sonova

ANNUAL REPORT 2008/09

PIONEERS IN HEARING

HIGHLIGHTS

– **Market leader:** The Sonova Group has increased its market share to around 23%, making it the world's biggest manufacturer of hearing systems according to sales

– **Innovation leader:** Newest and most comprehensive product portfolio in the industry

– **New sales record of CHF 1,249 million**

– **Organic sales growth of 7.8%** significantly exceeded hearing instrument market growth

– **EBITA margin of 26.6%** was maintained at a high level

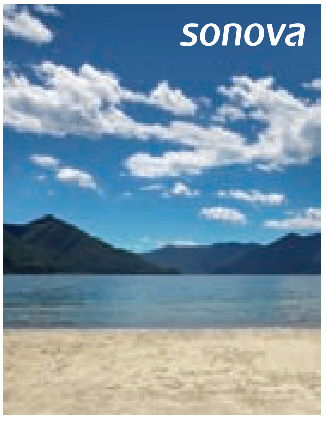
– **Income after taxes of CHF 284 million** achieved

– Unchanged **dividend of CHF 1.00** (proposal to the Annual General Shareholders' Meeting)

– **New product releases:** the hearing systems Versáta, Certéna, Audéo YES, Next and 360 set new benchmarks in hearing system technology

– **Distribution network further strengthened** through acquisitions and foundation of new Group Companies

– **Number of employees increased** by 593 to 5,339



Sonova – hearing solutions for a better quality of life
Sonova offers technologically advanced hearing solutions to a global customer base. Through its business activities, Sonova pursues the goal of improving hearing ability and speech intelligibility, thereby enhancing the quality of life of countless users. Our 2008/09 Annual Report shows human beings in a variety of situations in which Sonova offers more comfortable or improved hearing through individual solutions. Whether the requirement is for enhanced speech intelligibility or the protection of hearing: Sonova's expertise makes it possible.

At a Glance ›

AT A GLANCE

Key Figures

in 1,000 CHF unless otherwise specified	2008/09[1]	Reported performance 2007/08[2]	Underlying performance 2007/08[2)/3]	2006/07
Sales	**1,249,197**	**1,204,779**	**1,204,779**	**1,072,796**
change compared to previous year (%)	3.7	12.3	12.3	23.8
Gross profit	**867,218**	**841,584**	**841,584**	**732,075**
change compared to previous year (%)	3.0	15.0	15.0	26.7
in % of sales	69.4	69.9	69.9	68.2
Operating profit (EBITA)[4]	**331,778**	**331,737**	**339,752**	**283,643**
change compared to previous year (%)	(2.3)	17.0	19.8	32.6
in % of sales	26.6	27.5	28.2	26.4
Income after taxes	**284,110**	**274,140**	**305,196**	**242,875**
change compared to previous year (%)	(6.9)	12.9	25.7	40.0
in % of sales	22.7	22.8	25.3	22.6
Earnings per share (CHF)	**4.348**	**4.087**	**4.551**	**3.637**
Balance Sheet				
Capital employed[5]	**798,934**	**608,207**	**608,207**	**547,215**
in % of sales	64.0	50.5	50.5	51.0
Equity	**1,026,623**	**919,854**	**919,854**	**894,687**
Equity financing ratio (%)[5]	**72.0**	**72.2**	**72.2**	**70.8**
Net cash[5]	**227,689**	**311,647**	**311,647**	**296,480**
Cash Flow				
Cash flow from operating activities	**281,767**	**303,759**	**303,759**	**279,611**
in % of sales	22.6	25.2	25.2	26.1
Cash outflow from investing activities	**202,764**	**84,367**	**84,367**	**135,069**
Free cash flow[5]	**79,003**	**219,392**	**219,392**	**144,542**
Profitability				
Return on capital employed (%)	**46.2**	**56.6**	**57.9**	**56.3**
Return on equity (%)	**29.2**	**30.2**	**33.6**	**32.0**
Employees				
Number of employees (average)	**5,108**	**4,351**	**4,351**	**3,813**
Number of employees (end of period)	**5,339**	**4,746**	**4,746**	**4,023**

[1] All changes compared to previous year are based on the underlying performance 2007/08.
[2] Restated as a result of initial application of IFRIC 14, for details refer to Note 2.
[3] Excluding one-off costs for the acquisition of the GN ReSound Group prohibited by the German Federal Cartel Office. Balance sheet and cash flow as reported.
[4] Before acquisition-related amortization (EBITA).
[5] For detailed definitions, please refer to “5 Year Key Figures”.

Sonova Group

Sonova stands for innovative hearing healthcare solutions. This financially strong, globally active group of companies pursues a growth strategy emphasising innovation, customer focus and proactive cost control. On August 1, 2007 it was renamed Sonova Holding AG (formerly Phonak Holding AG).

Core brands

Phonak develops, produces and distributes state-of-the-art hearing systems. Phonak also provides wireless communication systems for audiological applications and for use in the fields of tourism, studio recording and safety, together with professional solutions in the field of hearing protection.

Unitron is geared towards purpose-driven innovation and provides modern hearing systems for every budget.

Other brands

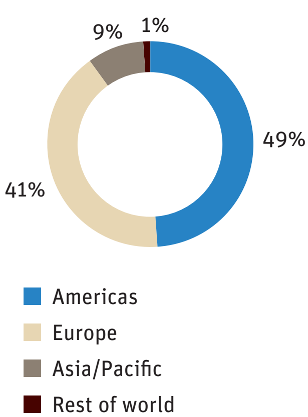
Phonak Acoustic Implants develops the middle ear implant DACS (direct acoustic cochlear stimulation).

Argosy is a brand under which hearing systems are sold in selected regional markets.

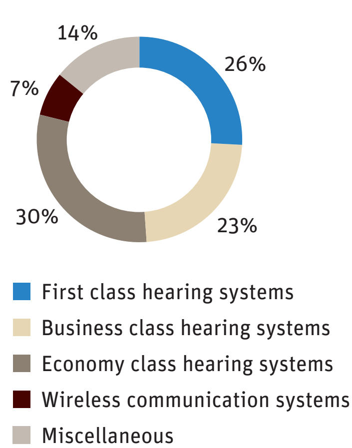
Distribution partners

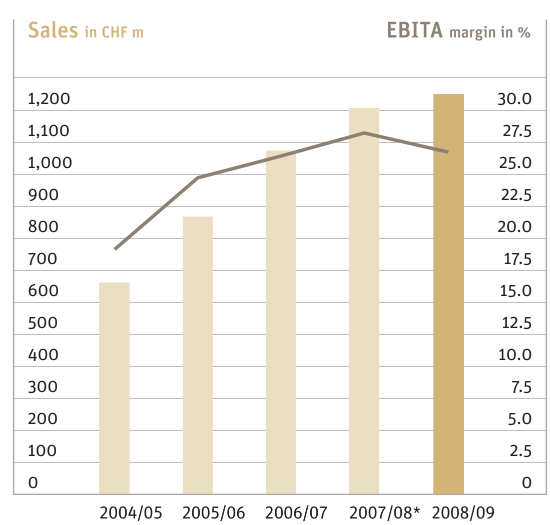
The Group owns some retail outlets in selected countries.

Share of sales by main markets 2008/09



Share of sales by product groups 2008/09





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

CONTENT

WELL-PLACED TO DEAL WITH FUTURE CHALLENGES

"Our strategy of consistently focusing on innovation and continuing to expand our sales and distribution capacities has once again paid off during the past financial year."

The financial year 2008/09 was affected by the global financial and economic crisis and its negative impact on stock markets. Sonova's share price could not escape these effects. I am glad to report, however, that despite the difficult economic climate the Sonova Group managed to perform well and achieve an organic growth of 7.8%. Thus we were able to comfortably outperform the average growth of the hearing instrument industry, further expand our market share and become the world's biggest producer of hearing systems according to sales. Our profitability, with an EBITA margin of 26.6%, is also a major achievement in this challenging environment. This result not only highlights the strength of our financial performance, but also shows that we have once again achieved our goal of providing hearing solutions to an increasing number of people, thereby improving their quality of life.

The key to our success lies in the high performance of our products as well as our sustainable investments in research and development. In our role as an innovation and technology leader we are continuously improving the functionality of our systems in order to optimize the benefits for end users. We help people with hearing loss to carry on with their lives normally and also to significantly improve their quality of life. Even if some people may take up to ten years before deciding to purchase a hearing instrument, there is ultimately no alternative for anyone suffering from hearing loss. The products we offer are not luxury consumer goods, but medical technology products that bring genuine value. For this reason, the hearing instrument industry is comparatively unaffected by swings in the economic cycle.

The hearing system market still holds enormous potential. The main growth drivers include demographic changes, such as the 'Baby Boom' generation, and the continuous rise in life expectancy. Another important factor is the rapid rate of growth in emerging markets. However, by far the biggest potential for future growth lies in the low penetration rate of hearing instruments, which in industrialized countries is currently only around 20%. In other words, only one in five people suffering from hearing loss actually wears a hearing system. Our stated goal is to make more people aware of the importance of good hearing


Andy Rihs

and explain the advantages of hearing systems. For example, the positive reaction to Phonak's *Hear the World* initiative from the media and renowned international personalities is a clear indication that we are on the right track.

We are also making the necessary investments to create ideal conditions for our future sustainable growth. In June 2008, we started the construction of a new manufacturing and technology center at our headquarters in Stäfa. This should come on stream at the start of 2010. This building will accommodate the sophisticated production processes for the entire Group and all technologically advanced assemblies and components will be manufactured there. This major investment highlights Sonova's commitment to Switzerland as a business location.

Our strategy of consistently focusing on innovation and continuing to expand our sales and distribution capacities, combined with proactive cost management, has once again paid off during the past financial year. We will therefore continue to pursue this strategy consistently. I am convinced that this positions us well to deal with future challenges and to achieve our goals.

I would like to take this opportunity to extend my sincere thanks to all our shareholders for their trust, loyalty and interest in our company. I would also like to express my gratitude to our employees, who now number above 5,000 worldwide, for their hard work and dedication. Their contribution is vital to the success of the Sonova Group. Thanks also to all our loyal customers, reliable suppliers and other partners for their ongoing support.

Andy Rihs
Chairman of the Board of Directors

CEO'S COMMENTARY

ACHIEVING MARKET LEADERSHIP IN A CHALLENGING ENVIRONMENT

"We significantly exceeded market growth and expanded our market share to around 23%. This makes us the world's biggest producer of hearing systems according to sales. We are developing our success story further, focusing on innovation and customer benefits."

The Sonova Group is pleased to report another excellent result for the financial year 2008/09. The difficult economic environment resulted in demand for hearing systems growing at a slower rate than in previous years – a trend affecting the entire industry. Even so, we were able to increase our sales to CHF 1.25 billion. In the financial year 2008/09, sales rose 10.8% in local currencies. In terms of organic growth, sales grew 7.8%. The main contributors to this performance were dynamic sales in the business (+25% in local currencies) and in the economy class (+18% in local currencies). We once again significantly exceeded the overall growth rate of the hearing instrument industry, which is estimated at around 2% for the reporting period, and expanded our market share to around 23%. This makes us the world's biggest producer of hearing systems according to sales. Particularly in these rather challenging times, this is a clear sign that we are very well positioned and that both hearing specialists and end customers appreciate the substantial benefits brought by our products.

With an EBITA margin of 26.6%, which was somewhat weaker than last year primarily due to negative currency effects, the Sonova Group is one of the most profitable companies in the industry. In anticipation that growth might ease and exchange rates could become less favorable, Sonova has launched a series of proactive measures to trim costs across the Group. We will continue to improve our cost base and lay a solid foundation for increasing efficiency and profitability.

Innovation was the most important success factor for Sonova during the financial year 2008/09, and will continue to be in the future. Last year we generated 62% of sales with products less than two years old. Our commitment to research and development is unrivalled in the industry: during the financial year 2008/09 we invested CHF 93 million in R&D. Our high level of efficiency is illustrated by the fact that it took only 12 months to establish Phonak's entire product portfolio of hearing

Dr. Valentin Chapero Rueda

systems on the CORE platform. Unitron, our second important brand, has already announced the launch of its first premium product based on this platform. Today, Sonova owns the most comprehensive product portfolio in the entire industry, offering the ideal solution for every customer, irrespective of their degree of hearing loss, lifestyle, personal preferences, age or budget.

We are convinced that more and more people will start using hearing instruments in the medium to long term. The population growth, the gradual ageing of society, rising life expectancy, increasing noise pollution, wider acceptance of hearing systems and the trend towards more active lifestyles will contribute to lifting demand for our products. We therefore continue to expect an average long-term market growth of around 4 – 7% p.a. in units. In the long run Sonova will benefit from these trends, actively shaping the direction of the industry and growing faster than the overall hearing instrument market.

The result achieved in the past year encourages us to continue our successful journey and to consistently build on our strengths.

I would like to thank our clients and business partners for the trust they have placed in us. I would also like to thank our shareholders for their support over the past year. Finally, my special thanks go to all our employees whose commitment and hard work have made the successes of 2008/09 possible. Every day our global team writes new chapters in Sonova's impressive success story.

Dr. Valentin Chapero Rueda
CEO

Phonak's unique SoundFlow technology continuously adapts to changing sound environments and makes it easier for people with hearing loss to cope with everyday life.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SOLID GROWTH ACROSS ALL REGIONS

Despite the adverse economic climate, Sonova managed to achieve record sales of CHF 1,249 million and further expanded its market share on the back of organic growth of 7.8% in local currencies and 3.0% growth from acquisitions. Profitability was maintained at a high level, with an EBITA margin of 26.6%. Income after taxes amounted to CHF 284 million.

Significant organic sales growth

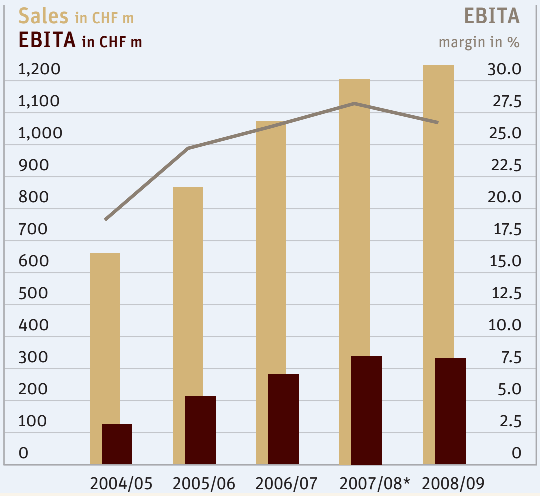
In the financial year 2008/09, the Sonova Group increased its sales from CHF 1,204.8 million to CHF 1,249.2 million, achieving solid overall growth of 3.7% in Swiss francs despite a challenging environment. The Group's organic sales growth was 7.8% in local currencies. Sonova has therefore once again comfortably outperformed the overall hearing instrument market, whose growth in the financial year 2008/09 is estimated to be around 2% in terms of units sold. Sonova also completed a series of acquisitions which contributed a combined 3.0% to sales growth. The two core brands Phonak and Unitron continued to perform well and the latter in particular achieved higher than average sales growth in 2008/09. Despite difficult trading conditions, Sonova has therefore become clear market leader for the first time, with a market share of around 23% in value terms.

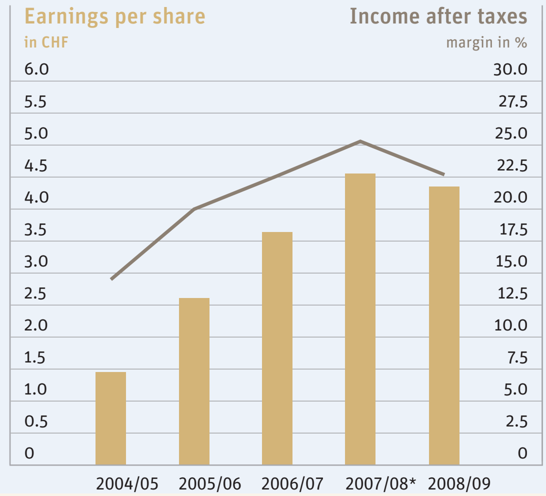
The Swiss franc appreciated against all major currencies in which Sonova generates sales, with the exception of the Chinese yuan and Japanese yen. Overall, this resulted in a negative currency impact of 7.1% on sales.

Sonova Group key figures:

in CHF m	2008/09	Underlying performance 2007/08[1]	Change in %	Reported performance 2007/08
Sales	1,249.2	1,204.8	3.7%	1,204.8
EBITA	331.8	339.8	(2.3)%	331.7
EBITA margin	26.6%	28.2%		27.5%
Earnings per share (CHF)	4.348	4.551	(4.5)%	4.087
Free cash flow	79.0	219.4	(64.0)%	219.4
ROCE[2]	46.2%	57.9%		56.6%
ROE[2]	29.2%	33.6%		30.2%

1) Excluding one-off costs for the acquisition of the GN ReSound Group prohibited by the German Federal Cartel Office.
2) For detailed definitions, please refer to "5 Year Key Figures".





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

High level of profitability

During the reporting period Sonova was able to increase its gross profit from CHF 841.6 million to CHF 867.2 million despite the challenging market conditions. The gross profit margin of 69.4% lowered somewhat from last year's figure of 69.9%.

During the financial year 2008/09 Sonova achieved an operating profit (EBITA) of CHF 331.8 million, compared with CHF 339.8 million in the previous year. The EBITA margin slipped from 28.2% to 26.6% mainly due to the negative currency effects mentioned above. These adverse effects were partly offset by savings in materials procurement, economies of scale in production and the early launch of a cost-saving program across the entire Group. The proportion of added value from Asia increased, while production facilities in Vietnam and China were expanded further, thus bringing a valuable contribution to an efficient cost structure to Sonova's production network.

During the reporting period spending on sales, marketing and administration increased to 36.7% of total sales, compared with 35.2% in the prior year. Sales and marketing was expanded, mainly through a number of acquisitions which have strengthened existing sales channels. Investments were also made in wide-reaching initiatives such as *Hear the World*, which is now being used to acquire new customers. This resulted in total sales and marketing expenses of CHF 340.3 million compared with CHF 309.2 million in the previous year. General and administration expenses came to CHF 117.7 million, equivalent to 9.4% of sales, roughly the same as in the previous year. The higher costs for sales, marketing and administration were related to a big extent to the rise of 460 additional staff in these areas. At the end of the financial year 2008/09 the Group's headcount was 5,339 – 593 more than in the previous year.

Hearing industry growth exceeded

The difficult economic situation resulted in weaker growth rates in the hearing instrument market. In the past financial year, however, the rate of growth achieved by the Sonova Group exceeded the market as a whole by more than 5 percentage points. The highest growth was achieved in the Asia/Pacific region, at 18.4% in local currencies, mainly as a result of increased sales in Japan and the continuing penetration of the Chinese market. This region accounted for 9% of Group sales in the financial year 2008/09. Europe contributed 41% of Group sales and posted a very solid performance, achieving growth of 6.9% in local currencies. Key markets such as Germany, France and Italy continued to benefit from robust demand. The Americas region reported growth of 12.9% in local currencies, with especially strong growth achieved in the USA, Canada and Brazil. The region North and South America accounted for 49% of Group sales in 2008/09.

Last year the growth of the various product groups was disproportionately influenced by strong demand for business class and economy class hearing systems. Growth in these market segments came to 24.6% and 18.1%

respectively in local currencies. First class hearing systems therefore now account for a smaller proportion of Group sales. During the financial year 2008/09, first class hearing systems accounted for 26% of Sonova's Group sales, compared with 23% for business class and 30% for economy class systems. For the global market it is estimated that all market segments are roughly the same size in value terms, but in terms of units sold first class hearing systems contribute around 10 – 15% of global sales, business class 30 – 35% and economy class 50 – 60%.

Wireless communication systems achieved growth of 13.0% in local currencies. The recently established Dynamic FM technology set new standards and confirmed Phonak's leading role in this area. In the financial year 2008/09 Sonova earned 7% of its sales from this market segment.

In 2008/09, Sonova's sales from miscellaneous products and services, mostly related to hearing system sales, increased by 11.5% in local currencies. This business therefore contributed 14% of Group sales.

Lead in innovation further extended

In the financial year 2008/09 the Sonova Group generated 62% of sales with products less than two years old, demonstrating its technological leadership over its competitors. Spending on Research & Development (R&D) came to 6.2% of Group sales, the same level as last year. Under its two core brands Phonak and Unitron, Sonova launched several new products on the market in 2008/09 and was able to establish Phonak's entire portfolio on the new CORE platform within 12 months. Unitron managed to significantly improve its market position and strengthen its brand.

Increased investment activity

Sonova's free cash flow in the financial year 2008/09 was CHF 79.0 million compared with CHF 219.4 million in the previous year. During the reporting period the Sonova Group invested heavily in the future of the business, including new production facilities in Stäfa, Switzerland and in Suzhou, China. Sonova invested cash funds of CHF 97.3 million in acquisitions, considerably more than last year. As a result free cash flow fell below last year's levels. The free cash flow was mainly used for increasing dividend payments to shareholders and for the purchase of treasury shares. Shares have been bought back until October 2008. To date Sonova has bought back 3.2% of outstanding shares.

Solid return on capital

Because of the lower operating profit, the slight decline in the financial result and the modest increase in tax expenses, Sonova's income after taxes for the financial year 2008/09 came to CHF 284.1 million compared with CHF 305.2 million in the previous financial year. Earnings per share amounted to CHF 4.348 versus CHF 4.551 previously. The return on capital employed (ROCE) was 46.2%, compared with 57.9% in 2007/08. The capital employed by the Sonova Group increased by 31.4%, chiefly as a result of acquisitions, to CHF 798.9 million. The return on equity (ROE) has eased from 33.6% to 29.2%

in 2008/09. The equity financing ratio, or equity as a percentage of total assets, amounted to 72.0%. These solid results are around last year's high level and provide a solid basis for the future growth of the Sonova Group.

In view of the Group's positive result, the Board of Directors will be submitting a proposal to the Annual General Shareholders' Meeting on June 10, 2009 to pay out a dividend of CHF 1.00 per share, the same as last year.

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, higher market penetration and the Group's expanding market share will ensure that Sonova will grow faster than the long-term trend for the overall market of 4 – 7% p.a. measured by units sold. Sonova will continue to rely on its successful strategy of innovation leadership, proactive cost management and the expansion of sales channels and distribution capacities.

Bryan Adams at the "*Hear the World* Ambassadors" photo exhibition in Berlin

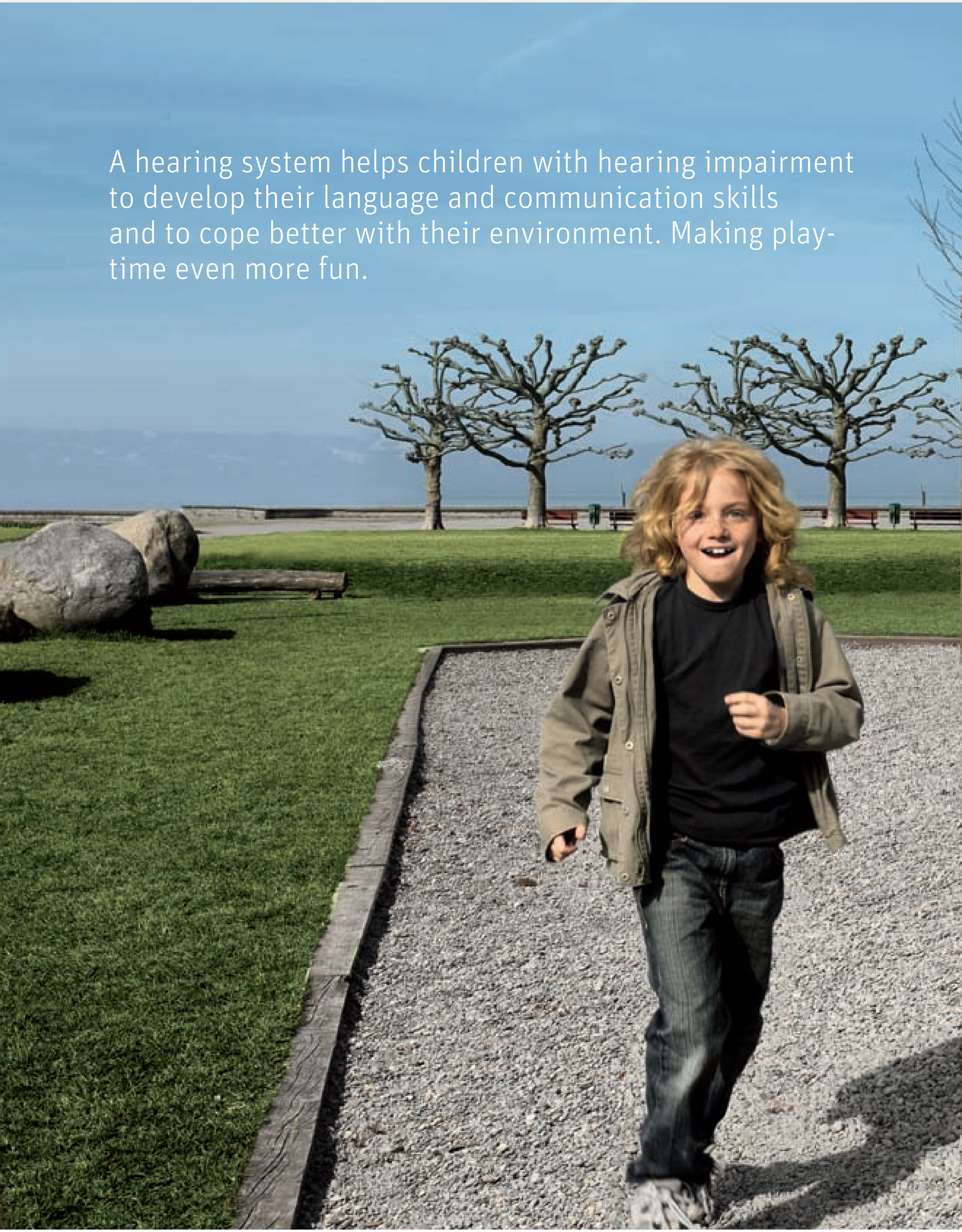
HEAR THE WORLD – A GREAT SUCCESS STORY

Since its launch in 2006, Phonak's *Hear the World* initiative has reached over 600 million people worldwide. This success was mainly due to the strong media presence, the *Hear the World* magazine, the website as well as a variety of events and activities for the general public. More than 35 internationally renowned personalities have signed up to the *Hear the World* initiative so far, acting as ambassadors to spread the message of how important good hearing is.

The highest media attention in the financial year 2008/09 was generated by the photo exhibition "*Hear the World* Ambassadors", which was staged in New York, Berlin and Zurich. The photos taken by Bryan Adams show the ambassadors making the iconic *Hear the World* gesture, symbolizing conscious hearing. The opening was heavily attended by the world's media and was reported on globally. The exhibition also met with much popular acclaim, and anyone visiting the exhibition was also able to take a free hearing test on the spot. The photos exhibited were up for sale with the net proceeds going to the *Hear the World* Foundation.

The *Hear the World* Foundation supports organizations and projects worldwide related to the topic of hearing. This year, help was provided for example to the aid organization "Cargo Human Care", which is committed to improving medical care for impoverished people in Nairobi, or the "Sorocaba Association for Hearing Impaired", a Brazilian non-profit organization in Sorocaba, São Paulo, which offers medical care ranging from prevention to diagnosis and treatment of hearing loss in children. Funding was also provided to the Swiss development organization "Interteam", which takes care of children with hearing loss in Namibia.

A hearing system helps children with hearing impairment to develop their language and communication skills and to cope better with their environment. Making play-time even more fun.

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INNOVATIVE PRODUCT DEVELOPMENT MAXIMIZES CUSTOMER BENEFIT

Sonova's core strength is the continuous development of world-leading hearing solutions. To deliver improved performance and address the needs of end users and hearing specialists, Sonova consistently focuses on innovation.

Sonova stands for the very best in innovative hearing solutions. As a key element of the company's strategy, product innovation allows Sonova to maintain its market lead in technology, continuously expand its market share and extend its global market leadership. Market research is becoming increasingly important for Sonova as it strives to ensure that its research and development initiatives can be applied as efficiently and as systematically as possible. For product development to be successful, the company has to truly understand the requirements of hearing specialists and end customers. In the hearing instrument industry, innovation is primarily about improved hearing performance. This is mainly achieved through new or refined hearing system functions. The product's cosmetic aspects, miniaturization and ease of use are also steadily growing in importance. The support of the hearing specialists in fitting the instruments also plays a vital role.

Growing market for innovation

Demand for hearing systems has steadily increased in recent years, and global market sales are currently estimated to be in excess of 9 million instruments per year. Sonova is active in more than 90 countries and is very well positioned to cater to regional demand for hearing solutions: Europe accounts for roughly 40% of the global market, while around 30% of products are sold in North America, about 20% in the Asia/Pacific region and the rest in South America and Africa. The general trend of rising demand for new and innovative hearing solutions is continuing. The growth rates in emerging markets such as China or Latin America are much higher than those in the industrialized world.

Recent market studies in Europe and the USA have shown that around 16% of the population suffers from varying degrees of hearing loss and would noticeably benefit from a hearing system. Furthermore, the number of people using hearing systems is set to rise as the population ages and life expectancy steadily increases. Statistics from the World Health Organization (WHO) estimate average population growth at 1 – 2% over the mid-term. It is also estimated that the number of people with hearing loss caused by increasing noise pollution will rise by roughly 0.5 – 1% per year. Furthermore, cases of hearing damage are being reported at an increasingly young age. At present, Sonova earns around 60% of its sales from existing customers, because users replace their instruments after around five years. Longer average life expectancy will also mean a rise in the number of hearing systems sold. The greatest growth potential lies in the low market penetration, however. In industrialized countries, only around 20% of people with hearing loss currently wear a hearing instrument. In particular, continuous improvements in technology, resulting in greater customer satisfaction, will encourage wider acceptance of hearing solutions. The low market penetration in emerging markets such as China or India is an additional growth driver. The potential for binaural hearing solutions has still not been fully exploited.

Greater awareness of the difference that a sophisticated hearing system can make is an important factor in improving market penetration. Nowadays it can take up to ten years for someone to decide to buy a hearing instrument. During this period, only about 75% of people with hearing loss actually consult a doctor about it, and of this group only around 40% go on to consult an audiologist to be fitted with a suitable hearing solution. Sonova helps hearing specialists not only to improve the quality of their advice, but also to market their activities more professionally in order to target people more efficiently and attract their interest to a hearing solution.

Given the unchanged megatrends, Sonova expects the market to grow at an average rate of around 4 – 7% p.a. in units in the long term. To exploit this potential as a market leader and further expand its market share, Sonova will continue to rely on product innovation as a key driver of its commercial success.

High innovation potential

The greatest potential for innovation still lies in optimizing speech intelligibility. The biggest challenge is still how to achieve maximum clarity of hearing in a noisy environment. In such situations, many people would like to have an even more powerful solution. Sonova is continuously working directly alongside hearing specialists and end users to improve the functionality of its hearing systems so as to deliver better speech intelligibility. “SoundRecover”, a new algorithm developed by Phonak, is one of the most important and successful hearing system features in this area.

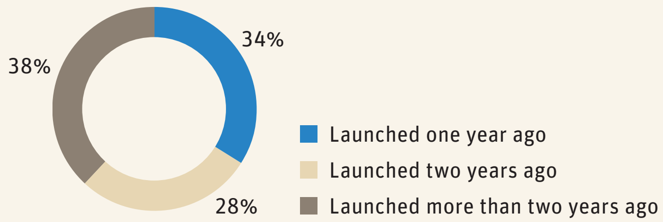
The Sonova Group is also working on other challenges, such as improving subjective hearing performance to come as close as possible to “natural hearing”. This is particularly important for people with mild to moderate hearing loss. Our developments have become a benchmark for the market. One example is “SoundFlow”, which ensures that the hearing system automatically adapts to any acoustic situation.

Cosmetic aspects, user comfort and design also play an important role in the acceptance of a product. The most important decision criteria here are size and visibility. Devices need to be small, discreet and virtually invisible. Behind-the-ear (BTE) hearing systems are gradually increasing their share of the overall market, partly as a result of cosmetic improvements and also due to the miniaturization of the devices. The modern design of hearing systems means that devices can have novel forms which are significantly different from traditional hearing instruments.

Ease of use and connectivity are also becoming more and more important for wearers of hearing systems. One of the greatest challenges for users of hearing solutions today is their comfortable interaction with modern communication devices or entertaining systems. Digital wireless technology improves usability significantly by providing a wireless link to modern communication equipment such as mobile phones, televisions, computers and MP3 players. All products based on the new CORE (Communication Optimized Real-audio Engine) platform use this technology. The success of Audéo YES, the world’s smallest wireless hearing system launched by Phonak in January 2009, once again underscores the increasing importance of this area of innovaton. This technology also enables wireless communication between two devices in the case of a binaural solution, providing the potential to further develop functionalities to significantly improve speech intellegibility.

Sonova: leader in innovation

During the 2008/09 financial year, Sonova once again achieved one of the highest innovation rates in the industry. This highlights Sonova’s technological leadership. 62% of hearing system sales were achieved with products which are less than two years old.



Sonova also sets itself apart from its industry peers by developing its products and services in a way that is systematically and efficiently geared to the needs of hearing specialists and end users. Every hearing system first needs to be correctly fitted by the hearing specialist in order to maximize its performance and ensure that it brings a real value-added contribution to the end user. The success of this service provided by the hearing specialist is not only dependent on the right products offered, but also on the quality and efficiency of the consulting.

With its two core brands Phonak and Unitron, Sonova's main activity is the wholesale business. Here the Group Companies in an individual country supply the products indirectly to end users through independent retailers, chains or state institutions. The Group also owns some retail outlets in selected countries. This enables the company to gain direct access to the end user and not only indirectly via distribution partners. This is important, as Sonova is able to get a better idea of customer requirements, so that it can incorporate these ideas when it comes to the development of the next product generation. The experiences and knowledge gained from its own retail activities also put Sonova in a better position to support its wholesale customers more effectively.

Sonova: leader in technology

At Sonova, the main focus of innovation lies in technology and product development. Within the Group this is mainly undertaken by the research and development departments, which are deliberately separated from each other in organizational terms. In research, Sonova is active in all areas of technology relevant to both hearing systems and communication technologies. In many joint research projects with leading international universities, innovative advances are made in the principles of audiological research, signal processing and communications technology, as well as in the field of acoustics and materials science. While the focus in research is mainly on more long-term trends, the development department concentrates on bringing new functions and improved systems to market maturity as quickly as possible. A central task in development is to implement technologies in a way that allows them to be used efficiently in different product families.

In the hearing healthcare industry, a high-performance hardware and software development platform is the foundation for new and enhanced hearing system functions. Sonova's platform is the industry's fastest, most powerful and cost-efficient development model, which is being continuously refined. The CORE platform introduced in the financial year 2007/08 is already the fourth generation, and is recognized as the industry's most advanced audio processing platform. 6 high-performance processors and over 8 million transistors ensure that the hearing system can execute around 120 million operations per second. In the financial year 2008/09 Phonak managed to establish its entire portfolio of hearing systems on the CORE platform. In the current financial year Unitron will also launch the first CORE-based products on the market. Sonova's platform concept is unique to the industry. All business activities, not only research and development efforts, are focused on the whole platform and not just on single products.

Hearing system innovations

Portfolio

In the financial year 2008/09 the emphasis was not only on the launch of individual products but most importantly on rounding off Sonova's portfolio. Under the Phonak brand, Sonova is the only market player to offer a comprehensive portfolio of hearing systems with wireless technology. A Phonak CORE-based hearing system is available for any customer, irrespective of their degree of hearing loss, lifestyle, personal preferences, age or budget. Unitron also rounded off its product portfolio with the launch of the Next hearing system series and 360, the new hearing system catering for people with severe to profound hearing loss.

SoundRecover

SoundRecover is one of Phonak's most important and successful hearing system features and is extremely popular both with hearing specialists and end users. The non-linear Phonak proprietary algorithm compresses high-frequency signals, which were not audible up until now for people with hearing loss, into a lower frequency range which is still audible to them. Because these high-frequency signals, e.g. consonants such as "s, f, th" can now be better heard, recognized and differentiated again, there is a marked improvement in the speech intelligibility. In the financial year 2008/09, SoundRecover was also used for the first time in a hearing system designed for people with mild hearing loss, in the Audéo YES family. SoundRecover is available in all Naída, Nios micro, Audéo YES and Exélia Art models.

Wireless connectivity

One of Sonova's priorities is to provide hearing system users unlimited access to the ever-expanding world of communication. All products based on Phonak's CORE platform therefore feature an iCom communications interface, offering a wireless link to modern communication and entertainment devices such as mobile phones, televisions, computers and MP3 players. Phonak is therefore the only provider on the market offering wireless connectivity to all hearing system users, irrespective of their budget.

In-the-ear systems

In the financial year 2008/09 Sonova significantly improved and expanded its range of in-the-ear (ITE) products. Products were mainly improved through an optimized feedback canceller which prevents the unpleasant high-pitched whistling noise without compromising on amplification. Other advances include the AOV technology (Acoustically Optimized Venting) patented by Phonak. AOV guarantees a precise, customized ventilation hole based on the client's hearing loss profile and size of the ear canal, combined with natural sound quality free from occlusion and feedback. In the financial year 2008/09 Phonak's ITE product range was expanded to include Power CIC (Completely in the Canal) devices in all three price performance classes. With the Power CIC, for the first time people with severe hearing loss can benefit from the advantages of a cosmetically attractive, virtually invisible CIC hearing system.

Innovations in other business areas

FM systems

An FM system is the ideal solution for enhanced speech intelligibility in noisy environments or over long distances. Phonak's Dynamic FM platform is the most technologically advanced FM solution in the entire hearing industry. In the financial year 2008/09 the range of transmitters and receivers based on Dynamic FM technology was further expanded. Compared with conventional systems, Dynamic FM provides much better speech intelligibility in noisy environments. Research has shown that Dynamic FM improves speech intelligibility for users of hearing systems or those with cochlear implants by more than 50%.

Audéo YES

Audéo PFE

Serenity DPC

Exélia Art

Professional communication systems

Phonak offers industry-leading communication solutions for applications in the areas of security, surveillance and emergency services. These communication systems are used around the world in critical situations where lives depend upon being understood clearly and quickly. Users therefore need to be able to rely completely on the performance of these systems. Phonak communication systems are also used on the stage, on television and in guided audio tours of museums.

Hearing protection

Combining different state-of-the-art technologies allows intelligent hearing protection solutions to be developed. On the one hand they provide protection for the hearing of people exposed to loud noise at work, while on the other hand radio communication is assured with work colleagues. Hearing protection devices always provide the right level of safety when noise levels fluctuate. In quiet moments users need to be able to hear ambient noises and to communicate with other people without having to constantly remove the hearing protection devices. Phonak hearing protection devices are also very comfortable to wear, because the custom-made ear shells are produced with micrometer precision laser technology.

Phonak Acoustic Implants

Phonak Acoustic Implants develops the middle ear implant DACS (direct acoustic cochlear stimulation). This combines Phonak's expertise in the field of signal processing and hearing system fitting with a new actuator principle. DACS caters for a group of end users with special medical indications and a different hearing loss profile than for traditional hearing instruments. The procedure to implant the device and the follow-up care is provided in ENT clinics, which means these devices cannot be distributed through the usual hearing care professionals. The novel approach followed by DACS promises unparalleled quality of care in the market for implant hearing solutions and opens up a new business opportunity for Sonova.

New products launched in 2008/09

Versáta

The mid-priced product family seamlessly adapts to every sound environment, offers a host of wireless connection options and excellent performance for optimum audibility in every situation.

Certéna

The standard product family provides hearing experience without feedback, wireless connectivity and wireless fitting for a reliable hearing solution.

Audéo YES

The world's smallest wireless hearing system with an external receiver makes high frequencies audible again using SoundRecover.

Next

The hearing system series from Unitron includes four product lines, which are characterized by the world's most advanced feedback management technology.

360

The hearing system from Unitron for people with severe to profound hearing loss.

Naída IX

Nios micro

Shift

Nios micro with ML12i

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

Audéo PFE earphones
Provide excellent sound quality and ultimate comfort for hours of listening pleasure.

Condor
The world's first complete, instant and secure wireless communication solution for teams on the move.

primero
The in-ear headset with active noise cancellation for emergency services and public safety teams provides maximum comfort and optimal intelligibility.

Serenity DPC
The custom hearing protection device with level-dependent attenuation and integrated headset for radio or phone communication in noisy environments.

New products already launched in 2009/10

Exélia Art
The new premium product family offers wireless connectivity, SoundRecover and more innovative features for the most demanding clients.

Naída IX
The first high-power solution in the premium segment offers exceptional levels of audibility and clarity, an esthetically appealing design and is water-resistant.

Nios micro
The most comprehensive and technologically advanced solution for children with mild to moderately severe hearing loss.

Passport
The first Unitron hearing system with wireless technology in the premium segment.

Shift
The ultra-compact, stylish BTE-housing with external receiver from Unitron.

New digital wireless accessories
Click'n Talk is the easy and clever solution for mobile phone users – just click and enjoy.
The iCom TV package provides a convenient Bluetooth connection from the hearing instruments to the TV – for the ultimate viewing experience.

New FM transmitters
SmartLink+, ZoomLink+ and EasyLink+ are all based on Dynamic FM, the global standard for FM technology.
DynaMic, the passaround microphone for the inspiro Multi-Talker Network, gives students with hearing loss a direct link to every speaker in class.

ML12i
Design-integrated Dynamic FM receiver for all Phonak micro BTE hearing systems.


sonova

A noisy work environment usually causes hearing damage over longer periods, and therefore often tends to be underestimated. Only the latest technology can adequately protect people. Phonak's professional hearing protection solutions are robust enough for even the most challenging acoustic environment.

SUSTAINABLE COMMITMENT PAYS OFF

Sustainable thinking and sustainable action are an integral part of the Sonova Group's daily operational business and a key factor in its long-term success. The qualification and motivation of its employees play a central role in this.

Key information

Employees

- Around 2,600 employees, 51% of the average headcount, have attended training and professional development courses
- The world-wide annual accident survey recorded 38 accidents that resulted in employees being unable to continue working
- Around 1,000 employees hold shares and options in the Sonova Group through participation schemes
- Sonova has an employee Code of Conduct which applies across the Group

Customers

- Every year Sonova organizes many different customer training events and conferences in order to promote better understanding of the products and the business
- Around 500 customers took part in the international pediatric conferences organized by Phonak in Brighton (UK) and Munich (Germany)
- Over 500 participants from more than 40 countries registered for the 2nd Phonak Virtual Audiology Conference, at which 39 internationally renowned speakers presented lectures and led discussion forums on a wide range of current audiological topics via the Internet
- In March 2009, the First Virtual Otology Conference took place, organized by Phonak. Otology experts from many different countries gave lectures on topics of particular interest to ear, nose and throat specialists

Suppliers

- Sonova has Group-wide supplier guidelines, and their compliance is monitored on a regular basis

Products

- Six new product lines were smoothly launched in 2008/09
- Compliance with MDD 93/42/EEC
- Compliance with RoHS 2002/95/EC (implemented voluntarily)
- Certification in accordance with ISO 9001:2000 and 13485:2003
- Additional technical certification: Directive Radio & Telecommunication Terminal Equipment R&TTE 99/5/EU and Biocompatibility EN ISO 10993-1:2003
- Homologation and approval of products according to 17 regional and country-specific guidelines

Environment

- The quantity of raw materials used in one year's production of hearing systems is roughly equivalent to four mid-class cars
- The EU's WEEE directive is implemented worldwide
- The second Group-wide CO_2 recording revealed CO_2 emissions of around 5,300t of which approx. 560t resulted from heating oil, approx. 940t from gas and approx. 3,800t from electricity (13.7 GWh annual consumption)

Social

- Increased media presence for Phonak's *Hear the World* initiative
- The number of *Hear the World* ambassadors increased to over 35
- The *Hear the World* Foundation supported a large number of projects around the world which contribute to improving the quality of life for people with hearing loss
- At local level, various Group Companies carried out additional social projects

The Sonova Group is committed to continuously refining and optimizing its hearing healthcare solutions worldwide. In doing so, the company helps to improve the quality of life for countless people with hearing impairment. Whether a person's hearing loss is mild or profound – Sonova provides suitable hearing solutions and thus makes a valuable contribution to society. Sustainable conduct is therefore a core component of Sonova's business activities.

Extremely high quality standards

The production of hearing solutions requires very high standards of quality at all levels. As an innovation leader, Sonova strives to offer its customers the best and most technologically advanced products of unparalleled quality – not just with regard to their manufacture and safety, but their user friendliness and environmental footprint. To achieve these targets, Sonova has made a global commitment to uphold specific sustainability and quality principles.

The Sonova Group has a worldwide quality management system that concentrates on client focus, customer satisfaction, and also continuous improvement of products and processes. This is assured through certification in accordance with ISO 9001:2000 and 13485:2003.

Sonova's employees play a vital role in helping to ensure that the company's high quality standards are upheld at all times.

Focus on people

As it strives to improve the quality of life for people with hearing loss, the hearing instrument industry thrives on continuous innovation in the areas of products and services. Above-average levels of service are demanded at the interfaces between hearing systems, hearing advice and end users. For this reason, motivated, committed and creative employees are a key factor in Sonova's success. The Group's positive business results are largely dependent on the respect which the company has for its employees. The continued development of a strong corporate culture has a strong tradition at Sonova and is a top priority. This holistic approach is present throughout the Group and finds expression in Sonova's core values in relation to human resources management and recruitment. Working at Sonova means flat hierarchies, the equal treatment of all employees, responsibility for one's own actions, transparent Corporate Governance and open communication with all stakeholders. The maintenance and development of this strong corporate culture is a management priority and at the same time the driver for sustainable commercial success.

Sonova's employees are one of the most important factors in the Group's successful value creation. For this reason, visions and values for personnel development were drafted and specific guidelines defined. The motto "Sonova – the place to be!" reflects the company's efforts to integrate all employees in the company and to promote and develop them professionally within the Group. Competence and experience should remain within the company and contribute to the success of the Group in a sustainable manner. Sonova operates a carefully managed system of succession planning at all of its sites, providing employees within the Group with a professional career path.

The following values apply to personnel development within the Sonova Group: While people are of prime importance at Sonova, the company should be the employer of choice for its employees. Personal successes always mean success for the company as a whole and the added value the company brings is based largely on team effort.

These guiding principles are implemented systematically worldwide. So, for example, employees evaluate everything from their work environment through to the entire corporation in the global human resources information system, within the context of their annual achievement and target fulfillment appraisals. Sonova's global human resources standards were further improved during the financial year 2008/09.

Professional development: the key to success

Continuing professional development, increased individual responsibility and the development of employee skills make a defining contribution to the development of Sonova's strong corporate culture. Knowledge management is a key element in Sonova's management philosophy. There are no closed doors at Sonova – every employee can approach his colleagues for help at any time. One of the most important factors in Sonova's success is a dedicated system of professional development and training. The core areas of learning are technical training and the development of personal, social and leadership skills coupled with entrepreneurial thinking beyond one's own immediate field of operation. The Group also supports employees in taking up different employment positions in different countries, thus consolidating the Group's international culture.

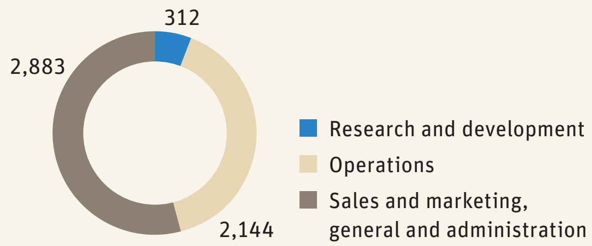
For several years now, efforts to develop uniform and Group-wide professional development programs have been intensified. Global human resources standards have been implemented, ensuring comprehensive professional development opportunities for the Group's employees. There are currently a range of professional development programs in place across the corporation for the various levels of management, for example the "Leadership Excellence Program" and the "High Performance Program". Additional programs are offered on a local basis. All programs are offered on an annual basis and refresher courses are also envisaged. The composition of participant groups is international, ensuring that the professional development courses offer good opportunities for sharing experiences on an international and intercultural basis, in addition to their technical content.

Four programs are offered worldwide in the field of technical specialization. The "Passion for Selling" program, focusing on sales as a growth driver, is of critical importance. This initiative lays the foundations for further strengthening the sales culture within the Sonova Group and increasing sales efficiency across the Group, within all Group Companies.

The promotion of social and personal skills is also of prime importance within Sonova's training and professional development strategy. Across the Group, four programs are offered where time management, communication and team building skills can be acquired or improved. In future, the newly developed "Fit for Life" program will promote the health and productivity of our employees.

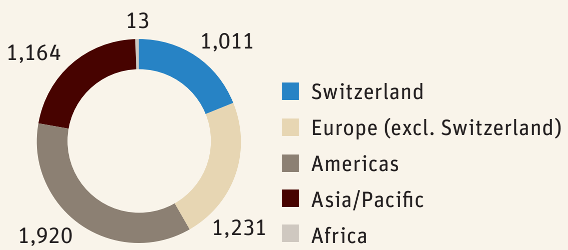
In the financial year 2008/09, around 2,600 employees Group-wide attended training and professional development courses.

Employees by activity 2008/09



The Sonova Group has significantly grown and employed 5,339 people as of March 31, 2009 (prior year 4,746). This increase is mainly the result of the acquisition of companies involved in the distribution of hearing systems. The sales and marketing organization was also expanded in order to increase market coverage through direct sales representatives and to support the many strategically important product launches more effectively. New posts were also created in operations to keep up with the expansion of the Group's sales volume. The headcount in research and development was increased by 13%.

Employees by region 2008/09



The rise in the number of people employed in Switzerland is part of our drive to strengthen our Group-wide functions, particularly research and development. The headcount in Europe (excl. Switzerland) and in the Americas increased due to the expansion of our sales and marketing teams. Production capacities were also increased in China and in Vietnam.

Committed to sustainable practices

As an internationally active company, Sonova is socially responsible for each of its employees in every country. The company also follows generally recognized ethical principles in its dealings with customers, suppliers, business partners and shareholders. The values and rules of behavior for Sonova Group employees are set down in an employee Code of Conduct applicable across the Group. Proper ethical conduct is very important to Sonova, as it strengthens the company's reputation and at the same time makes a sustainable social contribution.

The employee Code of Conduct is binding for all employees working in the Sonova Group. Corresponding web-based training programs are being introduced across the Group in the financial year 2009/10. Sonova also operates a Compliance Hotline, whereby all Sonova Group employees can voice their concerns anonymously. Calls are answered by independent specialists and forwarded to the relevant office within the corporation for further processing. The Code of Conduct is available on the Sonova website in 13 languages.

Sonova puts sustainability high on its agenda: the degree of importance attached to sustainability within the Sonova business is also reflected in the Group's management structure. The Group Vice President Corporate Human Resources is responsible for sustainability management in the areas of employee and social matters, the Group Vice President Operations looks after aspects concerning energy, environment and suppliers, while sustainable client relationships are the responsibility of the Group Vice President Marketing.

Long-term relationships with customers and suppliers

The sustainability of relationships with both customers and suppliers is a key success factor for the Sonova Group. Optimal reliability, consistently high quality and transparency on both sides form a solid basis for effective collaboration in the long run.

For Sonova, creating sustainable added value for hearing specialists means more than just delivering top-quality, technologically advanced products. Service, training and the quality of advice offered to end users also play a key role in the hearing instrument business. For Sonova, suitable continuous professional development is vital, and the company organizes and supports various audiological conferences and conventions through its different brands. Last year, for example, around 500 customers took part in the international pediatric conferences organized in Brighton (UK) and Munich (Germany). Over 500 participants from more than 40 countries registered for the 2nd Phonak Virtual Audiology Conference, at which 39 internationally renowned speakers presented lectures and led discussion forums on a wide range of current audiological topics via the Internet.

Sonova has a Group-wide set of supplier guidelines, and their compliance is monitored on a regular basis. These set down the corporate governance and employment standards which all suppliers working with Sonova must observe. Sonova expects not only its own employees, but also suppliers to conduct themselves in a manner that is compatible with generally recognized ethical principles.

Environmental engagement

Compared with producers of other medical devices, Sonova uses small quantities of raw material and energy to manufacture its hearing systems, and its products therefore cause a small environmental footprint. Despite this, the company strives to continuously reduce its existing environmental impact.

Most of the materials that Sonova uses to manufacture its hearing systems are environmentally friendly. Despite the exemption that currently applies to medical applications, Sonova has implemented the EU directive RoHS 2002/95/EC on a voluntary basis. This directive bans the use of hazardous substances such as heavy metals or halogenated compounds in electrical and electronic equipment. In the financial year 2008/09 Sonova only used lead-free components and therefore fully complied with the directive.

All of Sonova's products are also governed by the safety guidelines set down in the European medical device directive (MDD). Sonova's hearing systems are compliant with the EU directive MDD 93/42/EEC and ISO standards 9001:2000 and 13485:2003. As a result, Sonova is not allowed to use any raw materials or substances in the production process that are classified as hazardous. This directive also places restrictions on the use of recycled or used components. In view of the high quality of the materials used by Sonova, however, the waste materials are also very valuable. The quantity of raw materials used in one year's production of hearing systems is roughly equivalent to four mid-class cars.

To protect end users, supplementary technical certifications imposed by the EU Directive Radio & Telecommunication Terminal Equipment R&TTE 99/5/EU are also applied when using analogue or digital wireless technology. Sonova ensures biocompatibility in the use of the medical products it manufactures, in accordance with EN ISO 10993-1:2003. All products have the relevant local homologation in each country where they are sold. In the financial year 2008/09 Sonova completed or renewed product homologation to ensure compliance with 17 regional and country-specific guidelines.

To optimize the use of raw materials and improve eco-efficiency, the Sonova Group has extended its recycling measures across the entire product life cycle, thereby complying with the EU directive on Waste Electrical and Electronic Equipment (WEEE). This directive requires electrical and electronic consumer devices to be returned individually to the manufacturer for environmentally friendly disposal, rather than being dumped in the household rubbish. This also applies to hearing system users. Sonova has signed up to a series of recognized disposal systems in different countries. If these systems do not exist, the company takes back the devices for correct disposal at the headquarters in Switzerland.

Sonova is making a constant effort to improve its efficiency in the areas of energy and water consumption. The second Group-wide CO_2 recording revealed CO_2 emissions of around 5,300t of which approx. 560t resulted from heating oil, approx. 940t from gas and approx. 3,800t from electricity (13.7 GWh annual consumption). Energy consumption in the production process is therefore very low. Sonova does not have a fully formulated strategy for reducing CO_2 emissions, but it does take into account CO_2-relevant factors when making investment decisions. Wastewater from purification processes is filtered, the filters are properly disposed of, and the filtered water is fed back into the normal water cycle.

Sonova also encourages its employees to make their own contribution to the environment. In the financial year 2008/09, for example, a mobility initiative was launched at the company's headquarters in Stäfa, Switzerland, and now more than 50% of employees use public transport to get to work.

Sustainability initiatives

The Sonova Group is involved in a large number of projects aimed at raising public awareness of good hearing. The most important of these is Phonak's *Hear the World* initiative, launched in 2006. One of the aims of this initiative is to reach the 80% of people who – despite having hearing loss – do not wear a hearing system and therefore have a lower quality of life. The positive reaction to *Hear the World* from the media and renowned international personalities is a clear indication that the goals of the initiative are attainable over the longer term.

At the same time the Sonova Group supports a variety of social projects aimed at improving the quality of life of people with hearing loss. This goal is also pursued by the independent non-profit *Hear the World* Foundation. The foundation supports hearing-related projects financially as well as by providing technology and information material. In the financial year 2008/09, for example, the *Hear the World* Foundation supported a Brazilian non-profit organization in São Paulo that offers medical care ranging from prevention to diagnosis and treatment of hearing loss for infants and children, and set up a hearing center for impoverished people in Nairobi.

Nuns waiting to be tested in the Hearing Center built by the *Hear the World* Foundation

HEARING CENTER FOR NAIROBI

The Buru Buru region northwest of the capital of Kenya, Nairobi, is home to more than 10,000 people who have no access to medical facilities. Anyone who falls ill has to make a long and often futile trip to Nairobi: if they cannot afford to pay for their medical treatment, they are simply sent back home untreated.

Phonak's *Hear the World* Foundation is working alongside the non-profit organization "Cargo Human Care", set up by Lufthansa Cargo and German doctors. The organization is dedicated to improving medical care for the sections of the population most in need in the Nairobi metropolitan area. The new "Cargo Human Care Medical Center" was inaugurated after a construction phase of twelve months in February 2009. The treatment center houses two surgeries in which German doctors from different disciplines provide free medical treatment to local patients. The new medical center is also home to a hearing center set up by the *Hear the World* Foundation. Here German ENT doctors hold consultations, perform hearing tests and fit hearing instruments.

The *Hear the World* Foundation not only provides financial support, but also hearing systems and technical equipment. "With our contribution, we can ensure that people living in and around Nairobi have access to hearing tests and hearing systems," says Ora Bürkli, a trustee on the board of the *Hear the World* Foundation, explaining the foundation's commitment to this project.

Anyone interested in making a donation can find more information at www.cargohumancare.de and www.hear-the-world.com, including descriptions of the foundation's other projects in the field of hearing.

Phonak's SoundRecover technology compresses high-frequency signals into a lower frequency range, so that even people with hearing difficulties can share the laughter.

A COMMITMENT TO RESPONSIBILITY AND TRANSPARENCY

The Sonova Group has transparent structures, clearly defined areas of responsibility, efficient decision-making processes and effective control mechanisms.

Corporate Governance describes how management is organized and how this is put into practice. It ultimately aims to lead us to success by protecting the interests of our shareholders while at the same time creating value for all stakeholders. The Board of Directors has committed itself to maintaining the highest standards of integrity and transparency in the governance of the company. In this, it is guided by the Swiss Code of Best Practice and the most recent principles of Corporate Governance.

Good Corporate Governance seeks to balance entrepreneurship, control and transparency, while promoting efficient decision-making processes within the company. The Board of Directors and the Management Board constantly work on improving the quality of Corporate Governance.

In the previous financial year 2007/08, the rights of shareholders were further strengthened through a range of measures. At the General Shareholders' Meeting of June 11, 2008, a complete revision of the company's Articles of Association was agreed, as a result of multiple amendments covering modern Corporate Governance and changes to the Swiss Stock Corporation Law. Within this context, the minimum amount of capital a shareholder must own to be entitled to request an item to be included on the agenda was reduced from the previous level of 5% to 1%. This reduction gives smaller shareholders and groups of shareholders the opportunity to raise their concerns for discussion at the General Shareholders' Meeting. The "opting up" clause was also abolished, which required a shareholder to make a public purchase offer if they owned 49% of the voting rights. The percentage of voting rights above which a public purchase offer must be made is now in line with the legal threshold of 33 1/3%. This measure is designed to strengthen the rights and equality of shareholders. A decision was also taken to allow each individual shareholder to be represented at the General Shareholders' Meeting by an authorized agent who no longer has to be a shareholder in the company himself. This gives shareholders greater flexibility in exercising their voting rights.

At this year's General Shareholders' Meeting on June 10, 2009, the Board of Directors will propose that shareholders elect three new members to that body who, through their knowledge and experience, will be able to make a significant contribution to the decisions made by the Board of Directors.

All the relevant documents can be accessed in the Corporate Governance section of the Sonova website: www.sonova.com/en/commitments/corporategovernance

This report describes the principles of Corporate Governance for the Sonova Group and provides background information on the Group's executive officers and bodies, effective March 31, 2009. The report complies with the general principles on Corporate Governance set down in the Articles of Association and Organizational Regulations, which in turn comply with the Directive on Information relating to Corporate Governance published by the SIX Swiss Exchange.

Group structure

Operational Group structure

The Sonova Group is headquartered in Stäfa, Switzerland, and is active in over 90 countries through a combination of around 50 subsidiaries in over 30 countries and a network of independent distributors. Sonova Holding AG is the parent company and is listed on the SIX Swiss Exchange.

The following chart shows the operational Group structure as of March 31, 2009:

The following chart shows the structure of the Management Board as of March 31, 2009:

Listed companies

Apart from Sonova Holding AG there are no other companies belonging to the consolidated Sonova Group whose equity securities are listed on a stock exchange.

Key data for the shares of Sonova Holding AG as of March 31:

	2009	2008	2007
Market capitalization in CHF m	4,557	6,145	6,243
in % of equity	444 %	669 %	698 %
Share price in CHF	68.80	91.10	93.00
P/E ratio	16.0x	22.4x	25.9x

Registered office	8712 Stäfa, Switzerland
Listing	SIX Swiss Exchange
Security no.	1254978
ISIN	CH0012549785
Ticker symbol	SOON
Par value	CHF 0.05

Non-listed companies

The organizational chart on the following page shows the significant companies of the Sonova Group as of March 31, 2009 (registered office, share capital in local currency and share of the significant investments held in %).

Sonova Holding AG Stäfa (CH)	CHF 3,312

Switzerland

Phonak AG Stäfa (CH)	CHF 2,500 99,3%
Phonak Acoustic Implants SA Lonay (CH)	CHF 1,000 100%
Phonak Communications AG Murten (CH)	CHF 500 100%
Phonak Hearing Systems AG Stäfa (CH)	CHF 100 100%
Indomed AG Zug (CH)	CHF 1,000 100%
Indomed Hearing Systems GmbH Stäfa (CH)	CHF 20 100%

Europe (excluding Switzerland)

Hansaton Akustische Geräte-Gesellschaft m.b.H. Wals-Himmelreich (AT)	EUR 450 100%
Phonak Belgium NV Dilbeek (BE)	EUR 15,311 100%
Ets. Lapperre BHAC NV Groot-Bijgaarden (BE)	EUR 124 100%
Phonak Danmark A/S Frederiksberg (DK)	DKK 17,300 100%
HIMSA A/S Copenhagen (DK)	DKK 1,000 25%
Phonak France SA Bron-Lyon (FR)	EUR 305 100%
Phonak GmbH Fellbach-Oeffingen (DE)	EUR 25 100%
Unitron Hearing GmbH Fellbach-Oeffingen (DE)	EUR 41 100%
Phonarium Szolgáltató Kft. Budapest (HU)	HUF 5,000 49%
Phonak Italia Srl Milan (IT)	EUR 1,040 100%
TRE S.A. Luxembourg (LU)	EUR 31 100%
Phonak B.V. Nieuwegein (NL)	EUR 227 100%
Unitron Hearing B.V. Vianen (NL)	EUR 18 100%
Phonak AS Oslo (NO)	NOK 900 100%
Unitron Hearing AS Oslo (NO)	NOK 100 100%
Phonak Polska Sp. Z o.o. Warsaw (PL)	PLN 100 100%
Phonak CIS Ltd. Moscow (RU)	RUB 4,000 100%
Phonak Ibérica S.A.U. Alicante (ES)	EUR 7,000 100%
Phonak AB Stockholm (SE)	SEK 200 100%
Unitron Hearing AB Stockholm (SE)	SEK 100 100%
Phonak Isitme Cihazlari Pazarlama ve Ticaret Anonim Sirketi Istanbul (TR)	TRL 500 60%
Phonak Group Ltd. Warrington (UK)	GBP 2,500 100%

Americas

Phonak do Brasil – Sistemas Audiológicos Ltda. São Paulo (BR)	BRL 570 100%
National Hearing Services Inc. Victoria BC (CA)	CAD 7,500 100%
Phonak Canada Ltd. Mississauga (CA)	CAD 88,694 100%
Unitron Hearing Ltd. Kitchener (CA)	CAD 17,436 100%
Phonak Mexicana S.A. de C.V. México D.F. (MX)	MXN 50 100%
Phonak LLC Warrenville (US)	USD 1,250 100%
Unitron Hearing, Inc. Plymouth (US)	USD 46,608 100%

Asia/Pacific/Africa

Hearing Retail Group Pty. Ltd. Sydney (AU)	AUD 0.1 100%
Phonak Pty. Ltd. Baulkham Hills (AU)	AUD 750 100%
Phonak (Shanghai) Co., Ltd. Shanghai (CN)	CNY 20,041 100%
Sichuan i-hear Co., Ltd. Sichuan (CN)	CNY 19,119 100%
Unitron Hearing (Suzhou) Co., Ltd. Suzhou (CN)	CNY 46,249 100%
Phonak India Pvt. Ltd. Navi Mumbai (IN)	INR 100 100%
Phonak Japan Co., Ltd. Tokyo (JP)	JPY 10,000 100%
Unitron Hearing Korea Co., Ltd. Seoul (KR)	KRW 200,000 37,5%
Phonak New Zealand Ltd. Auckland (NZ)	NZD 250 100%
Indomed Singapore Pte Ltd. Singapore (SGP)	SGD 250 100%
Phonak Operation Center Vietnam Co., Ltd. Binh Duong (VN)	VND 8,796,000 100%
Lukatit Investments 14 (Pty) Ltd. Fourways North (ZA)	ZAR 0.4 100%

Share capital in local currency 1,000

Shareholders

Registered shareholders

As of March 31, the shareholdings of registered shareholders were distributed as follows:

Number of shares	Registered shareholders 31.3.2009	Registered shareholders 31.3.2008
1 – 100	5,418	4,685
101 – 1,000	9,761	8,149
1,001 – 10,000	1,656	1,522
10,001 – 100,000	167	147
100,001 – 1,000,000	26	28
> 1,000,000	7	8
Total registered shareholders	**17,035**	**14,539**

Significant shareholders

The following overview shows the shareholdings of significant registered shareholders as of March 31:

	2009	2009	2008
	Number	in %	in %
Beda Diethelm[1]	7,262,500	10.97	10.77
Andy Rihs[1]	7,059,100	10.66	10.73
Chase Nominees Ltd.[2]	6,414,472	9.69	10.74
Hans-Ueli Rihs[1]	5,535,813	8.36	8.55
Registered shareholders with interests below 3 %	24,091,760	36.36	36.62
Not registered	15,866,939	23.96	22.59
Total shares	**66,230,584**	**100.00**	**100.00**

1) The founding shareholders Beda Diethelm, Andy Rihs and Hans-Ueli Rihs were already shareholders before the Initial Public Offering in November 1994. There are no shareholders' agreements between these persons.
2) Registered without voting rights.

Further, the following shareholders of Sonova Holding AG have given notifications of shareholdings over 3%:

FMR LLC has informed the company that they hold 5.12% of the share capital as of December 7, 2007.

FIL Limited has informed the company that they hold 3.18% of the share capital as of March 24, 2009. The following overview shows the notified shareholdings of FIL Limited in the reporting period:

Date	Purchase positions in %	Sale positions in %
March 17, 2009	3.18	0.53
February 9, 2009	below 3.00	
November 11, 2008	3.17	

MFS Investment Management has informed the company that they hold 3.09% of the share capital as of January 23, 2009.

Barclays Plc & its subsidiaries have informed the company that they held over 3% of the share capital for a short time. The following overview shows the notified shareholdings of Barclays Plc & its subsidiaries in the reporting period:

Date	Purchase positions in %	Sale positions in %
August 29, 2008	below 3.00	
July 15, 2008	4.90	

Credit Suisse Group has informed the company that they hold below 3% of the share capital as of April 2, 2008.

Shareholder structure

The following overview shows the shareholder structure by type of shareholder:

Type	31.3.2009	31.3.2008
Individual shareholders	31 %	41 %
Legal entities	25 %	13 %
Nominees, fiduciaries	20 %	23 %
Not registered	24 %	23 %
Total	**100 %**	**100 %**

The following overview shows the shareholder structure by origin of shareholder:

Origin	31.3.2009	31.3.2008
Switzerland	40 %	38 %
Europe (ex Switzerland)	32 %	31 %
Americas	3 %	5 %
Rest of the World	1 %	3 %
Not registered	24 %	23 %
Total	**100 %**	**100 %**

Cross-shareholdings

Sonova Holding AG has no cross-shareholdings with other companies.

Capital structure

Capital

As of March 31, 2009, the capital of Sonova Holding AG comprised the following:

Ordinary capital (in CHF)	3,311,529
Total shares	66,230,584
Authorized capital (in CHF)	167,813
Authorized shares	3,356,260
Conditional capital (in CHF)	349,167
Conditional shares	6,983,336

Authorized and conditional capital

Authorized capital

The General Shareholders' Meeting held on June 12, 2007, approved the creation of authorized share capital of 3,356,260 registered shares with a par value of CHF 0.05 per share. The Board of Directors is authorized to exclude subscription rights of shareholders and to allocate them to third parties if the new shares are to be used for the acquisition of companies, parts of companies, equity stakes or the financing of such transactions. The authorization granted to the Board of Directors to augment the company's share capital with the authorized share capital created expires on June 12, 2009.

Conditional capital

The General Shareholders' Meeting held on July 7, 2005, approved the creation of conditional share capital of 3,301,120 registered shares with a par value of CHF 0.05 per share. The purpose of the additional conditional share capital created is to improve the company's financial flexibility. This capital may be used for exercising option and conversion rights granted in connection with bonds or similar debt instruments issued by the company for the purpose of financing the acquisition of or investment in companies.

At the General Shareholders' Meetings in 1994 and 2000, conditional share capital of 8,000,000 registered shares with a par value of CHF 0.05 per share was created with the purpose of offering Sonova shares, through an option program, to key employees of the Sonova Group.

Changes in capital

As of March 31, the capital of Sonova Holding AG comprised the following:

	2009	2008	2007
Ordinary capital (in CHF)	3,311,529	3,372,575	3,356,257
Total shares	66,230,584	67,451,506	67,125,144
Authorized capital (in CHF)	167,813	167,813	165,056
Authorized shares	3,356,260	3,356,260	3,301,120
Conditional capital (in CHF)	349,167	357,871	374,189
Conditional shares	6,983,336	7,157,414	7,483,776

The authorized share capital of 3,356,260 registered shares created on June 12, 2007, has not yet been used.

From a maximum of 8,000,000 approved conditional shares with a par value of CHF 0.05, 4,317,784 shares have been issued up to March 31, 2009, reducing the maximum conditional share capital reserved for key employees share option plans to 3,682,216 (previous year 3,856,294) shares. In 2008/09, a total of 678,040 options were granted as part of the Sonova Executive Equity Award Plan (EEAP). In 2007/08, a total of 386,224 options, and in 2006/07, a total of 1,138,995 options were granted. As of March 31, 2009, a total of 2,548,279 (previous year 2,079,962) options were outstanding. Each of these options entitles the holder to purchase one registered share in Sonova Holding AG with a par value of CHF 0.05.

The conditional share capital of 3,301,120 registered shares created on July 7, 2005, to improve the company's financial flexibility, has not yet been used.

Shares and participation certificates

Sonova Holding AG registered shares have been listed on the SIX Swiss Exchange since November 1994. The Annual General Shareholders' Meeting of July 5, 2001, approved a capital reduction and repayment of CHF 15 on the par value per share. At the same time, shareholders approved a 1:100 share split. This reduced the par value of Sonova registered shares from CHF 20 to CHF 0.05. The share capital is fully paid up. With the exception of the shares held by the company itself, each ordinary share bears one voting right at the General Shareholders' Meeting and is entitled to dividend payments.

The following overview shows the shares held by the company as of March 31:

	2009	2008
First trading line	162,809	211,175
Second trading line[1)]	718,500	1,017,800
Total owned shares	**881,309**	**1,228,975**

1) Pursuant to the share buy-back program approved by the Board of Directors on August 15, 2007 up to 10% of the outstanding shares shall be repurchased via a second trading line on the SIX Swiss Exchange until 2010 at the latest. The Board of Directors will ask for cancellation of the corresponding shares at each Annual General Shareholders' Meeting.

Sonova Holding AG has not issued any participation certificates.

Profit sharing certificates

Sonova Holding AG has not issued any profit sharing certificates.

Limitations on transferability and nominee registrations

Limitations on transferability for each share category

To be recognized as a shareholder with comprehensive rights, the acquirer of shares must place an application for entry in the share register. The Corporation may refuse the entry in the share register if the applicant does not explicitly declare that he has acquired and will hold the shares in his own name and on his own account. The registration in the share register as a shareholder with voting rights is limited to 5% of the share capital (Art. 8 para. 6 of the Articles of Association). Parties who act together are considered as one person. The restrictions on the voting and representation rights do not apply to the founding shareholders. The Board of Directors may approve further exceptions with good reason and no special quorum is required for such decisions.

Granting exceptions in the year under review

During the reporting period, no exceptions to the above listed rules were granted by the Board of Directors.

Admissibility of nominee registrations

The Board of Directors can issue regulations specifying the conditions under which fiduciaries/nominees are recognized as shareholders with voting rights (Art. 8 para. 5 of the Articles of Association).

Procedure and conditions for cancelling statutory privileges and limitations on transferability

To abolish this regulation, the absolute majority of the votes represented at the General Shareholders' Meeting is sufficient.

Convertible bonds and warrants/options

Sonova Holding AG has not issued any convertible bonds.

The following overview shows the options granted as part of the employee option programs (Key People Program and Executive Equity Award Plan) by March 31, 2009.

Options granted/outstanding

Year	Granted	Strike price in CHF	Blocking period	Exercise period	Outstanding	Exercised/sold 2008/09	Expired/forfeited 2008/09
2003/04	758,450	28.00	01.02.2004 – 31.01.2007	01.02.2007 – 31.01.2009		37,175	3,500
	22,000	28.00	01.02.2004 – 31.01.2008	01.02.2008 – 31.01.2010	9,000	1,000	
2004/05	342,400	39.00	01.02.2005 – 31.01.2006	01.02.2006 – 31.01.2010			
		39.00	01.02.2005 – 31.01.2007	01.02.2007 – 31.01.2010		24,625	
		39.00	01.02.2005 – 31.01.2008	01.02.2008 – 31.01.2010	57,375	11,025	
		39.00	01.02.2005 – 31.01.2009	01.02.2009 – 31.01.2010	68,050		750
	400,000	39.00	01.10.2005 – 30.09.2006	01.10.2006 – 30.09.2010			
		39.00	01.10.2005 – 30.09.2007	01.10.2007 – 30.09.2010	24,000	61,000	
		39.00	01.10.2005 – 30.09.2008	01.10.2008 – 30.09.2010	100,000		
		39.00	01.10.2005 – 30.09.2009	01.10.2009 – 30.09.2010	100,000		
2005/06	446,318	63.25	01.02.2006 – 31.01.2007	01.02.2007 – 31.01.2011		25,927	
		63.25	01.02.2006 – 31.01.2008	01.02.2008 – 31.01.2011	80,212	13,326	
		63.25	01.02.2006 – 31.01.2009	01.02.2009 – 31.01.2011	88,825		4,125
		63.25	01.02.2006 – 31.01.2010	01.02.2010 – 31.01.2011	88,328		4,625
2006/07	360,515	95.05	01.02.2007 – 31.01.2008	01.02.2008 – 31.01.2012	27,386		1,722
		95.05	01.02.2007 – 31.01.2009	01.02.2009 – 31.01.2012	27,603		1,721
		95.05	01.02.2007 – 31.01.2010	01.02.2010 – 31.01.2012	27,602		1,721
		95.05	01.02.2007 – 31.01.2011	01.02.2011 – 31.01.2012	27,604		1,721
	228,480	95.05	01.03.2007 – 28.02.2008	01.03.2008 – 28.02.2012	55,320		1,000
		95.05	01.03.2007 – 28.02.2009	01.03.2009 – 28.02.2012	55,320		600
		95.05	01.03.2007 – 28.02.2010	01.03.2010 – 28.02.2012	55,320		600
		95.05	01.03.2007 – 28.02.2011	01.03.2011 – 28.02.2012	55,320		600
	500,000	95.05	01.10.2007 – 30.09.2008	01.10.2008 – 30.09.2012	133,000		
		95.05	01.10.2007 – 30.09.2009	01.10.2009 – 30.09.2012	133,000		
		95.05	01.10.2007 – 30.09.2010	01.10.2010 – 30.09.2012	134,000		
		95.05	01.10.2007 – 30.09.2011	01.10.2011 – 30.09.2012	100,000		
	50,000	95.05	01.02.2007 – 31.05.2010	01.06.2010 – 31.05.2012	50,000		
2007/08	371,224[1]	96.00	01.03.2008 – 28.02.2009	01.03.2009 – 28.02.2013	84,956	6,050	1,727
		96.00	01.03.2008 – 28.02.2010	01.03.2010 – 28.02.2013	91,006		1,728
		96.00	01.03.2008 – 28.02.2011	01.03.2011 – 28.02.2013	91,006		1,727
		96.00	01.03.2008 – 29.02.2012	01.03.2012 – 28.02.2013	91,006		1,728
	15,000[1]	96.00	01.03.2008 – 31.05.2011	01.06.2011 – 31.05.2013	15,000		
2008/09	518,040[1]	56.00	01.03.2009 – 28.02.2010	01.03.2010 – 28.02.2014	129,510		
		56.00	01.03.2009 – 28.02.2011	01.03.2011 – 28.02.2014	129,510		
		56.00	01.03.2009 – 29.02.2012	01.03.2012 – 28.02.2014	129,510		
		56.00	01.03.2009 – 28.02.2013	01.03.2013 – 28.02.2014	129,500		
	160,000	56.00	01.03.2009 – 29.02.2012	01.03.2012 – 28.02.2017	40,000		
		56.00	01.03.2009 – 28.02.2013	01.03.2013 – 28.02.2018	40,000		
		56.00	01.03.2009 – 28.02.2014	01.03.2014 – 28.02.2019	40,000		
		56.00	01.03.2009 – 28.02.2015	01.03.2015 – 29.02.2020	40,000		
Total	**4,172,427**				**2,548,279**	**180,128**	**29,595**

[1] These options were issued as warrants at a split ratio 25:1. The warrants are tradable at the SIX Swiss Exchange.
The following overview shows the details of the warrants:

Name	Ticker symbol	Year	Security no.	Market maker	Type	Split ratio	Number of warrants	Strike price	Expiry
SONLT CS C 03/13	SONLT	2008	3760598	Credit Suisse	american call	25:1	9,648,350	96.00	28.02.2013
SONAR CS C 03/14	SONAR	2009	1691932	Credit Suisse	american call	25:1	12,951,000	56.00	28.02.2014

Shareholders’ participation rights

Voting rights and representation restrictions

Voting rights restrictions

To be recognized as a shareholder with comprehensive rights, the acquirer of shares must place an application for entry in the share register. The registration in the share register as a shareholder with voting rights is limited to 5% of the share capital (Art. 8 para. 6 of the Articles of Association). Linked parties are considered as one person. The restrictions do not apply to the founding shareholders.

Granting exceptions in the year under review

No exceptions were granted in the reporting period.

Procedure and conditions for abolishing statutory voting rights restrictions

To abolish this regulation, the absolute majority of the votes represented at the General Shareholders’ Meeting is sufficient.

Statutory rules on participation in the General Shareholders’ Meeting

In exercising their voting rights, no shareholder may unite, by a combination of own and represented shares together, more than 10% of the total number of shares of the company as shown in the share register (Art. 14 para. 2 of the Articles of Association). The restrictions on the voting rights do not apply to the founding shareholders. The Board of Directors may approve further exceptions with good reason and no special quorum is required for such decisions. During the reporting period, no exceptions to the above listed rules were granted.

Statutory quorums

The General Shareholders’ Meeting passes its resolutions and carries out its elections with an absolute majority of the share votes represented, to the extent that neither the law nor the Articles of Association provide otherwise.

Convocation of the General Shareholders’ Meeting

The Annual General Shareholders’ Meeting is held within six months after the close of the financial year.

Extraordinary General Shareholders’ Meetings can be called as often as necessary, in particular, in all cases required by law.

General Shareholders’ Meetings are convened by the Board of Directors and, if necessary, by the auditors. Extraordinary General Shareholders’ Meetings are convened by the Board of Directors if shareholders representing at least 10% of the share capital request such meetings in writing, setting forth the items to be discussed and the proposals to be decided upon.

Agenda

Shareholders entitled to vote who represent at least 1% of the share capital may request items to be added to the agenda by indicating the relevant proposals. Such requests must be addressed in writing to the Chairman of the Board of Directors no later than 60 days before the meeting.

Inscription in the share register

The share register will be closed for about five days before the General Shareholders’ Meeting for administrative reasons. During this period, an admission card, with corresponding voting papers, will be sent to shareholders. In case of a partial sale of shares within this time, the confirming documents must be exchanged on the day of the General Shareholders’ Meeting at the information desk. The shares can be traded at any time and are not blocked.

Changes of control and defense measures

Duty to make an offer

The Articles of Association of Sonova Holding AG do not contain provisions for opting out or opting up.

Clauses on changes of control

There are no agreements in place that, in the event of a change of control, provide members of the Board of Directors or the Management Board with abnormally high severance payments or other lucrative benefits. In 2005, a member of the Management Board, CEO Valentin Chapero Rueda, signed a long-term employment contract running until 2010, with an agreement that Valentin Chapero Rueda will continue to make himself available to the company after that date. Under a change of control provision, he is entitled to his full salary and part of the bonus payments in case the employment is terminated due to a change of control.

Andy Rihs
Chairman since 1992, non-executive

William D. Dearstyne
Vice-Chairman since 2004, non-executive

Board of Directors

The primary duty of the Board of Directors of Sonova Holding AG is the overall direction of the company and the supervision and control of the management.
None of the Board members has or has had any operational positions within Sonova Holding AG or any of its subsidiaries during the last three years.
The Group is building a new production plant on a site next to its headquarters in Stäfa, Switzerland. The factory is being constructed by the building contractor R-Estate AG. The land belongs to ARim AG and will be purchased by the Group once the building has been completed. Both R-Estate AG and ARim AG are fully owned by the Chairman of the Board of Directors of Sonova Holding AG, Andy Rihs. The terms for purchasing the land and constructing the factory are identical to those that would be agreed with an independent third party.
Apart from the details mentioned above, there are no business relations between individual Board members, including companies or organizations represented by any individual member, and the Group.

Members of the Board of Directors

Andy Rihs (born in 1942, Swiss citizen) is Chairman of the Board of Directors of Sonova Holding AG since 1992. He is one of the founders of the Group, together with his partner Beda Diethelm and his brother Hans-Ueli Rihs. He owns several companies, which are mainly active in the real estate and cycling business. In addition, he is investor and board member in a few start-up companies.
In 1966, Andy Rihs joined Beda Diethelm, who came to Phonak a year earlier as technical manager. Andy Rihs began to build up the marketing and commercial aspect of the company. He first established a sales organization for Switzerland, then gradually built up a global distribution network. Andy Rihs led Sonova as CEO until April 2000, and as interim CEO from April to September 2002. Under his leadership, the company grew continuously and succeeded in establishing an outstanding brand image for Sonova – known for products of the highest technological standard and reliability.
Andy Rihs completed his education and business training primarily in Switzerland and France.

Other activities:
Chairman of the Board of ARfinanz Holding AG
Chairman of the Board of ISH International Sport Holding AG
Chairman of the Board of R-Estate AG
Chairman of the Board of ARim AG
Chairman of the Board of AR Gastronomia AG
Member of the Board of Ticketcorner Holding AG
Member of the Board of Sport und Event Holding AG
Member of the Board of Media Punkt AG
Member of the Board of Pearlwater Mineralquellen AG

William D. Dearstyne (born in 1940, US citizen) retired in April 2003 from his position as Company Group Chairman and member of the Medical Devices and Diagnostics Group Operating Committee of Johnson & Johnson.
During the 34 years of his career managing diversified healthcare companies, he gained valuable business experience in Asia, Central and Eastern Europe as well as Latin America. He served in many different functions during his 26 years at Johnson & Johnson. Within this period, he also led two major acquisitions for the company – Cordis and DePuy – both of which today occupy leadership positions in interventional cardiology and orthopedics, respectively.
William D. Dearstyne studied at Bucknell University in Lewisburg, Pennsylvania, and at Syracuse University in New York where he earned an MBA in International Business.

Heliane Canepa
Member, non-executive

Dr. Michael Jacobi
Member, non-executive

Robert F. Spoerry
Member, non-executive

Other activities:
Member of the Advisory Council of Earlybird Venture Capital GmbH & Co.
Member of the Board of Trustees of Bucknell University
Member of the Board of Bioness, Inc.

Heliane Canepa (born in 1948, Swiss citizen) was President and CEO of Nobel Biocare AB, Sweden and CEO of the Group parent company Nobel Biocare Holding AG until September 1, 2007.
Before joining Nobel Biocare, Heliane Canepa was for 20 years CEO of the Switzerland- and US-based company Schneider Worldwide, a medtech company in the cardiology, balloon dilatation field. In 1995, Heliane Canepa was named "Female Entrepreneur of the year" and in 2000 and in 2006 "Entrepreneur of the year" in Switzerland. In 2005, she was ranked No. 6 in the Financial Times, Women in Business Europe's Top 25.
Heliane Canepa completed business school in Dornbirn, Austria, West London College in London, Sorbonne University in Paris, and the Foreign Executive Development Program at Princeton University, New Jersey.

Other activities:
Member of the Board of Mayoris AG

Dr. Michael Jacobi (born in 1953, German citizen) works as an independent consultant since 2007.
From 1996 to 2007, he was CFO and member of the Executive Committee of Ciba Specialty Chemicals Inc. Prior to this, since 1978, Michael Jacobi held various management positions in the area of finance at Ciba Geigy Group in Brazil, the US and Switzerland.
Michael Jacobi studied economics and business administration at the University of St. Gallen, Switzerland, at the University of Washington in Seattle and at the Harvard Business School in Boston. He graduated with a doctoral degree from the University of St. Gallen in 1979 with a thesis on International Accounting.

Other activities:
Member of the Board of Hilti AG
Member of the Board of Trustees of Martin Hilti Family Trust

Robert F. Spoerry (born in 1955, Swiss citizen) is Chairman of the Board of Mettler-Toledo International Inc., a leading global manufacturer and marketer of precision instruments and related services for use in laboratory, manufacturing and food retailing applications.
Robert F. Spoerry joined Mettler-Toledo in 1983 and was Chief Executive Officer from 1993 to 2007. He led the buyout of Mettler-Toledo from Ciba-Geigy in 1996, and the company's subsequent Initial Public Offering on the New York Stock Exchange (NYSE) in 1997. In 1998, he was nominated Chairman of the Board.
Robert F. Spoerry graduated in Mechanical Engineering at the Swiss Federal Institute of Technology in Zürich, Switzerland, and holds an MBA of the University of Chicago.

Other activities:
Chairman of Mettler-Toledo International Inc.
Member of the Board of Conzzeta Holding AG
Member of the Board of Schaffner Holding AG
Member of the Board of Holcim Ltd.

Other activities and vested interests

None of the Board members has any position in governing or supervisory bodies of any important organization, institution or foundation under private or public law, any permanent management or consultancy function for important interest groups, or any official function or political post.

Elections and terms of office

Election procedure and limits on the terms of office

The Articles of Association of Sonova Holding AG state that the Board of Directors must consist of a minimum of three and a maximum of nine members. The members of the Board of Directors are elected individually by the Annual General Shareholders' Meeting. In general, each member is elected for a period of three business years. The term ends on the day of the Annual General Shareholders' Meeting for the last business year of the term. If, during a term, a substitute is elected to the Board of Directors, the newly elected member finishes the term of his predecessor. Re-elections for successive terms are possible. A member of the Board of Directors shall automatically retire on the date of the shareholders' meeting following the completion of his 70th year of age.

First election and remaining term of office

The following overview shows the date of the first election and the remaining term of office for each member of the Board of Directors:

Name	Position	First election	Term expires
Andy Rihs	Chairman	1985	AGM 2009
William D. Dearstyne	Vice-Chairman	2003	AGM 2009
Heliane Canepa	Member	1999	AGM 2011
Dr. Michael Jacobi	Member	2003	AGM 2009
Robert F. Spoerry	Member	2003	AGM 2009

Internal organizational structure

Allocation of tasks within the Board of Directors

The Board constitutes itself. It appoints its Chairman, its Vice-Chairman, as well as a Secretary who is not necessarily a member of the Board. During the reporting period the function of Secretary transferred from Pascal Brandenberger to Andreas Käppeli.

The allocation of assignments between the Board of Directors and the CEO is defined in the Sonova Group Organizational Regulations. In accordance with the Organizational Regulations, the Board has appointed an Audit Committee and a Nomination and Compensation Committee.

Member list, tasks and area of responsibility for Board of Directors committees

The duties and authorities of the committees are defined in the Committee Charters of the Board of Directors of Sonova Holding AG. The committees report to the Board on their activities and findings. The overall responsibility for duties delegated to the committees remains with the Board.

Audit Committee

Members of the Audit Committee are Dr. Michael Jacobi (Chairman), Heliane Canepa and William D. Dearstyne.

Within the context of its overall remit, the Audit Committee reviews on behalf of the Board of Directors the work and effectiveness of the external and internal audit, evaluates the financial control, the financial structure and risk management mechanisms of the company, and reviews the interim and annual financial accounts of the Group. The Audit Committee also supervises audits to be completed by the internal audit department and reviews the results of these audits (see Committee Charters).

The Audit Committee meets at least four times a year, but as often as required. In the reporting period, the Committee met four times.

Nomination and Compensation Committee

Members of the Nomination and Compensation Committee are Andy Rihs (Chairman), Robert F. Spoerry and William D. Dearstyne.

The primary task of this Committee is to review and propose to the Board of Directors the structure and the amount of the compensation for the Board of Directors and the members of the Management Board, and to select and propose to the Board of Directors suitable candidates for election to the Board of Directors and upon recommendation of the CEO for appointment to the Management Board. The Committee submits the relevant proposals and nominations to the Board of Directors (see Committee Charters).

The Nomination and Compensation Committee meets at least three times a year, but as often as required. In the reporting period, the Committee met five times.

Work methods of the Board of Directors and its committees

During the reporting period, the Board of Directors held eight meetings. The following overview shows the individual Board members' attendance at Board of Directors and committee meetings as well as the average length of the meetings:

	A	B	C
Number of meetings 2008/09	8	4	5
Andy Rihs	8	–	5
William D. Dearstyne	8	4	5
Heliane Canepa	8	4	–
Dr. Michael Jacobi	8	4	–
Robert F. Spoerry	8	–	5
Average length of meetings	6 – 8 h	3 h	3 h

A Board of Directors.
B Audit Committee.
C Nomination and Compensation Committee.

Telephone conferences were organized to discuss time-sensitive business issues. In addition to the formal meetings with minute-taking, members of the Board of Directors also met up informally for other activities, requesting additional time. These included, for example, preparations for formal meetings and discussions about the search for and appointment of new Board members.

The agenda of Board meetings are set by the Chairman, those of committee meetings by the respective committee Chairman. Any Board or committee member may request a meeting or that an item be added to the agenda. Board and committee members are provided, in advance of meetings, with adequate materials to prepare for the items on the agenda. The Board and its committees are a quorum if a majority of its members is present. The Board and its committees approve resolutions with the majority of their members present at the meeting. In the event of an equal number of votes, the Chairman has the casting vote (see Rules on Board Operations and Procedures).

The Board of Directors works closely with the Management Board. In general, the CEO and CFO and according to the agenda other members of the Management Board attend Board and committee meetings. The Board of Directors consults external experts where necessary when discussing specific topics.

Definition of areas of responsibility

The Board of Directors of Sonova Holding AG has the primary duty of the overall direction of the company except for those decisions reserved by law for the General Shareholders' Meeting. The Board of Directors is responsible to shareholders for the performance of the company. The Board shall decide on all matters which have not been reserved for or conferred upon another governing body of the company by law, by the Articles of Association, or by the company's Organizational Regulations.

Information and control instruments vis-à-vis the Management Board

During the Board and committee meetings, the Management Board reports regularly to the Board of Directors. At each Board meeting, the CEO informs the Board of Directors on the status of current business operations as well as major business transactions (see Rules on Board Operations and Procedures). Further, the Board of Directors receives consolidated financial statements (balance sheet, income statement and cash flow statement) on a monthly, semi-annual and yearly basis. In addition, the Board of Directors receives monthly consolidated sales reports providing data on turnover, average selling prices and units for each major product, subsidiary and market. Informal telephone conferences are held as required between Board Members and the CEO or CFO. Further, each member of the Board of Directors may request information on all matters concerning the company.

Furthermore, the Board of Directors has an independent control authority, the internal audit. The internal audit carries out operational and compliance audits; it assists the organizational units in the accomplishment of objectives by providing an independent approach to the evaluation, improvement and effectiveness of their internal control framework; it prepares reports regarding the audits it has performed; and it reports any actual or suspected irregularities to the Audit Committee.

In addition, the Management Board reports on an annual basis to the Board of Directors about current risks and measures for risk mitigation.

Dr. Valentin Chapero Rueda
CEO

Oliver Walker
CFO

Management Board

The Management Board is responsible for the operational management of the company. Furthermore, it prepares for and later executes decisions made by the Board of Directors. According to the Organizational Regulations of Sonova Holding AG, the Management Board consists of at least the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) as well as other members added to suit strategic requirements. The Management Board is appointed by the Board of Directors, as recommended by the CEO.

Members of the Management Board

Dr. Valentin Chapero Rueda (born in 1956, Spanish citizen) joined Sonova as CEO in October 2002.
Before joining Sonova, Valentin Chapero Rueda was CEO of the Mobile Networks Division of Siemens. Prior to this, between mid-1996 and the end of 1999, he was CEO of the Siemens Audiology Group, the world's largest hearing instrument manufacturer at that time. He took the company into the digital era, tripling sales and significantly improving profitability. Valentin Chapero Rueda began his career within the R&D department of Nixdorf Computer.
Valentin Chapero Rueda, whose parents are Spanish, grew up and completed his education in Germany. He graduated in Physics at the University of Heidelberg, Germany, and was awarded his doctorate with a thesis in the medicine/physics field.

Other activities:
Chairman of the industry body European Hearing Instrument Manufacturers' Association (EHIMA)

Oliver Walker (born in 1969, Swiss citizen) was appointed CFO of Sonova in October 2004.
Before joining Sonova, he held the position of CFO of Stratec Medical Group Oberdorf, Switzerland, since 2000. Stratec was a leading international medical devices company, specializing in the development, manufacture, and marketing of instruments and implants for the surgical treatment of the human skeleton. Prior to Stratec, Oliver Walker worked for seven years with the Von Roll Group, a diversified industrial company. His most recent position there was as Vice President Finance and Controlling for the division Von Roll Infratec.
Oliver Walker studied economics at the University of Berne, Switzerland; he holds a Masters Degree in Business Administration.

Paul Thompson
GVP Corporate Development

Sarah Kreienbühl
GVP Corporate Human Resources

Dr. Hans Leysieffer
GVP Research & Development

Paul Thompson (born in 1967, Canadian citizen) was appointed to the position of Group Vice President Corporate Development in October 2004. In this position, he is responsible for the development of the Group strategy and the implementation of various business development activities.
Prior to this appointment, he was CFO of Sonova since January 2002. Between 1998 and 2001, Paul Thompson acted as CFO and later also as COO of the Unitron Hearing Group. Before joining Unitron Hearing, between 1987 and 1998, he worked for Ernst & Young in Canada, first in the auditing division and then in the management consulting division.
Paul Thompson studied finance and economics at the University of Waterloo, Canada. In 1992, Paul Thompson was granted his Chartered Accountant designation and in 1998, he achieved the designation of Certified Management Consultant.

Sarah Kreienbühl (born in 1970, Swiss citizen) is Group Vice President Corporate Human Resources since August 2004.
Before that, Sarah Kreienbühl was Head of Global Human Resources and member of the Executive Board of the Tecan Group in Männedorf, Switzerland. Prior to that she was a consultant with Amrop International, Zürich, Switzerland, where she did executive search projects and also introduced new assessment and management audit services. She started her career as a psychologist with Swissair, where she was involved in the selection of pilots and air traffic managers.
Sarah Kreienbühl studied Applied Psychology at the University of Zurich, Switzerland, and obtained a masters degree, followed by a number of additional qualifications in the field of Human Resources Management.

Dr. Hans Leysieffer (born in 1957, German citizen) is Group Vice President Research & Development since October 2003.
Prior to that he was CTO of IIP-Technologies, a start-up company for retina implants. In 1989 he founded Implex AG Hearing Technology in Munich, Germany, a company which developed the world's first fully implantable hearing device for sensorineural hearing loss. Hans Leysieffer acquired his first experience in the area of development and approval of medical technology products through clinical trials on cochlea implants in Europe and India. Hans Leysieffer studied electrical engineering at the Technical University of Munich, Germany, gaining a PhD for his dissertation on sensory transmission of speech for patients suffering from total hearing loss.

Cameron Hay
President and CEO Unitron Hearing

Ignacio Martinez
GVP International Sales

Cameron Hay (born in 1967, Canadian citizen) is President and CEO of Unitron Hearing since January 2005.
Before that, he was COO and GM of the Kitchener Operations Center. His tasks there included setting up the Unitron Hearing Operations Center in Suzhou, China. Cameron Hay started his career with IBM and then went on to perform various management functions as a business consultant with Ernst & Young, focused on the high-tech sector.
Cameron Hay gained a degree in Industrial Engineering at the University of Manitoba and a Master of Business Administration from the Ivey School of Business at Western Ontario University in Canada.

Ignacio Martinez (born in 1965, Spanish citizen) was appointed Group Vice President International Sales effective January 2005.
Prior to this position he was Managing Director of Phonak Spain since 2001. He has over 20 years of experience in the hearing instrument industry. Before joining Phonak, he was working for Widex Audifonos S.A. in Spain, holding positions as Assistant Technical Director, and most recently, as Director of Sales and Marketing.
Ignacio Martinez has studied electronic engineering at the Universitat Politécnica de Catalunya in Barcelona. He also completed training as a hearing care professional.

Alexander Zschokke (born in 1965, Swiss citizen) was appointed Group Vice President Marketing in July 2006.
Before joining Sonova, since 2002, he was Managing Director of Brand View, a marketing agency working among others for Woolworth, Bulgari and Giorgio Armani. Prior to that, he spent over ten years in the fashion and retail industry. As Vice President Marketing for Bally and later for Salvatore Ferragamo, he managed the worldwide development of global brands. Prior to his experience in the fashion industry, Alexander Zschokke worked as project manager with Contraves.
Alexander Zschokke earned a Master's Degree in Mechanical Engineering and Business Administration at the Swiss Federal Institute of Technology (ETH) in Zürich, Switzerland.

Alexander Zschokke
GVP Marketing

Hans Mehl
GVP Operations

Elmar B. Götz
GVP Channel Solutions

Hans Mehl (born in 1959, German citizen) was appointed Group Vice President Operations of Sonova in April 2007. Before joining Sonova, he held various international leadership positions in the Netherlands, Singapore, USA and Switzerland within the Siemens Group. In his last position Hans Mehl acted as Co-Division Head of Fire and Security business at Building Technologies in Zug, Switzerland. Between 2000 and 2003, he was CFO of Global Health Services at Medical Group in Philadelphia, USA. Before that he was a member of the executive management of Siemens Audiology Group.
Hans Mehl completed his education in business administration in Germany.

Elmar B. Götz (born in 1962, German citizen) joined Sonova as Group Vice President Channel Solutions in April 2007.
Since 2005, he was CEO of Synoptik Sweden AB, one of the leading optical chains in Sweden. Prior to that, he was Marketing Director for the Avanzi Holding in Italy and Commercial Director for the Apollo-Optik chain in Germany. Between 1991 and 2001, he held several management positions in Sales and Marketing at Procter & Gamble, both in Germany and in the United States.
Elmar B. Götz studied Business Administration at the University of Passau, Germany, and the University of Tours, France, and earned a Master's Degree.

Other activities and vested interests

Apart from Valentin Chapero Rueda's position as Chairman of the EHIMA, none of the members of the Management Board has any position in governing or supervisory bodies of any important organization, institution or foundation under private or public law, any permanent management or consultancy function for important interest groups, or any official function or political post.

Management contracts

The Board of Directors and the Management Board conduct business directly and have not delegated any management tasks to companies outside the company.

Compensation and shareholdings

Content and method of determining the compensation and the shareholding programs

The compensation principles of the Sonova Group are based on performance considerations. The compensation packages of Sonova Group employees typically consist of a basic salary (made up of a fixed and a variable performance-related salary) as well as further incentive plans.

Fixed salary

The fixed salary is intended to give each employee a regular and predictable salary that does not depend on the annual performance of the employee or of the Sonova Group's business. Salary levels depend on job characteristics, market competitiveness as well as on the skills of each employee. The salary evolution depends on the individual performance of the employee.

Variable salary

The variable salary is an integrated element of the basic salary. The split between fixed salary and variable salary is typically defined in the employment contract and depends on the job characteristics and management level. The objectives to achieve the variable salary are typically defined for each employee at the beginning of the financial year. At the end of the financial year, the variable salary is generally multiplied with an individual payout factor for each employee. The size of the payout multiplier depends on the actual performance achieved by the employee compared with the individual objectives agreed upon at the beginning of the financial year and the overall performance of the Sonova Group respectively the relevant organizational unit. Incentive payout multipliers can range from zero to two. If the employee's achievement of objectives falls below a certain level, no variable salary will be paid out. For exceptional performance, higher payout multipliers may apply. Such cases require the approval of the CEO and/or the Nomination and Compensation Committee.

Executive Equity Award Plan

The Executive Equity Award Plan (EEAP) serves as a long-term incentive and is offered annually to the Board of Directors, the Management Board, as well as other management levels of the Sonova Group. The plan entitles them to receive shares, options, warrants, Warrant Appreciation Rights (WARs) and Share Appreciation Rights (SARs). The amount of shares, options, warrants, WARs and SARs granted varies depending on the management level. Shares, options, warrants, WARs and SARs granted as part of the EEAP are split into four equal tranches. For the options, warrants, WARs and SARs, one tranche vests each year over four years, starting one year after the grant date. The shares are blocked over four years, one tranche being released each year, starting one year after the grant date. The purchase price of the shares will generally be equal to the market price on the SIX Swiss Exchange on the date the shares are purchased. The fair value of the options, warrants, WARs and SARs is estimated on the grant date using an option pricing model. Additional information thereto is disclosed in Note 30 of the Consolidated Financial Statements.

Determination of the compensation to members of the Board of Directors and the Management Board

In general, the compensation policies and the incentive plans (EEAP) described before also apply to the Management Board, as well as to the Board of Directors and to the CEO.

The compensation policies of the Board of Directors differ from those of the employees of the Sonova Group, in that instead of a basic salary (made up of a fixed and a variable performance-related salary), the members of the Board of Directors receive a fixed and an attendance fee, as well as participations in the EEAP.

The incentive plan of the CEO differs therein that the options of the EEAP will not be granted annually to him. The allocation of the options including a short time lag of the exercise periods is part of the employment contract.

The compensation of the members of the Board of Directors as well as, on the CEO's recommendation, the compensation of the other members of the Management Board is determined and periodically reviewed by the Nomination and Compensation Committee. The compensation of the CEO is periodically reviewed by the Nomination and Compensation Committee and approved by the Board of Directors.

Compensations and shareholdings of members of the Board of Directors and the Management Board are disclosed on page 118 ff. in the section "Financial statements of Sonova Holding AG".

Auditors

Duration of the mandate and term of office of the lead auditor

During the Annual General Shareholders' Meeting of July 5, 2001 PricewaterhouseCoopers AG was elected as auditor of Sonova Holding AG and the Sonova Group. At the Annual General Shareholders' Meeting of June 11, 2008, PricewaterhouseCoopers AG was re-elected for another term of one year. Patrick Balkanyi is the lead auditor responsible for the existing auditing mandate since November 6, 2006.

Fees

The following overview shows all costs which PricewaterhouseCoopers charged to the Sonova Group during the financial years 2008/09 and 2007/08:

1,000 CHF	2008/09	2007/08
Audit services	1,034	1,023
Audit-related services	230	210
Tax services	261	313
Non-audit services	927	504
Total	**2,452**	**2,050**

Audit services are defined as the standard audit work that needs to be performed each year in order to issue opinions on the Consolidated Financial Statements of the Sonova Group as well as opinions on the local statutory accounts.

Audit-related services consist of services which can be performed by the auditor but which are not directly in connection with the annual standard audit work, such as audits of newly implemented system controls, consent and comfort letters in relation to regulatory filings or acquisition due diligence services.

Tax services consist of tax compliance and other services.

Non-audited services include mainly acquisition-related consulting fees.

Informational instruments pertaining to the external audit

The external auditors report their findings semi-annually directly to the Audit Committee of the Board of Directors. In 2008/09, the external auditors attended two out of four Audit Committee meetings. The Audit Committee of the Board of Directors reviews the performance, compensation, and independence of the external auditors on a regular basis. The Audit Committee reports quarterly its findings to the Board of Directors.

Information policy

As a publicly listed company, the Sonova Group pursues an open and active information policy. A governing principle of this policy is to treat all stakeholders alike and to inform them at the same time. It is one of our top priorities to inform our shareholders, employees, and business partners in the most direct, open, and transparent way about our strategy, our global activities, and the current state of the company.

Insider trading policy

In order to prevent insiders from benefiting from confidential information, the Board of Directors issued guidelines on how to deter both corporate insiders and external consultants from making use of confidential information. The Board of Directors has established so-called black-out periods to prevent insiders from trading in shares and options of Sonova Holding AG during sensitive periods.

Important information available on Sonova's investors website

Capital structure and shareholder rights:

Share data
www.sonova.com/en/investors/sharedata

Shareholder structure
www.sonova.com/en/commitments/corporatebodies/pages/shareholderstructure.aspx

Restrictions on shareholder rights
www.sonova.com/en/commitments/corporatebodies/pages/shareholderparticipationrights.aspx

Regulations and principles:

Articles of Association
Organizational Regulations
Rules on Board Operations and Procedures
Committee Charters
Code of Conduct
Supplier Principles
www.sonova.com/en/commitments/regulationsprinciples

Financial information:

Corporate & ad hoc news
Annual Reports
Semi-Annual Reports
IR presentations
www.sonova.com/en/investors

Information on the General Shareholders' Meeting:

Invitation/agenda
General Shareholders' Meeting presentations
General Shareholders' Meeting minutes
www.sonova.com/en/investors/generalshareholdersmeeting

IR online news service:

IR News Service
www.sonova.com/en/about/pages/newsletter.aspx

Contact and order form:

IR Contact Form
Order form for Annual Reports
www.sonova.com/en/about/pages/contactorder.aspx

Financial Calendar

June 10, 2009

Annual General Shareholders' Meeting of Sonova Holding AG at Hallenstadion Zürich in Zürich-Oerlikon

November 10, 2009

Publication of Semi-Annual Report as of Sept 30, 2009
Media and Analysts Conference

May 2010

Publication of Annual Report as of March 31, 2010
Media and Analysts Conference

June 2010

Annual General Shareholders' Meeting of Sonova Holding AG at Hallenstadion Zürich in Zürich-Oerlikon

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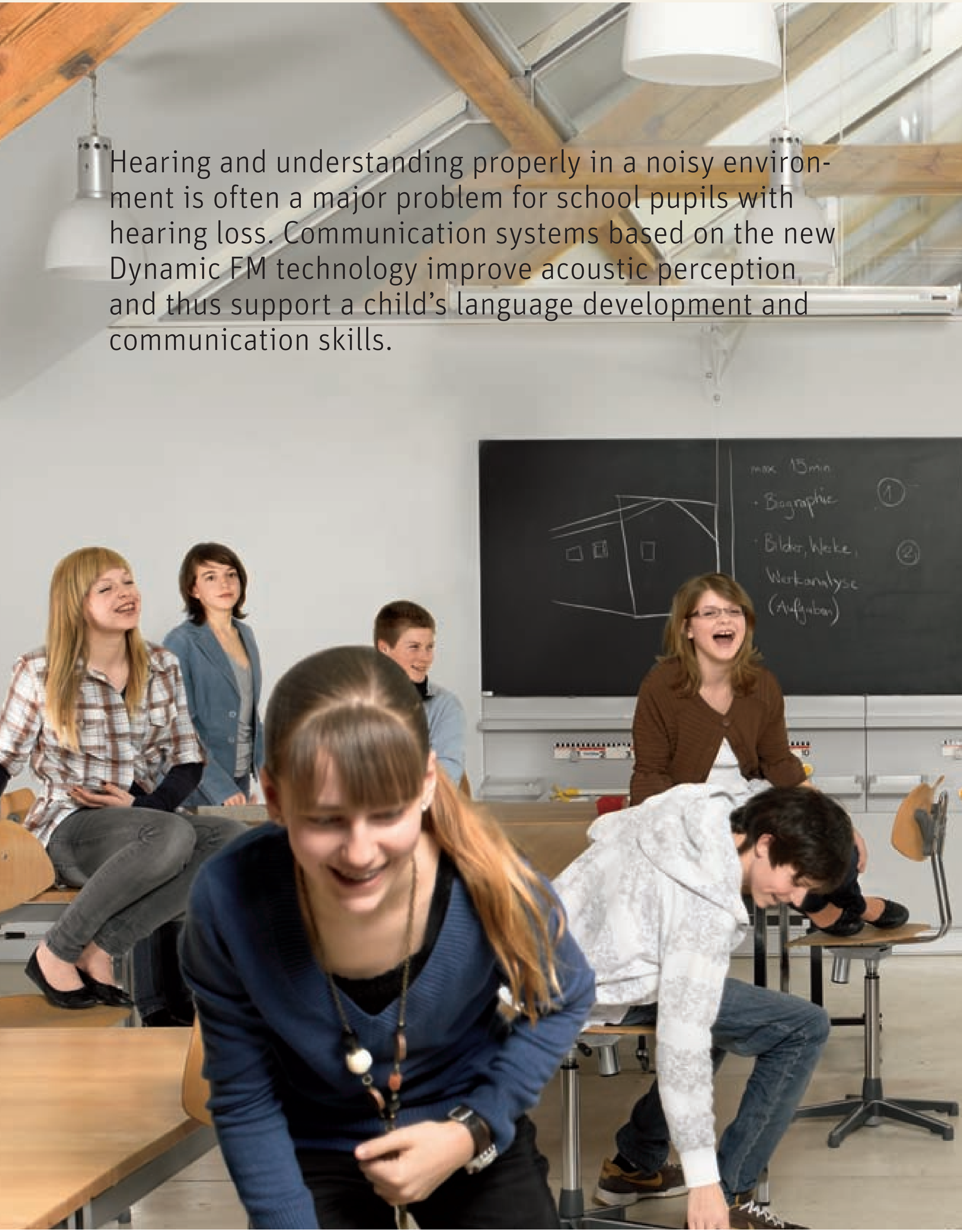
Hearing and understanding properly in a noisy environment is often a major problem for school pupils with hearing loss. Communication systems based on the new Dynamic FM technology improve acoustic perception and thus support a child's language development and communication skills.

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CONTENT FINANCIAL REPORT

CFO'S REPORT

SOUND FINANCIAL PERFORMANCE

Despite the challenging economic environment, Sonova succeeded in growing its sales to CHF 1,249 million. The Group's organic growth was 7.8% in local currencies. At 26.6%, the Group again achieved a high EBITA margin. Income after taxes was CHF 284 million, and free cash flow reached CHF 79 million with a significantly increased level of investment activity. With an equity financing ratio of 72.0% and net cash of CHF 228 million, Sonova is in an extremely solid financial position.

This section contains a summary of financial information and describes only the reported business results for 2008/09 as compared with ordinary business results for 2007/08 excluding one-off costs for the prohibited acquisition of the GN ReSound Group. The balance sheet and cash flow statement are discussed as reported.

Strong organic sales growth

The Sonova Group generated sales of CHF 1,249.2 million in the financial year 2008/09, recording a growth level of 3.7% in Swiss francs compared with the previous year. This result was achieved during challenging economic times and despite negative currency effects. Sonova achieved organic growth of 7.8% in local currencies, with all regions and brands and most product groups contributing to this growth. In addition, the acquisition of companies active in the sale and distribution of hearing systems accounted for additional sales growth of 3.0%.

The Group recorded broad-based growth, characterized by the launch of innovative products, further expansion in growth markets and acquisitions. Alongside solid growth in the core regions of Western Europe and North America, strong levels of growth in emerging markets are also of particular note. Countries such as Brazil, India, Russia and China, but also Eastern European countries such as Poland, are becoming increasingly important to Sonova. In addition to the wholesale trade, retail activities also achieved levels of organic growth that exceeded that of the market as a whole.

The strengthening of the Swiss franc, primarily against the Euro but also against the US dollar, led to a negative currency effect of 7.1% on overall sales. Further negative currency effects were primarily due to the exchange rate trends of the Canadian dollar, the British pound, the Australian dollar and the Brazilian real.

Sonova Group key figures:

in CHF m	2008/09	Underlying performance 2007/08[1]	Change in %	Reported performance 2007/08
Sales	1,249.2	1,204.8	3.7 %	1,204.8
Gross profit	867.2	841.6	3.0 %	841.6
Gross profit margin	69.4 %	69.9 %		69.9 %
EBITA	331.8	339.8	(2.3) %	331.7
EBITA margin	26.6 %	28.2 %		27.5 %
Income after taxes	284.1	305.2	(6.9) %	274.1
Net cash[2]	227.7	311.6	(26.9) %	311.6
Equity financing ratio[2]	72.0 %	72.2 %		72.2 %

1) Excluding one-off costs for the acquisition of the GN ReSound Group prohibited by the German Federal Cartel Office.
2) For detailed definitions, please refer to "5 Year Key Figures".

Oliver Walker

Innovation was and remains the most important growth driver. Thanks to innovative product solutions, the company was able to grow in the last financial year even during those months which were characterized by downward trends in the hearing instruments industry. The first three quarters of the reporting period were weaker due to general economic factors. The stronger growth in the last quarter was driven by the launch of new products and helped also by the stabilization of the market. Further growth was achieved through entry into new markets such as Singapore and Turkey and the continuous expansion of our sales and distribution activities.

All acquisitions undertaken in the financial year under review were in the field of hearing system sales and distribution. This also included the acquisition of retail companies in selected countries. Part of Sonova's strategy is to secure and expand its distribution channels through the purchase of companies. During the reporting period 2008/09 the largest acquisition effects were seen in Europe and Americas, and to a lesser degree in the Asia/Pacific region. The extent of acquisitions was significantly greater than the average for previous years. In the reporting period the effect of acquisitions was 3.0%, while the annualization effect for the financial year 2009/10 is expected to be around 1.7%.

Well-diversified product portfolio

Overall, a strong increase in sales of 10.8% in local currencies over the previous year was achieved. Thanks to above-average growth in business class hearing systems, there was a concentration of sales within this product group. Because the price level in business class is approximately the same as the overall average price level, the average price achieved for hearing systems fell only slightly.

Sales breakdown by product group:

in CHF m	2008/09			2007/08	
Product groups	**Sales**	**Share**	**Growth in local currencies**	**Sales**	**Share**
First class hearing systems	321	26 %	(6.1) %	365	30 %
Business class hearing systems	288	23 %	24.6 %	248	21 %
Economy class hearing systems	380	30 %	18.1 %	344	29 %
Wireless communication systems	82	7 %	13.0 %	78	6 %
Miscellaneous	178	14 %	11.5 %	170	14 %
Total sales	**1,249**	**100 %**	**10.8 %**	**1,205**	**100 %**

In the case of first class hearing systems a weakening of demand was seen, which can be explained by two principal factors: end customers either delayed their purchase decision or chose a more affordable business class hearing solution. Furthermore, the Phonak brand already enjoys a better than average position within the first class market segment, so that the growth rate there was naturally a little lower. In the financial year 2008/09, first class hearing systems accounted for 26% of Sonova's total sales. Business class hearing systems accounted for 23% while economy class systems represented 30% of total sales.

Wireless communication systems achieved growth of 13.0% in local currencies. The newly established Dynamic FM technology set new standards and confirmed Phonak's leading role within this field. This market segment accounted for 7% of Sonova's sales in the financial year 2008/09.

The Group succeeded in increasing its sales of miscellaneous products and services, mostly related to hearing system sales, by 11.5% in the financial year 2008/09, measured in local currencies. This area therefore accounted for 14% of total sales.

Stable margins in a challenging economic environment

The gross profit margin of 69.4% was only slightly lower in the reporting period despite adverse currency effects and a negative sales mix, while gross profit actually rose from CHF 841.6 million to CHF 867.2 million. With the exception of the Chinese and Japanese currencies, the Swiss franc strengthened against all other currencies in which Sonova generates sales. If exchange rates had remained constant, the gross profit margin would have been at the previous year's level.

In the financial year 2008/09, the Group achieved an operating profit (EBITA) of CHF 331.8 million compared with CHF 339.8 million in the previous year. At 26.6%, the EBITA margin was maintained at a high level. If constant exchange rates are assumed, Sonova would have had a significantly higher EBITA margin, slightly above the level of the previous year. The sales mix also had a slightly negative impact on profitability. Cost reduction measures, initiated early on, together with productivity increases, the utilization of economies of scale and an increased proportion of value creation in Asia succeeded in compensating for part of these negative effects.

Strengthening innovation

In the financial year 2008/09, Sonova continued to further extend its lead in the field of innovation, investing CHF 77.4 million on research and development (R&D). The Group invested 6.2% of sales in this area, more or less on a par with last year's figure of 6.3%. The development costs for the new DACS middle ear implant were CHF 15.4 million and were fully capitalized (CHF 6.5 million in the previous year). The number of employees working in R&D was increased by 13%. The launch of the new CORE hearing system platform and the high innovation rate underline the effectiveness of this investment. Thus Sonova has demonstrated in the financial year 2008/09 that its research and development activities are among the most cost-effective in the industry.

Further expansion of the sales network

The Group's sales and marketing operation was further expanded through various acquisitions, further strengthening our existing distribution channels. Investments were also made in the distribution structures of our global subsidiaries. The expansion projects included in particular the establishment and expansion of sales and distribution activities in emerging markets. This is also evident in headcount trends. The number of employees across the whole Group increased by 12% to 5,339. The highest staff growth levels were seen in the fields of sales, marketing and administration due to the expansion projects referred to above. This led to overall sales and marketing expenses of CHF 340.3 million compared with CHF 309.2 million in the previous year. General and administration expenses came to CHF 117.7 million, representing 9.4% of sales and therefore in line with the previous year's level.

Sound profit

Profit after tax was CHF 284.1 million compared with CHF 305.2 million in the previous year. The decline was due to lower operating profits, a slightly poorer financial result and slightly higher tax expenses. The financial performance was primarily affected by generally lower interest rates on the income side, while higher costs for hedging foreign currency risks had a negative impact on financing costs. Income taxes were kept to a low level and amounted to CHF 38.6 million for the financial year, with an income tax rate of 12.0%.

Sonova Group consolidated cash flow statement – key data:

in CHF m	2008/09	2007/08
Cash flow from operating activities	**281.8**	**303.8**
Cash flow from investing activities	(202.8)	(84.4)
Free cash flow	**79.0**	**219.4**
Cash flow from financing activities	(160.7)	(198.4)
Change in cash and cash equivalents	(80.5)	12.9
Cash and cash equivalents at March 31	216.7	297.2

Increased investment activity

Cash flow from operating activities fell slightly during the financial year 2008/09 from CHF 303.8 million to CHF 281.8 million. With comparable income before taxes, it was primarily the difference of unrealized non-cash effective currency gains which contributed to the lower cash flow from operating activities. The change in net working capital due to the expansion of business activities was similar to the previous year's level. At CHF 79.0 million, free cash flow, which also takes into account cash flow from investing activities, was significantly below the previous year's figure of CHF 219.4 million. Cash flow from investing activities rose to CHF 202.8 million in the reporting period from CHF 84.4 million in the preceding year. Thereof cash used for acquisitions increased by CHF 60.8 million to CHF 97.3 million and cash flow for non-current financial assets rose by 31.0 million to CHF 35.3 million mainly driven by expansion activities. Investments in tangible and intangible assets increased by CHF 19.9 million to CHF 76.4 million, of which CHF 20.0 million have been spent on new production facilities. The free cash flow was used to cover the dividend payouts to shareholders, amounting to CHF 66.5 million (CHF 51.0 million in the previous year), and also to pay for the purchase of own shares to the value of CHF 94.7 million (CHF 140.8 million in the previous year). During the financial year 2008/09 the Sonova Group reported a cash outflow from financing activities of CHF 160.7 million (CHF 198.4 million in the previous year). Taking into account the negative currency translation differences, cash and cash equivalents fell by CHF 80.5 million.

Solid balance sheet structure

Sonova Group's capital employed grew by CHF 190.7 million, or 31.4%, to CHF 798.9 million. This was primarily due to the higher level of fixed assets as a result of acquisitions and the construction of a new manufacturing and technology center in Stäfa, Switzerland. Net working capital increased relative to sales due to increased business activity, especially towards the end of the financial year. Average times within which clients settled their invoices remained stable compared with the previous year. Foreign currencies had appreciated slightly against the Swiss franc on the balance sheet date, leading to a further slight increase in the level of capital employed.

Net cash fell to CHF 227.7 million as of March 31, 2009, compared with CHF 311.6 million one year previously. The reason for this lies in the continuation of the share buy-back program and an above-average level of investment activity. The Group's equity capital increased to CHF 1,026.6 million. The equity financing ratio (equity capital as a percentage of total assets) remained stable at 72.0%, the same high level as the previous year.

Share buy-back program continued

Sonova continued to repurchase shares during the reporting period, though it temporarily suspended these activities in October 2008. The buy-back program began on September 20, 2007, via a second trading line, and will continue until September 30, 2010, at the latest. Up to 10% of the shares outstanding may be bought back until this date. The program allows Sonova to return its cash not used for operations and funds generated from future free cash flows to its shareholders. Thanks to the Group's solid financial position, the buy-back program will not impact on its financial flexibility for further internal and external expansion. The Group has repurchased, through its share buy-back program, 2,113,500 Sonova shares, or 3.2% of the share capital up to March 31, 2009. Of this, 1,095,700 shares or 1.7% of share capital was repurchased in the financial year 2008/09. The Board of Directors will be submitting a motion to the AGM of June 10, 2009, to cancel the repurchased Sonova shares.

5 Year Key Figures (Consolidated)

in 1,000 CHF unless otherwise specified	2008/09[1]
Sales	**1,249,197**
change compared to previous year (%)	3.7
Gross profit	**867,218**
change compared to previous year (%)	3.0
in % of sales	69.4
Research & development costs	**77,377**
in % of sales	6.2
Sales & marketing costs	**340,312**
in % of sales	27.2
Operating profit before acquisition-related amortization (EBITA)	**331,778**
change compared to previous year (%)	(2.3)
in % of sales	26.6
Operating profit (EBIT)	**325,014**
change compared to previous year (%)	(2.9)
in % of sales	26.0
Income after taxes	**284,110**
change compared to previous year (%)	(6.9)
in % of sales	22.7
Number of employees (average)	**5,108**
change compared to previous year (%)	17.4
Number of employees (end of period)	**5,339**
change compared to previous year (%)	12.5
Net cash[4]	**227,689**
Net working capital[5]	**152,355**
in % of sales	12.2
Capital expenditure (tangible and intangible assets)[6]	**75,985**
Capital employed[7]	**798,934**
in % of sales	64.0
Total assets	**1,426,560**
Equity	**1,026,623**
Equity financing ratio (%)[8]	**72.0**
Free cash flow[9]	**79,003**
in % of sales	6.3
Return on capital employed (%)[10]	**46.2**
Return on equity (%)[11]	**29.2**
Basic earnings per share (CHF)	**4.348**
Diluted earnings per share (CHF)	4.330
Dividend per share (CHF)	1.00[12]

1) All changes compared to previous year are based on the underlying performance 2007/08.
2) Restated as a result of initial application of IFRIC 14, for details refer to Note 2.
3) Excluding one-off costs for the prohibited acquisition of the GN ReSound Group (see Note 2). Balance sheet and cash flow as reported.
4) Cash and cash equivalents + other current financial assets – short-term debts – other current financial liabilities – non-current financial liabilities.
5) Receivables + inventories – trade payables – current income tax liabilities – other short-term liabilities – short-term provisions.
6) Excluding goodwill and intangibles relating to acquisitions.
7) Total assets – cash and cash equivalents – other current financial assets – trade payables – other liabilities – provisions – tax liabilities.
8) Equity in % of total assets.
9) Cash flow from operating activities + cash flow from investing activities.
10) EBIT in % of capital employed (average).
11) Income after taxes in % of equity (average).
12) Proposal to the Annual General Shareholders’ Meeting of June 10, 2009.

Reported performance 2007/08[2]	Underlying performance 2007/08[2)/3)]	2006/07	2005/06	2004/05
1,204,779	**1,204,779**	**1,072,796**	**866,682**	**660,375**
12.3	12.3	23.8	31.2	6.4
841,584	**841,584**	**732,075**	**577,587**	**417,814**
15.0	15.0	26.7	38.2	12.1
69.9	69.9	68.2	66.6	63.3
76,454	**76,454**	**67,590**	**62,780**	**48,932**
6.3	6.3	6.3	7.2	7.4
309,200	**309,200**	**278,978**	**205,731**	**159,117**
25.7	25.7	26.0	23.7	24.1
331,737	**339,752**	**283,643**	**213,862**	**125,830**
17.0	19.8	32.6	70.0	21.6
27.5	28.2	26.4	24.7	19.1
326,743	**334,758**	**279,765**	**212,696**	**125,797**
16.8	19.7	31.5	69.1	32.5
27.1	27.8	26.1	24.5	19.0
274,140	**305,196**	**242,875**	**173,499**	**95,856**
12.9	25.7	40.0	81.0	38.2
22.8	25.3	22.6	20.0	14.5
4,351	**4,351**	**3,813**	**3,166**	**2,719**
14.1	14.1	20.4	16.4	7.8
4,746	**4,746**	**4,023**	**3,428**	**2,926**
18.0	18.0	17.3	17.2	8.8
311,647	**311,647**	**296,480**	**177,934**	**93,785**
107,890	**107,890**	**96,313**	**125,866**	**79,496**
9.0	9.0	9.0	14.5	12.0
55,892	**55,892**	**31,242**	**26,995**	**23,083**
608,207	**608,207**	**547,215**	**446,588**	**355,919**
50.5	50.5	51.0	51.5	53.9
1,273,928	**1,273,928**	**1,263,392**	**928,125**	**743,360**
919,854	**919,854**	**894,687**	**624,522**	**449,704**
72.2	**72.2**	**70.8**	**67.3**	**60.5**
219,392	**219,392**	**144,542**	**101,834**	**83,781**
18.2	18.2	13.5	11.7	12.7
56.6	**57.9**	**56.3**	**53.0**	**36.1**
30.2	**33.6**	**32.0**	**32.3**	**24.0**
4.087	**4.551**	**3.637**	**2.607**	**1.450**
4.044	4.503	3.590	2.584	1.434
1.00	1.00	0.75	0.50	0.30

Consolidated Income Statements

1,000 CHF	Notes	2008/09	2007/08
Sales	5	**1,249,197**	**1,204,779**
Cost of sales		(381,979)	(363,195)
Gross profit		**867,218**	**841,584**
Research and development		(77,377)	(76,454)
Sales and marketing		(340,312)	(309,200)
General and administration		(117,717)	(114,998)
Other expenses, net	6	(34)	(9,195)
Operating profit before acquisition-related amortization (EBITA)[1)]		**331,778**	**331,737**
Acquisition-related amortization	19	(6,764)	(4,994)
Operating profit (EBIT)[2)]		**325,014**	**326,743**
Financial income	7	8,170	11,332
Financial expenses	7	(8,354)	(33,126)
Share of loss in associates/joint ventures	17	(2,075)	(1,646)
Income before taxes		**322,755**	**303,303**
Income taxes	8	(38,645)	(29,163)
Income after taxes		**284,110**	**274,140**

Attributable to:			
Equity holders of the parent		284,816	273,349
Minority interests		(706)	791

Basic earnings per share (CHF)	9	4.348	4.087
Diluted earnings per share (CHF)	9	4.330	4.044

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

The Notes are an integral part of the consolidated financial statements

Consolidated Balance Sheets

Assets 1,000 CHF	Notes	31.3.2009	31.3.2008[1]
Cash and cash equivalents	11	216,715	297,241
Other current financial assets	12	14,665	16,188
Trade receivables	13	262,022	226,500
Other receivables and prepaid expenses	14	57,519	47,992
Inventories	15	114,226	101,685
Total current assets		**665,147**	**689,606**
Property, plant & equipment	16	160,585	128,391
Intangible assets	19	418,446	301,960
Investments in associates/joint ventures	17	35,843	37,229
Other non-current financial assets	18	64,370	40,174
Employee benefit assets	29		919
Deferred tax assets	8	82,169	75,649
Total non-current assets		**761,413**	**584,322**
Total assets		**1,426,560**	**1,273,928**

Liabilities and equity 1,000 CHF	Notes	31.3.2009	31.3.2008[1]
Short-term debts	21, 24	1,057	720
Trade payables		53,531	50,495
Current income tax liabilities		38,432	52,717
Other current financial liabilities	24	35	28
Other short-term liabilities	22	125,929	117,868
Short-term provisions	20	63,520	47,207
Total current liabilities		**282,504**	**269,035**
Non-current financial liabilities	23, 24	2,599	1,034
Long-term provisions	20	39,259	39,045
Other long-term liabilities	25	35,006	10,417
Deferred tax liabilities	8	40,569	34,543
Total non-current liabilities		**117,433**	**85,039**
Total liabilities		**399,937**	**354,074**
Share capital	26	3,312	3,373
Share premium		72,703	199,809
Treasury shares		(72,397)	(129,821)
Retained earnings		1,018,250	841,790
Equity attributable to equity holders of the parent		**1,021,868**	**915,151**
Minority interests		4,755	4,703
Equity		**1,026,623**	**919,854**
Total liabilities and equity		**1,426,560**	**1,273,928**

[1] Restated as a result of initial application of IFRIC 14, for details refer to Note 2.

The Notes are an integral part of the consolidated financial statements

Consolidated Cash Flow Statements

1,000 CHF	Notes	2008/09	2008/09	2007/08	2007/08
Income before taxes			**322,755**		**303,303**
Depreciation and amortization of tangible and intangible assets	16, 19	40,752		35,254	
Loss on sale of tangible and intangible assets, net		430		295	
Share of loss in associates/joint ventures	17	2,075		1,646	
Decrease in long-term provisions		(23)		(4,337)	
Financial expenses, net	7	184		21,794	
Unrealized exchange differences		(7,717)		21,164	
Other non-cash items		15,340	51,041	16,726	92,542
Cash flow before changes in net working capital			**373,796**		**395,845**
Increase in trade receivables		(32,486)		(21,238)	
Decrease/(increase) in other receivables and prepaid expenses		223		(7,173)	
Increase in inventories		(11,250)		(18,964)	
(Decrease)/increase in trade payables		(3,733)		7,787	
Increase/(decrease) in other payables, accruals and short-term provisions		1,266		(14,317)	
Income taxes paid		(46,049)	(92,029)	(38,181)	(92,086)
Cash flow from operating activities			**281,767**		**303,759**
Purchase of tangible and intangible assets		(76,388)		(56,486)	
Proceeds from sale of tangible and intangible assets		1,264		2,205	
Cash consideration for acquisitions, net of cash acquired	27	(97,282)		(36,443)	
Increase in other non-current financial assets		(35,325)		(4,331)	
Interest received and realized gain from financial assets		4,967		10,688	
Cash flow from investing activities			**(202,764)**		**(84,367)**
Free cash flow			**79,003**		**219,392**
Repayments of borrowings and mortgages		(3,076)		(7,696)	
Proceeds from capital increases		7,322		9,131	
Purchase of treasury shares, net		(94,656)		(140,753)	
Dividends paid		(66,492)		(50,988)	
Interest paid and other financial expenses		(3,831)		(8,108)	
Cash flow from financing activities			**(160,733)**		**(198,414)**
Currency translation differences			1,204		(8,078)
(Decrease)/increase in cash and cash equivalents			**(80,526)**		**12,900**
Cash and cash equivalents at the beginning of the financial year			297,241		284,341
Cash and cash equivalents at the end of the financial year			**216,715**		**297,241**

The Notes are an integral part of the consolidated financial statements

Consolidated Statements of Recognized Income and Expense

1,000 CHF	2008/09	2007/08[1]
Income after taxes	**284,110**	**274,140**
Actuarial loss from defined benefit plans, net	(22,808)	(3,666)
Fair value adjustments on cash flow hedges[2]		(49,099)
Currency translation differences	(22,711)	(48,249)
Taxes on equity items	3,116	520
Income and expenses directly recognized in equity	**(42,403)**	**(100,494)**
Total recognized income and expense	**241,707**	**173,646**
Attributable to equity holders of Sonova Holding AG	242,272	172,877
Attributable to minority interests	(565)	769

[1] Restated as a result of initial application of IFRIC 14, for details refer to Note 2.
[2] As the acquisition of the GN ReSound Group has been prohibited by the German Federal Cartel Office, the relating contingent hedge contracts have lapsed without any costs for the Group.

The Notes are an integral part of the consolidated financial statements

Consolidated Changes in Equity

1,000 CHF

	Attributable to equity holders of Sonova Holding AG							
	Share capital	Share premium	Retained earnings	Translation adjustment	Treasury shares	Hedge reserve	Minority interests	Total equity
Balance April 1, 2007 (as reported)	**3,356**	**175,802**	**676,748**	**(10,805)**	**(3,038)**	**49,099**	**3,525**	**894,687**
First application of IFRIC 14			3,958				27	3,985
Balance April 1, 2007 (restated)[1]	**3,356**	**175,802**	**680,706**	**(10,805)**	**(3,038)**	**49,099**	**3,552**	**898,672**
Total recognized income and expense[1]			**270,225**	**(48,028)**		**(49,099)**	**548**	**173,646**
Changes in minorities							1,283	1,283
Capital increase from conditional capital	17	9,114						9,131
Share-based payments		4,507						4,507
Sale of treasury shares		1,921			14,575			16,496
Purchase of treasury shares					(141,358)			(141,358)
Capitalized financing costs[2]		8,465						8,465
Dividend paid			(50,308)				(680)	(50,988)
Balance March 31, 2008 (restated)[1]	**3,373**	**199,809**	**900,623**	**(58,833)**	**(129,821)**	**0**	**4,703**	**919,854**
Balance April 1, 2008 (as reported)	**3,373**	**199,809**	**899,838**	**(58,833)**	**(129,821)**	**0**	**4,698**	**919,064**
First application of IFRIC 14			785				5	790
Balance April 1, 2008 (restated)[1]	**3,373**	**199,809**	**900,623**	**(58,833)**	**(129,821)**	**0**	**4,703**	**919,854**
Total recognized income and expense			**265,253**	**(22,981)**			**(565)**	**241,707**
Changes in minorities							1,284	1,284
Capital increase from conditional capital	9	7,313						7,322
Capital decrease – share buy-back program	(70)	(142,787)			142,857			
Share-based payments		11,488					13	11,501
Sale of treasury shares		(3,120)			9,263			6,143
Purchase of treasury shares					(94,696)			(94,696)
Dividend paid			(65,812)				(680)	(66,492)
Balance March 31, 2009	**3,312**	**72,703**	**1,100,064**	**(81,814)**	**(72,397)**	**0**	**4,755**	**1,026,623**

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

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 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. Changes in accounting policies

The following amendments and interpretations to IFRS have been adopted by the Group as of April 1, 2008 without having any significant impact on the consolidated financial statements 2008/09:

IFRIC 12 "Service Concession Arrangements" Amendments to IAS 39 and IFRS 7 "Financial Instruments: Disclosures", Amendments to IFRIC 9 and IAS 39 "Embedded Derivatives".

In addition the Group has implemented IFRIC 14 "The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" as of April 1, 2008. The impact from the retrospective application from this interpretation is summarized in the table below. The application had no impact on the income statements and earnings per share.

The following new or revised IFRS Standards and Interpretations will become effective for financial periods beginning on or after July 1, 2008 and have not yet been applied:

– IAS 1 (revised) "Presentation of Financial Statements" (effective January 1, 2009)
– IAS 23 (revised) "Borrowing Costs" (effective January 1, 2009)
– IAS 27 (revised) "Consolidated and Separate Financial Statements" (effective July, 1, 2009)
– IFRS 2 (amended) "Share-based Payments" (effective January 1, 2009)
– IFRS 3 (revised) "Business Combinations" (effective July 1, 2009)
– IFRS 8 "Operating Segments" (effective January 1, 2009)
– IFRIC 13 "Customer Loyalty Programmes" (effective July 1, 2008)
– IFRIC 15 "Agreements for the Construction of Real Estate" (effective January 1, 2009)
– IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective October 1, 2008)
– IFRIC 17 "Distribution of Non-cash Assets to Owners" (effective July 1, 2009)
– Improvements to IFRSs, Clarifications of existing IFRSs (effective January 1, 2009)

1,000 CHF	As originally published	Application of IFRIC 14	Restated
At April 1, 2007			
Employee benefit assets		4,634	4,634
Deferred tax liabilities	39,408	649	40,057
Total equity attributable to equity holders of Sonova Holding AG	891,162	3,958	895,120
Minority interests	3,525	27	3,552
At March 31, 2008			
Employee benefit assets		919	919
Deferred tax liabilities	34,414	129	34,543
Total equity attributable to equity holders of Sonova Holding AG	914,366	785	915,151
Minority interests	4,698	5	4,703

The Group is currently assessing the potential impact of the adoption of these new or amended standards and interpretations that will affect the Group after March 31, 2009. While most of the new or revised standards are not expected to have a significant impact on the Group's result and financial position (IAS 1 revised and the new IFRS 8 are presentation and disclosure related only), the following revised standards may affect the Group after 31 March 2009:

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 in the income statement. The Group will apply the revised standard prospectively from April 1, 2010 onwards.

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 an equity transaction. Neither goodwill nor any gains or losses will result. The Group will apply the revised standard prospectively from April 1, 2010 onwards.

3. Basis of the consolidated financial statements

The consolidated financial statements of the Group are based on the financial statements of the individual Group Companies at March 31 prepared in accordance with uniform accounting policies. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets at market value, in accordance with International Financial Reporting Standards (IFRS), including International Accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB). The consolidated financial statements were approved by the Board of Directors of Sonova Holding AG on May 4, 2009.

The consolidated financial statements include Sonova Holding AG as well as the domestic and foreign subsidiaries over which Sonova Holding AG exercises control. A list of the significant companies which are consolidated is given in Note 36.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities and contingent assets and liabilities at the date of the financial statements as well as revenue and expenses reported for the financial year (refer also to Note 3.6, "Significant accounting judgements and estimates"). Actual results could differ from these estimates.

3.1 Principles of consolidation

Investments in subsidiaries

Investments in subsidiaries are fully consolidated. These are entities over which Sonova Holding AG directly or indirectly exercises control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. For the consolidated entities, 100% of assets, liabilities, income and expenses are included. The interests of minority shareholders in equity and net income or loss are shown separately in the balance sheet and income statement. Changes in minority interests are accounted for using the "modified parent company model", with any excess of purchase consideration over the carrying values of the attributable net assets acquired being recorded as goodwill.

Group Companies acquired during the year are included in the consolidation from the date on which control over the company is transferred to the Group, and are excluded from the consolidation as of the date the Group ceases to have control over the company. Intercompany balances and transactions (incl. unrealized profit on intercompany inventories) are eliminated in full.

Investments in associates

Investments in associates are accounted for using the equity method of accounting. These are entities in which Sonova has significant influence and which are neither subsidiaries nor joint ventures of Sonova. Significant influence is the power to participate in the financial and operating policy decisions of the acquired company but is not control or joint control over those policies (usually 20 – 50% of voting rights). Under the equity method, the investment in an associate is initially recognized at cost (including goodwill on acquisition) and the carrying amount is increased or decreased to recognize Sonova's share of profit or loss of the acquired company after the acquisition date. In order to apply the equity method the most recent available financial statements of an associate are used, however due to practicability reasons the reporting dates might vary up to three months from the Group's reporting date. The net assets and results from associates are adjusted, if necessary, to comply with the Group's accounting policies.

The Group's share of equity in associated companies, consolidated using the equity method, is shown in the balance sheet as "Investments in associates/joint ventures," and its share of the results of operations for the year is shown in the income statement as "Share of gain/(loss) in associates/joint ventures".

Associates acquired during the year are accounted for as "Investments in associates/joint ventures" from the date on which significant influence over the acquired company is transferred to the Group, and derecognized from that position as of the date the Group ceases to have significant influence over an associate.

Investments in joint ventures

Investments in joint ventures are accounted for using the equity method of accounting. Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control. Under the equity method, the investment in a joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize Sonova's share of profit or loss of the jointly controlled entity after the acquisition date. For applying the equity method the most recent available financial statements of a joint venture are used, however due to practicability reasons the reporting dates might vary up to three months from the Group's reporting date. The net assets and results from joint ventures are adjusted, if necessary, to comply with the Group's accounting policies.

The Group's share of equity in joint ventures consolidated using the equity method is shown in the balance sheet as "Investments in associates/ joint ventures," and its share of the results of operations for the year is shown in the income statements as "Share of gain/(loss) in associates/joint ventures".

Joint ventures established during the year are accounted for as "Investment in associates/joint ventures" from the date on which joint control over the joint venture is transferred to the Group and derecognized from that position as of the date the Group ceases to have joint control.

3.2 Currency translation

The consolidated financial statements are expressed in Swiss francs ("CHF"), which is the Group's presentation currency. The functional currency of each Group Company is based on the local economic environment to which an entity is exposed, which is normally the local currency.

Transactions in foreign currencies are accounted for at the rates prevailing at the dates of the transactions. The resulting exchange differences are recorded in the local income statements of the Group Companies and included in net income.

Monetary assets and liabilities of Group Companies which are denominated in foreign currencies are translated using year-end exchange rates. Exchange differences are recorded as an income or expense. Non-monetary assets and liabilities are translated at historical exchange rates. Exchange differences arising on inter-company loans that are considered part of the net investment in a foreign entity are recorded in equity.

When translating foreign currency financial statements into Swiss francs, year-end exchange rates are applied to assets and liabilities, while average annual rates are applied to income statement accounts. Translation differences arising from this process are recorded as a separate component of equity. On disposal of a subsidiary, the related cumulative translation adjustment is transferred from equity and included in the profit or loss from the disposal in the income statements.

3.3 Accounting and valuation principles

Cash and cash equivalents

This item includes cash on hand and cash at banks, time deposits and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. The cash flow statement summarizes the movements in cash and cash equivalents. The free cash flow is the net amount of the cash flow from operating and from investing activities.

Other current financial assets

Other current financial assets consist of financial assets held for trading. Marketable securities within this category are classified as financial assets at fair value through profit or loss (see Note 3.4). Derivatives are classified as held for trading unless they are designated as hedges (see Note 3.5).

Trade receivables

Trade receivables are recorded at original invoice amount less provision made for doubtful accounts. A provision for doubtful accounts is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the invoice. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows.

Inventories

Purchased raw materials, components and finished goods are valued at the lower of cost or net realizable value. To evaluate cost, the standard cost method is applied, which approximates historical cost determined on a first-in first-out basis. Standard costs take into account normal levels of materials, supplies, labor, efficiency and capacity utilization. Standard costs are regularly reviewed and, if necessary, revised in the light of current conditions. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion (where applicable) and selling expenses. Manufactured finished goods and work-in-process are valued at the lower of production cost or net realizable value. Provisions are established for slow-moving, obsolete and phase-out inventory.

Property, plant & equipment

Property, plant & equipment is valued at purchase or manufacturing cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the expected useful lives of the individual assets or asset categories. Where an asset comprises several parts with different useful lives, each part of the asset is depreciated separately over its applicable useful life. The applicable useful lives are 25 – 40 years for buildings and 3 – 10 years for production facilities, machinery, equipment and vehicles. Land is not depreciated. Leasehold improvements are depreciated over the shorter of useful life or lease term.

Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Subsequent expenditure on an item of tangible assets is capitalized at cost only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Expenditures for repair and maintenance which do not increase the estimated useful lives of the related assets are recognized as an expense in the period in which they are incurred.

Research and development

Research costs are expensed as incurred. Development costs are capitalized only if the identifiable asset is commercially and technically feasible, can be completed, its costs can be measured reliably and will generate probable future economic benefits. Group expenditures which fulfill these criteria are limited to the development of tooling and equipment as well as costs relating to the development of middle ear implants. All other development costs are expensed as incurred. In addition to the internal costs (direct personnel and other operating costs, depreciation on research and development equipment and allocated occupancy costs), total costs also include externally contracted development work. Such capitalized intangibles are recognized at cost less accumulated amortization and impairment losses. Amortization starts when the capitalized asset is ready for use. These assets are generally amortized over the estimated useful life applying the straight-line method. Capitalized development costs are tested for impairment annually.

Leasing

Assets that are held under leases which effectively transfer to the Group the risks and rewards of ownership (finance leases) are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Minimum lease payments are the payments over the lease term that the Group is or can be required to make, excluding contingent rent, costs for services and taxes to be paid by the Sonova Group and reimbursed from the lessor, together with any amounts guaranteed by Sonova or by a party related to the Group. Assets under financial leasing are depreciated over the shorter of their estimated useful life or the lease term. The corresponding financial obligations are classified as "short-term debts" or "non-current financial liabilities", depending on whether they are payable within or after 12 months.

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases, and payments are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the Group's benefit.

Intangible assets

Purchased intangible assets such as software, licences and patents, are measured at cost less accumulated amortization (applying the straight-line method) and any impairment in value. Software is amortized over a useful life of 3 – 5 years. Intangibles relating to acquisitions of subsidiaries (excluding goodwill) consist generally of client relationships, customer lists and brand names and are amortized over a period of 3 – 10 years. Other intangible assets are generally amortized over a period of 3 – 10 years. Development costs capitalized for projects not yet completed are not amortized, but tested for impairment on an annual basis. Except for goodwill, the Sonova Group has no intangible assets with an indefinite useful life.

Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. The cost of a business combination is equal to the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Sonova Group, in exchange for control over the acquired company plus any costs directly attributable to the business combination. Any difference between the cost of the business combination and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities so recognized is treated as goodwill. Goodwill is not amortized, but is assessed for impairment annually in the first half of the financial year, or more frequently if events or changes in circumstances indicate that its value might be impaired.

Other non-current financial assets

Other non-current financial assets consist of investments in third parties and long-term receivables from associates and third parties. Investments in third parties are classified as financial assets at fair value through profit or loss and long-term receivables from associates and third parties are classified as loans and receivables (see Note 3.4).

Short-term debts

Short-term debts consist of short-term bank debts and all other interest bearing debts with a maturity of 12 months or less. Given the short-term nature of these debts they are carried at nominal value.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows (e.g. earn-out provisions).

The Group recognizes provisions for warranty costs to cover any costs arising from the warranty given on its products sold. The provision is calculated using historical and projected data on warranty rates, service costs, remaining warranty period and number of hearing aids on which the warranty is still active. Short-term portions of warranty provisions are reclassified to short-term provisions at each reporting date.

Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recorded in equity in the period in which they are approved by the parent companies' shareholders.

In the case any of the Group Companies purchases shares of the parent company, the consideration paid is recognized as treasury shares and presented as a deduction from equity unless these shares are cancelled or sold. Any consideration received from the sale of these shares is recognized in equity.

Income taxes

Income taxes include current and deferred income taxes. The Sonova Group is subject to income taxes in numerous jurisdictions and significant judgement is required in determining the worldwide provision for income taxes. The multitude of transactions and calculations implies estimates and assumptions. The Group recognizes liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred tax is recorded on the valuation differences (temporary differences) between the tax bases of assets and liabilities and their carrying values in the consolidated balance sheet. Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences and tax losses can be offset.

A provision for non-recoverable withholding taxes is made only on anticipated dividend distributions from subsidiaries. No provision is made in respect of possible future dividend distributions from undistributed earnings, as the parent is able to control the timing of the reversal of the temporary difference and such amounts are considered to be permanently reinvested.

Revenue recognition

Sales are recognized net of sales taxes and discounts upon delivery of products and reasonably assured collectibility of the related receivables. Probable returns of products are estimated and a corresponding provision is recognized. Intercompany sales are eliminated.

Sales of services (such as long-term service contracts) are recognized in the accounting period in which the services are rendered.

Interest income is recognized on a time proportion basis using the effective interest method.

Dividend income is recognized when the right to receive payment is established.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Group is active in one business segment; the design, development, manufacture, distribution and service of hearing systems and related products. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Sonova Group has set the following geographical segments: Europe, Americas, Asia/Pacific and Rest of world.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated. The recoverable amount of an asset or, where it is not possible to estimate the recoverable amount of an individual asset, a cash-generating unit is the higher of its fair value less selling costs and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. If the recoverable amount is lower than the carrying amount, an impairment loss is recognized. Impairment of financial assets is described in Note 3.4 Financial assets. For the purpose of impairment testing, goodwill as well as corporate assets are allocated to cash generating units. An annual impairment test is performed in the first half of each financial year, even if there is no indication of impairment (see section "business combinations and goodwill").

Related parties

A party is related to an entity if the party directly or indirectly controls, is controlled by, or is under common control with the entity, has an interest in the entity that gives it significant influence over the entity, has joint control over the entity or is an associate or a joint venture of the entity. In addition, members of the Board of Directors and the Management Board or close members of their families are also considered related parties as are post-employment benefit plans for the benefit of employees of the entity. No related party exercises control over the Group.

Employee benefits (IAS 19)

Pension obligations

Most employees are covered by post-employment plans sponsored by corresponding Group Companies in the Sonova Group. Such plans are mainly defined contribution plans (future benefits are determined by reference to the amount of contributions paid) and are generally administered by autonomous pension funds or independent insurance companies. These pension plans are financed through employer and employee contributions. The Group's contributions to defined contribution plans are charged to the income statement in the year to which they relate.

Sonova Group also has a number of defined benefit pension plans, both funded and unfunded. Accounting and reporting of these plans are based on annual actuarial valuations. Defined benefit obligations and service costs are assessed using the projected unit credit method: the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees participating in these plans. The pension obligation is measured as the present value of the estimated future outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Expenses from defined benefit plans are charged to the appropriate income statement heading within the operating results.

Actuarial gains and losses, resulting from changes in actuarial assumptions and differences between assumptions and actual experiences are recognized in the period in which they occur in the statement of recognized income and expense in equity.

Other long-term benefits

Other long-term benefits mainly comprise length of service compensation benefits which certain Group Companies are required to provide in accordance with legal requirements in the respective countries. These benefits are accrued, and the corresponding liabilities are included under "Other provisions".

Equity compensation benefits

The Board of Directors of Sonova Holding AG, the Management Board and certain management and senior employees of other Group Companies participate in equity compensation plans. The fair value of all equity compensation awards granted to employees is estimated, using an option pricing model, at the grant date and recorded as an expense over the vesting period. The expense is charged to the appropriate income statement heading within the operating result and an equivalent increase in equity is recorded.

3.4 Financial assets

Sonova classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and reclassifies them whenever their intention or ability changes. All purchases and sales are recognized on the settlement date.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are assets held for trading, acquired for the purpose of generating a profit from short-term fluctuations in price. Derivative financial assets and derivative financial liabilities are always deemed as held for trading unless they are designated and effective hedging instruments. Financial assets held for trading are measured at their fair value plus initial transaction costs. Fair value changes on a financial asset held for trading are included in net profit or loss for the period in which they arise. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities of more than 12 months. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet. Loans are measured at amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, minus any reduction for impairment or uncollectibility. The effective interest method is a method calculating the amortized cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the intention and ability to hold to maturity. Assets under this category that have a fixed maturity are valued at amortized cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months. Available-for-sale financial assets are initially measured at their fair value. After initial recognition available-for-sale financial assets are measured at fair value with gains and losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is recognized in the income statement.

The fair values of investments that are actively traded are based on current bid prices. If the market for a financial asset is not active, fair value is determined using valuation techniques.

Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The Group assesses, at each balance sheet date, whether there is any objective evidence that a financial asset may be impaired. If any such evidence exists, the Group estimates the recoverable amount of that asset and recognizes any impairment loss in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the write-down, the write-down of the financial asset is reversed. The reversal generally will not result in a carrying amount of the financial asset that exceeds what amortized cost would have been, had the impairment not been recognized, at the date the write-down of the financial asset is reversed. The amount of the reversal is included in profit or loss for the financial year.

3.5 Derivative financial instruments and hedging

The Group regularly hedges its net exposure from expected future cash in- and outflows in foreign currencies with forward contracts and options. Such contracts are not qualified as cash flow hedges and are therefore not accounted for using hedge accounting. Gains and losses on these transactions are recognized directly in the income statement; the corresponding positive and negative replacement values are recognized on the balance sheet as “other current financial assets/liabilities”.

In connection with the prohibited acquisition of the GN ReSound Group, the Group had entered into contingent cash flow hedges. For the contracts qualifying for hedge accounting the effective portion of the gain or loss on the hedging instrument was recognized directly in the statement of recognized income and expense in equity, while any ineffective portion was recognized immediately in the income statement (refer Note 24).

3.6 Significant accounting judgements and estimates

Key management judgements made in applying accounting policies

In the process of applying the Group’s accounting policies, management may be required to make judgements, apart from those involving estimates, which have an effect on the amounts recognized in the financial statements.

Key accounting estimates and assumptions

Preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. The estimates and assumptions are continuously evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable. Actual results may differ from these estimates and assumptions.

The main estimates and assumptions, with the potential of causing an adjustment, are discussed below.

Cost of business combinations

A business combination agreement may provide for an adjustment to the cost of the combination contingent on future events. If the future events do not occur or the estimate needs to be revised, the cost of a business combination is revised accordingly, with a resultant change in the carrying value of goodwill. As at the end of the financial year 2008/09 such costs contingent on future events (earn-out and holdback of purchase prices) of CHF 43.3 million have been included in the cost of business combinations.

Property, plant and equipment and intangible assets, including goodwill

The Group has property, plant and equipment with a carrying value of CHF 160.6 million as disclosed in Note 16 and intangible assets, including goodwill with a carrying value of CHF 418.4 million as disclosed in Note 19.

Included in the intangible assets are capitalized costs relating to the activities of Phonak Acoustic Implants SA, amounting to CHF 15.4 million.
The Group determines annually, in accordance with the accounting policy stated in Note 3.3, whether any of the assets are impaired. For the impairment tests, estimates are made of the expected future cash flows from the use of the asset or cash-generating unit. The actual cash flows could vary significantly from these estimates.

Deferred tax assets

The consolidated balance sheet includes deferred tax assets of CHF 82.2 million related to deductible differences and, in certain cases, tax loss carryforwards provided that their utilization appears probable. The recoverable value is based on forecasts of the corresponding taxable Group Company over a period of several years. As actual results may differ from these forecasts, the deferred tax assets may need to be adjusted accordingly.

Employee benefit plans

The Sonova Group has various employee benefit plans. Most of its salaried employees are covered by these plans, of which some are defined benefit plans. The present value of the defined benefit obligations at the end of the financial period 2008/09 amounts to CHF 145.0 million as disclosed in Note 29. With such plans, actuarial assumptions are made for the purpose of estimating future developments, including estimates and assumptions relating to discount rates, the expected return on plan assets in individual countries and future wage trends. Actuaries also use statistical data such as mortality tables and staff turnover rates with a view to determining employee benefit obligations. If these factors change due to a change in economic or market conditions, the subsequent results could deviate considerably from the actuarial reports and calculations. Over the medium term such deviations could have an impact on the equity. The carrying amounts of the plan assets and liabilities in the balance sheet are set out in Note 29.

Provision for warranty and returns

The Group recorded provisions for warranty and returns of CHF 44.1 million as of March 31, 2009 as disclosed in Note 20.

The calculation of these provisions is based on turnover and past experience of warranty claims and returns. The actual costs for warranty and returns may differ from these estimates.

4. Changes in Group Structure

In the financial year 2008/09 the Group established a new company in Turkey. This company is in the business of distributing hearing solutions. In addition, besides the acquisition of several small entities, the Group acquired TRE S.A., Luxembourg. The company is engaged in the business of distributing hearing solutions in the European market. The effect of this acquisition as well as the aggregate effect of the individually not material entities is disclosed in Note 27.

In the financial year 2007/08, the Sonova Group acquired several small entities which were individually not material.

5. Segment information

1,000 CHF						2008/09
	Europe	Americas	Asia/Pacific	Rest of world	Corporate/ Eliminations[1]	Total
Sales						
Third parties	555,131	603,476	89,128	1,462		1,249,197
Intersegment sales	449,892	2,002	120,442		(572,336)	
Total sales	**1,005,023**	**605,478**	**209,570**	**1,462**	**(572,336)**	**1,249,197**
Operating profit/(loss) (EBIT)	**317,609**	**10,526**	**(6,410)**	**(234)**	**3,523**	**325,014**
Financial expenses, net						(184)
Share of loss in associates/joint ventures	(1,599)	(445)	(31)			(2,075)
Income before taxes						**322,755**
Income taxes						(38,645)
Income after taxes						**284,110**
Total assets	**1,561,089**	**651,849**	**111,195**	**1,137**	**(898,710)**	**1,426,560**
thereof: Investments in associates/joint ventures	30,386	5,449	8			35,843
Total liabilities	**372,938**	**443,424**	**116,004**	**1,687**	**(534,116)**	**399,937**
Capital expenditure in tangible and intangible assets	57,513	10,244	10,654	52		78,463
Depreciation and amortization on tangible and intangible assets	24,600	11,872	4,263	17		40,752
Share-based payments	12,358	2,614	863	2		15,837
Third party sales based on location of customers	**518,062**	**606,755**	**117,630**	**6,750**		**1,249,197**
Growth in local currencies	6.9 %	12.9 %	18.4 %	10.3 %		10.8 %

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

The Group is active in one business segment; the design, development, manufacture, distribution and service of hearing systems and related products.

The primary segment information is presented according to geographical regions based on location of assets. This is in line with the management structure of the Group. Transactions between segments are generally conducted at arms-length.

1,000 CHF						2007/08
	Europe	Americas	Asia/Pacific	Rest of world	Corporate/ Eliminations[1]	Total
Sales						
Third parties	549,739	574,788	78,709	1,543		1,204,779
Intersegment sales	404,186	5,089	90,962		(500,237)	
Total sales	**953,925**	**579,877**	**169,671**	**1,543**	**(500,237)**	**1,204,779**
Operating profit/(loss) (EBIT)	**329,530**	**10,642**	**(4,454)**	**(520)**	**(8,455)**	**326,743**
Financial expenses, net						(21,794)
Share of (loss)/gain in associates/joint ventures	(2,143)	497				(1,646)
Income before taxes						**303,303**
Income taxes						(29,163)
Income after taxes						**274,140**
Total assets[2]	**1,415,153**	**571,588**	**88,707**	**657**	**(802,177)**	**1,273,928**
thereof: Investments in associates/joint ventures	33,577	3,652				37,229
Total liabilities[2]	**368,988**	**358,143**	**88,043**	**1,174**	**(462,274)**	**354,074**
Capital expenditure in tangible and intangible assets	39,521	13,028	5,025	21		57,595
Depreciation and amortization on tangible and intangible assets	20,398	11,302	3,532	22		35,254
Share-based payments	13,269	2,964	780			17,013
Third party sales based on location of customers	**515,060**	**575,988**	**107,215**	**6,516**		**1,204,779**
Growth in local currencies	10.5 %	13.9 %	17.5 %	26.5 %		12.8 %

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

6. Other (expenses)/income, net

1,000 CHF	2008/09	2007/08
Other operating expenses		(8,077)
Other operating income	159	25
Exchange differences	(193)	(1,143)
Total	**(34)**	**(9,195)**

In the financial statements 2006/07, the Group assessed the acquisition of the GN ReSound Group to be probable. Correspondingly, costs in the amount of CHF 19.1 million were recorded in the balance sheet as prepaid expenses and equity. After the planned transaction had been prohibited by the German Federal Cartel Office (FCO) and after the "Oberlandesgericht Düsseldorf" had ruled that it does not have the power to grant interim relief in merger prohibition cases, the Group terminated the transaction to acquire the GN ReSound Group as of August 15, 2007. As a consequence, previously capitalized costs were expensed in the financial period 2007/08. The effect on the income statement can be summarized as follows: costs in the amount of CHF 26.9 million relating to the financing of the transaction (predominantly planned capital increase as well as financing costs) were expensed and were included in "financial expenses" (refer to Note 7). Additional acquisition-related costs (due diligence costs, legal costs) in the amount of CHF 8.0 million were expensed and were included in "other operating expenses".

7. Financial (expenses)/income, net

1,000 CHF	2008/09	2007/08
Interest income	6,874	10,260
Other financial income	1,296	1,072
Total financial income	**8,170**	**11,332**
Mortgage interest	(15)	(16)
Other interest expenses	(933)	(2,820)
Other financial expenses	(7,406)	(30,290)
Total financial expenses	**(8,354)**	**(33,126)**
Total	**(184)**	**(21,794)**

Other interest expenses in the financial year 2007/08 primarily consist of present value adjustments on loans given to business partners.

Other financial expenses include amongst others the difference between the originally recorded discounted acquisition-related earn-out payments and their current present value. Other financial expenses in 2007/08 mainly include the non-recurring cost items relating to the financing (predominantly planned capital increase as well as financing costs) of the prohibited transaction to acquire the GN ReSound Group in the amount of CHF 26.9 million (refer to Note 6).

8. Taxes

1,000 CHF	2008/09	2007/08
Income taxes	41,445	47,269
Change in deferred taxes	(2,800)	(18,106)
Total tax expense	**38,645**	**29,163**
Reconciliation of tax expense		
Income before taxes	322,755	303,303
Weighted average expected tax rate	10.4 %	12.5 %
Tax at weighted average rate	**33,599**	**37,892**
+/– Effects of		
Expenses/(income) not subject to tax, net	1,391	(564)
Changes of unrecognized loss carryforwards	5,050	2,240
Change in tax rates on deferred tax balances	389	649
Prior year (income)/expense and other items, net	(1,784)	(11,054)
Total tax expense	**38,645**	**29,163**
Weighted average effective tax rate	12.0 %	9.6 %

The weighted average expected Group tax rate is the aggregate obtained by applying the rate currently effective for each individual jurisdiction to its respective result before taxes. Due to a change in the country mix of the taxable profit and a non-recurring item in prior year, the weighted average effective tax rate increased in the financial year 2008/09 to 12.0%.

An uncertain tax situation in connection with an acquisition could be solved in the financial period 2007/08. The Group therefore released a provision which was set up several years ago in the amount of CHF 9.8 million (included in "Prior year (income)/expense and other items, net").

Composition of deferred tax assets and liabilities

1,000 CHF	31.3.2009		31.3.2008	
	Assets	Liabilities	Assets	Liabilities[1]
Tax loss carryforwards	19,670		20,305	
Receivables	1,438	3,957	1,738	2,709
Inventories	34,076	522	30,750	4,078
Property, plant & equipment	154	4,838	802	5,816
Intangible assets	3,275	19,605	2,863	13,547
Provisions	13,927	8,443	14,392	5,799
Other liabilities	9,629	3,204	4,799	2,594
Deferred taxes	**82,169**	**40,569**	**75,649**	**34,543**

[1] Restated as a result of initial application of IFRIC 14, for details refer to Note 2.

Deferred tax assets have been capitalized based on the projected future performance of the Group Companies, supplemented with tax planning opportunities.

Movements in deferred taxes 1,000 CHF	2008/09	2007/08[1]
Changes through business combinations	(6,204)	(937)
Deferred taxes recognized in the income statement	2,800	18,106
Deferred taxes recognized in equity	3,116	(129)
Exchange differences	782	(4,415)
Total changes in deferred taxes	**494**	**12,625**

[1] Restated as a result of initial application of IFRIC 14, for details refer to Note 2.

The gross values of unused tax loss carryforwards, which have not been capitalized as deferred tax assets, with their expiry dates are as follows:

1,000 CHF	31.3.2009	31.3.2008
Within 1 – 3 years	14,759	8,421
Within 4 years	3,453	3,720
Within 5 years	3,957	770
More than 5 years	48,916	12,189
Total	**71,085**	**25,100**

9. Earnings per share

Basic earnings per share are calculated by dividing the income after taxes attributable to the ordinary equity holders of the parent company by the weighted average number of shares outstanding during the year.

Basic earnings per share	2008/09	2007/08
Income after taxes (1,000 CHF)	284,816	273,349
Weighted average number of outstanding shares	65,505,504	66,886,784
Basic earnings per share (CHF)	**4.348**	**4.087**

In the case of diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming all outstanding dilutive options will be exercised. The weighted average number of shares is adjusted for all dilutive options issued under the stock option plans which have been granted in 2003 through to 2009 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 is used in calculating basic earnings per share.

Diluted earnings per share	2008/09	2007/08
Income after taxes (1,000 CHF)	284,816	273,349
Weighted average number of outstanding shares	65,505,504	66,886,784
Adjustment for dilutive share options	266,010	708,031
Adjusted weighted average number of outstanding shares	65,771,514	67,594,815
Diluted earnings per share (CHF)	**4.330**	**4.044**

10. Dividend per share

The Board of Directors of Sonova Holding AG proposes to the Annual General Shareholders' Meeting, to be held on June 10, 2009, that a dividend of CHF 1.00 (previous year CHF 1.00) per share shall be distributed.

11. Cash and cash equivalents

1,000 CHF	31.3.2009	31.3.2008
Cash on hand	493	357
Current bank accounts	214,135	289,242
Time deposits	2,087	7,642
Total	**216,715**	**297,241**

Time deposits and bank accounts are mainly denominated in CHF, EUR and USD.

For details of the movements in cash and cash equivalents refer to the consolidated cash flow statements.

12. Other current financial assets

1,000 CHF	31.3.2009	31.3.2008
Marketable securities	12,137	12,982
Positive replacement value of forward foreign exchange contracts	2,528	3,206
Total	**14,665**	**16,188**

For details on forward foreign exchange contracts refer to Note 24.

Marketable securities mainly consist of quoted bonds and equity funds. The carrying values of these financial assets equal market prices.

13. Trade receivables

1,000 CHF	31.3.2009	31.3.2008
Trade accounts receivable	273,495	237,401
Provision for doubtful accounts	(11,473)	(10,901)
Total	**262,022**	**226,500**

Typically in this industry, the Sonova Group has a large number of customers. There is no significant concentration of the credit risk. The ageing of trade accounts receivable and related provisions looks as follows:

1,000 CHF	31.3.2009	31.3.2008
Total trade accounts receivable, net	**262,022**	**226,500**
of which:		
Not overdue	190,420	167,978
Overdue 1 – 30 days	36,794	25,922
Overdue 31 – 90 days	18,336	17,529
Overdue 91 – 180 days	9,773	10,027
Overdue more than 181 days	6,699	5,044
Total trade accounts receivable, net	**262,022**	**226,500**

Provisions for doubtful accounts receivable are established based on individual adjustments and past experiences. The charges to the income statement are included in general and administration costs. The following table summarizes the movements in the provision for doubtful accounts:

1,000 CHF	2008/09	2007/08
April 1	**(10,901)**	**(10,855)**
Utilization or reversal of provisions for doubtful accounts	3,529	4,064
Set up of provisions for doubtful accounts	(3,493)	(4,980)
Changes through business combiniations	(799)	(6)
Exchange differences	191	876
March 31	**(11,473)**	**(10,901)**

During 2008/09 the Group has utilized CHF 1.4 million (previous year CHF 0.9 million) of this provision to impair receivables.

The carrying amounts of trade accounts receivable are denominated in the following currencies:

1,000 CHF	31.3.2009	31.3.2008
CAD	18,895	16,704
CHF	20,943	18,885
EUR	99,942	89,513
GBP	8,178	10,772
USD	73,361	58,457
Other	40,703	32,169
Total trade accounts receivable, net	**262,022**	**226,500**

14. Other receivables and prepaid expenses

1,000 CHF	31.3.2009	31.3.2008
Other receivables	38,889	33,198
Prepaid expenses	18,630	14,794
Total	**57,519**	**47,992**

The largest individual items included in other receivables are recoverable value added taxes. Prepaid expenses mainly consist of advances to suppliers.

15. Inventories

1,000 CHF	31.3.2009	31.3.2008
Raw materials and components	16,026	20,335
Work-in-process	53,409	43,282
Finished products (incl. purchased goods)	76,155	70,988
Allowances	(31,364)	(32,920)
Total	**114,226**	**101,685**

Allowances include value adjustments for slow moving, phase out and obsolete stock.

In 2008/09, CHF 311.8 million (previous year CHF 300.8 million) were recognized as an expense and included in “cost of sales”.

16. Property, plant & equipment

1,000 CHF					31.3.2009
	Land	Buildings	Total land & buildings	Plant & equipment	Total
Cost					
Balance April 1	9,312	80,943	90,255	194,311	284,566
Changes through business combinations	43	1,631	1,674	7,109	8,783
Additions	2,618	19,206	21,824	33,446	55,270
Disposals		(2,199)	(2,199)	(9,049)	(11,248)
Exchange differences	(132)	(471)	(603)	(1,161)	(1,764)
Balance March 31	**11,841**	**99,110**	**110,951**	**224,656**	**335,607**
Accumulated depreciation					
Balance April 1	(197)	(31,003)	(31,200)	(124,975)	(156,175)
Additions		(2,415)	(2,415)	(26,075)	(28,490)
Disposals		576	576	8,680	9,256
Exchange differences	7	241	248	139	387
Balance March 31	**(190)**	**(32,601)**	**(32,791)**	**(142,231)**	**(175,022)**
Net book value					
Balance April 1	9,115	49,940	59,055	69,336	128,391
Balance March 31	**11,651**	**66,509**	**78,160**	**82,425**	**160,585**

1,000 CHF					31.3.2008
	Land	Buildings	Total land & buildings	Plant & equipment	Total
Cost					
Balance April 1	9,465	80,123	89,588	175,721	265,309
Changes through business combinations		180	180	1,961	2,141
Additions		1,808	1,808	36,247	38,055
Disposals	(27)	(196)	(223)	(9,807)	(10,030)
Exchange differences	(126)	(972)	(1,098)	(9,811)	(10,909)
Balance March 31	**9,312**	**80,943**	**90,255**	**194,311**	**284,566**
Accumulated depreciation					
Balance April 1	(203)	(29,030)	(29,233)	(115,413)	(144,646)
Additions		(2,405)	(2,405)	(23,140)	(25,545)
Disposals		8	8	8,005	8,013
Exchange differences	6	424	430	5,573	6,003
Balance March 31	**(197)**	**(31,003)**	**(31,200)**	**(124,975)**	**(156,175)**
Net book value					
Balance April 1	9,262	51,093	60,355	60,308	120,663
Balance March 31	**9,115**	**49,940**	**59,055**	**69,336**	**128,391**

Tangible assets (buildings, plant and equipment) as of 31.3.2009 were insured against fire for a value of CHF 315.5 million (previous year CHF 279.4 million).

Pledged assets amounted to CHF 0.5 million (previous year CHF 1.0 million).

There are no assets held under finance leases.

Advance payments and capital expenditures for land and buildings as well as plant and equipment under construction in the current financial year amounted to CHF 17.5 million (previous year CHF 4.1 million).

17. Investments in associates/joint ventures

The Group's share in the results as well as in assets and liabilities of associates/joint ventures, all unlisted enterprises, is as follows:

1,000 CHF	2008/09	2007/08
Current assets	10,501	14,596
Non-current assets	10,007	19,720
Total assets	**20,508**	**34,316**
Current liabilities	(8,814)	(14,621)
Non-current liabilities	(4,940)	(11,397)
Total liabilities	**(13,754)**	**(26,018)**
Net assets	**6,754**	**8,298**
Income for the year	42,381	45,652
Expenses for the year	(43,292)	(49,779)
Loss for the year	**(911)**	**(4,127)**
Net book value as at year end	35,843	37,229
Share of loss recognized by the Group	(2,075)	(1,646)

In the financial year 2008/09, several acquisitions of investments in associates have been undertaken for a total purchase consideration of CHF 4.7 million (previous year CHF 4.7 million).

Sales to associates and joint ventures in the financial year 2008/09 amounted to CHF 11.9 million (previous year CHF 13.9 million).

At March 31, 2009 accounts receivable from associates and joint ventures amounted to CHF 3.1 million (previous year CHF 3.0 million).

Investments with a net book value of CHF 35.8 million (previous year 37.2 million) have a business year different than the Sonova Group. The latest available information for the respective companies vary between December 2008 and February 2009.

As of April 26, 2007 the 25% investment in Cochlear Acoustics Ltd. has been sold to its majority shareholder. As part of the sale the Group has acquired some intellectual property rights. These intellectual property rights are used in the development of middle ear implants.

18. Other non-current financial assets

1,000 CHF	31.3.2009	31.3.2008
Financial assets at fair value through profit or loss	9,244	5,510
Loans to associates	10,352	14,331
Loans to third parties and other non-current financial assets	44,774	20,333
Total	**64,370**	**40,174**

Financial assets at fair value through profit or loss mainly consist of minority interests in the Danish patent holding company HIMPP A/S and in the Danish software development companies HIMSA II A/S (Hearing Instruments Manufacturers Software Association II A/S) and HIMSA II K/S, in which the Group has invested, together with other leading hearing instrument manufacturers, as well as four other minority interests in third party companies.

Long-term loans are primarily denominated in CHF, EUR, CAD and GBP. As of March 31, 2009, the respective repayment periods vary between 12 months and 4.9 years and the interest rates vary between 2.2% and 6.3%. Generally, the valuation of the loans approximate fair values.

19. Intangible assets

1,000 CHF					31.3.2009
	Goodwill	Software	Intangibles relating to acquisitions	Other intangibles	Total
Cost					
Balance April 1	243,492	21,881	46,575	16,343	328,291
Changes through business combinations	90,319	22	32,315	2	122,658
Additions	2,075	4,919	403	15,796	23,193
Disposals	(4,091)	(201)	(17)	(33)	(4,342)
Exchange differences	(10,666)	481	(2,881)	8	(13,058)
Balance March 31	**321,129**	**27,102**	**76,395**	**32,116**	**456,742**
Accumulated amortization					
Balance April 1		(15,910)	(8,983)	(1,438)	(26,331)
Additions		(3,975)	(6,764)	(1,523)	(12,262)
Disposals		197	4	1	202
Exchange differences		(393)	477	11	95
Balance March 31		**(20,081)**	**(15,266)**	**(2,949)**	**(38,296)**
Net book value					
Balance April 1	243,492	5,971	37,592	14,905	301,960
Balance March 31	**321,129**	**7,021**	**61,129**	**29,167**	**418,446**

1,000 CHF					31.3.2008
	Goodwill	Software	Intangibles relating to acquisitions	Other intangibles	Total
Cost					
Balance April 1	241,518	21,281	40,912	1,336	305,047
Changes through business combinations	23,637	1	11,103		34,741
Additions	1,438	2,565	265	15,272	19,540
Disposals	(246)	(434)	(338)	(108)	(1,126)
Exchange differences	(22,855)	(1,532)	(5,367)	(157)	(29,911)
Balance March 31	**243,492**	**21,881**	**46,575**	**16,343**	**328,291**
Accumulated amortization					
Balance April 1		(13,951)	(5,008)	(329)	(19,288)
Additions		(3,480)	(4,994)	(1,235)	(9,709)
Disposals		403		108	511
Exchange differences		1,118	1,019	18	2,155
Balance March 31		**(15,910)**	**(8,983)**	**(1,438)**	**(26,331)**
Net book value					
Balance April 1	241,518	7,330	35,904	1,007	285,759
Balance March 31	**243,492**	**5,971**	**37,592**	**14,905**	**301,960**

Other intangible assets include cost for the development of middle ear implants in the amount of CHF 15.4 million (previous year CHF 6.5 million).

Intangibles relating to acquisitions consist primarily of client relationships, customer lists and brand names.

For the purpose of impairment testing, goodwill is allocated to a cash-generating unit or to a group of cash-generating units, which are expected to benefit from the synergies of the corresponding business combination. The recoverable amount of a cash-generating unit (higher of the cash-generating unit's fair value less selling costs and the cash-generating units value in use) is compared to the carrying amount. Future cash flows are discounted with the Weighted Average Cost of Capital (WACC) including the application of the Capital Asset Pricing Model (CAPM). Value in use is normally assumed to be higher than the fair value less cost to sell; therefore, fair value less selling costs is only investigated when value in use is lower than the carrying amount of the cash-generating unit.

The cash flow projections are based on a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated long-term growth rates (see following table). The long-term growth rates are below the expected long-term average growth rate for the hearing instruments industry in which the cash-generating units operate. Gross margin is projected to remain constant.

Key assumptions used for value-in-use calculations of material goodwill amounts:

1,000 CHF	Carrying amount of goodwill	Currency	Basis for recoverable amount	Discount rate	Projection period	Long-term growth rate
Unitron Group	55,444	Multiple	Value in use	9%	5 years	1.00%
Hansaton	32,061	EUR	Value in use	8%	5 years	1.00%
Lapperre	15,132	EUR	Value in use	8%	5 years	0.50%
Phonak Ibérica	7,746	EUR	Value in use	8%	5 years	1.00%
Phonak do Brasil	12,513	BRL	Value in use	18%	5 years	1.00%
Metro Hearing	17,033	USD	Value in use	9%	5 years	1.00%
National Hearing Services	44,548	CAD	Value in use	9%	5 years	1.00%
Hearing Retail Group	10,806	AUD	Value in use	8%	5 years	1.00%
TRE S.A.	59,742	EUR	Value in use	8%	5 years	1.00%

The calculation for impairment tests applies pre-tax discount rates.

Based on the impairment tests performed, there was no need for the recognition of an impairment.

Regarding the sensitivity of changes in the assumptions, the Group believes that a possible change in the discount rate of 1% would not result in an impairment of any of the cash-generating units.

20. Provisions

1,000 CHF				31.3.2009				31.3.2008
	Warranty and returns	Earn-out	Other	Total	Warranty and returns	Earn-out	Other	Total
Balance April 1	37,550	31,873	16,829	86,252	41,686	34,657	34,336	110,679
Changes through business combinations		983	1,326	2,309	64		49	113
Amounts used	(26,049)	(2,341)	(6,884)	(35,274)	(16,394)	(7,679)	(30,795)	(54,868)
Reversals	(1,176)	(4,100)	(1,455)	(6,731)	(1,243)	(397)	(1,079)	(2,719)
Increases	32,550	15,209	5,417	53,176	18,625	6,264	16,144	41,033
Present value adjustments		1,950		1,950		2,233		2,233
Exchange differences	1,222	(250)	125	1,097	(5,188)	(3,205)	(1,826)	(10,219)
Balance March 31	**44,097**	**43,324**	**15,358**	**102,779**	**37,550**	**31,873**	**16,829**	**86,252**
thereof short-term	37,009	15,876	10,635	63,520	28,523	6,817	11,867	47,207
thereof long-term	7,088	27,448	4,723	39,259	9,027	25,056	4,962	39,045

On average, the Group grants a 15 months warranty period for its products. During this period, products will be repaired or replaced free of charge. The provision is based on turnover and past experience with actual warranty claims. Cash outflows are expected to take place within the next one to three years.

Earn-out provisions include the present value of estimated earn-out payments. This corresponds to the discounted variable purchase price of the acquired companies. Cash outflows are expected to take place within the next one to five years.

Other provisions predominantly include reimbursement to customers. Cash outflows are expected to take place within the next one to two years. In addition, other provisions include provisions for specific business risks such as litigation and restructuring costs which arise during the normal course of business. Provisions for litigations mainly relate to patent disputes. The timing of cash outflows is uncertain since it will largely depend upon the outcome of administrative and legal proceedings.

21. Short-term debts

1,000 CHF	31.3.2009	31.3.2008
Current maturities of long-term debts	372	144
Other short-term debts	685	576
Total	**1,057**	**720**
Unused borrowing facilities	61,105	63,459

The book value of short-term debts approximates to fair value.

22. Other short-term liabilities

1,000 CHF	31.3.2009	31.3.2008
Other payables	30,618	25,728
Accrued expenses	87,131	84,966
Deferred income	8,180	7,174
Total	**125,929**	**117,868**

Other payables include amounts to be remitted in respect of withholding taxes, value added taxes, social security payments, employees' income taxes deducted at source and customer prepayments. Accrued expenses relate, among other items, to salaries, social expenses, vacation pay, bonus and incentive compensation as well as accruals for outstanding invoices from suppliers.

Accrued expenses for vacation pay relate to both unutilized holiday days as well as to payments for holidays required by law of certain countries.

23. Non-current financial liabilities

1,000 CHF	31.3.2009	31.3.2008
Mortgages	319	331
Other non-current financial liabilities	2,280	703
Total	**2,599**	**1,034**

The mortgages are secured by liens on the related real estate. The principal amount bears interest at 3.4% per annum (previous year 3.4%). The fair value of the mortgages approximates to book value.

Other non-current financial liabilities mainly consist of amounts due in relation to the Share Appreciation Rights (SARs) and Warrant Appreciation Rights (WARs) (refer Note 30).

Analysis by currency 1,000 CHF			31.3.2009			31.3.2008
	Mortgages	Other non-current financial liabilities	Total	Mortgages	Other non-current financial liabilities	Total
CHF		255	255		282	282
EUR		149	149		183	183
DKK	319		319	331		331
USD		39	39		50	50
CAD		1,472	1,472		168	168
Other		365	365		20	20
Total	**319**	**2,280**	**2,599**	**331**	**703**	**1,034**

24. Risk management and financial instruments

Group risk management

Risk management at Group level is an integral part of business practice and supports the strategic decision-making process. The assessment of risk is derived from both "top-down" and "bottom-up" and covers all consolidated Group Companies and their relevant business segments. This approach allows for the Group to examine all types of risk exposure, from financial, operational, legal and compliance, through to market and external environment. The impact of risk is minimized by consistent evaluation, communication, risk consolidation and prioritization.

The responsibility for risk assessment, management and controlling is allocated to departments with specialised Corporate Functions such as Group Finance, Internal Audit, Quality and Regulatory, Operations and Group HR. The Management Board, in addition to Group Companies and Functional Managers conducts an annual risk analysis. The Board of Directors discusses and analyzes the Groups risks at a minimum of once a year in the context of a strategy meeting. If a group level intervention is required, responsibility for mitigating actions will be determined by the Management Board.

Financial risk management

Due to Sonova Group's worldwide activities, the Group is exposed to a variety of financial risks such as market risks, credit risks and liquidity risks. Financial risk management aims to limit these risks and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses selected financial instruments for this purpose. They are exclusively used as hedging instruments for cash in- and outflows and not for speculative positions.

The fundamentals of Sonova Group's financial risk policy are priodically reviewed by the Audit Committee and carried out by the Group Finance department. Group Finance is responsible for implementing the policy and for ongoing financial risk management.

Market risk

Exchange rate risk

The Group operates globally and is therefore exposed to foreign currency fluctuations, mainly with respect to the US dollar and the Euro. As the Group uses Swiss francs as presentation currency and holds investments in different functional currencies, net assets are exposed to foreign currency translation risk. Additionally, a foreign currency transaction risk exists in relation to future commercial transactions which are denominated in a currency other than the functional currency.

To minimize foreign currency exchange risks, which also include inter-company sales and the settlement of inter-company loans, forward currency contracts and options are entered into.

Foreign currency sensitivity analysis

A 5% strengthening/weakening of the following currencies against the Swiss franc as of March 31, 2009 and 2008 would have had the impact on income after taxes and equity as shown in the following table. The analysis assumes all other variables to remain constant.

1,000 CHF	2008/09	2007/08	2008/09	2007/08
	Impact on income after taxes		Impact on equity	
Change in USD/CHF +5 %	(95)	2,714	7,465	3,203
Change in USD/CHF –5 %	95	(2,571)	(7,465)	(3,203)
Change in EUR/CHF +5 %	2,244	6,067	4,179	303
Change in EUR/CHF –5 %	(2,244)	(6,115)	(4,179)	(303)

Interest rate risk

As the Group has no material long-term interest bearing assets and liabilities, the Group has only limited exposure to interest rate changes.

The most substantial exposure on assets relates to cash and cash equivalents with an average interest bearing amount for the financial year 2008/09 of CHF 190 million (previous year CHF 298 million). If interest rates during the financial year 2008/09 had been 1% higher/lower on these accounts, income after taxes would have been CHF 1.6 million higher/lower (previous year CHF 2.6 million).

No derivative instruments have been used to hedge against changes in interest rates. However, the interest situation and hedging possibilities are continuously monitored.

Other market risks

Risk of price changes of raw materials or components used for production is limited. A change in those prices would not result in financial effects being above the Group's risk management tolerance level. Therefore, no sensitivity analysis has been conducted.

The Group holds certain marketable securities which are classified as "financial assets at fair value through profit or loss" and mainly consist of quoted bonds and equity funds. These investments (0.9% of total assets as of March 31, 2009) are below Group's risk management tolerance level, too. Therefore no sensitivity analysis has been conducted.

Credit risk

Financial assets which could expose the Group to a potential concentration in credit risk are principally cash and bank balances, receivables from customers and loans.

Core banking relations are maintained with four first-class financial institutions (as of March 31, 2009, 28% of total cash and cash equivalents related to one counterparty). It is the Group's policy to enter only into material transactions with financial institutions that are at least 'A' rated.

The Group performs continuous credit checks on its receivables and credit limits are assigned to all customers. Due to the customer diversity there is no single credit limit for all customers, however the Group assesses its customers taking into account its financial positions, past experience and other factors applying a standard methodology. Due to the fragmented customer base (no single debtor balance above 3.5% of total trade accounts receivable), the Group is not exposed to any significant concentration risk.

For loans to third and related parties, the Group assesses its counterparty taking into account its financial positions, past experience and other factors.

The Group does not expect any significant losses neither from its receivables, nor from its other financial assets.

The maximum exposure for credit risk relating to financial assets is the total of the carrying amounts recorded in the balance sheet.

Liquidity risk

Group Finance is responsible for a centralized management of net cash/debt position and to ensure that the Group's obligations can be settled on time. The Group aims to grow further and wants to remain flexible in making time-sensitive investment decisions. This overall objective is included in the asset allocation strategy. A rolling forecast based on the expected cash flows is conducted and updated regularly to monitor and control liquidity.

The following table summarizes the contractual maturities of financial liabilities as of March 31, 2009 and 2008:

1,000 CHF					31.03.2009
	Due less than 3 months	Due 3 months to 1 year	Due 1 year to 5 years	Due more than 5 years	Total
Short-term debts	295	762			1,057
Derivatives – negative replacement value	35				35
Trade and other short-term liabilities	107,549	30,228			137,777
Total current financial liabilities	**107,879**	**30,990**			**138,869**
Mortgages			96	223	319
Other non-current financial liabilities			2,221	59	2,280
Total non-current financial liabilities			**2,317**	**282**	**2,599**
Total financial liabilities	**107,879**	**30,990**	**2,317**	**282**	**141,468**

1,000 CHF					31.03.2008
	Due less than 3 months	Due 3 months to 1 year	Due 1 year to 5 years	Due more than 5 years	Total
Short-term debts	505	215			720
Derivatives – negative replacement value	28				28
Trade and other short-term liabilities	103,146	22,225			125,371
Total current financial liabilities	**103,679**	**22,440**			**126,119**
Mortgages			97	234	331
Other non-current financial liabilities			703		703
Total non-current financial liabilities			**800**	**234**	**1,034**
Total financial liabilities	**103,679**	**22,440**	**800**	**234**	**127,153**

Hedge accounting

The Group hedges its net foreign currency exposure based on future expected cash in- and outflows. The hedges have a duration of between 1 and 12 months. No hedge accounting has been applied to these hedges, since they do not qualify for such treatment under IAS 39.

Positive replacement values from hedges which do not qualify for hedge accounting are recorded as financial assets at fair value through profit or loss (Note 12) whereas negative replacement values are recorded as financial liabilities at fair value through profit or loss.

As of March 31, 2009, the following currency contracts with the following notional and fair values were open:

1,000 CHF	Notional amount of forward contracts/derivatives					
	Due less than 3 months	Due 3 months to 1 year	Due 1 year to 5 years	Due more than 5 years	Total	Fair value
Positive replacement values	58,418	25,221			83,639	2,528
Negative replacement values	7,514				7,514	(35)
Total	**65,932**	**25,221**			**91,153**	**2,493**

As of March 31, 2008, the following currency contracts with the following notional and fair values were open:

1,000 CHF	Notional amount of forward contracts/derivatives					
	Due less than 3 months	Due 3 months to 1 year	Due 1 year to 5 years	Due more than 5 years	Total	Fair value
Positive replacement values	61,479	10,500			71,979	3,206
Negative replacement values	31,688				31,688	(28)
Total	**93,167**	**10,500**			**103,667**	**3,178**

Capital risk management

It is the Group's policy to maintain a strong equity capital base to support the further development of its business. Sonova Group maintains an unleveraged balance sheet which provides the Group the opportunity for further internal and external expansion in this dynamic industry. Further it is the Group's policy to maintain a debt capacity which provides sufficient flexibility to realize strategic options. The Group aims to keep an "Investment Grade" level which results in an actual debt capacity of over CHF 750 million. However, as global financial markets have not yet entirely eased around the balance sheet date, actual debt capacity was difficult to determine.

The company targets a dividend pay-out ratio of around 20%.

To maintain investor confidence, without compromising the future development of the business, the Group initiated a share buy-back program in 2007. The program allows Sonova Group to return its cash not used for operations and funds generated from future free cash flows to its shareholders. Due to the solid financial position of Sonova, this share buy-back program will not impact the financial flexibility for further internal and external expansion.

25. Other long-term liabilities

1,000 CHF	31.3.2009	31.3.2008
Long-term deferred income	12,255	8,997
Retirement benefit obligations	22,751	1,420
Total	**35,006**	**10,417**

Long-term deferred income relates to long-term service contracts with customers. Deferred income is recognized as a sale over the period of the service contract.

The retirement benefit obligation relates to defined benefit plans. For details refer to Note 29.

26. Movements in share capital

Issued registered shares	Issued registered shares	Treasury shares[1]	Outstanding shares
Balance March 31, 2007	**67,125,144**	**(44,344)**	**67,080,800**
Issue of new shares from conditional capital[2]	326,362		326,362
Purchase of treasury shares		(326,911)	(326,911)
Sale of treasury shares		160,080	160,080
Purchase of shares intended to be cancelled[3]		(1,017,800)	(1,017,800)
Balance March 31, 2008	**67,451,506**	**(1,228,975)**	**66,222,531**
Issue of new shares from conditional capital[2]	174,078		174,078
Purchase of treasury shares		(33,945)	(33,945)
Sale of treasury shares		82,311	82,311
Cancellation of treasury shares	(1,395,000)	1,395,000	
Purchase of shares intended to be cancelled[3]		(1,095,700)	(1,095,700)
Balance March 31, 2009	**66,230,584**	**(881,309)**	**65,349,275**

Nominal value of share capital 1,000 CHF	Share Capital	Treasury shares[1]	Outstanding share capital
Balance March 31, 2007	**3,356**	**(2)**	**3,354**
Issue of new shares from conditional capital[2]	17		17
Purchase of treasury shares		(16)	(16)
Sale of treasury shares		8	8
Purchase of shares intended to be cancelled[3]		(51)	(51)
Balance March 31, 2008	**3,373**	**(61)**	**3,312**
Issue of new shares from conditional capital[2]	9		9
Purchase of treasury shares		(2)	(2)
Sale of treasury shares		4	4
Cancellation of treasury shares	(70)	70	
Purchase of shares intended to be cancelled[3]		(55)	(55)
Balance March 31, 2009	**3,312**	**(44)**	**3,268**

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.

3) Shares purchased by the Group as part of the share buy-back program.

At the Annual General Shareholders' Meetings on November 18, 1994, July 13, 2000 and July 7, 2005, a conditional share capital of a maximum of 11,301,120 shares had been approved. As of March 31, 2009, 6,983,336 (previous year 7,157,414) shares thereof have not yet been issued.

The Annual General Shareholders' Meeting held on June 12, 2007, approved the creation of authorized share capital of 3,356,260 registered shares with a par value of CHF 0.05 per share. The Board of Directors is authorized to exclude subscription rights of shareholders and to allocate them to third parties if the new shares are to be used for the acquisition of companies, part of companies, equity stakes or the financing of such transactions. The authorized share capital of 3,356,260 registered shares created on June 12, 2007, has not yet been used. The authorization granted to the Board of Directors to augment the company's share capital with the authorized share capital created expires on June 12, 2009.

27. Acquisitions of subsidiaries

During financial year 2008/09, the Group entered into the following significant business combination:

Name	Place	Date	Structure	Purpose	Business acquired
TRE S.A.	Luxembourg	3.10.2008	Share deal (100 %)	Sale of hearing instruments	Hearing instruments business

In addition to the above, several small companies were acquired during the financial year 2008/09 in Europe, North America, South America and Australia. The purpose of these companies is the sale of hearing instruments. All acquisitions have been accounted for applying the purchase method of accounting.

During financial year 2007/08, the Group entered into several individually not material business combinations. The companies acquired are operating in Asia, Australia, Europe, North America and South Africa and are all in the business of selling hearing instruments.

Assets and liabilities resulting from the acquisitions look as follows:

1,000 CHF	Notes					2008/09		2007/08	
		TRE S.A.		Others		Total			
		Fair value	Carrying amount before acquisition	Fair value	Carrying amount before acquisition	Fair value	Carrying amount before acquisition	Fair value	Carrying amount before acquisition
Current assets		7,339	7,546	12,803	12,838	20,142	20,384	13,345	13,343
Property, plant & equipment	16	5,397	4,446	3,386	3,387	8,783	7,833	2,141	2,140
Intangible assets	19	14,900	7,974	17,439	2,256	32,339	10,230	11,104	9,613
Other non-current assets		600	6,036	2,259	1,005	2,859	7,041	1,425	26
Current liabilities		(10,702)	(15,706)	(9,705)	(3,556)	(20,407)	(19,262)	(6,135)	(6,137)
Non-current liabilities		(5,973)	(1,448)	(4,183)	(496)	(10,156)	(1,944)	(9,917)	(7,556)
Net assets		**11,561**	**8,848**	**21,999**	**15,434**	**33,560**	**24,282**	**11,963**	**11,429**
Minority interests				(520)		(520)		(1,306)	
Net assets net of minority interests		**11,561**		**21,479**		**33,040**		**10,657**	
Goodwill	19	62,348		27,971		90,319		23,637	
Purchase price incl. acquisition-related costs		**73,909**		**49,450**		**123,359**		**34,294**	
Loan consideration				(10,507)		(10,507)			
For which the Group recorded a long-term provision for earn-out or holdback		(8,640)		(5,778)		(14,418)		(5,014)	
Cash consideration		**65,269**		**33,165**		**98,434**		**29,280**	
Cash and cash equivalents acquired		(3,027)		(3,318)		(6,345)		(4,347)	
Cash consideration, net of cash acquired		**62,242**		**29,847**		**92,089**		**24,933**	
Cash outflow for investments in associates, minority sharehold-ings and earn-out payments						**5,193**		**11,510**	
Total cash outflow from acquisitions						**97,282**		**36,443**	

The initial accounting for TRE S.A. as for several small acquisitions in the current financial year is provisional. The results of the final valuation and purchase price allocation are still outstanding. The fair values assigned to the identifiable assets acquired and liabilities assumed are therefore still subject to changes. The goodwill is attributed mainly to expected synergies, the labor force and the favourable sales growth potential.

Contribution of acquired companies since acquisition 1,000 CHF

			2008/09	2007/08
	TRE S.A.	Others	Total	Total
Sales	10,608	14,193	24,801	10,809
Net income	(506)	(952)	(1,458)	(826)

Contribution, if the acquisitions occured on April 1 1,000 CHF

			2008/09	2007/08
Sales	22,453	23,286	45,739	21,822
Net income	(183)	(2,491)	(2,674)	(2,370)

28. Related party transactions

1,000 CHF	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
	Management Board		Board of Directors		Total	
Short-term employee benefits	6,713	7,843	688	950	7,401	8,793
Share based payments	4,742	5,224	998	1,500	5,740	6,724
Total	**11,455**	**13,067**	**1,686**	**2,450**	**13,141**	**15,517**

The total compensation to the Management Board, as shown above, relates to 10 active members and one member that retired from the Management Board during the reporting period (previous year 11 members).

The Group is building a new production plant on a site next to the Group's headquarters in Stäfa, Switzerland. The factory is being constructed by the building contractor R-Estate AG. The land belongs to ARim AG and will be purchased by the Group once the building has been completed. Both R-Estate AG and ARim AG are fully owned by the Chairman of the Board of Directors of Sonova Holding AG, Andy Rihs. The terms for purchasing the land and constructing the factory are identical to those that would be agreed with an independent third party.

The purchase price for the land is CHF 5.2 million, of which CHF 2.6 million have been paid to ARim AG in the reporting period. The outstanding balance of CHF 2.6 million will be paid in the financial year 2009/10. The amount payable to R-Estate AG for the construction of the factory is CHF 20.1 million, of which CHF 12.1 million have been paid in the reporting period. The outstanding balance of CHF 8.0 million will be paid in the financial year 2009/10.

Effective October 23, 2007 the Group entered into a lease contract with ARim AG (annual lease payment of CHF 0.3 million).

For additional information regarding transactions with associates refer to Note 17 and Note 18.

Transactions between the Group and the various post-employment benefit plans for the employees of the Group are described in Note 29.

Further information in accordance with Swiss law relating to remuneration and ownership of shares and options of the Board of Directors and the Management Board can be found in Note 2.5 of the parent company accounts.

29. Employee benefits

Sonova Group's retirement plans include defined benefit pension plans in Switzerland, Austria, Canada, Germany and Norway. These plans are both funded and unfunded and are accounted for as defined benefit plans according to IAS 19, based on recent actuarial valuations.

The results of the plans are summarized below:

Amounts recognized in the balance sheet CHF 1,000	31.3.2009	31.3.2008[1]
Present value of funded obligations	(143,890)	(132,323)
Fair value of plan assets	122,205	132,815
Net present value of funded plans	**(21,685)**	**492**
Present value of unfunded obligations	(1,066)	(993)
Total liabilities, net	**(22,751)**	**(501)**
Amounts in the balance sheet:		
Liabilities	(22,751)	(1,420)
Assets		919
Liabilities in the balance sheet, net	**(22,751)**	**(501)**

[1] Restated as a result of initial application of IFRIC 14, for details refer to Note 2.

Statement of recognized income and expense (SORIE) CHF 1,000	2008/09	2007/08[1]
Actuarial gain on obligations	(7,526)	(3,620)
Actuarial loss on plan assets	30,334	7,286
Net effect in statement of recognized income and expense	**22,808**	**3,666**

[1] Restated as a result of initial application of IFRIC 14, for details refer to Note 2.

Cumulative actuarial loss recognized in SORIE CHF 1,000	2008/09	2007/08
Recognized actuarial loss at beginning of period	6,686	3,020
Actuarial loss charged for the year	22,808	3,666
Cumulative actuarial loss recognized in SORIE	**29,494**	**6,686**

Amounts recognized in the income statement CHF 1,000	2008/09	2007/08
Current service cost	16,500	14,870
Participants' contributions	(6,726)	(5,830)
Interest cost	4,366	3,689
Expected return on plan assets	(5,319)	(4,626)
Total employee benefit expenses	**8,821**	**8,103**

The amount recognized in the consolidated income statement 2008/09 has been charged to cost of sales (CHF 3.0 million, previous year CHF 2.7 million), research and development (CHF 2.4 million, previous year CHF 2.3 million), sales and marketing (CHF 1.5 million, previous year CHF 1.2 million) as well as general and administration (CHF 1.9 million, previous year CHF 1.9 million) in the income statement.

Movement in the present value of the defined benefit obligation CHF 1,000	2008/09	2007/08
Beginning of the year	133,316	112,595
Interest cost	4,366	3,689
Current service cost	16,500	14,870
Benefits (paid)/received, net	(1,508)	5,834
Actuarial gain on obligation	(7,526)	(3,620)
Exchange differences	(192)	(52)
Present value of obligation at end of period	**144,956**	**133,316**

Movement in the fair value of the plan assets CHF 1,000	2008/09	2007/08
Beginning of the year	132,815	115,488
Expected return on plan assets	5,319	4,626
Employer's contributions paid	9,227	8,021
Participants' contributions	6,726	5,830
Benefits (paid)/received, net	(1,466)	6,151
Actuarial loss on plan assets	(30,334)	(7,286)
Exchange differences	(82)	(15)
Fair value of plan assets at end of period	**122,205**	**132,815**

Principal actuarial assumptions (weighted average)	2008/09	2007/08
Discount rate	3.25 %	3.25 %
Future salary increases	1.75 %	1.75 %
Future pension increases	0 %	0 %
Expected return on plan assets	4 %	4 %
Fluctuation rate	10 %	10 %

The plan assets consist of:	31.3.2009	31.3.2008
Cash	8.1%	6.5%
Domestic bonds	31.9%	22.6%
Foreign bonds	9.3%	8.5%
Domestic equities	18.5%	16.0%
Foreign equities	13.7%	18.8%
Real estates	6.6%	11.3%
Alternative investments	11.9%	16.3%

For determining the expected return on plan assets, historical performances per asset category are taken into consideration.

The actual return on plan assets amounted to CHF –25.0 million (previous year CHF –2.7 million).
The expected employer's contributions to be paid in the financial year 2009/10 amount to CHF 9.5 million.

Key figures for the current and previous four periods are as follows:

CHF 1,000	31.3.2009	31.3.2008	31.3.2007	31.3.2006	31.3.2005
Present value of defined benefit obligation	(144,956)	(133,316)	(112,595)	(98,778)	(83,823)
Fair value of plan assets	122,205	132,815	115,488	103,366	85,257
(Deficit)/Surplus	**(22,751)**	**(501)**	**2,893**	**4,588**	**1,434**
Experience adjustments on plan liabilities	7,526	3,620	(424)	(2,823)	(739)
Experience adjustments on plan assets	(30,334)	(7,286)	(1,523)	4,898	(1,203)

Defined contribution plans

Several of the Group's entities have a defined contribution plan. The employer's contributions amounting to CHF 4.9 million in the year ended March 31, 2009 (previous year CHF 4.9 million) are recognized directly in the income statement.

Termination benefits

During financial years 2008/09 and 2007/08, no termination benefits have been expensed.

30. Employee share option and share purchase plans

Starting February 2005, the Group launched a yearly Executive Equity Award Program (EEAP) for the Board of Directors of Sonova Holding AG, for the Management Board as well as for the management and senior employees of other Group Companies. In February 2005, 2006 and 2007 the Group offered in addition a Share Purchase Plan (SPP) for the Group's employees.

The following share-based payment costs have been recognized in the financial years:

1,000 CHF	2008/09	2007/08
Equity-settled share-based payment costs	15,152	16,602
Cash-settled share-based payment costs	685	411
Total share-based payment costs	**15,837**	**17,013**

Executive Equity Award Plan (EEAP) (granted 2005–2009)

The Executive Equity Award Plan is offered annually to the Board of Directors, to the Management Board as well as to management and senior employees of other Group Companies, entitling them to receive options, warrants and/or shares free of charge. Compared to the years 2005 to 2007, the EEAP plans 2008 and 2009 were amended in the way that instead of options (respectively Share Appreciation Rights (SARs) for the plan legitimated U.S. Persons), warrants have been granted to the legitimated persons (Warrant Appreciation Rights (WARs) for the plan legitimated U.S. Persons). For the EEAP 2009 two types of options/warrants have been issued which differ primarily by the expiration date. The amount of options, warrants, SARs, WARs and/or shares granted varies depending on the degree of management responsibility held. Options, warrants, SARs, WARs and shares granted as part of the EEAP are split into four equal tranches. For the options, warrants, SARs and WARs, one tranche vests annually over four years. The first tranche is vested one year after the grant date. The shares are blocked over four years, one tranche being released each year, starting one year after the grant date.

Options/Warrants – Executive Equity Award Plan

The exercise price of the options/warrants is generally equal to the market price of the Sonova share at the SIX Swiss Exchange at grant date. The fair value of the options/warrants granted is estimated at grant date and recorded as an expense over the corresponding vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period to ensure that in the end only a charge for vested amounts occurred. While the options may be exercised between the end of the vesting period and the expiration date of the options the tradable warrants may be sold between the end of the vesting period and the expiration date of the warrants. If options are exercised, shares are issued from the conditional share capital. In the case of warrants, shares are issued from the conditional share capital in relation 25:1.

Warrant Appreciation Rights (WARs)/Share Appreciation Rights (SARs) – Executive Equity Award Plan

The exercise price of the WARs/SARs is generally equal to the market price of the Sonova share at the SIX Swiss Exchange at grant date. Upon exercise of a WAR/SAR, a participant shall be paid, in cash, an amount equal to the products of the number of shares for which the participant exercised WARs/SARs, multiplied by the excess, if any, of the per-share market price at the date of exercise over the per-share exercise price (determined at the date of grant of WARs/SARs). The initial fair value of the WARs/SARs is in line with the valuation of the warrants/options of the respective period and recorded as an expense over the vesting period. Until the liability is settled, it is revalued at each reporting date recognizing changes in fair value in the income statement. The WARs/SARs may be sold between the end of the vesting period and the expiration date of the WARs/SARs.

The carrying amount of the liability relating to the WARs at March 31, 2009 is CHF 0.4 million (previous year CHF 0.4 million) and the remaining life is 4.5 years. The carrying amount of the liability relating to the SARs at March 31, 2009 is CHF 0.2 million (previous year CHF 0.3 million) and the remaining life is three years.

Assumptions for valuation at grant date	Executive Equity Award Plan 2009 Type 1	Executive Equity Award Plan 2009 Type 2	Executive Equity Award Plan 2008
Valuation date	01.02.2009	01.02.2009	01.02.2008
Expiration date	28.02.2014	28.02.2017/2020[1]	28.02.2013
Share price on grant date	CHF 56.00	CHF 56.00	CHF 96.00
Exercise price	CHF 56.00	CHF 56.00	CHF 96.00
Volatility	32.2 %	32.2 %	26.6 %
Expected dividend yield	1.82 %	1.82 %	0.73 %
Weighted risk free interest rate	1.4 %	2.1 %	2.5 %
Weighted average fair value of options/warrants issued	**CHF 11.08**	**CHF 15.02**	**CHF 25.00**

[1] The options are split into 4 equal tranches with the following expiration dates: 28.02.2017, 28.02.2018, 28.02.2019, 29.02.2020.

The fair value of options/warrants at grant date was determined by using an "Enhanced American Pricing Model". The expected volatility is based on the historical volatility.

Summary of outstanding and exercisable options/ warrants/WARs/SARs at March 31, 2009		Outstanding options/ warrants/WARs/SARs			Exercisable
Exercise price range (CHF)	Number	Average remaining life (years)	Weighted average exercise price (CHF)	Number	Weighted average exercise price (CHF)
28.00	9,000	0.8	28.00	9,000	28.00
39.00	349,425	1.3	39.00	249,425	39.00
56.00 (Type 1)	518,040	4.9	56.00		56.00
56.00 (Type 2)	160,000	9.4	56.00		56.00
63.25	257,365	1.8	63.25	169,037	63.25
95.05	881,475	3.3	95.05	298,629	95.05
96.00	372,974	3.9	96.00	84,956	96.00
28.00 – 96.00	**2,548,279**	**3.7**	**73.66**	**811,047**	**70.54**

Changes in outstanding options/warrants	2008/09		2007/08	
	Number of options/ warrants[2]	Weighted average exercise price (CHF)	Number of options/ warrants[2]	Weighted average exercise price (CHF)
Outstanding options/warrants at April 1	2,007,162	76.20	1,975,939	63.59
Granted	639,860	56.00	391,824	96.00
Exercised/sold[1]	(180,128)	43.87	(326,362)	27.98
Forfeited	(29,595)	76.52	(34,239)	34.34
Outstanding options/warrants at March 31	**2,437,299**	**73.29**	**2,007,162**	**76.20**
Exercisable at March 31	**789,497**	**69.86**	**431,743**	**55.40**

[1] Total consideration from exercise/sale of options/warrants amounted to CHF 7.3 million (previous year CHF 9.1 million).
The weighted average share price of the options exercised during the year 2008/09 was CHF 80.48 (previous year CHF 110.21).

[2] Number of warrants have been adjusted according to exercise ratio 25:1.

Changes in outstanding WARs/SARs				2008/09				2007/08
	Number of WARs	Weighted average exercise price (CHF)	Number of SARs	Weighted average exercise price (CHF)	Number of WARs	Weighted average exercise price (CHF)	Number of SARs	Weighted average exercise price (CHF)
Outstanding WARs/SARs at April 1	**44,400**	**96.00**	**28,400**	**95.05**			**31,600**	**95.05**
Granted	38,180	56.00			44,400	96.00		
Exercised/sold								
Forfeited							(3,200)	95.05
Outstanding WARs/SARs at March 31	**82,580**	**77.51**	**28,400**	**95.05**	**44,400**	**96.00**	**28,400**	**95.05**
Exercisable at March 31[1)/2)]	**7,350**	**96.00**	**14,200**	**95.05**			**7,100**	**95.05**

1) The intrinsic value of the SARs exercisable at March 31, 2009 amounts to CHF 0 (previous year CHF 0).
2) The intrinsic value of the WARs exercisable at March 31, 2009 amounts to CHF 0.

Shares – Executive Equity Award Plan

The value of an individual share granted is equal to the market price on the SIX Swiss Exchange on the grant date. The shares are subject to a blocking period, which starts on the date the shares are granted. The shares delivered under this plan are shares repurchased by the Group on the open stock market. The cost of the shares granted as part of the EEAP program is expensed pro rata temporis over the expected vesting period. Assumptions are made regarding the forfeiture rate which is adjusted during the vesting period to ensure that in the end only a charge for vested amounts occurred.

Changes in outstanding shares	2008/09	2007/08
	Number of shares	Number of shares
Restricted shares at April 1	**160,710**	**156,377**
Granted	104,979	63,999
Released	(60,297)	(55,035)
Forfeited	(12,080)	(4,631)
Restricted shares at March 31	**193,312**	**160,710**

Share Purchase Plan (granted 2005, 2006 and 2007)

Between 2005 and 2007 a Share Purchase Plan (SPP) was offered annually to employees of the Group. Participants could purchase up to a maximum number of shares. For every two shares purchased, the participant received one additional share free of charge. The purchase price of the shares was generally equal to the market price on the SIX Swiss Exchange on the date the shares were purchased and the additional shares were accepted. The shares under this plan are subject to a blocking period which is in line with the vesting period commencing on the expiry date of the offer. The duration of the blocking period may be up to 24 months. All shares under this plan (the shares purchased by the participant and the share offered) were repurchased by Sonova on the open stock market. The cost of the shares offered as part of the SPP program is charged pro rata temporis over the blocking period to the income statement. Assumptions are made regarding the forfeiture rate which is adjusted during the blocking period to ensure that in the end only a charge for vested amounts occurred.

31. Contingent liabilities

At March 31, 2009 and 2008, there were no pledges given to third parties other than in relation to mortgages secured by properties (see Note 23) in an amount of CHF 0.3 million (previous year CHF 0.3 million). The net book value of these properties remained at CHF 0.8 million at March 31, 2009 (previous year CHF 0.8 million).

Guarantees issued to third parties increased to CHF 4.0 million (previous year CHF 3.5 million). There were no recourse liabilities in respect of discounted bills of exchange at March 31, 2009 and 2008. Open purchase orders as of March 31, 2009 and 2008 were related to recurring business activities.

32. Leasing liabilities

At March 31, 2009 the following non-cancellable minimum operating lease obligations existed:

Business Year 1,000 CHF	31.3.2009	31.3.2008
2008/09		13,714
2009/10	21,954	10,434
2010/11	16,229	8,234
2011/12	12,372	6,358
2012/13	10,142	5,037
2013/14	8,610	3,928
thereafter	13,242	7,122
Total	**82,549**	**54,827**

The operating lease commitments relate primarily to long-term rental agreements which are, in general, renewable.

In financial year 2008/09, CHF 27.2 million have been recognized as expenses for leases in the consolidated income statement (previous year CHF 21.9 million).

As of March 31, 2009 and 2008, the Group had no financial lease obligations.

33. Number of employees

At March 31, 2009, the Sonova Group employed 5,339 people (previous year 4,746). They were engaged in the following regions and activities:

By region	31.3.2009	31.3.2008
Switzerland	1,011	924
Europe (excl. Switzerland)	1,231	1,056
Americas	1,920	1,684
Asia/Pacific	1,164	1,071
Africa	13	11
Total	**5,339**	**4,746**
By activity		
Research and development	312	276
Operations	2,144	2,047
Sales and marketing, general and administration	2,883	2,423
Total	**5,339**	**4,746**

The average number of employees of the Sonova Group for the year was 5,108 (previous year 4,351). Total personnel expenses for the financial year 2008/09 amounted to CHF 396.6 million (previous year CHF 364.0 million).

34. Exchange rates

The following main exchange rates were used for currency translation:

	31.3.2009	31.3.2008	2008/09	2007/08
	Year-end rates		Average rates for the year	
AUD 1	0.79	0.92	0.87	1.00
BRL 1	0.49	0.57	0.57	0.62
CAD 1	0.91	0.98	0.98	1.12
CNY 1	0.17	0.14	0.16	0.16
EUR 1	1.52	1.57	1.56	1.64
GBP 1	1.64	1.99	1.88	2.33
JPY 100	1.17	0.99	1.11	1.01
USD 1	1.15	1.00	1.10	1.16

35. Events after balance sheet date

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

36. List of significant consolidated companies

Company name	Activity	Domicile		Share capital Local currency 1,000	Shares held
Switzerland					
Sonova Holding AG	A	Stäfa	CHF	3,312	
Phonak AG	A, B, C, D	Stäfa	CHF	2,500	99.3 %
Phonak Acoustic Implants SA	D	Lonay	CHF	1,000	100 %
Phonak Communications AG	B, C, D	Murten	CHF	500	100 %
Phonak Hearing Systems AG	B	Stäfa	CHF	100	100 %
Indomed AG	A	Zug	CHF	1,000	100 %
Indomed Hearing Systems GmbH	B	Stäfa	CHF	20	100 %
Europe (excluding Switzerland)					
Hansaton Akustische Geräte GmbH	B	Wals-Himmelreich (AT)	EUR	450	100 %
Phonak Belgium NV	A, B	Dilbeek (BE)	EUR	15,311	100 %
Ets. Lapperre BHAC NV	B	Groot-Bijgaarden (BE)	EUR	124	100 %
Phonak GmbH	B	Fellbach-Oeffingen (DE)	EUR	25	100 %
Unitron Hearing GmbH	B	Fellbach-Oeffingen (DE)	EUR	41	100 %
Phonak Danmark A/S	B	Frederiksberg (DK)	DKK	17,300	100 %
HIMSA A/S	D	Copenhagen (DK)	DKK	1,000	25 % [1)]
Phonak Ibérica S.A.U.	B	Alicante (ES)	EUR	7,000	100 %
Phonak France SA	B	Bron-Lyon (FR)	EUR	305	100 %
Phonarium Szolgáltató Kft.	B	Budapest (HU)	HUF	5,000	49 % [1)]
Phonak Italia Srl	B	Milan (IT)	EUR	1,040	100 %
TRE S.A.	A	Luxembourg (LU)	EUR	31	100 %
Phonak B.V.	B	Vianen (NL)	EUR	227	100 %
Unitron Hearing B.V.	B	Vianen (NL)	EUR	18	100 %
Phonak AS	B	Oslo (NO)	NOK	900	100 %
Unitron Hearing AS	B	Oslo (NO)	NOK	100	100 %
Phonak Polska Sp. Z o.o.	B	Warsaw (PL)	PLN	100	100 %
Phonak CIS Ltd.	B	Moscow (RU)	RUB	4,000	100 %
Phonak AB	B	Stockholm (SE)	SEK	200	100 %
Unitron Hearing AB	B	Stockholm (SE)	SEK	100	100 %
Phonak Isitme Cihazlari Pazarlama ve Ticaret AS	B	Istanbul (TR)	TRY	500	60 %
Phonak Group Ltd.	B	Warrington (UK)	GBP	2,500	100 %

Company name	Activity	Domicile		Share capital Local currency 1,000	Shares held
Americas					
Phonak do Brasil – Sistemas Audiológicos Ltda.	B	Sao Paulo (BR)	BRL	570	100 %
National Hearing Services Inc.	B	Victoria (CA)	CAD	7,500	100 %
Phonak Canada Ltd.	A, B	Mississauga (CA)	CAD	88,694	100 %
Unitron Hearing Ltd.	B, C, D	Kitchener (CA)	CAD	17,436	100 %
Phonak Mexicana S.A. de C.V.	B	Mexico D.F. (MX)	MXN	50	100 %
Phonak LLC	B	Warrenville (US)	USD	1,250	100 %
Unitron Hearing, Inc.	B	Plymouth (US)	USD	46,608	100 %
Asia/Pacific					
Hearing Retail Group Pty. Ltd.	B	Sydney (AU)	AUD	0 [2]	100 %
Phonak Pty. Ltd.	B	Baulkham Hills (AU)	AUD	750	100 %
Phonak (Shanghai) Co., Ltd.	B	Shanghai (CN)	CNY	20,041	100 %
Sichuan i-hear Co., Ltd.	B	Sichuan (CN)	CNY	19,119	100 %
Unitron Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY	46,249	100 %
Phonak India Pvt. Ltd.	B	Navi Mumbai (IN)	INR	100	100 %
Phonak Japan Co., Ltd.	B	Tokyo (JP)	JPY	10,000	100 %
Unitron Hearing Korea Co., Ltd.	B	Seoul (KR)	KRW	200,000	37.5 % [1]
Phonak New Zealand Ltd.	B	Auckland (NZ)	NZD	250	100 %
Indomed Singapore Pte Ltd.	B	Singapore (SGP)	SGD	250	100 %
Phonak Operation Center Vietnam Co., Ltd.	C	Binh Duong (VN)	VND	8,796,000	100 %
Rest of World					
Lukatit Investments 14 (Pty) Limited	B	Fourways North (ZA)	ZAR	0 [3]	100 %

Activities:
A Holding/Finance: The entity is a holding or finance company.
B Sales: The entity performs sales and marketing activities.
C Production: This entity performs manufacturing for the Group.
D Research: This entity perfoms research and development activities for the Group.
[1] Accounted for using the equity method.
[2] AUD 100.
[3] ZAR 400.

PricewaterhouseCoopers

Report of the Statutory Auditor
on the Consolidated Financial Statements 2008/09
to the Annual General Shareholders' Meeting of
Sonova Holding AG
Stäfa

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Sonova Holding AG, which comprise the consolidated income statement, consolidated balance sheet, consolidated cash flow statement, consolidated statement of recognized income and expense, consolidated changes in equity and notes (pages 60 to 111), for the year ended March 31, 2009.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended March 31, 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Patrick Balkanyi	Urs Honegger
Audit expert	Audit expert
Auditor in charge	

Zürich, May 4, 2009

Income Statements

1,000 CHF	Notes	2008/09	2007/08
Income			
Management and licence fees		16,072	18,068
Investment income	4.1	239,675	253,362
Other income		1	2,757
Interest income		9,463	6,703
Total income		**265,211**	**280,890**
Expenses			
Office and professional expenses		5,844	6,773
Advertising and PR expenses		763	657
Interest expenses		4,477	4,752
Losses on marketable securities		15,816	1,661
Other operating expenses		1,160	2,256
Other expenses		366	19,594
Write-down of investments		4,399	2,117
Exchange losses, net		3,149	21,345
Taxes	4.2	506	250
Total expenses		**36,480**	**59,405**
Net profit for the year		**228,731**	**221,485**

Balance Sheets

Assets 1,000 CHF	Notes	31.3.2009	31.3.2008
Cash and cash equivalents		4,301	16,585
Marketable securities	3.1	71,407	140,565
Amounts due from Group Companies		2,746	3,487
Other receivables	3.2	1,618	2,752
Prepayments		100	134
Total current assets		**80,172**	**163,523**
Loans to Group Companies	3.3	496,200	374,256
Loans to third parties		4,137	4,154
Investments	3.4	247,103	233,273
Total non-current assets		**747,440**	**611,683**
Total assets		**827,612**	**775,206**

Liabilities and shareholders' equity 1,000 CHF	Notes	31.3.2009	31.3.2008
Trade payables		5	9,777
Other payables – third parties		5,616	6,679
Other payables – Group Companies		36,854	
Loans from Group Companies		194,561	196,100
Accruals		1,544	1,002
Total liabilities		**238,580**	**213,558**
Share capital		3,312	3,373
General legal reserve		81,628	107,859
Reserve for treasury shares	3.5	74,535	130,931
Free reserves			98,000
Retained earnings		429,557	221,485
Total shareholders' equity	3.6	**589,032**	**561,648**
Total liabilities and shareholders' equity		**827,612**	**775,206**

Notes to the Financial Statements
as of March 31, 2009

1. General

The financial statements of Sonova Holding AG are prepared in accordance with the principles of Swiss corporate law.

2. Disclosures required by Swiss corporate law

2.1 Sureties, guarantees and pledges given on behalf of third parties

1,000 CHF	31.3.2009	31.3.2008
Guarantees given to banks in respect of credit arrangements of subsidiaries		2,059
Guarantees given in respect of rental obligations and bank debts of subsidiaries	14,545	15,340

2.2 Conditional and authorized capital

1,000 CHF	31.3.2009	31.3.2008
Conditional capital at year-end	349	358
Authorized capital at year-end	168	168

At the Annual General Shareholder's Meeting on July 7, 2005 the conditional share capital of CHF 264,270 (5,285,400 shares) has been increased by CHF 165,056 (3,301,120 shares) to CHF 429,326 (8,586,520 shares). As of March 31, 2009, 6,983,336 (previous year 7,157,414) shares thereof have not yet been issued. These shares are reserved for long-term incentive plans.

The Annual General Shareholder's Meeting held on June 12, 2007, approved the creation of authorized share capital of 3,356,260 registered shares with a par value of CHF 0.05 per share. The Board of Directors is authorized to exclude subscription rights of shareholders and to allocate them to third parties if the new shares are to be used for the acquisition of companies, part of companies, equity stakes or the financing of such transactions. The authorized share capital of 3,356,260 registered shares created on June 12, 2007, has not yet been used. The authorization granted to the Board of Directors to augment the company's share capital with the authorized share capital created expires on June 12, 2009.

2.3 Significant shareholders

At year-end, the following significant shareholders were listed in the share register (with shareholdings in excess of 3% of the issued share capital):

	31.3.2009	31.3.2008
Beda Diethelm	10.97 %	10.77 %
Andy Rihs	10.66 %	10.73 %
Chase Nominees Ltd.[1]	9.69 %	10.74 %
Hans-Ueli Rihs	8.36 %	8.55 %
Registered shareholders with less than 3 %	36.36 %	36.62 %
Not registered	23.96 %	22.59 %

[1] Registered without voting rights.

2.4 Risk assessment

Sonova Holding AG, as the ultimate parent company of the Sonova Group, faces the same risks as the ones identified at Group level. Therefore, please refer to the disclosure of the Group-wide risk management procedures as described in Note 24 of the Group's consolidated financial statements.

2.5 Compensation and shareholdings

Content and method of determining the compensation and the shareholding programs

The compensation principles of the Sonova Group are based on performance considerations. The compensation packages of Sonova Group employees consist typically of a basic salary (made up of a fixed and a variable performance-related salary) as well as further incentive plans.

Fixed salary

The fixed salary is intended to give each employee a regular and predictable salary that does not depend on the annual performance of the employee or of the Sonova Group's business. Salary levels depend on job characteristics, market competitiveness as well as on the skills of each employee. The salary evolution depends on the individual performance of the employee.

Variable salary

The variable salary is an integrated element of the basic salary. The split between fixed salary and variable salary is typically defined in the employment contract and depends on the job characteristics and management level. The objectives to achieve the variable salary are typically defined for each employee at the beginning of the financial year. At the end of the financial year, the variable salary is generally multiplied with an individual payout factor for each employee. The size of the payout multiplier depends on the actual performance achieved by the employee compared with the individual objectives agreed upon at the beginning of the financial year and the overall performance of the Sonova Group respectively the relevant organizational unit. Incentive payout multipliers can range from zero to two. If the employee's achievement of objectives falls below a certain level, no variable salary will be paid out. For exceptional performance, higher payout multipliers may apply. Such cases require the approval of the CEO and/or the Nomination and Compensation Committee.

Executive Equity Award Plan

The Executive Equity Award Plan (EEAP) serves as a long-term incentive and is offered annually to the Board of Directors, the Management Board, as well as other management levels of the Sonova Group. The plan entitles them to receive shares, options, warrants, Warrant Appreciation Rights (WARs) and Share Appreciation Rights (SARs). The amount of shares, options, warrants, WARs and SARs granted varies depending on the management level. Shares, options, warrants, WARs and SARs granted as part of the EEAP are split into four equal tranches. For the options, warrants, WARs and SARs, one tranche vests each year over four years, starting one year after the grant date. The shares are blocked over four years, one tranche being released each year, starting one year after the grant date. The purchase price of the shares will generally be equal to the market price on the SIX Swiss Exchange on the date the shares are purchased. The fair value of the options, warrants, WARs and SARs is estimated on the grant date using an option pricing model. Additional information thereto is disclosed in Note 30 of the consolidated financial statements.

Determination of the compensation to members of the Board of Directors and the Management Board

In general, the compensation policies and the incentive plans (EEAP) described before also apply to the Management Board, as well as to the Board of Directors and to the CEO.

The compensation policies of the Board of Directors differ from those of the employees of the Sonova Group, in that instead of a basic salary (made up of a fixed and a variable performance-related salary), the members of the Board of Directors receive a fixed and an attendance fee, as well as participations in the EEAP.

The incentive plan of the CEO differs therein that the options of the EEAP will not be granted annually to him. The allocation of the options including a short time lag of the exercise periods is part of the employment contract.

The compensation of the members of the Board of Directors as well as, on the CEO's recommendation, the compensation of the other members of the Management Board is determined and periodically reviewed by the Nomination and Compensation Committee. The compensation of the CEO is periodically reviewed by the Nomination and Compensation Committee and approved by the Board of Directors.

Compensation to members of the Board of Directors and the Management Board

Compensation to the Board of Directors

Total compensation to the Board of Directors consists of a fixed fee, attendance fees, expenses, social benefits (employer's contribution) and participation in the Executive Equity Award Plan (solely with entitlement to receive options, warrants, WARs and SARs).

The following table shows the compensation of the individual members of the Board of Directors in the year under review and in the previous year:

in CHF							2008/09
	Fixed fee	Attendance fee/expenses[1]	Social benefits (employer's contribution)[2]	Total cash compensation	Value of warrants[3]/ options	Number of warrants[3]/ options granted	Total compensation
Andy Rihs, Chairman	120,000	30,500	22,074	172,574	199,530	450,000	372,104
William D. Dearstyne, Vice-Chairman	60,000	30,000	11,521	101,521	199,530	450,000[4]	301,051
Heliane Canepa, Member	60,000	24,000	69,066	153,066	199,530	450,000	352,596
Dr. Michael Jacobi, Member	60,000	25,500	16,491	101,991	199,530	450,000	301,521
Robert F. Spoerry, Member	60,000	22,000	76,478	158,478	199,530	450,000	358,008
Total	**360,000**	**132,000**	**195,630**	**687,630**	**997,650**	**2,250,000**[5]	**1,685,280**

[1] Attendence fees and expenses are based on the number of attended meetings of each member of the Board of Directors.
[2] Including social security contributions on the tax value of warrants/options/WARs/SARs exercised during the reporting period.
[3] Exercise ratio between warrants and options: 25:1 (see also Note 30 in the consolidated financial statements).
[4] WARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares.
[5] Thereof 450,000 WARs.

in CHF							2007/08
	Fixed fee	Attendance fee/expenses[1]	Social benefits (employer's contribution)[2]	Total cash compensation	Value of warrants[3]/ options	Number of warrants[3]/ options granted	Total compensation
Andy Rihs, Chairman	120,000	29,500	155,836	305,336	300,000	300,000	605,336
William D. Dearstyne, Vice-Chairman	60,000	28,500	8,206	96,706	300,000	300,000[4]	396,706
Heliane Canepa, Member	60,000	22,500	158,326	240,826	300,000	300,000	540,826
Dr. Michael Jacobi, Member	60,000	26,500	126,061	212,561	300,000	300,000	512,561
Robert F. Spoerry, Member	60,000	23,500	11,309	94,809	300,000	300,000	394,809
Total (active members)	**360,000**	**130,500**	**459,738**	**950,238**	**1,500,000**	**1,500,000**[5]	**2,450,238**
Daniel Borel, former Member			53,621	53,621			53,621
Total (including former members)	**360,000**	**130,500**	**513,359**	**1,003,859**	**1,500,000**	**1,500,000**[5]	**2,503,859**

1) Attendance fees and expenses are based on the number of attended meetings of each member of the Board of Directors.
2) Including social security contributions on the tax value of warrants/options/WARs/SARs exercised during the reporting period.
3) Exercise ratio between warrants and options: 25:1 (see also Note 30 in the consolidated financial statements).
4) WARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares.
5) Thereof 300,000 WARs.

Compensation to the Management Board

The total compensation to the Management Board consists of a fixed and a variable salary, fringe benefits, social benefits (employer's contribution) and participation in the Executive Equity Award Plan (solely with entitlement to receive warrants/options).

The following table shows the compensation granted to the CEO (highest compensation) and the other members of the Management Board in the year under review and in the previous year:

in CHF								2008/09
	Fixed salary	Variable salary[1]	Fringe benefits	Social benefits (employer's contribution)[2]	Total cash compen-sation[1)/2)]	Value of warrants[3]/options	Number of warrants[3]/options	Total compensation[2]
Dr. Valentin Chapero Rueda, CEO	1,156,680	887,199	16,000	271,865	2,331,744	2,403,200	160,000	4,734,944
Other members of the Management Board	2,520,804	1,020,126	220,612	619,864	4,381,406	2,338,935	5,275,000	6,720,341
Total	**3,677,484**	**1,907,325**	**236,612**	**891,729**	**6,713,150**	**2,338,935/ 2,403,200**	**5,275,000/ 160,000**	**11,455,285**

in CHF								2007/08
	Fixed salary	Variable salary[1]	Fringe benefits	Social benefits (employer's contribution)[2]	Total cash compen-sation[1)/2)]	Value of warrants[3]/options	Number of warrants[3]/options	Total compensation[2]
Dr. Valentin Chapero Rueda, CEO	1,071,000	1,105,526	16,000	870,201	3,062,727			3,062,727
Other members of the Management Board	2,680,123	1,179,563	243,679	677,003	4,780,368	3,950,000/ 1,274,400	3,950,000/ 70,000	10,004,768
Total	**3,751,123**	**2,285,089**	**259,679**	**1,547,204**	**7,843,095**	**3,950,000/ 1,274,400**	**3,950,000/ 70,000**	**13,067,495**

1) The variable salary will be paid out after the end of the reporting year.
2) Including social security contributions on the tax value of options exercised during the reporting period.
3) Exercise ratio between warrants and options: 25:1 (see also Note 30 in the consolidated financial statements).

Additional payments to members of the Board of Directors and the Management Board

Neither in the reporting period nor in the previous year were fees paid for additional services on top of the ordinary compensation, any loans awarded or guarantees given to members of the Board of Directors or the Management Board and persons closely linked to them.

Payments to former members of the Board of Directors and the Management Board

During the reporting period the former member of the Management Board Herbert Bächler has exercised options. The company has paid the social security contribution by exercise in the amount of CHF 55,961.

Besides this payment neither in the reporting period nor in the previous year were additional payments made, any loans awarded, guarantees or severance packages given to former members of the Board of Directors or the Management Board and persons closely linked to them.

Shareholdings of members of the Board of Directors and the Management Board

Shareholdings of the Board of Directors

As of March 31, 2009, the members of the Board of Directors and persons closely linked to them held directly and indirectly 7,094,420 Sonova shares (10.7% of total share capital), 150,000 options, 3,000,000 warrants, 750,000 Warrant Appreciation Rights and 12,000 Share Appreciation Rights.

The following table shows the shareholdings of the individual members of the Board of Directors and persons closely linked to them:

	31.3.2009			31.3.2008		
	Shares	Warrants[1]	Options	Shares	Warrants[1]	Options
Andy Rihs	7,059,100	750,000	36,000	7,239,100	300,000	36,000
William D. Dearstyne	8,310	750,000[2]	36,000[3]	8,310	300,000[2]	36,000[3]
Heliane Canepa	15,010	750,000	21,000	15,010	300,000	21,000
Dr. Michael Jacobi	2,000	750,000	33,000	2,000	300,000	33,000
Robert F. Spoerry	10,000	750,000	36,000	10,000	300,000	48,000
Total	**7,094,420**	**3,750,000[5]**	**162,000[3]**	**7,274,420**	**1,500,000[4]**	**174,000[3]**

1) Exercise ratio between warrants and options: 25:1 (see also Note 30 in the consolidated financial statements).
2) WARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares.
3) Thereof 12,000 SARs.
4) Thereof 300,000 WARs.
5) Thereof 750,000 WARs.

The following table shows the detailed breakdown of the outstanding warrants/options:

						31.3.2009	
	EEAP 09[2)]	EEAP 08[3)]	EEAP 07[4)]	EEAP 06[5)]	EEAP 05[6)]	Total warrants[1)]	Total options
Andy Rihs	450,000	300,000	12,000	12,000	12,000	750,000	36,000
William D. Dearstyne	450,000[8)]	300,000[8)]	12,000[9)]	12,000	12,000	750,000	36,000
Heliane Canepa	450,000	300,000	12,000	6,000	3,000	750,000	21,000
Dr. Michael Jacobi	450,000	300,000	12,000	12,000	9,000	750,000	33,000
Robert F. Spoerry	450,000	300,000	12,000	12,000	12,000	750,000	36,000
Total	**2,250,000[11)]**	**1,500,000[10)]**	**60,000[7)]**	**54,000**	**48,000**	**3,750,000[12)]**	**162,000[7)]**

1) Exercise ratio between warrants and options: 25:1 (see also Note 30 in the consolidated financial statements).
2) Strike price CHF 56.00, blocking period 01.03.2009 – 28.02.2013 whereas one tranche being released each year, exercise period 01.03.2010 – 28.02.2014.
3) Strike price CHF 96.00, blocking period 01.03.2008 – 29.02.2012 whereas one tranche being released each year, exercise period 01.03.2009 – 28.02.2013.
4) Strike price CHF 95.05, blocking period 01.02.2007 – 28.02.2011 whereas one tranche being released each year, exercise period 01.02.2008 – 28.02.2012.
5) Strike price CHF 63.25, blocking period 01.02.2006 – 31.01.2010 whereas one tranche being released each year, exercise period 01.02.2007 – 31.01.2011.
6) Strike price CHF 39.00, blocking period 01.02.2005 – 31.01.2009 whereas one tranche being released each year, exercise period 01.02.2006 – 31.01.2010.
7) Thereof 12,000 SARs.
8) WARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares.
9) SARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares.
10) Thereof 300,000 WARs.
11) Thereof 450,000 WARs.
12) Thereof 750,000 WARs.

						31.3.2008
	EEAP 08[2)]	EEAP 07[3)]	EEAP 06[4)]	EEAP 05/older[5)]	Total warrants[1)]	Total options
Andy Rihs	300,000	12,000	12,000	12,000	300,000	36,000
William D. Dearstyne	300,000[7)]	12,000[8)]	12,000	12,000	300,000[7)]	36,000[6)]
Heliane Canepa	300,000	12,000	6,000	3,000	300,000	21,000
Dr. Michael Jacobi	300,000	12,000	12,000	9,000	300,000	33,000
Robert F. Spoerry	300,000	12,000	12,000	24,000[9)]	300,000	48,000
Total	**1,500,000[10)]**	**60,000[6)]**	**54,000**	**60,000**	**1,500,000[10)]**	**174,000[6)]**

1) Exercise ratio between warrants and options: 25:1 (see also Note 30 in the consolidated financial statements).
2) Strike price CHF 96.00, blocking period 01.03.2008 – 29.02.2012 whereas one tranche being released each year, exercise period 01.03.2009 – 28.02.2013.
3) Strike price CHF 95.05, blocking period 01.02.2007 – 31.01.2011 whereas one tranche being released each year, exercise period 01.02.2008 – 31.01.2012.
4) Strike price CHF 63.25, blocking period 01.02.2006 – 31.01.2010 whereas one tranche being released each year, exercise period 01.02.2007 – 31.01.2011.
5) Strike price CHF 39.00, blocking period 01.02.2005 – 31.01.2009 whereas one tranche being released each year, exercise period 01.02.2006 – 31.01.2010; Key People Program 2004: Strike price CHF 28.00, blocking period 01.02.2004 – 31.01.2007, exercise period 01.02.2007 – 31.01.2009.
6) Thereof 12,000 SARs.
7) WARs grant the right to participate in the appreciation of the Sonova shares without issuance of shares.
8) SARs grant the right to participate in the arppreciation of the Sonova shares without issuance of shares.
9) Thereof 12,000 options from Key People Program 2004.
10) Thereof 300,000 WARs.

Shareholdings of the Management Board

As of March 31, 2009, the members of the Management Board and persons closely linked to them held directly and indirectly 1,046 Sonova shares, 9,100,000 warrants and 1,190,875 options.

The following table shows the shareholdings of the individual members of the Management Board and persons closely linked to them:

	31.3.2009			31.3.2008		
	Shares	Warrants[1]	Options	Shares	Warrants[1]	Options
Dr. Valentin Chapero Rueda			884,000			785,000
Oliver Walker		1,200,000	30,000		500,000	45,000
Paul Thompson		1,025,000	41,000		400,000	41,000
Sarah Kreienbühl		1,025,000	23,500		400,000	32,250
Dr. Hans Leysieffer		1,025,000	28,500		400,000	36,000
Cameron Hay		725,000	25,250		250,000	25,250
Ignacio Martinez		1,075,000	36,000		450,000	36,000
Alexander Zschokke		1,025,000	21,625		400,000	24,438
Hans Mehl	830	1,000,000	70,000		500,000	70,000
Elmar Götz		600,000			250,000	
Dr. Herbert Bächler[2]	216	400,000	31,000	1,082	400,000	46,000
Total	**1,046**	**9,100,000**	**1,190,875**	**1,082**	**3,950,000**	**1,140,938**

[1] Exercise ratio between warrants and options: 25:1 (see also Note 30 in the consolidated financial statements).
[2] Member of the Management Board until June 2008.

The following table shows the detailed breakdown of the outstanding warrants/options:

	Warrants/ options EEAP 09[2]	Warrants EEAP 08[4]	Options EEAP 07[5]	Options EEAP 06[6]	Options EEAP 05[7]	31.3.2009 Total warrants[1]	Total options
Dr. Valentin Chapero Rueda	160,000[3]		500,000		224,000		884,000
Oliver Walker	825,000	375,000	20,000	10,000		1,200,000	30,000
Paul Thompson	625,000	400,000	16,000	15,000	10,000	1,025,000	41,000
Sarah Kreienbühl	625,000	400,000	16,000	7,500		1,025,000	23,500
Dr. Hans Leysieffer	625,000	400,000	16,000	10,000	2,500	1,025,000	28,500
Cameron Hay	475,000	250,000	10,000	11,250	4,000	725,000	25,250
Ignacio Martinez	625,000	450,000	16,000	15,000	5,000	1,075,000	36,000
Alexander Zschokke	625,000	400,000	16,000	5,625		1,025,000	21,625
Hans Mehl	500,000	500,000	70,000[8]			1,000,000	70,000
Elmar Götz	350,000	250,000				600,000	
Dr. Herbert Bächler[9]		400,000	16,000	10,000	5,000	400,000	31,000
Total warrants	**5,275,000**	**3,825,000**				**9,100,000**	
Total options	**160,000**		**696,000**	**84,375**	**250,500**		**1,190,875**

[1] Exercise ratio between warrants and options: 25:1 (see also Note 30 in the consolidated financial statements).
[2] Strike price CHF 56.00, blocking period 01.03.2009 – 28.02.2013 whereas one tranche being released each year, exercise period 01.03.2010 – 28.02.2014.
[3] Strike price CHF 56.00, extraordinary allocation, options blocking period 01.03.2009 – 28.02.2015 whereas one tranche being released each year, exercise period 01.03.2012 – 29.02.2020 .
[4] Strike price CHF 96.00, blocking period 01.03.2008 – 29.02.2012 whereas one tranche being released each year, exercise period 01.03.2009 – 28.02.2013.
[5] Strike price CHF 95.05, blocking period 01.02.2007 – 30.09.2011 whereas one tranche being released each year, exercise period 01.02.2008 – 30.09.2012.
[6] Strike price CHF 63.25, blocking period 01.02.2006 – 31.01.2010 whereas one tranche being released each year, exercise period 01.02.2007 – 31.01.2011.
[7] Strike price CHF 39.00, blocking period 01.02.2005 – 30.09.2009 whereas one tranche being released each year, exercise period 01.02.2006 – 30.09.2010.
[8] These Options were granted to Hans Mehl at commencement of work by April 1, 2007.
[9] Member of the Management Board until June 2008.

	31.3.2008					
	Warrants EEAP 08[2]	Options EEAP 07[3]	Options EEAP 06[4]	Options EEAP 05[5]	Total warrants[1]	Total options
Dr. Valentin Chapero Rueda		500,000		285,000		785,000
Oliver Walker	500,000	20,000	15,000	10,000	500,000	45,000
Paul Thompson	400,000	16,000	15,000	10,000	400,000	41,000
Sarah Kreienbühl	400,000	16,000	11,250	5,000	400,000	32,250
Dr. Hans Leysieffer	400,000	16,000	15,000	5,000	400,000	36,000
Cameron Hay	250,000	10,000	11,250	4,000	250,000	25,250
Ignacio Martinez	450,000	16,000	15,000	5,000	450,000	36,000
Alexander Zschokke	400,000	16,000	8,438		400,000	24,438
Hans Mehl	500,000	70,000[6]			500,000	70,000
Elmar Götz	250,000				250,000	
Dr. Herbert Bächler[7]	400,000	16,000	20,000	10,000	400,000	46,000
Total	**3,950,000**	**696,000**	**110,938**	**334,000**	**3,950,000**	**1,140,938**

1) Exercise ratio between warrants and options: 25:1 (see also Note 30 in the consolidated financial statements).
2) Strike price CHF 96.00, blocking period 01.03.2008 – 29.02.2012 whereas one tranche being released each year, exercise period 01.03.2009 – 28.02.2013.
3) Strike price CHF 95.05, blocking period 01.02.2007 – 30.09.2011 whereas one tranche being released each year, exercise period 01.02.2008 – 30.09.2012.
4) Strike price CHF 63.25, blocking period 01.02.2006 – 31.01.2010 whereas one tranche being released each year, exercise period 01.02.2007 – 31.01.2011.
5) Strike price CHF 39.00, blocking period 01.02.2005 – 30.09.2009 whereas one tranche being released each year, exercise period 01.02.2006 – 30.09.2010.
6) These Options were granted to Hans Mehl at commencement of work by April 1, 2007.
7) Member of the Management Board until June 2008.

3. Notes to the balance sheet

3.1 Marketable securities

Marketable securities include, among other items, 881,309 treasury shares (previous year 1,228,975) purchased for a total consideration of CHF 74,534,573 (previous year CHF 130,930,877). At March 31, 2009, these shares had a market value of CHF 60,634,059 (previous year CHF 111,959,623). Of the total 881,309 treasury shares, 718,500 shares were purchased by the company as part of the share buy-back program.

During the financial year 2008/09 1,129,645 treasury shares at an average price of CHF 83.83 have been purchased, while 82,311 treasury shares at an average price of CHF 100.06 have been disposed of.

3.2 Other receivables

Included are, in particular, amounts due from the Swiss Federal Tax Authority in respect of recoverable withholding taxes on dividends and interest income.

3.3 Loans to Group companies

Of total loans, 27% are denominated in Canadian dollars, 24% in Euros, 23% in US dollars, 18% in Swiss francs, 6% in Australian dollars, and 2% in other currencies.

3.4 List of significant investments

Company name	Activity	Domicile		Share capital Local currency 1,000	Shares held by Sonova Holding AG
Switzerland					
Phonak AG	A, B,C,D	Stäfa	CHF	2,500	99.3 %
Phonak Communications AG	B,C,D	Murten	CHF	500	100 %
Phonak Hearing Systems AG	B	Stäfa	CHF	100	100 %
Indomed AG	A	Zug	CHF	1,000	100 %
Indomed Hearing Systems GmbH	B	Stäfa	CHF	20	100 %
Europe (excluding Switzerland)					
Hansaton Akustische Geräte GmbH	B	Wals-Himmelreich (AT)	EUR	450	100 %
Phonak Belgium NV	A,B	Dilbeek (BE)	EUR	15,311	100 %
Phonak Holding GmbH	A	Fellbach-Oeffingen (DE)	EUR	153	100 %
Phonak Danmark A/S	B	Frederiksberg (DK)	DKK	17,300	100 %
Phonak Ibérica S.A.U.	B	Alicante (ES)	EUR	7,000	100 %
Phonak France SA	B	Bron-Lyon (FR)	EUR	305	100 %
Phonarium Szolgáltató Kft.	B	Budapest (HU)	HUF	5,000	49 %
Phonak Italia Srl	B	Milan (IT)	EUR	1,040	100 %
Phonak B.V.	B	Vianen (NL)	EUR	227	100 %
Phonak AS	B	Oslo (NO)	NOK	900	100 %
Phonak Polska Sp. Z o.o.	B	Warsaw (PL)	PLN	100	100 %

Company name	Activity	Domicile		Share capital Local currency 1,000	Shares held by Sonova Holding AG
Phonak CIS Ltd.	B	Moscow (RU)	RUB	4,000	100 %
Phonak Isitme Cihazlari Pazarlama ve Ticaret AS	B	Istanbul (TR)	TRY	500	60 %
Phonak AB	B	Stockholm (SE)	SEK	200	100 %
Unitron Hearing AB	B	Stockholm (SE)	SEK	100	100 %
Phonak Group Ltd.	B	Warrington (UK)	GBP	2,500	100 %
Americas					
National Hearing Services Inc.	B	Victoria (CA)	CAD	7,500	100 %
Phonak Canada Ltd.	A,B	Mississauga (CA)	CAD	88,694	100 %
Phonak Mexicana S.A. de C.V.	B	México D.F. (MX)	MXN	50	100 %
Unitron Hearing, Inc.	B	Plymouth (US)	USD	46,608	100 %
Asia/Pacific					
Phonak Pty. Ltd.	B	Baulkham Hills (AU)	AUD	750	100 %
Phonak (Shanghai) Co., Ltd	B	Shanghai (CN)	CNY	20,041	100 %
Sichuan i-hear Co., Ltd.	B	Sichuan (CN)	CNY	19,119	100 %
Unitron Hearing (Suzhou) Co., Ltd.	C	Suzhou (CN)	CNY	46,249	100 %
Phonak India Pvt. Ltd.	B	Navi Mumbai (IN)	INR	100	100 %
Phonak Japan Co., Ltd.	B	Tokyo (JP)	JPY	10,000	100 %
Unitron Hearing Korea Co., Ltd.	B	Seoul (KR)	KRW	200,000	37.5 %
Phonak New Zealand Ltd.	B	Auckland (NZ)	NZD	250	100 %
Phonak Operation Center Vietnam Co., Ltd.	C	Binh Duong (VN)	VND	8,796,000	100 %
Rest of world					
Lukatit Investments 14 (Pty) Limited	B	Fourways North (ZA)	ZAR	0[1]	100 %

Description:
A Holding/Finance: The entity is a holding or finance company.
B Sales: The entity performs sales and marketing activities for the Group.
C Production: This entity performs manufacturing for the Group.
D Research: This entity performs research and development activities for the Group.
[1] ZAR 400.

3.5 Reserve for treasury shares

A reserve for treasury shares in the amount of CHF 74,534,573 (previous year CHF 130,930,877) was established which is equal to the cost price (see Note 3.1). The decrease in the amount of CHF 56,396,304 resulted from the capital decrease of CHF 142,787,142 and the purchase of treasury shares of CHF 86,390,838.

3.6 Summary of changes in shareholders' equity

1,000 CHF	Share capital	General legal reserve	Free reserve	Treasury share reserve	Retained earnings	Total shareholders' equity
Balance April 1, 2008	**3,373**	**107,859**	**98,000**	**130,931**	**221,485**	**561,648**
Dividend paid					(65,812)	(65,812)
Capital increases (incl. share premium) from conditional capital	9	7,313				7,322
Capital decrease	(70)			(142,787)		(142,857)
Increase in reserve for treasury shares		(33,544)		86,391	(52,847)	
Release of free reserves			(98,000)		98,000	
Net profit for the year					228,731	228,731
Balance March 31, 2009	**3,312**	**81,628**	**0**	**74,535**	**429,557**	**589,032**

During the financial year 2008/09, an additional 174,078 registered shares with a par value of CHF 0.05 each, or a total par value of CHF 8,704 were issued from the conditional capital (which was created for the purpose of an equity participation for key employees of the Sonova Group) for a total net consideration of CHF 6,733,922. In the financial year 2008/09, the conditional share capital with a par value of CHF 357,871 (7,157,414 shares) decreased by CHF 8,704 or 174,078 shares (previous year CHF 16,318 or 326,362 shares), thereby leaving CHF 349,167 (6,983,336 shares) for distribution. Based on the remaining conditional capital, a total of 2,437,299 (previous year 2,007,162) employee stock options were outstanding as of March 31, 2009, which can be exercised until February 2020 .

The treasury share reserve differs to the treasury shares in the consolidated financial statements due to Warrant Appreciation Rights (WARs). Derivative instruments such as WARs are not recorded in the financial statements of Sonova Holding AG (off balance sheet transaction).

4. Notes to the income statement

4.1 Investment income

This comprises dividends received from Group Companies and other investments.

4.2 Taxes

The tax expense consists of Swiss federal taxes on non-investment income (the company is exempt from income taxes in the canton of Zurich).

Appropriation of Available Earnings

As proposed by the Board of Directors to the Annual General Shareholders' Meeting of June 10, 2009

1,000 CHF	31.3.2009	31.3.2008[1]
Carried forward from previous year	**253,673**	**51,915**
Allocation to reserve for treasury shares	(52,847)	(51,915)
Allocation from free reserves		98,000
Net profit for the year	228,731	221,485
Available earnings	**429,557**	**319,485**
Dividend distribution	(65,349)[2]	(65,812)
Balance to be carried forward	**364,208**	**253,673**

[1] Approved by the Annual General Shareholders' Meeting of June 11, 2008.

[2] If the Annual General Shareholders' Meeting approves the proposes appropriation of available earnings, a gross dividend of CHF 1.00 per registered share of CHF 0.05 will be paid out (previous year CHF 1.00).

Report of the Statutory Auditor on the Financial Statements

PRICEWATERHOUSECOOPERS

Report of the Statutory Auditor
on the Financial Statements 2008/09
to the Annual General Shareholders' Meeting of
Sonova Holding AG
Stäfa

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Sonova Holding AG, which comprise the income statement, balance sheet, and notes (pages 114 to 128), for the year ended March 31, 2009.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended March 31, 2009 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Patrick Balkanyi Audit expert Auditor in charge	Urs Honegger Audit expert

Zürich, May 4, 2009

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