



# GN Q1 Interim Report 2008

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## Safe Harbour Statement

The forward-looking statements in this interim report reflect management's current expectations of certain future events and financial results. Statements regarding 2008 are, of course, subject to risks and uncertainties which may result in material deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect.

Factors that may cause actual results to deviate materially from expectations include – but are not limited to – general economic developments and developments in the financial markets, technological developments, changes and amendments to legislation and regulations governing GN's markets, changes in the demand for GN's products, competition, fluctuations in sub-contractor supplies, developments in class action and patent infringement litigation in the United States, and the integration of company acquisitions.

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



## Q1 Summary

- The Q1 financial results were in line with expectations.
- Revenue was DKK 1,411 million. Exchange rate fluctuations impacted revenue by (6)% compared to Q1 2007.
- GN Netcom generated revenue of DKK 636 million corresponding to an organic growth of (8)%. EBITA in GN Netcom was DKK 8 million excluding non-recurring costs of DKK 5 million.
- GN ReSound reported revenue of DKK 772 million corresponding to a positive organic growth of 1%. EBITA in GN ReSound was DKK 31 million.
- Henrik Juuel appointed new CFO in GN ReSound.
- 75% owned DPTG I/S claim against TPSA is DKK 5 billion. The chairman of the arbitration tribunal has been replaced. The next hearing has been postponed.



## Profit and Loss

(DKK million)	Q1/2007	2007	Q1/2008
Revenue	1,564	5,981	1,411
EBITA	129	294	27
Amort., finance, associates etc.	(34)	(98)	(34)
Depreciation and costs related to the abandoned sales process (GN ReSound)	31	(296)	0
EBT	126	(100)	(7)

- First quarter revenue 6% impacted by drops in key currencies and “Easter shift” from Q2 2007 to Q1 2008
- Q1 EBITA was DKK 32 million excl. non-recurring costs of DKK 5 million in GN Netcom
- Amortizations of acquired intangible assets was DKK (8) million and net financial items were DKK (26) million



## Balance & Cash Flow

(DKK million)	*End Q1/2007	End 2007	End Q1/2008
Goodwill	2,740	2,525	2,408
Other intangible assets	1,135	1,127	1,126
Tangible & other non-current assets	1,630	1,513	1,469
Current assets	2,589	2,670	2,547
Equity	4,955	4,482	4,213
Liabilities	3,139	3,353	3,337
Total assets/liabilities	8,094	7,835	7,550
NIBD	(1,397)	(1,516)	(1,659)
Free Cash flow	(13)	(183)	(139)

\* Based on pro-forma balance sheet

- Other intangible assets are primarily capitalized R&D
- Value of TPSA and tax dispute not included in balance sheet
- NIBD increased by DKK 143 million in Q1. Free cash flow impacted by DKK (55) million from paid expenses related to the abandoned sale of GN ReSound and minor acquisitions



GN Netcom





(DKK million)	Q1	Q2	Q3	Q4	2007	Q1
Revenue	749	617	670	775	2,811	636
Growth	(14)%	(33)%	(2)%	(2)%	(14)%	(8)%
Gross margin	37%	40%	42%	38%	39%	41%
EBITA before non-recurring costs	16	11	10	67	104	8
EBITA margin before non-recurring costs	2.1%	1.8%	1.5%	8.6%	3.7%	1.3%
EBITA	16	(17)	6	30	35	3

- CC&O Headsets reported (4)% organic growth. The contact center market was strong but office market weaker than expected primarily due to weaker economy
- Gross margin improvement due to smaller share of Mobile Headsets revenue and improvements in CC&O Headsets
- Results for Mobile Headsets not satisfactory. Key focus and further initiatives have and will be taken in the efforts to bring EBITA to break-even in 2009



## GN Netcom Balance Sheet and Cash Flow

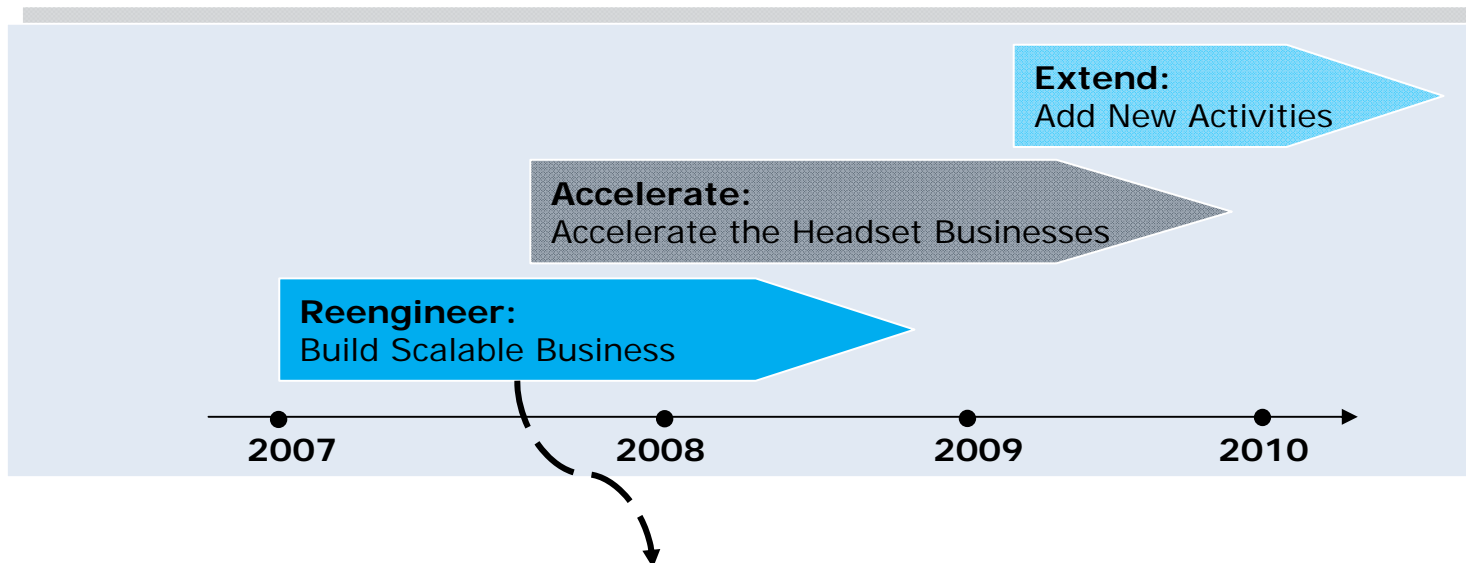
<b>Balance sheet selected items (DKK million)</b>	<b>Q1 2007</b>	<b>FY 2007</b>	<b>Q4 2007</b>	<b>Q1 2008</b>
Inventories	222	343	343	265
Trade receivables	553	573	573	542
Trade payables	106	181	181	124
<b>Cash flow (DKK million)</b>				
Cash flow before working capital	80	239	97	42
Change in working capital & restruct. paid	(19)	(95)	(109)	(11)
Cash flow from investing activities	(29)	(128)	(30)	(39)
Free cash flow excl. tax & financial items	32	16	(42)	(8)

- Working capital impacted by overdue receivable from a single account – reduced in April
- Increase in cash flow from investing activities primarily follows increase in capitalized R&D costs





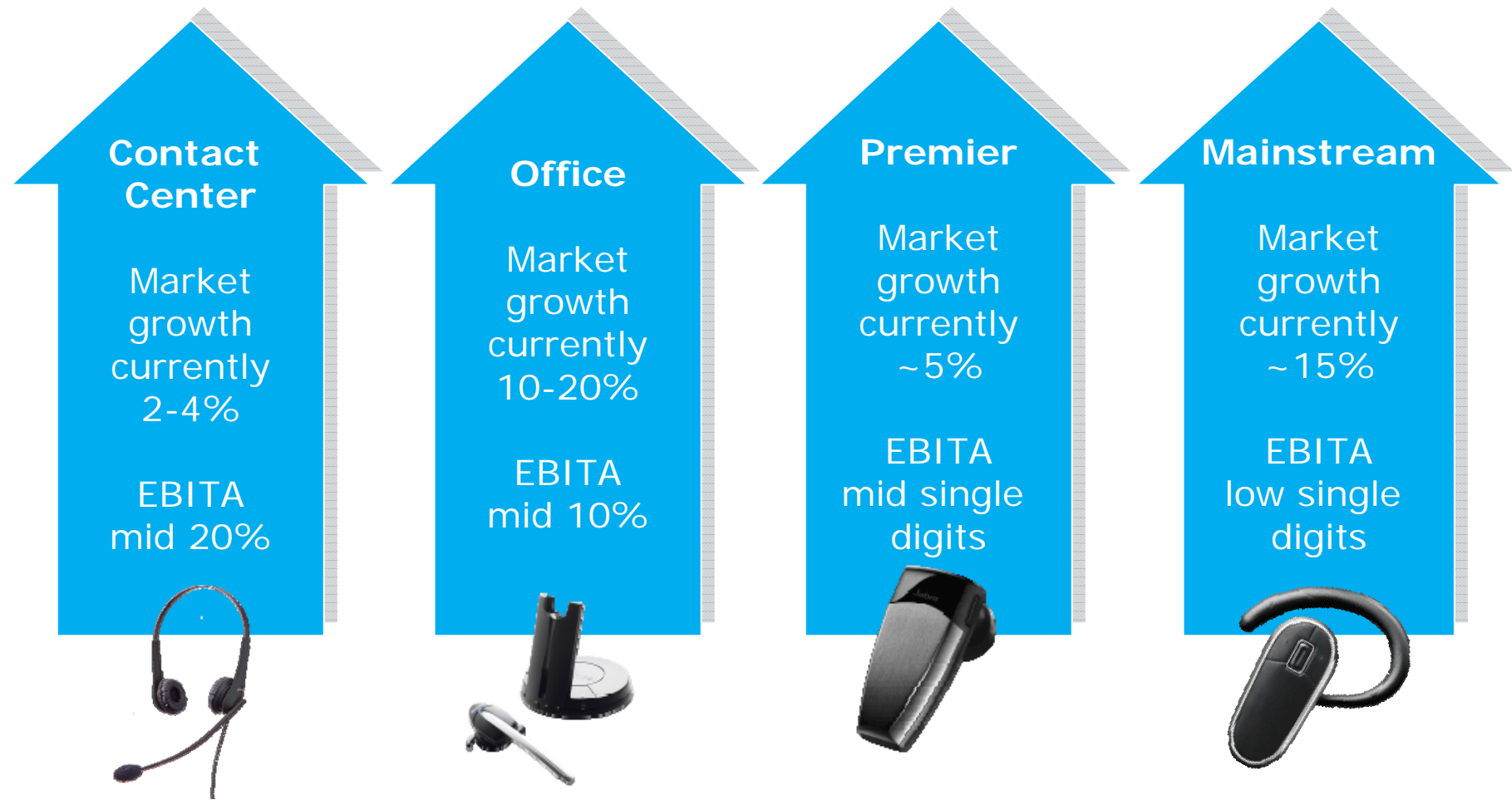
# Overall Strategy Plan



- A market-oriented Business Stream organization
- Less employees
- Cost cuttings
- New product platforms and less stand-alone products
- New supply chain set up started including one main partner
- This reengineering phase is expected to last until late 2008



# The Headset Market





GN ReSound



The **smallest**  **thing** can make the biggest difference.



(DKK million)	Q1	Q2	Q3	Q4	2007	Q1
Revenue	811	842	755	747	3,155	772
Growth	2%	9%	(2)%	(13)%	(2)%	1%
Gross Margin	62%	63%	61%	59%	61%	60%
EBITA before non-recurring costs	121	129	55	35	340	31
EBITA margin before non-recurring costs	14.9%	15.3%	7.3%	4.7%	10.8%	4.0%
EBITA	121	129	55	(5)	300	31

- Henrik Juuel appointed as new CFO of GN ReSound
- Revenue flows stabilized and GN ReSound reported revenue of DKK 772 million equivalent to positive organic growth of 1%
- dot by ReSound™ key driver for Q1 performance – sales volume continues at planned level indicating good sell-through to end consumers
- The gross margin was lower than last year due to a change in product and country mix
- SG&A impacted by increase in sales and marketing costs triggered by the dot by ReSound™ launch as well as the implementation of growth-driving initiatives
- Audiologic Diagnostics Equipment: revenue of DKK 76 million, EBITA of DKK 3 million

\* Hearing Instruments and Audiologic Diagnostics Equipment



## GN ReSound Balance Sheet & Cash Flow

<b>Balance selected items (DKK million)</b>	<b>Q1 2007</b>	<b>FY 2007</b>	<b>Q4 2007</b>	<b>Q1 2008</b>
Inventories	376	374	374	375
Trade receivables	713	665	665	687
Trade payables	167	211	211	162
<b>Cash flow (DKK million)</b>				
Cash flow before working capital	159	535	74	114
Change in working capital & restruct. paid	(70)	(78)	(19)	(72)
Cash flow from investing activities	(89)	(348)	(100)	(139)
Free cash flow excl. tax & financial items	0	109	(45)	(97)

- Increase in working capital primarily due to higher sales
- Cash flow from investing activities affected by paid expenses related to the abandoned sale of GN ReSound and minor acquisitions including GN ReSound India



# Turnaround Program Initiated late 2007

The aim of the program is to accelerate profitable growth and increase cost efficiency

## **Accelerate Profitable Growth**

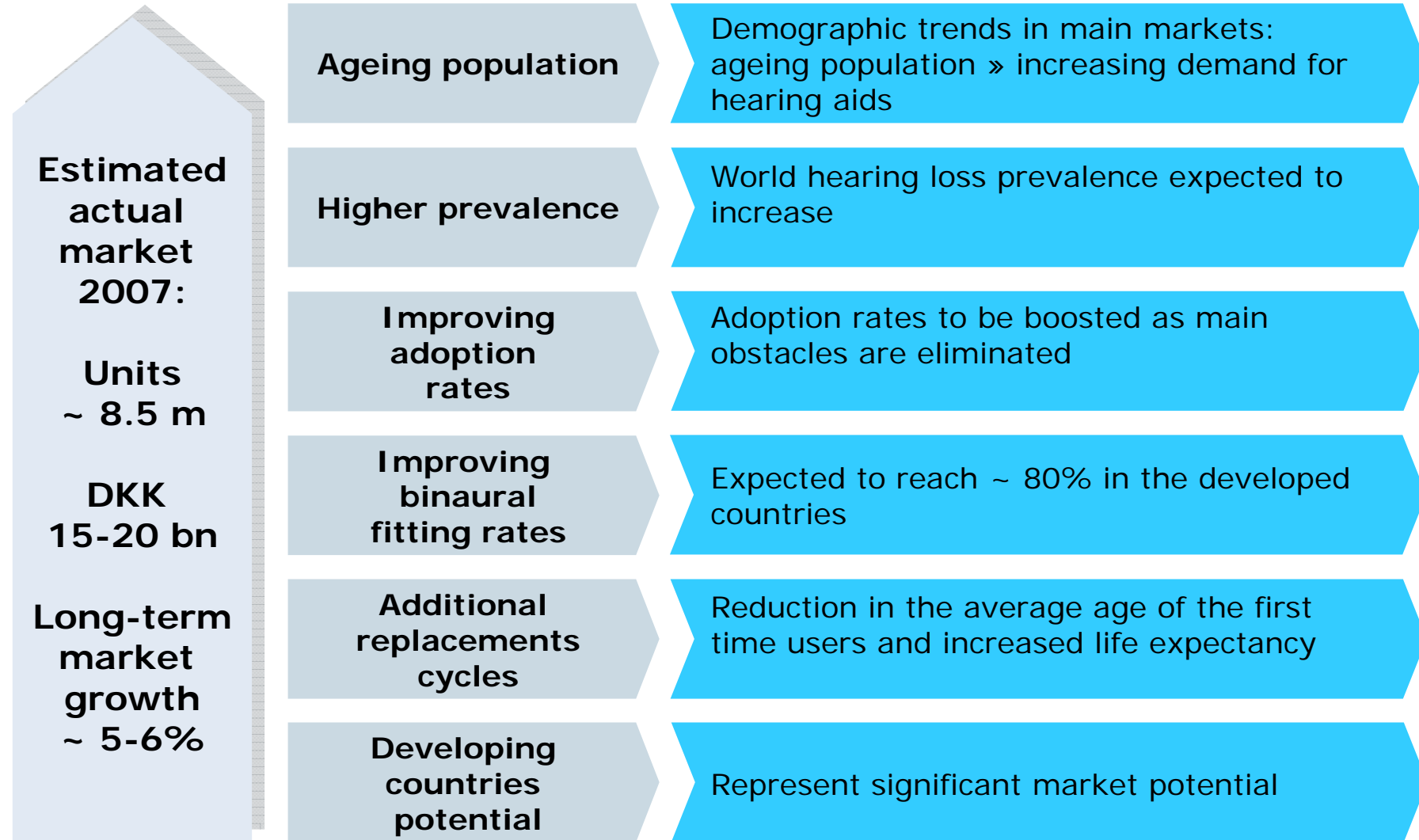
- New flatter regional sales organization implemented
- Further capitalizing on product launches
- Winning back accounts and expanding distribution
- Investing in building new infrastructure in emerging markets

## **Finalize integration and streamline**

- Full integration of Interton into GN ReSound
- One single location for Interton and GN ReSound in Germany
- Reduction and streamlining of back-office functions in the US executed in Q4 2007



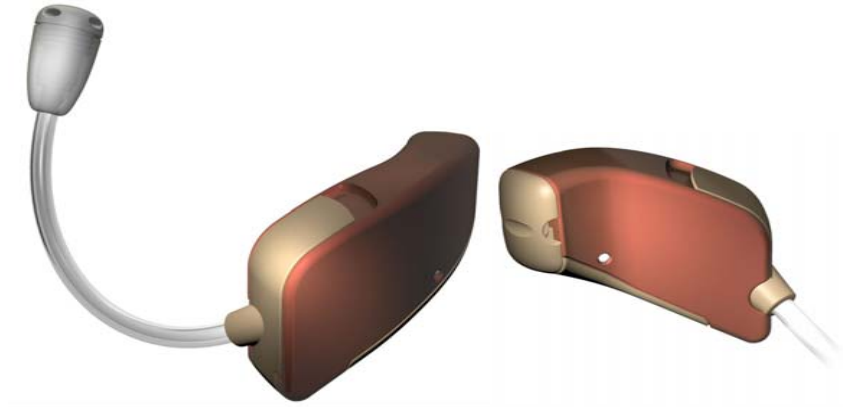
# Very attractive industry





## be by ReSound™ – New Category (IOT)

- Stylish appearance
  - Unique design
  - Unique form factor
  - Preferred by new users
- Very invisible solution
- Great wearing comfort
  - Open & occlusion free
- High convenience
  - Instant fit (non-customized)
  - No hassle – one hand operation
  - No fumbling with eye glasses







## ReSound Ziga™ and New BTE-housing

- ReSound Ziga™ new product family for mid-price segment
- Adaptive directionality and soft switching
- Warp sound processing
- Efficient noise reduction
- Open fitting with the best feedback system
- BTE housing – slim and functional Scandinavian design
  - To be used with other products such as Azure Silhouette



**Ziga™**  
ReSound



# Outlook 2008

<b>Revenue (DKK/USD 4.75)</b>	<b>(DKK million – ~ figures)</b>
GN Netcom	>2,700
GN ReSound	~3,000
<b>GN Total*</b>	~5,700
<b>EBITA (excl. non-recurring costs)</b>	
GN Netcom	125-175
GN ReSound	250-300
Other	~(30)
<b>GN Total*</b>	~ 350-450
Non-recurring costs in GN Netcom	~(75)
Amortization, finance etc.	~(125)
<b>EBT*</b>	~150-250
* Uncertainty due to the substantial changes being made in both GN Netcom and GN ReSound	
<b>Investments**</b>	~700

\*\* incl. capitalized R&D excl. acquisitions



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Q&A