



January 15, 2008

**ANNOUNCEMENT NO: 1**

## **GN Store Nord issues 2007 full-year profit warning**

Due to lower than expected growth in both GN ReSound and GN Netcom, GN Store Nord lowers its profit forecast for 2007.

GN ReSound continues to see negative effects on the business in the wake of the protracted sales process that lasted for more than 16 months. Following worse-than-expected negative organic growth relating to that situation in the fourth quarter of approximately (15%) in Hearing Instruments, GN ReSound will not be able to deliver full-year 2007 EBITA of DKK 400-450 million as projected in the most recent guidance provided in the Q3 Interim Report. Furthermore, the full-year 2007 EBITA will be impacted by non-recurring costs following cost-cutting and efficiency-improving projects introduced late in the fourth quarter. These non-recurring costs were not included in the guidance provided in the Q3 Interim Report.

EBITA for GN ReSound is expected to be approximately DKK 300 million including non-recurring costs of approximately DKK 40 million in Q4 2007 and including the non-disclosed non-recurring amount related to settlement costs in a lawsuit against GN ReSound announced in Q3 2007. The new forecast includes a minor profit from Audiologic Diagnostics Equipment, down from the previous forecast of just less than DKK 25 million.

During Q4 GN ReSound has initiated a number of initiatives to counter the effects of the protracted sales process. A new, global sales structure has been implemented to enhance market focus, and all vacant sales positions have been filled including a few new country managers. In 2008 there will be a strong focus on product launches starting with the launch this month of the smallest BTE hearing instrument on the market: dot™ by ReSound.

In addition, a number of cost-cutting and efficiency-improving efforts have been set in motion. The non-recurring costs of approximately DKK 40 million including provisions relate to such projects initiated late in the fourth quarter 2007. The projects are expected to be completed during 2008 and they involve, among other things, the full integration of the Interton business into GN ReSound. This will enable Interton to upgrade their technologies and deliver further economies of scale to the GN ReSound group. Further, some trimming projects have been initiated, including a reduction and streamlining of back-office functions in the US. For the full year 2008, the projects will improve EBITA for GN ReSound by approximately DKK 50 million.

A new strong management team to head GN ReSound and continue the turn-around of the company following the protracted sales process is expected to be announced later in January.



In GN Netcom, revenue in both CC&O Headsets and Mobile Headsets were lower than expected in Q4 2007. The full-year EBITA before non-recurring costs will be lower than the guidance of approximately DKK 100 million including Other Activities announced in the Q3 Interim Report. In particular, revenue fell short of expectations in the US, where the retail markets experienced a general downturn, as well as in the Asia Pacific region. The full-year EBITA for GN Netcom and Other Activities is expected to be DKK 60-70 million before non-recurring costs of approximately DKK 70 million.

In order to improve overall sales execution a new sales management team was appointed in December 2007 with a new global head of sales and new regional sales managers in North America and APAC. In North America, more resources have also been made available to grow sales through contact center resellers and other specialist tech channels.

The restructuring of GN Netcom is progressing according to plan. GN Netcom has commenced postponement operations (fulfillment) with its new EMS partner Celestica which will add flexibility and scalability and improve quality throughout GN Netcom's value chain. All GN Netcom's own production staff has now been transferred to third parties. In Mobile Headsets, several streamlining projects has been identified and initiated.

The actual full-year EBITA results for both GN Resound and GN Netcom are subject to final year-end closing and audit and may therefore deviate from the above mentioned updated guidance.

GN will announce its final 2007 full-year results and combined guidance for 2008 on February 21, 2008.

### **Financial Calendar**

Please find GN's financial calendar for 2008 below:

Annual Report 2007: February 21, 2008

Annual General Meeting: March 11, 2008

Q1/2008: May 8, 2008

Q2/2008: August 14, 2008

Q3/2008: November 6, 2008

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