

# INVITATION

to the Annual General Shareholders' Meeting of Phonak Holding AG

to be held on Thursday, July 6, 2006, 4 pm (doors open at 3 pm)  
at Kongresshaus Zurich, Claridenstrasse 5, Entrance K, 8022 Zurich

## Agenda

1. Approval of the Annual Report, of the Consolidated Financial Statements, and of the Financial Statements of Phonak Holding AG for 2005/06; acknowledgment of the Reports of the independent Group Auditors and of the statutory Auditors
2. Resolution on appropriation of available earnings
3. Discharge of the Members of the Board of Directors and of the Management Board
4. Re-election of Members of the Board of Directors
  - 4.1 Re-election of Andy Rihs
  - 4.2 Re-election of William D. Dearstynne
  - 4.3 Re-election of Dr. Michael Jacobi
  - 4.4 Re-election of Robert F. Spoerry
5. Election of the Auditors and Group Auditors

## Requests for Agenda Items

The invitation to shareholders to submit requests for agenda items was published in various Swiss newspapers as well as on the internet website at [www.phonak.com](http://www.phonak.com) on April 12, 2006, with May 8, 2006 set as the deadline for such requests. No requests for agenda items were received.

## Organizational Matters

### Documents

The Annual Report 2005/06, as well as the original reports of the Auditors and the Group Auditors, will be available for inspection by the shareholders from June 1, 2006 at the company's registered office in CH-8712 Stäfa, Laubisrütistrasse 28. These documents may also be ordered from the share register by returning the enclosed reply form or may be viewed on the website at [www.phonak.com](http://www.phonak.com).

### Admission Cards

Shareholders entitled to vote who have been registered in the share register by June 30, 2006 directly receive this invitation to the Annual General Shareholders' Meeting including the agenda and the motions of the Board of Directors. Upon returning the reply form, they will receive their admission cards and voting documents after June 19, 2006.

From July 3 to July 7, 2006, there will be no new entries in the share register. Registered shareholders, who sell their shares before the Annual General Shareholders' Meeting takes place, will no longer be entitled to vote.

### Representation / Proxy

Shareholders who cannot attend the Annual General Shareholders' Meeting in person may be represented as follows:

- *by another shareholder or a person acting as proxy for deposited shares:* Therefore you need to order an admission card. The proxy on the reverse side of the admission card must be completed and signed and given to the empowered shareholder or portfolio representative.
- *by the independent proxy holder, Dr. Patrick Umbach, attorney-at-law, Bahnhofstrasse 44/46, CH-8023 Zurich:* The appropriately completed reply form grants proxy (the admission card does not have to be ordered). In the absence of written instructions regarding certain or all agenda items, the independent proxy holder will cast the votes in line with the motions of the Board of Directors.
- *by Phonak Holding AG:* The appropriately completed reply form grants proxy (the admission card does not have to be ordered). The votes will be cast in line with the motions of the Board of Directors. Proxies with contrary instructions will be forwarded to the independent proxy holder and will be treated as if they were direct proxies of the independent proxy holder.

Persons acting as proxies for deposited shares in the sense of article 689d CO are asked to inform ShareCommServices AG in good time of the number of shares they represent, at the latest by 4 pm (CET) on July 6, 2006.

### Restrictions on Voting Rights and Proxies

Shareholders' attention is drawn to Art. 12 of the Articles of Association, according to which 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 reported in the commercial register.

### Language

The Annual General Shareholders' Meeting will be held in German. There will be an induction loop available for hearing impaired persons.

## Agenda

1. Approval of the Annual Report, of the Consolidated Financial Statements, and of the Financial Statements of Phonak Holding AG for 2005/06; acknowledgment of the Reports of the independent Group Auditors and of the statutory Auditors

### Motion

The Board of Directors proposes to approve the Annual Report, the Consolidated Financial Statements, and the Financial Statements of Phonak Holding AG for 2005/06.

2. Resolution on appropriation of available earnings

- a. Motion

The Board of Directors proposes to distribute out of the available earnings of CHF 71.128 million a dividend of CHF 0.50 gross (after deduction of 35% federal withholding tax CHF 0.325 net) per share. The remaining available earnings of CHF 37.965 million shall be carried forward.

- b. Comments

The following available earnings are at the disposal of the Annual General Shareholders' Meeting:

	In CHF 1,000
Carried forward from previous year	27,718
Net profit for the year	45,274
Allocation to reserve for treasury shares	<u>-1,864</u>
Available earnings	<u>71,128</u>

If the Annual General Shareholders' Meeting approves this motion, the dividend will be paid out free of costs with the value date July 12, 2006.

*No dividends will be distributed on treasury shares held by Phonak Holding AG.*

3. Discharge of the Members of the Board of Directors and of the Management Board

### Motion

The Board of Directors proposes to discharge the members of the Board of Directors and of the Management Board from liability for their activities in the business year 2005/06.

4. Re-election of Members of the Board of Directors

Dr. h.c. Daniel Borel resigns from the Board of Directors at the Annual General Shareholders' Meeting 2006. No by-election is applied.

- 4.1 Re-election of Andy Rihs

- a. Motion

The Board of Directors proposes to re-elect Andy Rihs as a member of the Board of Directors for the statutory term of office of three years.

**b. Comments**

The term of office of Andy Rihs expires at the Annual General Shareholders' Meeting 2006. Andy Rihs is prepared to stand for re-election.

Andy Rihs (born in 1942) is one of the founders of the Phonak Group. He led the Phonak Group as CEO until April 2000 and as interim CEO from April to September 2002. Andy Rihs was elected to the Board of Directors at the Annual General Shareholders' Meeting 1985 and has served as Chairman of the Board since 1992.

A more detailed biography can be found in the Annual Report 2005/06 or downloaded from the website at [www.phonak.com](http://www.phonak.com).

**4.2 Re-election of William D. Dearstyne**

**a. Motion**

The Board of Directors proposes to re-elect William D. Dearstyne as a member of the Board of Directors for the statutory term of office of three years.

**b. Comments**

The term of office of William D. Dearstyne expires at the Annual General Shareholders' Meeting 2006. William D. Dearstyne is prepared to stand for re-election.

William D. Dearstyne (born in 1940) was elected to the Board of Directors at the Annual General Shareholders' Meeting 2003. He has served as Vice-Chairman since 2004. William D. Dearstyne acted as Company Group Chairman and member of the Medical Devices and Diagnostics Group Operating Committee of Johnson & Johnson until April 2003.

A more detailed biography can be found in the Annual Report 2005/06 or downloaded from the website at [www.phonak.com](http://www.phonak.com).

**4.3 Re-election of Dr. Michael Jacobi**

**a. Motion**

The Board of Directors proposes to re-elect Dr. Michael Jacobi as a member of the Board of Directors for the statutory term of office of three years.

**b. Comments**

The term of office of Michael Jacobi expires at the Annual General Shareholders' Meeting 2006. Michael Jacobi is prepared to stand for re-election.

Michael Jacobi (born in 1953) was elected to the Board of Directors at the Annual General Shareholders' Meeting 2003. Michael Jacobi has been Chief Financial Officer and a member of the Executive Committee at Ciba Specialty Chemicals since 1997.

A more detailed biography can be found in the Annual Report 2005/06 or downloaded from the website at [www.phonak.com](http://www.phonak.com).

**4.4 Re-election of Robert F. Spoerry**

**a. Motion**

The Board of Directors proposes to re-elect Robert F. Spoerry as a member of the Board of Directors for the statutory term of office of three years.

**b. Comments**

The term of office of Robert F. Spoerry expires at the Annual General Shareholders' Meeting 2006. Robert F. Spoerry is prepared to stand for re-election.

Robert F. Spoerry (born in 1955) is Chairman, President and CEO of Mettler-Toledo International Inc.

A more detailed biography can be found in the Annual Report 2005/06 or downloaded from the website at [www.phonak.com](http://www.phonak.com).

**5. Election of Auditors and of Group Auditors**

**a. Motion**

The Board of Directors proposes to re-elect PricewaterhouseCoopers AG, Zurich, as Auditors and Group Auditors for a further period of one year.

**b. Comments**

At the request of the Audit Committee of the Board of Directors, the Board proposes to re-elect PricewaterhouseCoopers AG, Zurich, as Auditors and Group Auditors for a further period of one year. PricewaterhouseCoopers confirms to the Audit Committee of the Board of Directors that it possesses the independence required to carry out the assignment and that this independence has not been compromised as a result of the services provided to Phonak in addition to the audit assignment.

Stäfa, June 1, 2006

For the Board of Directors  
Chairman of the Board:

A handwritten signature in black ink, appearing to read 'Andy Rihs', written in a cursive style.

Andy Rihs

