

Media Release

Subject **Half-Year Results 2007/08**
Place, Date Stäfa, November 13, 2007
Editor Dr. Valentin Chapero (CEO) and Oliver Walker
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A dynamic start to the new financial year

With all its brands continuing to enjoy vigorous growth, and a further improvement in profitability, Sonova has continued to build its leading position in the market for innovative hearing solutions. The results achieved in the first half of 2007/08 put the company in a good position to clearly beat overall hearing instrument market growth in the full financial year 2007/08.

- Sales increase by 18.3% to CHF 596.3 million (thereof 15.4% organic) and market share gains in all major markets
- EBITA margin (excluding one-off costs for the prohibited ReSound acquisition) rises to 26.9% (prior year 25.1%)
- Income after taxes (excluding one-off costs) grows by 35.6% to CHF 138.5 million. Reported income after taxes reaches CHF 107.4 million
- 69% of total sales are generated with products introduced less than 2 years ago
- In the first half of 2007/08 several new, highly competitive hearing systems have been launched: Audéo, the personal communication assistant, Una in the entry-level segment and Moxi from Unitron Hearing
- In October 2007, the Sonova hearing system brands launched four innovative products: The hearing systems Exélia, Naída, Yuu and inspiro set new benchmarks in the hearing instrument industry
- Outlook for the financial year 2007/08: We expect to further expand our market share and anticipate organic sales growth of over 10%, as well as a continuing improvement of the EBITA margin

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The Sonova Group has clearly beaten the growth rate of the global hearing instrument market, currently estimated at around 6–7%, and has continued to expand its market share. Group sales increased 18.3% on the previous year, and organic growth excluding exchange rate effects was 15.4%. All brands contributed to this performance, especially Unitron Hearing and wireless communication systems. Sales growth was driven mainly by the success of our new product lines Savia Art, Audéo, microPower and Una in the Phonak brand, and the highly successful product families Indigo and Element from Unitron Hearing. Overall, 69% of total sales were generated with products introduced less than 2 years ago.

In the first half of 2007/08, gross profit increased by 19.0% to CHF 408.1 million. Sonova's growth allowed it to achieve economies of scale both in production and in materials procurement. As a result, the gross profit margin improved to 68.4%, compared with 68.0% in the previous year.

Operating profit before acquisition-related amortization (EBITA), excluding the exceptional one-off costs for the ReSound Group acquisition (which was prohibited by the German Federal Cartel Office), increased by an impressive 26.5% to CHF 160.2 million. The EBITA margin rose from 25.1% in the first half of 2006/07 to 26.9% in the first half of 2007/08. The increase in operating expenses is mainly attributable to the ongoing expansion of our research & development capabilities and global distribution and organization structures.

Excluding the one-off costs for the prohibited acquisition of the ReSound Group, Sonova increased its income after taxes by 35.6% to CHF 138.5 million. In addition to the increased operating profit (EBITA), additional measures to improve the relevant financial key ratios made a major contribution to a further improvement in the profit margin. Including the exceptional one-off costs, income after taxes reached CHF 107.4 million.

Effect of one-off costs (CHF 34.9 million before taxes) for the prohibited ReSound acquisition:	in CHF m	Reported performance	Underlying performance	Effect of one-off costs
Sales		596.3	596.3	
Gross profit		408.1	408.1	
in % of sales		68.4%	68.4%	
Other (expenses)/income, net		(2.8)	5.2	(8.0)
Operating profit (EBITA)		152.2	160.2	(8.0)
in % of sales		25.5%	26.9%	
Operating profit (EBIT)		149.8	157.8	(8.0)
in % of sales		25.1%	26.5%	
Financial expenses		(30.5)	(3.5)	(26.9)
Income before taxes		126.3	161.2	(34.9)
Income after taxes		107.4	138.5	(31.1)
in % of sales		18.0%	23.2%	

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Sonova – Success through innovation

At the EUHA hearing instrument trade fair held in October 2007 in Nuremberg, Germany, the Sonova hearing system brands clearly demonstrated the consistently high level of innovation prevalent in the hearing industry. The newly developed CORE (Communication Optimized Real-audio Engine) platform has six powerful microprocessors which collectively provide not only the very best audiological performance, but also a wireless broadband communication channel, which is unique in the hearing instrument industry.

Two unique hearing systems based on CORE, Exélia and Naída, have already been launched. Exélia, Phonak's new first class hearing system, is the most powerful hearing system that the industry has seen since the introduction of Savia. Significant investments in research and development have resulted in innovative audiological features that provide wearers with unparalleled levels of speech understanding, comfort and ease of use. SoundFlow and ZoomControl are audiological benchmarks and the unique broadband communication channel provides wireless programming and connectivity with mobile telephones.

The new product line Naída has been specifically developed to meet the special requirements of users with significant hearing loss. Naída also utilizes the CORE platform and already boasts many of the innovative performance features of Exélia. With its unique SoundRecover technology, Naída also allows users to hear high-frequency sounds that would otherwise lie beyond their hearing range. It is also the smallest hearing system in its class.

Yuu, the latest line from Unitron Hearing, pioneers new paths in hearing instrument control with Smart Control, and for the first time allows users to adjust the adaptive hearing system features themselves, in real time.

The FM transmitter inspiro and the FM receivers MLxi and ML10i are based on the Dynamic FM platform. The many new adaptive functions bring huge improvements to hearing performance, while at the same time being far more simple to use.

Share buy-back program initiated

As announced on August 15, 2007, Sonova intends to repurchase up to 10% of its outstanding shares over the next three years. The share buy-back program started on September 20, 2007, via a second trading line, and will continue until September 30, 2010, at the latest. The program allows Sonova to return its cash not used for operations and funds generated from future free cash flows to its shareholders. At the same time, Sonova's solid financial position means that this share buy-back program will not impact its financial flexibility for further internal and external expansion.

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Outlook for the financial year 2007/08

In recent years the Sonova Group has continued to strengthen its position as the hearing instrument industry's innovation and technology leader. The Group is very competitive and has a strong global management team. Today, with its leading brands, the Sonova Group has one of the most advanced product portfolios and can rely on a full product pipeline. Based on current market conditions and barring unforeseen events, we forecast a continuous strong organic sales growth of over 10% and a further improvement of the EBITA margin for the financial year 2007/08. Sonova expects to be able to continue to grow faster than the hearing instrument market during the second half of 2007/08, and to further expand its market share.

The Semi-Annual Report 2007/08 and the new Sonova Panorama can be downloaded from:
<http://www.sonova.com/en/investors/SemiAnnualReports>
<http://www.sonova.com/en/about>

This is Sonova

Sonova is the leading provider of innovative hearing healthcare solutions. This globally active group of companies is one of the world's top three manufacturers 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 and sustainable growth strategy and is intent on further 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 4000 people, Sonova generated sales of CHF 1.073 billion in the financial year 2006/07 and a net profit of CHF 243 million. This financially strong group of companies bases its success on innovation, customer focus and proactive cost management.

Hearing is a megatrend in our society. Modern communication requirements and the sheer volume of audio information available – whether music or the spoken word – continue to increase, so that hearing is becoming an increasingly important facility. Due to demographic trends and harmful environmental impacts, more and more people now suffer from hearing loss, and yet only roughly a fifth of them make use of professional hearing solutions. Sonova therefore wants to raise public awareness of the importance of hearing and highlight the social and emotional impact of hearing loss, as well as providing information on potential solutions. In the *Hear the World* initiative world famous celebrities stress the importance of good hearing.

The company has been successfully promoting understanding and communication for over 60 years now, 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) are listed on the SWX Swiss Exchange since 1994

Key Figures Sonova Group

April 1 to September 30, 1,000 CHF unless otherwise specified	2007	2007*	2006
Sales	596,288	596,288	504,211
change compared to previous year (%)	18.3	18.3	29.0
Gross profit	408,090	408,090	342,816
change compared to previous year (%)	19.0	19.0	32.8
in % of sales	68.4	68.4	68.0
Research & development costs	41,103	41,103	33,391
in % of sales	6.9	6.9	6.6
Sales & marketing costs	152,095	152,095	137,786
in % of sales	25.5	25.5	27.3
Operating profit before acquisition-related amortization (EBITA)	152,187	160,202	126,621
change compared to previous year (%)	20.2	26.5	30.7
in % of sales	25.5	26.9	25.1
Operating profit (EBIT)	149,834	157,849	124,491
change compared to previous year (%)	20.4	26.8	28.8
in % of sales	25.1	26.5	24.7
Income after taxes	107,448	138,504	102,159
change compared to previous year (%)	5.2	35.6	32.0
in % of sales	18.0	23.2	20.3
Number of employees (average)	4,164		3,708
change compared to previous year (%)	12.3		24.3
Number of employees (end of period)	4,246		3,758
change compared to previous year (%)	13.0		22.9
Net cash¹⁾	316,093		179,603
Net working capital²⁾	94,148		116,956
in % of sales	15.8		23.2
Capital expenditure (tangible and intangible assets)³⁾	27,534		14,364
Capital employed⁴⁾	596,759		501,003
in % of sales	100.1		99.4
Total assets	1,282,592		1,016,607
Equity	912,852		680,606
Equity financing ratio (%)⁵⁾	71.2		66.9
Free cash flow⁶⁾	105,136		62,765
in % of sales	17.6		12.4
Return on capital employed (%)⁷⁾	26.2		26.3
Return on equity (%)⁸⁾	11.9		15.7
Basic earnings per share (CHF)	1.597	2.061	1.533
Diluted earnings per share (CHF)	1.581	2.039	1.510
Cash-based diluted earnings per share (CHF) ⁹⁾	1.604	2.063	1.531

* Excluding non-recurring costs relating to the prohibited ReSound Group transaction (see Semi-Annual Report 2007/08, Note 2 on page 18).

¹⁾ Cash and cash equivalents + other current financial assets – short-term debts – other current financial liabilities – long-term debts.

²⁾ Receivables + inventories – trade payables – other short-term liabilities – taxes payable – short-term provisions.

³⁾ Without goodwill and intangibles relating to acquisitions.

⁴⁾ Total assets – cash and cash equivalents – other current financial assets – trade payables – other liabilities – provisions – deferred tax liabilities.

⁵⁾ Equity in % of total assets.

⁶⁾ Cash flow from operating activities + cash flow from investing activities.

⁷⁾ EBIT in % of capital employed (average).

⁸⁾ Income after taxes in % of equity (average).

⁹⁾ Excludes the amortization of acquisition-related intangibles, net of tax.