



GLOBAL INNOVATOR IN PERSONAL COMMUNICATIONS

GN Store Nord

Q2/2004 Earnings Release, August 19, 2004

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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 2004 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.



## Following up on The GN Agenda 2004-2006

### Close the margin gap in hearing instruments and ADE by end 2004

- EBITA margin up from 13.7% in Q2 2003 to 15.9% in Q2 2004

Margin,%	Q2/01	Q3/01	Q4/01	Q1/02	Q2/02	Q3/02	Q4/02	Q1/03	Q2/03	Q3/03	Q4/03	Q1/04	Q2/04
	5.2	7.6	8.9	8.1	8.5	10.2	11.3	12.1	13.7	16.3	16.4	14.9	15.9

### Stay ahead in the Bluetooth race establishing position in Asia

- Bluetooth revenue of DKK 223m vs. DKK 86m in Q2 2003
- Asian revenue of DKK 4m

### Increase cash flow from operations and free cash flow

- EBITA margin up from 11.1% in Q2 2003 to 14.8% in Q2 2004
- “inventory, receivables and payables” down DKK 48m, Q2-o-Q1
- free cash flow up DKK 75m to DKK 187m, Q2-o-Q1



## GN at a glance

- outlook revised upward
- product portfolio stays young
- major structural changes almost finalized
- sales and marketing increases
- Mobile growth accelerates
- profitability is priority #1 in 3 of 4 businesses
- supply chain is in focus



## New GN - P&L

DKKm	2002	Q2/03	2003	Q2/04
Revenue	4,682	1,148	4,742	1,383
Gross profit	2,458	643	2,625	749
Gross margin,%	52	56	55	54
EBITA	376	128	549	204
EBITA margin,%	8.0	11.1	11.6	14.8
Restructurings	(162)	(100)	(140)	0
EBIT	(94)	(32)	86	155
Financials, net and others	(446)	63	177	(3)
EBT	(540)	31	263	152

**Revenue exceeds expectations – 24% organic growth vs. Q2/03**

**Gross margin reflects high mobile revenue with lower margin**

**OPEX up in fixed currency from S&D spending**

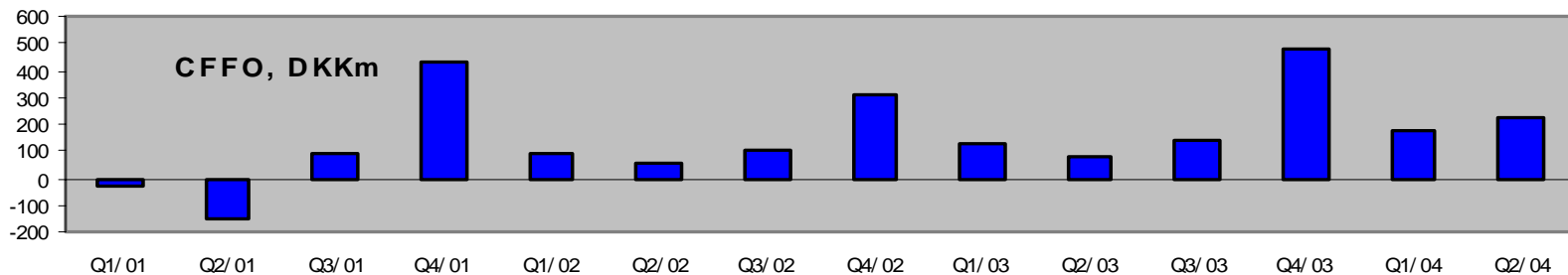
**EBITA margin 14.0% not capitalizing R&D (10.5% Q2/03)**



# New GN - Balance sheet and Cash Flow

DKKm	Q2/03	2003	Q2/04
Goodwill	3,192	2,776	2,741
Development projects	359	347	354
Inventory	680	622	582
Trade receivables	948	958	1,048
Net interest bearing debt	1,300	784	592
Trade payables	312	289	373

DKKm	Q2/03	2003	Q2/04
CFFO before Fin,restruc,tax	151	732	260
CFFO	78	827	230
Free cash flow	(61)	469	187
adj. for one-offs	38	308	187





## Contact Center & Office

DKKm	Q2	Q3	Q4	2002	Q1	Q2	Q3	Q4	2003	Q1	Q2	
	373	335	338	1,419	317	320	308	334	1,279	325	337	
										<b>Gross profit</b>	202	224
										margin,%	62	66
										<b>EBITA</b>	60	77
										margin%	18.5	22.8

DKKm	North America	Europe	Asia/Pac/ROW	
2002		779	559	81
2003		632	568	80
Q1		144	160	21
Q2		161	151	26

### US market outperforms strong EU:

- GN Q2 organic growth of 8%, Y-o-Y, 9% ex Hello Direct

### Office platform still stronger:

- Office outgrows Contact Center
- wireless revenue DKK 104m; up 12% from Q2 2003



# Mobile

DKKm	Q2	Q3	Q4	2002	Q1	Q2	Q3	Q4	2003	Q1	Q2	
	60	99	143	335	102	113	106	160	481	150	292	
										<b>Gross profit</b>	41	76
										margin,%	27	26
										<b>EBITA</b>	-11	16
										margin,%	(7.3)	5.5
DKKm	North America	Europe	Asia/Pacific/ROW									
2002		289	46	0								
2003		278	197	6								
Q1		58	89	3								
Q2		158	130	4								

## Competition remains fierce in all markets:

- GN Q2 revenue up 95%, Q2-o-Q1 (168% org., Y-o-Y)
- GN Q2 revenue in BT, corded and OEM above expectations

## Asian expansion takes time!

Marketing BT110 and SP100 from Q3. BT500 and BT800 postponed.

Component shortage solved in Q3





# Hearing Instruments

DKKm	Q2	Q3	Q4	2002	Q1	Q2	Q3	Q4	2003	Q1	Q2	
	659	613	664	2,593	635	628	648	706	2,617	662	667	
										<b>Gross profit</b>	390	402
										margin,%	59	60
										<b>EBITA</b>	109	120
										margin,%	16.5	18.0
DKKm	North America	Europe	Asia/Pacific/ROW									
<b>2002</b>		1,137	1,134			322						
<b>2003</b>		1,089	1,283			245						
<b>Q1</b>		256	320			86						
<b>Q2</b>		273	299			95						

**Overall growth in US and EU with weak Germany:**

- GN Q2 in line with market
- GN Q2 organic growth of 9%, Y-o-Y,

**Competition intensifies**

**Upgraded Canta2 supports GN in low-end from Q3**

**US market share = 12% (units)**

**EDGE™ strengthens Beltone line**



# Audiologic Diagnostics Equipment

DKKm	Q2	Q3	Q4	2002	Q1	Q2	Q3	Q4	2003	Q1	Q2	
	71	67	90	310	87	82	76	106	351	90	83	
<b>DKKm</b>	<b>North America</b>			<b>Europe</b>			<b>Asia/Pacific/ROW</b>					
2002	112			161			37					
2003	95			229			27					
Q1	17			63			10					
Q2	29			45			9					
										<b>Gross profit</b>		
										margin,%	48	43
										<b>EBITA</b>		
										margin,%	53	52
											3	-1
											3.3	(1.2)

## US improves:

- GN Q2 organic growth of 4%, Y-o-Y,

**Positive reception of MADSEN OTOflex 100 - "the benchmark"**

**Production of sub assemblies moved to China - focus is on earnings!**



## 2004 outlook revised upward from higher revenue

Revenue:	no less than DKK 5.2bn at DKK/USD 6
EBITA:	DKK 725m
EBT:	DKK 475m
<b>CC&amp;O:</b>	<b>EBITA margin 19-21% on revenue of close to DKK 1.25bn</b> <i>Highest growth in Office</i>
<b>Mobile:</b> <i>revised upward</i>	<b>Small EBITA profit on revenue of no less than DKK 1bn</b> <i>Bluetooth penetration sparks overall demand</i>
<b>Hearing Instruments:</b>	<b>EBITA margin 18-20% on revenue of close to DKK 2.65bn</b> <i>Price pressure in low end</i>
<b>Audiologic Diagnostics:</b>	<b>Small EBITA profit on revenue of more than DKK 300m</b> <i>Demand picks up</i>
<b>USD sensitivity:</b>	<b>~50% of sales and &lt;60% of costs are based in the "USD-zone"</b>

Early adoption of IFRS 2 – expensing options on P&L – DKK 15m in 2004

IFRS 3 would reduce amortizations from DKK 230m to DKK 35m in 2004



## The GN agenda 2004-2006

### **Close the margin gap by end 2004**

- bring profitability at par with tech position in hearing instruments and ADE

### **Stay ahead in the Bluetooth race**

- expand Asian platform
- critical mass before short term profit

### **Increase free cash flow**

- improve overall earnings
- improve operating working capital management performance