



# GN Store Nord

Goldman Sachs European Medtech and Healthcare Services Conference

Director IR & Communications, GN Store Nord      Mikkel Danvold

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# Financial Highlights Q2 2010

Continued improvement in revenue and EBITA

- GN continued to see clear results of the comprehensive restructuring
- Positive organic growth for the second consecutive quarter – fuelled by UC
- Q2 showed strong improvement in EBITA – up DKK 111 million compared to Q2 2009
- Revenue and EBITA outlook for 2010 confirmed
- DKK 88 million share buyback program announced and completed during Q2

**Revenue:**  
**DKK 1,286m**

Q2 2009  
DKK 1,196m

**EBITA:**  
**DKK 113m**

Q2 2009  
DKK 2m

**Free cash flow:**  
**DKK 78m**

Q2 2009  
DKK 89m

**NIBD:**  
**DKK 1,014m**

Q2 2009  
DKK 1,438m



# Additional Highlights

## **TPSA**

- In the DPTG/TPSA arbitration proceedings, GN is awaiting a decision from the Arbitration Tribunal on DPTG's claim for phase 1 (1994 to mid-2004). The parties to the DPTG/TPSA arbitration proceedings have been informed by the Arbitration Tribunal in Vienna that a decision on the award will not be issued before September 2010 due to logistical reasons

## **Claim against the Federal Cartel Office**

- On May 5, GN received the complete wording of the ruling in which the German Federal Supreme Court declared the decision made by the German Federal Cartel Office on April 11, 2007 prohibiting the sale of GN ReSound to Sonova unlawful
  - GN will file a claim against the German Federal Cartel Office claiming compensation for the losses imposed on GN which as of July 2010 amount to around EUR 1 billion

## **Long-term financial targets**

- As mentioned in the Q1 Interim Report 2010, GN will announce its aspirations in regards to long-term financial targets during the fall



# GN Netcom – Financial Highlights

20% organic growth in Q2, excl OEM

(DKK million)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	FY 2009	Q1 2010	Q2 2010
Revenue	421	435	412	468	1,736	446	<b>495</b>
Organic growth	(36)%	(30)%	(32)%	(19)%	(30)%	9%	<b>8%</b>
Gross margin	35%	42%	43%	50%	43%	52%	<b>53%</b>
SG&A, R&D etc.	(229)	(224)	(187)	(284)	(924)	(205)	<b>(211)</b>
EBITA	(82)	(43)	(11)	(48)	(184)	26	<b>52</b>
EBITA margin	(19.5)%	(9.9)%	(2.7)%	(10.3)%	(10.6)%	5.8%	<b>10.5%</b>
Non-recurring costs	41	36	25	126	228	-	-

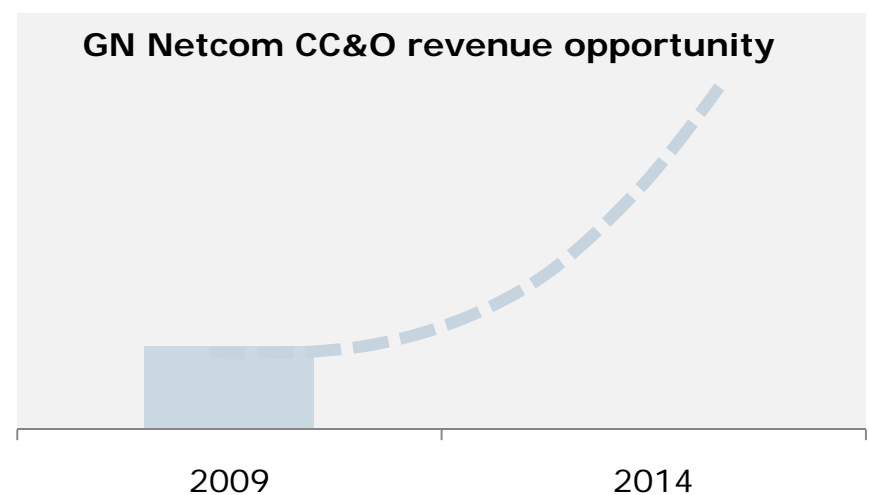
- Excluding the OEM business, organic growth in Q2 was 20%
- Accelerating deployment of UC
- Strong operational leverage resulting in a double-digit EBITA-margin



# The UC Market Opportunity

Based on GN Netcom's current 30% share of the CC&O market, UC translates into a significant CC&O revenue opportunity

- Full benefit of UC requires a headset solution – headsets becomes part of the core infrastructure
- UC will drive significantly higher headset attachment rates
- UC vendors and systems integrators drive the market
- GN Netcom's revenue from UC enabled products increased by more than 50% in Q2 2010 compared to prior year



**400 million  
office workers  
world wide**

**Of which 50  
million are  
using UC**

**With a 50% headset  
attachment  
rate**

**DKK 10bn market  
in 2014\***



# GN ReSound - Financial Highlights

GN ReSound broke negative growth seen during the last 5 quarters

(DKK million)	Q1 2009	Q2 2009	Q3 2009	Q4 2009	FY 2009	Q1 2010	Q2 2010
Revenue	774	757	693	757	2,981	726	<b>789</b>
Organic growth	(4)%	(7)%	(13)%	(3)%	(6)%	(2)%	<b>0%</b>
Gross margin	62%	61%	60%	60%	61%	59%	<b>59%</b>
SG&A, R&D etc.	(448)	(405)	(364)	(367)	(1,584)	(359)	<b>(399)</b>
EBITA	29	54	55	87	225	70	<b>63</b>
EBITA margin	3.7%	7.1%	7.9%	11.4%	7.5%	9.6%	<b>8.0%</b>

- Revenue in GN ReSound improved in Q2 and broke the negative organic growth seen during the last five quarters.
- GN ReSound expects to outgrow the market in the second half of 2010 and therefore confirms the revenue outlook for 2010 provided in the Q1 Interim Report 2010.
- Excluding DKK 19 million costs related to the supply chain transformation, the EBITA-margin was 10.4%.



# Continued Focus on Fundamentals

## 2010 Focus Unchanged

- Competitive new launches based on innovative technology
- Further develop and leverage collaborations with key accounts
- Expand position in Emerging markets
- Continued cost containment except selected growth initiatives
- Accelerate end-to-end supply chain transformation

## Achieved YTD

- ✓ Positive sales trend development
  - ✓ Successful nano-coating introduction
  - ✓ Significant growth with Strategic Accounts including VA
- ✓ Launch of first true wireless hearing aid: ReSound Alera™ with improved Surround Sound by ReSound™ technology
- ✓ MADSEN AccuScreen™ and AURICAL FreeFit™ launched by GN Otometrics
- ✓ Supply chain transformation well on track



# Solid Long-term Market Growth

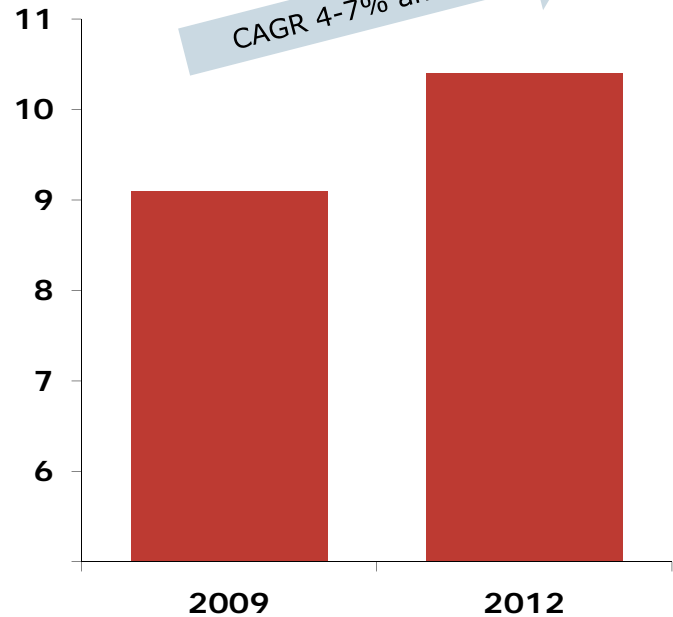
## Market Volume Drivers

- Ageing population
- Higher prevalence
- Improving adoption rates
- Improving binaural fitting rates
- Additional replacement cycles
- Developing countries' potential

**Solid long-term  
market growth  
rates expected**

## World HI market

Million  
units







# ReSound Alera™

Groundbreaking advance in wireless

## ReSound Alera™

- Improved Surround Sound by ReSound™
- Breakthrough technology
  - first truly wireless connectivity
  - with nothing to wear around your neck!
- Slim, small with award-winning design



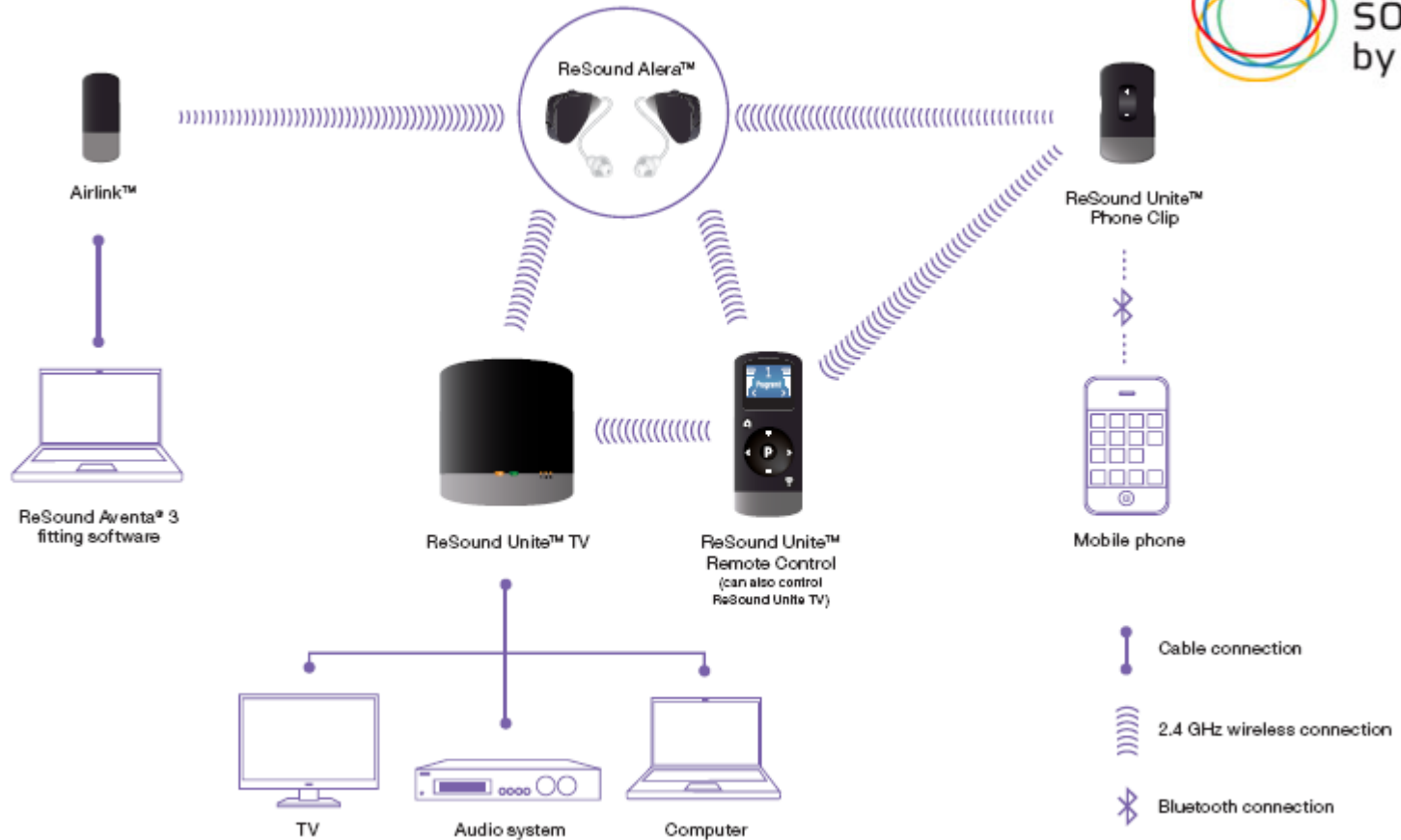
With ReSound Unite™ wireless accessories





# ReSound Alera™

## ReSound Unite™ wireless connections





# Fitting Made Easy

With wireless Airlink™ programming interface

- The Airlink™ programming interface makes the fitting process easier.
- It plugs directly into a USB slot connecting the dispenser's computer with the instruments worn by the client for fitting
- The connection has a minimum reach of three meters, and the client doesn't have to wear anything but the hearing instruments.

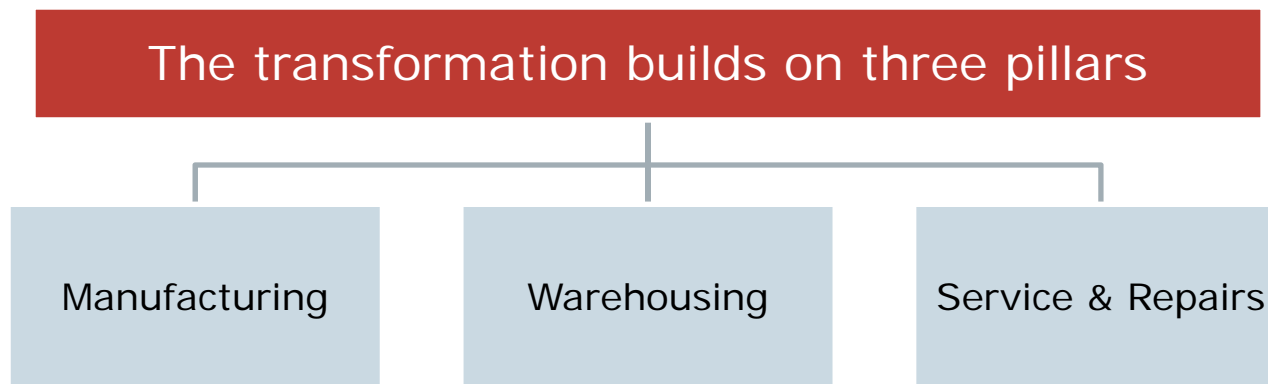




# Supply Chain Transformation

Progressing as planned

- End-to-end transformation is progressing as planned  
A major milestone was reached with the recent opening of a new regional operations center in Oxford, UK.
- All critical global systems and infrastructure are expected to be in place already by the end of 2010 and subsequently production and customers will gradually be converted to the new set-up.
- The expected cost reductions are equivalent to a further improvement of GN ReSound's EBITA margin by 6-7%-points at unchanged revenue level.





# New Supply Chain and Operations structure

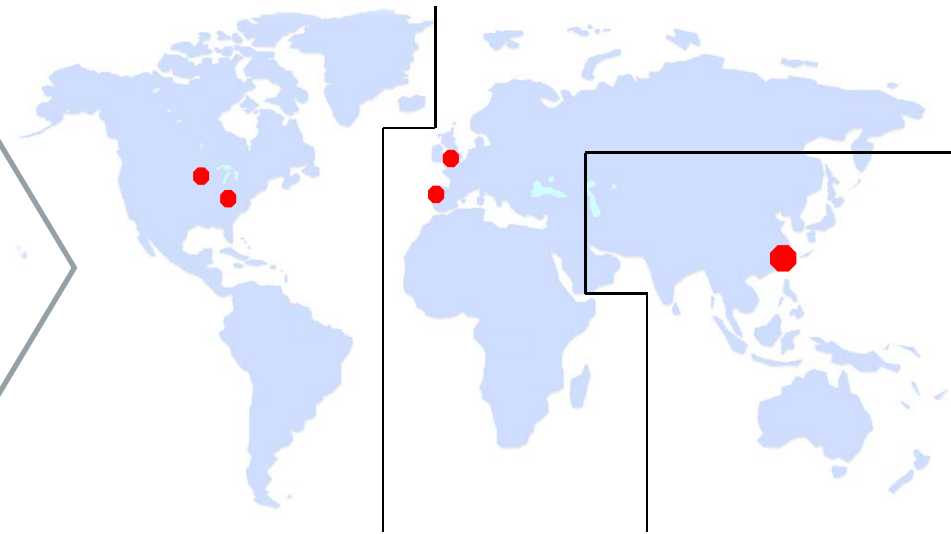
Complexity significantly reduced

From:

- Complex structure difficult to manage

To:

- Significantly reduced costs and improved efficiency





# 2010 Focus per Area remain

## North America

- Win top end share
- Grow share in Veterans Affairs
- Expand distribution
- Grow and protect market share in Canada

## Europe

- Refocus Germany and France
- Grow Strategic Accounts
- EuroShape – focus on sales & marketing

## APAC/Emerging markets

- China and India expansion strategy
- Optimize key account management in more mature markets

## GN Otometrics

- China strategy execution
- Launch new products in fitting and new screening category
- Global launch of product roadmap



# Drivers and Challenges for GN ReSound

## Key Value Drivers

- Solid long-term market growth in an industry with attractive margins
- Leverage attractive partner strategy
- Strong position in Emerging markets
- Strengthening of position with VA
- Scalable and competitive cost base
- Continued innovation resulting in new and groundbreaking products
- Comprehensive transformation of the supply chain in 2010

## Challenges

- Pressure on average prices
- Win top end share
- Shorter product life cycles, demanding more effective R&D
- Outgrow competition with no growth in spending



# Outlook for 2010

GN confirms outlook provided in Q1 Interim Report 2010

## Revenue (DKK/USD 5.5)

GN Netcom's organic revenue growth for 2010 is expected to be at least 5%.

GN ReSound's revenue is expected to show positive organic growth for 2010.

GN's total revenue is expected to show positive organic growth of 3-5%.

## EBITA

GN Netcom	DKK 150-200 million
GN ReSound	DKK 300-350 million
Other	Around DKK (30) million
<b>GN Total</b>	<b>DKK 425-525 million</b>

Amortization, finance etc. DKK ~ (50) million

