



# GN Q2 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.



## Q2 Summary

- The Q2 financial results were in line with expectations.
- Revenue was DKK 1,363 million. Exchange rate fluctuations impacted revenue by (8)% compared to Q2 2007 and organic growth was hence positive by 1%. EBITA was DKK 38 million.
- GN Netcom generated revenue of DKK 584 million corresponding to an organic growth of 3%. EBITA was DKK (3) million exclusive of non-recurring costs of DKK 25 million.
- GN ReSound reported revenue of DKK 776 million corresponding to an organic growth of (1)%. EBITA was DKK 72 million.
- After end Q2, Peter U. Scheel appointed head of Global R&D in GN ReSound.
- 75% owned DPTG I/S claim against TPSA is DKK 5 billion. The parties have agreed a new schedule for the proceedings with submissions on traffic and revenue estimates during 2008 and hearings in the first half of 2009. A partial award on DPTG's claims could be rendered by Q3 2009.



## Profit and Loss

(DKK million)	Q2/2007	2007	Q2/2008
Revenue	1,463	5,981	1,363
EBITA	93	294	38
Amort., finance, associates etc.	(21)	(98)	(43)
Depreciation and costs related to the abandoned sales process (GN ReSound)	32	(296)	0
EBT	104	(100)	(5)

- EBITA was DKK 63 million excl. non-recurring costs of DKK 25 million in GN Netcom
- Amortizations of acquired intangible assets was DKK (7) million and net financial items were DKK (35) million



## Balance & Cash Flow

(DKK million)	*End Q2/2007	End 2007	End Q1/2008	End Q2/2008
Goodwill	2,707	2,525	2,408	2,424
Other intangible assets	1,161	1,127	1,126	1,141
Tangible & other non-current assets	1,656	1,513	1,469	1,488
Current assets	2,682	2,670	2,547	2,481
Equity	5,063	4,482	4,213	4,252
Liabilities	3,143	3,353	3,337	3,282
Total assets/liabilities	8,206	7,835	7,550	7,534
NIBD	(1,272)	(1,516)	(1,659)	(1,612)
Free Cash flow	84	(183)	(139)	39

\* 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 decreased by DKK 47 million in Q2. Free cash flow impacted by DKK (38) million from paid expenses related to the abandoned sale of GN ReSound and minor acquisitions



GN Netcom



Jabra SP700



Jabra BT4010



Jabra BT2050



Jabra M5390  
and A335w  
dongle



(DKK million)	Q1	Q2	Q3	Q4	2007	Q1	Q2
Revenue	749	617	670	775	2,811	636	584
Growth	(14)%	(33)%	(2)%	(2)%	(14)%	(8)%	3%
Gross margin	37%	40%	42%	38%	39%	41%	43%
EBITA before non-recurring costs	16	11	10	67	104	8	(3)
EBITA margin before non-recurring costs	2.1%	1.8%	1.5%	8.6%	3.7%	1.3%	(0.5)%
EBITA	16	(17)	6	30	35	3	(28)

- For the first time in two years organic growth was positive and 3% up. CC&O Headsets flat organic growth, Mobile Headsets up 8% organically.
- Gross margin improved compared to Q1 2008 and in line with Q2 2007 adjusted for last year's inventory write-downs related to music products
- EBITA was DKK (3) million exclusive of non-recurring costs of DKK 25 million



## GN Netcom Balance Sheet and Cash Flow

<b>Balance sheet selected items (DKK million)</b>	<b>Q2 2007</b>	<b>FY 2007</b>	<b>Q1 2008</b>	<b>Q2 2008</b>
Inventories	282	343	265	228
Trade receivables	458	573	542	424
Trade payables	153	181	124	163
<b>Cash flow (DKK million)</b>				
Cash flow before working capital	21	239	42	34
Change in working capital & restruct. paid	131	(95)	(11)	145
Cash flow from investing activities	(30)	(128)	(39)	(33)
Free cash flow excl. tax & financial items	122	16	(8)	146

- Working capital reduced significantly in Q2 among other reflecting increased focus on reducing days sales outstanding and decreasing inventories
- Positive working capital development reflected in strong Q2 cash flow



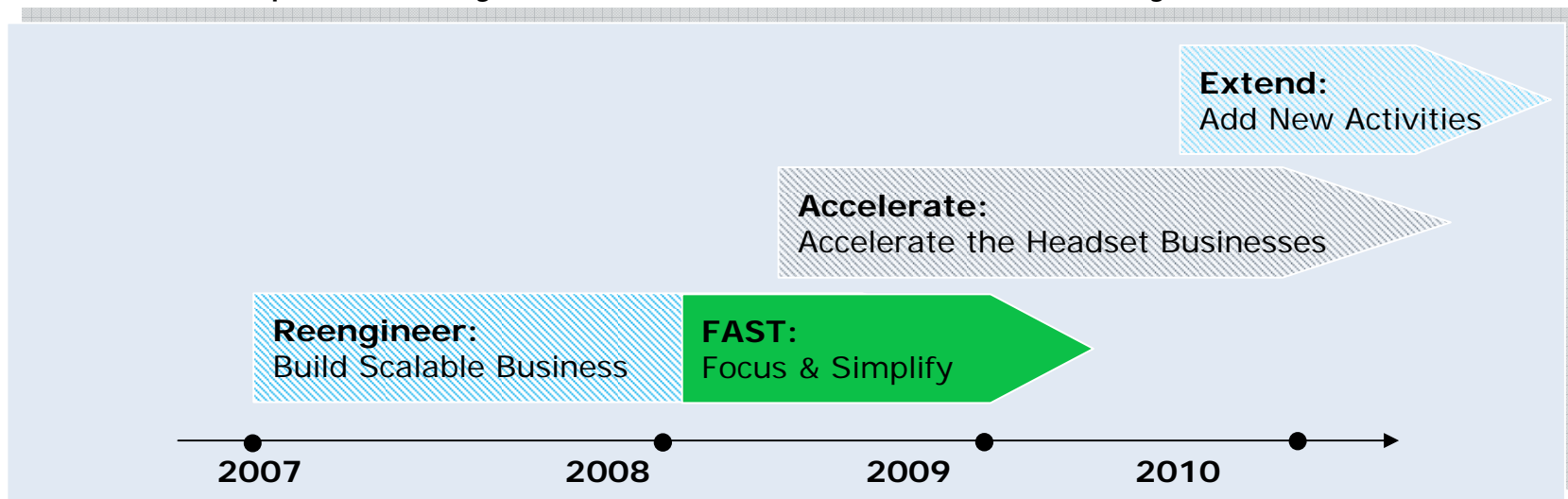


# FAST Restructuring Program

**FAST = Focused And Simplifying Turnaround**

## Goals:

- Improve Mobile earnings significantly to run rate breakeven by the end of 2009
- Increase profitability in CC&O (from an unsatisfactory level)



- A reduction of up to 250 positions (140 cut already)
- Fully implemented in Q2 2009
- Total savings of DKK 150 million (DKK 125 already in 2009)



# FAST Program

FROM:

Diverse and Complex

TO:

Focused and Simplified

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## R&D

- Development mainly done in-house
- Large pipeline of products which partially cannibalize each other

- High-end products and competitive advantage parts developed in-house
- Focused roadmap – platform-based

## Production & Distribution

- Manage outsourced production by 13 EMS'
- In-house procure components
- "Forecast-driven" supply chain

- Outsourcing
- Strategic component sourcing
- "Build to order" Mobile Headsets

## Sales & Marketing

- ~60 Mobile products
- ~700 Mobile customers of various sizes
- CC&O sales in > 50 countries

- ~ 15 Mobile products
- < 100 large customers/channels
- CC&O sales in < 30 countries

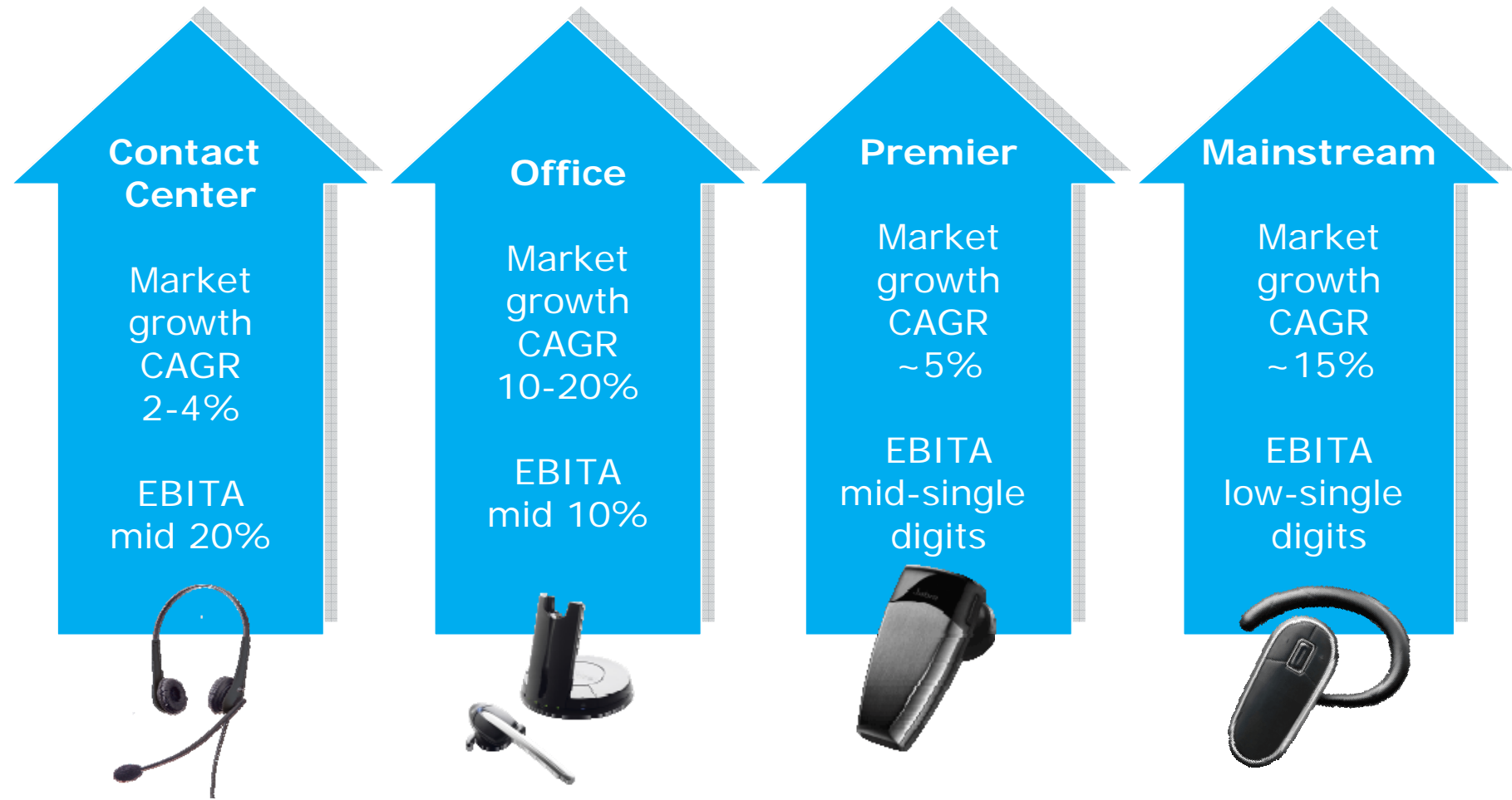
## Support Functions

- Poor data structure and systems
- Time spent on data generation and firefighting

- One global IT platform
- Simplified data and information structure



# The Headset Market





GN ReSound



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



(DKK million)	Q1	Q2	Q3	Q4	2007	Q1	Q2
Revenue	811	842	755	747	3,155	772	776
Growth	2%	9%	(2)%	(13)%	(2)%	1%	(1)%
Gross Margin	62%	63%	61%	59%	61%	60%	62%
EBITA before non-recurring costs	121	129	55	35	340	31	72
EBITA margin before non-recurring costs	14.9%	15.3%	7.3%	4.7%	10.8%	4.0%	9.3%
EBITA	121	129	55	(5)	300	31	72

- Revenue flows continued to stabilize and GN ReSound reported revenue of DKK 776 million equivalent to organic growth of (1)%
- dot by ReSound™ continued the good performance
- The gross margin was 62% compared with 63% last year, falling due to a change in product and country mix
- Increase in SG&A compared with Q2 2007, impacted by re-staffing and inflation. However, DKK 20 million lower than Q1 2008.
- Audiologic Diagnostics Equipment: revenue of DKK 79 million, EBITA of DKK 4 million

\* Hearing Instruments and Audiologic Diagnostics Equipment



## GN ReSound Balance Sheet & Cash Flow

<b>Balance selected items (DKK million)</b>	<b>Q2 2007</b>	<b>FY 2007</b>	<b>Q1 2008</b>	<b>Q2 2008</b>
Inventories	378	374	375	390
Trade receivables	717	665	687	758
Trade payables	165	211	162	161
<b>Cash flow (DKK million)</b>				
Cash flow before working capital	194	535	114	104
Change in working capital & restruct. paid	(21)	(78)	(72)	(45)
Cash flow from investing activities	(78)	(348)	(139)	(107)
Free cash flow excl. tax & financial items	95	109	(97)	(48)

- Trade receivables increased, following higher days sales outstanding. Closely monitored in order reduce days sales outstanding
- Cash flow from investing activities affected by paid expenses related to the abandoned sale of GN ReSound and minor acquisitions



# GN ReSound Strategy

## Accelerate the business

Regain innovative  
leadership

Preferred  
partner

## Fixing the foundation

Three-stringed  
Brand strategy

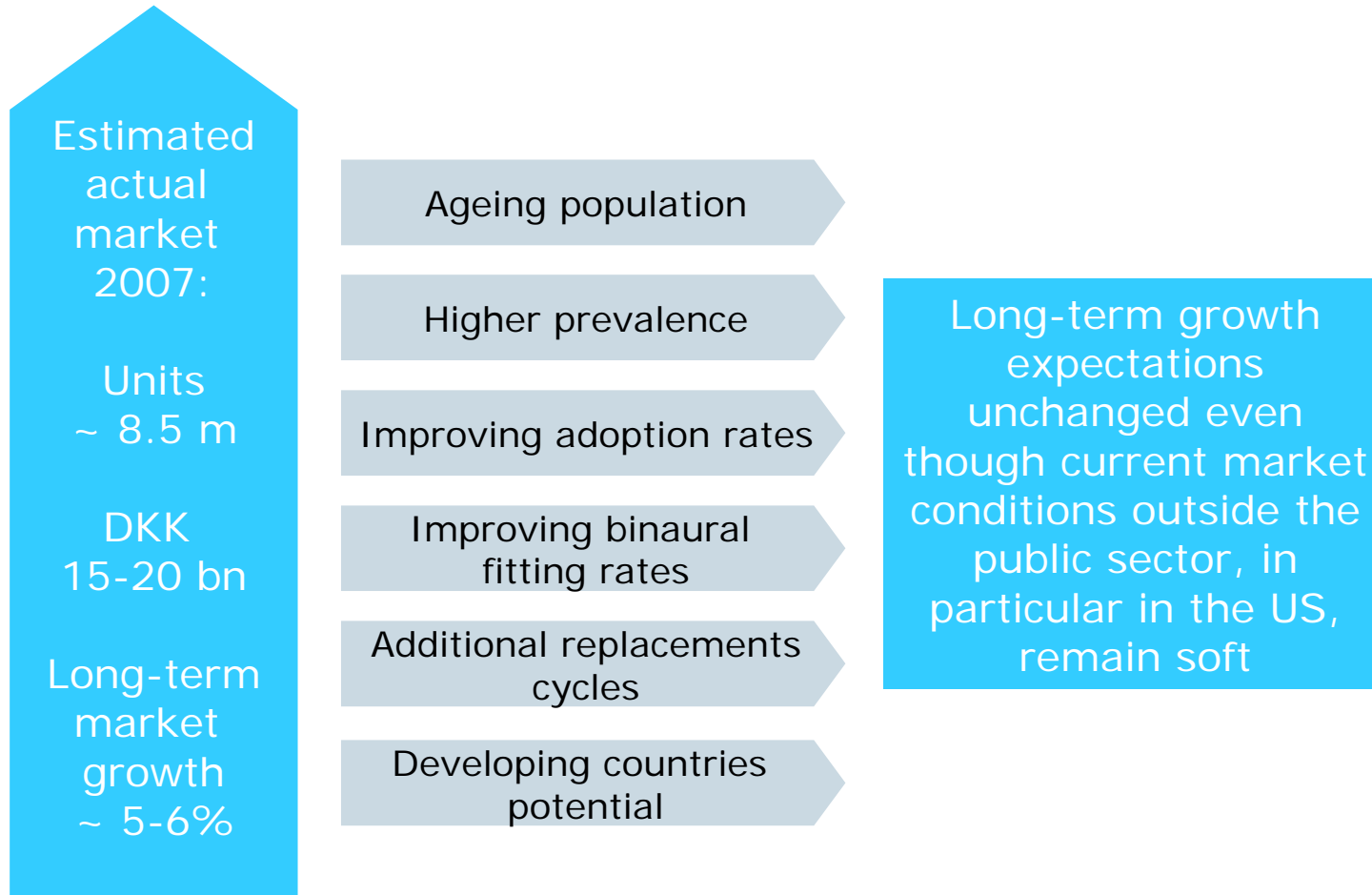
Commercial  
excellence

Execution  
excellence

## Performance-driven culture



# Very attractive industry







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

- Revolutionary design which opens an entirely new category in the industry
- Combines the main benefits of traditional ITE's and BTE's:
  - Invisible solution placed deep inside the ear canal
  - Open & occlusion free
  - Instant fit (non-customized)
  - No hassle – one hand operation
  - No fumbling with eye glasses



- Introduced in selected states in the US and in New Zealand in June
- Market feedback is great
- Full-blown launch will be executed in the rest of the US in August and in Europe in September



# ReSound X-plore™ and Beltone Reach



ReSound X-plore™ – a new complete family of hearing instruments in the plus segment. ReSound X-plore™ is small, discreet and, above all, highly comfortable. Available in the new Silhouette BTE housing

- Launched on most key markets by the end of Q2

**Beltone**  
**reach™** flexible intelligence



Beltone Reach – a new high-end series. Beltone Reach features Smart Gain, Learning Volume Control and extraordinary user-friendliness. Tinnitus Breaker is available as part of Beltone Reach

- Launched in North America end June – rest of world in September



## New Management Members in GN ReSound



- Peter U. Scheel (49)
- Head of Global R&D
- Previously President & CEO in hearing instrument component supplier Sonion



- Mads Bjerre Andersen (46)
- Head of Sales Europe
- Previously CEO of the German hearing instruments retailer GEERS Hörakustik AG & Co. KG



# Outlook 2008

<b>Revenue (DKK/USD 4.75)</b>	<b>(DKK million)</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	~(150)
Amortization, finance etc.	~(150)
<b>EBT*</b>	~50-150
<b>Investments**</b>	~700

\* Uncertainty due to the substantial changes being made in both GN Netcom and GN ReSound

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



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Q&A