Media Release

Sonova well on track: Significant sales and earnings growth

***Staefa (Switzerland), 13.11.2012* – In the first half of the fiscal year 2012/13, Sonova generated sales of CHF 872.4 million, an increase of 14.3% in reported Swiss francs or 7.9% in local currencies. All businesses contributed to the top-line growth. Group EBITA rose by 35.1% to CHF 187.0 million. Excluding the positive impact from the currency development, the EBITA rose by 19.3%. Income after taxes rose by 43.8% to CHF 149.2 million. In the reporting period, basic earnings per share were CHF 2.24 compared to CHF 1.56 last year.**

- Group sales: up 14.3% to CHF 872.4 million
- Group EBITA: increase of 35.1% to CHF 187.0 million (margin of 21.4%)
- Hearing instruments segment: sales of CHF 801.2 million (+10.7%), EBITA of CHF 187.6 million (+18.0 %) and an EBITA margin of 23.4%
- Cochlear implants segment: sales of CHF 71.3 million (+81.8%), reaching break-even on an EBITA level
- Outlook confirmed. Full-year sales growth of 7% – 9% and EBITA growth of 15% – 20% both measured at constant currencies

Lukas Braunschweiler, CEO of Sonova said:
"We are pleased to report strong financial results. All our businesses and major regions contributed to the top-line growth in the first half of 2012/13. Our broad and very competitive portfolio of hearing instruments and cochlear implants reflects our commitment to offer a complete range of innovative hearing solutions to all our customers. With our global footprint and our integrated strategy, we are well-positioned for future growth, both in established as well as in emerging markets."

Solid growth in sales

Sales for the Sonova Group reached CHF 872.4 million during the first six months of fiscal year 2012/13, representing an increase of 14.3 % compared to the same period last year. For the first time in four years, currencies contributed positively adding CHF 49.0 million or 6.4 % to the reported sales growth. In local currencies, sales thus increased by 7.9 %. Organic growth contributed strongly by 5.9 % and growth from acquisitions accounted for 2.0 %. The cochlear implants segment performed very well and accounted for almost half of the growth in local currencies on a group level.

All major regions contributing

The growth reported during the first half was broadly based across the globe. All major regions achieved strong increases in local currencies. In Europe, the hearing instruments segment achieved particularly solid growth in the UK and Spain. In both countries the increases are related to the successful execution of sales initiatives in all channels. On the other hand, the business in Switzerland was still affected by the reimbursement change in July 2011, which had led to a strong demand in the first half of 2011/12. We expect the market in Switzerland to normalize during the second half of this fiscal year. In addition, the hearing instrument markets in

Italy and France were challenging, negatively affecting the growth and product mix in those two countries. Encouraging was the performance in Germany where we saw a stabilization in recent months, albeit driven predominantly by our advanced and standard hearing instruments.

Sales in the US were driven by the return of Advanced Bionics to the market in September 2011 as well as by a strong performance of the Unitron business. They were further helped by an encouraging uptake of the new generation Lyric following the launch in spring. Monthly trials of the new Lyric now exceed the levels achieved previously by the first generation product. Sonova also managed to successfully defend its high market share within the "Department of Veterans Affairs" (VA) during the period. In the Americas (excl. USA), we saw a strong performance in all key markets. In the Asia/Pacific region, sales rose by 9.7 % in local currencies, driven by solid growth in Australia, New Zealand and Japan.

Strong margin improvement

The reported gross profit margin for the period under review reached 68.9 %, 50 basis points over prior year, driven by positive currency effects. The solid gross profit margin improvement in the cochlear implants segment was offset by gradual adverse effects of mix changes in the hearing instruments segment relating to country, product and channel.

Research and development (R&D) expenses in the first half of 2012/13 amounted to CHF 56.5 million, or 6.5 % of sales. While it was slightly below last year's level as well as the medium-term target range of 7 % – 8 %, this was mainly the result of the timing of certain external costs.

Sales and marketing costs reached CHF 266.5 million for the period. Though rising by 12.4 % in Swiss francs or 7.1 % in local currencies, they increased slower than sales. More than half of the rise in local currencies was attributable to acquisitions. As a percentage of sales, the reported costs dropped from 31.1 % to 30.5 %, contributing to the operating margin improvements in the first half of 2012/13. Despite the strong sales growth, general and administrative expenses rose by only 1.5 % in local currencies or 5.1 % in Swiss francs. Other expenses of CHF 2.6 million reflect the amount paid in connection with the announced out-of-court settlement with a group of investors represented by Deminor related to the delayed profit warning in March 2011. Last year, other expenses included one-time restructuring charges of CHF 3.9 million in connection with the closure of Phonak Acoustic Implants.

Total operating expenses rose by 3.4 % in local currencies or 7.8 % in Swiss francs, clearly below the sales growth. In summary, this resulted in an operating profit before acquisition-related amortization and impairments (EBITA) of CHF 187.0 million, or a margin of 21.4 %. This represents an increase of 35.1 % in Swiss francs or 19.3 % in local currencies. The favorable currency development thus contributed CHF 21.9 million to the reported EBITA or 130 basis points of the reported operating margin improvement of 330 basis points.

The operating profit (EBIT) rose by 41.6 % to CHF 174.4 million, reflecting the growth in EBITA but also an increase in acquisition-related amortization of CHF 2.2 million and considering that in the previous year, the company had taken a one-time impairment charge of CHF 4.9 million for previously capitalized development costs of Phonak Acoustic Implants. Net financial expenses dropped slightly, mostly due to the lower net debt level. For the Sonova Group, this resulted in income after taxes of CHF 149.2 million, up 43.8 % compared to the previous year. In the reporting period, basic earnings per share were CHF 2.24 compared to CHF 1.56 last year.

Hearing instruments segment: Consolidating our market-leading position

Sales in the hearing instruments segment reached CHF 801.2 million in the first half of 2012/13, which represents a growth rate of 4.5 % in local currencies. With an organic growth rate of 2.4 % the Group consolidated its market-leading position. On top of this, acquisitions made during the previous year as well as in the reporting period contributed 2.1 % to sales. The positive currency development added 6.2 % to the reported growth rate.

Growth within the hearing instruments segment was driven by both our wholesale and our retail businesses. Strong contributors to the positive development in the first half were the Phonak Essential range of products as well as the Unitron Quantum Pro and Moxi Pro products launched at the AudiologyNOW! congress in April 2012. Sonova generated 80 % of hearing instruments revenues with products that have been on the market for less than two years. Launched in October 2012, the broad range of products based on our new Phonak Quest platform as well as the Unitron Flex product and service concept will continue to fuel Sonova's fast pace of innovation.

While all three performance categories contributed to the growth within the hearing instruments segment, the advanced product category showed the strongest growth rate in the period under review. Sales of wireless communication systems continued to be under pressure as government austerity measures continue to affect school budgets. Sales of the miscellaneous product category grew by 12.9 % in local currencies, driven by higher service revenues.

The hearing instruments segment achieved an EBITA of CHF 187.6 million equivalent to an EBITA margin of 23.4 %. EBITA was up 18.0 % in Swiss francs strongly helped by the favorable currency development. At constant currency the EBITA margin would have reached 22.0 %. A positive operating leverage from strict control of the operating costs was partly offset by the effects of the aforementioned effect of the change in the country, product and channel mix on the gross profit margin.

Cochlear implants segment: Strong rebound

Benefitting from a full six months of sales of its HiRes 90K implant following the approval from the US Food and Drug Administration (FDA) in September 2011, the cochlear implants segment showed strong growth in the period under review. Neptune, the world's first sound processor suitable for swimming, also contributed to the performance of the business. Sales rose by 81.8 % or 70.5 % in local currencies to CHF 71.3 million. Sales in both the United States and the EMEA region showed strong growth thus achieving a sequential increase in the absolute sales level compared to the second half of financial year 2011/12.

Helped by the higher sales level and despite the sustained high level of investment, the cochlear implants segment achieved break-even in the first half of 2012/13, posting an EBITA of CHF 2.0 million versus an EBITA loss CHF 20.6 million in the same period a year ago, which had also included one-time restructuring charges of CHF 3.9 million related to the closing of the Phonak Acoustic Implants activities.

Significant increase in cash flow despite high investments for growth

Helped by the strong growth in the income before taxes, the cash flow from operating activities rose by 48.9 % to CHF 167.1 million in the period under review. Net working capital increased from CHF 163.4 million in March 2012 to CHF 207.4 million in September 2012 due to higher inventory, partly related to the cochlear implants business preparing for delivery on a large government contract but also due to lower payables and an adverse currency impact. Investments in tangible and intangible assets reached CHF 43.3 million and rose by CHF 6.5 million, caused by higher capitalized development costs in the cochlear implants business. Thus the operating free cash flow increased by solid 51.6 % to CHF 127.1 million. The cash consideration for acquisitions was CHF 40.8 million, including earn-out payments for prior period acquisitions, and was up CHF 4.3 million over prior year. In summary, this resulted in a free cash flow of CHF 86.3 million up 82.4 % from last year.

Capital employed reached CHF 1,647 million after CHF 1,540 million in March 2012. The increase was due to the higher net working capital as well as currency impacts. The net debt position was at CHF 51.4 million, slightly down sequentially from the CHF 64.4 million in March 2012, despite the fact that Sonova paid out CHF 79.9 million to its shareholders, in the form of a distribution from the capital contribution reserve. The Group's equity amounted to CHF 1,596 million with the equity ratio rising from 64.5 % in March 2012 to 67.1 % in September 2012.

Outlook 2012/13

Sonova continues to expect solid growth in sales and earnings in FY 2012/13, both in the hearing instruments and cochlear implants segment, reflecting the success of its current product and solution portfolio as well as its continued commitment to innovation. Sonova still sees overall full-year sales to grow in the range of 7 % – 9 % and EBITA in the range of 15 % – 20 % both measured at constant currencies.

Based on the current exchange rate environment the beneficial currency effects observed in the first half year can be expected to continue in the second half year, however likely on a more moderate level. A strengthening of the US dollar by 5% impacts sales of the fiscal year by approximately CHF +34 million and EBITA by approximately CHF +11 million. The corresponding effect of a stronger euro is CHF +25 million on sales and CHF +15 million on EBITA.

While actual reported results may vary based on currency fluctuations, Sonova continues to mitigate the impact of the strong Swiss franc on earnings growth through its long-term global resource allocation strategy.

The PDF file of the complete Semi-Annual Report 2012/13 is available on our website at:
http://www.sonova.com/en/investors/SemiAnnualReports/Pages/default.aspx

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KEY FIGURES

April 1 to September 30, in 1,000 CHF unless otherwise specified	2012	2011
Sales	**872,434**	**763,001**
change compared to previous year (%)	14.3	(8.2)
Gross profit	**600,707**	**522,093**
change compared to previous year (%)	15.1	(10.5)
in % of sales	68.9	68.4
Research & development costs	**56,494**	**58,621**
in % of sales	6.5	7.7
Sales & marketing costs	**266,474**	**237,100**
in % of sales	30.5	31.1
Operating profit before acquisition-related amortization and impairment (EBITA)	**186,983**	**138,393**
change compared to previous year (%)	35.1	(32.3)
in % of sales	21.4	18.1
Operating profit (EBIT)	**174,377**	**123,113**
change compared to previous year (%)	41.6	(36.6)
in % of sales	20.0	16.1
Income after taxes	**149,186**	**103,740**
change compared to previous year (%)	43.8	(39.6)
in % of sales	17.1	13.6
Number of employees (average)	**8,494**	**7,856**
change compared to previous year (%)	8.1	10.7
Number of employees (end of period)	**8,741**	**8,000**
change compared to previous year (%)	9.3	11.0
Net cash[1]	**(51,353)**	**(172,193)**
Net working capital[2]	**207,411**	**172,830**
in % of sales	23.8	22.7
Capital expenditure (tangible and intangible assets)[3]	**43,241**	**36,595**
Capital employed[4]	**1,646,992**	**1,457,185**
Total assets	**2,377,239**	**2,081,015**
Equity	**1,595,639**	**1,284,992**
Equity financing ratio (%)[5]	**67.1**	**61.7**
Free cash flow[6]	**86,341**	**47,325**
Operating free cash flow[7]	**127,114**	**83,829**
in % of sales	14.6	11.0
Return on capital employed (%)[8]	**21.8**	**14.0**
Return on equity (%)[9]	**20.3**	**12.9**
Basic earnings per share (CHF)	**2.24**	**1.56**
Diluted earnings per share (CHF)	2.24	1.55
Cash-based basic earnings per share (CHF)[10]	2.37	1.73

[1] Cash and cash equivalents + other current financial assets (without 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 (without 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 – cash consideration for acquisitions, net of cash acquired.
[8] EBIT (last 12 months) in % of capital employed (average).
[9] Income after taxes (last 12 months) in % of equity (average).
[10] Excluding the amortization of acquisition-related intangibles, impairment and unwinding effect of the discount on acquisition-related earn-out payments, net of tax.

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Disclaimer

About Sonova

Sonova Holding AG, headquartered in Staefa, Switzerland, is the leading manufacturer of innovative hearing care solutions. The group operates through its three core business brands Phonak, Unitron, Advanced Bionics. Sonova develops and distributes advanced hearing care solutions such as hearing instruments, cochlear implants, wireless communication systems for audiological applications as well as professional solutions for hearing protection. With the most extensive product portfolio and the highest R&D investment in the industry, Sonova aims to be the recognized innovation leader in the global hearing care market. Present across the globe in over 90 countries, and with a workforce of over 8,000 dedicated employees, Sonova generated sales of CHF 1,62 billion in the financial year 2011/12 and a net profit of CHF 246 million. A focused corporate strategy drives Sonova sustainably further in a growing and still significantly under-penetrated market. Founded in 1947, the company has been devoted to promoting better understanding and communication for over 65 years, thus considerably improving people's hearing ability and speech intelligibility and thereby their quality of life.

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.**