Financial reporting

Financial review

In the 2013 / 14 financial year Sonova generated sales of CHF 1,951.3 million, an increase of 8.7 % in reported Swiss francs or 11.7 % in local currencies. Comparedto the normalized FY 2012 / 13 result, Group EBITA rose by 16.7 % in local currencies to CHF 430.1 million, corresponding to a margin of 22.0 %.

Double-digit organic sales growth in local currencies

In the financial year under review, Group sales increased by 8.7 % in reported Swiss francs or 11.7 % in local currencies to CHF 1,951.3 million (2012 / 13: CHF 1,795.3 million). The main driver of the increase was double-digit organic growth, which reached 11.0 % in local currencies. The Swiss franc strengthened against all of the most relevant currencies except the euro during the financial year, reducing reported sales growth by CHF 54.2 million or 3.0 %.

In line with its strategy, Sonova made selected acquisitions of retail distribution businesses within its hearing instruments segment, albeit to a smaller extent than in previous years. External growth in sales for 2013 / 14 stemming from these acquisitions and the full-year effect of acquisitions from the previous year represented CHF 12.5 million or 0.7 %.

Broad-based growth across all regions

All major regions posted a solid sales increase in local currencies. Sales in the EMEA region (Europe, Middle East, and Africa), which accounted for 41 % of Group sales, rose by 12.4 % in local currencies. In the hearing instruments segment, key markets such as Germany, the United Kingdom, and France posted a strong increase, while the Netherlands and Denmark showed the continuing adverse impact of reimbursement changes. In all major regions, the cochlear implants segment grew even more strongly than the hearing instruments segment.

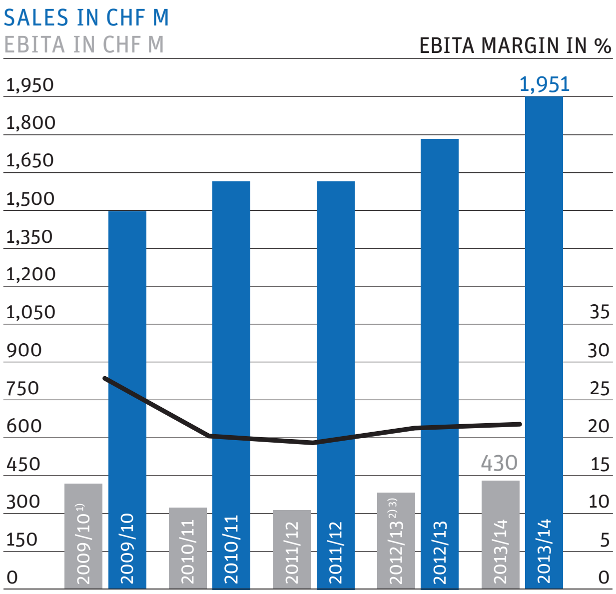
Sales in the United States, which accounted for 37 % of Group sales in fiscal year 2013 / 14, increased by 11.0 % in local currency. In the hearing instruments segment, growth was driven by solid development of both the commercial market and business with the US Department of Veterans Affairs (VA). Strong acceleration of cochlear implant sales in the second half of the financial year also added to growth. Cochlear implant processor sales rose sharply following US regulatory approval of the new Naída CI Q70 sound processor in late August 2013.

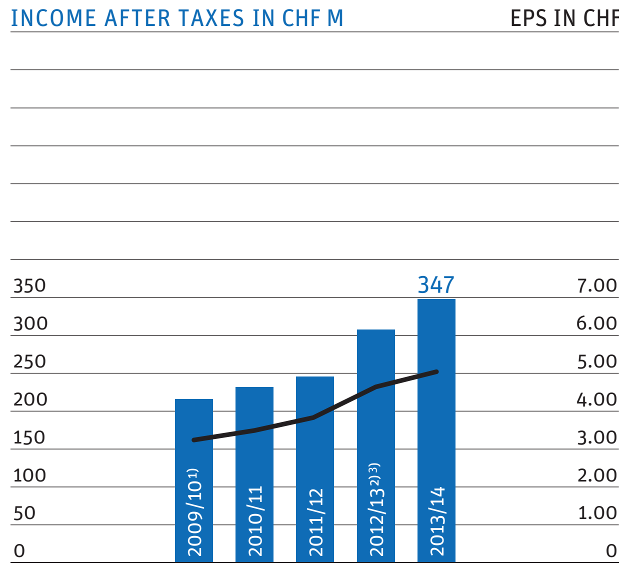
Sales in the rest of the Americas (excluding the US) grew by 9.6 % in local currencies and accounted for 11 % of Group sales. Strong growth in Brazil and other Latin American countries was in part offset by a significant currency headwind, which reduced reported sales by around CHF 20 million or nine percentage points. The main driver of the 14.0 % sales increase in local currencies in the Asia / Pacific region was strong performance from the hearing instruments business in China, Australia, New Zealand, and Japan. The region contributed 11 % to Group sales.

SONOVA GROUP KEY FIGURES

in CHF m unless otherwise specified	2013 / 14	Change in % (normalized)	Normalized performance 2012 / 13[1)/2)]	Change in % (reported)	Reported performance 2012 / 13[1)]
Sales	1,951.3	8.7 %	1,795.3	8.7 %	1,795.3
EBITA	430.1	11.6 %	385.3	136.7 %	181.7
EBITA margin	22.0 %		21.5 %		10.1 %
EPS (CHF)	5.08	10.4 %	4.60	207.9 %	1.65
Operating free cash flow[2)]	318.4	(0.0 %)	318.6	(0.0 %)	318.6
ROCE[3)]	27.7 %		10.4 %		10.4 %
ROE[3)]	20.3 %		7.1 %		7.1 %

1) Restated following the implementation of IAS 19 (revised), see Note 2.1. of the consolidated financial statements.
2) Excluding one-off cost, mainly related to the increase of the product liability provision within the cochlear implants business (see Note 7 of the consolidated financial statements). Balance sheet related key figures (including respective ratios) as reported.
3) For detailed definitions, please refer to “5 Year Key Figures”.





1) Restated based on finalization of the acquisition accounting of Advanced Bionics.
2) Restated following the implementation of IAS 19 (revised), refer Note 2.1. of the consolidated financial statements.
3) Excluding one-off cost, mainly related to the increase of the product liability provision within the cochlear implants business (see Note 7 of the consolidated financial statements).

Sustained margin improvement

Gross profit reached CHF 1,340.4 million (2012/13: CHF 1,239.8 million), an increase over the prior year of 8.1% in reported Swiss francs or 11.3% in local currencies. This corresponds to a gross margin of 68.7%, down from 69.1% the prior year. This decrease is caused by the higher share of cochlear implants business, which has a modestly lower gross profit margin than the hearing instruments segment.

Maintaining the group's high pace of innovation requires significant and continuing investment in research and development (R&D). R&D expenses grew by 11.3% in local currencies to CHF 125.7 million or 6.4% of sales in 2013/14. Gross R&D spending (including the net increase in capitalized development costs) amounted to CHF 142.9 million, corresponding to 7.3% of sales.

Sales and marketing costs increased by 5.5% in Swiss francs or 8.3% in local currencies to reach CHF 589.6 million. As a percentage of sales, reported costs stood at 30.2%, down from 31.1% in the prior year. This favorable trend is due to continuous cost discipline and was achieved despite significant product launch activity (particularly in the cochlear implants segment), extra costs for re-branding and process harmonization in our US retail business, and accelerated engagement in web-based B2C marketing.

General and administrative expenses rose by 7.6% in Swiss francs or 9.4% in local currencies, below reported sales growth. As a percentage of sales, general and administrative expenses stood at 10.0%. A favorable cost ratio development from strict cost control, was offset by extra costs for deeper integration of our US retail business.

Other income amounted to CHF 0.2 million. The CHF 203.6 million reported in the prior year under "other expenses" represented one-off costs, principally the increased product liability provision related to Advanced Bionics' Vendor B product recall in 2006.

In summary, total operating expenses rose by 6.5% in Swiss francs or 8.9% in local currencies, both normalized for prior year one-off costs in the "other expenses" category. This is well below the reported sales growth. Operating profit before acquisition-related amortization (EBITA) was therefore CHF 430.1 million, which represents an increase of 11.6% in Swiss francs or 16.7% in local currencies compared to the normalized EBITA for the prior year. EBITA margin rose to a solid 22.0%, up from a normalized EBITA margin of 21.5% last year. Strong operating margin improvements were partly offset by the unfavorable currency development that reduced the reported EBITA by CHF 19.6 million and the EBITA margin by 40 basis points.

Operating profit (EBIT) reached CHF 404.0 million, an increase of 12.5% in Swiss francs or 17.7% in local currencies compared to the normalized prior year value. This reflects the strong EBITA growth and the fact that acquisition-related amortization were unchanged from prior year, as the modest increases from acquisitions were offset by currency effects. Net financial expenses rose from CHF 7.1 million to CHF 9.5 million, mainly due to the unwinding of the discount on the product liability provision and a lower profit from associates.

SALES BY REGIONS

in CHF m	2013/14			2012/13	
	Sales	Share	Growth in local currencies	Sales	Share
EMEA	795	41%	12.4%	706	40%
USA	727	37%	11.0%	671	37%
Americas (excl. USA)	224	11%	9.6%	222	12%
Asia/Pacific	205	11%	14.0%	196	11%
Total sales	**1,951**	**100%**	**11.7%**	**1,795**	**100%**

Solid growth in EPS

Income taxes for the financial year totaled CHF 47.2 million, up from CHF 37.6 million in 2012/13, representing an effective tax rate of 12.0%. Reported income after taxes was CHF 347.4 million, up 12.9% from the normalized result in the previous year. Basic earnings per share (EPS) therefore reached CHF 5.08 (normalized EPS 2012/13: CHF 4.60), a solid rise of 10.4% over the previous year.

Workforce increases to 9,529

At the end of the 2013/14 financial year, the Group's total workforce stood at 9,529 full time equivalents – an increase of 577 over the previous year. This growth is broadly based across our sales and distribution organization and also includes modest additions from retail acquisitions. Our manufacturing work force also increased, particularly at the Vietnam operations center, which has taken over assembly of our Lyric product from our US operations.

Hearing instruments segment – New products driving organic growth

Driven almost exclusively by organic growth, sales in the hearing instruments segment reached CHF 1,756.0 million, representing an increase of 6.5% in reported Swiss francs and 9.5% in local currencies. With an organic growth rate of 8.8% in local currencies, the business outpaced estimated market growth rates and further extended the Group's leading market position. Acquisitions added CHF 12.5 million or 0.7% to sales growth, including the full-year effect of acquisitions completed during the previous financial year.

Once again, both the Group's wholesale and retail businesses contributed to growth in the hearing instruments segment. A key driver of this strong development was the success of the Phonak Quest platform, particularly the highly popular Receiver-In-Canal (RIC) form factor introduced at the AudiologyNOW! congress in April 2013. Lyric, the first and only invisible extended wear solution in the industry, also supported the sound organic sales increase with a growth rate of approximately 50% in 2013/14. Unitron posted particularly strong growth in Germany, France, the UK, and China. Growth in the retail business continued to be driven by strong performance from the partnership with Boots, the UK's leading pharmacy-led health and beauty retailer, but it was also supported by solid sales growth in several Asia-Pacific markets.

Looking at the different product categories, Premium hearing instruments posted an above average growth rate, achieving a sales increase of 12.8% in local currencies. The Premium category also includes Lyric. The Standard category showed the strongest growth, up 15.3% in local currencies. This was helped in part by strong growth in the German market following a change in the reimbursement system in November 2013. The Advanced category also contributed to growth, albeit to a lesser extent, with a sales increase of 3.6% local currencies. Premium and advanced hearing instruments each accounted for 22% of Group sales, while Standard accounted for 29%. Supported by the introduction of Roger, the all-new 2.4 GHz based system, sales of wireless communication systems grew by 9.9% in local currencies. Sales of miscellaneous products and services grew by 3.1% in local currencies in 2013/14, accounting for 13% of Group sales. This category mainly consists of revenues from services and from the distribution of accessories and batteries.

The strong sales increase and stringent cost discipline lifted EBITA for the hearing instruments segment by 8.8% in Swiss francs and 13.9% in local currencies, reaching CHF 417.3 million. Excluding the unfavorable currency impact, operating margin rose by 90 basis points. As reported, EBITA margin rose by 50 basis points to 23.8%. These margin increases demonstrate operating leverage and were achieved despite extra costs for deeper integration of our US retail business, such as establishing common branding and centralizing back office systems and support processes.

Cochlear implants segment – Drawing from a complete portfolio

The performance of the cochlear implants segment was another highlight in the year under review. The segment achieved sales of CHF 195.3 million, an increase of 33.1 % in Swiss francs and 36.0 % in local currencies. Supported in particular by the launch of the Naída CI Q70 sound processor in summer 2013, sales accelerated over the course of the year, exceeding a year-on-year growth of 50 % in the second half of 2013 / 14. Europe and North America in particular responded very well to the new sound processor that incorporates many industry-first innovations shared with Phonak hearing aids. The balanced portfolio of electrodes and Advanced Bionics' swimmable processor also supported growth, which reflected both the addition of new customer clinics and increased penetration at existing accounts. As in the previous year, cochlear implants sales included the fulfillment of a central government tender in China.

Profit from the cochlear implants segment improved strongly during financial year 2013 / 14, in line with our business plan, despite significant expenses from the launch of new products, particularly the new Naída CI Q70 sound processor. EBITA for the segment reached 12.8 million, representing an operating margin of 6.6 %. This is an important step towards our goal of bringing the EBITA margin of the cochlear implants business closer to the corporate average. Normalized for one-off costs, principally the increased product liability provision related to Advanced Bionics' Vendor B product recall in 2006, the cochlear implants segment had achieved an EBITA of CHF 1.8 million in the previous financial year. In 2013 / 14 the relevant parameters for the said product liability provision developed fully in line with the assumptions considered in the accounts of the previous financial year. Thus no releases or additions with P & L effect were booked to the provision in the year under review.

Significant free cash flow

Cash flow from operating activities rose by 6.2 % to CHF 411.0 million in the period under review. The increase reflects the rise in EBITA of 11.6 % versus the prior year (normalized for the effect of one-off costs) and CHF 43.4 million of cash spent for the settlement and defense of product liability claims in connection with the Advanced Bionics' Vendor B product recall (2012 / 13: CHF 2.9 million). This includes the settlements announced in October 2013, which covered the majority of claims pending at that time. Investments in tangible and intangible assets increased by 15.0 % to CHF 94.7 million, resulting in an operating free cash flow of CHF 318.4 million, unchanged from prior year. The cash consideration for acquisitions, including earn-out payments for prior period acquisitions, dropped from CHF 56.2 million last year to CHF 29.8 million during the reporting period. In summary, this resulted in a free cash flow of CHF 288.6 million, up 10.0 % from last year.

The cash outflow from financing rose to CHF 309.1 million in the period under review, from CHF 21.8 million last year. This in part reflects the higher distribution to shareholders as well as the purchase of shares to serve the equity-based incentive plans; in previous years, the shares for these plans were created out of conditional capital. Sonova also decided on an early repayment of CHF 150 million of its CHF 230 million bank debt assumed in connection with the acquisition of Advanced Bionics in 2009. The remainder of this bank debt will mature in December 2014, rendering the Group essentially debt-free.

SALES BY PRODUCT GROUPS

in CHF m			2013 / 14		2012 / 13
Product groups	Sales	Share	Growth in local currencies	Sales	Share
Premiums hearing instruments	433	22 %	12.8 %	393	22 %
Advanced hearing instruments	438	22 %	3.6 %	435	24 %
Standard hearing instruments	556	29 %	15.3 %	496	28 %
Wireless communication systems	68	4 %	9.9 %	64	4 %
Miscellaneous	261	13 %	3.1 %	260	14 %
Total hearing instruments	1,756	90 %	9.5 %	1,648	92 %
Cochlear implants and accessories	195	10 %	36.0 %	147	8 %
Total sales	**1,951**	**100 %**	**11.7 %**	**1,795**	**100 %**

Maintaining a solid balance sheet

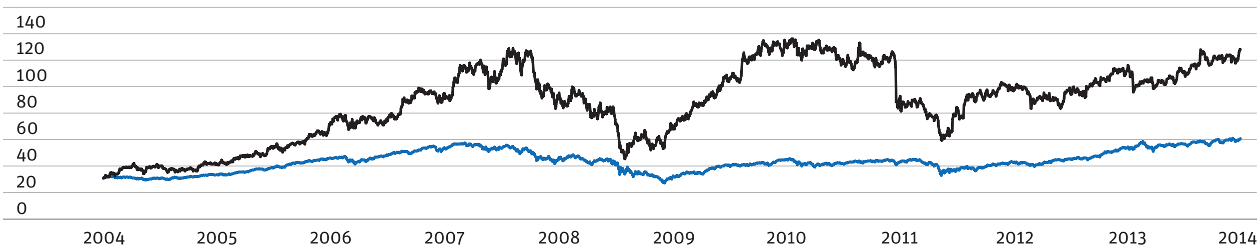
The reported net working capital was at CHF 190.6 million compared to CHF 187.1 million at the end of the 2012/13 financial year. Capital employed was largely unchanged at CHF 1,463 million. Helped by its strong free cash flow, the Group ended the period with a net cash position of CHF 311.5 million, up CHF 125.7 million from CHF 185.8 million at the end of the prior year. The return on capital employed (ROCE) was 27.7 % compared to 22.6 % in the prior year (normalized for the effect of one-off costs), showing that we are on track to reach our mid-term financial targets.

In light of its strong performance during the 2013/14 financial year, as well as the solid financial position of the Sonova Group, the Board of Directors will propose to the Annual General Shareholders' Meeting on June 17, 2014 a dividend of CHF 1.90. Compared to the prior year, the proposed distribution is up 19 % and represents a slightly higher payout ratio of 37 %.

Outlook 2014/15

Sonova remains committed to achieve profitable growth through continuous innovation and to further expand our strong market positions. We expect continued solid growth in sales and earnings in 2014/15, both in the hearing instruments and cochlear implants segment. Group sales are expected to grow by 7 % – 9 % in local currencies.

SONOVA SHARE PRICE
SWISS PERFORMANCE INDEX (Rebased)



Share price performance[1)]

	10 years	5 years	3 years	2 years	1 year
Sonova shares	323.6 %	87.8 %	57.8 %	28.8 %	13.4 %
Swiss Performance Index (SPI)[2)]	100.1 %	98.2 %	41.6 %	43.5 %	13.2 %
Sonova shares relative to the SPI	223.5 %	(10.5 %)	16.2 %	(14.7 %)	0.2 %

1) Performance of the Sonova shares and SPI refers to the respective period prior to the last trading day of financial year 2013 / 14
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	2013 / 14[1]	Normalized performance 2012 / 13[2)/3]
Sales	**1,951,312**	**1,795,262**
change compared to previous year (%)	8.7	10.8
Gross profit	**1,340,449**	**1,239,780**
change compared to previous year (%)	8.1	12.1
in % of sales	68.7	69.1
Research & development costs	**125,657**	**113,884**
in % of sales	6.4	6.3
Sales & marketing costs	**589,627**	**559,077**
in % of sales	30.2	31.1
Operating profit before acquisition-related amortization and impairment (EBITA)	**430,109**	**385,304**
change compared to previous year (%)	11.6	22.2
in % of sales	22.0	21.5
Operating profit (EBIT)	**404,030**	**359,175**
change compared to previous year (%)	12.5	24.8
in % of sales	20.7	20.0
Income after taxes	**347,382**	**307,745**
change compared to previous year (%)	12.9	24.9
in % of sales	17.8	17.1
Number of employees (average)	**9,175**	**8,709**
change compared to previous year (%)	5.4	9.3
Number of employees (end of period)	**9,529**	**8,952**
change compared to previous year (%)	6.4	8.9
Net cash[5]	**311,525**	**185,800**
Net working capital[6]	**190,571**	**187,148**
in % of sales	9.8	10.4
Capital expenditure (tangible and intangible assets)[7]	**93,918**	**82,354**
Capital employed[8]	**1,462,850**	**1,455,460**
in % of sales	75.0	81.1
Total assets	**2,593,748**	**2,680,042**
Equity	**1,774,375**	**1,641,260**
Equity financing ratio (%)[9]	**68.4**	**61.2**
Free cash flow[10]	**288,618**	**262,370**
Operating free cash flow[11]	**318,430**	**318,553**
in % of sales	16.3	17.7
Return on capital employed (%)[12]	**27.7**	**10.4**
Return on equity (%)[13]	**20.3**	**7.1**
Basic earnings per share (CHF)	5.08	4.60
Diluted earnings per share (CHF)	5.07	4.59
Dividend / distribution per share (CHF)	1.90[14]	1.60

[1] Changes compared to previous year are based on the normalized performance 2012 / 13.
[2] Restated following the implementation of IAS 19 (revised), refer Note 2.1.
[3] Excluding one-off cost, mainly related to the increase of the product liability provision within the cochlear implants business (see Note 7). Balance sheet related key figures (including respective ratios) as reported.
[4] Restated based on finalization of the acquisition accounting of Advanced Bionics.
[5] Cash and cash equivalents + other current financial assets (without loans) – current financial liabilities – non-current financial liabilities.
[6] Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – other short-term liabilities – short-term provisions.
[7] Excluding goodwill and intangibles relating to acquisitions.
[8] Equity – net cash.

Reported performance 2012/13[2]	2011/12	2010/11	Restated 2009/10[4]	Reported 2009/10
1,795,262	**1,619,848**	**1,616,700**	**1,500,306**	**1,500,306**
10.8	0.2	7.8	20.1	20.1
1,239,780	**1,105,924**	**1,118,681**	**1,058,597**	**1,058,427**
12.1	(1.1)	5.7	22.1	22.0
69.1	68.3	69.2	70.6	70.5
113,884	**116,178**	**107,760**	**87,034**	**87,034**
6.3	7.2	6.7	5.8	5.8
559,077	**503,354**	**498,589**	**402,626**	**402,626**
31.1	31.1	30.8	26.8	26.8
181,688	**315,199**	**326,622**	**420,276**	**420,106**
(42.4)	(3.5)	(22.3)	26.7	26.6
10.1	19.5	20.2	28.0	28.0
155,559	**287,699**	**270,810**	**251,419**	**406,753**
(45.9)	6.2	7.7	(22.6)	25.1
8.7	17.8	16.8	16.8	27.1
110,869	**246,410**	**231,080**	**216,632**	**354,813**
(55.0)	6.6	6.7	(23.8)	24.9
6.2	15.2	14.3	14.4	23.6
8,709	**7,970**	**7,291**	**5,933**	**5,933**
9.3	9.3	22.9	16.1	16.1
8,952	**8,223**	**7,840**	**6,843**	**6,843**
8.9	4.9	14.6	28.2	28.2
185,800	**(64,448)**	**(111,287)**	**(126,029)**	**(126,029)**
187,148	**163,434**	**158,190**	**144,363**	**177,011**
10.4	10.1	9.8	9.6	11.8
82,354	**80,073**	**111,457**	**89,272**	**89,272**
1,455,460	**1,540,326**	**1,455,999**	**1,388,537**	**1,534,387**
81.1	95.1	90.1	92.6	102.3
2,680,042	**2,287,202**	**2,171,644**	**2,324,026**	**2,409,257**
1,641,260	**1,475,878**	**1,344,712**	**1,262,508**	**1,408,358**
61.2	**64.5**	**61.9**	**54.3**	**58.5**
262,370	**156,406**	**71,593**	**(301,388)**	**(301,388)**
318,553	**239,535**	**221,541**	**324,754**	**324,754**
17.7	14.8	13.7	21.6	21.6
10.4	**19.2**	**19.0**	**23.0**	**34.9**
7.1	**17.5**	**17.7**	**18.9**	**29.1**
1.65	3.71	3.50	3.32	5.41
1.64	3.71	3.47	3.28	5.36
1.60	1.20	1.20	1.20	1.20

9) Equity in % of total assets.
10) Cash flow from operating activities + cash flow from investing activities.
11) Free cash flow – cash consideration for acquisitions, net of cash acquired.
12) EBIT in % of capital employed (average).
13) Income after taxes in % of equity (average).
14) Proposal to the Annual General Shareholders' Meeting of June 17, 2014.

Consolidated financial statements

Consolidated income statements

1,000 CHF	Notes	2013 / 14	2012 / 13[1]
Sales	6	**1,951,312**	**1,795,262**
Cost of sales		(610,863)	(555,482)
Gross profit		**1,340,449**	**1,239,780**
Research and development		(125,657)	(113,884)
Sales and marketing		(589,627)	(559,077)
General and administration		(195,227)	(181,515)
Other income / (expenses), net	7	171	(203,616)
Operating profit before acquisition-related amortization (EBITA)[2]		**430,109**	**181,688**
Acquisition-related amortization	20	(26,079)	(26,129)
Operating profit (EBIT)[3]		**404,030**	**155,559**
Financial income	8	5,390	3,651
Financial expenses	8	(14,831)	(12,854)
Share of (loss) / profit in associates / joint ventures	18	(11)	2,105
Income before taxes		**394,578**	**148,461**
Income taxes	9	(47,196)	(37,592)
Income after taxes		**347,382**	**110,869**
Attributable to:			
Equity holders of the parent		340,830	109,749
Non-controlling interests		6,552	1,120
Basic earnings per share (CHF)	10	5.08	1.65
Diluted earnings per share (CHF)	10	5.07	1.64

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.1.
[2] Earnings before financial result, share of profit / (loss) in associates / joint ventures, taxes and acquisition-related amortization (EBITA).
[3] 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	2013/14	2012/13[1]
Income after taxes		**347,382**	**110,869**
Other comprehensive income			
Actuarial gain / (loss) from defined benefit plans, net	30	1,405	(14,176)
Tax effect on actuarial gain / (loss) from defined benefit plans		(188)	1,940
Put options granted to non-controlling interests		(7,879)	
Total items not to be reclassified to income statement in subsequent periods		**(6,662)**	**(12,236)**
Fair value adjustment on cash flow hedges		5,300	2,265
Currency translation differences		(83,798)	52,167
Tax effect on currency translation items		3,140	(1,868)
Total items to be reclassified to income statement in subsequent periods		**(75,358)**	**52,564**
Other comprehensive income, net of tax		**(82,020)**	**40,328**
Total comprehensive income		**265,362**	**151,197**
Attributable to:			
Equity holders of the parent		258,350	150,809
Non-controlling interests		7,012	388

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.1.

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

Consolidated balance sheets

Assets 1,000 CHF	Notes	31.3.2014	31.3.2013[1]	31.3.2012[1]
Cash and cash equivalents	12	410,004	434,766	191,938
Other current financial assets	13	3,970	4,640	6,801
Trade receivables	14	350,807	339,689	339,419
Current income tax receivables		6,931	10,968	13,658
Other receivables and prepaid expenses	15	65,519	71,505	52,003
Inventories	16	206,042	204,258	164,303
Total current assets		**1,043,273**	**1,065,826**	**768,122**
Property, plant and equipment	17	263,080	248,571	242,490
Intangible assets	20	1,161,070	1,199,769	1,120,590
Investments in associates / joint ventures	18	11,620	19,339	15,668
Other non-current financial assets	19	20,603	30,032	42,312
Deferred tax assets	9	94,102	116,505	97,260
Total non-current assets		**1,550,475**	**1,614,216**	**1,518,320**
Total assets		**2,593,748**	**2,680,042**	**2,286,442**

Liabilities and equity 1,000 CHF	Notes	31.3.2014	31.3.2013[1]	31.3.2012[1]
Current financial liabilities	22	93,828	7,196	16,246
Trade payables		75,283	74,684	69,533
Current income tax liabilities		61,870	57,209	72,934
Other short-term liabilities	23	204,036	205,748	177,303
Short-term provisions	21	101,509	106,271	91,561
Total current liabilities		**536,526**	**451,108**	**427,577**
Non-current financial liabilities	24	4,651	241,770	241,559
Long-term provisions	21	197,574	256,083	78,359
Other long-term liabilities	26	48,221	44,272	28,665
Deferred tax liabilities	9	32,401	45,549	29,443
Total non-current liabilities		**282,847**	**587,674**	**378,026**
Total liabilities		**819,373**	**1,038,782**	**805,603**
Share capital	27	3,359	3,358	3,329
Treasury shares		4,285	9,401	2,733
Retained earnings and reserves		1,737,186	1,600,058	1,473,024
Equity attributable to equity holders of the parent		**1,744,830**	**1,612,817**	**1,479,086**
Non-controlling interests		29,545	28,443	1,753
Equity		**1,774,375**	**1,641,260**	**1,480,839**
Total liabilities and equity		**2,593,748**	**2,680,042**	**2,286,442**

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.1.

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

Consolidated cash flow statements

1,000 CHF	Notes	2013/14		2012/13[1]	
Income before taxes			**394,578**		**148,461**
Depreciation and amortization of tangible and intangible assets	17,20	83,100		81,657	
Loss on sale of tangible and intangible assets, net		1,128		457	
Share of loss / (gain) in associates / joint ventures	18	11		(2,105)	
(Decrease) / increase in long-term provisions		(20,903)		196,686	
Financial expenses, net	8	9,441		9,203	
Share based payments	31	19,133		16,248	
Other non-cash items		2,963		1,023	
Income taxes paid		(37,303)	57,570	(50,137)	253,032
Cash flow before changes in net working capital			**452,148**		**401,493**
(Increase) / decrease in trade receivables		(31,958)		8,292	
Decrease / (increase) in other receivables and prepaid expenses		4,238		(17,448)	
Increase in inventories		(17,064)		(31,140)	
Increase in trade payables		2,170		2,296	
Increase in other payables, accruals and short-term provisions		1,494	(41,120)	23,560	(14,440)
Cash flow from operating activities			**411,028**		**387,053**
Purchase of tangible and intangible assets		(94,653)		(82,297)	
Proceeds from sale of tangible and intangible assets		1,951		735	
Cash consideration for acquisitions, net of cash acquired	28	(29,812)		(56,183)	
Changes in other financial assets		(1,553)		11,032	
Interest received and realized gain from financial assets		1,657		2,030	
Cash flow from investing activities			**(122,410)**		**(124,683)**
Repayment of borrowings		(150,956)		(1,322)	
Proceeds from capital increases		1,647		54,389	
(Purchase) / sale of treasury shares, net		(39,124)		(4,539)	
Dividends paid by Sonova Holding AG		(107,441)		(79,887)	
Transactions with non-controlling interests		(5,987)		15,045	
Interest paid and other financial expenses		(7,240)		(5,477)	
Cash flow from financing activities			**(309,101)**		**(21,791)**
Exchange (losses) / gains on cash and cash equivalents			(4,279)		2,249
(Decrease) / increase in cash and cash equivalents			**(24,762)**		**242,828**
Cash and cash equivalents at the beginning of the financial year			434,766		191,938
Cash and cash equivalents at the end of the financial year			**410,004**		**434,766**

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.1.

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[1]	Translation adjustment	Treasury shares	Hedge reserve	Non-controlling interests	Total equity[1]
Balance March 31, 2012 (as published)	**3,329**	**1,710,080**	**(233,551)**	**2,733[2]**	**(8,466)**	**1,753**	**1,475,878**
Effect of adopting IAS 19 (revised)		4,961					4,961
Balance April 1, 2012	**3,329**	**1,715,041**	**(233,551)**	**2,733[2]**	**(8,466)**	**1,753**	**1,480,839**
Income for the period		109,749				1,120	110,869
Actuarial loss from defined benefit plans, net		(14,176)					(14,176)
Tax effect on actuarial loss		1,940					1,940
Fair value adjustment on hedges					2,265		2,265
Currency translation differences			52,899			(732)	52,167
Tax effect on currency translation			(1,868)				(1,868)
Total comprehensive income		**97,513**	**51,031**		**2,265**	**388**	**151,197**
Changes in non-controlling interests		(3,412)				26,302	22,890
Capital increase from conditional capital	29	54,360					54,389
Share-based payments		4,548					4,548
Sale of treasury shares		616		16,835			17,451
Purchase of treasury shares				(10,167)			(10,167)
Dividend paid		(79,887)					(79,887)
Balance March 31, 2013	**3,358**	**1,788,779**	**(182,520)**	**9,401[2]**	**(6,201)**	**28,443**	**1,641,260**
Balance April 1, 2013	**3,358**	**1,788,779**	**(182,520)**	**9,401[2]**	**(6,201)**	**28,443**	**1,641,260**
Income for the period		340,830				6,552	347,382
Actuarial gain from defined benefit plans, net		1,405					1,405
Tax effect on actuarial gain		(188)					(188)
Put options granted to non-controlling interests		(7,879)					(7,879)
Fair value adjustment on hedges					5,300		5,300
Currency translation differences			(84,258)			460	(83,798)
Tax effect on currency translation			3,140				3,140
Total comprehensive income		**334,168**	**(81,118)**		**5,300**	**7,012**	**265,362**
Changes in non-controlling interests		(101)				(4,147)	(4,248)
Capital increase from conditional capital	1	1,646					1,647
Share-based payments		6,474					6,474
Sale of treasury shares		(21,800)		58,004			36,204
Purchase of treasury shares				(63,120)			(63,120)
Dividend paid		(107,441)				(1,763)	(109,204)
Balance March 31, 2014	**3,359**	**2,001,725**	**(263,638)**	**4,285[2]**	**(901)**	**29,545**	**1,774,375**

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.1.
[2] 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, 2014

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 14, 2014 and are subject to approval by the Annual General Shareholders' Meeting on June 17, 2014.

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 judgements 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, 2013 without having a significant impact on the Group's result and financial position:

- IFRS 10 "Consolidated financial statements"
  The new standard which replaced IAS 27, introduced a new single definition of control.
- IFRS 11 "Joint arrangements"
  The new standard which replaced IAS 31, eliminated the policy choice of proportionate consolidation for jointly controlled entities.
- IFRS 12 "Disclosures of interest in other entities"
  The new standard combined and enhanced disclosure requirements for subsidiaries, joint arrangements and unconsolidated entities.
- IFRS 13 "Fair value measurement"
  The new standard provides guidance on how to measure and to disclose assets and liabilities at fair value. The new standard does not specify rules in which cases the fair value has to be used.
- IAS 1 "Presentation of items of other comprehensive income"
  The amendment to IAS 1 requires that items that are presented in other comprehensive income have to be separated based on whether they may be recycled to profit or loss in the future or not.
- Annual improvements of IFRS and interpretations (IFRIC) as well as amendments to IFRS 7, IAS 27 and IAS 28

In addition the Group has adopted IAS 19 (revised) "Employee benefits" as of April 1, 2013. The effects arising from the application of IAS 19 (revised) are explained below.

Application of IAS 19 (revised) "Employee benefits"
Among other items the revised standard requires that the previously separately calculated interest costs and the expected return on plan assets was replaced by a single net interest component 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.

The revised standard IAS 19 requires a retrospective application, resulting in a restatement of previously published figures. The impact on the equity as of April 1, 2012 amounted to CHF 5.0 million, increasing total equity to CHF 1,480.8 million. The main impact from the restatement on the income statement for the financial year 2012/13 was an effect on the EBITA of CHF –1.1 million and an increase in financial expenses of CHF 0.2 million. The following tables present a reconciliation between the previously published results and the restated amounts as per the respective dates.

Effects on the consolidated income statement

Consolidated income statement

1,000 CHF	2012/13		2012/13
	Published	Application of IAS 19 (revised)	Restated
Cost of sales	(555,156)	(326)	(555,482)
Gross profit	**1,240,106**	**(326)**	**1,239,780**
Research and development	(113,529)	(355)	(113,884)
Sales and marketing	(558,865)	(212)	(559,077)
General and administration	(181,291)	(224)	(181,515)
Operating profit before acquisition-related amortization (EBITA)	**182,805**	**(1,117)**	**181,688**
Operating profit (EBIT)	**156,676**	**(1,117)**	**155,559**
Financial expenses	(12,613)	(241)	(12,854)
Income before taxes	**149,819**	**(1,358)**	**148,461**
Income taxes	(37,782)	190	(37,592)
Income after taxes	**112,037**	**(1,168)**	**110,869**
Attributable to:			
Equity holders of the parent	110,917	(1,168)	109,749
Non-controlling interests	1,120		1,120
Basic earnings per share (CHF)	1.66	(0.01)	1.65
Diluted earnings per share (CHF)	1.66	(0.02)	1.64

Effects on the consolidated statement of comprehensive income

Consolidated statement of comprehensive income

1,000 CHF	2012/13		2012/13
	Published	Application of IAS 19 (revised)	Restated
Income after taxes	**112,037**	**(1,168)**	**110,869**
Actuarial loss from defined benefit plans, net	(16,632)	2,456	(14,176)
Tax effect on actuarial loss from defined benefit plans	2,264	(324)	1,940
Other comprehensive income, net of tax	**38,196**	**2,132**	**40,328**
Total comprehensive income	**150,233**	**964**	**151,197**
Attributable to:			
Equity holders of the parent	149,845	964	150,809
Non-controlling interests	388		388

Effects on the consolidated balance sheets

Consolidated balance sheets

1,000 CHF	31.03.2013		31.03.2013	31.03.2012		31.03.2012
	Published	Application of IAS 19 (revised)	Restated	Published	Application of IAS 19 (revised)	Restated
Deferred tax assets	117,397	(892)	116,505	98,020	(760)	97,260
Total non-current assets	1,615,108	(892)	1,614,216	1,519,080	(760)	1,518,320
Total assets	**2,680,934**	**(892)**	**2,680,042**	**2,287,202**	**(760)**	**2,286,442**
Long-term provisions	256,908	(825)	256,083	79,051	(692)	78,359
Other long-term liabilities	50,261	(5,989)	44,272	33,694	(5,029)	28,665
Total non-current liabilities	**594,488**	**(6,814)**	**587,674**	**383,747**	**(5,721)**	**378,026**
Total liabilities	**1,045,596**	**(6,814)**	**1,038,782**	**811,324**	**(5,721)**	**805,603**
Retained earnings and other reserves	1,594,136	5,922	1,600,058	1,468,063	4,961	1,473,024
Equity attributable to equity holders of the parent	**1,606,895**	**5,922**	**1,612,817**	**1,474,125**	**4,961**	**1,479,086**
Equity	**1,635,338**	**5,922**	**1,641,260**	**1,475,878**	**4,961**	**1,480,839**
Total liabilities and equity	**2,680,934**	**(892)**	**2,680,042**	**2,287,202**	**(760)**	**2,286,442**

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 years starting April 1, 2014 and beyond, based on the analysis to date the Group does not expect a significant impact on the Group's result and financial position.

2.2 Principles of consolidation

Investments in subsidiaries

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

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

Investments in associates and joint ventures

Investments in associates and joint ventures are accounted for using the equity method of accounting. Investment 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 at 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 and included in the profit or loss from the disposal in the income statements.

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 provision 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, 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 lives of the individual assets or asset categories. Where an asset comprises several parts with different useful lives, each part of the asset is depreciated separately over its applicable useful life. The applicable useful lives 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 lives 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, licences 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 life of 3 – 5 years. Intangibles relating to acquisitions of subsidiaries (excluding goodwill) consist generally of technology, client relationships, customer lists, and brand names, and are amortized over a period of 3 – 15 years. Other intangible assets are generally amortized over a period of 3 – 10 years. For capitalized development costs amortization starts when the capitalized asset is ready for use, which is generally after receipt of approval from regulatory bodies. These assets are amortized over the estimated useful life of 2 – 7 years applying the straight-line method. For in-process capitalized development costs these capitalized costs are tested annually for impairment. Except for goodwill, the Sonova Group has no intangible assets with an indefinite useful life.

Research and development

Research costs are expensed as incurred. Development costs are capitalized only if the identifiable asset is commercially and technically feasible, can be completed, its costs can be measured reliably and will generate probable future economic benefits. Group expenditures which fulfill these criteria are limited to the development of tooling and equipment as well as costs relating 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 carried at nominal value. In addition, current financial liabilities also consist of financial liabilities resulting from earn-out agreements as well as deferred payments from acquisitions with a maturity of 12 months or less. In the case of earn-outs, they are classified as financial liabilities at fair value through profit or loss.

Provisions

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

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

Non-current financial liabilities

Non-current financial liabilities primarily consist of long-term bank debt with a maturity of over 12 months. Such financial liabilities are recognized initially at fair value, including any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

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

Income taxes

Income taxes include current and deferred income taxes. The Sonova Group is subject to income taxes in numerous jurisdictions and significant judgement 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.

A provision for non-recoverable withholding taxes is made only on anticipated dividend distributions from subsidiaries. No provision is made in respect of possible future dividend distributions from undistributed earnings, as the parent is able to control the timing of the reversal of the temporary difference and such amounts are considered to be permanently reinvested.

Revenue recognition

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

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

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

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

Acquisition-related amortization

The Group is continuously amending its business portfolio with small acquisitions resulting in acquisition-related intangibles (see section "Intangible Assets") and related amortization charges. The Group discloses acquisition-related amortization as a separate line item in the income statement, and identifies EBITA, in line with the Group internal reporting to the CEO, as its key profit metric (refer to Note 6). 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. Impairment of financial assets is described in Note 2.5, Financial assets. For the purpose of impairment testing, goodwill as well as corporate assets are allocated to cash generating units. A goodwill impairment test is performed annually, even if there is no indication of impairment (see section "Business combinations and goodwill").

Related parties

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

Employee benefits

Pension obligations

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

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

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

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

Other long-term benefits

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

Equity compensation benefits

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

2.5 Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Impairment of financial assets

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

2.6 Derivative financial instruments and hedging

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

In connection with the acquisition of Advanced Bionics, the Group entered into an interest swap agreement to protect the company against rising interest rates. The agreement qualified for hedge accounting for most of the financial year 2013/14, and the gain or loss on the hedging instrument was recognized in other comprehensive income in equity. In March 2014 most of the underlying debt relating to this transaction has been paid back and the swap agreement has been adapted accordingly (for further information refer Note 22).

2.7 Significant accounting judgements and estimates

Key management judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management may be required to make judgements, 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 judgement may be required.

Business combinations and transactions with minorities

In the course of recognizing assets and liabilities from business combinations or transactions with minorities, management judgements 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 resultant change in the carrying value of goodwill (for business combinations entered into before April 1, 2010) or in the income statement (for business combinations entered into after April 1, 2010). At the end of the financial year 2013/14 such liabilities contingent on future events amount to CHF 8.5 million (previous year CHF 12.6 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 1,161.1 million (previous year CHF 1,199.8 million) as disclosed in Note 20.

Included in the intangible assets is goodwill in the amount of CHF 920.6 million (previous year CHF 953.6 million).

Furthermore intangible assets also include capitalized development costs in the amount of CHF 76.8 million (previous year CHF 59.6 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 94.1 million (previous year CHF 116.5 million) related to deductible differences and, in certain cases, tax loss carryforwards, provided that their utilization appears probable. The recoverable value is based on forecasts of the corresponding taxable Group company over a period of several years. As actual results may differ from these forecasts, the deferred tax assets may need to be adjusted accordingly.

Employee benefit plans

The Sonova Group has various employee benefit plans. Most of its salaried employees are covered by these plans, of which some are defined benefit plans. The present value of the defined benefit obligations at the end of the financial period 2013/14 amounts to CHF 269.1 million (previous year CHF 242.9 million) as disclosed in Note 30. This includes CHF 265.6 million (previous year CHF 239.5 million) from the Swiss pension plan. With such plans, actuarial assumptions are made for the purpose of estimating future developments, including estimates and assumptions relating to discount rates, and future wage as well as pension trends. Actuaries also use statistical data such as mortality tables and staff turnover rates with a view to determining employee benefit obligations. If these factors change due to a change in economic or market conditions, the subsequent results could deviate considerably from the actuarial reports and calculations. Over the medium term such deviations could have an impact on the equity. The carrying amounts of the plan assets and liabilities in the balance sheet together with a sensitivity analysis considering changes for the main input parameters in the actuarial valuation are set out in Note 30.

Provisions for warranty and returns

On March 31, 2014 the Group recorded provisions for warranty and returns of CHF 72.2 million (previous year CHF 72.2 million) as disclosed in Note 21.

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

Provision for product liabilities

On April 16, 2013 Advanced Bionics was confronted with a verdict of the Kentucky Western District Court. A case was brought by a patient whose cochlear implant malfunctioned as a result of moisture ingress. The device in question was part of a voluntary recall issued by Advanced Bionics in March 2006. A jury awarded the plaintiff, Sadler, unexpectedly high damages, including punitive damages, totaling USD 7.25 million. On April 26, 2013 the Group informed that its US subsidiary Advanced Bionics LLC decided to appeal the verdict of the Kentucky Western District Court. In the light of the verdict, Sonova reassessed its provision for such claims and decided to increase the provision by CHF 197.8 million to CHF 249.5 million as per the end of the financial year 2012/13. The respective cost have been considered and were included in the annual income statement 2012/13 in the line “Other expenses, net”.

On October 21, 2013 Sonova Holding AG announced that its US subsidiary Advanced Bionics LLC had signed settlement agreements regarding the majority of then-current filed and unfiled product liability claims related to cochlear implant malfunctions, including the case of Sadler v. Advanced Bionics. The parties agreed to keep the settlement terms confidential. As the terms of the settlements were in line with the underlying assumptions of the provision for such product liability claims, this settlement did not have an impact on the profit or loss for the financial year 2013/14.

On March 31, 2014 the provision for product liabilities was CHF 192.0 million (previous year CHF 249.5 million).

As of the end of the financial year 2013/14 the development of liabilities is fully in line with the assumptions of the provision and thus no further cost for liabilities were recognized in the profit and loss in the period ending March 31, 2014.

The calculation of this provision is based on past experience and the expected number and cost of existing 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 financial years 2013/14 and 2012/13 the Group entered into several business combinations which were individually not significant. The companies acquired are in the business of distributing hearing instruments.

The effect of the acquisitions for the financial year 2013/14 and 2012/13 is disclosed in Note 28.

On February 22, 2013 Sonova Holding AG announced that Boots UK Limited, the UK's leading pharmacy-led health and beauty retailer and member of Alliance Boots, acquired a 49% minority stake in David Ormerod Hearing Centres, a company owned 100% by the Sonova Group. As the change in ownership interest did not result in a loss of control, the sale was accounted as an equity transaction.

On October 10, 2012 Sonova Holding AG announced the potential reorganization of AB Sarl in Rixheim France, which then employed 47 people. Since October 2012 the plans have further developed and substantiated. Restructuring costs have been considered and were included in the annual income statement 2012/13 in the line "Other expenses, net". As of the end of the financial year 2013/14, the reorganization was still ongoing, but no further reorganization costs were recognized in profit or loss in the period ending March 31, 2014.

4. Number of employees

At March 31, 2014, the Sonova Group employed the full time equivalent of 9'529 people (previous year 8,952). They were engaged in the following regions and activities:

By region	31.3.2014	31.3.2013
Switzerland	1,189	1,127
EMEA (excl. Switzerland)	2,531	2,377
Americas	3,451	3,304
Asia / Pacific	2,358	2,144
Total	**9,529**	**8,952**
By activity		
Research and development	617	567
Operations	3,675	3,447
Sales and marketing, general and administration	5,237	4,938
Total	**9,529**	**8,952**

The average number of employees (full time equivalents) of the Sonova Group for the year was 9,175 (previous year 8,709). Total personnel expenses for the financial year 2013/14 amounted to CHF 675.2 million (previous year CHF 635.3 million – restated following the implementation of IAS 19 (revised), refer Note 2.1).

5. Exchange rates

The following main exchange rates were used for currency translation:

	31.3.2014	31.3.2013	2013/14	2012/13
	Year-end rates		Average rates for the year	
AUD 1	0.82	0.99	0.86	0.97
BRL 1	0.39	0.47	0.41	0.47
CAD 1	0.80	0.94	0.87	0.94
CNY 1	0.14	0.15	0.15	0.15
EUR 1	1.22	1.22	1.23	1.21
GBP 1	1.48	1.44	1.46	1.48
JPY 100	0.86	1.01	0.92	1.14
USD 1	0.89	0.95	0.92	0.94

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 (by product groups and regions) as well as the consolidated income statements, balance sheets and cash flow statements for the individual 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. 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, and the United States. The execution of marketing campaigns lies with the sales organizations in each market. The distribution of products is effected through sales organizations in the individual markets. The distribution channels of the Group in the individual markets vary depending on the sales strategy and the characteristics of the countries.

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

1,000 CHF	2013/14	2012/13[1)]	2013/14	2012/13[1)]	2013/14	2012/13	2013/14	2012/13[1)]
	Hearing instruments		Cochlear implants		Corporate / Eliminations		Total	
Segment sales	1,759,039	1,648,827	195,551	146,818			1,954,590	1,795,645
Intersegment sales	(3,039)	(298)	(239)	(85)			(3,278)	(383)
Sales	**1,756,000**	**1,648,529**	**195,312**	**146,733**			**1,951,312**	**1,795,262**
Operating profit before acquisition-related amortization (EBITA)	**417,267**	**383,575**	**12,842**	**(199,287)**		**(2,600)**	**430,109**	**181,688**
Segment assets	**2,153,213**	**2,100,373**	**522,506**	**529,238**	**(597,697)**	**(520,179)**	**2,078,022**	**2,109,432**
Unallocated assets[2)]							515,726	570,610
Total assets							**2,593,748**	**2,680,042**

1) Restated following the implementation of IAS 19 (revised), refer Note 2.1.
2) 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	2013/14	2012/13[1]
EBITA (as per segment reporting)	430,109	181,688
Acquisition-related amortization	(26,079)	(26,129)
Financial costs, net	(9,441)	(9,203)
Share of (loss)/gain in associates/joint ventures	(11)	2,105
Income before taxes	**394,578**	**148,461**

1) Restated following the implementation of IAS 19 (revised), refer Note 2.1.

Entity-wide disclosures

Sales by product groups 1,000 CHF	2013/14	2012/13
Premium hearing instruments	433,174	393,336
Advanced hearing instruments	437,552	434,530
Standard hearing instruments	556,013	495,904
Wireless communication systems	68,278	64,159
Miscellaneous	260,983	260,600
Total hearing instruments	**1,756,000**	**1,648,529**
Cochlear implants and accessories	195,312	146,733
Total sales	**1,951,312**	**1,795,262**

Sales and selected non-current assets by regions 1,000 CHF	2013/14	2012/13	2013/14	2012/13
Country	Sales [1]		Selected non-current assets[2]	
Switzerland	26,425	27,454	245,986	236,676
EMEA (excl. Switzerland)	768,615	678,041	360,593	331,409
USA	726,722	671,385	609,836	653,229
Americas (excl. USA)	224,094	222,346	130,548	152,940
Asia/Pacific	205,456	196,036	88,807	93,425
Total Group	**1,951,312**	**1,795,262**	**1,435,770**	**1,467,679**

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 expenses in the financial year 2012/13 of CHF 203.6 million consist of an increase in provision for product liabilities, cost for the out-of-court settlement with a group of investors and for the announced restructuring of the Rixheim (France) establishment of Advanced Bionics.

The provision for product liabilities was reassessed and increased (CHF 197.8 million) in the light of the verdict of the Kentucky Western District Court in the 2012/13 results. For further information refer to Note 2.7 “Provision for product liabilities” and Note 21 “Provisions”.

The settlement with a group of investors was announced in October 2012 and charges of CHF 2.6 million were debited to the result of 2012/13.

8. Financial expenses, net

1,000 CHF	2013/14	2012/13[1]
Interest income	2,130	2,607
Other financial income	3,260	1,044
Total financial income	**5,390**	**3,651**
Interest expenses	(7,641)	(5,917)
Other financial expenses	(7,190)	(6,937)
Total financial expenses	**(14,831)**	**(12,854)**
Total	**(9,441)**	**(9,203)**

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.1.

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

Other financial expenses 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	2013/14	2012/13[1]
Income taxes	28,217	45,215
Change in deferred taxes	18,979	(7,623)
Total tax expense	**47,196**	**37,592**
Reconciliation of tax expense		
Income before taxes	394,578	148,461
Weighted average expected tax rate	13.5%	13.6%
Tax at weighted average rate	**53,313**	**20,206**
+/– Effects of		
Expenses not subject to tax, net	3,256	1,463
Changes of unrecognized loss carryforwards / deferred tax assets	25,853	82,878
Local actual tax rate different to Group's expected average tax rate	(39,502)	(62,866)
Change in tax rates on deferred tax balances	80	(6,644)
Prior year adjustments and other items, net	4,196	2,555
Total tax expense	**47,196**	**37,592**
Weighted average effective tax rate	12.0%	25.3%

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.1.

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

[1] Other comprehensive income.

Deferred tax assets and (liabilities) 1,000 CHF					31.3.2013
	Property, plant & equipment	Intangible assets	Inventories, receivables, provisions and other liabilities[1]	Tax loss carryforwards	Total[1]
Balance April 1	(6,842)	(23,404)	32,219	65,844	67,817
Changes through business combinations		(1,115)			(1,115)
Deferred taxes recognized in the income statement	1,723	1,119	15,581	(10,800)	7,623
Deferred taxes recognized in OCI[2]			1,940		1,940
Exchange differences	(63)	3,168	(5,462)	(2,952)	(5,309)
Balance March 31	**(5,182)**	**(20,232)**	**44,278**	**52,092**	**70,956**
Amounts in the balance sheet					
Deferred tax assets					116,505
Deferred tax liabilities					(45,549)
Total deferred taxes, net					**70,956**

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.1.
[2] Other comprehensive income.

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

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

1,000 CHF	31.3.2014	31.3.2013
Within 1 – 3 years	12,244	22,979
Within 4 years	11,097	16,763
Within 5 years	24,515	31,066
More than 5 years	347,671	206,068
Total	**395,527**	**276,876**

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. The legal re-organization of certain US entities together with the clarification of future use of tax loss carryforwards, resulted in an increase in not capitalized 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	2013 / 14	2012 / 13[1)]
Income after taxes (1,000 CHF)	340,830	109,749
Weighted average number of outstanding shares	67,128,869	66,661,813
Basic earnings per share (CHF)	**5.08**	**1.65**

[1)] Restated following the implementation of IAS 19 (revised), refer Note 2.1.

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 2014 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	2013 / 14	2012 / 13[1)]
Income after taxes (1,000 CHF)	340,830	109,749
Weighted average number of outstanding shares	67,128,869	66,661,813
Adjustment for dilutive share options	98,682	126,775
Adjusted weighted average number of outstanding shares	67,227,551	66,788,588
Diluted earnings per share (CHF)	**5.07**	**1.64**

[1)] Restated following the implementation of IAS 19 (revised), refer Note 2.1.

11. Dividend per share

The Board of Directors of Sonova Holding AG proposes to the Annual General Shareholders' Meeting, to be held on June 17, 2014, that a dividend of CHF 1.90 shall be distributed. In the previous year a distribution from reserve from capital contributions of CHF 1.60 (free of Swiss withholding tax) per share was distributed (for further details refer to 2.4 "Summary of changes in shareholders' equity" in the financial statements 2013 / 14 of Sonova Holding AG).

12. Cash and cash equivalents

1,000 CHF	31.3.2014	31.3.2013
Cash on hand	711	779
Current bank accounts	382,423	392,852
Term deposits	26,870	41,135
Total	**410,004**	**434,766**

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 asset

Other current financial assets of CHF 4.0 million (previous year 4.6 million) primarily consist of short-term customer loans.

14. Trade receivables

1,000 CHF	31.3.2014	31.3.2013
Trade receivables	372,654	367,220
Provision for doubtful receivables	(21,847)	(27,531)
Total	**350,807**	**339,689**

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	31.3.2014	31.3.2013
Total trade receivables, net	**350,807**	**339,689**
of which:		
Not overdue	249,751	241,207
Overdue 1 – 30 days	50,868	47,498
Overdue more than 30 days	50,188	50,984
Total	**350,807**	**339,689**

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	2013/14	2012/13
Provision for doubtful receivables, April 1	**(27,531)**	**(17,725)**
Utilization or reversal	11,660	2,792
Additions	(7,250)	(11,693)
Changes through business combinations	(344)	(267)
Exchange differences	1,618	(638)
Provision for doubtful receivables, March 31	**(21,847)**	**(27,531)**

During 2013/14 the Group has utilized CHF 8.2 million (previous year CHF 2.0 million) of this provision to write-off receivables.

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

1,000 CHF	31.3.2014	31.3.2013
BRL	35,504	35,475
CAD	25,351	29,403
CHF	14,572	13,505
EUR	109,597	91,605
USD	108,223	114,294
Other	57,560	55,407
Total trade receivables, net	**350,807**	**339,689**

15. Other receivables and prepaid expenses

1,000 CHF	31.3.2014	31.3.2013
Other receivables	49,513	56,064
Prepaid expenses	16,006	15,441
Total	**65,519**	**71,505**

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	31.3.2014	31.3.2013
Raw materials and components	34,538	42,847
Work-in-process	75,130	68,676
Finished products	128,223	122,233
Allowances	(31,849)	(29,498)
Total	**206,042**	**204,258**

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

In 2013/14, CHF 528.0 million (previous year CHF 472.7 million) were recognized as an expense and included in “cost of sales”.

17. Property, plant and equipment

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

1,000 CHF					31.3.2013
	Land & buildings	Machinery & technical equipment	Room installations & other equipment	Advance payments & assets under construction	Total
Cost					
Balance April 1	161,603	178,723	114,941	4,276	459,543
Changes through business combinations	34	776	656		1,466
Additions	7,434	20,106	16,677	2,993	47,210
Disposals		(4,248)	(3,507)	(265)	(8,020)
Transfers		(1,430)	3,627	(2,197)	
Exchange differences	652	2,930	2,743	33	6,358
Balance March 31	**169,723**	**196,857**	**135,137**	**4,840**	**506,557**
Accumulated depreciation					
Balance April 1	(42,336)	(116,656)	(58,061)		(217,053)
Additions	(5,015)	(22,443)	(17,069)		(44,527)
Disposals		3,860	3,055		6,915
Exchange differences	(201)	(1,311)	(1,809)		(3,321)
Balance March 31	**(47,552)**	**(136,550)**	**(73,884)**		**(257,986)**
Net book value					
Balance April 1	119,267	62,067	56,880	4,276	242,490
Balance March 31	**122,171**	**60,307**	**61,253**	**4,840**	**248,571**

Property, plant and equipment as of March 31, 2014 were insured against fire for a value of CHF 492.0 million (previous year CHF 469.6 million).

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

There are no assets held under finance leases.

18. Investments in associates / joint ventures

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

1,000 CHF	2013 / 14	2012 / 13
Current assets	642	6,218
Non-current assets	418	850
Total assets	**1,060**	**7,068**
Current liabilities	(228)	(2,134)
Non-current liabilities	(310)	(878)
Total liabilities	**(538)**	**(3,012)**
Net assets	**522**	**4,056**
Income for the year	4,785	12,863
Expenses for the year	(3,721)	(10,276)
Profit for the year	**1,064**	**2,587**
Net book value at year-end	11,620	19,339
Share of gain recognized by the Group	(11)	2,105

In the financial year 2013 / 14, the Group acquired additional shares in three previously held equity investments, resulting in a change of control (step up acquisitions). Since the change of control, these companies are fully consolidated. The total net book value at the time of gaining control over these three entities amounted to CHF 6.2 million.

In the financial year 2013 / 14, the Group acquired two (previous year three) associates for a total purchase consideration of CHF 1.6 million (previous year CHF 2.7 million). The associates acquired are in the business of selling hearing instruments.

Sales to associates / joint ventures in the financial year 2013 / 14 amounted to CHF 10.2 million (previous year CHF 11.7 million). At March 31, 2014 trade receivables towards associates / joint ventures amounted to CHF 4.8 million (previous year CHF 2.8 million).

At the end of the financial years 2013 / 14 and 2012 / 13, no material unrecognized losses existed.

Investments with a net book value of CHF 11.6 million (previous year CHF 19.3 million) have a business year different than the Sonova Group. The latest available information for the respective companies varies between December 2013 and February 2014.

19. Other non-current financial assets

1,000 CHF	31.3.2014	31.3.2013
Financial assets at fair value through profit or loss	7,911	8,900
Loans to associates	4,943	9,944
Loans to third parties	7,749	11,188
Total	**20,603**	**30,032**

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

The loans are primarily denominated in CAD, EUR and USD. Loans to third parties consist mainly of loans to customers. As of March 31, 2014, the respective repayment periods vary between one and five years and the interest rates vary between 1% and 5%. Generally, the valuation of the loans approximates to fair value.

20. Intangible assets

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

1) Additions and disposals of goodwill include primarily earn-out adjustments.
2) Relates to research and development (CHF 3.7 million) and sales and marketing (CHF 22.4 million).

1,000 CHF					31.3.2013
	Goodwill	Intangibles relating to acquisitions	Capitalized development costs	Software and other intangibles	Total
Cost					
Balance April 1	1,035,445	234,442	33,336	57,549	1,360,772
Changes through business combinations	26,856	11,879		24	38,759
Additions		6,679	28,299	6,845	41,823
Disposals	(5,786)[1)]	(51)		(501)	(6,338)
Exchange differences	43,898	6,820	14	896	51,628
Balance March 31	**1,100,413**	**259,769**	**61,649**	**64,813**	**1,486,644**
Accumulated amortization and impairments					
Balance April 1	(139,309)	(65,523)	(300)	(35,050)	(240,182)
Additions		(26,129)[2)]	(1,787)	(9,214)	(37,130)
Disposals		16		449	465
Exchange differences	(7,484)	(1,939)		(605)	(10,028)
Balance March 31	**(146,793)**	**(93,575)**	**(2,087)**	**(44,420)**	**(286,875)**
Net book value					
Balance April 1	896,136	168,919	33,036	22,499	1,120,590
Balance March 31	**953,620**	**166,194**	**59,562**	**20,393**	**1,199,769**

1) Disposals of goodwill include primarily earn-out adjustments.
2) Relates to research and development (CHF 3.7 million) and sales and marketing (CHF 22.4 million).

Intangibles relating to acquisitions consist primarily of technology, customer relationships, client lists, and brand names.

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

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

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

Based on the impairment tests performed, there was no need for the recognition of any impairment of goodwill for the financial years 2013/14 and 2012/13.

Hearing instruments

As of March 31, 2014, the carrying amount of the goodwill, expressed in various currencies, amounted to an equivalent of CHF 634.6 million (prior year CHF 646.4 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 2.0 %) representing the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 9.9 % (prior year 9.3 %) was used.

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

Cochlear implants

As of March 31, 2014, the carrying amount of the goodwill, expressed in various currencies, amounted to an equivalent of CHF 286.0 million (prior year CHF 307.2 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 seven year period which reflects the long-term development cycle of the implant business. Cash flows beyond the projection period were extrapolated with a long-term growth rate of 2.1 % (prior year 2.0 %) representing the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 10.2 % (prior year 9.7 %) was used.

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

21. Provisions

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

1,000 CHF					**31.3.2013**
	Warranty and returns	Reimbursement to customers	Product liabilities	Other Provisions[1]	Total[1]
Balance April 1	65,899	9,317	48,847	45,857	169,920
Changes through business combinations				93	93
Amounts used	(35,074)	(5,061)	(2,902)	(17,558)	(60,595)
Reversals	(1,973)			(7,459)	(9,432)
Increases	41,073	7,144	197,766	7,914	253,897
Present value adjustments			508		508
Exchange differences	2,225	312	5,326	100	7,963
Balance March 31	**72,150**	**11,712**	**249,545**	**28,947**	**362,354**
thereof short-term	55,307	11,685	25,260	14,019	106,271
thereof long-term	16,843	27	224,285	14,928	256,083

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.1.

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 costs for recall related claims in relation to the cochlear implants business of Advanced Bionics. The provision is based on past experience and the expected number and cost of existing and future claims. It covers the cost for replacement products, medical expenses, compensation for actual damages as well as legal fees. The increase of the provision in the financial year 2012/13 related to the reassessment of the provision following the verdict of the Kentucky Western District Court as of April 16, 2013. For further information refer to Note 2.7 "Provision for product liabilities". The timing of the cash outflows is uncertain since it will largely depend upon 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 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	31.3.2014	31.3.2013
Short-term debt	79,841	123
Interest swap – negative replacement value	901	
Other current financial liabilities	13,086	7,073
Total	**93,828**	**7,196**
Unused borrowing facilities	36,807	40,851

Short-term debt includes the remaining bank loan of CHF 80 million granted in connection with the acquisition of Advanced Bionics (CHF 150 million have been paid back in the current financial year).

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

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

23. Other short-term liabilities

1,000 CHF	31.3.2014	31.3.2013
Other payables	35,825	39,823
Accrued expenses	144,626	140,247
Deferred income	23,585	25,678
Total	**204,036**	**205,748**

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	31.3.2014	31.3.2013
Bank debt	157	228,874
Interest swap – negative replacement value		6,201
Other non-current financial liabilities	4,494	6,695
Total	**4,651**	**241,770**

Bank debts as of March 31, 2013 related to the remaining bank loan of CHF 230 million granted in connection with the acquisition of Advanced Bionics (refer Note 25). The fair value of the bank debt amounted to CHF 235.1 million.

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

Analysis by currency 1,000 CHF				31.3.2014				31.3.2013
	Bank debt	Interest swap – negative replacement value	Other non-current financial liabilities	Total	Bank debt	Interest swap – negative replacement value	Other non-current financial liabilities	Total
CHF			1,812	1,812	228,706	6,201	965	235,872
USD			1,720	1,720			4,463	4,463
EUR			787	787			912	912
Other	157		175	332	168		355	523
Total	**157**		**4,494**	**4,651**	**228,874**	**6,201**	**6,695**	**241,770**

25. Risk management and financial instruments

Group risk management

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

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

Financial risk management

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

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

Market risk

Exchange rate risk

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

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

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

As of March 31, 2014 and 2013, no forward currency contracts were open.

Foreign currency sensitivity analysis

A 5 % strengthening / weakening of the following currencies against the Swiss franc as of March 31, 2014 and 2013 (for foreign currency rates refer to Note 5) would create an impact on income after taxes and equity as shown in the following table. The analysis assumes all other variables to remain constant.

1,000 CHF	2013 / 14	2012 / 13	2013 / 14	2012 / 13
	Impact on income after taxes		Impact on equity	
Change in USD / CHF + 5 %	3,001	3,732	19,376	20,289
Change in USD / CHF – 5 %	(3,001)	(3,732)	(19,376)	(20,289)
Change in EUR / CHF + 5 %	3,841	4,247	8,383	11,541
Change in EUR / CHF – 5 %	(3,841)	(4,247)	(8,383)	(11,541)

Interest rate risk

The Group has only limited exposure to interest rate changes. CHF 390 million of the CHF 470 million loan, entered into in connection with the acquisition of Advanced Bionics, has already been repaid. For the remaining bank loan of CHF 80 million, the Group entered into a swap agreement that protects the Group against an increase in interest rates, as the floating interest rates are swapped against fixed rates. As of March 31, 2014, the negative fair value of the interest rate swap amounts to CHF 0.9 million and represents the theoretical replacement value. If interest rates had been 0.5 % lower/higher, the valuation of the swap would have changed by approximately CHF 0.3 million and the equity would have been CHF 0.3 million lower/higher.

The most substantial interest exposure on assets relates to cash and cash equivalents with an average interest-bearing amount for the financial year 2013/14 of CHF 424 million (previous year CHF 250 million). If interest rates during the financial year 2013/14 had been 1% higher/lower on these accounts, income after taxes would have been CHF 4.2 million higher/lower (previous year CHF 2.5 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 single "A-" rated (S&P) financial institutions (as of March 31, 2014, the largest balance with a single counterparty amounted to 28 % 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, to ensure that the financial covenants are met and to ensure the contractual repayment of the bank debt. As of March 31, 2014, the covenants are met.

The following table summarizes the contractual maturities of financial liabilities as of March 31, 2014 and 2013:

1,000 CHF					31.3.2014
	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	54	79,787			79,841
Interest swap – negative replacement value		901			901
Other current financial liabilities		13,086			13,086
Trade payables and other short-term liabilities	162,276	46,182			208,458
Total current financial liabilities	**162,330**	**139,956**			**302,286**
Long-term bank debt			116	41	157
Other non-current financial liabilities			4,494		4,494
Total non-current financial liabilities			**4,610**	**41**	**4,651**
Total financial liabilities	**162,330**	**139,956**	**4,610**	**41**	**306,937**

1,000 CHF					31.3.2013
	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	123				123
Other current financial liabilities	209	6,864			7,073
Trade and other short-term liabilities	172,976	42,505			215,481
Total current financial liabilities	**173,308**	**49,369**			**222,677**
Long-term bank debt		5,048	232,600	64	237,712
Other non-current financial liabilities			6,695		6,695
Total non-current financial liabilities		**5,048**	**239,295**	**64**	**244,407**
Total financial liabilities	**173,308**	**54,417**	**239,295**	**64**	**467,084**

Fair value hierarchy

The following table summarizes the financial instruments carried at fair value, by valuation method as of March 31, 2014 and 2013. 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				31.3.2014
	Level 1	Level 2	Level 3	Total
Financial assets				
At fair value through profit or loss	2,510		5,401	7,911
Total	**2,510**		**5,401**	**7,911**
Financial liabilities				
At fair value through profit or loss			(17,549)	(17,549)
Derivatives used for hedging		(901)		(901)
Total		**(901)**	**(17,549)**	**(18,450)**

1,000 CHF				31.3.2013
	Level 1	Level 2	Level 3	Total
Financial assets				
At fair value through profit or loss	3,313		5,587	8,900
Total	**3,313**		**5,587**	**8,900**
Financial liabilities				
At fair value through profit or loss			(13,734)	(13,734)
Derivatives used for hedging		(6,201)		(6,201)
Total		**(6,201)**	**(13,734)**	**(19,935)**

The following table presents the changes in level 3 financial instruments for the year ended March 31, 2014 and 2013:

Financial assets at fair value through profit or loss 1,000 CHF	2013/14	2012/13
Balance April 1	5,587	5,422
(Losses)/gains recognized in profit or loss	(186)	165
Balance March 31	**5,401**	**5,587**

Financial liabilities at fair value through profit or loss 1,000 CHF	2013/14	2012/13
Balance April 1	(13,734)	(9,120)
Additions, net	(4,525)	(4,976)
Gains recognized in profit or loss	710	362
Balance March 31	**(17,549)**	**(13,734)**

Capital risk management

It is the Group's policy to maintain a strong equity base and to secure a continuous "investment grade" rating. Remaining financial debt shall be repaid with priority while 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	31.3.2014	31.03.2013[1]
Long-term deferred income	23,520	21,146
Retirement benefit obligations	24,701	23,126
Total	**48,221**	**44,272**

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.1.

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, 2012	**66,574,333**	**(39,782)**	**66,534,551**
Issue of new shares from conditional capital[2]	577,482		577,482
Purchase of treasury shares		(94,044)	(94,044)
Sale / transfer of treasury shares		107,112	107,112
Balance March 31, 2013	**67,151,815**	**(26,714)**	**67,125,101**
Issue of new shares from conditional capital[2]	21,472		21,472
Purchase of treasury shares		(564,636)	(564,636)
Sale / transfer of treasury shares		581,165	581,165
Balance March 31, 2014	**67,173,287**	**(10,185)**	**67,163,102**

Nominal value of share capital 1,000 CHF	Share Capital	Treasury shares[1]	Outstanding share capital
Balance April 1, 2012	**3,329**	**(2)**	**3,327**
Issue of new shares from conditional capital[2]	29		29
Purchase of treasury shares		(5)	(5)
Sale / transfer of treasury shares		5	5
Balance March 31, 2013	**3,358**	**(2)**	**3,356**
Issue of new shares from conditional capital[2]	1		1
Purchase of treasury shares		(28)	(28)
Sale / transfer of treasury shares		29	29
Balance March 31, 2014	**3,359**	**(1)**	**3,358**

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] Created for the purpose of the employee share option plan.

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). As of March 31, 2014, 5,322,133 shares (previous year 5,343,605 shares) thereof have not yet been issued. 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 of subsidiaries

Assets and liabilities arising from acquisitions:

1,000 CHF	2013 / 14	2012 / 13
Trade receivables	2,230	948
Other current assets	3,098	1,657
Property, plant & equipment	2,001	1,466
Intangible assets	12,686	11,903
Other non-current assets	430	1,805
Current liabilities	(4,798)	(1,127)
Non-current liabilities	(6,439)	(3,443)
Net assets	**9,208**	**13,209**
Goodwill	28,417	26,856
Purchase consideration	**37,625**	**40,065**
Fair value of previously held stake before the business combination[1]	(9,626)	
Liabilities for earn-outs or holdbacks[2]	(2,275)	(5,318)
Cash consideration	**25,724**	**34,747**
Cash and cash equivalents acquired	(1,080)	(908)
Cash consideration, net of cash acquired	**24,644**	**33,839**
Cash outflow for investments in associates, non-controlling interests and earn-out payments	5,168	22,344
Total cash outflow from acquisitions	**29,812**	**56,183**

[1] The gain of CHF 3.1 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 and the liability or earn-outs is based on the latest estimate of the future performance.

Several small companies were acquired during the financial year 2013 / 14 and 2012 / 13 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 into in the financial year 2013 / 14, acquisition-related costs in the amount of CHF 0.6 million (2012 / 13 CHF 0.5 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	2013 / 14	2012 / 13
Contribution of acquired companies from date of acquisition		
Sales	8,371	16,301
Net income	815	809
Contribution, if the acquisitions occurred on April 1		
Sales	18,509	20,446
Net income	(2,425)	1,024

29. Related party transactions

1,000 CHF	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	Management Board		Board of Directors		Total	
Short-term employee benefits	9,282	7,529	1,752	1,617	11,034	9,146
Post-employment benefits	799	692			799	692
Share based payments	5,049	3,814	1,372	1,217	6,421	5,031
Total	**15,130**	**12,035**	**3,124**	**2,834**	**18,254**	**14,869**

The total compensation to the Management Board for the reporting period 2013/14, as shown above, relates to the 13 current members of the Management Board. The total compensation to the Management Board for the reporting period 2012/13, as shown above, related to nine members as well as to two members which have left the Management Board during the financial period 2012/13.

The total compensation to the Board of Directors for the reporting period 2013/14, as shown above, relates to eight current members (previous year eight members).

During the financial year 2013/14 several lease agreements existed between the Group and ARim AG or R-Estate AG. Both companies are owned by Andy Rihs, member of the Board of Directors of Sonova Holding AG. The lease agreements relate to warehouse, housing, parking, and child care space. All related party transactions with Andy Rihs, including leases and purchase of marketing material, amounted to CHF 0.35 million (previous year CHF 0.25 million).

For additional information regarding transactions with associates refer to Note 18.

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 Note 3.6 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, Belgium, Canada and Germany. 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 265.6 million or 98.7 % (previous year 239.5 million or 98.6 %) 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 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.

As of March 31, 2014, 1,217 employees (previous year 1,185 employees) and 79 beneficiaries (previous year 77 beneficiaries) are insured under the Swiss plan. The plan has a duration of 11.2 years (previous year 11.4 years).

The results of all defined benefit plans are summarized below:

Amounts recognized in the balance sheet CHF 1,000	**31.3.2014**	**31.03.2013[1)]**
Present value of funded obligations	(266,975)	(240,637)
Fair value of plan assets	244,429	219,802
Net present value of funded plans	**(22,546)**	**(20,835)**
Present value of unfunded obligations	(2,155)	(2,291)
Total liabilities, net	**(24,701)**	**(23,126)**
Amounts in the balance sheet:		
Retirement benefit obligation	(24,701)	(23,126)

[1)] Restated following the implementation of IAS 19 (revised), refer Note 2.1.

Remeasurements recognized in equity CHF 1,000	2013/14	2012/13[1]
Balance April 1	31,041	16,865
Actuarial (gains)/losses from		
– changes in demographic assumptions	4,469	
– changes in financial assumptions		19,382
– changes in experience adjustments	(1,035)	4,033
Return on plan assets excluding interest income	(4,838)	(9,239)
Balance March 31	**29,637**	**31,041**

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.1.

Amounts recognized in the income statement CHF 1,000	2013/14	2012/13[1]
Current service cost	24,848	21,822
Participants' contributions	(9,426)	(9,188)
Net Interest cost	474	212
Total employee benefit expenses[2]	**15,896**	**12,846**

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.1.
[2] The amount recognized in the consolidated income statement 2013/14 has been charged to:
– cost of sales CHF 4.0 million (previous year CHF 3.4 million);
– research and development CHF 4.5 million (previous year 3.8 million);
– sales and marketing CHF 2.9 million (previous year 2.3 million);
– general and administration CHF 4.0 million (previous year CHF 3.1 million);
– financial expenses CHF 0.5 million (previous year CHF 0.2 million).

Movement in the present value of the defined benefit obligations CHF 1,000	2013/14	2012/13[1]
Beginning of the year	242,928	206,454
Interest cost	4,905	5,624
Current service cost	24,848	21,822
Benefits paid, net	(6,800)	(14,493)
Actuarial loss on obligations	3,434	23,415
Exchange differences	(185)	106
Present value of obligations at end of period	**269,130**	**242,928**

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.1.

Movement in the fair value of the plan assets CHF 1,000	2013/14	2012/13[1]
Beginning of the year	219,802	198,091
Interest income on plan asset	4,431	5,442
Employer's contributions paid	12,550	12,247
Participants' contributions	9,426	9,188
Benefits paid, net	(6,482)	(14,445)
Return on plan assets excluding interest income	4,838	9,239
Exchange differences	(136)	40
Fair value of plan assets at end of period	**244,429**	**219,802**

[1] Restated following the implementation of IAS 19 (revised), refer Note 2.1.

The plan assets consist of:	31.3.2014	31.3.2013
Cash	4.4 %	4.2 %
Domestic bonds	30.4 %	30.0 %
Foreign bonds	7.7 %	8.2 %
Domestic equities	11.6 %	13.7 %
Foreign equities	29.1 %	22.3 %
Real estates	11.1 %	11.7 %
Alternative investments	5.7 %	9.9 %

The actual return on plan assets amounted to CHF 9.3 million (previous year CHF 14.7 million). The expected employer's contributions to be paid in the financial year 2014 / 15 amount to CHF 13.0 million.

Principal actuarial assumptions (weighted average)	2013 / 14	2012 / 13
Discount rate	2.00 %	2.00 %
Future salary increases	1.75 %	1.75 %
Future pension increases	0 %	0 %
Fluctuation rate	10 %	10 %
Demography	BVG 2010GT	BVG 2010PT

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	31.3.2014	31.3.2013
Discount rate		
Discount rate + 0.25 %	258,378	232,801
Discount rate – 0.25 %	273,269	246,494
Salary growth		
Salary growth + 0.25 %	267,914	241,818
Salary growth – 0.25 %	263,382	237,164
Pension growth		
Pension growth + 0.5 %	271,765	244,237
Pension growth – 0.5 %	259,492	234,701
Fluctuation rate		
Fluctuation rate + 5 %	257,899	231,613
Fluctuation rate – 5 %	280,610	254,695

Defined contribution plans

Several of the Group's entities have a defined contribution plan. The employer's contributions amounting to CHF 11.9 million in the year ended March 31, 2014 (previous year CHF 11.0 million) are recognized directly in the income statement.

31. Executive Equity Award Plan

The Executive Equity Award Plan (EEAP) is offered annually to the Board of Directors (BoD), to 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 award plans free of charge. Equity award plans are settled either with Sonova Holding AG shares (equity-settled share-based payment) or for certain US participants with an equivalent amount in cash (cash-settled share-based payment). The amount granted varies depending on the degree of management responsibility held.

Under the EEAP 2014, options / share appreciation rights (SARs) for US participants/ restricted shares and restricted share units (RSUs) have been granted. For the CEO and the MB members, with the grant 2014 a performance criterion has been introduced for options as well as for RSUs. The vesting of these performance based options and RSUs in a given year is subject to reaching a pre-defined 'Return On Capital Employed' (ROCE) target. The failure to reach the target results in a corresponding reduction of the number of options / RSUs that will vest.

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

1,000 CHF	2013 / 14	2012 / 13
Equity-settled share-based payment costs	18,682	15,771
Cash-settled share-based payment costs	451	477
Total share-based payment costs	**19,133**	**16,248**

The following table shows an overview of the outstanding options / warrants / WARs / SARs, granted as part of the EEAP programs 2009 to 2014. All of the instruments granted as per below vest in 4 equal tranches, annually over 4 years.

Summary of outstanding options / warrants / WARs / SARs granted until March 31, 2014:

Financial year granted	Instruments granted	First vesting date / Expiry date	Granted	Exercise price (CHF)	Outstanding	Average remaining life (years)	Exercisable
2008 / 09	Options	01.03.2012 28.02.2017	160,000	56.00	27,000	2.9	27,000
2009 / 10	Warrants / WARs[1]	01.03.2011 28.02.2015	452,140	131.00	311,910	0.9	311,910
2010 / 11	Warrants / WARs[1]	01.03.2012 29.02.2016	612,065	118.40	306,567	1.9	233,286
2011 / 12	Options	27.05.2012 27.05.2016	40,000	88.30	10,000	2.2	
2011 / 12	Options / SARs	01.06.2013 31.01.2019	298,474	95.85	255,737	4.8	56,096
2012 / 13	Options / SARs	01.06.2014 31.01.2020	227,188	109.10	221,423	5.8	
2013 / 14	Options / SARs[2]	01.06.2015 31.01.2021	242,673	124.60	242,673	6.8	
Total			**2,032,540**	**112.09**	**1,375,310**[3]	**3.7**	**628,292**[4]
Thereof:							
Equity-settled			1,855,588		1,277,473		597,551
Cash-settled			176,952		97,837		30,741

1) For better comparison with options issued, the number of warrants has been adjusted by factor 25, as 25 warrants qualify for one share. The warrants are tradable at the SIX Swiss Exchange. The ticker symbols are as follows: plan 2009 / 10: SONAB, plan 2010 / 11: SONCA.
2) Including 107,567 performance options, granted to the CEO and MB members.
3) Weighted average exercise price of outstanding options / warrants / SARs / WARs amounts to CHF 115.22.
4) Weighted average exercise price for exercisable options / warrants / SARs / WARs amounts to CHF 119.96.

The fair value of options / SARs at grant date was determined by using an “Enhanced American Pricing Model”. The expected volatility is based on historical volatility. The assumptions for valuation used for the programs of the financial year 2013 / 2014 and 2012 / 2013 are as follows:

Assumptions for valuation at grant date	Executive Equity Award Plan 2014	Executive Equity Award Plan 2013
Valuation date	01.02.2014	01.02.2013
Expiration date	31.01.2021	31.01.2020
Share price on grant date	CHF 124.60	CHF 109.10
Exercise price	CHF 124.60	CHF 109.10
Volatility	27.2 %	32.3 %
Expected dividend yield	2.21 %	1.33 %
Weighted risk free interest rate	0.6 %	0.5 %
Weighted average fair value of options / SARs issued	**CHF 24.46**	**CHF 24.19**

Options / warrants

The exercise price of the options / warrants is equal to the market price of the Sonova share at the SIX Swiss Exchange at grant date. The fair value of the options / warrants 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 achievements of the ROCE targets for performance options granted to CEO and MB members) to ensure that in the end only a charge for vested amounts occurred. While the options may be exercised between the end of the vesting period and the expiration date of the options, the warrants are tradable and may be sold by the plan participants between the end of the vesting period and the expiration date of the warrants. The tradable warrants will be exercised at the end of the expiration date and shares are issued either from the conditional share capital or treasury shares will be used for fulfillment. 25 warrants qualify for one share. If options are exercised, one share per option is issued from the conditional share capital or treasury shares are used for fulfillment.

Changes in outstanding options / warrants:	2013 / 14		2012 / 13	
	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	1,322,808	106.64	1,800,548	100.54
Granted[2]	215,221	124.60	200,967	109.10
Exercised / sold[3]	(210,872)	70.53	(503,908)	86.89
Forfeited	(49,684)	116.91	(174,799)	103.64
Outstanding options/warrants at March 31	**1,277,473**	**115.22**	**1,322,808**	**106.64**
Exercisable at March 31	**597,551**	**119.94**	**612,790**	**104.52**

[1] For better comparison, the number of warrants have been adjusted according to exercise ratio 25:1.
[2] 2013 / 14 Includes 107,567 performance options, granted to the CEO and MB members.
[3] Out of the movement for the financial year 2013 / 14, 26,827 (previous year 227,758) relates to options exercised and 184,045 (previous year 276,150) to warrants sold. Total consideration from exercise of options amounted to CHF 2.2 million (previous year CHF 21.4 million). The weighted average share price of the options exercised during the year 2013 / 14 was CHF 80.54 (previous year CHF 94.90).

Share appreciation rights (SARs) / Warrant appreciation rights (WARs)

The exercise price of the SARs / WARs is generally equal to the market price of the Sonova share at the SIX Swiss Exchange at grant date. Upon exercise of a SAR / WAR, a participant shall be paid, in cash, an amount equal to the product of the number of shares for which the participant exercised SARs / WARs, multiplied by the excess, if any, of the per share market price at the date of exercise over the per share exercise price (determined at the date of grant of SARs / WARs). The initial fair value of the SARs / WARs is in line with the valuation of the warrants / options of the respective period and recorded as an expense over the 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 / WARs may be sold between the end of the vesting period and the expiration date of the SARs / WARs.

Changes in outstanding SARs / WARs:	2013 / 14				2012 / 13			
	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	**50,145**	**102.78**	**100,219**	**122.59**	**33,244**	**95.05**	**179,887**	**110.95**
Granted	27,452	124.60			26,221	109.10		
Exercised / sold	(1,624)	95.85	(9,270)	103.32			(32,470)	73.80
Forfeited	(7,613)	102.14	(61,472)	125.29	(9,320)	95.85	(47,198)	111.81
Outstanding SARs / WARs at March 31[1]	**68,360**	**111.78**	**29,477**	**123.02**	**50,145**	**102.78**	**100,219**	**122.59**
Exercisable at March 31[2]	**3,358**	**95.85**	**27,383**	**123.37**			**84,301**	**122.91**

[1] The carrying amount of the liability relating to the SARs at March 31, 2014 is CHF 1.0 million (previous year CHF 0.5 million) and the one for the WARs amounts to CHF 0.5 million (previous year CHF 0.7 million).

[2] The intrinsic value of the SARs and WARs exercisable at March 31, 2014 amounts to CHF 0.1 million (previous year CHF 0) and CHF 0.2 million (previous year CHF 0) respectively.

Restricted shares / Restricted share units (RSUs)

For the EEAPs 2010 to 2014, restricted share units (RSUs) have been granted to legitimated persons. The value of an RSU is equal to the market price 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 receive one share per RSU after the vesting period. In the case of performance RSUs, given to the CEO and MB members under the EEAP 2014, the 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 2014, 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 restricted shares are entitled to dividends and are blocked for a period of 64 months (in case of the Chairman of the Board of Directors), respectively 52 months (in case of the other members of the Board of Directors).

Upon vesting of the RSUs, the respective shares are either purchased by the Group on the open stock market or created out of the conditional share capital.

The cost of the RSUs granted as part of the EEAP program is expensed over the expected 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 MB members) to ensure that in the end only a charge for vested amounts occurred. The costs for the shares granted to the members of the Board of Directors have been expensed in the financial year 2013 / 14 as there is no vesting period related to these shares.

Changes in outstanding RSUs:	2013/14	2012/13
	Number of RSUs	Number of RSUs
RSUs at April 1	**352,794**	**294,305**
Granted[1]	137,939	145,452
Released	(74,629)	(65,224)
Forfeited	(17,652)	(21,739)
RSUs at March 31	**398,452**	**352,794**

[1] 2013/14 includes 20,498 performance RSUs, granted to the CEO and MB members.

32. Contingent liabilities

At March 31, 2014 and 2013, there were no pledges given to third parties other than in relation to bank loans and mortgages. As security for the initial bank loan of CHF 470 million, out of which CHF 80 million were still outstanding, granted in connection with the acquisition of Advanced Bionics, the shares of Advanced Bionics have been pledged. In addition a deposit in the amount of CHF 1.0 million has been pledged in relation to a bank guarantee. Mortgages are secured by properties in the amount of CHF 0.2 million (previous year CHF 0.2 million). The net book value of these properties amounts to CHF 1.1 million at March 31, 2014 (previous year CHF 1.2 million). Open purchase orders as of March 31, 2014 and 2013, were related to recurring business activities.

33. Leasing liabilities

At March 31, 2014 the following non-cancellable minimum operating lease obligations existed:

Financial year 1,000 CHF	31.3.2014	31.3.2013
2013/14		35,330
2014/15	35,810	27,132
2015/16	26,378	23,744
2016/17	21,704	20,950
2017/18	17,658	19,321
2018/19	15,685	14,232
thereafter	32,982	11,645
Total	**150,217**	**152,354**

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

In financial year 2013/14, CHF 48.2 million have been recognized as expenses for leases in the consolidated income statement (previous year CHF 43.6 million).

As of March 31, 2014 and 2013, the Group had no financial lease obligations.

34. Events after balance sheet date

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

35. List of significant companies

Company name	Activity	Domicile	Share/paid-in capital[1] Local currency 1,000		Shares held
Switzerland					
Sonova Holding AG	A	Stäfa	CHF	3,359	
Phonak 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 %
Phonak Ibérica S.A.U.	B	Alicante (ES)	EUR	7,000	100 %
Audition Santé SAS	B	Cahors (FR)	EUR	3,800	100 %
Phonak France SA	B	Bron-Lyon (FR)	EUR	1,000	100 %
Phonak Italia Srl	B	Milan (IT)	EUR	1,040	100 %
Phonak AB	B	Stockholm (SE)	SEK	200	100 %
Boots Hearing Care Ltd.	B	Conwy (UK)	GBP	0[2]	51 %
Phonak Group Ltd.	B	Warrington (UK)	GBP	2,500	100 %
Americas					
Phonak do Brasil – Sistemas Audiológicos Ltda.	B	Sao Paulo (BR)	BRL	36,179	100 %
National Hearing Services Inc.	B	Victoria BC (CA)	CAD	0[3]	100 %
1879763 Ontario 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	79 %
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	Sydney (AU)	AUD	0[6]	100 %
Phonak Pty. Ltd.	B	Baulkham Hills (AU)	AUD	750	100 %
Phonak (Shanghai) Co., Ltd.	B	Shanghai (CN)	CNY	20,041	100 %
Unitron Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY	46,249	100 %
Phonak Japan Co., Ltd.	B	Tokyo (JP)	JPY	10,000	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 perfoms 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

pwc

Report of the statutory auditor on the consolidated financial statements 2013/14 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 70 to 114) for the year ended 31 March, 2014.

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, 2014, 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	Gian Franco Bieler Audit expert

Zurich, May 14, 2014

Financial statements of Sonova Holding AG

Income statements

1,000 CHF		2013/14	2012/13
Income			
Investment income		304,728	432,365
Financial income		23,247	45,426
Other income		21,125	18,370
Total income		**349,100**	**496,161**
Expenses			
Financial expenses		(81,174)	(7,344)
Administration expenses		(7,626)	(7,502)
Depreciation and amortization			(4,184)
Other expenses	2.1	(2,069)	(15,984)
Total expenses		**(90,869)**	**(35,014)**
Net profit for the year		**258,231**	**461,147**

Balance sheets

Assets 1,000 CHF	Notes	31.3.2014	31.3.2013
Cash and cash equivalents		11,122	58,138
Marketable securities	2.2	1,273	2,810
Amounts due from third parties		4,355	4,258
Amounts due from Group Companies		269,220	9,789
Prepayments		38	
Total current assets		**286,008**	**74,995**
Loans to third parties		482	488
Loans to Group Companies		1,223,782	1,417,608
Investments		294,419	314,089
Total non-current assets		**1,518,683**	**1,732,185**
Total assets		**1,804,691**	**1,807,180**

Liabilities and shareholders' equity 1,000 CHF	Notes	31.3.2014	31.3.2013
Liabilities to third parties		4,603	5,601
Liabilities to Group Companies		3,998	3,669
Bank loans	2.3	80,000	
Accruals		3,908	4,044
Total short-term liabilities		**92,509**	**13,314**
Bank loans	2.3		230,000
Loans from Group Companies			4,121
Total long-term liabilities		**0**	**234,121**
Total liabilities		**92,509**	**247,435**
Share capital		3,359	3,358
General reserve		1,800	1,800
Reserve from capital contributions		18,542	124,337
Reserve for treasury shares	2.2	1,273	2,810
Retained earnings		1,687,208	1,427,440
Total shareholders' equity	2.4	**1,712,182**	**1,559,745**
Total liabilities and shareholders' equity		**1,804,691**	**1,807,180**

Notes to the financial statements as of March 31, 2014

1. General

The financial statements of Sonova Holding AG are prepared in accordance with the principles of Swiss corporate law.

2. Notes to the income statement and balance sheet

2.1 Other expenses

Other expenses mainly include tax expenses and bank charges. In 2012/13 it included, among other items, payments for an out-of-court settlement of all alleged claims without acknowledging any legal obligations with a group of investors.

2.2 Marketable securities and reserve for treasury shares

Marketable securities include 10,185 treasury shares (previous year 26,714) purchased for a total consideration of CHF 1,273,326 (previous year CHF 2,810,104). At March 31, 2014, these shares had a market value of CHF 1,315,902 (previous year CHF 3,042,725). Due to the lower of cost or market principle, CHF 1,273,326 are considered in the balance sheet.

A reserve for treasury shares in the amount of CHF 1,273,326 (previous year CHF 2,810,104) was established which is equal to the cost price. No treasury shares are held by other Group companies.

The following table shows the movement of the reserve for treasury shares and the treasury shares at market value.

Number / 1,000 CHF

	Number	Reserve for treasury shares	Treasury shares at market value
Balance March 31, 2013	**26,714**	**2,810**	**3,042**
Purchase of treasury shares	564,636	63,123	63,123
Sale of treasury shares	(581,165)	(64,660)	(41,486)
Loss from sale of own shares and revaluation			(23,363)
Balance March 31, 2014	**10,185**	**1,273**	**1,316**

2.3 Bank loans

The acquisition of the Advanced Bionics Corporation was financed by Sonova Holding AG with a combination of existing cash and an underwritten senior credit facility in the amount of CHF 470 million. The senior credit facility was made in two tranches, a CHF 240 million amortizing loan, whereof the total amount has been re-paid by July 2011, and a CHF 230 million facility with a maximum term of five years, whereof CHF 150 million have been re-paid by March 2014. The remaining outstanding amount of CHF 80 million is due in December 2014.

2. 4 Summary of changes in shareholders' equity

1,000 CHF

	Share capital	General reserve	Reserve from capital contributions	Reserve for treasury shares	Retained earnings	Total share-holders' equity
Balance April 1, 2013	**3,358**	**1,800**	**124,337**	**2,810**	**1,427,440**	**1,559,745**
Distribution			(107,441)			(107,441)
Capital increases (incl. share premium) from conditional capital	1		1,646			1,647
Decrease in reserve for treasury shares				(1,537)	1,537	
Net profit for the year					258,231	258,231
Balance March 31, 2014	**3,359**	**1,800**	**18,542**	**1,273**	**1,687,208**	**1,712,182**

During the financial year 2013 / 14, an additional 21,472 registered shares with a par value of CHF 0.05 each, or a total par value of CHF 1,074 were issued from the conditional capital (which was created for the purpose of an equity participation for key employees of the Sonova Group) for a total net consideration of CHF 1,646,244. In the financial year 2013 / 14, the conditional share capital with a par value of CHF 267,180 (5,343,605 shares) decreased by CHF 1,074 or 21,472 shares (previous year CHF 28,874 or 577,482 shares), thereby leaving CHF 266,107 (5,322,133 shares) for distribution. Out of the remaining conditional capital, a total of 1,277,473 (previous year 1,322,808) employee stock options were outstanding as of March 31, 2014, which can be exercised until January 2021.

The treasury share reserve differs from the treasury shares in the consolidated financial statements due to Warrant Appreciation Rights (WARs) and Share Appreciation Rights (SARs). Derivative instruments such as WARs and SARs are not recorded in the financial statements of Sonova Holding AG (off balance sheet transaction).

3. Disclosures required by Swiss corporate law

3. 1 Sureties, guarantees and pledges given on behalf of third parties

1,000 CHF	31.3.2014	31.3.2013
Guarantees given in respect of rental obligations of Group Companies	4,485	5,868

3.2 List of significant investments

Company name	Activity	Domicile	Share / paid-in capital[1] Local currency 1,000		Shares held by Sonova Holding
Switzerland					
Phonak AG	A, B,C,D	Stäfa	CHF	2,500	100 %
Indomed AG	A	Zug	CHF	1,000	100 %
EMEA (excluding Switzerland)					
Hansaton Akustische Geräte GmbH	B	Wals-Himmelreich (AT)	EUR	450	100 %
Phonak Ibérica S.A.U.	B	Alicante (ES)	EUR	7,000	100 %
Audition Santé SAS	B	Cahors (FR)	EUR	3,800	15 % [2]
Phonak France SA	B	Bron-Lyon (FR)	EUR	1,000	30 % [2]
Phonak Italia Srl	B	Milan (IT)	EUR	1,040	100 %
Phonak AB	B	Stockholm (SE)	SEK	200	85 % [2]
Boots Hearing Care Ltd.	B	Conwy (UK)	GBP	0 [3]	51 %
Phonak Group Ltd.	B	Warrington (UK)	GBP	2,500	100 %
Americas					
National Hearing Services Inc.	B	Victoria BC (CA)	CAD	0 [4]	100 %
1879763 Ontario Inc.	B	Mississauga (CA)	CAD	0 [4]	85 % [2]
Sonova United States Hearing Instruments, LLC	A	Warrenville (US)	USD	0 [4]	85 % [2]
Asia / Pacific					
Phonak Pty. Ltd.	B	Baulkham Hills (AU)	AUD	750	100 %
Phonak (Shanghai) Co., Ltd	B	Shanghai (CN)	CNY	20,041	100 %
Unitron Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY	46,249	100 %
Phonak Japan Co., Ltd.	B	Tokyo (JP)	JPY	10,000	100 %
Phonak Operation Center Vietnam Co., Ltd.	C	Binh Duong (VN)	VND	36,156,000	100 %

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

3.3 Conditional capital

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). As of March 31, 2014, 5,322,133 shares with a nominal value of CHF 266,107 (previous year 5,343,605 shares with a nominal value of CHF 267,180) thereof have not yet been issued. 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).

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".

	31.3.2014	31.3.2013
Chase Nominees Ltd.[1)]	13.42 %	17.53 %
Beda Diethelm	9.90 %	9.90 %
Hans-Ueli Rihs	6.14 %	6.20 %
Andy Rihs	5.05 %	6.26 %
Nortrust Nominees Ltd.[1)]	3.45 %	3.79 %
Mellon Bank Nominee[1)]	<3.00 %	3.65 %
Registered shareholders with less than 3 %	34.88 %	28.65 %
Not registered	27.16 %	24.02 %

[1)] Registered without voting rights.

3.5 Risk assessment

Sonova Holding AG, as the ultimate parent company of the Sonova Group, faces the same risks as the ones identified at Group level. Therefore, please refer to the disclosure of the Group-wide risk management procedures as described in Note 25 of the Group's consolidated financial statements.

3.6 Compensation and shareholdings

Board of Directors compensation

The members of the Board of Directors receive a cash retainer, a committee fee (if applicable), and a meeting attendance fee. There is no variable salary compensation. Members of the Board of Directors receive a long-term compensation through their participation in the Executive Equity Award Plan (EEAP). As in the previous year, the EEAP grant 2014 comprise of 100 % restricted shares. These shares are subject to a restriction period from February 1, 2014 to June 1, 2019 (Chairman) or from February 1, 2014 to June 1, 2018 (all other members of the Board of Directors).

The following table shows the compensation for the individual members of the Board of Directors in the year under review and in the previous year:

in CHF						2013/14
	Fixed fee	Attendance fee / expenses[1]	Employer's social insurance contribution[2]	Total cash compensation	Value of restricted shares[3]	Total compensation
Robert F. Spoerry, Chairman	500,000	2,500	126,725	629,225	291,192	920,417
Beat Hess, Vice-Chairman	122,500	9,500	19,199	151,199	154,332	305,531
Michael Jacobi, Member	125,000	9,000	98,977	232,977	154,332	387,309
Andy Rihs, Member	100,000	7,000	93,713	200,713	154,332	355,045
Anssi Vanjoki, Member	107,500	9,000	19,934	136,434	154,332	290,766
Ronald van der Vis, Member	107,500	7,000	19,840	134,340	154,332	288,672
Jinlong Wang, Member[4]	78,630	3,500	15,092	97,222	154,332	251,554
John J. Zei, Member	107,500	9,500	17,525	134,525	154,332	288,857
Total (active members)	**1,248,630**	**57,000**	**411,005**	**1,716,635**	**1,371,516**	**3,088,151**
Heliane Canepa, Member[5]	23,267	4,000	8,341	35,608		35,608
Total (including former members)	**1,271,897**	**61,000**	**419,346**	**1,752,243**	**1,371,516**	**3,123,759**

The compensation shown in the table above is gross and based on the accrual principle.
[1] Attendance fees and expenses are based on the number of attended meetings of each member of the Board of Directors (no attendance fees for the Chairman).
[2] Including social security contributions on the tax value of RSUs vested, options / WARs / SARs exercised and restricted shares granted during the reporting period.
[3] Tax value per restricted share at grant date: for the Chairman of the Board of Directors CHF 90.71, for the other members of the Board of Directors CHF 96.16.
[4] New member of the Board of Directors since June 2013.
[5] Heliane Canepa resigned from the Board of Directors at the annual shareholders meeting from June 18, 2013.

in CHF						2012/13
	Fixed fee	Attendance fee / expenses[1]	Employer's social insurance contribution[2]	Total cash compensation	Value of restricted shares[3]	Total compensation
Robert F. Spoerry, Chairman	500,000	2,500	56,129	558,629	291,300	849,929
Beat Hess, Vice-Chairman[4]	105,986	7,000	17,215	130,201	154,375	284,576
Heliane Canepa, Member[5]	107,500	10,000	42,201	159,701		159,701
Michael Jacobi, Member	125,000	10,000	25,917	160,917	154,375	315,292
Andy Rihs, Member	100,000	8,500	27,336	135,836	154,375	290,211
Anssi Vanjoki, Member	107,500	10,500	18,197	136,197	154,375	290,572
Ronald van der Vis, Member	100,000	8,500	17,454	125,954	154,375	280,329
John J. Zei, Member	107,500	11,000	15,914	134,414	154,375	288,789
Total (active members)	**1,253,486**	**68,000**	**220,363**	**1,541,849**	**1,217,550**	**2,759,399**
William D. Dearstyne, former member[6]	28,493	3,000	43,531	75,024		75,024
Total (including former members)	**1,281,979**	**71,000**	**263,894**	**1,616,873**	**1,217,550**	**2,834,423**

The compensation shown in the table above is gross and based on the accrual principle.
[1] Attendance fees and expenses are based on the number of attended meetings of each member of the Board of Directors (no attendance fees for the Chairman).
[2] Including social security contributions on the tax value of options / WARs / SARs exercised and restricted shares granted during the reporting period.
[3] Tax value per restricted share at grant date: for the Chairman of the Board of Directors CHF 79.46, for the other members of the Board of Directors CHF 84.22.
[4] New member of the Board of Directors since June 2012.
[5] Heliane Canepa will resign from the Board of Directors at the annual shareholders meeting from June 18, 2013 and therefore did not participate in the EEAP 2013.
[6] William D. Dearstyne resigned from the Board of Directors at the annual shareholders meeting from June 19, 2012.

Aside from these payments, no other payments were made to current and former members of the Board of Directors or persons closely linked to them in this reporting period.

Management Board compensation

The members of the Management Board receive a fixed and variable salary, fringe benefits, employers pension and social insurance contributions and a long term incentive in options and RSUs. Starting with the 2014 EEAP the future vesting in a given year is subject to reaching a pre-defined minimum 'Return On Capital Employed' (ROCE) target.

For the year under review, members of the Management Board had a target variable cash compensation averaging at 50 % of the fixed base salary; for the CEO it was 62.5 %. The variable cash compensation for the Management Board is based on three performance target categories: Group, business unit, and individual level. As with all other employees, if less than a certain threshold of a given performance target is achieved, no variable cash compensation is paid out on that specific target. If the performance meets the given target, 100 % of the related variable cash compensation is paid out. If performance exceeds a given target, the related variable cash compensation may go above 100 % but is capped at a maximum of 200 % of the targeted amount.

Group performance targets are linked to its budget and the specific metrics are sales, EBITA, free cash flow, and earnings per share (EPS). Business unit performance targets are sales, EBITA, average sales price (ASP), and operating expenses of the respective business unit. Group and business unit performance targets together are weighted at between 60 % and 80 % of the total. The three to five individual performance targets for each member of the Management Board, are weighted between 20 % and 40 % of the total.

The highest total remuneration for a Management Board member in the year under review was paid to the CEO, Lukas Braunschweiler. His fixed base salary was CHF 800,000 and the target variable cash compensation was CHF 500,000 (62.5 % of the fixed base salary). His effective variable cash payout for performance in the year under review was CHF 672'040, (84.0 % of the fixed base salary), whereas the maximum potential variable cash payout would have been CHF 1,000,000 (125 % of the fixed base salary). In addition, an equity grant (EEAP) with a 2014 fair value of CHF 849,975, fringe benefits of CHF 24,496, employer's pension contributions of CHF 126,764 and employer's social insurance contribution of CHF 101,722 are all reflected in Lukas Braunschweiler's total remuneration of CHF 2,574,997.

The following table shows the compensation for the CEO (highest compensation) and the other members of the Management Board for the financial year 2013 / 14 and the previous year. Payments to twelve other members of the Management Board are covered in the table for the 2013 / 14 financial year. The cumulated effective variable cash payout in % of the cumulated fixed base salary of the other members of the Management Board was 71.1 %. Payments to ten other members of the Management Board are covered in the table for the 2012 / 13 financial year, of whom two left the Management Board during that year.

in CHF									2013/14
	Fixed salary	Variable salary[1]	Fringe benefits	Employer's pension contribution	Employer's social insurance contribution[2]	Total cash compensation	Value of RSUs[3]	Value of options[4]	Total compensation
Lukas Braunschweiler, CEO	800,000	672,040	24,496	126,764	101,722	1,725,022	318,728	531,247	2,574,997
Other members of the MB[5]	3,971,335	2,821,704	247,650	672,182	642,898	8,355,769	2,099,216	2,099,842	12,554,827
Total	**4,771,335**	**3,493,744**	**272,146**	**798,946**	**744,620**	**10,080,791**	**2,417,944**	**2,631,089**	**15,129,824**

The compensation shown in the table above is gross and based on the accrual principle.
1) The variable salary will be paid out after the end of the reporting year.
2) Including social security contributions on the tax value of RSUs vested and options / warrants exercised during the reporting period.
3) Fair value per RSU at grant date CHF 117.96.
4) Fair value per option at grant date CHF 24.46.
5) Albert Chin-Hwee Lim, VP Region Asia Pacific, Stefan Launer, VP Science & Technology, Jan Metzdorff, VP Unitron, and Franz Petermann, VP Channel Solutions joined the Management Board as of April 2013.

in CHF									2012/13
	Fixed salary	Variable salary[1]	Fringe benefits	Employer's pension contribution	Employer's social insurance contribution[2]	Total cash compensation	Value of RSUs[3]	Value of options[4]	Total compensation
Lukas Braunschweiler, CEO	800,000	645,918	20,147	125,951	72,663	1,664,679	299,953	499,880	2,464,512
Other members of the MB[5]	2,839,851	1,923,318	153,968	491,625	427,931	5,836,693	1,506,941	1,507,016	8,850,650
Total (active members)	**3,639,851**	**2,569,236**	**174,115**	**617,576**	**500,594**	**7,501,372**	**1,806,894**	**2,006,896**	**11,315,162**
Former members of the MB[6]	362,077	159,008	21,796	74,533	102,114	719,528			719,528
Total (including former members)	**4,001,928**	**2,728,244**	**195,911**	**692,109**	**602,708**	**8,220,900**	**1,806,894**	**2,006,896**	**12,034,690**

The compensation shown in the table above is gross and based on the accrual principle.
1) The variable salary will be paid out after the end of the reporting year.
2) Including social security contributions on the tax value of options / warrants exercised during the reporting period.
3) Fair value per RSU at grant date CHF 103.97.
4) Fair value per option at grant date CHF 24.19.
5) Andi Vonlanthen, GVP Research & Development, joined the Management Board as of April 2012; Claude Diversi, VP International Sales, joined the Management Board as of May 2012; Hartwig Grevener, CFO, joined the Management Board as of August 2012.
6) Alexander Zschokke, former GVP Channel Solutions, was member of the Management Board until September 2012 and Ignacio Martinez, former GVP International Sales, until October 2012.

Aside from these payments, no other payments were made to current or former members of the Management Board or persons closely linked to them in this reporting period.

Additional information regarding payments to the members of the Board of Directors and the Management Board

No fees were paid for additional services beyond the stated compensation, nor were any loans awarded or guarantees given to members of the Board of Directors or the Management Board or persons closely linked to them in this reporting period.

Shareholdings of members of the Board of Directors and the Management Board

Shareholdings of the Board of Directors

As of March 31, 2014, the members of the Board of Directors and persons closely linked to them held directly and indirectly 3,769,112 Sonova shares / restricted shares (5.6 % of total share capital), 3,915 RSUs, 20,460 options, 5,115 SARs, 2,500,000 warrants and 250,000 WARs.

The following table shows the shareholdings of the individual members of the Board of Directors and persons closely linked to them:

					31.3.2014					31.3.2013
	Shares	Restricted Shares[1] [2]	RSUs[2]	Options[2]	Warrants[2] [3]	Shares	Restricted Shares[1] [2]	RSUs[2]	Options[2]	Warrants[2] [3]
Robert F. Spoerry	15,000	11,049			500,000	12,000	7,839			950,000
Beat Hess		3,438					1,833			
Michael Jacobi	2,260	3,438	783	5,115	500,000	2,000	1,833	1,043	5,115	950,000
Andy Rihs	3,713,258	3,438	783	5,115	500,000	4,560,498	1,833	1,043	5,115	950,000
Anssi Vanjoki	1,260	3,438	783	5,115	500,000	1,000	1,833	1,043	5,115	500,000
Ronald van der Vis	2,292	3,438	783	5,115	500,000	2,000	1,833	1,043	5,115	500,000
Jinlong Wang		1,605								
John J. Zei	1,760	3,438	783	5,115[4]	250,000[5]	1,500	1,833	1,043	5,115[4]	250,000[5]
Total (active members)	**3,735,830**	**33,282**	**3,915**	**25,575**	**2,750,000**	**4,578,998**	**18,837**	**5,215**	**25,575**	**4,100,000**
Heliane Canepa						47,000		1,043	5,115	612,500
Total (including former member)	**3,735,830**	**33,282**	**3,915**	**25,575**	**2,750,000**	**4,625,998**	**18,837**	**6,258**	**30,690**	**4,712,500**

1) These shares are subject to a restriction period which varies from June 1, 2017 to June 1, 2019 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.
4) SARs (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
5) WARs (WARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares).

The following table shows the detailed breakdown of the outstanding options / warrants:

					31.3.2014
	Options EEAP 12[2]	Warrants EEAP 11[3]	Warrants EEAP 10[4]	Total options	Total warrants[1]
Robert F. Spoerry		250,000	250,000		500,000
Michael Jacobi	5,115	250,000	250,000	5,115	500,000
Andy Rihs	5,115	250,000	250,000	5,115	500,000
Anssi Vanjoki	5,115	250,000	250,000	5,115	500,000
Ronald van der Vis	5,115	250,000	250,000	5,115	500,000
John J. Zei	5,115[5]	250,000[6]		5,115[5]	250,000[6]
Total	**25,575**	**1,500,000**	**1,250,000**	**25,575**	**2,750,000**

EEAP 2014, no options or warrants have been granted - 100 % restricted shares.
[1] Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).
[2] Exercise price CHF 95.85, vesting period 01.02.2012 – 01.06.2016 whereas one tranche being vested each year, exercise period 01.06.2013 – 31.01.2019.
[3] Exercise price CHF 118.40, vesting period 01.03.2011 – 28.02.2015 whereas one tranche being vested each year, exercise period 01.03.2012 – 29.02.2016.
[4] Exercise price CHF 131.00, vesting period 01.03.2010 – 28.02.2014 whereas one tranche being vested each year, exercise period 01.03.2011 – 28.02.2015.
[5] SARs (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
[6] WARs (WARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares).

						31.3.2013
	Options EEAP 12[2]	Warrants EEAP 11[3]	Warrants EEAP 10[4]	Warrants EEAP 09[5]	Total options	Total warrants[1]
Robert F. Spoerry		250,000	250,000	450,000		950,000
Heliane Canepa	5,115	250,000	250,000	112,500	5,115	612,500
Michael Jacobi	5,115	250,000	250,000	450,000	5,115	950,000
Andy Rihs	5,115	250,000	250,000	450,000	5,115	950,000
Anssi Vanjoki	5,115	250,000	250,000		5,115	500,000
Ronald van der Vis	5,115	250,000	250,000		5,115	500,000
John J. Zei	5,115[6]	250,000[7]			5,115[6]	250,000[7]
Total	**30,690**	**1,750,000**	**1,500,000**	**1,462,500**	**30,690**	**4,712,500**

In 2013, the grants have been changed to 100 % in restricted shares.
[1] Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).
[2] Exercise price CHF 95.85, vesting period 01.02.2012 – 01.06.2016 whereas one tranche being vested each year, exercise period 01.06.2013 – 31.01.2019.
[3] Exercise price CHF 118.40, vesting period 01.03.2011 – 28.02.2015 whereas one tranche being vested each year, exercise period 01.03.2012 – 29.02.2016.
[4] Exercise price CHF 131.00, vesting period 01.03.2010 – 28.02.2014 whereas one tranche being vested each year, exercise period 01.03.2011 – 28.02.2015.
[5] Exercise price CHF 56.00, vesting period 01.03.2009 – 28.02.2013 whereas one tranche being vested each year, exercise period 01.03.2010 – 28.02.2014.
[6] SARs (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
[7] WARs (WARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares).

Shareholdings of the Management Board

As of March 31, 2014, the members of the Management Board and persons closely linked to them held directly or indirectly 29,886 Sonova shares, 55,964 RSUs, 317,938 options, and 5,807,000 warrants.

The following table shows the shareholdings of the individual members of the Management Board and persons closely linked to them:

				31.3.2014				31.3.2013
	Shares	RSUs[1]	Options[1]	Warrants[1] [2]	Shares	RSUs[1]	Options[1]	Warrants[1] [2]
Lukas Braunschweiler	7,782	7,934	67,963		7,000	6,014	46,244	
Maarten Barmentlo	1,000	5,183	26,673	869,000		4,009	18,497	869,000
Claude Diversi	280	3,145	16,073	450,000		2,154	9,941	512,500
Hansjürg Emch	2,759	5,289	27,184	661,000	2,238	4,009	18,497	661,000
Hartwig Grevener		3,724	16,954			1,923	8,267	
Sarah Kreienbühl	1,000	5,289	27,184	843,750	479	4,009	18,497	1,281,250
Stefan Launer[3]	1,802	2,495	12,923	474,000				
Albert Chin-Hwee Lim[3]		2,020	9,243					
Hans Mehl	1,851	5,289	27,184	1,012,500	1,330	4,009	18,497	1,137,500
Jan Metzdorff[3]	766	3,202	14,500	93,750				
Franz Petermann[3]	853	2,012	8,968	111,250				
Paul Thompson	2,621	5,289	37,184	843,750	2,100	4,009	38,497	1,281,250
Andi Vonlanthen	9,172	5,093	25,905	448,000	8,932	3,748	17,218	728,000
Total	**29,886**	**55,964**	**317,938**	**5,807,000**	**22,079**	**33,884**	**194,155**	**6,470,500**

[1] For further details see also Note 31 in the consolidated financial statements.
[2] Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).
[3] Member of the Management Board since April 2013.

The following table shows the detailed breakdown of the outstanding options / warrants:

31.3.2014	Options EEAP 14[2]	Options EEAP 13[3]	Options EEAP 12[4]	Options (interim CEO / CFO) 11 / 12[5]	Warrants EEAP 11[6]	Warrants EEAP 10[7]	Total options	Total warrants[1]
Lukas Braunschweiler	21,719	20,669	25,575				67,963	
Maarten Barmentlo	8,176	8,267	10,230		475,000	394,000	26,673	869,000
Claude Diversi	6,132	4,443	5,498		225,000	225,000	16,073	450,000
Hansjürg Emch	8,687	8,267	10,230		475,000	186,000	27,184	661,000
Hartwig Grevener	8,687	8,267					16,954	
Sarah Kreienbühl	8,687	8,267	10,230		281,250	562,500	27,184	843,750
Stefan Launer	4,088	3,720	5,115		250,000	224,000	12,923	474,000
Albert Chin-Hwee Lim	5,110	4,133					9,243	
Hans Mehl	8,687	8,267	10,230		562,500	450,000	27,184	1,012,500
Jan Metzdorff	6,132	4,340	4,028		31,250	62,500	14,500	93,750
Franz Petermann	4,088	3,307	1,573		48,750	62,500	8,968	111,250
Paul Thompson	8,687	8,267	10,230	10,000	281,250	562,500	37,184	843,750
Andi Vonlanthen	8,687	8,267	8,951		224,000	224,000	25,905	448,000
Total	**107,567**	**98,481**	**101,890**	**10,000**	**2,854,000**	**2,953,000**	**317,938**	**5,807,000**

[1] Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).
[2] Exercise price CHF 124.60, vesting period 01.02.2014 – 01.06.2018 whereas one tranche being vested each year, exercise period 01.06.2015 – 31.01.2021.
[3] Exercise price CHF 109.10, vesting period 01.02.2013 – 01.06.2017 whereas one tranche being vested each year, exercise period 01.06.2014 – 31.01.2020.
[4] Exercise price CHF 95.85, vesting period 01.02.2012 – 01.06.2016 whereas one tranche being vested each year, exercise period 01.06.2013 – 31.01.2019.
[5] Exercise price CHF 88.30, vesting period 28.05.2011 – 27.05.2015 whereas one tranche being vested each year, exercise period 28.05.2012 – 27.05.2016.
[6] Exercise price CHF 118.40, vesting period 01.03.2011 – 28.02.2015 whereas one tranche being vested each year, exercise period 01.03.2012 – 29.02.2016.
[7] Exercise price CHF 131.00, vesting period 01.03.2010 – 28.02.2014 whereas one tranche being vested each year, exercise period 01.03.2011 – 28.02.2015.

31.3.2013	Options EEAP 13[2]	Options EEAP 12[3]	Options (interim CEO / CFO) 11 / 12[5]	Warrants EEAP 11[5]	Warrants EEAP 10[6]	Warrants EEAP 09[7]	Total options	Total warrants[1]
Lukas Braunschweiler	20,669	25,575					46,244	
Maarten Barmentlo	8,267	10,230		475,000	394,000		18,497	869,000
Claude Diversi	4,443	5,498		225,000	225,000	62,500	9,941	512,500
Hansjürg Emch	8,267	10,230		475,000	186,000		18,497	661,000
Hartwig Grevener	8,267						8,267	
Sarah Kreienbühl	8,267	10,230		562,500	562,500	156,250	18,497	1,281,250
Hans Mehl	8,267	10,230		562,500	450,000	125,000	18,497	1,137,500
Paul Thompson	8,267	10,230	20,000	562,500	562,500	156,250	38,497	1,281,250
Andi Vonlanthen	8,267	8,951		224,000	224,000	280,000	17,218	728,000
Total	**82,981**	**91,174**	**20,000**	**3,086,500**	**2,604,000**	**780,000**	**194,155**	**6,470,500**

[1] Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).
[2] Exercise price CHF 109.10, vesting period 01.02.2013 – 01.06.2017 whereas one tranche being vested each year, exercise period 01.06.2014 – 31.01.2020.
[3] Exercise price CHF 95.85, vesting period 01.02.2012 – 01.06.2016 whereas one tranche being vested each year, exercise period 01.06.2013 – 31.01.2019.
[4] Exercise price CHF 88.30, vesting period 28.05.2011 – 27.05.2015 whereas one tranche being vested each year, exercise period 28.05.2012 – 27.05.2016.
[5] Exercise price CHF 118.40, vesting period 01.03.2011 – 28.02.2015 whereas one tranche being vested each year, exercise period 01.03.2012 – 29.02.2016.
[6] Exercise price CHF 131.00, vesting period 01.03.2010 – 28.02.2014 whereas one tranche being vested each year, exercise period 01.03.2011 – 28.02.2015.
[7] Exercise price CHF 56.00, vesting period 01.03.2009 – 28.02.2013 whereas one tranche being vested each year, exercise period 01.03.2010 – 28.02.2014.

Appropriation of available earnings

As proposed by the Board of Directors to the Annual General Shareholders' Meeting of June 17, 2014:

1,000 CHF	31.3.2014	31.3.2013[1]
Carried forward from previous year	**1,427,440**	**964,876**
Allocation from reserve for treasury shares	1,537	1,417
Net profit for the year	258,231	461,147
Available earnings	**1,687,208**	**1,427,440**
Dividend distribution	(127,610)	
Balance to be carried forward	**1,559,598**	**1,427,440**

[1] Approved by the Annual General Shareholders' Meeting of June 18, 2013.
[2] If the Annual Shareholders' Meeting approves the proposed appropriation of available earnings, a gross dividend of CHF 1.90 per registered share of CHF 0.05 will be paid out (previous year distribution of CHF 1.60 from reserve from capital contributions).

Reserve from capital contributions

1,000 CHF	31.3.2014	31.3.2013[1]
Carried forward from previous year	**16,896**	**69,977**
Capital increase from conditional capital	1,646	54,360
Reserve from capital contributions	**18,542**	**124,337**
Distribution		(107,441)
Balance to be carried forward	**18,542**	**16,896**

[1] Approved by the Annual General Shareholders' Meeting of June 18, 2013.

Report of the statutory auditor on the financial statements

pwc

Report of the statutory auditor on the financial statements 2013 / 14 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 116 to 129) for the year ended March 31, 2014.

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, 2014, 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	Gian Franco Bieler Audit expert

Zurich, May 14, 2014