

# INTERIM REPORT Q1 2012



Copenhagen, May 3, 2012



# AGENDA

## Group highlights

GN ReSound business update

GN ReSound SMART update

GN Netcom business update

Financial outlook

# GROUP HIGHLIGHTS – Q1 2012

## - CONTINUED SOLID TOPLINE GROWTH

### Quarterly financial performance

- Solid topline growth driven by both businesses
- Excluding non-recurring costs, EBITA improved by 35%
- The free cash flow was DKK 2,961 million, positively impacted by the TPSA payment on January 13
- Shares amounting to DKK 513 million was repurchased as part of the ongoing DKK 1.3 billion safe harbor program

### Quarterly business highlights

- The SMART program in GN ReSound is on track
- GN ReSound's product portfolio was further enhanced with growth supporting products announced at AudiologyNow!
- GN Netcom continues to experience strong UC demand
- Acknowledging the importance of GN's legal case against the German Federal Cartel Office, the District Court of Bonn has referred the case to the District Court of Cologne

<b>Group financials (DKK million)</b>	<b>Q1 2012</b>	<b>Q1 2011</b>
Revenue	1,478	1,298
Organic growth	9%	7%
Gross margin	59.1%	59.6%
EBITA	150	97
EBITA excl. one-offs*	165	122
EBITA margin excl. one-offs*	11.2%	9.4%
Net profit	98	54
Free cash flow	2,961	(27)

\* DKK 25 million tax/duty provision in Q1 2011 and DKK 15 million in restructuring costs in Q1 2012

# AGENDA

Group highlights

**GN ReSound business update**

GN ReSound SMART update

GN Netcom business update

Financial outlook

# GN RESOUND – Q1 KEY FINANCIALS

## - MARKET SHARE GAINS AND PROFITABILITY AS PER PLAN

DKK million	Q1 2011	Q2 2011	Q3 2011	Q4 2011	FY 2011	Q1 2012
Revenue	820	827	841	962	3,450	914
Organic growth	9%	9%	9%	8%	9%	6%
Gross margin	60.2%	59.4%	61.3%	62.3%	60.8%	61.5%
SG&A, R&D etc.	(442)	(417)	(408)	(406)	(1,673)	(485)
EBITA	52	74	107	193	426	77
EBITA excl. SMART costs	52	74	107	193	426	92
EBITA margin excl. SMART costs	6.3%	8.9%	12.7%	20.1%	12.3%	10.1%
Free cash flow excl. tax & financials	(47)	30	13	88	84	(84)

- 6% organic growth - continued market share gains
- EBITA improved by around 20% (excl. non-recurring costs in Q1 2011 and Q1 2012)
- SMART restructuring costs of DKK 15 million (OPEX: DKK 13 million, COGS: DKK 2 million)
- OPEX increase reflects a.o. SMART restructuring costs, investments in growth, reclassification of certain costs from production costs and normal R&D seasonality
- Free cash flow was impacted by higher cash outflow from acquisitions, captive activities and tax combined with cash SMART restructuring costs

# REVENUE SPLIT PER BUSINESS AREA

- HEALTHY GROWTH IN BOTH OTOMETRICS AND HEARING INSTRUMENTS

## Revenue Q1 2012

	Revenue (MDKK)
Hearing Instruments	805
Otometrics	109
<b>GN ReSound</b>	<b>914</b>

	Organic growth
Hearing Instruments	5%
Otometrics	14%
<b>GN ReSound</b>	<b>6%</b>

## New Otometrics product launches



**Aurical HIT**  
*ONE POSITION*  
*Fitting and testing*



**ICS Impulse**  
*Diagnostic precision*

# PRODUCT PORTFOLIO ENHANCEMENT

- NEW PRODUCT LAUNCHES ANNOUNCED AT AUDIOLOGYNOW! 2012\*

ReSound Vea – basic and budget segment extension

---

Sound quality

Simplicity

Durability

Flexibility



Further enhancement of 2.4 GHz technology

---

- Further developing and expanding our leading wireless technology
- Ability to integrate in smaller products
- ReSound Alera offers the widest and most flexible custom product line up in the industry



\*Additional product details and information can be found in GN's AudiologyNOW! 2012 presentation, which can be found on GN's website, [www.gn.com](http://www.gn.com)

# PRODUCT PORTFOLIO UPDATE

- EXCITING PRODUCTS ON ITS WAY IN SECOND HALF OF 2012

		Performance	Life style/ Design	Tinnitus	Super Power	Pediatrics
Premium	Top	H2 2012	H2 2012	Alera 9 TS		H2 2012
	Plus	H2 2012	H2 2012	Alera 7 TS		H2 2012
	Basic	Alera 5 & Alera 4				
		ReSound Unite – premium connectivity				H2 2012
Essentials	Basic	ReSound Ve3			Sparx	
	Budget	ReSound Ve1 & 2				

**Launched**  
**Launched**



# AGENDA

Group highlights

GN ReSound business update

GN ReSound SMART update

GN Netcom business update

Financial outlook

# UPDATE ON THE SMART RESTRUCTURING PROGRAM



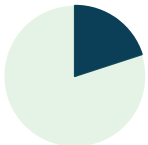
## - THE SMART PROGRAM IS ON TRACK TO DELIVER ON TARGETS

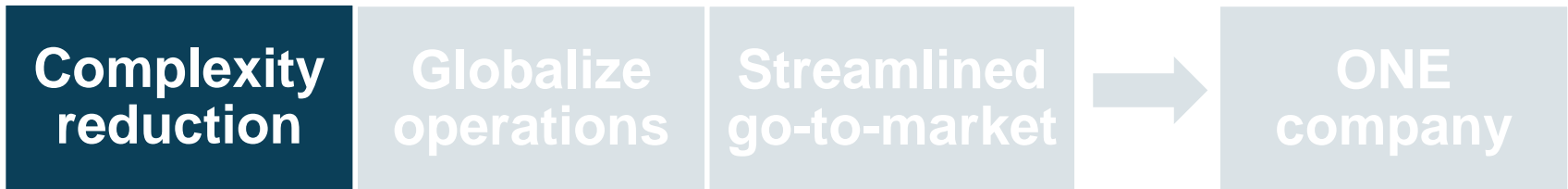
- Significant progress across all levers since last update in late February
- Restructuring costs amounted to DKK 15 million in Q1 2012. Estimated restructuring costs for the year is unchanged “up to DKK 200 million”
- The targeted EBITA improvement of DKK 50 million in 2012 compared to 2011 and DKK 190-240 million in 2013 are confirmed



# UPDATE ON THE SMART RESTRUCTURING PROGRAM




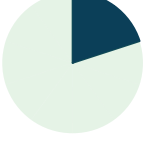
## - COMPLEXITY REDUCTION

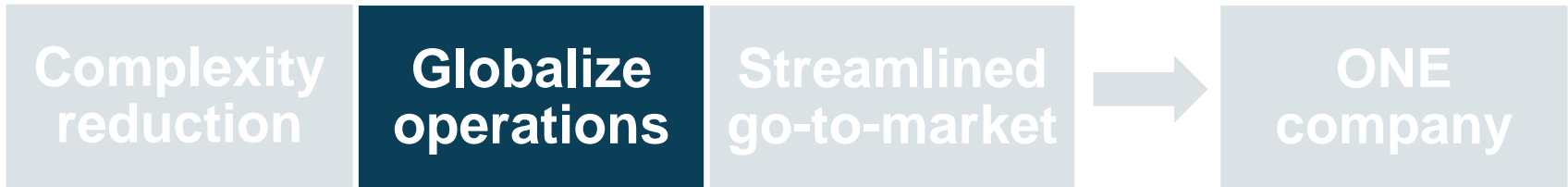
Lever	Status comments	EBITA target (DKK)	Project status
<b>SKU reduction</b> - simplification of product portfolio	<ul style="list-style-type: none"> <li>Analysis phase completed</li> <li>SKU reduction potential confirmed</li> </ul>	<b>20 Million</b>	
<b>Packaging</b> - standardization of product offering	<ul style="list-style-type: none"> <li>New packaging concept almost ready</li> <li>Detailed implementation planning ongoing</li> </ul>	<b>20 Million</b>	
<b>Duplicated tasks</b> - eliminate and pursue shared service solutions	<ul style="list-style-type: none"> <li>Duplication of tasks within several areas confirmed</li> <li>Bulk of impact to be seen after elimination of complexity and establishment of a standardized business model</li> </ul>	<b>10 Million</b>	



# UPDATE ON THE SMART RESTRUCTURING PROGRAM





## - GLOBALIZE OPERATIONS

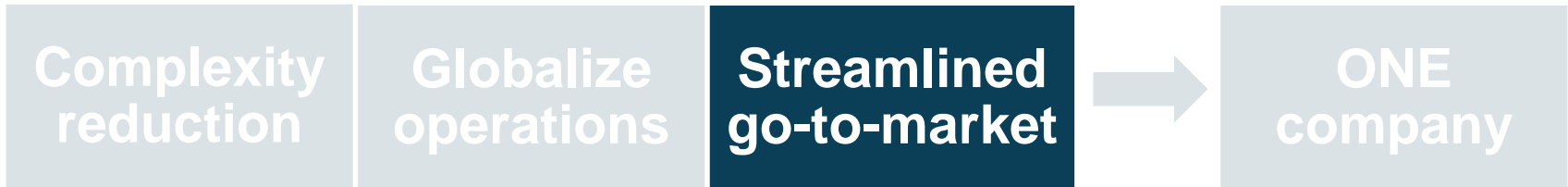
Lever	Status comments	EBITA target (DKK)	Project status
<b>Further offshoring</b> - leverage on Chinese manufacturing site	<ul style="list-style-type: none"> <li>Offshoring slowly ramping up from Q2 onwards</li> <li>Local production in remaining 4 European countries to close down in H2.2012</li> </ul>	<b>50 Million</b>	
<b>Freight costs</b> - centralization and consolidation	<ul style="list-style-type: none"> <li>Global tender – 2<sup>nd</sup> round negotiations ongoing</li> <li>First structural changes to logistic structure made in early Q2</li> </ul>	<b>20 Million</b>	
<b>Returns and repair</b> - minimize scrapping of returned products	<ul style="list-style-type: none"> <li>Potential confirmed</li> <li>Technical solutions being evaluated</li> </ul>	<b>30 Million</b>	
<b>Design-to-value</b> - ensure cost focus in development phase	<ul style="list-style-type: none"> <li>Potential firmly reiterated – additional potential beyond 2013</li> <li>Future organizational anchoring being evaluated</li> </ul>	<b>20 Million</b>	



# UPDATE ON THE SMART RESTRUCTURING PROGRAM

## - STREAMLINED GO-TO-MARKET

Lever	Status comments	EBITA target (DKK)	Project status
<b>Go-to-market</b> - blueprint for structure of sales sub	<ul style="list-style-type: none"> <li>• Successful deep dives in 5 countries so far</li> <li>• Online services – programming of new site initiated</li> </ul>	<b>20 Million</b>	
<b>Price management</b> - clear governance and best practice	<ul style="list-style-type: none"> <li>• Analysis in 3 large entities shows a clear upside</li> <li>• More resources will be allocated to the lever in order to accelerate impact</li> </ul>	<b>Upside</b>	
<b>Non-core biz</b> - discontinue non-core/loss making biz	<ul style="list-style-type: none"> <li>• 2-3 non-core and loss making businesses in scope</li> <li>• Negotiations ongoing</li> </ul>	<b>10 Million</b>	
<b>Underperforming entities</b> - turnaround	<ul style="list-style-type: none"> <li>• Progress seen in both Germany and France</li> <li>• Revenue above the Q1 2011 level</li> </ul>	<b>40 Million</b>	



# AGENDA

Group highlights

GN ReSound business update

GN ReSound SMART update

GN Netcom business update

Financial outlook

# GN NETCOM – Q1 KEY FINANCIALS

- STRONG GROWTH AND BEST Q1 EBITA MARGIN IN 11 YEARS

DKK million	Q1 2011	Q2 2011	Q3 2011	Q4 2011	FY 2011	Q1 2012
Revenue	476	503	516	611	2,106	564
Organic growth	5%	8%	19%	5%	9%	16%
Gross margin	58.4%	56.7%	55.2%	55.6%	56.4%	55.3%
SG&A, R&D etc.	(222)	(215)	(211)	(230)	(878)	(226)
EBITA	56	70	74	110	310	86
EBITA margin	11.8%	13.9%	14.3%	18.0%	14.7%	15.2%
Free cash flow excl. tax & financial items	44	86	98	115	343	90

- 16% organic growth driven by strong growth in both businesses
- EBITA margin improved with more than 3%-points as a result of the attractive operational leverage in both CC&O and Mobile leading to a positive result for Mobile in Q1
- Attractive free cash flow excl. tax and financials of DKK 90 million

# REVENUE SPLIT BY BUSINESS AREAS

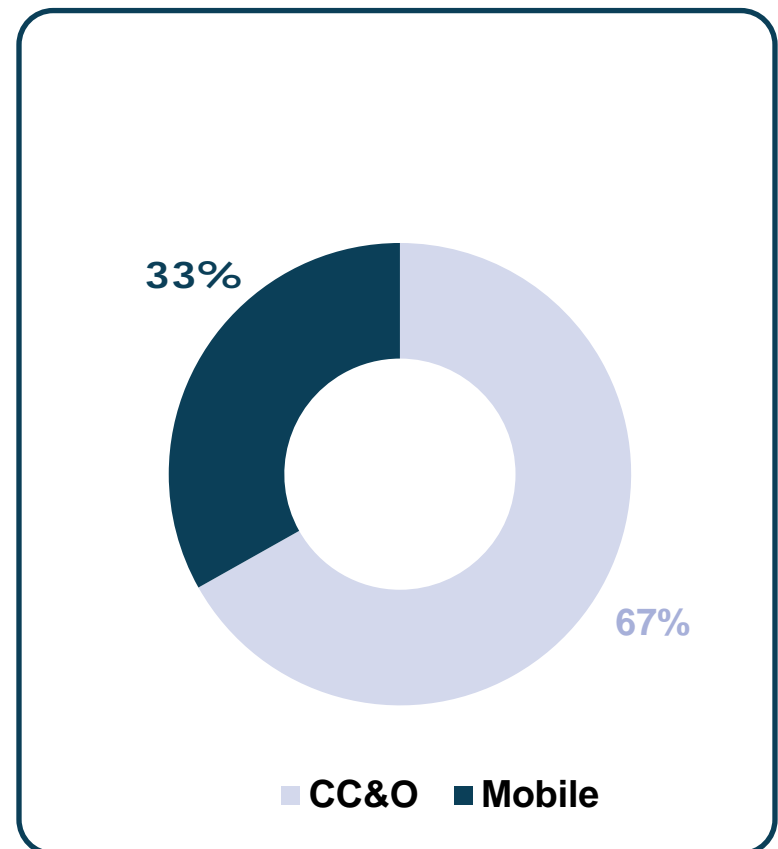
- STRONG GROWTH IN BOTH CC&O AND MOBILE

Revenue Q1 2012

	Revenue (MDKK)
CC&O	377
Mobile	187
<b>GN Netcom</b>	<b>564</b>

	Organic growth
CC&O	8%
Mobile	36%
<b>GN Netcom</b>	<b>16%</b>

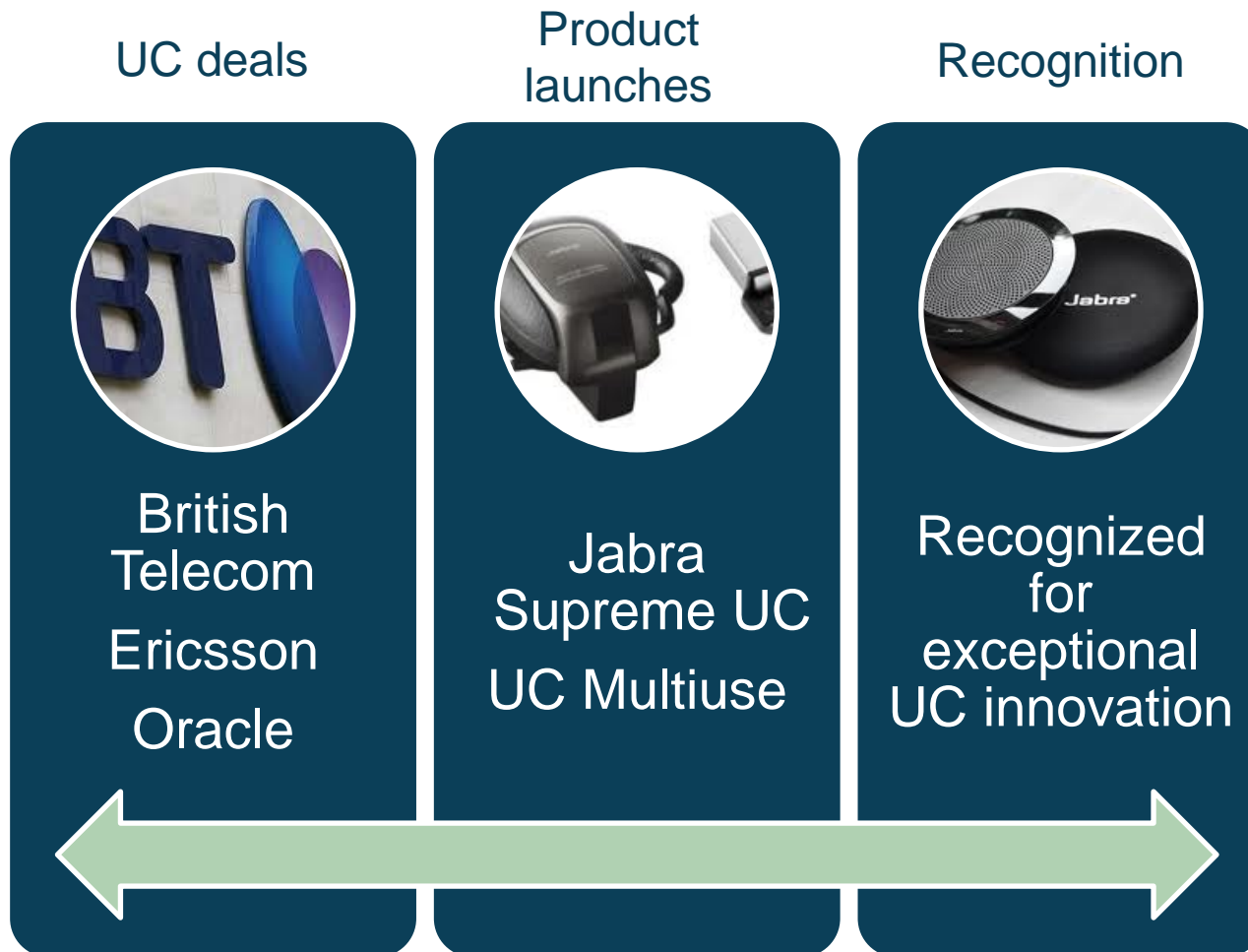
Revenue split Q1 2012





# SIGNIFICANT UC PROGRESS IN Q1

- IMPORTANT DEAL WINS, PRODUCT LAUNCHES AND RECOGNITION



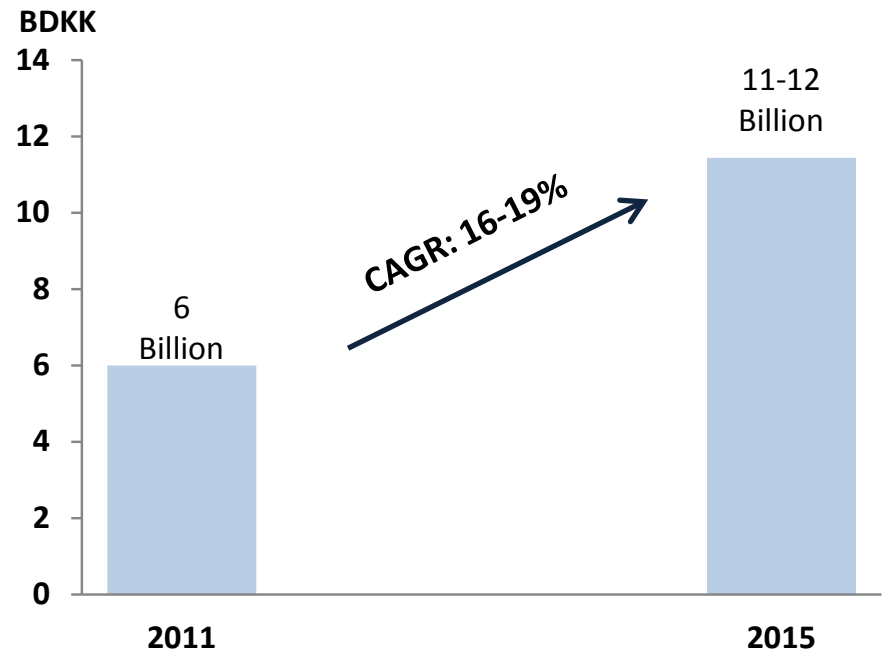
# CC&O MARKET DEVELOPMENT

## - ATTRACTIVE LONG TERM MARKET GROWTH

### Market comments

- Unified Communications continues to drive CC&O growth. Microsoft reported accelerated growth of now "more than 35%" for Microsoft Lync in the first quarter of calendar year 2012
- The demand in the traditional contact center business was softer than expected in Q1
- The total CC&O market growth continues to remain attractive with CAGR of 16-19% until 2015

### CC&O market projections



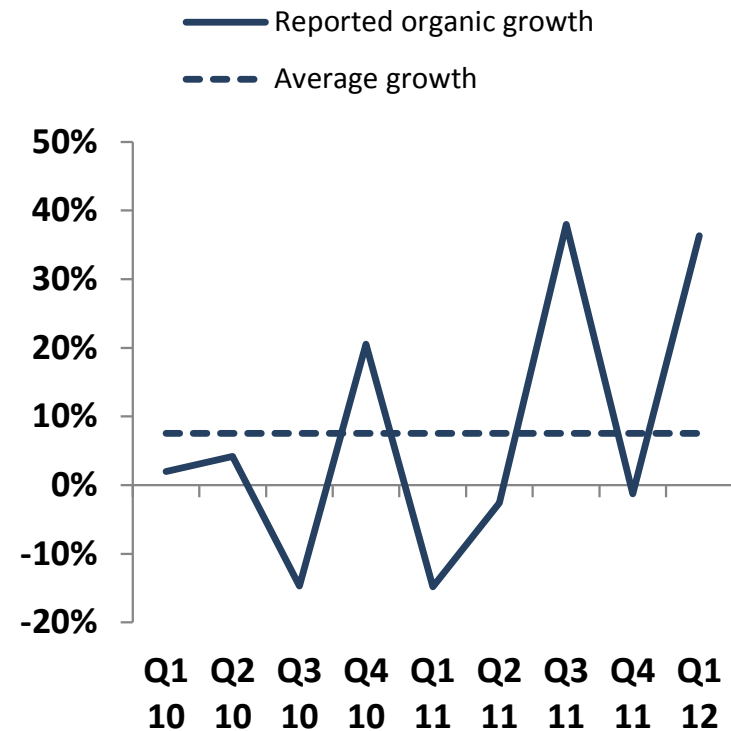
# MOBILE PERFORMANCE IN Q1

## - FUNDAMENTAL BUSINESS IMPROVEMENTS

### Key comments

- 36% organic growth in Q1 2012 driven by significant growth in all three regions
- 59% organic growth excl. OEM
- The fundamentals of the Mobile business has improved significantly and supported profitability
- Q1 2012 EBITA was positive for the first time ever in a Q1
- Growth was supported by a structural change among retailers - shifting from handset manufacturers' headsets to specialized brands such as Jabra

### Mobile organic growth



# AGENDA

Group highlights

GN ReSound business update

GN ReSound SMART update

GN Netcom business update

Financial outlook

# OUTLOOK

## - GUIDANCE FOR 2012 IS CONFIRMED ACROSS BUSINESSES

### Revenue

GN ReSound: 3-5% organic growth

GN Netcom: More than 9% organic growth

GN Store Nord: More than 5% organic growth

### EBITA

GN ReSound DKK 525-575 million excl. restructuring costs

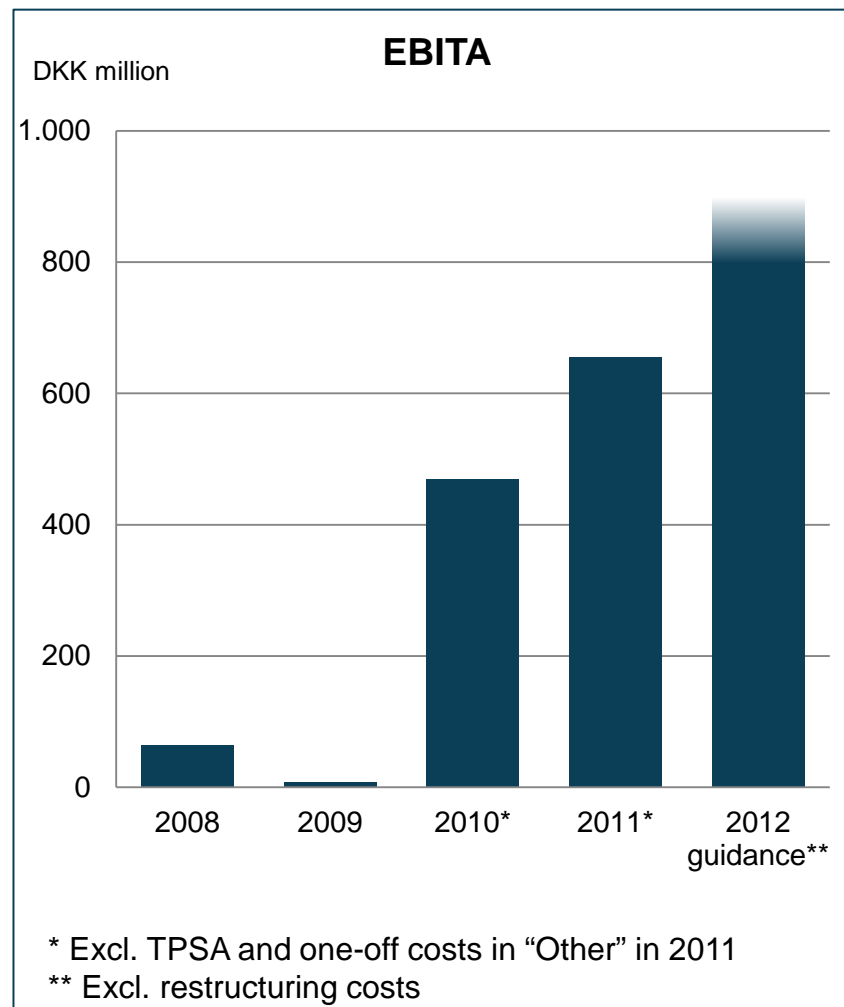
GN Netcom DKK 350-375 million

Other DKK (50)-(75) million

**GN Total** DKK 800-900 million

Amortization, finance etc. DKK (50) million

- Acquisitions completed late 2011 add around 2% revenue in GN ReSound – on top of the organic growth
- The guidance is based on the current exchange rates incl. DKK/USD of 5.50
- In 2012, restructuring costs of up to DKK 200 million are expected in GN ReSound
- Other includes up to DKK 15 million in exploratory research projects
- The financial performance in the second half of the year is expected to be stronger than in the first half of the year



# Q&A

# APPENDIX

# GN RESOUND – BALANCE SHEET & CASH FLOW

<b>Balance sheet (DKK million)</b>	<b>Q1 2011</b>	<b>Q2 2011</b>	<b>Q3 2011</b>	<b>Q4 2011</b>	<b>FY 2011</b>	<b>Q1 2012</b>
Inventories	404	399	451	454	454	448
Trade receivables	788	781	807	904	904	857
Trade payables	197	181	191	253	253	197
<b>Cash flow (DKK million)</b>						
Cash flow before working capital	113	135	170	292	710	142
Change in working capital and non-recurring costs paid	(92)	(32)	(46)	(68)	(238)	(121)
Cash flow from investing activities	(68)	(73)	(111)	(136)	(388)	(105)
Free cash flow excl. tax & financial items	(47)	30	13	88	84	(84)



# GN NETCOM – BALANCE SHEET & CASH FLOW

<b>Balance sheet (DKK million)</b>	<b>Q1 2011</b>	<b>Q2 2011</b>	<b>Q3 2011</b>	<b>Q4 2011</b>	<b>FY 2011</b>	<b>Q1 2012</b>
Inventories	105	90	79	95	95	87
Trade receivables	263	285	321	351	351	339
Trade payables	128	129	149	183	183	171
<b>Cash flow (DKK million)</b>						
Cash flow before working capital	73	88	102	139	402	111
Change in working capital and non-recurring costs paid	(14)	16	15	(5)	12	(1)
Cash flow from investing activities	(15)	(18)	(19)	(19)	(71)	(20)
Free cash flow excl. tax & financial items	44	86	98	115	343	90

# GN STORE NORD – INCOME STATEMENT

DKK million	Q1 2011	Q2 2011	Q3 2011	Q4 2011	FY 2011	Q1 2012
Revenue	1,298	1,334	1,359	1,573	5,564	1,478
Gross margin	59.6%	58.5%	59.0%	59.7%	59.2%	59.1%
SG&A, R&D etc.	(677)	(644)	(629)	(61)	(2,011)	(724)
EBITA	97	136	173	878	1,284	150
Amortisation, finance, etc.	(21)	39	(11)	(66)	(59)	(15)
EBT	76	175	162	812	1,225	135

# GN STORE NORD – BALANCE SHEET

<b>Balance sheet (DKK million)</b>	<b>Q1 2011</b>	<b>Q2 2011</b>	<b>Q3 2011</b>	<b>FY 2011</b>	<b>Q1 2012</b>
Goodwill	2,697	2,660	2,847	3,048	2,970
Other intangible assets	1,160	1,145	1,156	1,200	1,194
Tangible & other non-current assets	1,218	1,209	1,260	1,024	1,002
Current assets	4,499	4,618	4,689	5,755	3,560
<b>Equity</b>	<b>6,182</b>	<b>6,259</b>	<b>6,412</b>	<b>6,878</b>	<b>6,264</b>
Liabilities	3,392	3,373	3,540	4,303	2,616
<b>Total assets</b>	<b>9,574</b>	<b>9,632</b>	<b>9,952</b>	<b>11,181</b>	<b>8,880</b>
NIBD	1,127	1,064	1,154	1,269	(1,081)