GN Store Nord – Annual Report 2004

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One company – four businesses

GN Netcom

Contact Center & Office Headsets

GN's CC&O business area develops and manufactures headsets for office and contact center employees under the GN Netcom brand, producing products that enable people to move freely without a cord tying them to their telephone or work station.

www.gnnetcom.com

GN Mobile

Mobile Headsets

GN markets headsets for cell phones under the Jabra brand. Both corded headsets and Bluetooth® enabled wireless headsets provide extra mobility in everyday situations as well as added safety for drivers.

www.gnmobile.com

GN ReSound

Hearing Instruments

GN ReSound and Beltone – GN's two hearing aid brands – cover most segments and price categories. GN Resound introduced the market's first small, high-tech, open-fitted hearing instrument for users with a mild hearing loss.

www.gnresound-group.com

GN Otometrics

Audiologic Diagnostics Equipment

GN develops, manufactures and markets both stand-alone and computer-based audiological instruments for testing people's hearing ability and sense of balance as well as systems and software for hearing instrument fitting. These products are marketed under the GN Otometrics brand.

www.gnotometrics.com

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Status

GN achieved many of the goals set for 2004. Having completed the extensive restructurings of production, distribution and local sales companies, GN now has a young product portfolio, an efficient manufacturing setup, competitive innovation environments as well as sales and marketing departments all showing strong progress and a share price that has more than doubled over the past two years. GN resumed dividend payments after they had been suspended for two years.

Sales of wireless headsets continue to improve, and the office segment has now outgrown GN's original contact center market. At the same time, the performance in CC&O headsets has improved to such an extent that establishing strong distribution through the retail segment has now become a top priority. A stronger position in the retail segment combined with the launch of innovative headsets will give GN the best position from which to leverage on the growth in the office market, as the growing proliferation of IP telephony is one of the factors driving demand for headsets.

Revenues in GN's fastest growing business area, mobile headsets, have more than doubled in just one year, driven by large OEM orders from several of the world's largest cell phone manufacturers and powerful Jabra products that have also been launched on selected Asian markets. GN remains the leading provider on the market, and has recently expanded into the mobile gaming business.

The overall profitability of GN's hearing instrument and audiologic diagnostics equipment businesses is now in line with the industry average, and the new open hearing instruments have also attracted younger users. Backed by ground-breaking new products, GN has deferred its innovative leadership, expanded the market for hearing instruments and won new market shares.

The relocation of parts of GN Otometrics' production to China got off to a good start, and it will contribute to substantially stronger earnings from audiologic diagnostics equipment.

Stronger earnings and increasingly streamlined supply chains have strengthened the cash flow generation significantly. The improvement has reduced net interest-bearing debt by more than two-thirds in less than 12 months. As a result, the Supervisory Board proposes to set up a share buy-back program in addition to paying dividends.

Investments in development and sales and marketing activities will increase substantially in order to generate higher growth rates longer term. These investments will slow down the earnings growth in the short term, and in 2005 they will move earnings towards the second half-year.

As a result of the growth achieved, the greater number of employees working in development and the greater volume of headsets produced in-house, GN now employs more than 4,500 people. In line with the "one company – four businesses" approach, the Danish business units will relocate to a single new GN location. This will fuel knowledge sharing between business areas and provide further support for the positive development of GN.

The improvements in revenue and earnings are set to continue in 2005. GN is entering a new phase under the maxim of "Profitable Growth" and will strengthen the position in the markets for hearing instruments and headsets for contact centers and offices through new products and expanded marketing efforts on both existing and new markets.

SUPERVISORY BOARD

Mogens Hugo Jørgensen
Chairman
Member of the Board since 1994, age 61
Remuneration: DKK 450,000
No. of GN shares held: 11,972

Chairman of:
Dampskibsselskabet Norden A/S
Nordea Danmark-Fonden (trust fund)

Finn Junge-Jensen
Deputy Chairman
Member of the Board since 1990, age 60
Remuneration: DKK 300,000
No. of GN shares held: 24,050
Dean, Copenhagen Business School
Board member of:
Symbion A/S
Zacco A/S
Rambøll Management A/S
Teknologisk Innovation A/S

Jørgen Bardenfleth
Member of the Board since 2003, age 49
Remuneration: DKK 150,000
No. of GN shares held: 2,000
Country General Manager, Microsoft Danmark A/S

Asger Domino
Member of the Board since 2003, age 45
Remuneration: DKK 150,000
No. of GN shares held: 0
President & CEO of Brdr. Hartmann A/S

Chairman of:
Buhl & Bønsøe A/S

Per Harkjær
Member of the Board since 2002, age 47
Remuneration: DKK 150,000
No. of GN shares held: 4,000
President & CEO, Findus AB

Jens Bille Bergholdt
Employee representative
Member of the Board since 2001, age 36
Remuneration: DKK 150,000
No. of GN shares held: 426
Director, Corporate Treasury, GN Store Nord A/S

Henrik Nielsen
Employee representative
Member of the Board since 2002, age 46
Remuneration: DKK 150,000
No. of GN shares held: 0
Director, Mechanical Development, GN ReSound A/S

John Radich
Employee representative
Member of the Board since 2003, age 55
Remuneration: DKK 150,000
No. of GN shares held: 4,835
Vice President and General Manager, GN Store Nord A/S

EXECUTIVE MANAGEMENT

Jørn Kildegaard
President & CEO
Member of the Executive Management since 1993, age 49
Salary: DKK 3.6 million
Bonus: DKK 0.7 million
Options granted: 75,000 (exercise price 42.8)
No. of GN shares held: 24,880

Chairman of:
Glunz & Jensen A/S
Trykko Pack A/S

Jens Due Olsen
Executive Vice President, CFO
Member of the Executive Management since 2001, age 41
Salary: DKK 2.8 million
Bonus: DKK 0.5 million
Options granted: 60,000 (exercise price 42.8)
No. of GN shares held: 5,100

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

Jesper Mailind
Hearing instruments and audiologic diagnostics equipment
Member of the Executive Management since 2003, age 48
Salary: DKK 3.0 million
Bonus: DKK 0.5 million
Options granted: 60,000 (exercise price 42.8)
No. of GN shares held: 3,030

Chairman of:
The Hearing Instrument Manufacturers' Software Association

Remuneration of the Executive Management is based on a fixed base salary plus a potential cash bonus of up to 30%, depending on each member's individual target performance. Jørn Kildegaard's and Jens Due Olsen's bonuses for 2004 were subject to the performance of GN's profit before tax and the cash flow from operating activities. Jesper Mailind's bonus was subject to the performance of EBITA and the cash flow from operating activities relating to the hearing instrument and audiologic diagnostics equipment businesses. In addition, Jesper Mailind and Jens Due Olsen can earn a bonus of DKK 2.5 million and DKK 1 million, respectively, that would be payable in 2005. Improvements in earnings and in the cash flow from operating activities are components of the bonus schemes of a number of senior managers. Options are granted to members of the Executive Management on an annual basis. The company does not make pension contributions in respect of Jørn Kildegaard and Jens Due Olsen. The severance terms for members of the Executive Management are based on market terms.

Net acquisition of GN shares in 2004 amounted to 9,420 by members of the Supervisory Board and 2,500 by members of the Executive Management. Share options are not granted to members of the Supervisory Board. No member of the Executive Management exercised options in 2004.

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STATEMENT BY THE EXECUTIVE MANAGEMENT AND THE SUPERVISORY BOARD

The Executive Management and the Supervisory Board have today discussed and adopted the annual report for 2004 of GN Store Nord A/S. The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) and additional Danish financial reporting requirements for listed companies. We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's financial position at December 31, 2004 as well as of the results of the Group's and the parent company's operations and cash flows for 2004.

We recommend that the annual report be approved at the annual general meeting.

Høje-Taastrup, February 21, 2005

Executive Management:

Jørn Kildegaard President & CEO	Jens Due Olsen	Jesper Mailind

Supervisory Board

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

AUDITORS' REPORT

To the shareholders of GN Store Nord A/S

We audited the annual report of GN Store Nord A/S for the financial year January 1-December 31, 2004, prepared in accordance with International Financial Reporting Standards (IFRS) and additional Danish financial reporting requirements for listed companies. The annual report is the responsibility of the Company's Executive Management and the Supervisory Board. Our responsibility is on the basis of our audit to express an opinion on the annual report.

Basis of opinion

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

Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at December 31, 2004 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, 2004 in accordance with International Financial Reporting Standards (IFRS) and additional Danish financial reporting requirements for listed companies.

Copenhagen, February 21, 2005

KPMG C.Jespersen Statsautoriseret Revisionsinteressentskab		**Deloitte** Statsautoriseret Revisionsaktieselskab	
Kurt Gimsing State Authorised Public Accountant	Michael Sten Larsen State Authorised Public Accountant	Erik Holst Jørgensen State Authorised Public Accountant	Jørgen Holm Andersen State Authorised Public Accountant

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DKK millions	2000*	2001*	2002*	2003	2004
Earnings – Income statement in accordance with International Financial Reporting Standards (IFRS)					
Revenue	7,003	7,319	5,512	4,742	5,548
Operating profit (loss) before share of profit (loss) in subsidiaries and associates	144	(9,619)	(4,714)	90	502
Operating profit (loss)	138	(9,624)	(4,747)	86	530
Profit (loss) from ordinary activities before tax	13,004	(9,642)	(5,289)	263	532
Profit (loss) for the year	12,697	(9,176)	(5,114)	250	504
Profit (loss) for the year excluding amortization and impairment of goodwill and other intangible assets acquired in company acquisitions	13,212	137	(2,194)	569	729
Earnings – Investor-specific highlights					
Earnings before depreciation, amortization, impairment and restructurings and items of a non-recurring nature (EBITDA)	1,076	420	(997)	670	861
Earnings before amortization and impairment of goodwill and other intangible assets acquired in company acquisitions and restructurings and items of a non-recurring nature (EBITA)	795	198	(1,204)	549	727
Balance sheet					
Share capital (GN Store Nord A/S)	879	879	879	879	879
Equity	19,698	10,708	4,789	4,473	4,627
Total assets	23,809	15,023	7,938	6,597	6,106
Net interest bearing debt	488	(817)	(1,243)	(784)	(245)
Cash flows					
Cash flows from operating activities	41	(65)	241	827	959
Cash flows from investing activities	(741)	(1,065)	(704)	(358)	(273)
Total cash flows from operating and investing activities	(700)	(1,130)	(463)	469	686
Development costs					
Development costs incurred for the period	536	696	625	264	306
Restructuring costs					
Restructuring recognised in income statement	89	393	374	140	-
Restructurings, paid	192	184	321	147	40
Investments					
Plant and machinery etc.	265	267	147	105	121
Real property including leasehold improvements	44	137	50	47	99
Development projects, developed in-house	291	443	377	132	142
Other intangible assets excluding goodwill	45	92	67	38	41
Total (excluding company acquisitions)	645	939	641	322	403
Company acquisitions	14,258	184	21	-	-
Acquisition of associates	77	147	21	26	-
Total investments	14,980	1,270	683	348	403
Depreciation and impairment of property, plant and equipment and amortization of intangible assets	792	1,264	987	565	473
Impairment of intangible assets	124	8,509	2,991	-	-
Key ratios					
Parent company pay-out ratio	15.0 %	0.0 %	0.0 %	15.0 %	15.0 %
Dividend per DKK 4 share (in Danish kroner)	0.60	0.00	0.00	0.60	0.60
EBITA margin	11.4 %	2.7 %	(21.8)%	11.6 %	13.1 %
Return on invested capital (EBITA)	5.5 %	1.1 %	(11.9)%	8.5 %	12.8 %
Return on equity	111.4 %	(60.4)%	(66.0)%	5.4 %	11.1 %
Equity ratio	82.7 %	71.3 %	60.3 %	67.8 %	75.8 %
Key ratios per share					
Earnings per share (EPS)	65.85	(43.47)	(24.20)	1.19	2.38
Earnings per share. fully diluted (EPS)	65.85	(43.47)	(24.20)	1.18	2.36
Earnings per share excluding amortization and impairment of intangible assets and restructurings. etc. (EPS)	69.29	3.04	(7.59)	3.36	3.45
Earnings per share excluding amortization and impairment of intangible assets and restructurings. etc.. fully diluted (EPS)	69.29	3.04	(7.59)	3.35	3.42
Cash flow from operating activities per share (CFPS)	0.21	(0.31)	1.14	3.90	4.50
Net asset value per DKK 4 share	93	51	23	21	22
Share price at the end of the period	141	50	21	38	59
Employees					
Average number	5,162	6,213	5,475	4,343	4,640

*) Including NetTest

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Agenda

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

GN markets its headsets for the contact center and office (CC&O) market under the GN Netcom brand, and headsets for cell phones under the Jabra brand. GN hearing aids are sold under the GN ReSound and the Beltone brands. GN Otometrics is GN's brand for audiologic diagnostics equipment.

GN's manufacturing is based mainly in China, and revenues are generated almost exclusively outside Denmark. North America is the largest single market. Of GN's more than 4,500 employees, 3,700 are employed outside Denmark, and China is the largest country of operation.

GN is listed on the Copenhagen Stock Exchange and is a component of the KFX-index. The company has some 40,000 registered shareholders, who hold 70% of the share capital, and foreign ownership in the company is estimated at more than 50%.

Mission

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

Goals

GN's goals for the 2005-2007 period are
- to expand the position as a leading manufacturer of headsets for offices
- to remain the leading provider of wireless products for cell phones and similar products
- to consolidate our position among the most profitable hearing instrument manufacturers
- to generate satisfactory earnings from audiologic diagnostics equipment
- to retain our innovative leadership
- to ensure that the GN share price reflects truly and fairly the company's results and strategic potential.

Means

In the 2005-2007 period, GN plans
- to increase the volume of office headsets sold through the retail segment
- to strengthen the Jabra brand and build a substantial position in mobile gaming
- to expand GN ReSound's and Beltone's market shares
- to expand the Beltone dispenser network in the United States
- to launch new products and solutions at short intervals
- to improve in-house processes and utilize the new shared IT platform for greater efficiencies
- achieve synergies, improve supply chains and keep working capital at a minimum
- to provide performance-related compensation and to help employees and the management develop their potential.

Profit before tax doubled to DKK 532 million

Q4 2004
Revenue was DKK 1,477 million against DKK 1,311 million in Q4 2003. The Q4 performance was driven by underlying growth, but also by weaker-than-expected headset sales during the Christmas season on several core markets. OEM revenue dropped in line with expectations. On the other hand, sales of CC&O headsets and hearing instruments outperformed expectations for the quarter, and GN generated more than 17% organic growth overall relative to Q4 2003.

The financial performance of the audiologic diagnostics equipment business was impacted by the consolidation of the development activities in Denmark and the United States, which was one of a number of steps taken to achieve the necessary earnings improvement in GN Otometrics.

As part of the efforts to create one GN and reap the resulting organizational and financial benefits, GN acquired a property in the Copenhagen suburb of Ballerup in December at a price of DKK 75 million. After the building has been renovated, the company expects to begin relocating close to 750 people from the current sites in Taastrup and Ballerup to the new facilities in the second half of 2005. The move is expected to be finished in 2006. A DKK 30 million provision has been made for rental obligations for leases being vacated.

GN sold its ownership interest in Moldovan mobile operator Voxtel in the fourth quarter at a price of DKK 78 million plus earn-out payments of up to DKK 48 million. The sale produced an accounting gain of DKK 30 million. The stake was divested as part of GN's strategy to focus on headsets, hearing instruments and audiologic diagnostics equipment.

The combined EBITA margin from hearing instruments and audiologic diagnostics equipment was 20.3%, which means that GN has successfully eliminated the margin gap to the competition. Since 1999/2000, when GN acquired four hearing instrument businesses and four audiologic diagnostics equipment manufacturers, the company has lifted the EBITA margin of these businesses by almost 11 percentage points from 6.5% for the full year 2000.

EBITA was DKK 193 million (EBITA margin of 13.1%) against DKK 186 million (14.2%) in Q4 2003, which was boosted by new product launches.

Inventories and trade receivables fell by DKK 241 million during the quarter to DKK 1,465 million from DKK 1,580 million at December 31, 2003. Trade payables were DKK 275 million, as compared to DKK 343 million at September 30, 2004 and DKK 289 million at December 31, 2003.

The Q4 cash flows from operating activities improved to DKK 113 million in the CC&O and mobile headsets businesses from DKK 33 million in Q4 2003, and to DKK 244 million in the hearing instruments and audiologic diagnostics equipment businesses from DKK 83 million in Q4 2003.

Overall cash flows from operating activities were DKK 357 million against DKK 477 million in Q4 2003. Adjusted for non-recurring items, the free cash flow was DKK 275 million, an increase of DKK 174 million from Q4 2003.

Full year 2004
EBITA for the year was DKK 727 million, in line with the guidance provided on December 21, 2004, and ahead of the original forecast for the year of an EBITA increase of at least 20% from DKK 549 million in 2003. The DKK 178 million improvement relative to 2003 makes a satisfactory performance. The improvement includes provisions for rental obligations of DKK 30 million related to the consolidation of the four Danish operating units.

The revenue for the year of DKK 5,548 million was some DKK 800 million ahead of the original forecast, due to the surge in the sale of mobile headsets to OEM customers. Demand from this customer group is extremely difficult to predict.

New products and product variants launched in 2003 and 2004 accounted for about 60% of revenue, supported by several successful product launches and the growing contribution from mobile headsets.

Profit before tax was DKK 532 million (2003: DKK 263 million), DKK 150 million higher than the guidance provided on February 26, 2004, and lifted by the extra earnings from greater-than-expected revenue and the gain from the sale of the stake in Voxtel.

GN posted a profit after tax of DKK 504 million, compared to DKK 250 million in 2003.

At December 31, 2004, net interest-bearing debt was DKK 245 million against DKK 784 million a year earlier.

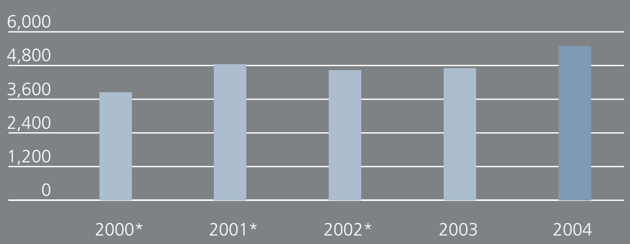
Cash flows from operating activities improved to DKK 310 million in the headsets businesses from DKK 72 million in 2003, and to DKK 615 million in the hearing instruments and audiologic diagnostics equipment businesses from DKK 377 million in 2003.

Overall cash flows from operating activities rose to DKK 959 million from DKK 827 million in 2003. When adjusted for non-recurring items, especially those recognized in 2003, this marks a substantial improvement of DKK 359 million. The free cash flow adjusted for non-recurring items rose by DKK 400 million to DKK 708 million.

The profit enhancement, the anticipated improvement of GN's cash flow generation and the forecast for 2005 have motivated the Supervisory Board to propose a DKK 400 million market value share buy-back program in addition to declaring a dividend of DKK 0.6 per share in respect of the financial year.

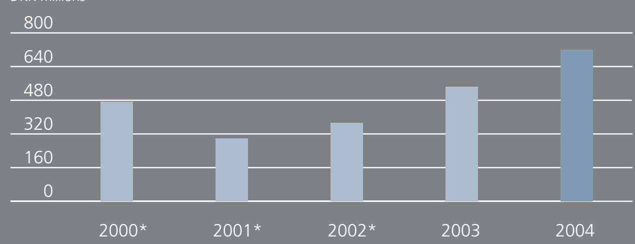
CC&O boosting earnings by a wide margin
In 2004, headsets for the office segment are estimated to have outsold headsets for the contact center market for the first time ever.

Revenue
DKK millions



* Excluding company divestments

EBITA
DKK millions



* Excluding company divestments

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The performance was driven by the development of dedicated wireless headset solutions such as the GN 9120, which has become GN's best-selling CC&O product ever since it was launched in February 2003. Wireless products and the growing interest for IP telephony are expected to be the key drivers, as a substantial market for headsets for offices unfolds. Revenue from wireless headsets amounted to DKK 408 million (2003: DKK 358 million).

Demand for CC&O headsets gained momentum as the year progressed; initially in Europe, then in the US and then in Europe once more towards the end of the year. In the United States, demand is increasingly focused on office products sold through retail chains, and GN is now building a position in this segment through new partnerships and products designed for the office market.

The CC&O headsets business generated an EBITA margin of 19.5% in 2004.

Jabra launched in Asia and Bluetooth position maintained

GN's entire 2004 headset output was manufactured in China, with a growing in-house contribution from the Xiamen factory, whose some 1,000 employees make it GN's largest workplace.

The global market for wireless headsets for cell phones expanded by almost 400% relative to 2003 to an estimated 15-18 million units in 2004. As expected the strong growth continued to attract new players, and the market became more competitive during the year.

The mobile headsets business boosted revenue by almost 150%, driven by strong demand for both Jabra and OEM headsets, with the latter category contributing more than 40% of revenue, as had been expected. Sales to OEM customers are extremely difficult to predict and they fluctuate widely during the year. The revenue improvement was also due to strong demand for the new corded headsets launched towards the end of 2003. GN further expanded the headset platform in February 2005, concluding an agreement with yet another significant cell phone manufacturer and developing new products for an existing OEM customer.

In order to consolidate the position as the leading international provider of Bluetooth headsets, GN initiated the plans to establish the brand in China, Singapore, South Korea and Japan at the start of the year. However, these markets proved to be less mature than initially expected, and revenue generated was only DKK 20 million. However, once consumer interest for headsets takes off, sales are expected to reach significant proportions, as Asia currently is one of the world's largest markets for cell phones. It appears that none of the competitors have gained an early lead on GN in the Asian markets.

In early 2005, GN signed an agreement to develop accessories for Nokia's N-Gage Division. The agreement marks GN's first venture onto the mobile gaming market, which is expected to see surging demand for Bluetooth products.

The mobile headsets business generated an EBITA of DKK 20 million, boosted by a substantially higher revenue than was originally expected. Top priority remains to grow revenue and increase the awareness of the Jabra brand: having a strong international presence in the short term is a requirement for generating satisfactory earnings in the long term.

Margins on hearing instruments and diagnostics equipment rose to the industry average in the fourth quarter

Backed by the completed restructurings, the hearing instruments and audiologic diagnostics equipment businesses improved their overall profit margin during the year to 17.3% from 14.7% in 2003.

Hearing instrument operations sharpening the focus on growth

By mid-February 2005, most of the North American digital ITE-device production had been moved to Minneapolis. A narrowed product portfolio and the increased automation of ITE production based on digital print technology will among other initiatives constitute the foundation for improved hearing instrument profitability in the years ahead. Backed by the improved performance and the completed restructuring, GN is now gradually refocusing on growth by once more expanding the sales force and moving onto new markets.

The rationalization of the North American ITE production completes an extensive four-year restructuring of GN's entire manufacturing setup. The process involved more than 2,000 jobs, which have been closed down and moved elsewhere; many of them to another country or another continent.

GN won market share in the first half of the year, thanks to the successful 2003 launches of the ReSoundAIR and the Canta7/Open, but product launches from the competition affected the second-half year performance. The new open solutions have strengthened GN's position in the high-end segment. In the second half of the year, GN escalated the marketing efforts of less advanced, low-priced hearing instruments, which attract the strongest demand in terms of units sold.

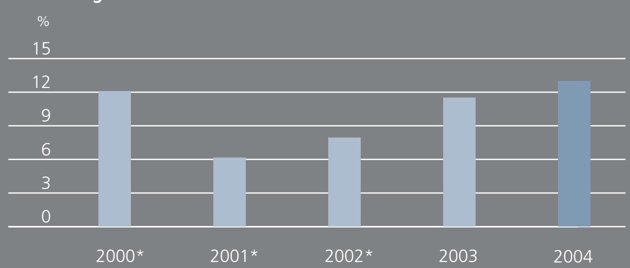
The EBITA margin was 19.8% in 2004.

Streamlining audiologic diagnostics equipment

The improved profitability from hearing instruments and the new management appointed to GN Otometrics has freed resources that have been reallocated towards achieving the earnings improvement needed in the audiologic diagnostics equipment business. The company's new management has launched a number of initiatives that combined with a less comprehensive product portfolio and the relocation to China of part of the production will make the business less complex and reduce cost levels. The MADSEN OTOflex 100, the first advanced product based on the new technology platform, has now been launched on all major markets.

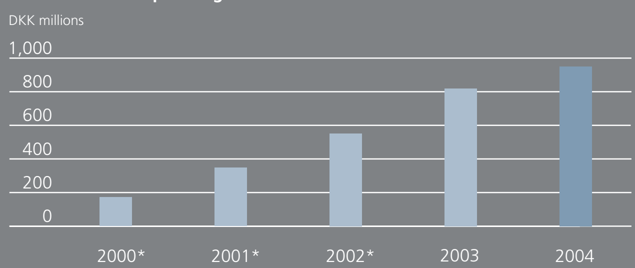
GN Otometrics generated a small EBITA loss in 2004.

EBITA margin



* Excluding company divestments

Cash flow from operating activities



* Excluding company divestments

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Higher margins set to improve the cash flow
The working capital tied up in inventories, trade payables and trade receivables did not increase in 2004 in spite of the higher revenue and the substantially greater volumes sold. The improvement was due to the improved interaction between the sales units and production, which led to competitive turnover rates, greater component reuse and the successful running-in of a new headset distribution center in the Netherlands.

The cash flow from operating activities improved by DKK 359 million to DKK 999 million when adjusted for non-recurring items. This was highly satisfactory. As the shared IT platform, Navision Attain, is gradually implemented, processes and routines will become more efficient, not least the working capital management.

Expanding the use of share options
Considering GN's international expansion and its many employees based outside Denmark, especially in the United States, the Supervisory Board has resolved in 2005 to increase the use of options by up to 50%. In 2004, 79 individuals were granted options at a total Black-Scholes value of DKK 15 million, equal to about 15% of their aggregate compensation.

OUTLOOK FOR 2005

Improvements set to continue in 2005
With the major restructurings of GN's manufacturing setup, development activities and sales units now completed, the effects of the ongoing structural improvement on GN's profitability will gradually wear off. Going forward, seasonal earnings fluctuations will become more pronounced, with most of the profit being generated in the second half of the year.

The effect will grow stronger in 2005, due to strengthened marketing efforts on the markets for office headsets and hearing instruments supporting the greater priority given to profitable revenue growth. GN plans to increase investment in development operations in order to strengthen long-term growth opportunities. Overall, marketing and development costs will increase by up to DKK 150 million relative to 2004.

GN expects a revenue increase of 3% to at least DKK 5.7 billion and an EBITA of DKK 800-850 million assuming a Danish kroner/US dollar exchange rate of 5.75.

The CC&O headsets business projects a full-year EBITA margin of 19-21% on revenue of at least DKK 1.4 billion, equal to an organic growth of almost 10%. The growth initiatives implemented will dampen earnings growth short term.

The mobile headsets business expects an EBITA margin of 1-3% on revenue of at least DKK 1.3 billion. The extremely-difficult-to-predict OEM sales are assumed to account for 25% of revenue. Revenue growth continues to take top priority in the mobile headsets business. Accordingly, GN will continue to invest globally in improving awareness of the Jabra brand and in expanding the organization.

The hearing instruments business projects an EBITA margin of 20-22% on revenue of approximately DKK 2.7 billion, equal to almost 4% organic growth. In the first half-year, revenue will be affected by new products launched by competitors in 2004 and in early 2005.

The audiologic diagnostics equipment business projects a moderate EBITA profit on revenue of approximately DKK 350 million, corresponding to an unchanged level of business activity. The rationalization steps taken in respect of GN Otometrics will have a negative impact on 2005 profits.

Group functions and GN Great Northern Telegraph Company are expected to impact EBITA by DKK (50) million. In addition, GN will incur non-allocated costs of approximately DKK 20 million in relation to the new corporate headquarters. This amount includes the already announced accelerated DKK 10 million amortization of leasehold improvements at vacated premises. No decision has yet been made on the final design of the property or about the renovation and building extension as may prove necessary.

Amortization of intangible assets acquired through company acquisitions is expected to amount to DKK 30 million under the provisions of IFRS 3 Business Combinations, which takes effect from the 2005 financial year. Under the previous policies, amortization would have amounted to DKK 230 million, including amortization of acquired goodwill. Net financial expenses are projected to amount to approximately DKK 40 million, including the impact of the share buy-back program planned for the second quarter.

Investments in property, plant and equipment and in intangible assets including development projects are projected to be DKK 375 million, not including additional investment in the new corporate headquarters.

Profit before tax is expected to improve to DKK 725-775 million from DKK 532 million in 2004.

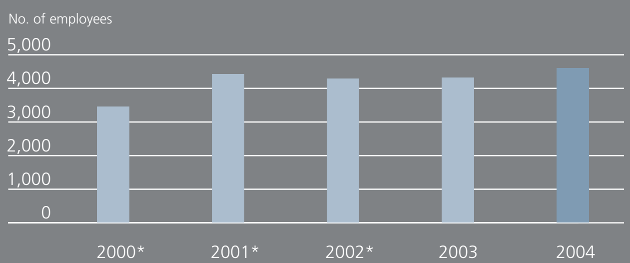
With approximately half of GN's revenue and about 60% of costs generated in USD or USD-related currencies, including CNY, GN's long-term industrial competitiveness and its EBITA are resilient to likely US dollar fluctuations.

Events after the balance sheet date
GN expanding into mobile gaming (Announcement No. 1/2005 of January 17, 2005). GN has signed an agreement with Nokia's N-Gage Division to develop and market accessories for N-Gage game decks.

Financial review
The items of the investor-specific statements are reviewed below.

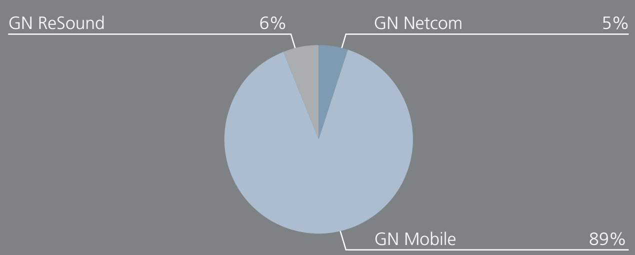
Revenue
Revenue was DKK 5,548 million against DKK 4,742 million in 2003. CC&O headsets, mobile headsets and hearing instruments all achieved revenue improvements relative to 2003, while audiologic diagnostics equipment reported unchanged revenue. The 9% US dollar depreciation during the year

Employees



* Excluding company divestments

Revenue improvement from 2003 to 2004 by business area



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impacted revenue by more than DKK 260 million relative to 2003.

Gross profit
Gross profit improved to DKK 2,945 million from DKK 2,625 million in 2003. The improvement was due to the restructurings implemented in recent years and the revenue improvement relative to 2003. The 53% gross margin is impacted by the growing sales of mobile headsets, especially to OEM customers.

Development costs
Development costs incurred were DKK 307 million (2003: DKK 264 million), of which 46% was capitalized. Development costs will continue to rise over the next few years, in line with the growing demand for product innovation, especially in CC&O headsets. Accumulated capitalized development costs amounted to DKK 376 million at December 31, 2004, against DKK 347 million at December 31, 2003. Capitalized projects are amortized over a period of 1–5 years. Projects in the mobile headsets business are amortized over a maximum of two years, due to the short commercial life of such products.

Development costs recognized in the income statement rose to DKK 272 million (2003: DKK 250 million) including DKK 107 million (2003: DKK 118 million) in amortization on previously capitalized projects.

Amortization of acquired intangible assets
Amortization of acquired intangible assets including goodwill amounted to DKK 225 million, compared with DKK 319 million in 2003, of which DKK 66 million derived from a mandatory technical reduction of the carrying value of goodwill, because GN can now use deferred tax assets not included in the original calculation of goodwill.

GN expects that amortization of intangible assets arising from company acquisitions will amount to DKK 30 million in 2005. The DKK 195 million drop from 2004 is due to the new international financial reporting standard IFRS 3 Business Combinations, according to which goodwill is no longer amortized. Goodwill remains subject to regular impairment testing.

EBITA
The increase in EBITA from DKK 549 million in 2003 to DKK 727 million in 2004 is a reflection of the rationalization measures implemented and the revenue improvements achieved.

Financial items and non-recurring items
Net financial items, etc. were DKK 2 million against DKK 177 million in 2003, when the item was affected by interest income resulting from tax reimbursements and the reversal of provisions. Net interest expenses to banks on the net debt were DKK 22 million in 2004. The accounting gain from the sale of the stake in Voxtel was DKK 30 million.

Profit before tax
GN posted a profit before tax of DKK 532 million against DKK 263 million in 2003.

Profit after tax
The net profit for the year was DKK 504 million against DKK 250 million in 2003.

Balance sheet
Total assets fell by DKK 491 million to DKK 6,106 million. Inventories and trade receivables fell to DKK 1,465 million from DKK 1,580 million at December 31, 2003. Trade payables dropped by DKK 14 million in 2004 to DKK 275 million. Net interest-bearing debt was DKK 245 million at December 31, 2004.

Goodwill consisted of DKK 441 million on headset operations and DKK 1,940 million on hearing instruments and audiologic diagnostics equipment. US dollar depreciation during 2004 reduced goodwill by just over DKK 200 million.

GN invested DKK 220 million in production plant, etc. in 2004, including in the new corporate headquarters. Property, plant and equipment amounted to DKK 429 million at December 31, 2004, against DKK 337 million the year before.

Equity stood at DKK 4,627 million, compared to DKK 4,473 million at the end of 2003.

Cash Flows
The free cash flow for the year was DKK 686 million against DKK 469 million in 2003. Adjusted for non-recurring items, the free cash flow was DKK 708 million compared to DKK 308 million 2003. Non-recurring items in 2004 included the sale of the stake in Voxtel, the sale of listed shares, the acquisition of corporate headquarters and restructuring.

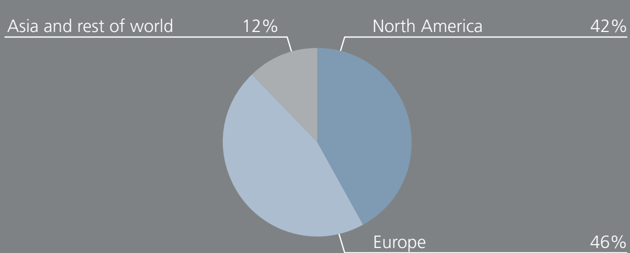
GN 360° – OPERATIONS AND RISK

Markets
GN holds about a 35% share of the market for headsets for contact centers and offices, second only to its US competitor Plantronics. The office market is expected to become more competitive longer term, as its potential could attract new players and because developments in IP telephony are expected to lift the demand for headsets.

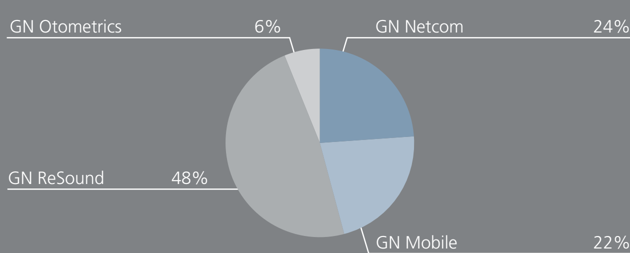
The mobile market is also expected to become more competitive as more players coming onto the market in the years ahead will trigger an elimination race. If the market evolves as anticipated in terms of new wireless products for mobile gaming, MP3-players etc., it would not seem likely that GN as the leading provider of Bluetooth headsets can retain its 2004 market share at estimated 33%.

GN is one of six players holding in all more than 80% of the market for hearing instruments. GN and Swiss-based Phonak are the third-largest manufacturers, each with market shares of about 16%, behind Siemens (Germany) and William Demant (Denmark). Overall global production of hearing instruments was around 7 million units in 2004 and the estimated market value at producer level was approximately DKK 17 billion.

Revenue distributed geographically



Revenue distributed by business area



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The gradual consolidation of the retail segment is expected to continue in the longer term, and manufacturers are expected to continue forging closer ties with end users through added marketing efforts.

GN Otometrics holds a market share of 25% in a number of niche markets, which have an estimated aggregate value of DKK 1.4 billion. William Demant is the other major player in this market. In addition, the industry consists of several small manufacturers.

Sales

GN's businesses sell their products through a number of different sales channels.

Headsets are mainly sold B2B through specialist office product distributors, but going forward, sales are expected to be channeled increasingly through major retail chains.

Sales of headsets for contact centers take place through CC&O product distributors and direct to a few major end users. Hello Direct sells electronic office equipment, mainly headsets, by mail order and over the Internet direct to small businesses in the United States.

Mobile headsets are sold B2B direct to the large OEM customers. Demand in this sales channel varies strongly from quarter to quarter. Jabra products, branded direct to consumers, are sold to mobile phone retail chains in particular and to some extent to general electronics retail chains.

Hearing instruments are sold B2B to professional hearing aid dispensers, which are mainly independent hearing clinics or small chains. Also a B2B segment, audiologic diagnostics equipment is sold to hearing clinics, ear-nose-throat clinics, hospitals and to some extent as OEM products.

GN's own sales channels or channels in which GN has operational influence represented just over 15% of hearing instrument and audiologic diagnostics equipment sales. These channels include the Beltone network in the US, Ultravox Holdings of the UK, in which GN holds a 25% stake, and from GN's own outlets in Belgium and Brazil together with the partly-owned outlets in Poland. GN interfaces with headset end users from the sales generated through Hello Direct and direct sales to large contact centers. Revenue from this business amounted to approximately DKK 375 million in 2004.

Customer concentration at GN is low. Only a single customer accounted for more than 5% of revenue in 2004, while sales to the ten largest customers represented about 15% of hearing instrument and audiologic diagnostics equipment sales. The ten largest customers represented almost 25% of CC&O headset revenue and just under 75% of mobile headset revenue, which included substantial OEM contracts.

The average credit period for trade receivables was 61 days, compared with 63 days in 2003. The efforts to reduce the credit period continue. The largest single trade receivable at December 31, 2004, totaled DKK 53 million.

GN plays an increasingly active role in customers' marketing initiatives, and advises Beltone dispensers in the United States on how to operate and develop their hearing clinics. Joint marketing initiatives with GN and retail chains sharing costs are key to increasing the awareness of Jabra.

Demand for headsets for contact centers relies heavily on the state of the economy and on job creation, especially in the United States. The markets in Europe and especially in Asia, where several English-language contact centers are being outsourced to, are expected to outgrow the US market, due to the small number of contact centers available in these regions.

In the office market the increased penetration is expected to generate 10–20% annual growth rates, depending on the economic climate. An estimated 100 million office employees in the western world use a telephone daily for two hours or more. Given the estimated penetration rate of less than 10%, this represents an untapped market.

Mobile headset sales are driven by the volume of cell phones sold. In 2004, 600 million units were sold, of which only about 10% had Bluetooth functionality. New communication products featuring gaming, music, camera and computer functionality are set to drive up demand for headsets. In addition, more and more countries are introducing legislation requiring hands-free telephony while driving, stimulating consumer interest in headsets.

Although as many as an estimated 10% of the population would benefit from a hearing aid, only one in five in this group actually has one. Today's first-time buyer is almost 70 years old and the average user age is nearly 75. Long-term market growth in terms of units sold is estimated at 2-4% annually for hearing instruments, assuming the current penetration rate of about 20% does not increase. New products providing better comfort, such as the ReSoundAIR, may boost consumer interest and increase the penetration rate. This is a trend that will likely be supported by the anticipated competition in the market for open hearing instruments.

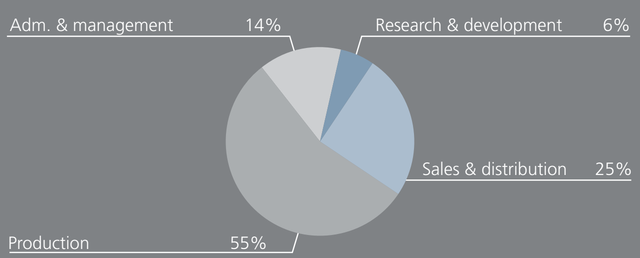
Prices

As expected, mobile headsets were exposed to severe price competition in 2004, but a repeat of the more than 50% plunge in prices seen from the spring of 2002 to the fall of 2003 was avoided. Prices fell by 10-15% when the retail chains were planning their 2004 Christmas campaigns. GN's strategy is to sell Jabra-branded products in all price categories and to be the most efficient manufacturer of headsets at all times. At the beginning of 2005, the lowest priced and the most advanced GN Bluetooth headsets retailed at about DKK 400 and about DKK 1,200, respectively, in Denmark.

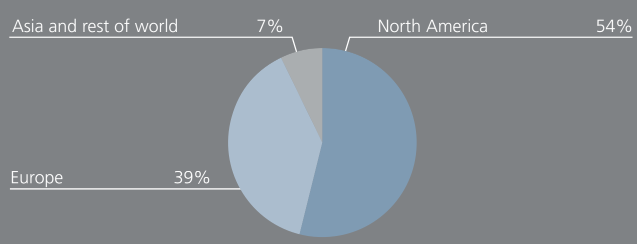
A slight price pressure on headsets for offices was detected locally in Europe in the second half of the year. Corded headsets generally trade at DKK 600-1,200, while wireless products may cost more than twice that amount.

After several years of rising prices triggered by the shift from analog to digital technology, there was some price pressure on the less advanced hearing instruments, as adding

Costs distributed by function



Assets distributed geographically



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more microphones, among other things, to these products improved their functionality. In the United States, the advanced ReSound-AIR retailed at about DKK 12,000 at the end of 2004. The most expensive devices on the market retail at more than DKK 15,000, whereas less advanced digital devices, such as the Canta2, sell at close to DKK 6,000 in Denmark and China.

In Europe, users may in some cases obtain a full or partial refund of their hearing aid expenses from their public health care system. However, these schemes are expected to come under pressure due to the growing population of older people in Europe. For example, Germany reduced health care subsidies at the turn of the year. In the United States, users generally pay for everything themselves, while under the Veterans Administration program, hearing aids are subsidized 100%. In China and Japan, consumers generally also pay the full price.

Manufacturing and distribution

GN manufactured about 1.2 million hearing instruments and, including outsourced production, more than 16 million headsets, amplifiers and other devices in 2004. GN manufactures most of its products in China, and 80% of the hearing instruments, 15% of the mobile headsets and 20% of the CC&O headsets are assembled at the Xiamen factory. The remaining 20% of hearing instruments are manufactured at GN's factory in Cork, Ireland, while the rest of the headsets are currently manufactured by four Chinese sub-contractors in an arrangement that helps provide the flexibility needed to meet the fluctuating demand from major OEM customers, in particular. As part of the process to streamline GN Otometrics, GN commenced the process of relocating the production of semimanufactures to Xiamen in 2004.

A key challenge across all product categories is to increase the number of components used in more than one product. That will reduce component prices and enhance flexibility along the entire supply chain.

The OEM contracts with the leading cell phone manufacturers is another factor that reduces GN's procurement costs, as they serve to increase volumes and thereby enhance the procurement power, also keeping unit costs of GN's own Jabra products competitive. At the same time, the partnership with OEM customers serves as a lever for GN to meet the design, functionality and technology requirements demanded by the market.

The manufacturing of ITE hearing instruments, today a manual process, takes place locally at ITE laboratories. The advanced software and digital print technology applied in the autoshell process will lift product quality, reduce lead times and enhance the standardization of parts in production. The electronic components for most of the ITE devices are assembled in Xiamen.

Just over 1,000 people are involved in manufacturing ITE hearing instruments, while 350 work assembling BTEs and 650 assemble headsets.

All hearing instruments and a large part of the headset output are shipped by air from Xiamen in order to minimize capital tied up in inventories. In recent years, local inventories operated by the sales companies and the production of hearing instruments have been reduced. Instead, the finished products and components have increasingly been stored at the central warehouse in Cork, Ireland, which has helped to reduce overall inventories by a substantial margin. Headset products are shipped to customers directly or through the four regional distribution centers in the Netherlands, Hong Kong and the United States (New Hampshire and California).

Concurrently with reducing the number of sub-contractors (subject to the policy of having at least two business partners in key strategic areas), GN continues to source a growing proportion of raw materials and components from Asia, which now represents 30% of hearing instruments and more than 60% of headsets. GN's total costs in China amount to an estimated DKK 500 million, including local costs settled in US dollars, corresponding to more than 10% of GN's total costs before goodwill amortization.

Environmental issues

GN's production does not have an adverse environmental impact, given the limited consumption of raw materials and energy. Soft soldering plays a moderate role in production, and effective ventilation and air cleaning procedures ensure a healthy working environment. End user demands for ever lighter products is a continuing factor in reducing GN's materials consumption per unit produced. Current considerations involve moving headset packing facilities nearer to the customers in order to reduce shipping costs from Xiamen.

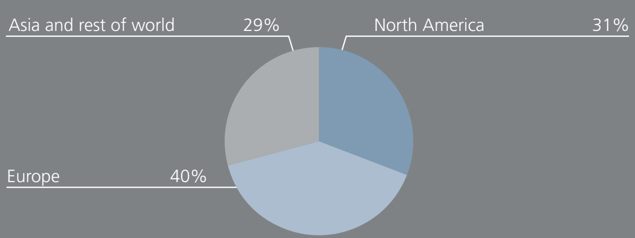
Today's hearing instruments use disposable batteries. As more and more of production has been relocated to China, GN has developed a more systematic process in the selection of sub-contractors, facilitating follow-ups to monitor their compliance with local environmental and occupational health and safety requirements. GN is aligning its production to comply with the EU Directive on the phasing out of heavy metals, such as lead and cadmium, in electronic components. The Directive will come into force on July 1, 2006.

Development

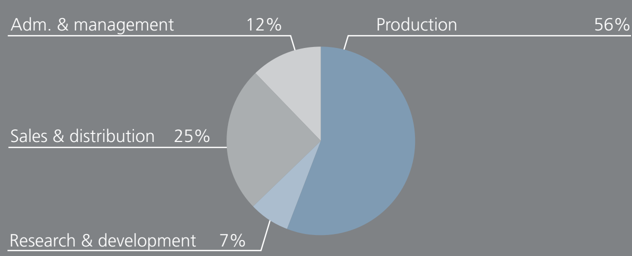
Employing more than 350 people at the end of 2004, most of whom were based in Denmark or the United States, GN's development operations incurred costs of DKK 307 million, or some 5% of the 2004 revenue. The development departments currently being set up in China employ some 30 people involved in testing and product upgrades. The concentration of development staff in Denmark is based on the strong university environment in acoustics, digital signal processing (DSP) and communication technology as well as the presence of many international businesses with operations related to those fields in Copenhagen and southern Sweden.

The pace of product replacement is ac-

Employees distributed geographically



Employees distributed by function



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celerating in GN's markets, raising tough requirements for innovative thinking and the structuring of priorities in all business areas. GN intends to defend its lead in open-fitted hearing instruments offering unique comfort, and to apply Bluetooth technology in products other than headsets for cell phones. IP telephony, DSP and wireless solutions will be the key drivers of the CC&O market in the years ahead, as customers demand new 'plug'n'play' products for the office segment that are easy to install and operate.

GN has established close relations with external business partners in order to secure the necessary contributions to design and technology. Thus, DKK 27 million of the DKK 48 million in annual development costs for mobile headsets was paid to external business partners. External partner costs are at a similar level for CC&O headsets, in which GN also works with more than one business partner on its different projects. Combined with the extensive use of focus groups, this method of working increases the likelihood of success and reduces reliance on individual suppliers and business partners. For hearing instruments and audiologic diagnostics equipment, costs of external business partners represent about 15% of the total costs of DKK 215 million.

GN was hit by a shortage of engineers for its development operations during the year, especially for headsets. The situation has now been rectified, but alternative locations for new development satellites or intensified collaborations with external business partners are being considered.

As mobile headsets have a life cycle of 12–

PRODUCTS LAUNCHED IN 2004

GN Netcom

GN 8210

Digital amplifier that reduces background noise and protects the user from acoustic shock.

GN 8120

USB adaptor connecting your headset with a PC. Used for IP telephony.

GN 500

A new series of stereo PC headsets. Suitable for IP telephony and playing music.

GN 6210

Wireless headset that connects both to a landline telephone and a Bluetooth cell phone.

GN 9120

Wireless headset with a range of up to 150 meters and 12 hours of talk time.

GN ReSound

ReSoundAIR Plus

Small, unique high-tech hearing instrument for younger users with a mild, moderate or high-frequency hearing loss.

Beltone MIRA BTE

A modern and user-friendly behind-the-ear hearing instrument offering the best price-performance ratio for mild-to-moderately severe hearing loss.

Beltone CORUS CIC

Beltone's most advanced in-the-ear hearing instrument that offers superior performance. Suitable for people with low and high frequency hearing loss.

Canta2

The upgraded Canta2 series offers digital value at affordable prices and is designed for interacting with other people and for quieter leisure-oriented activities.

18 months, products launched within the last 24 months account for more than 80% of revenue. New products and product upgrades represented about 35% of CC&O revenue in 2004. The office market is increasingly becoming a B2C segment, and as it evolves, this percentage is set to increase. The corresponding share for hearing instruments of more than 60% is likely to drop, as the current high level is the result of the combination of a number of good product launches and the phasing out of old brands and products based on older technology platforms.

GN launched more than 30 new products in 2004.

Assets and investments

GN's assets held for operating activities – inventories, trade receivables and property, plant and equipment – amounted to DKK 1,894 million at December 31, 2004, or almost 31% of total assets. The remaining assets are mainly intangibles such as goodwill, capitalized development projects and IT systems.

The carrying amount of GN's properties is DKK 195 million, of which the new head office accounts for DKK 75 million.

The shared IT platform, Navision Attain, is expected to be fully implemented in 2006, which is later than previously indicated, after which time annual IT costs are expected to drop. In order to leverage the synergies from the "one company – four businesses" approach, the respective IT departments have merged under a new management that will join GN in the spring of 2005.

GN Mobile

BT110

Bluetooth headset that easily connects to your cell phone. Provides up to 12 hours of talk time on an ordinary battery.

C150

Comfortable easy-to-operate headset that can be worn in three different ways.

BT800

Advanced Bluetooth ear piece featuring display, ring tones and supports voice-activated dialing.

SP100

Bluetooth enabled speaker phone. A simple alternative to a hands-free solution in the car offering great mobility, or used in the office as a conference phone.

BT250V

Next-generation model based on the top selling BT250. Bluetooth headset with call-vibrate feature and up to seven hours' talk time.

GN Otometrics

MADSEN OTOflex 100

The first full-capability, hand-held audiologic diagnostics tool that performs full middle-ear diagnostics and allows wireless transfer of data to a computer thanks to Bluetooth wireless communication.

ICS CHARTR EP

Advanced Windows-based system for auditory evoked potential diagnostics, i.e. it is used to determine whether sound is perceived by the brain (auditory brain stem response).

Human Resources

With more than 1,200 employees, the operations in China are GN's largest workplace, followed by operations in the United States.

GN is developing its HR operations in order to retain GN's employees and managers and to provide the necessary framework they need to handle globalization, the growing competition and the increased focus on sales and marketing.

The efforts to establish a single corporate HR strategy and HR organization for GN have been strengthened and a number of global HR projects are currently being implemented. Receiving special priority is the work to harmonize recruitment and employee development processes, and GN has also acquired a shared human resources information system. Also, the level of services provided to small subsidiaries has been raised through the dedicated recruitment of international HR expertise that is based in Copenhagen. In order to support a global corporate culture and improve international competencies, GN plans to increase the number of foreign employees in key positions in Denmark. At January 1, 2005, more than 50 of GN's around 800 employees in Denmark were foreign nationals.

In 2004, some 50 managers attended GN's in-house career development courses, which are intended to enhance international management skills, accelerate the development of GN managers and help them establish networks.

Foreign currency

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.

About 50% of revenues are generated in US dollars or dollar-related currencies. With close to 60% of costs generated in USD or USD-related currencies, GN's long-term industrial competitiveness and its EBITA are resilient to likely US dollar fluctuations. A 10% depreciation of the US dollar against the Danish krone would reduce GN's revenue by an estimated 5% and would only have a limited effect on operating profit. Short-term fluctuations of the US dollar would impact profit as and when products manufactured at a given exchange rate are sold at a different exchange rate. Eventually, Asian currencies are expected to take on added importance in terms of both income and costs.

Financing

At December 31, 2004, GN had an equity ratio of 76% and net interest-bearing debt of DKK 245 million. The interest cover was 40 in 2004.

The debt was mainly DKK-denominated with a duration of less than one year, reflecting the asset composition with few long-term assets when disregarding goodwill. Other things being equal, a one-percentage-point increase in GN's finance costs would increase net interest expenses by less than DKK 3 million.

GN has sufficient credit commitments to finance growth. GN will continue to apply debt financing in creating an appropriate capital structure that reflects the cash flow generation.

Financial credit risks

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

Risk management

All key GN locations worldwide completed risk assessments in 2004 along with the necessary analysis of the identified risks and their potential impact on GN's value-creating processes. The results have been used to prepare business continuity plans on how to re-establish certain sites.

The most critical single risks would be breakdowns occurring at Xiamen, Cork, Minneapolis or Præstø, failure of sub-contractors to supply finished products and strategic components, such as chipsets, microphones or amplifiers.

GN maintains an insurance program that adequately reflects the nature, scope and geographical location of its business operations. In order to gradually align the coverage with GN's needs, especially in light of the extensive restructuring completed in recent years, we analyze and review once a year and in cooperation with local and global advisors the coverage in each of the four business areas and their related exposures. The results of these analyzes are used to determine risk and coverage levels.

GN takes out insurance coverage for liability, property damage and business interruption subject to global and local standards. The program covers, when found appropriate and financially feasible, consequential loss. Another part of the program is funding to re-establish manufacturing facilities, supplier risk and reliance on suppliers. The Executive Management ensures that the coverage always complies with GN's policies, reflects GN's exposure and keeps the Supervisory Board updated on the scope and extent of the insurance program.

Generally, GN does not take out insurance against political risk.

In early 2005, GN commenced the implementation of a centrally coordinated risk management system that will be used to record and manage risks globally. The purpose of the system is to effectively identify, assess and evaluate all major risks that may impact GN's ability to achieve its goals.

All units of GN's global organization must regularly carry out and document a risk management process identifying, assessing and evaluating relevant risks pertaining to each unit and to GN overall. Based on the results of the process, steps are taken to handle the identified risks. Each unit will then report the results to Corporate Risk Management, which will process and structure reported risks, so as to enable GN's management to monitor the overall risk position. Reports will be used to prioritize and allocate resources for initiatives to handle major risks in individual units or at corporate level. The risk management system will be assessed and the appropriate adjustments made on a regular basis.

Corporate Governance

GN has a single class of shares, no controlling shareholders and no takeover defense mechanism. Shareholders at the Annual General Meeting held in March 2004 represented 18% of the share capital either directly or by proxy.

GN generally adheres to the recommendations on corporate governance issued by the Copenhagen Stock Exchange, and a structured evaluation of the work performed by the Supervisory Board and its members and its cooperation with the Executive Management will be carried out from 2005 and onwards. Members of the Supervisory Board are up for election each year. Three of the five board members appointed by the shareholders have served on the Board for less than three years. Mr. Peter Foss, who was elected in 1999, resigned from the Supervisory Board at his own request in November 2004.

In early 2005, the Chairman held meetings with several of the major shareholders, discussing compensation methods, capital structure, board composition and corporate governance.

Adequate, timely and simultaneous communication to all parties

Share capital and voting rights

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

GN has about 40,000 registered shareholders, who own 70% of the share capital in aggregate. Foreign ownership in the company exceeds 50%. GN owns 4% treasury shares to meet obligations under the share option plan. The rest of the shares are held in even shares by institutional and private Danish investors. Members of the Supervisory Board, Executive Management and other "insiders" hold a total of 198,722 shares in GN. The ten largest registered shareholders held 31% of the share capital in aggregate at mid-February 2005.

In mid-February 2005, ATP, Kongens Vænge 8, DK-3400 Hillerød, Denmark (the Danish Labour Market Supplementary Pension Fund) reported an ownership interest of 7.6% and Fidelity Investments, 82 Devonshire Street, Boston, Massachusetts 02109, USA reported an ownership interest of 5.3% of the share capital.

Information services

GN endeavors to provide adequate and timely information simultaneously to the market to provide the necessary framework through which the share price will always reflect the company's performance and its strategic opportunities. In 2004, GN representatives continued to meet with private investors and also maintained relations with Danish and international institutional investors. In November, GN held capital market days for analysts, investors and journalists in Shanghai and at the Xiamen factory. The last time GN held capital market days was in 2002.

In January 2005, GN won the Danish Society of Investment Professionals' Information Award for 2004.

Quarterly and full-year earnings releases are presented at meetings arranged for financial analysts, investors and the press. To ensure that everyone has equal access, these meetings and the related teleconferences are all held in English and transmitted live at GN's Web site: www.gn.com. All presentations are available from the Web site. Fifteen financial analysts in Denmark and abroad provide active coverage of the GN share.

With a subscription to GN's news and information services, interested parties receive news from GN immediately after the release of announcements to the Copenhagen Stock Exchange, as well as the GN Magazine, which is issued together with the quarterly reports three times a year. GN Magazine elaborates on the quarterly reports and provides additional information on new measures taken by the operational units and the challenges they face.

Share option plans

In 2004, GN granted a total of 1,225,000 share options running for five years and with an average exercise price of 42.8. There were a total of 6,509,447 outstanding share options at December 31, 2004, corresponding to 3.0% of the share capital. Based on the average exercise price of 62, the options had a calculated Black&Scholes value of DKK 121 million.

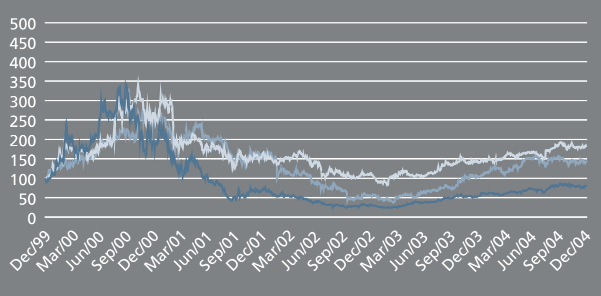
The Supervisory Board intends to propose to the Annual General Meeting

- that a dividend of DKK 0.6 per share be paid in respect of 2004 and that the authorization to buy back up to 10% of the share capital be extended by 18 months – the authorization will be used, *inter alia*, to acquire GN shares for a total market value of DKK 400 million;
- that the authorization to increase the share capital by DKK 205 million nominal value for acquisition purposes without pre-emption rights to existing shareholders, which is expiring, be extended by five years;
- that the Supervisory Board be authorized to increase the share capital by a nominal value of DKK 8 million in cover of a share option plan;
- that the Supervisory Board be authorized to distribute extraordinary dividends in the period until the Annual General Meeting in 2006;
- that one auditor be re-elected; and
- that the board members elected by the general meeting be re-elected and that a new board member be elected.

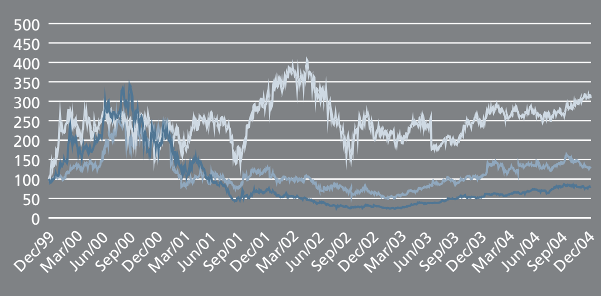
Share price

Including declared dividends, the GN share provided a return of 54% in 2004.

Share price development 2000-2004 (Index)



Share price development 2000-2004 (Index)



Shareholder structure, February 2005	%
Foreign investors	33
Danish institutionals	16
Private investors	17
Non-registered investors	30
GN	4
Total	100

Financial calendar 2005

March 14: Annual General Meeting
The AGM will be held at 3.30 p.m., CET, at Radisson SAS Falconer Center, Falkoner Allé 9, DK-2000 Frederiksberg
May 4: Q1 2005 earnings release
August 18: Q2 2005 earnings release
November 3: Q3 2005 earnings release

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GN Netcom

CC&O headsets investing in the office segment

Q4 2004

Revenue from the CC&O headsets business was DKK 340 million against DKK 334 million in Q4 2003, equal to organic growth of 6%. Providing healthy surprises during the quarter were the sales to contact centers and offices in Europe as well as the Hello Direct sales. Reporting revenue of DKK 69 million, Hello Direct again improved its profits.

New products launched in 2003 and 2004 accounted for almost 40% of revenue, a slight improvement from the previous quarters. Wireless products accounted for 34% of revenue.

EBITA improved to DKK 75 million (a margin of 22.1%) in Q4 from DKK 45 million (14.3%) in Q3 2004, when the figure was affected by costs relating to a litigation and weaker sales during the summer months.

2004

The CC&O headsets business generated revenue of DKK 1,316 million in 2004, against DKK 1,279 million in 2003. Hello Direct generated revenue of DKK 300 million. In spite of the weaker US dollar, the full-year revenue was still some DKK 100 million ahead of the original forecast. Wireless headsets accounted for 31% of revenues.

The improved market conditions that emerged in the second half of 2003 continued in 2004 driven by the office segment. Demand was strongest in Europe during the first part of the year, after which the US office segment in particular began to show strong growth rates.

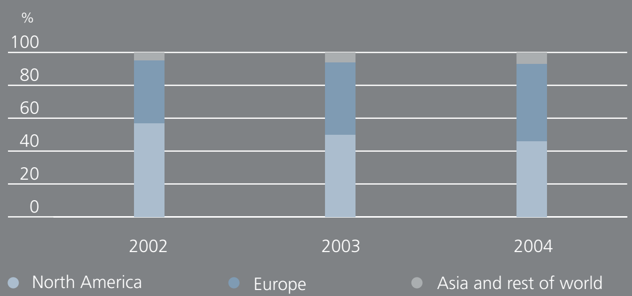
The relocation of production to China and of Hello Direct from California to New Hampshire has made GN much more competitive, and Hello Direct has now begun to add new items to its product assortment. Hello Direct reported an EBITA of DKK 18 million for the year, against an EBITA loss of DKK 18 million in 2003. As part of GN's overall efforts on the US office market, Hello Direct will be expanding its telemarketing services in 2005, aiming to boost sales to the SOHO market.

Aiming to leverage the potential of the office market, GN began selling office headsets through a small number of retail chains in Europe and especially in the United States, where the company launched a complete product family in November. In the United States, GN products are now sold through Office Depot, Fry's and Office Max, and more agreements are expected to be signed during 2005. Accordingly, the sales and marketing efforts will be stepped up considerably in 2005.

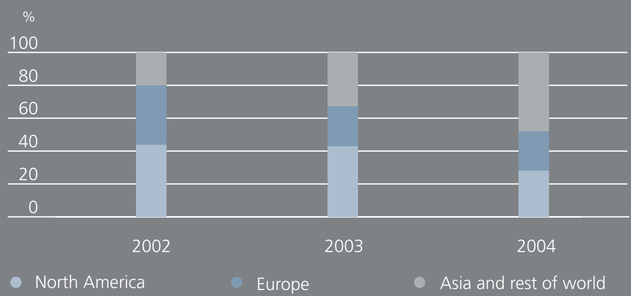
The GN 8210 amplifier was launched in August 2004. Demand for the product is building extremely well. The GN 8210 is the first product on the market with DSP technology, which eliminates background noise and reduces the user's overall sound exposure during a working day. Late in the year, we launched the GN 6210, which connects with a BT250 headset to both cell phones and fixed network telephones. At the CES trade fair in January, GN launched three new headsets in the GN 500 series for VoIP users.

EBITA amounted to DKK 257 million (19.5%).

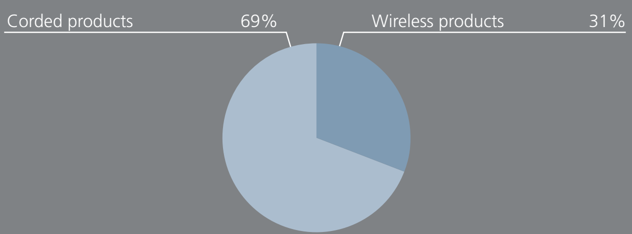
Revenue distributed geographically



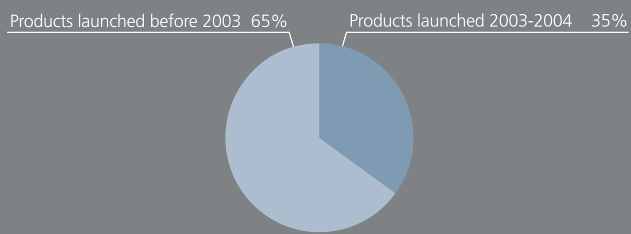
Employees distributed geographically



Revenue by corded and wireless products



Revenue contributions from new products



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GN Mobile

Growth sustained in mobile headsets

Q4 2004

The mobile headsets business generated revenue of DKK 338 million from Jabra and OEM headsets against DKK 160 million in Q4 2003. The strong organic growth of more than 100% kept the momentum during the final three months of the year, and in spite of the anticipated drop in the sale of OEM products GN expects to have defended its market share of Bluetooth products, which generated revenue of DKK 267 million.

Corded and wireless Jabra products retained the strong organic revenue growth; by more than 50% relative to Q4 2003, in spite of the disappointing Christmas sales.

New products launched in 2003 and 2004 represented almost 90% of Q4 revenue.

EBITA fell to DKK 2 million (a margin of 0.6%) from DKK 13 million (3.1%) in Q3 2004.

2004

The full-year revenue of DKK 1,198 million (2003: DKK 481 million) came in well ahead of the forecast of almost DKK 700 million, lifted by surprisingly strong growth in the sale of wireless headsets to OEM customers and the DKK 279 million revenue improvement for Jabra brand products.

At the start of the year, GN projected an overall market of 6-8 million Bluetooth headsets, which turned out to be almost half of the actual market volume estimated at 15-18 million units.

In order to create the best starting point for the Christmas season, Jabra launched the broadest product line in the industry already in the spring. The low priced BT110 and the SP100 speakerphone were both launched in the third quarter. The promotional campaigns for GN's new advanced BT800 and BT500 headsets were postponed due to technical difficulties and for commercial reasons. The BT800 came on the market in January 2005 and the BT500, the successor to the market's best-selling Bluetooth headset, the BT250, will be released in the spring of 2005.

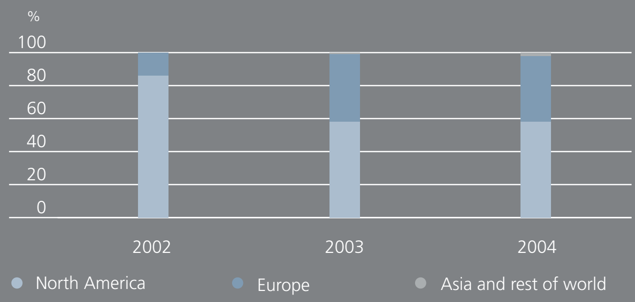
The strong revenue improvement recorded already in the second quarter coincided with GN insourcing a greater part of its headset production, placing strong demands on the supply chain, as new assembly lines had not yet been run in at the time. Productivity improved gradually as the year progressed and has now reached a satisfactory level.

The surging growth also placed heavy demands on recruitment, both at the Copenhagen head office and in several regional markets. Staff numbers rose by more than 100 to over 200 during 2004, leading to higher fixed costs. The shortage of engineers in the development department, which slowed down a number of projects in the middle of the year, has now been rectified.

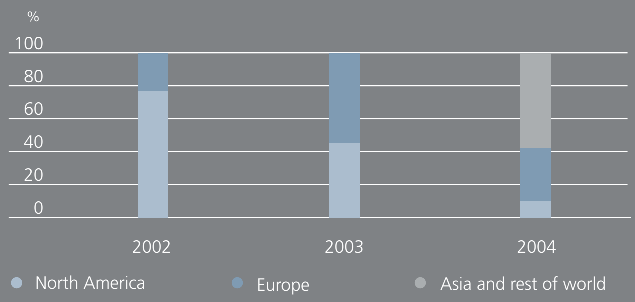
In January 2005, GN signed an agreement with Nokia's N-Gage Division, a manufacturer of game decks, among other things. GN will be developing accessories for the game decks and will have the opportunity to market the N-Gage products as part of the Jabra family of products.

EBITA amounted to DKK 20 million (1.7%).

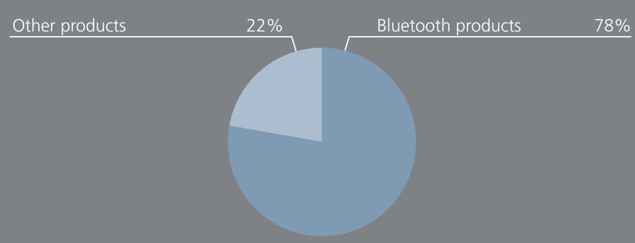
Revenue distributed geographically



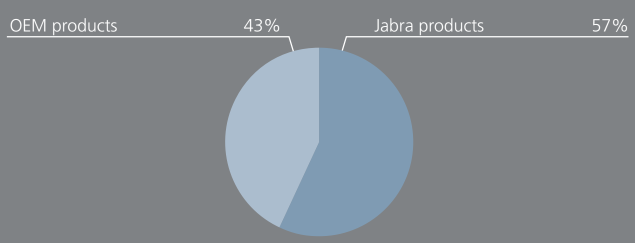
Employees distributed geographically



Revenue by Bluetooth products and other products



Revenue by OEM products and Jabra products



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GN ReSound

Hearing instruments lifting earnings

Q4 2004

GN generated hearing instrument revenue of DKK 698 million against DKK 706 million in Q4 2003. At almost 4% relative to Q4 2003, organic growth came in ahead of our original revenue forecast for the fourth quarter, driven by the continued sales improvements for especially ReSoundAIR and Canta2. The slowdown in growth relative to the first two quarters of the year was due to generally weaker growth in the United States and Germany, new product launches by the competition and the loss of shipments to the National Health Service in the UK.

EBITA improved to DKK 164 million (a margin of 23.5%) from DKK 135 million (21.0%) in Q3 2004.

2004

Revenue improved to DKK 2,670 million from DKK 2,617 million in 2003. Quality and efficiency of a number of administrative processes will be improved as the comprehensive structural changes in manufacturing, logistics and the development departments are completed, and revenue growth will be given higher priority through stronger marketing efforts.

Using the new digital print technology to manufacture ITE hearing instruments will enable GN to move part of this production to regional sites. For example, Denmark is increasingly serving the Swedish market in addition to already providing products for Norway.

At the EUHA-fair in Germany last October, GN launched the ReSoundAIR Plus providing an open solution for people with hearing loss of up to 80 dB. This device is the next generation of GN's first open and innovative products launched in the spring of 2003. ReSoundAIR sales continue to rise on the markets where the product was first introduced. Open hearing instruments are sold to users aged just over 60 on average, or 7–8 years younger than normal first-time buyers of conventional solutions.

Over the past two years, the open devices have boosted the share of overall revenue of BTE devices to about 60% from just over 50%. There was a significant change in the sales composition on the US market, where cosmetic factors traditionally take high priority.

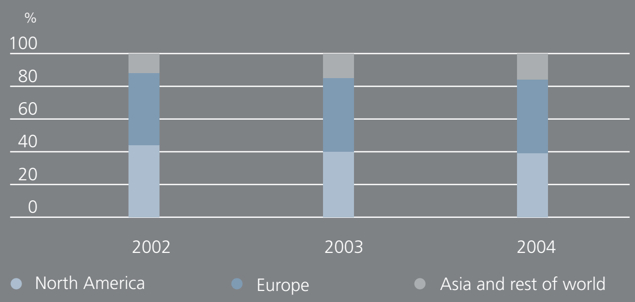
At the EUHA fair, GN also launched the ReSoundViking for people with severe hearing loss. This is the first super-powered hearing instrument GN has introduced since merging the five original companies. The product portfolio is now almost complete, and focus is now on developing the next all-new generation of hearing instruments that will replace the Canta series.

The efforts to streamline all parts of the hearing instrument operations will continue in the years ahead. At the turn of the year, GN discontinued the sale of Philips branded products, which combined with the Danavox and the Viennatone hearing instruments to contribute 6% of 2004 revenue. Involving very mature products sold in small volumes, the brands being phased out represent a relatively higher share of costs than of revenue.

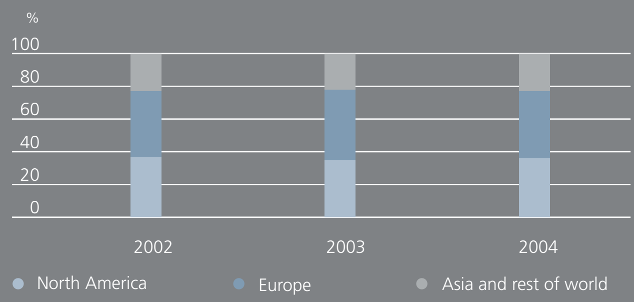
The Beltone brand was strengthened in 2004, and Beltone now has a fully upgraded product portfolio. The open hearing instrument EDGE was launched in selected markets during the summer and contributed to lifting the sale of Beltone products.

EBITA amounted to DKK 528 million (19.8%).

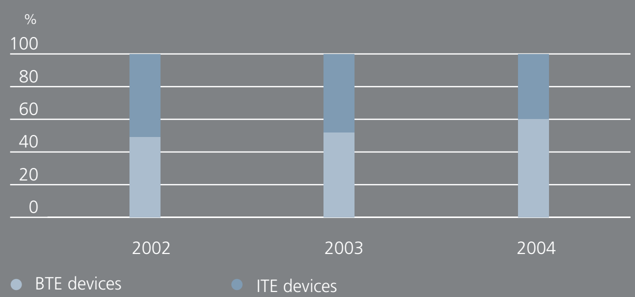
Revenue distributed geographically



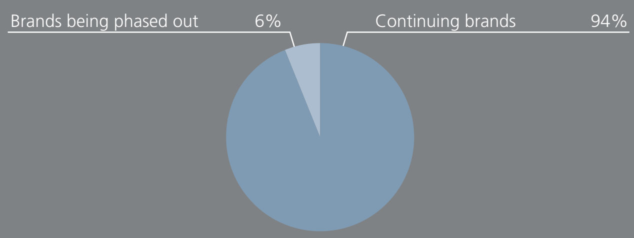
Employees distributed geographically



Revenue by BTE devices and ITE devices



Revenue by continuing brands and brands being phased out



GN Otometrics

Streamlining the audiologic diagnostics equipment business

Q4 2004

Revenue from audiologic diagnostics equipment was DKK 97 million against DKK 106 million in Q4 2003, equal to negative organic growth of 6%. The improvements on the US market were replaced by better-than-expected sales in Europe.

EBITA improved to a loss of DKK 3 million (a margin of minus 3.1%) from a loss of DKK 6 million (minus 7.7%) in Q3 2004. Reasons for the loss included costs relating to the closure of the development department in Germany.

2004

Revenue for 2004 was DKK 348 million, in line with the figure for 2003 and equal to organic growth of 2%. The weaker organic growth relative to 2003 is the result of the discontinued shipments to the National Health Service in the UK. The stronger sales of GN Otometrics' diagnostics equipment on the North American market were based on the hearing instrument dispensers' improved market conditions and improved financial strength relative to mid-2003, enabling them to invest in new test equipment.

Since taking over on October 1, the new management team has worked to identify steps to enhance profitability. Relocating part of the production to China, streamlining the product portfolio and a stronger customer focus are all things intended to make the operations more competitive and to enhance earnings.

Launched in the spring of 2004, the MADSEN OTOflex 100, a device to test middle-ear functions, was the first device based on the new technological platform, whose lightweight modular handheld products improves user mobility for performing hearing tests outside hearing clinics. The MADSEN OTOflex 100 enables wireless transfer of the test results to a personal computer with software developed by GN efficiently updating patient journals and performing the subsequent administrative procedures. The MADSEN OTOflex 100 has given GN a technological edge that can be used to upgrade other parts of the product portfolio.

EBITA was a loss of DKK 7 million (negative EBITA margin of 2.0%).

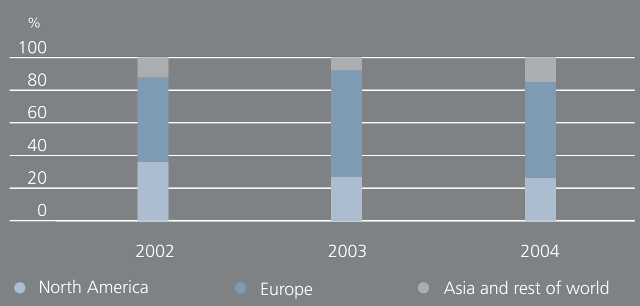
Other business activities

The GN Great Nordic Telegraph Company reported revenues of DKK 16 million against DKK 14 million in 2003. EBITA was a loss of DKK 2 million against a loss of DKK 4 million in 2003.

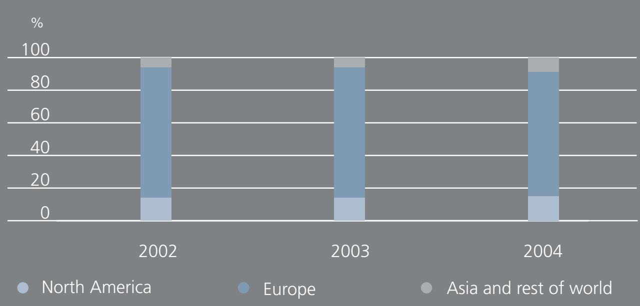
The stake in Voxtel, Moldova's largest mobile operator, was divested in December.

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

Revenue distributed geographically



Employees distributed geographically



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Investor-specific statements

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

GN Store Nord A/S' consolidated and parent company financial statements are presented in accordance with the provisions of the International Financial Reporting Standards (IFRS) and additional Danish financial reporting requirements for listed companies.

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

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

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

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

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

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

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

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

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

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

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

Business area operations

The statements contain earnings of each business area, GN Netcom (Contact Center & Office Headset and Mobile Headset), GN ReSound (Hearing Instruments and Audiologic Diagnostics Equipment) and other, for the last eight quarters.

The presentation also centers on the earnings concepts of EBITDA and EBITA, and performance is shown through changes in revenue, gross profit, overheads excluding developments costs, depreciation and amortization and expensed development costs.

Cash flow statement by quarterly period and by business area

The statements also provide, for the past eight quarters, changes in cash flows from operating activities before changes in working capital, changes in working capital, cash flows from operating activities before interest income and expense and similar items, taxes paid and restructuring costs, cash flows from operating activities, cash flows from investing activities and cash flows from financing activities.

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

Investor-specific income statement per quarterly period

(DKK millions)	Q1 2003 (unaud.)	Q2 2003 (unaud.)	Q3 2003 (unaud.)	Q4 2003 (unaud.)	2003 Total (aud.)	Q1 2004 unaud.)	Q2 2004 (unaud.)	Q3 2004 (unaud.)	Q4 2004 (unaud.)	2004 Total (aud.)
Revenue	1,141	1,148	1,142	1,311	4,742	1,231	1,383	1,457	1,477	5,548
Production costs	(507)	(505)	(507)	(598)	(2,117)	(546)	(634)	(743)	(680) *	(2,603)
Gross profit	**634**	**643**	**635**	**713**	**2,625**	**685**	**749**	**714**	**797**	**2,945**
Incurred development costs	(68)	(71)	(65)	(60)	(264)	(66)	(72)	(65)	(104) *	(307)
Selling and distribution costs	(282)	(277)	(269)	(276)	(1,104)	(289)	(302)	(300)	(330) *	(1,221)
Management and administrative expenses	(153)	(146)	(157)	(149)	(605)	(146)	(152)	(149)	(154) *	(601)
Other operating income	1	2	-	1	4	1	-	6	3	10
Operating profit (loss) before capitalization and amortization of development costs, amortization and impairment of intangible assets acquired in company acquisitions	**132**	**151**	**144**	**229**	**656**	**185**	**223**	**206**	**212**	**826**
Capitalized development costs	35	33	39	25	132	32	36	28	46	142
Amortized development costs	(25)	(26)	(30)	(37)	(118)	(30)	(25)	(24)	(28)	(107)
EBITDA	**142**	**158**	**153**	**217**	**670**	**187**	**234**	**210**	**230**	**861**
Depreciation and amortization relating to:										
Production	(8)	(9)	(12)	(9)	(38)	(11)	(10)	(11)	(12)	(44)
Selling and distribution	(3)	(3)	(4)	(2)	(12)	(3)	(3)	(4)	(4)	(14)
Administration	(19)	(18)	(14)	(20)	(71)	(19)	(17)	(19)	(21)	(76)
EBITA	**112**	**128**	**123**	**186**	**549**	**154**	**204**	**176**	**193**	**727**
Share of profit (loss) in associates	-	3	4	(11)	(4)	6	10	9	3	28
Amortization of goodwill	(56)	(55)	(54)	(52)	(217)	(50)	(51)	(47)	(47)	(195)
Amortization of goodwill relating to capitalization of tax loss not previously recognized in company acquistion	-	-	-	(66)	(66)	-	-	-	-	-
Amortization of other intangible assets acquired in company acquisitions	(9)	(8)	(10)	(9)	(36)	(7)	(8)	(8)	(7)	(30)
Restructuring	(7)	(100)	(8)	(25)	(140)	-	-	-	-	-
Earnings before interest and tax (EBIT)	**40**	**(32)**	**55**	**23**	**86**	**103**	**155**	**130**	**142**	**530**
Gain on disposal of property	-	-	57	-	57	-	-	-	-	-
Gains on disposal of discontinuing operations	-	68	-	7	75	-	9	-	30	39
Capital gains/(losses) on shares, dividends	1	2	-	4	7	3	(1)	-	-	2
Interest income and similar items	22	16	1	133	172	8	9	6	7	30
Interest expense and similar items	(39)	(23)	(10)	(62)	(134)	(14)	(20)	(19)	(16)	(69)
Earnings before tax (EBT)	**24**	**31**	**103**	**105**	**263**	**100**	**152**	**117**	**163**	**532**
Margins:										
Gross profit margin	55.6%	56.0%	55.6%	54.4%	55.4%	55.6%	54.2%	49.0%	54.0%	53.1%
EBITA margin	9.8%	11.1%	10.8%	14.2%	11.6%	12.5%	14.8%	12.1%	13.1%	13.1%
EBITA margin, excl. capitalization and amortization of development costs	8.9%	10.5%	10.1%	15.1%	11.3%	12.3%	14.0%	11.8%	11.8%	12.5%

*) The above accounting items for Q4 2004 include provision for rental obligations relating to vacation of leases in the amount of DKK 30 million. The rental obligation is distributed by function.

The accounting abbreviations EBITDA and EBITA are not defined in International Financial Reporting Standards. Refer to the definitions on the back cover.

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Quarterly operations by business area

(DKK millions)	Q1 2003 (unaud.)	Q2 2003 (unaud.)	Q3 2003 (unaud.)	Q4 2003 (unaud.)	2003 Total (aud.)	Q1 2004 unaud.)	Q2 2004 (unaud.)	Q3 2004 (unaud.)	Q4 2004 (unaud.)	2004 Total (aud.)
Revenue										
Contact Center & Office Headsets	317	320	308	334	1,279	325	337	314	340	1,316
Mobile Headsets	102	113	106	160	481	150	292	418	338	1,198
GN Netcom	**419**	**433**	**414**	**494**	**1,760**	**475**	**629**	**732**	**678**	**2,514**
Hearing Instruments	635	628	648	706	2,617	662	667	643	698	2,670
Audiologic Diagnostics Equipment	87	82	76	106	351	90	83	78	97	348
GN ReSound	**722**	**710**	**724**	**812**	**2,968**	**752**	**750**	**721**	**795**	**3,018**
Other*	-	5	4	5	14	4	4	4	4	16
GN total	**1,141**	**1,148**	**1,142**	**1,311**	**4,742**	**1,231**	**1,383**	**1,457**	**1,477**	**5,548**
Gross profit										
Contact Center & Office Headsets						202	224	194	220	840
Mobile Headsets						41	76	84	91	292
GN Netcom	**232**	**231**	**212**	**241**	**916**	**243**	**300**	**278**	**311**	**1,132**
Hearing Instruments						390	402	393	438	1,623
Audiologic Diagnostics Equipment						48	43	39	51	181
GN ReSound	**402**	**408**	**419**	**468**	**1,697**	**438**	**445**	**432**	**489**	**1,804**
Other*	-	4	4	4	12	4	4	4	(3)**	9
GN total	**634**	**643**	**635**	**713**	**2,625**	**685**	**749**	**714**	**797**	**2,945**
Overheads excluding development costs and depreciation and amortization of non-current assets										
Contact Center & Office Headsets						(126)	(130)	(131)	(126)	(513)
Mobile Headsets						(35)	(47)	(57)	(69)	(208)
GN Netcom	**(159)**	**(158)**	**(162)**	**(137)**	**(616)**	**(161)**	**(177)**	**(188)**	**(195)**	**(721)**
Hearing Instruments						(237)	(236)	(213)	(219)	(905)
Audiologic Diagnostics Equipment						(27)	(31)	(29)	(35)	(122)
GN ReSound	**(261)**	**(251)**	**(247)**	**(267)**	**(1,026)**	**(264)**	**(267)**	**(242)**	**(254)**	**(1,027)**
Other*	(14)	(12)	(17)	(20)	(63)	(9)	(10)	(13)	(32)**	(64)
GN total	**(434)**	**(421)**	**(426)**	**(424)**	**(1,705)**	**(434)**	**(454)**	**(443)**	**(481)**	**(1,812)**
Expensed development costs										
Contact Center & Office Headsets						(9)	(8)	(9)	(9)	(35)
Mobile Headsets						(13)	(11)	(11)	(15)	(50)
GN Netcom	**(21)**	**(21)**	**(19)**	**(20)**	**(81)**	**(22)**	**(19)**	**(20)**	**(24)**	**(85)**
Hearing Instruments						(27)	(31)	(27)	(38)	(123)
Audiologic Diagnostics Equipment						(15)	(11)	(14)	(17)	(57)
GN ReSound	**(37)**	**(43)**	**(37)**	**(52)**	**(169)**	**(42)**	**(42)**	**(41)**	**(55)**	**(180)**
Other*	-	-	-	-	-	-	-	-	(7)**	(7)
GN total	**(58)**	**(64)**	**(56)**	**(72)**	**(250)**	**(64)**	**(61)**	**(61)**	**(86)**	**(272)**
EBITDA										
Contact Center & Office Headsets						69	86	54	85	294
Mobile Headsets						(9)	18	16	7	32
GN Netcom	**52**	**52**	**31**	**84**	**219**	**60**	**104**	**70**	**92**	**326**
Hearing Instruments						126	135	153	181	595
Audiologic Diagnostics Equipment						6	1	(4)	(1)	2
GN ReSound	**104**	**114**	**135**	**149**	**502**	**132**	**136**	**149**	**180**	**597**
Other*	(14)	(8)	(13)	(16)	(51)	(5)	(6)	(9)	(42)**	(62)
GN total	**142**	**158**	**153**	**217**	**670**	**187**	**234**	**210**	**230**	**861**
Depreciation and amortization										
Contact Center & Office Headsets						(9)	(9)	(9)	(10)	(37)
Mobile Headsets						(2)	(2)	(3)	(5)	(12)
GN Netcom	**(11)**	**(11)**	**(10)**	**(13)**	**(45)**	**(11)**	**(11)**	**(12)**	**(15)**	**(49)**
Hearing Instruments						(17)	(15)	(18)	(17)	(67)
Audiologic Diagnostics Equipment						(3)	(2)	(2)	(2)	(9)
GN ReSound	**(17)**	**(17)**	**(17)**	**(16)**	**(67)**	**(20)**	**(17)**	**(20)**	**(19)**	**(76)**
Other*	(2)	(2)	(3)	(2)	(9)	(2)	(2)	(2)	(3)**	(9)
GN total	**(30)**	**(30)**	**(30)**	**(31)**	**(121)**	**(33)**	**(30)**	**(34)**	**(37)**	**(134)**
EBITA										
Contact Center & Office Headsets						60	77	45	75	257
Mobile Headsets						(11)	16	13	2	20
GN Netcom	**41**	**41**	**21**	**71**	**174**	**49**	**93**	**58**	**77**	**277**
Hearing Instruments						109	120	135	164	528
Audiologic Diagnostics Equipment						3	(1)	(6)	(3)	(7)
GN ReSound	**87**	**97**	**118**	**133**	**435**	**112**	**119**	**129**	**161**	**521**
Other*	(16)	(10)	(16)	(18)	(60)	(7)	(8)	(11)	(45)**	(71)
GN total	**112**	**128**	**123**	**186**	**549**	**154**	**204**	**176**	**193**	**727**
EBITA-margin										
Contact Center & Office headset						18.5 %	22.8 %	14.3 %	22.1 %	19.5 %
Mobile headset						(7.3)%	5.5 %	3.1 %	0.6 %	1.7 %
GN Netcom	**9.8 %**	**9.5 %**	**5.1 %**	**14.4 %**	**9.9 %**	**10.3 %**	**14.8 %**	**7.9 %**	**11.4 %**	**11.0 %**
Hearing Instruments						16.5 %	18.0 %	21.0 %	23.5 %	19.8 %
Audiologic Diagnostics Equipment						3.3 %	(1.2)%	(7.7)%	(3.1)%	(2.0)%
GN ReSound	**12.1 %**	**13.7 %**	**16.3 %**	**16.4 %**	**14.7 %**	**14.9 %**	**15.9 %**	**17.9 %**	**20.3 %**	**17.3 %**
Other*	-	(200.0)%	(400.0)%	(360.0)%	(428.6)%	(175.0)%	(200.0)%	(275.0)%	(1,125.0)%	(443.8)%
GN total	**9.8 %**	**11.1 %**	**10.8 %**	**14.2 %**	**11.6 %**	**12.5 %**	**14.8 %**	**12.1 %**	**13.1 %**	**13.1 %**

*) "Other" comprises Telegraph Company, GN Ejendomme, corporate staff, corporate finance and eliminations.
**) The above accounting items for Q4 2004 include provision for rental obligations relating to vacation of leases in the amount of DKK 30 million. The rental obligation is distributed by function, and included in "Other".

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Expensed development costs

(DKK millions)	Q1 2003 (unaud.)	Q2 2003 (unaud.)	Q3 2003 (unaud.)	Q4 2003 (unaud.)	2003 Total (aud.)	Q1 2004 (unaud.)	Q2 2004 (unaud.)	Q3 2004 (unaud.)	Q4 2004 (unaud.)	2004 Total (aud.)
Incurred development costs										
Contact Center & Office Headsets						(7)	(9)	(6)	(15)	(37)
Mobile Headsets						(10)	(10)	(10)	(18)	(48)
GN Netcom	(18)	(15)	(12)	(14)	(59)	(17)	(19)	(16)	(33)	(85)
Hearing Instruments						(35)	(40)	(36)	(48)	(159)
Audiologic Diagnostics Equipment						(14)	(13)	(13)	(16)	(56)
GN ReSound	(50)	(56)	(53)	(46)	(205)	(49)	(53)	(49)	(64)	(215)
Other*	-	-	-	-	-	-	-	-	(7)**	(7)
GN total	(68)	(71)	(65)	(60)	(264)	(66)	(72)	(65)	(104)	(307)
Capitalized development costs										
Contact Center & Office Headsets						3	5	2	11	21
Mobile Headsets						6	6	7	10	29
GN Netcom	8	7	8	9	32	9	11	9	21	50
Hearing Instruments						16	19	16	22	73
Audiologic Diagnostics Equipment						7	6	3	3	19
GN ReSound	27	26	31	16	100	23	25	19	25	92
Other*	-	-	-	-	-	-	-	-	-	-
GN total	35	33	39	25	132	32	36	28	46	142
Amortized development costs										
Contact Center & Office Headsets						(5)	(4)	(5)	(5)	(19)
Mobile Headsets						(9)	(7)	(8)	(7)	(31)
GN Netcom	(11)	(13)	(15)	(15)	(54)	(14)	(11)	(13)	(12)	(50)
Hearing Instruments						(8)	(10)	(7)	(12)	(37)
Audiologic Diagnostics Equipment						(8)	(4)	(4)	(4)	(20)
GN ReSound	(14)	(13)	(15)	(22)	(64)	(16)	(14)	(11)	(16)	(57)
Other*	-	-	-	-	-	-	-	-	-	-
GN total	(25)	(26)	(30)	(37)	(118)	(30)	(25)	(24)	(28)	(107)

Development in selected balance sheet items

(DKK millions)	March 31 2003 (unaud.)	June 30 2003 (unaud.)	Sept. 30 2003 (unaud.)	Dec. 31 2003 (aud.)	March 31 2004 (unaud.)	June 30 2004 (unaud.)	Sept. 30 2004 (unaud.)	Dec. 31 2004 (aud.)
Goodwill								
GN Netcom	597	564	544	515	515	506	488	441
GN ReSound	2,799	2,628	2,538	2,261	2,270	2,235	2,157	1,940
GN total	3,396	3,192	3,082	2,776	2,785	2,741	2,645	2,381
Development projects, developed in-house								
GN Netcom	91	84	78	70	66	66	62	70
GN ReSound	257	275	287	277	277	288	298	306
GN total	348	359	365	347	343	354	360	376
Inventories								
GN Netcom	223	276	271	198	178	185	248	212
GN ReSound	383	404	433	424	448	397	354	306
GN total	606	680	704	622	626	582	602	518
Trade receivables								
GN Netcom	296	311	311	333	346	430	491	367
GN ReSound	550	548	557	563	583	568	565	535
Other*	87	89	64	62	53	50	48	45
GN total	933	948	932	958	982	1,048	1,104	947
Trade payables								
GN Netcom	109	139	101	88	125	204	223	151
GN ReSound	176	157	223	175	155	152	101	106
Other*	19	16	20	26	23	17	19	18
GN total	304	312	344	289	303	373	343	275

*) "Other" comprises Telegraph Company, GN Ejendomme, corporate staff and corporate finance.
**) The above accounting item for Q4 2004 includes provision for rental obligations relating to vacation of leases. The rental obligation is distributed by function, and included in "Other".

Quarterly cash flow statement

(DKK millions)	Q1 2003 (unaud.)	Q2 2003 (unaud.)	Q3 2003 (unaud.)	Q4 2003 (unaud.)	2003 Total (aud.)	Q1 2004 (unaud.)	Q2 2004 (unaud.)	Q3 2004 (unaud.)	Q4 2004 (unaud.)	2004 Total (aud.)
Operating activities										
Earnings before interest and tax (EBIT)	40	(32)	55	23	86	103	155	130	142	530
Depreciation, amortization and impairment	122	120	126	197	565	122	116	114	121	473
Other adjustments	33	119	15	38	205	34	26	-	28	88
Cash flow from operating activities before changes in working capital	**195**	**207**	**196**	**258**	**856**	**259**	**297**	**244**	**291**	**1,091**
Change in inventories	(2)	(84)	(32)	44	(74)	(24)	23	(33)	59	25
Change in receivables	(29)	(14)	(20)	(38)	(101)	(49)	(118)	(16)	61	(122)
Change in trade payables and other payables	11	42	44	(46)	51	12	58	43	(13)	100
Total changes in working capital	**(20)**	**(56)**	**(8)**	**(40)**	**(124)**	**(61)**	**(37)**	**(6)**	**107**	**3**
Cash flow from operating activities before interest income and expense and similar items, restructurings and tax	**175**	**151**	**188**	**218**	**732**	**198**	**260**	**238**	**398**	**1,094**
Interest and dividends, etc, received	2	4	4	85	95	2	3	1	4	10
Interest paid	(18)	(25)	(18)	(18)	(79)	(12)	(10)	(14)	(12)	(48)
Restructurings, paid	(18)	(40)	(26)	(63)	(147)	(9)	(9)	(13)	(9)	(40)
Tax paid, net	(9)	(12)	(8)	255	226	(8)	(14)	(11)	(24)	(57)
Cash flows from operating activities	**132**	**78**	**140**	**477**	**827**	**171**	**230**	**201**	**357**	**959**
Investments										
Development projects, acquired and developed in-house	(36)	(32)	(39)	(25)	(132)	(31)	(37)	(29)	(45)	(142)
Acquisition of other intangible assets and property, plant and equipment, net	(38)	(44)	(33)	(44)	(159)	(28)	(32)	(53)	(48)	(161)
Acquisition/disposal of investments, net	4	(4)	(5)	(36)	(41)	-	1	-	2	3
Acquisition/disposal of listed securities	-	-	-	-	-	-	16	-	-	16
Acquisition of property Ballerup	-	-	-	-	-	-	-	-	(75)	(75)
Disposal of property	-	-	-	63	63	-	-	-	-	-
Disposal of discontinuing operations	(30)	(59)	-	-	(89)	-	9	-	77	86
Cash flows from investing activities	**(100)**	**(139)**	**(77)**	**(42)**	**(358)**	**(59)**	**(43)**	**(82)**	**(89)**	**(273)**
Cash flows from operating and investing activities	**32**	**(61)**	**63**	**435**	**469**	**112**	**187**	**119**	**268**	**686**
Financing activities										
Increase/decrease of short-term liabilities	(21)	(107)	(7)	133	(2)	(27)	34	(45)	41	3
Share options exercised	-	-	-	-	-	-	5	2	1	8
Repayment and reduction of non-current liabilities	-	-	(51)	(620)	(671)	(50)	(100)	(91)	(309)	(550)
Paid dividends to shareholders	-	-	-	-	-	-	(127)	-	-	(127)
Foreign exchange adjustments etc.	(18)	6	9	3	-	18	(5)	(15)	(21)	(23)
Cash flows from financing activities	**(39)**	**(101)**	**(49)**	**(484)**	**(673)**	**(59)**	**(193)**	**(149)**	**(288)**	**(689)**
Net cash flows	**(7)**	**(162)**	**14**	**(49)**	**(204)**	**53**	**(6)**	**(30)**	**(20)**	**(3)**
Cash and cash equivalents, beginning of the period	282	271	107	121	282	70	122	117	87	70
Foreign exchange adjustments, cash and cash equivalents	(4)	(2)	-	(2)	(8)	(1)	1	-	-	-
Cash and cash equivalents, beginning of the period	**278**	**269**	**107**	**119**	**274**	**69**	**123**	**117**	**87**	**70**
Cash and cash equivalents, end of the period	**271**	**107**	**121**	**70**	**70**	**122**	**117**	**87**	**67**	**67**

Quarterly cash flow statement by business area

(DKK millions)	Q1 2003 (unaud.)	Q2 2003 (unaud.)	Q3 2003 (unaud.)	Q4 2003 (unaud.)	2003 Total (aud.)	Q1 2004 (unaud.)	Q2 2004 (unaud.)	Q3 2004 (unaud.)	Q4 2004 (unaud.)	2004 Total (aud.)
Cash flow from operating activities before changes in working capital										
GN Netcom	63	67	48	89	267	88	142	87	96	413
GN ReSound	146	148	159	185	638	175	162	164	207	708
Other	(14)	(8)	(11)	(16)	(49)	(4)	(7)	(7)	(12)	(30)
GN total	**195**	**207**	**196**	**258**	**856**	**259**	**297**	**244**	**291**	**1,091**
Cash flow from operating activities before interest income and expense and similar items, restructurings and tax										
GN Netcom	76	61	(8)	84	213	112	85	52	146	395
GN ReSound	128	102	184	136	550	80	191	188	262	721
Other	(29)	(12)	12	(2)	(31)	6	(16)	(2)	(10)	(22)
GN total	**175**	**151**	**188**	**218**	**732**	**198**	**260**	**238**	**398**	**1,094**
Cash flows from operating activities										
GN Netcom	51	25	(37)	33	72	99	67	31	113	310
GN ReSound	98	47	149	83	377	52	161	158	244	615
Other	(17)	6	28	361	378	20	2	12	-	34
GN total	**132**	**78**	**140**	**477**	**827**	**171**	**230**	**201**	**357**	**959**
Cash flows from investing activities										
GN Netcom	(15)	(19)	(15)	(8)	(57)	(13)	(24)	(37)	(49)	(123)
GN ReSound	(58)	(63)	(63)	(96)	(280)	(46)	(44)	(46)	(40)	(176)
Other	(27)	(57)	1	62	(21)	-	25	1	-	26
GN total	**(100)**	**(139)**	**(77)**	**(42)**	**(358)**	**(59)**	**(43)**	**(82)**	**(89)**	**(273)**
Cash flows from operating and investing activities										
GN Netcom	36	6	(52)	25	15	86	43	(6)	64	187
GN ReSound	40	(16)	86	(13)	97	6	117	112	204	439
Other	(44)	(51)	29	423	357	20	27	13	-	60
GN total	**32**	**(61)**	**63**	**435**	**469**	**112**	**187**	**119**	**268**	**686**

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Accounting policies in general

The annual report of GN Store Nord A/S is presented in accordance with International Financial Reporting Standards (IFRS) and additional Danish financial reporting requirements for listed companies. Additional financial reporting requirements comprise the Danish Financial Statements Act's requirements for listed companies and the Copenhagen Stock Exchange's annual report requirements for listed companies.

The annual report is presented within the framework of the accounting standards adopted in the EU.

In previous years the annual report was presented in accordance with the Danish Financial Statements Act, Danish Accounting Standards and International Accounting Standards as the primary accounting basis. The change in the primary accounting basis has not affected the accounting policies, except for the effect of the implementation in 2004 of IFRS 2 on share-based payment.

The accounting standards effective as of December 31, 2004, are used. In addition, IFRS 2, Share-based Payment, has been implemented before the effective date. No other new or revised accounting standards have been implemented before the effective date.

The Group has not acquired any companies in the period after March 31, 2004. Accordingly, the accounting treatment of business combinations, including goodwill, is in accordance with IAS 22, Business Combinations, at the standard in 2004 applies to the accounting for business combinations made no later than March 31, 2004.

In accordance with IFRS 2 the value of services received in exchange for incentive plans is measured at the fair value of the options granted. For equity-settled plans with options granted after November 7, 2002, fair value is measured at the grant date. The amount is recognized as a salary cost in the income statement over the period in which the options vest with a corresponding increase in equity. Comparative figures for 2003 have been restated in respect of these incentive plans. For 2003 the effect on profit for the year was DKK 5 million, corresponding to an increase in staff costs of DKK 7 million and a tax reduction of DKK 2 million. Equity was increased by DKK 2 million, which corresponds to the tax effect of the change in accounting policy. In accordance with the transitional provisions of IFRS 2, options granted before November 7, 2002, are not recognized and comparative figures in respect of these plans are not restated.

Except for the above change, the annual report is presented in accordance with the same accounting policies applied in previous years.

Change in classification

The following change and reclassification has been incorporated into the presentation format and restatement of the comparative figures for 2003:

- Deferred tax liabilities, pensions and similar liabilities and other provisions are no longer presented as a separate main classification (provisions) in the balance sheet, but are recognized in non-current and current liabilities.

The reclassification has not affected profit for the year and equity.

Consolidated financial statements

The consolidated financial statements relate to the parent company, GN Store Nord A/S, and the subsidiaries in which GN Store Nord A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence are considered associates. Group companies are listed on page 58.

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

On consolidation, the carrying amount of shares held by the parent company in subsidiaries is set off against the subsidiaries' equity. Projects and companies established as joint ventures with joint control are accounted for by proportionate consolidation.

Business combinations

Enterprises acquired or formed during the year are recognized in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognized in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Acquisitions of enterprises in which the parent company will be able to exercise control are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise. The tax effect of the revaluation of assets and provisions is taken into account. Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognized as an intangible asset and amortized on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. From the financial year 2005 and on, goodwill is no longer to be amortized. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognized in the balance sheet as an intangible asset and recognized in the income statement as the adverse development is realized. Negative goodwill not related to any anticipated adverse development is recognized in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognized in the income statement over the average useful lives of the non-monetary assets. Negative goodwill that exceeds the fair value of non-monetary assets is recognized as income in the year of acquisition.

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

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

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

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

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

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

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

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

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

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

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

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

Derivative financial instruments
Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognized as other receivables and payables, respectively. Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognized asset or liability are recognized in the income statement together with changes in the value of the hedged asset or liability.

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

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

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

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

- There must be a clear correlation between the purchase/sale of the derivative financial instrument and the accounting items hedged at the time of the transaction or the future transaction. The derivative financial instrument must be expected to effectively hedge the accounting item during its entire term.
- The derivative financial instrument must have effectively hedged the accounting item or the future transaction throughout the financial year and at the balance sheet date. If the effectiveness of the hedge cannot be determined, the derivative financial instrument is not recognized as a hedge for accounting purposes.

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

Basic and diluted earnings per share
Basic earnings per share (EPS) are calculated by dividing the net profit or loss for the year after tax by the weighted average number of shares outstanding during the year.

Diluted EPS is calculated by adding to the weighted average number of shares outstanding the number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential shares. The dilutive effect of outstanding share options is calculated using the Treasury Stock method.

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

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

Incentive plans
The Executive Management and a number of executive employees are included in a share option plan (equity-settled plan). A part of the Company's holding of treasury shares is used for the granting of share options under the Group's share option plan.

The value of services received in exchange for incentive plans is measured at the fair value of the options granted. Fair value is measured at the grant date and recognized over the period in which the options vest. For the purpose of recognition, an estimate is made of the number of options expected to vest, cf. description in note 34. That estimate is subsequently revised for changes in the number of options expected to vest. Accordingly, recognition is based on the number of options that ultimately vested.

The amount is recognized as a salary cost with a corresponding increase in equity.

The fair value of granted share options is estimated using the internationally accepted Black-Scholes option pricing model. Vesting conditions are taken into account when estimating the fair value of the share options.

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

INCOME STATEMENT

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

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

Production costs
Production costs comprise costs, including depreciation and salaries, incurred in generating the revenue for the year.

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

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

Research costs are recognized in the income statement as incurred.

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

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

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

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

Restructurings
Restructuring costs relating to acquired companies are included in the determination of goodwill when the restructuring has been decided on and announced on the date of acquisition. Other restructuring costs are provided for and recognized in the income statement when they have been decided on and announced.

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

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

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

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

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

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

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

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

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

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

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

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

BALANCE SHEET

Intangible assets

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

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

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

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

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

Telecommunications systems	5-15 years

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

Property, plant and equipment

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

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

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

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

The expected useful lives are as follows:

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

Land is not depreciated.

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

Investments

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

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

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

Impairment

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

Inventories

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

Receivables

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

Listed securities

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

Equity

Dividends

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

Treasury shares

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

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

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

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

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

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

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

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

Provisions for warranties are measured and recognized based on past experience. Provisions expected to be maintained for more than one year from the balance sheet date are discounted when appropriate.

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

In subsequent periods, the financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan.

Financial liabilities also include the capitalized residual obligation on finance leases. Other liabilities, comprising trade payables, amounts owed to group enterprises and associates as well as other payables, are measured at amortized cost.

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

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

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

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

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

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

SEGMENT INFORMATION
The Group's main activities and primary segment comprise:

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

The Group's secondary segments comprise:

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

Assets are identified by secondary segments.

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

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

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

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

KEY RATIOS
Key ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of key ratios "Recommendations and Financial Ratios 2005". The key ratios stated in the survey of consolidated financial highlights are defined on the inside of the back cover.

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Note	(DKK millions)	CONSOLIDATED 2004	CONSOLIDATED 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
1	Revenue	5,548	4,742	11	12
2, 4	Production costs	(2,647)	(2,155)	(1)	(1)
	Gross profit	**2,901**	**2,587**	**10**	**11**
2, 3, 4	Development costs	(272)	(250)	-	-
2, 4	Selling and distribution costs	(1,235)	(1,116)	-	-
2, 4, 6	Management and administrative expenses	(677)	(676)	(44)	(42)
	Other operating income	10	4	-	-
5	Amortization and impairment of goodwill and other intangible assets acquired in company acquisitions	(225)	(319)	-	-
7	Restructuring	-	(140)	-	-
	Operating profit (loss) before share of profit (loss) in subsidiaries and associates	**502**	**90**	**(34)**	**(31)**
8	Share of profit (loss) in subsidiaries	-	-	458	99
9	Share of profit (loss) in associates	28	(4)	34	8
	Operating profit (loss)	**530**	**86**	**458**	**76**
10	Gains/losses on disposal of discontinuing operations	39	132	39	68
	Profit (loss) before interest income and expense and similar items	**569**	**218**	**497**	**144**
11	Interest income and similar items	32	179	87	208
12	Interest expense and similar items	(69)	(134)	(52)	(89)
	Profit (loss) from ordinary activities before tax	**532**	**263**	**532**	**263**
13	Tax on profit (loss) from ordinary activities	(28)	(13)	(28)	(13)
	Profit (loss) for the year	**504**	**250**	**504**	**250**
	Proposed profit appropriation/distribution of loss				
	Reserve for net revaluation using the equity method			-	-
	Retained earnings			372	118
	Proposed dividends for the year			132	132
				504	**250**
	Earnings per share (EPS)	2.38	1.19		
	Earnings per share, fully diluted (EPS)	2.36	1.18		
	Earnings per share excluding amortization and impairment of intangible assets and restructuring, etc. (EPS)	3.45	3.36		
	Earnings per share excluding amortization and impairment of intangible assets and restructuring etc., fully diluted (EPS)	3.42	3.35		

Note	(DKK millions)	CONSOLIDATED 2004	CONSOLIDATED 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
	Non-current assets				
	Goodwill	2,381	2,776	-	-
	Development projects, developed in-house	376	347	-	-
	Software, acquired	3	1	3	1
	Software, developed in-house	103	99	-	-
	Patents and rights	80	89	-	-
	Telecommunications systems	41	50	23	27
	Other intangible assets	241	282	-	-
14	**Total intangible assets**	**3,225**	**3,644**	**26**	**28**
	Factory and office buildings	195	120	-	-
	Leasehold improvements	53	58	-	-
	Plant and machinery	94	80	-	-
	Operating assets and equipment	79	72	1	2
	Leased plant and equipment	4	7	-	-
	Telecommunications systems	-	-	-	-
	Plant under construction	4	-	-	-
15	**Total property, plant and equipment**	**429**	**337**	**1**	**2**
	Investments in subsidiaries	-	-	3,586	3,542
	Receivables from subsidiaries	-	-	1,577	2,024
	Investments in associates	137	176	-	34
	Other securities	6	6	-	-
	Other receivables	30	48	-	-
17, 22	Deferred tax assets	418	375	180	231
16	**Total investments**	**591**	**605**	**5,343**	**5,831**
	Total non-current assets	**4,245**	**4,586**	**5,370**	**5,861**
	Current assets				
18	**Inventories**	**518**	**622**	**-**	**-**
	Trade receivables	947	958	29	45
	Receivables from associates	6	7	-	-
19	Tax receivable	21	44	-	-
	Other receivables	216	134	23	2
	Deposited bank balances	-	74	-	74
	Prepayments	86	88	-	-
20	**Total receivables**	**1,276**	**1,305**	**52**	**121**
	Listed securities	**-**	**14**	**-**	**13**
27	**Cash and cash equivalents**	**67**	**70**	**-**	**-**
	Total current assets	**1,861**	**2,011**	**52**	**134**
	Total assets	**6,106**	**6,597**	**5,422**	**5,995**

Note	(DKK millions)	CONSOLIDATED 2004	CONSOLIDATED 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
	Equity				
	Share capital	879	879	879	879
	Share premium	-	-	-	-
	Net revaluation using the equity method	-	-	-	-
	Foreign exchange adjustments	(1,564)	(1,278)	(107)	(114)
	Proposed dividends for the year	132	132	132	132
	Retained earnings	5,180	4,740	3,723	3,576
	Total equity	**4,627**	**4,473**	**4,627**	**4,473**
	Non-current liabilities				
	Bank loans	111	653	100	650
28	Capitalized lease obligations	4	5	-	-
	Other long-term payables	1	6	-	-
	Received prepayments	28	23	-	-
21	Pension obligations and similar obligations	17	15	1	1
22	Deferred tax	5	20	-	-
23	Other provisions	129	115	36	36
24	**Total non-current liabilities**	**295**	**837**	**137**	**687**
	Current liabilities				
	Amounts owed to subsidiaries	-	-	570	647
	Repayment of long-term loans	1	6	-	-
	Bank loans	200	195	67	86
	Trade payables	275	289	11	20
	Amounts owed to associates	3	-	-	-
25	Tax payable	23	62	-	-
26	Other payables	495	490	10	82
	Received prepayments	33	37	-	-
23	Other provisions	154	208	-	-
	Total current liabilities	**1,184**	**1,287**	**658**	**835**
	Total liabilities	**1,479**	**2,124**	**795**	**1,522**
	Total equity and liabilities	**6,106**	**6,597**	**5,422**	**5,995**

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Note	(DKK millions)	CONSOLIDATED 2004	CONSOLIDATED 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
	Operating activities				
	Operating profit (loss)	530	86	458	76
	Depreciation, amortization and impairment	473	565	4	5
35	Other adjustments	88	205	(491)	(106)
	Cash flow from operating activities before changes in working capital	**1,091**	**856**	**(29)**	**(25)**
	Change in inventories	25	(74)	-	-
	Change in receivables	(122)	(101)	16	7
	Change in trade payables and other payables	100	51	(8)	(2)
	Total changes in working capital	**3**	**(124)**	**8**	**5**
	Cash flow from operating activities before interest income and expense and similar items, restructurings and tax	**1,094**	**732**	**(21)**	**(20)**
	Interest and dividends, etc, received	10	95	81	200
	Interest paid	(48)	(79)	(53)	(88)
	Restructurings, paid	(40)	(147)	-	-
	Tax paid, net	(57)	226	-	259
	Cash flows from operating activities	**959**	**827**	**7**	**351**
	Investing activities				
	Acquisition of intangible assets excluding development projects	(41)	(38)	(2)	(1)
	Development projects, acquired and developed in-house	(142)	(132)	-	-
	Acquisition of property, plant and equipment	(217)	(152)	-	(1)
	Investments	(8)	(58)	-	(1)
	Disposal of intangible assets	-	9	-	-
	Disposal of property, plant and equipment	22	85	-	1
	Disposal of investments	11	17	-	-
	Acquisition/disposal of listed securities	16	-	16	-
	Company acquisitions and capital contributions in subsidiaries	-	-	(6)	(102)
	Change in receivables and payables in subsidiaries	-	-	585	545
	Disposal of discontinuing operations, including liabilities settled in connection with disposal of activities, etc.	86	(89)	86	(89)
	Cash flows from investing activities	**(273)**	**(358)**	**679**	**352**
	Cash flows from operating and investing activities	**686**	**469**	**686**	**703**
	Financing activities				
	Increase of short-term liabilities	3	-	-	-
	Decrease of short-term liabilities	-	(2)	(17)	(58)
	Repayment and reduction of non-current liabilities	(550)	(671)	(550)	(650)
	Share options exercised	8	-	8	-
	Paid dividends to shareholders	(127)	-	(127)	-
	Foreign exchange adjustments etc.	(23)	-	-	-
	Cash flows from financing activities	**(689)**	**(673)**	**(686)**	**(708)**
	Net cash flows	**(3)**	**(204)**	**-**	**(5)**
	Cash and cash equivalents at January 1	70	282	-	5
	Foreign exchange adjustments, cash and cash equivalents	-	(8)	-	-
	Cash and cash equivalents at January 1	**70**	**274**	**-**	**5**
27	**Cash and cash equivalents at December 31**	**67**	**70**	**-**	**-**

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

Consolidated

(DKK millions)	Share capital (shares of DKK 4 each)	Share premium	Net revaluation using the equity method	Foreign exchange adjust-ments	Proposed dividends for the year	Retained earnings	Total equity
Balance sheet total at December 31, 2002	**879**	**4,170**	**-**	**(555)**	**-**	**295**	**4,789**
Effect of change in accounting policies	-	-	-	-	-	7	7
Transfers	-	(4,170)	-	-	-	4,170	-
Profit (loss) for the year	-	-	-	-	-	250	250
Proposed dividends to shareholders	-	-	-	-	132	(132)	-
Tax on changes in equity	-	-	-	-	-	150	150
Foreign exchange adjustments etc.	-	-	-	(723)	-	-	(723)
Balance sheet total at December 31, 2003	**879**	**-**	**-**	**(1,278)**	**132**	**4,740**	**4,473**
Balance sheet total at December 31, 2003	**879**	**-**	**-**	**(1,278)**	**132**	**4,740**	**4,473**
Profit (loss) for the year	-	-	-	-	-	504	504
Granted share options	-	-	-	-	-	12	12
Exercised share options	-	-	-	-	-	8	8
Paid dividends to shareholders	-	-	-	-	(127)	-	(127)
Dividends, treasury shares	-	-	-	-	(5)	5	-
Proposed dividends to shareholders	-	-	-	-	132	(132)	-
Tax on changes in equity	-	-	-	-	-	43	43
Foreign exchange adjustments etc.	-	-	-	(286)	-	-	(286)
Balance sheet total at December 31, 2004	**879**	**-**	**-**	**(1,564)**	**132**	**5,180**	**4,627**

Parent company

(DKK millions)	Share capital (shares of DKK 4 each)	Share premium	Net revaluation using the equity method	Foreign exchange adjust-ments	Proposed dividends for the year	Retained earnings	Total equity
Balance sheet total at December 31, 2002	**879**	**4,170**	**-**	**(40)**	**-**	**(220)**	**4,789**
Effect of change in accounting policies	-	-	-	-	-	1	1
Transfers	-	(4,170)	-	-	-	4,170	-
Profit (loss) for the year	-	-	-	-	-	250	250
Proposed dividends to shareholders	-	-	-	-	132	(132)	-
Changes in equity, subsidiaries	-	-	-	-	-	(643)	(643)
Tax on changes in equity	-	-	-	-	-	150	150
Foreign exchange adjustments etc.	-	-	-	(74)	-	-	(74)
Balance sheet total at December 31, 2003	**879**	**-**	**-**	**(114)**	**132**	**3,576**	**4,473**
Balance sheet total at December 31, 2003	**879**	**-**	**-**	**(114)**	**132**	**3,576**	**4,473**
Profit (loss) for the year	-	-	-	-	-	504	504
Granted share options	-	-	-	-	-	1	1
Exercised share options	-	-	-	-	-	8	8
Paid dividends to shareholders	-	-	-	-	(127)	-	(127)
Dividends, treasury shares	-	-	-	-	(5)	5	-
Proposed dividends to shareholders	-	-	-	-	132	(132)	-
Changes in equity, subsidiaries	-	-	-	-	-	(282)	(282)
Tax on changes in equity	-	-	-	-	-	43	43
Foreign exchange adjustments etc.	-	-	-	7	-	-	7
Balance sheet total at December 31, 2003	**879**	**-**	**-**	**(107)**	**132**	**3,723**	**4,627**

Notes – Income statement

Notes – Balance sheet

Notes – Supplementary information

Note – Cash flow statement

Note	(DKK millions)	CONSOLIDATED 2004	CONSOLIDATED 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
1	**Revenue**				
	Revenue is distributed as follows:				
	Products	5,532	4,729	-	-
	Services	15	12	11	12
	Rent	1	1	-	-
	Total	**5,548**	**4,742**	**11**	**12**
	Total revenue by geographic area:				
	Denmark	144	121	-	-
	Rest of Nordic region	316	304	-	-
	Rest of Europe	2,099	1,787	11	12
	North and South America	2,351	2,070	-	-
	Asia	510	353	-	-
	Other	128	107	-	-
	Total	**5,548**	**4,742**	**11**	**12**
2	**Employees and staff costs**				
	Staff costs				
	Wages, salaries and remuneration and emoluments	(1,224)	(1,260)	(51)	(31)
	Pensions	(53)	(34)	(1)	(1)
	Other social security costs	(156)	(136)	-	-
	Share-based payments	(12)	(7)	(1)	(1)
	Total	**(1,445)**	**(1,437)**	**(53)**	**(33)**
	Of which:				
	Parent company Supervisory Board emoluments	(2)	(2)	(2)	(2)
	Parent company Executive Management remuneration	(16)	(14)	(9)	(7)
	At October 1, 2004 the Executive Management decreased from four to three members.				
	Parent company Supervisory Board emoluments and Executive Management remuneration for 2004 are specified on page 4.				
	Average number of employees	**4,640**	**4,343**	**71**	**45**
	Average number of employees, year-end	**4,564**	**4,400**	**78**	**72**
	Incentive plans				
	The Group's incentive plans are specified and described in note 34.				
3	**Development costs**				
	Development costs are capitalized when the related projects satisfy a number of conditions relating to reliability of measurement and probability of future earnings.				
	The relationship between development costs incurred and development costs recognized in the income statement is as follows:				
	Development costs incurred	(302)	(258)	-	-
	Depreciation of operating assets etc. used for development	(7)	(7)	-	-
	Grants and tax refunds	2	1	-	-
	Total development costs incurred	(307)	(264)	-	-
	Development costs capitalized as development projects	142	132	-	-
	Amortization of capitalized in-house development projects	(107)	(118)	-	-
	Total expensed development costs	**(272)**	**(250)**	**-**	**-**

Note	(DKK millions)	CONSOLIDATED 2004	CONSOLIDATED 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
4	**Depreciation, amortization and impairment**				
	Depreciation, amortization and impairment for the year of property, plant and equipment and software, and amortization and impairment of in-house development projects are recognized in the income statement as follows:				
	Production costs	(44)	(38)	(1)	(1)
	Development costs	(114)	(125)	-	-
	Selling and distribution costs	(14)	(12)	-	-
	Management and administrative expenses	(76)	(71)	(3)	(4)
	Total	**(248)**	**(246)**	**(4)**	**(5)**
5	**Amortization and impairment of goodwill and other intangible assets acquired in company acquisitions**				
	Amortization of goodwill	(195)	(217)	-	-
	Amortization of goodwill relating to capitalization of tax loss not previously recognized in company acquistion	-	(66)	-	-
	Amortization, other intangible assets acquired in company acquisitions	(30)	(36)	-	-
	Total	**(225)**	**(319)**	**-**	**-**
6	**Fees to auditors appointed by the Annual General Meeting**				
	Audit fees				
	KPMG	(8)	(8)	(1)	(1)
	Deloitte	(1)	(1)	-	-
	Total	**(9)**	**(9)**	**(1)**	**(1)**
	Other assistance				
	KPMG				
	Other audit-related services	(1)	(2)	-	-
	Tax assistance and advice	(7)	(7)	(2)	(1)
	Other services	(2)	(1)	-	-
	Total	**(10)**	**(10)**	**(2)**	**(1)**
	Total	**(19)**	**(19)**	**(3)**	**(2)**
7	**Restructuring**				
	Severance pay, post-employment pay, outplacement costs, etc.	-	(66)	-	-
	Loss-making contracts related to unutilized leases, etc.	-	(46)	-	-
	Impairment of current assets relating to termination of trademarks, etc	-	(4)	-	-
	Other, including other loss-making contracts	-	(24)	-	-
	Total	**-**	**(140)**	**-**	**-**
8	**Share of profit (loss) in subsidiaries**				
	Share of profit before tax	-	-	672	398
	Share of loss before tax	-	-	(19)	(16)
	Amortization and impairment of goodwill	-	-	(195)	(283)
	Total	**-**	**-**	**458**	**99**
9	**Share of profit (loss) in associates**				
	Share of profit before tax	48	23	38	12
	Share of loss before tax	(1)	(9)	-	-
	Amortization and impairment of goodwill	(19)	(18)	(4)	(4)
	Total	**28**	**(4)**	**34**	**8**

		CONSOLIDATED		PARENT COMPANY	
Note	**(DKK millions)**	**2004**	**2003**	**2004**	**2003**
10	**Gains/losses on disposal of discontinuing operations**				
	Gains on disposal of Voxtel	30	-	30	-
	Reversal of previously recognized provision for loss on disposal of NetTest	-	68	-	68
	Gains on disposal of property	-	57	-	-
	Other	9	7	9	-
	Total	**39**	**132**	**39**	**68**
11	**Interest income and similar items**				
	Interest income from subsidiaries	-	-	80	121
	Interest income from bank accounts	5	7	2	1
	Interest income, other	6	85	-	75
	Foreign exchange adjustments, shares	2	4	2	4
	Dividends, shares	-	3	-	3
	Gains on primary financial instruments	3	4	3	4
	Foreign exchange gain	16	76	-	-
	Total	**32**	**179**	**87**	**208**
12	**Interest expense and similar items**				
	Interest expense to subsidiaries	-	-	(26)	(38)
	Interest expense on bank loans	(27)	(53)	(21)	(47)
	Interest expense, other	(21)	(26)	(5)	(3)
	Foreign exchange loss	(21)	(55)	-	(1)
	Total	**(69)**	**(134)**	**(52)**	**(89)**
13	**Tax on profit (loss) from ordinary activities**				
	Danish tax payable	-	-	-	-
	Tax payable on foreign activities	(46)	(57)	-	-
	Effect of change in accounting policies	-	2	-	2
	Deferred tax adjustment	(100)	(158)	(94)	(114)
	Share of tax in subsidiaries	-	-	45	2
	Share of tax in associates	(2)	(3)	-	-
	Change in tax rate	-	-	-	-
	Capitalization of tax assets not previously recognized	105	126	-	-
	Capitalization of tax loss not previously recognized in company acquistion	-	83	-	-
	Other, including prior-year tax adjustment	15	(6)	21	97
	Total	**(28)**	**(13)**	**(28)**	**(13)**

Breakdown of tax rate	**%**	**%**
Danish tax rate	30	30
Non-taxable income and non-deductible expenses	(2)	(12)
Share of tax on discontinuing operations	(1)	(9)
Non-deductible goodwill amortization and impairment for tax purposes	11	31
Capitalization of tax loss, set off as amortization of goodwill	-	(31)
Change in value adjustment, including utilization of non-capitalized tax losses	(20)	(17)
Prior-year tax adjustment	(9)	1
Other value adjustments and changes	(4)	12
Effective tax rate	**5**	**5**

In 2004 the parent company paid DKK 0 million (Group: DKK 70 million) in corporation tax against DKK 0 million (Group: DKK 49 million) in 2003.

In 2004 the parent company received reimbursement of corporation tax of DKK 0 million (Group: DKK 13 million) against DKK 259 million (Group: DKK 275 million) in 2003.

Note 14: Intangible assets

Consolidated

(DKK millions)	Goodwill	Development projects developed in-house	Software, aquired	Software, developed in-house	Patents and rights	Tele-commu-nications systems	Other	Total
Cost at January 1	4,538	514	1	238	253	156	412	6,112
Additions	-	142	2	37	2	-	-	183
Disposals	-	(24)	-	(22)	-	-	(8)	(54)
Transfers	-	(6)	-	-	-	-	-	(6)
Foreign exchange adjustments	(350)	(5)	-	(11)	(11)	-	(32)	(409)
Cost at December 31	4,188	621	3	242	244	156	372	5,826
Amortization and impairment at January 1	(1,762)	(167)	-	(139)	(164)	(106)	(130)	(2,468)
Amortization	(195)	(107)	-	(32)	(11)	(9)	(21)	(375)
Disposals	-	24	-	22	-	-	8	54
Foreign exchange adjustments	150	5	-	10	11	-	12	188
Amortization and impairment at December 31	(1,807)	(245)	-	(139)	(164)	(115)	(131)	(2,601)
Carrying amount at December 31, 2004	**2,381**	**376**	**3**	**103**	**80**	**41**	**241**	**3,225**

	Development projects developed in-house	Software, developed in-house	Total
Cost at December 31, completed projects	402	205	607
Cost at December 31, projects in progress	219	37	256
	621	**242**	**863**
Carrying amount at December 31, 2004, completed projects	157	66	223
Carrying amount at December 31, 2004, projects in progress	219	37	256
	376	**103**	**479**

Parent company

(DKK millions)	Software, aquired	Tele-commu-nications systems	Total
Cost at January 1	1	76	77
Additions	2	-	2
Foreign exchange adjustments	-	-	-
Cost at December 31	3	76	79
Amortization and impairment at January 1	-	(49)	(49)
Amortization	-	(4)	(4)
Foreign exchange adjustments	-	-	-
Amortization and impairment at December 31	-	(53)	(53)
Carrying amount at December 31, 2004	**3**	**23**	**26**

The Group's other intangible assets consist of DKK 90 in customer bases, DKK 139 million in trademarks and DKK 12 million in non-competition clauses.

Note 15: Property, plant and equipment

Consolidated (DKK millions)	Factory and office buildings	Leasehold improve-ments	Plant and machinery	Operating assets and equipment	Leased plant and equipment	Tele-commu-nications systems	Plant under con-struction	Total
Cost at January 1	142	97	374	298	13	41	-	965
Additions	86	13	51	52	-	-	18	220
Disposals	(2)	-	(50)	(20)	-	-	-	(72)
Transfers	-	-	20	-	-	-	(14)	6
Foreign exchange adjustments	(6)	(5)	(25)	(13)	(1)	-	-	(50)
Cost at December 31	220	105	370	317	12	41	4	1,069
Depreciation and impairment at January 1	(22)	(39)	(294)	(226)	(6)	(41)	-	(628)
Depreciation	(5)	(16)	(37)	(37)	(3)	-	-	(98)
Disposals	1	-	36	16	-	-	-	53
Foreign exchange adjustments	1	3	19	9	1	-	-	33
Depreciation and impairment at December 31	(25)	(52)	(276)	(238)	(8)	(41)	-	(640)
Carrying amount at December 31, 2004	**195**	**53**	**94**	**79**	**4**	**-**	**4**	**429**

Carrying amount of property in Denmark	95
Latest official valuation of property	101

Parent company (DKK millions)	Operating assets and equipment	Total
Cost at January 1	4	4
Additions	-	-
Disposals	-	-
Foreign exchange adjustments	-	-
Cost at December 31	4	4
Depreciation and impairment at January 1	(2)	(2)
Depreciation	(1)	(1)
Disposals	-	-
Foreign exchange adjustments	-	-
Depreciation and impairment at December 31	(3)	(3)
Carrying amount at December 31, 2004	**1**	**1**

Note 16: Investments

Consolidated

(DKK millions)	Investments in associates	Other securities	Other receivables	Total
Cost at January 1	254	7	78	339
Additions	1	1	8	10
Disposals	(67)	-	(14)	(81)
Transfers	-	(1)	(17)	(18)
Foreign exchange adjustments	(4)	-	(3)	(7)
Cost at December 31	184	7	52	243
Value adjustments at January 1	(81)	(1)	(30)	(112)
Share of profit (loss)	26	-	-	26
Value adjustments, reversals	5	-	-	5
Transfers	-	-	6	6
Foreign exchange adjustments	3	-	2	5
Value adjustments at December 31	(47)	(1)	(22)	(70)
Net asset value at December 31, 2004	137			137
Of which companies with negative net asset value	-			-
Carrying amount at December 31, 2004	**137**	**6**	**30**	**173**
Unamortized goodwill totals	90	-	-	90

Parent company

(DKK millions)	Investments in subsidiaries	Receivables from subsidiaries	Investments in associates	Other securities	Total
Cost at January 1	5,501	2,124	73	-	7,698
Additions, capital contributions	95	-	-	-	95
Disposals	(230)	(547)	(73)	-	(850)
Foreign exchange adjustments	-	-	-	-	-
Cost at December 31	5,366	1,577	-	-	6,943
Value adjustments at January 1	(2,059)	-	(39)	-	(2,098)
Share of profit (loss)	503	-	34	-	537
Value adjustments, reversals	-	-	5	-	5
Value adjustments	75	-	-	-	75
Foreign exchange adjustments	(299)	-	-	-	(299)
Value adjustments at December 31	(1,780)	-	-	-	(1,780)
Net asset value at December 31, 2004	3,586				3,586
Of which companies with negative net asset value	-				-
Carrying amount at December 31, 2004	**3,586**	**1,577**	**-**	**-**	**5,163**
Unamortized goodwill totals	-	-	-	-	-

The Group chart is shown on page 58.

Note	(DKK millions)	CONSOLIDATED 2004	CONSOLIDATED 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
17	**Deferred tax assets**				
	Tax assets at January 1	375	330	231	193
	Effect of change in accounting policies	-	2	-	2
	Change in tax rate	(1)	(4)	-	-
	Capitalization of tax assets not previously recognized	105	-	-	-
	Change for the year	(81)	(96)	(94)	(114)
	Tranferred from "Deferred tax"	(4)	17	-	-
	Tax on changes in equity	43	150	43	150
	Foreign exchange adjustments etc.	(19)	(24)	-	-
	Deferred tax assets at December 31	**418**	**375**	**180**	**231**
	A specification of above is shown in note 22.				
18	**Inventories**				
	Raw materials and consumables	198	301	-	-
	Contract work in progress	15	26	-	-
	Finished goods and merchandise	305	295	-	-
	Total	**518**	**622**	**-**	**-**
	The above includes write-downs amounting to	148	155	-	-
	Value of inventory, recognised at net realisable value	-	-	-	-
19	**Tax receivable**				
	Receivable at January 1	44	231	-	180
	Prior-year adjustments	10	85	-	79
	Tax on profit (loss) for the year	(6)	1	-	-
	Received during year	(13)	(275)	-	(259)
	Transferred from "Tax payable"	(10)	5	-	-
	Foreign exchange and other adjustments	(4)	(3)	-	-
	Total	**21**	**44**	**-**	**-**
20	**Receivables**				
	Receivables falling due after more than one year				
	Trade receivables	33	35	16	21
	Tax receivable	3	3	-	-
	Other receivables	103	41	22	-
	Prepayments	45	38	-	-
	Total	**184**	**117**	**38**	**21**

Prepayments

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

Note	(DKK millions)	CONSOLIDATED 2004	CONSOLIDATED 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
21	**Pension obligations and similar obligations**				
	Defined contribution plans				
	Costs for the year	45	36	1	1
	Defined benefit plans				
	Costs for the year	5	6	-	-
	Interest expense	11	13	-	-
	Expected return on plan assets	(12)	(13)	-	-
	Amortization of unrecognized actuarial losses	4	5	-	-
	Income, freezing of plan in the United States	-	(13)	-	-
		8	(2)	-	-
	Total pension obligations and similar obligations recognized as cost in the income statement	**53**	**34**	**1**	**1**
	Expected return on plan assets	(12)	(13)	-	-
	Actual return on plan assets	(13)	(24)	-	-
	Unrecognized actuarial losses (gains) on plan assets	(1)	(11)	-	-
	Pension obligations relating to defined benefit plans are recognized in the balance sheet as follows:				
	Present value of funded pension obligations not covered by payments to insurance company	(183)	(194)	-	-
	Fair value of plan assets	156	165	-	-
	Deficit	(27)	(29)	-	-
	Unrecognized actuarial losses	47	52	-	-
	Plan assets, recognized in "Prepayments"	20	23	-	-
	Present value of unfunded pension obligations and severance payments not covered by payments to insurance company	(17)	(15)	(1)	(1)
	Total	**3**	**8**	**(1)**	**(1)**
	Changes in pension obligations are recognized as follows:				
	Balance at January 1	8	2	(1)	(1)
	Other adjustments	-	6	-	-
	Provided in the year	(12)	(4)	-	-
	Consumed in the year	6	6	-	-
	Foreign exchange adjustments	1	(2)	-	-
	Balance at December 31	**3**	**8**	**(1)**	**(1)**

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

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

Defined benefit plans
For some members of management in foreign subsidiaries and for surviving relatives of a number of employees/executives, the Group has agreed to make certain payments e.g. old age pension as a fixed amount or a fixed percentage of the employee's final salary. These pension obligations are not covered by payments to insurance companies. The unfunded pension obligations determined at present value are recognized in the balance sheet at a total of DKK 17 million.

In addition, the Group has pension obligations in an American subsidiary of a total of DKK 183 million, which are not covered by payments to insurance companies, but are offset by the fair value of reserved pension funds. Under IAS 19 this plan is accounted for as follows:
The pension obligations in this plan are determined by an actuary based on assumptions about age at retirement, mortality, etc. The estimated future pension obligations are discounted using a discount rate of 6.00%. At July 1, 2003 the pension plan has been frozen, meaning that employees covered by the plan will continue to be entitled to the pension payments earned up to this date. However, employees will not earn further pension payments from continued employment and future salary increases. At December 31, 2004 the fair value of reserved pension funds, which are managed by an external portfolio manager, was DKK 156 million (including DKK 2 million in Germany) against DKK 165 million at December 31, 2003. Accordingly, the value of pension funds has decreased by DKK 9 million. However, the decrease is attributable to the decline in the USD-DKK exchange rate, as the value of the reserved pension funds determined in USD increased by USD 0.5 million despite pension payments made during the year which have only partly been funded by new payments to the portfolio manager.

At January 1 the expected value of both pension obligations and reserved pension funds at December 31 (based on expected return of 8% +/- expected payments) is calculated and subsequently the accumulated historical difference between expected values and realized values can be determined. This unrecognized actuarial loss at December 31, 2004 is DKK 47 million. In accordance with IAS 19 a part of the actuarial loss at December 31, 2003 is amortized in the income statement for 2004 on a straight-line basis over a period corresponding to the average expected remaining working lives of the employees (currently approximately 9 years). In addition, ordinary current costs relating to the plan are recognized as cost.

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

Note	(DKK millions)	CONSOLIDATED 2004	CONSOLIDATED 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
22	**Deferred tax**				
	Deferred tax at January 1	20	48	-	-
	Prior-year tax adjustments	(18)	(95)	-	-
	Changes relating to profit (loss) for the year	19	62	-	-
	Change in tax rate	-	(4)	-	-
	Transferred to "Deferred tax assets"	(4)	17	-	-
	Foreign exchange adjustments	(12)	(8)	-	-
	Total	**5**	**20**	**-**	**-**

Specification of deferred tax assets and deferred tax	CONSOLIDATED 2004 Deferred tax assets	CONSOLIDATED 2003 Deferred tax assets	CONSOLIDATED 2004 Deferred tax	CONSOLIDATED 2003 Deferred tax
Intangible assets	17	60	96	90
Property, plant and equipment	31	68	19	31
Investments	13	70	-	-
Current assets	46	33	9	23
Provisions	155	133	2	1
Current liabilities	13	44	1	1
Intra-group liabilities	459	402	-	-
Tax loss carryforwards	398	335	-	-
Reversal of tax benefit arising from loss	-	-	167	123
Value adjustments	(408)	(513)	-	-
Other	7	3	24	11
Total	**731**	**635**	**318**	**280**
Set-off within same legal tax units and jurisdictions	(313)	(260)	(313)	(260)
Deferred tax assets and deferred tax at December 31	**418**	**375**	**5**	**20**

	CONSOLIDATED 2004	CONSOLIDATED 2003
Tax value of unrecognized tax assets		
Change in unrecognized tax assets		
Tax value at January 1	513	722
Change for the year, tax loss carryforwards	(45)	(167)
Change for the year, other tax assets	(60)	(42)
Tax assets at December 31	**408**	**513**
Specification of unrecognized tax assets		
Tax loss carryforwards	192	237
Other tax assets	216	276
Tax assets at December 31	**408**	**513**

A substantial share of the tax value of unrecognized loss carryforwards abroad relate to company acquisitions.
A number of tax loss carryforwards expire between 2005-2022.

Tax assets not previously recognized, but used during the year:		
Tax loss carryforwards	**4**	**50**

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

Note 23: Other provisions

Consolidated (DKK millions)	Other restruc-turing	Warranty provisions	Other provisions	Total
Other provisions at January 1	74	126	123	323
Additions	-	73	156	229
Consumed	(40)	(60)	(110)	(210)
Reversals	-	(23)	(12)	(35)
Transfer	(12)	-	-	(12)
Foreign exchange adjustments	(2)	(4)	(6)	(12)
Other provisions at December 31	**20**	**112**	**151**	**283**
Of which is recognized in the consolidated balance sheet:				
Non-current liabilities	6	48	75	129
Current liabilities	14	64	76	154
Other provisions at December 31	**20**	**112**	**151**	**283**
Parent company, non-current liabilities	**-**	**-**	**36**	**36**

Restructuring provisions of DKK 20 million relate to restructurings based on detailed plans prepared by Management, which have been discussed with and announced to the employee groups affected and others. The provisions cover severance payment, post-employment pay, loss-making contracts, including leases, etc. related to relocation of production facilities to China, relocation of production and administration from Chicago to Minneapolis in the United States etc.

Warranty provisions concern products sold by GN Netcom and GN ReSound. The warranty provision covers defects in design, materials and workmanship for a period of 1-3 years from delivery and completion. The provision has been calculated on the basis of historical warranty costs of the Group's products.

Other liabilities include obligations to take back sold hearing aids, bonus point schemes to customers in GN ReSound, guarantees provided in connection with disposal of companies, including NetTest, etc. Costs are expected to be incurred before the end of 2007.

		CONSOLIDATED		PARENT COMPANY	
Note	**(DKK millions)**	**2004**	**2003**	**2004**	**2003**
24	**Non-current liabilities**				
	Long-term loans falling due for repayment more than five years from the balance sheet date	-	**5**	-	-
25	**Tax payable**				
	Tax payable at January 1	62	76	-	-
	Prior-year tax adjustments	5	(25)	-	-
	Tax on profit (loss) for the year	41	58	-	-
	Paid during year	(70)	(49)	-	-
	Transferred to "Tax receivable"	(10)	5	-	-
	Foreign exchange adjustments, etc.	(5)	(3)	-	-
	Total	**23**	**62**	**-**	**-**
26	**Other payables**				
	Wages and salaries, holiday pay, etc.	142	117	10	4
	Taxes and duties	32	27	-	-
	Tax payable at source	7	7	-	-
	Social contributions	24	25	-	-
	Payable purchase consideration for acquired companies	-	74	-	74
	Other	290	240	-	4
	Total	**495**	**490**	**10**	**82**

Note	(DKK millions)	CONSOLIDATED 2004	CONSOLIDATED 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
27	**Security**				
	Property	-	-	-	-
	Cash and cash equivalents	-	-	-	-
	Total	**-**	**-**	**-**	**-**
28	**Lease obligations**				
	Future lease obligations are distributed as follows:				
	Finance leases:				
	Less than one year	1	2	-	-
	Between one and five years	4	5	-	-
	More than five years	-	-	-	-
	Total	**5**	**7**	**-**	**-**
	Finance leases relate to lease of operating assets and equipment.				
	Operating leases:				
	Less than one year	51	61	-	1
	Between one and five years	107	144	-	2
	More than five years	24	45	-	-
	Total	**182**	**250**	**-**	**3**

Operating leases primarily relate to lease of property on market terms in Denmark, the United States and the UK.
The remaining lease terms amount to between 6-10 years.

Operating leaases include rental obligations related to properties in Denmark in the amount of DKK 67 million. DKK 30 million of the rental obligations in Denmark is provided for in the balance sheet in respect of vacation of leases.

Lease payments recognised in the income statement relating to operating leases amount to DKK 63 millions (DKK 63 millions in 2003). In 2004, DKK 1 million (DKK 1 million in 2003) was recognised as income in connection with sub-lease of property.

29 Contingent liabilities, other financial liabilities and contingent assets

	CONSOLIDATED 2004	CONSOLIDATED 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
Guarantees, warranties and other liabilities	**17**	**15**	**6**	**5**

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

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

Contingent assets
GN Store Nord is by way of its 75% ownership of DPTG I/S still party to arbitration proceedings against Telekomunikacja Polska S.A. regarding the principles for traffic statistics in Poland's NSL fiber-optic telecommunications system, for which DPTG is entitled to a share of the revenue from 1994 - 2009. DPTG has made a claim for DKK 1.6 billion, which Telekomunikacja Polska S.A. has disputed. GN Store Nord is unable to provide any further information in this matter in order not to influence the outcome of the case. No amount has been recognized in GN Store Nord's balance sheet at December 31, 2004 in this respect.

Contingent purchase consideration relating to company disposal
As part of the disposal of NetTest the parties agreed that GN Store Nord should receive a small portion of the gain on disposal realized by the new owner. Based on GN Store Nord's present share price, this portion is insignificant and no amount has been recognized in GN Store Nord's balance sheet at December 31, 2004.

GN Store Nord has sold its 30.1% ownership interest in Voxtel S.A., Moldovia's largest mobile operator. The sales amount is DKK 78 million plus a contingent purchase consideration. The share of the contingent purchase consideration which is likely to be received has been recognized in the financial statements at DKK 22 million. This amount is subject to i.a. future earnings and may increase by up to DKK 26 million.

Note 30: Financial instruments

Primary financial instruments

DKK millions	Less than one year	Between one and five years	More than five years	Total	Of which at fixed rates	Average effective rate of interest
Investments						
Investments in associates	-	-	137	137	-	
Other securities	-	3	3	6	-	
Other receivables and deposited bank balances (non-current)	-	30	-	30	-	
Trade receivables	914	33	-	947	-	
Other receivables and prepayments, etc.	178	151	-	329	-	
Cash and cash equivalents	67	-	-	67	-	1.0% - 2.0%
Financial liabilities						
Long-term bank loans	-	111	-	111	-	"IBOR" based
Capitalised lease obligations	-	4	-	4	-	
Other non-current liabilities	-	1	-	1	-	
Received prepayments, non-current	-	28	-	28	-	
Other provision	-	129	-	129	-	
Short-term bank loans	201	-	-	201	-	"IBOR" based
Trade payables	275	-	-	275	-	
Tax payables	23	-	-	23	-	
Other payables	495	-	-	495	-	
Received prepayments	33	-	-	33	-	
Other provision	154	-	-	154	-	

Effective rates of interest are stated on the basis of actual interest rates at December 31, 2004. The fair value of listed shares is DKK 0 million. For the other financial assets and liabilities, the fair value equals the carrying amount.

Derivative financial instruments

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

Financial instruments in DKK millions	Notional amount	Unrealized gains (losses) on fair value adjustment	Recognised in income statement for 2004	Recognised directly in equity at 31 Dec 2004	Maturity dates
Foreign currency bought under forward contracts:					
USD	55	-	-	-	2005
Total financial instruments		**-**	**-**	**-**	

Currency risk

GN is exposed to currency risks only in connection with commercial transactions. GN does not raise loans or place surplus cash in foreign currency unless doing so reduces exposure to currency risks. GN is only to a limited extent exposed to fluctuations in exchange rates, as revenue and costs in main currencies are generally matched. For example, GN will largely remain unaffected by fluctuations in the USD exchange rate, as approximately 50% of GN's revenue is generated in USD or USD-related currencies whereas 60% of costs is incurred in USD or USD-related currencies. GN generates considerable income in EUR, but does not consider the EUR-DKK exchange rate to constitute a significant risk. For this reason, this currency risk is generally not hedged.

Interest rate risk

GN's interest rate risk is primarily associated with the Group's loans. Net interest-bearing debt at December 31, 2004 of DKK 245 million only carries a floating interest rate. Other things being equal, an increase in GN's finance costs of one percentage point would increase interest expenses by less than DKK 3 million.

Credit risk

GN holds most of its cash and cash equivalents as short-term money market deposits with banks that have satisfactory rating with Moody's or Standard & Poors. GN's exposure to any single financial counterparty does not exceed 2.5% of such party's equity. GN does not have significant credit risks in respect of a single customer or cooperator. At December 31, 2004 the largest single receivable amounted to DKK 53 million. GN credit rates all significant customers and other cooperators on an ongoing basis.

Note	(DKK millions)	CONSOLIDATED 2004	CONSOLIDATED 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
31	**Government grants**				
	The Group has received government grants relating to development activities	2	1	-	-
	Total	**2**	**1**	**-**	**-**

32 **Outstanding shares and treasury shares**

	Outstanding shares (thousands)	Treasury shares (thousands)	Total number of shares (thousands)	Nominal value of outstanding shares (DKK thousands)	Nominal value of treasury shares (DKK thousands)	Nominal value of total shares (DKK thousands)	Treasury shares as a percentage of share capital
Number of shares at January 1, 2004	211,311	8,464	219,775	845,244	33,856	879,100	3.85%
Options exercised in 2004	241	(241)	-	964	(964)	-	-
Shares acquired/sold by GN Store Nord A/S	(6)	6	-	(24)	24	-	-
Number of shares at December 31, 2004	**211,546**	**8,229**	**219,775**	**846,184**	**32,916**	**879,100**	**3.74%**

The treasury shares had a market value of DKK 482 million at December 31, 2004.

(shares thousands)	2004	2003
Weighted average number of shares	211,427	211,311
Dilutive effect of outstanding share options with positive intrinsic value - average for the period	1,594	629
Diluted weighted average number of shares	**213,021**	**211,940**

(DKK millions)		
Profit (loss) for the year used for the calculation of earnings per share	504	250
Dilutive effect of profit (loss) for the year	-	-
Profit (loss) for the year used for the calculation of diluted earnings per share	**504**	**250**
Profit (loss) for the year and diluted earnings	504	250
Amortization and impairment of intangible assets acquired in company acquisitions	225	319
Restructuring	-	140
Profit (loss) and diluted earnings excluding amortization and impairment of intangible assets acquired in company acquisitions and restructuring	**729**	**709**

33 **Related party transactions**

The Company's related parties are the Executive Management and the Supervisory Board of the GN Store Nord Group as well as significant shareholders in the parent company GN Store Nord A/S.

No agreements or any other transactions have been entered into with the Company in which the Executive Management and the Supervisory Board have had a financial interest besides transactions stemming from conditions of employment.

Trade between the Company and the GN Store Nord Group companies takes place on an arm's length basis.

No agreements or any other transactions have been entered into with the Company in which a significant shareholder has had a financial interest.

Note 34: Incentive plans

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

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

International plan
In 2002 GN Store Nord granted share options to employees in accordance with a modified international share option plan. In 2002 a total of 2,791,465 share options were granted at an exercise price of DKK 50 . In 2003 a further 2,437,500 options were granted at a price of DKK 18.3. In 2004 a further 1,225,000 options were granted at an average price of DKK 43.3. The share options expire after five years from the grant date.

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

Developments for the year in the GN Group's three incentive plans and the share options held by the Executive Management are specified below and on page 53.

The European plan	**Plan total**		**Of which to Executive Management**		**Of which to senior employees**		**Of which to others**	
	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price
Outstanding share options at January 1, 2004	1,569,897	107	226,875	103	179,965	92	1,163,057	110
Share options granted during year	-	-	-	-	-	-	-	-
Share options exercised during year	(123,980)	44	-	-	(13,335)	43	(110,645)	44
Share options terminated during year/corrections	(140,995)	54	(27,500)	93	(93,970)	89	(19,525)	(176)
Outstanding share options at December 31, 2004	**1,304,922**	**119**	**199,375**	**104**	**72,660**	**105**	**1,163,057**	**123**
Number of shares exercisable at year-end	1,304,922	119	199,375	104	72,660	105	1,032,887	123
Market value of outstanding share options	DKK 1.0 millions		DKK 0.1 millions		DKK 0.2 millions		DKK 0.7 millions	

The American plan	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price
Outstanding share options at January 1, 2004	1,301,350	114	-	-	355,000	109	946,350	116
Share options granted during year	-	-	-	-	-	-	-	-
Share options exercised during year	-	-	-	-	-	-	-	-
Share options terminated during year/corrections	(365,004)	119	-	-	(180,000)	111	(185,004)	128
Outstanding share options at December 31, 2004	**936,346**	**112**	**-**	**-**	**175,000**	**107**	**761,346**	**113**
Number of shares exercisable at year-end	936,346	112	-	-	175,000	107	761,346	113
Market value of outstanding share options	DKK 0.5 millions				DKK 0.1 millions		DKK 0.4 millions	

International plan	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price
Outstanding share options at January 1, 2004	3,833,979	31	729,000	30	1,108,479	29	1,996,500	32
Share options granted during year	1,225,000	43	255,000	43	337,000	45	633,000	43
Share options exercised during year	(116,900)	28	-	-	(24,000)	18	(92,900)	31
Share options terminated during year/corrections	(673,900)	35	(230,000)	32	(372,000)	30	(71,900)	64
Outstanding share options at December 31, 2004	**4,268,179**	**34**	**754,000**	**34**	**1,049,479**	**34**	**2,464,700**	**34**
Number of shares exercisable at year-end	292,912	41	-	-	84,592	41	208,320	40
Market value at the grant date of share options granted during year	DKK 14.5 millions		DKK 3.0 millions		DKK 4.1 millions		DKK 7.4 millions	
Market value of outstanding share options	DKK 119.6 millions		DKK 21.3 millions		DKK 29.5 millions		DKK 68.8 millions	

Total incentive plans	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price
Outstanding share options at January 1, 2004	6,705,226	65	955,875	48	1,643,444	54	4,105,907	73
Share options granted during year	1,225,000	43	255,000	43	337,000	45	633,000	43
Share options exercised during year	(240,880)	36	-	-	(37,335)	27	(203,545)	38
Share options terminated during year/corrections	(1,179,899)	64	(257,500)	41	(645,970)	63	(276,429)	82
Outstanding share options at December 31, 2004	**6,509,447**	**62**	**953,375**	**48**	**1,297,139**	**48**	**4,258,933**	**70**
Number of shares exercisable at year-end	2,534,180	107	199,375	104	332,252	90	2,002,553	110
Market value at the grant date of share options granted during year	DKK 14.5 millions		DKK 3.0 millions		DKK 4.1 millions		DKK 7.4 millions	
Market value of outstanding share options	DKK 121.1 millions		DKK 21.4 millions		DKK 29.8 millions		DKK 69.9 millions	

Note 34: Incentive plans (continued)

During the year a total of 240,880 share options were exercised at a weighted average share price of DKK 51.

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

The market value of the outstanding share options at the balance sheet date is calculated on the basis of underlying market prices on the final business day of the year, whereas the market value of options granted during the year is based on the underlying market prices on the grant date. At the main grant of share options in April 2004, a risk-free interest rate of 3.0%, expected dividends per share of 1.4%, an expected life of five years and a historic volatility in the period January 1, 2003 - March 31, 2004 in the GN Store Nord share (30%) were used, as the period was deemed long enough for the Company to be able to reasonably estimate the underlying volatility in the GN Store Nord share, and at the same time the period from 2003 and on gives a view of GN as the Company looks today. The calculation of the market value at the balance sheet date is based on a risk-free interest rate of 2.75%, expected dividends per share of 1.0% and a historic volatility in the period January 1, 2003 - December 31, 2004 in the GN Store Nord share (28%). In 2006 GN Store Nord also expects to use the historical volatility since January 1, 2003. From 2007 and on GN plans to use the historical volatility for the preceding three-year period, as was the original principle underlying the estimate of the volatility.

For outstanding share options at 31 December 2004, the average rermaining life is 2.4 years.

Obligations under the plan are covered by the Company's treasury shares, totaling 8.2 million shares. The price of treasury shares total DKK 482 million at December 31, 2004 based on a price of DKK 58.59 per share at December 31, 2004.

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

Share options held by the Executive Management

Outstanding share options	Grant year	2000	2001	2001	2002	2003	2004	
	Exercise price	146.6	90	99	50	18.3	42.8	Total
Jørn Kildegaard		41,250	70,000	-	84,000	135,000	75,000	405,250
Jens Due Olsen		-	-	60,000	65,000	105,000	60,000	290,000
Jesper Mailind		-	28,125	-	65,000	105,000	60,000	258,125
Total		**41,250**	**98,125**	**60,000**	**214,000**	**345,000**	**195,000**	**953,375**

No share options have been granted to members of GN Store Nord's Supervisory Board.

Note 35: Other adjustments

Note	(DKK millions)	CONSOLIDATED 2004	CONSOLIDATED 2003	PARENT COMPANY 2004	PARENT COMPANY 2003
Other adjustments					
Gain/loss on disposal of non-current assets		(3)	(3)	-	-
Share options expensed		12	7	1	1
Share of profit (loss) in subsidiaries		-	-	(458)	(99)
Share of profit (loss) in associates		(28)	4	(34)	(8)
Inventory write-downs		59	40	-	-
Provision for bad debt losses		27	(16)	-	-
Restructurings, recognized in income statement		-	140	-	-
Adjustment of provisions		21	33	-	-
Total		**88**	**205**	**(491)**	**(106)**

SECONDARY SEGMENT – BY GEOGRAPHIC AREA

(DKK millions)	Non-current assets 2004	Non-current assets 2003	Current assets 2004	Current assets 2003	Total assets 2004	Total assets 2003	Investments in non-current assets 2004	Investments in non-current assets 2003
Denmark	1,086	989	411	431	1,497	1,420	294	166
Rest of Nordic region	29	37	56	96	85	133	1	4
Rest of Europe	210	242	565	654	775	896	25	39
North and South America	2,788	3,189	517	628	3,305	3,817	72	85
Asia and rest of world	132	129	312	202	444	331	11	28
Total	**4,245**	**4,586**	**1,861**	**2,011**	**6,106**	**6,597**	**403**	**322**

Geographic distribution of revenue is shown in note 1 page 39.

Income statement 2004

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core business areas	Discon- tinuing operations	Consoli- dated total
External revenue	2,514	3,018	16	5,548	-	5,548
Internal revenue	-	-	-	-	-	-
Revenue	**2,514**	**3,018**	**16**	**5,548**	**-**	**5,548**
Production costs	(1,398)	(1,243)	(6)	(2,647)	-	(2,647)
Gross profit	**1,116**	**1,775**	**10**	**2,901**	**-**	**2,901**
Development costs	(85)	(180)	(7)	(272)	-	(272)
Selling and distribution costs	(457)	(772)	(6)	(1,235)	-	(1,235)
Management and administrative expenses	(298)	(313)	(66)	(677)	-	(677)
Other operating income	-	10	-	10	-	10
Amortization and impairment of goodwill and other intangible assets acquired in company acquisitions	(50)	(175)	-	(225)	-	(225)
Restructuring	-	-	-	-	-	-
Operating profit (loss) before share of profit (loss) in subsidiaries and associates	**226**	**345**	**(69)**	**502**	**-**	**502**
Share of profit (loss) in associates	-	(6)	-	(6)	34	28
Operating profit (loss)	**226**	**339**	**(69)**	**496**	**34**	**530**
Gains/losses on disposal of discontinuing operations	-	-	-	-	39	39
Profit (loss) before interest income and expense and similar items	**226**	**339**	**(69)**	**496**	**73**	**569**
Interest income and similar items	4	19	9	32	-	32
Interest expense and similar items	(72)	(49)	52	(69)	-	(69)
Profit (loss) from ordinary activities before tax	**158**	**309**	**(8)**	**459**	**73**	**532**

Assets 2004

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core business areas	Discon- tinuing operations	Consoli- dated total
Non-current assets						
Goodwill	441	1,940	-	2,381	-	2,381
Development projects, developed in-house	70	306	-	376	-	376
Software, acquired	-	-	3	3	-	3
Software, developed in-house	39	64	-	103	-	103
Patents and rights	12	68	-	80	-	80
Telecommunications systems	-	-	41	41	-	41
Other intangible assets	90	151	-	241	-	241
Total intangible assets	**652**	**2,529**	**44**	**3,225**	**-**	**3,225**
Factory and office buildings	-	118	77	195	-	195
Leasehold improvements	11	42	-	53	-	53
Plant and machinery	33	61	-	94	-	94
Operating assets and equipment	25	53	1	79	-	79
Leased plant and equipment	-	4	-	4	-	4
Telecommunications systems	-	-	-	-	-	-
Plant under construction	4	-	-	4	-	4
Total property, plant and equipment	**73**	**278**	**78**	**429**	**-**	**429**
Investments in associates	3	134	-	137	-	137
Other securities	2	4	-	6	-	6
Other receivables	5	25	-	30	-	30
Deferred tax assets	246	244	(72)	418	-	418
Total investments	**256**	**407**	**(72)**	**591**	**-**	**591**
Total non-current assets	**981**	**3,214**	**50**	**4,245**	**-**	**4,245**
Current assets						
Inventories	**212**	**306**	**-**	**518**	**-**	**518**
Trade receivables	367	535	45	947	-	947
Receivables from subsidiaries	26	57	(87)	(4)	4	-
Receivables from associates	-	6	-	6	-	6
Receivable tax	15	6	-	21	-	21
Other receivables	102	89	25	216	-	216
Deposited bank balances	-	-	-	-	-	-
Prepayments	17	69	-	86	-	86
Total receivables	**527**	**762**	**(17)**	**1,272**	**4**	**1,276**
Listed securities	**-**	**-**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**15**	**49**	**1**	**65**	**2**	**67**
Total current assets	**754**	**1,117**	**(16)**	**1,855**	**6**	**1,861**
Total assets	**1,735**	**4,331**	**34**	**6,100**	**6**	**6,106**

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Cash flow statement 2004

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core business areas	Discon- tinuing operations	Consoli- dated total
Cash flows from operating activities	310	615	34	959	-	959
Cash flows from investing activities	(123)	(176)	(60)	(359)	86	(273)
Cash flows from operating and investing activities	187	439	(26)	600	86	686
Cash flow from company acquisitions/company disposals	-	-	-	-	-	-
Total cash flows	**187**	**439**	**(26)**	**600**	**86**	**686**

Equity and liabilities 2004

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core business areas	Discon- tinuing operations	Consoli- dated total
Equity						
Share capital	30	60	595	685	194	879
Share premium	204	2,660	(2,953)	(89)	89	-
Net revaluation using the equity method	-	-	-	-	-	-
Foreign exchange adjustments	(390)	(1,222)	48	(1,564)	-	(1,564)
Proposed dividends for the year	-	-	132	132	-	132
Retained earnings	385	1,543	3,549	5,477	(297)	5,180
Total equity	**229**	**3,041**	**1,371**	**4,641**	**(14)**	**4,627**
Liabilities						
Bank loans	-	11	100	111	-	111
Capitalized lease obligations	-	4	-	4	-	4
Other long-term payables	-	1	-	1	-	1
Received prepayments	-	28	-	28	-	28
Pension obligations and similar obligations	-	16	1	17	-	17
Deferred tax	7	3	(5)	5	-	5
Other provisions	10	53	66	129	-	129
Total non-current liabilities	**17**	**116**	**162**	**295**	**-**	**295**
Repayment of long-term loans	-	1	-	1	-	1
Bank loans	26	106	68	200	-	200
Trade payables	151	106	14	271	4	275
Amounts owed to subsidiaries	1,117	479	(1,596)	-	-	-
Amounts owed to associates	-	3	-	3	-	3
Tax payable	4	19	-	23	-	23
Other payables	169	295	15	479	16	495
Received prepayments	-	33	-	33	-	33
Other provisions	22	132	-	154	-	154
Total current liabilities	**1,489**	**1,174**	**(1,499)**	**1,164**	**20**	**1,184**
Total liabilities	**1,506**	**1,290**	**(1,337)**	**1,459**	**20**	**1,479**
Total equity and liabilities	**1,735**	**4,331**	**34**	**6,100**	**6**	**6,106**

Income statement 2003

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core business areas	Discon- tinuing operations	Consoli- dated total
External revenue	1,760	2,968	14	4,742	-	4,742
Internal revenue	-	-	-	-	-	-
Revenue	**1,760**	**2,968**	**14**	**4,742**	**-**	**4,742**
Production costs	(858)	(1,295)	(2)	(2,155)	-	(2,155)
Gross profit	**902**	**1,673**	**12**	**2,587**	**-**	**2,587**
Development costs	(81)	(169)	-	(250)	-	(250)
Selling and distribution costs	(373)	(743)	-	(1,116)	-	(1,116)
Management and administrative expenses	(275)	(328)	(73)	(676)	-	(676)
Other operating income	1	2	1	4	-	4
Amortization and impairment of goodwill and other intangible assets acquired in company acquisitions	(54)	(265)	-	(319)	-	(319)
Restructuring	(76)	(64)	-	(140)	-	(140)
Operating profit (loss) before share of profit (loss) in subsidiaries and associates	**44**	**106**	**(60)**	**90**	**-**	**90**
Share of profit (loss) in associates	(1)	(10)	7	(4)	-	(4)
Operating profit (loss)	**43**	**96**	**(53)**	**86**	**-**	**86**
Gains/losses on disposal of discontinuing operations	-	-	57	57	75	132
Profit (loss) before interest income and expense and similar items	**43**	**96**	**4**	**143**	**75**	**218**
Interest income and similar items	20	66	93	179	-	179
Interest expense and similar items	(86)	(113)	66	(133)	(1)	(134)
Profit (loss) from ordinary activities before tax	**(23)**	**49**	**163**	**189**	**74**	**263**

Assets 2003

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core business areas	Discon- tinuing operations	Consoli- dated total
Non-current assets						
Goodwill	515	2,261	-	2,776	-	2,776
Development projects, developed in-house	70	277	-	347	-	347
Software, acquired	-	-	1	1	-	1
Software, developed in-house	42	57	-	99	-	99
Patents and rights	15	74	-	89	-	89
Telecommunications systems	-	-	50	50	-	50
Other intangible assets	106	176	-	282	-	282
Total intangible assets	**748**	**2,845**	**51**	**3,644**	**-**	**3,644**
Factory and office buildings	-	120	-	120	-	120
Leasehold improvements	10	48	-	58	-	58
Plant and machinery	21	59	-	80	-	80
Operating assets and equipment	23	47	2	72	-	72
Leased plant and equipment	-	7	-	7	-	7
Telecommunications systems	-	-	-	-	-	-
Plant under construction	-	-	-	-	-	-
Total property, plant and equipment	**54**	**281**	**2**	**337**	**-**	**337**
Investments in associates	3	141	32	176	-	176
Other securities	3	3	-	6	-	6
Other receivables	21	27	-	48	-	48
Deferred tax assets	198	233	(56)	375	-	375
Total investments	**225**	**404**	**(24)**	**605**	**-**	**605**
Total non-current assets	**1,027**	**3,530**	**29**	**4,586**	**-**	**4,586**
Current assets						
Inventories	**198**	**424**	**-**	**622**	**-**	**622**
Trade receivables	333	563	62	958	-	958
Receivables from subsidiaries	24	2	(31)	(5)	5	-
Receivables from associates	-	7	-	7	-	7
Receivable tax	33	11	-	44	-	44
Other receivables	43	88	3	134	-	134
Deposited bank balances	-	-	74	74	-	74
Prepayments	16	72	-	88	-	88
Total receivables	**449**	**743**	**108**	**1,300**	**5**	**1,305**
Listed securities	**-**	**1**	**13**	**14**	**-**	**14**
Cash and cash equivalents	**29**	**37**	**3**	**69**	**1**	**70**
Total current assets	**676**	**1,205**	**124**	**2,005**	**6**	**2,011**
Total assets	**1,703**	**4,735**	**153**	**6,591**	**6**	**6,597**

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Cash flow statement 2003

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

Equity and liabilities 2003

(DKK millions)	GN Netcom	GN ReSound	Other/ elimina- tions	Core business areas	Discon- tinuing operations	Consoli- dated total
Equity						
Share capital	30	60	594	684	195	879
Share premium	204	2,660	(2,954)	(90)	90	-
Net revaluation using the equity method	-	-	-	-	-	-
Foreign exchange adjustments	(322)	(990)	35	(1,277)	(1)	(1,278)
Proposed dividends for the year	-	-	132	132	-	132
Retained earnings	164	1,248	3,627	5,039	(299)	4,740
Total equity	**76**	**2,978**	**1,434**	**4,488**	**(15)**	**4,473**
Liabilities						
Bank loans	-	3	650	653	-	653
Capitalized lease obligations	-	5	-	5	-	5
Other long-term payables	5	1	-	6	-	6
Received prepayments	-	23	-	23	-	23
Pension obligations and similar obligations	-	14	1	15	-	15
Deferred tax	25	9	(14)	20	-	20
Other provisions	13	65	37	115	-	115
Total non-current liabilities	**43**	**120**	**674**	**837**	**-**	**837**
Repayment of long-term loans	-	6	-	6	-	6
Bank loans	31	78	86	195	-	195
Trade payables	88	175	22	285	4	289
Amounts owed to subsidiaries	1,282	868	(2,150)	-	-	-
Tax payable	37	25	-	62	-	62
Other payables	107	282	84	473	17	490
Received prepayments	-	37	-	37	-	37
Other provisions	39	166	3	208	-	208
Total current liabilities	**1,584**	**1,637**	**(1,955)**	**1,266**	**21**	**1,287**
Total liabilities	**1,627**	**1,757**	**(1,281)**	**2,103**	**21**	**2,124**
Total equity and liabilities	**1,703**	**4,735**	**153**	**6,591**	**6**	**6,597**

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	Country	Currency	Share capital	Ownership %
GN Store Nord A/S	**Denmark**	**DKK**	**879,100,252**	**N/A**
GN Netcom A/S	**Denmark**	**DKK**	**30,100,000**	**100**
GN Netcom (UK) Limited	Great Britain	GBP	100,000	100
GN Netcom GmbH	Germany	EUR	51,100	100
GN Netcom S.A.	France	EUR	80,000	100
GN Netcom (Canada) Inc.	Canada	CAD	350,000	100
GN Netcom Australia Pty. Ltd.	Australia	AUD	2,500,000	100
GN Netcom (Japan) Ltd.	Japan	JPY	10,000,000	100
GN Netcom Inc.	USA	USD	35,900,000	100
GN Netcom Asia Ltd.	Hong Kong	HKD	2,000,000	100
GN Netcom (China) Ltd.	China	USD	41,843,300	100
GN Netcom Logistic (Xiamen) Ltd.	China	USD	4,133,700	100
GN Netcom European Repair Centre B.V.	Netherlands	EUR	18,000	100
GN Netcom (Iberica) S.A.	Spain	EUR	60,111	100
GN Transistor AB	Sweden	SEK	5,100,000	100
GN Hello Direct	USA	USD	450,000	100
GN Netcom (Italia) S.r.l.	Italy	EUR	10,200	100
GN Netcom (Singapore) Pte Ltd	Singapore	SGD	200,000	100
▲ QuBiT A/S	Denmark	DKK	269,231	35
GN ReSound A/S	**Denmark**	**DKK**	**60,000,000**	**100**
GN US Holdings Inc.	USA	USD	22,000,000	100
GN Hearing Care Corporation	USA	USD	120,000	100
GN Resound Norge AS	Norway	NOK	2,000,000	100
GN ReSound GmbH Höertechnologie	Germany	EUR	2,162,253	100
GN ReSound GmbH	Germany	EUR	296,549	100
GN ReSound B.V.	Netherlands	EUR	680,840	100
GN ReSound AG	Switzerland	CHF	420,000	100
GN Resound do Brazil Ltda.	Brazil	BRL	4,858,481	100
GN ReSound AB	Sweden	SEK	100,000	100
GN ReSound S.A.S.	France	EUR	285,957	100
GN ReSound Ltd.	Great Britain	GBP	7,376,000	100
GN ReSound Ireland Holdings Ltd.	Ireland	USD	1,548,000	100
GN ReSound Ireland Ltd.	Ireland	USD	1,548,000	100
GN ReSound Ireland Sales Ltd.	Ireland	USD	160	100
GN ReSound GDC Ltd.	Ireland	USD	8,984,000	100
GN ReSound China Ltd.	China	CNY	34,000,000	100
GN GROC Ltd.	China	USD	500,000	100
GN ReSound Pty. Ltd.	Australia	AUD	4,000,002	100
GN ReSound NV	Belgium	EUR	495,800	100
GN ReSound NZ Ltd	New Zealand	NZL	2,000,000	100
GN Resound Italia SRL	Italy	EUR	181,190	100

	Country	Currency	Share capital	Ownership %
GN ReSound Höertechnologie GmbH	Austria	EUR	500,000	100
GN Resound Japan K.K.	Japan	JPY	499,000,000	100
GN Otometrics A/S	Denmark	DKK	23,239,000	100
GN Otometrics Verwaltungs GmbH	Germany	EUR	25,000	100
GN Otometrics GmbH & Co. KG	Germany	EUR	409,034	100
GN Otometrics Holding GmbH	Germany	EUR	1,800,000	100
GN Hearing Care Canada Ltd.	Canada	CAD	10,000	100
Beltone Espana S.A.	Spain	EUR	66,111	100
Beltone Deutschland GmbH	Germany	EUR	76,694	100
Beltone Europe Holding ApS	Denmark	DKK	200,000	100
Beltone Audiologic France S.A.S.	France	EUR	650,000	100
Beltone Norge AS	Norway	NOK	1,000,000	100
Beltone Schweiz GmbH	Switzerland	CHF	20,000	100
Beltone Netherlands B.V.	Netherlands	EUR	45,000	100
Beltone Holdings 1 Inc.	USA	USD	1	100
Beltone Holdings 2 Inc.	USA	USD	1	100
▲ Viennatone S.A. de C.V.	Mexico	MXN	50,000	49
▲ Marke-Med Sp. Zoo.	Poland	PLN	62,500	40
▲ K/S Himpp	Denmark	DKK	108,174,000	30
▲ Himpp A/S	Denmark	DKK	2,200,000	30
▲ HIMSA A/S	Denmark	DKK	1,000,000	25
▲ Ultravox Holdings Ltd.	Great Britain	GBP	8,594	25
▲ Danavox Hungary	Hungary	HUF	1,000,000	19
▲ OY Danalink AB	Finland	EUR	100,913	10
GN Cable System A/S	**Denmark**	**DKK**	**500,000**	**100**
● Danish Polish Telecommunications Group I/S	Denmark	DKK	N/A	75
● Danish Russian Telecommunications Group I/S	Denmark	DKK	N/A	50
GN Great Nordic Telco A/S	Denmark	DKK	10,500,000	100
GN Great Britain Ltd.	**Great Britain**	**GBP**	**21,000,005**	**100**
GN af 19. januar 1998 A/S	**Denmark**	**DKK**	**91,013,000**	**100**
GN af 20. januar 1998 A/S	**Denmark**	**DKK**	**11,525,000**	**100**
GN af 30. september 2000 A/S	**Denmark**	**DKK**	**500,000**	**100**

▲ Indicates associates

● Indicates associates under joint control. These are accounted for by proportionate consolidation. The joint control is based on agreements on exercise of voting rights, joint control, and on possesion and disposal of ownership interests, etc. The partnerships (I/S) stated on the list do not publish financial statements subject to section 5 of the Danish Financial Statements Act, as they are included in the consolidated financial statements of GN Store Nord A/S.

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

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

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

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

EBIT
Earnings before interest and tax.

EBT
Earnings before tax.

Key ratio definitions

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

Key ratios are calculated in accordance with “Recommendations & Financial Ratios 2005” issued by the Danish Society of Financial Analysts.

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International Financial Reporting Standards

The Annual Report for 2004 is presented in accordance with the international financial reporting standards, IFRS, and additional Danish financial reporting requirements for listed companies. For ease of comparison with GN's foreign competitors, EBITDA, EBITA and other accounting terms that are not official terms according to IFRS are used in both Management's report and in the financial statements. The relationship between IFRS accounts and other terms and concepts applied is explained on page 22 of this report. GN Store Nord has prepared its annual report in accordance with international financial standards since 1999.

Forward-looking statements

The forward-looking statements in this annual report reflect GN management's current expectations for future events and financial results. Statements regarding 2005 are, of course, subject to risks and uncertainties which may result in material deviations from expectations. Factors that may cause the actual results to deviate materially from expectations include but are not limited to general economic developments and developments in the financial markets; technological developments; changes and amendments to legislation and regulations in GN's markets; changes in product demand; competition; shortages of components needed in production; and the integration of company acquisitions. For more information, see "GN 360° – Operations and risk" 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.

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