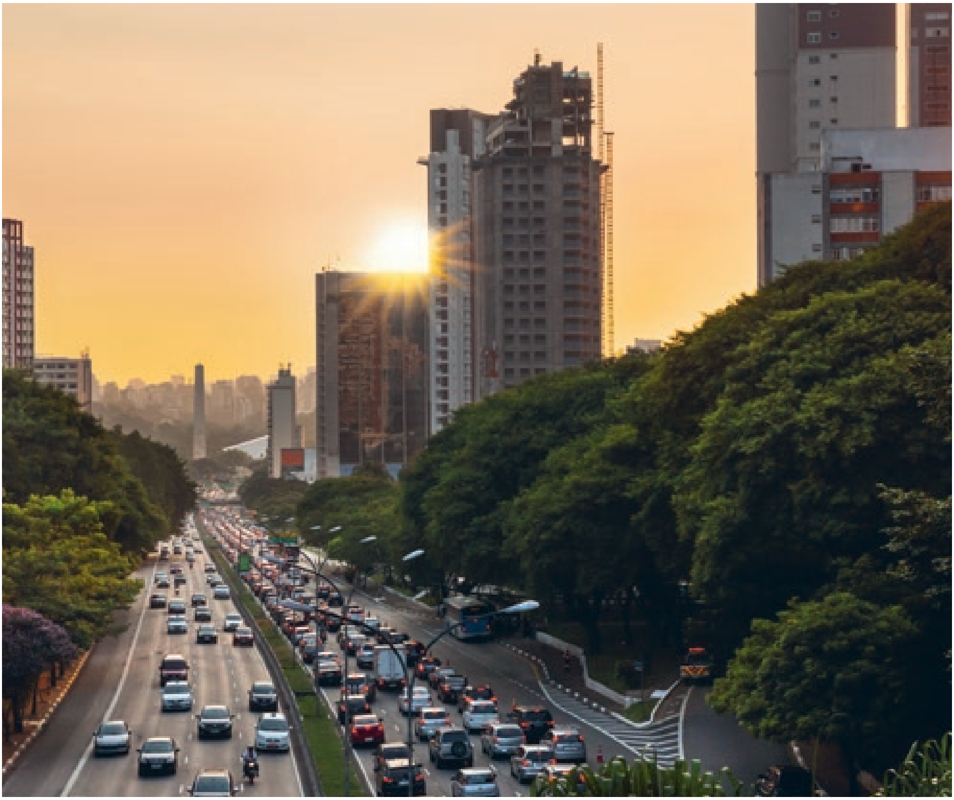
Shareholder Letter

To all shareholders of Sonova Holding AG



20 May 2014

Dear Shareholders

We are pleased to report that the Sonova Group has shown solid performance in the 2013 / 14 financial year. An essential driver of the positive sales and earnings development was the continued high pace of innovation, demonstrated by the launch of new products and solutions. Our strong organic growth this year has been broadly spread across our businesses and regions, with an ever-increasing contribution from emerging markets.

In the hearing instruments segment our Phonak, Unitron, and Connect Hearing brands extended their industry-leading positions, gaining share of an expanding global market. Our cochlear implants segment achieved essential progress – in new products introduced, in sales growth, and in profitability. The introduction of the new 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. The segment ended the year with a significantly improved EBITA margin, in line with our long term financial plan.

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.

For further details on the 2013 / 14 financial year, please refer to the included short version of the media release and the detailed Sonova Annual Report. You can access the Annual Report on our website, www.sonova.com, or request a printed copy using the reply form enclosed.

We would like to take this opportunity to express a sincere thanks to you, our shareholders, for the continued support that lets us plan for the long term.

Yours sincerely,

Robert Spoerry
Chairman of the Board of Directors

Media Release

Sonova reports strong results across all businesses

- Group sales of CHF 1,951 million – up 8.7 % in Swiss francs and 11.7 % in local currencies
- EBITA of CHF 430.1 million – up 11.6 % in Swiss francs and 16.7 % in local currencies
- Hearing instruments segment – sales of CHF 1,756 million, up 9.5 % in local currencies, EBITA margin expanding by 50 bps to 23.8 %
- The cochlear implants segment – sales of CHF 195 million, up 36.0 % in local currencies, EBITA margin reaching 6.6 %
- Solid balance sheet – net cash position of CHF 311.5 million
- The Board of Directors proposes a dividend increase of 19 % to CHF 1.90 per share
- Outlook – for FY 2014 / 15, sales are anticipated to grow by 7 % to 9 % in local currencies

Double-digit organic sales growth in local currencies
In the financial year under review, Group sales increased by 8.7 % in reported Swiss francs or 11.7 % in local currencies to CHF 1,951.3 million. The main driver of the increase was double-digit organic growth, which reached 11.0 % in local currencies. The Swiss franc strengthened against all of the most relevant currencies except the euro during the financial year, reducing reported sales growth by CHF 54.2 million or 3.0 %. Sales from acquisitions represented CHF 12.5 million or 0.7 %.

Broad-based growth across all regions
All major regions posted a solid sales increase in local currencies. Sales in the EMEA region (Europe, Middle East, and Africa), which accounted for 41 % of Group sales, rose by 12.4 % in local currencies. Sales in the United States, which accounted for 37 % of Group sales in fiscal year 2013 / 14, increased by 11.0 % in local currency. In the rest of the Americas (excluding the US) sales grew by 9.6 % in local currencies and accounted for 11 % of Group sales. With a 14.0 % sales increase in local currencies the Asia / Pacific region contributed 11 % to Group sales.

Sustained margin improvement
Gross profit reached CHF 1,340.4 million. This corresponds to a gross margin of 68.7 %, down from 69.1 % the prior year. This decrease is caused by the higher share of cochlear implants business, which has a modestly lower gross profit margin than the hearing instrument segment. R & D expenses grew by 11.3 % in local currencies to CHF 125.7 million. Sales and marketing costs increased by 5.5 % in Swiss francs or

8.3 % in local currencies to reach CHF 589.6 million. As a percentage of sales, reported costs stood at 30.2 %, down from 31.1 % in the prior year. General and administrative expenses rose by 7.6 % in Swiss francs or 9.4 % in local currencies. As a percentage of sales, general and administrative expenses stood at 10.0 %. Other income amounted to CHF 0.2 million. The CHF 203.6 million reported in the prior year under “other expenses” represented one-off costs, principally the increased product liability provision related to Advanced Bionics’ Vendor B product recall in 2006.

Operating profit before acquisition-related amortization (EBITA) was therefore CHF 430.1 million, which represents an increase of 11.6 % in Swiss francs or 16.7 % in local currencies compared to the normalized EBITA for the prior year. EBITA margin rose to a solid 22.0 %, up from a normalized EBITA margin of 21.5 % last year. Reported income after taxes was CHF 347.4 million, up 12.9 % from the normalized result in the previous year. Basic earnings per share (EPS) therefore reached CHF 5.08 (normalized EPS 2012 / 13: CHF 4.60), a solid rise of 10.4 % over the previous year.

Hearing instruments segment – New products driving organic growth

Driven almost exclusively by organic growth, sales in the hearing instruments segment reached CHF 1,756.0 million, representing an increase of 6.5 % in reported Swiss francs and 9.5 % in local currencies. With an organic growth rate of 8.8 % in local currencies, the business outpaced estimated market growth rates and further extended the Group’s leading market position. Acquisitions added CHF 12.5 million or 0.7 % to sales growth. A key driver of this strong development was the success of the Phonak Quest platform. Lyric, the first and only invisible extended wear solution in the industry, also supported the sound organic sales increase with a growth rate of approximately 50 % in 2013 / 14.

The strong sales increase and stringent cost discipline lifted EBITA for the hearing instruments segment by 8.8 % in Swiss francs and 13.9 % in local currencies, reaching CHF 417.3 million. Excluding the unfavorable currency impact, operating margin rose by 90 basis points. As reported, EBITA margin rose by 50 basis points to 23.8 %.

Cochlear implants segment – Drawing from a complete portfolio

The performance of the cochlear implants segment was another highlight in the year under review. The segment achieved sales of CHF 195.3 million, an increase of 33.1% in Swiss francs and 36.0% in local currencies. Supported in particular by the launch of the Naída CI Q70 sound processor in summer 2013, sales accelerated over the course of the year, exceeding a year-on-year growth of 50% in the second half of 2013/14. The balanced portfolio of electrodes and Advanced Bionics' swimmable processor also supported growth, which reflected both the addition of new customer clinics and increased penetration at existing accounts.

Profit from the cochlear implants segment improved strongly during financial year 2013/14, in line with our business plan, despite significant expenses from the launch of new products. EBITA for the segment reached 12.8 million, representing an operating margin of 6.6%.

Significant free cash flow

Cash flow from operating activities rose by 6.2% to CHF 411.0 million in the period under review. Investments in tangible and intangible assets increased by 15.0% to CHF 94.7 million, resulting in an operating free cash flow of CHF 318.4 million, unchanged from prior year. The cash consideration for acquisitions, including earn-out payments for prior period acquisitions, dropped from CHF 56.2 million last year to CHF 29.8 million during the reporting period. In summary, this resulted in a free cash flow of CHF 288.6 million, up 10.0% from last year.

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

Maintaining a solid balance sheet

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

Increase in distribution proposed

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

Outlook 2014 / 15

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

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Disclaimer

This Media Release contains forward-looking statements, which offer no guarantee with regard to future performance. These statements are made on the basis of management's views and assumptions regarding future events and business performance at the time the statements are made. They are subject to risks and uncertainties including, but not confined to, future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside Sonova's control. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual outcomes may vary materially from those forecasted or expected. Each forward-looking statement speaks only as of the date of the particular statement, and Sonova undertakes no obligation to publicly update or revise any forward-looking statements, except as required by law.

About Sonova

Sonova Holding AG, headquartered in Staefa, Switzerland, is the leading manufacturer of innovative hearing care solutions. The Group operates through its core business brands Phonak, Unitron, Advanced Bionics and Connect Hearing. Sonova offers its customers one of the most comprehensive product portfolios in the industry – from hearing instruments to cochlear implants to wireless communication solutions. Founded in 1947, the Group is currently present in over 90 countries across the globe and has a workforce of over 9,000 dedicated employees. Sonova generated sales of CHF 2.0 billion in the financial year 2013/14 and a net profit of CHF 347 million. By supporting the Hear the World Foundation, Sonova pursues its vision of a world where everyone enjoys the delight of hearing and therefore lives a life without limitations.

For more information please visit www.sonova.com and www.hear-the-world.com.

Sonova shares (ticker symbol: SOON, Security no: 1254978, ISIN: CH1012549785) have been listed on the SIX Swiss Exchange since 1994. The securities of Sonova have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or under the applicable securities laws of any state of the United States of America, and may not be offered or sold in the United States of America except pursuant to an exemption from the registration requirements under the U.S. Securities Act and in compliance with applicable state securities laws, or outside the United States of America to non-U.S. Persons in reliance on Regulation S under the U.S. Securities Act.

Key Figures Sonova Group (consolidated)

in 1,000 CHF unless otherwise specified	2013/14[1]	Normalized performance 2012/13[2)/3]	Reported performance 2012/13[2]
Sales	**1,951,312**	**1,795,262**	**1,795,262**
change compared to previous year (%)	8.7	10.8	10.8
Gross profit	**1,340,449**	**1,239,780**	**1,239,780**
change compared to previous year (%)	8.1	12.1	12.1
in % of sales	68.7	69.1	69.1
Research & development costs	**125,657**	**113,884**	**113,884**
in % of sales	6.4	6.3	6.3
Sales & marketing costs	**589,627**	**559,077**	**559,077**
in % of sales	30.2	31.1	31.1
Operating profit before acquisition-related amortization (EBITA)	**430,109**	**385,304**	**181,688**
change compared to previous year (%)	11.6	22.2	(42.4)
in % of sales	22.0	21.5	10.1
Operating profit (EBIT)	**404,030**	**359,175**	**155,559**
change compared to previous year (%)	12.5	24.8	(45.9)
in % of sales	20.7	20.0	8.7
Income after taxes	**347,382**	**307,745**	**110,869**
change compared to previous year (%)	12.9	24.9	(55.0)
in % of sales	17.8	17.1	6.2
Number of employees (average)	**9,175**	**8,709**	**8,709**
change compared to previous year (%)	5.4	9.3	9.3
Number of employees (end of period)	**9,529**	**8,952**	**8,952**
change compared to previous year (%)	6.4	8.9	8.9
Net cash[4]	**311,525**	**185,800**	**185,800**
Net working capital[5]	**190,571**	**187,148**	**187,148**
in % of sales	9.8	10.4	10.4
Capital expenditure (tangible and intangible assets)[6]	**93,918**	**82,354**	**82,354**
Capital employed[7]	**1,462,850**	**1,455,460**	**1,455,460**
in % of sales	75.0	81.1	81.1
Total assets	**2,593,748**	**2,680,042**	**2,680,042**
Equity	**1,774,375**	**1,641,260**	**1,641,260**
Equity financing ratio (%)[8]	**68.4**	**61.2**	**61.2**
Free cash flow[9]	**288,618**	**262,370**	**262,370**
Operating free cash flow[10]	**318,430**	**318,553**	**318,553**
in % of sales	16.3	17.7	17.7
Return on capital employed (%)[11]	**27.7**	**10.4**	**10.4**
Return on equity (%)[12]	**20.3**	**7.1**	**7.1**
Basic earnings per share (CHF)	5.08	4.60	1.65
Diluted earnings per share (CHF)	5.07	4.59	1.64
Dividend / distribution per share (CHF)	1.90[13]	1.60	1.60

[1] Changes compared to previous year are based on the normalized performance 2012/13.
[2] Restated following the implementation of IAS 19 (revised).
[3] Excluding one-off cost, mainly related to the increase of the product liability provision within the cochlear implants business (see Note 7). Balance sheet related key figures (including respective ratios) as reported.
[4] Cash and cash equivalents + other current financial assets (without loans) – current financial liabilities – non-current financial liabilities.
[5] Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – other short-term liabilities – short-term provisions.
[6] Excluding goodwill and intangibles relating to acquisitions.
[7] Equity – net cash.
[8] Equity in % of total assets.
[9] Cash flow from operating activities + cash flow from investing activities.
[10] Free cash flow – cash consideration for acquisitions, net of cash acquired.
[11] EBIT in % of capital employed (average).
[12] Income after taxes in % of equity (average).
[13] Proposal to the Annual General Shareholders' Meeting of June 17, 2014.

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Our Brands