SEMI-ANNUAL REPORT 2010/11

as of September 30, 2010

THE HEARING HEALTHCARE COMPANY

HIGHLIGHTS & KEY FIGURES

- **New sales record:** The Sonova Group increased its sales by 20.0% in local currencies and 17.2% in Swiss francs to **CHF 832 million**
- **Market growth exceeded:** With **8.2% organic sales growth** in local currencies and **11.8% growth from acquisitions**, Sonova gained further market share
- **Improved operating profit:** The Group generated EBITA of **CHF 204 million**. This corresponds to an EBITA margin of 24.5%, including the planned investments for the strategic acquisitions and projects
- **Increase in cash-based basic earnings per share** to CHF 2.676
- **Innovation leadership confirmed:** 81% of total sales were achieved with products launched within the last two years. This highlights the success of the entire Phonak portfolio based on the CORE platform
- **Strategic expansions:** The integration of Advanced Bionics and InSound Medical is on track
- **EUHA October 2010:** Sonova expands its technology leadership by launching the new Spice platform

Sonova Group key figures:

in CHF m unless otherwise specified	H1 2010/11	H1 2009/10	Change
Sales	831.5	709.2	17.2 %
EBITA	204.0	193.7	5.3 %
EBITA margin	24.5 %	27.3 %	
Cash-based basic earnings per share (CHF) [1]	2.676	2.568	4.2 %
Operating free cash flow [1]	82.0	131.1	(37.4) %
ROCE [1]	12.5 %	22.6 %	
ROE [1]	12.2 %	15.1 %	

[1] For detailed definitions, please refer to “Key Figures”.

CONTINUOUS STRONG GROWTH IN SALES AND INCREASE IN OPERATING PROFIT

Sonova generated a new sales record of CHF 832 million in the first half of 2010/11, an increase of 17.2% in Swiss francs compared to the previous year. The Group consolidated its leading position due to organic sales growth of 8.2% in local currencies and 11.8% growth through acquisitions. EBITA rose to CHF 204.0 million. Income after taxes, taking acquisition-related expenses into account, increased to CHF 170.5 million.

Strong sales growth

The Sonova Group generated sales of CHF 831.5 million in the first half of 2010/11, corresponding to 17.2% growth in Swiss francs compared to the previous year. Sales growth in local currencies was 20.0%. Organic sales growth of 8.2% in local currencies exceeded market growth in units, which is estimated at 4–5%. Acquisitions contributed a total of 11.8% to sales growth. This includes an annualization effect of 10.2%, which is mainly attributable to the strategic acquisitions of Advanced Bionics and InSound Medical in the previous financial year. The Swiss franc's appreciation during the reporting period, especially against the euro, led to a negative currency effect of 2.8% on Group sales.

Significant growth in all regions

Sonova recorded broad-based growth in the first half of 2010/11, characterized by market share gains, further expansion in growth markets, and the acquisitions mentioned.

Europe showed a positive development overall with varying rates of growth in the individual countries. In the EMEA region (including Switzerland), Sonova achieved growth of 23.4% in local currencies, which is attributable to market share gains in key markets such as France, the UK, and Germany. Demand for hearing instruments in Switzerland showed an overall decline.

During the reporting period, demand rose in the US, where both the private market as well as business with the "Department of Veterans Affairs" (VA) showed a sustained improvement. The Group generated 16.7% growth in local currencies in the USA. In the Americas region (including USA), sales growth in local currencies was slightly higher at 17.2%.

In the Asia/Pacific region, growth of 21.8% was achieved in local currencies, mainly as a result of market share gains in Japan and a continued high market growth in China.

Sales by regions:

in CHF m	H1 2010/11			H1 2009/10	
	Sales	Share	Growth in local currencies	Sales	Share
EMEA[1] (excl. Switzerland)	303	36 %	26.5 %	259	37 %
USA	319	39 %	16.7 %	278	39 %
Americas (excl. USA)	117	14 %	18.8 %	92	13 %
Asia/Pacific	77	9 %	21.8 %	60	8 %
Switzerland	16	2 %	(17.8) %	20	3 %
Total sales	**832**	**100 %**	**20.0 %**	**709**	**100 %**

[1] Europe, Middle East and Africa.

Sales by product groups:

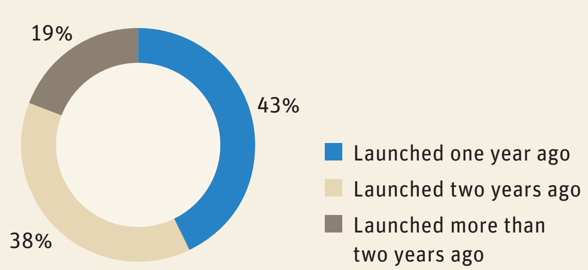
in CHF m	H1 2010/11			H1 2009/10	
	Sales	Share	Growth in local currencies	Sales	Share
First class hearing instruments	189	23 %	5.2 %	184	26 %
Business class hearing instruments	189	23 %	14.9 %	168	24 %
Economy class hearing instruments	240	29 %	12.2 %	219	31 %
Wireless communication systems	41	5 %	11.5 %	37	5 %
Miscellaneous	107	12 %	8.1 %	101	14 %
Total hearing instruments	**766**	**92 %**	**10.4 %**	**709**	**100 %**
Hearing implants	66	8 %			
Total sales	**832**	**100 %**	**20.0 %**	**709**	**100 %**

Increase in gross profit margin

Thanks to solid sales growth in particular, Sonova was able to considerably increase its gross profit by 18.4% from CHF 492.4 million to CHF 583.0 million. Economies of scale and increased efficiency in manufacturing, as well as savings in procurement more than compensated for the negative currency effect. Gross profit margin increased from 69.4% in the previous year to 70.1%.

Spending on research and development (R&D) in the first half of 2010/11 amounted to CHF 59.6 million, or 7.2% of sales. In the hearing instruments segment, R&D expenditure was mainly driven by the successful completion and launch of the new Spice platform and the corresponding product families. Work on the development of new products at Advanced Bionics was also stepped up.

Share of sales first half of 2010/11 – new products



Sales and marketing costs amounted to CHF 234.7 million, or 28.2% of sales. The Group strengthened its established distribution organizations and founded new distribution companies in both the hearing instruments and hearing implants segments during the reporting period. The Group also invested in strategic projects, such as the international launch of the new Lyric brand, the roll-out of the new Sona brand, and the expansion of activities at Advanced Bionics.

Operating profit before acquisition-related amortization (EBITA) improved from CHF 193.7 million in the previous year to CHF 204.0 million. The EBITA margin of 24.5% includes a negative currency effect of around 70 basis points.

Innovation drives further growth

The great importance of research and development was evidenced in the first half of 2010/11 by the high contribution of new products to sales in the hearing instruments segment. The Sonova Group generated 81% of total sales from products that had been on the market for less than two years, which allowed it to further expand its technological lead over its competitors. This is attributable to the success of the entire Phonak product portfolio based on the CORE platform, and in particular, also to the expansion of the CRT product family Audéo.

In the hearing instruments segment, the Group generated growth of 10.4% in local currencies compared to the previous year, primarily thanks to robust growth of 14.9% in business class products. First class hearing instruments grew by 5.2% in local currencies and economy class products posted 12.2% sales growth. Overall, the Phonak brand made an above-average contribution to sales growth in the first half of 2010/11.

The hearing instruments segment generated an EBITA of CHF 209.2 million, corresponding to an EBITA margin of 27.3%.

Integration of Advanced Bionics on track

With the integration of Advanced Bionics, which began in January 2010, the Sonova Group is taking the strategic step of expanding into the market segment of cochlear implants, thus exploiting its leading position as a global provider of hearing systems. Advanced Bionics achieved sales of CHF 65.5 million in the hearing implants segment in the first half of 2010/11, a growth of around 5% in local currencies on a comparable basis. The business showed continuous growth in sales, partly due to increasing sales with processor upgrades on the new Harmony system.

The hearing implants segment posted an EBITA of CHF –5.2 million. This includes investments in ongoing integration, such as the expansion of Advanced Bionics' sales and distribution activities. The result also includes expenditure on the development of Phonak Acoustic Implants' new middle ear implant, Ingenia.

Higher earnings per share

Income after taxes totaled CHF 170.5 million compared to CHF 164.2 million in the previous year, due to a higher operating profit, higher financial expenses and lower tax expenses. The increase in financial expenses was primarily attributable to financing costs associated with the strategic acquisitions.

Basic earnings per share amounted to CHF 2.583 compared to CHF 2.520 in the previous year. Excluding acquisition-related, non-cash items, cash-based basic earnings per share increased to CHF 2.676 from the previous year figure of CHF 2.568.

Investments for future growth

Cash flow from operating activities was CHF 151.4 million, down from the CHF 189.7 million achieved in the previous year. This is primarily due to the increase in inventories ahead of the launch of the next generation of products on the new Spice platform. Cash outflow from investing activities rose during the reporting period from CHF 77.2 million in the previous year to a total of CHF 89.2 million. Cash funds of CHF 19.8 million were invested in acquisitions.

Sonova's free cash flow in the first half of 2010/11 was thus CHF 62.2 million. Operating free cash flow (excluding acquisitions) amounted to CHF 82.0 million, compared to CHF 131.1 million in the previous year.

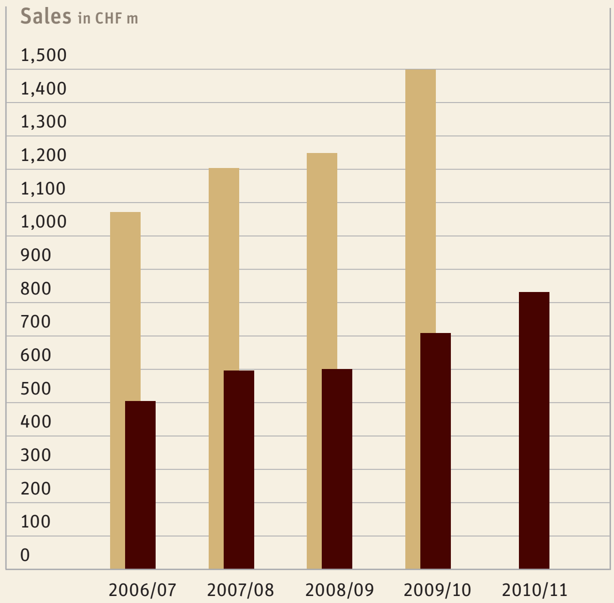
Cash outflow from financing activities increased to CHF 152.9 million from CHF 62.7 million in the previous year. This is attributable in particular to the expenditure of CHF 80.0 million, which represents the partial repayment of the bank loan to finance the acquisition of Advanced Bionics. The Sonova Group's cash funds totaled CHF 241.8 million as of September 30, 2010, compared to CHF 335.9 million as of April 1, 2010.

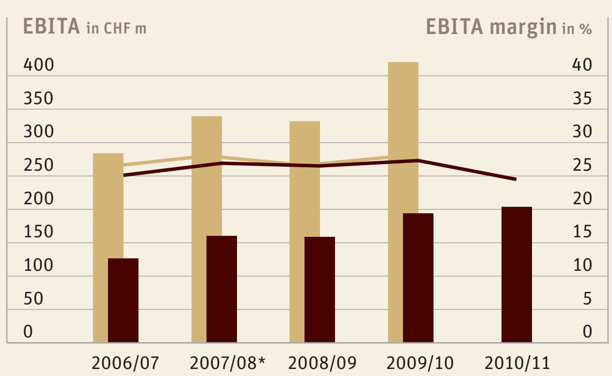
Solid balance sheet

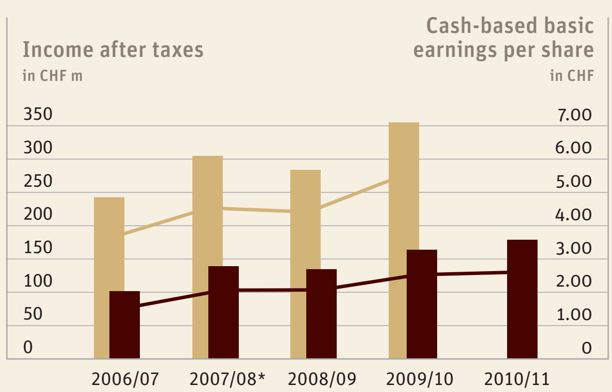
Capital employed grew from CHF 877.2 million in the previous year to CHF 1,526.3 million in the first half of 2010/11, mainly as a consequence of higher intangible assets from acquisitions. Preparations for the launch of the new Spice platform meant that net working capital increased to 27.9% relative to sales. As of September 30, 2010, the Group reported net debt of CHF 143.2 million, compared to net cash of CHF 273.2 million in the previous year. This is a result of the two aforementioned acquisitions. The Group's equity amounted to CHF 1,383.1 million. The equity financing ratio (equity in % of total assets) remained high at 60.2%.

Positive outlook unchanged

The Sonova Group does not expect any change in the key growth drivers of the hearing instrument market. In the medium to long term, demographic trends and the Group's ongoing innovation activity will ensure that Sonova will grow faster than the long-term market growth of 4–7% p.a. in units. In the hearing implants segment, the Group anticipates long-term market growth of 10–15% p.a. in units for cochlear implants. Sonova will continue to rely on its successful strategy of innovation leadership, proactive cost management and the expansion of sales channels and distribution capacities.







Financial year figures

Half-year figures

Excluding one-off costs for the prohibited acquisition of the GN ReSound Group *

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2010

Key Figures

April 1 to September 30, in 1,000 CHF unless otherwise specified	2010	2009
Sales	**831,524**	**709,219**
change compared to previous year (%)	17.2	18.2
Gross profit	**583,017**	**492,398**
change compared to previous year (%)	18.4	18.8
in % of sales	70.1	69.4
Research & development costs	**59,571**	**42,593**
in % of sales	7.2	6.0
Sales & marketing costs	**234,681**	**185,571**
in % of sales	28.2	26.2
Operating profit before acquisition-related amortization (EBITA)	**204,011**	**193,717**
change compared to previous year (%)	5.3	21.9
in % of sales	24.5	27.3
Operating profit (EBIT)	**191,770**	**189,123**
change compared to previous year (%)	1.4	21.1
in % of sales	23.1	26.7
Income after taxes	**170,455**	**164,205**
change compared to previous year (%)	3.8	21.6
in % of sales	20.5	23.2
Number of employees (end of period)	**7,210**	**5,627**
change compared to previous year (%)	28.1	13.2
Net cash[1)]	**(143,241)**	**273,240**
Net working capital[2)]	**232,347**	**144,697**
in % of sales	27.9	20.4
Capital expenditure (tangible and intangible assets)[3)]	**56,128**	**46,183**
Capital employed[4)]	**1,526,312**	**877,194**
Total assets	**2,295,830**	**1,554,439**
Equity	**1,383,071**	**1,150,434**
Equity financing ratio (%)[5)]	**60.2**	**74.0**
Free cash flow[6)]	**62,247**	**112,505**
Operating free cash flow[7)]	**82,046**	**131,096**
in % of sales	9.9	18.5
Return on capital employed (%)[8)]	**12.5**	**22.6**
Return on equity (%)[9)]	**12.2**	**15.1**
Basic earnings per share (CHF)	**2.583**	**2.520**
Diluted earnings per share (CHF)	**2.558**	**2.501**
Cash-based basic earnings per share (CHF)[10)]	**2.676**	**2.568**

1) Cash and cash equivalents + other current financial assets (excl. loans) – short-term debts – other current financial liabilities – non-current financial liabilities.
2) Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – other short-term liabilities – short-term provisions.
3) Excluding goodwill and intangibles relating to acquisitions.
4) Total assets – cash and cash equivalents – other current financial assets (excl. loans) – trade payables – other liabilities – provisions – tax liabilities.
5) Equity in % of total assets.
6) Cash flow from operating activities + cash flow from investing activities.
7) Free cash flow excluding cash consideration for acquisitions, net of cash acquired.
8) EBIT in % of capital employed (average).
9) Income after taxes in % of equity (average).
10) Excluding the amortization of acquisition-related intangibles, unwinding effect of the discount on acquisition-related earn-out payments and fair value adjustments of equity investments, net of tax.

Consolidated Income Statements

April 1 to September 30, 1,000 CHF	2010	2009
Sales	**831,524**	**709,219**
Cost of sales	(248,507)	(216,821)
Gross profit	**583,017**	**492,398**
Research and development	(59,571)	(42,593)
Sales and marketing	(234,681)	(185,571)
General and administration	(83,969)	(64,327)
Other expenses, net	(785)	(6,190)
Operating profit before acquisition-related amortization (EBITA)[1]	**204,011**	**193,717**
Acquisition-related amortization	(12,241)	(4,594)
Operating profit (EBIT)[2]	**191,770**	**189,123**
Financial income	8,111	4,163
Financial expenses	(14,139)	(3,252)
Share of gain/(loss) in associates/joint ventures	2,696	(639)
Income before taxes	**188,438**	**189,395**
Income taxes	(17,983)	(25,190)
Income after taxes	**170,455**	**164,205**
Attributable to:		
Equity holders of the parent	170,416	164,798
Non-controlling interests	39	(593)
Basic earnings per share (CHF)	2.583	2.520
Diluted earnings per share (CHF)	2.558	2.501

[1] Earnings before financial result, share of gain/(loss) in associates/joint ventures, taxes and acquisition-related amortization (EBITA).
[2] Earnings before financial result, share of gain/(loss) in associates/joint ventures and taxes (EBIT).

Consolidated Statements of Comprehensive Income

April 1 to September 30, 1,000 CHF	2010	2009
Income after taxes	**170,455**	**164,205**
Actuarial (loss)/gain from defined benefit plans, net	(21,572)	12,345
Fair value adjustment on cash flow hedges	(4,167)	
Currency translation differences	(117,634)	2,392
Tax effect on equity items	4,298	(1,631)
Other comprehensive income	**(139,075)**	**13,106**
Total comprehensive income	**31,380**	**177,311**
Attributable to:		
Equity holders of the parent	32,028	177,973
Non-controlling interests	(648)	(662)

Consolidated Balance Sheets

Assets 1,000 CHF	30.9.2010	31.3.2010	30.9.2009
Cash and cash equivalents	241,837	335,931	265,800
Other current financial assets	17,806	17,548	16,911
Trade receivables	319,910	324,455	271,358
Other receivables and prepaid expenses	70,892	70,711	54,065
Inventories	171,410	160,062	115,451
Total current assets	**821,855**	**908,707**	**723,585**
Property, plant & equipment	214,886	201,656	178,452
Intangible assets	1,056,100	1,100,918	453,468
Investments in associates/joint ventures	35,244	35,086	35,399
Other non-current financial assets	86,682	81,437	78,852
Employee benefit assets		1,759	
Deferred tax assets	81,063	79,694	84,683
Total non-current assets	**1,473,975**	**1,500,550**	**830,854**
Total assets	**2,295,830**	**2,409,257**	**1,554,439**

Liabilities and equity 1,000 CHF	30.9.2010	31.3.2010	30.9.2009
Short-term debts	79,549	80,876	370
Trade payables	49,028	65,489	45,579
Current income tax liabilities	48,813	55,123	47,004
Other current financial liabilities	1,653	2,789	741
Other short-term liabilities	153,001	165,467	133,189
Short-term provisions	85,253	97,901	75,310
Total current liabilities	**417,297**	**467,645**	**302,193**
Non-current financial liabilities	315,452	390,080	3,455
Long-term provisions	99,510	82,751	33,555
Other long-term liabilities	35,820	15,347	23,921
Deferred tax liabilities	44,680	45,076	40,881
Total non-current liabilities	**495,462**	**533,254**	**101,812**
Total liabilities	**912,759**	**1,000,899**	**404,005**
Share capital	3,306	3,305	3,279
Share premium	72,614	60,649	22,084
Treasury shares	(11,644)	(20,812)	(10,746)
Retained earnings	1,312,031	1,359,184	1,130,835
Equity attributable to equity holders of the parent	**1,376,307**	**1,402,326**	**1,145,452**
Non-controlling interests	6,764	6,032	4,982
Equity	**1,383,071**	**1,408,358**	**1,150,434**
Total liabilities and equity	**2,295,830**	**2,409,257**	**1,554,439**

Consolidated Cash Flow Statements

April 1 to September 30, 1,000 CHF		2010		2009
Income before taxes		**188,438**		**189,395**
Depreciation and amortization of tangible and intangible assets	35,438		22,746	
(Gain)/loss on sale of tangible and intangible assets, net	(499)		706	
Share of (gain)/loss in associates/joint ventures	(2,696)		639	
Increase/(decrease) in long-term provisions	6,317		(287)	
Financial expenses/(income), net	6,028		(911)	
Unrealized exchange differences	8,151		5,137	
Other non-cash items	9,300	62,039	6,389	34,419
Cash flow before changes in net working capital		**250,477**		**223,814**
Increase in trade receivables	(12,466)		(10,004)	
(Increase)/decrease in other receivables and prepaid expenses	(3,705)		1,286	
Increase in inventories	(28,274)		(3,207)	
Decrease in trade payables	(20,601)		(8,625)	
(Decrease)/increase in other payables, accruals and short-term provisions	(11,856)		18,141	
Income taxes paid	(22,149)	(99,051)	(31,663)	(34,072)
Cash flow from operating activities		**151,426**		**189,742**
Purchase of tangible and intangible assets	(57,138)		(46,183)	
Proceeds from sale of tangible and intangible assets	2,122		233	
Cash consideration for acquisitions, net of cash acquired	(19,799)		(18,591)	
Increase in other non-current financial assets	(15,617)		(13,591)	
Interest received and realized gain from financial assets	1,253		895	
Cash flow from investing activities		**(89,179)**		**(77,237)**
Free cash flow		**62,247**		**112,505**
Decrease in borrowings	(81,183)		(217)	
Proceeds from capital increases	2,643		3,529	
Sale/(purchase) of treasury shares, net	9,290		(274)	
Dividends paid	(79,317)		(65,524)	
Interest paid and other financial expenses	(4,346)		(254)	
Cash flow from financing activities		**(152,913)**		**(62,740)**
Currency translation differences		(3,428)		(680)
(Decrease)/increase in cash and cash equivalents		**(94,094)**		**49,085**
Cash and cash equivalents at April 1		335,931		216,715
Cash and cash equivalents at September 30		**241,837**		**265,800**

Consolidated Changes in Equity

1,000 CHF

	Share capital	Share premium	Retained earnings	Translation adjustment	Treasury shares	Hedge reserve	Non-controlling interests	Total equity
	Attributable to equity holders of Sonova Holding AG							
Balance April 1, 2009	**3,312**	**72,703**	**1,100,064**	**(81,814)**	**(72,397)**	**0**	**4,755**	**1,026,623**
Income for the period			164,798				(593)	164,205
Other comprehensive income			10,641	2,534			(69)	13,106
Total comprehensive income			**175,439**	**2,534**			**(662)**	**177,311**
Changes in non-controlling interests							1,017	1,017
Capital increase from conditional capital	3	3,526						3,529
Capital decrease – share buy-back program	(36)	(57,841)			57,877			
Share-based payments		5,426					8	5,434
Sale of treasury shares		(1,730)			4,048			2,318
Purchase of treasury shares					(274)			(274)
Dividend paid			(65,388)				(136)	(65,524)
Balance September 30, 2009	**3,279**	**22,084**	**1,210,115**	**(79,280)**	**(10,746)**	**0**	**4,982**	**1,150,434**
Balance April 1, 2010	**3,305**	**60,649**	**1,409,099**	**(47,858)**	**(20,812)**	**(2,057)**	**6,032**	**1,408,358**
Income for the period			170,416				39	170,455
Other comprehensive income			(18,455)	(115,766)		(4,167)	(687)	(139,075)
Total comprehensive income			**151,961**	**(115,766)**		**(4,167)**	**(648)**	**31,380**
Changes in non-controlling interests							1,510	1,510
Capital increase from conditional capital	1	2,642						2,643
Share-based payments		8,805					10	8,815
Sale of treasury shares		518			14,137		9	14,664
Purchase of treasury shares					(4,969)		(13)	(4,982)
Dividend paid			(79,181)				(136)	(79,317)
Balance September 30, 2010	**3,306**	**72,614**	**1,481,879**	**(163,624)**	**(11,644)**	**(6,224)**	**6,764**	**1,383,071**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2010

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 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, 2010. 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, 2010.

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, 2010:

IFRS 3 (revised) "Business combinations"
Amongst other matters, the revised standard requires that directly attributable transaction costs are expensed in the current period, whereas previously these costs have been included in the cost of acquisition. In addition, the revised standard requires that the contingent consideration of an acquisition shall be included in the acquisition accounting at fair value and any subsequent changes to the contingent consideration will be accounted for in the income statement.

IAS 27 (revised) "Consolidated and Separate Financial Statements"
Changes in the ownership interest of a subsidiary that do not result in a loss of control will be accounted for as equity transactions. Neither goodwill nor any gains or losses will result.

In addition, improvements or other amendments of IFRSs/IASs effective as of the beginning of the finanical year 2010/11 have been incorporated without having a significant impact on the Group's result and financial position.

The Group is currently assessing the potential impacts of new and revised standards that will affect the Group after March 31, 2011, but is not anticipating that the changes will have a significant impact on the Group's result and financial position.

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.

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 2010/11, as well as in the respective period 2009/10, several small companies were acquired in Europe, Asia/Pacific and North America.

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	2010	2009
Trade receivables	6,162	855
Other current assets	2,977	2,950
Property, plant & equipment	340	991
Intangible assets	8,211	8,773
Other non-current assets	1,782	513
Current liabilities	(9,615)	(2,004)
Non-current liabilities	(3,304)	(2,053)
Net assets	**6,553**	**10,025**
Non-controlling interests[1]	(1,534)	
Goodwill	31,036	13,115
Purchase consideration	**36,055**	**23,140**
Fair value of equity investment held before the business combination[2]	(9,399)	
Provisions for earn-outs or holdbacks[3]	(9,046)	(2,171)
Cash consideration	**17,610**	**20,969**
Cash and cash equivalents acquired	(2,020)	(2,378)
Cash consideration, net of cash acquired	**15,590**	**18,591**
Cash outflow for investments in associates, minority shareholdings and earn-out payments	4,209	
Total cash outflow from acquisitions	**19,799**	**18,591**

[1] Proportional share of the net assets acquired.
[2] The gain of CHF 6.1 million from remeasuring the equity investment to fair value is included in financial income.
[3] Earn-out payments are dependent on the future performance of the acquired companies, not limited to a maximum amount.

The initial accounting for the acquisitions in the current financial year is provisional. The results of the final valuation and purchase price allocation as well as the final determination of the fair value of the equity interest held before the business combination are still outstanding and are therefore still subject to changes. The goodwill is attributed mainly to expected synergies, the labor force and the favorable growth potential. The goodwill is not amortizable for tax purposes.

Contribution of acquired companies from acquisition to 1,000 CHF	30.9.2010	30.9.2009
Sales	11,340	5,784
Net income	475	255

Contribution, if the acquisitions occurred on April 1 1,000 CHF	2010	2009
Sales	13,679	6,507
Net income	510	299

4. Segment information

The Group is active in two business segments, hearing instruments and hearing implants. The segment information for the first six months of the financial years 2010/11 and 2009/10 is as follows:

1,000 CHF	2010	2009[1]	2010	2009[1]	2010	2009[1]	2010	2009[1]
	Hearing instruments		Hearing implants		Eliminations		Total	
Sales	**766,040**	709,219	**65,533**		**(49)**		**831,524**	709,219
Operating profit before acquisition-related amortization (EBITA)	**209,215**	194,756	**(5,204)**	(1,039)			**204,011**	193,717
Segment assets	**1,920,929**	1,160,762	**572,885**	29,187	**(567,704)**	(33,398)	**1,926,110**	1,156,551
Unallocated assets[2]							369,720	397,888
Total assets							**2,295,830**	**1,554,439**

[1] Restated as a result of the application of IFRS 8.
[2] Unallocated assets include cash and cash equivalents, other current financial assets (excluding loans), investments in associates/joint ventures, employee benefit assets and deferred tax assets.

Reconciliation of reportable segment profit 1,000 CHF	2010	2009
EBITA (as per segment reporting)	204,011	193,717
Acquisition-related amortization	(12,241)	(4,594)
Financial result, net	(6,028)	911
Share of gain/(loss) in associates/joint ventures	2,696	(639)
Income before taxes	**188,438**	**189,395**

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	2010	2009
Income after taxes (1,000 CHF)	170,416	164,798
Weighted average number of outstanding shares	65,980,841	65,395,721
Basic earnings per share (CHF)	**2.583**	**2.520**

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 2006 through 2010 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	2010	2009
Income after taxes (1,000 CHF)	170,416	164,798
Weighted average number of outstanding shares	65,980,841	65,395,721
Adjustment for dilutive share options	640,933	505,829
Adjusted weighted average number of outstanding shares	66,621,774	65,901,550
Diluted earnings per share (CHF)	**2.558**	**2.501**

6. Contingencies and bank debts

There have been no material changes in contingent liabilities since March 31, 2010. Out of the total bank debts of CHF 470 million granted in connection with the acquisition of Advanced Bionics, CHF 80 million have been paid back in the first six months of the financial year 2010/11.

7. Movements in share capital

The Annual General Shareholders' Meeting of June 15, 2010 resolved a distribution of a gross dividend of CHF 1.20 per registered share for the financial year 2009/10. The dividend was paid in July 2010 to all shares outstanding, excluding treasury shares.

Issued registered shares	Issued registered shares	Treasury shares[1]	Outstanding shares
Balance April 1, 2009	**66,230,584**	**(881,309)**	**65,349,275**
Issue of new shares from conditional capital[2]	73,591		73,591
Purchase of treasury shares		(3,407)	(3,407)
Sale of treasury shares		38,778	38,778
Cancellation of treasury shares	(718,500)	718,500	
Balance September 30, 2009	**65,585,675**	**(127,438)**	**65,458,237**
Balance April 1, 2010	**66,090,745**	**(204,088)**	**65,886,657**
Issue of new shares from conditional capital[2]	37,532		37,532
Purchase of treasury shares		(43,897)	(43,897)
Sale of treasury shares		110,205	110,205
Balance September 30, 2010	**66,128,277**	**(137,780)**	**65,990,497**

Each share has a nominal value of CHF 0.05

[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.

8. Subsequent events

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

Disclaimer

This report contains forward-looking statements which offer no guarantee with regard to future performance. These statements are made on the basis of management's views and assumptions regarding future events and business performance at the time the statements are made. They 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.

This is Sonova

Sonova is the leading provider of innovative hearing healthcare solutions. The globally active Group is the world's top manufacturer of hearing instruments, the market leader in wireless communication systems for audiology applications, develops and manufactures advanced cochlear implant systems and provides professional solutions for hearing protection. Sonova is pursuing a clear growth strategy and is intent to grow faster than the market. 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 6,800 employees, Sonova generated sales of CHF 1.5 billion in the financial year 2009/10 and a net profit of CHF 355 million. This financially strong group of companies bases its success on innovation, customer focus and proactive cost management.

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.

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This Semi-Annual Report is also available in German. The English version is the governing text.