Summary Report
2021/22

Highlights 2021/22

Sonova Group: Sales of CHF 3,364 million

Group sales were CHF 3,363.9 million, an increase of 29.0 % in local currencies and 29.3 % in Swiss francs. Organic growth reached 26.6 % in local currencies.

Hearing Instruments: Sales of CHF 3,084 million

Sales in the Hearing Instruments segment were CHF 3,084.0 million, up 27.2 % in local currencies or 27.6 % in Swiss francs. The adjusted EBITA [1] reached CHF 807.2 million, representing a margin of 26.2 %.

Cochlear Implants: Sales of CHF 280 million

Sales in the Cochlear Implants segment reached CHF 279.9 million, rising by 51.7 % both in local currencies and in Swiss francs. Adjusted EBITA [1] was CHF 36.8 million, resulting in a margin of 13.2 %.

Adjusted Group EBITA: + 39.3 % in local currencies

Adjusted Group EBITA [1] reached CHF 844.4 million, up 39.3 % in local currencies and 40.0 % in Swiss francs. As reported, Group EBITA stood at CHF 802.9 million, up 20.3 % in local currencies and 21.0 % in Swiss francs.

Strong increase in earnings per share

Adjusted earnings per share [1] increased by 38.7 % in local currencies or 39.6 % in Swiss francs to CHF 10.76.

Dividend increase of 37.5 % proposed

The Board of Directors proposes to the 2022 Annual General Shareholders' Meeting a dividend of CHF 4.40, representing an adjusted [1] payout ratio of 41 %.

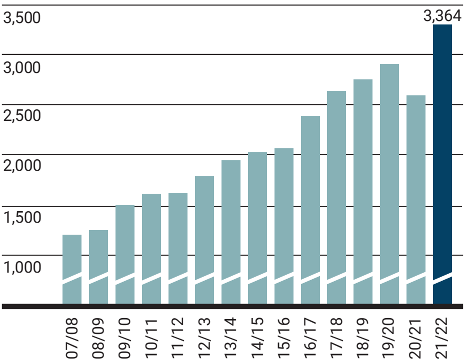
Sonova Group key figures

in CHF million unless otherwise specified	2021/22	2020/21	Change in Swiss francs	Change in local currencies
Sales	3,363.9	2,601.9	29.3 %	29.0 %
EBITA	802.9	663.3	21.0 %	20.3 %
EPS (CHF)	10.42	9.23	13.0 %	12.2 %
Operating free cash flow	763.7	602.4	26.8 %	
EBITA (adjusted)[1]	844.4	603.0	40.0 %	39.3 %
EPS (CHF) (adjusted)[1]	10.76	7.71	39.6 %	38.7 %

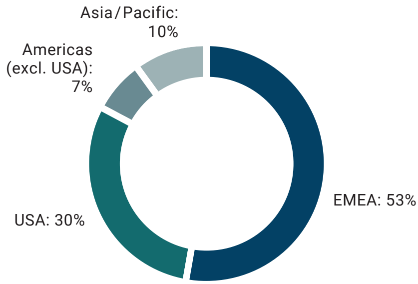
[1] Non-GAAP financial measure adjusted for nonrecurring items incl. restructuring and acquisition-related costs, certain legal items, impairments, and benefits from tax reforms; see financial review and for details see the table "Reconciliation of non-GAAP financial measures" in the Annual Report 2021/22.

Key figures 2021/22

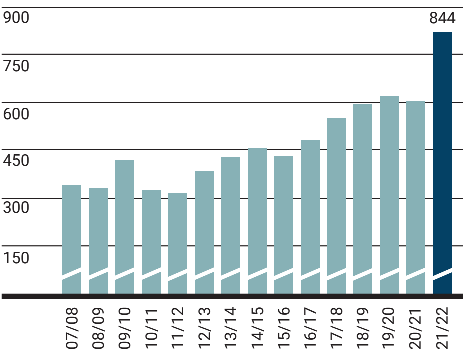
Sales in CHF m



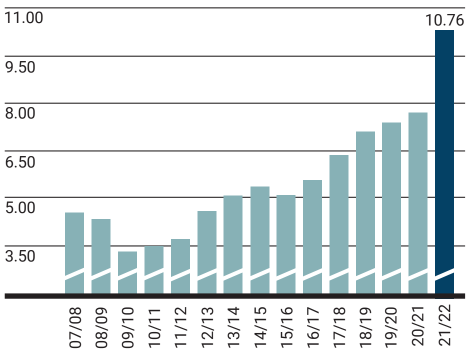
Sales by regions in 2021/22



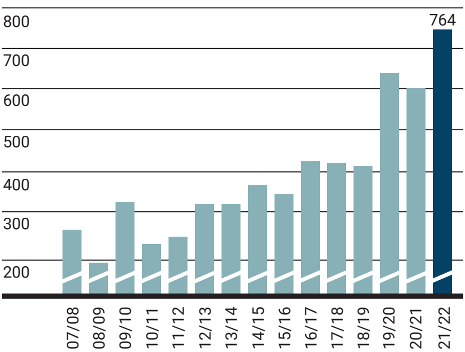
Adjusted EBITA 1) in CHF m



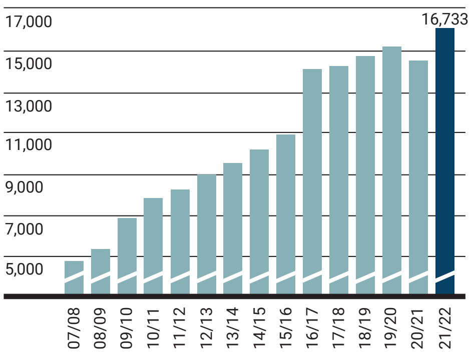
Adjusted EPS 1) in CHF



Operating free cash flow in CHF m



Number of employees



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.

Letter to shareholders

Dear shareholders,

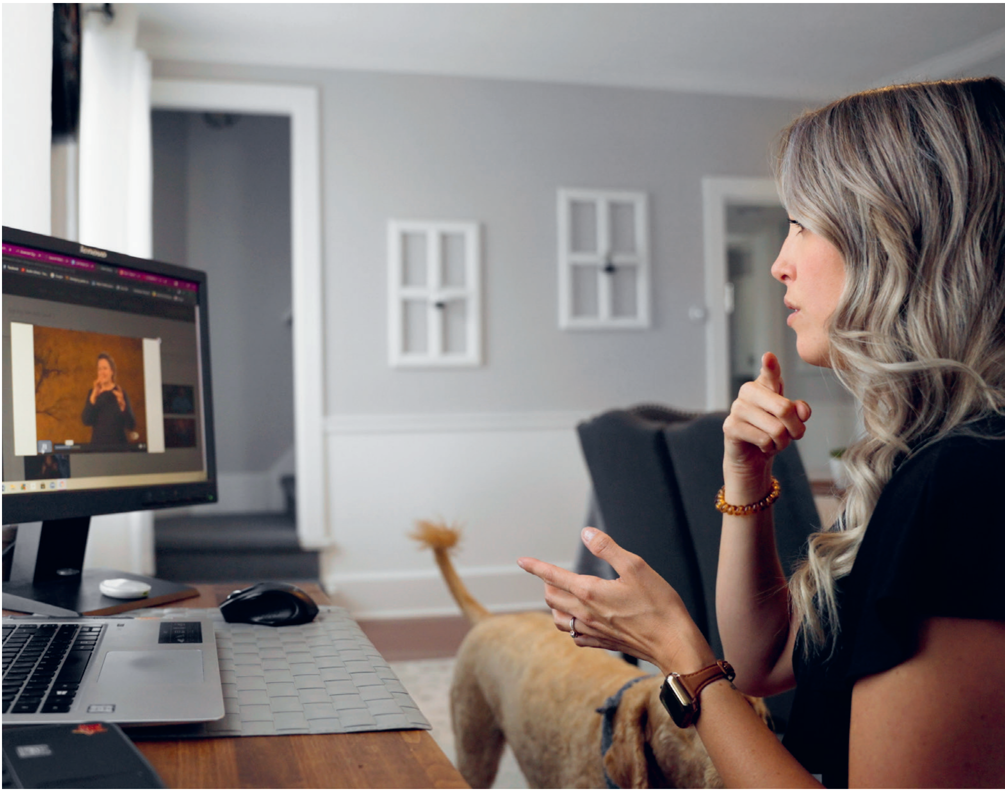
Having entered the 2021/22 financial year in a position of strength, the Sonova Group continued to make significant progress on its growth strategy, deepening consumer access by expanding sales channels organically and through acquisitions, as well as by advancing its innovative portfolio of hearing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

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

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

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

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



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 Instruments segment

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

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

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

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

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

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

Cochlear Implants segment

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

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

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

Returning cash to shareholders

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

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

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. She has gained a following on Instagram through her sports fishing prowess. “People are interested in the things I enjoy and I use that interest to share different ideas about hearing impairment,” she says.

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.”

Environmental, social, and governance (ESG)

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

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

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

Changes to the Management Board and to the Board of Directors

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

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

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

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

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

Our thanks

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

Outlook

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

Robert Spoerry
Chair of the Board of Directors

Arnd Kaldowski
CEO

Financial review

Strong growth – Sustained recovery despite residual challenges

Sonova Group sales reached CHF 3,363.9 million in the 2021/22 financial year, up 29.0 % in local currencies and 29.3 % in Swiss francs. The hearing care market continued to recover from the impacts of the COVID-19 pandemic, despite some regional differences and residual challenges. Compared to the 2019/20 financial year, which was only affected in its final weeks by the COVID-19 pandemic, sales were up 20.4 % in local currencies, representing a two-year compound annual growth rate (CAGR) of 9.7 %. Acquisitions, including the significant expansion of our audiological care store network and the addition of the Sennheiser Consumer Division in the final month of the financial year, contributed 2.4 % to the growth. The impact from exchange rate fluctuations was minimal, adding 0.3 %.

Solid recovery across all regions, led by strong growth in the United States

Sales in Europe, Middle East and Africa (EMEA) rose by 25.4 % in local currencies. The rise was supported by the strong recovery of the private market in the UK, and by a change in the reimbursement system in France, which increased market volumes throughout 2021. Despite achieving significantly higher sales overall, some important markets – including Germany, Belgium and the Netherlands – were slower to recover, dampening growth in the region.

In the United States, sales increased by 38.6 % in local currency. Sales growth was supported by the success of our most recent product introductions as well as by the renewal of a private label contract with a large hearing aid retailer. It was further aided by Sonova's leading position with the US Department of Veterans Affairs (VA) and the strong recovery in this market segment, which had been particularly hard hit by the pandemic in the prior year.

Sales in the rest of the Americas (excluding the US) increased by 32.7 % in local currencies, helped by acquisitions but held back by a slow recovery in Canada. Sales in the Asia Pacific (APAC) region rose by 19.4 % in local currencies, supported by a solid development in China but held back by temporary lockdowns in Australia and New Zealand.

Further progress on profitability despite supply chain headwinds

Sonova continued to advance its profitability while increasing its growth investments. In line with measures taken in prior years, the Group implemented additional structural optimization initiatives, resulting in restructuring costs of CHF 13.5 million (2020/21: CHF 38.9 million). These steps are expected to yield annual cost savings of around CHF 15-20 million.

The acquisition of the Sennheiser Consumer Division and Alpaca Audiology resulted in transaction and integration costs of CHF 12.0 million. In addition, the Group incurred costs of CHF 16.0 million related to a settlement agreement in principle with the US Department of Justice and ongoing patent litigation in the Cochlear Implants segment. As a result of tax reforms, income taxes were affected positively by CHF 17.5 million (2020/21: CHF 28.0 million).

In the 2020/21 financial year, the Group had also recorded one-time income of CHF 124.4 million related to the successful conclusion of a long-running patent infringement lawsuit.

Adjusted figures and growth rates in this financial review exclude these items. For more details, please refer to the table "Reconciliation of non-GAAP financial measures" in the financial review of the full Annual Report 2021/22.

Reported gross profit amounted to CHF 2,460.7 million. Adjusted gross profit rose by 30.6 % in local currencies or 31.0 % in Swiss francs to CHF 2,463.7 million. The adjusted gross profit margin was up 0.9 percentage points at 73.2 %, reflecting the structural and continuous improvement measures as well as the increase in the sales volume. This positive development was partly offset by some pressure on average selling prices (ASPs) due to a further normalization of the channel mix and higher transportation and component costs, in part as a result of the pandemic.

Excluding acquisition-related amortization, reported operating expenses were CHF 1,657.7 million (2020/21: CHF 1,210.3 million). Adjusted operating expenses before acquisition-related amortization increased by 26.4 % in local currencies or by 26.8 % in Swiss francs to CHF 1,619.2 million. Adjusted research and development (R&D) expenses before acquisition-related amortization rose at a double-digit rate for the third consecutive year in a row, growing by 28.7 % in local currencies to CHF 229.4 million. This clearly reflects the Group's long-term commitment to invest continuously in innovation and to further advance Sonova's industry leading portfolio of products and services.

Adjusted sales and marketing costs before acquisition-related amortization were CHF 1,090.1 million, an increase of 26.5 % in local currencies, reflecting the higher sales volume, ongoing investments in customer-facing resources, and temporarily higher lead generation costs in the Audiological Care business. Adjusted general and administrative costs rose by 23.5 % in local currencies to CHF 299.8 million or 8.9 % of sales (2020/21: 9.3 %). This development benefited from strong top-line growth as well as ongoing structural optimization initiatives. It also reflects ongoing investment in the new Audiological Care IT system, aimed at improving in-store and cross-business process efficiency. In addition, it was affected by a negative one-time impact from provisions related to the business in Russia. Adjusted other expenses were CHF 0.0 million (2020/21: CHF 1.4 million income).

Adjusted operating profit before acquisition-related amortization (EBITA) rose by 39.3 % in local currencies or 40.0 % in Swiss francs to CHF 844.4 million (2020/21: CHF 603.0 million). Compared to pre-pandemic levels in the 2019/20 financial year, adjusted EBITA was up by 48.2 % in local currencies. The adjusted EBITA margin reached 25.1 %, up 1.9 percentage points compared to the prior year and up 3.9 percentage points compared to the 2019/20 financial year. Exchange rate developments lifted the adjusted EBITA by CHF 4.6 million and the margin by 0.1 percentage points. Reported EBITA increased by 20.3 % in local currencies and by 21.0 % in Swiss francs to CHF 802.9 million. Acquisition-related amortization amounted to CHF 42.9 million (2020/21: CHF 43.8 million). Reported operating profit (EBIT) reached CHF 760.0 million (2020/21: CHF 619.5 million), up 22.7 % in Swiss francs.

Strong increase in earnings per share

Driven by increased borrowings and bond issues, net financial expenses, including the result from associates, increased from CHF 19.1 million to CHF 31.8 million. Income taxes amounted to CHF 64.5 million. They were reduced by CHF 17.5 million from effects related to tax reforms and by CHF 26.6 million from the release of tax provisions . The underlying tax rate stood at 14.5 % (2020/21: 12.5 %). Basic earnings per share (EPS) reached CHF 10.42, up 13.0 % in Swiss francs. Adjusted EPS increased by 38.7 % in local currencies or 39.6 % in Swiss francs to CHF 10.76, compared to CHF 7.71 in the prior year.

Hearing Instruments segment – Strong organic growth and support from acquisitions

Sales in the Hearing Instruments segment reached CHF 3,084.0 million, an increase of 27.2 % in local currencies compared to the prior year. Sales were up 19.8 % in local currencies compared to the 2019/20 financial year, representing a two-year CAGR of 9.4 %. The global hearing care market continued its recovery, despite some regional differences and residual challenges. Organic sales growth reached 24.7 %, while the contribution from acquisitions in the reporting period (including the full-year effect of prior year acquisitions) lifted sales by 2.6 % or CHF 63.3 million. This includes the recently completed acquisitions of the Sennheiser Consumer Division and Alpaca Audiology, which were consolidated in the final month of the 2021/22 financial year. Exchange rate fluctuations contributed CHF 8.2 million or 0.3 % in Swiss francs, resulting in a reported sales growth of 27.6 %.

The Hearing Instruments business generated sales of CHF 1,838.4 million, rising by 25.4 % in local currencies. Important contributors to the positive momentum were the continued strong customer response to the Phonak Paradise platform, which was further extended, as well as the successful launch of the Unitron BLU platform. Average selling prices (ASPs) were under pressure as a result of the further normalization of the channel mix.

Sales the Audiological Care business were CHF 1,236.8 million, up 29.1 % in local currencies. Organic growth reached 23.4 % with acquisitions adding 5.7 %. Bolt-on acquisition activity accelerated throughout the year with a focus on the United States, Australia, Germany and France. Momentum in the second half was negatively affected by some capacity constraints related to the surge in the COVID-19 Omicron variant. The highlight was the acquisition of Alpaca Audiology, one of the largest independent networks of audiological care clinics in the United States with around 220 clinics. With this acquisition, Sonova has doubled its US network.

Following the successful completion of the acquisition of the Sennheiser Consumer Division on March 1, 2022, the newly formed Consumer Hearing business generated sales of CHF 8.8 million during the final month of financial year 2021/22. The new business provides a strong platform for growth by combining Sennheiser's globally-recognized brand, established consumer sales channels, and strong know-how in sound delivery with Sonova's comprehensive expertise in audiological performance and miniaturization.

Reported EBITA for the Hearing Instruments segment amounted to CHF 782.9 million, an increase of 34.2 % in local currencies. Adjusted EBITA increased by 30.2 % in local currencies to CHF 807.2 million, corresponding to an EBITA margin of 26.2 % (2020/21: 25.5 %). Exchange rate fluctuations did not have a material impact on the margin development compared to the prior year.

Cochlear Implants segment – Return to profitable growth

The Cochlear Implants business achieved sales of CHF 279.9 million, an increase of 51.7 % both in local currencies and in Swiss francs versus prior year. The strong growth was driven by the success of two recently launched sound processors – Naída™ CI Marvel for adults and Sky CI™ Marvel designed for children. Elective surgeries picked up at the start of the year but volumes were negatively affected by supply shortages as well as by rising infection rates from COVID-19 variants leading to hospital staffing shortages in the second half of the 2021/22 financial year.

Reported EBITA for the Cochlear Implants segment reached CHF 19.7 million. This includes costs related to the above-mentioned settlement agreement in principle and patent litigation of CHF 16.0 million. In the prior year, the reported EBITA of CHF 82.4 million had included restructuring costs of CHF 2.3 million, a one-time income of CHF 124.4 million from the award in a patent infringement lawsuit and a CHF 25.3 million impairment of capitalized development costs. Supported by the strong revenue development as well as good progress made in our productivity improvement and efficiency enhancement measures, the adjusted EBITA reached CHF 36.8 million (2020/21: adjusted EBITA loss of CHF 14.3 million). This resulted in an adjusted EBITA margin of 13.2 %, reaching double-digits for the first time in the history of the segment.

Solid cash flow

Cash flow from operating activities was CHF 941.1 million, up 23.1 % compared to the prior year. Main driver for the increase was the strong operating result, supported by less tax payments (timing impacts) and positive impact from the changes in net working capital mainly in regards to trade payables. Net investments in tangible and intangible assets increased to CHF 104.8 million (2020/21: CHF 86.8 million), reflecting a normalization in capital expenditure after the reduction during the height of the pandemic. Operating free cash flow increased by 26.8 % to CHF 763.7 million.

With the increase in M&A activity, including the acquisition of the Sennheiser Consumer Division and Alpaca Audiology, the cash consideration for acquisitions increased significantly to CHF 596.2 million (2020/21: CHF 30.5 million). In summary, this resulted in a free cash flow of CHF 167.6 million (2020/21: CHF 571.9 million). The cash outflow from financing activities of CHF 1,392.4 million reflects the repayment of a bond of CHF 360.0 million, the dividend payment of CHF 201.6 million and net share repurchases of CHF 731.6 million, mainly related to the share buyback program.

Sound balance sheet – Further increase in return on capital

Net working capital fell to CHF –15.0 million, compared to CHF 29.6 million at the end of the prior year. Receivable collection continued to be strong while the Group allowed for an increase in inventories related to safety stock to manage supply shortages of microelectronic components. Increase in short term assets was over-compensated by an increase in trade payables of CHF 86.0 million and additional increases mainly in regards to VAT and withholding tax payables (share buy-back program). Driven mainly by the higher M&A activity, capital employed increased to CHF 3,439.1 million compared to CHF 2,855.7 million at the end of March 2021.

The Group's equity position amounted to CHF 2,432.8 million, down from CHF 2,772.5 million in the previous year. The result was an equity ratio of 43.5 %. This was mainly driven by share purchases under the share buyback program and dividend payments. Coupled with the higher acquisition activity this resulted in an increase of the net debt position, which reached CHF 1,006.3 million compared to CHF 83.3 million at the end of the prior year. The return on capital employed (ROCE) improved significantly to 24.1 % from 22.3 % in the prior year.

Consolidated financial statements

Consolidated income statement

CHF million	2021/22	2020/21
Sales	**3,363.9**	**2,601.9**
Cost of sales	(903.3)	(728.3)
Gross profit	**2,460.7**	**1,873.5**
Research and development[1)]	(230.5)	(204.8)
Sales and marketing[1)]	(1,137.6)	(924.1)
General and administration	(320.9)	(250.9)
Other income	0.1	135.6
Other expenses	(11.6)	(9.8)
Operating profit (EBIT)[2)]	**760.0**	**619.5**
Financial income	1.7	5.0
Financial expenses	(36.5)	(26.0)
Share of profit/(loss) in associates/joint ventures, net	3.0	1.9
Income before taxes	**728.2**	**600.4**
Income taxes	(64.5)	(15.2)
Income after taxes	**663.6**	**585.3**
Attributable to:		
Equity holders of the parent	649.0	581.0
Non-controlling interests	14.7	4.3
Basic earnings per share (CHF)	10.42	9.23
Diluted earnings per share (CHF)	10.35	9.19

1) Includes acquisition-related amortization of CHF 0.6 million (previous year: CHF 0.9 million) in "Research and development" and CHF 42.4 million (previous year: CHF 42.9 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 802.9 million (previous year: CHF 663.3 million).
2) Earnings before financial result, share of profit/(loss) in associates/joint ventures and taxes (EBIT).

Consolidated statement of comprehensive income

CHF million	2021/22	2020/21
Income after taxes	**663.6**	**585.3**
Other comprehensive income		
Actuarial gain/(loss) from defined benefit plans, net	55.7	55.7
Tax effect on actuarial result from defined benefit plans, net	(9.1)	(6.6)
Total items not to be reclassified to income statement in subsequent periods	**46.6**	**49.1**
Currency translation differences	(113.1)	90.4
Tax effect on currency translation items	7.6	(0.2)
Total items to be reclassified to income statement in subsequent periods	**(105.5)**	**90.2**
Other comprehensive income, net of tax	**(58.9)**	**139.3**
Total comprehensive income	**604.8**	**724.6**
Attributable to:		
Equity holders of the parent	591.6	718.3
Non-controlling interests	13.2	6.3

Consolidated balance sheet

Assets CHF million	**31.3.2022**	**31.3.2021**
Cash and cash equivalents	610.5	1,772.2
Trade receivables and other current financial assets	482.7	445.6
Inventories	412.7	302.3
Other current operating assets and income tax receivables	153.7	101.3
Total current assets	**1,659.7**	**2,621.4**
Property, plant and equipment	358.9	335.3
Right-of-use assets	273.8	261.6
Intangible assets	2,948.9	2,421.8
Investments in associates/joint ventures	22.3	19.7
Other non-current financial and operating assets	42.0	45.1
Retirement benefit asset	39.7	
Deferred tax assets	242.9	220.7
Total non-current assets	**3,928.5**	**3,304.2**
Total assets	**5,588.2**	**5,925.6**

Liabilities and equity CHF million	**31.3.2022**	**31.3.2021**
Current financial liabilities	374.2	375.7
Current lease liabilities	68.8	58.9
Trade payables	189.2	103.2
Current income tax liabilities	177.6	128.1
Short-term contract liabilities	106.7	101.5
Other short-term operating liabilities	437.5	338.2
Short-term provisions	151.6	148.1
Total current liabilities	**1,505.7**	**1,253.8**
Non-current financial liabilities	959.9	1,208.9
Non-current lease liabilities	215.5	212.4
Long-term provisions	132.6	144.7
Long-term contract liabilities	187.3	200.5
Retirement benefit obligation	15.7	21.3
Deferred tax liabilities	138.8	111.5
Total non-current liabilities	**1,649.8**	**1,899.4**
Total liabilities	**3,155.4**	**3,153.1**
Equity	**2,432.8**	**2,772.5**
Total liabilities and equity	**5,588.2**	**5,925.6**

Consolidated cash flow statement

CHF million	2021/22	2020/21
Income before taxes	**728.2**	**600.4**
Depreciation, amortization and impairment of tangible and intangible assets and right-of-use assets	211.1	222.7
Loss on sale of tangible and intangible assets, net	0.3	3.2
Share of (profit)/loss in associates/joint ventures, net	(3.0)	(1.9)
Decrease in long-term provisions and long-term contract liabilities	(3.2)	(9.2)
Financial (income)/expense, net	34.9	21.0
Share based payments	33.5	31.3
Other non-cash items	5.0	14.5
Income taxes paid	(46.7)	(76.3)
Cash flow before changes in net working capital	**960.1**	**805.7**
Increase in trade receivables	(36.2)	(45.7)
Increase in inventories	(55.2)	(36.3)
Increase/(decrease) in trade payables	74.5	(3.2)
Other, net	(1.9)	43.9
Cash flow from operating activities	**941.1**	**764.4**
Purchase of tangible and intangible assets	(106.6)	(89.2)
Cash consideration for acquisitions, net of cash acquired	(594.1)	(29.3)
Cash consideration for associates	(2.1)	(1.2)
Other, net	(3.2)	(2.0)
Cash flow from investing activities	**(705.9)**	**(121.8)**
(Repayment of)/Proceeds from borrowings, net	(360.0)	772.5
Repayment of lease liabilities	(64.0)	(66.7)
Share buyback program	(678.1)	(25.1)
(Purchase)/Sale of treasury shares, net	(53.5)	7.1
Dividends paid by Sonova Holding AG	(201.6)	(0.2)
Other, net	(35.1)	(11.5)
Cash flow from financing activities	**(1,392.4)**	**676.1**
Exchange (losses)/gains on cash and cash equivalents	(4.5)	3.3
(Decrease)/Increase in cash and cash equivalents	**(1,161.7)**	**1,322.0**
Cash and cash equivalents at the beginning of the financial year	1,772.2	450.2
Cash and cash equivalents at the end of the financial year	**610.5**	**1,772.2**

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, 2020	**3.2**	**2,849.0**	**(406.8)**	**(447.5)**	**18.2**	**2,016.2**
Total comprehensive income		630.1	88.2		6.3	724.6
Share-based payments		6.1		18.8		24.9
Sale of treasury shares[1)]		(14.6)		31.4		16.8
Purchase of treasury shares				(9.7)		(9.7)
Dividend paid		(100.4)		100.2		(0.2)
Balance March 31, 2021	**3.2**	**3,370.2**	**(318.6)**	**(306.9)**	**24.5**	**2,772.5**

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**

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

Financial statements of Sonova Holding AG

Income statement

CHF million	2021/22	2020/21
Income		
Investment income	270.4	211.8
Financial income	20.0	26.0
Total income	**290.4**	**237.7**

Expenses		
Administration and other expenses	(12.7)	(11.4)
Depreciation and amortization	(8.6)	(6.7)
Financial expenses	(79.1)	(21.2)
Direct taxes	(0.2)	(0.2)
Total expenses	**(100.5)**	**(39.5)**
Net profit for the year	**189.9**	**198.3**

Balance sheet

Assets CHF million	31.3.2022	31.3.2021
Cash and cash equivalents	152.3	935.9
Financial assets	0.0	80.0
Other receivables, group companies	5.4	5.6
Prepaid expenses and other receivables, third parties	2.4	1.7
Total current assets	**160.1**	**1,023.3**
Loans, third parties	1.5	2.1
Loans, group companies	1,567.9	1,893.0
Investments	477.4	314.4
Total non-current assets	**2,046.8**	**2,209.5**
Total assets	**2,206.9**	**3,232.8**

Liabilities and shareholders' equity CHF million	**31.3.2022**	**31.3.2021**
Trade account payables, third parties	0.0	0.1
Short-term interest-bearing liabilities, third parties	4.7	4.7
Short-term interest-bearing liabilities, group companies	18.7	
Bond	330.0	360.0
Other short-term liabilities, third parties	24.8	0.1
Accrued liabilities	8.2	4.0
Total short-term liabilities	**386.5**	**368.9**
Bonds	866.2	1,199.7
Other long-term liabilities, third parties	0.2	0.2
Total long-term liabilities	**866.4**	**1,200.0**
Total liabilities	**1,252.9**	**1,568.9**
Share capital	3.2	3.2
Legal reserves	13.2	37.4
Balance carried forward	1,457.3	1,714.9
Net profit for the year	189.9	198.3
Treasury shares	(709.6)	(289.9)
Total shareholders' equity	**954.0**	**1,663.9**
Total liabilities and shareholders' equity	**2,206.9**	**3,232.8**

Appropriation of available earnings

As proposed by the Board of Directors to the Annual General Shareholders' Meeting of June 15, 2022:

CHF million	**31.3.2022**
Balance carried forward from previous year	1,457.3
Net profit for the year	189.9
Voluntary retained earnings	**1,647.2**
Cancellation of treasury shares[1]	(702.8)
Dividend distribution[2]	(268.8)
Balance to be carried forward	**675.7**

[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 4.40 per registered share of CHF 0.05 will be paid out (previous year: CHF 3.20).

Contacts:

Investor Relations
Thomas Bernhardsgrütter
Phone + 41 58 928 33 44
Email thomas.bernhardsgruetter@sonova.com

Media Relations
Karl Hanks
Phone + 41 58 928 33 23
Email karl.hanks@sonova.com

Financial calendar

June 15, 2022
General Shareholders' Meeting of Sonova Holding AG

November 14, 2022
Publication of Semi-Annual Report as of September 30, 2022

May 16, 2023
Publication of Annual Report as of March 31, 2023

June 12, 2023
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

Sonova Holding AG
Laubisrütistrasse 28
8712 Stäfa
Switzerland

Phone + 41 58 928 33 33
Fax + 41 58 928 33 99
Email ir@sonova.com
Website www.sonova.com

Disclaimer

This report contains forward-looking statements, which offer no guarantee with regard to future performance. These statements are made on the basis of management's views and assumptions regarding future events and business performance at the time the statements are made. They are subject to risks and uncertainties including, but not confined to, future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside Sonova's control. Should one or more of these risks or uncertainties materialize or should underlying assumptions prove incorrect, actual outcomes may vary materially from those forecasted or expected. Each forward-looking statement speaks only as of the date of the particular statement, and Sonova undertakes no obligation to publicly update or revise any forward-looking statements, except as required by law.

Our Brands

PHONAK unitron AudioNova SENNHEISER ADVANCED BIONICS