Media Release

Phonak Holding AG

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Subject	Full Year Results 2005/06
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Significant market share gains and sharp rise in profitability

In the pole position for further sustainable growth. Ongoing improvement of the competitive capabilities of the Phonak Group

- Sales increase of 31% to CHF 867 million
- Internal sales growth of 24% (in local currencies and excluding acquisitions) is several times higher than the hearing instrument market growth
- EBIT margin rises to 24% (previous year 19%)
- Income after taxes grows by 80% to CHF 172 million
- Savia establishes itself as the benchmark product in the hearing instrument industry
- Market share gains in all major markets
- Several new, highly competitive hearing systems were launched at the AAA: microPower, Verve, and Indigo
- The Phonak Group expects to outgrow the hearing instrument market once again in 2006/07

The Phonak Group is pleased to report very positive results for the financial year 2005/06. Starting from the record level of last year, we increased sales by 31.2% to CHF 866.7 million (previous year CHF 660.4 million). Internal growth – measured in local currencies and excluding acquisitions - came to 23.8%. As a result of an improved product mix and enhanced operational efficiencies, our gross profit margin climbed by 3.3 percentage points to 66.6%. Operating profit (EBIT) increased by 68.3% to CHF 211.7 million from last year's CHF 125.8 million.

EBIT margin reached 24.4% from 19.0% in the previous financial year, underlining the overproportional profit growth. Assisted by a positive financial result and a lower tax rate, income after taxes climbed 79.9% to a record level of CHF 172.5 million. This year's dividend proposed to the Annual General Shareholders' Meeting amounts to CHF 0.50 per share.

Further strengthening of our highly competitive product portfolio

At this year's AAA convention (American Academy of Audiology) in April 2006, the Phonak Group presented several new, highly competitive hearing systems. With the launch of Verve and microPower, Phonak pioneers two completely new product segments. Both product lines have the potential to redefine the hearing instrument market whilst helping increase user acceptance.

Verve is an exclusive product line designed for the most demanding customers who expect a personalized and comprehensive support throughout the product's entire life cycle. The “Verve Priority Package” is the key component of the innovative service offering. With a personalized Verve Card, the customer has access to both the international 24/7 support line and the Verve web portal. Verve's superior audiological performance and its unique functionalities, combined with its elegant and stylish appearance set a new standard in the hearing instrument industry.

The majority of people using a hearing system today suffer from a moderate to severe hearing impairment. Due to the innovative Canal Receiver Technology (CRT), these people can enjoy the advantages of a micro hearing system. With microPower, the loudspeaker is positioned in the ear canal and provides excellent sound quality and high power output, thus combining the cosmetic appeal of an in-the-ear (ITE) hearing device with the performance of a powerful behind-the-ear (BTE) hearing instrument. Canal Receiver Technology in combination with our micro housing platform makes microPower nearly invisible.

Unitron Hearing has completed its product portfolio with Indigo, the new flagship product in the premium segment. Unitron's first PALIO-based product delivers superior performance and unique audiological features. It completes the Unitron product offering in the high end segment and will generate significant business opportunities for the existing customer base and at the same time allow Unitron to address new segments of the audiological community.

Focus on innovation and distribution

The Phonak Group is in a favorable position: we have the strongest product portfolio of the hearing instrument industry and can rely on a full product pipeline. In addition, we will continue to work hard to further develop the Group in the areas of human resources, organization and processes, thereby building a strong base for sustained growth.

Our excellent business performance relies on the consistent execution of our strategy to focus on product innovation and to improve our sales and distribution capabilities. In 2005/06, we made major progress towards our goal of transforming the Phonak Group into the most successful company in the hearing instrument industry.
To accomplish this objective, we will focus on the continuous improvement of product functionality, increased customer benefits and the further strengthening of the organizational efficiency of our global Phonak/Unitron team.

Outlook for financial year 2006/07

We are confident that Phonak's sales will continue to develop in line with our mid-term target to grow the company by around 10% on an annual basis. Thus, we anticipate being able to once again outgrow the hearing instrument market in 2006/07. Management expects a further improvement in the EBIT margin as a result of the expected gross profit margin increase as well as a reduction in operating expenses as a percentage of sales.

The Annual Report 2005/06 can be downloaded from:
www.phonak.com/company/investors/financial/annual.htm

KEY FIGURES PHONAK GROUP

(Consolidated)

in CHF 1,000 unless otherwise specified	2005/06	2004/05
Sales	**866,682**	**660,375**
change compared to previous year (%)	31.2	6.4
Gross profit	**577,204**	**417,814**
change compared to previous year (%)	38.1	12.1
in % of sales	66.6	63.3
Research and development costs	**63,039**	**48,932**
in % of sales	7.3	7.4
Sales and marketing costs	**206,846**	**159,117**
in % of sales	23.9	24.1
Operating profit before acquisition-related amortization (EBITA)	**212,828**	**125,830**
change compared to previous year (%)	69.1	21.6
in % of sales	24.6	19.1
Operating profit (EBIT)	**211,662**	**125,797**
change compared to previous year (%)	68.3	32.5
in % of sales	24.4	19.0
Income after taxes	**172,465**	**95,856**
change compared to previous year (%)	79.9	38.2
in % of sales	19.9	14.5
Number of employees (average)	**3,166**	**2,719**
change compared to previous year (%)	16.4	7.8
Number of employees (end of period)	**3,428**	**2,926**
change compared to previous year (%)	17.2	8.8
Net cash [1]	**177,934**	**93,785**
Net working capital [2]	**125,866**	**79,496**
in % of sales	14.5	12.0
Capital expenditure (tangible and intangible assets) [3]	**26,995**	**23,083**
Capital employed [4]	**449,099**	**355,919**
in % of sales	51.8	53.9
Total assets	**931,260**	**743,360**
Equity	**627,033**	**449,704**
Equity financing ratio (%) [5]	**67.3**	**60.5**
Free cash flow [6]	**101,834**	**83,781**
in % of sales	11.7	12.7
Return on capital employed (%) [7]	**52.6**	**36.1**
Return on equity (%) [8]	**32.0**	**24.0**
Information per share		
Diluted earnings per share (CHF)	2.568	1.434
Dividend per share (CHF	0.50 [9]	0.30

The key figures include adjustments in accordance with new IFRS accounting standards and improvements of the presentation of financial statements (see Notes to the Consolidated Financial Statements of the Annual Report 2005/06)

[1] Cash and cash equivalents + financial assets at fair value through profit or loss – short-term debts – financial liabilities at fair value through profit or loss – mortgages – other long-term debts
[2] Receivables + inventories – trade payables – other short-term liabilities – short-term provisions
[3] Without goodwill and intangibles relating to acquisitions
[4] Total assets – cash – financial assets at fair value through profit or loss – trade payables – other liabilities – provisions – deferred tax liabilities
[5] Equity in % of total assets
[6] Cash flow from operating activities + cash flow from investing activities
[7] EBIT in % of capital employed (average)
[8] Income after taxes in % of equity (average)
[9] Proposal to the Annual General Shareholders' Meeting of July 6, 2006