


GLOBAL INNOVATOR IN PERSONAL COMMUNICATIONS

Capital Markets Day

Capital Markets Day, Bloomington, April 5, 2006

Agenda

- GN ReSound Group North America History
- The U.S. Hearing Instruments Market
  - The Consumer
  - Market Trends
- The Three Brands
- R&D Investment
- Custom Manufacturing

Alan Dozier

2004 - present:	**GN ReSound** Executive VP and Chief Operating Officer
2001 - 2003:	**GN ReSound** Executive VP and Group President North America
1997 - 2000:	**Bausch & Lomb** Corporate Vice President and President North American Vision Care
1991 – 1996:	Corporate Vice President and President U.S. Pharmaceuticals
	Vice President, Sales & Marketing U.S. Pharmaceuticals
1990 – 1991:	Vice President, Sales & Marketing Bushnell Sports Optics
1988 – 1990:	Vice President, Sales & Marketing Contact Lens Division, Optical Retail
Education:	**BA, Economics, Washington & Lee Univ. 1976** **MBA University of Georgia, 1978**
Age:	**51**

The GN ReSound Group North America - History

1999	-	GN Acquires ReSound
	-	GN ReSound Global Headquarters in Redwood City, CA
2000	-	GN Acquires Beltone
2001	-	Global Headquarters moves to Taastrup, Denmark
	-	GN ReSound Group North America formed, headquartered in Chicago
	-	Minneapolis operations (ReSound and Danavox) consolidated in Bloomington site
2002	-	Redwood City manufacturing moved to Bloomington; site closed
2003	-	GN Hearing Care Canada formed
	-	Expansion of custom manufacturing capabilities in Bloomington
	-	Development of Research Audiology Group (Chicago)
2005	-	GNO Operations consolidated in Schaumburg, IL
	-	New Beltone N.A. Headquarters and N.A. Technology Center opens in Glenview, IL
	-	Auditory Research Laboratory (ARL) established
	-	Interton is acquired (Plymouth, MN)

North America – Six Business Units

Chicago Area

- Beltone U.S.	Glenview, IL
- GN Technology Center	
- GN Otometrics North America	Schaumburg, IL

Minneapolis Area

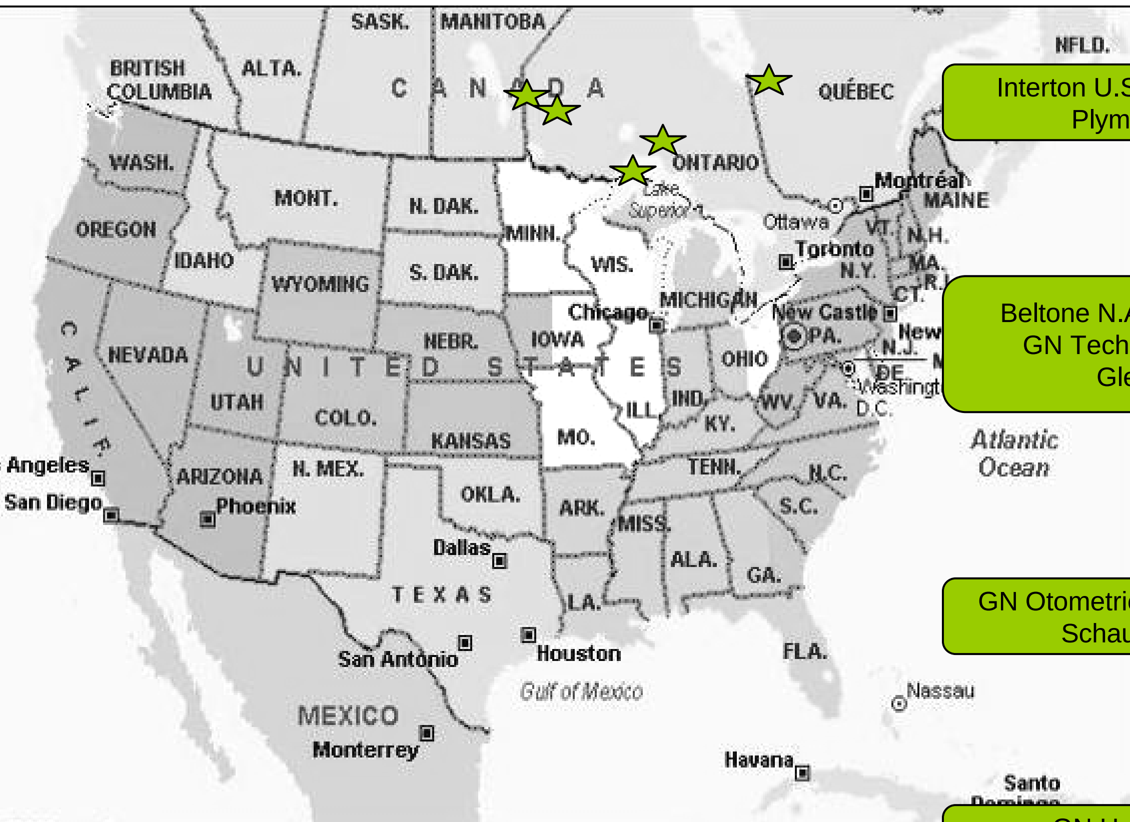
- GN ReSound U.S.	Bloomington, MN
- Interton U.S.	Plymouth, MN

Canada

- GN Hearing Care Canada	Toronto, Ontario, Canada

MOBILITY AND LIFE QUALITY

Facilities



GN ReSound N.A. Headquarters
Bloomington, MN

Interton U.S. Headquarters
Plymouth, MN

Beltone N.A. Headquarters
GN Technology Center
Glenview, IL

GN Otometrics North America
Schaumburg, IL

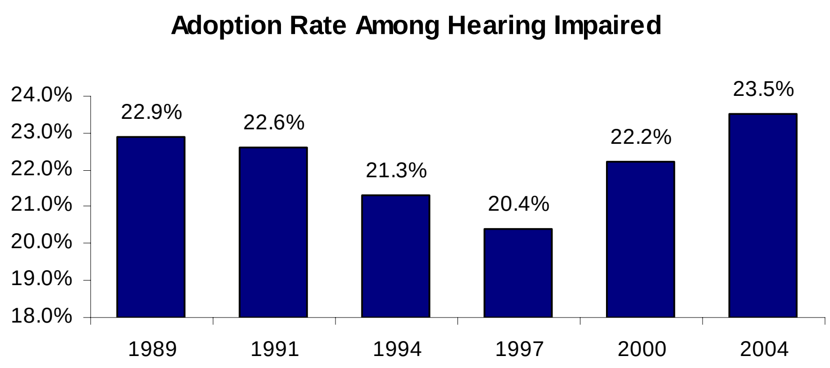
GN Hearing Care
Toronto, Ontario, Canada

MOBILITY AND LIFE QUALITY

The GN RESOUND GROUP NORTH AMERICA – MANAGEMENT

- Executive VP & COO GN ReSound
  - President GN ReSound U.S.
    - Commercial Organization
  - President Beltone U.S. & GN Hearing Canada
    - Commercial Organization
  - VP Finance N.A.
  - Interton
  - VP Human Resources N.A.
  - VP & Legal Counsel
  - Sr. VP Global Operations
    - VP Operations N.A.

The U.S. Hearing Instruments Market



- There have been no significant improvements in the adoption rates by age group.
- Penetration has increased because of the aging population.

Adoption Rate By Age '04 v. '00

	2000	2004
<18 yrs	14%	13%
18-34 yrs	7%	12%
35-44 yrs	9%	7%
45-54 yrs	10%	10%
55-64 yrs	18%	18%
65-74 yrs	34%	33%
75-84 yrs	47%	46%
85 + yrs	61%	63%

*MarkeTrak7, Sergei Kochkin

The Consumer – The Baby Boomers

	Hearing Loss Population			Adoption Rate	
	Non-Owners	Owners	Total		
<18 yrs	1,180	184	1,364	13%	
18-34 yrs	2,194	291	2,484	12%	
35-44 yrs	3,347	260	3,607	7%	
45-54 yrs	5,418	632	6,050	10%	Baby
55-64 yrs	5,228	1,140	6,367	18%	Boomers
65-74 yrs	3,636	1,799	5,435	33%	
75-84 yrs	2,550	2,189	4,739	46%	
85 + yrs	530	887	1,417	63%	
Total US	**24,082**	**7,381**	**31,463**	**23%**	

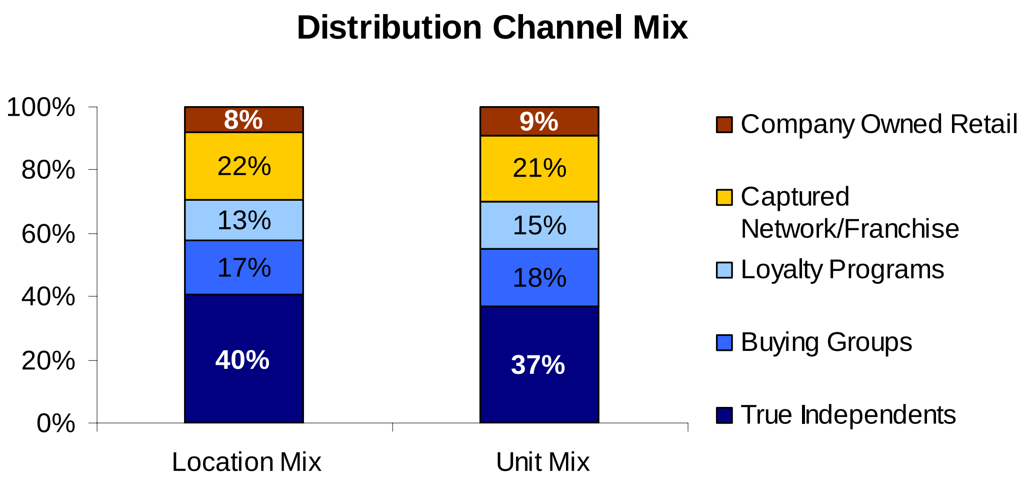
- The Oldest Baby Boomer is 60 years old.
- Overall Adoption Rate will begin to spike in 4 to 5 years and will increase the the market growth rate.
- The Open/AIR product category will further accelerate Adoption Rates
    - ReSoundAIR average age = 62

*MarkeTrak7, Sergei Kochkin

The Consumer – Delivery Preference

Distribution Channel	Total Location in the US
Company Owned Retail	865
Captured Network/Franchise	2,370
Loyalty Programs*	1,400
Buying Groups	1,870
True Independents	4,420
	10,925

** eg. Starkey Alliance, Siemens SBP, and ReSound ReWards

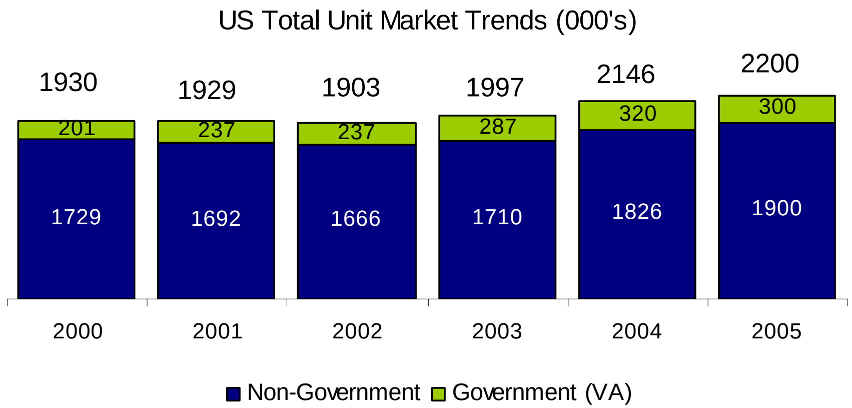


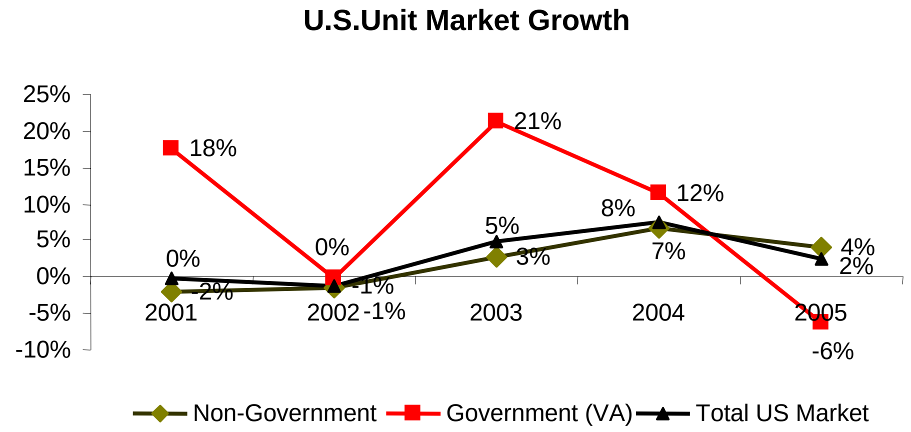
- As noted by Frost & Sullivan and GN proprietary research, distribution is very fragmented, ranging from single location independents to large retail models.
- Consumers tend to opt for either an independent practitioner or a retail oriented practice
- There is not one format or channel that dominates the market.

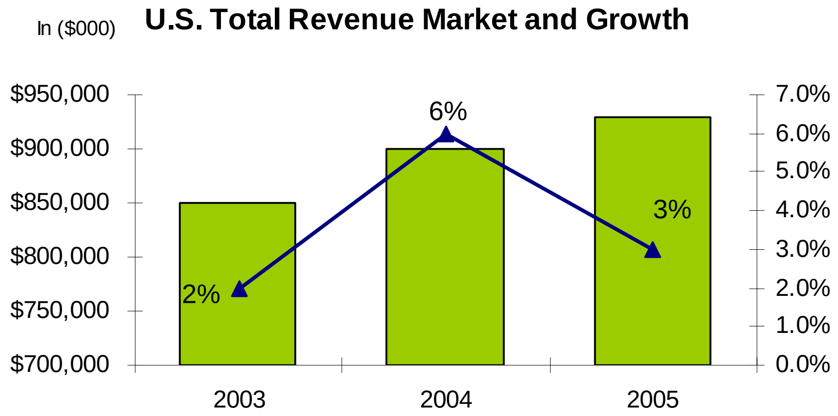
  – The industry is at the front end of the maturing process

* Source: Internal Census and Profiling System, 2005. Does not include VA Hospitals

The Business Environment – Market Trends







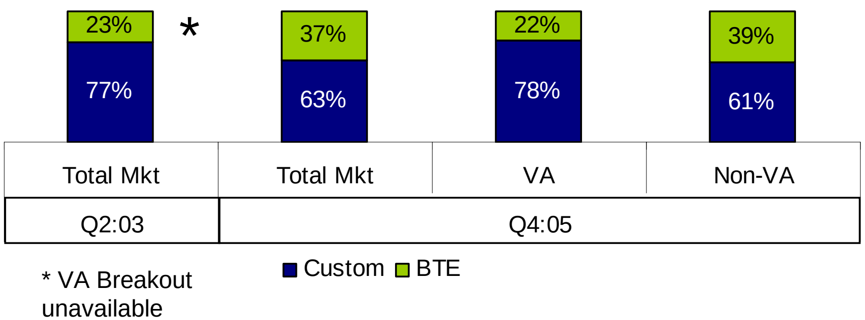
•Until the Baby Boomers' adoption rate increases the market will likely grow in the 3% to 5% range annually.

•Government dispensing will likely track at the private market now that the patient backlog has been addressed

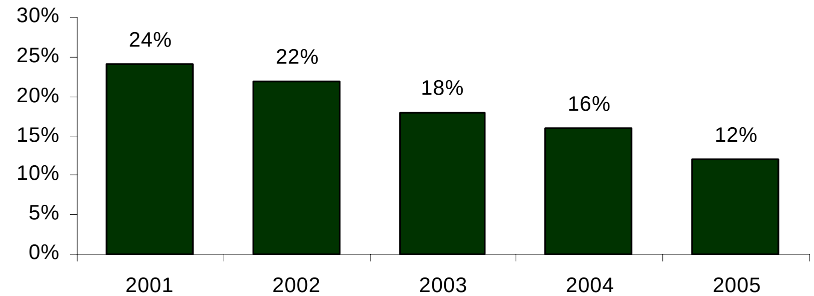
* Sources: HIA market data, Q4 '05. Internal Revenue Study, 2005

The Market – Custom Products and BTEs.

Form Factor Mix



Digital CIC Trend - Pct. of Market



	Directionality					
(000's)	BTE	CIC	Half Shell	Full Shell	ITC	Total
Units	336.9	0	133.8	137.7	142.1	750.5
% of Form	47%	0%	35%	61%	28%	0%

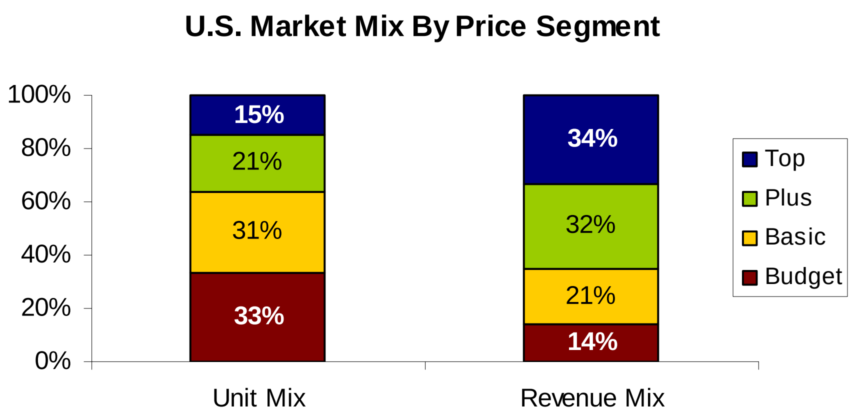
• The BTE percentage has increased significantly since the introduction of ReSoundAIR and the advent of Open Technology.

• The increase in BTEs is offset by a comparable decline in CICs.

* Source: HIA, 2005

The Market – Price Segmentation

Segment	Pct. Of Dispensers
Top	62%
Plus	68%
Basic	52%
Budget	55%



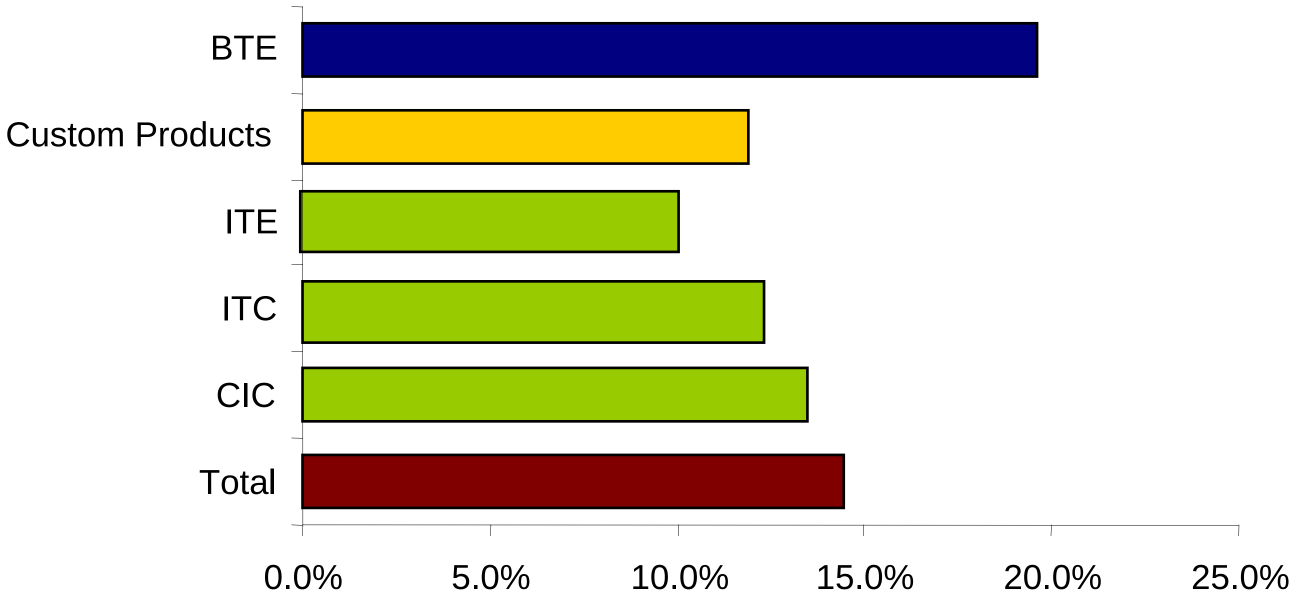
* Source: Internal GN Data, September, 2005 Total Sample = 4,160 Wholesale Pricing

- The Market continues to stratify in ever-increasing price segments
- The Market is beginning to delineate itself in $100 increments.
- Almost two-thirds of the market revenue is represented by the plus and top segments

The GN ReSound Group U.S. – Market Position
Three Brands . . . Maximizing Opportunities

	Primary Customers	**Positioning**
GN ReSound	- Independents	- Great Products - Technical Training & Support
Beltone™ *Helping the world hear better*	- Captured Network - Company Owned Retail	- Broad Product Portfolio - Brand Exclusivity - Consumer Marketing
INTERTON	- Retail (e.g. Costco) - Veterans Affairs (VA) - Independents	- Flexibility - Personal Touch

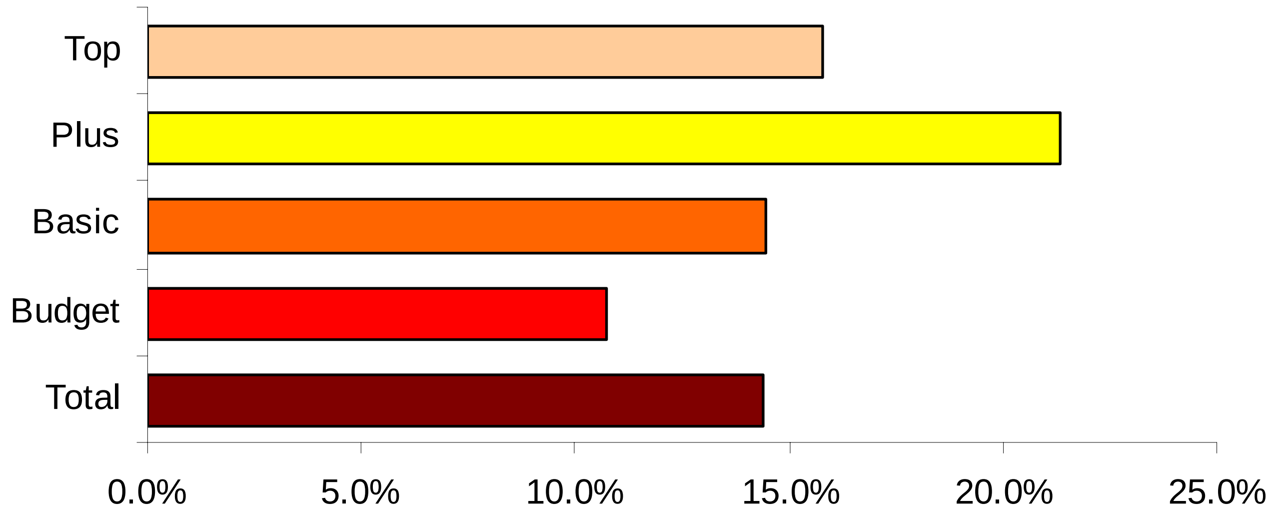
GN ReSound Group U.S. – Market Position By Form Factor



- Strong Position in the BTE Segment across all brands
- Under-indexed in Custom Products in GN ReSound

* Combination of GN ReSound, Beltone, and Interton

GN ReSound Group U.S. – Market Position By Price Segment



- Strong Position in Top and Plus Price Segments
- Growth opportunities exist across all segments.

* Combination of GN ReSound, Beltone, and Interton

GN ReSound Group U.S. – Revenue Growth

2002	2003	2004	2005	2006
+11%	+15%	+9%	+5%	Growth Acceleration

- 12 % average revenue growth, 2001 – 2004 and 10% 2001 - 2005
- Growth slowed in late 2004 through 2005 tied to aging products in the GN ReSound brand
- Growth is accelerating

* Includes GN ReSound U.S. and Beltone U.S.

Interton – Capitalizing on New Opportunities

- Costco: A membership wholesale club
  - 346 Warehouses in United States
    - 167 dispense hearing instruments.
  - 46.4 million cardholders
- Committed to the Hearing Instrument Category
  - 16% increase in locations versus 2004
  - Plans for further expansion within and outside the US.
  - Largest unit volume per location in the U.S.
- Costco Hearing Instrument Positioning
  - Product quality and sharp consumer pricing
  - Convenience
  - High consumer traffic

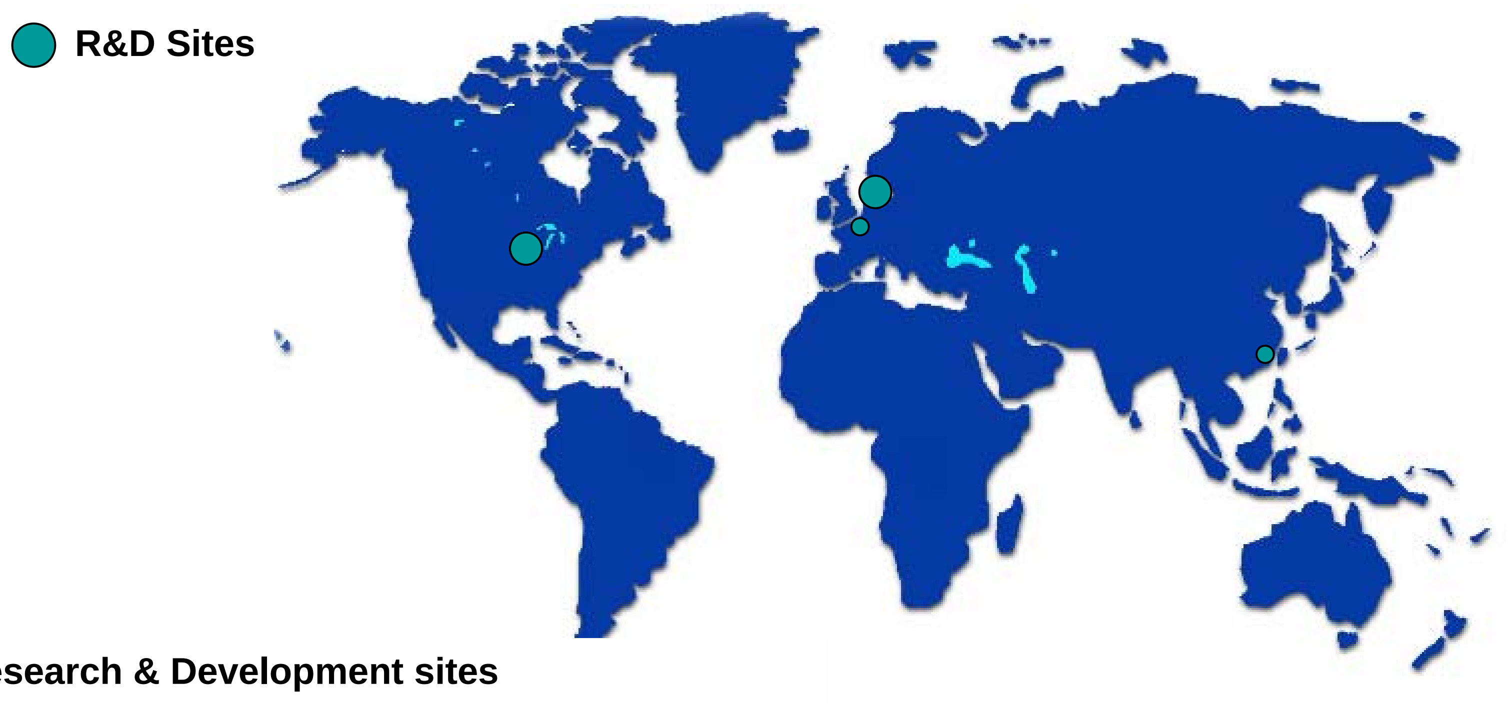
Bottom Line: GN needed a third brand in the U.S. to take advantage of Costco and other Volume Retailer opportunities

The Veterans Affairs (VA)

- 267 VA Hospitals dispensing hearing instruments
  - 600 audiologists
  - 120 health technicians/assistants
- 454,000 Patients
- Approximately 300,000 hearing instruments dispensed in 2005 with a manufacturers' value of $107.9 million.
- The goal is a "Health Care System without delays"
  - Improved patient access
  - Quality
  - Efficiency
  - Patient satisfaction

Bottom Line: The Interton product portfolio can be expanded to take advantage of GN technology

The GN ReSound Group – R&D Investment



Research & Development sites

- Chicago
- Copenhagen
- Eindhoven
- China

Research and Development

Chicago:
- Research Audiology/ ARL
- Custom Products Development
- Fitting Software Development

Copenhagen:
- Algorithm Research & Development
- Research Audiology
- DSP Platform Group
- BTE Development
- Concept Innovation
- Product Development Services

Eindhoven:
- Algorithm Research & Development

China:
- Budget Products Development
- Product Line Extensions

The R&D group has been expanded from 150 people in early 2004 to 220 people currently. Additions have been made across all areas to increase capacity and accelerate the pipeline

Global Custom Products Manufacturing

- Investing in Custom Manufacturing in key sites around the globe to improve customer satisfaction and support custom products growth.

- Areas of focus:
  - Customer input (e.g. “Voice of the Customer”)
  - Process Improvement/Shared Best Practices
  - Skills training (certification/re-certification)
  - New technology/applications
    - e-sculpting/design
    - automated shell manufacturing
    - software applications to replace manual steps
  - New product ramp-up
    - speed
    - Quality
  - Design for manufacturing

- Impact: Improved product quality and consistency, lowered costs, consistent turn times/delivery