

## Media Release

**Phonak Holding Ltd.**Laubisrütistrasse 28  
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Switzerland

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Subject	Semi-Annual Report as of September 30, 2004
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Date	November 25, 2004
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Contact	Valentin Chapero (CEO) and Oliver Walker (CFO)
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### **Sales up 10% over prior year in local currencies**

#### **Further improved Gross and EBITA-margins**

The Phonak Group is pleased to announce the financial results for the first half of 2004/05. In the first half of the year sales reached CHF 325 million. This represents a 10% growth, in local currencies (8% in reporting currency), over the same period last year, and was driven by consistent sales of Perseo, supported by strong growth in economy-level digital products as well as Phonak's personal communication products. The gross margin reached 59.5% which is almost 500 basis points over the gross margin of 54.8% reported in the same period last year. EBITA increased by 43.2% to CHF 56.0 million and EBITA-margin improved to 17.2%, compared to 13.0% in the first 6 months 2003/04. Margin improvement came from efficiencies due to volume increases, savings in the purchase price of materials and the reduced manufacturing costs in China.

#### **Several operational milestones achieved**

Several milestones were also achieved in the first six months of 2003/2004 on the operational side. Last month, the Phonak Group received a lot of attention and positive market feedback at the European trade show in Frankfurt, where Phonak launched the next innovation in hearing technology – a new high-end product called Savia. It is the first hearing system ever to implement the unique capabilities of biological hearing systems using digital technology. Savia innovations like Real Ear Sound, digital SurroundZoom and Echo Block have become the new benchmarks in our industry. Unitron Hearing launched Unison 6, 3 and Essential, an expansion of its popular Unison line of digital products, as well as the WiFi mic, a dedicated CROS/BICROS hearing system, while Phonak launched its universal CROSLink system.

While we continue to ramp up production in our new Chinese manufacturing facility, we have also opened our new sales facility in China in the first half year, beginning with the acquisitions of the former Phonak and Unitron Hearing distributors in China.

### **Many key projects culminating in Savia launch**

The new Savia product represents the culmination of many accomplishments within the Phonak Group. First, Savia represents the next step in hearing instrument innovation, following the conversion to digital. Savia is the industry's first product ever to implement the unique capabilities of biological hearing systems using digital technology. Second, Savia is being launched on Phonak's new hardware platform, known as "Palio". This state-of-the-art, freely-programmable, powerful digital engine will provide the basic building block for the Group's product launches over the next 4 to 5 years. Third, Savia is presented in a totally new package – a new look and feel consistent with the features of this high-end product. Fourth, Savia will be sold and fit using iPFG, Phonak's new fitting software, developed on the "Chinook" fitting software architecture. The same architecture is the backbone also for the new Unitron Hearing fitting software, yet with a completely different graphical user interface. These many key projects – Palio, Chinook, new product design, innovative product development – have come together in the development and launch of Savia. In the coming years, we expect to benefit in terms of product sales and reduced costs, from the building blocks we have developed over the past three years.

### **New members strengthen management team**

Joining the Group Executive Team in the first half year are Oliver Walker and Sarah Kreienbuehl. Effective October 1, 2004, Oliver Walker became the new CFO of the Group, replacing Paul Thompson who was appointed to the position of Executive Vice President, Corporate Development. At the beginning of August, Sarah Kreienbuehl joined as Vice President, Human Resources.

### **Outlook confirmed for the remainder of 2004/05**

Based on current market conditions, and expecting a traditionally stronger second half year, combined with the first sales from the new premium product, Savia, management confirms its full year sales target of CHF 700 million, at constant currency rates. However, in the first half year, we have seen a negative 2% currency effect. Looking at the recent strengthening of the Swiss franc against the U.S. dollar, we estimate that sales in reported currency could be around 3% less than CHF 700 million. Due to higher expected sales volume in the second half, we forecast a slight improvement in gross profit margin and a slightly higher improvement in EBITA margin. The exact results will be dependant upon the Group's ability to meet the demand for Savia in the early months of launch.

**Phonak Group: Key figures for the six months ended September 30, 2004**

	April to September		Change
	2004 (in CHF m)	2003	6 months 2004/2003
Consolidated sales	325.0	300.9	+8.0%
Gross profit	193.5	164.8	+17.4%
% of sales	59.5	54.8	
Operating profit EBITA	56.0	39.1	+43.2%
% of sales	17.2	13.0	
Operating profit EBIT	56.0	34.9	+60.5%
% of sales	17.2	11.6	
Income after taxes	41.2	25.8	+59.7%
% of sales	12.7	8.6	
Net cash from operating activities	48.0	65.1	-26.3%
% of sales	14.8	21.6	
Capital expenditure	10.3	8.5	+21.2%
% of cash flow from operating activities	21.4	13.1	
Total assets	698.9	630.4	+10.9%
Shareholders' equity	388.1	307.9	+26.1%
% of total assets	55.5	48.8	+6.7%
Net cash / (debt)	46.4	(49.7)	
Number of employees			
- At September 30	2,743	2,459	+11.5%
- Average	2,733	2,425	+12.7%
Interim financial statements are unaudited and are prepared in accordance with International Financial Reporting Standards (IAS 34)			

**Investor Relations Calendar**

**June 7, 2005**

Annual Report per March 31, 2005;

Media Conference and Presentation to Financial Analysts;

**July 7, 2005**

General Meeting of Phonak Holding Ltd.

**November 2005**

Semi-Annual Report per September 30, 2005