



We work to provide a solution to every hearing loss and to bring the delight of hearing to consumers worldwide.

Hearing is universal, yet deeply individual. Hearing loss is a worldwide issue, yet also an intensely personal challenge. Sonova's mission is to apply the expertise, resources, and commitment of a leading global hearing-care company to address each person's specific needs, providing innovative, targeted solutions to help ever more people enjoy a life without limitations.

[The Sonova Group](#)

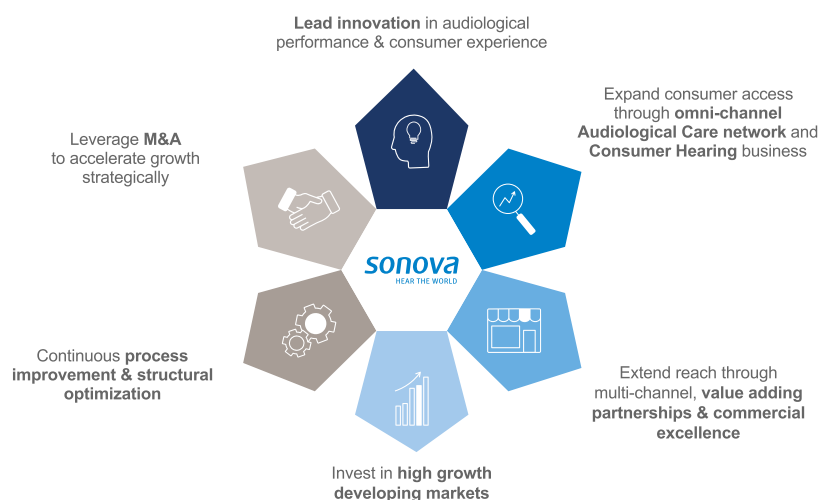
The Sonova Group is a vertically integrated hearing health business, focused on building, expanding, and sustaining relationships with consumers – and the hearing care professionals who support them – throughout their hearing journey. The Group's range of products, solutions, and services addresses every type of hearing loss at all ages, and is provided through a broad spectrum of marketing and sales channels. Our innovation cycle continuously matches evolving consumer needs with technology advances, ensuring that each new product provides a significant improvement in the quality of hearing experience.

Our four core businesses share their expertise, innovation, and market knowledge to deliver this comprehensive offering. Hearing Instruments regularly sets new benchmarks in sound quality, comfort, and convenience through a succession of technology platforms, harnessing major step-changes in chip design, sensors and electronics, software, and connectivity to power new generations of hearing aids, wireless communication devices, and healthy living solutions. Audiological Care serves consumers in key markets around the world directly, meeting their needs through our full range of products, supported by deep professional expertise and delivered through multiple points of interaction, in-store, online, and by phone. Cochlear Implants extends our reach to include people with the most significant hearing loss, putting our skills in sound quality and processing at the service of those for whom a hearing aid is not enough.

The fourth core business, launched this past financial year, is Consumer Hearing, which was established through combining the consumer division of Sennheiser with our own consumer hearing activities. This Consumer Hearing Business supports an essential element of Sonova's strategy: to reach ever more consumers, wherever their journey towards better hearing begins. Sennheiser's strong, globally-recognized brand, established consumer sales channels, and proven track record in audiophile-quality headphones and True Wireless hearables combine seamlessly with Sonova's comprehensive expertise in audiological performance and miniaturization, enabling exciting new product families that combine the key functionalities of headphones and hearing aids to meet the needs of consumers who want to continue to enjoy the best of hearing.

A strategy that delivers

We continuously review our strategy, and see that it still serves our purpose well. Despite the disruptions of a global pandemic and a recovery at varying speeds, our initiatives to support organic growth – leading innovation in audiological performance, expanding our omni-channel audiological care network, extending our reach through value-adding partnerships, and investing in high-growth markets – continue to bear fruit both in terms of revenue and profitability. Our structural optimization projects are largely completed and our emphasis on continuous process improvement – now ingrained in Sonova's culture as the Sonova X Business System of improvement principles, initiatives, and tools – is delivering the year-on-year efficiencies that free up funds to invest into further growth initiatives.



Driving growth through consumer relationships

Our growth investments are concentrated in five broad areas: advancing our innovation leadership, expanding our consumer and medical solutions, broadening our consumer access, delivering sales-and marketing excellence, and accelerating in high-growth markets. Each of these investments – whether it is in the acquisition of what is now our Consumer Hearing business, or rolling out our new IT infrastructure in Audiological Care, or strengthening our sales presence in China – brings us closer to more consumers, generating valuable relationships, market knowledge, and data that will help to drive our business forward, not just this year but for the years to come.

We have therefore committed significant capital in this financial year to support this strategic focus: we spent a total of around CHF 600 million on acquisitions, adding an expected 15% to our annual sales and increasing the number of our employees by around 10%. This included not only the Sennheiser consumer division, but Alpaca Audiology, a major audiological care network that doubles the footprint of our Audiological Care business in the US market, and a variety of bolt-on acquisitions to expand the geographic footprint of our Audiological Care business.

Driving innovation in our products and solutions

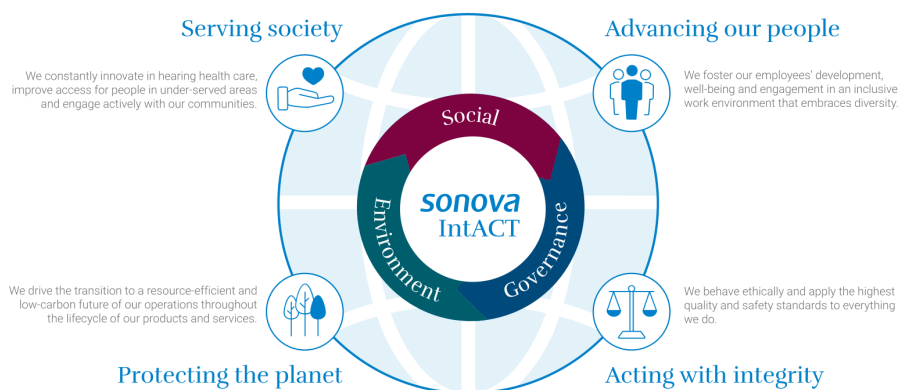
As part of our growth investments, we are continuing to step up our R&D spending, expanding our mobile app capabilities, building our competence in artificial intelligence and sensors, and continuing the development of our proprietary processing and connectivity chip technology.

This financial year saw the continued worldwide success of the family of hearing instruments based on Phonak's Paradise platform, which has set new standards for listening comfort, speech intelligibility, and ease of use. We have sustained its sales momentum with Paradise 2.0, a range of innovative enhancements including Audéo Life, the world's first waterproof rechargeable hearing aid, and ActiveVent™, the first intelligent hearing aid receiver, which automatically adjusts to provide significantly better sound and understanding in noisy environments. Our Naída™ Marvel CI and Sky CI™ Marvel sound processors have delivered a new level of sound quality to cochlear implant patients, driving substantial consumer demand.

In our Audiological Care network, we are expanding the services we offer to address more medical needs beyond better hearing, including tinnitus support and cognitive as well as balance training. These services complement the increasing use of sensors in our products, such as the soon-to-be-launched Audéo Fit, the world's first hearing aid with heart rate tracking, which allows all the cardiac fitness features of a smart watch to be included in our myPhonak hearing app.

ESG: an integral part of our business success

We are convinced that a good environmental, social, and governance (ESG) performance is an important cornerstone of our business and our continued success. We intend to continuously improve our ESG performance indicators with the same focus and intensity as we do our financial ones, and are therefore pleased that major rating agencies and sustainability indices continue to confirm our leading performance in these areas. For example, Sonova ranked third in our category in the 2021 Dow Jones Sustainability Index and received a score of 'A-' in the 2021 CDP assessment, which puts us in the top 10% of our industry.



Sonova's enhanced ESG strategy, IntACT, was launched in early 2021, incorporating a new range of measurable commitments. Such ESG metrics continue to be included in the targets for the Management Board's variable cash compensation. We have made good progress in many areas, but know that there is still a lot of work to be done; we therefore have plans to take tangible, measurable actions in all four aspects of our ESG strategy during the coming year. These are described in our extensive annual ESG Report which you can read [here](#), and which is published as part of our commitment to transparency and data-driven disclosure in this field.



Feature story

“I want to blaze a trail”

Losing her hearing in her early 20s proved to be the beginning of a life-changing journey for educator and advocate Amanda Storkey, who wears hearing aids from Sonova’s Unitron brand. Hearing loss has not limited Amanda — in fact, it has added new dimensions to her life.

When she is not teaching high school students in Ontario, Canada, you can find Amanda Storkey out on the water with family and friends. Sports fishing has been her passion since she was very young, a love passed from father to daughter — and her confidence in this environment is evident in the nimble way she moves about the boat. Amanda feels at peace when she is immersed in nature. From the soothing notes of birdsong and waves meeting shore to the sudden zipping of reels when there are fish on the line, sound is integral to her experience.

When she learned she was losing her hearing, Amanda, who is now 34, was afraid she would not be able to get the same enjoyment from being outdoors and many other activities that were part of her lifestyle. She also feared the career she had always dreamed of might be over before it had really begun. Today, she would love to be able to go back in time and talk to her younger self about what life will be like with hearing loss. Her message would carry the conviction that has helped Amanda overcome her own struggles and which motivates her now to speak up for others. “This is not going to limit you. It’s going to be okay,” she would say.

“I was turning up the volume on everything”

Amanda was taking her first steps in her teaching career when she realized she was having problems with her hearing. “I was having a lot of challenges understanding my students when they were asking questions,” she says. Amanda was encountering issues at home, too: “Day to day, I was turning up the volume on everything. I couldn’t hear sounds I was accustomed to, like the noise of the engine when driving. Everything was becoming a struggle.”

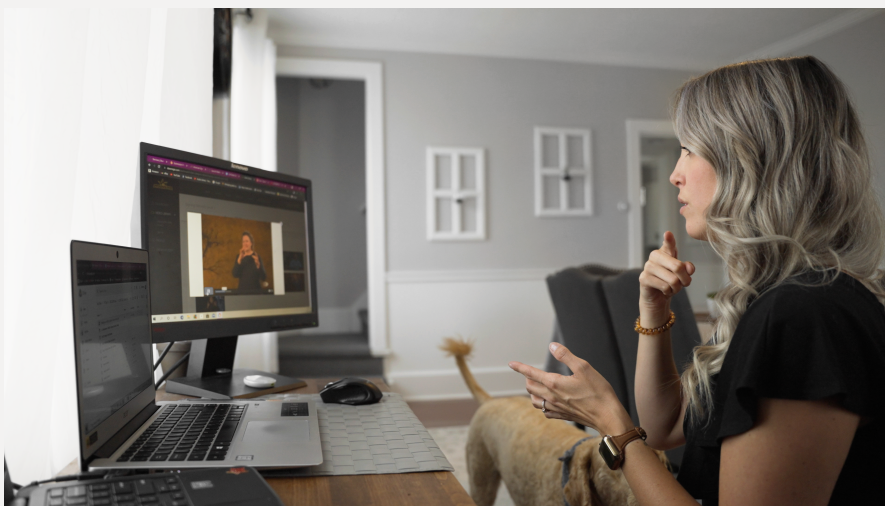
It took multiple visits to her doctor and hearing care specialists to confirm this was not a temporary problem. Amanda was experiencing gradual hearing loss due to a genetic condition – she was 23 years old. From her difficulties in getting a diagnosis to the emotional impact of the news, the experience marked the beginning of a parallel journey, as an advocate for people with hearing loss. Due to her age and good health, Amanda had to be persistent to get access to the right medical attention. “I had to push to see the hearing care practitioners over and over again,” she says with a frown, as she recalls the frustration she felt during that time. A year of hearing tests, with worsening results, removed all doubt.

Amanda knew what she was dealing with at last, but the diagnosis also brought new uncertainties: “I didn’t know anybody else my age who had hearing loss. I was frightened as to what it would mean for my career, my ability to parent one day, to socialize. I had a stigma about it. I was worried what people would think.”

“Don’t see this as something that will inhibit your next steps in life”

Amanda’s audiologist helped her work through her fears and feelings of isolation. One of their first conversations has stayed with Amanda, as it was a turning point in her perspective on hearing loss: “He told me, don’t see this as something that will inhibit your next steps in life.” She began talking about her condition beyond her circle of family and friends. Her school principal was one of the first people that Amanda told, and she found that sharing what she was going through made it feel less of a burden, and even empowering.

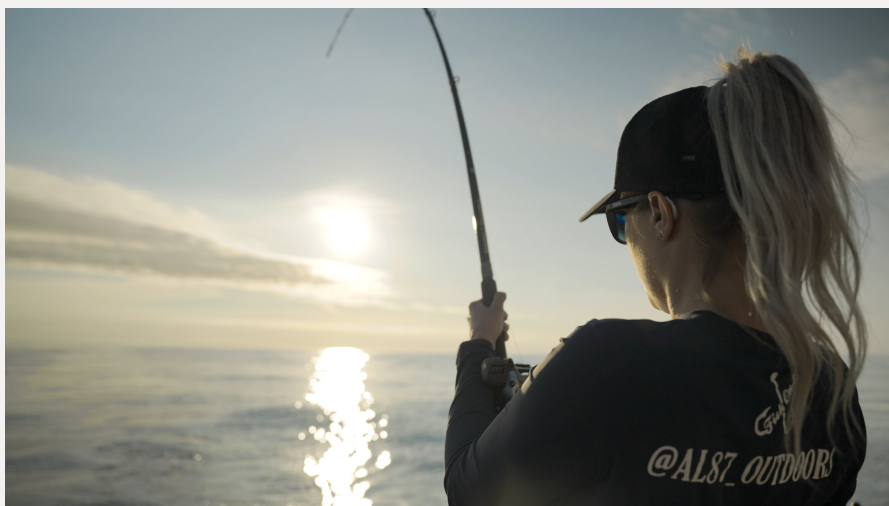
Her lived experience of hearing loss led Amanda to make some big changes in her career and her life. She realized that while she loved teaching, the sensory demands of her working environment were overwhelming. The number of students rotating through her classroom alone created an exhausting hubbub of voices and general noise. Today Amanda works with smaller classes providing alternative education for students who require intensive support. After going back to school herself to learn American Sign Language, she is also bilingual. Her face lights up when she describes being able to speak with the deaf community through sign language. The next step is to work with people of all ages who are deaf, hearing impaired or have disabilities.



"Hearing loss is not the same for everybody"

Having found her voice, Amanda started to look for ways to use it. "I had to learn how to speak up because I need accommodations and I deserve to be heard," she says. "It was challenging for me and I want others to have an easier time of it. I want to blaze that trail for them." It is a mission that has extra meaning for Amanda since the progression of the genetic condition within her family makes it likely that her children will be born deaf. She says: "If I have a daughter who experiences hearing loss, I want her to know she can do whatever she wants, just like mom."

Characteristically, Amanda's strategy is to educate and social media is her platform. She has gained a following on Instagram through her sports fishing prowess — her handle is [al87_outdoors](#). "People are interested in the things I enjoy and I use that interest to share different ideas about hearing impairment," she says. "I think it helps to see how hearing technology has improved the quality of my life." Amanda wants to do more than change perceptions for people with hearing loss though, and her goals include improving access to hearing care and technology. "People should have access to professional advice because it will make their experience so much better," she explains. "Hearing loss is not the same for everybody. You need to be able to ask questions and give feedback, which was a huge part of how I was supported."



"I got better at understanding my hearing needs"

With bilateral hearing loss, Amanda must be able to rely on her hearing aids — and she is very candid about the difficulties she experienced with getting used to wearing them and finding the right fit. She laughs as she remembers her initial priorities. "I was young and vain, so I started out with these teeny hearing aids because I didn't want anyone to know this was happening," she says. Even though she would keep her hair down to conceal them, those hearing aids brought joy by returning all the sounds that had been missing from Amanda's life. As her hearing deteriorated, an upgrade was needed: "I got better at understanding my hearing needs over time and that gave me more confidence. I trialed three or four pairs before I found something comfortable to wear every day."

Amanda wears her current hearing aids, Unitron Blu BTEs, from the time she gets up to when she goes to sleep. They are part of her life now. She has seen unimaginable advances in technology since that first pair of hearing aids. "These are like regular headphones or earbuds I can control from my cell phone," she says. "I can take phone calls and listen to music on them. And when I'm in the classroom or a restaurant, if go to see live music or I'm outdoors, I can modify them to those environments." There are other benefits too: "I've got capabilities other people don't have. I can adjust the volume of a conversation or turn my ears off."

“Obstacles often lead to opportunities”

Back when she was coming to terms with losing her hearing, in the rare quiet moments at school between classes, or gazing at the water while waiting for the fish to bite, Amanda would think about the future — a future she now realized was going to be very different from the one she had imagined for herself. She knew hearing loss would be life-changing. What she did not expect was that it would lead to new skills, new dreams, and a new sense of self. It's a journey she describes with her typical positivity. “This has made life that much more deep and colorful. It's only enriched my life,” she says. “That's why I want to share my story. I want people to know that obstacles often lead to opportunities.”





Strategy and businesses

Hearing Instruments business

We innovate tirelessly to give consumers the best hearing experience, and provide the hearing care market with solutions to bring the delight of hearing to ever more people.

Sonova's Hearing Instruments business serves a global market through our Phonak and Unitron brands. Our goal is to maintain and extend our industry-leading position in innovation, both in technology and applications, making a substantial positive difference in the lives of our consumers. Our solutions are designed first and foremost to provide an ever-better hearing experience, with excellent sound performance, comfortable listening, and easy, intuitive use. But they also do more: through advances in sensor technology, apps, and connectivity, they are evolving into "healthy living companions," essential supporters for a full, active life long after the first appearance of a hearing loss. This evolution will bring us ever closer to our consumers: their as-yet-unmet needs and hopes will continue to shape our innovation and the way we build our business.

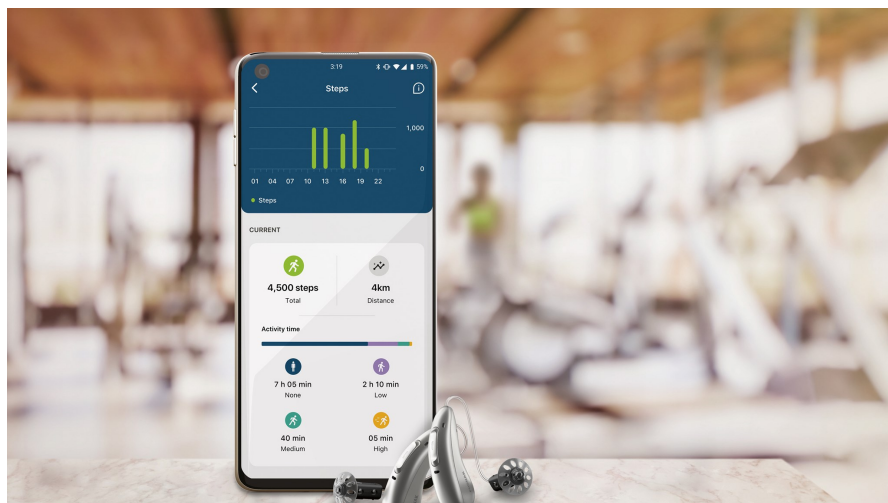
Innovation across the cycle

Our structured innovation process builds on successive advances in fundamental technology: each new platform supports breakthrough capabilities that transform performance and functionality across our product range. Introduced in August 2020, the Paradise technology platform offers unrivaled sound quality, universal Bluetooth® connectivity with multiple connections, hands-free calling, and Tap Control for easy control of streaming functions. Over 2.5 million Phonak Paradise hearing aids were sold in the 2021/22 financial year, despite the challenges of a global pandemic: a new record for a single platform. In surveys, 90% of consumers said they would recommend Paradise to family or friends and 92% of hearing care providers would recommend Paradise to their peers.

Midway through the innovation cycle, we extended the appeal of Paradise with several significant new capabilities. The ActiveVent™ Receiver is the world's first hearing aid receiver that automatically opens and closes based on the listening environment, intelligently balancing speech clarity with listening comfort, delivering superior sound quality for streaming media, and providing an average of 10% better speech comprehension in noisy situations.

Launched in August 2021, Phonak's Audéo Life is the world's first rechargeable hearing aid that is waterproof, showerproof and sweatproof, offering all the functionality of Paradise in a form that enables a healthy, active lifestyle without limitations.

Paradise-powered Phonak hearing aids already have a motion sensor that helps to assess hearing situations and adjust sound processing for clearer conversations on the go. Now Audéo Fit, introduced in mid-2022, adds a heart-rate sensor, allowing users to monitor their daily steps and exercise programs through the MyPhonak app, just as they would with a fitness smart watch. Audéo Fit represents another significant step toward the hearing instrument as a healthy living companion.



Meeting customer needs through commercial excellence

The wholesale customers of Sonova's Hearing Instruments business are almost as varied in their needs as the consumers they serve. They range from independent audiologists to buying groups, small and large retail chains, government agencies, and managed care providers. Giving a tailored service to each of them requires a multi-channel approach which is systematic in its planning but agile in its execution.

Our relationships with customers range from straightforward sales transactions to a more consultative partnership backed by value-added services. These can include training and education, bespoke marketing support, or help with building a stronger business including enablement for e-screening, digitalization, and omni-channel sales. As part of the Sonova X Business System, we back these relationships with a structured sales excellence program based on optimized territory design and coverage; segmentation and targeting; coordinated B2B marketing; and close integration between global and local teams. The aim is to sustain sales growth throughout the innovation cycle, gaining new customers and helping them to gain and retain new consumers.

Building presence in high growth markets

Hearing loss is a global reality, but it is treated very differently in different countries. The territories that Sonova identifies as “high-growth markets” include the most populous countries in the world, where currently only around 3% of consumers with hearing loss adopt a hearing aid, against approximately 30% in developed markets. There is huge untapped growth potential for Sonova, especially in countries such as China, where the population is aging and hearing loss is becoming more prevalent.

Realizing that potential, however, requires addressing the various issues that lead to low adoption in these markets directly. We are increasing our physical sales presence, adding new representatives and building local strategic partnerships: in China, we will expand our sales coverage by close to 30% in the next two years, moving beyond the top-tier cities. We are also in continuous dialogue with the Chinese government and institutional stakeholders to help increase access to audiological treatment.

Possibly most important, we are addressing one of the key obstacles to hearing aid adoption: the lack of trained audiologists. In the US, there is one hearing care professional for every 9,000 potential consumers; in China, the figure is one in 90,000. We therefore established in 2020 the award-winning Swiss International Hearing Academy (SIHA), which offers extensive in person and online audiology training. We are continuing to expand the number of students and courses available, with a particular emphasis on audiologists based in smaller cities. The goal is to put in place the building blocks of a vibrant hearing care industry to meet pent-up demand and realize the growth potential.



Strategy and businesses

Audiological Care business

We engage directly with ever more consumers around the world through their choice of channel, providing the highest level of technology and expert service.

Sonova's Audiological Care business stands as the second largest hearing care provider in the world, with more than 3,600 points of sale in 20 markets, employing more than 7,600 people – the vast majority of whom work directly with our consumers to help them navigate their hearing journey in the best and most convenient way possible. Our profitable growth strategy is founded on continuously improving in-store sales execution and productivity, and supporting these with integrated systems and targeted lead generation. This systematic retail approach boosts bottom-line profitability, but more importantly releases funds for further growth investments: acquisitions and greenfield store development to expand our network and to optimize store density in new and established markets; innovation in consumer contact and lead generation; and extension of our product and service range to increase the value we offer to each consumer.

The key enabler for accelerated growth is our omni-channel approach to consumer engagement. In an increasingly digitalized and connected world, consumers expect to be able to begin or advance their interactions with us at any time, anywhere. We have therefore built our business to take a proactive role in this evolution of consumer habits, creating a seamless experience from website to store to call center to supporting apps, leveraging our global systems, unique audiology and marketing expertise – and the unrivaled connectivity of Sonova products – to provide each consumer with the appropriate blend of digital and face-to-face interactions.

Expanding and deepening our network

The Audiological Care business has pursued an active network expansion in the 2021/22 financial year, adding over 500 stores to its global portfolio, both through acquisitions (such as the Alpaca audiologist-led network in the US and the Neurosensory network in Australia) and by organic growth in the number of new store openings. Our strong balance sheet supports an increase in our capital deployment target for bolt-on acquisitions from CHF 50–70 million to CHF 70–100 million, and we are ready to surpass it when appropriate opportunities present themselves. The goal is not simply to expand into new territories, but to achieve optimum density in all the geographies where we operate, supporting our hub-and-spoke model of standard audiological care centers close to one larger store (such as our World of Hearing stores) that offers the full spectrum of Sonova products and services. The key to our efficient network expansion is

that it is achieved through a systematic, sustainable process, based on uniform criteria for strategic growth markets and supported by established integration programs using Sonova's globally consistent IT systems, the Sonova X Business System, talent development, marketing, and lead generation.

In China – a highly digitalized market – we initially established our presence in the digital space, building followers through strategic online platform partnerships and engaging consumers through apps for hearing screening, appointments, and ecommerce. In less than two years since entering the market, we now have more than twice the WeChat online followers of the next five hearing care companies combined. We added a physical presence through network partners as our first in-store channel, and now have opened thirteen greenfield stores of our own with a first flagship World of Hearing store in Shanghai, providing a base for acceleration in greenfield development. This physical presence may still be small in comparison to the potential market, but it gives us the experience on the ground to expand, both organically and through strategic acquisitions.



Enriching the consumer journey

Lead generation is what opens the door to an omni-channel interaction with the consumer. It creates the profile to which all subsequent consumer data is attached and – when done right – provides the impetus that powers a long-term consumer relationship. We are convinced that such an important function should not be contracted out, so we established our own lead-generation factory in Berlin in late 2019. Its purpose is to build our in-house digital marketing platform for Europe's strategic growth markets, linking a growing consumer database with new digital competencies to deliver a younger, more affluent consumer profile at lower cost per contact. It has achieved all this, so we are scaling up the initiative for global roll-out. Lead-generation hubs will provide us with invaluable data that we can apply, not just for targeted marketing efforts, but to store-by-store consumer contact, ensuring that however we talk to the consumer, electronically or in person, we know how to best address their needs from our full range of solutions, including Sennheiser-branded consumer hearing products.

A seamless consumer experience goes well beyond lead generation, and we have invested significantly to ensure that our in-store systems support the same deep customer engagement as our initial marketing. Our new unified Audiological Care IT system provides a consistent backbone for our global network, aligning all points of consumer contact and making sales, marketing, scheduling, orders, reporting, and finance all part of a single consumer-centered information landscape. The IT system has been rolled out in Italy and Denmark and is being launched in Germany, with further markets to follow in 2022.

Broadening consumer access

Getting ever closer to the consumer means expanding our offering beyond simply treating hearing loss. Hearing well is part of a healthy life, and research increasingly shows that hearing care overlaps with care for other significant age-related health conditions. The expansion of our in-store and app-based service offering helps our consumers gain further benefits from our product range: tinnitus and hearing loss are correlated, so we offer tinnitus therapies and support. Hearing and cognitive function are correlated, so we offer cognitive training, with a gamified experience and exercises to build cognitive skills and auditory perception. We are also exploring the correlations between hearing, balance, fall risk, and osteoporosis. Each of these efforts broadens our consumer base and expands the value we add per consumer.

These services are part of the full spectrum of Sonova solutions available through our audiological care network, including our World of Hearing stores, of which 22 now operate in markets around the world. They also represent a new channel opportunity for the products of Sonova's Consumer Hearing business. The Sennheiser name is well-known and respected in the wider audio as well as the audiology market. By carrying Sennheiser-branded products that bridge the gap between audio and hearing care – such as speech-enhanced hearables and TV listeners – our audiological care network will gain enhanced access to a younger, more affluent consumer segment.



Strategy and businesses

Consumer Hearing business

Linking the common values and complementary strengths of Sonova and Sennheiser, we can reach consumers earlier in their hearing journey, creating new paths to growth.

The consumer's desire to hear every single detail begins, for most, long before there is any hearing loss. Recorded music, phone conversation, computer games, and remote meetings all call on audio technologies – headphones or earbuds – to deliver a clear, immersive hearing and sound experience without distracting noise or loss of quality. The key difference between these technologies and Sonova's own hearing solutions comes down to the amount of amplification and the specific sound processing to deliver clear speech, but – as with hearing itself – there is a continuum of consumer needs from the pure audiophile headphone to progressively greater hearing assistance.

In May 2021, Sonova announced the acquisition of Sennheiser's consumer division; the deal was closed in March 2022, and grants Sonova an exclusive license in perpetuity to the well-respected Sennheiser brand in the consumer market. This acquisition supports a key part of Sonova's strategy: to reach ever more consumers, wherever their journey towards better hearing begins.

Personal audio is an integral part of everyday life for most people, as they increasingly interact with their digital devices through sound. Normal, age-related hearing loss can appear several years on average before a consumer will actively seek audiological help, but many would accept a non-medical solution to enhance hearing and speech comprehension in specific situations. This complementary approach can ultimately expand the hearing aid market by increasing adoption at an earlier stage of the hearing journey. Sonova has done extensive development work in this area over recent years, and the acquisition of Sennheiser's consumer division will significantly accelerate our efforts.

Sonova and Sennheiser: an excellent fit

Both companies share a passion for sound. Their history is similar in having been entrepreneur-led businesses with a culture centered on customers, innovation, and quality – respected names in their industries for more than 70 years, with strong brands and well-established consumer bases. The new business combines their strengths: Sonova's in audiological expertise and Sennheiser's in premium sound quality.

There are significant synergies, from Sonova's expertise in custom fitting and battery life to Sennheiser's in noise cancellation. Together, they address at the highest level the needs that consumers consider essential: wearing comfort, sound quality, and better hearing in noisy situations. The complementarity extends to R&D, production and distribution: Sonova's in-depth know-how in miniaturization, Sennheiser's world-leading bespoke transducer manufacturing and multiple channels for reaching the audio consumer, online and in-store – all these combine to make a business that is primed to grow profitably from day one.

The new enterprise will also benefit from Sonova's strategic strengths: consistent, proven business systems, continuous improvement through the Sonova X Business System, a growth focus, and cooperation with the other Sonova businesses to expand the consumer base.

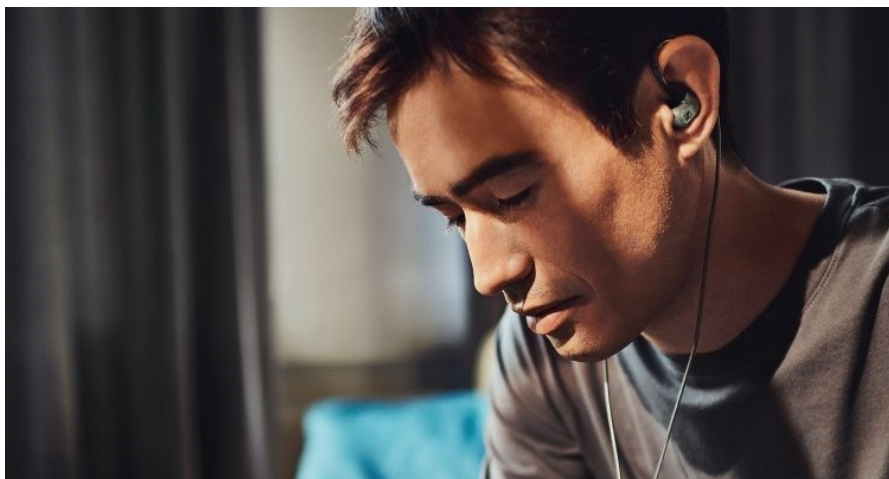
Building on strong base

The Sennheiser brand is recognized worldwide as guarantee of high-quality sound: audiophile and premium headphones contribute around 80% of its revenue. True Wireless headphones are a particularly high-growth market, expanding by 10–15% per year and expected to more than double in size.

It is in this premium segment, offering the highest sound quality and speech clarity with the best wearing comfort, where we are concentrating the joint efforts of the Consumer Hearing business. The Sennheiser True Wireless product portfolio has gained a strong competitive position in the two years since its launch, and we anticipate that the addition of Sonova expertise will further enhance that position. Our ambition for the business is to deliver double-digit sales growth with the potential to expand EBITA margins.

Early entry solutions: a new growth vector

The most immediate application of Sonova expertise to Sennheiser consumer products is in using our digital sound processing expertise to improve speech clarity and comprehension when using headphones. Research shows that around 7% of consumers buying True Wireless headphones are also interested in speech enhancement; given the growth of the segment, this translates into an estimated market opportunity over time of greater than EUR 3 billion in so-called "speech-enhanced hearables". It also opens a potential market entry point for providing over-the-counter hearing instruments under the strong Sennheiser consumer brand, if Sonova concludes this to be an attractive business.



Success in grasping this opportunity depends on a range of factors that the combined Consumer Hearing business is well-placed to provide, including technological, audiological and sound knowledge from both the hearing instrument and consumer audio space, as well as established audiological and consumer audio sales channels, both online and offline.

Moreover, the Sennheiser consumer division has an existing hearing care portfolio, including TV listeners with a leading market position, and thus is already serving Sonova's target consumers. Add in the worldwide sales channels represented by Sonova's wholesale Hearing Instrument and retail Audiological Care businesses, and we are well positioned to pursue this promising growth vector, with its first new solutions expected to launch in calendar year 2022.



Strategy and businesses

Cochlear Implants business

We bring the full range of Sonova innovation to consumers of all ages with the most significant hearing loss.

Sonova's Cochlear Implants business, which operates through the Advanced Bionics brand, is a global provider of innovative solutions for those with severe or profound hearing loss. Some consumers have a hearing loss, appearing in childhood or later in life, that goes beyond what a hearing aid can treat; for these consumers Sonova provides its range of cochlear implants.

A hearing aid improves hearing through sophisticated, targeted amplification of the acoustic signal whereas a cochlear implant bypasses the ear and directly stimulates the hearing nerve. A sound processor behind the ear captures sound and converts it into an electronic signal transmitted to the implant: this means that we can leverage the innovations in digital sound processing and connectivity that we develop for our Hearing Instruments business to drive improved performance in our cochlear implant systems. The Cochlear Implants business therefore works in close R&D partnership with Phonak, Sonova's premium hearing instrument brand, to bring its recipients the benefits of the latest breakthroughs in hearing technology.

Deciding to have a cochlear implant is a major commitment for the recipient and the recipient's family. We therefore make every effort to establish strong relationships with our consumers, with the audiologists who serve them, and with the surgeons and clinics who perform the implantation. We have reinforced our commitment to product quality and reliability, and we have the processes in place to further raise our operational and commercial excellence.

Innovation driving strong recovery

This financial year has seen the introduction of our new Naída™ CI Marvel and Sky CI™ Marvel systems, which bring the breakthrough features of Phonak's Marvel platform – automatic adjustment to different listening environments with AutoSense™ OS 3.0, universal Bluetooth® connectivity, hands-free phone calling, integrated RogerDirect™ wireless communication – to adult and child recipients.

The response from consumers and hearing care professionals has been overwhelmingly positive. The re-order rate in North America alone has been a remarkable 95%. Among consumers, 78% report significantly improved hearing performance – always important, but even more so in times of social distancing and mask-wearing¹⁾. Audiologists praise

the wireless connection to the Target CI fitting system, allowing touch-free adjustment in a familiar software program, very much like that which is used for Phonak hearing aids. Marvel gives existing CI users the opportunity to upgrade their technology, but has also attracted new users to Advanced Bionics, increasing consumer interaction and convincing potential recipients of the value of a cochlear implant.

Universal connectivity is particularly important for the Sky CI™ Marvel, which is the world's first dedicated pediatric cochlear implant system. Children live connected lives and need easy access to all their digital life companions – especially at a time when so many classrooms are online. Easy, hands-free connection to phones, tablets, televisions, and remote learning platforms is a vital help during these key years of speech and social development. These meaningful innovations contributed to Advanced Bionics winning the 2021 Hearing Technology Innovator Award for Sky CI™ Marvel.

Extending market and consumer reach

There are many stakeholders in the cochlear implants business, and we understand the importance of engaging closely with all of them as an essential part of our commitment to commercial excellence. In our approach to clinics and hospitals in North America, we have increased our field staff by 20% in the past two years, and have redesigned our sales territories to increase contact frequency, support and depth. As a result, sales in the new territories grew at twice the rate of the old ones.

We have always considered existing and potential recipients and their families as a community, and strive to engage with them directly to help them identify the right solution. We host a range of online events and resources covering topics from technology to aural rehabilitation, helping those dealing with severe hearing loss to explore available solutions and make an informed decision. We also work with Sonova's own Hearing Instrument and Audiological Care businesses to open new sales pathways by identifying potential recipients among our existing consumers. In Germany, 30% of new cochlear implant recipients were referred from Sonova partner businesses, and we are expanding this effort in other key markets too.

Strong operational progress

We are proud that the Cochlear Implant business has returned to profitable growth, posting not only a substantial revenue increase but double-digit EBITA margins for the first time. The structural and continuous improvements we have driven over the last three years, coupled with targeted growth initiatives, have borne fruit and will continue to do so. Our primary operational focus remains on what matters most to consumers: product quality and reliability. Over the past two years, we saw a reduction of more than 30% in processor return rates and we target a further significant reduction in the current year. The Marvel-based products have had the lowest return rates of any Advanced Bionics processor in the first year of its launch.

This reliability focus is built into the design and manufacturing process, and is complemented by a number of initiatives drawn from the Group-wide Sonova X Business System toolbox, which provides templates and metrics for a wide array of operational and commercial improvement opportunities. Having at the same time reinforced our leadership team with new members who bring strong medical device experience from various backgrounds, we are confident in our ability to earn and retain the loyalty of our consumers, offering them the highest standard of technology, service, and support.

1) Strong D et. Al, Clinical Outcomes with a Next-Generation Sound Processor. CI2021 Cochlear Implants in Children and Adults, Orlando, FL, USA. ePoster 2349