

Media Release

Phonak Holding Ltd.Laubisrütistrasse 28
CH-8712 Stäfa
Switzerland

Subject	Chinese Sales Activities
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Contact	Valentin Chapero Rueda (CEO) and Paul Thompson (CFO)

Phone +41 1 928 01 01
Fax +41 1 928 03 90

Phonak Group Now Establishes Sales Organization in China

Acquisitions of former Phonak and Unitron Hearing Agents Provides a Strong Foundation for Growth!

Today, in Suzhou, China, during the grand opening ceremonies of the new Phonak / Unitron Hearing facility, CEO Valentin Chapero Rueda announced the first plans for the establishment of the sales organization in China, which involves the acquisition of the two former agent businesses.

Integration of former Phonak agent

Phonak has reached an agreement to acquire the business of the former Phonak agent, KAM Hearing Technology (Guangzhou) Ltd., with operations based in Guangzhou, Shanghai and Beijing. These operations include wholesale sales activities as well as retail sales activities through owned retail shops, franchised shops and affiliated customers. KAM Hearing Technology has particular expertise and presence among deaf schools and hearing and speech rehabilitation centers throughout China, where the Phonak brand hearing instruments for children, as well as the Phonak FM systems, are well-known. The Phonak Group is pleased to announce that Mr. Kam Ping-kay, the former owner of KAM Hearing Technology, has agreed to join the sales organization, based in Suzhou. As Vice General Manager and a member of the senior management team, Mr. Kam Ping-kay will be responsible for expanding the retail sales activities of the Phonak Group in China, both with the Phonak and the Unitron Hearing brands, in both owned and franchised retail shops. Mr. Kam Ping-kay has over 12 years of business development and sales experience in China and has established an extensive network of customers and associates.

Also former Unitron Hearing agent joins the newly established sales organization

In addition, Phonak has reached an agreement to acquire the business of the former Unitron Hearing agent, Unitron Hearing (Sichuan) Technology Ltd. The Phonak Group is also pleased to announce that Dr. Tao Jiang, the former owner of Unitron Hearing (Sichuan) Technology Ltd., has joined the sales organization as a member of the senior management team. In his new role, Dr. Tao Jiang will be responsible for business development, professional network and relationship management, customer training and education, as well as the continued management of the sales activities in south-west China. Dr. Tao Jiang has over 17 years of sales and business development experience in China and, over the past 5 years, has been working extensively with the West China University of Medical Sciences in a partnership with Dalhousie University in Canada to establish a renowned audiology graduate training program providing qualified audiology services and hearing assistive products to the hearing impaired population in China.

As announced last September, the first step in entering the Chinese market was to establish a low-cost manufacturing facility. The transition of products to this manufacturing facility is progressing well and it is estimated that the facility will produce approximately 40-45% of the Phonak Group's total production volume by mid-2004. The second step in entering the Chinese market is now to establish a sales presence through which Phonak and Unitron Hearing products will be distributed. Until now, Phonak and Unitron Hearing sold only a few products into this market through exclusive agents. With the acquisitions and integration of these two former agents, along with the employment of both Mr. Kam Ping-kay and Dr. Tao Jiang, the Phonak Group has completed a significant and rapid step into the wholesale and retail sales opportunities available in China. The Group's newly established Chinese operations are led by Urs Eller, Managing Director of Phonak Unitron Hearing, China.