
In the 2020/21 financial year, Sonova continued to outpace the market, coping well with the challenges posed by the COVID-19 pandemic and significant currency headwinds. Supported by continued strong investment into strategic growth initiatives, sales reached CHF 2,601.9 million, down 6.8% in local currencies and 10.8% in Swiss francs. Reflecting the benefits of our structural optimization initiatives, adjusted EBITA grew by 5.6% in local currencies to CHF 603.0 million with the margin increasing to 23.2%.

### Strong sales recovery in the second half-year

In the 2020/21 financial year, Sonova Group sales reached CHF 2,601.9 million. The impact of the COVID-19 pandemic on the hearing care industry – including restrictions on personal movement, consumer activity, and elective surgeries – resulted in a decline in sales of 6.8% in local currencies or 10.8% in Swiss francs. Organic growth was negative at 7.1%, while acquisitions contributed 0.3% to growth. Sales momentum picked up strongly in the second quarter and the Group returned to growth in the second half-year. Exchange rate fluctuations had a significant negative impact, reducing growth by 4.0% due to a strengthening of the Swiss franc against most major currencies.

### Sales by regions

| in CHF m | | | 2020/21 | | 2019/20 |
|---|---|---|---|---|---|
| | Sales | Share | Growth in local currencies | Sales | Share |
| EMEA | 1,416.6 | 54% | (6.0%) | 1,544.4 | 53% |
| USA | 732.2 | 28% | (10.8%) | 877.6 | 30% |
| Americas (excl. USA) | 178.2 | 7% | (9.7%) | 220.9 | 8% |
| Asia/Pacific | 275.0 | 11% | 3.7% | 274.0 | 9% |
| **Total sales** | **2,601.9** | **100%** | **(6.8%)** | **2,916.9** | **100%** |

### All regions returning to growth in the second half

Business momentum continued to improve throughout the year, with all regions returning to growth in the second half. The recovery was supported by the successful launch of the Phonak Paradise platform in the Hearing Instruments business in August 2020 and good momentum from the Group's commercial excellence initiatives. The successful launch of two new sound processors – the Naída™ CI Marvel for adults and the Sky CI™ Marvel for children – lifted sales at Advanced Bionics towards the end of the financial year. The Asia/Pacific (APAC) region experienced the strongest recovery with sales up 3.7% in local currencies. Several key markets in the region reported double digit sales growth year-over-year with particularly strong sales development in China.

Sales in Europe, Middle East and Africa (EMEA), the Group's largest region, declined by 6.0% in local currencies but several key markets achieved positive year-over-year growth. A solid recovery in the Hearing Instruments business was driven by France, Germany, the Nordics, and Switzerland, which all achieved full- year sales above prior year levels. A similar trend was observed in the Audiological Care business but performance was held back by strict lockdown measures in the UK and a slowdown in Germany in the second half-year. Sales in the Cochlear Implants business were supported by upgrade sales. The EMEA share of Group sales increased from 53% in 2019/20 to 54% in 2020/21.

Sales in the United States declined by 10.8% in local currency. After slow recovery in the first half-year, the market returned to prior year levels in the second half, led by growth in the commercial channel. Growth in the Cochlear Implants business was held back by the reduced number of elective surgeries but momentum significantly improved after the successful market introduction of the Naída™ CI Marvel and Sky CI™ Marvel sound processors. The region accounted for 28% of Group sales in 2020/21 versus 30% in the prior year. Sales in the rest of the Americas (excluding the US) were down 9.7% in local currencies, as the impact of the COVID-19 pandemic has persisted longer than in many of the larger markets.

### Sonova Group key figures

| in CHF m unless otherwise specified | 2020/21 | 2019/20 | Change in Swiss francs | Change in local currencies |
|---|---|---|---|---|
| Sales | 2,601.9 | 2,916.9 | (10.8%) | (6.8%) |
| Gross profit | 1,873.5 | 2,083.6 | (10.1%) | (5.7%) |
| EBITA [1] | 663.3 | 554.3 | 19.7% | 30.5% |
| EBIT [1] | 619.5 | 510.0 | 21.5% | 33.0% |
| Basic earnings per share (CHF) | 9.23 | 7.61 | 21.3% | 33.7% |
| Operating free cash flow [1] | 602.4 | 638.5 | (5.7%) | |
| ROCE [1] | 22.3% | 18.2% | | |
| | | | | |
| Gross profit (adjusted) [1] | 1,880.2 | 2,106.9 | (10.8%) | (6.4%) |
| EBITA (adjusted) [1] | 603.0 | 620.8 | (2.9%) | 5.6% |
| EBITA margin (adjusted) | 23.2% | 21.2% | | |
| Basic earnings per share (CHF) (adjusted) [1] | 7.71 | 7.39 | 4.3% | 15.5% |

[1] For details see table "Reconciliation of non-GAAP financial measures".

### Sustainable progress on profitability – One-time gain in Cochlear Implants

The results were significantly impacted both by the COVID-19 pandemic and the strengthening of the Swiss franc, which represented a strong headwind to growth. Despite these challenges, the Group achieved strong results through a swift implementation of cost saving initiatives and sustainable structural improvements.

In line with measures taken in prior years, Sonova accelerated structural optimization initiatives to preserve its ability to invest into growth and to protect profitability. These initiatives resulted in restructuring costs of CHF 38.9 million (2019/20: CHF 18.6 million) and led to cost savings of CHF 55 million during the reporting period. A one-time cost of CHF 25.3 million was incurred from impairment of previously capitalized development costs stemming from a change in our cochlear implants product development roadmap (2019/20: returns for credit and one-time costs totaling CHF 47.8 million related to the voluntary field corrective action). In addition, Advanced Bionics reached a successful conclusion in a long-running patent infringement lawsuit, resulting in a one-time income of CHF 124.4 million. Adjusted figures and growth rates in this financial review exclude these items. For more details, please refer to the table "Reconciliation of non-GAAP financial measures" at the end of the financial review.

Reported gross profit reached CHF 1,873.5 million. Adjusted gross profit reached CHF 1,880.2 million, down 6.4% in local currencies and 10.8% in Swiss francs. The adjusted gross profit margin was 72.3%, up from 72.0% in the prior year. The improvement was driven by structural and continuous improvement initiatives. It was further supported by a higher average sales price (ASP) in the Hearing Instruments business for the financial year as a whole. This reflects the positive market response to the Phonak Paradise platform, as well as the temporary benefit from faster market recovery in higher price channels and markets. A change in reimbursement in France and a normalization of the channel mix led to ASP pressure towards year end. Further progress was held back by lower sales volumes and by higher transportation costs out of Asia resulting from the pandemic. Government support received in connection with the pandemic contributed CHF 4.9 million.

Excluding acquisition-related amortization, reported operating expenses were CHF 1,210.3 million (2019/20: CHF 1,529.3 million). Adjusted operating expenses before acquisition-related amortization decreased by 11.4% in local currencies or by 14.1% in Swiss francs to CHF 1,277.1 million. Government support received worldwide in connection with the pandemic reduced total operating expenses by CHF 42.4 million, mostly in the first half of the fiscal year. Adjusted research and development (R&D) expenses before acquisition-related amortization were CHF 177.9 million, an increase of 10.3% in local currencies, outpacing the sales growth. Despite the temporary market impact from COVID-19, the Group increased its level of investment in innovation. This underpins Sonova's commitment to further advance its industry leading portfolio of products and services. As a percentage of sales, adjusted R&D expenses increased to 6.8% (2019/20: 5.6%).

Adjusted sales and marketing costs before acquisition-related amortization were down 13.0% in local currencies to CHF 858.6 million, despite maintaining investments in customer-facing resources. Adjusted general and administrative costs decreased by 16.6% in local currencies to CHF 242.0 million, representing 9.3% of sales, down from 10.2% in the prior year. The decrease in both cost categories reflects strong cost management across all three businesses as well as the above mentioned government support. Marketing investments and discretionary spend were significantly reduced during the lock-downs and benefited from a shift towards virtual customer interactions. The acceleration of structural optimization initiatives also generated sustainable savings, particularly in the audiological care store network. Adjusted other income for the current period was CHF 1.4 million (2019/20: CHF 0.1 million).

Adjusted operating profit before acquisition-related amortization (EBITA) was CHF 603.0 million (2019/20: CHF 620.8 million), up 5.6% in local currencies but down 2.9% in Swiss francs. The adjusted EBITA margin was 23.2% (2019/20: 21.2%). This strong margin improvement despite lower sales levels reflects the effective cost management and structural improvement measures to protect profitability. Exchange rate developments negatively affected the adjusted EBITA by CHF 52.7 million and reduced the margin by 0.9 percentage points. Including restructuring costs, the impairment of capitalized development costs, and the award in the patent infringement lawsuit, reported EBITA increased by 30.5% in local currencies and by 19.7% in Swiss francs to CHF 663.3 million. This corresponds to a margin of 25.5%. Acquisition-related amortization amounted to CHF 43.8 million (2019/20: CHF 44.4 million). Reported operating profit (EBIT) reached CHF 619.5 million (2019/20: CHF 510.0 million), up 21.5% in Swiss francs.

### Earnings per share – Double digit increase in local currencies

Net financial expenses, including the result from associates, increased from CHF 7.6 million to CHF 19.1 million, driven by increased borrowings and bond issues. Excluding non-recurring benefits, which include a positive impact from the Swiss tax reform of CHF 28.0 million (2019/20: CHF 64.1 million), the tax rate was 12.5% (2019/20: 15.3%). Income after taxes was CHF 585.3 million (2019/20: CHF 489.5 million). Basic earnings per share (EPS) reached CHF 9.23 (2019/20: CHF 7.61), an increase of 21.3% from the prior year. The adjusted EPS increased 15.5% in local currencies or 4.3% in Swiss francs to CHF 7.71.

### Headcount

At the end of March 2021, the Group’s total workforce was 14,508 full-time equivalents. This represents a reduction of 676 or 4.5%, reflecting benefits from the structural optimization initiatives announced in July 2020. The reduction was mostly realized by staff attrition. At the same time, we continued to invest into R&D and customer-facing staff in both the Audiological Care and the Hearing Instrument business, laying down the foundations for future growth.

### Hearing Instruments segment – Market share gains in both businesses

Sales in the Hearing Instruments segment declined by 6.1% in local currencies to CHF 2,417.3 million. This was due to the significant market contraction at the start of the financial year related to the global COVID-19 pandemic. Driven by a market rebound as lock-down restrictions were lifted, the segment returned to growth in the second half. Regional recovery varied, reflecting increased infection rates in certain markets. Momentum was further boosted by the successful launch of the Phonak Paradise platform in August 2020. The segment recorded an organic sales decline of 6.4% while the contribution from acquisitions in the reporting period (including the full-year effect of prior year acquisitions) lifted sales by 0.3%. Exchange rate fluctuations reduced growth by 3.9% in Swiss francs. This resulted in a reported sales decline of 10.0%.

The Hearing Instruments business posted sales of CHF 1,463.9 million, a decline of 4.7% in local currencies. Strong customer response to the new Phonak Paradise platform and the market recovery turned sales development positive in the second half. In March 2021, Sonova’s share of business with the US Department of Veterans Affairs (VA) reached its highest level, 56%, in over seven years. ASP temporarily benefitted from a favorable shift in the country and channel mix: higher price markets and channels rebounded faster from the effects of the pandemic.

Momentum in the Audiological Care business picked up over the course of the financial year, reflecting the gradual easing of pandemic related restrictions and increased marketing activities. Sales decreased by 8.1% in local currencies to CHF 953.5 million; the development was driven by negative organic growth of 8.7%. The pandemic temporarily depressed M&A activity, resulting in a contribution from acquisitions of 0.6%. Structural optimization initiatives included streamlining the store network: combining certain store locations to improve efficiency while protecting sales.

### Sales by business – Hearing Instruments segment

| in CHF m | | | 2020/21 | | 2019/20 |
|---|---|---|---|---|---|
| | Sales | Share | Growth in local currencies | Sales | Share |
| Hearing Instruments business | 1,463.9 | 61% | (4.7%) | 1,613.0 | 60% |
| Audiological Care business | 953.5 | 39% | (8.1%) | 1,073.2 | 40% |
| **Total Hearing Instruments segment** | **2,417.3** | **100%** | **(6.1%)** | **2,686.2** | **100%** |

Reported EBITA for the Hearing Instruments segment amounted to CHF 580.6 million, up 5.4% in local currencies. The structural optimization initiatives announced in July 2020 progressed according to plan. Restructuring costs related to these initiatives amounted to CHF 36.5 million (2019/20: CHF 18.6 million). Excluding these restructuring costs, the adjusted EBITA increased by 8.3% in local currencies to CHF 617.1 million, corresponding to an EBITA margin of 25.5% (2019/20: 23.1%). The strong year-on-year margin improvement was largely driven by sustainable cost savings from the Group's structural optimization and continuous improvement initiatives. It also benefited from lower marketing costs and travel expenses, and government support during the pandemic.

### Cochlear Implants segment – Improvement towards fiscal year-end supported by product launch

The Cochlear Implants business achieved sales of CHF 184.5 million versus CHF 230.7 million in the prior year. This corresponds to a decrease of 15.9% in local currencies and 20.0% in Swiss francs. Sales development was significantly restricted by the necessity for hospitals in many countries to concentrate on dealing with the pandemic and therefore to reduce the number of elective surgeries. There was also a residual impact from our voluntary field corrective action taken in February 2020. The launch of two new sound processors – Naída™ CI Marvel for adults and Sky CI™ Marvel for children – markedly increased sales momentum towards the end of the financial year, attracting interest from both new and existing customers.

### Sales by product groups – Cochlear Implants segment

| in CHF m | | | 2020/21 | | 2019/20 |
|---|---|---|---|---|---|
| | Sales | Share | Growth in local currencies | Sales | Share |
| Cochlear implant systems | 129.3 | 70% | (17.1%) | 163.9 | 71% |
| Upgrades and accessories | 55.2 | 30% | (12.8%) | 66.8 | 29% |
| **Total Cochlear Implants segment** | **184.5** | **100%** | **(15.9%)** | **230.7** | **100%** |

The reported EBITA of CHF 82.4 million includes one-time income of CHF 124.4 million from the award in a patent infringement lawsuit; it also reflects a CHF 25.3 million impairment of capitalized development costs relating to a review of the product development roadmap in the frame of broader improvement efforts, along with restructuring costs of CHF 2.3 million. Excluding these items, the segment posted an adjusted EBITA loss of CHF 14.3 million versus a positive adjusted EBITA of CHF 1.6 million in the prior year. Decisive steps were taken to adapt costs to the lower sales volume and to implement structural improvements.

### Strong cash flow

Cash flow from operating activities was CHF 764.4 million, compared to CHF 843.3 million in the prior year. The reduction was largely driven by increased working capital of CHF 185.7 million which more than offset the higher reported profits. The increase stems from higher accounts receivables (as prior year sales in March were depressed due to the pandemic), as well as by increased safety stock levels in inventories.

Net investments in tangible and intangible assets decreased to CHF 86.8 million (2019/20: 127.7 million), mainly due to lower capital expenditure to ensure ample liquidity during the pandemic. Operating free cash flow reached CHF 602.4 million (2019/20: CHF 638.5 million). Cash conversion (Operating Free Cash Flow/adjusted EBITA) remained strong at 100%. Cash consideration for acquisitions net of disposals amounted to CHF 30.5 million, down from CHF 74.8 million in the prior year, as M&A activity was temporarily depressed due to the pandemic. In summary, this resulted in a free cash flow of CHF 571.9 million, largely unchanged from the previous year.

In the first half of 2020/21 Sonova strengthened its financial position by issuing bonds and a US private placement totaling CHF 1 billion and by distributing a stock dividend instead of a cash dividend (2019/20: dividend payments CHF 186.5 million). This resulted in a cash inflow from financing activities of CHF 676.1 million. This compares to a cash outflow of CHF 550.4 million in the prior year. The outflow reflected net share repurchases of CHF 470.1 million, mainly related to the share buyback program, suspended in February 2020.

### Robust balance sheet – Higher return on capital

Reported net working capital was CHF 29.6 million, compared to a negative CHF 18.9 million at the end of the prior year. Accounts receivables increased by CHF 56.7 million; the prior year’s figure had been depressed as a result of the pandemic related sales decline in March. Inventories rose by CHF 36.9 million. This reflects a targeted stock increase to mitigate supply chain risks during the pandemic, related particularly to shipments out of Asia. Capital employed was CHF 2,855.7 million, a slight increase from CHF 2,692.5 million in the prior year, driven by the higher working capital.

The Group’s equity position amounted to CHF 2,772.5 million, up from CHF 2,029.4 million in the previous year. The result was an equity ratio of 46.8%. The net debt position stood at CHF 83.3 million, compared to CHF 663.0 million at the end of the prior year, reflecting the suspension of the share buyback program and the provision of a stock dividend instead of a cash dividend. The return on capital employed (ROCE) improved significantly to 22.3% from 18.2% in the prior year.

### Outlook

The attractive fundamentals of the hearing care market remain intact despite the pandemic. There is pent-up demand to be satisfied and new demand emerging. Sonova is confident that the strong recovery will persist, and that consumers will continue to demand even better hearing performance and technological innovation, delivered through an ever wider spectrum of channels. As a global market leader, the Group is in a strong position and we expect to participate fully in a resurgent market. Building on a strong momentum and benefiting from continued growth investments, Sonova expects consolidated sales to increase by 24–28% at constant exchange rates, while further expanding profitability.

## Reconciliation of non-GAAP financial measures

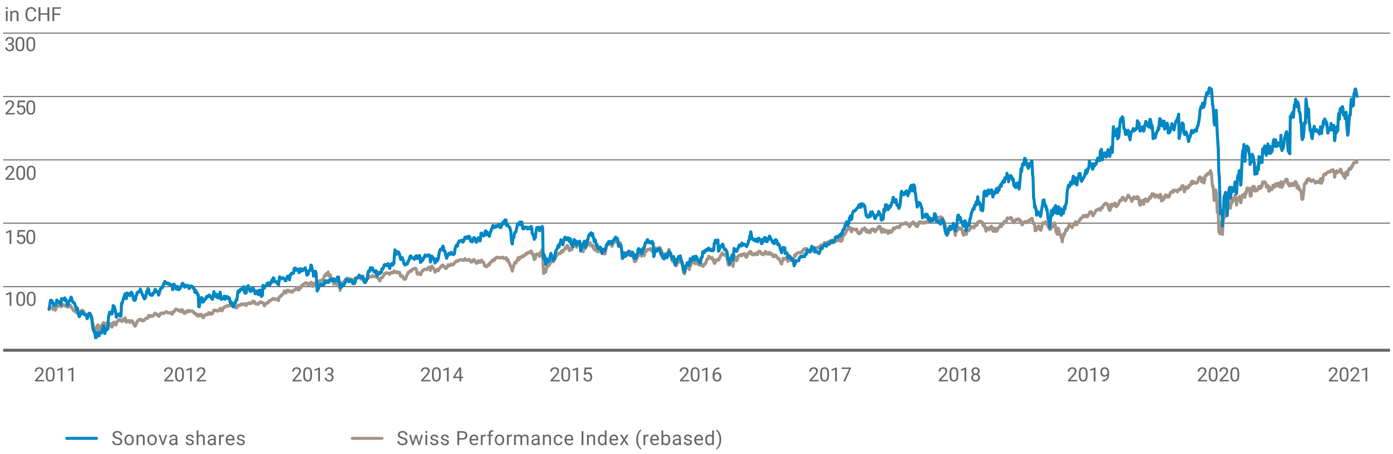
| April 1 to March 31, CHF million | | | | | | | | 2020/21 |
|---|---|---|---|---|---|---|---|---|
| | **Income statement as reported** | Acquis. related amortization | **Income statement EBITA separation** | Restructuring costs | Swiss tax reform | Patent infringement lawsuit income | Impairment of capitalized development cost | **Income statement adjusted** |
| **Sales** | **2,601.9** | | **2,601.9** | | | | | **2,601.9** |
| Cost of sales | (728.3) | | (728.3) | 6.6 | | | | (721.7) |
| **Gross profit** | **1,873.5** | | **1,873.5** | **6.6** | | | | **1,880.2** |
| Research and development | (204.8) | 0.9 | (203.9) | 0.7 | | | 25.3 | (177.9) |
| Sales and marketing | (924.1) | 42.9 | (881.2) | 22.6 | | | | (858.6) |
| General and administration | (250.9) | | (250.9) | 8.9 | | | | (242.0) |
| Other income/(expenses), net | 125.8 | | 125.8 | | | (124.4) | | 1.4 |
| **Operating profit before acquisition-related amortization (EBITA)** [1] | | | **663.3** | **38.8** | | **(124.4)** | **25.3** | **603.0** |
| Acquisition-related amortization | | (43.8) | (43.8) | 0.0 | | | | (43.7) |
| **Operating profit (EBIT)** [2] | **619.5** | | **619.5** | **38.9** | | **(124.4)** | **25.3** | **559.3** |
| | | | | | | | | |
| **Basic earnings per share (CHF)** | **9.23** | | **9.23** | **0.50** | **(0.45)** | **(1.98)** | **0.40** | **7.71** |

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

| April 1 to March 31, CHF million | | | | | | | | 2019/20 |
|---|---|---|---|---|---|---|---|---|
| | **Income statement as reported** | Acquis. related amortization | **Income statement EBITA separation** | Restructuring costs | Swiss tax reform | Voluntary field corrective action | | **Income statement adjusted** |
| **Sales** | **2,916.9** | | **2,916.9** | | | **11.1** | | **2,928.0** |
| Cost of sales | (833.3) | | (833.3) | 1.5 | | 10.8 | | (821.1) |
| **Gross profit** | **2,083.6** | | **2,083.6** | **1.5** | | **21.8** | | **2,106.9** |
| Research and development | (167.0) | 0.9 | (166.1) | 0.9 | | 2.0 | | (163.2) |
| Sales and marketing | (1,074.3) | 43.5 | (1,030.8) | 6.9 | | | | (1,023.8) |
| General and administration | (309.0) | | (309.0) | 9.4 | | 0.4 | | (299.3) |
| Other income/(expenses), net | (23.4) | | (23.4) | | | 23.6 | | 0.1 |
| **Operating profit before acquisition-related amortization (EBITA)** [1] | | | **554.3** | **18.6** | | **47.8** | | **620.8** |
| Acquisition-related amortization | | (44.4) | (44.4) | | | | | (44.4) |
| **Operating profit (EBIT)** [2] | **510.0** | | **510.0** | **18.6** | | **47.8** | | **576.4** |
| | | | | | | | | |
| **Basic earnings per share (CHF)** | **7.61** | | **7.61** | **0.22** | **(1.01)** | **0.57** | | **7.39** |

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

**Share price development – Sonova versus Swiss Performance Index (rebased)**




## Share price performance history[1)]

| | 10 years | 5 years | 3 years | 2 years | 1 year |
|---|---|---|---|---|---|
| Sonova shares | 205.9% | 103.9% | 65.0% | 27.1% | 43.6% |
| Swiss Performance Index (SPI) [2)] | 142.0% | 68.5% | 37.5% | 24.7% | 23.8% |
| Sonova shares relative to the SPI | 63.9% | 35.4% | 27.4% | 2.4% | 19.8% |

1) Performance of the Sonova shares and SPI refers to the respective period prior to the last trading day of the 2020/21 financial year.

2) The Swiss Performance Index (SPI) is considered Switzerland's overall stock market index. It comprises practically all of the SIX Swiss Exchange-traded equity securities of companies that are domiciled in Switzerland or the Principality of Liechtenstein.