



GN Annual Report 2008

CEO GN Netcom Toon Bouten, CEO GN ReSound Mike van der Wallen, VP Finance, IR & Communications Jens Bille Bergholdt

Copenhagen, February 27, 2009



Safe Harbour Statement

The forward-looking statements in this annual report reflect management's current expectations of certain future events and financial results. Statements regarding 2009 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 annual report, announcement or presentation should not be considered an offer to sell or buy securities in GN Store Nord.



Q4 Summary and additional highlights

- GN's Q4 results were in line with guidance provided in the Q3 report of November 6, 2008.
- Revenue was DKK 1,464 million corresponding to organic growth of (7)%. EBITA was DKK 27 million.
- The free cash flow was positive at DKK 35 million.
- GN Netcom generated revenue of DKK 615 million corresponding to an organic growth of (23)%. EBITA was DKK (18) million or DKK 31 million exclusive of non-recurring costs.
- GN ReSound reported revenue of DKK 843 million corresponding to an organic growth of 10%. EBITA was DKK 56 million.
- GN Netcom has reached a settlement with ATL in the battery replacement case. The outcome is as expected and will have no material effect on the financial statements.
- The DPTG/TPSA arbitration proceedings progress according to the agreed time schedule. As of February 25, 2009, the arbitration tribunal issued directions to the experts on how to calculate the claim without prejudice to a final decision. This does not give GN cause to change the claim.
- As previously announced, CEO of GN Netcom Toon Bouten's contract of employment expires at the end of September 2009. GN Store Nord and Toon Bouten have been in dialogue as to the possible extension of his contract of employment and have now concluded that it will not be extended beyond September 2009.



Profit and Loss

(DKK million)	Q4	2007	Q1	Q2	Q3	Q4	2008
Revenue	1,526	5,981	1,411	1,363	1,386	1,464	5,624
Gross Profit	737	3,042	729	734	681	757	2,901
SG&A, R&D etc.	(732)	(2,748)	(702)	(696)	(708)	(730)	(2,836)
EBITA	5	294	27	38	(27)	27	65
Amort., finance, associates etc.	(23)	(98)	(34)	(43)	(35)	(36)	(148)
Costs regarding the abandoned GN ReSound sales process	(341)	(296)	-	-	-	-	-
EBT	(359)	(100)	(7)	(5)	(62)	(9)	(83)

- Exchange rate fluctuations impacted full year revenue by (4)%.
- Gross margin improved due to relatively higher hearing instrument revenue.
- Run rate operational costs have been reduced significantly.
- EBITA includes non-recurring costs of DKK 107 million.



Balance & Cash Flow

(DKK million)	End Q4/2007	End 2007	End Q4/2008	End 2008
Goodwill	-	2,525	-	2,655
Other intangible assets	-	1,127	-	1,163
Tangible & other non-current assets	-	1,513	-	1,592
Current assets	-	2,670	-	2,468
Equity	-	4,482	-	4,507
Liabilities	-	3,353	-	3,371
Total assets/liabilities	-	7,835	-	7,878
NIBD	-	(1,516)	-	(1,592)
Free cash flow	(191)	(183)	35	(95)

- Goodwill split: GN Netcom: ~DKK 0.4bn & GN ReSound ~DKK 2.2bn.
- Other intangible assets are primarily capitalized R&D.
- Value of TPSA and tax dispute is not included in balance sheet.
- Equity ratio: 57%.
- Net interest-bearing debt level acceptable. The Supervisory Board recommends that no dividend will be paid for 2008.



GN Netcom



Jabra Mobile

Bluetooth hands-free solutions
for Mobile phones

Durability

- proven solutions tested to ensure they
will stand the rigours of contact centre use



Jabra Office

Hands-free and wireless solutions for increased
comfort, productivity and communication



(DKK million)	Q4	2007	Q1	Q2	Q3	Q4	2008
Revenue	775	2,811	636	584	595	615	2,430
Growth	(2)%	(14)%	(8)%	3%	(6)%	(23)%	(9)%
Gross margin	38%	39%	41%	43%	38%	37%	40%
SG&A, R&D etc.	(263)	(1,059)	(260)	(277)	(254)	(248)	(1,039)
EBITA	30	35	3	(28)	(28)	(18)	(71)
EBITA margin	3.9%	1.2%	0.5%	(4.8)%	(4.7)%	(2.9)%	(2.9)%
Non-recurring costs	37	69	5	25	28	49	107

- CC&O Headsets reported revenue of DKK 1,373 million, corresponding to organic growth of (6)% relative to 2007.
- Mobile Headsets generated revenue of DKK 1,057 million, equal to organic growth of (14)% relative to 2007.
- GN Netcom has exceeded the previously announced cost reduction initiatives and the cost base is under control.
- GN Netcom clearly improved its market position especially in CC&O.



GN Netcom Balance Sheet and Cash Flow

Balance sheet selected items (DKK million)	Q4 2007	FY 2007	Q4 2008	FY 2008
Inventories	-	343	-	271
Trade receivables	-	573	-	362
Trade payables	-	181	-	208
Cash flow (DKK million)				
Cash flow before working capital	97	239	77	213
Change in working capital & restructuring/non-recurring costs paid	(109)	(95)	12	150
Cash flow from investing activities	(30)	(128)	(39)	(145)
Free cash flow excl. tax & financial items	(42)	16	50	218

- Inventories decreased by DKK 72 million to DKK 271 million.
- Trade payables contributed positively to the lower working capital, increasing by DKK 27 million relative to the end of last year.
- Trade receivables went down with DKK 211 million to DKK 362 million.
- Free cash flow positive in spite of negative earnings.



GN Netcom product announcements



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



Jabra

10x
BETTER

Jabra BIZ 2400



Jabra M5390 USB
for Microsoft® Office Communicator 2007



Status on the FAST program

Supply Chain

Two dedicated and simplified supply chain organizations, launched early October 2008. Fully operational by the end of Q2 2009.

Customers

Previously, the Mobile division had around 700 customers. Now focus is on 100 large customers generating 90% of revenue.

Products

Number of products significantly reduced to fewer products based on reconfigurable platforms – especially in Mobile headsets.

Organization

During 2008 GN Netcom created two dedicated divisions in order to create a lean and market oriented value chain organization.

Cost Reductions

FAST expected to provide cost reductions of at least DKK 300 million annually – at least DKK 150 million more than previously expected.

Costs

Total restructuring costs related to FAST expected to amount to up to around DKK 250 million of which DKK 107 million was expensed in 2008.



GN ReSound



Beltone
reach[™] flexible intelligence



) RELAY (

 **INTERTON**
simply different





(DKK million)	Q4	2007	Q1	Q2	Q3	Q4	2008
Revenue	747	3,155	772	776	787	843	3,178
Growth	(13)%	(2)%	1%	(1)%	9%	10%	5%
Gross margin	59%	61%	60%	62%	57%	62%	60%
SG&A, R&D etc.	(444)	(1,632)	(432)	(410)	(447)	(465)	(1,754)
EBITA	(5)	300	31	72	4	56	163
EBITA margin	(0.7)%	9.5%	4.0%	9.3%	0.5%	6.6%	5.1%

- Hearing Instruments generated organic growth of 5% - with double-digit growth rates in H2.
- Hearing Instrument unit growth during the year was 12%.
- The gross margin was unchanged at 61% when excluding extraordinary inventory write-downs of DKK 30 million.
- Audiologic diagnostics Equipment contributed with DKK 14 million to EBITA.



GN ReSound Balance Sheet & Cash Flow

Balance sheet selected items (DKK million)	Q4 2007	FY 2007	Q4 2008	FY 2008
Inventories	-	374	-	391
Trade receivables	-	665	-	744
Trade payables	-	211	-	206
Cash flow (DKK million)				
Cash flow before working capital	74	535	137	462
Change in working capital & restructuring/non-recurring costs paid	(19)	(78)	(15)	(166)
Cash flow from investing activities	(100)	(348)	(88)	(443)
Free cash flow excl. tax & financial items	(45)	109	34	(147)

- Q4 free cash flow excl. tax & financial items was DKK 34 million driven by earnings.
- Full year cash flow impacted by increase in working capital following increase in revenue. Actions to reduce working capital initiated.
- The full year cash flow was also impacted by paid expenses related to the abandoned sales process and minor acquisitions.



Long Term Strategy - Reconfirmed and Accelerated

Accelerate the business

Regain innovative
leadership

Preferred
partner

Fixing the foundation

Three-stringed
Brand strategy

Commercial
excellence

Execution
excellence

Performance-driven culture



Program to trim spending well on track

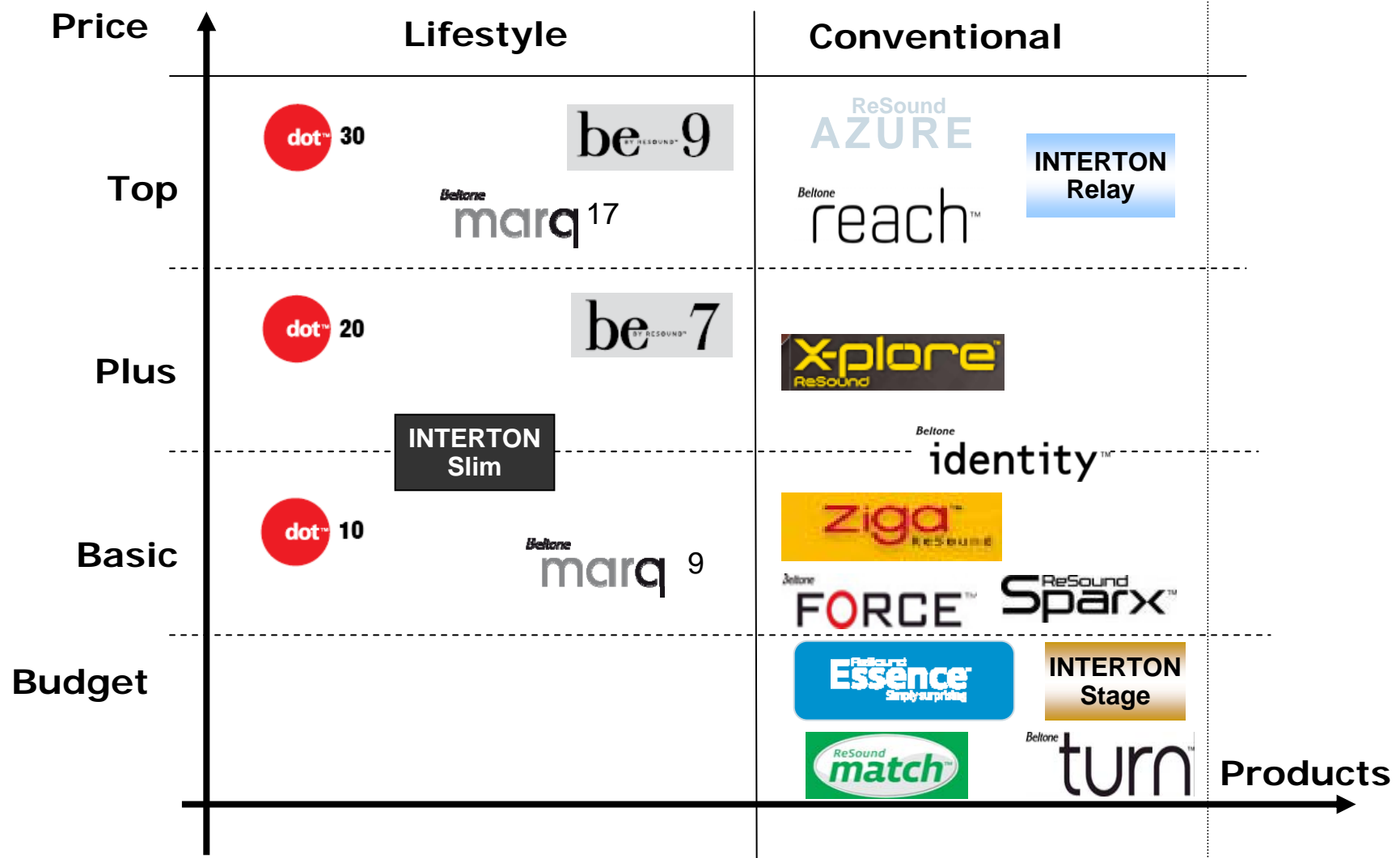
Creating a leaner and more customer focused GN Resound

	Target	Status
1 Optimize for current business	<ul style="list-style-type: none">• Re-align organization to new economy	<ul style="list-style-type: none">• Positions reduced by more than 250
2 Explore and exploit efficiencies	<ul style="list-style-type: none">• Review of current business procedures with regards to cost and terms	<ul style="list-style-type: none">• Implementation on track• Significant positive impact on 2009 cash flow expected
3 Long term efficient structure	<ul style="list-style-type: none">• Reduce complexity• Transformation of organization – Rethinking structure and competitive levers	<ul style="list-style-type: none">• Implementation initiated• Plans on track

Annual cost run-rate to be reduced by more than DKK 200 million with significant positive effect already in 2009



GN Resound New Products in all Market Segments





Outlook 2009

Revenue (DKK/USD 5.50)

GN Netcom	~ DKK 2 billion
GN ReSound	~ DKK 3 billion
GN Total*	~ DKK 5 billion

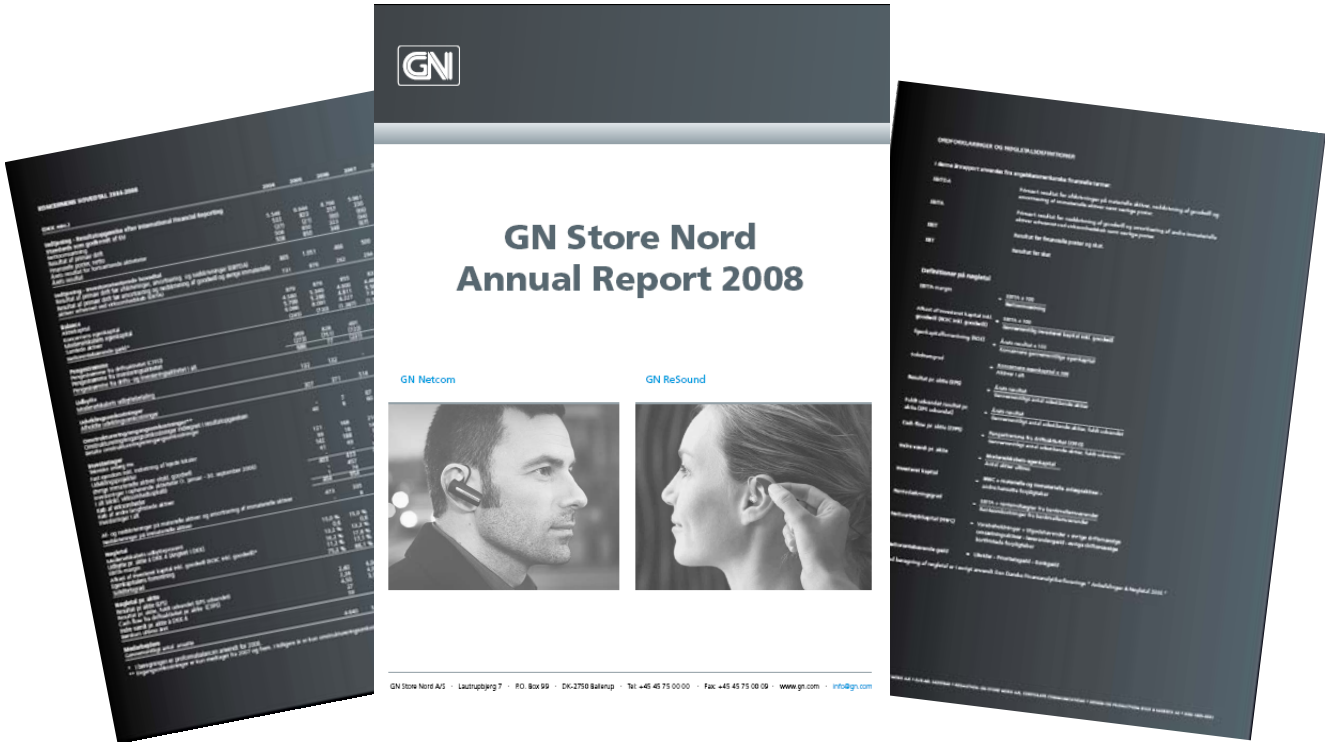
EBITA

GN Netcom (incl. non-recurring costs)	~ DKK (100) million
GN ReSound	~ DKK 200 million
Other	~ DKK (30) million
GN Total*	~ same level as 2008

Amortization, finance etc.	~ DKK (175) million
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Free cash flow	Significant, positive
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* All expectations are expressed in approximate numbers and are subject to significant uncertainty due the global economic crisis.



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Q&A