Annual Report 2003 | GN Store Nord

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International Financial Reporting Standards

As in 2001 and 2002, the Annual Report for 2003 is presented in accordance with the international financial reporting standards, IFRS, and the Danish Financial Statements Act. For ease of comparison with GN's foreign competitors, EBITDA, EBITA and other accounting terms that are not official IFRS terms or terms used in the Danish Financial Statements Act are used in both Management's Report and in the financial statements. The relationship between IFRS accounts and other terms and concepts applied is explained on page 18 of this report.

Forward-looking statements

The forward-looking statements in this annual report reflect GN management's current expectations for future events and financial results. Statements regarding 2004 are, of course, associated with 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 GN's markets; changes in product demand; competition; shortages of components needed in production; and the integration of acquired companies. For more information, see "GN 360° – operations and risk" on pages 10-12. This annual report should not be considered an offer to sell securities in GN Store Nord.

This publication is available in Danish and in English. In the event of any discrepancies, the Danish version shall be the governing text.

GN Store Nord A/S
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CORPORATE PROFILE

GN Store Nord has been helping people connect since 1869. Initially as a telegraph company and now as a manufacturer of headsets, hearing instruments and audiologic diagnostics equipment providing increased mobility and quality of life for the users. GN products are marketed globally.

GN markets its headsets for the contact center and office market under the GN Netcom brand, and headsets for cell phones under the JABRA brand.

GN hearing aids are sold under the GN ReSound and the Beltone brands. GN Otometrics is GN's brand for audiologic diagnostics equipment.

Most of GN's manufacturing is located in China, and more than 95% of sales are generated outside Denmark. The total work force numbered 4,400 employees at December 31, 2003. Most of the 3,650 employed outside Denmark are based in North America.

GN is listed on the Copenhagen Stock Exchange and is a component of the KFX-index. The company has almost 44,000 registered shareholders, who hold approximately 65% of the share capital, and foreign ownership in the company is estimated at more than 40%.

Mission

As an international market leader, GN aims to generate a competitive return for its shareholders by developing, manufacturing and marketing innovative solutions for personal communication, offering our users increased mobility and quality of life, and helping our employees respond to challenges and develop responsibility in an environment that combines advanced technology with global sales.

Goals

GN's goals for the 2004-2006 period are

- to become one of the most profitable manufacturers in the hearing instrument industry by the end of 2004
- to increase headset earnings by a substantial margin
- to retain the position as a leading global supplier of quality headsets for cellphones
- to keep our innovative leadership
- to ensure that the GN share price reflects truly and fairly the company's results and strategic potential.

Means

In the 2004-2006 period, GN plans

- to improve the efficiency of internal processes and workflows on the basis of the extensive restructurings due to be completed in 2004
- to increase the global market shares of the GN ReSound and Beltone brands
- to expand the Beltone dispenser network in the United States
- to consolidate JABRA in Europe and build up the brand in Asia
- to improve the revenue from office headsets through dedicated development and sales efforts
- to launch new products and solutions at short intervals
- to achieve cost synergies and reduce the working capital
- to develop and provide performance-related pay to the management and employees.

GN

Contact Center & Office Headsets

Mobile Headsets

Hearing Instruments

Audiologic Diagnostics Equipment

STATEMENT BY THE EXECUTIVE MANAGEMENT AND THE SUPERVISORY BOARD AND AUDITORS' REPORT

STATEMENT BY THE EXECUTIVE MANAGEMENT AND THE SUPERVISORY BOARD

The Executive Management and the Supervisory Board have today discussed and adopted the annual report for 2003 of GN Store Nord A/S. The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS), the Danish Financial Statements Act, Danish accounting standards and the Copenhagen Stock Exchange's financial reporting requirements for listed companies. We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's financial position at December 31, 2003 as well as of the results of the Group's and the parent company's operations and cash flows for 2003. We recommend that the annual report be approved at the annual general meeting.

Høje-Taastrup, February 26, 2004

Executive Management:

Jørn Kildegaard President & CEO	Jens Due Olsen CFO	Niels B. Christiansen Headsets	Jesper Mailind Hearing Instruments and Audiologic Diagnostics Equipment

Supervisory Board

Mogens Hugo Jørgensen Chairman	Finn Junge-Jensen Deputy Chairman	Jørgen Bardenfleth	Asger Domino	Peter Foss
Per Harkjær	Jens Bille Bergholdt	Henrik Nielsen	John Radich	

AUDITORS' REPORT

To the shareholders of GN Store Nord A/S
We audited the annual report of GN Store Nord A/S for the financial year January 1-December 31, 2003. The annual report is the responsibility of the Company's Executive Management and the Supervisory Board. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of opinion
We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Executive Management and the Supervisory Board, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion. Our audit did not result in any qualification.

Opinion
In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at December 31, 2003 and of the results of the Group's and the parent company's operations and cash flows for the financial year January 1-December 31, 2003 in accordance with the Danish Financial Statements Act, Danish Accounting Standards, the Copenhagen Stock Exchange's financial reporting requirements for listed companies and International Financial Reporting Standards (IFRS).

Copenhagen, February 26, 2004

KPMG C.Jespersen
Statsautoriseret Revisionsinteressentskab

Kurt Gimsing State Authorised Public Accountant	Michael Sten Larsen State Authorised Public Accountant

Deloitte
Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen State Authorised Public Accountant	Jørgen Holm Andersen State Authorised Public Accountant

SUPERVISORY BOARD

Mogens Hugo Jørgensen
Chairman
Member of the Board since 1994, age 61
Remuneration: DKK 450,000
No. of GN shares held: 4,772

Chairman of:
Dampskibsselskabet Norden A/S

Board member of:
Nordea Danmark Fonden (trust fund)

Finn Junge-Jensen
Deputy Chairman
Member of the Board since 1990, age 59
Remuneration: DKK 300,000
No. of GN shares held: 24,050
Dean, Copenhagen Business School

Board member of:
Symbion A/S
Zacco A/S
PLS Rambøll Management A/S
Teknologisk Innovation A/S

Jørgen Bardenfleth
Member of the Board since 2003, age 48
Remuneration: DKK 150,000
No. of GN shares held: 0
General Manager, Intel Optical Components Division

Board member of:
Dezide ApS

Asger Domino
Member of the Board since 2003, age 44
Remuneration: DKK 150,000
No. of GN shares held: 0
President & CEO of Brødrene Hartmann A/S

Board member of:
Buhl & Bønsøe A/S

Peter Foss
Member of the Board since 1996, age 47
Remuneration: DKK 150,000
No. of GN shares held: 19,650
President, Foss A/S

Board member of:
Chr. Hansen Holding A/S

Per Harkjær
Member of the Board since 2002, age 46
Remuneration: DKK 150,000
No. of GN shares held: 2,000
President & CEO, Toms Gruppen A/S

Jens Bille Bergholdt
Employee representative
Member of the Board since 2001, age 35
Remuneration: DKK 150,000
No. of GN shares held: 426
Director, Corporate Treasury, GN Store Nord A/S

Henrik Nielsen
Employee representative
Member of the Board since 2002, age 45
Remuneration: DKK 150,000
No. of GN shares held: 1,780
Director, Mechanical Development, GN ReSound A/S

John Radich
Employee representative
Member of the Board since 2003, age 54
Remuneration: DKK 150,000
No. of GN shares held: 4,835
Vice President & General Manager, GN Store Nord A/S


Mogens Hugo Jørgensen


Finn Junge-Jensen


Jørgen Bardenfleth


Asger Domino


Peter Foss


Per Harkjær


Jens Bille Bergholdt


Henrik Nielsen


John Radich

EXECUTIVE MANAGEMENT

Jørn Kildegaard
President & CEO
Member of the Executive Management since 1992, age 48
Salary: DKK 3.4 million
Bonus: DKK 0.3 million
Options granted in 2003: 135,000 (exercise price 18.3)
No. of GN shares held: 19,880

Chairman of:
Glunz & Jensen A/S
Trykko Pack A/S
Board member of:
NEG Micon A/S

Jens Due Olsen
Executive Vice President, CFO
Member of the Executive Management since 2001, age 40
Salary: DKK 2.7 million
Bonus: DKK 0.2 million
Options granted in 2003: 105,000 stk. (exercise price 18.3)
No. of GN shares held: 5,100

Board member of:
Cryptomathic A/S
Industriens Pensionsforsikring A/S

Niels B. Christiansen
Executive Vice President, Headsets
Member of the Executive Management since 2003, age 37
Salary: DKK 2.8 million
Bonus: DKK 0.1 million
Options granted in 2003: 105,000 (exercise price 18.3)
No. of GN shares held: 2,780

Chairman of:
Danware A/S

Jesper Mailind
Executive Vice President, Hearing instruments and audiologic diagnostics equipment
Member of the Executive Management since 2003, age 47
Salary: DKK 2.8 million
Bonus: DKK 0.4 million
Options granted in 2003: 105,000 (exercise price 18.3)
No. of GN shares held: 5,530

Chairman of:
Hearing Instrument Manufacturers' Software Association


Jens Due Olsen, Niels B. Christiansen, Jørn Kildegaard, Jesper Mailind

Remuneration of the Executive Management is based on a fixed salary plus a potential cash bonus of up to 20%, depending on each member's individual target performance. The company does not make pension contributions in respect of Jørn Kildegaard or Jens Due Olsen. Severance plans for the Executive Management are based on standard terms as applied in Denmark. No member of the Supervisory Board or the Executive Management bought or sold any GN shares during 2003 and prior to the release of the financial statements.

CONSOLIDATED FINANCIAL HIGHLIGHTS 1999-2003 (DKK millions)	1999	2000	2001	2002	2003
Earnings – Income statement in accordance with International Financial Reporting Standards (IFRS)					
Revenue	5,398	7,003	7,319	5,512	4,742
Operating profit (loss) before share of profit in subsidiaries and associates	452	144	(9,619)	(4,714)	97
Operating profit (loss)	433	138	(9,624)	(4,747)	93
Profit (loss) from ordinary activities before tax	653	13,004	(9,642)	(5,289)	270
Profit (loss) for the year	429	12,697	(9,176)	(5,114)	255
Profit (loss) for the year excluding amortization and impairment of goodwill and other intangible assets acquired in company acquisitions	551	13,212	137	(2,194)	574
Earnings – Investor-specific highlights					
Earnings before depreciation, amortization, impairment and restructurings and items of a non-recurring nature (EBITDA)	1,005	1,076	420	(997)	675
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)	669	795	198	(1,204)	556
Balance sheet					
Share capital (GN Store Nord A/S)	782	879	879	879	879
Equity	3,098	19,698	10,708	4,789	4,471
Total assets	8,566	23,809	15,023	7,938	6,595
Net interest bearing debt	(2,872)	488	(817)	(1,243)	(784)
Cash flows					
Cash flows from operating activities	472	41	(65)	241	827
Cash flows from investing activities	(1,063)	(741)	(1,065)	(704)	(358)
Total cash flows from operating and investing activities	(591)	(700)	(1,130)	(463)	469
Development costs					
Development costs incurred for the period before grant	326	536	696	625	263
Restructuring costs					
Restructuring recognised in income statement	65	89	393	374	140
Restructurings, paid	100	192	184	321	147
Investments					
Plant and machinery, etc.	357	265	267	147	105
Real property including leasehold improvements	126	44	137	50	47
Development projects, developed in-house	85	291	443	377	132
Other intangible assets excluding goodwill	136	45	92	67	38
Total (excluding company acquisitions)	704	645	939	641	322
Company acquisitions	1,777	14,258	184	21	-
Acquisition of associates	1	77	147	21	26
Total investments	2,482	14,980	1,270	683	348
Depreciation and impairment of property, plant and equipment and amortization of intangible assets	550	792	1,264	987	565
Impairment of intangible assets	10	124	8,509	2,991	-
Return on invested capital (EBITA)	11.5%	5.5%	1.1 %	(11.9)%	8.6%
Key ratios					
Parent company pay-out ratio	15.0%	15.0%	0.0 %	0.0%	15.0%
Dividend per share of DKK 4 each (in Danish kroner)	0.60	0.60	0.00	0.00	0.60
EBITA margin	12.4%	11.4%	2.7 %	(21.8)%	11.7%
Return on invested capital (EBITA)	11.5%	5.5%	1.1 %	(11.9)%	8.6%
Return on equity	15.0%	111.4%	(60.4)%	(66.0)%	5.5%
Equity ratio	36.2%	82.7%	71.3 %	60.3 %	67.8%
Key ratios per share					
Earnings per share (EPS)	2.30	65.85	(43.47)	(24.20)	1.21
Earnings per share, fully diluted (EPS)	2.30	65.85	(43.47)	(24.20)	1.20
Earnings per share excluding amortization and impairment of intangible assets and restructurings, etc. (EPS)	3.46	69.29	3.04	(7.59)	3.38
Earnings per share excluding amortization and impairment of intangible assets and restructurings, etc., fully diluted (EPS)	3.46	69.29	3.04	(7.59)	3.37
Cash flow from operating activities per share (CFPS)	2.52	0.21	(0.31)	1.14	3.90
Net asset value per share of DKK 4 each	17	93	51	23	21
Share price at the end of the period	72	141	50	21	38
Employees					
Average number	3,835	5,162	6,213	5,475	4,343

Key ratio definitions are provided on page 55.

Hearing instrument profitability strongly enhanced, as expected

JABRA established in Europe; Bluetooth position strengthened.
Working to improve cash flows.

After several years of realigning our business through acquisitions and disposals, the new GN emerged on January 2, 2003, firmly focused on headsets, hearing instruments and audiologic diagnostics equipment. Today's GN is a single business organization with four business areas that are all among the leaders in their markets. While all are rooted in GN's acoustics and audiology know-how, each business area is driven by a dynamic force of its own.

The planned strong increase in earnings materialized in 2003, and GN strengthened its strategic platform with the Mobile Division building a presence in Europe and signing new OEM agreements, the heavy demand for the unique ReSoundAIR device, and the strong market reception enjoyed by the wireless GN 9120 headset for offices.

The new production plant in China contributes to the improved profitability of most GN products. Most of GN's hearing instruments and more and more of our headsets are manufactured there.

The extensive restructuring of GN's entire production plant is now almost complete. GN intends to use enhanced processes and work procedures as well as the organization's refocused customer approach to create the expected and necessary advances in profits and maintenance of growth.

Q4 2003

Revenue from headsets, hearing instruments and audiologic diagnostics equipment was DKK 1,311 million in Q4 2003 against DKK 1,142 million in Q3 2003 and DKK 1,239 million in Q4 2002. The fourth quarter was marked by the strong seasonal demand for mobile headsets, continued strong organic growth in hearing instruments and rising organic growth in CC&O headsets. GN generated overall organic growth of 15% relative to Q4 2002. All business areas reported improvements.

EBITA was DKK 189 million (EBITA margin of 14.4%) against DKK 125 million (10.9%) in Q3 2003 and DKK 132 million (10.7%) in Q4 2002.

Inventories and trade receivables fell by a total of DKK 56 million to DKK 1,580 million. Trade payables were DKK 289 million, as compared to DKK 344 million at September 30, 2003.

Cash flows from operating activities were DKK 477 million against DKK 140 million in Q3 2003 and DKK 310 million in Q4 2002. The free cash flow was DKK 101 million, when adjusted for restructuring costs incurred, tax reimbursements and proceeds from the sale of property.

Full year 2003

EBITA for the year was DKK 556 million, in line with the guidance provided on January 2, 2003, and, most recently, on November 5, 2003. This marks a satisfactory improvement over 2002, based on the better-than-expected performance in Hearing Instruments and Audiologic Diagnostics Equipment offsetting the weaker-than-expected performance in mobile headsets. Revenue was in line with expectations in spite of the weaker US dollar. New products and product variants launched in 2002 and 2003 represented almost 50% of full-year revenue, boosted by the effect of several successful launches. This percentage is expected to decline longer term.

Profit for the year before tax was DKK 270 million, approximately DKK 70 million higher than the forecast announced on November 5, 2003. The original forecast was of at least a DKK 30 million profit. The stronger performance was due to non-recurring income and lower financing costs more than offsetting increased amortization. A loss before tax of DKK 45 million, excluding NetTest, was recorded in 2002. Profit after tax was DKK 255 million, compared to a loss of DKK 5,114 million, including NetTest, in 2002.

At December 31, 2003, net interest-bearing debt was DKK 784 million against DKK 1,243 million a year earlier.

To prepare for the establishment of a single business organization, the individuals in charge of GN's operations in headsets and in hearing instruments and audiologic diagnostics equipment were both appointed to the Executive Management. At the same time, treasury and finance functions joined forces to form a single department. Combined with the intention to bring GN's executive closer to the operational units, this led to the sale in July 2003 of the premises that had been GN's corporate headquarters for more than 100 years.

When disposing of NetTest at the end of 2002, GN agreed to pay a number of expenses of up to a net amount of DKK 150 million over ten years. In April 2003, GN and NetTest's new owners signed a final agreement, under which GN was released from the above-mentioned obligation against a non-recurring payment of DKK 59 million. GN paid a net amount of DKK 89 million in 2003 in connection with the NetTest disposal.

The legal proceedings involving a number of cable projects in Eastern Europe and tax deductibility in connection with employee shares issued at a discount to the market price were concluded in 2003 with a satisfactory outcome. As a result, GN had received a total of DKK 334 million, including interest, from the tax authorities effective December 31, 2003.

In light of the profit enhancement, the anticipated improvement of GN's cash flow and the expectations for 2004, the Supervisory Board recommends that a dividend of DKK 0.6 per share be paid in respect of the 2003 financial year.

Hearing instrument profitability strongly enhanced, as expected

As expected, the overall profitability of hearing instruments and audiologic diagnostics equipment improved strongly during 2003. The EBITA margin grew from 9.5% in 2002 to 14.8%, marking a major step towards GN's goal to become one of the most profitable manufacturers in the industry by the end of 2004. The Q4 EBITA margin improved to 16.5%. In 2003, the Dutch manufacturing operations were transferred to the new factory in China, and the production of digital ITE (In The Ear) devices in North America will be centralized and moved to Minneapolis in the second quarter of 2004, which is slightly later than previously announced. GN ReSound's and Beltone's brand divisions merged in Copenhagen effective April 1, 2003. A growing proportion of our staff is based in China. No GN employees were affected by the outbreak of SARS in the spring, nor did the disease interrupt production. In mid-year, a number of problems arose related to managing the interaction between the sales companies, the global distribution center at Cork, Ireland and the production operations. This led to an unintended inventory build-up, which will be reduced in the course of 2004.

After having lost market share, because of the extensive integration efforts that followed the merger of the five original hearing instrument manufacturers, GN turned the tide in 2002 and also continued to win market share in 2003. An important factor in the improvement was the strengthening of the US sales organization and the steady flow of innovative products being launched in multiple price segments. The ReSoundAIR and the Canta7/Open were launched in the spring of 2003. Both of these innovative products feature "open" solutions that improve user comfort and avoid giving the user the feeling of being inside a diving bell, with all sound being filtered through the device. GN hopes that, together with a different design, open solution devices will persuade more people to use a hearing instrument.

JABRA established in Europe and Bluetooth position strengthened

Restructuring of headset operations continued in 2003. Hello Direct, the direct sales channel, was relocated from California to New Hampshire, where the rest of our North American headset operations are already based. Production is now exclusively based in China, and global headset distribution now originates from the Netherlands, the United States and Hong Kong. Following the efficient commissioning of the Xiamen factory, a large part of the headset production can now be sourced in.

The successful launch in February 2003 of the GN 9120 wireless headset for offices was unable to offset the performance of the weak and highly cyclical contact center market. Still, by the end of the year, the CC&O Division had brought its EBITA margin, excluding Hello Direct, back to the same level as before the economic slump began in 2000 and 2001, thanks to the completed restructurings and the budding improvement in demand.

Boosting revenue by more than 40% to DKK 481 million, the Mobile Division gained a foothold on the European market in 2003. The JABRA BT200 Bluetooth headset was an important door opener to a large number of important retail chains and distributors on the most important European markets. Over the next few years, JABRA aims to build a name and reputation on these markets as the leading independent brand in corded and wireless quality headsets for cell phones. JABRA will also be introduced in Asia during this same period.

In September, GN began shipping mobile headsets to Motorola under the second OEM contract, which was signed in February 2003. In November 2003, GN signed a second OEM agreement with Siemens, and in 2004 the first agreement with Samsung was signed. OEM headsets to Samsung will ship in mid-2004.

In January 2004, GN became the first company to launch a headset, the GN 6110, that automatically identifies whether an incoming call is being made to the user's landline telephone or cell phone and automatically connects to it. GN 6110 is expected to help increase the headset penetration in the office segment, which is currently estimated to be less than 10%.

The EBITA margin on headset operations improved to 10.1% from 8.5% in 2002, in line with the guidance provided on November 5, 2003.

Working to improve our cash flows

GN improved its cash flows from operating activities in 2003, due to non-recurring items. The free cash flow rose to DKK 469 million (2002: DKK 288 million). Adjusted for restructuring costs incurred and other non-recurring items including interest income on intra-group balance with NetTest, the cash flow fell by DKK 7 million. Inventories and trade receivables totaling DKK 1,580 million were still too high. With the implementation of the Navision Attain platform in the entire organization and the extensive restructuring of GN's business areas both completed, there will be good opportunities to improve the cash flows in 2004.

Share option plan narrowed

The Supervisory Board has resolved to narrow the scope of the GN share option plan for 2003. Fewer people will be eligible and the total amount granted will be significantly smaller than was previously the case. In 2003, 132 individuals were granted options at a total Black-Scholes value of DKK 24 million at the grant date, equal to almost 15% of the aggregate salaries of the people involved. The value of options to be granted in 2004 is expected to be reduced. GN expects to implement IFRS 2 Share-based Payment already in 2004, according to which option grants are recognized as costs in the income statement. The financial effects of these changes are included in the forecasts set out below.

Outlook for 2004

GN projects that revenue will be largely unchanged relative to 2003 and adversely affected by the weaker US dollar. We expect EBITA to improve by at least 20%, assuming a Danish kroner-US dollar exchange rate of 6.

The CC&O Division projects a full-year EBITA margin of 19-21% on revenue of just over DKK 1.2 billion.

The Mobile Division projects a minor EBITA loss, because of the efforts to build a presence in Asia, on revenue of almost DKK 700 million. In building the mobile headset business, GN prioritizes revenue growth ahead of earnings, because in the short term having a global presence is crucial for the Mobile Division to win a share of the market potential created through the spread of Bluetooth technology.

An EBITA margin of 18-20% is expected for hearing instruments on revenue of almost DKK 2.6 billion.

A slight EBITA profit is expected for the audiologic diagnostics equipment business on revenue of approximately DKK 300 million.

Group functions and the 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. 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 DKK 350 million.

Profit before tax is expected to improve by more than 40%.

Profitability is expected to improve as the year progresses, due to seasonality and to implemented or announced rationalization measures. No restructuring costs are expected in 2004, provided GN makes no major company acquisitions.

The projections are based on assumptions of economic growth slightly above the level recorded for 2003. With more than 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 US dollar fluctuations.

Events after the balance sheet date

On January 12, 2004, GN signed an agreement with Samsung of Korea to develop and manufacture Bluetooth headsets (see announcement No.1/2004)

Financial review

The items of the investor-specific statements are reviewed below. Figures for 2002 are stated exclusive of NetTest.

Revenue

Revenue was DKK 4,742 million against DKK 4,682 million in 2002. Hearing instruments, audiologic diagnostics equipment and the Mobile Division all reported a revenue improvement relative to 2002. Only the CC&O Division saw a decline in Danish kroner terms. The US dollar depreciation during the year impacted revenue by approximately DKK 400 million.

Gross profit

Gross profit was DKK 2,625 million against DKK 2,458 million in 2002. The improvement was due to the restructurings implemented in recent years. On the other hand, the gross margin is coming under pressure from the growing Mobile Division revenue and the declining prices on Bluetooth headsets.

Development costs

The year's incurred development costs were DKK 263 million, of which DKK 132 million, or 50% (2002: 56%), was capitalized. The fall in incurred development costs was based on improved efficiency and a lower requirement short term to invest in new contact center headsets and in the Bluetooth product platform. Capitalized development costs amounted to DKK 347 million at year-end.

Development costs recognized in the income statement rose to DKK 249 million (2002: DKK 211 million) including DKK 118 million (2002: DKK 69 million) in amortization on previously capitalized projects. The capitalized projects will from 2004 be amortized over one to five years instead of as previously over two to five years.

Amortization of acquired intangible assets

At DKK 319 million, amortization was DKK 59 million higher than the guidance provided on August 21, 2003. The increase derives from a mandatory technical reduction of the carrying value of goodwill, because GN is now able to use deferred tax assets not included in the original calculation of goodwill. The increase in the tax assets reduced the tax cost for the year.

GN expects intangible assets from company acquisitions to amount to DKK 230 million in 2004. If IFRS 3 Business Combinations, which is expected to take effect from the 2005 financial year, had applied in 2004, amortization of intangible assets from company acquisitions would have been reduced to DKK 35 million.

EBITA

The increase in EBITA to DKK 556 million from DKK 376 million in 2002 is generally a reflection of the rationalization measures implemented in recent years.

Restructuring costs

Restructuring costs were DKK 140 million in 2003, as compared to the forecast of DKK 150 million and the 2002 figure of DKK 162 million. These costs relate mainly to the relocation of Hello Direct from California to New Hampshire, the consolidation of the North American ITE device production in Minneapolis, the closure of the remaining headset production in the US and the UK, and the shutdown of development operations in the US-based JABRA organization. At December 31, 2003, provisions of DKK 74 million had been made for already announced restructurings due to be implemented in 2004. These initiatives will impact cash flows by approximately DKK 57 million in 2004.

Financial items and non-recurring items

Net financial items, etc. were DKK 177 million against DKK 49 million in 2002. The increase was due to DKK 75 million interest income from the tax reimbursement and the reversal of DKK 68 million in provisions from the disposal of NetTest. Net interest expenses to banks on the net debt was DKK 46 million in 2003. The profit from the sale of the former head office property in Copenhagen was DKK 57 million.

Profit before tax

GN posted a profit before tax of DKK 270 million, compared to a loss of DKK 45 million in 2002. The non-recurring items mentioned above had a net impact on the profit of DKK 134 million. Including NetTest, the loss in 2002 was DKK 5,289 million.

Profit after tax

The net profit for the year was DKK 255 million, as compared to a DKK 5,114 million loss, including NetTest, in 2002. The 2003 figure includes the positive net effect of DKK 19 million from increased amortization and the increased value of a tax asset.

Balance sheet

Total assets fell by DKK 1,343 million to DKK 6,595 million. Inventories amounted to DKK 622 million (2002: DKK 630 million). Receivables were up by DKK 13 million to DKK 958 million. Trade payables were DKK 289 million against DKK 322 million in 2002.

Cash management improvements contributed to reducing cash and cash equivalents from DKK 282 million at end 2002 to DKK 70 million. Interest-bearing debt amounted to DKK 784 million at December 31, 2003.

Goodwill totaled DKK 2,776 million, distributed on DKK 515 million on headset operations and DKK 2,261 million on hearing instruments and audiologic diagnostics equipment, compared to an overall figure of DKK 3,578 million at December 31, 2002. US dollar depreciation reduced goodwill by approximately DKK 500 million. Other intangibles, including development projects, amounted to DKK 868 million against DKK 957 million at December 31, 2002.

GN invested DKK 152 million in production plant, etc. in 2003. Property, plant and equipment amounted to DKK 337 million at December 31, 2003, against DKK 334 million the year before.

Equity was DKK 4,471 million at December 31, 2003 against DKK 4,789 million a year earlier. The decline was mainly due to the DKK 723 million impact of the weaker US dollar relative to Danish kroner, which exceeded the net profit for the year of DKK 255 million and tax on changes in equity of DKK 150 million.

Cash flows

The free cash flow for the year was DKK 469 million against DKK 288 million in 2002. Adjusted for restructuring costs incurred and non-recurring items such as tax reimbursements, proceeds from the sale of property and NetTest-related payments, the free cash flow was DKK 308 million in 2003, a fall of DKK 7 million relative to 2002.

GN 360° – operations and risk

Markets

GN is one of several players on the mobile market, and more will want to join as demand grows. GN is believed to hold about a 33% market share of the Bluetooth segment of close to 3.5 million units in 2003. In terms of value, the market share including corded headsets is about 20%. In the CC&O segment, GN is one of two players holding a combined market share of more than 80%. The US company Plantronics and GN are expected to remain the two dominant suppliers to contact centers. On the office market, growing headset use will likely attract new providers.

In addition to the ability to develop wireless headsets, maintaining an efficient distribution, maintaining close relations with major customers and distributors, and cooperating strongly with retailers are all essential competitive parameters for success on the headset markets. Tougher competition renders ever cheaper production a necessity.

GN is one of two hearing instrument manufacturers with a market share of about 15%. The industry's largest operator is Siemens (Germany), whose estimated share is more than 20%. The second-largest is William Demant (Denmark), whose market share is slightly greater than GN's. Combined, the six largest manufacturers account for almost 90% of industry output. Given the fact that all major manufacturers are capable of producing advanced digital hearing instruments, continual product launches in all price segments, scale economies in production and development, improved user comfort and service provided to dispensers, audiologists and the entire health care sector are essential for growth and profitability. Finally, marketing aimed at end users is expected to play an increasingly important role in the longer term.

GN is the leading provider on the market for audiologic diagnostics equipment, holding almost a 25% market share. William Demant (Denmark) is the second-largest. It is still a fragmented market, however.

Sales

No single GN customer accounts for more than 5% of revenue. The ten largest headset customers represented 25% of total CC&O Division and Mobile Division revenue. The corresponding combined figure for Hearing Instruments and Audiologic Diagnostics Equipment was less than 15%, because of the structure of the retail segment with its many small chains, unaffiliated individual outlets, wholesalers, etc. GN is seeing a slow consolidation of its customers, with independent purchasing alliances and chains making up a growing part of the retail segment on established markets. GN generates approximately 16% of its hearing instrument revenue through Beltone dispensers in the United States and from Ultravox Holdings, a UK-based chain of dispensers in which GN holds a 25% ownership interest. Hello Direct sells headsets and other electronic office equipment by mail order and over the Internet to small businesses in the United States.

The average credit period for trade receivables was 63 days, compared with 65 days in 2002. With its major structural changes now generally implemented, GN intends to step up efforts to reduce credit periods. The largest single trade receivable at December 31, 2003, totaled DKK 30 million.

GN plays an active role in customers' marketing initiatives aimed at end users, and advises Beltone dispensers in the United States on how to operate and develop their hearing clinics.

Demand for headsets for contact centers relies strongly on the state of the economy and on job creation. The office market appears to be less sensitive, given the relatively recent focus on increased comfort and greater efficiency in the office segment. An estimated 100 million office employees use a telephone daily for two hours or more. These 100 million people represent a largely untapped market for office headsets. Mobile headset sales are driven by factors such as the number of cellphone units sold, the spread of Bluetooth technology and the emergence of new types of communications products that combine games, PDAs, MP3, telephony, etc.

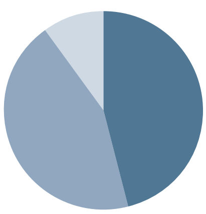
An estimated 10% of the population would benefit from a hearing aid, but fewer than one in five of this group actually have one. Only a change in the generally negative perception of hearing aids would help to lift growth rates higher than the 4-6% per annum currently being projected.

Prices

Since GN made its first headset shipments to Motorola in April 2002, recommended retail prices of Bluetooth headsets have dropped from almost EUR 200 to EUR 79. Contact center headsets generally remain at the same price level, since new models offer new functionality. Prices on the office market will come under pressure from less advanced headsets and a growing number of suppliers. The GN 9120 was launched in February 2003 at a price of USD 399, and the price has dropped along with the growth in demand. In the United States, corded headsets for contact centers typically retail at USD 100-150.

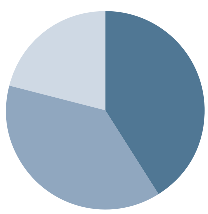
To date, prices of digital hearing instruments have been sustainable in the individual segments, but the shift in demand towards less expensive products that occurred in 2002 has generally softened the increase of average prices. It would appear that demand for advanced GN products recovered slightly in 2003. Retail prices of digital hearing instruments vary from one market to the next: in the United States,

Revenue distributed geographically



- Europe 47%
- North America 44%
- Asia and rest of world 9%

Employees distributed geographically



- Europe 41%
- North America 38%
- Asia and rest of world 21%

the advanced Canta7/Open retails at more than USD 2,000 per unit, while in Denmark, the low-priced Canta2 is available for less than DKK 6,000. Price levels are approximately the same in China and Denmark.

In Europe, users may in some cases obtain a full or partial refund of their hearing aid expenses from the public health care system. In the United States, users generally pay for everything themselves, which is also the case in China and Japan, for example.

Manufacturing and distribution

Products are designed to ensure efficient production. Production is mainly based in China and Ireland, and products are shipped to the central warehousing facilities in Cork (Ireland) or Roosendaal (the Netherlands) and, in the United States, to Nashua, New Hampshire, or Minneapolis, Minnesota. From there, they are sent to customers either directly or through GN sales units. This facilitates better control and reduces the working capital. To date, these efforts have been directed at finished goods, but in 2004 they will also target components and spare parts.

Headsets for office centers are shipped either overnight or up to two months after the order is received. Retail chains generally replenish their stocks of mobile headsets on a regular basis. Headsets are shipped from Xiamen either by sea or by air; the cost of having a constant flow of products at sea over several weeks is constantly being weighed against the benefits of faster but more expensive transport by air. The expensive, lightweight hearing instruments are shipped by air to Cork or Minneapolis and then shipped to the individual countries from there. Generally, it takes only a few days from the time an end user orders a standard hearing instrument until the product is delivered to the dispenser. Supplying an ITE device takes from a few days up to a month in some markets.

Headset production is increasingly being insourced in order to reduce unit costs. About 50% of GN's headsets are expected to be manufactured at the factory in Xiamen. The rest will be handled by Chinese subcontractors. A significant proportion of the headset components are sourced in China.

Since February 2003, GN has manufactured 70% of its standard BTE (Behind The Ear) hearing instruments in China; the factory in Cork, Ireland, has manufactured the remaining 30%. The electronic components for the ITE devices are generally assembled in China and shipped to the some 30 ITE labs worldwide. More than 1,100 GN employees are involved in manufacturing ITE devices, while 650 work in BTE production, which represents 60% of revenue. More than 40% of GN's direct production costs for standard hearing instruments is incurred in China and GN is working to expand its supplier base in this country.

Environmental issues

Run mainly on new, modern facilities, GN's production is labor-intensive and has a minor environmental impact. The 1,200,000 hearing instruments and more than 6,000,000 headsets, amplifiers and other devices manufactured in 2003 use either rechargeable or disposable batteries. The fully automatic hearing instrument factory in Præstø, Denmark, GN's most important raw materials manufacturing plant, produced 18 million plastic components in 2003, using 20 tons of granulate. Energy consumption in this connection was 1.4 million kWh. Soft soldering is used in the assembly process. Effective ventilation and air cleaning procedures protect the employees from potential work environment problems.

Development

Maintaining a high pace of innovation is a prerequisite for success on GN's markets; GN employs about 300 people in research and development. Most of these employees are based in Denmark or the United States; but Chinese operations will be expanded in 2004 to include current upgrades and maintenance of digital hearing instruments and headsets. The four business units exchange technologies. For example, GN Netcom's GN 1000 handset lifter, which incorporates a GN ReSound patent, reacts to magnetic impulses instead of the ring tone and lifts the receiver automatically.

In order to ensure efficient resource utilization and a competitive innovative environment, GN works closely together with external business partners. The CC&O Division and Mobile Division spend close to half of their development funds (which total DKK 59 million) on external development. For hearing instruments, the corresponding figure is about 20% of DKK 204 million.

In 2004, headset development efforts will be intensified to ensure innovation of the product portfolio aimed at contact centers, and the initiatives targeting the office market will also trigger new development requirements. Since growth on the mobile market requires frequent product launches, expansion in this area implies an increase in development costs in the years ahead.

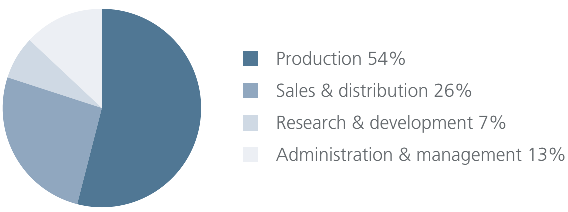
No major changes in development spending are anticipated for hearing instruments and audiologic diagnostics equipment.

Thanks to recent years' extensive rationalization of development activities, development costs are expected to make up 6-7% of revenue. At December 31, 2003, the value of capitalized development projects corresponded to just over 12 months of development costs.

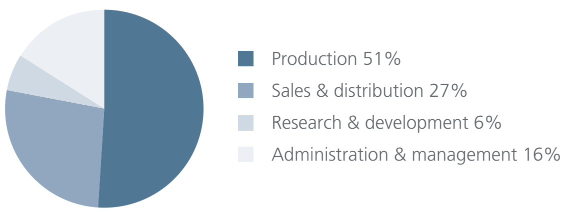
GN's assets and investments

GN's assets held for operating activities – trade receivables, inventories and property, plant and equipment – amounted to DKK 1,917

Employees distributed by function



Costs distributed by function



million at December 31, 2003, or almost 30% of total assets. The remaining assets are mainly intangibles such as goodwill, capitalized development costs, patents and IT systems.

The carrying amount of GN's properties is DKK 120 million, the largest being the new factory at Xiamen. An older production building in Chicago will be sold, following the consolidation of the ITE production in the United States. As a general rule, GN rents or leases premises in order to reduce the working capital used for non-strategic assets. Investment in property, plant and equipment and in tools and machinery is expected to be moderate, at about DKK 150 million per year. In the longer term, GN is considering setting up production facilities in another low-cost area. The implementation of Navision Attain is scheduled for completion in 2004.

Human Resources

GN's most important asset is its 4,400 employees, who work together in development, manufacturing, marketing, sales and administration as a tight-knit team in an international business in which close collaboration with subcontractors and customers is crucial for success.

GN aims to be an attractive workplace, in which we seek to align each employee's opportunities and wishes with the company's needs, both here and now and in the long term. The company runs training courses for managers at various locations in order to challenge and develop their leadership abilities and to increase their understanding of and insight into cultural differences.

As part of the efforts to establish a single business organization, a centralized HR function is currently being set up across the business areas. This will help to improve GN's recruitment processes and employee development that has become necessary after a number of years of company focus on rationalization and a comprehensive adjustment of its cost base.

The Xiamen factory is GN's largest workplace, with more than 600 workers. In our efforts to be among the region's preferred employers, we offer wages and working conditions that are competitive with what employers generally pay for similar work in the region. All employees are offered English language training courses as well.

Foreign currency

GN is exposed to currency risks only in connection with commercial transactions. GN does not raise loans or place surplus cash in foreign currency unless doing so reduces exposure to currency risks.

About 50% of revenue is generated in US dollars or dollar-related currencies. Close to 60% of total costs are settled in US dollars or dollar-related currencies. The Asian currencies are expected to take on added importance in the long term. As a substantial share of costs is consistently settled in the currencies of revenue, GN's long-term industrial competitive strength and EBITA are resilient to likely exchange rate fluctuations. A 10% depreciation of the US dollar against the Danish krone would reduce GN's revenue by an estimated 5% and would only have a limited effect on operating profit. Short-term fluctuations in the dollar would impact profit as and when products manufactured at a given exchange rate are sold at a different rate.

Any currency risks that may arise are hedged mainly by way of forward contracts or by raising debt in the currency in question.

As a general rule, GN does not hedge currency risk on net investments in foreign subsidiaries. At December 31, 2003, this exposure was estimated to be DKK 300 million in the event of a 10% change of the dollar against the krone.

Financing

At December 31, 2003, GN had an equity ratio of 68% and net interest-bearing debt of DKK 784 million. Interest coverage expressed as earnings before depreciation and amortization of assets acquired in company acquisitions relative to net interest expense on bank loan was 15 in 2003. The debt was mainly denominated in Danish kroner with an estimated duration of less than one year. The short-term financing is a reflection of the relatively low ratio of long-term assets to total assets, when disregarding goodwill. Other things being equal, a one-percentage-point increase in GN's financing rate would increase net interest expenses by less than DKK 5 million in 2004.

GN's current credit commitments are sufficient to finance growth and strategic opportunities. GN will continue to apply debt financing in creating an appropriate capital structure that reflects the future creation of cash flow from operating activities.

Financial credit risks

GN holds most of its cash and cash equivalents as short-term money market deposits with banks that have a satisfactory rating with Moody's or Standard & Poors. GN's exposure to any single financial counterparty does not exceed 2.5% of such party's capital and reserves.

Insurance

GN maintains a comprehensive insurance program that reflects the scope and geographical location of its business operations. The program appropriately covers direct and indirect risks and insurance events that could disrupt production and distribution flows. The program covers, if possible and financially feasible, consequential loss and financing to re-establish manufacturing facilities.

GN does not normally take out insurance against political risk.

Corporate Governance

GN has a single class of shares, no controlling shareholders and no takeover defense mechanism.

GN generally adheres to the recommendations on corporate governance issued by the Copenhagen Stock Exchange.

GN's transition from a conglomerate to a holding company and then to a single company with four business areas has redefined the work to be performed by the Board, bringing the Board much closer to actual operations than was previously the case. In addition to the six ordinary board meetings, the company's annual strategy seminar is a forum of intense debate about each business area's strengths, weaknesses, opportunities and threats. Three of the six board members appointed by the shareholders have been on the Board for less than two years. Board members are appointed for terms of one year.

Targeted communication with Danish and international shareholders

Estimated major shareholdings, February 2004.	%
ATP	7
Other Danish institutionals	15
Foreign investors	19
Private investors	20
Non-registered investors	35
GN	4
Total	100

Share capital and voting rights

The company's share capital of DKK 879 million is distributed on 220 million shares each carrying one vote.

GN has almost 44,000 registered shareholders. A total of 1.7 million employee shares originally issued in 1998 were released from blocked accounts on January 1, 2004. Foreign ownership in the company is estimated to be more than 40%. Members of the Supervisory Board, Executive Board and other "insiders" held a total of 401,748 shares in GN at mid-February 2004. The ten largest registered shareholders held almost 33% of the share capital in aggregate at mid-February 2004.

ATP (the Danish Labour Market Supplementary Pension Fund), whose address is Kongens Vænge 8, DK-3400 Hillerød, Denmark, had reported an ownership interest at mid-February 2004 in excess of 5% of the share capital.

Investor Relations

GN endeavors to provide adequate and timely information simultaneously to the market to provide the necessary framework in which the share price always reflects the company's situation and its strategic opportunities. In 2003, GN representatives continued to meet with private investors, and also held international road shows with investors in New York and Boston. GN took part in the Companies' Day arrangement held in May by the Danish Society of Investment Professionals and in November attended Dansk Aktiemesse, an annual event promoting private share ownership, that is hosted by the Danish Association of Shareholders.

Quarterly and full-year earnings releases are presented at meetings arranged for financial analysts, investors and the press. To ensure that everyone has equal access, these meetings and the related teleconferences are all held in English and transmitted live at GN's Web site: www.gn.com.

Some 15 financial analysts in Denmark and abroad provide active coverage of the GN stock.

Anyone interested in the information is welcome to subscribe to the GN information service at the GN Web site in order to receive news from GN immediately after the release of announcements to the Copenhagen Stock Exchange and GN Magazine, which is issued together with the quarterly reports three times a year.

Share option plans

Since 1998, GN has applied equity-based compensation partly as a motivational factor and to better align the interests of employees and shareholders. In 2003, GN granted a total of 2,437,500 options running for five years and with an estimated Black-Scholes value of DKK 24 million at the grant date and at an average exercise price of 18.3. There were a total of 6,705,226 outstanding share options at December 31, 2003, corresponding to 3% of the share capital. Based on the exercise strike price of 64.7, the options had a calculated Black-Scholes value of DKK 59 million at December 31, 2003.

Options are not granted to the members of the Supervisory Board that are elected by the shareholders.

Proposed resolutions for the Annual General Meeting

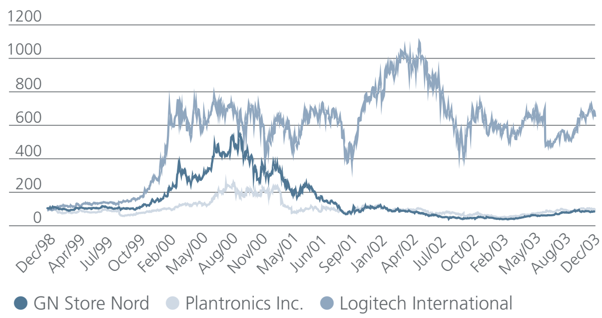
The Supervisory Board intends to propose to the Annual General Meeting: that a dividend of DKK 0.6 per share be paid in respect of 2003, that GN's registered office be located in the Municipality of Høje-Taastrup instead of in Copenhagen and that the authorization to increase the share capital by DKK 6 million nominal value be renewed for option-granting purposes.

Share price

The GN share provided a return of 86% in 2003. The stronger flow of information provided by the company has helped improve the pricing and liquidity of GN shares.

Share price development 1999-2003 (index)

Share price development 1999-2003 (index)



Financial Calendar 2004

March 31:	Annual General Meeting The AGM will be held at 3.30 p.m., CET, at Radisson SAS Falconer Center, Falkoner Allé 9, DK-2000 Frederiksberg
May 10:	Q1 2004 earnings release
August 19:	Q2 2004 earnings release
November 3:	Q3 2004 earnings release

JABRA launched in Asia.
Wireless office headsets gaining popularity.

Q4 2003

The CC&O Division generated revenue of DKK 334 million in Q4 against DKK 308 million in Q3 2003 and DKK 338 million in Q4 2002. The satisfactory sales performance in wireless products continued, as did the positive market developments from the third quarter. Organic growth was 19% relative to Q4 2002, excluding Hello Direct's revenue of DKK 71 million. Hello Direct generated Q4 revenue in line with expectations, following the relocation in the third quarter. New products launched in 2002 and 2003 represented 30% of Q4 revenue.

The Mobile Division generated revenue of DKK 160 million in Q4 against DKK 106 million in Q3 2003 and DKK 143 million in Q4 2002, recording organic growth of 30%. Bluetooth products contributed 70% of revenue. The new corded JABRA headsets and the JABRA BT250 Bluetooth headset helped to boost revenue towards the end of Q4.

EBITA improved to DKK 72 million (a margin of 14.6%) in Q4 from DKK 22 million (5.3%) in Q3 2003 and DKK 58 million (12.1%) in Q4 2002.

Cash flows from operating activities were DKK 33 million against DKK (37) million in Q3 2003 and DKK 60 million in Q4 2002.

Contact Center & Office Division

The CC&O Division generated revenue of DKK 1,279 million in 2003 against DKK 1,419 million in 2002. Hello Direct generated revenue of DKK 320 million. Revenue for the year fell short of the expectations expressed at the start of the year due to weak demand in the first half-year and the US dollar depreciation.

The drop in CC&O Division revenue relative to 2002 was due to the weaker US dollar and the trimming of Hello Direct's product portfolio. Demand recovered in the second half-year after several quarters of stagnation in the wake of the setbacks of 2000 and 2001.

Revenue from wireless headsets was DKK 350 million, up from DKK 259 million in 2002. A major driver of this upward trend was the February launch of the GN 9120, which has become the CC&O Division's best product launch to date.

Trimming of Hello Direct's product portfolio has increased the headset ratio to 65% of revenue. Hello Direct reported an EBITA loss of DKK 18 million in 2003, which is mainly due to double staffing in the third quarter necessitated by the concomitant shutdown in California and business build-up in New Hampshire. The company broke even in Q4.

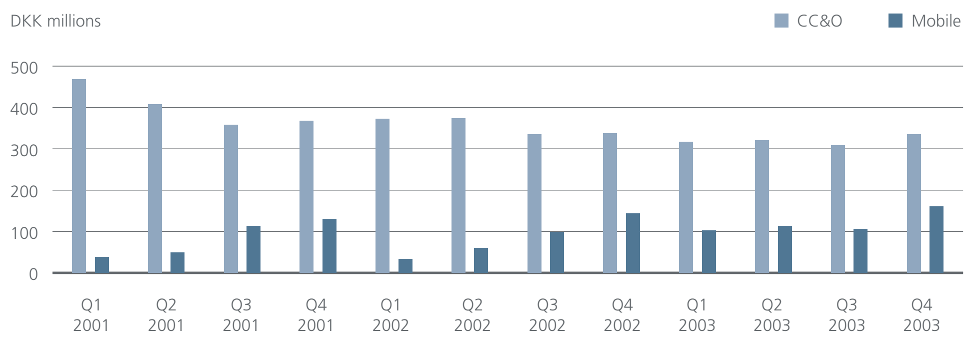
CC&O Division revenue is estimated to stem equally from the contact center and offices segments. Penetration is still low on the office market, indicating a much greater potential in this segment than in the contact center market, where growth will mainly be in Europe and Asia. The highly satisfactory sales of the GN 9120 have highlighted its strong potential on the office market, with the demand both for efficiency and for ergonomically correct telephone solutions satisfied by a single headset. To capitalize on this potential, GN will strengthen its targeted efforts to develop headsets specifically for the office market.

Mobile Division

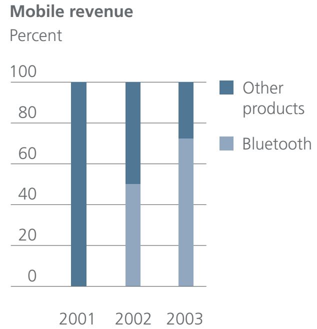
The Mobile Division generated revenue of DKK 481 million in 2003 against DKK 335 million in 2002, with Bluetooth headsets making up just over 70%. The revenue was in line with the original expectations in spite of the decision to lower the price of the JABRA BT200 headsets, and disappointing Q3 and Q4 sales of corded products in the United States. The Mobile Division offers the largest immediate growth potential in the short and intermediate term among GN's four business areas. That is why GN prioritizes current revenue growth ahead of earnings, as having a global presence is crucial for the Mobile Division to achieve its growth targets on the wireless communications market.

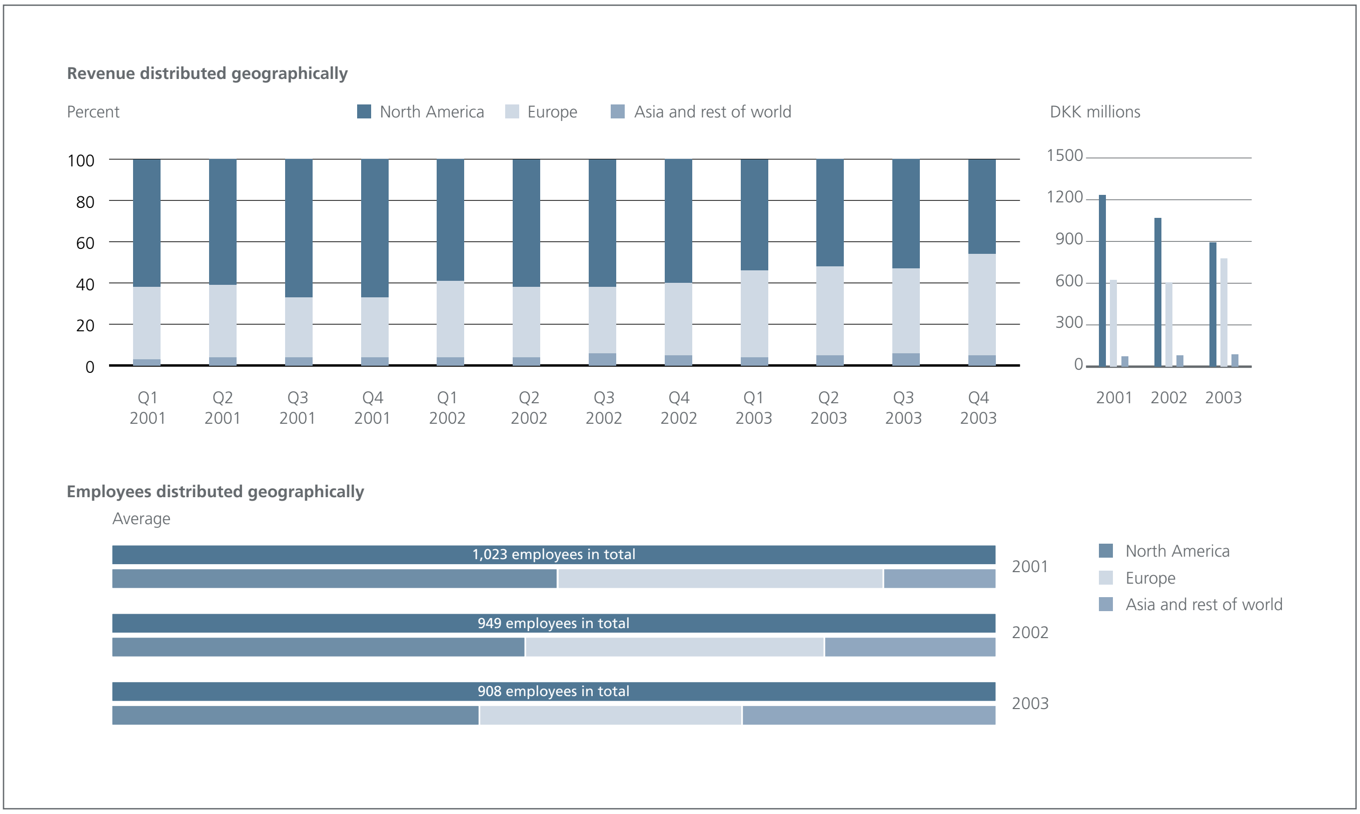
GN retained its leading position on the Bluetooth market in 2003, in stronger competition with the growing number of powerful suppliers of mobile headsets. In the middle of the year, GN lowered the price of the JABRA BT200 to EUR 79 in a successful attempt to retain its newly won position with European retailers. Lower prices and the use of Bluetooth in less expensive handsets are expected to boost demand for mobile headsets in 2004. GN's 2003 Bluetooth production was

Revenue distributed between CC&O and Mobile



Bluetooth's share of Mobile revenue





distributed among three OEM products and the JABRA BT200, BT250 and BT300 headsets. Sales of JABRA-brand products exceeded expectations in 2003, significantly outperforming OEM sales; JABRA sales were supported especially by the introduction of the brand in Europe.

In January 2004, GN signed its first agreement with Korea-based Samsung, thus establishing a partnership that will support GN efforts to win market shares in Asia. GN's two-pronged strategy of combining an in-house brand with OEM agreements serves to reduce overall unit costs, which strengthens JABRA's competitive ability. Although it is based on experience from Europe, building a market position in Asia will take longer than it did in Europe, because competition in Europe was limited in the first half of 2003. Also, because the retail segment is much more fragmented in Asia than it is in Europe and especially the United States, product launches are much more expensive there than in Europe, where GN generated revenue of DKK 197 million, up from DKK 46 million in 2002.

Global Business Areas

At the end of September, the last part of the headset production relocated to China, and in-house production in China was expanded. GN will continue its extensive use of subcontractors in order to ensure sufficient flexibility and competitiveness.

The new Dutch distribution center, whose operations have been outsourced, went operational in the fourth quarter.

A trimming of the CC&O product portfolio is being planned for 2004 with a view to reducing supply chain complexity and enhancing earnings.

The headset operations reported EBITA of DKK 177 million (10.1%), versus DKK 148 million (8.5%) in 2002. Adjusted for capitalized and amortized development costs, EBITA was DKK 199 million (11.3%) against DKK 112 million (6.4%) in 2002.

Restructuring costs in 2003 were DKK 75 million. At December 31, 2003, provisions of DKK 40 million had been made for current restructurings in the headset operations.

Cash flows from operating activities amounted to DKK 72 million (2002: DKK 167 million).

New structural initiatives implemented. Growth driven by new products.

Q4

Hearing instrument operations generated Q4 revenue of DKK 706 million, against DKK 648 million in Q3 2003 and DKK 664 million in Q4 2002. New products and product variants made up close to 60% of revenue, contributing to 15% organic growth relative to Q4 2002.

Audiologic diagnostics equipment generated Q4 revenue of DKK 106 million against DKK 76 million in Q3 2003 and DKK 90 million in Q4 2002. Shipments to the National Health Service in the UK supported the strong 25% organic growth. As part of the implementation of a shared technology platform for new products and the launch of MADSEN OTOflex 100, planned for the first half of 2004, GN wrote down inventories of older products and increased amortizations by a total of DKK 25 million in 2003.

The Closing the Margin Gap project is progressing as planned and is expected to propel GN to a place among the most profitable manufacturers in the industry by the end of 2004.

EBITA was DKK 134 million (EBITA margin of 16.5%) against DKK 119 million (16.4%) in Q3 2003 and DKK 85 million (11.3%) in Q4 2002.

Cash flows from operating activities were DKK 83 million against DKK 149 million in Q3 2003 and DKK 172 million in Q4 2002.

Hearing instruments

Hearing instrument revenue amounted to DKK 2,617 million in 2003 (2002: DKK 2,593 million). The revenue for the year was in line with the original expectations in spite of the weaker US dollar thanks to the very positive market response to the ReSoundAIR and the Canta7/Open and the budding improvements on the US market after two years of recline.

With most of the major structural initiatives completed, the division focused more on customer needs during 2003, and this helped secure a revenue improvement over 2002. Full-year organic growth of 11% gave GN a greater market share overall in 2003. Demand for more advanced GN products seems to have strengthened as the year progressed.

The Beltone network was strengthened in the US, with Beltone products now available in close to 1,400 retail outlets. The network is being expanded in a controlled process to ensure that dispensers offer premium quality services. The Beltone brand was strengthened in Q1 2004 with the launch of the mid-price MIRA series. Together with other new digital devices, the MIRA products are expected to sharpen Beltone's brand profile.

In the efforts to enhance efficiency in the manufacturing of ITE devices, the Danish and Norwegian production of individually fitted hearing instruments has relocated to new facilities in Copenhagen. The new, larger business unit runs a more rational operation while also improving quality. The program to develop an automated process involving computer operated laser manufacturing of small ITE devices progressed according to plan. The experience gained from manufacturing in the US will gradually be applied to the other markets starting in 2004.

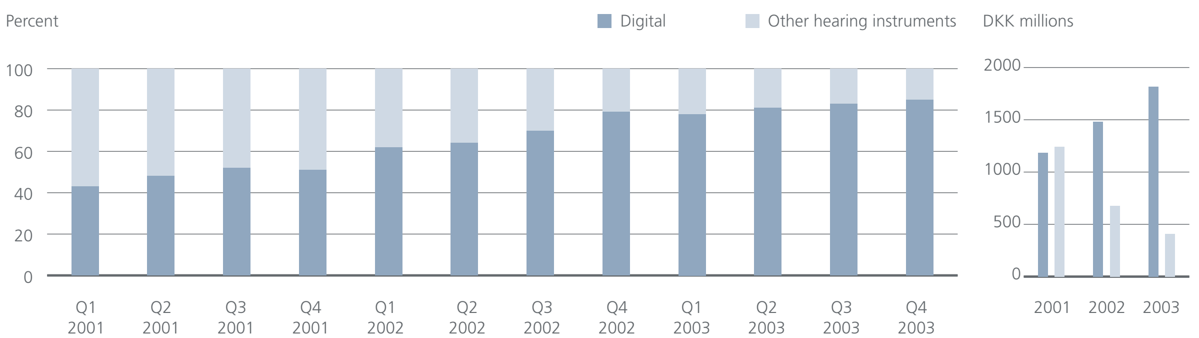
The project to rationalize the division's product portfolio is progressing as planned. GN ReSound and Beltone, the continuing brands, represent a total of about 95% of revenue. The Philips, Danavox and Viennatone products still being manufactured will be phased out over the next few years, making the supply chain less complex and reducing costs.

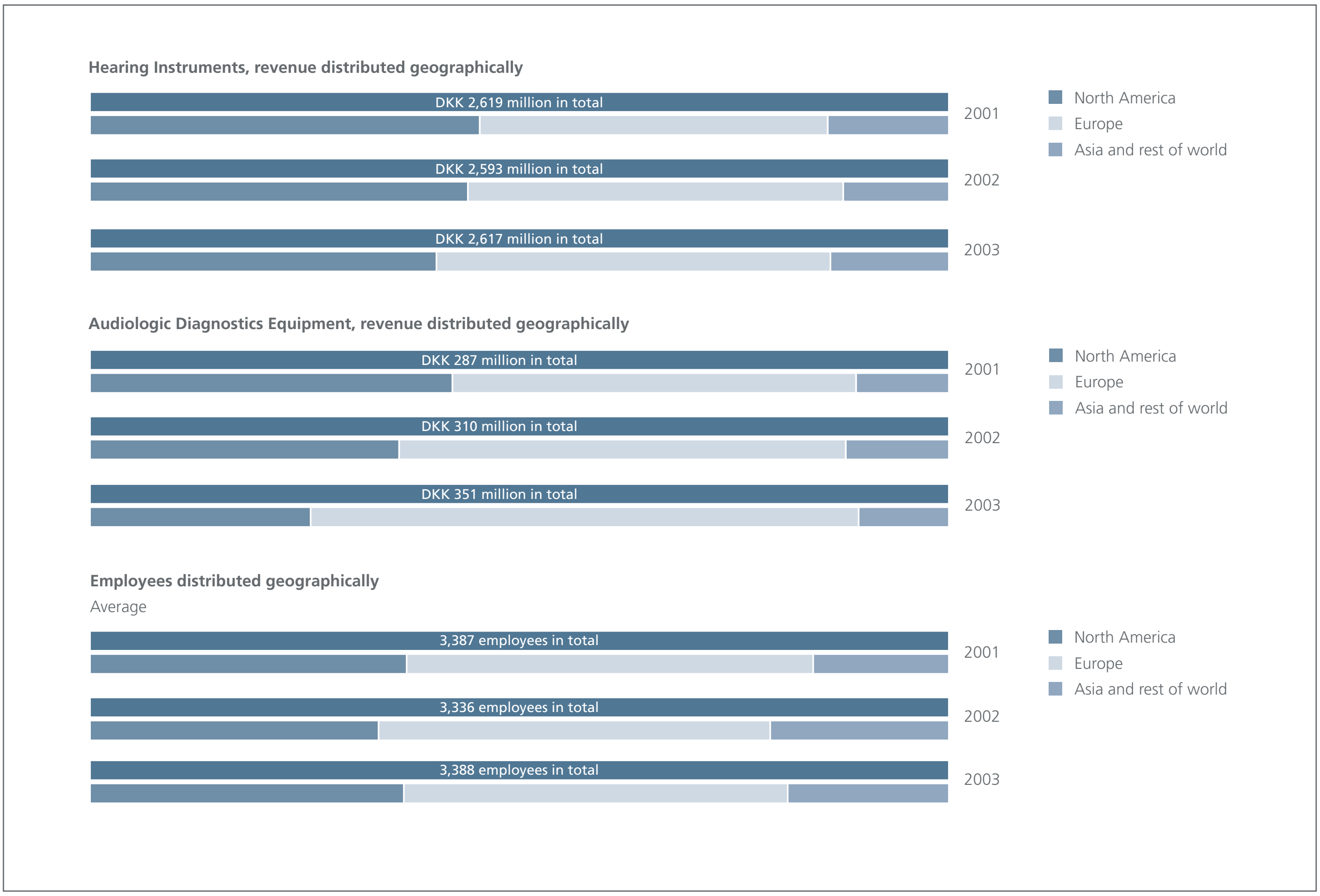
Audiologic diagnostics equipment

GN Otometrics generated revenue of DKK 351 million in 2003 against DKK 310 million in 2002, outperforming the original forecast thanks to the substantial shipments to the National Health Service in the UK.

The consolidation of GN Otometric's production is now almost complete, and instruments are now manufactured only in Denmark and the United States. Efforts to integrate the five brands into GN Otometrics were intensified during the summer months. The launch of the MADSEN OTOflex 100, a device to test middle-ear functions, is a crucial step in the campaign to enhance profitability. The plan is to expand the shared user interface and platform to comprise other

Digital share of hearing instrument sales





audiological measurements as well. A wireless device, the MADSEN OTOflex 100 is easier to use, and it has helped GN rationalize the manufacturing process with fewer components and physical models.

GN Otometrics generates about 55% of revenue from private sector customers and 35% from public sector customers. The rest comes from OEM sales.

The hearing instruments and audiologic diagnostics equipment business reported EBITA of DKK 438 million (14.8%), against DKK 276 million (9.5%) in 2002. Adjusted for capitalized and amortized development costs, EBITA was DKK 402 million (13.5%) against DKK 198 million (6.8%) in 2002.

Restructuring costs relating to hearing instruments and audiologic diagnostics equipment amounted to DKK 64 million. At December 31, 2003, DKK 34 million had been earmarked for the remaining structural initiatives of the Closing the Margin Gap project.

Cash flows from operating activities amounted to DKK 377 million (2002: DKK 183 million).

OTHER GN OPERATIONS

The GN Great Northern Telegraph Company reported revenue of DKK 14 million against DKK 34 million in 2002. EBITA fell to DKK (4) million from DKK 10 million in 2002.

Through the 75% ownership interest in DPTG I/S, GN is still a party to arbitration proceedings against Telekomunikacja Polska S.A.

Investor-specific statements

Earnings, cash flows and selected balance sheet items by business area.

GN Store Nord A/S’ consolidated and parent company financial statements are presented in accordance with the provisions of the International Financial Reporting Standards (IFRS) the Danish Financial Statements Act, and the guidelines issued by the Copenhagen Stock Exchange for the financial reporting of listed companies.

These standards, regulations and guidelines do not consider the concepts of EBITDA and EBITA, which are often applied in a valuation of a company’s profitability and in comparisons of GN with its competitors or other comparable companies.

GN defines EBITA as the operating profit before amortization of goodwill and other intangible assets acquired in company acquisitions and before restructuring costs originating from significant business restructurings, etc. and items of a non-recurring nature such as exceptional write-downs on non-current assets, etc.

EBITDA is defined as EBITA before depreciation of property, plant and equipment.

Amortization of development projects developed in-house, etc., is included in both EBITDA and EBITA.

The international financial standards and the Danish Financial Statements Act require that impairment of property, plant and equipment, internally generated intangible assets and items of a non-recurring nature are treated as ordinary items and, to the extent possible, included under the respective functions in the income statement as “Production costs”, “Development costs”, “Selling and distribution costs” and “Management and administrative expenses” etc.

For the purpose of calculating EBITA and EBITDA operating profit is adjusted for the following:

- Amortization and impairment of goodwill and other intangibles acquired in company acquisitions, as these are not recognized in EBITA cf. the Group's definition.

- Write-downs on other non-current assets, which according to the IFRS income statement classified by function are recognized in the costs of individual functions, including manufacturing, selling and distribution costs, and management and administrative expenses, but which are considered to be non-recurring items in an investor-specific income statement.

- Special write-downs on receivables in investments, which in an IFRS income statement are recognized in costs by function, are also considered non-recurring items.

- Restructuring costs related to significant business restructurings, etc., which in an IFRS income statement are deducted from “Operating profit”, but which are considered non-recurring items and thus should not be charged against EBITA.

- The share of profit from associates which is not considered a part of EBITA.

The EBITA figure is then adjusted for ordinary depreciation of property, plant and equipment, resulting in the EBITDA figure.

Business area operations
The statements contain earnings of each business area, GN Netcom, GN ReSound and other, for the last eight quarters. Compared to previous years, the comparative figures for 2002 are exclusive of NetTest.

The presentation also centers on the earnings concepts of EBITDA and EBITA, and performance is shown through changes in revenue, gross profit, overheads excluding depreciation, capitalization and amortization of in-house development projects etc.

Cash flow statement by quarterly period and by business area
The statements also provide, for the past eight quarters, changes in cash flows from operating activities before changes in working capital, changes in working capital, cash flows from operating activities before interest income and expense and similar items, taxes paid and restructuring costs, cash flows from operating activities, cash flows from investing activities and cash flows from financing activities. Compared to previous years comparative figures for 2002 are exclusive of NetTest. Further, the cash flows for the last eight quarters by business areas are exclusive of NetTest.

The presentation and the method of calculation applied are identical to what is used in an IFRS cash flow statement.

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. Definitions are provided on page 55.

	EXCLUDING NETTEST									
(DKK millions)	Q1 2002 (unaud.)*	Q2 2002 (unaud.)*	Q3 2002 (unaud.)*	Q4 2002 (unaud.)*	2002 Total (aud.)*	Q1 2003 unaud.)	Q2 2003 (unaud.)	Q3 2003 (unaud.)	Q4 2003 (unaud.)	2003 Total (aud.)
Revenue	1,151	1,170	1,122	1,239	4,682	1,141	1,148	1,142	1,311	4,742
Production costs	(544)	(555)	(541)	(584)	(2,224)	(507)	(505)	(507)	(598)	(2,117)
Gross profit	607	615	581	655	2,458	634	643	635	713	2,625
Development costs	(68)	(83)	(79)	(95)	(325)	(68)	(71)	(65)	(59)	(263)
Selling and distribution costs	(294)	(284)	(273)	(271)	(1,122)	(282)	(276)	(268)	(275)	(1,101)
Management and administrative expenses	(161)	(172)	(141)	(144)	(618)	(153)	(145)	(156)	(148)	(602)
Other operating income	2	2	-	2	6	1	2	-	1	4
Operating profit (loss) before capitalization and amortization of development costs, amortization and impairment of intangible assets acquired in company acquisitions	86	78	88	147	399	132	153	146	232	663
Capitalized development costs	35	47	47	54	183	35	33	39	25	132
Amortized development costs	(10)	(11)	(13)	(35)	(69)	(25)	(26)	(30)	(37)	(118)
EBITDA	111	114	122	166	513	142	160	155	220	677
Ordinary depreciation and amortization relating to:										
Production	(11)	(11)	(11)	(12)	(45)	(8)	(9)	(12)	(9)	(38)
Selling and distribution	(3)	(3)	(4)	(3)	(13)	(3)	(3)	(4)	(2)	(12)
Administration	(20)	(20)	(20)	(19)	(79)	(19)	(18)	(14)	(20)	(71)
EBITA	77	80	87	132	376	112	130	125	189	556
Share of profit (loss) in associates	(1)	(2)	-	(30)	(33)	-	3	4	(11)	(4)
Amortization of goodwill	(67)	(66)	(61)	(58)	(252)	(56)	(55)	(54)	(52)	(217)
Amortization of goodwill relating to capitalization of tax loss not previously recognized in company acquistion	-	-	-	-	-	-	-	-	(66)	(66)
Amortization of other intangible assets acquired in company acquisitions	(11)	(11)	(10)	(5)	(37)	(9)	(8)	(10)	(9)	(36)
Restructuring	(37)	(28)	(41)	(56)	(162)	(7)	(100)	(8)	(25)	(140)
Impairment	-	-	-	14	14	-	-	-	-	-
Earnings before interest and tax (EBIT)	(39)	(27)	(25)	(3)	(94)	40	(30)	57	26	93
Gain on disposal of property	47	-	-	-	47	-	-	57	-	57
Gains (losses) on disposal of discontinuing operations**	-	(5)	-	(489)	(494)	-	68	-	7	75
Capital gains (losses) on shares, dividends	4	(2)	-	1	3	1	2	-	4	7
Interest income and similar items***	7	36	-	63	106	22	16	1	133	172
Interest expense and similar items	(5)	(31)	(5)	(67)	(108)	(39)	(23)	(10)	(62)	(134)
Earnings before tax (EBT)	14	(29)	(30)	(495)	(540)	24	33	105	108	270
Margins										
Gross margin	52.7%	52.6%	51.8%	52.9%	52.5%	55.6%	56.0%	55.6%	54.4%	55.4%
EBITA margin	6.7%	6.8%	7.8%	10.7%	8.0%	9.8%	11.3%	10.9%	14.4%	11.7%
EBITA margin exclusive of capitalization and amortization of development costs	4.5%	3.8%	4.7%	9.1%	5.6%	8.9%	10.7%	10.2%	15.3%	11.4%

*) The financial statement items for Q1 2002 to Q4 2002 are exclusive of NetTest, which was disposed of at December 31, 2002.

**) Gains (losses) on disposal of discontinuing operations in Q4 2002 and Q2 2003 comprise a loss of DKK 495 million and a gain of DKK 68 million, respectively, on the disposal of NetTest.

***) Interest income and similar items in 2002 comprise interest income from intra-group balance with NetTest of DKK 79 million.

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. Definitions are provided on page 55.

	EXCLUDING NETTEST									
(DKK millions)	Q1 2002 (unaud.)*	Q2 2002 (unaud.)*	Q3 2002 (unaud.)*	Q4 2002 (unaud.)*	2002 Total (aud.)*	Q1 2003 (unaud.)	Q2 2003 (unaud.)	Q3 2003 (unaud.)	Q4 2003 (unaud.)	2003 Total (aud.)
Revenue										
Contact Center & Office Headsets	373	373	335	338	1,419	317	320	308	334	1,279
Mobile Headsets	33	60	99	143	335	102	113	106	160	481
GN Netcom	**406**	**433**	**434**	**481**	**1,754**	**419**	**433**	**414**	**494**	**1,760**
Hearing Instruments	657	659	613	664	2,593	635	628	648	706	2,617
Audiologic Diagnostics Equipment	82	71	67	90	310	87	82	76	106	351
GN ReSound	**739**	**730**	**680**	**754**	**2,903**	**722**	**710**	**724**	**812**	**2,968**
Other **	6	7	8	4	25	-	5	4	5	14
GN total	**1,151**	**1,170**	**1,122**	**1,239**	**4,682**	**1,141**	**1,148**	**1,142**	**1,311**	**4,742**
Gross profit										
GN Netcom	210	223	214	238	885	232	231	212	241	916
GN ReSound	387	381	362	408	1,538	402	408	419	468	1,697
Other **	10	11	5	9	35	-	4	4	4	12
GN total	**607**	**615**	**581**	**655**	**2,458**	**634**	**643**	**635**	**713**	**2,625**
Overheads excluding development costs and depreciation and amortization of non-current assets										
GN Netcom	(155)	(166)	(149)	(148)	(618)	(159)	(157)	(161)	(136)	(613)
GN ReSound	(279)	(270)	(248)	(248)	(1,045)	(261)	(250)	(246)	(267)	(1,024)
Other **	(19)	(18)	(17)	(17)	(71)	(14)	(12)	(17)	(19)	(62)
GN total	**(453)**	**(454)**	**(414)**	**(413)**	**(1,734)**	**(434)**	**(419)**	**(424)**	**(422)**	**(1,699)**
Incurred development costs										
GN Netcom	(21)	(27)	(26)	(27)	(101)	(18)	(15)	(12)	(14)	(59)
GN ReSound	(47)	(56)	(53)	(68)	(224)	(50)	(56)	(53)	(45)	(204)
Other **	-	-	-	-	-	-	-	-	-	-
GN total	**(68)**	**(83)**	**(79)**	**(95)**	**(325)**	**(68)**	**(71)**	**(65)**	**(59)**	**(263)**
Capitalized development costs										
GN Netcom	11	15	15	18	59	8	7	8	9	32
GN ReSound	24	32	32	36	124	27	26	31	16	100
Other **	-	-	-	-	-	-	-	-	-	-
GN total	**35**	**47**	**47**	**54**	**183**	**35**	**33**	**39**	**25**	**132**
Amortized development costs										
GN Netcom	(4)	(5)	(6)	(8)	(23)	(11)	(13)	(15)	(15)	(54)
GN ReSound	(6)	(6)	(7)	(27)	(46)	(14)	(13)	(15)	(22)	(64)
Other **	-	-	-	-	-	-	-	-	-	-
GN total	**(10)**	**(11)**	**(13)**	**(35)**	**(69)**	**(25)**	**(26)**	**(30)**	**(37)**	**(118)**
EBITDA										
GN Netcom	41	40	48	73	202	52	53	32	85	222
GN ReSound	79	81	86	101	347	104	115	136	150	505
Other **	(9)	(7)	(12)	(8)	(36)	(14)	(8)	(13)	(15)	(50)
GN total	**111**	**114**	**122**	**166**	**513**	**142**	**160**	**155**	**220**	**677**
Ordinary depreciation and amortization										
GN Netcom	(12)	(13)	(14)	(15)	(54)	(11)	(11)	(10)	(13)	(45)
GN ReSound	(19)	(19)	(17)	(16)	(71)	(17)	(17)	(17)	(16)	(67)
Other **	(3)	(2)	(4)	(3)	(12)	(2)	(2)	(3)	(2)	(9)
GN total	**(34)**	**(34)**	**(35)**	**(34)**	**(137)**	**(30)**	**(30)**	**(30)**	**(31)**	**(121)**
EBITA										
GN Netcom	29	27	34	58	148	41	42	22	72	177
GN ReSound	60	62	69	85	276	87	98	119	134	438
Other **	(12)	(9)	(16)	(11)	(48)	(16)	(10)	(16)	(17)	(59)
GN total	**77**	**80**	**87**	**132**	**376**	**112**	**130**	**125**	**189**	**556**
EBITA margin										
GN Netcom	7.1 %	6.2 %	7.8 %	12.1 %	8.5 %	9.8 %	9.7 %	5.3 %	14.6 %	10.1 %
GN ReSound	8.1 %	8.5 %	10.2 %	11.3 %	9.5 %	12.1 %	13.8 %	16.4 %	16.5 %	14.8 %
Other **	(200.0)%	(128.6)%	(200.0)%	(275.0)%	(192.0)%	-	(200.0)%	(400.0)%	(340.0)%	(421.4)%
GN total	**6.7 %**	**6.8 %**	**7.8 %**	**10.7 %**	**8.0 %**	**9.8 %**	**11.3 %**	**10.9 %**	**14.4 %**	**11.7 %**
Restructuring costs, recognized in the income statement										
GN Netcom	-	-	(22)	-	(22)	-	(59)	(1)	(15)	(75)
GN ReSound	(37)	(28)	(19)	(56)	(140)	(7)	(41)	(7)	(10)	(65)
Other **	-	-	-	-	-	-	-	-	-	-
GN total	**(37)**	**(28)**	**(41)**	**(56)**	**(162)**	**(7)**	**(100)**	**(8)**	**(25)**	**(140)**

*) The financial statement items for Q1 2002 to Q4 2002 are exclusive of NetTest, which was disposed of at December 31, 2002.
**) "Other" comprises Telegraph-Company, GN Ejendomme, corporate staff, Corporate Finance and eliminations.

QUARTERLY CASH FLOW STATEMENT

	EXCLUDING NETTEST									
(DKK millions)	Q1. 2002 (unaud.)	Q2 2002 (unaud.)	Q3 2002 (unaud.)	Q4 2002 (unaud.)	2002 Total (aud.)	Q1 2003 (unaud.)	Q2 2003 (unaud.)	Q3 2003 (unaud.)	Q4 2003 (unaud.)	2003 Total (aud.)
Operating activities										
Earnings before interest and tax (EBIT)	(39)	(27)	(25)	(3)	(94)	40	(30)	57	26	93
Depreciation, amortization and impairment	123	125	120	149	517	122	120	126	197	565
Other adjustments	32	(16)	26	98	140	33	117	13	35	198
Cash flows from operating activities before changes in working capital	**116**	**82**	**121**	**244**	**563**	**195**	**207**	**196**	**258**	**856**
Change in inventories	15	(26)	64	83	136	(2)	(84)	(32)	44	(74)
Change in receivables	(12)	(74)	15	66	(5)	(29)	(14)	(20)	(38)	(101)
Change in trade payables and other payables	16	91	(56)	15	66	11	42	44	(46)	51
Total changes in working capital	**19**	**(9)**	**23**	**164**	**197**	**(20)**	**(56)**	**(8)**	**(40)**	**(124)**
Cash flows from operating activities before interest income and expense and similar items, restructurings and tax	**135**	**73**	**144**	**408**	**760**	**175**	**151**	**188**	**218**	**732**
Interest and dividends, etc. received *	21	27	22	32	102	2	4	4	85	95
Interest paid	(21)	(24)	(22)	(25)	(92)	(18)	(25)	(18)	(18)	(79)
Restructurings, paid	(30)	(22)	(21)	(101)	(174)	(18)	(40)	(26)	(63)	(147)
Tax paid, net	(20)	1	(16)	(4)	(39)	(9)	(12)	(8)	255	226
Cash flows from operating activities	**85**	**55**	**107**	**310**	**557**	**132**	**78**	**140**	**477**	**827**
Investing activities										
Development projects, acquired and developed in-house	(36)	(47)	(48)	(52)	(183)	(36)	(32)	(39)	(25)	(132)
Acquisition of other intangible assets and property, plant and equipment, net	(26)	(32)	(38)	(67)	(163)	(38)	(44)	(33)	(44)	(159)
Acquisition/disposal of investments, net	44	(2)	(14)	1	29	4	(4)	(5)	(36)	(41)
Acquisition/disposal of securities	-	1	-	-	1	-	-	-	-	-
Company acquisitions	-	(21)	-	-	(21)	-	-	-	-	-
Disposal of property	68	-	-	-	68	-	-	-	63	63
Cash purchase consideration, net, discontinuing operations	-	-	-	-	-	(30)	(59)	-	-	(89)
Cash flows from investing activities	**50**	**(101)**	**(100)**	**(118)**	**(269)**	**(100)**	**(139)**	**(77)**	**(42)**	**(358)**
Cash flows from operating and investing activities	**135**	**(46)**	**7**	**192**	**288**	**32**	**(61)**	**63**	**435**	**469**
Financing activities										
Increase of non-current liabilities	-	-	250	-	250	-	-	-	-	-
Decrease of short-term liabilities	(18)	35	(291)	68	(206)	(21)	(107)	(7)	133	(2)
Repayment and reduction of non-current liabilities	(37)	10	(16)	(2)	(45)	-	-	(51)	(620)	(671)
Foreign exchange adjustments etc.	(21)	(16)	17	44	24	(18)	6	9	3	-
Cash flows from financing activities	**(76)**	**29**	**(40)**	**110**	**23**	**(39)**	**(101)**	**(49)**	**(484)**	**(673)**
Net cash flows	**59**	**(17)**	**(33)**	**302**	**311**	**(7)**	**(162)**	**14**	**(49)**	**(204)**
Cash flows relating to NetTest	(105)	(89)	(73)	(268)	(535)	-	-	-	-	-
Net cash flows including NetTest	**(46)**	**(106)**	**(106)**	**34**	**(224)**	**(7)**	**(162)**	**14**	**(49)**	**(204)**
Cash and cash equivalents at January 1	559	519	361	267	559	282	271	107	121	282
Foreign exchange adjustments, cash and cash equivalents	6	(52)	12	(19)	(53)	(4)	(2)	-	(2)	(8)
Cash and cash equivalents at January 1	**565**	**467**	**373**	**248**	**506**	**278**	**269**	**107**	**119**	**274**
Cash and cash equivalents at December 31	**519**	**361**	**267**	**282**	**282**	**271**	**107**	**121**	**70**	**70**

*) Interest and dividends received for 2002 include interest income on intra-group balance with NetTest of DKK 79 million.

A cash flow statement by business area is provided on page 22.

QUARTERLY CASH FLOW STATEMENT BY BUSINESS AREA

	EXCLUDING NETTEST									
(DKK millions)	Q1 2002 (unaud.)	Q2 2002 (unaud.)	Q3 2002 (unaud.)	Q4 2002 (unaud.)	2002 Total (aud.)	Q1 2003 (unaud.)	Q2 2003 (unaud.)	Q3 2003 (unaud.)	Q4 2003 (unaud.)	2003 Total (aud.)
Cash flows from operating activities before changes in working capital										
GN Netcom	34	38	52	97	221	63	67	48	89	267
GN ReSound	91	53	79	159	382	146	148	159	185	638
Other	(9)	(9)	(10)	(12)	(40)	(14)	(8)	(11)	(16)	(49)
GN total	116	82	121	244	563	195	207	196	258	856
Cash flows from operating activities before interest income and expense and similar items, restructurings and tax										
GN Netcom	78	36	64	90	268	76	61	(8)	84	213
GN ReSound	51	32	87	293	463	128	102	184	136	550
Other	6	5	(7)	25	29	(29)	(12)	12	(2)	(31)
GN total	135	73	144	408	760	175	151	188	218	732
Cash flows from operating activities										
GN Netcom	49	14	44	60	167	51	25	(37)	33	72
GN ReSound	(11)	(4)	26	172	183	98	47	149	83	377
Other *	47	45	37	78	207	(17)	6	28	361	378
GN total	85	55	107	310	557	132	78	140	477	827
Cash flows from investing activities										
GN Netcom	(21)	(39)	(27)	(38)	(125)	(15)	(19)	(15)	(8)	(57)
GN ReSound	(38)	(65)	(74)	(80)	(257)	(58)	(63)	(63)	(96)	(280)
Other	109	3	1	-	113	(27)	(57)	1	62	(21)
GN total	50	(101)	(100)	(118)	(269)	(100)	(139)	(77)	(42)	(358)
Cash flows from operating and investing activities										
GN Netcom	28	(25)	17	22	42	36	6	(52)	25	15
GN ReSound	(49)	(69)	(48)	92	(74)	40	(16)	86	(13)	97
Other	156	48	38	78	320	(44)	(51)	29	423	357
GN total	135	(46)	7	192	288	32	(61)	63	435	469

*) Cash flows from operating activities relating to "Other" for 2002 include interest income on intra-group balance with NetTest of DKK 79 million.

DEVELOPMENT IN SELECTED BALANCE SHEET ITEMS

(DKK millions)	31 March 2002 (unaud.)	30 June 2002 (unaud.)	30 Sept. 2002 (unaud.)	31 Dec. 2002 (aud.)	31 March 2003 (unaud.)	30 June 2003 (unaud.)	30 Sept. 2003 (unaud.)	31 Dec. 2003 (aud.)
Goodwill								
GN Netcom	790	710	704	656	597	564	544	515
GN ReSound	3,672	3,184	3,181	2,922	2,799	2,628	2,538	2,261
Other	-	-	-	-	-	-	-	-
GN total	4,462	3,894	3,885	3,578	3,396	3,192	3,082	2,776
Development projects, developed in-house								
GN Netcom	73	78	87	97	91	84	78	70
GN ReSound	188	208	236	242	257	275	287	277
Other	-	-	-	-	-	-	-	-
GN total	261	286	323	339	348	359	365	347
Inventories								
GN Netcom	307	273	249	228	223	276	271	198
GN ReSound	552	519	478	402	383	404	433	424
Other	-	-	-	-	-	-	-	-
GN total	859	792	727	630	606	680	704	622
Trade receivables								
GN Netcom	302	309	329	325	296	311	311	333
GN ReSound	616	564	557	526	550	548	557	563
Other	143	95	118	94	87	89	64	62
GN total	1,061	968	1,004	945	933	948	932	958
Trade payables								
GN Netcom	80	96	96	111	109	139	101	88
GN ReSound	213	241	169	183	176	157	223	175
Other	11	9	9	28	19	16	20	26
GN total	304	346	274	322	304	312	344	289

Accounting policies in general

The annual report of GN Store Nord A/S is presented in accordance with International Financial Reporting Standards (IFRS), Danish accounting standards, provisions applying to class D enterprises in the Danish Financial Statements Act and the guidelines laid down by the Copenhagen Stock Exchange for the financial reporting of listed companies.

Certain parts of the presentation of accounting policies have been adjusted in 2003 to reflect the sale of NetTest in 2002. These adjustments do not imply a change in accounting policies applied.

The consolidated and parent company financial statements are presented in accordance with the same accounting policies applied in previous years.

Basis of consolidation

The consolidated financial statements relate to the parent company, GN Store Nord A/S, and the subsidiaries in which GN Store Nord A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence are considered associates. Group companies are listed on page 54.

The consolidated financial statements are prepared as a consolidation of the financial statements of the parent company and those of the individual subsidiaries, all of which are presented in accordance with the Group's accounting policies. Intra-group income and expenses, shareholdings, intra-group balances and dividends, and realized and unrealized gains and losses on intra-group transactions are eliminated.

On consolidation, the carrying amount of shares held by the parent company in subsidiaries is set off against the subsidiaries' equity. Projects and companies established as joint ventures with joint control are accounted for by proportionate consolidation. Enterprises acquired or formed during the year are recognized in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognized in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Acquisitions of enterprises in which the parent company will be able to exercise control are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise. The tax effect of the revaluation of assets and provisions is taken into account. Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognized as an intangible asset and amortized on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognized in the balance sheet as an intangible asset and recognized in the income statement as the adverse development is realized. Negative goodwill not related to any anticipated adverse development is recognized in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognized in the income statement over the average useful lives of the non-monetary assets. Negative goodwill that exceeds the fair value of non-monetary assets is recognized as income in the year of acquisition.

The cost of acquisition of goodwill and negative goodwill is adjusted for any changes to the purchase price after the acquisition. Reversal of restructuring provisions included in the determination of goodwill reduces the value of goodwill and negative goodwill. Furthermore, if the fair value of assets and liabilities acquired on the date of acquisition differs from the fair values assessed on the date of acquisition, goodwill and negative goodwill is adjusted before the end of the financial year following the year of acquisition. Deferred tax assets which are not recognized at the date of acquisition and subsequently qualify for recognition are recognized as income in the income statement under tax for the year. Accordingly, the cost of acquisition of goodwill and accumulated amortization are adjusted as if the deferred tax asset had been recognized at the date of acquisition. The adjustment is recognized in the income statement under amortization and impairment of goodwill. All other subsequent adjustments are recognized in the income statement.

Gains or losses on disposal of subsidiaries and associates are recognized in the income statement and determined as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortized goodwill and anticipated disposal costs.

Other rental and lease matters

When contracts for rent and lease of buildings and operating assets are of an operational nature, rental and lease payments are recognized in the income statement for the period to which they relate. The remaining rental and lease obligations under such contracts are disclosed as contingent liabilities.

Assets leased under finance leases are recognized in the balance sheet and depreciated in the same way as the Group's other property, plant and equipment.

Foreign currency translation

Danish kroner are used as the measurement currency. All other currencies are classified as foreign currencies. On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date.

Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as interest income or expense and similar items. Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. Differences arising between the exchange rates at the balance sheet date and at the date of payment are recognized in the income statement as interest income or expense and similar items.

On recognition of foreign subsidiaries and associates which are separate entities, the income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date.

Goodwill arising from the acquisition of a company and any fair value adjustments to the carrying amount of assets and liabilities are recognized using the exchange rates at the date of acquisition.

Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognized directly in equity.

Foreign exchange adjustments of intra-group balances with independent foreign subsidiaries, which are considered part of the investment in the subsidiary, are recognized directly in equity. Foreign exchange gains and losses on loans and derivative financial instruments designated as hedges of investments in foreign subsidiaries are also recognized directly in equity.

On recognition of foreign subsidiaries which are integrated entities, income statement items are translated at the exchange rates at the transaction date, although items derived from non-monetary items are translated at historical exchange rates.

Monetary items are translated at the exchange rates at the balance sheet date and non-monetary items are translated at the exchange rates at the date of acquisition date or at the date of any subsequent revaluation.

Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognized as other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognized asset or liability are recognized in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognized as receivables or payables and in equity.

Income and expenses relating to such hedging transactions are transferred from equity on realization of the hedged item and recognized in the same item as the hedged item.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognized in the income statement when they occur.

Derivative financial instrument are only designated as hedges if the following conditions are met:

- There must be a clear correlation between the purchase/sale of the derivative financial instrument and the accounting items hedged at the time of the transaction or the future transaction. The derivative financial instrument must be expected to effectively hedge the accounting item during its entire term.

- The derivative financial instrument must have effectively hedged the accounting item or the future transaction throughout the financial year and at the balance sheet date. If the effectiveness of the hedge cannot be determined, the derivative financial instrument is not recognized as a hedge for accounting purposes.

Changes in the fair value of derivative financial instruments used to hedge net investments in independent foreign subsidiaries or associates are recognized directly in equity.

Basic and diluted earnings per share

Basic earnings per share (EPS) are calculated by dividing the net profit or loss for the year by the weighted average number of shares outstanding during the year. Diluted EPS is calculated by adding to the weighted average number of shares outstanding the number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential shares. The dilutive effect of outstanding share options is calculated using the Treasury Stock method.

Government grants

Government grants relate to grants and funding for R&D activities, investment grants, etc.

Grants for R&D activities, which are recognized directly in the income statement, are recognized as development costs, thereby matching the costs for which they compensate. Grants for the acquisition of assets and development activities that are recognized as assets are set off against the cost of the assets for which grants are awarded.

Incentive plans

When share options granted to the Group’s employees have an exercise price corresponding at a minimum to the market price of GN Store Nord A/S’ shares at the grant date, the theoretical bonus element is not recognized in the income statement. Options exercised are recognized in equity.

Discontinuing operations

Discontinuing operations which the Company pursuant to a single plan is disposing of, terminating or abandoning and which can be separated from other activities, are presented separately under segment information.

INCOME STATEMENT

Revenue

Revenue from the sale of goods and rendering of services is recognized in the income statement provided that delivery and transfer of risk to the buyer has taken place before year-end and that the income can be reliably measured and is expected to be received. Extended warranties are recognized over the term of the contract.

Revenue is measured excluding VAT, taxes and quantity discounts in relation to the sale.

Production costs

Production costs comprise costs, including depreciation and salaries, incurred in generating the revenue for the year. Production costs include direct and indirect costs for raw materials and consumables, wages and salaries, maintenance and depreciation and impairment of production plant and costs and expenses relating to the operation, administration and management of factories. Also included are inventory write-downs.

R&D costs

R&D costs comprise costs, salaries, and depreciation of operating assets and equipment directly or indirectly attributable to the Group’s R&D activities.

Research costs are recognized in the income statement as incurred.

Development projects that are clearly defined and identifiable, where the technical utilization degree, sufficient resources and a potential future market or development opportunities in the Company is evidenced, and where the Company intends to produce, market or use the project, are recognized as intangible assets from the date on which the above-mentioned conditions are satisfied and when the present value of future earnings or the net realizable value is expected to exceed the development costs incurred. The cost of such development projects includes direct wages, salaries, materials and other direct and indirect costs attributable to the development projects. Amortization and impairment of such capitalized development projects are included in R&D costs. Other development costs are recognized in the income statement as incurred.

Selling and distribution costs

Selling and distribution costs comprise costs relating to the sale and distribution of products and services, including salaries, sales commissions, advertising and marketing costs, depreciation and impairment, etc.

Management and administrative expenses

Management and administrative expenses comprise expenses incurred for Group management and administration, including expenses for administrative staff and management, office expenses, and depreciation and impairment, etc. Also included are losses on receivables.

Amortization and impairment of goodwill and other intangible assets acquired in company acquisitions

Amortization and impairment of goodwill and other intangible assets acquired in company acquisitions comprise amortization and impairment of goodwill and other intangible assets identified as separate assets and recognized at fair value in connection with acquisitions.

Restructurings

Restructuring costs relating to acquired companies are included in the determination of goodwill when the restructuring has been decided on and announced on the date of acquisition.

Other restructuring costs are provided for and recognized in the income statement when they have been decided on and announced.

Restructuring costs for the year are recognized in the income statement in restructuring to the extent that the costs are attributable to restructurings relating to disposal or termination of a line of business, closing of business premises or transfer of activities from one country to another and significant changes in management structure or other material matters which have a significant effect on the Group's activities.

Other restructuring costs are recognized in the income statement under the items to which they are attributable.

Costs recognized in restructuring in the income statement comprise severance pay, post-employment pay, outplacement costs, liabilities related to loss-making contracts and unutilized leases and impairment of assets derived from major structural changes, etc. Other costs, including pay during the period under notice until the time of termination of employment, running-in expenses, etc., are recognized in the income statement by function.

Profit/loss from investments in subsidiaries and associates

The proportionate share of the profit/loss before tax of the individual subsidiaries is recognized in the income statement of the parent company less amortization of goodwill. The share of the taxes of subsidiaries is recognized as tax on profit/loss from ordinary activities.

The proportionate share of the profit/loss before tax of associates is recognized in both the parent company and the consolidated income statement less amortization of goodwill and after elimination of the proportionate share of intra-group profits/losses.

The share of the taxes of associates is recognized as tax on profit/loss from ordinary activities.

Interest income and expense and similar items

Interest income and expense and similar items comprise interest income and expense, granted and received cash discounts, gains and losses on securities, payables and transactions denominated in foreign currencies, amortization of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc. Also included are realized and unrealized gains and losses on derivative financial instruments which are not designated as hedges.

Tax on profit/loss for the year

The parent company is jointly taxed with a number of Danish and foreign subsidiaries. The parent company makes provisions for and pays the total Danish tax on these companies' taxable income. The parent company also makes provisions for deferred tax for the Danish companies. The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognized in the income statement, and the tax expense relating to amounts directly recognized in equity is recognized directly in equity. Current tax payable is recognized in current liabilities and deferred tax is recognized in provisions. Tax receivable is recognized in receivables and deferred tax assets are recognized in investments.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax also includes the tax value of tax losses in jointly taxed foreign companies which may be clawed back when disposing of shareholdings or when Danish joint taxation is no longer applicable.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax is not recognized on goodwill unless this is deductible for tax purposes.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallize as current tax. The change in deferred tax as a result of changes in tax rates is recognized in the income statement.

BALANCE SHEET

Intangible assets

Intangible assets are measured at cost less accumulated amortization and impairment. Intangible assets include telecommunications systems which are not in the legal ownership of the Group, but from which the Group is contractually entitled to receive revenue.

Amortization of the following intangible assets is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Goodwill	up to 20 years
Completed development projects	2-5 years
Software	3-5 years
Patents, licenses, trademarks and other intellectual property rights	up to 20 years

The amortization period of goodwill is determined on the basis of management's experience in the Group's business areas and reflects management's best estimate of the expected useful life of the goodwill.

Amortization of telecommunications systems reflects utilization during the period in the form of actual traffic as compared to total forecast traffic over the term of the contract. The carrying amount of a telecommunications system may, however, not exceed what it would have been had amortization been provided on a straight-line basis over the expected useful lives of the assets (contract term). The expected useful lives of telecommunications systems are as follows:

Telecommunications systems	5-15 years

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the disposal date, and are recognized in the income statement as other operating income or other operating costs, respectively.

Property, plant and equipment

Property, machinery, equipment etc. are measured at cost less depreciation and impairment.

Cost includes the cost of acquisition and cost of materials, components, subcontractor services, direct wages and salaries, and indirect production costs. Interest and other borrowing costs are not included in the cost of acquisition.

Telecommunications systems which are in the legal ownership of the Group are classified as property, plant and equipment.

The cost of assets leased under finance leases is stated at the lower of fair value and the present value of the future lease payments at the time of acquisition. For the calculation of the net present value, the interest rate implicit in the lease or an approximation thereof is used as discount rate.

Depreciation of property, plant and equipment is provided on a straight-line basis over the expected useful lives of the assets. In calculating depreciation on buildings, an estimated scrap value is used.

The expected useful lives are as follows:

Buildings and installations	10-50 years
Leasehold improvements	5-20 years
Plant and machinery	3-15 years
Operating assets and equipment	2-7 years

Land is not depreciated.

Gains and losses on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the selling price less costs of dismantling and disposal of the item and restoring the site and the carrying amount at the date of disposal. The gains or losses are recognized in the income statement as other operating income or other operating costs, respectively.

Investments

Investments in subsidiaries and associates are measured using the equity method. Investments in subsidiaries and associates are measured in the balance sheet at the proportionate share of the enterprises' equity calculated in accordance with the parent company's accounting policies less the proportionate share of unrealized intra-group profits and losses and plus non-amortized goodwill.

Subsidiaries and associates with negative equity are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the parent company's/the Group's share of the negative equity if the amount owed is considered irrecoverable. Where the negative equity exceeds the amount owed, the remaining amount is recognized in provisions if the Group has a legal or constructive obligation.

Net revaluation of investments in subsidiaries and associates is transferred to the reserve for net revaluation in equity according to the equity method to the extent that the carrying amount exceeds cost. Other securities are measured at fair value, where such value can be reliably measured, or at cost.

Impairment

The carrying amount of intangible assets, property, plant and equipment and investments is subject to an impairment test on an ongoing basis, at least annually. If indications of impairment are present, the asset's recoverable amount is assessed. The recoverable amount is the higher of an asset's net selling price and its value in use. An impairment loss is recognized when the carrying amount of the asset or its cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognized in the income statement.

Inventories

Raw materials and goods for resale are measured at cost in accordance with the FIFO method. Finished goods are measured at cost in accordance with the FIFO method. Cost includes direct materials, wages and salaries and indirect production costs. Where the net realizable value is lower than cost, inventories are written down to this lower value.

Receivables
Receivables are measured at amortized cost. Write-down is made for expected bad debt losses.

Listed securities
Listed securities, recognized as current assets, are measured at fair value at the balance sheet date.

Equity
Dividends
Proposed dividends are recognized as a liability at the date they are adopted by the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item in equity.

Treasury shares
Cost of acquisition, consideration received and dividends received from treasury shares are recognized directly as retained earnings in equity. Accordingly, gains and losses from sale are not recognized in the income statement. Capital reductions from the cancellation of treasury shares are deducted from the share capital in an amount corresponding to the nominal value of the shares.

Pensions
Contributions to defined contribution plans are recognized in the income statement in the period to which they relate and any contributions outstanding are recognized in the balance sheet as other payables.

Defined benefit plans are subject to an annual actuarial estimate of the present value of future benefits under the defined benefit plan. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the Group.

The actuarial present value less the fair value of any plan assets is recognized in the balance sheet in pensions, cf. below. Any difference between the expected development in plan assets and the defined benefit obligation and actual amounts result in actuarial gains or losses.

If the cumulative actuarial gains or losses exceed the greater of 10% of the defined benefit obligation or 10% of the fair value of the plan assets, the gains or losses are recognized in the income statement over the expected remaining working lives of the employees. Actuarial gains or losses not exceeding the above limits are not recognized in the income statement.

If changes in benefits relating to services rendered by employees in previous years result in changes in the actuarial present value, the changes are recognized as historical costs. Historical costs are recognized in the income statement of the year provided employees have already earned the changed benefits. If employees have not earned the benefits, the historical costs are recognized in the income statement over the period in which the changed benefits are earned by the employees.

Other provisions
Provisions are recognized when as a result of events in the financial year or in previous years the Group has an obligation and it is probable that setting the obligation would require an outflow of resources embodying economic benefits.

Other provisions relating to acquisitions include provisions for restructuring obligations that have been adopted and announced not later than at the date of the acquisition and are included in the determination of goodwill.

Other provisions for restructuring obligations include obligations relating to the acquirer as part of an acquisition, as well as those restructurings that relate to publicly announced decisions to restructure existing business units. Such provisions are recognized in the income statement.

On the acquisition of companies, provision is made for the contingent consideration when it is considered probable that the conditions will be met.

A general warranty is given against defects in design, materials and workmanship for a period of 1-2 years from delivery and completion. Provisions for warranties are measured and recognized based on past experience. Provisions expected to be maintained for more than one year from the balance sheet date are discounted when appropriate.

Financial liabilities
Amounts owed to mortgage credit institutions and banks are recognized at the date of borrowing at the net proceeds received less transaction costs paid.

In subsequent periods, the financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan. Financial liabilities also include the capitalized residual obligation on finance leases. Other liabilities, comprising trade payables, amounts owed to group enterprises and associates as well as other payables, are measured at amortized cost.

Received prepayments
Received prepayments, recognized in liabilities, comprise payments received concerning income in subsequent years.

CASH FLOW STATEMENT
The cash flow statement is presented using the indirect method based on the operating profit/loss. The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognized in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognized up until the date of disposal.

Cash flows from operating activities comprise cash flows from the year's operations adjusted for non-cash operating items and changes in working capital. Working capital comprises current assets excluding items stated as cash and cash equivalents and excluding tax receivable, as well as current liabilities less repayment of non-current liabilities, bank loans and tax payable. Cash flows from investing activities comprise payments in connection with acquisitions and disposals of non-current assets, including investments.

Cash flows from financing activities comprise amounts received from shareholders and payment of dividends to shareholders and raising and repayment of long-term and short-term loans which are not included in the working capital.

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

SEGMENT INFORMATION

The Group's main activities and primary segment comprise:

- GN Netcom (Contact Center & Office Headsets and Mobile Headsets)
- GN ReSound (Hearing Instruments and Audiologic Diagnostics Equipment)

The Group's secondary segments comprise:

- Denmark
- Rest of Nordic region
- Rest of Europe
- North and South America
- Asia and rest of world

The secondary segments are identified on the basis of asset location.

Segment information is based on the Group's accounting policies, risks and internal financial management. Segment revenue and expense and segment assets and liabilities comprise items directly attributable to a segment and items which can be allocated to a segment on a reasonable basis. Unallocated items primarily comprise assets and liabilities and revenue and expense relating to the Group's administrative functions, investing activities, income taxes etc.

Non-current segment assets comprise non-current assets used directly in the operating activities of the segment, including intangible assets, property, plant and equipment and investments in associates.

Current segment assets comprise current assets used directly in the operating activities of the segment, including inventories, trade receivables, other receivables, prepayments and cash and cash equivalents.

Segment liabilities comprise liabilities resulting from the operating activities of the segment, including trade payables and other payables.

KEY RATIOS

Key ratios are calculated in accordance with the guidelines on the calculation of key ratios issued by the Danish Society of Investment Professionals. The key ratios stated in the survey of consolidated financial highlights are defined on page 55.

INCOME STATEMENT

Note	(DKK millions)	Consolidated 2003	Consolidated 2002	Parent Company 2003	Parent Company 2002
1	Revenue	4,742	5,512	12	15
2, 4	Production costs	(2,155)	(3,592)	(1)	(1)
	Gross profit	**2,587**	**1,920**	**11**	**14**
2, 3, 4	Development costs	(249)	(920)	-	-
2, 4	Selling and distribution costs	(1,113)	(1,556)	-	-
2, 4, 6	Management and administrative expenses	(673)	(873)	(41)	(48)
	Other operating income	4	9	-	1
5	Amortization and impairment of goodwill and other intangible assets acquired in company acquisitions	(319)	(2,920)	-	-
4, 7, 23	Restructuring	(140)	(374)	-	-
	Operating profit (loss) before share of profit (loss) in subsidiaries and associates	**97**	**(4,714)**	**(30)**	**(33)**
8	Share of profit (loss) in subsidiaries	-	-	105	(4,853)
9	Share of profit (loss) in associates	(4)	(33)	8	(28)
	Operating profit (loss)	**93**	**(4,747)**	**83**	**(4,914)**
10	Gains/losses on disposal of discontinuing operations	132	(447)	68	(495)
	Profit (loss) before interest income and expense and similar items	**225**	**(5,194)**	**151**	**(5,409)**
11	Interest income and similar items	179	132	208	241
12	Interest expense and similar items	(134)	(227)	(89)	(121)
	Profit (loss) from ordinary activities before tax	**270**	**(5,289)**	**270**	**(5,289)**
13	Tax on profit (loss) from ordinary activities	(15)	175	(15)	175
	Profit (loss) for the year	**255**	**(5,114)**	**255**	**(5,114)**
	Proposed profit appropriation/distribution of loss				
	Reserve for net revaluation using the equity method			-	-
	Retained earnings			123	(5,114)
	Proposed dividends for the year			132	-
				255	**(5,114)**
	Earnings per share (EPS)	1.21	(24.20)		
	Earnings per share, fully diluted (EPS)	1.20	(24.20)		
	Earnings per share excluding amortization and impairment of intangible assets and restructuring, etc. (EPS)	3.38	(7.59)		
	Earnings per share excluding amortization and impairment of intangible assets and restructuring, etc., fully diluted (EPS)	3.37	(7.59)		

The 2002 figures include NetTest, which was disposed of at December 31, 2002.
Figures excluding NetTest are provided in “Primary segment” on page 52 and “Investor-specific statements” on pages 19-20.

	BALANCE SHEET – ASSETS	CONSOLIDATED		PARENT COMPANY	
Note	(DKK millions)	**2003**	**2002**	**2003**	**2002**
	Non-current assets				
	Goodwill	2,776	3,578	-	-
	Development projects, developed in-house	347	339	-	-
	Software, acquired	1	-	1	-
	Software, developed in-house	99	101	-	-
	Patents and rights	89	99	-	-
	Telecommunications systems	50	58	27	31
	Other intangible assets	282	360	-	-
14	**Total intangible assets**	**3,644**	**4,535**	**28**	**31**
	Factory and office buildings	120	106	-	-
	Leasehold improvements	58	49	-	-
	Plant and machinery	80	79	-	-
	Operating assets and equipment	72	83	2	2
	Leased plant and equipment	7	11	-	-
	Telecommunications systems	-	-	-	-
	Plant under construction	-	6	-	-
15	**Total property, plant and equipment**	**337**	**334**	**2**	**2**
	Investments in subsidiaries	-	-	3,542	4,603
	Receivables from subsidiaries	-	-	2,024	2,565
	Investments in associates	176	171	34	25
	Other securities	6	7	-	-
	Other receivables and deposited bank balances	48	111	-	87
17, 22	Deferred tax assets	373	330	229	193
16	**Total investments**	**603**	**619**	**5,829**	**7,473**
	Total non-current assets	**4,584**	**5,488**	**5,859**	**7,506**
	Current assets				
18	**Inventories**	**622**	**630**	**-**	**-**
	Trade receivables	958	945	45	50
	Receivables from associates	7	4	-	-
19	Tax receivable	44	231	-	180
	Other receivables	134	152	2	3
27	Deposited bank balances	74	117	74	117
	Prepayments	88	80	-	-
20	**Total receivables**	**1,305**	**1,529**	**121**	**350**
	Listed securities	**14**	**9**	**13**	**9**
27	**Cash and cash equivalents**	**70**	**282**	**-**	**5**
	Total current assets	**2,011**	**2,450**	**134**	**364**
	Total assets	**6,595**	**7,938**	**5,993**	**7,870**

BALANCE SHEET – EQUITY AND LIABILITIES

Note	(DKK millions)	Consolidated 2003	Consolidated 2002	Parent Company 2003	Parent Company 2002
	Equity				
	Share capital	879	879	879	879
	Share premium	-	4,170	-	4,170
	Revaluation reserves	-	-	-	-
	Net revaluation using the equity method	-	-	-	-
	Foreign exchange adjustments	(1,278)	(555)	(114)	(40)
	Proposed dividends for the year	132	-	132	-
	Retained earnings	4,738	295	3,574	(220)
	Total equity	**4,471**	**4,789**	**4,471**	**4,789**
	Provisions				
21	Pension obligations and similar obligations	15	13	1	1
22	Deferred tax	20	48	-	-
7, 23	Other provisions	323	474	36	275
	Total provisions	**358**	**535**	**37**	**276**
	Liabilities				
	Mortgage loans	-	3	-	-
	Bank loans	653	1,321	650	1,300
28	Capitalized lease obligations	5	8	-	-
	Other long-term payables	6	97	-	87
	Received prepayments	23	17	-	-
24	**Total non-current liabilities**	**687**	**1,446**	**650**	**1,387**
	Amounts owed to subsidiaries	-	-	647	1,126
	Repayment of long-term loans	6	4	-	-
	Bank loans	195	197	86	144
	Trade payables	289	322	20	23
25	Tax payable	62	76	-	-
26, 27	Other payables	490	534	82	125
	Received prepayments	37	35	-	-
	Total current liabilities	**1,079**	**1,168**	**835**	**1,418**
	Total liabilities	**1,766**	**2,614**	**1,485**	**2,805**
	Total equity and liabilities	**6,595**	**7,938**	**5,993**	**7,870**

Note	
27	Security
28	Lease obligations
29	Contingent liabilities, other financial liabilities and contingent assets
30	Financial instruments
31	Government grants
32	Outstanding shares and treasury shares
33	Related party transactions
34	Incentive plans

CASH FLOW STATEMENT

Note	(DKK millions)	Consolidated 2003	Consolidated 2002	Parent Company 2003	Parent Company 2002
	Operating activities				
	Operating profit (loss)	93	(4,747)	83	(4,914)
	Depreciation, amortization and impairment	565	3,978	5	7
35	Other adjustments	198	966	(113)	4,846
	Cash flows from operating activities before changes in working capital	**856**	**197**	**(25)**	**(61)**
	Change in inventories	(74)	201	-	-
	Change in receivables	(101)	273	7	44
	Change in trade payables and other payables	51	(24)	(2)	(6)
	Total changes in working capital	**(124)**	**450**	**5**	**38**
	Cash flows from operating activities before interest income and expense and similar items, restructurings and tax	**732**	**647**	**(20)**	**(23)**
	Interest and dividends, etc. received	95	30	200	232
	Interest paid	(79)	(103)	(88)	(120)
	Restructurings, paid	(147)	(321)	-	-
	Tax paid, net	226	(12)	259	-
	Cash flows from operating activities	**827**	**241**	**351**	**89**
	Investing activities				
	Acquisition of intangible assets excluding development projects	(38)	(67)	(1)	-
	Development projects, acquired and developed in-house	(132)	(377)	-	-
	Acquisition of property, plant and equipment	(152)	(197)	(1)	(1)
	Investments	(58)	(31)	(1)	(11)
	Disposal of intangible assets	9	8	-	-
	Disposal of property, plant and equipment	22	83	1	2
	Disposal of investments	17	60	-	45
	Acquisition/disposal of securities	-	1	-	1
36	Company acquisitions and capital contributions	-	(21)	(102)	(155)
	Change in receivables from and amounts owed to subsidiaries	-	-	545	(362)
	Disposal of property	63	68	-	-
37	Cash purchase consideration, net	(89)	(160)	(89)	(6)
37	Cash and cash equivalents in discontinuing operations	-	(71)	-	-
	Cash flows from investing activities	**(358)**	**(704)**	**352**	**(487)**
	Cash flows from operating and investing activities	**469**	**(463)**	**703**	**(398)**
	Financing activities				
	Increase of non-current liabilities	-	250	-	250
	Decrease of short-term liabilities	(2)	(138)	(58)	122
	Repayment and reduction of non-current liabilities	(671)	(55)	(650)	-
	Foreign exchange adjustments etc.	-	7	-	-
	Cash flows from financing activities	**(673)**	**64**	**(708)**	**372**
	Net cash flows	**(204)**	**(399)**	**(5)**	**(26)**
	Cash and cash equivalents at January 1	282	740	5	31
	Foreign exchange adjustments, cash and cash equivalents	(8)	(59)	-	-
	Cash and cash equivalents at January 1	**274**	**681**	**5**	**31**
27	**Cash and cash equivalents at December 31**	**70**	**282**	**-**	**5**

The statement of cash flows cannot be derived using only the other accounting data.
The 2002 figures include NetTest, which was disposed of at December 31, 2002. Figures excluding NetTest are provided in "Primary segment" on pages 51 and 53 and "Investor-specific statements" on pages 21-22.

EQUITY

Consolidated

(DKK millions)	Share capital (shares DKK 4 each)	Share premium	Revaluation reserves	Net revaluation using the equity method	Foreign exchange adjustments	Proposed dividend for the year	Retained earnings	Total equity
Balance sheet total at December 31, 2001	**879**	**4,170**	**1**	**-**	**407**	**-**	**5,251**	**10,708**
Profit (loss) for the year	-	-	-	-	-	-	(5,114)	(5,114)
Tax on changes in equity	-	-	-	-	-	-	155	155
Foreign exchange adjustments etc.	-	-	(1)	-	(962)	-	3	(960)
Balance sheet total at December 31, 2002	**879**	**4,170**	**-**	**-**	**(555)**	**-**	**295**	**4,789**
Balance sheet total at December 31, 2002	**879**	**4,170**	**-**	**-**	**(555)**	**-**	**295**	**4,789**
Transfer	-	(4,170)	-	-	-	-	4,170	-
Profit (loss) for the year	-	-	-	-	-	-	255	255
Proposed dividends to shareholders	-	-	-	-	-	132	(132)	-
Tax on changes in equity	-	-	-	-	-	-	150	150
Foreign exchange adjustments etc.	-	-	-	-	(723)	-	-	(723)
Balance sheet total at December 31, 2003	**879**	**-**	**-**	**-**	**(1,278)**	**132**	**4,738**	**4,471**

Parent company

(DKK millions)	Share capital (shares DKK 4 each)	Share premium	Revaluation reserves	Net revaluation using the equity method	Foreign exchange adjustments	Proposed dividend for the year	Retained earnings	Total equity
Balance sheet total at December 31, 2001	**879**	**4,170**	**1**	**-**	**31**	**-**	**5,627**	**10,708**
Transfers	-	-	-	-	(10)	-	10	-
Profit (loss) for the year	-	-	-	-	-	-	(5,114)	(5,114)
Changes in equity, subsidiaries	-	-	-	-	-	-	(900)	(900)
Tax on changes in equity	-	-	-	-	-	-	155	155
Foreign exchange adjustments etc.	-	-	(1)	-	(61)	-	2	(60)
Balance December 31, 2002	**879**	**4,170**	**-**	**-**	**(40)**	**-**	**(220)**	**4,789**
Balance sheet total at December 31, 2002	**879**	**4,170**	**-**	**-**	**(40)**	**-**	**(220)**	**4,789**
Transfer	-	(4,170)	-	-	-	-	4,170	-
Profit (loss) for the year	-	-	-	-	-	-	255	255
Proposed dividends to shareholders	-	-	-	-	-	132	(132)	-
Changes in equity, subsidiaries	-	-	-	-	-	-	(649)	(649)
Tax on changes in equity	-	-	-	-	-	-	150	150
Foreign exchange adjustments etc.	-	-	-	-	(74)	-	-	(74)
Balance sheet total at December 31, 2003	**879**	**-**	**-**	**-**	**(114)**	**132**	**3,574**	**4,471**

NOTES – CONTENTS

NOTES – INCOME STATEMENT

Note	(DKK millions)	Consolidated 2003	Consolidated 2002	Parent company 2003	Parent company 2002
1	**Revenue**				
	Revenue is distributed as follows:				
	Products	4,729	5,377	-	-
	Services	12	34	12	15
	Rent	1	2	-	-
	Selling price of work performed during the year on contract work in progress	-	99	-	-
	Total	**4,742**	**5,512**	**12**	**15**
	Total revenue by geographic area:				
	Denmark	121	132	-	-
	Rest of Nordic region	304	306	-	-
	Rest of Europe	1,787	1,851	12	15
	North and South America	2,070	2,548	-	-
	Asia	353	565	-	-
	Other	107	110	-	-
	Total	**4,742**	**5,512**	**12**	**15**
2	**Employees and staff costs**				
	Staff costs				
	Wages, salaries and remuneration and emoluments	(1,260)	(1,699)	(31)	(28)
	Pensions	(34)	(48)	(1)	(1)
	Other social security costs	(136)	(231)	-	-
	Total	**(1,430)**	**(1,978)**	**(32)**	**(29)**
	Of which:				
	Parent company Supervisory Board emoluments	(2)	(2)	(2)	(2)
	Parent company Executive Management remuneration	(13)	(6)	(6)	(6)
	At January 1, 2003 the Executive Management was increased by two members to a total of four members.				
	Parent company Supervisory Board emoluments and Executive Management remuneration for 2003 are specified on page 5.				
	Average number of employees	**4,343**	**5,475**	**45**	**34**
	Number of employees, year-end	**4,400**	**4,219**	**72**	**29**
	Incentive plans				
	The Group's incentive plans are specified and described in note 34.				
3	**Development costs**				
	Development costs are capitalized when the related projects satisfy a number of conditions relating to reliability of measurement and probability of future earnings.				
	The relationship between development costs incurred and development costs recognized in the income statement is as follows:				
	Development costs incurred	(256)	(600)	-	-
	Depreciation of operating assets etc. used for development	(7)	(25)	-	-
	Grants and tax refunds	-	4	-	-
	Total development costs incurred	(263)	(621)	-	-
	Development costs capitalized as development projects	132	377	-	-
	Amortization of capitalized in-house development projects	(118)	(166)	-	-
	Impairment of in-house development projects	-	(470)	-	-
	Impairment of operating assets etc. used for development	-	(40)	-	-
	Total development costs recognized	**(249)**	**(920)**	**-**	**-**

Note	(DKK millions)	Consolidated 2003	Consolidated 2002	Parent company 2003	Parent company 2002
4	**Depreciation, amortization and impairment**				
	Depreciation, amortization and impairment for the year of property, plant and equipment, software and telecommunications systems and amortization and impairment of in-house development projects are recognized in the income statement as follows:				
	Production costs	(38)	(147)	(1)	(1)
	Development costs	(125)	(702)	-	-
	Selling and distribution costs	(12)	(71)	-	-
	Management and administrative expenses	(71)	(134)	(4)	(6)
	Restructuring	-	(4)	-	-
	Total	**(246)**	**(1,058)**	**(5)**	**(7)**
5	**Amortization and impairment of goodwill and other intangible assets acquired in company acquisitions**				
	Amortization of goodwill	(217)	(363)	-	-
	Amortization of goodwill relating to capitalization of tax loss not previously recognized in company acquistion	(66)	-	-	-
	Amortization, other intangible assets acquired in company acquisitions	(36)	(54)	-	-
	Impairment of goodwill	-	(2,421)	-	-
	Impariment, other intangible assets acquired in company acquisitions	-	(82)	-	-
	Total	**(319)**	**(2,920)**	**-**	**-**
6	**Fees to auditors appointed by the annual general meeting**				
	Audit fees				
	KPMG	(8)	(12)	(1)	(1)
	Deloitte	(1)	(1)	-	-
		(9)	**(13)**	**(1)**	**(1)**
	Other assistance				
	KPMG				
	Other audit-related services	(2)	(12)	-	(3)
	Tax assistance and advice	(7)	(14)	(1)	(3)
	Other services	(1)	(1)	-	-
		(10)	**(27)**	**(1)**	**(6)**
	Total	**(19)**	**(40)**	**(2)**	**(7)**
7	**Restructuring**				
	Severance pay, post-employment pay, outplacement costs, etc.	(66)	(302)	-	-
	Loss-making contracts related to unutilized leases, etc.	(46)	(27)	-	-
	Impairment of current assets relating to termination of trademarks, etc	(4)	(13)	-	-
	Impairment, production plant	-	(4)	-	-
	Other, including other loss-making contracts	(24)	(28)	-	-
	Total	**(140)**	**(374)**	**-**	**-**
8	**Share of profit (loss) in subsidiaries**				
	Share of profit before tax	-	-	404	114
	Share of loss before tax	-	-	(16)	(2,183)
	Amortization and impairment of goodwill	-	-	(283)	(2,784)
	Total	**-**	**-**	**105**	**(4,853)**

NOTES – INCOME STATEMENT

Note	(DKK millions)	Consolidated 2003	Consolidated 2002	Parent Company 2003	Parent Company 2002
9	**Share of profit (loss) in associates**				
	Share of profit before tax	23	11	12	3
	Share of loss before tax	(9)	(1)	-	(1)
	Amortization and impairment of goodwill	(18)	(43)	(4)	(30)
	Total	**(4)**	**(33)**	**8**	**(28)**
10	**Gains/losses on disposal of discontinuing operations**				
	Reversal of previously recognized provision for loss on disposal of NetTest	68	(495)	68	(495)
	Gains on disposal of property	57	47	-	-
	Other	7	1	-	-
	Total	**132**	**(447)**	**68**	**(495)**
11	**Interest income and similar items**				
	Interest income from subsidiaries	-	-	121	231
	Interest income from bank accounts	7	18	1	1
	Interest income, other	85	12	75	-
	Foreign exchange adjustments, shares	4	3	4	3
	Dividends, shares	3	-	3	-
	Gains on primary financial instruments	4	8	4	6
	Foreign exchange gain	76	91	-	-
	Total	**179**	**132**	**208**	**241**
12	**Interest expense and similar items**				
	Interest expense to subsidiaries	-	-	(38)	(62)
	Interest expense on bank loans	(53)	(68)	(47)	(54)
	Interest expense, other	(26)	(38)	(3)	(4)
	Losses on primary financial instruments	-	(4)	-	-
	Foreign exchange loss	(55)	(117)	(1)	(1)
	Total	**(134)**	**(227)**	**(89)**	**(121)**
13	**Tax on profit (loss) from ordinary activities**				
	Danish tax payable	-	-	-	-
	Tax payable on foreign activities	(57)	(41)	-	-
	Deferred tax adjustment	(158)	230	(114)	239
	Share of tax in subsidiaries	-	-	2	(63)
	Share of tax in associates	(3)	(1)	-	(1)
	Change in tax rate	-	(6)	-	-
	Capitalization of tax loss not previously recognized in company acquistion	85	-	-	-
	Other, including prior-year tax adjustment	118	25	97	-
	Tax on discontinuing operations	-	(32)	-	-
	Total	**(15)**	**175**	**(15)**	**175**

Breakdown of tax rate	%	%
Danish tax rate	30	30
Non-taxable income and non-deductible expenses	(12)	-
Share of tax on discontinuing operations	(9)	(13)
Non-deductible goodwill amortization and impairment for tax purposes	31	(15)
Capitalization of tax loss, set off as amortization of goodwill	(31)	-
Utilisation of non-capitalized tax losses	(18)	(1)
Other value adjustment	15	3
Effective tax rate	**6**	**4**

In 2003 the parent company paid DKK 0 million (Group: DKK 49 million) in corporation tax against DKK 0 million (Group: DKK 56 million) in 2002.

In 2003 the parent company received reimbursement of corporation tax of DKK 259 million (Group: DKK 275 million) against DKK 0 million (Group: DKK 44 million) in 2002, including the tax receivable of DKK 180 million, relating to the increase of previous years' taxable income, which was recognized at the 2002 year-end.

NOTES – BALANCE SHEET

Note 14: Intangible assets

Consolidated

(DKK millions)	Goodwill	Development projects developed in-house	Software, acquired	Software developed in-house	Patents and rights	Telecom-munications systems	Other	Total
Cost at January 1	5,443	487	-	231	276	156	484	7,077
Additions	-	132	1	33	3	-	1	170
Disposals	(93)	(94)	-	(3)	-	-	-	(190)
Foreign exchange adjustments	(812)	(11)	-	(23)	(26)	-	(73)	(945)
Cost at December 31	4,538	514	1	238	253	156	412	6,112
Amortization and impairment at January 1	(1,865)	(148)	-	(130)	(177)	(98)	(124)	(2,542)
Amortization	(217)	(118)	-	(28)	(10)	(8)	(26)	(407)
Disposals	19	94	-	2	-	-	-	115
Foreign exchange adjustments	301	5	-	17	23	-	20	366
Amortization and impairment at December 31	(1,762)	(167)	-	(139)	(164)	(106)	(130)	(2,468)
Carrying amount at December 31, 2003	**2,776**	**347**	**1**	**99**	**89**	**50**	**282**	**3,644**

	Development projects developed in-house	Software developed in-house	Total
Cost at 31 December, completed projects	304	229	533
Cost at 31 December, projects in progress	210	9	219
	514	**238**	**752**
Carrying amount at December 31, 2003, completed projects	137	90	227
Carrying amount at December 31, 2003, projects in progress	210	9	219
	347	**99**	**446**

Parent company

(DKK millions)	Software developed in-house	Telecom-munications systems	Total
Cost at January 1	-	76	76
Additions	1	-	1
Disposals	-	-	-
Cost at December 31	1	76	77
Amortization and impairment at January 1	-	(45)	(45)
Amortization	-	(4)	(4)
Foreign exchange adjustments	-	-	-
Amortization and impairment at December 31	-	(49)	(49)
Carrying amount at December 31, 2003	**1**	**27**	**28**

The Group's other intangible assets consist of DKK 107 million in customer bases, DKK 162 million in trademarks and DKK 13 million in non-competition clauses.

Note 15: Property, plant and equipment

Consolidated

(DKK millions)	Factory and office buildings	Leasehold improve-ments	Plant and machinery	Operating assets and equipment	Leased plant and equipment	Telecom-munications systems	Plant under construction	Total
Cost at January 1	135	87	511	319	15	41	6	1,114
Additions	13	34	39	39	-	-	27	152
Disposals	(22)	(15)	(130)	(34)	(1)	-	-	(202)
Transfers	30	-	3	-	-	-	(33)	-
Foreign exchange adjustments	(14)	(9)	(49)	(26)	(1)	-	-	(99)
Cost at December 31	142	97	374	298	13	41	-	965
Depreciation and impairment at January 1	(29)	(38)	(432)	(236)	(4)	(41)	-	(780)
Depreciation	(5)	(10)	(35)	(39)	(3)	-	-	(92)
Disposals	8	5	129	31	-	-	-	173
Transfers	-	-	-	-	-	-	-	-
Foreign exchange adjustments	4	4	44	18	1	-	-	71
Depreciation and impairment at 31 December	(22)	(39)	(294)	(226)	(6)	(41)	-	(628)
Carrying amount at December 31, 2003	**120**	**58**	**80**	**72**	**7**	**-**	**-**	**337**

Carrying amount of property in Denmark	14
Latest official valuation of property	12

Parent company

(DKK millions)	Operating assets and equipment	Total
Cost at January 1	7	7
Additions	1	1
Disposals	(4)	(4)
Foreign exchange adjustments	-	-
Cost at December 31	4	4
Depreciation and impairment at January 1	(5)	(5)
Depreciation	(1)	(1)
Disposals	4	4
Foreign exchange adjustments	-	-
Depreciation and impairment at December 31	(2)	(2)
Carrying amount at December 31, 2003	**2**	**2**

Note 16: Investments

Consolidated

(DKK millions)	Investments in associates	Other securities	Other receivables and deposited bank balances	Total
Cost at January 1	237	8	149	394
Additions	26	-	32	58
Disposals	(9)	-	(8)	(17)
Transfers	-	-	(69)	(69)
Foreign exchange adjustments	-	(1)	(26)	(27)
Cost at December 31	254	7	78	339
Value adjustments at January 1	(70)	(1)	(38)	(109)
Share of profit (loss)	(7)	-	-	(7)
Transfers	-	-	3	3
Foreign exchange adjustments	(4)	-	5	1
Value adjustments at December 31	(81)	(1)	(30)	(112)
Net asset value at December 31, 2003	173	6	48	227
Of which companies with negative net asset value	3	-	-	3
Carrying amount at December 31, 2003	**176**	**6**	**48**	**230**
Unamortized goodwill totals	134	-	-	134

Parent company

(DKK millions)	Investments in subsidiaries	Receivables from subsidiaries	Investments in associates	Other securities	Other receivables and deposited bank balances	Total
Cost at 1 January	5,475	2,638	71	-	87	8,271
Additions, capital contributions	102	-	7	-	-	109
Disposals	(76)	(514)	(6)	-	-	(596)
Transfers	-	-	-	-	(74)	(74)
Foreign exchange adjustments	-	-	1	-	(13)	(12)
Cost at December 31	5,501	2,124	73	-	-	7,698
Value adjustments at January 1	(1,026)	-	(46)	-	-	(1,072)
Share of profit (loss)	107	-	8	-	-	115
Dividends	(420)	-	-	-	-	(420)
Value adjustments	35	-	-	-	-	35
Value adjustments, reversals	(85)	-	-	-	-	(85)
Foreign exchange adjustments	(670)	-	(1)	-	-	(671)
Value adjustments at December 31	(2,059)	-	(39)	-	-	(2,098)
Net asset value at December 31, 2003	3,442	2,124	34	-	-	5,600
Of which companies with negative net asset value	100	(100)	-	-	-	-
Carrying amount at December 31, 2003	**3,542**	**2,024**	**34**	**-**	**-**	**5,600**
Unamortized goodwill totals	-	-	30	-	-	30

Group companies are listed on page 54.

NOTES – BALANCE SHEET | CONSOLIDATED | PARENT COMPANY

Note	(DKK millions)	Consolidated 2003	Consolidated 2002	Parent company 2003	Parent company 2002
17	**Deferred tax assets**				
	Deferred tax assets at January 1	330	324	193	-
	Change in tax rate	(4)	(6)	-	-
	Change for the year	(96)	(52)	(114)	239
	Disposals, discontinuing operations	-	(77)	-	-
	Tranferred from "Deferred tax"	17	-	-	(201)
	Tax on changes in equity	150	155	150	155
	Foreign exchange adjustments, etc.	(24)	(14)	-	-
	Deferred tax assets at December 31	**373**	**330**	**229**	**193**
	A specification of above is shown in note 22.				
18	**Inventories**				
	Raw materials and consumables	301	315	-	-
	Work in progress	26	33	-	-
	Finished goods and merchandise	295	282	-	-
	Total	**622**	**630**	**-**	**-**
	The above includes write-downs amounting to	155	126	-	-
	Value of inventory, recognized at net realisable value	-	-	-	-
19	**Tax receivable**				
	Receivable at January 1	231	278	180	180
	Prior-year adjustments	85	(30)	79	-
	Tax on profit (loss) for the year	1	(1)	-	-
	Adjustment of tax paid (carry back)	-	107	-	-
	Disposals, discontinuing operations	-	(81)	-	-
	Received during year	(275)	(44)	(259)	-
	Transferred from "Tax payable"	5	11	-	-
	Foreign exchange and other adjustments	(3)	(9)	-	-
	Total	**44**	**231**	**-**	**180**
20	**Receivables**				
	Receivables falling due after more than one year				
	Trade receivables	35	33	21	27
	Tax receivable	3	-	-	-
	Other receivables	41	59	-	-
	Prepayments	38	21	-	-
	Total	**117**	**113**	**21**	**27**

Prepayments

Prepayments include rent paid in advance, insurance, pension plan assets and other costs, etc.

NOTES – BALANCE SHEET

Note	(DKK millions)	Consolidated 2003	Consolidated 2002	Parent Company 2003	Parent Company 2002
21	**Pension obligations and similar obligations**				
	Defined contribution plans				
	Costs for the year	36	41	1	1
	Defined benefit plans				
	Costs for the year	6	10	-	-
	Interest expense	13	16	-	-
	Expected return on plan assets	(13)	(19)	-	-
	Amortization of unrecognized actuarial losses	5	-	-	-
	Income, freezing of plan in the United States	(13)	-	-	-
		(2)	7	-	-
	Total pension obligations and similar obligations recognized as cost in the income statement	**34**	**48**	**1**	**1**
	Pension obligations relating to defined benefit plans are recognized as follows:				
	Present value of funded pension obligations not covered by payments to insurance company	(194)	(230)	(1)	(1)
	Fair value of plan assets	165	176	-	-
	Deficit	(29)	(54)	(1)	(1)
	Unrecognized actuarial losses	52	69	-	-
	Plan assets, recognized in "Prepayments"	23	15	(1)	(1)
	Present value of unfunded pension obligations and severance pay not covered by payments to insurance company	(15)	(13)	-	-
	Total	**8**	**2**	**(1)**	**(1)**
	Changes in pension obligations are recognized as follows:				
	Balance at January 1	2	-	(1)	(1)
	Other adjustments	6	-	-	-
	Provided in the year	(4)	(7)	-	-
	Consumed in the year	6	7	-	-
	Disposals, company disposals	-	1	-	-
	Foreign exchange adjustments	(2)	1	-	-
	Balance at December 31	**8**	**2**	**(1)**	**(1)**

Defined contribution plans

The Group has commitments regarding certain groups of employees in Denmark and abroad. Pension plans are generally defined contribution plans. The pension plans are funded by current payments to independent pension funds and insurance companies, which are responsible for payment of the pension benefits. Contributions are made to special pension funds regarding the Group's employees in North America. When contributions to defined contribution plans have been paid, the Group has no further commitments to present or former employees.

Contributions to defined contribution plans are recognized in the income statement as paid.

Defined benefit plans

For some members of management in foreign subsidiaries and for surviving relatives of a number of employees/executives, the Group has agreed to make certain payments e.g. old age pension as a fixed amount or a fixed percentage of the employee's final salary. These pension obligations are not covered by payments to insurance companies. The unfunded pension obligations determined at present value are recognized in the balance sheet at a total of DKK 15 million.

In addition, the Group has pension obligations in an American subsidiary of a total of DKK 194 million, which are not covered by payments to insurance companies, but are offset by the fair value of reserved pension funds. Under IAS 19 this plan is accounted for as follows:

The pension obligations in this plan are determined by an actuary based on assumptions about age at retirement, mortality, etc. The estimated future pension obligations are discounted using a discount rate of 6.25%. At July 1, 2003 the pension plan has been frozen, meaning that employees covered by the plan will continue to be entitled to the pension payments earned up to this date. However, employees will not earn further pension payments from continued employment and future salary increases. At December 31, 2003 the fair value of reserved pension funds, which are managed by an external portfolio manager, was DKK 165 million against DKK 176 million at December 31, 2002. Accordingly, the value of pension funds has decreased by DKK 11 million. However, the decrease is attributable to the decline in the USD-DKK exchange rate, as the value of the reserved pension funds determined in USD increased by USD 2.7 million despite pension payments made during the year which have only partly been funded by new payments to the portfolio manager.

At January 1 the expected value of both pension obligations and reserved pension funds at 31 December (based on expected return of 9% +/- expected payments) is calculated and subsequently the accumulated historical difference between expected values and realized values can be determined. This unrecognized actuarial loss at December 31, 2003 is DKK 52 million.

The actuarial loss at December 31, 2002 is amortized in the income statement for 2003 on a straight-line basis over a period corresponding to the average expected remaining working lives of the employees (currently approximately 9 years). In addition, ordinary current costs relating to the plan are recognized as cost.

In the income statement for 2003 a net income of DKK 2 million has been recognized relating to the defined pension plans. The income recognition is primarily attributable to the freezing of the plan in the United States, as described above, which reduces the present value of the pension obligation, as assumptions about salary increases etc. are eliminated. In accordance with IAS 19, this effect should be recognized as income, which results in a positive effect of DKK 13 million.

Other plans

The Group has no other pension obligations or similar obligations to its employees.

NOTES – BALANCE SHEET

Note	(DKK millions)	CONSOLIDATED 2003	CONSOLIDATED 2002	PARENT COMPANY 2003	PARENT COMPANY 2002
22	**Deferred tax**				
	Deferred tax at January 1	48	331	-	201
	Prior-year tax adjustments	(95)	1	-	-
	Changes relating to profit (loss) for the year	62	(282)	-	-
	Change in tax rate	(4)	-	-	-
	Transferred to "Deferred tax assets"	17	-	-	(201)
	Foreign exchange adjustments	(8)	(2)	-	-
	Total	**20**	**48**	**-**	**-**

	CONSOLIDATED		CONSOLIDATED	
	2003	2002	2003	2002
Specification of deferred tax assets and deferred tax	Deferred tax assets	Deferred tax assets	Deferred tax	Deferred tax
Intangible assets	60	141	90	85
Property, plant and equipment	68	84	31	29
Investments	68	40	-	-
Current assets	33	124	23	28
Provisions	133	78	1	-
Current liabilities	44	62	1	-
Intra-group liabilities	402	246	-	-
Tax loss carryforwards	335	436	-	-
Reversal of tax benefit arising from loss	-	-	123	103
Value adjustments	(513)	(723)	-	-
Other	3	61	11	22
Total	**633**	**549**	**280**	**267**
Set-off within legal tax units and jurisdictions	(260)	(219)	(260)	(219)
Deferred tax assets and deferred tax at December 31	**373**	**330**	**20**	**48**

	CONSOLIDATED		PARENT COMPANY	
	2003	2002	2003	2002
Tax value of loss carryforwards abroad which are not included in tax assets				
Tax value at January 1	404	855	-	-
Disposal, discontinuing operations	-	(322)	-	-
Change for the year	(168)	(129)	-	-
Tax value at December 31	**236**	**404**	**-**	**-**
A substantial share of the tax value of unrecognized loss carryforwards abroad relate to company acquisitions. A number of tax loss carryforwards expire between 2004-2021.				
Tax assets not previously recognized, but used during the year:				
Tax loss carryforwards	**50**	**41**	**-**	**-**

Value adjustments are based on the Group's expectations as to the probability that a tax asset can be utilized within a period of up to five years.

Note 23: Other provisions

(DKK millions)	Restructuring	Disposal of NetTest	Warranty provisions	Other provisions	Total
Other provisions at January 1	88	188	116	82	474
Additions	140	-	63	100	303
Consumed	(151)	(89)	(29)	(78)	(347)
Reversals	-	(68)	(16)	(5)	(89)
Transfer	-	(31)	-	31	-
Foreign exchange adjustments	(3)	-	(8)	(7)	(18)
Other provisions at December 31	**74**	**-**	**126**	**123**	**323**
Parent company	**-**	**-**	**-**	**36**	**36**

Restructuring provisions of DKK 74 million relate to restructurings based on detailed plans prepared by Management, which have been discussed with and announced to the employee groups affected and others. The provisions cover severance pay, post-employment pay, loss-making contracts, including leases, etc. related to relocation of production facilities to China, relocation of production and administration from Chicago to Minneapolis in the United States, relocation of local head office in Redwood City in the United States, relocation of sales organization in Hello Direct from California to New Hampshire, etc.

Warranty provisions concern products sold by GN Netcom and GN ReSound supplied with a warranty of one to three years. The provision has been calculated on the basis of historical warranty costs of the Group's products.

Other liabilities include obligations to take back sold hearing aids, bonus point schemes to customers in GN ReSound, guarantees provided in connection with disposal of companies, including NetTest, etc. Costs are expected to be incurred before the end of 2006.

		CONSOLIDATED		PARENT COMPANY	
Note	(DKK millions)	**2003**	**2002**	**2003**	**2002**
24	**Non-current liabilities**				
	Long-term loans falling due for repayment more than five years from the balance sheet date	**5**	**8**	**-**	**-**
25	**Tax payable**				
	Tax payable at January 1	76	80	-	-
	Prior-year tax adjustments	(25)	(1)	-	-
	Tax on profit (loss) for the year	58	40	-	-
	Paid during year	(49)	(56)	-	-
	Transferred to "Tax receivable"	5	11	-	-
	Foreign exchange adjustments, etc.	(3)	2	-	-
	Total	**62**	**76**	**-**	**-**
26	**Other payables**				
	Wages and salaries, holiday pay, etc.	90	104	4	4
	Taxes and duties	27	26	-	-
	Tax payable at source	7	9	-	-
	Social contributions	25	16	-	-
	Payable purchase consideration for acquired companies	74	117	74	117
	Other	267	262	4	4
	Total	**490**	**534**	**82**	**125**

NOTES – SUPPLEMENTARY INFORMATION | CONSOLIDATED | PARENT COMPANY

Note	(DKK millions)	2003	2002	2003	2002
27	**Security**				
	Property other than property provided as security for mortgage loans	-	3	-	-
	Cash and cash equivalents	-	3	-	-
	Total	**-**	**6**	**-**	**-**

The Group has deposited DKK 74 million of the purchase consideration for acquired companies into a frozen bank account. The amount has been paid in 2004. The amount is recognized in the balance sheet in "Deposited bank balances" and "Other payables" in non-current liabilities. Interest income from the frozen account goes to the seller.

Note	(DKK millions)	2003	2002	2003	2002
28	**Lease obligations**				
	Future lease obligations are distributed as follows:				
	Finance leases:				
	Less than one year	2	3	-	-
	Between one and five years	5	8	-	-
	More than five years	-	-	-	-
	Total	**7**	**11**	**-**	**-**
	Finance leases relate to lease of operating assets and equipment.				
	Operating leases:				
	Less than one year	61	56	1	-
	Between one and five years	144	147	2	2
	More than five years	45	125	-	1
	Total	**250**	**328**	**3**	**3**

Operating leases primarily relate to lease of property on market terms in Denmark, the United States and the UK. The remaining lease terms amount to between 7-10 years. Lease payments recognized in the income statement relating to operating leases amount to DKK 63 million (DKK 116 million in 2002). In 2003, DKK 1 million (DKK 1 million in 2002) was recognized as income in connection with sub-lease of property.

Note	(DKK millions)	2003	2002	2003	2002
29	**Contingent liabilities, other financial liabilities and contingent assets**				
	Guarantees, warranties and other liabilities	**15**	**22**	**5**	**5**

Outstanding lawsuits and arbitration proceedings

GN Store Nord and its subsidiaries and associates are parties to various lawsuits and arbitration proceedings, including various cases involving patent infringements. The outcome of cases pending is not expected to be of material importance to the Group's

Management is not aware of any legal proceedings being threatened or pending which could affect the Group's financial position.

Contingent assets

GN Store Nord is by way of its 75% ownership of DPTG I/S still party to arbitration proceedings against Telekomunikacja Polska S.A. regarding the principles for traffic statistics in Poland's NSL fiber-optic telecommunications system, for which DPTG is entitled to a share of the revenue from 1994-2009. DPTG has made a claim for DKK 1.6 billion, which Telekomunikacja Polska S.A. has disputed. GN is unable to provide any further information in this matter in order not to influence the outcome of the case. No amount has been recognized in GN's balance sheet at December 31, 2003 in this respect.

Contingent purchase consideration relating to company disposal

As part of the disposal of NetTest the parties agreed that GN should receive a small portion of the gain on disposal realized by the new owner. No amount has been recognized in GN's balance sheet at December 31, 2003.

Note 30: Financial instruments

Primary financial instruments

(DKK millions)	Less than one year	Between one and five years	More than five years	Total	Of which at fixed rates	Average effective rate of interest
Investments						
Investments in associates	-	-	176	176	-	
Other securities	-	3	3	6	-	
Other receivables and deposited bank balances (non-current)	-	48	-	48	-	
Trade receivables	923	35	-	958	-	
Deposited bank balances	74	-	-	74	-	
Other receivables and prepayments, etc.	143	79	-	222	-	
Listed shares	14	-	-	14	-	
Cash and cash equivalents	70	-	-	70	-	1.0%-2.0%
Financial liabilities						
Long-term bank loans	-	653	-	653	-	"IBOR" based
Capitalized lease obligations	-	5	-	5	-	
Other non-current liabilities	-	1	5	6	-	
Received prepayments, non-current	-	23	-	23	-	
Short-term bank loans	201	-	-	201	21	"IBOR" based
Trade payables	289	-	-	289	-	
Tax payables	62	-	-	62	-	
Other payables	490	-	-	490	-	
Received prepayments	37	-	-	37	-	

Effective rates of interest are stated on the basis of actual interest rates at December 31, 2003. The fair value of listed shares is DKK 14 million. For the other financial assets and liabilities, the fair value equals the carrying amount.

Derivative financial instruments

Financial instruments used as hedging of currency and interest rate risks, including the notional amount, and unrealized gains and losses are specified as follows:

Financial instruments in DKK millions	Notional amount	Unrealized gains (losses) on fair value adjustment	Recognized in income statement for 2003	Recognized directly in equity 2003	Maturity date
Foreign currency bought under forward contracts					
USD	20	-	-	-	2004
Interest derivatives					
Forward rate agreements in DKK	1,000	1	1	-	2004
Total financial instruments	**-**	**1**	**1**	**-**	

For a presentation of financial risk as well as currency, interest rate and credit risk, see the Management's Report.

Note	(DKK millions)	CONSOLIDATED 2003	CONSOLIDATED 2002	PARENT COMPANY 2003	PARENT COMPANY 2002
31	**Government grants** The GN Store Nord Group has received tax credits relating to the Group's development activities and EU grants	**1**	**4**	**-**	**-**

NOTES – SUPPLEMENTARY INFORMATION

Note 32: Outstanding shares and treasury shares

	Outstanding shares (thousands)	Treasury shares (thousands)	Total number of shares (thousands)	Nominal value of outstanding shares (DKK thousands)	Nominal value of treasury shares (DKK thousands)	Nominal value of total shares (DKK thousands)	Treasury-shares as a percentage of share capital
Number of shares at January 1, 2003	211,311	8,464	219,775	845,244	33,856	879,100	3.85%
Options exercised in 2003	-	-	-	-	-	-	-
Shares sold by GN Store Nord A/S	-	-	-	-	-	-	-
Number of shares at December 31, 2003	**211,311**	**8,464**	**219,775**	**845,244**	**33,856**	**879,100**	**3.85%**

The treasury shares had a market value of DKK 325 million at December 31, 2003.

	CONSOLIDATED	
(1,000 shares)	**2003**	**2002**
Weighted average number of shares	211,311	211,310
Dilutive effect of outstanding share options with positive intrinsic value - average for the period	629	-
Diluted weighted average number of shares	**211,940**	**211,310**
(DKK millions)		
Profit (loss) for the year used for the calculation of earnings per share	255	(5,114)
Dilutive effect of profit (loss) for the year	-	-
Profit (loss) for the year used for the calculation of diluted earnings per share	**255**	**(5,114)**
Profit (loss) for the year and diluted earnings	255	(5,114)
Amortization and impairment of intangible assets acquired in company acquisitions	319	2,920
Restructuring	140	374
Profit (loss) and diluted earnings excluding amortization and impairment of intangible assets acquired in company acquisitions and restructuring	714	(1,820)

Note 33: Related party transactions

The Company's related parties are the Executive Management and the Supervisory Board of the GN Store Nord Group as well as significant shareholders in the parent company GN Store Nord A/S. No agreements or any other transactions have been entered into with the Company in which the Executive Management and the Supervisory Board have had a financial interest besides transactions stemming from conditions of employment. Trade between the Company and the GN Store Nord Group companies takes place on an arm's length basis. No agreements or any other transactions have been entered into with the Company in which a significant shareholder has had a financial interest.

Note 34: Incentive plans

The European plan
In 1999 GN Store Nord authorized that GN Store Nord share options be granted to European employees. A total of 1,192,965 (nominal value DKK 4 each) share options were granted at an exercise price of DKK 44, corresponding to the average price in the month following the publication of the 1998 annual report. In 2000 a further 1,046,265 share options were granted at prices from DKK 147 to DKK 194 per share and in 2001 a further 985,100 options were granted at an average price of DKK 93. The share options can be exercised after three years from the grant date with an exercise period of two years. Exercise is contingent on a 6% annual increase in GN Store Nord's share price.

The American plan
In 2000, the annual general meeting of GN Store Nord authorized the establishment of an international share option plan similar to corresponding plans in North America. Under this plan, managers and specialists working for the North American companies were granted a total of 2,142,150 share options at prices from DKK 120 to DKK 196 per share in 2000. In 2001 a further 1,986,250 options were granted at an average price of DKK 88. 20% of the options granted can be exercised after one year, a further 20% can be exercised after two years and the remaining options three years after being granted. The exercise period expires five years after the grant date. Exercise is contingent on continued employment in the GN Store Nord Group.

International plan
In 2002 GN Store Nord granted share options to employees in accordance with a modified international share option plan. In 2002 a total of 2,791,465 share options were granted at an exercise price of DKK 50. In 2003 a further 2,437,500 options were granted at a price of DKK 18.3. The share options expire after five years from the grant date or at termination of employment.

Developments for the year in the GN Group's three incentive plans and in share options granted to the Executive Management are show below and on page 48.

Share options held by Executive Management

Outstanding share options	**Grant year**	**1999**	**2000**	**2001**	**2001**	**2002**	**2003**	**Total**
	Exercise price	**43.8**	**146.6**	**90**	**99**	**50**	**18.3**	
Jørn Kildegaard		-	41,250	70,000	-	84,000	135,000	330,250
Jens Due Olsen		-	-	-	60,000	65,000	105,000	230,000
Niels B. Christiansen		-	1,250	26,250	-	65,000	105,000	197,500
Jesper Mailind		-	-	28,125	-	65,000	105,000	198,125
Total		**-**	**42,500**	**124,375**	**60,000**	**279,000**	**450,000**	**955,875**

Note 34: Incentive plans (continued)

The European plan	Plan total		Of which to Executive Management		Of which to senior employees		Of which to others	
	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price
Outstanding share options at January 1, 2003	1,602,471	107	171,250	119	506,473	95	924,748	111
Share options terminated during year/corrections	(32,574)	107	55,625	54	(326,508)	97	238,309	106
Outstanding share options at December 31, 2003	**1,569,897**	**107**	**226,875**	**103**	**179,965**	**92**	**1,163,057**	**110**
Market value of outstanding share options	DKK 0.7 million		DKK 0.1 million		DKK 0.2 million		DKK 0.4 million	

The American plan	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price
Outstanding share options at January 1, 2003	1,965,319	111	-	-	471,700	107	1,493,619	112
Share options terminated during year/corrections	(663,969)	111	-	-	(116,700)	101	(547,269)	105
Outstanding share options at December 31, 2003	**1,301,350**	**111**	**-**	**-**	**355,000**	**109**	**946,350**	**116**
Market value of outstanding share options	DKK 0.4 million				DKK 0.1 million		DKK 0.3 million	

International plan	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price
Outstanding share options at January 1, 2003	2,533,692	50	149,000	50	719,412	50	1,665,280	50
Share options granted during year	2,437,500	18	450,000	18	740,000	18	1,247,500	18
Share options terminated during year/corrections	(1,137,213)	47	130,000	50	(350,933)	49	(916,280)	47
Outstanding share options at December 31, 2003	**3,833,979**	**31**	**729,000**	**30**	**1,108,479**	**29**	**1,996,500**	**32**
Market value at the grant date of share options granted during year	DKK 24.4 million		DKK 4.5 million		DKK 7.4 million		DKK 12.5 million	
Market value of outstanding share options	DKK 57.6 million		DKK 11.1 million		DKK 17.4 million		DKK 29.1million	

Total incentive plan	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price
Outstanding share options at January 1, 2003	6,101,482	85	320,250	80	1,697,585	79	4,083,647	86
Share options granted during year	2,437,500	18	450,000	18	740,000	18	1,247,500	18
Share options terminated during year/corrections	(1,833,756)	71	185,625	63	(794,141)	108	(1,225,240)	78
Outstanding share options at December 31, 2003	**6,705,226**	**65**	**955,875**	**48**	**1,643,444**	**54**	**4,105,907**	**73**
Market value at the grant date of share options granted during year	DKK 24.4 million		DKK 4.5 million		DKK 7.4 million		DKK 12.5 million	
Market value of outstanding share options	DKK 58.7 million		DKK 11.2 million		DKK 17.7 million		DKK 29.8 million	

No share options have been granted to those members of GN Store Nord's Supervisory Board, who have been appointed by the annual general meeting.

Obligations under the plan are covered by the Company's treasury shares. Treasury shares total 8,464,311 shares at a price of DKK 38.36 each at December 31, 2003, corresponding to a market value of DKK 325 million at December 31, 2003.

The market value of the share options has been calculated using Black-Scholes based models.

The market value of the outstanding share options at the balance sheet date is calculated on the basis of underlying market prices on the final business day of the year, whereas the market value of options granted during the year is based on the underlying market prices on the grant date. At the annual main grant of share options in April 2003, a three-year historic volatility in the GN Store Nord share was used (61%). The calculation of the market price at the balance sheet date is based on a one-year volatility in the GN Store Nord share (32%), as the period is deemed long enough for the Company to be able to reasonably estimate the underlying volatility in the GN Store Nord share, and at the same time the 2003 one-year period gives a "true" view of the "new GN" without NetTest.

The group of "senior employees" consists of vice presidents of GN Store Nord A/S, Global Management and a number of managements of GN Netcom and GN ReSound.

GN's treasury shares will be used when share options granted under incentive plans are exercised.

NOTES – CASH FLOW STATEMENT

Note	(DKK millions)	Consolidated 2003	Consolidated 2002	Parent Company 2003	Parent Company 2002
35	**Other adjustments**				
	Gain/loss on disposal of non-current assets	(3)	(4)	-	(1)
	Share of profit (loss) in subsidiaries	-	-	(105)	4,853
	Share of profit (loss) in associates	4	33	(8)	28
	Impairment, investments, net	-	(24)	-	(34)
	Inventory write-downs	40	658	-	-
	Provision for bad debt losses	(16)	(3)	-	-
	Restructurings, recognized in income statement	140	374	-	-
	Adjustment of provisions	33	(68)	-	-
	Total	**198**	**966**	**(113)**	**4,846**
36	**Company acquisitions**				
	Intangible assets	-	(1)	-	-
	Current assets	-	(6)	-	-
	Provisions	-	3	-	-
	Payables	-	1	-	-
	Net assets	-	(3)	-	-
	Group goodwill	-	(19)	-	-
	Capital contributions in subsidiaries	-	-	(102)	(155)
	Cash and cash equivalents in acquired companies	-	1	-	-
	Net purchase amount	**-**	**(21)**	**(102)**	**(155)**
37	**Disposal of discontinuing operations**				
	Intangible assets	-	123	-	-
	Property, plant and equipment	-	83	-	-
	Investments	-	6	-	-
	Current assets	-	640	-	-
	Provisions	-	(175)	-	-
	Payables	-	(381)	-	-
	Net assets	-	296	-	-
	Loss on disposal of discontinuing operations	-	(495)	-	-
	Cash and cash equivalents in discontinuing operations	-	(71)	-	-
	Cash capital contribution before disposal	-	(155)	-	-
	Provisions relating to disposal of activities, etc.	(89)	194	(89)	(6)
	Net sales amount	**(89)**	**(231)**	**(89)**	**(6)**
	of which is recognized as follows:				
	Cash purchase consideration, net	(89)	(160)	(89)	(6)
	Cash and cash equivalents in discontinuing operations	-	(71)	-	-
	Net sales amount	**(89)**	**(231)**	**(89)**	**(6)**

SECONDARY SEGMENT – BY GEOGRAPHIC AREA

	Non-current assets		Current assets		Total assets		Investments		Company acquisitions	
(DKK millions)	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Denmark	987	954	431	544	1,418	1,498	166	220	-	-
Rest of Nordic region	37	40	96	77	133	117	4	1	-	-
Rest of Europe	242	270	654	851	896	1,121	39	119	-	-
North and South America	3,189	4,090	628	759	3,817	4,849	85	230	-	-
Asia and rest of world	129	134	202	219	331	353	28	71	-	21
Total	4,584	5,488	2,011	2,450	6,595	7,938	322	641	-	21

Geographic distribution of revenue is shown in note 1 page 35.

PRIMARY SEGMENT 2003 – BUSINESS AREAS AND ACTIVITIES

Income statement 2003

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core- business areas	Dis- continuing operations	Conso- lidated total
External revenue	1,760	2,968	14	4,742	-	4,742
Internal revenue	-	-	-	-	-	-
Revenue	**1,760**	**2,968**	**14**	**4,742**	**-**	**4,742**
Production costs	(858)	(1,295)	(2)	(2,155)	-	(2,155)
Gross profit	**902**	**1,673**	**12**	**2,587**	**-**	**2,587**
Development costs	(81)	(168)	-	(249)	-	(249)
Selling and distribution costs	(371)	(742)	-	(1,113)	-	(1,113)
Management and administrative expenses	(274)	(327)	(72)	(673)	-	(673)
Other operating income	1	2	1	4	-	4
Amortization and impairment of goodwill and other intangible assets acquired in company acquisitions	(54)	(265)	-	(319)	-	(319)
Restructuring	(76)	(64)	-	(140)	-	(140)
Operating profit (loss) before share of profit (loss) in subsidiaries and associates	**47**	**109**	**(59)**	**97**	**-**	**97**
Share of profit (loss) in associates	(1)	(10)	7	(4)	-	(4)
Operating profit (loss)	**46**	**99**	**(52)**	**93**	**-**	**93**
Gains/losses on disposal of discontinuing operations	-	-	57	57	75	132
Profit (loss) before interest income and expense and similar items	**46**	**99**	**5**	**150**	**75**	**225**
Interest income and similar items	20	66	93	179	-	179
Interest expense and similar items	(86)	(113)	66	(133)	(1)	(134)
Profit (loss) from ordinary activities before tax	**(20)**	**52**	**164**	**196**	**74**	**270**

Assets 2003

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core- business areas	Dis- continuing operations	Con- solidated total
Non-current assets						
Goodwill	515	2,261	-	2,776	-	2,776
Development projects, developed in-house	70	277	-	347	-	347
Software, acquired	-	-	1	1	-	1
Software, developed in-house	42	57	-	99	-	99
Patents and rights	15	74	-	89	-	89
Telecommunications systems	-	-	50	50	-	50
Other intangible assets	106	176	-	282	-	282
Total intangible assets	**748**	**2,845**	**51**	**3,644**	**-**	**3,644**
Factory and office buildings	-	120	-	120	-	120
Leasehold improvements	10	48	-	58	-	58
Plant and machinery	21	59	-	80	-	80
Operating assets and equipment	23	47	2	72	-	72
Leased plant and equipment	-	7	-	7	-	7
Telecommunications systems	-	-	-	-	-	-
Plant under construction	-	-	-	-	-	-
Total property, plant and equipment	**54**	**281**	**2**	**337**	**-**	**337**
Investments in associates	3	141	32	176	-	176
Other securities	3	3	-	6	-	6
Other receivables and deposited bank balances	21	27	-	48	-	48
Deferred tax assets	198	233	(58)	373	-	373
Total investments	**225**	**404**	**(26)**	**603**	**-**	**603**
Total non-current assets	**1,027**	**3,530**	**27**	**4,584**	**-**	**4,584**
Current assets						
Inventories	**198**	**424**	**-**	**622**	**-**	**622**
Trade receivables	333	563	62	958	-	958
Receivables from subsidiaries	24	2	(31)	(5)	5	-
Receivables from associates	-	7	-	7	-	7
Receivable tax	33	11	-	44	-	44
Other receivables	43	88	3	134	-	134
Deposited bank balances	-	-	74	74	-	74
Prepayments	16	72	-	88	-	88
Total receivables	**449**	**743**	**108**	**1,300**	**5**	**1,305**
Listed securities	**-**	**1**	**13**	**14**	**-**	**14**
Cash and cash equivalents	**29**	**37**	**3**	**69**	**1**	**70**
Total current assets	**676**	**1,205**	**124**	**2,005**	**6**	**2,011**
Total assets	**1,703**	**4,735**	**151**	**6,589**	**6**	**6,595**

PRIMARY SEGMENT 2003 – BUSINESS AREAS AND ACTIVITIES

Restructuring 2003

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core- business areas	Dis- continuing operations	Con- solidated total
Restructuring costs for the year relate to:						
Severance pay, post-employment pay, outplacement costs, etc.	31	35	-	66	-	66
Loss-making contracts relating to unutilized leases, etc.	30	16	-	46	-	46
Impairment of current assets relating to termination of trademarks, etc	-	4	-	4	-	4
Impairment, production plant	-	-	-	-	-	-
Other, including other loss-making contracts	15	9	-	24	-	24
Total	**76**	**64**	**-**	**140**	**-**	**140**

Cash flow statement 2003

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core- business areas	Dis- continuing operations	Con- solidated total
Cash flows from operating activities	72	377	378	827	-	827
Cash flows from investing activities	(57)	(280)	68	(269)	(89)	(358)
Cash flows from operating and investing activities	15	97	446	558	(89)	469
Cash flows from company acquisitions/company disposals	-	-	-	-	-	-
Total cash flows	**15**	**97**	**446**	**558**	**(89)**	**469**

Equity and liabilities 2003

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core- business areas	Dis- continuing operations	Con- solidated total
Equity						
Share capital	30	60	594	684	195	879
Share premium	204	2,660	(2,954)	(90)	90	-
Revaluation reserves	-	-	-	-	-	-
Net revaluation using the equity method	-	-	-	-	-	-
Foreign exchange adjustments	(322)	(990)	35	(1,277)	(1)	(1,278)
Proposed dividends for the year	-	-	132	132	-	132
Retained earnings	164	1,248	3,625	5,037	(299)	4,738
Total equity	**76**	**2,978**	**1,432**	**4,486**	**(15)**	**4,471**
Provisions						
Pension obligations and similar obligations	-	14	1	15	-	15
Deferred tax	25	9	(14)	20	-	20
Other provisions	52	231	40	323	-	323
Total provisions	**77**	**254**	**27**	**358**	**-**	**358**
Liabilities						
Mortgage loans	-	-	-	-	-	-
Bank loans	-	3	650	653	-	653
Capitalized lease obligations	-	5	-	5	-	5
Other payables	5	1	-	6	-	6
Received prepayments	-	23	-	23	-	23
Total non-current liabilities	**5**	**32**	**650**	**687**	**-**	**687**
Repayment of long-term loans	-	6	-	6	-	6
Bank loans	31	78	86	195	-	195
Trade payables	88	175	22	285	4	289
Amounts owed to subsidiaries	1,282	868	(2,150)	-	-	-
Tax payable	37	25	-	62	-	62
Other payables	107	282	84	473	17	490
Received prepayments	-	37	-	37	-	37
Total current liabilities	**1,545**	**1,471**	**(1,958)**	**1,058**	**21**	**1,079**
Total liabilities	**1,550**	**1,503**	**(1,308)**	**1,745**	**21**	**1,766**
Total equity and liabilities	**1,703**	**4,735**	**151**	**6,589**	**6**	**6,595**

PRIMARY SEGMENT 2002 – BUSINESS AREAS AND ACTIVITIES

Income statement 2002

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core- business areas	Dis- continuing operations	Con- solidated total
External revenue	1,744	2,902	36	4,682	830	5,512
Internal revenue	10	1	(11)	-	-	-
Revenue	**1,754**	**2,903**	**25**	**4,682**	**830**	**5,512**
Production costs	(886)	(1,391)	2	(2,275)	(1,317)	(3,592)
Gross profit	**868**	**1,512**	**27**	**2,407**	**(487)**	**1,920**
Development costs	(64)	(146)	-	(210)	(710)	(920)
Selling and distribution costs	(387)	(748)	-	(1,135)	(421)	(1,556)
Management and administrative expenses	(269)	(348)	(61)	(678)	(195)	(873)
Other operating income	1	3	2	6	3	9
Amortization and impairment of goodwill and other intangible assets acquired in company acquisitions	(64)	(226)	(1)	(291)	(2,629)	(2,920)
Restructuring	(22)	(140)	-	(162)	(212)	(374)
Operating profit (loss) before share of profit (loss) in subsidiaries and associates	**63**	**(93)**	**(33)**	**(63)**	**(4,651)**	**(4,714)**
Share of profit (loss) in associates	-	(5)	(28)	(33)	-	(33)
Operating profit (loss)	**63**	**(98)**	**(61)**	**(96)**	**(4,651)**	**(4,747)**
Gains/losses on disposal of discontinuing operations	-	-	(5)	(5)	(442)	(447)
Profit (loss) before interest income and expense and similar items	**63**	**(98)**	**(66)**	**(101)**	**(5,093)**	**(5,194)**
Interest income and similar items	41	50	15	106	26	132
Interest expense and similar items	(128)	(125)	152	(101)	(126)	(227)
Profit (loss) from ordinary activities before tax	**(24)**	**(173)**	**101**	**(96)**	**(5,193)**	**(5,289)**

Assets 2002

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core- business areas	Dis- continuing operations	Con- solidated total
Non-current assets						
Goodwill	656	2,922	-	3,578	-	3,578
Development projects, developed in-house	97	242	-	339	-	339
Software, developed in-house	58	43	-	101	-	101
Patents and rights	19	80	-	99	-	99
Telecommunications systems	-	-	58	58	-	58
Other intangible assets	136	224	-	360	-	360
Total intangible assets	**966**	**3,511**	**58**	**4,535**	**-**	**4,535**
Factory and office buildings	-	98	8	106	-	106
Leasehold improvements	14	35	-	49	-	49
Plant and machinery	22	57	-	79	-	79
Oprating assets and equipment	30	51	2	83	-	83
Leased plant and equipment	-	11	-	11	-	11
Telecommunications systems	-	-	-	-	-	-
Plant under construction	2	4	-	6	-	6
Total property, plant and equipment	**68**	**256**	**10**	**334**	**-**	**334**
Investments in associates	5	137	29	171	-	171
Other securities	3	4	-	7	-	7
Other receivables and deposited bank balances	22	1	88	111	-	111
Deferred tax assets	113	163	54	330	-	330
Total investments	**143**	**305**	**171**	**619**	**-**	**619**
Total non-current assets	**1,177**	**4,072**	**239**	**5,488**	**-**	**5,488**
Current assets						
Inventories	**228**	**402**	**-**	**630**	**-**	**630**
Trade receivables	325	526	94	945	-	945
Receivables from subsidiaries	2	1	(3)	-	-	-
Receivables from associates	-	4	-	4	-	4
Receivable tax	21	7	203	231	-	231
Other receivables	36	112	4	152	-	152
Deposited bank balances	-	-	117	117	-	117
Prepayments	25	55	-	80	-	80
Total receivables	**409**	**705**	**415**	**1,529**	**-**	**1,529**
Listed securities	**-**	**-**	**9**	**9**	**-**	**9**
Cash and cash equivalents	**31**	**211**	**22**	**264**	**18**	**282**
Total current assets	**668**	**1,318**	**446**	**2,432**	**18**	**2,450**
Total assets	**1,845**	**5,390**	**685**	**7,920**	**18**	**7,938**

PRIMARY SEGMENT 2002 – BUSINESS AREAS AND ACTIVITIES

Restructuring 2002

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core- business areas	Dis- continuing operations	Con- solidated total
Restructuring costs for the year relate to:						
Severance pay, post-employment pay, outplacement costs, etc.	18	80	-	98	204	302
Loss-making contracts relating to unutilized leases, etc.	-	19	-	19	8	27
Impairment of current assets relating to termination of trademarks, etc.	-	13	-	13	-	13
Impairment, production plant	4	-	-	4	-	4
Other, including other loss-making contracts	-	28	-	28	-	28
Total	**22**	**140**	**-**	**162**	**212**	**374**

Cash flow statement 2002

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core- business areas	Dis- continuing operations	Con- solidated total
Cash flows from operating activities	167	183	207	557	(316)	241
Cash flows from investing activities	(104)	(257)	113	(248)	(204)	(452)
Cash flows from operating and investing activities	63	(74)	320	309	(520)	(211)
Cash flows from company acquisitions/company disposals	(21)	-	-	(21)	(231)	(252)
Total cash flows	**42**	**(74)**	**320**	**288**	**(751)**	**(463)**

Equity and liabilities 2002

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core- business areas	Dis- continuing operations	Con- solidated total
Equity						
Share capital	30	60	600	690	189	879
Share premium	204	2,660	1,296	4,160	10	4,170
Revaluation reserves	-	-	-	-	-	-
Net revaluation using the equity method	-	-	-	-	-	-
Foreign exchange adjustments	(167)	(529)	139	(557)	2	(555)
Proposed dividends for the year	-	-	-	-	-	-
Retained earnings	93	1,174	(645)	622	(327)	295
Total equity	**160**	**3,365**	**1,390**	**4,915**	**(126)**	**4,789**
Provisions						
Pension obligations and similar obligations	-	12	1	13	-	13
Deferred tax	46	10	(8)	48	-	48
Other provisions	44	232	198	474	-	474
Total provisions	**90**	**254**	**191**	**535**	**-**	**535**
Liabilities						
Mortgage loans	-	3	-	3	-	3
Bank loans	-	21	1,300	1,321	-	1,321
Capitalized lease obligations	-	8	-	8	-	8
Other payables	6	4	87	97	-	97
Received prepayments	-	17	-	17	-	17
Total non-current liabilities	**6**	**53**	**1,387**	**1,446**	**-**	**1,446**
Repayment of long-term loans	-	4	-	4	-	4
Bank loans	19	13	144	176	21	197
Trade payables	111	183	23	317	5	322
Amounts owed to subsidiaries	1,325	1,186	(2,600)	(89)	89	-
Tax payable	22	35	16	73	3	76
Other payables	112	263	133	508	26	534
Received prepayments	-	34	1	35	-	35
Total current liabilities	**1,589**	**1,718**	**(2,283)**	**1,024**	**144**	**1,168**
Total liabilities	**1,595**	**1,771**	**(896)**	**2,470**	**144**	**2,614**
Total equity and liabilities	**1,845**	**5,390**	**685**	**7,920**	**18**	**7,938**

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES AT DECEMBER 31, 2003

	Country	Currency	Share capital	Ownership %
GN Store Nord A/S	**Denmark**	**DKK**	**879.100.252**	**N/A**
GN Netcom A/S	**Denmark**	**DKK**	**30.100.000**	**100**
GN Netcom Ltd.	Great Britain	GBP	1.000.000	100
GN Netcom (UK) Limited	Great Britain	GBP	100.000	100
GN Netcom GmbH	Germany	EUR	51.100	100
GN Netcom S.A.	France	EUR	80.000	100
GN Netcom (Canada) Inc.	Canada	CAD	350.000	100
GN Netcom Australia Pty. Ltd.	Australia	AUD	2.500.000	100
GN Netcom K.K.	Japan	JPY	10.000.000	100
GN Netcom Inc.	US	USD	35.900.000	100
GN Netcom Asia Ltd.	Hong Kong	HKD	2.000.000	100
GN Netcom (China) Ltd.	China	CNY	18.710.985	100
GN Netcom Logistic (Xiamen) Ltd.	China	CNY	1.653.353	100
GN Netcom European Repair Centre B.V.	Netherlands	EUR	18.000	100
GN Netcom (Iberica) S.A.	Spain	EUR	66.111	100
GN Transistor AB	Sweden	SEK	5.100.000	100
GN Hello Direct	US	USD	450.000	100
GN Netcom (Italia) S.r.l.	Italy	EUR	10.000	100
GN Netcom (Singapore) Pte Ltd	Singapore	SGD	200.000	100
▲ QuBiT A/S	Denmark	DKK	269.231	35
GN ReSound A/S	**Denmark**	**DKK**	**60.000.000**	**100**
GN US Holdings Inc.	US	USD	22.000.000	100
GN ReSound North America Corporation	US	USD	120.000	100
GN ReSound Danmark A/S	Denmark	DKK	672.000	100
GN ReSound (Norge) AS	Norway	NOK	2.000.000	100
GN ReSound GmbH Höertechnologie	Germany	EUR	2.162.253	100
GN ReSound GmbH	Germany	EUR	296.549	100
GN ReSound B.V.	Netherlands	EUR	680.840	100
GN ReSound AG	Switzerland	CHF	420.000	100
GN ReSound do Brazil Ltda.	Brazil	BRL	274.406	100
GN ReSound AB	Sweden	SEK	100.000	100
GN ReSound S.A.S.	France	EUR	762.000	100
GN ReSound Ltd.	Great Britain	GBP	7.376.000	100
GN ReSound Ireland Holdings Ltd.	Ireland	USD	1.548.000	100
GN ReSound Ireland Ltd.	Ireland	USD	1.548.000	100
GN ReSound Ireland Sales Ltd.	Ireland	USD	160	100
GN ReSound GDC Ltd.	Ireland	USD	8.984.000	100
GN ReSound China Ltd.	China	CNY	34.000.000	100
GN GROC Ltd.	China	USD	500.000	100
GN ReSound Pty. Ltd.	Australia	AUD	4.000.002	100
GN ReSound NV	Belgium	EUR	495.000	100
GN ReSound NZ Ltd	New Zealand	NZL	2.000.000	100
GN ReSound Italia SRL	Italy	EUR	181.000	100
GN ReSound SL	Spain	EUR	904.523	100
▲ Danavox Hungary	Hungary	HUF	1.000.000	19
GN ReSound Höertechnologie GmbH	Austria	EUR	500.000	100
GN DanaJapan K.K.	Japan	JPY	499.000.000	100
▲ Ultravox Holdings Ltd.	Great Britain	GBP	8.594	25
▲ Viennatone S.A. de C.V.	Mexico	USD	1.000	49
▲ HIMSA A/S	Denmark	DKK	1.000.000	25
AuditData A/S	Denmark	DKK	600.000	100
AuditData GmbH	Germany	EUR	25.565	100
▲ K/S Himpp	Denmark	DKK	99.990.570	30
▲ Himpp A/S	Denmark	DKK	1.800.000	30
▲ OY Danalink AB	Finland	EUR	100.913	10
GN Otometrics A/S	Denmark	DKK	20.500.000	100
GN Otometrics Verwaltungs GmbH	Germany	EUR	50.000	100
GN Otometrics GmbH & Co. KG	Germany	EUR	409.034	100
GN Otometrics Holding GmbH	Germany	EUR	1.800.000	100

	Country	Currency	Share capital	Ownership %
Beltone Electronics LLC Corp.	US	USD	350.000.000	100
GN Hearing Care Canada Ltd.	Canada	CAD	10.000	100
Beltone Espana S.A.	Spain	EUR	66.111	100
Beltone Deutchland GmbH	Germany	EUR	76.694	100
Beltone Europe Holding ApS	Denmark	DKK	200.000	100
Beltone Audiologie France S.A.S	France	EUR	1.159.210	100
Beltone Norge AS	Norway	NOK	1.000.000	100
Beltone Schweiz GmbH	Switzerland	CHF	20.000	100
Beltone Netherlands B.V.	Netherlands	EUR	45.000	100
Beltone Holdings 1 Inc.	US	USD	1	100
Beltone Holdings 2 Inc.	US	USD	1	100
▲ Marke-Med Sp. Zoo.	Poland	PLN	50.000	40
GN Cable System A/S	**Denmark**	**DKK**	**500.000**	**100**
● Danish Polish Telecommunications Group I/S	Denmark	DKK	N/A	75
● Danish Russian Telecommunications Group I/S	Denmark	DKK	N/A	50
GN Great Nordic Telco A/S	Denmark	DKK	10.500.000	100
MMT BIS S.A.	**Moldova**	**MDL**	**49.328.788**	**100**
▲ Voxtel S.A.	Moldova	MDL	199.444.010	30
GN Great Britain Ltd.	**Great Britain**	**GBP**	**21.000.005**	**100**
GN Ejendomme A/S	**Denmark**	**DKK**	**111.000.000**	**100**
GN af 19. januar 1998 A/S	**Denmark**	**DKK**	**91.013.000**	**100**
GN af 20. januar 1998 A/S	**Denmark**	**DKK**	**10.325.000**	**100**

▲ Indicates associates.

● Indicates associates under joint control. These are accounted for by proportionate consolidation. The joint control is based on agreements on exercise of voting rights, joint control, and on possession and disposal of ownership interests, etc.

The partnerships (I/S) stated on the list do not publish financial statements subject to section 5 of the Danish Financial Statements Act, as they are included in the consolidated financial statements of GN Store Nord A/S.

A few minor companies without business operations have been omitted from the list.

GLOSSARY AND KEY RATIO DEFINITIONS

In this annual report the following four UK/US accounting abbreviations are used:

EBITDA
Earnings before depreciation of property, plant and equipment and amortization of goodwill and other intangible assets acquired in company acquisitions and restructurings and items of a non-recurring nature.

EBITA
Earnings before amortisation of goodwill and other intangible assets acquired in company acquisitions and restructurings and items of a non-recurring nature.

EBIT
Earnings before interest and tax.

EBT
Earnings before tax.

Key ratio definitions

EBITA margin	=	EBITA x 100 / Revenue
Return on equity	=	Profit (loss) for the year x 100 / Average equity
Equity ratio	=	Equity x 100 / Total assets
Return on invested capital (EBITA)	=	EBITA x 100 / Average invested capital
Earnings per share (EPS)	=	Profit (loss) for the year / Average number of shares outstanding
Fully diluted earnings per share (EPS)	=	Profit (loss) for the year / Average number of shares outstanding, fully diluted
Earnings per share excluding amortization and impairment of intangible assets, etc. (EPS)	=	Profit (loss) for the year excluding amortization and impairment of intangible assets acquired in company acquisitions and and restructurings and items of a non-recurring nature / Average number of shares outstanding
Fully diluted earnings per share excluding amortization and impairment of intangible assets, etc. (EPS)	=	Profit (loss) for the year excluding amortization and impairment of intangible assets acquired in company acquisitions and restructurings and items of a non-recurring nature / Average number of shares outstanding, fully diluted
Cash flow per share	=	Cash flows from operating activities / Average number of shares outstanding, fully diluted
Net asset value per share	=	Equity / Average number of shares outstanding at year-end, fully diluted
Capital invested	=	Total assets excluding investments, cash and cash equivalents and listed securities
Interest cover	=	EBITDA / Net interest expense on bank loans

Key ratios are calculated in accordance with guidelines on the calculation of the key ratio issued by the Danish Society of Investment Professionals.

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