sonova
HEAR THE WORLD

# Summary Report 2022/23

# Highlights 2022/23

### Sonova Group: Sales of CHF 3,738 million

Group sales were CHF 3,738.4 million, an increase of 14.6% in local currencies and 11.1% in Swiss francs. Organic growth reached 2.3% in local currencies.

### Adjusted Group EBITA: +6.1% in local currencies

Adjusted Group EBITA[1] reached CHF 840.4 million, up 6.1% in local currencies but slightly down by 0.5% in Swiss francs. As reported, Group EBITA stood at CHF 801.6 million, up 6.7% in local currencies and down 0.2% in Swiss francs.

### Strong increase in earnings per share

Adjusted earnings per share[1] increased by 11.5% in local currencies or 3.5% in Swiss francs to CHF 11.14.

### Dividend increase of 5% proposed

The Board of Directors proposes to the 2023 Annual General Shareholders' Meeting a dividend of CHF 4.60, representing an adjusted[1] payout ratio of 41%.

### Protecting the planet: Emissions reduced by 22%

On a comparable basis[2], the Group reduced Scope 1, 2, and 3 greenhouse gas emissions by 22% since 2019, driven largely by switching to 100% renewable electricity sourcing across all operations.

### Advancing our people: High engagement

Employee surveys show a consistently high employee engagement score over the past five years – 82% this year.

## Sonova Group key figures

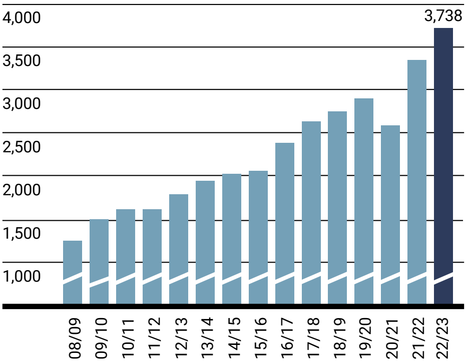
| in CHF million unless otherwise specified | **2022/23** | **2021/22** | **Change in Swiss francs** | **Change in local currencies** |
|---|---|---|---|---|
| Sales | 3,738.4 | 3,363.9 | 11.1% | 14.6% |
| EBITA | 801.6 | 802.9 | (0.2%) | 6.7% |
| EPS (CHF) | 10.75 | 10.42 | 3.2% | 11.4% |
| Operating free cash flow | 535.6 | 763.7 | (29.9%) | |
| EBITA (adjusted)[1] | 840.4 | 844.4 | (0.5%) | 6.1% |
| EPS (CHF) (adjusted)[1] | 11.14 | 10.76 | 3.5% | 11.5% |

[1] Non-GAAP financial measure adjusted for nonrecurring items incl. restructuring and acquisition-related costs, certain legal items and benefits from tax reforms; see financial review and for details see the table "Reconciliation of non-GAAP financial measures" in the Annual Report 2022/23.

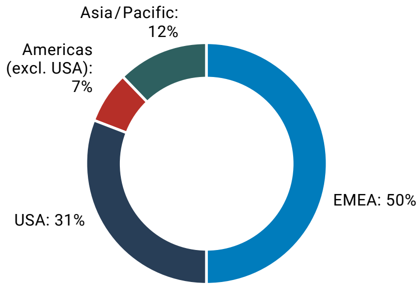
[2] Including the Sennheiser consumer business and Alpaca for all years.

# Key figures 2022/23

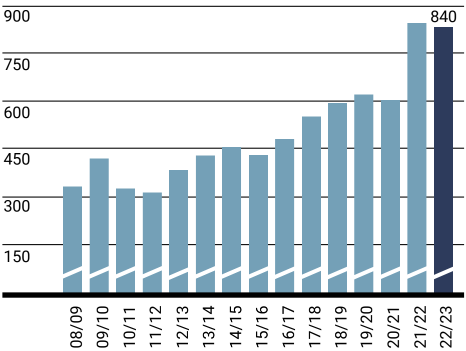
**Sales in CHF m**



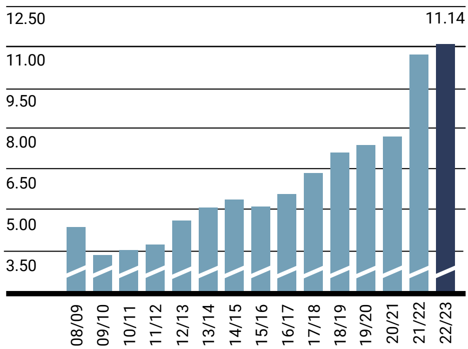

**Sales by regions in 2022/23**



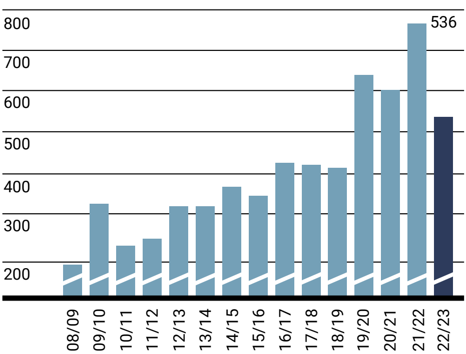

**Adjusted EBITA 1) in CHF m**



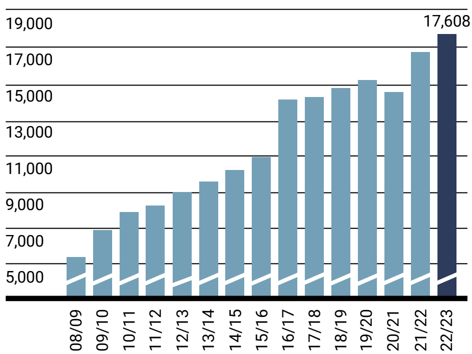

**Adjusted EPS 1) in CHF**




**Operating free cash flow in CHF m**




**Number of employees**



Hao Shen Rong had been looking forward to immersing himself in his hobbies in retirement. His passions are calligraphy and the guqin, a traditional Chinese stringed instrument. Having lived with worsening hearing impairment for many years, it was his struggles with learning the guqin that led him to visit his local AudioNova store to consult an audiologist.

# 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.

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 year’s Annual Report.

Sound quality is all-important to Milan Schlegel because music is his inspiration in life. He's been making music since the age of 12. As a lifelong fan of the Sennheiser brand, Milan was delighted when a job came up doing PR for Sennheiser audio products as part of Sonova's Consumer Hearing unit. Personally and professionally, he's living his passion for great sound.

### 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.

Imani Fair was just nine years old when she was diagnosed with severe hearing loss. Her mother was worried Imani would not be able to have all the experiences a young girl should have. But getting an Advanced Bionics cochlear implant has enabled Imani to live the life she wants.

Having tried lots of hearing aid brands across his chain of 16 clinics in Florida, Michigan and Minnesota, hearing care professional Steve Reinshuttle knows what works best for his customers and for his business. Steve says Phonak’s commitment to innovation in audiology is second to none. And since his field of expertise is audiology rather than marketing, he really appreciates the business support that Phonak provides.

## 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 $CO_2$ 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, which is part of the Sonova Annual 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.

Robert Spoerry
Chair of the Board of Directors

Arnd Kaldowski
CEO

# Financial review

## Sales development driven by acquisitions and solid organic growth

Sonova Group sales reached CHF 3,738.4 million in the 2022/23 financial year, an increase of 14.6% in local currencies and 11.1% in Swiss francs. Sales were supported by the successful launch of the Phonak Lumity platform in August 2022, as well as by price increases implemented to offset inflationary pressures. The development was held back by a slower than anticipated momentum in certain key hearing care markets, and the non-renewal of a large contract with a single US customer. Groupwide organic growth was 2.3%, or 4.5% excluding the previously mentioned non-renewal of a large contract. Acquisitions, including the significant expansion of Sonova's audiological care network with the acquisition of Alpaca Audiology in the United States and of HYSOUND in China, and the addition of the Sennheiser Consumer Division, contributed 12.3% to sales growth. Exchange rate fluctuations had a significant negative impact, reducing reported sales by CHF 116.3 million or 3.5%.

## Slowing market momentum affecting growth

Sales in Europe, Middle East and Africa (EMEA) were up 13.1% in local currencies. Despite macroeconomic headwinds, the development in some countries, including the Netherlands and Austria, and in distributor markets, remained robust. Growth was further lifted by the acquisition of the Sennheiser Consumer Division as well as the continued expansion of the audiological care network. Regional growth was dampened, however, by weak sales development in France after increased prior-year market volumes resulting from a change in the reimbursement system in 2021, along with softness in the UK private market and slowing momentum in Germany in the second half of the financial year.

In the United States, sales increased by 9.5% in local currency. Growth was driven by the expansion of the audiological care network, in particular through the acquisition of Alpaca Audiology. The country's relatively high proportion of out-of-pocket spending to meet hearing care costs meant that the US private market was negatively impacted by the macroeconomic headwinds in the 2022 calendar year, although it showed signs of recovery in the final quarter of the 2022/23 financial year. The non-renewal of a large hearing instruments contract with a single customer in the US also weighed significantly on sales in the second half of the 2022/23 financial year. This could only be partly offset by positive growth in deliveries to the US Department of Veterans Affairs (VA), where Sonova continues to hold a leading position.

Sales in the rest of the Americas (excluding the US) rose by 11.2% in local currencies, helped by acquisitions and the solid performance of the audiological care network in Canada and Brazil. Sales in the Asia Pacific (APAC) region increased by 40.3% in local currencies, driven by the acquisition of the Sennheiser Consumer Division, and further lifted by the acquisition of HYSOUND in China, which was completed in December 2022. Sales development also benefited from a low comparison base, due to pandemic-related lockdowns in the prior year.

### Stable organic margin development – Currency headwinds and dilution from acquisitions

In response to the macroeconomic challenges, Sonova accelerated its structural optimization initiatives over the course of the reporting period, resulting in restructuring costs of CHF 15.6 million (2021/22: CHF 13.5 million). The focus of these initiatives was on supply chain safety, including the new operations facility in Mexico serving the entire Americas region, and further network optimization in the Audiological Care business. The initiatives are expected to yield annual cost savings of around CHF 25 million once fully implemented. The acquisition of the Sennheiser Consumer Division, Alpaca Audiology, and HYSOUND resulted in transaction and integration costs of CHF 17.0 million (2021/22: CHF 12.0 million). In addition, the Group incurred legal costs of CHF 6.2 million, mainly related to ongoing patent litigation (2021/22: CHF 16.0 million, including a settlement agreement in principle with the US Department of Justice). Income taxes were positively affected by CHF 9.2 million as a result of tax reforms (2021/22: CHF 17.5 million).

Adjusted figures and growth rates in this financial review exclude the items in the foregoing paragraph. For more details, please refer to the “Reconciliation of non-GAAP financial measures” table in the financial review of the full Annual Report 2022/23.

Reported gross profit amounted to CHF 2,637.4 million. Adjusted gross profit rose by 11.8% in local currencies or 7.4% in Swiss francs to CHF 2,645.1 million. Pressure on the global average selling price (ASP) due to subdued volume growth in higher-price hearing care markets was offset by the previously mentioned price increases. Profit development was also affected by continued headwinds from high transport and component costs, although these eased towards the end of the financial year. The expected dilutive effect from the acquisition of the Sennheiser Consumer Division, coupled with adverse currency exchange rate effects, made for a 2.4 percentage point decline in the adjusted gross profit margin in Swiss francs, to 70.8%. In local currencies, the gross profit margin was down 1.8 percentage points from the prior year, but showed a significant sequential improvement in the second half-year.

Excluding acquisition-related amortization, reported operating expenses were CHF 1,835.8 million (2021/22: CHF 1,657.7 million). Adjusted operating expenses before acquisition-related amortization increased 14.7% in local currencies or 11.5% in Swiss francs to CHF 1,804.7 million (2021/22: CHF 1,619.2 million). Over 80% of the increase was driven by acquisitions. The Group continued to invest in innovation, with adjusted research and development (R&D) expenses before acquisition-related amortization up by 6.2% in local currencies to CHF 242.9 million.

Adjusted sales and marketing costs before acquisition-related amortization increased by 19.1% in local currencies to CHF 1,250.6 million or 33.5% of sales (2021/22: 32.4%). This was largely driven by a shift in the business mix due to the continued expansion of the Audiological Care business, which has a higher ratio of sales and marketing costs to sales than the rest of the Group, as well as the acquisition of the Sennheiser Consumer Division. Adjusted general and administration costs before acquisition-related amortization rose by 6.3% in local currencies, reaching CHF 311.9 million or 8.3% of sales (2021/22: 8.9%). This rise was almost exclusively driven by acquisitions, partly offset by the benefit from structural optimization initiatives. In addition, costs in the 2021/22 financial year were affected by a negative one-time impact from provisions related to the business in Russia. Adjusted other income was CHF 0.6 million (2021/22: zero).

Adjusted operating profit before acquisition-related amortization (EBITA) rose by 6.1% in local currencies and declined by 0.5% in Swiss francs to CHF 840.4 million (2021/22: CHF 844.4 million). The adjusted EBITA margin reached 22.5%, down 2.6 percentage points compared to the prior year but up 0.3 percentage points in local currencies excluding acquisitions. Exchange rate developments reduced the adjusted EBITA by CHF 55.5 million and the margin by 0.7 percentage points. Reported EBITA grew by 6.7% in local currencies but declined by 0.2% in Swiss francs to CHF 801.6 million. Acquisition-related amortization amounted to CHF 54.9 million (2021/22: CHF 42.9 million), reflecting recent acquisitions. Reported operating profit (EBIT) reached CHF 746.7 million (2021/22: CHF 760.0 million), down 1.8% in Swiss francs.

### Solid increase in EPS

Net financial expenses, including the result from associates, were largely unchanged at CHF 31.0 million (2021/22: CHF 31.8 million). Income taxes amounted to CHF 57.4 million (2021/22: CHF 64.5 million). Income taxes were reduced by CHF 9.2 million due to effects related to tax reforms (2021/22: CHF 17.5 million), and by CHF 0.5 million from the release of tax provisions (2021/22: CHF 26.6 million). The underlying tax rate stood at 9.7% (2021/22: 14.5%). This reflects the temporary impact of the later than expected implementation of the global minimum tax (Pillar 2), as well as considering the temporary initial safe harbor exemptions and related impact on deferred tax balances. Basic earnings per share (EPS) reached CHF 10.75, up 11.4% in local currencies or 3.2% in Swiss francs. Adjusted EPS rose 11.5% in local currencies or 3.5% in Swiss francs to CHF 11.14, compared to CHF 10.76 in the prior year.

### Hearing Instruments segment – Growth mainly driven by acquisitions

Sales in the Hearing Instruments segment reached CHF 3,451.5 million, an increase of 15.7% in local currencies and 11.9% in Swiss francs compared to the prior year. Organic development was held back by slower than anticipated momentum in certain key hearing care markets, and the non-renewal of a contract with a large US customer, partly offset by price increases. Organic sales growth reached 2.3%, while the contribution from acquisitions in the reporting period (including the full-year effect of prior year acquisitions) lifted sales by 13.4% or CHF 412.9 million. Key contributors were the acquisitions of the Sennheiser Consumer Division and Alpaca Audiology, which were only consolidated in the final month of the 2021/22 financial year. Exchange rate fluctuations reduced reported sales by CHF 115.4 million or 3.7% in Swiss francs.

The Hearing Instruments business generated sales of CHF 1,809.3 million, up by 0.2% in local currencies. Sales development was supported by a favorable market response to the new Phonak Lumity platform launched at the end of August 2022, but was held back in the second half of the financial year by the previously mentioned non-renewal of a contract with a large US customer. Excluding the latter, organic growth of the business reached 4.1%. Pressure on the global ASP from a shift in the country mix was compensated by price increases, resulting in a positive ASP development for the year.

The recently formed Consumer Hearing business generated sales of CHF 284.3 million. Despite a challenging consumer devices market, the recently acquired Sennheiser Consumer Division delivered on plan, supported by a series of successful product launches, including the MOMENTUM True Wireless 3 earbuds and the MOMENTUM 4 wireless noise-canceling headphones. With the introduction of the Sennheiser Conversation Clear Plus, the Consumer Hearing business established a new category of early-entry hearing solutions, a key strategic rationale for acquiring the Sennheiser Consumer Division.

Sales in the Audiological Care business were CHF 1,357.8 million, up 15.7% in local currencies. Organic growth reached 4.5%, supported by good growth in Canada, the Netherlands, the Nordic countries, and Austria. Bolt-on acquisition activity remained high throughout the year, with a particular focus on the United States, Canada, Germany, and France. A key highlight was the acquisition of HYSOUND, completed in December 2022; this added around 200 clinics in the fast-growing China market and provides a strong platform for further expansion. In total, acquisitions lifted sales by 11.2%, primarily from the acquisition of Alpaca Audiology in the United States. Including new store openings, the number of points of sale rose by over 300 to more than 3,900.

Reported EBITA for the Hearing Instruments segment amounted to CHF 771.4 million, up 4.8% in local currencies. Adjusted EBITA increased by 5.7% in local currencies to CHF 804.5 million, corresponding to an EBITA margin of 23.3% (2021/22: 26.2%). The margin decline was driven exclusively by acquisitions and the adverse impact from exchange rate fluctuations.

### Cochlear Implants segment – Solid growth in system sales

Sales in the Cochlear Implants business reached CHF 286.9 million, an increase of 2.8% in local currencies or 2.5% in Swiss francs. This was achieved despite supply constraints and hospital staffing shortages. System sales were up by 5.1% in local currencies, reflecting strong growth in North America, but were held back by an injunction, which prevented Advanced Bionics from selling its HiRes™ Ultra 3D cochlear implant in and from Germany (until the temporary suspension of the enforcement of the injunction in October 2022). Sales of upgrades and accessories were supported by the continued global rollout of the Naída™ CI Marvel and Sky CI™ Marvel sound processors. Against a high comparison base, sales declined by 1.0% in local currencies.

Reported EBITA for the Cochlear Implants segment was CHF 30.1 million. The adjusted EBITA reached CHF 35.9 million (2021/22: CHF 36.8 million), representing a margin of 12.5% (2021/22: 13.2%). The margin development was adversely impacted by the strength of the US dollar. Excluding currency developments, the margin improved by 1.5 percentage points.

### Cash flow

Cash flow from operating activities reached CHF 783.9 million (2021/22: CHF 941.1 million). The development was in part due to higher tax payments, cash outflows related to product liabilities, and stable trade payables (these had increased in 2021/22). It also reflects the build-up of trade receivables related to the acquisition of the Sennheiser Consumer Division. Net purchase of tangible and intangible assets increased to CHF 152.3 million (2021/22: CHF 104.8 million), driven by investments in infrastructure, including the new operations facility for the Americas region in Mexico, which will expand Sonova's global manufacturing capabilities for the Hearing Instruments and Cochlear Implants businesses, and in IT projects. This resulted in an operating free cash flow of CHF 535.6 million (2021/22: CHF 763.7 million).

Reflecting the continued expansion of the Group's audiological care network, the cash consideration for acquisitions, including HYSOUND in China, amounted to CHF 261.1 million. This is down from CHF 596.2 million in the prior year, which included the acquisition of the Sennheiser Consumer Division and Alpaca Audiology. In summary, this resulted in a free cash flow of CHF 274.4 million (2021/22: CHF 167.6 million). The cash outflow from financing activities of CHF 545.2 million reflects the dividend payment of CHF 267.6 million and net share repurchases of CHF 486.5 million, mainly related to the share buyback program, partly offset by net proceeds from borrowings of CHF 319.2 million.

### Balance sheet

Cash and cash equivalents stood at CHF 413.9 million compared to CHF 610.5 million at the end of the 2021/22 financial year. Net working capital was CHF 89.5 million (end of 2021/22: CHF –15 million). Receivable collection continued to be strong while the Group maintained higher safety stock to address supply shortages of microelectronic components. The increase mainly reflects the previously mentioned build-up of trade receivables related to the acquisition of the Sennheiser Consumer Division, along with lower accruals. Driven mainly by the higher M&A activity, capital employed increased to CHF 3,727.3 million compared to CHF 3,439.1 million at the end of the 2021/22 financial year.

The Group's equity of CHF 2,231.4 million represents an equity ratio of 40.2%, down from 43.5% at end of the 2021/22 financial year. The decrease mainly reflects share purchases under the share buyback program, dividend payments, and negative currency effects. Purchases of CHF 421.5 million under the new share buyback program also impacted the net debt position, which increased to CHF 1,495.9 million compared to CHF 1,006.3 million at the end of March 2022. The net debt/EBITDA ratio stood at 1.5x, which is at the upper end of Sonova's target range of 1.0–1.5x. The return on capital employed (ROCE) reached 20.8% compared to 24.1% in the prior year.

# Consolidated financial statements

## Consolidated income statement

| CHF million | 2022/23 | 2021/22 |
|---|---|---|
| **Sales** | **3,738.4** | **3,363.9** |
| Cost of sales | (1,101.0) | (903.3) |
| **Gross profit** | **2,637.4** | **2,460.7** |
| Research and development[1] | (244.6) | (230.5) |
| Sales and marketing[1] | (1,316.4) | (1,137.6) |
| General and administration | (330.2) | (320.9) |
| Other income | 0.6 | 0.1 |
| Other expenses | 0.0 | (11.6) |
| **Operating profit (EBIT)[2]** | **746.7** | **760.0** |
| Financial income | 15.0 | 1.7 |
| Financial expenses | (49.9) | (36.5) |
| Share of profit/(loss) in associates/joint ventures, net | 3.9 | 3.0 |
| **Income before taxes** | **715.6** | **728.2** |
| Income taxes | (57.4) | (64.5) |
| **Income after taxes** | **658.3** | **663.6** |
| | | |
| Attributable to: | | |
| Equity holders of the parent | 647.5 | 649.0 |
| Non-controlling interests | 10.7 | 14.7 |
| | | |
| Basic earnings per share (CHF) | 10.75 | 10.42 |
| Diluted earnings per share (CHF) | 10.72 | 10.35 |

1) Includes acquisition-related amortization of CHF 1.6 million (previous year: CHF 0.6 million) in "Research and development" and CHF 53.3 million (previous year: CHF 42.4 million) in "Sales and marketing". EBITA (Earnings before financial result, share of profit/(loss) in associates/joint ventures, taxes and acquisition-related amortization) amounts to CHF 801.6 million (previous year: CHF 802.9 million).
2) Earnings before financial result, share of profit/(loss) in associates/joint ventures and taxes (EBIT).

# Consolidated statement of comprehensive income

| CHF million | 2022/23 | 2021/22 |
|---|---|---|
| **Income after taxes** | **658.3** | **663.6** |
| | | |
| **Other comprehensive income** | | |
| Actuarial (loss)/gain from defined benefit plans, net | (36.9) | 55.7 |
| Tax effect on actuarial result from defined benefit plans, net | 6.5 | (9.1) |
| **Total items not to be reclassified to income statement in subsequent periods** | **(30.4)** | **46.6** |
| Currency translation differences | (121.9) | (113.1) |
| Tax effect on currency translation items | 4.9 | 7.6 |
| **Total items to be reclassified to income statement in subsequent periods** | **(117.0)** | **(105.5)** |
| **Other comprehensive income, net of tax** | **(147.4)** | **(58.9)** |
| **Total comprehensive income** | **510.8** | **604.8** |
| | | |
| Attributable to: | | |
| Equity holders of the parent | 501.6 | 591.6 |
| Non-controlling interests | 9.3 | 13.2 |

# Consolidated balance sheet

| **Assets** CHF million | **31.3.2023** | **31.3.2022** |
|---|---|---|
| Cash and cash equivalents | 413.9 | 610.5 |
| Trade receivables and other current financial assets | 535.7 | 482.7 |
| Inventories | 419.1 | 412.7 |
| Other current operating assets and income tax receivables | 144.1 | 153.7 |
| **Total current assets** | **1,512.9** | **1,659.7** |
| Property, plant and equipment | 371.1 | 358.9 |
| Right-of-use assets | 288.4 | 273.8 |
| Intangible assets | 3,057.9 | 2,948.9 |
| Investments in associates/joint ventures | 18.7 | 22.3 |
| Other non-current financial and operating assets | 52.6 | 42.0 |
| Retirement benefit asset | | 39.7 |
| Deferred tax assets | 250.9 | 242.9 |
| **Total non-current assets** | **4,039.6** | **3,928.5** |
| **Total assets** | **5,552.5** | **5,588.2** |

| **Liabilities and equity** CHF million | **31.3.2023** | **31.3.2022** |
|---|---|---|
| Current financial liabilities | 22.2 | 374.2 |
| Current lease liabilities | 73.4 | 68.8 |
| Trade payables | 192.9 | 189.2 |
| Current income tax liabilities | 171.9 | 177.6 |
| Short-term contract liabilities | 115.8 | 106.7 |
| Other short-term operating liabilities | 373.9 | 437.5 |
| Short-term provisions | 154.0 | 151.6 |
| **Total current liabilities** | **1,104.2** | **1,505.7** |
| Non-current financial liabilities | 1,591.6 | 959.9 |
| Non-current lease liabilities | 223.5 | 215.5 |
| Long-term provisions | 91.2 | 132.6 |
| Long-term contract liabilities | 184.0 | 187.3 |
| Retirement benefit obligation | 12.8 | 15.7 |
| Deferred tax liabilities | 113.9 | 138.8 |
| **Total non-current liabilities** | **2,217.0** | **1,649.8** |
| **Total liabilities** | **3,321.1** | **3,155.4** |
| **Equity** | **2,231.4** | **2,432.8** |
| **Total liabilities and equity** | **5,552.5** | **5,588.2** |

# Consolidated cash flow statement

| CHF million | 2022/23 | 2021/22 |
|---|---|---|
| **Income before taxes** | **715.6** | **728.2** |
| Depreciation, amortization and impairment of tangible and intangible assets and right-of-use assets | 239.7 | 211.1 |
| Loss on sale of tangible and intangible assets, net | 1.9 | 0.3 |
| Share of (profit)/loss in associates/joint ventures, net | (3.9) | (3.0) |
| Decrease in long-term provisions and long-term contract liabilities | (33.6) | (3.2) |
| Financial (income)/expense, net excl. cash flow from management of foreign currencies and exchange (gains)/losses | 14.6 | 34.9 |
| Share based payments | 21.0 | 33.5 |
| Other non-cash items | (11.0) | 5.0 |
| Income taxes paid | (86.8) | (46.7) |
| **Cash flow before changes in net working capital** | **857.5** | **960.1** |
| Increase in trade receivables | (67.3) | (36.2) |
| Increase in inventories | (7.7) | (55.2) |
| Increase in trade payables | 5.2 | 74.5 |
| Other, net | (3.8) | (1.9) |
| **Cash flow from operating activities** | **783.9** | **941.1** |
| Purchase of tangible and intangible assets | (154.3) | (106.6) |
| Cash consideration for acquisitions, net of cash acquired | (261.1) | (594.1) |
| Cash consideration for associates | | (2.1) |
| Other, net | (12.9) | (3.2) |
| **Cash flow from investing activities** | **(428.3)** | **(705.9)** |
| Proceeds from/(Repayment of) borrowings, net | 319.2 | (360.0) |
| Repayment of lease liabilities | (75.9) | (64.0) |
| Share buyback program | (446.2) | (678.1) |
| (Purchase)/Sale of treasury shares, net | (40.3) | (53.5) |
| Dividends paid by Sonova Holding AG | (267.6) | (201.6) |
| Other, net | (34.4) | (35.1) |
| **Cash flow from financing activities** | **(545.2)** | **(1,392.4)** |
| Exchange losses on cash and cash equivalents | (7.0) | (4.5) |
| **Decrease in cash and cash equivalents** | **(196.6)** | **(1,161.7)** |
| Cash and cash equivalents at the beginning of the financial year | 610.5 | 1,772.2 |
| **Cash and cash equivalents at the end of the financial year** | **413.9** | **610.5** |

# Consolidated changes in equity

CHF million

| | Attributable to equity holders of Sonova Holding AG | | | | | |
|---|---|---|---|---|---|---|
| | Share capital | Retained earnings and other reserves | Translation adjustment | Treasury shares | Non-controlling interests | Total equity |
| **Balance April 1, 2021** | **3.2** | **3,370.2** | **(318.6)** | **(306.9)** | **24.5** | **2,772.5** |
| Total comprehensive income | | 695.6 | (104.0) | | 13.2 | 604.8 |
| Capital decrease – share buyback program | (0.1) | (277.5) | | 277.5 | | |
| Share-based payments | | 5.4 | | 23.5 | | 28.9 |
| Sale of treasury shares[1] | | (41.2) | | 67.5 | | 26.3 |
| Purchase of treasury shares | | | | (782.6) | | (782.6) |
| Dividend paid | | (201.6) | | | (15.4) | (217.0) |
| **Balance March 31, 2022** | **3.2** | **3,550.8** | **(422.6)** | **(721.0)** | **22.3** | **2,432.8** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Balance April 1, 2022** | **3.2** | **3,550.8** | **(422.6)** | **(721.0)** | **22.3** | **2,432.8** |
| Total comprehensive income | | 617.2 | (115.6) | | 9.3 | 510.8 |
| Capital decrease – share buyback program | (0.1) | (702.7) | | 702.8 | | |
| Share-based payments | | 8.1 | | 21.1 | | 29.2 |
| Sale of treasury shares[1] | | (29.2) | | 46.0 | | 16.7 |
| Purchase of treasury shares | | | | (477.9) | | (477.9) |
| Dividend paid | | (267.6) | | | (12.7) | (280.3) |
| **Balance March 31, 2023** | **3.1** | **3,176.6** | **(538.2)** | **(429.0)** | **18.9** | **2,231.4** |

[1] In relation to long-term equity incentive plans.

# Financial statements of Sonova Holding AG

## Income statement

| CHF million | **2022/23** | **2021/22** |
|---|---:|---:|
| **Income** | | |
| Investment income | 326.8 | 270.4 |
| Financial income | 17.9 | 20.0 |
| **Total income** | **344.6** | **290.4** |
| | | |
| **Expenses** | | |
| Administration and other expenses | (11.5) | (12.7) |
| Depreciation and amortization | 0.0 | (8.6) |
| Financial expenses | (62.5) | (79.1) |
| Direct taxes | (0.5) | (0.2) |
| **Total expenses** | **(74.5)** | **(100.5)** |
| **Net profit for the year** | **270.1** | **189.9** |

## Balance sheet

| **Assets** CHF million | **31.3.2023** | **31.3.2022** |
|---|---:|---:|
| Cash and cash equivalents | 4.8 | 152.3 |
| Other receivables, group companies | 24.4 | 5.4 |
| Prepaid expenses and other receivables, third parties | 0.4 | 2.4 |
| **Total current assets** | **29.6** | **160.1** |
| Financial assets, third parties | 2.0 | 1.5 |
| Financial assets, group companies | 1,539.8 | 1,567.9 |
| Investments | 498.4 | 477.4 |
| **Total non-current assets** | **2,040.2** | **2,046.8** |
| **Total assets** | **2,069.8** | **2,206.9** |

| **Liabilities and shareholders' equity** CHF million | **31.3.2023** | **31.3.2022** |
|---|---|---|
| Trade account payables, third parties | 0.1 | 0.0 |
| Short-term interest-bearing liabilities, third parties | 4.8 | 4.7 |
| Short-term interest-bearing liabilities, group companies | | 18.7 |
| Bond | | 330.0 |
| Other short-term liabilities, third parties | 1.2 | 24.8 |
| Accrued liabilities | 8.9 | 8.2 |
| **Total short-term liabilities** | **15.0** | **386.5** |
| Bonds | 1,514.6 | 866.2 |
| Other long-term liabilities, third parties | 0.1 | 0.2 |
| **Total long-term liabilities** | **1,514.8** | **866.4** |
| **Total liabilities** | **1,529.8** | **1,252.9** |
| Share capital | 3.1 | 3.2 |
| Legal reserves | 7.5 | 13.2 |
| Balance carried forward | 682.7 | 1,457.3 |
| Net profit for the year | 270.1 | 189.9 |
| Treasury shares | (423.3) | (709.6) |
| **Total shareholders' equity** | **540.0** | **954.0** |
| **Total liabilities and shareholders' equity** | **2,069.8** | **2,206.9** |

# Appropriation of available earnings

As proposed by the Board of Directors to the Annual General Shareholders' Meeting of June 12, 2023:

| CHF million | **31.3.2023** |
|---|---|
| Balance carried forward from previous year | 682.7 |
| Net profit for the year | 270.1 |
| **Voluntary retained earnings** | **952.8** |
| Cancellation of treasury shares[1)] | (421.5) |
| Dividend distribution[2)] | (274.1) |
| **Balance to be carried forward** | **257.2** |

1) Subject to approval at the Annual General Shareholders' Meeting of Agenda Item 6 (Capital Reduction Through Cancellation of Shares).
2) If the Annual General Shareholders' Meeting approves the proposed appropriation of available earnings, a gross dividend of CHF 4.60 per registered share of CHF 0.05 will be paid out (previous year: CHF 4.40).

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## Financial calendar

June 12, 2023
General Shareholders' Meeting of Sonova Holding AG

November 21, 2023
Publication of Semi-Annual Report as of September 30, 2023

May 14, 2024
Publication of Annual Report as of March 31, 2024

June 11, 2024
General Shareholders' Meeting of Sonova Holding AG

## Financial information

Corporate & ad hoc news
Annual Reports
Semi-Annual Reports
IR presentations
www.sonova.com/en/investors

## Information on the General Shareholders' Meeting

Invitation and agenda
General Shareholders' Meeting presentations
General Shareholders' Meeting minutes
www.sonova.com/en/AGM

## IR online news service

IR News Service
www.sonova.com/en/services-and-contacts

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