



NEWS

November 2007 – with Q3 excerpt



EDITORIAL

Dear reader

Welcome to GN News. This is the last print version of our publication. The next issue, due out in connection with the Annual Report, will be distributed as an e-newsletter. If you would like to receive upcoming issues of GN News, please remember to sign up. You can read more about the e-newsletter on page 2.

At its meeting on November 6, GN's Supervisory Board made a decision about the future of GN ReSound. Please read the article below.

Financial highlights

The financial results improved substantially from an EBITA of DKK (126) million in Q3 2006 to DKK 12 million in 2007. However this result was still slightly below expectations for Headsets (continuing operations).

CC&O Headsets showed overall good organic growth with the strong growth continuing in Europe and in the Asia Pacific region as well. North America is still producing disappointing growth and results.

Organic growth in Mobile Headsets improved significantly from (54%) in Q2 2007 to (12%) in Q3. The results in Mobile Headsets progressed well, but they are still as a total negatively affected by the low level of revenues. A breakthrough has been made for the Mainstream Mobile business which showed for the first time a positive EBITA.

GN has secured important programs with key clients for next year and in September we were able to announce that GN is the first company to have headsets approved by Microsoft® for use with the Microsoft® Office Communicator (OC). Microsoft® OC is a unified communications system that helps people communicate easily with others in different locations using a range of different communication options, including instant messaging (IM), voice, and video. GN also signed a milestone supply chain agreement and the ongoing restructuring of the business is generally proceeding in line with the strategy.

You will find a summary of the Q3 results on page 4.

The strategy process continues

On September 27 GN took another important step in the restructuring of its headset business when we signed a supply chain agreement through which we intend to expand our business relationship with a major global electronics manufacturing services (EMS) provider. The

agreement includes production, fulfillment and other logistical services. As part of the expanded relationship, GN has started up fulfillment operations in the EMS provider's facility in the Czech Republic. This event represents a key step in GN's strategy to increase scalability and flexibility in the cost base in relation to fluctuating demand and also to improve quality throughout the value chain.

You can read more about the restructuring of GN's supply chain on page 3.

Looking ahead to the near future, we have only a few weeks to go till the end of the year and, for GN, this is the most important quarter of the year. Last quarter we showed already strong improvements but this fourth quarter we have to demonstrate to ourselves, our customers and our shareholders that we can continue the progress we have made in reengineering the business.

Best regards
Toon Bouten
CEO

GN ReSound Stays in the GN Family

Following the surprising obstruction by the German Federal Cartel Office to block Sonova's acquisition of GN ReSound, the GN Supervisory Board decided on November 6 to keep GN ReSound in the GN family.

"Since August, we have explored all relevant strategic options available to GN ReSound," explains Mogens Hugo, Chairman of GN's Supervisory Board. "Our conclusion is crystal clear: It is in the best interest of our shareholders to keep GN ReSound and GN Otometrics as a part of GN."

The Board's strategic analysis encompassed three main options: To pursue another sale, to

de-merge GN's headset and hearing instrument businesses and list them as separate companies, or to keep GN ReSound in the family.

"The first option turned out to be rather disadvantageous to our shareholders. More than 10 financial buyers, but no strategic buyers, provided indicative offers. The financial investors would be unable to achieve industrial synergies, they didn't see the same attractive upside as a strategic buyer and were not willing to offer a sufficient premium for our future earnings potential. We concluded that a sale under these circumstances would not be prudent," says Mogens Hugo.

STRATEGY – GN RESOUND



GN Chairman Mogens Hugo

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Microsoft® Agreement a Big Opportunity

GN is the first headset company in the world to have wireless office headsets certified to Microsoft® Office Communicator, which was launched in October.

MICROSOFT® OFFICE COMMUNICATOR

Microsoft® Office Communicator 2007 allows the use of a personal computer for VoIP (Voice over IP) telephony in full wideband audio quality. With the corded Jabra GN2000 OC and the wireless Jabra GN9350 OC and Jabra GN9330 OC headsets, GN provides a plug-and-play sound interface that enables users to interact real-time in full wideband sound quality.

"The partnership with Microsoft® is not only about technological collaboration and innovation but also about the coming together of two leaders to provide world class unified communications for enterprises. In today's fast paced environment, this collaboration will deliver increased productivity, mobility, greater connectivity and, most importantly, satisfy end user needs. And the potential is huge," says Vice President Jan McNair, head of GN's Office business.

260,000 Resellers

With more than 260,000 Microsoft® resellers worldwide, the Microsoft® partnership has huge potential for GN. "This is a fantastic opportunity for GN to expand our network of partners selling Jabra headsets. Not only are we working closely together with one of the worlds strongest brands, we also get access to a huge number of new IT resellers. Reseller acquisition and strategic alliances are two fundamental success factors for GN – factors that can drive our growth in the Office business going forward," says Jan McNair, who expects to see the first positive effects from the agreement with Microsoft® in Q4 2007.



➔ Read the full article on www.gn.com

>>> *continued from front page*

The hearing instrument industry is an attractive business with strong growth rates and high margins, so the Supervisory Board does not view its decision as a last resort: "No, on the contrary. We foresee a very lucrative future for this business, but I have to be frank: we need to implement some radical changes to pursue these opportunities, as the business is clearly suffering from 16 months in ownership limbo. That will change now!" says Mogens Hugo.

Under a new management, which will be in place in a not too distant future, and a new governance structure, GN ReSound will focus 100% on the day-to-day business and on winning back key customers and orders lost in the futile sales process. Further investments will be made in the retail and distribution channels, backed up by a strong pipeline and a number of product launches.

"My message here today to customers, distributors and our own managers and employees is clear: We're definitely back in business!" says Mogens Hugo.

➔ Read more on www.gn.com

New E-Newsletter from GN

February 21, 2008, is the release date for our 2007 Annual Report, but it will also mark the first issue of GN's new e-newsletter, which will in future mainly be published in connection with interim and annual reports.

The newsletter will contain newsbriefs with links to full-text articles, pictures and other information on GN's Web site. Distributing news by e-mail means that GN can slash production time and report news immediately after the events take place. At the same time, an electronic news service means tangible savings, not only up front and in the underlying work process, but also in terms of paper consumption.

If you currently receive our newsletter by regular mail, please register at our Web site, www.gn.com, to continue receiving it. We will then send the newsletter to your e-mail address for as long as you wish. If you already receive our newsletter by e-mail, you don't have to do anything.

New office in Shenzhen

As part of the supply chain restructuring a new office was opened in Shenzhen, only 30 minutes from Hong Kong. This office will house GN's headset operations in China with functions such as Procurement, Logistics, Quality, GSC Development, Technical Support, IT, HR and Finance. Mats Lindskog SVP Global Supply Chain, Toon Bouten CEO and Chet Wong VP, Operations China officially opened the office.



Building a Competitive and Growth-Oriented Global Supply Chain

GLOBAL SUPPLY CHAIN

The first stage of GN's future headset strategy is the reengineering of the headset business into a simpler and more scalable business model. A core element of this reengineering is the restructuring of GN's global supply chain, which simplifies the business processes, increases the flexibility of the cost structure and improves customer satisfaction.

Under the leadership of Senior Vice President Mats Erik Lindskog, Global Supply Chain, GN has come a long way in this crucial transformation: "We are now in the initial implementation phase with our new main partner, bringing the IT development in place and preparing for the changes in the physical distribution set-up," said Lindskog.

Previously, GN had close to 30 different manufacturing suppliers, providing various manufac-

turing services, along with GN's own headset manufacturing in Xiamen in China. This setup required extremely complex planning in a competitive environment that calls for rapid inventory turnaround and ever shorter distance from product ideas to market.

From 30 to below 10 Manufacturing Suppliers

"The major part of our manufacturing activities will now be handled by our new main electronic manufacturing services (EMS) partner, while the remainder of the manufacturing will be carried out with two or three other key manufacturing suppliers. In total we expect to reduce the group of suppliers to one-third of the previous number and that will significantly reduce the complexity of our planning processes and increase our scale economies with higher volumes handled by fewer suppliers," said Lindskog.

In September GN signed a supply chain agreement with a major global EMS provider, with which GN has already started up postponement operations in the EMS provider's facility in the Czech Republic (the parties have agreed not to disclose the identity of the EMS provider until later this year). Another postponement centre will be set up with the same EMS partner in the US, and the parties are presently in final negotiations on the location for a third centre in Asia.

"For EMEA we target a full implementation and cut-over date in Q2 2008. That will make our North American postponement centre and our Asian centre operational by the end of Q3 2008. So the three new regional postponement centres will be in place for the next high season and for the Christmas sale," said Mats Erik Lindskog.

[Read the full article on www.gn.com](http://www.gn.com)

Jabra product news

NEW LAUNCHES

GN recently launched a number of innovative headsets to accommodate the latest demand from the market. One of them is the Jabra BT3030 which targets the growing youth market and the early adopters of the newest trends such as downloading music to your mobile phone. Also, you can read about our latest mobile headset for professional business use, the Jabra BT8040.

In tune with Jabra

The Jabra BT3030 is one of the most exciting Bluetooth products to hit the market in 2007. Taking advantage of modern trends, the unique 'Dog Tag' design allows the user to listen to music via Bluetooth, as well as having full headset functionality. The headset is extremely flexible and can be worn around the neck, or clipped onto clothing. With the market for stereo mobile products booming, Jabra BT3030 has been very well received by our business partners, and we anticipate strong sales. The Jabra BT3030 was launched globally on November 1.

Geared for performance

The Jabra BT8040 sets new standards when it comes to outstanding sound and design. Featuring ultimate noise canceling technology, the Jabra BT8040 gives users a clean sound in their telephone conversations, whether they are on the move or in a noisy office. The small, groundbreaking design does not require an ear hook and it features a unique Jabra ear gel for ultimate comfort. It all comes in a headset less than 2 inches long and weighing just one-third of an ounce.

The Jabra BT8040 was launched globally on September 21.



Jabra BT3030

Jabra BT8040

Q3/2007 Excerpt

The excerpt has been taken from GN's interim report released through OMX Nordic Exchange. The Danish report shall be the governing text.

→ The entire report is available on www.gn.com

Third Quarter Summary

The financial results for Headsets (continuing operations) improved strongly Y-o-Y; however the results were in the low end of expectations. As a consequence of a very long sales process, the financial results for Hearing Instruments and Audiologic Diagnostics Equipment (discontinuing operations) did not meet expectations.

Headsets

- CC&O Headsets: Good overall organic growth with continued strong growth in Europe and in the Asia Pacific region. Continued disappointing growth and results in North America.
- Mobile Headsets: Organic growth improved significantly with results showing good progression but still affected by a low revenue level.
- GN signed a milestone supply chain agreement and the ongoing restructuring of the business is generally proceeding in line with the strategy.
- Revenue declined to DKK 673 million from DKK 711 million in Q3 2006 corresponding to flat organic growth due to currency fluctuations.
- The gross margin increased to 44% from 32% in Q3 2006.
- EBITA was DKK 12 million compared to DKK (126) million in Q3 2006.
- Profit before tax improved to DKK (6) million from DKK (131) million in Q3 2006.
- The cash flow from operations was DKK (22) million compared to DKK (119) million in Q3 2006.

HEADSETS

DKK million	Q3 2006	2006	Q3 2007
Revenue	711	3,413	673
Gross profit	229	1,234	294
Gross margin	32%	36%	44%
EBITA	(126)	(120)	12
EBITA margin	(18%)	(4%)	2%

Hearing Instruments and Audiologic Diagnostics Equipment

DKK million	Q3 2006	2006	Q3 2007
Revenue	802	3,353	755
Gross profit	491	2,063	471
Gross margin	61%	62%	62%
EBITA	102	382	55
EBITA margin	13%	11%	7%

Hearing Instruments and Audiologic Diagnostics Equipment

- GN ReSound: Negative growth primarily due both to lost customers and to customers delaying new orders because of the general uncertainty about the future ownership of GN ReSound.
- The Q3 results were also adversely affected by extraordinary costs of lawyers fees and settlement costs relating to a lawsuit against GN ReSound.
- Revenue decreased to DKK 755 million from DKK 802 million in Q3 2006 (organic growth of (4)% in Hearing Instruments).
- The gross margin improved to 62% from 61% in Q3 2006. Gross margin is positively affected from the restructuring measures implemented last year.
- EBITA decreased to DKK 55 million from DKK 102 million in Q3 2006.
- The cash flow from operations was DKK 108 million against DKK 104 million in Q3 2006.

OUTLOOK FOR 2007

- EBITA for CC&O Headsets: approximately DKK 300 million; a decrease of DKK 25-50 million compared to the previous guidance.
- EBITA for Mobile Headsets: approximately DKK (150) million; i.e. in the mid point and hence unchanged compared to the previous guidance.
- Other Activities is unchanged at DKK (50) million.
- Accordingly, the full-year EBITA guidance for Headsets and Other Activities: approximately DKK 100 million; i.e. in the low end of the previous guidance.
- EBITA for GN ReSound: approximately DKK 400-450 million; reduced by DKK 100 million compared to the previous guidance.
- Costs associated to the strategic process will be expensed in 2007. Total costs amount to approximately DKK 275 million of which DKK 49 million were already expensed in Q3.
- In light of the decision to keep GN ReSound within GN, GN ReSound will be classified as continuing operations in the Interim Reports from Q4 2007 onwards as well as in the Annual Report for 2007.