investment Property").

Although the Group is still assessing the potential impacts of the various new and revised standards and interpretations that will be effective for the financial year starting April 1, 2016, based on the analysis to date the Group does not expect a significant impact on the Group's result and financial position. The Group is also assessing other new and revised standards which are not mandatory until after 2016.

IFRS 9 "Financial instrument": The standard completes the guidance on recognition / derecognition of financial instruments. It includes revised principles on classification and measurement of financial instruments. The Group is currently assessing the impact of adopting the standard.

IFRS 15 "Revenues from Contracts with Customers": The standard combines, enhances and replaces specific guidance on recognising revenue with a single standard based on a five step approach. The Group is currently assessing the impact of adopting the standard.

IFRS 16 "Leasing": The standard will replace IAS 17 and sets out new principles for recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Group is currently assessing the impact of adopting the standard.

2.2 Principles of consolidation

Investments in subsidiaries

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

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

Investments in associates and joint ventures

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

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

2.3 Currency translation

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

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

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

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

2.4 Accounting and valuation principles

Cash and cash equivalents

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

Other current financial assets

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

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

Trade receivables

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

Inventories

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

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

Property, plant and equipment

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

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

Leasing

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

Intangible assets

Purchased intangible assets such as software, licenses and patents are measured at cost less accumulated amortization (applying the straight-line method) and any impairment in value. Software is amortized over a useful lifetime of 3 – 5 years. Intangibles relating to acquisitions of subsidiaries (excluding goodwill) consist generally of technology, client relationships, customer lists, and brand names, and are amortized over a period of 3 – 15 years. Other intangible assets are generally amortized over a period of 3 – 10 years. For capitalized development costs amortization starts when the capitalized asset is ready for use, which is generally after receipt of approval from regulatory bodies. These assets are amortized over the estimated useful 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.

Research and development

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

Business combinations and goodwill

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

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

Other non-current financial assets

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

Current financial liabilities

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

Provisions

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

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

Share capital

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

In case any of the Group Companies 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.

Income taxes

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. The Group recognizes liabilities based on estimates of whether additional taxes will be due.

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

Revenue recognition

Sales are recognized net of sales taxes and discounts when the significant risk and rewards of ownership has been transferred to the buyer, mainly upon delivery of products and services and reasonably assured collectibility of the related receivables.

For hearing instruments sold, probable returns of products are estimated and a corresponding provision is recognized. The portion of goods sold that are expected to be returned are estimated based on historical product return rates.

For cochlear implants, sales are generally recognized upon delivery to the buyer, mainly hospitals. For returns of productt, accumulated experience is used to determine the respective provision.

Revenue from the sale of service is recognised when the service has been provided to the customer and where there are no continuing unfulfilled service obligations. Sales of service contracts, such as long-term service contracts and extended warranties are separated from the sale of goods and recognized on a straight-line basis over the term of the contract.

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

Acquisition-related amortization

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

Segment reporting

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

Impairment of non-financial assets

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

Related parties

A party is related to an entity if the party directly or indirectly controls, is controlled by, or is under common control with the entity, has an interest in the entity that gives it significant influence over the entity, has joint control over the entity or is an associate or a joint venture of the entity. In addition, members of the Board of Directors and the Management Board or close members of their families are also considered related parties as well as post-employment plan organizations (pension funds) for the benefit of Sonova employees. No related party exercises control over the Group.

Employee benefits

Pension obligations

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

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: the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees participating in these plans. The pension obligation is measured as the present value of the estimated future outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Service costs from defined benefit plans are charged to the appropriate income statement heading within the operating results.

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

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

Other long-term benefits

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

Equity compensation benefits

The Board of Directors of Sonova Holding AG, the Management Board, and certain management and senior employees of other Group companies participate in equity compensation plans. The fair value of all equity compensation awards granted to employees is determined at the grant date and recorded as an expense over the vesting period (for details refer to Note 31).

The expense for equity compensation awards is charged to the appropriate income statement heading within the operating result and an equivalent increase in equity (for equity-settled compensation) or financial liability (for cash-settled compensation) is recorded. In the case of cash-settled compensation, until the liability is settled it is revalued at each reporting date, recognizing changes in the fair value in the income statement.

2.5 Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Impairment of financial assets

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

2.6 Derivative financial instruments and hedging

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

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

2.7 Significant accounting judgments and estimates

Key management judgments made in applying accounting policies

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

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

Capitalization of development costs

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

Business combinations

In the course of recognizing assets and liabilities from business combinations, management judgments might be required for the following areas:
- Acquisition-related intangibles resulting from technology, customer relationships, client lists or brand names.
- Contingent consideration arrangements.

Key accounting estimates and assumptions

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

Cost of business combinations

A business combination agreement may provide for an adjustment to the cost of the combination contingent on future events. If the future events do not occur or the estimate needs to be revised, the cost of a business combination is revised accordingly, with a resulting change in the carrying value of goodwill (for business combinations entered into before April 1, 2010) or in the income statement (for business combinations entered into after April 1, 2010). At the end of the 2015/16 financial year, such liabilities contingent on future events amount to CHF 13.9 million (previous year CHF 6.8 million) and are disclosed under other provisions (for business combinations entered into before April 1, 2010) or other financial liabilities (for business combinations entered into after April 1, 2010).

Intangible assets, including goodwill

The Group has intangible assets with a carrying value of CHF 1,349.6 million (previous year CHF 1,219.6 million) as disclosed in Note 20.

Included in the intangible assets is goodwill amounting to CHF 1,069.5 million (previous year CHF 971.5 million).

Furthermore intangible assets also include capitalized development costs in the amount of CHF 113.8 million (previous year CHF 96.3 million).

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

Deferred tax assets

The consolidated balance sheet includes deferred tax assets of CHF 108.4 million (previous year CHF 111.1 million) related to deductible differences and, in certain cases, tax loss carryforwards, provided that their utilization appears probable. The recoverable value is based on forecasts of the corresponding taxable Group company over a period of several years. As actual results may differ from these forecasts, the deferred tax assets may need to be adjusted accordingly.

Employee benefit plans

The Sonova Group has various employee benefit plans. Most of its salaried employees are covered by these plans, of which some are defined benefit plans. The present value of the defined benefit obligations at the end of the 2015/16 financial period amounts to CHF 361.1 million (previous year CHF 350.3 million) as disclosed in Note 30. This includes CHF 356.4 million (previous year CHF 347.1 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. The carrying amounts of the plan assets and liabilities in the balance sheet together with a sensitivity analysis considering changes for the main input parameters in the actuarial valuation are set out in Note 30.

Provisions for warranty and returns

On March 31, 2016, the Group recorded provisions for warranty and returns of CHF 96.3 million (previous year CHF 83.0 million) as disclosed in Note 21.

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

Provision for product liabilities

The Sonova Group accounts consider a provision for product liabilities related to products affected by a voluntary cochlear implant product recall of Advanced Bionics LLC in 2006.

The provision for product liabilities is reassessed on a regular basis. In the 2015/16 financial year, improvements in the expected number and cost of current and future claims led to a reversal of CHF 8.8 million which is contributing to the profit of 2015/16 in the same amount (disclosed in the annual income statement in the line "Other income/(expenses), net"). In the previous year the positive effect in the income statement amounted to CHF 13.2 million.

On March 31, 2016, the provision for the before mentioned cochlear implant product liabilities was CHF 166.4 million (previous year CHF 192.5 million).

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

3. Changes in Group structure

In the 2015/16 and 2014/15 financial years, the Group entered into several business combinations. The companies acquired are in the business of producing and distributing hearing instruments.

On April 16, 2015, Sonova Holding AG announced that it has completed the acquisition of Hansaton Akustik GmbH, a Hamburg (Germany) based wholesale hearing aid company, following regulatory approvals. The company develops and manufactures hearing aids and employs around 200 staff in Germany, France and the US. In calendar year 2014 sales were EUR 42 million (CHF 44 million).

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

Further in the reporting period the Group divested minor Group companies in the EMEA region.

The effect of the acquisitions and divestments for the 2015/16 and 2014/15 financial years is disclosed in Note 28.

4. Number of employees

On March 31, 2016, the Sonova Group employed the full time equivalent of 10,894 people (previous year 10,184). They were engaged in the following regions and activities:

By region	31.3.2016	31.3.2015
Switzerland	1,200	1,238
EMEA (excl. Switzerland)	3,452	2,919
Americas	3,622	3,585
Asia / Pacific	2,620	2,442
Total	**10,894**	**10,184**
By activity		
Research and development	697	674
Operations	4,033	3,755
Sales and marketing, general and administration	6,164	5,755
Total	**10,894**	**10,184**

The average number of employees (full time equivalents) of the Sonova Group for the year was 10,697 (previous year 9,960). Total personnel expenses for the 2015 / 16 financial year amounted to CHF 746.3 million (previous year CHF 720.0 million).

5. Exchange rates

The following main exchange rates were used for currency translation:

	31.3.2016	31.3.2015	2015 / 16	2014 / 15
	Year-end rates		Average rates for the year	
AUD 1	0.74	0.74	0.72	0.81
BRL 1	0.27	0.30	0.27	0.38
CAD 1	0.74	0.77	0.74	0.82
CNY 1	0.15	0.16	0.15	0.15
EUR 1	1.09	1.04	1.07	1.18
GBP 1	1.38	1.44	1.47	1.50
JPY 100	0.86	0.81	0.81	0.85
USD 1	0.96	0.98	0.97	0.93

6. Segment information

Segment information by business segments

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

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

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

1,000 CHF	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	Hearing instruments		Cochlear implants		Corporate / Eliminations		Total	
Segment sales	1,887,211	1,843,900	187,267	194,542			2,074,478	2,038,442
Intersegment sales	(2,243)	(2,987)	(305)	(370)			(2,548)	(3,357)
Sales	**1,884,968**	**1,840,913**	**186,962**	**194,172**			**2,071,930**	**2,035,085**
Operating profit before acquisition-related amortization (EBITA)	**430,753**	**434,700**	**(121)**	**20,864**			**430,632**	**455,564**
Segment assets	**2,423,715**	**2,247,572**	**582,286**	**605,903**	**(689,297)**	**(673,071)**	**2,316,704**	**2,180,404**
Unallocated assets[1)]							434,907	511,227
Total assets							**2,751,611**	**2,691,631**

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

Reconciliation of reportable segment profit 1,000 CHF	2015/16	2014/15
EBITA	430,632	455,564
Acquisition-related amortization	(27,195)	(26,495)
Financial costs, net	(7,951)	(10,537)
Share of gain/(loss) in associates/joint ventures	1,574	1,792
Income before taxes	**397,060**	**420,324**

Entity-wide disclosures

Sales by product groups 1,000 CHF	2015/16	2014/15
Premium hearing instruments	512,796	484,265
Advanced hearing instruments	403,356	414,522
Standard hearing instruments	599,814	585,987
Wireless communication systems	90,510	86,313
Miscellaneous	278,492	269,826
Total hearing instruments	**1,884,968**	**1,840,913**
Cochlear implants and accessories	186,962	194,172
Total sales	**2,071,930**	**2,035,085**

Sales and selected non-current assets by regions 1,000 CHF	2015/16	2014/15	2015/16	2014/15
Country/region	Sales [1]		Selected non-current assets[2]	
Switzerland	24,883	25,140	263,910	253,425
EMEA (excl. Switzerland)	858,087	861,415	462,191	355,019
USA	767,631	721,593	682,090	677,975
Americas (excl. USA)	197,144	216,052	123,856	122,241
Asia/Pacific	224,185	210,885	94,726	90,593
Total Group	**2,071,930**	**2,035,085**	**1,626,773**	**1,499,253**

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

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

7. Other income/expenses, net

Other income in the 2015/16 financial year consists of CHF 8.8 million (previous year CHF 13.2 million) in relation to the reassessment and revaluation of the provision for product liabilities. For further information refer to Note 2.7 “Provision for product liabilities” and Note 21 “Provisions”. In addition the disposal of two smaller group entities in the EMEA region led to a gain of CHF 8.7 million. For further information refer to Note 28.

8. Financial income / expenses, net

1,000 CHF	2015 / 16	2014 / 15
Interest income	2,007	1,069
Other financial income	2,291	24
Total financial income	**4,298**	**1,093**
Interest expenses	(1,475)	(2,948)
Other financial expenses	(10,774)	(8,682)
Total financial expenses	**(12,249)**	**(11,630)**
Total financial income / expenses, net	**(7,951)**	**(10,537)**

Other financial expenses in 2015 / 16 and 2014 / 15 include, amongst other items, the unwinding of the discount on provisions and earn-out payments, fair value adjustments of financial instruments as well as the costs for entering into forward foreign currency contracts.

9. Taxes

1,000 CHF	2015 / 16	2014 / 15
Income taxes	37,920	67,163
Change in deferred taxes	13,293	(15,162)
Total tax expense	**51,213**	**52,001**
Reconciliation of tax expense		
Income before taxes	397,060	420,324
Group's expected average tax rate	13.7 %	13.9 %
Tax at expected average rate	**54,384**	**58,245**
+ / – Effects of		
Expenses not subject to tax, net	1,106	4,193
Changes of unrecognized loss carryforwards / deferred tax assets	10,131	3,458
Local actual tax rate different to Group's expected average tax rate	(23,183)	(20,007)
Change in tax rates on deferred tax balances	7,441	5,798
Prior year adjustments and other items, net	1,334	314
Total tax expense	**51,213**	**52,001**
Weighted average effective tax rate	12.9 %	12.4 %

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

Deferred tax assets and (liabilities) 1,000 CHF					31.3.2016
	Property, plant & equipment	Intangible assets	Inventories, receivables, provisions and other liabilities	Tax loss carryforwards	Total
Balance April 1	(5,907)	(16,106)	28,532	71,907	78,426
Changes through business combinations		(7,165)			(7,165)
Deferred taxes recognized in the income statement	34	(1,479)	(3,288)	(8,560)	(13,293)
Deferred taxes recognized in OCI[1)]			893		893
Exchange differences	(295)	(820)	1,158	3,530	3,573
Balance March 31	**(6,168)**	**(25,570)**	**27,295**	**66,877**	**62,434**
Amounts in the balance sheet					
Deferred tax assets					108,366
Deferred tax liabilities					(45,932)
Total deferred taxes, net					**62,434**

1) Other comprehensive income.

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

1) Other comprehensive income.

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

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

1,000 CHF	31.3.2016	31.3.2015
Within 1 – 3 years	61,202	41,447
Within 4 years	11,009	28,702
Within 5 years	42,182	9,134
More than 5 years	386,436	334,380
Total	**500,829**	**413,663**

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

10. Earnings per share

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

Basic earnings per share	2015/16	2014/15
Income after taxes (1,000 CHF)	337,026	359,994
Weighted average number of outstanding shares	65,946,732	67,065,191
Basic earnings per share (CHF)	**5.11**	**5.37**

In the case of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming all outstanding dilutive options will be exercised. The weighted average number of shares is adjusted for all dilutive options issued under the stock option plans which have been granted in 2009 through to 2016 and which have not yet been exercised. Anti-dilutive options have not been considered. The calculation of diluted earnings per share is based on the same income after taxes for the period as is used in calculating basic earnings per share.

Diluted earnings per share	2015/16	2014/15
Income after taxes (1,000 CHF)	337,026	359,994
Weighted average number of outstanding shares	65,946,732	67,065,191
Adjustment for dilutive share options	100,524	174,754
Adjusted weighted average number of outstanding shares	66,047,255	67,239,945
Diluted earnings per share (CHF)	**5.10**	**5.35**

11. Dividend per share

The Board of Directors of Sonova Holding AG proposes to the Annual General Shareholders' Meeting, to be held on June 14, 2016, that a dividend of CHF 2.10 shall be distributed (previous year CHF 2.05).

12. Cash and cash equivalents

1,000 CHF	31.3.2016	31.3.2015
Cash on hand	714	644
Current bank accounts	276,962	349,779
Term deposits	39,590	40,063
Total	**317,266**	**390,486**

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

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

13. Other current financial assets

Other current financial assets of CHF 6.7 million (previous year 5.4 million) primarily consist of short-term customer loans.

1,000 CHF	31.3.2016	31.3.2015
Marketable securities	1,918	
Positive replacement value of forward foreign exchange contracts	810	
Loans to third parties	4,020	5,446
Total	**6,748**	**5,446**

14. Trade receivables

1,000 CHF	31.3.2016	31.3.2015
Trade receivables	376,838	372,143
Provision for doubtful receivables	(22,166)	(22,755)
Total	**354,672**	**349,388**

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

1,000 CHF	31.3.2016	31.3.2015
Total trade receivables, net	**354,672**	**349,388**
of which:		
Not overdue	255,086	245,544
Overdue 1 – 30 days	46,517	45,464
Overdue more than 30 days	53,069	58,380
Total	**354,672**	**349,388**

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

1,000 CHF	2015/16	2014/15
Provision for doubtful receivables, April 1	**(22,755)**	**(21,847)**
Changes through business combinations	(2,023)	(100)
Utilization or reversal	10,488	8,260
Additions	(8,308)	(9,110)
Disposal	255	
Exchange differences	177	42
Provision for doubtful receivables, March 31	**(22,166)**	**(22,755)**

During 2015/16 the Group has utilized CHF 5.7 million (previous year CHF 7.0 million) of this provision to write-off receivables.

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

1,000 CHF	31.3.2016	31.3.2015
BRL	22,350	28,808
CAD	22,502	23,604
CHF	13,201	15,185
EUR	103,237	93,057
GBP	13,962	15,958
USD	116,904	119,324
Other	62,516	53,452
Total trade receivables, net	**354,672**	**349,388**

15. Other receivables and prepaid expenses

1,000 CHF	31.3.2016	31.3.2015
Other receivables	50,590	49,715
Prepaid expenses	19,020	16,634
Total	**69,610**	**66,349**

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

16. Inventories

1,000 CHF	31.3.2016	31.3.2015
Raw materials and components	46,381	41,851
Work-in-process	96,090	95,965
Finished products	129,218	133,095
Allowances	(31,238)	(30,077)
Total	**240,451**	**240,834**

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

In 2015/16, CHF 594.5 million (previous year CHF 543.9 million) were recognized as an expense and included in “cost of sales”.

17. Property, plant and equipment

1,000 CHF					31.3.2016
	Land & buildings	Machinery & technical equipment	Room installations & other equipment	Advance payments & assets under construction	Total
Cost					
Balance April 1	169,130	224,000	167,009	14,598	574,737
Changes through business combinations	497	1,647	2,989	20	5,153
Additions	910	15,936	20,096	10,045	46,987
Disposals	(142)	(8,809)	(11,637)	(61)	(20,649)
Transfers	7,225	5,506	3,793	(16,524)	
Exchange differences	(297)	(1,327)	478	(243)	(1,389)
Balance March 31	**177,323**	**236,953**	**182,728**	**7,835**	**604,839**
Accumulated depreciation					
Balance April 1	(55,027)	(157,886)	(91,836)		(304,749)
Additions	(5,261)	(22,260)	(19,982)		(47,503)
Disposals	140	7,609	6,722		14,471
Exchange differences	53	919	(160)		812
Balance March 31	**(60,095)**	**(171,618)**	**(105,256)**		**(336,969)**
Net book value					
Balance April 1	114,103	66,114	75,173	14,598	269,988
Balance March 31	**117,228**	**65,335**	**77,472**	**7,835**	**267,870**

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

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

There are no assets held under finance leases.

18. Investments in associates / joint ventures

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

1,000 CHF	2015 / 16	2014 / 15
Current assets	442	627
Non-current assets	1,096	1,092
Total assets	**1,538**	**1,719**
Current liabilities	(278)	(348)
Non-current liabilities	(32)	(32)
Total liabilities	**(310)**	**(380)**
Net assets	**1,228**	**1,339**
Income for the year	2,847	3,824
Expenses for the year	(1,273)	(2,032)
Profit for the year	**1,574**	**1,792**
Net book value at year-end	9,275	9,667
Share of gain recognized by the Group	1,574	1,792

In the 2015 / 16 financial year, there have been no changes in the number of associates / joint ventures. In the 2014 / 15 financial year, the Group acquired additional shares in two previously held equity investments, resulting in a change of control (step up acquisitions). Since the change of control, these companies are fully consolidated. The total net book value at the time of gaining control over these two entities amounted to CHF 1.5 million.

Sales to associates / joint ventures in the 2015 / 16 financial year amounted to CHF 7.5 million (previous year CHF 8.3 million). At March 31, 2016, trade receivables towards associates / joint ventures amounted to CHF 1.8 million (previous year CHF 1.6 million).

At the end of the 2015 / 16 and 2014 / 15 financial years, no material unrecognized losses existed.

Investments with a net book value of CHF 9.3 million (previous year CHF 9.7 million) have a business year different than the Sonova Group. The latest available information for the respective companies are as per December 2015.

19. Other non-current financial assets

1,000 CHF	31.3.2016	31.3.2015
Financial assets at fair value through profit or loss	7,442	8,783
Loans to associates	8,102	8,080
Loans to third parties	4,426	5,615
Total	**19,970**	**22,478**

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

The loans are primarily denominated in CAD, EUR, USD and ZAR. Loans to third parties consist mainly of loans to customers. As of March 31, 2016, the respective repayment periods vary between one and ten years and the interest rates vary generally between 3% and 5%. The valuation of the loans approximates to fair value.

20. Intangible assets

1,000 CHF					31.3.2016
	Goodwill	Intangibles relating to acquisitions[1]	Capitalized development costs	Software and other intangibles	Total
Cost					
Balance April 1	1,121,654	271,267	112,325	63,519	1,568,765
Changes through business combinations	106,531	38,072		895	145,498
Additions			26,366	9,698	36,064
Disposals	(7,389)	(6,028)	(430)	(6,940)	(20,787)
Exchange differences	(2,817)	583	(44)	184	(2,094)
Balance March 31	**1,217,979**	**303,894**	**138,217**	**67,356**	**1,727,446**
Accumulated amortization and impairments					
Balance April 1	(150,151)	(136,029)	(16,010)	(46,977)	(349,167)
Additions		(27,195)[2]	(8,410)	(5,635)	(41,240)
Disposals		3,683		6,643	10,326
Exchange differences	1,633	707		(77)	2,263
Balance March 31	**(148,518)**	**(158,834)**	**(24,420)**	**(46,046)**	**(377,818)**
Net book value					
Balance April 1	971,503	135,238	96,315	16,542	1,219,598
Balance March 31	**1,069,461**	**145,060**	**113,797**	**21,310**	**1,349,628**

[1] Intangibles relating to acquisitions include primarily customer relationships, trademarks, in process R&D and technology.

[2] Relates to research and development (CHF 4.4 million) and sales and marketing (CHF 22.8 million).

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

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

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

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

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

Based on the impairment tests performed, there was no need for the recognition of any impairment of goodwill for the 2015/16 and 2014/15 financial years.

Hearing instruments

As of March 31, 2016, the carrying amount of the goodwill, expressed in various currencies, amounted to an equivalent of CHF 758.6 million (prior year CHF 657.2 million).

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

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

Cochlear implants

As of March 31, 2016, the carrying amount of the goodwill, expressed in various currencies, amounted to an equivalent of CHF 310.9 million (prior year CHF 314.3 million).

The cash flow projections were based on the most recent business plan approved by management. The business plan for the Cochlear implants business was projected over a five year period. Cash flows beyond the projection period were extrapolated with a long-term growth rate of 2.1% (prior year 1.9%) representing the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 9.8% (prior year 9.1%) was used.

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

21. Provisions

1,000 CHF					**31.3.2016**
	Warranty and returns	Reimbursement to customers	Product liabilities	Other Provisions	Total
Balance April 1	83,042	10,841	192,504	30,694	317,081
Changes through business combinations	5,866	132		3,033	9,031
Amounts used	(50,710)	(6,726)	(16,369)	(10,745)	(84,550)
Reversals	(5,869)	(166)	(8,847)	(5,490)	(20,372)
Increases	64,553	7,406		6,909	78,868
Disposals	(77)			(1,336)	(1,413)
Present value adjustments	14		1,167		1,181
Exchange differences	(526)	(107)	(2,070)	(23)	(2,726)
Balance March 31	**96,293**	**11,380**	**166,385**	**23,042**	**297,100**
thereof short-term	70,656	11,361	12,899	10,304	105,220
thereof long-term	25,637	19	153,486	12,738	191,880

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

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

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

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

The provision for the above mentioned cochlear implant product liabilities is reassessed on a regular basis. Further improvements in the expected number and cost of current and future claims led to a reduction of CHF 8.8 million (previous year CHF 13.2 million) in "other income / (expense), net". For further information refer to Note 2.7 "Provision for product liabilities". The timing of the cash outflows corresponding to the said provision for product liabilities is uncertain since it will largely depend on the outcome of administrative and legal proceedings.

Other provisions include earn-out provisions as well as provisions for specific business risks such as litigation and restructuring costs which arise during the normal course of business. The main change compared to previous year is primarily related to the usage of restructuring costs related to the transfer of part of the Group's hearing instrument product assembly capacity from Stäfa to other operation centers announced March 2, 2015. The timing of cash outflows for the other provisions are expected to take place within the next two years.

22. Current financial liabilities

1,000 CHF	**31.3.2016**	**31.3.2015**
Short-term debt	45	34
Other current financial liabilities	6,501	3,067
Total	**6,546**	**3,101**
Unused borrowing facilities	187,836	37,661

Other current financial liabilities consist of financial liabilities resulting from earn-out agreements related to deferred payments from acquisitions.

In the 2014 / 15 financial year, the Group repaid CHF 80 million in connection with the acquisition of Advanced Bionics in December 2009, and was free of bank debt as of September 30, 2014.

Given the short-term nature of the deferred payments as well as the short-term debt they are carried at nominal value. The book value of deferred payments and short-term debt approximates fair value.

In the 2015 / 16 financial year, the Group entered into an agreement for a credit line in the amount of CHF 150 million with an option to increase to CHF 250 million. The terminal date of this credit line is July 31, 2018, with an option to extend for two years. The credit line was not used at balance sheet date.

23. Other short-term liabilities

1,000 CHF	31.3.2016	31.3.2015
Other payables	39,772	40,922
Accrued expenses	146,600	140,072
Deferred income	27,817	25,554
Total	**214,189**	**206,548**

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

24. Non-current financial liabilities

1,000 CHF	31.3.2016	31.3.2015
Bank debt	101	116
Other non-current financial liabilities	15,073	4,926
Total	**15,174**	**5,042**

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

Analysis by currency 1,000 CHF			31.3.2016			31.3.2015
	Bank debt	Other non-current financial liabilities	Total	Bank debt	Other non-current financial liabilities	Total
CHF		13,615	13,615		3,592	3,592
USD		1,075	1,075		1,047	1,047
EUR		3	3		263	263
Other	101	380	481	116	24	140
Total	**101**	**15,073**	**15,174**	**116**	**4,926**	**5,042**

25. Risk management and financial instruments

Group risk management

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

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

Financial risk management

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

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

Market risk

Exchange rate risk

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

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

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

As of March 31, 2016, forward currency contracts amounting to CHF 173.8 million were open. In the previous year as of balance sheet date no forward currency contracts were open.

Notional amount of forward contracts / derivatives 1,000 CHF

			31.3.2016	
	Due within one year	Due 1 year to 5 years	Total	Fair Value
Positive replacement values	146,841		146,841	810
Negative replacement values	26,976		26,976	(637)
Total	**173,817**		**173,817**	**173**

Foreign currency sensitivity analysis

1,000 CHF	2015/16	2014/15	2015/16	2014/15
	Impact on income after taxes		Impact on equity	
Change in USD/CHF +5%	2,589	5,111	23,100	21,225
Change in USD/CHF –5%	(2,589)	(5,111)	(23,100)	(21,225)
Change in EUR/CHF +5%	3,708	3,777	6,576	7,809
Change in EUR/CHF –5%	(3,708)	(3,777)	(6,576)	(7,809)

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 2015/16 financial year of CHF 249 million (previous year CHF 353 million). If interest rates during the 2015/16 financial year had been 1% higher/lower on these accounts, income before taxes would have been CHF 2.5 million higher/lower (previous year CHF 3.5 million).

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.

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, 2016, the largest balance with a single counterparty amounted to 32% (previous year 25%) of total cash and cash equivalents.

The Group performs continuous credit checks on its receivables. Due to the customer diversity there is no single credit limit for all customers, however the Group assesses its customers taking into account 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.

The Group does not expect any significant losses either from receivables or from other financial assets.

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.

The following table summarizes the contractual maturities of financial liabilities as of March 31, 2016 and 2015:

1,000 CHF					31.3.2016
	Due less than 3 months	Due 3 months to 1 year	Due 1 year to 5 years	Due more than 5 years	Total
Short-term debt	45				45
Other current financial liabilities	4,694	1,807			6,501
Trade payables and other short-term liabilities	179,042	104,016			283,058
Total current financial liabilities	**183,781**	**105,823**			**289,604**
Long-term bank debt			101		101
Other non-current financial liabilities			15,073		15,073
Total non-current financial liabilities			**15,174**		**15,174**
Total financial liabilities	**183,781**	**105,823**	**15,174**		**304,778**

1,000 CHF					31.3.2015
	Due less than 3 months	Due 3 months to 1 year	Due 1 year to 5 years	Due more than 5 years	Total
Short-term debt		34			34
Other current financial liabilities	1,592	1,475			3,067
Trade and other short-term liabilities	169,677	97,313			266,990
Total current financial liabilities	**171,269**	**98,822**			**270,091**
Long-term bank debt			104	12	116
Other non-current financial liabilities			4,926		4,926
Total non-current financial liabilities			**5,030**	**12**	**5,042**
Total financial liabilities	**171,269**	**98,822**	**5,030**	**12**	**275,133**

Fair value hierarchy

The following table summarizes the financial instruments carried at fair value, by valuation method as of March 31, 2016 and 2015. The different levels have been defined as follows:

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 fair 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.

1,000 CHF				31.3.2016
	Level 1	Level 2	Level 3	Total
Financial assets				
At fair value through profit or loss	2,886		6,474	9,360
Total	**2,886**		**6,474**	**9,360**
Financial liabilities				
At fair value through profit or loss			(21,574)	(21,574)
Total			**(21,574)**	**(21,574)**

1,000 CHF				31.3.2015
	Level 1	Level 2	Level 3	Total
Financial assets				
At fair value through profit or loss	2,088		6,695	8,783
Total	**2,088**		**6,695**	**8,783**
Financial liabilities				
At fair value through profit or loss			(7,966)	(7,966)
Total			**(7,966)**	**(7,966)**

The following table presents the changes in level 3 financial instruments for the year ended March 31, 2016 and 2015:

Financial assets at fair value through profit or loss 1,000 CHF	2015/16	2014/15
Balance April 1	6,695	5,401
Additions / (disposals), net	29	1,716
Losses recognized in profit or loss	(250)	(422)
Balance March 31	**6,474**	**6,695**

Financial liabilities at fair value through profit or loss 1,000 CHF	2015/16	2014/15
Balance April 1	(7,966)	(17,549)
(Additions) / disposals, net	(13,563)	9,873
Losses recognized in profit or loss	(45)	(290)
Balance March 31	**(21,574)**	**(7,966)**

Capital risk 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 significant debt capacity.

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

26. Other long-term liabilities

1,000 CHF	31.3.2016	31.3.2015
Long-term deferred income	29,440	25,117
Retirement benefit obligations	65,324	61,810
Total	**94,764**	**86,927**

Long-term deferred income relates to long-term service contracts with customers. Deferred income is recognized as a sale over the period of the service contract.

The retirement benefit obligation relates to defined benefit plans. For details refer to Note 30.

27. Movements in share capital

Issued registered shares	Issued registered shares	Treasury shares[1]	Outstanding shares
Balance April 1, 2014	67,173,287	(10,185)	67,163,102
Purchase of treasury shares		(562,077)	(562,077)
Sale / transfer of treasury shares		571,849	571,849
Purchase of shares intended to be cancelled[2]		(546,900)	(546,900)
Balance March 31, 2015	**67,173,287**	**(547,313)**	**66,625,974**
Capital decrease – share buy-back program	(546,900)	546,900	
Purchase of treasury shares		(182,420)	(182,420)
Sale / transfer of treasury shares		176,344	176,344
Purchase of shares intended to be cancelled[2]		(1,203,500)	(1,203,500)
Balance March 31, 2016	**66,626,387**	**(1,209,989)**	**65,416,398**

Nominal value of share capital 1,000 CHF	Share Capital	Treasury shares[1]	Outstanding share capital
Balance March 31, 2016	**3,331**	**(60)**	**3,271**

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] Shares purchased by the Group as part of the share buyback program.

At the Annual General Shareholder's 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, 2016. 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).

28. Acquisitions / Disposals of subsidiaries

Assets and liabilities arising from acquisitions:

1,000 CHF	2015 / 16	2014 / 15
Trade receivables	12,998	2,608
Other current assets	27,948	6,568
Property, plant & equipment	5,153	1,097
Intangible assets	38,967	21,435
Other non-current assets	5,366	975
Current liabilities	(36,297)	(4,040)
Non-current liabilities	(19,546)	(9,732)
Net assets	**34,589**	**18,911**
Goodwill	106,531	42,426
Purchase consideration	**141,120**	**61,337**
Fair value of previously held stake before the business combination[1]		(1,533)
Liabilities for deferred payments or holdbacks[2]	(17,154)	(5,362)
Cash consideration	**123,966**	**54,442**
Cash and cash equivalents acquired	(7,056)	(3,508)
Cash consideration, net of cash acquired	**116,910**	**50,934**
Cash outflow for investments in associates, non-controlling interests and deferred payments	4,342	6,751
Total cash outflow from acquisitions	**121,252**	**57,685**

[1] For 2014 / 15 a gain of CHF 0.2 million from remeasuring the previously held stakes to fair value is included in the financial result.

[2] Earn-out payments are dependent on the future performance of the acquired companies as well as contractual conditions. The liability for earn-outs is based on the latest estimate of the future performance

Besides the acquisition of Hansaton Akustik GmbH as of April 16, 2015 (for further information refer to “3. Changes in group structure”) several other small companies were acquired during the 2015 / 16 and 2014 / 15 financial years in Asia / Pacific, Europe, and North America. The business of these companies is the distribution of hearing instruments. All acquisitions have been accounted for applying the acquisition method of accounting. For business combinations entered in the 2015 / 16 financial year, acquisition-related costs in the amount of CHF 2.0 million (2014 / 15 CHF 1.1 million) have been expensed and are included in the line “General and administration” in the income statements.

The initial accounting for the acquisitions 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. The goodwill is attributed mainly to expected synergies, the labor force and the favorable sales growth potential.

1,000 CHF	2015 / 16	2014 / 15
Contribution of acquired companies from date of acquisition		
Sales	60,434	12,700
Net income	(203)	(258)
Contribution, if the acquisitions occurred on April 1		
Sales	76,917	28,019
Net income	1,053	244

In the 2015 / 16 reporting period, the Group divested two minor group companies in the EMEA region. The consideration amounting to CHF 33.4 million was settled in cash. The carrying amount of the disposed net assets amounted to CHF 24.7 million including cash and cash equivalents of CHF 3.8 million. The net gain from those transactions of CHF 8.7 million has been recognised in the income statement and is included in “other income / (expense), net”.

29. Transactions and relations with members of the Management Board and the Board of Directors

1,000 CHF	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	Management Board		Board of Directors		Total	
Short-term employee benefits	8,884	9,234	1,590	1,646	10,474	10,880
Post-employment benefits	848	886			848	886
Share based payments	4,987	5,074	1,344	1,352	6,331	6,426
Total	**14,719**	**15,194**	**2,934**	**2,998**	**17,653**	**18,192**

The total compensation to the Management Board for the 2015/16 reporting period, as shown above, relates to the 13 current members of the Management Board. The total compensation to the Management Board for the 2014/15 reporting period, as shown above, related to 14 members.

The total compensation to the Board of Directors for the 2015/16 reporting period, as shown above, relates to eight current members and one former member (previous year nine members).

During the 2015/16 financial year, several lease agreements existed between the Group and ARim AG or R-Estate AG. Both companies are owned by Andy Rihs, who was a member of the Board of Directors of Sonova Holding AG until the Annual General Shareholders' Meeting on June 16, 2015. The lease agreements relate to housing, parking, and child care space. The related party transactions with Andy Rihs amounted to CHF 0.08 million (previous year CHF 0.29 million). The amount for the 2015/16 financial year considers the period held as member of the Board of Directors.

Transactions between the Group and the various post-employment benefit plans for the employees of the Group are described in Note 30.

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 compensation report and in the Note 3.5 of the financial statements of Sonova Holding AG.

30. Employee benefits

Defined benefit plans

Sonova Group's retirement plans include defined benefit pension plans in Switzerland, Austria, Norway, Canada, Germany, and Israel. These plans are both funded and unfunded and determined 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 356.4 million or 99.2 % (previous year CHF 347.1 million or 99.1 %) 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 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 an 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. In the reporting period the foundation decided to reduce the actual annuity rate of 6.0 % applied to the individual accumulated retirement saving gradually over-time. Between now and 2018 the annuity rate will be reduced by 0.2 % per annum, to reach 5.6 % in 2018.

As of March 31, 2016, 1,238 employees (previous year 1,288 employees) and 84 beneficiaries (previous year 82 beneficiaries) are insured under the Swiss plan. The defined benefit obligation has a duration of 14.5 years (previous year 15.5 years).

The results of all defined benefit plans are summarized below:

Amounts recognized in the balance sheet CHF 1,000	31.3.2016	31.3.2015
Present value of funded obligations	(359,282)	(348,529)
Fair value of plan assets	295,796	288,505
Net present value of funded plans	**(63,486)**	**(60,024)**
Present value of unfunded obligations	(1,838)	(1,786)
Total liabilities, net	**(65,324)**	**(61,810)**
Amounts in the balance sheet:		
Retirement benefit obligation	(65,324)	(61,810)

Remeasurements recognized in equity CHF 1,000	2015/16	2014/15
Balance April 1	62,887	29,637
Actuarial (gains)/losses from		
– changes in financial assumptions	(1,053)	40,259
– changes in experience adjustments	(2,180)	5,794
Return on plan assets excluding interest income	9,843	(12,803)
Balance March 31	**69,497**	**62,887**

Amounts recognized in the income statement CHF 1,000	2015/16	2014/15
Current service cost[1)]	21,350	27,706
Participants' contributions	(10,800)	(10,175)
Net interest cost	560	516
Total employee benefit expenses[2)]	**11,110**	**18,047**

1) Current service cost contains the gradual reduction of the annuity rate and the implementation of restructuring plan announced on March 2, 2015, which provides for the reduction of approx. 100 positions in Switzerland.
2) The amount recognized in the consolidated income statement 2015/16 has been charged to:
– cost of sales CHF 2.4 million (previous year CHF 4.1 million);
– research and development CHF 3.3 million (previous year 5.3 million);
– sales and marketing CHF 2.0 million (previous year 3.1 million);
– general and administration CHF 2.8 million (previous year CHF 5.0 million);
– financial expenses CHF 0.6 million (previous year CHF 0.5 million).

Movement in the present value of the defined benefit obligations CHF 1,000	2015/16	2014/15
Beginning of the year	350,315	269,130
Interest cost	2,886	5,374
Current service cost	21,350	27,706
Benefits paid, net	(11,715)	2,583
Actuarial loss on obligations	(3,233)	46,054
Changes through business combinations	1,536	
Exchange differences	(17)	(532)
Present value of obligations at end of period	**361,122**	**350,315**

Movement in the fair value of the plan assets CHF 1,000	2015/16	2014/15
Beginning of the year	288,505	244,429
Interest income on plan asset	2,326	4,858
Employer's contributions paid	14,128	13,563
Participants' contributions	10,800	10,175
Benefits paid, net	(11,626)	2,908
Return on plan assets excluding interest income	(9,843)	12,803
Changes through business combinations	1,512	
Exchange differences	(24)	(231)
Fair value of plan assets at end of period	**295,778**	**288,505**

The plan assets consist of:	31.3.2016	31.3.2015
Cash	1.2 %	7.9 %
Domestic bonds	22.0 %	28.4 %
Foreign bonds	10.2 %	7.4 %
Domestic equities	13.3 %	12.0 %
Foreign equities	30.0 %	27.8 %
Real estates	16.0 %	11.7 %
Alternative investments	7.3 %	4.8 %

The actual return on plan assets amounted to CHF – 7.5 million (previous year CHF 17.7 million). The expected employer's contributions to be paid in the 2016 / 17 financial year amount to CHF 14.3 million.

Principal actuarial assumptions (weighted average)	2015 / 16	2014 / 15
Discount rate	0.60 %	0.80 %
Future salary increases	1.00 %	1.75 %
Future pension increases	0 %	0 %
Fluctuation rate	10 %	10 %
Demography	BVG 2010GT	BVG 2010GT

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 1,000	31.3.2016	31.3.2015
Discount rate		
Discount rate + 0.25 %	(11,961)	(12,190)
Discount rate – 0.25 %	13,635	13,957
Salary growth		
Salary growth + 0.25 %	959	1,084
Salary growth – 0.25 %	(936)	(1,060)
Pension growth		
Pension growth + 0.5 %	13,466	13,088
Pension growth – 0.5 %	(13,466)	(13,088)
Fluctuation rate		
Fluctuation rate + 5 %	(17,199)	(21,302)
Fluctuation rate – 5 %	29,307	37,091

Defined contribution plans

Several of the Group's entities have a defined contribution plan. The employer's contributions amounting to CHF 13.7 million in the year ended March 31, 2016 (previous year CHF 13.4 million) are recognized directly in the income statement.

31. 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 2015/16 and 2014/15 financial years, Sonova granted restricted shares, restricted share units (RSUs), options, and for US employees, share appreciation rights (SARs). From 2014, grants made under the Executive Equity Award Plan (EEAP) to the CEO and the other members of the MB includes a performance criterion: the vesting of options and RSUs in a given year is subject to achievement of a pre-defined minimum return on capital employed (ROCE) target.

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

1,000 CHF	**2015/16**	**2014/15**
Equity-settled share-based payment costs	18,938	18,581
Cash-settled share-based payment costs	403	553
Total share-based payment costs	**19,341**	**19,134**

The following table shows the outstanding options and/or SARs, granted as part of the EEAP 2012 to 2016. All of the equity instruments listed below vest in 4 equal tranches, annually over a period of 4 years.

Summary of outstanding options and SARs granted until March 31, 2016:

Financial year granted	Instruments granted	First vesting date / Expiry date	Granted	Exercise price (CHF)	Outstanding	Average remaining life (years)	Exercisable
2011/12	Options/SARs	1.6.2013 31.1.2019	298,474	95.85	155,295	2.8	107,838
2012/13	Options/SARs	1.6.2014 31.1.2020	227,188	109.10	162,414	3.8	70,515
2013/14	Options/SARs[1]	1.6.2015 31.1.2021	242,673	124.60	202,379	4.8	38,601
2014/15	Options/SARs[2]	1.6.2016 31.1.2022	308,459	121.10	295,374	5.8	
2015/16	Options/SARs[3]	1.6.2017 31.1.2023	298,520	124.20	298,520	6.8	
Total			**1,375,314**	**114.93**	**1,113,982**[4]	**5.2**	**216,954**[5]
Thereof:							
Equity-settled			1,217,060		1,010,026		203,464
Cash-settled			158,254		103,956		13,490

1) Including 107,567 performance options, granted to the CEO and MB members.
2) Including 135,223 performance options, granted to the CEO and MB members.
3) Including 126,206 performance options, granted to the CEO and MB members.
4) Weighted average exercise price of outstanding options/SARs amounts to CHF 117.30.
5) Weighted average exercise price for exercisable options/SARs amounts to CHF 105.27.

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. Valuation assumptions used for the options and / or SARs granted in the current financial year and the 2014 / 2015 financial year are as follows:

Assumptions for valuation at grant date	Executive Equity Award Plan 2016	Executive Equity Award Plan 2015
Valuation date	1.2.2016	1.2.2015
Expiry date	31.1.2023	31.1.2022
Share price on grant date	CHF 124.20	CHF 121.10
Exercise price	CHF 124.20	CHF 121.10
Volatility	24.4 %	25.1 %
Expected dividend yield	2.25 %	2.53 %
Weighted risk free interest rate	0.4 %	0.5 %
Weighted average fair value of options / SARs issued	**CHF 20.60**	**CHF 19.55**

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.

Changes in outstanding options / warrants:	2015 / 16		2014 / 15	
	Number of options / warrants[1]	Weighted average exercise price (CHF)	Number of options / warrants[1]	Weighted average exercise price (CHF)
Outstanding options / warrants at April 1	1,019,036	114.50	1,277,473	115.22
Granted[2]	263,418	124.20	272,224	121.10
Exercised / sold[3]	(248,876)	114.20	(507,163)	119.91
Forfeited	(23,552)	115.82	(23,498)	113.36
Outstanding options / warrants at March 31	**1,010,026**	**117.07**	**1,019,036**	**114.50**
Exercisable at March 31	**203,464**	**105.04**	**274,722**	**111.58**

1) For better comparison, the number of warrants have been adjusted according to exercise ratio 25:1.

2) 2015 / 16 includes 126,206 performance options (previous year 135,223 performance options), granted to the CEO and MB members.

3) Out of the movement for the 2015 / 16 financial year, 178,115 (previous year 99,716) relates to options exercised and 70,761 (previous year 407,447) to warrants sold. Total consideration from options exercised amounted to CHF 7.6 million (previous year CHF 10.4 million). The weighted average share price of the options exercised during the year 2015 / 16 was CHF 131.67 (previous year CHF 137.22).

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. 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 their expiry.

Changes in outstanding SARs / WARs:				2015 / 16				2014 / 15
	Number of SARs	Weighted average exercise price (CHF)	Number of WARs	Weighted average exercise price (CHF)	Number of SARs	Weighted average exercise price (CHF)	Number of WARs	Weighted average exercise price (CHF)
Outstanding SARs / WARs at April 1	91,706	116.34	8,783	118.40	68,360	111.78	29,477	123.02
Granted	35,102	124.20			36,235	121.10		
Exercised / sold	(8,151)	105.14	(8,783)	118.40	(8,596)	99.61	(20,694)	124.98
Forfeited	(14,701)	119.30			(4,293)	117.44		
Outstanding SARs / WARs at March 31[1)]	**103,956**	**119.45**	**0**		**91,706**	**116.34**	**8,783**	**118.40**
Exercisable at March 31[2)]	**13,489**	**108.71**			**4,899**	**103.19**	**8,783**	**118.40**

1) The carrying amount of the liability relating to the SARs at March 31, 2016 is CHF 1.0 million (previous year CHF 1.3 million). There is no liability for the WARs at March 31, 2016 (previous year CHF 0.2 million).

2) The intrinsic value of the SARs exercisable at March 31, 2016, amounts to CHF 0.2 million (previous year CHF 0.2 million).

Restricted shares / Restricted share units (RSUs)

Under the EEAP grants 2011 to 2016, 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 performance RSUs, granted to the CEO and the other members of the MB under the EEAPs 2015 and 2016, vesting of these shares is also dependent on the fulfillment of the performance criteria. In addition to the RSUs granted in respect to the EEAP 2016, 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. 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).

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 (including adjustments due to re-assessments of the likely achievements of the ROCE targets for performance RSUs granted to CEO and the other members of the MB) to ensure that only vested amounts are expensed. The costs for the restricted shares granted to the members of the Board of Directors have been fully expensed in the 2015 / 16 financial year as these shares have no vesting period.

Changes in outstanding RSUs:	2015/16	2014/15
	Number of RSUs	Number of RSUs
RSUs at April 1	435,473	398,452
Granted[1]	133,082	138,138
Released	(87,843)	(83,287)
Forfeited	(22,276)	(17,830)
RSUs at March 31	**458,436**	**435,473**

[1] 2015/16 includes 19,818 performance RSUs, granted to the CEO and MB members (previous year 20,743).

32. Contingent liabilities

At March 31, 2016 and 2015, there were no pledges given to third parties other than in relation to bank loans and mortgages.

In the 2015/16 financial year, the Group entered into an agreement for a credit line in the amount of CHF 150 million with an option to increase to CHF 250 million. The terminal date of this credit line is July 31, 2018, with an option to extend for two years. The credit line was not used at balance sheet date.

The bank loan of CHF 470 million, granted in connection with the acquisition of Advanced Bionics, has been fully repaid in the 2014/15 financial year and therefore the shares of Advanced Bionics are no longer pledged.

A deposit in the amount of CHF 1.1 million has been pledged in relation to a bank guarantee. Mortgages are secured by properties in the amount of CHF 0.1 million (previous year CHF 0.1 million). The net book value of these properties amounts to CHF 0.9 million at March 31, 2016 (previous year CHF 0.9 million). Open purchase orders as of March 31, 2016 and 2015, were related to recurring business activities.

33. Leasing liabilities

At March 31, 2016, the following non-cancellable minimum operating lease obligations existed:

Financial year 1,000 CHF	31.3.2016	31.3.2015
2015 / 16		41,191
2016 / 17	41,392	32,451
2017 / 18	31,133	25,843
2018 / 19	24,951	20,664
2019 / 20	22,225	20,656
2020 / 21	15,575	18,283
thereafter	28,944	14,958
Total	**164,220**	**174,046**

The operating lease commitments relate primarily to long-term property lease agreements which are, in general, renewable.

In the 2015 / 16 financial year, CHF 54.0 million have been recognized as expenses for leases in the consolidated income statement (previous year CHF 44.0 million).

As of March 31, 2016 and 2015, the Group had no financial lease obligations.

34. Events after balance sheet date

On May 4, 2016, Sonova Holding AG announced that it reached an agreement to acquire AudioNova from HAL Investments B.V. (HAL). AudioNova, headquartered in Rotterdam, the Netherlands, is one of Europe's leading hearing aid retailers and service providers and operates over 1,300 stores in 8 countries. In 2015 AudioNova generated net sales of ca. EUR 360 million (CHF 395 million). The purchase consideration will be paid in cash and values AudioNova at EUR 830 million (CHF 913 million) on a cash and debt free basis, subject to certain adjustments such as interest cost on the purchase consideration. The closing of the transaction is subject to regulatory approval and expected in the second half of 2016.

With this acquisition, Sonova takes the opportunity to expand its business in the European hearing aid retail market. The combination of AudioNova and Sonova will create one of the broadest hearing aid retail service networks in Europe with attractive market positions and critical mass.

35. 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	3,331	
Sonova AG	A, B, C, D	Stäfa	CHF	2,500	100 %
Advanced Bionics AG	A, B	Stäfa	CHF	4,350	100 %
Indomed AG	A	Zug	CHF	1,000	100 %
EMEA (excluding Switzerland)					
Hansaton Akustische Geräte GmbH	B	Wals-Himmelreich (AT)	EUR	450	100 %
Ets. Lapperre BHAC NV	B	Groot-Bijgaarden (BE)	EUR	124	100 %
Phonak GmbH	B	Fellbach-Oeffingen (DE)	EUR	25	100 %
Unitron Hearing GmbH	B	Fellbach-Oeffingen (DE)	EUR	41	100 %
Hansaton Akustik GmbH	B	Hamburg (DE)	EUR	1,000	100 %
Phonak Ibérica S.A.U.	B	Alicante (ES)	EUR	7,000	100 %
Audition Santé SAS	B	Cahors (FR)	EUR	18,800	100 %
Phonak France SA	B	Bron-Lyon (FR)	EUR	1,000	100 %
Phonak Italia Srl	B	Milan (IT)	EUR	1,040	100 %
Boots Hearing Care Ltd.	B	Conwy (UK)	GBP	0 [2]	51 %
Sonova UK Ltd.	B	Warrington (UK)	GBP	2,500	100 %
Sonova Service Center UK Limited	C	Warrington (UK)	GBP	150	100 %
Americas					
Sonova do Brasil Produtos Audiológicos Ltda.	B	Sao Paulo (BR)	BRL	36,179	100 %
National Hearing Services Inc.	B	Victoria BC (CA)	CAD	0 [3]	100 %
Sonova Canada Inc.	B	Mississauga (CA)	CAD	0 [3]	100 %
Connect Hearing Inc.	B	Naperville (US)	USD	0 [4]	100 %
Ear Professionals International Corporation	B	Pomona (US)	USD	6	100 %
Unitron Hearing, Inc.	B	Plymouth (US)	USD	46,608	100 %
Advanced Bionics Corp.	A	Valencia (US)	USD	1	100 %
Advanced Bionics LLC	B, C, D	Valencia (US)	USD	0 [3]	100 %
Phonak LLC	B	Warrenville (US)	USD	0 [3]	100 %
Sonova United States Hearing Instruments, LLC	A	Warrenville (US)	USD	0 [3]	100 %
Development Finance Inc.	A	Wilmington (US)	USD	0 [5]	100 %
Asia / Pacific					
Hearing Retail Group Pty. Ltd.	B	McMahons Point (AU)	AUD	0 [6]	100 %
Sonova Australia Pty Ltd	B	Baulkham Hills (AU)	AUD	750	100 %
Triton Hearing Limited	B	Christchurch (NZ)	NZD	7,750	100 %
Sonova (Shanghai) Co., Ltd.	B	Shanghai (CN)	CNY	20,041	100 %
Unitron Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY	46,249	100 %
Phonak 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] GBP 133
[3] Without par value
[4] USD 1
[5] USD 10
[6] AUD 100

Report of the statutory auditor on the consolidated financial statement

Report of the statutory auditor on the consolidated financial statements 2015/16
to the Annual General Shareholders' Meeting of Sonova Holding AG Stäfa.

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Sonova Holding AG, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated changes in equity and notes (pages 84 to 126) for the year ended March 31, 2016.

Board of directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements for the year ended March 31, 2016, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

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 paragraph 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 consolidated financial statements according to the instructions of the Board of Directors.

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

PricewaterhouseCoopers AG

Sandra Boehm Audit expert Auditor in charge	Kai Mauden

Zurich, May 10, 2016

Financial statements of Sonova Holding AG

Income statements

1,000 CHF	Notes	2015 / 16	2014 / 15[1]
Income			
Investment income		279,257	262,651
License income		16,866	22,406
Financial income	2.1	39,575	26,086
Total income		**335,698**	**311,143**
Expenses			
Administration expenses		(7,571)	(8,220)
Other expenses		(1,053)	(1,028)
Financial expenses	2.1	(33,559)	(41,527)
Direct taxes		(1,508)	(193)
Total expenses		**(43,691)**	**(50,968)**
Net profit for the year		**292,007**	**260,175**

[1] Financial statements 2014 / 15 have been adjusted to ensure comparability with the 2015 / 16 presentation.

Balance sheets

Assets 1,000 CHF	Notes	31.3.2016	31.3.2015[1)]
Cash and cash equivalents		71,347	68,312
Other receivables			
– Third parties		2,812	2,907
– Group companies		9,323	54,602
Prepaid expenses		30	50
Total current assets		**83,512**	**125,871**
Financial assets	2.2		
– Third parties		389	
– Group Companies		1,386,107	1,340,840
Investments	2.3	321,355	314,590
Total non-current assets		**1,707,851**	**1,655,430**
Total assets		**1,791,363**	**1,781,301**

Liabilities and shareholders' equity 1,000 CHF	Notes	31.3.2016	31.3.2015[1)]
Other current liabilities			
– Third parties		112	
– Group Companies		2,132	
Short-term interest-bearing liabilities to Group companies		10,554	
Other short-term liabilities to third parties		4,128	8,604
Accrued liabilities		3,786	1,605
Total short-term liabilities		**20,712**	**10,209**
Total liabilities		**20,712**	**10,209**
Share capital		3,331	3,359
Legal reserves			
– Reserves from capital contribution		18,570	18,542
– General reserves		1,800	1,800
Statutory retained earnings			
– Profit brought forward		1,611,352	1,560,851
– Net profit for the year		292,007	260,175
Treasury shares	2.4	(156,409)	(73,635)
Total shareholders' equity		**1,770,651**	**1,771,092**
Total liabilities and shareholders' equity		**1,791,363**	**1,781,301**

1) Financial statements 2014 / 15 have been adjusted to ensure comparability with the 2015 / 16 presentation.

Notes to the financial statements as of March 31, 2016

1. General information

The financial statements of Sonova Holding AG, with registered office in Stäfa, comply with the requirements of the new Swiss accounting legislation, which became effective since January 1, 2013 and required implementation in 2015, of Swiss code of Obligation (SCO). In accordance to SCO Sonova Holding AG decided to adjust the 2014 / 15 financial statements to be comparable with the 2015 / 16 presentation. The adoption of the amended SCO resulted in changes to the presentation and disclosure. To ensure comparability previous year figures have been amended accordingly. The company does not have any employees.

2. Accounting principles

2.1 Financial income / expenses

Financial income / expenses consists primarily of 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 consists mainly of participations in fully consolidated Group companies. They are in general subject to individual valuation. Certain investments are subject to a group valuation approach due to their homogeneity in nature.

2.4 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 Treasury shares

Out of total treasury shares amounting to 1,209,989 shares on March 31, 2016, 1,203,500 shares were purchased by the company as part of the share buyback program. In accordance with the acceptance of the annual general meeting on June 16, 2015, 546,900 treasury shares have been cancelled with the effect of a decrease in share capital. Consequently the reserves from capital contribution increased by the same amount. The average selling price amounted to CHF 107.97 and the average purchase price to CHF 130.25.

Number / 1,000 CHF

	Number	Treasury shares at cost
Balance April 1, 2015	547,313	73,635
Purchase of treasury shares from share buyback	1,203,500	155,639
Purchase of treasury shares	182,420	24,874
Sale / Transfer of treasury shares	(176,344)	(19,040)
Cancellation of treasury shares	(546,900)	(73,579)
Loss from sale of treasury shares		(5,120)
Balance March 31, 2016	**1,209,989**	**156,409**

3.2 Contingent liabilities

1,000 CHF	**31.3.2016**	**31.3.2015**
Guarantees given in respect of rental obligations of Group Companies	2,894	3,873

In the 2015 / 16 financial year, the Group entered into an agreement for a credit line in the amount of CHF 150 million with an option to increase to CHF 250 million. The terminal date of this credit line is July 31, 2018, with an option to extend for two years. The credit line was not used at balance sheet date.

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 cashpool are jointly and severally liable for any debit position or outstanding overdraft in connection with them.

3.3 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 %
Phonak Communications AG	B, C, D	Murten	CHF	500	100 %
Unitron Hearing GmbH (Switzerland)	B	Stäfa	CHF	20	100 %
Verve Hearing Systems AG	A	Stäfa	CHF	100	100 %
Indomed AG	A	Zug	CHF	1,000	100 %
EMEA (excluding Switzerland)					
Phonak France SA	B	Bron-Lyon (FR)	EUR	1,000	30 %[2]
SCI Du Triangle De Bron	A	Bron-Lyon (FR)	EUR	46	100 %
Phonak Holding GmbH	A	Fellbach-Oeffingen (DE)	EUR	153	85 %[2]
Phonak Italia S.R.L.	B	Milan (IT)	EUR	1,040	100 %
Sonova Nederland B.V.	B	Vianen (NL)	EUR	227	100 %
Sonova UK Ltd.	B	Warrington (UK)	GBP	2,500	100 %
Boots Hearing Care Ltd.	B	Conwy (UK)	GBP	0[3]	51 %
Sonova Belgium NV	A, B	Asse Zellik (BE)	EUR	5,000	100 %
Phonak Denmark A / S	B	Middelfart (DK)	DKK	11,075	100 %
Sonova Nordic AB	B	Stockholm (SE)	SEK	200	85 %[2]
Sonova Sweden AB	B	Stockholm (SE)	SEK	100	100 %
Phonak AS	B	Oslo (NO)	NOK	900	100 %
Phonak Ibérica S.A.U.	B	Alicante (ES)	EUR	7,000	100 %
Hansaton Akustische Geräte GmbH	B	Wals-Himmelreich (AT)	EUR	450	100 %
Phonak Polska Sp. Z o.o.	B	Warsaw (PL)	PLN	100	100 %
Phonak Hungary Korlátolt Felelösségü Társaság	B	Budapest (HU)	HUF	5,000	100 %
Phonak CIS Ltd.	B	Moscow (RU)	RUB	4,000	100 %
Audition Santé SAS	B	Cahors (FR)	EUR	18,800	15 %[2]
HIMSA A / S	A	Copenhagen (DK)	DKK	250	25 %

For significant indirect investments refer to Note 35 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
4) Shares without par value

Company name	Activity	Domicile	Share / paid-in capital[1] Local currency 1,000		Shares held by Sonova Holding
Americas					
National Hearing Services Inc.	B	Victoria BC (CA)	CAD	0[4]	100 %
Sonova United States Hearing Instruments, LLC	B	Warrenville (US)	USD	0[4]	85 %[2]
Sound Pharmaceuticals, Inc.	A	Seattle (US)	USD	13,105	31 %
Sonova Canada Inc.	B	Mississauga (CA)	CAD	0[4]	85 %[2]
Phonak Mexicana S.A. de C.V.	B	Mexico DF (MX)	MXN	94,050	85 %[2]
Connect Hearing Mexico S.A. de C.V.	B	Mexico DF (MX)	MXN	66,050	99 %[2]
Unitron Hearing Colombia Ltda.	B	Bogota (CO)	COP	1,454,574	1 %[2]
CAS Argosy Participações Ltda.	B	São Paulo (BR)	BRL	37,106	100 %
Asia / Pacific					
Advanced Bionics Medical Instruments (Suzhou) Co., Ltd.	B	Suzhou (CN)	CNY	4,617	70 %[2]
Sonova Australia Pty. Ltd.	B	Baulkham Hills (AU)	AUD	750	100 %
Sonova New Zealand (Wholesale) Ltd.	B	Auckland (NZ)	NZD	250	100 %
Phonak Japan Co., Ltd.	B	Tokyo (JP)	JPY	10,000	100 %
Unitron Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY	46,249	100 %
Sichuan i-Hear Co., Ltd.	A	Chengdu (CN)	CNY	42,802	100 %
Sonova (Shanghai) Co., Ltd	B	Shanghai (CN)	CNY	20,041	100 %
Phonak Taiwan Pte. Ltd.	B	Zhonge City (TW)	TWD	3,100	100 %
Sonova Singapore Pte. Ltd.	B	Singapore (SG)	SGD	250	100 %
Sonova Korea Ltd.	B	Seoul (KR)	KRW	50,000	100 %
Phonak India Private Limited	B	Mumbai (IN)	INR	100	99 %[2]
Phonak Operation Center Vietnam Co., Ltd.	C	Binh Duong (VN)	VND	36,156,000	100 %
Sonova Viet Nam Company Limited	B	Ho Chi Minh City (VN)	VND	2,088,000	70 %[2]

For significant indirect investments refer to Note 35 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
4) Shares without par value

3.4 Significant shareholders

At year-end, the following significant shareholders were listed in the share register (with shareholdings in excess of 3 % of the issued share capital). Significant shareholders may also hold non-registered shares which are reported under "Not registered".

	31.3.2016	31.3.2015
Beda Diethelm	9.98 %	9.90 %
Chase Nominees Ltd.[1]	9.84 %	12.82 %
Hans-Ueli Rihs	6.02 %	6.04 %
Nortrust Nominees Ltd.[1]	3.96 %	3.60 %
Andy Rihs	3.52 %	4.79 %
Registered shareholders with less than 3 %	34.09 %	32.49 %
Not registered	32.59 %	30.36 %

[1] Registered without voting rights.

3.5 Shareholdings and participations of the Board of Directors and the Management Board

	31.3.2016				31.3.2015				
	Shares	Restricted Shares[1] [2]	RSUs[2]	Options (incl. SARs)[2]	Shares	Restricted Shares[1] [2]	RSUs[2]	Options (incl. SARs)[2]	Warrants (incl. WARs)[2] [3]
Board of Directors	30,207	58,454	1,044	14,067	3,240,874	47,761	2,610	21,740	1,187,500
Management Board	53,542		68,456	505,697		42,102	66,523	430,310	2,204,938
Total	**83,749**	**58,454**	**69,500**	**519,764**	**3,240,874**	**89,863**	**69,133**	**452,050**	**3,392,438**

[1] These shares are subject to a restriction period which varies from June 1, 2017 to June 1, 2020 depending on the grant date.
[2] For further details see also Note 31 in the consolidated financial statements.
[3] Exercise ratio between warrants and options: 25:1.

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.

Appropriation of available earnings

As proposed by the Board of Directors to the Annual General Shareholders' Meeting of June 14, 2016:

1,000 CHF	31.3.2016	31.3.2015[1]
Balance carried forward from previous year	**1,611,352**	**1,560,851**
Net profit for the year	292,007	260,175
Treasury shares	(156,409)	(73,635)
Available earnings	**1,746,950**	**1,747,391**
Dividend distribution[2]	(137,374)	(136,039)
Balance to be carried forward	**1,609,576**	**1,611,352**

[1] Approved by the Annual General Shareholders' Meeting of June 16, 2015.
[2] If the Annual Shareholders' Meeting approves the proposed appropriation of available earnings, a gross dividend of CHF 2.10 per registered share of CHF 0.05 will be paid out (previous year distribution of CHF 2.05).

Report of the statutory auditor on the financial statements

pwc

Report of the statutory auditor on the financial statements 2015/16 to the Annual General Shareholders' Meeting of Sonova Holding AG Stäfa

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 (pages 128 to 134) for the year ended March 31, 2016.

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 March 31, 2016, comply with Swiss law and the company's articles of incorporation.

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 paragraph 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.

PricewaterhouseCoopers AG

Sandra Boehm Audit expert Auditor in charge	Kai Mauden

Zurich, May 10, 2016