

Media Release

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Subject	Sales and Profit Guidance
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Phonak Updates Sales and Profit Guidance

Strong Q3 Results – Positive Outlook for 2004/05

Following a strong third quarter of sales and profit performance, the management of the Phonak Group updates its guidance regarding sales and EBITA for the fiscal year ended March 31, 2004.

New Product Sales Continue Strong

The updated sales target is in the range of CHF 615 million, which is 2-3% above the earlier guidance. The reason for the improvement to the sales guidance is the continued strength of new product sales. Offsetting this, of course, is the negative currency impact on sales due to the weak U.S. dollar against the Swiss franc. In local currency, this represents an organic growth of 16-17% over the prior year.

Gross Profit and Net Income Improve due to Favourable Product Mix

In addition, management feels comfortable to obtain an EBITA target of approximately CHF 90 million, or 14.5% of the updated sales estimate. The EBITA improvement is due to an improved gross margin, the direct result of the favourable product mix as well as reduced product costs. The new products – in particular Perseo, the premium digital line, MAXX, the entry-level digital line, and Conversa, Unitron Hearing's mid-range line – continue to develop favourably.

Today's guidance is updated from the last estimate provided at the presentation of the semi-annual results in November 2003, when management confirmed its original guidance of sales in the range of CHF 600 million with an EBITA level of 13% of sales.

Outlook for 2004/05

Regarding the outlook for 2004/05, Valentin Chapero, CEO Phonak Group, states "we have seen positive results in 2003/04 from our new product introductions and I am confident that these products, combined with several complete new product line launches in 2004/05, will continue to deliver positive results in 2004/05". Further guidance on the 2004/05 outlook will be provided when the current year results are presented.