



GLOBAL INNOVATOR IN PERSONAL COMMUNICATIONS

## GN Store Nord

Q2 Interim Report 2005, August 18, 2005

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## Safe harbor statement

The forward-looking statements in this interim report reflect management's current expectations for certain future events and financial results. Statements regarding 2005 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 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 governing GN's markets; changes in the demand for GN's products; competition; fluctuations in sub-contractor supplies; and the integration of company acquisitions.

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



## Following up on The GN Agenda 2005-2007

### **Grow the office headset market profitably**

- CC&O revenue growth 13% and EBITA margin 1.1%p lower
- Adding Staples to US retail platform

### **Balance profit with growth in hearing instruments**

- Hearing Instruments revenue growth 5% and EBITA margin 2.7%p higher
- ReSound Metrix meets expectations

### **Stay ahead in the mobile race**

- Mobile headset growth 67% at EBITA margins of 3.7%
- Revenue in Asia DKK 30m

*Growth rate comparisons are made year-over-year.  
All growth rates are organic.*



## GN at a glance

### **Q2 performance exceeds expectations**

- CC&O growth initiatives in the US pay off
- Mobile Headsets maintains share of strong market
- Metrix launched mid Q2 as planned

### **Share buyback program, terminated**

- Shares bought 6.0m
- GN owns 6.2% of total number of shares

### **New guidance reflects still more additional investments in growth**

- R&D and Sales & Marketing spending up by more than DKK 150m vs. 2004
- Earnings are back-end loaded and dented by investments in R&D and S&M
- Growth still priority #1 in mobile headsets

### **Product portfolio stays young**

- 60% of revenues from new products and upgrades



## Profit & loss

DKK millions	2003	Q2/2004	2004	Q2/2005
Revenue	4,742	1,383	5,548	1,630
Gross profit	2,625	749	2,945	846
Gross margin, %	55	54	53	52
EBITA	549	204	727	223
EBITA margin, %	11.6	14.8	13.1	13.7
EBIT	86	155	530	211
Financials, net and other	177	(3)	2	4
EBT	263	152	532	215

- **Overall organic growth 20%**
- **EBITA 9% higher than Q2 2004**
- **GN Mobile growth lowers overall margins**



## Balance sheet

DKK millions	Q2/2004	2004	Q2/2005
Goodwill	2,741	2,381	2,689
Other intangible assets	849	844	897
Inventory	582	518	527
Trade receivables	1,048	947	1,284
Net interest bearing debt	592	245	444
Trade payables	373	275	450

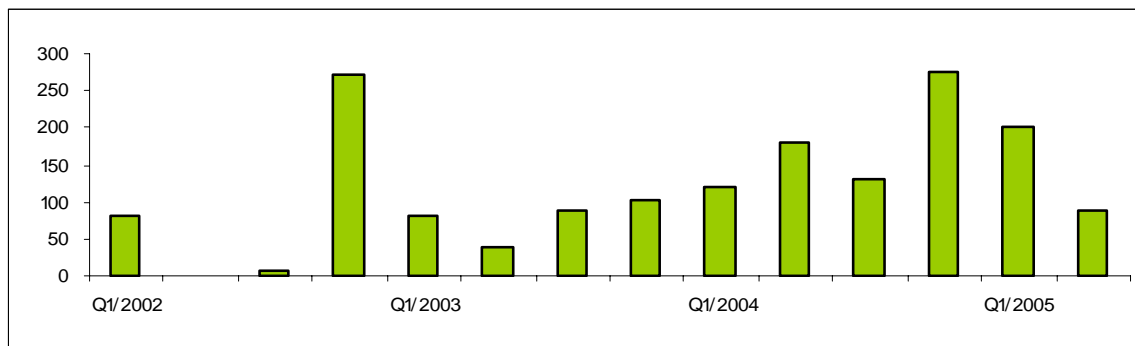
- **Net interest bearing debt impacted by buy-back programme and increase in working capital**
- **Net working capital increases from growth in Mobile Headsets and introduction of Metrix/deteriorating performance**



# Cash flow

DKK millions	Q2/2004	2004	Q2/2005
CFFO before interest, restructurings and tax	260	1,094	215
CFFO	230	959	206
Free cash flow	187	686	88
Free cash flow excluding one-offs	180	708	87

## Free cash flow excluding one-offs



- CFFI increase in HI
- Working capital increase in Mobile and HI



## Contact Center & Office Headsets

DKK millions	Q2	Q3	Q4	2003	Q1	Q2	Q3	Q4	2004	Q1/2005	Q2/2005
Revenue	320	308	334	1,279	325	337	314	340	1,316	342	373
Growth, %					10	8	6	6	7	8	13
Gross margin, %					62	66	62	65	64	65	67
EBITA					60	77	45	75	257	71	81
EBITA margin, %					18.5	22.8	14.3	22.1	19.5	20.8	21.7

**Growth accelerates due to office initiatives**

**Strong GN performance in US despite limited presence in retail**

**Office platform further strengthened**

- Supplier to Office Depot, Fry's, Office Max, Best Buy *and now Staples*
- Wireless product sales grows to close to 40% of revenues







## Mobile Headsets

DKK millions	Q2	Q3	Q4	2003	Q1	Q2	Q3	Q4	2004	Q1/2005	Q2/2005
Revenue	113	106	160	481	150	292	418	338	1,198	292	482
Growth, %					61	168	310	117	160	98	67
Gross margin, %					27	26	20	27	24	25	21
EBITA					(11)	16	13	2	20	(8)	15
EBITA margin, %					(7.3)	5.5	3.1	0.6	1.7	(2.7)	3.1

### Handsome growth continues - competition remains fierce GN's market share maintained

- Strong demand for high-end products and OEM products
- Jabra product revenue grows 30%.

### Mobile music and stereo into telco retail





# Hearing Instruments

DKK millions	Q2	Q3	Q4	2003	Q1	Q2	Q3	Q4	2004	Q1/2005	Q2/2005
Revenue	628	648	706	2,617	662	667	643	698	2,670	641	690
Growth, %					12	9	3	4	6	0	5
Gross margin, %					59	60	61	63	61	65	66
EBITA					109	120	135	164	528	127	143
EBITA margin, %					16.5	18	21	23.5	19.8	19.8	20.7

**Market improves – more competitive environment emerging**

**ReSoundAIR and ReSoundAIR Plus sales continue to grow**

**Metrix launched as planned mid Q2 - shipping full family from September**





# Audiologic Diagnostics Equipment

DKK millions	Q2	Q3	Q4	2003	Q1	Q2	Q3	Q4	2004	Q1/2005	Q2/2005
Revenue	82	76	106	351	90	83	78	97	348	80	84
Growth, %					5	4	6	(6)	2	(10)	2
Gross margin, %					53	52	50	53	52	44	44
EBITA					3	(1)	(6)	(3)	(7)	1	1
EBITA margin, %					3.3	(1.2)	(7.7)	(3.1)	(2.0)	1.3	1.2

## EU offsets weak US

- Growth 2%

Management reorganizes and focuses product portfolio:  
hearing - fitting - balance





## Increased 2005 guidance

**Higher revenues - stronger earnings - additional investments in growth**

Revenue	Approx. DKK 6.5bn at DKK/USD 6
EBITA	DKK 850-900m
EBT	DKK 800-850m
<b>CC&amp;O</b>	<b>EBITA margin 20-22% on revenues of approx. DKK 1.5bn</b>
New guidance	Highest growth in US
<b>Mobile</b>	<b>EBITA margin 2-4% on revenues of approx. DKK 2.0bn</b>
New guidance	Bluetooth penetration drives overall demand
<b>Hearing Instruments</b>	<b>EBITA margin 20-22% on revenues of app. DKK 2.7bn</b>
	Competitive pressure building up; H2 growth from Metrix
<b>Audiologic Diagnostics</b>	<b>Small EBITA profit on revenues of app. DKK 350m</b>
<b>Equipment</b>	Ongoing turnaround

**USD sensitivity: ~60% of sales and >60% of costs are based in the "USD-zone"**

**CNY sensitivity: <DKK 75m revenue and ~DKK 700m cost base in China**



## The GN Agenda 2005-2007

### **Grow the office headset market profitably**

- Establish position with US retailers and tech-distributors

### **Balance profit with growth in hearing instruments**

- Continue to improve profitability

### **Stay ahead in the mobile race**

- Expand Asian platform
- Enter gaming