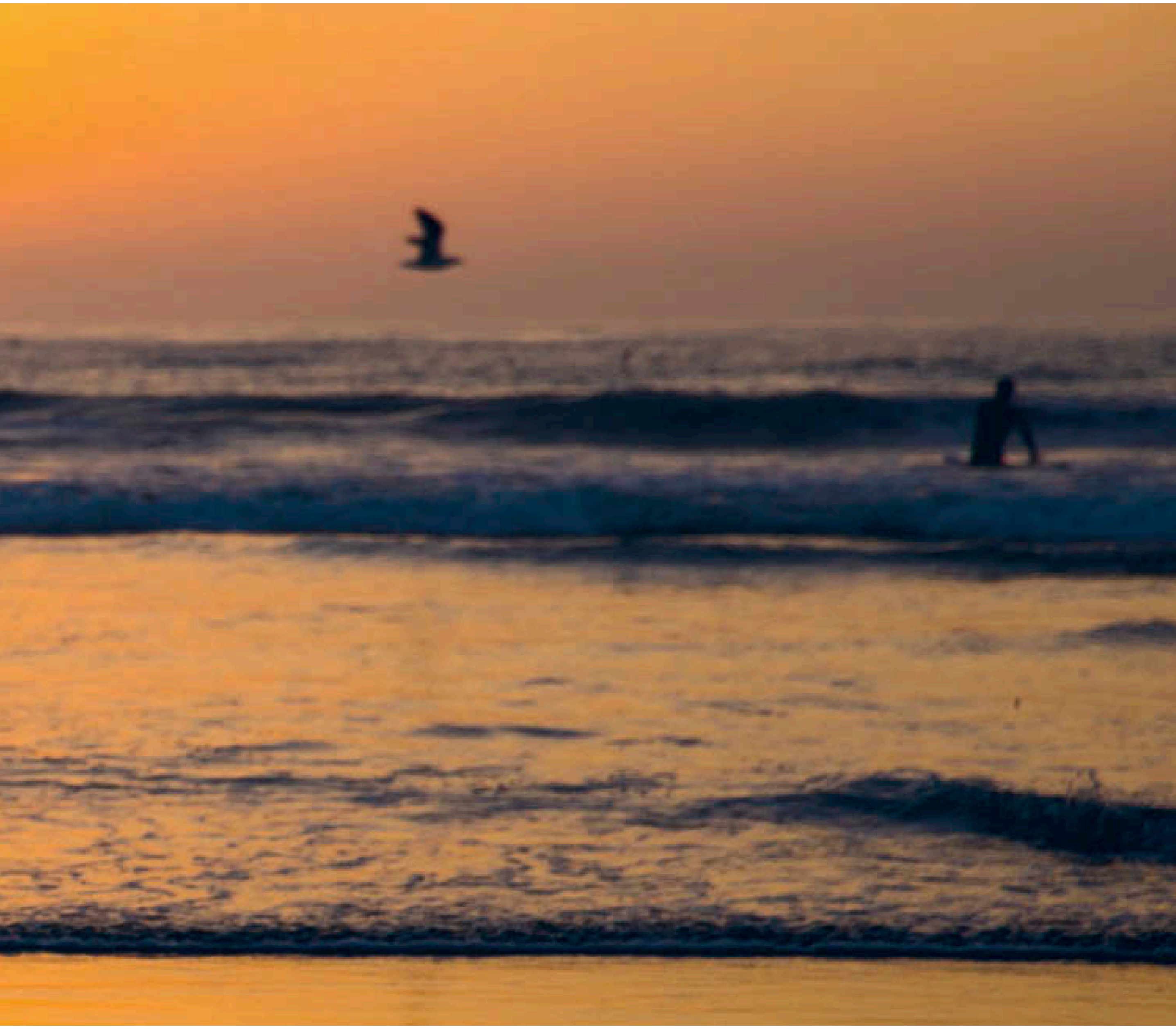
Annual Report 2014/15

We envision a world where everyone enjoys the delight of hearing and therefore lives a life without limitations.



Highlights 2014/15

The Sonova Group achieved a solid performance in the 2014/15 financial year; it continues to reap the benefits of offering one of the broadest and most innovative ranges of hearing care solutions. We made a number of decisions that should contribute to the company's continued success.

+ 6.2 % sales growth for the Sonova Group in local currencies

The Sonova Group generated record sales of CHF 2,035.1 million, an increase of 6.2 % in local currencies. Adverse exchange rate developments reduced reported sales by CHF 37.0 million, resulting in 4.3 % growth in Swiss francs.

+ 6.9 % sales growth for hearing instruments in local currencies

Sales in the hearing instruments segment reached CHF 1,840.9 million, an increase of 4.8 % in Swiss francs and 6.9 % in local currencies. At constant currencies, the normalized EBITA margin grew by 70 basis points, partly offset by the adverse exchange rate effect.

CHF 194.2 million in sales for cochlear implants, stable from prior year

The cochlear implants segment consolidated its overall position after an extraordinary performance in 2013/14. Sales reached CHF 194.2 million, stable compared to the prior year, with a normalized EBITA of CHF 10.4 million.

CHF 455.6 million EBITA + 9.8 % in local currencies

Group EBITA reached CHF 455.6 million, up 5.9 % in Swiss francs and 9.8 % in local currencies from the prior year. Operating margin improved by 40 basis points to 22.4 %, despite the adverse exchange rate effect.

Cash conversion remains strong

Operating free cash flow rose by 15.1 %. As a result, the Group maintained its sound balance sheet and ended the year with solid net cash position of CHF 382.3 million. The Board of Directors proposes to the 2015 AGM a dividend of CHF 2.05, up 7.9 % from the prior year.

ROCE of 29.1 % improving further

Return on capital employed (ROCE) rose further to 29.1 %, keeping us well on track to reach our mid-term financial targets.

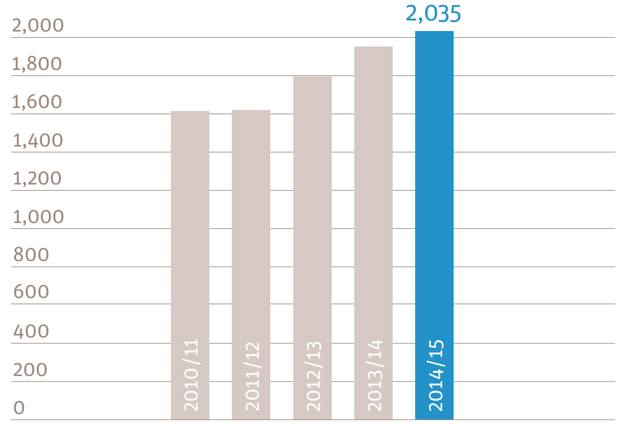
SONOVA GROUP KEY FIGURES

in CHF m unless otherwise specified	2014/15	Change in %	2013/14
Sales	2,035.1	4.3 %	1,951.3
EBITA	455.6	5.9 %	430.1
EBITA margin	22.4 %		22.0 %
EPS (CHF)	5.37	5.7 %	5.08
Operating free cash flow	366.4	15.1 %	318.4
ROCE[1)]	29.1 %		27.7 %
ROE[1)]	20.2 %		20.3 %

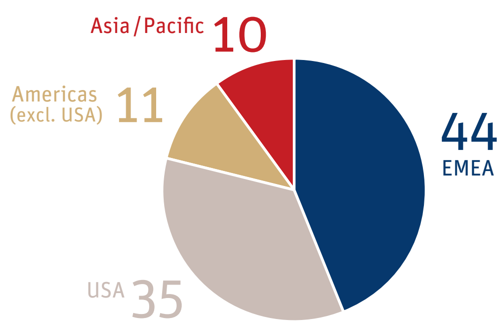
[1)] For detailed definitions, please refer to "5 Year Key Figures".

Key figures 2014/15

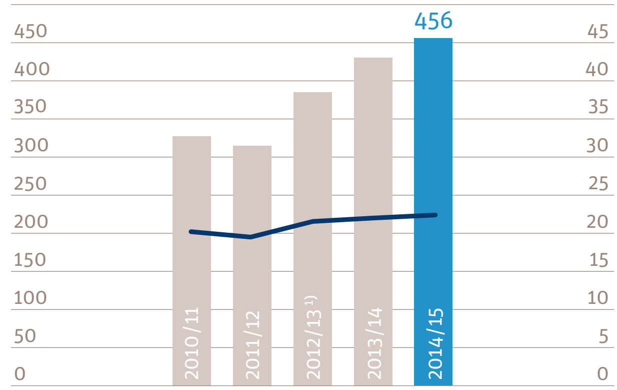
SALES IN CHF M



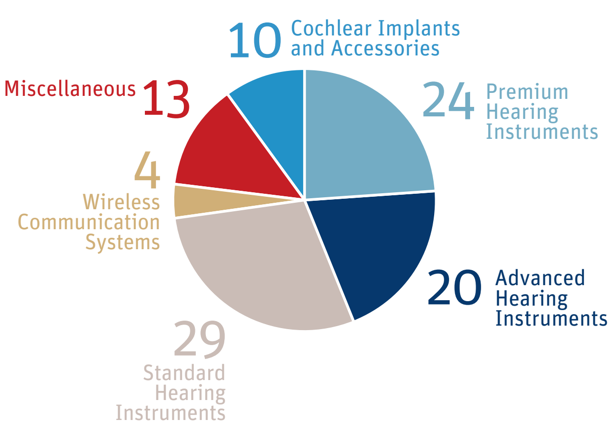
SALES BY REGIONS 2014/15 IN %



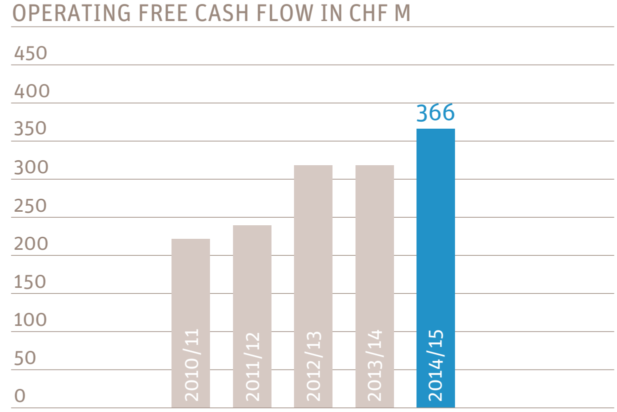
EBITA IN CHF M / EBITA MARGIN IN %



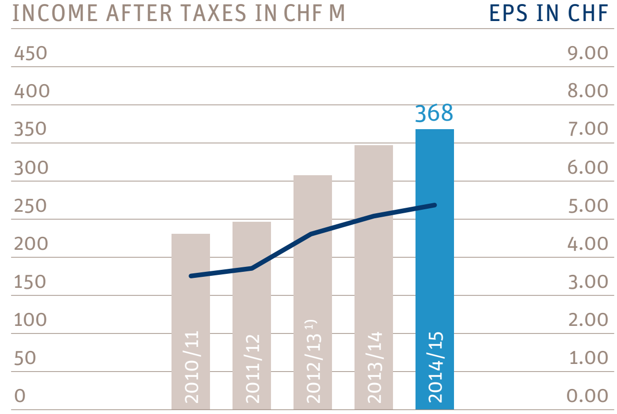
SALES BY PRODUCT GROUPS 2014/15 IN %



OPERATING FREE CASH FLOW IN CHF M



INCOME AFTER TAXES IN CHF M / EPS IN CHF



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

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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

The Sonova Group

The Sonova Group is the broadest hearing care provider in the industry. We are committed to providing the most comprehensive range of solutions. Our brands Phonak, Unitron, Advanced Bionics and Connect Hearing create compelling new products and offer the optimal solution for every user, tailored to the individual's needs and provided by hearing care professionals in a broad range of personalized service channels.

Hearing aids

PHONAK

Phonak has shaped the hearing aid industry for more than 60 years with its innovative, state-of-the-art hearing systems and wireless devices. The combination of expertise in hearing technology, mastery in acoustics and strong cooperation with hearing care professionals allows the brand to significantly improve people's hearing ability and speech understanding and therefore their quality of life. Phonak offers a complete range of digital hearing instruments, along with complementary wireless communication systems. With a worldwide presence, Phonak drives innovation and sets new industry benchmarks regarding miniaturization and performance.

unitron

Unitron views personal relationships as the driving force of the hearing business. The company partners with hearing healthcare professionals to support their in-clinic success by enhancing the patient experience with the best products, services and resources. Unitron becomes an extension of its customers' teams, and differentiates itself in the industry by being highly approachable, collaborative and easy to work with.

Cochlear implants

AB

Advanced Bionics is a global leader in developing the most advanced cochlear implant systems in the world. Founded in 1993 and a subsidiary of the Sonova Group since 2009, Advanced Bionics develops cutting-edge cochlear implant technology designed to help children and adults with significant hearing loss enjoy clear, high-resolution sound, optimal speech understanding in noisy settings and an outstanding music experience.

Retail

Connect Hearing

The Connect Hearing Group is a fast growing international professional service network of hearing care providers. It is dedicated to delivering outstanding service and technology solutions for people with hearing loss. Constantly thinking to improve information, education, screening, counseling and support, Connect Hearing always puts its customers in the center of attention, knowing that better hearing starts with understanding their individual needs.

Strategy and brands

As the world's leading hearing care provider, we are not just a technology company: we are a team on a mission to help people enjoy the delight of hearing. To enable a life without limitations, we push the limits of the possible and redefine the future of our industry.

United under one roof. The flags of Sonova and its four brands wave at the Group's headquarter in Stäfa.

Our permanent mission at Sonova is to be recognized as the innovation leader in the global hearing care market. We are committed to offering the most comprehensive range of solutions – from hearing aids to cochlear implants to wireless communications – to treat all forms of hearing loss and offer an improved quality of life, even in the most challenging listening situations. This mission keeps us closely focused on hearing care solutions and services: Sonova has no plans to expand its activities into other areas of medical technology or services unrelated to hearing care. On the other hand, developments in related fields can support us in our mission; we therefore take full advantage of opportunities in areas such as consumer electronics and connectivity to further improve the performance and convenience of our solutions and services.

Continuous innovation means maintaining a full product pipeline. The 2014 / 15 financial year continued our tradition of numerous product introductions; the highlight was the launch of our third-generation technology platform. Sonova has implemented a rigorous platform approach to new product development ever since the introduction of its first chip platform in 2004. This approach allows us to make best use advances in basic technology across our full range of solutions and all our product brands. It shortens development time and optimizes production efficiency. The latest technology platform proves this point again: we have already brought its innovative capabilities to market through new product families from both our Phonak and Unitron brands.

A sustained high pace of innovation and a full product pipeline are only possible thanks to continued investment in R & D; Sonova is committed to maintaining a gross R & D spend of 7 % – 8 % of sales. Nor do we restrict our pursuit of innovation to product development: we also aim to demonstrate our leadership by delivering continuous improvement, not just in what we make, but in how we make it and how we sell it.

People are the key to our success

At Sonova, our success stems from the more than 10,000 dedicated experts who come to work each day to develop, manufacture, and distribute solutions that make a real, meaningful difference for millions of other people. Our open-minded international corporate culture, with strong productive relationships between employees, customers, and other stakeholders, makes all this possible: sustainable innovation, competitive advantage, continuously added value, and superior results. People are what make Sonova the industry leader.

We have therefore started to highlight the Sonova name rather than our individual brands when attracting talented people to work for us. This reflects how we work together across our business brands: a career at Sonova opens up opportunities beyond one brand or market. So we emphasize what all of our brands have in common: the passion and ability to improve life for people with hearing loss; the openness to encourage creativity at every level; and the commitment to growth – personally, professionally, and as a Group.

Covering the entire hearing spectrum

Our business brands – Phonak, Unitron, Advanced Bionics, and Connect Hearing – address the full spectrum of hearing care. Phonak is the leading and most innovative brand for hearing aids and wireless communication solutions individually tailored to user needs. Unitron is built on strong, personal relationships with hearing care professionals, supporting them with products that make a real difference in the lives of people with hearing loss and providing an exceptional customer experience. Advanced Bionics develops cutting-edge cochlear implant technology designed to help children and adults with significant hearing loss enjoy clear, high-resolution sound and optimal speech understanding. Connect Hearing is a fast-growing international service network of hearing care professionals that provide state-of-the art audiological care. Our Hear the World Foundation, a main pillar of Sonova's corporate social responsibility commitment, supports carefully selected projects that provide hearing solutions for underprivileged people with hearing loss, delivers information, and helps to prevent hearing loss. One of its projects, in Haiti, is described later in this report.

Sonova's brands do not just cover the full spectrum of needs; they provide a balanced portfolio of profitable businesses that allow the Group to generate sustainable growth – expanding existing franchises, promoting synergies between businesses, and investing in new opportunities.

Sustaining a strong competitive position

Extending leadership in hearing instruments

This year's estimated global hearing instrument market volume was around 12 million units; the figure is expected to continue to grow at a low- to mid-single digit rate in the medium term. Sonova remains the largest global manufacturer of hearing instruments, represented by its Phonak and Unitron brands. Supported by the launch of Sonova's latest technology platform, both brands introduced a number of new product families this year. Sonova continues to offer the most up-to-date product portfolio in the industry and has further extended its market leadership.

Further advancing in cochlear implants

Supported by the success of its recently introduced products, including the Naída CI Q70 sound processor and the Hi-Focus Mid-Scala electrode, Advanced Bionics continued to strengthen its competitive position. Pursuing its innovative approach and building on its proven strength in waterproof solutions, it launched the AquaCase, which lets cochlear implant recipients wear their Naída CI Q70 sound processors around and even in water, fulfilling our vision of enabling everyone to live life without limitations.

Supporting our retail markets

Expert hearing care services are key to achieving best results with hearing instruments. These services are provided by our various wholesale customers: independent audiologists, large key accounts, and government agencies. Sonova supports all of them through our innovative products and also by providing the tools necessary to build their businesses and provide the best solutions for people with hearing loss. Around 90 percent of the hearing instruments produced by Phonak and Unitron continue to be sold through these partner channels – but Sonova also offers professional audiological services directly in selected markets, under our Connect Hearing and related brands.

Multidimensional growth

Sonova's growth strategy targets four areas for action: penetrating existing markets, expanding accessible markets, integrating service channels, and developing the consumer base.

Penetrate existing markets

Continuous innovation by all our product brands gives Sonova the strength to increase market share with existing customers while also gaining new ones. This has been the case in Germany, where our hearing aid business significantly outpaced market growth, supported by Phonak and Unitron's differentiated offering. In the United States, the supplier agreement for our Phonak brand that we signed with Costco, our new customer, has allowed us to gain a significant share of wallet since entering this fast growing channel in April 2014.

Expand accessible markets

We continued implementing our strategy for China, which is now our second-largest market in the Asia / Pacific region, and where our hearing instrument business has enjoyed well above-average growth. This growth stems from a wide range of initiatives, including dedicated products for emerging markets, co-operation with distribution partners and government, and education for hearing care professionals. We also continued to invest globally in new product formats, such as the completely invisible and extended-wear Lyric device, which has shown strong growth. The product appeals to a new group of customers who are less interested in traditional hearing instruments. Lyric acts as a strong lead generator, driving traffic to those hearing care professionals who offer it.

Integrate service channels

In our retail business, we have identified three factors that determine our success in each market: growth, operational excellence, and brand equity. We continue to expand our business, both organically and through selected acquisitions, so that we can reach critical size in all of our key markets. We are continuously improving the efficiency of our retail distribution through standardized best-practice operating procedures, thereby lifting profitability. And we are building business for the future through consistent branding and a strong yet open corporate culture.

Develop consumer base

Our consumer profile is constantly changing as new generations reach the age when they begin to seek help for their hearing loss: even now, an average of seven years passes between the first awareness of a problem and the first fitting for a hearing instrument. During that time, consumers are searching for relevant information, which will differ greatly from person to person. Typical consumers are now more Internet-savvy than previously, more mobile-based, and more involved in social media. They encounter our brands through these and more traditional channels during that long interval before the first decision to purchase. Our approach, therefore, is to engage them in meaningful conversations based on our deep understanding of their needs. We aim to build individual consumer profiles incorporating their interests, activities and interactions, which we can use to provide a seamless experience across our brands and channels. So whether it's through Phonak's micro-site for teenagers, Unitron's "Favorite Sounds" campaign, Connect Hearing's "Real People, Real Stories," or Advanced Bionics' Bionic Ear Association, we engage our potential consumers at the level of their own lives now, to help them imagine a life without limits.

Benefiting from our global footprint

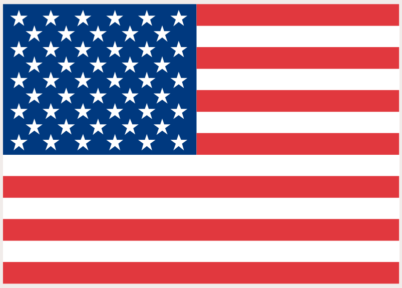
With a presence in over 90 countries, Sonova combines the advantages of local roots and global infrastructure. Our corporate strategy seeks to exploit the growth potential of the worldwide hearing care market while further boosting efficiency and capability across the Group. We aim to take full advantage as one Group of the common strengths of our businesses, gaining further efficiency from the ways they can work together, thus putting even more energy into where it is most needed: serving our customers. Our headquarters in Stäfa, for instance, has evolved from the Phonak head office, R&D, and production site into a vital collaborative base, offering shared services to all four of our business brands. We plan to implement this shared service philosophy across the globe: local functions such as Finance and Controlling, HR, Logistics, or Quality will offer their services to more than one of the four business brands, gaining economies of scale, increasing productivity, and freeing talent to concentrate on excellent products, customer dedication, and services.

This collaborative approach of combined research teams of Phonak and Advanced Bionics drove the development of the Naída CI Q70 sound processor. This approach combines leading-edge developments from both hearing instruments and cochlear implants, such as the UltraZoom directional microphone technology developed by Phonak, which when combined with ClearVoice from Advanced Bionics has been shown in studies to significantly improve speech understanding in noise. The result is new, unique benefits for people with severe to profound hearing loss.

In 2014/15, we also established two Operation and Logistics Competence Centers, serving both our Phonak and Unitron businesses in a number of European countries. Our Logistics Hub in the Netherlands and Service Competence Center in the United Kingdom will help to optimize our service and repair offering and sustain the Group's continued competitiveness in our key European markets.

Pioneering the future

Sonova looks back on several decades of success in the US. A visit to the country where innovation reigns as supreme as ever.



USA facts & figures:

Area:
9.8 million km²

Population:
320 million (2014)
Density: 34.8 people/km² (2014)
Growth: +9.3% (2004–2014)

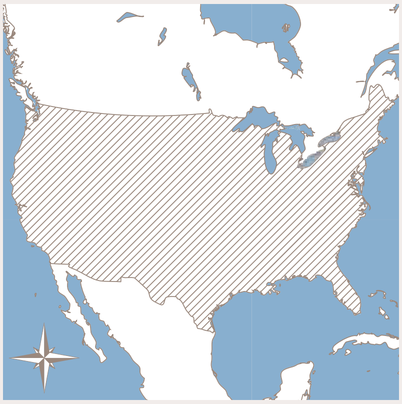
GDP:
CHF 15.9 trillion (2014)
Per capita: CHF 50,160 (2014)

The world's biggest hearing aid market

The US is the world's largest market for hearing instruments. Reaching approximately 3.2 million units it grew by around 7% during 2014/15. With a penetration rate estimated at around 25% the market still offers significant growth potential.

Sonova in the USA

Contributing around 35% to Group sales in 2014/15, the US is Sonova's largest country by revenue contribution.



More than a hundred years ago, the American poet Walt Whitman wrote "Pioneers! O Pioneers!" – a poem that describes a country whose inhabitants would set off fearlessly into the unknown to traverse the continent. This pioneering spirit still thrives today in the United States, attested by the ceaseless quest for new inventions.

Americans are proud to recount the technological achievements of recent decades and tell stories of successful youngsters whose fresh ideas have launched entire industries. In terms of the number of patents applied for, the US is one of the world's leading countries. Innovation takes pride of place in the United States – and this also holds true of the hearing aid market.

The US is the world's largest hearing aid market, and there is still ample scope for expanding the supply – a situation that opens up opportunities for an innovative company such as Sonova. An estimate by the National Institute on Deafness and Other Communication Disorders suggests that over 35 million Americans are affected by hearing loss, but barely 25 percent of them currently use a hearing aid. There are more than three million hearing aids sold in the US per year. Around 80 percent of hearing aids are fitted and sold in the private sector; the remaining 20 percent of hearing aid wearers are provided through the Department of Veterans' Affairs (VA) to veterans and soldiers free of charge. Most private health insurance schemes cover the cost of the hearing test but typically not the hearing aid devices.

The Sonova Group is excellently positioned in the US: in the private market, Sonova accounts for about one quarter of all hearing aids sold, whereas Sonova's market share is as much as 40 to 50 percent for publicly subsidized hearing aids funded by the VA, for which fixed prices apply. The market as a whole is showing healthy growth.

Add the fact that every day in the US, a staggering 10,000 people celebrate their 65th birthday, and that trend will continue for the next 18 years. Given this, the company's strategic decisions and activities are focused on providing consumers awareness and access to hearing products that best meet their needs. Typically, Americans suffer from hearing loss for an average of seven years before they seek help for it – all the more reason for Sonova to continue working to raise awareness of its hearing solutions and make it easier for people to access them.

All four Sonova core brands are well positioned in the US. With a market presence dating back 25 years, Phonak is very well established and has demonstrated tremendous growth over that time; its headquarters are in Warrenville, Illinois, in the Greater Chicago area. Unitron has been represented in the American market for 40 years and enjoys a high level of brand awareness among hearing care professionals; its head office is located in Minneapolis, Minnesota. From the western to eastern seaboard, Sonova offers professional hearing services to consumers under the Connect Hearing retail brand at specialist hearing care stores in over 300 locations across many US regions. It is headquartered in Naperville, Illinois, also near Chicago. The Advanced Bionics brand for cochlear implants has its global headquarters in sunny California. Sonova constantly seeks to exploit potential synergies across all its brands – after all, the shared objective of all the business segments is to supply the customer with the best possible solution. One example of many: the close collaboration between Connect Hearing and Advanced Bionics under the auspices of the Sonova Partner Program. When customers visit Connect Hearing stores, they are given additional information about hearing solutions that go beyond a hearing aid. They also benefit from assistance – for instance, if they are using a cochlear implant in one ear but are still wearing a hearing aid in the other.

Sonova also embarks in fresh and innovative directions when it comes to sales and marketing. Take the Hearing Planet online platform, for example, which Sonova acquired in 2010: it offers information about all commonly used hearing aids and arranges online appointments with hearing care professionals. The aim is to make the first step as easy as possible for the customer, so that he or she will not wait additional years before seeking help. In 2014, Sonova began selling its Phonak Brio product line in the Costco retail chain, another growing point of access for consumers. To date, the rapid increase in sales to Costco has surpassed expectations.

One of Sonova's key objectives has been to enhance and leverage its global supply chain competencies in order to continually improve its overall level of service to its customers. This is highly evident in the new Aurora Operations and Distribution Center (AODC), located only miles from Phonak. Opened in 2014, the nearly 10,000 m^2 facility is constructed for both custom manufacturing and distribution using lean engineering principles to optimize work flow. On the custom manufacturing side, the company utilizes proprietary impression scanning technology, state-of-the art digital on-screen processing and 3D printing to model each In-the-Canal custom device. The result is a hearing aid perfectly matched to an individual's unique ear canal geometry and degree of hearing loss. Leveraging lean engineering best practices, orders are received on one side of the building and finished hearing aids, each pre-programmed to customers' requirements – are dispatched from the other side of the facility to destinations across the United States. In addition to in-line operational capabilities, AODC has made enhancements to its pick, pack and ship operation using an automated warehouse management system which automatically manages all of the individual product items and knows exactly what is required to be included with each order. The plant also houses an Engineering and Training Center where the team creates prototypes, develops new quality initiatives and trains employees off-line. It also serves as a workshop for Phonak custom-

ers to collaborate with the manufacturing team on how to further enhance their own customized products.

Mujo Bogaljevic, Vice President, Operations and Manufacturing at AODC, proudly talks about the plant's capabilities with a special nod to its dedicated and highly charged team. "This space is specifically designed with a degree of flexibility to implement new technologies and be well positioned for the promise and expectation of significant growth in the US," he explains. "But the true driving force behind our capabilities comes from our awesome team culture. We have some team members who have been with us for 25 years – the day that Phonak opened its doors in the US. And every day I witness outstanding examples of engagement and leadership across the many functional teams. We have a wonderful staff who believes in our purpose, management's vision and what it takes to have our customer's back, I couldn't be more proud."

Continuous investments in research and development also pave the way for success. In August 2014, Sonova inaugurated the new Phonak Audiology Research Center (PARC) in Warrenville – a center designed specifically for innovation, audiology and clinical research in the US. A centrally positioned "innovation wall" here showcases some of Sonova's groundbreaking achievements. "PARC will advance our knowledge about hearing aids and fitting techniques," says Bill Dickinson, Vice President Audiology at Phonak. He came to Sonova after 20 years in the educational and clinical arenas. Dickinson was won over by the firm's corporate philosophy, which focuses consistently on an individual's specific hearing needs: "We're not just concerned about whether a product works as it should. We also want to learn how it improves the overall quality of life of those who use our technology." Research meets the real-world at PARC in a spacious "Listening Loft," a truly innovative research lab experience incorporated into a real-life home environment. The Listening Loft allows researchers to evaluate the effectiveness of all hearing technologies in the exact listening environments in which these instruments are used. "This allows us to carry out research in a real-world environment, giving us unique insights to the consumer's experience," Dickinson explains. The cutting-edge center focuses on a variety of issues including binaural sound perception. "Never have there been so many opportunities to bring about a real improvement in people's lives through technology," Dickinson adds.

One technological innovation that has improved the lives of many people with hearing problems is Lyric from Phonak. The world's only 100 % invisible hearing solution was developed by a group of audiologists, ENT specialists and engineers in collaboration with the University of San Francisco over several years. The hearing aid is placed deep in the ear canal, so it is completely invisible and can be worn 24 hours a day for months-at-a-time without changing the battery. Lyric is unique and to date, there are no comparable extended wear instruments on the market. The battery is no larger than a grain of rice and the technology is designed to withstand the extreme conditions in the ear canal such as moisture and ear wax. Phonak's Lyric business is expanding in a growing number of markets across the world. Offered by audiology practices, Lyric is sold by subscription – an opportunity for providers to develop long-term customer loyalty. At the end of a battery's lifetime, the audiologist simply replaces the instrument. Mark Sanford is one of the most successful providers of Lyric in the US. Five years after this independent audiologist added Lyric to his portfolio, his sales revenue had doubled. Lyric devices accounted for more than half of his hearing aid sales – including a high percentage of clients who renew their Lyric subscriptions year after year.

2014 also marked the launch of Phonak's new Venture product platform with a technology that optimizes the understanding of speech in challenging everyday situations. "Whether the wearer is in a car or a restaurant, the new Phonak Audéo V hearing aids provide the best possible understanding of speech – reliably, automatically, and in every hearing situation," says Martin Grieder, Group Vice President Phonak.

Sonova also enjoys success on the American market with Unitron, its other hearing aid brand. Unitron's product philosophy has a strong focus on human interaction. "We see the human factor as the cornerstone of our innovation strategy," says Ara Talaslian, Vice President, Research and Development at Unitron. The positive evolution of the business is built on the close and personal relationships Unitron has established with hearing care professionals and supporting them in the ones they develop with their clients over lengthy periods. Thanks to the Flex:trial program, hearing care professionals can offer their clients the ability to trial an instrument before deciding whether to buy it. The new Log It All functionality enables hearing care professionals to capture their clients' acoustic lifestyle with the trial device so they can offer improved advice and fitting. Moreover, Unitron's design work has been recognized with success: the Moxi Kiss model was honored with two internationally recognized design awards in 2014.

The international service network for Sonova's Connect Hearing retail brand is also extremely extensive in the US. Store design and location is highly important for Connect Hearing to overcoming the perceived stigma of hearing loss and creating wholly positive customer experience. To guarantee a high recognition level, a uniform presence based on the Connect Hearing brand was introduced for all the stores over the last few years. In a relaxing contemporary ambience, professionals advise their clients and seek out the best possible hearing solution for them.

Advanced Bionics, the cochlear implant manufacturer, was acquired by Sonova in 2009, and it has developed robustly. The beating heart of this business is the research and development department in the southern Californian city of Valencia. The ingredients in the formula for its success are innovation, the inquiring mind and a sense of precision. In an ultra-modern mirrored building, graduates of leading universities work to develop and refine cochlear implants. In pursuit of this goal, Advanced Bionics collaborates with numerous research institutions; synergies within the Sonova Group are also exploited to advance product development. The new Naída CI Q70 sound processor incorporates and combines the technological advances achieved by Advanced Bionics and Phonak. Thanks to the processor's intelligent functions, for example, speech understanding can be improved and a wireless connection is made possible. Cutting-edge hearing solutions such as Neptune, the first and only waterproof sound processor; the AquaMic, the only waterproof microphone for cochlear implant systems; and accessories such as AquaCase, a waterproof container for the Naída CI Q70 sound processor, open up new options for recipients to hear anywhere, anytime.

AquaCase made a dream come true for 18-year-old Allison Emge: she hoped to enjoy watersports and be able to hear without worries. This bright young woman with her long sun-bleached brown hair is often to be seen leaping into the waves with her surfboard on the beach at San Diego. Allison lives right on the Pacific shore with her parents, Derek and Suzanne. The garage of their beachside home is full of surfboards. From the terrace, she can run across the warm sand and past the beach volleyball nets straight into the ocean waves. Allison showed clear signs of hearing loss when she was two years old. After investigating the subject in detail, her parents opted for a cochlear implant from Advanced Bionics. Allison attends high school, is enthusiastic about learning Spanish and is one of the best students in her year. She spends her leisure time playing volleyball on the beach with her friends and surfing with her AquaMic and AquaCase.

The same vision – "A life without limitations" – underpins all the Sonova brands. Everyone should have the delight of hearing and be able to live a life without limitations. No one demonstrates this better than the 18-year-old girl from California. "I lead a perfectly normal life, and I have no end of fun," Allison says with a smile as she races back into the water with her surfboard.

A dream come true for 18-year-old Allison Emge from San Diego: Thanks to the AquaCase, a waterproof accessory for the Naída CI Q70, she can hear the sound of the waves. “I lead a perfectly normal life, and I have no end of fun,” she says with a smile.

Phonak

Life knows no limits, and neither should technology. Phonak constantly pushes at the boundaries of what is possible, seeking ever better solutions so that people with hearing loss can live to their fullest.

Phonak Audéo V – The first product family available on the new Venture platform, is powered by a new chip technology.

At Phonak, we move the industry forward, year by year, product by product. We are inspired by the millions of people around the world for whom what we do improves life deeply: bringing back the loved voices of family and friends; the sounds of nature, work, and pleasure; and the joys of music. Together with our partners in the other Sonova Group businesses and in the hearing care profession, we pursue the goal of a world where everyone can enjoy good hearing.

Accelerating Innovation: Venture

Innovation takes first place at Phonak. We are proud to offer the broadest product range in the industry, supported by powerful technology platforms that bring cutting-edge performance within the reach of more and more users.

The Quest platform, introduced in 2012, saw the fastest conversion rate from previous technology in the history of Phonak: within five months of its introduction more than 80 % of new Phonak hearing aids sold were Quest-based. A full-spectrum portfolio of products and solutions established Quest as the market leader – a testimony to how people with hearing loss and their hearing care professionals value the real-life benefits that Phonak innovation brings.

Now, only two years after the launch of Quest, Phonak has introduced Venture, based on a new, third-generation technology platform. At its heart is a dual-core chipset that offers twice the previous processing power while reducing battery power consumption by up to 30 %. Starting in October 2014, the technology has been available to the market in a new Receiver-In-Canal product family, the Phonak Audéo V. The market reaction to the launch has been extremely positive.

Venture's speed, power and capacity allow for previously-impossible precision and subtlety in sound processing, driven by a groundbreaking new operating system, AutoSense OS. The "central brain" of the new Phonak hearing aids, AutoSense OS adapts automatically to varying hearing environments. Continuously analyzing incoming sound, it optimizes over 200 settings, blending programs to match the listening environment exactly – all without requiring any manual interaction. This on-the-ear intelligence allows users to get the best out of existing programs, such as Speech in Noise and

Comfort in Noise. It provides enhancements to Speech in Loud Noise, steering the StereoZoom speech isolation feature to follow asymmetric or moving sources. And it makes possible entirely new programs, such as Speech in Car, Music, and Comfort in Echo.

An innovative portfolio that meets all needs

We maintain a broad portfolio of products and solutions to meet the needs of all hearing aid wearers, so they can live life to the full regardless of their degree of hearing loss.

Our most exciting new addition is the Phonak Audéo V Receiver-In-Canal hearing aid family, available in four styles, all wireless, at four performance levels. All of them benefit from the power and capability of the new Venture technology platform. All come with Phonak's Binaural VoiceStream Technology, for optimum speech handling between both ears, and feature push-button control. And their newly-designed housings are reinforced with high-tech composite materials for extra durability with light weight.

A Phonak hearing aid is always designed to interact seamlessly with our range of accessories to help deliver the best hearing experience in every situation. Our Wireless Communication Portfolio features the newly-introduced Phonak EasyCall, which connects any Phonak wireless hearing aid to any Bluetooth-enabled cell phone – even non-smartphones and older models. There is no need to be restricted to a particular brand or operating system: simply attach the EasyCall to the back of the phone, and it streams the conversation directly to both hearing aids in unmatched sound quality.

The Phonak ComPilot Air II is a handy clip-on streamer that allows for easy control of all Bluetooth-enabled audio devices, while the Phonak RemoteControl App turns any smartphone into an advanced controller for Phonak Venture hearing aids. Used with the ComPilot Air II or ComPilot II, it enables direct selection of hearing programs and audio sources as well as individual volume control.

From the very beginning, Phonak Lyric has been unique: only 12 mm long and sitting deep inside the ear canal, it is the only hearing aid that is 100 % invisible and can be worn 24 hours a day, 7 days a week, for months at a time – without the hassle of changing batteries. It is clearly an effective solution: 94 % of Lyric users would recommend Lyric to their friends and loved ones. The new Lyric generation, with its low-power, deep-ear chip for enhanced signal processing, brings a more natural hearing experience to users and improved programming flexibility to hearing care professionals.

Phonak's recently introduced digital wireless standard, Roger, has already transformed the lives of children and teens, both in and outside the classroom. Its excellent speech-in-noise performance and ease of use make it a natural choice wherever it is important to hear one voice out of many. Indeed, a widely-cited 2014 study reveals that people with hearing loss using Roger actually hear and understand speech in noise and over distance better than people with normal hearing. Phonak is building on its already strong presence in wireless communications with the acquisition of Comfort Audio, a Swedish company with complementary strengths whose solutions aim to support our customers in workplace and business listening situations.

Supporting the market in new ways

We constantly strive for innovation, not just in what we make and how we make it, but in how we sell it: supporting and informing our market is a vital part of our business. Before a Phonak product or solution can reach its final destination, improving the life of someone with hearing loss, many decisions have to be made; we want to ensure that the people making those decisions have all the information they need about the latest and most valuable developments in hearing technology.

Tinnitus is a growing problem in today's society, affecting roughly 15 % of the adult population. Yet many people, including those with tinnitus, do not know that four out of five tinnitus patients also have hearing loss – and, for many of these, amplification is proven to bring instant relief. This is the reason for Phonak's new Tinnitus Program. It offers hearing care professionals everything they need to develop their business with tinnitus clients. A comprehensive package of support and counseling material lets them build their tinnitus management skills, while a lead generation component supports them in finding new clients. At the heart of the program are Phonak's tinnitus-optimized hearing aids (including a new Behind-The-Ear model, Bolero V) which contain a broadband noise generator, and the Tinnitus Balance App, which allows patients to build their own personalized library of sounds and music as part of their tinnitus management plan.

New patients are sometimes referred to a hearing care professional by a local physician – and when they are, they are five times more likely to get a hearing aid than if they were not. Clearly, it is a good idea for hearing care professionals to make physicians aware of what can be done for hearing loss and to form strong, helpful relations with local medical practices. Phonak's Physician Information Program gives hearing care professionals the information they need to inform colleagues in medical practice about hearing loss and tinnitus. It also provides on-line tools and guides to help hearing care professionals build trusted physician relationships.

The teenage years are a time when it is particularly harmful to have untreated hearing loss. Teenagers are experiencing maximum physical, intellectual, and social development; they are learning hard, enjoying sports and music, making friends. Nothing should hold them back – but some worry that hearing aids might not really make a difference. Or they might be inconvenient… or "un-cool." Besides, teenagers are not the ones making the financial decision, so how can they be sure of getting what they need? Phonak has launched the "Bring Sound to Life" website to give teenagers all the necessary information to make a decision and discuss it with their parents. It shows how the combination of Phonak Sky Q and the Roger pen wireless microphone / Bluetooth controller make it easy to get outside and active, listen to the music you love, chat to your friends in a noisy club, and get on with a normal, exciting life. All this is supported by testimonials from real teen hearing aid users and tools to find out more or ask a hearing care professional. Visit www.bringsoundtolife.com to see it in action.

THE WOW! MOMENTS OF HEARING

"Now, keep still please," says Tamara Anderson in a firm but friendly tone. Anderson, a hearing care specialist, moves the positioning instrument up to Mark Marcotte's ear. A few seconds later, the tiny hearing aid is sitting comfortably in Marcotte's ear canal. Anderson knows what's coming next: the WOW! moment. Marcotte's eyes widen. He looks around the room, searching for the origin of a sound that he was unable to hear before. "Oh, it's a fan! Can you hear them as well?" Specialist Anderson answers his question with a smile. "Welcome to the world of Phonak Lyric!"

Marcotte, 63, has just returned to California from the Hawaiian vacation paradise of Maui. This keen sportsman was affected by hearing loss for 30 years and eventually he even became unable to hear the brakes of his own car screeching. "For a long time, I was looking for a solution that would match my lifestyle," Marcotte explains. Then he heard about a new type of innovative hearing device that is completely invisible, shower-resistant, and can be worn 24 hours a day for months-at-a-time without changing batteries. He began his search for just such a solution at the specialist store of independent hearing care professional Mark Sanford in Walnut Creek, California, where Tamara Anderson also works.

Sanford is one of the most successful Lyric providers in the world. Sales of this 100 % invisible and hassle-free hearing aid are the cornerstone of his business. "I believe it's important for hearing aid wearers to be well informed. That enables them to make the decision that is right for them," Sanford says.

He receives invitations from all over the world to report as a specialist on Lyric's advantages. In his presentations, he also outlines the innovative business model offered by Phonak: subscription sales. For audiologists, the advantage here is that a Lyric user who opts for a subscription becomes a regular client. At the end of a batteries lifetime the device is simply replaced by a new one – in a matter of minutes. To start with, customers can test Lyric for up to 30 days free of charge. "Then they come back of their own accord, or their enthusiastic partners drag them through the door," Sanford explains, pointing to the entrance to his store.

Sanford is also convinced that Lyric opens up a new target group for audiologists and hearing care professionals; Lyric wearers are generally younger and more active than users of other hearing aids. "Apart from the sound quality, the fact that Lyric is totally invisible to other people is enormously important to them," Sanford explains. "Like contact lens wearers, Lyric wearers can forget that they are actually using an aid. They can lead a life free of limitations."

It takes just a few seconds and the tiny hearing aid is sitting comfortably in Mark Marcotte's ear canal. Then comes the WOW! Moment: His eyes widen and suddenly he is able to hear the fan in the treatment room. The hearing care specialist smiles: "Welcome to the world of Phonak Lyric!".

Unitron

Unitron stands for exceptional customer experience: life-changing products backed by outstanding service to build strong, lasting professional and personal relationships.

Moxi Kiss – Powered by the new North platform, this award-winning hearing instrument provides the ideal combination of style and functionality.

In celebrating our 50th anniversary, Unitron can look back with pride on a rich heritage of technical innovation and close, trusting links with hearing care professionals. We deeply believe that this business is personal, just as we did half a century ago. We take our customer's success seriously, so we are especially excited about how our new offers – new products, software, and solutions – are transforming their businesses and how favorably they respond to us, year after year.

Fifty years, one mission

Founded in 1964 by three German immigrants to Canada, Unitron began its journey with high hopes, good ideas, and a simple, enduring business model: treat the customer as one of the family. Since then, Unitron has played an important role in every technical revolution in hearing aids, including digital processing and open platform technology. Through all those revolutions, we kept one purpose always in mind: to make a real difference in the lives of hearing aid wearers. Our business model has also remained unchanged: our customer's problem is our problem; our success depends on our customer's success.

As part of Sonova, we benefit from the technologies shared with other parts of the Group, while preserving our unique promise to the market. With the right products, software tools, and support, we help hearing care professionals in markets around the world offer an exceptional customer experience, thus building lasting success for their practices one relationship at a time. We look forward to the next fifty years with great excitement.

Driving in-clinic success for our customers

Customer experience has always been at the heart of our brand. We want the hearing care professionals whom we deal with to be delighted and enthused, so we support our relationships with them through specific promises – what we call the Unitron Way: every interaction is easy and personal; we listen to and act on our customers' input; and we ensure we have the best people on our team, each one of whom is dedicated to the customer's success.

In 2014, we sharpened this customer focus onto the specific issue of in-clinic success. As a close partner of hearing care professionals around the globe, we know how important it is for them to be able to create a positive first impression with their clients. Acknowledging hearing loss, seeking advice and counseling, making the decision to wear a hearing aid, choosing the appropriate technology, and finally becoming an advocate referring new customers to the practice – these are all stages in which the human side of the experience is just as important as the technology.

We therefore develop advanced, easy-to-fit products designed from the outset to help build trust between professional and their client by delivering outstanding customer experience. Our Flex solution (see below), unique to Unitron, allows an immediate positive response to the great majority of customer concerns. Our TrueFit fitting software is easy and intuitive to use, so that the hearing care professional can concentrate on the counseling conversation with their client – and it includes a patient-view mode, also unique to Unitron, that lets their client take an active role in the fitting process. Our uHear v2.0, an app that allows for in-home hearing evaluation, provides the next generation of Unitron's original uHear app, the most widely downloaded and used hearing test in history.

Flex – Winning customers

An industry first when it was introduced in October 2012, the Flex solution remains unique to Unitron, allowing people with hearing loss to make their own informed decisions about the hearing aid technology they want to use in their daily lives. The idea is simple but powerful: the hearing care professional can easily program a given performance profile directly into any Unitron hearing aid and let their clients take it out on trial to see how it performs in real life. Flex also allows their clients to upgrade an already-bought hearing aid to a new technology level by simply bringing it in to the clinic to be reprogrammed.

Hearing aid wearers are delighted with these features. No other brand gives them the opportunity to "test drive" the hearing aid, trying out the exact combination of advanced features they might need. This delight translates into improved conversion rates, lower returns, and greater adoption of higher technology levels, building a loyal referral base for the hearing healthcare practice.

Flex acts as a key differentiator and as an excellent introduction to hearing care for the "baby boomer" generation, who are just beginning to experience age-related hearing loss. These are savvy, informed consumers who are used to being shown the full range of a product's options immediately and expect to have the chance to use it on trial, whether it's a car, a set of golf clubs, or a hearing aid. Thousands of hearing care professionals are using Flex:trial on a regular basis. In Germany, 78 % of Unitron customers report that they use it with the majority of their clients, and 80 % say that it leads to improved customer experience and higher sales conversion when added to the consultation process. As one of our US customers put it, "we have to continue to differentiate ourselves and there's no better way than Flex."

New products, new platform

Meeting the needs of every customer in every market depends on a broad portfolio of effective, attractive, comfortable, and easy-to-use products. That's why every Unitron product and feature is focused on creating the best possible listening experience.

In 2014 we completed our next-generation product portfolio based on the Era technology platform, with products at all technology levels. Starting in March 2014, we supplied our markets with the premium-level Moxi^2 Pro Receiver-In-Canal and Quantum^2 Pro Behind-The-Ear instruments. The Pro level includes industry-leading enhancements such SpeechZone 2, the next evolution in binaural spatial processing, automatically and seamlessly providing superior results for speech in noise.

And in March 2015, we introduced a new family of Receiver-In-Canal instruments using our all-new platform: North. Based on Sonova's third-generation technology, North extends the boundaries of the possible in delivering natural sound. With best-in-industry dynamic range, clean signal processing, and tightly integrated algorithms, North shapes sound in a way that is unique to Unitron.

It's all about the number-one concern of people with hearing loss: conversation. Being able to chat easily with family and friends, whether in quiet or noisy environments, in small groups or in crowds, is critical for a natural hearing experience. North enables three all-new technologies, SoundNav, Sound Conductor, and SpeechZone 2, working in harmony to let people with hearing loss seamlessly and automatically experience optimal speech understanding in conversations across a wide range of background sounds while maintaining natural sound quality.

North and its market-leading capabilities are available in a new Moxi product family, continuing the award-winning design pedigree of these popular Receiver-In-Canal instruments with three styles and five technology levels. These are supported by practical and easy-to-use accessories, providing versatile tools to support the natural hearing experience that people want.

For the hearing care professional, North enables powerful new uses for the Flex solution. The new Log It All feature lets both the Flex:trial and already purchased instruments communicate with the fitting software to show the time the client spent in each of the seven listening environments for which the North technology is optimized. This gives the hearing care professional essential evidence-based insight that can be used in counseling, making it possible to suggest appropriate configuration and technology levels for each client's individual lifestyle. No other provider can do this. It is a powerful way to deliver Unitron's unique strategic focus on in-clinic success.

Customer satisfaction

We continue to expand into new markets, bringing our experience to yet more customers. But wherever we go, our culture remains the same, summed up in the four principles of the Unitron Way. Helping our customers succeed is embedded in everything we do: in the regular surveys we run, Unitron stands out in customer service and people skills. So we are pleased to report that our Net Promoter Score, which measures how likely customers are to recommend us, has grown by 10 % from the previous year; that our Customer Satisfaction Index continues to rise, reaching 84 / 100 globally; and that the German Hearing Aid Industry Association (BVHI) survey ranked us first for products and (with Phonak) first for overall satisfaction.

FOCUSING ON RELATIONSHIPS

Unitron's reach is truly global – with products supplied to 70 countries, 20 international offices and an extensive network of partners. What makes Unitron unique is their decidedly local approach to developing and nurturing customer relationships. Jan Metzdorff, Vice President Unitron of Sonova: "Throughout all the phases of Unitron's growth, neither management nor the employees have ever lost sight of their mission – to design and deliver high-caliber products that help our customers to succeed. We give top priority to our customers' needs and requirements – we are totally committed to building strong, long-term relationships." Unitron's success story began 50 years ago in Canada, and the brand's presence in the USA dates back four decades.

Peggy Phillips, Customer Care Group Lead, has been on board almost since the company began to develop its business in the USA. Phillips has known many of her customers since the early 1980s and she maintains personal relationships with each and every one. Back then, twelve employees were responsible for the entire American market. With a laugh, Peggy comments: "Customer service is very close to my heart. I think some people are born to take on this sort of career."

Two hundred employees now work for the business in the USA, and Unitron numbers among the nation's leading hearing instrument brands. Unitron's success is underpinned by a constant flow of new and innovative products that are focused on achieving customer acceptance and satisfaction. To take one example: Moxi Kiss, a stylish, discreet and comfortable hearing instrument with natural, hi-fidelity sound has won two prestigious awards for its cutting-edge design. Moxi Kiss met with a very positive response from the American market.

Also successful in the US market, Unitron's unique Flex:trial solution. With Flex:trial customers can try out a hearing instrument that is programmed to their requirements – free of charge, with no obligation to decide to purchase it immediately. The customer's first visit to the store already creates a sense of achievement because he or she can take the trial instrument home right away.

"Our aim is not merely to sell a product," Peggy Phillips explains. "The focus is on relationships." She recounts how close friendships have developed over the years. "I know exactly what a customer's requirements are – but I also know how his or her family are doing." This is the only way to create the basis of trust during consultations that accounts for Unitron's success. Vice President Metzdorff notes: "We know how important personal relationships are in this business. That's why it's so important for us to be present on the ground. Our success story in the USA is a prime example of this."

The stylish, discreet and comfortable hearing instrument Moxi Kiss from Unitron met with a very positive response from the American market and has won two prestigious design awards. Unitron's success story began 50 years ago in Canada, and the brand's presence in the USA dates back four decades.

Connect Hearing

Connect Hearing matches the best in hearing care technology with the highest standards for professional counseling and personalized solutions, offering clients all the individual attention of a small practice with all the resources of a global business.

Connect Hearing has established a common look and feel and a global communication style throughout the group.

Hearing care technology has become so capable and so versatile that it is now possible to find a solution that will make a meaningful difference in the life of every person with hearing loss. Identifying that solution, however, requires a deep knowledge both of the range of technologies available and the unique needs of each client. Expert advice and service, delivered one-to-one through the whole treatment period, is just as critical a component as new technology in changing the lives of people with hearing loss. We provide this key component through the Connect Hearing Group, our worldwide network of professional audiology centers.

Whether in Brazil, France, Austria, the United Kingdom, the United States or Germany, each client's experience of Connect Hearing will be the same: a thorough, welcoming discussion of hearing goals and specific lifestyle and communication needs, along with an introduction to the capabilities of hearing aid technology. This conversation provides the foundation for a comprehensive hearing test and a customized hearing technology solution, prescribing the appropriate hearing aids, features, and accessories for the client's individual requirements. Our individual, relationship-based approach builds trust; it helps to turn clients into advocates, referring friends and family members. Building that personal trust is the reason Connect Hearing strives to provide all the personal experience of a small local practice along with the advanced technology and procedures of a global business.

The three pillars of Connect Hearing Group's strategy are: building recognition in all our markets through consistent branding and client experience; continuous improvement in efficiency, service quality and profitability by extending standard operating procedures, systems and skill sets across the company; and focusing on growing the business in selected strategic markets.

Building brand recognition

At its point of delivery, ours is always a local business. Clients and potential clients are used to seeking audiological services from a professional person in an appealing clinic or shop environment. We therefore maintain a strong network of convenient neighborhood hearing care centers in ten key countries. Where we have acquired established businesses, we pursue a gradual rebranding approach, taking into account strong existing brand names or specific language or cultural preferences. In every country and market, we seek the synergies that arise from a common look and feel, a shared client experience, and a global communication style, using our award-winning and highly successful "Real People, Real Stories" approach. In 2014 / 15, we completed our brand integration in the United States, the Netherlands, Belgium, and Scandinavia. Our established brands in Austria and France have meanwhile adopted our global communication approach, brand values, and store identities under the Connect Hearing umbrella.

Our brand values emphasize service: we aim to help our clients at every stage of the journey from first recognizing hearing loss through to living again a full life without limitations. We support our network with harmonized processes, consistent brand values and with digital marketing to help generate new business. In the United States and some other major markets, for instance, potential clients can start a chat session with one of our representatives at the click of a button on our website. They can book an appointment online or by calling a toll-free number, or e-mail their questions to one of our professional audiologists. We are putting the resources of a market-leading global group at the service of our local businesses.

During 2014 / 15 we opened new customer service centers in France, the Netherlands, and other markets. This gives clients the choice to contact Connect Hearing, even outside normal office hours, and speak immediately with a hearing care professional, providing them with an extra level of convenience and reassurance. The customer service centers can also receive calls generated by marketing campaigns, steering potential clients and leads toward the appropriate store location.

Connect Hearing's personal yet global full-service approach has clear advantages for our clients, but it also makes us an attractive place to work. As one example, Hansaton, our network in Austria, recently won an award as part of the Great Place to Work® benchmark study, for offering an attractive workplace, excellent working atmosphere, and extensive training opportunities (see www.hansaton.at/de/ueber-hansaton/karriere/)

Quality and profitability through operational excellence

Connect Hearing combines providing the highest quality of care with running a profitable business through operational excellence: continuously harmonizing our processes and skills, thus improving efficiency and increasing margins.

An important part of our culture, is encouraging our employees to help us define best practice, which we can then roll out globally. This approach is summed up in our Professional Practice Management toolbox, which ensures that all the information we provide to our hearing care professionals is consistent and supports the way Connect Hearing operates in all centers. Providing the best hearing care requires defining and testing the right approach to take at every stage of the client's journey. We pilot and monitor innovative concepts in a small number of centers before approving them for worldwide rollout. Professional Practice Management supports our training and continuing education programs, ensuring high and consistent quality of care.

We share among our markets best practices in audiology as well as important services, such as human resources and marketing. Our shared procedures and information provide a consistent, high-quality client experience of fitting and counseling. We support our centers in several key markets with a single, optimized point of sale system, and by harmonizing our performance management and reporting system.

A successful hearing care consultation relies on modern audiological equipment to support quality and efficiency. Through global purchasing agreements, we supply each of our centers with the right tools to enable an optimum counseling and fitting experience. Global sourcing and calibration significantly reduces the cost per center. Standardized equipment also makes training simpler, more relevant, and more universal. Our hearing care professionals can therefore move easily from one center to another, whether in response to increased demand or as part of their personal career development.

Operational excellence is never simply an internal matter: true efficiency ensures us that we are delivering client satisfaction at every point in the journey. For example, our Laperre network in Belgium achieves this through a continuous survey process, in which clients have several opportunities to rate their experience as they progress through their contact with the center; this allows us to take action immediately if there are concerns. In an interconnected world, where potential clients are seeking information from their peers across the Internet and through social media, positive reviews are more than important.

Growing the business

Connect Hearing's strategy is focused on sustainable and profitable growth, pursuing the balanced use of four "growth avenues." The first of these is about organic growth, improving the performance of our existing centers through increased traffic, improved conversion rates, and increased value per client. The second is opening new stores, exploiting our shared operational base. The third is acquisitions, which we consider in cases where we already have a strong partnership with the owner and can assure a seamless transition of client services. The fourth avenue is about innovation: transferring successful models between markets and developing new concepts for counseling, fitting, and distribution – such as shop-in-shop.

Sonova's partnership with Boots, the UK's No. 1 pharmacy-led health and beauty retailer, has developed into a highly successful shop-in-shop model that generates significant revenue for the Connect Hearing Group. The partnership benefits all parties: Boots can offer a clearly differentiated service and increase its store traffic, while clients benefit from dealing with a single trusted brand, already known for its high quality in healthcare. The success of the business model is reflected by the further rise in the number to 470 locations, up from 428 a year ago.

Recent market dynamics, combined with Sonova's established distribution strategy, has prompted Sonova's decision to make Germany one of the ten key markets for our retail activities. Our existing network of around 100 stores provides a solid basis for future growth and expansion in the world's second largest market for hearing aids.

CLIENT EXPERIENCES

"Nice to be back here again!" Keith Bancroft, 93, smiles and settles back in the comfortable chair in the consulting room at the Connect Hearing store in Encino, Los Angeles. This audiological store is one of over 300 Connect Hearing outlets in the USA. "My hearing aid helps me to enjoy the things that give me pleasure at my age," Bancroft says. He particularly appreciates the Bluetooth streaming feature that transmits audio signals from his favorite TV shows and phone calls directly to his hearing aid.

Hearing care professional Dan Newmark comes into the room and greets Bancroft like an old friend. They know each other well – Newmark fitted Bancroft with his first hearing aid ten years ago. "Building up a good customer relationship is a lengthy process," Newmark observes.

He was already working as an audiologist at the Encino store before the business was taken over by Connect Hearing, and he sees the change of ownership in a very positive light. "I share the values of Connect Hearing," Newmark affirms. "I want to understand the client and offer an all-round solution, rather than just selling a product."

In the course of a global rebranding project that began in 2013, Connect Hearing has brought a total of 47 different brands together under one umbrella in the USA. All the stores now carry the Connect Hearing logotype so recognition is ensured throughout the USA. The consulting approach is also uniform – the customer should feel that he is king. In selected stores such as the Encino outlet, the same new interior design concept is implemented to create spacious premises with appealing colors and a spa ambience.

Newmark aims to meet the individual needs of each client: "Someone who can no longer understand his friends while playing golf needs an instrument that will reduce wind noise."

He points to a poster in the consulting room that shows a happily smiling golfer. Freddie isn't a photo model posing for an ad – he is a client of Connect Hearing.

His experiences form part of the global testimonial campaign titled "Better Hearing Starts with a Story" in which genuine customers recount their experiences with Connect Hearing. "It's only since I've had the hearing aid that I've enjoyed being on the golf course again – now I can understand all the jokes!" Freddie explains. He also recalls the day when the hearing aid saved his life while he was playing golf in a swampy area of Florida: "Just imagine if I hadn't heard my friends' warnings and took a step backwards. There was a gigantic crocodile lying in wait behind me!"

"I want to understand the client and offer an all-round solution", explains Dan Newmark. He is audiologist in a Connect Hearing store in Los Angeles. The consulting approach is uniform worldwide – the customer should feel that he is king.

Advanced Bionics

In performance and innovation, the combination of Advanced Bionics and Phonak technologies stands among the leaders of the cochlear implant industry.

The Naída CI Q70 sound processor delivers the combined R&D strengths of Advanced Bionics and Phonak.

Advanced Bionics is one of the three global leaders in cochlear implant systems, with a clear focus on innovations that improve quality of life. A cochlear implant is a surgically fitted electronic device that allows people with significant hearing loss to hear the world around them. It is the only medical technology that can functionally restore one of the five senses: many children and adults who receive a cochlear implant may be experiencing hearing for the very first time.

Unlike hearing aids, which amplify sound, cochlear implants bypass the damaged part of an ear and send electrical signals directly to the brain via the hearing nerve. In the two decades that Advanced Bionics has been in existence, the market for cochlear implants has grown strongly, with now approximately 50,000 devices being implanted every year across the world.

Advanced Bionics began sharing R&D efforts with Phonak since it was acquired by Sonova in 2009, thereby combining the innovative designs for cochlear implants with leading-edge hearing instrument technologies. This unique collaboration has led to such industry breakthroughs as Binaural VoiceStream Technology for cochlear implant recipients, allowing for the first time the streaming of speech, phone calls, and media to both ears, irrespective of whether the second ear is aided by another cochlear implant or a compatible Phonak hearing instrument. Now recipients of Advanced Bionics cochlear implants have access to the full range of wireless accessories that allow wearers of Phonak hearing aids to understand speech, communicate, and enjoy music – even in the most challenging listening situations.

This binaural capability can make a great difference for people who have a large variation in their hearing loss between one ear and the other. In the past, cochlear implants were not generally indicated for use unless the potential recipient had significant sensorineural hearing loss in both ears. This year, however, the European Union has approved Advanced Bionics cochlear implants for the treatment of Single-Sided Deafness (SSD) in patients with normal or near-normal hearing in the other ear. The power and flexibility of our solution will therefore be available to change the lives of an entirely new group of recipients.

A versatile implant platform

The surgically fitted internal part of a cochlear implant system must be highly accurate in the location and timing of the electrical signals that it sends to the hearing nerve; it must also have the inbuilt versatility to make optimum use of every advance in external sound processor technology. The Advanced Bionics HiRes 90K implant family features state-of-the-art sound processing circuitry, providing optimal programming flexibility, a wide spectrum of ways to deliver sound, and upgradeability to ensure that recipients get the full benefit from future innovations.

HiRes 90K implants can be combined with the HiFocus family of electrodes. With three custom options to choose from, surgeons can select the most appropriate shape and type of electrode to suit each individual recipient's needs. The Advanced Bionics HiFocus Mid-Scala electrode is the industry's latest innovation in electrode design: built using highly sophisticated manufacturing processes, the electrode has been designed for optimal placement in the cochlea to protect its delicate structures, preserve any residual hearing, and give recipients the ability to hear the greatest number of individual frequencies for improved speech understanding and the enjoyment of music.

Our aim is to make life with a cochlear implant as normal and convenient as possible. We are therefore delighted that Advanced Bionics HiRes 90K implants received CE Mark approval this year that allows recipients to have MRI scans (at 1.5T field strength) without having to remove the implant magnet, which is used to hold the external headpiece in place. Having this approval means that diagnostic imaging will be simpler and quicker – and recipients will not need to undergo procedures to remove and then replace the magnet.

Shared innovation leadership

The introduction of the Naída CI Q70 sound processor (Naída CI) has received a strong market response. The first product to benefit from the combination of Advanced Bionics and Phonak innovations, it brings to cochlear implant recipients the benefits of the industry's most advanced technologies for natural sound delivered to both ears. Just one touch activates Phonak Binaural VoiceStream Technology, sending optimized voice, telephone or media player sound simultaneously, in real time, to both ears, whether to a compatible Phonak acoustic hearing aid or a Naída CI electronic sound processor.

Advanced Bionics can now offer cochlear implant recipients the complete range of wireless connectivity accessories enjoyed by Phonak hearing aid wearers, including Roger wireless communications, ComPilot streamers, AB myPilot remote controls, and the Phonak TVLink and RemoteMic accessories. Their advanced features and functionality connect recipients to the full range of electronic devices used in daily life. For improved speech understanding in noisy environments, the Phonak Roger system discreetly links the Naída CI sound processor with the Roger Pen or RemoteMic wireless communication devices. Recent studies show that cochlear implant recipients using this technology have a significantly better speech understanding in noisy environments than even normal-hearing adults.

Collaboration in R&D has opened up yet more potential synergies between Advanced Bionics and Phonak. The company has launched a partnership program with selected hearing aid retail channels to serve clients with significant hearing loss, informing them about cochlear implants as an effective solution beyond hearing aids. The broad uptake of the Naída CI sound processor also creates opportunities for the hearing aid retail centers to work with cochlear implant recipients by providing and servicing Phonak accessories for the processor. The continuing integration of Advanced Bionics and Phonak technologies will further strengthen this partnership.

Living life to the fullest should not mean having to stay on dry land. Advanced Bionics has already established a leading position in giving cochlear implant recipients the chance to enjoy sound in water with Neptune, the world's first and only swimmable sound processor. This year, we added a unique accessory for our Naída CI processors: the AquaCase enclosure, which safeguards the sound processor in any environment and during the most rugged activities. The AquaCase features a security lock and special corrosion-resistant materials that stand up to water, dirt, mud, sand, and other grime. Recipients can wear it with a compatible clip, armband, and lanyard. The AquaCase is designed to be used with the swimmable AquaMic, the unique, IP 68-rated microphone from Advanced Bionics. The AquaMic headpiece is 100 % waterproof and does not require a bag or enclosure that would significantly reduce sound quality.

The next step-change innovation from Advanced Bionics will be the approval and launch of the Naída CI sound processor, ready for EAS (electro acoustic stimulation). This offers the full integration of Advanced Bionics and Phonak technology for recipients with some residual hearing who are seeking the most natural-sounding hearing experience. The processor combines the electric sound signal from an Advanced Bionics cochlear implant with acoustic sound from a Phonak hearing aid. The combination of electrical and acoustical stimulation should allow recipients to hear high and low frequencies for a more natural hearing experience and improved music enjoyment.

1 Wolfe J. et al (2013)

Constant innovation is the fruit of our strong commitment to academic and industry research into significant hearing loss and its treatment. In 2014/15, we renewed and expanded that commitment, increasing the number of research partnerships with leading cochlear implant centers around the world.

Expanding markets for innovation

Advanced Bionics continues to strengthen its position in new markets as we secure further approvals for innovative products. In Australia, the HiFocus Mid-Scala electrode and the Naída CI sound processor have become commercially available for the first time.

Our unique Neptune swimmable sound processor is now available to cochlear implant recipients in China and Japan. Neptune is designed to help recipients hear both in and out of the water; it is warranted for use in oceans, lakes, and rivers as well as pools, showers, and baths. It has proved popular for all ages: 95% of adult recipients are satisfied with Neptune; 9 out of 10 parents choose Neptune to help their children hear in the water, while 90% of audiologists agree that its stylish design helps fulfill the needs of their patients.

CONTINUOUS INNOVATION

Linda Mier meticulously inspects the components of a cochlear implant. Some of the parts that comprise the implant have microscopic dimensions, smaller than the diameter of a human hair and require precision handling under a microscope. Together with other specialists, she works at the Advanced Bionics headquarters in Valencia, California in a special clean room facility that is carefully controlled for dust-particles, temperature and moisture. The staff here wears protective gear that covers clothing, hair, hands, and shoes.

Abhijit Kulkarni, Vice President, Research and Technology at Advanced Bionics, explains: "Creating technology that will be implanted in an individual is a huge responsibility. In our work, the standards of precision and accuracy can never be high enough." As well as skilled craftsmanship, implant production calls for cutting-edge technology, and it must meet the highest international safety standards for sterile medical products. Inspectors regularly come from all over the world to examine every last detail of the production operation. Each step in the work of every single employee must be clearly traceable. Certification by leading Notified Bodies such as the US Food and Drug Administration (FDA) and Germany's Technical Inspection Association (TÜV) are required for distribution of the products.

"We make every effort to ensure that users enjoy the best possible hearing," says Hansjürg Emch, Group Vice President Medical of Sonova and President of Advanced Bionics. "Their trust in us is the greatest honor we could receive, and it motivates us to attain ever higher standards of performance, day after day." Recipients of cochlear implants are regularly invited to Valencia so that they can report to the staff on life with the products. "It's highly motivating to get direct feedback about the positive impact of our cochlear implants on people's lives," research leader Kulkarni notes. "At the same time, reports on customers' experiences help us to continue developing our products."

Advanced Bionics is a global innovation leader in the cochlear implant segment. A foundational element of its product portfolio is the flexibility designed into the cochlear implant electronic platform. "We continue to push the boundaries of auditory science every day and our implant electronics have been designed with the flexibility to embody these advances for years to come. This means that recipients can expect to have access to the very latest developments without having to undergo another procedure," Kulkarni explains. "Innovation doesn't simply happen out of the blue. On the contrary, it is largely the result of a long-term vision and targeted investments in the future. We believe that technology has to anticipate the future so that our customers always have the best possible opportunity to hear."

As well as skilled craftsmanship, cochlear implant production at Advanced Bionics calls for cutting-edge technology, and it must meet the highest international safety standards for sterile medical products.

Cindy Stroh meets her mentor at the Bionic Ear Association (BEA) for the first time face to face: She has been in contact with him time and again via email and chat with questions. He was always on hand to offer help. The BEA brings experienced cochlear implant recipients into contact with those who are just starting out.

Corporate social responsibility

At Sonova we are deeply committed to sustainable business. We work tirelessly to make sure that this commitment aligns with our overall business goals, our vision and mission, and our company values.

Fostering corporate social responsibility

Our people are the heart of our business. Sonova's effectiveness as a responsible employer is reflected by a very high employee satisfaction score: above 80 %. We have set up a cross-company education platform, Sonova Academy, as an important contributor to sustaining and developing our human resources. We strongly believe that the key to sustainable success is developing talent with the goal of ensuring internal succession.

In environmental terms, we have further deepened our understanding of the Group's carbon footprint and will continue to optimize our environmental performance worldwide. Compared with the previous year, we were able to reduce the CO_2 emissions per employee of our office buildings by 6.7 %.

A main pillar of our corporate social responsibility commitment, the Hear the World Foundation supports projects for people and especially children in need who have hearing loss.

In 2014 / 15, Sonova Holding AG provided the foundation with a total value of CHF 2.05 million in cash and in-kind benefits.

Creating sustainable value

We are committed to further efforts to create sustainable value for the planet and people – by improving the quality of life of millions of those with hearing loss, by continuously innovating to offer the best solutions to our customers, by investing in the personal growth and development of our employees, by giving our people meaningful work, and by applying environmentally friendly practices across all our business activities.

Sonova reports on corporate responsibility in accordance with the requirements of the Global Reporting Initiative (GRI) G4 standards, applying the "Core" option.

The full CSR Report can be downloaded at:
www.sonova.com/en/csrreport

TO HEAR AND BE HEARD

"I'm actually quite excited," says Cindy Stroh as she sweeps back her long blond hair. It's a hot fall day in Valencia, Southern California, home to the headquarters of Advanced Bionics. She has selected a simple violet dress for her first face-to-face meeting with her mentor at the Bionic Ear Association (BEA). She has been in contact with him time and again via email and chat with questions about her cochlear implants. He was always on hand to offer help, advice and explanations. Now Howard Samuels, who devotes some of his spare time to work for BEA, is suddenly right in front of her. "You must be Cindy," he says. They greet each other warmly, laugh and hug.

Hearing loss was a heavy burden for Cindy Stroh to bear. Isolation, powerlessness – no one close to her could offer advice. "At times like that, you need someone to understand you and give you hope," Stroh explains. "Howard and the BEA network at Advanced Bionics were enormously helpful in doing just that."

The purpose of the BEA is to improve the quality of life for people with severe to profound hearing loss. Alongside training and contact with AB staff, interaction among each other is the core activity of this international network. Experienced cochlear implant recipients help those who are just starting out on the journey that will restore their own hearing. "Candidates often ask what cochlear implants sound like, or how long it might take to be able to use the phone or enjoy music. Many people find it difficult to distinguish between pitches at first. It takes patience and training to achieve the best results with cochlear implants," Howard Samuels points out.

Cindy's mentor himself wears Naída CI sound processors from Advanced Bionics in both ears. He chose a matte black color for these external units of the cochlear system which fit behind the ear on the head. Like Cindy Stroh, Samuels was affected by significant hearing loss – and he decided to share his experience with those on the same journey.

The BEA is all about helping cochlear implant recipients to "Hear and Be Heard". Participants can exchange experiences and ideas online at www.HearingJourney.com. Anyone interested can ask or answer questions in the online forum. As well as making the online community available, BEA participants organize meetings for cochlear implant wearers and their family members. Like Howard Samuels, several hundred experienced users have already registered as mentors.

Cindy Stroh is delighted about her contact with her mentor: "I trust him totally!" she says. "I really don't know why she's so grateful to me," Howard responds with a wink. "After all, I didn't make her cochlear implants!"

Corporate governance

Transparency is one of the key elements of good corporate governance, to which Sonova is committed.

The entry into force in January 2014 of the Swiss Ordinance against Excessive Compensation at Public Corporations (the "OaEC") has had an impact on Sonova's corporate governance. The 2014 Annual General Shareholders' Meeting implemented the corresponding amendments in the Articles of Association, even those for which the OaEC provides a longer transitional period. The current Articles of Association therefore specify, inter alia:

- the compensation approval mechanism for members of the Board of Directors and the Management Board, and the principles for such compensation;
- the maximum number of permissible mandates outside the Sonova Group; and
- the shareholder election of the Chairman of the Board of Directors, the members of the Nomination and Compensation Committee, and the Independent Proxy.

At the 2015 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. There will continue to be a consultative vote on the compensation report, which covers the compensation actually paid out for the 2014 / 15 financial year. Shareholders will also have the opportunity for the first time to provide their voting instructions to the Independent Proxy electronically.

Compliance is an essential part of responsible management and ethical behavior. We therefore continued to strengthen the Sonova Group compliance program during the 2014 / 15 financial year. Efforts included the establishment of a network of local compliance champions who act as ambassadors of our global program and the continuation of compliance training sessions. Since compliance is a result of daily actions, we further embedded its principles in our processes to ensure that they are an integral part of our corporate culture.

At Sonova, corporate governance is based upon and structured to conform with relevant standards and practices. The company fulfills its legal duties under the Swiss Code of Obligations, the SIX Swiss Exchange Directive on Information relating to Corporate Governance, and the standards defined in the Swiss Code of Best Practice for Corporate Governance. The present report describes the principles of corporate governance for the Sonova Group and provides background information on the Group's executive officers and bodies as of March 31, 2015. All the relevant documents can be accessed at the corporate governance section of the Sonova website: www.sonova.com/en/commitments/corporategovernance. For clarity and transparency, the compensation report is presented as a separate chapter of this Annual Report.

Group structure

Operational group structure

The Sonova Group is headquartered in Stäfa, Switzerland, and is active in over 90 countries. Sonova has subsidiaries in over 30 countries and a network of independent distributors serving other markets. Details of its business segments can be found in Note 6 of the consolidated financial statements.

Listed companies

Sonova Holding AG is listed on the SIX Swiss Exchange. Apart from Sonova Holding AG, no other company belonging to the consolidated Sonova Group is listed on any stock exchange.

Key data for the share of Sonova Holding AG as of March 31:

	2015	2014	2013
Market capitalization			
In CHF million	9,089	8,679	7,649
In % of equity	486 %	489 %	466 %
Share price in CHF	135.30	129.20	113.90

Registered office	8712 Stäfa, Switzerland
Listed on	SIX Swiss Exchange
Security number	1254978
ISIN	CH0012549785
Ticker symbol	SOON
Par value	CHF 0.05

Non-listed companies

A list of the significant companies of the Sonova Group as of March 31, 2015, can be found in the consolidated financial statements in Note 35.

Shareholders

Registered shareholders

As of March 31, the shareholdings of registered shareholders were distributed as follows:

Number of shares	Registered shareholders 31.3.2015	Registered shareholders 31.3.2014
1 – 100	5,961	5,418
101 – 1,000	8,907	8,305
1,001 – 10,000	1,216	1,121
10,001 – 100,000	167	157
100,001 – 1,000,000	36	37
> 1,000,000	6	7
Total registered shareholders	**16,293**	**15,045**

Significant shareholders

The following overview shows the registered shareholdings of significant shareholders as of March 31. Nominees are registered without voting rights. Significant shareholders may also hold non-registered shares which are reported under "Not registered":

	2015	2015	2014	2014
	No. of shares	In %	No. of shares	In %
Chase Nominees Ltd.[1]	8,609,693	12.82	9,017,727	13.42
Beda Diethelm[2]	6,650,009	9.90	6,647,259	9.90
Hans-Ueli Rihs[2]	4,056,000	6.04	4,125,000	6.14
Andy Rihs[2]	3,219,596	4.79	3,394,626	5.05
Nortrust Nominees Ltd.[1]	2,415,798	3.60	2,314,385	3.45
Registered share-holders with less than 3 % of shares	21,825,309	32.49	23,427,377	34.88
Not registered	20,396,882	30.36	18,246,913	27.16
Total shares	**67,173,287**	**100.00**	**67,173,287**	**100.00**

1) Registered without voting rights.

2) The founding shareholders Andy Rihs, Beda Diethelm and Hans-Ueli Rihs were already shareholders before the Initial Public Offering in November 1994. There are no shareholders' agreements between these individuals.

For information on shareholders of Sonova Holding AG that have reported shareholdings of over 3 % or a reduction of the shareholding below 3 % in the financial year 2014 / 15, please refer to the website of the Disclosure Office of the SIX Swiss Exchange www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html.

Cross-shareholdings

Sonova Holding AG has no cross-shareholdings with other companies.

Capital structure

Share capital

As of March 31, 2015, the ordinary share capital of Sonova Holding AG was CHF 3,358,664 fully paid up and divided into 67,173,287 registered shares with a par value of CHF 0.05 each.

Sonova Holding AG has neither issued any participation certificates nor profit-sharing certificates.

With the exception of the treasury shares held by the company itself, each share represents one vote at the General Shareholders' Meeting and is entitled to dividend payments. As of March 31, 2015, the company held 547,313 treasury shares (previous year 10,185), whereof 546,900 shares were bought via second trading line under the share buyback program.

Authorized and conditional capital

Authorized capital

Sonova Holding AG has no authorized capital.

Conditional capital

The 2005 Annual General Shareholders' Meeting approved the creation of conditional share capital of 3,301,120 registered shares with a par value of CHF 0.05 per share. The purpose of this additional conditional share capital is to improve the company's financial flexibility. This capital may be used for exercising option and conversion rights granted in connection with bonds or similar debt instruments issued by the company for the purpose of financing the acquisition of companies, parts of companies or shareholdings.

At the 1994 and 2000 Annual General Shareholders' Meetings conditional share capital of 8,000,000 registered shares with a par value of CHF 0.05 per share was created for the purpose of offering Sonova shares to key employees of the Sonova Group through an equity participation program.

Convertible bonds and options

Sonova Holding AG has not issued any convertible bonds.

In the financial year 2014 / 15, a total of 272,224 options were granted as part of the Sonova Executive Equity Award Plan (EEAP). In 2013 / 14 and 2012 / 13, the number of options granted totaled 215,221 and 200,967 respectively. As of March 31, 2015, there were still 1,019,036 options outstanding (compared with 1,277,473 in the previous year). Each of these options entitles the holder to purchase one registered share in Sonova Holding AG with a par value of CHF 0.05. The EEAP is described in greater detail in the compensation report (beginning on page 46) and in Note 31 to the consolidated financial statements.

Changes in capital

As of March 31, the capital of Sonova Holding AG comprised the following:

	2015	2014	2013
Ordinary capital (in CHF)	3,358,664	3,358,664	3,357,591
Total shares	67,173,287	67,173,287	67,151,815
Conditional capital (in CHF)	266,107	266,107	267,180
Conditional shares	5,322,133	5,322,133	5,343,605

No changes in capital took place in the financial year 2014 / 15.

Of the 8,000,000 maximum approved conditional shares a total of 5,978,987 shares with a par value of CHF 0.05 each have been issued prior to financial year 2014 / 15. In 2014 / 15 Sonova decided to purchase shares on the market to fulfill its obligations under the long-term incentive plans and not to issue shares out of the conditional share capital. Hence, the maximum conditional share capital reserved for long-term incentive plans remained unchanged at 2,021,013 shares.

The conditional share capital of 3,301,120 registered shares, which was created on July 7, 2005, in order to increase the company's financial flexibility, has not yet been used.

Share buyback program

As announced on November 17, 2014, Sonova Holding AG initiated a share buyback program with a maximum overall value of CHF 500 million. The shares are repurchased via a second trading line over a period of up to three years until the end of 2017. As of March 31, 2015, a total of 546,900 shares have been bought back for a total of CHF 73,579,076. The current status of the program can be found on www.sonova.com/en/investors/current-share-buyback-program.

Limitations on transferability and nominee registrations

Limitations on transferability for each share category

To be recognized as a shareholder with full voting rights, the acquirer of shares must submit a written application for registration in the share register. The company may refuse registration in the share register if applicants do not explicitly declare that they have acquired and will hold the shares in their own name and for their own account. The company may further refuse entry of the acquirer as a shareholder or usufructuary with a voting right to the extent that the shares held by him or her would exceed 5 % of the overall number of shares shown in the Commercial Register (Art. 8 para. 6 of the Articles of Association). Linked parties are considered as one person. This registration restriction does not apply to the founding shareholders. The Board of Directors may grant exceptions where there is justified cause, in which case no special quorum is required.

Exceptions granted in the year under review

No exceptions were granted by the Board of Directors during the reporting period.

Admissibility of nominee registrations

The Board of Directors can issue regulations specifying the conditions under which trustees / nominees are recognized as shareholders with voting rights (Art. 8 para. 5 of the Articles of Association).

Procedure and conditions for cancelling statutory privileges and limitations on transferability

A resolution of the General Shareholders' Meeting approved by a relative majority of the votes cast is sufficient for cancellation.

Board of Directors

Introduction

The Board of Directors of Sonova Holding AG sets the overall direction and supervision of the management (see Art. 716a para. 1 of the Swiss Code of Obligations).

Executive management positions

No member of the Board of Directors holds an executive management position with Sonova Holding AG or any of its subsidiaries, or has held such a position in the past three years.

Business connections of Board members with Sonova Holding AG or its subsidiaries

Except for the transactions disclosed in Note 29 to the consolidated financial statements, there are no business connections between individual Board members, including companies or organizations represented by them, and Sonova Holding AG.

Other activities and vested interests

Except as disclosed in the biographies of the members of the Board of Directors, no member of the Board of Directors holds any position in a governing or supervisory body of any important private or public sector organization, institution, or foundation; none holds any permanent management or consultancy position with an important interest group, or any public or political office.

Mandates outside Sonova Holding AG

No member of the Board of Directors may hold more than four additional mandates in listed companies and in total no more than six additional mandates. The following mandates are not subject to these limitations:

– Mandates in companies which are controlled by Sonova or in companies which control Sonova;
– Up to 10 mandates held at the request of Sonova or companies controlled by Sonova;
– Up to 6 mandates in associations, charitable organizations, foundations, trusts, and employee welfare foundations.

For further details please see Art. 30 of the Articles of Association: www.sonova.com/en/investors/articles-association.

Elections and terms of office

Election procedure and limits on the terms of office

The Articles of Association of Sonova Holding AG state that the Board of Directors must consist of a minimum of three and a maximum of nine members. The members of the Board of Directors are elected by the shareholders at the General Shareholders' Meeting.

Re-elections for successive terms are possible. Members of the Board of Directors shall retire automatically at the first General Shareholders' Meeting following their seventieth birthday. In exceptional cases the Board of Directors can make an exemption. Such an exemption was made in the case of Andy Rihs extending his term until the 2015 Annual General Shareholders' Meeting.

First election and remaining term of office

The following overview shows the date of first election. The Articles of Association require that the term of office of a Board member ends after completion of the next ordinary Annual General Shareholders' Meeting. As a consequence, each member of the Board will have to be re-elected annually at the Annual General Shareholders' Meeting. The 2014 Annual General Shareholders' Meeting elected Stacy Enxing Seng for a first term and re-elected all previous board members.

Name	Position	First elected
Robert F. Spoerry	Chairman	2003
Beat Hess	Vice Chairman	2012
Stacy Enxing Seng	Member	2014
Michael Jacobi	Member	2003
Andy Rihs	Member	1985
Ronald van der Vis	Member	2009
Anssi Vanjoki	Member	2009
Jinlong Wang	Member	2013
John J. Zei	Member	2010

Robert F. Spoerry

(born 1955, Swiss citizen) has been Chairman of the Board of Sonova Holding AG since March 30, 2011, and a non-executive member of the Board since 2003.

Robert F. Spoerry is also Chairman of the Board of Mettler-Toledo International Inc., a leading global manufacturer and marketer of precision instruments and related services for use in laboratory, manufacturing, and food retailing applications. He joined Mettler-Toledo in 1983 and was CEO from 1993 to 2007. He led the buyout of Mettler-Toledo from Ciba-Geigy in 1996, and the company's subsequent Initial Public Offering on the New York Stock Exchange (NYSE) in 1997. In 1998, he was nominated Chairman of the Board.

Robert F. Spoerry graduated in mechanical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland, and holds an MBA from the University of Chicago.

Other activities:
– Vice Chairman of the Board of Geberit AG
– Member of the Board of Conzzeta Holding AG

Beat Hess

(born 1949, Swiss citizen) has been Vice Chairman of the Board of Sonova Holding AG since June 19, 2012.

From 1988 to 2003, he served as General Counsel of ABB Group and, from 2003 to 2011, as Group Legal Director and member of the Group Executive Committee of Royal Dutch Shell plc.

Beat Hess studied at the Universities of Geneva, Freiburg, and Miami, is an attorney-at-law and holds a Ph.D. in Law.

Other activities:
– Member of the Board of Directors of Nestlé S.A.
– Vice Chairman of the Board of Directors of Holcim Ltd.

Stacy Enxing Seng

(born in 1964, US citizen) most recently served as an Executive in Residence for Covidien, as well as President of Covidien's Vascular Therapies division. Stacy Enxing Seng joined Covidien in July 2010 through its acquisition of ev3 where she was a founding member and executive officer responsible for leading ev3's Peripheral Vascular Division from inception. She has also held various positions at Boston Scientific, SCIMED Life Systems Inc., Baxter Healthcare and American Hospital Supply.

Stacy Enxing Seng received a Master of Business Administration from Harvard University and has a Bachelor of Arts in Public Policy from Michigan State University.

Other activities:
– Member of the Board of Directors of Solace Therapeutics, Inc.
– Member of the Board of Directors of Hill-Rom Holdings, Inc.

Michael Jacobi

(born 1953, Swiss and German citizen) has worked as an independent consultant since 2007.

From 1996 to 2007, he was CFO and member of the Executive Committee of Ciba Specialty Chemicals Inc. Prior to this, since 1978, Michael Jacobi held various management positions in the area of finance at Ciba-Geigy Group in Brazil, the US, and in Switzerland.

Michael Jacobi studied economics and business administration at the University of St. Gallen, Switzerland, at the University of Washington in Seattle, and at the Harvard Business School in Boston. He was awarded a Ph.D. from the University of St. Gallen in 1979.

Other activities:
– Member of the Board of Hilti AG
– Member of the Board of Actelion Pharmaceuticals Ltd.
– Member of the Board of Trustees of Martin Hilti Family Trust

Andy Rihs

(born 1942, Swiss citizen) has been member of the Board of Directors of Sonova Holding AG since its foundation in 1985. He is one of the company's founders, together with his former business partner Beda Diethelm and his brother Hans-Ueli Rihs.

In 1966 Andy Rihs joined Beda Diethelm, who had come to Phonak a year earlier as technical manager, and concentrated on the company's marketing and commercial operations. He first established a sales organization for Switzerland and later gradually built up a global distribution network. Andy Rihs managed the Sonova Group as CEO until April 2000 and again as interim CEO from April to September 2002. Under his leadership, the company grew continuously and established an outstanding reputation as a provider of technologically advanced products.

He also owns several companies that are mainly active in the real estate and cycling business, and he holds interests in various high-tech start-ups.

Andy Rihs completed his education and business training primarily in Switzerland and France.

Other activities:
– Vice Chairman of the Board of BMC Group Holding AG

Ronald van der Vis

(born 1967, Dutch citizen) was Executive Director of the Board and Group CEO of Esprit Holdings Limited, a global fashion and lifestyle company listed on the Hong Kong Stock Exchange, from 2009 until November 2012.

Prior to this, since 1998, he held various general management positions at Pearle Europe, the world's leading optical retailer. He was CEO of the Pearle Europe group from 2004 to 2009.

Ronald van der Vis graduated from the Nyenrode Business University in the Netherlands and received his Master's degree in business administration from the Manchester Business School in the UK.

Other activities:
– Operating partner of private equity portfolio companies
– Chairman of the Board of Miktom Topco (Basic Fit International) B.V.
– Chairman of the Investor Board Pharmacies of Mediq N.V.
– Member of the Board of Directors of Douglas Holding AG
– Member of the Board of Directors of Beter Bed Holding N.V.
– Member of the Board of Directors of Macintosh Retail Group N.V.

From left to right: Beat Hess, Jinlong Wang, Stacy Enxing Seng, Anssi Vanjoki, Robert F. Spoerry, Andy Rihs, Ronald van der Vis, John J. Zei, Michael Jacobi

Anssi Vanjoki

(born 1956, Finnish citizen) is Professor at Lappeenranta University of Technology and Individual Multicontributor of RKBS Oy, a technology start-up investment company. He was Executive Vice President and General Manager of Nokia until March 2011 and member of the Nokia Group Executive Board from 1998 to 2011. He is also Chairman of the Board of Amer Sports Corporation, one of the world's leading suppliers of sports equipment and owner of Salomon, Atomic, Wilson, Precor, and Suunto brands.

Anssi Vanjoki has a Master's degree in business administration from the Helsinki School of Economics and Business Administration.

Other activities:
– Chairman of the Board of Amer Sports Corporation
– Chairman of the Board of Vertu Holdings Ltd.
– Chairman of the Board of Oriola-KD Oyj
– Member of the Board of Basware Corporation Oyj
– Investor and Chairman of small technology companies

Jinlong Wang

(born 1957, US citizen) is currently serving as an advisor to Starbucks CAP Region. He previously held a number of senior positions at Starbucks including Senior Vice President of Starbucks Corp., President of Starbucks Asia Pacific Region, Chairman and President of Starbucks Greater China Region, Head of the Law & Corporate Affairs department and Vice President International Business Development. He started his career as a government official in the Ministry of Foreign Economic Relations and Trade in China.

Jinlong Wang graduated with a Bachelor degree in International Economics and Trade from the University of International Economics and Trade in Beijing in 1982 and received his Juris Doctor degree at Columbia School of Law, Columbia University in 1988.

John J. Zei

(born 1944, US citizen) was CEO of Knowles Electronics, the primary supplier of acoustic components for the hearing instruments industry, through the end of 2009. He retired as "Senior Advisor" from Knowles in 2010.

John J. Zei was previously President of Rexton, a hearing instrument manufacturer in the US, and later President and CEO of Siemens Hearing Instruments, Inc. He served three times as Chairman of the Hearing Industries Association (HIA). He also served as President of the HIA, Chairman of the hearing industry's Market Development Committee, and on the Board of the Better Hearing Institute.

John J. Zei has a law degree from Loyola University, Chicago, and a Master's degree in business administration from the University of Chicago.

Internal organizational structure

Allocation of tasks within the Board of Directors

The Board of Directors constitutes itself, except for the Chairman and the members of the Compensation Committee who must be elected by the shareholders. If the office of the Chairman or a member of the Compensation Committee is vacant, the Board of Directors appoints a replacement from among its members for the remaining term of office.

In accordance with the Organizational Regulations, the Board appoints an Audit Committee (see the Organizational Regulations available at www.sonova.com/en/investors/organizational-regulations).

Tasks, and area of responsibility of Board of Directors' committees

The duties and authorities of the committees are defined in the Articles of Association (solely for the Compensation Committee), the Organizational Regulations and the Committee Charters of the Board of Directors. The committees usually meet before the Board of Directors meetings and report regularly to the Board on their activities and findings. The overall responsibility for duties delegated to the committees remains with the Board.

Audit Committee

The members of the Audit Committee are Michael Jacobi (Chairman), Ronald van der Vis, and Anssi Vanjoki.

The duties of the Audit Committee include reviewing the performance and effectiveness of external and internal audit on behalf of the entire Board of Directors; evaluating the company's financial control systems, financial structure, and risk management control mechanisms; and reviewing the interim and annual accounts and financial statements of the Sonova Group. The Audit Committee is also kept regularly informed on the company's compliance program. The Audit Committee Charter is available at: www.sonova.com/en/investors/committee-charters.

The Audit Committee meets as often as required and no fewer than four times per year. During the reporting period, the committee met four times. The Chairman of the Board of Directors was invited and attended every Audit Committee meeting.

Nomination and Compensation Committee

The members of the Nomination and Compensation Committee are Robert F. Spoerry (Chairman), John. J. Zei, and Beat Hess.

The Nomination and Compensation Committee supports the Board of Directors in preparing the Compensation Report, in establishing and reviewing the Company's compensation principles and guidelines and performance metrics as well as in preparing proposals to the General Shareholders' Meeting regarding the compensation of the Board of Directors and of the Management Board. The committee may also submit proposals and recommendations to the Board of Directors on other compensation-related issues. The Nomination and Compensation Committee Charter is available at: www.sonova.com/en/investors/committee-charters.

The Nomination and Compensation Committee meets as often as required and no fewer than three times per year. During the reporting period, the committee met four times.

Work methods of the Board of Directors and its committees

During the reporting period, the Board of Directors held six meetings. The table below shows the individual Board members' attendance at Board of Directors and committee meetings as well as the average length of the meetings:

	BoD 1)	AC 2)	NCC 3)
No. of meetings in 2014/15	6 4)	4	4
Robert F. Spoerry	6	4 5)	4
Beat Hess	6	–	4
Stacy Enxing Seng 6)	5	–	–
Michael Jacobi	6	4	–
Andy Rihs	6	–	–
Anssi Vanjoki	5	4	–
Ronald van der Vis	6	4	–
Jinlong Wang	5	–	–
John J. Zei	6	–	4
Average meeting length	8 h 7)	3 h	3 h

1) Board of Directors
2) Audit Committee
3) Nomination and Compensation Committee
4) Including telephone conferences
5) As guest
6) First elected at the AGM 2014
7) Excluding telephone conferences

Urgent business matters were discussed in various telephone conferences. In addition to formal meetings at which minutes were taken, the members of the Board of Directors or of the committees also met informally for other activities that required additional time. These included, for example, preparations for formal meetings.

The agenda for meetings of the Board of Directors and the committees is set by the respective Chairman. Any member of the Board of Directors or a committee may request a meeting or ask that an item be put on the agenda. Members of the Board of Directors and the committees are provided in advance of meetings with all relevant documents that enable them to prepare for the discussion of the items on the agenda during the meeting. The Board of Directors and its committees constitute a quorum if half of the members are present. The Board of Directors and its committees approve resolutions by a majority of members present at the meeting. In the event of an equal number of votes, the Chairman has the casting vote.

The Board of Directors works closely with the Management Board. In general, the meetings of the Board of Directors and its committees are also attended by the CEO and the CFO and, depending on the agenda, other members of the Management Board. The Board of Directors and the committees meet in executive session after every Board and committee meeting respectively. The Board of Directors consults external experts when necessary in connection with specific topics.

Definition of areas of responsibility

The Board of Directors of Sonova Holding AG is responsible for the overall direction of the company, except in matters reserved by law to the General Shareholders' Meeting. The Board of Directors decides on all matters that have not been reserved for or conferred upon another governing body of the company by law, by the Articles of Association, or by the company's Organizational Regulations. The division of responsibility between the Board of Directors and the Management Board is set out in detail in the company's Organizational Regulations (see: www.sonova.com/en/investors/organizational-regulations).

Information and control instruments vis-à-vis the Management Board

The Management Board reports regularly to the Board of Directors and its committees. At each Board meeting, the Management Board informs the Board of Directors of the status of current business matters and financial results as well as major business transactions; it also presents relevant strategic initiatives and updates. Each year a Board of Directors meeting is reserved for presentation and discussion of the company's strategy and long term financial plan. The Board of Directors is provided with monthly consolidated sales reports providing data on revenue, average selling prices, and units for each major product, subsidiary, and market. The Board of Directors also receives on a monthly basis the financial report with the full profit and loss statement, the balance sheet, and the cash flow statement, as well as the CEO's report on business performance, the competitive situation, updates on various initiatives, and an outlook. Telephone conferences are held as required between Board members and the CEO or CFO. Furthermore, each member of the Board of Directors may request information on all matters concerning the company.

The Head of Internal Audit, Risk & Compliance reports to the Chairman of the Audit Committee. The mandates of the Internal Audit, Risk Management and Compliance functions, along with their reporting lines and scope of activities are defined in the Internal Audit, Risk & Compliance Charter approved by the Audit Committee and the Board of Directors. Internal Audit carries out compliance and operational audits and assists the business units in attaining their goals by providing assurance from independent evaluation of the effectiveness of internal control processes. Management is responsible for the control of business risks and for compliance with laws and regulations. The Audit Committee approves the annual work plans of Internal Audit, Risk Management and Compliance and ensures that the relevant Group companies are adequately reviewed according to their risk scoring. The Audit Committee also reviews and discusses the reports on completed audits submitted by Internal Audit. Internal Audit together with business controlling monitor the implementation by Group companies of any measures necessary to address findings from previous audits and regularly reports progress to the Audit Committee.

The Group has implemented an efficient system to identify and assess strategic, operational, financial, legal, and compliance risks related to the Group's business activities. The risk management function categorizes risks by severity and probability and supports the Management Board in determining the measures necessary to address or mitigate them. In accordance with the Audit Committee Charter, the Audit Committee reviews the company's risk assessment prepared by Risk Management before it is presented to the Board of Directors. The Board of Directors approves the annual risk assessment and provides guidance from a strategic point of view. To continuously monitor key risks and their mitigation, Risk Management prepares risk status reports which are presented to the Audit Committee on a quarterly basis.

Risk Management also assumes responsibility for the internal control system (ICS) for financial reporting risks. The Board of Directors receives annual updates on the Group companies' compliance with the ICS guidelines.

Management Board

The Management Board is responsible for the preparation, implementation, and monitoring of the strategic roadmap, the management of the members' respective Group functions, and the preparation, implementation, and delivery of the annual plan and budget. The Management Board also prepares for and executes decisions made by the Board of Directors. According to the Organizational Regulations of Sonova Holding AG, which were revised in June 2014, the Management Board is chaired by the CEO and comprises at least the CFO, plus such additional members as appropriately reflect the company's structure and activities. The members of the Management Board are proposed by the CEO and are appointed by the Board of Directors on the request of the Nomination and Compensation Committee.

Lukas Braunschweiler

(born 1956, Swiss citizen) joined the Sonova Group as CEO in November 2011. Before joining the company, he was CEO of the Swiss technology group RUAG. From 2002 to 2009, as President & CEO, he headed the Dionex Corporation. The California-based company, active in the life sciences industry, was listed on the Nasdaq stock exchange. Prior to this, he worked from 1995 to 2002 in various group executive positions in Switzerland and the US for Mettler Toledo, a precision instruments manufacturer.

Lukas Braunschweiler received a Master of Science in analytical chemistry (1982) and was awarded a Ph.D. in physical chemistry (1985) from the Swiss Federal Institute of Technology (ETH) in Zurich, Switzerland.

Lukas Braunschweiler is a member of the Board of Directors of the Schweiter Technology Group.

Hartwig Grevener

(born 1966, German citizen) joined the Sonova Group as CFO in August 2012. Before joining the company, he was Group CFO of Jet Aviation, a business group of General Dynamics. From 2001 to 2006 Hartwig Grevener was CFO for the European operations of Gate Gourmet, one of the leading global airline catering firms. His previous professional experience includes positions at Hapag-Lloyd, a German logistics group, A.T. Kearney management consultants, and BMW.

Hartwig Grevener holds a Diploma in business administration and mechanical engineering from the TU University of Berlin (1991) as well as a Ph.D. in business administration from the University of St. Gallen (1994).

Maarten Barmentlo

(born 1967, Dutch citizen) joined the Sonova Group as Group Vice President, Marketing in January 2011. Before joining the company, he served as Senior Vice President and General Manager for MRI (Magnetic Resonance Imaging) Systems at Philips Healthcare in the Netherlands. Maarten Barmentlo gained over 20 years of working experience within Philips covering a variety of functional areas and Business Units in the Netherlands and in the US. He was responsible in various global management positions for areas such as domestic appliances, personal care, oral health care, as well as for other consumer and professional healthcare categories. He started his career in Corporate Research at Philips.

Maarten Barmentlo received a Master's degree in physics from Utrecht University in the Netherlands and was awarded a Ph.D. in physics from Leiden University in the Netherlands.

Claude Diversi

(born 1964, French and Italian citizen) joined the Sonova Group in March 2005 as Managing Director of Phonak France. He was appointed Vice President Wholesale for the Region Europe and South America from May 2012, thereby joining the Management Board. Claude Diversi has an extensive track record as a sales executive with a broad experience in all disciplines of sales, including reporting, sales force management, and executing trade marketing strategies. Prior to joining Phonak, he worked in sales management positions in companies such as British American Tobacco, Dowbrands & Melitta Europe, Pillsbury, and Kraft Food France.

Claude Diversi majored in international business at the University of Paris Descartes in France.

Hansjürg Emch

(born 1968, Swiss citizen) joined the Sonova Group as Group Vice President, Medical in March 2011. Before joining Sonova, he was President of the Global Spine division of Synthes, the implant manufacturer. During his time at Synthes he held various positions and gained broad specialist and management skills, including experience in general management, sales, product and business development, as well as clinical and regulatory affairs in the US and Europe.

Hansjürg Emch has a Master of Science and Engineering degree from the Swiss Federal Institute of Technology (ETH) in Zurich and completed the Program for Management Development at Harvard Business School.

Martin Grieder

(born 1965, Swiss and British citizen) has been Group Vice President Phonak since August 2014. He joined Sonova from Nestlé, where he was Vice President and Global Head of Nestlé BabyNes. Martin Grieder joined Nestlé in 1992 and brings over 20 years of experience in senior management roles within

From left to right: Andi Vonlanthen, Paul Thompson, Stefan Launer, Maarten Barmentlo, Franz Petermann, Martin Grieder, Sarah Kreienbühl, Jan Metzdorff, Lukas Braunschweiler, Hartwig Grevener, Claude Diversi, Hans Mehl, Albert Chin-Hwee Lim, Hansjürg Emch

the company. His diversified cross-functional work experience in 18 countries ranges from leading the global Nespresso professional division to managing Nestlé Nespresso North America. Further senior roles at Nestlé include Vice President, Head of Finance for the Americas and Head Nestlé Group Audit as well as R & D Head for Food & Beverage systems solutions for the Nestlé Group.

Martin Grieder received a Master of Business Administration degree from IMD-Switzerland and has a Bachelor's degree in business and economics from the University of Applied Science and Arts (FHNW) in Basel.

Sarah Kreienbühl

(born 1970, Swiss citizen) has been Group Vice President, Corporate Human Resource Management since August 2004 and also Group Vice President, Corporate Communications since 2012. She was previously Head of Global Human Resources and member of the Executive Board of the Tecan Group in Männedorf, Switzerland. Prior to that she was a consultant with Amrop International, Zurich, Switzerland, where she did executive search projects and also introduced new assessment and management audit services. She started her career as a psychologist with Swissair, where she was involved in the selection of pilots and air traffic controllers.

Sarah Kreienbühl studied applied psychology at the University of Zurich, Switzerland, and obtained a Master's degree, followed by a number of additional qualifications in the field of human resource management and communications.

Stefan Launer

(born 1966, German citizen) has been Vice President Science & Technology since April 2008 and joined the Management Board in April 2013. He started his professional career at Phonak in 1995 in the Research & Development department where he held several positions, including leading R & D teams in clinical audiology, digital signal processing, microelectronics and acoustics. Today he is in charge of basic science and technology programs in various fields of hearing health care, developing core technologies, and intellectual property rights.

Stefan Launer studied physics at the University of Würzburg, Germany, and was awarded a Ph.D. in 1995 from the University of Oldenburg, Germany, for his work on modeling auditory perception in hearing impaired subjects. He was furthermore appointed as Adjunct Professor with the University of Queensland, Brisbane, Australia.

Albert Chin-Hwee Lim

(born 1961, Singapore citizen) joined the Sonova Group as Vice President Wholesale for the Asia / Pacific region in April 2013. He joined Sonova from Medtronic where he was Vice President Business Operations, Greater China, responsible for six different business and operational functions. Previously, he was Managing Director at Medtronic in Taiwan. Albert Chin-Hwee Lim has a wealth of experience in driving growth in emerging markets. Previous professional experiences include management positions at Novartis, Merck Sharp & Dohme, and Abbott.

Albert Chin-Hwee Lim holds a Bachelor of Engineering in chemical engineering from the National University of Singapore.

Hans Mehl

(born 1959, German citizen) was appointed Group Vice President, Operations in April 2007. Before joining Sonova, he held various international leadership positions within the Siemens Group in the Netherlands, Singapore, USA, and Switzerland. In his last position, Hans Mehl acted as Co-Division Head of the Fire and Security business at Siemens Building Technologies in Zug, Switzerland. Between 2000 and 2003, he was CFO of Global Health Services at Siemens Medical Group in Philadelphia, USA. Before that he was a member of the executive management of Siemens Audiology Group.

Hans Mehl completed his education in business administration in Germany.

Jan Metzdorff

(born 1963, Danish citizen) joined the Sonova Group in 2004 and was Managing Director for Phonak UK, before moving to Unitron as Vice President International Sales in 2010. He was appointed Vice President Unitron in October 2011 and joined the Management Board effective April 2013. Having previously held leadership positions as General Manager for GN ReSound Canada and Regional Manager Asia for the Hearing Instruments Division of Philips Electronics, he has more than 15 years of experience in the hearing aid industry. He has accumulated prior international expertise with companies like Bantex, Minolta and the European Union in Japan.

Jan Metzdorff graduated with a Bachelor of Commerce (Economics) degree from Copenhagen Business School in 1987.

Franz Petermann

(born 1964, Swiss citizen) joined the Sonova Group in 2002 as Director Finance & Controlling. He was appointed Vice President Connect Hearing Group, effective April 2013. During his career at Sonova he has held various positions within finance & controlling and for eight months in 2011 was interim head of the global organization for Connect Hearing Group. Before joining Sonova, he was CFO of Qualiflyer Loyalty Ltd. from 1999 to 2002, before which he held management positions in different industries. In the course of his career he gained international experience working in Germany, Canada, and Hong Kong.

Franz Petermann is a graduate of the Lucerne University of Applied Sciences and Arts and received a Master's degree in business administration in the UK in 2002.

Paul Thompson

(born 1967, Canadian citizen) has been Group Vice President Wholesale for the Region North & Central America since March 2012. From March 2011 until July 2012, he served as interim CFO of Sonova Holding AG, having already been CFO of the Sonova Group from 2002 to 2004. From 1998 to 2001, Paul Thompson was CFO and later COO of Unitron Hearing Group. Before that he worked for Ernst & Young in Canada from 1987 to 1998 – first in auditing, and then in management consulting.

Paul Thompson studied finance and business studies at the University of Waterloo, Canada. In 1992 he became a Chartered Accountant.

Andi Vonlanthen

(born 1961, Swiss citizen) has been Group Vice President Research & Development since April 2012. He started his professional career at Phonak in 1984 in the area of product development, where he contributed significantly to a large number of technological innovations and product launches. As one of many innovations, he developed the first ever multi-microphone system for hearing instruments, which revolutionized the entire industry. From 2002 to 2004, he was Vice President R & D at Unitron. As of 2004 he was responsible for the Group System Integration function.

Andi Vonlanthen received a degree in electronic engineering at the School of Engineering (HTL) Brugg Windisch, Switzerland in 1984.

Changes in the Management Board

During financial year 2014 / 15 Maarten Barmentlo has decided to leave Sonova, pursuing other opportunities. Subsequently, Sonova has decided to streamline the organization and to reduce the Management Board by one member.

Other activities and vested interests

Except as disclosed in the biographies of the members of the Management Board, no member of the Management Board holds any position in a governing or supervisory body of any important private or public sector organization, institution, or foundation; none holds any permanent management or consulting position with an important interest group, or any public or political office.

Mandates outside Sonova Holding AG

According to Art. 30 of the Articles of Association, no member of the Management Board may hold more than one additional mandate in a listed company and in total no more than five additional mandates (all such mandates are subject to approval of the Board of Directors). Just as stipulated for the Board of Directors, some mandates are not subject to these limitations (see page 35).

Management contracts

The Board of Directors and the Management Board conduct business directly and have not delegated any management tasks to companies outside the Group.

Compensation and shareholdings

Details of Board and Management compensation are contained in the compensation report (beginning on page 46) and in Note 3.6 to the financial statements of Sonova Holding AG.

Compensation, shareholdings and loans

See: Compensation report (beginning on page 46)

Shareholders' participation rights

Voting rights and representation restrictions

Voting rights restrictions

When exercising voting rights, no shareholder can combine, with their own and represented shares, more than 10 % of the total number of shares as shown in the Commercial Register (Art. 14 para. 2 of the Articles of Association). Linked parties are considered as one person. This voting right restriction does not apply to founding shareholders. The Board of Directors may approve other exceptions if it has good reason to do so, in which case no special quorum is required.

Exceptions granted in the year under review

During the reporting period, no exceptions to the above-listed rules were granted.

Statutory rules on participation in the General Shareholders' Meeting

According to Art. 14 para. 4 of the Articles of Association, every shareholder entered in the share register with voting rights may have his shares represented by a person with written authorization from him who does not need to be a shareholder, or by the Independent Proxy. All the shares owned by a shareholder can only be represented by one person.

Independent Proxy and electronic voting

Andreas G. Keller was elected as the Independent Proxy by the 2014 Annual General Shareholders' Meeting for the period until completion of the 2015 Annual General Shareholders' Meeting.

For the 2015 Annual General Shareholders' Meeting, Sonova Holding AG offers shareholders the option of using an online platform and to grant proxy and provide voting instructions to the Independent Proxy electronically. The Annual General Shareholders' Meeting registration form contains all relevant information to allow shareholders to open an account on the online platform.

Statutory quorums

According to the amendment of the Articles of Associations at the 2014 Annual General Shareholders' Meeting, resolutions and elections by the General Shareholders' Meeting require the approval of a relative majority of the votes cast, taking voting right restrictions into account, except as otherwise provided by law or the Articles of Association.

Convocation of the General Shareholders' Meeting

The ordinary Annual General Shareholders' Meeting is held within six months following the close of the financial year.

Extraordinary General Shareholders' Meetings may be called as often as necessary, especially if required by law.

General Shareholders' Meetings are convened by the Board of Directors and, if necessary, by the auditors. Shareholders with voting rights, who together represent at least 10 % of the share capital, may request that the Board of Directors convene an Extraordinary General Shareholders' Meeting, provided that they do so in writing and set forth the reason for the meeting.

Inclusion of items on the agenda

Shareholders with voting rights who represent at least 1% of the share capital may request that an item be put on the agenda for discussion by indicating the proposal or motion. Such requests must be addressed in writing to the Chairman of the Board of Directors no later than 60 days before the meeting.

Registration in the share register

For administrative reasons, the share register is closed approximately one week prior to the date of the General Shareholders' Meeting (the exact date is communicated in the invitation to the General Shareholders' Meeting). Admission cards and voting forms are sent to shareholders during this period. The shares can be traded at any time and are not blocked.

Changes of control and defense measures

Duty to make an offer

The Articles of Association of Sonova Holding AG do not contain provisions for opting out or opting up. The result is that an investor who directly, indirectly, or in concert with third parties acquires shares in the company and, together with the shares he already possesses, thereby exceeds the 33⅓% threshold of voting rights in the company is required to submit an offer for all shares outstanding, according to Swiss stock exchange law.

Clauses on changes of control

In case of a change of control and a related termination of employment (double trigger), unvested equity instruments granted under the EEAP vest on a pro-rata basis only.

Securities trading policy

The Board of Directors maintains a policy to prevent corporate insiders from making use of confidential information. It institutes blocking periods to prevent insiders from trading in securities of Sonova Holding AG during sensitive time periods and requires pre-trading clearance for members of the Board of Directors, the Management Board, and selected employees.

Auditors

Duration of the mandate and term of office of the lead auditor

At the Annual General Shareholders' Meeting on July 5, 2001, PricewaterhouseCoopers AG was elected auditor for Sonova Holding AG and the Sonova Group. At the 2014 Annual General Shareholders' Meeting, PricewaterhouseCoopers AG was re-elected for another one-year term. Sandra Boehm has served as lead auditor for the existing auditing mandate since June 18, 2013.

Fees

PricewaterhouseCoopers charged the following fees during the reporting years 2014/15 and 2013/14:

1,000 CHF	**2014/15**	**2013/14**
Audit services	1,311	1,254
Audit-related services	42	33
Tax services	128	244
Non-audit services	182	195
Total	**1,663**	**1,726**

Audit services are defined as the standard audit work performed each year in order to issue an audit opinion on the parent company and consolidated financial statements of the Sonova Group as well as opinions on the local statutory financial accounts or statements. Also included is extra work within the audit that can only be provided by the Sonova Group auditor, such as auditing of non-recurring transactions or the implementation of new accounting policies as well as consents and comfort letters in relation to regulatory filings.

Audit-related services consist of support to the audit such as providing advice on new accounting rules; this could be provided by sources other than the auditor who signs the audit report.

Tax services consist of services in connection with compliance with tax laws.

Non-audit related services mainly consisted of consulting fees in connection with the employee shareholding program, acquisition related services and IT projects.

The values of audit, audit-related, tax, and non-audit services are in line with ratios suggested by commonly applied good practice standards that relate to the independence of auditors. A formal policy issued by the Audit Committee is in place that regulates all non-audit assignments of the auditors.

Informational instruments pertaining to the external audit

The external auditors report their findings semi-annually directly to the Audit Committee of the Board of Directors. In 2014/15, the external auditors attended 3 out of 4 Audit Committee meetings physically or by telephone conference. The Audit Committee of the Board of Directors reviews the performance, compensation, and independence of the external auditors on a regular basis. The Audit Committee reports its findings to the Board of Directors quarterly.

Information policy

The Sonova Group pursues an open and active information policy. A governing principle of this policy is to treat all stakeholders alike and to inform them at the same time. It is our aim to inform our shareholders, employees, and business partners in the most direct, open, and transparent way possible about our strategy, our global activities, and the current state of the company.

All publications are made available to all shareholders, the media, and the stock exchange at the same time. All shareholders entered in the share register automatically receive the Summary Report, an invitation to the Annual General Shareholders' Meeting and, on request, a copy of the Annual Report of Sonova Holding AG. Sonova uses a news service that delivers press releases to interested stakeholders.

The website of the Sonova Group www.sonova.com contains information on the company results and the financial calendar as well as current investor presentations. The Investor Relations function includes presentations of annual and interim results, roadshow presentations, and presentations held at other events.

More information tools, permanent sources of information, and contact addresses are shown in the back of this Annual Report.

Compensation report

Sonova is all about people. The value and success of our company strongly depend on our employees. We therefore aim to attract and retain the best talent available in a highly competitive global employment market. As custodians of shareholders' equity, we confirm our responsibility to uphold a transparent and sustainable approach to compensation.

This compensation report provides an overview of the compensation system in place at Sonova, its general principles and key elements. It describes the method for determining compensation and the bodies responsible for the design of compensation plans, the approval framework, and the implementation process. It also contains detailed information on the compensation awarded to the Board of Directors and the Management Board in the 2014 / 15 financial year. The report is written in accordance with the provisions of the Swiss Ordinance Against Excessive Compensation at Public Corporations, and complies with the SIX Swiss Exchange Directive on Information relating to Corporate Governance as well as the principles of the Swiss Code of Best Practice for Corporate Governance of economiesuisse.

The report is structured as follows:

1. Introduction by the Chairman of the Nomination and Compensation Committee
2. Compensation policy and principles
3. Organization, competencies, and method of determination
4. Compensation system
   a. Compensation system of the Board of Directors
   b. Compensation system of the Management Board
5. Compensation for the financial year under review:
   a. Compensation of the Board of Directors in 2014 / 15
   b. Compensation of the Management Board in 2014 / 15
6. Share ownership information

1. Introduction by the Chairman of the Nomination & Compensation Committee

Dear Shareholders

The purpose of our compensation system is to attract, motivate, and retain employees; to inspire best-in-class performance; and to encourage behavior aligned with the company's values. We are keen to ensure that our compensation principles properly reward performance and stay closely aligned with the interests of our shareholders.

Over the past years, we have developed and implemented an attractive, effective, and sustainable compensation system. In the 2013/14 financial year, we focused our efforts on compliance and the alignment of all compensation-related rules and regulations with the Swiss Ordinance Against Excessive Compensation at Public Corporations, which came into force during the 2014/15 financial year. Among other actions, we implemented claw-back provisions in the Management Board employment agreements and introduced a performance criterion in the Executive Equity Award Plan (EEAP) for members of the Management Board.

In the 2014/15 financial year, we have continued to assess our compensation system in terms of implementing the Swiss Ordinance Against Excessive Compensation at Public Corporations. We concluded that, while no further changes to the compensation system seem necessary at this stage, we would like to enhance our compensation disclosure so that our shareholders can better assess the link between performance and pay. Looking ahead, we will proactively review and refine our compensation system to respond to the evolving business and regulatory environment, and to continue to create value for all our stakeholders – our customers, employees, and shareholders.

At the 2015 Annual General Shareholders' Meeting, we will request your approval of the maximum aggregate compensation amounts to be awarded to the Board of Directors for the period from the 2015 Annual General Shareholders' Meeting until the 2016 Annual General Shareholders' Meeting, and to the Management Board for the 2016/17 financial year. You will also have the opportunity to express your opinion on our compensation principles and system by way of a consultative vote on this compensation report.

On behalf of the Board of Directors, I would like to thank you for your continued support. We hope that you find this report informative and are confident that our compensation system rewards for performance in a balanced and sustainable manner, and aligns well with the shareholders' interest.

Yours sincerely

Robert Spoerry
Chairman of the Nomination & Compensation Committee

2. Compensation policy and principles

To assure the company's success and to maintain its position as leading manufacturer and provider of innovative hearing care, it is key to attract, develop and retain the best talents available in the market. Sonova's compensation system is designed to support this fundamental objective and is based on the following principles:

Market competitiveness	To be able to attract, motivate, and retain talented executives and employees, compensation is regularly benchmarked and is in line with competitive market practice.
Pay for performance	Compensation inspires best-in-class performance. A large portion of compensation depends on company's performance and individual contributions. We recognize both short-term success and long-term value creation through a well-balanced combination of incentive plans.
Alignment with shareholder's interests	A substantial portion of compensation is delivered in the form of company equity: Restricted Share Units (RSUs), options, restricted shares. We have share ownership guidelines to foster the long-term commitment of the Management Board and the Board of Directors, and the alignment of their interests with those of the shareholders.
Alignment with company's values	Compensation encourages behavior that is in line with the company's values and high standard of integrity.

The members of the Board of Directors receive only fixed compensation, paid partly in cash and partly in the form of restricted shares. The independence of the Board of Directors in its supervisory function is reinforced by not awarding performance-related compensation.

The compensation of the Management Board consists of fixed and variable elements. Base salary and benefits form the fixed component and are determined by current market practice for each function. Variable compensation consists of a variable cash compensation and a long-term incentive plan and is based on performance:

– Variable cash compensation is based on Sonova's value drivers, such as sales, EBITA, free cash flow (FCF), earnings per share (EPS), and average sales price (ASP), and operating expense at Group and / or business unit level. It also reflects the achievement of individual objectives defined in the annual performance review process. This compensation element rewards both the company's success and individual performance over a one-year period.
– The Employee Equity Award Plan (EEAP) is Sonova's long-term incentive plan, which, for members of the Management Board, includes a performance criterion: return on capital employed (ROCE). The EEAP reinforces the alignment between compensation and the company's sustainable long-term performance. It also aligns the interests of the Management Board with those of shareholders, and fosters the long-term retention of executives.

To avoid compensation for inappropriate risk taking or short-term profit maximization at the expense of the long-term health of the company, a cap applies on the variable cash payout and on the number of equity awards that can vest under the EEAP.

Finally, we have mandatory share ownership guidelines in place for members of the Board of Directors and the Management Board. These guidelines require them to hold a minimum number of the company's shares and thus reinforce the alignment between the interests of executives and shareholders.

3. Organization, competencies and method of determination

3.1. Nomination and Compensation Committee

As determined in the Articles of Association, the Organizational Regulations, and the Nomination and Compensation Committee Charter of Sonova Holding AG, the Nomination and Compensation Committee (NCC) supports the Board of Directors in the fulfillment of its duties and responsibilities in the area of compensation and personnel related matters. Its tasks and responsibilities include, among others:

– Periodical review of Sonova's compensation principles
– Periodical initiation of benchmark reviews on compensation of members of the Board of Directors (including Chairman), CEO, and members of the Management Board
– Yearly review of the individual compensation of the CEO and of the other members of the Management Board
– Review, amendment, and approval of the performance appraisal of the members of the Management Board (prepared by the CEO) and of the CEO
– Preparation of the compensation report
– Selection and nomination of candidates for the membership of the Management Board as proposed by the CEO, and pre-selection of suitable candidates to the Board of Directors

APPROVAL AND AUTHORITY LEVELS ON COMPENSATION MATTERS:

DECISION ON	CEO	NCC	BOARD OF DIRECTORS	AGM
Compensation principles and system for the Board of Directors and Management Board within the framework of the Articles of Association		proposes	approves	
Maximum aggregate amount of compensation for the Board of Directors and the Management Board to be submitted to shareholders' vote		proposes	reviews and proposes to AGM	binding vote
Individual compensation, including the cash element and the shares, to be granted to the members of the Board of Directors*		proposes	approves	
Individual compensation, including fixed base salary, variable cash compensation and long-term incentive, of the CEO*		proposes	approves	
Employment terms of the CEO*		proposes	approves	
Individual compensation, including fixed base salary, variable cash compensation and long-term incentives, of the Management Board (excluding CEO)*	recommends	proposes	approves	
Annual total aggregate amount of long-term incentive to be granted to all other eligible employees		proposes	approves	
Compensation report		proposes	approves	consultative vote

* within the framework of the Article of Association and / or maximum aggregate amount of compensation approved by the Annual General Shareholders' Meeting.

The NCC consists exclusively of independent and non-executive members of the Board of Directors, who are elected individually and annually by the Annual General Shareholders' Meeting. For the period under review, the NCC consisted of Robert F. Spoerry (Chairman), John J. Zei, and Beat Hess.

The NCC meets at least three times per year. In the reporting year, it held four meetings. As a general rule, the Chairman of the Board of Directors, the CEO, and the Group Vice President Corporate Human Resource Management and Corporate Communications participate to the meetings of the NCC. However, they do not take part in the section of the meetings where their own performance and / or compensation is discussed.

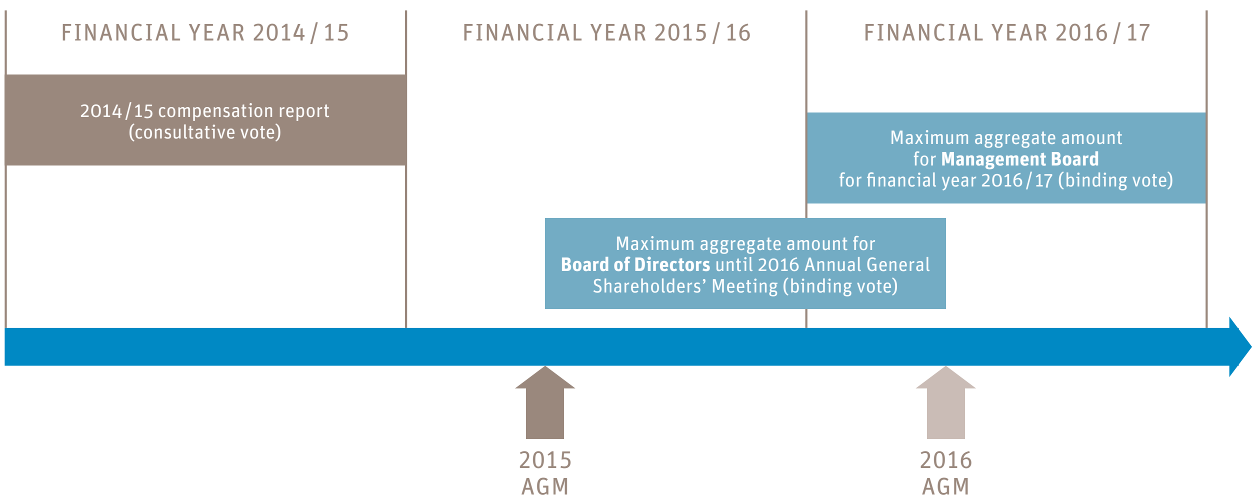
After each meeting, the Chairman of the NCC reports to the Board of Directors on its activities and recommendations. The minutes of the NCC's meetings are available to the full Board of Directors.

3.2. Shareholder involvement

Over the past years Sonova has engaged in an ongoing dialog with shareholders and has made significant efforts to continuously improve its compensation disclosure, both in terms of transparency and the level of detail provided about its principles and system of compensation. The positive outcome of the consultative votes in previous years indicates that shareholders welcome this approach. Sonova intends to continue to submit the compensation report to a consultative shareholders' vote at the Annual General Shareholders' Meeting, so that shareholders have an opportunity to express their opinion about the compensation principles and systems.

In addition, as required by the Swiss Ordinance Against Excessive Compensation at Public Corporations, shareholders will be asked to approve the amounts of compensation of the Board of Directors and of the Management Board in a binding vote at the Annual General Shareholders' Meeting. The provisions of the Articles of Association of Sonova foresee that shareholders will vote prospectively on the maximum aggregate compensation amount for the Board of Directors for the period until the next ordinary Annual General Shareholders' Meeting and for the Management Board for the following financial year.

Matters to be voted on at the 2015 Annual General Shareholders' Meeting:



The maximum aggregate compensation amount for the Board of Directors comprises fixed compensation elements as follows: a cash retainer (fixed fee), a committee fee (if applicable), a meeting attendance fee, the value of the restricted shares at grant and the social security contributions paid by the employer (see chapter 4.1 for more information).

The maximum aggregate compensation amount for the Management Board (including the CEO) comprises:

– Fixed compensation: base salary, value of benefits, employer's pension contributions, and estimated employer's social security contributions
– Maximum possible payout under the variable cash compensation should the achievement of all performance objectives reach the cap
– Maximum value of the equity awards at grant (options and RSUs), assuming that the achievement of the performance criterion reaches the cap.

Therefore, the maximum aggregate compensation amount submitted to shareholders' vote is potentially much higher than the amount of compensation that will be effectively paid out to the members of the Management Board based on the performance achieved. The amount effectively paid out will be disclosed in the compensation report of the respective financial year, which will be subject to a consultative shareholders' vote.

We are convinced that the binding prospective vote on aggregate compensation amounts, combined with a consultative retrospective vote on the compensation report, will provide our shareholders with a far-reaching "say-on-pay".

Articles of Association

As required by the Swiss Ordinance Against Excessive Compensation at Public Corporations, the Articles of Association of Sonova have been revised in 2014 and approved by the shareholders at the last Annual General Shareholder' Meeting. The Articles of Association include the following provisions on compensation:

– Powers and duties (Art. 24)
– Approval of the compensation by the Annual General Shareholders' Meeting (Art. 26)
– Additional reserve amount for changes in the Management Board (Art. 27)
– General compensation principles (Art. 28)
– Maximum consideration for non-competition agreement (Art. 29 para.3)
– Prohibition on loans (Art. 31)

The Articles of Association are available in their entirety online:
www.sonova.com/en/investors/articles-association

3.3 Process of determination of compensation

Benchmarks and external consultants

We periodically review the compensation of members of the Management Board, comparing data from executive surveys and published benchmarks from companies of similar size in terms of market capitalization, revenue, number of employees, geographic reach, etc., and / or which are operating in related industries. The level and mix of the different compensation elements are determined on the basis of those benchmarks.

The last detailed review was conducted in 2013 in cooperation with an independent firm specializing in compensation surveys and analysis. For this purpose, two relevant peer groups were identified: ten companies in the international Medical Technology sector [1] and nine Swiss companies in the General Industry sector of comparable size [2]. The conclusion of this review was that the members of the Management Board are compensated consistently with both peer groups.

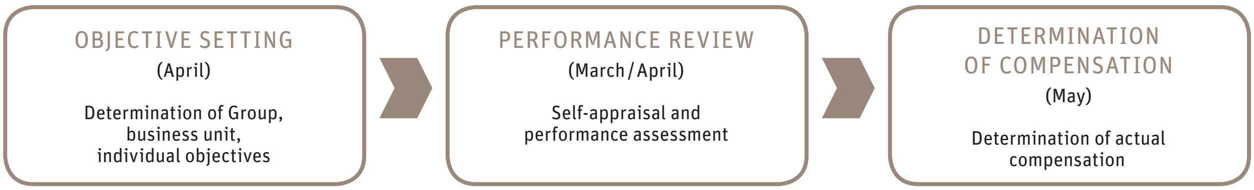
A similar benchmark process is regularly conducted to review and determine the compensation of the Board of Directors, among others comparing Sonova with companies of a similar size and structure in the international medical technology sector, and with Swiss companies in the general industry sector.

Performance Management

The actual compensation effectively paid out to the members of the Management Board in a given year depends on the Group and / or respective business unit, as well as on individual performance, which is assessed through the formal annual performance review process. The process is based on guiding principles that are designed to align corporate strategic goals and financial objectives, business unit objectives, and individual objectives to identify performance-driven incentives and promote personal development.

1 Cochlear Ltd, Fresenius Medical Care AG & Co. KGaA, Medtronic Inc., Nobel Biocare, St. Jude Medical, Straumann Holding AG, Stryker, William Demant Holding A / S, Zimmer Holdings Inc., Smith & Nephew plc.

2 Geberit AG, Georg Fischer AG, Givaudan SA, Logitech International SA, Lonza Group AG, Mettler-Toledo International Inc., Nobel Biocare Holding AG, Straumann Holding AG, Sulzer AG.



4. Compensation system

4.1. Board of Directors compensation system

The compensation of members of the Board of Directors is defined in a regulation adopted by the Board of Directors; it consists of a cash retainer (fixed fee), a committee fee (if applicable), and a meeting attendance fee, as well as a lump sum for expenses, based on the number of meetings attended. In addition, members of the Board of Directors receive shares with a restriction period of 5.3 years (Chairman) or 4.3 years (all other members of the Board of Directors). There is no performance-related variable cash compensation for the Board of Directors. The members of the Board of Directors are not eligible to participate in the occupational retirement benefit plans.

ANNUAL FEES IN CASH IN CHF	CHAIRMAN	BOARD MEMBERS EXCL. CHAIRMAN
Cash retainer	500,000	100,000
Vice-Chairman	n.a.	15,000
Chairman of Audit Committee	n.a.	25,000
Chairman of NCC	Compensated by cash retainer	15,000
Member of NCC / Audit Committee	n.a.	7,500
Meeting attendance fee [1]	Compensated by cash retainer	500
Expense allowance [1]	500	500

RESTRICTED SHARES IN CHF	CHAIRMAN	BOARD MEMBERS EXCL. CHAIRMAN
Fair value at grant [2]	400,000	200,000

[1] Multiplied by the number of meetings attended.

[2] The tax value at grant differs from the fair value at grant by a reduction of 6 % per year of restriction.

Sonova Share Ownership Guidelines

To further align the interests of the Board of Directors with those of our shareholders, the Sonova share ownership guidelines require the members to hold a specified number of Sonova shares in order to be eligible to receive restricted shares. Members of the Board of Directors must hold at least 2,000 Sonova shares. These holdings must be achieved within three years; the NCC monitors progress toward the requirements on an annual basis.

4.2. Management Board compensation system

The compensation of the Management Board (including the CEO) is defined in several regulations adopted by the Board of Directors and comprises:

– Fixed base salary
– Variable cash compensation (VCC)
– Long-term incentive (EEAP)
– Additional employee benefits, such as pension benefits and lump sum expenses

The fixed base salary and benefits form the fixed component and are based on current market practice. The variable component consists of a short-term element, the VCC, and a performance-based long-term incentive in form of options and RSUs under the EEAP:

	Fixed compensation & benefits		Variable compensation	
	Fixed base salary	Benefits	Variable cash compensation	Long-term incentive (EEAP)
Purpose	Ensures predictable salary, depends upon the market value of the role and the profile of the incumbents	Establishes level of security in line with local market practice Mandatory and voluntary benefits plans offered by the employer	Rewards performance against key indicators at Group and business unit level as well as the achievement of individual objectives	Rewards long-term value creation and reinforces alignment to shareholder interests
Performance / Vesting Period	n.a.	n.a.	1 financial year	1.3 – 4.3 years
Performance measures	n.a.	n.a.	**A – Group** Sales, EBITA, free cash flow (FCF), earning per share (EPS) **B – Business Unit** Sales, EBITA, operating expenses (OPEX), average sales price (ASP) **C – Individual objectives**	Return on capital employed (ROCE)
Delivery	Cash, regularly	Country specific	Cash	Equity (Options / RSUs)
CEO variable compensation as % of fixed base salary	n.a.	n.a.	Target of fixed base salary: **62.5 %** Range of fixed base salary: **0 – 125 %**	Target of fixed base salary: **106.2 %** Range of fixed base salary: **0 – 106.2 %**
MB (excl. CEO) variable compensation as % of fixed base salary	n.a.	n.a.	Target of fixed base salary: **50 %** Range of fixed base salary: **0 – 100 %**	Target of fixed base salary: **96 %** Range of fixed base salary: **0 – 96 %**

Fixed Base salary

The fixed base salary ensures a regular and predictable salary paid out in cash in regular installments. The salary level is based on the scope and complexity of the position, market norms and benchmarks, and the individual's profile in terms of experience and skills. Salary progression depends primarily on the executives' individual performance as well as market developments and the economic environment.

Variable cash compensation (VCC)

The VCC is an integral component of the cash compensation for members of the Management Board, defined as a percentage of the annual fixed base salary. At targets, it amounts to 62.5 % of base salary for the CEO and, usually, 50 % for other members of the Management Board.

The Board of Directors determines annually the target performance level for each financial objective for the following financial year, based on the recommendation of the NCC. The targets are generally set in such a way that substantial improvements from the previous financial year's achievement are required, in line with the company's mid and long-term financial plans, its ambitions to strengthen its market leadership position, and its drive for continuous innovation. Setting demanding targets helps Sonova deliver best-in-class performance and stay ahead of the market. Lower and upper performance thresholds are also set, below which the payout percentage is zero, and above which it is capped at 200 %. Payout levels between the threshold, the target, and the maximum are calculated by linear interpolation.

The VCC for the Management Board is based on three categories of performance objective: Group, business unit, and individual. The performance objectives that must be met to achieve the target VCC are mutually agreed at the beginning of the financial year.

Group performance objectives are based on the budget; the specific metrics are sales, EBITA, free cash flow (FCF), and earnings per share (EPS). Business unit performance objectives include sales, EBITA, average sales price (ASP), and operating expenses of the respective business unit. These financial objectives have been chosen because they are key value drivers for the long-term success of the company; they link reward both to expanding the business and gaining market share (top-line contribution) and to increasing profitability through operating leverage (bottom-line contribution).

Group and business unit performance objectives together are weighted at between 60 % and 80 % of the overall VCC objectives. The individual performance component is based on the achievement of individual objectives predefined at the beginning of the financial year between the CEO and individual members of the Management Board, and, for the CEO, between the Board of Directors and the CEO. The three to five individual performance objectives for each member of the Management Board are weighted at between 20 % and 40 % of the total VCC objectives.

	Weight	Performance objectives	Minimum payout (threshold)	Target payout (target)	Maximum payout (cap)
Group objectives	60 – 80 %	Sales, EBITA, free cash flow (FCF), earnings per share (EPS)	0 %	100 %	200 %
Business unit objectives		Sales, EBITA, operating expenses (OPEX), average sales price (ASP)	0 %	100 %	200 %
Individual objectives	20 – 40 %	Individually determined	0 %	100 %	200 %

Long-Term Incentive (Executive Equity Award Plan – EEAP)

The purpose of the EEAP is to ensure long-term value creation for the company, alignment of the interests of executives to those of shareholders and long-term retention of executives.

The EEAP is offered annually to members of the Management Board (including the CEO). Generally the grant date is on February 1 each year. The grants are made in the form of options and RSUs that vest in four equal annual installments over a period of four years, with the first tranche vesting on June 1 of the year following the grant year. The exercise price of the options is the closing price for the Sonova share on the Swiss stock exchange (SIX Swiss Exchange) at the grant date. As of 2012, the term of the options granted was extended from five to seven years to promote extended option holding periods. The fair value of the options is calculated at the grant date by using the "Enhanced American Pricing Model". Additional information is available in Note 31 to the consolidated financial statements. Re-pricing of any out-of-the-money options granted under the EEAP is not permitted.

Under the EEAP, the CEO receives an equity compensation mix of 62.5 % in options and 37.5 % in RSUs and the other members of the Management Board members are awarded 50 % in options and 50 % in RSUs.

From 2014, the grant made under the EEAP to members of the Management Board includes a performance criterion: the vesting of options and RSUs in a given year is subject to achievement of a pre-defined minimum return on capital employed (ROCE) target. ROCE measures the efficiency with which the company's capital is employed. The Board of Directors determines a target level of performance for which the options and RSUs will vest in full and a minimum performance threshold below which there is no vesting at all. Both the threshold and the target are ambitious, representing a multiple of the weighted average cost of capital. Payout levels on ROCE performance between the threshold and the target are determined by linear interpolation. There is no provision for over-achievement in the EEAP; the proportion of options and units that can vest ranges from 0 to 100 %.

EEAP 2015		
Equity	**Options**	**RSUs**
Grant Date	February 1, 2015	February 1, 2015
Exercise / Strike Price	**CHF 121.10** (Sonova share closing price at SIX on February 1, 2015)	n.a.
Vesting Date	25 % vest on June 1, 2016 25 % vest on June 1, 2017 25 % vest on June 1, 2018 25 % vest on June 1, 2019	25 % vest on June 1, 2016 25 % vest on June 1, 2017 25 % vest on June 1, 2018 25 % vest on June 1, 2019
Restriction Period on the resulting shares	n.a.	n.a.
Performance criterion	Number of units which vest may be reduced based on the achievement of the ROCE target	Number of units which vest may be reduced based on the achievement of the ROCE target
Exercise Period	From the vesting date until the expiry date of the options	n.a.
Maturity	Total 7 years	Not limited
Expiry Date	January 31, 2022	n.a.

The fair value of the 2015 EEAP grant to the CEO was 106.2 % of his fixed base salary and the fair value of the 2015 EEAP grant to the other members of the Management Board averaged 96.0 % of their fixed base salary.

In the event of termination of employment, vested options can be exercised within a 60-day period. Non-vested options and RSUs are forfeited on termination, with the following exceptions:

- In case of death or disability, the non-vested options and RSUs vest immediately. The vested options are exercisable for a period of 12 months.
- In case of retirement, the non-vested options and RSUs with a vesting date during the calendar year of the participant's retirement vest according the regular vesting schedule. The vested options are exercisable for a period of 12 months. Non-vested options and RSUs with a vesting date after the calendar year of the participant's retirement are forfeited.
- In the event of termination of employment by the employer following a change of control, the options and RSUs vest immediately on a pro rata basis at target level, considering the number of days that have expired during the relevant vesting period. Vested options are exercisable for a period of 60 days. This rule only applies in the situation of "double-trigger" where the employment agreement of the participant is terminated as a result of the change of control.

Sonova Share Ownership Guidelines

To further align the interests of the Management Board with those of our shareholders, the Sonova share ownership guidelines require the members to hold a specified number of Sonova shares in order to be eligible to participate in the EEAP. The CEO must hold 8,000; the Group

Vice Presidents (GVPs) 3,000; and the Vice Presidents (VPs) of the Management Board 1,500 Sonova shares each. These holdings must be achieved within three years; the NCC monitors progress toward those requirements on an annual basis.

Benefits

Sonova maintains defined-contribution plans under the Swiss occupational pension regulations. Pension benefits are provided through the regular pension fund. Members of the Management Board who are under Swiss employment are eligible for the same statutory benefits as all employees in Switzerland. Members of the Management Board who are under a foreign employment receive benefits in line with local practice.

Sonova also makes mandatory social security contributions (AHV / ALV) on behalf of the Management Board members who are under Swiss employment.

The CEO and GVPs are entitled to a company car (or allowance) and lump sum expenses in line with the expense regulations applicable to all members of management in Switzerland and approved by the tax authorities.

Employment terms and conditions

As part of its commitment to good corporate governance, Sonova has introduced a claw-back provision in the employment agreements of the Management Board members, which operates in addition to the claw-back provisions of the Swiss Ordinance against Excessive Compensation at Public Corporations. It provides for repayment of VCC, in part or in full, in the event of an accounting restatement. The claw-back applies to all VCC payments for a period of three years following the financial year related to which the VCC payment has been made.

All members of the Management Board have permanent employment agreements. The notice period for the CEO is 12 months and that for all other members of the Management Board is 6 months.

Sonova does not grant severance payments to members of the Management Board or Board of Directors, nor does Sonova make advance payments to them. No loans are granted to members of the Management Board or Board of Directors.

5. Compensation for the 2014 / 15 financial year

5.1. Board of Directors compensation in 2014 / 15

This section is audited by the external auditor according to article 17 of the Swiss Ordinance against Excessive Compensation at Public Corporations.

The following table shows the compensation for the individual members of the Board of Directors for the 2014 / 15 financial year and for 2013 / 14.

The total compensation in the year under review was CHF 3.0 million and CHF 3.1 million in the previous year. The decrease is caused by less employer's social insurance contributions on equity transactions than in the previous year.

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

in CHF						**2014 / 15**
	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	2,000	58,675	560,675	286,914	847,589
Beat Hess, Vice-Chairman	122,500	8,000	17,044	147,544	152,175	299,719
Stacy Enxing Seng, Member[4]	78,904	5,000	14,803	98,707	152,175	250,882
Michael Jacobi, Member	125,000	8,000	28,926	161,926	152,175	314,101
Andy Rihs, Member	100,000	6,000	7,734	113,734		113,734
Anssi Vanjoki, Member	107,500	6,500	47,957	161,957	152,175	314,132
Ronald van der Vis, Member	107,500	8,000	20,154	135,654	152,175	287,829
Jinlong Wang, Member	100,000	5,500	17,145	122,645	152,175	274,820
John J. Zei, Member	107,500	8,000	27,503	143,003	152,175	295,178
Total	**1,348,904**	**57,000**	**239,941**	**1,645,845**	**1,352,139**	**2,997,984**

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 financial year.

[3] Tax value per restricted share at grant date: for the Chairman of the Board of Directors CHF 89.21, for the other members of the Board of Directors CHF 94.58.

[4] New member of the Board of Directors since June 2014.

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 financial year.

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.

5.2 Management Board compensation in 2014 / 15

This section is audited by the external auditor according to article 17 of the Swiss Ordinance against Excessive Compensation at Public Corporations.

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). The effective variable cash compensation payout for performance in the year under review amounted to CHF 491,679 (61.5 % 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 2015 fair value of CHF 849,992, fringe benefits of CHF 24,891, employer's pension contributions of CHF 126,899 and employer's social insurance contribution of CHF 110,904 are included in Lukas Braunschweiler's total compensation of CHF 2,404,365 (CHF 2,574,997 in 2013 / 14 financial year). The decrease compared to the previous year is caused by a lower variable cash compensation due to performance achievement. The fixed based salary and EEAP grant value remained unchanged from the previous year.

The following table shows the compensation of the CEO (highest compensation) and of the other members of the Management Board for the 2014 / 15 financial year (thirteen members) and for 2013 / 14 (twelve members). The average variable cash payout of Management Board members for the performance year under review was 52.5 % of their fixed base salary, whereas the maximum potential variable cash payout would have been an average of 103.1 % of the fixed salary. This is reflective of the satisfying performance in the reporting year. The total compensation of CHF 15.2 million for the 2014 / 15 financial year is within the range of CHF 15.1 million for the previous year. This is caused by the higher average number of members of the Management Board (13.7 members in the 2014 / 15 financial year and 13 members in 2013 / 14) but also lower variable cash compensation due to performance achievement.

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

in CHF									2014/15
	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	491,679	24,891	126,899	110,904	1,554,373	318,692	531,300	2,404,365
Other members of the MB[5]	4,398,733	2,309,791	274,350	759,536	823,492	8,565,902	2,111,684	2,112,646	12,790,232
Total	**5,198,733**	**2,801,470**	**299,241**	**886,435**	**934,396**	**10,120,275**	**2,430,376**	**2,643,946**	**15,194,597**

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 financial year.
3) Fair value per RSU at grant date CHF 117.17.
4) Fair value per option at grant date CHF 19.55.
5) Martin Grieder, GVP Phonak joined the Management Board as of August 2014.

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 financial year.
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 Connect Hearing Group joined the Management Board as of April 2013.

6. Share ownership information

6.1 Shareholdings of members of the Board of Directors

This section is audited by the external auditor.

The following tables show the shareholdings of the individual members of the Board of Directors and persons closely linked to them.

	31.3.2015					31.3.2014				
	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	16,100	14,265			250,000	15,000	11,049			500,000
Beat Hess		5,047					3,438			
Stacy Enxing Seng[4]		1,609								
Michael Jacobi	2,521	5,047	522	5,115	250,000	2,260	3,438	783	5,115	500,000
Andy Rihs	3,216,158	3,438	522	5,115	250,000	3,713,258	3,438	783	5,115	500,000
Anssi Vanjoki	1,521	5,047	522	2,558	62,500	1,260	3,438	783	5,115	500,000
Ronald van der Vis	2,553	5,047	522	5,115	250,000	2,292	3,438	783	5,115	500,000
Jinlong Wang		3,214					1,605			
John J. Zei	2,021	5,047	522	3,837[5]	125,000[6]	1,760	3,438	783	5,115[5]	250,000[6]
Total	**3,240,874**	**47,761**	**2,610**	**21,740**	**1,187,500**	**3,735,830**	**33,282**	**3,915**	**25,575**	**2,750,000**

[1] These shares are subject to a restriction period which varies from June 1, 2017 to June 1, 2020 depending on the grant date.
[2] For further details see also Note 31 in the consolidated financial statements.
[3] Exercise ratio between warrants and options: 25:1.
[4] New member of the Board of Directors since June 2014.
[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).

The following table shows the detailed breakdown of the outstanding warrants / options of the members of the Board of Directors.

	31.3.2015		31.3.2014			
	Options EEAP 12[1]	Warrants EEAP 11[2]	Options EEAP 12[1]	Warrants EEAP 11[2]	Warrants EEAP 10[3]	Total warrants
Robert F. Spoerry		250,000		250,000	250,000	500,000
Michael Jacobi	5,115	250,000	5,115	250,000	250,000	500,000
Andy Rihs	5,115	250,000	5,115	250,000	250,000	500,000
Anssi Vanjoki	2,558	62,500	5,115	250,000	250,000	500,000
Ronald van der Vis	5,115	250,000	5,115	250,000	250,000	500,000
John J. Zei	3,837[4]	125,000[5]	5,115[4]	250,000[5]		250,000[5]
Total	**21,740**	**1,187,500**	**25,575**	**1,500,000**	**1,250,000**	**2,750,000**

EEAP 2015 and 2014, no options or warrants were granted – 100% restricted shares.
Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).
[1] 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.
[2] 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.
[3] 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.
[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).

6.2 Shareholdings of members of the Management Board

This section is audited by the external auditor.

The following tables show the shareholdings of individual members of the Management Board and persons closely linked to them.

	31.3.2015				31.3.2014			
	Shares	RSUs[1]	Options[1]	Warrants[1] [2]	Shares	RSUs[1]	Options[1]	Warrants[1] [2]
Lukas Braunschweiler	9,285	9,151	95,136		7,782	7,934	67,963	
Maarten Barmentlo	2,002	4,181	26,673	475,000	1,000	5,183	26,673	869,000
Claude Diversi	500	3,887	19,886	56,250	280	3,145	16,073	450,000
Hansjürg Emch	6,261	6,100	38,053	375,000	2,759	5,289	27,184	661,000
Hartwig Grevener	1,000	5,057	27,823			3,724	16,954	
Martin Grieder[3]		1,813	10,869					
Sarah Kreienbühl	2,002	6,100	38,053	281,250	1,000	5,289	27,184	843,750
Stefan Launer	2,429	2,871	18,038	62,500	1,802	2,495	12,923	474,000
Albert Chin-Hwee Lim	240	2,846	14,603			2,020	9,243	
Hans Mehl	4,853	6,100	36,053	562,500	1,851	5,289	27,184	1,012,500
Jan Metzdorff	647	3,856	19,744	15,625	766	3,202	14,500	93,750
Franz Petermann	1,227	2,491	12,733	12,188	853	2,012	8,968	111,250
Paul Thompson	1,548	6,100	35,872	140,625	2,621	5,289	37,184	843,750
Andi Vonlanthen	10,108	5,970	36,774	224,000	9,172	5,093	25,905	448,000
Total	**42,102**	**66,523**	**430,310**	**2,204,938**	**29,886**	**55,964**	**317,938**	**5,807,000**

[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] Martin Grieder, GVP Phonak joined the Management Board as of August 2014.

The following table shows the detailed breakdown of the outstanding warrants / options of the members of the Management Board.

								31.3.2015
	Options EEAP 15[1]	Options EEAP 14[2]	Options EEAP 13[3]	Options EEAP 12[4]	Options (interim CEO / CFO) 11 / 12[5]	Warrants EEAP 11[6]	Total options	Total warrants[7]
Lukas Braunschweiler	27,173	21,719	20,669	25,575			95,136	
Maarten Barmentlo		8,176	8,267	10,230		475,000	26,673	475,000
Claude Diversi	7,672	6,132	3,333	2,749		56,250	19,886	56,250
Hansjürg Emch	10,869	8,687	8,267	10,230		375,000	38,053	375,000
Hartwig Grevener	10,869	8,687	8,267				27,823	
Martin Grieder	10,869						10,869	
Sarah Kreienbühl	10,869	8,687	8,267	10,230		281,250	38,053	281,250
Stefan Launer	5,115	4,088	3,720	5,115		62,500	18,038	62,500
Albert Chin-Hwee Lim	6,393	5,110	3,100				14,603	
Hans Mehl	10,869	8,687	8,267	8,230		562,500	36,053	562,500
Jan Metzdorff	7,672	6,132	3,255	2,685		15,625	19,744	15,625
Franz Petermann	5,115	4,088	2,481	1,049		12,188	12,733	12,188
Paul Thompson	10,869	8,687	6,201	5,115	5,000	140,625	35,872	140,625
Andi Vonlanthen	10,869	8,687	8,267	8,951		224,000	36,774	224,000
Total	**135,223**	**107,567**	**92,361**	**90,159**	**5,000**	**2,204,938**	**430,310**	**2,204,938**

1) Exercise price CHF 121.10, vesting period 01.02.2015 – 01.06.2019 whereas one tranche being vested each year, exercise period 01.06.2016 – 31.01.2022.
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 ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).

								31.3.2014
	Options EEAP 14[1]	Options EEAP 13[2]	Options EEAP 12[3]	Options (interim CEO / CFO) 11 / 12[4]	Warrants EEAP 11[5]	Warrants EEAP 10[6]	Total options	Total warrants[7]
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 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.
[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 ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).

Report of the statutory auditor on the compensation report

Report of the statutory auditor on the compensation report to the Annual General Shareholders' Meeting of Sonova Holding AG Stäfa

Report of the statutory auditor on the audit of the compensation report

We have audited the accompanying compensation report of Sonova Holding AG for the year ended March 31, 2015. The audit was limited to the information according to articles 14 – 16 of the Swiss Ordinance Against Excessive Compensation at Public Corporations (Ordinance) contained in the tables on pages 57 to 63.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

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

Opinion

In our opinion, the compensation report of Sonova Holding AG for the year ended March 31, 2015 complies with Swiss law and articles 14 – 16 of the Ordinance.

PricewaterhouseCoopers AG

Sandra Boehm Audit expert Auditor in charge	Gian Franco Bieler Audit expert

Zurich, May 12, 2015

Financial reporting

Financial review

Sonova generated record sales of CHF 2,035.1 million in 2014 / 15, an increase of 4.3 % in reported Swiss francs or 6.2 % in local currencies. Group EBITA rose by 5.9 % in reported Swiss francs and 9.8 % in local currencies to CHF 455.6 million, corresponding to a margin of 22.4 %.

Continuous organic growth

Sonova Group sales in 2014 / 15 grew by 4.3 % in reported Swiss francs or 6.2 % in local currencies, reaching CHF 2,035.1 million. Reported sales and EBITA were adversely impacted by exchange rate fluctuations, which included the strong appreciation of the Swiss franc following the decision by the Swiss National Bank in January 2015 to discontinue its minimum exchange rate policy vis-à-vis the euro. Organic growth represented 5.1 % of sales growth, with acquisitions adding another 1.1 %. About a third of this arose from the acquisition of Comfort Audio, effective October 2014; the remainder represented the addition of various smaller retail distribution businesses, including the full-year effect of such acquisitions made in the previous financial year.

Strong growth in the EMEA region

The Europe, Middle East, and Africa region (EMEA), which accounted for 44 % of Group sales, reported a strong 15.1 % sales increase in local currencies, building on the region's double digit growth in the prior year. Both the hearing instruments and the cochlear implants segment showed further acceleration, based broadly across Europe. The hearing instruments segment achieved pronounced market share increases in Scandinavia, Italy, and the UK. In Germany, a sales increase was achieved due to strong market growth and market share gains achieved in the first nine months of the financial year, despite a slower pace of business towards the end of the period.

After a strong prior year, the Group's business in the United States, representing 35 % of total sales, showed a modest decrease of 2.1 % in local currency. This is the result of largely-expected factors: private-market customer reaction to the adoption of a new commercial distribution channel, along with contractual and supply chain limitations in business with the US Department of Veterans Affairs (VA). These effects abated in the second half of the financial year. In addition, the cochlear implants segment in the US could not increase sales volume over its exceptionally strong prior year. Sales in the rest of the Americas reported only modest sales growth of 2.4 % in local currencies. This mostly reflects stagnant government spending on health care in Brazil and the expected temporary adverse effect of an IT system change on the Group's Canadian retail business.

The Asia / Pacific region represented 10 % of Group sales and achieved sales growth of 5.2 % in local currencies. This reflects the continued successful execution of Sonova's China growth strategy as well as strong market development in Australia, partly offset by restrained growth in Japan due to weak economic trends and the fact that there were no larger orders for cochlear implant systems from government tenders in China this year.

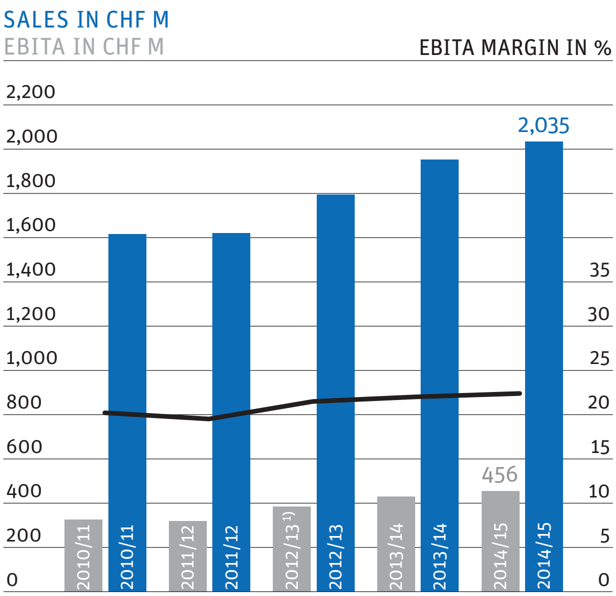
Positive operating margin development

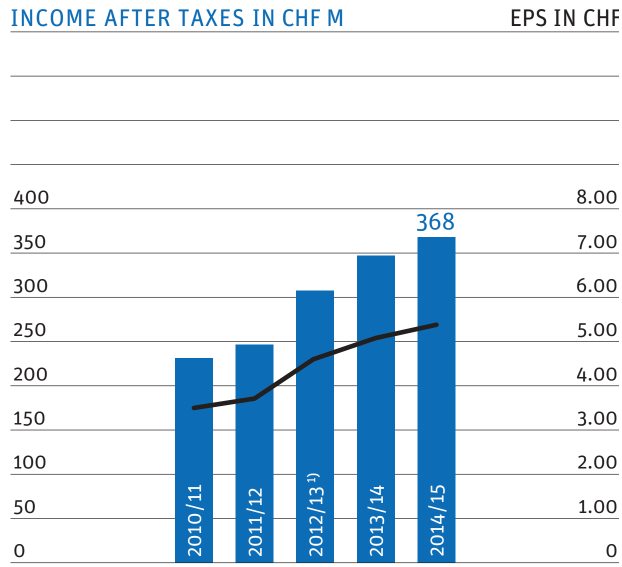
Gross profit reached CHF 1,394.7 million for the year under review (2013 / 14: CHF 1,340.4 million). This figure is normalized for non-recurring costs of CHF 7.1 million, including CHF 6.0 million booked for a restructuring provision related to the transfer of approximately 100 hearing aid assembly staff positions from Switzerland to the UK and China and a one-off charge of CHF 1.1 million related to a move from Group-owned to third-party wholesale hearing aid distribution in non-core emerging markets. These measures should serve to further

SONOVA GROUP KEY FIGURES

in CHF m unless otherwise specified	2014 / 15	Change in %	2013 / 14
Sales	2,035.1	4.3 %	1,951.3
EBITA	455.6	5.9 %	430.1
EBITA margin	22.4 %		22.0 %
EPS (CHF)	5.37	5.7 %	5.08
Operating free cash flow	366.4	15.1 %	318.4
ROCE[1]	29.1 %		27.7 %
ROE[1]	20.2 %		20.3 %

[1] For detailed definitions, please refer to "5 Year Key Figures".





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

reduce the Group's exposure to foreign exchange fluctuations. Normalized gross profit rose 4.0 % in Swiss francs or 6.3 % in local currencies over the prior year, corresponding to a gross margin of 68.5 %. Including the non-recurring items, reported gross profit reached CHF 1,387.5 million (margin: 68.2 %).

Total operating expenses rose by 3.3 % in Swiss francs or 4.8 % in local currencies to CHF 940.7 million, normalized for three non-recurring items that resulted in a combined net benefit of CHF 8.8 million. These items include a one-time cost of CHF 2.4 million for personnel restructuring, as well as working capital provisioning related mainly to the above-mentioned move to third-party distribution in non-core emerging markets, and a provision of CHF 2.0 million to address risks related to prior years' indirect taxes in one particular market. On the other hand, operating expenses were reduced by CHF 13.2 million (reported under "other income") because of the release of a provision for cochlear implant product liabilities related to Advanced Bionics' Vendor B product recall in 2006, due to better-than-expected development in the number of claims. Reported operating expenses amounted to CHF 932.0 million.

Keeping up its commitment to rapid innovation, the Group maintained a high level of investment in research and development. R&D expenses grew in 2014/15 by 4.4 % in local currencies to CHF 130.9 million or 6.4 % of sales. Gross R&D spending (including the net increase in capitalized development costs) amounted to CHF 150.3 million, corresponding to 7.4 % of sales. Sales and marketing costs, normalized for non-recurring items, increased by 3.8 % in Swiss francs or 5.7 % in local currencies to reach CHF 612.2 million or 30.1 % of sales. Normalized general and administrative expenses rose by 1.2 % in Swiss francs or 2.1 % in local currencies, well below reported sales growth; together, they represent 9.7 % of sales.

As a result, the Group's reported operating profit before acquisition-related amortization (EBITA) was CHF 455.6 million, an increase of 5.9 % in Swiss francs or 9.8 % in local currencies over the prior year. This reflects the fact that non-recurring restructuring costs included in the cost of sales (CHF 7.1 million) were offset by a non-recurring net gain in total operating expenses (CHF 8.8 million). The reported EBITA margin rose to 22.4 % from 22.0 % last year. Excluding the unfavorable exchange rate development, which reduced reported EBITA by CHF 16.5 million, EBITA margin improved by solid 80 basis points. Operating profit (EBIT) reached CHF 429.1 million, an increase of 6.2 % in Swiss francs over the prior year.

Solid growth in EPS

Net financial expenses, including the result from associates, fell from CHF 9.5 million to CHF 8.7 million, reflecting lower interest expenses and a higher profit from associates. Income taxes for the financial year totaled CHF 52.0 million, up from CHF 47.2 million in 2013/14, and representing an effective tax rate of 12.4 %. Reported income after taxes was CHF 368.3 million, up 6.0 % from the previous year. Basic earnings per share (EPS) therefore reached CHF 5.37 (2013/14: CHF 5.08), a solid rise of 5.7 % over the previous year.

SALES BY REGIONS

in CHF m	2014/15			2013/14	
	Sales	Share	Growth in local currencies	Sales	Share
EMEA	886	44 %	15.1 %	795	41 %
USA	722	35 %	(2.1 %)	727	37 %
Americas (excl. USA)	216	11 %	2.4 %	224	11 %
Asia / Pacific	211	10 %	5.2 %	205	11 %
Total sales	**2,035**	**100 %**	**6.2 %**	**1,951**	**100 %**

Workforce increases to 10,184

At the end of the 2014 / 15 financial year, the Group's total workforce stood at 10,184 full time equivalents – an increase of 655 over the previous year. This growth is broadly based across our sales and distribution organization and also includes additions from acquisitions. Our manufacturing work force also increased at the China and Vietnam operation centers, which continue to gradually absorb some manufacturing functions that were previously hosted in the distribution companies.

Hearing instruments segment – Solid growth and innovation in products and distribution

Driven by organic growth, sales in the hearing instruments segment reached CHF 1,840.9 million, representing an increase of 4.8 % in reported Swiss francs and 6.9 % in local currencies. Organic growth was 5.6 % in local currencies, supplemented by 1.3 % or CHF 22.1 million from acquisitions in this financial year and the full year effect from prior year acquisitions. About a third of this contribution came from the acquisition of Comfort Audio. Growth in the second half was supported by the strongly positive market response to Phonak Audéo V, the highly popular Receiver-In-Canal (RIC) form factor and the first product family to take advantage of the possibilities offered by the new Venture product platform.

Sales in Europe and Asia Pacific developed strongly: both the wholesale and retail business accelerated over the prior year, measured in local currencies, and clearly exceeded market growth in several countries. In the UK, the success of the Boots Hearingcare partnership further extended Sonova's leading position in the private market. In Scandinavia, sales increased based on a strong presence in government tenders. Italy developed well both in the independent and key account customer groups. Business in Germany experienced a strong positive development during the first nine months while business slowed towards the end of the financial year. This was partly due to declining market volumes and partly caused by customer reactions connected to the Group's decision to have a presence in the German retail market. In China, the Group continued to execute its long term growth plans, delivering a double digit sales increase. The strong position in the Australian market was further expanded, while tightening government healthcare spending in Brazil and weak economic trends in Japan resulted in restrained growth in these markets.

In the United States, sales in the commercial business initially slowed after the strategic decision to supply Phonak products to the innovative shop-in-shop concept at the retailer Costco, but then accelerated in the second half of the year to surpass the prior year's level. Business with the VA was hampered by a temporary contractual value limit that ended in October 2014. In addition, changes in the VA's ordering routines and the consolidation of Unitron into the Phonak contract (effective November 2014) meant that both brands experienced a phase of slow order activity. Starting in 2015, the business regained market share by reducing order cycle times and implementing other measures to improve ease of ordering for VA audiologists.

Among the product categories, Premium hearing instruments (which also includes Phonak Lyric) posted the strongest growth rate, achieving a sales increase of 12.3 % in local currencies. This was followed by the Standard category, which was up 8.0 % in local currencies, helped by above-average growth in Germany and China. Sales in the Advanced category fell by 3.2 % in local currencies. Premium and advanced hearing instruments accounted for 24 % and 20 % of Group sales respectively, while Standard accounted for 29 %. Based on the continued strong sales of Phonak's Roger products and supported by the addition of Comfort Audio, sales of wireless communication systems grew by 30.0 % in local currencies. Sales in the "miscellaneous" product category grew by 6.2 % in local currencies, accounting for 13 % of Group sales.

Sales growth, stringent cost discipline, and a healthy trend in the product mix lifted normalized EBITA for the hearing instruments segment by 6.3 % in Swiss francs and 10.0 % in local currencies to CHF 443.5 million. This corresponds to an operating margin of 24.1 %. Excluding the unfavorable currency impact, the normalized operating margin rose by 70 basis points and demonstrates continued solid operating leverage. The reported EBITA, including the non-recurring cost amounted to CHF 434.7 million.

Cochlear implants segment – A year of consolidation

Following its extraordinary performance in 2013/14, particularly during the second half of the financial year, the cochlear implants segment consolidated its overall position, albeit with differing trends between the US market and China versus other parts of the world. Total sales were CHF 194.2 million, on the same level as in the prior year. After strong growth in the first half year, the second half saw a partly expected decline due to the exceptional second-half growth in the prior year of 50.2% in local currencies. This extraordinary performance had been driven by the approval of the Naída CI Q70 processor in the US in August 2013 and the fulfillment of a central government tender in China. Furthermore, there was an adverse operating development in the US market, where we saw increased competitive pressure and where customers exercised some restraint during the period when the company undertook product optimizations to further improve the performance of the Naída CI Q70 sound processor under intensive wear conditions. Positive data from several clinical studies continues to demonstrate the strong advantages of the processor and bodes well for future sales.

These factors were only partly offset by very satisfactory sales growth in all other larger markets outside the US and China, where sales continued to grow throughout the year, further strengthening the company's position in Europe and emerging markets. The strong value proposition of Naída CI Q70, representing a competitive advantage in key audiological and connectivity functionalities, drove sales, along with the balanced portfolio of electrodes and Advanced Bionics' strong offering of waterproof solutions.

Cost management was a key priority, though research and development programs proceeded as planned. With sales at the prior year level, the normalized EBITA for the cochlear implants segment reached CHF 10.4 million, down slightly from the CHF 12.8 million reported in 2013/14. This corresponds to an operating margin of 5.4%. Reported EBITA, including the non-recurring gains from the release of the product liability provision and non-recurring costs, amounted to CHF 20.9 million.

While the development of the cochlear implants segment did not fully meet management's ambitious expectations in 2014/15, the business remains on its expected long-term growth trajectory, achieving a mid-teens compound annual growth rate over the past two financial years.

Significant free cash flow

Cash flow from operating activities rose by 11.8% to CHF 459.5 million in the year under review. The increase reflects the rise in EBITA of 5.9% over the prior year. The cash flow further benefited from significantly lower expenses connected with the settlement of product liability claims linked to the Advanced Bionics' Vendor B product recall. Net expenditure for this purpose in 2014/15 amounted to CHF 5.0 million (after including the benefit of a CHF 4.8 million insurance reimbursement), against CHF 43.4 million in the prior year. The prior year expenditure included the settlements announced in October 2013, which covered the majority of claims pending at that time. Investments in tangible and intangible assets decreased by CHF 5.7 million or 6.0% to CHF 89.0 million, which was partly offset by higher cash out from changes in other financial assets of CHF 4.8 million. This resulted in an

SALES BY PRODUCT GROUPS

in CHF m			2014/15		2013/14
Product groups	Sales	Share	Growth in local currencies	Sales	Share
Premium hearing instruments	484	24%	12.3%	433	22%
Advanced hearing instruments	415	20%	(3.2%)	438	22%
Standard hearing instruments	586	29%	8.0%	556	29%
Wireless communication systems	86	4%	30.0%	68	4%
Miscellaneous	270	13%	6.2%	261	13%
Total hearing instruments	**1,841**	**90%**	**6.9%**	**1,756**	**90%**
Cochlear implants and accessories	194	10%	0.0%	195	10%
Total sales	**2,035**	**100%**	**6.2%**	**1,951**	**100%**

operating free cash flow of CHF 366.4 million, up by a strong 15.1 % from the prior year. The cash consideration for acquisitions, including earn-out payments for prior period acquisitions, amounted to CHF 57.7 million in 2014 / 15, compared to CHF 29.8 million in the prior year. This resulted in a free cash flow of CHF 308.7 million, up 7.0 % from the prior year.

Cash outflow from financing stood at CHF 327.3 million in the period under review, compared to CHF 309.1 million in the previous year. In 2014 / 15, Sonova retired the final CHF 80 million tranche of its financial debt assumed in connection with the acquisition of Advanced Bionics in 2009, rendering the Group essentially debt-free. An installment of CHF 150 million had been paid in the prior year. In December 2014 the Group started a three year share buy-back program and CHF 73.6 million was spent to buy back 546,900 shares. In addition, CHF 19.0 million was spent on the purchase of treasury shares to serve the equity-based compensation plans, compared to CHF 39.1 million in the prior year. The cash outflow from financing also reflects the increase in the dividend by CHF 20.2 million.

Maintaining a solid balance sheet

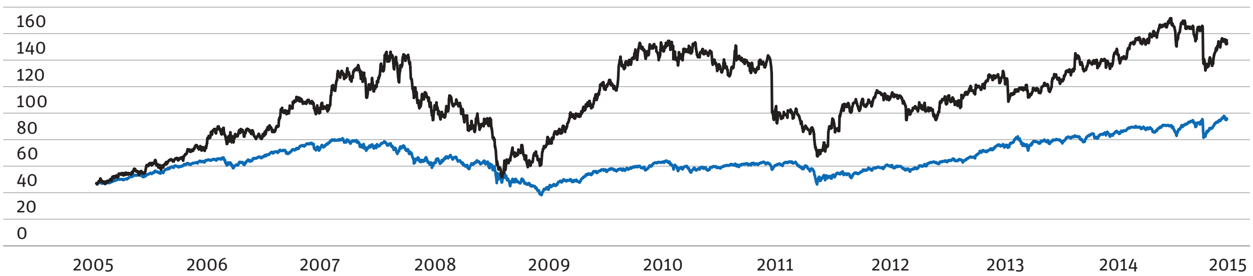
Reported net working capital was CHF 181.4 million, compared to CHF 190.6 million at the end of the 2013 / 14 financial year. Capital employed was CHF 1,489.5 million, compared to CHF 1,462.9 million in the prior year. Helped by its strong free cash flow, the Group ended the period with a net cash position of CHF 382.3 million, up CHF 70.8 million from CHF 311.5 million at the end of the prior year. The return on capital employed (ROCE) was 29.1 % compared to 27.7 % in the prior year, showing that we are on track to reach our mid-term financial targets.

In light of its solid performance during the 2014 / 15 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 16, 2015 a dividend of CHF 2.05. Compared to the prior year, the proposed distribution is up 7.9 % and represents a payout ratio of 38 % compared to 37 % in the prior year.

Outlook 2015 / 16

Continuous customer-driven innovation and building on our strong market positions remain the Sonova Group's chosen paths to profitable and sustainable growth. We foresee solid sales and earnings increases during 2015 / 16 in both the hearing instruments and cochlear implants segments, with Group sales expected to grow by 7 % – 9 % in local currencies. Growth will be supported by the acquisition of Hansaton Akustik GmbH, which became effective in April 2015.

SONOVA SHARE PRICE
SWISS PERFORMANCE INDEX (Rebased)



Share price performance[1]

	10 years	5 years	3 years	2 years	1 year
Sonova shares	228.4 %	3.3 %	34.9 %	18.8 %	4.7 %
Swiss Performance Index (SPI)[2]	105.0 %	52.1 %	59.9 %	26.1 %	11.4 %
Sonova shares relative to the SPI	123.4 %	(48.8 %)	(25.0) %	(7.4 %)	(6.7) %

[1] Performance of the Sonova shares and SPI refers to the respective period prior to the last trading day of financial year 2014/15
[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	2014/15	2013/14
Sales	**2,035,085**	**1,951,312**
change compared to previous year (%)	4.3	8.7
Gross profit	**1,387,524**	**1,340,449**
change compared to previous year (%)	3.5	8.1
in % of sales	68.2	68.7
Research & development costs	**130,897**	**125,657**
in % of sales	6.4	6.4
Sales & marketing costs	**613,217**	**589,627**
in % of sales	30.1	30.2
Operating profit before acquisition-related amortization and impairment (EBITA)	**455,564**	**430,109**
change compared to previous year (%)	5.9	11.6
in % of sales	22.4	22.0
Operating profit (EBIT)	**429,069**	**404,030**
change compared to previous year (%)	6.2	12.5
in % of sales	21.1	20.7
Income after taxes	**368,323**	**347,382**
change compared to previous year (%)	6.0	12.9
in % of sales	18.1	17.8
Number of employees (average)	**9,960**	**9,175**
change compared to previous year (%)	8.6	5.4
Number of employees (end of period)	**10,184**	**9,529**
change compared to previous year (%)	6.9	6.4
Net cash[3]	**382,343**	**311,525**
Net working capital[4]	**181,379**	**190,571**
in % of sales	8.9	9.8
Capital expenditure (tangible and intangible assets)[5]	**88,735**	**93,918**
Capital employed[6]	**1,489,461**	**1,462,850**
in % of sales	73.2	75.0
Total assets	**2,691,631**	**2,593,748**
Equity	**1,871,804**	**1,774,375**
Equity financing ratio (%)[7]	**69.5**	**68.4**
Free cash flow[8]	**308,700**	**288,618**
Operating free cash flow[9]	**366,385**	**318,430**
in % of sales	18.0	16.3
Return on capital employed (%)[10]	**29.1**	**27.7**
Return on equity (%)[11]	**20.2**	**20.3**
Basic earnings per share (CHF)	5.37	5.08
Diluted earnings per share (CHF)	5.35	5.07
Dividend/distribution per share (CHF)	2.05[12]	1.90

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

	Normalized performance 2012/13 1)/2)	Reported performance 2012/13 1)	2011/12	2010/11
	1,795,262	**1,795,262**	**1,619,848**	**1,616,700**
	10.8	10.8	0.2	7.8
	1,239,780	**1,239,780**	**1,105,924**	**1,118,681**
	12.1	12.1	(1.1)	5.7
	69.1	69.1	68.3	69.2
	113,884	**113,884**	**116,178**	**107,760**
	6.3	6.3	7.2	6.7
	559,077	**559,077**	**503,354**	**498,589**
	31.1	31.1	31.1	30.8
	385,304	**181,688**	**315,199**	**326,622**
	22.2	(42.4)	(3.5)	(22.3)
	21.5	10.1	19.5	20.2
	359,175	**155,559**	**287,699**	**270,810**
	24.8	(45.9)	6.2	7.7
	20.0	8.7	17.8	16.8
	307,745	**110,869**	**246,410**	**231,080**
	24.9	(55.0)	6.6	6.7
	17.1	6.2	15.2	14.3
	8,709	**8,709**	**7,970**	**7,291**
	9.3	9.3	9.3	22.9
	8,952	**8,952**	**8,223**	**7,840**
	8.9	8.9	4.9	14.6
	185,800	**185,800**	**(64,448)**	**(111,287)**
	187,148	**187,148**	**163,434**	**158,190**
	10.4	10.4	10.1	9.8
	82,354	**82,354**	**80,073**	**111,457**
	1,455,460	**1,455,460**	**1,540,326**	**1,455,999**
	81.1	81.1	95.1	90.1
	2,680,042	**2,680,042**	**2,287,202**	**2,171,644**
	1,641,260	**1,641,260**	**1,475,878**	**1,344,712**
	61.2	**61.2**	**64.5**	**61.9**
	262,370	**262,370**	**156,406**	**71,593**
	318,553	**318,553**	**239,535**	**221,541**
	17.7	17.7	14.8	13.7
	10.4	**10.4**	**19.2**	**19.0**
	7.1	**7.1**	**17.5**	**17.7**
	4.60	1.65	3.71	3.50
	4.59	1.64	3.71	3.47
	1.60	1.60	1.20	1.20

7) Equity in % of total assets.
8) Cash flow from operating activities + cash flow from investing activities.
9) Free cash flow – cash consideration for acquisitions, net of cash acquired.
10) EBIT in % of capital employed (average).
11) Income after taxes in % of equity (average).
12) Proposal to the Annual General Shareholders' Meeting of June 16, 2015.

Consolidated financial statements

Consolidated income statements

1,000 CHF	Notes	2014/15	2013/14
Sales	6	**2,035,085**	**1,951,312**
Cost of sales		(647,561)	(610,863)
Gross profit		**1,387,524**	**1,340,449**
Research and development		(130,897)	(125,657)
Sales and marketing		(613,217)	(589,627)
General and administration		(201,043)	(195,227)
Other income / (expenses), net	7	13,197	171
Operating profit before acquisition-related amortization (EBITA)[1)]		**455,564**	**430,109**
Acquisition-related amortization	20	(26,495)	(26,079)
Operating profit (EBIT)[2)]		**429,069**	**404,030**
Financial income	8	1,093	5,390
Financial expenses	8	(11,630)	(14,831)
Share of profit / (loss) in associates / joint ventures	18	1,792	(11)
Income before taxes		**420,324**	**394,578**
Income taxes	9	(52,001)	(47,196)
Income after taxes		**368,323**	**347,382**
Attributable to:			
Equity holders of the parent		359,994	340,830
Non-controlling interests		8,329	6,552
Basic earnings per share (CHF)	10	5.37	5.08
Diluted earnings per share (CHF)	10	5.35	5.07

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

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

Consolidated statements of comprehensive income

1,000 CHF	Notes	2014/15	2013/14
Income after taxes		**368,323**	**347,382**
Other comprehensive income			
Actuarial (loss)/gain from defined benefit plans, net	30	(33,249)	1,405
Tax effect on actuarial (loss)/gain from defined benefit plans		4,601	(188)
Put options granted to non-controlling interests		7,879	(7,879)
Total items not to be reclassified to income statement in subsequent periods		**(20,769)**	**(6,662)**
Fair value adjustment on cash flow hedges		901	5,300
Currency translation differences		(30,577)	(83,798)
Tax effect on currency translation items		(1,430)	3,140
Total items to be reclassified to income statement in subsequent periods		**(31,106)**	**(75,358)**
Other comprehensive income, net of tax		**(51,875)**	**(82,020)**
Total comprehensive income		**316,448**	**265,362**
Attributable to:			
Equity holders of the parent		308,737	258,350
Non-controlling interests		7,711	7,012

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

Consolidated balance sheets

Assets 1,000 CHF	Notes	31.3.2015	31.3.2014
Cash and cash equivalents	12	390,486	410,004
Other current financial assets	13	5,446	3,970
Trade receivables	14	349,388	350,807
Current income tax receivables		6,323	6,931
Other receivables and prepaid expenses	15	66,349	65,519
Inventories	16	240,834	206,042
Total current assets		**1,058,826**	**1,043,273**
Property, plant and equipment	17	269,988	263,080
Intangible assets	20	1,219,598	1,161,070
Investments in associates / joint ventures	18	9,667	11,620
Other non-current financial assets	19	22,478	20,603
Deferred tax assets	9	111,074	94,102
Total non-current assets		**1,632,805**	**1,550,475**
Total assets		**2,691,631**	**2,593,748**

Liabilities and equity 1,000 CHF	Notes	31.3.2015	31.3.2014
Current financial liabilities	22	3,101	93,828
Trade payables		72,896	75,283
Current income tax liabilities		95,584	61,870
Other short-term liabilities	23	206,548	204,036
Short-term provisions	21	111,933	101,509
Total current liabilities		**490,062**	**536,526**
Non-current financial liabilities	24	5,042	4,651
Long-term provisions	21	205,148	197,574
Other long-term liabilities	26	86,927	48,221
Deferred tax liabilities	9	32,648	32,401
Total non-current liabilities		**329,765**	**282,847**
Total liabilities		**819,827**	**819,373**
Share capital	27	3,359	3,359
Treasury shares		(71,473)	4,285
Retained earnings and reserves		1,912,615	1,737,186
Equity attributable to equity holders of the parent		**1,844,501**	**1,744,830**
Non-controlling interests		27,303	29,545
Equity		**1,871,804**	**1,774,375**
Total liabilities and equity		**2,691,631**	**2,593,748**

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

Consolidated cash flow statements

1,000 CHF	Notes	2014/15		2013/14	
Income before taxes			**420,324**		**394,578**
Depreciation and amortization of tangible and intangible assets	17, 20	84,954		83,100	
Loss on sale of tangible and intangible assets, net		551		1,128	
Share of (gain)/loss in associates/joint ventures	18	(1,792)		11	
Decrease in long-term provisions		(6,000)		(20,903)	
Financial expenses, net	8	10,537		9,441	
Share based payments	31	19,134		19,133	
Other non-cash items		80		2,963	
Income taxes paid		(23,095)	84,369	(37,303)	57,570
Cash flow before changes in net working capital			**504,693**		**452,148**
Increase in trade receivables		(12,867)		(31,958)	
(Increase)/decrease in other receivables and prepaid expenses		(4,412)		4,238	
Increase in inventories		(31,087)		(17,064)	
(Decrease)/increase in trade payables		(4,468)		2,170	
Increase in other payables, accruals and short-term provisions		7,598	(45,236)	1,494	(41,120)
Cash flow from operating activities			**459,457**		**411,028**
Purchase of tangible and intangible assets		(88,956)		(94,653)	
Proceeds from sale of tangible and intangible assets		1,226		1,951	
Cash consideration for acquisitions, net of cash acquired	28	(57,685)		(29,812)	
Changes in other financial assets		(6,357)		(1,553)	
Interest received and realized gain from financial assets		1,015		1,657	
Cash flow from investing activities			**(150,757)**		**(122,410)**
Repayment of borrowings		(87,553)		(150,956)	
Proceeds from capital increases				1,647	
(Purchase)/sale of treasury shares, net		(92,601)		(39,124)	
Dividends paid by Sonova Holding AG		(127,629)		(107,441)	
Transactions with non-controlling interests		(17,276)		(5,987)	
Interest paid and other financial expenses		(2,255)		(7,240)	
Cash flow from financing activities			**(327,314)**		**(309,101)**
Exchange losses on cash and cash equivalents			(904)		(4,279)
Decrease in cash and cash equivalents			**(19,518)**		**(24,762)**
Cash and cash equivalents at the beginning of the financial year			410,004		434,766
Cash and cash equivalents at the end of the financial year			**390,486**		**410,004**

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

Consolidated changes in equity

1,000 CHF

	Attributable to equity holders of Sonova Holding AG						
	Share capital	Retained earnings and other reserves	Translation adjustment	Treasury shares	Hedge reserve	Non-controlling interests	Total equity
Balance April 1, 2013	**3,358**	**1,788,779**	**(182,520)**	**9,401[1)]**	**(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[1)]**	**(901)**	**29,545**	**1,774,375**
Balance April 1, 2014	**3,359**	**2,001,725**	**(263,638)**	**4,285[1)]**	**(901)**	**29,545**	**1,774,375**
Income for the period		359,994				8,329	368,323
Actuarial loss from defined benefit plans, net		(33,249)					(33,249)
Tax effect on actuarial loss		4,601					4,601
Put options granted to non-controlling interests		7,879					7,879
Fair value adjustment on hedges					901		901
Currency translation differences			(29,959)			(618)	(30,577)
Tax effect on currency translation			(1,430)				(1,430)
Total comprehensive income		**339,225**	**(31,389)**		**901**	**7,711**	**316,448**
Changes in non-controlling interests		(7,279)				(994)	(8,273)
Share-based payments		7,583					7,583
Sale of treasury shares		(5,983)		68,284			62,301
Purchase of treasury shares				(144,042)			(144,042)
Dividend paid		(127,629)				(8,959)	(136,588)
Balance March 31, 2015	**3,359**	**2,207,642**	**(295,027)**	**(71,473)[1)]**		**27,303**	**1,871,804**

[1)] Includes derivative financial instruments on treasury shares.

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

Notes to the consolidated financial statements as of March 31, 2015

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 12, 2015 and are subject to approval by the Annual General Shareholders' Meeting on June 16, 2015.

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

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

2.1 Changes in accounting policies

The following new standards and amendments have been adopted as of April 1, 2014 without having a significant impact on the Group's result and financial position:

- IFRS 10 "Consolidated financial statements"; IFRS 12 "Disclosures of interest in other entities"; IAS 27 "Consolidated and Separate Financial Statement"
  The amendments to the above mentioned standards are related to investment companies and develop an exemption from the requirement to consolidate subsidiaries.
- IAS 32 "Financial Instruments Presentation"
  This is a clarification related to the offsetting of financial assets and financial liabilities.
- IAS 36 "Impairment of Assets"
  This amendment restricts the requirement to disclose the recoverable amount of an asset to periods in which an impairment loss has been recognized or reversed and introduces additional disclosure for measurement based on fair value less costs of disposal in case of an impairment or reversal of an impairment.
- IAS 39 "Financial Instruments: Recognition and Measurement"
  The clarification amends IAS 39 to allow a novation of a derivative that is designated as a hedging instrument if the novation is required by legislation or regulation without discontinuing hedge accounting.
- Annual improvements of IFRS and interpretations (IFRIC)

Although the Group is still assessing the potential impacts of the various new and revised standards and interpretations that will be effective for the financial year starting April 1, 2015, based on the analysis to date the Group does not expect a significant impact on the Group's result and financial position. The Group is also assessing other new and revised standards which are not mandatory until after 2015, notably IFRS 15 "Revenues from Contracts with Customers".

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

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

2.3 Currency translation

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

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

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

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

2.4 Accounting and valuation principles

Cash and cash equivalents

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

Other current financial assets

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

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

Trade receivables

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

Inventories

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

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

Property, plant and equipment

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

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

Leasing

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

Intangible assets

Purchased intangible assets such as software, licenses and patents are measured at cost less accumulated amortization (applying the straight-line method) and any impairment in value. Software is amortized over a useful lifetime of 3 – 5 years. Intangibles relating to acquisitions of subsidiaries (excluding goodwill) consist generally of technology, client relationships, customer lists, and brand names, and are amortized over a period of 3 – 15 years. Other intangible assets are generally amortized over a period of 3 – 10 years. For capitalized development costs amortization starts when the capitalized asset is ready for use, which is generally after receipt of approval from regulatory bodies. These assets are amortized over the estimated useful 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 related to the development of cochlear implants. All other development costs are expensed as incurred. In addition to the internal costs (direct personnel and other operating costs, depreciation on research and development equipment and allocated occupancy costs), total costs also include externally contracted development work. Such capitalized intangibles are recognized at cost less accumulated amortization and impairment losses.

Business combinations and goodwill

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

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

Other non-current financial assets

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

Current financial liabilities

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

Provisions

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

The Group recognizes provisions for warranty costs to cover any costs arising from the warranty given on its products sold (including costs for legal proceedings and related costs). The provision is calculated using historical and projected data on warranty rates, claim rates and amounts, service costs, remaining warranty period and number of hearing 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.

Share capital

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

In case any of the Group Companies 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 judgment is required in determining the worldwide provision for income taxes. The multitude of transactions and calculations implies estimates and assumptions. The Group recognizes liabilities based on estimates of whether additional taxes will be due.

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

Revenue recognition

Sales are recognized net of sales taxes and discounts 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 as its key profit metric for internal (refer to Note 6) as well as for external reporting purposes. The functional allocation of these acquisition-related amortization costs are further disclosed in Note 20 "Intangible Assets" in the notes to the financial statements.

Segment reporting

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

Impairment of non-financial assets

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

Related parties

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

Employee benefits

Pension obligations

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

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. In the case of cash-settled compensation, until the liability is settled it is revalued at each reporting date, recognizing changes in the fair value in the income statement.

2.5 Financial assets

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 lifetime of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.

Impairment of financial assets

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

2.6 Derivative financial instruments and hedging

The Group regularly hedges its net exposure from foreign currency balance sheet positions with forward contracts and options. Such contracts are not qualified as cash flow hedges and are therefore not accounted for using hedge accounting. Gains and losses on these transactions are recognized directly in the income statement. 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 and the gain or loss on the hedging instrument was recognized in other comprehensive income in equity. In the 2014/15 financial year all of the underlying debt relating to this transaction was paid back and the swap agreement was closed accordingly (for further information refer Note 22).

2.7 Significant accounting judgments and estimates

Key management judgments made in applying accounting policies

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

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

Capitalization of development costs

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

Business combinations

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

Key accounting estimates and assumptions

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

Cost of business combinations

A business combination agreement may provide for an adjustment to the cost of the combination contingent on future events. If the future events do not occur or the estimate needs to be revised, the cost of a business combination is revised accordingly, with a resulting change in the carrying value of goodwill (for business combinations entered into before April 1, 2010) or in the income statement (for business combinations entered into after April 1, 2010). At the end of the financial year 2014/15 such liabilities contingent on future events amount to CHF 6.8 million (previous year CHF 8.5 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 1,219.6 million (previous year CHF 1,161.1 million) as disclosed in Note 20.

Included in the intangible assets is goodwill amounting to CHF 971.5 million (previous year CHF 920.6 million).

Furthermore intangible assets also include capitalized development costs in the amount of CHF 96.3 million (previous year CHF 76.8 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 111.1 million (previous year CHF 94.1 million) related to deductible differences and, in certain cases, tax loss carryforwards, provided that their utilization appears probable. The recoverable value is based on forecasts of the corresponding taxable Group company over a period of several years. As actual results may differ from these forecasts, the deferred tax assets may need to be adjusted accordingly.

Employee benefit plans

The Sonova Group has various employee benefit plans. Most of its salaried employees are covered by these plans, of which some are defined benefit plans. The present value of the defined benefit obligations at the end of the financial period 2014 / 15 amounts to CHF 350.3 million (previous year CHF 269.1 million) as disclosed in Note 30. This includes CHF 347.1 million (previous year CHF 265.6 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, 2015 the Group recorded provisions for warranty and returns of CHF 83.0 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

The Sonova Group accounts consider a provision for product liabilities related to products affected by a voluntary cochlear implant product recall of Advanced Bionics LLC in 2006. The provision was substantially increased as per the end of the financial year 2012 / 13. In 2013 / 14 settlement agreements regarding the majority of the then-current filed and unfiled claims related to the before mentioned cochlear implant products were signed, which were in line with the underlying assumptions of the provision and did not have an impact on the profit for the financial year 2013 / 14.

As of the end of the financial year 2014 / 15 the provision for the above mentioned cochlear implant product liabilities has been reassessed. Improvements in the expected number and cost of current and future claims led to a reduction of CHF 13.2 million which is contributing to the profit of 2014 / 15 in the same amount (disclosed in the annual income statement in the line “Other income / (expenses), net”).

On March 31, 2015 the provision for the before mentioned cochlear implant product liabilities was CHF 192.5 million (previous year CHF 192.0 million).

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

Other provisions

On March 2, 2015 Sonova has announced to transfer a part of its hearing instrument product assembly capacity from Stäfa to other centers while maintaining the production of strategically critical core components in Switzerland. Functions are planned to be gradually transferred over the course of the 2015 / 16 fiscal year, affecting around 100 positions in total. Restructuring cost of CHF 6.0 million have been considered and were included in the annual income statement 2014 / 15 in the line “Cost of sales”.

3. Changes in Group structure

In the financial years 2014 / 15 and 2013 / 14 the Group entered into several business combinations. The companies acquired are in the business of producing and distributing hearing instruments.

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

The effect of the acquisitions for the financial year 2014 / 15 and 2013 / 14 is disclosed in Note 28.

4. Number of employees

On March 31, 2015, the Sonova Group employed the full time equivalent of 10,184 people (previous year 9,529). They were engaged in the following regions and activities:

By region	31.3.2015	31.3.2014
Switzerland	1,238	1,189
EMEA (excl. Switzerland)	2,919	2,531
Americas	3,585	3,451
Asia / Pacific	2,442	2,358
Total	**10,184**	**9,529**

By activity		
Research and development	674	617
Operations	3,755	3,675
Sales and marketing, general and administration	5,755	5,237
Total	**10,184**	**9,529**

The average number of employees (full time equivalents) of the Sonova Group for the year was 9,960 (previous year 9,175). Total personnel expenses for the financial year 2014 / 15 amounted to CHF 720.0 million (previous year CHF 675.2 million).

5. Exchange rates

The following main exchange rates were used for currency translation:

	31.3.2015	31.3.2014	2014 / 15	2013 / 14
	Year-end rates		Average rates for the year	
AUD 1	0.74	0.82	0.81	0.86
BRL 1	0.30	0.39	0.38	0.41
CAD 1	0.77	0.80	0.82	0.87
CNY 1	0.16	0.14	0.15	0.15
EUR 1	1.04	1.22	1.18	1.23
GBP 1	1.44	1.48	1.50	1.46
JPY 100	0.81	0.86	0.85	0.92
USD 1	0.98	0.89	0.93	0.92

6. Segment information

Segment information by business segments

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

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

Cochlear implants: This operating segment includes the companies that are active in the design, development, manufacture, distribution and service of hearing implants and related products. The segment consists of Advanced Bionics and the related sales organizations, which were acquired as of December 30, 2009 and which provide cochlear implant systems. 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	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	Hearing instruments		Cochlear implants		Corporate / Eliminations		Total	
Segment sales	1,843,900	1,759,039	194,542	195,551			2,038,442	1,954,590
Intersegment sales	(2,987)	(3,039)	(370)	(239)			(3,357)	(3,278)
Sales	**1,840,913**	**1,756,000**	**194,172**	**195,312**			**2,035,085**	**1,951,312**
Operating profit before acquisition-related amortization (EBITA)	**434,700**	**417,267**	**20,864**	**12,842**			**455,564**	**430,109**
Segment assets	**2,247,572**	**2,153,213**	**605,903**	**522,506**	**(673,071)**	**(597,697)**	**2,180,404**	**2,078,022**
Unallocated assets[1]							511,227	515,726
Total assets							**2,691,631**	**2,593,748**

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

Reconciliation of reportable segment profit 1,000 CHF	2014/15	2013/14
EBITA	455,564	430,109
Acquisition-related amortization	(26,495)	(26,079)
Financial costs, net	(10,537)	(9,441)
Share of gain/(loss) in associates/joint ventures	1,792	(11)
Income before taxes	**420,324**	**394,578**

Entity-wide disclosures

Sales by product groups 1,000 CHF	2014/15	2013/14
Premium hearing instruments	484,265	433,174
Advanced hearing instruments	414,522	437,552
Standard hearing instruments	585,987	556,013
Wireless communication systems	86,313	68,278
Miscellaneous	269,826	260,983
Total hearing instruments	**1,840,913**	**1,756,000**
Cochlear implants and accessories	194,172	195,312
Total sales	**2,035,085**	**1,951,312**

Sales and selected non-current assets by regions 1,000 CHF	2014/15	2013/14	2014/15	2013/14
Country/region	Sales [1]		Selected non-current assets [2]	
Switzerland	25,140	26,425	253,425	245,986
EMEA (excl. Switzerland)	861,415	768,615	355,019	360,593
USA	721,593	726,722	677,975	609,836
Americas (excl. USA)	216,052	224,094	122,241	130,548
Asia/Pacific	210,885	205,456	90,593	88,807
Total Group	**2,035,085**	**1,951,312**	**1,499,253**	**1,435,770**

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

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

7. Other income / expenses, net

Other income in the financial year 2014/15 consists of CHF 13.2 million in relation to the reassessment and revaluation of the provision for product liabilities. For further information refer to Note 2.7 "Provision for product liabilities" and Note 21 "Provisions".

8. Financial expenses, net

1,000 CHF	2014 / 15	2013 / 14
Interest income	1,069	2,130
Other financial income	24	3,260
Total financial income	**1,093**	**5,390**
Interest expenses	(2,948)	(7,641)
Other financial expenses	(8,682)	(7,190)
Total financial expenses	**(11,630)**	**(14,831)**
Total	**(10,537)**	**(9,441)**

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

Other financial expenses in 2014 / 15 and 2013 / 14 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	2014 / 15	2013 / 14
Income taxes	67,163	28,217
Change in deferred taxes	(15,162)	18,979
Total tax expense	**52,001**	**47,196**
Reconciliation of tax expense		
Income before taxes	420,324	394,578
Group's expected average tax rate	13.9 %	13.5 %
Tax at expected average rate	**58,245**	**53,313**
+ / – Effects of		
Expenses not subject to tax, net	4,193	3,256
Changes of unrecognized loss carryforwards / deferred tax assets	3,458	25,853
Local actual tax rate different to Group's expected average tax rate	(20,007)	(39,502)
Change in tax rates on deferred tax balances	5,798	80
Prior year adjustments and other items, net	314	4,196
Total tax expense	**52,001**	**47,196**
Weighted average effective tax rate	12.4 %	12.0 %

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

Deferred tax assets and (liabilities) 1,000 CHF — 31.3.2015

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

[1] Other comprehensive income.

Deferred tax assets 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 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	31.3.2015	31.3.2014
Within 1 – 3 years	41,447	12,244
Within 4 years	28,702	11,097
Within 5 years	9,134	24,515
More than 5 years	334,380	347,671
Total	**413,663**	**395,527**

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

10. Earnings per share

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

Basic earnings per share	2014/15	2013/14
Income after taxes (1,000 CHF)	359,994	340,830
Weighted average number of outstanding shares	67,065,191	67,128,869
Basic earnings per share (CHF)	**5.37**	**5.08**

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 2015 and which have not yet been exercised. Antidilutive 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	2014/15	2013/14
Income after taxes (1,000 CHF)	359,994	340,830
Weighted average number of outstanding shares	67,065,191	67,128,869
Adjustment for dilutive share options	174,754	98,682
Adjusted weighted average number of outstanding shares	67,239,945	67,227,551
Diluted earnings per share (CHF)	**5.35**	**5.07**

11. Dividend per share

The Board of Directors of Sonova Holding AG proposes to the Annual General Shareholders' Meeting, to be held on June 16, 2015, that a dividend of CHF 2.05 shall be distributed (previous year CHF 1.90). For further details refer to 2.4 "Summary of changes in shareholders' equity" in the financial statements 2014/15 of Sonova Holding AG.

12. Cash and cash equivalents

1,000 CHF	31.3.2015	31.3.2014
Cash on hand	644	711
Current bank accounts	349,779	382,423
Term deposits	40,063	26,870
Total	**390,486**	**410,004**

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

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

13. Other current financial assets

Other current financial assets of CHF 5.4 million (previous year 4.0 million) primarily consist of short-term customer loans.

14. Trade receivables

1,000 CHF	31.3.2015	31.3.2014
Trade receivables	372,143	372,654
Provision for doubtful receivables	(22,755)	(21,847)
Total	**349,388**	**350,807**

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	31.3.2015	31.3.2014
Total trade receivables, net	**349,388**	**350,807**
of which:		
Not overdue	245,544	249,751
Overdue 1 – 30 days	45,464	50,868
Overdue more than 30 days	58,380	50,188
Total	**349,388**	**350,807**

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	2014 / 15	2013 / 14
Provision for doubtful receivables, April 1	**(21,847)**	**(27,531)**
Utilization or reversal	8,260	11,660
Additions	(9,110)	(7,250)
Changes through business combinations	(100)	(344)
Exchange differences	42	1,618
Provision for doubtful receivables, March 31	**(22,755)**	**(21,847)**

During 2014 / 15 the Group has utilized CHF 7.0 million (previous year CHF 8.2 million) of this provision to write-off receivables.

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

1,000 CHF	31.3.2015	31.3.2014
BRL	28,808	35,504
CAD	23,604	25,351
CHF	15,185	14,572
EUR	93,057	109,597
USD	119,324	108,223
Other	69,410	57,560
Total trade receivables, net	**349,388**	**350,807**

15. Other receivables and prepaid expenses

1,000 CHF	31.3.2015	31.3.2014
Other receivables	49,715	49,513
Prepaid expenses	16,634	16,006
Total	**66,349**	**65,519**

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	31.3.2015	31.3.2014
Raw materials and components	41,851	34,538
Work-in-process	95,965	75,130
Finished products	133,095	128,223
Allowances	(30,077)	(31,849)
Total	**240,834**	**206,042**

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

In 2014/15, CHF 543.9 million (previous year CHF 528.0 million) were recognized as an expense and included in “cost of sales”.

17. Property, plant and equipment

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

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**

Property, plant and equipment as of March 31, 2015 was insured against fire for a value of CHF 493.3 million (previous year CHF 492.0 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	2014 / 15	2013 / 14
Current assets	627	642
Non-current assets	1,092	418
Total assets	**1,719**	**1,060**
Current liabilities	(348)	(228)
Non-current liabilities	(32)	(310)
Total liabilities	**(380)**	**(538)**
Net assets	**1,339**	**522**
Income for the year	3,824	4,785
Expenses for the year	(2,032)	(3,721)
Profit for the year	**1,792**	**1,064**
Net book value at year-end	9,667	11,620
Share of gain / (loss) recognized by the Group	1,792	(11)

In the financial year 2014 / 15, the Group acquired additional shares in two (previous year 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 two (previous year three) entities amounted to CHF 1.5 million (previous year CHF 6.2 million).

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

Sales to associates / joint ventures in the financial year 2014 / 15 amounted to CHF 8.3 million (previous year CHF 10.2 million). At March 31, 2015 trade receivables towards associates / joint ventures amounted to CHF 1.6 million (previous year CHF 4.8 million).

At the end of the financial years 2014 / 15 and 2013 / 14, no material unrecognized losses existed.

Investments with a net book value of CHF 9.7 million (previous year CHF 11.6 million) have a business year different than the Sonova Group. The latest available information for the respective companies are as per December 2014.

19. Other non-current financial assets

1,000 CHF	31.3.2015	31.3.2014
Financial assets at fair value through profit or loss	8,783	7,911
Loans to associates	8,080	4,943
Loans to third parties	5,615	7,749
Total	**22,478**	**20,603**

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, 2015, the respective repayment periods vary between one and ten years and the interest rates vary generally between 3 % and 5 %. The valuation of the loans approximates to fair value.

20. Intangible assets

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

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

1,000 CHF					31.3.2014
	Goodwill	Intangibles relating to acquisitions[1]	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[2]	917	23,889	5,118	30,684
Disposals	(43)[2]	(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)[3]	(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) Intangibles relating to acquisitions include primarily customer relationships, trademarks, in process R&D and technology.
2) Additions and disposals of goodwill include primarily earn-out adjustments.
3) Relates to research and development (CHF 3.7 million) and sales and marketing (CHF 22.4 million).

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

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

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

Based on the impairment tests performed, there was no need for the recognition of any impairment of goodwill for the financial years 2014/15 and 2013/14.

Hearing instruments

As of March 31, 2015, the carrying amount of the goodwill, expressed in various currencies, amounted to an equivalent of CHF 657.2 million (prior year CHF 634.6 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 1.9 % (prior year 2.1 %) representing the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 9.2 % (prior year 9.9 %) was used.

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

Cochlear implants

As of March 31, 2015, the carrying amount of the goodwill, expressed in various currencies, amounted to an equivalent of CHF 314.3 million (prior year CHF 286.0 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 six 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 1.9 % (prior year 2.1 %) representing the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 9.1 % (prior year 10.2 %) was used.

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

21. Provisions

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

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

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

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

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

As of the end of the financial year 2014/15 the provision for the above mentioned cochlear implant product liabilities has been reassessed. Improvements in the expected number and cost of current and future claims led to a reduction of CHF 13.2 million which were reversed to the annual income statement in the line “Other income/(expense), net”. For further information refer to Note 2.7 “Provision for product liabilities”. The timing of the cash outflows corresponding to the said provision for product liabilities is uncertain since it will largely depend on the outcome of administrative and legal proceedings.

Other provisions in 2014/15 include restructuring costs of CHF 6.0 million that have been considered for the around 100 positions that were announced March 2, 2015 to be made redundant as a consequence of a transfer of part of the Group’s hearing instrument product assembly capacity from Stäfa to other operation centers. The costs were included in the annual income statement 2014/15 in the line “Cost of sales”. The corresponding cash outflows are mostly expected to materialize within the 2015/16 financial year. In addition, 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	31.3.2015	31.3.2014
Short-term debt	34	79,841
Interest swap – negative replacement value		901
Other current financial liabilities	3,067	13,086
Total	**3,101**	**93,828**
Unused borrowing facilities	37,661	36,807

Short-term debt of CHF 80 million obtained in connection with the acquisition of Advanced Bionics has been paid back in the current financial year (previous year CHF 150 million). In the course of the debt repayment the interest rate swap agreement has been closed accordingly.

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	31.3.2015	31.3.2014
Other payables	40,922	35,825
Accrued expenses	140,072	144,626
Deferred income	25,554	23,585
Total	**206,548**	**204,036**

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	31.3.2015	31.3.2014
Bank debt	116	157
Other non-current financial liabilities	4,926	4,494
Total	**5,042**	**4,651**

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			31.3.2015			31.3.2014
	Bank debt	Other non-current financial liabilities	Total	Bank debt	Other non-current financial liabilities	Total
CHF		3,592	3,592		1,812	1,812
USD		1,047	1,047		1,720	1,720
EUR		263	263		787	787
Other	116	24	140	157	175	332
Total	**116**	**4,926**	**5,042**	**157**	**4,494**	**4,651**

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, 2015 and 2014, 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, 2015 and 2014 (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	2014 / 15	2013 / 14	2014 / 15	2013 / 14
	Impact on income after taxes		Impact on equity	
Change in USD / CHF + 5 %	5,111	3,001	21,225	19,376
Change in USD / CHF – 5 %	(5,111)	(3,001)	(21,225)	(19,376)
Change in EUR / CHF + 5 %	3,777	3,841	7,809	8,383
Change in EUR / CHF – 5 %	(3,777)	(3,841)	(7,809)	(8,383)

Interest rate risk

The Group has only limited exposure to interest rate changes. The most substantial interest exposure on assets relates to cash and cash equivalents with an average interest-bearing amount for the financial year 2014 / 15 of CHF 353 million (previous year CHF 424 million). If interest rates during the financial year 2014 / 15 had been 1 % higher / lower on these accounts, income before taxes would have been CHF 3.5 million higher / lower (previous year CHF 4.2 million).

Other market risks

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

Credit risk

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

Core banking relations are maintained with at least "BBB+" rated (S & P) financial institutions. As of March 31, 2015, the largest balance with a single counterparty amounted to 25 % (previous year 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.

The following table summarizes the contractual maturities of financial liabilities as of March 31, 2015 and 2014:

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

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
Derivatives – negative replacement value		901			901
Other current financial liabilities		13,086			13,086
Trade 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**

Fair value hierarchy

The following table summarizes the financial instruments carried at fair value, by valuation method as of March 31, 2015 and 2014. 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				31.3.2015
	Level 1	Level 2	Level 3	Total
Financial assets				
At fair value through profit or loss	2,088		6,695	8,783
Total	**2,088**		**6,695**	**8,783**
Financial liabilities				
At fair value through profit or loss			(7,966)	(7,966)
Total			**(7,966)**	**(7,966)**

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)**

The following table presents the changes in level 3 financial instruments for the year ended March 31, 2015 and 2014:

Financial assets at fair value through profit or loss 1,000 CHF	2014/15	2013/14
Balance April 1	5,401	5,587
Additions	1,716	
Losses recognized in profit or loss	(422)	(186)
Balance March 31	**6,695**	**5,401**

Financial liabilities at fair value through profit or loss 1,000 CHF	2014/15	2013/14
Balance April 1	(17,549)	(13,734)
Disposals / (Additions), net	9,873	(4,525)
(Losses) / gains recognized in profit or loss	(290)	710
Balance March 31	**(7,966)**	**(17,549)**

Capital risk management

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

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

26. Other long-term liabilities

1,000 CHF	31.3.2015	31.3.2014
Long-term deferred income	25,117	23,520
Retirement benefit obligations	61,810	24,701
Total	**86,927**	**48,221**

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, 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**
Purchase of treasury shares		(562,077)	(562,077)
Sale / transfer of treasury shares		571,849	571,849
Purchase of shares intended to be cancelled[3]		(546,900)	(546,900)
Balance March 31, 2015	**67,173,287**	**(547,313)**	**66,625,974**

Nominal value of share capital 1,000 CHF	Share Capital	Treasury shares[1]	Outstanding share capital
Balance April 1, 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**
Purchase of treasury shares		(28)	(28)
Sale / transfer of treasury shares		29	29
Purchase of shares intended to be cancelled[3]		(27)	(27)
Balance March 31, 2015	**3,359**	**(27)**	**3,332**

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

At the Annual General Shareholder's Meeting on July 7, 2005 the conditional share capital of CHF 264,270 (5,285,400 shares) has been increased by CHF 165,056 (3,301,120 shares) to CHF 429,326 (8,586,520 shares). As of March 31, 2015, 5,322,133 shares (previous year 5,322,133 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	2014/15	2013/14
Trade receivables	2,608	2,230
Other current assets	6,568	3,098
Property, plant & equipment	1,097	2,001
Intangible assets	21,435	12,686
Other non-current assets	975	430
Current liabilities	(4,040)	(4,798)
Non-current liabilities	(9,732)	(6,439)
Net assets	**18,911**	**9,208**
Goodwill	42,426	28,417
Purchase consideration	**61,337**	**37,625**
Fair value of previously held stake before the business combination[1)]	(1,533)	(9,626)
Liabilities for deferred payments or holdbacks[2)]	(5,362)	(2,275)
Cash consideration	**54,442**	**25,724**
Cash and cash equivalents acquired	(3,508)	(1,080)
Cash consideration, net of cash acquired	**50,934**	**24,644**
Cash outflow for investments in associates, non-controlling interests and deferred payments	6,751	5,168
Total cash outflow from acquisitions	**57,685**	**29,812**

1) A loss of CHF 0.2 million (2013/14 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 for earn-outs is based on the latest estimate of the future performance.

Beside the acquisition of Comfort Audio i Halmstad AB as of October 2, 2014 (for further information refer to "3. Changes in group structure") several other small companies were acquired during the financial year 2014/15 and 2013/14 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 2014/15, acquisition-related costs in the amount of CHF 1.1 million (2013/14 CHF 0.6 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	2014/15	2013/14
Contribution of acquired companies from date of acquisition		
Sales	12,700	8,371
Net income	(258)	815
Contribution, if the acquisitions occurred on April 1		
Sales	28,019	18,509
Net income	244	(2,425)

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

1,000 CHF	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	Management Board		Board of Directors		Total	
Short-term employee benefits	9,186	9,282	1,646	1,752	10,832	11,034
Post-employment benefits	934	799			934	799
Share based payments	5,074	5,049	1,352	1,372	6,426	6,421
Total	**15,194**	**15,130**	**2,998**	**3,124**	**18,192**	**18,254**

The total compensation to the Management Board for the reporting period 2014/15, as shown above, relates to the 14 current members of the Management Board (one member joined in August 2014). The total compensation to the Management Board for the reporting period 2013/14, as shown above, related to 13 members.

The total compensation to the Board of Directors for the reporting period 2014/15, as shown above, relates to nine current members (previous year eight members).

During the financial year 2014/15 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 housing, parking, and child care space. In total the related party transactions with Andy Rihs amounted to CHF 0.29 million (previous year CHF 0.35 million).

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, Norway, 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 347.1 million or 99.1 % (previous year 265.6 million or 98.7 %) of Sonova's defined benefit obligation.

Pension plans in Switzerland

The current pension arrangement for employees in Switzerland is made through a plan governed by the Swiss Federal Occupational Old Age, Survivors and Disability Pension Act (BVG). The plan of Sonova's Swiss companies is administered by a separate legal foundation, which is funded by regular employer and employee contributions defined in the pension fund rules. The Swiss pension plan contains a cash balance benefit which is in essence contribution-based with certain minimum guarantees. Due to these minimum guarantees, the Swiss plan is treated as a defined benefit plan for the purposes of these IFRS financial statements, although it has many of the characteristics of a defined contribution plan. The plan is invested in a diversified range of assets in accordance with the investment strategy and the common criteria of an asset and liability management. A potential under-funding may be remedied by various measures such as increasing employer and employee contributions or reducing prospective benefits.

As of March 31, 2015, 1,288 employees (previous year 1,217 employees) and 82 beneficiaries (previous year 79 beneficiaries) are insured under the Swiss plan. The defined benefit obligation has a duration of 15.5 years (previous year 11.2 years).

The results of all defined benefit plans are summarized below:

Amounts recognized in the balance sheet CHF 1,000	**31.3.2015**	**31.03.2014**
Present value of funded obligations	(348,529)	(266,975)
Fair value of plan assets	288,505	244,429
Net present value of funded plans	**(60,024)**	**(22,546)**
Present value of unfunded obligations	(1,786)	(2,155)
Total liabilities, net	**(61,810)**	**(24,701)**
Amounts in the balance sheet:		
Retirement benefit obligation	(61,810)	(24,701)

Remeasurements recognized in equity CHF 1,000	2014 / 15	2013 / 14
Balance April 1	29,637	31,041
Actuarial (gains) / losses from		
– changes in demographic assumptions		4,469
– changes in financial assumptions	40,259	
– changes in experience adjustments	5,794	(1,035)
Return on plan assets excluding interest income	(12,803)	(4,838)
Balance March 31	**62,887**	**29,637**

Amounts recognized in the income statement CHF 1,000	2014 / 15	2013 / 14
Current service cost	27,706	24,848
Participants' contributions	(10,175)	(9,426)
Net interest cost	516	474
Total employee benefit expenses[1]	**18,047**	**15,896**

[1] The amount recognized in the consolidated income statement 2014 / 15 has been charged to:
– cost of sales CHF 4.1 million (previous year CHF 4.0 million);
– research and development CHF 5.3 million (previous year 4.5 million);
– sales and marketing CHF 3.1 million (previous year 2.9 million);
– general and administration CHF 5.0 million (previous year CHF 4.0 million);
– financial expenses CHF 0.5 million (previous year CHF 0.5 million).

Movement in the present value of the defined benefit obligations CHF 1,000	2014 / 15	2013 / 14
Beginning of the year	269,130	242,928
Interest cost	5,374	4,905
Current service cost	27,706	24,848
Benefits paid, net	2,583	(6,800)
Actuarial loss on obligations	46,054	3,434
Exchange differences	(532)	(185)
Present value of obligations at end of period	**350,315**	**269,130**

Movement in the fair value of the plan assets CHF 1,000	2014 / 15	2013 / 14
Beginning of the year	244,429	219,802
Interest income on plan asset	4,858	4,431
Employer's contributions paid	13,563	12,550
Participants' contributions	10,175	9,426
Benefits paid, net	2,908	(6,482)
Return on plan assets excluding interest income	12,803	4,838
Exchange differences	(231)	(136)
Fair value of plan assets at end of period	**288,505**	**244,429**

The plan assets consist of:	31.3.2015	31.3.2014
Cash	7.9 %	4.4 %
Domestic bonds	28.4 %	30.4 %
Foreign bonds	7.4 %	7.7 %
Domestic equities	12.0 %	11.6 %
Foreign equities	27.8 %	29.1 %
Real estates	11.7 %	11.1 %
Alternative investments	4.8 %	5.7 %

The actual return on plan assets amounted to CHF 17.7 million (previous year CHF 9.3 million). The expected employer's contributions to be paid in the financial year 2015/16 amount to CHF 14.1 million.

Principal actuarial assumptions (weighted average)	2014/15	2013/14
Discount rate	0.80 %	2.00 %
Future salary increases	1.75 %	1.75 %
Future pension increases	0 %	0 %
Fluctuation rate	10 %	10 %
Demography	BVG 2010GT	BVG 2010GT

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

Sensitivity analysis – Impact on defined benefit obligation CHF 1,000	31.3.2015	31.3.2014
Discount rate		
Discount rate + 0.25 %	(12,190)	(7,251)
Discount rate – 0.25 %	13,957	7,640
Salary growth		
Salary growth + 0.25 %	1,084	2,285
Salary growth – 0.25 %	(1,060)	(2,247)
Pension growth		
Pension growth + 0.5 %	13,088	6,136
Pension growth – 0.5 %	(13,088)	(6,137)
Fluctuation rate		
Fluctuation rate + 5 %	(21,302)	(7,730)
Fluctuation rate – 5 %	37,091	14,981

Defined contribution plans

Several of the Group's entities have a defined contribution plan. The employer's contributions amounting to CHF 13.4 million in the year ended March 31, 2015 (previous year CHF 11.9 million) are recognized directly in the income statement.

31. Executive Equity Plans

Executive Equity Plans are 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 plans free of charge. Equity 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.

In the financial years 2014/15 and 2013/14 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, since 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 minimum 'Return On Capital Employed' (ROCE) target.

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

1,000 CHF	2014/15	2013/14
Equity-settled share-based payment costs	18,581	18,682
Cash-settled share-based payment costs	553	451
Total share-based payment costs	**19,134**	**19,133**

The following table shows an overview of the outstanding options / SARs, granted as part of the EEAP 2009 to 2015 which also includes outstanding warrants (tradable options) and warrant appreciation rights (WARs) granted in the financial year 2010 / 11. 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, 2015:

Financial year granted	Instruments granted	First vesting date / Expiry date	Granted	Exercise price (CHF)	Outstanding	Average remaining life (years)	Exercisable
2008 / 09	Options	1.3.2012 28.2.2017	160,000	56.00	2,000	1.9	2,000
2010 / 11	Warrants / WARs[1]	1.3.2012 29.2.2016	612,065	118.40	186,898	0.9	186,898
2011 / 12	Options	27.5.2012 27.5.2016	40,000	88.30	5,000	1.2	
2011 / 12	Options / SARs	1.6.2013 31.1.2019	298,474	95.85	193,993	3.8	67,823
2012 / 13	Options / SARs	1.6.2014 31.1.2020	227,188	109.10	191,495	4.8	31,683
2013 / 14	Options / SARs[2]	1.6.2015 31.1.2021	242,673	124.60	231,680	5.8	
2014 / 15	Options / SARs[3]	1.6.2016 31.1.2022	308,459	121.10	308,459	6.8	
Total			**1,888,859**	**109.03**	**1,119,525[4]**	**3.7**	**288,404[5]**
Thereof:							
Equity-settled			1,710,172		1,019,036		274,722
Cash-settled			178,687		100,489		13,682

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. Ticker symbol: SONCA.
2) Including 107,567 performance options, granted to the CEO and MB members.
3) Including 135,223 performance options, granted to the CEO and MB members.
4) Weighted average exercise price of outstanding options / warrants / SARs / WARs amounts to CHF 114.68.
5) Weighted average exercise price for exercisable options / warrants / SARs / WARs amounts to CHF 111.64.

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 options and SARs granted in the financial year 2014 / 2015 and 2013 / 2014 are as follows:

Assumptions for valuation at grant date	Executive Equity Award Plan 2015	Executive Equity Award Plan 2014
Valuation date	1.2.2015	1.2.2014
Expiry date	31.1.2022	31.1.2021
Share price on grant date	CHF 121.10	CHF 124.60
Exercise price	CHF 121.10	CHF 124.60
Volatility	25.1 %	27.2 %
Expected dividend yield	2.53 %	2.21 %
Weighted risk free interest rate	0.5 %	0.6 %
Weighted average fair value of options / SARs issued	**CHF 19.55**	**CHF 24.46**

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 vesting date and the expiry date of the options, the warrants are tradable and may be sold by the plan participants between the vesting date and the expiry date of the warrants. The tradable warrants will be exercised at the expiry date. 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:	2014 / 15		2013 / 14	
	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	**1,277,473**	**115.22**	**1,322,808**	**106.64**
Granted[2]	272,224	121.10	215,221	124.60
Exercised / sold[3]	(507,163)	119.91	(210,872)	70.53
Forfeited	(23,498)	113.36	(49,684)	116.91
Outstanding options / warrants at March 31	**1,019,036**	**114.50**	**1,277,473**	**115.22**
Exercisable at March 31	**274,722**	**111.58**	**597,551**	**119.94**

1) For better comparison, the number of warrants have been adjusted according to exercise ratio 25:1.
2) 2014 / 15 includes 135,223 performance options (previous year 107,567 performance options), granted to the CEO and MB members.
3) Out of the movement for the financial year 2014 / 15, 99,716 (previous year 26,827) relates to options exercised and 407,447 (previous year 184,045) to warrants sold. Total consideration from options exercised amounted to CHF 10.4 million (previous year CHF 2.2 million). The weighted average share price of the options exercised during the year 2014 / 15 was CHF 137.22 (previous year CHF 80.54).

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 corresponding vesting period. Until the liability is settled, it is revalued at each reporting date recognizing changes in fair value in the income statement. The SARs / WARs may be sold between the vesting date and the expiry date of the SARs / WARs.

Changes in outstanding SARs / WARs:				2014 / 15				2013 / 14
	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	**68,360**	**111.78**	**29,477**	**123.02**	**50,145**	**102.78**	**100,219**	**122.59**
Granted	36,235	121.10			27,452	124.60		
Exercised / sold	(8,596)	99.61	(20,694)	124.98	(1,624)	95.85	(9,270)	103.32
Forfeited	(4,293)	117.44			(7,613)	102.14	(61,472)	125.29
Outstanding SARs / WARs at March 31[1]	**91,706**	**116.34**	**8,783**	**118.40**	**68,360**	**111.78**	**29,477**	**123.02**
Exercisable at March 31[2]	**4,899**	**103.19**	**8,783**	**118.40**	**3,358**	**95.85**	**27,383**	**123.37**

[1] The carrying amount of the liability relating to the SARs at March 31, 2015 is CHF 1.3 million (previous year CHF 1.0 million) and the one for the WARs amounts to CHF 0.2 million (previous year CHF 0.5 million).

[2] The intrinsic value of the SARs and WARs exercisable at March 31, 2015 amounts to CHF 0.2 million (previous year CHF 0.1 million) and CHF 0.1 million (previous year CHF 0.2 million) respectively.

Restricted shares / Restricted share units (RSUs)

For the EEAPs 2010 to 2015, restricted share units (RSUs) have been granted to entitled participants. 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 and 2015, 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 2015, restricted shares have been granted to the Chairman of the Board of Directors as well as to the other members of the Board of Directors. These shares are entitled to dividends and are restricted for a period of 64 months (Chairman), respectively 52 months (other members of the Board of Directors).

Upon vesting of the RSUs, the respective shares are either created out of the conditional share capital or treasury shares are used.

The cost of the RSUs granted is expensed over 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 RSUs granted to CEO and MB members) to ensure that in the end only a charge for vested amounts occurred. The costs for the restricted shares granted to the members of the Board of Directors have been fully expensed in the financial year 2014 / 15 as there is no vesting period related to these shares.

Changes in outstanding RSUs:	2014/15	2013/14
	Number of RSUs	Number of RSUs
RSUs at April 1	**398,452**	**352,794**
Granted[1]	138,138	137,939
Released	(83,287)	(74,629)
Forfeited	(17,830)	(17,652)
RSUs at March 31	**435,473**	**398,452**

[1] 2014/15 includes 20,743 performance RSUs, granted to the CEO and MB members (previous year 20,498).

32. Contingent liabilities

At March 31, 2015 and 2014, there were no pledges given to third parties other than in relation to bank loans and mortgages. The bank loan of CHF 470 million, granted in connection with the acquisition of Advanced Bionics, has fully been repaid in the current financial year and therefore the shares of Advanced Bionics are not pledged anymore. A deposit in the amount of CHF 1.1 million has been pledged in relation to a bank guarantee. Mortgages are secured by properties in the amount of CHF 0.1 million (previous year CHF 0.2 million). The net book value of these properties amounts to CHF 0.9 million at March 31, 2015 (previous year CHF 1.1 million). Open purchase orders as of March 31, 2015 and 2014, were related to recurring business activities.

33. Leasing liabilities

At March 31, 2015 the following non-cancellable minimum operating lease obligations existed:

Financial year 1,000 CHF	31.3.2015	31.3.2014
2014/15		35,810
2015/16	41,191	26,378
2016/17	32,451	21,704
2017/18	25,843	17,658
2018/19	20,664	15,685
2019/20	20,656	18,140
thereafter	33,241	14,842
Total	**174,046**	**150,217**

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

In financial year 2014/15, CHF 44.0 million have been recognized as expenses for leases in the consolidated income statement (previous year CHF 48.2 million).

As of March 31, 2015 and 2014, the Group had no financial lease obligations.

34. Events after balance sheet date

On March 2, 2015 the Group announced that it signed an agreement to acquire 100% of the shares of Hansaton Akustik GmbH. On April 16, 2015, after having received the regulatory approvals, the Group announced the completion of the acquisition. The company has around 200 employees globally, with own centers in Germany, France and the US, and a distribution network in over 70 countries. In calendar year 2014 sales of Hansaton were EUR 42 million. Besides the above mentioned transaction there have been no material events after the balance sheet date.

35. List of significant companies

Company name	Activity	Domicile (country)	Share / paid-in capital[1] Local currency 1,000		Shares held
Switzerland					
Sonova Holding AG	A	Stäfa	CHF	3,359	
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%
Sonova Nederland B.V.	B	Vianen (NL)	EUR	227	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%
Sonova Service Center UK Limited	C	Warrington (UK)	GBP	150	100%
Americas					
Sonova do Brasil Produtos Audiológicos Ltda.	B	Sao Paulo (BR)	BRL	36,179	100%
National Hearing Services Inc.	B	Victoria BC (CA)	CAD	0 [3]	100%
Sonova Canada Inc.	B	Mississauga (CA)	CAD	0 [3]	100%
Connect Hearing Inc.	B	Naperville (US)	USD	0 [4]	100%
Ear Professionals International Corporation	B	Pomona (US)	USD	6	100%
Unitron Hearing, Inc.	B	Plymouth (US)	USD	46,608	100%
Advanced Bionics Corp.	A	Valencia (US)	USD	1	100%
Advanced Bionics LLC	B, C, D	Valencia (US)	USD	0 [3]	100%
Phonak LLC	B	Warrenville (US)	USD	0 [3]	100%
Sonova United States Hearing Instruments, LLC	A	Warrenville (US)	USD	0 [3]	100%
Development Finance Inc.	A	Wilmington (US)	USD	0 [5]	100%
Asia / Pacific					
Hearing Retail Group Pty. Ltd.	B	Sydney (AU)	AUD	0 [6]	100%
Phonak Pty. Ltd.	B	Baulkham Hills (AU)	AUD	750	100%
Triton Hearing Limited	B	Christchurch (NZ)	NZD	7,750	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 Operation Center Vietnam Co., Ltd.	C	Binh Duong (VN)	VND	36,156,000	100%

Activities:
A Holding / Finance: The entity is a holding or finance company.
B Sales: The entity performs sales and marketing activities.
C Production: This entity performs manufacturing for the Group.
D Research: This entity performs research and development activities for the Group.

[1] Share / paid-in capital may not reflect the taxable share / paid-in capital amount and does not include any paid-in surplus.
[2] GBP 133
[3] Without par value
[4] USD 1
[5] USD 10
[6] AUD 100

Report of the statutory auditor on the consolidated financial statement

pwc

Report of the statutory auditor on the consolidated financial statements 2014/15 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 74 to 116) for the year ended March 31, 2015.

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, 2015, 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 12, 2015

Financial statements of Sonova Holding AG

Income statements

1,000 CHF	Notes	2014/15	2013/14
Income			
Investment income		262,651	304,728
Financial income		25,765	23,247
Other income		22,406	21,125
Total income		**310,822**	**349,100**
Expenses			
Financial expenses		(41,201)	(81,174)
Administration expenses		(8,220)	(7,626)
Other expenses	2.1	(1,226)	(2,069)
Total expenses		**(50,647)**	**(90,869)**
Net profit for the year		**260,175**	**258,231**

Balance sheets

Assets 1,000 CHF	Notes	31.3.2015	31.3.2014
Cash and cash equivalents		68,312	11,122
Marketable securities	2.2	73,635	1,273
Amounts due from third parties		2,907	4,355
Amounts due from Group Companies		54,602	269,220
Prepayments		50	38
Total current assets		**199,506**	**286,008**
Loans to third parties			482
Loans to Group Companies		1,340,840	1,223,782
Investments		314,590	294,419
Total non-current assets		**1,655,430**	**1,518,683**
Total assets		**1,854,936**	**1,804,691**

Liabilities and shareholders' equity 1,000 CHF	Notes	31.3.2015	31.3.2014
Liabilities to third parties		8,604	4,603
Liabilities to Group Companies			3,998
Bank loans	2.3		80,000
Accruals		1,605	3,908
Total short-term liabilities		**10,209**	**92,509**
Total liabilities		**10,209**	**92,509**
Share capital		3,359	3,359
General reserve		1,800	1,800
Reserve from capital contributions		18,542	18,542
Reserve for treasury shares	2.2	73,635	1,273
Retained earnings		1,747,391	1,687,208
Total shareholders' equity	2.4	**1,844,727**	**1,712,182**
Total liabilities and shareholders' equity		**1,854,936**	**1,804,691**

Notes to the financial statements as of March 31, 2015

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.

2.2 Marketable securities and reserve for treasury shares

Marketable securities include 547,313 treasury shares (previous year 10,185) purchased for a net consideration of CHF 73.6 million (previous year CHF 1.3 million). At March 31, 2015, these shares had a market value of CHF 74.1 million (previous year CHF 1.3 million). Due to the lower of cost or market principle, CHF 73.6 million are considered in the balance sheet. Of the total 547,313 treasury shares, 546,900 shares were purchased by the company as part of the share buyback program.

A reserve for treasury shares in the amount of CHF 73.6 million (previous year CHF 1.3 million) 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 April 1, 2014	**10,185**	**1,273**	**1,316**
Purchase of treasury shares	1,108,977	144,042	144,042
Sale of treasury shares	(571,849)	(71,680)	(61,526)
Loss from sale of own shares and revaluation			(9,781)
Balance March 31, 2015	**547,313**	**73,635**	**74,051**

2.3 Bank loans

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

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 shareholders' equity
Balance April 1, 2014	**3,359**	**1,800**	**18,542**	**1,273**	**1,687,208**	**1,712,182**
Dividend paid					(127,629)	(127,629)
Increase in reserve for treasury shares				72,362	(72,362)	
Net profit for the year					260,175	260,175
Balance March 31, 2015	**3,359**	**1,800**	**18,542**	**73,635**	**1,747,391**	**1,844,727**

During the financial year 2014/15 no registered shares were issued from the conditional capital which was created for the purpose of an equity participation for key employees of the Sonova Group. The conditional share capital with a par value of CHF 266,107 (5,322,133 shares) remains unchanged. Out of the remaining conditional capital, a total of 1,019,036 (previous year 1,277,473) employee stock options were outstanding as of March 31, 2015, which can be exercised until January 2022.

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	31.3.2015	31.3.2014
Guarantees given in respect of rental obligations of Group Companies	3,873	4,485

The Swiss Sonova entities form a VAT group and, hence, every company participating in the group is jointly and severally liable for VAT debt of other group participants.

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 %
Sonova Nederland B.V.	B	Vianen (NL)	EUR	227	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 %
Sonova Canada 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 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, 2015, 5,322,133 shares with a nominal value of CHF 266,107 (previous year unchanged) 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".

	31.3.2015	31.3.2014
Chase Nominees Ltd.[1]	12.82%	13.42%
Beda Diethelm	9.90%	9.90%
Hans-Ueli Rihs	6.04%	6.14%
Andy Rihs	4.79%	5.05%
Nortrust Nominees Ltd.[1]	3.60%	3.45%
Registered shareholders with less than 3%	32.49%	34.88%
Not registered	30.36%	27.16%

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 compensation of members of the Board of Directors consists of a cash retainer (fixed fee), a committee fee (if applicable), and a meeting attendance fee, as well as a lump sum for expenses, based on the number of meetings attended. In addition, members of the Board of Directors receive shares with a restriction period of 5.3 years (Chairman) or 4.3 years (all other members of the Board of Directors). There is no performance-related variable cash compensation for the Board of Directors. The members of the Board of Directors are not eligible to participate in the occupational retirement benefit plans.

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						2014/15
	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	2,000	58,675	560,675	286,914	847,589
Beat Hess, Vice-Chairman	122,500	8,000	17,044	147,544	152,175	299,719
Stacy Enxing Seng, Member[4]	78,904	5,000	14,803	98,707	152,175	250,882
Michael Jacobi, Member	125,000	8,000	28,926	161,926	152,175	314,101
Andy Rihs, Member	100,000	6,000	7,734	113,734		113,734
Anssi Vanjoki, Member	107,500	6,500	47,957	161,957	152,175	314,132
Ronald van der Vis, Member	107,500	8,000	20,154	135,654	152,175	287,829
Jinlong Wang, Member	100,000	5,500	17,145	122,645	152,175	274,820
John J. Zei, Member	107,500	8,000	27,503	143,003	152,175	295,178
Total	**1,348,904**	**57,000**	**239,941**	**1,645,845**	**1,352,139**	**2,997,984**

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 financial year.

[3] Tax value per restricted share at grant date: for the Chairman of the Board of Directors CHF 89.21, for the other members of the Board of Directors CHF 94.58.

[4] New member of the Board of Directors since June 2014.

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 financial year.

[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.

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 compensation of the Management Board (including the CEO) comprises:

– Fixed base salary
– Variable cash compensation (VCC)
– Long-term incentive (Executive Equity Award Plan, EEAP)
– Additional employee benefits, such as pension benefits and lump sum expenses

At targets, the VCC amounts to 62.5 % of base salary for the CEO and, usually, 50 % for other members of the Management Board. Lower and upper performance thresholds are also set, below which the payout percentage is zero, and above which it is capped at 200 %. Payout levels between the threshold, the target, and the maximum are calculated by linear interpolation.

The VCC for the Management Board is based on three categories of performance objectives: Group, business unit, and individual. Group performance objectives are based on the budget; the specific metrics are sales, EBITA, free cash flow (FCF), and earnings per share (EPS). Business unit performance objectives include sales, EBITA, average sales price (ASP), and operating expenses of the respective business unit.

Group and business unit performance objectives together are weighted at between 60 % and 80 % of the overall VCC objectives. The individual performance component is based on the achievement of individual objectives predefined at the beginning of the financial year between the CEO and individual members of the Management Board, and, for the CEO, between the Board of Directors and the CEO. The three to five individual performance objectives for each member of the Management Board are weighted at between 20 % and 40 % of the total VCC objectives.

The EEAP is offered annually to members of the Management Board (including the CEO). Generally the grant date is on February 1, each year. The grants are made in the form of options and restricted share units (RSUs) that vest in four equal annual installments over a period of four years, with the first tranche vesting on June 1, of the year following the grant year. Since the financial year 2013/14, the grant made under the EEAP to members of the Management Board includes a performance criterion: the vesting of options and RSUs in a given year is subject to achievement of a pre-defined minimum return on capital employed (ROCE) target.

The 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 491,679, (61.5 % 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 2015 fair value of CHF 849,992, fringe benefits of CHF 24,891, employer's pension contributions of CHF 126,899 and employer's social insurance contribution of CHF 110,904 are all reflected in Lukas Braunschweiler's total remuneration of CHF 2,404,365.

The following table shows the compensation for the CEO (highest compensation) and the other members of the Management Board for the financial year 2014/15 and the previous year. Payments to 13 other members (one member joined in August 2014) of the Management Board are covered in the table for the 2014/15 financial year. The cumulated effective variable cash payout in % of the cumulated fixed base salary of the other members of the Management Board was 52.5 %. Payments to 12 other members of the Management Board are covered in the table for the 2013/14 financial year.

in CHF									2014/15
	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	491,679	24,891	126,899	110,904	1,554,373	318,692	531,300	2,404,365
Other members of the MB[5]	4,398,733	2,309,791	274,350	759,536	823,492	8,565,902	2,111,684	2,112,646	12,790,232
Total	**5,198,733**	**2,801,470**	**299,241**	**886,435**	**934,396**	**10,120,275**	**2,430,376**	**2,643,946**	**15,194,597**

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 financial year.
3) Fair value per RSU at grant date CHF 117.17.
4) Fair value per option at grant date CHF 19.55.
5) Martin Grieder, GVP Phonak joined the Management Board as of August 2014.

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 financial year.
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 Connect Hearing Group joined the Management Board as of April 2013.

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, 2015, the members of the Board of Directors and persons closely linked to them held directly and indirectly 3,288,635 Sonova shares / restricted shares (4.9 % of total share capital), 2,610 RSUs, 17,903 options, 3,837 SARs, 1,062,500 warrants and 125,000 WARs.

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

	31.3.2015					31.3.2014				
	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	16,100	14,265			250,000	15,000	11,049			500,000
Beat Hess		5,047					3,438			
Stacy Enxing Seng[4)]		1,609								
Michael Jacobi	2,521	5,047	522	5,115	250,000	2,260	3,438	783	5,115	500,000
Andy Rihs	3,216,158	3,438	522	5,115	250,000	3,713,258	3,438	783	5,115	500,000
Anssi Vanjoki	1,521	5,047	522	2,558	62,500	1,260	3,438	783	5,115	500,000
Ronald van der Vis	2,553	5,047	522	5,115	250,000	2,292	3,438	783	5,115	500,000
Jinlong Wang		3,214					1,605			
John J. Zei	2,021	5,047	522	3,837[5)]	125,000[6)]	1,760	3,438	783	5,115[5)]	250,000[6)]
Total	**3,240,874**	**47,761**	**2,610**	**21,740**	**1,187,500**	**3,735,830**	**33,282**	**3,915**	**25,575**	**2,750,000**

1) These shares are subject to a restriction period which varies from June 1, 2017 to June 1, 2020 depending on the grant date.
2) For further details see also Note 31 in the consolidated financial statements.
3) Exercise ratio between warrants and options: 25:1.
4) New member of the Board of Directors since June 2014.
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).

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

	31.3.2015		31.3.2014			
	Options EEAP 12[1]	Warrants EEAP 11[2]	Options EEAP 12[1]	Warrants EEAP 11[2]	Warrants EEAP 10[3]	Total warrants
Robert F. Spoerry		250,000		250,000	250,000	500,000
Michael Jacobi	5,115	250,000	5,115	250,000	250,000	500,000
Andy Rihs	5,115	250,000	5,115	250,000	250,000	500,000
Anssi Vanjoki	2,558	62,500	5,115	250,000	250,000	500,000
Ronald van der Vis	5,115	250,000	5,115	250,000	250,000	500,000
John J. Zei	3,837[4]	125,000[5]	5,115[4]	250,000[5]		250,000[5]
Total	**21,740**	**1,187,500**	**25,575**	**1,500,000**	**1,250,000**	**2,750,000**

EEAP 2015 and 2014, no options or warrants were granted – 100 % restricted shares.
Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).
[1] 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.
[2] 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.
[3] 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.
[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).

Shareholdings of the Management Board

As of March 31, 2015, the members of the Management Board and persons closely linked to them directly or indirectly held 42,102 Sonova shares, 66,523 RSUs, 430,310 options, and 2,204,938 warrants.

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

	31.3.2015				31.3.2014			
	Shares	RSUs[1]	Options[1]	Warrants[1) 2)]	Shares	RSUs[1]	Options[1]	Warrants[1) 2)]
Lukas Braunschweiler	9,285	9,151	95,136		7,782	7,934	67,963	
Maarten Barmentlo	2,002	4,181	26,673	475,000	1,000	5,183	26,673	869,000
Claude Diversi	500	3,887	19,886	56,250	280	3,145	16,073	450,000
Hansjürg Emch	6,261	6,100	38,053	375,000	2,759	5,289	27,184	661,000
Hartwig Grevener	1,000	5,057	27,823			3,724	16,954	
Martin Grieder[3]		1,813	10,869					
Sarah Kreienbühl	2,002	6,100	38,053	281,250	1,000	5,289	27,184	843,750
Stefan Launer	2,429	2,871	18,038	62,500	1,802	2,495	12,923	474,000
Albert Chin-Hwee Lim	240	2,846	14,603			2,020	9,243	
Hans Mehl	4,853	6,100	36,053	562,500	1,851	5,289	27,184	1,012,500
Jan Metzdorff	647	3,856	19,744	15,625	766	3,202	14,500	93,750
Franz Petermann	1,227	2,491	12,733	12,188	853	2,012	8,968	111,250
Paul Thompson	1,548	6,100	35,872	140,625	2,621	5,289	37,184	843,750
Andi Vonlanthen	10,108	5,970	36,774	224,000	9,172	5,093	25,905	448,000
Total	**42,102**	**66,523**	**430,310**	**2,204,938**	**29,886**	**55,964**	**317,938**	**5,807,000**

[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] Martin Grieder, GVP Phonak joined the Management Board as of August 2014.

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

	Options EEAP 15[1]	Options EEAP 14[2]	Options EEAP 13[3]	Options EEAP 12[4]	Options (interim CEO / CFO) 11 / 12[5]	Warrants EEAP 11[6]	31.3.2015 Total options	Total warrants[7]
Lukas Braunschweiler	27,173	21,719	20,669	25,575			95,136	
Maarten Barmentlo		8,176	8,267	10,230		475,000	26,673	475,000
Claude Diversi	7,672	6,132	3,333	2,749		56,250	19,886	56,250
Hansjürg Emch	10,869	8,687	8,267	10,230		375,000	38,053	375,000
Hartwig Grevener	10,869	8,687	8,267				27,823	
Martin Grieder	10,869						10,869	
Sarah Kreienbühl	10,869	8,687	8,267	10,230		281,250	38,053	281,250
Stefan Launer	5,115	4,088	3,720	5,115		62,500	18,038	62,500
Albert Chin-Hwee Lim	6,393	5,110	3,100				14,603	
Hans Mehl	10,869	8,687	8,267	8,230		562,500	36,053	562,500
Jan Metzdorff	7,672	6,132	3,255	2,685		15,625	19,744	15,625
Franz Petermann	5,115	4,088	2,481	1,049		12,188	12,733	12,188
Paul Thompson	10,869	8,687	6,201	5,115	5,000	140,625	35,872	140,625
Andi Vonlanthen	10,869	8,687	8,267	8,951		224,000	36,774	224,000
Total	**135,223**	**107,567**	**92,361**	**90,159**	**5,000**	**2,204,938**	**430,310**	**2,204,938**

[1] Exercise price CHF 121.10, vesting period 01.02.2015 – 01.06.2019 whereas one tranche being vested each year, exercise period 01.06.2016 – 31.01.2022.
[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 ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).

								31.3.2014
	Options EEAP 14[1)]	Options EEAP 13[2)]	Options EEAP 12[3)]	Options (interim CEO / CFO) 11 / 12[4)]	Warrants EEAP 11[5)]	Warrants EEAP 10[6)]	Total options	Total warrants[7)]
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 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.
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 ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).

Appropriation of available earnings

As proposed by the Board of Directors to the Annual General Shareholders' Meeting of June 16, 2015:

1,000 CHF	31.3.2015	31.3.2014[1]
Carried forward from previous year	**1,559,579**	**1,427,440**
Allocation (to) / from reserve for treasury shares	(72,362)	1,537
Net profit for the year	260,175	258,231
Available earnings	**1,747,391**	**1,687,208**
Dividend distribution[2]	(136,583)	(127,629)
Balance to be carried forward	**1,610,808**	**1,559,579**

[1] Approved by the Annual General Shareholders' Meeting of June 17, 2014.
[2] If the Annual Shareholders' Meeting approves the proposed appropriation of available earnings, a gross dividend of CHF 2.05 per registered share of CHF 0.05 will be paid out (previous year distribution of CHF 1.90).

Reserve from capital contributions

1,000 CHF	31.3.2015	31.3.2014[1]
Carried forward from previous year	**18,542**	**16,896**
Capital increase from conditional capital		1,646
Reserve from capital contributions	**18,542**	**18,542**

[1] Approved by the Annual General Shareholders' Meeting of June 17, 2014.

Report of the statutory auditor on the financial statements

pwc

Report of the statutory auditor on the financial statements 2014/15 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 118 to 131) for the year ended March 31, 2015.

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, 2015, 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	Gian Franco Bieler
Audit expert	Audit expert
Auditor in charge	

Zurich, May 12, 2015

Hear the World Foundation

Sonova's vision is to create a world in which every person has the chance to enjoy good hearing. Through its charitable projects, the Hear the World Foundation contributes towards achieving this goal by helping disadvantaged people with hearing loss.

Over 80 celebrity ambassadors had their picture taken by musician and photographer Bryan Adams in the Hear the World Pose (Copyright: Bryan Adams)

HEAR THE WORLD FOUNDATION
a Sonova Group initiative

Hearing loss is still an underrated issue, even though the figures speak volumes: more than 15 % of the world's adult population is affected by hearing loss[1], and around half of these cases could have been avoided by taking preventive measures.[2] Some 665,000 children with significant hearing loss are born every year.[3] One of the biggest challenges is that 80 % of people with hearing loss live in low or middle-income countries; they often have no access to audiological or medical care.[4] In developing countries, for example, only one in 40 people with hearing loss wears a hearing aid.[5] This has serious consequences: children with untreated hearing loss, particularly those living in these regions, have few prospects for the future as they have difficulty learning to speak, which reduces their chances of receiving an education and developing at an appropriate rate for their age.

A global commitment to better hearing

Against this backdrop, the Hear the World Foundation, an initiative by the Sonova Group, is committed to working for equal opportunities and a better quality of life for people with hearing loss all over the world, by providing both financial support and hearing aids. Sonova bears all of the Foundation's administrative costs so that 100% of the donations can be channeled directly into its projects. Since 2006, the Hear the World Foundation has been involved in over 60 projects on all five continents. In doing so, it has already given thousands of people with hearing loss the chance to live a better life.

Seizing every opportunity to prevent hearing loss is essential

According to the World Health Organization (WHO), around 1.1 billion young people worldwide are at risk of harming their hearing because of unsafe listening practices. Hear the World is therefore actively engaged in preventing hearing loss through initiatives such as WHO's International Ear Care Day. In Switzerland, the Foundation also runs an awareness campaign at concerts, where it hands out free ear protection to audience members and informs them about the risks of listening to excessively loud music.

The Hear the World ambassadors

Hear the World is now supported by more than 80 celebrity ambassadors, all of whom have had their photographs taken by musician and photographer Bryan Adams in the Hear the World Pose: with one hand behind the ear to symbolize conscious hearing. Sting, Annie Lennox, Julianne Moore, Ben Kingsley, and Kate Moss are just some of the many celebrities featured in these impressive photos. They all contribute toward raising public awareness of the importance of good hearing and the consequences of hearing loss.

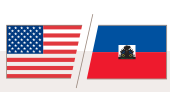
Hear the World – Active dedication from the entire Sonova Group

Along with our celebrity ambassadors, Sonova's employees actively support the Hear the World Foundation, representing the third pillar of its activities alongside its financial and technological contributions. Through their personal voluntary engagement and specialist expertise, they play a key role in training and educating our project partners all over the world, bringing information on the latest technological developments and passing on their knowledge of – for example – how to fit hearing aids properly. Another important aspect of Hear the World's work is fundraising, where employees have the opportunity to actively support the Foundation through their own initiatives.

Further information can be found at
www.hear-the-world.com

Become a fan of Hear the World at
www.facebook.com/CanYouHearTheWorld

1 WHO (2008)
2 WHO (2006)
3 UNICEF (2004)
4, 5 WHO (2012)



COMMITMENT IN HAITI

Improvisation is the order of the day in Lévêque, Haiti. When a workspace for audiological examinations is needed, for example, wooden benches in a church are put to use without further ado. Marisa Breslin gets along very well under these conditions. Breslin, a trained audiologist and employee of Phonak USA, is already making her second visit here. She sits on one of the wooden benches with Fabie, a 14-year-old girl who is to be given new hearing aids. Breslin shows Fabie the silicon compound that she will shortly use to take molds of the girl's ear canals.

The Hear the World Foundation has been involved with a residential community for people affected by hearing loss in Lévêque since 2012. Several times each year, a team of volunteers – all of whom work for the Sonova Group in the USA and Canada – travels to the Haiti Deaf Children's Academy. They conduct hearing exams, and fit new technology hearing instruments as well as repairing faulty instruments and checking up on children who have already been fitted with hearing aids. Last but not least, they train local staff so that long-term local hearing care will be ensured and local jobs are created.

This technical assistance is welcomed in Haiti, and is desperately needed: only 11 % of the population have jobs, and poverty is evident. Children with untreated hearing loss have virtually no chance of developing as others do in their country due to the lack of services. Some of them did not even know their own names when they arrived in the Haiti Deaf Children's Academy. Some are given up by their families because of their hearing loss. "There's an endless amount of work to be done here," audiologist Breslin notes.

The aim of the foundation's project in Haiti is to offer long-term audiological support and speech training for these hearing impaired children. Volunteer assignments for Sonova employees each last for one week in a program headed by Cathy Jones, former Managing Director of Phonak USA. Jones, whose commitment in Haiti dates back several years, points out: "When you give someone the gift of hearing, you're not only helping that one individual and their family – you are helping an entire community – for a lifetime!" Every volunteer comes equipped with important knowledge that can be used to fit hearing aids in Haiti: technical skills, compassion, and flexibility and part of the team needs a command of French or Creole and sign language – vital for communication.

"Ever since my first visit to the Haiti Deaf Children's Academy, I've never been able to stop thinking about this project," Marisa Breslin explains. "It's changed my way of thinking. I'm so glad that the Hear the World Foundation gave me the opportunity to take on this commitment."

Hearing exams, fittings, check-ups, repairs and trainings of local staff: The Hear the World Foundation supports people with hearing loss in Lévêque, Haiti. Several times each year, a team of Sonova volunteers travel to the island.

Investor information

Financial calendar

June 16, 2015
General Shareholders' Meeting of
Sonova Holding AG at
Zurich Hallenstadion, Zurich-Oerlikon

November 16, 2015
Publication of Semi-Annual Report
as of September 30, 2015
Media and Analyst Conference

May 17, 2016
Publication of Annual Report
as of March 31, 2016
Media and Analyst Conference

June 14, 2016
General Shareholders' Meeting of
Sonova Holding AG

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Imprint
Photography: USA — Ehrin Macksey, Vietnam; Group photos — Jos Schmid, Zurich
Publishing System: Multimedia Solutions AG, Zurich
Printing: Neidhart + Schön AG, Zurich

This Annual Report is also available in German.
The English version is the governing text.