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Letter to shareholders

The Sonova Group's constant pursuit of customer-driven innovation continued to bear fruit, delivering a sustained high pace of technical and marketing innovation across all brands, resulting in strong organic growth across all businesses and regions. A marked improvement in margins represents another step toward achieving our mid-term financial targets.

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

Dear shareholders,

We are pleased to report that the Sonova Group has shown solid performance in the 2013/14 financial year. A continued high pace of innovation, demonstrated by the launch of new products and solutions across the business, drove sales and earnings growth. Our pursuit of customer-driven innovation, offering the industry's broadest and most advanced range of hearing care solutions – supported by the skills and energy of our employees across the organization – paid off in strong results in both our business segments and all our brands.

Delivering on our strategy

Consolidated sales for the Group were CHF 1,951.3 million, up 8.7% from the previous year in Swiss francs and 11.7% in local currencies; this sales growth was almost entirely organic. Sales in the Hearing Instruments segment rose by 9.5% in local currencies and in the Cochlear Implants segment by 36.0%. Gross profit was CHF 1,340.4 million, up 11.3% on 2012/13 in local currencies. Operating profit before acquisition-related amortization (EBITA) of CHF 430.1 million represented a rise of 11.6% in Swiss francs and 16.7% in local currencies over the normalized result of CHF 385.3 million for the previous year.

Dividend increase proposed

The Group's strong operating performance and free cash flow generated a sound end-of-year balance sheet and solid net cash position. This result confirms the value of continued investment in innovation and expanding markets. Mindful of this, the Board of Directors proposes to the 2014 AGM a dividend of CHF 1.90 per share. This represents a significant increase of 19% from the distribution paid in the 2012/13 financial year.

Strong organic growth across all businesses and regions

Sonova is synonymous with innovation; our determination to bring the delight of hearing to ever more people drives us to discover new solutions and open new markets. It is gratifying that our strong organic growth this year has been broadly spread across our businesses and regions, with an ever-increasing contribution from emerging markets. We are therefore delighted to take the opportunity of this report to highlight

Our strong organic growth shows the value of our relentless focus on innovation.

Robert F. Spoerry

The cochlear implants business made significant progress, thanks to Sonova's combined R&D strengths.

Lukas Braunschweiler

our activities in Brazil, a country in focus not only for its upcoming hosting of the World Cup but for its fast-developing economy, in which we have already demonstrated the success of our strategy.

Hearing instruments segment

Thanks to rapid and continuous innovation, the hearing instruments segment posted a consolidated sales increase of 6.5% in Swiss francs and 9.5% in local currencies, outpacing the estimated market growth rate. Our persistent innovation efforts have spurred our Phonak, Unitron, and Connect Hearing businesses to extend their industry-leading positions, gaining share of an expanding global market.

Phonak's Quest technology platform, introduced in October 2012, now supports the complete range of Phonak hearing aids, including the highly popular Receiver-In-Canal form factor launched in April 2013. The market's transition to the new platform has been the fastest in Phonak's history – a vivid illustration of the value of customer-driven innovation. The new Roger range of digital wireless high-performance communication and connectivity solutions using 2.4 GHz radio technology builds on Phonak's leading position in wireless solutions for schools. It offers impressive improvements to speech understanding in difficult listening situations – for children, teenagers, and adults.

Unitron, which is celebrating its fiftieth anniversary in 2014, has seen strong market endorsement of its industry-unique initiatives – from the award-winning design of the Moxi range of hearing instruments, through the natural sound delivered by advances to the Era technology platform, to Flex, the industry's first flexible and risk-free hearing trial and upgrade solution.

Sonova's retail business made a significant contribution to growth, driven by the expansion of successful new business and service formats such as the innovative and fast-growing shop-in-shop concept at Boots pharmacies in the UK. We are continuing the consolidation of our existing retail businesses under common regional brands; we are also making our stores more attractive and visually appealing. This has resulted in some additional costs, particularly in the US, where the operational integration of more recently acquired stores has been making good progress.

Cochlear implants segment

This financial year marks a significant advance for our cochlear implants segment – in new products introduced, in sales growth, and in profitability. The introduction of the Naída CI Q70 sound processor, which shows the strength of the combined Advanced Bionics and Phonak R&D organization, helped drive a steep rise in sales and profits. Combined with the success of the new Hi-Focus Mid-Scala electrode, the new sound processor convinced a growing share of new implant recipients to choose Advanced Bionics. The segment further solidified its position in China, winning a second large government tender. The result was double-digit growth in system sales in all geographic regions. The segment ended the year with a significantly improved EBITA margin, in line with our long term financial plan.

Advanced Bionics also made a big step forward in the resolution of product liability claims dating from 2006, more than three years before Sonova acquired the company. In October 2013, the majority of then outstanding filed and unfiled claims were settled, including the case previously brought to trial in Kentucky. Today's operating business does not show any adverse effects from these claims. Their expected financial impact was fully provided for in the prior financial year. Further details can be found in the financial review on page 62.

Advancing corporate governance

We constantly seek to improve the way we act as a company in order to meet the expectations of our stakeholders. We have made great strides in corporate governance over recent years and will sustain our efforts through continuously enhancing our policies, rolling them out across the Group, and training our employees. Our main governance activity this year was preparing for the implementation of the Swiss Ordinance Against Excessive Compensation, which came into force in January 2014. Sonova is committed to implementing quickly and proactively the changes required by the new Ordinance, which involve significant revisions to the Articles of Association. The details of these changes are further explained in the invitation to the 2014 Annual General Meeting.

We further refined our compensation structure: as of this year, equity-based compensation for members of the Management Board will also be subject to reaching a performance criterion. This is detailed in the compensation report on page 46. Once again, there will be a consultative vote on the compensation report at the 2014 AGM; the Board of Directors intends that these votes will also be held in the future.

Changes to the Board of Directors

Under the new Ordinance, each member of a Board of Directors is elected annually. All current members of the Sonova Board of Directors will stand for re-election at the 2014 AGM. In addition, the Chairman of the Board of Directors and the members of the Nomination and Compensation Committee will be directly elected by the Annual General Meeting.

The Board proposes Stacy Enxing Seng to be elected as a new member at the 2014 AGM. Drawing on her impressive track record in growing start-ups and leading multinational companies in the medical technology sector, she will be a very important addition to the current Board of Directors.

Corporate social responsibility

Continuous innovation is as essential in Sonova's environmental and social roles as it is in our business practices. In 2013/14 we are proud to be listed, for the first time, as a component of the STOXX® Global ESG Leaders Index, which tracks the top leading companies in terms of corporate sustainability. During this financial year we rolled out a global environmental management system and we are committed to continue improving our environmental performance in coming years. We report our corporate social responsibility performance in a separate CSR report, prepared to comply with the Global Reporting Initiative's Application Level B.

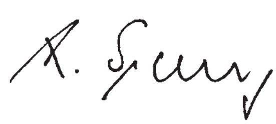
The Hear the World Foundation, a Sonova Group initiative and an important pillar of our corporate social responsibility commitment, contributed significantly through its 21 projects world-wide, providing financial, technical, and professional support. In coming years, the integration of Advanced Bionics will extend the Foundation's commitment to providing cochlear implants.

Our thanks

Finally and most importantly, we cannot forget that our business is, above all, about people. Our strategic commitment to innovation asks our employees to achieve, and keep achieving, extraordinary things. We commend them for the imagination and dedication with which they extend the limits of the possible every day. We highly value our shareholders' continued loyal support. And we thank our customers – all those who seek a life without limits – for inspiring and spurring on our innovation.

Outlook 2014/15

The strong results in the 2013/14 financial year prove the effectiveness of our strategy and confirm our confidence that we can achieve our mid-term financial targets. The coming year will see Sonova continue to build on its market-leading positions, maintain a high pace of innovation, and expand in attractive markets through advanced products and solutions. We expect to sustain profitable growth in fiscal year 2014/15, with consolidated sales anticipated to rise 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 is the leading and most innovative brand in hearing aids and wireless communication solutions for audiological applications. The product range includes Lyric: a unique solution that is placed deeply in the ear canal and can stay there for up to four months, completely invisible and hassle-free. The superior Phonak hearing care solutions are used by millions of people on a daily basis and help them live their lives to the fullest, even in the toughest listening situations.

Unitron is built on strong, personal relationships with hearing care professionals and products that make a real difference in the lives of people with hearing loss. Unitron has a proven track record of developing technological innovations that provide natural sound with exceptional speech understanding, and a relentless drive to deliver an exceptional customer experience.

Cochlear implants

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

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

Bringing the delight of hearing to everyone and helping them enjoy a life without limitations.

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

At Sonova, we have a clear vision: we foster a world where every hearing loss has a solution and people can enjoy the delight of hearing. We aim to achieve this through our clear and focused strategy of customer-driven innovation. The core of this strategy is our full R & D pipeline: during the financial year 2013 / 14, we introduced a high number of new products and complete solutions in both our hearing instruments and cochlear implants businesses.

Sonova's mission is to be recognized as the innovation leader in the global hearing care market. We pursue innovation across all our activities: innovation in what we make; innovation in how we make it and how we sell it. We are dedicated to delivering continuous improvement: ever better hearing solutions that meet the needs of our customers ever more closely, providing tangible, valuable benefits in real-life listening situations. Our success comes down to the close and intense connection our employees have with the needs of our customers in the hearing healthcare community and with the people who benefit from our hearing solutions.

The broadest product and service offering

Sonova is the most comprehensive hearing healthcare provider in the industry. We are committed to offering the broadest range of solutions – from hearing aids to cochlear implants to wireless communications solutions – to treat all major forms of hearing loss. These include the age-related hearing loss that nearly everyone experiences; childhood hearing loss, with its particular speech and language development needs; and profound hearing impairment in both adults and children, for whom cochlear implants are the ultimate way to restore the delight of hearing.

Getting the most from technologically advanced hearing solutions depends on excellent professional audiological services. Sonova values and supports hearing care professionals in this vital role and also offers professional services directly in a number of key markets.

We reach our customers through our four brands – Phonak and Unitron for hearing instruments, Advanced Bionics for cochlear implants, and Connect Hearing for professional services. Keeping a balanced portfolio of profitable businesses allows Sonova to generate sustainable growth by extending its existing franchise, promoting synergies between the different businesses, and investing in new business opportunities.

Innovation remains the essence of what we do. Our rate of new product development remains high; more than two-thirds of our hearing aid sales, for example, are of products less than two years from launch. Maintaining this pace of innovation requires significant and continuing investment in R & D, with a target gross spending level of 7 – 8 % of sales.

Pillars of our competitive position

Strengthened leadership in hearing instruments

The estimated annual worldwide volume of hearing instruments sold stands at around 11 million. Global market growth is expected to continue through the medium term at a low- to mid-single digit rate. Sonova is the largest global manufacturer of hearing instruments through its Phonak and Unitron brands. Helped by an up-to-date product portfolio, the company further strengthened its leadership position last year.

Advancing strongly in cochlear implants

The 2013 / 14 financial year revealed, for the first time since Advanced Bionics joined the Sonova Group, the full combined R & D strength of Advanced Bionics and Phonak. The clear benefits of this partnership were proven by a strongly positive market response to the Naída CI Q70 processor, the first product jointly developed by Advanced Bionics and Phonak. It is the most advanced behind-the-ear sound processor in the world and has opened doors to clinics that had not previously been accessible to Advanced Bionics alone.

Strong position in selected retail markets

Expert, well-supported professional audiological services are a key factor in achieving the best results with hearing instruments. Our wholesale customers are also our service partners; they range from single independent audiologists to large key accounts with dozens of specialized clinics and even to whole government agencies. The vast majority 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 through the Connect Hearing business. The current focus is on a few selected countries, including the US, Canada, Brazil, the UK, France, Belgium, Austria, Australia and New Zealand.

Exploiting avenues for growth

Sonova consistently pursues four avenues toward sustained growth: penetrating existing markets, expanding accessible markets, integrating service channels, and developing our consumer base.

Penetrating existing markets

We believe that our innovation advantage gives us the ability to increase market share with our existing customers while at the same time gaining new ones. This belief was strongly substantiated by the results of a recent survey of audiologists in 11 countries, which showed a very high customer satisfaction rate and a remarkable proportion of audiologists willing to recommend our products to their peers. Both our hearing instrument brands gained high ratings, but with different emphases, showing that the market understands how our two brands are differentiated. Our full pipeline of new products and solutions will help to drive growth in the future.

Expanding accessible markets

We are expanding our accessible customer base by focusing on the great potential of emerging markets. In Brazil, we have clearly demonstrated that we can develop and run a successful wholesale and retail organization in such a market, and we expect growth there to continue at a brisk pace. We feature our Brazilian success in the following pages of this report, outlining our strategy and providing some examples of how Sonova has come to be a leader in this market. Our next focus is on China, where we see great potential. We continued implementing our focused China strategy this financial year and are encouraged by the results so far.

We will also continue to invest in entirely new product formats such as Lyric, the only completely invisible and extended-wear hearing instrument on the market – a product that has shown strong double-digit sales growth. Products like Lyric attract whole new customer groups who have not been interested in traditional hearing instruments. They therefore act strong as lead generators, bringing traffic to audiologists and creating new customer relationships.

Integrating service channels

We are managing our retail business around three distinct goals: building brand equity; improving profitability; and driving growth. Combining visible and consistent branding with a disciplined rollout of best-practice operating procedures, we can continuously improve the efficiency of our distribution channel while at the same time running a successful, profitable business. We continue to expand our retail business, both organically and through selected acquisitions, aiming for critical size in each given market.

Develop consumer base

As the computer-literate population ages, direct contact with healthcare consumers becomes increasingly important for a company like Sonova. Google data reveals that 80 % of internet users now look for their health information online. In developed markets, nearly half of people aged between 65 and 79 – the age range at which most people are first confronted with age-related hearing loss – use the internet. Our online portals, such as HearingPlanet in the US, give Sonova an opportunity to develop our consumer base by interacting with existing and potential customers when they first come looking for information and professional advice. In addition, we increasingly approach the market ourselves through direct-to-consumer advertising. This brings in new potential customers whom we either direct to one of our audiologist professional partners or to one of our own retail clinics for a face-to-face consultation.

Benefiting from a global footprint

With R&D hubs in Switzerland and North America, Sonova has excellent access to the specialists whose know-how helps us to maintain our high pace of innovation. We have broadened the geographical distribution of our manufacturing sites over the past decade, not just for cost advantages, but also to maintain high product quality with low supply-chain risk. In October 2013 our plant in Suzhou, China celebrated its tenth anniversary; with a staff of around 700, it is the largest assembly plant in today's hearing aid industry. During the 2013/14 financial year, our US and UK regional customer service centers for repair and logistics moved into new purpose-fitted buildings with state-of-the-art work environments. Both facilities have been set up to further consolidate Sonova's activities in these markets, to the benefit of customers, employees, and the company.

Refining our brand strategy

A consumer looking for a hearing instrument or a hearing care professional recommending one will know the names Phonak or Unitron: both brands enjoy high awareness in their respective markets. The Advanced Bionics brand is increasingly synonymous with excellence in cochlear implants. Connect Hearing is our core brand in most English-speaking retail markets, supplemented by regional brands in other countries. Each of these brands is strong… but they are even stronger united within Sonova.

The Sonova Group is global and diversified, offering leading technologies worldwide through well-known business brands and close local customer relationships. But it is also a highly integrated company with strong horizontal and vertical links that make the Group much more than just the sum of its business brands. Every part of the business delivers customer-driven innovation, thanks to dedicated people who above all strive to make a real improvement in the lives of others. As a Group, we gain efficiencies and competitive advantage from the way our businesses fit closely together – and we want to carry that integration further.

Our strategy applies to all our brands. Our Group management team defines and guides the way our businesses relate to each other, both internally and externally. We promote a shared culture and a common vision across the Group. The values by which we work – innovation leadership, shared engagement, personal responsibility – are lived out every day in all our workplaces around the globe. And our outward-facing advocacy, education, and charitable engagements, like the Hear the World Foundation, are Sonova initiatives. Today, the Sonova brand clearly stands for much more than simply a listing on the Swiss stock exchange.

Step by step, we are bringing our brand architecture even more closely into line with this functional reality. A strong position for the Group brand enables us to gain the most from the collaborative initiative and expertise of all our businesses. A strong parent brand offers trust, security, stability, and permanence to our customers and our employees around the world. And a strong brand name linked with our attractive employment conditions helps us bring in and retain the best global talent in our field. The market will therefore be seeing more prominence given to the Sonova brand over coming years, providing a strong common platform from which our business brands gain market strength and collaborative efficiency, bringing the delight of hearing to ever more people.

Brazil facts & figures:

Area:
8.5 million km²

Population:
201 million (2013)
Density: 23.8 people/km² (2013)
Growth: +10.7 % (2003 – 2013)

GDP:
CHF 2,129 billion
Per capita: CHF 10,650 (2013)

Significant market potential

The total market for hearing instruments in Brazil in 2013/14 was approximately 330,000 units. The market still offers significant growth potential, with a penetration rate estimated at around 5 % – well below the average in developed markets.

Sonova in Brazil

Today Brazil is among Sonova's top ten markets by revenue contribution. In 2013/14, the country accounted for 3 – 4 % of group sales, with strong double-digit sales growth in local currencies.

Sonova business headquarters.

Growth market Brazil

South America's largest country is a growth market where Sonova has been able to establish an optimal position. A visit to the "Land of the Future".

"Those who experience Brazil today are catching a glimpse of the future," wrote Austrian author Stefan Zweig after a visit in 1936 – a view that remains true today. A country the size of a continent, Brazil has over 200 million inhabitants today. Its economy has expanded steadily over the past decade, and its rapidly growing middle class is highly receptive to new technologies: clearly a place with enormous potential for an innovative company like Sonova. In the past ten years, 30 million Brazilians have joined the middle class. A further 20 million people have managed to leave poverty behind. Brazil now boasts the sixth largest economy in the world.

As in many emerging countries, the Brazilian market is heterogeneous: there is certainly a demand for the latest hearing technology, but buyers separate between those willing to pay a reasonable price for it and those who wish to pay as little as possible, despite expecting a product that is custom-made to their requirements. Sonova's multi-brand strategy ideally positions its offering, securing access to different market segments and providing a wide range of innovative solutions to meet the varying requirements of the Brazilian consumer.

In São Paulo, the economic hub of Brazil, the country's fast pace of change is noticeable on every corner. New skyscrapers are shooting up, and new restaurants and cafés are opening for business all the time. Traffic is permanently gridlocked and those who have the necessary means travel instead by helicopter. The city has the world's greatest concentration of landing pads: choppers whir through the skies non-stop.

More than 20 million people live in the Greater São Paulo area. This is where everything comes together – including Sonova's Brazilian subsidiaries, whose headquarters are in the city. Brazil already ranks among the company's ten highest-revenue countries. Even those skeptical observers who currently forecast general stagnation in Brazil's economic growth agree that the hearing instruments market has great potential. This is because only an estimated 400,000 of Brazil's more than 200 million people currently use a hearing aid. Coverage is especially low among the young: newborn hearing screening has only been mandatory since 2010.

"We occupy a leading position in Brazil, and there is still a lot of potential to realize," says Marilisa Zavagli, an instantly likeable woman in her forties and Managing Director of Phonak do Brasil, Sonova's largest Brazilian subsidiary. In the company conference room where she is sitting, a photo wall displays Rio de Janeiro with its sugarloaf mountain, where the World Cup finals will take place this summer, followed by the Olympic Games in 2016.

Over the past few years, every aspect of Phonak's Brazilian business has seen a very positive development, starting in 2005 when Sonova acquired a majority holding in CAS Produtos Médicos, the market leader in hearing aid wholesale and retail. The takeover went smoothly and produced a resounding success. The then managing director, Pedro Stern, is still with the company today, and continues to contribute the benefits of his long experience by serving as President of Phonak do Brasil's Advisory Board. "I'm a dinosaur in this business," he says, laughing. Stern has been active in hearing aids since the 1980s; he is so well-versed that his associates say he has three solutions for every problem that arises.

Phonak Brazil's São Paulo headquarters are in a large light-filled open plan office. The Phonak hub for Latin America is located on the same floor and caters to the continent's Spanish-speaking countries. At the entrance, touchscreen terminals give visitors information about wireless systems, hearing aids, and Phonak's children's program for all of Brazil, which is also coordinated here. For Sonova, simply offering a child cutting edge technology is not enough; his or her whole environment needs to be well-informed and collaborative – including the supporting audiologist, the parents, and the teacher. Sonova also offers workshops, information material, and chat sessions on the internet where parents can ask questions.

Separated by a clear wall from the rest of the premises at the back of the office is the service department, where technicians check and repair hearing aids. In the laboratory next door stands a 3D printer, long an indispensable tool in the manufacturing process. At the beginning of the new millennium, Sonova was one of the very first companies to start digitally producing shells for In-The-Ear hearing aids, followed by custom earpieces for Behind-The-Ear and Receiver-In-Canal hearing aids. The elements are custom made for each individual ear canal, yet produced efficiently on a large scale. The pioneering technology, a milestone in the modernization and digitalization of hearing-aid manufacturing, was developed in close collaboration with engineers of ETH Zurich. The shells of an In-The-Ear hearing aid and the custom earpiece are unique components which must fit perfectly into the ear canal that is different in every wearer. The production process is fascinating: First a silicon mold of the client's ear canal is laser scanned, and a unique individual shell is modeled on the computer. Finally, the finished product is printed with the 3D printer, layer by layer in light-cured acrylic resin, to the finest detail.

The long corridor next to the office space displays posters of the various Phonak products. Among these is Lyric, one of the best-selling products in Brazil. "Brazilians put great store by their appearance," explains managing director Zavagli. "They value aesthetics highly and so prefer visually unobtrusive products." Lyric is a hearing aid that sits very close to the eardrum and is therefore completely invisible. It is also the first hearing aid ever that can be worn without

hassle even while playing sports or taking a shower – indeed non-stop, for several months on end.

Brazilian consumers still remain relatively uninformed about hearing loss and its possible solutions. Sonova subsidiary Phonak do Brasil therefore decided to approach the public directly by opening a House of Hearing in the center of São Paulo. The modern, welcoming building hosts regular workshops and training sessions. A multimedia presentation illustrates the importance of good hearing and demonstrates a wide range of possible hearing solutions. The intention here is not just to target professional audiences, but also provide specific information to people affected by hearing loss, or to teachers who teach children with hearing difficulties.

Alongside other channels, Phonak products are also sold and fitted in stores owned by Sonova's Connect Hearing brand. In Brazil, these stores carry the brand name "Audium", which is easily pronounced and, in Latin America, immediately triggers associations with hearing. In Rio de Janeiro, Santos, and São Paulo, the stores are implementing the newly developed client-centric retail concept now being introduced successfully worldwide by Connect Hearing. In this concept it is not the products but the clients' needs that stand in the foreground: the main concern is that they should be made to feel comfortable and valued. The cramped hearing-test booths into which clients once had to squeeze themselves – a difficulty, especially for elderly people – are a thing of the past: the consulting rooms are so well sound-proofed that testing and consultation with the audiologist can take place in the same space. The initial feedback from this new concept has been extremely positive; during the first six months, the number of new clients coming to the pilot stores rose by almost 40 %.

The Unitron brand is also well-established in Brazil. Thanks to a long-standing partnership with a local distributor, Unitron is represented in every part of the country. Since Stefan Zweig's 1936 visit, the bus journey-time from Rio de Janeiro to São Paulo has shrunk from fourteen hours to six – but many regions such as the Amazon still cannot be reached quickly. This continues to pose problems for hearing aid suppliers, but Unitron has a solution: Flex:trial, which allows a device to be programmed specifically for each client at the appropriate technological level. It gives clients the opportunity to experience the benefits of a personally-configured hearing aid, even in remote regions in which not every product is immediately available.

Help is also provided in cases of severe hearing loss, since Brazil's health system guarantees access to cochlear implants. Advanced Bionics Brasil, a Sonova subsidiary, collaborates closely with state-run and private hospitals. It also works with the Centro de Pesquisas Audiológicas, the research center at the university clinic in Bauru, which is among the most renowned research institutions in Brazil. Since the early 1990s, more than 1,000 cochlear implants, many of them provided by Advanced Bionics, have been implanted there.

Marilisa Zavagli, trained as a professional audiologist, took over the managing directorship at Phonak Brazil from Pedro Stern in 2013; over 70 % of the employees at the largest Sonova subsidiary in Brazil are women – many of them in executive positions. "Sonova is an innovative corporation," explains Stern, President of the Advisory Board of Phonak do Brasil. "Many people assume that this means only technological developments, but achieving our current position in the market was also due to innovations in other areas." He is referring to his colleagues: many have been employed by the company for more than 15 or 20 years, a fact that may be due to the noticeably good working atmosphere. Small displays on each desk remind employees that all of them – including their partners – are invited for a weekend at the beach if the current business year's targets are achieved.

"Our direct contacts are with audiologists and physicians," says Stern, "so we filled all our own key positions with audiologists." This gives Sonova a lot of credibility in Brazil. Even in the marketing and technical departments, the employees are specialists in audiology who underwent additional training for their current positions. In Brazil, an audiology degree combines technical and medical aspects as well as speech therapy. This qualification has an excellent international reputation and, along with Argentina's and Colombia's, is considered the best of its kind in Latin America.

One major success achieved by Phonak do Brasil was introducing wireless systems in state-run schools. These systems are coupled with hearing aids or cochlear implants and help people with hearing loss to hear in a noisy environment – for example classrooms. "We first conducted a study and then showed the results to the relevant ministry," says Pedro Stern. This initiative became the starting point for a nation-wide innovation: Sonova was assigned the pilot project in which 240 children with hearing loss participated. "The first 240 orders came as a direct contract," Stern recalls. "No other company was in a position to carry out this project." The study was a complete success. Today, the Brazilian state guarantees that children between the ages of five and 17 who have hearing difficulties will have the chance to follow their lessons – with the aid of a wireless system.

With selective approaches specifically adapted to the relevant brands and local market requirements, Sonova continues its success story in Brazil. Marilisa Zavagli is enthusiastic about the positive role of Phonak Brazil, both in business and social terms. "Behind every figure, every hearing aid we sell, there's a person whose quality of life has improved significantly," she says. "That motivates me, and not just me: all our employees are proud to work for Sonova."

At the entrance of Phonak Brazil's São Paulo headquarters, visitors can test wireless systems. These systems are coupled with hearing aids or cochlear implants and help people with hearing loss to hear in a noisy environment.

Phonak

By constantly challenging the limits of technology, Phonak provides ever better solutions for people with hearing loss to communicate freely and enjoy life's rich soundscapes.

Roger Pen – A cutting-edge wireless microphone enabling people with hearing loss to hear and understand more speech in loud noise and over distance.

Phonak is determined to be the driving force in hearing care. We have a restless discontent with limitations and a passion to overcome them. We know that millions of people with hearing loss around the world live unnecessarily disconnected from everything and everyone that is important in life: from conversations, music, the sounds of nature, and the voices of loved ones. We fight for them every day. Through innovation leadership; through consumer insights; through consultation with our partners, the hearing care professionals all over the world; through advocacy and education – we overcome barriers and change lives, helping people with hearing loss both to hear again and to be heard. They are our motivation. They are our inspiration.

Quest – Innovation with immediate value

Phonak offers the broadest product range in the industry, supported by powerful technology platforms generated through an accelerated innovation cycle. The 2013/14 financial year saw the fullest schedule of new product introductions ever, resulting in the most complete portfolio of solutions in Phonak's history, all with our latest Quest technology platform at their core. The market responded to Quest's advanced capability very positively: the speed of conversion from the previous platform was greater than for any prior platform introduction – within five months of launch more than 80 % of Phonak products sold were already based on the Quest platform.

Surveys of hearing care professionals showed a very high level of satisfaction with the Phonak range of solutions: more than nine out of ten would recommend to their peers fitting our Bolero Q Behind-The-Ear and Audéo Q Receiver-In-Canal (RIC) hearing aids. The RIC form factor has been a particularly powerful market segment: its discreet design appeals to people with mild to moderate hearing loss, traditionally the hardest to please segment of the market. The new Audéo Q range, with its uncompromised performance, builds on our established success in this area: soon after its launch we reached the milestone of two million Phonak RIC devices fitted worldwide.

Roger – A bridge to better understanding

The 2013/14 financial year saw Phonak take another major step toward overcoming limits to speech understanding in very noisy listening situations or when the speaker is at a distance from the listener – such as classrooms, meeting rooms, social clubs, or assisted living facilities – with the introduction of Roger, the new digital wireless standard. Phonak has long been the technology leader in miniaturized wireless communication systems that transmit a speaker's voice directly to the listeners' hearing aids. Roger significantly raises the bar for performance and ease of use. It operates on the global 2.4 GHz medical/scientific frequency band, requiring no licensing in any country. It configures itself with one click, straight out of the box. Its adaptive algorithms ensure a clear, strong signal without interference in the most challenging listening environments. It is proven to offer the industry's best ever speech-in-noise performance, with improvements in speech understanding of up to 54% over traditional FM, and 35% over Dynamic FM technology[1]. Recent peer-reviewed research[2] also shows that wireless communication technologies help children with autistic spectrum disorders understand, communicate, and engage more in class. Roger does much more than just help people hear better: it builds a bridge to better understanding – for children, teenagers, and adults alike.

Binaural VoiceStream Technology – Mastering real-life challenges

Phonak innovation stems from close analysis of real-life listening situations and the specific challenges they can pose to people using hearing aids. For example, one recently introduced feature that shows clear and documented benefits in daily life is "Speech in Wind." People wearing hearing aids can experience speech being drowned out by wind noise amplified through their hearing aids' microphones. The Speech In Wind feature is based on our unique Binaural VoiceStream Technology, which sends the full bandwidth of speech in real time between a user's two hearing aids, bi-directionally; it allows the clearer speech signal to reach both ears. Studies[3] showed that Speech in Wind significantly improves speech understanding, on average by 28% when compared to no wind suppression. Every life has its windy moments; by applying its innovation to such daily situations, Phonak helps build confidence and satisfaction with hearing aids in general.

1 Thibodeau, L. (2013)
2 Rance G. et al (2013)
3 Chung K. (2012)

Lyric – The "contact lens for the ear"

Lyric, the only completely invisible, 24/7 wearable hearing instrument for active people with mild hearing loss, launched its third generation at the AudiologyNow! congress in March 2014. Thanks to its position deep in the ear canal, this "contact lens for the ear" makes it possible to enjoy better hearing with no compromises in lifestyle. Key improvements in the new generation include a new processor, low power consumption, and improved moisture protection. Lyric3 builds on the market success of the second generation of this unique extended-wear format, introduced two years ago. Its reduced size and improved anatomical fit rate, supported by an increased training and call center capacity, saw a strong increase in the number of customer trials and subscriptions in 2013/14. Around 65% of the consumers who responded to Lyric advertising had never previously had a hearing aid. This new interest has generated a steep rise in subscription revenues, contributing to market-beating growth in Phonak's premium hearing instrument category. Lyric revenues continue to originate primarily from the US, but the number of trials in countries such as the UK, Canada, Germany and Switzerland has risen significantly in 2013.

Comprehensive solutions, not just features

An integral part of the Phonak brand is the "Phonak Engaging Voices" concept, launched in October 2012. It captures and makes visible the wide spectrum of daily real-life situations in which good hearing aid performance can make all the difference to someone with hearing loss: noisy urban environments, busy restaurants, windy conditions. Phonak innovation gives people the ability to participate fully in all these situations and enjoy the richness and complexity of life's soundscapes. And that is because our innovation focuses on holistic solutions, not just features; solutions that address each individual's needs.

A Phonak hearing aid is a versatile system in itself, with a wide range of capabilities that can adapt to the needs and preferences of the user. Deep insight into real-life hearing situations is already built into each instrument's hardware and software. Our aim throughout our portfolio of instruments, accessories, connectivity, fitting and counseling tools is to fit the best solution to the challenge at hand, through products that work together seamlessly.

One example was the launch of our comprehensive range of pediatric solutions, featuring Phonak Sky Q hearing aids, the Roger inspiro transmitter, and a special pediatric mode in the Phonak Target fitting software. The key is understanding that children are not simply small adults: their needs, both in terms of hearing amplification and of speech and language development, are specific to their age and demand equally specific solutions. Phonak's approach is based on 40 years of experience in pediatric audiology and was developed in close collaboration with pediatric fitters worldwide.

Another example is the Naída Q product family, launched in April 2013, which offers powerful solutions for people with severe to profound hearing loss, especially when coupled with Phonak's range of wireless communication systems. Our wireless accessories provide the extra boost and dedicated speech-to-ear connection that people with severe to profound hearing loss often need in challenging listening situations. The expanded portfolio includes microphones based on the new Roger technology: the Roger Pen and the Roger Clip-On Mic. In addition, the new Phonak DECT cordless telephone simultaneously transmits sound to both hearing aids, significantly increasing speech understanding.

A partner worldwide – Global service and distribution network

The Phonak service and distribution network is strongly established. Present in over 95 countries through its direct subsidiaries, as well as its well-developed network of independent distributors, Phonak has an extremely broad geographic footprint.

One of our fastest growing markets, China continues to be a focus for Phonak in the coming years. Having conducted extensive market research to better understand China's specific consumer and customer needs, we are now in the process of implementing our strategy for this promising market. Our primary business goal is to become a full portfolio provider for hearing care professionals who are already working with or considering Phonak as their primary supplier. We aim to offer a value proposition that differentiates us from the rest of the industry. As a first step in March 2014, we complemented our range of basic products with the introduction of the Baseo Q10 and Q5 Behind-The-Ear and Tao Q10 In-The-Ear hearing aids. Although specifically developed with China in mind, these products may also be launched in other emerging markets where conditions justify it.

HOUSE OF HEARING – UNIQUE AND INNOVATIVE

Phonak Brazil has long dealt with the basic questions: how do we promote good hearing, spread knowledge about hearing loss, and reach out to those who are affected or concerned with its treatment? How do we address cultural issues around wearing a hearing aid in Brazil? How should we demonstrate our innovative technologies to a professional audience? What's the best way to introduce new Phonak products to support the sales network?

"Welcome to the House of Hearing!" A young woman greets us with a friendly smile: she is showing a party of female audiologists around the building on Avenida Rebouças, a busy street in the center of São Paulo. Since its inauguration in 2011, it has regularly hosted training and workshops. The House of Hearing is unique to Brazil and opens its doors to anyone with an interest in the topic: teachers seeking instruction on using wireless systems, trade journalists seeking background information about new products and services. There is also a showroom on the ground floor.

Modern touchscreens provide information about hearing loss and available solutions. There are new technology demonstrations, such as the 3D printer that manufactures individually fitted shells and earpieces for hearing aids. A grand piano stands ready for concerts. In the middle of the room, Charlie presides on his stand. He is surrounded by the party of audiologists who all seem very interested in him and the hearing aid he is demonstrating on his silver-grey plastic head.

The audiologists are wearing headphones so that they can experience what Charlie hears through his hearing aid in an everyday situation: when the hearing aid is linked to the TV, or when Charlie receives a call on his cell phone, or when the wireless system is activated. The cinema on the first floor is called the Sound Experience Room. Sequences are simultaneously projected on three of the walls, resulting in a 3D-like effect. This is combined with surround sound recordings: horses galloping over a field from the right to left, high-heeled shoes clattering by on the left, and ice skate blades cutting through ice. The imagery and sound effects make an impressive combination: multimedia powerfully conveys the importance of good hearing.

"We are very proud of the House of Hearing," says Marilisa Zavagli, Managing Director of Phonak Brazil, "and we are extremely pleased that the concept has been such a success. We have already hosted events here in association with international audiological conferences."

In Phonak's House of Hearing the focus is on what constitutes good hearing, on hearing loss and available solutions. With the aid of headphones, visitors can experience what the world sounds like to people who use a hearing aid. The House of Hearing concept is unique in Brazil.

Unitron

Unitron's value proposition is to deliver an exceptional customer experience based on renowned personal service and products that make a real difference in people's lives.

Moxi Kiss – Unitron's recently introduced hearing instrument earned two international product design awards in 2014.

Delivering an exceptional customer service is not something that is achieved once and forever; it is a journey, advancing toward a future of ever better service and ever more effective products. In 2013/14, Unitron took several important steps on that journey.

In June 2014, Unitron will celebrate its fiftieth year in business. We have grown bigger and more sophisticated along with our global market, but the essence of our strategy has never wavered: we build strong personal relationships with our customers and we create solutions that make a real difference in people's lives.

Evolution of a design

Technology advances rapidly, societies evolve in their needs and expectations, government spending and regulations change – and the hearing healthcare industry must adapt to succeed. But true success ultimately depends on preparing thoroughly for that crucial moment when a person with hearing loss first tries on a hearing instrument. The initial questions are basic but all-important: "Does it look good?" "Does it feel good?" "Does it sound natural?" "Will it improve my life?" Only if the answer to all of these is "yes" can a hearing care professional go on to discuss advanced features.

Unitron's product development takes these questions very seriously and we treat each individually. Our industrial design team has invested a great deal of time to create hearing instruments that are a pleasure to see and touch. We are therefore delighted that our Moxi Kiss hearing instrument – introduced in March 2013 as the first product of our major design evolution – has received the prestigious iF product design award for 2014 and has earned a Red Dot Award: Product Design 2014. The time we spent investigating micron-level precision tooling and freeform surface modeling was recognized by leading designers as creating a tangible sense of quality, innovation, and comfort. And the market agrees: in October 2013, customers in the US, Canada, Australia, the UK, Germany, and France gave Moxi Kiss an 8.2 out of ten rating for overall satisfaction, especially in such aspects as comfort on the ear and high quality look and feel.

This year, we have extended the design language of the Moxi Kiss to our robust new Moxi² Dura Receiver-In-Canal instrument for active people and the Quantum² Behind-The-Ear instrument. Both have been awarded a high IP67 rating for dust and moisture resistance, allowing people to lead active lives without limitations.

Next generation products on the Era platform

"Does it sound natural?" Understanding and accommodating the human response to hearing amplification is essential to gaining acceptance in those vital first minutes. Our research engineers, audiologists, and hearing care professionals will naturally concentrate on critical issues like speech intelligibility in noise, but the person who is trying out the instrument is seeking above all a natural, intuitive hearing experience.

So when we announce that we have launched an exciting new generation of products with features that make extended use of the powerful capabilities of our Era technology platform, our real excitement is about how this will help hearing care professionals offer a more natural hearing experience, right from the first fitting. The full range of new Moxi² and Quantum² instruments, completed in March 2014, offers SmartFocus 2 enhancements that make speech more intelligible in difficult listening situations and limit the distracting noises that can affect more than 90 % of a hearing aid wearer's hearing experience. It also offers Unitron's unique Automatic Adaptation Manager, which has been proven[1] to keep new wearers more satisfied by starting them at their preferred listening levels, then transitioning them to the amplification they need – gradually, comfortably, and automatically. We ourselves are fascinated by the technology, but we know that the people we serve are most interested in what it makes possible: an easy, comfortable listening experience.

In 2009, Unitron entered into a five-year research partnership with Canada's National Center for Audiology at the University of Western Ontario, a preeminent center of excellence for hearing healthcare. Since then, we have conducted many important joint studies on new hearing technologies and procedures. A recent study[2] focused specifically on the critical question of "natural sound:" the subjective experience of using a hearing instrument. In a blind test comparing Unitron instruments with those produced by other leading brands, we were gratified to find that people responded just as we hoped they would: they marked Unitron significantly higher for a natural hearing experience and general satisfaction. Our features, taken together, provide the comfort and sound that people want.

Flex – Winning new customers

"Will it improve my life?" That isn't an easy question for people to answer immediately, sitting in the office of a hearing care professional. To find out how a hearing instrument can help make life's familiar, beautiful, and interesting sounds accessible again takes time and the experience of wearing the instrument in a wide range of situations.

Introduced in October 2012, Unitron's Flex solution is an industry first, allowing hearing care professionals to program a given performance profile directly into any of its hearing instruments and let potential customers take it out on trial to see how it performs in real life.

It's such a simple idea – and so effective. Customers feel no sales pressure, so they are willing to try out the most suitable technology level. The hearing instrument has the chance to prove its worth over time. And the hearing care professional is providing a valuable service free of charge, creating a bond of trust with the customer. No surprise, then, that the market's reaction to Flex – in Europe, North America, and Asia – has been overwhelmingly positive. Hearing care professionals report that it is much easier to make a sale and to demonstrate the suitability of more advanced features when people have had the chance to "test drive" the instrument. Flex helps not only individual practices to build their businesses, but also the mid-size and larger retail chains. And it is unique to Unitron.

To help keep it that way, we have introduced a further improvement to Flex, called Flex:upgrade. When someone who already uses a Unitron hearing instrument notices an increase in hearing loss, or changes lifestyle, Flex:upgrade lets the hearing care professional simply upgrade the existing hearing instrument to a higher technology level in the clinic, using our Truefit fitting software and charging an upgrade fee. Flex:trial helps Unitron make a real difference in the lives of first-time customers; Flex:upgrade lets us keep making a difference, return visit after return visit.

Unitron has been rolling out the Flex concept in major markets during the past year and plans to introduce it soon in fast-growing new markets such as Brazil. Please see below to learn more about Unitron's Brazilian experience.

1 Hayes D. et al (2013)
2 Hayes D. et al (2014)

Exceptional customer experience – The Unitron Way

At Unitron we say, “this business is personal.” Our employees fully commit to supporting our customers in the hearing care profession, not just through the products and solutions we offer, but through dedicated services that help them build their business and deepen their relationships with the people they serve. Customer service is not an add-on with us, it is an integral part of our identity: a structured, tested, proprietary offering that we call “The Unitron Way.”

Customers in our North American and European markets have already learned that they can rely on the extra support that the Unitron Way offers: the live voice that answers our customer service line; our extended business hours; our Saturday opening; our global in-transit warranty. In the past year, we have been rolling out these services for customers in all our markets in more than 60 countries around the world.

How do we know that our customers value these services? Because we take great care to ask them: to gain their insight and assess the effectiveness of what we do. We conduct monthly surveys, compiling global indices of performance and of customer experience that capture and track each market’s responses to the tangible and intangible elements of the service we offer. We pay close attention to our Net Promoter Scores, which show the proportion of customers who are not only satisfied but who would recommend Unitron to fellow hearing care professionals. We have seen a significant rise in our average scores in our markets in 2013/14 – proof that an exceptional customer experience really matters.

The rising global scores confirm country-by-country results, such as Unitron Germany’s top ranking for “overall satisfaction” in the annual survey of the German Association for the Hearing Instruments Industry. Unitron Germany also received high rankings for its products, sales organization, and customer care. In Ireland, Unitron was delighted to receive, for the second time, the Irish Society of Hearing Aid Audiologists’ “Best Customer Service” award. That’s how Unitron builds sustainable growth: one close, rewarding customer relationship at a time.

FLEXIBILITY AND LONG PARNTERSHIP

Back as far as 1500, the very year Portuguese seafarers first reached Brazil, Pero Vaz de Caminha wrote to the Portuguese king: “No matter what you plant here, it grows!” Though possibly he should have added: if you are clever about it and familiar with the region.

Distribution to point-of-sale throughout Brazil is an enormous challenge. The country is as big as a continent and its infrastructure varies widely in development from region to region. Despite this, Unitron has successfully gained a foothold in the Brazilian market, even in remoter districts. One crucial factor has been Unitron’s close collaboration with a local distributor that has been expanding its reach for over 20 years, offering a ready-made channel for the successful introduction and development of the Unitron brand. From the outset, the objective has been to establish strong relationships with opinion leaders in audiology, which has helped Unitron build an excellent reputation in the market.

As in many emerging markets, no established network of hearing aid providers exists. This offers Unitron a number of opportunities to impress the customers with its new and unique business solution called Flex:trial. As the name implies, Flex:trial allows for a device to be programmed individually and handed to clients for a trial period at home – right away and free-of-charge. This way, clients can be introduced at any time to the entire range of features and the most suitable hearing aid for their needs, even if every single product is not actually on hand. In Brazil, this is a great advantage for suppliers located in distant regions.

Flex:trial meets the requirements of many Brazilian clients: deciding on a purchase is always difficult and nobody likes having to make a choice right away, particularly about using a hearing aid. But a free trial… why not? New clients who come in looking for information are less likely to leave the shop without a product – and without experiencing the benefits a hearing aid provides. And because Flex:trial lets a device be programmed at different technological levels, Unitron can always offer clients the solution that best suits their individual requirements.

With Flex:trial, hearing care professionals and audiologists can activate the hearing aid for a test phase of up to six weeks. After that a beeping sound alerts the client that the test phase is over. The solution is also handy for those who are already Unitron clients: when their own hearing aid is being serviced, they can receive, thanks to Flex:trial, a temporary replacement programmed identically to their own hearing aid. Flex:trial is being introduced in Brazil during 2014.

Unitron’s Flex:trial solution is also very attractive to Brazilian customers. A demonstration device can be programmed at all technological levels. New clients can test the hearing aid – without having to make a purchase decision straight away.

Connect Hearing

Through professional consulting and personalized solutions, Connect Hearing aims to offer exceptional hearing care services for people who would like to understand, hear, and connect to life again.

Our brand values are clearly reflected in a modern store design, which is currently rolled out in the US and in other countries, including Brazil.

Hearing technology has advanced by great leaps in the last twenty years. With each advance comes the possibility of bringing the delight of hearing to a new group of people with hearing loss, whether through more sophisticated hardware, smarter software, or new wireless accessories and solutions. But ensuring that this advanced technology truly addresses the unique needs of each person who uses it, thereby making a real difference in their life, requires expert advice and service. This is what professional audiologists provide; this is Connect Hearing's business.

At Connect Hearing, we offer a full spectrum of hearing tests and solutions tailored to our customers' lifestyles and budgets. Our approach with our customers is welcoming, professional, and straightforward: we listen to our customers to identify the nature of their communication loss; we hear which environments are most important to them for communication; and we connect our customer with the best hearing aid solution for their individual lifestyle. An introductory conversation sets the stage for a comprehensive hearing test followed by a customized hearing solution, incorporating the latest in digital hearing aid technology, features, and accessories.

We know that this thorough process is vital to achieving an optimal hearing result – that is why it is central to all Connect Hearing's retail activities. Going the extra distance to exceed customers' expectations makes good business sense – because ours is a people business: each positive fitting experience builds further momentum through word-of-mouth.

The Connect Hearing Group's business strategy rests on three pillars: increased market recognition through strong and consistent branding; improved profitability through systematic introduction of standard operating procedures, systems, and skills; and focused, sustainable growth in selected markets.

Fostering our brand

The retail hearing care business is very local: being close to the consumers is a vital factor for success. Connect Hearing has therefore taken a stepwise approach to rebranding local businesses, giving consideration to existing strong brand names in some countries (such as Laperre in Belgium) or particular language and cultural factors (as with Audium in Brazil). Throughout the Group, however, we are establishing a common look and feel, a shared store experience, and a global communication style based on our award-winning and highly successful approach: "Better Hearing Starts with a Story," in which real customers tell their own experiences. We are also communicating across all our stores the essential values that define our brand: passion about understanding our customers' needs, commitment to personalized service, and professional dedication to providing a comprehensive solution, not just a product.

This global approach extends to standardized in-store processes and workflows as well as digital marketing. A strong global brand makes advertising more cost-effective and allows for partnerships with wider-area government or private managed care agencies. It also makes Connect Hearing an attractive employer, drawing the best talent from a broader pool.

A typical audiologist's practice in, for example, the US does not put much emphasis on attractive location or visual appeal. Most have the look and feel of a walk-in clinic and are situated a distance away from a town's commercial center. At Connect Hearing, we feel that store design and location is highly important to overcoming the perceived stigma of hearing loss and creating a wholly positive customer experience. As part of the rebranding of our US retail activities, we have also started to adapt the appearance of some of our stores – since they are an essential expression of our brand's message.

This Connect Hearing experience starts in the lobby. Fitting and counseling take place in a comfortable and spacious soundproof room. Our first pilot stores opened in California in June 2013; existing stores across the US are being progressively updated to the new format.

Full brand integration in the US started in 2013 and will be completed in July 2014, replacing 47 previous brands with just one. The process will also be completed this year in several European countries. Our established names in Belgium (Laperre) and Austria (Hansaton) are regional brands under the Connect Hearing umbrella, using our global communication approach, brand values, and store design.

Operational excellence drives profitability

Successful integration of all Connect Hearing's businesses under one brand with uniform procedures, standards, and skills gives us many opportunities for continuous improvement of processes and margins. It assures a consistent, state-of-the-art fitting and counseling experience for every customer who walks into a Connect Hearing store. It extends best practice efficiently across the organization by defining global standard operating procedures and performance reporting. It supports these operating procedures with a new single optimized point-of-sale system being rolled out in several key markets in 2014/15. And it establishes the data and control tools that foster continuous improvement in efficiency.

We are also harmonizing the range of audiological equipment used in our stores worldwide. Having one global agreement specifying state-of-the-art technology and software is not only a benefit in cost-efficiency terms, reducing per-unit price for equipment and calibration services. It also ensures an optimal customer experience and helps establish Connect Hearing as the employer of choice for talented hearing care professionals, simplifying their training and letting them move easily between our stores.

Connect Hearing's global online presence helps to give customers, who increasingly research their health issues on the internet, a good idea of the passionate, personal, and professional service they can expect when they visit one of our stores. It also allows us to continuously enhance customer satisfaction through the results of online surveys – a practice already implemented by our Laperre business in Belgium.

Growing the business

Hearing care is a globally underserved market; at Connect Hearing, we are committed to taking full advantage of this potential for growth in our business. Growth should be focused, sustainable, and profitable. We put our principal emphasis on organic growth, continuously improving the performance of our existing sales capacity by increasing traffic, improving sales conversion, and raising average sales profitability. This fits well with our continuous focus on operational excellence. We also support new openings, starting up stores in new locations, taking advantage of shifts in the market, and benefiting from the efficiencies and stable operational base provided by the Group. We pursue selected acquisitions, taking on businesses currently owned by smaller chains or independent hearing care professionals. Sonova usually already has a close partnership with these owners through its hearing instruments business. The key to a successful acquisition is a professional integration, so that customers continue to receive optimum service.

Most importantly, we support sustainable growth through continued innovation: developing new concepts for counseling and fitting, exploring new distribution methods (such as the shop-in-shop model), and extending successful ideas into other markets. By staying ahead of trends, Connect Hearing is best placed to capture their growth potential.

Boots Hearingcare, Sonova's partnership with Boots, the UK's leading pharmacy-led health and beauty retailer, has generated a highly successful shop-in-shop retail concept that strongly contributed to the Connect Hearing Group's results. The success of the business has prompted a further expansion in the number of Boots Hearingcare locations, from 391 at the end of the 2012/13 financial year to 428 twelve months later. In the last year Boots Hearingcare has become a leading hearing care provider in the UK, with a 27% share of the private market. Working closely with Boots, our teams are helping more customers than ever to hear better.

Another example of process and service innovation is self-screening. Connect Hearing has developed and rolled out easy-to-use self-screening stations for major markets such as the US, France, New Zealand and Italy. Designed to be easily set up in different locations – at our own point-of-sale, or in pharmacies and malls, or for local promotions – these stations serve as excellent lead generators for Connect Hearing's business. Self-screening apps and other digital marketing tools enhance our customers' experience and enable potential customers to access reliable information about hearing loss.

FOCUSING ON THE CUSTOMER EXPERIENCE

Miguel Lotito liked the store straight away: "This doesn't look like a medical practice, this is more like a spa." The 76-year-old has been wearing his first hearing aid on his left ear for six months now. "Good hearing is extremely important to me. I play the violin in a chamber orchestra." The retired industrial engineer has a passion for Vivaldi, Mozart and Schubert. "Besides that," Lotito adds with a twinkle in his eye, "I also have to be able to listen to my wife – otherwise I'm in trouble at home!"

The entrance of the store is already a surprise: a friendly receptionist, a seating area with a coffee machine and magazines, the air refreshingly cool. Then there is the consulting room: sizeable, decorated in light colors with lots of white and splashes of green. The consulting audiologist sits at a rounded desk directly next to clients instead of opposite them, conversing on equal footing. The rooms are highly soundproofed, eliminating the need for clients to squeeze into narrow hearing-test booths. Every step of the fitting can be carried out in the same room. In Brazil, Connect Hearing is the only vendor to offer this concept.

The customer is king here, and audiologists receive special training in this new concept. Initially, they listen, listen, and then listen some more – when did the hearing problems start? In which situations does the client need support? Only then do they begin to specify the product that suits the client's individual requirements. An important third step is ongoing after-sale support for the client, such as hearing workshops.

The figures prove Connect Hearing right. In the first six months, during which the new store concept was implemented in Santos and São Paulo, the number of new clients in both stores rose by almost 40%. And this is despite passers-by not being able to see through the windows – or perhaps that is the reason: Brazilians want to be able to hear well – but don't feel that others should see that they need help doing so.

Miguel Lotito came to Connect Hearing based on a recommendation: an audiologist who sings in his choir advised him to come. The musician in him is very satisfied: "I was looking for good sound quality, intensity, and pitch – and I found them." His hearing aid has also helped restore peace at home. "I don't like arguing, especially not with my wife," Lotito says with a further wink of the eye.

Miguel Lotito chose a Connect Hearing store. He plays the violin in a chamber orchestra, and sings in a choir – being able to hear well with both ears is extremely important to him. “I felt I was in good hands straight away,” he says.

Advanced Bionics

By leading the industry in performance and innovation, Advanced Bionics demonstrates every day its commitment to putting patients first.

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

A cochlear implant is the only medical technology that can functionally restore one of the five senses: it allows people with significant hearing loss to hear the world around them – many for the very first time. Unlike hearing aids, which amplify sound, cochlear implants are neurostimulators: they bypass the damaged part of an ear and send electrical signals directly to the brain via the hearing nerve.

It was only three decades ago that the first cochlear implant was approved; since then, the solution has evolved from bulky body-worn processors to discreet behind-the-ear devices with vastly improved performance. The rate of adoption of the technology continues to rise: the number of implants worldwide last year was estimated to be around 50,000.

For more than twenty years, Advanced Bionics has played a vital role in refining this leading-edge solution that enables people with significant hearing loss to communicate freely. The company delivers on its commitment to putting patients first through continuous technology innovations and exceptional services that together provide the best possible hearing experience, now and in the future. Choosing to have a cochlear implant is a life-changing decision; choosing an implant from Advanced Bionics lets recipients use wireless solutions in the home and classroom, talk on the phone in the most challenging situations, communicate in noisy surroundings, enjoy the intricacies of music, and hear in the water. No other manufacturer can offer recipients such a wide range of benefits.

Most versatile technology platform

A cochlear implant system takes sound waves picked up by its microphones and intelligently converts them into detailed digital information, which is then transmitted to the implant's electrode array in the inner ear. The electrode sends this information as electrical signals to different locations on the hearing nerve that correspond to the different frequencies or pitches. The hearing nerve then sends impulses to the brain, where they are interpreted as sound. How natural and intelligible the sound appears depends critically on the exact timing and location of the electrical signals sent from the electrode array to the hearing nerve.

The Advanced Bionics HiRes 90K implant offers the most versatile technology platform in the industry. Its HiRes Fidelity 120 sound processing goes beyond stimulating the auditory nerve only at the particular location of each electrode: it steers the signal to intermediate locations between each pair of electrodes, thus creating the perception of many more frequencies, such as would be required to perceive harmonic pitch or to identify musical instruments and melodies. Such high-resolution sound more accurately mimics normal hearing, and Advanced Bionics offers five times more resolution than the competition.

The Advanced Bionics implant can also handle a broader range of sound volume, from very soft to very loud. This wide input dynamic range, coupled with more stimulation pulses per second than in competing products, results in less distortion and higher sound quality, particularly when listening to music. Studies have shown that users clearly prefer a wide input dynamic range when listening to music, irrespective of the style.[1]

Combining R & D strength with Phonak

Cochlear implant systems have come a long way in accurately representing sound and enabling people to follow conversations in quiet settings – but understanding speech against a noisy background has remained a challenge because the original sound information needs to be "cleaned" of noise to emphasize the desired signal. This same challenge has long been a focus of Sonova's hearing instrument R & D, producing a string of innovations from advanced noise-reduction algorithms to directional microphone systems and wireless technology solutions. The acquisition of Advanced Bionics by the Sonova Group in 2009 brought the R & D teams of Advanced Bionics and Phonak together; the launch of the Naída CI Q70 sound processor in 2013 introduced the market to the combined innovation power of both organizations.

The Naída CI Q70 marks the marriage of proven Advanced Bionics and Phonak technologies. The Advanced Bionics proprietary T-Mic, which places the microphone at the opening of the ear canal, along with our ClearVoice speech enhancement technology – the industry's first and only sound processing algorithm to be given a superiority claim – now work in concert with such Phonak front-end processing features as the UltraZoom directional microphone system. When these are used together in loud real-world settings, recipients experience a 70 % improvement in speech perception[2].

Wireless technology benefits have long been widely acknowledged in the hearing instrument industry; the Naída CI Q70 sound processor marks the first time that wireless has been extensively used in the cochlear implant arena. The device allows for real-time streaming of a speech signal from one ear to the other for bilateral recipients, sending the better signal to both ears – highly useful in asymmetric settings, such as sitting in a car or talking on the phone. Also impressive are the benefits of Roger, the new digital standard developed by Phonak and launched for cochlear implant systems in the 2013 / 14 financial year. Transmitting on the 2.4 GHz frequency and compatible with older Phonak FM systems, Roger wirelessly sends the voice of a speaker, picked up by the Roger Clip-On Mic or Roger Pen, directly to the sound processor. Studies have shown that, when using Roger, cochlear implant recipients have a significantly better speech understanding in noisy environments than even normal-hearing adults[3]. Moreover, wireless technology provides instant and easy connectivity to a wide range of consumer electronics: TV, phones, music players, computers, and more.

Critically, all the features of the new Naída CI Q70 sound processor can be accessed using the existing HiRes 90K implant. This allows recipients to benefit, not just from today's technology, but from future innovations – a source of real peace of mind when choosing an implant. The extremely strong growth in sound processor upgrades seen following the launch of Naída CI Q70 is evidence of the importance of bringing such industry-leading performance innovations to existing recipients.

New products and expanded local presence open doors

Founded in 1993 in California, Advanced Bionics has a solid market position in North America and in most of Europe. Our focus on markets outside of the United States has increased substantially, particularly now that we are part of a global hearing care group. Advanced Bionics aims to get closer to its customers around the world by expanding its local presence and sales forces in key markets. During the past year, we have opened subsidiaries in New Zealand and Vietnam, strengthening our position in the Asia / Pacifc region where we have been relatively underrepresented; this effort continues. We were pleased to win a second central government tender in China and are now increasingly focusing on the private market in that country. This effort involves an expansion of our local clinical research activity, which includes opening a research hub in Hong Kong.

1 Wolfe J. et al (2008)
2 Buechner A. (2013)
3 Wolfe J. et al (2013)

Building strong relationships – keeping in close contact with surgeons, audiologists, and recipients – is vital to stimulating our business' further growth. At the same time, our high pace of innovation has helped open doors to new customers: the recently launched HiFocus Mid-Scala electrode, for example – designed to protect the delicate structures of the cochlea – further broadens the options available to cochlear implant surgeons when it comes to choosing an electrode. The launch of the HiFocus Mid-Scala electrode has been extremely well received in all markets and has prompted Advanced Bionics to increase the number of surgical training courses we offer to support the high demand. Today, we are supplying implants to nearly two-thirds of the cochlear implant centers worldwide. With our recently launched products, we are in an excellent position to increase our share of business at these centers and beyond.

One other way that Advanced Bionics lives up to its promise to put patients first is by supporting recipients and their families through the Bionic Ear Association (BEA). The BEA is comprised of hearing healthcare professionals and a dedicated team of volunteers. It provides information, education, and support to current and potential recipients and their family. The fact that recipients of Advanced Bionics implants donate their time and efforts to tell others about their experience is evidence of the life-changing benefits delivered by this hearing solution. Started in the US, the BEA has expanded in recent years, opening several new chapters in countries throughout the world.

A COMPLETELY NORMAL LIFE

"Let's all sing together, now," says the care giver and claps her hands. Helena, seven years old and the recipient of Advanced Bionics cochlear implants, stands in the middle. She sings, then laughs, and gives her mother a big hug when she is picked up.

Helena's mother has a message for other parents whose children have such severe hearing loss that they need a cochlear implant: "I highly recommend it", she says. "Today, Helena participates in rhythmic gymnastics, goes to ballet class; she leads a normal life." She adds: "If my daughter had a third ear, we would have the surgery done for that one too. The implants have completely changed her life."

Brazil's health system guarantees that it will pay for a cochlear implant for every citizen who needs one. Helena received hers at the university clinic in Bauru, some 300 kilometers from São Paulo. The Centro de Pesquisas Audiológicas is one of the most advanced research centers in Brazil. In 1990, it was the first institute in Brazil to perform a cochlear implant. The campus is impressive: a new 12-storey building was inaugurated in 2012; covered walkways lead though a park-like complex. Many families move to the area from other parts of the country so their relatives can receive the best possible therapy here at the clinic.

Numerous patients have already received an Advanced Bionics cochlear implant in Bauru. The company works in close partnership with most of the state-run and private hospitals in Brazil. "It's a growth market", says Ana Luisa Pereira, product manager; "The government is in the process of increasing capacity. Advanced Bionics is in a prime position to participate in these developments. Compared to other providers, our products are extremely reliable." Patients at state-run hospitals currently receive the Harmony device or Neptune, the only sound processor that users can wear even when swimming. In the meantime, the new Naída CI Q70 sound processor has also received regulatory approval: patients will begin benefiting this year from its technical innovations.

Many children in Helena's rehabilitation group at the university clinic wear cochlear implants from Advanced Bionics. One of them is 8-year-old Samuel, who lost his hearing after an infection when he was nine months old. His mother remembers: "Many people asked me whether I really wanted to put my son through an operation. They asked me whether it wouldn't be a better idea to pray to God for a miracle." But, she goes on to say, "to me this implant is the miracle."

Helena, 7, has cochlear implants from Advanced Bionics. She dances ballet and goes to school – she leads an entirely normal life. Helena was treated in the university clinic in Bauru. The clinic also puts great emphasis on rehabilitation, including speech therapy and reading skills.

Little Deborah is happy because she is allowed to choose the stickers for her hearing aid. Her parents receive information both from the audiologist as well as the “Programa Infantil Phonak”. This program enables optimal care for the children and offers workshops for parents, teachers, and audiologists.

Corporate social responsibility

At Sonova, we turn our customers' challenges into our own, bringing everyone the delight of hearing. We take responsibility for our actions towards our employees, the environment, and future generations.

Taking social responsibility seriously

Sonova is committed to being a great place to work, where all our employees have the chance to develop to the best of their potential and be recognized for their individual performance. This is reflected in a global employee satisfaction rate above 80 % and the employee turnover rate has seen a steady and encouraging improvement.

We have further strengthened our global environmental management system. Our focus this year was principally on our key manufacturing and distribution centers, and we are pleased to report that their energy consumption relative to the production volume, fell by a further 11.4 %.

Sonova's commitment to social responsibility extends beyond its own business activities. In the 2013 / 14 financial year, the Sonova Group provided a total value in cash and in-kind benefits of CHF 1.5 million to the Hear the World Foundation.

CSR Report and inclusion in related indices

Sonova has been recognized for extending the breadth and depth of its corporate social responsibility activities over the past year by being named as a component of the STOXX® Global ESG Leader Index and the ECPI® Indices. These indices represent the leading global companies in terms of environmental, social and governance criteria.

In the 2014 / 15 fiscal year, Sonova will start reporting in accordance with the newly-released Global Reporting Initiative (GRI) G4 Guidelines. We aim to continue raising our sustainability performance by maintaining ongoing dialog with our key stakeholders, by launching and implementing relevant programs, and by ensuring that our reporting activities focus on material and quantifiable criteria.

Sonova reports according to the requirements of the Global Reporting Initiative (GRI) Application Level B. The full CSR Report can be downloaded at: www.sonova.com/en/csrreport.

INITIATIVE FOR CHILDREN

Igor comes into the consultation room with his mother, makes a beeline for the alphabet bingo and starts spelling words: S-A-I-A – skirt, D-E-D-O – finger. The 6-year-old hardly looks up as the audiologist starts explain to his mother: "Here, this is the battery tester; and this hearing tube lets you check whether the hearing aid is working right." The mother nods her head, but this is still a lot of information to take in all at once. A comic-strip artist would fill the space above her head with a lot of colorful question marks.

"It's not enough simply to fit a child with a hearing aid," says Talita Donini, a trained audiologist herself, and in charge of "Programa Infantil Phonak," the children's program at Phonak Brazil. "Both the child and the parents need on-going support. Teachers also need to be provided with the necessary information and training. And of course audiologists themselves need to be informed continuously about the latest technologies and products."

For professionals, the children's program provides workshops and a website with downloadable resources along with a newsletter about the most recent research developments and product innovations that Phonak has developed specifically for children. The second target group consists of parents and care givers: the Phonak children's program website with its downloadable resources is also an important resource for them, including information about hearing ability at the various developmental stages. There are also instructions for hearing aid care and maintenance with a number of descriptive drawings and a flyer about the various uses of wireless systems. "Here at headquarters we are in a constant exchange with the audiologists," says Donini, "so we know what kind of information is required."

The Phonak children's program also promotes personal dialog. Twice a month, Donini moderates internet chat sessions in which parents can ask questions and share their experiences with each other. "And the audiologists log in too," she adds. The range of topics stretches from diagnostics through to technological innovations and tips for everyday school life.

Workshops for teachers complete the program. Since June 2013, the Brazilian state has guaranteed that all children between the ages of five and 17 can participate in lessons with the help of wireless systems. "Many teachers now want to know more about this technology;" Donini says. "Naturally, we are very happy about this development: children are looked after best when both parents and care givers work as a team."

Corporate governance

Good corporate governance ensures trust between the company and its stakeholders; Sonova continues to enhance its performance in this area.

During the 2013/14 financial year, efforts under the Sonova Group compliance program focused on further developing the compliance organization and refining the Anti-Bribery Policy and related measures. Communication, training, and monitoring are essential components of effective compliance: Sonova further strengthened its compliance program by establishing dedicated compliance training sessions, creating targeted information tools, and instituting quarterly compliance reporting to the Audit Committee.

On March 3, 2013, the Swiss electorate approved the initiative against excessive compensation. The corresponding Ordinance Against Excessive Compensation at Public Corporations (OaEC) came into force on January 1, 2014 (subject to certain transitional periods). All provisions of the ordinance must be fully adopted by the end of 2015. Sonova already fulfills many of the requirements of the ordinance and is striving to implement any necessary changes as early as possible. The current compensation report is already – on a voluntary basis – audited and fully in line with all provisions of the ordinance. Sonova has also implemented clawback provisions at the Management Board level.

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, 2014. 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:

	2014	2013	2012
Market capitalization			
In CHF million	8,679	7,649	6,677
In % of equity	489 %	466 %	452 %
Share price in CHF	129.20	113.90	100.30

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, 2014 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 31.3.2014	Registered shareholders 31.3.2013
1 – 100	5,418	5,793
101 – 1,000	8,305	8,608
1,001 – 10,000	1,121	1,177
10,001 – 100,000	157	163
100,001 – 1,000,000	37	29
> 1,000,000	7	7
Total registered shareholders	**15,045**	**15,777**

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":

	2014	2014	2013	2013
	No. of shares	In %	No. of shares	In %
Chase Nominees Ltd. 1)	9,017,727	13.42	11,769,397	17.53
Beda Diethelm 2)	6,647,259	9.90	6,647,719	9.90
Hans-Ueli Rihs 2)	4,125,000	6.14	4,166,000	6.20
Andy Rihs 2)	3,394,626	5.05	4,203,765	6.26
Nortrust Nominees Ltd. 1)	2,314,385	3.45	2,546,454	3.79
Mellon Bank Nominee 1)		<3.00	2,448,306	3.65
Registered shareholders with less than 3 % of shares	23,427,377	34.88	19,239,912	28.65
Not registered	18,246,913	27.16	16,130,262	24.02
Total shares	**67,173,287**	**100.00**	**67,151,815**	**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.

In addition, the following shareholders of Sonova Holding AG have reported shareholdings of over 3 % or a reduction of the shareholding below 3 % in the financial year 2013 / 14:

Credit Suisse Funds AG, Kalandergasse 4, 8045 Zurich, Switzerland, controls less than 3 % of total capital and voting rights as of April 12, 2013 due to a sale of shares.

MFS Investment Management and its subsidiaries, 111 Huntington Ave, Boston, MA 02199, USA, control 10.49 % of total Sonova share capital as of April 25, 2013 due to an acquisition of shares.

The Capital Group Companies, Inc. and its subsidiaries, 333 South Hope Street, 55th Floor, Los Angeles, CA 90071-1406, USA, control less than 3 % of total capital and voting rights as of May 27, 2013 due to a sale of shares.

BlackRock, Inc., 55 East 52nd Street, New York, 10055, USA (mother company), controls less than 3 % of total capital and voting rights as of February 12, 2014 due to a sale of shares.

Cross-shareholdings

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

Capital structure

Share capital

As of March 31, 2014, the ordinary share capital of Sonova Holding AG is 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, 2014, the company held 10,185 treasury shares (previous year 26,714).

Authorized and conditional capital

Authorized capital

Sonova Holding AG has no authorized capital.

Conditional capital

The General Shareholders' Meeting held on July 7, 2005 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 General Shareholders' Meetings in 1994 and 2000, 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.

The executive and employee share ownership programs of Sonova Holding AG (Executive Equity Award Plan) are described in greater detail in the compensation report (beginning on page 46) and in Note 31 to the consolidated financial statements (beginning on page 109).

Changes in capital

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

	2014	2013	2012
Ordinary capital (in CHF)	3,358,664	3,357,591	3,328,717
Total shares	67,173,287	67,151,815	66,574,333
Authorized capital (in CHF)	n.a.	n.a.	n.a.
Authorized shares	n.a.	n.a.	n.a.
Conditional capital (in CHF)	266,107	267,180	296,054
Conditional shares	5,322,133	5,343,605	5,921,087

The authorized share capital of 3,311,520 registered shares created on June 10, 2009, has not been used and the authorization expired on June 9, 2011.

A total of 5,978,987 of a maximum of 8,000,000 approved conditional shares with a par value of CHF 0.05 each have been issued, so that the maximum conditional share capital reserved for long-term incentive plans was reduced by March 31, 2014, to 2,021,013 (previous year 2,042,485) shares. In the financial year 2013 / 2014, a total of 215,221 options were granted as part of the Sonova Executive Equity Award Plan (EEAP). In 2012 / 13 and 2011 / 12, the number of options granted totaled 200,967 and 305,230 respectively. As of March 31, 2014, there were still 1,277,473 options outstanding (compared with 1,322,808 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 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.

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 purchaser as a shareholder or usufructuary with a voting right to the extent that the shares held by him 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 fiduciaries / 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 an absolute majority of the votes represented 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).

Having served on the Board since 1999, Heliane Canepa stepped down from her role at the 2013 Annual General Shareholders' Meeting. During her time on the Board, she helped to build Sonova's global leadership position.

The 2013 Annual General Shareholders' Meeting elected Jinlong Wang as a new member of the Board of Directors. His business background is of particular importance for the Group's ambitions in developing the potential of emerging markets like China.

The Board of Directors nominated Stacy Enxing Seng for election at the 2014 Annual General Shareholders' Meeting. With her impressive track record in growing start-ups and leading multinational companies, particularly in the medical technology sector, she will be a valuable addition to the current Board of Directors.

Due to the introduction of a yearly re-election of the members of the Board of Directors under the revised Swiss company law, all current members of the Sonova Board of Directors will stand for re-election at the Annual General Shareholders' Meeting of this year.

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.

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. So far, the members of the Board of Directors of Sonova Holding AG are elected by the General Shareholders' Meeting for a maximum term of three years with staggered elections. A member's term ends on the day of the General Shareholders' Meeting for the last business year of the term. If a replacement is elected to the Board of Directors during a member's term, the newly elected member finishes the predecessor's term. As from 2014, the members of the Board of Directors, the Chairman, and the members of the Compensation Committee will be elected by the General Shareholders' Meeting on an annual basis.

According to the Organizational Regulations, 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, who although having reached the age of 70 will remain a member of the Board of Directors until the 2015 General Shareholders' Meeting, subject to shareholders' approval. He has helped to build the company from a family-owned hearing-aid business to a publicly held global leader in hearing solutions.

First election and remaining term of office

The following overview shows the date of first election and the term expiry date for each member of the Board of Directors.

Name	Position	First elected	Term expires [1]
Robert F. Spoerry	Chairman	2003	AGM 2014
Beat Hess	Vice-Chairman	2012	AGM 2014
Michael Jacobi	Member	2003	AGM 2014
Andy Rihs	Member	1985	AGM 2014
Ronald van der Vis	Member	2009	AGM 2014
Anssi Vanjoki	Member	2009	AGM 2014
Jinlong Wang	Member	2013	AGM 2014
John J. Zei	Member	2010	AGM 2014

[1] Mandatory re-election due to introduction of yearly re-election of Board members under revised Swiss company law.

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 Chief Executive Officer 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.

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

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

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 (with honors) from the Manchester Business School in the UK.

Other activities:
– Advisor to 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.

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.
– Member of the Board of Koskisen Oy
– Member of the Board of Basware Corporation Oy
– Angel Investor, Chairman and member of the Board of several technology start-up companies

Jinlong Wang

(born 1957, US citizen) is currently serving as Senior Vice President of Starbucks Corporation and Chairman of Starbucks China. He previously held a number of positions at Starbucks including 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 of Arts 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.

Other activities:
– Member of the Board of Koolspan, Inc.

Internal organizational structure

Allocation of tasks within the Board of Directors

The Board of Directors constitutes itself. Currently, it appoints the Chairman, the Vice Chairman, and the Secretary. The Secretary does not need to be a member of the Board.

In accordance with the Organizational Regulations, the Board has appointed an Audit Committee and a Nomination and Compensation Committee (see Organizational Regulations available at www.sonova.com/en/investors/organizational-regulations).

Under the new Ordinance Against Excessive Compensation at Public Corporations, the General Shareholders' Meeting will elect the Chairman of the Board of Directors and the members of the Compensation Committee.

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

The duties and authorities of the committees are defined in the Committee Charters of the Board of Directors of Sonova Holding AG. 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.

Nomination and Compensation Committee

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

The primary task of the Nomination and Compensation Committee is to select suitable candidates for election to the Board of Directors, to the position of CEO, and, upon the recommendation of the CEO, to nominate candidates for appointment to the Management Board. The Nomination and Compensation Committee also reviews and proposes to the Board of Directors the structure and amount of compensation for the Management Board and for the Board of Directors. The Nomination and

Compensation Committee submits the relevant proposals and nominations for decision by the Board of Directors. The Nomination and Compensation Committee Charter is available at: www.sonova.com/en/investors/committee-charters.

In accordance with the new Ordinance Against Excessive Compensation at Public Corporations, the responsibilities of the Compensation Committee will be defined in the Articles of Association.

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 five times.

Work methods of the Board of Directors and its committees

During the reporting period, the Board of Directors held eight 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 2013/14	8 4)	4	5
Robert F. Spoerry	8	4 5)	5
Beat Hess	8	–	5
Heliane Canepa 6)	4	1	–
Michael Jacobi	8	4	–
Andy Rihs	8	–	–
Anssi Vanjoki	8	4	–
Ronald van der Vis	7	3	–
Jinlong Wang 7)	2	–	–
John J. Zei	8	–	5
Average meeting length	8–10h 8)	3h	3h

1) Board of Directors
2) Audit Committee
3) Nomination and Compensation Committee
4) Including telephone conferences
5) As guest
6) Resigned at the AGM 2013
7) First elected at the AGM 2013
8) 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 a majority 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 / committee meeting. 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 and 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 input from a strategic point of view. To continuously monitor the key risks in terms of risk 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 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 2011, 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 the precision instruments manufacturer Mettler Toledo.

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 (NYSE: GD). From 2001 to 2006 Hartwig Grevener was CFO for the European operations of Gate Gourmet, one of the leading global airline catering firms. Previous professional experiences include positions at the German logistics group Hapag-Lloyd, 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.

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

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 Sales for the Region Europe and South America as of 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.

Sarah Kreienbühl

(born 1970, Swiss citizen) has been Group Vice President, Corporate Human Resource Management since August 2004 and in addition 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 various functions, such as leading various R & D teams in the areas of clinical audiology, digital signal processing, microelectronics and acoustics. Today he is in charge of managing the basic science and technology programs in various fields of hearing health care, the development of core technologies and intellectual property rights.

Stefan Launer studied Physics at the University of Würzburg, Germany, and in 1995 was awarded a Ph.D. from the University of Oldenburg, Germany, on modeling auditory perception in hearing impaired subjects.

Albert Chin-Hwee Lim

(born 1961, Singapore citizen) joined the Sonova Group as Vice President International Sales 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 from 2005 to 2010. He was appointed Vice President Unitron in October 2011 and joined the Management Board effective April 2013. Prior to that, he was Vice President of International Sales for Unitron overseeing all international sales territories outside of North America. Previously holding 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.

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 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 University of Applied Sciences & Arts, Lucerne 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, Sales for the Region North America since March 2002. He has also been Group Vice President, Corporate Development since 2005. In this position he is responsible for business development and M & A transactions. 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 consultancy.

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 HTL Brugg Windisch, Switzerland in 1984.

Changes in the Management Board

Effective April 1, 2013, Albert Chin-Hwee Lim became Vice President for the Region Asia / Pacific.

Also effective April 1, 2013, Stefan Launer (Vice President Science & Technology), Jan Metzdorff (Vice President Unitron) and Franz Petermann (Vice President Connect Hearing Group) joined the Management Board. All three new members were previously working in their current role at Sonova.

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.

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 (beginning on page 121).

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.

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 holder. All the shares owned by a shareholder can only be represented by one person.

Procedure and conditions for abolishing the regulation regarding voting right restrictions

A resolution of the General Shareholders' Meeting that is approved by the absolute majority of votes represented is sufficient to abolish this regulation.

Exceptions granted in the year under review

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

Statutory quorums

Resolutions and elections by the General Shareholders' Meeting require the approval of an absolute majority of the share votes represented, taking voting right restrictions into account, except as otherwise provided by law or the Articles of Association.

Convocation of the General Shareholders' Meeting

The 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 33 1/3 percent 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, unvested equity instruments granted under the EEAP would vest on a pro-rata basis only. There are no other agreements in place that would lead to additional severance payments (e.g. "golden parachutes") or other compensation to members of the Board of Directors or the Management Board in the event of a change of control (details of Board and Management compensation are contained in the compensation report beginning on page 46 and in Note 3.6 of the financial statements of Sonova Holding AG beginning on page 121).

Securities trading policy

The Board of Directors has issued a policy on deterring corporate insiders from making use of confidential information. The Securities Trading Policy was implemented in 2011/12, including a training program for employees, and revised in 2013. The policy provides for blocking periods to prevent insiders from trading in securities of Sonova Holding AG during sensitive time periods. The general blocking periods start one month prior to the end of any half-year or full year reporting period and end two full trading days following the respective release of the results. Special blocking periods are implemented when necessary or appropriate. The implementation of blocking periods is within the responsibility of the CFO, who coordinates with the CEO. In addition to blocking periods, the guidelines also provide for pre-trading clearance for members of the Board of Directors, the Management Board, and for selected employees.

Auditors

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

At the General Shareholders' Meeting on July 5, 2001, PricewaterhouseCoopers AG was elected auditor for Sonova Holding AG and the Sonova Group. At the General Shareholders' Meeting on June 18, 2013, PricewaterhouseCoopers AG was re-elected for another one-year term. Patrick Balkanyi served as lead auditor from November 6, 2006 until June 18, 2013, when Sandra Boehm took over his position.

Fees

PricewaterhouseCoopers charged the following fees during the reporting years 2013/14 and 2012/13:

1,000 CHF	**2013/14**	**2012/13**
Audit services	1,254	1,273
Audit-related services	33	54
Tax services	244	187
Non-audit services	195	436
Total	**1,726**	**1,950**

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 in the financial year 2013/14 mainly consisted of consulting fees in connection with IT projects, the employee shareholding program and acquisition due diligence.

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 2013/14, the external auditors attended 2 out of 4 Audit Committee meetings. 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 shareholders' letter, an invitation to the 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 on the latest product launches held at industry conventions.

More information tools, permanent sources of information, and contact addresses are shown on the back cover foldout 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 the best talent available in a highly competitive global employment market. As custodians of shareholders' equity, we uphold our responsibility to keep a transparent and sustainable approach to compensation.

Introduction

This compensation report describes the compensation system in place at Sonova, including its key elements and general principles, the bodies responsible for the design, the approval framework, and the implementation. The report provides detailed information on the compensation paid to the Board of Directors (BoD) and the Management Board (MB) in the financial year 2013/14 and 2012/13. This report complies with the requirements of item 5 of the Annex to the Directive on Information relating to Corporate Governance (Directive Corporate Governance, DCG) published by the SIX Swiss Exchange on October 29, 2008. It also includes all information required by Articles 663b^{bis} and 663c paragraph 3 of the Swiss Code of Obligations. Information is also provided in Note 3.6 of the financial statements of Sonova Holding AG, beginning on page 121.

Over the past three years, we have put significant revisions in place to help assure an attractive, effective, and sustainable compensation system. In the 2013/14 fiscal year we focused our efforts on the following areas:

- Compliance with the new Swiss Ordinance Against Excessive Compensation at Public Corporations, and alignment of all compensation-related rules and regulations for the coming year;
- Implementing clawback provisions in the contracts for the CEO and other members of the Management Board;
- Introducing a performance criterion in the 2014 Executive Equity Award Plan (EEAP) for members of the Management Board.

We will continue to review and update our compensation system to align it with evolving regulations, standards, and best practices, while at the same time striving for a system that creates value for all our stakeholders – our customers, employees, and shareholders.

The new Swiss Ordinance Against Excessive Compensation at Public Corporations (the "ordinance")

At the 2014 Annual General Shareholders' Meeting, the Board of Directors will propose a number of changes to the Articles of Association (AoA) to comply with the compensation related say-on-pay provisions of the ordinance. Various company regulations and the employment agreements for the Management Board are also being amended. In summary, the proposed changes are:

REQUIREMENT BY ORDINANCE	DOCUMENT	STATUS
Approval of compensation – Say-on-pay mechanisms	AoA	Subject to 2014 AGM approval, applicable as of 2015 AGM: – BoD: Approval of budget for period until subsequent AGM – MB: Approval of budget for the following financial year – In case of MB member changes: additional reserve of 30% of MB compensation budget Continue with consultative vote on previous financial year
Clawback – In case compensation was paid prior to / without AGM approval	Employment contracts	Clawback provision in process of being implemented
Notice periods – The Management Board members must not have notice periods in excess of 12 months	AoA Employment contracts	Compliant – CEO: 12 month notice period – Other MB members: 6 month notice period
Prohibited compensation – BoD and MB members must not receive advance payments, severance payments or incentive payments in connection with sale and purchase of businesses	AoA	Compliant – No advance payments – No severance payments – No incentive payments for sales and purchase of businesses – Change of control: No increase in fair value of equity instruments, pro-rata vesting and forfeiture of instruments, if applicable
No loans – The AoA must contain a specific provision for loans provided to the BoD and MB	AoA	Compliant – Loans to BoD and MB members explicitly prohibited
Separate compensation report examined by statutory auditor	Annual Report	Compliant

Clawback provisions

In addition to the clawback provisions required under the ordinance, Sonova is introducing a clawback provision into the employment contracts of the Management Board members; it provides for a repayment of variable cash compensation in case of accounting restatements. This clawback applies to accounting restatements of the previous three financial years.

Performance criterion for the EEAP of the Management Board

To further increase alignment between company performance and pay, we have added a performance criterion to the 2014 Executive Equity Award Plan for the members of the Management Board. Henceforward, the vesting of options and restricted share units (RSUs) in a given year is subject to reaching a pre-defined minimum return on capital employed (ROCE) target. If the ROCE target is not met in a given fiscal year, the corresponding vested EEAP amount will be reduced accordingly. The ROCE target is aligned with the company's financial planning and is significantly higher than its cost of capital.

Compensation governance and approval framework

The following descriptions refer to the conditions present in the 2013 / 14 financial year, which will partly change as a consequence of the requirements under the ordinance described previously.

The members of the Nomination and Compensation Committee (NCC) are appointed by the Board of Directors. In the year under review, the members were Robert F. Spoerry (Chairman), John J. Zei, and Beat Hess. The Board of Directors approves the general remuneration scheme for the Board of Directors and Management Board, based on proposals presented by the NCC, which are generally prepared in close cooperation with the Group Vice President Corporate Human Resource Management and Corporate Communications. The Board of Directors approves the remuneration and the form and amount of equity to be granted to the Board of Directors. It is also the responsibility of the Board of Directors to approve the remuneration and employment terms of the CEO – including the variable cash payment and the long-term incentive – as proposed by the NCC. The Board of Directors also approves the variable cash payment to the CEO according to the employment terms, also based on the NCC's proposal. It is the responsibility of the NCC to approve, upon recommendation of the CEO, the remuneration, including incentives (such as the form and amount of long-term incentives and variable cash payments) of the Management Board members. Furthermore, the Board of Directors approves the annual total amount of long-term incentives granted under the EEAP, based on the NCC's proposal.

Depending on the agenda, the NCC meetings may also be attended by the CEO and Group Vice President Corporate Human Resource Management and Corporate Communications. Every NCC meeting includes an in camera session. After each NCC meeting, the Board of Directors receives a summary of the topics discussed, decisions taken, and recommendations made. The NCC meets at least three times a year. It met five times in the year under review.

All employees, including Management Board members, are subject to an annual formal performance review process. This process is based on various guiding principles designed to align individual, team, and corporate strategic goals and financial targets; to provide performance-driven incentives; and to promote personal development.

The compensation structures at Sonova link individual performance to the financial success of the company. The annual employee performance review affects both the fixed base salary and the variable cash compensation. The fixed base salary is determined by the individual's function and performance as well as industry benchmarks.

LEVEL OF AUTHORITY AS PER MARCH 2014	CEO	NCC	BOARD
BoD's remuneration and form / amount of longterm incentive scheme		Proposes	Approves
CEO's remuneration (including variable cash payment and long-term incentive) and employment terms		Proposes	Approves
MB's general remuneration scheme		Proposes	Approves
Remuneration of Management Board members reporting directly to the CEO (including incentives such as the form and amount of long-term incentives and variable cash payments)	Proposes	Approves	
Annual total amount of long-term incentives		Proposes	Approves

Benchmark studies and external advisors

We review employee compensation annually and undertake periodic benchmark reviews based on reference values for the total compensation paid to individuals working in comparable positions at similar companies. An employee who meets the agreed performance goals generally receives a total remuneration package in line with the benchmarks and market.

We periodically review the remuneration for members of the Management Board, comparing data from executive surveys and benchmarks from companies of similar size in terms of market capitalization, revenue, number of employees etc. and / or operating in related industries. The level and mix of the different compensation elements is composed according to benchmarks, reviewed periodically and amended, if necessary.

In 2013 we conducted a detailed review in cooperation with an independent firm specializing in compensation surveys and analysis. The survey identified two relevant peer groups: ten companies in the international Medical Technology sector[1] and nine Swiss companies in the General Industry sector of comparable size[2]. The review's conclusion 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, 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.

Compensation elements

The Sonova compensation system has three main elements: a fixed base salary, a variable cash compensation that reflects the individual, team, and company's performance during the particular financial year, and – for selected executive managers and employees – a long-term incentive element under the EEAP. The total relative compensation mix varies between fixed base salary, variable cash, and long-term incentive depending on the employee's management level: the higher the level, the larger the relative portion of the variable cash compensation and the long-term incentive element.

TOTAL REMUNERATION MODEL FOR EMPLOYEES AND THE MANAGEMENT BOARD

<table>
<tr><th colspan="4">COMPENSATION ELEMENTS</th></tr>
<tr><td>Fixed base salary</td><td>Variable cash compensation</td><td>Long-term incentive (EEAP)</td><td>Benefits</td></tr>
<tr><td>Base pay that depends upon the job level and the job market and is paid out regularly</td><td>Variable compensation in cash depending upon the individual, team and company performance</td><td>Variable Compensation in equity</td><td>Mandatory and voluntary benefits granted by the employer</td></tr>
<tr><td colspan="2">Cash compensation</td><td></td><td></td></tr>
<tr><td colspan="3">Total compensation</td><td></td></tr>
<tr><td colspan="4">Total compensation and benefits</td></tr>
</table>

Fixed base salary for employees and the Management Board

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

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

Variable cash compensation for employees and the Management Board

The variable salary is an integral element of an employee's cash compensation, paid as a lump sum after the end of a given fiscal year. The performance goals that must be met to achieve the variable cash compensation are mutually defined and agreed with the employee at the beginning of the financial year. The weight allocated between the fixed base and variable cash compensation varies by job profile and management level. The target variable cash compensation is typically around 10 % of the fixed base salary for employees, and ranges from 10 % to 43 % for higher and middle management.

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

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

VARIABLE CASH COMPENSATION		CEO	OTHER MEMBERS OF THE MANAGEMENT BOARD
Variable cash compensation financial year 2013/14 in % of fixed base salary	Target	62.5 %	50 %
	Range	0–125 %	0–100 %

Long-term incentive (Executive Equity Award Plan – EEAP)

The EEAP is a long-term equity-based incentive plan offered annually to members of the Board of Directors and the Management Board, as well as to other management levels of the Sonova Group. Generally the grant date is on February 1st each year. The grants are made in the form of options, restricted share units (RSUs), and restricted shares. Around 5 % of employees are participating in the 2014 EEAP. In 2014, management EEAP participants received either 50 % of the grant value in options and 50 % in RSUs (for higher levels of management other than the CEO), or 100 % of the grant value in RSUs (middle management). The options and RSUs granted to management EEAP participants under the plan are split into four equal installments that vest annually, starting on June 1st 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) on 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 on the grant date using an option pricing model. Additional information is available in Note 31 to the consolidated financial statements. The re-pricing of any out-of-the-money options granted under the EEAP is not permitted.

The EEAP granted to the Board of Directors in 2014 is entirely in restricted shares. The restricted shares granted to the Chairman are subject to a restriction period until June 1, 2019 and the restricted shares granted to the other members of the Board of Directors are subject to a restriction period until June 1, 2018.

The CEO received an equity compensation mix of 62.5 % in options and 37.5 % in RSUs and the other members of the Management Board members received 50 % in options and 50 % in RSUs. Under the 2014 EEAP (as mentioned above), the future vesting of options and RSUs granted to the CEO and other members of the Management Board in a given year is subject to reaching a pre-defined minimum ROCE target. If the ROCE target is not met in a given fiscal year, the corresponding vested EEAP amount will be reduced accordingly; the number of units that vest ranges from 0 to 100 %.

EEAP 2014	MANAGEMENT BOARD		BOARD OF DIRECTORS
Equity	Options	RSUs	Restricted shares
Grant date	February 1, 2014	February 1, 2014	February 1, 2014
Exercise / Strike price	CHF 124.60 Sonova share closing price at SIX on February 1, 2014	n. a.	n.a.
Vesting date	25 % vest on June 1, 2015 25 % vest on June 1, 2016 25 % vest on June 1, 2017 25 % vest on June 1, 2018	25 % vest on June 1, 2015 25 % vest on June 1, 2016 25 % vest on June 1, 2017 25 % vest on June 1, 2018	n.a.
Restriction period	n.a	n.a	100 % until June 1, 2019 (Chairman) 100 % until June 1, 2018 (other BoDs)
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	n.a.
Exercise period	After vesting until expiry of the options	n. a.	n.a.
Maturity	Total 7 years	Not limited	Not limited
Expiry	January 31, 2021	n. a.	n.a.

The fair value of the 2014 EEAP grant to the CEO was 106.2 % of his fixed base salary and the fair value of the 2014 EEAP grant to the other members of the Management Board averaged 105.7 % of their fixed based salary.

EEAP FAIR VALUE	CEO	OTHER MEMBERS OF THE MANAGEMENT BOARD
EEAP 2014 fair value at grant in % of fixed base salary	106.2 %	105.7 %

EEAP for US participants

In compliance with relevant United States federal and state laws, the Sonova EEAP grants share appreciation rights (SARs) rather than options to eligible employees in the United States. SARs grant the right to participate in appreciation in the value of Sonova shares without issuance of shares. Any SARs granted are subject to the same grant dates, vesting conditions and maturity as the options granted to non-US participants.

Sonova share ownership guidelines

To further align the interests of the Board of Directors and Management Board with those of our shareholders, the Sonova share ownership guidelines require members of both boards to hold a specified number of Sonova shares in order to be eligible to participate in the EEAP. Members of the Board of Directors must hold at least 2,000 Sonova shares. 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 the totals on an annual basis.

Board of Directors compensation

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

The following table shows the compensation for the individual members of the Board of Directors for the 2013 / 14 financial year and for 2012 / 13.

The total compensation in the year under review was CHF 3.1 million and CHF 2.8 million in the previous year. Fixed fees as well as the value of restricted shares granted to each member of the Board of Directors remained the same as last year. The increase is caused by the grant of restricted shares to one member less in the previous year and additional employer's social insurance contributions on EEAP transactions.

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.

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

The compensation shown in the table above is gross and based on the accrual principle.

1) Attendance fees and expenses are based on the number of attended meetings of each member of the Board of Directors (no attendance fees for the Chairman).

2) Including social security contributions on the tax value of RSUs vested, options / WARs / SARs exercised and restricted shares granted during the reporting period.

3) Tax value per restricted share at grant date: for the Chairman of the Board of Directors CHF 90.71, for the other members of the Board of Directors CHF 96.16.

4) New member of the Board of Directors since June 2013.

5) Heliane Canepa resigned from the Board of Directors at the annual shareholders meeting from June 18, 2013.

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

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

Management Board compensation

The members of the Management Board receive a fixed and variable salary, fringe benefits, employer's pension and social insurance contributions, and a long term incentive in options and RSUs. Starting with the 2014 EEAP, the future vesting in a given year is subject to reaching a pre-defined minimum 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 672,040 (84.0 % of the fixed base salary), whereas the maximum potential variable cash payout would have been CHF 1,000,000 (125 % of the fixed base salary). In addition, an equity grant (EEAP) with a 2014 fair value of CHF 849,975, fringe benefits of CHF 24,496, employer's pension contributions of CHF 126,764 and employer's social insurance contribution of CHF 101,722 are all reflected in Lukas Braunschweiler's total remuneration of CHF 2,574,997 (CHF2,464,512 in 2012 / 13 financial year). The increase compared to the previous year is caused by the slight increase in EEAP grant value and a slightly higher variable cash compensation due to performance achievement. The fixed base salary remained the same as last year.

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

The 26 % increase in total compensation from CHF 12.0 million for the 2012 / 13 financial year to CHF 15.1 million for 2013 / 14 is mostly caused by the higher average number of members of the Management Board (9.7 members in the 2012 / 13 financial year and 13 members in 2013 / 14) and a slightly higher variable cash compensation due to performance achievement.

in CHF **2013 / 14**

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

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

in CHF **2012 / 13**

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

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

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

Additional information regarding payments to 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

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

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

1) These shares are subject to a restriction period which varies from June 1, 2017 to June 1, 2019 depending on the grant date.
2) For further details see also Note 31 in the consolidated financial statements.
3) Exercise ratio between warrants and options: 25:1.
4) SARs (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
5) WARs (WARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares).

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

31.3.2014

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

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

31.3.2013

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

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

Shareholdings of members of the Management Board

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

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

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

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

31.3.2014

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

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

31.3.2013

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

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

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 31.03.2014. 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 52 to 58.

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 31.03.2014 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 14, 2014