sonova

SEMI-ANNUAL REPORT 2007/08

as of September 30, 2007

PIONEERS IN HEARING

HIGHLIGHTS

- Sales increase by 18.3% to CHF 596.3 million (whereof 15.4% organic, 1.2% from acquisitions and 1.7% from currencies)
- 69% of total sales are generated with products introduced less than 2 years ago
- 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
- Organic sales growth of 15.4% again significantly exceeds hearing instrument market growth
- EUHA October 2007: The hearing systems Exélia, Naída and Yuu set new benchmarks in the hearing instrument industry
- *Hear the World*, Phonak's initiative to raise public awareness about the importance of hearing, celebrated its first anniversary in October 2007
- 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
- Outlook for the financial year 2007/08: Sonova expects to outgrow the hearing instrument market and to further improve its EBITA margin

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.

Sonova has clearly beaten the growth rate of the global hearing instrument market, currently estimated at around 6–7%. Group sales increased 18% on the previous year, and organic growth excluding exchange rate effects was over 15%. All brands contributed to this performance, especially Unitron Hearing and wireless communication systems. The main growth drivers for Phonak were the Savia Art product line launched in autumn 2006, and the hearing systems Una and Audéo unveiled in April 2007.

Audéo, the personal communication assistant, facilitates entry into new customer segments and has been well received, also by the media, due to its innovative design, its unique performance features and its distinctive appeal to end users. Audéo is making an important contribution to the development of the market by promoting a modern and appealing image for hearing instruments among the general public. The Unitron Hearing business received a significant growth impact from the launch of the Element product family in the business and economy lines – both important segments for the brand – as well as the roll-out of Moxi. Wireless communication systems also managed to further expand their leading market position.

Excluding the one-off costs for the ReSound acquisition, which was prohibited by the German Federal Cartel Office, income after taxes came to CHF 139 million, equivalent to an increase of more than 35% on the previous year. In particular, providing the guaranteed finance for the acquisition of the ReSound Group, estimated at approximately CHF 3.3 billion, resulted in one-off costs of CHF 35 million, which have been charged to the income statement of the first half of 2007/08.

At the EUHA hearing instrument trade fair held in October 2007 in Nuremberg, Germany, the Sonova Group 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 allow wireless communication between hearing systems, compatibility with mobile phones, and wireless programming. Many new pioneering hearing system developments will be based on the CORE platform in the future.

Phonak's launch of the new first class hearing system Exélia opens up an entire new dimension of communication and interaction for hearing im-

Andy Rihs and Valentin Chapero Rueda

paired people. Exélia is simply the most powerful hearing system that the industry has seen since the introduction of Savia. 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. 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 actively 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.

Hear the World, an initiative by Phonak, was launched to raise public awareness about hearing and remove the stigma attached to hearing systems. This initiative celebrated its first anniversary in October 2007 and has been a great success. There has been renewed media interest and coverage of the theme of hearing recently. At the moment we are attracting support not only from icons in classical music such as Plácido Domingo and the Vienna Philharmonic Orchestra, but also international stars such as Joss Stone, Harry Bellafonte, Annie Lennox, Bobby McFerrin, Dionne Warwick, Lindsay Lohan and Franka Potente.

The Sonova Group has shown itself capable of building on its traditional strengths – product innovation and client service – and, in the area of marketing communication, setting new standards in the hearing instrument industry.

We would like to extend our sincere thanks to our employees for their enormous dedication and contribution to Sonova's success. We would also like to take this opportunity to thank our loyal customers, suppliers, partners and shareholders for their continuing support.

Andy Rihs
Chairman of the
Board of Directors

Dr. Valentin Chapero Rueda
CEO

AMBITIOUS TARGETS CLEARLY BEATEN

The Sonova Group increased its sales by 18% to CHF 596 million. Excluding the one-off costs for the prohibited ReSound acquisition, income after taxes increased by more than 35%. 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

In the first half of 2007/08, the Sonova Group generated sales of CHF 596.3 million, equivalent to growth of 18.3% compared to the first half of 2006/07. Sales growth in local currencies and excluding the effect of acquisitions was 15.4%. The effect of acquisitions was only 1.2% during the reporting period and was made up of several smaller acquisitions. Currency movements had a positive impact of 1.7% on sales growth and are the result of a stronger Euro and the appreciation of other major currencies, which was partially compensated by a weakening US dollar.

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. The Phonak product lines Eleva and eXtra also continued to make a positive contribution to sales growth. The 17% sales growth in hearing systems also had a positive impact on wireless communication systems and sales of miscellaneous third-party products, spare parts, batteries and services. Wireless communication systems achieved a growth rate of 17%, while sales of miscellaneous products and services rose by as much as 29%.

Breakdown of sales by product groups:

in CHF m	H1 2007/08		H1 2006/07	
Product groups	**Sales**	**Share**	**Sales**	**Share**
First class hearing systems	180	30%	156	31%
Business class hearing systems	122	21%	101	20%
Economy class hearing systems	168	28%	146	29%
Wireless communication systems	41	7%	35	7%
Miscellaneous	85	14%	66	13%
Total sales	**596**	**100%**	**504**	**100%**

There were only minor changes in the product mix, i.e. the sales contribution of product groups as a percentage of total sales. Strong growth was achieved in all product groups. Business class hearing systems posted strong growth of 21% thanks to the success of the Element product line from Unitron Hearing and the consistently dynamic growth of Phonak's product family Eleva. The sales contribution from this segment therefore increased by 1%.

Gross profit

In the first half of 2007/08, gross profit increased by 19.0% to CHF 408.1 million (previous year CHF 342.8 million). During the reporting period, Sonova's growth allowed it to achieve significant 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.

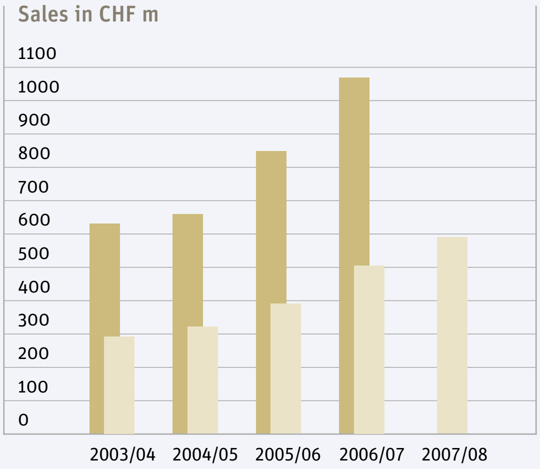
Operating profit before acquisition-related amortization (EBITA)

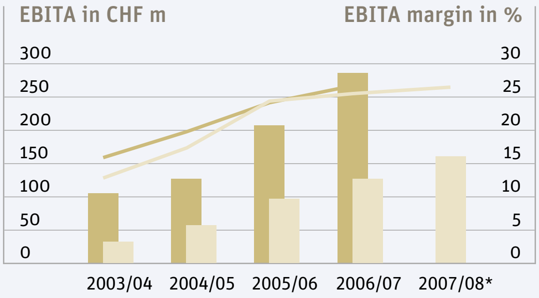
Excluding the exceptional one-off costs for the prohibited acquisition of the ReSound Group, Sonova increased its operating profit (EBITA) by an impressive 26.5% to CHF 160.2 million (previous year CHF 126.6 million). The EBITA margin rose from 25.1% in the first half of 2006/07 to 26.9% in the first half of 2007/08.

Spending on research and development (R&D) rose 23.1% during the reporting period to CHF 41.1 million (previous year CHF 33.4 million). R&D spending as a percentage of sales came to 6.9%, slightly higher than the previous year's level of 6.6%. Apart from ongoing recruitment to strengthen our R&D team, additional external costs were also incurred for CORE, our newly developed modular hardware and software development platform. Two unique hearing systems based on CORE, Exélia and Naída have already been unveiled at the EUHA hearing instrument trade fair in October 2007.

Sales and marketing expenses rose less than sales, up 10.4% to CHF 152.1 million (previous year CHF 137.8 million). After investing heavily in our global sales and marketing organization in 2006/07, Sonova benefited, as planned, from efficiency improvements during the reporting period. Sales and marketing costs as a percentage of sales came to 25.5%, substantially lower than the previous year's level of 27.3%.

General and administration expenses rose 28.0% during the reporting period to CHF 59.9 million (previous year CHF 46.8 million). These costs as a percentage of sales came to 10.0%, above the previous year's level of 9.3%. The Group's dynamic pace of growth (both organically and through acquisitions) required the significant expansion of our business structures and systems. The rise in general and administration expenses was also due to higher





share-based payment costs (IFRS 2). Excluding these IFRS 2 costs, general and administration costs grew less than sales in the first half of 2007/08.

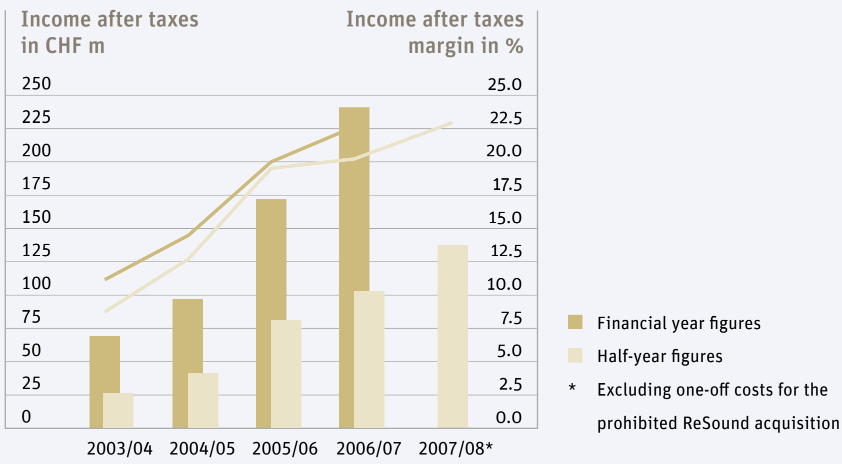
During the reporting period, other income rose to CHF 5.2 million compared with CHF 1.8 million in the previous year. This rise is mainly attributable to foreign exchange gains from forward currency contracts used to hedge exchange rate risks. One-off costs of CHF 8.0 million in connection with the prohibited ReSound acquisition were charged against other income. Reported operating profit (EBITA) is therefore CHF 8.0 million lower, at CHF 152.2 million.

Income after taxes

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 (previous year CHF 102.2 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. Income after taxes, as a percentage of sales, rose from 20.3% in the first half of 2006/07 to 23.2% in the first half of 2007/08. Excluding acquisition-related amortization, cash-based earnings per share on a diluted basis rose 34.7% to CHF 2.06.

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 in % of sales	408.1 68.4%	408.1 68.4%	
Other (expenses)/income, net	(2.8)	5.2	(8.0)
Operating profit (EBITA) in % of sales	**152.2** 25.5%	**160.2** 26.9%	**(8.0)**
Operating profit (EBIT) in % of sales	**149.8** 25.1%	**157.8** 26.5%	**(8.0)**
Financial expenses	(30.5)	(3.5)	(26.9)
Income before taxes	**126.3**	**161.2**	**(34.9)**
Income after taxes in % of sales	**107.4** 18.0%	**138.5** 23.2%	**(31.1)**



During the reporting period, acquisition-related amortization only grew slightly to CHF 2.4 million (previous year CHF 2.1 million). The net financial result increased to CHF 3.9 million (previous year CHF 0.3 million). As a result of the prohibited ReSound acquisition, financial expenses included a charge for additional one-off costs of CHF 26.9 million incurred in connection with the provision of guaranteed financing and the planned capital increase for the acquisition (estimated at CHF 3.3 billion). The share of loss in associates/joint ventures during the reporting period was slightly lower, at CHF 0.5 million compared with CHF 0.7 million last year.

Taking into account the one-off costs for the ReSound acquisition, which was prohibited by the German Federal Cartel Office, income after taxes improved 5.2% to CHF 107.4 million. Income taxes decreased to CHF 18.8 million in the reporting period (previous year CHF 22.0 million). As a percentage of income before taxes, income tax declined from 17.7% in the first half of 2006/07 to 14.9% in the first half of 2007/08, mainly due to a change in the geographic allocation of taxable income.

Cash flow

Cash flow from operating activities rose 25.0%, in line with EBITA, from CHF 119.9 million in the first half of 2006/07 to CHF 149.9 million in the first half of 2007/08. This rise was mainly attributable to the higher income before taxes, combined with only a slight increase in net working capital. The free cash flow, which also takes into consideration the cash flow from investing activities, climbed 67.5% to CHF 105.1 million. Higher investments in tangibles and intangibles were more than offset by the much lower acquisition activity, and as a result the cash outflow for investing activities fell to CHF 44.8 million during the reporting period. In the first half of 2007/08, the Sonova Group posted a cash outflow for financing activities of CHF 86.5 million (previous year CHF 65.8 million). The free cash flow of CHF 105.1 million was mainly used for dividend payments to shareholders of CHF 50.3 million

Key figures from the consolidated cash flow statements of the Sonova Group:

in CHF m	H1 2007/08	H1 2006/07
Cash flow from operating activities	**149.9**	**119.9**
Cash flow from investing activities	(44.8)	(57.2)
Free cash flow	**105.1**	**62.8**
Cash flow from financing activities	(86.5)	(65.8)
Increase in cash and cash equivalents	18.9	(4.5)
Cash and cash equivalents at September 30	303.2	175.1

(previous year CHF 33.2 million), as well as for the purchase of treasury shares worth CHF 32.2 million (previous year CHF 10.0 million).

Balance sheet structure

The Sonova Group's capital employed has increased 19.1% to CHF 596.8 million. This increase was mainly in non-current assets due to the growth of our business activities, which also appreciated as a result of currency translation effects. By contrast, the average payment period for clients to settle their invoices ("days of sales outstanding") actually fell slightly compared with last year. Trade receivables and inventories increased less than sales. Net cash as of September 30, 2007, rose to CHF 316.1 million, compared with just CHF 179.6 million at the same time last year. The equity financing ratio (equity in % of total assets) rose from 66.9% last year to 71.2% this year.

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. Until the next AGM in June 2008, Sonova can repurchase shares up to a maximum value of CHF 150 million, which will then be put forward for cancellation at the AGM. As of September 30, 2007, the Group has bought back 5,000 Sonova shares within the share buy-back program.

"With its leading brands, the Sonova Group has one of the most competitive product portfolios in the hearing instrument industry and can rely on a full product pipeline."

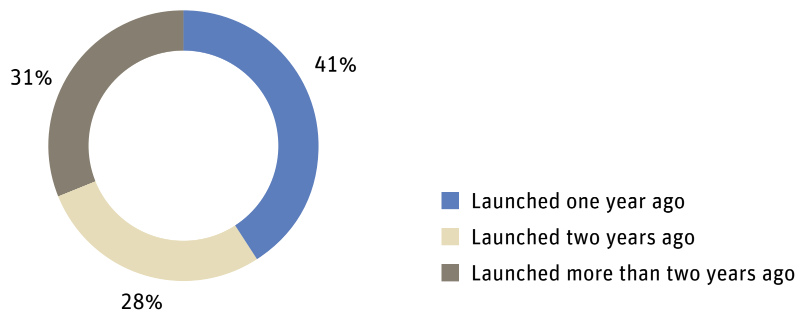
Development of a middle ear implant

We have formed a new company, Acoustic Implants, to complement our core business of hearing systems. The purpose of this company is to develop and bring to market the middle ear implant DACS (Direct Acoustic Cochlea Stimulation). DACS is designed to provide a solution for people suffering from sound transmission problems in the middle ear, i.e. in the ossicle chain of hammer, incus and stapes, or who even do not have a middle ear. The functionality and reliability of the concept underlying the DACS middle ear implant has already been proven in a clinical study.

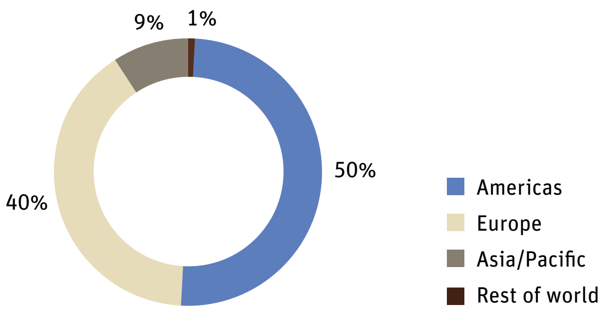
Outlook for the financial year 2007/08

With its leading brands, the Sonova Group has one of the most competitive product portfolios in the hearing instrument industry 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 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.

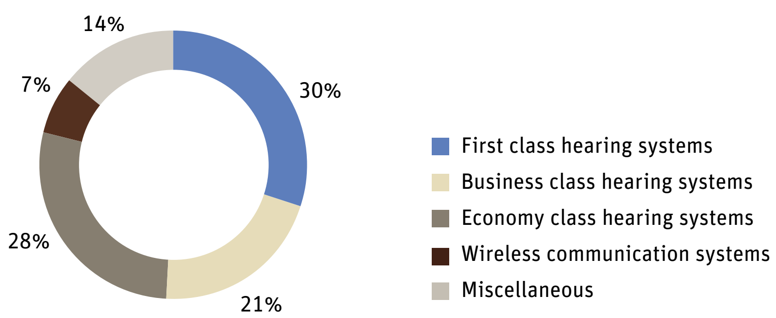
Share of sales first half of 2007/08 – new products



Share of sales by main markets first half of 2007/08



Share of sales by product groups first half of 2007/08



Key Figures

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 cash[1)]	**316,093**		**179,603**
Net working capital[2)]	**94,148**		**116,956**
in % of sales	15.8		23.2
Capital expenditure (tangible and intangible assets)[3)]	**27,534**		**14,364**
Capital employed[4)]	**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 flow[6)]	**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 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.

Consolidated Income Statements

April 1 to September 30, 1,000 CHF	**2007**	2006
Sales	**596,288**	**504,211**
Cost of sales	(188,198)	(161,395)
Gross profit	**408,090**	**342,816**
Research and development	(41,103)	(33,391)
Sales and marketing	(152,095)	(137,786)
General and administration	(59,907)	(46,818)
Other (expenses)/income, net	(2,798)	1,800
Operating profit before acquisition-related amortization (EBITA)[1)]	**152,187**	**126,621**
Acquisition-related amortization	(2,353)	(2,130)
Operating profit (EBIT)[2)]	**149,834**	**124,491**
Financial income	7,375	2,579
Financial expenses	(30,454)	(2,256)
Share of loss in associates/joint ventures	(471)	(693)
Income before taxes	**126,284**	**124,121**
Income taxes	(18,836)	(21,962)
Income after taxes	**107,448**	**102,159**

Attributable to:		
Equity holders of the parent	107,091	101,617
Minority interests	357	542

Basic earnings per share (CHF)	1.597	1.533
Diluted earnings per share (CHF)	1.581	1.510

1) Earnings before financial result, share of loss in associates/joint ventures, taxes and acquisition-related amortization (EBITA).
2) Earnings before financial result, share of loss in associates/joint ventures and taxes (EBIT).
The Notes are an integral part of the interim consolidated financial statements.

Consolidated Balance Sheets

Assets 1,000 CHF	30.09.2007	31.03.2007	30.09.2006
Cash and cash equivalents	303,242	284,341	175,079
Other current financial assets	14,063	64,003	12,243
Trade receivables	223,210	222,432	198,196
Other receivables and prepaid expenses	41,700	50,192	49,026
Inventories	94,521	94,151	92,622
Total current assets	**676,736**	**715,119**	**527,166**
Tangible assets	127,186	120,663	119,083
Intangible assets	318,441	285,759	273,595
Investments in associates/joint ventures	42,866	37,982	6,035
Other non-current financial assets	44,868	35,980	20,168
Deferred tax assets	72,495	67,889	70,560
Total non-current assets	**605,856**	**548,273**	**489,441**
Total assets	**1,282,592**	**1,263,392**	**1,016,607**

Liabilities and equity 1,000 CHF	30.09.2007	31.03.2007	30.09.2006
Short-term debts	162	64	207
Trade payables	37,865	41,755	33,002
Taxes payable	47,363	59,542	39,327
Other current financial liabilities	627	348	7,109
Other short-term liabilities	124,295	105,690	100,695
Short-term provisions	55,760	63,475	49,864
Total current liabilities	**266,072**	**270,874**	**230,204**
Long-term debts	423	460	403
Long-term provisions	49,411	47,204	49,943
Other long-term liabilities	11,620	10,759	6,612
Deferred tax liabilities	42,214	39,408	48,839
Total non-current liabilities	**103,668**	**97,831**	**105,797**
Total liabilities	**369,740**	**368,705**	**336,001**
Share capital	3,368	3,356	3,319
Share premium	194,685	175,802	152,921
Treasury shares	(26,948)	(3,038)	(2,836)
Retained earnings	737,961	715,042	524,597
Equity attributable to equity holders of the parent	**909,066**	**891,162**	**678,001**
Minority interests	3,786	3,525	2,605
Equity	**912,852**	**894,687**	**680,606**
Total liabilities and equity	**1,282,592**	**1,263,392**	**1,016,607**

The Notes are an integral part of the interim consolidated financial statements.

Consolidated Cash Flow Statements

April 1 to September 30, 1,000 CHF		2007		2006
Income before taxes		**126,284**		**124,121**
Depreciation of tangible assets	11,930		10,397	
Amortization of intangible assets	4,457		4,001	
Gain on sale of tangible and intangible assets, net	(62)		(108)	
Share of loss in associates/joint ventures	471		693	
Decrease in long-term provisions	(2,937)		(7,516)	
Financial expenses/(income), net	23,079		(323)	
Unrealized exchange differences	4,850		827	
Other non-cash items	9,945	51,733	4,418	12,389
Cash flow before changes in net working capital		**178,017**		**136,510**
Decrease/(increase) in trade receivables	2,232		(3,102)	
Decrease/(increase) in other receivables and prepaid expenses	2,583		(2,930)	
Decrease in inventories	2,574		1,682	
Decrease in trade payables	(7,114)		(5,557)	
(Decrease)/increase in other payables, accruals and short-term provisions	(2,577)		18,990	
Income taxes paid	(25,778)	(28,080)	(25,650)	(16,567)
Cash flow from operating activities		**149,937**		**119,943**
Purchase of tangible and intangible assets	(27,534)		(14,364)	
Proceeds from sale of tangible and intangible assets	816		569	
Cash consideration for acquisitions, net of cash acquired	(8,215)		(36,934)	
Increase in other non-current financial assets	(16,193)		(8,082)	
Interest received and realized gain from financial assets	6,325		1,633	
Cash flow from investing activities		**(44,801)**		**(57,178)**
Free cash flow		**105,136**		**62,765**
Repayments of borrowings and mortgages	(442)		(25,973)	
Proceeds from capital increases	5,568		566	
Sale of treasury shares	1,641		3,292	
Purchase of treasury shares	(32,182)		(10,028)	
Dividend paid by Sonova Holding AG	(50,308)		(33,165)	
Dividend paid to minorities	(136)		(134)	
Interest paid and other financial expenses	(10,629)		(344)	
Cash flow from financing activities		**(86,488)**		**(65,786)**
Currency translation differences		253		(1,449)
Increase in cash and cash equivalents		**18,901**		**(4,470)**
Cash and cash equivalents at April 1		284,341		179,549
Cash and cash equivalents at September 30		**303,242**		**175,079**

The Notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Recognized Income and Expense

April 1 to September 30, 1,000 CHF	2007	2006
Income after taxes	**107,448**	**102,159**
Actuarial losses from defined benefit plans, net	(134)	
Fair value adjustments on cash flow hedges[1)]	(49,099)	(4,236)
Currency translation differences	15,331	(6,767)
Income and expenses directly recognized in equity	**(33,902)**	**(11,003)**
Total recognized income and expense	**73,546**	**91,156**
Attributable to equity holders of Sonova Holding AG	73,227	90,631
Attributable to minority interests	319	525

[1)] As the ReSound Group acquisition has been prohibited, the relating hedge contracts have lapsed without any costs for the Group.
The Notes are an integral part of the interim consolidated financial statements.

Consolidated Changes in Equity

1,000 CHF

	Attributable to equity holders of Sonova Holding AG							
	Share capital	Share premium	Retained earnings	Cumulative translation adjustment	Treasury shares	Hedge reserve	Minority interest	Total equity
Balance April 1, 2006	**3,318**	**154,042**	**469,031**	**(1,907)**	**(2,183)**		**2,221**	**624,522**
Total recognized income and expense			**97,381**	**(6,750)**			**525**	**91,156**
Capital increase of Sonova Holding AG from conditional capital	1	565						566
Share-based payments		(892)						(892)
Sale of treasury shares		(794)			9,375			8,581
Purchase of treasury shares					(10,028)			(10,028)
Dividend paid by Sonova Holding AG			(33,165)				(134)	(33,299)
Balance September 30, 2006	**3,319**	**152,921**	**533,247**	**(8,657)**	**(2,836)**		**2,612**	**680,606**
Balance April 1, 2007	**3,356**	**175,802**	**676,748**	**(10,805)**	**(3,038)**	**49,099**	**3,525**	**894,687**
Total recognized income and expense			**106,958**	**15,368**		**(49,099)**	**319**	**73,546**
Changes in minorities							78	78
Capital increase of Sonova Holding AG from conditional capital	12	5,556						5,568
Share-based payments		3,296						3,296
Sale of treasury shares		1,566			8,272			9,838
Purchase of treasury shares					(32,182)			(32,182)
Capitalized financing costs[1)]		8,465						8,465
Dividend paid by Sonova Holding AG			(50,308)				(136)	(50,444)
Balance September 30, 2007	**3,368**	**194,685**	**733,398**	**4,563**	**(26,948)**	**0**	**3,786**	**912,852**

[1)] Capitalized costs in relation to the expected capital increase in connection with the planned acquisition of the ReSound Group.
These costs have been reversed after the transaction has been prohibited.

Notes to the Interim Consolidated Financial Statements as of September 30, 2007

1. Corporate information

The Sonova Group (the "Group") specializes in the design, development, manufacture, worldwide distribution and service of technologically advanced hearing systems for adults and children with hearing impairment. The Group operates worldwide and distributes its products in over 90 countries through its own distribution network and through independent distributors. The Group operates in industries where no material seasonal or cyclical variations in total sales have been experienced during the financial year. The ultimate parent company is Sonova Holding AG, a limited liability company incorporated in Switzerland. Sonova Holding AG's registered office is located at Laubisrütistrasse 28, 8712 Stäfa, Switzerland.

2. Basis of preparation of the consolidated financial statements

These unaudited financial statements are the interim consolidated financial statements of Sonova Holding AG and its subsidiaries for the six-month period ended September 30, 2007. These financial statements are prepared in accordance with IAS 34 "Interim Financial Reporting" and should be read in conjunction with the consolidated financial statements for the year ended March 31, 2007.

With the exception of the adoption of new and revised standards and interpretations as noted below, the accounting principles applied to and the presentation of these interim consolidated financial statements are unchanged from those of the consolidated financial statements for the year ended March 31, 2007:

IFRS 7 "Financial Instruments: Disclosures", IAS 1 (revised) "Presentation of Financial Statements: Capital Disclosures".
In the current financial year, the new standard IFRS 7 and the amendments to IAS 1 have become effective and will require additional disclosures in the consolidated financial statements 2007/08. However, there are no additional disclosure requirements for the interim financial statements.

IFRIC 8 "Scope of IFRS 2", IFRIC 9 "Reassessment of Embedded Derivatives", IFRIC 10 "Interim Financial Reporting and Impairment" and IFRIC 11 "Group and Treasury Share Transactions" have also been adopted by the Group as of April 1, 2007.

The adoption of the above mentioned standards and interpretations did not have a significant effect on the financial position of the Group.

The preparation of these interim consolidated financial statements requires management to make assumptions and estimates that affect the amounts reported for assets and liabilities at the date of the financial statements as well as revenue and expenses for the reported interim period. Actual results could differ from these estimates.

In the financial statements 2006/07, the Group assessed that the acquisition of the ReSound Group is probable and costs in the amount of CHF 19.1 million were recorded in the balance sheet. However, after the planned transaction had been prohibited by the German Federal Cartel Office (FCO) and after the "Oberlandesgericht Düsseldorf" ruled that it does not have the power to grant interim relief in merger prohibition cases, the Group terminated the transaction to acquire the ReSound Group as of August 15, 2007. As a consequence, previously capitalized costs have been expensed in the current period. The effect on the income statement for the six-month period can be summarized as follows: costs in the amount of CHF 26.9 million relating to the financing of the transaction (planned capital increase as well as financing costs) have been expensed and are included in "financial expenses". Additional acquisition-related costs in the amount of CHF 8.0 million have been expensed and are included in "other expenses/income, net".

For the purpose of establishing the interim financial statements, income tax expense is recognized based upon the best estimate of the average annual income tax rate expected for the full year.

3. Changes in Group structure

During the first six months of the financial year 2007/08, the Group entered into a few smaller business combinations (100% owned) in North America and South Africa.

Acoustic Implants AG, a fully owned company founded in Switzerland, started its operative business in May 2007. The company is engaged in the development of an innovative middle ear implant.

In the first half of the financial year 2006/07, the Group acquired 100% of National Hearing Services Inc. Canada (operating under the name "Island Hearing") as well as 100% of a few smaller companies in North America and Australia.

All of the acquired companies are engaged in the business of selling hearing systems and have been accounted for using the purchase method of accounting. The combined purchase consideration has been allocated as shown below:

1,000 CHF	2007		2006	
	Fair value	Carrying amount before acquisition	Fair value	Carrying amount before acquisition
Current assets	2,811	2,811	9,157	9,157
Tangible assets	276	276	1,864	1,864
Intangible assets	3,366	159	19,605	12,155
Other non-current assets	18	18	1,966	1,729
Current liabilities	(1,872)	(1,872)	(6,833)	(6,833)
Non-current liabilities	(1,783)	(495)	(20,943)	(14,112)
Net assets	**2,816**	**897**	**4,816**	**3,960**
Goodwill	9,144		49,897	
Purchase price incl. acquisition-related costs	**11,960**		**54,713**	
For which the Group recorded a long-term provision for the earn-out or holdback	(2,809)		(13,841)	
Cash consideration	**9,151**		**40,872**	
Cash and cash equivalents acquired	(936)		(3,938)	
Cash consideration, net of cash acquired	**8,215**		**36,934**	

Contribution of acquired companies from date of acquisition to	**30.09.2007**	**30.09.2006**
Sales	3,169	23,597
Net income	54	904

Contribution, if the acquisitions would have occured on April 1	**2007**	**2006**
Sales	4,175	25,152
Net income	73	616

The initial accounting for several acquisitions in the current financial year is provisional, as the results of the final valuation and purchase price allocation are still outstanding. The fair values assigned to the identifiable assets acquired and liabilities assumed are still subject to changes. Goodwill is attributed mainly to expected synergies, the labour force and the favourable growth potential.

4. Segment information

April 1 to September 30, 1,000 CHF	2007 Europe	2006	2007 Americas	2006
Sales				
Third parties	256,036	217,355	300,030	257,542
Intersegment sales	204,878	189,202	2,565	6,001
Total sales	**460,914**	**406,557**	**302,595**	**263,543**
Operating profit/(loss) (EBIT)	**155,343**	**152,531**	**5,831**	**(4,164)**
Financial (expenses)/income, net				
Share of (loss)/gain in associates/joint ventures	(722)	(801)	251	108
Income before taxes				
Income taxes				
Income after taxes				
Total assets	**1,404,373**	**1,093,648**	**645,749**	**602,945**
thereof: investments in associates/joint ventures	36,188	4,265	6,678	1,770
Total liabilities	**444,778**	**375,960**	**426,123**	**395,166**
Capital expenditure in tangible and intangible assets	19,627	7,731	5,547	4,043
Depreciation and amortization on tangible and intangible assets	9,530	7,897	5,474	5,143
Share-based payments	8,337	3,341	1,404	874
Third-party sales based on location of customers	**240,150**	**204,173**	**299,783**	**258,048**
Growth in local currencies	12.6%	13.4%	17.4%	46.0%

[1] "Corporate/Eliminations" include unallocated corporate assets and liabilities and intersegment eliminations.

The Group is active in one business segment; the design, development, manufacture, distribution and service of hearing systems and related products. The primary segment information is presented according to geographical regions based on location of assets. This is in line with the organizational structure.

	2007	2006	2007	2006	2007	2006	2007	2006
	Asia/ Pacific		Rest of world		Corporate/ Eliminations[1)]		Total	
	39,231	29,314	991				596,288	504,211
	40,331	36,906			(247,774)	(232,109)		
	79,562	**66,220**	**991**		**(247,774)**	**(232,109)**	**596,288**	**504,211**
	(2,069)	**(1,770)**	**10**		**(9,281)**	**(22,106)**	**149,834**	**124,491**
							(23,079)	323
							(471)	(693)
							126,284	**124,121**
							(18,836)	(21,962)
							107,448	**102,159**
	82,046	**63,592**	**1,154**		**(850,730)**	**(743,578)**	**1,282,592**	**1,016,607**
							42,866	6,035
	80,468	**56,357**	**1,331**		**(582,960)**	**(491,482)**	**369,740**	**336,001**
	2,349	2,590	11				27,534	14,364
	1,375	1,358	8				16,387	14,398
	315	197					10,056	4,412
	52,630	**38,712**	**3,725**	**3,278**			**596,288**	**504,211**
	28.2%	19.4%	12.5%	(15.4%)			16.2%	28.3%

5. Earnings per share

Basic earnings per share are calculated by dividing the income after taxes attributable to the ordinary equity holders of the parent company by the weighted average number of shares outstanding during the year.

Basic earnings per share	2007	2006
Income after taxes (1,000 CHF)	107,091	101,617
Weighted average number of outstanding shares	67,043,204	66,303,688
Basic earnings per share (CHF)	**1.597**	**1.533**

To calculate diluted earnings per share, the weighted average number of shares outstanding is adjusted for all outstanding dilutive share options, assuming they will be exercised. The dilutive share options include all share options issued under the stock option plans which have been granted in 2003 through 2007 and which have not yet been exercised. Anti-dilutive share options have not been considered. The calculation of diluted earnings per share is based on the same income after taxes for the period as is used in calculating basic earnings per share.

Diluted earnings per share	2007	2006
Income after taxes (1,000 CHF)	107,091	101,617
Weighted average number of outstanding shares	67,043,204	66,303,688
Adjustment for dilutive share options	694,651	1,004,819
Adjusted weighted average number of outstanding shares	67,737,855	67,308,507
Diluted earnings per share (CHF)	**1.581**	**1.510**

6. Contingencies

There have been no material changes in contingent liabilities since March 31, 2007.

7. Movements in share capital

The Annual General Shareholders' Meeting of June 12, 2007, resolved the distribution of a gross dividend of CHF 0.75 per registered share for the financial year 2006/07. The dividend was paid in July 2007 on all outstanding shares, i.e. treasury shares.

(each share has a nominal value of CHF 0.05)	Issued registered shares	Treasury shares[1]	Outstanding shares
Balance April 1, 2006	**66,360,925**	**(34,633)**	**66,326,292**
Issue of new shares from conditional capital[2]	14,400		14,400
Purchase of treasury shares		(138,898)	(138,898)
Sale of treasury shares		133,045	133,045
Balance September 30, 2006	**66,375,325**	**(40,486)**	**66,334,839**
Balance April 1, 2007	**67,125,144**	**(44,344)**	**67,080,800**
Issue of new shares from conditional capital[2]	226,684		226,684
Purchase of treasury shares		(320,320)	(320,320)
Sale of treasury shares		102,320	102,320
Purchase of shares intended to be cancelled[3]		(5,000)	(5,000)
Balance September 30, 2007	**67,351,828**	**(267,344)**	**67,084,484**

[1] Treasury shares are purchased on the open market and are not entitled to dividends.
[2] Created for purpose of the employee share option plan.
[3] Shares purchased by the Group as part of the share buy-back program.

8. Subsequent events

There have been no material events after the balance sheet date.

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The English version is the governing text.