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Media Release

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Sonova further extends its lead position as a provider of innovative hearing solutions

With all brands contributing to the consistently dynamic growth, sales reached a new record of CHF 1.2 billion. Sales growth of 12.3% shows that the Sonova Group continued to expand its market share significantly in the financial year 2007/08. Profitability improved at all levels and the free cash flow increased by 52% to CHF 219 million.

- Sales increase by 12.3% to CHF 1,204.8 million (whereof 11.1% organic growth, 1.7% from acquisitions and –0.5% currency effect) significantly exceeding hearing instrument market growth
- 59% of hearing system sales are generated with products launched less than two years ago
- EBITA margin (excluding one-off costs for the prohibited GN ReSound acquisition) rises to 28.2% (prior year 26.4%)
- Income after taxes (excluding one-off costs) grows by 25.7% to CHF 305.2 million. Reported income after taxes reaches CHF 274.1 million
- Dividend increases by 33% to CHF 1.00 (proposal to the Annual General Shareholders' Meeting)
- New product releases: the hearing systems Exélia, Naída, Yuu and Next set new benchmarks in hearing system technology
- Distribution network extended further: new wholesale companies set up in India, Mexico and South Africa
- *Hear the World*, Phonak's initiative has attracted new ambassadors: Mick Jagger, Annie Lennox and Rod Stewart
- Outlook for the financial year 2008/09: We expect to further expand our market share and anticipate organic sales growth of around 10%, as well as a continuing improvement of the EBITA margin

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Another excellent year

The Sonova Group is pleased to report very positive results for the financial year 2007/08. Starting from the record level of last year, we increased sales by 12.3% to CHF 1,204.8 million (previous year CHF 1,072.8 million). Internal growth – measured in local currencies and excluding acquisitions – came to 11.1%. Sales growth was driven mainly by the success of our product lines Savia Art, Audéo, microPower, Eleva, eXtra and Una of the Phonak brand, and the highly successful product families Yuu, Indigo and Element from Unitron Hearing. The Phonak product lines Exélia and Naída had a very successful launch in February 2008 and provided a boost to sales growth in the last two months of the reporting period. Wireless communication systems achieved a growth rate of 10%, while sales of miscellaneous products and services rose by 17%.

In 2007/08 gross profit increased by 15.0% to CHF 841.6 million. During the reporting period, Sonova's growth allowed it to achieve significant economies of scale not only in production but also in materials procurement. As a result, the gross profit margin improved to 69.9%, compared with 68.2% in the previous year.

Operating profit before acquisition-related amortization (EBITA), excluding one-off costs for the GN ReSound Group acquisition (which was prohibited by the German Federal Cartel Office), increased by an impressive 19.8% to CHF 339.8 million. The EBITA margin rose from 26.4% in the previous year to 28.2% in the financial year 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 GN ReSound Group, Sonova increased its income after taxes by 25.7% to CHF 305.2 million. This rise, which is proportionately higher than the sales growth, is mainly attributable to the excellent operating profit. Including the one-off costs, income after taxes reached CHF 274.1 million.

This year's dividend proposed to the Annual General Shareholders' Meeting amounts to CHF 1.00 per share, an increase of 33% over last year's dividend of CHF 0.75.

Effect of one-off costs (CHF 35.0 million before taxes) for the prohibited acquisition of the GN ReSound Group:

in CHF m	Reported performance	Underlying performance	Effect of one-off costs
Sales	**1,204.8**	**1,204.8**	**0.0**
Gross profit	**841.6**	**841.6**	**0.0**
in % of sales	69.9 %	69.9 %	
Other (expenses) / income, net	(9.2)	(1.2)	(8.0)
Operating profit (EBITA)	**331.7**	**339.8**	**(8.0)**
in % of sales	27.5 %	28.2 %	
Operating profit (EBIT)	**326.7**	**334.8**	**(8.0)**
in % of sales	27.1 %	27.8 %	
Financial expenses	(23.4)	3.5	(26.9)
Income before taxes	**303.3**	**338.3**	**(35.0)**
Income after taxes	**274.1**	**305.2**	**(31.1)**
in % of sales	22.8 %	25.3 %	

Focus on innovation and expansion of our sales and distribution capacities

During the course of the financial year many new products were launched. Exélia, the new first class hearing system, and Naída, for people with profound hearing loss, are opening up new dimensions in speech intelligibility, communication and interaction. The Personal Communication Assistant (PCA), which won the Reddot design award, is now also available as Audéo III in the economy segment. With the inspiro wireless radio system with Dynamic FM, which is mainly used in schools, Phonak is again setting new standards in audiological performance and, with Yuu, Unitron Hearing is offering previously unattainable flexibility in the premium hearing system segment. Beyond this, Unitron Hearing has launched its new product family Next, and has thus overhauled its entire product range in the business, economy and basic segments. These and many additional innovative product launches, along with the continuous expansion of our distribution capacities, act as the Group’s engine of growth. The high innovation rate – 59% of our hearing system sales are generated with products that are less than two years old – coupled with the new distribution companies in India, Mexico and South Africa demonstrate the consistent implementation of our sustainable strategy.

Share buy-back program successfully initiated

As announced on August 15, 2007, Sonova intends to repurchase up to 10% of its outstanding shares over the next three years. The buy-back program started on September 20, 2007 and the Group has repurchased, through its share buy-back program, 1,395,000 Sonova shares, or 2.1% of the share capital up to April 25, 2008. The Board of Directors will be submitting a motion to the AGM of June 11, 2008, to cancel these repurchased Sonova shares. 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.

Outlook for the financial year 2008/09

In recent years the Sonova Group has continued to strengthen its position as the hearing instrument industry’s innovation and technology leader and, 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 the current stable market conditions and barring unforeseen events, we forecast solid internal sales growth of around 10% in local currencies, in line with our mid-term targets, and a further improvement of the EBITA margin for the financial year 2008/09. Sonova expects to be able to continue to grow faster than the hearing instrument market in 2008/09, and to further expand its market share.

The Sonova Annual Report 2007/08 can be downloaded from:
www.sonova.com/en/investors/annualreports

Key Figures Sonova Group (Consolidated)

in 1,000 CHF unless otherwise specified	Reported performance 2007/08	Underlying performance 2007/08 [1]	2006/07
Sales	**1,204,779**	**1,204,779**	**1,072,796**
change compared to previous year (%)	12.3	12.3	23.8
Gross profit	**841,584**	**841,584**	**732,075**
change compared to previous year (%)	15.0	15.0	26.7
in % of sales	69.9	69.9	68.2
Research & development costs	**76,454**	**76,454**	**67,590**
in % of sales	6.3	6.3	6.3
Sales & marketing costs	**309,200**	**309,200**	**278,978**
in % of sales	25.7	25.7	26.0
Operating profit before acquisition-related amortization (EBITA)	**331,737**	**339,752**	**283,643**
change compared to previous year (%)	17.0	19.8	32.6
in % of sales	27.5	28.2	26.4
Operating profit (EBIT)	**326,743**	**334,758**	**279,765**
change compared to previous year (%)	16.8	19.7	31.5
in % of sales	27.1	27.8	26.1
Income after taxes	**274,140**	**305,196**	**242,875**
change compared to previous year (%)	12.9	25.7	40.0
in % of sales	22.8	25.3	22.6
Number of employees (average)	**4,351**	**4,351**	**3,813**
change compared to previous year (%)	14.1	14.1	20.4
Number of employees (end of period)	**4,746**	**4,746**	**4,023**
change compared to previous year (%)	18.0	18.0	17.3
Net cash [2]	**311,647**	**311,647**	**296,480**
Net working capital [3]	**107,890**	**107,890**	**96,313**
in % of sales	9.0	9.0	9.0
Capital expenditure (tangible and intangible assets) [4]	**55,892**	**55,892**	**31,242**
Capital employed [5]	**607,417**	**607,417**	**547,215**
in % of sales	50.4	50.4	51.0
Total assets	**1,273,009**	**1,273,009**	**1,263,392**
Equity	**919,064**	**919,064**	**894,687**
Equity financing ratio (%) [6]	**72.2**	**72.2**	**70.8**
Free cash flow [7]	**219,392**	**219,392**	**144,542**
in % of sales	18.2	18.2	13.5
Return on capital employed (%) [8]	**56.6**	**58.0**	**56.3**
Return on equity (%) [9]	**30.2**	**33.7**	**32.0**
Basic earnings per share (CHF)	4.087	4.551	3.637
Diluted earnings per share (CHF)	**4.044**	**4.503**	**3.590**
Cash-based diluted earnings per share (CHF) [10]	4.093	4.552	3.628
Dividend per share (CHF)	1.00 [11]		0.75

1) Excluding one-off costs for the prohibited acquisition of the GN ReSound Group (see Note 6 in the consolidated financial statements of the Annual Report 2007/08). Balance sheet and cash flow as reported.
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 – other short-term liabilities – taxes payable – 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 – deferred 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).
10) Excluding the amortization of acquisition-related intangibles, net of tax.
11) Proposal to the Annual General Shareholders' Meeting of June 11, 2008.