



# Letter to shareholders

## Dear shareholders,

Having entered the 2021/22 financial year in a position of strength, the Sonova Group continued to make significant progress on its growth strategy, deepening consumer access by expanding sales channels organically and through acquisitions, as well as by advancing its innovative portfolio of hearing solutions. The recovery in the global hearing care market from the impact of the pandemic was sustained, despite some regional differences and residual challenges, and shows that the fundamentals of our industry remain solid. Through the year, consumer behavior was increasingly resilient in the face of varying COVID-19 infection rates, and we expect that trend to continue.

We committed significant capital during this financial year to our strategic effort to get ever closer to the consumer. In March 2022, we completed the acquisition of the Sennheiser Consumer Division, which has a long-established successful business in high-end consumer audio products, including headphones and earbuds. The strong Sennheiser brand and its dedicated sales channels provide a solid foundation for our newly created Consumer Hearing business and advance our strategy to reach consumers wherever their journey to better hearing begins. At the same time, we are attracting ever more consumers through our Audiological Care business, where we have significantly accelerated the expansion of our network.

To ensure that we continue to provide our growing markets with the innovation they expect from us, we have further increased our R&D investments, which rose at a double-digit rate for the third year in a row. We are committed to sustain our technology leadership by establishing skills in new and developing areas. We have kept up our speed of innovation with successful product introductions throughout the year and will launch further significant innovations in the year to come.

The fundamental message this year is the same as it was before: our strategy is sound and continues to bear fruit. Our commitment to operational and commercial excellence gives us the resources to make meaningful and timely investments to secure further sustainable growth, bringing ever closer connection to the needs and hopes of our consumers. You will see this described in more detail in the [Strategy & Business section](#) of this report.

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**We continue to build on our well proven strategy, delivering solid results.**

Robert Spoerry

Each year, we like to bring you [the story](#) of one consumer who has discovered the power of our hearing solutions to transform their daily life. This year, we meet Amanda Storkey, a Canadian teacher who uses her own experience of dealing with hearing loss to help, encourage, and inspire others.

#### Hearing Instruments segment

Sonova's Hearing Instruments segment saw a rise in sales of 27.2% in local currencies, driven by organic growth and acquisitions. The segment's hearing instruments and audiological care businesses each contributed to the good performance, despite residual pandemic-related market challenges. Their contribution is now complemented by the newly created Consumer Hearing business, strongly augmented by the successful acquisition of the Sennheiser Consumer Division in March 2022.

The continuing success of the Phonak Paradise platform was a key contributor to the sustained performance of the Hearing Instruments business. Over 2.5 million Paradise-based hearing aids were sold in the 2021/22 financial year: a new record for a single platform. We further expanded the Paradise product portfolio in August 2021 by introducing Audéo Life, the world's first rechargeable and fully waterproof hearing aid, and ActiveVent™, the world's first intelligent hearing aid receiver, which self-adjusts based on the listening environment. In February 2022, the benefits of Paradise technology, including outstanding sound quality and universal connectivity, became available in the Virto line of custom-made hearing aids. Further adding to the strong performance was the successful launch of the Unitron BLU platform in April 2021, powered by the same Sonova PRISM™ chip as Phonak's Paradise platform.

The Audiological Care business also made significant progress in executing its strategy, expanding its network with a double-digit percentage increase in the number of stores globally. This was achieved both by opening additional stores and through acquisitions, the largest of which, completed in March 2022, was Alpaca Audiology, which doubled the business' footprint in the US.

We expanded our digital lead generation expertise as part of our omni-channel sales and marketing approach, which gives consumers full control over how they interact with us through a seamless combination of face-to-face, remote, and online interactions. We also embarked on a planned expansion of our range of solutions, starting to roll out additional medical services such as tinnitus care and cognitive training.

The new Consumer Hearing business contributed to the segment for one month of the financial year, following the successful completion of the acquisition of the Sennheiser Consumer Division. We are confident that the business will open up unique paths to growth, allowing Sonova to reach consumers earlier in their hearing journey. It is an exciting prospect, combining Sonova's deep audiological expertise with the strong Sennheiser brand based on many decades of delivering audiophile sound experience through a broad in-store and online distribution network.

The new business provides a strong platform for expanding our offering into early entry speech enhancing "hearable" devices. The first such solution from Sonova will be launched in 2022, and also gives us the option to enter the emerging market for over-the-counter hearing aids. Moreover, establishing close contact with consumers earlier in their hearing journey will ultimately benefit our Hearing Instruments business by gathering the data to establish leads for when consumers seek a medical solution.

### Cochlear Implants segment

The Cochlear Implants segment, which operates under the Advanced Bionics brand, saw a welcome return to profitable growth in the 2021/22 financial year, with sales up by 51.7% in local currencies. This was partly due to a recovery in the number of elective surgeries performed worldwide, although these are still below pre-pandemic levels. The more important growth driver was the successful launch of two new sound processors – Naida™ CI Marvel for adults and Sky CI™ Marvel, the first sound processor designed specifically for children.

The strongly positive market response to these latest products also helped to now recapture market share lost after the voluntary field corrective action in February 2020. We continue to work closely with affected customers and clinics, and remain adequately provisioned for product liabilities. The revised versions of the HiRes™ Ultra and Ultra 3D implants launched in February 2020 have shown excellent reliability. Separately, Advanced Bionics has appealed a recent first-instance judgment in a patent dispute brought by MED-EL Elektromedizinische Geräte GmbH related to one of our implants in Germany.

Strong revenue development, coupled with good progress on productivity and commercial excellence measures, resulted in an adjusted operating margin in the double-digits for the first time in the history of the segment. We confidently expect continued sustainable growth in sales and profitability over the years to come.

### Financial performance

Group consolidated sales for the 2021/22 financial year were CHF 3,364 million, up 29.3% in Swiss francs and 29.0% in local currencies. Relative growth figures, particularly for the first half-year, reflect a favorable comparison base from the prior year. Compared to pre-pandemic levels from the 2019/20 financial year, sales were up by 20.4% in local currencies, representing a two-year compound annual growth rate (CAGR) of 9.7%.

Reported operating profit before acquisition related amortization (EBITA) reached CHF 802.9 million, a rise of 21.0% in Swiss francs and 20.3% in local currencies. Adjusted for restructuring costs, acquisition-related transaction costs as well as certain legal costs, EBITA was CHF 844.4 million, up 40.0% in Swiss francs and 39.3% in local currencies. In the 2020/21 financial year, adjusted EBITA excluded restructuring costs, an impairment of previously capitalized development costs, and a one-time income item from a successful patent-infringement lawsuit. Adjusted earnings per share (EPS) were CHF 10.76, a rise of 38.7% in local currencies and 39.6% in Swiss francs.

Sonova achieved a strong cash flow and ended the year with a net debt position of CHF 1,006.8 million. The balance sheet remains solid with an equity ratio of 43.5% and a Net Debt/EBITDA ratio of 1.0x.

### Returning cash to shareholders

In June 2021, Sonova initiated a new share buyback program for the 2021/22 financial year. At its conclusion in March 2022, the value of repurchased shares was CHF 699.3 million; these shares will be proposed for cancellation to the June 2022 Annual General Shareholders' Meeting (AGM). Following the conclusion of the program, the Board of Directors approved a new share buyback program of up to CHF 1.5 billion, which is expected to run for up to 36 months.

The Board of Directors will propose to the 2022 AGM a dividend of CHF 4.40 per share, an increase of 37.5% and representing a payout ratio of 41%.

### Environmental, social, and governance (ESG)

Sonova's mission is to make a positive impact on our consumers' lives and on our wider society and environment. We are convinced that good environmental, social, and governance (ESG) performance is a cornerstone of our business and of its continued success in the medium to long-term. We therefore aim to continuously improve our ESG performance indicators with the same focus and intensity as we do our financial ones. Major rating agencies and sustainability indices such as the Dow Jones Sustainability Index and FTSE4Good continue to confirm our industry-leading performance in the area of ESG.

We have made important progress on our ESG indicators during the 2021/22 financial year. In the environmental sphere, we achieved carbon neutrality in our own operations (Scope 1 and 2 emissions) through energy efficiency measures, strongly increasing our renewable energy ratio, and investing in certified offset projects. We are committed to setting science based emissions targets for Scope 1, 2, and 3 emissions in alignment with the Science Based Targets initiative (SBTi). And we are advancing on our diversity and inclusion goals, increasing the share of women in key positions from 33.5% to 35.2% – closing in on our target of 40% by the end of 2025/26.

These are just a few examples and there is still a lot of work to be done. We will continue to drive tangible, measurable actions in all aspects of our ESG strategy during the coming year. You can find more information about our activities and performance in the [ESG Report](#), which is part of the Sonova Annual Report.

### Changes to the Management Board and to the Board of Directors

Sonova announced in July 2021 its intention to strengthen the business unit leadership on its Management Board. Robert Woolley joined the Management Board as Group Vice President Hearing Instruments from April 1, 2022. Starting with the 2022/23 financial year, all Hearing Instruments business functions are combined under his leadership. Rob brings us a broad range of experience including key roles in general management, sales and marketing, product portfolio management, and business development in the medical technology sector. Most recently, he was a member of the Management Board of Straumann, a global leader in esthetic dentistry, where he held the position of Executive Vice President Western Europe.

Martin Grieder, who has been leading the Hearing Instruments Marketing function and has extensive consumer experience from his previous business-leading positions at Nestlé, will now represent the newly formed Consumer Hearing business on the Management Board.

The Board of Directors has nominated Julie Tay as a new independent Board member for election at the 2022 AGM. Ms. Tay has over 20 years of management experience in the medical device sector, most recently as Senior Vice President and Managing Director Asia Pacific for Align Technology. She has a successful track record of driving sustainable profitable growth in the Asia Pacific region, and is a valuable addition to the Board of Directors. Her nomination forms part of the Board's medium-term succession planning and also represents a further step in advancing the Board's diversity.

In connection with the nomination of Ms. Tay, the Board will propose to the 2022 AGM to increase the maximum number of Board members from nine to ten; this should be considered as a temporary measure, as Jinlong Wang intends not to stand for reelection at the 2023 AGM.

If the 2022 AGM elects Julie Tay to the Board of Directors, this – along with the new structure of the Management Board – will mean that Sonova is in compliance with the Swiss gender diversity standards for corporate leadership well before these become legally binding in 2026.

**Our thanks**

A year of strongly delivering on our strategy – of accelerating innovation and deepening consumer interaction – clearly demonstrates that our employees have risen to the challenge of the global pandemic and its aftermath; we sincerely thank them and congratulate them on their success. We are also grateful to our hearing care customers for the drive and versatility they show in serving a fast-changing market. We feel a deep obligation to our own consumers for their enthusiastic willingness to engage with us and for letting us help them find the best individual solutions. And we thank our shareholders for their trust and support throughout an eventful couple of years and are happy that the results reflect their confidence in us.

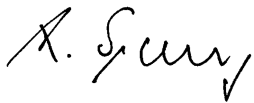
**Outlook**

Global consumer demand for hearing care has shown its resilience in the aftermath of the pandemic. Despite certain supply chain constraints and variation in recovery rates, and barring a further significant deterioration of the geopolitical situation, healthy demand will continue to support market resurgence, which will be further bolstered by the opening of new channels and market segments. Sonova's growth focus, founded on innovation, targeted investments, and ever closer consumer contact, puts it in an excellent position both to expand the overall market and to increase its market share.

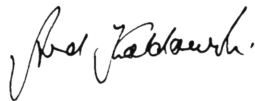
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**By further expanding our strong growth platforms, we are well placed to benefit from the market recovery.**

Arnd Kaldowski



**Robert Spoerry**  
Chair of the Board of Directors



**Arnd Kaldowski**  
CEO