

The Art
and Science
of Better
Hearing

Media and
Financial Analysts
Meeting 2003/04

June 8, 2004

Media and Financial Analysts Meeting

June 8, 2004

Welcome
Business Report 2003/04

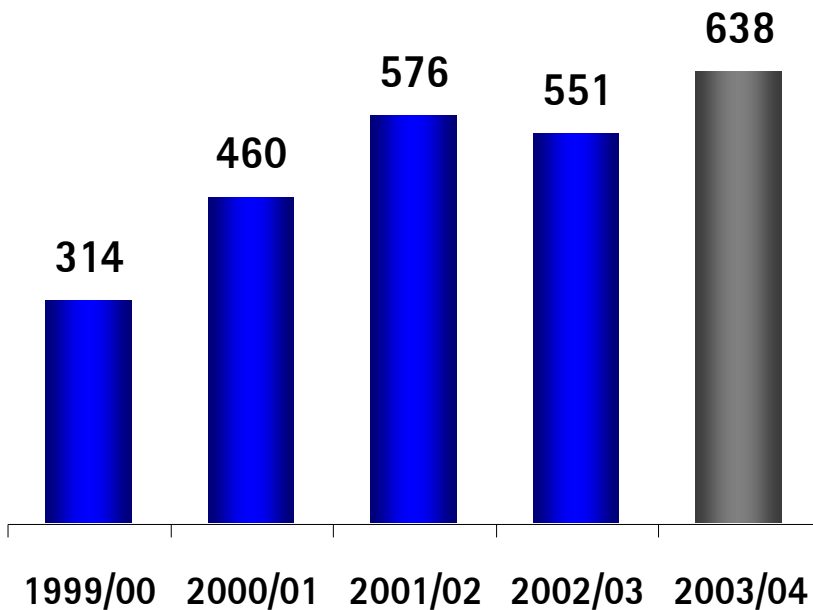
Dr. Valentin Chapero Rueda, Chief Executive Officer

Business Report

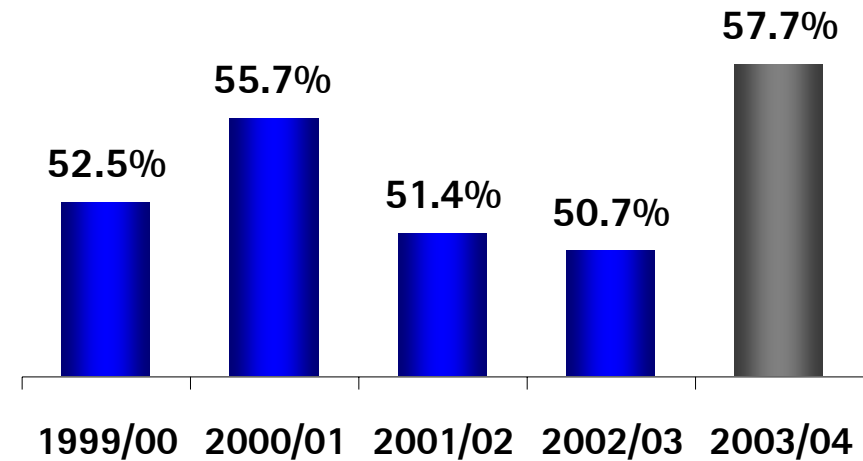
- 5 records achieved
- The performance timeline
 - Completion of product portfolio
 - "Palio" – innovation of the product portfolio
 - Chinese manufacturing facility
 - Expansion of ITE product share
 - Expansion of distribution network
- Proposals to General Meeting

5 Records Achieved in 2003/04 (I)

Consolidated sales

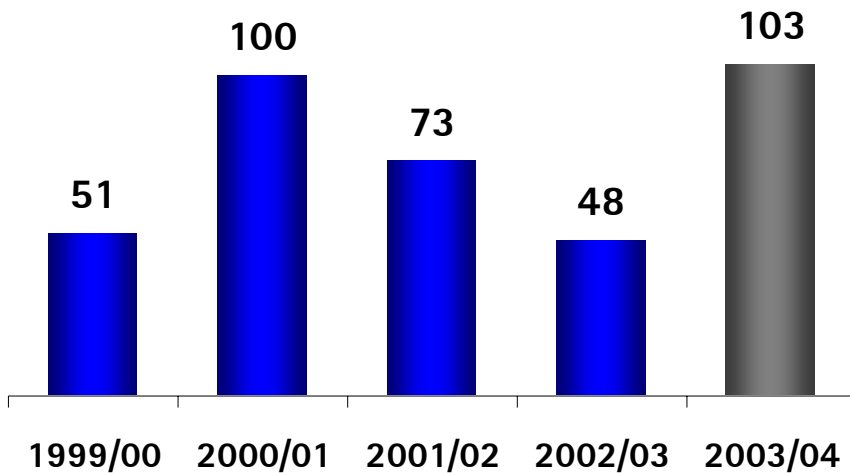


Gross margin

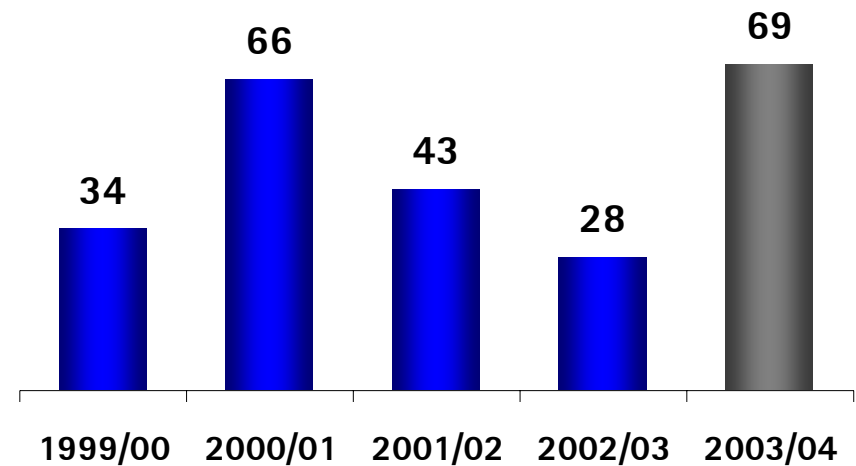


5 Records Achieved in 2003/04 (II)

EBITA



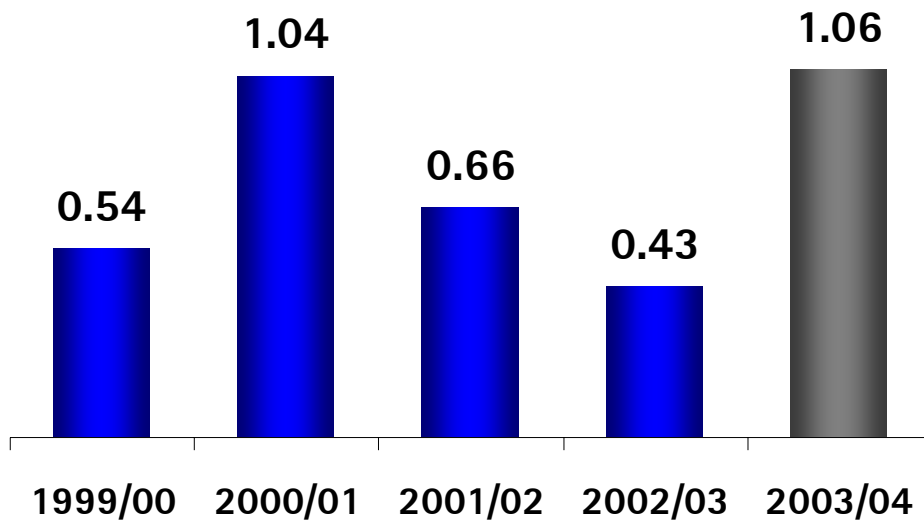
Net income



2002/03: Figures before one-time impairment of goodwill charge

5 Records Achieved in 2003/04 (III)

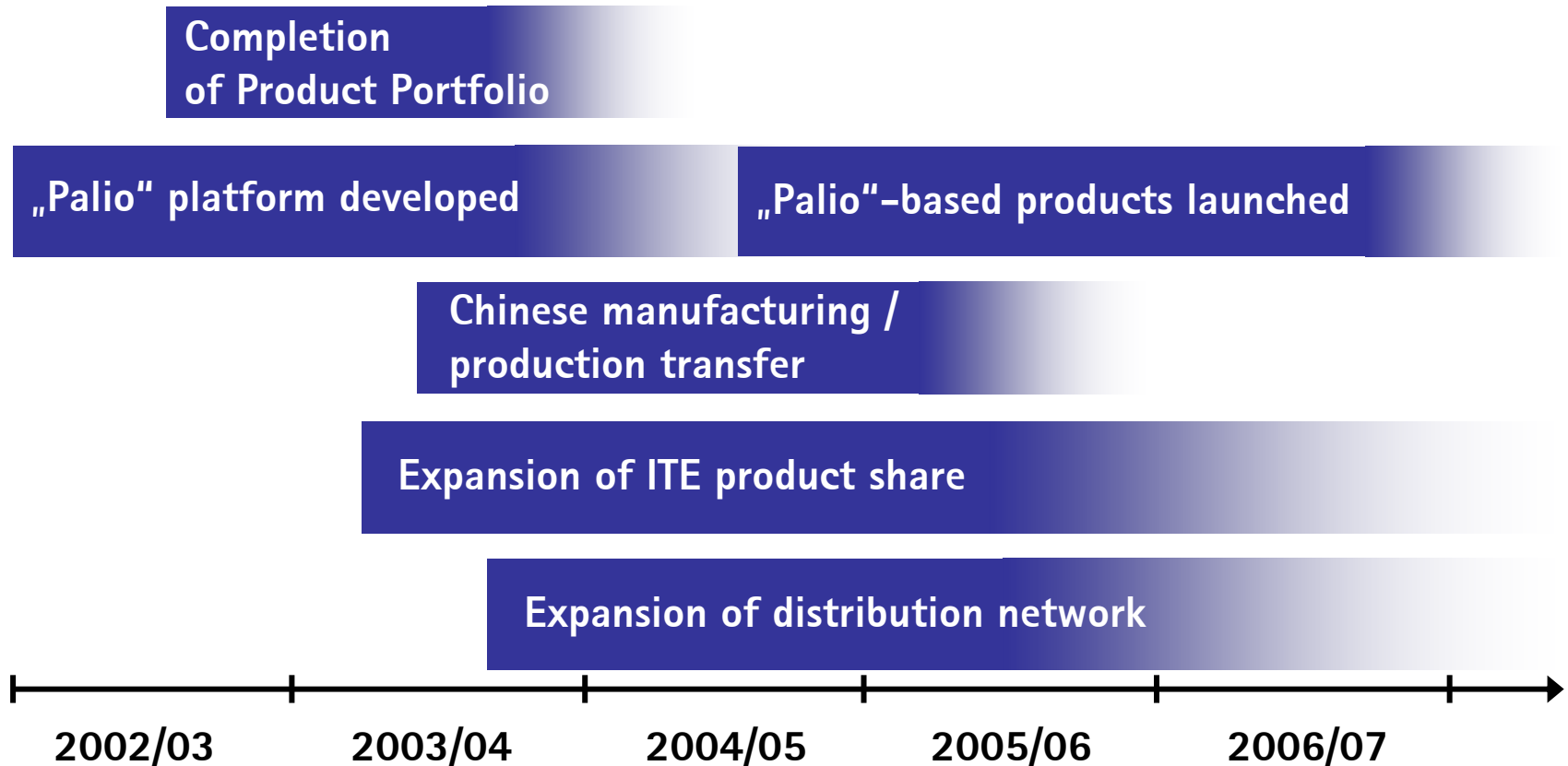
Earnings per Share



2002/03: Figures before one-time impairment of goodwill charge

The Performance Timeline

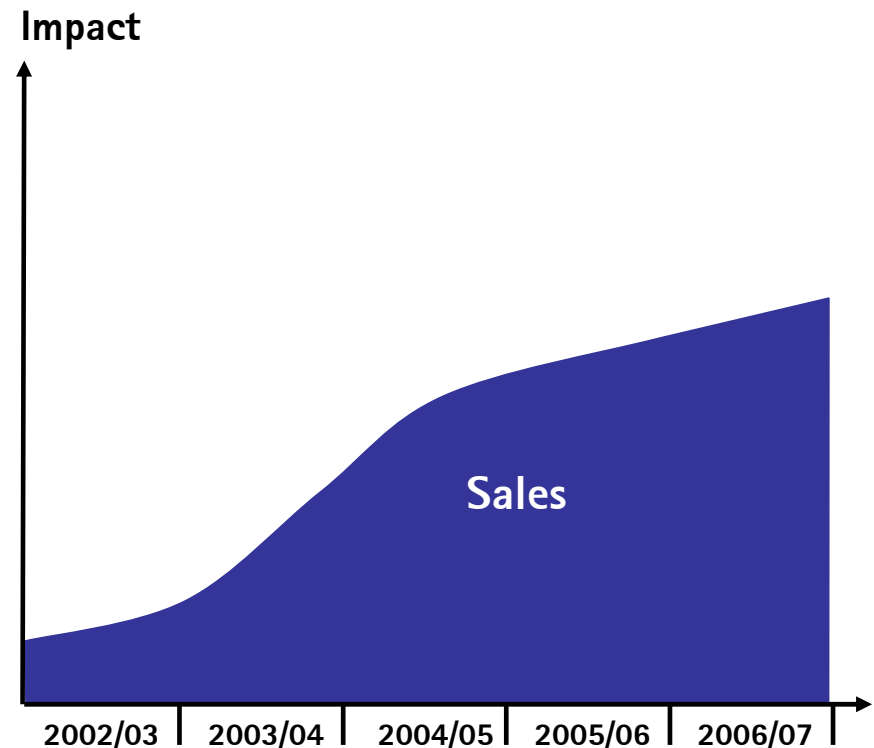
Overview of Implementation Period



The Performance Timeline

Completion of Product Portfolio

- Significant number of product launches in 2003/04:
 - Perseo
 - MAXX, Amio
 - Conversa
 - Liaison
- Continuous innovation and launch cycle



New Products Launched in 2003/04

Hearing computers

FM

First

Business

Economy

SmartLink

Perseo

Supero +

MAXX  Amio



Phonak



liaison.

conversa

EduLink

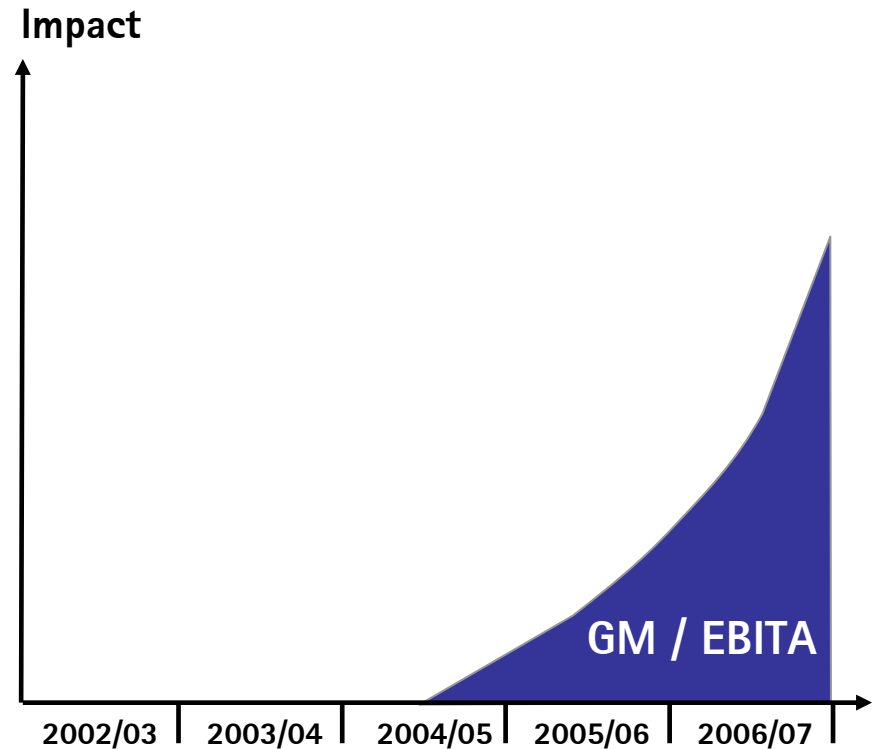
Unitron



The Performance Timeline

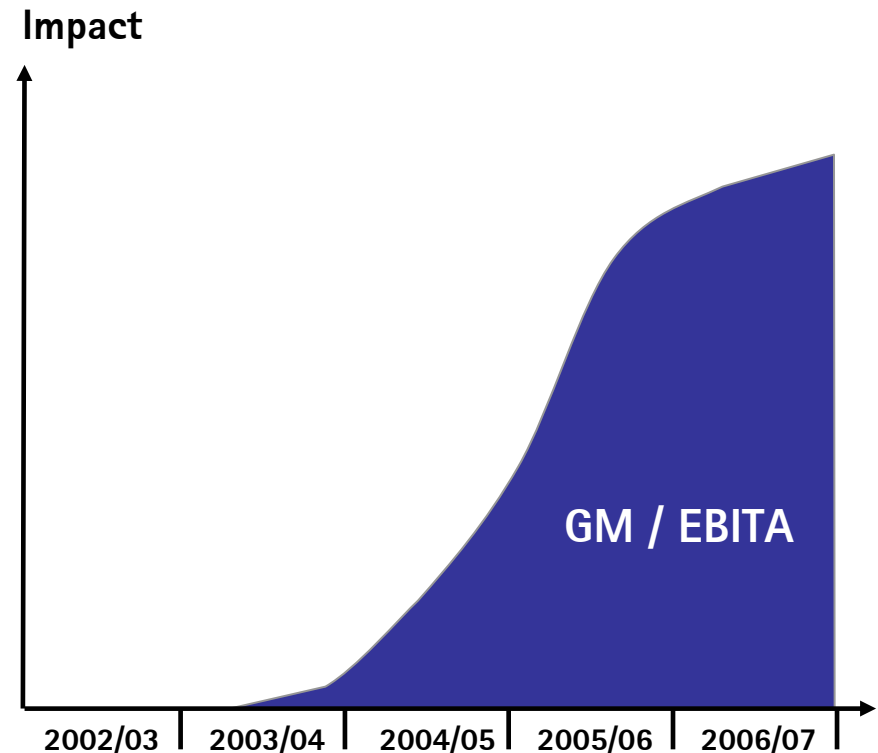
Palio – Single Hardware Platform

- Freely programmable
- Facilitates rapid innovation cycle
- Streamlined manufacturing and logistics
- Cost advantage



The Performance Timeline China Manufacturing Center

- Serves the requirements of both brands
- Concentrates on labor-intensive processes
- In 2004/05 approx. 40-45% of the Group's output will be produced in China



The Performance Timeline

Expansion of ITE Product Share

- New ITE competence center in Stäfa established
- NemoTech successfully introduced in European markets

Expansion of Distribution Network

- Expansion of presence in existing and in new markets
- Focus will be on:
 - Asia (Japan, China)
 - India
 - Eastern Europe / Russia
 - South America

Proposals to the General Meeting

- Dividend payment of CHF 0.20 per share
 - Increase from CHF 0.12
 - Reflects increased net income
- Re-election of PricewaterhouseCoopers as Auditors
- Dr. Alexander Krebs retires from the Board
 - Dr. Michael Jacobi assumes chair of Audit Committee

Media and Financial Analysts Meeting

June 8, 2004

Facts & Figures for the Financial Year 2003/04

Paul Thompson, Chief Financial Officer

Financial Year 2003/04

Brief Summary

- Satisfying results primarily reflect internal improvements:
 - High innovation power and speed:
significant number of product launches
 - Benefits from having complete digital product portfolio under both brands
 - Perseo impact
- Starting improvements on the cost side

Summary of Results

In Millions of CHF

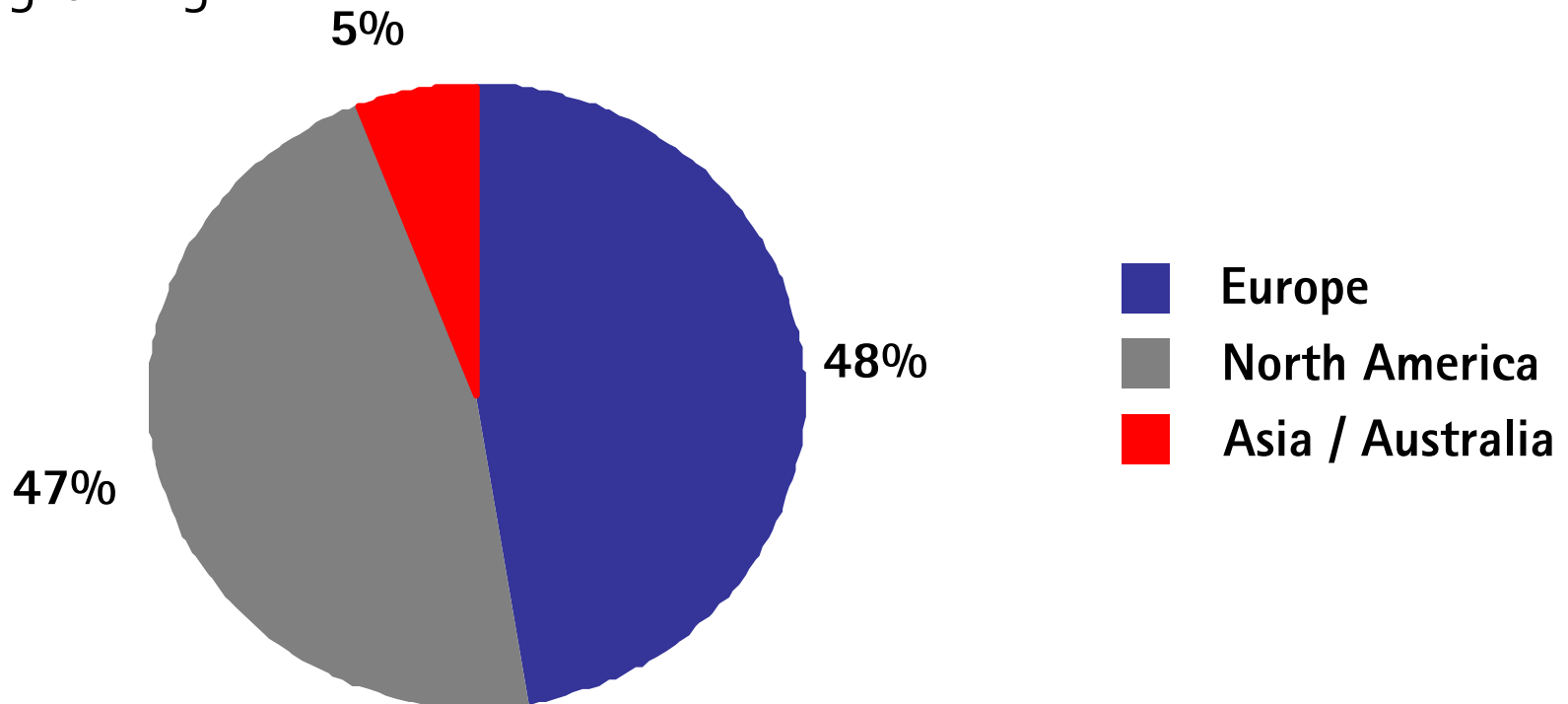
In Million of CHF	2003/04 Actual	2002/03 Actual	% vs. 2002/03	Updated Guidance
Sales	638	551	+16%	635
Gross profit	368	279	+32%	
Operating Expenses	265	231	+14%	
EBITA	103	48	+115%	100
EBIT	95	-37	+354%	
Income	69	-47	+247%	

Share of Sales by Product Groups

in Millions of CHF	2003/04 CHF m	Share of total sales	2002/03 CHF m	Change over previous year
First Class	198	31%	136	+46%
Business Class	150	24%	153	-2%
Economy Class	160	25%	137	+17%
FM Products	44	7%	39	+12%
Miscellaneous	86	13%	86	+0%
Total	638	100%	551	+16%

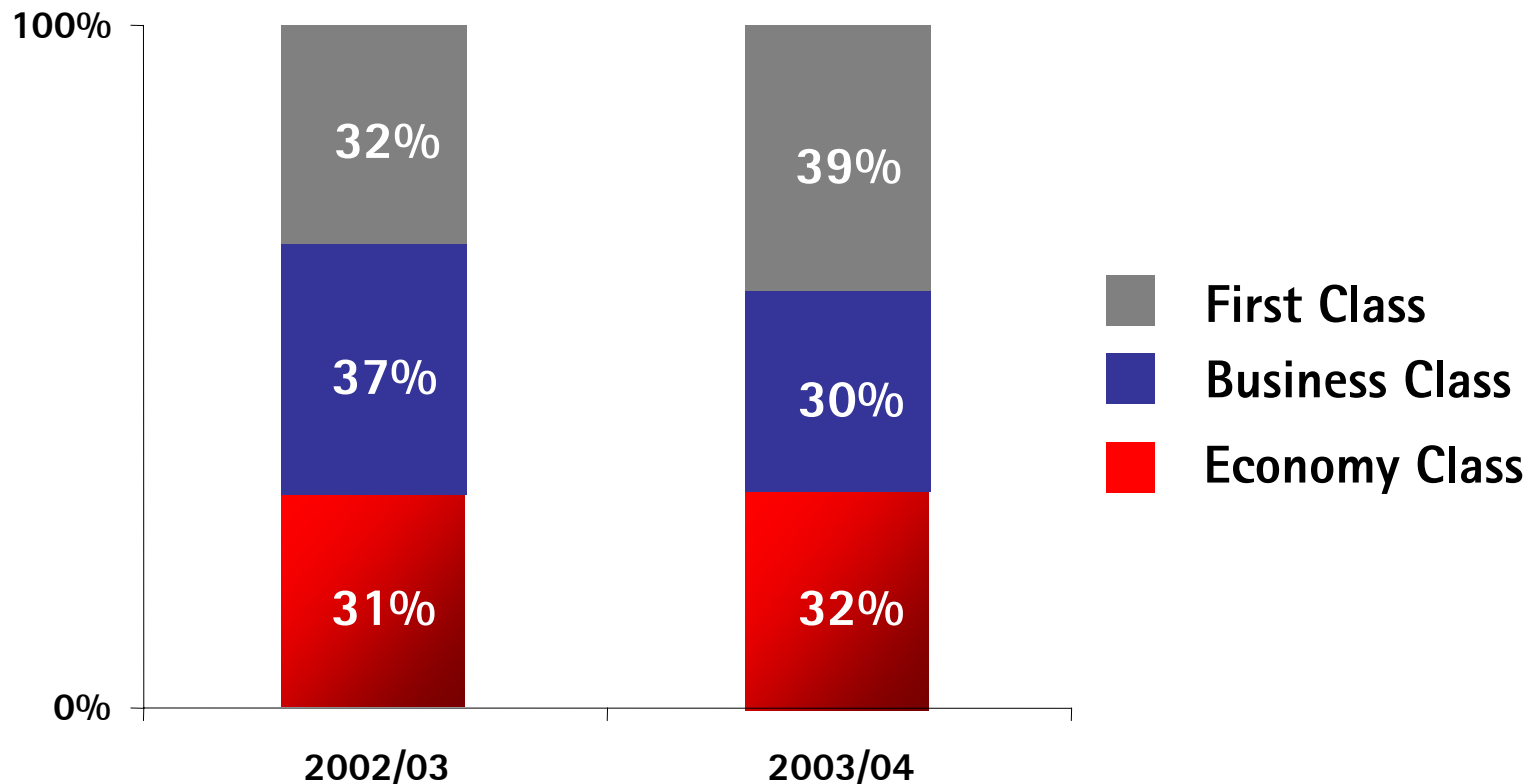
Sales by Main Markets 2003/04

The share of sales is balanced between Europe and North America. Sales outside these regions are expected to continue growing.



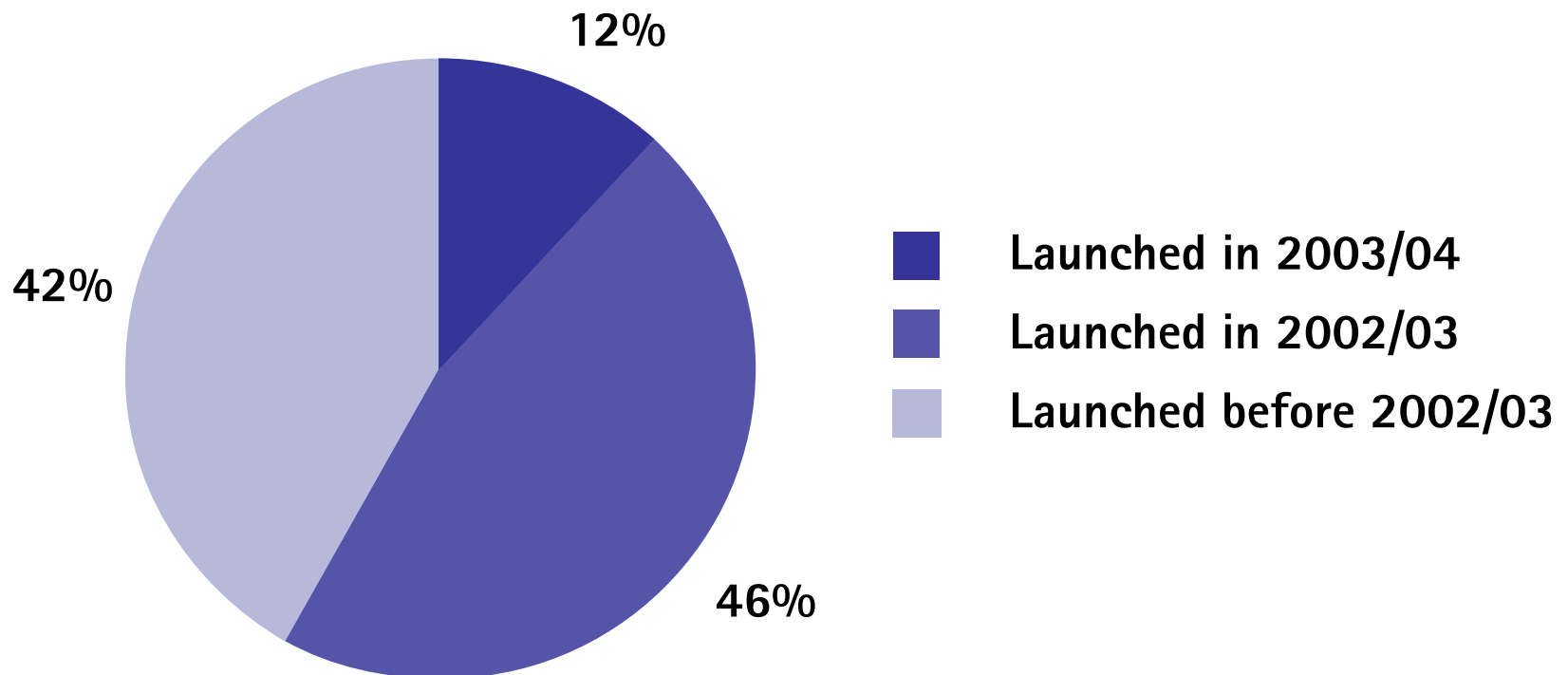
Product Mix in Sales Value – 2003/04 vs. 2002/03

First class segment increased due to Perseo



Share of Sales – New Products

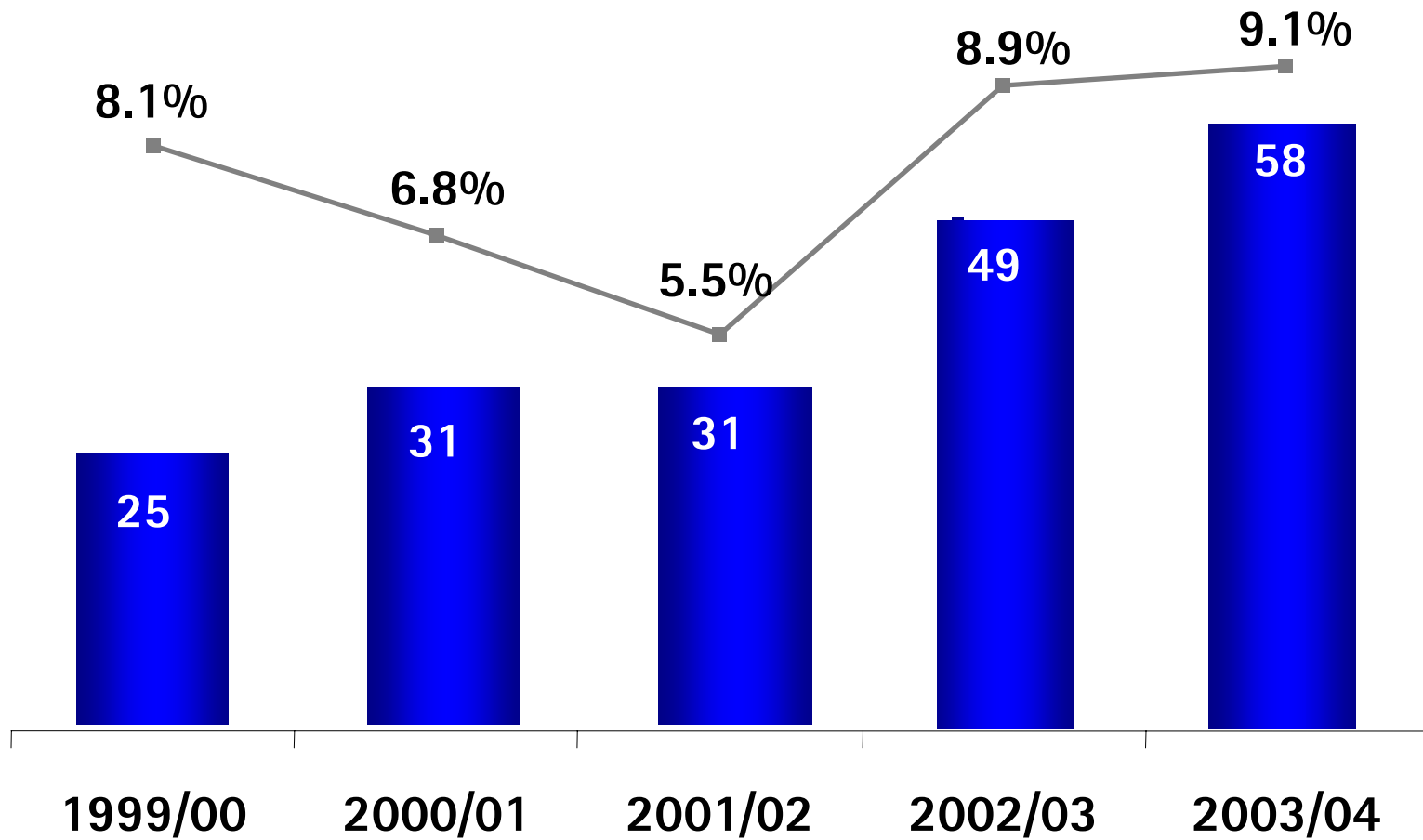
58% of total sales come from products launched in the last 24 months



2003/04 EBITA vs. Prior Year – Summary

in Millions of CHF	CHF m
EBITA - 2002/03	48
Volume - organic growth	+71
Volume - exchange effect	-9
Product mix	+29
Increased operating expenses	-36
EBITA - 2003/04	103

R&D Costs

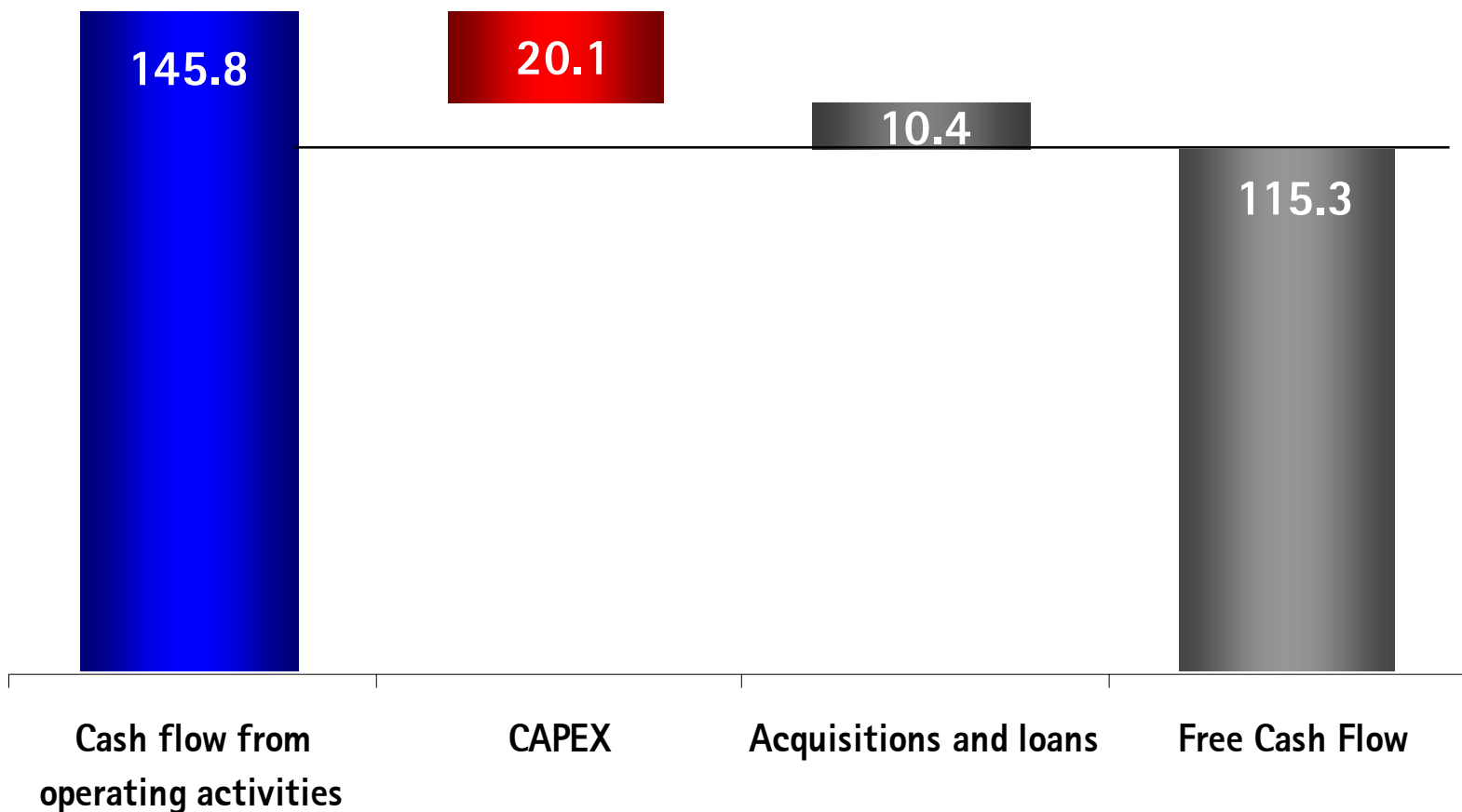


Changes in the Balance Sheet

Account in CHF m	2003/04	2002/03	Change	Explanation
Inventory	77	83	-6	Reduction in raw material and components
Intangible assets	132	137	-5	Regular goodwill amortization; new goodwill for Viennatone
Taxes payable	17	12	+5	Increased taxable income
Other liabilities and provisions - short term	109	72	+37	Increased business volume; customer warranty, rebates, etc.
Other long-term debts	80	105	-25	Regular repayments on debts
Retained earnings	238	177	+61	Net income +69; dividend payment -8

Cash Flow

In Millions of CHF



Phonak Group

Key Figures: Information per Share

	2003/04	2002/03	2001/02
Earnings - as reported	1.06	-0.72	0.66
- ordinary		0.43	
Shareholders' equity	5.35	4.45	5.67
Dividend	0.20 ¹⁾	0.12	0.12

1) Proposal to the annual General Meeting of July 8, 2004

Phonak Holding AG

Appropriation of Available Earnings

Available earnings	42'307'000
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Allocation to free reserves	-25'000'000
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Dividend distribution	-13'064'000
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Balance to be carried forward	4'243'000
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Outlook

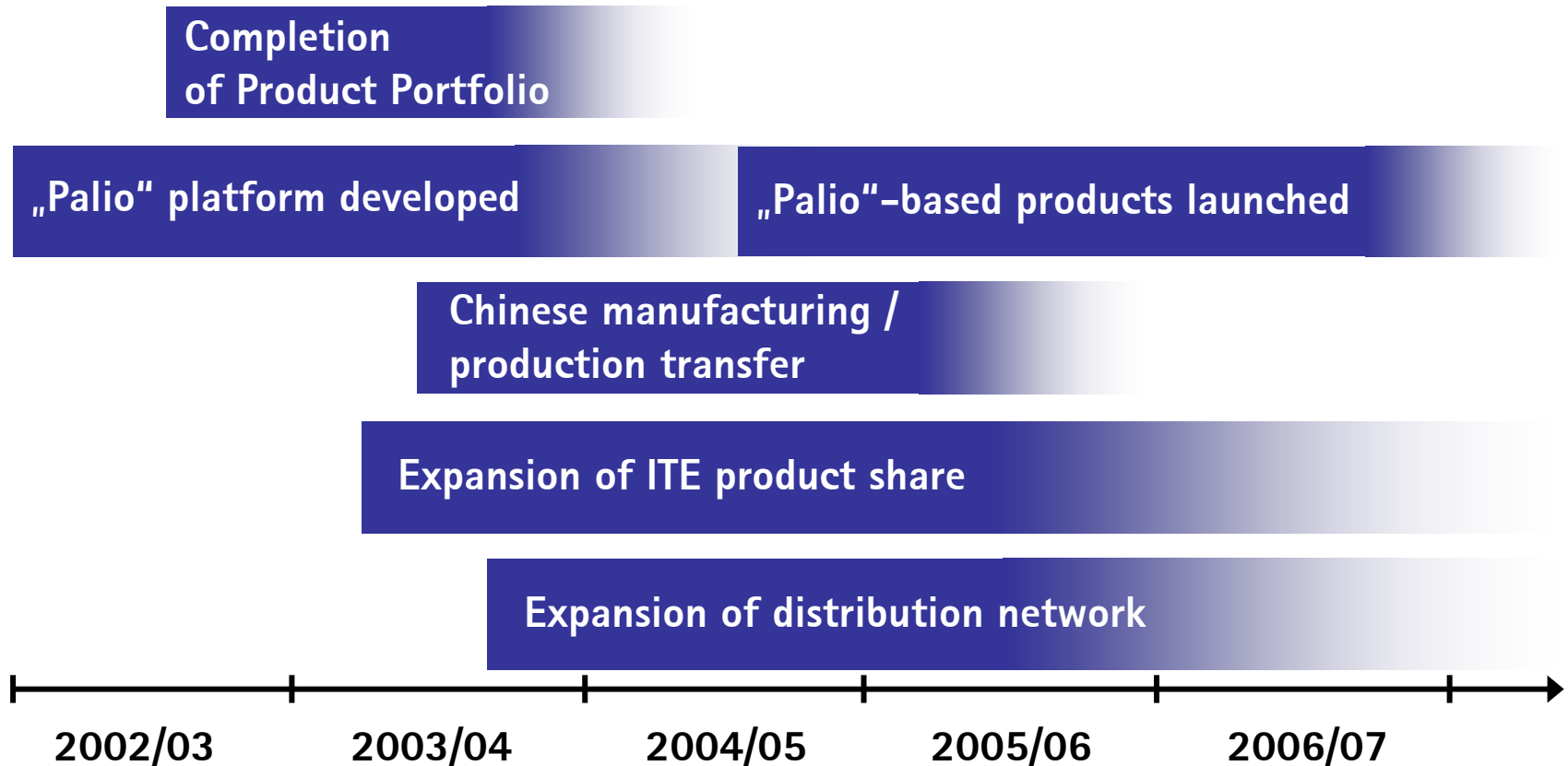
Dr. Valentin Chaperro Rueda, Chief Executive Officer

Outlook

- The performance timeline
- New products already launched in 2004/05
- Sales expectations
- Gross profit and EBITA expectations

The Performance Timeline

Overview of Implementation Period



New Products already Launched in 2004/05

Hearing computers

FM

First

Business

Economy

Phonak



Valeo



Unitron

unison plus



Outlook 2004/05

Sales Objective of CHF 700 million

Growth of 10% in reported currency over 2003/04 due to:

- Products launched in 2003/04
- New product lines launched in 2004/05
- Expansions made in the distribution network
- Additional ITE business
- Lessening impact of Perseo vs. ramp-up of new high-end product

Outlook 2004/05

Further Gross Profit Improvement

Further net improvement in the gross profit percentage in 2004/05 due to:

- Impact of Chinese manufacturing
- Launch of the first Palio-based product at the end of 2004
- Lessening impact of Perseo in 2004/05

Outlook 2004/05

Spending on R&D

Spending in 2004/05 will be around 7%;
following the peak of spending in 2003/04

Major projects include

- Hardware and software platforms development
- New product development
- Automated shell manufacturing
- New technology research

Outlook 2004/05

Further EBITA Improvement

Further improvements in EBITA margin due to:

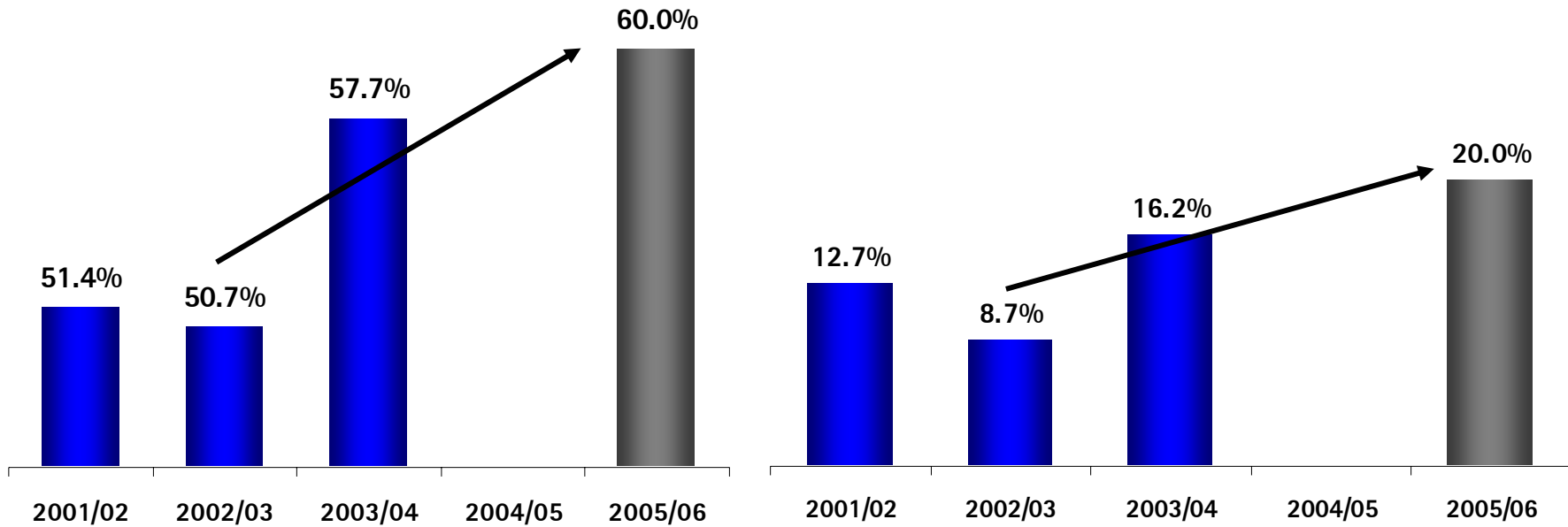
- Expected gross profit improvements
- Reduction in R&D spending

If the expected gross profit improvements are achieved, the Group expects to reach the upper range of its previously stated mid-term EBITA target of 15-20%.

Gross Profit and EBITA Targets

Gross profit

EBITA



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Questions & Answers

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Thank you
for your Attention

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