sonova
HEAR THE WORLD

Annual Report 2015/16

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

Highlights 2015/16

The Sonova Group achieved a solid performance in the 2015/16 financial year, reaching a record sales level despite the persistent strength of the Swiss franc. We also made excellent progress in delivering on our strategy of providing the industry's broadest and most innovative offering of hearing care products, solutions, and services.

5.8 % sales growth for the Sonova Group in local currencies

Consolidated sales for the Sonova Group were CHF 2,072 million, an increase of 5.8 % in local currencies. Adverse exchange rate developments reduced reported sales by CHF 80.5 million, resulting in 1.8 % growth in Swiss francs.

6.6 % sales growth for hearing instruments in local currencies

Sales in the hearing instruments segment reached CHF 1,885.0 million, an increase of 6.6 % in local currencies and 2.4 % in Swiss francs. EBITA increased by 5.8 % in local currencies.

CHF 187.0 million in sales for cochlear implants, break-even result

Sales in the cochlear implants segment were CHF 187.0 million, a slight decline of 2.4 % in local currencies and resulting in a break-even result at the EBITA level.

CHF 430.6 million EBITA +1.4 % in local currencies

Group EBITA reached CHF 430.6 million, up 1.4 % in local currencies but declining by 5.5 % as reported due to the persistent strength of the Swiss franc. This corresponds to an EBITA margin of 20.8 %.

Solid cash flow supports healthy balance sheet

Thanks to continued strong cash generation, operating free cash flow reached CHF 344.2 million, resulting in a healthy balance sheet.

Proposed dividend implies payout ratio of 41 %

The Board of Directors proposes to the 2016 Annual General Shareholders' Meeting a dividend of CHF 2.10, representing a payout ratio of 41 %.

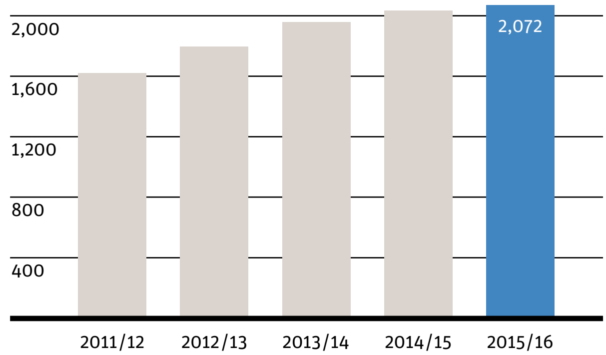
SONOVA GROUP KEY FIGURES

in CHF m unless otherwise specified	2015/16	2014/15	Change in Swiss francs	Change in local currencies
Sales	2,071.9	2,035.1	1.8 %	5.8 %
EBITA	430.6	455.6	(5.5 %)	1.4 %
EBITA margin	20.8 %	22.4 %		
EPS (CHF)	5.11	5.37	(4.8 %)	
Operating free cash flow	344.2	366.4	(6.1 %)	
ROCE[1]	26.0 %	29.1 %		
ROE[1]	18.3 %	20.2 %		

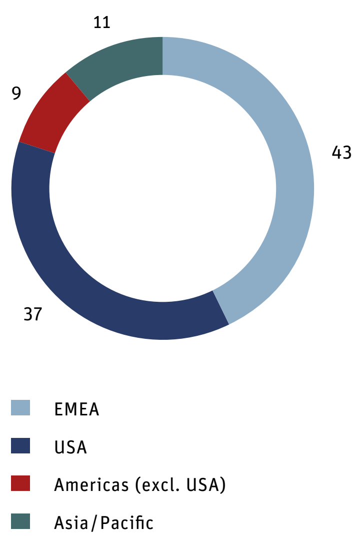
[1] For detailed definitions, please refer to "Key figures".

Key figures 2015/16

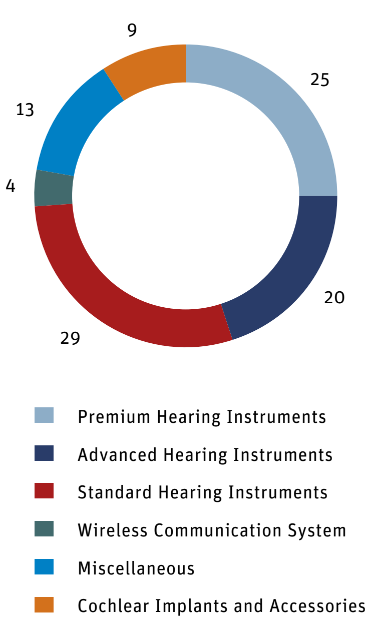
Sales development in CHF m



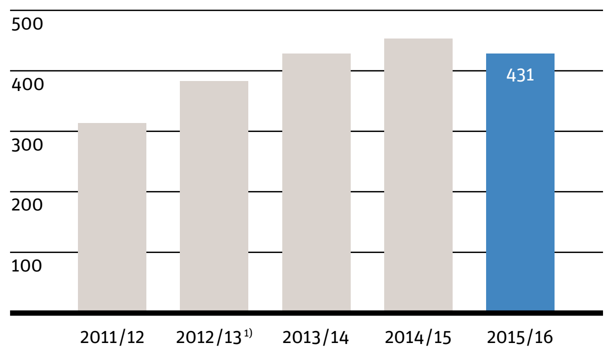
Sales by regions in 2015/16 in %



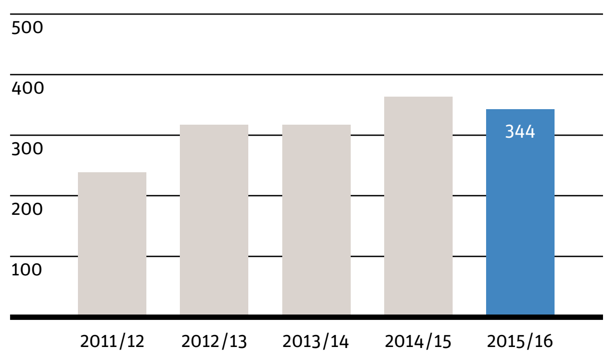
Sales by product groups in 2015/16 in %



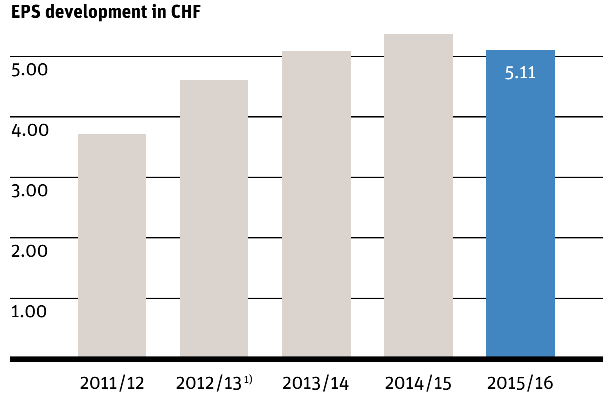
EBITA development in CHF m



Operating Free Cash Flow development in CHF m



EPS development in CHF



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

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Letter to shareholders

In 2015 / 16 we consistently implemented our strategy of continuous innovation in products, services, and distribution, anticipating and addressing the major trends in a growing and changing hearing care market.

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

Dear shareholders,

The Sonova Group achieved a solid performance in the 2015 / 16 financial year, reaching a record sales level despite the persistent strength of the Swiss franc. We also made excellent progress in delivering on our strategy of providing the industry's broadest and most innovative offering of hearing care products, solutions, and services.

Our strategy focuses on three areas:

New products: The market offers exciting opportunities for new customer groups and new solution formats. Our consistent platform approach to product development in hearing instruments and cochlear implants – along with our continued high investment in research and development – has allowed us to expand our product offering over the year to exploit these opportunities.

Go-to-market: Innovation is not limited to products – it also drives the way we approach the market, both through our wholesale companies and our retail audiological service network. The industry is seeing a rise in lower-cost retailers, but also an increased emphasis on personalized care from dedicated audiologists. We address both these trends through channel partnership, vertical integration, services that generate increased customer demand, and an expanded presence in underdeveloped growth markets, such as China.

E-solutions: The lives of our customers are increasingly digital. More and more healthcare services are being offered through the channels opened by internet-enabled personal technology. We therefore continue to expand our technology platform by introducing complete digital solutions and services that connect Sonova with its consumers and their hearing care providers.

As an illustration of how we are implementing our strategy and how the Sonova Group generates value for its customers through all of its brands, we will be taking a closer look in this year's report at the world's second-largest market for hearing aids: Germany.

The synergies between both of our businesses provides us with a solid basis for future growth.

Robert F. Spoerry

We are actively addressing a dynamic market environment through our unique vertical business model.

Lukas Braunschweiler

Hearing instruments segment

Sonova's hearing instruments business continued on its path of profitable growth throughout the 2015/16 financial year, thanks to sustained expansion in both the wholesale and the audiological service businesses. Hearing instruments sales rose 6.6 % in local currencies, driven by organic growth and by the contribution from recent acquisitions, particularly Hansaton.

Building on the successful launch of Sonova's third-generation technology platform last year, we introduced a number of new product families across all our brands. In September 2015, Phonak extended its latest generation Venture product offering with the Phonak Virto™ V In-The-Ear product family, which offers significantly better speech understanding in a smaller package. Phonak rounded out its Venture portfolio by launching dedicated solutions for two customer groups most affected by the loss of hearing. The Phonak Naída™ V power instrument for severe to profound hearing loss helps to further improve speech understanding, yet is up to 25 % thinner than its predecessor. Phonak Sky™ V builds on our 40 years' experience of pediatric hearing care, offering child-specific features and technologies optimized to help kids and teens stay connected in difficult hearing situations.

Unitron continued its transition onto the North technology platform, which started with the introduction of the popular Moxi™ Receiver-In-Canal products in April 2015; this was followed by the Stride™ Behind-The-Ear and In-The-Ear families, launched at the International Congress of Hearing Aid Acousticians (EUHA) in October 2015. Unitron also extended its unique Flex:trial™ and upgrade concept with Patient Ratings, which allows hearing aid wearers to share their experiences online with their hearing care professional.

The acquisition of Hansaton at the start of the 2015/16 financial year added another respected name to our range of hearing aid brands and further extended our leadership position in the global hearing instrument market. During the course of the financial year, Hansaton's product portfolio was brought onto the Sonova technology platform.

Sonova's audiological service business expanded substantially, both through organic growth and through further acquisitions. Since March 2015, when we named Germany as one of our ten key strategic markets for retail, our network in the country has grown nicely: from around 100 stores at the start of the 2015/16 financial year to nearly 150 at its end, providing a solid basis for future growth in this important market. We also optimized our country portfolio by selling our Italian network of around 70 stores while simultaneously reinforcing our existing position in Hungary by adding around 30 stores.

On May 4, 2016, Sonova announced that it has agreed to acquire AudioNova, one of Europe's leading hearing aid retailers. AudioNova operates over 1,300 stores in eight countries and generated net sales of around EUR 360 million in 2015. AudioNova is an excellent fit with Sonova's strategy for professional audiological service and retail. The combination of AudioNova and Sonova will create one of the broadest hearing aid retail service networks in Europe, providing critical mass with many complementary market positions. The closing of the transaction is subject to regulatory approval.

Cochlear implants segment

The cochlear implants segment had a challenging year, with sales slightly down by 2.4 % in local currencies; it showed clear signs of improvement, however, by returning to growth in the second half and re-accelerating quarter by quarter. We remain convinced in the attractive growth prospects of the cochlear implant market, and are confident that the business will continue on its long-term growth path through diligently executing its strategy, supported by recent and upcoming product introductions.

The highlight of 2015/16 was the addition of the Naída CI Q90 and Q30 to Advanced Bionics' range of Q-series sound processors: building on the unique innovations introduced with the Naída CI Q70 in 2013, these confirm the benefits of bringing together the innovation DNA of Advanced Bionics and Phonak.

The close collaboration of Advanced Bionics and Phonak gives us a unique advantage, both in seamlessly combining the best of hearing instrument and cochlear implant technology, and in reaching and serving the large and as yet underpenetrated adult market segment. With the upcoming launch of Phonak Naída Link, bimodal recipients – those who have a cochlear implant in one ear but a hearing aid in the other – can now benefit of many advanced features where the two devices function as an integrated system to provide even better hearing.

Financial highlights

The Group built on its previous year's achievements with another solid performance. The reported results were negatively affected, however, by the significant and sudden strengthening of the Swiss franc. Despite these currency headwinds, consolidated sales for the year reached CHF 2,072 million, up 1.8 % in Swiss francs and 5.8 % in local currencies: a new record level. Operating profit before acquisition-related amortization (EBITA) was CHF 430.6 million, a rise of 1.4 % in local currencies. The strength of the Swiss franc reduced reported EBITA by CHF 31.5 million, resulting in an operating margin of 20.8 %. Helped by a strong cash flow, the Group ended the year with a solid balance sheet, including a net cash position of CHF 298.3 million and strong equity ratio of 69.3 %

Use of cash

We continue to invest cash flow into value creating acquisitions. In 2015 / 16, we spent CHF 121 million on acquisitions, including the Hansaton hearing aid brand and the further expansion of our audiological service network, with a focus on Germany. OOver the course of the financial year, Sonova bought back 1,203,500 shares for CHF 156 million. These shares will be proposed for cancelation at the 2016 Annual General Shareholders' Meeting. With the announcement of the acquisition of AudioNova, Sonova has suspended the share buyback program until further notice. The Board of Directors also proposes a dividend of CHF 2.10 per share, an increase of 2.4 %, representing a payout ratio of 41 %.

Changes to the Board of Directors

John J. Zei, who has been a member of the Board of Directors since 2010, will not stand for re-election at the upcoming Annual General Shareholders' Meeting, in accordance with the age limitations stipulated in the Organizational Regulations. Over his terms of office we have had many occasions to be grateful for his vast experience, his deep understanding of the hearing aid industry, and his dedication to Sonova. We all wish him well for the future.

The Board of Directors has nominated Lynn Dorsey Bleil as a new Board member for election at the 2016 Annual General Shareholders' Meeting. Ms. Bleil recently retired as Senior Partner from McKinsey & Company in the US after more than 25 years of advising senior management and boards of leading healthcare companies. Her impressive track record makes her a valuable addition to the Board of Directors.

Committed to corporate social responsibility

This year, the Hear the World Foundation, a main pillar of the Sonova Group's corporate social responsibility commitment, continued to make a significant contribution by supporting 23 projects worldwide, with a focus on helping children with hearing loss in low-income countries. By providing state-of-the-art equipment and hearing aids and by developing the necessary expertise on site, these projects ensure that these children have significantly better chances in education and personal development. For further information, please visit www.hear-the-world.com.

You can read more about our CSR activities in our separate Corporate Social Responsibility Report, prepared in accordance with the Global Reporting Initiative G4 guidelines.

Our thanks

Innovation is a function of people. Their dedication to the millions of people who deserve better hearing – and a life without limitations – is the motivation that drives our success. We rely ever more on close partnerships with hearing care professionals. Our customers inspire and challenge us every day; their needs point the way to new discoveries. And it is our shareholders whose continuing trust lets us develop the company for the future. Our thanks go to all of you.

Outlook 2016 / 17

Ours is an expanding market, with dynamics that favor our business model: an expanding customer base that demands ever more innovative solutions provides all the right conditions for further growth. We anticipate that our hearing instruments and our cochlear implants businesses will both contribute to positive future development. In 2016 / 17, we expect to increase consolidated sales by 4 % – 6 % in local currencies.

Robert Spoerry
Chairman of the Board
of Directors

Lukas Braunschweiler
CEO


sonova
HEAR THE WORLD
PHONAK
unitron
Connect
Hearing
AB

The Sonova Group

The Sonova Group is the largest hearing care provider in the industry, 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 through a broad range of personalized service channels.

Hearing instruments

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

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

Cochlear implants

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.

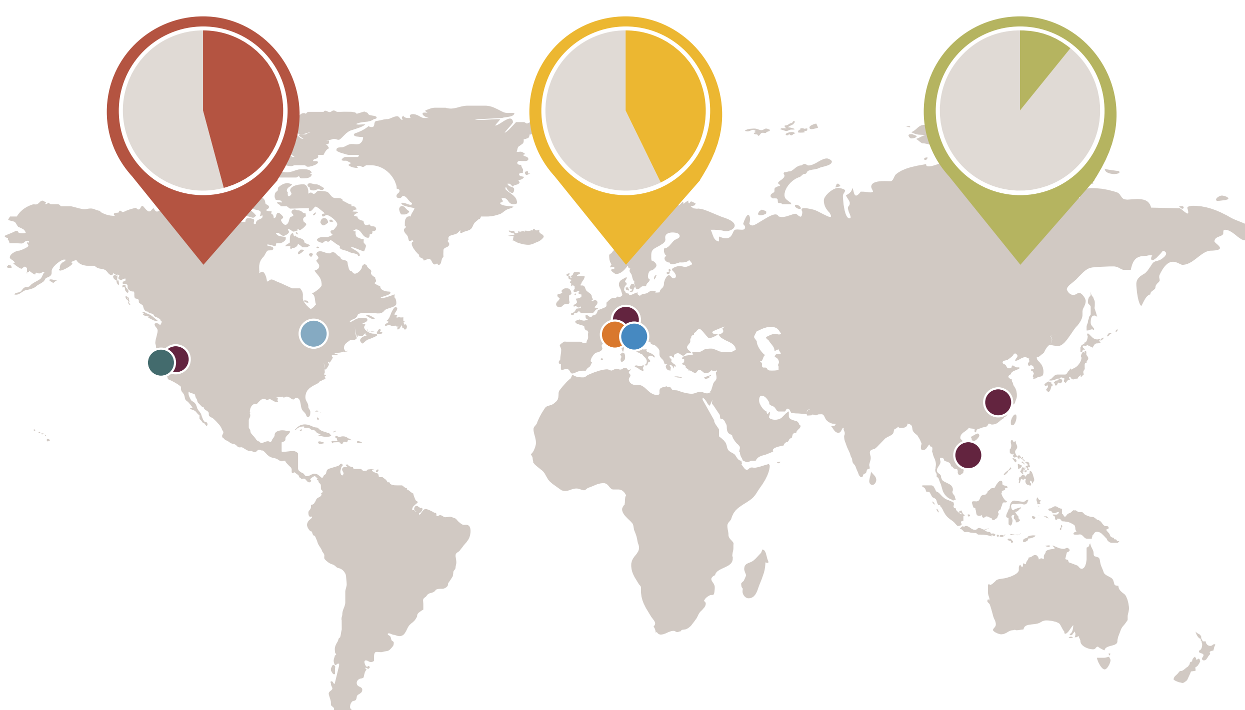
Our global presence

Sonova's market is worldwide. We sustain our brands with six R&D centers and four operations sites on three continents. Our sales and support presence is the widest in the industry: over 50 wholesale companies and more than 100 independent distributors. Our audiological service network has more than 2,000 locations in ten key markets.

Americas
46 %
of Group sales

EMEA
43 %
of Group sales

Asia / Pacific
11 %
of Group sales

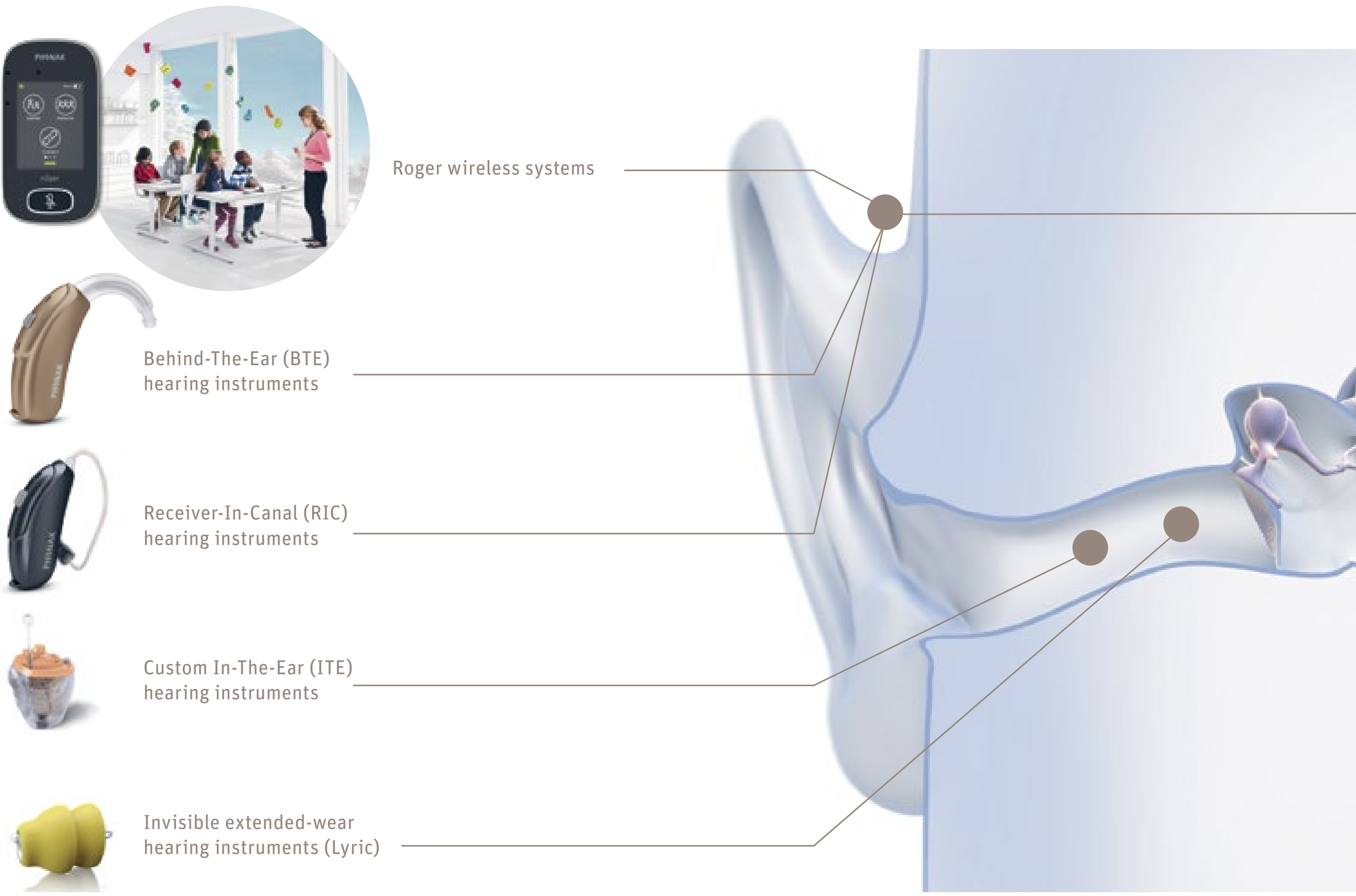


Sonova, Phonak and Connect Hearing Headquarters
Phonak Communications Headquarters
Unitron Headquarters
Advanced Bionics Headquarters
Operation Centers

Our product and service offering

The Sonova hearing care solution portfolio seamlessly covers every need, from hearing aids to cochlear implants to wireless communications, along with professional audiological services.

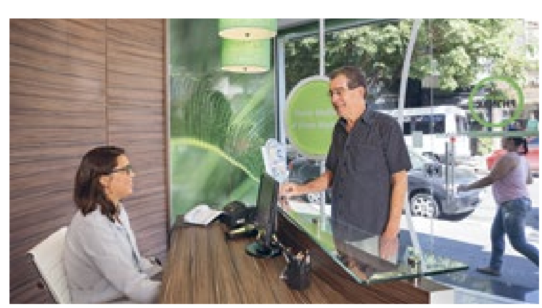
Hearing instruments



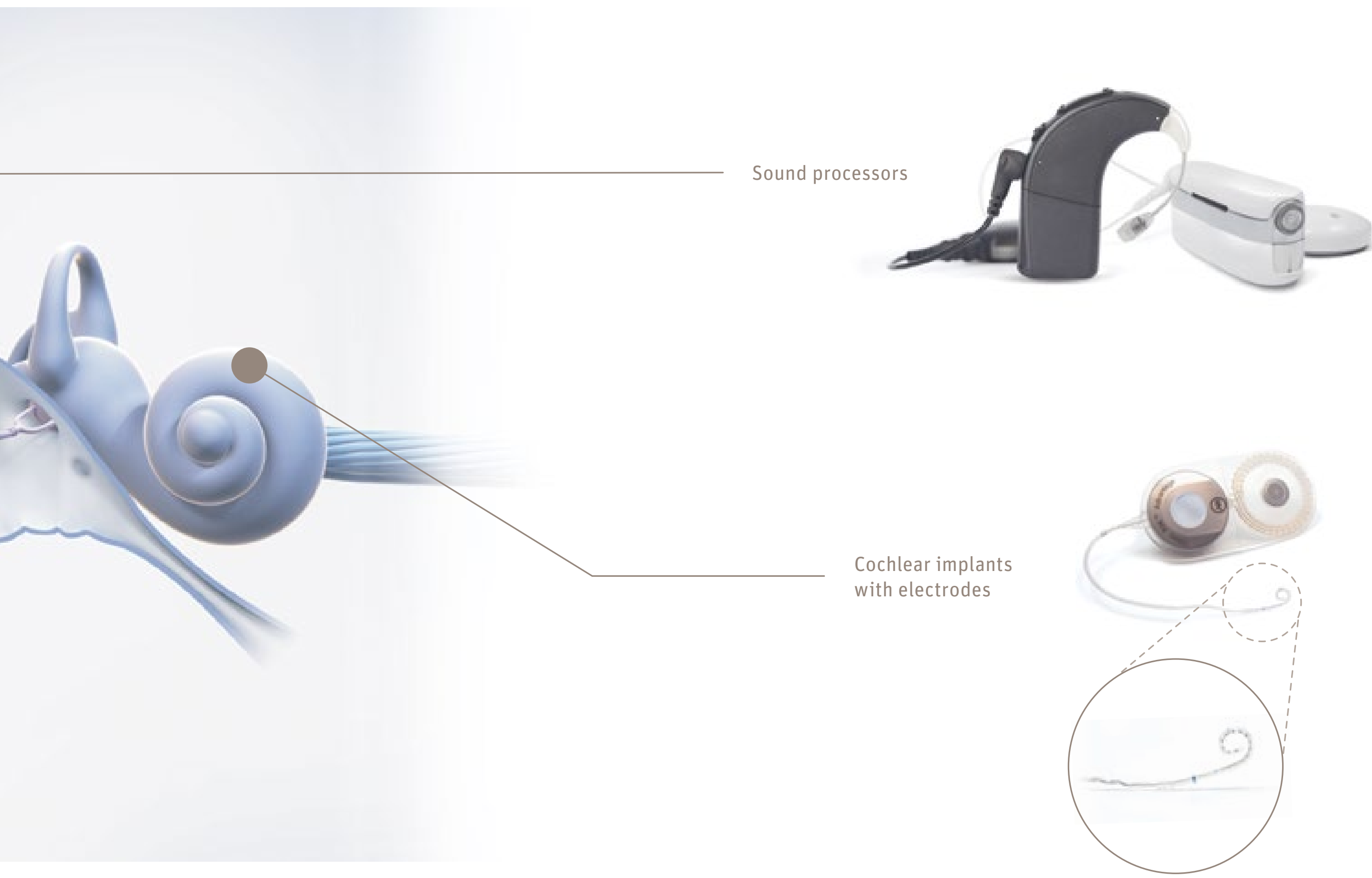
PHONAK unitron HANSATON hearing & emotions

Retail – Professional audiological services

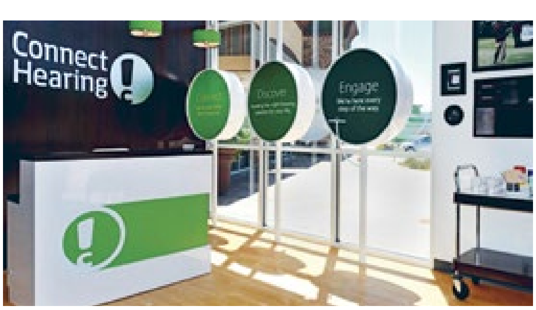
Connect Hearing

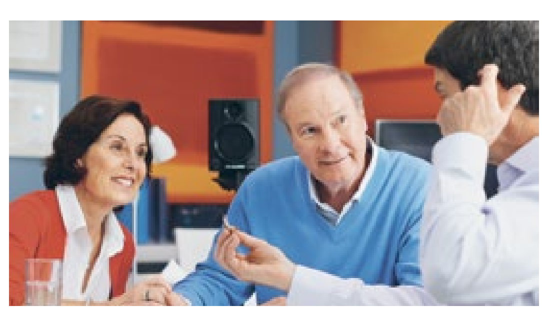


Cochlear implants



Advanced Bionics





Strategy and brands

Everything we do is inspired by our goal to help more people enjoy the delight of hearing and a life without limitations. We achieve this through constant innovation: in our products, in our approaches to the market, and in how we improve our customers' experience.

Sonova and its four brands are united under one roof at the Group's headquarter in Stäfa.

Sonova's mission is to be recognized as the innovation leader in the global hearing care market. Life naturally presents a wide variety of challenging hearing situations, so we offer the industry's most comprehensive range of solutions: hearing aids, cochlear implants, wireless communications, professional services – and, increasingly, connected solutions that combine our technologies and services to meet each user's specific hearing needs.

Sonova's commitment to a high pace of innovation is reflected by its sustained investment in research and development: we consistently invest between 7 and 8 % of sales in R&D. But our innovation goes far beyond new products – it extends to how we reach, serve, and support our customers.

Sonova's business brands – Phonak, Unitron, Hansaton, Advanced Bionics, and Connect Hearing – complement each other to address the full range of hearing needs. Phonak represents the cutting edge of technical development and innovation in hearing systems and wireless connectivity. Unitron and Hansaton forge close working partnerships with the hearing care profession, supporting it in creating an exceptional customer experience. Advanced Bionics offers cochlear implant recipients of all ages the chance to experience clear sound and speech through sophisticated solutions that provide optimal performance in real-life hearing situations. Connect Hearing is an international service network delivering advanced audiological care through world-class standards and efficient working practices. Each of our businesses has the freedom to fulfill its mission and pursue profitable growth, but each also gains from combined expertise and innovation, as well as from shared Group investment in new ventures.

Building leadership with new products

At the heart of our innovation strategy is our comprehensive and constantly renewed product pipeline, supported by a rigorous, consistent platform approach to product development.

Our portfolio of hearing instrument solutions covers the broad spectrum of hearing loss and meets the broad range of customer needs, from product performance and ease of use to aesthetics. In the 2015/16 financial year, we further expanded the innovative offerings made possible by the third-generation technology platform we launched in the previous year, introducing new product families across all our hearing instrument brands: Phonak, Unitron – and now Hansaton.

We also extended the range of products offered by our cochlear implants business, taking advantage of the close research and development collaboration between Advanced Bionics and Phonak to provide a unique breadth of solutions for cochlear implant recipients.

The global cochlear implant market is moving from a predominantly pediatric focus to one with a higher share of growth from the adult segment, reflecting the increased adoption of implantable solutions for a wider range of hearing loss. The patient universe is no longer clearly divided between cochlear implants and hearing instruments; it is becoming a continuous spectrum covering both implants and acoustic solutions, for one or both ears. In Germany, for example, around 60 – 70 % of cochlear implant recipients have a bimodal solution, using an acoustic hearing aid in one ear and a cochlear implant in the other. The joint innovation of Phonak and Advanced Bionics has created a range of unique solutions for bimodal use, offering functionality and flexibility unmatched by our competitors; this lays a strong foundation for future growth.

Expanding leadership through market reach

Our broad global footprint provides a strong platform to support our business brands. Our global sales and distribution network is the widest in the industry: with over 50 wholesale companies and more than 100 independent distributors, Sonova products are available in every important hearing care market around the world. Our Connect Hearing network offers professional audiological services in more than 2,000 locations in ten key markets. This worldwide presence, combined with our drive to encourage and enable collaboration across businesses and regions, puts us in a strong position for further profitable growth.

Sonova's strategy for sustaining this growth follows four clear paths. We will continue to expand our growing consumer base by accelerating our digital and direct marketing to generate increased demand. We will further integrate the professional service channels through which we reach our customers, expanding our store network and optimizing our other routes to market, We will enter newly accessible markets through geographical expansion and new product formats; and we will extend our presence in existing markets through our multi-brand approach and global wholesale network, supported by continuous product innovation.

On April 1, 2015, Hansaton joined the Sonova Group, adding another respected name to our range of hearing aid brands and further extending our leadership position in the global hearing instrument market. With a proud history of over 50 years, Hansaton has a direct presence in Germany, France, and the US, with an international network of distributors in around 70 countries. The founding family, which is still active in the business, decided that Sonova was the best partner for Hansaton's future: it will benefit from Sonova's industry-leading technology and innovation, further strengthening the Hansaton brand and supporting its plans for future expansion. During the course of the 2015 / 16 financial year, Hansaton's entire product portfolio was brought onto the Sonova technology platform. It was a major task to achieve this transition in such a short time: a testament to the flexibility enabled by Sonova's rigorous platform approach and global supply chain.

In March 2015, Sonova announced that Germany is to become one of its key retail markets. Our network in the country has grown substantially, from around 100 stores at the start of the 2015 / 16 financial year to nearly 150 at its end. This provides a solid basis for future growth and expansion, and exemplifies how Sonova is taking a leading role in the ongoing development of the world's second-largest market for hearing aids.

Advancing leadership through e-business

The world is getting ever more digital, and so are the lives of our customers. Smartphones, tablets, and social media have become the usual ways for people to seek information, control their environment, or connect with others. Sonova's vision is to help people enjoy life without limitations, so we are committed to making the experience of dealing with us and our products and services – whether directly or through digital channels – seamless, natural, engaging, and empowering.

We have established a strong digital marketing presence, with online and social media platforms that provide unique, valuable content and interaction for people to explore their hearing care options. We recognize that this is a complex and personal process, so we guide each visitor on the journey to better hearing through targeted information and support. The success of these platforms, and of the online customer communities we have set up, has led us to integrate digital channels into all our marketing plans.

We also offer web-based tools for existing and potential customers. The Listening Room™ (thelisteningroom.com) is an online resource to help develop speech, language, and listening skills in people with hearing loss, with specific sections for infants and toddlers, children, teens, and adults. The Phonak web hearing check allows users to gain quick, useful feedback on the current state of their hearing, with the ability to book an appointment with an audiologist immediately. Connect Hearing offers equivalent screening tools both at its own premises, at remote locations, and online. Our aim is to use and further expand these digital channels to establish one-to-one, real-time relationships with our customers.

Sustaining leadership by developing people

We know exactly what sets us apart from our competitors and drives our success year after year: our employees. Their skill, experience, and commitment are irreplaceable business assets. We are committed to being a great place to work, where employees know that they can develop to the best of their potential and gain recognition for their individual performance.

Something so important cannot be simply left to chance: we therefore regularly review the competencies, performance, and potential of our employees, providing constructive feedback and investing time to develop each individual's strengths. We discuss career plans and define learning measures to fill skill gaps that might restrict a team member in current or future roles. With our global Succession Planning, we proactively manage the risk of loss for key positions while at the same time identifying and developing the talents of potential replacements. Over 60 % of all key positions have a potential internal successor.

Our business brands serve different markets, but they share one determination to attract, develop, and retain the most talented people – so "Sonova" is the name under which we offer employment opportunities across all our brands. We are a team of highly motivated experts and leaders with passion to improve quality of life for people with hearing loss. We believe creative talent can be found at all levels, and foster a culture of flat hierarchies to empower people. We offer a highly challenging and flexible environment that inspires personal growth and professional development.

Germany facts & figures:

Area:
0.357 million km^2

Population:
81 million (2015)
Density: 228 people/km^2 (2015)
Growth: –1.2% (2005–2015)

GDP:
CHF 3.3 trillion (2015)
Per capita: CHF 40,438 (2015)

Sales at a high level

Around 1.2 million hearing aids were sold in Germany during the 2015/16 financial year. This well-developed market still offers significant opportunities: with an estimated penetration rate of approximately 20%, there remains considerable room for growth.

Sonova in Germany

Today, Germany is the Sonova Group's second largest sales market, having achieved a strong increase in local currency terms over the past five years.

German ingenuity

Sonova has enjoyed decades of success in Germany. We pay a visit to a country with a long research tradition and a true sense of quality.

As the German poet Johann Wolfgang von Goethe noted in his novel Wilhelm Meister's Journeyman Years, "knowing is not enough, knowledge must also be applied; wanting something is not enough, you have to take action." There is a long tradition of scientific curiosity, entrepreneurial spirit and practical knowledge transfer in Germany and Sonova's innovations have fallen on fertile ground here. Customers are typically tech-savvy and the audiological training courses amongst the best in the world. The research conducted at German universities is world-class.

The hearing aid market in Germany experienced double-digit growth in 2014 in the wake of a significant increase in reimbursement by health insurers in November 2013. Unit sales for 2015 were also high, with some 1.2 million devices sold. The market potential remains substantial: up to 15 million Germans are estimated to be affected by hearing loss, yet only three million use hearing aids.

Moreover, the number of older adults in Germany is steadily rising. By 2030, the proportion of over-60s will have grown by more than 25 percent, and with it, the need for hearing solutions. Given these circumstances, it has been part of Sonova's strategy to raise awareness among potential hearing aid wearers to a point where they seek professional help as early as possible – rather than putting it off for up to seven years, as is currently the case. Finding a solution too late means losing cognitive performance, with substantial work required to regain the auditory function. Since reimbursement rates were raised in 2013, a number of media outlets have carried reports on the importance of hearing. This is helping to remove the stigma associated with hearing loss and dispel any fears about confronting it.

The supply infrastructure is highly developed in Germany, and the market heterogeneous, with retail stores, chains and wholesalers represented. Audiological stores are required to have fully qualified staff and many of the smaller specialists have organized themselves into buying groups. Hearing care professionals are comprehensively trained and the profession is well respected, with some 800 audiologists beginning their training at Lübeck University of Applied Sciences each year. Technological innovations are presented every October at the International Congress of Hearing Aid Acousticians, the industry's most important trade fair.

"It's a bonus for Sonova that our customers in Germany appreciate the link between quality and innovation," explains Lukas Braunschweiler, Sonova's CEO. "In a demanding client environment our innovative range of products allows us to provide a solution for every type of hearing loss." Sonova is extremely well positioned in Germany. Sonova brands are firmly established in the world's second-most important market after the USA and the Phonak brand has been the market leader here for many years.

Sonova has grouped all kinds of hearing-related expertise together at its facility near Stuttgart, where the German companies of Phonak, Unitron and Advanced Bionics share premises only a few kilometers from the Swabian hub. Between them, the three Sonova brands cover the entire spectrum of hearing solutions – from hearing aids and cochlear implants to wireless communication – and their joint headquarters allows Sonova to successfully pursue its business strategy while achieving synergies and cost efficiency through the close cooperation of the individual brands. This begins with collaboration in areas such as purchasing, logistics and IT and even extends to bookkeeping / controlling and human resources.

For more than 30 years, the name Phonak has been synonymous with the highest standards of hearing aid technology in Germany, and Werner Dettmer has been involved from the outset. Back then, the firm had only 22 staff, a roster that has now expanded to more than 140. "We have grown quickly, but the working atmosphere has remained very personal," he explains. He also meets up with his colleagues from the customer helpline in his leisure time, to play badminton or soccer. The company's flat hierarchies and attractive opportunities for advancement are likewise a source of pride, as is evidenced by the low staff turnover rate; the average period of employment at Sonova's Stuttgart office is about eight years.

Phonak's innovative products are very well received by the German market. One example of this is the commercial success achieved by Lyric™, the world's only 100 % invisible hearing aid, which can be worn continuously for several months at a time. The high-tech Roger™ Pen wireless microphone, which enables people with hearing loss to communicate in noisy environments and at a distance, is also in high demand. Wireless solutions such as EasyCall are another successful part of our product offering, allowing every Phonak hearing aid to link to any Bluetooth®* enabled telephone and transmit the speech signal to the hearing aid. "Our customers really appreciate Phonak's innovative spirit," says Roger Baumann, Managing Director of Phonak Germany. "We are in a strong position when it comes to providing solutions for adults and children with profound hearing loss."

The new Venture product platform, introduced in 2014, has been particularly well received. Leveraging Sonova's latest chip technology, Venture delivers double the processing power while reducing battery consumption by up to 30 percent. The AutoSense OS™ automatic operating system ensures that there is no longer any need to switch between programs: the device automatically detects hearing environments and adapts in real time. Furthermore, Venture's AutoSense OS makes use of Binaural VoiceStream Technology™, a unique system in the industry that provides bi-directional signal transmission between two hearing aids in real time – enabling exceptional sound quality and excellent speech understanding.

According to a 2014 patient study, 86 percent of Germans surveyed looked online for health-related information. The advantages of online research are its speed and anonymity, which is of great importance to those individuals with inhibitions to overcome. This remains an issue for many with hearing problems and is one more reason why Phonak intends to expand its use of digital channels when communicating with customers. "We want to offer genuine added value on the internet to hearing care professionals and our hearing aid wearers alike," explains marketing manager Steffen Kohl, "whether via social media, e-learning or our e-commerce platform." Phonak is exploiting the potential of the internet with multi-channel marketing; presenting information via online platforms while providing an opportunity for interaction on Facebook.

Phonak provides hearing care professionals with a wide range of services to ensure success in advising customers and fitting hearing aids. This strategy is based on four pillars, starting with the products and their associated documentation and manuals. The second pillar represents needs-oriented advice that may be expanded to include an online consultation tool or guidelines for sales support. The third pillar is the fitting itself, for which Phonak's Target software was developed. The fitting process has been optimized with a phoneme test that uses the smallest units of language to establish how well speech is heard, distinguished and identified, and Phonak's Target has a "Junior" mode for children's audiological requirements. The fourth pillar aims to raise awareness of products and services among hearing aid wearers. Phonak provides hearing care professionals with marketing support through the likes of the Phonak Vendo online portal, for example, featuring marketing materials that the hearing care professionals can customize to meet their needs and then order directly from the site.

Phonak recognizes the commitment and expertise of hearing care professionals with the Future Hearing Award, which was first presented in 2015. "Our objective is to work with hearing care professionals in shaping the future of hearing," explains Phonak Managing Director Roger Baumann. "We enjoy a close part-

nership." Hearing care professional Sabine Welling has received an award in the "Fitting" category, for example. She developed an ingenious network for an almost immobile paraplegic hearing aid wearer that makes use of his mobile phone's voice command system and various other interfaces and wireless connections to his hearing instruments, enabling him to interact independently and flexibly with other people.

Unitron, Sonova's second hearing aid brand, has also enjoyed great success in Germany, benefiting greatly from close client relationships that have been built up over many years. "The commitment of our team has been the secret to our success here," says Unitron Managing Director Jochen Meuser. Unitron's business has performed very well over the last few years, with sales and total units sold in Germany quadrupling within a very short time.

Unitron's Flex™ concept represents a particularly appealing solution for hearing care professionals: various technological aspects of Flex devices can be upgraded, and an instrument's technology can easily be adapted (even if it has already been sold) by upgrading its programming. This means that no more consignment stock needs to be kept, which reduces costs. "Once we saw the advantages that working with Unitron would bring for us and for our customers, we were immediately excited," says Eberhard Schmidt, one of the managing directors of "das Hörhaus" in Regensburg, a successful independent hearing solutions company with ten branch offices. Launched in 2015, Unitron's new product platform North uses Sonova's latest chip technology to precisely classify seven different sound environments, four of which focus on conversations. Unitron's Log It All system offers considerable benefits for fitting hearing aids that truly meet the needs of customers by delivering objective data about a wearer's real-life hearing needs, such as how they use their hearing aids and what hearing environments they encounter on a day-to-day basis. Hearing care professionals can then incorporate this data into the consultation and take the wearer's lifestyle into consideration when selecting the right level of technology. These and many other innovations have allowed Unitron to position itself successfully in the German market.

The Sonova brand Advanced Bionics has also secured a commanding market position throughout Germany and is represented in 70 percent of all clinics. This manufacturer of cochlear implants joined the Sonova Group in 2009, a year after founding the European Research Center (ERC), the company's Hanover-based European research facility. The scientists at the ERC are currently working on proposals for new and innovative products and conducting feasibility studies as they develop technologies for the cochlear implant systems of tomorrow.

The 18 members of staff – who include engineers, medical technicians, physicists, materials scientists and audiologists – are carrying out their studies in conjunction with more than 30 partner clinics and universities throughout Europe. One focus of the ERC's research is to integrate Phonak's hearing aid technology into cochlear implant systems and thus leverage the potential in both technologies more effectively. "Every day, we work hard to improve the lives of cochlear implant recipients," says Volkmar Hamacher, Director of the ERC. The synergies they have achieved between the two Sonova brands are proof positive of the successful and unique combination of cochlear implant and hearing aid technology.

The Naída CI Q90 processor is the latest offering from Advanced Bionics and has been on the market in Germany since January 2016. Much like its predecessor, it was developed through close cooperation between Advanced Bionics and Phonak, and this has made it possible for recipients to better understand speech even in loud background noise. For example, the recipient's processor can automatically detect the noisy situation and reduce the surrounding noise while focusing on the speaker's voice without them needing to manually switch settings. The researchers in Hanover are also working towards further signal processing refinements using Phonak algorithms. Pooling the resources and expertise at Phonak and Advanced Bionics will bring an additional bonus for recipients: "Phonak wireless accessories can be used by Advanced Bionics cochlear implant recipients to enjoy daily activities, such as talking on their cellphone, listening to music, and watching TV, as well as for better communication with friends, family, and loved ones in noisy situations and over distance," explains Volkmar Hamacher.

The German hearing aid market features a range of sales models. Wholesale is proving a key sales channel for Sonova, although the company is complementing this with targeted investment in its own retail network. The overarching goal is to grow the customer base for hearing solutions in Germany by expanding the supply and service network. Direct market presence in the retail sector allows Sonova to contribute towards a sector-wide drive to strengthen the audiological base and provide professional services; the Connect Hearing Group, Sonova's audiological services network, is represented across Germany through Vitakustik, Fiebing, Lindacher and Lorsbach stores.

The Sonova Group has further expanded its market access and augmented its comprehensive range of hearing solutions by taking over the Hansaton hearing aid brand in March 2015. This traditional Hamburg-based company has a team of around 200, with staff in Germany, France and the USA, as well as an established distributor network in more than 70 countries. Hansaton provides a broad spectrum of innovative audiological and technological hearing solutions and, as a well-positioned hearing aid brand, is an ideal addition to Sonova's portfolio. Andreas Fischer, Hansaton's Managing Director, observes: "I'm delighted we're part of the Sonova Group. We can now draw on Sonova's considerable capacity for innovation to further reinforce the Hansaton brand and support our long-term expansion plans."

Almost 700 kilometers south of Hansaton's headquarters in Hamburg, Simon Ollert is playing soccer in the evening sun on a pitch in the foothills of the Ammergau Alps. Simon's love of the game began here, where he grew up, and as a young boy he wrote down his life's dream on a sheet of paper and hung it over his bed: "Become a professional soccer player!" Despite the profound hearing loss with which he was diagnosed two years after he was born, Simon pursued his dream relentlessly, working and training hard. Even when he was a small boy, his Phonak hearing aids brought him far more than just quality of life; they spurred his ambitions. "When Simon got the hearing aids, he never wanted to take them off, they were his favorite thing," remembers his father.

The 18-year-old has been playing in the youth squad at FC Ingolstadt since summer 2015. The team won promotion to the first division of the German Bundesliga the same year. "My story shows just what you can achieve despite hearing loss. I have a great life and don't feel restricted in the slightest," says Simon Ollert, effortlessly intercepting a pass and playing on until it gets dark; he is back to training in Ingolstadt the next morning. Simon is looking to the future with confidence. "I have always set myself goals and always achieved them. If you really want something, you'll get it," he says, running onto the pitch in his soccer jersey.

* Bluetooth® is a registered trademark owned by Bluetooth SIG, Inc.

Ever since he can remember, Simon Ollert has dreamt of being a professional soccer player. Despite the profound hearing loss, Simon pursued his dream relentlessly. His Phonak hearing aids brought him far more than just quality of life; they spurred his ambitions.

Phonak

We believe we can do more, do better for everyone who can benefit from improved hearing. In fact, we are committed to making hearing solutions that break the boundaries in terms of acceptance, ease of use and performance, so people can thrive socially and emotionally.

Phonak Sky™ V embodies 40 years of innovative pediatric solutions which change children's lives.

At Phonak, innovation is a cycle: as we roll out successive technology platforms and product families, we also gather critical information from our customers and consumers by analyzing the results from more than 10,000 interviews each year. This deep engagement with the daily real-world use of our products, combined with our constant advances in audiological research, gives us the knowledge we need to push the limits of current technology, delivering innovative solutions across the broadest portfolio in the industry.

So what do consumers really want? It comes down to three key areas: hearing performance, ease of use, and product aesthetics. "How well will I hear and understand?" "How easily will I get the best out of my hearing aids?" "How will they look when I wear them?" These are the questions we encounter every day, for which we aim to provide ever better answers.

Hearing performance

A recent Phonak consumer study confirms that "best hearing performance" is the top criterion when choosing a hearing instrument. What "performance" means, however, is a combination of several things. In the top twenty hearing needs listed in our worldwide consumer survey are terms like "clarity of tone and sound," "natural sound quality," "communicate easily", "detect and recognize sounds in different environments." So "performance," for consumers, really involves intelligent sound processing: the ability to analyze sound environments and optimize hearing aid settings so that speech is always clear and hearing feels natural. That is what we work hardest to provide.

Ease of use

The same studies reveal that consumers greatly value ease of use, by which they mean two different, important things. The first is self-explanatory: setting up, adjusting, and maintaining a hearing instrument should be simple and quick. The other is that it should be automatic wherever possible. People do not want to spend their time interacting with their hearing instrument; they want be interacting with other people – and forgetting that they are using an instrument. So we strive to deliver advanced performance through intuitive, self-regulating features.

Product aesthetics

A hearing aid is a miniaturized powerful computing device, crafted from carefully selected materials into an appealing, unobtrusive shape. It is there, working in the background, all day every day. It has to fit comfortably; it has to be inconspicuous but attractive. Contours, texture, and color are important. Some people like to make a statement with their choice of hearing aid; others are looking for maximum concealment. Both preferences demand that our product's look and feel embody the same high level of innovation that we bring to the technology.

Audiological excellence

For Phonak, every product advancement is firmly rooted in hearing research. AutoSense OS™, the "central brain" of our hearing aids, is a case in point: years of audiology research and development have paid off in the most sophisticated and advanced processing system ever applied to hearing care. Continuously analyzing the hearing environment, AutoSense OS automatically optimizes over 200 settings, blending programs to match the situation at each moment – all without requiring any manual adjustment.

Research under laboratory and real-life conditions confirms that AutoSense OS delivers significantly improved speech understanding – 20 % better than our previous technology platform[1] – particularly in difficult hearing environments, such as noisy rooms and cars. It is also shown to be better than a human at selecting the right settings for each environment, so we have developed a further customized version of AutoSense OS for children's unique hearing needs and environments: now, they too can forget about their hearing aids and enjoy interacting with friends.

Product innovation

Phonak Virto™ V

In the 2015 / 16 financial year Phonak rounded out its offering based on the powerful Venture product platform. With the launch of Virto V, we brought the performance and features of Venture to the world of custom products, packing great performance into a tiny package. Unique antenna technology lets us offer advanced wireless functionality and AutoSense OS processing in an instrument only three-quarters the size of our previous-generation models. Virto V is far less visible than competing products, yet it delivers up to 33 % better speech intelligibility in noise.[2]

Performance and aesthetic appeal are matched by ease of use: newly designed controls make Virto V's features simple to access, while its low power consumption extends the instrument's battery life by up to two days. No other hearing instrument this small delivers all these benefits.

1 Phonak Field Study News (2016); Virto V90-10 performance and size benchmark
2 Hörzentrum Oldenburg (2015); Benchmark of modern custom-made hearing devices
3 Phonak Insight (2016); Julia Rehmann, Siddhartha Jha, Silvia Allegro Baumann; SoundRecover2 – the first adaptive frequency compression algorithm

Phonak Naída™ V

We are particularly delighted to introduce Venture's revolutionary capabilities to a market segment where Phonak has always had a high reputation: Power hearing solutions for people with severe-to-profound hearing loss. Featuring a glass-fiber reinforced shell that is 60 % more robust yet up to 25 % thinner than its predecessor, the Naída V power instrument provides even more audibility of high-frequency sounds, while maintaining sound quality[3].

Phonak Sky™ V

Phonak has always insisted that a child is not a small adult; we are proud of our track record in creating solutions specifically designed for the needs and environments of children, from infants to teens. This year, we have significantly boosted our integrated pediatric product portfolio with the launch of the Venture-based Sky V hearing aid, along with the new Roger™ Touchscreen Mic and wireless accessories.

Anyone who has been in a classroom or playground knows that these are unique sound environments. Thanks to its customized version of AutoSense OS, Sky V helps users develop their speech, language, communication, and social skills without the need for manual adjustments. Available in 16 mix-and-match colors, all Sky V devices are "RogerReady": that is, they will link automatically to the Roger family of wireless accessories. The result is a seamless web of hearing solutions, linking speakers and listeners across the noisiest environments – giving children the freedom to learn, interact, and have fun without limitations.

Roger Touchscreen Mic

Children don't only learn from the teacher at the front of the room; they learn and grow socially through conversation with friends. Part of Phonak's intuitive, easy to use family of wireless devices for education, the Roger Touchscreen Mic can switch from transmitting one person's voice to a small group interaction mode: its microphones automatically select in turn the speech of each person who is talking, transmitting the natural sound of conversation. The result is easy interaction, engaging activity, and social development. Every child we asked in a recent study preferred this way of listening to their peers.

Lyric™ 3.1

Performance can always be improved, but when it comes to ease of use and unobtrusive appearance, Phonak has already reached the ultimate goal with Lyric: the world's first and only 100 % invisible, 24 / 7 wearable, for-months-at-a-time hearing aid. Offering clear natural sound quality, Lyric is truly effortless, requiring no user adjustment, and completely unseen, sitting deep in the ear canal. With the introduction of Lyric 3.1, Phonak has set a new standard in natural sound from a hassle-free hearing aid, and has introduced Lyric as an effective solution for the relief of tinnitus.

Connecting with the consumer

Phonak completes the circle of innovation by reaching out directly to consumers through digital and social media, building one-to-one relationships that offer support, service, and community. Over the past three years, we have connected with many thousands of people through all the main social channels – including Facebook (165,000 fans), Twitter, Instagram, and YouTube – in multiple languages, generating millions of impressions yearly.

Our blog "Open Ears" is a collection of individual voices, some from inside Phonak, others from the larger hearing community, sharing the personal experiences of people with hearing loss and audiology professionals, as well as news from the hearing aid and audiology industry. "Hearing Like Me" is an online community for people whose lives have been touched by hearing loss, along with their parents, loved ones, and hearing care professionals. Its videos and articles provide education and inspiration, while the forums offer a place for people to connect.

OLD MASTERS, NEW TECHNOLOGY

The tour begins with a cityscape of Dresden, painted in 1748. The schoolchildren listen attentively – they seem to like the painter Canaletto's delicate brushstrokes. "It wasn't always like this," explains Claudia Schmidt, who is leading the group through the Semper Building. "I really used to have to raise my voice during tours, almost shout – and even then, the audience often didn't pay attention."

This changed overnight when the Staatliche Kunstsammlungen, Dresden's state art collection, decided to install Phonak's Guide-U system three years ago. Its integrated "Roger" technology enables every listener to enjoy a full and rich hearing experience – even people with hearing loss. Roger Guide-U, which operates without interfering with Wi-Fi, Bluetooth or GSM, is the smallest and lightest visitor guiding system on the market. "You can even have parallel group tours in the same room," explains Schmidt.

Today, she is taking a group of fifth-graders from Rostock on a tour through the Old Masters Picture Gallery, one of the world's major art collections that has found fame through works such as Raphael's "Sistine Madonna" and Cranach's "St Catherine Altarpiece." Even Goethe was amazed when he saw the collection: "My astonishment was beyond all comprehension!"

There are tours in English, Japanese, Russian, Polish and Czech, and half a million people come to visit every year – yet the museum is quiet, even when there are several groups in the same room. The tour guides speak directly into the microphone in hushed tones, but the visitors hear their voices perfectly clearly, with no interference.

Claudia Schmidt has tucked the transmitter into her waistband and the microphone is attached to her scarf. You might think that 16-year-olds wouldn't necessarily be very interested in Old Masters, but the class is concentrating hard. Every now and then, one of them walks on a few meters to look at another picture, but even there, they can still hear Claudia Schmidt's explanations loud and clear over their headsets.

"I felt like I was in my own little bubble and I listened the whole time," says Max, one of the pupils in the group, at the end of the tour. "A good sound makes a world of difference," agrees his classmate Sofia, "I wish we had something like that in school as well." Claudia Schmidt concurs. "I couldn't do without the audio system now. The range is very good and the visitors are not distracted by background noise, so they can concentrate exclusively on the pictures and their history, thanks to the latest Phonak technology."

Claudia Schmidt leads the group on a tour through the Old Masters Picture Gallery in Dresden. Since the gallery decided to install Phonak's Guide-U technology in the Semper Building, she no longer has to raise her voice, even for large groups. Schmidt has become a big fan: "I couldn't do without the audio system now."

Unitron

Knowledgeable, approachable, and easy to work with, we build personal, trusted relationships with hearing care professionals, giving them the right products, tools, and support to provide an exceptional customer experience and achieve success in their business.

Unitron helps hearing care professionals to create an exceptional patient experience through the ideal combination of style and functionality.

Customer requirements are changing: as empowered consumers, they are looking for more personalized solutions, tailored to their individual needs. Technologies are changing: hearing aids operate in a complex sound environment, combining both acoustic and electronic communication. And the business landscape is changing: independent hearing care professionals are facing competition from discounters, large chains, and internet sales. They need to differentiate themselves through higher service levels and closer, individual customer relationships.

That is where Unitron comes in. We say, "this business is personal," because it is the personal trust – between us, our customers, and their clients – that drives success. We augment each customer's experience through solutions that meet real-life needs – building advocacy for the hearing care professional and thus promoting new and repeat business. Our role is to support productive interactions between professionals and their clients throughout the cycle, from initial contact to after-sales follow-ups and upgrades. We package advanced features in attractive, stylish designs, because we understand that a customer's experience of a hearing aid is aesthetic as well as practical. And we support our products with technologies that give professionals and their clients a unique degree of choice and control: ensuring each user's hearing experience is optimal, not just at the fitting appointment, but throughout daily life.

Driving in-clinic success

Unitron's strategy is to help our customers achieve success in their business through delivering an outstanding client experience. In 2015, we invited international hearing care practice owners and clinicians from all three of our sales regions to join us in a range of interactive sessions aimed at providing practical solutions to help them adapt and succeed in the face of competitive, technology, and client change. Customer reactions were overwhelmingly positive, as seen from responses like these: "This conference has reconfirmed we are focusing on the right things with our clients, while providing us with new ideas and perspectives to consider – especially on how we market to our clients."

"It really is all about changing behaviors. I now have this burning desire to make changes in the way our team interacts with our clients. From the moment they walk through the door to our clinic we can create a truly differentiated experience for them that sets us apart."

This anecdotal evidence is backed up by numerical surveys. Our global Net Promoter Scores , which measure how likely customers are to recommend Unitron, show that we continue to outpace the average for business-to-business service industries by a wide margin. We have now adopted the Forrester CX Index of customer experience, which assesses customer views about specific aspects of dealing with us: whether it feels easy, enjoyable, and effective. We are pleased to report that our global score is 81 out of 100.

North platform supports clear conversation

Customers want to understand conversations: it is their number one requirement. At Unitron, delivering clear, comfortable conversation is our specialty, and our North product platform makes us even better at it. North supports three key features that combine automatically to classify listening environments, balance the hearing aid's adaptive features to address each unique hearing scenario, and pinpoint speech from any direction in a noisy situation. The result? Crisp, clear conversation with natural sound, and without the need to adjust anything when the listening situation changes.

In the 2015/16 financial year, Unitron extended its North-based offering by launching the Stride™ family of Behind-The-Ear (BTE) and In-The-Ear instruments to join its popular Moxi™ Receiver-In-Canal models. Stride offers the impressive aesthetics, comfort and intuitive controls that customers find so appealing, with choices of technology level to satisfy every need. Unitron now offers North functionality in its complete range of hearing aids, from the high-power Stride P Dura to the tiny Stride 10A Invisible-In-Canal instrument.

We asked hundreds of hearing care professionals at the 2015 AudiologyNOW! conference to try North's unprecedented listening experience for themselves by borrowing new Moxi Fit hearing instruments. After wearing them for a day, they were asked to rank their listening experiences using the Net Promoter Score. The score was a remarkable 91%.

Customer-centric design creates award-winning products

All Unitron's new hearing instruments are designed to achieve the perfect mix of aesthetics, comfort, and intuitive functionality. Our products reflect the friendly character of our brand – promising a simple, enjoyable experience for customers, who can imagine wearing them all day, every day. They also promise comfort, with soft, flowing lines, organic shapes and smooth, high-quality finishes. And they are simple to use: their controls and features immediately make sense to customers and fit seamlessly into their lives.

Our new Stride family breaks the stereotype of BTE hearing aids. Drawing on the unique styling cues that won our Moxi instruments three prestigious international industrial design awards, we rethought every element, from battery door latches to push buttons. The result is Stride M, introduced in March 2016: our smallest BTE instrument ever.

Flex™ and Log It All transform service

Unitron's intense focus on the relationship between hearing care professionals and their clients puts our Flex concept in the spotlight. Flex allows customers to trial and upgrade to different technology levels without changing their hearing instrument – a feature unique to Unitron since we launched it in 2012. Flex addresses some of the most significant barriers for hearing care professionals: resistance to having hearing loss treated, low uptake of recommended solutions, returns of hearing aids, or general dissatisfaction with the experience. Being able to test with Flex:trial, free of obligation, opens the conversation and improves confidence in the chosen solution. Leaving open a path to higher technology levels through Flex:upgrade, with no change of instrument, helps retain customers and increase personal recommendation.

In recent surveys, 84% of our Flex customers told us that it improves the client experience; 83% reported an increase in the number of clients deciding to purchase, while 82% said that Flex:trial helps them to fit higher technology levels. Closure rates are higher, return rates lower, and average client spend rises.

Flex becomes an even more effective tool when combined with the Log It All feature of Unitron's TrueFit™ fitting software. Launched in March 2015, Log It All takes advantage of every North-based instrument's ability to log the current sound situation while wearing the hearing aid into one of seven environments, regardless of the technology level the customer has purchased. With Log It All, the hearing care professional has all information about the client's listening lifestyle immediately available; its insights can start evidence-based conversations for better counseling and fitting. Where customers are using Flex, the Log It All data can pinpoint the areas where the chosen technology level is performing well – and areas where an upgrade could help. In a recent Unitron survey, health care professionals agreed strongly that the combination of these two features enhanced their counseling skills, as well as their ability to build trust with customers and create advocates for their practice.

Ratings put customers in control

Reviews, stars, "likes:" today's consumers want to be able to provide feedback in real time. One potential source for customer dissatisfaction can be the lack of open channels for expressing an opinion – right now. That is no longer a problem: in another industry first, Unitron has launched Patient Ratings, an e-solution to link the customer's experience, minute by minute, with the hearing care professional's expertise.

Based on our uControl smartphone app, Patient Ratings allows customers to rate their hearing instrument's performance at the exact moment they are experiencing a positive or negative reaction. The information is transmitted to the hearing care professional's TrueFit software, where it can be viewed in the larger context provided by Log It All. The result is a total picture: the listening environment, the instrument's settings, and the customer's subjective view of the hearing experience are all linked and laid out in a clear form, ready to assist with counseling. In fact, Patient Ratings give hearing care professionals the ability to spot difficulties before they are reported, anticipating customers' needs and earning their trust.

A SUCCESSFUL PARTNERSHIP

When Eberhard Schmidt describes the division of labor among the managers at the "Hörhaus" audiological store, it sounds like he is describing a government cabinet: "We have a Secretary of State and a Treasury Secretary, and I am the Secretary of the Interior."

This charming master audiologist and his fellow manager Thomas Wittmann are standing in the inviting reception area of a Hörhaus store in Regensburg; the colors are bright and warm and a carpet muffles any footsteps. The company – "Das Hörhaus GmbH und Co. KG", to give it its full title – owns ten audiological stores while also running more than a dozen other outlets under the "Hörgeräte Reichel" brand. The audiological range for children in one of its branches is unmatched in Eastern Bavaria.

A key pillar of the company' commercial success is its cooperation with Unitron: "There's absolutely no downside", explains Wittmann. "We're in constant and close contact." "We've pretty much fallen in love with Unitron technology," adds Schmidt with a grin. "Trial instruments, personalized service – and we don't need to have any more stock on commission as the Flex:trial sample devices are freely configurable. When we update the firmware, we can load new product functions without switching out the devices." Hörhaus takes part in a partnership program offered by Unitron to selected hearing care professionals right across Germany. "We meet up regularly to compare notes; this is unique in the sector," says Schmidt.

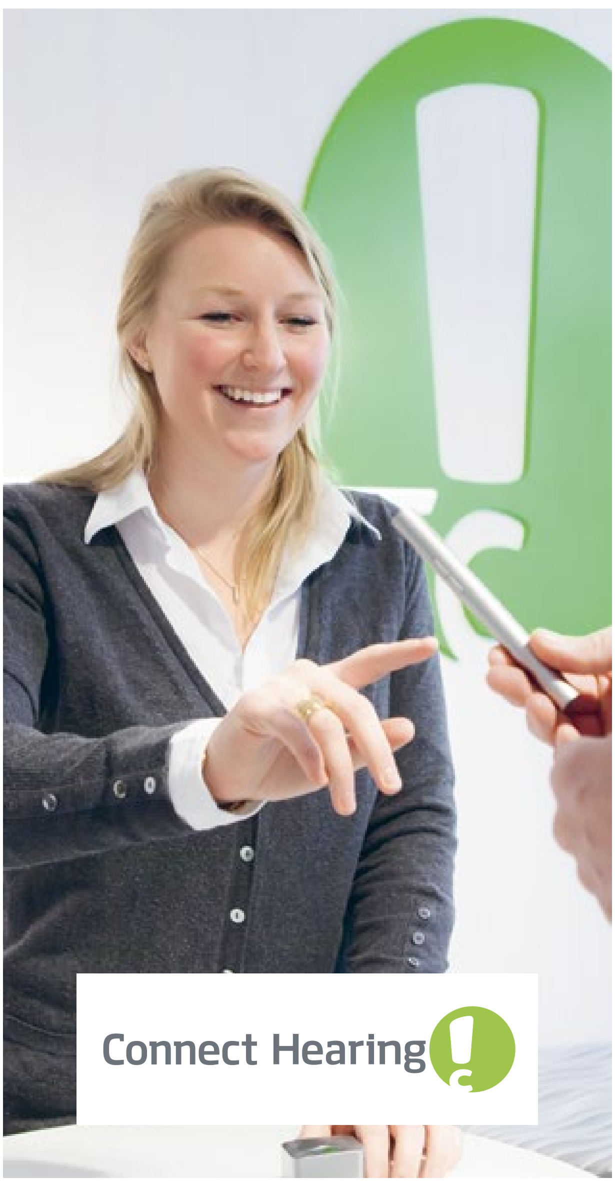
The trust-based partnership with Unitron is also a boon to hearing aid wearers. The first time Günther Christoph entered the Hörhaus store, the calm and generously sized booths for hearing tests put him at his ease immediately. The best thing, however, was that he didn't have to make a decision straight away, and yet was still able to take away a trial device immediately: Hörhaus offers Unitron's Flex:trial service in all its branches. "That was ideal for me," says Christoph, thinking back. "I had never worn a hearing aid before."

Two months later, the 78-year-old is back at Hörhaus – for a check-up, this time. The audiologist looking after him is using Unitron's Log It All to review all the data he needs to give the best advice possible. Using this functionality has made it possible to record how Christoph uses the hearing system (how long he wears it, and what hearing situations he encounters on a day-to-day basis). Is he satisfied? Christoph nods. He organizes show-jumping tournaments and can now hear when a horse's hoof hits one of the crossbars of a fence again: "What clinched it for me was the service, the technology and the great flexibility. And I was more than satisfied with my experience."

Eberhard Schmidt and Thomas Wittmann, both managers at the “Hörhaus” audiological store, have been working closely with Unitron for many years. The cooperation is mutually beneficial. Hörhaus also takes part in a partnership program offered by Unitron to selected hearing care professionals.

Connect Hearing

Connect Hearing has just one goal, but it is a far-reaching one: to be the leading service provider in the hearing care industry.



Connect Hearing – Delivering outstanding service and solutions for people with hearing loss.

Connect Hearing is Sonova's fast-growing international professional service network of hearing care providers. Operating from over 2,000 hearing care centers in ten major markets around the world, we are dedicated to delivering outstanding service and solutions for people with hearing loss. We put the customer at the center of everything we do, constantly thinking of ways to improve information, education, screening, counseling, and support, – because we know that better hearing starts with understanding individual needs.

Hearing loss can be a serious issue, cutting people off from the pleasures of life and the joy of close contact with loved ones and friends. We help to resolve that issue, not just with the most advanced technology, but with individually-tailored advice and service, all delivered with a personal touch. Buying a hearing aid should not be just a sales process; it is the beginning of a relationship, where our professionals aim to help each customer on the path back to a natural hearing experience.

Connect Hearing's strategy rests on three pillars: building our global brand through consistent values and customer experience; constantly improving the way we work; and growing to reach and serve yet more customers in our key markets.

Values – At the heart of the brand

The Connect Hearing brand is built on the core values of care, trust, and service. We strive to take care of our customers at every stage of their journey to better hearing. We want our customers to say that we are the most trusted brand in the hearing aid industry – one that they regularly return to and recommend. We serve our customers best by linking friendly, personal contact with advanced solutions and efficient procedures. These values apply worldwide, wherever the Connect Hearing "exclamation point" appears. To underline our shared values, we are continuing our global brand integration to give all our businesses a uniform look and feel, reflecting the consistent experience our customers should expect.

Digital tools are becoming increasingly important to achieve this goal: one example is HearingCaddy, which we successfully piloted in New Zealand. HearingCaddy acts as the customer's online personal hearing assistant. Available through the web or on tablets and smartphones, it lets our customers fill out their intake forms prior to appointments, update their personal details regularly, check their bills online, leave feedback on the hearing aids they are wearing, and access a broad range of helpful support information. HearingCaddy gives us the supporting data we need to deliver ever better service. Our professionals can analyze how each customer is using the hearing aids, so they can prepare a personalized agenda for the next appointment. Our Customer Service Center staff can spot any dissatisfaction a customer may have and take the initiative with a call to resolve the issue.

In the future, our digital platforms will include electronic screening, appointment, and coaching tools. The emphasis is always on the customer's experience: a digital platform is a powerful means to extend the care we offer, building trust and brand loyalty through an exceptional level of service.

In March 2015, we implemented large-scale trials of self-screening in the UK, as part of our partnership with Boots, the country's leading pharmacy-led health and beauty retailer. Using a convenient online or tablet-based in-store screening test, potential customers answer some simple questions about their hearing in different scenarios and test their hearing threshold at low, mid, and high frequencies. More than thirty thousand hearing checks were completed in the course of the year. Over 90 % of customers surveyed said that they found the test easy to use; 20 % said that they would not have booked an appointment had it not have been for the screening test, which shows how effective such tools are in gaining potential customers who might otherwise have been lost.

Operational Excellence – A permanent journey

Our commitment to service at the highest standard is not just good for building customer loyalty; it is good for business, too – because it keeps us constantly examining what we do and how we do it, improving our efficiency and effectiveness. At Connect Hearing giving excellent care, developing new skills, and increasing profitability all go together. Our hearing care professionals are supported by our shared services, harmonized training courses and procedures, pooled equipment purchasing and calibration, and a common performance management and reporting system. In return, they help the company identify, pilot, and roll out innovative concepts that will become tomorrow's best practice: our most valuable ideas come from the experience and dedication of our professionals at each individual hearing care center.

Our practical approach to operational excellence extends to studying and optimizing every moment of the customer's experience to ensure that we seize all opportunities to build closer, lasting relationships with the people we serve. Our "customer engagement" training course for audiologists links the sales process firmly to the customer's story: the needs, emotions, and hopes that accompany the journey to better hearing. Focusing on specific behaviors, it helps our hearing care professionals understand the moments of connection, discovery, and engagement in their relation with customers. Good service generates good business, as customers become more willing to explore more advanced solutions and consider upgrading their hearing aids.

No matter how hard we try, not every customer is going to be absolutely delighted every time – and that is something we need to know about. Research shows that only 10 % of unsatisfied consumers actually make a complaint. So our Lapperre centers in Belgium have piloted a Customer Satisfaction system, which follows up customers at the key points of contact in the engagement process, asking a few simple questions in a call or email to identify dissatisfied, or highly satisfied, customers. Any dissatisfaction can then be addressed quickly and effectively by customer service or at a new appointment, while satisfied customers are encouraged to spread the word and invite others – since personal recommendation remains by far the most effective way to build up business.

Growth – Connecting to more customers

Our profitable growth strategy rests on three pillars. Organic growth is the most straightforward of these: as we constantly improve our operations and enhance our product and service offerings, we will increase business at each of our centers, attracting more customers and increasing the value of each customer relationship. By opening new centers we take advantage of the economies offered by our existing operational base and procedures. We will continue to acquire existing businesses in selected markets, making sure that customers experience a smooth, trouble-free transition. Perhaps most important is to develop new ways to connect with customers by building and expanding innovative distribution models such as shop-in-shop.

In the UK, we further expanded our network run in partnership with Boots by extending the very successful shop-in-shop model and increasing capacity in existing centers. Overall capacity increased by 12 % during the 2015 / 16 financial year; we now operate from nearly 500 locations.

Despite challenging conditions in Germany during the 2015/16 financial year, which were related to a recent reimbursement change, we achieved organic business growth while also expanding our network of professional stores through the acquisition of Lindacher Akustik, which operates 33 stores. With more than 50 years' history built on strong customer-centered value, audiological expertise, and quality, Lindacher fits perfectly with our way of working. We also recently acquired 30 stores in Hungary, which, together with our existing network in the country, will bring the total number of stores to over 70, making us the clear leader in this fast growing market.

Follow-up and added value are an essential part of ensuring that customers continue to trust and recommend us, assuring future organic growth. Our hearing centers in Germany help secure customer satisfaction by offering in-store hearing training: an audiologist-led, personally structured course of stimulation to train ear and brain simultaneously, significantly improving attention, perception, and reaction.

HEARING IS GOOD, BUT UNDERSTANDING IS BETTER

There's a faint "click" in the customer's ear, first on the left, then on the right, then on the right again. She is wearing headphones, and immediately presses buttons on a device that is reminiscent of a portable credit card reader, first tapping the left arrow key, then the right, depending on which side she hears the clicks. "It's like jogging," smiles the woman, who is in her late fifties, "You have to train regularly to stay in shape."

This spry lady, who works as head receptionist at a GP's practice, has been wearing hearing aids for five years. The audiologist explained the difference between hearing and understanding the first time she was fitted for a hearing aid: the air receives sound waves, but the auditory center in the brain has to process the information correctly. She recommended that the customer practice with audiclick™, a training system offered by Fiebing Hörtechnik GmbH, an audiology company. "When I started, I just figured it couldn't hurt," explains the customer, who has glasses and mid-length blonde hair. She practiced daily for 15 minutes during the initial period, noticing a clear improvement after six weeks: "From then on, the training was great fun."

The client has brought a folder of handwritten notes along to the appointment at the audiologist's; they are her training results. Antje Fiebing, who started audiclick, nods in recognition: "When customers practice regularly, they are helping the fitting process for the hearing aid – hearing instruments can only perform at the top of their game when the auditory center is systematically put through its paces."

The idea for the training program came to Antje Fiebing, who is on the executive board at audiological technology company Fiebing Hörtechnik GmbH, more than ten years ago: "It was intended to be unique and to offer customers genuine added value." She goes on to explain that the training serves to target auditory cortex functions in the brain for reactivation: damaged nerve cells are regenerated and new connections formed. Training the ear and brain improves perceptions and reactions. "The training system is constantly being expanded and refined," explains Fiebing, "allowing us to incorporate the latest findings in brain research." Audiological services are thus offered at the highest level, and hearing exercises with audiclick have considerably improved the customer's quality of life. "I am so glad that no one has to shout any more to speak to me. I can even hear the birds singing in the garden again."

The training program audiclick™ targets auditory cortex functions in the brain for reactivation: damaged nerve cells are regenerated and new connections formed. It was developed in Germany by Fiebing Hörtechnik GmbH.

Advanced Bionics

The collaboration between Advanced Bionics and Phonak delivers unique innovation, providing unrivaled hearing performance to an expanding customer universe.

Advanced Bionics – Creating solutions that enable cochlear implant recipients to enjoy a life without limitations.

Advanced Bionics is a global leader in advanced cochlear implant systems. A cochlear implant is an electronic device that allows people with significant hearing loss to hear the world around them. It is the only medical technology able to functionally restore one of the five senses. Unlike hearing aids, which amplify sound, cochlear implants bypass the damaged part of an ear and send electrical signals directly to the brain via the hearing nerve. Many children and adults who receive a cochlear implant are experiencing hearing for the very first time.

Advanced Bionics began working closely with Phonak in 2009, bringing together the most innovative cochlear implant and hearing instrument technologies. We invest more than 25 % of sales in research and development, including our close collaboration with Phonak, which is a unique advantage. While the cochlear implant industry's expertise lies in transforming an acoustic signal into an electrical stimulus, we profit from Phonak's proven expertise in analyzing the sound environment and optimizing the acoustic signal itself – through intelligent, adaptive programs that recognize difficult listening situations, filter the voice or sound that is most important, and send it to either or both ears for an optimal, more natural hearing experience.

The first result of our R & D collaboration was the Naída CI Q70 sound processor, introduced in 2013. The Naída CI Q70 offers cochlear implant recipients the best of both worlds, harnessing the latest hearing instrument innovations and matching them with the precision, flexibility, low power consumption, and full upgradability of the Advanced Bionics HiRes 90K™ implant family.

The market success of the Naída CI Q70 marked a first step in our broad collaboration with Phonak, both in creating new products to further differentiate ourselves from our competitors and in opening new routes to market and methods to increase worldwide penetration of our customer base. We have seen excellent results from integrating our R & D; we are excited by the potential we can realize by integrating our marketing efforts.

Building on our strengths

Every Sonova brand benefits from a rigorous product platform approach, extending the benefits of each innovative advance through comprehensive product families. This year, Advanced Bionics has rolled out new members of the Q Series processor family in its key markets. The Naída CI Q90 is the premium solution for recipients who want to benefit from the most comprehensive set of features and accessories. The Naída CI Q30, available in select markets, is the ideal hearing solution for recipients who value simplicity.

The Q Series processors allow us to offer even more features to cochlear implant recipients that were previously only available in hearing instruments: using Phonak's Binaural Voice Stream Technology™, the processors have the unique ability to communicate with each other so they can work together, automatically and in real time, wirelessly delivering the speech or music that recipients want to hear to both ears simultaneously while significantly reducing unwanted reverberation, background noise and sudden loud sounds. AutoSound™ OS intelligently analyzes and automatically adapts to the surrounding sound environment, so recipients hear their best wherever they go without having to change programs or adjust any settings.

Best of all, with the launch of Phonak Naída™ Link in May 2016, recipients can now gain the benefit of all these features when they have a cochlear implant in one ear but a hearing aid in the other. Increasingly, adults with significant hearing loss are receiving a cochlear implant when hearing in one ear deteriorates further. Until now, these recipients would have to put up with separate solutions in each ear, sometimes from different manufacturers, with incompatible settings and programs that both had to be adjusted by the user. With Naída Link, the hearing aid and sound processor work together as one, adjusting themselves and each other automatically and streaming sound to the appropriate ear for each listening situation. And like all Naída CI sound processors, the Naída Link bimodal hearing instrument works seamlessly with a full range of Phonak wireless accessories to give recipients easy, immediate access to phones, televisions, media players, and the Roger suite of wireless accessories. For adult recipients, this helps to ensure a smooth, easy transition to hearing with a cochlear implant.

Not every cochlear implant recipient has completely lost all hearing. Indeed, our HiFocus™ Mid-Scala electrode is specifically designed to help preserve residual hearing when surgically inserted – a benefit that was scientifically proven in a recent study from Vanderbilt University in the US[1]. This year, we introduced a way to make best use of that residual hearing: an adaptation of the Naída CI Q90 sound processor for use in electro-acoustic stimulation, combining in one device precise electric stimulation with the acoustic amplification of a hearing aid, thereby providing more natural sound quality and allowing improved speech perception, better hearing in noise, and greater music appreciation[2].

Reaching new markets

The Sonova Partner Program gives Advanced Bionics the opportunity to work with other Sonova business units to identify new ways to deliver benefits, both to our recipients and to Sonova businesses around the world. The focus of the program is to foster partnerships between hearing instrument retail and cochlear implant clinics for the optimal treatment of people with significant hearing loss. It aims to raise awareness among hearing aid users who struggle to understand their loved ones even with the most powerful hearing aids of the benefit that cochlear implants might bring to their lives. In fact, this is a multiple-win proposition, with significant benefits for hearing care practices, cochlear implant clinics, and – most importantly – the people who benefit from our solutions.

Traditionally, when a hearing care professional recommended a patient for cochlear implantation, that person was effectively lost to the hearing care practice – but the collaboration between Advanced Bionics and Phonak can help resolve the problem to everyone's advantage. There are hundreds of thousands of people, of all ages, using Phonak Naída hearing aids; every one of them has a relationship with the hearing care professional who fitted that instrument. If those people receive cochlear implants, they can return to their hearing care professional for follow-up counseling and adjustment of the sound processor, for any of the wireless accessories they may need, and for the individual support they have come to rely on. The clinic, meanwhile, is able to share the post-surgery service workload – and offer additional solutions such as the Naída Link. Recipients gain by retaining a familiar, local expert to help through the transitional period, as well as from technology with the same look, feel, and functionality as their previous hearing aids.

This is a desirable outcome for everyone – and we are making it a reality by expanding our Sonova Partner Program, building awareness and providing training and software so that hearing care professionals can offer seamless service across the full range of Sonova's hearing care solutions. Advanced Bionics and Phonak are jointly developing marketing strategies, with plans for e-solutions and social and digital media platforms to get our message out: together, we offer a uniquely valuable proposition.

1 Otology & Neurotology, 37:235 – 240; Hearing Preservation Outcomes with a Mid-Scala Electrode in Cochlear Implantation
2 Approved in the EU. Not approved outside of the EU

Increasing our in-clinic presence

Our growth strategy also includes building greater presence in cochlear implant clinics worldwide. We are currently represented in approximately two-thirds of them; our goal is to be in all of them. This means engaging with decision-makers at every level to convey the clear advantages of Advanced Bionics.

As is usual in healthcare, each market has its own dynamics, so we are distributing our effort through several channels. We put emphasis on education and training and have hired more clinical specialists: audiologists who can discuss our solutions in depth with their clinical peers. We are very active in basic research: since 2010, the number of collaborative research studies in which we have participated has more than tripled. This active, evidence-based dialog with surgeons and audiologists creates connections for us with more clinics and deepens our relationship with those where we are already present.

In a digital world, people look first to the internet for information, advice, and contact, so we provide a wealth of online resources to assist them on their journey to better hearing. The Listening Room rehabilitative website offers families and professionals interactive online activities to support the development of speech, language, and listening skills. We offer a range of apps for tablets and smartphones that provide recipients with support materials or interesting ways to practice listening, build skills, and learn how to get the best out of their hearing technology.

N.B.: Not all products or programs described are available in all territories, nor are all features available in all devices.

INNOVATIVE – AND CLOSE TO OUR CUSTOMERS

Christian Hartmann greets the two staff members in the Advanced Bionics service shop with friendly handshakes. Hartmann, a cochlear implant recipient, makes regular visits to this brightly-lit room at the German Hearing Center in Hanover. He needs new batteries for his two sound processors, and he's also looking forward to testing a new product. Hartmann, a tall man with a deep voice, asks: "Now I'm on tenterhooks! What have you got for me?"

As soon as a product is approved, Advanced Bionics offers selected recipients a chance to test it. Hartmann, an occupational safety expert, is delighted to take part in these trials. He has heard with cochlear implants in both ears for several years now, and he devotes some of his spare time to self-help groups for cochlear implant recipients.

Katrin Kowalzyk, one of the shop's employees, hands him the new Phonak EasyCall. This accessory wirelessly transmits the voice signals from a cell phone call to the Naída CI sound processors. The sound quality is superb. And once EasyCall is attached to the phone, a user can make calls at any time. Hartmann picks up the little box, examines it curiously and nods his head: "I'll be happy to take that home with me!" EasyCall, which is attached directly to the cell phone, is just one example of how cochlear implant recipients can benefit from Phonak's wireless technologies. Thanks to the partnership between Advanced Bionics and Phonak, the latest technologies for cochlear implants and hearing instruments have been brought together under one roof.

The German Hearing Center in Hanover numbers among Germany's leading cochlear implant facilities. Immediately after their medical consultation and diagnosis, patients have the opportunity to make direct contact with cochlear implant providers on the spot. Recipients and potential recipients enjoy many benefits because the clinicians and providers are close at hand in the same building. Advice? It's available right here. Spare parts? Not a problem. "Contact with hearing instrument wearers is very personal. Sometimes they've only just been recommended for cochlear implants as the next step after hearing aids," Kowalzyk explains.

Feedback from recipients is very important for Advanced Bionics so that newly-developed products can be refined still further. Innovations such as EasyCall reinforce Christian Hartmann's decision to opt for Advanced Bionics. He connects Phonak EasyCall directly to his smart phone and asks Kowalzyk to call him. "I'll just pop out onto the street and test it," Hartmann says. A few minutes later, he returns and reports: "Thanks to EasyCall, I can now use both my ears and my Naída CI sound processors to make phone calls. That's marvelous, especially in noisy surroundings – at work or on the subway, for example!"

As soon as a product is approved, Advanced Bionics offers selected wearers a chance to test it. Christian Hartmann is happy to take part and gets to try out the new Phonak EasyCall. This accessory wirelessly transmits the voice signals from a cell phone call to the sound processors.

Advanced Bionics' European Research Center (ERC) collaborates with over 30 universities and clinics. In Hanover, Stefan Fredelake (ERC) and Andreas Büchner (German Hearing Center / ENT clinic at Hanover Medical School) work closely together under clinic director, Thomas Lenarz.

Corporate social responsibility

At Sonova, our business targets are well aligned with our broader social goals: to help people hear the world while taking responsibility for our actions toward our employees, our business partners and our planet.

Creating sustainable value

We are committed to creating sustainable value for all our stakeholders – by providing access to hearing care for millions of people with hearing loss, by continuously innovating to offer the best solutions to our customers, by investing in the personal growth and development of our employees, and by applying environmentally friendly practices across all our business activities.

Our employees are key to our success. Sonova offers meaningful work in a challenging, flexible work environment, where employees can grow personally and develop professionally. For the last four consecutive years, Sonova's employee satisfaction rate has remained above 80 %.

We work continuously to reduce our environmental footprint across all our business activities, with a particular focus on the life cycle of our products and the reduction of our group-wide carbon footprint. Compared with the previous year, we were able to reduce the CO_2 emissions from our business flights by 10.2 %.

A key element of our CSR activities continues to be the Hear the World Foundation, a Sonova Group initiative with special focus on projects that support children in need with hearing loss. In 2015 / 16 Sonova provided the Foundation with a total value of CHF 2.14 million in cash, in-kind-benefits and additional resources.

Transparent stakeholder dialog

At Sonova, we strive to engage in an open and transparent dialog with all our stakeholders. As an integral part of this commitment, we report in accordance with the G4 guidelines of the Global Reporting Initiative (GRI) on CSR issues.

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

INTERNATIONAL RESEARCH ALLIANCES

Marcel Mandato concentrates hard as he looks through the microscope that reveals the minutest details of the stimulating electrode in a cochlear implant. Stefan Fredelake stands next to him, waiting for the result of the investigation. Both men work at the Advanced Bionics European Research Center (ERC) in Hanover. "Our research center collaborates with over 30 leading universities and clinics across Europe, including the Hanover Medical School, the University Clinics in the Dutch towns of Leiden and Maastricht, the Berlin Trauma Hospital (UKB) and the University Hospital Zurich. We work together to develop cutting-edge technologies that benefit cochlear implant recipients and audiologists alike," project manager Fredelake explains. He is an Advanced Bionics cochlear implant recipient himself, so he can also assess the design and the results of the investigations from his perspective.

One of the ERC's many studies is in progress at the German Hearing Center in Hanover. This groundbreaking project on stimulation strategies focuses on the auditory perception of stereo music. The test subject hears with cochlear implants in both ears. He sits on an office chair and holds a tablet computer in his hand. The loudspeakers all around him play different types of music – rock alternates with heavy metal and classical pieces. Sometimes the sounds come from the left and sometimes from the right. On the tablet, he has to key in his answers to two questions: When does he hear in mono? When does he hear in stereo? "The first results are highly promising," Fredelake notes. "The study shows that recipients of Advanced Bionics cochlear implants with the Phonak ComPilot technology can hear stereo effects significantly better. And as a result, many of them can derive much more enjoyment from music."

This music study is one of the numerous research projects sponsored by Sonova in close collaboration with many academic and scientific institutions around the globe. The development of innovative hearing solutions is being driven by this close, transparent dialog. All these projects share one common aim: to continue improving the quality of life for cochlear implant recipients. Andreas Büchner, Scientific Director at the German Hearing Center, comments: "This goal unites us all." He has been working with the Advanced Bionics team for the last twenty years: "Sonova is always willing to listen to ideas and to look ahead to the future. Rather than revolving around short-term product cycles, our joint projects aim to deliver results that are sustainable in the long term."

Corporate governance

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

Good corporate governance is essential for Sonova and we strive for high standards in this field. The Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies has established new transparency rules and opportunities for shareholders to influence corporate decision-making. What "good corporate governance" means is an evolving matter and we constantly adopt to the latest requirements.

Compliance is an integral element of our corporate culture and embedded in our core values. We therefore continued to strengthen the Sonova Group compliance program during the 2015/16 financial year, putting particular emphasis on compliance training sessions and process enhancements throughout the globe. Our continuing compliance efforts help us to live our values of ethical behavior and unquestionable integrity.

At Sonova, corporate governance is based upon and structured to conform with relevant standards and practices. The company fulfils 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. This 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, 2016. 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 shares of Sonova Holding AG as of March 31:

	2016	2015	2014
Market capitalization			
In CHF million	8,182	9,089	8,679
In % of equity	429 %	486 %	489 %
Share price in CHF	122.80	135.30	129.20

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, 2016, 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 31.3.2016	Registered shareholders 31.3.2015
1 – 100	6,664	5,961
101 – 1,000	10,409	8,907
1,001 – 10,000	1,398	1,216
10,001 – 100,000	189	167
100,001 – 1,000,000	33	36
> 1,000,000	5	6
Total registered shareholders	**18,698**	**16,293**

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":

	2016	2016	2015	2015
	No. of shares	In %	No. of shares	In %
Beda Diethelm[1]	6,652,259	9.98	6,650,009	9.90
Chase Nominees Ltd.[2]	6,559,041	9.84	8,609,693	12.82
Hans-Ueli Rihs[1]	4,013,000	6.02	4,056,000	6.04
Nortrust Nominees Ltd.[2]	2,641,556	3.96	2,415,798	3.60
Andy Rihs[1]	2,344,979	3.52	3,219,596	4.79
Registered shareholders with less than 3 % of shares	22,708,639	34.09	21,825,309	32.49
Not registered	21,706,913	32.59	20,396,882	30.36
Total shares	66,626,387	100.00	**67,173,287**	**100.00**

1) 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.

2) Registered without voting rights.

For information on shareholders of Sonova Holding AG that have reported shareholdings of over 3 % or a reduction of the shareholding below 3 % in the financial year (FY) 2015 / 16, please refer to the website of the Disclosure Office of the SIX Swiss Exchange www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Cross-shareholdings

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

Articles of Association

The Articles of Association of Sonova Holding AG remained unchanged in FY 2015 / 16 except for article 3: The share capital as stipulated by the previous version of article 3 was reduced according to the resolution of the 2015 General Shareholders' Meeting (see section capital structure below).

Capital structure

Share capital

As of March 31, 2016, the ordinary share capital of Sonova Holding AG was CHF 3,331,319 fully paid up and divided into 66,626,387 registered shares with a par value of CHF 0.05 each.

Sonova Holding AG has neither issued any participation certificates nor any 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, 2016, the company held 1,209,989 treasury shares (previous year 547,313), whereof 1,203,500 shares were bought via a second trading line under the share buyback program.

Authorized and conditional capital

Authorized capital

Sonova Holding AG has no authorized capital.

Conditional capital

The Annual General Shareholders' Meeting (AGM) 2005 approved the creation of conditional share capital of 3,301,120 registered shares with a par value of CHF 0.05 per share 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 to finance the acquisition of companies, parts of companies or shareholdings.

The AGMs in 1994 and 2000 approved the creation of conditional share capital of 8,000,000 registered shares with a par value of CHF 0.05 per share for distribution to key employees of the Sonova Group through an equity participation program.

Convertible bonds and options

Sonova Holding AG has not issued any convertible bonds.

In FY 2015 / 16, a total of 263,418 options were granted as part of the Sonova Executive Equity Award Plan (EEAP). In FY 2014 / 15 and FY 2013 / 14, the number of options granted totaled 272,224 and 215,221 respectively. As of March 31, 2016, there were still 1,113,982 options outstanding (compared with 1,019,036 in the previous year). Each of these options entitles the holder to purchase one registered share in Sonova Holding AG with a par value of CHF 0.05. The EEAP is described in greater detail in the compensation report (beginning on page 50) and in Note 31 to the consolidated financial statements.

Changes in capital

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

	2016	2015	2014
Ordinary capital (in CHF)	3,331,319	3,358,664	3,358,664
Total shares	66,626,387	67,173,287	67,173,287
Conditional capital (in CHF)	266,107	266,107	266,107
Conditional shares	5,322,133	5,322,133	5,322,133

Of the 8,000,000 maximum approved conditional shares a total of 5,978,987 shares with a par value of CHF 0.05 each were issued prior to FY 2015 / 16. Starting in FY 2014 / 15 Sonova decided to purchase shares on the market to fulfill its obligations under the long-term incentive plans and not to issue shares out of the conditional share capital. The maximum conditional share capital reserved for long-term incentive plans therefore remained unchanged at 2,021,013 shares.

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

The AGM 2015 approved a reduction of the share capital by CHF 27,345 through cancellation of 546,900 registered shares. This capital reduction was the result of the share buyback program as further outlined below, in which the Company repurchased 546,900 registered shares between December 1, 2014, to March 31, 2015.

Share buyback program

As announced on November 17, 2014, Sonova Holding AG has initiated a share buyback program with a maximum overall value of CHF 500 million. The shares are repurchased via a second trading line over a period of up to three years terminating at the end of 2017. As of March 31, 2016, a total of 1,750,400 shares have been bought back for a total of CHF 229,218,414. With the announcement of the acquisition of AudioNova on May 4, 2016, Sonova has suspended the share buyback program until further notice. The current status of the program can be found on www.sonova.com/en/investors/current-share-buyback-program.

Limitations on transferability and nominee registrations

Limitations on transferability for each share category

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

Exceptions granted in the year under review

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

Admissibility of nominee registrations

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

Procedure and conditions for cancelling statutory privileges and limitations on transferability

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

Board of Directors

Introduction

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

Executive management positions

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

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

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

Other activities and vested interests

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

Mandates outside Sonova Holding AG

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

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

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

Elections and terms of office

Election procedure and limits on the terms of office

The Articles of Association of Sonova Holding AG state that the Board of Directors must consist of a minimum of three and a maximum of nine members. The members of the Board of Directors are elected by the shareholders at the General Shareholders' Meeting. Re-elections for successive terms are possible. Members of the Board of Directors shall retire automatically at the first General Shareholders' Meeting following their seventieth birthday. In exceptional cases the Board of Directors can make an exemption. Such an exemption was made in the case of John J. Zei extending his term until the AGM 2016.

First election and remaining term of office

The following table shows the date of first election for each member of the Board of Directors. The Articles of Association require that the term of office of a Board member ends after completion of the next ordinary AGM. As a consequence, each Board member will have to be re-elected annually at the AGM. Apart from Andy Rihs, who did not stand for re-election in accordance with the age limitations stipulated in the Organizational Regulations, all previous Board members were re-elected by the 2015 AGM.

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

Robert F. Spoerry

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

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

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

Other activities:
- Vice Chairman of the Board of Geberit AG (until April 2016, does not stand for re-election)
- 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 LafargeHolcim Ltd. (until May 2016, thereafter Chairman)

Stacy Enxing Seng

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

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

Other activities:
- Member of the Board of Directors of Solace Therapeutics, Inc.
- Member of the Board of Directors of Hill-Rom Holdings, Inc.
- Member of the Board of Directors of Spirox, Inc.
- Venture Partner, Lightstone Ventures

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

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 (now Grandvision NV), the world's leading optical retailer. He was CEO of the Pearle Europe group from 2004 to 2009.

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

Other activities:
- Operating partner and Industry Advisor
- 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 Beter Bed Holding 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 Oriola-KD Oyj
- Member of the Board of Basware Corporation Oyj
- Investor and Chairman of small technology companies

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

Jinlong Wang

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

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

John J. Zei

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

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

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

Internal organizational structure

Allocation of tasks within the Board of Directors

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

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

Tasks and areas of responsibility of Board of Directors' committees

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

Audit Committee

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

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

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

Nomination and Compensation Committee

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

The Nomination and Compensation Committee supports the mission of the Board of Directors to attract, retain and motivate people with outstanding professional and human capabilities at the Board of Directors and top management levels. The Nomination and Compensation Committee also supports the Board of Directors in preparing the Compensation Report, establishing and reviewing the Company's compensation principles, guidelines, and performance metrics, and preparing proposals to the General Shareholders' Meeting on the compensation of the Board of Directors and Management Board. The committee may also submit proposals and recommendations to the Board of Directors on other compensation-related issues. The Nomination and Compensation Committee Charter is available at: www.sonova.com/en/investors/committee-charters.

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

Work methods of the Board of Directors and its committees

During the reporting period, the Board of Directors held five meetings. The table below shows the individual 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 2015/16	5	4	4
Robert F. Spoerry	5	4 [4]	4
Beat Hess	5	–	4
Stacy Enxing Seng	4	–	–
Michael Jacobi	5	4	–
Anssi Vanjoki	5	4	–
Ronald van der Vis	5	4	–
Jinlong Wang	5	–	–
John J. Zei	5	–	4
Average meeting length	8h [5]	3h	3h

1) Board of Directors
2) Audit Committee
3) Nomination and Compensation Committee
4) As guest
5) Excluding telephone conferences and preparation time

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

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

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

Definition of areas of responsibility

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

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

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

The Head of Internal Audit & Risk reports to the Chairman of the Audit Committee. The mandates of the Internal Audit and Risk Management functions, along with their reporting lines and scope of activities, are defined in the Internal Audit & Risk 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 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 risk assessment and provides guidance from a strategic point of view. To continuously monitor key risks and their mitigation, Risk Management prepares risk status reports which are presented to the Audit Committee on an ad hoc basis.

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

The Group has a comprehensive compliance program in place which is administered by the Group Compliance Manager and overseen by the General Counsel. Quarterly compliance reports are provided to the Audit Committee and an annual compliance report is addressed to the Board of Directors.

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, the Management Board is chaired by the CEO and comprises at least the CFO, plus such additional members as appropriately reflect the company's structure and activities. The members of the Management Board are proposed by the CEO and are appointed by the Board of Directors on the request of the Nomination and Compensation Committee.

Lukas Braunschweiler

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

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

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

Hartwig Grevener

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

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

Claude Diversi

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

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

Hansjürg Emch

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

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

Martin Grieder

(born 1965, Swiss and British citizen) has been Group Vice President Phonak since August 2014. He joined Sonova from Nestlé, where he was Vice President and Global Head of Nestlé BabyNes. Martin Grieder joined Nestlé in 1992 and brings over 20 years of experience in senior management roles within the company. His diversified cross-functional work experience in 18 countries ranges from leading the global Nespresso professional division to managing Nestlé Nespresso North America. Further senior roles at Nestlé include Vice President, Head of Finance for the Americas and Head Nestlé Group Audit as well as R & D Head for Food & Beverage systems solutions for the Nestlé Group.

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

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

Sarah Kreienbühl

(born 1970, Swiss citizen) has been Group Vice President, Corporate Human Resource Management since August 2004 and also Group Vice President, Corporate Communications since 2012. She was previously Head of Global Human Resources and member of the Executive Board of the Tecan Group in Männedorf, Switzerland. Prior to that she was a consultant with Amrop International, Zurich, 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 and obtained a Master's degree, followed by a number of additional qualifications in the field of human resource management, communications and finance.

Stefan Launer

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

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

Albert Chin-Hwee Lim

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

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

Hans Mehl

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

Hans Mehl completed his education in business administration in Germany.

Jan Metzdorff

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

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

Franz Petermann

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

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

Paul Thompson

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

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

Andi Vonlanthen

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

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

Other activities and vested interests

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

Mandates outside Sonova Holding AG

According to Art. 30 of the Articles of Association, no member of the Management Board may hold more than one additional mandate in a listed company and in total no more than five additional mandates (all such mandates are subject to approval by the Board of Directors). Just as stipulated for the Board of Directors, some mandates are not subject to these limitations (see page 39).

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 50).

Compensation, shareholdings and loans

See: Compensation report (beginning on page 50)

Shareholders' participation rights

Voting rights and representation restrictions

Voting rights restrictions

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

Exceptions granted in the year under review

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

Statutory rules on participation in the General Shareholders' Meeting

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

Independent Proxy and electronic voting

Andreas G. Keller was elected as the Independent Proxy by the AGM 2015 for the period until completion of the AGM 2016.

Sonova Holding AG offers shareholders the option of using an online platform and to grant proxy and provide voting instructions to the Independent Proxy electronically.

Statutory quorums

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

Convocation of the General Shareholders' Meeting

The ordinary AGM 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 % threshold of voting rights in the company is required to submit an offer for all shares outstanding, according to Swiss stock exchange law.

Clauses on changes of control

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

Securities trading policy

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

Auditors

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

At the AGM on July 5, 2001, PricewaterhouseCoopers AG was elected auditor for Sonova Holding AG and the Sonova Group. At the AGM 2015, PricewaterhouseCoopers AG was re-elected for another one-year term. Sandra Boehm has served as lead auditor for the existing auditing mandate since June 18, 2013.

Fees

PricewaterhouseCoopers charged the following fees during FY 2015/16 and 2014/15:

1,000 CHF	2015/16	2014/15
Audit services	1,374	1,311
Audit-related services	53	42
Tax services	0	128
Non-audit services	116	182
Total	**1,543**	**1,663**

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

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

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

Non-audit related services mainly consisted of consulting fees in connection with the employee shareholding program as well as acquisition related services.

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 FY 2015/16, the external auditors attended 3 out of 4 Audit Committee meetings physically or by telephone conference. The Audit Committee of the Board of Directors reviews the performance, compensation, and independence of the external auditors on a regular basis. The Audit Committee reports its findings to the Board of Directors quarterly.

Information policy

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

All publications are made available to all shareholders, the media, and the stock exchange at the same time. All shareholders entered in the share register automatically receive the Summary Report, an invitation to the AGM 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, investor presentations, and presentations held at other events.

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

Compensation report

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

The compensation report provides an overview of Sonova's principles and system of compensation, its key components, as well as information about the method of determining compensation of the members of the Board of Directors and the Management Board. It also describes which bodies are responsible for the design of compensation plans, the approval framework, and the implementation process. The report provides important and relevant information to be considered by the shareholders when making their decision with regard to the votes on the maximum aggregate total compensation of the Board of Directors and the Management Board that will be submitted to the 2016 Annual General Shareholders' Meeting for approval. The abbreviations are summarized in a glossary table at the end of the compensation report.

The report is structured as follows:

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

2. Compensation policy and principles

3. Organization, competencies and method of determining compensation
   - 3.1 Governance and shareholders' involvement
   - 3.2 Nomination and Compensation Committee
   - 3.3 Shareholder involvement
   - 3.4 Process of determination of compensation

4. Compensation system
   - 4.1 Overview of compensation components
   - 4.2 Board of Directors compensation system
   - 4.3 Management Board compensation system

5. Compensation for the financial year
   - 5.1 Board of Directors compensation
   - 5.2 Management Board compensation

6. Share ownership information
   - 6.1 Shareholdings of members of the Board of Directors
   - 6.2 Shareholdings of members of the Management Board

Report of the statutory auditor on the compensation report

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

Dear Shareholders

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

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

In the 2015/16 financial year, we have continued to review our compensation system. We concluded that, while no further changes to the compensation system seem necessary at this stage, we would like to enhance our compensation disclosure so that our shareholders can better assess the link between performance and pay. Looking ahead, we will proactively review and refine our compensation system to respond to the evolving business and regulatory environment, and to continue to create value for all our stakeholders – our customers, employees, and shareholders.

At the 2016 Annual General Shareholders' Meeting, you will have the opportunity to express your opinion on our compensation principles and system by way of a consultative vote on this compensation report. We will also ask for your approval of the maximum aggregate total compensation amounts to be awarded to the Board of Directors for the period from the 2016 Annual General Shareholders' Meeting until the 2017 Annual General Shareholders' Meeting, and to the Management Board for the 2017/18 financial year.

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

Yours sincerely

Robert Spoerry
Chairman of the Nomination and Compensation Committee

2. Compensation policy and principles

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

Sonova's compensation principles

Market competitiveness

To be able to attract, motivate, and retain talented executives and employees, compensation is regularly benchmarked and is in line with competitive market practice.

Pay for performance

Compensation inspires best-in-class performance. A large portion of compensation depends on the company's performance and individual contributions. We recognize both short-term success and long-term value creation through a well-balanced combination of incentive plans.

Alignment with shareholder's interests

A substantial portion of the compensation of the Management Board, CEO and Board of Directors is delivered in the form of company equity: Restricted Share Units (RSUs), options and restricted shares. We have share ownership guidelines to foster the long-term commitment of the Management Board and the Board of Directors, and the alignment of their interests with those of the shareholders.

Alignment with company's values

Compensation incentivizes behavior that is in line with the company's values and high standard of integrity.

The compensation of the Board of Directors consists of fixed compensation only, paid partly in cash and partly in the form of non-discounted restricted shares. The independence of the Board of Directors in its supervisory function is reinforced by the fact that no performance-related compensation is awarded.

The compensation of the Management Board consists of fixed and variable compensation components. The fixed base salary and benefits form the fixed components and are determined based on current market practice.

Variable compensation consists of a short-term cash incentive award and a long-term equity incentive award, which are both based on performance:

- The short-term cash incentive award is awarded under Sonova's Variable Cash Compensation plan (VCC), which is based on Sonova's key performance indicators (KPIs), such as sales, operating profit before acquisition-related amortization (EBITA), free cash flow (FCF), earnings per share (EPS), average sales price (ASP), and operating expenses (OPEX) at Group and / or business unit level. It additionally reflects the achievement of individual objectives as defined in the annual performance review process. Therefore, the VCC rewards both the company's success and individual performance over a one-year period.
- The long-term equity incentive award includes the grant of Restricted Share Units (RSUs) and options under Sonova's Executive Equity Award Plan (EEAP), for which the vesting is dependent on the return on capital employed (ROCE) performance. The EEAP reinforces the alignment between compensation and the company's sustainable long-term performance. It also aligns the interests of the Management Board with those of shareholders, and fosters the long-term retention of the Management Board.

To avoid compensation for inappropriate risk taking or short-term profit maximization at the expense of the long-term health of the company, a cap applies on the VCC cash payout and on the number of equity awards that can vest under the EEAP. Finally, Sonova has mandatory share ownership guidelines in place for members of the Board of Directors and the Management Board. These guidelines require them to hold a minimum number of Sonova shares and thus reinforce the alignment between the interests of shareholders, the Board of Directors and the Management Board.

3. Organization, competencies and method of determining compensation

3.1 Governance and shareholders' involvement

Authority for decisions related to compensation is governed by the Articles of Association.

The prospective maximum aggregate total compensation amounts to be awarded to the Board of Directors and the Management Board are subject to a yearly binding shareholders' vote at the Annual General Shareholders' Meeting. Sonova intends to continue to submit yearly the compensation report to a consultative shareholders' vote at the Annual General Shareholders' Meeting, so that shareholders have an opportunity to express their opinion about the compensation of the previous financial year.

3.2 Nomination and Compensation Committee

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

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

APPROVAL AND AUTHORITY LEVELS ON COMPENSATION MATTERS:

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

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

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

The NCC meets as often as business requires but at least three times per year. In the 2015/16 financial year, it held four meetings including, among others, the following pre-defined recurring agenda items:

ITEM	MAY BEGINNING OF THE FINANCIAL YEAR	AUGUST	NOVEMBER	FEBRUARY END OF THE FINANCIAL YEAR
Compensation policy & process		– Review of compensation policy and programs	– Preview salary review for the following financial year – Approval of EEAP grant size and plan regulations	– Reconfirmation of EEAP target group for the following financial year – Target compensation review for the following financial year
Management Board (MB) matters	– Approval of actual payout under VCC for CEO and MB for the previous financial year – Approval of EEAP performance hurdle – Approval of individual targets for CEO and MB – Diversity at Sonova – Special ad hoc items*	– Special ad hoc items*	– Review of talent management at Sonova (MB covered in the full BoD) – Regular Benchmark of MB compensation – Special ad hoc items*	– Option valuation – EEAP grant review – Special ad hoc items*
Board of Directors (BoD) matters			– Regular Benchmark of BoD compensation	
Governance	– AGM preparation – Approval of the corporate governance, compensation report and the compensation part of the AGM invitation – Approval of the maximum aggregate amount of compensation of the MB and the BoD – Status of Share Ownership	– Review of feedback on compensation report – Self assessment of NCC		– Review draft compensation report – Agenda NCC for the following financial year

*Special ad hoc items such as personnel changes at executive level, if applicable.

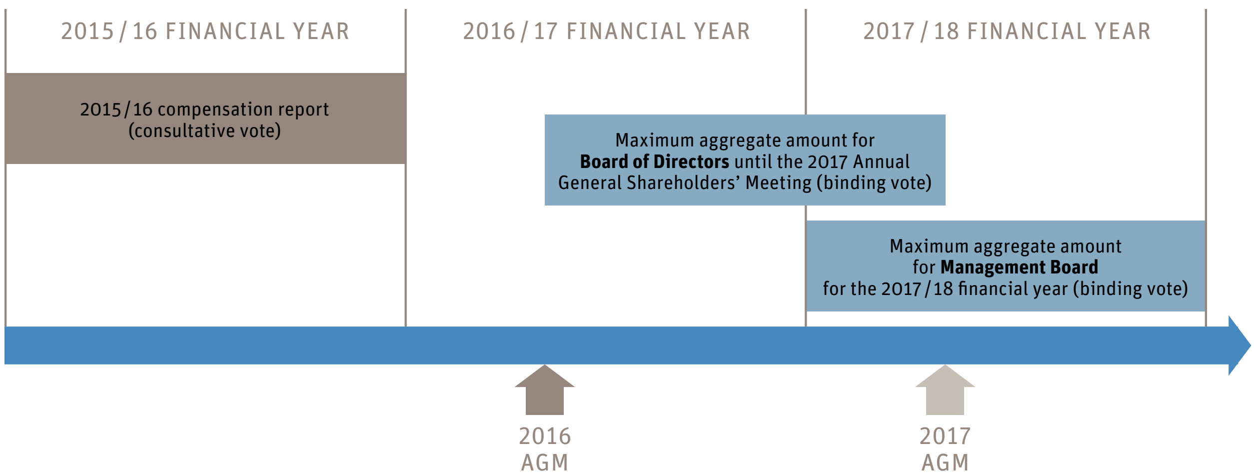
As a general rule, the Chairman of the Board of Directors, the CEO, and the Group Vice President Corporate Human Resource Management and Corporate Communications participate in the meetings of the NCC. However, they do not take part in the section of the meetings where their own performance and/or compensation is discussed.

There is a closed session (without participation of any executive or guest) after each NCC meeting. The Chairman of the NCC reports to the Board of Directors on its activities and recommendations after each meeting and the minutes of the meetings are available to the full Board of Directors.

3.3 Shareholder involvement

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

In addition, as required by the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance), shareholders are asked to annually approve the amounts of compensation of the Board of Directors and of the Management Board in binding prospective votes at the Annual General Shareholders' Meeting. The provisions of the Articles of Association foresee that shareholders will vote prospectively on the maximum aggregate total compensation amount for the Board of Directors for the period until the next ordinary Annual General Shareholders' Meeting and for the Management Board for the following financial year.



Matters to be voted on at the 2016 Annual General Shareholders' Meeting:

The maximum aggregate total compensation amount for the Board of Directors comprises the following components, all of which are fixed: a cash retainer, a committee fee (if applicable), a meeting attendance fee, as well as a travel allowance, based on the number of meetings attended. In addition, members of the Board of Directors receive non-discounted shares with a restriction period of 5 years and 4 months (Chairman) or 4 years and 4 months (all other members of the Board of Directors). There is no performance-related compensation for the Board of Directors and no eligibility to participate in the occupational pension plan.

The compensation of members of the Board of Directors is subject to regular social security contributions (AHV / ALV) (see chapter 4.2 for more information).

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

Fixed compensation components:
– Fixed base salary, value of benefits, employer's contributions into Sonova's pension plan, and estimated employer's social security contributions (AHV / ALV).

Variable compensation components:
– Short-term cash incentive award (VCC): maximum possible payout under the VCC should the achievement of all performance objectives reach the cap.
– Long-term equity incentive award (EEAP): maximum value of the equity awards at grant (options and RSUs), assuming that the achievement of the performance criterion reaches the cap.

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

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

Articles of Association

As required by the Ordinance, the Articles of Association were revised in 2014 and approved by the shareholders at the 2014 Annual General Shareholder' Meeting. The Articles of Association include the following provisions on compensation:

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

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

3.4 Process of determination of compensation

Benchmarks and external consultants

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

The last detailed review was conducted in 2015 in cooperation with an independent firm specializing in compensation surveys and analysis. For the purpose of the benchmarking analysis, two relevant peer groups were identified: ten companies in the international Medical Technology sector[1] and eight Swiss companies in the General Industry sector of comparable size[2]. The conclusion of this review was that the members of the Management Board are compensated consistently with the peer groups.

A similar benchmark process is regularly conducted to review and determine the total compensation of the Board of Directors, comparing Sonova with companies of a similar market capitalization (SMIM® companies). In addition, periodically available data and surveys are reviewed and taken into account.

Performance Management

The actual compensation effectively paid out to the members of the Management Board in a financial year depends on the Group and / or respective business unit, as well as on individual performance, which is assessed through the formal annual performance review process.

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

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

Financial, business unit, and individual performance objectives are approved at the beginning of the financial year and achievements against those objectives are assessed at the end of the financial year, according to Sonova's performance appraisal process.

OBJECTIVE SETTING
(April)
Determination of Group, business unit targets and individual objectives

PERFORMANCE REVIEW
(March / April)
Self-appraisal and performance assessment

DETERMINATION OF COMPENSATION
(May)
Determination of actual compensation

4. Compensation system

4.1 Overview of compensation components

	Management Board			Board of Directors
	CEO	GVPs	VPs	BoD
Fixed compensation components				
Fixed base salary				
Benefits [1]				
Expense allowance [2]				
Car allowance [3]				
Cash retainer (fixed fee)				
Restricted Shares				
Committee fee [4]				
Meeting attendance fee				
Travel allowance				
Pension, social and other benefits				
Pension Fund				
Social security contributions (AHV / ALV)				
Variable compensation components (performance related)				
Short-term cash incentive award Variable Cash Compensation (VCC)				
Long-term equity incentive award Executive Equity Award Plan (EEAP) [5]				
Social and other benefits				
Social security contributions (AHV / ALV)				
Other benefits				

[1] MB members under a foreign employment receive benefits in line with local practice
[2] Only for MB members with a Swiss employment contract
[3] Company car or flat rate car allowance
[4] If applicable
[5] Options and Restricted Share Units

4.2 Board of Directors compensation system

The compensation of members of the Board of Directors is defined in a regulation adopted by the Board of Directors; it consists of a cash retainer (fixed fee), a committee fee (if applicable), a meeting attendance fee, as well as a travel allowance, based on the number of meetings attended. In addition, members of the Board of Directors receive non-discounted shares with a restriction period of 5 years and 4 months (Chairman) or 4 years and 4 months (all other members of the Board of Directors). There is no performance-related compensation for the Board of Directors and no eligibility to participate in the occupational pension plan.

The compensation of members of the Board of Directors is subject to regular social security contributions (AHV / ALV); the employer contributions are paid by Sonova.

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

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

1) Multiplied by the number of meeting attended

2) The tax value at grant differs from the value at grant by reduction of 6 % per year of restriction

Further information regarding the planned total compensation amounts of the Board of Directors for the period from the 2016 Annual General Shareholders' Meeting to the 2017 Annual General Shareholders' Meeting is provided in the invitation to the AGM 2016.

Sonova Share Ownership Guidelines

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

4.3 Management Board compensation system

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

- Fixed base salary
- Employee benefits, such as pension benefits, company car or flat rate car allowance and expense allowance
- Short-term cash incentive award (Variable Cash Compensation VCC)
- Long-term equity incentive award (EEAP)

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

	Fixed compensation components		Variable compensation components	
	FIXED BASE SALARY	BENEFITS	SHORT-TERM CASH INCENTIVE AWARD	LONG-TERM EQUITY INCENTIVE AWARD
Purpose	Ensures predictable salary, depends upon the market value of the role and the profile of the incumbents	Establishes level of security in line with local market practice Mandatory and voluntary benefits plans offered by the employer	Rewards performance against key indicators at Group and business unit level as well as the achievement of individual objectives	Rewards long-term value creation and reinforces alignment to shareholder interests
Performance / Vesting Period	n.a.	n.a.	1 financial year	1 year 4 months – 4 years 4 months
Performance measures	n.a.	n.a.	**A – Group** Sales, EBITA, FCF, EPS **B – Business Unit** Sales, EBITA, ASP, OPEX **C – Individual objectives**	ROCE
Delivery	Cash, regularly	Country specific	Cash	Equity (Options / RSUs)
CEO variable compensation as % of fixed base salary	n.a.	n.a.	**Target of fixed base salary: 62.5%** **Range of fixed base salary: 0–125%**	**Target of fixed base salary: 106.2%** **Range of fixed base salary: 0–106.2%**
MB (excl. CEO) variable compensation as % of fixed base salary	n.a.	n.a.	**Target of fixed base salary: 50%** **Range of fixed base salary: 0–100%**	**Target of fixed base salary: 96%** **Range of fixed base salary: 0–96%**

Fixed base salary

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

Short-term cash incentive award (Variable Cash Compensation – VCC)

Sonova's VCC aims to align a significant part of compensation to sustainable company performance in a given financial year.

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

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

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

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

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

	Weight	Performance objectives	Minimum payout (threshold)	Target payout (target)	Maximum payout (cap)
Group objectives	60 % – 80 %	Sales, EBITA, FCF, EPS	0 %	100 %	200 %
Business unit objectives		Sales, EBITA, ASP, OPEX	0 %	100 %	200 %
Individual objectives	20 % – 40 %	Individually determined	0 %	100 %	200 %

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

The purpose of the EEAP is to ensure long-term value creation for the company, alignment of the interests between shareholders and the members of the Management Board, and the long-term retention of managerial talent at Sonova.

The EEAP is annually offered to the members of the Management Board. The Board of Directors determines the individual grant level for the Management Board based on the recommendation of the CEO and to the CEO based on the recommendation of the Chairman of the Board of Directors. Generally the grant date is on February 1 each year. The grants are made in the form of options and RSUs that vest in four equal annual installments over a period of four years, with the first tranche vesting on June 1 of the year following the grant year (16 months after grant date). The exercise price of the options is the closing price of the Sonova share on the Swiss Stock Exchange (SIX Swiss Exchange) at the grant date. The term of the options granted amounts to seven years. The fair value of the options is calculated at the grant date by using the "Enhanced American Pricing Model." Additional information is available in Note 31 to the consolidated financial statements. Re-pricing of any out-of-the-money options granted under the EEAP is not permitted.

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

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

EEAP 2016		
Equity	**Options**	**RSUs**
Grant Date	February 1, 2016	February 1, 2016
Exercise / Strike Price	**CHF 124.20** (Sonova share closing price at SIX on February 1, 2016)	n.a.
Vesting Date	25 % vest on June 1, 2017 25 % vest on June 1, 2018 25 % vest on June 1, 2019 25 % vest on June 1, 2020	25 % vest on June 1, 2017 25 % vest on June 1, 2018 25 % vest on June 1, 2019 25 % vest on June 1, 2020
Restriction Period on the resulting shares	n.a.	n.a.
Performance criterion	Number of options which vest depends on the achievement of the ROCE target	Number of RSUs which vest depends on the achievement of the ROCE target
Exercise Period	After vesting until expiry of the options	n.a.
Maturity	Total 7 years	Not limited
Expiry Date	January 31, 2023	n.a.

The fair value of the 2016 EEAP grant to the CEO was 106.2 % of his fixed base salary and the fair value of the 2016 EEAP grant to the other members of the Management Board averaged 100.3 % of their fixed base salary.

In the event of termination of employment, vested options can be exercised within a 60-day period. Unvested options and RSUs are forfeited on termination, with the following exceptions:
- In case of death or disability, the unvested options and RSUs vest immediately. The vested options are exercisable within a period of 12 months commencing on the date of death or disability.
- In case of retirement, the unvested options and RSUs with a vesting date during the calendar year of the employee's retirement vest according the regular vesting schedule. The vested options are exercisable for a period of 12 months. Unvested options and RSUs with a vesting date after the calendar year of the employee's retirement are forfeited without any compensation.
- In the event of termination of employment by Sonova for cause all options, regardless whether vested or not, and unvested RSUs become null and void immediately. "Cause" shall mean any act of fraud, embezzlement or dishonesty, unauthorized use or disclosure of confidential information or trade secrets of Sonova or any other misconduct by the employee.
- In the event of termination of employment by Sonova following a change of control ("double trigger"), unvested options and RSUs vest immediately on a pro rata basis at target level, considering the period from the grant date to the effective date of the change of control compared to the original vesting period. Vested options are exercisable for a period of 60 days commencing on an employee's date of termination. This rule does not apply in the event of voluntary resignation by the employee following a change of control. In such case, unvested options and RSU's are forfeited.

Disclosure of targets
Internal individual and / or financial targets under the VCC and the EEAP plans are considered sensitive information. Disclosing such targets would allow confidential insight into the strategy of Sonova and therefore could create a competitive disadvantage to Sonova. Therefore, the decision was made to not disclose the specifics of the VCC and EEAP targets at the time of their setting. As a general rule, on a comparable basis, substantial improvements against the previous year's achievements are required in order to meet the target level of performance, in line with the company's ambitious financial plan.

Sonova Share Ownership Guidelines
To further align the interests of the Management Board with those of our shareholders, Sonova's share ownership guidelines require the members to hold a specified number of Sonova shares in order to be eligible to participate in the EEAP. The CEO must hold 8,000; the Group Vice Presidents (GVPs) 3,000; and the Vice Presidents (VPs) 1,500 Sonova shares each. These holdings must be achieved within three years of joining the Management Board; the NCC monitors progress toward those requirements on an annual basis.

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

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

The CEO and GVPs are entitled to a company car or flat rate car allowance and an expense allowance in line with the expense regulations applicable to all members of management in Switzerland and approved by the Swiss tax authorities.

Employment terms and conditions

As part of its commitment to good corporate governance, Sonova has a forfeiture provision in all employment agreements of the Management Board members, which operates in addition to the provisions of the Ordinance. It provides for repayment of any compensation if paid or granted prior to the approval by the Annual General Shareholders' Meeting and / or if the AGM does not approve the respective proposal regarding compensation of the members of the Management Board.

In addition, Sonova has introduced a claw-back provision allowing the company to reclaim any VCC payment, in part or in full, in the event of an accounting / financial restatement due to non-compliance with financial reporting requirements under the Swiss equity laws at the time of disclosure. This provision applies to all VCC payments for a period of three years following the financial year related to which the VCC payment has been made.

All members of the Management Board have permanent employment contracts with a notice period of a maximum of 6 months. The notice period for the CEO is 12 months.

Sonova does not grant severance payments to members of the Management Board or Board of Directors, nor does Sonova make advance payments or grant loans / credits to them. No loans or credits were granted by Sonova or any other Group company to present or former members of the Management Board or Board of Directors in the financial year, and no such loans were outstanding as of March 31, 2016. Furthermore, neither Sonova nor any other Group company has granted any loans to related parties of present or former members of the Management Board or Board of Directors.

5. Compensation for the financial year

5.1 Board of Directors compensation

This section is audited by the external auditor according to article 17 of the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies.

The following table shows the compensation for the individual members of the Board of Directors for the 2015 / 16 and 2014 / 15 financial years.

The total compensation in the 2015 / 16 financial year was CHF 2.9 million compared to CHF 3.0 million in the previous year; the lower figure is due to the reduced number of members of the Board of Directors. The structure and levels of total compensation of the members of the Board of Directors has not changed in the last 5 years. There are no changes planned for the next year related to the system and total compensation for members of the Board of Directors.

No other compensation was paid for additional services beyond the total compensation disclosed in the tables below. No loans or credits were granted by Sonova or any other Group company to present or former members of the Board of Directors in the 2015 / 16 financial year, and no such loans were outstanding as of March 31, 2016. Furthermore, neither Sonova nor any other Group company has granted any loans to related parties of present or former members of Board of Directors.

in CHF						2015 / 16
	Cash retainer (fixed fee)	Meeting attendance fee / expenses[1)]	Employer's social insurance contribution (AHV / ALV)[2)]	Total cash compensation	Value of restricted shares[3)]	Total compensation
Robert F. Spoerry, Chairman	500,000	2,500	66,226	568,726	285,550	854,276
Beat Hess, Vice-Chairman	122,500	7,500	16,043	146,043	151,277	297,320
Stacy Enxing Seng, Member	100,000	5,000	17,602	122,602	151,277	273,879
Michael Jacobi, Member	125,000	7,500	36,860	169,360	151,277	320,637
Anssi Vanjoki, Member	107,500	7,500	20,904	135,904	151,277	287,181
Ronald van der Vis, Member	107,500	7,500	34,836	149,836	151,277	301,113
Jinlong Wang, Member	100,000	5,500	17,635	123,135	151,277	274,412
John J. Zei, Member	107,500	7,500	29,400	144,400	151,277	295,677
Total (active members)	**1,270,000**	**50,500**	**239,506**	**1,560,006**	**1,344,489**	**2,904,495**
Andy Rihs[4)]	21,096	2,500	6,237	29,833		29,833
Total (including former member)	**1,291,096**	**53,000**	**245,743**	**1,589,839**	**1,344,489**	**2,934,328**

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 meetings attended by each member of the Board of Directors (no attendance fees for the Chairman).

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

3) Calculation of the value of restricted shares: Tax discounted value per restricted share at grant date for the Chairman of the Board of Directors CHF 90.91, and for the other members of the Board of Directors CHF 96.35. The discount takes into account a reduction of 6 % per year of restriction and reflects the fact that once the restricted shares have been granted, they are then blocked over a restriction period of 5 years and 4 month for the Chairman of the Board of Directors and 4 years and 4 month for the other members of the Board of Directors.

4) Andy Rihs retired from the Board of Directors at the annual shareholders meeting from June 16, 2015.

in CHF						2014 / 15
	Cash retainer (fixed fee)	Meeting attendance fee / expenses[1)]	Employer's social insurance contribution (AHV / ALV)[2)]	Total cash compensation	Value of restricted shares[3)]	Total compensation
Robert F. Spoerry, Chairman	500,000	2,000	58,675	560,675	286,914	847,589
Beat Hess, Vice-Chairman	122,500	8,000	17,044	147,544	152,175	299,719
Stacy Enxing Seng, Member[4)]	78,904	5,000	14,803	98,707	152,175	250,882
Michael Jacobi, Member	125,000	8,000	28,926	161,926	152,175	314,101
Andy Rihs, Member	100,000	6,000	7,734	113,734		113,734
Anssi Vanjoki, Member	107,500	6,500	47,957	161,957	152,175	314,132
Ronald van der Vis, Member	107,500	8,000	20,154	135,654	152,175	287,829
Jinlong Wang, Member	100,000	5,500	17,145	122,645	152,175	274,820
John J. Zei, Member	107,500	8,000	27,503	143,003	152,175	295,178
Total	**1,348,904**	**57,000**	**239,941**	**1,645,845**	**1,352,139**	**2,997,984**

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

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

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

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

4) New member of the Board of Directors since June 2014.

For the period from the 2015 Annual General Shareholders' Meeting to the 2016 Annual General Shareholders' Meeting, the total compensation paid to the Board of Directors is expected to be CHF 2,908,000. This is within the limit of CHF 3,000,000 as approved by the AGM 2015.

5.2 Management Board compensation

This section is audited by the external auditor according to article 17 of the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies.

Overall, Sonova substantially achieved the financial targets set by the Board of Directors for the financial year. The Group was below its sales, EBIT and earnings per share targets, whereas OPEX and ASP targets have been exceeded. The return on capital employed was lower compared to the prior year, reflecting the balance sheet effect of acquisitions and the lower EBITA. Overall the variable compensation for the members of the Management Board represents a 97.3 % average target achievement for the VCC and a 100 % average target achievement for the EEAP.

The highest total compensation for a Management Board member in the financial year was paid to the CEO, Lukas Braunschweiler. His fixed base salary was CHF 800,000, unchanged from the previous financial year, and the target VCC was CHF 500,000 (62.5 % of the fixed base salary), unchanged from the previous financial year. The effective VCC payout for performance in the 2015 / 16 financial year amounted to CHF 464,865 (58.1 % 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 2016 fair value of CHF 849,890, fringe benefits of CHF 24,891, employer's pension contributions of CHF 127,306, and employer's social security contribution (AHV / ALV) of CHF 109,956 are included in Lukas Braunschweiler's total compensation of CHF 2,376,908 (CHF 2,404,365 in the 2014 / 15 financial year). The decrease compared to the previous year is caused by a lower VCC due to performance achievement. The fixed based salary and EEAP grant value remained unchanged from the previous year.

The following table shows the compensation of the CEO (highest compensation) and of the other members of the Management Board for the 2015 / 16 financial year (13 members) and for the 2014 / 15 financial year (13.7 members). The average variable cash payout to Management Board members for performance in the 2015 / 16 financial year was 97.3 %, whereas the respective average target achievement was 99.7 % in the previous year. The total compensation of CHF 14.7 million for the financial year is below the range of CHF 15.2 million for the previous year. This is caused by a lower Variable Cash Compensation due to overall lower performance achievements and a lower headcount.

The structure and levels of total compensation of the members of the Management Board has not changed compared to the previous financial year. There are no significant changes planned in the future related to the system and total compensation for members of the Management Board. As a basic principle such changes, if applicable, will be kept small and selective and always aligned to data from executive compensation surveys and published benchmarks from companies of similar size.

No other compensation was paid for additional services beyond the total compensation disclosed in the tables below. No loans or credits were granted by Sonova or any other Group company to present or former members of the Management Board in the 2015 / 16 financial year, and no such loans were outstanding as of March 31, 2016. Furthermore, neither Sonova nor any other Group company has granted any loans to related parties of present or former members of the Management Board.

in CHF									2015/16
	Fixed base salary	Variable salary[1]	Fringe benefits	Employer's pension contribution	Employer's social security contribution[2]	Total cash compensation	Value of RSUs[3]	Value of options[4]	Total compensation
Lukas Braunschweiler, CEO	800,000	464,865	24,891	127,306	109,956	1,527,018	318,658	531,232	2,376,908
Other members of the MB	4,124,266	2,208,612	370,683	721,139	780,788	8,205,488	2,068,024	2,068,611	12,342,123
Total	**4,924,266**	**2,673,477**	**395,574**	**848,445**	**890,744**	**9,732,506**	**2,386,682**	**2,599,843**	**14,719,031**

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 financial year.
[2] Including social security contributions (AHV / ALV) on the tax value of RSUs vested and options / warrants exercised during the financial year.
[3] Fair value per RSU at grant date CHF 120.43.
[4] Fair value per option at grant date CHF 20.60.

in CHF									2014/15
	Fixed base salary	Variable salary[1]	Fringe benefits	Employer's pension contribution	Employer's social security contribution[2]	Total cash compensation	Value of RSUs[3]	Value of options[4]	Total compensation
Lukas Braunschweiler, CEO	800,000	491,679	24,891	126,899	110,904	1,554,373	318,692	531,300	2,404,365
Other members of the MB[5]	4,398,733	2,309,791	274,350	759,536	823,492	8,565,902	2,111,684	2,112,646	12,790,232
Total	**5,198,733**	**2,801,470**	**299,241**	**886,435**	**934,396**	**10,120,275**	**2,430,376**	**2,643,946**	**15,194,597**

The compensation shown in the table above is gross and based on the accrual principle.
[1] The variable salary will be paid out after the end of the reporting year.
[2] Including social security contributions on the tax value of RSUs vested and options / warrants exercised during the financial year.
[3] Fair value per RSU at grant date CHF 117.17.
[4] Fair value per option at grant date CHF 19.55.
[5] Martin Grieder, GVP Phonak joined the Management Board as of August 2014.

6. Share ownership information

6.1 Shareholdings of members of the Board of Directors

This section is audited by the external auditor.

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

				31.3.2016					31.3.2015
	Shares	Restricted Shares[1] [2]	RSUs[2]	Options[2]	Shares	Restricted Shares[1] [2]	RSUs[2]	Options[2]	Warrants[2] [3]
Robert F. Spoerry	22,100	17,406			16,100	14,265			250,000
Beat Hess		6,617				5,047			
Stacy Enxing Seng		3,179				1,609			
Michael Jacobi	2,782	6,617	261	5,115	2,521	5,047	522	5,115	250,000
Anssi Vanjoki	1,782	6,617	261	2,558	1,521	5,047	522	2,558	62,500
Ronald van der Vis	2,261	6,617	261	5,115	2,553	5,047	522	5,115	250,000
Jinlong Wang		4,784				3,214			
John J. Zei	1,282	6,617	261	1,279[4]	2,021	5,047	522	3,837[4]	125,000[5]
Total (active members)	**30,207**	**58,454**	**1,044**	**14,067**	**24,716**	**44,323**	**2,088**	**16,625**	**937,500**
Andy Rihs[6]					3,216,158	3,438	522	5,115	250,000
Total (including former member)					**3,240,874**	**47,761**	**2,610**	**21,740**	**1,187,500**

[1] These shares are subject to a restriction period which varies from June 1, 2017 to June 1, 2021 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).
[6] Andy Rihs retired from the Board of Directors at the annual shareholders meeting from June 16, 2015.

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

	31.3.2016	31.12.2015	
	Options (incl. SARs) EEAP 12[1]	Options (incl. SARs) EEAP 12[1]	Warrants (incl. WARs) EEAP 11[2]
Robert F. Spoerry			250,000
Michael Jacobi	5,115	5,115	250,000
Anssi Vanjoki	2,558	2,558	62,500
Ronald van der Vis	5,115	5,115	250,000
John J. Zei	1,279[3]	3,837[3]	125,000[4]
Total (active members)	**14,067**	**16,625**	**937,500**
Andy Rihs[5]		5,115	250,000
Total (including former member)		**21,740**	**1,187,500**

EEAP 2016 and 2015, no options or warrants were granted – 100 % restricted shares.
Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).

[1] Exercise price CHF 95.85, vesting period 1.2.2012 – 1.6.2016 whereas one tranche being vested each year, exercise period 1.6.2013 – 31.1.2019.
[2] Exercise price CHF 118.40, vesting period 1.3.2011 – 28.2.2015 whereas one tranche being vested each year, exercise period 1.3.2012 – 29.2.2016.
[3] SARs (SARs grant the right to participate in the appreciation of Sonova shares without issuance of shares).
[4] WARs (WARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares).
[5] Andy Rihs retired from the Board of Directors at the annual shareholders meeting from June 16, 2015.

6.2 Shareholdings of members of the Management Board

This section is audited by the external auditor.

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

	31.3.2016			31.3.2015			
	Shares	RSUs[1]	Options[1]	Shares	RSUs[1]	Options[1]	Warrants[1] [2]
Lukas Braunschweiler	11,463	9,619	120,924	9,285	9,151	95,136	
Claude Diversi	1,000	4,796	26,183	500	3,887	19,886	56,250
Hansjürg Emch	7,213	6,412	48,368	6,261	6,100	38,053	375,000
Hartwig Grevener	2,000	5,890	38,138	1,000	5,057	27,823	
Martin Grieder		3,577	21,184		1,813	10,869	
Sarah Kreienbühl	3,454	6,412	48,368	2,002	6,100	38,053	281,250
Stefan Launer	3,117	3,013	22,892	2,429	2,871	18,038	62,500
Albert Chin-Hwee Lim	744	3,379	20,670	240	2,846	14,603	
Hans Mehl	6,305	6,412	44,368	4,853	6,100	36,053	562,500
Jan Metzdorff	1,490	4,258	23,065	647	3,856	19,744	15,625
Franz Petermann	2,261	2,811	15,214	1,227	2,491	12,733	12,188
Paul Thompson	3,000	5,530	29,234	1,548	6,100	35,872	140,625
Andi Vonlanthen	11,495	6,347	47,089	10,108	5,970	36,774	224,000
Total (active members)	**53,542**	**68,456**	**505,697**	**40,100**	**62,342**	**403,637**	**1,729,938**
Maarten Barmentlo[3]				2,002	4,181	26,673	475,000
Total (including former member)				**42,102**	**66,523**	**430,310**	**2,204,938**

[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 until March 31, 2015.

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

	31.3.2016					
	Options EEAP 16[1]	Options EEAP 15[2]	Options EEAP 14[3]	Options EEAP 13[4]	Options EEAP 12[5]	Total options
Lukas Braunschweiler	25,788	27,173	21,719	20,669	25,575	120,924
Claude Diversi	10,315	7,672	4,599	2,222	1,375	26,183
Hansjürg Emch	10,315	10,869	8,687	8,267	10,230	48,368
Hartwig Grevener	10,315	10,869	8,687	8,267		38,138
Martin Grieder	10,315	10,869				21,184
Sarah Kreienbühl	10,315	10,869	8,687	8,267	10,230	48,368
Stefan Launer	4,854	5,115	4,088	3,720	5,115	22,892
Albert Chin-Hwee Lim	6,067	6,393	5,110	3,100		20,670
Hans Mehl	10,315	10,869	8,687	8,267	6,230	44,368
Jan Metzdorff	7,281	7,672	4,599	2,170	1,343	23,065
Franz Petermann	4,854	5,115	3,066	1,654	525	15,214
Paul Thompson	5,157	10,869	6,516	4,134	2,558	29,234
Andi Vonlanthen	10,315	10,869	8,687	8,267	8,951	47,089
Total	**126,206**	**135,223**	**93,132**	**79,004**	**72,132**	**505,697**

[1] Exercise price CHF 124.20, vesting period 1.2.2016 – 1.6.2020 whereas one tranche being vested each year, exercise period 1.6.2017 – 31.1.2023.
[2] Exercise price CHF 121.10, vesting period 1.2.2015 – 1.6.2019 whereas one tranche being vested each year, exercise period 1.6.2016 – 31.1.2022.
[3] Exercise price CHF 124.60, vesting period 1.2.2014 – 1.6.2018 whereas one tranche being vested each year, exercise period 1.6.2015 – 31.1.2021.
[4] Exercise price CHF 109.10, vesting period 1.2.2013 – 1.6.2017 whereas one tranche being vested each year, exercise period 1.6.2014 – 31.1.2020.
[5] Exercise price CHF 95.85, vesting period 1.2.2012 – 1.6.2016 whereas one tranche being vested each year, exercise period 1.6.2013 – 31.1.2019.

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

1) Exercise price CHF 121.10, vesting period 1.2.2015 – 1.6.2019 whereas one tranche being vested each year, exercise period 1.6.2016 – 31.1.2022.
2) Exercise price CHF 124.60, vesting period 1.2.2014 – 1.6.2018 whereas one tranche being vested each year, exercise period 1.6.2015 – 31.1.2021.
3) Exercise price CHF 109.10, vesting period 1.2.2013 – 1.6.2017 whereas one tranche being vested each year, exercise period 1.6.2014 – 31.1.2020.
4) Exercise price CHF 95.85, vesting period 1.2.2012 – 1.6.2016 whereas one tranche being vested each year, exercise period 1.6.2013 – 31.1.2019.
5) Exercise price CHF 88.30, vesting period 28.5.2011 – 27.5.2015 whereas one tranche being vested each year, exercise period 28.5.2012 – 27.5.2016.
6) Exercise price CHF 118.40, vesting period 1.3.2011 – 28.2.2015 whereas one tranche being vested each year, exercise period 1.3.2012 – 29.2.2016.
7) Exercise ratio between warrants and options: 25:1 (see also Note 31 in the consolidated financial statements).
8) Member of the Management Board until March 31, 2015.

Glossary

AGM	Annual General Shareholders' Meeting
AHV	Old Age and Survivors' Insurance
ALV	Unemployment Insurance
Articles of Association	Articles of Association of Sonova Holding AG
ASP	Average sales price
BoD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
EBITA	Operating profit before acquisition-related amortization
EEAP	Employee Equity Award Plan
EPS	Earnings per share
FCF	Free cash flow
GVP	Group Vice President
KPIs	Key performance indicators'
MB	Management Board
N.A.	Not applicable
NCC	Nomination and Compensation Committee
OPEX	Operating expenses
Ordinance	Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies
ROCE	Return on capital employed
RSU	Restricted Share Unit
VCC	Variable Cash Compensation
VP	Vice President

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

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

We have audited the accompanying compensation report of Sonova Holding AG for the year ended March 31, 2016. The audit was limited to the information according to articles 14 – 16 of the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 63 to 71.

Responsibility of the Board of Directors

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the compensation report of Sonova Holding AG for the year ended March 31, 2016 complies with Swiss law and articles 14 – 16 of the Ordinance.

PricewaterhouseCoopers AG

Sandra Boehm Audit expert Auditor in charge	Kai Mauden

Zurich, May 10, 2016

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Financial review

Sonova generated sales of CHF 2,071.9 million in 2015 / 16, an increase of 5.8 % in local currencies or 1.8 % in reported Swiss francs. Group EBITA increased by 1.4 % in local currencies, but declined by 5.5 % in reported Swiss francs to CHF 430.6 million, corresponding to a margin of 20.8 %.

Continuous organic growth

Sonova Group sales in 2015 / 16 grew by 5.8 % in local currencies to CHF 2,071.9 million. A less favorable currency environment reduced sales by CHF 80.5 million, resulting in growth of 1.8 % in reported Swiss francs. Organic growth was 2.2 %, driven by the hearing instruments segment. Acquisitions made in the reporting period and the annualization of prior year acquisitions added another 3.5 % to growth, which includes the acquisition of the Hansaton brand, effective April 2015, and the further expansion of the Group's retail network.

Strong growth in the EMEA and APAC regions

The Europe, Middle East, and Africa region (EMEA), which accounted for 43 % of Group sales, reported a 7.2 % sales increase in local currencies. This was achieved despite a decline in our German hearing instruments wholesale business, due to an expected headwind in the independent channel after the Group's announcement of its new German retail strategy in March 2015. The increase also reflects the acquisition of Hansaton, the expansion of our German retail network, and the disposal of our Italian retail business at the end of 2015. On an organic basis, the hearing instruments segment achieved pronounced market share increases in France and the UK. The cochlear implants business was stable compared to the prior year, with an acceleration in the second half.

The Group's business in the United States, representing 37 % of total sales, showed a modest increase of 1.8 % in local currency. Positive development in the private market was partly offset by Costco's shift from branded to private-label products, and by unchanged sales volume with the US Department of Veterans Affairs (VA). Market share with the VA improved in the second half of the financial year. The cochlear implants segment could not increase sales volume, but returned to growth towards the end of the year. The rest of the Americas (excluding the US), which represented 9 % of total sales, reported sales growth of 6.1 % in local currencies, with strong contributions from Canada partly offset by Brazil.

The Asia / Pacific region represented 11 % of Group sales and achieved exceptional sales growth of 13.3 % in local currencies. This acceleration reflects the continued successful execution of Sonova's China growth strategy as well as a strong performance across all key geographies in the hearing instruments business. Australia in particular was a bright spot in both our wholesale and retail businesses. The cochlear implants segment achieved double-digit growth in the region, despite the absence of Chinese central government tender business.

Margin affected by currency environment and cochlear implants business

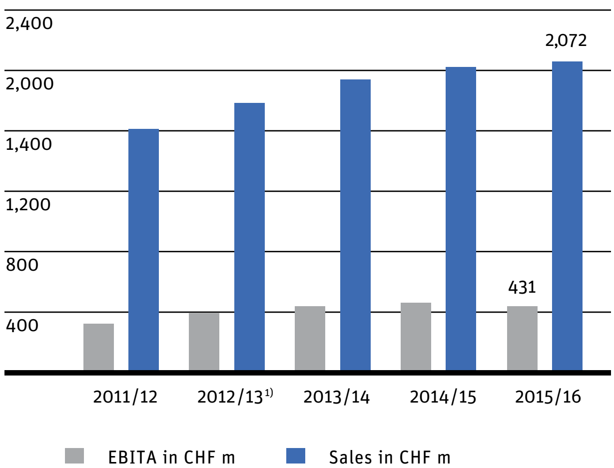
Reported gross profit reached CHF 1,375.5 million (gross margin of 66.4 %), an increase of 3.7 % in local currencies but down 0.9 % in reported Swiss francs. Normalized for non-recurring items for both the 2014 / 15 and 2015 / 16 financial years, gross profit in local currencies rose 4.6 % over the prior year to CHF 1,449.3 million (2014 / 15: CHF 1,385.3 million), corresponding to a gross margin of 67.3 % compared to 68.1 % in the previous year. The normalized gross profit for the 2014 / 15 financial year excludes currency gains on working capital of CHF 9.3 million and CHF 7.1 million in non-recurring costs, mainly related to the move of certain manufacturing activities out of Switzerland. For the 2015 / 16 financial year, the gross profit has been normalized to exclude currency losses

SONOVA GROUP KEY FIGURES

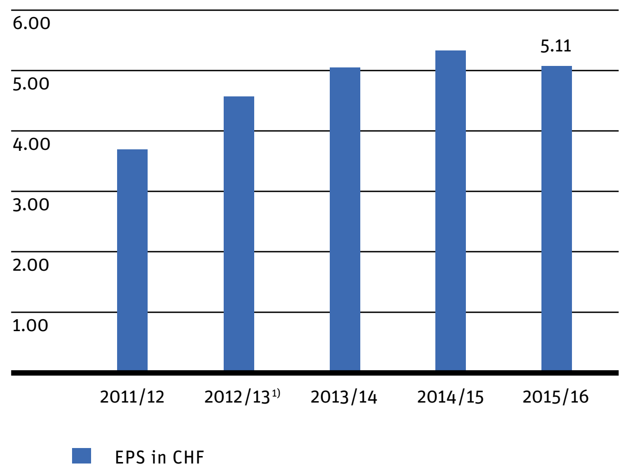
in CHF m unless otherwise specified	2015 / 16	2014 / 15	Change in Swiss francs	Change in local currencies
Sales	2,071.9	2,035.1	1.8 %	5.8 %
EBITA	430.6	455.6	(5.5 %)	1.4 %
EBITA margin	20.8 %	22.4 %		
EPS (CHF)	5.11	5.37	(4.8 %)	
Operating free cash flow	344.2	366.4	(6.1 %)	
ROCE[1]	26.0 %	29.1 %		
ROE[1]	18.3 %	20.2 %		

[1] For detailed definitions, please refer to "Key figures".

Sales and EBITA development in CHF m



EPS development in CHF



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

on working capital of CHF 2.3 million and the establishment of a specific warranty provision for our cochlear implant business, booked in the first half, of CHF 8.6 million.

Excluding acquisitions, normalized gross margin was stable in the hearing instruments business, reflecting a positive trend in average selling price, partly offset by lower efficiency related to the ramp up of our UK-based shared service operation for custom product manufacturing and repairs, which was significantly expanded. Margin was temporarily further diluted by the acquisition of Hansaton, which originally sourced its products from a third party. Hansaton's product portfolio was converted to Sonova technology during the year. The cochlear implants segment's normalized gross margin declined due to a shift in its geographic and product sales mix.

Reported operating expenses reached CHF 944.8 million, an increase of 4.8 % in local currencies and 1.4 % in reported Swiss francs. Normalized operating expenses in local currencies rose by 5.6 % to CHF 993.5 million (2014 / 15: CHF 940.7 million). Normalized operating expenses for the 2014 / 15 financial year exclude a non-recurring net benefit of CHF 8.8 million, mainly related to the release of a provision for cochlear implant product liabilities. For the 2015 / 16 financial year, normalized operating expenses exclude the benefit from a capital gain of CHF 8.7 million from the divestment of the Italian retail and South African wholesale business, and a CHF 8.8 million provision release for cochlear implant product liabilities.

Normalized R & D expenses in local currencies remained stable year-over-year. Sales and marketing costs, normalized for non-recurring items, increased by 8.6 % in local currencies. The increase was mainly driven by retail acquisitions, as well as by continued investments in the operating business. Normalized general and administrative expenses increased 0.4 % in local currencies, well below local currency sales growth. Normalized other income was negligible as the reported values almost entirely related to normalization items, i.e. from gain from disposals and provision releases for cochlear implant product liabilities.

Reported operating profit before acquisition-related amortization (EBITA) was CHF 430.6 million (2014 / 15: CHF 455.6 million), an increase of 1.4 % in local currencies or a decline of 5.5 % in Swiss francs from the prior year. Reported EBITA margin reached 20.8 % (2014 / 15: 22.4 %). Unfavorable exchange rate development reduced reported EBITA by CHF 31.5 million and the EBITA margin by 70 basis points. Normalized for non-recurring items for both the 2014 / 15 and 2015 / 16 financial years, the EBITA in local currencies increased by 2.5 % to CHF 455.8 million (2014 / 15: CHF 444.6 million). Reported operating profit (EBIT) reached CHF 403.4 million, compared to CHF 429.1 million for the prior year, down by 6.0 %, in line with the development of the reported EBITA.

Earnings per share

Net financial expenses, including the result from associates, fell from CHF 8.7 million to CHF 6.4 million, reflecting higher net interest income and other financial income, partly offset by higher currency hedging cost. Income taxes for the financial year totaled CHF 51.2 million, down from CHF 52.0 million in 2014 / 15, and representing an effective tax rate of 12.9 %. Reported income after taxes was CHF 345.8 million, down 6.1 % from the previous year. Basic earnings per share (EPS) therefore reached CHF 5.11 (2014 / 15: CHF 5.37), a decline of 4.8 % from the previous year.

SALES BY REGIONS

in CHF m	2015/16			2014/15	
	Sales	Share	Growth in local currencies	Sales	Share
EMEA	883	43 %	7.2 %	886	44 %
USA	768	37 %	1.8 %	722	35 %
Americas (excl. USA)	197	9 %	6.1 %	216	11 %
Asia / Pacific	224	11 %	13.3 %	211	10 %
Total sales	**2,072**	**100 %**	**5.8 %**	**2,035**	**100 %**

Workforce increases to 10,894

At the end of the 2015 / 16 financial year, the Group's total workforce stood at 10,894 full-time equivalents – an increase of 710 over the previous year. This growth comes almost entirely from the hearing instruments segment and is predominantly due to additions from acquisitions. Our manufacturing work force also increased at the China and Vietnam operation centers, which continue to gradually absorb some manufacturing functions that were previously hosted in the distribution companies. The transfer announced in March 2015 of ca. 100 staff positions from Switzerland to China and the UK was completed as planned by the end of the financial year.

Hearing instruments segment – Solid growth supported by acquisitions

Sales in the hearing instruments segment reached CHF 1,885.0 million, representing an increase of 6.6 % in local currencies and 2.4 % in reported Swiss francs. Organic growth was 2.8 % in local currencies, supplemented by 3.8 % or CHF 70.8 million from acquisitions, net of disposals, in this financial year, along with the full-year effect from prior year acquisitions. The bulk of this came from the acquisition of Hansaton, partly offset by the disposal of the Italian retail business. Growth in the second half was in part affected by a challenging comparison base as a result of a strong positive market response to the launch of the Phonak Audéo™ V Receiver-In-Canal product in the prior year.

Europe showed a solid development despite strong headwinds in Germany after the disclosure of the Group's retail strategy in March 2015. France outgrew the market in both retail and wholesale. In the UK, Boots Hearingcare continued its success story and extended its leading position in the private market, reaching nearly 500 points of sale. Sales in the region were further supported by acquisitions, in particular Hansaton.

In the United States, strong growth in the private market was partly offset by a decline in sales to Costco. After a very strong performance in 2014 / 15, this year saw strong competition from Costco's own private-label products, leading to a reduced overall share of branded products. Business with the VA was slower in the first half but accelerated in the second half when the Group achieved solid gains in market share, supported by strong performance of Phonak custom products, along with improved supply chain efficiency and customer fitting support.

Asia / Pacific delivered double digit growth across the region. In China, the Group continued to execute its long-term growth strategy, delivering a double digit sales increase. Strong positions in the Australian, Japanese, and New Zealand markets were further expanded. In Brazil, the business was affected by the difficult economic situation and decline of the Brazilian real. Sonova has taken measures to optimize its business portfolio in the country by reducing its exposure to the government channel and further strengthening its own retail activities.

By product category, Premium hearing instruments achieved a 7.0 % sales increase in local currencies, driven by Sonova's innovative product portfolio. This was closely matched by the Standard category, which was up 7.6 % in local currencies. Sales in the Advanced category increased by 1.8 % in local currencies. Premium and advanced hearing instruments accounted for 25 % and 20 % of Group sales respectively, while Standard accounted for 29 %. Thanks mainly to the acquisition of Comfort Audio, sales of wireless communication systems grew by 10.0 % in local currencies, although stronger organic growth in this product category was hindered by a significant decline in orders from the Brazilian government. Sales in the "miscellaneous" product category grew by 9.8 % in local currencies, accounting for 13 % of Group sales. This category includes accessories, batteries and services, and accelerated to double digit local currency growth in the second half of the financial year.

Reported EBITA amounted to CHF 430.8 million, corresponding to an EBITA margin of 22.9 %. The normalized EBITA for the hearing instruments segment increased by 4.4 % in local currencies. Stringent cost discipline in our legacy business allowed for a modest normalized margin expansion of 20 basis points, which was more than offset by the lower profitability of the acquired sales. This resulted in a drop in the normalized EBITA margin by 50 basis points.

Cochlear implants segment – Returning to growth in the second half

After a slow start to the year – partly due to a challenging comparison to the prior year period – the cochlear implants business picked up momentum and returned to growth across all regions in the second half of the financial year. Total sales were CHF 187.0 million, a decline of 2.4 % in local currencies and 3.7 % in reported Swiss francs.

Solid unit growth in new systems across Europe, Asia / Pacific and Latin America was partly offset by a decline in the United States. Unit growth in new systems could not fully compensate for lower upgrade sales to existing users and an adverse geographic mix. The successful launch of the new Naída CI Q90 sound processor in November 2015 supported the return to growth in the second half-year.

Cost management was a key priority, though research and development programs proceeded as planned. Lower sales and the adverse sales and product mix reduced the gross profit margin; combined with slightly higher operating costs, this led to a break-even operating profit. The abovementioned one-time increase in warranty provision negatively affected gross margin, but was largely offset by a non-recurring gain from the release of the product liability provision at EBITA level. The normalized EBITA in local currencies decreased by CHF 8.0 million.

Significant free cash flow

Cash flow from operating activities reached CHF 428.4 million, compared to CHF 459.5 million in the prior year. The decrease mainly reflects lower EBITA and higher taxes paid. Investments in tangible and intangible assets decreased by CHF 5.9 million or 6.6 % to CHF 83.1 million. This resulted in an operating free cash flow of CHF 344.2 million versus CHF 366.4 million in the prior year. The cash consideration for acquisitions, including earn-out payments for prior period acquisitions, amounted to CHF 121.3 million in 2015 / 16, compared to CHF 57.7 million in the prior year; this increase was largely due to the acquisition of Hansaton, along with further expansion of the Group’s retail network. The cash inflow from divestments amounted to CHF 29.6 million. In summary, this resulted in a significant free cash flow of CHF 252.6 million compared to CHF 308.7 million in the prior year.

Cash outflow from financing was CHF 325.6 million, largely unchanged from the prior year. The Group spent CHF 155.6 million in 2015 / 16 to purchase 1,203,500 shares under the current share buy-back program, up from CHF 73.6 million in the prior year. A sum of CHF 80 million was also spent in 2014 / 15 to retire a tranche of financial debt. In the 2015 / 16 financial year, CHF 19.7 million was spent on the purchase of treasury shares to support equity-based compensation plans, compared to CHF 19.0 million in the prior year. The cash outflow from financing also reflects the increase in the dividend by CHF 8.4 million.

SALES BY PRODUCT GROUPS

in CHF m			2015 / 16		2014 / 15
Product groups	Sales	Share	Growth in local currencies	Sales	Share
Premium hearing instruments	513	25 %	7.0 %	484	24 %
Advanced hearing instruments	404	20 %	1.8 %	415	20 %
Standard hearing instruments	600	29 %	7.6 %	586	29 %
Wireless communication systems	90	4 %	10.0 %	86	4 %
Miscellaneous	278	13 %	9.8 %	270	13 %
Total hearing instruments	**1,885**	**91 %**	**6.6 %**	**1,841**	**90 %**
Cochlear implants and accessories	187	9 %	(2.4 %)	194	10 %
Total sales	**2,072**	**100 %**	**5.8 %**	**2,035**	**100 %**

Maintaining a solid balance sheet

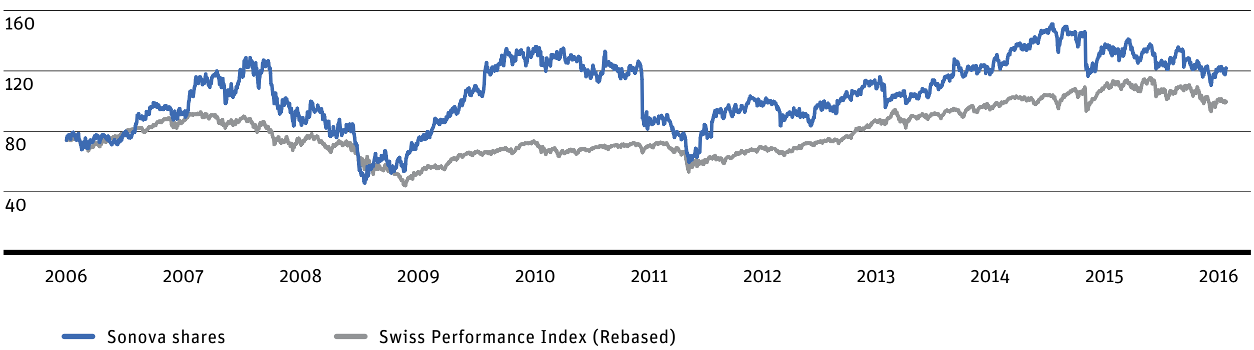
Reported net working capital was CHF 185.5 million, compared to CHF 181.4 million at the end of the prior year. Capital employed was CHF 1,608.0 million, compared to CHF 1,489.5 million in the prior year; this was mainly due to acquisitions. Reflecting its strong free cash flow, increased acquisition spend, and a higher return of cash to shareholders, the Group ended the period with a net cash position of CHF 298.3 million, down CHF 84.1 million from CHF 382.3 million at the end of the prior year. The return on capital employed (ROCE) was 26.0 %, compared to 29.1 % in the prior year, reflecting the balance sheet effect of acquisitions and the lower EBITA in reported Swiss francs.

In light of the continued solid profitability of the Sonova Group, as well as its healthy financial position, the Board of Directors will propose to the Annual General Shareholders' Meeting on June 14, 2016 a dividend of CHF 2.10. This proposed distribution is up 2.4 % over the prior year, and represents an increased payout ratio of 41 %, compared to 38 % in the prior year.

Outlook 2016 / 17

We expect to achieve solid growth in sales and profitability in both the hearing instruments and cochlear implants segments during 2016 / 17, reflecting our attractive product and solution portfolio as well as our continued commitment to innovation. We expect overall sales to grow in the range of 4 % – 6 % in local currencies.

Share price performance



Share price performance[1)]

	10 years	5 years	3 years	2 years	1 year
Sonova shares	65.5 %	50.0 %	7.8 %	(5.0 %)	(9.2 %)
Swiss Performance Index (SPI)[2)]	34.9 %	43.6 %	14.8 %	1.4 %	(9.0 %)
Sonova shares relative to the SPI	30.6 %	6.4 %	(7.0 %)	(6.3 %)	(0.3 %)

1) Performance of the Sonova shares and SPI refers to the respective period prior to the last trading day of the 2015/16 financial year
2) The Swiss Performance Index (SPI) is considered Switzerland's overall stock market index. It comprises practically all of the SIX Swiss Exchange-traded equity securities of companies that are domiciled in Switzerland or the Principality of Liechtenstein.

5 year key figures

in 1,000 CHF unless otherwise specified	2015/16	2014/15
Sales	**2,071,930**	**2,035,085**
change compared to previous year (%)	1.8	4.3
Gross profit	**1,375,468**	**1,387,524**
change compared to previous year (%)	(0.9)	3.5
in % of sales	66.4	68.2
Research & development costs	**130,255**	**130,897**
in % of sales	6.3	6.4
Sales & marketing costs	**638,240**	**613,217**
in % of sales	30.8	30.1
Operating profit before acquisition-related amortization and impairment (EBITA)	**430,632**	**455,564**
change compared to previous year (%)	(5.5)	5.9
in % of sales	20.8	22.4
Operating profit (EBIT)	**403,437**	**429,069**
change compared to previous year (%)	(6.0)	6.2
in % of sales	19.5	21.1
Income after taxes	**345,847**	**368,323**
change compared to previous year (%)	(6.1)	6.0
in % of sales	16.7	18.1
Number of employees (average)	**10,697**	**9,960**
change compared to previous year (%)	7.4	8.6
Number of employees (end of period)	**10,894**	**10,184**
change compared to previous year (%)	7.0	6.9
Net cash[3)]	**298,274**	**382,343**
Net working capital[4)]	**185,459**	**181,379**
in % of sales	9.0	8.9
Capital expenditure (tangible and intangible assets)[5)]	**83,051**	**88,735**
Capital employed[6)]	**1,607,992**	**1,489,461**
in % of sales	77.6	73.2
Total assets	**2,751,611**	**2,691,631**
Equity	**1,906,266**	**1,871,804**
Equity financing ratio (%)[7)]	**69.3**	**69.5**
Free cash flow[8)]	**252,573**	**308,700**
Operating free cash flow[9)]	**344,212**	**366,385**
in % of sales	16.6	18.0
Return on capital employed (%)[10)]	**26.0**	**29.1**
Return on equity (%)[11)]	**18.3**	**20.2**
Basic earnings per share (CHF)	5.11	5.37
Diluted earnings per share (CHF)	5.10	5.35
Dividend / distribution per share (CHF)	2.10[12)]	2.05

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

2013/14	Normalized performance 2012/13[1]/[2]	Reported performance 2012/13[1]	2011/12
1,951,312	1,795,262	1,795,262	1,619,848
8.7	10.8	10.8	0.2
1,340,449	1,239,780	1,239,780	1,105,924
8.1	12.1	12.1	(1.1)
68.7	69.1	69.1	68.3
125,657	113,884	113,884	116,178
6.4	6.3	6.3	7.2
589,627	559,077	559,077	503,354
30.2	31.1	31.1	31.1
430,109	385,304	181,688	315,199
11.6	22.2	(42.4)	(3.5)
22.0	21.5	10.1	19.5
404,030	359,175	155,559	287,699
12.5	24.8	(45.9)	6.2
20.7	20.0	8.7	17.8
347,382	307,745	110,869	246,410
12.9	24.9	(55.0)	6.6
17.8	17.1	6.2	15.2
9,175	8,709	8,709	7,970
5.4	9.3	9.3	9.3
9,529	8,952	8,952	8,223
6.4	8.9	8.9	4.9
311,525	185,800	185,800	(64,448)
190,571	187,148	187,148	163,434
9.8	10.4	10.4	10.1
93,918	82,354	82,354	80,073
1,462,850	1,455,460	1,455,460	1,540,326
75.0	81.1	81.1	95.1
2,593,748	2,680,042	2,680,042	2,287,202
1,774,375	1,641,260	1,641,260	1,475,878
68.4	61.2	61.2	64.5
288,618	262,370	262,370	156,406
318,430	318,553	318,553	239,535
16.3	17.7	17.7	14.8
27.7	10.4	10.4	19.2
20.3	7.1	7.1	17.5
5.08	4.60	1.65	3.71
5.07	4.59	1.64	3.71
1.90	1.60	1.60	1.20

[7] Equity in % of total assets.
[8] Cash flow from operating activities + cash flow from investing activities.
[9] Free cash flow – cash consideration for acquisitions and from divestments, net of cash acquired/divested.
[10] EBIT in % of capital employed (average).
[11] Income after taxes in % of equity (average).
[12] Proposal to the Annual General Shareholders' Meeting of June 14, 2016.

Consolidated financial statements

Consolidated income statements

1,000 CHF	Notes	2015/16	2014/15
Sales	6	**2,071,930**	**2,035,085**
Cost of sales		(696,462)	(647,561)
Gross profit		**1,375,468**	**1,387,524**
Research and development		(130,255)	(130,897)
Sales and marketing		(638,240)	(613,217)
General and administration		(194,223)	(201,043)
Other income / (expenses), net	7	17,882	13,197
Operating profit before acquisition-related amortization (EBITA)[1)]		**430,632**	**455,564**
Acquisition-related amortization	20	(27,195)	(26,495)
Operating profit (EBIT)[2)]		**403,437**	**429,069**
Financial income	8	4,298	1,093
Financial expenses	8	(12,249)	(11,630)
Share of profit / (loss) in associates / joint ventures	18	1,574	1,792
Income before taxes		**397,060**	**420,324**
Income taxes	9	(51,213)	(52,001)
Income after taxes		**345,847**	**368,323**
Attributable to:			
Equity holders of the parent		337,026	359,994
Non-controlling interests		8,821	8,329
Basic earnings per share (CHF)	10	5.11	5.37
Diluted earnings per share (CHF)	10	5.10	5.35

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

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

Consolidated statements of comprehensive income

1,000 CHF	Notes	2015/16	2014/15
Income after taxes		**345,847**	**368,323**
Other comprehensive income			
Actuarial (loss)/gain from defined benefit plans, net	30	(6,610)	(33,249)
Tax effect on actuarial (loss)/gain from defined benefit plans		893	4,601
Put options granted to non-controlling interests			7,879
Total items not to be reclassified to income statement in subsequent periods		**(5,717)**	**(20,769)**
Fair value adjustment on cash flow hedges			901
Currency translation differences		(2,547)	(30,577)
Tax effect on currency translation items		760	(1,430)
Total items to be reclassified to income statement in subsequent periods		**(1,787)**	**(31,106)**
Other comprehensive income, net of tax		**(7,504)**	**(51,875)**
Total comprehensive income		**338,343**	**316,448**
Attributable to:			
Equity holders of the parent		330,309	308,737
Non-controlling interests		8,034	7,711

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

Consolidated balance sheets

Assets 1,000 CHF	Notes	31.3.2016	31.3.2015
Cash and cash equivalents	12	317,266	390,486
Other current financial assets	13	6,748	5,446
Trade receivables	14	354,672	349,388
Current income tax receivables		7,755	6,323
Other receivables and prepaid expenses	15	69,610	66,349
Inventories	16	240,451	240,834
Total current assets		**996,502**	**1,058,826**
Property, plant and equipment	17	267,870	269,988
Intangible assets	20	1,349,628	1,219,598
Investments in associates / joint ventures	18	9,275	9,667
Other non-current financial assets	19	19,970	22,478
Deferred tax assets	9	108,366	111,074
Total non-current assets		**1,755,109**	**1,632,805**
Total assets		**2,751,611**	**2,691,631**

Liabilities and equity 1,000 CHF	Notes	31.3.2016	31.3.2015
Current financial liabilities	22	6,546	3,101
Trade payables		77,828	72,896
Current income tax liabilities		93,812	95,584
Other short-term liabilities	23	214,189	206,548
Short-term provisions	21	105,220	111,933
Total current liabilities		**497,595**	**490,062**
Non-current financial liabilities	24	15,174	5,042
Long-term provisions	21	191,880	205,148
Other long-term liabilities	26	94,764	86,927
Deferred tax liabilities	9	45,932	32,648
Total non-current liabilities		**347,750**	**329,765**
Total liabilities		**845,345**	**819,827**
Share capital	27	3,331	3,359
Treasury shares		(155,676)	(71,473)
Retained earnings and reserves		2,034,677	1,912,615
Equity attributable to equity holders of the parent		**1,882,332**	**1,844,501**
Non-controlling interests		23,934	27,303
Equity		**1,906,266**	**1,871,804**
Total liabilities and equity		**2,751,611**	**2,691,631**

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

Consolidated cash flow statements

1,000 CHF	Notes	2015 / 16		2014 / 15	
Income before taxes			**397,060**		**420,324**
Depreciation and amortization of tangible and intangible assets	17,20	88,743		84,954	
Loss on sale of tangible and intangible assets, net		769		551	
Share of gain in associates / joint ventures	18	(1,574)		(1,792)	
Decrease in long-term provisions		(7,403)		(6,000)	
Financial income / expenses, net	8	7,951		10,537	
Share based payments and other non-cash items		4,061		19,214	
Income taxes paid		(40,545)	52,002	(23,095)	84,369
Cash flow before changes in net working capital			**449,062**		**504,693**
Decrease / (increase) in trade receivables		312		(12,867)	
Decrease / (increase) in other receivables and prepaid expenses		4,415		(4,412)	
Decrease / (increase) in inventories		5,019		(31,087)	
Decrease in trade payables		(11,327)		(4,468)	
(Decrease) / increase in other payables, accruals and short-term provisions		(19,038)	(20,619)	7,598	(45,236)
Cash flow from operating activities			**428,443**		**459,457**
Purchase of tangible and intangible assets		(83,051)		(88,956)	
Proceeds from sale of tangible and intangible assets		576		1,226	
Cash consideration for acquisitions, net of cash acquired	28	(121,252)		(57,685)	
Cash consideration from divestments, net of cash divested	28	29,613			
Changes in other financial assets		(5,034)		(6,357)	
Interest received and realized gain from financial assets		3,278		1,015	
Cash flow from investing activities			**(175,870)**		**(150,757)**
Repayment of borrowings		(479)		(87,553)	
(Purchase) / sale of treasury shares, net		(175,377)		(92,601)	
Dividends paid by Sonova Holding AG		(136,039)		(127,629)	
Transactions with non-controlling interests		(11,403)		(17,276)	
Interest paid and other financial expenses		(2,312)		(2,255)	
Cash flow from financing activities			**(325,610)**		**(327,314)**
Exchange losses on cash and cash equivalents			(183)		(904)
Decrease in cash and cash equivalents			**(73,220)**		**(19,518)**
Cash and cash equivalents at the beginning of the financial year			390,486		410,004
Cash and cash equivalents at the end of the financial year			**317,266**		**390,486**

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

Consolidated changes in equity

1,000 CHF

	Attributable to equity holders of Sonova Holding AG						
	Share capital	Retained earnings and other reserves	Translation adjustment	Treasury shares	Hedge reserve	Non-controlling interests	Total equity
Balance April 1, 2014	**3,359**	**2,001,725**	**(263,638)**	**4,285[1)]**	**(901)**	**29,545**	**1,774,375**
Income for the period		359,994				8,329	368,323
Actuarial loss from defined benefit plans, net		(33,249)					(33,249)
Tax effect on actuarial loss		4,601					4,601
Put options granted to non-controlling interests		7,879					7,879
Fair value adjustment on hedges					901		901
Currency translation differences			(29,959)			(618)	(30,577)
Tax effect on currency translation			(1,430)				(1,430)
Total comprehensive income		**339,225**	**(31,389)**		**901**	**7,711**	**316,448**
Changes in non-controlling interests		(7,279)				(994)	(8,273)
Share-based payments		7,583					7,583
Sale of treasury shares		(5,983)		68,284			62,301
Purchase of treasury shares				(144,042)			(144,042)
Dividend paid		(127,629)				(8,959)	(136,588)
Balance March 31, 2015	**3,359**	**2,207,642**	**(295,027)**	**(71,473)[1)]**		**27,303**	**1,871,804**
Balance April 1, 2015	**3,359**	**2,207,642**	**(295,027)**	**(71,473)[1)]**		**27,303**	**1,871,804**
Income for the period		337,026				8,821	345,847
Actuarial loss from defined benefit plans, net		(6,610)					(6,610)
Tax effect on actuarial loss		893					893
Currency translation differences		19	(1,779)			(787)	(2,547)
Tax effect on currency translation			760				760
Total comprehensive income		**331,328**	**(1,019)**			**8,034**	**338,343**
Capital decrease – share buy-back program	(28)	(73,551)		73,579			
Share-based payments		7,565					7,565
Sale of treasury shares		(6,222)		22,732			16,510
Purchase of treasury shares				(180,514)			(180,514)
Dividend paid		(136,039)				(11,403)	(147,442)
Balance March 31, 2016	**3,331**	**2,330,723**	**(296,046)**	**(155,676)[1)]**		**23,934**	**1,906,266**

1) Includes derivative financial instruments on treasury shares.

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

Notes to the consolidated financial statements as of March 31, 2016

1. Corporate information

The Sonova Group (the "Group") specializes in the design, development, manufacture, worldwide distribution and service of technologically advanced hearing systems for adults and children with hearing impairment. The Group operates worldwide and distributes its products in over 90 countries through its own distribution network and through independent distributors. The ultimate parent company is Sonova Holding AG, a limited liability company incorporated in Switzerland. Sonova Holding AG's registered office is located at Laubisrütistrasse 28, 8712 Stäfa, Switzerland.

2. Basis of consolidated financial statements

The consolidated financial statements of the Group are based on the financial statements of the individual Group companies at March 31 prepared in accordance with uniform accounting policies. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets at market value, in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards (IAS) and Interpretations issued by the International Accounting Standards Board (IASB). The consolidated financial statements were approved by the Board of Directors of Sonova Holding AG on May 10, 2016, and are subject to approval by the Annual General Shareholders' Meeting on June 14, 2016.

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

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

2.1 Changes in accounting policies

The following new standards and amendments have been adopted as of April 1, 2015, without having a significant impact on the Group's result and financial position:

- Amendments to IAS 19 "Employee Benefits": Employee Contributions provide clarifications regarding the contributions from employees or third parties when accounting for defined benefit plans as defined by IAS 19 "Employee Benefits". If the amount of the contributions is independent of the number of years of service, such contributions are recognised as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.
- Annual Improvements to IFRSs 2010 – 2012 Cycle (except for the amendment to IFRS 3 "Business combinations") include amendments to a number of IFRSs (IFRS 2 "Share-based Payment", IFRS 8 "Operating Segments", IFRS 13 "Fair Value Measurement", IAS 16 "Property, Plant and Equipment", IAS 38 "Intangible Assets" and IAS 24 "Related Party Disclosures").
- Annual Improvements to IFRSs 2011 – 2013 Cycle include amendments to a number of IFRSs (IFRS 1 "First-time Adoption of IFRSs", IFRS 3 "Business Combinations", IFRS 13 "Fair Value Measurement" and IAS 40 "Investment Property").

Although the Group is still assessing the potential impacts of the various new and revised standards and interpretations that will be effective for the financial year starting April 1, 2016, based on the analysis to date the Group does not expect a significant impact on the Group's result and financial position. The Group is also assessing other new and revised standards which are not mandatory until after 2016.

IFRS 9 "Financial instrument": The standard completes the guidance on recognition / derecognition of financial instruments. It includes revised principles on classification and measurement of financial instruments. The Group is currently assessing the impact of adopting the standard.

IFRS 15 "Revenues from Contracts with Customers": The standard combines, enhances and replaces specific guidance on recognising revenue with a single standard based on a five step approach. The Group is currently assessing the impact of adopting the standard.

IFRS 16 "Leasing": The standard will replace IAS 17 and sets out new principles for recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Group is currently assessing the impact of adopting the standard.

2.2 Principles of consolidation

Investments in subsidiaries

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

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

Investments in associates and joint ventures

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

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

2.3 Currency translation

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

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

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

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

2.4 Accounting and valuation principles

Cash and cash equivalents

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

Other current financial assets

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

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

Trade receivables

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

Inventories

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

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

Property, plant and equipment

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

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

Leasing

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

Intangible assets

Purchased intangible assets such as software, licenses and patents are measured at cost less accumulated amortization (applying the straight-line method) and any impairment in value. Software is amortized over a useful lifetime of 3 – 5 years. Intangibles relating to acquisitions of subsidiaries (excluding goodwill) consist generally of technology, client relationships, customer lists, and brand names, and are amortized over a period of 3 – 15 years. Other intangible assets are generally amortized over a period of 3 – 10 years. For capitalized development costs amortization starts when the capitalized asset is ready for use, which is generally after receipt of approval from regulatory bodies. These assets are amortized over the estimated useful lifetime of 2 – 7 years applying the straight-line method. For in-process capitalized development costs these capitalized costs are tested annually for impairment. Except for goodwill, the Sonova Group has no intangible assets with an indefinite useful life.

Research and development

Research costs are expensed as incurred. Development costs are capitalized only if the identifiable asset is commercially and technically feasible, can be completed, its costs can be measured reliably and will generate probable future economic benefits. Group expenditures which fulfill these criteria are limited to the development of tooling and equipment as well as costs related to the development of cochlear implants. All other development costs are expensed as incurred. In addition to the internal costs (direct personnel and other operating costs, depreciation on research and development equipment and allocated occupancy costs), total costs also include externally contracted development work. Such capitalized intangibles are recognized at cost less accumulated amortization and impairment losses.

Business combinations and goodwill

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

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

Other non-current financial assets

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

Current financial liabilities

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

Provisions

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

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

Share capital

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

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

Income taxes

Income taxes include current and deferred income taxes. The Group is subject to income taxes in numerous jurisdictions and significant judgment is required in determining the worldwide provision for income taxes. The multitude of transactions and calculations implies estimates and assumptions. The Group recognizes liabilities based on estimates of whether additional taxes will be due.

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

Revenue recognition

Sales are recognized net of sales taxes and discounts when the significant risk and rewards of ownership has been transferred to the buyer, mainly upon delivery of products and services and reasonably assured collectibility of the related receivables.

For hearing instruments sold, probable returns of products are estimated and a corresponding provision is recognized. The portion of goods sold that are expected to be returned are estimated based on historical product return rates.

For cochlear implants, sales are generally recognized upon delivery to the buyer, mainly hospitals. For returns of productt, accumulated experience is used to determine the respective provision.

Revenue from the sale of service is recognised when the service has been provided to the customer and where there are no continuing unfulfilled service obligations. Sales of service contracts, such as long-term service contracts and extended warranties are separated from the sale of goods and recognized on a straight-line basis over the term of the contract.

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

Acquisition-related amortization

The Group is continuously amending its business portfolio with small acquisitions resulting in acquisition-related intangibles (see section "Intangible Assets") and related amortization charges. The Group discloses acquisition-related amortization as a separate line item in the income statement, and identifies EBITA as its key profit metric for internal (refer to Note 6) as well as for external reporting purposes. The functional allocation of these acquisition-related amortization costs are further disclosed in Note 20 "Intangible Assets" in the notes to the financial statements.

Segment reporting

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

Impairment of non-financial assets

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

Related parties

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

Employee benefits

Pension obligations

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

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

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

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

Other long-term benefits

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

Equity compensation benefits

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

2.5 Financial assets

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Impairment of financial assets

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

2.6 Derivative financial instruments and hedging

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

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

2.7 Significant accounting judgments and estimates

Key management judgments made in applying accounting policies

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

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

Capitalization of development costs

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

Business combinations

In the course of recognizing assets and liabilities from business combinations, management judgments might be required for the following areas:

– Acquisition-related intangibles resulting from technology, customer relationships, client lists or brand names.
– Contingent consideration arrangements.

Key accounting estimates and assumptions

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

Cost of business combinations

A business combination agreement may provide for an adjustment to the cost of the combination contingent on future events. If the future events do not occur or the estimate needs to be revised, the cost of a business combination is revised accordingly, with a resulting change in the carrying value of goodwill (for business combinations entered into before April 1, 2010) or in the income statement (for business combinations entered into after April 1, 2010). At the end of the 2015/16 financial year, such liabilities contingent on future events amount to CHF 13.9 million (previous year CHF 6.8 million) and are disclosed under other provisions (for business combinations entered into before April 1, 2010) or other financial liabilities (for business combinations entered into after April 1, 2010).

Intangible assets, including goodwill

The Group has intangible assets with a carrying value of CHF 1,349.6 million (previous year CHF 1,219.6 million) as disclosed in Note 20.

Included in the intangible assets is goodwill amounting to CHF 1,069.5 million (previous year CHF 971.5 million).

Furthermore intangible assets also include capitalized development costs in the amount of CHF 113.8 million (previous year CHF 96.3 million).

The Group determines annually, in accordance with the accounting policy stated in Note 2.4, whether any of the assets are impaired. For the impairment tests, estimates are made of the expected future cash flows from the use of the asset or cash-generating unit. The actual cash flows could vary significantly from these estimates.

Deferred tax assets

The consolidated balance sheet includes deferred tax assets of CHF 108.4 million (previous year CHF 111.1 million) related to deductible differences and, in certain cases, tax loss carryforwards, provided that their utilization appears probable. The recoverable value is based on forecasts of the corresponding taxable Group company over a period of several years. As actual results may differ from these forecasts, the deferred tax assets may need to be adjusted accordingly.

Employee benefit plans

The Sonova Group has various employee benefit plans. Most of its salaried employees are covered by these plans, of which some are defined benefit plans. The present value of the defined benefit obligations at the end of the 2015 / 16 financial period amounts to CHF 361.1 million (previous year CHF 350.3 million) as disclosed in Note 30. This includes CHF 356.4 million (previous year CHF 347.1 million) from the Swiss pension plan. With such plans, actuarial assumptions are made for the purpose of estimating future developments, including estimates and assumptions relating to discount rates, and future wage as well as pension trends. Actuaries also use statistical data such as mortality tables and staff turnover rates with a view to determining employee benefit obligations. If these factors change due to a change in economic or market conditions, the subsequent results could deviate considerably from the actuarial reports and calculations. In the medium term such deviations could have an impact on the equity. The carrying amounts of the plan assets and liabilities in the balance sheet together with a sensitivity analysis considering changes for the main input parameters in the actuarial valuation are set out in Note 30.

Provisions for warranty and returns

On March 31, 2016, the Group recorded provisions for warranty and returns of CHF 96.3 million (previous year CHF 83.0 million) as disclosed in Note 21.

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

Provision for product liabilities

The Sonova Group accounts consider a provision for product liabilities related to products affected by a voluntary cochlear implant product recall of Advanced Bionics LLC in 2006.

The provision for product liabilities is reassessed on a regular basis. In the 2015 / 16 financial year, improvements in the expected number and cost of current and future claims led to a reversal of CHF 8.8 million which is contributing to the profit of 2015 / 16 in the same amount (disclosed in the annual income statement in the line "Other income / (expenses), net"). In the previous year the positive effect in the income statement amounted to CHF 13.2 million.

On March 31, 2016, the provision for the before mentioned cochlear implant product liabilities was CHF 166.4 million (previous year CHF 192.5 million).

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

3. Changes in Group structure

In the 2015 / 16 and 2014 / 15 financial years, the Group entered into several business combinations. The companies acquired are in the business of producing and distributing hearing instruments.

On April 16, 2015, Sonova Holding AG announced that it has completed the acquisition of Hansaton Akustik GmbH, a Hamburg (Germany) based wholesale hearing aid company, following regulatory approvals. The company develops and manufactures hearing aids and employs around 200 staff in Germany, France and the US. In calendar year 2014 sales were EUR 42 million (CHF 44 million).

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

Further in the reporting period the Group divested minor Group companies in the EMEA region.

The effect of the acquisitions and divestments for the 2015 / 16 and 2014 / 15 financial years is disclosed in Note 28.

4. Number of employees

On March 31, 2016, the Sonova Group employed the full time equivalent of 10,894 people (previous year 10,184). They were engaged in the following regions and activities:

By region	31.3.2016	31.3.2015
Switzerland	1,200	1,238
EMEA (excl. Switzerland)	3,452	2,919
Americas	3,622	3,585
Asia / Pacific	2,620	2,442
Total	**10,894**	**10,184**
By activity		
Research and development	697	674
Operations	4,033	3,755
Sales and marketing, general and administration	6,164	5,755
Total	**10,894**	**10,184**

The average number of employees (full time equivalents) of the Sonova Group for the year was 10,697 (previous year 9,960). Total personnel expenses for the 2015 / 16 financial year amounted to CHF 746.3 million (previous year CHF 720.0 million).

5. Exchange rates

The following main exchange rates were used for currency translation:

	31.3.2016	31.3.2015	2015 / 16	2014 / 15
	Year-end rates		Average rates for the year	
AUD 1	0.74	0.74	0.72	0.81
BRL 1	0.27	0.30	0.27	0.38
CAD 1	0.74	0.77	0.74	0.82
CNY 1	0.15	0.16	0.15	0.15
EUR 1	1.09	1.04	1.07	1.18
GBP 1	1.38	1.44	1.47	1.50
JPY 100	0.86	0.81	0.81	0.85
USD 1	0.96	0.98	0.97	0.93

6. Segment information

Segment information by business segments

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

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

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

1,000 CHF	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	Hearing instruments		Cochlear implants		Corporate / Eliminations		Total	
Segment sales	1,887,211	1,843,900	187,267	194,542			2,074,478	2,038,442
Intersegment sales	(2,243)	(2,987)	(305)	(370)			(2,548)	(3,357)
Sales	**1,884,968**	**1,840,913**	**186,962**	**194,172**			**2,071,930**	**2,035,085**
Operating profit before acquisition-related amortization (EBITA)	**430,753**	**434,700**	**(121)**	**20,864**			**430,632**	**455,564**
Segment assets	**2,423,715**	**2,247,572**	**582,286**	**605,903**	**(689,297)**	**(673,071)**	**2,316,704**	**2,180,404**
Unallocated assets[1]							434,907	511,227
Total assets							**2,751,611**	**2,691,631**

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

Reconciliation of reportable segment profit 1,000 CHF	2015/16	2014/15
EBITA	430,632	455,564
Acquisition-related amortization	(27,195)	(26,495)
Financial costs, net	(7,951)	(10,537)
Share of gain/(loss) in associates/joint ventures	1,574	1,792
Income before taxes	**397,060**	**420,324**

Entity-wide disclosures

Sales by product groups 1,000 CHF	2015/16	2014/15
Premium hearing instruments	512,796	484,265
Advanced hearing instruments	403,356	414,522
Standard hearing instruments	599,814	585,987
Wireless communication systems	90,510	86,313
Miscellaneous	278,492	269,826
Total hearing instruments	**1,884,968**	**1,840,913**
Cochlear implants and accessories	186,962	194,172
Total sales	**2,071,930**	**2,035,085**

Sales and selected non-current assets by regions 1,000 CHF	2015/16	2014/15	2015/16	2014/15
Country/region	Sales [1]		Selected non-current assets[2]	
Switzerland	24,883	25,140	263,910	253,425
EMEA (excl. Switzerland)	858,087	861,415	462,191	355,019
USA	767,631	721,593	682,090	677,975
Americas (excl. USA)	197,144	216,052	123,856	122,241
Asia/Pacific	224,185	210,885	94,726	90,593
Total Group	**2,071,930**	**2,035,085**	**1,626,773**	**1,499,253**

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

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

7. Other income / expenses, net

Other income in the 2015/16 financial year consists of CHF 8.8 million (previous year CHF 13.2 million) in relation to the reassessment and revaluation of the provision for product liabilities. For further information refer to Note 2.7 “Provision for product liabilities” and Note 21 “Provisions”. In addition the disposal of two smaller group entities in the EMEA region led to a gain of CHF 8.7 million. For further information refer to Note 28.

8. Financial income / expenses, net

1,000 CHF	2015 / 16	2014 / 15
Interest income	2,007	1,069
Other financial income	2,291	24
Total financial income	**4,298**	**1,093**
Interest expenses	(1,475)	(2,948)
Other financial expenses	(10,774)	(8,682)
Total financial expenses	**(12,249)**	**(11,630)**
Total financial income / expenses, net	**(7,951)**	**(10,537)**

Other financial expenses in 2015 / 16 and 2014 / 15 include, amongst other items, the unwinding of the discount on provisions and earn-out payments, fair value adjustments of financial instruments as well as the costs for entering into forward foreign currency contracts.

9. Taxes

1,000 CHF	2015 / 16	2014 / 15
Income taxes	37,920	67,163
Change in deferred taxes	13,293	(15,162)
Total tax expense	**51,213**	**52,001**
Reconciliation of tax expense		
Income before taxes	397,060	420,324
Group's expected average tax rate	13.7 %	13.9 %
Tax at expected average rate	**54,384**	**58,245**
+ / – Effects of		
Expenses not subject to tax, net	1,106	4,193
Changes of unrecognized loss carryforwards / deferred tax assets	10,131	3,458
Local actual tax rate different to Group's expected average tax rate	(23,183)	(20,007)
Change in tax rates on deferred tax balances	7,441	5,798
Prior year adjustments and other items, net	1,334	314
Total tax expense	**51,213**	**52,001**
Weighted average effective tax rate	12.9 %	12.4 %

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

Deferred tax assets and (liabilities) 1,000 CHF — **31.3.2016**

	Property, plant & equipment	Intangible assets	Inventories, receivables, provisions and other liabilities	Tax loss carryforwards	Total
Balance April 1	(5,907)	(16,106)	28,532	71,907	78,426
Changes through business combinations		(7,165)			(7,165)
Deferred taxes recognized in the income statement	34	(1,479)	(3,288)	(8,560)	(13,293)
Deferred taxes recognized in OCI[1]			893		893
Exchange differences	(295)	(820)	1,158	3,530	3,573
Balance March 31	**(6,168)**	**(25,570)**	**27,295**	**66,877**	**62,434**

Amounts in the balance sheet	
Deferred tax assets	108,366
Deferred tax liabilities	(45,932)
Total deferred taxes, net	**62,434**

1) Other comprehensive income.

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

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

Amounts in the balance sheet	
Deferred tax assets	111,074
Deferred tax liabilities	(32,648)
Total deferred taxes, net	**78,426**

1) Other comprehensive income.

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

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

1,000 CHF	31.3.2016	31.3.2015
Within 1 – 3 years	61,202	41,447
Within 4 years	11,009	28,702
Within 5 years	42,182	9,134
More than 5 years	386,436	334,380
Total	**500,829**	**413,663**

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

10. Earnings per share

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

Basic earnings per share	2015/16	2014/15
Income after taxes (1,000 CHF)	337,026	359,994
Weighted average number of outstanding shares	65,946,732	67,065,191
Basic earnings per share (CHF)	**5.11**	**5.37**

In the case of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming all outstanding dilutive options will be exercised. The weighted average number of shares is adjusted for all dilutive options issued under the stock option plans which have been granted in 2009 through to 2016 and which have not yet been exercised. Anti-dilutive options have not been considered. The calculation of diluted earnings per share is based on the same income after taxes for the period as is used in calculating basic earnings per share.

Diluted earnings per share	2015/16	2014/15
Income after taxes (1,000 CHF)	337,026	359,994
Weighted average number of outstanding shares	65,946,732	67,065,191
Adjustment for dilutive share options	100,524	174,754
Adjusted weighted average number of outstanding shares	66,047,255	67,239,945
Diluted earnings per share (CHF)	**5.10**	**5.35**

11. Dividend per share

The Board of Directors of Sonova Holding AG proposes to the Annual General Shareholders' Meeting, to be held on June 14, 2016, that a dividend of CHF 2.10 shall be distributed (previous year CHF 2.05).

12. Cash and cash equivalents

1,000 CHF	31.3.2016	31.3.2015
Cash on hand	714	644
Current bank accounts	276,962	349,779
Term deposits	39,590	40,063
Total	**317,266**	**390,486**

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

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

13. Other current financial assets

Other current financial assets of CHF 6.7 million (previous year 5.4 million) primarily consist of short-term customer loans.

1,000 CHF	31.3.2016	31.3.2015
Marketable securities	1,918	
Positive replacement value of forward foreign exchange contracts	810	
Loans to third parties	4,020	5,446
Total	**6,748**	**5,446**

14. Trade receivables

1,000 CHF	31.3.2016	31.3.2015
Trade receivables	376,838	372,143
Provision for doubtful receivables	(22,166)	(22,755)
Total	**354,672**	**349,388**

As is common in this industry, the Sonova Group has a large number of customers. There is no significant concentration of credit risk. The aging of trade receivables and related provisions is as follows:

1,000 CHF	31.3.2016	31.3.2015
Total trade receivables, net	**354,672**	**349,388**
of which:		
Not overdue	255,086	245,544
Overdue 1 – 30 days	46,517	45,464
Overdue more than 30 days	53,069	58,380
Total	**354,672**	**349,388**

Provision for doubtful receivables is established based on individual adjustments and past experience. The charges to the income statement are included in general and administration costs. The following table summarizes the movements in the provision for doubtful receivables:

1,000 CHF	2015 / 16	2014 / 15
Provision for doubtful receivables, April 1	**(22,755)**	**(21,847)**
Changes through business combinations	(2,023)	(100)
Utilization or reversal	10,488	8,260
Additions	(8,308)	(9,110)
Disposal	255	
Exchange differences	177	42
Provision for doubtful receivables, March 31	**(22,166)**	**(22,755)**

During 2015 / 16 the Group has utilized CHF 5.7 million (previous year CHF 7.0 million) of this provision to write-off receivables.

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

1,000 CHF	31.3.2016	31.3.2015
BRL	22,350	28,808
CAD	22,502	23,604
CHF	13,201	15,185
EUR	103,237	93,057
GBP	13,962	15,958
USD	116,904	119,324
Other	62,516	53,452
Total trade receivables, net	**354,672**	**349,388**

15. Other receivables and prepaid expenses

1,000 CHF	31.3.2016	31.3.2015
Other receivables	50,590	49,715
Prepaid expenses	19,020	16,634
Total	**69,610**	**66,349**

The largest individual items included in other receivables are recoverable value added taxes and deposits. Prepaid expenses mainly consist of advances to suppliers.

16. Inventories

1,000 CHF	31.3.2016	31.3.2015
Raw materials and components	46,381	41,851
Work-in-process	96,090	95,965
Finished products	129,218	133,095
Allowances	(31,238)	(30,077)
Total	**240,451**	**240,834**

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

In 2015/16, CHF 594.5 million (previous year CHF 543.9 million) were recognized as an expense and included in “cost of sales”.

17. Property, plant and equipment

1,000 CHF	Land & buildings	Machinery & technical equipment	Room installations & other equipment	Advance payments & assets under construction	31.3.2016 Total
Cost					
Balance April 1	169,130	224,000	167,009	14,598	574,737
Changes through business combinations	497	1,647	2,989	20	5,153
Additions	910	15,936	20,096	10,045	46,987
Disposals	(142)	(8,809)	(11,637)	(61)	(20,649)
Transfers	7,225	5,506	3,793	(16,524)	
Exchange differences	(297)	(1,327)	478	(243)	(1,389)
Balance March 31	**177,323**	**236,953**	**182,728**	**7,835**	**604,839**
Accumulated depreciation					
Balance April 1	(55,027)	(157,886)	(91,836)		(304,749)
Additions	(5,261)	(22,260)	(19,982)		(47,503)
Disposals	140	7,609	6,722		14,471
Exchange differences	53	919	(160)		812
Balance March 31	**(60,095)**	**(171,618)**	**(105,256)**		**(336,969)**
Net book value					
Balance April 1	114,103	66,114	75,173	14,598	269,988
Balance March 31	**117,228**	**65,335**	**77,472**	**7,835**	**267,870**

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

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

There are no assets held under finance leases.

18. Investments in associates / joint ventures

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

1,000 CHF	2015 / 16	2014 / 15
Current assets	442	627
Non-current assets	1,096	1,092
Total assets	**1,538**	**1,719**
Current liabilities	(278)	(348)
Non-current liabilities	(32)	(32)
Total liabilities	**(310)**	**(380)**
Net assets	**1,228**	**1,339**
Income for the year	2,847	3,824
Expenses for the year	(1,273)	(2,032)
Profit for the year	**1,574**	**1,792**
Net book value at year-end	9,275	9,667
Share of gain recognized by the Group	1,574	1,792

In the 2015 / 16 financial year, there have been no changes in the number of associates / joint ventures. In the 2014 / 15 financial year, the Group acquired additional shares in two previously held equity investments, resulting in a change of control (step up acquisitions). Since the change of control, these companies are fully consolidated. The total net book value at the time of gaining control over these two entities amounted to CHF 1.5 million.

Sales to associates / joint ventures in the 2015 / 16 financial year amounted to CHF 7.5 million (previous year CHF 8.3 million). At March 31, 2016, trade receivables towards associates / joint ventures amounted to CHF 1.8 million (previous year CHF 1.6 million).

At the end of the 2015 / 16 and 2014 / 15 financial years, no material unrecognized losses existed.

Investments with a net book value of CHF 9.3 million (previous year CHF 9.7 million) have a business year different than the Sonova Group. The latest available information for the respective companies are as per December 2015.

19. Other non-current financial assets

1,000 CHF	31.3.2016	31.3.2015
Financial assets at fair value through profit or loss	7,442	8,783
Loans to associates	8,102	8,080
Loans to third parties	4,426	5,615
Total	**19,970**	**22,478**

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

The loans are primarily denominated in CAD, EUR, USD and ZAR. Loans to third parties consist mainly of loans to customers. As of March 31, 2016, the respective repayment periods vary between one and ten years and the interest rates vary generally between 3% and 5%. The valuation of the loans approximates to fair value.

20. Intangible assets

1,000 CHF					31.3.2016
	Goodwill	Intangibles relating to acquisitions[1]	Capitalized development costs	Software and other intangibles	Total
Cost					
Balance April 1	1,121,654	271,267	112,325	63,519	1,568,765
Changes through business combinations	106,531	38,072		895	145,498
Additions			26,366	9,698	36,064
Disposals	(7,389)	(6,028)	(430)	(6,940)	(20,787)
Exchange differences	(2,817)	583	(44)	184	(2,094)
Balance March 31	**1,217,979**	**303,894**	**138,217**	**67,356**	**1,727,446**
Accumulated amortization and impairments					
Balance April 1	(150,151)	(136,029)	(16,010)	(46,977)	(349,167)
Additions		(27,195)[2]	(8,410)	(5,635)	(41,240)
Disposals		3,683		6,643	10,326
Exchange differences	1,633	707		(77)	2,263
Balance March 31	**(148,518)**	**(158,834)**	**(24,420)**	**(46,046)**	**(377,818)**
Net book value					
Balance April 1	971,503	135,238	96,315	16,542	1,219,598
Balance March 31	**1,069,461**	**145,060**	**113,797**	**21,310**	**1,349,628**

[1] Intangibles relating to acquisitions include primarily customer relationships, trademarks, in process R&D and technology.
[2] Relates to research and development (CHF 4.4 million) and sales and marketing (CHF 22.8 million).

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

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

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

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

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

Based on the impairment tests performed, there was no need for the recognition of any impairment of goodwill for the 2015/16 and 2014/15 financial years.

Hearing instruments

As of March 31, 2016, the carrying amount of the goodwill, expressed in various currencies, amounted to an equivalent of CHF 758.6 million (prior year CHF 657.2 million).

The cash flow projections were based on the most recent business plan approved by management. The business plan for the hearing instruments business was projected over a five year period. Cash flows beyond the projection period were extrapolated with a long-term growth rate of 2.1% (prior year 1.9%) representing the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 9.9% (prior year 9.2%) was used.

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

Cochlear implants

As of March 31, 2016, the carrying amount of the goodwill, expressed in various currencies, amounted to an equivalent of CHF 310.9 million (prior year CHF 314.3 million).

The cash flow projections were based on the most recent business plan approved by management. The business plan for the Cochlear implants business was projected over a five year period. Cash flows beyond the projection period were extrapolated with a long-term growth rate of 2.1 % (prior year 1.9 %) representing the projected inflation rate. For the calculation, a pre-tax weighted average discount rate of 9.8 % (prior year 9.1 %) was used.

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

21. Provisions

1,000 CHF					**31.3.2016**
	Warranty and returns	Reimbursement to customers	Product liabilities	Other Provisions	Total
Balance April 1	83,042	10,841	192,504	30,694	317,081
Changes through business combinations	5,866	132		3,033	9,031
Amounts used	(50,710)	(6,726)	(16,369)	(10,745)	(84,550)
Reversals	(5,869)	(166)	(8,847)	(5,490)	(20,372)
Increases	64,553	7,406		6,909	78,868
Disposals	(77)			(1,336)	(1,413)
Present value adjustments	14		1,167		1,181
Exchange differences	(526)	(107)	(2,070)	(23)	(2,726)
Balance March 31	**96,293**	**11,380**	**166,385**	**23,042**	**297,100**
thereof short-term	70,656	11,361	12,899	10,304	105,220
thereof long-term	25,637	19	153,486	12,738	191,880

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

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

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

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

The provision for the above mentioned cochlear implant product liabilities is reassessed on a regular basis. Further improvements in the expected number and cost of current and future claims led to a reduction of CHF 8.8 million (previous year CHF 13.2 million) in “other income / (expense), net”. For further information refer to Note 2.7 “Provision for product liabilities”. The timing of the cash outflows corresponding to the said provision for product liabilities is uncertain since it will largely depend on the outcome of administrative and legal proceedings.

Other provisions include earn-out provisions as well as provisions for specific business risks such as litigation and restructuring costs which arise during the normal course of business. The main change compared to previous year is primarily related to the usage of restructuring costs related to the transfer of part of the Group’s hearing instrument product assembly capacity from Stäfa to other operation centers announced March 2, 2015. The timing of cash outflows for the other provisions are expected to take place within the next two years.

22. Current financial liabilities

1,000 CHF	**31.3.2016**	**31.3.2015**
Short-term debt	45	34
Other current financial liabilities	6,501	3,067
Total	**6,546**	**3,101**
Unused borrowing facilities	187,836	37,661

Other current financial liabilities consist of financial liabilities resulting from earn-out agreements related to deferred payments from acquisitions.

In the 2014 / 15 financial year, the Group repaid CHF 80 million in connection with the acquisition of Advanced Bionics in December 2009, and was free of bank debt as of September 30, 2014.

Given the short-term nature of the deferred payments as well as the short-term debt they are carried at nominal value. The book value of deferred payments and short-term debt approximates fair value.

In the 2015 / 16 financial year, the Group entered into an agreement for a credit line in the amount of CHF 150 million with an option to increase to CHF 250 million. The terminal date of this credit line is July 31, 2018, with an option to extend for two years. The credit line was not used at balance sheet date.

23. Other short-term liabilities

1,000 CHF	31.3.2016	31.3.2015
Other payables	39,772	40,922
Accrued expenses	146,600	140,072
Deferred income	27,817	25,554
Total	**214,189**	**206,548**

Other payables include amounts to be remitted in respect of withholding taxes, value added taxes, social security payments, employees' income taxes deducted at source, and customer prepayments. Accrued expenses include salaries, social expenses, vacation pay, bonus and incentive compensation as well as accruals for outstanding invoices from suppliers.

24. Non-current financial liabilities

1,000 CHF	31.3.2016	31.3.2015
Bank debt	101	116
Other non-current financial liabilities	15,073	4,926
Total	**15,174**	**5,042**

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

Analysis by currency 1,000 CHF			31.3.2016			31.3.2015
	Bank debt	Other non-current financial liabilities	Total	Bank debt	Other non-current financial liabilities	Total
CHF		13,615	13,615		3,592	3,592
USD		1,075	1,075		1,047	1,047
EUR		3	3		263	263
Other	101	380	481	116	24	140
Total	**101**	**15,073**	**15,174**	**116**	**4,926**	**5,042**

25. Risk management and financial instruments

Group risk management

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

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

Financial risk management

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

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

Market risk

Exchange rate risk

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

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

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

As of March 31, 2016, forward currency contracts amounting to CHF 173.8 million were open. In the previous year as of balance sheet date no forward currency contracts were open.

Notional amount of forward contracts / derivatives 1,000 CHF				**31.3.2016**
	Due within one year	Due 1 year to 5 years	Total	Fair Value
Positive replacement values	146,841		146,841	810
Negative replacement values	26,976		26,976	(637)
Total	**173,817**		**173,817**	**173**

Foreign currency sensitivity analysis

1,000 CHF	2015/16	2014/15	2015/16	2014/15
	Impact on income after taxes		Impact on equity	
Change in USD/CHF +5%	2,589	5,111	23,100	21,225
Change in USD/CHF –5%	(2,589)	(5,111)	(23,100)	(21,225)
Change in EUR/CHF +5%	3,708	3,777	6,576	7,809
Change in EUR/CHF –5%	(3,708)	(3,777)	(6,576)	(7,809)

Interest rate risk

The Group has only limited exposure to interest rate changes. The most substantial interest exposure on assets relates to cash and cash equivalents with an average interest-bearing amount for the 2015/16 financial year of CHF 249 million (previous year CHF 353 million). If interest rates during the 2015/16 financial year had been 1% higher/lower on these accounts, income before taxes would have been CHF 2.5 million higher/lower (previous year CHF 3.5 million).

Other market risks

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

Credit risk

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

Core banking relations are maintained with at least "BBB+" rated (S&P) financial institutions. As of March 31, 2016, the largest balance with a single counterparty amounted to 32% (previous year 25%) of total cash and cash equivalents.

The Group performs continuous credit checks on its receivables. Due to the customer diversity there is no single credit limit for all customers, however the Group assesses its customers taking into account their financial position, past experience, and other factors. Due to the fragmented customer base (no single customer balance is greater than 10% of total trade accounts receivable), the Group is not exposed to any significant concentration risk. The same applies to loans to third and related parties.

The Group does not expect any significant losses either from receivables or from other financial assets.

Liquidity risk

Group finance is responsible for centrally managing the net cash/debt position and to ensure that the Group's obligations can be settled on time. The Group aims to grow further and wants to remain flexible in making time-sensitive investment decisions. This overall objective is included in the asset allocation strategy. A rolling forecast based on the expected cash flows is conducted and updated regularly to monitor and control liquidity.

The following table summarizes the contractual maturities of financial liabilities as of March 31, 2016 and 2015:

1,000 CHF					31.3.2016
	Due less than 3 months	Due 3 months to 1 year	Due 1 year to 5 years	Due more than 5 years	Total
Short-term debt	45				45
Other current financial liabilities	4,694	1,807			6,501
Trade payables and other short-term liabilities	179,042	104,016			283,058
Total current financial liabilities	**183,781**	**105,823**			**289,604**
Long-term bank debt			101		101
Other non-current financial liabilities			15,073		15,073
Total non-current financial liabilities			**15,174**		**15,174**
Total financial liabilities	**183,781**	**105,823**	**15,174**		**304,778**

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

Fair value hierarchy

The following table summarizes the financial instruments carried at fair value, by valuation method as of March 31, 2016 and 2015. The different levels have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.
Level 2: The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques are based on observable market data, where applicable. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
Level 3: If a significant amount of inputs is not based on observable market data the instrument is included in level 3. For this level other techniques, such as discounted cash flow analysis, are used to determine fair value.

During the reporting period there were no reclassifications between the individual levels.

1,000 CHF				31.3.2016
	Level 1	Level 2	Level 3	Total
Financial assets				
At fair value through profit or loss	2,886		6,474	9,360
Total	**2,886**		**6,474**	**9,360**
Financial liabilities				
At fair value through profit or loss			(21,574)	(21,574)
Total			**(21,574)**	**(21,574)**

1,000 CHF				31.3.2015
	Level 1	Level 2	Level 3	Total
Financial assets				
At fair value through profit or loss	2,088		6,695	8,783
Total	**2,088**		**6,695**	**8,783**
Financial liabilities				
At fair value through profit or loss			(7,966)	(7,966)
Total			**(7,966)**	**(7,966)**

The following table presents the changes in level 3 financial instruments for the year ended March 31, 2016 and 2015:

Financial assets at fair value through profit or loss 1,000 CHF	2015/16	2014/15
Balance April 1	6,695	5,401
Additions/(disposals), net	29	1,716
Losses recognized in profit or loss	(250)	(422)
Balance March 31	**6,474**	**6,695**

Financial liabilities at fair value through profit or loss 1,000 CHF	2015/16	2014/15
Balance April 1	(7,966)	(17,549)
(Additions)/disposals, net	(13,563)	9,873
Losses recognized in profit or loss	(45)	(290)
Balance March 31	**(21,574)**	**(7,966)**

Capital risk management

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

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

26. Other long-term liabilities

1,000 CHF	31.3.2016	31.3.2015
Long-term deferred income	29,440	25,117
Retirement benefit obligations	65,324	61,810
Total	**94,764**	**86,927**

Long-term deferred income relates to long-term service contracts with customers. Deferred income is recognized as a sale over the period of the service contract.

The retirement benefit obligation relates to defined benefit plans. For details refer to Note 30.

27. Movements in share capital

Issued registered shares	Issued registered shares	Treasury shares[1]	Outstanding shares
Balance April 1, 2014	67,173,287	(10,185)	67,163,102
Purchase of treasury shares		(562,077)	(562,077)
Sale / transfer of treasury shares		571,849	571,849
Purchase of shares intended to be cancelled[2]		(546,900)	(546,900)
Balance March 31, 2015	**67,173,287**	**(547,313)**	**66,625,974**
Capital decrease – share buy-back program	(546,900)	546,900	
Purchase of treasury shares		(182,420)	(182,420)
Sale / transfer of treasury shares		176,344	176,344
Purchase of shares intended to be cancelled[2]		(1,203,500)	(1,203,500)
Balance March 31, 2016	**66,626,387**	**(1,209,989)**	**65,416,398**

Nominal value of share capital 1,000 CHF	Share Capital	Treasury shares[1]	Outstanding share capital
Balance March 31, 2016	**3,331**	**(60)**	**3,271**

Each share has a nominal value of CHF 0.05.

[1] Treasury shares are purchased on the open market and are not entitled to dividends.

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

At the Annual General Shareholder's Meeting on July 7, 2005, the conditional share capital of CHF 264,270 (5,285,400 shares) has been increased by CHF 165,056 (3,301,120 shares) to CHF 429,326 (8,586,520 shares). Consistent with the prior year, 5,322,133 shares remain unissued as of March 31, 2016. These shares are reserved for long-term incentive plans (2,021,013 shares) as well as for initiatives to increase the company's financial flexibility (3,301,120 shares).

28. Acquisitions / Disposals of subsidiaries

Assets and liabilities arising from acquisitions:

1,000 CHF	2015 / 16	2014 / 15
Trade receivables	12,998	2,608
Other current assets	27,948	6,568
Property, plant & equipment	5,153	1,097
Intangible assets	38,967	21,435
Other non-current assets	5,366	975
Current liabilities	(36,297)	(4,040)
Non-current liabilities	(19,546)	(9,732)
Net assets	**34,589**	**18,911**
Goodwill	106,531	42,426
Purchase consideration	**141,120**	**61,337**
Fair value of previously held stake before the business combination[1]		(1,533)
Liabilities for deferred payments or holdbacks[2]	(17,154)	(5,362)
Cash consideration	**123,966**	**54,442**
Cash and cash equivalents acquired	(7,056)	(3,508)
Cash consideration, net of cash acquired	**116,910**	**50,934**
Cash outflow for investments in associates, non-controlling interests and deferred payments	4,342	6,751
Total cash outflow from acquisitions	**121,252**	**57,685**

[1] For 2014 / 15 a gain of CHF 0.2 million from remeasuring the previously held stakes to fair value is included in the financial result.

[2] Earn-out payments are dependent on the future performance of the acquired companies as well as contractual conditions. The liability for earn-outs is based on the latest estimate of the future performance

Besides the acquisition of Hansaton Akustik GmbH as of April 16, 2015 (for further information refer to “3. Changes in group structure”) several other small companies were acquired during the 2015 / 16 and 2014 / 15 financial years in Asia / Pacific, Europe, and North America. The business of these companies is the distribution of hearing instruments. All acquisitions have been accounted for applying the acquisition method of accounting. For business combinations entered in the 2015/16 financial year, acquisition-related costs in the amount of CHF 2.0 million (2014 / 15 CHF 1.1 million) have been expensed and are included in the line “General and administration” in the income statements.

The initial accounting for the acquisitions in the current financial year is provisional and the fair values assigned to the identifiable assets acquired and liabilities assumed are still subject to change. The goodwill is attributed mainly to expected synergies, the labor force and the favorable sales growth potential.

1,000 CHF	2015 / 16	2014 / 15
Contribution of acquired companies from date of acquisition		
Sales	60,434	12,700
Net income	(203)	(258)
Contribution, if the acquisitions occurred on April 1		
Sales	76,917	28,019
Net income	1,053	244

In the 2015 / 16 reporting period, the Group divested two minor group companies in the EMEA region. The consideration amounting to CHF 33.4 million was settled in cash. The carrying amount of the disposed net assets amounted to CHF 24.7 million including cash and cash equivalents of CHF 3.8 million. The net gain from those transactions of CHF 8.7 million has been recognised in the income statement and is included in “other income / (expense), net”.

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

1,000 CHF	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	Management Board		Board of Directors		Total	
Short-term employee benefits	8,884	9,234	1,590	1,646	10,474	10,880
Post-employment benefits	848	886			848	886
Share based payments	4,987	5,074	1,344	1,352	6,331	6,426
Total	**14,719**	**15,194**	**2,934**	**2,998**	**17,653**	**18,192**

The total compensation to the Management Board for the 2015/16 reporting period, as shown above, relates to the 13 current members of the Management Board. The total compensation to the Management Board for the 2014/15 reporting period, as shown above, related to 14 members.

The total compensation to the Board of Directors for the 2015/16 reporting period, as shown above, relates to eight current members and one former member (previous year nine members).

During the 2015/16 financial year, several lease agreements existed between the Group and ARim AG or R-Estate AG. Both companies are owned by Andy Rihs, who was a member of the Board of Directors of Sonova Holding AG until the Annual General Shareholders' Meeting on June 16, 2015. The lease agreements relate to housing, parking, and child care space. The related party transactions with Andy Rihs amounted to CHF 0.08 million (previous year CHF 0.29 million). The amount for the 2015/16 financial year considers the period held as member of the Board of Directors.

Transactions between the Group and the various post-employment benefit plans for the employees of the Group are described in Note 30.

Further information in accordance with Swiss law relating to remuneration and ownership of shares and options of the Board of Directors and the Management Board can be found in the compensation report and in the Note 3.5 of the financial statements of Sonova Holding AG.

30. Employee benefits

Defined benefit plans

Sonova Group's retirement plans include defined benefit pension plans in Switzerland, Austria, Norway, Canada, Germany, and Israel. These plans are both funded and unfunded and determined by local regulations using independent actuarial valuations according to IAS 19. Sonova Group's major defined benefit plan is located in Switzerland which in total accounts for CHF 356.4 million or 99.2 % (previous year CHF 347.1 million or 99.1 %) of Sonova's defined benefit obligation.

Pension plans in Switzerland

The current pension arrangement for employees in Switzerland is made through a plan governed by the Swiss Federal Occupational Old Age, Survivors and Disability Pension Act (BVG). The plan of Sonova's Swiss companies is administered by a separate legal foundation, which is funded by regular employer and employee contributions defined in the pension fund rules. The Swiss pension plan contains a cash balance benefit which is in essence contribution-based with certain minimum guarantees. Due to these minimum guarantees, the Swiss plan is treated as a defined benefit plan for the purposes of these IFRS financial statements, although it has many of the characteristics of a defined contribution plan. The plan is invested in a diversified range of assets in accordance with the investment strategy and the common criteria of an asset and liability management. A potential under-funding may be remedied by various measures such as increasing employer and employee contributions or reducing prospective benefits. In the reporting period the foundation decided to reduce the actual annuity rate of 6.0 % applied to the individual accumulated retirement saving gradually over-time. Between now and 2018 the annuity rate will be reduced by 0.2 % per annum, to reach 5.6 % in 2018.

As of March 31, 2016, 1,238 employees (previous year 1,288 employees) and 84 beneficiaries (previous year 82 beneficiaries) are insured under the Swiss plan. The defined benefit obligation has a duration of 14.5 years (previous year 15.5 years).

The results of all defined benefit plans are summarized below:

Amounts recognized in the balance sheet CHF 1,000	31.3.2016	31.3.2015
Present value of funded obligations	(359,282)	(348,529)
Fair value of plan assets	295,796	288,505
Net present value of funded plans	**(63,486)**	**(60,024)**
Present value of unfunded obligations	(1,838)	(1,786)
Total liabilities, net	**(65,324)**	**(61,810)**
Amounts in the balance sheet:		
Retirement benefit obligation	(65,324)	(61,810)

Remeasurements recognized in equity CHF 1,000	2015/16	2014/15
Balance April 1	62,887	29,637
Actuarial (gains)/losses from		
– changes in financial assumptions	(1,053)	40,259
– changes in experience adjustments	(2,180)	5,794
Return on plan assets excluding interest income	9,843	(12,803)
Balance March 31	**69,497**	**62,887**

Amounts recognized in the income statement CHF 1,000	2015/16	2014/15
Current service cost[1]	21,350	27,706
Participants' contributions	(10,800)	(10,175)
Net interest cost	560	516
Total employee benefit expenses[2]	**11,110**	**18,047**

[1] Current service cost contains the gradual reduction of the annuity rate and the implementation of restructuring plan announced on March 2, 2015, which provides for the reduction of approx. 100 positions in Switzerland.

[2] The amount recognized in the consolidated income statement 2015/16 has been charged to:
- cost of sales CHF 2.4 million (previous year CHF 4.1 million);
- research and development CHF 3.3 million (previous year 5.3 million);
- sales and marketing CHF 2.0 million (previous year 3.1 million);
- general and administration CHF 2.8 million (previous year CHF 5.0 million);
- financial expenses CHF 0.6 million (previous year CHF 0.5 million).

Movement in the present value of the defined benefit obligations CHF 1,000	2015/16	2014/15
Beginning of the year	350,315	269,130
Interest cost	2,886	5,374
Current service cost	21,350	27,706
Benefits paid, net	(11,715)	2,583
Actuarial loss on obligations	(3,233)	46,054
Changes through business combinations	1,536	
Exchange differences	(17)	(532)
Present value of obligations at end of period	**361,122**	**350,315**

Movement in the fair value of the plan assets CHF 1,000	2015/16	2014/15
Beginning of the year	288,505	244,429
Interest income on plan asset	2,326	4,858
Employer's contributions paid	14,128	13,563
Participants' contributions	10,800	10,175
Benefits paid, net	(11,626)	2,908
Return on plan assets excluding interest income	(9,843)	12,803
Changes through business combinations	1,512	
Exchange differences	(24)	(231)
Fair value of plan assets at end of period	**295,778**	**288,505**

The plan assets consist of:	31.3.2016	31.3.2015
Cash	1.2 %	7.9 %
Domestic bonds	22.0 %	28.4 %
Foreign bonds	10.2 %	7.4 %
Domestic equities	13.3 %	12.0 %
Foreign equities	30.0 %	27.8 %
Real estates	16.0 %	11.7 %
Alternative investments	7.3 %	4.8 %

The actual return on plan assets amounted to CHF – 7.5 million (previous year CHF 17.7 million). The expected employer's contributions to be paid in the 2016 / 17 financial year amount to CHF 14.3 million.

Principal actuarial assumptions (weighted average)	2015 / 16	2014 / 15
Discount rate	0.60 %	0.80 %
Future salary increases	1.00 %	1.75 %
Future pension increases	0 %	0 %
Fluctuation rate	10 %	10 %
Demography	BVG 2010GT	BVG 2010GT

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

Sensitivity analysis – Impact on defined benefit obligation CHF 1,000	31.3.2016	31.3.2015
Discount rate		
Discount rate + 0.25 %	(11,961)	(12,190)
Discount rate – 0.25 %	13,635	13,957
Salary growth		
Salary growth + 0.25 %	959	1,084
Salary growth – 0.25 %	(936)	(1,060)
Pension growth		
Pension growth + 0.5 %	13,466	13,088
Pension growth – 0.5 %	(13,466)	(13,088)
Fluctuation rate		
Fluctuation rate + 5 %	(17,199)	(21,302)
Fluctuation rate – 5 %	29,307	37,091

Defined contribution plans

Several of the Group's entities have a defined contribution plan. The employer's contributions amounting to CHF 13.7 million in the year ended March 31, 2016 (previous year CHF 13.4 million) are recognized directly in the income statement.

31. Equity plans

Equity plans are offered annually to the members of the Board of Directors (BoD), to the members of the Management Board (MB) as well as to other management and senior employees of the Group, entitling them to receive long-term incentives in the form of equity plans free of charge. Equity plans are settled either with Sonova Holding AG shares (equity-settled share-based payment) or for certain US employees with an equivalent amount in cash (cash-settled share-based payment). The amount granted varies depending on the degree of management responsibility held.

In the 2015 / 16 and 2014 / 15 financial years, Sonova granted restricted shares, restricted share units (RSUs), options, and for US employees, share appreciation rights (SARs). From 2014, grants made under the Executive Equity Award Plan (EEAP) to the CEO and the other members of the MB includes a performance criterion: the vesting of options and RSUs in a given year is subject to achievement of a pre-defined minimum return on capital employed (ROCE) target.

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

1,000 CHF	**2015 / 16**	**2014 / 15**
Equity-settled share-based payment costs	18,938	18,581
Cash-settled share-based payment costs	403	553
Total share-based payment costs	**19,341**	**19,134**

The following table shows the outstanding options and / or SARs, granted as part of the EEAP 2012 to 2016. All of the equity instruments listed below vest in 4 equal tranches, annually over a period of 4 years.

Summary of outstanding options and SARs granted until March 31, 2016:

Financial year granted	Instruments granted	First vesting date / Expiry date	Granted	Exercise price (CHF)	Outstanding	Average remaining life (years)	Exercisable
2011 / 12	Options / SARs	1.6.2013 31.1.2019	298,474	95.85	155,295	2.8	107,838
2012 / 13	Options / SARs	1.6.2014 31.1.2020	227,188	109.10	162,414	3.8	70,515
2013 / 14	Options / SARs[1)]	1.6.2015 31.1.2021	242,673	124.60	202,379	4.8	38,601
2014 / 15	Options / SARs[2)]	1.6.2016 31.1.2022	308,459	121.10	295,374	5.8	
2015 / 16	Options / SARs[3)]	1.6.2017 31.1.2023	298,520	124.20	298,520	6.8	
Total			**1,375,314**	**114.93**	**1,113,982**[4)]	**5.2**	**216,954**[5)]
Thereof:							
Equity-settled			1,217,060		1,010,026		203,464
Cash-settled			158,254		103,956		13,490

1) Including 107,567 performance options, granted to the CEO and MB members.
2) Including 135,223 performance options, granted to the CEO and MB members.
3) Including 126,206 performance options, granted to the CEO and MB members.
4) Weighted average exercise price of outstanding options / SARs amounts to CHF 117.30.
5) Weighted average exercise price for exercisable options / SARs amounts to CHF 105.27.

The fair value of options and / or SARs is calculated at the grant date by using an "Enhanced American Pricing Model". The expected volatility is based on historical measures. Valuation assumptions used for the options and / or SARs granted in the current financial year and the 2014 / 2015 financial year are as follows:

Assumptions for valuation at grant date	Executive Equity Award Plan 2016	Executive Equity Award Plan 2015
Valuation date	1.2.2016	1.2.2015
Expiry date	31.1.2023	31.1.2022
Share price on grant date	CHF 124.20	CHF 121.10
Exercise price	CHF 124.20	CHF 121.10
Volatility	24.4%	25.1%
Expected dividend yield	2.25%	2.53%
Weighted risk free interest rate	0.4%	0.5%
Weighted average fair value of options / SARs issued	**CHF 20.60**	**CHF 19.55**

Options

The exercise price of options is equal to the market price of Sonova Holding AG shares on the SIX Swiss Exchange at grant date. The fair value of the options granted is estimated at grant date and recorded as an expense over the corresponding vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period (including adjustments due to re-assessments of the likely ROCE targets achievements for performance options granted to the CEO and the other members of the MB) to ensure that only a charge for vested amounts occur. Options may be exercised after the vesting date, until their expiry date. If options are exercised, one share per option from the conditional share capital is issued, or treasury shares are used for fulfillment.

Changes in outstanding options / warrants:	2015 / 16		2014 / 15	
	Number of options / warrants[1]	Weighted average exercise price (CHF)	Number of options / warrants[1]	Weighted average exercise price (CHF)
Outstanding options / warrants at April 1	1,019,036	114.50	1,277,473	115.22
Granted[2]	263,418	124.20	272,224	121.10
Exercised / sold[3]	(248,876)	114.20	(507,163)	119.91
Forfeited	(23,552)	115.82	(23,498)	113.36
Outstanding options / warrants at March 31	**1,010,026**	**117.07**	**1,019,036**	**114.50**
Exercisable at March 31	**203,464**	**105.04**	**274,722**	**111.58**

1) For better comparison, the number of warrants have been adjusted according to exercise ratio 25:1.

2) 2015 / 16 includes 126,206 performance options (previous year 135,223 performance options), granted to the CEO and MB members.

3) Out of the movement for the 2015 / 16 financial year, 178,115 (previous year 99,716) relates to options exercised and 70,761 (previous year 407,447) to warrants sold. Total consideration from options exercised amounted to CHF 7.6 million (previous year CHF 10.4 million). The weighted average share price of the options exercised during the year 2015 / 16 was CHF 131.67 (previous year CHF 137.22).

Share appreciation rights (SARs)

The exercise price of SARs is generally equal to the market price of Sonova Holding AG shares on the SIX Swiss Exchange at grant date. Upon exercise of SARs, an employee shall be paid, an amount in cash equal to the number of shares for which the employee exercised SARs, multiplied by any surplus, of the per share market price at the date of exercise versus the per share exercise price (determined at the date of grant of SARs). The initial fair value of the SARs is in line with the valuation of the options of the respective period and recorded as an expense over the corresponding vesting period. Until the liability is settled, it is revalued at each reporting date recognizing changes in fair value in the income statement. The SARs may be sold after the vesting date, until their expiry.

Changes in outstanding SARs / WARs:				2015 / 16				2014 / 15
	Number of SARs	Weighted average exercise price (CHF)	Number of WARs	Weighted average exercise price (CHF)	Number of SARs	Weighted average exercise price (CHF)	Number of WARs	Weighted average exercise price (CHF)
Outstanding SARs / WARs at April 1	91,706	116.34	8,783	118.40	68,360	111.78	29,477	123.02
Granted	35,102	124.20			36,235	121.10		
Exercised / sold	(8,151)	105.14	(8,783)	118.40	(8,596)	99.61	(20,694)	124.98
Forfeited	(14,701)	119.30			(4,293)	117.44		
Outstanding SARs / WARs at March 31[1]	**103,956**	**119.45**	**0**		**91,706**	**116.34**	**8,783**	**118.40**
Exercisable at March 31[2]	**13,489**	**108.71**			**4,899**	**103.19**	**8,783**	**118.40**

[1] The carrying amount of the liability relating to the SARs at March 31, 2016 is CHF 1.0 million (previous year CHF 1.3 million). There is no liability for the WARs at March 31, 2016 (previous year CHF 0.2 million).

[2] The intrinsic value of the SARs exercisable at March 31, 2016, amounts to CHF 0.2 million (previous year CHF 0.2 million).

Restricted shares / Restricted share units (RSUs)

Under the EEAP grants 2011 to 2016, entitled employees have been granted RSUs. The value of an RSU is equal to the market price of Sonova Holding AG shares on the SIX Swiss Exchange on the grant date, adjusted for the fair value of expected dividends, as RSUs are not entitled to dividends. RSUs entitle the holder to one share per RSU after the vesting period. In the case of performance RSUs, granted to the CEO and the other members of the MB under the EEAPs 2015 and 2016, vesting of these shares is also dependent on the fulfillment of the performance criteria. In addition to the RSUs granted in respect to the EEAP 2016, restricted shares have been granted to the Chairman of the Board of Directors as well as to the other members of the Board of Directors. These shares are entitled to dividends and are restricted for a period of 64 months (Chairman), respectively 52 months (other members of the Board of Directors).

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

The cost of the RSUs granted is expensed over their vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period (including adjustments due to re-assessments of the likely achievements of the ROCE targets for performance RSUs granted to CEO and the other members of the MB) to ensure that only vested amounts are expensed. The costs for the restricted shares granted to the members of the Board of Directors have been fully expensed in the 2015 / 16 financial year as these shares have no vesting period.

Changes in outstanding RSUs:	2015/16	2014/15
	Number of RSUs	Number of RSUs
RSUs at April 1	435,473	398,452
Granted[1]	133,082	138,138
Released	(87,843)	(83,287)
Forfeited	(22,276)	(17,830)
RSUs at March 31	**458,436**	**435,473**

[1] 2015/16 includes 19,818 performance RSUs, granted to the CEO and MB members (previous year 20,743).

32. Contingent liabilities

At March 31, 2016 and 2015, there were no pledges given to third parties other than in relation to bank loans and mortgages.

In the 2015/16 financial year, the Group entered into an agreement for a credit line in the amount of CHF 150 million with an option to increase to CHF 250 million. The terminal date of this credit line is July 31, 2018, with an option to extend for two years. The credit line was not used at balance sheet date.

The bank loan of CHF 470 million, granted in connection with the acquisition of Advanced Bionics, has been fully repaid in the 2014/15 financial year and therefore the shares of Advanced Bionics are no longer pledged.

A deposit in the amount of CHF 1.1 million has been pledged in relation to a bank guarantee. Mortgages are secured by properties in the amount of CHF 0.1 million (previous year CHF 0.1 million). The net book value of these properties amounts to CHF 0.9 million at March 31, 2016 (previous year CHF 0.9 million). Open purchase orders as of March 31, 2016 and 2015, were related to recurring business activities.

33. Leasing liabilities

At March 31, 2016, the following non-cancellable minimum operating lease obligations existed:

Financial year 1,000 CHF	31.3.2016	31.3.2015
2015 / 16		41,191
2016 / 17	41,392	32,451
2017 / 18	31,133	25,843
2018 / 19	24,951	20,664
2019 / 20	22,225	20,656
2020 / 21	15,575	18,283
thereafter	28,944	14,958
Total	**164,220**	**174,046**

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

In the 2015 / 16 financial year, CHF 54.0 million have been recognized as expenses for leases in the consolidated income statement (previous year CHF 44.0 million).

As of March 31, 2016 and 2015, the Group had no financial lease obligations.

34. Events after balance sheet date

On May 4, 2016, Sonova Holding AG announced that it reached an agreement to acquire AudioNova from HAL Investments B.V. (HAL). AudioNova, headquartered in Rotterdam, the Netherlands, is one of Europe's leading hearing aid retailers and service providers and operates over 1,300 stores in 8 countries. In 2015 AudioNova generated net sales of ca. EUR 360 million (CHF 395 million). The purchase consideration will be paid in cash and values AudioNova at EUR 830 million (CHF 913 million) on a cash and debt free basis, subject to certain adjustments such as interest cost on the purchase consideration. The closing of the transaction is subject to regulatory approval and expected in the second half of 2016.

With this acquisition, Sonova takes the opportunity to expand its business in the European hearing aid retail market. The combination of AudioNova and Sonova will create one of the broadest hearing aid retail service networks in Europe with attractive market positions and critical mass.

35. List of significant companies

Company name	Activity	Domicile (country)	Share / paid-in capital[1] Local currency 1,000			Shares held
Switzerland						
Sonova Holding AG	A	Stäfa	CHF	3,331		
Sonova AG	A, B, C, D	Stäfa	CHF	2,500		100 %
Advanced Bionics AG	A, B	Stäfa	CHF	4,350		100 %
Indomed AG	A	Zug	CHF	1,000		100 %
EMEA (excluding Switzerland)						
Hansaton Akustische Geräte GmbH	B	Wals-Himmelreich (AT)	EUR	450		100 %
Ets. Lapperre BHAC NV	B	Groot-Bijgaarden (BE)	EUR	124		100 %
Phonak GmbH	B	Fellbach-Oeffingen (DE)	EUR	25		100 %
Unitron Hearing GmbH	B	Fellbach-Oeffingen (DE)	EUR	41		100 %
Hansaton Akustik GmbH	B	Hamburg (DE)	EUR	1,000		100 %
Phonak Ibérica S.A.U.	B	Alicante (ES)	EUR	7,000		100 %
Audition Santé SAS	B	Cahors (FR)	EUR	18,800		100 %
Phonak France SA	B	Bron-Lyon (FR)	EUR	1,000		100 %
Phonak Italia Srl	B	Milan (IT)	EUR	1,040		100 %
Boots Hearing Care Ltd.	B	Conwy (UK)	GBP	0	2)	51 %
Sonova UK Ltd.	B	Warrington (UK)	GBP	2,500		100 %
Sonova Service Center UK Limited	C	Warrington (UK)	GBP	150		100 %
Americas						
Sonova do Brasil Produtos Audiológicos Ltda.	B	Sao Paulo (BR)	BRL	36,179		100 %
National Hearing Services Inc.	B	Victoria BC (CA)	CAD	0	3)	100 %
Sonova Canada Inc.	B	Mississauga (CA)	CAD	0	3)	100 %
Connect Hearing Inc.	B	Naperville (US)	USD	0	4)	100 %
Ear Professionals International Corporation	B	Pomona (US)	USD	6		100 %
Unitron Hearing, Inc.	B	Plymouth (US)	USD	46,608		100 %
Advanced Bionics Corp.	A	Valencia (US)	USD	1		100 %
Advanced Bionics LLC	B, C, D	Valencia (US)	USD	0	3)	100 %
Phonak LLC	B	Warrenville (US)	USD	0	3)	100 %
Sonova United States Hearing Instruments, LLC	A	Warrenville (US)	USD	0	3)	100 %
Development Finance Inc.	A	Wilmington (US)	USD	0	5)	100 %
Asia / Pacific						
Hearing Retail Group Pty. Ltd.	B	McMahons Point (AU)	AUD	0	6)	100 %
Sonova Australia Pty Ltd	B	Baulkham Hills (AU)	AUD	750		100 %
Triton Hearing Limited	B	Christchurch (NZ)	NZD	7,750		100 %
Sonova (Shanghai) Co., Ltd.	B	Shanghai (CN)	CNY	20,041		100 %
Unitron Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY	46,249		100 %
Phonak Operation Center Vietnam Co., Ltd.	C	Binh Duong (VN)	VND	36,156,000		100 %

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

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

Report of the statutory auditor on the consolidated financial statement

pwc

Report of the statutory auditor on the consolidated financial statements 2015/16 to the Annual General Shareholders' Meeting of Sonova Holding AG Stäfa.

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Sonova Holding AG, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated changes in equity and notes (pages 84 to 126) for the year ended March 31, 2016.

Board of directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended March 31, 2016, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Sandra Boehm Audit expert Auditor in charge	Kai Mauden

Zurich, May 10, 2016

Financial statements of Sonova Holding AG

Income statements

1,000 CHF	Notes	2015 / 16	2014 / 15[1)]
Income			
Investment income		279,257	262,651
License income		16,866	22,406
Financial income	2.1	39,575	26,086
Total income		**335,698**	**311,143**
Expenses			
Administration expenses		(7,571)	(8,220)
Other expenses		(1,053)	(1,028)
Financial expenses	2.1	(33,559)	(41,527)
Direct taxes		(1,508)	(193)
Total expenses		**(43,691)**	**(50,968)**
Net profit for the year		**292,007**	**260,175**

[1)] Financial statements 2014 / 15 have been adjusted to ensure comparability with the 2015 / 16 presentation.

Balance sheets

Assets 1,000 CHF	Notes	31.3.2016	31.3.2015[1)]
Cash and cash equivalents		71,347	68,312
Other receivables			
– Third parties		2,812	2,907
– Group companies		9,323	54,602
Prepaid expenses		30	50
Total current assets		**83,512**	**125,871**
Financial assets	2.2		
– Third parties		389	
– Group Companies		1,386,107	1,340,840
Investments	2.3	321,355	314,590
Total non-current assets		**1,707,851**	**1,655,430**
Total assets		**1,791,363**	**1,781,301**

Liabilities and shareholders' equity 1,000 CHF	Notes	31.3.2016	31.3.2015[1)]
Other current liabilities			
– Third parties		112	
– Group Companies		2,132	
Short-term interest-bearing liabilities to Group companies		10,554	
Other short-term liabilities to third parties		4,128	8,604
Accrued liabilities		3,786	1,605
Total short-term liabilities		**20,712**	**10,209**
Total liabilities		**20,712**	**10,209**
Share capital		3,331	3,359
Legal reserves			
– Reserves from capital contribution		18,570	18,542
– General reserves		1,800	1,800
Statutory retained earnings			
– Profit brought forward		1,611,352	1,560,851
– Net profit for the year		292,007	260,175
Treasury shares	2.4	(156,409)	(73,635)
Total shareholders' equity		**1,770,651**	**1,771,092**
Total liabilities and shareholders' equity		**1,791,363**	**1,781,301**

[1)] Financial statements 2014/15 have been adjusted to ensure comparability with the 2015/16 presentation.

Notes to the financial statements as of March 31, 2016

1. General information

The financial statements of Sonova Holding AG, with registered office in Stäfa, comply with the requirements of the new Swiss accounting legislation, which became effective since January 1, 2013 and required implementation in 2015, of Swiss code of Obligation (SCO). In accordance to SCO Sonova Holding AG decided to adjust the 2014 / 15 financial statements to be comparable with the 2015 / 16 presentation. The adoption of the amended SCO resulted in changes to the presentation and disclosure. To ensure comparability previous year figures have been amended accordingly. The company does not have any employees.

2. Accounting principles

2.1 Financial income / expenses

Financial income / expenses consists primarily of realized / unrealized foreign exchange gains and losses as well as interest income / expenses.

2.2 Financial assets

Financial assets contain loans to third parties as well as to Group companies and are recognized at cost less adjustments for foreign currency losses and impairment of value. Loans granted in foreign currency are translated at balance sheet date.

2.3 Investments

Investments consists mainly of participations in fully consolidated Group companies. They are in general subject to individual valuation. Certain investments are subject to a group valuation approach due to their homogeneity in nature.

2.4 Treasury shares

Treasury shares are recognized at cost and deducted from shareholders’ equity. The gain or loss from sale is recognized in the income statement as financial gain or financial loss.

3. Information on income statement and balance sheet items

3.1 Treasury shares

Out of total treasury shares amounting to 1,209,989 shares on March 31, 2016, 1,203,500 shares were purchased by the company as part of the share buyback program. In accordance with the acceptance of the annual general meeting on June 16, 2015, 546,900 treasury shares have been cancelled with the effect of a decrease in share capital. Consequently the reserves from capital contribution increased by the same amount. The average selling price amounted to CHF 107.97 and the average purchase price to CHF 130.25.

Number / 1,000 CHF

	Number	Treasury shares at cost
Balance April 1, 2015	547,313	73,635
Purchase of treasury shares from share buyback	1,203,500	155,639
Purchase of treasury shares	182,420	24,874
Sale / Transfer of treasury shares	(176,344)	(19,040)
Cancellation of treasury shares	(546,900)	(73,579)
Loss from sale of treasury shares		(5,120)
Balance March 31, 2016	**1,209,989**	**156,409**

3.2 Contingent liabilities

1,000 CHF	31.3.2016	31.3.2015
Guarantees given in respect of rental obligations of Group Companies	2,894	3,873

In the 2015 / 16 financial year, the Group entered into an agreement for a credit line in the amount of CHF 150 million with an option to increase to CHF 250 million. The terminal date of this credit line is July 31, 2018, with an option to extend for two years. The credit line was not used at balance sheet date.

The Swiss Sonova entities form a VAT group and, hence, every company participating in the group is jointly and severally liable for VAT debt of other group participants. Further Sonova Group companies participating in the cashpool are jointly and severally liable for any debit position or outstanding overdraft in connection with them.

3.3 List of investments

Company name	Activity	Domicile		Share / paid-in capital[1)] Local currency 1,000	Shares held by Sonova Holding
Switzerland					
Sonova AG	A, B,C,D	Stäfa	CHF	2,500	100 %
Phonak AG	A	Stäfa	CHF	100	100 %
Phonak Communications AG	B, C, D	Murten	CHF	500	100 %
Unitron Hearing GmbH (Switzerland)	B	Stäfa	CHF	20	100 %
Verve Hearing Systems AG	A	Stäfa	CHF	100	100 %
Indomed AG	A	Zug	CHF	1,000	100 %
EMEA (excluding Switzerland)					
Phonak France SA	B	Bron-Lyon (FR)	EUR	1,000	30 %[2)]
SCI Du Triangle De Bron	A	Bron-Lyon (FR)	EUR	46	100 %
Phonak Holding GmbH	A	Fellbach-Oeffingen (DE)	EUR	153	85 %[2)]
Phonak Italia S.R.L.	B	Milan (IT)	EUR	1,040	100 %
Sonova Nederland B.V.	B	Vianen (NL)	EUR	227	100 %
Sonova UK Ltd.	B	Warrington (UK)	GBP	2,500	100 %
Boots Hearing Care Ltd.	B	Conwy (UK)	GBP	0[3)]	51 %
Sonova Belgium NV	A, B	Asse Zellik (BE)	EUR	5,000	100 %
Phonak Denmark A / S	B	Middelfart (DK)	DKK	11,075	100 %
Sonova Nordic AB	B	Stockholm (SE)	SEK	200	85 %[2)]
Sonova Sweden AB	B	Stockholm (SE)	SEK	100	100 %
Phonak AS	B	Oslo (NO)	NOK	900	100 %
Phonak Ibérica S.A.U.	B	Alicante (ES)	EUR	7,000	100 %
Hansaton Akustische Geräte GmbH	B	Wals-Himmelreich (AT)	EUR	450	100 %
Phonak Polska Sp. Z o.o.	B	Warsaw (PL)	PLN	100	100 %
Phonak Hungary Korlátolt Felelösségü Társaság	B	Budapest (HU)	HUF	5,000	100 %
Phonak CIS Ltd.	B	Moscow (RU)	RUB	4,000	100 %
Audition Santé SAS	B	Cahors (FR)	EUR	18,800	15 %[2)]
HIMSA A / S	A	Copenhagen (DK)	DKK	250	25 %

For significant indirect investments refer to Note 35 of the consolidated financial statements of Sonova Holding AG.
Description:
A Holding / Finance: The entity is a holding or finance company.
B Sales: The entity performs sales and marketing activities for the Group.
C Production: This entity performs manufacturing for the Group.
D Research: This entity performs research and development activities for the Group.

1) Share / paid in capital may not reflect the taxable share / paid-in capital amount and does not include any paid-in surplus.
2) The remaining shares are held by a subsidiary of Sonova Holding AG.
3) GBP 133
4) Shares without par value

Company name	Activity	Domicile		Share / paid-in capital[1] Local currency 1,000	Shares held by Sonova Holding
Americas					
National Hearing Services Inc.	B	Victoria BC (CA)	CAD	0[4]	100 %
Sonova United States Hearing Instruments, LLC	B	Warrenville (US)	USD	0[4]	85 %[2]
Sound Pharmaceuticals, Inc.	A	Seattle (US)	USD	13,105	31 %
Sonova Canada Inc.	B	Mississauga (CA)	CAD	0[4]	85 %[2]
Phonak Mexicana S.A. de C.V.	B	Mexico DF (MX)	MXN	94,050	85 %[2]
Connect Hearing Mexico S.A. de C.V.	B	Mexico DF (MX)	MXN	66,050	99 %[2]
Unitron Hearing Colombia Ltda.	B	Bogota (CO)	COP	1,454,574	1 %[2]
CAS Argosy Participações Ltda.	B	São Paulo (BR)	BRL	37,106	100 %
Asia / Pacific					
Advanced Bionics Medical Instruments (Suzhou) Co., Ltd.	B	Suzhou (CN)	CNY	4,617	70 %[2]
Sonova Australia Pty. Ltd.	B	Baulkham Hills (AU)	AUD	750	100 %
Sonova New Zealand (Wholesale) Ltd.	B	Auckland (NZ)	NZD	250	100 %
Phonak Japan Co., Ltd.	B	Tokyo (JP)	JPY	10,000	100 %
Unitron Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY	46,249	100 %
Sichuan i-Hear Co., Ltd.	A	Chengdu (CN)	CNY	42,802	100 %
Sonova (Shanghai) Co., Ltd	B	Shanghai (CN)	CNY	20,041	100 %
Phonak Taiwan Pte. Ltd.	B	Zhonge City (TW)	TWD	3,100	100 %
Sonova Singapore Pte. Ltd.	B	Singapore (SG)	SGD	250	100 %
Sonova Korea Ltd.	B	Seoul (KR)	KRW	50,000	100 %
Phonak India Private Limited	B	Mumbai (IN)	INR	100	99 %[2]
Phonak Operation Center Vietnam Co., Ltd.	C	Binh Duong (VN)	VND	36,156,000	100 %
Sonova Viet Nam Company Limited	B	Ho Chi Minh City (VN)	VND	2,088,000	70 %[2]

For significant indirect investments refer to Note 35 of the consolidated financial statements of Sonova Holding AG.
Description:
A Holding / Finance: The entity is a holding or finance company.
B Sales: The entity performs sales and marketing activities for the Group.
C Production: This entity performs manufacturing for the Group.
D Research: This entity performs research and development activities for the Group.

[1] Share / paid in capital may not reflect the taxable share / paid-in capital amount
and does not include any paid-in surplus.
[2] The remaining shares are held by a subsidiary of Sonova Holding AG.
[3] GBP 133
[4] Shares without par value

3.4 Significant shareholders

At year-end, the following significant shareholders were listed in the share register (with shareholdings in excess of 3 % of the issued share capital). Significant shareholders may also hold non-registered shares which are reported under “Not registered”.

	31.3.2016	31.3.2015
Beda Diethelm	9.98 %	9.90 %
Chase Nominees Ltd.[1]	9.84 %	12.82 %
Hans-Ueli Rihs	6.02 %	6.04 %
Nortrust Nominees Ltd.[1]	3.96 %	3.60 %
Andy Rihs	3.52 %	4.79 %
Registered shareholders with less than 3 %	34.09 %	32.49 %
Not registered	32.59 %	30.36 %

[1] Registered without voting rights.

3.5 Shareholdings and participations of the Board of Directors and the Management Board

	31.3.2016				31.3.2015				
	Shares	Restricted Shares[1] [2]	RSUs[2]	Options (incl. SARs)[2]	Shares	Restricted Shares[1] [2]	RSUs[2]	Options (incl. SARs)[2]	Warrants (incl. WARs)[2] [3]
Board of Directors	30,207	58,454	1,044	14,067	3,240,874	47,761	2,610	21,740	1,187,500
Management Board	53,542		68,456	505,697		42,102	66,523	430,310	2,204,938
Total	**83,749**	**58,454**	**69,500**	**519,764**	**3,240,874**	**89,863**	**69,133**	**452,050**	**3,392,438**

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

For further details to shareholdings in the company by members of the Board of Directors and by members of the Management Board, in accordance with Swiss Code of Obligation article 663c, refer to the Compensation report of Sonova Holding AG.

Appropriation of available earnings

As proposed by the Board of Directors to the Annual General Shareholders' Meeting of June 14, 2016:

1,000 CHF	31.3.2016	31.3.2015[1]
Balance carried forward from previous year	**1,611,352**	**1,560,851**
Net profit for the year	292,007	260,175
Treasury shares	(156,409)	(73,635)
Available earnings	**1,746,950**	**1,747,391**
Dividend distribution[2]	(137,374)	(136,039)
Balance to be carried forward	**1,609,576**	**1,611,352**

[1] Approved by the Annual General Shareholders' Meeting of June 16, 2015.
[2] If the Annual Shareholders' Meeting approves the proposed appropriation of available earnings, a gross dividend of CHF 2.10 per registered share of CHF 0.05 will be paid out (previous year distribution of CHF 2.05).

Report of the statutory auditor on the financial statements

pwc

Report of the statutory auditor on the financial statements 2015 / 16 to the Annual General Shareholders' Meeting of Sonova Holding AG Stäfa

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Sonova Holding AG, which comprise the income statement, balance sheet and notes (pages 128 to 134) for the year ended March 31, 2016.

Board of directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended March 31, 2016, comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Sandra Boehm Audit expert Auditor in charge	Kai Mauden

Zurich, May 10, 2016

Hear the World Foundation

Imagine a world in which everyone gets the chance to enjoy good hearing. The Hear the World Foundation, a non-profit initiative founded by Sonova, contributes towards this ambitious vision by helping disadvantaged people with hearing loss.

Over 90 celebrity ambassadors had their picture taken by musician and photographer Bryan Adams in the Hear the World pose (Copyright: Bryan Adams)

HEAR THE WORLD FOUNDATION
a Sonova Group initiative

Despite the revolutionary advances made in hearing care, hearing loss remains a neglected problem worldwide. Around one-sixth of the world's adult population is affected by hearing loss[1], while 32 million children live with moderate to profound hearing loss.[2] The problem is not lack of solutions, but of resources: the vast majority of people with hearing loss live in low or middle-income countries, with little or no access to hearing care.[3] As few as one in 40 people with hearing loss in developing countries has a hearing aid.[4] For children in particular, this can blight lives: untreated hearing loss can lead to problems learning to speak, social isolation, less chance of getting an education, and poor prospects for future employment.

Supporting better hearing worldwide

By providing financial support, hearing aids, and professional expertise through volunteers, the Hear the World Foundation is committed to promoting equal opportunities and quality of life for people with hearing loss all over the world. All donations to the Foundation go directly to its projects, because its administrative expenses are paid by Sonova. The Foundation has contributed to over 70 projects since its launch in 2006, helping thousands of people around the world overcome the disadvantages associated with hearing loss.

Raising awareness to prevent hearing loss

The World Health Organization (WHO), reports that unsafe listening practices are putting 1.1 billion young people worldwide at risk of harming their hearing. Indeed, half of all cases of hearing loss could be avoided simply by taking preventive measures.[5] Among children, 60 % of hearing loss is preventable, more so in low-income countries (75 %) than in high-income (49 %).[6] Hear the World actively supports hearing loss prevention through WHO's International World Hearing Day and similar awareness-raising initiatives. The Foundation also conducts its own awareness campaign at concerts in Switzerland, providing free hearing protection to concertgoers and educating them about the risks of over-loud music.

Hear the World Ambassadors

More than 90 celebrity ambassadors have given their support to Hear the World, symbolized in their pictures taken by musician and photographer Bryan Adams in the Hear the World pose, listening with a hand cupped behind the ear. Sting, Tina Turner, Diana Krall, Christoph Waltz, and Kate Moss are just some of the many featured celebrities, all of whom strongly identify with the cause of raising public awareness about the importance of good hearing and the consequences of hearing loss.

Sonova Group employees help Hear the World

Sonova's employees join our celebrity ambassadors in their active support for the Hear the World Foundation. By volunteering their time and specialist expertise, they make a vital positive difference in Foundation projects all over the world, sharing the latest in hearing care technology with the people who need it most. Those who have not volunteered also make a difference through their active participation in fund-raising events.

The Hear the World Foundation hence contributes actively towards Sonova's vision to create a world in which everyone enjoys the delight of hearing.

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

1 WHO (2008)
2, 6 WHO (2016)
3, 4 WHO (2012)
5 WHO (2015)

GERMANY'S COMMITMENT TO ARMENIA

Christiane Schubert and Nazan Yakar could hardly close their suitcases. They were only able to pack a few clothes because the rest of the space was taken up by technical equipment destined for Armenia: there were large numbers of hearing aids and even Leo – the Phonak mascot – was on board the flight. These two young women make up the Phonak pediatric audiology team at Sonova's headquarters in Germany, located near Stuttgart. They have traveled together to Yerevan as volunteer helpers for the Hear the World Foundation. "This is a fantastic experience," Schubert enthuses. "The audiologists on the ground here only have very modest equipment, but they achieve so much with it. They give high priority to speech and music therapy. We're getting to know children who have developed very well in spite of profound hearing loss."

The Arabkir Hospital in Yerevan, the Armenian capital, cares for children with hearing loss. The basis for the services offered here is a longstanding clinical partnership with the Children's Hospital Zurich that has been supported by the Hear the World Foundation since 2010. As well as financial assistance, the partnership includes the provision of hearing aids and technical support in the form of deployments by Sonova experts such as Christiane Schubert and Nazan Yakar. In 2015, the project partner in Yerevan received the John Bamford Award, bestowed by the Hear the World Foundation each year on an especially deserving project. Through the partnership, audiologists at the Arabkir Hospital learn about the latest technologies and pass this knowledge on to five facilities spread across the whole country. This support is urgently needed: 20 percent of Armenians live on less than two dollars a day, and there is no adequate medical infrastructure.

Schubert and Yakar answer many questions from their Armenian colleagues: What is the procedure for changing a housing? What tips are there on working with the Junior mode in the fitting software? The team in Yerevan is particularly enthusiastic about the new Roger systems – and their ease of handling. Schubert and Yakar also come into close contact with the hospital's young patients. They became especially fond of two-year-old Hasmik, who has already made enormous progress with her Phonak Naída™ hearing aids – even though she has only been wearing them for a month. "I was very moved to see the strong sense of unity within families here," Yakar comments. Two-year-old Daniel has come along to a check-up appointment with his mother. While he is absorbed in playing with brightly-colored building blocks, his mother explains how lucky and grateful she is: "Daniel was fitted with his hearing instruments when he was six months old. When he started to react to acoustic signals, I finally saw some light at the end of the tunnel. Now I'm full of confidence about his future."

Although she has only been wearing them for a month, two-year-old Hasmik has already made enormous progress with her Phonak Naída™ hearing instruments. She is benefiting from a partnership between the Arabkir Hospital in Yerevan, the Armenian capital, and the Children's Hospital Zurich, that is supported by the Hear the World Foundation.

Investor information

Financial calendar

June 14, 2016
General Shareholders' Meeting of
Sonova Holding AG at
Messe Zurich, Halle 7, Zurich-Oerlikon

November 14, 2016
Publication of Semi-Annual Report
as of September 30, 2016
Media and Analyst Conference Call

May 16, 2017
Publication of Annual Report
as of March 31, 2017
Media and Analyst Conference

June 13, 2017
General Shareholders' Meeting of
Sonova Holding AG

Financial information

Corporate & ad hoc news
Annual Reports
Semi-Annual Reports
IR presentations
www.sonova.com/en/investors

Information on the General Shareholders' Meeting

Invitation and agenda
General Shareholders' Meeting presentations
General Shareholders' Meeting minutes
www.sonova.com/en/AGM

IR online news service

IR News Service
www.sonova.com/en/registration

Capital structure and shareholder rights

Share data
www.sonova.com/en/investors/share-data

Shareholder structure
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shareholder-structure

Shareholder participation rights
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shareholder-participation-rights

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Articles of Association
Organizational Regulations
Rules on Board Operations and Procedures
Committee Charters
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Supplier Principles
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