GN STORE NORD – ANNUAL REPORT 2010

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Contents

Management's Report

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Back on a Growth Track

Dear shareholder

In connection with Annual Report 2009 and coming out of a very difficult 2008, we pointed out that GN's focus for 2010 should be on consolidating the company and delivering on the basics in all parts of the organization.

Looking back, I am very pleased to conclude that we have succeeded. Not only did we raise the financial guidance three times during the year and delivered on the new guidance, we also delivered on our innovation objectives by re-positioning GN as a forceful competitor in the hearing aid, headset and Unified Communications (UC) segments. We delivered tangible proof of GN's successful year, when in December we regained our position in the prestigious OMXC20 index of the 20 largest and most traded shares on NASDAQ OMX Copenhagen.

In September 2010, the Austrian Arbitration Tribunal awarded DPTG DKK 2.9 billion for phase 1 of the arbitration case between DPTG and TPSA. We did not get the award that we had claimed, but we accept and respect the ruling of the Arbitration Tribunal. It is however very troubling that the other party TPSA, a subsidiary of France Telecom, has chosen not to respect the final and legally binding ruling of the Arbitration Tribunal. This has left us with no other option but to use all legal means available to us to secure that the decision of the Arbitration Tribunal will be respected, and to ensure that the proceeds are paid in accordance with the ruling.

The Board of Directors and Executive Management are getting increasingly confident with GN's development and thus felt ready to release financial targets for 2013 in the fall of 2010. We are targeting a continued significant improvement in earnings and a doubling of the Group EBITA margin to around 19% by 2013 (see page 5).

GN Netcom

GN Netcom experienced very strong improvements in earnings in 2010 following the successful restructuring in 2009, and we managed to grow the business in a satisfactory way. This positive development was underlined by the fact that GN Netcom raised its EBITA guidance twice during 2010. I am also pleased to confirm that after years of losses Mobile Headsets generated a small, but positive EBITA in 2010.

We brought many new products to the marketplace in 2010, and at the same time GN Netcom also managed to take a lead position within product categories such as UC headsets and speakerphones with *Bluetooth*® wireless technology.

Our unique UC know-how and our close cooperation with the largest providers of UC solutions is indeed the new hotspot for GN Netcom. The roll-out of UC is starting to happen in many companies, and several customer business cases show that there is a significant savings potential for companies switching to UC. With the launch of many exciting new products in 2010 and more to come in 2011, the Jabra brand is positioned in the market to meet the growing demand for UC-enabled products and to benefit from the earnings potential this market will offer.

During 2010, we adjusted the organization to reflect the more market-oriented approach we have introduced. These changes combined with our innovation skills have prepared GN Netcom to continue its growth path to meet the targets set out for 2011 through 2013.

Per Wold-Olsen
Chairman

GN ReSound

In 2010, GN ReSound delivered as promised, generating positive organic growth by taking a lead in the innovation race and by gaining market share in certain key defined markets and segments.

During the summer, we brought our groundbreaking wireless hearing aid ReSound Alera™ to the market. Our ability to actually integrate and commercialize the 2.4 GHz wireless technology into a hearing aid was a major technological breakthrough in the hearing aid industry. Others in the industry had tried to do this – GN ReSound was the first to actually succeed. We are very pleased with the reception and the uptake of ReSound Alera™ in the marketplace. The wireless capabilities of ReSound Alera™ combined with the unique Surround Sound by ReSound™ technology and the ReSound Alera™ accessories have proven to be a significant step forward for GN ReSound. In 2011, we will be bringing more form factors of ReSound Alera™ to the market. In other words, the innovation engine is also running at full speed on the GN ReSound side of our business.

In 2010, we embarked on a transformation of GN ReSound's supply chain, the purpose being literately to revamp the entire distribution and supply chain set-up. This is an incredibly complex job, but virtually all milestones for 2010 have been reached.

2011

Looking ahead to 2011, the focus is to ensure that our achievements in 2010 are cemented in the organization and become the "GN way" of doing things. We need to continue to develop innovative products and expand our marketing and commercialization skills and we clearly need to succeed in the second phase of the process of the supply chain transformation in GN ReSound.

By executing on this with commitment and dedication, we should be able to exit 2011 having created further shareholder value and a more professional and well-functioning organization. We should then be very well positioned to deliver on the financial targets we have provided for 2013.

Achieving this took incredibly hard work and dedication by many people in all parts of the GN organization. I want to congratulate and thank all our employees on the achievements of 2010. We still have a long way to go and we need to stay focused on doing the right things, prioritizing, growing the organizational capabilities and continuing to grow the company.

Per Wold-Olsen
Chairman of the Board of Directors

(DKK million)	2006	2007	2008	2009	2010
Income statement					
Revenue	6,766	5,981	5,624	4,729	5,145
Organic growth	2 %	(7)%	(2)%	(16)%	5 %
Operating profit (loss)	257	230	34	(23)	2,569
Financial items, net	(60)	(66)	(117)	(71)	(33)
Profit (loss) from continuing operations	323	(94)	(56)	(70)	1,855
Profit (loss) for the year	348	(67)	(56)	(70)	1,855
Development costs incurred for the year	(514)	(552)	(531)	(449)	(455)
EBITDA	466	500	268	182	2,736
EBITA	262	294	65	8	2,595
Balance sheet					
Share capital	855	833	833	833	833
Consolidated equity	4,900	4,482	4,507	4,435	6,504
Parent company equity	4,606	5,358	5,361	5,349	5,254
Total assets	8,227	7,835	7,878	7,135	9,806
Net working capital	1,338	1,299	1,136	862	3,172
Net interest-bearing debt*	1,387	1,516	1,592	1,029	960
Cash flow					
Cash flow from operating activities	491	478	512	717	563
Cash flow from investing activities	(722)	(661)	(607)	(151)	(367)
Hereof:					
Development projects	(276)	(311)	(328)	(259)	(234)
Investments in property, plant and equipment	(445)	(154)	(133)	(50)	(95)
Total cash flow from operating and investing activities (free cash flow)	(231)	(183)	(95)	566	196
Key ratios					
Dividend payout ratio**	0 %	0 %	0 %	0 %	15 %
Gross profit margin	48 %	51 %	52 %	54 %	57 %
EBITA margin	3.9 %	4.9 %	1.2 %	0.2 %	50.4 %
Return on invested capital including goodwill (ROIC including goodwill)*	4.6 %	5.3 %	1.2 %	0.2 %	43.0 %
Return on equity	6.8 %	(1.4)%	(1.2)%	(1.6)%	33.9 %
Equity ratio	59.6 %	57.2 %	57.2 %	62.2 %	66.3 %
Net interest-bearing debt (average)/EBITDA	2.3	2.9	5.8	7.2	0.4
Key ratios per share					
Earnings per share, basic (EPS)	1.71	(0.33)	(0.27)	(0.34)	9.15
Earnings per share, fully diluted (EPS diluted)	1.69	(0.33)	(0.27)	(0.34)	9.00
Cash flow from operating activities per share	2.39	2.35	2.51	3.49	2.73
Cash flow from operating and investing activities per share	(1.12)	(0.90)	(0.47)	2.76	0.95
Dividend per DKK 4 share (in Danish kroner)	-	-	-	-	0.19
Book value per DKK 4 share	22	26	26	26	25
Share price at the end of the period	84	40	10	28	51
Other					
Number of employees, year-end	~5,150	~4,675	~4,825	~4,150	~4,525
Market capitalization	17,052	8,141	2,037	5,704	10,336

* For 2006 the pro-forma balance sheet has been used in the calculation.

** Excluding TPSA.

FINANCIAL TARGETS

In the Q3 Interim Report 2010, GN released a preliminary guidance for 2011, financial targets for 2013 and long-term targets. Except for an increase of the revenue guidance for 2011 for GN Netcom, the targets are unchanged. Further details on the 2011 guidance can be found on page 7.

FINANCIAL TARGETS FOR GN STORE NORD

2011 Guidance

- More than 6% organic growth
- EBITA: DKK 675-775 million

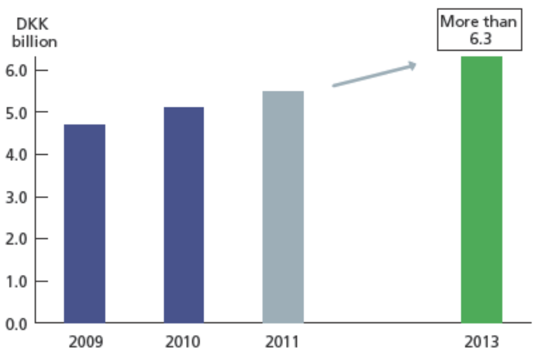
2013 Targets

- Doubling EBITA margin from 2010 to around 19% (excluding TPSA)
- Group revenue: More than DKK 6.3 billion

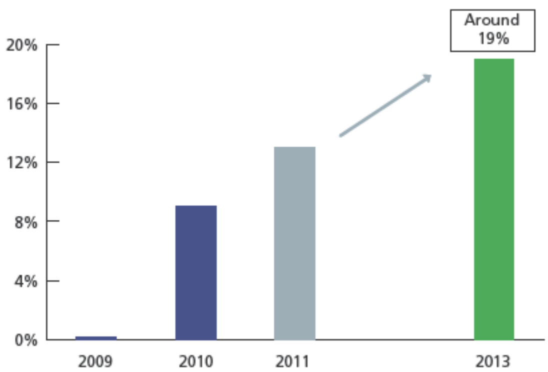
Long-term Targets

- Organic revenue growth better than the market
- EBITA margins in line with top-tier competitors

GN STORE NORD REVENUE



GN STORE NORD EBITA MARGIN*



* Excluding TPSA

FINANCIAL TARGETS FOR GN NETCOM

Updated 2011 Guidance

- More than 10% organic growth
- EBITA: DKK 250-300 million

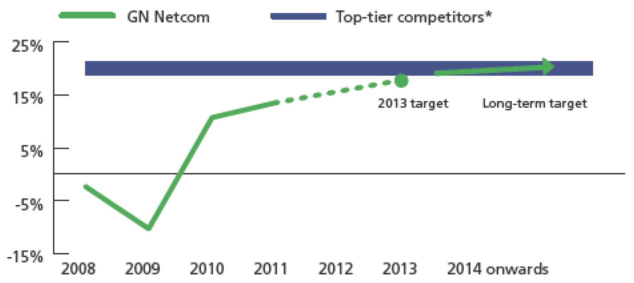
2013 Targets

- Revenue: More than DKK 2.6 billion
- EBITA margin: Around 18%

Key Assumptions

- Significant CC&O market growth – driven by Unified Communications
- Continued attractive gross margins – some pressure on ASPs from Unified Communications
- Mobile – mid single-digit EBITA margin
- High operational leverage

HANDS-FREE COMMUNICATIONS – EBITA MARGIN



*Based on current market characteristics

FINANCIAL TARGETS FOR GN RESOUND

2011 Guidance

- More than 4% organic growth
- EBITA: DKK 450-500 million

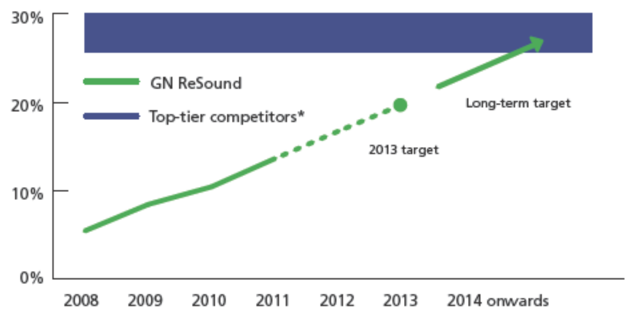
2013 Targets

- Revenue: Around DKK 3.7 billion
- EBITA margin: Around 20%

Key Assumptions

- Revenue growth in line with or above the market
- Average market growth (value) of 3-5% per year
- Stronger presence in top-end segment
- Supply chain transformation delivering up to DKK 200 million in cost reductions by end 2011
- High operational leverage – while investing in cutting-edge technology

HEARING AIDS – EBITA MARGIN



*Based on current market characteristics

The Year 2010

GN's full-year revenue was DKK 5,145 million representing organic growth of 5% and in the upper end of the outlook of "positive organic growth of 3-5%" provided in the Q1 Interim Report 2010. The year ended on a strong note with 10% organic revenue growth in Q4 2010 compared to Q4 2009.

GN's full-year consolidated EBITA was DKK 2,595 million in line with the updated and higher full-year outlook provided in the Q3 Interim Report 2010. The consolidated EBITA for the two operating businesses (excluding TPSA) was the highest since 2005.

Following the comprehensive restructuring in 2009, the key for GN in 2010 was to improve the top-line development with a strong focus on managing the cost base. We have delivered on this with organic growth accelerating quarter by quarter during 2010 and ending at 10% in Q4. At the same time earnings have improved significantly in the operating entities and both businesses raised their earnings outlook during the year. We have delivered on our innovation objectives and have re-established GN as a leading innovator in the hearing aid industry.

In December, GN regained its position in the OMXC20 index of the 20 largest and most traded shares on NASDAQ OMX Copenhagen, cementing the successful development.

Fuelled by UC, GN Netcom experienced accelerating growth during the year and is expected to face a period of significant market-driven growth in revenue and earnings. Excluding the OEM business in Mobile Headsets, organic growth in 2010 was 18%. Driven by the operational leverage resulting from revenue growth and the continued cost focus, GN Netcom saw significant margin expansion during 2010 and achieved a double-digit EBITA margin of 11.4% – a ten-year high. A major milestone was also reached in Mobile Headsets as the division generated a small, but positive EBITA in 2010 after years of losses.

Following the successful restructuring in 2009, GN ReSound delivered on its promises by generating positive organic growth and significantly improved earnings. This performance was driven by providing groundbreaking products and technology to the marketplace in the form of ReSound Alera™ and other Surround Sound by ReSound™ featured products. The ongoing fundamental transformation of GN ReSound's supply chain is a major step in improving the future profitability of GN ReSound. The transformation is on track towards generating annual cost reductions of up to DKK 200 million on a run rate basis by the end of 2011.

GN Otometrics continued the positive development and showed double-digit organic revenue growth.

Highlights

- Total GN revenue was DKK 5,145 million representing organic growth of 5% compared to (16)% in 2009. GN Netcom achieved organic growth of 9% (18% excluding Mobile OEM) whereas organic growth in GN ReSound was 2%.
- Gross profit was DKK 2,934 million equivalent to a gross margin of 57% and 3 percentage-points above 2009.
- EBITA was DKK 2,595 million including DKK 2,126 million related to the award for phase 1 in the DPTG/TPSA arbitration case. Excluding the TPSA award, EBITA was DKK 469 million, up from DKK 8 million in 2009.
- The effective tax rate was 27% and net profit amounted to DKK 1,855 million against DKK (70) million in 2009.
- The free cash flow was DKK 196 million versus DKK 566 million in 2009.
- Net interest-bearing debt ended at DKK 960 million (DKK 1,029 million at December 31, 2009) after having conducted a DKK 88 million share buyback program.
- At the general meeting the Board of Directors will propose to the shareholders that a dividend of 15% of the net result (excluding TPSA) or DKK 40 million (DKK 0.19 per share) be paid for the financial year 2010.
- Based on the 2010 financial results and the outlook for 2011, GN will initiate a share buyback program of around DKK 200 million to be executed during 2011, if authorized to do so by the shareholders.
- In November 2010, GN announced that its long-term financial targets are to generate an EBITA margin in line with the top-tier competitors and to generate above-market organic growth. GN's financial target for 2013 is to double the Group EBITA margin to around 19% from around 9% in 2010 (excluding TPSA).
- In September 2010, the Austrian Arbitration Tribunal awarded DPTG DKK 2.9 billion for phase 1 of the arbitration case between DPTG and TPSA. TPSA has however chosen to disrespect the ruling. To ensure that the proceeds are paid in accordance with the ruling, DPTG has initiated enforcement proceedings against TPSA in Poland in November 2010 and subsequently in several other countries. In early 2011, DPTG filed a new claim amounting to DKK 2.4 billion for phase 2 (mid-2004 to 2009) in the arbitration case.
- In the appeal case regarding the prohibition of the sale of GN ReSound to Sonova, the German Federal Supreme Court ruled in favor of GN in April 2010, stating that the prohibition of the sale was unlawful. In light of the ruling, GN decided to consider all legal opportunities in order to claim compensation for the significant loss imposed on GN and its shareholders and in December 2010 GN filed a claim of around DKK 8.2 billion against the German Federal Cartel Office at the District Court (Landgericht) in Bonn, Germany.

	Full Year 2010				Full Year 2009			
DKK million	GN Netcom	GN ReSound	Other	GN total	GN Netcom	GN ReSound	Other	GN total
Revenue	1,973	3,164	8	5,145	1,736	2,981	12	4,729
Organic growth	9%	2%	-	5%	(30)%	(6)%	-	(16)%
Gross profit	1,043	1,883	8	2,934	740	1,809	12	2,561
Gross margin	53%	60%	-	57%	43%	61%	-	54%
EBITA	224	329	2,042	2,595	(184)	225	(33)	8
EBITA margin	11.4%	10.4%	-	50.4%	(10.6)%	7.5%	-	0.2%
Free cash flow	244	(4)	(44)	196	167	329	70	566

Q4 2010

Driven by an acceleration of the revenue growth in GN Netcom and the continued encouraging launch of ReSound Alera™, GN's organic growth increased to 10% in Q4 2010 compared to Q4 2009.

EBITA increased significantly from DKK 26 million in Q4 2009 to DKK 208 million in Q4 2010. Adjusted for the DKK 85 million legacy-related costs in Q4 2009, EBITA almost doubled in Q4 2010 compared to last year. The Q4 results were in line with the updated and higher full-year guidance provided in the Q3 Interim Report 2010.

Fuelled by UC and a strong quarter for Mobile Headsets, GN Netcom generated 17% organic growth year over year in Q4. The UC market continues to develop positively and the launch of Microsoft's updated UC platform, Microsoft Lync, in November 2010 is expected to accelerate the mass deployment of UC.

During Q4, GN ReSound continued the global market introduction of ReSound Alera™. ReSound Alera™ was only available in the receiver-in-the-ear form factor in Q4, still GN ReSound generated overall 5% organic growth in the quarter.

Q4 Highlights

- Total GN revenue was DKK 1,437 million and organic growth was 10%.
- EBITA was DKK 208 million, significantly above Q4 2009 (DKK 26 million) which included DKK 85 million legacy-related costs.
- The free cash flow was DKK 35 million versus DKK 100 million in Q4 2009.
- Revenue in GN Netcom was DKK 580 million and organic growth was 17%. Excluding Mobile OEM, organic growth was 20%. GN Netcom's EBITA was DKK 96 million, significantly up from DKK (48) million in Q4 2009 which included DKK 85 million in legacy-related costs.
- Revenue in GN ReSound was DKK 855 million and organic growth was 5%. GN ReSound's EBITA was DKK 128 million compared to DKK 87 million in Q4 2009.
- In December 2010, GN filed a claim of around DKK 8.2 billion at the District Court in Bonn, Germany (for more information see note 27 to the financial statements).
- Despite the fact that the DKK 2.9 billion award for phase 1 from early September 2010 is final and legally binding, TPSA decided not to pay the amount due by the 14-day deadline established by the Arbitration Tribunal. Consequently, DPTG has initiated enforcement proceedings in Poland and the Netherlands during Q4 2010 and in UK, Germany and France during early 2011. In early 2011, DPTG also filed a new claim amounting to DKK 2.4 billion for phase 2 (mid-2004 to 2009) in the arbitration case.

Outlook for 2011

In the Q3 Interim Report 2010, GN released a preliminary guidance for 2011. GN is pleased to increase the revenue guidance for 2011 for GN Netcom from "more than 8% organic growth" to "more than 10% organic growth". Apart from that, the preliminary guidance for 2011 is confirmed. GN expects that the financials for Q1 2011 will be somewhat softer than the remaining quarters.

Following the encouraging development in both GN Netcom and GN ReSound in 2010, EBITA is expected to improve from DKK 469 million (excluding the TPSA award) to DKK 675-775 million in 2011 and total organic growth is expected to be more than 6%.

Amortization of intangible assets and financial items is expected to amount to approximately DKK (50) million and profit before tax is thus expected to be around DKK 625-725 million.

All guidance is based on an average DKK/USD exchange rate of 5.50.

GN Netcom

The markets in which GN Netcom operates are expected to grow more than 10% in 2011 in value terms. The strongest growth is expected within the CC&O headset market (UC) while the mobile hands-free market is expected to grow at mid single-digit rates. Driven by the accelerating UC deployment and the 17% organic growth achieved in Q4 2010, GN Netcom expects "more than 10% organic growth" in 2011 compared to 2010.

GN Netcom expects an EBITA of DKK 250-300 million. In 2011, GN Netcom will continue, and in certain cases accelerate, investments in the UC opportunity, including adding resources to further expand the distribution channel and address selected end-users.

GN ReSound

The hearing instrument market is expected to grow by 2-4% in value terms in 2011 and GN ReSound expects organic growth of more than 4% driven by cutting-edge technology and a stronger presence in the top-end segment. GN ReSound expects an EBITA of DKK 450-500 million. The supply chain transformation is expected to deliver around DKK 75 million in positive net EBITA impact in 2011 versus 2010.

Other Activities

Excluding an award for phase 2 of the DPTG/TPSA arbitration case as well as accrued interest on the claim for phase 1, Other Activities are expected to generate an EBITA of around DKK (30) million, representing primarily listing fees and costs related to Group Shared Services, the Board of Directors and the Telegraph Company.

	Q4 2010				Q4 2009			
DKK million	GN Netcom	GN ReSound	Other	GN total	GN Netcom	GN ReSound	Other	GN total
Revenue	580	855	2	1,437	468	757	2	1,227
Organic growth	17%	5%	-	10%	(19)%	(3)%	-	(10)%
Gross profit	299	518	2	819	236	454	2	692
Gross margin	52%	61%	-	57%	50%	60%	-	56%
EBITA	96	128	(16)	208	(48)	87	(13)	26
EBITA margin	16.6%	15.0%	-	14.5%	(10.3)%	11.5%	-	2.1%
Free cash flow	51	38	(54)	35	53	43	4	100

Unified Communications Drives Growth in GN Netcom

As outlined in Annual Report 2009, GN Netcom's overall focus for 2010 was top line growth while maintaining a strong grip on cost levels. GN Netcom delivered fully on the targets. Organic growth for 2010 ended at 9% and reached 17% in Q4 2010 – excluding Mobile OEM, the organic growth in 2010 was 18%. EBITA ended in line with the outlook for 2010 provided in the Q3 Interim Report 2010 – after the outlook was raised twice during the year – and the EBITA margin was the highest in 10 years.

The CC&O headset market recovered in 2010 after a severe impact from the global economic crisis in 2009. The main growth driver in 2010 was the increased deployment of UC. Management believes this trend will continue and that GN Netcom is facing a period of significant market-driven growth in revenue and earnings.

The accelerating deployment of UC is driven by high returns on investment, low risk implementation, efficiency gains and improved collaboration. From the very start, GN Netcom has been the leader in the growing UC market. GN Netcom became the first to optimize a headset for Microsoft Office Communicator (now Microsoft Lync) in 2007, and GN Netcom continues to be the market leader for UC. GN Netcom has implemented a number of large UC installations globally and is also responsible for one of the largest Microsoft end-user installations. GN Netcom offers a complete product portfolio which easily integrates with the new generations of UC solutions from Microsoft, Cisco, Avaya, and other UC vendors.

In 2011, GN Netcom will continue to add sales and marketing capacity in selected areas in order to capture the attractive UC opportunity. GN Netcom is deter-mined to defend its position as the leading provider of UC headsets and is continuously expanding technical and commercial relations with leading UC vendors such as Microsoft, Cisco and Avaya. Furthermore, GN Netcom continues to add resources working with new and existing channel partners that drive UC deployment as well as end-user decision makers.

In 2011, the focus for Mobile Headsets will be to secure a positive EBITA. Mobile Headsets needs to continuously launch new innovative products and effectively commercialize these through creative marketing methods and close partnerships with selected channels. Mobile Headsets is expected to generate an improved EBITA margin in 2011.

Full Year

GN Netcom generated full year revenue of DKK 1,973 million, corresponding to 9% organic growth (18% excluding Mobile OEM) compared to negative organic growth of 30% in 2009. Organic growth accelerated during the year and ended at 17% in Q4 (20% excluding OEM). Revenue in GN Netcom declined from 2006 to 2009 and 2010 was thus a turning point for the company.

After having increased the EBITA outlook twice during the year, GN Netcom achieved an EBITA for 2010 of DKK 224 million compared to DKK (184) million in 2009. The 2010 EBITA corresponds to an EBITA-margin of 11.4% – a ten-year high.

GN Netcom's CC&O division generated revenue of DKK 1,265 million compared to DKK 1,081 million in 2009. The organic growth for CC&O Headsets was 13% relative to (22)% in 2009. Revenue from UC-enabled products increased by more than 50% compared to 2009. There were also positive developments in traditional CC&O headsets in 2010.

GN Netcom's Mobile division experienced solid 32% organic growth year over year for the Jabra brand. As a result, the Mobile division reached a very important milestone in 2010, delivering a small, but positive EBITA for the full year. These results show that the Mobile division's business model of focusing on GN Netcom's own Jabra brand and innovation-driven, high-end products as well as on strong cost control is working. GN Netcom has deliberately discontinued or forgone low-margin OEM business and OEM revenue declined by 67% in 2010 compared to 2009 and now constitutes less than 5% of total GN Netcom revenue. Mobile Headsets generated revenue of DKK 708 million in 2010 compared to DKK 655 million in 2009.

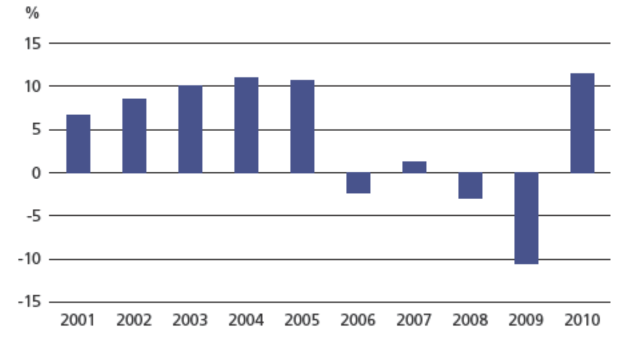
GN Netcom generated 47% of total revenue in Europe, North America contributed 42%, and Asia and the rest of the world 11%.

GN Netcom's gross margin ended at 53%, significantly up from 43% in 2009. The improved gross margin reflects a continued shift towards the high-end of Mobile Headsets' product portfolio, a constant focus on optimizing the cost structure, certain economies of scale as well as relatively higher revenue growth in CC&O Headsets.

GN Netcom

Through its Jabra brand, GN Netcom is a world leader in innovative headset solutions. With employees and sales offices around the world, GN Netcom develops and markets a broad range of headsets and in-car speakerphones for mobile users and both wireless and corded headsets as well as speakerphones and other devices for contact center and office-based users. For further company information, please visit www.jabra.com.

THE 2010 EBITA MARGIN IN GN NETCOM – A TEN-YEAR HIGH



Selling, distribution and administrative costs etc. amounted to DKK 654 million compared to DKK 787 million in 2009 (2009 includes DKK 212 million restructuring costs related to the FAST program as well as certain legacy-related issues). Expensed development costs were DKK 165 million compared to DKK 137 million in 2009.

Adjusted for restructuring costs, the operating expenses increased by 15% or DKK 107 million compared to 2009. As mentioned in the Q1 Interim Report 2010, certain cost categories which were previously included in production costs are now included in selling and distribution costs as a consequence of the new business model implemented during 2009. In addition, the increase reflects targeted sales and marketing initiatives primarily related to the UC opportunity, a DKK 28 million increase in net R&D amortization as well as a 5% increase in the DKK/USD exchange rate.

At December 31, 2010, trade receivables amounted to DKK 317 million compared to DKK 289 million at the end of 2009. Days sales outstanding has been reduced from 51 days by the end of 2009 to 45 days in 2010. Inventories increased to DKK 93 million compared to DKK 87 million in 2009. By the end of 2010, total net working capital was DKK 82 million, slightly down from DKK 92 million in 2009. Consequently, net working capital only constituted 4% of annual revenue at December 31, 2010. As previously communicated, net working capital is expected to increase in the future.

The cash flow from operating and investing activities excluding tax and financial items amounted to DKK 233 million compared to DKK 152 million in 2009.The cash flow from investing activities was DKK (56) million against DKK (90) million in 2009. The 2010 cash flow includes DKK 55 million related to the final and complete settlement of certain legacy-related issues.

At December 31 2010, GN Netcom employed around 850 employees, which was unchanged compared to 2009.

Markets

After being severely affected by the economic downturn in 2009, both the CC&O headset market and the mobile hands-free market regained momentum in 2010.

The total CC&O market was estimated to have a value in 2010 of around DKK 4 billion, including UC products. The CC&O market may reach DKK 8-12 billion in 2014. This is based on the assumption that there will be 30-45 million UC users by 2014 and that 60-70% out of these will use a headset as their voice communication device.

The total hands-free market in which Mobile Headsets operates was estimated to be worth around DKK 6 billion in 2010. Growth was mainly seen in the in-car speakerphone and corded stereo headset segments, while sales of mono headsets with *Bluetooth* wireless technology are declining slightly. North America continues to be the biggest market with around 50% of the total value, Europe around 35% and APAC and the rest of the world around 15%. The growth in corded stereo headsets is partly a result of the mobile phone becoming the primary portable music device for many users. Additionally, the increased sale of smart phones and tablet PCs is a sales driver for headsets, as many applications require the user to watch the screen and listen at the same time.

With the structural changes expected in the CC&O marketplace and the significant growth opportunity which UC represents, changes in the competitive landscape should be expected. During 2010, no major changes were seen in the competitive landscape within the mobile hands-free market.

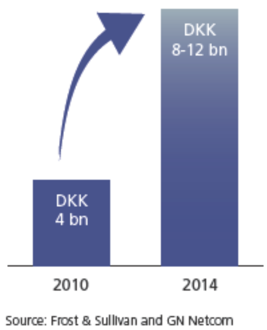
Sales and Products

In the CC&O division, GN Netcom has established an indirect sales model with the sales organization focusing on generating revenue through distributors, resellers and system integrators. Additionally, the CC&O division deploys a high touch team working directly with selected end-users and segments. GN Netcom's Jabra branded mobile headsets are sold globally via more than 75,000 points of sale through mobile operators, telecom retailers, consumer electronics channels and mass market retailers. In 2010, GN Netcom's Mobile division entered into a strategic partnership with Skype, the world's largest provider of telephony via the Internet.

Sales to the ten largest partners constituted 29% of GN Netcom's total revenue. The single largest partner accounted for 5% of the total GN Netcom revenue.

HEADSETS – AN INTEGRATED PART OF UNIFIED COMMUNICATIONS

CC&O MARKET POTENTIAL



Main assumptions:
- 3-4% growth p.a. in traditional CC&O
- 30-45 million UC users
- 60-70% headset attachment rate
- Moderate ASP pressure
- Replacement rates in line with historic trend

Prices of CC&O headsets were relatively stable during 2010. However, the shift in product mix towards corded headsets which typically carry a lower price tag than wireless headsets continued. Additionally, on large, global UC deals which represent a growing part of the business, prices are typically slightly lower than on traditional smaller deals. Mobile Headsets managed to improve its average selling prices compared to 2009 as the result of a deliberate shift towards the innovation-driven, high-end of the product portfolio as well as a decline in OEM revenue.

In 2010, GN Netcom continued to develop and launch a number of innovative new products both in the CC&O and mobile headset segments.

CC&O Headsets expanded the UC product portfolio through the launch of the speakerphone Jabra SPEAK™ 410 designed for office professionals using UC. The speakerphone is ideal for one-to-one and small-group conference calls and connects via a PC USB-port. The speakerphone delivers best-in-category audio performance with wideband sound and superior usability. In late 2010, CC&O Headsets introduced the Jabra BIZ™ 300 series, a corded entry-level family of headsets that enables a cost-effective introduction to UC and integration with the leading UC providers. It offers true wideband sound in a choice of wearing styles, meeting the need for mobility of office personnel as well as commuters. The Jabra BIZ™ 300 series consist of two different products and the first – Jabra BIZ™ 360 – was launched in late 2010 while the other model will follow in 2011.

In late 2010, Microsoft launched their new and updated UC software, Microsoft Lync. Microsoft Lync delivers on critical voice features and is expected to further accelerate the adoption of UC and thereby the transition that will make headsets an integrated part of IT infrastructure. In order to benefit fully from UC it is necessary to use a UC-enabled headset or speakerphone. A complete range of GN Netcom's wireless and corded solutions have been tested by Microsoft and carry the "Optimized" logo, which means that the headsets are optimized for Microsoft Lync.

In March 2010, GN Netcom launched the "Mobile Developer Program" designed for developers who are currently producing voice-enabled and other audio applications. The Mobile Developer Program aims to attract leading creative developers and provide them with cutting-edge Jabra technology and resources needed to create innovative, mobile hands-free, voice-enabled applications. Building on the Mobile Developer Program, GN Netcom launched the "World of Apps" on-line library of applications in July 2010. The "World of Apps" is a growing library of third-party hands-free applications that are optimized for use with Jabra products and includes applications enabling features such as voice-to-text.

Building on the iconic mono headset Jabra STONE, the Mobile division launched Jabra STONE2 with Verizon and AT&T in November 2010. Jabra STONE2 features advanced voice interaction, longer battery life and improved fit. Jabra STONE2 has won the prestigious CES "Best of Innovations" Design and Engineering Award in the category of Wireless Handsets Accessories at CES, the world's largest consumer electronics show. Jabra STONE and Jabra STONE2 have become very popular among iPhone users – in AT&T more than half of all Jabra STONE and Jabra STONE2 are sold to customers with an iPhone.

As a result of GN Netcom's strategic alliance with Skype, Mobile Headsets launched Jabra EXTREME – FOR PC, the first headset with *Bluetooth* wireless technology certified by Skype. Jabra EXTREME – FOR PC is an example of how Mobile Headsets can leverage an existing product and sell it through a new channel.

In late 2010, Mobile Headsets entered the market for corded mobile stereo headsets designed for both music and hands-free communication with the launch of Jabra CHILL, Jabra RHYTM and Jabra ACTIVE. The successor to the bestseller Jabra CRUISER, the Jabra CRUISER2 in-car speakerphone with *Bluetooth* wireless technology was also launched in late 2010. The main new features are Voice Guidance where Jabra CRUISER2 will guide the user through the set up procedure, indicate battery status and say the names of contacts in the mobile phone phonebook when they call.

More information on all new products from the CC&O and Mobile divisions can be found at Jabra.com.

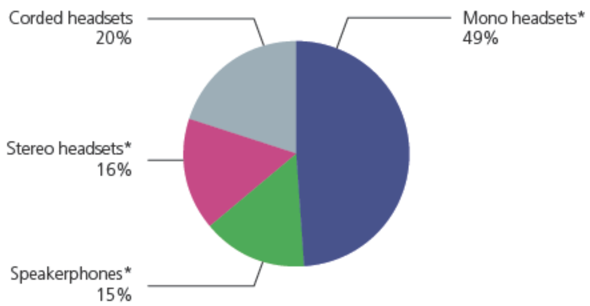
INSTANT BENEFITS FROM UNIFIED COMMUNICATIONS

Reducing costs on:
- Telecommunications
- Conferencing
- Travel & commuting
- Real estate

Supporting environmental initiatives

Increasing productivity and collaboration:
- Reduce latency
- Work everywhere and at any time
- Work together across locations

MOBILE HANDS-FREE MARKET 2010 SPLIT BY CATEGORIES (IN VALUE)



* With *Bluetooth* wireless technology.
Source: NPD, GfK and GN Netcom

Manufacturing and Distribution

All GN Netcom's products are manufactured by subcontractors in Asia, mainly in China. In 2010, GN Netcom sold around 10 million headsets and speakerphones as well as large volumes of spare parts and accessories. Most components are sourced in Asia.

The Mobile division is operating a configure-to-order business model, where customers in North America, Europe and Asia are supplied through a single Asia-based cross docking center.

In order to keep the lead time service levels high, the CC&O division maintains a regional presence via three regional warehouses located in the US, the Netherlands and Hong Kong.

The global distribution of GN Netcom's products is handled by one partner responsible for the entire process.

Research and Development

GN Netcom has R&D facilities in Denmark (Copenhagen and Aalborg) and in China (Xiamen). On a selective basis, GN Netcom outsources development of new products.

Employing and attracting the right people is key to GN Netcom to support the business strategy. In order to be at the forefront when it comes to development of new innovative technology and products, GN Netcom is working with a number of universities including the Technical University of Denmark and Aalborg University.

Advanced software is becoming an increasingly important component of headsets due to sophisticated functionality such as plug-and-play installation and touch screen control. Additionally, it is becoming common that installation of headsets is handled centrally by the IT department. This has increased demand for headset software that can be deployed and upgraded centrally from IT helpdesks.

GN ReSound Regained Innovative Leadership

As announced in the Annual Report for 2009, the key priorities for 2010 were to "improve top line development with a strong focus on costs – top line improvement being driven by our ability to develop new, innovative products and our ability to commercialize these". GN ReSound has delivered on this through the launch of the Surround Sound by ReSound™ featured wireless product ReSound Alera™ and the corresponding Beltone True™ product. Both products are based on our groundbreaking use of the 2.4 GHz wireless technology which offers longer range and a stronger, clearer and more stable signal than the inductive technology used in other wireless hearing aids available on the market.

In 2010, GN ReSound generated positive organic growth of 2%, with 5% positive organic growth in Q4, and gained market share in the top-end segment and at the same time achieved important milestones in the transformation of GN ReSound's supply chain.

GN ReSound continued its strategy of partnering with key accounts and became one of the preferred suppliers to the National Health Service (NHS) in England and the Veteran's Affairs (VA) in the US.

The ongoing transformation of GN ReSound's supply chain is expected to be a significant step in improving profitability. The supply chain transformation is on track towards an annual saving of up to DKK 200 million on a run rate basis by the end of 2011 (as earlier announced). GN ReSound is moving towards a model unique to the industry and which, when fully implemented, will represent a truly flexible supply chain with improved quality and service levels. In 2011, the focus of the transformation changes from building infrastructure to rolling countries onto the new model. The supply chain transformation is expected to deliver around DKK 75 million in net positive EBITA impact in 2011 compared to 2010.

In 2011, GN ReSound will continue to focus on strengthening the fundamentals of the business. Technology innovation, consistent launch processes, sales and service excellence and the supply chain transformation are our key focus areas. During 2011, GN ReSound will be bringing more form factors of ReSound Alera™ to the market to continue to strengthen the presence in the top-end segment.

Full Year

GN ReSound's revenue was DKK 3,164 million in 2010 compared to DKK 2,981 million in 2009 corresponding to organic growth of 2%. Hearing Instruments generated revenue of DKK 2,798 million corresponding to organic growth of 1% relative to 2009. The number of hearing aids sold was unchanged compared to 2009. Audiologic Diagnostics Equipment generated revenue of DKK 366 million, equal to 10% organic growth. GN ReSound's gross margin was 60%, compared to 61% in 2009.

EBITA was DKK 329 million (a margin of 10.4%) compared to DKK 225 million (a margin of 7.5.%) in 2009. Audiologic Diagnostics Equipment contributed DKK 38 million to the 2010 EBITA. The 2009 EBITA included DKK 61 million in costs related to the restructuring program. Despite numerous new product launch initiatives, selling, distribution and administrative costs, etc. were DKK 1,273 million compared to DKK 1,310 million in 2009. Expensed R&D costs were DKK 281 million, compared to DKK 274 million in 2009.

In 2010, GN ReSound embarked on a transformation of its supply chain, the purpose being literately to revamp the entire distribution and supply chain set-up. This is an incredibly complex job, but virtually all milestones for 2010 have been reached. The project has been EBITA neutral in 2010 as accumulated savings have offset the non-recurring costs.

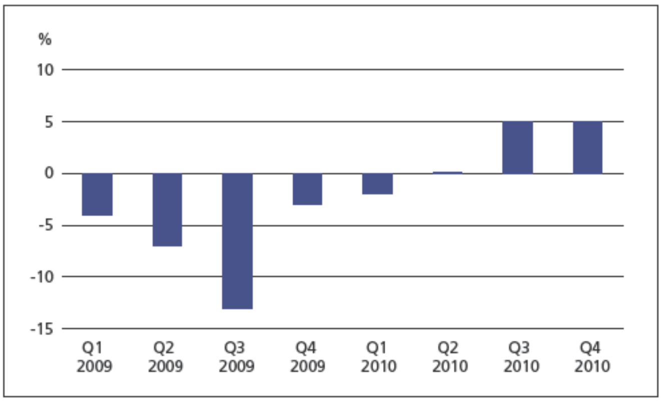
GN ReSound generated 34% of its total revenue in Europe, while North America contributed 42% and Asia and the rest of the world accounted for 24%.

ReSound Alera™ was announced during Audiology Now in San Diego, CA, USA in April 2010, and in June both the ReSound Alera™ family and the corresponding Beltone True™ family were launched in the US and other selected markets. The launch of these Surround Sound by ReSound™ featured wireless products based on the 2.4 GHz technology was a major technological breakthrough bringing GN ReSound back as an innovative leader in the industry, introducing true end-user benefits based on sophisticated technology.

GN ReSound

GN ReSound is a leading international manufacturer of advanced hearing health care solutions. GN ReSound offers a full range of hearing instruments and accessories under the ReSound, Beltone and Interton brands. Through its subsidiary GN Otometrics, GN ReSound also creates innovative solutions for all types of ear-related diagnostics and is the largest global supplier of computerized audiology and hearing instrument fitting equipment. GN ReSound is headquartered in Copenhagen, and has subsidiaries in 23 countries and distributors in 60 more. Read more at www.gnresound-group.com

QUARTERLY ORGANIC GROWTH IN GN RESOUND



In October, GN ReSound announced two new form factors to the ReSound Alera™ family, ReSound Alera™ fusion behind-the-ear (BTE) and ReSound Alera™ custom remote microphone. Both form factors were launched in January 2011. With these additions to the ReSound Alera™ family, GN ReSound is now able to cover 90% of all hearing losses. More form factors will be added to the ReSound Alera™ family in 2011.

Net working capital as a percentage of revenue increased from 24% to 28% during 2010, driven by inventories and receivables. Inventories were at DKK 378 million at December 31, 2010, DKK 90 million higher than last year. The inventory increase was driven by product launches and the supply chain transformation. Inventory reductions are expected once the supply chain project is fully implemented. Trade receivables amounted to DKK 783 million compared to DKK 705 million at the end of 2009. The increase is entirely related to the higher revenue and represents a decrease in days sales outstanding. Trade payables stood at DKK 221 million at the end of 2010 compared to DKK 190 million at the end of 2009.

Cash flow from operating and investing activities excluding tax and financial items was DKK 69 million in 2010 (including DKK 19 million related to the sale of GN ReSound's retail business in Belgium) compared to DKK 458 million in 2009. The cash flow from investing activities was DKK (280) million compared to DKK (197) million in 2009. In 2009, the cash flow included DKK 78 million related to the sale of GN ReSound's retail businesses in Belgium and Poland.

GN ReSound had around 3,650 employees at the end of 2010, up from approximately 3,300 at the end of 2009. This is primarily driven by temporary ramp-up in connection with the supply chain transformation.

On March 25, 2010 GN announced that Dr. Lars Viksmoen had been recruited as new CEO of GN ReSound and member of GN Store Nord's Executive Management. Lars joined the company on April 1, 2010.

Markets

The positive development seen in most hearing aid markets in 2009 continued in 2010. The global hearing aid market grew by about 5% in 2010 measured in units to approximately 11 million units. The value growth was 2-4%. GN ReSound has a global market share of approximately 12% in terms of units sold, which makes the company the world's fourth-largest manufacturer of hearing aids.

Following a strong market performance in 2009, the total US hearing aid market continued the positive development in 2010, and the unit growth rate was around 5%. The primary growth driver for the US market was VA. GN ReSound was represented by the ReSound brand in the VA hearing aid portfolio throughout 2010, which had a positive effect on GN ReSound's performance on the US market. The private market however, also showed positive developments.

The growth in the European hearing aid markets also developed favorably in 2010, and the largest European market, Germany, experienced unit growth of around 4%. In France, growth was around 5%. Only the UK, Europe's second-largest market, was still soft. Although the private market increased by around 6%, the overall market trend was negative due to a drop in the public market. In the public tender markets and in particular the Scandinavian markets, increased price pressure emerged during 2010 due to higher government focus on reimbursement schemes and the tender processes.

The growth rates in emerging markets remain strong. In countries like Brazil, Russia, China and India, double-digit unit growth continued also in 2010. The total unit sales in these four countries now constitute more than 10% of the global market.

The global hearing aid market has historically grown by 5-6% per year measured in units. This development is expected to continue in the years to come, driven by a number of factors:

- The demographic trends in main markets show an aging population which will increase the demand for hearing aids.

RESOUND ALERA™ – THE WORLD'S FIRST TRULY WIRELESS HEARING AID

- Low penetration rates represent a significant growth opportunity for the hearing aid industry. In the US and Western Europe which today have the highest hearing aid adoption rates, only one in five persons with a hearing impairment actually uses a hearing aid.
- Adoption rates in emerging markets are significantly lower, but are expected to increase in parallel with increased economic growth and improved hearing healthcare.
- Approximately 80% of the hearing impaired population suffers from binaural hearing loss, i.e. hearing loss on both ears, while binaural fitting only accounts for approximately 50% in Europe and 80% in the US. Overall, it is expected that binaural fitting rates will increase.
- New innovative technology and design are key drivers to lower the average age of first-time hearing aid buyers and consequently increase overall adoption rates.

Sales and products

On April 15, at the annual conference for the American Academy of Audiology – AudiologyNOW! 2010 in San Diego, CA, USA – GN ReSound introduced the ReSound Alera™, which comes both in a wireless and non-wireless version. Both versions utilize the superior and improved Surround Sound by ReSound™ technology. The wireless hearing aid makes unique use of the 2.4 GHz wireless technology which has longer range, and a stronger, clearer and more stable signal than the inductive technology used in current wireless hearing aids. Furthermore, the 2.4 GHz technology allows end-users to stream audio directly from the audio device to the hearing aids without an intermediate device. Being the first in the industry to commercialize direct streaming 2.4 GHz wireless technology is a major accomplishment for GN ReSound.

Wireless ReSound Alera™ receives crystal clear sound directly from the TV, computer and other audio sources from up to 7 meters away, saving the user from the hassle of carrying a device around the neck as required when using current wireless hearing aids from other brands. This is made possible by easy-to-use wireless accessories to be attached to the audio source. Because ReSound Alera™ uses 2.4 GHz wireless technology, it can be fitted without the use of any cables that connect the hearing aid to a computer with fitting software. The launch of ReSound Alera™ provided GN ReSound with a unique opportunity to compete in the attractive top and plus segments.

In connection with the European Union of Hearing Aid Acousticians' yearly hearing aid fair (EUHA) held in October 2010 in Hannover, Germany, GN ReSound announced two new form factors to the ReSound Alera™ family. Both models have wireless capabilities and are equipped with Surround Sound by ReSound™ for exceptional rich and full sound quality:

- ReSound Alera™ fusion behind-the-ear (BTE) is the world's first standard and power BTE product in one housing. This unique 2-in-1 hearing device can easily be converted to the needed configuration and allows dispensers to offer a very small power hearing aid compared to traditional power products. The ReSound Alera™ fusion BTE simplifies fitting and inventory management for dispensers.

- ReSound Alera™ custom remote microphone is ReSound's new, innovative range of custom models. Remote microphone technology with an external microphone in the concha of the ear takes advantage of the ear's ability to provide natural directionality and wind noise protection. Furthermore the unique design makes it possible to make much smaller and more open custom devices.

At EUHA, GN ReSound also demonstrated ear-to-ear communication with the 2.4 GHz wireless technology.

In April, the Surround Sound by ReSound™ featured products ReSound Live™ and dot^2 by ReSound™ launched in October 2009 were made available with state-of-the-art hearing aid nano-coating technology applied on every component internally and externally. More than 90% of all BTE (behind-the-ear) hearing aids manufactured by GN ReSound now come with a best-in-class nano-layer of protective coating. The nano-coating process dramatically enhances the moist resistance of the devices. Reliability and user experience are very positively impacted, resulting in higher satisfaction, reduced maintenance costs and increased brand value.

As of August 2010, GN ReSound was added to the list of preferred suppliers to the NHS in England. GN ReSound has previously supplied hearing aids to the NHS without being a preferred supplier. NHS manages the world's single largest contract in terms of units.

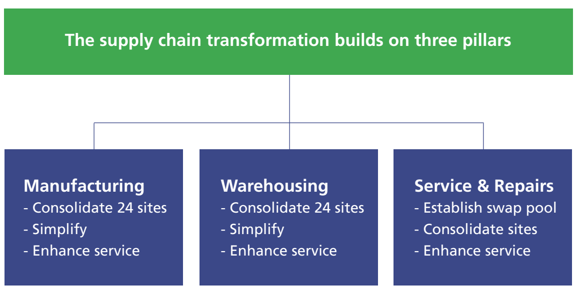
GN RESOUND IS A SUPPLIER TO VETERANS AFFAIRS

The United States Department of Veterans Affairs (VA) is a government-run military healthcare system for veterans.

- Number of veterans in the US: 22.7 million
- VA constitutes 20% of the US hearing aid market
- GN ReSound's share of the VA contract was 6.9% by the end of 2010

Sources: VA, Hearing Journal: August 2010 and GN ReSound

TRANSFORMATION OF GN RESOUND'S SUPPLY CHAIN



Since late 2009, GN ReSound has been represented by the ReSound brand in Veteran's Affairs (VA) in the US and GN ReSound's share of the VA contract was 6.9% in December 2010 versus 4.1% for all of 2009 when the business primarily operated under the Interton brand. GN ReSound has experienced attractive sales of the ReSound Live™ RIE (receiver-in-the-ear) products and the tinnitus products (products developed to offer relief to people suffering from tinnitus). Since May 2010, GN ReSound has also expanded its offering in the important ITE (in-the-ear) segment with the improved ReSound Live™ line-up. The wireless hearing aid ReSound Alera™ was also added to the VA portfolio during late 2010 and more form factors will be added during 2011.

During 2010, Beltone launched the Beltone True™ which is the Beltone equivalent of ReSound Alera™. In November 2010, it was announced that Beltone True™ had won the CES Innovations 2011 Design and Engineering Award. Beltone True™ is also available in other selected markets. In the US, the Beltone network counts more than 270 dispensers with more than 1,500 office locations.

In June 2010, Interton extended its product portfolio with the introduction of Interton Scope6 and Interton Scope4. Interton Scope uses the Surround Sound by ReSound™ technology. Both Scope families feature all the models needed to cover the range of hearing loss from mild to severe, as well as end user preferences and lifestyle.

The ReSound brand contributed 71%, Beltone 25% and Interton 4% of the total Hearing Instruments revenue in 2010.

In 2010, the performance of GN ReSound's hearing aid business in Germany, and to some extent France continued to be disappointing and will be a priority area for management in 2011. Due to the size of these two markets, the overall European growth was negatively impacted.

GN Otometrics, a subsidiary of GN ReSound, develops, manufactures and markets instrumentation under the MADSEN, AURICAL and ICS brand names. The MADSEN brand is a leader within audiometric diagnostics. AURICAL provides state-of-the-art solutions for handling the entire fitting process, and ICS is the leader in the fields of PC-based otoneurologic and vestibular test systems. GN Otometrics has offices in 15 countries and the products are sold in around 70 countries. GN Otometrics' products are sold to hearing clinics, hospitals, ear-nose-throat specialists and OEM customers.

For the fifth consecutive year GN Otometrics presented growth in earnings as well as in profitability. The revenue showed a healthy, double-digit organic growth based on strong growth in most major markets. GN Otometrics outgrew the market significantly in 2010, especially in the second half of the year.

On the product side, GN Otometrics continues to bring innovative and reliable products to the market, such as the world's most advanced clinical audiometer MADSEN Astera and the most user-friendly hearing screener for newborn children. PC-based solutions are becoming more and more accepted, and today GN Otometrics' research and development efforts are divided equally between software and hardware.

Manufacturing and Distribution

As announced in Annual Report 2009, the transformation of GN ReSound's supply chain was initiated in late 2009. The purpose of the transformation is to reduce costs, while at the same time securing closer relations with GN ReSound's customers, improving the quality of the products and the flexibility of the supply chain. The transformation is expected to provide annual savings of up to DKK 200 million on a run rate basis by the end of 2011. In 2011, the focus of the transformation will change from building infrastructure to rolling countries onto the new model and optimizing the operational performance.

Virtually all major objectives of the supply chain transformation were reached during 2010 with the opening of new regional operations centers in Oxford, UK and Madrid, Spain and getting the supporting IT systems up and running. The regional operations centers replace a number of local, European production sites and now supply all of Europe with ITE hearing aids. Late in 2010, GN ReSound opened a new distribution center in China.

Research and Development

With the launch of ReSound Alera™ in the summer of 2010 the R&D department demonstrated its innovation capabilities and ability to integrate the 2.4 GHz technology into an extremely small hearing aid. This is a major technological breakthrough in the hearing aid industry as the 2.4 GHz technology is considered to be the technology of the future by many within the industry.

GN ReSound has four research and development centers located in Copenhagen (Denmark), Chicago (USA), Xiamen (China) and in Eindhoven (Netherlands). These centers are specialized in different core areas.

In order to support the innovation objectives, the R&D department strengthened the organization in 2010. In order to be able to benefit from the latest research within the field of audiology and relevant technologies, GN ReSound has research partnerships with a number of universities in Denmark, the US, the Netherlands and Australia.

Following the successful introduction of ReSound Alera™ the R&D department is now working on developing additional audiological benefits of the wireless technology, which will take the wireless technology to a new level. In 2010, GN ReSound demonstrated a prototype of Resound Alera™ with ear-to-ear communication, i.e. communication between two hearing aids. The R&D department will continue to work on refining this technology during 2011. Additional wireless form factors and new wireless accessories for ReSound Alera™ are in the pipeline which will expand the product portfolio further over time.

Enterprise Risk Management

As GN's risk profile evolves over time, GN continuously works to identify, analyze, evaluate and mitigate all major risks in a systematic way. GN involves those parts of the organization that have the best knowledge of each category of risks and ways to mitigate the exposure.

The objective of GN's risk management is to avoid, transfer and manage inappropriate risks encountered within any of the GN business entities. The risk management strategy is documented in GN's Risk Management Manual.

Research and Development

Both headset and hearing instrument life cycles continue to shorten, and the ability to identify and master new core technologies and to move quickly from idea to high-quality product is key. GN Netcom's R&D department has devised a systematic product development process that utilizes product platforms intended to enhance quality and shorten time to market. GN ReSound's R&D department has moved to a platform approach when creating new products. Several different hearing instruments and brands are now produced on the same platform using a core set of software and hardware applications. This approach has reduced time to market significantly and increased efficiency.

Intellectual Property Rights and Litigation

Acting in highly innovative industries, it is important for GN to protect its intellectual property rights while at the same time ensuring that GN's products do not infringe on intellectual property rights held by third parties. Managing intellectual property rights is an integral part of GN's product development process, and GN has dedicated and experienced employees managing this risk.

GN Netcom in particular is exposed to class-action lawsuits in the US market. This risk is mitigated by always maintaining high quality standards and constantly updating user manuals to ensure that appropriate user instructions and similar materials are available.

Manufacturing and Quality

GN's headset production is outsourced to a few selected suppliers, making GN capable of quickly adapting its production level to actual market demand. At the same time, the risk is diversified across a number of production locations. GN makes recurring audits to production sites in order to review the production facilities and has contingency plans in place to secure production in the event of an adverse event.

Hearing instrument and chipset production is handled at GN's own facilities in China and Denmark. In 2010, GN ReSound initiated a transformation of its supply chain, consolidating distribution centers and production of customized in-the-ear hearing aids to four key sites, hereby enabling GN ReSound to increase production flexibility, product quality and profitability. To mitigate the risks associated with these production facilities, GN proactively applies preventive measures to ensure its facilities meet GN's high quality and safety standards at all times.

GN also pursues a strategy of having alternative supplier options for all strategic components. This proved to be particularly important during the past year, with the supply of several components subject to volume shortage. GN has in 2010 increased its inventory of key components to minimize the risk that production cannot meet increased demand. To ensure that suppliers comply with GN's high quality standards, GN conducts regular quality checks of all suppliers of finished products and subcontractors of critical components. GN is exposed to increased costs from production in China. To mitigate this risk, GN constantly monitors the possibility of pursuing a more optimal production setup.

Environmental Issues and Working Environment

GN operates under a combination of global and local rules and guidelines, ensuring that the company meets or exceeds the standards for environmental, health, safety and working conditions in the countries where the company operates.

It is essential to GN that all suppliers comply with local and global environmental and occupational health and safety requirements, and GN monitors all its suppliers on a regular basis to ensure such compliance. Additionally, employees from GN Netcom's and GN ReSound's supply chains monitor all their suppliers to verify that GN's ethical standards are maintained, ensuring, among other things, that child labor does not occur and that employee rights are preserved.

MAIN RISKS ACROSS GN'S VALUE CHAIN

Research and Development
- Intellectual property rights
- New technologies
- Product portfolio
- Time to market

Production
- Key production sites
- Production capacity
- Environmental issues and working conditions
- Quality

Distribution
- Ability to fulfill demand with low inventories
- Retailers position
- New channels

Sales and Marketing
- Reduced selling prices
- New competitors
- Product liability

Risks Affecting the Entire Value Chain
- Financial risks - hereunder funding risk, credit risk, liquidity risk, currency and interest rate risk
- Insurable risks
- Macroeconomic development
- Corporate governance, ethics and public reputation

Distribution
GN Netcom constantly pursues an optimal inventory level to balance its target of low working capital against ensuring that the company will not find itself in a situation where market demand cannot be met. After significant inventory reductions in 2008-2009, GN Netcom increased inventories somewhat in 2010.

There is fierce competition among hearing aid manufacturers to secure access to retailers. GN constantly seeks to strengthen its relationship with retailers, and it is part of GN's strategy not to compete against its own customers with aggressive forward integration.

Markets and Competition
GN's activities in both GN Netcom and GN ReSound are affected by general macroeconomic conditions. However, most of the hearing instrument industry growth drivers are demographic or secular trends that provide a higher degree of resilience towards macroeconomic conditions than is the case in the market for hands-free communications. Accordingly, GN monitors general economic developments and the economic outlook. The markets on which GN operates are all competitive, and GN continuously reviews market shares and monitors new product launches in both the headset and hearing instrument industries.

Insurance
GN's insurance program reflects the scope and geographical locations of its business operations. As GN's businesses are constantly undergoing change, coverage requirements are reviewed not only when insurance is renewed, but also on a regular basis together with local and global advisors. GN takes out insurance against liability, property damage and, when found appropriate and financially feasible, consequential loss. Liability and property damage coverage is subject to global and local standards. The Executive Management ensures that coverage always complies with GN policies and reflects GN's exposure, and it keeps the Board of Directors updated on the scope and extent of the insurance programs.

Financial Risk
Due to the nature of its operations, investments and financing activities, GN is exposed to a number of financial risks. GN has centralized the management of financial risk. The standard operation procedures are set out in GN's Treasury Policy as approved by the Board of Directors. A description of approved financial instruments and risk exposure limits is provided in the Treasury Department's business procedures. It is GN's policy not to practice speculation in financial risks.

Foreign Currency Risk
GN's currency exposure is limited to commercial transactions including trade receivables and payables. GN does not raise loans or place surplus cash in foreign currency unless doing so reduces a currency exposure. To a great extent, GN's currency exposures in revenue and costs offset each other. GN hedges any significant residual currency risk, which for the time being are long positions (income) in the USD, GBP and JPY and a short position (costs) in the CNY. Consequently, GN's industrial competitiveness and its EBITA are relatively resistant to likely currency fluctuations. GN has a large cost base in China and is as such exposed to the CNY, which historically has been linked to the USD. Most Chinese subcontractor agreements are entered into and paid in USD, however. GN's long-term industrial competitiveness will be negatively impacted by a strengthening of the CNY, and GN has decided to hedge this exposure to ensure that GN has sufficient time to adapt to a new manufacturing strategy should market conditions change unfavorably for GN.

GN has several balance sheet items denominated in USD, including most of its goodwill. A 10% depreciation of the USD would reduce equity by approximately DKK 350 million.

Funding, Liquidity and Capital Structure
At December 31, 2010, GN had an equity ratio of 66% and net interest-bearing debt of DKK 960 million. The current drawn long-term debt and the undrawn committed reserves are based on commitments with terms of up to five years. The drawn debt at the end of the year was mainly in DKK and EUR with an interest duration of less than six months, reflecting the expectation that the interest-bearing debt will be repaid through proceeds from the TPSA arbitration case (it continues to be GN's long-term target to partially finance operations through debt, however, please refer to section below). Generally, it is GN's policy to have interest duration of a maximum of three years on interest-bearing debt. Other things being equal, a one-percentage-point increase in overall interest rate levels would currently increase GN's net interest expenses by approximately DKK 10 million per year.

There is no unilateral answer to what the optimal capital structure is for GN, and the Board of Directors assesses the need for capital on an ongoing basis. GN's profit distribution is subject to GN's long-term target of maintaining a capital structure consisting of a combination of debt and equity, subject to net interest-bearing debt of up to a maximum of two times EBITDA.

Financial Credit Risk
Surplus cash positions in GN's subsidiaries are re-circulated back to the parent company as soon as possible, and cash is mainly held in current accounts or as short-term money market deposits. Cash positions are primarily held with banks through which GN conducts its day-to-day banking business and which have a satisfactory rating with Moody's and Standard & Poor's. GN has a policy of never having an exposure to a single financial counterparty of more than 2.5% of that party's capital and reserves. GN had cash and cash equivalents of DKK 157 million at December 31, 2010.

Commercial Credit Risk
GN pays high attention to the credit risk related to account receivables and the customer's payment behavior. Commercial credit risk is managed decentrally by the Group's two operational business areas, GN Netcom and GN ReSound.

Corporate Governance

GN's Board of Directors and Executive Management continuously strive to enhance corporate governance. Generally the governing body of GN aims to increase transparency and active ownership, also by sharing information and entering into a dialog with the shareholders and any other relevant stakeholders. In regards to management principles the Board is following the Recommendations on Corporate Governance that are part of the rules governing listed companies on NASDAQ OMX Copenhagen.

In 2010, the Danish Committee on Corporate Governance revised and extended the recommendations on corporate governance in light of the Companies Act of 2009, new rules in the Financial Statements Act and the Act on Approved Auditors and Audit Firms as well as EU Commission recommendations, including on remuneration of members of the governing bodies of listed companies. The revised and extended recommendations can be found at www.corporategovernance.dk.

The current recommendations on corporate governance include 78 recommendations which require that listed companies include a "comply or explain" section as to their compliance with the recommendations in their annual report or at their website and GN supplies this at its website (www.gn.com/statutoryreport2010).

The risk management and internal control systems related to financial reporting are also covered in detail at the website (www.gn.com/statutoryreport2010). Together with the description of corporate governance this forms the statutory report on corporate governance that is required under section 107b of the Danish Financial Statements Act.

Composition and Task and Responsibilities of the Board of Directors

GN's Board of Directors consists of six directors elected by the shareholders at the Annual General Meeting and three employee representatives elected by the employees based in Denmark. Members of the Board of Directors elected by the shareholders at the Annual General Meeting are elected for a term until GN's next Annual General Meeting. Retiring members are eligible for re-election. Board members can be elected to the board until the Annual General Meeting in the calendar year in which the member reaches 70 years of age. Employee representatives are elected in accordance with the Danish Companies Act for a period of four years. The rules covering election of employee representatives can be found at www.gn.com in the section on corporate governance.

In February 2010, new employee representatives were elected to the Board of Directors. They formally became members of the Board at the Annual General Meeting held on March 18, 2010.

The Board of Directors is responsible for safeguarding the interests of the shareholders while giving due consideration to the other stakeholders.

At least once a year, the Board of Directors discusses and establishes its most important tasks related to the overall strategic management and the financial and managerial supervision of the company. The Board also regularly evaluates the work of the Executive Management.

In 2010, GN held eight ordinary Board meetings, two strategy sessions and eight extraordinary board meetings (conference calls).

Competencies of the Board of Directors

GN's Board of Directors strives to recruit board members with a diversified range of mutually complementary competencies. When the Board of Directors proposes new board members, a CV as well as a thorough description of the candidate's qualifications will be provided. GN is a global company headquartered in Denmark and to successfully develop and maintain this position in the marketplace, GN is dependent on having global expertise and experience at the board level. The policy of attracting the candidates with the right expertise to the Board of Directors means that compensation for board and committee work must be fair and competitive. Due to its corporate structure, the workload for GN's Board members is probably higher than Danish market norms.

The Board of Directors is a diversified group and represents a wide range of competencies to ensure that it can fulfill its obligations. Members are expected to possess broad global business understanding, telecom and medtech expertise, innovation and product development capabilities, thorough understanding of financial matters and in-depth knowledge of GN's business. A detailed list of the competencies of each of the Board members is available at www.gn.com.

Self-assessment of the Board of Directors

In the first quarter of 2010 and in the first quarter of 2011, the Board carried out a self-evaluation with the purpose of giving the Board an opportunity to evaluate how it operates, as well as its achievements and those of the Chairman and the individual board members in a systematic way and based on well-defined criteria.

The self-evaluation process was carried out to assess whether the Board of Directors was fully operational as to the governance of GN, as well as board and management interactions. The assessment in 2010 was again positive and the transformation of the company continues well under close supervision of the Board.

The self-evaluation procedure is carried out annually and is based on an electronic survey handled by the legal department. The Chairman presents the results to the Board.

Remuneration Policy for the Board and Executive Management

GN pursues a policy of offering the Board of Directors and Executive Management remuneration that is competitive with industry peers and other global companies to attract and retain competent professional leaders of the businesses and members of the board of directors.

Remuneration of the Executive Management is based on a fixed base salary plus a target bonus of up to 50% with a potential bonus earned ranging from 0 to 100%. The company does not make pension contributions for members of the Executive Management and the Executive Management has severance and change-of-control agreements in line with market terms. Conditions for notice of termination are determined individually for each member of the Executive Management. The company intends to fix a termination notice of maximum 12 months if given by the company and a minimum of six months if given by the members of the Executive Management.

Members of the Board of Directors receive fixed remuneration. They are not awarded share options, nor do they participate in other incentive programs. Board members as well as senior managment are encouraged to buy and own shares in GN Store Nord. For more details on the specifics of the remuneration of the Board and Executive Management, see note 3 to the financial statements and the general guidelines for incentive pay at www.gn.com. GN's general guidelines for incentive pay will be updated with information on Board remuneration and claw back clauses and will be submitted for approval by the shareholders at the general meeting in March 2011.

Board Committees

Audit Committee

According to its charter, the Audit Committee, among other things, assists the Board in relation to internal accounting and financial control systems, the integrity of the company's financial reports and engagements with external auditors. The Committee also carries out ongoing assessments of the company's financial and business risks. The Committee held four meetings in 2010 and its activities included quarterly reviews of the financial reporting (including impairment tests of relevant assets), implementation of a whistleblower procedure, and reviews of the following: EUROSOX recommendations, the audit plan (and discussion of the findings from the auditors), finance functions and control mechanisms, IT infrastructure and security, currency and interest rate risk and GN´s insurance program. Carsten Krogsgaard Thomsen is chairman of the Committee, and he is joined by René Svendsen-Tune and Wolfgang Reim. Committee members are considered independent in the sense of the definition contained in the corporate governance recommendations. For information on the special competencies of the committee members, see page 27.

Remuneration Committee

According to its charter, the Remuneration Committee, among other things, assists the board in matters and decisions concerning remuneration of the Executive Management and senior employees and in ensuring that the general remuneration policies strike an appropriate balance between the interests of the company shareholders. The Remuneration Committee held four meetings in 2010. The most important activities of the Remuneration Committee in 2010 included a review of the so-called Mercer grading system used by GN (grading and benchmarking of individual positions), a refinement of the remuneration policy, an audit of the short-term incentive schemes, and a review of GN's talent management practices. Committee Chairman Per Wold-Olsen is joined by members Bill Hoover and Jørgen Bardenfleth. The Committee members are considered independent in the sense of the definition contained in the corporate governance recommendations. For information on the special competencies of the committee members, see page 26.

Nomination Committee

GN has not established a separate nomination committee, however the chairmanship acts and has established procedures resembling those of a nomination committee. GN´s entire Board functions as the Nomination Committee and nominates candidates to the general meeting. The Board of Directors believes in a global transparent and thorough search and selection process for board candidates. The chairmanship prepares the Board's work with selecting candidates, with the help of a professional global search firm. Based on the profile approved by the entire Board of Directors, the chairmanship manages the process and nominates the candidates selected for a presentation to the full Board of Directors, who then makes the final nomination to the shareholders in general meeting.

Internal Audit Function

In accordance with its charter, the Audit Committee annually considers the need for an internal audit function. Based on the recommendations of the Audit Committee, the Board then determines whether the internal control systems are adequate and whether there is a need for an internal audit function. The Board's assessment, which is based on the company size and organization of the Finance department, is that there is no need to establish an internal audit function at this time.

In late 2010, GN started the roll-out of a Whistleblower procedure whereby all GN employees and external stakeholders can register a complaint, anonymously if they wish to, with an independent third party. With headquarters' guidance and oversight, the global management and country managers worldwide are responsible for implementing and informing all of their employees of this procedure.

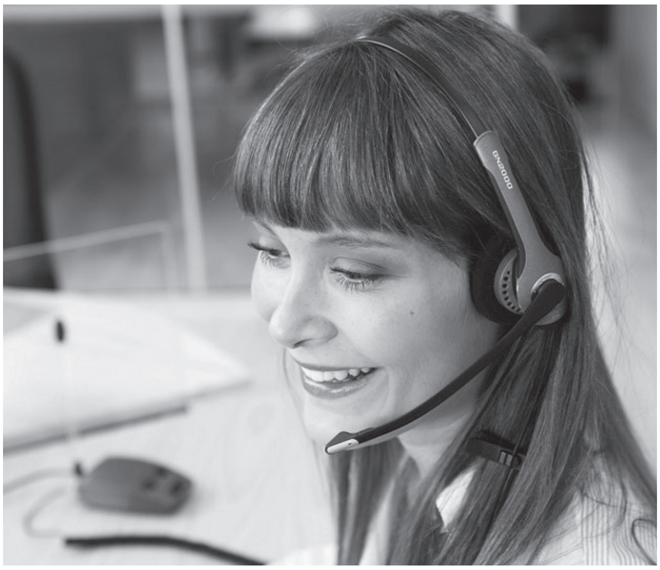
Interaction with Shareholders

GN has been committed to corporate governance for a number of years. GN aims to increase transparency and promote active ownership among shareholders through clear and consistent communication and dialog at the annual general meeting.

Notices for the Annual General Meeting

Starting a year ago, GN decided that it would send notices to convene general meetings by e-mail. We thus encourage all our registered shareholders to sign up at the Investor Portal with their e-mail addresses and check the box labeled "e-mail" in the field "Notice to Convene Annual General Meeting". You will then receive the notice by e-mail in the future. Please access the Investor Portal at www.gn.com and submit your e-mail address, if you have not already done so.

Corporate Social Responsibility



GN wants to offer products that improve people's mobility and quality of life.

In January 2010, GN Store Nord joined the United Nations Global Compact initiative, the world's largest voluntary network for companies engaging in corporate social responsibility (CSR) activities. In signing the Compact, we agreed to uphold ten principles relating to human rights, labor standards, the environment and anti-corruption. We also committed ourselves to integrating these principles into our business, reporting annually on our progress in doing so and promoting the principles externally to other stakeholders.

In connection with our 2009 annual report, we stated that our goal for coming years with respect to CSR was to systematize our CSR considerations and create a simple and business-oriented CSR platform.

An important step in this direction was taken in 2010 when a CSR Policy for GN was drafted. In this connection, GN also formed a CSR group with representation of key employees working in areas such as supply chain, procurement, quality, HR and communication. The CSR organization is headed up by a steering committee consisting of the members of the GN Executive Management team, underlining GN's strong commitment to this important subject.

Communication on Progress to UN Global Compact

As a member of the UN Global Compact, GN is obliged to submit an annual Communication on Progress (COP) to the UN Global Compact. The Management's Report in this Annual Report does not comprise a full report on CSR. Reference is made to the COP which describes the company's CSR commitment and relevant CSR activities conducted during the year.

GN's COP can be found at www.gn.com/csr.

CSR Activities in 2010

GN conducts its business in a financially and socially responsible manner for the benefit of all its stakeholders, be they shareholders, employees, customers, suppliers or other groups. Our policy is to be in compliance with or exceed the statutes and regulations of the countries and local communities in which GN operates. Below is an extract of our CSR-related activities in 2010.

- GN joined the UN Global Compact in January.
- GN's Ethics Guide was implemented, focusing on anti-corruption and anti-discrimination, among other things.
- A whistleblower procedure was implemented.
- A number of initiatives to reduce our environmental impact were launched.
- GN Netcom and GN ReSound Quality assurance teams conducted several supplier reviews based not only on quality and environmental performance, but also on industrial best practices and the two businesses' codes of conduct.
- GN Netcom and GN ReSound conducted global employee satisfaction surveys.
- GN made several charity donations to organizations for people with special needs.
- The GN Store Nord Foundation donated money to a number of projects, supporting St. John's School for the Deaf in Gambia, the Red Cross, and others.

GN's CSR Policy

This CSR policy applies to all GN businesses and includes members of the Board of Directors, officers and employees of the GN Group and its subsidiaries.

GN wants to conduct business in a profitable and sustainable manner and offer products that improve people's mobility and quality of life. We believe that a structured and practical approach to CSR is value creating both for GN and for GN's key stakeholders such as customers, investors, suppliers and employees. We use a simple and practical approach in our work with CSR.

Our policy is to be in compliance with or exceed applicable statutes and regulations of the countries and local communities in which GN operates. This is reflected in GN's CSR vision:

GN and its subsidiaries want to be recognized by their stakeholders as a reliable and responsible company with high ethical standards.

GN bases its CSR efforts on a number of internationally recognized principles relating to human rights, employee rights, the environment and anti-corruption as formulated in the UN Global Compact. Based on its business activities, GN has defined four areas considered to be GN's key focus areas with regards to CSR.

GN's CSR Focus Areas

- GN recognizes all human beings as free and equal in dignity and rights in the workplace and will not tolerate any kind of discrimination or harassment.
- GN will not accept use of forced or child labor in any of its or its business partners' operations.
- GN is committed to integrating consideration for the surroundings and environment in its planning and performance of activities.
- All GN employees must comply with all internal procedures, applicable laws and regulations when conducting business on behalf of GN.

CSR in Practice

GN's CSR strategy is put into practice through several policies, e.g. its Code of Conduct, Ethics Guide and various HR policies.

GN's CSR Organization

A steering committee made up of GN's Executive Management team has overall responsibility for GN's CSR efforts. The committee determines the scope and strategic direction of GN's work with CSR. Development of GN's future CSR initiatives is handled by the steering committee, GN's Corporate Communications department and key GN employees. This development is driven by internal initiatives, input from external stakeholders, legal requirements, and initiatives from the UN Global Compact.

Communication of GN's CSR Activities

In connection with the publication of its annual report and annual Communication on Progress (COP) document submitted to the UN Global Compact, GN publishes information on its CSR activities for the year and goals for the following year.

GN's Corporate Communications department is responsible for all CSR reporting and information, hereunder also all CSR-related inquiries. All relevant information about GN's CSR activities, policies and COP reports can be found at gn.com/csr.

GN's CSR policy is endorsed by GN's Board of Directors and Executive Management.

CSR Activities for 2011

In 2011, GN wants to introduce all employees to GN's CSR policy and ensure that the CSR policy becomes an integrated part of GN's business activities.

GN aims at introducing all our main suppliers to our CSR policy.

During 2011, it is our ambition to establish a number of common key performance indicators that can help us ensure a structured and measurable overview of GN's CSR activities and progress in the coming years.

Shareholder Information

Through an open and active dialogue, GN strives to provide all stakeholders with timely and relevant information on our financial and operational performance as well as our strategy.

In 2010, the GN Store Nord share price increased 83%. In comparison, the OMXC20 index increased around 36%. The price of the GN Store Nord share was DKK 50.85 at December 31, 2010.

Effective December 17, 2010, GN regained its position in the OMXC20 index. The OMXC20 index is the top-tier stock market index for NASDAQ OMX Copenhagen (the Copenhagen stock exchange).

Ownership

The GN share is 100% free float, and the company has no dominant shareholders. At the end of 2010, ATP ((the Danish Labour Market Supplementary Pension Fund) Kongens Vænge 8, Hillerød, Denmark) had an ownership interest of 11.9% of GN's share capital and Marathon Asset Management LLP (5 Upper St. Martin's Lane, London, UK) had an ownership interest of 9.5% of GN's share capital.

At the end of 2010, approximately 40,000 registered shareholders held about 80% of the share capital. Foreign ownership is estimated at 54%. The ten largest registered shareholders held about 40% of the GN share capital in aggregate at the end of 2010 (including GN Store Nord's 3.1% treasury shares).

Share Capital and Voting Rights

GN Store Nord's share capital of DKK 833,441,052 is distributed in 208,360,263 shares, each carrying four votes. GN has one share class, and there are no restrictions on ownership or voting rights.

Powers Relating to Share Capital

The shareholders in the annual general meeting have empowered the Board of Directors to increase the share capital in one or more rounds by a total nominal amount of DKK 205,000,000. This authorization remains in force until April 30, 2011, but is renewable for one or more periods of one to five years' duration.

GN Store Nord's Articles of Association can be changed in accordance with the rules set forth in the Danish Companies Act.

Treasury Shares

GN holds 3.1% treasury shares. The value of the treasury shares at December 31, 2010, was just above DKK 325 million. Until April 30, 2011, the Board of Directors is authorized to acquire shares in GN totaling a nominal value of up to 15% of the company's share capital.

Dividend Policy and Share Buyback Programs

GN's overall financial target is to deliver a competitive shareholder return through a combination of dividend payments and share price appreciation. GN aims to pay out a dividend corresponding to 15-25% of the annual net results and will initiate share buyback programs when deemed appropriate, if authorized to do so by the shareholders.

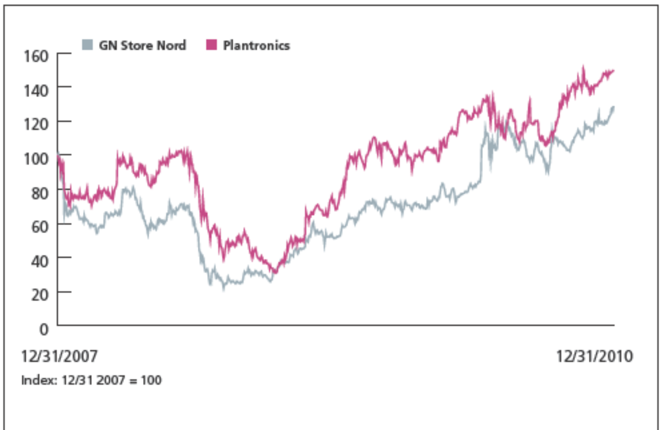
Dividend payments and share buybacks are subject to, among other things, cash requirements to support the ongoing operations, strategic opportunities and the company's capital structure. It is GN's long-term target to maintain a capital structure consisting of a combination of debt and equity, subject to a net interest-bearing debt of up to two times EBITDA.

Proposals for Submission at the AGM (extract)

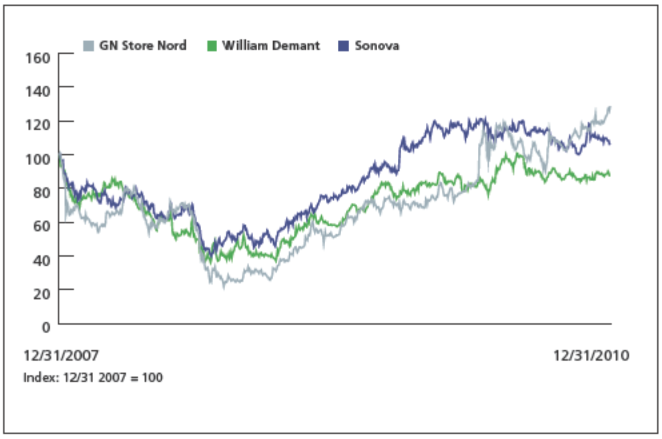
At the annual general meeting, the Board of Directors intends to propose the following to the shareholders:

- that a dividend of DKK 40 million (DKK 0.19 per share) be paid in respect of the 2010 financial year.
- that KPMG be re-elected as auditors.
- that the board members elected by the shareholders at the previous annual general meeting be re-elected.
- that the general guidelines for incentive pay be updated.
- that the authorization to increase share capital be renewed.
- that the authorization to acquire up to 15% treasury shares be renewed.
- that authorization be granted to distribute extraordinary dividends in the period until the next annual general meeting.

Share Price Development vs GN Netcoms Peers



Share Price Development vs GN ReSounds Peers



Incentive Programs

There were a total of 782,292 outstanding share options (average strike price: DKK 69) at December 31, 2010, corresponding to 0.4% of the shares issued. The total number of outstanding warrants in GN Netcom was 2,367 (7.6% of the share capital in GN Netcom). The total number of outstanding warrants in GN ReSound was 2,450 (4.1% of the share capital in GN ReSound).

Investor Relations

As part of GN's investor relations activities, an active dialog is pursued with existing and potential shareholders as well as financial analysts. GN strives to provide investors and financial analysts with relevant and timely information in order to ensure that the GN share is fairly priced. This is accomplished through the information continually supplied to the market by GN, combined with investor meetings, conferences, and presentation of the company's interim and annual results.

In connection with its release of interim and annual results, GN conducts road shows where the Investor Relations department and Executive Management inform investors and financial analysts about developments in the company.

GN has a four-week silent period prior to publication of a financial report. During this period, communication with all stakeholders is restricted.

GN's website – www.gn.com – contains historic and current information on GN and its stock, including stock exchange announcements, analysts covering the GN stock, current and historic share price data, investor presentation material, and annual and interim reports.

Mikkel Danvold
VP, IR & Corporate Communications
GN Store Nord A/S

Michael Bjergby
Investor Relations Manager
GN Store Nord A/S

The Investor Relations team can be contacted at investor@gn.com.

Financial Calendar 2011

Annual General Meeting..March 25, 2011
GN's Annual General Meeting will be held at 10 a.m.
at the Radisson Blu Falconer Center, Falkoner Allé 9
in Copenhagen, Denmark.
Interim report 1/2011...May 5, 2011
Interim report 2/2011.. August 11, 2011
Interim report 3/2011..November 10, 2011

Events After the Balance Sheet Date

GN has published the following announcements after the balance sheet date:

- DPTG Files DKK 2.4 Billion Claim for Phase two in the Arbitration Case against TPSA (January 14, 2011)
- DPTG Initiates Enforcement Proceedings against TPSA in the UK (January 18, 2011)
- DPTG Initiates Enforcement Proceedings against TPSA in Germany (January 20, 2011).
- DPTG has Obtained Attachment on TPSA Assets in France (February 9, 2011).

Company Announcements in 2010

No. 39	Dec. 22, 2010	GN Files Claim against the German Federal Cartel Office
No. 38	Dec. 3, 2010	TPSA files complaint about the process in the DPTG/TPSA case
No. 37	Nov. 24, 2010	DPTG Has Now Initiated Enforcement Proceedings against TPSA in the Netherlands
No. 36	Nov. 15, 2010	DPTG Has Now Initiated Enforcement Proceedings
No. 35	Nov. 10, 2010	EBITA Guidance for 2010 Raised – GN Targets Doubling of EBITA Margin by 2013
No. 34	Oct. 29, 2010	Major shareholder notification – Marathon Asset Management LLP
No. 33	Oct. 25, 2010	Major shareholder notification – Marathon Asset Management LLP
No. 32	Oct. 12, 2010	GN ReSound has Updated the Proposal to Acquire Otix Global, Inc.
No. 31	Sep. 27, 2010	GN ReSound has made a Proposal to Acquire Otix Global, Inc.
No. 30	Sep. 20, 2010	DPTG Will Initiate Enforcement Proceedings in Order to Collect the DKK 2.9 Billion Proceeds from the TPSA/DPTG Case
No. 29	Sep. 6, 2010	DPTG's Initial Estimate of the Claim in the DPTG/TPSA Case for the Period from mid-2004 to 2009 (Phase 2) Is Above DKK 1 Billion
No. 28	Sep. 6, 2010	GN Store Nord Will Initiate DKK 600 Million Share Buyback Program
No. 27	Sep. 3, 2010	DPTG awarded around DKK 2.9 billion in the arbitration case against Telekomunikacja Polska S.A. (TPSA) for the period 1994 to mid-2004
No. 26	Sep. 2, 2010	The Arbitration Tribunal is expected to render an award in the DPTG/TPSA case on Friday, September 3, 2010
No. 25	Aug. 11, 2010	Q2 Interim report 2010: Continued Improvement in Revenue and EBITA
No. 24	Jul. 26, 2010	The decision in the DPTG/TPSA arbitration will not be issued by the Arbitration Tribunal before September 2010
No. 23	Jun. 1, 2010	GN Store Nord – Final Transactions in connection with Share Buyback Program
No. 22	May 28, 2010	GN Store Nord – Transactions in connection with Share Buyback Program
No. 21	May 19, 2010	GN Store Nord Initiates Share Buyback Program
No. 20	May 7, 2010	Q1 shows Strong improvement in EBITA – GN ReSound Increases EBITA outlook for 2010
No. 19	May 6, 2010	German Federal Supreme Court: "Prohibition of GN ReSound Sale to Sonova Was an Error"
No. 18	Apr. 27, 2010	Supply Chain Initiative in GN ReSound Delivering up to DKK 200 million in Cost Reductions by 2011
No. 17	Apr. 20, 2010	German Federal Supreme Court Acknowledges GN's Position and Overrules Prohibition of GN ReSound Sale to Sonova
No. 16	Apr. 19, 2010	GN Netcom Increases EBITA Outlook for 2010
No. 15	Apr. 15, 2010	GN ReSound introduces a groundbreaking advance in wireless hearing aids
No. 14	Apr. 14, 2010	Board of Directors of GN Store Nord A/S Approves Incentive Program for the Executive Management and Key Employees
No. 13	Mar. 25, 2010	Dr. Lars Viksmoen appointed new CEO of GN ReSound
No. 12	Mar 18, 2010	Annual General Meeting 2010 - GN Store Nord A/S
No. 11	Mar. 17, 2010	Major shareholder notification - Marathon Asset Management LLP
No. 10	Mar. 15, 2010	Trading in GN Store Nord Shares by Insiders
No. 9	Mar. 15, 2010	Trading in GN Store Nord Shares by Insiders
No. 8	Mar. 11, 2010	Trading in GN Store Nord Shares by Insiders
No. 7	Mar. 8, 2010	Trading in GN Store Nord Shares by Insiders
No. 6	Mar. 5, 2010	Trading in GN Store Nord Shares by Insiders
No. 5	Feb. 25, 2010	Trading in GN Store Nord Shares by Insiders
No. 4	Feb. 25, 2010	Election of Group Representatives to the Supervisory Board of GN Store Nord
No. 3	Feb. 24, 2010	Notice of the 2010 Annual General Meeting of GN Store Nord
No. 2	Feb. 24, 2010	Annual Report 2009 – Strong Cash Flow and Encouraging Development in EBITA from Ongoing Operations
No. 1	Feb. 11, 2010	GN Store Nord's EBITA for 2009 from ongoing operations will be better than guided; however, legacy-related issues in GN Netcom will negatively impact EBITA by DKK 85 million

Quarterly Reporting by Segment

(DKK million)	Q1 2009 (unaud.)	Q2 2009 (unaud.)	Q3 2009 (unaud.)	Q4 2009 (unaud.)	Q1 2010 (unaud.)	Q2 2010 (unaud.)	Q3 2010 (unaud.)	Q4 2010 (unaud.)	2009 Total (aud.)	2010 Total (aud.)
Income statement										
Revenue										
GN Netcom	421	435	412	468	446	495	452	580	1,736	1,973
GN ReSound	774	757	693	757	726	789	794	855	2,981	3,164
Other *	3	4	3	2	2	2	2	2	12	8
Total	**1,198**	**1,196**	**1,108**	**1,227**	**1,174**	**1,286**	**1,248**	**1,437**	**4,729**	**5,145**
Organic growth										
GN Netcom	(36)%	(30)%	(32)%	(19)%	9 %	8 %	3 %	17%	(30)%	9%
GN ReSound	(4)%	(7)%	(13)%	(3)%	(2)%	0 %	5 %	5%	(6)%	2%
Total	**(18)%**	**(17)%**	**(21)%**	**(10)%**	**2 %**	**3 %**	**4 %**	**10%**	**(16)%**	**5%**
Gross profit margin										
GN Netcom	35%	42%	43%	50%	52%	53%	55%	52%	43%	53%
GN ReSound	62%	61%	60%	60%	59%	59%	60%	61%	61%	60%
Total	**52%**	**54%**	**54%**	**56%**	**56%**	**57%**	**58%**	**57%**	**54%**	**57%**
Expensed development costs**										
GN Netcom	(34)	(35)	(30)	(38)	(42)	(35)	(40)	(48)	(137)	(165)
GN ReSound	(71)	(70)	(66)	(67)	(69)	(69)	(71)	(72)	(274)	(281)
Total	**(105)**	**(105)**	**(96)**	**(105)**	**(111)**	**(104)**	**(111)**	**(120)**	**(411)**	**(446)**
Selling and distribution costs and administrative expenses etc.**										
GN Netcom	(195)	(189)	(157)	(246)	(163)	(176)	(160)	(155)	(787)	(654)
GN ReSound	(377)	(335)	(298)	(300)	(290)	(330)	(335)	(318)	(1,310)	(1,273)
Other *	(15)	(13)	(2)	(15)	(12)	(4)	2,068	(18)	(45)	2,034
Total	**(587)**	**(537)**	**(457)**	**(561)**	**(465)**	**(510)**	**1,573**	**(491)**	**(2,142)**	**107**
EBITA										
GN Netcom	(82)	(43)	(11)	(48)	26	52	50	96	(184)	224
GN ReSound	29	54	55	87	70	63	68	128	225	329
Other *	(12)	(9)	1	(13)	(10)	(2)	2,070	(16)	(33)	2.042
Total	**(65)**	**2**	**45**	**26**	**86**	**113**	**2,188**	**208**	**8**	**2.595**
EBITA margin										
GN Netcom	(19.5)%	(9.9)%	(2.7)%	(10.3)%	5.8 %	10.5 %	11.1 %	16.6 %	(10.6)%	11.4%
GN ReSound	3.7 %	7.1 %	7.9 %	11.5 %	9.6 %	8.0 %	8.6 %	15.0 %	7.5 %	10.4%
Total	**(5.4)%**	**0.2 %**	**4.1 %**	**2.1 %**	**7.3 %**	**8.8 %**	**175.3 %**	**14.5 %**	**0.2 %**	**50.4%**
Depreciation										
GN Netcom	(13)	(13)	(11)	(13)	(8)	(9)	(6)	(7)	(50)	(30)
GN ReSound	(29)	(25)	(25)	(23)	(23)	(23)	(23)	(25)	(102)	(94)
Other *	(7)	(6)	(4)	(5)	(4)	(4)	(4)	(5)	(22)	(17)
Total	**(49)**	**(44)**	**(40)**	**(41)**	**(35)**	**(36)**	**(33)**	**(37)**	**(174)**	**(141)**
EBITDA										
GN Netcom	(69)	(30)	-	(35)	34	61	56	103	(134)	254
GN ReSound	58	79	80	110	93	86	91	153	327	423
Other *	(5)	(3)	5	(8)	(6)	2	2,074	(11)	(11)	2,059
Total	**(16)**	**46**	**85**	**67**	**121**	**149**	**2,221**	**245**	**182**	**2,736**
EBITA	(65)	2	45	26	86	113	2,188	208	8	2,595
Amortization of other intangible assets acquired in company acquisitions	(8)	(8)	(8)	(7)	(7)	(7)	(5)	(7)	(31)	(26)
Operating profit (loss)	**(73)**	**(6)**	**37**	**19**	**79**	**106**	**2,183**	**201**	**(23)**	**2,569**
Gains (losses) on disposal of operations	-	-	91	2	-	-	-	-	93	-
Financial items, net	(46)	(5)	-	(20)	-	(2)	(11)	(20)	(71)	(33)
Profit (loss) before tax	**(119)**	**(11)**	**128**	**1**	**79**	**104**	**2,172**	**181**	**(1)**	**2,536**
Tax on profit (loss)	21	8	(17)	(81)	(21)	(28)	(572)	(60)	(69)	(681)
Profit (loss)	**(98)**	**(3)**	**111**	**(80)**	**58**	**76**	**1,600**	**121**	**(70)**	**1,855**
Balance sheet										
Development projects										
GN Netcom	132	134	142	135	127	128	125	113	135	113
GN ReSound	682	689	698	707	716	731	740	751	707	751
Total	**814**	**823**	**840**	**842**	**843**	**859**	**865**	**864**	**842**	**864**
Inventories										
GN Netcom	179	128	101	87	74	91	107	93	87	93
GN ReSound	373	332	310	288	312	337	358	378	288	378
Total	**552**	**460**	**411**	**375**	**386**	**428**	**465**	**471**	**375**	**471**
Trade receivables										
GN Netcom	279	275	270	289	265	288	251	317	289	317
GN ReSound	741	687	658	705	721	738	747	783	705	783
Other *	20	22	23	23	22	23	10	10	23	10
Total	**1,040**	**984**	**951**	**1,017**	**1,008**	**1,049**	**1,008**	**1,110**	**1,017**	**1,110**
Net working capital										
GN Netcom	192	116	90	92	58	35	50	82	92	82
GN ReSound	783	722	711	707	775	872	860	893	707	893
Other *	31	203	65	63	68	60	2,181	2,197	63	2,197
Total	**1,006**	**1,041**	**866**	**862**	**901**	**967**	**3,091**	**3,172**	**862**	**3,172**
Cash flow										
Cash flow from operating and investing activities before financial items and tax										
GN Netcom	43	46	13	50	59	82	45	47	152	233
GN ReSound	97	104	179	78	26	(8)	(6)	57	458	69
Other *	(28)	(8)	139	(6)	(13)	12	4	(61)	97	(58)
Total	**112**	**142**	**331**	**122**	**72**	**86**	**43**	**43**	**707**	**244**
Total tax and financial items	(40)	(53)	(26)	(22)	(14)	(8)	(18)	(8)	(141)	(48)
Total cash flow from operating and investing activities (free cash flow)	72	89	305	100	58	78	25	35	566	196

* "Other" comprises Group Shared Services, the Telegraph Company, GN Ejendomme and eliminations.
** Does not include share of amortization of other intangible assets acquired in company acquisitions, cf. the definition of EBITA.

Board of Directors

From left:

Wolfgang Reim
Leo Larsen
René Svendsen-Tune
Jørgen Bardenfleth
Per Wold-Olsen
Nikolai Bisgaard
Carsten Krogsgaard Thomsen
William E. Hoover, Jr
Jonas Prahl Jørgensen

All board members elected by the shareholders in general meeting are considered independent in the sense of the definition contained in the Recommendations on Corporate Governance (www.corporategovernance.dk). Elaborate CVs can be found on www.gn.com.

Per Wold-Olsen

Born 1947. Norwegian citizen. MBA. Formerly with Merck & Co, Inc. (retired). Chairman and member of the Board since 2008. Chairman of Remuneration Committee.
Elected for one year at a time.

No. of GN shares held: 184,884 (2010: 15,000 shares bought and 0 shares sold).

Board Positions
Chairman of: Lundbeck A/S
Board member of: Gilead Science Inc., Exiqon A/S and Medicine for Malaria Venture

Special Competencies
Per has an extensive global leadership expertise and experience from Merck & Co., Inc, a global research based Fortune 500 Company where he spent more than 30 years – of which the last 15 years was in the US as part of the company's Executive Management team. In 2006, Per retired from Merck as President in the Intercontinental Region (Europe, Eastern Europe, Middle East, India, Latin America and Africa). As an experienced line executive and as a function of his global leadership experience and knowledge of the healthcare industry, Per brings a unique set of capabilities and values to the Board of GN Store Nord within marketing, product development as well as commercialization of innovation. Per also possesses in depth knowledge of the US market as well as emerging markets.

William E. Hoover, Jr (Bill)

Born 1949. American citizen. MBA. Formerly with McKinsey & Company (retired). Deputy Chairman since 2008 and member of the Board since 2007. Member of the Remuneration Committee.
Elected for one year at a time.

No. of GN shares held: 136,500 (2010: 32,500 shares bought and 0 shares sold).

Board Positions
Board member of: Danfoss A/S, Sauer-Danfoss Inc., NorthStar Battery, Satair and LEGO Foundation

Special Competencies
Bill has 30 years of experience at McKinsey & Company, most of it in the Nordic region. He has served many of the largest industrial and hi-tech multinationals in this region in the areas of strategy, organization, M&A, and large scale transformation. He is also very experienced with supply chain/operations and has authored several articles and a book on these topics. In addition, he has quite a bit of hands on experience in helping Nordic multinationals rapidly scale up in emerging markets, especially China and India and he coined the notion of "China as the second home market".

Jørgen Bardenfleth

Born 1955. Danish citizen. MSEE and MBA. Country General Manager, Microsoft Danmark A/S.
Member of the Board since 2003. Member of the Remuneration Committee
Elected for one year at a time.

No. of GN shares held: 30,020 (2010: 10,000 shares bought and 0 shares sold).

Board Positions
Chairman of: Combilent Aps and Symbion A/S
Board member of: COWI A/S and DHI

Special Competencies
Jørgen has been working in the Information and Communication Technology (ICT) sector since 1981 holding various positions in R&D, Sales and Marketing and General Management. Jørgen worked six years in Silicon Valley in R&D and got his MBA from UCLA. Jørgen has worked for Hewlett-Packard 12 years in Direct Sales, Channel Sales and Marketing, and been responsible for the Danish subsidiary for 6 years. Jørgen worked for Intel heading the Optical Communication Division for 3 years, with full responsibility for R&D, and Sales and Marketing and P&L, including divisions in California, British Columbia and Germany. At Microsoft Jørgen is also responsible for the Unified Communications business. He has extensive experience with channel business management in high technology, product launching, customer service, customer support, consulting in IT, R&D, remote R&D, and best practices in HR having had Microsoft been named the Best Place to Work in Denmark two years in a row.

Board of Directors (continued)

Wolfgang Reim
Born 1956. German citizen. PhD in Physics. Formerly with Dräger Medical, Siemens Healthcare and BB Medtech.
Member of the Board since 2008. Member of the Audit Committee.
Elected for one year at a time.

No. of GN shares held: 70,000 (2010: 40,000 shares bought and 0 shares sold).

Board Positions
Board member of: Carl Zeiss Meditec AG and Esaote SpA

Special Competences
Wolfgang has held various leadership functions in the global healthcare industry for more than 20 years, including seven years as the CEO of Dräger Medical AG, a global leader in the critical care segment with direct presence in more than 50 countries and ten years with Siemens Healthcare, thereof five years as a member of the global executive team. Twice in his career, he has been based in the USA and he has also spent considerable time in Japan. Besides executive management roles, Wolfgang also was a member of the portfolio management team of BB Medtech AG, an investment company with sole focus on healthcare. In his many operative roles within the healthcare industry, Wolfgang gained special experience in the areas of business process reengineering, innovation management and global sourcing and supply chain management. He successfully managed three turn-around situations of global businesses (the last being Dräger Medical) and contributes extensive M&A experience.

René Svendsen-Tune
Born 1955. Danish citizen. Graduate from DTU. President & CEO Teleca AB.
Member of the Board since 2007. Member of the Audit Committee
Elected for one year at a time.

No. of GN shares held: 68,000 (2010: 8,000 shares bought and 0 shares sold).

Board Positions
Board member of: Excitor A/S

Special Competences
René is an experienced global leader with a more than 25 years of practical experience from IT and telecommunications industries. René worked for Nokia for more than 13 years between 1993 and 2006 in various management and executive roles. In 2000 René joined executive management in Nokia's head-office where he became global head of marketing, sales and of country operations (services) in Nokia Networks. In 2006 René joined the software- & consultancy company Teleca as the CEO. During his carrier René has developed unique expertise and experience from the fast moving telecommunications- and consumer electronics sectors. Along with executive global management experience from public and private companies René brings strong insight to global technology market, global sales and technology investments.

Carsten Krogsgaard Thomsen
Born 1957. Danish citizen. Master in Economics. CFO, DONG Energy.
Member of the Board since 2008. Chairman of the Audit Committee.
Elected for one year at a time.

No. of GN shares held: 41,990 (2010: 5,883 shares bought and 0 shares sold).

Board Positions
Deputy Chairman of: NNIT A/S

Special Competences
Carsten has extensive expertise and experience as CFO of DONG Energy, the leading Danish energy and utility company, where he has been a member of the executive management for eight years. Prior to this, Carsten was CFO of Danish Railways, DSB, for eight years and he also has experience as a management consultant at McKinsey & Company and the Danish bank Andelsbanken. As an experienced CFO, Carsten brings strong capabilities to the board and audit committee within finance, accounting, auditing, risk management and IT.

Nikolai Bisgaard
Born 1951. Danish citizen. M.Sc.EE. VP, IPR & Industry Relations, GN ReSound A/S.
Employee representative. Member of the Board since 2006.
Elected for four years at a time.

No. of GN shares held: 4,840 (2010: 0 shares bought and 0 shares sold).

Leo Larsen
Born 1959. Danish citizen. M.Sc.EE. CTO, GN Netcom A/S
Employee representative. Member of the Board since 2007.
Elected for four years at a time.

No. of GN shares held: 2,387 (2010: 0 shares bought and 0 shares sold).

Jonas Prahl Jørgensen
Born 1980. Danish citizen. M.Sc. Supply Chain Management. Forward Logistic Lead,GN ReSound A/S
Employee representative. Member of the Board since 2010.
Elected for four years at a time.

No. of GN shares held: 1,100 (2010: 463 shares bought and 0 shares sold).

Executive Management

Mogens Elsberg
President & CEO,
GN Netcom
Member of the Executive Management since 2009, age 56
No. of GN shares held: 0

Board Positions
Chairman of: Pensio A/S
Deputy Chairman of: EG A/S
Board member of: GlobeTeam A/S

Lars Viksmoen
President & CEO,
GN ReSound
Member of the Executive Management since March 25 2010, age 62
No. of GN shares held: 0

Anders Boyer
CFO, GN Store Nord and GN Netcom
Member of the Executive Management since 2009, age 40
No. of GN shares held: 0

Information provided by the Board of Directors and the Executive Management at February 25, 2011.

Statement by the Executive Management and the Board of Directors

Today, the Executive Management and the Board of Directors have discussed and approved the Annual Report of GN Store Nord A/S for 2010.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In our opinion the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2010 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January - 31 December 2010.

Further, in our opinion the management's review includes a fair review of the development in the Group's and the Parent Company's operations and financial matters, the result for the year and of the Group's and the Parent Company's financial position, as well as describes the significant risks and uncertainties affecting the Group and the Parent Company.

We recommend that the Annual Report be approved at the annual general meeting.

Ballerup, February 25, 2011

Executive Management GN Store Nord

Mogens Elsberg
CEO, GN Netcom

Lars Viksmoen
CEO, GN ReSound

Anders Boyer
CFO, GN Store Nord & GN Netcom

Board of Directors

Per Wold-Olsen
Chairman

William E. Hoover Jr.
Deputy chairman

Jørgen Bardenfleth

Wolfgang Reim

René Svendsen-Tune

Carsten Krogsgaard Thomsen

Leo Larsen

Nikolai Bisgaard

Jonas Prahl Jørgensen

Independent Auditors' Report

To the Shareholders of GN Store Nord A/S
We have audited the consolidated financial statements and the parent company financial statements of GN Store Nord A/S for the financial year 1 January – 31 December 2010, pp. 30-73. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

In addition to our audit, we have read the Management's review prepared in accordance with Danish disclosure requirements for listed companies and issued a statement in this regard.

Management's Responsibility
Management is responsible for the preparation and fair presentation of the consolidated financial statements and the parent company financial statements in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Further, it is the responsibility of Management to prepare a Management's review that gives a fair review in accordance with Danish disclosure requirements for listed companies.

Auditors' Responsibility and Basis of Opinion
Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements and the parent company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion
In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2010 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the Management's Review
Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information given in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 25 February 2011

KPMG
Statsautoriseret Revisionspartnerselskab

Flemming Brokhattingen
State Authorised Public Accountant

Peter Gath
State Authorised Public Accountant

GN STORE NORD – FINANCIAL STATEMENTS 2010

Financial Statements

Notes – Financial Statements

Notes – Income Statement

Notes – Balance Sheet

Notes – Supplementary Information

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
	Income Statement				
	Revenue	5,145	4,729	8	11
3, 5, 17	Production costs	(2,211)	(2,168)	-	-
	Gross profit	**2,934**	**2,561**	**8**	**11**
3, 4, 5	Development costs	(452)	(418)	-	-
3, 5	Selling and distribution costs	(1,537)	(1,401)	-	-
3, 5, 6	Management and administrative expenses	(519)	(769)	(48)	(26)
	Other operating income	17	4	5	-
	Award from the arbitration case against TPSA	2,126	-	(6)	-
	Operating profit (loss)	**2,569**	**(23)**	**(41)**	**(15)**
32	Gains (losses) on disposal of operations	-	93	-	-
	Profit (loss) before financial items and tax	**2,569**	**70**	**(41)**	**(15)**
13	Share of profit (loss) in associates	-	1	-	-
7	Financial income	82	46	71	113
8	Financial expenses	(115)	(118)	(67)	(105)
	Profit (loss) before tax	**2,536**	**(1)**	**(37)**	**(7)**
9	Tax on profit (loss)	(681)	(69)	22	(3)
	Profit (loss) for the year	**1,855**	**(70)**	**(15)**	**(10)**
	Proposed profit appropriation/distribution of loss				
	Retained earnings			(55)	(10)
	Proposed dividends for the year			40	-
				(15)	**(10)**
29	**Earnings per share (EPS)**				
	Earnings per share (EPS)	9.15	(0.34)		
	Earnings per share, fully diluted (EPS diluted)	9.00	(0.34)		

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
	Statement of Comprehensive Income				
	Profit (loss) for the year	**1,855**	**(70)**	**(15)**	**(10)**
	Other comprehensive income:				
	Actuarial gains (losses)	(9)	17	-	-
	Adjustment of cash flow hedges	2	-	-	-
	Foreign exchange adjustments, etc.	309	(31)	-	-
9	Tax relating to other comprehensive income	11	(13)	-	-
	Other comprehensive income for the year, net of tax	**313**	**(27)**	**-**	**-**
	Total comprehensive income for the year	**2,168**	**(97)**	**(15)**	**(10)**

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
	Assets				
10	Intangible assets	4,031	3,762	34	7
11	Property, plant and equipment	481	470	-	-
12	Investments in subsidiaries	-	-	5,714	5,548
13	Investments in associates	34	35	-	-
14, 28	Other securities	156	157	-	-
16	Deferred tax assets	612	670	-	-
28	Other non-current assets	2	12	1,759	1,862
	Total non-current assets	**5,316**	**5,106**	**7,507**	**7,417**
17	Inventories	471	375	-	-
19, 28	Trade receivables	1,110	1,017	4	5
18	Tax receivable	38	30	2	-
15	Prepayments	168	165	1	1
28	Other receivables	2,546	294	12	19
	Cash and cash equivalents	157	148	1	-
	Total current assets	**4,490**	**2,029**	**20**	**25**
	Total assets	**9,806**	**7,135**	**7,527**	**7,442**
	Equity and Liabilities				
	Share capital	833	833	833	833
	Reserves	1,341	1,140	2,945	3,025
	Proposed dividends for the year	40	-	40	-
	Retained earnings	4,290	2,462	1,436	1,491
	Total equity	**6,504**	**4,435**	**5,254**	**5,349**
23, 28	Bank loans	1,056	1,070	1,056	1,070
21	Pension obligations	73	64	1	1
22	Provisions	107	147	5	5
16	Deferred tax liabilities	572	7	71	70
23, 26, 28	Other non-current liabilities	48	53	-	-
	Total non-current liabilities	**1,856**	**1,341**	**1,133**	**1,146**
24, 28	Bank loans	61	107	-	40
28	Trade payables	387	338	13	4
18	Tax payable	24	40	-	17
22	Provisions	240	224	20	27
25	Other payables	734	650	1,107	859
	Total current liabilities	**1,446**	**1,359**	**1,140**	**947**
	Total equity and liabilities	**9,806**	**7,135**	**7,527**	**7,442**

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
	Operating activities				
	Operating profit (loss)	2,569	(23)	(41)	(15)
	Depreciation, amortization and impairment	379	412	4	3
33	Other adjustments	(2,079)	235	(5)	(2)
	Cash flow from operating activities before changes in working capital	**869**	**624**	**(42)**	**(14)**
	Change in inventories	(102)	282	-	-
	Change in receivables	(128)	128	13	2
	Change in trade payables and other payables	34	(89)	14	(21)
	Total changes in working capital	**(196)**	**321**	**27**	**(19)**
	Restructuring/non-recurring costs, paid	(62)	(87)	-	-
	Cash flow from operating activities before financial items and tax	**611**	**858**	**(15)**	**(33)**
	Interest and dividends, etc. received	18	6	109	110
	Interest paid	(45)	(90)	(102)	(119)
	Tax paid, net	(21)	(57)	4	1
	Cash flow from operating activities	**563**	**717**	**(4)**	**(41)**
	Investing activities				
	Investments in intangible assets excluding development projects	(34)	(22)	(31)	-
	Development projects	(234)	(259)	-	-
	Investments in property, plant and equipment	(95)	(50)	-	-
	Investments in other non-current assets	(28)	(31)	-	-
	Disposal of property, plant and equipment	2	155	-	-
	Disposal of other non-current assets	15	4	-	-
	Acquisition of companies/operations and capital contributions in subsidiaries	(12)	(13)	-	-
	Company disposals	19	78	-	-
	Sale of disposed operations, including liabilities settled in connection with disposal of activities, etc.	-	(13)	-	(13)
	Cash flow from investing activities	**(367)**	**(151)**	**(31)**	**(13)**
	Cash flow from operating and investing activities (free cash flow)	**196**	**566**	**(35)**	**(54)**
	Financing activities				
	Increase of long-term loans	-	50	-	50
	Increase of short-term loans	-	-	200	584
	Decrease of long-term loans	(14)	(580)	(14)	(580)
	Decrease of short-term loans	(64)	(48)	-	-
	Share-based payment (exercised)	32	-	3	-
	Purchase/sale of treasury shares and other equity instruments	(153)	1	(153)	-
	Other adjustments	2	2	-	-
	Cash flow from financing activities	**(197)**	**(575)**	**36**	**54**
	Net cash flow	**(1)**	**(9)**	**1**	**-**
	Cash and cash equivalents, beginning of period	148	154	-	-
	Adjustment foreign currency, cash and cash equivalents	10	3	-	-
	Cash and cash equivalents, end of period	**157**	**148**	**1**	**-**

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

Note	(DKK million)	Share capital (shares of DKK 4 each)	Reserves: Additional paid-in capital	Reserves: Foreign exchange adjustments	Reserves: Hedging reserve	Treasury shares	Proposed dividends for the year	Retained earnings	Total equity
	Consolidated Equity								
	Balance sheet total at December 31, 2008	**833**	**3,369**	**(1,850)**	**-**	**(344)**	**-**	**2,499**	**4,507**
	Profit (loss) for the period	-	-	-	-	-	-	(70)	(70)
	Actuarial gains (losses)	-	-	-	-	-	-	17	17
	Foreign exchange adjustments, etc.	-	-	(31)	-	-	-	-	(31)
	Tax relating to other comprehensive income	-	-	(4)	-	-	-	(9)	(13)
	Total comprehensive income for the year	-	-	(35)	-	-	-	(62)	(97)
	Share-based payment (granted)	-	-	-	-	-	-	24	24
	Purchase/sale of treasury shares and other equity instruments	-	-	-	-	-	-	1	1
	Balance sheet total at December 31, 2009	**833**	**3,369**	**(1,885)**	**-**	**(344)**	**-**	**2,462**	**4,435**
	Profit (loss) for the period	-	-	-	-	-	-	1,855	1,855
	Actuarial gains (losses)	-	-	-	-	-	-	(9)	(9)
	Adjustment of cash flow hedges	-	-	-	2	-	-	-	2
	Foreign exchange adjustments, etc.	-	-	309	-	-	-	-	309
	Tax relating to other comprehensive income	-	-	11	-	-	-	-	11
	Total comprehensive income for the year	-	-	320	2	-	-	1,846	2,168
	Proposed dividends for the year	-	-	-	-	-	40	(40)	-
	Share-based payment (granted)	-	-	-	-	-	-	22	22
	Share-based payment (exercised)	-	(124)	-	-	156	-	-	32
	Purchase/sale of treasury shares and other equity instruments	-	-	-	-	(153)	-	-	(153)
	Balance sheet total at December 31, 2010	**833**	**3,245**	**(1,565)**	**2**	**(341)**	**40**	**4,290**	**6,504**
	Parent company Equity								
	Balance sheet total at December 31, 2008	**833**	**3,369**	**-**	**-**	**(344)**	**-**	**1,503**	**5,361**
	Profit (loss) for the period	-	-	-	-	-	-	(10)	(10)
	Total comprehensive income for the year	-	-	-	-	-	-	(10)	(10)
	Share-based payment (granted)	-	-	-	-	-	-	(2)	(2)
	Balance sheet total at December 31, 2009	**833**	**3,369**	**-**	**-**	**(344)**	**-**	**1,491**	**5,349**
	Profit (loss) for the period	-	-	-	-	-	-	(15)	(15)
	Total comprehensive income for the year	-	-	-	-	-	-	(15)	(15)
	Proposed dividends for the year	-	-	-	-	-	40	(40)	-
	Share-based payment (exercised)	-	(4)	-	-	7	-	-	3
	Purchase/sale of treasury shares and other equity instruments	-	(79)	-	-	(4)	-	-	(83)
	Balance sheet total at December 31, 2010	**833**	**3,286**	**-**	**-**	**(341)**	**40**	**1,436**	**5,254**

Note 1 - Significant Accounting Estimates and Judgments and Presentation of the Annual Report

The recognition of certain items of income and expenses and the determination of the carrying amount of certain assets and liabilities implies making accounting estimates and judgments. Significant accounting estimates and judgments comprise revenue recognition, computation of amortization, depreciation and impairment, useful lives and remaining useful lives of non-current assets, recognition of pension obligations and similar non-current obligations, provisions and contingent assets and liabilities.

The estimates used are based on assumptions which by Management are assessed to be reliable, but which by nature are associated with uncertainty. The assumptions may be incomplete or incorrect, and unexpected events or circumstances may arise. Accordingly, the Company is subject to risks and uncertainties which may result in the fact that actual results may differ from these estimates.

GN Store Nord considers the following presentation, accounting estimates and judgments and related assumptions significant to the annual report:

Award from the Arbitration Case against TPSA

Since 2001, GN Store Nord has been involved in an arbitration case against Telekomunikacja Polska S.A. (TPSA) through its 75% share of DPTG I/S. The dispute concerns the determination of traffic volumes carried via the NSL fiber optical telecommunications system in Poland. The case is further described in note 27. On September 3, 2010 the Arbitration Tribunal in Vienna, Austria awarded DPTG I/S around DKK 2.9 billion for the contract period from 1994 to mid-2004 (phase 1). The ruling from the Arbitration Tribunal is final and legally binding. The amount awarded to DPTG I/S was due within a 14-day deadline from the ruling on September 3, 2010. As of December 31, 2010 TPSA had not paid the amount due. GN Store Nord has recognized its DKK 2.1 billion share of the amount awarded in the income statement for 2010. GN Store Nord has noted that TPSA has filed a complaint about the arbitration process. The complaint does not change the fact that the ruling from the Arbitration Tribunal is final and legally binding and consequently it is GN Store Nord's assessment that it is virtually certain that the amount awarded by the Arbitration Tribunal in Vienna regarding phase 1 of the case will be paid. GN Store Nord has assessed that TPSA is able to pay the amount and therefore no write-down for bad debt losses has been recognized in the 2010 financial statements. DPTG I/S has initiated enforcement proceedings in Poland, the Netherlands, the UK, Germany and France in order to collect the amount due from TPSA. In January 2011, DPTG I/S filed a DKK 2.4 billion claim for the contract period from mid-2004 to 2009 (phase 2) at the Arbitration Tribunal in Austria. GN Store Nord has not recognized an amount for phase 2 in the 2010 financial statement but included it as a contingent asset in note 27.

Revenue Recognition

Revenue from the sale of goods and rendering of services is recognized 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. Significant accounting estimates and judgments comprise determining the portion of expected returns of goods. The portion of goods sold that is expected to be returned is estimated based on historical product returns data. Extended warranties are separated from the sale of goods and recognized on a straight-line basis over the term of the contract. The value of extended warranties that are not separately priced is estimated.

Development Projects

Development projects are measured at cost less accumulated amortization and impairment. An impairment test is performed of the carrying amount of recognized development projects. The impairment test is based on assumptions regarding strategy, product lifecycle, market conditions, discount rates and budgets etc. after the project has been completed and production has commenced. If market-related assumptions etc. are changed, development projects may have to be written down. Management examines and assesses the underlying assumptions when determining whether the carrying amount should be written down. The carrying amount of completed and in-process development projects was DKK 864 million at December 31, 2010 (2009: DKK 842 million).

Goodwill

Determining whether goodwill is impaired requires a comparison of the recoverable amount with the carrying amount. The recoverable amount is determined as the net present value of the future cash flows expected to arise from the cash-generating unit to which goodwill is allocated. The carrying amount of goodwill at December 31, 2010 was DKK 2,881 million (2009: DKK 2,625 million). Assumptions underlying the impairment test are provided in note 10.

Trade Receivables

Trade receivables are measured at amortized cost less write-down for bad debt losses. Write-down for bad debt losses is based on an individual assessment of each receivable and at portfolio level. If a customer's financial condition deteriorates, and thus the ability to meet the financial obligation to GN Store Nord, further write-downs may be required in future periods. In assessing the adequacy of write-downs for bad debt losses, Management specifically analyses receivables, including doubtful debts, concentrations of credit risk, credit ratings, current economic conditions and changes in customers' payment behaviour. At December 31, 2010 the carrying amount of write-downs for bad debt losses was DKK 47 million (2009: DKK 105 million). The maturities of trade receivables are included in note 19.

Note 1 - Significant Accounting Estimates and Judgments and Presentation of the Annual Report (continued)

Measurement of Inventories

Inventories are measured at cost in accordance with the FIFO-principle. In GN ReSound inventories are measured at cost using the standard cost method. Standard costs take into account normal levels of raw materials and consumables, staff costs, efficiency and capacity utilization. Standard costs are reviewed regularly and adjusted in accordance with the FIFO-principle. Where the net realizable value is lower than cost,

inventories are written down to this lower value. The net realizable value of inventories is calculated based on the size of the inventory and decreases in the recoverable amount of purchased raw materials, technical obsolescence (e.g. faulty products), physical obsolescence (e.g. damaged products) and financial obsolescence (e.g. reduced demand or substituting products). GN Store Nord performs write-downs of inventories based on an individual assessment of products or product groups and expected product sales within 12 months following the balance sheet date. At December 31, 2010 the carrying amount of write-downs of inventories was DKK 133 million (2009: DKK 149 million).

Deferred Tax

Management has made judgments in determining the Company's provisions for tax, deferred tax assets and deferred tax liabilities and the extent to which deferred tax assets are recognized. GN Store Nord recognizes deferred tax assets only to the extent that it is probable that taxable profit will be available against which the temporary differences and unused tax losses can be utilized. At December 31, 2010 the carrying amount of deferred tax assets and deferred tax liabilities was DKK 612 million (2009: DKK 670 million) and DKK 572 million (2009: DKK 7 million), respectively.

Provisions and Contingencies

As part of its normal business policy GN Store Nord supplies its products with ordinary and extended warranties. Warranty provisions are recognized based on historical and future warranty costs related to the Group's products. Future warranty costs may differ from past practices and the level of costs. At December 31, 2010 the carrying amount of warranty provisions was DKK 122 million (2009: DKK 108 million). In accordance with GN Store Nord's business policy some products are supplied with a right of return. Provisions for future returns of goods are recognized based on historical product returns data. The probability of future returns may differ from past practices. At December 31, 2010 the carrying amount of provisions in respect of obligations to take back goods was DKK 62 million (2009: DKK 43 million).

GN Store Nord's production of headsets and audiologic diagnostics equipment is undertaken by suppliers. Agreement has been made with a number of the suppliers that the suppliers purchase components for the production of headsets and audiologic diagnostics equipment based on sales estimates prepared by GN Store Nord. To the extent that GN Store Nord's actual purchases from suppliers are lower than sales estimates, GN Store Nord will be under an obligation to purchase any remaining components from the suppliers. Management assesses sales estimates on an ongoing basis and to the extent that component inventories at suppliers are not expected to be used, GN Store Nord recognizes a provision for onerous purchase contracts.

GN's Management assesses provisions, contingent assets and contingent liabilities and the likely outcome of pending or threatened lawsuits on an ongoing basis. The outcome depends on future events that are by nature uncertain. In assessing the likely outcome of lawsuits and tax disputes etc., Management bases its assessment on external legal assistance and decided cases. A detailed account of significant lawsuits and the contingent assets regarding phase 2 of the arbitration case against Telekomunikacja Polska S.A. and the tax case related to the merger of two US companies (the Beltone tax case) is provided in note 27.

Note (DKK million)

2 Segment Disclosures

Income statement 2010	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
External revenue	1,973	3,164	8	-	5,145
Internal revenue	-	-	44	(44)	-
Revenue	**1,973**	**3,164**	**52**	**(44)**	**5,145**
Production costs	(930)	(1,281)	-	-	(2,211)
Gross profit	**1,043**	**1,883**	**52**	**(44)**	**2,934**
Expensed development costs*	(165)	(281)	-	-	(446)
Selling and distribution costs*	(527)	(990)	-	-	(1,517)
Management and administrative expenses	(129)	(292)	(142)	44	(519)
Other operating income/(expenses)	2	9	6	-	17
Award from the arbitration case against TPSA	-	-	2,126	-	2,126
EBITA	**224**	**329**	**2,042**	**-**	**2,595**
Amortization of other intangible assets acquired in company acquisitions	(6)	(20)	-	-	(26)
Operating profit (loss)	**218**	**309**	**2,042**	**-**	**2,569**
Financial income	36	52	56	(62)	82
Financial expenses	(35)	(94)	(48)	62	(115)
Profit (loss) before tax	**219**	**267**	**2,050**	**-**	**2,536**
Tax on profit (loss)	(74)	(101)	(506)	-	(681)
Profit (loss) for the year	**145**	**166**	**1,544**	**-**	**1,855**
Impairment losses regarding intangible assets and property, plant and equipment recognized in the income statement	(14)	-	-	-	(14)

Transactions between segments are based on market terms.

Eliminations in the income statement regard intersegment rent and interest.

Other segment disclosures 2010	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
Incurred development costs	(141)	(314)	-	-	(455)
Capitalized development costs	55	179	-	-	234
Amortization and depreciation*	(79)	(146)	-	-	(225)
Expensed development costs	**(165)**	**(281)**	**-**	**-**	**(446)**
EBITDA	254	423	2,059	-	2,736
Depreciation	(30)	(94)	(17)	-	(141)
EBITA	**224**	**329**	**2,042**	**-**	**2,595**

Major customers
No single customer accounted for 10% or more of GN's total revenue in 2010.

Geographical information 2010	Denmark	Rest of Europe	North America	Asia and rest of world	Consolidated total
Revenue	117	1,892	2,153	983	5,145
Intangible assets and property, plant and equipment	1,272	447	2,616	177	4,512

Revenues are attributed to countries on the basis of the customer's location. Intangible assets and property, plant and equipment are attributed based on the physical location of the assets.

Only the US (presented under the headline North America) represents a material single country.

*Does not include share of amortization of other intangible assets acquired in company acquisitions, cf. the definition of EBITA.

Note (DKK million)

2 Segment Disclosures (continued)

Balance sheet 2010	**GN Netcom**	**GN ReSound**	**Other GN**	**Eliminations**	**Consolidated total**
Assets					
Goodwill	456	2,405	-	-	2,861
Development projects	113	751	-	-	864
Other intangible assets	55	217	34	-	306
Property, plant and equipment	26	242	213	-	481
Investments in associates	-	34	-	-	34
Other non-current assets	190	616	20	(56)	770
Total non-current assets	**840**	**4,265**	**267**	**(56)**	**5,316**
Inventories	93	378	-	-	471
Trade receivables	317	783	10	-	1,110
Receivables from subsidiaries*	501	-	967	(1,468)	-
Other receivables	40	482	2,230	-	2,752
Cash and cash equivalents	25	131	1	-	157
Total current assets	**976**	**1,774**	**3,208**	**(1,468)**	**4,490**
Total assets	**1,816**	**6,039**	**3,475**	**(1,524)**	**9,806**
Equity and Liabilities					
Equity	**1,315**	**3,375**	**1,814**	**-**	**6,504**
Bank loans	-	-	1,056	-	1,056
Other non-current liabilities	39	299	518	(56)	800
Total non-current liabilities	**39**	**299**	**1,574**	**(56)**	**1,856**
Bank loans	33	28	-	-	61
Trade payables	149	221	17	-	387
Amounts owed to subsidiaries*	-	1,468	-	(1,468)	-
Other current liabilities	280	648	70	-	998
Total current liabilities	**462**	**2,365**	**87**	**(1,468)**	**1,446**
Total equity and liabilities	**1,816**	**6,039**	**3,475**	**(1,524)**	**9,806**

Eliminations in the balance sheet regard tax and intercompany balances.

*Net amount

Cash flow statement 2010	**GN Netcom**	**GN ReSound**	**Other GN**	**Eliminations**	**Consolidated total**
Cash flow from operating activities before changes in working capital	**344**	**561**	**(36)**	**-**	**869**
Cash flow from changes in working capital and restructuring/non-recurring costs paid	(55)	(212)	9	-	(258)
Cash flow from operating activities before financial items and tax	**289**	**349**	**(27)**	**-**	**611**
Cash flow from investing activities	(56)	(280)	(31)	-	(367)
Cash flow from operating and investing activities before financial items and tax	**233**	**69**	**(58)**	**-**	**244**
Tax and financial items	11	(73)	14	-	(48)
Cash flow from operating and investing activities (free cash flow)	**244**	**(4)**	**(44)**	**-**	**196**

Note (DKK million)

2 Segment Disclosures (continued)

Income statement 2009	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
External revenue	1,736	2,981	12	-	4,729
Internal revenue	-	-	53	(53)	-
Revenue	**1,736**	**2,981**	**65**	**(53)**	**4,729**
Production costs	(996)	(1,172)	-	-	(2,168)
Gross profit	**740**	**1,809**	**65**	**(53)**	**2,561**
Expensed development costs*	(137)	(274)	-	-	(411)
Selling and distribution costs*	(402)	(975)	-	-	(1,377)
Management and administrative expenses	(385)	(343)	(94)	53	(769)
Other operating income/(expenses)	-	8	(4)	-	4
EBITA	**(184)**	**225**	**(33)**	**-**	**8**
Amortization of other intangible assets acquired in company acquisitions	(5)	(26)	-	-	(31)
Operating profit (loss)	**(189)**	**199**	**(33)**	**-**	**(23)**
Gains (losses) on disposal of operations	-	93	-	-	93
Profit (loss) before financial items and tax	**(189)**	**292**	**(33)**	**-**	**70**
Share of profit (loss) in associates	-	1	-	-	1
Financial income	24	31	87	(96)	46
Financial expenses	(7)	(134)	(73)	96	(118)
Profit (loss) before tax	**(172)**	**190**	**(19)**	**-**	**(1)**
Tax on profit (loss)	(25)	(53)	9	-	(69)
Profit (loss) for the year	**(197)**	**137**	**(10)**	**-**	**(70)**
Impairment losses regarding intangible assets and property, plant and equipment recognized in the income statement	(9)	(6)	-	-	(15)

Transactions between segments are based on market terms.

Eliminations in the income statement regard intersegment rent and interest.

Other segment disclosures 2009	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
Incurred development costs	(137)	(312)	-	-	(449)
Capitalized development costs	74	185	-	-	259
Amortization and depreciation*	(74)	(147)	-	-	(221)
Expensed development costs	**(137)**	**(274)**	**-**	**-**	**(411)**
EBITDA	**(134)**	**327**	**(11)**	**-**	**182**
Depreciation	(50)	(102)	(22)	-	(174)
EBITA	**(184)**	**225**	**(33)**	**-**	**8**

Major customers
No single customer accounted for 10% or more of GN's total revenue in 2009.

Geographical information 2009	Denmark	Rest of Europe	North America	Asia and rest of world	Consolidated total
Revenue	127	1,918	1,890	794	4,729
Intangible assets and property, plant and equipment	1,288	431	2,381	132	4,232

Revenues are attributed to countries on the basis of the customer's location. Intangible assets and property, plant and equipment are attributed based on the physical location of the assets.

Only the US (presented under the headline North America) represents a material single country.

*Does not include share of amortization of other intangible assets acquired in company acquisitions, cf. the definition of EBITA.

Note (DKK million)

2 Segment Disclosures (continued)

Balance sheet 2009	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
Assets					
Goodwill	422	2,183	-	-	2,605
Development projects	135	707	-	-	842
Other intangible assets	63	245	7	-	315
Property, plant and equipment	36	209	225	-	470
Investments in associates	-	35	-	-	35
Other non-current assets	242	669	132	(204)	839
Total non-current assets	**898**	**4,048**	**364**	**(204)**	**5,106**
Inventories	87	288	-	-	375
Trade receivables	289	705	23	-	1,017
Receivables from subsidiaries*	218	-	1,218	(1,436)	-
Other receivables	36	406	75	(28)	489
Cash and cash equivalents	25	122	1	-	148
Total current assets	**655**	**1,521**	**1,317**	**(1,464)**	**2,029**
Total assets	**1,553**	**5,569**	**1,681**	**(1,668)**	**7,135**
Equity and Liabilities					
Equity	**1,051**	**2,969**	**415**	**-**	**4,435**
Bank loans	-	-	1,070	-	1,070
Other non-current liabilities	108	291	76	(204)	271
Total non-current liabilities	**108**	**291**	**1,146**	**(204)**	**1,341**
Bank loans	21	45	41	-	107
Trade payables	140	190	8	-	338
Amounts owed to subsidiaries*	-	1,436	-	(1,436)	-
Other current liabilities	233	638	71	(28)	914
Total current liabilities	**394**	**2,309**	**120**	**(1,464)**	**1,359**
Total equity and liabilities	**1,553**	**5,569**	**1,681**	**(1,668)**	**7,135**

Eliminations in the balance sheet regard tax and intercompany balances.

*Net amount

Cash flow statement 2009	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
Cash flow from operating activities before changes in working capital	**156**	**477**	**(9)**	**-**	**624**
Cash flow from changes in working capital and restructuring/non-recurring costs paid	86	178	(30)	-	234
Cash flow from operating activities before financial items and tax	**242**	**655**	**(39)**	**-**	**858**
Cash flow from investing activities	(90)	(197)	136	-	(151)
Cash flow from operating and investing activities before financial items and tax	**152**	**458**	**97**	**-**	**707**
Tax and financial items	15	(129)	(27)	-	(141)
Cash flow from operating and investing activities (free cash flow)	**167**	**329**	**70**	**-**	**566**

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
3	**Staff Costs**				
	Wages, salaries and remuneration	(1,543)	(1,545)	(21)	(15)
	Pensions	(69)	(57)	(1)	(2)
	Other social security costs	(157)	(170)	-	-
	Share-based payments	(22)	(24)	-	-
	Total	**(1,791)**	**(1,796)**	**(22)**	**(17)**
	Included in:				
	Production costs and change in payroll costs included in inventories	(444)	(440)	-	-
	Development costs	(273)	(271)	-	-
	Selling and distribution costs	(778)	(750)	-	-
	Management and administrative expenses	(288)	(335)	(16)	(17)
	Award from the arbitration case against TPSA	(6)	-	(6)	-
	Financial expenses	(2)	-	-	-
	Total	**(1,791)**	**(1,796)**	**(22)**	**(17)**
	Executive Management remuneration:				
	Salaries	(18)	(24)	-	-
	Share-based payments	(3)	(5)	-	-
	Parent company Executive Management remuneration	(21)	(29)	-	-
	Salaries	(3)	(4)	-	-
	Share-based payments	-	-	-	-
	Other Group Executive Management remuneration	(3)	(4)	-	-
	Total Group Executive Management remuneration	**(24)**	**(33)**	**-**	**-**
	Group Executive Management remuneration can be specified as follows:				
	Mogens Elsberg (CEO of GN Netcom from August 10, 2009)	(6)	(2)	-	-
	Toon Bouten (CEO of GN Netcom until August 10, 2009)	-	(8)	-	-
	Lars Viksmoen (CEO of GN ReSound from April 1, 2010)	(5)	-	-	-
	Mike van der Wallen (CEO of GN ReSound until April 1, 2010)	(3)	(11)	-	-
	Anders Boyer, CFO of GN Store Nord and GN Netcom	(7)	(8)	-	-
	Parent company Executive Management remuneration	(21)	(29)	-	-
	Henrik Juuel, CFO of GN ReSound	(3)	(4)	-	-
	Total Group Executive Management remuneration	**(24)**	**(33)**	**-**	**-**
	Board of Directors remuneration	(5.1)	(4.5)	(3.5)	(2.9)
	Average number of employees	4,358	4,355	17	19
	Number of employees, year-end	4,528	4,144	18	20

Incentive plans

The Group's share-based incentive plans are specified and described in note 31.

Group Executive Management and Board of Directors Remuneration

The total remuneration to Group Executive Management decreased 27% or DKK 9 million from 2009 to 2010. This is a reflection of three factors. First of all, in accordance with GN's remuneration policy the fixed base salaries for both CEOs who joined GN in 2009 (Mogens Elsberg) and 2010 (Lars Viksmoen) respectively are lower than those of their predecessors. Secondly, the so-called Black-Scholes value of the new long-term incentive program implemented in 2010 is lower than that of the previus program. Thirdly, the bonus payable for 2010 is somewhat lower than the 2009 bonus.

Remuneration of the Group Executive Management is based on a fixed base salary plus a target bonus of 50% with the potential bonus earned ranging from 0-100%. The Group Executive Management´s bonus is based on three parameters in light of the Group's focus areas. Mogens Elsberg's and Anders Boyer's bonuses are subject to the performance of GN Netcom's EBITA, GN Netcom's revenue and individual performance targets. Lars Viksmoen's and Henrik Juuel's bonuses are subject to the performance of GN ReSound's EBITA, GN ReSound's revenue and individual performance targets. The Group does not make pension contributions in respect of members of the Group Executive Management. Group Executive Management has severance agreements and change-of-control agreements on market terms.

Note	(DKK million)

3 **Staff Costs (continued)**

Members of the Board of Directors receive a fixed remuneration which was unchanged compared to 2009. The fixed remuneration is based on GN's corporate governance structure in which an Audit Committee and a Remuneration Committee have been established. Further, the appointed board members of GN Store Nord also serve on the Board of Directors of GN ReSound A/S and GN Netcom A/S. The full-year remuneration of the Board of Directors are as follows (DKK thousand):

GN Store Nord A/S	
Chairman	600
Deputy Chairman	400
Other Board members	200
Remuneration Committee Chairman	100
Remuneration Committee, other members	50
Audit Committee Chairman	150
Audit Committee, other members	50

GN ReSound A/S	
Chairman	250
Deputy Chairman	175
Other Board members	100

GN Netcom A/S	
Chairman	250
Deputy Chairman	175
Other Board members	100

In 2010, the Board of Directors of GN Store Nord A/S established an ad hoc Strategy Committee consisting of the Chairman, the Deputy Chairman and one other board member. The Strategy Committee was established for the purpose of among others exploring how to leverage core innovation capabilities in a broader perspective. The Strategy Committee held 12 meetings in 2010 and each member has received an extraordinary onetime fee of DKK 200 thousand.

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
4	**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	(455)	(449)	-	-
	Depreciation of operating assets etc. used for development purposes	(19)	(21)	-	-
	Total development costs incurred	(474)	(470)	-	-
	Development costs capitalized as development projects	234	259	-	-
	Amortization and impairment of capitalized development projects	(212)	(207)	-	-
	Total expensed development costs	**(452)**	**(418)**	**-**	**-**
	The Group received government grants of DKK 0 million (DKK 0 million in 2009).				
5	**Depreciation, Amortization and Impairment**				
	Depreciation, amortization and impairment for the year of property, plant and equipment and intangible assets are recognized in the income statement as follows:				
	Production costs	(55)	(58)	-	-
	Development costs	(232)	(228)	-	-
	Selling and distribution costs	(39)	(45)	-	-
	Management and administrative expenses	(53)	(81)	(4)	(3)
	Total	**(379)**	**(412)**	**(4)**	**(3)**

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
5	**Depreciation, Amortization and Impairment (continued)**				
	Amortization of intangible assets is recognized in the income statement as follows:				
	Production costs	(3)	(1)	-	-
	Development costs	(209)	(212)	-	-
	Selling and distribution costs	(24)	(30)	-	-
	Management and administrative expenses	(21)	(29)	(4)	(3)
	Total	**(257)**	**(272)**	**(4)**	**(3)**
	Impairment of intangible assets is recognized in the income statement as follows:				
	Development costs	(13)	(5)	-	-
	Selling and distribution costs	-	(2)	-	-
	Management and administrative expenses	-	(7)	-	-
	Total	**(13)**	**(14)**	**-**	**-**
6	**Fees to Auditors Appointed by the Shareholders in General Meeting**				
	Audit fees	(8)	(8)	(1)	(1)
	Total	**(8)**	**(8)**	**(1)**	**(1)**
	Other assistance:				
	Other assurance engagements	-	-	-	-
	Other audit-related services	(3)	(2)	-	-
	Tax assistance and advice	(3)	(4)	(1)	(1)
	Total	**(6)**	**(6)**	**(1)**	**(1)**
	Total	**(14)**	**(14)**	**(2)**	**(2)**
	Consolidated audit fees include DKK 3 million (2009: DKK 2 million) to KPMG Revisionspartnerselskab. Consolidated other assistance includes DKK 1 million (2009: DKK 2 million) to KPMG Revisionspartnerselskab.				
7	**Financial Income**				
	Interest income from subsidiaries*	-	-	63	110
	Interest income from bank balances*	1	2	-	-
	Financial income, other	17	5	-	1
	Fair value adjustment of derivative financial instruments, net	5	-	-	-
	Foreign exchange gain	59	39	8	2
	Total	**82**	**46**	**71**	**113**
	*Interest income from financial assets at amortised cost.				
8	**Financial Expenses**				
	Interest expense to subsidiaries*	-	-	(34)	(44)
	Interest expense on bank balances*	(22)	(56)	(19)	(52)
	Financial expenses, other	(37)	(19)	(3)	(8)
	Foreign exchange loss	(56)	(43)	(11)	(1)
	Total	**(115)**	**(118)**	**(67)**	**(105)**

GN has not included borrowing costs in the cost price of non-current assets as these are not financed with debt.

*Interest expenses from financial liabilities at amortised cost.

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
9	**Tax**				
	Tax on profit (loss)				
	Joint taxation contribution	-	-	2	-
	Tax payable on foreign activities	(17)	(25)	-	-
	Deferred tax adjustment	(628)	10	7	(11)
	Change in tax rate	(2)	(22)	-	-
	Change in non-capitalized tax assets	-	(7)	-	-
	Impairment of previously capitalized tax assets	(30)	-	-	-
	Other, including prior-year tax adjustment	(4)	(25)	13	8
	Total	**(681)**	**(69)**	**22**	**(3)**
	Tax relating to other comprehensive income				
	Exchange rate adjustments, etc.	11	(4)	-	-
	Actuarial gains (losses)	-	(9)	-	-
	Total	**11**	**(13)**	**-**	**-**
	Explanation of tax on profit (loss)				
	Danish tax rate, 25% of profit (loss) before tax	(634)	-	9	2
	Change in and differences compared to Danish tax rate	(5)	(23)	-	-
	Non-taxable income and non-deductible expenses	(7)	(8)	-	(11)
	Change in value adjustment, including utilization of non-capitalized tax losses	(30)	(10)	-	-
	Prior-year tax adjustment	(5)	(27)	13	8
	Other value adjustments and changes	-	(1)	-	(2)
	Tax on profit (loss)	**(681)**	**(69)**	**22**	**(3)**

In 2010, the parent company paid DKK 0 million in corporation tax against DKK 0 million in 2009.

Note **(DKK million)**

10 Intangible Assets

Consolidated	Goodwill	Development projects, developed in-house	Software	Patents and rights	Telecommunication systems	Other	Total
Cost at January 1	2,605	1,807	344	237	147	464	5,604
Additions on company acquisitions	61	-	-	-	-	4	65
Additions	-	234	33	1	-	-	268
Disposals	(3)	(109)	(64)	-	-	(1)	(177)
Foreign exchange adjustments	198	2	7	11	-	30	248
Cost at December 31	2,861	1,934	320	249	147	497	6,008
Amortization and impairment at January 1	-	(965)	(296)	(199)	(140)	(242)	(1,842)
Amortization	-	(199)	(28)	(7)	(4)	(19)	(257)
Disposals	-	109	64	-	-	-	173
Impairment	-	(13)	-	-	-	-	(13)
Foreign exchange adjustments	-	(2)	(8)	(9)	-	(19)	(38)
Amortization and impairment at December 31	-	(1,070)	(268)	(215)	(144)	(280)	(1,977)
Carrying amount at December 31, 2010	**2,861**	**864**	**52**	**34**	**3**	**217**	**4,031**
Cost at January 1	2,655	1,582	396	239	147	469	5,488
Additions	10	259	19	2	-	1	291
Disposals	(27)	(29)	(70)	(2)	-	-	(128)
Foreign exchange adjustments	(33)	(5)	(1)	(2)	-	(6)	(47)
Cost at December 31	2,605	1,807	344	237	147	464	5,604
Amortization and impairment at January 1	-	(792)	(323)	(196)	(136)	(223)	(1,670)
Amortization	-	(202)	(35)	(7)	(4)	(24)	(272)
Disposals	-	29	70	2	-	-	101
Impairment	-	(5)	(9)	-	-	-	(14)
Foreign exchange adjustments	-	5	1	2	-	5	13
Amortization and impairment at December 31	-	(965)	(296)	(199)	(140)	(242)	(1,842)
Carrying amount at December 31, 2009	**2,605**	**842**	**48**	**38**	**7**	**222**	**3,762**
Amortized over	-	1-5 years	1-5 years	up to 20 years	5-15 years	up to 20 years	

GN has not capitalized any borrowing costs in the current or preceding periods as non-current assets are not financed with debt.

Impairment of development projects relates to projects for which the sales forecasts can not justify the capitalized value. Impairment of software regards software that is no longer used.

Goodwill
Additions during the year of DKK 61 million mainly relates to the acquisition of equity shares in hearing instrument chains and distributors in the US, cf. note 32. Disposals during the year of DKK 3 million relates to disposal of dispensers, cf. note 32.

Management has performed an impairment test of the carrying amount of goodwill at December 31, 2010. The impairment test covered the Group's cash-generating units (CGU) to which the carrying amount of goodwill is allocated.

	Carrying amount of goodwill		Required rate of return before tax	
	2010	**2009**	**2010**	**2009**
Cash-generating units:				
Contact Center & Office Headsets	283	262	10	10
Mobile Headsets	173	160	12	14
Hearing Instruments	2,356	2,145	8	9
Audiologic Diagnostics Equipment	69	58	11	11
Total	**2,881**	**2,625**		

Hearing Instruments comprises goodwill related to associates of DKK 20 million (2009: DKK 20 million).

Note **(DKK million)**

10 Intangible Assets (continued)

In the impairment test, the discounted future cash flows of each CGU were compared with the carrying amounts. Future cash flows are based on the budget for 2011, market forecasts for 2012 - 2015 and strategy plans, among other things. Budgets and strategy plans are based on specific assumptions for the individual CGU regarding sales, operating profit, working capital, investments in non-current assets, among other things. The calculation applies expected growth in the terminal period of 2.5% p.a. Based on the impairment tests and related assumptions, Management has not identified any goodwill impairment at December 31, 2010.

Mobile Headsets
In Mobile Headsets, a key assumption for maintaining the value of goodwill is a continued improvement of profitability. During 2010, Mobile Headsets improved profitability and reached a small but positive EBITA. Earnings for the calendar year 2011 are expected to improve compared to 2010. The future EBITA margin for Mobile Headsets is expected to increase to 5% or higher, driven by revenue growth. A negative deviation from the assumptions used may result in a future impairment.

Sensitivity analysis – Mobile Headsets
A sensitivity analysis on the key assumption of the impairment test shows that the future EBITA margin needs to be above a low single digit level before the recoverable amount related to Mobile Headsets equals the carrying amount of goodwill.

Development projects and software
In-progress and completed development projects comprise development and design of hearing instruments, audiologic diagnostics equipment and headsets. The development projects are expected to be completed in 2011 and 2012, after which date product sales and marketing can be commenced. Management performs at least one annual impairment test of the carrying amount of recognized development costs. The recoverable amount is assessed based on sales forecasts. In Management's assessment, the recoverable amount exceeds the carrying amount.

Software comprises development, design and test of production and planning software and reporting systems, business intelligence etc. Implementation of these systems is expected to optimize internal procedures and processes. In 2010, Management assessed that the expected useful lives were reflected in the carrying amounts at December 31, 2010.

The carrying amounts at December 31, 2010 of completed and in-progress development projects, which are developed in-house, and software can be specified as follows:

	Development projects, developed in-house		Software		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Cost at December 31, completed projects	1,572	1,381	320	344	1,892	1,725
Cost at December 31, projects in progress	362	426	-	-	362	426
Total	**1,934**	**1,807**	**320**	**344**	**2,254**	**2,151**
Carrying amount at December 31, completed projects	502	416	52	48	554	464
Carrying amount at December 31, projects in progress	362	426	-	-	362	426
Total	**864**	**842**	**52**	**48**	**916**	**890**

Patents and rights
Patents and rights primarily comprise patents and rights acquired in company acquisitions. The most significant patents primarily relate to technologies regarding the development of new hearing instruments for GN ReSound and rights to the use of certain technologies regarding development of headsets.

Other
The Group's other intangible assets comprise DKK 59 million (2009: DKK 60 million) related to customer lists, DKK 158 million (2009: DKK 161 million) related to trademarks of which DKK 0 million (2009: DKK 71 million) with indefinite useful lives and DKK 0 million (2009: DKK 1 million) related to non-competition clauses.

Management has in 2010 reassessed the classification of a trademark asset and has decided to re-classify the asset amounting to DKK 68 million (2009: DKK 71 million) from indefinite to finite useful life.

Note (DKK million)

10 Intangible Assets (continued)

Parent company

	Software		Telecom-munication systems		Total	
	2010	2009	2010	2009	2010	2009
Cost at January 1	4	4	67	67	71	71
Additions	31	-	-	-	31	-
Cost at December 31	35	4	67	67	102	71
Amortization and impairment at January 1	(4)	(4)	(60)	(57)	(64)	(61)
Amortization	-	-	(4)	(3)	(4)	(3)
Amortization and impairment at December 31	(4)	(4)	(64)	(60)	(68)	(64)
Carrying amount at December 31	**31**	**-**	**3**	**7**	**34**	**7**
Amortized over	3 years	3 years	5-15 years	5-15 years		

GN has not capitalized any borrowing costs in the current or preceding periods as non-current assets are not financed with debt.

11 Property, Plant and Equipment

Consolidated

	Factory and office buildings	Leasehold improve-ments	Plant and machinery	Operating assets and equipment	Leased plant and equip-ment	Assets under con-struction	Total
Cost at January 1	372	84	590	346	5	1	1,398
Additions on company acquisitions	-	4	-	12	-	-	16
Additions	2	15	45	21	1	11	95
Disposals	-	(12)	(15)	(48)	-	-	(75)
Transfers	-	-	9	-	-	(9)	-
Foreign exchange adjustments	2	12	14	19	1	-	48
Cost at December 31	376	103	643	350	7	3	1,482
Depreciation and impairment at January 1	(77)	(61)	(496)	(291)	(3)	-	(928)
Depreciation	(16)	(13)	(54)	(24)	(1)	-	(108)
Impairment	-	-	(1)	-	-	-	(1)
Disposals	-	11	14	47	-	-	72
Foreign exchange adjustments	(1)	(8)	(11)	(15)	(1)	-	(36)
Depreciation and impairment at December 31	(94)	(71)	(548)	(283)	(5)	-	(1,001)
Carrying amount at December 31, 2010	**282**	**32**	**95**	**67**	**2**	**3**	**481**
Cost at January 1	539	104	573	394	4	3	1,617
Additions	1	6	24	8	1	10	50
Disposals	(168)	(28)	(16)	(59)	-	-	(271)
Transfers	-	-	11	-	-	(11)	-
Foreign exchange adjustments	-	2	(2)	3	-	(1)	2
Cost at December 31	372	84	590	346	5	1	1,398
Depreciation and impairment at January 1	(73)	(71)	(449)	(308)	(2)	-	(903)
Depreciation	(19)	(11)	(63)	(31)	(1)	-	(125)
Impairment	-	-	(1)	-	-	-	(1)
Disposals	15	22	15	53	-	-	105
Foreign exchange adjustments	-	(1)	2	(5)	-	-	(4)
Depreciation and impairment at December 31	(77)	(61)	(496)	(291)	(3)	-	(928)
Carrying amount at December 31, 2009	**295**	**23**	**94**	**55**	**2**	**1**	**470**
Depreciated over	10-50 years	5-20 years	1-7 years	2-7 years	2-7 years	-	-

GN has not capitalized any borrowing costs in the current or preceding periods as non-current assets are not financed with debt.

Note	(DKK million)	Parent company 2010	Parent company 2009
12	**Investments in Subsidiaries**		
	Cost at January 1	5,548	5,574
	Additions, capital contribution	168	-
	Disposals	(2)	(26)
	Cost at December 31	**5,714**	**5,548**

Group companies are listed on page 73.

Note		Consolidated 2010	Consolidated 2009
13	**Associates and Joint Ventures**		
	Investments in associates		
	Cost at January 1	43	49
	Disposals	(1)	(3)
	Transfer	-	(3)
	Cost at December 31	42	43
	Value adjustments at January 1	(8)	(8)
	Share of profit (loss)	-	1
	Dividends	(2)	(2)
	Disposals	1	-
	Foreign exchange adjustments	1	1
	Value adjustments at December 31	(8)	(8)
	Carrying amount at December 31	**34**	**35**
	Aggregated financial information in respect of associates is provided below:		
	Revenue	113	117
	Profit (loss) for the year after tax	4	4
	Total assets	75	77
	Total liabilities	25	31
	Total share of profit (loss) for the year after tax	-	1
	Total share of net assets	14	15
	Associates are listed on page 73.		
	Aggregated financial information in respect of joint ventures accounted for by proportionate consolidation is provided below:		
	Non-current assets	-	-
	Current assets	2,198	10
	Non-current liabilities	-	-
	Current liabilities	11	-
	Revenue	-	-
	Costs	(1)	(1)
	Award from the arbitration case against TPSA	2,121	-

Joint ventures accounted for by proportionate consolidation are listed on page 73.

Note	(DKK million)	Consolidated 2010	Consolidated 2009
14	**Other Securities**		
	Ownership interests	99	111
	Derivative financial instruments relating to ownership interests	53	40
	Other	4	6
	Total	**156**	**157**

Other securities are primarily ownership interests in dispensers of GN ReSound products and derivative financial instruments linked to ownership interests in such dispensers. The ownership interests and the related derivative financial instruments are measured at cost, cf. description in GN's Accounting Policies.

In 2009, GN ReSound exercised a call option to acquire the remaining shares in a US dispenser business in 2012. The payment for the shares is determined on the basis of the dispenser's financial results for 2009. As of December 31, 2010, the fair value of the dispenser business corresponded to the exercise price of the call option and hence the forward contract has a fair value of DKK 0.

Note		Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
15	**Prepayments**				
	Rent	6	5	-	-
	Property tax	4	-	-	-
	Insurance	5	6	-	-
	RAP, SIP and DCP	102	78	-	-
	Other	51	76	1	1
	Total	**168**	**165**	**1**	**1**
	Regarding RAP, SIP and DCP, see note 25.				
16	**Deferred Tax**				
	Deferred tax assets				
	Tax assets at January 1	670	695	-	-
	Prior-year adjustments	(30)	(18)	-	-
	Change in tax rate	2	(22)	-	-
	Impairment of previously capitalized tax assets	(30)	(7)	-	-
	Change relating to profit (loss) for the year	(50)	10	-	-
	Transferred from "Deferred tax liabilities"	2	27	-	-
	Tax relating to other comprehensive income	-	(5)	-	-
	Foreign exchange adjustments etc.	48	(10)	-	-
	Total	**612**	**670**	**-**	**-**
	Deferred tax liabilities				
	Deferred tax at January 1	7	6	70	79
	Prior-year adjustments	6	(26)	8	(20)
	Changes relating to profit (loss) for the year	550	(1)	(7)	11
	Tax relating to other comprehensive income	6	-	-	-
	Transferred to "Deferred tax assets"	2	27	-	-
	Foreign exchange adjustments	1	1	-	-
	Total	**572**	**7**	**71**	**70**

Note	(DKK million)	Consolidated 2010	2009	Consolidated 2010	2009
16	**Deferred Tax (continued)**				
	Specification of deferred tax	**Deferred tax assets**	**Deferred tax assets**	**Deferred tax liabilities**	**Deferred tax liabilities**
	Intangible assets	4	4	307	274
	Property, plant and equipment	49	37	26	1
	Other non-current assets	41	32	1	-
	Current assets	41	238	427	-
	Provisions	110	91	-	11
	Current liabilities	21	19	-	-
	Intra-group liabilities	42	186	2	4
	Tax loss carryforwards	766	529	-	5
	Reversal of tax benefit arising from loss	-	-	190	167
	Value adjustments	(119)	(76)	-	-
	Other	43	70	5	5
	Total	**998**	**1,130**	**958**	**467**
	Set-off within the same legal tax units and jurisdictions	(386)	(460)	(386)	(460)
	Deferred tax at December 31	**612**	**670**	**572**	**7**

Value adjustments are based on the Group's expectations as to the future utilization of the tax assets.

	Consolidated 2010	2009
Tax value of unrecognized tax assets		
Change in unrecognized tax assets		
Tax value at January 1	76	66
Prior-year adjustments	2	(3)
Impairment of previously capitalized tax assets	30	-
Change for the year, tax loss carryforwards	11	7
Change for the year, other tax assets	-	6
Tax assets at December 31	**119**	**76**
Specification of unrecognized tax assets		
Tax loss carryforwards	112	69
Other tax assets	7	7
Tax assets at December 31	**119**	**76**

A number of tax loss carryforwards expire between 2011-2026.

Tax assets not previously recognized, but used during the year:		
Tax loss carryforwards	-	-

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
17	**Inventories**				
	Raw materials and consumables	218	178	-	-
	Work in progress	17	9	-	-
	Finished goods and merchandise	236	188	-	-
	Total	**471**	**375**	**-**	**-**
	The above includes write-downs amounting to	133	149	-	-
	Write-downs recognized in the income statement under production costs	24	44	-	-
	Reversed write-downs recognized under production costs	4	19	-	-
	Value of inventory, recognized at net realizable value	-	-	-	-
	Production costs include costs of sales of	1,840	1,819	-	-
	The reversal of write-downs can be attributed to products which are sold or are expected to be sold.				
18	**Current Tax**				
	Tax receivable				
	Tax receivable at January 1	30	33	-	-
	Prior-year adjustments	16	(36)	21	-
	Tax on profit (loss) for the year	(16)	6	2	-
	Received during year	(7)	12	(4)	-
	Transferred from Tax payable	(2)	23	(17)	-
	Tax relating to other comprehensive income	15	(8)	-	-
	Foreign exchange and other adjustments	2	-	-	-
	Total	**38**	**30**	**2**	**-**
	Tax payable				
	Tax payable at January 1	40	33	17	4
	Prior-year adjustments	-	(2)	-	12
	Additions on acquisitions	-	(5)	-	-
	Tax on profit (loss) for the year	18	31	-	-
	Paid during the year	(28)	(45)	-	1
	Transferred to Tax receivable	(2)	23	(17)	-
	Tax relating to other comprehensive income	(2)	-	-	-
	Foreign exchange and other adjustments	(2)	5	-	-
	Total	**24**	**40**	-	**17**

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
19	**Trade Receivables**				
	Trade receivables	1,110	1,017	4	5
	Total	**1,110**	**1,017**	**4**	**5**
	Trade receivables have the following maturities:				
	Not due	891	802	4	5
	Due 30 days or less	72	103	-	-
	Due more than 30 days but less than 90 days	73	43	-	-
	Due more than 90 days	74	69	-	-
	Total	**1,110**	**1,017**	**4**	**5**
	Write-downs, which are included in total trade receivables, have developed as follows:				
	Write-downs at January 1	(105)	(101)	-	-
	Write-downs made during the year	(18)	(25)	-	-
	Realized during the year	66	9	-	-
	Reversed write-downs	11	13	-	-
	Foreign exchange adjustments	(1)	(1)	-	-
	Write-downs at December 31	**(47)**	**(105)**	**-**	**-**

Total write-downs of DKK 47 million is included in trade receivables at the end of 2010. This amount does not include material individual write-downs. GN generally does not renegotiate the terms of trade receivables. There were no significant renegotiated balances outstanding at December 31, 2010 or December 31, 2009. GN's assessment of credit risk associated with individual receivables depends primarily on aging, change in customer payment behavior, current economic conditions etc. as described in note 1. Based on past experience, GN believes that no write-down is necessary in respect of trade receivables not past due.

No security has been pledged to GN for trade receivables.

Trade receivables include the following overdue but not written down receivables:

	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
Due 30 days or less	45	103	-	-
Due more than 30 days but less than 90 days	40	23	-	-
Due more than 90 days	49	44	-	-
Total	**134**	**170**	**-**	**-**

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
20	**Current Receivables Falling due after more than One Year**				
	Trade receivables	6	4	-	-
	Tax receivable	1	1	-	-
	Other receivables	2	1	-	-
	Prepayments	-	-	-	-
	Total	**9**	**6**	**-**	**-**

No security has been pledged to GN for receivables.

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
21	**Pension Obligations**				
	Present value of defined benefit obligations	(259)	(222)	(1)	(1)
	Fair value of plan assets	186	160	-	-
	Net obligations	**(73)**	**(62)**	**(1)**	**(1)**
	of which recognized in				
	Other receivables	-	2	-	-
	Pension obligations and similar obligations	(73)	(64)	(1)	(1)
	Total	**(73)**	**(62)**	**(1)**	**(1)**
	The present value of defined benefit obligations includes unfunded pension obligations not covered by payments to insurance company of DKK (11) million in 2010 (2009: DKK (8) million).				
	Development in present value of defined benefit obligations				
	Obligations at January 1	(222)	(220)	(1)	(1)
	Foreign exchange adjustments	(17)	3	-	-
	Costs for the year	(4)	(3)	-	-
	Interest expense	(13)	(12)	-	-
	Actuarial gains (losses)	(17)	(2)	-	-
	Curtailment	2	-	-	-
	Pension payments, unfunded	1	2	-	-
	Pension payments	11	10	-	-
	Obligations at December 31	**(259)**	**(222)**	**(1)**	**(1)**
	Development in fair value of plan assets				
	Plan assets at January 1	160	142	-	-
	Foreign exchange adjustments	10	(2)	-	-
	Expected return on plan assets	11	9	-	-
	Actuarial gains (losses)	8	19	-	-
	Payment by GN Store Nord	8	2	-	-
	Pension payments	(11)	(10)	-	-
	Plan assets at December 31	**186**	**160**	**-**	**-**
	Pension costs recognized in the income statement				
	Costs for the year	(4)	(3)	-	-
	Interest expense	(13)	(12)	-	-
	Expected return on plan assets	11	9	-	-
	Curtailment gain	2	-	-	-
	Defined benefit plans total	(4)	(6)	-	-
	Defined contribution plans total	(65)	(51)	(1)	(2)
	Total cost recognized in the income statement	**(69)**	**(57)**	**(1)**	**(2)**
	The costs are recognized in the following income statement items:				
	Production costs	(13)	(10)	-	-
	Development costs	(15)	(14)	-	-
	Selling and distribution costs	(20)	(18)	-	-
	Management and administrative expenses	(19)	(15)	(1)	(2)
	Financial expenses	(2)	-	-	-
	Total	**(69)**	**(57)**	**(1)**	**(2)**
	The following accumulated actuarial gains/(losses) since January 1, 2005 are recognized in the Statement of other Comprehensive Income:				
	Accumulated actuarial gains (losses)	(52)	(43)	-	-

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
21	**Pension Obligations (continued)**				
	Breakdown of plan assets:				
	Shares	71%	69%	-	-
	Bonds	28%	30%	-	-
	Cash and cash equivalents	1%	1%	-	-
	Total	**100%**	**100%**	**-**	**-**
	Return on plan assets:				
	Expected return on plan assets	(11)	(9)	-	-
	Actual return on plan assets	19	28	-	-
	Actuarial gains (losses) on plan assets	**8**	**19**	**-**	**-**
	The actuarial calculations for the prevailing American defined benefit plan at the balance sheet date are based on the following assumptions:				
	Discount rate	6.00%	6.25%		
	Expected return on plan assets	7.00%	7.00%		
	Development in salary levels	N/A	N/A		

Breakdown of the Group's pension obligations for the current and the four preceding years:

	2010	2009	2008	2007	2006
Actuarial pension obligation	(259)	(222)	(220)	(208)	(227)
Plan assets	186	160	142	176	177
Surplus/(deficit)	**(73)**	**(62)**	**(78)**	**(32)**	**(50)**

Defined contribution plans

The Group has pension 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. 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 earned.

An amount of DKK 65 million (2009: DKK 51 million) has been expensed in the consolidated income statement in respect of defined contribution plans.

Defined benefit plans

The Group has an American pension plan, which is not covered by payments to insurance companies but is partly offset by the fair value of reserved pension funds. At July 1, 2003, the pension plan was 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.

In addition, in a number of subsidiaries, agreements have been made for payment of certain benefits, e.g. retirement pension as a fixed amount or a fixed percentage of the final salary at the retirement date. Such obligations are not covered by payments to pension funds.

Other plans

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

Note	(DKK million)

22 Provisions

Consolidated	Re-structuring	Warranty provisions	Other provisions	Total
Provisions at January 1	37	108	226	371
Additions	16	26	182	224
Consumed	(22)	(13)	(151)	(186)
Reversed	-	(6)	(72)	(78)
Foreign exchange adjustments	2	7	7	16
Provisions at December 31, 2010	**33**	**122**	**192**	**347**
Of which is recognized in the consolidated balance sheet:				
Non-current liabilities	5	46	56	107
Current liabilities	28	76	136	240
Provisions at December 31, 2010	**33**	**122**	**192**	**347**
Of which is recognized in the parent company balance sheet:				
Non-current liabilities	-	-	5	5
Current liabilities	-	-	20	20
Provisions at December 31, 2010	**-**	**-**	**25**	**25**

Restructuring provisions of DKK 33 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 payments and post-employment pay.

Warranty provisions concern products sold. The warranty provision covers any defects in design, materials and workmanship for a period of 1-4 years from delivery and completion. The provision has been calculated on the basis of historical warranty costs of the Group's products.

Other provisions primarily include obligations to take back hearing aids and headsets sold, obligations regarding onerous contracts and property leases and provisions for legal defence. Onerous contracts are described in note 1.

23 Non-current Liabilities

	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
Bank loans	1,056	1,070	1,056	1,070
Capitalized lease obligations	4	3	-	-
Other long term payables	9	16	-	-
Received prepayments	35	34	-	-
Non-current liabilities excluding pension obligations, deferred tax and other provisions	**1,104**	**1,123**	**1,056**	**1,070**
Breakdown of liabilities due as of the balance sheet date:				
1-2 years	421	422	400	400
2-3 years	671	15	656	-
3-4 years	3	672	-	670
4-5 years	-	-	-	-
> 5 years	9	14	-	-
Total	**1,104**	**1,123**	**1,056**	**1,070**
Breakdown of liabilities by currency:				
DKK	409	415	400	400
EUR	656	670	656	670
USD	35	34	-	-
Other currencies	4	4	-	-
Total	**1,104**	**1,123**	**1,056**	**1,070**

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
24	**Current Liabilities**				
	Bank loans	61	107	-	40
	Total bank loans	**61**	**107**	**-**	**40**
	Breakdown of loans by currency:				
	DKK	21	52	-	39
	EUR	6	13	-	1
	USD	22	30	-	-
	Other currencies	12	12	-	-
	Total	**61**	**107**	**-**	**40**
25	**Other Payables**				
	Wages and salaries, holiday pay, etc.	217	229	8	5
	Taxes and duties and tax payable at source	30	31	-	-
	Social contributions	24	24	-	-
	Bonuses and discounts	122	72	-	-
	Marketing	56	35	-	-
	Accrued fees	17	14	2	1
	RAP, SIP and DCP*	119	92	-	-
	Prepayments received	48	50	-	-
	Amounts owed to subsidiaries	-	-	1,092	850
	Other	101	103	5	3
	Total	**734**	**650**	**1,107**	**859**

*RAP (Retirement Advantage Plan) and SIP (Savings and Investment Plan) are programs in which customers earn funds based on purchases made. DCP (Deferred Compensation Plan) is a program in which Management in certain foreign subsidiaries may choose to defer compensation. The amounts invested by the Group on behalf of customers and Management is recognized in prepayments at DKK 102 million in 2010 (DKK 78 million in 2009), cf. note 15.

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
26	**Lease Obligations**				
	Future lease obligations are distributed as follows:				
	Finance leases:				
	Less than one year	-	-	-	-
	Between one and five years	4	3	-	-
	More than five years	-	-	-	-
	Total	**4**	**3**	**-**	**-**

Finance leases relate to operating assets and equipment leases.

The interest element of finance lease obligations amounts to less than DKK 1 million. Accordingly, only the net present value is disclosed.

	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
Operating leases:				
Less than one year	68	69	18	23
Between one and five years	106	96	5	28
More than five years	23	24	-	-
Total	**197**	**189**	**23**	**51**

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 one and eleven years.

Operating leases include rental obligations related to properties in Denmark in the amount of DKK 32 million (DKK 43 million in 2009). DKK 24 million (DKK 0 million in 2009) of the rental obligation in Denmark is provided for in the balance sheet in connection with vacating the premises.

Lease payments recognized in the income statement relating to operating leases amount to DKK 79 million (DKK 65 million in 2009).

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
27	**Contingent Liabilities, Other Financial Liabilities and Contingent Assets**				
	Guarantees, warranties and other liabilities	11	16	-	4

Contingent liabilities

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. Apart from as described below, the outcome of cases pending is not expected to be of material importance to the Group's financial position.

Other financial liabilities

Guarantees

In the US, GN Store Nord has issued guarantees to our main banks in respect of directly and indirectly wholly-owned subsidiaries. The guarantees relate solely to drawings on group credit facilities of up to USD 25 million in respect of an interest-netting cash pool. GN has also issued payment guarantees to suppliers regarding wholly-owned subsidiaries.

Security

The Group has not pledged any assets as security in the present or prior financial years.

Purchase obligations

GN has agreed with a number of suppliers that the suppliers will purchase components for the production of headsets and audiologic diagnostics equipment based on sales estimates prepared by GN. To the extent that GN's sales estimates exceed actual purchases from suppliers, GN is under an obligation to purchase any remaining components from the suppliers. Management assesses sales estimates on an ongoing basis. To the extent that component inventories at suppliers exceed the volumes expected to be used, GN recognizes a provision for onerous purchase contracts.

Contingent assets

GN Store Nord continues to be involved in an arbitration case against Telekomunikacja Polska S.A. (TPSA) through its 75% share of DPTG I/S. The dispute concerns determination of traffic volumes carried over the NSL fibre optical telecommunication system in Poland. DPTG is entitled to 14.8% of net profits from NSL during the period 1994-2009. The seat of the Arbitration Tribunal is Vienna, Austria.

On September 3, 2010 the Arbitration Tribunal awarded DPTG DKK 2.9 billion for phase 1 of the contract period (1994 to mid-2004). Despite the fact that the award is final and legally binding, TPSA failed to pay the amount due within the 14-day deadline established by the Arbitration Tribunal. DPTG has therefore initiated enforcement proceedings against TPSA in Poland, the Netherlands, UK, Germany and France. The enforcement proceedings are part of several initiatives that DPTG will take to collect the DKK 2.9 billion awarded to DPTG for phase 1. The award for phase 1 has been recognized as income in the financial statements.

On January 14, 2011 DPTG filed a claim of DKK 2.4 billion for phase 2 of the contract period (mid-2004 to 2009), which consists of DKK 2.0 billion related to traffic and DKK 0.4 billion in interest, applying the same rate of interest which was established by the Arbitration Tribunal in the ruling for phase 1. The Arbitration Tribunal has invited TPSA to submit its anwer to DPTG´s claim for phase 2 no later than May 27, 2011. Phase 2 has not been recognized in the financial statements.

On April 20, 2010 GN received a decision from the German Federal Supreme Court acknowledging GN's position and overruling the German Court of Appeal's decision of November 26, 2008 and the decision of the German Federal Cartel Office (Bundeskartellamt) of April 11, 2007 to prohibit the sale of GN ReSound to Sonova. Consequently, on December 22, 2010 GN filed a claim of EUR 1.1 billion (approximately DKK 8.2 billion) with the district court in Bonn as compensation for the significant loss imposed on GN in connection with the Bundeskartellamt's illegal prohibition of the sale of GN ReSound to Sonova. The effect of the claim has not been recognized in the financial statements.

In the 2001 financial statements, GN Store Nord wrote down goodwill of DKK 1.3 billion related to Beltone. Beltone (USA) was merged with GN Hearing Care Corporation (USA) at January 1, 2005. It is GN Store Nord´s assessment that a significant part of the write-down made for accounting purposes in 2001 as a result of the merger has tax effect in Denmark. Both companies were jointly taxed with GN Store Nord during the relevant period. GN Store Nord has brought the issue of deductibility for the merger loss before the Danish National Tax Tribunal who has informed GN Store Nord that it disputes the right of deductibility. GN Store Nord has appealed the decision of the Danish National Tax Tribunal to the Eastern High Court. The effect of deductibility of the loss has not been recognized in the financial statements.

Apart from the above, Management is not aware of any matter that could be of material importance to the Group's financial position.

Note	(DKK million)

28 Financial Instruments and Financial Risks

Contractual maturity analysis for financial liabilities

Consolidated	Less than one year	Between one and five years	More than five years	Total
2010				
Long-term bank loans	-	1,056	-	1,056
Capitalised lease obligations	-	4	-	4
Other long-term payables	-	-	9	9
Short-term bank loans	61	-	-	61
Trade payables	387	-	-	387
Total non-derivative financial liabilities	448	1,060	9	1,517
Derivative financial liabilities	1	-	-	1
Total financial liabilities	**449**	**1,060**	**9**	**1,518**
2009				
Long-term bank loans	-	1,070	-	1,070
Capitalised lease obligations	-	3	-	3
Other long-term payables	-	2	14	16
Short-term bank loans	107	-	-	107
Trade payables	338	-	-	338
Total non-derivative financial liabilities	445	1,075	14	1,534
Total financial liabilities	**445**	**1,075**	**14**	**1,534**

Parent company	Less than one year	Between one and five years	More than five years	Total
2010				
Long-term bank loans	-	1,056	-	1,056
Trade payables	13	-	-	13
Total non-derivative financial liabilities	13	1,056	-	1,069
Derivative financial liabilities	5	-	-	5
Total financial liabilities	**18**	**1,056**	**-**	**1,074**
2009				
Long-term bank loans	-	1,070	-	1,070
Short-term bank loans	40	-	-	40
Trade payables	4	-	-	4
Total non-derivative financial liabilities	44	1,070	-	1,114
Total financial liabilities	**44**	**1,070**	**-**	**1,114**

The maturity analysis is based on non-discounted cash flows excl. interest payments.

Consolidated

Specification of net interest-bearing debt	Total 2010	Total 2009
Cash and cash equivalents	157	148
Bank loans, non-current liabilities	(1,056)	(1,070)
Bank loans, current liabilities	(61)	(107)
Total	**(960)**	**(1,029)**

For a description of financial risks, see the section Enterprise Risk Management in the Management's Report page 16 and 17, subsections: Financial Risk, Foreign Currency Risk, Funding, Liquidity and Capital Structure and Financial Credit Risk and furthermore see note 19.

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
28	**Financial Instruments and Financial Risks (continued)**				
	Categories of financial assets and liabilities				
	Derivative financial instruments relating to ownership interests, cf. note 14	53	40	-	-
	Derivative financial instruments relating to hedging of forecasted future transactions included in Other receivables	8	-	5	-
	Financial assets held for trading	**61**	**40**	**5**	**-**
	Ownership interests and Other, cf. note 14	103	117	-	-
	Financial assets available-for-sale	**103**	**117**	**-**	**-**
	Trade receivables	1,110	1,017	4	5
	Other receivables	2,546	294	12	19
	Other receivables, non-current	2	12	-	-
	Receivables from subsidiaries	-	-	1,759	1,862
	Loans and receivables	**3,658**	**1,323**	**1,775**	**1,886**
	Bank loans, non-current	1,056	1,070	1,056	1,070
	Other long-term payables, cf. note 23	9	16	-	-
	Bank loans	61	107	-	40
	Trade payables	387	338	13	4
	Amounts owed to subsidiaries, cf. note 25	-	-	1,092	850
	Financial liabilities measured at amortized cost	**1,513**	**1,531**	**2,161**	**1,964**
	Derivative financial instruments included in Other payables	1	-	5	-
	Financial liabilities measured at fair value	**1**	**-**	**5**	**-**

For financial assets and liabilities, the fair value is approximately equal to the carrying amount. Regarding GN's bank loans, this is due to the fact that the loans carry floating interest rates and have maturity of less than one year.

Derivative financial instruments

(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
Cash flow hedges, exchange rate instruments				
Contract amount	199	-	-	-
Fair value, assets	3	-	-	-
Fair value, liabilities	1	-	-	-
Fair value adjustment recognized in Other comprehensive income	2	-	-	-
Reclassified from equity to revenue	-	-	-	-
Ineffectiveness recognized in financial items	-	-	-	-
Derivative financial instruments, for which hedge accounting is not applied (economic hedges)				
Contract amount	197	-	394	-
Fair value, assets	5	-	5	-
Fair value, liabilities	-	-	5	-
Fair value adjustment recognized in financial items	5	-	-	-

GN has hedged part of the expected future cash flow in USD, GBP, CNY and JPY with exchange rate instruments in the form of forward exchange contracts. Both cash flow hedges and economic hedges are used for hedging forecasted transactions in foreign currency. The hedged foreign currency cash flows and the hedging instrument cash flows are expected to occur within 12 months from the balance sheet date. The gains and losses on cash flow hedges recognized in Other comprehensive income as of 31 December 2010 will be recognized in the income statement in the period during which the hedged forecasted transaction affects the income statement. The fair value of all exchange rate instruments are determined using quoted forward exchange rates at the balance sheet date and can be categorized as level 2 (observable inputs) in the fair value hierachy.

Note (DKK million)

29 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, 2010	203,707	4,653	208,360	814,829	18,612	833,441	2.2%
Share-based payment (exercised)	2,093	(2,093)	-	8,370	(8,370)	-	
Shares acquired/sold by GN Store Nord A/S	(3,835)	3,835	-	(15,339)	15,339	-	
Number of shares at December 31, 2010	**201,965**	**6,395**	**208,360**	**807,860**	**25,581**	**833,441**	**3.1%**

The treasury shares had a market value of DKK 325 million at December 31, 2010 (2009: DKK 129 million).

(Shares thousands)	**2010**	**2009**
Weighted average number of shares	202,661	203,707
Dilutive effect of share based payment with positive intrinsic value – average for the period	3,452	1,531
Diluted weighted average number of shares	**206,113**	**205,238**

(DKK million)		
Profit (loss) for the year used for the calculation of earnings per share	1,855	(70)
Dilutive effect of profit (loss) for the year	-	-
Profit (loss) for the year used for the calculation of diluted earnings per share	**1,855**	**(70)**

30 Related Party Transactions

GN Store Nord A/S' related parties exercising significant influence comprise members of the Board of Directors and the Executive Management and senior employees and their family members.

In addition, related parties comprise group enterprises and associates over which GN Store Nord A/S exercises control or significant influence.

Group enterprises and associates are listed on page 73.

Board of Directors, Executive Management and Senior Employees
Management remuneration and incentive plans are described in notes 3 and 31.

Group enterprises and associates
Trade with group enterprises and associates comprised:

	Consolidated		Parent company	
	2010	2009	2010	2009
Sale of products to associates	29	24	-	-
Purchase of products/services from associates	(4)	(2)	-	-
Sale of services to group enterprises	-	-	48	57
Purchase of services from group enterprises	-	-	43	53
Purchase of intangible assets	-	-	31	-

Transactions with group enterprises are eliminated in the consolidated financial statements in accordance with GN's Accounting Policies.

The parent company's balances with group enterprises at December 31, 2010 are recognized in the balance sheet. Interest income and expenses in respect of group enterprises are disclosed in notes 7 and 8.

Further, balances with group enterprises and associates comprise usual trade balances related to the purchase and sale of goods and services.

In 2010, the parent company has bought software from subsidiaries for a total amount of DKK 31 million. The transactions were carried out in preparation for the implementation of a new ERP platform for the entire Group. The assets were traded at net book values.

No transactions have been carried out with the Board of Directors, the Executive Management, senior employees, major shareholders or other related parties, apart from ordinary remuneration.

Note (DKK million)

31 Incentive Plans

Share option programs

Since 1998, GN Store Nord has issued share options as a part of a long-term incentive plan for a number of senior employees. The plans from 1998 - 2005 had all expired at the end of 2010. Accordingly, at December 31, 2010 GN only had outstanding share options granted from 2006 - 2009. Share options are not granted to members of GN's Board of Directors.

Share options in GN Store Nord	**Group Executive Management**	**Other employees**	**Total**	**Average exercise price**
Share options granted at January 1, 2009	**184,951**	**1,891,555**	**2,076,506**	**61**
Share options granted during the year	-	106,500	106,500	14
Share options forfeited during the year/corrections	(84,951)	(581,620)	(666,571)	49
Outstanding share options at December 31, 2009	**100,000**	**1,416,435**	**1,516,435**	**63**
Share options exercised during the year	(100,000)	-	(100,000)	25
Share options forfeited during the year/corrections	-	(634,143)	(634,143)	62
Outstanding share options at December 31, 2010	**-**	**782,292**	**782,292**	**69**
Market value of outstanding share options at December 31, 2010	0 million	7 million	7 million	

The calculation of the market value at the balance sheet date is based on a historical three-year volatility in the GN Store Nord share for the period January 1, 2008 - December 31, 2010.

The granted share options are basically identical in regards to exercise price and expiry date, but vary in relation to the exercise period and exercise conditions depending on the region in which the options are granted; North America, France and rest of the world. Of the options granted in North America, 20% can be exercised after one year, a further 20% can be exercised after two years and the remaining 60% three years after the grant date. Of the options granted in France, 100% can be exercised four years after the grant date. Of the options granted in the rest of the world, 100% can be exercised three years after the grant date. In addition, for options granted outside of North America, exercise is contingent on at least a 19% increase in GN Store Nord's share price compared to the exercise price in the period following the first exercise date.

All share option plans expire no later than five years after the grant date. A detailed specification by grant date of outstanding share option plans in GN at the balance sheet date is provided below.

Share options in GN Store Nord **Grant date**	**Group Executive Management**	**Other employees**	**Total**	**Number of exercisable options**	**Exercise price**	**Years to expiry**	**Market value in DKK million**
April 2006	-	560,994	560,994	560,994	86	0.3	-
November 2006	-	24,272	24,272	24,272	80	0.9	-
August 2008	-	99,026	99,026	-	27	2.6	3
April 2009	-	98,000	98,000	-	14	3.3	4
Outstanding share options at December 31, 2010	**-**	**782,292**	**782,292**	**585,266**			**7**

The market value of the share options has been calculated using the Black-Scholes option pricing model. 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 at the grant date. The following assumptions were applied in the calculation of the market value at the balance sheet date and at the grant date:

Market conditions	**2010 year end**	**Grant date 2010**	**2009 year end**	**Grant date 2009**
Share price	51	-	28	14
Volatility	52%	-	51%	44%
Dividend per share	0	-	0	0
Risk-free interest rate	2.09%	-	3.08%	3.01%
Term	Remaining term	-	Remaining term	5 years

No share options were granted in 2010.

Note	(DKK million)

31 Incentive Plans (continued)

Warrants programs

Since 2008, GN has had warrant-based long-term incentive programs whereby the Group Executive Management and other senior employees are granted warrants, entitling the holder to subscribe shares in GN ReSound or GN Netcom. The conditions of the warrant programs in GN Netcom and GN ReSound are not identical. Therefore, the programs in GN Netcom and GN ReSound are described separately below.

Warrants program, GN Netcom	**Group Executive Management**	**Other employees**	**Total**	**Average exercise price**
Warrants granted at January 1, 2009	**372**	**1,025**	**1,397**	**60,091**
Warrants granted during the year	406	1,310	1,716	28,903
Warrants forfeited during the year/corrections	(400)	382	(18)	43,122
Outstanding warrants at December 31, 2009	**378**	**2,717**	**3,095**	**42,897**
Warrants granted during the year	73	142	215	56,359
Warrants exercised during the year	-	(860)	(860)	28,514
Warrants forfeited during the year/corrections	-	(83)	(83)	48,353
Outstanding warrants at December 31, 2010	**451**	**1,916**	**2,367**	**49,154**
Grant date market value of warrants granted in 2010	1 million	1 million	2 million	
Market value of outstanding warrants at December 31, 2010	25 million	102 million	127 million	

Warrants in GN Netcom granted in 2008 and 2009 will vest the day after the release of GN Store Nord's annual report in the year after the grant. Warrants vested may be exercised during a four-week period following the release of GN Store Nord's annual report in each of the first, second and third years after the grant. Warrants granted in 2010 will vest the day after the release of GN Store Nord's annual report in the third year after the grant. Vested warrants granted in 2010 may be exercised during a four-week period opening each quarter of each of the third, fourth and fifth year after allocation. The quarterly four-week window will open following the release of a Valuation Report concerning the value of the shares of GN Netcom. Warrants granted in 2010 vest provided the share value of GN Netcom has outperformed a peer group index of competitors and industry segment indicators as defined by GN Netcom's Board of Directors by a certin percentage during the same time period. Warrants are granted at no consideration. Grants and vesting of warrants is subject to the holder remaining employed with the GN Store Nord Group.

Outstanding warrants in GN Netcom by grant date are shown below.

Warrants program, GN Netcom

Grant date	Group Executive Management	Other employees	Total	% of GN Netcom A/S	Number of exercisable warrants	Exercise price	Years to expiry	Market value in DKK million
March 2008	-	200	200	0.6%	200	52,366	0.3	11
June 2008	172	978	1,150	3.7%	1,150	61,382	0.3	49
April 2009	172	610	782	2.5%	782	28,514	1.3	59
August 2009	34	-	34	0.1%	34	48,046	1.3	2
March 2010	73	112	185	0.6%	-	54,568	4.9	6
August 2010	-	9	9	0.1%	-	71,307	4.9	-
September 2010	-	7	7	0.0%	-	88,066	4.9	-
Outstanding warrants at December 31, 2010	**451**	**1,916**	**2,367**	**7.6%**	**2,166**			**127**

Warrants program, GN ReSound	**Group Executive Management**	**Other employees**	**Total**	**Average exercise price**
Warrants granted at January 1, 2009	**193**	**764**	**957**	**43,406**
Warrants granted during the year	193	1,032	1,225	21,150
Warrants forfeited during the year/corrections	-	(310)	(310)	22,992
Outstanding warrants at December 31, 2009	**386**	**1,486**	**1,872**	**32,528**
Warrants granted during the year	140	704	844	64,898
Warrants exercised during the year	(179)	0	(179)	26,199
Warrants forfeited during the year/corrections	(71)	(16)	(87)	37,543
Outstanding warrants at December 31, 2010	**276**	**2,174**	**2,450**	**44,061**
Grant date market value of warrants granted in 2010	3 million	14 million	17 million	
Market value of outstanding warrants at December 31, 2010	11 million	96 million	107 million	

Note **(DKK million)**

31 Incentive Plans (continued)

Warrants granted in GN ReSound will vest the day after the release of GN Store Nord's annual report in the third year after the grant. Warrants granted in 2010 vest provided the share value of GN ReSound has outperformed by a certain percentage during the same time period a peer group index of competitors and industry segment indicators as defined by GN ReSound's Board of Directors. Vested warrants granted before 2010 may be exercised during a four-week period following the release of GN Store Nord's annual report in each of the third, fourth and fifth years after grant. Vested warrants granted in 2010 may be exercised during a four-week period opening each quarter of each of the third, fourth and fifth year after allocation. The quarterly four-week window will open following the release of a Valuation Report concerning the value of the shares of GN ReSound. Grants and vesting of warrants is subject to the holder remaining employed with the GN Store Nord Group.

Outstanding warrants in GN ReSound by grant date are shown below.

Warrants program, GN ReSound

Grant date	Group Executive Management	Other employees	Total	% of GN ReSound A/S	Number of exercisable warrants	Exercise price	Years to expiry	Market value in DKK million
March 2008	-	-	-	0.0%	-	37,887	2.3	-
May 2008	68	302	370	0.6%	-	43,356	2.3	17
August 2008	-	300	300	0.5%	-	44,939	2.3	13
September 2008	-	122	122	0.2%	-	44,939	2.3	5
April 2009	68	746	814	1.4%	-	21,150	3.3	55
March 2010	140	704	844	1.4%	-	64,898	4.9	17
Outstanding warrants at December 31, 2010	**276**	**2,174**	**2,450**	**4.1%**	**-**			**107**

The exercise price for the warrants is determined as the average share price for GN Netcom and GN ReSound in the five days following the annual general meeting in the year in which the relevant warrants are allocated.

The market value of the warrants has been calculated using the principles of the Black & Scholes pricing model. The market value of the outstanding warrants 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 warrants granted during the year is based on the underlying market prices at the grant date. The following assumptions were applied for the calculation of the market value at the balance sheet date and at the grant date of warrants:

Market conditions	**2010 year end**		**Grant date 2010**		**2009 year end**		**Grant date 2009**	
	GN Netcom	**GN ReSound**	**GN Netcom**	**GN ReSound**	**GN Netcom**	**GN ReSound**	**GN Netcom**	**GN ReSound**
Share price GN Store Nord	51	51	33/33/33	35	28	28	15/25	15
Share of GN Store Nord market value	31%	50%	32%/33%/33%	50%	29%	53%	28%/28%	42%
Share price	104,069	88,510	54,586/92,229/94,394	64,898	54,500	50,401	28,514/48,046	21,150
Volatility	36%	25%	49%/38%/38%	28%	56%	35%	65%/65%	52%
Dividend per share	0	0	0	0	0	0	0	0
Risk-free interest rate	1.08%/0.89%/2.1%	0.85%/1.1%/2.1%	2.7%/1.9%/1.9%	2.1%	1.24/1.62%	1.86/2.3%	1.8/2.1%	2.61%
Expected term (years)	0.25/1.25/4.9	2.25/3.25/4.9	5.6/5.3/5.2	5.6	1.25/2.25	3.25/4.25	2.6/3	5

In the calculation of market value, the share of market value and volatility is estimated by external experts.

Note	(DKK million)

32 Acquisition and Disposal of Companies and Operations

Acquisitions

During 2010 and 2009 GN ReSound acquired a number of minor hearing instrument chains and distributors in the US and and in November 2010 GN ReSound acquired Mercury S.p.a in Italy. After the acquistions GN owns 100% of these companies which strengthens GN's sales and distribution channels.

The aquisition of Moore Hearing Centers LP, a dispenser in the US, was achieved in stages. In March and December, the remaining 51% of 18 stores were aquired. The ownership interests held before obtaining control have been recognized at fair value with the remeasurement adjustment of DKK 14 million recognized in financial income. Prior to the acquistions in 2010 the ownership interests were recognized as Other securities. In connection with the acquisitions the measurement of trade receivables relating to the acquired entities were reassesed and an impairment loss of DKK 24 mio. were recognized as financial expenses.

	2010	2009
Identifiable assets acquired and liabilites assumed and consideration transferred:	**Fair value at acquisition date**	**Fair value at acquisition date**
Non-current assets	22	2
Current assets	17	1
Non-current liabilities	(3)	-
Current liabilities	(13)	-
Fair value of identified net assets	**23**	**3**
Goodwill	61	10
Consideration transferred	**84**	**13**
Fair value of assets transferred	(38)	-
Fair value of existing ownership interests	(31)	-
Contingent consideration	(2)	-
Acquired cash and cash equivalents	(1)	-
Cash consideration paid	**12**	**13**

Goodwill relating to the above transactions is allocated to the cash-generating units Hearing Instruments and Audiologic Diagnostics Equipment with DKK 52 million (2009: DKK 10 million) and DKK 9 million (2009: DKK 0 million), respectively.

	2010	2009
The share of revenue and profit (loss) for the year from the acquisition date can be specified as follows:		
Revenue	16	-
EBIT	(14)	-
Profit (loss) for the year	(14)	-
Acquired operations if they had been owned throughout the year:		
Revenue	35	-
EBIT	(17)	-
Profit (loss) for the year	(14)	-

Disposals

In 2010, GN ReSound divested a number of minor hearing instrument distributors in the US. In 2009, GN ReSound sold its Belgium-based retail activities to the Amplifon Group and at the same time expanded their supply agreement with the Amplifon Group.

	2010	2009
Non-current assets	(3)	(44)
Current assets	3	(13)
Non-current liabilities	-	3
Current liabilities	-	50
Disposed net assets	**-**	**(4)**
Directly attributable cost	-	(5)
Cash consideration received	-	102
Gains (losses) on disposal of operations	**-**	**93**

Note	(DKK million)	Consolidated 2010	Consolidated 2009	Parent company 2010	Parent company 2009
33	**Other Adjustments**				
	Gain/loss on disposal of assets	(1)	4	-	-
	Share-based payment (granted)	22	24	1	(2)
	Provision for bad debt and inventory write-downs etc.	9	4	-	-
	Restructuring/Non-recurring costs recognized in income statement excl. impairment and share-based payment (granted)	-	131	-	-
	Adjustment of provisions	32	72	(6)	-
	Award from the arbitration case against TPSA excl. provisions	(2,141)	-	-	-
	Total	**(2,079)**	**235**	**(5)**	**(2)**

34 Adopted International Financial Reporting Standards for Implementation in 2011 or Later

The IASB and the EU have adopted the following new International Financial Reporting Standards and IFRIC Interpretations that are not compulsory for GN Store Nord A/S in the preparation of the annual report for 2010, but which may affect future annual reports:

* IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments applies to annual periods beginning on or after July 1, 2010. The interpretation is not expected to affect the financial reporting.

* Revised IAS 24 Related Party Disclosures applies to annual periods beginning on or after January 1, 2011. The amendments are not expected to affect the financial reporting.

* Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement applies to annual periods beginning on or after January 1, 2011. The amendment is not expected to affect the financial reporting.

* Amendment to IAS 32 Financial Instruments: Presentation: Classification of Rights Issues applies to annual periods beginning on or after February 1, 2010. The amendment will only affect any potential future rights issues.

In addition, the IASB has adopted the following new International Financial Reporting Standards and IFRIC Interpretations which have not yet been adopted by the EU. The new International Financial Reporting Standards and IFRIC Interpretations are not compulsory for GN Store Nord A/S in the preparation of the annual report for 2010, but may affect future annual reports:

* IFRS 9 Financial Instruments (2010) applies to annual periods beginning on or after January 1, 2013. The standard is only expected to have a very limited effect on recognition and measurement of financial assets, if any. Disclosure in the financial statements will change slightly as the classification of financial assets will be simplified to include only two categories: Financial assets measured at either amortised cost or fair value. The additions to IFRS 9 regarding financial liability accounting are not expected to affect the financial reporting.

* Amendments to IFRS 7 Financial instruments: Disclosures (2010) - Transfer of Financial Assets applies to annual periods beginning on or after July 1, 2011. The amendments are not expected to affect the financial reporting.

* Improvements to IFRS's (2010) applies to annual periods beginning on or after July 1, 2010. The amendments are not expected to affect the financial reporting.

* Amendments to IAS 12 Deferred tax: Recovery of Underlying Assets applies to annual periods beginning on or after January 1, 2012. The amendments are not expected to affect the financial reporting.

* Amendments to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters applies to annual periods beginning on or after July 1, 2011. The amendments are not expected to affect the financial reporting.

GN Store Nord A/S expects to adopt the mentioned standards and interpretations as of the effective dates.

Note 35 – Accounting Policies

The annual report of GN Store Nord for 2010 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of listed companies. In addition, the annual report has been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

The annual report has been prepared in accordance with the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivative financial instruments at fair value.

CHANGES TO ACCOUNTING POLICIES

As of January 1, 2010 GN Store Nord adopted the relevant new or revised International Financial Reporting Standards and IFRIC Interpretations as specified in note 35 in the Annual Report 2009. The main principles of the most relevant Standards and Interpretations are described below. The new or revised Standards and Interpretations did not affect recognition and measurement materially or result in changes to note disclosures.

IFRS 3 (Revised) Business Combinations changes the accounting for business combinations from a purchase price allocation approach towards a fair value measurement principle. The changed approach in IFRS 3 has also resulted in changes in other related standards. In general the changed regulation has had the following main effects on GN's accounting policies regarding business combinations:

- Transaction costs incurred in connection with a business combination are no longer included in the acquisition accounting. Instead transaction costs are now expensed in the income statement.
- Contingent consideration is recognized and measured at fair value at the acquisition date. Subsequent changes in fair value are recognized in the income statement. In the past changes in contingent consideration was adjusted in goodwill.
- When acquiring a controlling interest in steps, GN assesses the fair value of the acquired net assets at the time control is obtained. At such time, interests acquired previously are also adjusted to fair value. Differences between the fair value and the carrying amount are recognized in the income statement. Previously, goodwill was assessed on each acquisition and adjustments were recognized directly in equity.
- Acquisition of additional equity interest after a business combination is not accounted for using the acquisition method, but rather as equity transactions. Disposals of equity interest while retaining control are also accounted for as equity transactions. Transactions resulting in a loss of control result in a gain or loss being recognized in the income statement.
- When acquiring less than 100% of the shares in a company, GN recognizes the goodwill on a transaction-by-transaction basis or as a proportion of goodwill in accordance with GN's ownership interest.
- Goodwill is no longer reduced for the subsequent recognition of deferred tax benefits acquired in a business combination that did not satisfy the criteria for recognition at the acquisition date. Now, after the measurement period has elapsed, any revision of deferred taxes is recognized in the income statement.

Apart from the changes described, the annual report is presented in accordance with the same accounting policies as applied in previous years.

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated Financial Statements

The consolidated financial statements relate to the parent company, GN Store Nord, and the enterprises in which GN Store Nord directly or indirectly holds more than 50% of the voting rights or where it, in some other way, has the power to govern the financial and operating policies of an enterprise. GN Store Nord and its subsidiaries are referred to as the Group. Group companies are listed on page 73. Enterprises that are not subsidiaries but where GN Store Nord holds between 20% and 50% of the voting rights and over which it exercises significant influence, but where it does not have power to govern the financial and operating policies, are considered associates. When assessing whether GN Store Nord exercises control or significant influence, potential voting rights and options on acquisition of additional ownership interests are taken into account.

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 enterprises established as joint ventures with joint control are accounted for by proportionate consolidation and accounting items are therefore recognized in proportion to the ownership interest.

Business Combinations

Enterprises acquired or formed during the year are recognized in the consolidated financial statements from the date of acquisition or formation. The acquisition date is the date when the parent company effectively obtains control of the acquired enterprise. Enterprises disposed of are recognized in the consolidated income statement until the disposal date. The comparative figures are not restated for acquisitions.

For acquisitions of new enterprises in which the parent company is able to exercise control over the acquired enterprise, the purchase method is used. The acquired enterprises' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognized if they are separable or arise from a contractual right. Deferred tax on revaluations is recognized.

Any excess of the cost over the fair value of the identifiable assets, liabilities and contingent liabilities acquired (goodwill) is recognized as goodwill under intangible assets. Goodwill is not amortized but is tested at least annually for impairment. The first impairment test is performed within the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with another functional currency than the presentation currency used by GN Store Nord are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date. Negative differences (negative goodwill) are recognized in the income statement at the acquisition date.

The cost of a business combination comprises the fair value of the consideration agreed upon. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of that adjustment is included in the cost of the combination if the adjustment is probable and can be measured reliably. Subsequent changes to contingent considerations are recognized in the income statement uncertainties regarding measurement of identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have different fair value at the acquisition date than first assumed, goodwill is adjusted up until 12 months after the acquisition. The effect of the adjustments is recognized in the opening balance of equity and the comparative figures are restated accordingly.

When acquiring a controlling interest in steps, GN assesses the fair value of the acquired net assets at the time control is obtained. At such time interests acquired previously are also adjusted to fair value. Difference between the fair value and the carrying amount are recognized in the income statement.

Acquisition of additional equity interest after a business combination is not accounted for using the acquisition method, but rather as equity transactions. Disposals of equity interest while retaining control are also accounted for as equity transactions. Transactions resulting in a loss of control result in a gain or loss being recognized in the income statement.

When acquiring less than 100% of the shares in a company, GN recognized the goodwill on a transaction-by-transaction basis or as a proportion of goodwill in accordance with GN's ownership interest.

Intra-Group Transactions in the Parent Company Financial Statements
Intra-group transactions are recognized in the parent company financial statements at the carrying amount. Accordingly, additions to or disposals of investments are recognized at the carrying amount, and any difference between the carrying amount of net assets and the consideration paid is recognized directly in equity. Comparative figures are not restated.

Foreign Currency Translation
Functional Currency and Presentation Currency
Financial statement items for each of the reporting enterprises in the Group are measured using the currency used in the primary financial environment in which the reporting enterprise operates. Transactions denominated in other currencies than the functional currency are considered transactions denominated in foreign currencies. The consolidated financial statements are presented in Danish kroner (DKK), which is the functional currency and presentation currency of the parent company.

Translation of Transactions and Amounts
On initial recognition, transactions denominated in foreign currencies are translated to the functional currency 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 financial income or financial expenses. Receivables, inventories, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognized in the latest annual report is recognized in the income statement as financial income or financial expenses.

Translation of Subsidiaries
On recognition in the consolidated financial statements of foreign entities with another functional currency than GN Store Nord's presentation currency, the income statements are translated at the exchange rates at the transaction date, and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly distort the presentation of the underlying transactions. Foreign exchange differences arising on translation of the opening balance of equity of such enterprises at the exchange rates at the balance sheet date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognized in other comprehensive income.

Foreign exchange adjustment of balances with foreign entities which are considered part of the investment in the entity are recognized in other comprehensive income in the consolidated financial statements under a separate translation reserve.

Translation of Associates
On recognition in the consolidated financial statements of associates with another functional currency than GN Store Nord's presentation currency, the share of profit (loss) for the year is translated at average exchange rates and the share of equity, including goodwill, is translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on the translation of the share of the opening balance of equity of foreign associates at the exchange rates at the balance sheet date, and on translation of the share of profit (loss) for the year from average exchange rates to the exchange rates at the balance sheet date, are recognized in other comprehensive income.

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, and set-off of positive and negative values is only made when GN has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of market data and generally accepted valuation methods.

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 as far as the hedged portion is concerned. Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge that is an effective hedge of changes in the value of the hedged item are recognized in other comprehensive income. If the hedged transaction results in gains or losses, amounts previously recognized in other comprehensive income are transferred from equity to 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 under financial items.

Options on Acquisition and Disposal of Investments in Unlisted Enterprises
On initial recognition, options on acquisition and disposal of investments in unlisted enterprises are recognized in the balance sheet at cost and are subsequently measured at cost if a reliable measurement of the fair value can not be made. The cost of options is included in Other Securities.

Government Grants
Government grants relate to grants and funding for development activities. Grants for development activities are recognized in the income statement as development costs. Grants for the acquisition of assets are set off against the cost of the assets for which grants are awarded.

Incentive Plans
The Executive Management and a number of key employees are included in share-based payment plans (equity-settled plans). For equity-settled programs, the share options and warrants are measured at the fair value at the grant date and recognized in the income statement as a staff cost of the respective functions over the vesting period. The counter item is recognized in equity. On initial recognition, an estimate is made of the number of options and warrants expected to vest, see description of Incentive Plans in note 31. This estimate is subsequently revised for changes in the number of options and warrants expected to vest. Accordingly, recognition is based on the number of options and warrants that are ultimately vested. The fair value of granted options and warrants is estimated using the Black-Scholes option pricing model. Vesting conditions are taken into account when estimating the fair value of the options and warrants.

INCOME STATEMENT

Revenue

Revenue from 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 separated from the sale of goods and recognized on a straight-line basis over the term of the contract. The value of extended warranties that are not separately priced is estimated. Revenue is measured excluding VAT, taxes and granted cash and quantity discounts in relation to the sale and expected returns of goods. The portion of goods sold that is expected to be returned is determined based on historical product returns data.

Award credits granted to customers as part of customer loyalty programs are accounted for as separately identifiable components of the sales transactions in which they are granted. The fair value of the consideration received or receivable in respect of the initial sale are allocated between the award credits and the other components of the sale. The consideration allocated to the award credits are recognized when the Group fulfills its obligations in respect of the awards.

Consideration for co-operative advertising and marketing development funds to customers are as a main principle deducted from revenue. However, if the Group receives a separately identifiable benefit in exchange and can reasonably estimate the fair value of the identifiable benefit received, the consideration is recognized as marketing costs.

Dividend received from investments in subsidiaries and associates is recognized in the parent company income statement in the financial year in which the dividend is declared.

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.

Development Costs

Development costs comprise costs, salaries, and depreciation of operating assets and equipment directly or indirectly attributable to the Group's development activities. 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 GN intends to produce, market or use the project, are recognized as intangible assets if it is probable that costs incurred will be covered by future earnings. The cost of such development projects includes direct wages, salaries, materials and other direct and indirect costs attributable to the development projects. Amortization and write-down of such capitalized development projects are started at the date of completion and are included in development 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 management and administration. Administrative expenses include office expenses, depreciation and impairment, etc. Also included are losses on trade receivables.

Other Operating Income and Costs

Other operating income and costs comprise items secondary to the principal activities of the enterprises, including gains and losses on disposal of intangible assets and property, plant and equipment.

Profit (Loss) from Investments in Associates

The proportionate share of the profit (loss) after tax of the individual associates is recognized in the income statement of the Group after elimination of the proportionate share of intra-group profits (losses).

Financial Income and Expenses

Financial income and expenses comprise interest income and expense, costs of permanent loan facilities, gains and losses on securities, receivables, payables and transactions denominated in foreign currencies, amortization of financial assets and liabilities etc. Also included are realized and unrealized gains and losses on derivative financial instruments which are not designated as hedges.

Borrowing costs that are directly attributable to the construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

Tax on Profit (Loss) for the Year

The parent company is jointly taxed with all Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. 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 recognized in other comprehensive income is recognized in other comprehensive income. Current tax payable is recognized in current liabilities and deferred tax is recognized in non-current liabilities. Tax receivable is recognized in current assets and deferred tax assets are recognized in non-current assets.

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 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 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. If a tax deduction on computation of the taxable income in Denmark or in foreign jurisdictions is obtained as a result of share-based payment programs, the tax effect of the programs is recognized in Tax on profit (loss) for the year. If the total tax deduction exceeds the total tax expense, the tax benefit for the excess deduction is recognized directly in the balance sheet. Deferred tax assets are subject to annual impairment tests and are recognized only to the extent that it is probable that the assets will be utilized.

BALANCE SHEET

Intangible assets

Goodwill

At the acquisition date goodwill is recognized in the balance sheet at cost as described under Business combinations. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment at least once a year. See the section regarding impairment of non-current assets.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. Identification of cash-generating units is based on the management structure and internal financial control.

As a result of the integration of acquired enterprises in the existing group, Management assesses that the smallest cash-generating units to which the carrying amount of goodwill can be allocated are Contact Center & Office Headsets, Mobile Headsets, Hearing Instruments and Audiologic Diagnostics Equipment.

Telecommunication Systems
Intangible assets include telecommunication systems which are not in the legal ownership of the Group, but from which the Group is contractually entitled to receive revenue.

Amortization of telecommunication 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 telecommunication 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 telecommunication systems are as follows:

Telecommunication systems	5-15 years

Development Projects, Software, Patents, Licenses and Other Intangible Assets

Intangible assets are measured at cost less accumulated amortization and impairment. Amortization is provided on a straight-line basis over the expected useful lives of the assets. When changing the depreciation period or the residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates. Amortization and impairment is recognized in the income statement as production costs, development costs, distribution costs and administrative expenses. The expected useful lives are as follows:

Completed development projects	1-5 years
Software	1-5 years
Patents, licenses, trademarks and other intellectual property rights	up to 20 years

Completed development projects are amortized on a straight-line basis over the estimated useful life. The basis of amortization is calculated less impairment losses. Development projects are further described under development costs in the section regarding the income statement.

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

Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and costs of materials, components, suppliers, direct wages and salaries and indirect production costs until the date when the asset is available for use. Liabilities related to dismantling and removing the asset and restoring the site on which the asset is located are added to the cost. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of property, plant and equipment.
The expected useful lives are as follows:

Buildings and installations (land is not depreciated)	10-50 years
Leasehold improvements	5-20 years
Plant and machinery	1-7 years
Operating assets and equipment	2-7 years

The basis of depreciation is calculated on the basis of the residual value of the asset less impairment losses. The residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued. When changing the depreciation period or the residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates. Depreciation and impairment is recognized in the income statement as production costs, development costs, distribution costs and administrative expenses.

Expenses for repairs and maintenance of property, plant and equipment are included in the income statement. Gains or losses on disposal or scrapping of an item of property, plant and equipment are determined as the difference between the sales price reduced by costs related to dismantling and removing the asset, selling costs and costs related to restoring the site on which the asset is located and the carrying amount. Gains or losses are recognized in the income statement as Other operating income or Other operating costs, respectively.

Rental and Lease Matters

Leases for property, plant and equipment that transfer substantially all the risks and rewards incident to ownership to the Group (finance leases) are initially recognized in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value the discount factor is the interest rate implicit in the lease or a rate that approximates this rate. Subsequently assets held under finance leases are treated as the Group's other property, plant and equipment.

The capitalized residual obligation on the lease is recognized in the balance sheet as a liability and the interest element of the lease payment is recognized in the income statement over the term of the lease.

Leases that do not meet the criteria for classification as a financial asset are treated as operating leases. Operating lease payments are recognized in the income statement over the term of the lease.

Investments in Associates in the Consolidated Financial Statements

On acquisition of investments in associates, the purchase method is used, cf. Business Combinations.

In the consolidated financial statements investments in associates are recognized according to the equity method. Investments in associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealized intra-group profits and losses and plus the carrying amount of goodwill. Investments in associates with negative net asset values are measured at DKK 0 (nil). If the Group has a legal or constructive obligation to cover a deficit in the associate, the remaining amount is recognized under provisions.

Investments in Subsidiaries and Associates in the Parent Company Financial Statements

In the parent company financial statements Investments in subsidiaries and associates are recognized at cost less impairment losses. Where the recoverable amount is lower than cost, investments are written down to this lower value, please refer to description of impairment of non-current assets.

Share-based payment granted by GN Store Nord to employees in subsidiaries are for accounting purposes treated as a capital injection and increase GN Store Nord's cost of the subsidiaries. If GN Store Nord subsequently requires the subsidiaries to pay the intrinsic value of the options at the exercise date, the cost is reduced correspondingly.

Other Securities
Shares and bonds (available-for-sale) are recognized under non-current assets at cost at the trade date and are subsequently measured at fair value corresponding to the market price of quoted securities and for unquoted securities an estimated fair value computed on the basis of market data and generally accepted valuation methods. Unrealized value adjustments are recognized in other comprehensive income except for impairment losses and reversal of impairment losses, which are recognized as financial income or financial expenses. On realization, the accumulated value adjustment recognized in other comprehensive income is transferred from equity to financial income or financial expenses in the income statement.

Ownership interests between 20% and 50% in unlisted enterprises in which GN Store Nord does not exercise significant influence on the financial and operating policies are recognized under non-current assets at cost and are subsequently measured at cost if a reliable measurement of the fair value can not be made. Impairment losses are recognized under financial income or financial expenses in the income statement.

Options on acquisition and disposal of investments in unlisted enterprises are recognized under non-current assets at cost and are subsequently measured at cost if a reliable measurement of the fair value can not be made, cf. the section Derivative Financial Instruments.

Impairment of Non-current Assets
Goodwill and In-process Development Projects
Goodwill is subject to at least one annual impairment test, initially before the end of the acquisition year. Similarly, in-process development projects are tested for impairment at least annually.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which the goodwill is allocated. Goodwill is written down to the recoverable amount if the carrying amount is higher than the computed recoverable amount. The recoverable amount is computed as the present value of the expected future net cash flows from the enterprises or activities to which the goodwill is allocated.

Other Non-current Assets
The carrying amount of other non-current assets – with the exception of investments in associates and other securities measured at fair value – is subject to an annual impairment test for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

Recognition of Impairment Losses in the Income Statement
An impairment loss is recognized if the carrying amount of an 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 under the respective functions. Impairment of goodwill is recognized in a separate line item in the income statement.

Impairment of goodwill is not reversed. Impairment of other assets is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortization had the asset not been impaired.

Inventories
Inventories are measured at cost in accordance with the FIFO-principle. Inventories in GN ReSound are measured at cost using the standard cost method. Standard costs take into account normal levels of raw materials and consumables, staff costs, efficiency and capacity utilization. Standard costs are reviewed regularly and adjusted in accordance with the FIFO-principle.

Raw materials and goods for resale are measured at cost, comprising purchase price plus delivery costs.

Work in progress and finished goods are measured at cost, comprising the cost of direct materials, wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials and wages and salaries as well as maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management.

Where the net realizable value is lower than cost, inventories are written down to this lower value. The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables
Receivables are measured at amortized cost less write-down for foreseen bad debt losses. Write-down for bad debt losses is based on an individual assessment of each receivable and at portfolio level.

Prepayments
Prepayments recognized under current assets comprise costs incurred concerning subsequent financial years and are measured at cost.

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

Additional paid-in capital
Additional paid-in capital includes amounts exceeding the nominal share capital paid in by shareholders in relation to capital increases and gains/losses on the sale of treasury shares. This reserve forms part of GN's distributable reserves.

Treasury Shares
Treasury shares are recognized at cost. Gains and losses on disposal of own shares are calculated as the difference between the purchase price measured in accordance with the FIFO-principle and the selling price. Gains or losses are recognized directly in additional paid-in capital. Dividend received from treasury shares is recognized directly in retained earnings. Capital reductions from the cancellation of treasury shares are deducted from the share capital at an amount corresponding to the nominal value of the shares.

Translation Reserve
The translation reserve in the consolidated financial statements comprises foreign exchange differences arising on translation of financial statements of foreign subsidiaries from their functional currencies into the presentation currency used by GN Store Nord (DKK) and foreign exchange adjustments of balances considered to be part of the total net investment in foreign entities.

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 under pension obligations. Pension costs for the year are recognized in the income statement based on actuarial estimates and financial expectations at the beginning of the year. Any difference between the expected development in plan assets and the defined benefit obligation and actual amounts results in actuarial gains or losses. Actuarial gains or losses are recognized in other comprehensive income.

Other Provisions
Other provisions primarily comprise warranties, onerous contracts, restructurings and return obligations related to sold products. Provisions are recognized when as a result of events before or at the balance sheet date the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. On measurement of provisions, the costs required to settle the liability are discounted if the effect is material to the measurement of the liability. The amount recognized as a provision is Management's best estimate of the expenses required to settle the obligation.

Warranty provisions are recognized as the underlying goods and services are sold based on warranty costs incurred in previous years and expectations of future costs.

Restructuring costs are recognized under liabilities when a detailed, formal restructuring plan has been announced to the persons affected no later than at the balance sheet date. On acquisition of enterprises, restructuring provisions in the acquiree are only included in goodwill when the acquiree has a restructuring liability at the acquisition date.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract (onerous contracts). A provision for onerous contracts is recognized e.g. when the Company has entered a binding legal agreement for the purchase of components from suppliers that exceed the benefits from the expected future use of the components and the Company can only sell the components at a loss.

Financial Liabilities
Amounts owed to 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 flow 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 flow from acquisitions of enterprises are recognized in the cash flow statement from the acquisition date. Cash flow from disposals of enterprises are recognized up until the disposal date.

Cash flow from operating activities comprise cash flow 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, tax payable and provisions.

Cash flow from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities, acquisitions and disposals of intangible assets, property, plant and equipment and other non-current assets and acquisitions and disposals of securities that are not included in cash and cash equivalents.

Cash flow from financing activities comprise changes in the size or composition of the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, acquisition and disposal of treasury shares and payment of dividends to shareholders.

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
GN Store Nord's management has identified GN Netcom and GN ReSound as the reportable segments in the Group. GN Netcom is selling hands-free communications solutions in the form of headsets for mobile phones and traditional phones. GN ReSound is operating within the hearing instrument industry primarily producing and selling hearing instruments and products related hereto.

Segment information is based on the Group's Accounting Policies. In the Group segment performance is evaluated on the basis of EBITA as defined under key ratio definitions. 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.

KEY RATIOS
Earnings per Share and Diluted Earnings per Share

Earnings per share (EPS) is calculated by dividing the profit for the year after tax by the weighted average number of shares outstanding in the year. Diluted earnings per share are calculated by increasing the weighted average number of shares outstanding by the number of additional ordinary shares that would be outstanding if potentially dilutive shares were issued. The dilutive effect of outstanding share based payment is calculated using the Treasury Stock method.

Other Key Ratios

The key ratios stated in the survey of consolidated financial highlights are defined on page 74.

Investments in Subsidiaries and Associates at December 31, 2010

	Company	Currency	Owner-ship%	Share capital
GN Store Nord A/S	**Denmark**	**DKK**	**N/A**	**833.441.052**
GN Ejendomme A/S	Denmark	DKK	100	10.600.000
GN Cable System A/S	Denmark	DKK	100	500.000
● Danish Polish Telecommunications Group I/S	Denmark	DKK	75	N/A
GN Netcom A/S	**Denmark**	**DKK**	**100**	**31.060.000**
GN Netcom, Inc.	USA	USD	100	35.900.000
GN Hello Direct, Inc.	USA	USD	100	450.000
GN Netcom (Canada), Inc.	Canada	CAD	100	1.000
GN Communications, Equipamentos e Solucoes de Comunicacao Ltda.	Brazil	BRL	100	407.820
GN Netcom (China) Ltd.	China	USD	100	8.000.000
GN Netcom Logistic (Xiamen) Ltd.	China	USD	100	500.000
GN Communications (Shanghai) Co., Ltd	China	CNY	100	15.481.000
GN Netcom (Japan) Ltd.	Japan	JPY	100	10.000.000
GN Netcom (Singapore) Pte Ltd.	Singapore	SGD	100	700.000
GN Netcom Asia Ltd.	Hong Kong	HKD	100	2.000.000
GN Netcom Australia Pty. Ltd.	Australia	AUD	100	2.500.000
GN Netcom (Iberica) S.A.	Spain	EUR	100	60.111
GN Netcom (Italia) S.r.l.	Italy	EUR	100	10.200
GN Netcom (UK) Ltd.	Great Britain	GBP	100	100.000
GN Netcom AB	Sweden	SEK	100	5.100.000
GN Netcom Benelux B.V.	Netherlands	EUR	100	18.000
GN Netcom GmbH	Germany	EUR	100	51.129
GN Netcom S.A.	France	EUR	100	80.000
GN ReSound A/S	**Denmark**	**DKK**	**100**	**60.197.000**
GN GROC Ltd.	China	USD	100	500.000
GN Hearing Care Canada Ltd.	Canada	CAD	100	10.000
GN Hearing Care Corporation	USA	USD	100	180.000
GN Hearing Care S.A.	Spain	EUR	100	1.562.631
GN ReSound AB	Sweden	SEK	100	100.000
GN ReSound AG	Switzerland	CHF	100	420.000
GN Hearing Benelux B.V.	Netherlands	EUR	100	680.670
GN ReSound China Ltd.	China	CNY	100	34.000.000
GN ReSound do Brazil Ltda.	Brazil	BRL	100	11.466.706
GN ReSound GDC Ltd.	Ireland	USD	100	269.520
GN Hearing GmbH	Germany	EUR	100	296.549
GN ReSound GmbH Höertechnologie	Germany	EUR	100	2.162.253
GN ReSound Hearing Care Equ. (Shanghai)	China	USD	100	3.000.000
GN ReSound Höertechnologie GmbH	Austria	EUR	100	500.000
GN ReSound Italia SRL	Italy	EUR	100	181.190
GN ReSound Japan K.K.	Japan	JPY	100	499.000.000
GN ReSound Ltd.	Great Britain	GBP	100	7.376.000
GN ReSound Norge AS	Norway	NOK	100	2.000.000
GN ReSound NZ Ltd	New Zealand	NZL	100	2.000.000
GN ReSound Pty. Ltd.	Australia	AUD	100	4.000.002
GN ReSound S.A.S.	France	EUR	100	285.957
GN ReSound Singapore Pte. Ltd.	Singapore	SGD	100	300.000

	Company	Currency	Owner-ship%	Share capital
GN ReSound India Private Limited	India	INR	100	7.352.000
GN US Holdings Inc.	USA	USD	100	34.000.000
GN af 19. januar 1998 A/S	Denmark	DKK	100	91.013.000
GN af 20. januar 1998 A/S	Denmark	DKK	100	13.975.000
Beltone Europe Holdings ApS	Denmark	DKK	100	200.000
Beltone Holdings Inc.	USA	USD	100	1
Beltone Holdings II Inc.	USA	USD	100	1
Beltone Holdings III, Inc.	USA	USD	100	10
Beltone Holdings IV, Inc	USA	USD	100	30
Beltone Holdings V, Inc.	USA	USD	100	30
Beltone Norge AS	Norway	NOK	100	1.000.000
Beltone Schweiz GmbH	Switzerland	CHF	100	20.000
Bel Tone India Limited	India	INR	100	74.000.000
Interton Ltd.	Great Britain	GBP	100	5.000
American Hearing Systems Inc.	USA	USD	100	10
810720 Alberta Ltd. (Canada)	Canada	CAD	100	50.000
Sluchadlova Akustika spol S.R.O.	Czech Republic	CHZ	100	102.000
Interton Slovakia S.R.O	Slovakia	SKK	85	170.000
Beltone Polska Marke-Med Sp. z.o.o.	Poland	PLN	100	62.500
Mercury Internazionale S.p.A.	Italy	EUR	100	300.000
▲ Audio Nova S.R.L	Romania	ROL	49	10.000.000
▲ AVR Inc.	Israel	USD	20	2.811.108
▲ GN ReSound Korea Co. Ltd.	Korea	KRW	40	136.700.000
▲ Himpp A/S	Denmark	DKK	11,11	2.400.000
▲ HIMSA A/S	Denmark	DKK	25	1.000.000
▲ HIMSA II A/S	Denmark	DKK	16,67	600.000
▲ Himsa II K/S	Denmark	DKK	15,38	3.250.000
▲ K/S Himpp	Denmark	DKK	30	114.782.415
GN Otometrics A/S	**Denmark**	**DKK**	**100**	**23.240.000**
GN Otometrics GmbH & Co. KG	Germany	EUR	100	409.034
GN Otometrics Holding GmbH	Germany	EUR	100	1.800.000
GN Otometrics Verwaltungs GmbH	Germany	EUR	100	25.000
GN Group Solutions GmbH	Germany	EUR	100	25.565
GN Otometrics France Sas	France	EUR	100	1.200

▲ 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 possession and disposal of ownership interests, etc. The partnership (I/S) stated in the list do not publish financial statements subject to section 5 of the Danish Financial Statements Act, as it is 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.

Forward-looking Statements

The forward-looking statements in this annual report reflect GN management's current expectations of certain future events and financial results. Statements regarding 2011 are, of course, subject to risks and uncertainties which may result in material deviations from expectations. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect. Factors that may cause actual results to deviate materially from expectations include – but are not limited to – general economic developments and developments in the financial markets, technological developments, changes and amendments to legislation and regulations governing GN's markets, changes in the demand for GN's products, competition, fluctuations in sub-contractor supplies and developments in ongoing litigation (including but not limited to class action and patent infringement litigation in the United States). For more information, see the "Management's Report" and "Risk Management" elsewhere in this Annual Report. 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.

GLOSSARY AND KEY RATIO DEFINITIONS

In this annual report the following abbreviations are used:

Operating profit (loss)	Profit (loss) before tax, financial items, impairment of goodwill and special items.
EBITDA	Operating profit (loss) before depreciation and impairment of property, plant and equipment and amortization and impairment of intangible assets except development projects.
EBITA	Operating profit (loss) before amortization and impairment of other intangible assets acquired in company acquisitions.

Key Ratio Definitions

Organic growth	=	$\frac{\text{Absolute organic sales growth}}{\text{Sales year 0}}$
Net working capital (NWC)	=	Inventories + receivables + other operating current assets - trade payables - other operating current liabilities
Net interest-bearing debt	=	Cash and cash equivalents - bank loans
Dividend payout ratio	=	$\frac{\text{Total dividend}}{\text{Profit (loss) for the year}}$
Gross margin	=	$\frac{\text{Gross profit}}{\text{Revenue}}$
EBITA margin	=	$\frac{\text{EBITA}}{\text{Revenue}}$
Return on invested capital including goodwill (ROIC including goodwill)	=	$\frac{\text{EBITA}}{\text{Average invested capital including goodwill}}$
Invested capital	=	NWC + property, plant and equipment and intangible assets - provisions
Return on equity (ROE)	=	$\frac{\text{Profit (loss) for the year}}{\text{Average equity of the Group}}$
Equity ratio	=	$\frac{\text{Equity of the Group}}{\text{Total assets}}$
Earnings per share basic (EPS)	=	$\frac{\text{Profit (loss) for the year}}{\text{Average number of shares outstanding}}$
Earnings per share, fully diluted (EPS diluted)	=	$\frac{\text{Profit (loss) for the year}}{\text{Average number of shares outstanding, fully diluted}}$
Cash flow per share	=	$\frac{\text{Cash flow from operating (and investing) activities}}{\text{Average number of shares outstanding, fully diluted}}$
Book value per share	=	$\frac{\text{Equity of the parent company}}{\text{Number of shares at year-end}}$
Market capitalization	=	Average number of shares outstanding x share price at the end of the period

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GN Store Nord has been helping people connect since 1869. Initially as a telegraph company and now as a global market leader in personal communications providing increased mobility and quality of life for its users. Through its two subsidiaries GN Netcom and GN ReSound, GN develops, manufactures and markets headsets and speakerphones for hands-free communications, hearing aids as well as audiological, otoneurologic and vestibular instrumentation. The products are marketed globally. As of December 31, 2010 GN had around 4,500 employees worldwide. GN is listed on NASDAQ OMX Copenhagen. For more information, visit www.gn.com

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