



June 17, 2008

**ANNOUNCEMENT NO: 14**

## **GN Netcom to implement comprehensive restructuring program**

Driven by tougher market conditions in both the Mobile and the CC&O Headset business, GN Netcom is launching a comprehensive restructuring program in order to turn around the Mobile division's unsatisfactory earnings and to strengthen profitability in CC&O Headsets. The program comprises a significant simplification of the entire organization, including of the supply chain, a stronger focus on selected core markets, key accounts and product segments and a further simplification of the organization involving staff cuts by up to 250 employees. The program was developed in collaboration with the previous Supervisory Board and is anchored in and approved by the new Supervisory Board that took office effective June 16.

The new initiatives incorporated in the FAST program (FAST = Focused And Simplifying Turnaround) build on the strategy presented in early 2007. The FAST program is expected to be fully implemented in the second quarter of 2009. Fully rolled out, the program will provide overhead savings in the magnitude of DKK 150 million annually. Including the previously guided non-recurring costs of DKK 75 million in 2008, the program will result in total non-recurring costs of some DKK 200 million, most of which are expected to be expensed in 2008. The majority of cost savings are expected to take effect from the end of 2008 and early 2009, and the program will therefore have a limited effect on EBITA in 2008 relative to the previous guidance.

### **Organizational initiatives**

The FAST program entails a simplification of the organization based on merging a number of functions and discontinuing others, with the aim of making GN Netcom's organization more lean, flexible and cost-effective. As a result, GN Netcom expects to lay off up to 250 of the 1,200 current positions by the second quarter of 2009. Out of this number, approximately 50 employees in North America and 20 employees in APAC have already been laid off during the past few months. In some cases, various initiatives will be made available to the employees affected, including outplacement services.

The Executive Management of GN Netcom continues to consist of CEO Toon Bouten and CFO Anders Boyer. Anders Boyer will take on added responsibilities and will be responsible for implementing the FAST program throughout the organization.

**Focused customer approach in the Mobile division**

Going forward, the Mobile division will market a significantly more focused portfolio of headsets directly to selected major customers in around 10 core markets, while other markets and customers will be served through distributors. This will result in substantial cost savings and more effective utilization of product development, sales and marketing resources.

**Production and distribution**

The FAST program entails that the Mobile Headset business will work with a limited number of large customers with products based on configurable platforms. This will enable the Mobile Headset business to simplify the supply chain significantly based on a configure-to-order strategy.

For CC&O Headsets, the supply chain will be set up to enable short order cycle times and high flexibility at minimum inventory levels.

Consequently, GN Netcom will adjust its plans to set up regional distribution and fulfillment centers and redefine the supply chain accordingly.

**Financial consequences**

The initiatives described above are expected to reduce GN Netcom's overheads by approximately DKK 125 million in 2009 and by another approximately DKK 25 million in 2010, when the cost savings will have had full effect on development, sales and distribution costs as well as on general and administrative costs. The initiatives are expected to enable the Mobile division to reach a run rate break even in terms of EBITA by the end of 2009, and they are also expected to strengthen the profitability of CC&O Headsets.

In 2008, the initiatives will entail a number of non-recurring costs that can only to a limited extent be offset by overhead savings. The costs include some DKK 150-175 million for severance pay, production and supply chain restructuring, office shutdowns, etc. In addition, GN Netcom intends to write down DKK 25-50 million on various production equipment, software and systems and development projects that will not be needed going forward. The previous guidance of non-recurring costs of DKK 75 million was mainly related to production and supply chain restructuring.

**Impact on GN Netcom's guidance for 2008**

The revenue forecast of at least DKK 2,700 million, equal to organic growth of at least 5%, is unchanged. EBITA excluding non-recurring costs is expected to be in the DKK 125-175 million range, in line with the previous guidance. Non-recurring costs are expected to be at the level of DKK 150 million, as against the previous guidance of DKK 75 million. The distribution of non-recurring costs between 2008 and 2009 and the level of such costs are subject to uncertainty.

The outlook for the rest of the GN Store Nord Group is unchanged.



***GN will present the FAST program at a conference call for investors, analysts and the press today at 3.30 p.m. CET. The conference call will refer to a slide deck, which will be available beforehand at [www.gn.com](http://www.gn.com).***

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### **Forward-looking statements**

*The forward-looking statements in this announcement reflect management's current expectations for certain future events and financial results. Statements regarding 2008 are, of course, subject to risks and uncertainties which may result in material deviations from expectations. Factors that may cause the 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 on GN's markets; changes in demand for GN's products; competition; shortages of components needed in production; and the integration of company acquisitions. This announcement should not be construed as an invitation to buy or sell securities in GN Store Nord A/S.*