GN STORE NORD

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Management's Report

2011 - A YEAR OF VERY STRONG GROWTH ...and the year when the TPSA dispute was resolved

Per Wold-Olsen
Chairman

Dear shareholder
This is the fourth year I have the honor of welcoming you to GN Store Nord's Annual Report. When I look back on the key themes and goals outlined in the annual reports of the last few years, I am very happy to say that, year on year, we have delivered on the goals outlined, the most recent example being when in the Annual Report for 2010 we declared that GN was "Back on a Growth Track".

Looking at the period from 2008 to 2011 the developments become very tangible: The EBITA margin has experienced close to a tenfold improvement, lifting the margin in the operating businesses to 13%, and still has the potential for significant improvement. GN is now well capitalized as we have repaid all debt following the closing of the TPSA case. The strong results brought us back into the NASDAQ OMX C20 index in 2010 and in 2011 we firmly established this position. Then, on January 2, 2012, GN Store Nord also entered the group of Large Cap companies in Denmark.

More importantly, we have delivered these results through our improved ability to commercialize innovation, something we put at the top of the agenda back in 2008. The large number of exciting, new products developed and marketed by GN Netcom and GN ReSound's family of ReSound Alera™ hearing aids with 2.4 GHz wireless technology have brought GN to where the company is today. These innovations are the foundation for our growth in 2011, and they will also be our foundation for growth in 2012. Even more exciting, we fundamentally see a rich pipeline of new products coming through over the next two years in both businesses. With the flow of new products and our ability to bring them to market we are very well positioned to create strong top-line growth. With that said, we still have room for improvement and there are also further opportunities available to us. It is on that background that the Strategy Committee of the Board of Directors has investigated possible, additional strategic initiatives for GN. The Board has confirmed that GN will be "an innovation-driven leader in the field of sound processing" and the Board has also concluded that technology focused research and development has the potential to provide further growth opportunities.

We have worked diligently in the interest of our shareholders to get closure on the TPSA dispute and on January 12, 2012, we reached an agreement. With this closure behind us we have reached an important milestone for GN. We have said all along that it was just a question of time before TPSA would have to pay the money due to DPTG. And we delivered on that promise. DKK 3.1 billion has now been paid to GN. Immediately after the closure of the dispute became a fact we initiated a DKK 1.3 billion share buyback program – in addition to the DKK 400 million shares bought back during 2011 – and we repaid GN's debt.

GN ReSound
2011 became a year of very strong top-line growth. The ReSound Alera™ product line up has given us a unique opportunity to compete in the top and plus segments. In the world's largest hearing aid market – North America – we have proven to ourselves that we can successfully commercialize innovation, as evidenced by strong market share gains both in the open market and in Veterans Affairs. The same story applies for Japan. Europe is still somewhat of a patchwork, with some markets doing very well and some markets where we need to improve on our performance. As announced in 2010, we are underway in our efforts to restructure the supply chain and we have made significant progress. The project has shown us that there are opportunities available to us to reduce cost and complexity in the business, and we will pursue them all in order to deliver on the targets set for 2013.

GN Netcom
Again, GN Netcom experienced very strong top line and earnings growth. With all major restructurings behind us, the company is now a fully fledged operating business, uniquely positioned for the promising opportunity in the Unified Communications (UC) segment. We have, and will continue to have, competitive products and our key focus is now to secure that we have a professional and commercially focused organization, with the ability to execute well in a challenging, but exciting market place.

2012
We have gone through challenging times in both businesses and we still have a lot of work to do in GN ReSound. GN ReSound has therefore launched the SMART program aiming at significantly reducing complexity and thereby costs in the business.

We have come a long way and now is the time to focus on our organizational capacity, people development and on the people part of GN. We have therefore decided to upgrade the Human Resources function. We fundamentally believe that it is the skill sets of our people and how they work together that will make the fundamental turn around and the recent successes sustainable over time.

In the fall of 2010, we made the decision to publish financial targets for 2013. I am pleased to say that, in terms of our ability to reach our targets for 2013, we have delivered what we needed to in 2011. We are confident that the 2012 numbers will be another step towards delivering on the 2013 targets.

On behalf of GN's Board of Directors I would like to thank and congratulate all of GN's employees for their strong commitment and the many outstanding results achieved during the year. Results that should make our shareholders very pleased with the progress the company has made.

Per Wold-Olsen
Chairman of the Board of Directors

Consolidated financial highlights

(DKK million)	2007	2008	2009	2010	2011
Income statement					
Revenue	5,981	5,624	4,729	5,145	5,564
Organic growth	(7)%	(2)%	(16)%	5 %	9%
Operating profit (loss)	230	34	(23)	2,569	1,256
Financial items, net	(66)	(117)	(71)	(33)	(28)
Profit (loss) for the year	(67)	(56)	(70)	1,855	865
Development costs incurred for the year	(552)	(531)	(449)	(455)	(501)
EBITDA	500	268	182	2,736	1,475
EBITA	294	65	8	2,595	1,284
Balance sheet					
Share capital	833	833	833	833	833
Consolidated equity	4,482	4,507	4,435	6,504	6,878
Parent company equity	5,358	5,361	5,349	5,254	4,653
Total assets	7,835	7,878	7,135	9,806	11,181
Net working capital	1,299	1,136	862	3,172	4,120
Net interest-bearing debt*	1,516	1,592	1,029	960	1,269
Cash flow					
Cash flow from operating activities	478	512	717	563	702
Cash flow from investing activities	(661)	(607)	(151)	(367)	(486)
Hereof:					
Development projects	(311)	(328)	(259)	(234)	(265)
Investments in property, plant and equipment	(154)	(133)	(50)	(95)	(82)
Total cash flow from operating and investing activities (free cash flow)	(183)	(95)	566	196	216
Key ratios					
Dividend payout ratio**	0 %	0 %	0 %	15 %	16%
Gross profit margin	51 %	52 %	54 %	57 %	59%
EBITA margin	4.9 %	1.2 %	0.2 %	50.4 %	23.1%
Return on invested capital including goodwill (ROIC including goodwill)*	5.3 %	1.2 %	0.2 %	43.0 %	16.5%
Return on equity	(1.4) %	(1.2) %	(1.6) %	33.9 %	12.9%
Equity ratio	57.2 %	57.2 %	62.2 %	66.3 %	61.5%
Net interest-bearing debt (average)/EBITDA	2.9	5.8	7.2	0.4	0.8
Key ratios per share					
Earnings per share, basic (EPS)	(0.33)	(0.27)	(0.34)	9.15	4.31
Earnings per share, fully diluted (EPS diluted)	(0.33)	(0.27)	(0.34)	9.00	4.27
Cash flow from operating activities per share	2.35	2.51	3.49	2.73	3.46
Cash flow from operating and investing activities per share	(0.90)	(0.47)	2.76	0.95	1.07
Dividend per DKK 4 share (in Danish kroner)	-	-	-	0.19	0.27
Book value per DKK 4 share	26	26	26	25	22
Share price at the end of the period	40	10	28	51	48
Other					
Number of employees, year-end	~4,675	~4,825	~4,150	~4,525	~4,675
Market capitalization	8,141	2,037	5,704	10,336	9,634

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

** Excluding TPSA.

Q4 2011

Following three quarters of solid organic revenue growth from Q1 to Q3 2011, GN ended 2011 on a strong note delivering 7% organic growth in Q4 2011. The revenue growth in Q4 2011 is a reflection of continued strong UC performance in GN Netcom, along with the fact that the ReSound Alera™ family of products maintains solid growth on the back of the launch of additional form factors completing the family.

EBITA increased from DKK 208 million in Q4 2010 to DKK 878 million in Q4 2011 (including the closure of the DPTG/TPSA dispute). EBITA for the two operating businesses increased by 35% from DKK 224 million in Q4 2010 to DKK 303 million in Q4 2011.

The result for Other activities includes a number of extraordinary costs in Q4 2011, including a write-down of the head office building and a donation to the GN Store Nord Foundation of DKK 25 million as well as costs related to the closure of the TPSA dispute, close down of the Telegraph Company and the claim against the German Federal Cartel Office. Management has decided to explore opportunities to reduce invested capital and, potentially, facility costs. As a result and due to the weak real estate markets in Denmark, the carrying amount of the head office building has been impaired by DKK 64 million to market value. The head office building in Denmark is expected to be sold in a straight sale or in a sale-and-leaseback.

ReSound Alera™ continues to be the key growth driver for GN ReSound. Hearing Instruments experienced notable 10% organic growth in Q4 2011 as the competitive advantages of the ReSound Alera™ family continue to have an impact in the market place – the fact that the family was expanded with additional form factors during Q4 2011 also supported growth. The EBITA margin in Q4 2011 ended at 20% - the strongest margin since Q4 2004.

The supply chain project in GN ReSound showed significant progress during Q4 2011. The expected positive impact on the gross margin was partially offset by, among other things, increases in production and freight costs as well as inventory write-downs. The supply chain project has shown us that we have vast opportunities to reduce costs and complexity in the business – including in areas other than supply chain and manufacturing. Management has therefore decided to expand the project to include all areas of the GN ReSound value chain. For further information, please see the sections "GN ReSound", "Outlook for 2012" and "Financial targets".

GN Netcom grew by 5% organically in Q4 2011. The CC&O division grew by 9% in Q4 2011 while the Mobile division had organic growth of (1)% reflecting the deliberate deselection of Original Equipment Manufacturer (OEM) business and a very strong Q4 2010 in North America. Growth in the CC&O division lifted GN Netcom's EBITA margin to 18% in Q4 2011, one percentage point improvement over Q4 2010.

Q4 highlights

- Total GN revenue was DKK 1,573 million and organic growth was 7%.
- EBITA for the two operating businesses increased by 35% from DKK 224 million in Q4 2010 to DKK 303 million in Q4 2011. Total EBITA (including the closure of the DPTG/TPSA dispute) increased from DKK 208 million in Q4 2010 to DKK 878 million in Q4 2011.
- The free cash flow was DKK 106 million versus DKK 35 million in Q4 2010.
- Revenue in GN ReSound was DKK 962 million and organic growth was 8%. GN ReSound's EBITA was DKK 193 million up from DKK 128 million in Q4 2010.
- Revenue in GN Netcom was DKK 611 million and organic growth was 5%. GN Netcom's EBITA was DKK 110 million, compared to DKK 96 million in Q4 2010.
- On January 12, 2012, DPTG and TPSA reached a conclusion to the 10-year dispute regarding the traffic volumes carried over the NSL fiber optical telecommunications system in Poland. The financial statements for Q4 2011 include an income of DKK 731 million related to the TPSA case.

	Q4 2011				Q4 2010			
DKK million	**GN Netcom**	**GN ReSound**	**Other**	**GN total**	**GN Netcom**	**GN ReSound**	**Other**	**GN total**
Revenue	611	962	0	1,573	580	855	2	1,437
Organic growth	5%	8%	-	7%	17%	5%	-	10%
Gross profit	340	599	0	939	299	518	2	819
Gross margin	56%	62%	-	60%	52%	61%	-	57%
EBITA	110	193	575	878	96	128	(16)	208
EBITA margin	18.0%	20.1%	-	55.8%	16.6%	15.0%	-	14.5%
Free cash flow	118	73	(85)	106	51	38	(54)	35

The year 2011

GN's full-year revenue was DKK 5,564 million and overall organic growth was 9% based on strong growth in both GN ReSound and GN Netcom. The organic growth surpassed the outlook of "More than 7% organic growth" provided in the Interim Report Q3 2011.

The strong topline growth in 2011 is a testimony to GN ReSound's position as a leading innovator in the hearing aid industry as well as GN Netcom's leadership position in the rapidly growing UC segment and our ability to commercialize innovation.

Despite the turbulent macroeconomic environment, GN maintained a strong growth momentum throughout 2011 confirming that GN is "Back on a growth track" as stated in the Annual Report for 2010.

In addition to delivering solid organic revenue growth in 2011, GN also improved earnings considerably with EBITA increasing almost 30% in GN ReSound and almost 40% in GN Netcom. The consolidated EBITA for the two operating businesses combined was the highest since 2005. Both GN ReSound and GN Netcom delivered an EBITA in line with the outlook provided in the Interim Report Q3 2011. GN's consolidated full-year EBITA ended at DKK 1,284 million, which includes DKK 731 million related to the successful closure of the 10-year dispute with TPSA.

GN ReSound regained its position as a leading innovator in the hearing aid industry with the launch of the groundbreaking ReSound Alera™, which as the only hearing aid in the industry features a true 2.4 GHz wireless solution. In 2011, GN ReSound completed the launch of the ReSound Alera™ family of wireless hearing aids and there is now a ReSound Alera™ for everyone. The strength of the product portfolio was witnessed by a strong increase in the share of top-end units sold. The superiority of the technology also paved the way for a license and technology agreement with Cochlear Ltd., the leader within cochlear implants and bone anchored solutions, in Q2 2011. GN ReSound has a strong product pipeline and is well positioned for continued growth.

For GN Netcom, 2011 was the year when deployment of UC solutions accelerated all over the world and the growth potential became even more tangible. Several leading, global companies selected GN Netcom as the headset provider for their UC solutions. Today, GN Netcom does business with the majority of the global Fortune 100 companies. GN Netcom's Mobile division cemented its position and Jabra became the number one mobile headset brand in Europe in 2011. The strong market position in both the CC&O and Mobile divisions resulted in an EBITA margin of 14.7% - an 11-year high.

The Board of Directors fundamentally believes that GN as a company should proactively support Corporate Social Responsibility (CSR) activities and the Board of Directors has consequently decided to donate a total of DKK 25 million to the GN Store Nord Foundation. Management has decided to explore opportunities to reduce invested capital and, potentially, facility costs, which means that the head office building in Denmark is expected to be sold in a straight sale or in a sale-and-leaseback. As a result and due to the weak real estate markets in Denmark, the carrying amount of the head office building has been impaired by DKK 64 million to market value. Consequently, the full-year EBITA for Other activities and thereby for GN Store Nord consolidated is below the full-year EBITA outlook of "DKK 1,375-1,475 million (low/mid end of range)" provided in Company Announcement number 1, 2012.

For the first time in 5 years – and in line with GN's capital structure policy - GN declared dividends in 2011 amounting to 15% of the net result for the financial year 2010 (excluding the TPSA award). In addition, GN was able to return more cash to the shareholders by conducting two share buyback programs amounting to a total of DKK 400 million. The purpose of the programs was to reduce the company's share capital.

During 2011, GN maintained the company's position in the NASDAQ OMX C20 index of the 20 largest and most traded shares on NASDAQ OMX Copenhagen. Additionally, GN entered the so-called Large Cap index effective from January 2, 2012.

Financial items amounted to DKK (28) million in 2011, compared to DKK (33) million in 2010. The line was positively impacted by TPSA penalty interest accrued during the first three quarters of the year and negatively impacted by the cancellation of an interest rate swap that was no longer needed to hedge the interest exposure on GN's debt as all debt was repaid in January 2012 following the closure of the TPSA dispute.

	Full year 2011				Full year 2010			
DKK million	GN Netcom	GN ReSound	Other	GN total	GN Netcom	GN ReSound	Other	GN total
Revenue	2,106	3,450	8	5,564	1,973	3,164	8	5,145
Organic growth	9%	9%	-	9%	9%	2%	-	5%
Gross profit	1,188	2,099	8	3,295	1,043	1,883	8	2,934
Gross margin	56%	61%	-	59%	53%	60%	-	57%
EBITA	310	426	548	1,284	224	329	2,042	2,595
EBITA margin	14.7%	12.3%	-	23.1%	11.4%	10.4%	-	50.4%
Free cash flow	358	0	(142)	216	244	(4)	(44)	196

Highlights

- Total GN revenue was DKK 5,564 million representing organic growth of 9% compared to 5% in 2010. Both GN ReSound and GN Netcom achieved organic growth of 9%.
- The gross margin was 59%, two percentage points above 2010.
- EBITA was DKK 1,284 million, including DKK 731 million related to the closure of the DPTG/TPSA arbitration case. EBITA in the two operating businesses was DKK 736 million, 33% above 2010.
- The effective tax rate was 29%. Adjusted for the write-down of certain previously capitalized tax assets and other one-off adjustments, the effective tax rate was 27% (excluding TPSA).
- Net profit amounted to DKK 865 million against DKK 1,855 million in 2010.
- The free cash flow was DKK 216 million versus DKK 196 million in 2010.
- Net interest-bearing debt ended at DKK 1,269 million (DKK 960 million at December 31, 2010) after GN conducted share buybacks of DKK 400 million during the year.
- At the Annual General Meeting to be held in March 2012, the Board of Directors will propose to the shareholders that a dividend of 16% of the net result (excluding TPSA and extraordinary costs in Other activities) or DKK 57 million (DKK 0.27 per share) be paid in respect of the financial year 2011. A dividend of 15% was paid in respect of the financial year 2010.
- In November 2010, GN announced that its financial target for 2013 was to double the group EBITA margin to around 19% from 9% in 2010 (excluding TPSA). Despite the weak macroeconomic environment, GN confirms the target for the EBITA margin and increases the revenue target by DKK 100 million to "More than DKK 6.4 billion".
- On January 12, 2012 DPTG and TPSA reached a conclusion to the dispute regarding the traffic volumes carried over the NSL fiber optical telecommunications system in Poland. With the conclusion, TPSA agreed to pay a total of EUR 550 million to DPTG in full and final payment. GN was entitled to receive 75% of the amount or around DKK 3,060 million. The net cash impact for GN is expected to be around DKK 2.5 billion net of tax and related expenses. All payments were received in January 2012 and GN has terminated all enforcement proceedings against TPSA. As a result the more than 10-year dispute with TPSA is now fully resolved.
- Based on the closure of the DPTG/TPSA dispute and acting under the current share buyback authorization, GN initiated a share buyback program amounting to DKK 1.3 billion on January 13, 2012. The share buyback program will continue after the Annual General Meeting to be held in March 2012, subject to an authorization from the shareholders.
- In order to claim compensation for the significant loss imposed on GN in connection with the German Federal Cartel Office's prohibition of the sale of GN ReSound to Sonova, GN filed a claim of EUR 1.1 billion (approximately DKK 8.2 billion) on December 22, 2010 with the district court in Bonn, Germany. The Federal Cartel Office handed in its defense brief on July 4, 2011 and on November 28, 2011 GN handed in its reply. It is expected that the rejoinder will have to be submitted by the Federal Cartel Office no later than by the end of March 2012. Subsequently, an oral hearing will most likely be held in Q2 or Q3 2012.

GN ReSound delivered strong growth based on innovation

As communicated in the Annual Report for 2010, GN ReSound's top priorities for 2011 were to strengthen the fundamentals of the business. This was to be obtained by focusing on technology innovation as well as sales and service excellence. Management is pleased to confirm that GN ReSound delivered on these parameters by growing 9% organically and thereby gained significant market share.

In 2011, GN ReSound cemented its position as a leading innovator in the hearing aid industry by completing the roll-out of the ReSound Alera™ family which – as the only hearing aid family in the industry - features a true 2.4 GHz wireless solution. The technology behind the ReSound Alera™ family with its groundbreaking use of the 2.4 GHz technology has proven its uniqueness and usability, and has become a strong differentiating factor in the marketplace. The strength of the product portfolio was witnessed by a strong increase in the share of top-end units sold. The superiority of the technology also paved the way for a license and technology agreement with Cochlear Ltd., the leader within cochlear implants and bone anchored hearing solutions, in Q2 2011. The ReSound Alera™ family is a strong testimony to the R&D capabilities of the company.

GN ReSound is now in a position to bring forward a very strong product pipeline and is well positioned for continued growth in 2012 and beyond. During 2012, GN ReSound will continue to launch new, superior technology and products into the marketplace, with a launch cadence equivalent to that of the competition. This means that GN ReSound, if desired, will also be in a position to launch complete product families introducing all form factors simultaneously.

During the first half of 2012, GN ReSound will launch a new product family as well as extend the ReSound Alera™ and the corresponding Beltone True families building on the unique utilization of the 2.4 GHz technology. In the second half of 2012, GN ReSound will launch a complete new high-end product family, extending GN ReSound's unique utilization of the 2.4 GHz technology to also include ear-to-ear communication capabilities. The product family to be launched in the second half of 2012 will be a technology breakthrough in regards to delivering true and tangible end-user benefits predominantly related to enhancing the directionality experience for users of hearing aids.

In 2011, ReSound Alera™ continued to be the key growth driver. On the ever important US market where GN ReSound and Beltone generated double digit growth rates throughout 2011, GN ReSound and Beltone captured an unmatched 58% of the total US unit market growth in 2011.

2011 was also a year when GN ReSound successfully continued expanding its cooperation with the Veteran's Affairs (VA). In Q4 2011, GN ReSound reached a market share close to 8%, the highest quarterly market share ever recorded in the VA by GN ReSound.

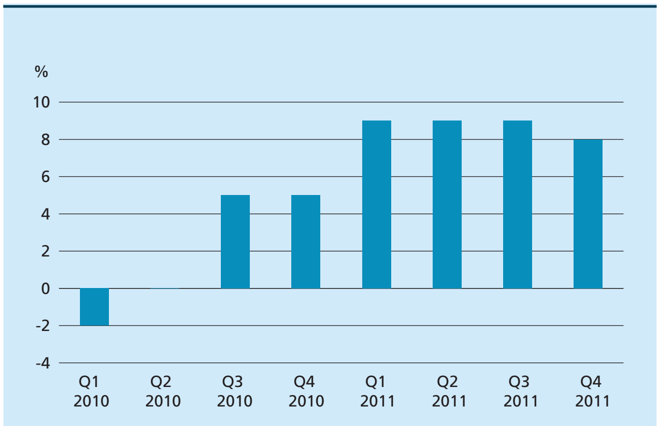
In GN ReSound's second largest market, Japan, the ReSound Alera™ product family together with a dedicated and focused organization successfully achieved growth well above the market, thereby gaining market share. The Japanese market differentiates itself from both the European and the US market as in-the-ear (ITE) products are by far the preferred form factor. ReSound Alera™ has been well received in Japan across all form factors and the Japanese organization was able to professionally expand demand for the receiver-in-the-ear (RIE) and behind-the-ear (BTE) form factors, and the very quick uptake of the traditional ITE form factors launched in Q3 2011 was especially encouraging.

Another key focus area for 2011 was the supply chain transformation project. The project showed significant progress during the year and not least in Q4 2011. The positive impact on the gross margin in the last quarter of the year was partially offset by, among other things, increases in production and freight costs as well as inventory write-downs. The increase in production costs was related to two issues: 1) as part of continuously expanding the opportunities related to our unique use of the 2.4 GHz technology, GN ReSound some time ago deliberately adjusted certain parts of the ReSound Alera™ platform allowing us to further improve performance in our exciting product launches lined up for 2012. The cost impact has been greater than expected due to unsuccessful efforts to qualify alternative suppliers and a general upward pressure on component prices driven by the global rush to secure components following the flooding in Thailand; 2) as mentioned in the Interim Report Q3 2011, the flooding in Thailand severely impacted GN ReSound's manufacturing supplier of wireless accessories and a part of the production was moved to Denmark re-

GN ReSound

The GN ReSound Group is a leading international manufacturer of advanced hearing health care solutions. The company offers a full range of hearing aids and accessories under the ReSound, Beltone and Interton brand names. Through 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, which is headquartered in Copenhagen, Denmark, has subsidiaries in more than 20 countries and distributors in 60 more and employs 3,775 employees. Read more on www.gnresound-group.com

QUARTERLY ORGANIC GROWTH IN GN RESOUND



sulting in a notable cost increase for accessories. Management expects to be able to mitigate some of these cost increases by implementing a number of changes to the business model during 2012 (further information is provided below and in the section "Financial targets").

In the Interim Report Q3 2010, GN released financial targets for 2013. The target is to double the EBITA margin for GN ReSound from around 10% in 2010 to around 20% in 2013 based on the following key drivers:

- Revenue growth in line with or above the market
- Supply chain transformation delivering DKK 200 million in cost reductions
- Stronger presence in the top-end segment
- High operational leverage
- Average market growth (value) of 3-5% per year

GN ReSound has clearly succeeded in delivering on the most important drivers of a higher EBITA margin: generating strong growth and achieving a stronger presence in the top-end segment. A number of factors have, however, resulted in pressure on the EBITA margin:

- The general Average Selling Price (ASP) development in the market has been weaker than expected, driven by tenders and large key accounts.
- The supply chain project has taught us that there is unnecessary complexity in the GN ReSound business model - including in areas other than manufacturing and supply chain - and that GN ReSound is not operating as a truly global company. This drives significant additional costs, some of which have even increased following the supply chain project.

While the supply chain project has greatly simplified GN ReSound's manufacturing and logistics set-up, it has not addressed fundamental legacy issues preventing the company from operating as a truly global company. Some of these legacy issues date back to the larger acquisitions undertaken by GN ReSound in the past. In order to reduce complexity and eliminate legacy issues once and for all, Management has decided to launch the SMART program:

S - Simplify the way we do business
M - Mindset to win
A - Act as ONE company
R - Revenue growth
T - Turn every stone

The main pillars of the SMART program are:

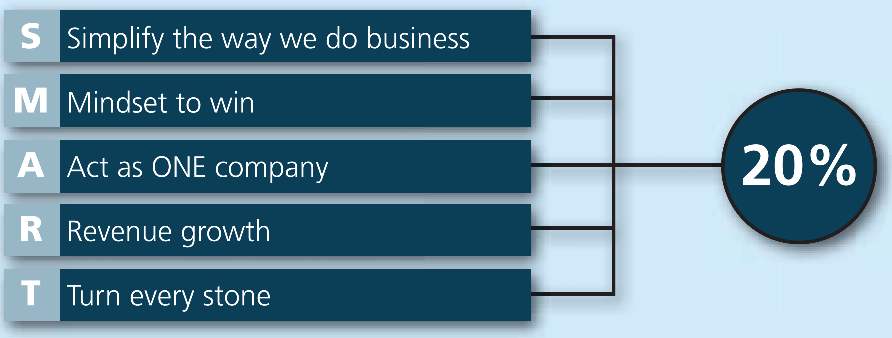
- **Complexity reduction:** Significant simplification of the product portfolio, packaging and product offering standardization.
- **Globalize operations:** Take the final steps to establish one global operations function; further offshoring of production; change of logistics structure; improved returns management.
- **Go-to-market:** Designing a standardized go-to-market model; create best practice for structure of sales organizations, increase use of online services, clustering of countries; discontinue certain non-core businesses; turnaround of strategic underperforming entities.

ONE company: These steps will secure that we end up with a truly globalized, standardized and simplified business model throughout the company – acting as ONE global company.

With the implementation of the SMART program, GN ReSound will deliver the targeted EBITA margin of around 20% in 2013. Combined with GN ReSound's well-established superior R&D capabilities, the SMART program will pave the way for GN ReSound to continue winning in the hearing aid market and fully close the remaining part of the margin gap versus the competition beyond 2013.

GN ReSound confirms the 2013 EBITA target despite the fact that EBITA margins among top-tier competitors have declined from 25-30% since the financial targets for 2013 were communicated in late 2010 to now around 20-25%. At the same time, GN ReSound increases the revenue target for 2013 by DKK 100 million to now "More than DKK 3.8 billion". Please refer to the section "Financial targets".

THE SMART PROGRAM IS EXPECTED TO TAKE GN RESOUND TO AN EBITA MARGIN OF AROUND 20% IN 2013



The SMART program is expected to generate one-time restructuring costs of up to DKK 200 million in 2012, mainly related to the globalization of the manufacturing and supply chain setup and complexity reduction. Some of the non-recurring costs will be non-cash and some will have a cash impact. The restructuring costs include consultancy fees to a top-tier consultancy firm that also assisted GN on the FAST program in GN Netcom.

GN ReSound full year
In 2011, GN ReSound's revenue was DKK 3,450 million compared to DKK 3,164 million in 2010 corresponding to organic growth of 9%. Hearing Instruments generated revenue of DKK 3,060 million corresponding to organic growth of 9% compared to 2010. GN Otometrics generated revenue of DKK 390 million and 5% organic growth. GN ReSound's gross margin was 61%, compared to 60% in 2010.

EBITA was DKK 426 million (a margin of 12.3%) - up almost 30% from DKK 329 million (a margin of 10.4%) in 2010. GN Otometrics contributed DKK 31 million to the 2011 EBITA. Selling, distribution and administrative costs, etc. were DKK 1,355 million compared to DKK 1,273 million in 2010. Expensed R&D costs were DKK 318 million, compared to DKK 281 million in 2010.

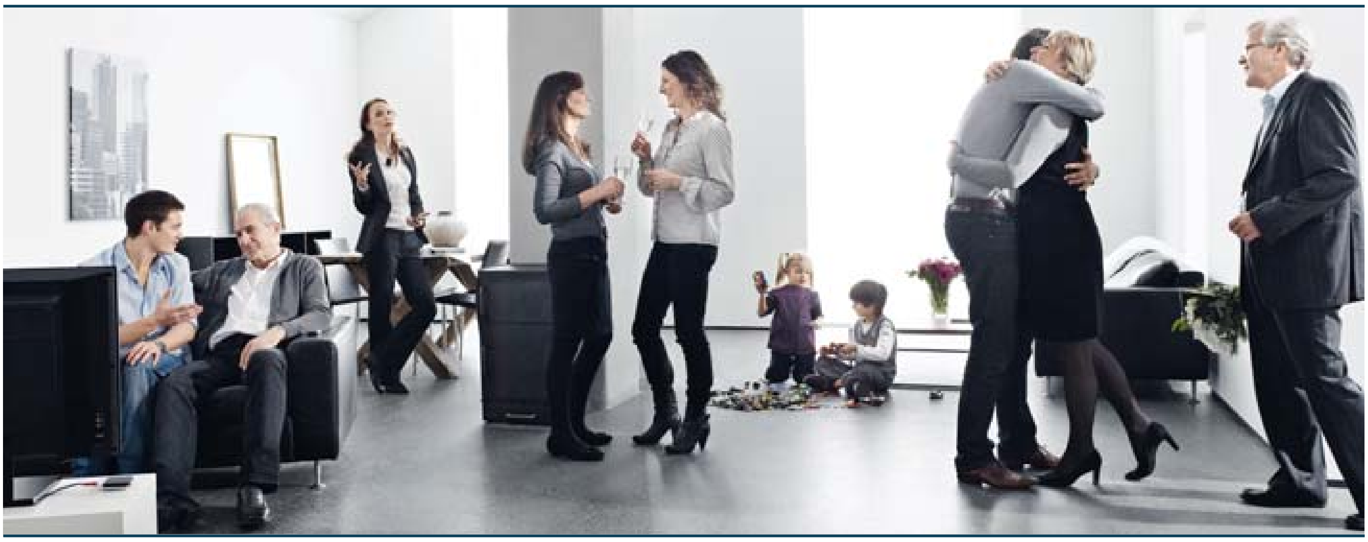
GN ReSound generated 32% of its total revenue in Europe, 43% in North America and 25% in Asia and the rest of the world.

Net working capital as a percentage of revenue increased from 28% in 2010 to 31% during 2011, among other things due to higher inventories. The increase in inventories is due to fragmented decision making which will be addressed as part of the SMART program. Inventories were DKK 454 million at December 31, 2011. Trade receivables amounted to DKK 904 million compared to DKK 783 million at the end of 2010, keeping Days Sales Outstanding (DSO) roughly flat. Trade payables were DKK 253 million at the end of 2011 compared to DKK 221 million at the end of 2010. Cash flow from operating and investing activities excluding tax and financial items was DKK 84 million in 2011 compared to DKK 69 million in 2010. The cash flow from investing activities was DKK (388) million compared to DKK (280) million in 2010.

GN ReSound had 3,775 employees at the end of 2011, up from 3,650 at the end of 2010. On March 18, 2011, Anders Boyer was appointed CFO of GN ReSound in addition to his overall responsibilities as CFO of GN Store Nord.

Markets
GN ReSound's global market share in terms of units sold increased during the year to over 16% in late 2011. This makes GN ReSound the world's fourth-largest manufacturer of hearing aids measured in units. Demand on the global markets for hearing aids proved resilient in 2011 with little signs of noticeable weakening, despite the significant deterioration in consumer confidence during the year. However, pricing pressure prevails in the market place ASP and to some extent the profitability of the industry in general. The global hearing aid market grew by approximately 5% in 2011 measured in units. The global hearing aid market comprise just above 11 million units in total. The value growth is estimated to 2-3% in 2011 implying a negative change of ASP, predominantly affected by fierce price competition in the Scandinavian tender markets as well as continued consolidation among retailers. The European market experienced flat to negative value growth. The US market continued to grow in terms of both value and units, in line with historical trends. Emerging markets also continued to grow in line with historical trends with double digit unit growth rates in key markets.

RESOUND ALERA™ - MAKES YOU HEAR BETTER IN ALL SITUATIONS



The hearing aid market is relatively stable and has grown historically by mid-single-digit growth rates of 5-6% per year in units. This trend is expected to continue in the years to come, driven by a number of factors:

- The demographic trends in the main markets show an ageing population which will increase demand for hearing aids.
- 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. It is expected that binaural fitting rates will increase.
- New innovative technology and design are key drivers in the efforts to lower the average age of first-time hearing aid buyers and consequently increase overall adoption rates.
- In the future an increased prevalence of hearing loss is expected amongst others factors as a result of the so-called MP3 generation listening to music several hours a day on their music devices.

Sales and products

During Q1 2011, GN ReSound added new form factors to the ReSound Alera™ product family with the launch of the ReSound Alera™ fusion BTE form factor, the world's first standard and power BTE product in one housing, as well as the wireless ReSound Alera™ custom product with a remote microphone. The custom remote microphone form factor is unique in the market and is the first real innovation in custom products in the industry for many years. The placement of the microphone in the concha of the outer ear gives several acoustic benefits as it takes advantage of the natural ear, delivering wind noise reduction, more natural sound quality and better speech understanding.

At the EUHA 2011 conference held in Germany in October 2011, GN ReSound once again underlined its innovation capabilities with the announcement of several new, strong additions to the ReSound Alera™ family. With the latest additions, the ReSound Alera™ line-up is clearly one of the broadest product families in the market. One of the additions to the ReSound Alera™ family presented at the EUHA conference was a full-featured RIE product. The RIE form factor has previously proven to be very popular - exemplified by the ReSound Live™ family where the full featured RIE accounted for around 20% of sales.

It is estimated that 10-15% of the adult population suffers from regular tinnitus and around 60% of end-users seeking help for hearing impairment also suffer from tinnitus. With the uniquely positioned ReSound Alera™ Tinnitus Solution (TS) presented at EUHA 2011, GN ReSound underlined its position as the manufacturer in the hearing aid industry who takes tinnitus seriously. The ReSound Alera™ TS solution is also especially suitable for the VA market in the US, as many end-users in the VA system have been exposed to sound environments that increase the likelihood of suffering from tinnitus.

At EUHA 2011, GN ReSound also announced the ReSound Alera™ 4, which marked the ReSound Alera™ family's entrance into the low/basic high volume segment. ReSound Alera™ 4 comes with basic wireless capabilities, namely wireless fitting and the use of remote control. ReSound Alera™ 4 will be a supplement to the other price categories on the market - ReSound Alera™ 5, ReSound Alera™ 7 and ReSound Alera™ 9. GN ReSound also provides several unique accessories for the ReSound Alera™ hearing aids, including a wireless streamer for TV and audio systems, wireless cell phone connection and a mini-microphone that can transmit sound directly from the source, a speaker at a lecture for example, to the end-user's hearing aid.

It has become widely acknowledged that in terms of connectivity, speed, stability and range the 2.4 GHz technology is a superior wireless technology in the market place. GN ReSound has made this happen with research budgets half the size of competitors. GN ReSound will continue to exploit this leading position within technology innovation.

At EUHA 2011, GN Otometrics presented the new AURICAL fitting solution. AURICAL is GN Otometrics' state-of-the-art equipment for measuring hearing loss and for fitting hearing aids. The focus was the full AURICAL modular system, which offers unmatched flexibility by allowing dispensers to buy one module at a time as they develop their business. GN Otometrics also presented its new Knowledge Center, a training facility designed to help GN Otometrics' customers to optimize the use of its products and new technologies.

In the second half of 2011, GN ReSound completed a number of acquisitions which on a run rate basis adds around 2% to revenue. The main acquisitions were hearing instrument distributors in Korea and Finland which will significantly strengthen GN ReSound's own presence in these markets. GN ReSound also acquired a Beltone dispenser. Beltone is a franchise like network, but on certain occasions GN ReSound takes temporary ownership of an actual retail shop in order to further develop the individual dispenser before divesting it again.

Manufacturing and distribution

The supply chain transformation project in GN ReSound showed significant progress during the year, not least in Q4 2011. As mentioned above, the project did not fully deliver the expected improvement in gross margin due to partially offsetting cost increases. With the supply chain transformation project, GN ReSound has implemented a set-up which is unique to the industry. During 2011, the focus of the transformation was changed from building the infrastructure to rolling countries onto the new model and optimizing the operational performance. The transformation has led to fundamental changes in the way the operations and supply chain work. First of all, production of ITE hearing instruments and service of all types of hearing instruments now takes place at Regional Operation Centers (ROC) instead of subsidiaries handling it locally. Standardizing these activities has improved the efficiency considerably, which is clearly evidenced by feedback from GN ReSound's customers. All of the key customers and almost all subsidiaries have been migrated to the new setup.

In 2011, Thailand was hit by severe flooding. This impacted GN ReSound's manufacturing supplier of wireless accessories. GN ReSound initiated several initiatives to minimize the potential impact on the availability of wireless accessories, including moving production to GN ReSound's own facilities in China and Denmark. As a result of these initiatives, GN ReSound experienced no noticeable disruptions in the supply of wireless accessories. Costs of producing wireless accessories increased, however, and Management is, as part of the SMART program, looking into ways of mitigating this impact.

R&D

Building upon the existing, outstanding and unique R&D resources of the company, the R&D organization went through a significant upgrade, modernization and change in 2011. The main objective has been to completely rethink our way of being organized within R&D and thereby also the approach and structure we have towards running R&D projects. Equally important to the way we are organized has been to secure and further boost the creative environment that exists in GN ReSound's R&D function in order to maintain the unmatched ability to develop technology breakthroughs in the hearing aid industry. The new organizational structure of our R&D department has been established to secure accountability and efficiency in projects from cradle to grave. Geographically, the R&D organization is still located in Copenhagen (Denmark), Chicago (USA), Xiamen (China) and in Eindhoven (the Netherlands). The R&D organization continues to cooperate with universities in many parts of the world, including universities in Denmark, the US, the Netherlands and Australia.

The R&D department is currently taking significant steps in the development of new concepts, offering true audiological end-user benefits of wireless ear-to-ear communication utilizing the 2.4 GHz technology. As mentioned earlier, GN ReSound will launch a complete new product family in the second half of 2012, which will feature ear-to-ear communication capabilities with true and tangible end-user benefits predominantly related to enhancement of directionality experienced by end-users of hearing aids. The technical capability of ear–to-ear communication using the 2.4 GHz technology was already demonstrated in 2010 at the yearly EUHA congress.

GN Netcom continues to deliver strong growth

In the Annual Report for 2010, we outlined that the key focus areas for GN Netcom in 2011 were to succeed in the attractive UC market and secure a positive EBITA for Mobile. GN Netcom delivered on both parameters, and GN Netcom ended the year with organic growth of 9%. EBITA increased to DKK 310 million, well above the outlook for 2011 provided in the beginning of the year and up almost 40% from 2010. Despite the escalating macroeconomic uncertainty in 2011, GN Netcom sustained the growth trend and the CC&O division achieved full-year organic growth of 12%, driven by an acceleration of UC deployments.

The deployment of UC solutions accelerated during 2011 and both big and small companies alike are now realizing the advantages UC solutions provide by optimizing communication. In 2011, GN Netcom deployed UC headsets in a number of public and private companies, including several leading global companies with a deployment base of more than 30,000 seats. These companies have made the strategic decision to install UC software-based solutions in combination with Jabra headsets which are plug-and-play with all leading UC software applications. GN Netcom is very pleased to welcome new customers such as SAP AG, Skype, Ericsson North America, Deloitte France, Canadian Imperial Bank of Commerce, People's Insurance Company of China, Russell Investments and many more. The focused approach to the UC opportunity in GN Netcom has paid off and as a result GN Netcom now does business with 99 of the Global Fortune 100 companies.

When enterprises deploy UC solution software there will typically be an initial testing period in which voice applications are not utilized. Later in the roll-out of UC, voice applications and thereby also headsets are installed and integrated as part of the solution. The 30% year-over-year growth in Microsoft Lync should be seen as a good indicator of developments in the UC space and it bodes well for continued strong growth for UC headsets in 2012 and onwards.

The primary focus set out for the Mobile division in 2011 was to secure a positive EBITA. Thanks to a continuous flow of new, innovative and award-winning products during the year the Mobile division managed to secure the best EBITA result since 2005. Despite challenging market conditions on the US market, Mobile's Jabra brand achieved organic growth of 9% for the full year driven by solid performance in both EMEA and APAC. This underlines the fact that the right business model is in place. According to the market research company GfK, Jabra became the leading brand for mobile Bluetooth® headsets in Europe's top-4 countries (Germany, France, UK, Italy) in 2011 with a market share of 24%.

In 2012, GN Netcom will stay focused on UC expansion, seizing this large market opportunity by providing best in class headset solutions for enterprises and organizations deploying UC, enter into new partnerships and channels and developing and launching new products in both the CC&O and the Mobile segments.

Full year 2011

GN Netcom generated full year revenue of DKK 2,106 million, corresponding to solid 9% organic growth for the second year in a row. Full year EBITA ended at DKK 310 million compared to DKK 224 million in 2010 corresponding to an EBITA margin of 14.7% - up from 11.4% in 2010. This is GN Netcom's highest EBITA margin since the introduction of Bluetooth® headsets in year 2000.

Revenue from UC-enabled products increased significantly during 2011 and UC was the main driver of growth in GN Netcom's CC&O division which generated revenue of DKK 1,400 million compared to DKK 1,265 million in 2010. Organic growth for CC&O headsets, including UC was 12%. In the traditional CC&O headset market, GN Netcom also experienced positive developments in 2011.

In GN Netcom's Mobile division the Jabra brand generated organic growth of 9% year-over-year and the overall organic growth of 3% was thus a result of the deliberate shift away from OEM business. Revenue in the Mobile division was DKK 706 million in 2011 compared to DKK 708 million in 2010 and EBITA improved significantly from a small, but positive EBITA in 2010. The US Bluetooth® headset market experienced a decline throughout the year while both the EMEA and APAC markets delivered consistent strong growth throughout the year.

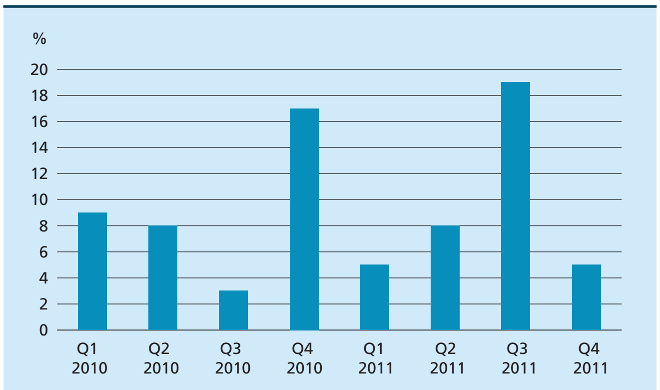
GN Netcom generated 52% of total revenue in Europe, 33% in North America, and 15% in Asia and the rest of the world.

GN Netcom's gross margin ended at 56%, up from 53% in 2010.

The operating expenses were DKK 878 million, an increase of 7% compared to 2010. Selling, distribution and administrative costs etc. were DKK 686 million compared to DKK 654 million in 2010 as a result of continued investment in the UC growth opportunity. Expensed development costs were DKK 192 million compared to DKK 165 million in 2010.

Through its Jabra brand, GN Netcom is a world leader in innovative headset solutions. With around 875 employees and sales offices around the world, GN Netcom develops and markets a broad range of wireless headsets and in-car speakerphones for mobile users and both wireless and corded headsets for contact centre and office-based users. GN Netcom is a subsidiary of GN Store Nord A/S. Read more on www.Jabra.com.

QUARTERLY ORGANIC GROWTH IN GN NETCOM



At December 31, 2011, trade receivables amounted to DKK 351 million compared to DKK 317 million at the end of 2010. Day's Sales Outstanding (DSO) continued to be at a low level and were in line with 2010. Inventories increased slightly to DKK 95 million compared to DKK 93 million in 2010. By the end of 2011, total net working capital was DKK 77 million (approximately 4% of revenue), slightly down from DKK 82 million in 2010. As previously communicated, net working capital is expected to increase going forward.

The cash flow from operating and investing activities excluding tax and financial items amounted to DKK 343 million compared to DKK 233 million in 2010. The cash flow from investing activities was DKK (71) million against DKK (56) million in 2010.

At December 31, 2011, GN Netcom employed 875 employees, a slight increase compared to 2010.

Markets
In order to continue successfully realizing the important UC growth opportunity, GN Netcom has reassessed the addressable CC&O market to secure that GN Netcom effectively competes and addresses all relevant parts of the CC&O market. The market model is divided in four main categories: contact center, office, UC and basic softphones. The market estimates are based on data from Frost & Sullivan, Gartner and Skype and builds on the following assumptions:

- The contact center market is estimated to have a steady attachment rate of around 90% and a modest pressure on average sales prices.
- The traditional office market is estimated to have an attachment rate of 3-5% with increasing average sales prices due to an expected migration from corded to wireless solutions.
- The UC market is estimated to have an attachment rate of 40-45%, which is a weighted average of pure computer clients with an estimated attachment rate of 60-70% and combined desk phone and computer clients, which is expected to have an attachment rate of 30-35%. Average sales prices is expected to be under moderate pressure, which is partly offset by a migration from corded to wireless solutions.
- The softphone market, which is headsets bought in retail or online mainly for private consumers and small businesses, is estimated to have a 10-20% attachment rate with a low, slightly declining average sales price.

Based on the revised market outlook, the total addressable CC&O market is expected to grow 16-19% p.a. until 2015 going from an estimated market value of around DKK 6 billion in 2011 to DKK 11-12 billion in 2015. As communicated in the Annual Report 2010, the addressable CC&O market was estimated to be around DKK 4 billion in 2010. The growth in the addressable market from 2010 to 2011 is a result of the significant UC market growth in 2011 and the inclusion of the retail softphone market for private consumers and small businesses.

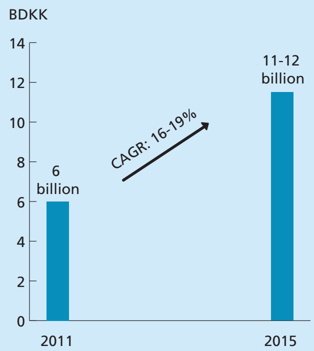
The total hands free market in which the Mobile division operates is estimated to amount to around DKK 6 billion in 2011, similar to 2010. The market value is positively affected by headphones for music, a category normally outside the hands free market, being added a microphone and thus becoming a part of the hands free market. The traditional hands free market, excluding headphones with a microphone, has declined in 2011 primarily due to the continued category weakness in the US market and in the Bluetooth® mono category in general. The US market is expected to stabilize during 2012 and the traditional hands free market is estimated to grow 2-4% p.a. until 2015 primarily driven by Bluetooth® stereo products as a result of the continued increased use of smartphones and tablets.

GN Netcom continued to gain market share in all regions and took the leadership position based on value in the Bluetooth® segment globally during 2011.

Sales and products
In the CC&O division, GN Netcom operates with an indirect sales model with the sales organization focusing on generating revenue through distributors, resellers and system integrators. Additionally, the CC&O division has a global sales team working directly with selected enterprises and segments throughout the world. 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. During the year, the Mobile division succeeded in expanding its distribution significantly in North America with the launch of a number of products in around 4,000 Radio-Shack stores and 300 Apple retail stores.

Sales to the ten largest customers constituted 23% of GN Netcom's total revenue. The single largest customer accounted for 6% of the total GN Netcom revenue.

CC&O MARKET GROWTH PROJECTIONS



UPDATE ON MARKET GROWTH PROJECTIONS FOR CC&O – DIVIDED IN FOUR SEGMENTS

Contact Center	Office without UC	Office with UC	Softphone market
22% of market value	**46% of market value**	**11% of market value**	**21% of market value**
Base: *Contact center workers close to 12 million by the end of 2011*	*Base:* *Around 400-420 million office workers by the end of 2011*	*Base:* *7-8 million UC users by the end of 2011*	*Base:* *Consumers and small businesses*

ASPs on the traditional CC&O headsets were relatively stable during 2011. Large, global UC deals represents a growing part of the revenue, and in this segment prices are typically slightly lower than on traditional smaller deals. The Mobile division managed to improve its ASPs compared to 2010, the result of a deliberate shift towards the high-end of the product portfolio as well as a decline in OEM revenue.

In 2011, GN Netcom continued to develop and launch a number of innovative new products both in the CC&O and Mobile headsets segments.

The CC&O division launched four UC headsets in the new Jabra UC VOICE ™ series. The cost-effective, corded Jabra UC VOICE™ headsets are designed specifically for companies looking for a cost-effective means of deploying headsets across an organization and to accommodate the different working styles and environments without compromising on quality. With the Jabra BIZ™ 2400 USB mono headset, including three new wearing styles GN Netcom also expanded the Jabra BIZ™ 2400 corded headset family, designed and built for office and contact center professionals using UC voice applications. In mid-June, GN Netcom expanded its high-end Jabra PRO™ wireless family for the UC and office segment with Jabra PRO™ 9450. The new model in the Jabra PRO Series is designed for businesses looking to make a smooth transition to UC. Jabra PRO™ 9450 which is optimized for Microsoft Lync 2010, allows users to answer calls also when away from their desks. A noise-cancelling microphone ensures that the user's voice is heard clearly, and wideband audio makes incoming calls sound crystal clear. With a range of up to 150 meters, the Jabra PRO™ 9450 frees users up to a new productive, untethered work style.

In November 2011, GN Netcom unveiled the Jabra PRO™ 900 Series in EMEA and APAC. The series include two new wireless headsets that make migrating from the traditional handset to wireless headsets a simple and cost-efficient transition for anyone. The two DECT wireless headsets are designed specifically for the businesses that are looking for a seamless migration to wireless communication and do not want to worry about maintenance. Because of its intuitive use and attractive price the Jabra PRO™ 900 Series is a headset solution for those making the initial venture into wireless technology and its many benefits. With these new launches Jabra has the most versatile UC product lineup in the market.

SELECTED AWARDS RECEIVED BY JABRA IN 2011

Jabra product		Award
JABRA PRO™ 9400 SERIES		comms business awards WINNER 2011
JABRA FREEWAY		reddot design award; Innovations Best of Innovations 2011; Laptop Best of CTIA Wireless 2011
JABRA SPEAK 410		iF product design award; Unified Communications Product of the Year
JABRA STONE2		Innovations Best of Innovations 2011
JABRA WAVE		reddot design award
JABRA SPORT		reddot design award; Innovations Best of Innovations 2011; Laptop Best of CTIA Wireless 2011

In Q3 2011, GN Netcom launched the WIN partner program. The WIN program is designed to increase the reseller and system integrator's success with the end customer and includes benefits such as demo products, account management support, sales and marketing tools, and a new online e-learning portal. A program specifically constructed to deliver superior customer service to resellers and system integrators.

Continued product launches and expanding partnerships are some of the important measures GN Netcom take in order to seize the UC opportunity that currently unfolds in the market place. GN Netcom aims to be at the forefront when global companies implement UC solutions and to be the preferred UC headset manufacturer globally.

In the Mobile division, GN Netcom also launched a number of new products within the in-car speakerphone, Bluetooth® mono headset, corded headsets and music headset categories.

GN Netcom launched the successor to the in-car speakerphone Jabra CRUISER – the Jabra FREEWAY. Jabra FREEWAY features the latest advances in voice control and lets the user answer, end, reject, and redial calls simply by using voice commands. In September 2011, the Jabra SUPREME was launched. This is the first Bluetooth® mono headset with Active Noise Cancellation technology. Active Noise Cancellation uses a microphone to pick up background noise which is then inverted and fed into the user's ear. The two sound waves cancel each other out effectively blocking outside noise. Jabra also launched the corded Jabra SPORT designed for sport and training as well as a wireless version – the first Bluetooth® stereo product introduction in the company's sports portfolio, which makes it possible to listen to music and take calls during workouts. The stereo headset also features a wind-shielded microphone and Virtual Surround Sound audio enhancements. The Jabra SPORT comes with a free download of Endomondo Sports Tracker, a fitness tracking app for smartphones that functions as a motivational tool for e.g. running, giving quick updates on speed, distance, and lap time.

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

In the beginning of January 2012, Jabra entered into a partnership with five-time Ironman World Champion, Craig "Crowie" Alexander, the biggest name in the multi-sport competition world. Jabra has teamed up with the world champion triathlete for a two-year agreement to support and serve as a spokesperson for the company's recently launched sports product line.

Manufacturing and distribution

All GN Netcom's products are manufactured by subcontractors in Asia, mainly in China. Most components are sourced in Asia.

GN Netcom is working with three main production partners (EMS) manufacturing both CC&O and mobile headsets and a number of subcontractors (ODM suppliers) manufacturing selected CC&O or Mobile products.

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 hub. This set-up enables the Mobile division to operate with negligible inventories and become more responsive to changes in demand at a lower risk.

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, from the products leaving the factories, via warehouses and to the final delivery to the specific customer.

R&D

GN Netcom has consolidated the R&D facilities into two entities, Copenhagen, Denmark and in Xiamen, China. This consolidation was carried out by the end of 2011 and is expected to increase efficiency further in the R&D organization in 2012 and onwards.

Attracting and keeping talented and skilled R&D people is key to GN Netcom to support the business strategy and stay competitive in an increasingly competitive environment. 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 international industry and technology leaders, as well as international universities - including the Technical University of Denmark and Aalborg University.

Software is gradually becoming the most 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.

Outlook for 2012

In 2011, the two operating entities of GN Store Nord delivered strong revenue growth and 33% EBITA growth compared to 2010. The fundamentals of the businesses continued to improve and with a strong product portfolio and a rich product pipeline, GN is well positioned for continued revenue growth and higher profitability. GN therefore confirms the financial targets for 2013 as previously communicated (please see the section "Financial targets" below).

In 2012, GN Store Nord expects overall organic growth of more than 5% and EBITA to improve from DKK 553 million (excluding TPSA) in 2011 to DKK 800-900 million before non-recurring restructuring costs of up to DKK 200 million related to the SMART program. It is expected that both earnings and revenue for the first half of 2012 will be softer than in the second half of the year, as in previous years.

Amortization of intangible assets and financial items is expected to amount to around DKK (50) million and profit before tax is thus expected to be in the range of DKK 750-850 million before non-recurring costs. The effective tax rate is expected to be in the range of 26-27% for 2012.

The guidance is based on the current exchange rates, including an average DKK/USD exchange rate of 5.50. Additionally, the guidance is based on the assumption that the macroeconomic development will not have a material negative impact on the markets for our products.

GN ReSound
In value terms, the hearing instrument market is expected to grow at a slower pace in 2012 than the historic trend, primarily due to the ASP impact from the continued price pressure in public tenders and consolidation of retailers. In value terms, the market is expected to grow by 1-3% in 2012. GN ReSound expects to continue to gain market share in 2012 with organic growth of 3-5%. Growth will be driven by a strong product offering, including new innovative products and technology to be launched throughout 2012. As announced in the Interim Report Q3 2011, acquisitions completed during Q3 and Q4 2011 are expected to add around 2% to revenue in 2012.

GN ReSound expects EBITA to improve from DKK 426 million in 2011 to a range of DKK 525-575 million in 2012, excluding non-recurring restructuring costs of up to DKK 200 million. The increase in EBITA compared to 2011 will be driven by continued revenue growth, operational improvements and cost reductions as a result of the ongoing restructuring initiatives.

As highlighted in the Management's Report page 9, the SMART program is expected to generate non-recurring restructuring costs of up to DKK 200 million in 2012. Some of the non-recurring costs will be non-cash and some will have a cash impact. The restructuring costs include consultancy fees to a top-tier consultancy firm that also assisted GN on the FAST program in GN Netcom.

Building on the supply chain initiative, the SMART program goes one step further and addresses certain fundamental legacy issues, including taking the final steps to establish one global operations function, further offshoring of production and significantly reducing complexity in general and not least in the product portfolio by reducing Stock Keeping Units (SKU). For further details on each of the main pillars and the expected positive financial impact in 2013 please see the section "Financial targets" below.

GN Netcom
For GN Netcom, the positive growth trend achieved in 2011 is expected to improve further in 2012, primarily driven by the continued acceleration of UC deployments. CC&O market growth of around 16-19% is expected in 2012. As previously communicated, new entrants are expected into the CC&O market space, most likely in the low-end segments where we do not participate. The mobile hands-free market is expected to be essentially flat in 2012. Based on the expected market growth and GN Netcom's attractive leadership position, organic growth of more than 9% is expected in 2012 driven by more than 14% growth in the CC&O division. Organic growth in GN Netcom in 2012 will be slightly negatively impacted by the fact that – as previously communicated – GN Netcom has deliberately discontinued or forgone low-margin OEM business. As of late 2011, GN Netcom had no further OEM business and can now focus exclusively on GN Netcom's proprietary Jabra brand. As a consequence, there will be a negative year-on-year impact on GN Netcom revenue growth in 2012, and total revenue growth is thus expected to be higher in 2013.

EBITA is expected to improve from DKK 310 million in 2011 to DKK 350-375 million in 2012. Revenue growth and operational leverage in the CC&O business will be the main drivers of EBITA enhancements in 2012.

The space in which GN Netcom operates has not seen any notable impact from the uncertain macroeconomic environment during 2011. Corporates continued to invest in UC throughout 2011 despite a difficult economic environment, and revenue in the CC&O division grew 12% compared to 2010. Management expects companies to continue investing in UC technology and the 2012 guidance is based on this assumption. In 2012, GN Netcom will continue to invest in the UC segment in order to seize the substantial opportunity that UC represents for the company.

Other activities
As it is vital for GN Store Nord to maintain and further enhance the technological core capabilities of the company the Board of Directors has decided to invest up to DKK 15 million in new business opportunities through a number of exploratory research projects, exploring technologies adjacent to current technologies and aiming to discover potential future business opportunities outside the space of GN ReSound and GN Netcom. In 2012, Other activities will also be impacted by the fact that the revenue stream from GN Store Nord's last telegraph contract – the line in Moldova – expired by the end of 2011. On this background, Other activities are expected to generate EBITA in the range of DKK (50) – (75) million in 2012.

GN Store Nord - Financial Targets for 2013

In the Interim Report Q3 2010, GN announced financial targets for 2013: To double the EBITA margin from 2010 (excluding TPSA) to around 19% in 2013 and grow revenue from around DKK 5.1 billion in 2010 to more than DKK 6.3 billion in 2013. Based on the positive developments seen in both businesses, and the minor acquisitions made in GN ReSound in late 2011, GN is pleased to confirm the EBITA margin target – despite adverse industry developments – and to raise the revenue target by DKK 100 million to more than DKK 6.4 billion.

Since the financial targets were released in late 2010, a number of the underlying assumptions have developed differently than initially assumed. This section is thus provided to revisit and update the assumptions behind the financial targets.

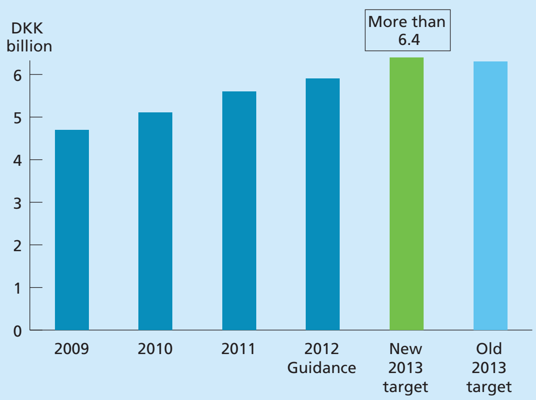
In addition to the 2013 targets, GN also announced long-term targets in late 2010: Organic revenue growth better than the market, and EBITA margins in line with top-tier competitors. GN confirms these targets. Given the adverse margin development experienced by top-tier competitors in the hearing aid industry this also means that GN expects to be able to close the earnings gap versus competitors sooner than originally anticipated.

UPDATED TARGETS FOR GN STORE NORD

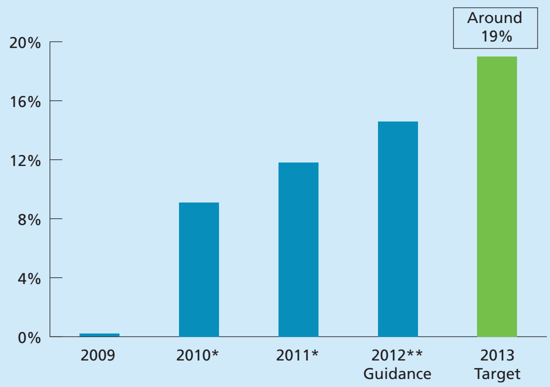
2013 Targets
- Doubling EBITA margin from 2010
- Group revenue: More than DKK 6.4 billion
- Group EBITA margin: Around 19%

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*



* Excl. TPSA income and one-off costs in "Other" (building write-down and donations)
** Excl. expected restructuring costs in GN ReSound

GN ReSound - Financial targets for 2013

The original financial targets for GN ReSound as announced in the Interim Report Q3 2010 were to double the EBITA margin from around 10% in 2010 to around 20% in 2013 while growing revenue to around DKK 3.7 billion. The targets were based on the following key assumptions:

- Revenue growth in line with or above the market
- 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

GN ReSound has clearly succeeded in delivering on the most important drivers of a higher EBITA margin: Generating strong growth and gaining a stronger presence in the top-end segment based on technology innovation as well as sales and service excellence. Based hereon and combined with the fact that a number of smaller acquisitions were made in late 2011, GN ReSound therefore raises the revenue target for 2013 from around DKK 3.7 billion to more than DKK 3.8 billion.

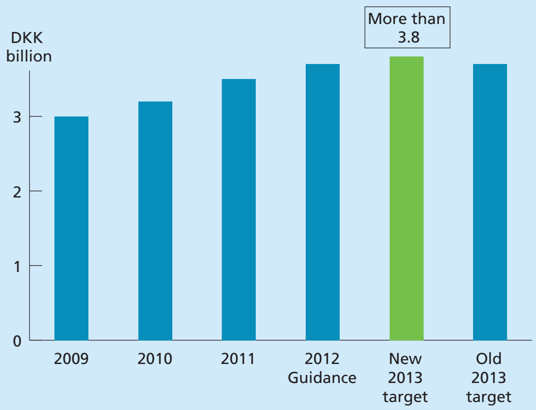
A number of factors have, however, developed adversely resulting in pressure on the EBITA margin:

- General ASP development in the market has been weaker than expected, primarily due to the impact from continued price pressure in public tenders and consolidation of retailers
- The supply chain project has revealed unnecessary complexity in the GN ReSound business model - including in areas other than manufacturing and supply chain. This drives significant additional costs some of which have increased following the supply chain project

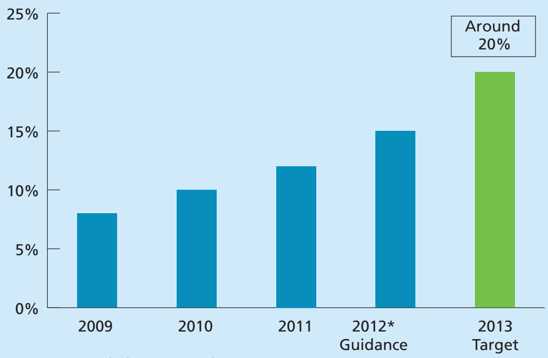
As previously described, Management has therefore decided to launch the SMART program building on the lessons learned from the supply chain transformation project. The cost reduction potential from addressing the fundamental legacy issues as described in the GN ReSound section in the Management's Report is of a magnitude that more than offsets the adverse development in the above mentioned factors. Consequently, the target for the EBITA margin in 2013 is confirmed.

Updated 2013 targets
Revenue: More than DKK 3.8 billion
EBITA margin: Around 20%

GN RESOUND REVENUE



GN RESOUND EBITA MARGIN



*Excluding expected restructuring costs

Updated key assumptions
- Revenue growth in line with or above the market
- Average market value growth of 1-4% per year
- Stronger presence in top-end segment
- SMART program delivering DKK 190 - 240 million in EBITA improvement compared to the current base. DKK 50 million in EBITA improvement included in the 2012 guidance and the remaining DKK 140 – 190 million is expected to be realized in 2013.
- High operational leverage – while investing in cutting-edge technology

2013 target drivers
During the first half of 2012, GN ReSound will launch a new product family as well as extend the ReSound Alera™ and the corresponding Beltone True families building on the unique utilization of the 2.4 GHz technology. In the second half of 2012, GN ReSound will launch a complete new high-end product family as well as a second generation of wireless accessories, extending GN ReSound's unique utilization of the 2.4 GHz technology to also include ear-to-ear communication capabilities. In addition to the already strong current product line-up, the significant product launches in 2012 will support growth in 2012 and 2013. The launch of a complete high-end product family in the second half of 2012 is furthermore expected to drive a favorable change of revenue mix and thereby support a strengthening of GN ReSound's overall ASP.

Secondly, revenue growth drives leverage on the cost base as costs are expected to continue to increase at a slower pace than revenue.

Thirdly, and most importantly the SMART program is the key driver of the 2013 EBITA margin target. The SMART program has a visible and tangible EBITA improvement potential of DKK 190 - 240 million when fully implemented but the amount is subject to implementation and timing risk. The SMART program is based on the following main pillars:

Complexity reduction
- SKU reduction - significant simplification of the product portfolio reducing active SKUs by more than 10,000 or one third. Establishing global processes for introducing and eliminating SKUs (DKK 20 million)
- Standardization of packaging and product offering (DKK 20 million)
- Eliminate duplication of tasks and pursue shared service solutions (DKK 10 million)

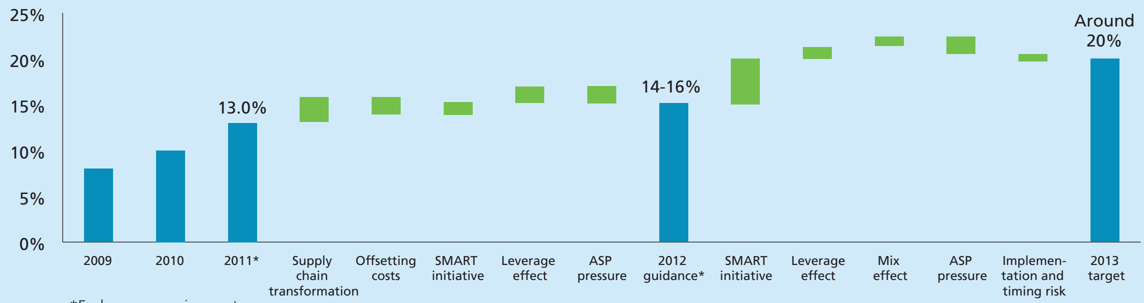
Globalize operations (supply chain and manufacturing)
- Take the final steps to establish one global operations function. Further offshoring of production to the existing manufacturing site in China (DKK 50 million)
- Freight costs – centralization of freight responsibility, consolidate shipments, concentrate shipping volumes with a few freight forwarders (DKK 20 million)
- Returns and repair management – minimize scrapping of returned products (DKK 30 million)
- Design-to-value – secure cost focus in product development phase (DKK 20 million)

Go-to-market
- Go-to-market blueprint – create best practice for structure of sales organizations, increase use of online services, clustering of countries (DKK 20 million)
- Improved price management through clear governance and best practice (upside)
- Discontinue certain non-core and loss making businesses (DKK 10 million)
- Turnaround underperforming entities, including Germany and France (DKK 40 million)

These steps will secure that we end up with a truly globalized, standardized and simplified business model throughout the company – acting as ONE global company.

In connection with the announcement of the 2013 targets in late 2010, GN ReSound announced the company's long-term aspiration of closing the profitability gap to the top-tier players in the hearing aid industry. The long-term aspiration is firmly reiterated. The EBITA margin among top-tier competitors has declined from around 25-30% when the financial targets were communicated to now being forecasted around 20-25%. As such, the long-term aspiration we communicated in late 2010 to eliminate the gap to top-tier competitors completely, will happen as early as 2014 or 2015.

GN RESOUND EBITA DEVELOPMENT AND BREAKDOWN OF BRIDGE TO 2013 TARGET



*Excl. non-recurring costs

GN Netcom – Financial targets for 2013

The original targets as announced in the Interim Report Q3 2010 were to increase the EBITA margin for GN Netcom to around 18% in 2013 while growing revenue to more than DKK 2.6 billion.

The key assumptions upon which the targets were based have generally developed as planned. The foundation for growth and significant margin expansion is thus fully in place and the 2013 targets for both revenue and EBITA margin are confirmed and the key assumptions are unchanged.

Updated 2013 targets (unchanged)

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

Updated key assumptions (unchanged)

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

2013 target drivers

The key driver for the 2013 target is the important UC market opportunity and GN Netcom's leading position within this segment. Frost & Sullivan has published updated perspectives on the UC market. Frost & Sullivan expects the number of UC users to grow from 7-8 million in 2011 to close to 50 million in 2015, equaling an annual growth rate of 60%. The total CC&O market is expected to grow 16-19% every year until 2015 (please see the market section of GN Netcom's Management's Report).

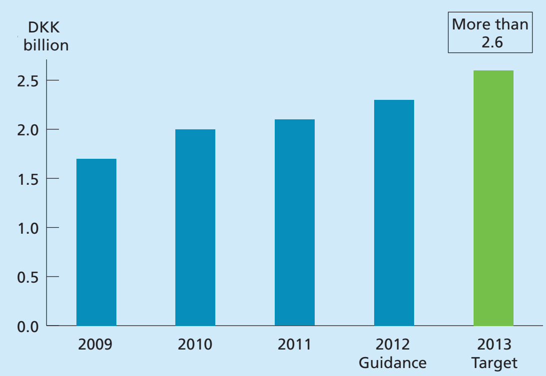
In 2012, the Mobile division is making certain investments to broaden the product portfolio. This will dampen the EBITA margin expansion in 2012 but is expected to further support GN Netcom's EBITA margin expansion in 2013 – i.e. additional Mobile revenue is margin accretive versus the 2013 targets as Mobile's ASPs and contribution margin have improved considerably during the last few years.

In conclusion, the key drivers in reaching the 2013 EBITA margin target for GN Netcom are:

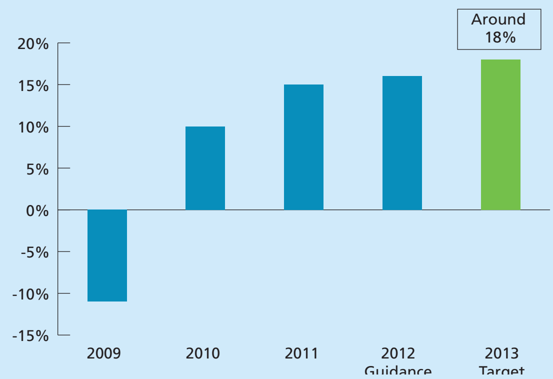
- Operational leverage in CC&O in line with the realized effect in 2011
- Continued strong growth in CC&O driven by UC. This drives a revenue mix effect as CC&O – with higher margins - continues to outgrow Mobile
- The Mobile division's profitability increasing to a mid-single digit EBITA margin by 2013

These three drivers will pave the way for GN Netcom to reach an EBITA margin of around 18% in 2013 despite the expected negative effect on the gross margin from moderate ASP pressure on UC products as outlined in the key assumptions above.

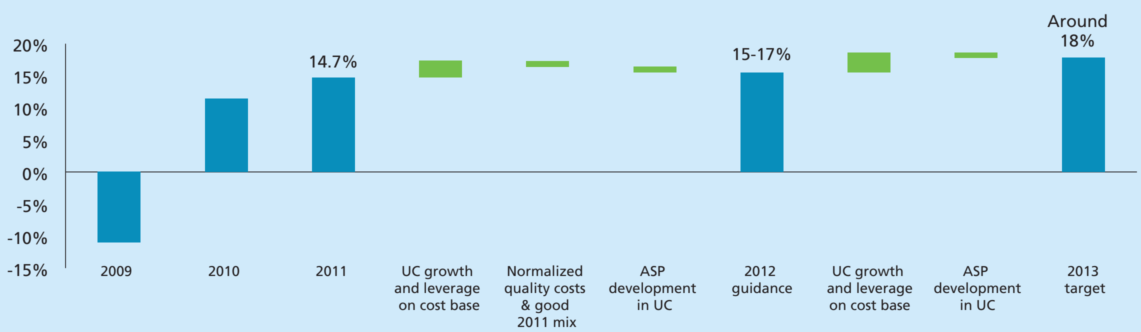
GN NETCOM REVENUE



GN NETCOM EBITA MARGIN



GN NETCOM EBITA DEVELOPMENT AND BREAKDOWN OF BRIDGE TO 2013 TARGET



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 risks and ways to mitigate the exposure.

The objective of GN's risk management strategy 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.

R&D

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 products 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 also 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 on 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 carried out by 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 has made a series of visits to production sites in order to review the production facilities and contingency plans in place to secure production in the event of a breakdown.

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

GN pursues a strategy of having alternative supplier options for all strategic components. This proved to be particularly important during 2011, as GN twice during the year faced challenges in the aftermath of natural catastrophes, first in Japan and secondly in Thailand.

GN increased its inventory of key components in 2011 to minimize the risk that production cannot meet increased demand. While GN managed to reasonably contain the impact of the natural catastrophes seen in 2011, GN is further analyzing contingency plans in place with a view to rethink the acceptable level of exposure related to GN's key sites and facilities as well as suppliers throughout the World.

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, so 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.

Distribution risk

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. Generally, GN Netcom benefits from a flexible production setup gained from the FAST project carried out during 2008 and 2009.

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 trends than is the case in the market for hands-free communications. Accordingly, GN monitors general economic developments and the economic outlook. The markets where GN operates in are all competitive, so GN continually 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's 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. Commercial credit risk, however, is managed by the group's two operational businesses, GN Netcom and GN ReSound, in accordance with the overall financial risk management guidelines set out in GN's Treasury Policy. The Treasury Policy mainly covers GN's funding, liquidity and foreign exchange policies and its policy regarding credit risk in relation to financial counterparties. 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 actively practice speculation in financial risk.

Foreign currency risk

GN has currency exposure only in connection with commercial transactions. 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 made 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.

Currency fluctuations might, however, impact short-term profit as and when products manufactured at a given exchange rate are sold at a different exchange rate at a later point in time. GN has several balance sheet items denominated in USD, including most of its goodwill. A 10% depreciation of the USD against DKK would reduce equity by approximately DKK 325 million.

Funding, liquidity and capital structure

At December 31, 2011, GN had an equity ratio of 61,5% and net interest-bearing debt of DKK 1.269 million. As the TPSA dispute came to an end in January 2012 with a final payment to GN of around DKK 3,060 million before tax and associated costs, GN immediately repaid all interest-bearing debt of the Company. GN's capital structure policy (net debt up to a maximum of two times EBITDA) remains unchanged, however. GN's long-term policy continues to be to distribute excess cash to the shareholders of GN via dividends and share buybacks. 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 subject to the authorization by the shareholders in general meeting.

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 229 million at December 31, 2011.

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, including by sharing information and engaging in a regular dialog with the shareholders and any other relevant stakeholders. In regards to management principles, the Board of Directors follows the Recommendations on Corporate Governance that are part of the disclosure requirements applicable to companies listed on NASDAQ OMX Copenhagen.

The new additions made in 2011 by the Danish Committee on Corporate Governance further tighten the recommendations on diversity. The previous recommendation on diversity is now supported by a recommendation on transparency in regards to a stated objective and the status on diversity. The changes are based on an aspiration by the Danish Committee on Corporate Governance to see more board members with an international background and more women represented on boards. The revised recommendations and new additions can be found at www.corporategovernance.dk.

The current recommendations on corporate governance include 79 recommendations and require that listed companies include a "comply or explain" section as to their compliance with the recommendations in their annual report or on their website. GN supplies this at its website www.gn.com/cg.

The risk management and internal control systems related to financial reporting are also covered in detail at www.gn.com. 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. For more information, please visit www.gn.com/cg.

Composition and responsibilities of the Board of Directors
GN's Board of Directors consists of six directors elected by the shareholders in annual general meeting and three employee representatives elected by the employees based in Denmark. Members of the Board of Directors, elected by the shareholders in 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 of Directors 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 terms of four years. The rules covering election of employee representatives can be found at www.gn.com/cg.

In September 2011, a supplementary employee election was held and a new employee representative was elected to the Board of Directors. He formally became a member of the Board of Directors on September 12, 2011.

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 of Directors also regularly evaluates the work of the Executive Management.

In 2011, GN held eight ordinary board meetings, two strategy sessions and three extraordinary board meetings, two of which were 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 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. With its two businesses and 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. Details of the competencies of each of the board members are listed on page 30–31 of this Annual Report and on www.gn.com.

In the first quarter of 2011 and in the first quarter of 2012, the Board of Directors carried out a self-evaluation for the purpose of giving the Board of Directors an opportunity to evaluate how it operates. The Board of Directors' self-evaluation also includes the achievements of the Board of Directors as well as those of the Chairman and the individual board members. The evaluation is carried out in a systematic way and based on well-defined criteria.

The self-evaluation is survey-based and created with input from an external party. The survey is handled electronically and the results are collected by the legal department on behalf of GN's Chairman who presents them to the Board of Directors. The survey is conducted for the purpose of identifying strategic and functional areas in which the Board of Directors needs to assess whether it is fully operational as to the governance of GN as well as board and management interactions. In the important follow-up on the self-evaluation from 2010 and in a subsequent board review, organizational development and talent management were identified as critical issues needing to be upgraded and improved. The self-evaluation procedure is carried out annually.

Remuneration Policy for the Board of Directors 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 in order 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 a maximum of 12 months if given by the company and a minimum of six months if given by a member 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 management are encouraged to buy and own shares in GN Store Nord. For more details on the specifics of the remuneration of the Board of Directors and Executive Management, see note 3 to the financial statements.

Board committees

Audit Committee
According to its charter, the Audit Committee, among other things, assists the Board of Directors 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 2011 and its activities included quarterly reviews of the financial reporting (including impairment tests of relevant assets), upgrading of the whistleblower procedure, and reviews of the following: The audit plan (and discussion of the findings by 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 31.

Remuneration Committee
According to its charter, the Remuneration Committee, among other things, assists the Board of Directors 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 various company shareholders. The Remuneration Committee held eight meetings in 2011. The most important activities of the Remuneration Committee in 2011 included a review of Executive Remuneration, a refinement of the remuneration policy, a review of 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 set out in the corporate governance recommendations. For information on the special competencies of the committee members, see page 30–31.

Strategy Committee
As it is vital for GN Store Nord to maintain and further enhance the technological core capabilities of the company the Board of Directors has decided to invest in a number of exploratory research projects, exploring technologies adjacent to current technologies and aiming to discover potential future business opportunities outside the space of where GN Resound and GN Netcom operates today. During 2011, the Strategy Committee held 12 meetings. In 2012, the Strategy Committee will continue its exploratory work. The strategic initiative, independent of GN ReSound and GN Netcom, is a corporate GN Store Nord initiative, and it will be reported under "Other activities" and will thereby not influence the results or the guidance for GN ReSound and GN Netcom. Committee Chairman Wolfgang Reim is joined by Per Wold-Olsen and Bill Hoover.

Nomination Committee
GN has not established a separate nomination committee; however, the chairmanship acts and has established procedures resembling those of a nomination committee and as such GN´s entire board functions as the Nomination Committee and nominates candidates to the annual 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 of Directors' 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 annual 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 of Directors then determines whether the internal control systems are adequate and whether there is a need for an internal audit function. The Board of Directors' assessment, which is based on the company's size and the organization of the Finance department, is that there is no need to establish an internal audit function at this time.

In 2011, GN has initiated cooperation with Global Compliance, the leading organization in compliance solutions to further improve the whistle blower procedures. Under the agreement, Global Compliance will manage GN Store Nord's Whistleblower Hotline. The new Whistleblower Hotline will ensure that all employees and suppliers in the future will be able to anonymously report through a web and telephone-based hotline, 24 hours a day all year around. To ensure that language barriers do not prevent GN from receiving reporting on irregularities it is now possible to file a complaint in 29 languages. The new Whistleblower Hotline will be launched during the first half of 2012. The new Whistleblower Hotline is a clear signal that GN takes its business responsibilities seriously and that we encourage employees and other stakeholders to report any potential irregularity that might be observed.

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 two years ago, GN decided that it would send notices to convene annual 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". Shareholders will then receive the notice by e-mail in the future. Shareholders should access the Investor Portal at www.gn.com and submit their e-mail address, if they have not already done so.

Corporate Social Responsibility (CSR)

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

Reporting areas
GN's CSR steering group has decided that the annual Communication on Progress (COP) report to the United Nations' will encompass three recurrent reporting areas where on a quantitative and qualitative basis we will communicate on development and issues of the year. The reporting areas are: interaction with suppliers, environmental footprint of GN's products and social activities. Additionally, we will continue to highlight other important CSR-related milestones in our annual COP report. GN's COP report can be found at www.gn.com/CSR

WE SUPPORT

GN Store Nord has now been a signatory to the United Nations' CSR initiative 'Global Compact' for two years. Our entry into this global and widely recognized CSR initiative has supported the GN Store Nord Group in the work with our internal CSR processes and has also been an important factor in our communications with external stakeholders.

During the year, we experienced growing interest in CSR from a number of important stakeholders such as customers, employees, investors and the media. We see this interest as a very positive sign and encourage our stakeholders to continue their focus on CSR. We continue to believe that companies acting in a responsible manner are better positioned to attract new employees, increase employee satisfaction and attract new customers and investors. This creates value not only for the specific company but also for the society in which the company operates.

In February 2011, we published the GN Store Nord Group's CSR policy. In connection with the introduction of the CSR policy a number of meetings were held internally in the GN Store Nord Group to introduce key people in the organization to our CSR policy. We will continue to communicate internally about CSR and invite all employees to join us in a dialog about GN's future CSR activities.

Our CSR policy has also played an important role externally as a concrete example to our customers, investors and other external stakeholders of GN's strong dedication to CSR.

CSR activities 2011
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.

In 2011, GN's CSR activities encompassed:
- Supplier audits
- Donation of hearing instruments
- Membership of the Clinton Global Initiative
- Projects to reduce the environmental impact from the GN Group's products and packaging.
- GN has made a donation to the GN Store Nord Foundation. The Foundation supports such scientific, technical, national, non-profit and humane purposes as are deemed to be of importance to Danish society.

To see the full report about GN's CSR activities, visit www.gn.com/CSR

Clinton Global Initiative
GN joined the Clinton Global Initiative (CGI) in 2011. CGI was established by the former US President Bill Clinton in 2005. The mission of CGI is to inspire, connect, and empower a community of global leaders to forge innovative solutions to the world's most pressing challenges. Through CGI members make commitments to action, which are concrete, measurable steps toward improving lives worldwide.

As part of CGI, GN has created a partnership with the public sector in South Africa. Through the partnership GN donates hearing aids free of charge to people who cannot afford these through any other means. The project will not replace any public offerings; rather it is an opportunity for those most impoverished.

www.clintonglobalinitiative.org

Shareholder information

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

In 2011, the GN Store Nord share price outperformed the market for the third consecutive year. The OMXC20 index decreased 14.8% while the GN Store Nord share price decreased 4.9%. The price of the GN Store Nord share was DKK 48.38 at December 31, 2011.

GN is included in the OMXC20 index on the Copenhagen Stock exchange (NASDAQ OMX Copenhagen) and regained its position in the Large Cap index in late 2011.

Ownership
The GN share is 100% free float, and the company has no dominant shareholders. At the end of 2011, ATP (the Danish Labour Market Supplementary Pension Fund, Kongens Vænge 8, Hillerød, Denmark) had an ownership interest of 9.8% of GN's share capital. Marathon Asset Management LLP (5 Upper St. Martin's Lane, London, UK) had an ownership interest of 9.5%.

At the end of 2011, approximately 40,000 registered shareholders held about 85% of the share capital. Foreign ownership is estimated at 52%. The ten largest registered shareholders held about 40% of the GN share capital in aggregate at the end of 2011 (including GN Store Nord's 7.4% holding of treasury shares).

Share capital and voting rights
GN Store Nord's share capital of DKK 833,441,052 is comprised of 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
At the 2011 Annual General Meeting, the shareholders empowered the Board of Directors to increase the share capital in one or more rounds to a total nominal amount of DKK 205,000,000. This authorization remains in force until April 30, 2012, 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.

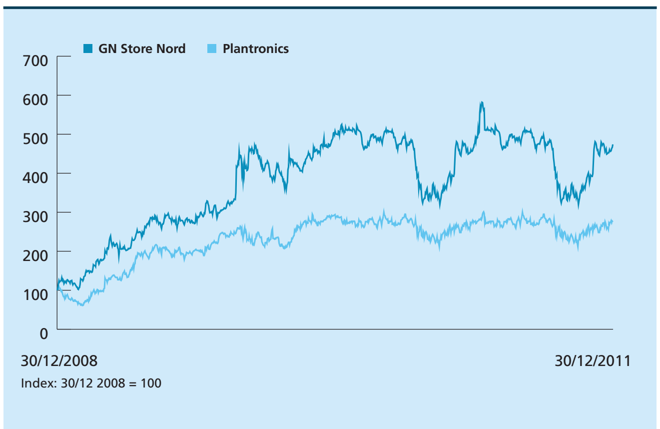
Treasury shares
On December 31, 2011, GN held treasury shares corresponding to 7.4% of the share capital and the value of the treasury shares was DKK 744 million. At the Annual General Meeting to be held in March 2012, the Board of Directors will propose to reduce the company's share capital by cancelling all treasury shares held on February 23, 2012 except for 5,000,000 shares held to hedge long-term incentive programs. Until the Annual General Meeting, the Board of Directors is authorized to acquire shares in GN 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.

Following the closure of the TPSA case in early 2012, GN Store Nord is debt free and is currently holding a positive net cash position on the balance sheet. As announced on January 12, 2012, GN Store Nord is conducting a DKK 1.3 billion share buyback program in order to distribute excess cash to our shareholders. Once the current share buyback program has been completed, GN will evaluate whether to initiate another buyback program.

SHARE PRICE DEVELOPMENT VS GN NETCOMS PEERS



SHARE PRICE DEVELOPMENT VS GN RESOUNDS PEERS

Proposals for submission at the Annual General Meeting (extract)
At the annual general meeting, the Board of Directors intends to propose the following to the shareholders:
- That a dividend of DKK 57 million (DKK 0.27 per share) be paid in respect of the 2011 financial year.
- That the proposed remuneration of the Board of Directors in respect of the financial year be approved.
- That the board members elected by the shareholders at the previous Annual General Meeting be re-elected.
- That KPMG be re-elected as auditors.
- That the Company´s current warrant program is extended.
- That the Board of Directors are authorized to acquire treasury shares.
- That authorization be granted to reduce the share capital.
- That authorization be granted to distribute extraordinary dividend in the period until the next Annual General Meeting.
- That the Board of Directors is authorized to increase share capital.

Incentive programs
There were a total of 197,026 outstanding share options at December 31, 2011, corresponding to 0.1% of the GN Store Nord shares issued. The total number of outstanding warrants in GN Netcom was 6,566 (2.0% of the share capital in GN Netcom). The total number of outstanding warrants in GN ReSound was 20,622 (3.4% 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 relevant and timely information to the financial community in order to ensure that the GN share is fairly priced. This is accomplished through information continually announced 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 roadshows where the Investor Relations department and the Executive Management inform investors and financial analysts about recent developments in the company.

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

GN's website – www.gn.com – contains historic and current information on GN, including stock exchange announcements, 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 2012
Annual General Meeting..March 22, 2012
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 1/2012..May 3, 2012
Interim report 2/2012.. August 9, 2012
Interim report 3/2012..November 15, 2012

Company announcements in 2011 can be viewed on:
www.gn.com/announcements2011

Company announcements published after the balance due date can be viewed on: www.gn.com

Quarterly reporting by segment

(DKK million)	Q1 2010 (unaud.)	Q2 2010 (unaud.)	Q3 2010 (unaud.)	Q4 2010 (unaud.)	Q1 2011 (unaud.)	Q2 2011 (unaud.)	Q3 2011 (unaud.)	Q4 2011 (unaud.)	2010 Total (aud.)	2011 Total (aud.)
Income statement										
Revenue										
GN Netcom	446	495	452	580	476	503	516	611	1,973	2,106
GN ReSound	726	789	794	855	820	827	841	962	3,164	3,450
Other *	2	2	2	2	2	4	2	-	8	8
Total	1,174	1,286	1,248	1,437	1,298	1,334	1,359	1,573	5,145	5,564
Organic growth										
GN Netcom	9 %	8 %	3 %	17 %	5 %	8 %	19 %	5 %	9 %	9 %
GN ReSound	(2)%	0 %	5 %	5 %	9 %	9 %	9 %	8 %	2 %	9 %
Total	2 %	3 %	4 %	10 %	7 %	9 %	12 %	7 %	5 %	9 %
Gross profit margin										
GN Netcom	52%	53%	55%	52%	58%	57%	55%	56%	53%	56%
GN ReSound	59%	59%	60%	61%	60%	59%	61%	62%	60%	61%
Total	56%	57%	58%	57%	60%	58%	59%	60%	57%	59%
Expensed development costs**										
GN Netcom	(42)	(35)	(40)	(48)	(40)	(46)	(46)	(60)	(165)	(192)
GN ReSound	(69)	(69)	(71)	(72)	(85)	(81)	(74)	(78)	(281)	(318)
Total	(111)	(104)	(111)	(120)	(125)	(127)	(120)	(138)	(446)	(510)
Selling and distribution costs and administrative expenses etc.**										
GN Netcom	(163)	(176)	(160)	(155)	(182)	(169)	(165)	(170)	(654)	(686)
GN ReSound	(290)	(330)	(335)	(318)	(357)	(336)	(334)	(328)	(1,273)	(1,355)
Other *	(12)	(4)	2,068	(18)	(13)	(12)	(10)	575	2,034	540
Total	(465)	(510)	1,573	(491)	(552)	(517)	(509)	77	107	(1,501)
EBITA										
GN Netcom	26	52	50	96	56	70	74	110	224	310
GN ReSound	70	63	68	128	52	74	107	193	329	426
Other *	(10)	(2)	2,070	(16)	(11)	(8)	(8)	575	2,042	548
Total	86	113	2,188	208	97	136	173	878	2,595	1,284
EBITA margin										
GN Netcom	5.8 %	10.5 %	11.1 %	16.6 %	11.8 %	14.0 %	14.3 %	18.0 %	11.4 %	14.7 %
GN ReSound	9.6 %	8.0 %	8.6 %	15.0 %	6.3 %	8.9 %	12.7 %	20.1 %	10.4 %	12.3 %
Total	7.3 %	8.8 %	175.3 %	14.5 %	7.5 %	10.2 %	12.7 %	55.8 %	50.4 %	23.1 %
Depreciation										
GN Netcom	(8)	(9)	(6)	(7)	(5)	(5)	(5)	(5)	(30)	(20)
GN ReSound	(23)	(23)	(23)	(25)	(21)	(20)	(20)	(20)	(94)	(81)
Other *	(4)	(4)	(4)	(5)	(8)	(8)	(5)	(69)	(17)	(90)
Total	(35)	(36)	(33)	(37)	(34)	(33)	(30)	(94)	(141)	(191)
EBITDA										
GN Netcom	34	61	56	103	61	75	79	115	254	330
GN ReSound	93	86	91	153	73	94	127	213	423	507
Other *	(6)	2	2,074	(11)	(3)	-	(3)	644	2,059	638
Total	121	149	2,221	245	131	169	203	972	2,736	1,475
EBITA	86	113	2,188	208	97	136	173	878	2,595	1,284
Amortization of other intangible assets acquired in business combinations	(7)	(7)	(5)	(7)	(5)	(11)	(6)	(6)	(26)	(28)
Operating profit (loss)	79	106	2,183	201	92	125	167	872	2,569	1,256
Gains (losses) on disposal of operations	-	-	-	-	-	2	(15)	4	-	(9)
Share of profit (loss) in associates	-	-	-	-	-	-	4	2	-	6
Financial items, net	-	(2)	(11)	(20)	(16)	48	6	(66)	(33)	(28)
Profit (loss) before tax	79	104	2,172	181	76	175	162	812	2,536	1,225
Tax on profit (loss)	(21)	(28)	(572)	(60)	(22)	(48)	(44)	(246)	(681)	(360)
Profit (loss)	58	76	1,600	121	54	127	118	566	1,855	865
Balance sheet										
Development projects										
GN Netcom	127	128	125	113	110	105	99	87	113	87
GN ReSound	716	731	740	751	755	754	765	777	751	777
Total	843	859	865	864	865	859	864	864	864	864
Inventories										
GN Netcom	74	91	107	93	105	90	79	95	93	95
GN ReSound	312	337	358	378	404	399	451	454	378	454
Total	386	428	465	471	509	489	530	549	471	549
Trade receivables										
GN Netcom	265	288	251	317	263	285	321	351	317	351
GN ReSound	721	738	747	783	788	781	807	904	783	904
Other *	22	23	10	10	7	7	6	14	10	14
Total	1,008	1,049	1,008	1,110	1,058	1,073	1,134	1,269	1,110	1,269
Net working capital										
GN Netcom	58	35	50	82	97	84	67	77	82	77
GN ReSound	775	872	860	893	950	959	1,013	1,067	893	1,067
Other *	68	60	2,181	2,197	2,194	2,274	2,270	2,976	2,197	2,976
Total	901	967	3,091	3,172	3,241	3,317	3,350	4,120	3,172	4,120
Cash flow										
Cash flow from operating and investing activities before financial items and tax										
GN Netcom	59	82	45	47	44	86	98	115	233	343
GN ReSound	26	(8)	(6)	57	(47)	30	13	88	69	84
Other *	(13)	12	4	(61)	(11)	(35)	1	(71)	(58)	(116)
Total	72	86	43	43	(14)	81	112	132	244	311
Total tax and financial items	(14)	(8)	(18)	(8)	(13)	(20)	(36)	(26)	(48)	(95)
Total cash flow from operating and investing activities (free cash flow)	58	78	25	35	(27)	61	76	106	196	216

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

All board members are considered independent in the sense of the definition set out in the Recommendations on Corporate Governance (www.corporateovernance.dk). The CVs can be found on www.gn.com.

Board of Directors

PER WOLD-OLSEN
Born 1947. Norwegian citizen. MBA. Formerly with Merck & Co, Inc. (retired)
Chairman and member of the Board since 2008. Chairman of the Remuneration Committee. Member of the Strategy Committee.
Elected for a term of one year.
No. of GN shares held: 204,884 (2011: 20,000 shares bought and 0 shares sold)

Board positions
Board member of: Gilead Sciences Inc., Exiqon A/S, Novo A/S and Medicine for Malaria Venture

Special competencies
Per Wold-Olsen has extensive global leadership expertise and experience from Merck & Co., Inc, a global research-based Fortune 500 Company where he spent more than 30 years – the last 15 years of which in the US as part of the company's Executive Management team. In 2006, Per retired from Merck as President of the Intercontinental Region (Europe, Eastern Europe, Africa, 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.
Born 1949. American citizen. MBA. Formerly with McKinsey & Company (retired)
Deputy Chairman and member of the Board since 2007. Member of the Remuneration Committee. Member of the Strategy Committee.
Elected for a term of one year.
No. of GN shares held: 156,500 (2011: 20,000 shares bought and 0 shares sold)

Board positions
Chairman of: ReD Associates
Board member of: Danfoss A/S, Sauer-Danfoss Inc., NorthStar Battery, Sanistål 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".

Board of Directors (continued)

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 a term of one year.
No. of GN shares held: 30,020 (2011: 0 shares bought and 0 shares sold)

Board positions
Chairman of: Combilent Aps, Symbion A/S and DHI
Board member of: COWI A/S, Vallø Stift

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 earned his MBA from UCLA. Jørgen worked for Hewlett-Packard for 12 years in Direct Sales, Channel Sales and Marketing, and was responsible for HP's Danish subsidiary for 6 years. Jørgen headed up Intel's 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.

WOLFGANG REIM
Born 1956. German citizen. Ph.D.
Member of the Board since 2008. Chairman of the Strategy Committee, Member of the Audit Committee.
Elected for a term of one year.
No. of GN shares held: 80,000 (2011: 10,000 shares bought and 0 shares sold)

Board positions
Board member of: Carl Zeiss Meditec AG, Elekta A/S and Esaote SpA

Special competencies
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 a direct presence in more than 50 countries and ten years with Siemens Healthcare, including 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 was also a member of the portfolio management team of BB Medtech AG, an investment company focused exclusively 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 one 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 a term of one year.
No. of GN shares held: 68,000 (2011: 0 shares bought and 0 shares sold)

Board positions
Board member of: Excitor A/S

Special competencies
René is an experienced global leader with a more than 25 years of practical experience from the 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 the executive management at Nokia's head office where he became global head of marketing, sales and country operations (services) in Nokia Networks. In 2006, René joined the software- & consultancy company Teleca as its 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 in global technology markets, global sales and technology investments.

CARSTEN KROGSGAARD THOMSEN
Born 1957. Danish citizen. M.Sc. (Economics). CFO, DONG Energy
Member of the Board since 2008. Chairman of the Audit Committee.
Elected for a term of one year.
No. of GN shares held: 41,990 (2011: 0 shares bought and 0 shares sold)

Board positions
Deputy Chairman of: NNIT A/S

Special competencies
Carsten Krogsgaard Thomsen 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 9 years. Prior to that, Carsten Krogsgaard Thomsen was CFO of DSB, the Danish Railways, for 8 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.
Employee representative. Member of the Board since 2006.
Elected for a term of one year.
No. of GN shares held: 4,840 (2011: 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 a term of one year.
No. of GN shares held: 2,387 (2011: 0 shares bought and 0 shares sold)

MORTEN ANDERSEN
Born 1963. Danish citizen. B. SC.ME. VP, Component Manufacturing in Operations, GN ReSound A/S
Employee representative. Member of the Board since 2011.
Elected for a term of one year.
No. of GN shares held: 850 (2011: 850 shares bought and 0 shares sold)

Information provided by the board members at February 23, 2012.

Executive Management

ANDERS BOYER
CFO, GN Store Nord and GN ReSound

Member of the Executive Management since 2009, age 41

No. of GN shares held:
22,000 (2011: 22.000 shares bought and 0 shares sold)

MOGENS ELSBERG
President & CEO, GN Netcom

Member of the Executive Management since 2009, age 57

No. of GN shares held:
0 (2011: 0 shares bought and 0 shares sold)

LARS VIKSMOEN
President & CEO, GN ReSound

Member of the Executive Management since 2010, age 63

No. of GN shares held:
15,000 (2011: 15.000 shares bought and 0 shares sold)

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 2011.

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 December 31, 2011 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year January 1 - December 31, 2011.

Further, in our opinion the Management's Report includes a fair review of the development and performance of the Group's and the Parent Company's business and financial condition, the profit/loss for the year and of the Group's and the Parent Company's financial position, together with a description of the principal risks and uncertainties that the Group and the Parent Company face.

We recommend that the Annual Report be approved at the Annual General Meeting.

Ballerup, February 23, 2012

Executive Management GN Store Nord

Lars Viksmoen
CEO, GN ReSound

Mogens Elsberg
CEO, GN Netcom

Anders Boyer
CFO, GN Store Nord & GN ReSound

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

Morten Andersen

Independent auditors' report

To the shareholders of GN Store Nord A/S
Independent auditors' report on the consolidated financial statements and the parent company financial statements
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 2011. 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, including a summary of significant accounting policies for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and the parent company financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
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 International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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' judgement, 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 of consolidated financial statements and parent company financial statements that give a true and fair view 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 opinion.

Our audit has not resulted 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 2011 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 2011 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 further 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 provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 23 February, 2012

KPMG
Statsautoriseret Revisionspartnerselskab

Flemming Brokhattingen
State Authorised Public Accountant

Peter Gath
State Authorised Public Accountant

GN STORE NORD

Financial statements

Notes – Financial statements

Notes – Income statement

Notes – Balance sheet

Notes – Supplementary information

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
	INCOME STATEMENT				
	Revenue	5,564	5,145	23	8
3, 5, 17	Production costs	(2,269)	(2,211)	-	-
	Gross profit	**3,295**	**2,934**	**23**	**8**
3, 4, 5	Development costs	(517)	(452)	-	-
3, 5	Selling and distribution costs	(1,657)	(1,537)	-	-
3, 5, 6	Management and administrative expenses	(608)	(519)	(127)	(48)
	Other operating income	12	17	-	5
	Award from the arbitration case against TPSA	731	2,126	(7)	(6)
	Operating profit (loss)	**1,256**	**2,569**	**(111)**	**(41)**
32	Gains (losses) on disposal of operations	(9)	-	30	-
	Impairment loss on investments in subsidiaries	-	-	(151)	-
13	Share of profit (loss) in associates	6	-	-	-
7	Financial income	178	82	67	71
8	Financial expenses	(206)	(115)	(110)	(67)
	Profit (loss) before tax	**1,225**	**2,536**	**(275)**	**(37)**
9	Tax on profit (loss)	(360)	(681)	67	22
	Profit (loss) for the year	**865**	**1,855**	**(208)**	**(15)**
	Proposed profit appropriation/distribution of loss				
	Retained earnings			(265)	(55)
	Proposed dividends for the year			57	40
				(208)	**(15)**
29	**Earnings per share (EPS)**				
	Earnings per share (EPS)	4.31	9.15		
	Earnings per share, fully diluted (EPS diluted)	4.27	9.00		
	STATEMENT OF COMPREHENSIVE INCOME				
	Profit (loss) for the year	**865**	**1,855**	**(208)**	**(15)**
	Other comprehensive income:				
	Actuarial gains (losses)	(44)	(9)	-	-
	Adjustment of cash flow hedges	(16)	2	-	-
	Foreign exchange adjustments, etc.	90	309	-	-
9	Tax relating to other comprehensive income	7	11	-	-
	Total other comprehensive income for the year	**37**	**313**	**-**	**-**
	Comprehensive income for the year	**902**	**2,168**	**(208)**	**(15)**

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
	ASSETS				
10	Intangible assets	4,248	4,031	40	34
11	Property, plant and equipment	262	481	-	-
12	Investments in subsidiaries	-	-	5,758	5,714
13	Investments in associates	16	34	-	-
14, 28	Other securities	175	156	-	-
16	Deferred tax assets	569	612	-	-
28	Other non-current assets	2	2	1,769	1,759
	Total non-current assets	**5,272**	**5,316**	**7,567**	**7,507**
17	Inventories	549	471	-	-
19, 28	Trade receivables	1,269	1,110	13	4
18	Tax receivable	13	38	36	2
15	Prepayments	178	168	1	1
28	Other receivables	3,517	2,546	21	12
	Cash and cash equivalents	229	157	-	1
	Total current assets	**5,755**	**4,490**	**71**	**20**
11, 16	**Assets classified as held for sale**	**154**	**-**	**-**	**-**
	Total assets	**11,181**	**9,806**	**7,638**	**7,527**
	EQUITY AND LIABILITIES				
	Share capital	833	833	833	833
	Other reserves	906	1,341	2,591	2,945
	Proposed dividends for the year	57	40	57	40
	Retained earnings	5,082	4,290	1,172	1,436
	Total equity	**6,878**	**6,504**	**4,653**	**5,254**
23, 28	Bank loans	1,374	1,056	1,374	1,056
21	Pension obligations	110	73	1	1
22	Provisions	130	107	5	5
16	Deferred tax liabilities	825	572	45	71
23, 26, 28	Other non-current liabilities	59	48	-	-
	Total non-current liabilities	**2,498**	**1,856**	**1,425**	**1,133**
24, 28	Bank loans	124	61	39	-
28	Trade payables	486	387	47	13
18	Tax payable	36	24	-	-
22	Provisions	260	240	11	20
25	Other payables	899	734	1,463	1,107
	Total current liabilities	**1,805**	**1,446**	**1,560**	**1,140**
	Total equity and liabilities	**11,181**	**9,806**	**7,638**	**7,527**

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
	Operating activities				
	Operating profit (loss)	1,256	2,569	(111)	(41)
	Depreciation, amortization and impairment	484	379	15	4
33	Other adjustments	(735)	(2,079)	(8)	(5)
	Cash flow from operating activities before changes in working capital	**1,005**	**869**	**(104)**	**(42)**
	Change in inventories	(89)	(102)	-	-
	Change in receivables	(267)	(128)	(20)	13
	Change in trade payables and other payables	150	34	64	14
	Total changes in working capital	**(206)**	**(196)**	**44**	**27**
	Restructuring/non-recurring costs, paid	(2)	(62)	-	-
	Cash flow from operating activities before financial items and tax	**797**	**611**	**(60)**	**(15)**
	Interest and dividends, etc. received	16	18	59	109
	Interest paid	(88)	(45)	(71)	(102)
	Tax paid, net	(23)	(21)	6	4
	Cash flow from operating activities	**702**	**563**	**(66)**	**(4)**
	Investing activities				
	Investments in intangible assets excluding development projects	(54)	(34)	(20)	(31)
	Development projects	(265)	(234)	-	-
	Investments in property, plant and equipment	(82)	(95)	-	-
	Investments in other non-current assets	(21)	(28)	-	-
	Disposal of intangible assets	1	-	-	-
	Disposal of property, plant and equipment	14	2	-	-
	Disposal of other non-current assets	2	15	-	-
	Acquisition of companies/operations	(82)	(12)	-	-
	Company disposals	1	19	-	-
	Cash flow from investing activities	**(486)**	**(367)**	**(20)**	**(31)**
	Cash flow from operating and investing activities (free cash flow)	**216**	**196**	**(86)**	**(35)**
	Financing activities				
	Increase of long-term loans	327	-	327	-
	Increase of short-term loans	62	-	436	200
	Decrease of long-term loans	-	(14)	-	(14)
	Decrease of short-term loans	-	(64)	-	-
	Paid dividends	(39)	-	(39)	-
	Share-based payment (exercised)	137	32	-	3
	Purchase/sale of treasury shares	(641)	(153)	(641)	(153)
	Other adjustments	7	2	2	-
	Cash flow from financing activities	**(147)**	**(197)**	**85**	**36**
	Net cash flow	**69**	**(1)**	**(1)**	**1**
	Cash and cash equivalents, beginning of period	157	148	1	-
	Adjustment foreign currency, cash and cash equivalents	3	10	-	-
	Cash and cash equivalents, end of period	**229**	**157**	**-**	**1**

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

Note	(DKK million)	Share capital (shares of DKK 4 each)	Other reserves: Additional paid-in capital	Other reserves: Foreign exchange adjustments	Other reserves: Hedging reserve	Treasury shares	Proposed dividends for the year	Retained earnings	Total equity
	CONSOLIDATED EQUITY								
	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	-	-	-	-	(153)	-	-	(153)
	Balance sheet total at December 31, 2010	**833**	**3,245**	**(1,565)**	**2**	**(341)**	**40**	**4,290**	**6,504**
	Profit (loss) for the period	-	-	-	-	-	-	865	865
	Actuarial gains (losses)	-	-	-	-	-	-	(44)	(44)
	Adjustment of cash flow hedges	-	-	-	(16)	-	-	-	(16)
	Foreign exchange adjustments, etc.	-	-	90	-	-	-	-	90
	Tax relating to other comprehensive income	-	-	(11)	6	-	-	12	7
	Total comprehensive income for the year	-	-	79	(10)	-	-	833	902
	Proposed dividends for the year	-	-	-	-	-	57	(57)	-
	Paid dividends	-	-	-	-	-	(39)	-	(39)
	Dividends, treasury shares	-	-	-	-	-	(1)	1	-
	Share-based payment (granted)	-	-	-	-	-	-	15	15
	Share-based payment (exercised)	-	(191)	-	-	328	-	-	137
	Purchase/sale of treasury shares	-	-	-	-	(641)	-	-	(641)
	Balance sheet total at December 31, 2011	**833**	**3,054**	**(1,486)**	**(8)**	**(654)**	**57**	**5,082**	**6,878**
	PARENT COMPANY EQUITY								
	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	-	(79)	-	-	(4)	-	-	(83)
	Balance sheet total at December 31, 2010	**833**	**3,286**	**-**	**-**	**(341)**	**40**	**1,436**	**5,254**
	Profit (loss) for the period	-	-	-	-	-	-	(208)	(208)
	Total comprehensive income for the year	-	-	-	-	-	-	(208)	(208)
	Proposed dividends for the year	-	-	-	-	-	57	(57)	-
	Paid dividends	-	-	-	-	-	(39)	-	(39)
	Dividends, treasury shares	-	-	-	-	-	(1)	1	-
	Purchase/sale of treasury shares	-	-	-	-	(641)	-	-	(641)
	Purchase of ownership interests in subsidiaries by payment in treasury shares	-	(41)	-	-	328	-	-	287
	Balance sheet total at December 31, 2011	**833**	**3,245**	**-**	**-**	**(654)**	**57**	**1,172**	**4,653**

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:

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 865 million at December 31, 2011 (2010: DKK 864 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, 2011 was DKK 3,048 million (2010: DKK 2,861 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 behavior. At December 31, 2011 the carrying amount of write-downs for bad debt losses was DKK 52 million (2010: DKK 47 million). The maturities of trade receivables are included in note 19.

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, 2011 the carrying amount of write-downs of inventories was DKK 134 million (2010: DKK 133 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

Note 1 - Significant accounting estimates and judgments and presentation of the Annual Report (continued)

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, 2011 the carrying amount of deferred tax assets and deferred tax liabilities was DKK 569 million (2010: DKK 612 million) and DKK 825 million (2010: DKK 572 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, 2011 the carrying amount of warranty provisions was DKK 115 million (2010: DKK 122 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, 2011 the carrying amount of provisions in respect of obligations to take back goods was DKK 61 million (2010: DKK 62 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 claim against the German Federal Cartel office (Bundeskartellamt) 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 2011

	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
External revenue	2,106	3,441	17	-	5,564
Internal revenue	-	9	50	(59)	-
Revenue	**2,106**	**3,450**	**67**	**(59)**	**5,564**
Production costs	(918)	(1,351)	-	-	(2,269)
Gross profit	**1,188**	**2,099**	**67**	**(59)**	**3,295**
Expensed development costs*	(192)	(318)	-	-	(510)
Selling and distribution costs*	(570)	(1,065)	-	-	(1,635)
Management and administrative expenses	(118)	(300)	(250)	59	(609)
Other operating income/(expenses)	2	10	-	-	12
Award from the arbitration case against TPSA	-	-	731	-	731
EBITA	**310**	**426**	**548**	**-**	**1,284**
Amortization of other intangible assets acquired in business combinations	(5)	(23)	-	-	(28)
Operating profit (loss)	**305**	**403**	**548**	**-**	**1,256**
Gains (losses) on disposal of operations	-	(14)	5	-	(9)
Share of profit (loss) in associates	-	6	-	-	6
Financial income	43	62	143	(70)	178
Financial expenses	(38)	(121)	(117)	70	(206)
Profit (loss) before tax	**310**	**336**	**579**	**-**	**1,225**
Tax on profit (loss)	(101)	(128)	(131)	-	(360)
Profit (loss) for the year	**209**	**208**	**448**	**-**	**865**
Impairment losses regarding intangible assets and property, plant and equipment recognized in the income statement	(6)	(2)	(67)	-	(75)

Transactions between segments are based on market terms.

Eliminations in the income statement concern internal revenue, intersegment rent, management fee and interest.

Other segment disclosures 2011

	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
Incurred development costs	(165)	(336)	-	-	(501)
Capitalized development costs	53	212	-	-	265
Amortization and depreciation*	(80)	(194)	-	-	(274)
Expensed development costs	**(192)**	**(318)**	**-**	**-**	**(510)**
EBITDA	330	507	638	-	1,475
Depreciation	(20)	(81)	(90)	-	(191)
EBITA	**310**	**426**	**548**	**-**	**1,284**

Major customers
No single customer accounted for 10% or more of GN's total revenue in 2011.

Geographical information 2011

	Denmark	Rest of Europe	North America	Asia and rest of world	Consolidated total
Revenue	129	2,054	2,198	1,183	5,564
Intangible assets and property, plant and equipment	1,092	504	2,698	216	4,510

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 business combinations, cf. the definition of EBITA.

Note (DKK million)

2 Segment disclosures (continued)

Balance sheet 2011

	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
Assets					
Goodwill	465	2,583	-	-	3,048
Development projects	87	777	-	-	864
Other intangible assets	55	241	40	-	336
Property, plant and equipment	22	236	4	-	262
Investments in associates	-	16	-	-	16
Other non-current assets	140	615	19	(28)	746
Total non-current assets	**769**	**4,468**	**63**	**(28)**	**5,272**
Inventories	95	454	-	-	549
Trade receivables	351	904	14	-	1,269
Receivables from subsidiaries*	926	-	524	(1,450)	-
Other receivables	43	576	3,145	(56)	3,708
Cash and cash equivalents	41	188	-	-	229
Total current assets	**1,456**	**2,122**	**3,683**	**(1,506)**	**5,755**
Assets classified as held for sale	**-**	**-**	**154**		**154**
Total assets	**2,225**	**6,590**	**3,900**	**(1,534)**	**11,181**
Equity and Liabilities					
Equity	**1,623**	**3,646**	**1,609**	**-**	**6,878**
Bank loans	-	-	1,374	-	1,374
Other non-current liabilities	38	414	700	(28)	1,124
Total non-current liabilities	**38**	**414**	**2,074**	**(28)**	**2,498**
Bank loans	35	50	39	-	124
Trade payables	183	253	50	-	486
Amounts owed to subsidiaries*	-	1,450	-	(1,450)	-
Other current liabilities	346	777	128	(56)	1,195
Total current liabilities	**564**	**2,530**	**217**	**(1,506)**	**1,805**
Total equity and liabilities	**2,225**	**6,590**	**3,900**	**(1,534)**	**11,181**

Eliminations in the balance sheet concern tax and intercompany balances.

*Net amount

Cash flow statement 2011

	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
Cash flow from operating activities before changes in working capital	**402**	**710**	**(107)**	**-**	**1,005**
Cash flow from changes in working capital and restructuring/non-recurring costs paid	12	(238)	18	-	(208)
Cash flow from operating activities before financial items and tax	**414**	**472**	**(89)**	**-**	**797**
Cash flow from investing activities	(71)	(388)	(27)	-	(486)
Cash flow from operating and investing activities before financial items and tax	**343**	**84**	**(116)**	**-**	**311**
Tax and financial items	15	(84)	(26)	-	(95)
Cash flow from operating and investing activities (free cash flow)	**358**	**-**	**(142)**	**-**	**216**

Note **(DKK million)**

2 Segment disclosures (continued)

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 business combinations	(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 concern 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 business combinations, 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 concern 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)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
3	**Staff costs**				
	Wages, salaries and remuneration	(1,626)	(1,543)	(29)	(21)
	Pensions	(71)	(69)	(1)	(1)
	Other social security costs	(169)	(157)	-	-
	Share-based payments	(15)	(22)	-	-
	Total	**(1,881)**	**(1,791)**	**(30)**	**(22)**
	Included in:				
	Production costs and change in payroll costs included in inventories	(415)	(444)	-	-
	Development costs	(304)	(273)	-	-
	Selling and distribution costs	(867)	(778)	-	-
	Management and administrative expenses	(288)	(288)	(23)	(16)
	Award from the arbitration case against TPSA	(7)	(6)	(7)	(6)
	Financial expenses	-	(2)	-	-
	Total	**(1,881)**	**(1,791)**	**(30)**	**(22)**
	Parent company Executive Management remuneration:				
	Salaries	(17)	(18)	(4)	-
	Share-based payments	(1)	(3)	-	-
	Total	**(18)**	**(21)**	**(4)**	**-**
	Other key management personnel remuneration:				
	Salaries	(4)	(3)	-	-
	Share-based payments	(1)	-	-	-
	Total	**(5)**	**(3)**	**-**	**-**
	Executive Management remuneration can be specified as follows:				
	Mogens Elsberg, CEO of GN Netcom	(6)	(6)	-	-
	Lars Viksmoen, CEO of GN ReSound (from April 1, 2010)	(6)	(5)	-	-
	Mike van der Wallen, CEO of GN ReSound (until April 1, 2010)	-	(3)	-	-
	Anders Boyer, CFO of GN Store Nord, GN Netcom (until March 31, 2011) and GN ReSound (from April 1, 2011)	(6)	(7)	(4)	-
	Total	**(18)**	**(21)**	**(4)**	**-**
	Board of Directors remuneration	(5.8)	(5.1)	(4.1)	(3.5)
	Average number of employees	4,554	4,358	18	17
	Number of employees, year-end	4,675	4,525	18	18

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

Executive Management and Board of Directors remuneration
The total remuneration of the Executive Management is based on the "Remuneration Policy for the Executive Management for GN Store Nord". The total remuneration to Executive Management decreased 14% or DKK 3 million from 2010 to 2011. This is primarily due to two factors: Firstly, in accordance with GN's remuneration policy, the fixed base salary for Lars Viksmoen is lower than his predecessor. Secondly, the so-called Black-Scholes value of the long-term incentive program implemented in 2010 is lower than that of the previous program.

Remuneration of the 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 Executive Management´s bonus is based on three parameters in light of the Group's focus areas. Mogens Elsberg's bonus is subject to the performance of GN Netcom's EBITA, GN Netcom's revenue and individual performance targets. Lars Viksmoen's and Anders Boyer'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 Executive Management. 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 increased by 17% compared to 2010 as approved by the shareholders at the Annual General Meeting on March 25, 2011. 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	300
Remuneration Committee, other members	150
Audit Committee Chairman	300
Audit Committee, other members	150

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

The Strategy Committee consisting of the Chairman, the Deputy Chairman and one more Board member continued its work in 2011. The Strategy Committee was established for the purpose of among others exploring how to leverage core innovation capabilities in a broader perspective. An important focus in 2011 was to determine the core technological capabilities of GN Store Nord A/S. With support from external facilitators a frame for evaluating future growth opportunities was defined, including a catalog of potential opportunities to further explore. The Strategy Committee held 12 meetings in 2011 and each member has received a fee of DKK 200 thousand.

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
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	(501)	(455)	-	-
	Depreciation of operating assets etc. used for development purposes	(15)	(19)	-	-
	Total development costs incurred	(516)	(474)	-	-
	Development costs capitalized as development projects	265	234	-	-
	Amortization and impairment of capitalized development projects	(266)	(212)	-	-
	Total expensed development costs	**(517)**	**(452)**	**-**	**-**
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	(50)	(55)	-	-
	Development costs	(281)	(232)	-	-
	Selling and distribution costs	(41)	(39)	-	-
	Management and administrative expenses	(112)	(53)	(14)	(4)
	Total	**(484)**	**(379)**	**(14)**	**(4)**

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
5	**Depreciation, amortization and impairment (continued)**				
	Amortization of intangible assets is recognized in the income statement as follows:				
	Production costs	(1)	(3)	-	-
	Development costs	(265)	(209)	-	-
	Selling and distribution costs	(26)	(24)	-	-
	Management and administrative expenses	(17)	(21)	(11)	(4)
	Total	**(309)**	**(257)**	**(11)**	**(4)**
	Impairment of intangible assets is recognized in the income statement as follows:				
	Development costs	(8)	(13)	-	-
	Management and administrative expenses	(3)	-	(3)	-
	Total	**(11)**	**(13)**	**(3)**	**-**
6	**Fees to auditors appointed by the Annual General Meeting**				
	Audit fees	(7)	(8)	(1)	(1)
	Total	**(7)**	**(8)**	**(1)**	**(1)**
	Other assistance:				
	Other assurance engagements	-	-	-	-
	Other audit-related services	(3)	(3)	-	-
	Tax assistance and advice	(3)	(3)	-	(1)
	Total	**(6)**	**(6)**	**-**	**(1)**
	Total	**(13)**	**(14)**	**(1)**	**(2)**
	Consolidated audit fees include DKK 2 million (2010: DKK 3 million) to KPMG Statsautoriseret Revisionspartnerselskab. Consolidated other assistance includes DKK 1 million (2010: DKK 1 million) to KPMG Statsautoriseret Revisionspartnerselskab.				
7	**Financial income**				
	Interest income from subsidiaries*	-	-	58	63
	Interest income from bank balances*	1	1	-	-
	Interest income relating to the TPSA award	84	-	-	-
	Financial income, other	15	17	-	-
	Fair value adjustment of derivative financial instruments, net	-	5	-	-
	Foreign exchange gain	78	59	9	8
	Total	**178**	**82**	**67**	**71**

*Interest income from financial assets at amortised cost.

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
8	**Financial expenses**				
	Interest expense to subsidiaries*	-	-	(36)	(34)
	Interest expense on bank balances*	(30)	(22)	(26)	(19)
	Financial expenses, other	(76)	(37)	(8)	(3)
	Fair value adjustment of derivative financial instruments, net	(31)	-	(34)	-
	Foreign exchange loss	(69)	(56)	(6)	(11)
	Total	**(206)**	**(115)**	**(110)**	**(67)**

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 2011	Consolidated 2010	Parent company 2011	Parent company 2010
9	**Tax**				
	Tax on profit (loss)				
	Current tax for the year	(36)	(34)	36	2
	Deferred tax for the year	(365)	(630)	(4)	7
	Effect of change in income tax rates	11	(2)	-	-
	Adjustment to current tax in respect of prior years	(20)	16	5	21
	Adjustment to deferred tax in respect of prior years	50	(36)	30	(8)
	Other	-	5	-	-
	Total	**(360)**	**(681)**	**67**	**22**
	Reconciliation of effective tax rate				
	Danish tax rate	25.0%	25.0%	25.0%	25.0%
	Effect of tax rates in foreign jurisdictions	0.2%	0.2%	-	-
	Non taxable income	(0.4%)	-	3.6%	-
	Non deductable expenses	1.2%	0.3%	(17.1%)	-
	Unrecognised tax assets	6.7%	1.2%	-	-
	Effect of change in income tax rates	(0.9%)	-	-	-
	Share of profit (loss) in associates	(0.2%)	-	-	-
	Adjustment of tax in respect of prior years	(2.4%)	0.2%	12.8%	35.1%
	Other	0.2%	-	-	-
	Effective tax rate	**29.4%**	**26.9%**	**24.3%**	**60.1%**
	Tax relating to other comprehensive income				
	Foreign exchange adjustments etc.	12	-	-	-
	Adjustment of cash flow hedges	6	-	-	-
	Foreign exchange adjustments etc.	(11)	11	-	-
	Total	**7**	**11**	**-**	**-**

In 2011, the parent company paid DKK 0 million in corporation tax against DKK 0 million in 2010.

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	2,861	1,934	320	249	147	497	6,008
Additions on company acquisitions	151	-	-	-	-	28	179
Additions	-	265	54	-	-	-	319
Disposals	(18)	(99)	(59)	-	(79)	-	(255)
Foreign exchange adjustments	54	-	3	3	-	9	69
Cost at December 31	3,048	2,100	318	252	68	534	6,320
Amortization and impairment at January 1	-	(1,070)	(268)	(215)	(144)	(280)	(1,977)
Amortization	-	(258)	(21)	(6)	(3)	(21)	(309)
Disposals	-	99	58	-	79	-	236
Impairment	-	(8)	(3)	-	-	-	(11)
Foreign exchange adjustments	-	2	(3)	(3)	-	(7)	(11)
Amortization and impairment at December 31	-	(1,235)	(237)	(224)	(68)	(308)	(2,072)
Carrying amount at December 31, 2011	**3,048**	**865**	**81**	**28**	**-**	**226**	**4,248**
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**
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 concerns software which is no longer used.

Goodwill
Additions during the year of DKK 151 million mainly relates to the acquisition of equity shares in hearing instrument chains and dispensers, cf. note 32. Disposals during the year of DKK 18 million relates to disposal of dispensers, cf. note 32.

Management has performed an impairment test of the carrying amount of goodwill at December 31, 2011. 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	
	2011	**2010**	**2011**	**2010**
Cash-generating units:				
Contact Center & Office Headsets	288	283	11	10
Mobile Headsets	177	173	13	12
Hearing Instruments	2,485	2,336	10	8
Otometrics	98	69	12	11
Total	**3,048**	**2,861**		

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 2012, market forecasts for 2013 - 2016 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, 2011.

Mobile Headsets

During 2011, Mobile Headsets improved profitability significantly and reached a positive EBITA. Earnings for the calendar year 2012 are expected to improve compared to 2011. The future EBITA margin for Mobile Headsets is expected to increase to 5% or higher, driven by a combination of efficiency gain and revenue growth.

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 2012 and 2013, 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 2011, Management assessed that the expected useful lives were reflected in the carrying amounts at December 31, 2011.

The carrying amounts at December 31, 2011 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	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Cost at December 31, completed projects	1,864	1,572	302	320	2,166	1,892
Cost at December 31, projects in progress	236	362	16	-	252	362
Total	**2,100**	**1,934**	**318**	**320**	**2,418**	**2,254**
Carrying amount at December 31, completed projects	631	502	65	52	696	554
Carrying amount at December 31, projects in progress	234	362	16	-	250	362
Total	**865**	**864**	**81**	**52**	**946**	**916**

Patents and rights

Patents and rights primarily comprise patents and rights acquired in company acquisitions. The most significant patents 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 82 million (2010: DKK 59 million) related to customer lists and DKK 144 million (2010: DKK 158 million) related to trademarks.

Note	(DKK million)

10 Intangible assets (continued)

Parent company

	Software		Telecom-munication systems		Total	
	2011	2010	2011	2010	2011	2010
Cost at January 1	35	4	67	67	102	71
Additions	20	31	-	-	20	31
Disposals	(11)	-	-	-	(11)	-
Cost at December 31	44	35	67	67	111	102
Amortization and impairment at January 1	(4)	(4)	(64)	(60)	(68)	(64)
Amortization	(8)	-	(3)	(4)	(11)	(4)
Disposals	11	-	-	-	11	-
Impairment	(3)	-	-	-	(3)	-
Amortization and impairment at December 31	(4)	(4)	(67)	(64)	(71)	(68)
Carrying amount at December 31	**40**	**31**	**-**	**3**	**40**	**34**
Amortized over	1-5 years	1-5 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	376	103	643	350	7	3	1,482
Additions on company acquisitions	-	2	1	8	-	-	11
Additions	7	9	34	18	1	13	82
Disposals	(22)	(8)	(95)	(15)	-	-	(140)
Transfers	-	20	14	(20)	-	(14)	-
Transfered to assets classified as held for sale	(262)	-	-	-	-	-	(262)
Foreign exchange adjustments	3	2	6	6	-	1	18
Cost at December 31	102	128	603	347	8	3	1,191
Depreciation and impairment at January 1	(94)	(71)	(548)	(283)	(5)	-	(1,001)
Depreciation	(16)	(13)	(50)	(20)	(1)	-	(100)
Impairment	(64)	-	-	-	-	-	(64)
Disposals	13	5	94	13	-	-	125
Transfers	-	(1)	(3)	4	-	-	-
Transfered to assets classified as held for sale	122	-	-	-	-	-	122
Foreign exchange adjustments	(1)	(2)	(4)	(4)	-	-	(11)
Depreciation and impairment at December 31	(40)	(82)	(511)	(290)	(6)	-	(929)
Carrying amount at December 31, 2011	**62**	**46**	**92**	**57**	**2**	**3**	**262**
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**
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 2011	Parent company 2010
12	**Investments in subsidiaries**		
	Cost at January 1	5,714	5,548
	Additions, capital contribution	287	168
	Disposals	(92)	(2)
	Impairment losses	(151)	-
	Cost at December 31	**5,758**	**5,714**

Group companies are listed on page 78.

Note		Consolidated 2011	Consolidated 2010
13	**Associates and joint ventures**		
	Investments in associates		
	Cost at January 1	42	43
	Disposals	-	(1)
	Transfer	(19)	-
	Cost at December 31	23	42
	Value adjustments at January 1	(8)	(8)
	Share of profit (loss)	6	-
	Dividends	-	(2)
	Disposals	-	1
	Fair value adjustments	8	-
	Transfer	(13)	-
	Foreign exchange adjustments	-	1
	Value adjustments at December 31	(7)	(8)
	Carrying amount at December 31	**16**	**34**

In July 2011, the ownership of GN ReSound Korea Co. Ltd. was increased from 40% to 70%, thereby obtaining control. The ownership interest held before obtaining control has been recognized at fair value with the remeasurement adjustment of DKK 8 million recognized in financial income.

	Consolidated 2011	Consolidated 2010
Aggregated financial information in respect of associates is provided below:		
Revenue	145	113
Profit (loss) for the year after tax	21	4
Total assets	54	75
Total liabilities	24	25
Total share of profit (loss) for the year after tax	6	-
Total share of net assets	7	14

Associates are listed on page 78.

	Consolidated 2011	Consolidated 2010
Aggregated financial information in respect of joint ventures accounted for by proportionate consolidation is provided below:		
Non-current assets	-	-
Current assets	3,044	2,198
Non-current liabilities	-	-
Current liabilities	16	11
Revenue	-	-
Costs	(1)	(1)
Award from the arbitration case against TPSA	748	2,121

Joint ventures accounted for by proportionate consolidation are listed on page 78.

Note	(DKK million)	Consolidated 2011	Consolidated 2010
14	**Other securities**		
	Ownership interests	114	99
	Derivative financial instruments relating to ownership interests	58	53
	Other	3	4
	Total	**175**	**156**

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 2011, an impairment loss of DKK 9 million was recognized on Other securities classified as Available-for-sale.

		Consolidated		Parent company	
		2011	2010	2011	2010
15	**Prepayments**				
	Rent	8	6	-	-
	Property tax	2	4	-	-
	Insurance	7	5	-	-
	RAP, SIP and DCP	108	102	-	-
	Other	53	51	1	1
	Total	**178**	**168**	**1**	**1**

Regarding RAP, SIP and DCP, see note 25.

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
16	**Deferred tax**				
	Deferred tax, net				
	Deferred tax at January 1, net	40	663	(71)	(70)
	Adjustment in respect of prior years	50	(36)	30	(8)
	Effect of change in income tax rates	11	2	-	-
	Addition of deferred tax on acquisition of enterprises	1	-	-	-
	Deferred tax for the year recognized in profit (loss) for the year	(365)	(630)	(4)	7
	Deferred tax transferred to assets classified as held sale	(14)	-	-	-
	Deferred tax for the year recognised in other comprehensive income for the year	7	(6)	-	
	Foreign exchange adjustments	14	47	-	-
	Deferred tax at December 31, net	**(256)**	**40**	**(45)**	**(71)**
	Deferred tax is recognised in balance sheet as follows:				
	Deferred tax assets	569	612	-	-
	Deferred tax liabilities	(825)	(572)	(45)	(71)
	Deferred tax at December 31, net	**(256)**	**40**	**(45)**	**71**
	Deferred tax, net relates to:				
	Intangible assets	(341)	(303)	(10)	-
	Property, plant and equipment	51	23	1	(8)
	Other securities	48	40	-	-
	Current assets	(551)	(386)	-	-
	Current liabilities	22	21	-	-
	Intercompany liabilities	30	40	-	-
	Tax loss carryforwards	411	647	109	118
	Retaxation	(152)	(190)	(152)	(190)
	Provisions	192	110	7	9
	Other	34	38	-	-
	Total	**(256)**	**40**	**(45)**	**(71)**
	Tax value of unrecognized tax assets				
	Tax loss carryforwards	165	112	-	-
	Other tax assets	-	7	-	-
	Unrecognized tax assets at December 31	**165**	**119**	**-**	**-**

Unrecognized tax assets are based on the Group's expectations to the future utilization of the tax assets. A number of tax loss carryforwards expire between 2012-2027.

Deferred tax, net includes DKK 187 million expected to be recovered within 12 months.

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
17	**Inventories**				
	Raw materials and consumables	258	218	-	-
	Work in progress	11	17	-	-
	Finished goods and merchandise	280	236	-	-
	Total	**549**	**471**	**-**	**-**
	The above includes write-downs amounting to	134	133	-	-
	Write-downs recognized in the income statement under production costs	56	24	-	-
	Reversed write-downs recognized under production costs	11	4	-	-
	Value of inventory, recognized at net realizable value	-	-	-	-
	Production costs include costs of sales of	1,925	1,840	-	-
	The reversal of write-downs can be attributed to products which are sold or are expected to be sold.				
18	**Current tax**				
	Tax payable and tax receivable				
	Tax payable at January 1, net	14	(10)	2	(17)
	Foreign exchange adjustment	(3)	4	-	-
	Addition of current tax on acquisition of enterprises	(1)	-	-	-
	Adjustment in respect of prior years	(20)	16	5	21
	Payment relating to prior years	6	-	(7)	-
	Current tax for the year	(36)	(34)	36	2
	Current tax for the year recognised in other comprehensive income for the year	-	17	-	-
	Payments relating to the current year	17	21	-	(4)
	Income tax payable at 31 December, net	**(23)**	**14**	**36**	**2**
	Income tax at 31 December is recognised as follows:				
	Tax receivable (assets)	13	38	36	2
	Tax payable (liabilities)	(36)	(24)	-	-
	Income tax payable at 31 December, net	**(23)**	**14**	**36**	**2**

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
19	**Trade receivables**				
	Trade receivables	1,269	1,110	13	4
	Total	**1,269**	**1,110**	**13**	**4**
	Trade receivables have the following maturities:				
	Not due	1,012	891	12	4
	Due 30 days or less	89	72	1	-
	Due more than 30 days but less than 90 days	76	73	-	-
	Due more than 90 days	92	74	-	-
	Total	**1,269**	**1,110**	**13**	**4**
	Write-downs, which are included in total trade receivables, have developed as follows:				
	Write-downs at January 1	(47)	(105)	-	-
	Write-downs made during the year	(16)	(18)	-	-
	Realized during the year	9	66	-	-
	Reversed write-downs	2	11	-	-
	Foreign exchange adjustments	-	(1)	-	-
	Write-downs at December 31	**(52)**	**(47)**	**-**	**-**

Total write-downs of DKK 52 million is included in trade receivables at the end of 2011. No material individual write-downs have been made. 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.

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
	Trade receivables include the following overdue but not written down receivables:				
	Due 30 days or less	70	45	1	-
	Due more than 30 days but less than 90 days	44	40	-	-
	Due more than 90 days	62	49	-	-
	Total	**176**	**134**	**1**	**-**
20	**Current receivables falling due after more than one year**				
	Trade receivables	10	6	-	-
	Tax receivable	-	1	-	-
	Other receivables	13	2	-	-
	Total	**23**	**9**	**-**	**-**

No security has been pledged to GN for receivables.

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
21	**Pension obligations**				
	Present value of defined benefit obligations	(298)	(259)	(1)	(1)
	Fair value of plan assets	188	186	-	-
	Net obligations	**(110)**	**(73)**	**(1)**	**(1)**
	of which recognized in				
	Other receivables	-	-	-	-
	Pension obligations and similar obligations	(110)	(73)	(1)	(1)
	Total	**(110)**	**(73)**	**(1)**	**(1)**
	The present value of defined benefit obligations includes unfunded pension obligations not covered by payments to insurance company of DKK (12) million in 2011 (2010: DKK (11) million).				
	Development in present value of defined benefit obligations				
	Obligations at January 1	(259)	(222)	(1)	(1)
	Foreign exchange adjustments	(5)	(17)	-	-
	Costs for the year	(3)	(4)	-	-
	Interest expense	(13)	(13)	-	-
	Actuarial gains (losses)	(31)	(17)	-	-
	Curtailment	-	2	-	-
	Pension payments, unfunded	1	1	-	-
	Pension payments	12	11	-	-
	Obligations at December 31	**(298)**	**(259)**	**(1)**	**(1)**
	Development in fair value of plan assets				
	Plan assets at January 1	186	160	-	-
	Foreign exchange adjustments	4	10	-	-
	Expected return on plan assets	12	11	-	-
	Actuarial gains (losses)	(13)	8	-	-
	Payment by GN Store Nord	11	8	-	-
	Pension payments	(12)	(11)	-	-
	Plan assets at December 31	**188**	**186**	**-**	**-**
	Pension costs recognized in the income statement				
	Costs for the year	(3)	(4)	-	-
	Interest expense	(13)	(13)	-	-
	Expected return on plan assets	12	11	-	-
	Curtailment gain	-	2	-	-
	Defined benefit plans total	(4)	(4)	-	-
	Defined contribution plans total	(67)	(65)	(1)	(1)
	Total cost recognized in the income statement	**(71)**	**(69)**	**(1)**	**(1)**
	The costs are recognized in the following income statement items:				
	Production costs	(13)	(13)	-	-
	Development costs	(15)	(15)	-	-
	Selling and distribution costs	(23)	(20)	-	-
	Management and administrative expenses	(19)	(19)	(1)	(1)
	Financial expenses	(1)	(2)	-	-
	Total	**(71)**	**(69)**	**(1)**	**(1)**
	The following accumulated actuarial gains/(losses) since January 1, 2005 are recognized in the Statement of other Comprehensive Income:				
	Accumulated actuarial gains (losses)	(96)	(52)	-	-

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
21	**Pension obligations (continued)**				
	Breakdown of plan assets:				
	Shares	67%	71%	-	-
	Bonds	32%	28%	-	-
	Cash and cash equivalents	1%	1%	-	-
	Total	**100%**	**100%**	**-**	**-**
	Return on plan assets:				
	Expected return on plan assets	(12)	(11)	-	-
	Actual return on plan assets	(1)	19	-	-
	Actuarial gains (losses) on plan assets	**(13)**	**8**	**-**	**-**
	The actuarial calculations for the prevailing American defined benefit plan at the balance sheet date are based on the following assumptions:				
	Discount rate	5.25%	6.00%		
	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:

	2011	2010	2009	2008	2007
Actuarial pension obligation	(298)	(259)	(222)	(220)	(208)
Plan assets	188	186	160	142	176
Surplus/(deficit)	**(110)**	**(73)**	**(62)**	**(78)**	**(32)**

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 when they are due.

An amount of DKK 67 million (2010: DKK 65 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 1 July 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	33	122	192	347
Additions	-	18	104	122
Consumed	(7)	(12)	(46)	(65)
Reversed	-	(14)	(3)	(17)
Foreign exchange adjustments	1	1	1	3
Provisions at December 31, 2011	**27**	**115**	**248**	**390**
Of which is recognized in the consolidated balance sheet:				
Non-current liabilities	3	39	88	130
Current liabilities	24	76	160	260
Provisions at December 31, 2011	**27**	**115**	**248**	**390**
Of which is recognized in the parent company balance sheet:				
Non-current liabilities	-	-	5	5
Current liabilities	-	-	11	11
Provisions at December 31, 2011	**-**	**-**	**16**	**16**

Restructuring provisions of DKK 27 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.

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		Parent company	
	2011	**2010**	**2011**	**2010**
Bank loans	1,374	1,056	1,374	1,056
Capitalized lease obligations	6	4	-	-
Other long term payables	10	9	-	-
Received prepayments	43	35	-	-
Non-current liabilities excluding pension obligations, deferred tax and other provisions	**1,433**	**1,104**	**1,374**	**1,056**
Breakdown of liabilities due as of the balance sheet date:				
1-2 years	36	421	-	400
2-3 years	19	671	-	656
3-4 years	4	3	-	-
4-5 years	1,374	-	1,374	-
> 5 years	-	9	-	-
Total	**1,433**	**1,104**	**1,374**	**1,056**
Breakdown of liabilities by currency:				
DKK	410	409	400	400
EUR	974	656	974	656
USD	43	35	-	-
Other currencies	6	4	-	-
Total	**1,433**	**1,104**	**1,374**	**1,056**

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
24	**Current liabilities**				
	Bank loans	124	61	39	-
	Total bank loans	**124**	**61**	**39**	**-**
	Breakdown of loans by currency:				
	DKK	57	21	14	-
	EUR	12	6	25	-
	USD	40	22	-	-
	Other currencies	15	12	-	-
	Total	**124**	**61**	**39**	**-**
25	**Other payables**				
	Wages and salaries, holiday pay, etc.	257	217	17	8
	Taxes and duties and tax payable at source	52	30	-	-
	Social contributions	21	24	-	-
	Bonuses and discounts	151	122	-	-
	Marketing	58	56	-	-
	Accrued fees	14	17	2	2
	RAP, SIP and DCP*	127	119	-	-
	Prepayments received	46	48	-	-
	Amounts owed to subsidiaries	-	-	1,382	1,092
	Donations	29	-	29	-
	Derivative financial instruments	42	-	29	-
	Other	102	101	4	5
	Total	**899**	**734**	**1,463**	**1,107**

*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 108 million in 2011 (DKK 102 million in 2010), cf. note 15.

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
26	**Lease obligations**				
	Future lease obligations are distributed as follows:				
	Finance leases:				
	Less than one year	-	-	-	-
	Between one and five years	6	4	-	-
	More than five years	-	-	-	-
	Total	**6**	**4**	**-**	**-**

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 2011	Consolidated 2010	Parent company 2011	Parent company 2010
Operating leases:				
Less than one year	75	68	4	18
Between one and five years	130	106	1	5
More than five years	48	23	-	-
Total	**253**	**197**	**5**	**23**

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 fifteen years.

Operating leases include rental obligations related to properties in Denmark in the amount of DKK 82 million (DKK 32 million in 2010). DKK 25 million (DKK 24 million in 2010) 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 75 million (DKK 79 million in 2010).

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
27	**Contingent liabilities, other financial fiabilities and contingent assets**				
	Guarantees, warranties and other liabilities	**44**	**11**	**-**	**-**

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.

Arbitration action against Interton Inc.

In 2006 the Israeli company AVR Communication Ltd. brought an arbitration action against Interton Inc. for alleged breach of contract. On November 29, 2011, the Israeli arbitrator issued a decision in AVR's favor in the amount of USD 2.9 million, although AVR has not provided convincing proof or evidence regarding damages of this magnitude. The decision is not final and binding until confirmed by a court in Israel. GN believes the decision is flawed and that it will be overturned by the Israeli courts.

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 hearing instruments, 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

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 recognized an impairment loss on 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
2011				
Long-term bank loans	-	1,374	-	1,374
Capitalised lease obligations	-	6	-	6
Other long-term payables	-	10	-	10
Short-term bank loans	124	-	-	124
Trade payables	486	-	-	486
Total non-derivative financial liabilities	610	1,390	-	2,000
Derivative financial liabilities	13	29	-	42
Total financial liabilities	**623**	**1,419**	**-**	**2,042**
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**

Parent company	Less than one year	Between one and five years	More than five years	Total
2011				
Long-term bank loans	-	1,374	-	1,374
Short-term bank loans	39	-	-	39
Trade payables	47	-	-	47
Total non-derivative financial liabilities	86	1,374	-	1,460
Derivative financial liabilities	-	29	-	29
Total financial liabilities	**86**	**1,403**	**-**	**1,489**
2010				
Long-term bank loans	-	1,056	-	1,056
Short-term bank loans	-	-	-	-
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**

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

Consolidated

Specification of net interest-bearing debt	Total 2011	Total 2010
Cash and cash equivalents	229	157
Bank loans, non-current liabilities	(1,374)	(1,056)
Bank loans, current liabilities	(124)	(61)
Total	**(1,269)**	**(960)**

For a description of financial risks, see the section Risk Management in the Management's Report page 22 and 23, subsections: Financial Risk, Foreign Currency Risk, Funding, Liquidity and Capital Structure, Financial Credit Risk and furthermore see note 19.

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
28	**Financial instruments and financial risks (continued)**				
	Categories of financial assets and liabilities				
	Derivative financial instruments relating to ownership interests, cf. note 14	58	53	-	-
	Derivative financial instruments relating to hedging of forecasted future transactions included in Other receivables	1	8	1	5
	Financial assets held for trading	**59**	**61**	**1**	**5**
	Ownership interests and Other, cf. note 14	117	103	-	-
	Financial assets available-for-sale	**117**	**103**	**-**	**-**
	Trade receivables	1,269	1,110	13	4
	Other receivables	3,517	2,546	21	12
	Other receivables, non-current	13	2	-	-
	Receivables from subsidiaries	-	-	1,769	1,759
	Loans and receivables	**4,799**	**3,658**	**1,803**	**1,775**
	Bank loans, non-current	1,374	1,056	1,374	1,056
	Other long-term payables, cf. note 23	10	9	-	-
	Bank loans	124	61	39	-
	Trade payables	486	387	47	13
	Amounts owed to subsidiaries, cf. note 25	-	-	1,382	1,092
	Financial liabilities measured at amortized cost	**1,994**	**1,513**	**2,842**	**2,161**
	Derivative financial instruments included in Other payables	42	1	30	5
	Financial liabilities measured at fair value	**42**	**1**	**30**	**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 2011	Consolidated 2010	Parent company 2011	Parent company 2010
Cash flow hedges, exchange rate instruments				
Contract amount	604	199	-	-
Fair value, assets	-	3	-	-
Fair value, liabilities	13	1	-	-
Fair value adjustment for the year recognized in Other comprehensive income	(10)	2	-	-
Reclassified from equity to revenue	(6)	-	-	-
Ineffectiveness recognized in financial items	(1)	-	-	-
Derivative financial instruments, for which hedge accounting is not applied (economic hedges)				
Contract amount	1.116	197	1.191	394
Fair value, assets	1	5	1	5
Fair value, liabilities	29	-	30	5
Fair value adjustment recognized in financial items	(28)	5	(29)	-
of which reclassified from equity (interest rate swap)	(28)	-	(28)	-

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 2011 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 hierarchy.

In 2011 GN hedged future interest rate with interest rate swap. Hedge accounting has been applied during 2011 but has been discontinued as the related kong-term bank loans are expected to be paid in full in the beginning of 2012. The fair value of the interest rate swaps are determined using forward interest rate and can be categorized as level 2 (observable inputs) in the fair value hierarcy.

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, 2011	201,965	6,395	208,360	807,860	25,580	833,440	3.1%
Purchase of ownership interest in subsidiaries	5,840	(5,840)	-	23,360	(23,360)	-	
Shares acquired/sold by GN Store Nord A/S	(14,831)	14,831	-	(59,324)	59,324	-	
Number of shares at December 31, 2011	**192,974**	**15,386**	**208,360**	**771,896**	**61,544**	**833,440**	**7.4%**

The treasury shares had a market value of DKK 744 million at December 31, 2011 (2010: 325 million).

(Shares thousands)	2011	2010
Weighted average number of shares	200,710	202,661
Dilutive effect of share based payment with positive intrinsic value – average for the period	1,894	3,452
Diluted weighted average number of shares	**202,604**	**206,113**

(DKK million)		
Profit (loss) for the year used for the calculation of earnings per share	865	1,855
Dilutive effect of profit (loss) for the year	-	-
Profit (loss) for the year used for the calculation of diluted earnings per share	**865**	**1,855**

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 78.

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	
	2011	2010	2011	2010
Sale of products to associates	21	29	-	-
Purchase of products/services from associates	(1)	(4)	-	-
Sale of services to group enterprises	-	-	38	32
Lease income from group enterprises	-	-	13	16
Purchase of services from group enterprises	-	-	(33)	(26)
Purchase of products from group enterprises	-	-	(9)	-
Lease costs paid to group enterprises	-	-	(14)	(17)
Purchase of intangible assets	-	-	(12)	(31)

Transactions with group enterprises are eliminated in the consolidated financial statements in accordance with GN's Accounting Policies. Purchase of products and services are bought from group enterprises on normal commercial terms and conditions.

The parent company's balances with group enterprises at December 31, 2011 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.

Sale of services to group enterprises consists of facility services, canteen services, management fee and IT costs. Purchase of services from group enterprises mainly consists of facility services and canteen services. In 2011, the parent company has bought software from subsidiaries for a total amount of DKK 12 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 – 2006 had all expired at the end of 2011. Accordingly, at December 31, 2011 GN only had outstanding share options granted from 2007 – 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, 2010	**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**
Share options exercised during the year	-	-	-	
Share options forfeited during the year/corrections	-	(585,266)	(585,266)	86
Outstanding share options at December 31, 2011	**-**	**197,026**	**197,026**	**21**
Market value of outstanding share options at December 31, 2011	0 million	6 million	6 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, 2009 - December 31, 2011.

The granted share options are basically identical in regards to exercise price and expiry date. The options granted can be exercised three years after the grant date. 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**
August 2008	-	99,026	99,026	-	27	1.6	2
April 2009	-	98,000	98,000	-	14	2.3	4
Outstanding share options at December 31, 2011	**-**	**197,026**	**197,026**	**-**			**6**

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	**2011 year end**	**Grant date 2011**	**2010 year end**	**Grant date 2010**
Share price	48	-	51	-
Volatility	39%	-	52%	-
Dividend per share	0.19	-	0	-
Risk-free interest rate	0.76%	-	2.09%	-
Term	Remaining term	-	Remaining term	-

No share options were granted in 2011.

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, 2010	**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**
Share split 1 to 10	4,059	17,244	21,303	4,915
Warrants granted during the year	479	2,787	3,266	9,351
Warrants exercised during the year	(3,060)	(16,610)	(19,670)	4,937
Warrants forfeited during the year/corrections	-	(700)	(700)	6,109
Outstanding warrants at December 31, 2011	**1,929**	**4,637**	**6,566**	**6,929**
Grant date market value of warrants granted in 2011	1 million	6 million	7 million	
Market value of outstanding warrants at December 31, 2011	8 million	14 million	22 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 and 2011 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 and 2011 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 and 2011 vest provided the share value of GN Store Nord has increased and that 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 certain 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
April 2009	720	1,000	1,720	0.5%	1,720	2,851	0.3	11
March 2010	730	1,090	1,820	0.6%	-	5,457	3.9	7
August 2010	-	90	90	0.0%	-	7,131	3.9	-
September 2010	-	70	70	0.0%	-	8,907	3.9	-
January 2011	-	160	160	0.1%	-	5,457	3.9	1
March 2011	479	2,202	2,681	0.8%	-	10,542	4.9	3
October 2011	-	25	25	0.0%	-	10,542	4.9	-
Outstanding warrants at December 31, 2011	**1,929**	**4,637**	**6,566**	**2.0%**	**1,720**			**22**

Warrants program, GN ReSound	Group Executive Management	Other employees	Total	Average exercise price
Warrants granted at January 1, 2010	**386**	**1,486**	**1,872**	**32,528**
Warrants granted during the year	140	704	844	64,898
Warrants exercised during the year	(179)	-	(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**
Share split 1 to 10	2,484	19,566	22,050	4,406
Warrants granted during the year	982	5,267	6,249	8,819
Warrants exercised during the year	(1,626)	(7,000)	(8,626)	4,300
Warrants forfeited during the year/corrections	(24)	(1,477)	(1,501)	5,242
Outstanding warrants at December 31, 2011	**2,092**	**18,530**	**20,622**	**5,681**
Grant date market value of warrants granted in 2011	1 million	5 million	6 million	
Market value of outstanding warrants at December 31, 2011	3 million	60 million	63 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 and 2011 vest provided the share value of GN Store Nord has increased and that 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 and 2011 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
August 2008	-	100	100	0.0%	100	4,494	1.3	-
September 2008	-	140	140	0.0%	140	4,494	1.3	-
April 2009	-	6,910	6,910	1.1%	-	2,115	2.3	41
March 2010	1,110	6,340	7,450	1.3%	-	6,490	3.9	16
January 2011	-	50	50	0.0%	-	7,234	3.9	-
March 2011	982	4,848	5,830	1.0%	-	8,836	4.9	6
April 2011	-	33	33	0.0%	-	8,836	4.9	-
May 2011	-	48	48	0.0%	-	8,347	4.9	-
September 2011	-	61	61	0.0%	-	8,836	4.9	-
Outstanding warrants at December 31, 2011	**2,092**	**18,530**	**20,622**	**3.4%**	**240**			**63**

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 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	**2011 year end**		**Grant date 2011**		**2010 year end**		**Grant date 2010**	
	GN Netcom	**GN ReSound**	**GN Netcom**	**GN ReSound**	**GN Netcom**	**GN ReSound**	**GN Netcom**	**GN ReSound**
Share price GN Store Nord	48	48	50/50/52/ 52/35	52/52/50/ 50/35	51	51	33/33/ 33	35
Share of GN Store Nord market value	33%	52%	31%	50%/51%/ 51%/51%/ 51%	31%	50%	32%/ 33%/ 33%	50%
Share price*	9,385	8,020	10,360/10,360/ 10,360/10,542/ 6,500	9,100/8,836/ 8,399/8,347/ 5,712	104,069	88,510	54,586/ 92,229/ 94,394	64,898
Volatility	37%	35%	36%/36%/ 35%/34%/ 33%	26%/25%/ 32%/32%/ 34%	36%	25%	49%/ 38%/ 38%	28%
Dividend per share	0	0	0	0	0	0	0	0
Risk-free interest rate	0.01%/ 0.4%	0.01%/ 0.4%	1%/2.13%/ 1.37%/2.88%/ 1.13%	2.45%/2.88%/ 2.96%/2.91%/ 1.13%	1.08%/ 0.89%/ 2.1%	0.85%/ 1.1%/ 2.1%	2.7%/ 1.9%/ 1.9%	2.10%
Expected term (years)	0.25/ 3.9/ 4.9	1.3/ 2.3/ 3.9/4.9	0.75/4.9/ 0.5/5.7/ 5.1	4.8/5.7/ 5.6/5.6/ 5.1	0.25/ 1.25/ 4.9	2.25/ 3.25/ 4.9	5.6/ 5.3/ 5.2	5.6

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

* In 2011 a share split of 1 to 10 was executed.

Note **(DKK million)**

32 Acquisition and disposal of companies and operations

Acquisitions

During 2011 GN ReSound acquired a number of minor hearing instrument chains and distributors, including GN ReSound Korea Co. Ltd., OY Danalink AB (Finland) and Megale in the US. During 2010 GN ReSound acquired a number of minor hearing instrument chains and distributors in the US and Italy. The acquistions all strengthens GN ReSound's sales and distribution channels and the goodwill related to the acquisitions is mainly attributable to this.

In July 2011, GN ReSound obtained control of RS Korea Co. Ltd. by increasing ownership from 40% to 70%. The remaining non-controlling interest of 30% will be acquired successively until 2014 and has therefore been recognized as a non-current liability of DKK 24 million. The ownership interests held before obtaining control have been recognized at fair value with the remeasurement adjustment of DKK 8 million recognized in financial income. In October 2011, GN ReSound obtained control of OY Danalink AB by increasing ownership from 12% to 100%. The ownership interests held before obtaining control have been recognized at fair value with the remeasurement adjustment of DKK 3 million recognized in financial income.

	2011	2010
Identifiable assets acquired and liabilities assumed and consideration transferred	**Fair value at acquisition date**	**Fair value at acquisition date**
Non-current assets	39	22
Current assets	86	17
Non-current liabilities	(7)	(3)
Current liabilities	(22)	(13)
Fair value of identified net assets	**96**	**23**
Goodwill	151	61
Consideration transferred	**247**	**84**
Fair value of assets transferred	(8)	(38)
Fair value of existing ownership interests	(35)	(31)
Contingent consideration	(73)	(2)
Acquired cash and cash equivalents	(49)	(1)
Cash consideration paid	**82**	**12**

Goodwill relating to the above transactions is allocated to the cash-generating units Hearing Instruments and Audiologic Diagnostics Equipment with DKK 123 million (2010: DKK 52 million) and DKK 28 million (2010: DKK 9 million), respectively.

	2011	2010
The share of revenue and profit (loss) for the year from the acquisition date can be specified as follows:		
Revenue	52	16
EBIT	4	(14)
Profit (loss) for the year	3	(14)
Acquired operations if they had been owned throughout the year:		
Revenue	135	35
EBIT	13	(17)
Profit (loss) for the year	12	(14)

Disposals

In 2011 and 2010 GN ReSound divested a number of minor hearing instrument distributors primarily in the US.

	2011	2010
Non-current assets	(23)	(3)
Current assets	(5)	3
Non-current liabilities	-	-
Current liabilities	9	-
Disposed net assets	**(19)**	**-**
Directly attributable cost	(2)	-
Fair value of assets received	6	-
Cash consideration received	6	-
Gains (losses) on disposal of operations	**(9)**	**-**

Note	(DKK million)	Consolidated 2011	Consolidated 2010	Parent company 2011	Parent company 2010
33	**Other adjustments**				
	Gain/loss on disposal of assets	(6)	(1)	-	-
	Share-based payment (granted)	15	22	1	1
	Provision for bad debt and inventory write-downs etc.	31	9	-	-
	Adjustment of provisions	(27)	32	(9)	(6)
	Award from the arbitration case against TPSA excl. provisions	(748)	(2,141)	-	-
	Total	**(735)**	**(2,079)**	**(8)**	**(5)**

34 Adopted International Financial Reporting Standards for Implementation in 2012 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 in the preparation of the annual report for 2011, but which may affect future annual reports:

* 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.

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 2011, but may affect future annual reports:

* IFRS 9 Financial Instruments applies to annual periods beginning on or after January 1, 2015. 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 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.
* IFRS 10 Consolidated Financial Statements applies to annual periods beginning on or after January 1, 2013. The standard is not expected to affect the financial reporting.
* IFRS 11 Joint Arrangements applies to annual periods beginning on or after January 1, 2013. After ending the arbitration case against TPSA the joint arrangement, in which GN has participated, is expected to be closed. The standard is therefore not expected to affect the financial reporting.
* IFRS 12 Disclosures of interests in Other Entities applies to annual periods beginning on or after January 1, 2013. The disclosure requirements are only expected to result in very limited changes to disclosure, if any.
* IFRS 13 Fair Value Measurement applies to annual periods beginning on or after January 1, 2013. GN has very few assets measured at fair value and the standard is therefore expected to have very limited effect on recognition and measurement, if any.
* IFRS 27 Separate Financial Statements applies to annual periods beginning on or after January 1, 2013. The standard is not expected to have any effect on the Separate Financial Statements of GN Store Nord A/S.
* IAS 28 Investments in Associates and Joint Ventures applies to annual periods beginning on or after January 1, 2013. The standard is not expected to affect the financial reporting.
* Presentation of Items of Other Comprehensive Income (amendments to IAS 1) applies to annual periods beginning on or after July 1, 2012. The amendment will result in a slight change in the presentation of Other Comprehensive Income which will be grouped in two groups: Those items that will not be reclassified subsequently to the income statement and those items that will be reclassified subsequently to the income statement, when specific conditions are met.
* Amendments to IAS 19 Employee Benefits applies to annual periods beginning on or after January 1, 2013. GN is already in compliance with many of the requirements of the amended standard, which will therefore only have limited effect on the financial reporting.
* Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) applies to annual periods beginning on or after January 1, 2013. The amendments are not expected to affect the financial reporting.
* Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) applies to annual periods beginning on or after January 1, 2014. The amendments are not expected to affect the financial reporting.

GN Store Nord 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 2011 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, 2011 GN Store Nord adopted the relevant new or revised International Financial Reporting Standards and IFRIC Interpretations as specified in note 34 in the Annual Report 2010. The new or revised Standards and Interpretations did not affect recognition and measurement materially or result in any material changes to disclosures in the notes.

Apart from the minor changes, as described in note 34 in the Annual Report 2010, 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 78. 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 statementIf 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.

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.

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 79.

	Domicile	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**	**33,027,000**
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**	**61,041,600**
GN ReSound Pty. Ltd.	Australia	AUD	100	4,000,002
GN ReSound Shanghai Ltd.	China	CNY	100	3,000,000
GN ReSound China Ltd.	China	CNY	100	34,000,000
GN GROC Ltd	China	CNY	100	500,000
GN ReSound India Private Limited	India	INR	100	7,352,000
Bel Tone India Pvt. Ltd.	India	INR	100	74,000,000
GN Resound Japan K.K.	Japan	JPY	100	499,000,000
GN ReSound (NZ) Ltd.	New Zealand	NZD	100	2,000,000
GN Hearing Pte. Ltd.	Singapore	SGD	100	300,000
GN ReSound Hörtechnologie GmbH	Austria	EUR	100	500,000
Sluchadlova Akustika spol. S.R.O.	Czech Republic	CZK	100	102,000
Interton Danmark A/S	Denmark	DKK	100	200,000
GN af 20. Januar 1998 A/S	Denmark	DKK	100	13,975,000
GN af 19. Januar 1998 A/S	Denmark	DKK	100	91,013,000
Beltone Europe Holdings ApS	Denmark	DKK	100	200,000
GN Hearing SAS	France	EUR	100	285,957
GN Otometrics S.a.S	France	EUR	100	1,200
GN Hearing GmbH	Germany	EUR	100	296,549
GN Resound GmbH Hörtechnologie	Germany	EUR	100	2,162,253
Eraton GmbH	Germany	EUR	100	25,000
GN ReSound Italia S.r.l.	Italy	EUR	100	181,190
GN Hearing Benelux bv	Netherlands	EUR	100	680,670
GN ReSound Norge AS	Norway	NOK	100	2,000,000
Beltone Polska Marke-Med Sp. z o.o.	Poland	PLN	100	62,500

	Company	Currency	Owner-ship%	Share capital
Interton Slovakia s.r.o.	Slovakia	SLK	100	170,000
GN Hearing Care S.A.	Spain	EUR	100	1,562,631
GN ReSound AB	Sweden	SEK	100	100,000
GN ReSound AG	Schweiz	CHF	100	420,000
Beltone Schweiz GmbH	Schweiz	CHF	100	20,000
GN ReSound Ltd.	United Kingdom	GBP	100	7,376,000
Interton Limited	United Kingdom	GBP	100	5,000
GN ReSound Produtos Médicos Ltda.	Brazil	BRL	100	11,466,706
GN Resound GDC Ltd.	Ireland	USD	100	269,520
GN ReSound Korea Co. Ltd.	Korea	KRW	70	136,700,000
Beltone Hearing Korea Co. Ltd	Korea	KRW	70	50,000,000
OY Danalink AB	Finland	EUR	100	100,913
GN US Holdings, Inc.	USA	USD	100	34,000,000
GN Hearing Care Corporation	USA	USD	100	180,000
GN ReSound Holdings, Inc.	USA	USD	100	10
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
King Hearing Aid Centers, Inc.	USA	USD	100	10
Hearing Holdings, Inc.	USA	USD	100	10
American Hearing Systems Inc.	USA	USD	100	10
GN Hearing Care Canada Ltd.	Canada	CAD	100	10,000
5837946 Manitoba, Ltd.	Canada	CAD	100	10,000
810720 Alberta, Ltd.	Canada	CAD	100	50,000
▲ Audio Nova S.R.L	Rumænien	ROL	49	10,000,000
▲ AVR Inc.	Israel	USD	20	2,811,108
▲ Himpp A/S	Danmark	DKK	11.11	2,400,000
▲ HIMSA A/S	Danmark	DKK	25	1,000,000
▲ HIMSA II A/S	Danmark	DKK	16.67	600,000
▲ Himsa II K/S	Danmark	DKK	15.38	3,250,000
▲ K/S Himpp	Danmark	DKK	9.02	114,782,415
GN Otometrics A/S	**Denmark**	**DKK**	**100**	**23,240,000**
Inmedico A/S	Denmark	DKK	100	500,000
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	1,200,000

▲ 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 2012 and 2013 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.

In this annual report the following financial terms 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 business combinations.

Key ratio definitions

Organic growth $= \dfrac{\text{Absolute organic sales growth}}{\text{Sales year 0}}$

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 $= \dfrac{\text{Total dividend}}{\text{Profit (loss) for the year}}$

Gross margin $= \dfrac{\text{Gross profit}}{\text{Revenue}}$

EBITA margin $= \dfrac{\text{EBITA}}{\text{Revenue}}$

Return on invested capital including goodwill (ROIC including goodwill) $= \dfrac{\text{EBITA}}{\text{Average invested capital including goodwill}}$

Invested capital = NWC + property, plant and equipment and intangible assets - provisions

Return on equity (ROE) $= \dfrac{\text{Profit (loss) for the year}}{\text{Average equity of the Group}}$

Equity ratio $= \dfrac{\text{Equity of the Group}}{\text{Total assets}}$

Earnings per share basic (EPS) $= \dfrac{\text{Profit (loss) for the year}}{\text{Average number of shares outstanding}}$

Earnings per share, fully diluted (EPS diluted) $= \dfrac{\text{Profit (loss) for the year}}{\text{Average number of shares outstanding, fully diluted}}$

Cash flow per share $= \dfrac{\text{Cash flow from operating (and investing) activities}}{\text{Average number of shares outstanding, fully diluted}}$

Book value per share $= \dfrac{\text{Equity of the parent company}}{\text{Number of shares at year-end}}$

Market capitalization = Average number of shares outstanding x share price at the end of the period

GN STORE NORD A/S * EDITORIAL STAFF: GN STORE NORD A/S, CORPORATE COMMUNICATIONS * DESIGN AND PRODUCTION: BOJE & MOBECK AS * ISSN 0903-6768

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, 2011 GN had around 4,700 employees worldwide. GN is listed on NASDAQ OMX Copenhagen. For more information, visit www.gn.com

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