

Annual Report 2010

CEO, GN ReSound
CEO, GN Netcom
CFO, GN Store Nord
VP IR & Communications, GN Store Nord

Lars Viksmoen
Mogens Elsberg
Anders Boyer
Mikkel Danvold

Copenhagen, February 25, 2011



Agenda

- 2010 Highlights
- GN Netcom
- GN ReSound
- Financial outlook and targets



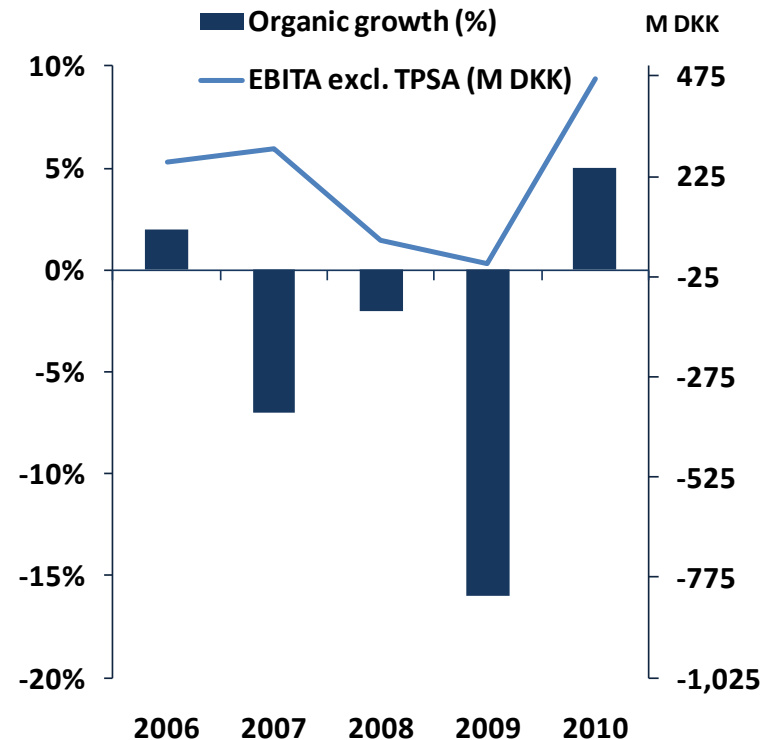
2010 Group Highlights

- Back on a growth track

GN delivered on the promises

- GN ReSound regained innovative leadership - groundbreaking hearing aid launch with 2.4 GHz wireless technology
- Unified Communications drives growth in GN Netcom
- Group organic growth accelerated quarter by quarter ending at 5% for the full year
- EBITA for the two operating businesses at the highest level since 2005
- Performance acknowledged by markets
 - Regained position in OMXC20 index
 - Share price increased 83%

Organic growth and EBITA





2010 Group Highlights

- Back on a growth track

Delivering on financials

- Guidance raised three times during 2010
- Results fully in line with latest guidance

Increased confidence in business

- Announcement of financial targets for 2013
- Initiation of share buyback program
- Payment of dividend for the year 2010

Breakthrough in legal cases

- DPTG/TPSA case progresses
 - DPTG awarded DKK 2.9 billion for Phase 1
 - In early 2011, DPTG filed claim of DKK 2.4 billion for Phase 2
- On April 20, 2010 the German Supreme Court ruled in favor of GN in the dispute against the German Cartel Office
 - GN filed a claim of around DKK 8.2 billion in December 2010

Group financials (DKK million)	2010	2009
Revenue	5,145	4,729
Organic Growth	5%	(16%)
Gross profit	2,934	2,561
Gross margin	57%	54%
EBITA	2,595	8
Net profit	1,855	-70
EBITA*	469	8
EBITA margin*	9%	0%
ROIC*	9%	0%

* Excluding award from TPSA/DPTG case



Financial Highlights Q4 2010

- Ending 2010 on a strong note

- Q4 organic growth reached 10% fuelled by UC and the continued encouraging launch of ReSound Alera™
- Significant improvement in EBITA compared to Q4 2009 – EBITA-margin of 14.5%
- Cash flow impacted by DKK 55 million settlement of “legacy-related” issues
- NIBD at DKK 960 million – the lowest level in more than four years

Revenue:
DKK 1,437m

Q4 2009
DKK 1,227m

EBITA:
DKK 208m

Q4 2009
DKK 26m

Free cash flow:
DKK 35m

Q4 2009
DKK 100m

NIBD:
DKK 960m

Q4 2009
DKK 1,029m



Dividend and Share Buyback Program

- DKK 40m dividend and DKK 200m share buyback program

Dividend

- The Board of Directors propose that a dividend of DKK 40 million be paid for the financial year 2010
 - 15% payout ratio (excl. TPSA)
 - DKK 0.19 per share

Share buyback program

- GN Store Nord will initiate a share buyback program of around DKK 200 million to be executed during 2011
- Additionally, around DKK 200 million will be used to acquire shares in connection with the expected exercise of warrants in March 2011 (around DKK 75 million net of cash paid in from warrant holders)
- The use of the proceeds from TPSA will be dealt with separately and as a one-time event

Dividend Policy

GN's announced dividend policy is that the company aims to pay out a dividend corresponding to 15-25% of the annual net result

Additionally, GN will initiate share buyback programs when deemed appropriate subject to the authorization of the shareholders at the Annual General Meeting



Update on Arbitration Case Against TPSA

Latest development

- DPTG's enforcement proceedings:
 - In Poland, the court hearing is scheduled for March 9, 2011
 - In the Netherlands, DPTG has obtained prejudgment attachment on TPSA's shares in its subsidiary TPSA Finance B.V.
 - In France, DPTG has obtained attachment on payables to TPSA originating from a number of French telecom operators
 - In Germany, enforcement proceedings are progressing and the first court hearing is soon to be scheduled
 - In the UK, DPTG has received an interim order of enforcement from the High Court of Justice
- The first hearing in the challenge proceedings filed by TPSA in Austria has been set for March 30, 2011
- DPTG filed a DKK 2.4 billion claim for phase 2 in January 2011
 - Deadline for TPSA to respond to the claim for phase 2 is May 27, 2011



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GN Netcom – Key financials

- Organic growth reached 17% in Q4 2010

DKK million	Q4 2009	FY 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	FY 2010
Revenue	468	1,736	446	495	452	580	1,973
Organic growth	(19)%	(30)%	9%	8%	3%	17%	9%
Gross margin	50%	43%	52%	53%	55%	52%	53%
SG&A, R&D etc.	(284)	(924)	(205)	(211)	(200)	(203)	(819)
EBITA	(48)	(184)	26	52	50	96	224
EBITA margin	(10.3)%	(10.6)%	5.8%	10.5%	11.1%	16.6%	11.4%
Non-recurring costs	126	228	-	-	-	-	-
Free cash flow excl. tax & financial items	50	152	59	82	45	47	233

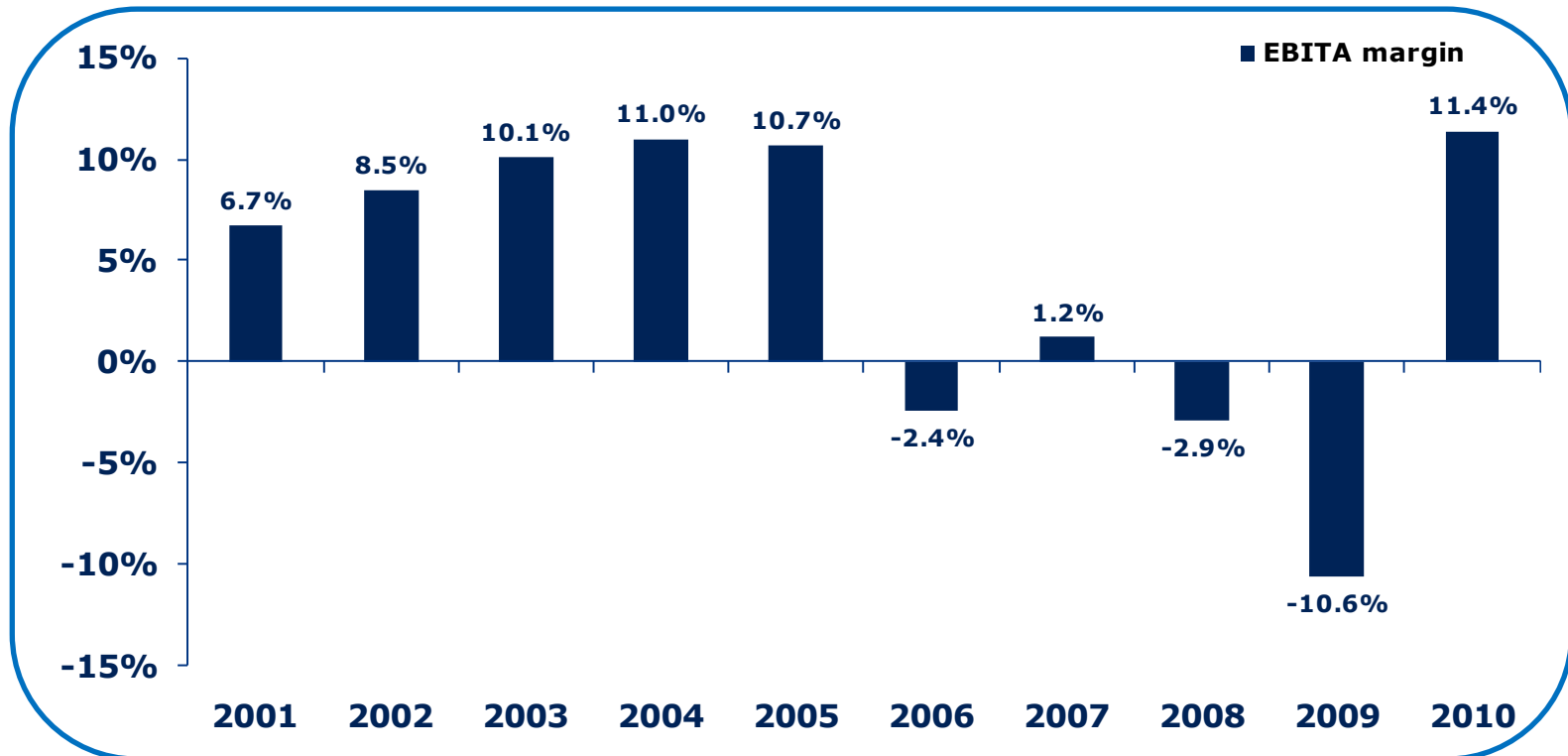
- Organic growth accelerating and reaching 17% (20% excluding Mobile OEM) in Q4 2010 - driven by UC
- 50% increase in UC revenue from 2009 to 2010
- 10%-points increase in gross margin from 2009 to 2010



GN Netcom – EBITA development

- EBITA margin at a ten-year high

- EBITA ended fully in line with the outlook provided in the Q3 Interim Report 2010 – after the outlook was raised twice during the year
- EBITA margin at a ten-year high





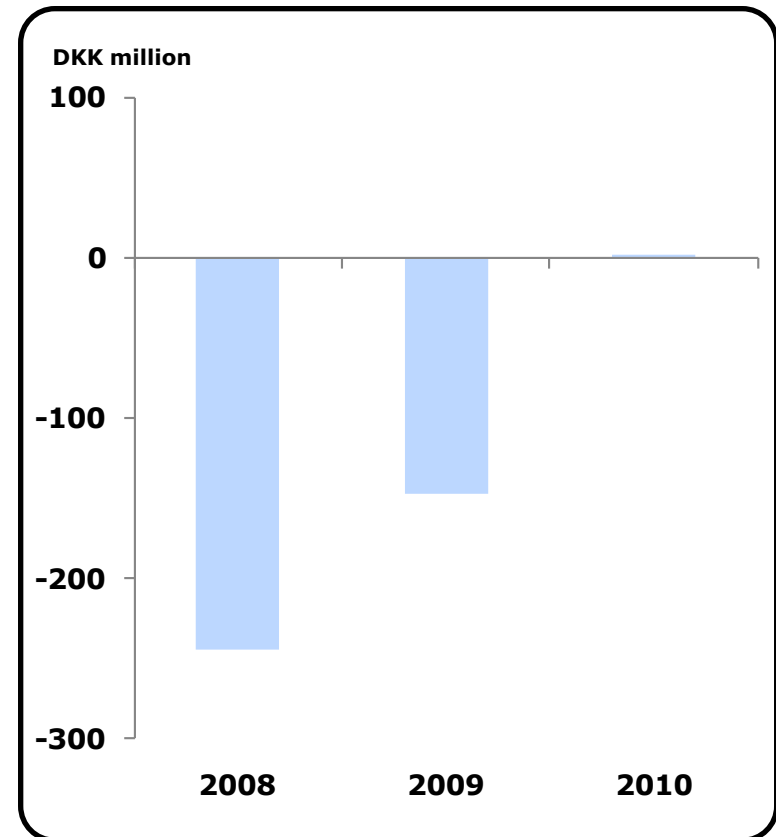
Turnaround Year for Mobile Headsets

- Mobile reached a small but positive EBITA in 2010

- Mobile Headsets generated a positive EBITA for the first time in five years
- The result is a testimony to the new business model being firmly in place
- Strong Jabra revenue growth of 32% in 2010 driven by innovative and market-oriented product launches
 - The mobile handsfree market remains volatile and cyclical



EBITA development





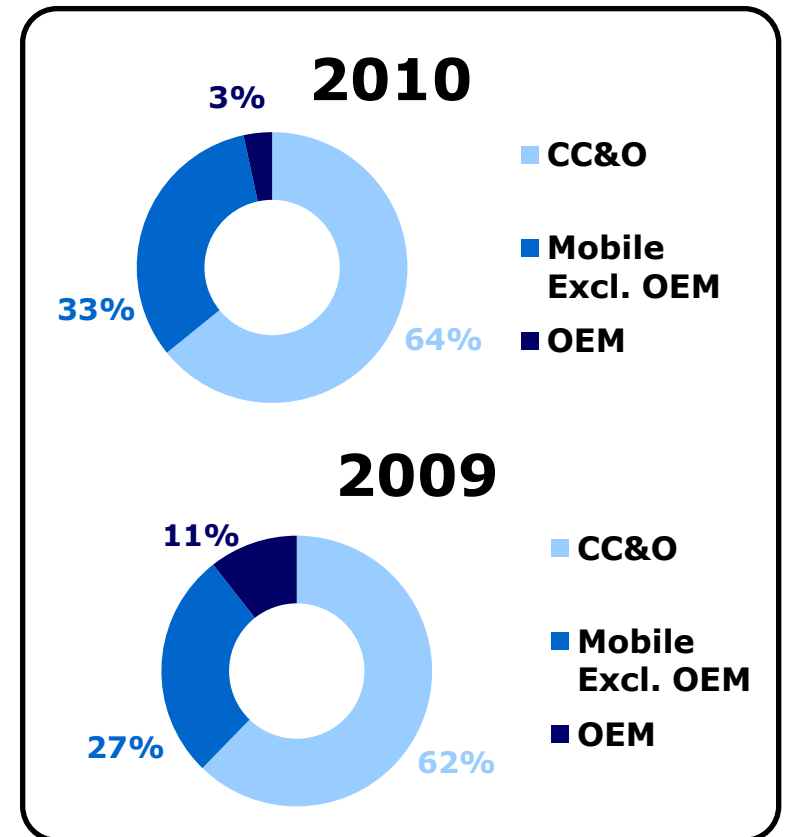
Encouraging Revenue Development

- Solid growth in both Mobile Jabra and CC&O. OEM now constitutes less than 5% of GN Netcom's revenue

Revenue growth 2010

	Organic growth
GN Netcom	9%
CC&O	13%
Mobile Jabra	32%
Mobile OEM	(67)%
GN Netcom excl. OEM	18%

Revenue split on business areas





Innovative Product Launches in 2010





CC&O Market Potential

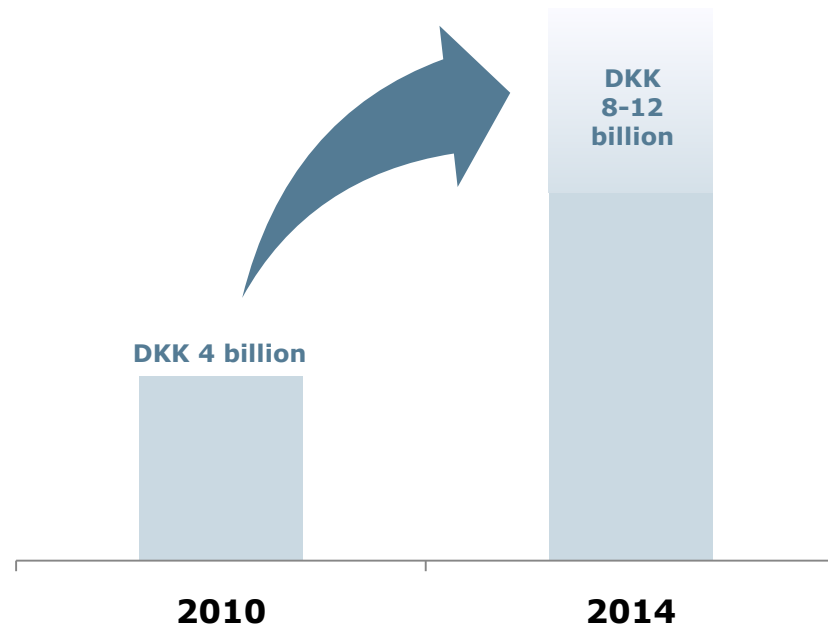
- The CC&O market may reach DKK 8-12b by 2014

- Broad deployment of UC is currently accelerating - confirming a significant market potential
- Key factors determining the future market potential:
 - Number of UC users
 - Headset attachment rates
 - Average selling prices
 - Replacement rates
- GN estimates a 2014 CC&O market (UC + traditional CC&O) of DKK 8 – 12 billion

Estimated CC&O Market in 2014

Key assumptions:

- 30-45 million UC users
- 60-70% headset attachment rate
- Moderate ASP pressure
- 3-4% growth p.a. in the traditional CC&O market
- 2-3 years life-time for a headset





GN Netcom's UC Strategy

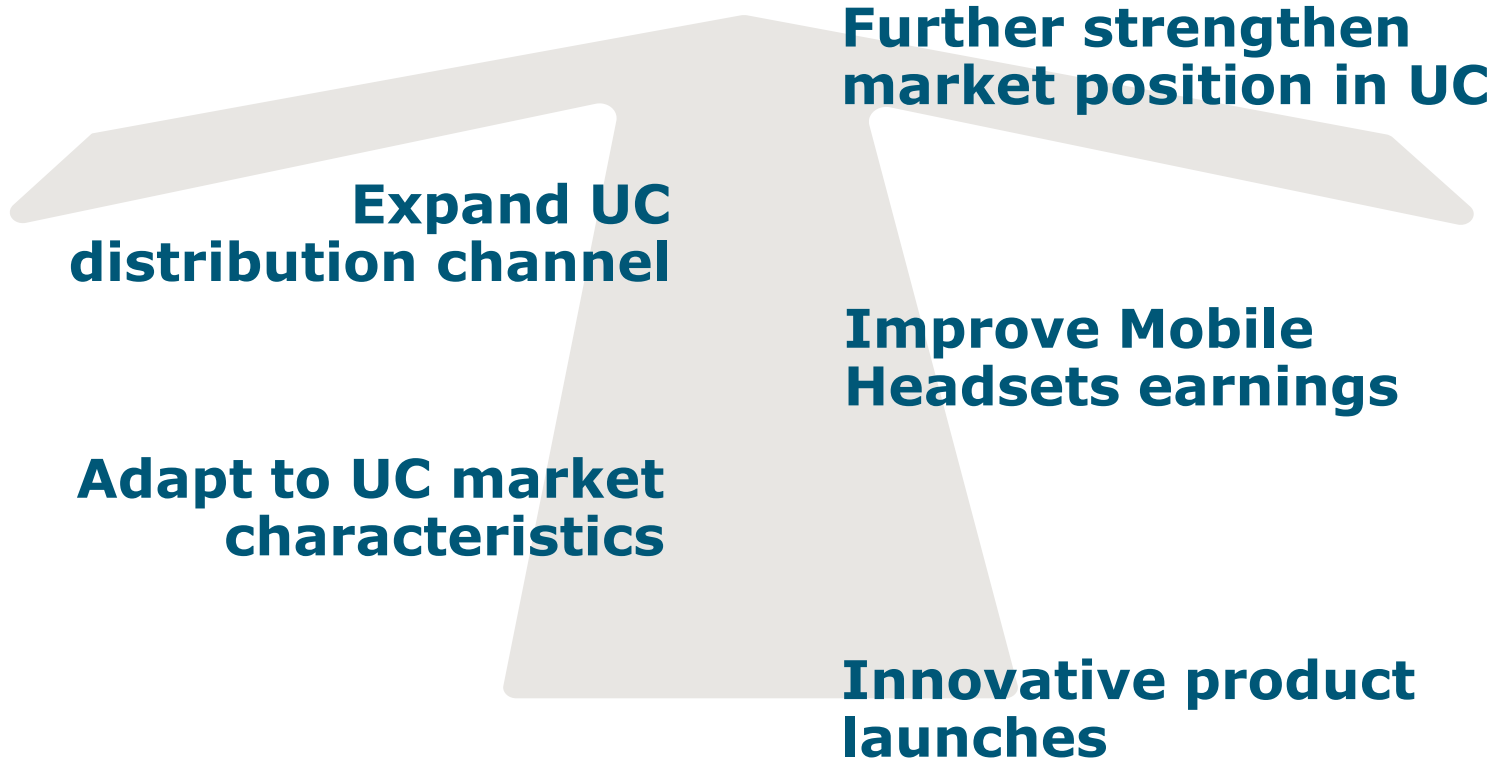
- Win early adopters in the UC market
- Stay in the front and benefit from Jabra's state-of-the-art product portfolio
- Continued focus on developing user friendly products compatible with all major UC applications
- Maintain and develop successful partnering with UC vendors and systems integrators
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

SOLUTIONS OPTIMIZED
FOR UNIFIED
COMMUNICATIONS





GN Netcom Focus Areas For 2011





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- 2010 Highlights
- GN Netcom
- GN ReSound
- Financial outlook and targets





GN ReSound – Key financials

- The positive revenue development continued in Q4 2010

DKK million	Q4 2009	FY 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	FY 2010
Revenue	757	2,981	726	789	794	855	3,164
Organic growth	(3)%	(6)%	(2)%	0%	5%	5%	2%
Gross margin	60%	61%	59%	59%	60%	61%	60%
SG&A, R&D etc.	(367)	(1,584)	(359)	(399)	(406)	(390)	(1,554)
EBITA	87	225	70	63	68	128	329
EBITA margin	11.5%	7.5%	9.6%	8.0%	8.6%	15.0%	10.4%
Free cash flow excl. tax & financials	78	458	26	(8)	(6)	57	69

- The positive revenue development continued in Q4 – revenue up 13% compared to Q4 2009 (5% organic growth)
- The positive revenue development was delivered even though ReSound Alera™ was only available in the receiver-in-the-ear form factor
- Q4 2010 showed the highest EBITA-margin in more than 3 years



ReSound Alera™

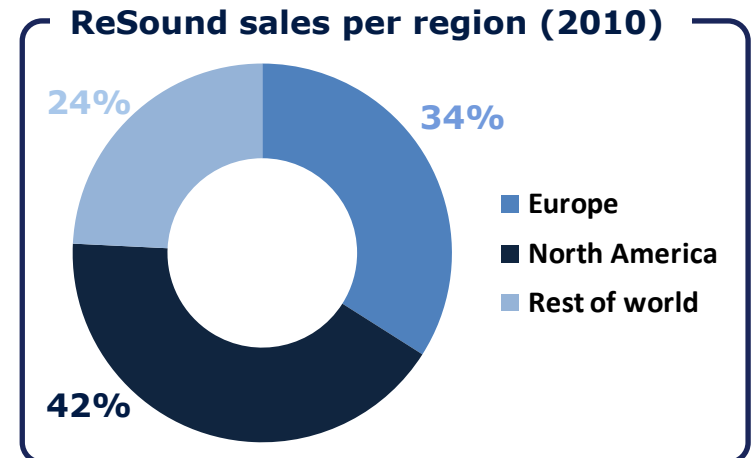
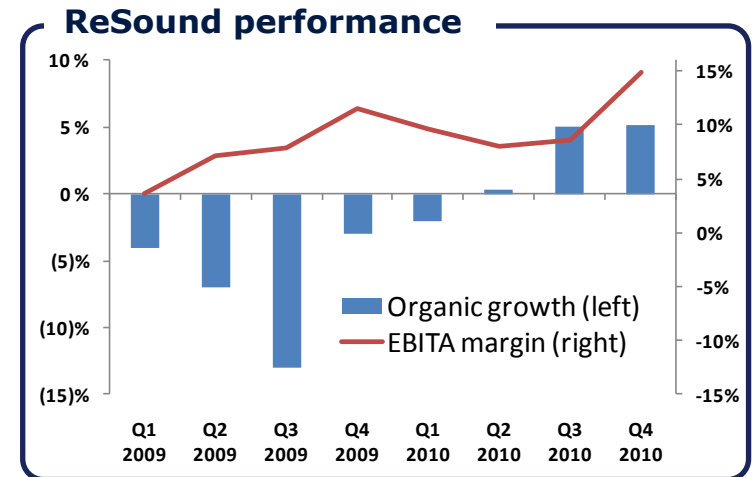
- Drives improvement on both topline and bottomline

ReSound Alera™ launch

- Instrumental in achieving positive organic growth in 2010
- Supporting margin expansion
- **US:** The best launch in ReSound history
- **Europe:** Great launch in general, but overall growth affected by internal challenges in Germany and to some extent France

Key partnering

- Encouraging results in 2010
 - Preferred supplier in NHS
 - ReSound Alera™ available to the Veteran Affairs
 - Successful partnerships with large European retailers





ReSound Alera™ – Wave 2

- More than doubling the market potential

Wave 1

Launched Q3, 2010

Form factors

- Receiver-In-the-Ear



Wave 2

Launched January, 2011

Form factors

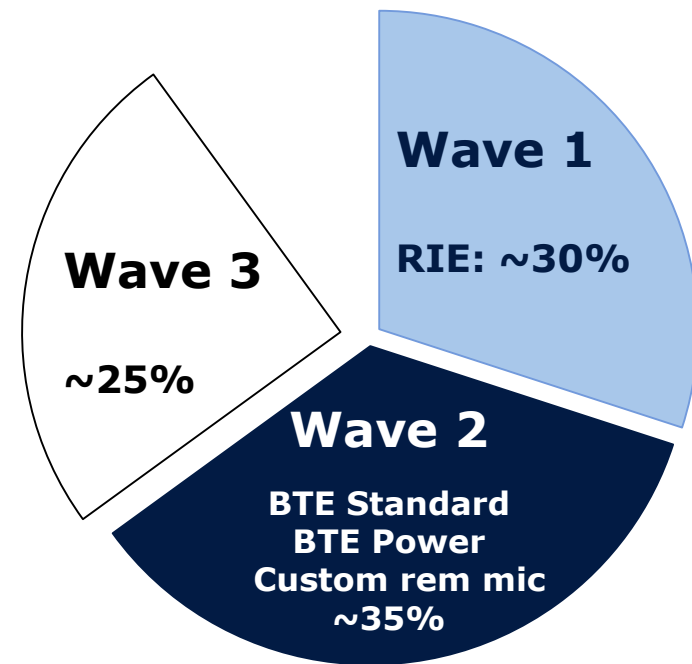
- Behind-The-Ear
- Custom Remote Mic



Wave 3

More form factors will be launched in 2011

Market addressed by ReSound Alera™



Based on current form factor preferences

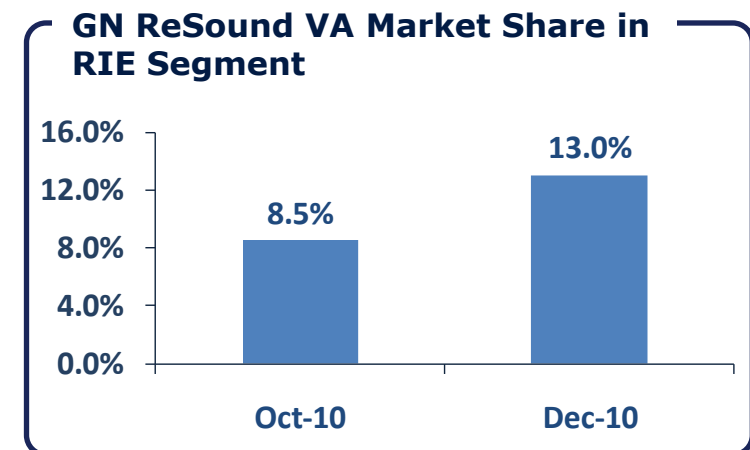
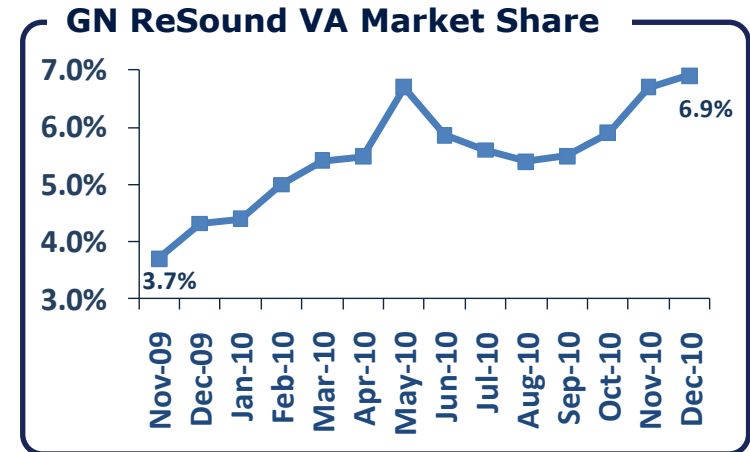


GN ReSound and Veteran's Affairs

- Steady growth in market share

Key comments

- GN ReSound has increased focus on key partnering including partnership with VA
- The VA market is growing steadily
- ReSound Alera™ was available for VA from November 2010
- Total VA Market share has increased more than 3%-points since November 2009
- Alera is off to a very strong start in VA as indicated by a market share gain in the RIE form factor segment of 4.5 %-points since launch





Supply Chain Transformation

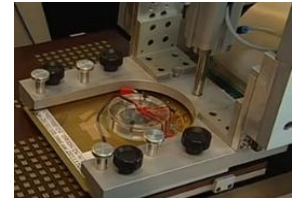
- Major milestones for 2010 reached and the infrastructure is now in place

- Major milestones have been reached in 2010
- The focus now changes from building infrastructure to rolling countries on to the new model
- Impact on 2010 EBITA was virtually neutral
- The expected future EBITA impact is unchanged:
 - 2011: DKK 75 million
 - Run rate end 2011: up to DKK 200 million

The transformation project

Manufacturing

- Consolidate 24 sites
- Simplify
- Enhance service



Warehousing

- Consolidate 24 sites
- Simplify
- Direct ship



Service & Repairs

- Establish swap pool
- Consolidate sites
- Enhance service





Global Market Development

2010 Market Growth

- Market growth in units continued its growth trend in 2010
- Global unit growth estimated to 5%
- The market growth in value is estimated to 2-4%

2010 Pricing Environment

- Differentiated global development in ASPs
- ASPs developed in line with historic trends in North America
- Pressure on ASPs has intensified in some European tender markets

Growth expectations

Expected unit growth

2011: 5-6%

Long-term: 5-6% p.a.

Expected value growth

2011: 2-4%

Long-term: 3-5% p.a.

Growth drivers

- Aging population
- Higher prevalence
- Improving adoption rates
- Improving binaural fitting
- Additional replacement cycles
- Developing countries



GN ReSound Focus Areas For 2011





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Outlook for 2011

- Except for an increase of the revenue guidance for GN Netcom, the preliminary 2011 guidance is confirmed

Revenue (DKK/USD 5.5)

GN Netcom: more than 10% organic growth

GN ReSound: more than 4% organic growth

GN Store Nord: more than 6% organic growth

EBITA

GN Netcom DKK 250-300 million

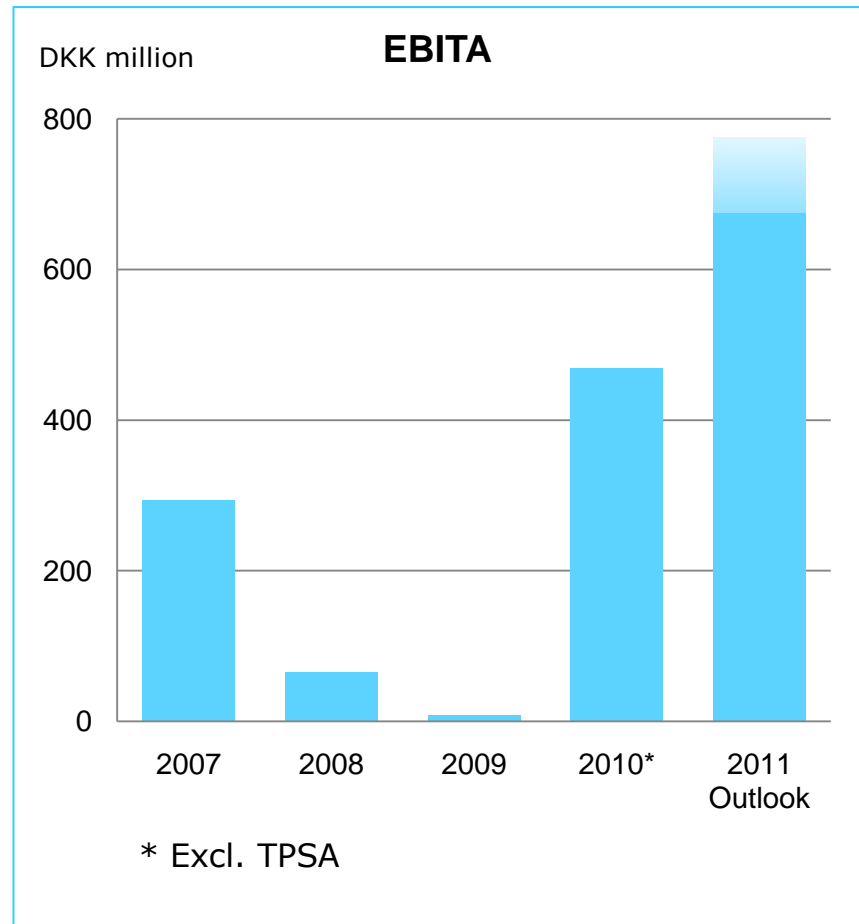
GN ReSound DKK 450-500 million

Other DKK (30) million

GN Total DKK 675-775 million

Amortization, finance etc. DKK ~(50) million

- Revenue guidance for GN Netcom increased to "more than 10% organic growth"
- At Group level, the financials for Q1 2011 is expected to be somewhat softer than the remaining quarters



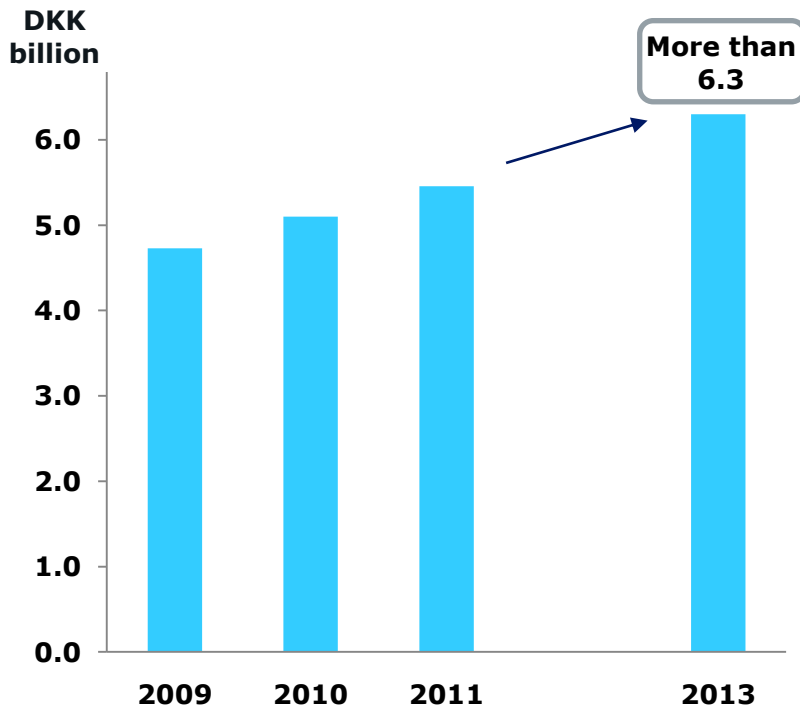


Financial Targets

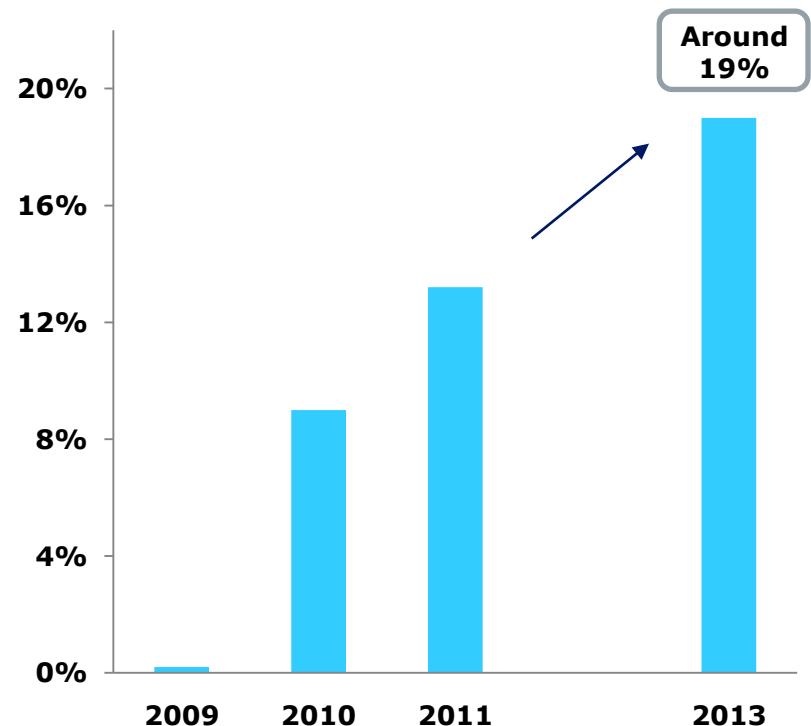
- Q4 development confirms financial targets

DOUBLING EBITA MARGIN BY 2013

GN Store Nord revenue



GN Store Nord EBITA margin*



* Excl. TPSA



Safe Harbour Statement

The forward-looking statements in this presentation 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 presentation should not be considered an offer to sell or buy securities in GN Store Nord.



Q&A



Appendix



GN Netcom

- Financial Targets

2011 guidance:

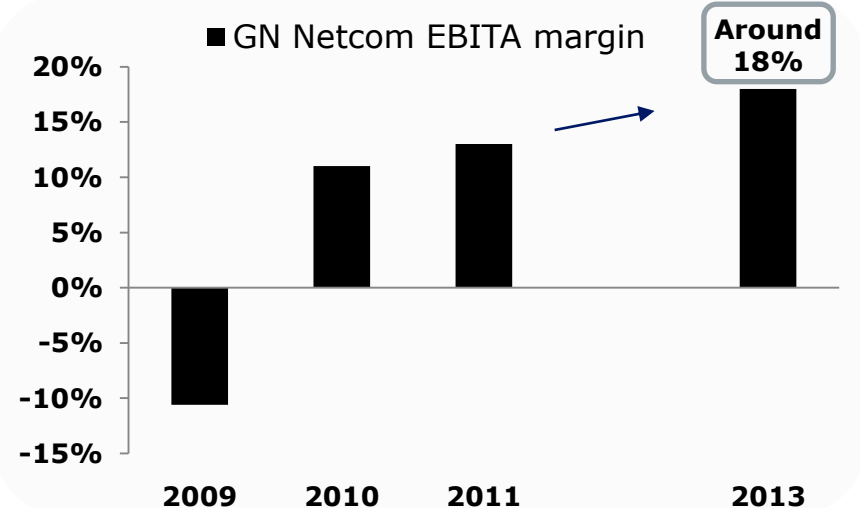
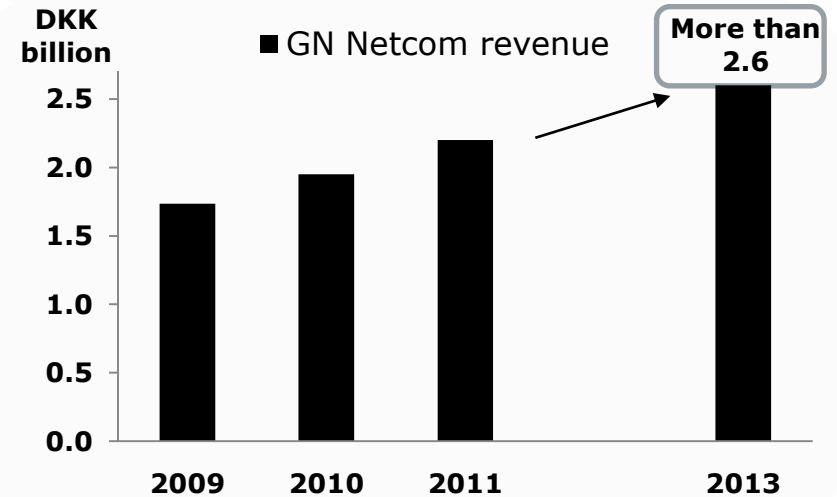
- More than 10% organic growth
- EBITA: DKK 250-300 million

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

2011 guidance:

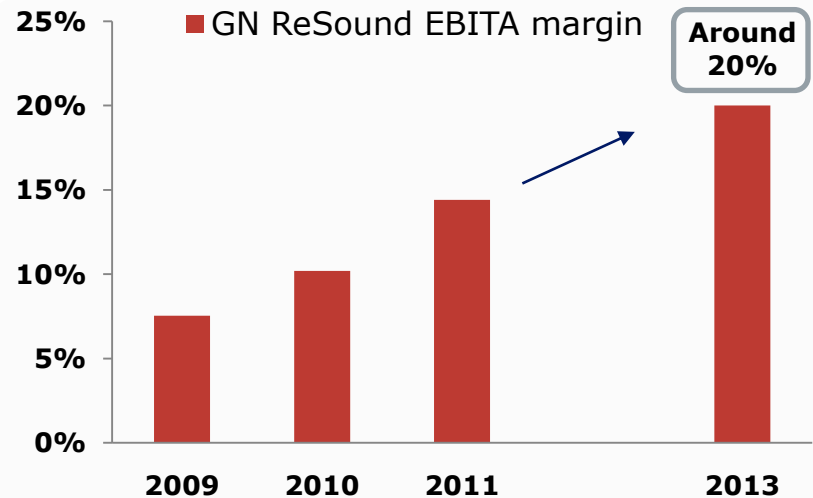
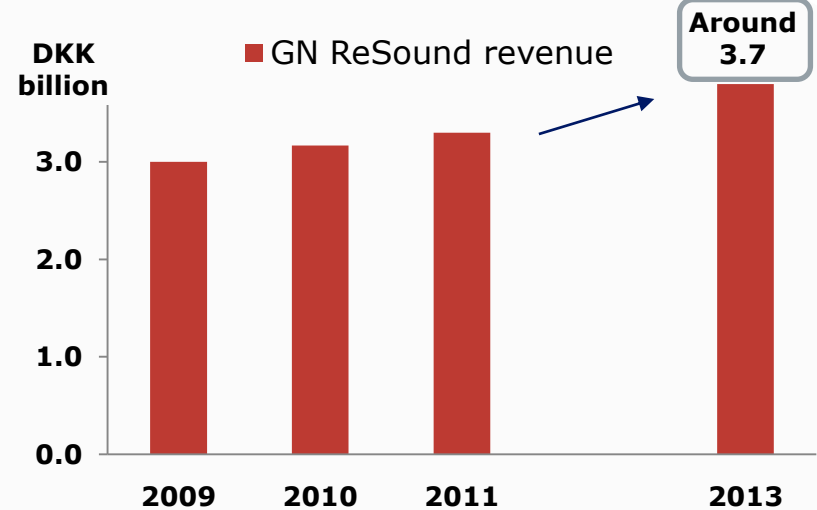
- More than 4% organic growth
- EBITA: DKK 450-500 million

2013 targets:

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

Key assumptions:

- Revenue growth in line with or above the market
- Average value market growth 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





Drivers and Challenges for GN Netcom

Key Value Drivers

- Prospect of significant mid/long-term market growth from UC
- Limited 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



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 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
- Turn around the business and financial performance in Germany



Wave 2 launched in January

- Two New ReSound Alera™ Family Members

ReSound Alera™ custom remote mic:

- Significant benefits due to the natural location of the external microphone
- Elimination of wind noise
- Improved speech clarity
- 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™



Claim Against German Federal Cartel Office

Background

- On October 2, 2006, GN signed an agreement to sell GN ReSound to Sonova for a total consideration of DKK 15.5 billion in cash on a debt and cash free basis
- In April 2007, the German Federal Cartel Office decided to prohibit the transaction claiming that the transaction would allegedly result in collective market dominance in the German market
- On April 20, 2010 the German Federal Supreme Court acknowledged GN's appeal and overruled the prior decisions from the Oberlandesgericht in Düsseldorf and the Federal Cartel Office to prohibit the sale of GN ReSound to Sonova

Latest development

- On December 22, 2010, GN filed a claim of around DKK 8.2 billion at the District Court (Landesgericht) in Bonn, Germany
- The size of the claim is an estimate of the loss imposed on GN in connection with the German Federal Cartel Office's illegal prohibition of the sale of GN ReSound



GN Store Nord – Income Statement

DKK million	Q4 2009	FY 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	FY 2010
Revenue	1,227	4,729	1,174	1,286	1,248	1,437	5,145
Gross Profit	692	2,561	662	727	726	819	2,934
SG&A, R&D etc.	(666)	(2,553)	(576)	(614)	1,462	(611)	(339)
EBITA	26	8	86	113	2,188	208	2,595
Amortisation, finance, etc.	(25)	(9)	(7)	(9)	(16)	(27)	(59)
EBT	1	(1)	79	104	2,172	181	2,536



GN Store Nord - Balance Sheet

Balance sheet (DKK million)	FY 2009	Q1 2010	Q2 2010	Q3 2010	FY 2010
Goodwill	2,605	2,754	2,991	2,738	2,861
Other intangible assets	1,157	1,158	1,184	1,170	1,170
Tangible & other non-current assets	1,344	1,349	1,402	1,328	1,285
Current assets	2,029	2,099	2,250	4,322	4,490
Equity	4,435	4,684	5,006	6,245	6,504
Liabilities	2,700	2,676	2,821	3,313	3,302
Total assets	7,135	7,360	7,827	9,558	9,806
NIBD	1,029	987	1,014	994	960



GN Netcom – Balance Sheet and Cash Flow

Balance sheet (DKK million)	Q4 2009	FY 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	FY 2010
Inventories	87	87	74	91	107	93	93
Trade receivables	289	289	265	288	251	317	317
Trade payables	140	140	127	168	133	149	149
Cash flow (DKK million)							
Cash flow before working capital	72	156	61	84	70	129	344
Change in working capital and non-recurring costs paid	(2)	86	11	17	(8)	(75)	(55)
Cash flow from investing activities	(20)	(90)	(13)	(19)	(17)	(7)	(56)
Free cash flow excl. tax & financial items	50	152	59	82	45	47	233



GN ReSound – Balance Sheet and Cash Flow

Balance sheet (DKK million)	Q4 2009	FY 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010	FY 2010
Inventories	288	288	312	337	358	378	378
Trade receivables	705	705	721	738	747	783	783
Trade payables	190	190	172	202	175	221	221
Cash flow (DKK million)							
Cash flow before working capital	149	477	134	133	115	179	561
Change in working capital and non-recurring costs paid	6	178	(66)	(59)	(42)	(45)	(212)
Cash flow from investing activities	(77)	(197)	(42)	(82)	(79)	(77)	(280)
Free cash flow excl. tax & financial items	78	458	26	(8)	(6)	57	69