sonova

SEMI-ANNUAL REPORT 2008/09

as of September 30, 2008

PIONEERS IN HEARING

HIGHLIGHTS

- Sales growth of 8.8% in local currencies (thereof 1.4% from acquisitions)
- Organic sales growth of 7.4% significantly exceeds hearing instrument market growth
- 64% of sales generated from products launched in the last two years
- Earnings per share of CHF 2.063 maintained at previous year's level, despite strong negative currency effects
- In the first half of 2008/09 several highly competitive hearing systems were launched: Exélia micro, Naída SP and Audéo III from Phonak, as well as Next from Unitron Hearing
- The *Hear the World* initiative by Phonak is in the headlines again with the photo exhibition "*Hear the World* Ambassadors" by Bryan Adams
- 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: Sonova expects organic sales growth to be significantly higher than the hearing instrument market growth and an EBITA margin somewhat below last year's level

GROWTH IN A DEMANDING MARKET ENVIRONMENT

In the first half of the financial year 2008/09 the Sonova Group clearly demonstrated its ability to withstand weaker economic conditions, thanks to its innovative and well-diversified product portfolio.

Prior year figures excluding 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 million. Organic sales growth excluding currency effects was 7.4%, well above the hearing instrument market growth (in units), which we estimate at around 3% for the reporting period. The Swiss franc appreciated against all major currencies (especially the US dollar) compared to the previous year, and this had an adverse effect of CHF 49 million on the sales result. Despite these negative currency effects, sales were higher than in 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. Due to 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. Our strategy 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.

Phonak, and especially Unitron Hearing and the wireless communication systems, contributed to the growth. The biggest growth driver for Phonak has been the product line Naída for people with severe hearing loss. The launch of Exélia helped to further expand our substantial market share in the first class segment. The excellent sales growth achieved by Unitron Hearing is mainly due to the success of its Next line of hearing systems, which includes four product families in different price categories. The Sonova Group was able to extend its market lead in wireless communication systems as well.

Strict cost management helped to offset a large part of the negative currency effects and the easing of growth due to the weaker economy. Earnings per share therefore matched last year's level.

In October 2008 the Sonova Group once again enhanced its reputation for innovation by introducing a host of new products at the EUHA hearing instrument trade fair. The launch of two new product families Certéna and Versáta now makes the unique advantages of the CORE platform (Communication Optimized Real-audio Engine) available in all price-performance classes. 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.

In the current macro-economic environment, the short-term development of the hearing instrument market is hard

Andy Rihs and Valentin Chapero Rueda

to predict. However, the market for hearing solutions remains a growth market, which makes us confident about investing for the long term. With the *Hear the World* initiative, we increase public awareness about the topic of hearing. Phonak's initiative was once again in the headlines with the photographic exhibition *Hear the World* Ambassadors, which was shown in New York, Berlin and Zurich. The Canadian rock musician Bryan Adams photographed many world-famous musicians and artists such as Mick Jagger, Plácido Domingo and Harry Belafonte.

To prepare for the future and lay the foundation for continued sustainable growth going forward, in June 2008, we began the construction of a new manufacturing and technology centre at our headquarters in Stäfa. This major investment is a signal of Sonova's clear commitment to Switzerland as a location and will allow leading-edge technologies to be used. This is where the sophisticated production processes will be performed for the entire Group and where the complex assemblies and components will be produced. The building should be ready to move into by the end of 2009.

In the first half of 2008/09 the Sonova Group has demonstrated its ability to perform well in demanding economic conditions and to maintain its growth path. The hearing instrument market still holds substantial growth potential. Some of the most powerful growth drivers include changing demographics, such as the generation of baby boomers and the steady rise in life expectancy, and the dynamic growth in emerging markets. Another factor to consider is that even in the industrialized western world, there are millions of people suffering from hearing loss who do not yet have a hearing system. To exploit this potential and capture additional market share, we will be constantly optimizing and expanding our innovative product portfolio, as well as extending our sales and distribution capacities.

We would like to thank our employees for their commitment, creativity and personal initiative. Our thanks also go to all our customers, suppliers, business partners and shareholders.

Andy Rihs
Chairman
of the Board of Directors

Dr. Valentin Chapero Rueda
CEO

GOOD RESULTS DUE TO BROADLY SUPPORTED STRATEGY

In the first half of 2008/09, the Sonova Group achieved sales growth in local currencies of 8.8% (thereof 1.4% from acquisitions). Despite strong negative currency effects, earnings per share were maintained at last year's level thanks to effective cost management. Based on the first-half results, we expect to be able to significantly exceed the growth rate of the hearing instrument market in the full financial year 2008/09 as well.

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.

Sales

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. 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.

In view of strong currency effects, the following comments refer to sales growth in local currencies. Sonova's sales growth is broadly supported, with all brands, regions and product groups making a contribution.

Sonova has a substantial market share in the first class segment. The company managed to expand its sales even further in this segment thanks to the successful launch of Exélia in spring 2008. As expected, sales growth was driven mainly by the success of our hearing systems in the business and economy classes. Growth drivers in these segments included the Naída product line from Phonak and the Next series of hearing systems from Unitron Hearing. 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. Our wireless

Breakdown of sales by product groups:

in CHF m	H1 2008/09			H1 2007/08	
Product groups	**Sales**	**Share**	**Growth in local currencies**	**Sales**	**Share**
First class hearing systems	169	28%	2.7%	180	30%
Business class hearing systems	127	21%	12.9%	122	21%
Economy class hearing systems	174	29%	10.6%	168	28%
Wireless communication systems	44	7%	16.5%	41	7%
Miscellaneous	86	15%	9.1%	85	14%
Total sales	**600**	**100%**	**8.8%**	**596**	**100%**

communication systems, whose new product portfolio is based on the Dynamic FM platform introduced last year, achieved overproportionate sales growth. Sales of miscellaneous products and services recorded roughly the same rate of growth as overall sales.

In the Americas, Sonova's biggest region, sales growth came to 9.8%, well above the market growth. The individual markets in Europe showed a diverse development. Over the entire reporting period, the private market in the UK and Spain experienced a slowdown. 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%. Sonova managed to significantly improve its market position in this rapidly growing region. Growth was also boosted by the expansion of our distribution network.

Gross profit

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. Thanks to our innovative and diversified product portfolio, we were able to hold the selling prices of existing products – despite the more competitive market environment – and even slightly increase the prices of new products. The gross profit in the reporting period rose by 1.6% to CHF 414.6 million (previous year CHF 408.1 million).

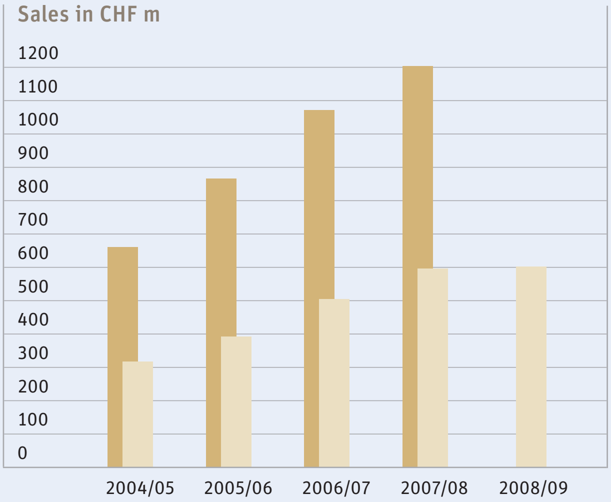
Operating profit before acquisition-related amortization (EBITA)

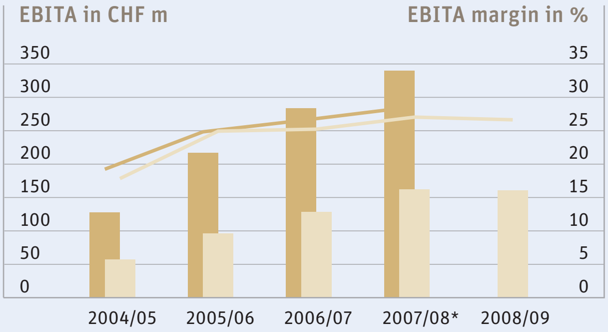
Because of the negative currency effects, the EBITA margin fell by around 160 basis points. These negative currency effects were offset to a large extent by effective cost management, so that the EBITA margin finished at 26.5%, only slightly below the previous year's level of 26.9%. In absolute terms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

Spending on research and development (R&D) was 5.5% lower in the first half of 2008/09, at CHF 38.9 million. The first six months of the previous year were still dominated by unusually high external costs associated with the completion of the new CORE platform. During the reporting period, R&D costs were 9.9% higher than in the second half of 2007/08. This highlights our ongoing efforts to further improve our platform and also to continuously update and expand our product portfolio.

Sales and marketing expenses rose by 4.1% to CHF 158.3 million (previous year CHF 152.1 million). After currency adjustments, costs rose slightly higher than sales due to initiatives to develop new markets and sales channels, as well as a headcount expansion, mainly in the sales force.

After general and administration expenses rose sharply during the last financial year due to the expansion of business structures, during the first half of 2008/09 they dropped to CHF 59.5 million, slightly below last year's level (CHF 59.9 million).





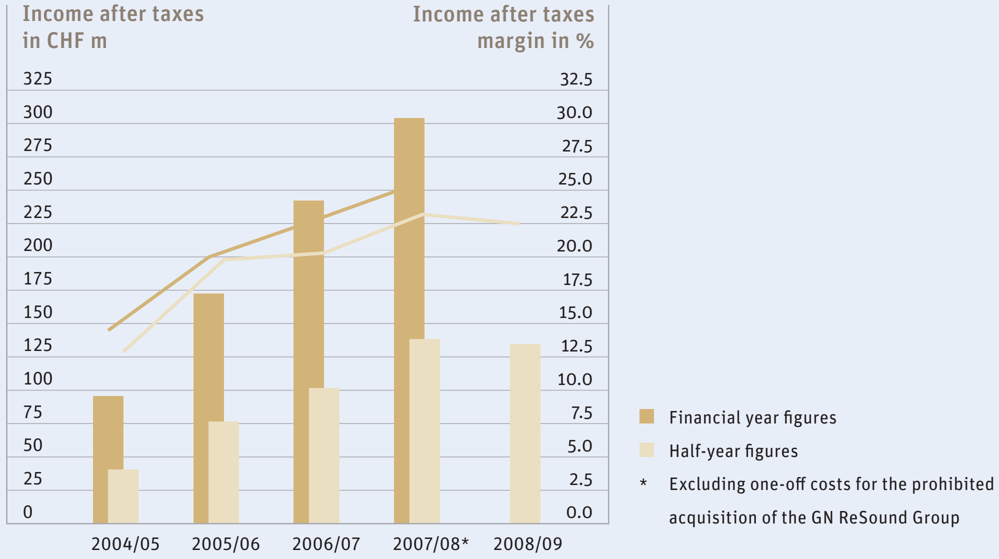
During the reporting period, other income came to CHF 1.0 million (previous year CHF 5.2 million). The effects of currency movements during the reporting period were almost completely neutralized by hedging the exchange rate risk of the major currencies (the US dollar and the Euro) against the Swiss franc.

Income after taxes

The financial result was CHF 3.8 million lower than last year due to the decrease in cash and cash equivalents as a result of the share buy-back program, the generally lower interest rate level, as well as the costs of currency hedging. The share of loss in associates/joint ventures came to CHF 0.9 million, slightly higher than in the same period last year (CHF 0.5 million). Income taxes decreased by CHF 2.4 million to CHF 20.3 million. This decline was due to changes in the geographic allocation of taxable income and a lower income before taxes. 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).

Cash flow

Cash flow from operating activities in the first half of 2008/09 came to CHF 101.6 million (previous year CHF 149.9 million). This decline on last year is mainly due to an increase in inventories, a reduction in trade payables due to timing difference and an increase in trade receivables. The launch in mid-October of the new hearing system families Versáta, Certéna and 360 led to the building-up of inventories towards the end of the reporting period. The free cash flow, which also takes into consideration the cash flow from investing activities, came to CHF 40.9 million (previous year CHF 105.1 million). Higher investments in tangibles and intangibles were mainly attributable to the construction of the new Sonova manufacturing and technology centre in Stäfa. In the first half of 2008/09 the Sonova Group posted a cash outflow from financing activities of CHF 153.3 million (previous year CHF 86.5 million). This was mainly due to dividend payments to shareholders of CHF 66.5 million (previous year CHF 50.4 million), and the purchase of treasury shares worth CHF 90.4 million (previous year CHF 32.2 million). Of the shares repurchased, CHF 87.7 million were acquired as part of the share buy-back program via a second trading line on the market. Cash and cash equivalents decreased by CHF 106.8 million to CHF 190.4 million in the first half of 2008/09.



Balance sheet structure

The Sonova Group's equity financing ratio (equity in % of total assets) rose 2.5 percentage points to 73.7%. With virtually no change in the amount of total assets, equity has increased by CHF 17.0 million since the start of the financial year, despite a dividend payment of CHF 66.5 million and the purchase of treasury shares worth CHF 90.4 million. Because of this, net cash as of September 30, 2008 fell by CHF 110.5 million to CHF 201.2 million. Capital employed rose to CHF 735.6 million due to the steady expansion of our business activities.

Share buy-back program

As part of the current share buy-back program, Sonova can repurchase, via a second trading line, up to 10% of its outstanding shares during the period September 2007 to September 30, 2010 at the latest. The Group has repurchased, through its share buy-back program, 2,054,500 Sonova shares, or 3.1% of the share capital up to September 30, 2008. 1,395,000 of these shares were cancelled following a resolution passed at the AGM of June 11, 2008.

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. At the EUHA hearing instrument trade fair in October 2008 we once again launched a series of innovative product families. Based on the current market conditions and barring unforeseen events, we expect organic sales growth in the financial year 2008/09 to be significantly higher than the overall hearing instrument market growth and an EBITA margin somewhat below last year's level.

SONOVA BUILDS ON ITS STRONG BRANDS

Sonova is a leading provider of innovative hearing healthcare solutions. Sonova relies on top-class brands and a global network of competent partners – from the hearing system brands Phonak and Unitron Hearing through to its global sales network and independent distributors, all of whom share the same vision: to give people all over the world as natural a hearing experience as possible.

The Sonova brands

The two central pillars of Sonova's brand portfolio are its internationally renowned brands Phonak and Unitron Hearing, both of whom offer a comprehensive range of hearing solutions. Phonak also offers wireless communication systems used in combination with hearing instruments or for tourism, studio and security applications, as well as professional solutions in the field of hearing protection.

We are building a presence in selected markets with our hearing system brand Argosy and we are pioneering new fields of application with our brand Acoustic Implants. The purpose of Acoustic Implants is to develop and bring to market the middle-ear implant DACS (Direct Acoustic Cochlea Stimulation).

A representative number of distribution partners support us in our retailing operations in defined markets.

Core brands

PHONAK life is on

unitron hearing

Additional brands

ARGOSY

Acoustic Implants

Distribution partners

Connect Hearing

Auf Wiederhören! HANSATON Hörsysteme

i-Hear 智音听力

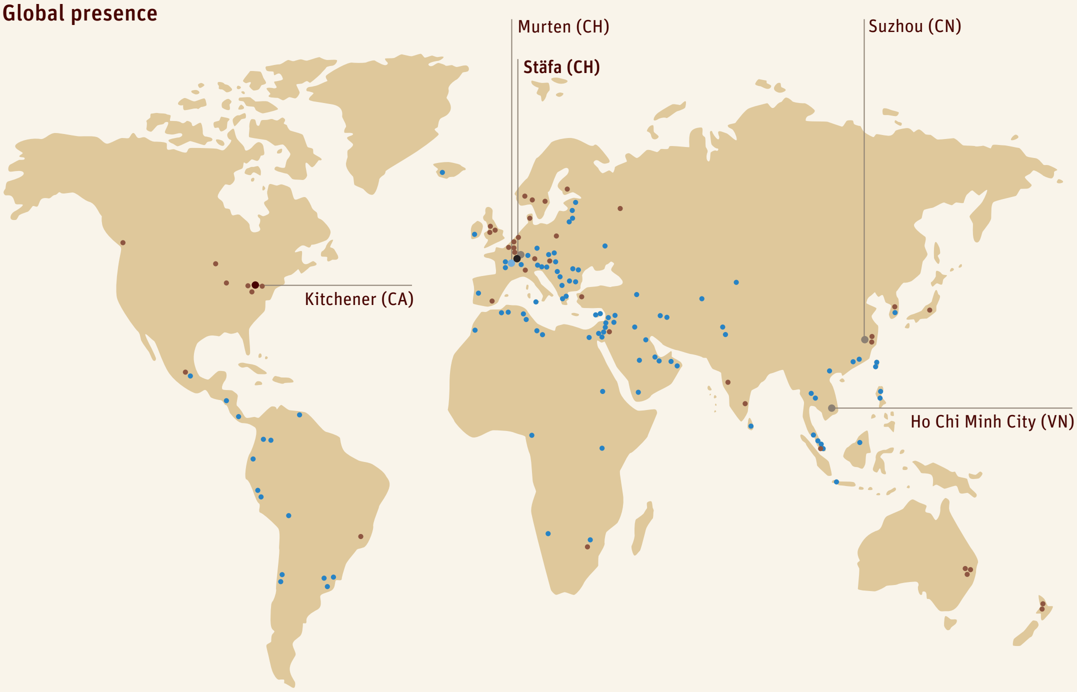
Island Hearing A SOUND EXPERIENCE.

LAPPERRE hearing systems

Global distribution network

The Group's global sales network covers more than 90 countries and assures Phonak and Unitron Hearing products an effective presence in all the core markets. Our wholesale business combines our Group Companies with a network of independent distributors. In addition, the Sonova Group owns retail stores in selected countries.

Global presence



- Sonova/Phonak Headquarters Research & Development
- Unitron Hearing Headquarters Research & Development
- Phonak Research & Development for wireless communication systems
- Operation Centers
- Distributors
- Group Companies

TOP CLASS HEARING PERFORMANCE

Leading-edge hearing systems complement the product ranges of Phonak and Unitron Hearing. The wireless communication systems also set new benchmarks for the industry.

Exélia micro

Naída SP

New products launched in the first half of 2008/09

Exélia micro

Exélia micro is the highly featured microStyle hearing system belonging to Phonak's new First Class product family. With a host of ground-breaking features and the broadest fitting range ever seen in a micro, Exélia micro is the most advanced microStyle hearing system on the market to date. It is based on the CORE (Communication Optimized Real-audio Engine) platform and delivers unprecedented hearing performance and user interaction together with easy, wireless access to modern communication and entertainment systems.

Naída SP

Like Naída UP, Naída SP is based on the CORE platform and perfectly completes Phonak's power offering. Naída SP for people with moderately severe to severe hearing loss offers advanced wireless communication options, a water-resistant casing and new functions such as SoundRecover. This Phonak proprietary algorithm shifts and compresses high-frequency signals which were not audible to people with severe hearing loss. Because these signals are now audible again, there is a marked improvement in the speech quality of the user. Naída SP hearing systems for adults and children are available in two price categories.

Audéo III

With its top performance, unique design and original marketing campaign, Audéo, the Personal Communication Assistant from Phonak, appeals to younger first-time users. Boasting a host of highly advanced functions, Audéo offers effortless hearing coupled with maximum clarity and optimum speech intelligibility, particularly in difficult hearing situations. Audéo is the smallest micro hearing system with Canal Receiver Technology, still accommodating a size 312 battery. With the market launch of Audéo III in the economy class, the Audéo product family now offers solutions to meet any budget.

Next

The new Next hearing systems series from Unitron Hearing includes four outstanding product families: Next 16, Next 8, Next 4 and Next Essential. The Next hearing systems are characterized by the most advanced feedback management technology capable of detecting and suppressing multiple feedback peaks faster, while maintaining superior sound quality. The Next hearing systems are available in many different form factors, from ultra small in-the-ear models to Moxi, Moda and standard behind-the-ear models and in all classes from basic level to economy and business class.

New products already launched in the second half of 2008/09

With the launch of the new hearing system families Versáta and Certéna, the unique benefits of Phonak's CORE 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

Audéo III

Next moxi

Power CIC

Versáta micro

Certéna M

360

iSense Micro

Audéo PFE

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.

Versáta

Versáta, the mid-priced product family based on CORE, offers comprehensive wireless connection options and excellent performance which ensures clear sound and improved audibility. The revolutionary SoundFlow Advanced automatic system instantly and seamlessly generates an unlimited number of situation-specific hearing programs, therefore offering optimum comfort in diverse hearing situations. The Versáta product family includes all form variants, from the ultra small CIC Petite to the standard behind-the-ear model.

Certéna

Certéna, the entry point into the CORE Collection, is the only product in its class to offer WhistleBlock Technology, wireless connection options and cable-free fitting. WhistleBlock Technology makes feedback a thing of the past. The modern technology precisely and reliably identifies and eliminates feedback without affecting natural signals. Certéna hearing systems are available in a wide range of models and in many different colours.

360

360, the hearing system from Unitron Hearing, delivers uncompromised power for people with severe to profound hearing loss. 360 has an array of advanced features like an excellent feedback management system and adaptive speech enhancement technology, that applies extra amplification for speech signals precisely when it is needed. It has durable components and a robust housing with effective protection against humidity. 360 is available in two versions: 360+ is made for high performance in diverse listening situations, while 360e provides solid, reliable performance.

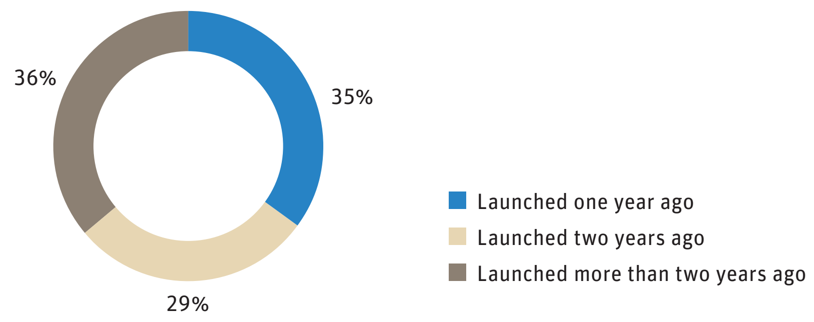
iSense

The wireless communication system iSense 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. With its Dynamic FM technology, iSense provides optimal speech comprehension, excellent sound quality and is extremely user-friendly. iSense is available in two versions: iSense Micro and iSense Classic.

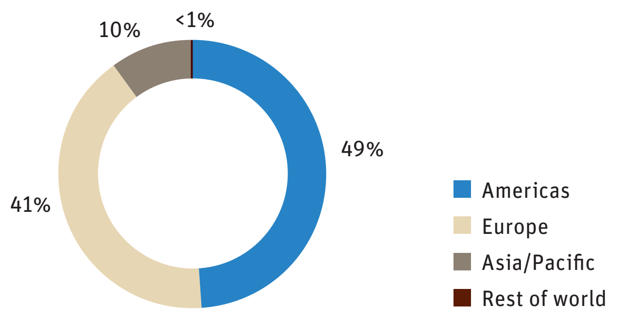
Audéo Perfect Fit Earphones (PFE)

The stylish Audéo earphones utilize Phonak's expertise in hearing system development. The optimum acoustic properties ensure excellent sound quality and a natural sound experience. Due to their ergonomic design, Audéo earphones provide an ideal fit and unparalleled comfort.

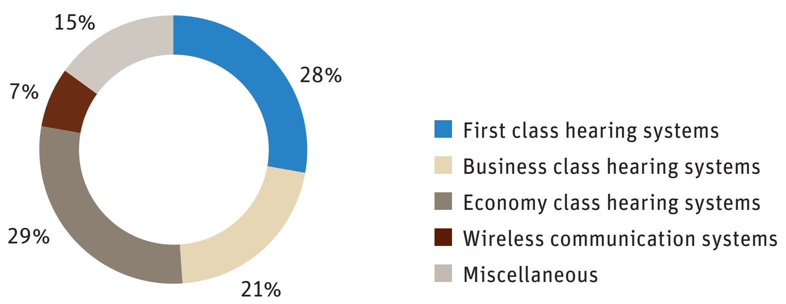
Share of sales first half of 2008/09 – new products



Share of sales by main markets first half of 2008/09



Share of sales by product groups first half of 2008/09



Key Figures

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.
2) Excluding one-off costs for the prohibited acquisition of the GN ReSound Group (see Note 2). 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.

Consolidated Income Statements

April 1 to September 30, 1,000 CHF	2008	2007
Sales	**600,026**	**596,288**
Cost of sales	(185,406)	(188,198)
Gross profit	**414,620**	**408,090**
Research and development	(38,852)	(41,103)
Sales and marketing	(158,331)	(152,095)
General and administration	(59,530)	(59,907)
Other income/(expenses), net	979	(2,798)
Operating profit before acquisition-related amortization (EBITA)[1)]	**158,886**	**152,187**
Acquisition-related amortization	(2,695)	(2,353)
Operating profit (EBIT)[2)]	**156,191**	**149,834**
Financial income	3,859	7,375
Financial expenses	(3,778)	(30,454)
Share of loss in associates/joint ventures	(861)	(471)
Income before taxes	**155,411**	**126,284**
Income taxes	(20,331)	(18,836)
Income after taxes	**135,080**	**107,448**

Attributable to:		
Equity holders of the parent	135,305	107,091
Minority interests	(225)	357

Basic earnings per share (CHF)	2.063	1.597
Diluted earnings per share (CHF)	2.052	1.581

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	30.9.2008	31.3.2008[1]	30.9.2007[1]
Cash and cash equivalents	190,441	297,241	303,242
Other current financial assets	15,614	16,188	14,063
Trade receivables	240,661	226,500	223,210
Other receivables and prepaid expenses	55,202	47,992	41,700
Inventories	120,469	101,685	94,521
Total current assets	**622,387**	**689,606**	**676,736**
Property, plant & equipment	138,550	128,391	127,186
Intangible assets	330,618	301,960	318,441
Investments in associates/joint ventures	41,118	37,229	42,866
Other non-current financial assets	58,246	40,174	44,868
Employee benefit assets		919	4,901
Deferred tax assets	79,797	75,649	72,495
Total non-current assets	**648,329**	**584,322**	**610,757**
Total assets	**1,270,716**	**1,273,928**	**1,287,493**

Liabilities and equity 1,000 CHF	30.9.2008	31.3.2008[1]	30.9.2007[1]
Short-term debts	374	720	162
Trade payables	34,673	50,495	37,865
Current income tax liabilities	45,115	52,717	47,363
Other current financial liabilities	2,983	28	627
Other short-term liabilities	109,203	117,868	124,295
Short-term provisions	51,567	47,207	55,760
Total current liabilities	**243,915**	**269,035**	**266,072**
Non-current financial liabilities	1,533	1,034	423
Long-term provisions	38,731	39,045	49,411
Other long-term liabilities	14,429	10,417	11,620
Deferred tax liabilities	35,300	34,543	42,900
Total non-current liabilities	**89,993**	**85,039**	**104,354**
Total liabilities	**333,908**	**354,074**	**370,426**
Share capital	3,310	3,373	3,368
Share premium	70,553	199,809	194,685
Treasury shares	(76,437)	(129,821)	(26,948)
Retained earnings	934,742	841,790	742,147
Equity attributable to equity holders of the parent	**932,168**	**915,151**	**913,252**
Minority interests	4,640	4,703	3,815
Equity	**936,808**	**919,854**	**917,067**
Total liabilities and equity	**1,270,716**	**1,273,928**	**1,287,493**

[1] Restated as a result of initial application of IFRIC 14, for details refer to Note 2.
The Notes are an integral part of the interim consolidated financial statements

Consolidated Cash Flow Statements

April 1 to September 30, 1,000 CHF		2008		2007
Income before taxes		**155,411**		**126,284**
Depreciation of property, plant & equipment	13,552		11,930	
Amortization of intangible assets	5,243		4,457	
Gain on sale of tangible and intangible assets, net	(17)		(62)	
Share of loss in associates/joint ventures	861		471	
Increase/(decrease) in long-term provisions	3,387		(2,937)	
Financial (income)/expenses, net	(81)		23,079	
Unrealized exchange differences	(7,860)		4,850	
Other non-cash items	7,626	22,711	9,945	51,733
Cash flow before changes in net working capital		**178,122**		**178,017**
(Increase)/decrease in trade receivables	(6,288)		2,232	
(Increase)/decrease in other receivables and prepaid expenses	(6,080)		2,583	
(Increase)/decrease in inventories	(12,411)		2,574	
Decrease in trade payables	(17,423)		(7,114)	
Decrease in other payables, accruals and short-term provisions	(9,907)		(2,577)	
Income taxes paid	(24,370)	(76,479)	(25,778)	(28,080)
Cash flow from operating activities		**101,643**		**149,937**
Purchase of tangible and intangible assets	(34,236)		(27,534)	
Proceeds from sale of tangible and intangible assets	638		816	
Cash consideration for acquisitions, net of cash acquired	(8,432)		(8,215)	
Increase in other non-current financial assets	(21,550)		(16,193)	
Interest received and realized gain from financial assets	2,796		6,325	
Cash flow from investing activities		**(60,784)**		**(44,801)**
Free cash flow		**40,859**		**105,136**
Repayments of borrowings and mortgages	(291)		(442)	
Proceeds from capital increases	6,053		5,568	
Sale of treasury shares	40		1,641	
Purchase of treasury shares	(90,387)		(32,182)	
Dividend paid by Sonova Holding AG	(65,812)		(50,308)	
Dividend paid to minorities	(680)		(136)	
Interest paid and other financial expenses	(2,270)		(10,629)	
Cash flow from financing activities		**(153,347)**		**(86,488)**
Currency translation differences		5,688		253
(Decrease)/increase in cash and cash equivalents		**(106,800)**		**18,901**
Cash and cash equivalents at April 1		297,241		284,341
Cash and cash equivalents at September 30		**190,441**		**303,242**

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	2008	2007[1]
Income after taxes	**135,080**	**107,448**
Actuarial (loss)/gain from defined benefit plans, net	(2,006)	133
Fair value adjustments on cash flow hedges[2]		(49,099)
Currency translation differences	25,330	15,331
Taxes on equity items	277	(37)
Income and expenses directly recognized in equity	**23,601**	**(33,672)**
Total recognized income and expense	**158,681**	**73,776**
Attributable to equity holders of Sonova Holding AG	158,764	73,455
Attributable to minority interests	(83)	321

[1] Restated as a result of initial application of IFRIC 14, for details refer to Note 2.
[2] As the acquisition of the GN ReSound Group has been prohibited by the German Federal Cartel Office, the relating contingent 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	Translation adjustment	Treasury shares	Hedge reserve	Minority interests	Total equity
Balance April 1, 2007 (as reported)	**3,356**	**175,802**	**676,748**	**(10,805)**	**(3,038)**	**49,099**	**3,525**	**894,687**
Initial application of IFRIC 14			3,958				27	3,985
Balance April 1, 2007 (restated)	**3,356**	**175,802**	**680,706**	**(10,805)**	**(3,038)**	**49,099**	**3,552**	**898,672**
Total recognized income and expense[1]			**107,186**	**15,368**		**(49,099)**	**321**	**73,776**
Changes in minorities							78	78
Capital increase 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[2]		8,465						8,465
Dividend paid			(50,308)				(136)	(50,444)
Balance September 30, 2007	**3,368**	**194,685**	**737,584**	**4,563**	**(26,948)**	**0**	**3,815**	**917,067**
Balance April 1, 2008 (as reported)	**3,373**	**199,809**	**899,838**	**(58,833)**	**(129,821)**	**0**	**4,698**	**919,064**
Initial application of IFRIC 14			785				5	790
Balance April 1, 2008 (restated)	**3,373**	**199,809**	**900,623**	**(58,833)**	**(129,821)**	**0**	**4,703**	**919,854**
Total recognized income and expense			**133,587**	**25,177**			**(83)**	**158,681**
Changes in minorities							679	679
Capital increase from conditional capital	7	6,046						6,053
Capital decrease – share buy-back program	(70)	(142,787)			142,857			
Share-based payments		7,474					21	7,495
Sale of treasury shares		11			914			925
Purchase of treasury shares					(90,387)			(90,387)
Dividend paid			(65,812)				(680)	(66,492)
Balance September 30, 2008	**3,310**	**70,553**	**968,398**	**(33,656)**	**(76,437)**	**0**	**4,640**	**936,808**

[1] Restated as a result of initial application of IFRIC 14, for details refer to Note 2.
[2] Capitalized costs in relation to the expected capital increase in connection with the planned acquisition of the GN ReSound Group. These costs have been reversed after the transaction has been prohibited by the German Federal Cartel Office.

Notes to the Interim Consolidated Financial Statements as of September 30, 2008

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, 2008. 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, 2008.

Except for the following changes, 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, 2008:

IFRIC 14 "The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their interaction".

The Group has implemented IFRIC 14 as of April 1, 2008. The impact from the retrospective application from this interpretation is summarized in the table below. The application had no impact on the income statements and earnings per share.

The Group is currently assessing the potential impacts of new and revised standards that will affect the Group after March 31, 2009, particularly IFRS 3 (revised) "Business combinations" and IFRS 8 "Operating segments".

The preparation of 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 reported. Actual results could differ from these estimates.

In connection with the prohibited acquisition of the GN ReSound Group, costs previously capitalized have been expensed in the financial period 2007/08. The effect on the income statement for the period April 1, 2007 to September 30, 2007 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 income/(expenses), net".

Income tax expense is recognized based upon the best estimate of the average annual income tax rate expected for the full year.

1,000 CHF	Employee benefit assets	Deferred tax liabilities	Equity, Sonova shareholders	Minority interests
Balance April 1, 2007 (as reported)		**39,408**	**891,162**	**3,525**
Initial application of IFRIC 14	4,634	649	3,958	27
Balance April 1, 2007 (restated)	**4,634**	**40,057**	**895,120**	**3,552**
Balance September 30, 2007 (as reported)		**42,214**	**909,066**	**3,786**
Initial application of IFRIC 14	4,901	686	4,186	29
Balance September 30, 2007 (restated)	**4,901**	**42,900**	**913,252**	**3,815**
Balance April 1, 2008 (as reported)		**34,414**	**914,366**	**4,698**
Initial application of IFRIC 14	919	129	785	5
Balance April 1, 2008 (restated)	**919**	**34,543**	**915,151**	**4,703**

3. Changes in Group structure

During the first six months of the financial year 2008/09, the Group entered into a few small business combinations (100% owned) in Asia/Pacific, Europe and North America. In the respective period 2007/08, the Group entered into a few small business combinations (100% owned) in North America and South Africa.

All of the acquired companies are engaged in the business of selling hearing instruments and have been accounted for applying the purchase method of accounting. Assets and liabilities resulting from the acquisitions look as follows:

1,000 CHF	2008		2007	
	Fair value	Carrying amount before acquisition	Fair value	Carrying amount before acquisition
Current assets	247	247	2,811	2,811
Property, plant & equipment	559	559	276	276
Intangible assets	4,013	1,765	3,366	159
Other non-current assets	558	2	18	18
Current liabilities	(321)	(321)	(1,872)	(1,872)
Non-current liabilities	(604)		(1,783)	(495)
Net assets	**4,452**	**2,252**	**2,816**	**897**
Goodwill	4,380		9,144	
Purchase price incl. acquisition-related costs	**8,832**		**11,960**	
For which the Group recorded a long-term provision for earn-out or holdback	(250)		(2,809)	
Cash consideration	**8,582**		**9,151**	
Cash and cash equivalents acquired	(150)		(936)	
Cash consideration, net of cash acquired	**8,432**		**8,215**	

The initial accounting for several small acquisitions in the current financial year is provisional. 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 therefore still subject to changes. The goodwill is attributed mainly to expected synergies, the labor force and the favourable growth potential.

Contribution of acquired companies from acquisition to (1,000 CHF)	30.9.2008	30.9.2007
Sales	1,064	3,169
Net income	(17)	54

Contribution, if the acquisitions occured on April 1 (1,000 CHF)	2008	2007
Sales	2,414	4,175
Net income	157	73

4. Segment information

April 1 to September 30, 1,000 CHF						2008
	Europe	Americas	Asia/Pacific	Rest of world	Corporate/ Eliminations[1]	Total
Sales						
Third parties	263,922	291,781	43,737	586		600,026
Intersegment sales	224,177	1,126	52,871		(278,174)	
Total sales	**488,099**	**292,907**	**96,608**	**586**	**(278,174)**	**600,026**
Operating profit/(loss) (EBIT)	**166,609**	**976**	**(4,015)**	**(193)**	**(7,186)**	**156,191**
Financial income, net						81
Share of (loss)/gain in associates/joint ventures	(985)	124				(861)
Income before taxes						**155,411**
Income taxes						(20,331)
Income after taxes						**135,080**
Total assets	**1,359,508**	**646,990**	**108,522**	**1,264**	**(845,568)**	**1,270,716**
thereof: Investments in associates/joint ventures	34,759	6,359				41,118
Total liabilities	**355,890**	**431,742**	**112,283**	**1,729**	**(567,736)**	**333,908**
Capital expenditure in tangible and intangible assets	27,356	4,113	2,724	43		34,236
Depreciation and amortization on tangible and intangible assets	11,333	5,433	2,018	11		18,795
Share-based payments	6,171	1,085	370			7,626
Third party sales based on location of customers	**246,520**	**292,139**	**58,173**	**3,194**		**600,026**
Growth in local currencies	6.0 %	9.8 %	17.3 %	(10.2) %		8.8 %

[1] "Corporate/Eliminations" includes unallocated corporate assets and liabilities as well as 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.

April 1 to September 30, 1,000 CHF						2007
	Europe	Americas	Asia/Pacific	Rest of world	Corporate/ Eliminations[1]	Total
Sales						
Third parties	256,036	300,030	39,231	991		596,288
Intersegment sales	204,878	2,565	40,331		(247,774)	
Total sales	**460,914**	**302,595**	**79,562**	**991**	**(247,774)**	**596,288**
Operating profit/(loss) (EBIT)	**155,343**	**5,831**	**(2,069)**	**10**	**(9,281)**	**149,834**
Financial expenses, net						(23,079)
Share of (loss)/gain in associates/joint ventures	(722)	251				(471)
Income before taxes						**126,284**
Income taxes						(18,836)
Income after taxes						**107,448**
Total assets[2]	**1,409,274**	**645,749**	**82,046**	**1,154**	**(850,730)**	**1,287,493**
thereof: Investments in associates/joint ventures	36,188	6,678				42,866
Total liabilities[2]	**445,464**	**426,123**	**80,468**	**1,331**	**(582,960)**	**370,426**
Capital expenditure in tangible and intangible assets	19,627	5,547	2,349	11		27,534
Depreciation and amortization on tangible and intangible assets	9,530	5,474	1,375	8		16,387
Share-based payments	8,337	1,404	315			10,056
Third party sales based on location of customers	**240,150**	**299,783**	**52,630**	**3,725**		**596,288**
Growth in local currencies	12.6 %	17.4 %	28.2 %	12.5 %		16.2 %

[1] "Corporate/Eliminations" includes unallocated corporate assets and liabilities as well as intersegment eliminations.
[2] Restated as a result of initial application of IFRIC 14, for details refer to Note 2.

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	2008	2007
Income after taxes (1,000 CHF)	135,305	107,091
Weighted average number of outstanding shares	65,579,594	67,043,204
Basic earnings per share (CHF)	**2.063**	**1.597**

In the case of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming all outstanding dilutive options will be exercised. The weighted average number of shares is adjusted for all dilutive options issued under the stock option plans which have been granted in 2003 through 2008 and which have not yet been exercised. Anti-dilutive options have not been considered. The calculation of diluted earnings per share is based on the same income after taxes for the period as used in calculating basic earnings per share.

Diluted earnings per share	2008	2007
Income after taxes (1,000 CHF)	135,305	107,091
Weighted average number of outstanding shares	65,579,594	67,043,204
Adjustment for dilutive share options	346,513	694,651
Adjusted weighted average number of outstanding shares	65,926,107	67,737,855
Diluted earnings per share (CHF)	**2.052**	**1.581**

6. Contingencies

There have been no material changes in contingent liabilities since March 31, 2008.

7. Movements in share capital

The Annual General Shareholders' Meeting of June 11, 2008 resolved a distribution of a gross dividend of CHF 1.00 per registered share for the financial year 2007/08. The dividend was paid in July 2008 to all shares outstanding, excluding treasury shares.

Issued registered shares Each share has a nominal value of CHF 0.05	Issued registered shares	Treasury shares[1]	Outstanding shares
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**
Balance April 1, 2008	**67,451,506**	**(1,228,975)**	**66,222,531**
Issue of new shares from conditional capital[2]	135,391		135,391
Purchase of treasury shares		(29,110)	(29,110)
Sale of treasury shares		9,898	9,898
Purchase of shares intended to be cancelled[3]		(1,036,700)	(1,036,700)
Cancellation as part of share buy-back program	(1,395,000)	1,395,000	
Balance September 30, 2008	**66,191,897**	**(889,887)**	**65,302,010**

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

In October 2008, the Group acquired 100% of TRE AG, Luxembourg. The company acquired is engaged in the business of distributing hearing solutions in the European market.

The initial purchase price is CHF 65 million and, over a three year period, may increase by approximately CHF 11 million, if the company acquired performs according to business targets. This investment will add around CHF 30 million annually to the Group's consolidated sales, while profitability is comparable to the other operations within the Group.

Disclaimer

This report contains forward-looking statements which offer no guarantee with regard to future performance. These statements are subject to risks and uncertainties including, but not confined to, future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside the company's control.

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