sonova

Media Release

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Solid growth in a demanding market environment

In the first half of the financial year 2008/09 the Sonova Group demonstrated its ability to withstand weaker economic conditions, thanks to its innovative and well-diversified product portfolio. Based on the first-half results, the Sonova Group expects to be able to exceed the growth rate of the hearing instrument market in the full financial year 2008/09 as well.

- Sales growth of 8.8% in local currencies (thereof 7.4% organic and 1.4% from acquisitions) significantly exceeds hearing instrument market growth

- Sales growth of 0.6% in CHF is impacted by negative currency effects of -8.2%

- 64% of sales generated from products launched in the last two years

- Negative currency effects can be offset to a large extent by effective cost management; the EBITA margin therefore finishes at 26.5%, only slightly below the previous year's level of 26.9%

- Earnings per share of CHF 2.063 maintained at previous year's level

- EUHA October 2008: Phonak's new hearing system families Certéna and Versáta complement the product range based on the CORE platform. Unitron Hearing launches "360", a hearing system for people with severe hearing loss

- Outlook for the financial year 2008/09: Based on the current market conditions, the Sonova Group expects organic sales growth of 7-9% and an EBITA margin of around 27%

The following analysis compares the results of the first half of 2008/09 with the ordinary business results of the first half of 2007/08, excluding the one-off costs for the prohibited acquisition of the GN ReSound Group.

In the first half of 2008/09, Sonova's consolidated sales came to CHF 600.0 million. Organic sales growth in local currencies amounted to 7.4%, well above the overall hearing instrument market growth, which the company estimates at around 3% for the reporting period. Small acquisitions in Asia/Pacific, North America and Europe contributed 1.4% to sales growth in local currencies. The Swiss franc's appreciation, especially against the US dollar, had a negative impact of CHF 48.8 million (-8.2%) on the sales result. Sales growth in Swiss francs was thus still 0.6% up on the same period last year.

Despite increased competitive pressure, Sonova managed to expand its market share significantly in this half-year due to its innovative and well-diversified product portfolio. In view of the current economic situation, the growth in demand for hearing systems has weakened in a number of countries, although this trend has been less pronounced in the lower price-performance classes. The strategy of the Sonova Group is ideally suited to this type of situation, with the Phonak and Unitron Hearing brands offering a solution for every field of application and across all price-performance classes.

The Unitron Hearing brand achieved the most dynamic rate of growth, while Phonak made the biggest contribution to Group growth in terms of absolute figures. The wireless communication systems were able to extend their market lead.

Business and economy class hearing systems showed continuous strong performance and were important contributors to sales growth. Major drivers in these segments included the Naída product line from Phonak and the Next series of hearing systems from Unitron Hearing.

In the Americas, Sonova's biggest region, sales growth came to 9.8%, well above the market growth. Sonova also managed to gain additional market share in Europe, achieving sales growth of 6.0%. The Asia/Pacific region posted the highest growth rate of 17.3%.

In the first half of 2008/09, the gross profit margin increased to 69.1% (previous year 68.4%). This improvement is the result of significant savings in materials procurement, partly due to currency movements as well, and the steady expansion of the proportion of value added generated in our Asian production facilities. In the reporting period, the gross profit rose by 1.6% to CHF 414.6 million (previous year CHF 408.1 million).

Negative currency effects impacted the EBITA margin by around 160 basis points. These effects were offset to a large extent by effective cost management, so that the EBITA margin finished at 26.5%, only slightly below the previous year's level of 26.9%. In absolute terms the EBITA came to CHF 158.9 million (previous year CHF 160.2 million).

Income after taxes was CHF 135.1 million (previous year CHF 138.5 million) and reached 22.5% of total sales. Earnings per share were maintained at the previous year's level and during the reporting period amounted to CHF 2.063 (previous year CHF 2.061).

Product innovations

At the EUHA hearing instrument trade fair, which took place in October 2008 in Leipzig, the Sonova Group once again enhanced its reputation for innovation by introducing a host of new products.

With the launch of the new hearing system families Versáta and Certéna, the unique benefits of Phonak's CORE (Communication Optimized Real-audio Engine) platform are now available in all price-performance classes. Some of the benefits include excellent hearing performance, wireless broadband exchange of real-time audio data between two hearing systems, and a host of modern communication and entertainment systems, as well as cable-free fitting by the audiologist. The product families Exélia, Versáta and Certéna, along with Naída, the hearing system for people with severe hearing loss, allow Phonak to offer a complete product portfolio based on the CORE platform. The CORE collection now includes a Power CIC (Completely in the Canal) hearing system. With the Power CIC, people with severe hearing loss can also benefit for the first time from the advantages of a cosmetically attractive, virtually invisible CIC hearing system.

The "360" product family from Unitron Hearing provides exceptional hearing performance, high durability and adaptive speech enhancement for people with severe to profound hearing loss.

Audéo Perfect Fit Earphones (PFE) extend Phonak's offering of hearing related products. The earphones utilize Phonak's expertise in hearing system development, opening it up to a broader section of the population. The optimum acoustic properties ensure excellent sound quality and the ergonomic design offers unparalleled comfort.

The wireless communication system iSense with Dynamic FM technology was designed specifically for people who do not have a hearing loss in the classic sense but experience speech comprehension problems, particularly in noisy environments.

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Outlook for the financial year 2008/09

With its leading hearing system brands Phonak and Unitron Hearing, the Sonova Group has one of the most competitive product portfolios in the entire hearing instrument industry and a full product pipeline. In the current macro-economic environment, the short-term development of the hearing instrument market is hard to predict. Based on the current market conditions and barring unforeseen events, the Sonova Group expects organic sales growth of 7-9% in local currencies and an EBITA margin of around 27% for the financial year 2008/09. Sonova expects to be able to continue to grow faster than the hearing instrument market during the second half of 2008/09, and to further expand its market share.

The Semi-Annual report 2008/09 can be downloaded from:
http://www.sonova.com/en/investors/SemiAnnualReport

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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 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 4900 employees, Sonova generated sales of CHF 1.205 billion in the financial year 2007/08 and a net profit of CHF 274 million. This financially strong group of companies bases its success on innovation, customer focus and proactive cost management.

Communication 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, for example, world-famous celebrities stress the importance of good hearing.

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.

Key Figures Sonova Group

April 1 to September 30, 1,000 CHF unless otherwise specified	2008	Reported performance 2007[1]	Underlying performance 2007[1)/2)]
Sales	**600,026**	**596,288**	**596,288**
change compared to previous year (%)	0.6	18.3	18.3
Gross profit	**414,620**	**408,090**	**408,090**
change compared to previous year (%)	1.6	19.0	19.0
in % of sales	69.1	68.4	68.4
Research & development costs	**38,852**	**41,103**	**41,103**
in % of sales	6.5	6.9	6.9
Sales & marketing costs	**158,331**	**152,095**	**152,095**
in % of sales	26.4	25.5	25.5
Operating profit before acquisition-related amortization (EBITA)	**158,886**	**152,187**	**160,202**
change compared to previous year (%)	(0.8)	20.2	26.5
in % of sales	26.5	25.5	26.9
Operating profit (EBIT)	**156,191**	**149,834**	**157,849**
change compared to previous year (%)	(1.1)	20.4	26.8
in % of sales	26.0	25.1	26.5
Income after taxes	**135,080**	**107,448**	**138,504**
change compared to previous year (%)	(2.5)	5.2	35.6
in % of sales	22.5	18.0	23.2
Number of employees (average)	**4,921**	**4,164**	**4,164**
change compared to previous year (%)	18.2	12.3	12.3
Number of employees (end of period)	**4,973**	**4,246**	**4,246**
change compared to previous year (%)	17.1	13.0	13.0
Net cash[3]	**201,165**	**316,093**	**316,093**
Net working capital[4]	**175,774**	**94,148**	**94,148**
in % of sales	29.3	15.8	15.8
Capital expenditure (tangible and intangible assets)[5]	**34,236**	**27,534**	**27,534**
Capital employed[6]	**735,643**	**600,974**	**600,974**
in % of sales	122.6	100.8	100.8
Total assets	**1,270,716**	**1,287,493**	**1,287,493**
Equity	**936,808**	**917,067**	**917,067**
Equity financing ratio (%)[7]	**73.7**	**71.2**	**71.2**
Free cash flow[8]	**40,859**	**105,136**	**105,136**
in % of sales	6.8	17.6	17.6
Return on capital employed (%)[9]	**23.2**	**26.1**	**27.5**
Return on equity (%)[10]	**14.6**	**11.9**	**15.3**
Basic earnings per share (CHF)	**2.063**	**1.597**	**2.061**
Diluted earnings per share (CHF)	2.052	1.581	2.039
Cash-based diluted earnings per share (CHF)[11]	2.080	1.604	2.063

1) Restated as a result of initial application of IFRIC 14, for details refer to Note 2 on page 20 of the Semi-Annual Report 2008/09.
2) Excluding one-off costs for the prohibited acquisition of the GN ReSound Group (see Note 2 on page 20 of the Semi-Annual Report 2008/09). Balance sheet and cash flow as reported.
3) Cash and cash equivalents + other current financial assets – short-term debts – other current financial liabilities – non-current financial liabilities.
4) Receivables + inventories – trade payables – current income tax liabilities – other short-term liabilities – short-term provisions.
5) Excluding goodwill and intangibles relating to acquisitions.
6) Total assets – cash and cash equivalents – other current financial assets – trade payables – other liabilities – provisions – tax liabilities.
7) Equity in % of total assets.
8) Cash flow from operating activities + cash flow from investing activities.
9) EBIT in % of capital employed (average).
10) Income after taxes in % of equity (average).
11) Excluding the amortization of acquisition-related intangibles, net of tax.