

Shaping the Future



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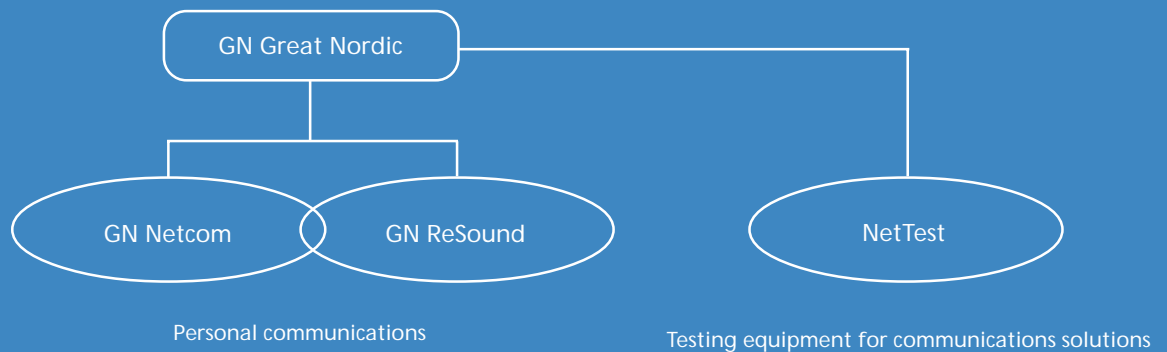


Vision



GN Great Nordic aims to generate a competitive return to its shareholders by developing, manufacturing and marketing intelligent solutions for personal communication, offering customers efficient communication solutions and developing its employees through a challenging environment.

The new GN Great Nordic



Corporate Profile

GN Great Nordic is an international group of companies focusing on intelligent solutions with a high technology content for personal communication. Our solutions provide better, safer and more comfortable communication between people.

GN Great Nordic operates on two closely-related global markets, on which the Group's two core businesses are both among the global leaders.

- GN Netcom – hands-free communication solutions, especially headsets.
- GN ReSound – hearing instruments and audiological test equipment.

Following several years of acquisitive and organic growth, NetTest has evolved into a leading supplier of systems for the testing, monitoring and management of optical and other communication networks. NetTest is outside GN Great Nordic's future business focus on personal communication. Therefore, the company intends to spin off NetTest for the benefit of the shareholders. Until that happens, GN Great Nordic will continue to retain and further develop the values in NetTest.

GN Great Nordic is headquartered in Denmark but operates globally on all relevant markets. The Group operates subsidiaries in 30 countries and has a presence in many other countries through distributors. The Group generates 97% of its revenue outside Denmark, with 47% deriving from the single most important market, the United States.

GN Great Nordic had an average of 6,213 employees in 2001, of which 2,481 were based in North America. The Group operates R&D centers in North America and Europe, and co-operates closely with core customers and industry interest groups to develop innovative products. A large share of production is outsourced, but the Group manufactures the most critical products itself at plants in North America, Europe and China.

Founded in 1869, GN Great Nordic is listed on both the Copenhagen and London stock exchanges. GN Great Nordic is included in the benchmark KFX-index on the Copenhagen Stock Exchange.



Goals

The Group's goals for the 2002-2004 period are to

- Bring earnings and cash flows from operating activities in line with the best in the respective industries;
- Improve the companies' market positions through organic growth and acquisitions;
- Exploit GN Great Nordic's core competences, technologies and brands on related markets offering attractive growth and earnings opportunities; and
- Provide timely and adequate information to the stock market so as to create the necessary conditions for a fair market valuation.

Strategy

The highlights of GN Great Nordic's strategy for the 2002-2004 period are to

- Ensure efficient integration of company acquisitions in GN ReSound
- Ensure that GN Netcom continues to win market share while retaining its profitability in line with that of its competitors
- Develop the activities within hearing instruments, headsets, audiological test equipment and related business areas through organic and acquisitive growth
- Maintain technology leadership by developing, manufacturing and marketing innovative, high-tech products
- Utilize the synergies across the Group's companies while encouraging each company to act in a flexible and market-oriented manner
- Introduce performance-related incentive schemes for its management and employees
- Create an inspirational working environment for all employees through value-based management focusing on personal development of each manager and specialist employees
- Spin off NetTest for the benefit of GN Great Nordic shareholders, but until then to retain and further develop the values in NetTest.



Letter to Our Shareholders


GN Great Nordic as we know it today is the result of a strategic process stretching over several years. Only a few years ago, GN Great Nordic was a group with seven business areas. Each of the businesses was interesting in itself, but they were spread over diverse fields and without coherence. We did not have the possibility or the resources to develop them all into significant businesses with satisfying earnings in their various markets.

We therefore decided to sharpen GN Great Nordic's focus by making a number of acquisitions and divestments, and this process accelerated in 1999-2000. We evaluated carefully where we could build a leading global position, and we took on an active role in consolidating our industries. We made acquisitions to obtain a platform from which to create value for our shareholders. On the other hand, we divested a business when it was worth more to another company than to us, and we terminated a business if it did not fulfill our requirements for profitability and development opportunities.

In round figures, since 1998 we have spent about DKK 16 billion on acquisitions and we have sold businesses for total proceeds of about DKK 15 billion. These many transactions, together with organic growth, have given GN Great Nordic a clear profile. Today we develop, manufacture and market intelligent, high-technology solutions for personal communications through two businesses: GN Netcom (hands-free communications, particularly headsets) and GN ReSound (hearing aids and audiological equipment).

Both businesses operate in markets with good growth. Although they are now among the largest companies in their respective global markets, they have substantial opportunities to grow, win market share, enter closely related markets and increase earnings significantly.

GN Great Nordic also owns NetTest, a company that through strategic acquisitions focused on relevant technology and through organic growth has become a leading provider of systems for testing, monitoring and managing communications networks.



Jørn Kildegaard (right) and
Jens Due Olsen (left)

As we have already announced, NetTest lies outside of our future strategic focus, and it will therefore have a life of its own outside of GN Great Nordic as soon as it is feasible and prudent. Until then, NetTest will receive the same attention and be subject to the same requirements as our two core businesses.

In the following pages we describe the foundation of the new GN Great Nordic, with a focus on personal communications. We describe our values, ideas, development, technologies, markets and people – everything that forms the foundation for GN Great Nordic's future as an attractive technology enterprise and an inspirational workplace that offers opportunities for personal development.

We also explain why NetTest is a market leader that is ready to stand on its own outside of GN Great Nordic.

*Jørn Kildegaard,
President & CEO*

*Jens Due Olsen,
Executive Vice President*

Acquisitions and Divestments since 1997

1997

Acquisition of Italiana Audioprotesi (GNN)
Acquisition of Siemens OTE (NT)
Divestment of Rathdown

1998

Acquisition of ACS Wireless (GNN)
Acquisition of Fastware (NT)
Acquisition of stake in FaxNet (GNC)

1999

Acquisition of ReSound (GNN)
Acquisition of PK Technology (NT)
Acquisition of RTC Page (TS)
Acquisition of Danplex (GNN)
Divestment of stake in FaxNet (GNC)
Acquisition of EAC-GN Communications (NT)

2000

Acquisition of AB Transistor (GNN)
Acquisition of Beltone (GNN)
Divestment of GN Comtext's networking activities
Acquisition of stake in Voxtel (TS)
Acquisition of JABRA (GNN)
Acquisition of Hortmann (GNN)
Divestment of stake in SONOFON
Acquisition of GM Iris (NT)
Divestment of York Sensors (NT)
Acquisition of Hello Direct (GNN)
Acquisition of Photonetics (NT)
Acquisition of Optran (NT)
Acquisition of ICS Medical (GNN)

2001

Acquisition of Sensortech (GNN)
Acquisition of stake in Auditdata (GNN)
Acquisition of Dana Japan (GNN)
Divestment of stakes in Denerco and ZAO St. Petersburg
Divestment of GN Comtext
Acquisition of stake in Ultravox Holdings (GNN)

2002

Divestment of last rental property

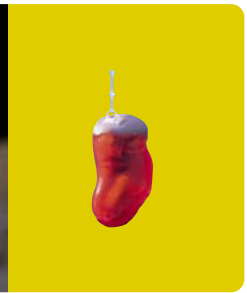
Note: The list contains significant transactions only.

The abbreviations indicate the GN Great Nordic business area in which the acquisition was integrated.

GNN = GN Netcom GNR = GN ReSound
NT = NetTest GNC = GN Comtext
TS = Great Northern Telegraph Company

Shared Values and Competencies

Shared roots and values and a common vision are the foundation on which GN Netcom and GN ReSound develop intelligent solutions for personal communications. Although there is a clear kinship, exchanges of experience across the businesses still only take place in selected areas.



A common history spanning more than 100 years, a vision to develop and market intelligent solutions for personal communications focused on related global markets, and a set of core values – in themselves, these are not a guarantee of a fruitful cooperation across the two core businesses in “The new GN”, GN Netcom and GN ReSound, but they form a good basis for one. The challenges in the short term are, first of all, to capture the synergies that lie in the businesses them-

selves following the acquisitions of recent years and, next, to achieve the synergies that lie in cooperation across the businesses.

For there is of course a certain natural incentive for collaboration between GN Netcom and GN ReSound.

Knowledge Sharing

The managers of the two businesses’ development activities thus meet regularly. The topics of the meetings are normally of a

general nature, with a focus on the role of management, development philosophy and technology partners.

To be sure, both businesses work with Digital Signal Processing, and most recently GN Otometrics announced that it will use Bluetooth in the development of NOAH Link (its latest audiological instrument), but the business areas are so specialized that the most important value lies in the exchange of contacts and an open discussion of how to foster a creative development environment.

It is GN Great Nordic’s view, however, that in the future it will become increasingly appropriate to expand the exchange of experience across the Group’s companies.

Cooperation in China

One of the areas in which a close and natural cooperation between GN Netcom and GN ReSound has already been established is in the businesses’ joint production facility in Xiamen, China, in the southern region of the country a few hundred kilometers north of Hong Kong.

GN ReSound has been active in Xiamen for over 10 years and has also produced components for GN Netcom there for several years. Since the summer of 2001, GN Netcom has had its own production facilities in the same building as GN ReSound.

Common Practices

Research & Development

- Digital Signal Processing – GN ReSound’s ownership of DSP chip
- Knowledge of audiology and signal/sound
- Wireless technology

Production

- Microelectronics and microtechnics
- Outsourcing and production at low prices
- Components

Marketing

- End-user marketing
- Brand-building



State-of-the art technology, functionality and design go hand in hand when GN Netcom and GN ReSound develop new products. Industrial designer Klaus Rath and Development Manager Charles Pedersen of GN Netcom have years of experience in these areas. Klaus Rath also designs products for NetTest.

Now the capacity in Xiamen is becoming insufficient, so the two businesses are building a new joint production facility only a few minutes' walk from their present plant.

The biggest challenge in establishing this operation has been to conform with the many requirements made by various parties. Not only must the local building standards be complied with; GN Great Nordic's own high standards must also be met at the same time that we – as one of the first Western businesses in China – want to comply with the strict requirements for earthquake security.

The relations and interaction with the Chinese authorities have been exemplary, and this is owing to the advantages provided by GN Great Nordic's presence in China for more than 100 years and the fact that Danish companies generally enjoy a great degree of trust from the Chinese authorities.

The new production facilities are expected to be ready for operation at the end of 2002, as planned. At that time, GN Great Nordic will have a facility to be proud of. As regards

the environment and the working environment, this will be a state-of-the-art production plant. There will be a number of amenities for employees, and the infrastructure of the buildings will be optimal.

In addition to the joint facilities, there will be a dedicated production floor for each of the two businesses. At the beginning, there will be about 700 employees, but the number is expected to increase further when additional operations are transferred to China from other production units.

Obvious Advantages

The advantages of putting the two businesses together under the same roof are obvious.

For GN Netcom, the establishment has been much more straight-forward than if the business would have had to establish independent production. GN Netcom has saved perhaps a year just in getting approval from the Chinese authorities. In addition, the company was able to "take over" from GN ReSound a well-trained labor force skilled in

the same production method – demand-flow – that is used at GN Netcom. GN ReSound's presence has helped GN Netcom establish a productive and quality-conscious unit several years faster than it otherwise could have done.

There are also a number of advantages going forward. In Xiamen, both businesses have access to inexpensive but well-trained labor – in the technical area as well. At the same time, the two businesses share a number of administrative functions, including human resources and infrastructure. Finally, the establishment of a joint production facility gives significant flexibility in the production labor force: The businesses can borrow each other's staff, so to speak, if one has overcapacity while the other has undercapacity for a period.

The experience thus far with the placement of the production facilities in China is so positive that the businesses are now considering other joint facilities in other locations in the Far East.

GN Netcom and GN ReSound are both in markets characterized by continuous technological development. They demand an ability to convert technological conquests to products that fit the market's needs and expectations, say both Hans Henrik Lund, head of R&D at GN Netcom, and Henrik Schimmell, head of R&D at GN ReSound.



Design for Future Needs

To a great degree, successful business management is a question of mastering the difficult balance between consolidation and investment: on one hand, delivering earnings and value creation for shareholders, and on the other, answering the need for continuing investment in new technology, new products and intensified market preparation in order to ensure future earnings and value creation.

GN Netcom and GN ReSound are businesses that can be measured by how well they master this balancing act. They are both among the technology leaders in their fields, a position they both strive to enhance without neglecting the demands for earnings and profitability.

"A common key driver across this company is that we must be the first to launch new technology, that we must make the smartest solutions, and that we must be biggest in our field," says Hans Henrik Lund, the head of Research & Development at GN Netcom.

GN Netcom and GN ReSound are both in markets characterized by constant technological development and on which the ability to convert technological conquests to products that fit the market's needs and expectations is essential.

Twelve New Products in One Year

For GN Netcom, the focus on development and innovation has produced tangible and distinct results. Previously, the company would normally launch one new product or updated product per year, but in 2001 it sent 12 new products onto the market.

"This was possible only because we generated earnings on the products quickly," continues Lund. "The products we launched in the past 12 months already account for 15% or 16% of our revenues."

According to Lund, it is crucial for a business like GN Netcom to create a fertile innovation environment that breeds a large number of useful ideas.

Wireless 10 Years before the Others

A good example is GN Netcom's project to

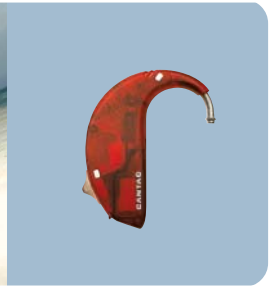
develop wireless technology for headsets.

The first ideas in that direction saw the light of day in the early 1990s, but it took many years and failed attempts before the engineers had mastered the technology so that it could be transformed into commercial products.

"We had misses and used a large amount of resources on development," says Lund, "but it was important for us as a business to set the standard in the market and to be able to show what was possible."

The payoff came in the fall of 2000, when GN Netcom launched the world's first cordless headset based on Bluetooth.

"Cordless solutions amounted to about 10% of our revenues in 2000 and about 15% in 2001," says Lund. "In 2005, they will account for a much larger percentage."



Most recently, GN Netcom has begun to penetrate the sizeable market for equipment for cellphones, and the breakthrough came with an agreement to produce hands-free solutions for Motorola's new phones, again based on the Bluetooth standard. The mobile market has a very large potential, but the competition is also very intense. Whereas GN Netcom previously had a time-to-market for new products of about 24 months, the horizon in the mobile market has now shrunk to only nine months.

New Paths and New Technology

"We have a philosophy that we as a business want to set our stamp on the market with products and innovations by trying new paths and technologies," says Hans Henrik Lund, explaining the conditions for bringing the right ideas to the market: "It's

more a question of leadership than of tight rules and procedures for how and when you initiate development. I don't think you can put 10 people together and force them to come up with new ideas. It's a matter of the desire to try something new, the desire to feel the adrenaline and the desire to take on risk.

"Focus groups and market research are important, but they also have their limitations, because customers do not always have the possibility of appreciating the technological potential. Our development philosophy is that we want to play a role in shaping the market with our products and innovations."

Development of Brands and Technology

While the focus at GN Netcom is largely on development of new technologies, products and markets, the primary focus at GN

ReSound is the development of existing brands and technology. The global market for hearing aids is dominated by four large companies that have all mastered digital technology by now. What will be decisive in the future is to be the best at exploiting the technology.

GN ReSound's development strategy is divided into two aspects: first, the development and launch of new products within the company's brands; and second, the development of core technology for use in the devices.

Following the acquisition of Beltone, GN ReSound implemented a development process in which every year a three-year plan for technological development is outlined. The plan is the result of input from engineers, salespeople, customers and others in all the brand divisions and country organizations,

GN Netcom's R&D Project Development Model

	Idea	Project Planning	High-Level Design	Design Details	Build/Preparation	Implementation
Deliverables	Idea/Opportunity Description Feasibility Studies	Business Plan Basic Specification Project Schedule Project Description GDPM*	Project Description Basic Specification Marketing Plan/ Product Launch Plan Milestone Checklist GDPM* Phase Shift Report	Project Description Basic Specification Review of Documentation Milestone Checklist GDPM* Phase Shift Report	Project Description Basic Specification GDOS**/PSD*** Review GDPM* Phase Shift Report	Project Description Basic Specification Milestone Checklist GDPM* Project Completion Report
Tools/Templates	Project Definition Brainstorming Process Evaluation of Business Ideas	Project Staffing Project Scheduling Activity Estimation Stakeholder Analysis Project Startup Risk Analysis Key Success Factors	Risk Analysis Project Schedule Update Project Follow-up Methodology	Risk Analysis Project Schedule Update Project Follow-up Methodology	Risk Analysis Project Schedule Update Project Follow-up Methodology	Project Knowledge Sharing Distribution

* Goal-Directed Project Management

*** Global Design Quality Standard

*** Product Specification Description



and it sets targets for technologies and products in the coming three-year period. Central to this work are the company's core technologies, which are the technological solutions that are used across the company's brands.

Roadmap to the Vision

On the basis of the technology plan, a number of "roadmaps" are produced to describe the development sequence that will apply to the technologies and product brands in the period leading to the goal that GN ReSound wants to reach. It might seem at first like a very inflexible development philosophy, but that is far from the case.

"Our roadmaps are flexible, of course, and they are usually adjusted several times a year on the basis of experience and the developments in market conditions," says Henrik Schimmell, the head of Research & Development in core technology at GN ReSound.

The market for hearing aids took a great technological leap in the mid-1990s with the introduction of digital instruments, which changed the competitive situation dramatically within a few years. It led to the develop-

ment of much smaller and better hearing aids than before, but it also led to sharply intensified competition among producers, with one outcome being significantly shorter product lifetimes. Previously the same product could be on the market for many years, whereas now the product lifetime is approaching only a couple of years.

"Our objective is that within every brand we will launch a new product series or new functionality every year and we will launch a significant new innovation or technology every other year," says Schimmell.

The Chip Makes a Difference

An important factor in digital technology is the algorithms that determine how sound impulses are interpreted and processed in the hearing aid. Researchers constantly develop new and improved algorithms, and this is one of GN ReSound's strongest competencies today. As the first – and at that time the only – producer in the world in 1998, GN ReSound was able to launch a fully programmable chip that reduced both development costs and development time for

digital hearing aids. When researchers develop new algorithms, GN ReSound can quickly incorporate them into new products simply by re-programming the chip. Previously, the company, like other manufacturers, had to design a new chip every time a new algorithm was developed. The result is that GN ReSound today can reduce the time to market significantly for new products – a capability that is expected to have increasing significance in the future with frequent improvements in technology and algorithms on one hand and a steadily more demanding customer group on the other. This gives GN ReSound a unique position in the market compared with its competitors because the company can react much faster to any changes in needs at the same time that the costs for the development of new technology will be limited compared with those of the competitors that base their products on a hardware platform.

"I believe we have a strong position in the market with the technologies we possess," concludes Henrik Schimmell.

GN ReSound's R&D Project Model

	Definition Phase	Development Phase	Pre-production Phase	Production Phase
Products	<ul style="list-style-type: none"> • Concept document • Documentation of market need • Product specification • Project plan 	<ul style="list-style-type: none"> • Updates • Alpha and beta clinical test plan • Engineer verification test plan • Global market introduction plan • Prototype and test series • Design for production 	<ul style="list-style-type: none"> • Updates • Technical data • Market introduction plan • Production report 	<ul style="list-style-type: none"> • Product development and launch report • Test market report • Product evaluation report
Tasks	<ul style="list-style-type: none"> • Concretization of idea • Head of development process appointed • Product specification • Project plan 	<ul style="list-style-type: none"> • Establishment of project group • Technical data • Verification of tests and components – software and hardware 	<ul style="list-style-type: none"> • Pre-production series • Final work instructions • Determination of design • Documentation for production 	<ul style="list-style-type: none"> • Release of product to market • Adapt production to demand • Adjustment to market reaction • Quality control

Closing the Margin Gap

GN Great Nordic's objective is to be among the best in the industry. Achieving this goal requires not only technological and market leadership, it also underlines to a great degree the need for the Group to realize synergies from acquisitions.

In recent years, GN Great Nordic companies have made a number of acquisitions in pursuit of the Group's strategic focus. With few exceptions, these acquisitions – because of the size and/or earnings of the acquired unit – have been made at valuations that are lower than those of large companies with high earnings.

One of the objectives in the subsequent integration process has been to bring the earnings of the new combined unit on a par with the best in the industry in order to create value for shareholders.

GN Netcom has achieved this before and is once again the furthest ahead in this process. NetTest was well on the way before the market developments turned negative in

2001, and GN ReSound still has a way to go.

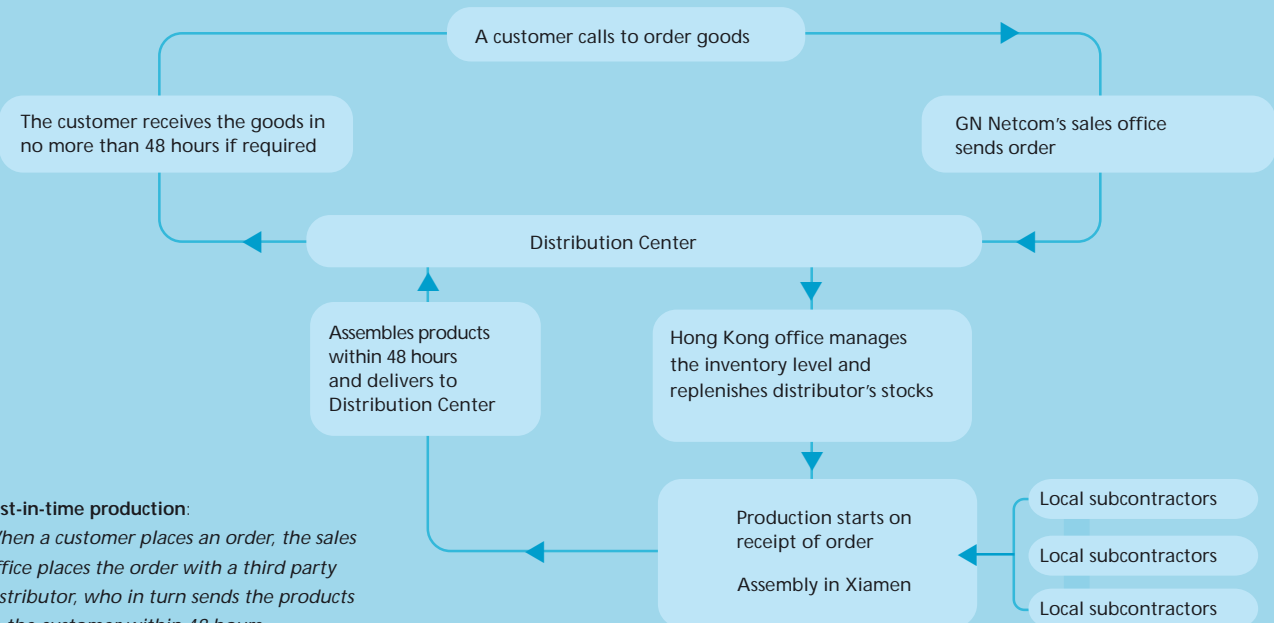
GN ReSound has used a top-down process to identify the most important reasons for the current earnings gap and has set forth 15 projects in detail. A dedicated project organization with an associated "Control Tower" prepares a "gap analysis" and assists local management teams in identifying weaknesses and subsequently in breaking down the overall issues and the appropriate solutions into feasible and measurable subprojects, each with its own deadlines and project owners. The Control Tower ensures that there is an objective evaluation of whether the individual goals have been achieved and also sees to it that appropriate resources are allocated to the projects.

Altogether, GN ReSound expects to close the earnings gap before the end of 2004 and to bring the EBITA margin in line with the best in the industry.

GN Netcom is pursuing similar activities in order to reduce costs, among other things. The company has thus introduced new production methods – based on demand-flow technology – at its production unit in Xiamen, China. With the objective of delivering quality products to customers anywhere in the world within two days, the company has created an efficient supply chain. This is the foundation for substantial savings in inventories and write-offs.



GN Netcom's and GN ReSound's new joint production facility in southern China will begin operations in autumn 2002. The entire production will be based on the "just-in-time" production methods.





The World's Leading Producer of Bluetooth Headsets

Leadership in Bluetooth™ technology will be the platform for substantial growth at GN Netcom.

GN Netcom has a clear goal: it intends to set the standard for Bluetooth headsets – nothing less.

In recent years, large IT and electronics producers have rallied around Bluetooth technology, which quickly and easily creates wireless connections between various equipment such as headsets, PCs, printers, cell-phones, fixed-line telephones, handheld computers (PDAs) and more. The official www.bluetooth.com Web site offers more information about Bluetooth. In the spring of 2001, the number of approved producers numbered in the scores; now there are hundreds, with about 10 new products being launched every week.

GN Netcom has used and will continue to use a large amount of resources to develop Bluetooth products. As the most global and least expensive standard, Bluetooth makes it possible for users to use one headset anywhere in the world – regardless of what equipment they wish to link it to and who the manufacturer is.

Thus far, there have been four milestones in GN Netcom's Bluetooth activities:

- In September 2000, GN Netcom was first in the world to obtain the official Bluetooth certificate for a headset. It was GN 9000 for users in offices and call centers, and it was also one of the world's first Bluetooth products of any kind.

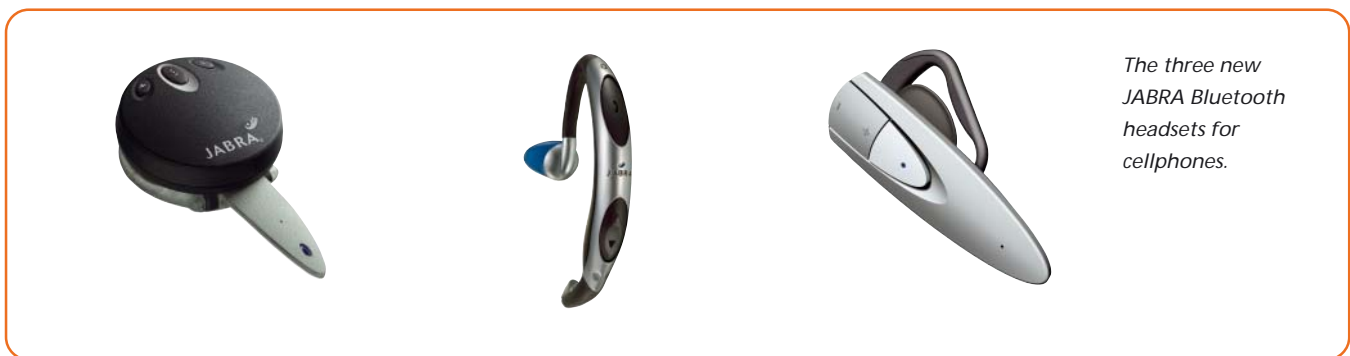
- In March 2001, GN Netcom signed a contract with Motorola – the largest producer of cellphones in the United States and one of the world's leading producers – to develop and manufacture a Bluetooth headset for use in Motorola's cellphones, among other things. The result was a small, ultra-light headset that sits directly on the ear and has up to four hours' talk time. In January 2002, Motorola launched the product successfully. It sells the headset together with its Timeport telephones in the US and will sell them around the world under its own name. GN Netcom retains the right to its technology and can freely enter agreements with others as well as market solutions under its own brand.
- In March 2001, GN Netcom demonstrated, for the first time, prototypes of a Bluetooth headset that builds upon the second generation of Bluetooth technology and is designed primarily for cell-phones. In October of the same year, GN Netcom received the official Bluetooth 1.1 certificate – the first approval of a second generation headset using the technology.
- In March 2002, GN Netcom launched three new headsets under the JABRA brand intended especially for mobile telephony with voice control; Bluetooth makes it possible for drivers to put a cell-

phone in the glove compartment and still speak safely over it from the driver's seat.

On the basis of cost-effective technology, GN Netcom can market a number of differentiated designs, all with excellent audio features.

GN Netcom is the uncontested world leader in Bluetooth for headsets. The challenge is to maintain and exploit the technological advantage as the market grows and an increasing number of cellphones and other products with Bluetooth technology come onto the market. GN Netcom is therefore working hard to get its Bluetooth headsets into the existing sales channels – for example, JABRA's other headsets are already sold through 30,000 businesses and the eight largest mobile telephony carriers in the US. At the same time, GN Netcom wants to enter additional agreements with producers of cellphones and other possible OEM customers – in order to achieve larger volumes, which are the basis for cost-effective production. All OEM solutions will be based on the same technological platform and the same chip.

Bluetooth is thus expected to become a very important platform for GN Netcom's future growth.





Technology Leader

As early as 1996, GN ReSound made a landmark decision: to develop a programmable digital chip instead of using the industry-standard hardware solution. The decision was the springboard to the company's technological leadership today.

In 1996, the two companies ReSound and GN Danavox made a joint decision. In contrast to the most important other players in the industry, which maintained a hardware solution, they chose to develop a programmable digital chip platform – a microchip.

The idea revolutionized the field: to develop a general technology for hearing aids that, by means of software, made it possible to exploit audiological conquests – simply, quickly and flexibly.

In practice, it has meant that GN ReSound can now develop new models of hearing aids simply by developing new algorithms in the form of software for the chip without having to change the construction of the chip itself. The result is product development that is unique as well as faster and less expensive.

For years it had been difficult for the previous technology to meet the new audiological requirements, but today GN ReSound possesses a technology so powerful and flexible that it is capable of addressing problems that are not even actual issues in the market yet.

The chip has a processor capacity that can be compared to that found in a PC. This means that the chip can simultaneously run a number of software programs that are each dedicated to a particular audio signal processing function.

This makes it possible for GN ReSound to match all known digital products, while at

the same time offering other product advantages, such as active processing of acoustic feedback. With Digital Feedback Suppression (DFS), disturbing high-pitched noise can be eliminated without reducing the audio signals that are to be strengthened.

The technology is at the heart of the GN ReSound Canta7 and Canta4, Danavox Danalogic, ReSound Digital 5000, and the Newtone products under the Viennatone brand; and it is probably the most powerful computer chip that has been developed for hearing aids. In 2002 the technology will also be introduced in the Beltone brand.

The chip has a surface of only 6.5 sq. mm, but it can execute up to 626 million operations and up to 8.6 million commands per second – more than twice as many as any other digital hearing aid. The chip can sample sounds two million times per second, and that is the reason that a hearing aid such as Canta7 can react to sound significantly faster than any other hearing aid.

All this in a little chip that can fit in the world's smallest hearing aid.

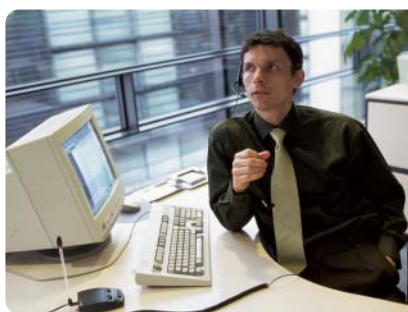
How the Canta7 works



The digital chip analyzes the signals from the two microphones in order to identify and suppress noise in the user's vicinity, a signal analysis process performed 250 times per second.

The powerful digital, software-controlled chip at the heart of the Canta7. One of its capabilities is the constant correction of sensitivity of the two microphones, which is necessary to allow the user to hear where sounds come from.

The chip performs a statistic analysis of soundwave modulation which filters speech out and away from background noise, including noise occurring in mid-sentence.



Managing Global Businesses

At GN Great Nordic, corporate governance – good business management – is the set of procedures and practices that ensure that GN Great Nordic achieves its objectives and fulfils its obligations to shareholders, employees, public authorities and other stakeholders.

Formally, corporate governance builds upon a number of commercial laws, The Copenhagen Stock Exchange's rules and GN Great Nordic's bylaws. In addition, GN Great Nordic has its own rules, values and business procedures that are based on the particular challenges that the company faces in the management of a global technology group with activities in many countries, for example, the ability to react quickly to changes in markets and technologies. As a listed company, GN Great Nordic must also possess the ability to make decisions in such a way as to create value for its shareholders.

The Work of the Board of Directors

In accordance with the laws and commercial customs of Denmark, the Board of Directors is responsible for overall management and determines objectives and strategies. The Board also maintains oversight and establishes guidelines for the assignment of responsibility and for planning so that the management is carried out in the proper manner and lives up to the bylaws and legislation. The Board ensures that bookkeeping, accounting, IT systems and other critical functions are organized properly, that bookkeeping is controlled critically, and that budgets are prepared and followed up, among

other things. Finally, the Board sets forth the policies regarding risks, insurance and other matters.

The Board of Directors meets regularly every quarter and holds additional meetings devoted specifically to the full-year financial statements and to strategy and the budgets. It also meets on other occasions as necessary. Between meetings, the Chairman represents the Board and is responsible for informing the Board of all significant issues. The Board members' remuneration is determined by the Annual General Meeting and is typical of a larger Danish company.

The Group's Executive Management

The Board of Directors appoints the Group's Executive Management and sets forth the framework for its work. The Executive Management is responsible for the daily management of the Group and makes decisions on acquisitions, divestments and investments, within certain limits. Larger acquisitions and divestments are submitted to the Board of Directors, as are questions of strategy and significant changes in production and sales conditions.

The Executive Management submits strategies, budgets, and quarterly and annual reports to the Board of Directors. Every month,

Executive Management also reports key figures for revenues, earnings, investments, liquidity, financing, orders, cash flow and other financial items.

The Executive Management hires and terminates managers in the parent company and the executive management teams of the subsidiaries after having first notified the Board of Directors. In addition, the Executive Management meets with all persons who will be appointed to positions that report to the CEO of a subsidiary. The executive officers also sit on the boards of directors of the subsidiaries, which are otherwise managed by their own executive management teams and global management groups.

Interaction with Subsidiaries

Contact between the Group Executive Management and the subsidiaries is close, with meetings of the boards of directors every quarter, monthly meetings with the executive management teams, regular visits to the operational units and – most important of all – nearly daily contact with the companies' managers. This contact is characterized by openness, dialogue, debate, questions and the appropriate assistance in handling concrete issues. Assistance is also provided by the parent company's specialists in law,



acquisitions and divestments, accounting, finance, tax and other fields.

According to agreements with the Group Executive Management, the executive management teams of the three subsidiaries set forth the rules and authorizations that apply to their companies and assemble their management groups. The management groups prepare the strategies, which are submitted to the Group Executive Management before they are evaluated by the GN Great Nordic Board of Directors. The global management groups are responsible for seeing that the strategies are known by all employees and are converted into action.

The executive management teams of the subsidiaries are evaluated and compensated according to the results that create value for the shareholders. In addition to the key mea-

asures of value creation, this judgment takes into consideration innovation, products, customer and employee satisfaction, and other factors that are important indicators of value creation.

Clear Lines of Control

The extensive delegation of responsibility in the Group builds upon three conditions: agreement on strategy and major objectives; clear guidelines for responsibility and authorization; and effective reporting.

It is an invariable principle that the officers in the subsidiaries who make decisions are not the ones who do the reporting. These roles are clearly separated. Each company's CFO reports to GN Great Nordic according to fixed guidelines so that GN Great Nordic is always in possession of a picture of develop-

ments in all important parts of the Group.

The reporting is constantly strengthened so that the right conditions are measured, and in 2002 there will be even greater focus on cash flows and efficient use of capital, including working capital. GN Great Nordic's auditors ensure that the reporting is adequate and timely as to uncover unwanted risk. The auditors also revise the control and security procedures on an ongoing basis.

Five Core Values

For a development-intensive group such as GN Great Nordic, it is essential that employees can develop and have room to be innovative. So although there are clear objectives and strategies for all parts of the Group, the management process is not based on instructions, but rather takes as its starting

Management Teams

GN Netcom

- **Niels B. Christiansen**, President & CEO
- **Mike Fairweather**, Executive Vice President; President & CEO, GN Netcom Inc.
- **Henrik Bang**, Vice President, Sales & Marketing, Europe
- **Ron Becht**, Senior Vice President & General Manager, Hello Direct
- **Steen Bøge**, Vice President, Sales & Marketing, Asia Pacific
- **Tony Dilulio**, Senior Vice President & General Manager, GN Netcom Inc.
- **Pernille Fabricius**, Vice President & CFO (DK)
- **Dean G. Kacos**, Vice President & CFO, GN Netcom Inc.
- **Tom Kivela**, Vice President, Global Operations
- **Hans Henrik Lund**, Vice President, Global R&D
- **Peter Quigley**, Managing Director, GN Netcom Ltd.
- **Raleigh Wilson**, Senior Vice President, JABRA
- **Michael Young**, CIO, Global IT

GN ReSound

- **Jesper Mailind**, Group President & CEO
- **Alan Dozier**, Executive Vice President; President, North America
- **Carsten Fensholt**, Executive Vice President & CFO
- **Jesper Funding Andersen**, Senior Vice President, International Business
- **Nikolai Bisgaard**, Senior Vice President, Intellectual Property & Industry Relations
- **Michael Brock**, President, GN Otometrics
- **Peter Nolan**, Senior Vice President, Global Operations
- **Henrik Schimmell**, Senior Vice President, Research & Core Technology
- **Christian Strømsted**, Senior Vice President, Beltone Brand Division
- **Carsten Trads**, President, GN ReSound North America
- **Henrik Wiboltt**, Senior Vice President, GN ReSound Brand Division

NetTest

- **Jens Maaløe**, President & CEO
- **Poul Erik Tofte**, Executive Vice President, CFO
- **Dorthe Anneberg**, Vice President, HR
- **Carl Boisvert**, President, Sales AFEA
- **Tony Bulleid**, Senior Vice President, Sales EMEA
- **John Chapman**, COO; President, Optical Group
- **Hervé Lefèvre**, Executive Vice President, Optical Group
- **Jens Ole Legart**, Vice President, M&A and General Counsel
- **Erik Nielsen**, CTO; President, Networks Group
- **Bill Rozier**, Vice President, Marketing

• American •• Danish ••• British •••• French ••••• Irish

point certain shared values. The five core values of the Group are the following:

- Result-oriented
- Innovation
- Accountability
- Commitment
- Openness

The values are part of employee reviews, for example, and annual surveys of employees show that the values are taking root.

They are also a part of management training, which to a great degree aims to promote innovation and competencies in a world full of changes.

An important means of attracting and retaining highly qualified employees – and eliminating the loss of critical knowledge –

is stock options, which give employees and owners a common interest in a rising share price. GN Great Nordic has stock option plans for managers and specialists. The plans are administered by a special committee that is responsible to the Board of Directors, and at the end of 2001, 5,369,057 outstanding options had been awarded to 665 employees, equal to more than 10% of the staff.

Investor Relations

GN Great Nordic aims to be an exemplary company in the area of investor relations. The Group disseminates information broadly and holds many information meetings every year both in and outside of Denmark. In accordance with a desire to make all informa-

tion available to everyone at the same time, all important meetings are webcast and can be seen directly on the company's Web site, all presentations are available on the Web site, and the company also arranges telephone conference calls. GN Great Nordic wishes to use technology to reach out even more widely and fulfill the needs of every target group.

GN Great Nordic's contact with the stock market is regulated by a number of rules:

- An IR policy that states, among other things, that information must be disclosed openly and precisely.
- A directive to Executive Management about how GN Great Nordic fulfils its obligations as a listed company.

Corporate Governance

The debate on corporate governance that gathered momentum in Europe in 1992 with the Cadbury Report was given a Danish interpretation in 2001 with the Nørby Committee's recommendations. The committee was appointed by the government, and the Copenhagen Stock Exchange has recommended that all listed companies evaluate their status in relation to the committee's recommendations in their annual reports by 2002 at the latest. The table compares the Nørby Committee's recommendations to GN Great Nordic's current practice.

Nørby Committee's Recommendations

SHAREHOLDERS AND STAKEHOLDERS

No limit on voting rights or ownership.

Annual general meeting announced well in advance with ample notice. Authorization of board of directors should be limited to one annual general meeting.

Upon a takeover attempt, for example, the board of directors may not increase share capital or purchase the Company's own shares and thereby prevent shareholders from taking a position.

Board of directors must adopt a stakeholder policy with an ideological foundation, values, purposes, etc.

Board of directors must adopt an information policy. Important publications in Danish and English and on Web site. Shareholders should be able to exercise influence easily, and communications must be strengthened by IT, investor meetings and presentations on the Web site. Corporate governance section on Web site.

Annual report in accordance with Danish legislation, preferably with use of IAS.

Annual report encompassing non-financial information, for example, on environmental issues, knowledge resources and ethical/social responsibility.

Quarterly reports.

BOARD OF DIRECTORS

Specification of board of directors' duties.

Vice chairman as deputy/partner of chairman.

Description of duties of chairman and vice chairman.

Standing orders reviewed at least once a year.

Procedure for executive management's reporting to board of directors and other communications.

The board of directors must have relevant knowledge and experience, including international experience. The board must disclose recruiting criteria for the proposal of members.

Introduction process for new members of the board of directors. Maximum of six members elected by the annual general meeting.

GN Great Nordic's Practice

Voting rights limited to 7.5%.

Annual General Meeting announced two to four weeks in advance by letter to all registered shareholders as well as by published announcements. Ample notice. Authorization for one Annual General Meeting.

No practice or written policy. The Board of Directors will always work openly to ensure the best solution for the shareholders in all situations.

Not considered necessary. Covered by other policies, Company vision, purposes, strategies set forth, etc.

Information policy and IR policy determined by executive management. All announcements in Danish and English and on www.gn.com. Shareholders informed through the GN Magazine, reports and the Web site, which will be expanded further during the course of 2002. All presentations placed on the Web site. Extensive use of webcasts, teleconferences and investor meetings. A corporate governance section on the Web site is under consideration.

Annual report in accordance with Danish legislation and IAS.

Take place to some extent.

Publication of quarterly reports.

Appears in bylaws, standing orders, etc.

Have Vice Chairman, determined in bylaws.

Appears in bylaws, standing orders, etc.

Takes place annually.

Set forth in standing orders "Guidelines for Group Executive Management in GN Great Nordic", etc.

The composition is assessed on an ongoing basis in light of the Company's needs and the individual members' capacity and competencies.

No structured introduction process; ongoing introduction. According to articles, there are five to nine elected members (currently six).



- Rules on the company's trading in GN Great Nordic share, which may take place only after authorization by the Annual General Meeting and the endorsement of the Chairman. The shares may not be

- traded in the three weeks preceding an earnings report.
- Guidelines on disclosure of internal information that apply to all employees in the Group. Managers, Executive Management

and members of the Board of Directors may trade shares only in the six weeks after an earnings report, and they must report trades made to GN Great Nordic within seven days.

Nørby Committee's Recommendations

Majority must be independent – may not be employed by or be consultants for the company. Executive officers should not be members.

Annual report must disclose each member's position, age, memberships on other boards, date of assumption of position and reelection, and number of shares and/or options owned.

Minimum of five ordinary meetings annually.

Normally, a member may have a maximum of three external directorships or one chairmanship and one directorship.

Members should retire in the year in which they reach the age of 70.

Maximum election period of three years. Maximum total period of tenure of nine years.

Committees are generally not recommended.

Annual self-evaluation by board of directors and executive management and of the cooperation between the two.

INCENTIVE PLANS

The board of directors sets forth principles for incentive plans. Any such plan for the board of directors must be submitted to the annual general meeting and may not include stock options.

The plan for the executive management must be revolving, and upon award, the redemption price must be higher than the market price.

All important conditions must be described in the annual report – who is included and the nature of the incentive remuneration of each member of the board of directors and executive management.

Severance plans for executive management must be fair, and the main contents should be included in the annual report.

RISK MANAGEMENT

The board of directors must ensure the establishment of systems for managing risks that reflect the company's needs. The systems must be evaluated at least once a year.

GN Great Nordic's Practice

All members elected by the Annual General Meeting are independent. Executive officers are not members, but participate in its meetings.

All information appears in the annual report, except ownership of shares. Executive officers and members of the Board of Directors must register shares in their own names.

Eleven meetings in 2001.

No rules on this issue. The composition is considered on an ongoing basis in light of the company's needs and the workload of the individual directorship.

Members must retire at the first Annual General Meeting after they have reached the age of 70.

Election period of three years, although the two members with the longest period of tenure must stand for election every year. No maximum for total period of tenure. There is a proposal to change the election period to one year.

No committees, but one or more members can perform individual tasks according to agreement.

Evaluation is made on an ongoing basis. Self-evaluation by Board of Directors, but not in a formalized process.

The Board of Directors sets forth principles and administers the plans. One plan was approved by the Annual General Meeting in 2000. The other is covered by the Company's treasury stock. There is no plan for the Board of Directors.

The plans for the executive management, managers and specialists are revolving, and redemption is conditional on an increase in the market price.

The plans are described in the annual report, although GN Great Nordic describes only the plans for groups, not individual persons.

All plans are of the usual type.

There are a number of policies regarding risks and procedures for risk management. They are evaluated at least once a year by the Board of Directors.

Management Group

GN Great Nordic

GN Netcom



Jørn Kildegaard
President & CEO
Age: 46
Education:
MSc Engineering,
Ph.D. Engineering
Previous employment:
Brüel & Kjær A/S

Jens Due Olsen
Executive Vice President & CFO
Age: 38
Education:
MSc Economics
Previous employment:
A.P. Møller, FLS Industries A/S,
Aston Group

P. Michael Fairweather
Executive Vice President
Age: 47
Education:
BSc Business Administration/
Marketing
Previous employment:
Unex Corporation,
Summa Four Inc., Rumanco
Systems, CC Technologies

Niels B. Christiansen
President & CEO
Age: 36
Education:
MSc Engineering, MBA
Previous employment:
Hilti Corporation,
McKinsey & Co.

GN ReSound

NetTest



Carsten J. Fensholt
Executive Vice President
Age: 39
Education:
MSc Economics
Previous employment:
Mars Inc., Sony

Jesper Mailind
President & CEO
Age: 45
Education:
MSc Business
Economics, MBA
Previous employment:
Nycomed Danmark A/S,
Nycomed Pharma Group,
Dantec Elektronik A/S,
McKinsey & Co.

Alan P. Dozier
Executive Vice President
Age: 47
Education:
BA, MBA
Previous employment:
Bausch & Lomb, Inc.

Poul Erik Tofte
Executive Vice President
Age: 45
Education:
MSc Economics, BComm
Previous employment:
Monberg & Thorsen,
Carnegie, Storno.

Jens Maaløe
President & CEO
Age: 47
Education:
MSc Engineering, Ph.D.
Previous employment:
Tele Danmark,
NKT Electronics,
NKT Dedicom

Hands-free Communications Solutions



Vision

GN Netcom's vision is to be the world's leading provider of hands-free communications solutions that enable people to communicate more easily and effectively.

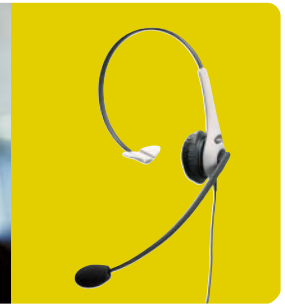
Profile

GN Netcom was founded in 1987 in a spin-off from GN Danavox (now GN ReSound). Today GN Netcom provides a broad range of hands-free communications solutions for call centers, offices, cell-phones and cordless phones. GN Netcom is a world leader in wireless technology.

The business is headquartered in Copenhagen, Denmark. Its research and development centers are located in San Diego and San Jose, California; Nashua, New Hampshire; and Copenhagen; and its production facilities are located in China, the United Kingdom and the United States.

GN Netcom has sales companies in 16 countries and sells through distributors in over 80 countries under the following brands: GN Netcom, JABRA, Liberation, Hello Direct, ACS and UNEX. Finally, GN Netcom has substantial sales of OEM products to a number of telecommunications companies and IT manufacturers.

GN Netcom's objective for the coming years is to increase revenues and earnings steadily while winning market shares so that the business remains No. 1 or No. 2 in all its markets.



Mobile, Integrated and Personal

The strongest growth is expected in the mobile market, in which only one in every ten of the world's 840 million users has a headset. The market is expected to grow by an average of 25%-30% per annum and reach a value of USD 380 million in 2004. This growth is driven by the need for people to be mobile and efficient, among other things. For example, one in five Americans uses a cellphone more often than a fixed-line telephone. Growth is also driven by new technology in wireless solutions, by a focus on safety while driving, and by growing cellphone sales, including sales to teenagers. JABRA has a strong position in the US, with sharp growth in sales, an established brand, and an extensive sales network. And JABRA's results thus far in Europe suggest that it is possible to achieve the same position in that region. JABRA is also building up a presence in Asia.

The office market has a large untapped potential – there are headsets at less than 5% of the world's 300-500 million worksta-

tions. With a growth rate of 8%-10% per annum, the market will have a value of USD 340 million in 2004, and it will be driven by a desire for efficiency and productivity, ergonomic considerations, a convergence of the PC and telephony, and new technologies. Some of the same factors are also driving the call center market, whose growth is expected to be lower but which will nevertheless reach an estimated value of USD 310 million in 2004.

Technological Lead

A steadily increasing share of GN Netcom's revenues comes from completely new products and cordless solutions, which have found favor in the markets in recent years with GN Netcom as the driving force. In 2001, GN Netcom launched 12 new products, and several of them were cordless.

According to the firm belief that the future will be wireless, GN Netcom is using considerable development resources on wireless technology. The objective is to maintain lead-



New products

GN Netcom
 GN 2100
 GN 2200
 GN 2250
 GN 2350
 GN 7100
 GN 8000
 GN 8110
 GN Ellipse Premium

JABRA
 EarSet
 EarBud
 EarBoom
 EarWrap
 EarBoom Winder
 EarBud Lanyard

GN Netcom

GN Netcom

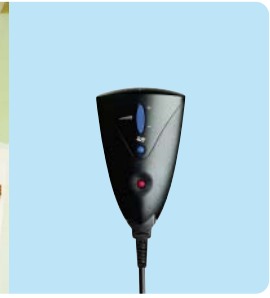
Leading provider of hands-free communications solutions for call centers and offices around the world.

JABRA

Leading provider of innovative hands-free solutions for mobile telephony in North America, Europe and Asia.

Hello Direct

Direct sales channel that provides hands-free telephone equipment and other solutions to offices in North America through e-commerce, catalogues and telephone sales.



ership through the best technology and the broadest product line, so the portfolio of products is continually upgraded and expanded. In the Bluetooth segment, GN Netcom today has the market's broadest suite of products. Headsets for cellphones, two-way radios, PDAs, cordless phones and car phone solutions also receive much attention in development work.

GN Netcom is working both to refine the existing technology – for example, to reduce development time and production costs – and to develop new technologies such as DSP (in which the manipulation of sound makes it possible to eliminate noise, for instance) as well as VoIP (Voice over Internet Protocol) and USB (Universal Serial Bus), through which headsets are linked to PCs with Internet telephony.

This development takes place in close cooperation with regular partners and also with OEM customers among the major telecom operators and IT manufacturers.

Production and Supply Chain

It is GN Netcom's objective to have the industry's most efficient production and to manufacture products of high quality at the lowest possible cost. At the end of 2002, the new production plant in China will be-

come the center for all standardized volume production, while the plants in the UK and the US will produce smaller, specialized series. The savings from gathering work in China are considerable.

In order to ensure that the least possible time elapses between customer orders and shipment, the order inflow, production, outbound delivery and distribution are integrated in a tightly controlled process in China. Distribution and transportation all the way to the end user are managed by external partners. This structure ensures that GN Netcom does not need to accumulate large inventories, and this in turn reduces the use of working capital.

Quality is the key factor in winning market shares. The business uses consistent testing methods and equipment at all the plants and with all subcontractors, with the ISO 9001 standard as the unifying criterion.

Organization and HR

In recent years GN Netcom has acquired a number of businesses – producers of headsets and accessories as well as sales channels and distributors. Acquisitions are still an important part of the strategy.

Integration is carried out by maintaining what is unique in each acquired business and

cutting out redundant functions in production, finance, IT, administration and development by consolidation with the existing central functions. Sales and marketing, on the other hand, reside in the regional organizations under JABRA (the US, Europe and Asia), GN Netcom (the US, Europe/rest of the world, Asia) and Hello Direct (the US).

The integration of the most recently acquired businesses is nearly complete. The last major measures involve a joint IT platform with global ERP (Enterprise Resource Planning) and CRM (Customer Relationship Management) systems, which will optimize processes, reduce costs, strengthen control and give more time for servicing customers and selling. The new IT platform will be fully implemented in the beginning of 2003.

Human resources development also takes priority. The markets demand a quick conversion of ideas to saleable products in a constant dialogue between sales and development people. There must be room for visionary thinking, but there must also be a focus on growth and being first. This is possible only if GN Netcom has the right environment; the right structures and processes; and the right mixture of knowledge, skills and personalities.

GN Netcom Fourth Quarter and Full-Year Financial Performance

DKK millions	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q4 2000	2001 total	2000 total
Revenue	506	456	471	497	519	1,930	1,479
Gross profit	265	231	247	249	262	992	775
Earnings before interest, tax, depreciation and amortization (EBITDA)	61	12	59	55	92	187	346
Earnings before interest, tax and amortization (EBITA)	46	(4)	46	41	82	129	319
Earnings before interest and tax (EBIT)	12	(289)	36	2	53	(239)	272
Number of employees, end of period	1,025	1,080	1,021	944	1,031	944	1,031
EBITA margin	9.1%	(0.9%)	9.8%	8.2%	15.8%	6.7%	21.6%

GN ReSound

High-tech Hearing Innovations Providing Quality of Life



Vision

GN ReSound's vision is to develop and globally market products and services that can help audiologists, hearing aid retailers and health care professionals improve the quality of life for the hearing-impaired.

Profile

GN ReSound's continued success depends on the business's ability to maintain its global leadership in the development of new technology and products, to build close partnerships with customers, to develop a value-based working environment for employees, and to deliver a return to shareholders at a level with the best in the industry.

GN ReSound, which is today one of the leading businesses in the world in the development and production of high-tech solutions for the hearing-impaired, is the result of mergers of five of the world's 11 largest hearing aid producers: ReSound, GN Danavox, Beltone, Philips and Viennatone.

The business offers a wide range of software-controlled digital, digitally programmable and traditional analog hearing instruments under the two global brands GN ReSound and Beltone.

GN Otometrics, which is the market leader in audiological testing equipment, develops and markets systems that set new standards for clinical technology as well as administrative systems for today's hearing clinics. GN Otometrics includes the brands Madsen, Danplex, Hortmann, Rastronics and ICS Medical.

GN ReSound has its own sales companies in 19 countries as well as a network of distributors in 60 other countries.

GN ReSound's production takes place in four countries, but it intends to concentrate its production in even fewer units. In addition, GN ReSound has its own development centers in Denmark, the United States and the Netherlands as well as a global distribution center in Ireland. GN ReSound has about 3,300 employees.

GN ReSound

GN ReSound

The former ReSound, Danavox and Viennatone brands of high-tech and digital products are marketed under the GN ReSound brand. The former Philips products are marketed under the Beltone brand.

Beltone

Beltone is positioned toward older patients and other end users with a clear focus on care, personality and responsibility, while GN ReSound is positioned toward audiologists, hearing clinics and the like with a focus on technology, innovation and so on.

GN Otometrics

GN Otometrics is an umbrella organization encompassing the Madsen, Danplex, Hortmann and ICS Medical companies. It is the world's largest vendor of software-controlled audiological measuring instruments.

A Market Undergoing Steady Growth

More people than ever before use some type of aid to compensate for reduced hearing capacity, but still only a few of them have a real need – less than 5% – to use hearing aids.

Studies show that more than 300 million people globally have reduced hearing. In the age group from 65 to 74, 18% have significantly reduced hearing, while of those over 75, 35% have significantly reduced hearing. Ninety percent of those who have reduced hearing can benefit from using contemporary hearing aids.

But demographic trends are not the only factor pointing in the direction of a steadily growing market for aids for the hearing-impaired. The need for social contact, and thus the ability to hear and communicate with others, is an increasingly important aspect of contemporary society, similar to the demand for an advanced age without physical limitations that is being made by a new generation of elderly people.

Market Leader in Technology

In this market, GN ReSound is the technology leader. This can be seen clearly in Canta7, the first hearing aid about which one can say that the technology used has surpassed the requirements implied by audiological knowledge.

Canta7 extends GN ReSound's technological platform, which is based on a software solution, in contrast to its most important competitors' hardware-based products. GN ReSound can thus quickly and flexibly adjust to the market's changing needs simply by making changes to the software program.

Close Contact to the Market

GN ReSound holds a close dialogue with its markets in order to be at the leading edge of their trends and needs at all times. The business is in regular contact with the relevant research centers, and this enables it to obtain qualified advice on the latest audiological research and trends in such areas as the shape, functionality and design of hear-

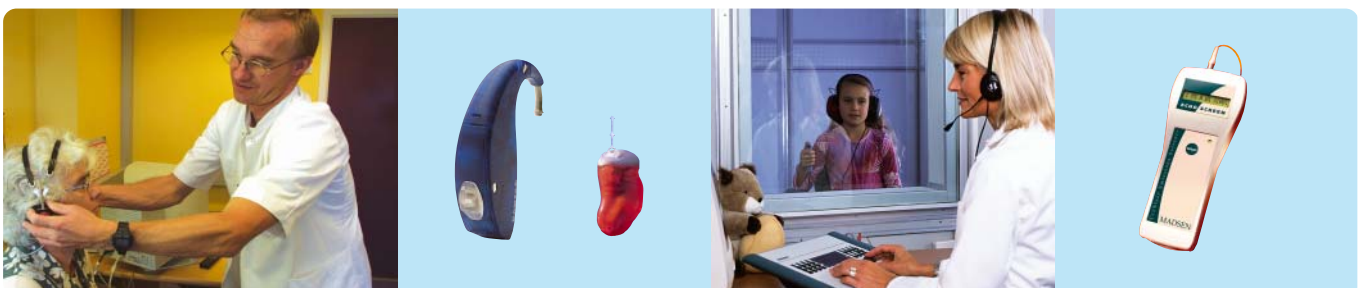
ing aids on an ongoing basis. In addition, before the products are marketed, a number of focus groups contribute qualified input from the perspective of the people who will actually use the products.

Present in All Significant Markets

The strategic development of GN ReSound has been significant in the past three years. The business has acquired, and is in the process of consolidating, five of the 11 most important players in the audiological industry. GN ReSound has used substantial resources to complete the tasks that naturally follow the acquisition of a business at the same time that it has worked to harvest the synergies of the acquisitions.

As a result of these developments, GN ReSound today has its own sales and service organization in all important markets, and it has a strong position in most of its markets.

But even more important, the business – through the launch of digital products in both of its global brands – has achieved a





stronger market position in the growing digital segment.

Improvement of Earning Capacity

GN ReSound's earning capacity – compared with that of the business's most important competitors – can still be improved, however. In order to ensure that the business's profitability will also be among the best in the industry by the end of 2004, a number of activities are being carried out as an extension of the consolidation that is in the process of being completed. These measures include the following:

- Consolidation of production
- Use of a joint technology platform
- Reduction of the number of products
- Development of a strong global infrastructure, including ERP systems, that can support employees
- Optimization of the supply chain

- Development of significant partnerships with distributors globally

From Five Brands to Two

As a consequence of GN ReSound's ambition to be the leader in high-tech solutions for the hearing-impaired, the business is developing full product lines at all price levels for both of its two global brands – Beltone and GN ReSound.

Beltone is positioned toward older patients and other end users with a clear focus on care, personality and responsibility, while GN ReSound is positioned toward audiologists, hearing clinics and the like with a focus on technology and innovation.

The former ReSound, Danavox and Viennatone brands of high-tech and digital products are marketed under the GN ReSound brand. The former Philips products are marketed under the Beltone brand.

Organizational Development and HR

In both 2000 and 2001, GN ReSound carried out working climate surveys among its employees. The results of these studies contributed valuable information to the business's continuing work on its HR strategy. The objectives include assisting with the integration of the acquired business units, creating an attractive working climate and supporting a larger and more complex organization.

Like all other western European businesses, GN ReSound is experiencing increasing difficulty attracting qualified employees. On the other hand, because of the challenging work assignments and unique opportunities for professional development, retaining employees is not difficult.

GN Resound Fourth Quarter and Full-Year Financial Performance

DKK millions	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q4 2000	2001 total	2000 total
Revenue	701	725	724	756	702	2,906	2,255
Gross profit	355	361	346	371	328	1,433	1,089
Earnings before interest, tax, depreciation and amortization (EBITDA)	63	59	75	73	55	270	209
Earnings before interest, tax and amortization (EBITA)	43	38	55	67	25	203	144
Earnings before interest and tax (EBIT)	(44)	(1,311)	(24)	(96)	(125)	(1,475)	(146)
Number of employees, end of period	3,384	3,393	3,444	3,417	3,296	3,417	3,296
EBITA margin	6.1%	5.2%	7.6%	8.9%	3.6%	7.0%	6.4%



Vision

NetTest's vision is to be among the leading providers of solutions for testing, monitoring and managing communications networks.

Profile

NetTest is one of the world's leading vendors of testing instruments, testing systems and other services for the optimization of communications networks. NetTest supplies network operators, data communications operators, manufacturers of network accessories and component producers with the appropriate solutions for telecom network testing. These solutions repair errors and optimize productivity in some of today's most advanced and complex networks as well as the networks of tomorrow.

NetTest's most important customer groups are the following:

- Manufacturers of optical fiber, cables and components
- Manufacturers of equipment for telecommunications and data communications
- Telecom operators and other providers of communications services

The business addresses each customer group's needs in optical communications, in which information is transferred via pulses of light, and in telecom and data networks with transmission systems, routing and related signaling.

NetTest has its headquarters in Copenhagen and a presence in business centers in Denmark, the United States, Canada and France as well as sales companies and dealers around the world. NetTest's products are sold in over 70 countries. The business has about 1,500 employees.



The Internet Is Driving Growth

In recent years, demand from businesses and consumers has created strong growth in voice, data and video traffic in the world's communications networks. Growth is driven mainly by the fact that the Internet is used for an increasing number of purposes and also by the fast growth of mobile telephony.

Despite the networking industry's current stagnation, the traffic on the Internet continues to rise, as measured both by the number of users and by volume of use. Industry sources estimate that the annual growth of Internet traffic is still at 100% to 150%, bringing a need for increased bandwidth.

New users, increased traffic and new services and applications quickly fill up communications networks' capacity as fast as it can be expanded. In addition, service providers and manufacturers of equipment have had difficulty fulfilling the growing demand for bandwidth because the existing communi-

cations networks have been intended and optimized for voice traffic.

NetTest's products are used to identify errors and to analyze and optimize capacity in optical fiber, cables and components and also in systems that are used in optical communications networks. The products in NetTest's network segment test and monitor the quality of voice and data transfer as well as related signaling. In addition, measurement and analysis of the signaling in the network give telecom operators important knowledge about their customers' and subscribers' use of the network, billing information and also any improper use of the network.

Technology Leader with Both Breadth and Depth

NetTest is one of very few providers that offers testing and monitoring of all types of

networks, that is, the optical, physical segment (optical fiber and components); the optical transport layer (DWDM and up to 10 Gbit/s transmission tests); and the network segment (IP/ATM and signaling in both fixed-line and mobile networks). This position enables NetTest to take advantage of the convergence between network segments that previously were clearly separated and allows NetTest to offer solutions that correlate measurements from the various network segments. This gives telecom operators new opportunities to optimize the performance of their networks as well as the quality in the transfer of data.

NetTest's broad product range is an unqualified competitive advantage in attracting and retaining customers with many different needs. This strategy is reflected in the business's extensive product launches throughout 2001, and it will also be a constant theme in

NetTest's New Business Model

	Manufacturing and Lab	Network Planning & Deployment	Service & Management	
Network Services	●	●	●	} Network Segment
Network Applications	●	●	●	
IP/ATM Communication and Signalling	●	●	●	} Optical Segment
Optical/Electrical Transmission	●	●	●	
Optical Switching/DWDM	●	●	●	
Optical Fiber & Components	●	●	●	



the comprehensive plan that has been set for the launching of new products in 2002.

In 2002, NetTest will thus market automatic testing solutions for manufacturers of optical fiber and components that can execute measurements even faster and with greater precision than previously. For use in the installation, implementation and maintenance of optical communications networks as well as mobile networks, NetTest will introduce a common product platform for its testing and measurement equipment. In the systems area, NetTest will continue to introduce new applications for its optical monitoring system (QuestFiber) and the SS7/GSM/GPRS management system (MasterQuest).

At present NetTest offers more than 60 products.

NetTest focuses on the development of products that integrate both optical technologies and network technologies. The business will continue to expand its strong position through acquisitions and by actively acquiring products and technologies that strengthen its position in fast-growing markets.

NetTest Is Maintaining Its Position

Successful acquisitions will also improve NetTest's opportunities to accelerate product development and optimize time to market.

NetTest has considerable experience in identifying, acquiring and integrating other companies with important new technologies and has carried out nine major acquisitions in the past 10 years.

NetTest's general objective remains to maximize value for shareholders. This must of course be seen in light of the very difficult period that the business has experienced since May 2001.

NetTest will continue to focus on development in order to ensure that the business is well prepared when the market begins to recover.

NetTest has a clear objective to be among the three largest providers in the business's strategic market segments. NetTest will thus:

- Continue to develop and market products that answer customers' changed financial and technological needs
- Make acquisitions for strategic purposes
- Maintain and expand its technological leadership

NetTest operates in an estimated USD 6.4 billion market and has a market share of about 5%. The market for testing equipment is extremely fragmented, and NetTest has a large market share in the segments it addresses. NetTest has a number of compet-

itors, with Agilent and Acterna the most significant.

Organization and HR

Effective January 1, 2002, NetTest changed its organization so that it addresses customers' needs directly. The organization is now divided up with a focus on the following segments:

- Manufacturing and Lab
- Networks
- Systems

Each of the three business units will focus on its own market segment.

Whereas NetTest had previously been organized according to specific technologies, the new organizational model puts the customer in focus. With this organization, NetTest is better prepared to take advantage of the convergence opportunities which are beginning to develop in the market and upon which it expects to place greater emphasis in the future.

Now, more than ever before, NetTest's business model is based on a philosophy of one company. The new NetTest brand will draw support from a global organization that is not limited by geographical and technological boundaries.

NetTest Fourth Quarter and Full-Year Financial Performance

DKK millions	Q1 2001	Q2 2001	Q3 2001	Q4 2001	Q4 2000	2001 total	2000 total
Revenue	714	701	475	437	736	2,327	1,817
Gross profit	329	335	232	108	364	1,004	925
Earnings before interest, tax, depreciation and amortization (EBITDA)	79	77	(27)	(158)	173	(29)	269
Earnings before interest, tax and amortization (EBITA)	63	62	(49)	(180)	155	(104)	236
Earnings before interest and tax (EBIT)	(87)	(4,590)	(137)	(2,985)	(11)	(7,799)	37
Number of employees, end of period	1,742	1,835	1,787	1,484	1,515	1,484	1,515
EBITA margin	8.8%	8.8%	(10.3%)	(41.2%)	21.1%	(4.5%)	13.0%



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