



# Q3 Interim Report 2010

CEO, GN ReSound

CEO, GN Netcom

CFO, GN Store Nord

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Copenhagen, November 10, 2010



# Financial Highlights Q3 2010

- EBITA guidance for 2010 raised

- Organic growth of 4% fuelled by launch of ReSound Alera™ and continued growth in GN Netcom driven by UC.
- EBITA in the two operating businesses more than doubled from DKK 44 million in Q3 2009 to DKK 118 million.
- Full-year EBITA guidance increased to “Around DKK 2,575 million”:
  - Better than expected GN Netcom performance
  - TPSA award for phase 1
- Cash flow impacted by temporary inventory increases related to ReSound Alera™ launch.

Revenue:  
DKK 1,248m

Q3 2009  
DKK 1,108m

EBITA:  
DKK 2,188m

Q3 2009  
DKK 45m

Free cash flow:  
DKK 25m

Q3 2009  
DKK 305m

NIBD:  
DKK 994m

Q3 2009  
DKK 1,135m



# GN Store Nord - Financial Targets

## Preliminary 2011 guidance:

- More than 6% organic growth
- EBITA: DKK 675-775 million

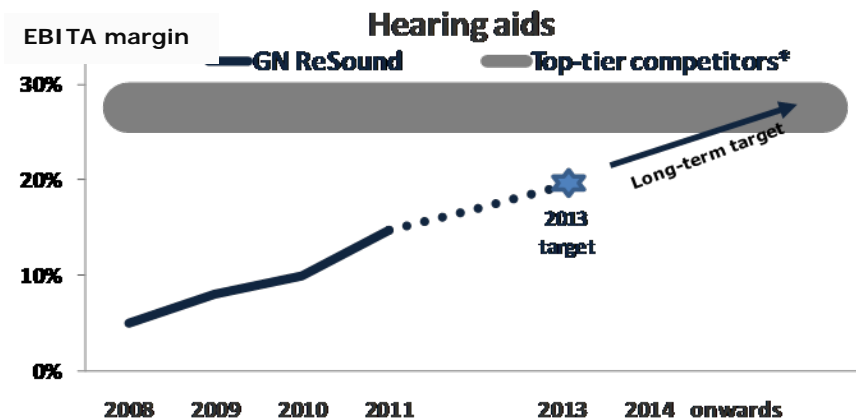
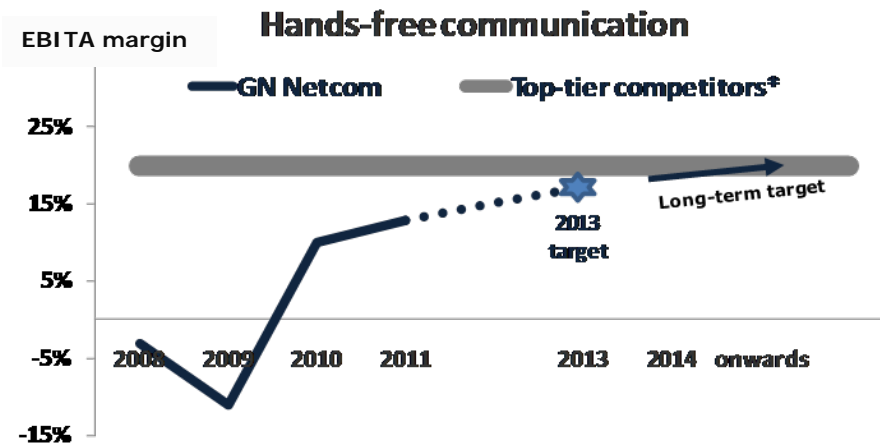
## 2013 targets:

Doubling EBITA margin from 2010

- Group revenue: More than DKK 6.3 billion
- Group EBITA margin: Around 19%

## Long-term targets:

- Organic revenue growth better than the market
- EBITA margins in line with top-tier competitors



\*Based on current market characteristics



# GN Netcom

## - Financial Targets

### Preliminary 2011 guidance:

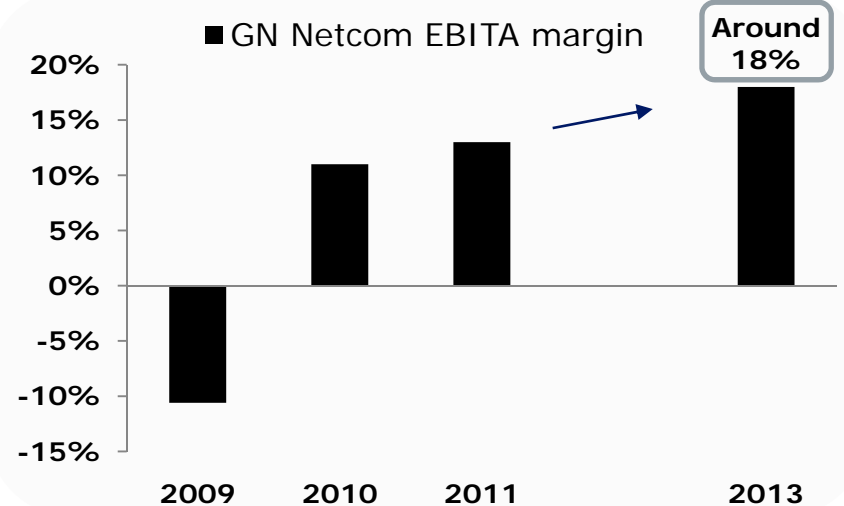
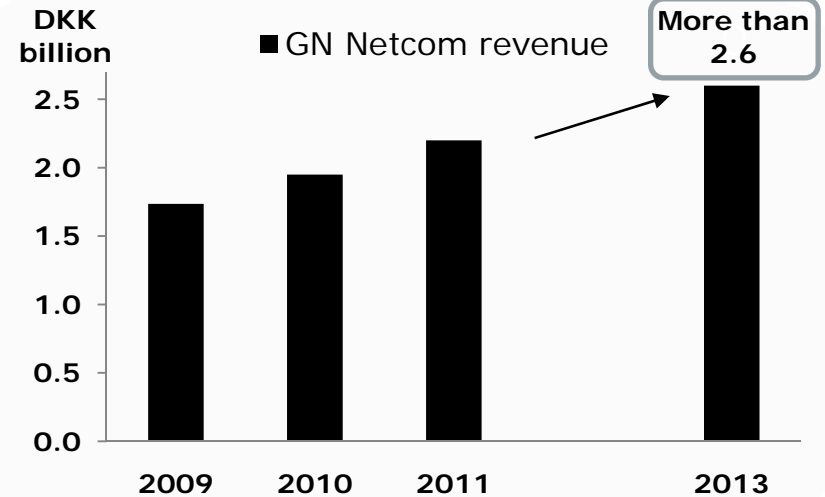
- More than 8% organic growth
- EBITA: DKK 250-300 million

### 2013 targets:

- Revenue: More than DKK 2.6 billion
- EBITA margin: Around 18%

### Key assumptions:

- Significant CC&O market growth – driven by Unified Communications.
- Continued attractive gross margin – some pressure on ASPs from Unified Communications.
- Mobile – mid single-digit EBITA margin.
- High operational leverage.





# GN ReSound

## - Financial Targets

### Preliminary 2011 guidance:

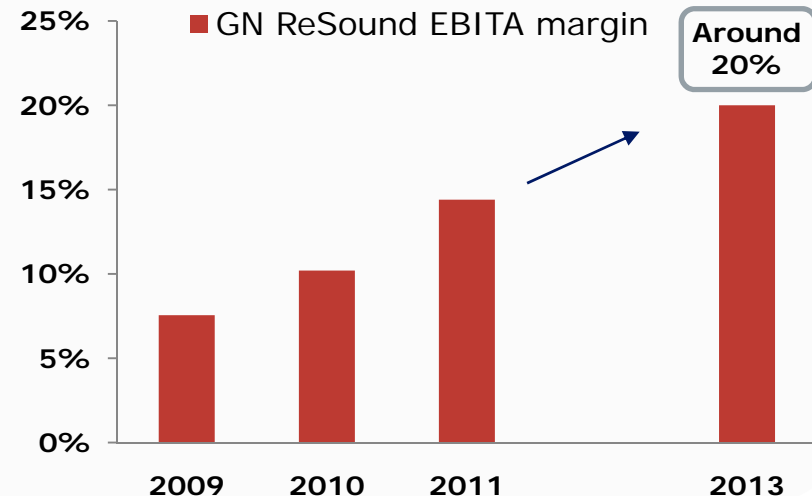
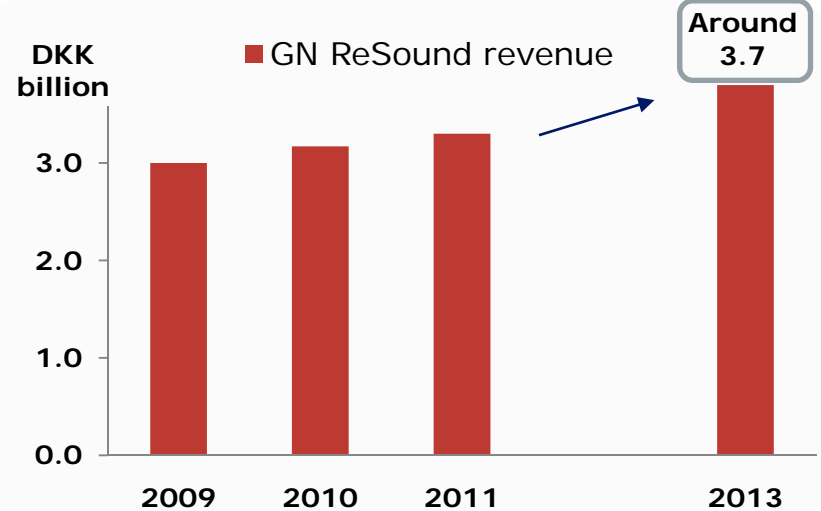
- More than 4% organic growth
- EBITA: DKK 450-500 million

### 2013 targets:

- Revenue: Around DKK 3.7 billion
- EBITA margin: Around 20%

### Key assumptions:

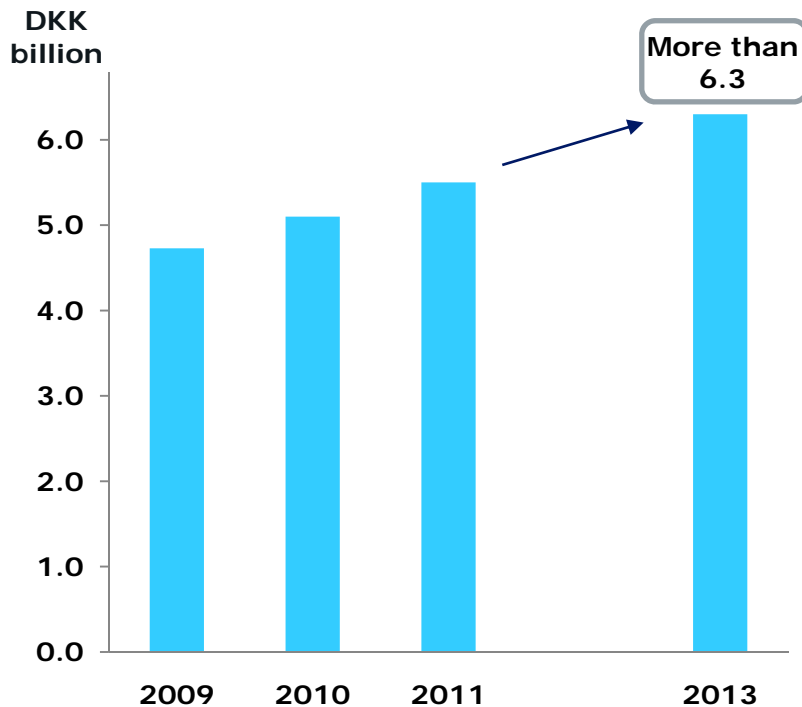
- Revenue growth in line with or above the market.
- Market growth (value) of 3-5% per year.
- Stronger presence in top-end segment.
- Supply chain transformation delivering up to DKK 200 million in cost reductions by end 2011.
- High operational leverage – while investing in cutting-edge technology.



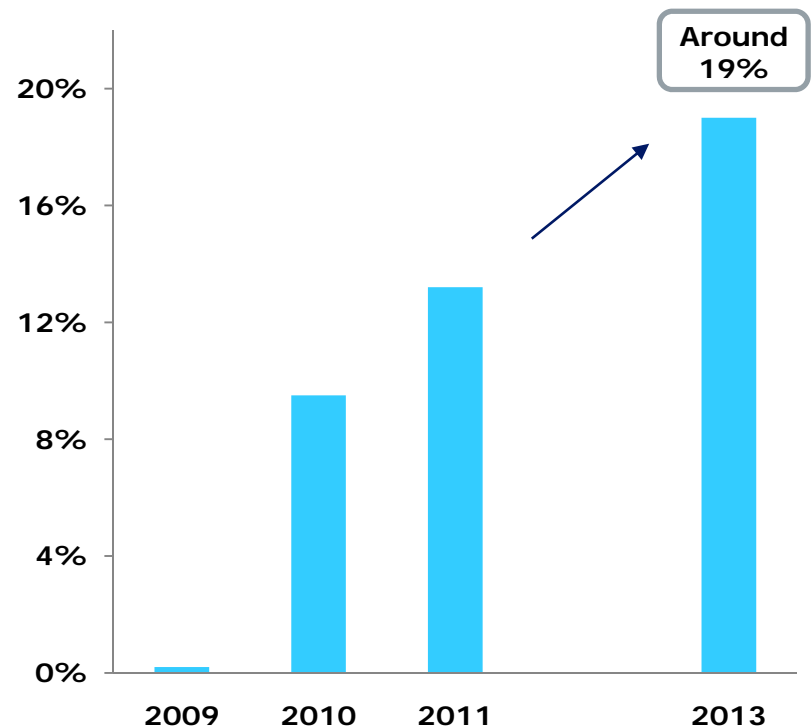


## DOUBLING EBITA MARGIN BY 2013

### GN Store Nord revenue



### GN Store Nord EBITA margin\*



\* Excl. TPSA



# Additional Highlights

## **Arbitration Case against TPSA:**

- On September 3, 2010, GN was awarded approximately DKK 2.2 billion (including accrued interest) for phase 1 of the DPTG/TPSA arbitration proceedings.
- Despite the fact that the award is final and legally binding, TPSA did not pay within the established deadline of September 17.
- Consequently, DPTG will initiate enforcement proceedings in Poland. Penalty interest of 6% p.a. will accrue until payment is received.

## **Claim against the German Federal Cartel Office:**

- GN is preparing for filing a claim against the German Federal Cartel Office claiming compensation for the losses imposed on GN which as of July 2010 amounted to around EUR 1 billion.



GN Netcom





# GN Netcom – Financial Highlights

- Solid 13% organic growth in the core business

(DKK million)	Q3 2009	Q4 2009	FY 2009	Q1 2010	Q2 2010	Q3 2010
Revenue	412	468	1,736	446	495	<b>452</b>
Organic growth	(32)%	(19)%	(30)%	9%	8%	<b>3%</b>
Gross margin	43%	50%	43%	52%	53%	<b>55%</b>
SG&A, R&D etc.	(187)	(284)	(924)	(205)	(211)	<b>(200)</b>
EBITA	(11)	(48)	(184)	26	52	<b>50</b>
EBITA margin	(2.7)%	(10.3)%	(10.6)%	5.8%	10.5%	<b>11.1%</b>
Non-recurring costs	25	126	228	-	-	-

- The solid growth in GN Netcom's core business – 13% organic growth excluding Mobile OEM – is driven by Unified Communications.
- Margin expansion driven by operational leverage resulting from revenue growth and continued cost focus.



# GN Netcom Balance Sheet and Cash Flow

- Historical low net working capital

Balance sheet selected items (DKK million)	Q3 2009	Q4 2009	FY 2009	Q1 2010	Q2 2010	Q3 2010
Inventories	101	-	87	74	91	<b>107</b>
Trade receivables	270	-	289	265	288	<b>251</b>
Trade payables	102	-	140	127	168	<b>133</b>
<b>Cash flow (DKK million)</b>						
Cash flow before working capital	36	72	156	61	84	<b>70</b>
Change in working capital & restructuring/non-recurring costs paid	2	(2)	86	11	17	<b>(8)</b>
Cash flow from investing activities	(25)	(20)	(90)	(13)	(19)	<b>(17)</b>
Free cash flow excl. tax & financial items	13	50	152	59	82	<b>45</b>

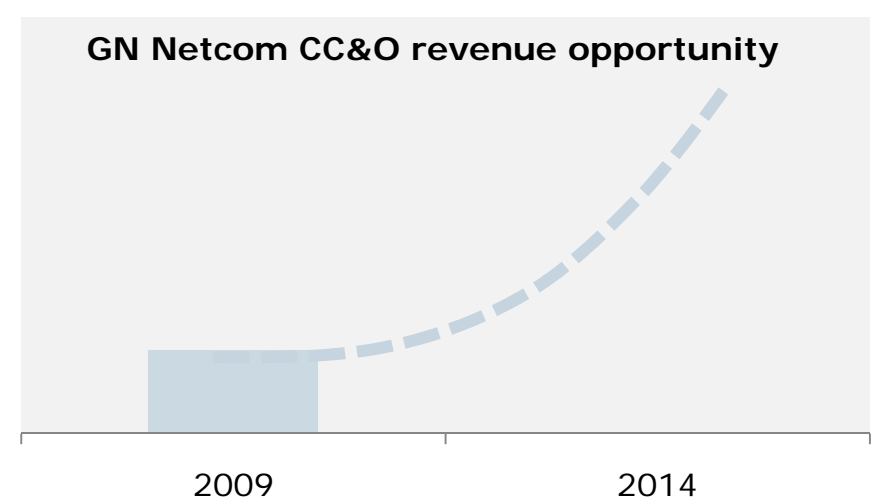
- Net working capital at a historical low level – expected to increase in the coming quarters.



# The UC Market Opportunity

Based on GN Netcom's current 30% share of the CC&O market, UC translates into a significant CC&O revenue opportunity.

- Full benefit of UC requires a headset solution – headsets become part of the core infrastructure.
- UC will drive significantly higher headset attachment rates.
- UC vendors and systems integrators drive the market.
- GN Netcom's revenue from UC-enabled products increased by more than 50% in Q3 2010 compared to prior year.



**400 million  
office workers  
world wide**



**Of which 50  
million are  
using UC**



**With a 50% headset  
attachment  
rate**

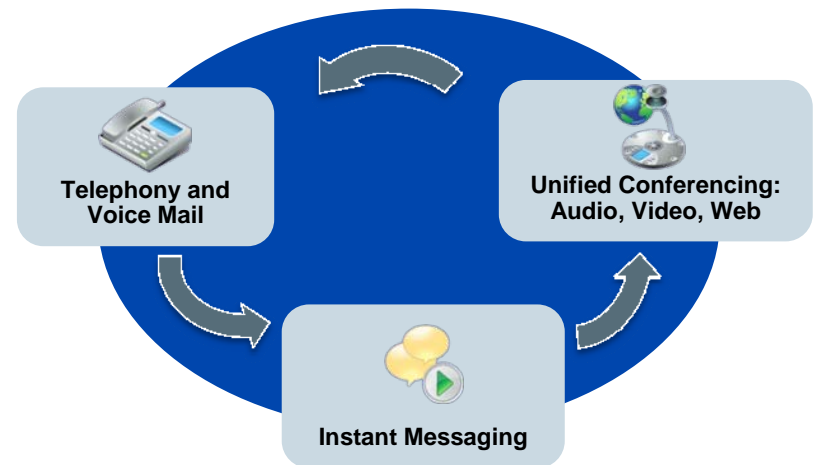
**DKK 10bn market  
in 2014\***



# The UC Market Opportunity - II

- Microsoft is currently launching the successor for Microsoft Office Communication Server 2007 (OCS) – Microsoft Lync.
- Worldwide launch event on November 17, 2010. Jabra will have seven products Optimized for Microsoft Lync at the global launch
- Some companies have postponed their deployment of UC due to lack of enterprise features in existing systems which Microsoft Lync now brings.
- According to Microsoft, total cost of ownership reduced by 39% vs other communications solutions.
- GN Netcom's own UC implementation showed a payback in only 3 months time – excluding collaboration savings.

## Microsoft Lync delivers on Critical Voice Features



Several ways to save money with Microsoft Lync:

- Travel: Because it's easier for people to connect virtually, travel can be reduced.
- Free audio conferencing
- Rationalizing telephony investments



# Wide Range of Jabra UC Solutions

Jabra has a wide range of UC ready audio end-points for all major UC platforms.

## Solutions in four categories:



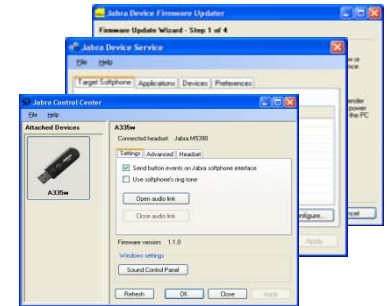
Wireless headsets



Speakerphones



Corded headsets



Jabra PC Suite (software)

Innovation at work

SETTING NEW STANDARDS  
FOR USABILITY

[Click here](#)



# GN Netcom's UC Strategy

- Win early adopters in the UC market.
- Stay in the front and benefit from Jabra's state-of-the-art product portfolio.
- Continued focus on developing user friendly products compatible with all major UC applications.
- Maintain and develop successful partnering with UC vendors and systems integrators.
  - Strategic Alliance partners include Microsoft, Cisco, Avaya.
- Strong focus on new opportunities arising out of the UC development.
- Sales focus towards systems integrators.

SOLUTIONS OPTIMIZED  
FOR UNIFIED  
COMMUNICATIONS





# New Products from CC&O Headsets



Jabra BIZ™ 300 series. A corded entry-level family of headsets that enables a cost effective introduction to UC and integration with the leading UC providers. Jabra BIZ™ 330 and Jabra BIZ™ 340 to be launched in Q1 and Q2 2011.

Jabra BIZ™ 360 to be launched in late 2010.

Jabra SPEAK™ 410 Speakerphone for office use designed for UC. Flexible solution for conferencing and collaboration with crystal clear wideband audio.



Jabra SPEAK™ 410 Speakerphone. To be launched in November 2010.



# New Products from Mobile Headsets



Jabra WAVE



Jabra EXTREME FOR PC



Jabra CHILL



Jabra CRUISER2



Jabra RHYTHM



Jabra ACTIVE



# Drivers and Challenges for GN Netcom

## Key Value Drivers

- Prospect of significant mid/long-term market growth from UC.
- No additional investments are required to participate in the attractive UC opportunity.
- Attractive margins in the CC&O industry.
- High operational leverage and low working capital.
- Very strong product portfolio from both Mobile and CC&O Headsets.

## Challenges

- Build a long-term sustainable business model for Mobile Headsets.
- UC drives significant structural changes to the market place. If executed well, this creates attractive opportunities.
- ASP pressure resulting from large UC deals.
- Gain market share in North America.



GN ReSound





# GN ReSound - Financial Highlights

- Organic growth of 5% - the highest since Q4 2008

(DKK million)	Q3 2009	Q4 2009	FY 2009	Q1 2010	Q2 2010	Q3 2010
Revenue	693	757	2,981	726	789	<b>794</b>
Organic growth	(13)%	(3)%	(6)%	(2)%	0%	<b>5%</b>
Gross margin	60%	60%	61%	59%	59%	<b>60%</b>
SG&A, R&D etc.	(364)	(367)	(1,584)	(359)	(399)	<b>(406)</b>
EBITA	55	87	225	70	63	<b>68</b>
EBITA margin	7.9%	11.4%	7.5%	9.6%	8.0%	<b>8.6%</b>

- With an organic growth of 5% in Q3 the positive organic growth trend continues.
- Gross margin positively impacted by ReSound Alera™ launch, however also negatively impacted by higher accessory sales with a lower margin.
- Extra sales and marketing spend was incurred in Q3 to support the rollout of ReSound Alera™.



# GN ReSound Balance Sheet & Cash Flow

- Free cash flow temporarily affected by inventory increases

Balance sheet selected items (DKK million)	Q3 2009	Q4 2009	FY 2009	Q1 2010	Q2 2010	Q3 2010
Inventories	310	-	288	312	337	<b>358</b>
Trade receivables	658	-	705	721	738	<b>747</b>
Trade payables	135	-	190	172	202	<b>175</b>
<b>Cash flow (DKK million)</b>						
Cash flow before working capital	115	149	477	134	133	<b>115</b>
Change in working capital & restructuring/non-recurring costs paid	48	6	178	(66)	(59)	<b>(42)</b>
Cash flow from investing activities	16	(77)	(197)	(42)	(82)	<b>(79)</b>
Free cash flow excl. tax & financial items	179	78	458	26	(8)	<b>(6)</b>

- The working capital was affected by temporary inventory increases driven by the launch of new products and accessories and affected by usual fluctuations in trade payables.



# Said about ReSound Alera™

## What dispensers tell us:

***“Fantastic! I have had several patients switch from a different manufacturer and have noticed a better sound quality and found they heard better.”***

Stephanie L, AuD, Cincinnati, OH

***“My experience has been fantastic, Selling Alera has been fairly easy when I have the opportunity to demonstrate the product. Fitting Alera has been a pleasure and working with a truly wireless product is an audiologist's dream come true! The fitting software is user-friendly, flexible and all of my fittings have been very successful.”***

Jodie M, AuD, Minneapolis, MN

## What end-users say about ReSound Alera™:

***“Streaming right into the hearing aids is just wonderful as I did feel LESS isolated because I was able to hear what others heard☺.”***

Lucy Tsitrin, USA, 40 years, hearing-aid user for 20 years

***“Both hearing aids have gotten wet more than once and not been damaged.”***

Søren Christiansen, Denmark, 71 years, hearing-aid user for 7 ½ years



# ReSound Alera™

- Success criteria





# ReSound Alera™ – Market Update

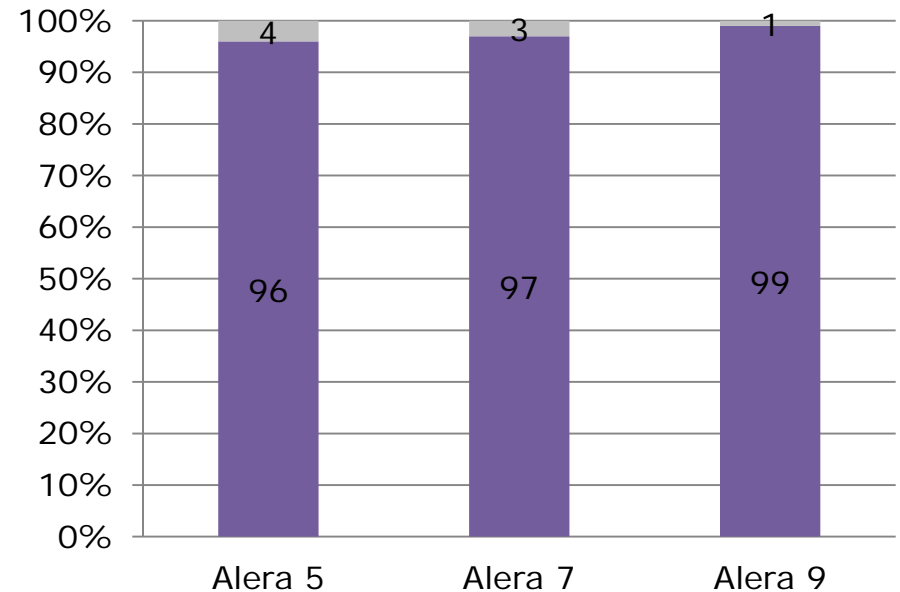
- wireless dominates the sales

- Solid increase in sales in the top end.
- An overwhelming preference for the wireless model of ReSound Alera™.
- Minimal cannibalization on ReSound Live™.
- Positive total volume effect

## Wireless dominates the sales

US ReSound Q3 2010

■ Wireless ■ Non-wireless

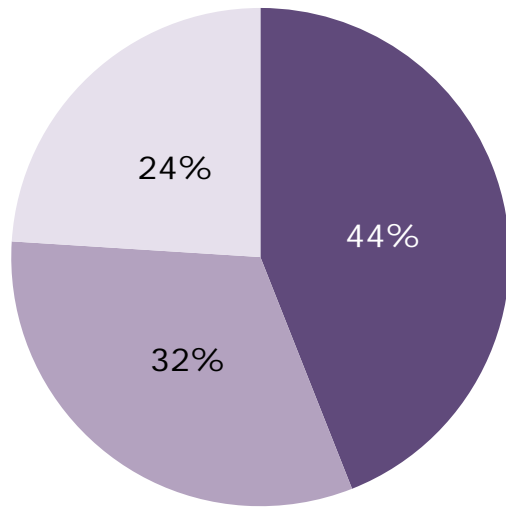


ReSound Alera™

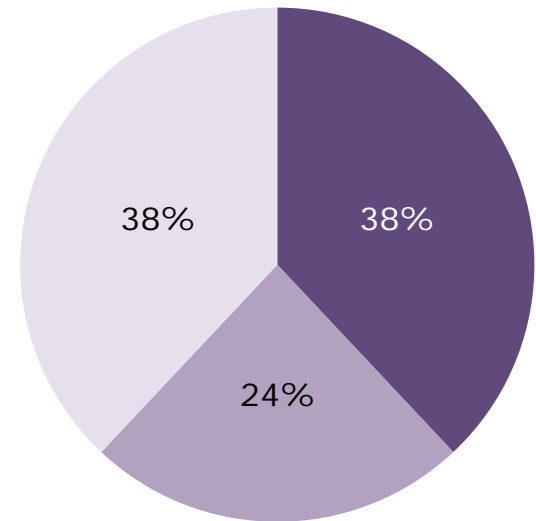


# ReSound Alera™ – Selected Preferences

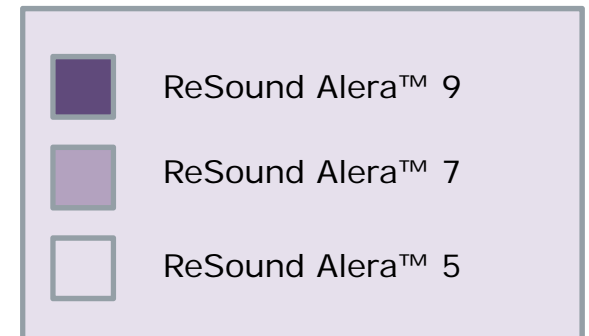
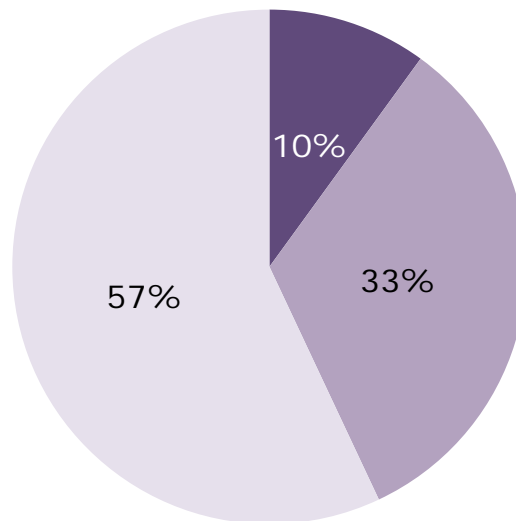
## US – Launch July



## Schweizerland – Launch July



## Japan – Launch August





# Two new ReSound Alera™ Family Members

## ReSound Alera™ custom remote mic:

- Significant benefits due to the placement of the external microphone
- Natural localization
- Improved speech clarity
- Elimination of wind noise
- Smaller than comparable custom models
- Options for truly open fitting



ReSound Alera™

## ReSound Alera™ fusion BTE:

- The world's first fusion BTE
- Standard and power BTE in one device
- Size of a standard BTE makes it an exceptional small power BTE
- Open and closed fittings
- Most comfortable power BTE ever



ReSound Alera™



# Fit 90% of Hearing Losses

- with three ReSound Alera™ models



Custom remote  
microphone



Fusion BTE



Receiver in  
ear



2.4 GHz wireless connection



SURROUND  
SOUND  
by ReSound





# ReSound Alera™ Approved by VA

Veterans Affairs has approved ReSound Alera™ and as such ReSound Alera™ was made commercially available in the VA from November 1<sup>st</sup>.





# Drivers and Challenges for GN ReSound

## Key Value Drivers

- Solid long-term market growth in an industry with attractive margins.
- Continued innovation resulting in new and groundbreaking products.
- Leverage attractive partner strategy – including VA.
- Strong position in Emerging markets.
- Comprehensive transformation of the supply chain in 2010 & 2011.

## Challenges

- Win top end share.
- Shorter product life cycles, demanding more effective R&D.
- Pressure on average prices.
- Improve profitability; gain market share at prudent spend level.



# Guidance for 2010

## GN increases EBITA guidance provided in Q1 Interim Report 2010

### Revenue (DKK/USD 5.5)

GN Netcom's organic revenue growth for 2010 is expected to be at least 5%.

GN ReSound's revenue is expected to show positive organic growth for 2010.

GN's total revenue is expected to show positive organic growth of 3-5%.

### EBITA

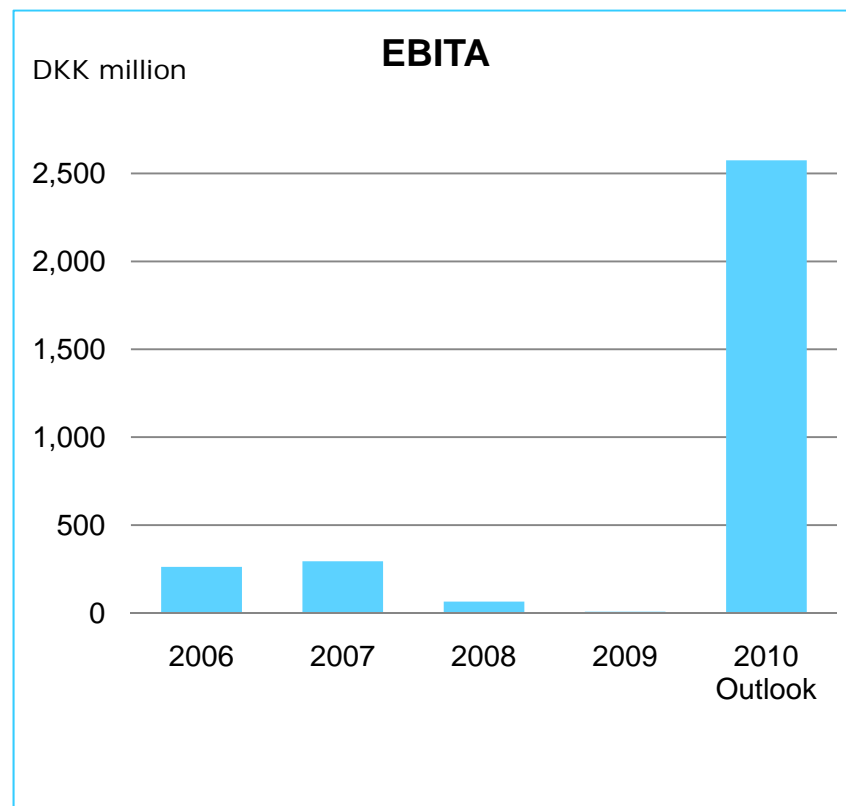
GN Netcom                      Above DKK 200 million

GN ReSound                    DKK 300-350 million

Other                            Around DKK 2,050 million

**GN Total**                      Around DKK 2,575 million

Amortization, finance etc.    DKK ~ (50) million





# Safe Harbour Statement

The forward-looking statements in this interim report reflect management's current expectations of certain future events and financial results. Statements regarding the future are, of course, subject to risks and uncertainties which may result in material deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect.

Factors that may cause actual results to deviate materially from expectations include – but are not limited to – general economic developments and developments in the financial markets, technological developments, changes and amendments to legislation and regulations governing GN's markets, changes in the demand for GN's products, competition, fluctuations in sub-contractor supplies and developments in ongoing litigation (including but not limited to class action and patent infringement litigation in the United States).

This interim report, announcement or presentation should not be considered an offer to sell or buy securities in GN Store Nord.



# Q3 Interim Report 2010

## Q&A



# Profit and Loss

(DKK million)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	FY 2009	Q1 2010	Q2 2010	Q3 2010
Revenue	1,198	1,196	1,108	1,227	4,729	1,174	1,286	<b>1,248</b>
Gross Profit	627	644	598	692	2,561	662	727	<b>726</b>
SG&A, R&D etc.	(692)	(642)	(553)	(666)	(2,553)	(576)	(614)	<b>1,462</b>
EBITA	(65)	2	45	26	8	86	113	<b>2,188</b>
Amort., finance, associates etc.	(54)	(13)	83	(25)	(9)	(7)	(9)	<b>(16)</b>
EBT	(119)	(11)	128	1	(1)	79	104	<b>2,172</b>



# Balance Sheet & Cash Flow

(DKK million)	End Q3/2009	End Q4/2009	End Q1/2010	End Q2/2010	End Q3/2010
Goodwill	2,563	2,605	2,754	2,991	<b>2,738</b>
Other intangible assets	1,158	1,157	1,158	1,184	<b>1,170</b>
Tangible & other non-current assets	1,389	1,344	1,349	1,402	<b>1,328</b>
Current assets	2,034	2,029	2,099	2,250	<b>4,322</b>
Equity	4,445	4,435	4,684	5,006	<b>6,245</b>
Liabilities	2,699	2,700	2,676	2,821	<b>3,313</b>
Total assets/liabilities	7,144	7,135	7,360	7,827	<b>9,558</b>
NIBD	1,135	1,029	987	1,014	<b>994</b>
Free cash flow	305	566	58	78	<b>25</b>