January 2, 2003
Announcement No. 1

GN after NetTest

- The sale of NetTest concludes the transformation of GN from a diversified communication conglomerate to a focused corporation with four business areas in personal communications.

- GN's four business areas are expected to generate 2003 revenues of approximately DKK 4.8 billion and to significantly enhance earnings, bringing the combined EBITA to approximately DKK 550 million.

- The company expects to improve the cash flow in 2003 on top of the improvements already achieved in 2002.

- GN's Executive Board will be expanded to include Niels B. Christiansen and Jesper Mailind, who will remain in charge of headset operations and the hearing instruments and audiological measurement instrumenta-tion business, respectively.

- As part of the streamlining process, GN is putting its Kongens Nytorv premises on the market and moving its joint functions to rented premises to be shared with GN's Danish headset operations.

- The relocation and the rationalization of administrative functions will reduce the costs of joint functions by 50% over two years.

- The Board intends to recommend that Jørgen Bardenfleth, the managing director of Giga/Intel, be elected to the Board at the general meeting in April as part of the ongoing generational change.

- The Board of Directors recommends that no dividend be declared in respect of the 2002 fiscal year.

- The Board of Directors recommends that the vote restriction of 7.5% is abolished.

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Briefing to be held later today

GN invites members of the press, analysts and investors to attend a briefing and teleconference to be held today at 3 pm CET. The meeting will be web-cast and can be followed at www.gn.com. The presentation used at the meeting will be available from here immediately prior to the meeting. The meeting will be held at the company address at Kongens Nytorv 26 in Copenhagen. The chairman of the Board and the Executive Board will be on hand at the meeting.

Interested parties are invited to join the meeting if they register with Ms Sanne Gents no later than 2:30 pm CET. Please contact Ms Gents at sge@gn.com or (+45) 72 111 803.

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GN's strategic platform

As announced December 31, 2002, GN has sold NetTest to Axcel IndustriInvestor effective December 31, 2002. The sale concludes GN's transition from a diversified communication conglomerate to a focused personal communications business with annual revenues of close to DKK 5 billion.

GN now has four business areas within personal communications and is among the global market leaders in all four.

	Revenues (DKK million)*	Market position	Market share
CC&O Headsets	1,081	# 2	~ 35%
Mobile Headsets	192	# 1	~ 20%
Hearing Instruments	1,930	# 2 **	~ 15%
Audiological measurement instrumentation	219	# 1	~ 25%
* January-September 2002			
** three producers with a market share of about 15% each			

By consolidating headsets, hearing instruments and audiological measurement instrumentation, GN has achieved critical mass for the necessary further development of the company. As one of two leading providers of Bluetooth enabled headsets on the growing market for mobile headsets, GN holds a substantial share of the market for headsets for call centers and offices (CC&O). GN is retaining its market position through the launch of new hearing instruments in spite of the comprehensive integration and rationalization efforts.

GN's four business areas hold a number of technological denominators; including sound digitization, chipsets, sound algorithms, wireless technology and acoustics. In 2002, GN made full use of its entire technological platform across the organization and, in 2003, plans to apply its sound digitization know-how for hearing instruments to Bluetooth-enabled headsets in order to filter out background noise. At the same time, current efforts focus on using wireless technology in hearing instruments and measurement instrumentation.

GN's sales channels for the CC&O differ substantially from those applied for retail and consumer sales, which is the reason for the previously announced decision to divide these two areas into two separate divisions as from the end of 2002. Hearing instrument and measurement instrument operations have already been separated, because measurement instrumentation also targets specific customer groups among ear, nose and throat specialists, and, unlike hearing aids, measurement instrumentation is a type of investment goods manufactured in small volumes.

To enhance transparency, GN will in future provide in-depth reporting on developments in all four business units.

Changes to management and organization
To further strengthen GN’s overall focus on the personal communications business, Niels B. Christiansen and Jesper Mailing are expected to join GN’s Executive Board, subject to formal approval of the requisite changes to the articles of association by the shareholders at the general meeting to be held in April. Subject to this approval, the Executive Board will have four members: Jørn Kildegaard (President & CEO), Jens Due Olsen (CFO), Niels B. Christiansen (headsets for CC&O and headsets for cellphones) and Jesper Mailind (hearing instruments and measurement instrumentation).

The joint group functions currently based at the Kongens Nytorv headquarters in Copenhagen are expected to move along with the Danish headset operations to new rented premises during 2003. The Kongens Nytorv property, carried at a book value of DKK 8 million, will be put on the market.

Combined with the streamlining and efficiency improvements of a number of joint administrative functions, the relocation from Kongens Nytorv will serve to reduce the cost of joint functions by 50% to DKK 50 million during 2003-2004.

As part of the planned generational change, the Board of Directors intends to recommend that Jørgen Bardenfleth be elected to the Board in place of retiring member Cato F. Sverdrup. Mr. Bardenfleth, aged 47, is the managing director of Giga/Intel and the general manager of one of Intel’s global divisions. The Board also intends to propose a dividend of DKK 0 per share for the 2002 fiscal year. Finally, the Board intends to recommend to the general meeting that the current restriction on voting rights be abolished.

The Board is confident that the sale of NetTest and the strategic initiatives described in this announcement will help GN to regain its position as a stock with an attractive price potential and strong liquidity.

Enhancing profitability
In 2001 and 2002 GN has rationalized its headset operations and reduced the staff by more than 15% to 1,000 employees. The measures taken have generated results despite fading growth and tough market conditions. The EBITA margin on headset operations rose to 7.1% in January-September 2002 from 6.1% in the year-earlier period despite a DKK 160 million drop in revenues that was caused by several factors: the weak US dollar, the general economic slump and extraordinarily strong sales to North American mobile operators in the fall of 2001.

GN projects a full-year 2002 EBITA margin of about 8.5% for its headset activities on revenues of DKK 1.75 billion, which is a minor downward adjustment relative to the figures released on November 20, 2002, but also an improvement from 6.7% in 2001.

Effective January 1, 2003, GN Netcom will be reorganized into two global product divisions: the Call Center & Office (CC&O) and Mobile Division (Mobile) and Global Business Areas. The latter will include manufacturing, logistics and business development. This structure will facilitate the necessary focus on the CC&O, while at the same time clearly defining the responsibility for sales to the mobile market and for enabling GN to capitalize on the opportunities provided by Bluetooth technology.

GN ReSound improved its EBITA margin in the first three quarters of 2002 relative to the same period in 2001, with a third-quarter EBITA margin of 10.2%, up from 7.6% in Q3 2001. The full-year margin is expected to be approximately 9.5% on revenues of close to DKK 2.9 billion. Since 1999, GN has focused on integrating company acquisitions and on streamlining routines and processes rather than on growing revenue. Earnings improvements are materializing in line with projections, as the many elements of integration are gradually implemented.

Future profitability improvements
In 2003, GN aims to substantially improve earnings to reflect its leading technological position. GN will seek to exploit its core competencies in related and adjacent business areas as profitability improves.

The aim is to enhance profitability by relocating production to a few units, streamlining the product portfolio and strengthening distribution through centralized warehouses, thereby reducing working capital. A shared IT platform is one of the means of enhancing resource utilization and making inventory and receivables more efficient.

Integrating production
In 2003, GN will be integrating all production activities at both internal and third-party plants in China (headsets/hearing instruments), Ireland (hearing instruments) and Denmark (hearing instrument components and measurement instrumentation). By integrating hearing instrument production at fewer sites and manufacturing fewer product items in larger volumes, GN is set to lower production costs and improve the quality of both hearing instruments and headsets; a product area for which the labor-intensive components are manufactured in-house.

The production shutdown at Eindhoven Holland is the final stage of the current restructuring measures and will be finalized shortly. The remaining headset production in the United States and the UK will be transferred to China, generating annual cost savings of just over DKK 20 million as from Q2 2003. At September 30, 2002, GN had earmarked DKK 22 million for these restructuring measures. With the completion of these stages, GN will have implemented comprehensive rationalization measures of its manufacturing capacities. Nearly 1,500 jobs have been shed or transferred during the past three years.

Streamlining the product portfolio
GN is making a focused effort to reduce and strengthen its brands. Among the hearing instruments, the Phillips, Viennatone and Danavox brands will be phased out. The continuing brands, GN ReSound and Beltone, represent just over 85% of revenues. The controlled phase-out of the three brands aims to minimize the loss of customers and ensure dispenser preference for GN

ReSound and Beltone solutions. The phase-out is expected to be completed in the course of 2004, by which time GN plans to have reduced the more than 250 product families existing in 2000 to less than 100, notably reducing complexity in the hearing instrument business.

GN Otometrics will be the main brand within measurement instrumentation.

Headsets for the CC&O are branded GN Netcom, whereas JABRA is the mobile brand. Backed by its very strong platform in the USA, JABRA is currently expanding its European organization, which will be followed by a roll-out in Asia. Hello Direct, GN's direct sales channel for headsets in the United States, is also trimming its product portfolio to allow GN products to account for a larger part of total sales. Today, GN's own products account for around 35% of revenues.

Effective from April 1, 2003, the Beltone Brand Division will relocate to Copenhagen, which is also the home of the GN ReSound Brand Division. Coupled with a number of minor initiatives, this step is set to cut fixed costs by some DKK 40 million a year, and an amount of DKK 55 million has been earmarked for the relocation and other activities.

Upholding R&D tempo

Concurrent with the on-going restructuring, GN continues to have R&D activities high on its list of priorities. In 2002, GN spent approximately 7% of revenue on R&D. This share will not increase in 2003, and requirements for innovation and tempo in the company's business areas will remain high.

In 2001 and 2002, GN launched more than 15 new headset products which now account for approximately 50% of revenues. Previously, products had a lifespan of 5-10 years, but today new headsets are launched on the mobile market every year.

In 2002, GN launched three very different Bluetooth headsets for the retail market. Combined with the OEM shipments to Motorola and Siemens, these products will provide GN with large volume sales within a short period of time. This opens up for competitive purchase prices and low unit costs, allowing GN to translate its technological edge into cost benefits before new and strong players gain a foothold on the market. From April to November 2002, GN sold some 250,000 Bluetooth headsets.

Frequent product launches and upgrades are also necessary in the hearing instruments market to retain and expand the position on the global market (some 6 million units). Products launched in 2001 and 2002 account for more than 50% of revenues with the digital Canta series alone accounting for more than 40%. The Canta series was initially launched in the spring of 2001.

In 1996, GN started work on the open software-based platform as the core of all its digital devices. Today, more than 50% of GN ReSound's products are developed on a standard chip platform. Thus, Beltone's new Oria builds on the same platform as the Canta series. Each individual device offers different functionalities, a feature achieved on the open platform through programming instead of having to physically adjust the chip set. The open platform has cut development time by 50% and, together with uniform fitting software for all new products, rationalizes the entire GN ReSound development and production line.

GN ReSound continued to apply Bluetooth technology in new products in 2002; both in new headsets developed for hearing instrument users, allowing them to use a cellphone without inconvenience, and in the PocketAventa device, which allows dispensers to offer mobile and wireless adjustment of hearing instruments.

Growth potential intact

GN has a substantial potential within headsets for the mobile and office markets, both of which have low penetration rates. The market potential will gradually materialize as new energy-efficient headsets for both fixed and mobile networks enter the market.

Headset sales hinge on cellphone sales (of approximately 400 million units a year) and trends in the headset pick-up rate, which is estimated to be about 10% for current cellphone purchases.

Sales to call centers are extremely cyclical, and GN forecasts limited growth in this sector in the near term. In the longer term, annual growth is expected to exceed the rate of economic growth, as call centers have not yet gained favor on the Asian markets. The office segment offers stronger growth potential and GN plans to address the virtually unpenetrated SOHO segment in the United States through Hello Direct. So far, no new major players have managed to gain a foothold on the CC&O.

In the longer term, demand for hearing instruments is expected to rise by up to 5% per year in terms of unit sales. Studies have shown that about one in ten of the populations in the EU and North America would benefit from wearing a hearing instrument, whereas fewer than 2% of them actually have one. Measured by value, the increase is expected to be at a similar level, since prices are expected to remain stable. Sales of measurement instrumentation is expected to grow at a similar rate.

In spite of modest overall market growth for hearing instruments, digital products are proving increasingly popular at the expense of conventional analog and programmable devices. Thus, digital products now account for more than 45% of US sales, measured in units, up from 20% in 2000. Digital products now represent more than 70% of GN’s hearing instrument revenues.

Within hearing instruments, GN has given higher priority to integration and profitability than to generating organic growth. Growth has also been restricted by the phase-out of three brands and a large number of products, combined with a substantial decline in the number of Beltone dispensers. The Beltone network of about 1,300 outlets is now growing once again, and marketing activities will be scaled up in 2003.

Outlook for 2003

GN projects revenues totaling approximately DKK 4.8 billion and an EBITA of roughly DKK 550 million, versus previous projections of a 2002 minimum of DKK 350 million for GN excluding NetTest.

GN Netcom projects an EBITA margin of 11-13% on CC&O revenues of DKK 1.4 billion and mobile revenues of DKK 0.5 billion.

GN ReSound projects an EBITA margin of 12-14% on hearing instrument revenues of DKK 2.6 billion and measurement instrument revenues of DKK 300 million.

The costs of centralized functions corporate functions and of the GN Great Northern Telegraph Company will be reduced from approximately DKK 100 million in 2002 to roughly DKK 70 million in 2003. With the planned move from the Kongens Nytorv address and continued efficiency improvements, GN projects additional cost reductions in the order of DKK 20 million from 2004.

Amortization of intangible assets is expected to amount to DKK 270 million, while net financial expenses are expected to be DKK 100 million. Investment in tangible and intangible assets (development projects) is expected to be in the DKK 330 million range.

Restructuring costs are expected to amount to DKK 150 million.

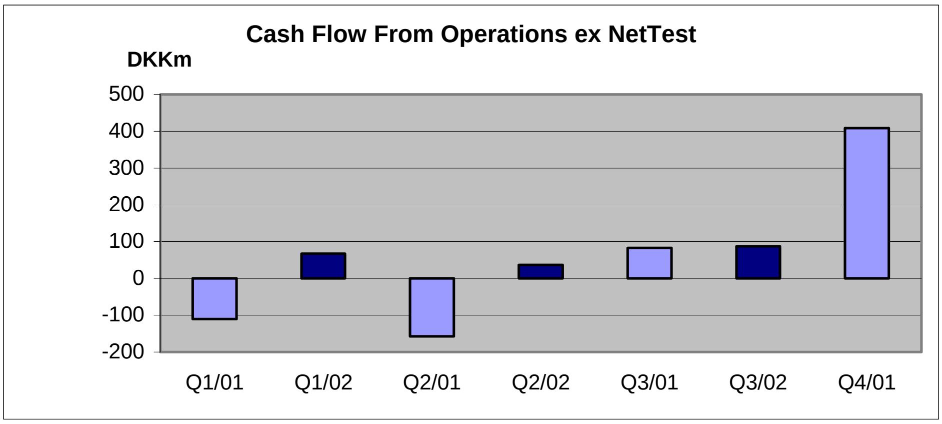
Earnings before tax are expected to total at least DKK 30 million.

Profitability is expected to improve as the year progresses due to seasonality as well as implemented and planned rationalization measures.

The projections are based on assumptions of economic growth in line with the figure for 2002, especially in the United States, and on a US dollar–Danish kroner exchange rate of 7.25.

Cash flow generation set to improve

As part of its efficiency enhancements, GN has strengthened its inventory and receivables, resulting in both an absolute and a relative reduction in working capital at the end of Q3 2002 compared with a year earlier. The main contributor to a needed cash flow improvement, however, is enhanced profit per revenue krone, something that the above-mentioned initiatives will help provide.



The target for 2003 is to further optimize the working capital relative to revenues. However, in 2003, an additional load on GN's cash flow of up to DKK 100 million will be paid by GN as part of the NetTest sales agreement.

This publication is available in Danish and in English. In the event of any discrepancies, the Danish version shall be the governing text.