

Strategy and brands

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



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

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

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

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

People are the key to our success

At Sonova, our success stems from the more than 10,000 dedicated experts who come to work each day to develop, manufacture, and distribute solutions that make a real, meaningful difference for millions of other people. Our open-minded

international corporate culture, with strong productive relationships between employees, customers, and other stakeholders, makes all this possible: sustainable innovation, competitive advantage, continuously added value, and superior results. People are what make Sonova the industry leader.

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

Covering the entire hearing spectrum

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

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

Sustaining a strong competitive position

Extending leadership in hearing instruments

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

Further advancing in cochlear implants

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

Supporting our retail markets

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

Multidimensional growth

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

Penetrate existing markets

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

Expand accessible markets

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

Integrate service channels

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

Develop consumer base

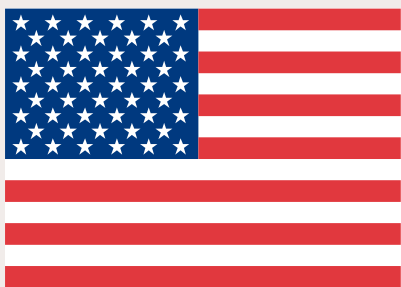
Our consumer profile is constantly changing as new generations reach the age when they begin to seek help for their hearing loss: even now, an average of seven years passes between the first awareness of a problem and the first fitting for a hearing instrument. During that time, consumers are searching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

Benefiting from our global footprint

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

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

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



USA facts & figures:

Area:

9.8 million km²

Population:

320 million (2014)

Density: 34.8 people/km² (2014)

Growth: +9.3% (2004–2014)

GDP:

CHF 15.9 trillion (2014)

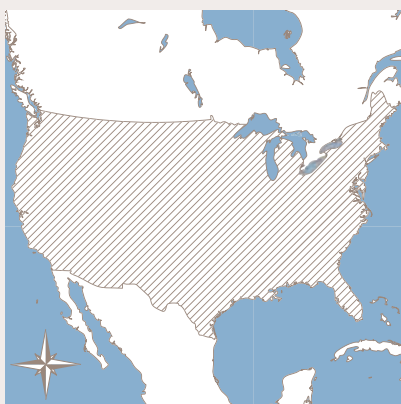
Per capita: CHF 50,160 (2014)

The world's biggest hearing aid market

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

Sonova in the USA

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



Pioneering the future

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

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

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

The US is the world's largest hearing aid market, and there is still ample scope for expanding the supply – a situation that opens up opportunities for an innovative company such as Sonova. An estimate by the National Institute on Deafness and Other Com-

munication Disorders suggests that over 35 million Americans are affected by hearing loss, but barely 25 percent of them currently use a hearing aid. There are more than three million hearing aids sold in the US per year. Around 80 percent of hearing aids are fitted and sold in the private sector; the remaining 20 percent of hearing aid wearers are provided through the Department of Veterans' Affairs (VA) to veterans and soldiers free of charge. Most private health insurance schemes cover the cost of the hearing test but typically not the hearing aid devices.

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

Add the fact that every day in the US, a staggering 10,000 people celebrate



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

All four Sonova core brands are well positioned in the US. With a market presence dating back 25 years, Phonak is very well established and has demonstrated tremendous growth over that time; its headquarters are in Warrenville, Illinois, in the Greater Chicago area. Unitron has been represented in the American market for 40 years and enjoys a high level of brand awareness among hearing care professionals; its head office is located in Minneapolis, Minnesota. From the western to eastern seaboard, Sonova offers professional hearing services to consumers under the Connect Hearing retail brand at specialist hearing care stores in over 300 locations across many US regions. It is headquartered in Naperville, Illinois, also near Chicago. The Advanced Bionics brand for cochlear implants has its global headquarters in sunny California. Sonova constantly seeks to exploit poten-

tial synergies across all its brands – after all, the shared objective of all the business segments is to supply the customer with the best possible solution. One example of many: the close collaboration between Connect Hearing and Advanced Bionics under the auspices of the Sonova Partner Program. When customers visit Connect Hearing stores, they are given additional information about hearing solutions that go beyond a hearing aid. They also benefit from assistance – for instance, if they are using a cochlear implant in one ear but are still wearing a hearing aid in the other.

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

One of Sonova's key objectives has been to enhance and leverage its global supply chain competencies in order to continu-

ally improve its overall level of service to its customers. This is highly evident in the new Aurora Operations and Distribution Center (AODC), located only miles from Phonak. Opened in 2014, the nearly 10,000 m² facility is constructed for both custom manufacturing and distribution using lean engineering principles to optimize work flow. On the custom manufacturing side, the company utilizes proprietary impression scanning technology, state-of-the art digital on-screen processing and 3D printing to model each In-the-Canal custom device. The result is a hearing aid perfectly matched to an individual's unique ear canal geometry and degree of hearing loss. Leveraging lean engineering best practices, orders are received on one side of the building and finished hearing aids, each pre-programmed to customers' requirements – are dispatched from the other side of the facility to destinations across the United States. In addition to in-line operational capabilities, AODC has made enhancements to its pick, pack and ship operation using an automated warehouse management system which automatically manages all of the individual product items and knows exactly what is required to be included with each order. The plant also houses an Engineering and Training Center where the team creates prototypes, develops new quality initiatives and trains employees off-line. It also serves as a workshop for Phonak custom-





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

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

Continuous investments in research and development also pave the way for success. In August 2014, Sonova inaugurated the new Phonak Audiology Research

Center (PARC) in Warrenville – a center designed specifically for innovation, audiology and clinical research in the US. A centrally positioned "innovation wall" here showcases some of Sonova's groundbreaking achievements. "PARC will advance our knowledge about hearing aids and fitting techniques," says Bill Dickinson, Vice President Audiology at Phonak. He came to Sonova after 20 years in the educational and clinical arenas. Dickinson was won over by the firm's corporate philosophy, which focuses consistently on an individual's specific hearing needs: "We're not just concerned about whether a product works as it should. We also want to learn how it improves the overall quality of life of those who use our technology." Research meets the real-world at PARC in a spacious "Listening Loft," a truly innovative research lab experience incorporated into a real-life home environment. The Listening Loft allows researchers to evaluate the effectiveness of all hearing technologies in the exact listening environments in which these instruments are used. "This allows us to carry out research in a real-world environment, giving us unique insights to the consumer's experience," Dickinson

explains. The cutting-edge center focuses on a variety of issues including binaural sound perception. "Never have there been so many opportunities to bring about a real improvement in people's lives through technology," Dickinson adds.

One technological innovation that has improved the lives of many people with hearing problems is Lyric from Phonak. The world's only 100 % invisible hearing solution was developed by a group of audiologists, ENT specialists and engineers in collaboration with the University of San Francisco over several years. The hearing aid is placed deep in the ear canal, so it is completely invisible and can be worn 24 hours a day for months-at-a-time without changing the battery. Lyric is unique and to date, there are no comparable extended wear instruments on the market. The battery is no larger than a grain of rice and the technology is designed to withstand the extreme conditions in the ear canal such as moisture and ear wax. Phonak's Lyric business is expanding in a growing number of markets across the world. Offered by audiology practices, Lyric is sold by subscription – an opportunity



for providers to develop long-term customer loyalty. At the end of a battery's lifetime, the audiologist simply replaces the instrument. Mark Sanford is one of the most successful providers of Lyric in the US. Five years after this independent audiologist added Lyric to his portfolio, his sales revenue had doubled. Lyric devices accounted for more than half of his hearing aid sales – including a high percentage of clients who renew their Lyric subscriptions year after year.

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

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

The international service network for Sonova's Connect Hearing retail brand is also extremely extensive in the US. Store design and location is highly

important for Connect Hearing to overcoming the perceived stigma of hearing loss and creating wholly positive customer experience. To guarantee a high recognition level, a uniform presence based on the Connect Hearing brand was introduced for all the stores over the last few years. In a relaxing contemporary ambience, professionals advise their clients and seek out the best possible hearing solution for them.

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

as AquaCase, a waterproof container for the Naída CI Q70 sound processor, open up new options for recipients to hear anywhere, anytime.

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

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





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

Phonak

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



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

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

Accelerating Innovation: Venture

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

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

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

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

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

An innovative portfolio that meets all needs

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

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

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

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

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

Phonak's recently introduced digital wireless standard, Roger, has already transformed the lives of children and teens, both in and outside the classroom. Its excellent speech-in-noise performance and ease of use make it a natural choice wherever it is important to hear one voice out of many. Indeed, a widely-cited 2014 study reveals that people with hearing loss using

Roger actually hear and understand speech in noise and over distance better than people with normal hearing. Phonak is building on its already strong presence in wireless communications with the acquisition of Comfort Audio, a Swedish company with complementary strengths whose solutions aim to support our customers in workplace and business listening situations.

Supporting the market in new ways

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

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

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

The teenage years are a time when it is particularly harmful to have untreated hearing loss. Teenagers are experiencing maximum physical, intellectual, and social development; they are learning hard, enjoying sports and music, making friends. Nothing should hold them back – but some worry that hearing aids might not really make a difference. Or they might be inconvenient... or “un-cool.” Besides, teenagers are not the ones making the financial decision, so how can they be sure of getting what they need? Phonak has launched the “Bring Sound to Life” website to give teenagers all the necessary

information to make a decision and discuss it with their parents. It shows how the combination of Phonak Sky Q and the Roger pen wireless microphone / Bluetooth controller make it easy to get outside and active, listen to the music you love, chat to your friends in a noisy club, and get on with a normal, exciting life. All this is supported by testimonials from real teen hearing aid users and tools to find out more or ask a hearing care professional. Visit www.bringstoundtolife.com to see it in action.



THE WOW! MOMENTS OF HEARING

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

Marcotte, 63, has just returned to California from the Hawaiian vacation paradise of Maui. This keen sportsman

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

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

He receives invitations from all over the world to report as a specialist on Lyric’s advantages. In his presentations,

he also outlines the innovative business model offered by Phonak: subscription sales. For audiologists, the advantage here is that a Lyric user who opts for a subscription becomes a regular client. At the end of a battery’s lifetime the device is simply replaced by a new one – in a matter of minutes. To start with, customers can test Lyric for up to 30 days free of charge. “Then they come back of their own accord, or their enthusiastic partners drag them through the door,” Sanford explains, pointing to the entrance to his store.

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



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



Unitron

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



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

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

Fifty years, one mission

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

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

Driving in-clinic success for our customers

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

In 2014, we sharpened this customer focus onto the specific issue of in-clinic success. As a close partner of hearing care professionals around the globe, we know how important it is

for them to be able to create a positive first impression with their clients. Acknowledging hearing loss, seeking advice and counseling, making the decision to wear a hearing aid, choosing the appropriate technology, and finally becoming an advocate referring new customers to the practice – these are all stages in which the human side of the experience is just as important as the technology.

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

Flex – Winning customers

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

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

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

New products, new platform

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

In 2014 we completed our next-generation product portfolio based on the Era technology platform, with products at all technology levels. Starting in March 2014, we supplied our markets with the premium-level Moxi² Pro Receiver-In-Canal and Quantum² Pro Behind-The-Ear instruments. The Pro level includes industry-leading enhancements such as SpeechZone 2, the next evolution in binaural spatial processing, automatically and seamlessly providing superior results for speech in noise.

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

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

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

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

Customer satisfaction

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



FOCUSING ON RELATIONSHIPS

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

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

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

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

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



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

Connect Hearing

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



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

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

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

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

Building brand recognition

At its point of delivery, ours is always a local business. Clients and potential clients are used to seeking audiological services from a professional person in an appealing clinic or shop environment. We therefore maintain a strong network of convenient neighborhood hearing care centers in ten key countries. Where we have acquired established businesses, we pursue

a gradual rebranding approach, taking into account strong existing brand names or specific language or cultural preferences. In every country and market, we seek the synergies that arise from a common look and feel, a shared client experience, and a global communication style, using our award-winning and highly successful “Real People, Real Stories” approach. In 2014/15, we completed our brand integration in the United States, the Netherlands, Belgium, and Scandinavia. Our established brands in Austria and France have meanwhile adopted our global communication approach, brand values, and store identities under the Connect Hearing umbrella.

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

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

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

Quality and profitability through operational excellence

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

An important part of our culture, is encouraging our employees to help us define best practice, which we can then roll out globally. This approach is summed up in our Professional Practice Management toolbox, which ensures that all the information we provide to our hearing care professionals is

consistent and supports the way Connect Hearing operates in all centers. Providing the best hearing care requires defining and testing the right approach to take at every stage of the client’s journey. We pilot and monitor innovative concepts in a small number of centers before approving them for worldwide rollout. Professional Practice Management supports our training and continuing education programs, ensuring high and consistent quality of care.

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

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

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

Growing the business

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

Sonova’s partnership with Boots, the UK’s No. 1 pharmacy-led health and beauty retailer, has developed into a highly successful shop-in-shop model that generates significant

revenue for the Connect Hearing Group. The partnership benefits all parties: Boots can offer a clearly differentiated service and increase its store traffic, while clients benefit from dealing with a single trusted brand, already known for its high quality in healthcare. The success of the business model is reflected by the further rise in the number to 470 locations, up from 428 a year ago.

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



CLIENT EXPERIENCES

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

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

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

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

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

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

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



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

Freddie, Connect Hearing Customer

"I'm joking with my golf buddies again."



Advanced Bionics

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



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

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

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

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

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

A versatile implant platform

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

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

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

Shared innovation leadership

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

Advanced Bionics can now offer cochlear implant recipients the complete range of wireless connectivity accessories enjoyed by Phonak hearing aid wearers, including Roger wireless communications, ComPilot streamers, AB myPilot remote controls, and the Phonak TVLink and RemoteMic accessories.

Their advanced features and functionality connect recipients to the full range of electronic devices used in daily life. For improved speech understanding in noisy environments, the Phonak Roger system discreetly links the Naída CI sound processor with the Roger Pen or RemoteMic wireless communication devices. Recent studies show that cochlear implant recipients using this technology have a significantly better speech understanding in noisy environments than even normal-hearing adults.

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

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

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

1 Wolfe J. et al (2013)

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

Expanding markets for innovation

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

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



CONTINUOUS INNOVATION

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

Abhijit Kulkarni, Vice President, Research and Technology at Advanced Bionics, explains: "Creating technology that will be implanted in an individual is a huge responsibility. In our work, the standards of precision and accuracy can never be high enough." As well as skilled craftsmanship, implant production calls for cutting-edge technology,

and it must meet the highest international safety standards for sterile medical products. Inspectors regularly come from all over the world to examine every last detail of the production operation. Each step in the work of every single employee must be clearly traceable. Certification by leading Notified Bodies such as the US Food and Drug Administration (FDA) and Germany's Technical Inspection Association (TÜV) are required for distribution of the products.

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

customers' experiences help us to continue developing our products."

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



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

