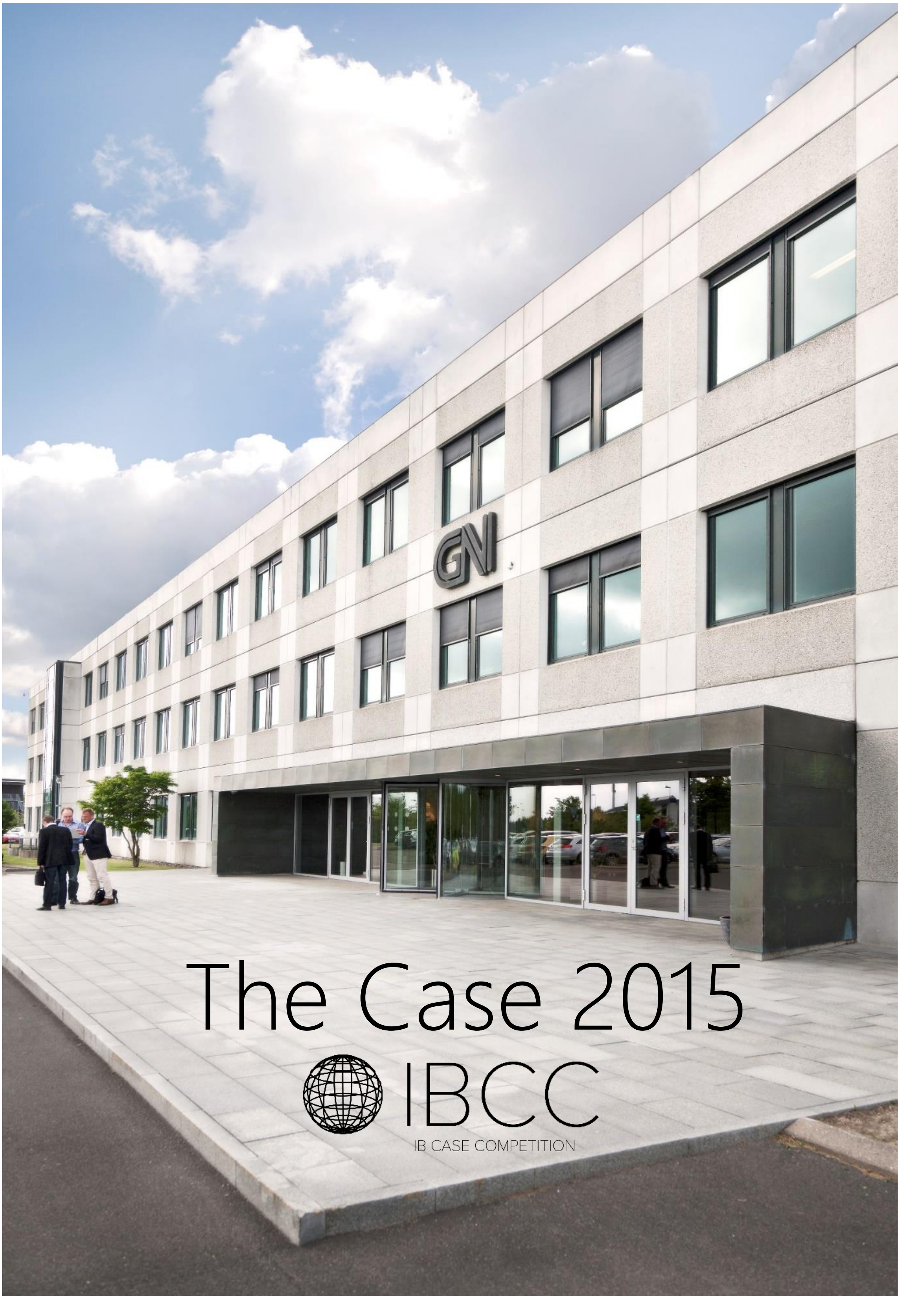


The Case 2015

IBCC

IB CASE COMPETITION

Carnegie Carat GN ATKearney

Prologue

Growing at the speed of sound

Among all the motivational posters decorating Matt Turrey´s corner office, one was picturing a tall tree reaching far into the sky. The word ´growth´ was labelled on the black frame. This particular picture had gained a certain relevance, as his board of directors recently gave Matt the task to outgrow the overall hearing aid market.

Matt Turrey is the CEO of the US branch of GN ReSound, which is part of the Danish holding group GN Store Nord.

Sitting there, in his office chair, Matt had high hopes for the future. He saw demographic trends and technological advancements drive positive projections for the hearing aid industry. Having done well in recent years, Matt believed that the company had a solid foundation for growth. And, just launching the most technologically advanced product ever, LiNX^2, Matt was confident that the future was full of opportunity.

However, leaving his positivity for a moment, Matt was also aware that he was confronted with certain challenges. Firstly, the industry faced continued difficulties reaching the potential customers since stigmatization of hearing aid use remained a substantial barrier for increased penetration. Secondly, in order to outcompete the market, Matt knew he also had to be smarter than the competition. In more recent years, main competitors had been pursuing aggressive acquisition strategies, taking over retail chains; a strategy that GN ReSound mostly had refrained from.

Looking ahead at both great opportunities and challenges, Matt now has to determine what to do in order to realize the ambitious growth targets set by the Board of Directors.

The sheer complexity and significance of the task has made Matt decide to bring in fresh insights and inspiration from external consultants. He now returned to the overall question that the Board of Directors had asked him, which he intended to pass on to the consultants:

> " *How do we achieve 10 % profitable organic annual revenue growth for our GN Resound business in the US market until 2018?* "

Company Background

A focus on communication

Many of GN Store Nord´s (GN) characteristics date back to its origin in 1869, where C.F. Tietgen founded The Great Northern Telegraph Company. Even though the company has been through an array of structural changes, something from Tietgen´s time persists: the focus on communication. However, it is not until 1977 that GN takes a crucial step into the hearing aid industry with the acquisition of the Danish hearing instrument manufacturer Danavox. Through several other acquisitions during the 90s and 00s, GN ReSound took shape as the company we know today. With the acquisition of ReSound, GN established its presence on the US market. Subsequently, with the acquisition of Beltone, GN further developed its strategic position in the US. However, the combined companies of the GN ReSound group were unable to generate profitable growth, and GN decided to divest the companies. Consequently, GN ReSound was sold to Phonak in 2006.

Turning around GN

However, to the surprise of GN´s executive committee the German Cartel Authorities blocked the sale of ReSound, and GN was left with a zero-growth company and a murky future ahead. After a long and tiresome process GN ultimately decided to keep ReSound and to decentralize the corporate management structure. GN managed to turn around both ReSound and Netcom successfully, and today ReSound makes up 61% of GN´s revenue, underlining the importance of the hearing aid business for GN.

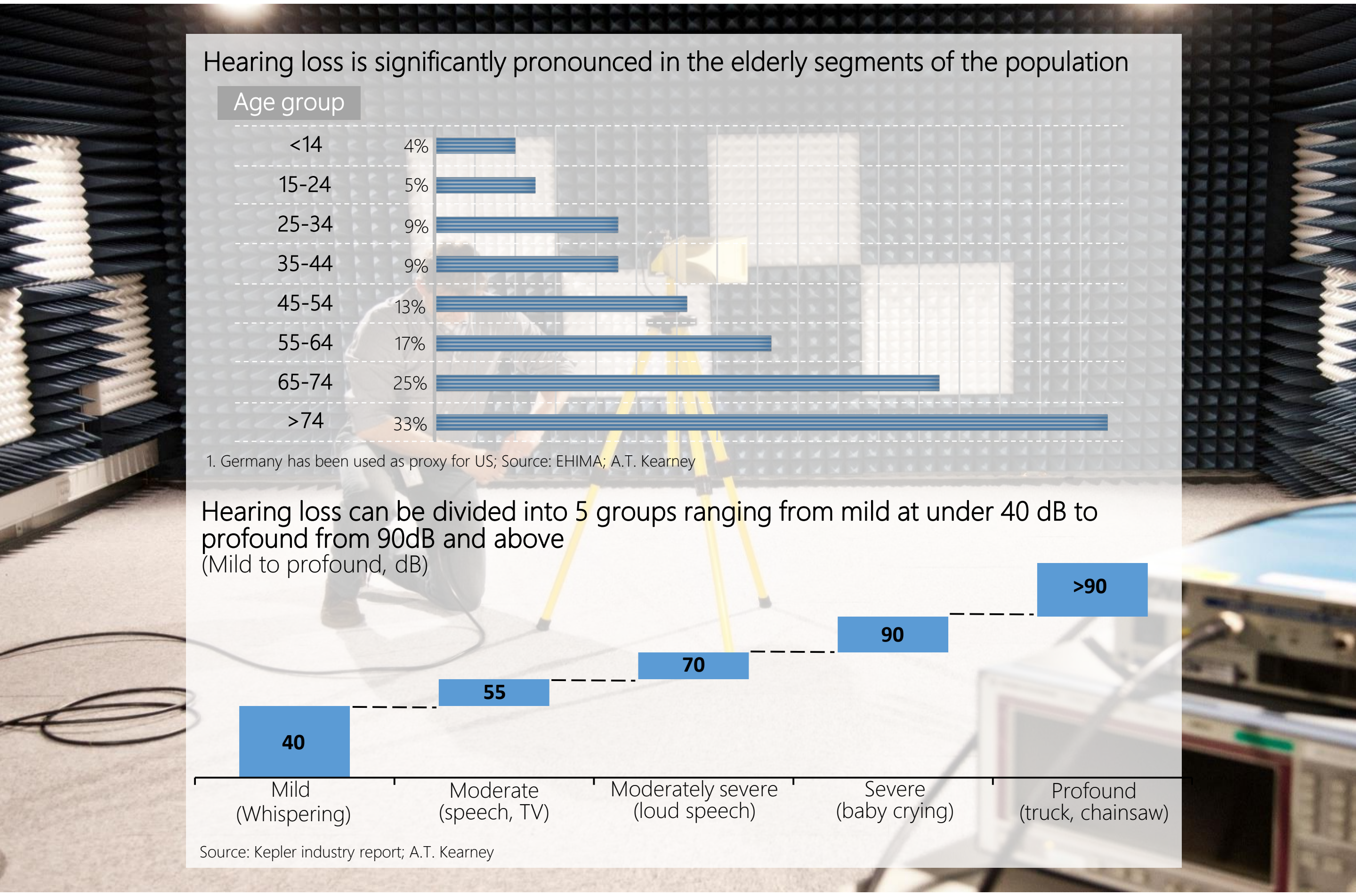
Today is a good foundation for tomorrow

GN ReSound experienced a very profitable and innovative 2014, and was one of the fastest growing hearing aid manufacturers with an organic growth of 7%. The year laid a foundation for continuous growth in 2015, where the focus remains on innovation and on improving their marketing and sales efforts. Building on the activities and momentum of 2014, GN ReSound launched the revolutionary hearing aid LiNX^2, which underlines the importance of integrating contemporary technology into hearing aids. The opportunities that arise from combining technologies across industries is epitomized in the collaboration between Apple and GN ReSound known as the ´Made for iPhone´ system. The system allows users to control their hearing aid through an iPod, iPad, or iPhone for the first time ever, which has opened for an array of opportunities looking ahead.

Hearing Loss

It comes with age

The intentional use of loud music and external factors such as traffic, noise at institutions and schools, as well as health-related issues such as allergies and diabetes, all affect a person´s hearing ability. Despite this, hearing loss is most commonly associated with aging. Actually, in the US, the average age of *first-time* hearing aid users is 69 years, whereas the average age of *all* users is 72 years old. The high average age is a result of consumers only buying a hearing aid when their hearing loss reaches a certain severity. As the illustration suggests, hearing loss is significantly more pronounced in the elderly segments of the population. In fact, more than one third of people in the retiring age are affected by hearing loss. Even though the frequency of hearing losses is less significant among young adults, it is evidently growing, facilitated by modern lifestyle trends, such as listening to music in headphones.



The Market

US – The largest market in the world for hearing aids

Last year 3.1 million hearing aids were sold in the US, accounting for 26% of all hearing aids sold globally, making it the largest market in the World. Currently, the US market consists of two segments: The public Veterans Affairs segment and the non-public segment. Around 35 million Americans are hearing impaired, a number that is projected to exceed 40 million by 2025. However, only 20% of Americans with hearing problems possess a hearing aid, which leaves potential for further growing the market. GN ReSound drives in around 46% of revenues from the US market, making it their most important market.

Strong growth in the US market

The US market has been experiencing substantial growth in recent years. Since 2011 it has been growing with a compounded annual growth rate (CAGR) of 4%. Morgan Stanley and the Bernstein Research project the market to be growing with a 5% CAGR for the next three years. Value growth is driven by an increasing average sales price (ASP), which in turn is secured by launching innovative products. Volume growth is driven by several trends:

1. Aging population and increased life expectancy
The potential market size for hearing aid providers increases as the population ages. Also, life expectancy of Americans is projected to close in on 80 years around 2020, resulting in an increased potential of replacement purchases of hearing aids. As of now, 60% of unit sales are repeat sales, while only 40% are sales to new customers.

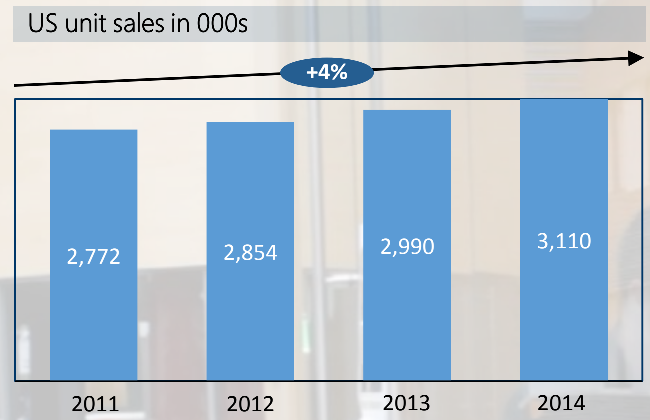
2. Improved wealth
Private wealth in the US is increasing towards pre-crisis levels, leaving improved possibilities for additional hearing aid sales. The age group between 65 and 74 remain the wealthiest.

3. More young people experiencing hearing losses
A constant availability of music streaming through headphones has caused an increasing problem in the younger generation. Today, around 5% in the age between 6 and 19 have hearing losses caused by listening to music with headphones, and this number is growing.

4. Older generations are more technology savvy

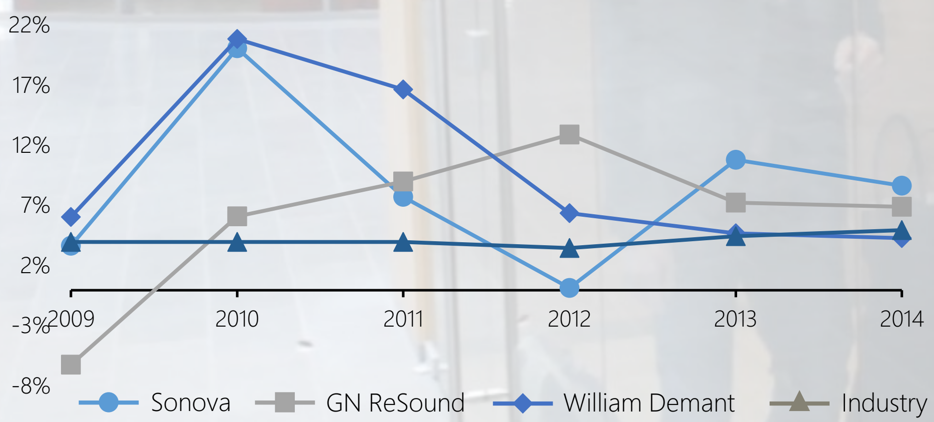
As people who have embraced the many technological opportunities of the last decades grow into the hearing aid generation, the penetration rate of hearing aids is likely to increase.

The US hearing aid industry has experienced a CAGR on unit sales of 4% from 2011 - 2015



The three main companies have almost without exception experienced higher annual growth rates than the global industry

Annual revenue growth rates (2011-2014, %)



Source: Annual reports; A.T. Kearney

Consumers

Baby boomers

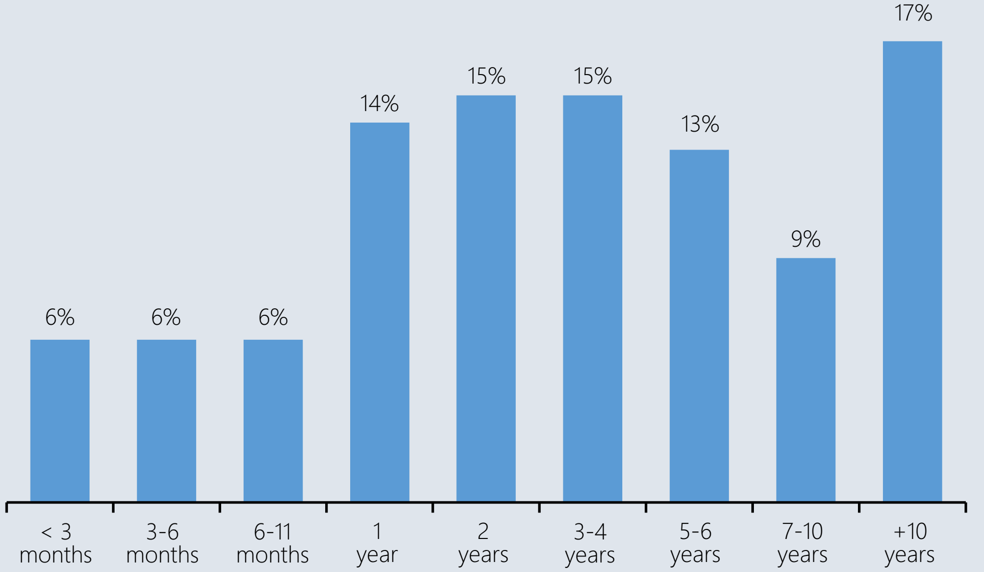
The baby boom generation represents all US citizens born between 1946 and 1964. This segment consists of around 77 million Americans. Hence, it is the largest population group in the US. The oldest members of the generation have passed the age of 65 years, which makes them the focus segment of the entire hearing aid industry. Baby boomers are generally Internet savvy, health-conscious, and critical consumers with high expectations. They pose a huge opportunity for the hearing aid industry.

Deciding to buy often takes years

The decision process for potential users varies greatly in length. A majority of consumers take between 1-6 years between realizing their hearing problem and buying a hearing aid. Furthermore, a large number of consumers have a decision process of more than ten years, which puts a significant constraint on sales, but also provides a strong growth opportunity for companies.

The decision process for consumers in buying a hearing aid is very long - strong growth opportunities in reducing decision time

Decision time process[1] (years, %)



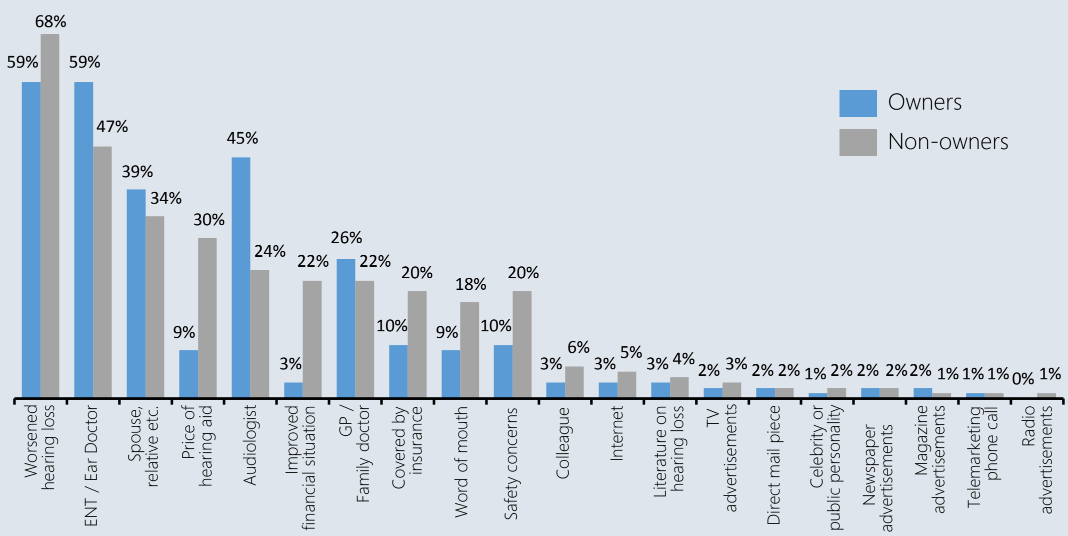
[1] Doesn´t sum to 100 % due to rounding; Source: Beltone Behaviour Study; A.T. Kearney

Studying the decision process

A buying behaviour survey quickly reveals different perceptions between non-owners and owners. Non-owners were asked what they believed would influence them to buy a hearing aid, while owners were asked what actually influenced them in their purchase. As can be noted from the graph, the larger differences include those on pricing and on the audiologist.

Buying decision is influenced buy many factors. Major differences from owners and non-owners are at price and audiologist

Answer on what could influence decision (%)



Source: EHIMA; A.T. Kearney

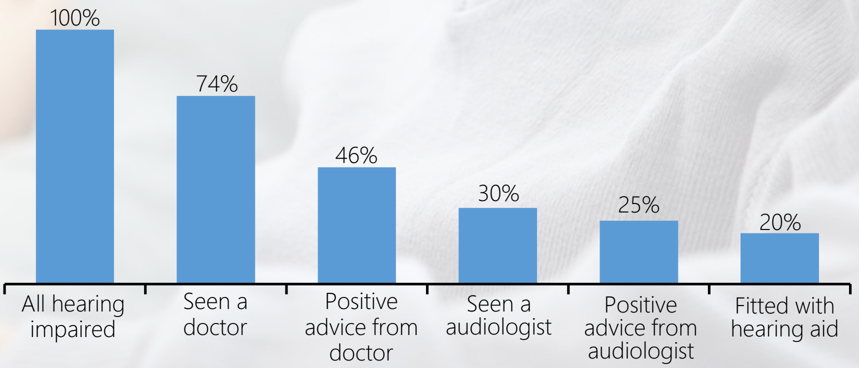
From hearing loss to hearing aid – The case of Ben

In recent years Ben has experienced several remarks and comments from his family and friends on his hearing ability. Ben has noticed that he finds it increasingly challenging to separate people´s voices, which has been tiring for him at social gatherings. Then, after a long determination process, Ben finally comes to terms with his hearing loss. After reading a bit about hearing losses online, Ben goes to see his doctor.

> *``Our research shows that doctors categorizing a patient´s hearing loss as ``natural for your age`` or ``not significant enough yet`` increase dropout rates for potential users, which severely impacts our industry``* - Matt Turrey

Ben is diagnosed with a moderate hearing loss and is sent to an audiologist or the nearest dispenser who determines the right type of hearing aid.
The audiologists are essential educators in hearing aid use as well as recipients of pivotal user feedback. Here Ben tries out a hearing aid for the first time. Suddenly being able to hear after a long period with reduced hearing is an overwhelming experience, and for some it is difficult to accept and get used to. The audiologist further reveals that the hearing aid must be cleaned, have batteries renewed, be looked after, and in five years Ben will most likely have to replace them, and that´s not even taking into account the effect of now feeling old because of wearing it.
However, Ben decides to bring home the hearing aid, and arranges with the audiologist to come back in two weeks in order to adjust the settings and discuss the lifestyle changes that the hearing aid has forced Ben to make.

Only 20% of persons with impaired hearing are fitted with a hearing aid leaving a large potential market behind
State in process from hearing problem to hearing aid (% of hearing impaired)



Source: Internal company data; A.T. Kearney

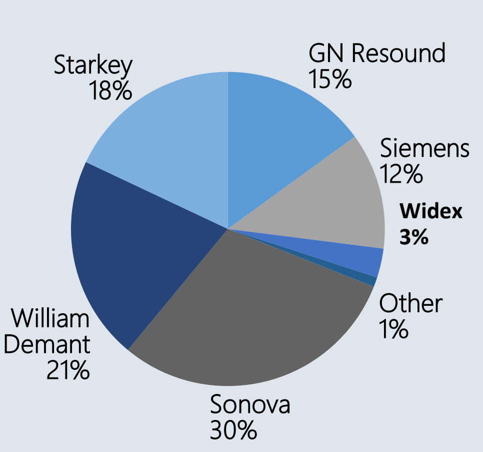
Competition

Six players dominate the US market

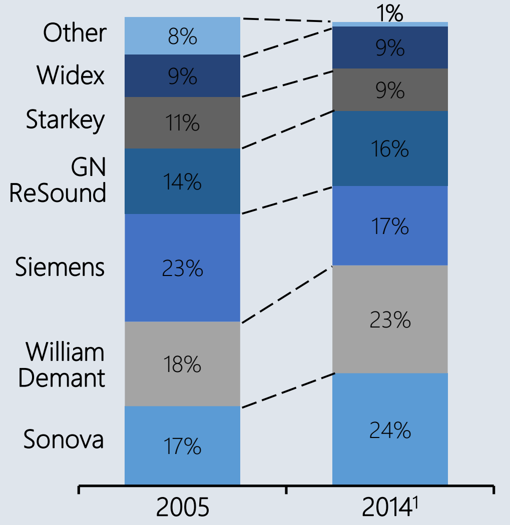
The global hearing aid industry has been through a heavy consolidation process. Back in 1995, the six largest players made up 45% of the market. Today they control around 98%. Also, no new players of significance have entered the market in the last three decades. All the six largest players are present in the US market. The industry enjoys significant margins, however, similarities in products mean that competition puts an increased pressure on prices. With a 15% market share, GN ReSound is the fourth largest player in the US market.
Through recent years, the large publicly listed companies have been outgrowing the industry. In global market shares, Sonova has gained the most, increasing from 17% in 2005 to 24% in 2012. William Demant has done nearly as well. GN ReSound has also grown its share, while Siemens has been the biggest loser. This trend reflects the market share development in the US market. The general pattern for all manufacturers is that new products are first launched in the premium segment, and then gradually moves down over time to become a basic product. In effect, all the six largest manufacturers are present on all segments. For more details on competitors, please refer to appendix 3.

The hearing aid market has been through a consolidation where six players count for approx. 98% of the market

US market share by players



Global market share development



[1] Doesn´t sum to 100% due to rounding; Source: A.T. Kearney

Distribution

Distribution as a driver of growth

Securing a strong presence in the right distribution channels is among the key drivers for realizing growth in the global hearing aid industry. There are four main distribution channels in the industry.

1. Wholesale to independent retailers

E.g. mom and pop stores, local family owned businesses etc.

Consists of an open part and a ´captive´ part. The captive part represents retailers for which manufacturers have provided capital in return for exclusive supply rights.
GN has traditionally preferred capturing independent retailers rather than acquiring chain retailers. Growth in this segment is expected to be flat or even negative.

2. Wholesale to chain retailers

E.g. Costco, Amplifon, Specsavers etc.

GN has recently renewed its supply agreement with Costco for the next 18 months, securing strong exposure to the branded side of Costco while maintaining its role as sole supplier to Costco´s private label ´Kirkland Signature´.
The collaboration with Costco has been critical for securing organic sales growth for GN.
In Costco, hearing aids are sold through a store-in-store concept, where hearing aids have a designated area inside the larger store. Researchers expect moderate growth for this segment in the short term.

3. Manufacturer owned retail

Represents the retail channels owned by manufacturers.

To protect the position in key markets manufacturers can acquire retailers. The industry has seen a substantial growth in manufacturing owned retail over the recent years. Especially Sonova and William Demant have pursued aggressive acquisition strategies.

4. Sales to public institutions

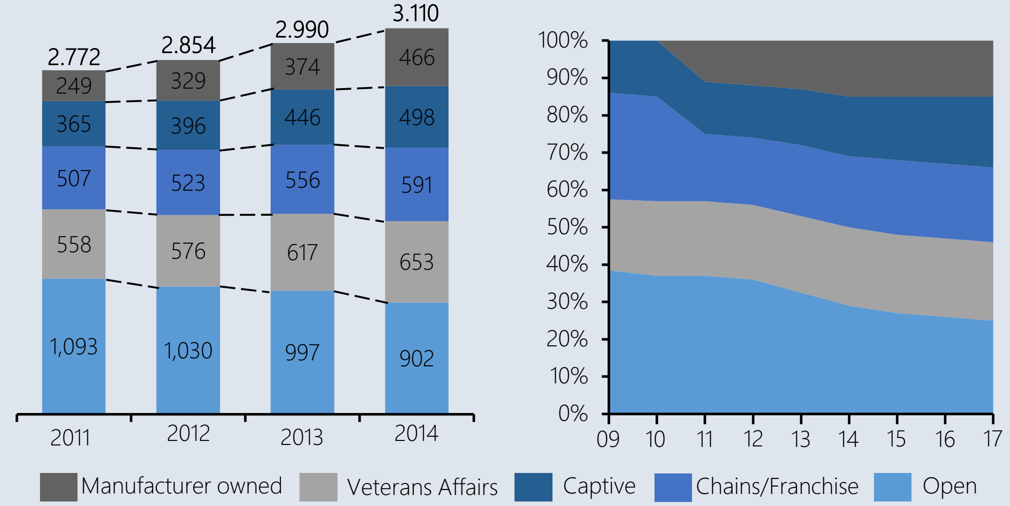
E.g. Veterans Affairs (VA)

Veterans Affairs provides hearing aids for American army veterans. The VA puts out tenders for which manufacturers can bid in order to become a supplier. These contracts last five years. Sonova dominates with 55% of sales.
This segment is experiencing growth and will be for the coming years, partly because the Vietnam veterans are reaching an age where hearing problems are likely to intensify.

The market has been growing overall - all channels except the Open channel has succeeded to expand

US unit sales in 000s

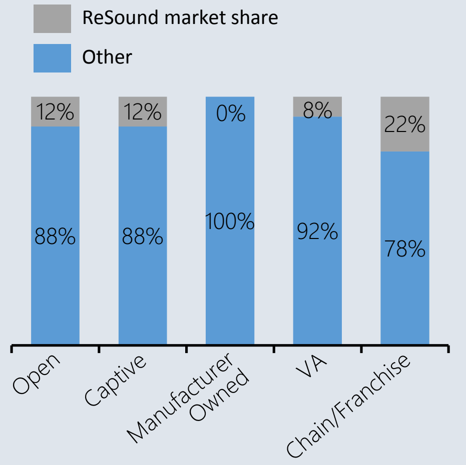
US channel segmentation trend



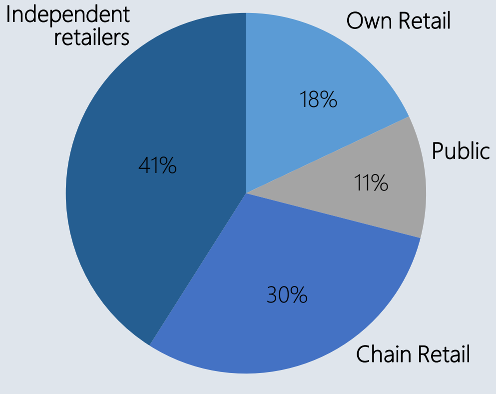
Source: Internal company data; A.T. Kearney

ReSound has a high market share of chain retail, which also contributes to 30% of units sold by ReSound globally

ReSound market share by channel



ReSound unit sales split by channel



Source: Internal company data; A.T. Kearney

39% of the value created come from the open channel where the average selling price is also the highest

Value and average selling prices (US market, 2014)

Channel	Average selling price (US$)	Value (US$ mn)	Value in %
Open	570	569	39%
Captive	530	236	16%
Own retail	500	187	13%
Chain retail	475	264	18%
VA	344	212	14%
Total	491	1.468	100%

Source: Internal company data; A.T. Kearney

Alternative distribution opportunities

Using alternate distribution channels may be a way for manufacturers to reach more potential consumers. Partnering with unconventional retailers and even selling online may be opportunities for providers to look into.

Unconventional retail channels

Some hearing aid manufacturers have established store-in-store concepts in optical retail chains for selling their hearing aids. As an example, Specsavers, one of Europe´s largest optical retailers, take advantage of target customer segment overlaps and now also provide hearing aids in some markets. With a huge retail network of more than 1,700 stores, Specsavers offers a great opportunity for increased exposure for hearing aid manufacturers. Another example is the retail chain Boots, however, both Specsavers and Boots are currently not present in the US market.

Online retailing

Even today, online retailing is an unexplored area for hearing aid manufacturers. The explanation is partly that manufacturers do not believe that they can meet customers´ demands for advice and guidance through the online channel, and partly because the established retailers see online retailing as a clear threat to their privileged position. However, the company that is able to develop an effective fitting and guidance solution online may secure a competitive advantage for the long run.

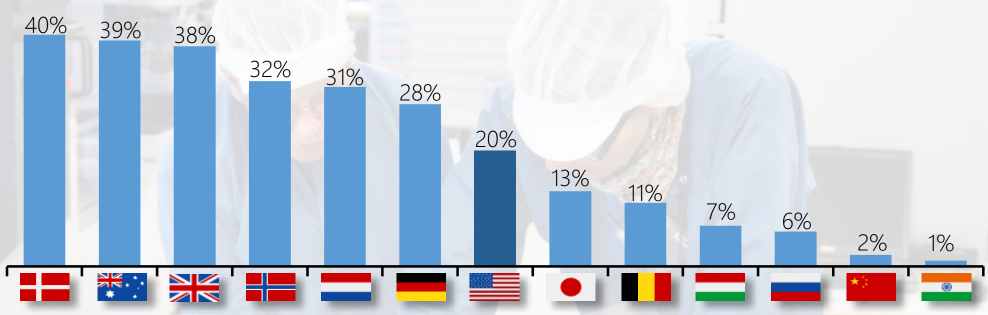
Challenges

Several industry challenges lead to low penetration

The global penetration rate of hearing aids is 20%. Several challenges exist that impair the penetration. The largest is that realizing a hearing loss takes time and once it is realized people do not necessarily do something about it. High prices lowers the availability of hearing aids, while the stigma of wearing a hearing aid has long been a significant reason to why hearing impaired simply do not purchase hearing aids. Compared to other developed countries, such as Australia or Denmark, the penetration rate of hearing aids is low in the US market. The main drivers here are the differences in health insurance, and the fact that reimbursements in the large non-public market are very low to non-existing in the US.

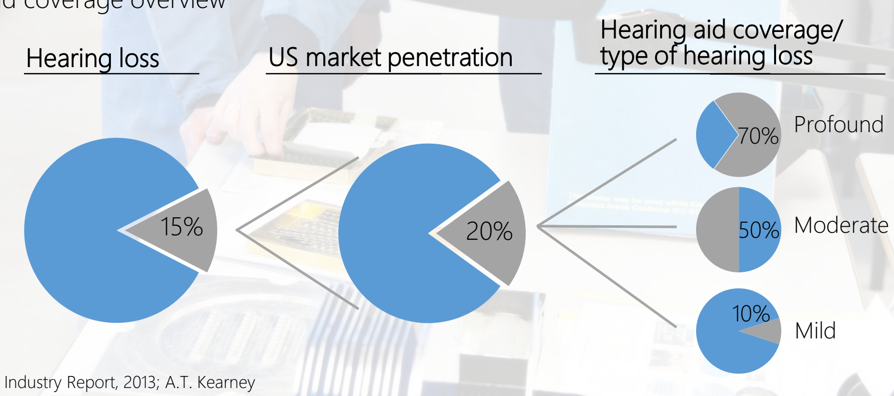
US has hearing aid penetration of 20% – this leaves a gap when comparing to the countries with highest penetration rates

Hearing aid penetration by selected countries



Persons with profound loss are covered by 70% while persons with mild loss are only covered by 10%

Hearing aid coverage overview



Source: Barclays Industry Report, 2013; A.T. Kearney

Getting people to do something about it

A hearing loss rarely happens overnight. Most often, it happens over time and gradually worsens with age. Thus, realizing a hearing loss also takes time, and once realized, the process of doing something about it begins. Several reasons make this a lengthy period as well. The hearing impaired may not be fully aware of the severity of the problem and what a hearing aid could do for them. Also, the process of getting a hearing aid and learning to live with it is believed to be troublesome. In turn, this puts a constraint on innovative product launches´ effectiveness in attracting new customers as this is to a large degree an unawareness problem.

High prices

Hearing aids are expensive and in many markets, including the US, governmental support is very limited. Some non-owners simply refrain from buying because it is too expensive, whereas other non-owners believe that the benefits of the hearing aid are not worth the money.

The stigma of wearing a hearing aid

Wearing a hearing aid has long been associated with disability and old age for the user. This is especially a problem for the younger segments. Hearing aid manufacturers have tried to solve the problem by designing smaller products, ultimately aiming for invisibility. Another solution is integrating technology into design products that not only helps people regain their hearing, but also enables them in other ways, such as letting users stream music, or talk on the phone directly through the hearing aid.

Designing Hearing Aids

How it works

Hearing aids return the hearing ability to people with hearing losses. A hearing aid has three basic parts: a microphone, amplifier, and speaker. The hearing aid receives sounds through a microphone, which converts the sound waves to electrical signals and transmit them to an amplifier. The amplifier increases the power of the signals and then sends them to the ear through a speaker.

Innovation is king

Although many sub-categories exist, hearing aids are generally classified under two main categories: Behind the Ear (BTE) and In the Ear (ITE), which describe where the hearing aid is placed. Today, 82% of hearing aids sold are in the BTE category. A key to winning in the industry is by continuously innovating and standing out, whether it is by overcoming contemporary industry challenges or by introducing new. Next to the sound quality itself and the battery life, connectivity and software are design parameters that are currently undergoing a lot of changes.

Connectivity

In more recent years the hearing aid industry has experienced a number of ground breaking technological advances within connectivity. The industry is striving to find the ideal connectivity solution. GN and Starkey are currently the only companies using a 2.4GHz radio system, which gives a distinctive advantage in transmission range, but a disadvantage in power consumption. The use of a 2.4GHz solution allows connecting with other devices in order to stream sounds from TV or control the hearing aid via the phone. Connectivity is an important design parameter for GN, as it opens for countless opportunities to empower consumers.

Software

With connectivity, companies now offer a growing amount of smartphone applications. Furthermore, some companies have even experimented with remote hearing aid fitting. By connecting with the audiologist through the Made for iPhone system, users could be fitted with their hearing aids, while sitting comfortably at home. In turn, this would mean that companies could sell products online, as potential consumers would no longer have to pay the audiologist a physical visit. Finally, SEB and other research providers speculate in the usage of the memory of the hearing aids; big data could prove useful in revealing usage patterns.

Smart Hearing

Smart hearing is a unique concept under the GN ReSound brand capitalizing on existing technologies, changing common perceptions about hearing aids, and empowering users. All products in the smart hearing category are compatible with devices in the Made for iPhone system, and Android devices.

Smart Audiology

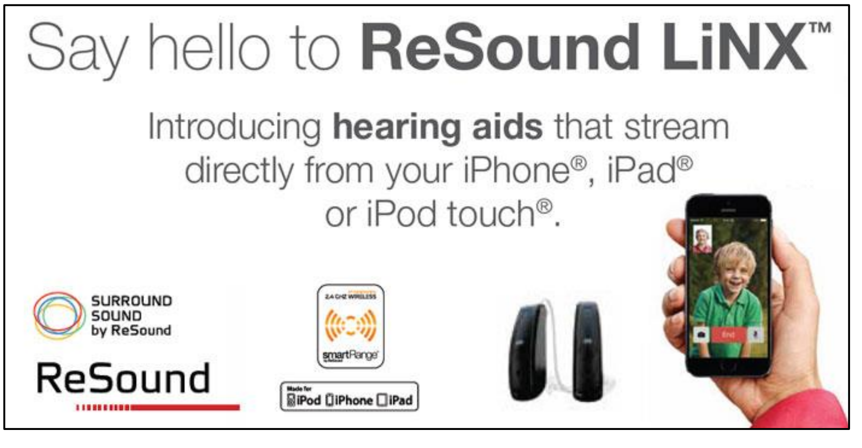
With Smart Audiology ReSound goes beyond making sounds audible. The sound processing philosophy, labelled ´Surround Sound by ReSound´, ensures a richer, fuller, and more dynamic hearing experience that adapts to the listening environment.

Smart Design

All products in the smart hearing portfolio are designed to endure every day use, such as utilizing Nano-technology to repel water, dust, and corrosive substances. As ReSound points out: ``Design works best when you don´t notice it``.

Smart Connectivity

Exploiting ReSound´s unique 3rd generation 2.4GHz wireless Smart Range™ technology, all smart hearing products can be connected to ReSound Unite™ accessories or one of the ´Smart Apps´. ReSound has pushed the boundaries for hearing impaired and shifted the objective from bringing hearing impaired back on par, to actually creating an advantage for users.



Epilogue

Creating a sound future

Looking back at a time with good performances and market share gains in the US market, Matt has a positive perspective on the future. However, he is still unsure about the future strategic direction of the company and how he should propose this to the Board of Directors in order to achieve their growth targets. Despite of his insecurity regarding the specific strategic direction, Matt does have a clear vision for the company and the future:

> *``I see GN ReSound as the most innovative company in the hearing aid industry. In order for us to strengthen that position, it is crucial that we capitalize on technological advancements to push the boundaries for what hearing aids can do for users. However, the first steps are to overcome the underlying industry challenges, which will allow us to empower an increasing number of hearing impaired.``*
>
> \- Matt Turrey

As a team of external consultants, you are asked by Matt Turrey to prepare a three-year strategy for how GN ReSound can achieve 10% profitable organic revenue growth annually until 2018 in the US hearing aid market. Matt Turrey is looking for realistic but inspirational and creative solutions that can give him the edge to meet the ambitious growth targets.

Good luck!

Appendices

Appendix 1 – Financial statements of ReSound

GN ReSound Income Statement

(DKK million)	2014	2013	2012
Revenue	4.469	4.179	3.896
Production costs	(1.471)	(1.486)	(1.544)
Gross profit	**2.998**	**2.693**	**2.352**
Expensed development costs*	(405)	(358)	(362)
Selling and distribution costs*	(1.345)	(1.230)	(1.278)
Management and administrative expenses	(352)	(374)	(398)
Other operating income and costs, net	1	7	7
EBITA	**897**	**738**	**321**
Amortization of acquired intangible assets	(46)	(33)	(21)
Gain (loss) on divestment of operations etc.	(10)	(19)	(58)
Operating profit (loss)	**841**	**686**	**242**
Share of profit (loss) in associates	5	(4)	2
Financial Income	43	14	12
Financial expenses	(106)	(128)	(124)
Profit before tax	**783**	**568**	**132**
Tax on profits	(237)	(195)	(43)
Net Income	**546**	**373**	**89**

*Does not include share of amortization of acquired intangible assets, cf. The definition of EBITA.

GN ReSound Balance Sheet

(DKK million)	2014	2013	2012
Assets			
Cash and cash equivalents	87	72	79
Inventories	414	378	347
Trade receivables	1.146	1.031	979
Tax receivables	21	-	-
Other receivables	280	333	208
Total current assets	**1.948**	**1.814**	**1.613**
Goodwill	2.779	2.536	2.500
Development projects	901	827	788
Other intangible assets	461	353	243
Property, plant & equipment	233	233	216
Investments in associates	996	17	17
Other non-current assets	700	1.181	1.110
Total non-current assets	**6.070**	**5.147**	**4.874**
Total assets	8.018	6.961	6.487
Liabilities and Shareholders' Equity			
Bank loans	8	21	47
Trade payables	237	214	233
Amounts owed to subsidiaries*	1.179	1.379	1.297
Tax payables	100	-	-
Provisions	185	-	-
Other current liabilities	633	712	660
Total current liabilities	**2.342**	**2.326**	**2.237**
Pension obligations and deferred tax	294	-	-
Provisions	81	-	-
Other non-current liabilities	268	583	561
Total non-current liabilities	**643**	**583**	**561**
Total Equity	**5.033**	**4.052**	**3.741**
Total Liabilities and Shareholders' equity	**8.018**	**6.961**	**6.539**

Appendix 1 continued...

GN ReSound Statement of Cash Flows

(DKK millions)	2014	2013	2012
Cash flow from operating activities before changes in working capital	**1.204**	**1.171**	**710**
Cash flow from changes in working capital and restructuring/non-recurring costs paid	(159)	(253)	(238)
Cash flow from operating activities before financial items and tax	**1.045**	**918**	**472**
Cash flow from investing activities:	**(710)**	**(781)**	**(388)**
Cash flow from operating and investing activities before financial items and tax	**335**	**137**	**84**
Tax and financial items	(94)	(229)	(84)
Free cash flow	**241**	**(92)**	**0**

Appendix 2 – Hearing Loss

In general the industry distinguishes between three types of hearing loss: (a) conductive; (b) sensorineural; and (c) mixed hearing loss.

Conductive hearing loss arise through an impaired transmission of sound through the external ear to the middle- and inner ear. Some causes include infections and foreign bodies entering the middle ear, canal, or drum. This type of hearing loss can be treated medically or with a hearing aid, depending on the severity of the hearing impairment.

Sensorineural hearing loss refers to nerve-related problems in the inner ear. The severity can vary from mild to profound. The former is most often treated with a hearing aid, whereas the latter is treated with cochlear implants or, rarely, with bone anchored hearing aids (BAHA) implants.

Mixed hearing loss is a combination of conductive and sensorineural. Depending on the type and severity it is treated in the same way as the two other types of hearing loss.

Appendices

Appendix 3 – Competitor Overview

	ReSound	Oticon	Phonak	Siemens	Starkey	Widex
Branding	Rediscover hearing	People first	Life is on	It´s Siemens	American Brand	High definition hearing
Competitive positioning	Design excellence	Consumer oriented	Technology	High quality electronics	Service focus	Audiology oriented
Top product	LiNX^2	Alta2	Audéo V	Aquaris/Life	Halo	Dream
Characteristics	Gaining market share, innovative brand	Big and stable (William Demant)	Market leader (Sonova)	Solid, but declining market share	Strong US player	Small but effective
Associated brands	Beltone, Interton	Bernafon, Sonic	Unitron, Sonova	Rexton	N/A	N/A

Source: Barclays Industry Report, 2013; A.T. Kearney

Appendix 4 – Product Examples

LiNX^2

The most technologically advanced product in ReSound´s portfolio. The product is intended to make hearing as effortless as possible. The LiNX2 is compatible with the ´Made for iPhone´ system, and offers several customizing opportunities.

ENZO

Super-power hearing aid aimed at consumers with a profound or severe hearing loss. The ENZO is relatively smaller than its peers, and is compatible with the ´Made for iPhone´ system.

Appendix 4 continued – Product Examples

Verso

The Verso is offered in widest range of styles and types of hearing aid, which means it can easily be customized to a consumers´ design preferences. The product is compatible with the ´Made for iPhone´ system.

UP Smart

The UP Smart offers a hearing solution for hearing-impaired children, and is specifically designed to be resistant and safe for children. The smart edition is an improvement on the UP model that makes it compatible with the ´Made for iPhone´ system.

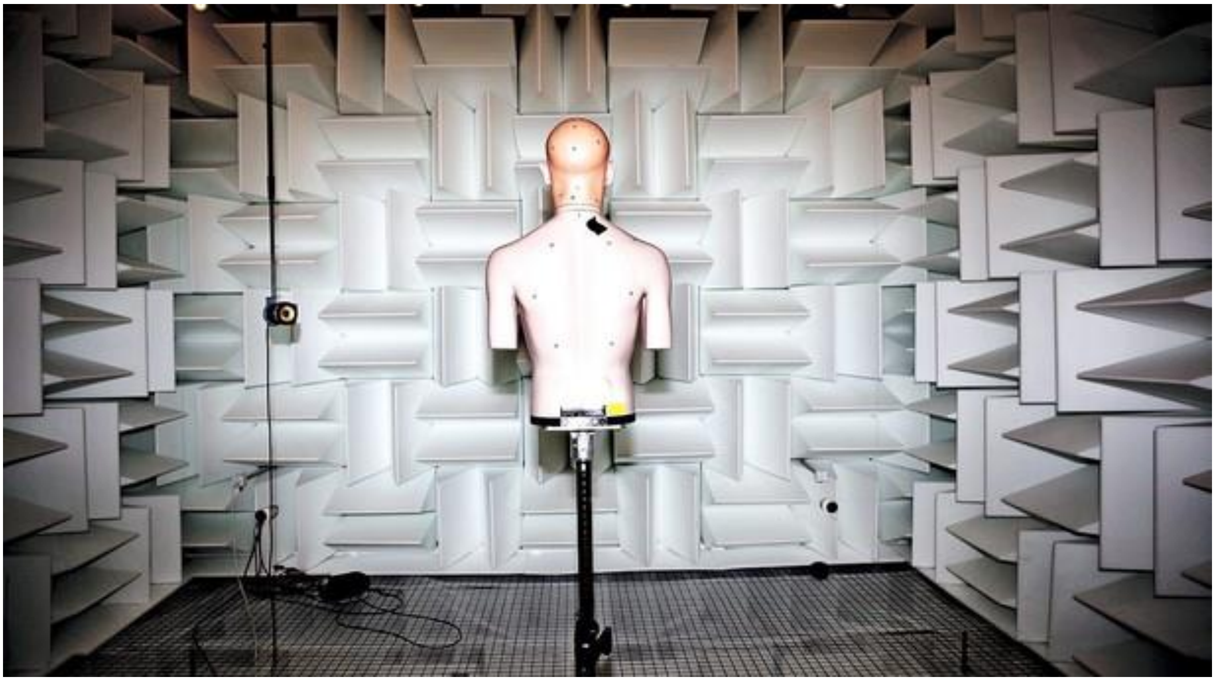
Appendix 5 – ReSound accessories & apps

Phone Clip+	Connects users to Bluetooth enabled devices, such as a phone. The microphone in the Phone Clip+ allows users to be on the phone hands free using the hearing aid as a headset. In addition, the user can stream music through the hearing aid. The accessory can override the TV and transmit an incoming or outgoing call instead.
Remote Control 2	Is used to adjust the hearing aid, change user programs and switch streaming sources. The RC is primarily used by people without a smartphone.
TV Streamer 2	Can stream TV sounds directly to the hearing aid user who then can adjust it to the optimal level without bothering other people with normal hearing ability watching the same TV.
Mini Microphone	Can transmit sounds and music directly from the microphone to the hearing aid up to around 10 meters. The user can move independently of the microphone, and can hear conversations without having to be in near proximity of the sound source.

Appendix 5 continued – ReSound accessories & apps

Smart Apps
Apps are a unique opportunity for hearing aid users to customize their hearing experience.

ReSound Smart+	Lets the user control the volume and balance of incoming sounds. The app can also be used to find a misplaced hearing aid, checking battery levels, and connection status with the hearing aid. For LiNX2 9 users, the app features sound enhancing, providing speech focus or comfort in windy or noisy environments. The app is compatible with LiNX2, LiNX, ENZO, and UP Smart hearing aids.
ReSound Relief	Provides tinnitus management. Tinnitus cannot be cured, however, the app offers a combination of sound therapy and relaxing exercises to help manage tinnitus. The app is compatible with LiNX^2, LiNX, ENZO. Verso and Alera requires a ReSound Unite Phone Clip+ for compatibility.
ReSound Control	Designed for easy and discrete volume control featuring personalization options and requires a ReSound Unite Phone Clip+ for compatibility.



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