



Strategy and businesses

At Sonova, we envision a world where everyone enjoys the delight of hearing and therefore lives a life without limitations.

Our vision is broad, because our market is broad. We want to enable *everyone* to enjoy the delight of hearing – so we provide a comprehensive range of solutions that addresses every form of hearing loss: hearing aids, cochlear implants, wireless communication products, and professional audiological care. We want to reach every consumer – so we operate through a full spectrum of sales channels: independent healthcare professionals, large retail chains, government agencies, clinics, and our own retail network. We want to continue to meet the needs of an evolving global consumer population – so we integrate our businesses, using the insights we gain from direct consumer contact to drive our continuous innovation cycle. We know that the experience of hearing loss is different for every individual – so we aim to combine the technological expertise and operational efficiency of a global group with the passion for good service of a local caregiver.

We have gained our leading industry position through customer-focused innovation, not just in our products and solutions, but in how we engage and support the people we serve, both hearing care professionals and consumers. We maintain a high level of investment in R&D and in evolving our business, because we have seen how rapid innovation drives financial performance.

The Sonova Group operates through three core businesses: hearing instruments, retail, and cochlear implants, each individually addressing its segment of the hearing care market while sharing research & development, technology, consumer access, operational processes, and ideas.

Hearing instruments business: We are the world's leading manufacturer and developer of hearing instruments, regularly introducing new capabilities and making them available across a broad range of product formats and sales channels. We operate under three distinct brands, each with its specific appeal to the market. Phonak is recognized as the industry's innovation leader, pioneering life-changing technology advances. Unitron supports hearing care professionals in building their businesses through excellent consumer experiences. Hansaton is a trusted brand in key European markets, with a clear focus on independent audiologists.

Retail business: The consumer stands at the center of everything we do. Operating in selected key markets worldwide through several established local brands, the retail business complements Sonova's innovative technology with world class audiological service and expertise in an accessible, welcoming environment. The aim is to ensure that every consumer has affordable access to the right individual solution at every stage of the hearing journey.

Cochlear implants business: Our Advanced Bionics brand enables people with significant or complete hearing loss to hear clear, lifelike sound through a cochlear implant. These sophisticated systems incorporate the latest developments in Phonak sound processing technology. Once primarily recommended for children born with severe to profound hearing loss, cochlear implant systems are now increasingly used for adults as a supplement or alternative when hearing aids are no longer sufficient to correct the recipient's hearing loss.

Each of our businesses contributes to the three key areas of activity that make up Sonova's growth strategy: creating market-expanding innovations in products and services; deepening our engagement with consumers and professional partners by opening new routes to market; and introducing powerful, easy-to-use eSolutions that take advantage of the digital universe to connect us ever more closely with our markets.

Key areas of activity

New products and services

Sonova anticipates consumer needs through a process of continuous innovation based on technology platforms: step-changes in basic functionality that enable a whole new range of features and possibilities. This year, the key new enabling technology is SWORD, a unique wireless chip that runs multiple communication protocols, allowing hearing instruments to connect directly to any cell phone¹ and to other consumer electronic devices, including televisions, as well as supporting ear-to-ear communication. The immediate benefit is that hearing aid wearers can enjoy phone conversations without needing an extra body-worn streaming device. But that is only the beginning: the universal plug and play connectivity offered by SWORD enables a whole range of new features across the spectrum of Sonova products and services: new ways to enjoy listening, new ways to control and enhance functionality, new ways to connect with the support and expertise of hearing care professionals – all made possible by a tiny chip.

In all our innovation we keep in mind our consumers' first, critical questions: does this make a real difference to my hearing experience? Does it look and feel good? And is it easy to use? Everything we bring to market is designed to meet each of these requirements.

1) Smartphones and traditional mobile phones with Bluetooth® 4.2 wireless technology and most older Bluetooth® versions, Bluetooth® is a trademark owned by the Bluetooth SIG

Market access

Sonova has grown through constantly expanding its engagement with consumers. We maintain the widest global distribution and partner network in the industry, supported by Sonova-owned wholesale companies, independent distributors, and our own retail network in selected markets. This broad and deep reach, covering over 100 countries around the world, gives us a unique opportunity to understand changing consumer needs in detail and to continue to grow as markets evolve.

We recognize and welcome the diversity of the hearing care market; we foster growth, not by restricting ourselves to one or two paths to market, but by optimizing all our channels to the consumer. We expand our existing customer base through continuous innovation, presented through our distinct brands.

We help our professional partners expand their businesses and further improve the service they offer. We work to ensure access to affordable hearing solutions for all who need them. And we continue to integrate our businesses, so that the consumer insights and expertise we gain in one area are quickly applied in all the others.

eSolutions

We live in a digital age, where even grandparents are familiar with smartphones, tablets, blogs, forums, and social media feeds. The idea of remotely controlling devices, seeking support, and providing feedback is an emerging trend; some of the technology and models for providing these interactions already exist. The challenge now is to make certain that they really do what they promise: that they retain all the rich responsiveness of a face-to-face encounter while adding the convenience and precision that the latest technology makes possible.

At Sonova, we are constantly seeking ways to increase our engagement with consumers; the eSolutions platform is an efficient and versatile enabling toolbox to support and connect with the people we serve at every stage of their hearing journey, from initial awareness of hearing loss to getting the best performance from their current hearing solution.

Whether they are younger or older, use hearing aids or cochlear implants, are customers of our professional partners or of our own retail business – we want to provide a consumer experience that conveys the delight of hearing, while we gain new insights about how our people use our solutions.



Feature story

Scaling the heights of innovation

Sonova’s track record of hearing innovation in Switzerland goes back more than 70 years, and the Group has also enjoyed decades of business success in Austria. We take a look at two countries that are world leaders in pioneering hearing care.

“If you want to be good, you’ve got to start young,” says the legendary Swiss national hero in Schiller’s famous play *Wilhelm Tell* – and the pursuit of progress and excellence expressed in this truism certainly has a long tradition in both Switzerland and Austria. These two alpine countries enjoy a close relationship and are among the global leaders in innovative hearing care. Customers in these markets value high standards of service and technological development – Sonova’s strongest suits.

Both countries’ hearing aid markets have seen steady expansion over the last five years, with Switzerland averaging double-digit growth and Austria’s most recent figures pointing to single-digit growth.

Up to a million people in Switzerland have an acute or chronic hearing condition, but only a third of those affected by hearing loss wear a hearing aid. Some 70,000 hearing instruments are sold in Switzerland every year; while there are no official figures for Austria, it has been estimated that about 80,000 devices were purchased in 2017. In Austria, some 1.6 million people – about a fifth of the population – are classified as affected by hearing loss. Depending on the degree of the customer’s hearing loss, hearing aid purchases are subsidized by health insurance providers, with a minimum entitlement of EUR 750 per ear. Customers in Switzerland are entitled to receive a contribution from their old-age, survivors or disability insurance, although any such claim must be assessed and authorized by an ear, nose and throat physician.

Switzerland & Austria Facts & figures:

Area:

Switzerland: 41,285 km²

Austria: 83,879 km²

Population:

Switzerland: 8.48 million (2017)

Austria: 8.82 million (2018)

GDP:

Switzerland:

CHF 659 billion (2016)

Growth: +1.0% (2017)

Per capita: CHF 78,700 (2016)

Austria:

EUR 369 billion (2017)

Growth: +2.9% (2017)

Per capita: EUR 37,826 (2017)



The number of senior citizens living in both countries has been rising constantly and the proportion of residents aged over 65 is set to increase by more than 30% by 2025; by 2035, it will have risen by more than 50%. This means there will be 400,000 more pensioners over the next ten years. In Austria, the number of over-65s is even expected to increase by more than 40% by 2030. About a third of this cohort is likely to be affected by hearing loss of some kind, so the need for hearing solutions will rise significantly in both countries. These demographic changes suggest a potential 15,000 new customers annually in Switzerland alone.

Given this backdrop – and the fact that many affected by hearing loss are still relatively uninformed about the whole topic of hearing aids – Sonova’s strategy focuses on raising awareness and encouraging people to seek professional support as soon as possible rather than waiting up to seven years (the current average). If a hearing instrument is fitted too late, a decline in cognitive capacity sets in and the hearing ability that is lost over this time has to be laboriously reacquired through training.

The supply infrastructure in both Austria and Switzerland is extremely well-developed, with some three quarters of the Austrian market covered by large audiology networks and the remainder being served by independent hearing care professionals. Switzerland has a similarly large proportion of service and retail networks supplying half the market. The remaining providers are individual stores run by independent audiologists, some of whom belong to buying groups. Sonova is committed to close partnerships with hearing care professionals in both countries. In addition, the Group is well represented in Austria through its own network of specialist audiology stores.

“We’ve tailored our global service, support and sales presence to local needs and circumstances; this has been an important factor in our success,” explains Arnd Kaldowski, who leads Sonova’s worldwide operations as CEO since April 1, 2018. “Our customers in Austria and Switzerland really appreciate how we are continuously refining our technologies and can provide the best possible solution for every kind of hearing loss thanks to our innovative range of products.” Sonova is thus extremely well positioned in both countries and leads the market with firmly established brands.

Sonova is headquartered in Switzerland. The company’s airy head office on the eastern shores of Lake Zurich is inspired by the campus model. Arnd Kaldowski explains the thinking behind the design: “Innovation flourishes where corporate culture makes room for creativity.” The architecture, with its broad expanses of glass and light, reflects this approach; an elegant stairwell shaped like a cochlea links the floors to form a single open-plan office, ensuring a dynamic atmosphere that leaves plenty of space for fresh ideas.



More than 1,000 employees work at the Stäfa site, and global research and development is managed from here. It is also the site of one of Sonova's manufacturing and technology centers, where strategically important core components for hearing solutions are produced and finished. The two other sites in Switzerland are the head offices of the Group's global retail business in Steinhausen and Phonak Communications AG for wireless communication systems in Murten. In Austria, Sonova has clustered its hearing solution expertise in two locations: Sonova Österreich GmbH, the local wholesale company, is based in Linz, while the headquarters of Sonova's retail business (along with its local brand, Hansaton) is in Wals, near Salzburg.

Both at its global headquarters, and in its Group companies, Sonova is successfully implementing its strategy of achieving synergies and cost efficiencies through close cooperation between its individual brands. These streamlining efforts range from purchasing, logistics, and IT collaborations to accounting, controlling, and HR projects.

Sonova has been a byword for exceptional innovation, research, and manufacturing in the field of hearing solutions since its foundation in Switzerland in 1947. The company unites highly qualified, talented individuals and strong brands and has one of the widest ranges of pioneering products and services in the sector.

2018 marked Joe Itin's 38th year at Sonova's headquarters in Stäfa, making him one of the company's longest-serving employees. Now 63, he has witnessed much of the rapid development the firm has undergone. Itin began his career in hearing aid development before becoming Director of the Corporate Quality Management department. "When I started, there were 80 employees in total and it still felt very informal – like a large family," he recalls. "Nowadays, you no longer know everyone, but the corporate culture is still unusually open." Itin has made enduring friendships within the company and enjoys spending his spare time with his colleagues – on a work outing to the annual "Phonak Velotag" cycling event, for example. Like many of his colleagues, he is extremely appreciative of the wide range of sports on offer at headquarters. Sonova has run a preventive healthcare program for many years. Sports and exercise, yoga and relaxation, a healthy, balanced diet and regular medical check-ups ensure a healthy work environment and high levels of staff satisfaction. "One thing has remained constant in all the years I've worked here: people at Sonova put their heart and soul into their work," says Joe Itin.

Numerous audiologists in Switzerland have also enjoyed close ties with Sonova and its Phonak brand over many years. One of these is Christoph Schwob from Basel, who has run his specialist audiology store *Hörberatung Basel* for more than 30 years. 54-year-old Schwob has been working with the Phonak brand for his entire professional career. “Phonak and I are a good fit,” he says. Schwob specialized early in pediatric audiology. Phonak has decades of experience in this field and offers countless pioneering and easy-to-use products that have been specially designed for the hearing needs of children.

Phonak’s hearing instruments are very popular on the Swiss and Austrian markets, where the company launched a range of innovative technologies and solutions in August 2017. The rechargeable Audéo™ B-R hearing aid, the Phonak Virto™ B-Titanium In-The-Ear with its titanium shell, and the Audéo™ B-Direct hearing instrument, which allows the wearer to connect directly to most Bluetooth-enabled cellphones without the need for an extra body-worn streaming device, have proved especially popular. The Phonak Audéo™ B-Direct hearing aid is the first device to feature the newly developed Made For All 2.4 GHz wireless chip, making truly hands-free calling possible. The new device also simplifies wearers’ lives with its superb TV sound quality. The TV connector, the new plug-and-play solution, easily connects and delivers TV audio streaming to multiple Audéo™ B-Direct wearers simultaneously. This essentially turns a person’s hearing aids into wireless TV headphones.

Future generations of hearing aids with an even greater range of wireless functions will also be able to make use of this revolutionary chip technology, which is known as SWORD™ (Sonova Wireless One Radio Digital). The market potential is considerable: “We’ve had a lot of positive feedback from our customers that suggests they really appreciate the direct connectivity offered by our solution,” says Luca Mastroberardino, Sonova’s Managing Director for Switzerland. “The Audéo B-Direct hearing aid is only the beginning.”

Sonova’s Unitron hearing aid brand is well positioned in both alpine countries, too. The flexibility and adaptability offered by its Flex:trial™ technology, a feature allowing audiologists to upload the software for the required technology level themselves, is in high demand and proving extremely popular; many customers are keen to test devices before purchase. Unitron’s excellent product design has also boosted sales in both markets. The Moxi Now™ hearing aid received the top prize for product design from the internationally esteemed Red Dot organization in April 2017.

Sonova’s Advanced Bionics brand likewise enjoys a strong market position and is well represented in leading cochlear implant clinics. “Advanced Bionics cooperates closely with a wide range of clinics, including the University Hospital Zurich and University Hospital Salzburg, on joint research studies,” explains Hansjürg Emch, Group Vice President Cochlear Implants. Zurich’s Prof. Dr. Alexander Huber, the head of the Cochlear Implant Center, and Dr. Dorothe Veraguth, the physician responsible for audiology, have taken a leading role in testing new approaches and methodologies in the field of cochlear implantation; the techniques they are researching include new acoustic pre-processing strategies and a method of measuring a patient’s usable residual hearing in real time during electrode insertion. These innovations are currently possible only with technologies developed by Advanced Bionics and Phonak.

Phonak’s Naída™ Link hearing aids and the Phonak Naída™ Link CROS, which was introduced in 2017, were specially developed for Advanced Bionics. They ensure that users who have a cochlear implant on one ear always have a suitable hearing solution for the other, as both of these Phonak devices can communicate directly with the Advanced Bionics sound processor. Even users who opted for an Advanced Bionics cochlear implant more than 15 years ago can now make unrestricted use of this advanced technology. Thanks to the partnership between Advanced Bionics and Hansaton¹, Sonova’s local retail brand, customers in Austria can also seek advice about cochlear implants in the latter’s specialist audiology stores, ensuring that people with hearing loss receive comprehensive care.

Sonova aims to further expand its retail business, not least in Austria. This will be accomplished via Hansaton, its local brand and part of Sonova's international retail network, which has been thriving in Austria for more than five decades. As one of the leading suppliers of hearing solutions, Hansaton currently operates more than 95 specialist audiology stores across the country. Hansaton's business is supported by successful marketing campaigns designed to engage with new target demographics on the Austrian market. "We're determined to achieve further growth in Austria with Hansaton, and our strategy here will involve opening additional specialist stores and expanding the range of advice and services offered by our hearing care professionals – which is already one of the best in the country," explains Hansaton's Managing Director Ursula Rumplmayr. The key element here is hands-on training of employees; Hansaton has enjoyed consistent success over several years by recruiting people looking for a career change and training them as audiologists under the adult education system in Austria.



Jason Brügger's story movingly illustrates just how important Sonova's hearing solutions can be for people affected by hearing loss: suspended high in the air beneath the blue big top of the Swiss National Circus Knie, the young aerialist swoops like an angel with long white-feathered wings. The audience watches with bated breath – it is this act, in which Brügger recounts the ancient tale of Icarus, that won him the fourth season of the casting show "Switzerland's Got Talent" in 2016. The tour with Circus Knie came a year later, at the age of 24, fulfilling a life-long dream. As a young boy in Basel Brügger had appeared in a children's circus, and he travelled to Canada at the age of 18, straight after graduating from high school, to undergo further training at the acclaimed National Circus School in Montreal. But then came a severe infection of his right inner ear, accompanied by hearing loss, tinnitus, and bouts of vertigo; the same condition spread to his left ear soon after. "The doctors advised me against becoming a circus artist as I had real difficulties with my balance," he recalls.

The hearing aids from Sonova brand Phonak that he has been wearing since 2015 helped him to achieve his dream, however. “I’ll never forget the moment I first put on my hearing aids – a whole world opened up to me again, and I became part of it once more.” Way up high, close to the top of the circus tent, the laws of gravity seem not to apply to him. “I can hear the music and the crowd now.” The young artist goes on to explain that he had previously missed all of that and had felt like he was in a pot with the lid on.

Jason Brügger is proud of his acrobatic achievements: “I certainly hope that I can encourage other people to believe in themselves with my story. Even if you’ve been told something is beyond you for whatever reason, you should believe in yourself anyway, and fight for your dreams – there’s always a way to achieve what you want to do.”

- 1) Sonova operates its local retail business under several market-specific brands, including Hansaton in Austria, which joined the Group in 2001. It should not be confused with the hearing aid brand of the same name, headquartered in Germany, which has been part of Sonova since 2015.



Strategy and businesses

Hearing instruments business

As the world's leading provider of hearing instruments, we offer customer-focused innovation that delivers ever better hearing to millions of people around the world.

Sonova's vision of a world in which everyone enjoys the delight of hearing is brought alive through the distinct and complementary strategies of each of our hearing instrument brands.

Phonak is the industry's technology innovation leader, delivering the broadest portfolio of life changing hearing solutions. It is a brand that breaks boundaries, consistently launching breakthrough technology and establishing new industry standards and benchmarks with pioneering hearing and wireless communication solutions.

Unitron works closely with hearing care professionals to delight all consumers by delivering the most individualized hearing experience in the market. Its Flex™ ecosystem of technologies, services, and programs is designed to make the process of buying and using a hearing aid easy, personal, and empowering.

Hansaton focuses on a selected group of independent audiologists, in particular in Germany and France. It builds trusted, collaborative relationships with its customers and offers bespoke and exclusive solutions that support optimal hearing for consumers.

Every consumer is individual, and the structure of the hearing care market reflects the diversity of consumers' needs and lifestyles. There is no single best path to reach them. Our three compelling and distinct brands give us the breadth to offer optimal solutions through multiple channels, from independent audiologists and large store networks, through government healthcare institutions, to Sonova's own retail business.

At the same time, we rapidly share technical innovation, operational best practice, and new ways of engaging consumers across our business. Whether in products, paths to market, or eSolutions, our goal is to offer consumers the innovation and efficiency of an industry leader, with the individuality and comforting experience of personal service.

Key areas of activity

New products and services

We believe that innovation should enrich and simplify consumers' lives, with each technological step-change opening up new possibilities through powerful and easy-to-use hearing solutions. In the past year, all three of our brands have introduced new standard-setting advances that reflect this philosophy.

With the launch of the Audéo™ B-Direct Receiver-In-Canal hearing aid, Phonak set a new benchmark: a hearing aid offering direct connectivity to the vast majority of cell phones, which use the standard Bluetooth® classic protocol¹. Until now, direct cell phone connectivity was restricted to hearing aid users whose phones use the Apple® iOS™ operating system – less than 20% of today's smartphone market², even though a vast majority of people today own Android™ smartphones or older feature phones. Now, thanks to Sonova's unique SWORD™ Made For All wireless technology, virtually all hearing aid users –irrespective of what type of phone they own – have the potential to enjoy true hands-free calling, as well direct TV streaming with excellent sound quality. The SWORD chip opens up the potential for new services and solutions: for radio, music, video calls, and audiobooks; for virtual assistants; for remote support and adjustment; for accessible, personalized service, available whenever needed. SWORD bridges the final few meters between the ear and the digital world.

Phonak has announced the extension of its latest-generation Belong platform with the Phonak Naída™ B power and Phonak Sky™ B pediatric hearing aids. The addition of the rechargeable Naída B-R, Sky B-PR, and CROS B-R (a solution for single-sided deafness) gives professionals the flexibility to offer the industry's most comprehensive rechargeable suite of hearing solutions, ensuring the best possible care.

Unitron continued to build on its very successful Tempus platform with the launch of Moxi™ All, the first and only rechargeable hearing aid with direct connectivity to any Bluetooth® phone. Reflecting Unitron's core philosophy of putting consumer needs first, Moxi All is the only hearing aid on the market to offer both of the most asked-for ease-of-use benefits in a hearing aid: the freedom from having to change batteries and the ability to enjoy phone conversations without a body-worn streamer.

This year, Hansaton launched its new SphereHD™ technology platform, including rechargeable options. Thanks to high speed detection, precise automatic program selection, and innovative speech and localization features, SphereHD helps wearers experience their acoustic environments as naturally as possible.

- 1) with Bluetooth® 4.2 wireless technology and most older Bluetooth phones.
- 2) Bamiduro, W., & van der Meulen, R. (2018, March 13). Gartner Says Worldwide Sales of Smartphones Recorded First Ever Decline During the Fourth Quarter of 2017 [Press Release]. Retrieved from <https://www.gartner.com/newsroom/id/3859963>

Market access

Sonova's hearing instruments business holds a leading position in the world's key markets. We have broad geographic coverage: our own wholesale companies serve over 30 countries, representing over 90% of the global hearing care market, and our distributors bring the total to over 100 countries. Our multi-channel, multi-brand strategy covers the full spectrum of a diverse market, opening innovative paths to the consumer. The objective is to increase Sonova's market share by implementing the best targeted approach for each market.

Sonova enjoys a leading position in the independent audiologist market. We help independents to best serve consumers by offering the broadest range of solutions, including specialty solutions such as pediatric, severe to profound, and custom products. We also support independents to secure their market position by providing marketing support and value-added services.

Multinational chains have been outpacing market growth in recent years, representing the fastest-growing segment in the market. Sonova has built a solid partnership with key players like Costco and Amplifon through its own brands as well as through bespoke private-label solutions, such as Costco's recently launched Brio 3 product.

Large retail chains have a high degree of captivity, due to the expansion of manufacturers into the retail business. We have built selective relationships with large retail accounts, and aim to further expand our position in this segment by developing partnerships with new entrants, such as large optical chains. Furthermore, we protect and strengthen our market position in key countries by expanding our own retail business.

Globally, we hold a leading position in the government healthcare agency market. Sonova has reached around 40% market share in the key US Veterans Administration channel thanks to its exceptional service and product offering, such as rechargeable hearing aids. We have also established a solid standing with the UK's NHS, the world's largest buyer of hearing aids. Sonova continues to enhance its position in the government channel, especially in China, which promises the biggest potential in the Asian market.

eSolutions

Sonova's eSolutions platform will increasingly help hearing care professionals deliver enhanced screening, coaching, monitoring, adjusting, and aftercare solutions. It is part of a growing range of digital health technologies designed to fulfill emerging consumer needs and create opportunities for hearing care professionals and manufacturers alike. We believe that offering an exceptional and seamless end-to-end experience, as eSolutions do, is increasingly responsible for success.

During this year, Phonak has been conducting a pilot study on remote real time hearing aid adjustment with the US Department of Veterans Affairs. Veterans have a high incidence of hearing loss and are often also housebound, so this is a consumer base for whom remote consultation and adjustment is very important. The trial includes the new Audéo B-Direct, connecting directly to the Phonak eAssistance app, which then links via the internet with Phonak's Target fitting software at the audiologist's workplace, enhanced by video and chat functions. There has been strong interest in this solution

from retailers, and we plan to launch in the near future a full commercial version for independent hearing care professionals and for larger retail formats, including Sonova's own retail business.

Unitron's unique Flex ecosystem includes the powerful capability to analyze hearing situations remotely through its Log It All function, which it combines with real time consumer insights collected via the user-friendly app, My Ratings. The combination gives consumers a strong, clear voice, sharing how they feel about their hearing aid performance right at the moment they are feeling it. And it gives hearing care professionals a wonderful opportunity to deepen engagement with consumers by providing a clear view of their in-the-moment perceptions of their hearing experience, backed by detailed data about their listening environment. The goal is better, more personalized hearing aid performance and richer, more detailed insight into consumers' lifestyles and needs – insight which can help drive the next cycle of innovation.



An open ear for customers

Christoph Schwob has been running *Hörberatung Basel*, his specialist audiology store, for more than 30 years. In the meantime his two sons have also joined the family business. Sonova brand Phonak has been with them from the very beginning.

A large, red, plastic ear is mounted on the wall outside a store in Basel's Old Town. Attached to the ear is a set of headphones that passers-by can put on. To run a basic hearing test, all you have to do is press a little red button. "A lot of people don't even know our name," jokes Christoph Schwob. "To many of our customers, we're just the ones with the red ear on their door." Schwob is an audiologist and managing director of *Hörberatung Basel*.

He opened his specialist hearing aid store here in the Old Town more than 30 years ago. He loves his profession because it allows him to combine his passion for technology with the "people" work. "The nicest thing for me is when I can help customers who, because of their hearing loss, are able to engage with speech, music, and communication in only a limited way," he says. The real pleasure, he adds, is discovering precisely what is required for his customers to hear better again and thus regain their quality of life. "There's a story behind everyone," says Schwob, "and my job is to pinpoint where someone has problems with their hearing in their daily life."

Schwob is also passionate about the Sonova brand Phonak, which has been a part of his career since his training more than 30 years ago. Phonak has been developing hearing solutions for more than 70 years and has decades of experience in supplying and fitting devices for children.

Schwob specialized in supporting children with hearing loss at an early stage. Most of the little ones affected are born with hearing loss and Schwob's youngest customers are no more than two or three months old. "Fitting babies and infants with the right hearing aid is a real challenge and a responsibility – children like that can't stand up for themselves or tell us exactly what they need," he explains. As an audiologist, he will be there for them throughout their lives. "I always find it inspiring to see how the children learn to communicate and can go to school with the help of our hearing solutions."

AN OPEN EAR FOR CUSTOMERS

Six-year-old Flurina is a case in point. She is affected by inverted hearing loss, that is to say, she hears “darker” sounds (like a “U”, for example) poorly, but can make out “brighter” sounds such as sibilants very well. This is rather unusual, according to Schwob; it was thus only possible to diagnose Flurina’s hearing loss when she was three years old. She has worn hearing aids ever since, and has to call into the store with the red plastic ear on the door for a check-up every six months. Flurina finds having to wear hearing aids at such an early age completely normal and patiently sits facing Schwob during the hearing test, lifting her right index finger whenever she hears a signal beep in her headphones.

Next, Schwob plays her a video with images of a kindergarten, transforming his practice into a nursery school with the aid of the loud soundscape of children playing and making noise that emanates from the speakers. “Is that OK for you?” he asks Flurina. “Yes, that’s fine,” she answers, incisively. And now there are cars and trucks driving across the monitor, like the five o’clock rush hour at an intersection.

Finally, Schwob checks Flurina’s Roger wireless receiver, which helps her hear her teachers better (they wear a discreet wireless microphone, which transmits their voices to the receiver in Flurina’s hearing aids). This allows Flurina to hear her teachers directly without any distracting background noise. This Roger technology is just one of the many pioneering and easy-to-use hearing solutions in Phonak’s portfolio that have been specially designed to meet children’s needs.

“Phonak and I are a good fit,” says Schwob. “I remember the brand from the days when their business in Switzerland was just a small family firm,” he explains. *Hörberatung Basel* can itself now look back on decades of tradition and the next generation is on board; his two sons Nicolas and Joshua have both worked for the family firm for years. The *pater familias* is of course delighted: “They both simply felt my passion. For me as a father, it’s obviously wonderful to see my sons taking an interest in what I’ve built up,” says Schwob.



The Schwob family in Basel has been working with Phonak for decades

Three Schwobs working together at close quarters is a winning combination. “As we all have our own customers to look after, we don’t see one another that often in the store,” explains Joshua Schwob. He is mostly concerned with the digital side of things, where hearing aids interface with smartphones and apps. His elder brother Nicolas is mainly in charge of their many house calls – a lot of Christoph Schwob’s customers have grown old with him over the more than 30 years he has been running *Hörberatung Basel*, so old in fact that the trip into Basel’s Old Town has become too much of a challenge for some. And what condition is the boss’ own hearing in? “Well, it’s slowly going downhill, especially when I’m in places where there are a lot of people talking at the same time,” he says with a grin. On such occasions, Christoph Schwob takes his Phonak hearing aids with him to compensate for his own hearing loss. “It always brings home to me just how helpful modern hearing aids are.”



Strategy and businesses

Retail business

With excellent technology, services, and expertise, we support consumers at every stage of their hearing journey.

The retail business is an integral part of Sonova's consumer focused strategy and vertically integrated business model. Operating through a range of well-established local brands, the business comprises a global retail platform of 3,500 stores in 18 countries, with over 6,000 employees. Retail complements the emphasis on innovation and quality of hearing experience in Sonova's other businesses with a passionate dedication to service: providing world class audiological care and expertise in an accessible, welcoming environment.

Regaining the delight of hearing is a uniquely personal journey, different for every person. Our deep commitment to operational excellence represents a promise to find the best way to support each individual at every stage of that journey. Our training, solutions, systems, procedures – even the design of our stores – are all focused on the consumer's practical and emotional needs.

After a period of rapid expansion and integration, the retail business is now firmly founded on three pillars: affordability, services, and expertise. Affordability means maximum access to hearing solutions for the maximum number of people: Sonova's unmatched breadth of hearing solutions and knowledge gives us the unique ability to serve every hearing need. Services allow us to offer a seamless, supportive experience, from first contact to after-sales care, tailored to the consumer's individual profile. Expertise ensures that the solutions and services we offer are relevant and appropriate – and that they sound good, look good, and are easy to use.

The global reach of the retail business and the vertical integration of our business model put Sonova in a uniquely advantageous position. Not only can we offer consumers in selected major markets the full spectrum of hearing solutions, efficiently and expertly, but we have the direct contact with consumer experience to help inform and direct each new innovation cycle. In every encounter, we are listening to our market and deepening our understanding.

Key areas of activity

New products and services

The past year has seen significant progress in our retail business. After Sonova completed the acquisition of AudioNova in September 2016, we began the transition of all product lines in the combined retail group to Sonova technology; this process has now largely been completed.

At the same time, consumers are benefiting from the integration and connectivity of Sonova solutions, including cochlear implants as well as hearing aids. Collaboration between our retail businesses and Advanced Bionics makes it possible to identify potential adult candidates for a cochlear implant through in-store audiological screening, followed by reference to an audiological Excellence Center for further testing and, when appropriate, an implantation clinic. Given the growing need for cochlear implants or combined implant and hearing aid solutions among adults with severe to profound hearing loss, it is an important advantage for those providing front-line audiological care to be able to offer information, screening, and support to potential implant candidates.

The Excellence Centers in our retail business in Austria are one example of a concept that we are extending across our markets, beginning in Germany and the Netherlands: expertise clusters. These are state-of-the-art centers where consumers with highly specific or complex needs (or who seek the most innovative solutions) can encounter the full range of Sonova solutions – hearing aids, cochlear implants, wireless communication products – supported by the most advanced equipment, testing, and expertise. Our Schoonenberg network in the Netherlands operates nine of these centers – and in 2017, we acquired ISMA GmbH & Co. KG in Germany, which offers a premium hearing aid fitting process including auditory training to help activate the processing of hearing signals in the brain. Such training helps to secure the greatest benefit from hearing technology, because while the ears may sense sounds, it is the brain that actually hears them.

A similar expertise cluster strategy stands behind our decision to rationalize our operations in the US, creating full-service “hubs” in key markets, where consumers have access to the complete range of Sonova solutions (including such specialized areas as pediatric solutions and Roger wireless communications). These regional hubs will be surrounded by smaller “satellite” offices providing day-to-day services and referrals to the hubs. This concentration of more advanced services should allow us to maintain growth in our US business with fewer physical locations.

Market access

Close integration and operational excellence give us the freedom to pursue our growth strategy in selected markets, including new store openings and acquisitions, organic sales increases through increased footfall, closer relationships to medical clinics, partnerships with local communities of potential users, and fostering the careers of talented audiologists. In France, for example, where the number of stores increased by 15 over the last 12 months to reach more than 200 in total, we have developed ambitious growth plans, and we see further potential in Italy and Canada.

Over the past year, we have continued to implement the integration of previously acquired retail businesses to ensure uniform and efficient delivery of excellent consumer service. In each of our markets, we are integrating retail back office functions and harmonizing IT systems for all local brands. In Germany, for example, our local brand head offices will be combined in 2018/19 into one facility in Dortmund. Generally, we aim to reduce to one brand-name for each major market. We also consolidated the headquarters for our retail operations in Switzerland where we share key corporate functions with other businesses.

eSolutions

The journey to better hearing depends on making connections: between the hearing care professional and the consumer, between the technology and its user – and between people, in conversation and in shared enjoyment of life. Across its businesses, Sonova actively seeks the greatest possible connectivity, opening paths to ever better innovation, ease of use, and natural hearing experience. In the retail business, one focus of connectivity is the eSolutions platform: an integrated suite of internet-based tools that streamline and enrich every stage of the consumer experience, from initial awareness of hearing loss through assessment, counseling, trialing technology, to long-term living with a hearing solution.

As these tools are perfected, we put them to use in selected markets to gain consumer feedback and experience. In New Zealand, we began this journey with hearing-test kiosks in pharmacies; at Boots in the UK, our eScreener app has conducted more than 90,000 screenings, with a 97% positive ease-of-use rating. Our eAssessment app, which conducts a pre-visit questionnaire, has an 80% rate of conversion¹.

In the coming year, this drive for connectivity will be accelerated through the technologies made possible by the SWORD 2.4GHz wireless chip, with its “Made For All” Bluetooth® communications protocol. From screening, through adaptation, adjustment, assistance, and aftercare, our aim is to give consumers all the control, connection, and support they expect from meeting their hearing care professional – but at the time and place of their choice.

1) Source: Sonova user satisfaction surveys, 2015–2017



A training with a future

A key factor in Hansaton's sustainable growth in Austria has been its hands-on training of employees for its own specialist audiology stores. The company focuses on people looking for a career change – a win-win for jobseekers, people with hearing loss, and Sonova.

Eva-Maria Gahr never ceases to be amazed every time she cleans a hearing aid: "It's so impressive how much technology they pack into these little devices." A petite 43-year-old with a short, black hair-do, she hails from Tamsweg, a town not far from Salzburg. Having begun her training as a hearing care professional with Hansaton in September 2017, she is still a newcomer to audiology. Gahr had previously spent more than ten years working in the insurance and banking industry. "I wanted to switch profession," she says. She was ultimately persuaded to retrain as an audiologist because she liked the prospect of learning a trade and providing a service, as well making a concrete improvement to her customers' quality of life. "After a one-week taster course at a Hansaton audiology store, I knew it was for me."

Gahr has never regretted her choice of new profession and already began working at the local Hansaton specialist audiology store in her home town during her training. "I really enjoy working with older people in particular," she enthuses. "You get so much back – gratitude, especially – when customers gain a new lease on life thanks to a hearing aid." 40-year-old Elisabeth Straganz, a qualified accountant from East Tyrol, has had very similar experiences. Once her four children had flown the nest, she was looking for a new challenge. "It's a pleasure to give people something that will improve their lives. The nicest thing for me is when a customer is happy because he or she can once again hear the birds singing, for example."



Eva-Maria Gahr while fitting a customer with a hearing aid

As in other countries, there is a serious lack of hearing care professionals in Austria, and people starting second careers, such as Eva-Maria Gahr and Elisabeth Straganz with their life experience and practical skills from other professions, are ideal candidates for Hansaton. “We need properly qualified audiologists who ideally could start tomorrow, as demand is very high,” explains Michael Mugrauer, Head of Human Resources at Hansaton. Gahr and Straganz – and their 27 fellow trainees – will have finished their course in 18 months.

For years now, Hansaton has favored adult education as a way of recruiting specialist staff. The practical component of the training takes place in Hansaton specialist audiological stores; this is complemented with in-house courses in Salzburg and theoretical teaching at external educational institutions in Vienna or Innsbruck, where the final examinations are also taken.

It is certainly a big plus that this adult education option provides Hansaton with access to qualified staff with life experience; a further advantage of the system for the company is that the cost is largely subsidized by the Austrian employment ministry’s labor market service, as employment prospects in audiology are excellent once the training has been completed.

Hansaton’s training program has been expanded over several years, and as of January 2018, there are 27 men and women training to become audiologists. These will be joined by cohorts of 20 trainees in spring and fall respectively of this year. “We want our successful growth to continue, and for that to happen, we’ll need these newly trained specialists. Our focus is squarely on the new employees’ life experience and hands-on training – these will provide a solid foundation for successful customer interaction,” says Ursula Rumplmayr, Hansaton’s Managing Director. The company currently operates more than 95 specialist audiology stores in Austria and this total is set to increase, thanks to the training program. Every trainee who passes the exam stands a very good chance of being taken on directly by Hansaton.

A TRAINING WITH A FUTURE

One such trainee is 33-year-old Ethem Kambureoglu, who completed the program in 2014 and now works as an audiologist in a Hansaton store in Salzburg. Having gained a degree in biology, he had previously worked as a lab assistant at Salzburg University. “But that didn’t have enough variety for me over the long term,” he says with a chuckle. “I missed day-to-day interaction with people. I was looking for a job where I could have direct human contact and where my biology skills would come in handy.” As an audiologist, he has a future-proof qualification: global demand for hearing care experts is growing constantly – due to demographics, and to the simple fact that people are living longer, and older people hear less well.

Eva-Maria Gahr, for one, is glad to have picked “a career with a future”. She is doing the practical part of her training at the Hansaton store in her home town of Tamsweg, near Salzburg, and will be able to stay on there as an audiologist after she has finished. “Then I’ll finally be back on home turf,” she says with a broad smile.



Strategy and businesses

Cochlear implants business

Advanced Bionics combines the best in implantable technology and sound processing to bring the delight of hearing to people with the most severe hearing loss.

Advanced Bionics is a global leader in cochlear implant systems. Cochlear implants allow people with significant or complete hearing loss to hear the world around them; however, unlike hearing aids, which only amplify sound, cochlear implants stimulate the hearing nerve directly with electric signals, bypassing the damaged part of the ear.

Our business is represented in over 50 countries worldwide, where we work closely with surgical clinics, hearing care professionals, and research institutions. We significantly invest in research and development, not only to maintain our leading position in state-of-the-art technology and reliable products, but to build services to support recipients around the world on their journey to better hearing.

Advanced Bionics was acquired by Sonova in 2009; soon after, we began a close R&D collaboration with Phonak, linking the most innovative cochlear implant and hearing instrument technologies to offer our recipients unique product solutions. Our cochlear implants accurately transform an acoustic signal into precise electrical stimuli to the hearing nerve. Thanks to our collaboration, Advanced Bionics products also optimize the acoustic signal itself, helped by Phonak's deep expertise in software that analyzes the listening environment, recognizes challenging situations, isolates the voice or sound that is most important, and sends it to either or both ears – all to deliver a more natural hearing experience.

Key areas of activity

New products and services

Cochlear implants are seeing an accelerating rise in use globally. Once considered primarily as a pediatric solution for children born with significant or complete hearing loss, they are now being recommended for the growing number of adults whose hearing has deteriorated to the point where a hearing aid alone is no longer effective. These adult customers present the hearing care professional with a wide variety of hearing challenges, from significant hearing loss in one ear and complete loss in the other to complete hearing loss in both ears. Advanced Bionics is unique in being able to provide a complete spectrum of solutions for each of these scenarios.

In 2017, Advanced Bionics added the Naída™ CROS to its range of versatile, powerful sound processors based on Phonak's Binaural VoiceStream Technology™. The Naída CROS is a small wireless audio transmitter that picks up signals presented to the non-implanted ear and instantaneously sends them to the cochlear implant system on the implanted ear, giving recipients with a single cochlear implant the ability to enjoy hearing from both sides. For example, in the case of someone with complete hearing loss in both ears, the obvious solution might be two cochlear implants, but this is not always possible, either for medical reasons or because of insurance or government reimbursement rules. Advanced Bionics has therefore provided a solution where there were once no or few options for the consumer.

Advances in sound processors are being matched by improvements in electrodes, the part of the implant system that stimulates the hearing nerve. This year, Advanced Bionics introduced the HiFocus™ SlimJ Electrode, built on the proven HiFocus platform. Developed in cooperation with leading surgeons from around the world, the new HiFocus SlimJ electrode features a thin, straight design for easy insertion through the "round window" of the cochlea. Many cochlear implant recipients still retain some hearing, and the HiFocus SlimJ electrode is designed specifically to protect the delicate structures of the cochlea during insertion, thus preserving residual hearing. The response from the surgical community has been excellent, with praise for its ease of insertion and assuring correct positioning, as well as its ability to preserve cochlear structures.

Market access

Advanced Bionics has built a strong market position among the thousands of clinics worldwide that perform cochlear implant surgery. We have achieved this through advanced implant technology and innovative sound processing, but also through building strong collaborations with the medical staff, researchers, and institutions who constantly move our frontiers forward. We have created a team of clinical specialists who can engage surgeons and audiologists, not in "sales talk," but in evidence-based dialog, demonstrating what our solutions can offer through hard data and peer-reviewed conclusions.

We are keenly aware of how our market is transforming, as the "baby boomer" generation approaches an age when hearing may deteriorate beyond the point that a hearing aid alone can correct. Many of these adults – around two million – already use a Naída or other Phonak high-power hearing aid. They are familiar with how the sophisticated programs in these advanced processors can help to deliver a natural hearing experience, how easy they are to use, and how they link wirelessly with other

technology such as telephones, televisions, and remote microphones. Advanced Bionics is therefore in a uniquely advantageous position: we can offer the full spectrum of solutions to these potential recipients, using the advanced sound processing technology with which they are already familiar. We have therefore established a Partner Program in several countries around the world that link hearing care retailers and cochlear implant clinics to manage the transition for potential consumers from their familiar hearing aids to the new experience of an implant.

Our partnership with hearing care providers extends to Sonova's own retail business, whose commitment to providing all consumers with accessible solutions for every type of hearing loss, backed by world-class services and expertise, makes it an ideal partner for referring potential recipients and supporting them at every state of their hearing journey. We have established collaborations with the Sonova retail businesses in Austria, Germany, and the US.

eSolutions

Receiving a cochlear implant is a life-transforming moment. For many recipients, it is the first time they have ever heard. The experience can be overwhelming: a whole new world of sound to understand and navigate. This is why we have always put great emphasis on direct contact and support for recipients and their families, provided through such resources as RehAB, BabyBeats™, The Listening Room™, and HearingJourney™, our online community, now ten years old and 34,000 members strong.

We are constantly seeking new ways to engage and share with our recipients, to empower them to discover, judge, choose, and get the most from the hearing solutions we offer. We are expanding our suite of app-based listening training for recipients of every age, to help them to make sense of newly-heard speech and sounds. We are developing tools and services that will make use of Sonova's eSolutions platform, giving recipients more control over their devices and access to remote real-time expert support.

The universal wireless connectivity made possible by Sonova's SWORD chip technology will open up even more possibilities beyond its ability to link effortlessly with phones and other consumer electronics. For example, by simplifying and automating processes and providing critical market insights, it offers reliable communication and instant access to vital information, reduces overhead for our medical partners, raises awareness and sales of improved solutions, and reduces cost of services.



Cochlear implants business

Partnerships for comprehensive hearing care

Thanks to the partnership between Sonova brands Advanced Bionics and Hansaton, customers can also seek advice about cochlear implants in Hansaton's specialist audiology stores. This offering ensures that Sonova can provide comprehensive care for people with hearing loss.

Franz Hoffmann has been using a cochlear implant in his left ear for about a year. "I feel like I've been reborn," says the sprightly 66-year-old in Hansaton's specialist audiology store in downtown Salzburg. Hoffmann lost his hearing almost completely as an infant, before he could learn to speak, and this naturally affected his speech development. He was only fitted with hearing aids at age 20. It was not until he started using the cochlear implant, however, that he began to make significant progress with his pronunciation. He received additional help with language training from a speech therapist. "He speaks much more clearly using the cochlear implant," confirms Bianca Permenschlager, a Hansaton audiologist.

Over time, Hoffmann's hearing in his left ear had deteriorated so badly that he had reached the technical limitations of hearing aids to compensate. At this point, Permenschlager suggested he consider a cochlear implant.

Advanced Bionics' cochlear implant technology helps people with profound hearing loss; unlike hearing aids, which amplify sounds, cochlear implants bridge the damaged portion of the inner ear and make use of electrical stimulation to enable the recipient to hear. With its highly developed system (consisting of an implant and a sound processor), the cochlear implant is the only technology capable of functionally restoring one of the five human senses. Hoffmann was fitted with the implant in a short surgical procedure.

Regular check-ups for his Naída™ CI sound processor will continue to be carried out as usual by Hansaton. In his right ear, Hoffmann wears a Phonak Naída hearing aid that has been specially developed for use with an Advanced Bionics cochlear implant system. As both devices use the same technological platform, they communicate optimally with one another.

To ensure the best possible care for cochlear implant users at Hansaton, the audiologists in the company's stores work closely with experts at Advanced Bionics. This allows customers to continue being served by a person they know and trust and who has been looking after them for years.

Advanced Bionics works in close cooperation with established ear, nose and throat physicians and leading cochlear implant clinics – so when a Hansaton audiologist decides that a hearing aid is no longer sufficient to compensate for hearing loss (as was the case for Franz Hoffmann), the customer is advised to consult an ENT specialist, who will decide whether a cochlear implant is the right course of action.

“Almost 10% of hearing aid users have profound hearing loss and could benefit from a cochlear implant. There is a real need to inform those affected,” explains Ingrid Hauer, Advanced Bionics’ Country Manager for Austria. To meet this need, Advanced Bionics and Hansaton have teamed up with clinics such as University Hospital Salzburg to organize information events at which potential candidates can find out about the pros and cons of a cochlear implant. Franz Hoffmann attends such events as a “mentor” to recount his experiences with a cochlear implant system. He too sought information from a cochlear implant recipient before his procedure. “It was very important for me at the time. That’s why I’m keen to pass on my personal experiences to other people in similar situations,” he says.

At just such an information event 57-year-old Josef Klaushofer finds himself asking Franz Hoffmann whether – and how – a cochlear implant might help him. The hearing loss in the retired banker’s left ear is now so severe that his hearing aid is due to be replaced with a cochlear implant. The final decision will be taken by Prof. Dr. Gerd Rasp, with whom Mr. Klaushofer has an appointment for a further consultation after the information event. He heads up the ENT department at University Hospital Salzburg and his duties include carrying out the cochlear implant surgery. Klaushofer’s situation seems clear-cut; he is going to need an implant. “It’s not a major procedure,” explains Professor Rasp. “Having your tonsils out is far more dangerous and has a greater impact on the body.” He goes on to describe how the procedure is nonetheless an “intensive process”, as it may take between six months and two years, depending on the patient, for the brain to adapt to a cochlear implant. “But getting used to a hearing aid takes a lot of time as well,” he continues. He is enthusiastic about working with Advanced Bionics and Hansaton: “This combination is opening up real opportunities for people with profound hearing loss.”