

Media Release

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Phonak Group Opens Operations in Suzhou, China

First Products Shipped on September 30, 2003!

The Phonak Group is pleased to announce that it has successfully established a new manufacturing facility in Suzhou, China. The company, incorporated as Unitron Hearing (Suzhou) Co. Ltd., shipped its first finished products on September 30, 2003, in line with its planned target of October 1st. The Chinese manufacturing facility is an important factor in the Group's strategy of substantially reducing product cost and improving gross margin. The facility will also provide a platform for the Group to expand its sales into China and South-East Asia.

In April, Phonak Group announced its plans to open a wholly-owned group company in Japan and an additional, low-cost manufacturing facility in Asia. Several weeks ago, the company announced the grand opening of Phonak Japan Co. Ltd. Now, Phonak is pleased to announce its second major business expansion: the opening of Unitron Hearing (Suzhou) in China. Unitron Hearing (Suzhou) Co. Ltd. is a wholly-owned subsidiary of Phonak Holding AG that will manufacture products for both the Phonak and the Unitron Hearing brands, leveraging common hardware platforms and manufacturing processes.

Platform to Build Market Presence in China and South-East Asia

In addition to being a key manufacturing centre, Unitron Hearing Suzhou is designed to become both an operating centre and an Asian hub for the Phonak Group, providing the Phonak Group a platform on which to build a market presence in China and South-East Asia. Having a permanent, owned presence will allow the Group to exploit the current and future market potential of these expanding markets. The new facility is located about 100 kilometers west of Shanghai, in beautiful Suzhou, China – known as the "Venice of the East".

A Record Start!

Unitron Hearing Suzhou received its business license in August and, with the support of local officials and a dedicated project team, was able to set up the business, hire and train its first employees, begin production and ship its first products in a record time of 7 weeks! The official grand opening ceremonies will be held in the first quarter of 2004.

The first products manufactured in China are Phonak's entry-level digital In-the-Ear (ITE) product line, MAXX. By the end of the calendar year, Phonak's Aero and Amio, and Unitron Hearing's Conversa ITE products will begin production in China as well. By early spring of 2004, Unitron Hearing Suzhou will establish a central reprocessing centre to streamline and reduce the costs of processing returned products. In the next fiscal year, as the company finalizes its business infrastructure, it will take on more product mandates for both Phonak and Unitron Hearing brands.

People Make it Happen!

The design of the Chinese facility and processes has been a successful example of cooperation and synergy between the Unitron Hearing and Phonak brands, as the project team took best practices from both companies. The project team involved in establishing the facility is as multinational as the Phonak Group is – with core team members from Canada, Switzerland, Australia and, of course, China. The first team of 25 production and support staff have been hired in China, many of whom have previous experience in the hearing aid industry. They have been through the initial training programs and have already begun to produce and ship products.

The management is also pleased to announce the appointment of **Mr. Urs Eller** as **Managing Director** of Unitron Hearing (Suzhou) Co. Ltd. Mr. Eller has excellent experience in building up subsidiaries in the Shanghai region. Over the past six years in Shanghai, Mr. Eller has successfully set up three operations units, as well as one marketing & sales organization for Swiss companies, Geberit and Daetwyler. Mr. Eller has a degree in Mechanical Engineering and an MBA in Marketing & Finance.

About the Phonak Group

The Phonak Group, headquartered in Stäfa, Switzerland and listed on the SWX Swiss Exchange, comprises two hearing instrument divisions, Phonak and Unitron Hearing, as well as Phonak Communications, a developer of wireless communication devices for both hearing instrument and other applications. The Group is a world leader in the design, development, production and distribution of technologically advanced hearing systems and is active in over 70 countries, through a combination of 25 subsidiaries in 20 countries and a network of distributors. The Group was founded in 1966, as a two-person venture, and now has 2,400 employees. The Phonak Group achieves its mission of improving the quality of life of individuals with hearing impairment by focusing on product leadership, quality and innovation.



Pictures can be downloaded from our web page www.phonak.com: please visit our Media Center / Corporate section

China facility – view from the quality testing room. In addition to being a key manufacturing centre, the facility will also provide a platform for the Group to expand its sales into China and south-East Asia.



The first team of 25 employees at work. First products were shipped after only 7 weeks since having received the business license.