



GN Q3 Interim Report 2008

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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 2008 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, developments in class action and patent infringement litigation in the United States, and the integration of company acquisitions.

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



Q3 Summary

- GN generated positive organic revenue growth, but the result was negatively impacted by extraordinary write-downs on inventory. Full-year guidance is also revised being impacted by the global financial crisis.
- Revenue was DKK 1,386 million corresponding to positive organic growth of 2%. EBITA was DKK (27) million impacted by DKK (28) million in non-recurring costs in GN Netcom and DKK (55) million in extraordinary write-downs in GN ReSound.
- GN Netcom generated revenue of DKK 595 million corresponding to an organic growth of (6)%. EBITA was DKK 0 exclusive of non-recurring costs of DKK 28 million.
- GN ReSound reported revenue of DKK 787 million corresponding to an organic growth of 9%. EBITA was DKK 4 million impacted by DKK 55 million in extraordinary inventory write-downs and impairment of R&D assets.
- 75% owned DPTG I/S claim against TPSA: Due to the protracted proceedings, GN has recently updated the claim to DKK 6.3 billion for the period 1994 to end 2007. The increase is solely related to the extended claim period. A partial award on DPTG's claims could be rendered by Q3 2009.



Profit and Loss

(DKK million)	Q3/2007	2007	Q3/2008
Revenue	1,428	5,981	1,386
EBITA	67	294	(27)
Amort., finance, associates etc.	(20)	(98)	(35)
Depreciation and costs related to the abandoned sales process (GN ReSound)	(18)	(296)	0
EBT	29	(100)	(62)

- EBITA was DKK 56 million excluding non-recurring costs of DKK 28 million in GN Netcom and DKK 55 million in extraordinary write-downs in GN ReSound.
- Amortizations of acquired intangible assets and associates was DKK (7) million and net financial items were DKK (28) million.



Balance & Cash Flow

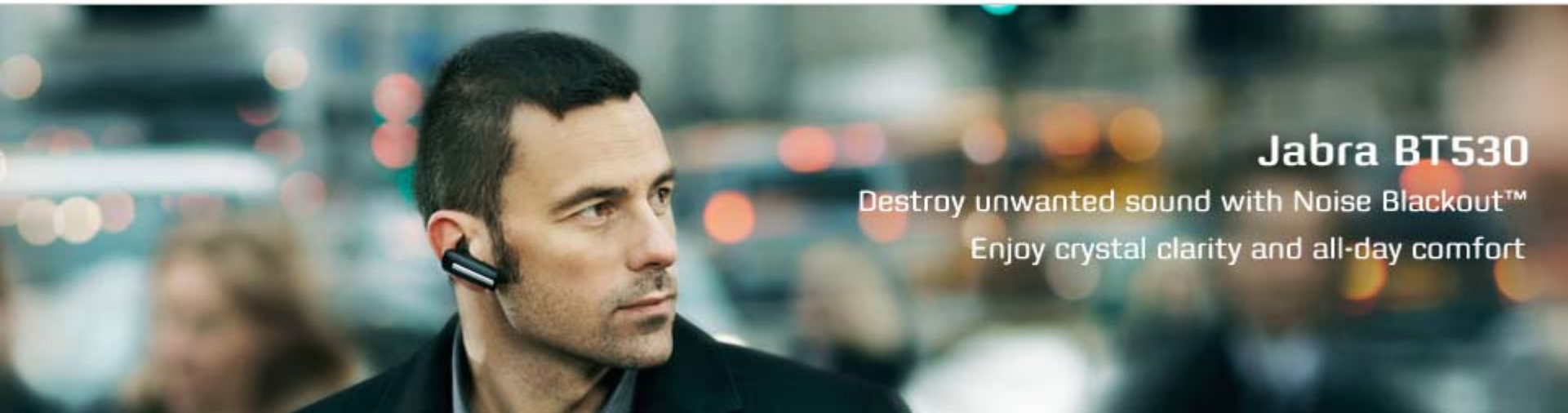
(DKK million)	*End Q3/2007	End 2007	End Q2/2008	End Q3/2008
Goodwill	2,603	2,525	2,424	2,629
Other intangible assets	1,176	1,127	1,141	1,150
Tangible & other non-current assets	1,643	1,513	1,488	1,564
Current assets	2,755	2,670	2,481	2,811
Equity	4,875	4,482	4,252	4,505
Liabilities	3,302	3,353	3,282	3,649
Total assets/liabilities	8,177	7,835	7,534	8,154
NIBD	(1,346)	(1,516)	(1,612)	(1,627)
Free Cash flow	(63)	(183)	39	(30)

* Based on pro-forma balance sheet

- Other intangible assets are primarily capitalized R&D
- Value of TPSA and tax dispute not included in balance sheet
- NIBD more or less unchanged compared to Q2



GN Netcom



Jabra BT530

Destroy unwanted sound with Noise Blackout™

Enjoy crystal clarity and all-day comfort



(DKK million)	Q2	Q3	Q4	2007	Q1	Q2	Q3
Revenue	617	670	775	2,811	636	584	595
Growth	(33)%	(2)%	(2)%	(14)%	(8)%	3%	(6)%
Gross margin	40%	42%	38%	39%	41%	43%	38%
EBITA before non-recurring costs	11	10	67	104	8	(3)	0
EBITA margin before non-recurring costs	1.8%	1.5%	8.6%	3.7%	1.3%	(0.5)%	0.0%
EBITA	(17)	6	30	35	3	(28)	(28)

- GN Netcom gained market share in the CC&O market compared to Q3 2007.
- The Mobile Headsets revenue in North America grew relative to Q3 2007 due to among others introduction of hands-free legislation in certain US states, however some emerging markets and OEM weaker than expected.
- GN Netcom EBITA was DKK 0 excl. of non-recurring costs of DKK 28 million.



GN Netcom Balance Sheet and Cash Flow

Balance sheet selected items (DKK million)	Q3 2007	FY 2007	Q2 2008	Q3 2008
Inventories	381	343	228	291
Trade receivables	531	573	424	462
Trade payables	208	181	163	260
Cash flow (DKK million)				
Cash flow before working capital	41	239	34	60
Change in working capital & restruct. paid	(98)	(95)	145	4
Cash flow from investing activities	(39)	(128)	(33)	(34)
Free cash flow excl. tax & financial items	(96)	16	146	30

- Inventories increased due to lower than anticipated sales and a build-up of inventories for the high season.
- Free cash flow positive in spite of negative earnings.



Jabra BT530 –Noise Blackout™

Noise Blackout™
Ambient noise cancellation

Crystal clear sound
Immaculate quality sound
on both sides of the call

Ideal for all-day use
Lightweight and designed
for long-lasting comfort

The advertisement features a man in a dark suit and shirt wearing the Jabra BT530 headset. A yellow audio waveform is overlaid across the bottom of the image, passing through a product shot of the headset. The background is a blurred city street scene.



FAST Program

FROM:

Diverse and Complex

TO:

Focused and Simplified

R&D

- Development mainly done in-house
- Large pipeline of products which partially cannibalize each other

- High-end products and competitive advantage parts developed in-house
- Focused roadmap – platform-based

Production & Distribution

- Manage outsourced production by 13 EMS'
- In-house procure components
- "Forecast-driven" supply chain

- Outsourcing
- Strategic component sourcing
- "Build to order" Mobile Headsets

Sales & Marketing

- ~60 Mobile products
- ~700 Mobile customers of various sizes
- CC&O sales in > 50 countries

- ~ 15 Mobile products
- ~ 90 large customers/channels
- CC&O sales in < 30 countries

Support Functions

- Poor data structure and systems
- Time spent on data generation and firefighting

- One global IT platform
- Simplified data and information structure



FAST Status

	FAST Status on November 6, 2008:
CC&O	Early October 2008: New supply chain organization launched. Short listing of distribution and manufacturing partners. New supply chain set-up will be fully operational by the end of Q2 2009
CC&O	Implement an indirect channel model with direct touch to large enterprises and resellers. During H1 2009: Completion in APAC, the US and France. Rest of world will follow in H2 2009.
Mobile:	Early October 2008: New supply chain organization launched. Short listing of distribution and manufacturing partners. New supply chain set-up will be fully operational by the end of Q2 2009
Mobile:	During 2H 2008: Sharpened focus completed, with number of key accounts brought down to 90 with little impact on revenue.
Mobile:	Reduce number of products from 60 to 15 on reconfigurable platforms. Completed before the end of 2008.
Organization:	210 positions have so far been closed down.



GN ReSound

be
BY RESOUND



) RELAY (



Belton
reach™ flexible intelligence



(DKK million)	Q2	Q3	Q4	2007	Q1	Q2	Q3
Revenue	842	755	747	3,155	772	776	787
Growth	9%	(2)%	(13)%	(2)%	1%	(1)%	9%
Gross Margin	63%	61%	59%	61%	60%	62%	57%
EBITA before non-recurring costs	129	55	35	340	31	72	4
EBITA margin before non-recurring costs	15.3%	7.3%	4.7%	10.8%	4.0%	9.3%	0.5%
EBITA	129	55	(5)	300	31	72	4

- Hearing Instruments generated revenue of DKK 706 million, corresponding to 10% organic growth relative to Q3 2007 demonstrating that GN ReSound is winning back some of the business lost under last year's sales process.
- The gross margin was unchanged at 61% when excluding extraordinary inventory write-downs of DKK 30 million resulting from the integration and relocation of Interton inventories.



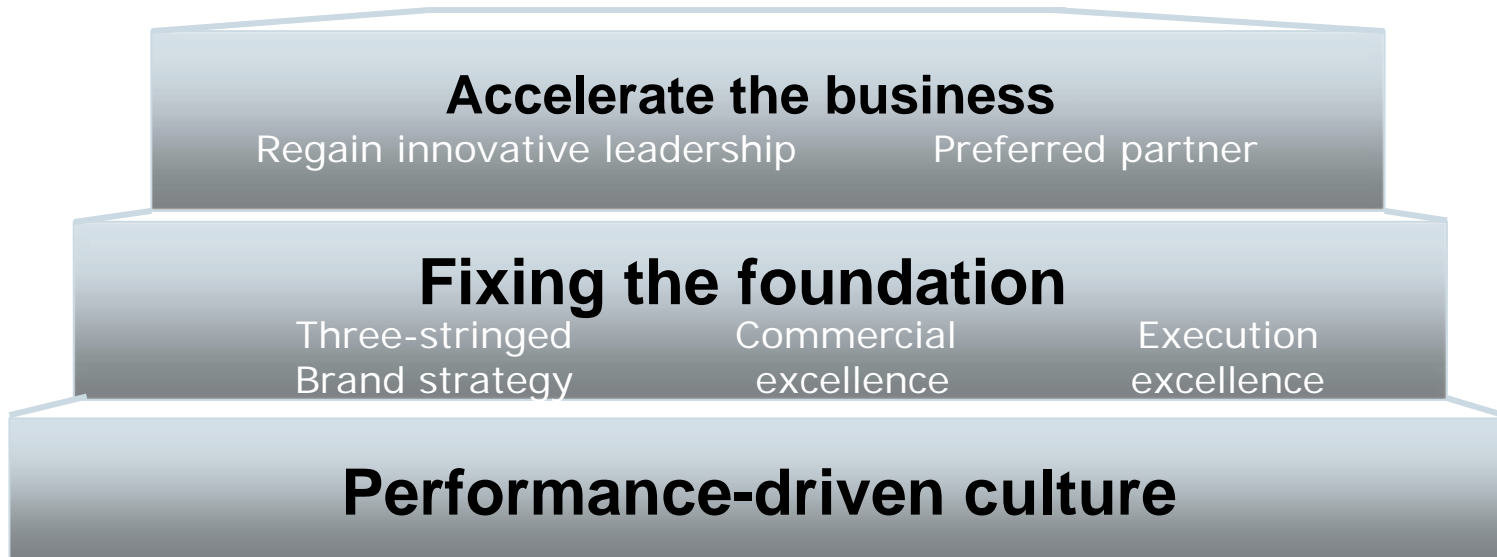
GN ReSound Balance Sheet & Cash Flow

Balance selected items (DKK million)	Q3 2007	FY 2007	Q2 2008	Q3 2008
Inventories	367	374	390	421
Trade receivables	706	665	758	823
Trade payables	131	211	161	197
Cash flow (DKK million)				
Cash flow before working capital	108	535	104	107
Change in working capital & restruct. paid	32	(78)	(45)	(34)
Cash flow from investing activities	(81)	(348)	(107)	(109)
Free cash flow excl. tax & financial items	59	109	(48)	(36)

- Working capital increased primarily due to higher revenue generated towards the end of the quarter. The inventory build-up was also driven by the launch of *be by ReSound™*.
- Free cash flow impacted by working capital increase and investments in new production and tooling equipment for the many new product launches.



GN ReSound Strategy



Strategy unchanged but more focus on cost-cutting initiatives



Consolidation Custom Manufacturing



- Objective: reduce complexity, decrease overcapacity, secure cost efficiency & build centers of excellence.
- Nordic lab transfer to Oxford
 - Progress according to plan
 - To be finalized Q1 2009

Centralize inventory management



Cash tied up in inventory

- Objective: to significantly reduce global inventories while improving delivery performance.
- Progress according to plan
 - Denmark & US implemented (live)
 - All remaining subsidiaries to be completed 2009.

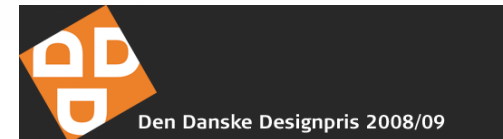


be by ReSound™ – New Category (IOT)

- Is being rolled out worldwide
- First reports from the market indicate that sales is developing as expected
- Feedback very positive from end-users as well as dispensers and audiologists
- *be by ReSound™* also drives the sales of other GN ReSound products

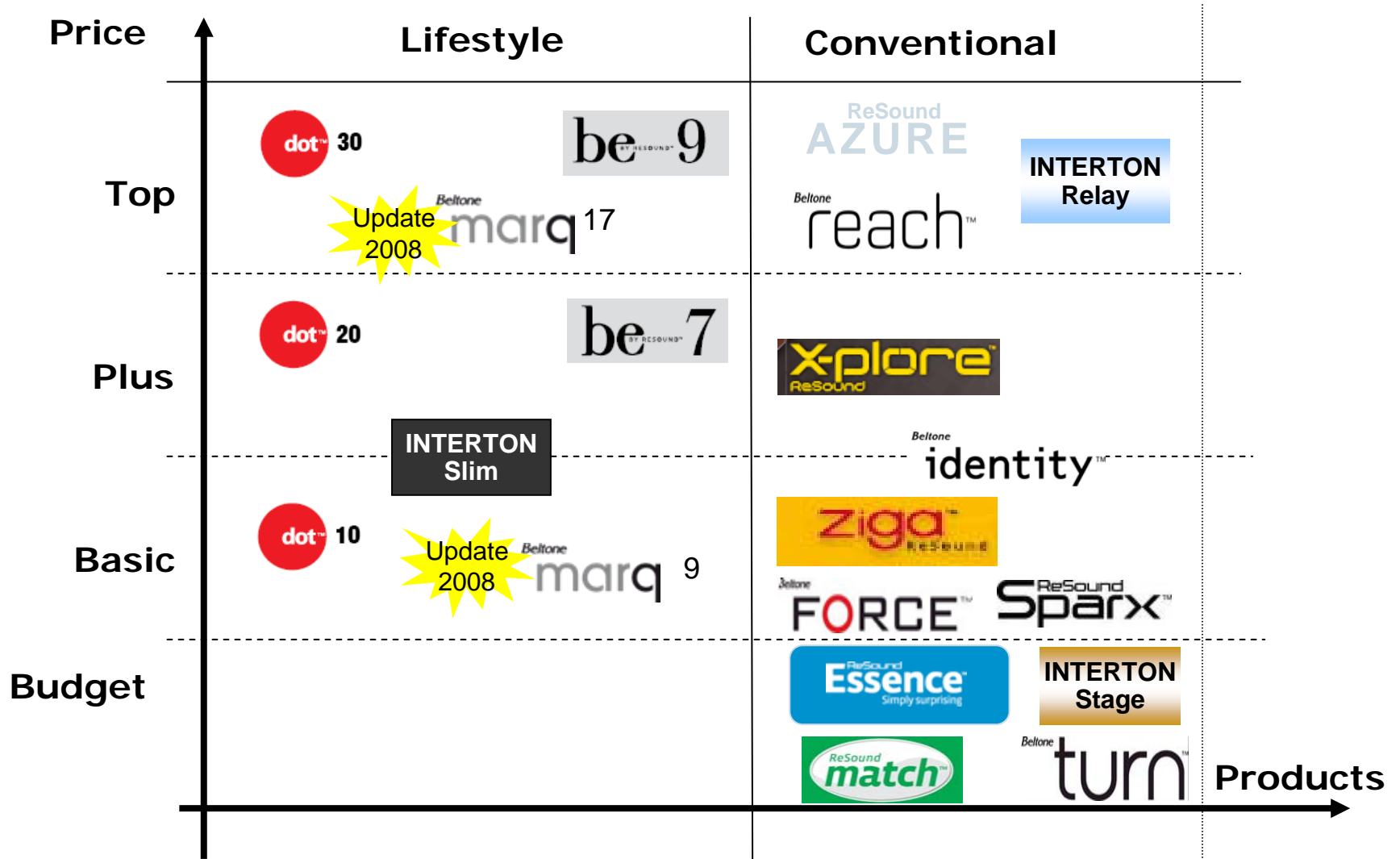


be by ReSound™ has recently been awarded with the prestigious design award "The Danish Design Prize 2008/2009"





GN Resound New Products in all Market Segments





Outlook 2008

Revenue (DKK/USD 5.50)	(DKK million)
GN Netcom	~2,500
GN ReSound	>3,000
GN Total*	~5,500
EBITA (excl. non-recurring costs)	
GN Netcom	~50
GN ReSound	125-175
Other	~(25)
GN Total*	150-200
Non-recurring costs in GN Netcom	~(100)
Amortization, finance etc.	~(150)
EBT*	(100)-(50)
Investments**	650-700

* Uncertainty due to the substantial changes being made in both GN Netcom and GN ReSound and global financial crisis.

** incl. capitalized R&D excl. acquisitions



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Q&A