



GLOBAL INNOVATOR IN PERSONAL COMMUNICATIONS

## GN Store Nord

Q3 Interim Report 2005, November 3, 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 20% and EBITA margin unchanged (2004 adj. for one-off)
- Significant growth through Hello Direct

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

- Hearing instruments revenue growth 6% and EBITA margin 0.5%p lower
- ReSound Metrix meets expectations

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

- Mobile headset revenue growth 67% and EBITA margin 4.1%
- Revenue in Asia DKK 39m

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



## GN at a Glance

### **Q3 performance in line with expectations**

- CC&O growth initiatives in the US pay off
- Mobile headsets maintains share of strong market
- Metrix picks up as planned

### **Guidance reflects still more additional investments in growth**

- R&D and Sales & Marketing spending up by up to DKK 300m 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**

- 50% of revenues from new products and upgrades



## Profit & Loss

DKK millions	2003	Q3/2004	2004	Q3/2005
Revenue	4,742	1,457	5,548	1,845
Gross profit	2,625	714	2,945	867
Gross margin, %	55	49	53	47
EBITA	549	176	727	218
EBITA margin, %	11.6	12.1	13.1	11.8
EBIT	86	130	530	211
Financials, net and other	177	(13)	2	(7)
EBT	263	117	532	204

- **Overall growth 26%**
- **EBITA 24% higher than Q3 2004**
- **GN Mobile and Hello Direct growth lower overall margins**



## Balance Sheet

DKK millions	Q3/2004	2004	Q3/2005
Goodwill	2,645	2,381	2,704
Other intangible assets	844	844	899
Inventory	602	518	675
Trade receivables	1,104	947	1,425
Net interest bearing debt	489	245	429
Trade payables	343	275	501

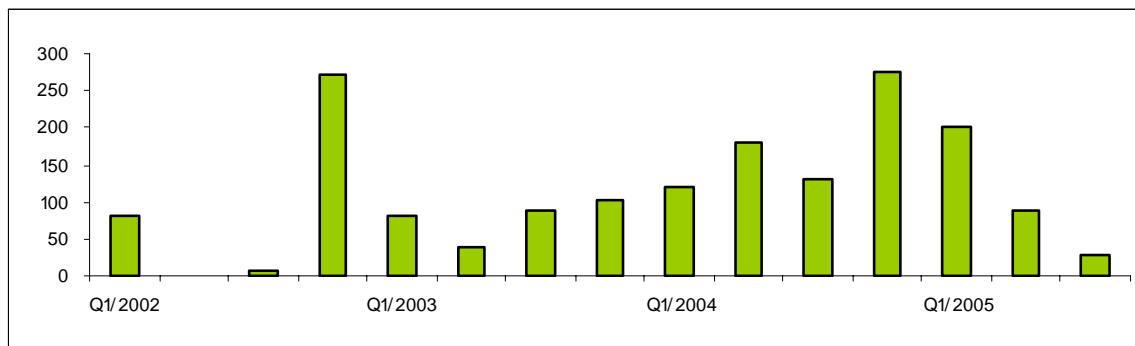
- **Increase in working capital from growth and seasonality in headsets**



# Cash Flow

DKK millions	Q3/2004	2004	Q3/2005
CFFO before changes in workign capital	244	1,091	321
CFFO	201	959	136
CFFI	(82)	(273)	(109)
Free cash	119	686	27

## Free cash flow excluding one-offs



- CFFI increase in H1
- Working capital increase in headsets



## Contact Center & Office Headsets

DKK millions	Q3	Q4	2003	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3
Revenue	308	334	1,279	325	337	314	340	1,316	342	373	380
Growth, %				10	8	6	6	7	8	13	20
Gross margin, %				62	66	62	65	64	65	67	65
EBITA				60	77	45	75	257	71	81	66
EBITA margin, %				18.5	22.8	14.3	22.1	19.5	20.8	21.7	17.4

**Office initiatives accelerate growth as expected**

**Very strong GN performance in US despite limited presence in retail**

- Hello Direct grows 63% in SOHO

**Office platform further strengthened**

- Wireless products grow to close to 50% of revenues

**Midterm market growth in office 10-20% vs. 20%+ now**







## Mobile Headsets

DKK millions	Q3	Q4	2003	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3
Revenue	106	160	481	150	292	418	338	1,198	292	482	699
Growth, %				61	168	310	117	160	98	67	67
Gross margin, %				27	26	20	27	24	25	21	18
EBITA				(11)	16	13	2	20	(8)	15	29
EBITA margin, %				(7.3)	5.5	3.1	0.6	1.7	(2.7)	3.1	4.1

**Handsome growth continues – competition remains fierce**

**GN's market share of app. 35% maintained**

- Strong demand for OEM products
- Jabra product revenue grows close to 40%.

**Mobile music and stereo into telco retail**



## Hearing Instruments

DKK millions	Q3	Q4	2003	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3
Revenue	648	706	2,617	662	667	643	698	2,670	641	690	688
Growth, %				12	9	3	4	6	0	5	6
Gross margin, %				59	60	61	63	61	65	66	66
EBITA				109	120	135	164	528	127	143	141
EBITA margin, %				16.5	18.0	21.0	23.5	19.8	19.8	20.7	20.5

**Modest market growth**

**More competitive environment emerging – feature inflation**

**Demand for open products remains strong - “AIR” copies in the market**

**Metrix picks up - available in all markets in Q3**





## Audiologic Diagnostics Equipment

DKK millions	Q3	Q4	2003	Q1	Q2	Q3	Q4	2004	Q1	Q2	Q3
Revenue	76	106	351	90	83	78	97	348	80	84	72
Growth, %				5	4	6	(6)	2	(10)	2	(8)
Gross margin, %				53	52	50	53	52	44	44	42
EBITA				3	(1)	(6)	(3)	(7)	1	1	(6)
EBITA margin, %				3.3	(1.2)	(7.7)	(3.1)	(2.0)	1.3	1.2	(8.3)

**US was weak - EU flat**

**Management reorganizes and narrows product portfolio:**

- **hearing**
- **fitting**
- **balance**



## Adjusted 2005 Guidance

**Total capex DKK 900m. Add. investments in growth up to DKK 300m vs. 2004**

Revenue	Approx. DKK 6.6bn 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 app. DKK 1.5bn</b> Highest growth in US through Hello Direct
<b>Mobile</b>	<b>EBITA margin 2-4% on revenues of app. DKK 2.0bn</b> Bluetooth penetration drives overall demand
<b>Hearing Instruments</b> Adjusted	<b>EBITA margin 19-21% on revenues of DKK 2.8bn</b> Competitive pressure building up; H2 growth from Metrix
<b>Audiologic Diagnostics</b> <b>Equipment</b>	<b>Small EBITA profit on revenues of app. DKK 350m</b> Ongoing turnaround

**USD sensitivity: >60% of sales and >60% of costs 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 organic growth in hearing instruments**

- Continue to improve profitability

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

- Expand Asian platform
- Enter gaming and music