



Q1 Interim Report 2010

CEO, GN ReSound
GN ReSound
CEO, GN Netcom
CFO, GN Store Nord
Director IR & Communications, GN Store Nord

Lars Viksmoen
Mike van der Wallen
Mogens Elsberg
Anders Boyer
Mikkel Danvold

Copenhagen, May 7, 2010



Financial Highlights

Q1 2010

- Organic growth turned positive – up 2% compared to Q1 2009.
 - Deployment of UC is accelerating
- Q1 showed strong improvement in EBITA – up DKK 151 million compared to Q1 2009.
- GN ReSound’s EBITA outlook for 2010 increased to DKK 300-350 million – on top of the higher outlook for GN Netcom, announced on April 19.
- Net interest-bearing debt was down and landed below the DKK 1 billion mark at DKK 987 million compared to DKK 1,522 million in Q1 2009.

Revenue:
DKK 1,174m

Q1 2009
DKK 1,198m

EBITA:
DKK 86m

Q1 2009
DKK (65)m

Free cash flow:
DKK 58m

Q1 2009
DKK 72m

NIBD:
DKK 987m

Q1 2009
DKK 1,522m



Prohibition of GN ReSound Sale to Sonova Was an Error

- GN has now received the complete wording of the ruling by the German Federal Supreme Court stating that the decision made by the German Federal Cartel Office (Bundeskartellamt) on April 11, 2007 prohibiting the sale of GN ReSound to the Swiss hearing aid manufacturer Sonova was an error.
- GN is considering all legal opportunities in order to claim compensation for the significant loss imposed on GN Store Nord.
- The German Federal Supreme Court has already confirmed that GN will receive compensation from the Bundeskartellamt for the costs incurred in connection with the appeal.



Additional Highlights

- GN is awaiting a decision from the Arbitration Tribunal on DPTG's claim for phase 1 (1994 to mid-2004). The Arbitration Tribunal has informed us that it is still conducting intense deliberations on the award for phase 1. A further deliberation among the arbitrators is scheduled for the second half of June 2010.
- During the summer, GN will announce its dividend and share buy-back policy, including the timing of a potential share buy-back program.
- During the fall, GN will define and communicate its long-term financial targets.



GN Netcom





GN Netcom – Financial Highlights

(DKK million)	FY 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	FY 2009	Q1 2010
Revenue	2,430	421	435	412	468	1,736	446
Organic growth	(9)%	(36)%	(30)%	(32)%	(19)%	(30)%	9%
Gross margin	40%	35%	42%	43%	50%	43%	52%
SG&A, R&D etc.	(1,039)	(229)	(224)	(187)	(284)	(924)	(205)
EBITA	(71)	(82)	(43)	(11)	(48)	(184)	26
EBITA margin	(2.9)%	(19.5)%	(9.9)%	(2.7)%	(10.3)%	(10.6)%	5.8%
Non-recurring costs	107	41	36	25	126	228	-
Free cash flow excl. tax & financial items	218	43	46	13	50	152	59

- On the important US market, GN Netcom achieved significant double-digit organic growth rates compared to Q1 2009.
- Deployment of UC is accelerating.
- Mobile Headsets experienced significant double-digit organic growth for GN Netcom's own brand, Jabra.
- Excluding the OEM business in Mobile Headsets, organic growth was 21%.



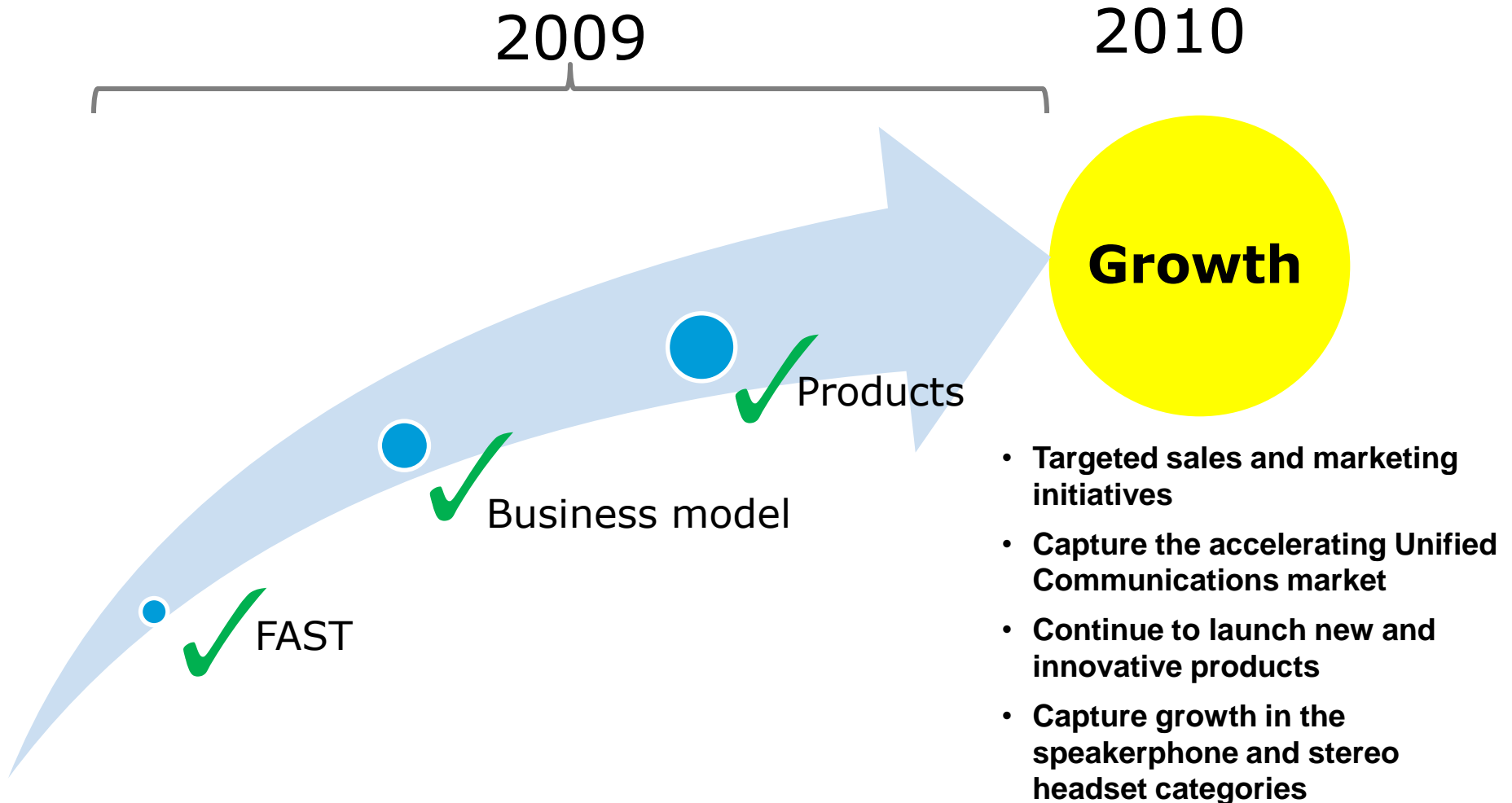
GN Netcom Balance Sheet and Cash Flow

Balance sheet selected items (DKK million)	FY 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	FY 2009	Q1 2010
Inventories	271	179	128	101	-	87	74
Trade receivables	362	279	275	270	-	289	265
Trade payables	208	97	118	102	-	140	127
Cash flow (DKK million)							
Cash flow before working capital	213	14	34	36	72	156	61
Change in working capital & restructuring/non-recurring costs paid	150	49	37	2	(2)	86	11
Cash flow from investing activities	(145)	(20)	(25)	(25)	(20)	(90)	(13)
Free cash flow excl. tax & financial items	218	43	46	13	50	152	59

- By the end of Q1 2010, net working capital was at a record low – DKK 58 million.



9% Organic Growth in GN Netcom in Q1





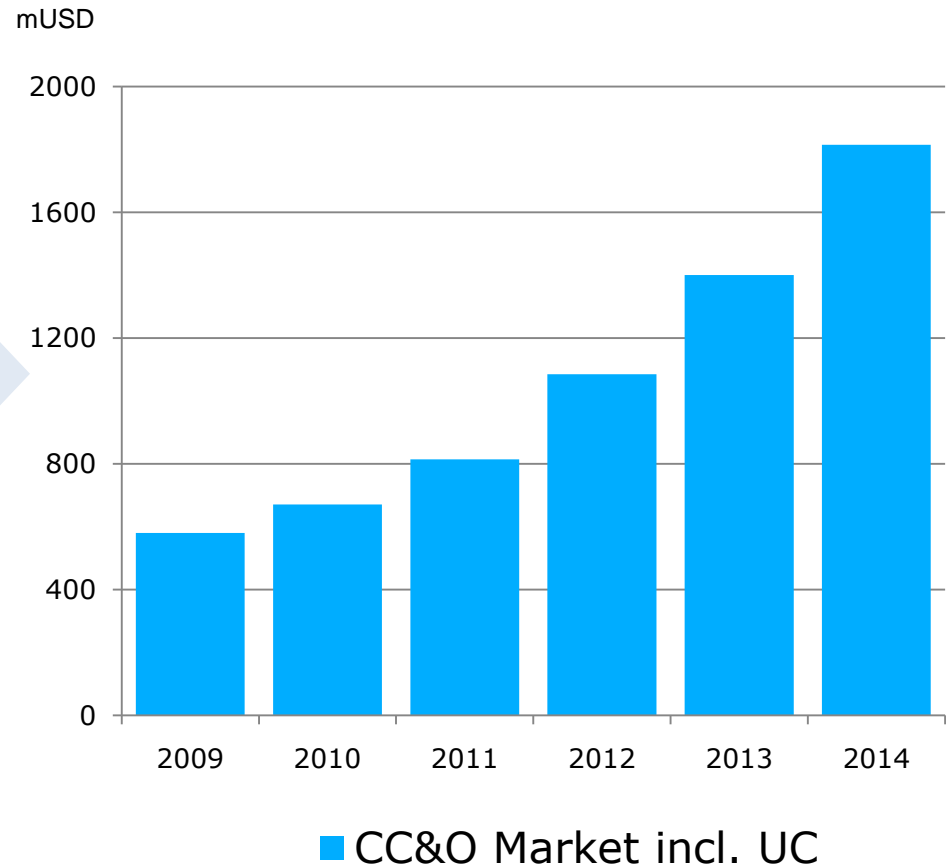
CC&O Market Potentially Tripling by 2014



According to Frost & Sullivan – the CC&O Market will potentially triple by 2014 – mainly driven by Unified Communications (UC)



CC&O World Market Projections



Source: Frost & Sullivan, Nov 2008.



GN Netcom Selected as Avaya Gold Partner

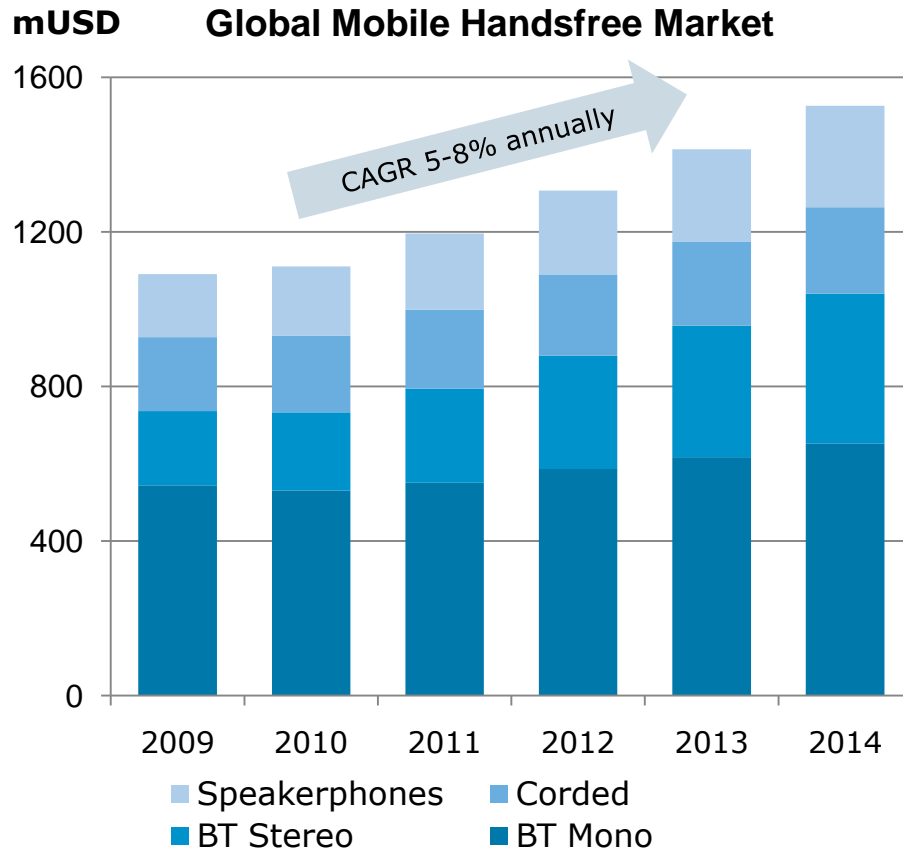
- In January 2010, GN Netcom was selected for gold membership in Avaya's DevConnect program
- In April 2010, GN Netcom became "Avaya compliant" – a portfolio of Jabra wireless headsets are now compatible with key Avaya IP Telephony solutions



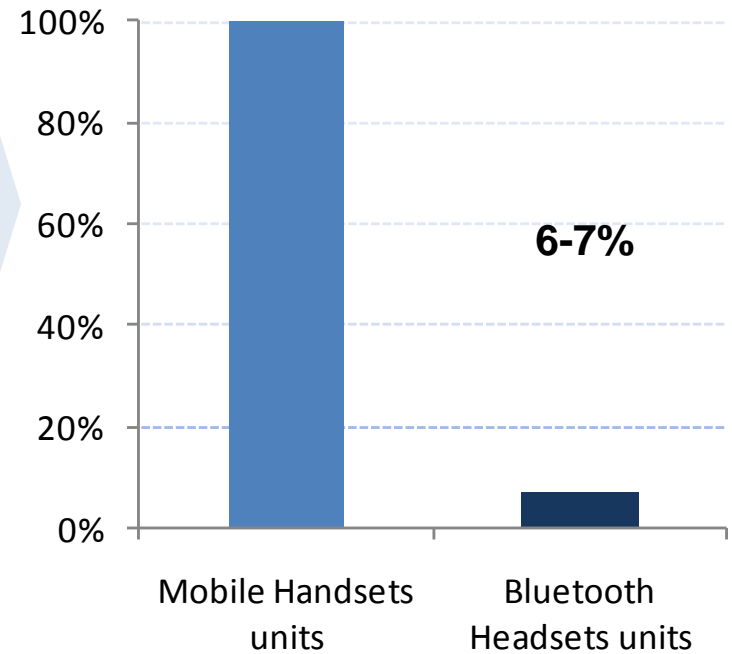
Hewlett Packard, a global company that specializes in information technology, now benefits from the interoperability of Jabra and Avaya solutions



Mobile Market and Prospect



Attachment rate (2009): Mobile handsets vs. headsets





Drivers and Challenges for GN Netcom

Key Value Drivers

- Prospect of significant long-term market growth – especially from UC.
- No additional investments are required to participate in the attractive UC opportunity.
- Attractive margins in the CC&O industry.
- High operational leverage and low working capital.
- Very strong product portfolio from both Mobile and CC&O Headsets.

Challenges

- Build a long-term sustainable business model for Mobile.
- Leverage on GN Netcom's strong UC base and remain a key player on the UC market.
- Gain market share in North America.



GN ReSound



ReSound Alera™



Lars Viksmoen New CEO in GN ReSound as of April 1, 2010

Resume – Dr. Lars Viksmoen

Professional experience:

Biotec Pharmacon ASA

October 2006 – March 2010: Chief Executive Officer.
Based in Norway.

Merck & Co. Inc.

2003 - September 2006: Regional Director Mid-Europe Region & VP Europe, Middle East & Africa. Based in Belgium.
1999 – 2003: Regional Director Central Eastern Europe Region & VP Europe, Middle East & Africa. Based in Austria.
1996 – 1999: Regional Director Scandinavia & VP Europe. Based in Norway.
1994 – 1995: VP US Human Health, HT/HF & Specialty Business Groups. Based in USA.
1992 – 1995: VP Worldwide Human Health Marketing, ACE Inhibitors. Based in USA.

Merck, Sharp & Dohme

1990 – 1992: Managing Director MSD Norway.
1986 – 1989: Medical Director MSD Norway.

County and University Hospitals in Norway and Sweden

1975 – 1986: Surgeon.



Born:	January 14, 1949
Nationality:	Norwegian
Family:	Married; two children
Education:	Medical Doctor, Medical Faculty, University of Oslo, Norway (1968-1974)



GN ReSound - Financial Highlights

(DKK million)	FY 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	FY 2009	Q1 2010
Revenue	3,178	774	757	693	757	2,981	726
Organic growth	5%	(4)%	(7)%	(13)%	(3)%	(6)%	(2)%
Gross margin	60%	62%	61%	60%	60%	61%	59%
SG&A, R&D etc.	(1,754)	(448)	(405)	(364)	(367)	(1,584)	(359)
EBITA	163	29	54	55	87	225	70
EBITA margin	5.1%	3.7%	7.1%	7.9%	11.4%	7.5%	9.6%
Free cash flow excl. tax & financial items	(147)	97	104	179	78	458	26

- Following a slow start of the year, GN ReSound experienced generally improved performance towards the end of the quarter in almost all markets and particularly in the US and Asia.
- The Surround Sound by ReSound™ featured products ReSound Live™ and dot² by ReSound™ launched in October 2009 generated 40% of total Hearing Instruments revenue already in Q1.



GN ReSound Balance Sheet & Cash Flow

Balance sheet selected items (DKK million)	FY 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009	FY 2009	Q1 2010
Inventories	391	373	332	310	-	288	312
Trade receivables	744	741	687	658	-	705	721
Trade payables	206	155	126	135	-	190	172
Cash flow (DKK million)							
Cash flow before working capital	462	100	113	115	149	477	134
Change in working capital & restructuring/non-recurring costs paid	(166)	72	52	48	6	178	(66)
Cash flow from investing activities	(443)	(75)	(61)	16	(77)	(197)	(42)
Free cash flow excl. tax & financial items	(147)	97	104	179	78	458	26



Solid Long-term Market Growth

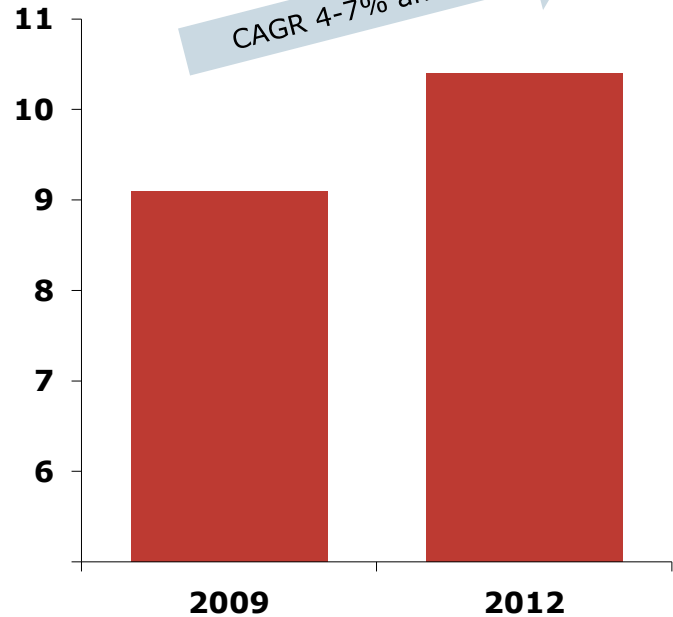
Market Volume Drivers

- 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





Groundbreaking Advance in Wireless

ReSound Alera™

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



With ReSound Unite™ wireless accessories





iSolate™ Nanotech Introduction.

ReSound Live™ and dot2™ by ReSound recently introduced with iSolate™ nano-coating at AudiologyNOW! 2010

The technology provides the best protection in the industry, with every component – internally and externally – coated.

iSolate™ technology will gradually be introduced to all products



Features	Advantages	Benefits
<ul style="list-style-type: none">• iSolate™ nanotech	<ul style="list-style-type: none">• Gives totally water-repellent instruments• Makes them daily "wear & tear-proof"• Allows for increased protection	<ul style="list-style-type: none">• Increases end-user satisfaction• Lower repairs• Radically increases durability• Allows for less maintenance

All of these benefits are achieved while maintaining the superior ReSound sound quality.



Supply Chain Transformation

- End-to-end transformation is progressing better than planned
- By the end of 2011, the transformation is expected to reduce costs by up to DKK 200 million as an annual run rate compared to 2009 actual costs.
- The expected cost reductions are equivalent to a further improvement of GN ReSound's EBITA margin by 6-7 %-points at unchanged revenue level.
- As previously guided, it is expected that implementation costs incurred in 2010 will be off-set by savings generated by the initiative.

The transformation builds on three pillars





Continued Focus on Fundamentals

2010 Focus

- 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

- ✓ First true wireless hearing aid introduced: ReSound Alera™ with improved Surround Sound by ReSound™ technology
- ✓ OPEX reduced 20% year over year
- ✓ Significant growth with Strategic Accounts including VA
- ✓ Supply chain transformation progressing faster than planned



2010 Focus per Area

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
- High operational leverage
- Continued innovation resulting in new and groundbreaking products
- Comprehensive transformation of the supply chain

Challenges

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



Outlook for 2010

Revenue (DKK/USD 5.5)

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

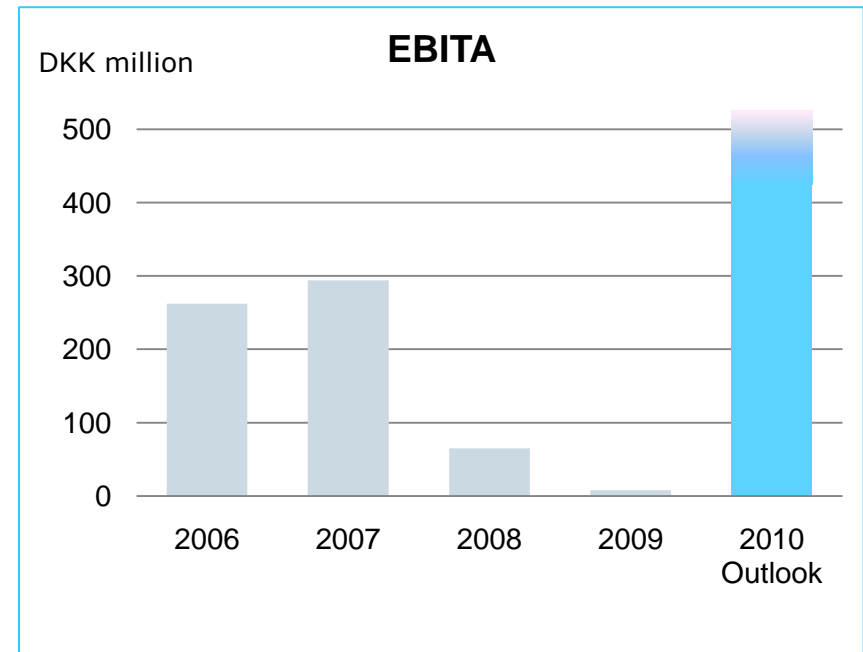
GN ReSound's revenue is expected to show positive organic growth for 2010.

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
GN Total	DKK 425-525 million

Amortization, finance etc. DKK ~(50) million





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 2010 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 and developments in ongoing litigation (including but not limited to class action and patent infringement litigation in the United States).

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



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Q&A