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**May 10, 2004**

**ANNOUNCEMENT NO: 12**

## **Q1 Earnings Release/2004**

At a meeting today, the Supervisory Board of GN Store Nord reviewed and adopted the present First Quarter Earnings Release 2004. This quarterly earnings release is unaudited and has been prepared in accordance with IFRS (International Financial Reporting Standards) and the accounting policies applied in the Annual Report 2003, although the theoretical bonus element from options awarded is now recognized in the income statement in accordance with IFRS 2. The comparative figures for Q1-Q4 2003 have been restated to reflect the new policy in accordance with IFRS 2 transitional provisions

Taastrup, May 10, 2004

Mogens Hugo Jørgensen  
Chairman

Jørn Kildegaard  
President & CEO

### **First quarter highlights**

- Revenue increased to DKK 1,231 million from DKK 1,141 million in Q1 2003.
- EBITA rose to DKK 154 million from DKK 112 million in Q1 2003.
- GN posted a profit before tax of DKK 100 million against DKK 24 million in Q1 2003.
- Cash flows from operations were DKK 171 million against DKK 132 million in Q1 2003.

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## Outlook for 2004

- GN is upgrading its revenue forecast for 2004 and now projects revenue, which is adversely affected by the US dollar depreciation, to increase to about DKK 4.9 billion from DKK 4.74 billion in 2003. The previous forecast was for largely unchanged revenue in 2004 relative to 2003. We expect EBITA to improve by about 25% to almost DKK 700 million, assuming a DKK/USD exchange rate of 6, instead of the previous forecast improvement of “at least 20%”.
- The CC&O Division, supplying headsets to contact centers and offices, continues to project a full-year EBITA margin of 19-21%, now on revenue of almost DKK 1.25 billion, an upgrade from “just over DKK 1.2 billion”.
- The Mobile Division continues to project a minor EBITA loss resulting from the efforts to build a position in Asia, now on revenue of mindst DKK 700 million rather than of “almost DKK 700 million”.
- The EBITA margin forecast of 18-20% is retained for hearing instruments, now on revenue of approximately DKK 2.65 billion rather than of “almost DKK 2.6 billion”.
- The audiologic diagnostics equipment business continues to project a minor EBITA profit, now on revenue of just over DKK 300 million rather than of “approximately DKK 300 million”.
- Group functions and GN Great Northern Telegraph Company are expected to impact EBITA by DKK (50) million. Amortization of intangible assets acquired through company acquisitions is expected to amount to DKK 230 million. Calculated in accordance with the recently adopted IFRS 3 Business Combinations, which will apply in the 2005 financial year, amortization of intangible assets acquired through company acquisitions would amount to DKK 35 million. Net financial expenses of approximately DKK 50 million are expected.
- Investments in property, plant and equipment and in intangible assets including development projects are expected to be in the region of DKK 350 million.
- Profit before tax is expected to improve by approximately 50%, an upgrade from “more than 40%”.
- With about half of GN's revenue and almost 60% of costs generated in USD or USD-related currencies, GN's industrial competitiveness and its EBITA are resilient to likely US dollar fluctuations.

## Forward-looking statements

*The forward-looking statements in this interim report reflect management's current expectations for certain future events and financial results. Statements regarding 2004 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 in the company's markets; changes in demand for GN products; competition; shortages of components needed in production; and the integration of company acquisitions. This interim report should not be considered an offer to sell securities in GN Store Nord.*



**Consolidated financial highlights**

(DKK millions)

	Q1 2004 (unaud.)	Q1 2003 (unaud.)	2003 (aud.)
<b>Earnings - Income statement in accordance with International Financial Reporting Standards (IFRS)</b>			
Revenue	1,231	1,141	4,742
Operating profit (loss) before share of profit in associates	97	40	90
Operating profit (loss)	103	40	86
Profit (loss) from ordinary activities before tax	100	24	263
Profit (loss) for the period	47	(2)	250
Profit (loss) for the period excluding amortization and impairment of goodwill and other intangible assets acquired in company acquisitions	104	63	569
<b>Earnings - Investor-specific highlights</b>			
Earnings before depreciation, amortization, impairment and restructurings and items of a non-recurring nature (EBITDA)	187	142	668
Earnings before amortization and impairment of goodwill and other intangible assets acquired in company acquisitions and restructurings and items of a non-recurring nature (EBITA)	154	112	549
<b>Balance Sheet</b>			
Share capital (GN Store Nord A/S)	879	879	879
Equity	4,590	4,611	4,473
Total assets	6,604	7,733	6,597
Net interest bearing debt	(660)	(1,235)	(784)
<b>Cash flows</b>			
Cash flows from operating activities	171	132	827
Cash flows from investing activities	(59)	(100)	(358)
Total cash flows from operating and investing activities	112	32	469
<b>Development costs</b>			
Development costs incurred for the period before grant	66	68	264
<b>Restructuring costs</b>			
Restructuring recognised in income statement	-	7	140
Restructurings, paid	9	18	147
<b>Investments</b>			
Plant and machinery etc.	27	24	105
Real property including leasehold improvements	6	7	47
Development projects, developed in-house	31	36	132
Other intangible assets excluding goodwill	2	12	38
Total (excluding company acquisitions)	65	79	322
Acquisition of associates	-	3	26
Total investments	65	82	348
Depreciation and impairment of property, plant and equipment and amortization of intangible assets	122	122	565
<b>Key ratios</b>			
EBITA margin	12.5 %	9.8 %	11.6 %
Return on equity	1.0 %	0.0 %	5.4 %
Equity ratio	69.5 %	59.6 %	67.8 %
<b>Key ratios per share</b>			
Earnings per share (EPS)	0.23	(0.01)	1.19
Earnings per share, fully diluted (EPS)	0.23	(0.01)	1.18
Earnings per share excluding amortization and impairment of intangible assets and restructurings, etc. (EPS)	0.50	0.33	3.36
Earnings per share excluding amortization and impairment of intangible assets and restructurings, etc., fully diluted (EPS)	0.49	0.33	3.35
Cash flow from operating activities per share (CFPS)	0.81	0.62	3.90
Net asset value per DKK 4 share	22	22	21
Share price at the end of the period	44	19	38
<b>Employees</b>			
Average number	4,296	4,155	4,343

**Financial results**

GN maintained the strong organic growth in the first quarter, generating a 16% revenue improvement relative to Q1 2003. Anchored in all business areas, the improvement was generally based on stronger demand on most markets and the launch of several innovative products in 2003. New products and product upgrades launched in the past 24 months contributed 50% of Q1 revenue. The US dollar depreciation of nearly 14% against the Danish krone reduced revenue by more than DKK 80 million relative to Q1 2003.

GN generated gross profit of DKK 685 million against DKK 634 million in Q1 2003. The improvement was based on the ever more efficient production and the many new products with all new hearing instruments being based on a single chip platform. The gross margin is under pressure from the growing revenue and lower prices on mobile headsets.

GN's selling and distribution costs amounted to DKK 292 million, compared to DKK 285 million in Q1 2003. The increase was due especially to the efforts in mobile headsets, with the JABRA brand being rolled out on selected markets in Asia during 2004. In Q1, GN incurred costs on development activities totaling DKK 66 million, or almost 5% of revenue, as compared to almost 6% in the full year of 2003. The development departments at Xiamen, China, will be expanded as part of the ongoing efficiency improvements, and they are expected to employ just over 30 people by the end of the year.

Amortization of goodwill and other acquired intangible assets amounted to DKK 57 million. Net financial items of the quarter were an expense of DKK 3 million on interest-bearing net debt of DKK 660 million.

Q1 EBITA improved to DKK 154 million from DKK 112 million in Q1 2003.

GN's Q1 profit before tax was DKK 100 million against DKK 24 million in Q1 2003.

GN had an average of 4,296 employees during the quarter, against 4,155 in Q1 2003. Staff expansion mainly takes place in Asia.

The consolidation in Minneapolis of ITE-device production in North America will be completed in June of this year, marking the end of all the major restructurings which have affected nearly half of GN's 4,400 employees. Looking ahead, future earnings and cash flow enhancements will be generated through improved processes, not least in production and logistics and a more creative marketing approach. Finally, the implementation of the Navision Attain system will reduce IT costs and facilitate further changes to a number of administrative functions. The full effect of the structural initiatives implemented will not feed through until 2005.

**Balance sheet**

Total assets amounted to DKK 6,604 million at March 31, 2003, compared to DKK 6,597 million at December 31, 2003. Goodwill amounted to DKK 2,785 million, distributed on DKK 515 million from headset operations and DKK 2,270 million from hearing instruments and audiologic diagnostics equipment.



Inventories were DKK 626 million, compared to DKK 622 million at the end of 2003. Trade receivables were DKK 982 million, compared to DKK 958 million at December 31, 2003. Inventories and trade receivables still need to be reduced. Cash and cash equivalents stood at DKK 122 million at the end of Q1 2004.

Equity stood at DKK 4,590 million, compared to DKK 4,473 million at the end of 2003. Foreign exchange adjustments reduced equity by DKK 15 million. Net interest-bearing debt fell by DKK 124 million to DKK 660 million at March 31, 2004.

### **Cash flows**

GN's cash flow from operating activities was DKK 171 million, down by DKK 35 million relative to Q4 2003 after net adjustments for non-recurring items of DKK 271 million. The change was due to a DKK 61 million increase in working capital resulting from an increase in hearing instrument inventories and trade payables. GN is making an intensive effort to improve the supply chain in order to reduce the working capital, especially for hearing instrument inventories and components. Cash flows from investments were DKK (59) million against DKK (42) million in Q4 2003 and DKK (100) million in Q1 2003.

The free cash flow was DKK 112 million versus DKK 101 million in Q4 2003, adjusted for a number of non-recurring items. In Q1 2003, the free cash flow was DKK 32 million. The cash flow is still not satisfactory and efforts to improve it will gradually intensify as the shared IT platform is implemented.

### **Share option plans**

There were a total of 3,599,697 European and 2,822,635 American share options outstanding at March 31, 2004, corresponding to 2.9% of the share capital. Members of the Executive Management held 955,875 options at an average strike price of 47.7, senior employees held 1,524,444 (average strike price 53.8), while other employees held 3,942,013 share options (average strike price 72.3).

In the second quarter, the Supervisory Board plans to award options with an estimated Black&Scholes value of up to DKK 18 million at a strike price of 42.8.

Share options are not awarded to members of the Supervisory Board.

### **Shareholdings**

At the beginning of May 2004, members of the Supervisory Board and the Executive Management, respectively, held 68,713 and 35,790 shares in GN. Senior employees and other employees listed in GN's insider register held a total of 204,122 shares in GN.

GN held 8,346,384 treasury shares at the beginning of May 2004, equivalent to 3.7% of the share capital. The drop in treasury shares relative to December 31, 2003 was due to share options being exercised. Foreign investors hold just over 40% of the shares in GN. Danish institutional investors hold 30%, and private investors hold some 25% of the GN share capital.



### **The Contact Center & Office Division**

Q1 revenue was DKK 325 million against DKK 317 million in Q1 2003. Net of Hello Direct, organic growth was 14% relative to Q1 2003. The EU markets still constitute the main growth driver, while wireless headsets such as the GN 9120 continued to gain popularity in the office market. Wireless products contributed 29% of Q1 revenue, up from 20% in Q1 2003. The restructuring of Hello Direct is progressing according to plan, and the business returned a profit on revenue of DKK 75 million.

The CC&O Division reported Q1 EBITA of DKK 60 million (EBITA margin of 18.5%).

### **The Mobile Division**

The DKK 150 million revenue generated in Q1 2004, a low-season period, was only DKK 10 million short of the revenue generated in Q4 2004, a high season period, emphasizing the strong underlying market growth, which has led to a shortage of components. In Q1 2003, revenue was DKK 102 million. Bluetooth products contributed 77% of revenue, which was also strengthened by the new corded headsets.

Sales to Asia amounted to DKK 3 million, or 2% of revenue. Competition remains tough and the players are fighting for control of the distribution channels. GN's most recent products, including the JABRA BT110, the BT550 and the BT800, will come on the market during the summer season.

The Mobile Division reported an EBITA loss of DKK 11 million (negative EBITA margin of 7.3%).

The aggregate cash flows from operations in the CC&O Division and Mobile Division rose to DKK 99 million from DKK 51 million in Q1 2003. The improvement was the result of the restructurings of production, logistics and inventory controls implemented at GN's headset operations.

### **Hearing instruments**

Revenue from hearing instruments rose to DKK 662 million from DKK 635 million in Q1 2003. At 12% relative to Q1 2003, organic growth remained high, demonstrating that GN continues to win market share in the premium price segment. The advance is due to the successful launches of the ReSoundAIR and the Canta7 Open, as well as the increased customer-orientation of the organization following the extensive restructurings. Many of the people who buy ReSoundAIR are younger than users of other types of hearing instruments and many of them are first-time buyers. After the strong growth generated in the fourth quarter subsided as a result of the changes to Germany's subsidy system, the German market fell substantially in February and March, in line with expectations.

GN retained the pace of innovation, with new products and product upgrades launched in the past 24 months contributing 60% of revenue. The Beltone CORUS™ premium price hearing aid was launched at the American Academy of Audiology Annual Convention & Expo in April. The launch enhanced Beltone's digital product range and will enable our US-based chain of hearing care practitioners to generate stronger growth. In addition, Canta2 functionality was enhanced to strengthen GN's position in the low-priced market segment.

Hearing instruments reported EBITA of DKK 109 million (EBITA margin of 16.5%).





### **Audiologic diagnostics equipment**

Q1 revenue was DKK 90 million against DKK 87 million in Q1 2003.

Shipments to the National Health Service in the UK will be reduced in 2004. The MADSEN OTOflex 100, the first product to be launched based on a new shared product platform, was well received on all markets. Sales of the product will be reflected in revenue from the second quarter.

The audiologic diagnostics equipment business generated EBITA of DKK 3 million (EBITA margin of 3.3%).

The Closing the Margin Gap project, which aims to lift GN's EBITA from hearing instruments and audiologic diagnostics equipment to among the best in the industry by the end of 2004, is progressing to plan. The overall EBITA margin was 14.9% in Q1 2004, up from 12.1% in Q1 2003.

The aggregate cash flows from operations in the hearing instrument and audiologic diagnostics equipment businesses were DKK 52 million compared to DKK 98 million in Q1 2003.

### **Other business activities**

The GN Great Nordic Telegraph Company reported Q1 revenue of DKK 4 million and an EBITA of DKK 0 million.

As can be seen from the 2003 financial statements, GN is still, through the 75% ownership interest in DPTG I/S, a party to arbitration proceedings with Telekomunikacja Polska S.A. involving the principles for calculating traffic statistics in Poland's NSL fiber-optic telecommunications system, for which DPTG holds the rights to part of net revenues during the period from 1994 to 2009.



Income statement	Consolidated		
(DKK millions)	Q1 2004 (unaud.)	Q1 2003 (unaud.)	2003 (aud.)
Revenue	1,231	1,141	4,742
Production costs	(557)	(515)	(2,155)
<b>Gross profit</b>	<b>674</b>	<b>626</b>	<b>2,587</b>
Development costs	(64)	(58)	(250)
Selling and distribution costs	(292)	(285)	(1,116)
Management and administrative expenses	(165)	(172)	(676)
Other operating income	1	1	4
Amortization and impairment of goodwill and other intangible assets acquired in company acquisitions	(57)	(65)	(319)
Restructuring	-	(7)	(140)
<b>Operating profit (loss) before share of profit (loss) in associates</b>	<b>97</b>	<b>40</b>	<b>90</b>
Share of profit (loss) in associates	6	-	(4)
<b>Operating profit (loss)</b>	<b>103</b>	<b>40</b>	<b>86</b>
Gains/losses on disposal of discontinuing operations	-	-	132
<b>Profit (loss) before interest income and expense and similar items</b>	<b>103</b>	<b>40</b>	<b>218</b>
Interest income and similar items	11	23	179
Interest expense and similar items	(14)	(39)	(134)
<b>Profit (loss) from ordinary activities before tax</b>	<b>100</b>	<b>24</b>	<b>263</b>
Tax on profit (loss) from ordinary activities	(53)	(26)	(13)
<b>Profit (loss) for the period</b>	<b>47</b>	<b>(2)</b>	<b>250</b>
Earnings per share (EPS)	<b>0.23</b>	(0.01)	1.19
Earnings per share, fully diluted (EPS)	<b>0.23</b>	(0.01)	1.18
Earnings per share excluding amortization and impairment of intangible assets and restructuring etc. (EPS)	<b>0.50</b>	0.33	3.36
Earnings per share excluding amortization and impairment of intangible assets and restructuring etc., fully diluted (EPS)	<b>0.49</b>	0.33	3.35





Assets	Consolidated		
(DKK millions)	March 31 2004 (unaud.)	March 31 2003 (unaud.)	Dec. 31 2003 (aud.)
<b>Non-current assets</b>			
Goodwill	2,785	3,396	2,776
Development projects, developed in-house	343	348	347
Software, acquired	1	-	1
Software, developed in-house	90	103	99
Patents and rights	87	97	89
Telecommunications systems	48	56	50
Other intangible assets	283	341	282
<b>Total intangible assets</b>	<b>3,637</b>	<b>4,341</b>	<b>3,644</b>
Factory and office buildings	123	108	120
Leasehold improvements	58	46	58
Plant and machinery	87	74	80
Operating assets and equipment	71	80	72
Leased plant and equipment	7	10	7
Telecommunications systems	-	-	-
Plant under construction	2	14	-
<b>Total property, plant and equipment</b>	<b>348</b>	<b>332</b>	<b>337</b>
Investments in associates	180	169	176
Other securities	7	7	6
Other receivables and deposited bank balances	34	122	48
Deferred tax assets	345	354	375
<b>Total investments</b>	<b>566</b>	<b>652</b>	<b>605</b>
<b>Total non-current assets</b>	<b>4,551</b>	<b>5,325</b>	<b>4,586</b>
<b>Current assets</b>			
<b>Inventories</b>	<b>626</b>	<b>606</b>	<b>622</b>
Trade receivables	982	933	958
Receivables from associates	1	4	7
Tax receivable	44	234	44
Other receivables	161	160	134
Deposited bank balances	-	111	74
Prepayments	101	78	88
<b>Total receivables</b>	<b>1,289</b>	<b>1,520</b>	<b>1,305</b>
<b>Listed securities</b>	<b>16</b>	<b>11</b>	<b>14</b>
<b>Cash and cash equivalents</b>	<b>122</b>	<b>271</b>	<b>70</b>
<b>Total current assets</b>	<b>2,053</b>	<b>2,408</b>	<b>2,011</b>
<b>Total assets</b>	<b>6,604</b>	<b>7,733</b>	<b>6,597</b>



<b>Equity and liabilities</b>	<b>Consolidated</b>		
(DKK millions)	<b>March 31 2004 (unaud.)</b>	March 31 2003 (unaud.)	Dec. 31 2003 (aud.)
<b>Equity</b>			
Share capital	879	879	879
Share premium	-	4,170	-
Foreign exchange adjustments	(1,195)	(731)	(1,278)
Proposed dividends for the year	132	-	132
Retained earnings	4,774	293	4,740
<b>Total equity</b>	<b>4,590</b>	<b>4,611</b>	<b>4,473</b>
<b>Provisions</b>			
Pension obligations and similar obligations	16	13	15
Deferred tax	53	74	20
Other provisions	297	438	323
<b>Total provisions</b>	<b>366</b>	<b>525</b>	<b>358</b>
<b>Liabilities</b>			
Mortgage loans	-	3	-
Bank loans	609	1,323	653
Capitalized lease obligations	7	10	5
Other long-term payables	2	90	6
Received prepayments	25	17	23
<b>Total non-current liabilities</b>	<b>643</b>	<b>1,443</b>	<b>687</b>
Repayment of long-term loans	4	3	6
Bank loans	169	177	195
Trade payables	303	304	289
Tax payable	61	84	62
Other payables	434	553	490
Received prepayments	34	33	37
<b>Total current liabilities</b>	<b>1,005</b>	<b>1,154</b>	<b>1,079</b>
<b>Total liabilities</b>	<b>1,648</b>	<b>2,597</b>	<b>1,766</b>
<b>Total equity and liabilities</b>	<b>6,604</b>	<b>7,733</b>	<b>6,597</b>



Cash flow statement	Consolidated		
(DKK millions)	Q1 2004 (unaud.)	Q1 2003 (unaud.)	2003 (aud.)
<b>Operating activities</b>			
Operating profit (loss)	103	40	86
Depreciation, amortization and impairment	122	122	565
Other adjustments	34	33	205
<b>Cash flow from operating activities before changes in working capital</b>	<b>259</b>	<b>195</b>	<b>856</b>
Change in inventories	(24)	(2)	(74)
Change in receivables	(49)	(29)	(101)
Change in trade payables and other payables	12	11	51
<b>Total changes in working capital</b>	<b>(61)</b>	<b>(20)</b>	<b>(124)</b>
<b>Cash flow from operating activities before interest income and expense and similar items, restructurings and tax</b>	<b>198</b>	<b>175</b>	<b>732</b>
Interest and dividends, etc. received	2	2	95
Interest paid	(12)	(18)	(79)
Restructurings, paid	(9)	(18)	(147)
Tax paid, net	(8)	(9)	226
<b>Cash flows from operating activities</b>	<b>171</b>	<b>132</b>	<b>827</b>
<b>Investments</b>			
Acquisition of intangible assets excluding development projects	(2)	(13)	(38)
Development projects, acquired and developed in-house	(31)	(36)	(132)
Acquisition of property, plant and equipment	(32)	(30)	(152)
Investments	(4)	-	(58)
Disposal of intangible assets	3	1	9
Disposal of property, plant and equipment	3	4	22
Disposal of investments	4	7	17
Company acquisitions and capital contributions	-	(3)	-
Disposal of property	-	-	63
Cash purchase consideration, net	-	(30)	(89)
<b>Cash flows from investing activities</b>	<b>(59)</b>	<b>(100)</b>	<b>(358)</b>
<b>Cash flows from operating and investing activities</b>	<b>112</b>	<b>32</b>	<b>469</b>
<b>Financing activities</b>			
Decrease of short-term liabilities	(27)	(21)	(2)
Repayment and reduction of non-current liabilities	(50)	-	(671)
Foreign exchange adjustments etc.	18	(18)	-
<b>Cash flows from financing activities</b>	<b>(59)</b>	<b>(39)</b>	<b>(673)</b>
<b>Net cash flows</b>	<b>53</b>	<b>(7)</b>	<b>(204)</b>
Cash and cash equivalents beginning of the period	70	282	282
Foreign exchange adjustments, cash and cash equivalents, beginning of the period	(1)	(4)	(8)
<b>Cash and cash equivalents, beginning of the period</b>	<b>69</b>	<b>278</b>	<b>274</b>
<b>Cash and cash equivalents, end of the period</b>	<b>122</b>	<b>271</b>	<b>70</b>

The statement of cash flows cannot be derived using only the other accounting data.



**Consolidated equity**

(DKK millions)	Share capital (shares of DKK 4 each)	Share premium	Foreign exchange adjustments	Proposed dividends for the year	Retained earnings	Total equity
<b>Balance sheet total at December 31, 2002</b>	<b>879</b>	<b>4,170</b>	<b>(555)</b>	-	<b>295</b>	<b>4,789</b>
Profit (loss) for the period	-	-	-	-	(2)	(2)
Foreign exchange adjustments etc.	-	-	(176)	-	-	(176)
<b>Balance sheet total at March 31, 2003</b>	<b>879</b>	<b>4,170</b>	<b>(731)</b>	-	<b>293</b>	<b>4,611</b>
Effect of change in accounting policies	-	-	-	-	7	7
Transfer	-	(4,170)	-	-	4,170	-
Profit (loss) for the year	-	-	-	-	252	252
Proposed dividends to shareholders	-	-	-	132	(132)	-
Tax on changes in equity	-	-	-	-	150	150
Foreign exchange adjustments etc.	-	-	(547)	-	-	(547)
<b>Balance sheet total at December 31, 2003</b>	<b>879</b>	-	<b>(1,278)</b>	<b>132</b>	<b>4,740</b>	<b>4,473</b>
Profit (loss) for the period	-	-	-	-	47	47
Stock options	-	-	-	-	2	2
Foreign exchange adjustments etc.	-	-	83	-	(15)	68
<b>Balance sheet total at March 31, 2004</b>	<b>879</b>	-	<b>(1,195)</b>	<b>132</b>	<b>4,774</b>	<b>4,590</b>



**Investor-specific income statement per quarterly period**

(The accounting abbreviations EBITDA and EBITA are not defined in International Financial Reporting Standards (IFRS) or the Danish Financial Statements Act)

(DKK millions)	Q1 2003 (unaud.)	Q2 2003 (unaud.)	Q3 2003 (unaud.)	Q4 2003 (unaud.)	Q1 2004 (unaud.)	2003 (aud.)
<b>Revenue</b>	1,141	1,148	1,142	1,311	1,231	4,742
Production costs	(507)	(505)	(507)	(598)	(546)	(2,117)
<b>Gross profit</b>	<b>634</b>	<b>643</b>	<b>635</b>	<b>713</b>	<b>685</b>	<b>2,625</b>
Development costs	(68)	(71)	(65)	(60)	(66)	(264)
Selling and distribution costs	(282)	(277)	(269)	(276)	(289)	(1,104)
Management and administrative expenses	(153)	(146)	(157)	(149)	(146)	(605)
Other operating income	1	2	-	1	1	4
<b>Operating profit (loss) before capitalization and amortization of development costs, amortization and impairment of intangible assets acquired in company acquisitions</b>	<b>132</b>	<b>151</b>	<b>144</b>	<b>229</b>	<b>185</b>	<b>656</b>
Capitalized development costs	35	33	39	25	32	132
Amortized development costs	(25)	(26)	(30)	(37)	(30)	(118)
<b>EBITDA</b>	<b>142</b>	<b>158</b>	<b>153</b>	<b>217</b>	<b>187</b>	<b>670</b>
Ordinary depreciation and amortization relating to:						
Production	(8)	(9)	(12)	(9)	(11)	(38)
Selling and distribution	(3)	(3)	(4)	(2)	(3)	(12)
Administration	(19)	(18)	(14)	(20)	(19)	(71)
<b>EBITA</b>	<b>112</b>	<b>128</b>	<b>123</b>	<b>186</b>	<b>154</b>	<b>549</b>
Share of profit (loss) in associates	-	3	4	(11)	6	(4)
Amortization of goodwill	(56)	(55)	(54)	(52)	(50)	(217)
Amortization of goodwill relating to capitalization of tax loss not previously recognized in company acquisition	-	-	-	(66)	-	(66)
Amortization of other intangible assets acquired in company acquisitions	(9)	(8)	(10)	(9)	(7)	(36)
Restructuring	(7)	(100)	(8)	(25)	-	(140)
<b>Earnings before interest and tax (EBIT)</b>	<b>40</b>	<b>(32)</b>	<b>55</b>	<b>23</b>	<b>103</b>	<b>86</b>
Gain on disposal of property	-	-	57	-	-	57
Gains/(losses) on disposal of discontinuing operations*	-	68	-	7	-	75
Capital gains/(losses) on shares, dividends	1	2	-	4	3	7
Interest income and similar items	22	16	1	133	8	172
Interest expense and similar items	(39)	(23)	(10)	(62)	(14)	(134)
<b>Earnings before tax (EBT)</b>	<b>24</b>	<b>31</b>	<b>103</b>	<b>105</b>	<b>100</b>	<b>263</b>
<b>Margins:</b>						
Gross profit margin	55.6%	56.0%	55.6%	54.4%	55.6%	55.4%
EBITA-margin	9.8%	11.1%	10.8%	14.2%	12.5%	11.6%
EBITA-margin, excl. capitalization and amortization of development costs	8.9%	10.5%	10.1%	15.1%	12.3%	11.3%

\*) Of gains (losses) on disposal of discontinuing operations DKK 68 million comprise a gain regarding the disposal of NetTest.



**Quarterly Operations by Business Area**

(The accounting abbreviations EBITDA and EBITA are not defined in International Financial Reporting Standards (IFRS) or the Danish Financial Statements Act)

(DKK millions)	Q1 2003 (unaud.)	Q2 2003 (unaud.)	Q3 2003 (unaud.)	Q4 2003 (unaud.)	Q1 2004 (unaud.)	2003 (aud.)
<b>Revenue</b>						
Contact Center & Office Headsets	317	320	308	334	325	1,279
Mobile Headsets	102	113	106	160	150	481
<b>GN Netcom</b>	<b>419</b>	<b>433</b>	<b>414</b>	<b>494</b>	<b>475</b>	<b>1,760</b>
Hearing Instruments	635	628	648	706	662	2,617
Audiologic Diagnostics Equipment	87	82	76	106	90	351
<b>GN ReSound</b>	<b>722</b>	<b>710</b>	<b>724</b>	<b>812</b>	<b>752</b>	<b>2,968</b>
Other *	-	5	4	5	4	14
<b>GN total</b>	<b>1,141</b>	<b>1,148</b>	<b>1,142</b>	<b>1,311</b>	<b>1,231</b>	<b>4,742</b>
<b>Gross profit</b>						
Contact Center & Office Headsets					202	
Mobile Headsets					41	
<b>GN Netcom</b>	<b>232</b>	<b>231</b>	<b>212</b>	<b>241</b>	<b>243</b>	<b>916</b>
Hearing Instruments					390	
Audiologic Diagnostics Equipment					48	
<b>GN ReSound</b>	<b>402</b>	<b>408</b>	<b>419</b>	<b>468</b>	<b>438</b>	<b>1,697</b>
Other *	-	4	4	4	4	12
<b>GN total</b>	<b>634</b>	<b>643</b>	<b>635</b>	<b>713</b>	<b>685</b>	<b>2,625</b>
<b>Overheads excluding development costs and depreciation and amortization of non-current assets</b>						
Contact Center & Office Headsets					(123)	
Mobile Headsets					(38)	
<b>GN Netcom</b>	<b>(159)</b>	<b>(158)</b>	<b>(162)</b>	<b>(137)</b>	<b>(161)</b>	<b>(616)</b>
Hearing Instruments					(237)	
Audiologic Diagnostics Equipment					(27)	
<b>GN ReSound</b>	<b>(261)</b>	<b>(251)</b>	<b>(247)</b>	<b>(267)</b>	<b>(264)</b>	<b>(1,026)</b>
Other *	(14)	(12)	(17)	(20)	(9)	(63)
<b>GN total</b>	<b>(434)</b>	<b>(421)</b>	<b>(426)</b>	<b>(424)</b>	<b>(434)</b>	<b>(1,705)</b>
<b>Expensed development costs</b>						
Contact Center & Office Headsets					(12)	
Mobile Headsets					(10)	
<b>GN Netcom</b>	<b>(21)</b>	<b>(21)</b>	<b>(19)</b>	<b>(20)</b>	<b>(22)</b>	<b>(81)</b>
Hearing Instruments					(27)	
Audiologic Diagnostics Equipment					(15)	
<b>GN ReSound</b>	<b>(37)</b>	<b>(43)</b>	<b>(37)</b>	<b>(52)</b>	<b>(42)</b>	<b>(169)</b>
Other *	-	-	-	-	-	-
<b>GN total</b>	<b>(58)</b>	<b>(64)</b>	<b>(56)</b>	<b>(72)</b>	<b>(64)</b>	<b>(250)</b>
<b>EBITDA</b>						
Contact Center & Office Headsets					69	
Mobile Headsets					(9)	
<b>GN Netcom</b>	<b>52</b>	<b>52</b>	<b>31</b>	<b>84</b>	<b>60</b>	<b>219</b>
Hearing Instruments					126	
Audiologic Diagnostics Equipment					6	
<b>GN ReSound</b>	<b>104</b>	<b>114</b>	<b>135</b>	<b>149</b>	<b>132</b>	<b>502</b>
Other *	(14)	(8)	(13)	(16)	(5)	(51)
<b>GN total</b>	<b>142</b>	<b>158</b>	<b>153</b>	<b>217</b>	<b>187</b>	<b>670</b>
<b>Ordinary depreciation and amortization</b>						
Contact Center & Office Headsets					(9)	
Mobile Headsets					(2)	
<b>GN Netcom</b>	<b>(11)</b>	<b>(11)</b>	<b>(10)</b>	<b>(13)</b>	<b>(11)</b>	<b>(45)</b>
Hearing Instruments					(17)	
Audiologic Diagnostics Equipment					(3)	
<b>GN ReSound</b>	<b>(17)</b>	<b>(17)</b>	<b>(17)</b>	<b>(16)</b>	<b>(20)</b>	<b>(67)</b>
Other *	(2)	(2)	(3)	(2)	(2)	(9)
<b>GN total</b>	<b>(30)</b>	<b>(30)</b>	<b>(30)</b>	<b>(31)</b>	<b>(33)</b>	<b>(121)</b>
<b>EBITA</b>						
Contact Center & Office Headsets					60	
Mobile Headsets					(11)	
<b>GN Netcom</b>	<b>41</b>	<b>41</b>	<b>21</b>	<b>71</b>	<b>49</b>	<b>174</b>
Hearing Instruments					109	
Audiologic Diagnostics Equipment					3	
<b>GN ReSound</b>	<b>87</b>	<b>97</b>	<b>118</b>	<b>133</b>	<b>112</b>	<b>435</b>
Other *	(16)	(10)	(16)	(18)	(7)	(60)
<b>GN total</b>	<b>112</b>	<b>128</b>	<b>123</b>	<b>186</b>	<b>154</b>	<b>549</b>
<b>EBITA-margin</b>						
Contact Center & Office Headsets					18.5 %	
Mobile Headsets					(7.3) %	
<b>GN Netcom</b>	<b>9.8 %</b>	<b>9.5 %</b>	<b>5.1 %</b>	<b>14.4 %</b>	<b>10.3 %</b>	<b>9.9 %</b>
Hearing Instruments					16.5 %	
Audiologic Diagnostics Equipment					3.3 %	
<b>GN ReSound</b>	<b>12.1 %</b>	<b>13.7 %</b>	<b>16.3 %</b>	<b>16.4 %</b>	<b>14.9 %</b>	<b>14.7 %</b>
Other *	-	(200.0) %	(400.0) %	(360.0) %	(175.0) %	(428.6) %
<b>GN total</b>	<b>9.8 %</b>	<b>11.1 %</b>	<b>10.8 %</b>	<b>14.2 %</b>	<b>12.5 %</b>	<b>11.6 %</b>

\*) "Other" comprises Telegraf-Company, GN Ejendomme, corporate staff, corporate finance and eliminations.





**Expensed development costs**

(DKK millions)	Q1 2003 (unaud.)	Q2 2003 (unaud.)	Q3 2003 (unaud.)	Q4 2003 (unaud.)	Q1 2004 (unaud.)	2003 (aud.)
<b>Incurred development costs</b>						
Contact Center & Office Headsets					(10)	
Mobile Headsets					(7)	
<b>GN Netcom</b>	<b>(18)</b>	<b>(15)</b>	<b>(12)</b>	<b>(14)</b>	<b>(17)</b>	<b>(59)</b>
Hearing Instruments					(35)	
Audiologic Diagnostics Equipment					(14)	
<b>GN ReSound</b>	<b>(50)</b>	<b>(56)</b>	<b>(53)</b>	<b>(46)</b>	<b>(49)</b>	<b>(205)</b>
Other *	-	-	-	-	-	-
<b>GN total</b>	<b>(68)</b>	<b>(71)</b>	<b>(65)</b>	<b>(60)</b>	<b>(66)</b>	<b>(264)</b>
<b>Capitalized development costs</b>						
Contact Center & Office Headsets					3	
Mobile Headsets					6	
<b>GN Netcom</b>	<b>8</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>32</b>
Hearing Instruments					16	
Audiologic Diagnostics Equipment					7	
<b>GN ReSound</b>	<b>27</b>	<b>26</b>	<b>31</b>	<b>16</b>	<b>23</b>	<b>100</b>
Other *	-	-	-	-	-	-
<b>GN total</b>	<b>35</b>	<b>33</b>	<b>39</b>	<b>25</b>	<b>32</b>	<b>132</b>
<b>Amortized development costs</b>						
Contact Center & Office Headsets					(5)	
Mobile Headsets					(9)	
<b>GN Netcom</b>	<b>(11)</b>	<b>(13)</b>	<b>(15)</b>	<b>(15)</b>	<b>(14)</b>	<b>(54)</b>
Hearing Instruments					(8)	
Audiologic Diagnostics Equipment					(8)	
<b>GN ReSound</b>	<b>(14)</b>	<b>(13)</b>	<b>(15)</b>	<b>(22)</b>	<b>(16)</b>	<b>(64)</b>
Other *	-	-	-	-	-	-
<b>GN total</b>	<b>(25)</b>	<b>(26)</b>	<b>(30)</b>	<b>(37)</b>	<b>(30)</b>	<b>(118)</b>

\*) "Other" comprises Telegraf-Company, GN Ejendomme, corporate staff, corporate finance and eliminations.

**Development in selected balance sheet items**

(DKK millions)	March 31 2003 (unaud.)	June 30 2003 (unaud.)	Sept. 30 2003 (unaud.)	Dec. 31 2003 (aud.)	March 31 2004 (unaud.)
<b>Goodwill</b>					
GN Netcom	597	564	544	515	515
GN ReSound	2,799	2,628	2,538	2,261	2,270
<b>GN total</b>	<b>3,396</b>	<b>3,192</b>	<b>3,082</b>	<b>2,776</b>	<b>2,785</b>
<b>Development projects, acquired and developed in-house</b>					
GN Netcom	91	84	78	70	66
GN ReSound	257	275	287	277	277
<b>GN total</b>	<b>348</b>	<b>359</b>	<b>365</b>	<b>347</b>	<b>343</b>
<b>Inventories</b>					
GN Netcom	223	276	271	198	178
GN ReSound	383	404	433	424	448
<b>GN total</b>	<b>606</b>	<b>680</b>	<b>704</b>	<b>622</b>	<b>626</b>
<b>Trade receivables</b>					
GN Netcom	296	311	311	333	346
GN ReSound	550	548	557	563	583
Other	87	89	64	62	53
<b>GN total</b>	<b>933</b>	<b>948</b>	<b>932</b>	<b>958</b>	<b>982</b>
<b>Trade payables</b>					
GN Netcom	109	139	101	88	125
GN ReSound	176	157	223	175	155
Other	19	16	20	26	23
<b>GN total</b>	<b>304</b>	<b>312</b>	<b>344</b>	<b>289</b>	<b>303</b>



**Quarterly statement of cash flows**

(DKK millions)	Q1 2003 (unaud.)	Q2 2003 (unaud.)	Q3 2003 (unaud.)	Q4 2003 (unaud.)	Q1 2004 (unaud.)	2003 (aud.)
<b>Operating activities</b>						
Earnings before interest and tax (EBIT)	40	(32)	55	23	103	86
Depreciation, amortization and impairment	122	120	126	197	122	565
Other adjustments	33	119	15	38	34	205
<b>Cash flow from operating activities before changes in working capital</b>	<b>195</b>	<b>207</b>	<b>196</b>	<b>258</b>	<b>259</b>	<b>856</b>
Change in inventories	(2)	(84)	(32)	44	(24)	(74)
Change in receivables	(29)	(14)	(20)	(38)	(49)	(101)
Change in trade payables and other payables	11	42	44	(46)	12	51
<b>Total changes in working capital</b>	<b>(20)</b>	<b>(56)</b>	<b>(8)</b>	<b>(40)</b>	<b>(61)</b>	<b>(124)</b>
<b>Cash flow from operating activities before interest income and expense and similar items, restructurings and tax</b>	<b>175</b>	<b>151</b>	<b>188</b>	<b>218</b>	<b>198</b>	<b>732</b>
Interest and dividends, etc. received	2	4	4	85	2	95
Interest paid	(18)	(25)	(18)	(18)	(12)	(79)
Restructurings, paid	(18)	(40)	(26)	(63)	(9)	(147)
Tax paid, net	(9)	(12)	(8)	255	(8)	226
<b>Cash flows from operating activities</b>	<b>132</b>	<b>78</b>	<b>140</b>	<b>477</b>	<b>171</b>	<b>827</b>
<b>Investing activities</b>						
Development projects, acquired and developed in-house	(36)	(32)	(39)	(25)	(30)	(132)
Acquisition of other intangible assets and property, plant and equipment, net	(38)	(44)	(33)	(44)	(29)	(159)
Acquisition/disposal of investments, net	4	(4)	(5)	(36)	-	(41)
Disposal of property	-	-	-	63	-	63
Cash purchase consideration, net, discontinuing operations	(30)	(59)	-	-	-	(89)
<b>Cash flows from investing activities</b>	<b>(100)</b>	<b>(139)</b>	<b>(77)</b>	<b>(42)</b>	<b>(59)</b>	<b>(358)</b>
<b>Cash flows from operating and investing activities</b>	<b>32</b>	<b>(61)</b>	<b>63</b>	<b>435</b>	<b>112</b>	<b>469</b>
<b>Financing activities</b>						
Decrease of short-term liabilities	(21)	(107)	(7)	133	(27)	(2)
Repayment and reduction of non-current liabilities	-	-	(51)	(620)	(50)	(671)
Foreign exchange adjustments etc.	(18)	6	9	3	18	-
<b>Cash flows from financing activities</b>	<b>(39)</b>	<b>(101)</b>	<b>(49)</b>	<b>(484)</b>	<b>(59)</b>	<b>(673)</b>
<b>Net cash flows</b>	<b>(7)</b>	<b>(162)</b>	<b>14</b>	<b>(49)</b>	<b>53</b>	<b>(204)</b>
Cash and cash equivalents, beginning of the period	282	271	107	121	70	282
Foreign exchange adjustments, Cash and cash equivalents	(4)	(2)	-	(2)	(1)	(8)
<b>Cash and cash equivalents, beginning of the period</b>	<b>278</b>	<b>269</b>	<b>107</b>	<b>119</b>	<b>69</b>	<b>274</b>
<b>Cash and cash equivalents, end of the period</b>	<b>271</b>	<b>107</b>	<b>121</b>	<b>70</b>	<b>122</b>	<b>70</b>

**Quarterly Statement of Cash Flow by Business Area**

<b>Cash flow from operating activities before changes in working capital</b>						
GN Netcom	63	67	48	89	88	267
GN ReSound	146	148	159	185	175	638
Other	(14)	(8)	(11)	(16)	(4)	(49)
<b>GN total</b>	<b>195</b>	<b>207</b>	<b>196</b>	<b>258</b>	<b>259</b>	<b>856</b>
<b>Cash flow from operating activities before interest income and expense and similar items, restructurings and tax</b>						
GN Netcom	76	61	(8)	84	112	213
GN ReSound	128	102	184	136	80	550
Other	(29)	(12)	12	(2)	6	(31)
<b>GN total</b>	<b>175</b>	<b>151</b>	<b>188</b>	<b>218</b>	<b>198</b>	<b>732</b>
<b>Cash flows from operating activities</b>						
GN Netcom	51	25	(37)	33	99	72
GN ReSound	98	47	149	83	52	377
Other	(17)	6	28	361	20	378
<b>GN total</b>	<b>132</b>	<b>78</b>	<b>140</b>	<b>477</b>	<b>171</b>	<b>827</b>
<b>Cash flows from investing activities</b>						
GN Netcom	(15)	(19)	(15)	(8)	(13)	(57)
GN ReSound	(58)	(63)	(63)	(96)	(46)	(280)
Other	(27)	(57)	1	62	-	(21)
<b>GN total</b>	<b>(100)</b>	<b>(139)</b>	<b>(77)</b>	<b>(42)</b>	<b>(59)</b>	<b>(358)</b>
<b>Cash flows from operating and investing activities</b>						
GN Netcom	36	6	(52)	25	86	15
GN ReSound	40	(16)	86	(13)	6	97
Other	(44)	(51)	29	423	20	357
<b>GN total</b>	<b>32</b>	<b>(61)</b>	<b>63</b>	<b>435</b>	<b>112</b>	<b>469</b>