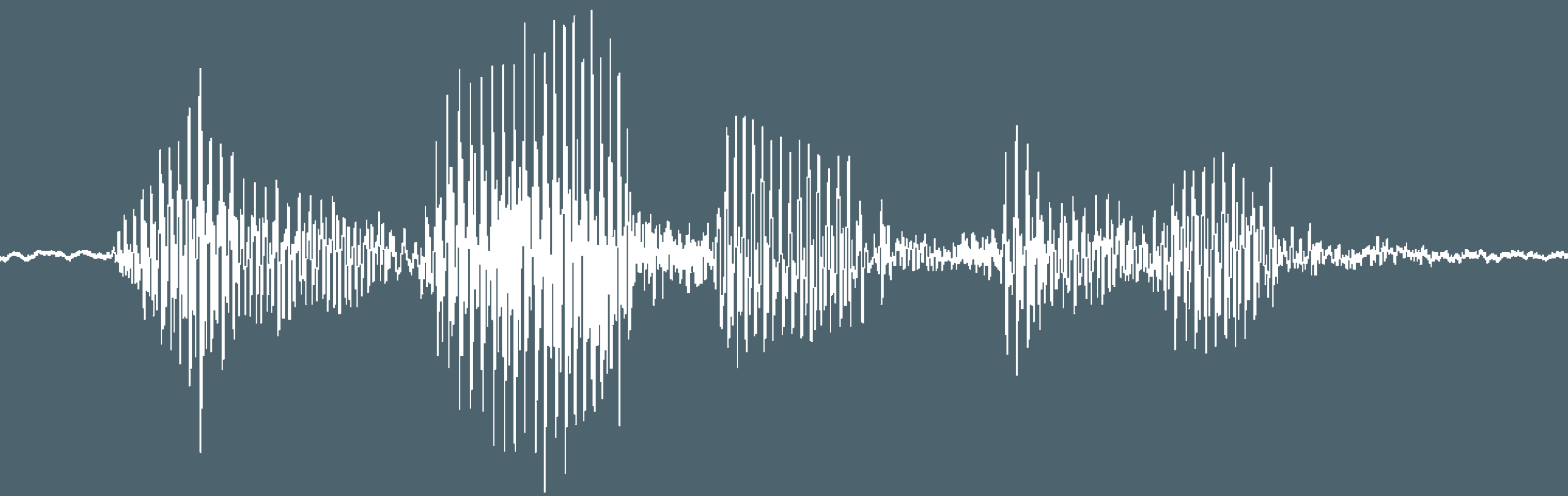
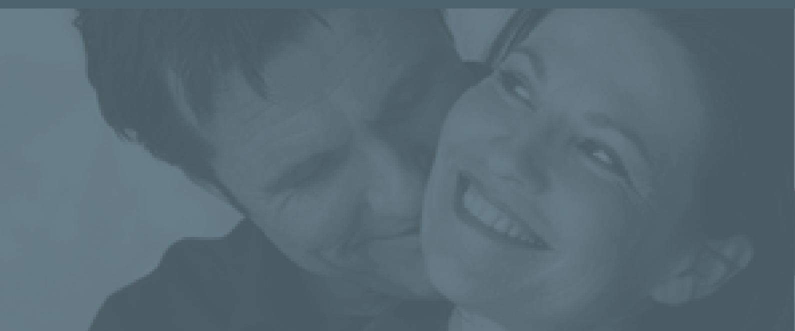
2007

GN STORE NORD | ANNUAL REPORT

A WORLD OF SOUND





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PROFILE

GN Netcom is a leading developer and supplier of headsets. GN Netcom markets its headsets for contact centers and offices (CC&O) and headsets for mobile phones (Mobile) under the Jabra brand. GN Netcom is also an OEM supplier to a wide range of global customers including mobile phone, PC and PDA manufacturers. GN Netcom has outsourced all production and appointed an electronic manufacturing services supplier as its main supply chain provider. The total workforce in GN Netcom numbered about 1,200 employees at December 31, 2007.

GN ReSound is a leading developer and manufacturer of advanced hearing instruments and audiologic diagnostic equipment. The hearing instruments are sold under the GN ReSound, Beltone and Interton brands. GN Otometrics manufactures and sells audiological diagnostics equipment under the Madsen, Aurical and ICS brands. GN ReSound's manufacturing is based mainly at the company's factory in Xiamen, China. The total workforce in GN ReSound numbered about 3,400 employees at December 31, 2007.

THE YEAR AT A GLANCE

Indeed, 2007 was an eventful and decisive year for GN Store Nord. GN began the year as a dedicated headset company after the October 2006 decision to divest GN ReSound, our hearing instrument and audiologic diagnostics equipment operations, to Swiss hearing instrument manufacturer Sonova.

GN Netcom pursued the strategy plan outlined in early 2007 and the required improvements of efficiency, quality and margins have now started to materialize. The strategy plan implied a comprehensive reengineering of the business and planned initiatives for a lean and market-oriented organization. Cost cutting, a general sharpening and simplification of processes, new product platforms, and a new supply-chain setup implying outsourcing of all manufacturing and substantial parts of logistics were some of the components of the strategy plan. The reengineering phase is expected to last until late 2008 after which GN Netcom will accelerate growth. This will be achieved by way of frequent launches of innovative products targeting both new and existing customers without parallel growth in cost levels, capital expenditure and working capital.

The GN ReSound selling price of DKK 15.5 billion reflected the strength and value of GN ReSound combined with the significant synergies that could be achieved through the creation of a Global Number One in the hearing instrument industry. GN's Supervisory Board estimated that this extraordinary price would secure high returns to the shareholders and enable them to realize immediately a significant portion of the future potential of the GN ReSound operations.

The transaction received all but one of the required competition authority approvals. In April 2007, the German Federal Cartel Office unexpectedly decided to prohibit the transaction. GN appealed the decision and, in parallel to this main appeal, GN and Sonova applied for injunctive relief to close the transaction quickly since a normal time-consuming appeal process would damage GN's hearing instrument business. However, in August, the Court of Appeal - departing both from previous case law and European legal standards - decided that it did not have the power to grant injunctive relief. Consequently, Sonova abandoned the share purchase agreement.

Following the German prohibition, GN pursued an intense strategic process in the summer of 2007 in which all options were carefully explored in co-operation with financial advisers JP Morgan in order to find a solution for GN ReSound. As part of the analysis, GN obtained indicative offers for GN ReSound predominantly from several financial sponsors. The German injunction against the Sonova transaction effectively blocked any solution involving major players within the hearing instrument industry and the financial sponsors' indicative offers demonstrated that they would be unable to achieve industrial synergies and offer a sufficient premium for future earnings potential. Based on this market check, the Supervisory Board was confident that a divestment was not in the best interest of the shareholders, as it would imply a discount compared to the long-term potential of the business activities. Consequently, GN is better positioned with a continued and dedicated presence in the attractive hearing instruments industry.

Also, the Supervisory Board analyzed a de-merger of GN into two separate listed entities – a headset entity and a hearing instrument entity. While there would be benefits from a de-merger, the Supervisory Board found that it was of paramount importance to stop as fast as possible the detrimental period of uncertainty which had lasted for 16 months and had begun to negatively impact GN ReSound. A full de-merger would be time-consuming, occupy management resources, remove focus from the business, prolong the period of uncertainty and, finally, imply significant costs. Moreover, a de-merger would introduce the two entities as stand-alone companies to the stock market at a time when both are in a turnaround situation and where full attention needs to be on developing the businesses.

Following this analysis, the Supervisory Board in November 2007 decided to abandon the strategic process concerning the sale of GN ReSound and keep the hearing instrument and audiologic diagnostics equipment activities as a part of GN.

In November 2007, GN's Supervisory Board implemented a new corporate governance structure which will secure full focus on competitive and profitable growth in both GN ReSound and GN Netcom. The new governance structure means that GN ReSound and GN Netcom are now run as separate business entities.

The listed company GN Store Nord A/S consists of a small secretariat with a number of functions such as group consolidation, IR & communications, tax, legal affairs, treasury and risk management.

As of March 1, 2008, GN's Executive Management consists of CEO Toon Bouten, GN Netcom, and CEO Mike van der Wallen, GN ReSound as equally ranked executives.

Consolidated financial highlights (DKK million)	2003	2004	2005	2006	2007
Earnings - Income statement in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU					
Revenue	4,742	5,548	6,644	6,766	5,981
Operating profit (loss) before share of profit (loss) in subsidiaries and associates and special items	90	506	834	257	260
Operating profit (loss)	86	532	823	257	230
Profit (loss) from ordinary activities before tax	263	534	815	249	(100)
Profit (loss) from continuing operations	250	508	850	323	(94)
Profit (loss) from discontinuing operations	-	-	-	25	27
Profit (loss) for the year	250	508	850	348	(67)
Earnings - Investor-specific highlights					
Earnings before depreciation, amortization and impairment (EBITDA)	670	865	1.051	466	500
Earnings before amortization and impairment of goodwill and other intangible assets acquired in company acquisitions (EBITA)	549	731	876	262	294
Balance sheet					
Share capital	879	879	879	855	833
Group equity	4,473	4,580	5,349	4,900	4,482
Parent company equity	4,473	5,799	5,286	4,811	5,563
Total assets	6,597	6,086	8,091	8,227	7,835
Net interest-bearing debt*	(784)	(245)	(720)	(1,387)	(1,516)
Cash flows					
Cash flows from operating activities (CFFO)	827	959	828	491	478
Cash flows from investing activities	(358)	(273)	(751)	(722)	(661)
Total cash flows from operating and investing activities	469	686	77	(231)	(183)
Dividends					
Parent company dividends paid	132	132	132	-	-
Development costs					
Development costs incurred for the period	264	307	371	514	552
Restructuring costs					
Restructuring recognized in income statement	140	-	7	67	67
Restructurings, paid	147	40	8	60	32
Investments					
Plant and machinery etc.	105	121	168	214	102
Real property including leasehold improvements	47	99	18	148	36
Development projects, developed in-house	132	142	188	96	311
Other intangible assets excluding goodwill	38	41	49	52	71
Investments in discontinuing operations (January 1 - September 30, 2006)	-	-	-	187	-
Total (excluding company acquisitions)	322	403	423	697	520
Acquisition of companies	-	-	457	-	11
Acquisition of associates and operations	26	1	74	-	33
Total investments	348	404	954	697	564
Depreciation and impairment of property, plant and equipment and amortization of intangible assets	565	473	335	366	474
Impairment of intangible assets	-	-	8	-	19
Key ratios					
Parent company pay-out ratio	15.0%	15.0%	15.0%	0.0%	0.0%
Dividend per DKK 4 share (in Danish kroner)	0.6	0.6	0.6	0.0	0.0
EBITA margin	11.6%	13.2%	13.2%	3.9%	4.9%
Return on invested capital including goodwill (ROIC including goodwill)*	8.5%	16.2%	17.8%	4.6%	5.3%
Return on equity	5.4%	11.2%	17.1%	6.8%	(1.4)%
Equity ratio	67.8%	75.3%	66.1%	59.6%	57.2%
Key ratios per share					
Earnings per share basic (EPS)	1.19	2.40	4.04	1.71	(0.33)
Earnings per share, fully diluted (EPS diluted)	1.18	2.38	4.00	1.69	(0.33)
Earnings per share excluding amortization and impairment of intangible assets and restructurings, etc.	3.36	3.47	4.28	2.22	0.17
Earnings per share excluding amortization and impairment of intangible assets and restructurings, etc., fully diluted	3.35	3.44	4.23	2.20	0.17
Cash flow from operating activities per share (CFPS)	3.90	4.50	3.94	2.39	2.35
Book value per DKK 4 share	21	27	25	23	27
Share price at the end of the period	38	59	83	84	40
Employees					
Average number	4,343	4,640	5,190	5,483	4,920

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

CORPORATE PROFILE

GN Store Nord has been helping people connect since 1869. Initially as a telegraph company and now as a headset company (GN Netcom) as well as hearing instruments and audiologic diagnostics equipment company (GN ReSound). The two businesses are run as separate entities.

The listed company GN Store Nord A/S consists of a small secretariat with a number of functions such as group consolidation, IR & communications, tax, legal affairs, treasury and risk management.

GN has about 43,000 registered shareholders, who own almost 70% of the share capital in aggregate. Foreign investors hold an estimated 30% of the shares in the company. GN is listed on OMX Nordic Exchange Copenhagen and is a component of the OMX C20 Index.

Overall Goals

GN's businesses aim to be market-oriented with focus on high quality and innovative solutions. Further, GN aims to retain its status as an attractive employer that offers global development opportunities to employees.

GN’s overall financial goals are to achieve competitive profitability, create an attractive return on capital employed in all business areas, and to ensure that the GN share price reflects the company’s results and strategic potential.

BUSINESS SPECIFIC GOALS AND MEANS

GN NETCOM

Goals	Means
• Accelerate profitable growth	• Offer unique products to key customers and on key markets – with high productivity
• World-class operational excellence	• Successfully finalize the outsourcing of manufacturing and substantial parts of logistics
• Lean and agile organization	• Capitalize on the new, market-oriented organization and other substantial organizational changes

GN RESOUND

Goals	Means
• Accelerate profitable growth	• Recapture customers and orders lost, expand distribution and capitalize on launching innovative hearing instruments
• Increase cost efficiency	• Finalize postponed integration projects and general streamlining

SIGNIFICANT TURNAROUND PLANS INITIATED IN 2007

In 2007, both GN ReSound and GN Netcom launched significant turnaround initiatives aiming to increase growth, reduce fixed costs, and improve financial performance.

In February, GN Netcom presented its Three-Stages-towards-Profitable-Growth strategy plan, and later in the year an additional plan was launched to accelerate a turnaround of the Mobile business within GN Netcom.

Following GN's Supervisory Board's decision in November to abandon the sales process concerning GN ReSound and keep the activities within GN, GN ReSound launched a turnaround program aiming to increase gross margins, improve cost control, and strengthen quality.

Below is an overview of the most important milestones and accomplishments in GN ReSound's and GN Netcom's turnaround initiatives.

TURNAROUND PLANS IN GN NETCOM

GN Netcom pursues the strategy plan – Three-Stages-towards-Profitable-Growth - outlined in early 2007 and the required improvements of growth, efficiency, quality and margins are now starting to show, albeit at a somewhat slower pace than originally anticipated. The strategy implies a comprehensive reengineering of the business which was initiated in early 2007 and is expected to be completed by the end of 2008 after which GN Netcom will accelerate growth with launches of innovative products targeting both new and existing customers without parallel growth in cost levels, capital expenditure and working capital.

1. The first important element of the strategy plan aims to create a leaner and more market-oriented organization. A new, market-oriented organization with focused business units was implemented in early 2007 and the number of employees has been adjusted following a general streamlining of the organization as well as outsourcing of all production. End 2007 the number of employees was approximately 1,200 compared to approximately 1,800 at the end of 2006.

   Later in the year, in December 2007, a new strong second-tier sales management team was appointed in order to improve overall sales execution. This encompassed a new global head of sales and new regional sales managers in North America and Asia Pacific. In North America, more resources have also been made available to grow sales through contact center resellers and other specialist tech channels.

   The Global Accounts organization has also been strengthened, and during 2007 GN Netcom won a number of new important OEM programs with effect in 2008. The current portfolio of OEM programs is spread across a number of large accounts with a good mix of new and established programs.

   During 2007, GN Netcom transferred R&D resources from Mobile Headsets to CC&O Headsets to support investment in the development of new, innovative CC&O products thus adjusting R&D resources in Mobile Headsets to a more focused product portfolio, which to a higher extent is based on shared platforms.

2. The second element of the plan focuses on operational excellence. First of all, this implies a fundamental change of GN Netcom's supply chain including outsourcing of all manufacturing and substantial parts of logistics as well as a significant reduction of the number of subcontractors. The restructuring of the supply chain is progressing and is to a large extent expected to be in place by the end of 2008.

   Previously GN Netcom had a complex supply chain set-up with approximately 30 different manufacturing suppliers, providing various manufacturing services along with GN Netcom's own. Going forward, a large part of GN Netcom's manufacturing activities will be handled by Celestica, while the rest will be carried out by a small handful of other key manufacturing suppliers. Celestica will also handle the entire distribution and the fulfillment centers. The impact of the new supply chain setup will be substantial. As well as giving GN Netcom a world class supply chain set-up with greater flexibility and scalability, this will also result in lower working capital by increasing inventory turns through among other things implementation of the fulfillment centers and a new IT platform.

3. The third element of the strategy plan focuses on enhanced productivity and is closely intertwined with the above-mentioned pursuit of operational excellence. Enhanced productivity in relation to costs, working capital, employees, production, distribution, and suppliers is expected to materialize as outsourcing of substantial parts of the supply chain materializes during 2008. Additionally, enhanced productivity in several parts of the value chain are expected following implementation of streamlined information and IT application structures, central coordination of marketing and sales operations, increased use of bonus schemes and several other initiatives.

Mobile business turnaround

Market development and performance in the Mobile business during 2007 made it evident that the initiatives in the strategy plan were insufficient to fully reengineer the Mobile business. An additional turnaround plan was initiated for the Mobile business in the second half of 2007. Several projects have been executed already and a number of projects will extend into 2008. The key elements of the plan are to focus on the largest markets, focus on key products and focus on key customers. In order to improve performance and cost efficiency, GN Netcom will focus on fewer, but better selling products in fewer, but larger markets and as a result the cost base in the Mobile business will be reduced gradually in 2008.

To improve the sale of mobile headsets and other retail products, a dedicated retail organization will be set up in early 2008.

TURNAROUND PLANS IN GN RESOUND

GN ReSound initiated a turnaround program in late 2007. The primary focus of the program is to create profitable growth, with a secondary focus being to increase cost efficiency, e.g. through the full integration of certain business units and the introduction of a more cost efficient set-up for GN ReSound's manufacturing and supply chain. Finally, the program also addresses the need for ongoing process improvements across the business. Several key elements of the program are delayed initiatives that GN ReSound was forced to put on hold during the 16-month sales process.

The program was developed under close supervision from the Supervisory Board. As an important step in the turn-around of GN ReSound a new President and CEO, Mike van der Wallen, has been appointed. GN Resound's new CEO will continue the turnaround of the company and further accelerate business development on top of the program.

Accelerating profitable growth

A new, flatter regional sales organization has been implemented to enhance market focus and facilitate faster decision-making regarding evolving market opportunities. The flatter sales organization entails that three regional sales managers and the Beltone Network sales manager now report directly to the GN ReSound CEO. All vacant sales positions have also been filled including a few new country managers. To further accelerate GN ReSound's growth, the turnaround program focuses on:

1. Further capitalizing on product launches – GN ReSound increased R&D investments significantly throughout the years 2004-2007 and a high investment level was maintained throughout the protracted sales process. Thanks to these investments GN ReSound now possesses an attractive product pipeline to capitalize on further through rapid product launches in 2008.

   In particular, the program focuses on high-end product launches to accelerate growth, and in January 2008 GN ReSound launched the smallest BTE hearing instrument on the market: dot™ by ReSound. The initial market feed back on dot™ is promising and sales are off to a good start but as with all product launches the real "proof" is in the repeated purchases, which are normally seen 3-4 months after launch.

   To further support successful product launches during 2008 and beyond, several excellence programs have been put into motion encompassing sharpened brand positioning, pricing and product launch execution.

2. Winning back accounts and expanding distribution – customers were lost due to the uncertainty of the Sonova ownership and the protracted sales process. Through the new, flatter regional sales structure a concerted effort is now being made to win back these accounts along with targeted efforts towards specific and named opportunities and key accounts, specifically in the main western markets, where GN ReSound's sales were the most affected by the protracted sales process.

   Work is also in progress to improve and expand GN ReSound's distribution, including new distribution models and joint venture models. GN ReSound's attractive pipeline is an important tool for strengthening the cooperation with key accounts and for the reestablished sales force in reopening doors that were closed during the sales process as well as opening doors to new customers.

3. Investing in building new infrastructure in emerging markets, where GN ReSound has a good starting point, such as India, Singapore, Mexico and China. As of January 1, 2008 GN ReSound acquired 51% of the shares in the Indian distributor GN ReSound India Private Ltd. and is now the sole owner of the company. A new management has been appointed. These investments and attention towards the markets with growth potential will improve GN ReSound's ability to further boost progress.

4. Improving processes - the delivery performance increased during 2007 at the same time as inventory levels decreased. This is due to a strong focus on inventory management together with the implementation of a DMI (Demand Managed Inventory) between GN ReSound's facilities in Xiamen, China, and the global distribution centre in Denmark. DMI relays replenishment signals on a prioritized basis taking into account customer demand vs. safety stock levels. It also allows Xiamen to plan production on a two day cycle as opposed to the previous weekly cycle and assigns components on the basis of urgency.

Finalize integration and streamline

A key element of the program is finalizing several integration projects that were put on hold during the sales process. Also, GN ReSound has identified selected areas, where cost control can be further improved and existing expenditure can be better exploited:

1. The full integration of Interton into the GN ReSound organization was halted by the sales process. Full integration of manufacturing facilities has now been initiated, including the transfer of certain processes to GN ReSound's facilities in China. Also, full integration has commenced of the supply chain and sales organizations in such a way as to better leverage GN Resound's supply chain management and sales expertise in Copenhagen. Within R&D, Interton is now being integrated in GN ReSound's global R&D setup. These initiatives will enable Interton to upgrade their technologies and deliver further economies of scale to GN ReSound.

2. In Germany, the Interton and GN ReSound organizations are moving to a single location, while the sales organization will continue to go to market separately for the two brands. This integration will produce significant cost savings in back office functions and improve execution.

3. A reduction and streamlining of back-office functions in the US was executed in Q4 2007, including the integration of IT functions into GN ReSound's global IT organization in Copenhagen.

The above-mentioned initiatives were all put in motion immediately after GN's decision to keep GN ReSound and they will form the groundwork in the turnaround of GN ReSound. From this starting point the new management team will look into further initiatives to develop GN ReSound into an attractive business for GN.

OUTLOOK FOR 2008

Expectations are expressed in approximate numbers and are subject to significant uncertainty due to the substantial turnaround initiatives in both GN Netcom and GN ReSound, the volatility of GN's markets as well as the general uncertainty related to the macroeconomic outlook.

In 2008, the results will be divided into GN Netcom, GN ReSound and Other Activities (including the secretariat), and guidance is provided accordingly. Among others due to the large shared cost base in GN Netcom as well as the operational links and dependencies between the business areas, EBITA in GN Netcom will only be shown on a consolidated basis.

In GN Netcom, the EBITA guidance excluding non-recurring items is DKK 125-175 million on a revenue forecast of DKK 2,800 million or above, corresponding to overall organic growth of at least 5%.

The quarterly results in GN Netcom will be affected by normal seasonality as well as the exact timing of OEM programs and product launches which are primarily expected during the second half of 2008. Furthermore, the quarterly results will be affected by the gradual implementation of the strategy plan as well as the continuation of the turnaround plan for Mobile Headsets. In addition to the above EBITA guidance for GN Netcom, non-recurring costs of approximately DKK 75 million are expected – primarily a postponement of non-recurring costs previously expected in 2007 in connection with the outsourcing of a substantial part of the supply chain. The total non-recurring costs in 2007 and 2008 of just below DKK 150 million are thus higher than the original forecast made in early 2007 of DKK 50-100 million primarily due to developments in Mobile Headsets.

In spite of the operational links and dependencies between the business areas, it is evident that a 2008 loss in Mobile Headsets is embedded in the guidance. This is not satisfactory and therefore GN Netcom has initiated plans that imply an EBITA at breakeven in Mobile Headsets in 2009.

In GN ReSound, the EBITA guidance is DKK 250-300 million on a revenue forecast of approximately DKK 3,000 million based on flat organic growth compared to 2007. Audiologic Diagnostics Equipment is expected to contribute revenue of approximately DKK 300-325 million and a EBITA margin of 3-5% to the GN ReSound guidance.

As winning back orders and customers lost by Hearing Instruments is expected to take time, GN ReSound is expected to be negatively impacted by the abandoned sales process during the first half of 2008, although this impact may be somewhat offset by new product launches.

Other Activities is expected to generate EBITA of approximately DKK (30) million representing primarily stock exchange listing fees etc. and costs related to the secretariat, the Supervisory Board and the Telegraph Company. It should be noted that approximately DKK 30 million in costs have been transferred from Other Activities in 2007 to GN Netcom and GN ReSound in 2008 following the new corporate governance structure.

As a result, total EBITA in GN excluding non-recurring costs is expected to be approximately DKK 350-450 million and approximately DKK 275-375 million including non-recurring costs.

Amortization of intangible assets and financial items are expected to amount to approximately DKK (125) million. Accordingly, profit before tax for GN is expected at approximately DKK 150-250 million.

Investments in property, plant and equipment and in intangible assets, including capitalized development projects, are expected to be approximately DKK 700 million.

MANAGEMENT'S REPORT 2007

Q4 2007
The Q4 financial results were in line with the announcement of January 15, 2008.

The comments set out below relate to the investor-specific statements.

Revenue was DKK 1,526 million, representing overall organic growth of (8)% Y-o-Y. EBITA was DKK 5 million or DKK 82 million exclusive of non-recurring costs of DKK 77 million, compared to DKK 146 million exclusive of non-recurring costs in Q4 2006. The total non-recurring costs of DKK 77 million related primarily to supply chain restructuring in GN Netcom and a number of cost-cutting and efficiency-improving projects in GN ReSound.

GN Netcom
GN Netcom (CC&O Headsets and Mobile Headsets) generated revenue of DKK 775 million corresponding to organic growth of (2)%. EBITA in GN Netcom was DKK 30 million or DKK 67 million exclusive of non-recurring costs of DKK 37 million.

CC&O Headsets reported Q4 revenue of DKK 397 million corresponding to 3% organic growth relative to Q4 2006. Growth remained solid in Europe, CC&O Headsets' largest and most profitable region, where organic growth was 9%. In the US, organic growth was (6)%. Compared to expectations the North American market was soft throughout most channels. Companies seemed to delay investments in new telephone solutions, such as the Microsoft Office Communicator and that had a cooling impact on growth in North America. Consequently, GN Netcom has seen a lower-than-expected uptake of GN Netcom's products in Q4. GN Netcom follows the US economy closely to predict further impact on the business going forward.

As mentioned in the strategic update several corrective actions have been taken. A new sales management team was appointed in December 2007 with a new global head of sales and new regional sales managers in North America and Asia Pacific. In North America, more resources have also been made available to grow sales through contact center resellers and other specialist tech channels.

The contact center market contributed approximately DKK 151 million of the total CC&O headset revenue and DKK 184 million came from the office market exclusive of Hello Direct. Hello Direct generated revenue of DKK 62 million, representing flat organic growth, and reported a small profit.

Revenue was DKK 135 million in North America, DKK 234 million in Europe and DKK 28 million in Asia and the rest of the world.

The Q4 innovation rate in CC&O Headsets was 26%, compared to 25% in Q4 2006. Wireless products contributed 42% of the revenue on par with Q4 2006. The increase was a reflection of GN Netcom's strong wireless product offering and a continuous recognition by end users of the benefits of wireless products.

The gross margin was 63%, compared to 61% in Q4 last year. The gross margin improvement was the result of Europe's stronger contribution.

CC&O headset EBITA was DKK 84 million (a margin of 21.2%), compared to DKK 70 million (17.3%) in the same period of last year. The change was mainly a reflection of increased sales on the relatively more profitable European market. Exclusive of Hello Direct and non-recurring costs, CC&O Headsets achieved EBITA of DKK 88 million (a margin of 26.2%), in line with the EBITA margin of 26.6% in Q4 2006. Selling, distribution and administrative costs and R&D costs incurred were DKK 162 million compared to DKK 169 million in Q4 2006. The non-recurring costs of DKK 12 million primarily related to supply chain restructuring (DKK 3 million in production costs and DKK 9 million in operating costs).

Mobile Headsets generated revenue of DKK 378 million, equal to organic growth of (6)% relative to the fourth quarter of last year. The negative organic growth in Q4 reflected lower sales in the Mainstream segment, especially in the OEM business. The current situation in Mobile Headsets is not satisfactory and a new dedicated Mobile Headsets turnaround plan was initiated in the second half of 2007.

Mobile headset revenue breaks down as follows: DKK 129 million from Premier and DKK 249 million from Mainstream, of which DKK 76 million was from OEM customers.

Revenue was DKK 167 million in North America, DKK 178 million in Europe and DKK 33 million in Asia and the rest of the world.

Bluetooth® enabled products constituted most of the revenue. The innovation rate was 80%.

Gross margin was 16% compared to 12% in Q4 2006 adjusted for non-recurring items. The gross margin increased following general improvements combined with a relatively lower sales to OEM customers.

Mobile headset EBITA was DKK (54) million or DKK (27) million (a margin of (7.1)%) before non-recurring costs of DKK 27 million compared to DKK (49) million ((11.3)%) before non-recurring costs in Q4 2006. Selling, distribution and administrative costs and R&D costs incurred were DKK 91 million compared to DKK 97 million in Q4 2006.

In GN Netcom, trade receivables increased to DKK 573 million relative to DKK 531 million as of September 30, 2007, reflecting the higher activity level in Q4. Compared to Q4 2006, days sales outstanding increased slightly. Following the end of the high season, inventories fell by DKK 38 million during the quarter to DKK 343 million. The inventory level was higher than it was at the end of Q4 2006 despite the lower revenue level. This is primarily a reflection of the fact that revenue in Q4 2007 was below expectations. The cash flow from operations in GN Netcom was DKK (49) million against DKK 170 million in Q4 2006. The free cash flow was DKK (79) million against DKK 121 million in Q4 2006.

GN ReSound

GN ReSound (Hearing Instruments and Audiologic Diagnostics Equipment) continued to see negative effects on the business in the wake of the protracted sales process that lasted for more than 16 months, and reported revenue of DKK 747 million. EBITA in GN ReSound was DKK (5) million or DKK 35 million exclusive of non-recurring costs of DKK 40 million.

Hearing Instruments generated revenue of DKK 656 million, equal to negative organic growth of (15)% relative to the fourth quarter of last year. Unit growth was (5)%. The negative organic growth was due to a broad decline in most mature markets, including in the US, the world's largest hearing instruments market.

As mentioned in the strategic update, several corrective actions have been taken under the supervision of the Supervisory Board. The primary focus is to accelerate profitable growth, with a secondary focus being to increase cost efficiency, e.g. through the full integration of certain business units and the introduction of a more cost efficient set-up for GN ReSound's manufacturing and supply chain. Finally, the corrective actions also address the need for ongoing process improvements across the business. Several key elements of the turnaround program are delayed initiatives that GN ReSound was forced to put on hold during the 16-month sales process.

A number of cost-cutting and efficiency-improving efforts have also been set in motion. The projects are expected to be completed during 2008 and involve, among other things, the full integration of the Interton business into GN ReSound. This will enable Interton to upgrade their technologies and deliver additional economies of scale to GN ReSound. Further, some trimming projects have been initiated, including a reduction and streamlining of back-office functions in the US.

The hearing instrument business generated revenue of DKK 234 million in North America, DKK 322 million in Europe and DKK 100 million in Asia and the rest of the world.

The innovation rate remained high. New products and product upgrades launched in the past 24 months contributed 64% of Q4 revenue.

The gross margin in Hearing Instruments was 62%, compared with 64% in Q4 2006. The gross margin was lower than last year and also fell short of expectations due to relatively lower-than-expected high-end sales.

EBITA in Hearing Instruments, exclusive of non-recurring costs of DKK 40 million, was DKK 27 million (a margin of 4.1%), compared to DKK 121 million (15.0%) in the same period of last year. The deteriorated performance was primarily due to the negative revenue growth. Selling, distribution and administrative costs and R&D costs incurred were DKK 419 million compared to DKK 405 million in Q4 2006. The Q4 2007 non-recurring costs of DKK 40 million primarily related to restructuring in Germany and the US (DKK 8 million in production costs and DKK 32 million in operating costs).

The audiologic diagnostics equipment business generated Q4 revenue of DKK 91 million, equal to flat organic growth relative to Q4 2006.

Revenue was DKK 21 million in North America, DKK 53 million in Europe and DKK 17 million in Asia and the rest of the world.

Audiologic Diagnostics Equipment reported EBITA of DKK 8 million (a margin of 8.8%) compared to DKK 8 million (8.6%) in Q4 2006.

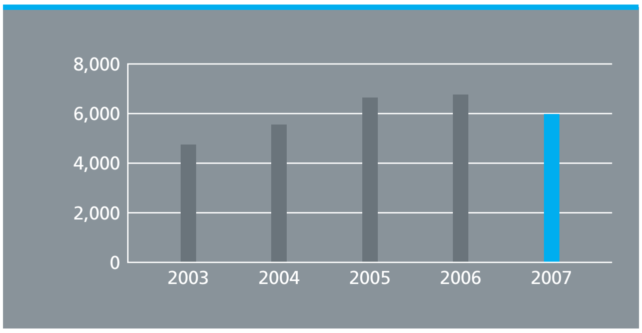
In GN ReSound, trade receivables fell to DKK 665 million relative to DKK 706 million as of September 30, 2007, primarily due to lower sales. Inventories increased slightly by DKK 7 million during the quarter to DKK 374 million. Cash flow from operations in GN ReSound was DKK 21 million against DKK 121 million in Q4 2006. The free cash flow was DKK (79) million against DKK (36) million in Q4 2006.

FULL YEAR 2007

GN's full-year revenue was DKK 5,981 million versus DKK 6,766 million in 2006. Of the DKK 785 million decline, approximately DKK 200 million related to currency effects and the rest was business-related. Needless to say, the business-related decline was highly unsatisfactory. GN Netcom focused on reengineering of the entire business rather than focusing on growth and especially Mobile Headsets experienced a significant drop in revenue, mainly as a result of a sharp decline in the number of headsets sold to one large mobile phone manufacturer. Because of the sales process, GN ReSound was in an unsettled situation most of the year, and due to the protracted sales process, revenue deteriorated in Q3 and Q4 of 2007.

Gross profit was DKK 3,119 million versus DKK 3,297 million in 2006, primarily due to the lower revenue level. The gross margin, however, improved to 52% from 49% in 2006 following improvements in both GN Netcom and GN ReSound. The increase in GN Netcom's gross margin was driven partly by gross margin improve-

GN REVENUE – DKK MILLION



ments in CC&O Headsets and partly by changes in the product mix with a higher share of CC&O headset revenue and a lower share of the substantially lower gross margin mobile headset revenue. In GN ReSound, the improvement primarily related to last year's closure of the facilities in Cork, Ireland and the restructuring measures in Interton.

The selling, distribution and administrative costs and R&D costs incurred amounted to DKK 2,737 million compared to DKK 2,970 million in 2006. The decrease primarily came from GN Netcom, reflecting the discontinuation of the 2006 try-'n'-buy campaigns and the ongoing restructuring of the business, with costs being adapted to the lower revenue level.

The full-year EBITA was DKK 294 million or DKK 403 million exclusive of non-recurring costs of DKK 109 million, compared to DKK 262 million or DKK 452 million exclusive of non-recurring costs of DKK 190 million in 2006. The total non-recurring costs in 2007 of DKK 109 million related to supply chain restructuring and write-downs on dedicated music products in GN Netcom and cost-improving projects in GN ReSound. DKK 47 million related to production costs and DKK 62 million related to operating costs.

The share of profit in associates was DKK 2 million, amortization of acquired intangible assets was DKK (34) million and net financial items were DKK (66) million. Costs related to the abandoned sales process concerning GN ReSound were DKK (264) million and included advisors' fees, retention costs and severance payment to employees, and costs associated with splitting IT etc. into two separate functions. Under IFRS 5, the 2007 full-year accounts are further impacted by DKK (32) million related to depreciation in GN ReSound in Q4 2006. Unlike all other lines in the income statement, IFRS 5 does not allow depreciation from previously discontinued operations to be restated in the comparable 2006 income statement. Consequently, the 2007 income statement includes depreciation from GN ReSound from five quarters in 2007, whereas the 2006 restated comparable income statement includes only three quarters of depreciation in GN ReSound. In order to increase transparency, this effect is shown in a separate line.

Profit before tax was DKK (100) million against DKK 249 million in 2006.

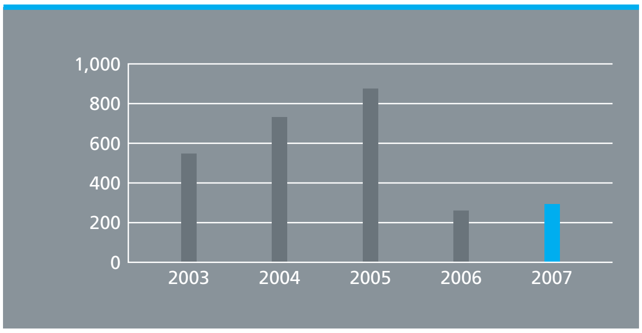
Tax for the year was an income of DKK 6 million. Profit from discontinuing operations was DKK 27 million relating to a reversal of provisions and a full and final settlement of the claim raised by GN against Axcel relating to Axcel's sale of NetTest in 2005. Earnings after tax were DKK (67) million.

The number of employees fell to 4,673 at the end of 2007 from 5,148 at the end of 2006. The decline mainly involved GN Netcom following the ongoing outsourcing of own production staff to third parties and a general streamlining of the organization.

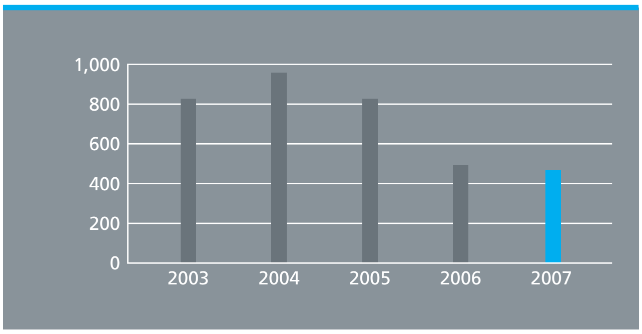
Total assets amounted to DKK 7,835 million at December 31, 2007, compared to DKK 8,227 million a year earlier. Total intangible assets were DKK 3,652 million primarily consisting of goodwill of DKK 2,525 million and capitalized R&D of DKK 692 million. Property, plant and equipment amounted to DKK 735 million, of which more than half related to GN's corporate headquarters in Copenhagen. Equity was DKK 4,482 million, compared to DKK 4,900 million at the end of last year.

Net interest-bearing debt was DKK 1,516 million against DKK 1,387 million at December 31, 2006, which is primarily a reflection of the free cash flow of DKK (163) million.

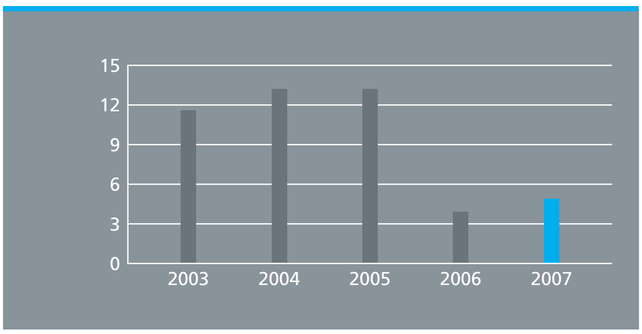
GN EBITA – DKK MILLION



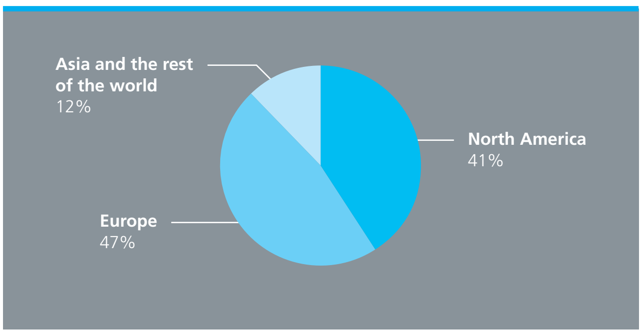
GN CASH FLOW FROM OPERATING ACTIVITIES – DKK MILLION



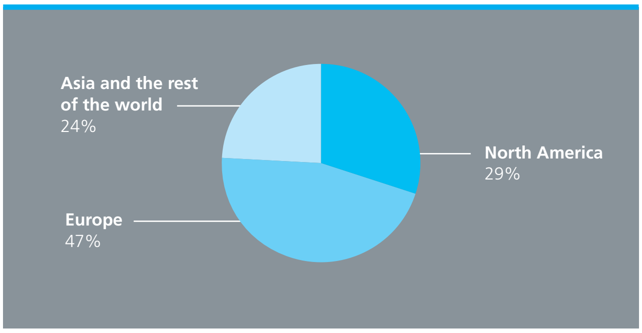
GN EBITA MARGIN – %



GN REVENUE DISTRIBUTED GEOGRAPHICALLY – %



GN EMPLOYEES DISTRIBUTED GEOGRAPHICALLY – %



GN Netcom

Revenue in GN Netcom was DKK 2,811 million corresponding to organic growth of (13)%.

GN Netcom achieved good results in many areas in 2007 – and faced tough challenges in others. In Europe, most growth and profitability goals were achieved. In North America, the mobile headset business declined, and the CC&O headset business was not on a par with the total market. During 2007, the Global Accounts (OEM) business won several important programs with existing and new customers with revenue impact in 2008. Due to the long lead times in the OEM business and the fact that no new projects were won in 2006, the overall business volume declined in 2007.

CC&O headset revenue grew by 1% organically to DKK 1,532 million. Exclusive of Hello Direct, CC&O Headsets generated 5% growth. The strong organic growth in Europe was sustained at 11%, driven by the greater number of headset users in office environments and the resulting increased interest from distribution channels in promoting the use of headsets. In addition, technological innovation also served to increase demand for headsets, as several headsets on the market today can be used for telephony, mobile telephony, IP telephony, gaming, and more.

Hello Direct, GN's direct sales channel in the SOHO (Small Office, Home Office) segment in the United States, was in the black in 2007 confirming that Hello Direct's traditional business model has been stabilized. As before the unsuccessful try'n'buy campaigns, the core focus for Hello Direct is now to drive sales, mainly of headsets, through telemarketing supported by catalog and online sales.

GN Netcom launched a number of new products on the contact center and office market in 2007, including the VoIP Jabra headset optimized for Microsoft® Office Communicator 2007. GN's wireless Jabra GN9330 USB OC headset and the Jabra GN9350 OC headset are the first long-range wireless DECT headsets optimized for Microsoft® Office Communicator 2007. The headsets feature wideband sound quality as well as plug 'n play capabilities and a wireless range of up to 100 meters. The two wireless headsets join the corded Jabra GN2000 USB OC in a series of optimized Jabra headsets that offer full compatibility with Office Communicator 2007. In addition, GN introduced multipoint solutions in terms of hubs and dongles enabling mobile headsets to be used with a fixed-line phone at the office as well.

CC&O headset revenue was DKK 576 million in North America, DKK 834 million in Europe and DKK 122 million in Asia and the rest of the world.

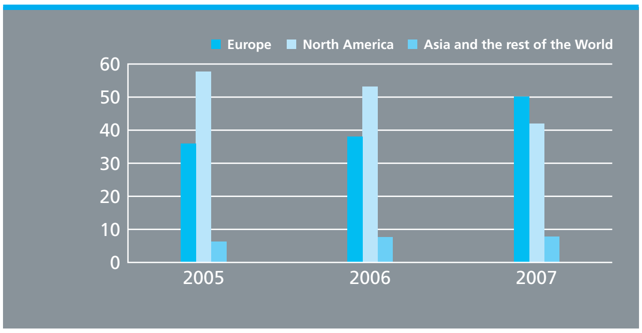
CC&O headset EBITA was DKK 274 million (a margin of 17.9%), compared to DKK 103 million (6.5%) in 2006. Exclusive of Hello Direct and non-recurring costs of DKK 12 million, EBITA was DKK 264 million (a margin of 21.1%), compared to DKK 229 million (18.8%) in 2006. The 2007 non-recurring costs in CC&O Headsets of DKK 12 million primarily related to restructuring of the supply chain (DKK 3 million in production costs and DKK 9 million in operating costs).

Mobile headset revenue was DKK 1,279 million corresponding to organic growth of (24)%. The significant shortfall relative to expectations at the beginning of 2007 was due to lower sales in the OEM segment especially relating to one specific mobile phone manufacturer following a sharp drop in that customer's sales of mobile phones. Revenue from Mobile Headsets also suffered from the lower than originally anticipated market volume growth combined with the market shift towards more basic mobile headsets.

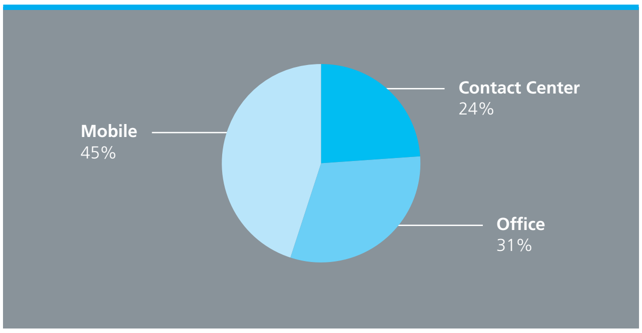
Mobile headset revenue was DKK 611 million in North America, DKK 565 million in Europe and DKK 103 million in Asia and the rest of the world.

Full-year revenue for Mobile Headsets breaks down as follows: DKK 326 million from Premier and DKK 953 million from Mainstream, of which DKK 413 million was from OEM customers.

GN NETCOM REVENUE DISTRIBUTED GEOGRAPHICALLY – %



GN NETCOM REVENUE DISTRIBUTED BY BUSINESS AREA – %



>> JABRA JX20 PURA TITANIUM EDITION

At the 2008 Consumer Electronics Show in Las Vegas taking place in January, GN Netcom unveiled its newest luxury Bluetooth mobile headset, the Jabra JX20 Pura. The headset is designed by world-renowned Danish design house, Jacob Jensen. Focusing on authentic materials, intuitive technology, outstanding comfort and excellence in audio, the JX20 Pura embodies premium class and is easy-to-wear. The body of brushed anodized titanium is offset by a deep-black, high-gloss trim.

GN Netcom launched several mobile products on the market in 2007 including the Jabra BT8010, which is both a mono and a stereo headset, and two new Bluetooth enabled mono headsets, the Jabra BT5010 and the Jabra BT5020. GN Netcom also introduced two premium versions of the Jabra JX10 Cara Bluetooth headset with exclusive designs featuring a choice of 24 carat gold or brushed stainless steel. At the CES convention in early January 2008, GN introduced the Jabra JX20 Pura – Titanium Edition Bluetooth headset designed by Jacob Jensen and built on the legacy of the Jabra JX10 headset.

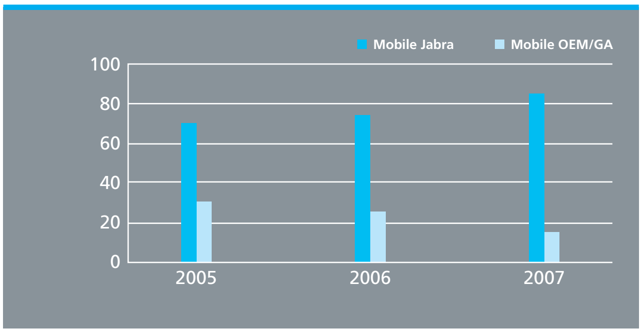
During 2007, GN Netcom won a number of new important OEM programs. Revenue derived from such OEM programs relies on a number of factors, such as bundle deals/in-the-box deals and the success and sales of the mobile phones with which the products are sold. GN Netcom's current portfolio of OEM programs is spread across a number of large accounts with a good mix of new and established programs.

EBITA in Mobile Headsets was DKK (239) million or DKK (182) million (a margin of (14.2)%) exclusive of non-recurring costs totaling DKK 57 million. EBITA for 2006 was DKK (184) million or DKK (125) million ((6.9)%) exclusive of non-recurring costs. The substantially higher loss relative to the early-2007 forecast was primarily due to the above-mentioned significant revenue shortfall.

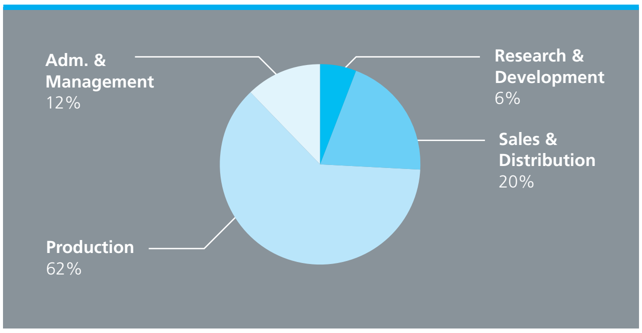
Cash flow from operations in GN Netcom was DKK 135 million against DKK 191 million in 2006. The free cash flow was DKK 7 million against DKK 23 million in 2006.

The number of employees in GN Netcom fell to approximately 1,200 at the end of 2007 from approximately 1,800 at the end of 2006.

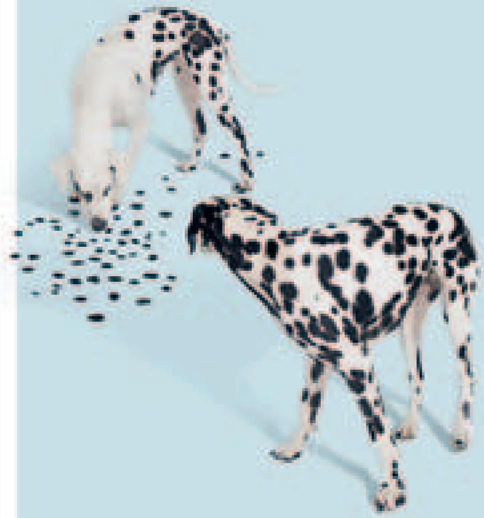
GN NETCOM REVENUE DISTRIBUTED BY OEM AND JABRA – %



GN NETCOM COSTS DISTRIBUTED BY FUNCTIONS – %



>> DOT BY RESOUND



dot by ReSound - the World´s Smallest Hearing Instrument

In January 2008, GN ReSound launched dot™ by ReSound, to date the world's smallest behind the ear hearing instrument. dot's unique ergonomic design also makes it lightweight and comfortable. While dot is amazingly small, it also offers high tech performance to meet individual needs. Featuring automatic programming, it is at home in any environment and requires no manual adjustments. dot offers personalized technology, like Onboard Analyzer™ II DataLogging, to deliver better hearing in the most difficult listening situations. Also, dot features Dual Stabilizer™ II, a feedback cancellation system which effectively diminishes any whistling. Dot by ReSound is marketed in three price segments in order to meet individual user requirements.

GN ReSound

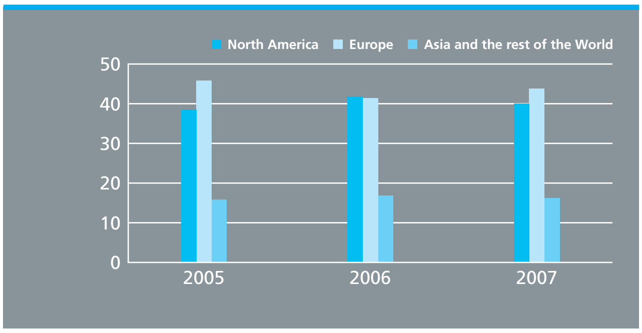
Revenue in GN ReSound was DKK 3,155 million corresponding to organic growth of (2)% significantly impacted by the protracted sales process lasting close to 16 months.

Hearing Instruments reported revenue of DKK 2,823 million corresponding to organic growth of (3)%. In the first two quarters, Hearing Instruments kept the business together and generated 8% organic growth in Q2 after a flat Q1. The growth in Q2 was driven by successful launches of four new products at the beginning of the quarter, including the high-end hearing instrument ReSound Azure. In addition, the growth performance was improved by increased sales of entry-level products and by strong organic growth by Interton. However, Q3 and Q4 revenue declined, resulting in two quarters of negative growth.

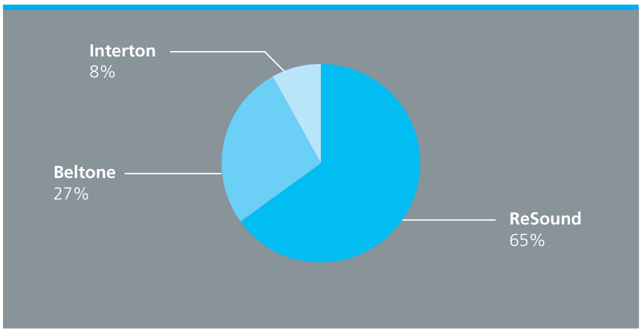
Based on a detailed list of lost revenue country by country, GN estimates that revenue growth on a full-year basis was negatively affected by at least 5 percentage points with the second half of the year being the most affected.

In 2007, GN ReSound launched a number of new hearing instruments and the innovation rate was 58%. GN ReSound decided to postpone a couple of product launches in order not to let the uncertainty connected with the sales process overshadow the events. Now that the process has been cancelled the product launches can get the necessary attention from the customers. GN ReSound has a strong pipeline for 2008 which is the result of the strategy of consistently investing substantial amounts into product development. As mentioned in the strategic update, the first new product – dot™ by ReSound – has already been launched.

GN RESOUND REVENUE DISTRIBUTED GEOGRAPHICALLY – %



GN RESOUND REVENUE DISTRIBUTED BY BRANDS – %



The hearing instrument revenue was DKK 1,176 million in North America, DKK 1,199 million in Europe and DKK 448 million in Asia and the rest of the world.

The gross margin in Hearing Instruments was 64%, compared with 63% in 2006. The positive performance was due to the continued improvements relating to the closure of the facilities in Cork, Ireland and the restructuring measures in Interton both completed in 2006. The improved gross margin materialized in spite of a dilutive effect of an increased sale of entry-level products.

Hearing Instruments EBITA was DKK 288 million or DKK 328 million (a margin of 11.6%) exclusive of non-recurring costs of DKK 40 million, compared to DKK 376 million (12.4%) last year. The deteriorated performance was primarily due to the negative revenue growth in Q3 and Q4.

The audiologic diagnostics equipment business reported revenue of DKK 332 million, equal to organic growth of 10% relative to last year. A main driver of the revenue growth was successful expansion in the market for balance disorder testing equipment. The audiologic diagnostics equipment business has established a stronger distribution set-up in core European markets as well as in the Far East.

Gross margin was 46% which was 1 percentage point lower than last year. The audiologic diagnostics equipment business improved its core instrumentation business during 2007 by lowering manufacturing prices on existing and new products. The move is expected to produce increasing gross margins in 2008.

Revenue was DKK 87 million in North America, DKK 183 million in Europe and DKK 62 million in Asia and the rest of the world.

Audiologic Diagnostics Equipment reported improved EBITA of DKK 12 million (a margin of 3.6%) in 2007 compared to DKK 8 million in 2006 (a margin of 2.4%).

Cash flow from operations in GN ReSound was DKK 287 million against DKK 262 million in 2006. The free cash flow was DKK (61) million against DKK 77 million in 2006.

The number of employees in GN ReSound rose to approximately 3,425 by the end of 2007 from approximately 3.350 at the end of 2006.

Other Activities

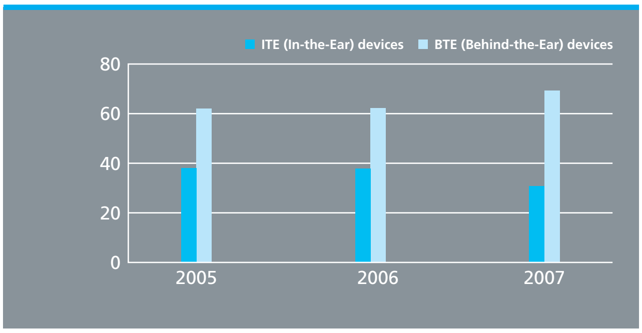
Other Activities including the GN Great Nordic Telegraph Company reported revenue of DKK 15 million against DKK 11 million in 2006. Other Activities, which include costs related to stock exchange listing fees etc. and costs related to the secretariat and the Supervisory Board, reported an EBITA of DKK (41) million equal to the level in 2006.

DPTG I/S, in which GN has a 75% ownership interest, is still a party to arbitration proceedings with Telekomunikacja Polska S.A (TPSA). As previously announced, developments in the case has led DPTG I/S to claim DKK 5 billion for the period from 1994 to mid-2005. DPTG's agreement with TPSA covers the period 1994-2009. In 2005, the arbitration tribunal appointed an expert to estimate the relevant traffic volume and the related revenue. In November 2005, the appointed expert filed a preliminary report, which the parties have since commented on. In May 2007, the expert filed a second preliminary report for commenting by the parties. In early October 2007, the arbitration tribunal decided to ask a second expert to review the modeling and in December a third preliminary expert report was filed. TPSA disputes the expert's estimates and calculations as well as the legal basis of DPTG's claim. The next hearing, originally scheduled for December 2007, has been postponed and is scheduled to be held in Q2 2008.

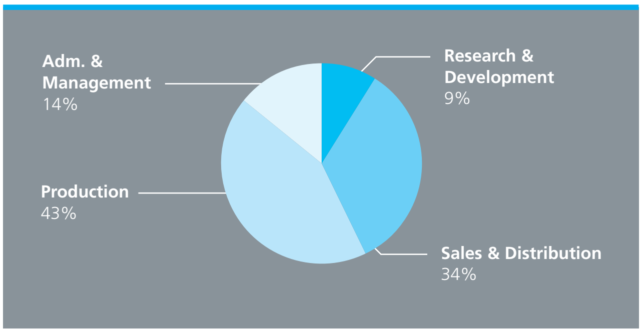
Events after the Balance sheet Date

GN Store Nord issued 2007 full-year profit warning (Announcement No. 1 of January 15, 2008) and announced a new CEO in GN ReSound (Announcement No. 2 of February 12, 2008).

GN RESOUND REVENUE DISTRIBUTED BY BTE AND ITE DEVICES – %



GN RESOUND COSTS DISTRIBUTED BY FUNCTIONS – %



GN 360° – OPERATIONS AND RISK MANAGEMENT

GN NETCOM

Markets

GN Netcom is one of the world's two leading headset companies and holds about 30% of the market for contact center and office headsets. Headset penetration is still estimated to be less than 10% among the approx. 200 million office workers in the western world who speak on the telephone for at least two hours daily. Although the market has become more competitive, it still offers a great potential that is gradually materializing as wireless headsets become more common on the market and as office headset users become more mobile and develop a need to communicate from various workplaces. Also, increased use of soft phones and unified communication solutions will drive the use of headsets going forward. Market analysts believe that the market for office headsets will grow by 10% to 20% p.a. in the coming years.

Growth in the contact center market is expected to be low single digit correlating with GDP as headset penetration in the segment is close to 100%. However, the conversion from corded to wireless solutions in certain contact centre environments offers more potential.

The mobile headset market remains very competitive with many players both entering and leaving the market. During the reengineering phase of the Mobile headset business, GN Netcom lost market share in 2007. However, GN Netcom is still the largest provider of headsets to the mobile market with an estimated market share of approximately 20%. The global market for Bluetooth enabled headsets was estimated at 74 million units in 2007 and is expected to grow to 144 million units by 2010, reflecting volume growth of about 25% p.a. in the next three years. The mobile headset market is driven by the growth in the number of handsets with Bluetooth functionality and increased headset adoption rates. Due to the relatively stronger growth in the low price segment as well as a general reduction of the average selling prices of mobile headsets the next three years' value growth is estimated at approximately 10% p.a. This represents a somewhat decelerated growth trend compared to the previous market forecasts. The relatively stronger growth in the low price segment is the result of first-time consumers looking for value-for-money propositions, carriers looking for low-end propositions to reduce their cost of acquisition and increased competitive pressures.

Although the Asia Pacific region is growing at a faster rate than Europe and North America, the overall market value is still to a high degree dominated by Europe and North America.

Sales

GN Netcom sells headsets through a variety of channels. Headsets for contact centers are sold either through distributors specializing in supplying contact centers or directly to the contact centers. GN Netcom's office headsets are sold through specialist distributors, telecom operators and retail chains. Office headsets are also sold directly to the SOHO segment in the United States, by mail order, online or by telephone through GN Netcom's own sales channel, Hello Direct. All GN Netcom's headsets are marketed under the Jabra brand.

GN Netcom's Jabra-branded mobile headsets are sold through operator outlets and electronics retail chains. OEM customers, which include leading mobile phone manufacturers, account for about one-third of GN Netcom's mobile headset sales measured in DKK-terms. Demand from OEM customers fluctuates considerably from one quarter to the next, but it plays an important part in enabling GN Netcom to maintain the essential large-volume production of mobile headsets.

It is estimated that independent brands like Jabra account for 40% of all mobile headsets sold in the market, whereas 60% are handset-branded and supplied by OEM suppliers.

Sales to the ten largest headset customers accounted for 20% of the CC&O headset revenue and 63% for the mobile headset revenue. The largest headset customer accounted for 10% of total GN Netcom revenue.

Prices

All headset markets are becoming increasingly competitive. In combination with the launch of new products and technologies, this is pushing down prices on existing products, especially on the market for mobile headsets where low-end products account for an ever increasing part of market sales. Accelerating growth and the launch of cheaper products and technologies are also pushing down prices in the office markets even though the launch of new headsets with more advanced features offset declining prices to some extent.

GN Netcom operates in a number of segments, and retail prices vary considerably depending on the segment and the functions of a headset. The cheapest Bluetooth enabled headset, the Jabra BT2040, retails at DKK 149 while the most expensive one, the JX10 Cara Gold, retails at DKK 1,999. On the office market, a corded headset typically retails for about DKK 150-400 while a wireless headset sells for about DKK 1,500-2,500. Prices are generally a little lower on the contact center market.

Manufacturing and Distribution

In 2007, GN Netcom manufactured approximately 29 million headsets and other devices either in-house or through subcontractors, which was a 7% increase relative to 2006.

All GN Netcom headsets are manufactured in Asia, with the majority of headsets being manufactured in China. More than 90% of the headsets were manufactured by subcontractors, while less than 10% were produced at the GN factory in Xiamen, China. Most components for GN Netcom headsets are sourced in Asia.

In September 2007, GN Netcom signed an agreement with Celestica, a global provider of electronics manufacturing services (EMS). Under the agreement, Celestica will provide production, fulfillment and other logistical services to GN Netcom. Also, GN Netcom has started up postponement operations in Celestica's facility in the Czech Republic and will expand with fulfillment centers in Nashville, Tennessee and Hong Kong, SAR. The new supply chain set up, which is a cornerstone in GN Netcom's restructuring will add flexibility and scalability particularly to the Mobile headset business, improve customer service and further reduce supply chain costs and working capital. As a consequence of the new supply chain setup, the production of headsets at the Xiamen factory was discontinued in Q4 2007.

Research & Development

During 2007, GN Netcom launched a number of new products. Several of these were based on the company's second generation product platform designed to support the development of multiple product variants targeted for mobile phone operators. This means short time to market and reduced development costs. During 2007, R&D resources were gradually shifted from the Mobile headset business to the CC&O headset business, partly by relocating most of the mobile development activities to GN's development site in Xiamen, China. This way, the Danish development sites in Copenhagen and Aalborg have strengthened their focus on highly innovative products for the office and contact centre segments and several new large CC&O headsets development programs have been initiated. These new, groundbreaking products will be launched in 2008 and 2009. The programs targeted for various parts of the market will to a large extent be based on common technology and product platforms to optimize the use of development resources.

In 2007, GN Netcom spent DKK 179 million on development activities equivalent to 6.4% of total headset revenue.

Human Resources and Organizational Development

In the first half of 2007, focus was on a number of strategic projects and initiatives for the purpose of supporting the new GN Netcom business model and aligning HR activities to the new strategy. This was centered on implementing an effective platform for attracting, recruiting and retaining key people and developing and implementing a global bonus scheme.

In the second half of 2007 a new management development program was created. The program will be launched in the first quarter of 2008. Focus was also on optimizing and aligning key HR processes.

HR developed and executed a global employee engagement survey, conducted people assessment in selected key areas, facilitated transition management seminars and implemented a performance-based retention plan for key staff.

IT

As part of the GN ReSound divestment process, GN's IT department split the shared infrastructure, systems, and IT organization during 2007, embedding them in GN Netcom and GN ReSound, respectively, by the end of 2007. Part of the split process was to ensure a robust stand-alone platform once the separation from GN ReSound was completed. Going forward, GN Netcom will drive and manage an independent system, IT platform, and IT organization.

During 2007, GN Netcom initiated a process to adapt its systems to support the new business models, initiated a roll-out of a standardized sales and customer relations system (CRM) starting in Europe, and deployed a new global web platform supporting all countries and product areas.

GN RESOUND

Markets

GN ReSound is the world's fourth biggest hearing instrument manufacturer with a global market share of 16% in unit terms in 2007. Overall global production of hearing instruments was around 8.5 million units, an estimated unit growth of 4-5% compared with 2006. The developed economies (North America, Europe and Japan) currently account for more than 75% of the market, although emerging markets are rapidly growing their share.

The estimated turnover at manufacturer level was DKK 15-20 billion. Historically, the market has been increasing in value by approximately 5-6% annually. The global hearing instrument market is normally quite stable and less cyclical than many other industries are. However, in the world's biggest market for hearing instruments – the United States – growth tends to be somewhat affected by economic slowdowns and, especially, declines in the stock market. In fact, US market growth did slow down during 2007, especially in the fourth quarter. As a result, there is a risk of somewhat weaker market growth in 2008 than 2007. It is, however, expected that the market growth will recover in the longer term driven by several factors: Demographic trends and increasing incidence of hearing impairment, rising adoption rates particularly in emerging markets and increasing prices. The baby boomers will have a significant impact on the demographic trends. It is estimated that between 2001 and 2010 the 55-64 age group will grow by 11 million or 48% in the United States while in Western Europe, the 50-59 age group is expected to grow by 6 million or 13%.

The potential of the average buyer age falling is influenced by product innovation and the move toward improved aesthetics and comfort of products. The fact that hearing instrument retailers are becoming more professionalized, offering improved service levels and more intensive marketing towards users are factors that may drive adoption rates in a positive direction.

While 80% of the hearing impaired population suffers from binaural hearing loss, binaural fitting penetration is only around 50% in Europe and 80% in the United States. Key reasons for the higher US binaural fitting penetration figures include clinical habits and a greater tendency to prescribe hearing aids. Assuming European binaural fitting penetration follows a pattern similar to that seen in the US, binaural penetration rates will move closer to US rates end expand the market.

Sales

GN ReSound has a diverse customer base, with a particularly strong position with independent dispensers and captured networks (primarily the US Beltone network). GN ReSound has a leading position in rapidly growing markets, such as China, India, Brazil and other developing countries. The markets for hearing instruments are very competitive across Western Europe and North America, where the main sales channels are large international retailers, independent hearing aid dispensers, and public tenders in the UK and Scandinavia. The Italian-based international hearing instrument retailer Amplifon with sales in all major European markets is GN ReSound's largest customer, but GN ReSound is also partnering with a number of other leading retailers around the globe.

GN ReSound launched a number of hearing instruments in 2007 and new products and product upgrades launched in the past 24 months contributed to almost 58% of revenue.

The ReSound brand contributed 65% of total revenue, Beltone contributed 27% and Interton accounted for 8%. GN ReSound has a particularly strong position in the attractive Top and Plus market segments with the top/plus products contributing 58% of revenue for hearing instruments.

Sales to the ten largest hearing instrument customers accounted for 12% of the GN ReSound revenue. The largest hearing instrument customer accounted for 4% of total GN ReSound revenue.

In addition to hearing instruments, audiologic diagnostics equipment is sold to hearing clinics, hospitals, ear-nose-throat specialists and, on a smaller scale, to OEM customers through GN Otometrics.

Prices

Hearing instruments can be split into four segments based on manufacturers' prices: Top, Plus, Basic and Budget. GN ReSound offers a portfolio of products covering all price segments.
In 2007, GN ReSound launched the Top product ReSound Azure. ReSound Azure was launched at a price level that is 10-15% higher than GN ReSound's previous high-end product ReSound Metrix.

In the beginning of 2008 GN ReSound launched dot™ by ReSound, the smallest hearing instrument in the market. The product is being sold at three price points and targets users in the 45-65 age group.

Manufacturing and Distribution

In 2007, GN ReSound manufactured approx. 1.4 million hearing instruments at the Xiamen factory in China.

The delivery performance increased during 2007, while inventory levels decreased. This is due to a strong focus on inventory management together with the implementation of DMI (Demand Managed Inventory) between Xiamen and the global distribution center in Denmark. DMI relays replenishment signals on a prioritized basis taking into account customer demand vs. safety stock levels. It also allows Xiamen to plan production on a two-day cycle as opposed to the previous weekly cycle and assigns components on the basis of urgency.

Research and Development

Given the trend towards shorter product lifecycles, strong technological and R&D capabilities are critically important in the hearing instrument industry today. The average time from the launch of a product until introduction of the next generation has decreased from four-to-five years in the past to two-to-three years today.
To successfully compete in this environment, hearing instrument players must be capable of renewing their product portfolio every two-to-three years, which requires the launch of a number of new products with significant benefits every year. R&D is based on platforms within digital chip, system software, fitting software and hardware such as BTE and ITE platforms. The platform philosophy enables the development of several different products based on the same core technology. Following the reorganization of R&D in late 2007, Interton R&D will gradually become a part of global R&D, and as such will share basic technology with the rest of the group.

R&D is conducting research projects with third parties, for example within audiological research, at Oldenburg University, the University of Giessen in Germany and University of Iowa in the United States. In 2007, about 25% of all R&D spending was used for development projects and research with external partners.

GN ReSound launched a number of products and line extensions in 2007, including the ReSound Azure and the Beltone Marq.

The full year R&D spending in 2007 was DKK 314 million.

Human Resources and Organizational Development

HR has focused on a strong and unified approach towards a common way of conducting project management. Hence, HR joined forces with an external vendor and created the "PROGRESS 2007 program" based on an internationally recognized standard that deals with the application of knowledge, skills, tools and techniques to meet project requirements. More than 15 GN employees have participated in the program and are now certified program managers, and HR will conduct a second round of the PROGRESS training in 2008.

Also during 2007, GN ReSound's management decided to dedicate special attention to the reactions to the turmoil affecting the company over the past 16 months. Accordingly, several transition seminars were held for the entire staff during summer and early fall. This was a highly welcomed initiative that has helped people in coping with the significant uncertainty and changes GN ReSound faced during the period. Historically, GN ReSound has had a substantially lower attrition rate than the market in general. However, the rate has increased during the last 16 months due to the protracted sales process and it is now in line with the attrition rate in the general market.

IT

As part of the GN ReSound divestment process, GN's IT department split the shared infrastructure, systems, and IT organization during 2007, embedding them in GN Netcom and GN ReSound, respectively, by the end of 2007. Going forward, GN ReSound will drive and manage an independent system, IT platform, and IT organization.

GN ReSound completed the global deployment of its new ERP system as planned in 2007 and began realizing the next phase synergies to be achieved, closely integrating functions and entities by technology. Having completed this key milestone, priority turned to improving the performance, including expanding into CRM systems. GN ReSound's new web strategy focuses on a unified web development platform and tool-set to simplify the maintenance and extension of the corporate and local country web sites. While marketing and sales own all content and daily management of web based data, IT provides application development and support. Marketing and sales are in the initial stages of rolling out a CRM solution. The CRM system will provide a globally aligned customer information management system.

RISK MANAGEMENT

Risk Profile

GN's risk management philosophy is based upon the key principles of supporting sustainable economical growth and maximizing value for GN shareholders. The overall objective is to avoid, transfer and manage inappropriate risks encountered within any of the GN business entities. The risk management philosophy is documented in GN's Risk Management Manual which is updated on an ongoing basis and achored by the Executive Management.

GN continuously works to identify, analyze, evaluate, and mitigate all major business risks in a systematic way as the GN risk profile progresses over time. Hence, processes, projects and major business changes are monitored to identify developing or emerging risks at an early stage. The overall Risk Map and Business Continuity Plans are updated on an ongoing basis and refined to reflect any changes in GN's overall risk profile.

The decision to keep GN ReSound implies that GN's overall risk profile will remain diversified across GN's two major business areas, GN Netcom and GN ReSound. Described below is a number of key strategic and operational risk factors related to both business activities. The order of the risk factors described below does not express any order of importance nor do they present the full spectrum of risks, the businesses are exposed to.

Markets & Competition

GN's activities in both GN Netcom and GN ReSound are affected by the general macroeconomic conditions. However, most of the hearing instrument industry growth drivers are demographic or secular trends, which provide a higher degree of stability towards macroeconomic trends than the headsets industry. The uncertainty of economic and political conditions worldwide can impact the demand for GN products and positively or negatively influence the forecast and budget. This applies especially for headset sales to contact centers, as this market has a penetration rate of almost 100% and historically has correlated with developments in GDP in both the United States and Europe. Accordingly, GN monitors general economic developments and the economic outlook.

The markets on which GN operates are all competitive, and consequently, GN reviews market shares on an ongoing basis and carefully monitors new product launches in both the headset and hearing instrument industry. The volatility in consumer demand and trends has led to a restructuring of GN Netcom to obtain scalability and flexibility so the cost base can be adjusted quickly to reflect actual revenue.

Manufacturing

GN's headset production is carried out by selected subcontractors, making GN much more capable of adapting production changes to actual market demand. At the same time, the risk is diversified across a number of production locations. GN has conducted a series of visits to the major production sites in order to review the production facilities and the contingency plans in place to secure production in the event of a production breakdown. The hearing instrument and chip production is carried out at GN's own two production facilities in China and Denmark. To mitigate the risk associated with the production facilities in China and Denmark, GN proactively applies preventive measures to make sure that the facilities meet the highest security standards at all times.

GN pursues a strategy of having alternative supplier options for all strategic components as having single sourcing on critical components has been evaluated as being too great a risk. GN has a quality system setting global environmental, health, safety and working environment standards. In order to ensure that the suppliers comply with GN's high quality standards, GN conducts regular quality checks of all suppliers of finished products and of subcontractors of critical components. During such visits, GN also verifies that suppliers meet GN's ethical standards.

Research, Development and Quality

Both headset and hearing instrument product life cycles continue to shorten. The ability to identify and master new core technologies and to move quickly from idea to high quality product is key for achieving the goals set. GN Netcom's Product Creation department has developed a systematic product development process and works to develop a number of product platforms to achieve both enhanced quality and shorter time to market. Therefore GN Netcom has developed a new, more stringent development model consisting of a number of gate reviews to ensure that each individual phase has been completed before the next phase is initiated.

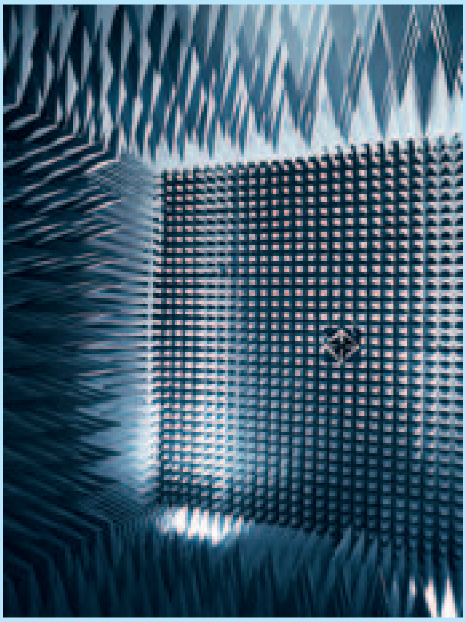
GN ReSound constantly strives to be on the very edge of innovation, and at the same time keep its focus on minimizing time to market for each newly-developed product. Even though there is a limited number of hearing instrument manufacturers, competition is fierce, and GN ReSound continues to invest significant resources in research and development to retain the competitive edge in the market.

Employees and Corporate Reputation

GN's reputation and its brands are vital for its business prospects and for attracting and retaining skilled employees. GN regularly monitors compliance with local labor market rules on markets where GN operates, and being able to offer GN employees working conditions that as a minimum match local market standards or better is absolutely essential. Operating in very competitive markets of rapid change in technologies and consumer demand, GN is dedicated to attracting the employees with the highest skills in the entire value chain. Due to the general uncertainty prevailing in GN during 2007, GN's ability to retain and attract key employees has been impaired, particularly in Denmark.

>> STATE-OF-THE-ART RESEARCH AND TESTING FACILITIES

GN has some of the most advanced lab facilities in Denmark for testing and developing headsets and hearing instruments. This is where some of the best engineers in acoustics and antenna technology test GN products. They work in anechoic chambers, reverberation rooms and rooms where it is possible to reproduce sounds from the "real" world naturally, such as the sound environment of traffic in the street, an office environment or a windy environment.



Environmental Issues and Working Environment
GN has global environmental, health, safety and working environment standards that combine local and global rules and guidelines. GN's production requires a modest amount of energy and materials, and as new designs and technologies keep improving, even smaller amounts will be required. Selecting subcontractors in compliance with local environmental and occupational health and safety requirements is essential, and GN regularly monitors such compliance. The supply chain in both GN Netcom and GN ReSound conducts this work on a regular basis along with GN's ethical standards, for example by ensuring that child labor does not occur and that local and global employee rights are preserved.

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

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. With close to 50% of revenue and close to 60% of costs generated in US dollars or US dollar-related currencies, GN's long-term industrial competitiveness and its EBITA are resilient to likely US dollar fluctuations. GN has a large cost base in China and is as such exposed to appreciation of the CNY which historically has been linked to the USD. Most Chinese subcontractor agreements are agreed and paid in USD, however. Costs settled directly in CNY are primarily GN's staff expenses. Net of revenue in CNY from local sales in China, the direct exposure to CNY appreciation is therefore limited. A 10% depreciation of the US dollar is estimated to have a slightly positive EBITA effect on a medium-term horizon. Fluctuations in the US dollar might, however, impact short-term profit as and when products manufactured at a given exchange rate are sold at a different exchange rate at a later point in time. GN has several balance sheet items denominated in US dollars, including most of its goodwill. A 10% depreciation of the US dollar would reduce equity by approximately DKK 250 million.

Funding, Liquidity and Capital Structure
At December 31, 2007, GN had an equity ratio of 57% and net interest-bearing debt of DKK 1,516 million. The debt was mainly DKK-denominated with duration of less than one year, reflecting the asset composition with few long-term assets other than goodwill. Other things being equal, a one-percentage-point increase in overall interest rate levels would increase GN's net interest expenses by approximately DKK 15 million per year assuming an unchanged level of debt. A decrease in overall interest rate levels would likewise reduce GN's net interest expenses by approximately DKK 15 million per year. To reduce GN's overall liquidity risks, it is GN's policy to maintain flexibility by spreading the timing of credit facility terminations and renegotiations. GN's financial reserve consists primarily of undrawn committed credit facilities.

GN has a long-term target of continuing to debt finance operations in order to utilize the general advantage of being partly debt financed while still maintaining a flexible target level of debt so as to allow for unforeseen liquidity fluctuations and enable GN to carry out relevant investments to support the underlying business.

Considering the current challenges in both GN Netcom and GN ReSound, the current level of debt is considered to be appropriate. Therefore, neither dividends nor share buy-backs are being proposed in the 2007 Annual Report, and GN will apply its entire free cash flow towards developing the businesses or repaying debt.

However, GN maintains a long-term commitment to distributing funds to the shareholders whenever the situation allows it or special events occur. When relevant, this will predominantly be effected by the means of share buy-backs. For many Danish shareholders, this is the most tax efficient way of distribution and for most other shareholders at least as tax efficient as dividend payments.

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 has a policy of never having an exposure to a single financial counterparty of more than 2.5% of such party's capital and reserves. GN had cash and cash equivalents of DKK 168 million at December 31, 2007.

CORPORATE GOVERNANCE

Recommendations on corporate governance in Denmark issued by OMX Nordic Exchange, Copenhagen require listed companies to include a "comply or explain" section in their annual report. The recommendations include eight sections which are covered below, including explanations for non-compliance where relevant.

1) THE ROLE OF THE SHAREHOLDERS AND THEIR INTERACTION WITH MANAGEMENT
GN endeavors to provide adequate and timely information simultaneously to the market in order to provide the necessary framework through which the share price will always reflect GN's results and its strategic potential.

In order to ease communication between GN and GN's shareholders, a new website has been launched. Here, all information from GN will be published electronically. The new and improved website, which features elaborate share information, GN News and much more, makes it easy for shareholders to keep up with the latest news from GN. GN will continue to send annual reports and notices for annual general meetings by regular mail, but shareholders may also register to receive our annual reports and notifications by e-mail. For more on this, go to www.gn.com.

Share Capital and Voting Rights
GN Store Nord A/S' share capital of DKK 833,441,052 is distributed on 208,360,263 shares each carrying four votes. GN Store Nord A/S has one share class and there are no restrictions on ownership or voting rights. The Supervisory Board regularly reviews the Company's capital structure. For more informations see "Funding, Liquidity and Capital Stucture" on page 20.

At the 2007 general meeting, approximately 19% of the share capital was represented directly or by proxy.

The GN share generated a negative return in 2007.

The GN stock is 100% free float and the company has no dominant shareholders. ATP (the Danish Labour Market Supplementary Pension Fund), and Marathon Asset Management LLP are the only shareholders to have reported an ownership interest in excess of 5% of GN's share capital. GN has around 43,000 registered shareholders, holding in aggregate almost 70% of the shares in GN.

Foreign ownership of GN is estimated at about 30%. Members of the Supervisory Board and Executive Management hold 78,449 GN shares. The ten largest registered shareholders held about 37% of the GN share capital in aggregate at mid-February 2008. GN holds 2.3% treasury shares, primarily held to cover the long-term incentive plans in GN.

Pursuant to the Articles of Association, the Supervisory Board has been authorized to increase the share capital by up to a nominal amount of DKK 205 million. The authorization is valid until 2010. The Supervisory Board has also been authorized to increase the share capital as part of the company's share option plan. The authorization is for a nominal amount of up to DKK 6 million and is valid until 2008. The Articles of Association may be amended in accordance with the general provisions of the Danish Public Companies Act.

General Meetings
Notice to convene a general meeting must be announced not more than four and not less than two weeks prior to the date of the meeting at www.gn.com and in the Danish Commerce and Companies Agency's computerized information system. Such notice containing the agenda of the general meeting is forwarded in writing to all registered shareholders. Following an amendment of the company's Articles of Association adopted by the general meeting in 2007, such information may be forwarded to registered shareholders either by mail or e-mail, at the discretion of the company. A shareholder is entitled to request to receive such information by mail. Authorizations given to the Supervisory Board should be limited to one particular general meeting and should allow shareholders to consider each individual point on the agenda.

Proposed Resolutions for the Annual General Meeting (Summary)
The Board of Directors intends to propose the following to the annual general meeting:

- appropriation of profit/loss for the year, including that no ordinary dividend be paid
- election of members to the Supervisory Board
- approval of general guidelines for incentive pay to the management of GN Store Nord A/S
- authorization to issue share options and shares to employees
- appointment of auditor

2) THE ROLE OF STAKEHOLDERS AND THEIR IMPORTANCE TO THE COMPANY

The management ensures that GN maintains ongoing relations with the company's stakeholders in order to ensure value enhancement for all stakeholders in both the short term and the long term. GN believes that this helps to ensure that GN's market capitalization reflects both short-term results and long-term strategic opportunities.

3) OPENNESS AND TRANSPARENCY

GN's communications policy requires adequate, timely and simultaneous communication to all parties, including the stock market, shareholders, financial analysts, investors and prospective investors. All communication with OMX Nordic Exchange, Copenhagen and the stock market is conducted by the Executive Management as well as the Investor Relations and the Communications departments.

A large part of the company's relations with Danish and foreign shareholders as well as with prospective investors is cultivated through meetings organized by banks or stockbrokers. GN goes on road shows in Denmark and internationally following the publication of interim reports and also takes part in investor conferences. In 2007, GN had about 250 one-on-one meetings with institutional investors.

Interim 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 are all held in English at GN's corporate headquarters in Ballerup, Copenhagen, and transmitted live on GN's website: www.gn.com. All presentations are also available from the website. Some 15 financial analysts in Denmark and abroad provide active coverage of the GN share. The current list of analysts can be found on www.gn.com.

GN makes a dedicated effort to maintain a high level of information, including making all GN presentations available on www.gn.com when they are held. In addition, shareholders and other stakeholders can always contact GN through investor@gn.com and info@gn.com. GN endeavors to reply to all inquiries and maintains procedures to ensure that everyone receives a reply, either by mail, e-mail or telephone.

By registering for a subscription to GN's news and information services on www.gn.com, interested parties receive electronic news from GN immediately after the release of stock exchange announcements, including interim and full-year profit announcements, on OMX Nordic Exchange, Copenhagen. GN issued 29 stock exchange announcements in 2007, four of which involved trading in GN shares or share options by insiders. Board members William Hoover, Jørgen Bardenfleth and Nikolai Bisgaard acquired shares in GN in 2007. The announcements are available at www.gn.com.

Due to the extraordinary workload regarding the sales process of GN ReSound, it was not possible to arrange site visits and capital markets days for investors and analysts during 2007.

2008 Financial Calendar

Annual General Meeting..March 11
The company's Annual General Meeting will be held at 1:30 p.m. at the Scandic Copenhagen, Vester Søgade 6, DK-1601 Copenhagen, Denmark.
Interim report 1/2008 ....May 8
Interim report 2/2008 .... August 14
Interim report 3/2008 ....November 6

4) THE TASKS AND RESPONSIBILITIES OF THE SUPERVISORY BOARD

Rules of procedure have been drawn up stipulating the duties of GN's Supervisory Board. The rules are updated when deemed relevant. The rules of procedure lay down the guidelines for appointing the chairman and deputy chairman, duties of disclosure, assignments and responsibilities.

There is also a set of guidelines for the Executive Management's reporting to the Supervisory Board.

5) THE COMPOSITION OF THE SUPERVISORY BOARD

The company's Supervisory Board consists of three employee representatives and six directors elected by the shareholders in general meeting. Among the six directors elected by the shareholders, five have served on the Board for five years or less. The Supervisory Board held seven ordinary meetings in 2007. In addition, the Board held nine extraordinary meetings in relation to the cancelled sales process of GN ReSound. Each year, the Supervisory Board prepares a schedule for the coming year's board meetings.

The Supervisory Board does not use permanent committees, because GN believes that it is important for all board members to be involved in all main aspects of the company's business. In 2007 individual board members have been appointed to hold preparatory meetings with the Executive Management on specific tasks.

No member of the Supervisory Board elected by the general meeting is or has ever been an employee of GN, and no such board member has any financial interests in the company other than that of a shareholder. All members of the Supervisory Board elected in general meeting are considered to be independent. The Chairman has been on the Board for more than 12 years, the latter five years as Chairman. Information on the occupation, other directorships, shares held in GN and the year elected for each Board member can be found in the annual report.

The members of the Supervisory Board embody extensive experience from international businesses in the IT, healthcare, consumer electronics and business consulting sectors as well as general industry experience, all of which have previously been relevant for GN's operations. The members elected by the shareholders hold office for terms of one year, and are eligible for re-election until they attain the age limit of 70 years.

The work of the Supervisory Board and the Executive Management in 2006 was assessed by way of a questionnaire and subsequent individual discussions with the Chairman. The results of the assessments were then discussed in the presence of all board members.

Due to the focus on the sales process an assessment was not made in 2007, but an assessment will be performed in 2008.

The Supervisory Board evaluates the work and results of the Executive Management, in particular, once a year in connection with determining remuneration packages, targets achieved and setting new targets.

The collaboration between the Supervisory Board and the Executive Management is also evaluated on a regular basis through discussions between the CEOs and the Chairman.

6) REMUNERATION OF SUPERVISORY BOARD AND EXECUTIVE MANAGEMENT

Members of the Supervisory Board receive fixed remuneration. They are not awarded share options, nor do they participate in other incentive programs. GN does not have a written remuneration policy, but additional information about the remuneration to members of the Supervisory Board and the Executive Management is provided in note 3 to the financial statements of the Annual Report.

Long-term Incentive Plans

Due to the now abandoned sales process of GN ReSound, it was decided not to issue share options in 2007. For key employees normally included in the share option program, a one or two year bonus program was implemented in 2007. This bonus program is subject to the financial performance of GN Store Nord and the separate business activities.

7) RISK MANAGEMENT

GN has adopted and implemented numerous systematic processes of collecting risk management information so that strategic and operational risks can be identified, reported and managed in the best possible way throughout GN. The risk management processes are conducted on a continuous basis throughout the year, and the results are compiled by the corporate risk management function for a presentation of GN's overall risk scenario to the Executive Management and the Supervisory Board. The Annual Report provides a presentation of GN's material strategic and operational risks.

8) AUDIT

Pursuant to Danish law, the independent auditors are elected by the shareholders in general meeting. Rotation of the state authorized public accountants signing the financial statements is required at least once every seven years. This year, the current auditors are signing GN's Annual Report for the third and the first year, respectively. The audit engagement is not as recommended agreed directly with the Supervisory Board, but concluded with the Executive Management, which subsequently presents the main points of the agreement to the Supervisory Board. Candidates are recommended to the position as auditors on the basis of a specific assessment of their competence and independence made by the Supervisory Board. The Danish auditors' act restricts the scope of the services an independent auditor may provide to a listed company. Independent auditors may only provide advisory tasks approved before such task is commenced. The advisory tasks provided are specified in the notes to the financial statements in the classifications of audit-related services, tax assistance and other services.

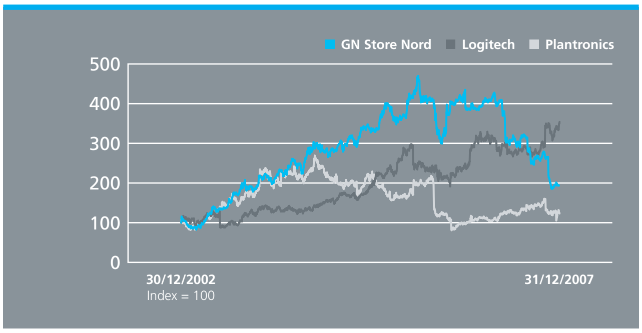
At least once a year, the Supervisory Board reviews the adequacy of the internal control systems. At the board meeting when the annual report is reviewed, the board members discuss the internal control systems with the auditors elected by the shareholders in general meeting. Based on the auditors' reporting in the long-form audit report, the Supervisory Board and the independent auditors discuss the audit results, the material accounting policies applied, critical accounting estimates and the appropriateness of the accounting policies applied.

The principles for the company's presentation of its financial statements are described in a financial reporting manual applied by all subsidiaries. Financial reporting is done in a corporate reporting system that provides full transparency in each individual reporting unit to the parent company's consolidation department.

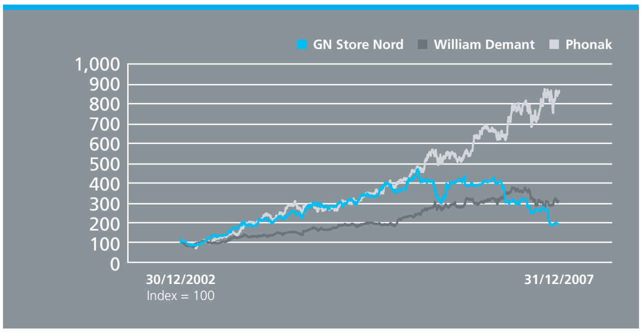
Controller visits are conducted, among other things, to evaluate internal control systems of subsidiaries and to ensure that subsidiaries comply with approved principles and policies. The results of the controller visits are reported to the Executive Management, the independent auditors and the local management. The number of controller visits were fewer than scheduled in 2007 due to the attention required for the now abandoned sales process.

The Supervisory Board has concluded that the company's current size and level of complexity does not require the establishment of an audit committee or an internal audit department, however an audit committee will be established in 2009 in line with EU legislation.

SHARE PRICE DEVELOPMENT – VS. GN NETCOM PEERS



SHARE PRICE DEVELOPMENT – VS. GN RESOUND PEERS



INVESTOR-SPECIFIC STATEMENTS

Earnings, Cash Flows and Selected Balance Sheet Items by Business Area

GN Store Nord's consolidated and parent company financial statements are presented in accordance with the provisions of the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

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

GN Store Nord defines EBITA as the operating profit before impairment of goodwill and amortization of other intangible assets acquired in company acquisitions and special items of a non-recurring nature.

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 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:

- Impairment of goodwill and other intangible assets acquired in company acquisitions, as these are recognized after EBITA, see the Group's definition.
- Write-downs on other 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.
- The share of profit from associates which is not considered a part of EBITA.
- In accordance with IFRS 5 depreciation resulting from a reclassification from discontinuing operations to continuing operations should be recognized in the period in which the sales process is abandoned and not in the period in which the depreciation would otherwise have been made. For ease of comparison, depreciation relating to the period in which GN ReSound was classified as a discontinuing operation is recognized in the periods in which the depreciation would have been recognized had GN ReSound not been classified as a discontinuing operation.

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

Costs incurred in relation to the abandoned sales process concerning GN ReSound are disclosed in a separate line item after EBITA as these costs are viewed as special costs of a non-recurring nature which are recognized after EBITA, see the Group's definition.

Business Area Operations

The statements contain earnings of each business area; GN Netcom (Contact Center & Office Headsets and Mobile Headsets), 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, capacity costs excluding developments costs, depreciation and amortization and expensed development costs.

Pro Forma Balance Sheet

In accordance with IFRS 5 the value of discontinuing operations is shown in a separate line item under assets at December 31, 2006. Accordingly, the balance sheet at December 31, 2007 is not directly comparable with the balance sheet at the 2006 year end. For ease of comparison, the investor-specific statements contain a pro forma balance sheet with restatement of 2006 figures. Comments in the Management's report on the balance sheet and the development in significant balance sheet items are based on the pro forma balance sheet.

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 financial 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 the IFRS cash flow statement.

Investor-specific Income Statement per Quarterly Period

(DKK million)	Q1 2006 (unaud.)	Q2 2006 (unaud.)	Q3 2006 (unaud.)	Q4 2006 (unaud.)	2006 Total (aud.)	Q1 2007 (unaud.)	Q2 2007 (unaud.)	Q3 2007 (unaud.)	Q4 2007 (unaud.)	2007 Total (aud.)
Revenue	**1,756**	**1,759**	**1,513**	**1,738**	**6,766**	**1,564**	**1,463**	**1,428**	**1,526**	**5,981**
Production costs	(870)	(916)	(792)	(891)	(3,469)	(765)	(667)	(663)	(767)	(2,862)
Gross profit	886	843	721	847	3,297	799	796	765	759	3,119
Incurred development costs	(118)	(141)	(116)	(139)	(514)	(125)	(148)	(138)	(141)	(552)
Selling and distribution costs	(448)	(456)	(433)	(409)	(1,746)	(373)	(393)	(375)	(379)	(1,520)
Management and administrative expenses	(197)	(168)	(176)	(171)	(712)	(160)	(145)	(162)	(216)	(683)
Other operating income	(2)	(3)	6	1	2	3	2	3	10	18
Operating profit (loss) before capitalization and amortization of development costs, depreciation, amortization and impairment of intangible assets acquired in company acquisitions	**121**	**75**	**2**	**129**	**327**	**144**	**112**	**93**	**33**	**382**
Capitalized development costs	66	72	63	84	285	75	80	77	79	311
Amortized development costs	(36)	(36)	(37)	(37)	(146)	(39)	(46)	(52)	(56)	(193)
EBITDA	151	111	28	176	466	180	146	118	56	500
Depreciation and amortization relating to:										
Production	(17)	(17)	(22)	(29)	(85)	(19)	(18)	(18)	(22)	(77)
Selling and distribution	(4)	(4)	(5)	(5)	(18)	(4)	(4)	(5)	(5)	(18)
Administration	(23)	(24)	(23)	(31)	(101)	(28)	(31)	(28)	(24)	(111)
EBITA	107	66	(22)	111	262	129	93	67	5	294
Share of profit (loss) in associates	-	(5)	(1)	6	-	-	-	-	2	2
Amortization of other intangible assets acquired in company acquisitions	(10)	(10)	(10)	(7)	(37)	(11)	(8)	(8)	(7)	(34)
Depreciation related to Q4 2006 (and 2007) in GN ReSound due to the abandoned sales process	-	-	-	32	32	31	32	31	(126)	(32)
Operating profit (loss)	97	51	(33)	142	257	149	117	90	(126)	230
Costs related to abandoned sales process for GN ReSound	-	-	-	(14)	(14)	-	-	(49)	(215)	(264)
Gains (losses) on disposal of operations	5	61	-	-	66	-	(2)	-	2	-
Financial items, net	(11)	1	(21)	(29)	(60)	(23)	(11)	(12)	(20)	(66)
Earnings before tax (EBT)	91	113	(54)	99	249	126	104	29	(359)	(100)
Margins:										
Gross profit margin	50.5 %	47.9 %	47.7 %	48.7 %	48.7 %	51.1 %	54.4 %	53.6 %	49.7 %	52.1 %
EBITA margin	6.1 %	3.8 %	(1.5) %	6.4 %	3.9 %	8.2 %	6.4 %	4.7 %	0.3 %	4.9 %
EBITA margin, excluding capitalization and amortization of development costs	4.4 %	1.7 %	(3.2)%	3.7 %	1.8 %	5.9 %	4.0 %	2.9 %	(1.2)%	2.9 %

Expensed Development Costs

(DKK million)	Q1 2006 (unaud.)	Q2 2006 (unaud.)	Q3 2006 (unaud.)	Q4 2006 (unaud.)	2006 Total (aud.)	Q1 2007 (unaud.)	Q2 2007 (unaud.)	Q3 2007 (unaud.)	Q4 2007 (unaud.)	2007 Total (aud.)
Incurred development costs*										
Contact Center & Office Headsets	(17)	(25)	(18)	(17)	(77)	(15)	(17)	(19)	(26)	(77)
Mobile Headsets	(24)	(31)	(26)	(23)	(104)	(23)	(29)	(29)	(21)	(102)
Hearing Instruments	(66)	(71)	(69)	(90)	(296)	(75)	(93)	(80)	(83)	(331)
Audiologic Diagnostics Equipment	(11)	(15)	(4)	(9)	(39)	(12)	(9)	(10)	(11)	(42)
Other	-	1	1	-	2	-	-	-	-	-
Total	(118)	(141)	(116)	(139)	(514)	(125)	(148)	(138)	(141)	(552)
Capitalized development costs										
Contact Center & Office Headsets	9	9	8	10	36	7	6	6	14	33
Mobile Headsets	14	16	16	14	60	12	15	21	14	62
Hearing Instruments	38	39	39	55	171	50	54	43	44	191
Audiologic Diagnostics Equipment	5	8	-	5	18	6	5	7	7	25
Total	66	72	63	84	285	75	80	77	79	311
Amortized development costs										
Contact Center & Office Headsets	(5)	(6)	(6)	(5)	(22)	(8)	(12)	(13)	(11)	(44)
Mobile Headsets	(10)	(11)	(11)	(10)	(42)	(9)	(10)	(13)	(20)	(52)
Hearing Instruments	(17)	(14)	(17)	(18)	(66)	(18)	(20)	(22)	(20)	(80)
Audiologic Diagnostics Equipment	(4)	(5)	(3)	(4)	(16)	(4)	(4)	(4)	(5)	(17)
Total	(36)	(36)	(37)	(37)	(146)	(39)	(46)	(52)	(56)	(193)

*) Incurred development costs do not include share of amortization of other intangible assets acquired in company acquisitions.

Quarterly Operations by Business Area

(DKK million)	Q1 2006 (unaud.)	Q2 2006 (unaud.)	Q3 2006 (unaud.)	Q4 2006 (unaud.)	2006 Total (aud.)	Q1 2007 (unaud.)	Q2 2007 (unaud.)	Q3 2007 (unaud.)	Q4 2007 (unaud.)	2007 Total (aud.)
Revenue										
Contact Center & Office Headsets	447	386	349	405	1,587	400	369	366	397	1,532
Mobile Headsets	463	556	355	435	1,809	349	248	304	378	1,279
Hearing Instruments	764	729	732	807	3,032	731	760	676	656	2,823
Audiologic Diagnostics Equipment	77	86	71	93	327	80	82	79	91	332
Other *	5	2	6	(2)	11	4	4	3	4	15
Total	**1,756**	**1,759**	**1,513**	**1,738**	**6,766**	**1,564**	**1,463**	**1,428**	**1,526**	**5,981**
Gross profit										
Contact Center & Office Headsets	286	229	205	246	966	255	240	233	250	978
Mobile Headsets	95	98	18	40	251	34	15	58	52	159
Hearing Instruments	463	468	462	516	1,909	469	503	436	407	1,815
Audiologic Diagnostics Equipment	38	43	29	44	154	37	34	35	46	152
Other *	4	5	7	1	17	4	4	3	4	15
Total	**886**	**843**	**721**	**847**	**3,297**	**799**	**796**	**765**	**759**	**3,119**
Capacity costs excluding development costs and depreciation and amortization of assets										
Contact Center & Office Headsets	(186)	(205)	(217)	(152)	(760)	(147)	(148)	(154)	(136)	(585)
Mobile Headsets	(82)	(82)	(71)	(74)	(309)	(71)	(60)	(67)	(70)	(268)
Hearing Instruments	(343)	(300)	(286)	(315)	(1,244)	(283)	(294)	(299)	(336)	(1,212)
Audiologic Diagnostics Equipment	(27)	(27)	(25)	(27)	(106)	(26)	(24)	(26)	(28)	(104)
Other *	(9)	(13)	(4)	(11)	(37)	(3)	(10)	12	(15)	(16)
Total	**(647)**	**(627)**	**(603)**	**(579)**	**(2,456)**	**(530)**	**(536)**	**(534)**	**(585)**	**(2,185)**
Expensed development costs										
Contact Center & Office Headsets	(13)	(22)	(16)	(12)	(63)	(16)	(23)	(26)	(23)	(88)
Mobile Headsets	(20)	(26)	(21)	(19)	(86)	(20)	(24)	(21)	(27)	(92)
Hearing Instruments	(45)	(46)	(47)	(53)	(191)	(43)	(59)	(59)	(59)	(220)
Audiologic Diagnostics Equipment	(10)	(12)	(7)	(8)	(37)	(10)	(8)	(7)	(9)	(34)
Other *	-	1	1	-	2	-	-	-	-	-
Total	**(88)**	**(105)**	**(90)**	**(92)**	**(375)**	**(89)**	**(114)**	**(113)**	**(118)**	**(434)**
EBITDA										
Contact Center & Office Headsets	87	2	(28)	82	143	92	69	53	91	305
Mobile Headsets	(7)	(10)	(74)	(53)	(144)	(57)	(69)	(30)	(45)	(201)
Hearing Instruments	75	122	129	147	473	143	150	78	12	383
Audiologic Diagnostics Equipment	1	4	(3)	9	11	1	2	2	9	14
Other *	(5)	(7)	4	(9)	(17)	1	(6)	15	(11)	(1)
Total	**151**	**111**	**28**	**176**	**466**	**180**	**146**	**118**	**56**	**500**
Depreciation and amortization										
Contact Center & Office Headsets	(8)	(9)	(11)	(12)	(40)	(10)	(8)	(6)	(7)	(31)
Mobile Headsets	(7)	(8)	(10)	(15)	(40)	(9)	(9)	(11)	(9)	(38)
Hearing Instruments	(25)	(24)	(22)	(26)	(97)	(22)	(23)	(25)	(25)	(95)
Audiologic Diagnostics Equipment	(1)	(1)	-	(1)	(3)	(1)	-	-	(1)	(2)
Other *	(3)	(3)	(7)	(11)	(24)	(9)	(13)	(9)	(9)	(40)
Total	**(44)**	**(45)**	**(50)**	**(65)**	**(204)**	**(51)**	**(53)**	**(51)**	**(51)**	**(206)**
EBITA										
Contact Center & Office Headsets	79	(7)	(39)	70	103	82	61	47	84	274
Mobile Headsets	(14)	(18)	(84)	(68)	(184)	(66)	(78)	(41)	(54)	(239)
Hearing Instruments	50	98	107	121	376	121	127	53	(13)	288
Audiologic Diagnostics Equipment	-	3	(3)	8	8	-	2	2	8	12
Other *	(8)	(10)	(3)	(20)	(41)	(8)	(19)	6	(20)	(41)
Total	**107**	**66**	**(22)**	**111**	**262**	**129**	**93**	**67**	**5**	**294**
EBITA margin										
Contact Center & Office Headsets	17.7 %	(1.8)%	(11.2)%	17.3 %	6.5 %	20.5 %	16.5 %	12.8 %	21.2 %	17.9 %
Mobile Headsets	(3.0)%	(3.2)%	(23.7)%	(15.6)%	(10.2)%	(18.9)%	(31.5)%	(13.5)%	(14.3)%	(18.7)%
Hearing Instruments	6.5 %	13.4 %	14.6 %	15.0 %	12.4 %	16.6 %	16.7 %	7.8 %	(2.0)%	10.2 %
Audiologic Diagnostics Equipment	0.0 %	3.5 %	(4.2)%	8.6 %	2.4 %	0.0 %	2.4 %	2.5 %	8.8 %	3.6 %
Total	**6.1 %**	**3.8 %**	**(1.5)%**	**6.4 %**	**3.9 %**	**8.2 %**	**6.4 %**	**4.7 %**	**0.3 %**	**4.9 %**

*) "Other" comprises the Telegraph Company, GN Ejendomme, corporate staff, corporate finance and eliminations.

Pro Forma Balance Sheet

Balance Sheet at December 31 - Assets

(DKK million)	Dec. 31 2007	Dec. 31 2006
Non-current assets		
Goodwill	2,525	2,759
Development projects, developed in-house	692	576
Software	97	129
Patents and rights	51	58
Telecommunications systems	19	27
Other intangible assets	268	318
Total intangible assets	3,652	3,867
Factory and office buildings	487	342
Leasehold improvements	37	42
Plant and machinery	125	139
Operating assets and equipment	80	104
Leased plant and equipment	2	2
Assets under construction	4	153
Total property, plant and equipment	735	782
Investments in associates	59	64
Other securities	86	62
Other receivables	12	11
Deferred tax assets	621	694
Total other non-current assets	778	831
Total non-current assets	5,165	5,480
Current assets		
Inventories	717	707
Trade receivables	1,262	1,343
Receivables from associates	18	11
Tax receivable	9	101
Other receivables	302	245
Prepayments	194	208
Total receivables	1,785	1,908
Cash and cash equivalents	168	118
Total current assets	2,670	2,733
Total assets	7,835	8,213

Balance sheet at December 31 - Equity and Liabilities

(DKK million)	Dec. 31 2007	Dec. 31 2006
Equity		
Share capital	833	855
Foreign exchange adjustments	(1,934)	(1,531)
Proposed dividends for the year	-	-
Retained earnings	5,583	5,576
Total equity	4,482	4,900
Non-current liabilities		
Bank loans	1,300	1,250
Capitalized lease obligations	2	1
Other long-term payables	20	13
Received prepayments	33	37
Pension obligations and similar obligations	35	51
Deferred tax	34	128
Other provisions	85	81
Total non-current liabilities	1,509	1,561
Current liabilities		
Repayment of long-term loans	1	3
Bank loans	383	252
Trade payables	421	452
Tax payable	16	103
Other payables	686	650
Received prepayments	69	63
Other provisions	268	215
	1,844	1,738
Liabilities associated with assets held for sale	-	14
Total current liabilities	1,844	1,752
Total liabilities	3,353	3,313
Total equity and liabilities	7,835	8,213

Development in Selected Balance Sheet Items

(DKK million)	March 31 2006 (unaud.)	June 30 2006 (unaud.)	Sept. 30 2006 (unaud.)	Dec. 31 2006 (aud.)	March 31 2007 (unaud.)	June 30 2007 (unaud.)	Sept. 30 2007 (unaud.)	Dec. 31 2007 (aud.)
Goodwill								
GN Netcom	489	469	470	455	450	445	427	414
GN ReSound	2,486	2,380	2,386	2,304	2,290	2,262	2,176	2,111
Total	2,975	2,849	2,856	2,759	2,740	2,707	2,603	2,525
Development projects developed in-house								
GN Netcom	90	98	106	115	114	113	118	115
GN ReSound	386	408	422	461	495	531	554	577
Total	476	506	528	576	609	644	672	692
Inventories								
GN Netcom	378	454	471	316	222	282	381	343
GN ReSound	326	340	363	391	376	378	367	374
Total	704	794	834	707	598	660	748	717
Trade receivables								
GN Netcom	654	656	504	571	553	458	531	573
GN ReSound	698	696	705	739	713	717	706	665
Other	37	34	33	33	33	33	32	24
Total	1,389	1,386	1,242	1,343	1,299	1,208	1,269	1,262
Trade payables								
GN Netcom	263	263	91	178	106	153	208	181
GN ReSound	136	146	168	232	167	165	131	211
Other	39	48	40	42	46	16	18	29
Total	438	457	299	452	319	334	357	421

Quarterly Cash Flow Statement

(DKK million)	Q1 2006 (unaud.)	Q2 2006 (unaud.)	Q3 2006 (unaud.)	Q4 2006 (unaud.)	2006 Total (aud.)	Q1 2007 (unaud.)	Q2 2007 (unaud.)	Q3 2007 (unaud.)	Q4 2007 (unaud.)	2007 Total (aud.)
Operating activities										
Operating profit (loss)	97	51	(33)	142	257	118	85	59	(32)	230
Depreciation, amortization and impairment	91	95	100	80	366	104	112	111	154	481
Other adjustments	28	30	63	(137)	(16)	19	13	(6)	39	65
Cash flow from operating activities before changes in working capital	**216**	**176**	**130**	**85**	**607**	**241**	**210**	**164**	**161**	**776**
Change in inventories	22	(118)	(67)	139	(24)	104	(78)	(99)	6	(67)
Change in receivables	(22)	(95)	139	(41)	(19)	(15)	93	(84)	(96)	(102)
Change in trade payables and other payables	(41)	79	(202)	270	106	(167)	58	132	6	29
Total changes in working capital	**(41)**	**(134)**	**(130)**	**368**	**63**	**(78)**	**73**	**(51)**	**(84)**	**(140)**
Cash flow from operating activities before financial items, restructurings and tax	**175**	**42**	**-**	**453**	**670**	**163**	**283**	**113**	**77**	**636**
Interest, net, received and paid	(11)	(12)	6	(48)	(65)	(24)	(21)	(20)	(19)	(84)
Restructurings, paid	(12)	(18)	(16)	(14)	(60)	-	(10)	(4)	(18)	(32)
Tax paid, net	(6)	(10)	(5)	(33)	(54)	(5)	(9)	(3)	(25)	(42)
Cash flow from operating activities	**146**	**2**	**(15)**	**358**	**491**	**134**	**243**	**86**	**15**	**478**
Investing activities										
Development projects, acquired and developed in-house	(66)	(67)	(68)	(75)	(276)	(75)	(80)	(77)	(79)	(311)
Acquisitions of other intangible assets and property, plant and equipment, net	(116)	(155)	(95)	(140)	(506)	(54)	(51)	(45)	(67)	(217)
Company acquisitions	-	-	-	(60)	(60)	(3)	-	-	(9)	(12)
Aquisition/disposal of other non-current assets, net	(2)	145	3	4	150	(10)	(3)	(7)	(7)	(27)
Sale of disposed operations, including liabilities settled in connection with disposal of activities, etc.	-	-	49	(79)	(30)	(5)	(25)	(20)	(44)	(94)
Cash flow from investing activities	**(184)**	**(77)**	**(111)**	**(350)**	**(722)**	**(147)**	**(159)**	**(149)**	**(206)**	**(661)**
Cash flow from operating and investing activities	**(38)**	**(75)**	**(126)**	**8**	**(231)**	**(13)**	**84**	**(63)**	**(191)**	**(183)**
Financing activities										
Increase/decrease of short-term loans	(114)	17	14	(93)	(176)	76	(62)	(10)	128	132
Acquisitions of treasury shares	(52)	(348)	-	-	(400)	-	-	-	-	-
Share options exercised	21	2	5	32	60	7	7	3	1	18
Increase/decrease long-term loans	294	550	(44)	50	850	(50)	6	50	50	56
Paid dividends to shareholders	(103)	(21)	-	-	(124)	-	-	-	-	-
Other adjustments	5	5	(12)	24	22	(4)	6	(14)	24	12
Cash flow from financing activities	**51**	**205**	**(37)**	**13**	**232**	**29**	**(43)**	**29**	**203**	**218**
Net cash flow from continuing operations	**13**	**130**	**(163)**	**21**	**1**	**16**	**41**	**(34)**	**12**	**35**
Net cash flow from discontinuing operations	-	-	-	-	-	-	20	-	-	20
Net cash flow	**13**	**130**	**(163)**	**21**	**1**	**16**	**61**	**(34)**	**12**	**55**
Cash and cash equivalents beginning of the period	120	132	261	98	120	118	134	196	161	118
Foreign exchange adjustments, cash and cash equivalents	(1)	(1)	-	(1)	(3)	-	1	(1)	(5)	(5)
Cash and cash equivalents, beginning of the period	**119**	**131**	**261**	**97**	**117**	**118**	**135**	**195**	**156**	**113**
Cash and cash equivalents in acquired companies	-	-	-	-	-	-	-	-	-	-
Cash and cash equivalents, end of the period	**132**	**261**	**98**	**118**	**118**	**134**	**196**	**161**	**168**	**168**

Quarterly Cash Flow Statement by Business Areas

(DKK million)	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006 Total	Q1 2007	Q2 2007	Q3 2007	Q4 2007	2007 Total
Cash flow from operating activities before changes in working capital										
GN Netcom	99	13	(40)	10	82	80	21	41	97	239
GN ReSound	121	172	168	79	540	159	194	108	74	535
Other	(4)	(9)	2	(4)	(15)	2	(5)	15	(10)	2
Total	**216**	**176**	**130**	**85**	**607**	**241**	**210**	**164**	**161**	**776**
Cash flow from operating activities before financial items, restructurings and tax										
GN Netcom	170	(14)	(105)	194	245	61	152	(53)	3	163
GN ReSound	(11)	100	128	201	418	89	183	140	58	470
Other	16	(44)	(23)	58	7	13	(52)	26	16	3
Total	**175**	**42**	**-**	**453**	**670**	**163**	**283**	**113**	**77**	**636**
Cash flow from operating activities										
GN Netcom	154	(33)	(100)	170	191	96	133	(45)	(49)	135
GN ReSound	(32)	69	104	121	262	(3)	161	108	21	287
Other	24	(34)	(19)	67	38	41	(51)	23	43	56
Total	**146**	**2**	**(15)**	**358**	**491**	**134**	**243**	**86**	**15**	**478**
Cash flow from investing activities										
GN Netcom	(44)	(40)	(35)	(49)	(168)	(29)	(30)	(39)	(30)	(128)
GN ReSound	(61)	85	(52)	(157)	(185)	(89)	(78)	(81)	(100)	(348)
Other	(79)	(122)	(24)	(144)	(369)	(29)	(51)	(29)	(76)	(185)
Total	**(184)**	**(77)**	**(111)**	**(350)**	**(722)**	**(147)**	**(159)**	**(149)**	**(206)**	**(661)**
Cash flow from operating and investing activities										
GN Netcom	110	(73)	(135)	121	23	67	103	(84)	(79)	7
GN ReSound	(93)	154	52	(36)	77	(92)	83	27	(79)	(61)
Other	(55)	(156)	(43)	(77)	(331)	12	(102)	(6)	(33)	(129)
Total	**(38)**	**(75)**	**(126)**	**8**	**(231)**	**(13)**	**84**	**(63)**	**(191)**	**(183)**

SUPERVISORY BOARD

Mogens Hugo
Chairman from 2002
Member of the Board since 1994, age 64
No. of GN shares held: 23,572

Chairman of:
Dampskibsselskabet "NORDEN" A/S
Nordea Danmark-Fonden
Amminex A/S
Aagaard & Bræmer Holding A/S
Danelec Electronics A/S

Lise Kingo
Deputy Chairman from 2007
Member of the Board since 2005, age 46
No. of GN shares held: 2,000
Executive Vice President, Novo Nordisk A/S

Jørgen Bardenfleth
Member of the Board since 2003, age 52
No. of GN shares held: 5,020
Country General Manager, Microsoft Danmark A/S

Chairman of:
IT-Væksthus A/S
IPTronics ApS

William E. Hoover, Jr.
Member of the Board since 2007, age 58
No. of GN shares held: 21,000

Board member of:
Danfoss A/S

René Svendsen-Tune
Member of the Board since 2007, age 52
No. of GN shares held: 0
President & CEO Teleca AB

Board member of:
Excitor A/S

Mike R. van der Wallen
Member of the Board since 2007, age 42
No. of GN shares held: 0
CEO, IM Inspiring Management
President & CEO, GN ReSound, as of March 1, 2008

Jens Bille Bergholdt
Employee representative
Member of the Board since 2001, age 39
No. of GN shares held: 426
VP, Finance, IR & Communications
GN Store Nord A/S

Nikolai Bisgaard
Employee representative
Member of the Board since 2006, age 56
No. of GN shares held: 6,090
VP, IPR & Industry Relations, GN Store Nord A/S

Leo Larsen
Employee representative
Member of the Board since 2007, age 49
No. of GN shares held: 4,672
CTO, GN Netcom A/S

EXECUTIVE MANAGEMENT

Toon Bouten
President & CEO, GN Netcom
Member of the Executive Management since 2006, age 49
Options held: 84,951
(avg. exercise price 80)
No. of GN shares held: 0

Anders Boyer
CFO, GN Netcom
Member of the Executive Management since August 19, 2007, age 37
Options held: 0
No. of GN shares held: 15,669

Information provided by the board members at February 21, 2008

STATEMENT BY THE EXECUTIVE MANAGEMENT AND THE SUPERVISORY BOARD

The Executive Management and the Supervisory Board have today discussed and approved the annual report of GN Store Nord A/S for the financial year 2007. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of 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, 2007 and of the results of the Group's and the parent company's operations and cash flows for the financial year 2007.
We recommend that the annual report be approved at the annual general meeting.

Ballerup, February 21, 2008

Executive Management	Toon Bouten CEO GN Netcom	Anders Boyer
Supervisory Board		
Mogens Hugo Chairman	Lise Kingo Deputy chairman	Jørgen Bardenfleth
William E. Hoover Jr.	René Svendsen-Tune	Mike R. van der Wallen
Jens Bille Bergholdt	Leo Larsen	Nikolai Bisgaard

AUDITORS' REPORT

To the shareholders of GN Store Nord A/S

We have audited the annual report of GN Store Nord A/S for the financial year January 1 - December 31, 2007, which comprises the statement by the Executive Management and the Supervisory Board on the annual report, Management's report, income statement, balance sheet, cash flow statement, statement of recognized income and expense, statement of changes in equity and notes for the Group as well as for the parent company. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

The Executive Management and the Supervisory Board's responsibility for the annual report

The Executive Management and the Supervisory Board are responsible for the preparation and fair presentation of this annual report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Management and the Supervisory Board, as well as evaluating the overall presentation of the annual report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Our audit did not result in any qualification.

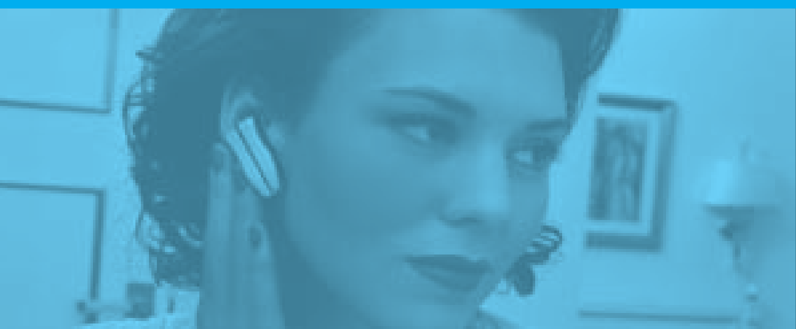
Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at December 31, 2007 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, 2007 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Copenhagen, February 21, 2008
KPMG C.Jespersen
Partnership of State Authorized Public Accountants

Flemming Brokhattingen State Authorized Public Accountant	Peter Gath State Authorized Public Accountant

GN STORE NORD – FINANCIAL STATEMENTS 2007



FInancial Statements

Notes – Financial Statements

Notes – Income Statement

Notes – Balance Sheet

Notes – Supplementary Information

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED Restated 2006	PARENT COMPANY 2007	PARENT COMPANY Restated 2006
2	Revenue	5,981	6,766	15	16
3, 5, 7	Production costs	(2,939)	(3,544)	(1)	(1)
	Gross profit	**3,042**	**3,222**	**14**	**15**
3, 4, 5, 7	Development costs	(442)	(384)	-	-
3, 5, 7	Selling and distribution costs	(1,564)	(1,787)	-	-
3, 5, 6, 7	Management and administrative expenses	(794)	(796)	(70)	(53)
7	Other operating income	18	2	1	3
	Operating profit (loss) before share of profit (loss) in subsidiaries and associates and special items	**260**	**257**	**(55)**	**(35)**
8	Dividends from subsidiaries	-	-	1,000	-
16	Share of profit (loss) in associates	2	-	-	-
5	Depreciation related to Q4 2006 in GN ReSound due to abandoned sales process	(32)	-	-	-
	Operating profit (loss)	**230**	**257**	**945**	**(35)**
3, 5, 6	Costs related to abandoned sales process concerning GN ReSound	(264)	(14)	(222)	(14)
	Gains/losses on disposal of operations	-	66	-	12
	Profit (loss) before financial items	**(34)**	**309**	**723**	**(37)**
9	Financial income	63	63	157	110
10	Financial expenses	(129)	(123)	(163)	(105)
	Profit (loss) from continuing operations before tax	**(100)**	**249**	**717**	**(32)**
11	Tax on profit (loss) from continuing operations	6	74	80	55
	Profit (loss) from continuing operations	**(94)**	**323**	**797**	**23**
12	Profit (loss) from discontinuing operations	27	25	27	19
	Profit (loss) for the year	**(67)**	**348**	**824**	**42**
	Proposed profit appropriation/distribution of loss				
	Retained earnings			824	42
	Proposed dividends for the year 0% (0% in 2006)			-	-
				824	**42**
37	**Earnings per share (EPS)**				
	Earnings per share basic (EPS)	(0.33)	1.71		
	Earnings per share, fully diluted (EPS diluted)	(0.33)	1.69		
	Earnings per share excluding amortization and impairment of intangible assets and restructurings, etc.	0.17	2.22		
	Earnings per share excluding amortization and impairment of intangible assets and restructurings, etc., fully diluted	0.17	2.20		
37	**Earnings per share (EPS), continuing operations**				
	Earnings per share basic (EPS)	(0.46)	1.59		
	Earnings per share, fully diluted (EPS diluted)	(0.46)	1.57		
	Earnings per share excluding amortization and impairment of intangible assets and restructurings, etc.	0.03	2.10		
	Earnings per share excluding amortization and impairment of intangible assets and restructurings, etc., fully diluted	0.03	2.08		

		CONSOLIDATED		PARENT COMPANY	
Note	**(DKK million)**	**2007**	**2006**	**2007**	**2006**
	Non-current assets				
	Goodwill	2,525	455	-	-
	Development projects, developed in-house	692	115	-	-
	Software	97	66	-	31
	Patents and rights	51	4	-	-
	Telecommunications systems	19	27	14	18
	Other intangible assets	268	79	-	-
13	**Total intangible assets**	**3,652**	**746**	**14**	**49**
	Factory and office buildings	487	244	-	-
	Leasehold improvements	37	6	-	-
	Plant and machinery	125	73	-	-
	Operating assets and equipment	80	26	-	4
	Leased plant and equipment	2	-	-	-
	Assets under construction	4	152	-	-
14	**Total property, plant and equipment**	**735**	**501**	**-**	**4**
15	Investments in subsidiaries	-	-	5,780	600
	Receivables from subsidiaries	-	-	2,060	1,499
16	Investments in associates	59	-	-	-
17	Other securities	86	4	-	-
18	Other receivables	12	10	-	-
20, 26	Deferred tax assets	621	196	-	-
	Total other non-current assets	**778**	**210**	**7,840**	**2,099**
	Total non-current assets	**5,165**	**1,457**	**7,854**	**2,152**
	Current assets				
21	**Inventories**	**717**	**316**	**-**	**-**
23	Trade receivables	1,262	604	10	19
	Receivables from associates	18	-	-	-
	Receivables from discontinued operations	-	14	-	14
22	Tax receivable	9	89	-	48
	Other receivables	302	73	16	12
19	Prepayments	194	31	4	5
24	**Total receivables**	**1,785**	**811**	**30**	**98**
	Cash and cash equivalents	**168**	**47**	**-**	**-**
12	**Assets held for sale**	**-**	**5,596**	**-**	**4,654**
	Total current assets	**2,670**	**6,770**	**30**	**4,752**
	Total assets	**7,835**	**8,227**	**7,884**	**6,904**

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
	Equity				
	Share capital	833	855	833	855
	Foreign exchange adjustments	(1,934)	(1,531)	-	-
	Proposed dividends for the year	-	-	-	-
	Retained earnings	5,583	5,576	4,730	3,956
	Total equity	**4,482**	**4,900**	**5,563**	**4,811**
	Non-current liabilities				
	Bank loans	1,300	1,250	1,300	1,250
32	Capitalized lease obligations	2	-	-	-
	Other long-term payables	20	-	-	-
	Received prepayments	33	-	-	-
25	Pension obligations and similar obligations	35	1	1	1
26	Deferred tax	34	72	124	192
27	Other provisions	85	21	5	5
28	**Total non-current liabilities**	**1,509**	**1,344**	**1,430**	**1,448**
	Current liabilities				
	Amounts owed to subsidiaries	-	-	627	494
29	Repayment of long-term loans	1	-	-	-
29	Bank loans	383	102	111	62
	Trade payables	421	220	26	26
30	Tax payable	16	10	21	-
31	Other payables	686	270	63	45
	Received prepayments	69	-	-	-
27	Other provisions	268	55	43	-
		1,844	657	891	627
12	Liabilities associated with assets held for sale	-	1,326	-	18
	Total current liabilities	**1,844**	**1,983**	**891**	**645**
	Total liabilities	**3,353**	**3,327**	**2,321**	**2,093**
	Total equity and liabilities	**7,835**	**8,227**	**7,884**	**6,904**

33 Security
34 Contingent liabilities, other financial liabilities and contingent assets
35 Financial instruments and financial risks
36 Government grants
37 Outstanding shares and treasury shares
38 Related party transactions
39 Incentive plans
40 Acquisition of companies and operations
41 Other adjustments
42 Adopted International Financial Reporting Standards for implementation in 2008 or later
43 Primary segment
43 Secondary segment

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED Restated 2006	PARENT COMPANY 2007	PARENT COMPANY Restated 2006
	Operating activities				
	Operating profit (loss)	230	257	945	(35)
	Depreciation, amortization and impairment	481	366	16	9
41	Other adjustments	65	(16)	(996)	-
	Cash flow from operating activities before changes in working capital	**776**	**607**	**(35)**	**(26)**
	Change in inventories	(67)	(24)	-	-
	Change in receivables	(102)	(19)	6	(6)
	Change in trade payables and other payables	29	106	-	32
	Total changes in working capital	**(140)**	**63**	**6**	**26**
	Cash flow from operating activities before financial items, restructurings and tax	**636**	**670**	**(29)**	**-**
	Interest and dividends, etc. recieved	14	24	154	101
	Interest paid	(98)	(89)	(162)	(105)
	Restructurings, paid	(32)	(60)	-	-
	Tax paid, net	(42)	(54)	77	41
	Cash flow from operating activities	**478**	**491**	**40**	**37**
	Investing activities				
	Aquisition of intangible assets excluding development projects	(71)	(81)	(42)	(32)
	Development projects, acquired and developed in-house	(311)	(276)	-	-
	Acquisition of property, plant and equipment	(154)	(445)	(5)	(4)
	Aquisition of other non-current assets	(33)	-	-	-
	Disposal of property, plant and equipment	8	20	-	3
	Disposal of other non-current assets	6	150	-	-
	Company acquisitions and capital contributions in subsidiaries	(12)	(60)	(1,000)	(65)
	Company disposals	-	-	-	108
	Dividend from subsidiaries	-	-	1,000	-
	Sale of disposed operations, including liabilities settled in connection with disposal of activities, etc.	(94)	(30)	(87)	(30)
	Cash flow from investing activities	**(661)**	**(722)**	**(134)**	**(20)**
	Cash flow from operating and investing activities	**(183)**	**(231)**	**(94)**	**17**
	Financing activities				
	Increase of long-term loans	56	850	50	850
	Increase of short-term loans	187	-	6	(347)
	Decrease of short-term loans	(55)	(176)	-	(56)
	Share options exercised	18	60	18	60
	Acquisitions of treasury shares	-	(400)	-	(400)
	Paid dividends to shareholders	-	(124)	-	(124)
	Other adjustments	12	22	-	-
	Cash flow from financing activities	**218**	**232**	**74**	**(17)**
	Net cash flow from continuing operations	**35**	**1**	**(20)**	**-**
12	**Net cash flow from discontinuing operations**	**20**	**-**	**20**	**-**
	Net cash flow	**55**	**1**	**-**	**-**
	Cash and cash equivalents, beginning of the period	118	120	-	-
	Foreign exchange adjustments, cash and cash equivalents	(5)	(3)	-	-
	Cash and cash equivalents, beginning of the period	**113**	**117**	**-**	**-**
	Cash and cash equivalents in acquired companies	-	-	-	-
	Cash and cash equivalents, end of the period	**168**	**118**	**-**	**-**
	Of which				
	Cash and cash equivalents continuing operations	168	118	-	-
	Cash and cash equivalents classified as assets held for sale	-	-	-	-

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

Statement of recognized income and expense	CONSOLIDATED		PARENT COMPANY	
(DKK million)	**2007**	**2006**	**2007**	**2006**
Statement of recognized income and expense - items recognized directly in equity				
Actuarial gains (losses)	3	6	-	-
Foreign exchange adjustments, etc.	(403)	(445)	-	-
Intra-group transactions	-	-	(98)	(81)
Issued share options	12	13	12	13
Tax on changes in equity	19	93	(4)	8
Total income and expense recognized directly in equity	(369)	(333)	(90)	(60)
Profit (loss) for the period	(67)	348	824	42
Total recognized income for the year	**(436)**	**15**	**734**	**(18)**
Of which:				
Total recognized income for the year, continuing operations	(463)	(10)	707	(37)
Total recognized income for the year, discontinuing operations	27	25	27	19

Consolidated equity (DKK million)	Share capital (shares of DKK 4 each)	Foreign exchange adjustments	Proposed dividends for the year	Retained earnings	Total equity
Balance sheet total at December 31, 2005	**879**	**(1,086)**	**132**	**5,424**	**5,349**
Total recognized income and expense for the year, cf. the Statement of recognized income and expense	-	(445)	-	460	15
Capital decrease	(24)	-	-	24	-
Share options exercised	-	-	-	60	60
Purchase of treasury shares	-	-	-	(400)	(400)
Paid dividends to shareholders	-	-	(124)	-	(124)
Dividends, treasury shares	-	-	(8)	8	-
Balance sheet total at December 31, 2006	**855**	**(1,531)**	**-**	**5,576**	**4,900**
Total recognized income and expense for the year, cf. the Statement of recognized income and expense	-	(403)	-	(33)	(436)
Capital decrease	(22)	-	-	22	-
Share options exercised	-	-	-	18	18
Balance sheet total at December 31, 2007	**833**	**(1,934)**	**-**	**5,583**	**4,482**

Parent company equity					
Balance sheet total at December 31, 2005	**879**	**-**	**132**	**4,282**	**5,293**
Total recognized income and expense for the year, cf. the Statement of recognized income and expense	-	-	-	(18)	(18)
Capital decrease	(24)			24	-
Share options exercised	-	-	-	60	60
Acquisition of treasury shares	-	-	-	(400)	(400)
Paid dividends to shareholders	-	-	(124)	-	(124)
Dividends, treasury shares	-	-	(8)	8	-
Balance sheet total at December 31, 2006	**855**	**-**	**-**	**3,956**	**4,811**
Total recognized income and expense for the year, cf. the Statement of recognized income and expense	-	-	-	734	734
Capital decrease	(22)	-	-	22	-
Share options exercised	-	-	-	18	18
Balance sheet total at December 31, 2007	**833**	**-**	**-**	**4,730**	**5,563**

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

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

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

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

Accounting Treatment of Abandoned Sales Process concerning GN ReSound

In the annual report for 2006 and in the interim reports for Q1-Q3 2007 GN ReSound was classified as a discontinuing operation in accordance with IFRS 5. Accordingly, the profit generated by GN ReSound was included in the line item "Profit from discontinuing operations", total assets were included in the line item "Assets held for sale" and total liabilities were included in the line item "Liabilities associated with assets classified as held for sale". In accordance with IFRS 5, depreciation was not recognized for the periods in which GN Resound was classified as a discontinuing operation.

As the sales process concerning GN Resound has been abandoned, GN ReSound is no longer presented under discontinuing operations/assets held for sale.

In the income statement and the cash flow statement accounting items relating to GN Resound are reclassified to the items from which they were originally separated and comparative figures are restated. In accordance with IFRS 5, the depreciation which would have been recognized in the period in which GN Resound was classified as held for sale should be recognized in the period in which Management determines that the conditions for classification as a discontinuing operation are no longer met. Depreciation for 2006 can therefore not be recognized in the income statement for 2006 as the reclassification is made with no effect on recognition and measurement in prior years. In Q4 2007 the income statement was affected by GN Store Nord's depreciation for the period Q4 2006-Q3 2007 of DKK 126 million. Of this amount DKK 32 million relates to depreciation for Q4 2006, which in the income statement for 2007 is presented in a separate line item to ensure comparability in future periods. In the investor-specific statements depreciation is included in the periods in which the depreciation would have been recognized had GN ReSound not been classified as a discontinuing operation.

In accordance with IFRS 5, comparative balance sheet figures are not restated and the balance sheet at the 2007 year end is therefore not comparable with the balance sheet at the 2006 year end. For comparison refer to the investor-specific statements which contain a pro forma balance sheet for 2006.

The costs relating to the abandoned sales process and the related organizational changes are recognized in a separate line item in the income statement "Costs relating to abandoned sales process concerning GN Resound" as part of operating profit before financial items. The costs comprise fees to external advisors, retention agreements for certain key employees, severance payments etc. to members of the Executive Management and senior employees and costs related to dividing GN Store Nord's joint corporate functions into two separate functions. The total costs for 2007 amounted to DKK 264 million (2006: DKK 14 million).

Revenue Recognition

Revenue from the sale of goods and rendering of services is recognized provided that delivery and transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Significant accounting estimates and judgments comprise determining the portion of expected returns of goods and extended warranties. The portion of goods sold that is expected to be returned is determined based on historical product returns data. Extended warranties are separated from the sale of goods and recognized on a straight-line basis over the term of the contract. The value of extended warranties that are not separately priced is estimated.

Development Projects

Development projects are initially measured at cost. An impairment test is performed of the carrying amount of recognized development projects. The impairment test is based on assumptions regarding strategy, product lifecycle, market conditions, discount rates and budgets etc. after the project has been completed and production has commenced. If market-related assumptions etc. are changed, development projects may have to be written down. Management examines and assesses the underlying assumptions when determining whether the carrying amount should be written down. The carrying amount of completed and in-process development projects was DKK 692 million at December 31, 2007 (2006: DKK 576 million).

Goodwill

Determining whether goodwill is impaired requires a comparison of the recoverable amount with the carrying amount. The recoverable amount is determined as the net present value of the future cash flows expected to arise from the cash-generating unit to which goodwill is allocated. As a result of the negative developments in Mobile, focus has been on determining the key assumptions underlying the calculation of the recoverable amount of Mobile. The recoverable amount for the mobile operations depends on whether the expectations stated in the strategy plans of future positive earnings from 2009 and on will be realized and whether the working capital will be reduced by outsourcing production to sub-suppliers. The carrying amount of goodwill at December 31, 2007 was DKK 2,565 million (2006: DKK 2,804 million). Assumptions underlying the impairment test are provided in note 13.

Trade Receivables

Trade receivables are measured at amortized cost less write-down for expected bad debt losses. Write-down for expected bad debt losses is based on an individual assessment of each receivable. If a customer's financial condition deteriorates, and thus the ability to meet the financial obligation to GN Store Nord, further write-downs may be required in future periods. In assessing the adequacy of write-downs for bad debt losses, Management specifically analyses receivables, including doubtful debts, concentrations of credit risk, credit ratings, current economic conditions and changes in customers' payment terms. Based on actual losses incurred in the latest three years, uncertainties associated with write-down for bad debt losses are considered limited. At December 31, 2007 the carrying amount of write-downs for bad debt losses was DKK 63 million (2006: DKK 79 million).

Measurement of Inventories
Inventories are measured at cost using the standard cost method. Standard costs take into account normal levels of raw materials and consumables, staff costs, efficiency and capacity utilization. Standard costs are reviewed regularly and adjusted to take into account changes in circumstances. Where the net realizable value is lower than cost, inventories are written down to this lower value. The net realizable value of inventories is calculated based on the size of the inventory and decreases in the recoverable amount of purchased raw materials, technical obsolescence (e.g. faulty products), physical obsolescence (e.g. damaged products) and financial obsolescence (e.g. reduced demand or substituting products). GN Store Nord performs write-downs of inventories based on an individual assessment of products or product groups and expected product sales within 12 months following the balance sheet date. At December 31, 2007 the carrying amount of write-downs of inventories was DKK 217 million (2006: DKK 173 million).

Deferred Tax
Management has made judgments in determining the Company's provisions for tax, deferred tax assets and deferred tax liabilities and the extent to which deferred tax assets are recognized. GN Store Nord recognizes deferred tax assets only to the extent that it is probable that taxable profit will be available against which the temporary differences and unused tax losses can be utilized. Management has taken the future taxable profit into account in determining the recognition of deferred tax assets. At December 31, 2007 the carrying amount of deferred tax assets (net) and deferred tax liabilities was DKK 621 million (2006: DKK 694 million) and DKK 34 million (2006: DKK 128 million), respectively.

Provisions and Contingencies
As part of its normal business policy GN Store Nord supplies its products with ordinary and extended warranties. Warranty provisions are recognized based on historical and future warranty costs related to the Group's products. Future warranty costs may differ from past practices and the level of costs. At December 31, 2007 the carrying amount of warranty provisions was DKK 101 million (2006: DKK 111 million). In accordance with GN Store Nord's business policy some products are supplied with a right of return. Provisions for future returns of goods are recognized based on historical product returns data. The probability of future returns may differ from past practices. At December 31, 2007 the carrying amount of provisions in respect of obligations to take back goods was DKK 41 million (2006: DKK 45 million).

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

The Company's Management assesses provisions, contingent assets and contingent liabilities and the likely outcome of pending or threatened lawsuits on an ongoing basis. The outcome depends on future events that are by nature uncertain. In assessing the likely outcome of lawsuits and tax disputes etc., Management bases its assessment on external legal assistance and decided cases. A detailed account of significant lawsuits is provided in note 34.

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
2	**Revenue**				
	Revenue is distributed as follows:				
	Products	5,966	6,750	-	-
	Services	15	16	15	16
	Total	**5,981**	**6,766**	**15**	**16**
	Total revenue by geographic area:				
	Denmark	152	153	-	-
	Rest of Nordic region	364	362	-	-
	Rest of Europe	2,211	2,100	15	16
	North and South America	2,669	3,393	-	-
	Asia	584	700	-	-
	Other	1	58	-	-
	Total	**5,981**	**6,766**	**15**	**16**
3	**Staff costs**				
	Wages, salaries and remuneration	(1,644)	(1,802)	(164)	(130)
	Pensions	(59)	(64)	(5)	(8)
	Other social security costs	(152)	(184)	(1)	(2)
	Share-based payments	(12)	(13)	(3)	(3)
	Total	**(1,867)**	**(2,063)**	**(173)**	**(143)**
	Included in:				
	Production costs and change in payroll costs included in inventories	(331)	(539)	-	-
	Development costs	(264)	(287)	-	-
	Selling and distribution costs	(815)	(843)	-	-
	Management and administrative expenses	(342)	(380)	(103)	(129)
	Costs related to abandoned sales process concerning GN ReSound	(115)	(14)	(70)	(14)
	Total	**(1,867)**	**(2,063)**	**(173)**	**(143)**
	Parent company Supervisory Board remuneration	(2.6)	(2.4)	(2.6)	(2.4)
	Parent company Executive Management remuneration	(37)	(28)	(37)	(23)
	Average number of employees	4,920	5,483	129	217
	Number of employees, year end	4,673	5,148	124*	241

*At January 1, 2008 the parent company has 15 employees. All other employees have been transfered to the relevant GN companies.

Incentive plans
The Group's incentive plans are specified and described in note 39.

Executive Management and Supervisory Board remuneration
The parent company Executive Management remuneration of DKK 37 million includes the present Executive Management by DKK 10 million to Toon Bouten and DKK 4 million to Anders Boyer. This amount includes separate remuneration in connection with renegotiation of employment contracts following the decision to implement a new corporate governance structure which significantly changes the responsibilities of the Executive Management. The parent company Executive Board remuneration also includes remuneration of the former Executive Vice President Jens Due Olsen, who in addition to the usual remuneration received a retention bonus and severance pay.

Remuneration of the present Executive Management is based on a fixed base salary plus a bonus of up to 50% of the base salary if agreed targets are achieved or up to 100% if extraordinary targets are achieved. Targets are primarily linked to the EBITA of GN Netcom. The Company does not make pension contributions in respect of members of the Executive Management. Toon Bouten and Anders Boyer have severance agreements and change-of-control agreements on market terms.
No share options were granted to the Executive Management in 2007, but the Executive Management may instead receive a special bonus in 2008 of up to 100% of the base salary for Toon Bouten and 50% for Anders Boyer. Bonuses are subject to the performance of GN Netcom's EBITA. Unless the employment contract for Toon Bouten is renewed before the end of 2008, it will expire in September 2009.

The Supervisory Board receives fixed remuneration. The Chairman receives DKK 600 thousand, the Deputy Chairman receives DKK 400 thousand and the other Supervisory Board members receive DKK 200 thousand each. The Supervisory Board remuneration is unchanged compared to 2006, however, one member has received additional remuneration in exchange for special services.

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
4	**Development costs**				
	Development costs are capitalized when the related projects satisfy a number of conditions relating to reliability of measurement and probability of future earnings.				
	The relationship between development costs incurred and development costs recognized in the income statement is as follows:				
	Development costs incurred	(539)	(505)	-	-
	Depreciation of operating assets etc. used for development	(21)	(18)	-	-
	Grants and tax refunds	-	-	-	-
	Total development costs incurred	(560)	(523)	-	-
	Development costs capitalized as development projects	311	285	-	-
	Amortization of capitalized in-house development projects	(193)	(146)	-	-
	Total expensed development costs	**(442)**	**(384)**	**-**	**-**
5	**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 and other intangible assets acquired in company acquisitions are recognized in the income statement as follows:				
	Production costs	(77)	(73)	(1)	(1)
	Development costs	(214)	(164)	-	-
	Selling and distribution costs	(38)	(39)	-	-
	Management and administrative expenses	(120)	(90)	(15)	(8)
	Depreciation related to Q4 2006 in GN ReSound due to abandoned sales process	(32)	-	-	-
	Costs related to abandoned sales process concerning GN ReSound	(12)	-	(12)	-
	Total	**(493)**	**(366)**	**(28)**	**(9)**
	Amortization of intangible assets is included with DKK 198 million in development costs, DKK 31 million in selling and distribution costs, DKK 57 million in management and administrative expenses and DKK 2 million in production costs.				
	Impairment of intangible assets is included with DKK 7 million in development costs and DKK 12 million in costs related to abandoned sales process concerning GN ReSound.				
6	**Fees to auditors appointed by the annual general meeting**				
	Audit fees	(11)	(11)	(1)	(1)
	Total	**(11)**	**(11)**	**(1)**	**(1)**
	Other assistance				
	Other audit-related services	(6)	(2)	(2)	(1)
	Tax assistance and advice	(4)	(6)	(1)	(1)
	Other services	(11)	(2)	(10)	-
	Total	**(21)**	**(10)**	**(13)**	**(2)**
	Total	**(32)**	**(21)**	**(14)**	**(3)**
	Distributed as follows:				
	Management and administrative expenses	(22)	(21)	(4)	(3)
	Costs related to abandoned sales process concerning GN ReSound	(10)	-	(10)	-
	Total	**(32)**	**(21)**	**(14)**	**(3)**

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
7	**Restructuring**				
	Severance pay, post-employment pay, outplacement costs, etc.	(50)	(55)	-	-
	Other, including other onerous contracts	(17)	(12)	-	-
	Total	**(67)**	**(67)**	**-**	**-**
	Recognized in the income statement as:				
	Production costs	(15)	(25)	-	-
	Development costs	(4)	-		
	Selling and distribution costs	(2)	(12)	-	-
	Management and administrative expenses	(46)	(27)	-	-
	Other operating income	-	(3)	-	-
	Total	**(67)**	**(67)**	**-**	**-**

Earnings for GN Netcom include DKK (27) million related primarily to discontinuation of headset production in own factory in Xiamen, China in connection with outsourcing to subsupplier. Earnings for GN ReSound include DKK (40) million related to a number of cost-saving and efficiency-improving projects initiated and announced late in the fourth quarter 2007. The projects involve among others a full integration project of the Interton business into GN ReSound and streamlining project of the back-office functions in the US. Additional information is provided in note 27.

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
8	**Dividends from subsidiaries**				
	Dividend from GN ReSound			1,000	-
	Total			**1,000**	**-**
9	**Financial income**				
	Interest income from subsidiaries	-	-	153	93
	Interest income from bank accounts	8	11	-	6
	Financial income, other	6	13	1	5
	Gains on financial instruments	-	5	-	2
	Foreign exchange gain	49	34	3	4
	Total	**63**	**63**	**157**	**110**
10	**Financial expenses**				
	Interest expense to subsidiaries	-	-	(100)	(57)
	Interest expense on bank loans	(76)	(60)	(59)	(45)
	Financial expense, other	(24)	(31)	(3)	(3)
	Foreign exchange loss	(29)	(32)	(1)	-
	Total	**(129)**	**(123)**	**(163)**	**(105)**
11	**Tax**				
	Tax on the profit (loss) for the year can be specified as follows :				
	Tax on profit (loss) from continuing operations	6	74	80	55
	Tax on profit (loss) from discontinuing operations	-	-	-	-
	Total	**6**	**74**	**80**	**55**
	Tax on profit (loss) from continuing operations can be specified as follows :				
	Joint taxation contribution	-	-	25	48
	Tax payable on foreign activities	(52)	(51)	-	-
	Deferred tax adjustment	87	(34)	62	9
	Change in tax rate	(26)	(1)	7	-
	Capitalization of tax assets not previously recognized	8	146	(14)	-
	Other, including prior-year tax adjustment	(11)	14	-	(2)
	Total	**6**	**74**	**80**	**55**

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
11	**Tax (continued)**				
	Breakdown of tax rate	**%**	**%**	**%**	**%**
	Danish tax rate	25	28	25	28
	Change in and differences compared to Danish tax rate	(37)	3	1	-
	Non-taxable income and non-deductible expenses	-	6	(36)	36
	Non-deductable goodwill amortization and impairment for tax purposes	-	-	(1)	-
	Change in value adjustment, including utilization of non-capitalized tax losses	8	(60)	-	-
	Prior-year tax adjustment	10	5	2	(9)
	Other value adjustments and changes	-	(12)	(2)	197
	Effective tax rate	**6**	**(30)**	**(11)**	**252**

In 2007 the parent company paid DKK 0 million in corporation tax against DKK 0 million in 2006. In 2007 the parent company received reimbursement of corporation tax (joint taxation contributions from subsidiaries) of DKK 77 million against DKK 41 million in 2006.

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
12	**Profit from discontinuing operations**				
	Profit from discontinuing operations				
	Adjustment of other provisions related to previously sold companies.	27	25	27	19
	Tax	-	-	-	-
	Total	**27**	**25**	**27**	**19**
	Earnings per share for discontinuing operations				
	Earnings per share basic (EPS)	0.13	0.12		
	Earnings per share, fully diluted (EPS diluted)	0.13	0.12		
	Earnings per share excluding amortization and impairment of intangible assets and restructurings, etc.	0.13	0.12		
	Earnings per share excluding amortization and impairment of intangible assets and restructurings, etc., fully diluted	0.13	0.12		
	Assets held for sale				
a)	Assets, GN ReSound	-	5,525	-	4,583
	Pre-paid expenses	-	71	-	71
	Total	**-**	**5,596**	**-**	**4,654**
	Liabilities associated with assets held for sale				
b)	Liabilities, GN ReSound	-	1,304	-	-
	Liabilities related to termination of joint corporate functions	-	8	-	8
	Other provisions	-	14	-	10
	Total	**-**	**1,326**	**-**	**18**
	Net cash flows from discontinuing operations				
	Cash flows from operating activities	-	-	-	-
	Cash flows from investing activities	20	-	20	-
	Cash flows from financing activities	-	-	-	-
	Total	**20**	**-**	**20**	**-**
a)	**Assets, GN ReSound**				
	Total intangible assets	-	3,121		
	Total property, plant and equipment	-	281		
	Total other non-current assets	-	621		
	Total non-current assets	**-**	**4,023**		
	Inventories	-	391		
	Total receivables	-	1,040		
	Cash and cash equivalents	-	71		
	Total current assets	**-**	**1,502**		
	Total assets	**-**	**5,525**		
b)	**Liabilities, GN ReSound**				
	Non-current liabilities	-	218		
	Current liabilities	-	1,086		
	Total liabilities	**-**	**1,304**		

Note (DKK million)

13 Intangible assets

Consolidated

	Goodwill	Development projects, developed in-house	Software	Patents and rights	Tele-communi-cations systems	Other	Total
Cost at January 1	455	242	190	131	159	143	1,320
Additions	-	96	53	-	-	-	149
Disposals	-	(39)	(12)	-	-	-	(51)
Foreign exchange adjustments	(41)	(3)	(12)	(13)	-	(15)	(84)
Transferred from assets held for sale	2,111	957	166	117	-	331	3,682
Cost at December 31	2,525	1,253	385	235	159	459	5,016
Amortization and impairment at January 1	-	(127)	(124)	(127)	(132)	(64)	(574)
Amortization	-	(89)	(29)	(3)	(8)	(6)	(135)
Disposals	-	39	6	-	-	-	45
Impairment	-	(6)	(13)	-	-	-	(19)
Foreign exchange adjustments	-	2	10	13	-	7	32
Transferred from assets held for sale	-	(380)	(138)	(67)	-	(128)	(713)
Amortization and impairment at December 31	-	(561)	(288)	(184)	(140)	(191)	(1,364)
Carrying amount at December 31, 2007	**2,525**	**692**	**97**	**51**	**19**	**268**	**3,652**
Cost at January 1	3,052	781	313	263	156	543	5,108
Additions	-	226	54	-	3	6	289
Disposals	(3)	(71)	(2)	-	-	(1)	(77)
Foreign exchange adjustments	(201)	(3)	(17)	(15)	-	(35)	(271)
Transferred to assets held for sale	(2,393)	(691)	(158)	(117)	-	(370)	(3,729)
Cost at December 31	455	242	190	131	159	143	1,320
Amortization and impairment at January 1	(8)	(336)	(206)	(194)	(123)	(177)	(1,044)
Amortization	-	(125)	(47)	(9)	(9)	(25)	(215)
Disposals	-	62	-	-	-	-	62
Foreign exchange adjustments	-	3	15	15	-	14	47
Transferred to assets held for sale	8	269	114	61	-	124	576
Amortization and impairment at December 31	-	(127)	(124)	(127)	(132)	(64)	(574)
Carrying amount at December 31, 2006	**455**	**115**	**66**	**4**	**27**	**79**	**746**
Amortized over	-	1 - 5 years	1 - 3 years	up to 20 years	5 -15 years	up to 20 years	

Goodwill:
Additions included in "Transferred from assets held for sale" totalled DKK 8 million and primarily related to acquisition of the remaining shares in the Polish retailer Marked Med Sp. Zoo. Refer to note 40. Management has performed an impairment test of the carrying amount of goodwill at December 31, 2007. The impairment test covered the Group's cash-generating units (CGU) to which the carrying amount of goodwill is allocated.

	Carrying amount of goodwill 2007	Carrying amount of goodwill 2006
Cash-generating units:		
Contact Center & Office Headsets	258	281
Mobile Headsets	156	174
Hearing Instruments	2,094	2,289
Audiologic Diagnostics Equipment	57	60
Total	**2,565**	**2,804**

Hearing Instruments comprises goodwill related to associates of DKK 40 million (2006: DKK 45 million).

In the impairment test the discounted future cash flows of each CGU were compared with the carrying amounts. Future cash flows are based on budget for 2008, forecasts for 2009 - 2016 and strategy plans etc. To ensure that the terminal period is based on normalized cash flows a budget/forecast period of more than 5 years has been applied. Budgets and strategy plans are based on specific assumptions for the individual CGU regarding sales, operating profit, working capital, investments in non-current assets, etc. In the calculation an expected growth in the terminal period of 2.5% and a pre-tax discount rate of 13% have been applied. For Mobile Headsets however a pre-tax discount rate of 15% has been used.
Based on the impairment tests and related assumptions, Management has not identified any goodwill impairment at December 31, 2007. The calculated recoverable amount of Mobile Headsets marginally exceeds the carrying amount, and therefore the future profitability is a key assumption for maintaining the value of goodwill. Earnings for 2008 and 2009 are expected to be negative moving towards break-even, and on increasing revenue the future EBITA margin is expected to be 2-4%. In 2008 the adopted outsourcing strategy is expected to reduce working capital, including primarily decrease inventories, which also constitutes an important assumption for maintaining the value of goodwill in this segment. A change in the assumptions used may result in future impairment.

Note **(DKK million)**

13 Intangible assets (continued)

Development projects and software:
In-progress and completed development projects comprise development and design of hearing instruments, audiologic diagnostics equipment and headsets. The development projects are expected to be completed in 2008 and 2009, after which date product sales and marketing can be commenced. Management performs at least an annual impairment test of the carrying amount of recognized development costs. The recoverable amount is assessed based on sales forecasts. In Management's assessment, the recoverable amount exceeds the carrying amount.

Software comprises development, design and test of production and planning software and reporting systems, business intelligence etc. Implementation of the systems is expected to optimize internal procedures and processes. In 2007 Management assessed that the expected useful lives are reflected in the carrying amount at December 31, 2007.

The carrying amount at December 31, 2007 of completed and in-progress development projects, which are developed in-house, and software is specified as follows:

	Development projects, developed in-house		Software		Total	
	2007	2006	2007	2006	2007	2006
Cost at December 31, completed projects	845	183	365	190	1,210	373
Cost at December 31, projects in progress	408	59	20	-	428	59
Total	**1,253**	**242**	**385**	**190**	**1,638**	**432**
Carrying amount at December 31, completed projects	312	55	77	66	389	121
Carrying amount at December 31, projects in progress	380	60	20	-	400	60
Total	**692**	**115**	**97**	**66**	**789**	**181**

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

Other
The Group's other intangible assets comprise DKK 77 million related to customer lists, DKK 176 related to trademarks thereof DKK 72 million with indefinite useful life, DKK 10 million related to non-competition clauses and DKK 5 million related to prepaid assets.

Parent company

	Software	Telecommunications systems	Total
Cost at January 1	36	79	115
Additions	45	-	45
Disposals	(58)	-	(58)
Cost at December 31	23	79	102
Amortization and impairment at January 1	(5)	(61)	(66)
Amortization	(9)	(4)	(13)
Disposals	3	-	3
Impairment	(12)	-	(12)
Amortization and impairment at December 31	(23)	(65)	(88)
Carrying amount at December 31, 2007	**-**	**14**	**14**
Cost at January 1	8	76	84
Additions	28	3	31
Cost at December 31	36	79	115
Amortization and impairment at January 1	(2)	(56)	(58)
Amortization	(3)	(5)	(8)
Amortization and impairment at December 31	(5)	(61)	(66)
Carrying amount at December 31, 2006	**31**	**18**	**49**
Amortized over	3 years	5 -15 years	

Note **(DKK million)**

14 Property, plant and equipment

Consolidated

	Factory and office buildings	Lease-hold im-provements	Plant and machinery	Operating assets and equipment	Leased plant and equipment	Assets under con-struction	Total
Cost at January 1	254	28	221	130	-	152	785
Additions	24	3	19	12	-	9	67
Disposals	-	-	-	(7)	-	-	(7)
Transfers	144	-	13	-	-	(157)	-
Foreign exchange adjustments	-	(2)	(5)	(6)	-	-	(13)
Transferred from assets held for sale	120	92	286	247	3	-	748
Cost at December 31	542	121	534	376	3	4	1,580
Depreciation and impairment at January 1	(10)	(22)	(148)	(104)	-	-	(284)
Depreciation	(12)	(3)	(49)	(14)	-	-	(78)
Disposals	-	-	-	6	-	-	6
Foreign exchange adjustments	-	1	5	6	-	-	12
Transferred from assets held for sale	(33)	(60)	(217)	(190)	(1)	-	(501)
Depreciation and impairment at December 31	(55)	(84)	(409)	(296)	(1)	-	(845)
Carrying amount at December 31, 2007	**487**	**37**	**125**	**80**	**2**	**4**	**735**
Cost at January 1	199	122	418	389	12	72	1,212
Additions	148	10	56	34	-	160	408
Disposals	-	(10)	(17)	(22)	-	(1)	(50)
Transfers	32	(1)	44	2	-	(77)	-
Foreign exchange adjustments	(2)	(6)	(15)	(17)	-	(2)	(42)
Transferred to assets held for sale	(123)	(87)	(265)	(256)	(12)	-	(743)
Cost at December 31	254	28	221	130	-	152	785
Depreciation and impairment at January 1	(20)	(76)	(316)	(278)	(9)	-	(699)
Depreciation	(14)	(12)	(66)	(37)	(1)	-	(130)
Disposals	-	8	14	18	-	-	40
Transfers	-	1	1	(1)	-	-	1
Foreign exchange adjustments	-	4	13	12	-	-	29
Transferred to assets held for sale	24	53	206	182	10	-	475
Depreciation and impairment at December 31	(10)	(22)	(148)	(104)	-	-	(284)
Carrying amount at December 31, 2006	**244**	**6**	**73**	**26**	**-**	**152**	**501**
Depreciated over	10 - 50 years	5 - 20 years	3 - 15 years	2 - 7 years	2 - 7 years	-	-

Note **(DKK million)**

14 **Property, plant and equipment (continued)**

Parent company

	Operating assets and equipment	**Total**
Cost at January 1	8	8
Additions	5	5
Disposals	(13)	(13)
Cost at December 31	-	-
Depreciation and impairment at January 1	(4)	(4)
Depreciation	(3)	(3)
Disposals	7	7
Depreciation and impairment at December 31	-	-
Carrying amount at December 31, 2007	**-**	**-**
Cost at January 1	4	4
Additions	5	5
Disposals	(1)	(1)
Cost at December 31	8	8
Depreciation and impairment at January 1	(4)	(4)
Depreciation	(1)	(1)
Disposals	1	1
Depreciation and impairment at December 31	(4)	(4)
Carrying amount at December 31, 2006	**4**	**4**
Depreciated over	2 - 7 years	

Note	(DKK millions)	PARENT COMPANY 2007	PARENT COMPANY 2006
15	**Investments in subsidiaries**		
	Cost at January 1	600	5,384
	Additions, capital contribution	1,009	73
	Disposals	(412)	(274)
	Transferred from/to assets held for sale	4,583	(4,583)
	Cost at December 31	**5,780**	**600**

Group companies are listed on page 74.

Note		CONSOLIDATED 2007	CONSOLIDATED 2006
16	**Investments in associates**		
	Cost at January 1	-	259
	Disposals	-	(135)
	Transferred from/to assets held for sale	72	(124)
	Cost at December 31	72	-
	Value adjustments at January 1	-	(70)
	Share of profit (loss)	-	(6)
	Disposals	-	53
	Transferred from/to assets held for sale	(13)	23
	Value adjustments at December 31	(13)	-
	Net asset value at December 31, 2007	59	-
	Companies with negative net asset values	-	-
	Carrying amount at December 31, 2007	**59**	**-**
	Aggregated financial information in respect of associates is provided below:		
	Revenue	97	-
	Profit (loss) for the year after tax	(3)	-
	Total assets	134	-
	Total liabilities	31	-
	Total share of profit (loss) for the year after tax	2	-
	Total share of net assets	19	-

Associates are listed on page 74.

Aggregated financial information in respect of joint ventures accounted for by proportionate consolidation is provided below:

		2007	2006
	Non-current assets	5	9
	Current assets	19	20
	Non-current liabilities	-	-
	Current liabilities	-	-
	Revenue	-	-
	Costs	6	5

Joint ventures accounted for by proportionate consolidation are listed on page 74.

		2007	2006
17	**Other securities**		
	Ownership interests	60	-
	Derivative financial instruments relating to ownership interests	20	-
	Other	6	4
	Total	**86**	**4**

Investments in unlisted companies where GN Store Nord has an ownership interest between 20% and 50%, but does not have significant influence on the financial and operating policies, are classified as other securities. The investments are primarily in dispensers and derivative financial instruments linked to such dispensers for which no observable market data is available. Accordingly, it is not possible to reliably estimate the fair value using valuation techniques. Investments in unlisted companies and derivative financial instruments linked to such companies are consequently measured at cost.

Note	(DKK millions)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
18	**Other receivables**				
	Loans	12	10		

Loans have terms of between 1 - 8 years and will be fully repaid by 2013 at the latest.

Note	(DKK millions)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
19	**Prepayments**				
	Rent	4	-	-	-
	Property tax	1	2	-	-
	Insurance	9	3	-	-
	RAP, SIP and DCP	82	-	-	-
	Investment in company in India	20	-	-	-
	Other	78	26	4	5
	Total	**194**	**31**	**4**	**5**

Regarding RAP, SIP and DCP refer to note 31. The investment in India is described in note 40.

Note	(DKK millions)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
20	**Deferred tax assets**				
	Tax assets at January 1	196	561	-	-
	Prior-year adjustments	6	4	-	-
	Change in tax rate	(17)	1	-	-
	Capitalization of tax assets not previously recognized	3	6	-	-
	Changes relating to profit (loss) for the year	27	1	-	-
	Transferred from "Deferred tax"	(1)	-	-	-
	Tax on changes in equity	-	53	-	-
	Foreign exchange and other adjustments	(18)	(19)	-	-
	Tax adjustment regarding discontinuing operations	-	11	-	-
	Transferred from/to assets held for sale	425	(422)	-	-
	Deferred tax assets at December 31	**621**	**196**	**-**	**-**

A specification of above is shown in note 26.

Note	(DKK millions)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
21	**Inventories**				
	Raw materials and consumables	285	65	-	-
	Contract work in progress	6	-	-	-
	Finished goods and merchandise	426	251	-	-
	Total	**717**	**316**	**-**	**-**
	The above includes write-downs amounting to	217	70	-	-
	Write-downs recognized in the income statement under production costs	125	73	-	-
	Reversed write-downs recognized under production costs	13	6	-	-
	Value of inventories, recognized at net realizable value	-	-	-	-
	Production costs include costs of sales of	2,500	2,047	-	-

Note	(DKK millions)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
22	**Tax receivable**				
	Receivable at January 1	89	17	48	29
	Prior-year adjustments	(9)	1	(17)	12
	Additions on company acquisitions	-	-	-	-
	Tax on profit (loss) for the year	19	76	-	-
	Joint taxation contributions from group companies	-	-	25	48
	Received during year	(122)	(2)	(56)	(41)
	Transferred from "Tax payable"	2	4	-	-
	Foreign exchange and other adjustments	(1)	-	-	-
	Tax adjustment regarding discontinuing operations	-	10	-	-
	Transferred from/to assets held for sale	31	(17)	-	-
	Tax receivable at December 31	**9**	**89**	**-**	**48**

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
23	**Trade receivables**				
	Trade receivables	1,262	604	10	19
	Total	**1,262**	**604**	**10**	**19**
	Trade receivables have the following maturities:				
	Not due	873	499	9	19
	Due in 30 days or less	195	85	1	-
	Due in over 30 days and less than 90 days	104	12	-	-
	Due after more than 90 days	90	8	-	-
	Total	**1,262**	**604**	**10**	**19**
	Write-downs, which are included in total trade receivables, have developed as follows:				
	Write-downs at January 1	(40)	(127)	-	-
	Write-downs	(8)	(86)	-	-
	Realized	20	122	-	-
	Reversed write-downs	1	2	-	-
	Foreign exchange adjustments	4	10	-	-
	Transferred from/to assets held for sale	(40)	39	-	-
	Write-downs at December 31	**(63)**	**(40)**	**-**	**-**
	No security has been pledged for trade receivables				
24	**Receivables falling due after more than one year**				
	Trade receivables	10	5	-	3
	Tax receivable	-	1	-	-
	Other receivables	2	1	-	-
	Total	**12**	**7**	**-**	**3**
25	**Pension obligations and similar obligations**				
	Present value of defined benefit obligations	(208)	(227)	(1)	(1)
	Fair value of plan assets	176	177	-	-
	Net obligations	**(32)**	**(50)**	**(1)**	**(1)**
	Of which recognized in:				
	Other receivables	3	-	-	-
	Assets held for sale	-	2	-	-
	Pension obligations and similar obligations	(35)	(1)	(1)	(1)
	Liabilities associated with assets held for sale	-	(51)	-	-
	Total	**(32)**	**(50)**	**(1)**	**(1)**
	The present value of defined benefit obligations includes unfunded pension obligations not covered by payments to insurance company of DKK (10) million in 2007 (2006: DKK (17) mio.)				
	Development in present value of defined benefit obligations				
	Obligations at January 1	(227)	(251)	(1)	(1)
	Adjustments to balance at January 1	(9)	-	-	-
	Foreign exchange adjustments	23	26	-	-
	Costs for the year	(3)	(1)	-	-
	Interest expense	(11)	(11)	-	-
	Actuarial gains (losses)	4	(3)	-	-
	Pension payments, unfunded	5	2	-	-
	Pension payments	10	11	-	-
	Obligations at December 31	**(208)**	**(227)**	**(1)**	**(1)**

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
25	**Pension obligations and similar obligations (continued)**				
	Development in fair value of plan assets				
	Plan assets at January 1	177	175	-	-
	Adjustments to balance at January 1	9	-	-	-
	Foreign exchange adjustments	(18)	(18)	-	-
	Expected return on plan assets	13	12	-	-
	Actuarial gains (losses)	(1)	9	-	-
	Payment by GN Store Nord	6	10	-	-
	Pension payments	(10)	(11)	-	-
	Plan assets at December 31	**176**	**177**	**-**	**-**
	Pension costs recognized in the income statement				
	Costs for the year	(3)	(1)	-	-
	Interest expense	(11)	(11)	-	-
	Expected return on plan assets	13	12	-	-
	Defined benefit plans total	(1)	-	-	-
	Defined contribution plans total	(58)	(64)	(5)	(8)
	Total cost recognized in the income statement	**(59)**	**(64)**	**(5)**	**(8)**
	The costs are recognized in the following income statement items:				
	Production costs	(11)	(3)	-	-
	Development costs	(9)	(3)	-	-
	Selling and distribution costs	(27)	(10)	-	-
	Management and administrative expenses	(12)	(8)	(5)	(8)
	Profit (loss) from discontinuing operations	-	(40)	-	-
	Total	**(59)**	**(64)**	**(5)**	**(8)**
	The following accumulated actuarial gains/(losses) since January 1, 2005 are recognized in the Statement of recognized income and expense:				
	Accumulated actuarial gains/(losses)	(15)	(18)	-	-
	Breakdown of plan assets:				
	Shares	70%	70%	-	-
	Bonds	28%	29%	-	-
	Cash and cash equivalents	2%	1%	-	-
	Total	**100%**	**100%**	**-**	**-**
	Return on plan assets:				
	Expected return on plan assets	(13)	(12)	-	-
	Actual return on plan assets	12	21	-	-
	Actuarial gains (losses) on plan assets	**(1)**	**9**	**-**	**-**
	The actuarial calculations for the prevailing American defined benefit plan at the balance sheet date are based on the following assumptions:				
	Discount rate	5.75%	5.75%		
	Expected return on plan assets	8.00%	8.00%		
	Development in salary levels	N/A	N/A		

Note **(DKK million)**

25 **Pension obligations and similar obligations (continued)**

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

	2007	2006	2005	2004	2003
Actuarial pension obligation	(208)	(227)	(251)	(200)	(209)
Plan assets	176	177	175	156	165
Surplus/(deficit)	**(32)**	**(50)**	**(76)**	**(44)**	**(44)**

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. 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.

An amount of DKK 58 million (2006: DKK 64 million) has been expensed in the consolidated income statement in respect of defined contribution plans.

Defined benefit plans

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

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

Other plans

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

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
26	**Deferred tax**				
	Deferred tax at January 1	72	146	192	195
	Prior-year tax adjustments	-	(14)	(3)	14
	Changes relating to profit (loss) for the year	(42)	(11)	(62)	(9)
	Change in tax rate	(10)	-	(7)	-
	Tax on changes in equity	-	-	4	(8)
	Transferred to "Deferred tax assets"	(1)	-	-	-
	Foreign exchange adjustments	(1)	3	-	-
	Tax adjustment regarding discontinuing operations	-	21	-	-
	Transferred from/to liabilities associated with assets held for sale	16	(73)	-	-
	Total	**34**	**72**	**124**	**192**

	CONSOLIDATED		CONSOLIDATED	
	2007	2006	2007	2006
Specification of deferred tax assets and deferred tax	**Deferred tax assets**	**Deferred tax assets**	**Deferred tax**	**Deferred tax**
Intangible assets	3	1	145	55
Property, plant and equipment	37	22	1	7
Other non-current assets	25	-	-	-
Current assets	159	134	1	-
Provisions	75	30	7	-
Current liabilities	27	2	-	-
Intra-group liabilities	226	112	-	-
Tax loss carryforwards	358	65	-	-
Reversal of tax benefit arising from loss	-	-	146	177
Value adjustments	(17)	(8)	-	-
Other	34	26	40	21
Total	**927**	**384**	**340**	**260**
Set-off within same legal tax units and jurisdictions	(306)	(188)	(306)	(188)
Deferred tax assets and deferred tax at December 31	**621**	**196**	**34**	**72**

	CONSOLIDATED 2007	CONSOLIDATED 2006
Tax value of unrecognized tax assets		
Change in unrecognized tax assets		
Tax value at January 1	8	171
Change for the year, tax loss carryforwards	(2)	(6)
Change for the year, other tax assets	(1)	-
Transferred to unrecognized tax assets held for sale	12	(157)
Tax assets at December 31	**17**	**8**
Specification of unrecognized tax assets		
Tax loss carryforwards	17	7
Other tax assets	-	1
Tax assets at December 31	**17**	**8**

A number of tax loss carryforwards expire between 2008-2024.

Tax assets not previously recognized, but used during the year:		
Tax loss carryforwards	389	-

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

Note	(DKK million)				
27	**Other provisions**				
	Consolidated	**Restructuring**	**Warranty provisions**	**Other provisions**	**Total**
	Other provisions at January 1	4	14	58	76
	Additions	16	6	59	81
	Consumed	-	(8)	(13)	(21)
	Reversals	-	-	(30)	(30)
	Foreign exchange adjustments	-	-	1	1
	Transferred from liabilities associated with assets held for sale	20	89	137	246
	Other provisions at December 31, 2007	**40**	**101**	**212**	**353**
	Of which is recognized in the consolidated balance sheet:				
	Non-current liabilities	22	43	20	85
	Current liabilities	18	58	192	268
	Other provisions at December 31, 2007	**40**	**101**	**212**	**353**
	Of which is recognized in the balance sheet for the parent company:				
	Non-current liabilities	-	-	5	5
	Current liabilities	-	-	43	43
	Other provisions at December 31, 2007	**-**	**-**	**48**	**48**

Restructuring provisions of DKK 40 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 and post-employment pay.

Warranty provisions concern sold products. The warranty provision covers any 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 provisions include obligations regarding onerous contracts and property leases and accrued retention bonus to employees. Onerous contracts are described in note 1.

		CONSOLIDATED		**PARENT COMPANY**	
		2007	**2006**	**2007**	**2006**
28	**Non-current liabilities**				
	Bank loans	1,300	1,250	1,300	1,250
	Capitalized lease obligations	2	-	-	-
	Other long-term payables	20	-	-	-
	Received prepayments	33	-	-	-
	Non-current liabilities excluding pension obligations, deferred tax and other provisions	**1,355**	**1,250**	**1,300**	**1,250**
	Breakdown of liabilities due as of the balance sheet date				
	1-2 years	39	-	-	-
	2-3 years	12	-	-	-
	3-4 years	303	-	300	-
	4-5 years	1	300	-	300
	> 5 years	1,000	950	1,000	950
	Total	**1,355**	**1,250**	**1,300**	**1,250**
	Breakdown of liabilities by currency				
	DKK	1,320	1,250	1,300	1,250
	USD	33	-	-	-
	Other currencies	2	-	-	-
	Total	**1,355**	**1,250**	**1,300**	**1,250**

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
29	**Current liabilities**				
	Bank loans	383	102	111	62
	Repayment of long-term loans	1	-	-	-
	Total bank loans	**384**	**102**	**111**	**62**
	Breakdown of loans by currency				
	DKK	294	78	108	49
	EUR	67	5	-	5
	USD	18	10	-	5
	Other currencies	5	9	3	3
	Total	**384**	**102**	**111**	**62**
30	**Tax payable**				
	Tax payable at January 1	10	33	-	-
	Prior-year adjustments	(3)	(4)	-	-
	Tax on profit (loss) for the year	13	14	-	-
	Paid during the year	(14)	(17)	-	-
	Transferred to "Tax receivable"	2	4	21	-
	Received joint taxation contributions from discontinuing operations	-	40	-	-
	Tax adjustment regarding discontinuing operations	-	60	-	-
	Transferred to liabilities associated with assets held for sale	8	(120)	-	-
	Tax payable at December 31	**16**	**10**	**21**	**-**
31	**Other payables**				
	Wages and salaries, holiday pay, etc.	227	84	29	20
	Taxes and duties and tax payable at source	63	21	12	5
	Social contributions	33	9	-	-
	Bonuses and discounts	106	41	-	-
	Outlays	24	16	-	-
	Marketing	50	18	-	-
	Accrued fees	19	6	3	4
	RAP, SIP and DCP*	88	-	-	-
	Other	76	75	19	16
	Total	**686**	**270**	**63**	**45**

*RAP "Retirement Advantage Plan" and SIP "Savings and Investment Plan" are programs in which customers earns funds based on purchases made. DCP "Deferred Compensation Plan" is a program in which Management in certain foreign subsidiaries may choose to defer compensation. The amounts invested by the Group on behalf of customers and Management are included as assets in prepayments by DKK 82 million in 2007.

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
32	**Lease obligations**				
	Future lease obligations are distributed as follows:				
	Finance leases:				
	Less than one year	-	-	-	-
	Between one and five years	2	1	-	-
	More than five years	-	-	-	-
	Total	**2**	**1**	**-**	**-**

Finance leases relate to lease of operating assets and equipment.

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

Operating leases:				
Less than one year	53	73	5	3
Between one and five years	88	145	5	7
More than five years	13	14	-	-
Total	**154**	**232**	**10**	**10**

Operating leases primarily relate to lease of property on market terms in Denmark, the US and the UK. The remaining lease terms amount to between one and nine years.

Operating leases include rental obligations related to properties in Denmark in the amount of DKK 18 million. DKK 9 million of the rental obligation in Denmark is provided for in the balance sheet in respect of vacancy of offices.

Lease payments recognized in the income statement relating to operating leases amount to DKK 65 million (DKK 93 million in 2006).

33 Security

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

Note	(DKK million)	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
34	**Contingent liabilities, other financial liabilities and contingent assets**				
	Guarantees, warranties and other liabilities	**31**	**21**	**6**	**6**

Contingent liabilities

Outstanding lawsuits and arbitration proceedings

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

The majority shareholder in the company AVR Communication, in which GN Store Nord, via American Hearing Systems, Inc (INTERTON) owns 20% has filed a claim that INTERTON has caused AVR Communication losses by not purchasing goods and services as expected. The claim is not documented and INTERTON disputes the claim. The case is not expected to be of importance to the Group's financial position.

Product liability case

Six American consumers have filed a claim against a number of distributors of Bluetooth headsets, including GN Netcom, Inc claiming that the product warranty did not sufficiently warn that the constant and high volume use of headsets may affect hearing. According to information provided the claim does not involve hearing ability. The case is not expected to be of importance to the Group's financial position.

Guarantees

GN Store Nord has in Denmark and the US issued guarantees to banks in respect of directly and indirectly wholly owned subsidiaries. The guarantees relate solely to draws on group credit facilities of up to DKK 120 million and USD 25 million in respect of interest netting cash pools.

Purchase obligations

GN has agreed with a number of sub-suppliers that the suppliers purchase components for the production of headsets based on sales estimates prepared by GN Store Nord. To the extent that GN's sales estimates exceed actual purchases from subsuppliers GN Store Nord could be under obligation to purchase any remaining components from the sub-suppliers. Management assesses sales estimates on a ongoing basis. To the extent that component inventories at sub-suppliers exceed the expected use, GN recognises a provision for onerous purchase contracts.

Contingent assets

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

Early 2003 DPTG claimed approximately DKK 1.6 billion for the period 1994 to mid 2002. In 2005 the arbitration tribunal appointed an expert to estimate the relevant traffic volumes and their consequent revenue. Based on a preliminary expert opinion and because of the lapse of time from mid 2002 to mid 2005, DPTG modified its claim to approximately DKK 5 billion in February 2006. In 2007 the arbitration tribunal appointed another expert, and in December 2007 another expert opinion was issued. TPSA disputes the expert's estimates and calculations as well as the legal basis of DPTG's claim. The next meeting in the arbitration tribunal which was scheduled for December 2007 has been postponed and is scheduled to be held in the second quarter of 2008. 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, 2007 in this respect.

In the 2001 financial statements GN Store Nord made an impairment write-down of goodwill related to Beltone of DKK 1,250 million. Beltone (USA) was merged with GN Hearing Care Corporation (USA) at January 1, 2005. It is GN Store Nord´s assessment that a significant part of the write-down made for accounting purposes in 2001 as a result of the merger has tax effect in Denmark. Both companies were jointly taxed with GN Store Nord in the relevant period. GN Store Nord has brought the issue of deductibility for the merger loss before the Danish tax authorities who have informed GN Store Nord that they dispute the right of deductibility. GN Store Nord has appealed the decision of the Danish tax authorities to the Danish National Tax Tribunal. Any effect of deductibility of the loss is not disclosed in the annual report.

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

Note **(DKK million)**

35 **Financial instruments and financial risks**

Primary financial instruments

	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	-	-	59	59	-	
Other securities	-	-	86	86	-	
Trade receivables	1,252	10	-	1,262	-	
Other receivables and prepayments, etc.	512	14	-	526	-	
Tax receivables	9	-	-	9	-	
Cash and cash equivalents	168	-	-	168	-	2,0% - 3,0%
Financial liabilities						
Long-term bank loans	-	300	1,000	1,300	-	"IBOR" based
Capitalized lease obligations	-	2	-	2	-	
Other long-term payables	-	20	-	20		
Other provisions	268	85	-	353	-	
Short-term bank loans	384	-	-	384	-	"IBOR" based
Trade payables	421	-	-	421	-	
Tax payables	16	-	-	16	-	
Other payables	686	-	-	686	-	
Received prepayments	69	33	-	102	-	

Effective interest rates are stated on the basis of actual interest rates at December 31, 2007. The fair value of listed shares is DKK 0 million. For the other financial assets and liabilities, the fair value equals the carrying amount.

Specification of net-interest bearing debt	2007	2006
Cash and cash equivalents	168	118
Bank loans, non-current liabilities	(1,300)	(1,250)
Repayment of long-term loans	(1)	(3)
Bank loans, current liabilities	(383)	(252)
Total	**(1,516)**	**(1,387)***

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

Derivative financial instruments

Except for the financial instruments described in note 17, GN Store Nord has no derivative financial instruments at December 31, 2007.

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. With close to 50% of revenue and close to 60% of costs generated in US dollars or US dollar-related currencies, GN's long-term industrial competitiveness and its EBITA are resilient to likely US dollar fluctuations. GN has a large cost base in China and is as such exposed to appreciation of the CNY which historically has been linked to the USD. Most Chinese subcontractor agreements are agreed and paid in USD, however. Costs settled directly in CNY are primarily GN's staff costs. Net of revenue in CNY from local sales in China, the direct exposure to CNY appreciation is therefore limited. A 10% depreciation of the US dollar is estimated to have a slightly positive EBITA effect on a medium-term horizon. Fluctuations in the US dollar might, however, impact short-term profit as and when products manufactured at a given exchange rate are sold at a different exchange rate at a later point in time. GN has several balance sheet items denominated in US dollars, including most of its goodwill. A 10% depreciation of the US dollar would reduce equity by approximately DKK 250 million

Funding, Liquidity and Capital Structure

At December 31, 2007, GN had an equity ratio of 57% and net interest-bearing debt of DKK 1,516 million. The debt was mainly DKK-denominated with duration of less than one year, reflecting the asset composition with few long-term assets other than goodwill. Other things being equal, a one-percentage-point increase in overall interest rate levels would increase GN's net interest expenses by approximately DKK 15 million per year assuming an unchanged level of debt. A decrease in overall interest rate levels would likewise reduce GN's net interest expenses by approximately DKK 15 million per year. To reduce GN's overall liquidity risks, it is GN's policy to maintain flexibility by spreading the timing of credit facility terminations and renegotiations. GN's financial reserve consists primarily of undrawn committed credit facilities.

GN has a long-term target of continuing to debt finance operations in order to utilize the general advantage of being partly debt financed while still maintaining a flexible target level of debt so as to allow for unforeseen liquidity fluctuations and enable GN to carry out relevant investments to support the underlying business.

Note **(DKK million)**

35 **Financial instruments and financial risks (continued)**

Considering the current challenges in both GN Netcom and GN ReSound, the current level of debt is considered to be appropriate. Therefore, neither dividends nor share buy-backs are proposed in the 2007 Annual Report, and GN will apply its entire free cash flow towards developing the businesses or repaying debt.

However, GN maintains a long-term commitment to distribute funds to the shareholders whenever the situation allows it or special events occur. When relevant, this will predominantly be effected by means of share buy-backs. For many Danish shareholders, this is the most tax efficient way of distribution and for most other shareholders at least as tax efficient as dividend payments.

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 has a policy of never having an exposure to a single financial counterparty of more than 2.5% of such party's capital and reserves. GN does not have significant risks in respect of a single customer or cooperator. One customer accounted for approx. 10% of GN Netcom's revenue in 2007 and one customer accounted for approx. 4% of GN ReSound's revenue in 2007. GN credit rates significant customers and other cooperators on an ongoing basis.

36 **Government grants**

The Group received government grants of DKK 0 million. (DKK 0 million in 2006).

37 **Outstanding shares and treasury shares**

	Outstanding shares (thousands)	Treasury shares (thousands)	Total number of shares (thousands)	Nominal value of outstanding shares (DKK '000)	Nominal value of treasury shares (DKK '000)	Nominal value of total shares (DKK '000)	Treasury shares as a percentage of share capital
Number of shares at January 1, 2007	203,003	10,760	213,763	812,012	43,040	855,052	5.0%
Options exercised in 2007	524	(524)	-	2,096	(2,096)	-	
Shares acquired by GN Store Nord A/S	-	-	-	-	-	-	
Cancelled shares	-	(5,403)	(5,403)	-	(21,612)	(21,612)	
Number of shares at December 31, 2007	**203,527**	**4,833**	**208,360**	**814,108**	**19,332**	**833,440**	**2.3%**

The treasury shares had a market value of DKK 193 million at December 31, 2007.

(Shares thousands)	**2007**	**2006**
Weighted average number of shares	203,381	203,760
Dilutive effect of outstanding share options with positive intrinsic value - average for the period	450	1,679
Diluted weighted average number of shares	**203,831**	**205,439**

(DKK millions)	**2007**	**2006**
Profit (loss) for the year used for the calculation of earnings per share	(67)	348
Dilutive effect of profit (loss) for the year	-	-
Profit (loss) for the year used for the calculation of diluted earnings per share	**(67)**	**348**
Profit (loss) for the year and diluted earnings	(67)	348
Amortization and impairment of intangible assets acquired in company acquisitions	34	37
Restructuring	67	67
Profit (loss) and diluted earnings excluding amortization and impairment of intangible assets	**34**	**452**

Note	(DKK million)		
37	**Outstanding shares and treasury shares (continued)**		
		2007	**2006**
	Continuing operations		
	Profit (loss) for the year and diluted earnings	(94)	323
	Amortization and impairment of intangible assets acquired in company acquisitions	34	37
	Restructuring	67	67
	Profit (loss) and diluted earnings from continuing operations excluding amortization and impairment of intangible assets acquired in company acquisitions and restructuring	**7**	**427**
	Discontinuing operations		
	Profit (loss) for the year and diluted earnings	27	25
	Amortization and impairment of intangible assets acquired in company acquisitions	-	-
	Restructuring	-	-
	Profit (loss) and diluted earnings from discontinuing operations excluding amortization and impairment of intangible assets acquired in company acquisitions and restructuring	**27**	**25**

38 Related party transactions

GN Store Nord's related parties exercising significant influence comprise the Supervisory Board and the Executive Management and senior employees and their family members.

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

Group enterprises and associates are listed on page 74.

Supervisory Board, Executive Management and Senior Employees

Management remuneration and incentive plans are described in notes 3 and 39.

GN Store Nord A/S has entered an administration agreement in respect of GN Great Nordic Telco A/S with a company owned by a senior employee.

Group enterprises and associates

Trade with group enterprises and associates comprised:

	CONSOLIDATED		**PARENT COMPANY**	
	2007	**2006**	**2007**	**2006**
Sale of products to associates	44	88	-	-
Purchase of products from associates	2	4	-	-
Sale of services to group enterprises	-	-	167	206
Dividends from group enterprises	-	-	1,000	-

Transactions with group enterprises are eliminated in the consolidated financial statements in accordance with the accounting policies.

The parent company's balances with group enterprises at 31 December 2007 are recognized in the balance sheet. Interest income and expense in respect of group enterprises are disclosed in notes 9 and 10.

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

The parent company did not receive dividends from associates in 2007 or 2006.

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

Note **(DKK million)**

39 Incentive plans

Since 1998 GN Store Nord has issued share options annually as part of a long-term incentive plan for a number of senior employees. The plans from 1998 - 2002 all expired at the end of 2006. No options were granted in 2007. Accordingly, at December 31, 2007 GN only has share options granted from 2003 - 2006. No share options are granted to Supervisory Board members appointed by the annual general meeting.

Share options in GN Store Nord	Executive Management	Senior employees	Other	Dis-continuing activities	Total	Average exercise price
Share options granted at January 1, 2006	899,106	1,041,580	3,627,985	-	5,568,671	49
Share options granted during year	244,395	235,255	504,040	-	983,690	85
Options transferred at October 2, 2006	(633,037)	(535,973)	(1,631,900)	2,800,910	-	-
Share options exercised during year	-	(15,000)	(993,400)	(998,438)	(2,006,838)	30
Share options terminated during year/corrections	(158,125)	(424,580)	(705,655)	(55,220)	(1,343,580)	85
Outstanding share options at December 31, 2006	**352,339**	**301,282**	**801,070**	**1,747,252**	**3,201,943**	**57**
Share options granted during year	-	-	-	-	-	-
Options transferred at November 6, 2007	-	433,679	868,523	(1,302,202)	-	-
Share options exercised during year	-	-	(143,000)	(381,250)	(524,250)	34
Share options terminated during year/corrections	(267,388)	(217,060)	156,180	(63,800)	(392,068)	69
Outstanding share options at December 31, 2007	**84,951**	**517,901**	**1,682,773**	**-**	**2,285,625**	**60**
Grant date market value of share options granted in 2007	0.0 mio.	0.0 mio.	0.0 mio.	-	0.0 mio.	
Market value of outstanding share options at December 31, 2007	0.2 mio.	1.2 mio.	7.5 mio.	-	8.9 mio.	

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

All share option plans expire no later than in five years after the grant date. When exercised, GN's share options are settled by shares from GN's holding of treasury shares. A detailed specification by grant date is provided below of outstanding share option plans in GN at the balance sheet date.

For exercised options the average share price is DKK 73 per share at the exercise date.

Share options in GN Store Nord – grant date	Executive Management	Senior employees	Other	Dis-continuing operations	Total	Number of exercisable options	Exercise price	Years to expiry	Market value in DKK millions
April/2003	-	5,000	190,000	-	195,000	195,000	18	0.3	4.3
April/2004	-	133,000	444,100	-	577,100	546,100	43	1.3	2.4
Nov/2004	-	-	67,000	-	67,000	67,000	53	1.8	0.2
April/2005	-	174,028	538,915	-	712,943	65,800	62	2.3	1.2
Oct/2005	-	-	8,520	-	8,520	8,520	76	2.8	0.0
April/2006	-	181,601	434,238	-	615,839	49,769	86	3.3	0.6
Nov/2006	84,951	24,272	-	-	109,223	-	80	3.9	0.2
Outstanding share options at December 31, 2007	**84,951**	**517,901**	**1,682,773**	**-**	**2,285,625**	**932,189**			**8.9**

Note **(DKK million)**

39 Incentive plans (continued)

The market value of the share options has been calculated using the Black & Scholes option pricing model. The market value of the outstanding share options at the balance sheet date is calculated on the basis of underlying market prices on the final business day of the year, whereas the market value of options granted during the year is based on the underlying market prices on the grant date. The following assumptions were applied for the calculation of the market value at the balance sheet date and at the grant date for the main grant of share options in 2006:

Market value assumption	2007 year end	Grant date 2007	2007 year end	Grant date 2006
Share price	40	-	84	86
Volatility	25%	-	23%	24%
Dividend per share	0	-	0.6	0.6
Risk-free rate	4.22%	-	3.92%	3.50%
Term	Remaining term	-	Remaining term	5 years

No share options were granted in 2007. The calculation of the market value at the balance sheet date is based on a historic three-year volatility in the period January 1, 2005 - December 31, 2007 in the GN Store Nord share.

Share options held by the Executive Management are specified below:

Grant year Exercise price	2006 80	2007	Total
Toon Bouten	84,951	-	84,951
Total	**84,951**	**-**	**84,951**

No members of the Executive Management exercised options in 2007.

40 Acquisition of companies and operations

At March 15, 2007 GN Store Nord A/S acquired the remaining shares in the Polish hearing instruments retailer Marked Med Sp. Zoo. In 2007 GN Store Nord A/S also acquired a number of minor hearing instrument chains and distributors in the USA, Belgium and Singapore. The acquisitions strengthen GN's sales and distribution channels.

All transactions are accounted for using the purchase method.

Statement of acquired net assets and cash purchase price:	IFRS carrying amount prior to acquisition Marked Med and other acquisitions and operations	Fair value adjustment Marked Med and other acquisitions and operations	Fair value at acquisition date Marked Med and other acquisitions and operations
Non-current assets	3	-	3
Current assets	4	1	5
Non-current liabilities	-	-	-
Current liabilities	(3)	-	(3)
Acquired net assets	**4**	**1**	**5**
Goodwill			8
Purchase price			**13**
Provision, earn-out obligation			(1)
Acquired cash and cash equivalents			-
Cash purchase price			**12**

Note **(DKK million)**

40 Acquisition of companies and operations (continued)

Goodwill relating to the above transactions is allocated to the cash-generating unit Hearing Instruments.

	Marked Med and other acquisitions and operations
The share of revenue and profit (loss) for the year from the acquisition date can be specified as follows:	
Revenue	17
EBIT	(9)
Profit (loss) for the year	(7)
Acquired operations if they had been owned in all of 2007:	
Revenue	20
EBIT	(11)
Profit (loss) for the year	(8)

Acquisitions after the balance sheet date

In January 2008 GN ReSound A/S acquired the remaining shares in GN ReSound India Private Ltd, bringing its ownership share to 100%. The opening balance sheet has not yet been completed, but preliminary purchase price allocation has been made. The purchase price is DKK 20 million, and the total net assets incl. fair value adjustment amount to approximately DKK 4 million. Goodwill accordingly amounts to approximately DKK 16 million.

	CONSOLIDATED		PARENT COMPANY	
	2007	2006	2007	2006
41 Other adjustments				
Gain/loss on disposal of assets	1	(1)	1	(3)
Share options expensed	12	13	3	3
Dividends from subsidiaries and associates	-	-	(1,000)	-
Share of profit (loss) in associates	(2)	-	-	-
Provision for bad debt losses and inventory write-downs	45	(10)	-	-
Restructurings recognized in income statement	67	67	-	-
Adjustment of provisions	(58)	(85)	-	-
Total	**65**	**(16)**	**(996)**	**-**

Note

42 **Adopted International Financial Reporting Standards for implementation in 2008 or later**

The IASB and the EU have adopted the following new International Financial Reporting Standards and IFRIC Interpretations that are not compulsory for GN Store Nord A/S in the preparation of the annual report for 2007, but may affect the annual report for 2008:

- IFRS 8 Operating Segments on the identification of and disclosure requirements for segments applies to financial years beginning on or after January 1, 2009. The Standard will affect the financial statement presentation, but will not affect the accounting policies for recognition and measurement.

  In addition, the IASB has adopted the following new International Financial Reporting Standards and IFRIC Interpretations which have not yet been adopted by the EU. The new International Financial Reporting Standards and IFRIC Interpretations are not compulsory for GN Store Nord A/S in the preparation of the annual report for 2007, but may affect the annual report for 2008:

- IAS 1 Presentation of Financial Statements (2007) applies to financial years beginning on or after January 1, 2009. The Standard is expected to affect the financial statement presentation, but will not affect the accounting policies for recognition and measurement.

- IAS 23 (Revised) Borrowing Cost applies to financial years beginning on or after January 1, 2009. The Standard requires interest expenses related to the acquisition, construction or production of a qualifying asset to be capitalized as part of the cost of such assets. The Standard is not expected to affect GN Store Nord A/S.

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellations applies to financial years beginning on or after January 1, 2009. The effects of the Standard have not yet been determined.

- IFRS 3 Business Combinations (2007) applies to financial years beginning on or after January 1, 2009. The Standard will only have effect on future business combinations.

- IFRIC 12 Service Concession Arrangements applies to financial years beginning on or after January 1, 2008. The GN Store Nord A/S Group neither has nor expects to enter any concession arrangements. Accordingly, the Interpretation is not expected to affect the financial reporting.

- IFRIC 13 Customer Loyalty Programmes applies to financial years beginning on or after July 1, 2008. The Interpretation is expected to affect the accounting policies, but the effects have not yet been determined.

- IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction applies to financial years beginning on or after January 1, 2008. The effects of the Standard have not yet been determined.

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

Note 43 Operations - primary segment - 2007

Income statement 2007

(DKK million)	Contact Center & Office Headsets	Mobile Headsets	GN Netcom	Hearing Instru-ments	Audiologic Diagno-stics Equipment	GN ReSound	Others/ elimina-tions	Continuing operations	Dis-continuing operations	Con-solidated Total
External revenue	1,532	1,279	2,811	2,823	332	3,155	15	5,981	-	5,981
Internal revenue	-	-	-	-	-	-	-	-	-	-
Revenue	**1,532**	**1,279**	**2,811**	**2,823**	**332**	**3,155**	**15**	**5,981**	**-**	**5,981**
Production costs	(564)	(1,153)	(1,717)	(1,043)	(180)	(1,223)	1	(2,939)	-	(2,939)
Gross profit	**968**	**126**	**1,094**	**1,780**	**152**	**1,932**	**16**	**3,042**	**-**	**3,042**
Development costs	(88)	(94)	(182)	(226)	(34)	(260)	-	(442)	-	(442)
Selling and distribution costs	(398)	(168)	(566)	(915)	(83)	(998)	-	(1,564)	-	(1,564)
Management and administrative expenses	(216)	(111)	(327)	(387)	(23)	(410)	(57)	(794)	-	(794)
Other operating income	5	3	8	9	-	9	1	18	-	18
Operating profit (loss) before share of profit (loss) in subsidiaries and associates and special items	**271**	**(244)**	**27**	**261**	**12**	**273**	**(40)**	**260**	**-**	**260**
Share of profit (loss) in associates	-	-	-	2	-	2	-	2	-	2
Depreciation related to Q4 2006 in GN ReSound due to abandoned sales process	-	-	-	(32)	-	(32)	-	(32)	-	(32)
Operating profit (loss)	**271**	**(244)**	**27**	**231**	**12**	**243**	**(40)**	**230**	**-**	**230**
Costs related to abandoned sales process concerning GN ReSound	(1)	-	(1)	(36)	(5)	(41)	(222)	(264)	-	(264)
Gains (losses) on disposal of operations	-	-	-	(2)	-	(2)	2	-	27	27
Profit (loss) before financial items	**270**	**(244)**	**26**	**193**	**7**	**200**	**(260)**	**(34)**	**27**	**(7)**
Financial items	-	-	(58)	-	-	(9)	1	(66)	-	(66)*
Profit (loss) from ordinary activities before tax	**270**	**(244)**	**(32)**	**193**	**7**	**191**	**(259)**	**(100)**	**27**	**(73)**

Balance sheet 2007

(DKK million)	Contact Center & Office Headsets	Mobile Headsets	GN Netcom	Hearing Instru-ments	Audiologic Diagno-stics Equipment	GN ReSound	Others/ elimina-tions	Continuing operations	Dis-continuing operations	Con-solidated Total
ASSETS										
Total intangible assets	**381**	**260**	**641**	**2,861**	**129**	**2,990**	**21**	**3,652**	**-**	**3,652**
Additions	76	73	149	214	29	243	-	392	-	392
Impairment	(10)	(9)	(19)	-	-	-	-	(19)	-	(19)
Total property, plant and equipment	**27**	**37**	**64**	**246**	**3**	**249**	**422**	**735**	**-**	**735**
Additions	10	19	29	69	2	71	38	138	-	138
Depreciation	(20)	(35)	(55)	(73)	(4)	(77)	(23)	(155)	-	(155)
Investments in associates	-	-	-	59	-	59	-	59	-	59
Other assets	781	491	1,272	1,997	149	2,146	(29)	3,389	-	3,389
Total assets	**1,189**	**788**	**1,977**	**5,163**	**281**	**5,444**	**414**	**7,835**	**-**	**7,835**
EQUITY AND LIABILITIES										
Total equity	**-**	**-**	**1,288**	**-**	**-**	**2,767**	**427**	**4,482**	**-**	**4,482***
Total liabilities	**-**	**-**	**689**	**-**	**-**	**2,677**	**(13)**	**3,353**	**-**	**3,353***
Total equity and liabilities	**-**	**-**	**1,977**	**-**	**-**	**5,444**	**414**	**7,835**	**-**	**7,835***

Additional information is provided in the investor-specific statements.

*) A number of items are not presented by segment, as the segments in a number of cases are part of the same legal entity.

Geografic - secondary segment - 2007

(DKK million)	Denmark	Rest of Nordic region	Rest of Europe	North and South America	Asia and rest of world	Consoli-dated total
Revenue	**152**	**364**	**2,211**	**2,669**	**585**	**5,981**
Non-current assets	1,464	35	577	2,937	152	5,165
Current assets	663	80	736	921	270	2,670
Total assets	**2,127**	**115**	**1,313**	**3,858**	**422**	**7,835**
Investments in non-current assets	**432**	**4**	**41**	**57**	**30**	**564**

Note 43 Operations - primary segment - 2006 (continued)

Income statement 2006

(DKK million)	Contact Center & Office Headsets	Mobile Headsets	GN Netcom	Hearing Instru-ments	Audiologic Diagno-stics Equipment	GN ReSound	Others/ elimina-tions	Continuing operations	Dis-continuing operations	Con-solidated Total
External revenue	1,587	1,809	3,396	3,032	321	3,353	17	6,766	-	6,766
Internal revenue	-	-	-	-	6	6	(6)	-	-	-
Revenue	**1,587**	**1,809**	**3,396**	**3,032**	**327**	**3,359**	**11**	**6,766**	**-**	**6,766**
Production costs	(629)	(1,594)	(2,223)	(1,151)	(175)	(1,326)	5	(3,544)	-	(3,544)
Gross profit	**958**	**215**	**1,173**	**1,881**	**152**	**2,033**	**16**	**3,222**	**-**	**3,222**
Development costs	(63)	(90)	(153)	(196)	(37)	(233)	2	(384)	-	(384)
Selling and distribution costs	(568)	(224)	(792)	(916)	(79)	(995)	-	(1,787)	-	(1,787)
Management and administrative expenses	(227)	(92)	(319)	(387)	(30)	(417)	(60)	(796)	-	(796)
Other operating income	1	-	1	(3)	1	(2)	3	2	-	2
Operating profit (loss)	**101**	**(191)**	**(90)**	**379**	**7**	**386**	**(39)**	**257**	**-**	**257**
Costs related to abandoned sales process concerning GN ReSound	-	-	-	-	-	-	(14)	(14)	-	(14)
Gains (losses) on disposal of operations	-	-	-	60	(6)	54	12	66	25	91
Profit (loss) before financial items	**101**	**(191)**	**(90)**	**439**	**1**	**440**	**(41)**	**309**	**25**	**334**
Financial items	-	-	(62)	-	-	(23)	25	(60)	-	(60)*
Profit (loss) from ordinary activities before tax	**101**	**(191)**	**(152)**	**439**	**1**	**417**	**(16)**	**249**	**25**	**274**

Balance sheet 2006

(DKK million)	Contact Center & Office Headsets	Mobile Headsets	GN Netcom	Hearing Instru-ments	Audiologic Diagno-stics Equipment	GN ReSound	Others/ elimina-tions	Continuing operations	Dis-continuing operations	Con-solidated Total
ASSETS										
Total intangible assets	**389**	**297**	**686**	**-**	**-**	**-**	**60**	**746**	**3,121**	**3,867**
Additions	52	65	117	-	-	-	32	149	209	358
Impairment	-	-	-	-	-	-	-	-	-	-
Total property, plant and equipment	**38**	**55**	**93**	**-**	**-**	**-**	**408**	**501**	**281**	**782**
Additions	20	40	60	-	-	-	298	358	76	434
Depreciation	(21)	(41)	(62)	-	-	-	(13)	(75)	(72)	(147)
Investments in associates	-	-	-	-	-	-	-	-	64	64
Other assets	785	497	1,282	-	-	-	102	1,384	2,130	3,514
Total assets	**1,212**	**849**	**2,061**	**-**	**-**	**-**	**570**	**2,631**	**5,596**	**8,227**
EQUITY AND LIABILITIES										
Total equity	**-**	**-**	**401**	**-**	**-**	**-**	**229**	**630**	**4,270**	**4.900***
Total liabilities	**-**	**-**	**1,660**	**-**	**-**	**-**	**341**	**2,001**	**1,326**	**3.327***
Total equity and liabilities	**-**	**-**	**2,061**	**-**	**-**	**-**	**570**	**2,631**	**5,596**	**8.227***

Additional information is provided in the investor-specific statements and note 12.

*) A number of items are not presented by segment, as the segments in a number of cases are part of the same legal entity.

Geographic – secondary segment - 2006

(DKK million)	Denmark	Rest of Nordic region	Rest of Europe	North and South America	Asia and rest of world	Continuing operations	Dis-continuing operations	Consoli-dated total
Revenue	**153**	**362**	**2,100**	**3,393**	**758**	**6,766**	**-**	**6,766**
Non-current assets	723	10	11	688	25	1,457	4,023	5,480
Current assets	603	12	163	340	56	1,174	1,573	2,747
Total assets	**1,326**	**22**	**174**	**1,028**	**81**	**2,631**	**5,596**	**8,227**
Investments in non-current assets	**488**	**-**	**4**	**15**	**3**	**510**	**187**	**697**

Note 44 – Accounting Policies

The annual report of GN Store Nord for 2007 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. Additional Danish disclosure requirements for annual reports are those laid down by the statutory order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act and by the OMX Nordic Exchange Copenhagen A/S.

In addition, the annual report has been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

CHANGES TO ACCOUNTING POLICIES

GN Store Nord has adopted IFRS 7 "Financial Instruments: Disclosure", IAS 1 (revised 2005) "Presentation of Financial Statements" and IAS 32 (revised 2005) "Financial Instruments: Presentation" as of January 1, 2007. The new International Financial Reporting Standards do not affect the accounting policies for recognition and measurement, but only the note disclosures. The comparative figures in the notes have been restated.

IFRICs 7-10, which were adopted by the IASB in 2006 effective for the financial year 2007, do not affect the accounting policies.

IFRIC 11 "Group and Treasury Share Transactions" was adopted in the annual report for 2006 before the effective date.

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

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated Financial Statements
The consolidated financial statements relate to the parent company, GN Store Nord, and the enterprises in which GN Store Nord directly or indirectly holds more than 50% of the voting rights or where it, in some other way, has the power to govern the financial and operating policies of an enterprise. GN Store Nord and its subsidiaries are referred to as the Group. Group companies are listed on page 74. Enterprises that are not subsidiaries but where GN Store Nord holds between 20% and 50% of the voting rights and over which it exercises significant influence, but where it does not have power to govern the financial and operating policies, are considered associates. When assessing whether GN Store Nord exercises control or significant influence, potential voting rights and options on acquisition of additional ownership interests are taken into account.

The consolidated financial statements are prepared as a consolidation of the financial statements of the parent company and those of the individual subsidiaries, all of which are presented in accordance with the Group's accounting policies. Intra-group income and expenses, shareholdings, intra-group balances and dividends, and realized and unrealized gains and losses on intra-group transactions are eliminated. On consolidation, the carrying amount of shares held by the parent company in subsidiaries is set off against the subsidiaries' equity. Projects and enterprises established as joint ventures with joint control are accounted for by proportionate consolidation and accounting items are therefore recognized in proportion to the ownership interest.

Business Combinations
Enterprises acquired or formed during the year are recognized in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognized in the consolidated income statement until the disposal date. The comparative figures are not restated for acquisitions. Discontinuing operations are presented separately, see Presentation of discontinuing operations.

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

The acquisition date is the date when the parent company effectively obtains control of the acquired enterprise.

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

The cost of a business combination comprises the fair value of the consideration agreed upon and costs directly attributable to the acquisition. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of that adjustment is included in the cost of the combination if the adjustment is probable and can be measured reliably.

If uncertainties regarding measurement of identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have different fair value at the acquisition date than first assumed, goodwill is adjusted up until 12 months after the acquisition. The effect of the adjustments is recognized in the opening balance of equity and the comparative figures are restated accordingly. Subsequently, goodwill is only adjusted as a result of changes in estimates of contingent purchase considerations. However, subsequent realization of the acquired enterprise's deferred tax assets not recognized at the acquisition date will require recognition of the tax benefit in the income statement and at the same time write-down of the carrying amount of goodwill to the amount which would have been recognized had the deferred tax asset been recognized as an identifiable asset at the acquisition date.

For business combinations made prior to April 1, 2004, the accounting classification is maintained according to the former accounting policies and goodwill is recognized on the basis of the cost recognized in accordance with IAS 22, Business Combinations, less amortization and impairment losses up until December 31, 2004.

Gains or losses on disposal of subsidiaries and associates that are not classified as discontinuing activities are recognized in the income statement in the line item "Gains (losses) on disposal of operations" and determined as the difference between the sales amount and the carrying amount of net assets at the disposal date including goodwill at the disposal date plus disposal costs.

Intra-Group Transactions in the Parent Company Financial Statements

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

Foreign Currency Translation

Functional Currency and Presentation Currency

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

Translation of Transaction and Amounts

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

Translation of Subsidiaries

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

Foreign exchange adjustment of balances with foreign entities which are considered part of the investment in the entity are recognized directly in equity in the consolidated financial statements under a separate translation reserve if the balance is denominated in the functional currency of the parent company or the foreign entity.

Translation of Associates

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

Derivative Financial Instruments

Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognized as other receivables and payables, respectively, and set-off of positive and negative values is only made when the Company has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of market data and generally accepted valuation methods.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognized asset or liability are recognized in the income statement together with changes in the value of the hedged asset or liability as far as the hedged portion is concerned. Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge that is an effective hedge of changes in the value of the hedged item are recognized in equity. If the hedged transaction results in gains or losses, amounts previously recognized in equity are transferred to the same item as the hedged item.

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

Changes in the fair value of derivative financial instruments used to hedge net investments in foreign subsidiaries or associates that are effective hedges of currency fluctuations in these enterprises are recognized directly in a separate translation reserve in equity.

Options on Acquisition and Disposal of Investments in Unlisted Enterprises

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

Government Grants

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

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

Incentive Plans

The Executive Management and a number of senior employees are included in share option plans (equity-settled plans). For equity-settled programs, the share options are measured at the fair value at the grant date and recognized in the income statement as a staff cost of the respective functions over the vesting period. The counter item is recognized directly in equity. On initial recognition, an estimate is made of the number of options expected to vest, see description of incentive plans in note 39. 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 fair value of granted share options is estimated using the Black-Scholes option pricing model. Vesting conditions are taken into account when estimating the fair value of the share options.

Assets Held for Sale

Assets held for sale comprises non-current assets and disposal groups held for sale. Disposal groups are defined as a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction. Liabilities associated with assets classified as held for sale are those liabilities directly associated with the assets that will be transferred in the transaction.

Assets are classified as held for sale if the carrying amount will be recovered principally through a sale within 12 months in accordance with a formal plan rather than through continuing use.

Assets or disposal groups held for sale are measured at the lower of carrying amount at the date of the classification as "held for sale" or fair value less costs to sell. Assets are not depreciated or amortized from the date when they are reclassified as held for sale. Impairment losses on initial classification as "held for sale" and gains and losses on subsequent remeasurement at the lower of carrying amount and fair value less costs to sell are recognized in the income statement in the items to which they relate. Gains and losses are disclosed in the notes.

Assets and liabilities are recognized in separate line items in the balance sheet and main items are disclosed in the notes.

If a sale is not completed as expected, the asset or disposal group is reclassified to the items in the balance sheet from which asset or disposal group was originally separated. This reclassification is made at the lower of the carrying amount at the date of classification as "held for sale" adjusted for any amortization and depreciation that would have been recognized had the asset not been classified as "held for sale" and the fair value less costs to sell. Adjustments to the carrying amount of non-current assets that are no longer classified as "assets held for sale" are recognized in the income statement in the period in which the assets no longer qualify for recognition as "held for sale".

Presentation of Discontinuing Operations

Discontinuing operations comprise a major unit whose activities and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the other business areas and where the unit either has been disposed of or is held for sale and where the sale is expected to be carried out within twelve months in accordance with a formal plan.

The profit (loss) after tax of discontinuing operations and value adjustments after tax of related assets and liabilities are presented in a separate line item in the income statement with comparative figures and disclosed in the notes. Assets and liabilities of discontinuing operations are presented in separate line items in the balance sheet without restatement of comparative figures, see Assets held for sale, and main items are specified in the notes. Net cash flows from operating, investing and financing activities of discontinuing operations are presented separately in the cash flow statement and disclosed in a note.

If a sale is not completed as expected, the income statement and the cash flow statement are restated for all prior periods presented as had the operations never been classified as discontinuing. The income statements and cash flow statements of prior periods are described as "restated". For prior year comparison, amortization and depreciation for prior periods are recognized in a separate line item under operating profit in the income statement, see Assets held for sale. The comparative balance sheet figures are not restated, see Assets held for sale.

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 and expected returns of goods and rebates. The portion of goods sold that is expected to be returned is determined based on historical product returns data.

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 if it is probable that costs incurred will be covered by future earnings. The cost of such development projects includes direct wages, salaries, materials and other direct and indirect costs attributable to the development projects. Amortization and write-down of such capitalized development projects are started at the date of completion and are included in 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 management and administration. Administrative expenses include office expenses, and depreciation and impairment, etc. Also included are losses on trade receivables.

Other Operating Income and Costs

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

Restructurings

Restructuring costs are recognized in the income statement when the restructuring has been decided on and announced. Restructuring costs for the year are recognized in the income statement to the extent that the costs are attributable 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. Restructuring costs are recognized in the income statement under the functions to which they relate and are specified in a note.

Profit (Loss) from Investments in Associates
The proportionate share of the profit (loss) after tax of the individual associates is recognized in the income statement of the Group less amortization of goodwill and after elimination of the proportionate share of intra-group profits (losses).

Profits (Losses) from Investments in Subsidiaries and Associates in the Parent Company Financial Statements
Dividend received from investments in subsidiaries and associates is recognized in the parent company income statement in the financial year in which the dividend is declared. To the extent that distributed dividend exceeds the accumulated earnings after the acquisition date, the dividend is, however, not recognized in the income statement but recognized as a write-down of the cost of the investment. To the extent that investments are written down below cost, the write-down is recognized in the income statement.

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

Tax on Profit (Loss) for the Year
The parent company is jointly taxed with all Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

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

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction. Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is not recognized on goodwill unless this is deductible for tax purposes. Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallize as current tax. The change in deferred tax as a result of changes in tax rates is recognized in the income statement. If a tax deduction on computation of the taxable income in Denmark or in foreign jurisdictions is obtained as a result of share-based payment programs, the tax effect of the programs is recognized in Tax on the profit (loss) for the year. If the total tax deduction exceeds the total tax expense, the tax benefit for the excess deduction is recognized directly in the balance sheet.

BALANCE SHEET

Intangible assets
Goodwill
At the acquisition date goodwill is recognized in the balance sheet at cost as described under Business combinations. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized.

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

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

The carrying amount of goodwill is tested at least annually for impairment together with the other non-current assets in the cash-generating unit to which the goodwill is allocated and written down to recoverable amount over the income statement if the carrying amount is higher. The recoverable amount is computed as the present value of the expected future net cash flows from the enterprises or activities to which the goodwill is allocated. Impairment of goodwill is recognized in a separate line item in the income statement.

Development Projects, Patents and Licenses
Intangible assets with a finite useful life are measured at cost less accumulated amortization and impairment. Amortization is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Completed development projects	1-5 years
Software	1-3 years
Patents, licenses, trademarks and other intellectual property rights	up to 20 years

Completed development projects are amortized on a straight-line basis over the estimated useful life. The basis of amortization is calculated less impairment losses.

Development projects are described under Research and development costs.

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.

Telecommunications Systems
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 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

Other Intangible Assets
Other intangible assets with an indefinite useful life, including selected trademarks, are measured at cost less impairment losses. Other intangible assets are not amortized but are tested for impairment annually.

Property, Plant and Equipment
Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and costs of materials, components, subsuppliers, direct wages and salaries and indirect production costs until the date when the asset is available for use. Liabilities related to dismantling and removing the asset and restoring the site on which the asset is located are added to the cost. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately. Interest and other borrowing costs are not included in the cost of acquisition.

Depreciation is provided on a straight-line basis over the expected useful lives of property, plant and equipment. The expected useful lives are as follows:

Buildings and installations	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.

The basis of depreciation is calculated on the basis of the residual value of the asset less impairment losses. The residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued. When changing the depreciation period or the residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates. Depreciation is recognized in the income statement as production costs, development costs, distribution costs and administrative expenses. Expenses for repairs and maintenance of property, plant and equipment are included in the income statement. Gains or losses on disposal or scrapping of an item of property, plant and equipment are determined as the difference between the sales price reduced by costs related to dismantling and removing the asset, selling costs and costs related to restoring the site on which the asset is located and the carrying amount. Gains or losses are recognized in the income statement as Other operating income or other operating costs, respectively.

Rental and Lease Matters
Leases for property, plant and equipment that transfer substantially all the risks and rewards incident to ownership to the Group (finance leases) are initially recognized in the balance sheet at the lower of fair value and the present value of the future lease payments.

In calculating the net present value the discount factor is the interest rate implicit in the lease or a rate that approximates this rate. Assets held under finance leases are subsequently treated as the Group's other property, plant and equipment.

The capitalized residual obligation on the lease is recognized in the balance sheet as a liability and the interest element of the lease payment is recognized in the income statement over the term of the lease. Leases that do not meet the criteria for classification as a financial asset are treated as operating leases. Operating lease payments are recognized in the income statement over the term of the lease.

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

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

Investments in Subsidiaries and Associates in the Parent Company Financial Statements
Investments in subsidiaries and associates are recognized in the parent company financial statements at cost less impairment losses. Where the recoverable amount is lower than cost, investments are written down to this lower value. Cost is reduced by received dividend that exceeds the accumulated earnings after the acquisition date.

Other Securities
Shares and bonds that are included in the Group's trading portfolio and where fair value can be measured reliably are recognized under current assets at cost at the trade date and are subsequently measured at fair value corresponding to the market price of quoted securities and for unquoted securities an estimated fair value computed on the basis of market data and generally accepted valuation methods. Changes in fair value are recognized currently in the income statement as financial income or financial expenses.

Shares and bonds not included in the Group's trading portfolio (available-for-sale) are recognized under non-current assets at cost at the trade date and are subsequently measured at fair value corresponding to the market price of quoted securities and for unquoted securities an estimated fair value computed on the basis of market data and generally accepted valuation methods. Unrealized value adjustments are recognized directly in equity except for impairment losses and reversal of impairment losses as well as foreign exchange adjustments of bonds denominated in foreign currencies, which are recognized as financial income or financial expenses. On realization, the accumulated value adjustment recognized in equity is transferred to financial income or financial expenses in the income statement.

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

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

Impairment of Non-current Assets

Goodwill and intangible assets with indefinite useful lives are subject to at least annual impairment tests, initially before the end of the acquisition year. Similarly, in-process development projects are subject to an annual impairment test.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated and written down to the recoverable amount over the income statement if the carrying amount is higher. The carrying amount of other non-current assets - with the exception of deferred tax assets, investments in associates and other securities measured at fair value - is subject to an annual impairment test for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

Deferred tax assets are subject to annual impairment tests and are recognized only to the extent that it is probable that the assets will be utilized.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognized in the income statement under the respective functions. Impairment of goodwill is recognized in a separate line item in the income statement.

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

Inventories

Inventories are measured at cost in accordance with the FIFO method.

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

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

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

Receivables

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

Prepayments

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

Equity

Dividends

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

Treasury Shares

Cost of acquisition, consideration received and dividends received from treasury shares are recognized directly as retained earnings in equity. Capital reductions from the cancellation of treasury shares are deducted from the share capital at an amount corresponding to the nominal value of the shares. Proceeds from the sale of treasury shares are recognized directly in equity.

Translation Reserve

The translation reserve in the consolidated financial statements comprises foreign exchange differences arising on translation of financial statements of foreign subsidiaries from their functional currencies into the presentation currency used by GN Store Nord (DKK) and foreign exchange adjustments of balances considered to be part of the total net investment in foreign entities. On full or partial realization of the net investment, the foreign exchange adjustments are recognized in the income statement.

Pensions and Other Non-current Liabilities

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

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

Pension costs for the year are recognized in the income statement based on actuarial estimates and financial expectations at the beginning of the year. Any difference between the expected development in plan assets and the defined benefit obligation and actual amounts results in actuarial gains or losses. Actuarial gains or losses are recognized directly in equity through the Statement of recognized income and expense.

Similarly, other long-term employee benefits are recognized based on an actuarial calculation. Actuarial gains and losses on other long-term employee benefits are recognized in the income statement immediately.

Other Provisions

Other provisions primarily comprise warranties, onerous contracts, restructurings and return obligations related to sold products etc. Provisions are recognized when as a result of events before or at the balance sheet date the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. On measurement of provisions, the costs required to settle the liability are discounted if the effect is material to the measurement of the liability. A pre-tax discount factor is used that reflects the current market interest rate level plus risks specific to the liability. Changes in present values during the year are recognized as financial expenses. The amount recognized as a provision is Management's best estimate of the expenses required to settle the obligation. Warranty provisions are recognized as the underlying goods and services are sold based on warranty costs incurred in previous years and expectations of future costs.

Restructuring costs are recognized under liabilities when a detailed, formal restructuring plan has been announced to the persons affected no later than at the balance sheet date. On acquisition of enterprises, restructuring provisions in the acquiree are only included in goodwill when the acquiree has a restructuring liability at the acquisition date. A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract (onerous contracts). A provision for onerous contracts is recognized e.g. when the Company has entered a binding legal agreement for the purchase of components from sub-subsuppliers that exceeds the benefits from the expected future use of the components and the Company can only sell the components at a loss.

Financial Liabilities

Amounts owed to 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 acquisition date. Cash flows from disposals of enterprises are recognized up until the disposal date.

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 enterprises and activities, acquisitions and disposals of intangible assets, property, plant and equipment and other non-current assets and acquisitions and disposals of securities that are not included in cash and cash equivalents.

Cash flows from financing activities comprise changes in the size or composition of the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, acquisition and disposal of treasury shares and payment of dividends to shareholders. Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Net cash flows from operating, investing and financing activities of discontinuing operations are presented separately in the cash flow statement and disclosed in a note.

SEGMENT INFORMATION

The Group's main activities and primary segments comprise:

- Contact Center & Office Headsets
- Mobile Headsets
- Hearing Instruments
- Audiologic Diagnostics Equipment.

The Group's secondary (geographical) segments comprise:

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

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. 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

Earnings per Share and Diluted Earnings per Share

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

Other Key Ratios

Other key ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial 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.

	Company	Currency	Ownership %	Share capital
GN Store Nord A/S	**Denmark**	**DKK**	**N/A**	**833,441,052**
GN Ejendomme A/S	Denmark	DKK	100	10,500,000
GN Great Nordic Telco A/S	Denmark	DKK	100	10,500,000
GN Cable System A/S	Denmark	DKK	100	500,000
GN af 29. September 2000 A/S	Denmark	DKK	100	500,000
● Danish Polish Telecommunications Group I/S	Denmark	DKK	75	N/A
● Danish Russian Telecommunications Group I/S	Denmark	DKK	50	N/A
GN Netcom A/S	**Denmark**	**DKK**	**100**	**30,200,000**
GN Hello Direct Inc.	USA	USD	100	450,000
GN Canada, Inc.	Canada	CAD	100	1,000
GN Netcom (China) Ltd.	China	USD	100	8,000,000
GN (Great Nordic) Iberica S.A.	Spain	EUR	100	60,111
GN Italia S.r.l.	Italy	EUR	100	10,200
GN Japan Ltd.	Japan	JPY	100	10,000,000
GN Netcom (Singapore) Pte Ltd.	Singapore	SGD	100	200,000
GN (Great Nordic) UK Ltd.	Great Britain	GBP	100	100,000
GN Svenska AB	Sweden	SEK	100	5,100,000
GN Netcom Asia Ltd.	Hong Kong	HKD	100	2,000,000
GN (Great Nordic) Australia Pty. Ltd.	Australia	AUD	100	2,500,000
GN Netcom European Repair Centre B.V.	Netherlands	EUR	100	18,000
GN GmbH	Germany	EUR	100	51,129
GN US, Inc.	USA	USD	100	35,900,000
GN Netcom Logistic (Xiamen) Ltd.	China	USD	100	500,000
GN France S.A.	France	EUR	100	80,000
GN ReSound A/S	**Denmark**	**DKK**	**100**	**60,000,000**
GN GROC Ltd.	China	USD	100	500,000
GN Hearing Care Canada Ltd.	Canada	CAD	100	10,000
GN Hearing Care Corporation	USA	USD	100	180,000
GN Hearing Care S.A.	Spain	EUR	100	1,562,631
GN ReSound AB	Sweden	SEK	100	100,000
GN ReSound AG	Switzerland	CHF	100	420,000
GN ReSound B.V.	Netherlands	EUR	100	680,670
GN ReSound China Ltd.	China	CNY	100	34,000,000
GN Resound do Brazil Ltda.	Brazil	BRL	100	11,466,706
GN ReSound GDC Ltd.	Ireland	USD	100	269,520
GN Hearing GmbH	Germany	EUR	100	296,549
GN ReSound GmbH Höertechnologie	Germany	EUR	100	2,162,253
GN ReSound Höertechnologie GmbH	Austria	EUR	100	500,000
GN ReSound Ireland Holdings Ltd.	Ireland	USD	100	402,583
GN ReSound Ireland Ltd.	Ireland	USD	100	402,561
GN ReSound Ireland Sales Ltd.	Ireland	USD	100	160
GN Resound Italia SRL	Italy	EUR	100	181,190
GN Resound Japan K.K.	Japan	JPY	100	499,000,000
GN ReSound Ltd.	Great Britain	GBP	100	7,376,000
GN Resound Norge AS	Norway	NOK	100	2,000,000
GN ReSound NV	Belgium	EUR	100	495,800
GN ReSound NZ Ltd.	New Zealand	NZL	100	2,000,000
GN ReSound Pty. Ltd.	Australia	AUD	100	4,000,002
GN ReSound S.A.S.	France	EUR	100	285,957
GN Resound Singapore Pte. Ltd.	Singapore	SGD	100	300,000
GN US Holdings Inc.	USA	USD	100	34,000,000
GN af 19. januar 1998 A/S	Denmark	DKK	100	91,013,000
GN af 20. januar 1998 A/S	Denmark	DKK	100	13,975,000

	Company	Currency	Ownership %	Share capital
Beltone Audiologic France	France	EUR	100	650,000
Beltone Europe Holdings ApS	Denmark	DKK	100	200,000
Beltone Holdings Inc.	USA	USD	100	1
Beltone Holdings II Inc.	USA	USD	100	1
Beltone Holdings III, Inc.	USA	USD	100	10
Beltone Holdings IV, Inc	USA	USD	100	30
Beltone Holdings V, Inc.	USA	USD	100	30
Beltone Netherlands B.V.	Netherlands	EUR	100	45,378
Beltone Norge AS	Norway	NOK	100	1,000,000
Beltone Schweiz GmbH	Switzerland	CHF	100	20,000
Beltone Hearing Centers of Florida, LLC	USA	USD	25	N/A
Beltone Hearing Centers of New York, LLC	USA	USD	25	N/A
Beltone New England G.P.	USA	USD	50	1
Beltone Polska Marke-Med Sp. z o.o.	Poland	PLN	100	62,500
Interton Ltd.	Great Britain	GBP	100	5,000
Interton Electronic Hörgeräte GmbH	Germany	EUR	100	25,000
American Hearing Systems Inc.	USA	USD	100	10
INT 131107 Aps	Denmark	DKK	100	150,000
Sluchadlova Akustika spol S.R.O.	Czech Republic	CHZ	100	102,000
Interton Slovakia S.R.O	Slovakia	SKK	85	170,000
▲ Audio Nova S.R.L	Romania	ROL	49	10,000,000
▲ AVR Inc	Israel	USD	20	2,811,108
▲ GN ReSound India Private Limited	India	INR	49	7,352,000
▲ GN ReSound Korea Co. Ltd.	Korea	KRW	40	136,700,000
▲ Himpp A/S	Denmark	DKK	33	2,400,000
▲ HIMSA A/S	Denmark	DKK	25	1,000,000
▲ HIMSA II A/S	Denmark	DKK	16.67	600,000
▲ Himsa II K/S	Denmark	DKK	15.38	3,250,000
▲ K/S Himpp	Denmark	DKK	30	114,782,415
▲ NewCo ZAO	Russia	RUR	20	2,000,000
▲ Viennatone S.A. de C.V.	Mexico	MXN	49	50,000
● Summit Hearing Centers GP	USA	USD	20	N/A
● Taeyoung Hearing Centers GP	USA	USD	20	N/A
GN Otometrics A/S	**Denmark**	**DKK**	**100**	**23,239,000**
GN Otometrics GmbH & Co. KG	Germany	EUR	100	409,034
GN Otometrics Holding GmbH	Germany	EUR	100	1,800,000
GN Otometrics Verwaltungs GmbH	Germany	EUR	100	25,000

▲ 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 in 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.

Forward-looking statements

The forward-looking statements in this annual report reflect GN management's current expectations of certain future events and financial results. Statements regarding 2008 are, of course, subject to risks and uncertainties which may result in material deviations from expectations. Factors that may cause actual results to deviate materially from expectations include but are not limited to general economic developments and developments in the financial markets; technological developments; changes and amendments to legislation and regulations 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 management" elsewhere in this Annual Report. This annual report should not be considered an offer to sell securities in GN Store Nord.

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

GLOSSARY AND KEY RATIO DEFINITIONS

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

EBITDA	Earnings before depreciation of property, plant and equipment, impairment of goodwill and amortization of other intangible assets acquired in company acquisitions and special items of a non-recurring nature.
EBITA	Earnings before impairment of goodwill and amortization of other intangible assets acquired in company acquisitions and special items of a non-recurring nature.
EBIT	Earnings before financial items and tax.
EBT	Earnings before tax.

Key ratio definitions

EBITA margin	=	$\frac{\text{EBITA x 100}}{\text{Revenue}}$
Return on invested capital including goodwill (ROIC including goodwill)	=	$\frac{\text{EBITA x 100}}{\text{Average invested capital including goodwill}}$
Return on equity (ROE)	=	$\frac{\text{Profit (loss) for the year x 100}}{\text{Average equity of the Group}}$
Equity ratio	=	$\frac{\text{Equity of the Group x 100}}{\text{Total assets}}$
Earnings per share basic (EPS)	=	$\frac{\text{Profit (loss) for the year}}{\text{Average number of shares outstanding}}$
Earnings per share, fully diluted (EPS diluted)	=	$\frac{\text{Profit (loss) for the year}}{\text{Average number of shares outstanding, fully diluted}}$
Earnings per share excluding amortization and impairment of intangible assets and restructurings, etc.	=	$\frac{\text{Profit (loss) for the year excluding amortization and impairment of intangible assets acquired in company acquisitions and restructurings}}{\text{Average number of shares outstanding}}$
Earnings per share excluding amortization and impairment of intangible assets and restructuring, etc. fully diluted	=	$\frac{\text{Profit (loss) for the year excluding amortization and impairment of intangible assets acquired in company acquisitions and restructurings}}{\text{Average number of shares outstanding, fully diluted}}$
Cash flow per share	=	$\frac{\text{Cash flows from operating activities (CFFO)}}{\text{Average number of shares outstanding, fully diluted}}$
Book value per share	=	$\frac{\text{Equity of the parent company}}{\text{Average number of shares outstanding at year end}}$
Invested capital	=	NWC + property, plant and equipment and intangible assets - other provisions
Interest cover	=	$\frac{\text{EBITA + net interest income on bank loans}}{\text{Net interest expense on bank loans}}$
Net working capital (NWC)	=	Inventories + receivables + other operating current assets - trade payables - other operating current liabilities
Net interest-bearing debt	=	Cash and cash equivalents - mortgage debt - bank loans

Key ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2005".

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