

THE HEARING CARE COMPANY

sonova



All the Sounds of Life

*Semi-Annual Report 2011/12
as of September 30, 2011*

HIGHLIGHTS & KEY FIGURES

SONOVA GROUP KEY FIGURES

in CHF m unless otherwise specified	H1 2011/12	H1 2010/11 ¹⁾	Change in %
Sales	763	832	(8.2%)
EBITA	138	204	(32.3%)
EBITA margin	18.1%	24.6%	
Cash-based basic earnings per share (CHF) ²⁾	1.73	2.71	(36.2%)
Operating free cash flow ²⁾	84	82	2.2%
ROCE ²⁾	8.5%	14.0%	
ROE ²⁾	7.9%	13.7%	

¹⁾ Restated based on the finalization of the acquisition accounting of Advanced Bionics (for details refer to Note 4).

²⁾ For detailed definitions, please refer to "Key Figures".

Sales grew +8.3% in local currencies over prior half year to CHF 763.0 million

- +4.2% organic growth rate
- +4.1% growth from acquisitions
- 16.5% negative currency impact primarily due to the strengthening of the CHF against EUR and USD

EBITA of CHF 138.4 million or 18.1%

- Negative currency effect of CHF 53.2 million

Cash-based basic earnings per share of CHF 1.73

HEARING INSTRUMENTS SEGMENT

+11.4% growth in local currencies over prior half year

+7.0% organic growth rate

- New Spice and Era platform products perform well
- Further market share gains

+4.4% growth from acquisitions

- Strategic expansion of distribution network continues

On-going product innovation

- 80% of total sales were achieved with products launched within the last two years
- New products launched at EUHA (October 2011)

HEARING IMPLANTS SEGMENT

Sales of CHF 39.2 million

- Outside U.S. markets performing well after TÜV-approval
- U.S. market re-entry effective September 13, 2011

Focus on cochlear implant market opportunities

EBITA of CHF –20.6 million

- Results include restructuring charges of CHF 3.9 million related to the closure of Phonak Acoustic Implants

SONOVA EXTENDS MARKET SHARE

Dear shareholders

I am pleased to report that the Sonova Group has been able to deliver strong financial results in local currencies in the first half of fiscal 2011/12. Once again, the company has clearly outgrown the market and is on track to meet the targets communicated for the full year.

Unfortunately, when translating the numbers into Swiss francs, our reporting currency, the adverse impact of the strong Swiss franc against major currencies such as the Euro and the US dollar is very visible. As predicted in May 2011, the strong Swiss franc continued to negatively impact the solid local currencies sales and earnings growth of the first half of 2011/12. On a consolidated basis, the Sonova Group generated revenues of CHF 763 million, which represents a sales growth in local currencies of 8.3%; however, negative currency developments reduced reported sales by CHF 137 million, or 16.5%. As a result, sales in Swiss francs declined by 8.2%. Sonova achieved a gross profit margin of 68.4%, a decrease of 1.8% compared to the previous year largely due to the strength of the Swiss franc. Reported operating profit (EBITA) was CHF 138 million, or 18.1% of sales. If the negative currency impact on EBITA of roughly CHF 53 million were excluded, EBITA margin would be at a level of 21.3%.

During the period under review, important initiatives and decisions have been taken. We continued to implement our proven strategy, launched several promising products and completed some smaller acquisitions. Overall, our leading market position has been strengthened and the Sonova Group is well positioned for future growth.

Solid growth in the hearing instrument business

Our leadership in the hearing instrument market was again confirmed and we were able to further consolidate this position. The hearing instruments segment generated strong sales of CHF 724 million, which corresponds to a growth rate in local currencies of 11.4%, of which 7.0% was organic and substantially above the market growth rate of 3–4%. These achievements highlight the market success of the products launched on the Phonak Spice and Unitron Era platforms. Furthermore, the focus on innovation continued and our already broad product portfolio has been further strengthened. As such, Sonova is extending its technological leadership which provides a decisive competitive advantage for our hearing instrument brands.



The Phonak Spice+ platform and the latest version of the Phonak fitting software, Target 2.0, have been launched in October 2011. In addition, three water-resistant hearing devices, the first accessory that offers the benefits of verbal alerts as well as the smallest ever custom device, Phonak nano, have been introduced under the Phonak brand. Unitron, our second brand, is developing well thanks to its Era platform. New products including Quantum and Moxi were launched in June and July 2011 and additional features have been added to these products in October. The Sona brand activities were transferred into Unitron in order to make this innovative product and service concept available to more people worldwide.

Hearing implants back on sale worldwide

Advanced Bionics delivered CHF 39 million of sales with cochlear implants and related accessories in the first half of 2011/12, primarily from markets outside the USA. Given the product recall in November 2010 and the subsequent voluntary temporary sales stop, turnover in the reporting period was below last year, but above our expectations thanks to good sales ramp-up outside of the USA markets. As expected, Advanced Bionics has successfully re-entered markets worldwide in recent months. The HiRes 90K cochlear implant received CE mark approval from the European Notified Body (TÜV) in mid-April 2011 and in mid-September 2011 approval from the United States Food and Drugs Administration (FDA) was received. Advanced Bionics has also introduced an innovative new product, Neptune, the world's first sound processor suitable for swimming. This unique product is already approved in Canada and is awaiting approval from other regulatory bodies. The cochlear implant market provides significantly better mid-term

opportunities for growth and profitability than the market for middle ear implant products. Therefore, we decided to close our Phonak Acoustic Implants' site in Lonay, Switzerland. The restructuring costs are provided for in the reported results. The hearing implants segment is now clearly focused on the cochlear implant market, in which we see significant potential and which will become more important for the Sonova Group over time.

Corporate Governance update

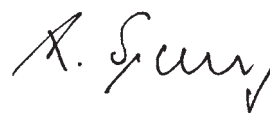
In the area of Corporate Governance, the Board of Directors and senior management aims to implement high standards. We have updated and rolled out new organizational rules and charters for both the audit and the nomination and compensation committees which are by now staffed by independent directors only. Furthermore, our policy concerning Public Disclosure/Reporting/Securities Trading, which covers insider trading and reporting of management transactions, has been revised. The compensation scheme for the Board of Directors as well as the senior management is in the process of being changed towards best practices. The Board of Directors remains very committed to give Corporate Governance matters a high priority. This is underlined by the recently communicated nomination of Dr. Beat Hess as a new board member for election at the next Annual General Meeting in June 2012. Sonova will be able to benefit from Dr. Beat Hess' vast experience in the area of Corporate Governance.

The company has no update to report on the March 2011 related events, including the investigation by the district attorney and the SIX Swiss stock exchange regulation or any potential claims to be raised by shareholders.

Appointment of new CEO

I would also like to take this opportunity to welcome Lukas Braunschweiler who joined the Sonova Group as new CEO effective November 1, 2011 and wish him all the best. At the same time, I thank Alexander Zschokke for his great contributions as Interim CEO. He stepped in at a very challenging time and yet, together with his management team, assured that the company remains focused on operations and continues to perform in its relevant markets.

Furthermore I express my gratitude to you, our shareholders, for your trust, your loyalty and your interest in Sonova. I would also like to thank our customers, business partners and, last but not least, our more than 8,000 employees throughout the world for their hard work and dedication. Without their huge commitment, the success of the Sonova Group would not be possible. I am personally convinced that Sonova is very well positioned to achieve long-term success.



Robert Spoerry

Chairman of Board of Directors

STRONG SALES GROWTH IN LOCAL CURRENCIES

The Sonova Group generated sales of CHF 763.0 million in the first half of fiscal 2011/12, a decrease of 8.2% in reported Swiss francs compared to the previous year's period due to a negative currency impact of 16.5%. In local currencies, sales increased by 8.3% whereof organic growth contributed 4.2% and acquisition growth 4.1%. The hearing instruments segment, accounting for 95% of Group turnover, recorded a strong growth rate of 11.4% in local currencies. Consolidated operating profit (EBITA) was CHF 138.4 million or 18.1% of sales. Considering the negative currency impact on EBITA of CHF 53.2 million, EBITA at constant currencies would have been CHF 191.6 million, or 21.3% of sales.

HEARING INSTRUMENTS SEGMENT: STRONG ORGANIC GROWTH

The hearing instruments segment generated sales of CHF 723.8 million in the first half of 2011/12, which represents a local currency growth rate of 11.4%, of which 7.0% was contributed by organic growth and 4.4% from acquisitions made in the previous year and in the reporting period. This positive development was offset by a negative currency impact of 16.9% during the reporting period. The strong organic sales increase, above the sales record set in the first half of 2010/11 and above the market growth estimate of 3 to 4%, is mainly the result of the success of the Phonak Spice platform products and Unitron ERA platform products. Sonova generated 80% of total sales in the hearing instruments segment from products that have been on the market for less than two years.

Overall, the success of Spice and ERA-based products was seen in all regions. In the EMEA region, Sonova achieved growth of 11.3% in local currencies, driven by strong performances in France, Switzerland, the United Kingdom, and Italy.

The hearing instruments segment generated 11.9% growth in local currencies in the Americas region (including USA). Sales of hearing instruments were strong in the USA, where Phonak maintained its market share with the "Department of Veterans Affairs" (VA) while growing its share in the private market. In addition, Unitron performed very well in the private market given the success of its new ERA plat-

form of products that were launched in June and July 2011 in this region. In the Asia/Pacific region, the segment grew 8.7% in local currencies, primarily as a result of further market share gains in Japan and a continued high market growth in China.

Once again, Sonova was able to strengthen its leading market position in the hearing instruments' market. Innovation continues to be a key objective and several new products have been introduced during the period under review. In October 2011, the Phonak Spice+ platform has been launched together with the introduction of three water-resistant hearing devices under the Phonak brand (Phonak M H2O, Phonak Naida S CRT und Phonak Nios S H2O) as well as the smallest ever custom-device, Phonak nano. In addition, Sonova introduced Phonak ComPilot, the first accessory to offer the benefit of verbal alerts. Combined with the launch of the latest version of the Phonak fitting software, Target 2.0, these innovations are expected to further strengthen the competitive position of Phonak.

On the Era platform, Unitron introduced new products last April including Quantum and Moxi, which have been well received since then by customers. More recently, Unitron introduced new feature enhancements to its Quantum and Moxi product portfolio. In addition, a new 312 micro BTE is now available for Quantum, as well as a new remote control. All the Sona brand activities have been transferred into Unitron in order to make this innovative product and service concept available to more people worldwide.

The share of sales among instrument product groups remained more or less consistent year over year. Sales growth in local currency of first class and economy class hearing instruments was particularly strong, while sales in wireless communication systems remained flat compared to the prior year.

The hearing instruments segment achieved an EBITA of CHF 158.9 million, corresponding to an EBITA margin of 22.0%. Excluding the negative currency impact, EBITA was CHF 214.9 million, or 25.2%.

HEARING IMPLANTS SEGMENT: SUCCESSFUL MARKET RE-ENTRY WORLDWIDE

The hearing implants segment recorded sales of CHF 39.2 million from cochlear implants and related accessories. The segment's results were impacted by a voluntary recall of its HiRes 90K cochlear implant in November 2010. Compared to the first half of 2010/11, during which the company was selling in all markets prior to the recall, revenues decreased by CHF 26.3 million, or -40.1%, of which -11.3% was due to currency impact.

In mid-April 2011, Advanced Bionics received CE mark approval from the European Notified Body (TÜV) to return to markets outside the USA and, in mid-September 2011, the company received approval from the US Food and Drug

SALES BY REGIONS

in CHF m	H1 2011/12			H1 2010/11	
	Sales	Share	Growth in local currencies	Sales	Share
EMEA (excl. Switzerland)	289	38%	8.1%	303	36%
USA	277	36%	9.6%	319	39%
Americas (excl. USA)	102	13%	2.4%	117	14%
Asia/Pacific	74	10%	7.2%	77	9%
Switzerland	21	3%	29.3%	16	2%
Total sales	763	100%	8.3%	832	100%

SALES BY PRODUCT GROUPS

in CHF m	H1 2011/12			H1 2010/11	
	Sales	Share	Growth in local currencies	Sales	Share
First class hearing instruments	173	23%	11.4%	189	23%
Business class hearing instruments	174	23%	9.3%	189	23%
Economy class hearing instruments	233	31%	13.5%	240	29%
Wireless communication systems	34	4%	0.2%	41	5%
Miscellaneous	110	14%	14.4%	107	12%
Total hearing instruments	724	95%	11.4%	766	92%
Hearing implants	39	5%	(28.8%)	66	8%
Total sales	763	100%	8.3%	832	100%

Administration (FDA) to resume selling the implant in the USA. Sales results, therefore, reflect the ramp-up in sales in countries outside the USA since mid-April 2011 and only two weeks of sales from the United States market.

Revenues in all regions outside of the USA, in local currencies, were roughly 10% below the prior year period due to the ramp-up in shipments since the mid-April 2011 approval. The main decrease in sales, compared to the first half of 2010/11, is due to the USA region which, as mentioned, only had two weeks of sales prior to end of the reporting period. Furthermore, Advanced Bionics has introduced an innovative new product, Neptune, the world's first sound processor suitable for swimming. This unique product is already approved in Canada and is awaiting approval from other regulatory bodies.

The hearing implants segment posted an EBITA of CHF –20.6 million due to the lower sales level as a result of the voluntary temporary product recall. The EBITA also reflects the continued high level of investment in R&D and distribution for Advanced Bionics as well as the one-time restructuring charges of CHF 3.9 million related to the closing of the Phonak Acoustic Implants' facility in Lonay, Switzerland. This decision was taken because the cochlear implant market is expected to provide significantly better mid-term opportunities for growth and profitability than the market for middle ear implant products.

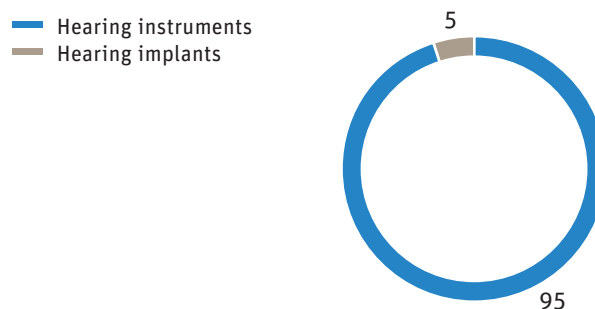
— CONSOLIDATED VIEW: IMPACT OF THE STRONG SWISS FRANC

On a Group basis, Sonova generated sales of CHF 763.0 million in the first half of 2011/12, a decrease of 8.2% in the reporting currency, which corresponds to a sales growth in local currencies of 8.3% (+4.2% organic growth rate; +4.1% growth from acquisitions). This was offset by a negative currency impact of 16.5% due to the unprecedented strength of the Swiss franc against major currencies such as the Euro and the US dollar.

The reported gross margin stands at 68.4%. However, excluding a negative currency effect of 90 basis points, gross margin would have been at 69.3%, slightly lower compared to the first half of the prior fiscal year period (70.2%). This is due to a change in the geographic revenue mix in the hearing implants segment (i. e. only two weeks of sales in the USA during the reporting period due to the recall)

as well as a change in customer mix in the hearing instruments segment.

SALES BY SEGMENTS 2011/12
in %



— EFFECTIVE COST MANAGEMENT

Spending on research and development (R&D) in the first half of 2011/12 amounted to CHF 58.6 million, or 7.7% of sales. Major R&D expenditures in the hearing instruments segment include the development of Spice+ and various new products introduced at the EUHA congress in October 2011, the next generation Lyric product and the next generation platform developments. In the hearing implants segment, R&D expenditures were focused on the new Neptune processor and the various new products under development.

Sales and marketing costs were CHF 237.1 million, or 31.1% of sales. In local currencies, these costs have increased by 17.0% over the first half of 2010/11, mainly due to acquisitions and the further expansion of the distribution network in both segments. As measured in constant currencies however, sales and marketing costs have decreased from the second half of 2010/11 levels, while sales have increased.

General and administrative expenses were consistent with the prior year level at CHF 83.9 million, or 11.0% of sales. A similar analysis on general and administration expenses (in constant currencies and excluding acquisitions) shows that these expenses have decreased substantially from the second half of 2010/11 levels. Other expenses include CHF 3.9 million of one-time restructuring charges following the decision to close the Phonak Acoustic Implants' facility in Lonay, Switzerland.

Operating profit before acquisition-related amortization and impairments (EBITA) was CHF 138.4 million, or 18.1% (previous year CHF 204.4 million or 24.6%), which includes a negative currency impact of CHF 53.2 million accounting for approximately 320 basis points on the EBITA margin.

Income after taxes, taking a one-time, non-cash impairment charge of CHF 4.9 million into account, was CHF 103.7 million compared to CHF 171.8 million in the previous year. The impairment charge relates to the write-off of remaining capitalized R&D costs incurred at the Phonak Acoustic Implants' facility. While operating profit was lower, financial expenses were also lower than in the previous period due to lower debt levels. Income taxes, as a percentage of income before taxes, increased slightly compared to 2010/11. Basic earnings per share amounted to CHF 1.56 compared to CHF 2.60 in the previous year. Cash-based basic earnings per share were CHF 1.73 (previous year CHF 2.71).

INVESTMENTS IN FUTURE GROWTH

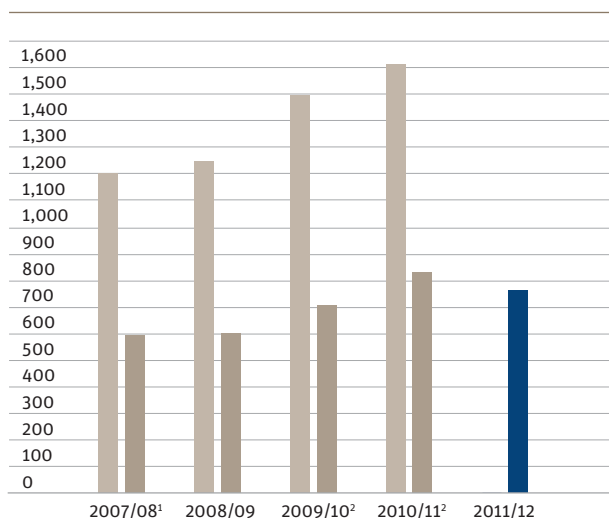
Cash flow from operating activities was CHF 112.3 million, lower than the CHF 151.4 million achieved in the previous year, primarily due to the lower operating income but offset by the improved net working capital. Cash outflow from investing activities declined during the reporting period from CHF 89.2 million in the previous year to CHF 64.9 million due primarily to lower capital expenditures. Capital expenditures in the reporting period were primarily related to the renovations at headquarters and machinery and equipment, whereas the higher level of capital expenditures last year related to the new high-tech manufacturing facility. Cash funds of CHF 36.5 million were used for smaller acquisitions. Sonova's free cash flow in the first half of 2011/12 was CHF 47.3 million. Operating free cash flow (excluding acquisitions) amounted to CHF 83.8 million, compared to CHF 82.0 million in the previous year. Cash outflow from financing activities decreased to CHF 105.8 million from CHF 152.9 million in the previous year,

■ Financial year figures
■ Half-year figures

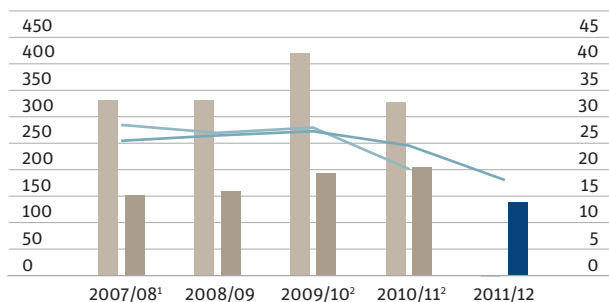
¹⁾ Excluding one-off costs for the prohibited acquisition of the GN ReSound Group.

²⁾ Restated based on finalization of the acquisition accounting of Advanced Bionics.

SALES
in CHF m

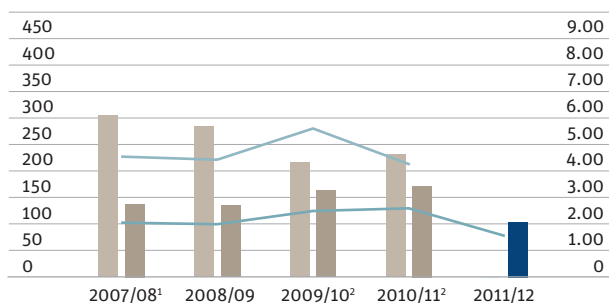


EBITA
in CHF m



EBITA
margin in %

INCOME AFTER TAXES
in CHF m



CASH-BASED BASIC
EARNINGS PER SHARE in CHF

primarily due to the timing of repayments of the bank loan to finance the acquisition of Advanced Bionics. Cash and cash equivalents as of September 30, 2011 were CHF 103.7 million, compared to CHF 165.1 million as of April 1, 2011.

HIGH EQUITY RATIO

Capital employed remained stable at CHF 1,457.2 million in the first half of 2011/12 while net working capital was reduced to CHF 172.8 million as of September 30, 2011. Net debt was CHF 172.2 million, compared to CHF 111.3 million as of March 31, 2011 mainly due to the dividend distribution of CHF 79.9 million. The Group's equity amounted to CHF 1,285.0 million and the equity ratio (equity in % of total assets) remains solid at 61.7%.

OUTLOOK FOR 2011/12 FULL-YEAR

Sonova confirms its full year consolidated sales growth guidance of 8–10% in local currencies, which includes approximately 3% growth from acquisitions. Based on the current foreign exchange rates (most notably the EUR at 1.22 and the USD at 0.89), Sonova expects a negative currency impact on 2011/12 sales of approximately 13%. Sonova also confirms its original EBITA guidance of 20–21% which, when updated at current foreign exchange rates, is expected in the range of 19–20%. A five percent change in the USD/CHF exchange rate impacts sales and EBITA, on an annualized basis, by approximately CHF 30 million and CHF 10 million, respectively. Similarly, a five percent change in the EUR/CHF exchange rate impacts sales and EBITA, on an annualized basis, by approximately CHF 25 million and CHF 15 million respectively.

Based on Sonova's strong market position, the comprehensive product portfolio and the global distribution footprint, the Group is confident to deliver solid results for 2011/12 and the future.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2011

Key Figures

April 1 to September 30, in 1,000 CHF unless otherwise specified	2011	2010 ¹⁾
Sales	763,001	831,524
change compared to previous year (%)	(8.2)	17.2
Gross profit	522,093	583,360
change compared to previous year (%)	(10.5)	18.5
in % of sales	68.4	70.2
Research and development costs	58,621	59,571
in % of sales	7.7	7.2
Sales and marketing costs	237,100	234,681
in % of sales	31.1	28.2
Operating profit before acquisition-related amortization and impairment (EBITA)	138,393	204,354
change compared to previous year (%)	(32.3)	5.5
in % of sales	18.1	24.6
Operating profit (EBIT)	123,113	194,230
change compared to previous year (%)	(36.6)	2.7
in % of sales	16.1	23.4
Income after taxes	103,740	171,802
change compared to previous year (%)	(39.6)	4.6
in % of sales	13.6	20.7
Number of employees (average)	7,856	7,094
change compared to previous year (%)	10.7	27.9
Number of employees (end of period)	8,000	7,210
change compared to previous year (%)	11.0	28.1
Net cash²⁾	(172,193)	(143,241)
Net working capital³⁾	172,830	202,445
in % of sales	22.7	24.3
Capital expenditure (tangible and intangible assets)⁴⁾	36,595	56,128
Capital employed⁵⁾	1,457,185	1,395,452
Total assets	2,081,015	2,220,752
Equity	1,284,992	1,252,211
Equity financing ratio (%)⁶⁾	61.7	56.4
Free cash flow⁷⁾	47,325	62,247
Operating free cash flow⁸⁾	83,829	82,046
in % of sales	11.0	9.9
Return on capital employed (%)⁹⁾	8.5	14.0
Return on equity (%)¹⁰⁾	7.9	13.7
Basic earnings per share (CHF)	1.56	2.60
Diluted earnings per share (CHF)	1.55	2.58
Cash-based basic earnings per share (CHF)¹¹⁾	1.73	2.71

¹⁾ Restated based on the finalization of the acquisition accounting of Advanced Bionics (for details refer to Note 4).

²⁾ Cash and cash equivalents + other current financial assets (excl. loans) – short-term debts – other current financial liabilities – non-current financial liabilities.

³⁾ Receivables (incl. loans) + inventories – trade payables – current income tax liabilities – other short-term liabilities – short-term provisions.

⁴⁾ Excluding goodwill and intangibles relating to acquisitions.

⁵⁾ Total assets – cash and cash equivalents – other current financial assets (excl. loans) – trade payables – other liabilities – provisions – tax liabilities.

⁶⁾ Equity in % of total assets.

⁷⁾ Cash flow from operating activities + cash flow from investing activities.

⁸⁾ Free cash flow – cash consideration for acquisitions, net of cash acquired.

⁹⁾ EBIT in % of capital employed (average).

¹⁰⁾ Income after taxes in % of equity (average).

¹¹⁾ Excluding the amortization of acquisition-related intangibles, impairment and unwinding effect of the discount on acquisition-related earn-out payments, net of tax.

Consolidated Income Statements

April 1 to September 30, 1,000 CHF	2011	2010 ¹⁾
Sales	763,001	831,524
Cost of sales	(240,908)	(248,164)
Gross profit	522,093	583,360
Research and development	(58,621)	(59,571)
Sales and marketing	(237,100)	(234,681)
General and administration	(83,883)	(83,969)
Other expenses, net	(4,096)	(785)
Operating profit before acquisition-related amortization and impairment (EBITA)²⁾	138,393	204,354
Acquisition-related amortization	(10,402)	(10,124)
Impairment	(4,878)	
Operating profit (EBIT)³⁾	123,113	194,230
Financial income	1,458	8,111
Financial expenses	(5,175)	(14,428)
Share of profit in associates/joint ventures	220	2,696
Income before taxes	119,616	190,609
Income taxes	(15,876)	(18,807)
Income after taxes	103,740	171,802
Attributable to:		
Equity holders of the parent	103,413	171,754
Non-controlling interests	327	48
Basic earnings per share (CHF)	1.56	2.60
Diluted earnings per share (CHF)	1.55	2.58

¹⁾ Restated based on the finalization of the acquisition accounting of Advanced Bionics (for details refer to Note 4).

²⁾ Earnings before financial result, share of profit/(loss) in associates/joint ventures, taxes, acquisition-related amortization and impairment (EBITA).

³⁾ Earnings before financial result, share of profit/(loss) in associates/joint ventures and taxes (EBIT).

Consolidated Statements of Comprehensive Income

April 1 to September 30, 1,000 CHF	2011	2010 ¹⁾
Income after taxes	103,740	171,802
Actuarial loss from defined benefit plans, net	(21,360)	(21,572)
Tax effect on actuarial loss from defined benefit plans	2,972	2,991
Fair value adjustment on cash flow hedges	(8,487)	(4,167)
Currency translation differences	(62,992)	(103,991)
Tax effect on currency translation items	3,029	1,307
Other comprehensive income	(86,838)	(125,432)
Total comprehensive income	16,902	46,370
Attributable to:		
Equity holders of the parent	16,483	46,915
Non-controlling interests	419	(545)

¹⁾ Restated based on the finalization of the acquisition accounting of Advanced Bionics (for details refer to Note 4).

Consolidated Balance Sheets

Assets 1,000 CHF	30.9.2011	31.3.2011	30.9.2010¹⁾
Cash and cash equivalents	103,736	165,133	241,837
Other current financial assets	7,384	28,589	17,806
Trade receivables	312,088	320,581	319,910
Other receivables and prepaid expenses	63,571	55,595	67,548
Inventories	157,641	167,594	155,964
Total current assets	644,420	737,492	803,065
Property, plant and equipment	233,147	232,112	214,275
Intangible assets	1,044,905	1,059,062	983,846
Investments in associates/joint ventures	19,032	10,827	35,244
Other non-current financial assets	49,939	51,084	86,682
Deferred tax assets	89,572	81,067	97,640
Total non-current assets	1,436,595	1,434,152	1,417,687
Total assets	2,081,015	2,171,644	2,220,752

Liabilities and equity 1,000 CHF	30.9.2011	31.3.2011	30.9.2010¹⁾
Short-term debts	20,638	40,135	79,549
Trade payables	56,264	61,926	49,028
Current income tax liabilities	44,376	52,413	48,813
Other current financial liabilities	17,671	16,905	1,653
Other short-term liabilities	162,903	172,130	153,001
Short-term provisions	102,858	116,009	96,365
Total current liabilities	404,710	459,518	428,409
Non-current financial liabilities	239,073	231,071	315,452
Long-term provisions	78,284	85,202	150,115
Other long-term liabilities	41,706	20,854	35,820
Deferred tax liabilities	32,250	30,287	38,745
Total non-current liabilities	391,313	367,414	540,132
Total liabilities	796,023	826,932	968,541
Share capital	3,326	3,326	3,306
Treasury shares	2,813	1,653	(11,644)
Reserves ²⁾	1,275,828	1,334,519	1,254,676
Equity attributable to equity holders of the parent	1,281,967	1,339,498	1,246,338
Non-controlling interests	3,025	5,214	5,873
Equity	1,284,992	1,344,712	1,252,211
Total liabilities and equity	2,081,015	2,171,644	2,220,752

¹⁾ Restated based on the finalization of the acquisition accounting of Advanced Bionics (for details refer to Note 4).

²⁾ In connection with the new capital contribution principle effective as of January 1, 2011 and the possibility to distribute dividends from a separate capital contribution reserve, the disclosure within the equity has been modified and subsequently the formerly individually disclosed "share premium" and "retained earnings" are now shown together as "reserves".

Consolidated Cash Flow Statements

April 1 to September 30, 1,000 CHF	2011	2010 ¹⁾
Income before taxes	119,616	190,609
Depreciation, amortization and impairment of tangible and intangible assets	39,835	32,978
Gain on sale of tangible and intangible assets, net	(62)	(499)
Share of gain in associates/joint ventures	(220)	(2,696)
(Decrease)/increase in long-term provisions	(4,357)	6,317
Financial expenses, net	3,717	6,317
Unrealized exchange differences	1,660	8,151
Other non-cash items	9,476	50,049
Cash flow before changes in net working capital	169,665	250,477
Increase in trade receivables	(7,699)	(12,466)
Increase in other receivables and prepaid expenses	(3,412)	(3,705)
Decrease/(increase) in inventories	5,624	(28,274)
Decrease in trade payables	(8,367)	(20,601)
Decrease in other payables, accruals and short-term provisions	(6,417)	(11,856)
Income taxes paid	(37,133)	(57,404)
Cash flow from operating activities	112,261	151,426
Purchase of tangible and intangible assets	(36,808)	(57,138)
Proceeds from sale of tangible and intangible assets	398	2,122
Cash consideration for acquisitions, net of cash acquired	(36,504)	(19,799)
Decrease/(increase) in other non-current financial assets	6,844	(15,617)
Interest received and realized gain from financial assets	1,134	1,253
Cash flow from investing activities	(64,936)	(89,179)
Free cash flow	47,325	62,247
Decrease in borrowings	(20,577)	(81,183)
Proceeds from capital increases		2,643
(Purchase)/sale of treasury shares, net	(445)	9,290
Dividends paid	(79,891)	(79,317)
Changes in non-controlling interests	(1,368)	
Interest paid and other financial expenses	(3,497)	(4,346)
Cash flow from financing activities	(105,778)	(152,913)
Exchange losses on cash and cash equivalents	(2,944)	(3,428)
Decrease in cash and cash equivalents	(61,397)	(94,094)
Cash and cash equivalents at April 1	165,133	335,931
Cash and cash equivalents at September 30	103,736	241,837

¹⁾ Restated based on the finalization of the acquisition accounting of Advanced Bionics (for details refer to Note 4).

Consolidated Changes in Equity

1,000 CHF

	Attributable to equity holders of Sonova Holding AG						Total equity
	Share capital	Reserves ¹⁾	Translation adjustment	Treasury shares	Hedge reserve	Non-controlling interests	
Balance April 1, 2010	3,305	1,332,509	(55,475)	(20,812)	(2,057)	5,038	1,262,508
Income for the period ²⁾		171,754				48	171,802
Other comprehensive income ²⁾		(18,455)	(102,217)		(4,167)	(593)	(125,432)
Total comprehensive income		153,299	(102,217)		(4,167)	(545)	46,370
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, 2010²⁾	3,306	1,418,592	(157,692)	(11,644)	(6,224)	5,873	1,252,211
Balance April 1, 2011	3,326	1,529,557	(193,177)	1,653³⁾	(1,861)	5,214	1,344,712
Income for the period		103,413				327	103,740
Other comprehensive income		(18,388)	(60,055)		(8,487)	92	(86,838)
Total comprehensive income		85,025	(60,055)		(8,487)	419	16,902
Changes in non-controlling interests		(3,893)				(2,487)	(6,380)
Share-based payments		9,015				15	9,030
Sale of treasury shares		(541)		1,605			1,064
Purchase of treasury shares				(445)			(445)
Distribution		(79,755)				(136)	(79,891)
Balance September 30, 2011	3,326	1,539,408	(253,232)	2,813³⁾	(10,348)	3,025	1,284,992

¹⁾ In connection with the new capital contribution principle effective as of January 1, 2011 and the possibility to distribute dividends from a separate capital contribution reserve, the disclosure within the equity has been modified and subsequently the formerly individually disclosed "share premium" and "retained earnings" are now shown together as "reserves".

²⁾ Restated based on the finalization of the acquisition accounting of Advanced Bionics (for details refer to Note 4).

³⁾ Includes derivative financial instruments on treasury shares.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2011

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, 2011. 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, 2011. The interim consolidated financial statements were approved by the Board of Directors on November 11, 2011.

The following new standards, interpretations, and amendments have been adopted as of April 1, 2011 without having a significant impact on the Group’s result and financial position:

- IAS 24 “Related Party Disclosures”
- IAS 32 “Classification of Rights Issues”
- IFRIC 14 “Prepayments of a Minimum Funding Requirement”
- FRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”
- Annual improvements of IFRSs and interpretations

The Group is currently assessing the potential impacts of the various new and revised standards and interpretations that will be effective March 31, 2012 and beyond.

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.

As of September 30, 2011 the actuarial valuations for the main pension plans were updated. While most parameters for the calculation remained unchanged, the discount rate for Swiss pension plans was decreased from 3.1% to 3.0% compared to March 31, 2011. The adjustment of the pension liability as of September 30, 2011 is disclosed in the “Consolidated Statements of Comprehensive Income”.

3. Significant events and transactions

As of September 13, 2011 the Group announced the immediate market re-entry of the Advanced Bionics HiRes 90K cochlear implant in the United States after a voluntary recall of the product in November 2010. In preceding months, Advanced Bionics received approval from several other regulatory bodies, including Health Canada and the European Notified Body (TÜV), to resume distribution of the HiRes 90K cochlear implant to Canada and countries accepting the CE Mark. With the approval of the Food and Drug Administration (FDA) as of September 13, 2011, Advanced Bionics could resume distribution in the United States and re-enter all markets worldwide.

As part of the further consolidation of the Medical Division of Sonova, as of September 30, 2011 the Group announced the closure of the Phonak Acoustic Implants site in Lonay, Switzerland, which employed 26 people working on the middle ear implant Ingenia. The Ingenia device was still in the development stage, did not have the CE certification or FDA approval, and was not yet commercially available. As a result of the communicated restructuring a provision in the amount of CHF 2.6 million was set up and fixed assets in the amount of CHF 1.3 million were written off. These costs are included in the income statement in the line "Other expenses, net". In addition a write-off of CHF 4.9 million of previously capitalized development costs was recorded and is included in the income statement in the line "Impairment".

4. Restatement of prior year's figures

In the annual report 2010/11, the Group has disclosed a restatement for the financial year 2009/10 resulting from the finalization of the acquisition accounting of Advanced Bionics. The impact of the restatement for the income statement, cash flow statement and equity statement 2009/10 as well as the impact on the balance sheet as of March 31, 2010 has been disclosed in Note 3.7 of the annual report 2010/11. As the finalization of the acquisition accounting of Advanced Bionics, and therefore the restatement as described above, occurred after September 30, 2010, the half-year figures 2009/10 as disclosed in last year's semi-annual report as of September 30, 2010 did not consider the impact of the restatement. As a consequence, prior year figures had to be restated.

The following tables reflect the impact on the prior year's financial statement line items as a result of the finalization of the acquisition accounting of Advanced Bionics:

Consolidated income statement			
April 1 to September 30, 1,000 CHF	2010		2010
	Published	Adjustments	Restated
Sales	831,524		831,524
Cost of sales	(248,507)	343	(248,164)
Gross profit	583,017	343	583,360
Operating profit before acquisition-related amortization, impairment (EBITA)	204,011	343	204,354
Acquisition-related amortization	(12,241)	2,117	(10,124)
Operating profit (EBIT)	191,770	2,460	194,230
Financial expenses	(14,139)	(289)	(14,428)
Income before taxes	188,438	2,171	190,609
Income taxes	(17,983)	(824)	(18,807)
Income after taxes	170,455	1,347	171,802
Attributable to:			
Equity holders of the parent	170,416	1,338	171,754
Non-controlling interests	39	9	48
Basic earnings per share (CHF)	2.58	0.02	2.60
Diluted earnings per share (CHF)	2.56	0.02	2.58

Consolidated statement of comprehensive income

Consolidated Statement of Comprehensive Income			
April 1 to September 30, 1,000 CHF	2010		2010
	Published	Adjustments	Restated
Income after taxes	170,455	1,347	171,802
Currency translation differences	(117,634)	13,643	(103,991)
Other comprehensive income	(139,075)	13,643	(125,432)
Total comprehensive income	31,380	14,990	46,370
Attributable to:			
Equity holders of the parent	32,028	14,887	46,915
Non-controlling interests	(648)	103	(545)

Consolidated balance sheet

1,000 CHF	30.9.2010	30.9.2010	
	Published	Adjustments	Restated
Other receivables and prepaid expenses	70,892	(3,344)	67,548
Inventories	171,410	(15,446)	155,964
Total current assets	821,855	(18,790)	803,065
Property, plant and equipment	214,886	(611)	214,275
Intangible assets	1,056,100	(72,254)	983,846
Deferred tax assets	81,063	16,577	97,640
Total non-current assets	1,473,975	(56,288)	1,417,687
Total assets	2,295,830	(75,078)	2,220,752
Short-term provisions	85,253	11,112	96,365
Total current liabilities	417,297	11,112	428,409
Long-term provisions	99,510	50,605	150,115
Deferred tax liabilities	44,680	(5,935)	38,745
Total non-current liabilities	495,462	44,670	540,132
Total liabilities	912,759	55,782	968,541
Retained earnings	1,384,645	(129,969)	1,254,676
Equity attributable to equity holders of the parent	1,376,307	(129,969)	1,246,338
Non-controlling interests	6,764	(891)	5,873
Equity	1,383,071	(130,860)	1,252,211
Total liabilities and equity	2,295,830	(75,078)	2,220,752

Consolidated cash flow statement

April 1 to September 30, 1,000 CHF	2010	2010	2010
	Published	Adjustments	Restated
Income before taxes	188,438	2,171	190,609
Depreciation, amortization and impairment of tangible and intangible assets	35,438	(2,460)	32,978
Financial expenses, net	6,028	289	6,317
Cash flow before changes in net working capital	250,477	0	250,477
Cash flow from operating activities	151,426	0	151,426

5. Changes in Group structure

During the first six months of the financial year 2011/12, as well as in the prior period 2010/11, 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	2011	2010
Trade receivables	795	6,162
Other current assets	2,805	2,977
Property, plant and equipment	947	340
Intangible assets	15,700	8,211
Other non-current assets	688	1,782
Current liabilities	(6,375)	(9,615)
Non-current liabilities	(4,584)	(3,304)
Net assets	9,976	6,553
Non-controlling interests ¹⁾		(1,534)
Goodwill	28,959	31,036
Purchase consideration	38,935	36,055
Fair value of previously held stake before the business combination ²⁾		(9,399)
Liabilities for earn-outs or holdbacks ³⁾	(1,252)	(9,046)
Cash consideration	37,683	17,610
Cash and cash equivalents acquired	(1,179)	(2,020)
Cash consideration, net of cash acquired	36,504	15,590

¹⁾ Proportional share of the net assets acquired.

²⁾ The gain of CHF 6.1 million from remeasuring the previously held stake to fair value is included in financial income.

³⁾ Earn-out payments are dependent on the future performance of the acquired companies and the liability for earn-outs is based on the latest estimate of the future performance.

The initial accounting for the acquisitions in the current financial year is provisional. The results of the final valuation and purchase price allocation is still outstanding and is 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. Acquisition-related costs in the amount of CHF 0.2 million (prior year period CHF 0.2 million) have been expensed and are included in the line "General and administration".

Contribution of acquired companies from acquisition to 1,000 CHF	30.9.2011	30.9.2010
Sales	4,977	11,340
Net income	243	475

Contribution, if the acquisitions occurred on April 1 1,000 CHF	2011	2010
Sales	6,438	13,679
Net income	584	510

6. 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 2011/12 and 2010/11 is as follows:

1,000 CHF	2011	2010	2011	2010 ¹⁾	2011	2010	2011	2010 ¹⁾
	Hearing instruments		Hearing implants		Eliminations		Total	
Segment sales	723,830	766,040	39,265	65,533			763,095	831,573
Intersegment sales	(35)	(5)	(59)	(44)			(94)	(49)
Sales	723,795	766,035	39,206	65,489			763,001	831,524
Operating profit before acquisition-related amortization (EBITA)	158,946	209,215	(20,553)	(4,861)			138,393	204,354
Segment assets	1,889,909	1,920,929	430,047	481,230	(452,734)	(567,704)	1,867,222	1,834,455
Unallocated assets ²⁾							213,793	386,297
Total assets							2,081,015	2,220,752

¹⁾ Restated based on the finalization of the acquisition accounting of Advanced Bionics (for details refer to Note 4).

²⁾ Unallocated assets include cash and cash equivalents, other current financial assets (excl. loans), investments in associates/joint ventures, employee benefit assets and deferred tax assets.

Reconciliation of reportable segment profit 1,000 CHF

	2011	2010 ¹⁾
EBITA (as per segment reporting)	138,393	204,354
Acquisition-related amortization	(10,402)	(10,124)
Impairment ²⁾	(4,878)	
Financial result, net	(3,717)	(6,317)
Share of gain in associates/joint ventures	220	2,696
Income before taxes	119,616	190,609

¹⁾ Restated based on the finalization of the acquisition accounting of Advanced Bionics (for details refer to Note 4).

²⁾ Impairment in the financial year 2011/12 relates to the segment "Hearing implants".

7. 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	2011	2010 ¹⁾
Income after taxes (1,000 CHF)	103,413	171,754
Weighted average number of outstanding shares	66,467,943	65,980,841
Basic earnings per share (CHF)	1.56	2.60

¹⁾ Restated based on the finalization of the acquisition accounting of Advanced Bionics (for details refer to Note 4).

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 2011 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	2011	2010 ¹⁾
Income after taxes (1,000 CHF)	103,413	171,754
Weighted average number of outstanding shares	66,467,943	65,980,841
Adjustment for dilutive share options	103,365	640,933
Adjusted weighted average number of outstanding shares	66,571,308	66,621,774
Diluted earnings per share (CHF)	1.55	2.58

¹⁾ Restated based on the finalization of the acquisition accounting of Advanced Bionics (for details refer to Note 4).

8. Contingencies and bank debts

There have been no material changes in contingent liabilities since March 31, 2011. Out of the total bank debts of CHF 470 million granted in connection with the acquisition of Advanced Bionics in December 2009, CHF 220 million have been paid back (CHF 20 million in the first six months of the financial year 2011/12 and CHF 200 million in the entire financial year 2010/11).

9. Movements in share capital

The Annual General Shareholders' Meeting of June 21, 2011 resolved a distribution of CHF 1.20 per registered share for the financial year 2010/11. The distribution was paid in July 2011 to all shares outstanding, excluding treasury shares.

	Issued registered shares	Treasury shares ¹⁾	Outstanding shares
Issued registered shares			
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
Balance April 1, 2011	66,514,393	(47,060)	66,467,333
Purchase of treasury shares		(5,503)	(5,503)
Sale of treasury shares		13,975	13,975
Balance September 30, 2011	66,514,393	(38,588)	66,475,805

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 the purpose of the employee share option plan.

10. Subsequent events

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

Disclaimer

This semi-annual report may contain 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.

About Sonova

Sonova is the leading provider of innovative hearing healthcare solutions. The globally active group is the world's top manufacturer of hearing systems, 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 7,800 employees, Sonova generated sales of CHF 1.6 billion in the financial year 2010/11 and a net profit of CHF 231 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. The securities of Sonova have not been and will not be registered under the U.S. Securities Act and may not be offered or sold in the United States of America except pursuant to an exemption from the registration requirements under the U.S. Securities Act, or outside the United States of America in reliance on Regulation S under the U.S. Securities Act.

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The English version is the governing text.

