

Letter to shareholders

In 2014/15, the Sonova Group continued to implement its long-term strategy of customer driven innovation. We made a number of decisions that should contribute to the company's continued success.



Lukas Braunschweiler / CEO
Robert F. Spoerry / Chairman of the Board of Directors

Dear shareholders,

We are pleased to report that the Sonova Group achieved a solid performance in the 2014/15 financial year, with record sales of more than CHF 2 billion despite the sudden appreciation of the Swiss franc in January 2015. We continue to reap the benefits of offering one of the broadest and most innovative ranges of hearing care solutions.

Extending our new sales formats, we took the strategic decision in April 2014 to supply Phonak products to Costco, one of the world's leading retailers. The take-up has exceeded our expectations, although it was partially offset by a short-term negative reaction from other private market customers, particularly in the United States. In another strategic decision, we reinforced our already strong position in wireless communications systems with the acquisition of Comfort Audio, whose products complement Sonova's offering. Late in the financial year we announced the acquisition of Hansaton, a well-established family-run wholesale hearing aid company based in Germany.

In this year's report, we take a closer look at the Sonova Group's largest market: the United States, where all our product brands are well represented.

Solid progress adjusted for currency movements

The Group achieved a solid performance: consolidated sales reached CHF 2,035 million, up 4.3% in Swiss francs and 6.2% in local currencies. Sales in the hearing instruments segment were up 6.9% in local currencies and sales in the cochlear implants segment were stable compared with the prior year. Operating profit before acquisition-related amortization (EBITA) was CHF 455.6 million, a rise of 5.9% in Swiss francs or 9.8% in local currencies. Excluding adverse currency developments, the operating margin improved by 80 basis points.

Delivering total shareholder return

In line with our total shareholder return strategy, announced in November 2014, the Sonova Group launched a CHF 500 million share buyback program, to run for up to three years. By the end of the 2014/15 financial year Sonova had bought back 546,900 shares for CHF 74 million under this program. The Board of Directors will propose to the 2015 Annual General

We continue to address currency challenges through diligent cost management and by exploiting our global footprint.

Robert F. Spoerry

We are set to grow, both from new products and expanding sales and distribution.

Lukas Braunschweiler

Shareholders' Meeting to cancel these shares through a capital reduction. The Board of Directors also proposes a dividend of CHF 2.05 per share, an increase of 7.9% and representing a payout ratio of 38%.

Hearing instruments segment

The highlight of the year was the introduction of the first products based on Sonova's third-generation technology platform. It provides the basis for Phonak's new Venture and Unitron's new North product platforms. The quick uptake of Phonak's Venture-based products, combined with the continuing success of the previous Phonak Quest portfolio, helped to generate sales growth of 4.8% in the hearing instruments segment.

Sonova has applied a platform approach to technical innovation since 2004, with great success; it allows us to roll out new products and solutions quickly. Our third generation launched in October 2014 with the Phonak Audéo V family, in the market-leading Receiver-In-Canal form factor, followed by the Bolero V Behind-The-Ear family. Both feature AutoSense OS, which allows for automatic and seamless adjustment to different listening environments.

Unitron's version of the new platform, North, was launched in March 2015 with the latest family of Moxi Receiver-In-Canal products. These join a full portfolio of products based on the existing Era technology, which continues to deliver solid sales. Unitron has also enjoyed rapid growth from its unique business solution Flex.

Sonova further extended its broad offering with the acquisition of Hansaton, whose sales for the 2014 calendar year totaled EUR 42 million. Its wide distribution network includes its own centers in Germany, France, and the US, with distributors in over 70 countries. Sonova also became Hansaton's technology partner, allowing the Group to generate yet greater returns from its technology platform while further strengthening its wholesale presence in key markets.

Sonova's retail business has contributed to solid growth in the hearing instruments segment, thanks to the expansion of successful new business approaches and service formats such as the fast-growing shop-in-shop concept developed in partnership with Boots, the UK's leading pharmacy-led health and beauty retailer. An important development in the current financial year was Sonova's decision to make Germany a future market for retail, complementing its already strong wholesale presence there.

Cochlear implants segment

Following its extraordinary performance in the previous year with growth of 33.1%, the cochlear implants segment saw an expected relative slowdown in the second half of the 2014/15 fiscal year. In light of this, the stable annual sales level is a solid achievement, albeit below our ambitious expectations.

Factors influencing the result included a very high level of upgrade sales in the prior year after the launch of the new Naída CI Q70 processor, compounded by an increase in competitive pressure in the US market. In addition, there were no larger orders from government tenders in China this year as there had been in 2013/14.

With that said, there was plenty of good news: Advanced Bionics continued to expand in Europe and the Asia-Pacific region, benefiting from the market-leading performance of the Naída CI sound processor. With the launch of the AquaCase for the Naída CI processor we extended our leadership in waterproof hearing technology.

In summary: after an extraordinarily strong result for 2013/14, we have seen stable sales this year. We remain confident, however, that the cochlear implants business will stay on its expected long-term growth trajectory.

Advancing Corporate Governance

At Sonova, we are deeply aware of our responsibility as an industry leader to maintain good corporate governance. We have continued to strengthen our compliance program by establishing a global network of compliance champions. During 2014/15, we provided Group-wide compliance training covering our Code of Conduct, Anti-Bribery policy, and other internal policies.

At the forthcoming Annual General Shareholders' Meeting there will be, for the first time, a binding vote on the compensation of the Board of Directors for their upcoming term of office and for the Management Board for the 2016/17 financial year. In addition, Sonova will again hold a consultative vote on the Compensation Report, which covers the compensation actually paid out for the 2014/15 financial year. Our shareholders will also have the opportunity for the first time to provide their voting instructions to the Independent Proxy in paper or electronic format.

Changes to the Board of Directors

Andy Rihs, a long-standing member of the Board of Directors, has announced that he will not stand for re-election at the 2015 Annual General Shareholders' Meeting, for age reasons. He was one of the founders (together with his former business partner Beda Diethelm and his brother Hans-Ueli Rihs) and has been a true pioneer in our industry. Together they pursued the vision to develop the company into a global market leader by constantly setting ambitious targets.

Andy Rihs joined Phonak in 1966, concentrating on marketing and commercial operations. He managed the Group as CEO until April 2000 and again as interim CEO in 2002. Under his leadership, the company grew continuously and established an outstanding reputation as a provider of technologically advanced products.

His wide industry expertise and commitment to innovation helped form the spirit of Sonova. His strong people focus created our open and inclusive culture, as his phrase is, "ohni Lüt gaht nüt" – you can't achieve anything without people.

Andy Rihs also owns several companies and holds interests in various high-tech start-ups. We thank him warmly for his great contributions to Sonova's success and wish him well in his many other entrepreneurial endeavors.

Furthering corporate social responsibility

We are very pleased that Sonova has been admitted this year, for the first time, to the global Dow Jones Sustainability Index (DJSI), one of the world's most recognized sustainability benchmarks. Sonova also received the Industry Mover Sustainability Award 2015 for its excellent performance in the DJSI assessment.

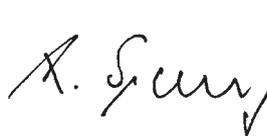
The Hear the World Foundation, a main pillar of the Sonova Group's corporate social responsibility commitment, made a significant contribution through its 25 projects to furthering our vision of a world where everyone has the chance to enjoy good hearing. You can read more about our CSR activities in our separate Corporate Social Responsibility Report, prepared in accordance with the Global Reporting Initiative G4 guidelines.

Our thanks

As in every year, we keep in mind that our business is changing people's lives for the better – bringing the precious gift of hearing through each product and solution we create. Our relentless drive for innovation would be impossible without the talent and initiative of our employees. We could not reach customers worldwide without the loyal support of our partners in the hearing care profession. It is those customers – with their desire to live without limits – who make all our work worthwhile. And it is our shareholders whose continuing trust lets us develop the company for the future. We thank all of you.

Outlook 2015/16

The new financial year will see impacts both from changes in the German market and the strengthening of the Swiss franc following the decision of the Swiss National Bank to discontinue its minimum exchange rate policy on the euro. Sonova remains committed to pursuing its strategy of profitable and sustainable growth through continuous customer-driven innovation. The strategic decisions taken in 2014/15 should put us in a good position to take advantage of future opportunities. In 2015/16, we expect to increase consolidated sales by 7%–9% in local currencies.



Robert Spoerry
Chairman of the Board
of Directors



Lukas Braunschweiler
CEO