

Media Release

Place, Date Stäfa (Switzerland), November 10, 2009
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Sonova posts significant sales and profit growth for the first half of 2009/10

Sonova posted new record sales of CHF 709 million in the first half of 2009/10. All regions and brands, as well as the recently launched products contributed to organic sales growth in local currencies of 17.5%. Growth from acquisitions was 4.3%. The EBITA margin increased to 27.3%. Earnings per share were up 22% year-on-year at CHF 2.52. Free cash flow rose significantly to CHF 113 million.

- New sales record: The Sonova Group increased its sales by 18.2% in Swiss francs in the first six months to CHF 709 million
- Market growth significantly exceeded: With 17.5% organic sales growth and 4.3% growth from acquisitions, Sonova further expanded its market share
- Increased profitability: The EBITA margin was increased from 26.5% to 27.3%
- Higher earnings per share: The Group posted a 22.2% increase in earnings per share over the previous year to CHF 2.520
- Top-selling new products: The recently launched Exélia Art, Audéo YES and Passport hearing systems made a significant contribution to sales growth
- Strategic expansion in the cochlear implant business: The Sonova Group announced the planned acquisition of cochlear implant manufacturer Advanced Bionics
- EUHA October 2009: Sonova demonstrated its technological leadership and launched a large number of new, innovative products

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Strong sales growth

The Sonova Group achieved sales of CHF 709.2 million in the first half of 2009/10, representing year-on-year sales growth of 18.2% in Swiss francs. Organic sales growth of 17.5% in local currencies was well above the estimated market growth of around 3% in units. Numerous smaller acquisitions in Europe, Asia/Pacific and North America contributed a total of 4.3% to sales growth. Currency effects in the reporting period had a negative impact of -3.6% on Group sales compared to the previous year. This is primarily due to the appreciation of the Swiss franc versus the euro. The positive currency development especially of the US dollar within this period could not offset this effect.

This significant growth enabled the Sonova Group to gain considerable market share. Newly launched products such as Exélia Art, Audéo YES and Passport were able to gain a strong foothold in the market and made a significant contribution to the growth in sales. The successful introduction of the new Phonak and Unitron hearing systems in the first half of 2009/10 is also clearly reflected in the high share of total sales of 86% attributable to products launched in the past two years.

Market share gains in all regions

The individual European markets showed a diverse development. Germany and France, important markets for Sonova, continued to show positive growth. The private market in the UK also recorded an increasing demand. The Sonova Group achieved sales growth of 18.2% in local currencies in the EMEA region (Europe, Middle East and Africa), far outpacing the market. In the Americas and Asia/Pacific, Sonova had strong sales growth in local currencies at 26.3% and 14.7%, respectively – also above-average for these markets.

The market in the US saw a significant recovery and recorded strong growth in the first half of 2009/10. This trend was illustrated by rising sales in the private market, and also by extraordinary high demand from the Department of Veterans Affairs (VA), which provides hearing systems to American veterans. As important supplier to the VA, the Sonova Group was able to benefit from this trend. Overall, in the first half of 2009/10, Sonova achieved an above average growth in local currency in the US.

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New products contributed significantly to growth

Sonova's first class hearing systems saw higher sales in the first half of 2009/10, with 10.8% growth in local currencies. This was primarily driven by high demand for the newly launched products Exélia Art and Audéo YES IX from Phonak and Passport from Unitron. Business and economy class hearing systems grew disproportionately at 37.3% and 30.0%, respectively, in local currencies. Among the key drivers of these segments were Phonak's product lines Versáta, Certéna, Audéo YES and Naída, as well as the Next hearing systems series from Unitron. Wireless communication systems recorded a 12.1% downturn in sales in local currencies compared to the previous year. Funding from public institutions - important customers in this business - was deferred due to the economic situation. Sales of miscellaneous products and services rose proportionally to total sales.

Increased profitability

Gross profit of CHF 492.4 million was 18.8% above that of the previous year (CHF 414.6 million). The gross profit margin grew from 69.1% in the previous year to 69.4%, despite negative currency effects. This was primarily achieved through scaling effects of strong organic sales growth and increases in efficiency as well as savings in materials procurement. The price-product-mix effect did not have a significant impact on profitability.

In the first half of 2009/10, the Group achieved an operating profit before acquisition-related amortization (EBITA) of CHF 193.7 million, compared with the previous year's figure of CHF 158.9 million. The EBITA margin increased from 26.5% to 27.3%, mainly due to strong organic growth and effective cost management. Negative currency effects impacted the EBITA margin by around 80 basis points. Operating profit was also adversely affected by one-off costs of CHF 6.4 million incurred by the Sonova Group as part of a previously announced agreement with the German Federal Cartel Office.

Sonova continued to make sustained investments in innovation in the first half of 2009/10, reporting a 9.6% increase in research and development expenses to CHF 42.6 million. As a percentage of sales, the Sonova Group invested 6.0% in this area, which is necessary for the ongoing renewal of its portfolio and the continued improvement of its technology platform.

Higher earnings per share

Income after taxes was CHF 164.2 million, a 21.6% increase over the previous year's figure of CHF 135.1 million. This increase was due to higher operating profit and the improved financial result. Income taxes were kept at a low level and amounted to CHF 25.2 million; the income tax rate was largely unchanged at 13.3%. Earnings per share increased 22.2% to CHF 2.520 (previous year CHF 2.063).

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Significant increase in free cash flow

Free cash flow stood at CHF 112.5 million, more than double the previous year's figure of CHF 40.9 million. This was largely due to higher income before taxes and the positive trend in net working capital. The free cash flow was mainly used for dividend payments to shareholders, amounting to CHF 65.5 million. The Sonova Group did not repurchase any shares through its share buy-back program in the reporting period.

Strategic acquisition of Advanced Bionics

On November 9, 2009, Sonova announced the acquisition of Advanced Bionics, a global leader in developing and manufacturing cochlear implant systems, for USD 489 million. This acquisition is a strategic step in the Sonova Group's expansion into the rapidly growing cochlear implant market, which has estimated annual growth of 10-15%. It further consolidates the Group's position as the leading provider of hearing healthcare solutions. The transaction will be financed with a combination of existing cash of the Sonova Group amounting to around CHF 40 million and an underwritten senior credit facility of CHF 470 million. Advanced Bionics is the worldwide number two in manufacturing of cochlear implant systems with revenues of USD 117 million in 2008. The transaction is expected to accelerate Advanced Bionics' growth and to improve its financial position. Based on information available today, the current business plan and financing structure, the transaction is expected to be accretive to earnings per share (EPS) before transaction-related amortization in financial year 2011/12. Subject to regulatory approvals, the transaction is expected to close within three months after signing.

Improved sales and profit outlook

Based on the current market conditions and barring unforeseen events, Sonova expects organic sales growth of 13-15% in local currencies and an EBITA margin of 27-28% for the financial year 2009/10.

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The Sonova Semi-Annual Report 2009/10 can be downloaded from:
www.sonova.com/en/investors/SemiAnnualReports

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Key Figures Sonova Group (Consolidated)

April 1 to September 30, in 1,000 CHF unless otherwise specified

	2009	2008
Sales	709,219	600,026
change compared to previous year (%)	18.2	0.6
Gross profit	492,398	414,620
change compared to previous year (%)	18.8	1.6
in % of sales	69.4	69.1
Research & development costs	42,593	38,852
in % of sales	6.0	6.5
Sales & marketing costs	185,571	158,331
in % of sales	26.2	26.4
Operating profit before acquisition-related amortization (EBITA)	193,717	158,886
change compared to previous year (%) ¹⁾	21.9	(0.8)
in % of sales	27.3	26.5
Operating profit (EBIT)	189,123	156,191
change compared to previous year (%) ¹⁾	21.1	(1.1)
in % of sales	26.7	26.0
Income after taxes	164,205	135,080
change compared to previous year (%) ¹⁾	21.6	(2.5)
in % of sales	23.2	22.5
Number of employees (average)	5,546	4,921
change compared to previous year (%)	12.7	18.2
Number of employees (end of period)	5,627	4,973
change compared to previous year (%)	13.2	17.1
Net cash²⁾	273,240	201,165
Net working capital³⁾	144,697	175,774
in % of sales	20.4	29.3
Capital expenditure (tangible and intangible assets)⁴⁾	46,183	34,236
Capital employed⁵⁾	877,194	735,643
in % of sales	123.7	122.6
Total assets	1,554,439	1,270,716
Equity	1,150,434	936,808
Equity financing ratio (%)⁶⁾	74.0	73.7
Free cash flow⁷⁾	112,505	40,859
in % of sales	15.9	6.8
Return on capital employed (%)⁸⁾	22.6	23.2
Return on equity (%)⁹⁾	15.1	14.6
Basic earnings per share (CHF)	2.520	2.063
Diluted earnings per share (CHF)	2.501	2.052

¹⁾ For 2008, "change compared to previous year" is measured against the underlying performance in 2007 (excluding one-off costs for the prohibited acquisition of the GN ReSound Group).

²⁾ Cash and cash equivalents + other current financial assets – short-term debts – other current financial liabilities – non-current financial liabilities.

³⁾ Receivables + inventories – trade payables – current income tax liabilities – other short-term liabilities – short-term provisions.

⁴⁾ Excluding goodwill and intangibles relating to acquisitions.

⁵⁾ Total assets – cash and cash equivalents – other current financial assets – trade payables – other liabilities – provisions – tax liabilities.

⁶⁾ Equity in % of total assets.

⁷⁾ Cash flow from operating activities + cash flow from investing activities.

⁸⁾ EBIT in % of capital employed (average).

⁹⁾ Income after taxes in % of equity (average).

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Disclaimer

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This is Sonova

Sonova is the leading provider of innovative hearing healthcare solutions. The globally active group is the world's top manufacturer of hearing systems, the market leader in wireless communication systems for audiology applications and a provider of professional solutions for hearing protection. Sonova is pursuing a clear growth strategy and is intent on building its market share. To this end it is constantly expanding its existing business segments and branching out into other areas of the hearing healthcare industry.

Present in over 90 countries, and with a workforce of over 5,600 employees, Sonova generated sales of CHF 1.249 billion in the financial year 2008/09 and a net profit of CHF 284 million. This financially strong group of companies bases its success on innovation, customer focus and proactive cost management.

The company has been successfully promoting understanding and communication for over 60 years, and is ideally positioned to benefit from the trends in this growth industry.

For more information please visit www.sonova.com.

Sonova shares (ticker symbol: SOON) have been listed on the SIX Swiss Exchange since 1994.