



Letter to shareholders

Dear shareholders,

Sonova entered the 2022/23 financial year with an ambitious growth plan, taking advantage of its strong market position. Performance did not fully meet our initial expectations, due to unforeseen challenges. Nevertheless, Sonova weathered these challenges successfully and remains well-positioned to capture value in a market with strong growth potential.

There have been a number of encouraging highlights this year, and our growth strategy continues to deliver significant advances in innovation, consumer access, and operational excellence. We further expanded our Audiological Care network, both organically and by acquisition: after doubling our US network in the previous year with the addition of Alpaca, we have successfully integrated the businesses, and have extended further into the fast-growing China market by acquiring the highly-regarded HYSOUND business. The Hearing Instruments business saw the successful launch of a number of innovative solutions, including the groundbreaking Phonak Lumity technology platform, which sets new standards for speech understanding and ease of listening. The consumer business acquired from Sennheiser delivered on our expectations for its first post-acquisition year and successfully entered a new market segment: early-entry hearing solutions.

The challenges we encountered were mainly driven by the macroeconomic environment. High inflation, geopolitical tensions, and a sharp decline in global equity values reduced discretionary consumer spending, particularly in higher-price hearing care markets. At the same time, increased costs for transportation, components, and wages put pressure on margins. The strength of the Swiss franc adversely affected reported results throughout the year, while results in the second half-year were significantly impacted by the non-renewal of a hearing instruments contract with one of our largest customers in the US.

“Our proven strategy positions us well to grow further, leveraging our market leading position.”

Robert Spoerry

We have taken active measures to address these challenges, based on continued execution of our well proven strategy. We carried through disciplined cost management and structural improvements to support organizational agility and protect profitability. We increased prices for our products and services, partly to compensate for inflationary cost pressures, but also to reflect our continued value expansion through innovation. Thanks to these measures and strategic initiatives, we have delivered solid results given the broader market context. Overall, we remain convinced of the soundness of our strategy and confident in its effectiveness for the future. You can find additional details in the [Strategy & Businesses section](#) of this report.

Our strategic priority is to stay close to consumers throughout their lifelong hearing journey. This year's report brings you [the story](#) of how our solutions transform daily life for our consumers and the hearing care professionals who support them. We showcase four examples, emphasizing how each of our businesses has a role to play in the quest for good hearing.

Hearing Instruments segment

Sales for Sonova's Hearing Instruments segment rose 15.7% in local currencies, largely driven by acquisitions, with organic growth reaching 2.3%. Growth in the Hearing Instruments business was significantly affected by slowing market momentum over the course of the year, particularly in higher-price markets, and the non-renewal of the previously mentioned contract with a large US customer. Excluding the latter, organic growth would have been 4.6%. The Consumer Hearing business made its first full-year contribution to segment results. The integration of the consumer business acquired from Sennheiser is well on track and the acquisition delivered in line with our expectations. The business sustained a strong momentum of successful product launches in a consumer electronics market challenged by subdued consumer confidence. The Audiological Care business made good progress in advancing its strategy, further expanding its network to over 3,900 clinics on five continents, supported by a strong and ever-expanding digital presence.

The Hearing Instruments business followed in the successful path of its previous Marvel and Paradise technology platforms with the launch in August 2022 of the Phonak Lumity platform, which received a good market response. Lumity makes a significant contribution to consumers' active participation in all moments of life by its sophisticated monitoring of the listening environment and direction of speech, improving understanding and ease of conversation in the most challenging situations. The platform has launched in over 40 countries, initially in the Audéo rechargeable RIC form factor – including Audéo Lumity Life, the second generation of the world's first rechargeable and waterproof hearing aid. In April 2023, we added the Phonak Slim™ Lumity, while Unitron introduced its new Vivante™ platform as part of our strategic commitment to roll out our latest technologies across all our brands.

The Consumer Hearing business achieved increased market share in the otherwise challenging consumer devices sector thanks to a series of successful product launches. These included the MOMENTUM True Wireless 3 earbuds, which set new standards for sound quality, adaptive noise cancelation, and custom-fit wearing comfort, and the MOMENTUM 4 wireless noise-canceling headband headphones – an audiophile-inspired acoustic system in a compact, beautifully-designed package, coupled with an unprecedented 60+ hour battery life. We also delivered on a key strategic rationale for acquiring the consumer business from Sennheiser with the launch of the Sennheiser Conversation Clear Plus: these compact earbuds establish a new category of early-entry hearing solutions, devices that support and enhance hearing in specific situations such as busy restaurants or noisy worksites, while at the same time providing an excellent sound experience.

The Audiological Care business continued to significantly expand its global network this financial year, both through acquisitions and greenfield openings. The successful integration of Alpaca in the US and the acquisition of HYSOUND in China are particular highlights. The latter adds one of the leading nationwide chains, with more than 200 clinics, to our existing physical network in China, supported by a strong digital presence including multiple branded sales channels across all major online platforms – all in all, an excellent basis for further expansion in this high-growth market. Audiological Care has also extended its successful Digital Lead Generation Hub concept to serve five major markets, with in-house digital marketing capabilities that draw in consumers at an earlier age and enhance the in-store success rate. Continued investment in our digital ecosystem gives consumers flexibility in how they interact with us and enables us to serve them in a comprehensive and personalized way. The business continues to broaden its consumer value proposition by expanding its range of medical services, such as the SilentCloud™ app, a powerful medically-regulated tool that enables users to actively manage their tinnitus from home while being guided by one of our trained audiological care experts.

Cochlear Implants segment

Sales in the Cochlear Implants segment, which conducts its business through the Advanced Bionics brand, rose by 2.8% in local currencies in the 2022/23 financial year. Sales volumes were held back by lower than expected growth in the overall market, due to continued hospital staffing challenges and headwinds from supply shortages.

The Cochlear Implants business saw continued highly favorable response and increased sales volumes for its innovative sound processors launched in 2021: the Naída™ CI Marvel for adults and the Sky CI™ Marvel, the world's first sound processor designed specifically for children. These have received regulatory approval and have been rolled out in eight additional countries during this financial year. China's regulators have also approved our HiRes™ Ultra implant, featuring our thinnest profile for easier insertion, along with circuitry that can accommodate future advances in sound processor performance. We are convinced of the potential this creates in the important high-growth Chinese market. We are also gratified that our unwavering commitment to product quality and reliability has significantly reduced our already low product return rate for external equipment in every one of the last three years.

Financial performance

Group consolidated sales for the 2022/23 financial year were CHF 3,738.4 million, up 14.6% in local currencies. Adverse currency exchange-rate development reduced reported sales by CHF 116.3 million, resulting in 11.1% sales growth in Swiss francs. Growth was mainly attributable to acquisitions, while the rise in organic sales was principally driven by successful product launches and a positive development in the Audiological Care business.

Reported operating profit before acquisition related amortization (EBITA) reached CHF 801.6 million, an increase of 6.7% in local currencies and a slight decline of 0.2% in Swiss francs. Adjusted for restructuring, transaction, integration, and certain legal costs, EBITA was CHF 840.4 million, up 6.1% in local currencies and down 0.5% in Swiss francs. This represents a margin of 22.5%, compared to 25.1% in the 2021/22 financial year. This decrease in margin reflects the previously communicated dilutive effect from the consumer business acquired from Sennheiser, slower sales development, input cost headwinds, as well as the adverse currency exchange-rate development. Adjusted earnings per share (EPS) reached CHF 11.14 (2021/22: CHF 10.76), up 11.5% in local currencies and 3.5% in Swiss francs.

Returning cash to shareholders

The Board of Directors is pleased to propose to our shareholders a dividend of CHF 4.60 per share, an increase of 5% year-on-year and contributing to a double-digit average annual growth rate for the past ten years.

Under the new share buyback program, Sonova has repurchased shares for a total value of CHF 421.5 million in the 2022/23 financial year.

Environmental, social, and governance (ESG)

We remain convinced that continued, verifiable improvement in ESG performance is an essential contributor to long-term market success. We have made good progress in implementing IntACT, our ESG strategy, which specifies goals and concrete actions for key sustainability topics; these are included in the performance targets for the variable compensation of the Management Board.

We have initiated further actions to reduce our global carbon footprint and have established ambitious climate targets that commit us to significantly reducing CO₂ emissions across our whole value chain, in line with the standards set by the Science Based Targets initiative (SBTi). Including the Sennheiser consumer business and Alpaca for all years, we have reduced our Scope 1, 2, and 3 greenhouse gas emissions by 22% since 2019, largely due to our shift to 100% renewable electricity. Through several challenging years for the world, we have maintained a uniformly high employee engagement score – 82% this year. Major sustainability indices and rating agencies confirm Sonova's strong ESG performance: among them, the 2022 Dow Jones Sustainability Index ranked Sonova second out of 268 companies in the health care equipment industry.

You will find detailed information and data in our [ESG Report](#), including a section on climate-related disclosures based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Changes to the Management Board and to the Board of Directors

In March 2023, Sonova announced that Katya Kruglova will assume the position of Group Vice President Human Resources & Communications and join Sonova's Management Board as of May 2023. She has more than 25 years of global experience in large-scale organizations and a proven track record. Katya Kruglova will succeed Claudio Bartesaghi, whom we thank for the valuable contribution he has made during his years with Sonova.

Jinlong Wang, non-executive member of the Board of Directors since 2013, has announced that he will not stand for re-election at the Annual General Shareholders' Meeting in June 2023. We warmly thank him for his ten years of most valuable contributions to the development of the Sonova Group, in particular his deep insights into the strategically important Chinese market.

If all candidates proposed by the Board of Directors are re-elected by the Annual General Shareholders' Meeting in June 2023, the number of members will return to nine, with women in a proportion of 33%.

Our thanks

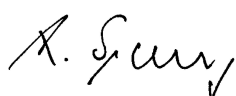
For several years, our world has been going through a challenging time, which tests not just companies, but every individual who works for them. A range of external challenges have made unprecedented demands on our employees – and they have responded with exemplary dedication, agility, and commitment for which we are deeply thankful. We are also grateful to the consumers whom we accompany on their hearing journey, and the professionals who serve them. And our renewed thanks go to our shareholders, whose loyalty in a year of uncertainty bolsters our confidence in our strategy to deliver sustainable, profitable growth.

Outlook

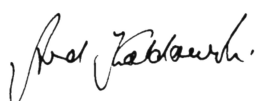
The fundamentals of Sonova's business remain strong despite ongoing macroeconomic volatility. With its proven strategy and continued innovation, the Group is well prepared to capture growth opportunities in the attractive hearing care market. This market has shown signs of recovery in recent months, although uncertainty remains in the short term. For the 2023/24 financial year, Sonova expects consolidated sales to increase by 3% – 7% and adjusted EBITA to grow in the range of 6% – 10%, measured at constant exchange rates.

"We remain confident in our ability to benefit from the attractive long-term fundamentals of our market."

Arnd Kaldowski



Robert Spoerry
Chair of the Board of Directors



Arnd Kaldowski
CEO