



GLOBAL INNOVATOR IN PERSONAL COMMUNICATIONS

GN in China

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Den Danske Finansanalytikerforening



GN in China – fact and figures

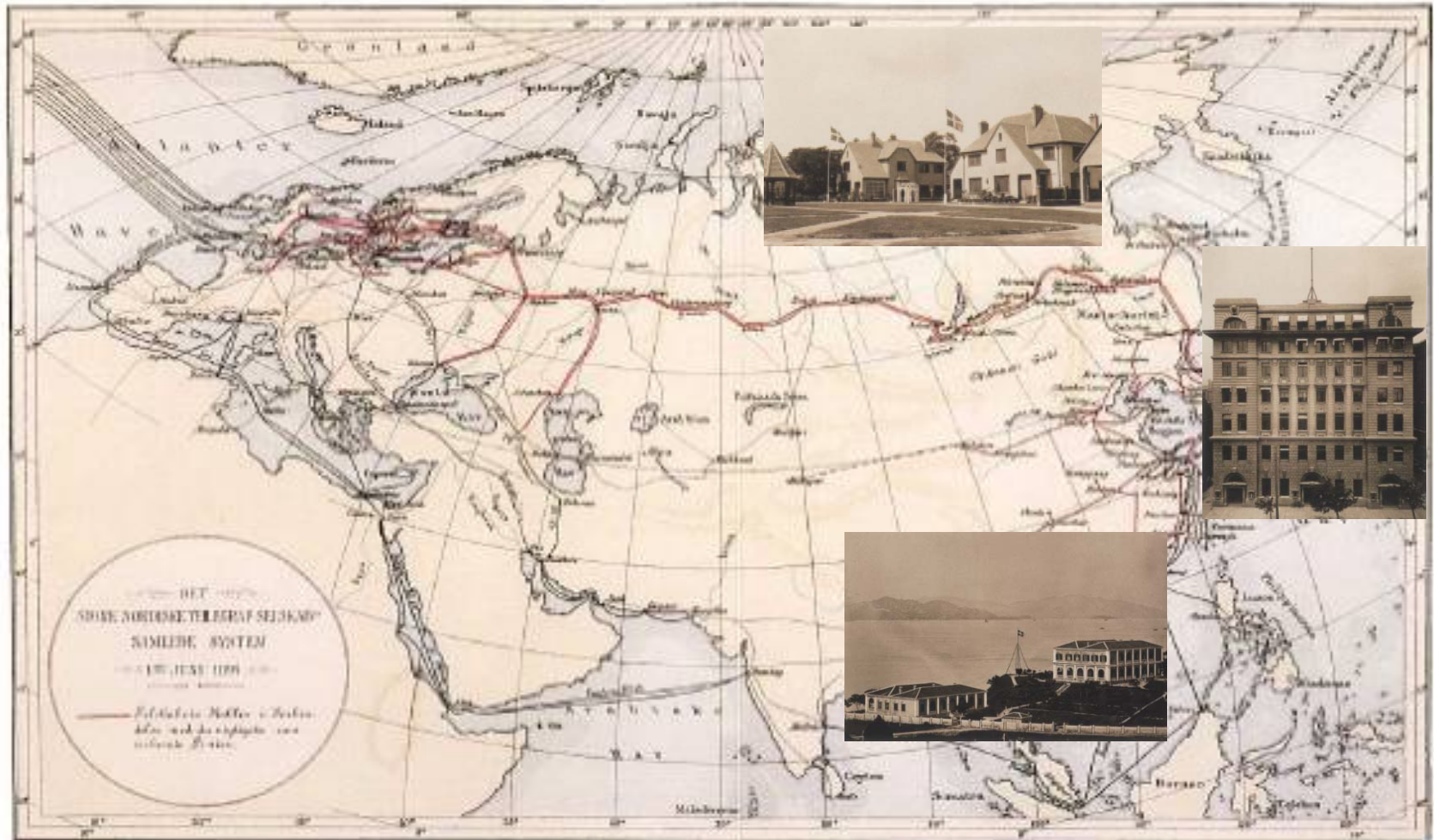
- >100 years
- ~25% of employees
- >10% of costs
- <2% of revenue





MOBILITY AND LIFE QUALITY

GN established communication to China in 1870



The Company's cables linking the most important landlines



GN – from conglomerate to personal communications

1997	1999	2000	2002	2004
From services/products	over ICT	...and technology	to personal communication	New GN
SONOFON GN Comtext Telegraf-Selskabet GN Elmi Navtel Laser Precision GN Netcom GN ReSound GN Rathdown	SONOFON GN Nettetst GN Netcom GN ReSound	GN Nettetst GN Netcom GN ReSound	GN Netcom GN ReSound NetTest	Contact Center & Office Headsets Mobile Headsets Hearing Instruments Audiologic Diagnostics Equipment
Revenue: DKK 3.5bn	Revenue: DKK 5.4bn	Revenue: DKK 7.0bn	Revenue: DKK 5.5bn	Revenue: DKK 5.4bn



GN drives global industry consolidation and investments within all business areas

Hearing Instruments

1977 GN Danavox
1999 ReSound Corp.
1999 Viennatone
2000 Beltone
2000 Philips Hearing Instruments

ADE

1990 Madsen
1999 Danplex
2000 Hortmann
2000 ICS
2001 Audit Data

CC&O Headsets

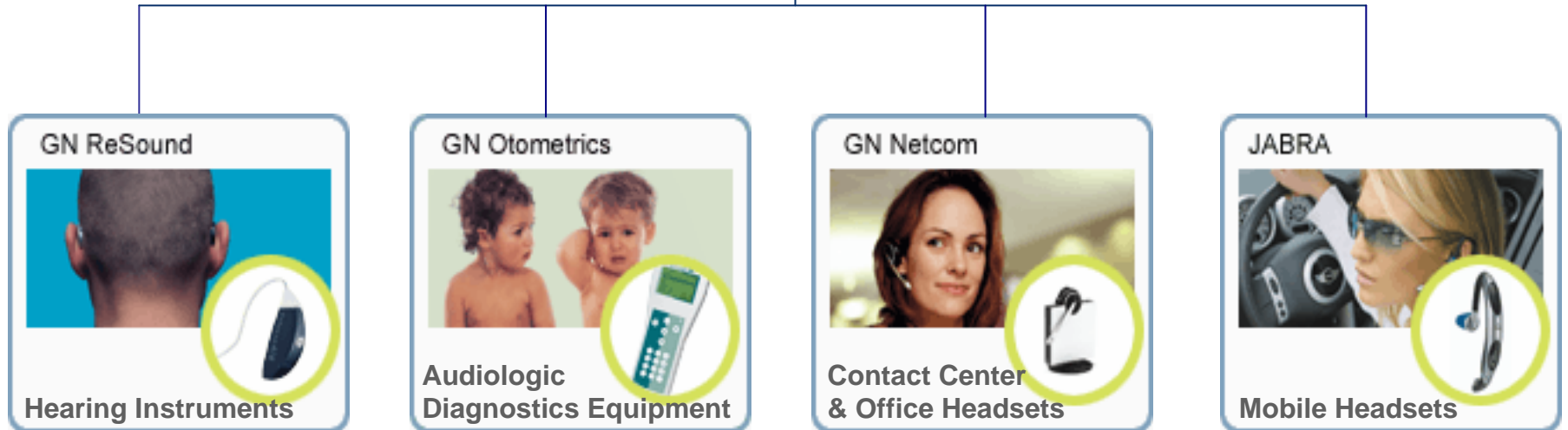
1987 GN Netcom
1996 Unex Corp.
1998 ACS Wireless
2000 Hello Direct

Mobile Headsets

2000 JABRA Corp.
Since 2000 heavy investments in new technology and global sales/ distribution

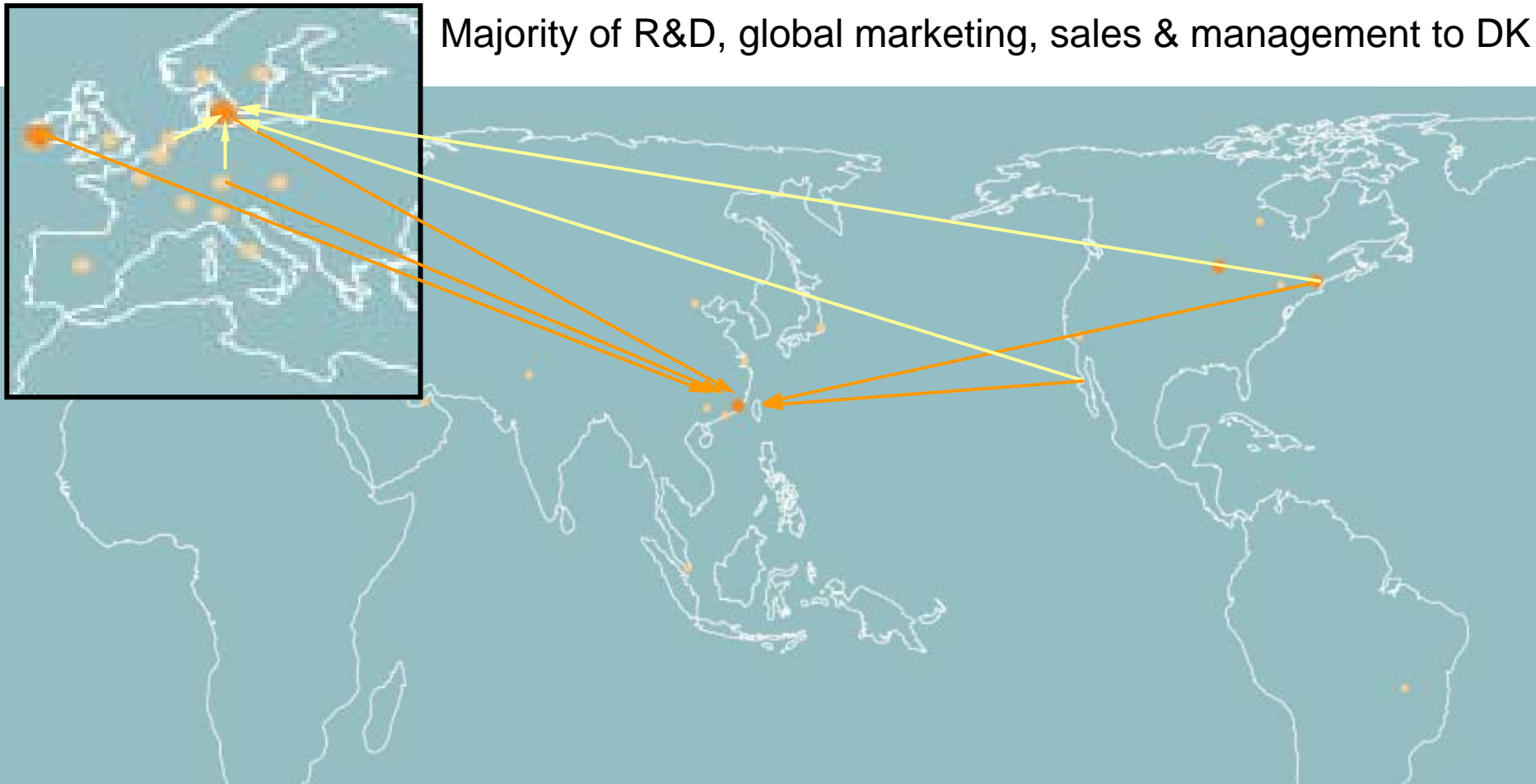


GN – One company – four businesses





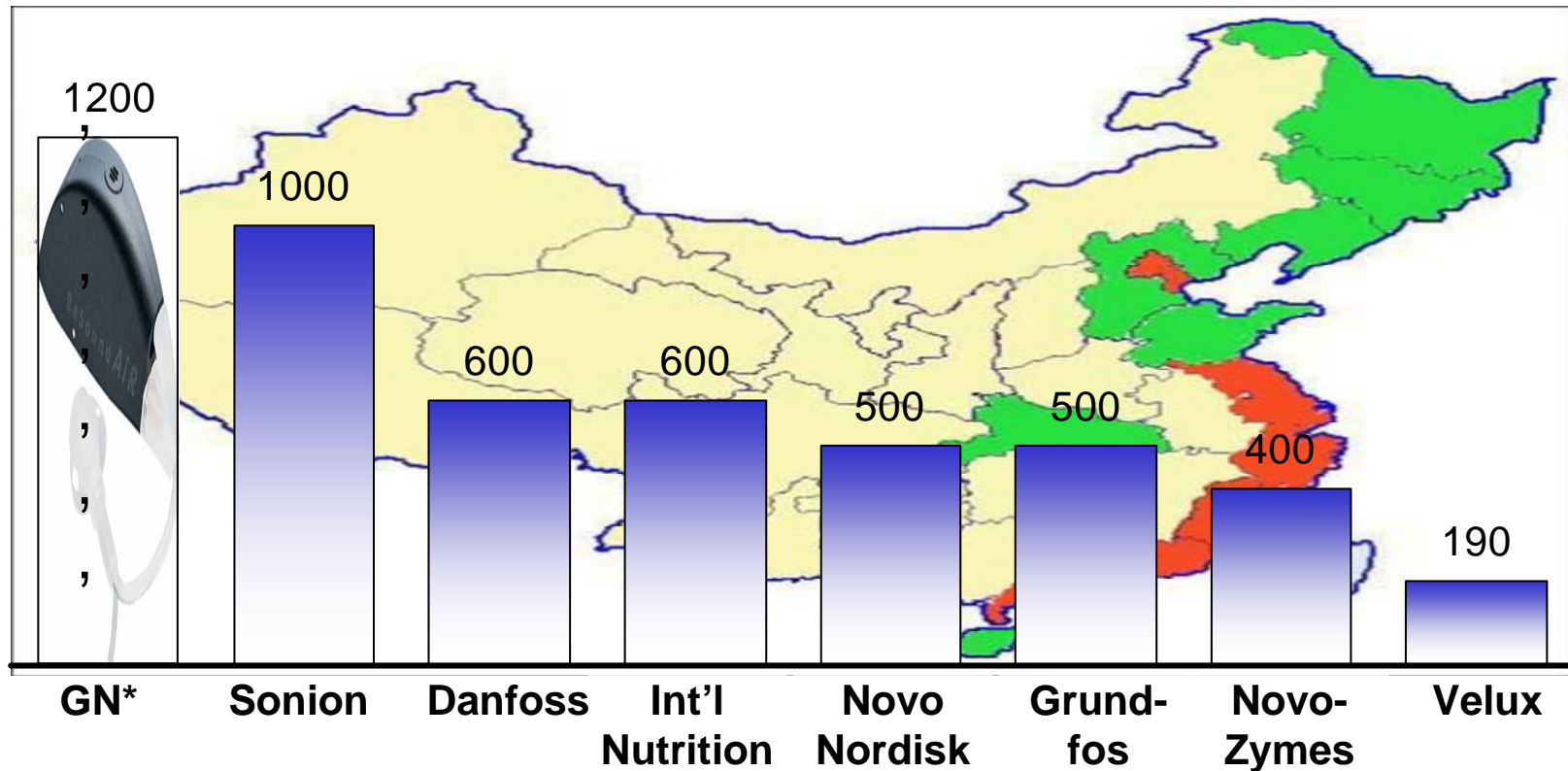
GN concentrates manufacturing in China 2001-2004





GN – the largest Danish manufacturing employer in China?

September 2004 – approximate FTE's



* In addition GN has turnkey solutions in China employing 1,500-2,000 FTE's

Source: Danish Consulate in Shanghai



GN functions in China

Xiamen:

- Global manufacturing center
- Corporate purchasing and supplier management
- Regional development center and sustaining engineering
- Regional IT center and Asia support
- Regional customer support center - Mobile

Shanghai:

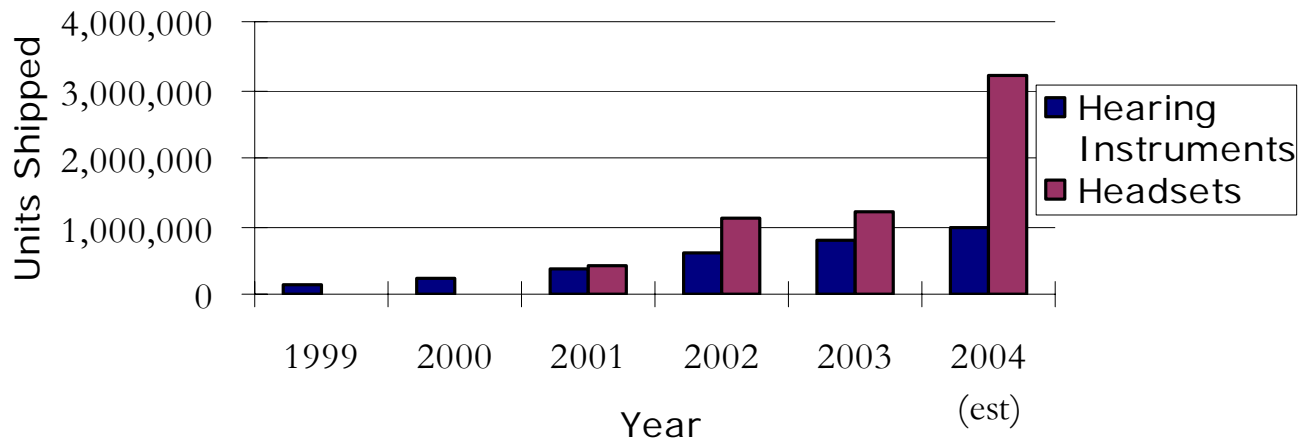
- Regional headquarters for hearing instruments and diagnostic audiology commercial activities in South East Asia
- China National Sales & Service Organisation for CC&O and Mobile headsets





GN volume in China

Shipments from Xiamen



- Xiamen now manufactures 80% of all GN hearing instruments
- Increased insourcing of headsets





Why production in China? – Employees

Access to well skilled, flexible, and loyal labor force

- High level of education, both technical and linguistic
- Superior efficiency and effectiveness

Competitive wages relative to US and Europe

- Chinese Direct Labor base salary averages approx. 850DKK/USD135 per month
- Budget for entry-level engineer approx. 3,500DKK/USD560 per month





GN R&D in China

Major Activities – Hearing Instruments:

- Development of new hearing aid products
- Sustaining engineering for transferred products
- Investigation and development of Asian sourced components

Major Activities - CC&O and Mobile:

- Sustaining engineering for current production in Xiamen
- Product development of specific product offerings

Current staffing:

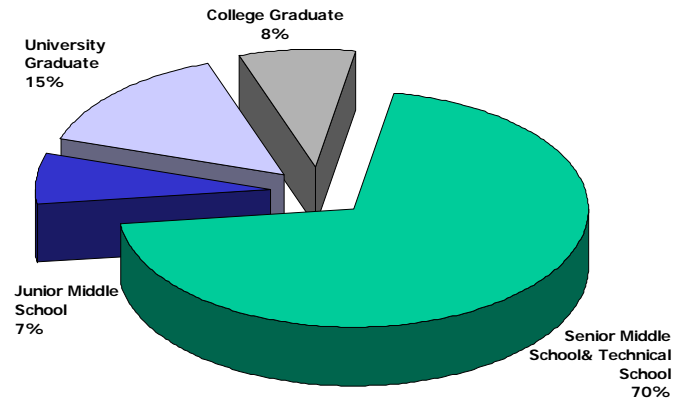
- HI R&D: Manager and staff of 16
- CC&O R&D: Manager and staff of 6
- Mobile R&D: Manager and staff of 7



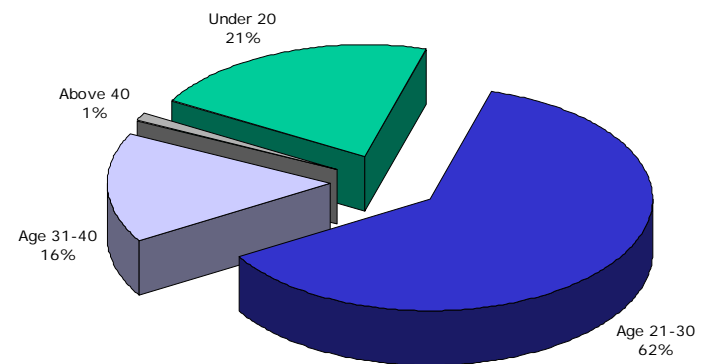
Human Resources

- Well educated workforce
- Young employees
 - 83% <30 years
- GN and Western companies are attractive employers
 - Competitive compensation
 - Health benefits
 - Training programs
- Expats:
 - Mobile Division: R&D Manager from Singapore
 - GN Netcom : GM from Hong Kong
 - NPI Director from Hong Kong
 - GN ReSound: GM from US, CFO from DK, Corp. Purchasing from Ireland

GN Education Distribution



GN Employee Age Distribution





Opportunities in China

- Cost reductions on labor and sourcing
- High labor flexibility
- High technical competencies and attention to detail
- Willingness and commitment to learning – “everything is possible”
- Fastest growing economy and soon to be biggest market in the world



Challenges in China

- Cultural barriers – *“never questioning wrong decisions”*
- Availability and retention of specialized talent (e.g. Engineering, IT, Medical Sales etc.)
- Limited understanding of English language
- Intellectual rights/black economy
- Cumbersome governmental procedures

* * * * *

- Current organization’s acceptance of transfers to China



GN lessons learned

- Provide strong leadership through international experts
- Over-communicate to Chinese organizations – understand what their global role is
- Tight management of product documentation/tools
- Strong contact to local authorities
- Involvement of Chinese in corporate initiatives/training Chinese abroad



GN lessons learned on Globalization

- Be a leader – not a follower
- Dare to risk
- Invest in new technologies
- Patience – changing industry structure takes time
- Global project teams
- Plan thoroughly and over communicate organizational changes

GN's challenge: attracting foreigners to Denmark



Strategic platform



- Global No 3 ~ 15% market share in **Hearing Instruments**
- First with open software platform and open fitting
- Strategic priority: further fine tuning



- Global No 1 ~ 25% market share in **Audiologic Diagnostics**
- First with PC based and integrated platform
- Strategic priority: integration and operational excellence



- Global No 2 ~ 35% market share in **CC&O Headsets**
- First with cordless and advanced VoIP
- Strategic priority: Full office line and channels



- Global No 1 ~ 33% market share in **Bluetooth Mobile Headsets**
- First with Bluetooth
- Strategic priority: Maturity and platform in Asia



GN's markets' long term underlying growth



- 4-6% in **Hearing Instruments**
- Demographics, rock'n roll, life style
- Upside: higher penetration and emerging markets



- ~5% in **Audiologic Diagnostics Equipment**
- Awareness of hearing impairment
- Upside: more rock'n roll



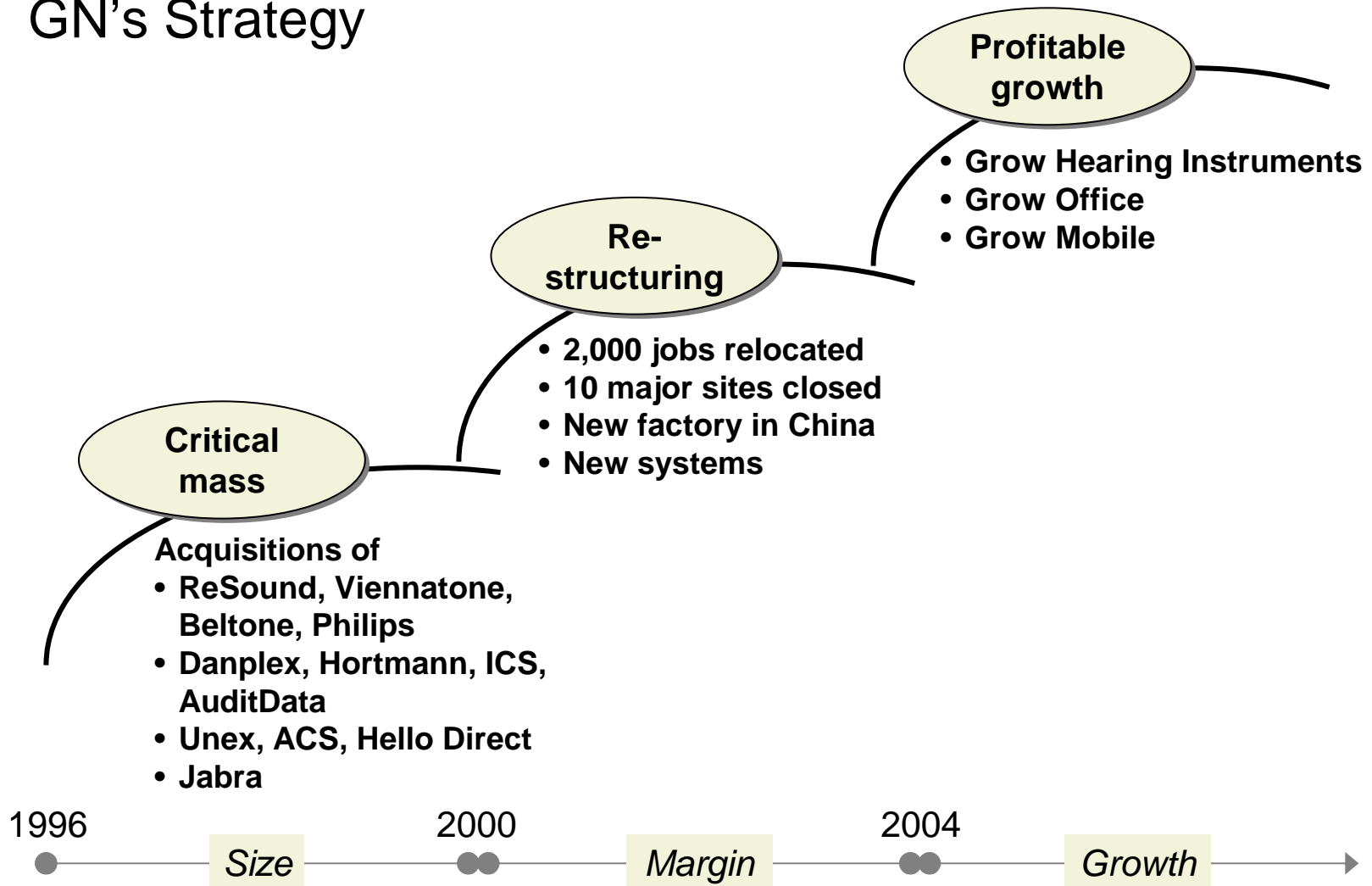
- 5-15% in **CC&O Headsets**
- Office market penetration takes off
- Upside: more players entering



- 25-50-100% in **Mobile Headsets**
- Handsfree legislation
- Upside: up to 100% Bluetooth penetration in handsets etc.



GN's Strategy





THANK YOU FOR YOUR ATTENTION!

QUESTIONS?

The presentation is available at www.gn.com



GN's history in China

GN has had a presence in China/Xiamen since the early 1870's when GN introduced the telegraph in China and Japan

- 1870:** First telegraph cable landed at Deep Water Bay in Hong Kong
- 1980's:** Production JV set up for hearing instruments in Xiamen
- 1989:** Establishing a 100% owned operation
- 2001:** Manufacturing of headsets commenced in rented premises
- 2003:** Current manufacturing plant opened (joint production of hearing instruments and headsets)
- 2004:** Transfer of GN Otometrics manufacturing

