GN Store Nord A/S

Annual Report 2012

Co. reg. no. 24257843

“The development of the world is dependent on communications”

C. F. Tietgen (1829-1901), founder of GN Store Nord

Annual Report 2012

Strong innovation drives top-line growth … well on track to deliver on financial targets for 2013

Dear shareholder,

I am truly pleased looking back at our achievements in 2012. We managed to advance our technological leadership through innovation driven product launches, we streamlined the way we work through restructuring, and we entered into important and valuable partnerships. These significant achievements have been transforming for the company, and the result is a solid improvement in our financial performance and improved fundamentals that give us a strong position to deliver on the 2013 targets announced in November 2010. Our efforts have transformed GN into a strong and sustainable global company driven by innovation. This is something that very few believed our organization would be capable of delivering when we started the turnaround process back in 2008. Reflecting on the past five years, in hindsight, it has been a truly remarkable journey.

GN's strategy of being "an innovation-driven leader in the field of sound processing" has been thoroughly demonstrated this year through the launch of several new products based on breakthrough technology and innovation. The refocus and strengthening of our R&D organizations in both businesses combined with constant improvement of our commercialization capabilities have made it possible to deliver on our pledge to create strong top-line growth by rapidly developing and commercializing innovative products.

We have put a lot of emphasis on the fact that we deliver on our promises. We have done it in prior years, and we did it in 2012. We delivered on our promises during a year where the macroeconomic environment developed unfavorably compared to what was expected at the outset. It was also the year where GN delivered closure in the TPSA dispute. We have said all along that it was just a question of time before TPSA would have to pay the money due. After more than 10 years of denial, TPSA paid GN DKK 2.5 billion in cash after tax in January 2012. Based on the considerable financial strength this gave us, we repaid our debt and distributed significant cash back to our shareholders through a DKK 1.3 billion share buyback program. In August 2012, an additional share buyback program of DKK 400 million was initiated, reflecting the strong improvement in the operating results and business fundamentals.

In the Annual Report 2011, I said that we had come a long way, and now was the time to focus on our organizational capacity and people development. During 2012, we significantly upgraded our Human Resources function by merging the HR functions of GN ReSound and GN Netcom and putting new leadership in place. We are now well-positioned to further upgrade the skill sets of our people and thereby make our progress sustainable over time.

GN ReSound – advancing the technology lead, solid growth and profitability improvements

We are very pleased that 2012 became another year with strong topline growth. In fact, Q4 2012 was the 10th consecutive quarter with market share gains. GN ReSound has thereby gained market share every quarter since the introduction of the 2.4 GHz technology in mid-2010. With the significant upgrade and expansion of the product portfolio in 2012, including the launch of the breakthrough premium product ReSound Verso™ in late Q3 2012, we are confident that the positive revenue development will continue throughout 2013.

Per Wold-Olsen, Chairman

The newly launched ReSound Verso™ is the latest breakthrough in the hearing aid industry, introducing functionalities that were previously perceived as impossible. Over the last few years, we have been told that "It is not possible to implement 2.4 GHz direct sound streaming to hearing aids", "Ear-to-ear connectivity based on 2.4 GHz technology cannot be done" and "GN ReSound is not capable of launching a full family of form factors at the same time". With ReSound Verso™ we proved these statements wrong, launching the finest technology in all major markets with the most extensive family of products on the hearing aid market. The initial feedback from both dispensers and end users has been overwhelmingly positive, and we certainly have a product to be proud of.

The exclusive and superior 2.4 GHz wireless technology has paved the way for a number of significant partnerships. In 2011, we partnered with Cochlear, the leader within cochlear implants and bone anchored hearing solutions, to develop and license our technology to their products. In 2012, we partnered with Apple to enable "Made for iPhone" hearing aids with direct connectivity from an Apple device to the hearing aids. The connection will be based on the 2.4 GHz technology, and GN ReSound will launch "Made for iPhone" hearing aids in 2013. Apple's endorsement of our technology has made it quite clear that the 2.4 GHz technology will be a standard of the future. We will continue to innovate, and we are passionate about advancing our technological lead.

We also achieved significant progress on the comprehensive SMART restructuring program. The program encompasses almost all aspects of our business: products, packaging, operations and price management, just to mention a few. During the second half of 2012, we saw the first visible impact on the financial results of GN ReSound, and the gross margin reached the highest level ever in Q4 2012. With the strong technology position and product portfolio combined with the SMART program, GN ReSound is well-positioned to deliver on the communicated financial targets for 2013 – and thereby close the profit margin gap versus top-tier competition.

GN Netcom – strongly positioned for continued UC growth

GN Netcom continued to deliver solid performance in a very challenging macroeconomic environment. The Unified Communications (UC) opportunity remains intact, and GN Netcom's strategy of bringing leading products to the market, delivering high service levels and entering into important partnerships continues to deliver results and creates a strong position for GN Netcom to deliver on the financial targets for 2013. UC headset sales continue to grow at double-digit rates, and numerous large and global companies are selecting GN Netcom as their preferred UC headset provider.

Late in 2012, GN Netcom entered into a partnership with Cisco to co-develop audio solutions. Cisco will sell our solutions through the Cisco sales channels as an integrated part of their updated UC offering. The partnership is an important accomplishment for GN Netcom, and by partnering with key participants within UC we are well on our way to preserve a strong presence in a fast growing segment.

A key part of our strategy has been to secure a continued improvement in EBITA in the Mobile division. We are pleased to report that profitability has indeed improved significantly based on continued refinement of business processes and the introduction of high quality products in all categories. At the beginning of 2012, we decided to focus on the attractive segment emerging from the integration between music and voice communication. The launch of four top products in that segment and a continuous flow of innovative products in the traditional Bluetooth segment will support both growth and further EBITA improvements.

The year 2013

2013 will be the year where we deliver on the targets set in November 2010 – doubling the EBITA margin in three years. GN is well-positioned to reach this historical milestone with strong product portfolios and exciting product launches lined up for 2013. In GN ReSound, we will finalize the SMART restructuring program and make sure that the profit improvement potential is realized. While constant change and pursuit of efficiencies are part of how we operate, large scale restructuring programs will not be part of GN following the completion of the SMART program in 2013.

Over the last few years we have lifted the company to a completely new level, and we will maintain our drive to excel. There is much more uncovered potential inherent in the company and our technologies – potential that can take this company to new heights in the years to come.

Our employees in all parts of the world have been working hard to deliver what we set out to achieve, and I am proud to be part of an organization of such dedicated people. On behalf of GN's Board of Directors, I would like to thank and congratulate all employees for their dedication and outstanding achievements in 2012 – achievements which should make our shareholders very pleased with the progress the company has made.

Per Wold-Olsen
Chairman of the Board of Directors

Consolidated financial highlights

(DKK million)	2008	2009	2010	2011	2012
Income statement					
Revenue	5,624	4,729	5,145	5,564	6,251
Organic growth	(2)%	(16)%	5 %	9 %	6 %
Operating profit (loss)	34	70	2,569	1,247	528
Financial items, net	(117)	(71)	(33)	(28)	(69)
Profit (loss) for the year	(56)	(70)	1,855	865	321
Development costs incurred for the year	(531)	(449)	(455)	(501)	(551)
EBITDA	268	182	2,736	1,475	745
EBITA	65	8	2,595	1,284	616
Balance sheet					
Share capital	833	833	833	833	775
Consolidated equity	4,507	4,435	6,504	6,878	5,542
Parent company equity	5,361	5,349	5,254	4,653	5,680
Total assets	7,878	7,135	9,806	11,181	8,199
Net working capital	1,136	862	3,172	3,872	816
Net interest-bearing debt	1,592	1,029	960	1,269	230
Cash flow					
Cash flow from operating activities	512	717	563	702	3.353
Cash flow from investing activities	(607)	(151)	(367)	(486)	(634)
Hereof:					
Development projects	(328)	(259)	(234)	(265)	(296)
Investments in property, plant and equipment	(133)	(50)	(95)	(82)	(103)
Acquisitions and divestments	(36)	65	7	(81)	(37)
Total cash flow from operating and investing activities (free cash flow)	(95)	566	196	216	2.719
Restructuring/non-recurring costs					
Restructuring/non-recurring costs recognized in income statement	(107)	(228)	-	-	(230)
Restructuring/non-recurring costs, paid	(128)	(87)	(62)	(2)	(93)
Key ratios					
Dividend payout ratio *	0 %	0 %	15 %	16 %	17 %
Gross profit margin	52.0 %	54.0 %	57.0 %	59.0 %	58.0 %
EBITA margin	1.2 %	0.2 %	50.4 %	23.1 %	9.9 %
Return on invested capital including goodwill (ROIC including goodwill)	1.2 %	0.2 %	43.0 %	16.7 %	9.4 %
Return on equity	(1.2)%	(1.6)%	33.9 %	12.9 %	5.2 %
Equity ratio	57.2 %	62.2 %	66.3 %	61.5 %	67.6 %
Net interest-bearing debt (average)/EBITDA	5.8	7.2	0.4	0.8	(0.6)
Key ratios per share (DKK)					
Earnings per share, basic (EPS)	(0.27)	(0.34)	9.15	4.31	1.80
Earnings per share, fully diluted (EPS diluted)	(0.27)	(0.34)	9.00	4.27	1.78
Cash flow from operating activities per share	2.51	3.49	2.73	3.46	18,56
Cash flow from operating and investing activities per share	(0.47)	2.76	0.95	1.07	15,05
Dividend per DKK 4 share (in Danish kroner)	-	-	0.19	0.27	0.49
Book value per DKK 4 share	26	26	25	22	29
Share price at the end of the period	10	28	51	48	82
Other					
Number of employees, year-end	~4.825	~4.150	~4.525	~4.675	~4.750
Outstanding shares, end of period (thousand)	203,707	203,707	201,965	192,974	170,486
Average number of outstanding shares, fully diluted (thousand)	203,680	205,238	206,113	202,604	180,613
Market capitalization	2,037	5,704	10,336	9,634	13,980

* Excl. restructuring/non-recurring costs

Company overview

GN Store Nord has been helping people communicate since 1869 – initially as a telegraph company and today as a global market leader within hearing aids and hands free communication. GN Store Nord is the innovation leader in the field of sound processing through its two businesses GN ReSound and GN Netcom.

GN Store Nord's mission is to deliver state-of-the-art sound solutions that improve people's quality of life. Through the finest engineering the company develops groundbreaking technologies to set the future for communication and bring people the gift of improved hearing.

GN Store Nord's vision is to be the most innovative sound processing company in the world and offer superior sound solutions that make a real difference to people. GN Store Nord wants to be a world class workplace and give greater value to the shareholders through efficient commercialization of unique products while always acting in an ethical and responsible manner.

GN Store Nord's products are marketed in more than 90 countries and as of December 31, 2012 GN Store Nord had approximately 4,750 employees in 34 countries. GN Store Nord is listed on NASDAQ OMX Copenhagen and is a member of the Large Cap Index and the OMXC20 Index.

For more information, visit www.gn.com

GN Store Nord

GN ReSound
Hearing instruments and diagnostic equipment

Hearing Instruments

~ 55% of revenue

Otometrics

~8% of revenue

GN Netcom
Hands free audio

Contact Center & Offices (CC&O)

~ 24% of revenue

Mobile

~ 13% of revenue

An evolving world of communications

The development of the world is dependent on communications. In a fast-moving and continuously evolving world with increased global interactions, efficient communication is essential – everywhere and anytime. GN Store Nord has been helping people communicate since 1869 – initially as a telegraph company and today as a modern hi-tech company specializing in sound processing and wireless connectivity – always helping people communicate and improving their quality of life.

The demand for hearing aids and hands free audio devices is increasing. With an aging population demanding a rich and active life, increasing exposure to noise and improved global welfare, several significant factors contribute to the demand for hearing impairment solutions. The increasing demand for hands free audio is driven by businesses converting to softphone telecommunication (Unified Communications) and by the closer integration between music and voice communication.

Innovation is shaping the future of communications

GN Store Nord is shaping the future of communications through its distinctive core competency of innovation. Innovation is the very heart and soul of the company demonstrated in every task performed across the organization with the persistent ambition of delivering innovative state-of-the-art sound solutions. GN Store Nord's innovation skills have resulted in the launch of a number of industry firsts, including the first commercial digital hearing aid, the first thin tube hearing aid, the first mobile Bluetooth headset and the first dual-use wireless headset.

Today's extensive product portfolio and strong market position are results of the strong focus on innovation. GN ReSound is the only company in the hearing aid industry offering hearing aids with the superior 2.4 GHz technology, providing direct connectivity to external devices and a unique utilization of connectivity between the two hearing aids. GN Netcom has a leading position in the fast growing Unified Communications (UC) segment as a result of the early conversion to USB-enabled headsets, the first Microsoft certified headset and the development of customized headsets to support valuable partnerships.

Turning innovation into profitable business

Commercializing innovation is the other core competency in GN Store Nord. The capability to turn innovation into revenue growth has improved significantly as part of the company's turnaround since 2008. The advancement to outstanding capabilities in commercializing innovations is clearly reflected in the financial performance of the Group in recent years.

GN Store Nord's core competences – innovation and commercializing innovations – are fundamental imperatives for both of the Group's two businesses, GN ReSound and GN Netcom, and where the synergies emerge. Advanced R&D facilities, knowledge sharing and a pronounced innovation culture within sound processing bind the individual business areas together under the GN Store Nord umbrella.

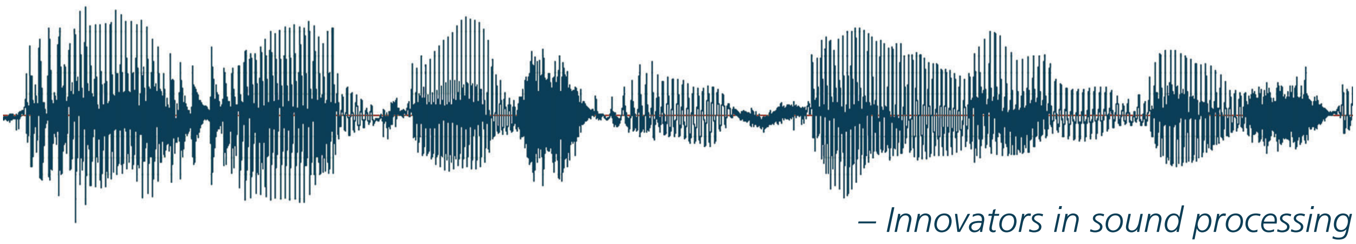
Fighting its way back

In 2007, the planned divestment of GN ReSound to its biggest competitor in the industry was blocked by the German competition authorities. The blocked deal left GN Store Nord challenged to the extreme with two underperforming businesses with a thin product pipeline, a heavy debt position and facing a highly adverse macroeconomic environment.

GN Store Nord has fought its way back. Extensive management efforts, comprehensive restructuring, innovative research and development and a constant improvement of the commercialization capabilities have brought the company forward to its current position of technological leadership with a sound balance sheet and two strong businesses delivering growth and profitability improvements. In addition, GN Store Nord continuously seeks to reduce complexity and costs within its two businesses as part of the business model.

These efforts are already very visible in the Group's financial figures – continuous top-line growth and profitability improvements – and further improvements are expected.

In 2010, GN Store Nord announced the financial targets for 2013. These targets implied revenue growth of more than 7% per year and nothing less than a doubling of the EBITA margin from around 9% in 2010 to around 19% in 2013.



– Innovators in sound processing

GN Store Nord has now entered 2013 confirming these targets – an achievement that represents an important milestone in the outstanding journey of GN Store Nord.

Investing in innovation and growth
GN Store Nord has through innovation and improved commercialization established a unique market position with significant opportunities for further advancement of the Group's organic growth and financial results. GN Store Nord will secure and advance its technological leadership by continued, focused investments in R&D. GN Store Nord believes that strict focus, determined prioritization and an efficient R&D organization - rather than the absolute level of R&D spending – is the key driver to support the launch of new innovative breakthrough technologies in line with GN Store Nord's convincing R&D performance in recent years.

GN Store Nord's innovation capabilities and state-of-the-art sound solutions have enabled a number of valuable partnerships with industry leaders. GN Netcom has close partnerships with the largest UC providers such as Microsoft and Cisco. GN ReSound has entered into partnerships with Cochlear and Apple to realize the potential of the 2.4 GHz wireless technology. The potential for innovation within the field of wireless connectivity is extensive, and the first results will materialize with GN ReSound's launch of a "Made for iPhone" hearing aid in 2013, as well as the development of highly relevant apps in both GN Netcom and GN ReSound.

As a new initiative in 2012, GN Store Nord invested DKK 25 million in a number of exploratory research projects exploring technologies adjacent to current technologies and aiming to discover potential future business opportunities outside the area of GN Resound and GN Netcom. The overall development has been encouraging, and GN will continue the exploration of a number of projects during 2013.

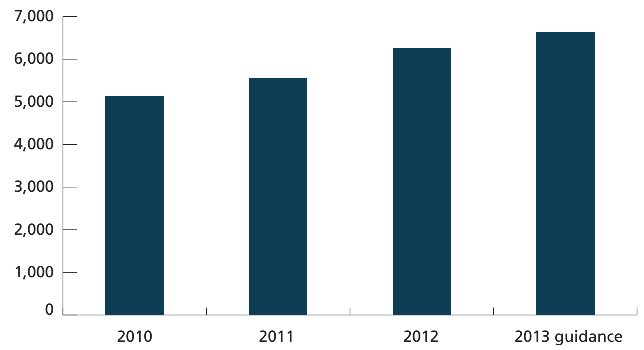
One of the exploratory projects is GN Store Nord's investment in the development of a new innovative ear scanner technology. GN Store Nord acquired the exclusive, perpetual and global rights to manufacture and sell this unique technology in the hearing aid industry from 3DM Systems in November 2012. The technology will enable a precise electronic three-dimensional impression of the ear. The scan is conducted within minutes by the dispenser and can immediately be extracted from a cloud database and emailed to the relevant hearing aid manufacturer or ear mold lab. This is a significant improvement of the current practice in the industry. The initial phase of converting the technology to a final product has been a success, and a final product is expected to be offered to the hearing aid industry starting in Q4 2013.

Sound balance sheet
After more than 10 years of legal dispute, GN Store Nord resolved the dispute with the Polish telecommunications company, TPSA, in January 2012, and GN Store Nord received DKK 2.5 billion in cash after tax. As a result, GN Store Nord distributed significant funds back to its shareholders via share buybacks of DKK 1,550 million and a dividend payout of DKK 57 million during 2012. The number of shares repurchased amounted to 23,140,355, corresponding to 11.9% of the share capital.

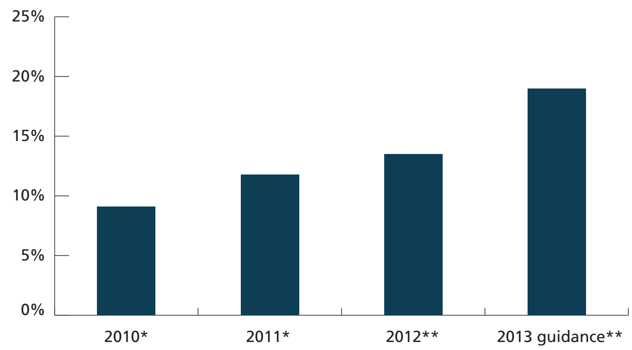
As of December 31 2012, the net interest-bearing debt amounted to DKK 230 million corresponding to approximately 0.3 times EBITDA in 2012.

In the Interim Report Q2 2010, GN Store Nord announced the long-term capital structure policy of having net interest-bearing debt of up to a maximum of two times EBITDA. Reflecting the current uncertain macroeconomic environment, GN Store Nord currently intends to take the net interest-bearing debt toward a level of around one time EBITDA within a timeframe of up to two years.

REVENUE DEVELOPMENT (MILLION DKK)



EBITA MARGIN DEVELOPMENT



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

The GN Store Nord investment case

- Global market leader within hearing aids and hands free audio
- Proven track record of developing innovative and unique products
- Operating in high margin industries in line with "best owner" principle
- High barriers to entry in the core businesses
- Committed to distributing surplus cash to shareholders

GN Resound

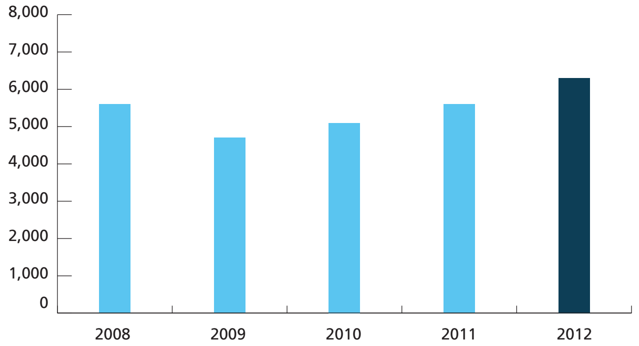
- Attractive market growth in a consolidated industry driven by sustainable megatrends
- Technological leader and solid growth prospects
- Significant margin expansion opportunity driven by the SMART restructuring program

GN Netcom

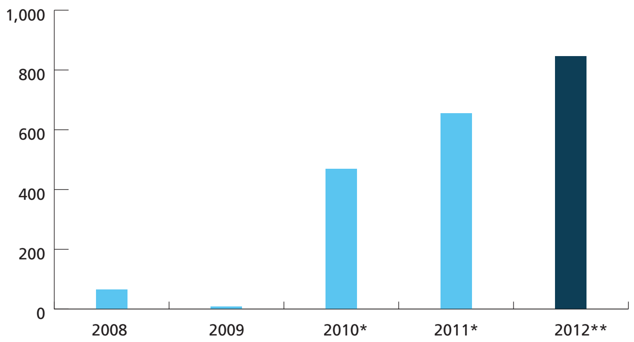
- Double digit mid/long-term market growth driven by Unified Communications and integration of music and voice communication
- Two main players on the CC&O market
- Operating leverage entailing attractive margin expansion potential

GN Store Nord – 5 year overview

REVENUE (MILLION DKK)

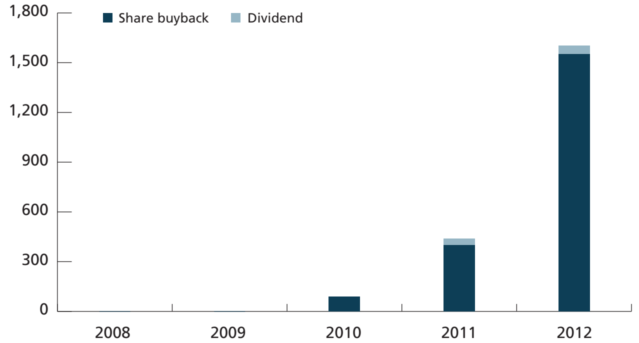


EBITA (MILLION DKK)

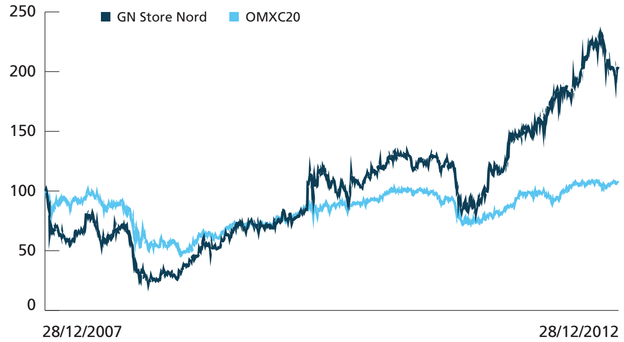


* Excl. TPSA income and one-off costs in "Other" (building write-down and donations)
** Excl. SMART restructuring costs

DISTRIBUTION OF FUNDS (MILLION DKK)



SHARE PRICE DEVELOPMENT



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Q4 2012 – accelerated growth

In Q4 2012, GN Store Nord delivered very solid results and exited 2012 with a strong momentum. The organic growth accelerated in the fourth quarter, supported by product launches in late Q3. GN Store Nord's revenue ended at DKK 1,764 million, corresponding to a revenue increase of 12% compared to Q4 2011. In Q4 2012, the organic growth for the Group was 9%, delivering full year organic growth of 6%, thereby exceeding the guidance provided in the Interim Report Q3 2012. The development in foreign exchange rates contributed approximately 3% to revenue in Q4, while acquired/divested activities had neglectable impact on revenue.

In Q4 2012, GN Store Nord delivered EBITA at DKK 301 million (excluding DKK 85 million SMART restructuring costs) reflecting an increase in both GN Netcom EBITA (+5%) and GN ReSound EBITA (+10%) compared to the same quarter last year. In Q4 2011 EBITA was DKK 878 million (including TPSA income of DKK 731 million).

Q4 2012 was also characterized by significant additional product launches to position the Group for further growth. GN ReSound's first pediatric product, ReSound Up™, was launched to broaden the product portfolio and enhance GN ReSound's offering as a full solution provider. In early 2013, GN ReSound also launched the industry's first "Made for iPhone" accessory, the ReSound Unite™ Phone Clip+ as well as the first fully integrated functional app for hearing aids, ReSound Control. The ReSound Unite™ Phone Clip+ is a wireless accessory offering hands free phone use, hearing aid remote control and integration with both iPhones and Android smartphones.

Strong Q4 organic growth of 10% in GN ReSound and 7% in GN Netcom

GN Netcom launched a wireless and unique Unified Communications (UC) speakerphone, Jabra SPEAK™ 510, building on the success of the Jabra SPEAK™ 410. GN Netcom also introduced three new innovative stereo headsets in the Mobile business, Jabra REVO wireless, Jabra REVO and Jabra VOX. The new stereo headsets complement the Jabra SOLEMATE™ speaker in the attractive segment where music and voice communication integrate.

GN ReSound achieved organic growth of 10% in Q4 2012. The quarter was thereby the 10th consecutive quarter with market share gains and the first quarter ever with more than DKK 1 billion in revenue. Hearing Instruments grew 9% organically with revenue of DKK 954 million driven by a very convincing initial performance by ReSound Verso™ and the corresponding Beltone Promise™ product family, both launched in late Q3 2012. The growth in Hearing Instruments was significantly above the estimated value market growth of 2 - 3%. GN Otometrics continued the solid growth path and achieved 16% organic growth in Q4. GN ReSound's organic growth for 2012 thereby ended at 6% exceeding the guidance of 3 - 5%.

The SMART restructuring program in GN ReSound continues to progress as planned, delivering further positive impact on gross margin and EBITA in Q4.

Excluding SMART restructuring costs, GN ReSound's gross margin ended at 64.6%, the highest level ever, and EBITA increased to DKK 212 million (excluding SMART restructuring costs) compared to DKK 193 million in the same quarter last year.

In Q4 2012, GN Netcom delivered organic growth of 7% leading to a similar full year organic growth of 7%, above the guidance announced in the Interim Report Q3 2012. CC&O organic growth was 6%, driving CC&O revenue to DKK 417 million whereof sales of UC headsets amounted to DKK 190 million. The accelerated growth in CC&O is reflecting strong UC growth combined with an improvement in demand for traditional CC&O headsets. Mobile organic growth ended at 8% with revenue of DKK 254 million driven by strong sales of the newly launched speaker, Jabra SOLEMATE™.

GN Netcom's EBITA increased by 5% to DKK 115 million in Q4 2012. The EBITA margin of 17.1% compared to 18.0% in Q4 2011 is nega-

	Q4 2012				Q4 2011			
DKK million	GN Netcom	GN ReSound	Other	GN total	GN Netcom	GN ReSound	Other	GN total
Revenue	671	1,093	-	1,764	611	962	-	1,573
Organic growth	7%	10%	-	9%	5%	8%	-	7%
Gross margin*	52.3%	64.6%	-	59.9%	55.6%	62.3%	-	59.7%
EBITA*	115	212	(26)	301	110	193	575	878
EBITA margin*	17.1%	19.4%	-	17.1%	18.0%	20.1%	-	55.8%
Reported EBITA	115	127	(26)	216	110	193	575	878
Free cash flow excl. acquisitions	53	117	(519)	(349)	118	149	(85)	182

* Excl. SMART restructuring costs in GN ReSound

tively impacted by the foreign exchange development.

GN Store Nord's free cash flow, excluding company acquisitions, was DKK (349) million in Q4 2012. The cash flow was impacted by a tax payment of DKK 546 million in November 2012 mainly related to the payment from TPSA in January 2012.

Gains/losses on disposal of operations was DKK (29) million for the quarter, impacted by the divestments of certain non-core and loss-making entities previously communicated as part of the SMART restructuring program.

Q4 Highlights

- GN Store Nord's revenue was DKK 1,764 million in Q4 2012 compared to DKK 1,573 million in Q4 2011 corresponding to 12% revenue growth and 9% organic growth. Acquired/divested activities had neglectable impact on revenue and the development in foreign exchange rates contributed with approximately 3% compared to Q4 2011.

- Consolidated EBITA was DKK 301 million (excluding SMART restructuring costs of DKK 85 million) compared to DKK 878 million in Q4 2011 (including TPSA income of DKK 731 million).

- GN Store Nord launched innovative products in both GN ReSound and GN Netcom. GN ReSound's first pediatric product, ReSound Up™, was launched in addition to the industry's first "Made for iPhone" accessory, the ReSound Unite™ Phone Clip+. GN Netcom launched a unique wireless UC speakerphone, Jabra SPEAK™ 510, building on the success of the Jabra SPEAK™ 410, and introduced three new innovative stereo headsets Jabra REVO wireless, Jabra REVO, and Jabra VOX. The stereo headsets complement the Jabra SOLEMATE™ speaker in the attractive segment where music and voice communication integrate.

- In Q4 2012, GN ReSound's revenue was DKK 1,093 million, the first quarter ever with more than DKK 1 billion in revenue. GN ReSound generated organic growth of 10% in the quarter. Excluding SMART restructuring costs, the gross margin ended at a historically high level of 64.6%, and EBITA amounted to DKK 212 million (excluding SMART restructuring costs) up from DKK 193 million in Q4 2011.

- The SMART restructuring program is progressing as planned delivering a positive impact of approximately DKK 30 million on EBITA in Q4 2012.

- The additional SMART initiatives announced in the Interim Report Q3 2012 are also on track. In January 2013, it was announced internally that the two manufacturing sites in the US will be consolidated into one during 2013.

- GN Netcom's organic growth was 7% with revenue of DKK 671 million. EBITA ended at DKK 115 million, 5% higher than the realized EBITA in Q4 2011.

- Cisco has appointed GN Netcom as a Preferred Solution Developer based on the innovative R&D capabilities. Additionally, Cisco has selected GN Netcom to co-develop audio devices that will be integrated as part of Cisco's UC offerings and will be sold directly through the Cisco sales channels.

- On November 14, 2012, GN Store Nord entered into an agreement with 3DM Systems, a US-based company that has succeeded in developing a truly innovative and unique ear scanner technology. This new breakthrough technology will offer an important innovation for hearing solutions and underlines GN Store Nord's commitment to provide unique and innovative solutions with real user benefits to the market.

- On February 5, 2013, GN Netcom entered into an agreement to divest Hello Direct Inc. The divestment follows GN Netcom's strategic decision to focus on the company's core competency of being an innovative sound processing company working with leading distributors and resellers to bring its headset and speakerphone solutions to the market. The divestment concludes GN Netcom's transition to become a strictly indirect business following a number of years with a combined business model in North America.

- In Q4 2012, GN Store Nord continued to distribute cash back to shareholders via share buybacks. The number of repurchased shares was 1,935,700 equivalent to an amount of DKK 166 million.

The year 2012 – strong innovation drives top-line growth. On track to deliver on financial targets for 2013

2012 was a strong year for GN Store Nord. As guided, GN Store Nord delivered improvements in profitability and solid top-line growth through breakthrough products, improved commercialization capabilities and the SMART restructuring program in GN ReSound. The revenue and EBITA for 2012 ended in the guidance range set at the beginning of the year in the Annual Report for 2011 and represent another solid step toward achieving the financial targets set for 2013.

In 2012, the macroeconomic environment developed unfavorably impacting predominantly the markets where GN Netcom operates. Both of the businesses performed strongly and each of them delivered solid organic growth and profitability improvements.

After more than 10 years of intense legal dispute, 2012 became the year where GN Store Nord was paid by TPSA. GN Store Nord has said all along that it was just a question of time before TPSA would have to pay the money due to GN Store Nord, and on January 13, 2012 GN Store Nord received DKK 2.5 billion in cash after tax from TPSA.

In 2012, GN Store Nord's revenue increased by 12% to DKK 6,251 million with organic growth of 6%. This is above the updated guidance announced in the Interim Report Q3 2012 of "4 - 5%" organic growth. GN ReSound delivered 6% organic growth for the year reflecting continued product innovation building on the unique 2.4 GHz technology as well as successful commercialization in the market place. GN Netcom achieved 7% organic growth reflecting the underlying structural growth in Unified Communications (UC) headsets and solid growth in the Mobile segment in a challenging macroeconomic environment.

GN Store Nord proved to be the innovative leader in the hearing aid industry by delivering significant innovations and technological breakthroughs, indicating that efficiency and effectiveness in product development are more important than scale.

GN ReSound delivered a complete revnewal of the product portfolio by launching new products in all important segments, including the premium segment (ReSound Verso™), the basic and budget segments, (ReSound Vea™), the pediatric segment (ReSound Up™) and the design segment (ReSound Verso™ Invisible-In-the-Canal). Additionally, GN ReSound upgraded the accessory portfolio with the new ReSound Unite™ Phone Clip+ and the smartphone app, ReSound Control.

In 2012, GN ReSound partnered with Apple to enable "Made for iPhone" hearing aids with direct connectivity from an Apple device to the hearing aids. The connection will be based on the 2.4 GHz technology, and GN ReSound will launch "Made for iPhone" hearing aids in 2013. A prototype of the product was demonstrated at the EUHA congress in October 2012.

GN Netcom delivered significant upgrades to the UC portfolio in the CC&O business, including launch of the Jabra Supreme UC, Jabra UC VOICE™ 750 and Jabra SPEAK™ 510. The products effectively complement the portfolio of UC products, and GN Netcom is thus preserving its strong presence in the attractive UC segment. The Mobile business also positioned itself for growth and EBITA improvement as the business strategically moved into the segment where music and voice communication integrate. Mobile launched Jabra SOLEMATE™ in the autumn of 2012, and three stereo headsets in January 2013 – Jabra REVO wireless, Jabra REVO corded and Jabra VOX.

Underlying EBITA improvement of 29% in GN ReSound and 17% in GN Netcom in 2012

Late in 2012, GN Netcom entered into a partnership with Cisco to co-develop audio solutions. Cisco will sell GN Netcom's solutions through the Cisco sales channels as an integrated part of their updated UC offering. The partnership is a testimony to GN Netcom's product offering, and by partnering with key participants within UC GN Netcom has conducted another initiative to capture the attractive UC growth opportunity.

Excluding restructuring costs, the consolidated EBITA ended at DKK 846 million compared to DKK 1,284 million in 2011, including the TPSA income of DKK 731 million. The improvement in the underlying EBITA is primarily a result of the solid progress in the SMART restructuring program in GN ReSound and the introduction of higher-margin products as well as the flexible cost base in GN Netcom. The

	Full year 2012				Full year 2011			
DKK million	**GN Netcom**	**GN ReSound**	**Other**	**GN total**	**GN Netcom**	**GN ReSound**	**Other**	**GN total**
Revenue	2,355	3,896	-	6,251	2,106	3,450	8	5,564
Organic growth	7%	6%	-	6%	9%	9%	-	9%
Gross margin*	54.2%	63.0%	-	59.7%	56.4%	60.8%	-	59.2%
EBITA*	362	551	(67)	846	310	426	548	1,284
EBITA margin*	15.4%	14.1%	-	13.5%	14.7%	12.3%	-	23.1%
Reported EBITA	362	321	(67)	616	310	426	548	1,284
Free cash flow excl. acquisitions	236	99	2,421	2,756	358	81	(142)	297

* Excl. SMART restructuring costs in GN ReSound

consolidated EBITA for the year includes approximately DKK 25 million in costs related to exploratory research initiatives carried out in the pursuit of further growth opportunities.

Gains/losses on disposal of operations were DKK (58) million, mainly as a result of divestments of non-core and loss-making entities in GN ReSound as part of the SMART program. Amortizations of acquired intangible assets ended the year at approximately DKK (30) million in line with the realized level in 2011. Financial items ended at DKK (69) million for the year compared to DKK (28) million in 2011.

The reported profit before tax was DKK 461 million compared to DKK 1,225 million in 2011 (including TPSA). The 2012 effective tax rate was 30.4% leading to net profit for the year of DKK 321 million.

The free cash flow excluding company acquisitions was DKK 2,756 million in 2012 compared to DKK 297 million in 2011. The TPSA settlement impacted the free cash flow with DKK 2.5 billion in 2012. Cash flow from company acquisitions and divestments amounted to DKK (37) million in 2012 compared to DKK (81) million in 2011. GN ReSound's free cash flow excluding company acquisitions was DKK 99 million. GN Netcom's free cash flow excluding company acquisitions continues to be strong and ended at DKK 236 million for 2012.

In 2012, GN Store Nord distributed significant funds back to the shareholders via share buybacks of DKK 1,550 million (corresponding to 11.9% of the total share capital) and a dividend payout of DKK 57 million. By the end of 2012, the net interest-bearing debt amounted to DKK 230 million corresponding to 0.3 times 2012 EBITDA. As of February 21, 2013 shares for an amount of DKK 150 million have been repurchased in 2013.

Reflecting the capital structure policy and the continued improvement in the business fundamentals and financial results, GN Store Nord initiates a new DKK 300 million share buyback program today, February 21, 2013. The new program will be concluded no later than December 31, 2013.

During 2012, GN Store Nord continued to be strongly committed to Corporate Social Responsibility (CSR). Among a number of enriching CSR initiatives, GN Store Nord entered into a partnership with the public sector in South Africa securing hearing aids free of charge to impoverished people with hearing impairment. GN Store Nord also contributed with a considerable donation to the Chinese foundation for disabled people under the Hearing for the Future program (see more under the separate CSR section on page 39).

Full year 2012 Highlights

- GN Store Nord's revenue was DKK 6,251 million, equivalent to an increase of 12% compared to 2011. The organic growth was 6%, whereas the development in foreign exchange rates and acquisitions contributed with 5% and 1% respectively.

- GN ReSound achieved revenue of DKK 3,896 million, equivalent to 6% organic growth. GN Netcom delivered organic growth of 7% and revenue of DKK 2,355 million.

- The gross profit increased by 13% to DKK 3,729 million (excluding SMART restructuring costs) corresponding to a gross margin improvement from 59.2% in 2011 to 59.7% in 2012.

- The consolidated EBITA ended at DKK 846 million (excluding SMART restructuring costs of DKK 230 million) compared to DKK 1,284 million in 2011, including the TPSA income of DKK 731 million. GN ReSound contributed to EBITA with DKK 551 million excluding restructuring costs, and GN Netcom contributed with DKK 362 million to EBITA.

- For 2012, the SMART restructuring costs amounted to DKK 230 million.

- The net profit excluding SMART restructuring costs amounted to DKK 551 million. Net profit including SMART restructuring costs ended at DKK 321 million. The effective tax rate was 30.4%.

- The free cash flow excluding acquisitions was DKK 2,756 million in 2012 compared to DKK 297 million in 2011.

- As part of the share buyback program, GN Store Nord repurchased shares for an amount of DKK 1,550 million in 2012. The number of shares repurchased was 23,140,355 corresponding to 11.9% of the share capital.

- In March 2012, a dividend of 16% of the 2011 net profit (excluding the TPSA income) corresponding to DKK 0.27 per share was paid out.

- As of December 31, 2012, the net interest-bearing debt was DKK 230 million, equivalent to 0.3 times EBITDA for 2012.

- Reflecting the capital structure policy and the continued improvement in the business fundamentals and financial results, GN Store Nord initiates a new DKK 300 million share buyback program today, February 21, 2013. The program will be concluded no later than December 31, 2013.

- At the annual general meeting to be held in March 2013, the Board of Directors will propose a dividend of 17% of the net result excluding SMART restructuring costs equivalent to DKK 94 million or DKK 0.49 per share, will be paid out to shareholders on March 27, 2013, in respect of the financial year 2012.

- At the annual general meeting to be held in March 2013, the Board of Directors will propose to cancel all Treasury shares held on February 21, 2013 in excess of 5,000,000 shares, which are held for hedging of the long-term incentive program.

- GN Store Nord confirms the target set for 2013 in late 2010 of a doubling of the EBITA margin compared to 2010 or "around 19%" EBITA margin in 2013. Additionally, GN Store Nord expects to exceed the revenue target for 2013 set in 2010 and subsequently increased in the Annual Report for 2011 to "more than DKK 6.4 billion". This implies a higher than targeted EBITA in absolute terms.

Outlook for 2013 – GN Store Nord confirms the target of doubling the EBITA margin in 2013

In the Interim Report Q3 2010, GN Store Nord announced financial targets for 2013. The financial targets were released based on the fact that the Board of Directors and the Executive Management were becoming increasingly confident with regard to GN Store Nord's development. GN Store Nord had proven its ability to deliver significant innovation and breakthrough technology and management had seen sufficient evidence that the company also has the ability to convert the innovation to revenue growth. At the same time, the financial performance had improved in both businesses. On this background, GN Store Nord set out to deliver a significant improvement in earnings and a doubling of the EBITA margin from around 9% in 2010 (excluding the TPSA award) to "around 19%" in 2013. In addition, GN Store Nord targeted an increase in revenue from DKK 5.1 billion in 2010 to "more than DKK 6.3 billion" in 2013. In the Annual Report 2011, the revenue target was increased to "more than DKK 6.4 billion".

In connection with the release of the 2013 targets in November 2010, it was also announced that GN Store Nord's long-term target is to generate an EBITA margin in line with the top-tier competitors and to generate organic revenue growth above the market growth.

GN Store Nord is pleased to confirm the target of doubling the EBITA margin in 2013 compared to around 9% in 2010. Based on the strong technological position and the recent product development track record, GN Store Nord expects to exceed the revenue target and reach DKK 6.55 - 6.70 billion in 2013 – corresponding to DKK 150 - 300 million above the target.

In 2013, GN Store Nord is expected to achieve organic revenue growth in the range of 9 - 12%. The revenue contribution from divestments is expected to amount to (1) - (2)% following the divestment of Hello Direct Inc. and the development in foreign exchange rates is expected to impact revenue by approximately (3)% based on exchange rates as of February 1, 2013.

EBITA excluding SMART restructuring costs is expected to increase by around 40 - 50% from DKK 846 million in 2012 to DKK 1,190 - 1,280 million in 2013. SMART restructuring costs are expected to amount to "around DKK 100 million" in 2013 as communicated in the Interim Report Q3 2012. The majority of the SMART restructuring costs are expected to be incurred in the first half of 2013.

Amortizations of other intangible assets are expected to amount to DKK (25) - (30) million, and financial items are expected to amount to DKK (25) - (45) million. Financial items include foreign exchange adjustment of certain balance sheet items, and the guidance is assuming that the foreign exchange rates do not deviate materially from the rates as of February 1, 2013. The effective tax rate is expected to be around 28% in 2013.

The guidance is based on the foreign exchange rates prevailing as of February 1, 2013, including an average DKK/USD exchange rate of around 550. Additionally, the guidance is based on the assumption that the macroeconomic environment remains soft but does not deteriorate further. In line with previous years, it is expected that both earnings and revenue will improve during the year and that the second half of 2013 will be stronger than the first half.

GN ReSound

In the Interim Report Q3 2010, GN ReSound announced 2013 targets of revenue of "around DKK 3.7 billion" and an EBITA margin of "around 20%". In the Annual Report 2011, the EBITA margin target of "around 20%" was confirmed, and the revenue target was upgraded to "more than DKK 3.8 billion".

The targets were based on specific key assumptions related to the development for the hearing aid market, which among others included assumed market value growth of 3 - 5% per year. Since the announcement of the targets, the market growth has been lower than expected as both unit growth and the development in average selling prices (ASP) have been under pressure. The value market growth in 2012 is estimated to be approximately 1 - 2%.

GN ReSound's outlook for 2013 confirms the EBITA margin target set in 2010 and exceeds the upgraded 2013 revenue targets. In 2013, GN ReSound expects to generate organic growth of 4 - 6% and an EBITA of DKK 775 - 825 million, excluding SMART restructuring of around DKK 100 million. The majority of the restructuring costs are expected to be incurred in the first half of 2013. The revenue contribution from acquisitions is expected to be around 0%, and assuming that the foreign exchange rates as of February 1, 2013 prevail for the remainder of 2013, the development in exchange rates is expected to impact revenue by approximately (3)%.

OUTLOOK 2013 (Assumes exchange rates as of February 1, 2013 (DKK/USD around 550) prevail throughout the remainder of 2013)

DKK million	Organic revenue growth	EBITA excl. SMART costs*	EBITA incl. SMART costs*	Amortizations	Financial items	Profit before tax incl. SMART costs*
GN ReSound	4 - 6%	775 - 825	675 - 725			
GN Netcom	17 - 20%	450 - 500	450 - 500			
Other	-	(35) - (45)	(35) - (45)			
GN Store Nord	9 - 12%	1,190 - 1,280	1,090 - 1,180	(25) - (30)	(25) - (45)	1,015 - 1,130

*Non-recurring SMART restructuring costs in GN ReSound of "around DKK 100 million"

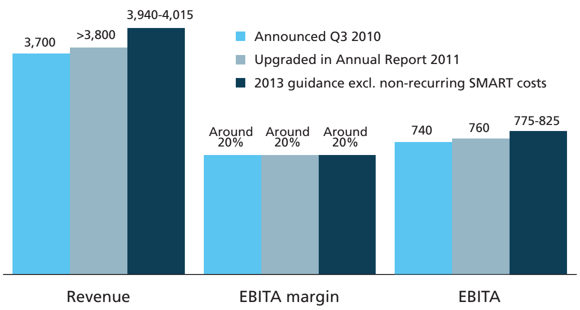
The guidance implies an expected EBITA margin in 2013 of around 20%, equivalent to the current level of the top-tier competitors in the industry.

Since the targets were set in 2010, earnings among top-tier competitors in the hearing aid industry have decreased from 25 - 30% EBITA margin to around 20%. With EBITA guidance for 2013 corresponding to an EBITA margin of around 20%, GN ReSound thereby expects to close the profitability gap to the most profitable competitors in the industry well ahead of plan.

As previously communicated, GN ReSound expects an additional run rate impact from the SMART program in the calendar year 2014.

In 2013, the hearing aid market is expected to grow below the historic trend as a result of limited unit growth and declining ASP's. The unit growth is expected to be negatively impacted by the weak macroeconomic environment in southern Europe and reimbursement changes in the Netherlands and Denmark leading to expected global unit growth in the range of 3 - 4% compared to the historic trend of around 5%.

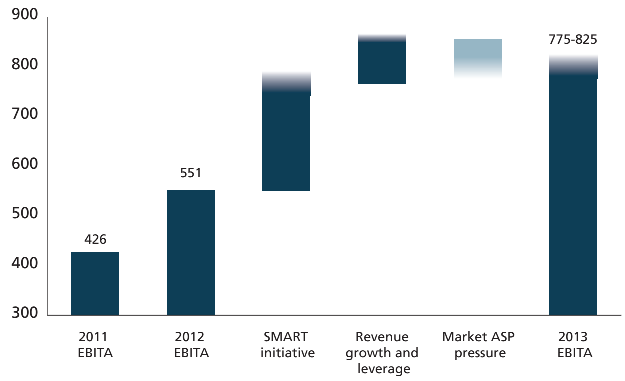
DEVELOPMENT OF GN RESOUND'S 2013 TARGETS (MILLION DKK)



The market ASP is expected to decline by around 2% in 2013 predominantly driven by the above mentioned reimbursement changes and a weak macroeconomic environment as well as continued ASP pressure in channels such as public tenders and large retailers. The product mix is expected to impact the market ASP positively as the four largest manufacturers in the industry have launched new premium products. The overall value market growth is expected to be 1 - 2% in 2013 in line with the estimated value growth in 2012.

The expected EBITA improvement of around 40 - 50% (excluding non-recurring SMART costs) from DKK 551 million realized in 2012 to DKK 775 - 825 million expected in 2013 is predominantly driven by the SMART restructuring program and the leverage effect from higher revenue (including a more attractive sales mix as ReSound Verso™ and the corresponding Beltone Promise™ are expected to comprise a larger part of the revenue). The SMART restructuring program is expected to deliver EBITA improvements in 2013 of DKK 190 - 240 million compared to 2012, as previously communicated. GN ReSound's 2013 EBITA is expected to be negatively impacted by the general ASP market development.

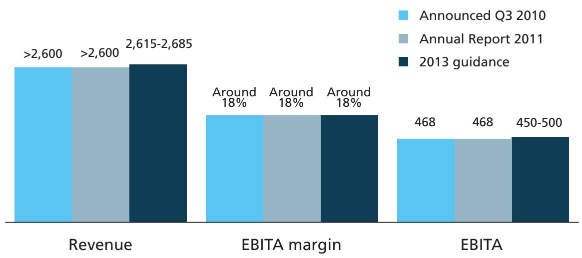
EXPECTED GN RESOUND EBITA DEVELOPMENT (EXCL. SMART RESTRUCTURING COSTS) (MILLION DKK)



GN Netcom

In the Interim Report Q3 2010, GN Netcom announced 2013 targets for revenue of "more than DKK 2.6 billion" and an EBITA margin of "around 18%". The targets were confirmed in the Annual Report 2011. GN Netcom's outlook for 2013 confirms these targets. GN Netcom expects organic growth of 17 - 20% in 2013, entailing a significant growth acceleration compared to 2012. The divestment of Hello Direct Inc. is expected to reduce revenue by around (3)%. Assuming that the foreign exchange rates as of February 1, 2013, prevail for the remainder of 2013, the development in exchange rates are expected to impact revenue by approximately (3)%. EBITA is expected to be in the range of DKK 450 - 500 million, corresponding to an EBITA margin of around 18%.

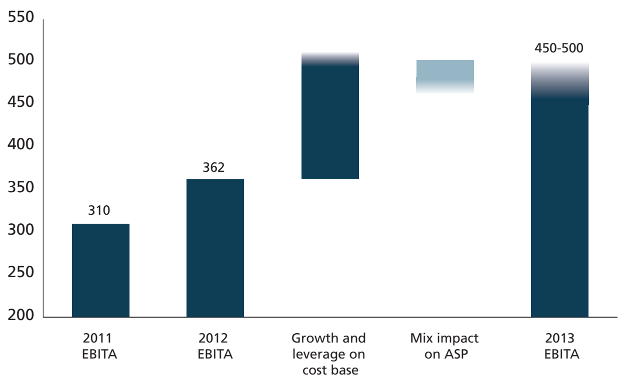
DEVELOPMENT OF GN NETCOM'S 2013 TARGETS (MILLION DKK)



The expected growth acceleration is based on strong double-digit growth in Unified Communications (UC) headsets (26% of GN Netcom revenue), solid double-digit growth in Mobile headsets (35% of GN Netcom revenue) and mid-single-digit growth in traditional CC&O headsets (39% of GN Netcom revenue). The growth within UC headsets is a result of the continued strong underlying structural market growth with an expected increase in the number of UC clients and an expected escalation in the headset attachment rate for UC clients. The anticipated revenue growth from Mobile is based on expected strong growth for the newly launched products that address the emerging segment where music and voice communications integrate. Growth rates in the traditional CC&O business are expected to improve compared to 2012 as call centers start replacing old headsets following a period where investments have been postponed. The expected improvement within traditional CC&O headsets is also based on a relatively easy comparison base due to the weak demand in 2012.

The expected EBITA improvement of around 25 - 40% from DKK 362 million in 2012 to DKK 450 - 500 million in 2013 is based on the operating leverage opportunity in GN Netcom. The expected additional revenue of around DKK 250 - 300 million requires a relatively modest increase in the operating cost base. The gross margin is expected to decline due to an overall ASP decline in the total CC&O business as a result of the change in product mix as UC headsets comprise a larger part of the total CC&O revenue.

EXPECTED GN NETCOM EBITA DEVELOPMENT (MILLION DKK)



Other activities

As announced in the Interim Report Q2 2012, the exploratory research projects in GN Store Nord – aiming to discover potential future business opportunities within the core competencies of GN ReSound and GN Netcom but outside the current business areas – have indicated encouraging leads beyound what was previously observed. In 2013, GN Store Nord will therefore continue exploring a number of research projects. At this point in time, these initiatives are expected to result in modest costs based on the current scope for 2013. The EBITA for Other activities is thus expected to end in the range of DKK (35) - (45) million for the year.

GN ReSound further strengthened its innovation leadership in 2012 – solid growth and profitability improvements

As communicated in the Annual Report 2011, GN ReSound's top priorities for 2012 were to bring forward a very strong product pipeline and launch new, superior technology and products in the marketplace with a launch cadence equivalent to the primary competitors. Additionally, management set out to significantly improve profitability through the SMART restructuring program. GN ReSound delivered on both of these parameters through the global launch of the new premium product family, ReSound Verso™, and an increase in EBITA of almost 30% compared to 2011 (excluding SMART restructuring costs).

The results achieved during 2012 position GN ReSound well to deliver on the financial targets set for 2013 – and thereby close the historic profitability gap versus the best performing competitors.

GN ReSound continued to outgrow the market throughout the year, and Q4 2012 represented the 10th consecutive quarter with market share gains. Organic revenue growth ended at 6% for the full year – above the guidance of "3 - 5%" organic growth announced in the Interim Report Q3 2012.

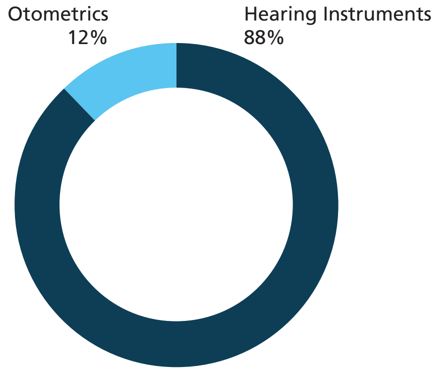
The revenue growth continued to be driven by ReSound Alera™ and the corresponding Beltone True™ product family. ReSound Alera™ was launched in 2010 as the first hearing aid with 2.4 GHz technology. The 2.4 GHz technology enables direct streaming of sound from external devices without any intermediate device. ReSound Alera's™ ability to continue growing in 2012 indicates the strong appreciation of the unique technology among hearing aid dispensers and end users.

Revenue growth accelerated in late Q4 driven by GN ReSound's new premium product, ReSound Verso™ and the corresponding Beltone Promise™. ReSound Verso™ was launched at the end of September 2012 and is a prime example of GN ReSound's core competency of bringing significant innovations to the market with real end user benefits. The product is another breakthrough for the 2.4 GHz technology as it enables ear-to-ear communication based on the 2.4 GHz technology – a breakthrough which has been perceived as impossible.

The ReSound Verso™ family includes 15 different form factors and is thereby the most comprehensive family on the market. All 15 form factors were launched at the same time.

In addition to the ReSound Verso™ launch, GN ReSound further upgraded and expanded the product portfolio with a number of important products. These products include ReSound Vea™ targeting the budget and basic segments, ReSound Up™ in the pediatrics segment, a new design Invisible-In-the-Canal (IIC) form factor and additional accessories (see more information in the Products section). Based on the strong product portfolio, the company is well-positioned to continue to deliver market share gains throughout 2013.

GN RESOUND BUSINESS STRUCTURE (2012 REVENUE)



Innovation and new technology were also essential to GN Otometrics during 2012. An upgraded and expanded product portfolio drove organic revenue growth into double-digit territory – significantly above the market growth. On the important North American market, GN Otometrics implemented a completely new national distribution set-up and this formed the foundation for organic revenue growth of more than 20%.

GN ReSound is entering 2013 in a very attractive position with a broadly upgraded product portfolio and a superior premium product exclusively offering the wireless 2.4 GHz technology for direct streaming of sound and ear-to-ear communication.

The extent of the technology and the variety of products brought to the market in 2012 are a strong testimony to GN ReSound's ability to innovate, develop and deliver best-in-class products at an R&D spend significantly below primary competitors.

2012 was also the year where the broad-based opportunities of the 2.4 GHz technology in hearing aids became very clear. In addition to the partnership with Cochlear, established in 2011, GN ReSound entered into a partnership with Apple. Both partnerships aim to utilize the 2.4 GHz technology beyond products and applications available today.

GN ReSound

The GN ReSound Group is a leading international developer and manufacturer of advanced hearing health-care solutions. The company offers a full range of hearing aids and accessories under the ReSound, Beltone and Interton brand names. Through GN Otometrics, the Group also creates innovative solutions for all types of ear-related diagnostics and is the largest global supplier of computerized audiology and hearing-instrument fitting equipment. GN ReSound, which is headquartered in Copenhagen, Denmark, has subsidiaries in more than 20 countries and partners in 60 more and employs 3,825 people.

ReSound Verso™

Introducing breakthrough Binaural Fusion™, ReSound Verso™ takes the Surround Sound by ReSound™ experience to a new level based on the unique and exclusive 2.4 GHz technology.

The Cochlear partnership is a license and technology agreement entailing that Cochlear, the leader within cochlear implants and bone-anchored hearing solutions, will launch its next generation products with wireless 2.4 GHz technology developed by and licensed from GN ReSound.

On June 11, 2012, Apple announced that their new operating system, IOS6, will enable integration with "Made for iPhone" hearing aids based on the 2.4 GHz frequency.

The first results from the partnership with Apple materialized in January 2013, when GN ReSound launched the ReSound Unite™ Phone Clip+, the first "Made for iPhone" accessory in the industry, and ReSound Control the first fully functional app on the App Store.

Made for iPhone

This pioneering and effective development of new products is expected to continue in 2013. During 2013, GN ReSound will continue to launch new, superior technology and products to the marketplace, including (as previously communicated) a "Made for iPhone" hearing aid based on the 2.4 GHz technology.

GN ReSound expects that the 2.4 GHz technology will be the future standard for wireless communication in hearing aids. GN ReSound continues to invest in the advancement of 2.4 GHz technology to ensure that the current technological lead is expanded.

In the beginning of 2012, the comprehensive SMART program was launched. The SMART program will reduce complexity and eliminate legacy issues thereby ensuring that GN ReSound operates as ONE global company. The SMART program will pave the way for GN ReSound to continue to be a forceful competitor in the hearing aid market and fully close the profit margin gap versus the best performing competitors:

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

The main pillars of the SMART program are:

- **Complexity reduction:** Significant simplification of the product portfolio, including packaging and product offering standardization

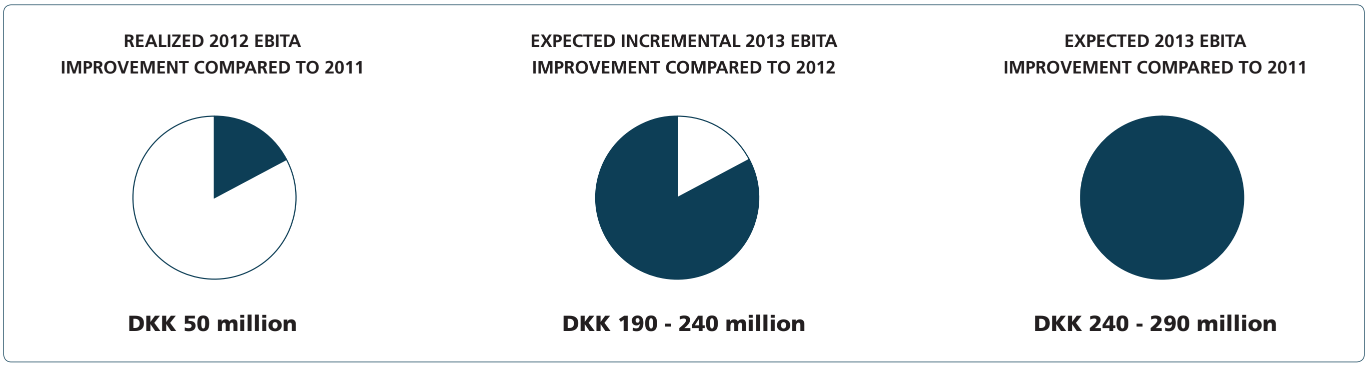
- **Globalize operations:** Take the final steps to establish one global operations function encompassing further offshoring of production, change of logistics structure and improved returns management

- **Go-to-market:** Designing a standardized go-to market model. Create best practices for structure of sales organizations and price management. Increase use of online services and discontinue certain non-core businesses as well as a turnaround of strategic underperforming entities

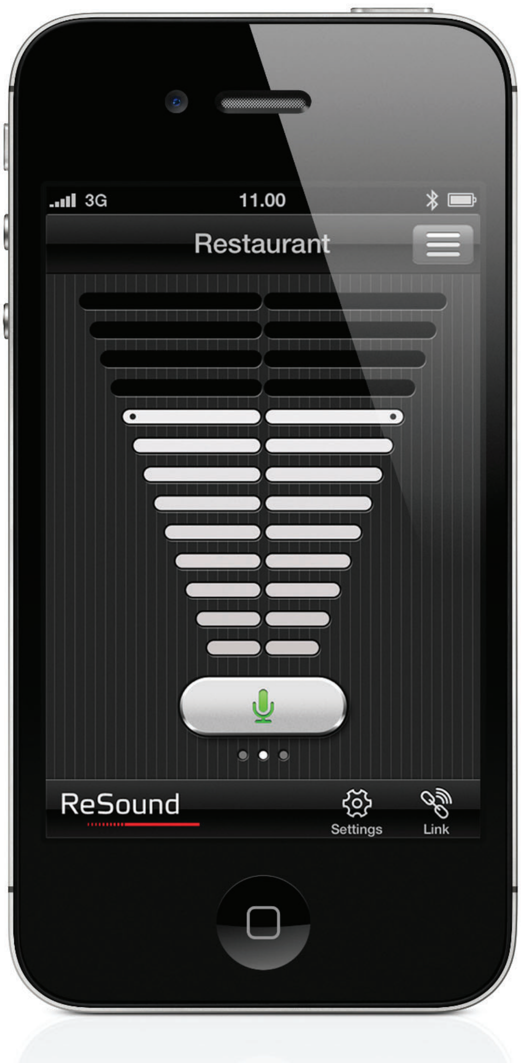
These steps will ensure that GN ReSound has a truly globalized, standardized and simplified business model throughout the company – acting as ONE global company.

The initial target of the SMART program was to deliver an EBITA improvement of DKK 190 - 240 million in 2013 compared to 2011. As the program progressed, additional profit improvement potential was uncovered. As announced in the Interim Report Q3 2012, several opportunities proved to be attractive business cases, which will be pursued. As a result, the SMART EBITA improvement target in 2013 compared to 2011 was increased to DKK 240 - 290 million – at the same time the DKK 50 million impact for 2012 was confirmed. The expansion of the program also means that a further run rate improvement is expected in 2014.

SMART PROGRAM 2012 - 2013



ReSound Unite™ Phone Clip+
The first "Made for iPhone" accessory in the industry



ReSound Control app
The first fully integrated functional app for hearing aids and wireless streamers

Download on the
App Store

Driven by the SMART program as well as the strong product portfolio, the gross margin increased during the year and ended at 64.6% in Q4 excluding SMART restructuring costs. This is the highest level ever in the history of the company and an important step toward the financial targets set for 2013. The SMART program is the single most important driver for the margin expansion in 2013.

As part of the SMART program, GN ReSound divested certain non-core and loss-making entities during 2012. During Q3, GN ReSound divested, among others, Sweden-based ALD as well as 38 retail shops in India.

In 2012, GN ReSound incurred restructuring costs of DKK 230 million related to the SMART program. In 2013, restructuring costs of "around DKK 100 million" are expected. The majority of the 2013 restructuring costs are expected to be incurred in the first half of the year. A notable part of these costs are related to the consolidation of the two manufacturing sites in the US into one site in Minneapolis. The decision to close the Chicago manufacturing site was announced internally in January 2013 and will be completed in the second half of 2013.

In 2012, the US-based Food and Drug Administration (FDA), an agency within the US Department of Health and Human Services, conducted three routine audits regarding quality and safety at GN ReSound. The audits were focused on the two manufacturing sites in the US and the headquarters in Denmark, including R&D. The results of the audits were very satisfying, and the FDA found no material issues. The positive result reflects GN ReSound's commitment to quality and the structured quality and safety procedures in place.

Full year financial highlights

In 2012, GN ReSound's revenue was DKK 3,896 million up 13% compared to DKK 3,450 million in 2011. The organic revenue growth was 6%, acquisitions added 2%, and the development in foreign exchange rates contributed with 5% to revenue.

The growth in Hearing Instruments is a combination of unit growth and an improvement in the Average Selling Price (ASP), primarily in Q4. The main growth driver for the year was ReSound Alera™, but ReSound Verso™ began to have a significant effect on revenue in Q4.

GN Otometrics showed very solid organic growth of 13% in 2012, leading to revenue of DKK 473 million. Hearing Instruments generated revenue of DKK 3,423 million and 5% organic growth.

Of the overall revenue in GN ReSound 29% was generated in Europe, 46% in North America, and the remaining 25% in Rest of the World.

GN ReSound's gross margin (excluding SMART restructuring costs) was at a historical high at 63% in 2012, corresponding to a 2 percentage points increase compared to 2011.

EBITA (excluding SMART restructuring costs) landed at DKK 551 million (EBITA margin of 14.1%). EBITA thereby increased by almost 30% compared to DKK 426 million (EBITA margin of 12.3%) in 2011.

Selling, distribution and administration costs, etc. (excluding SMART restructuring costs) were DKK 1,544 million, compared to DKK 1,355 million in 2011. The increase is mainly related to higher selling and distribution costs reflecting acquisitions, investments in growth and a stronger DKK/USD. Additionally, following the new business model introduced as part of the supply chain project and SMART, certain costs have been reclassified from production costs to selling and distribution costs. Expensed R&D costs (excluding SMART restructuring costs) were up by 13% to DKK 358 million, compared to DKK 318 million in 2011.

Hearing aid market – long term market projection

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

- The demographic trends in the main markets show an aging population which will increase demand for hearing aids.
- Low penetration rates represent a significant growth opportunity for the hearing aid industry. In the US and Western Europe which today have the highest hearing aid adoption rates, only one in five persons with a hearing impairment actually uses a hearing aid.
- Adoption rates in emerging markets are significantly lower, but are expected to increase in parallel with increased economic growth and improved hearing healthcare.
- Approximately 80% of the hearing impaired population suffers from binaural hearing loss, i.e. hearing loss on both ears. Of these only 50% in Europe and 80% in the US get a hearing aid fitting on both ears – the so called binaural fitting. It is expected that binaural fitting rates will increase.
- New innovative technology and design are key drivers in the efforts to lower the average age of first time hearing aid buyers and consequently increase overall adoption rates.
- In the future an increased prevalence of hearing loss is expected amongst other factors as a result of the young generation listening to music several hours a day on mobile phones.

The SMART restructuring costs amounted to DKK 230 million in 2012. DKK 101 million were recognized as production costs, and DKK 129 million were recognized as operating expenses.

Net working capital as a percentage of revenue decreased to 20% during 2012, compared to 24% in 2011. Additionally, inventories decreased almost 25% to DKK 347 million by the end of 2012, driven by the SMART program. Trade receivables amounted to DKK 979 million compared to DKK 904 million at the end of 2011 reflecting the increase in revenue following the launch of ReSound Verso™ as well as a one-day decrease in Days Sales Outstanding (DSO). Trade payables were DKK 233 million at the end of 2012 compared to DKK 253 million at the end of 2011. Free cash flow excluding company acquisitions and divestments was DKK 99 million in 2012, compared to DKK 81 million in 2011. Cash flow from company acquisitions and divestments amounted to DKK (37) million compared to DKK (81) million in 2011. The free cash flow includes DKK (93) million cash effect related to SMART restructuring costs.

GN ReSound had approximately 3,825 employees at the end of 2012, up from 3,775 employees at the end of 2011.

Markets

The hearing aid market is relatively resilient to the macroeconomic environment. This was reflected in the market development seen in 2012 with continued unit growth although slightly lower than the historic trend and long-term projections. Units are estimated to have grown approximately 3% in 2012. The 2012 unit growth was negatively impacted by a number of structural changes in Europe including a change to the reimbursement system in Switzerland and a transition to consignment stock on the tender in Norway. The southern European markets, particularly Portugal and Spain, were relatively weak impacted by the debt crisis. As a result, the unit growth in Europe dragged down the global growth figures. North America and Rest of World experienced decent unit growth.

The total hearing aid market is estimated to comprise around 11 million units, and – after having grown faster than the market 10 quarters in a row – GN ReSound's unit market share is estimated to be approximately 16% in 2012.

In 2012, the hearing aid market continued to be highly competitive, leading to pressure on pricing, especially in tender markets and large retailers. Consequently, the ASP in the overall market is estimated to have declined by 1 - 2% in 2012. The market was also characterized by being a year where most manufacturers were late in their product cycle, leading to a weakened product mix. In late 2012 and the beginning of 2013, the four largest manufacturers have all launched new premium products. This could potentially improve the product mix in 2013.

The value market growth is estimated to be approximately 1 - 2% for 2012.

Products

During 2012, GN ReSound's product portfolio was substantially upgraded and broadened as GN ReSound launched the highest number of new and innovative products in the company's history.

UPGRADE OF THE PRODUCT PORTFOLIO ACROSS ALL IMPORTANT SEGMENTS

	Segment	Performance	Life style/Design	Tinnitus	Super power/ High power	Pediatrics
Premium	Top	ReSound Verso™ 9 NEW	ReSound Verso™ 9 IIC NEW	ReSound Alera™ TS 9	ReSound Verso™ 9 BTE* NEW	ReSound Up™ 9** NEW
Premium	Plus	ReSound Verso™ 7 NEW	ReSound Verso™ 7 IIC NEW	ReSound Alera™ TS 7	ReSound Verso™ 7 BTE* NEW	ReSound Up™ 7** NEW
Premium	Basic	ReSound Alera™ 4+5		ReSound Alera™ TS 5		
Premium	ReSound Unite		– TV streamer – Remote control	– Airlink fitting – Mini microphone		– PhoneClip+ – Control App NEW
Essentials	Basic	ReSound Vea™ 3 NEW			ReSound Sparx™	
Essentials	Budget	ReSound Vea™ 1+2 NEW			ReSound Sparx™ Lite	
Fitting	Aventa 3.4					

** Up to 80 db gain and 139 dB output*
***In selected markets*

At the AudiologyNOW! conference in March 2012 in Boston, United States, GN ReSound announced ReSound Vea™. ReSound Vea™ strengthens and expands the company's position in the basic and budget segments. ReSound Vea™ is built on the ReSound Alera™ platform, offering excellent basic sound processing, notable simplicity, extended durability and, not least, great flexibility. The product family fits perfectly as a basic and budget product without wireless capabilities in the GN ReSound product portfolio. ReSound Vea™ uses the same fitting software as ReSound Alera™ and ReSound Verso™ and supports GN ReSound as an attractive full-solution provider of hearing aids.

At the EUHA conference held in Germany in late October 2012, GN ReSound raised the bar for its innovation level, launching ReSound Verso™ in 15 form factors. ReSound Verso™ is a true breakthrough in the hearing aid industry as the first hearing aid that features both wireless direct streaming of sound and ear-to-ear connectivity based on the 2.4 GHz technology. The ear-to-ear application, Binaural Fusion™, is taking GN ReSound's Surround Sound by ReSound™ to a completely new level. ReSound Verso™ was launched in all major markets in the top and plus price segments. The family also includes a new IIC form factor for ultimate cosmetic appeal and a new High Power Behind-The-Ear (BTE) form factor that delivers more gain despite the small and attractive size.

In December 2012, GN ReSound launched ReSound Up™, its first pediatric hearing solution. ReSound Up™ is leveraging on the ReSound Verso™ product, featuring the distinct Surround Sound by ReSound™ sound processing and the 2.4 GHz wireless technology, which is particularly attractive for children and younger hearing aid users. The product is a lineup of powerful wireless BTEs for mild to severe-profound hearing losses for children of all ages. With this step into the pediatric segment, GN ReSound has entered an attractive niche where the company until recently has had limited presence.

GN ReSound took another step in leading the technology development within hearing aids when launching the first "Made for iPhone" accessory in the hearing aid industry, the ReSound Unite™ Phone Clip+, in January 2013. The ReSound Unite™ Phone Clip+ is a wireless accessory offering hands free phone use, hearing aid remote control and integration with the iPhone. The same technology solution is also available for Android based smartphones. GN ReSound simultaneously launched the ReSound Control app, which elegantly turns the smartphone into an easy-to-use wireless remote control.

Manufacturing and distribution

The SMART program was the governing structure around a number of initiatives throughout the year. To streamline processes, drive further efficiency and increase transparency, all manufacturing and distribution entities were consolidated into one organization, Global Operations. Global Operations now has the full end-to-end responsibility for sourcing, manufacturing, warehousing, distribution and returns.

The largest part of the SMART restructuring program is the offshoring of In-The-Ear (ITE) production to leverage on GN ReSound's cost-efficient Chinese manufacturing site. During 2012, the offshoring successfully ramped up and GN ReSound also reduce the manufacturing sites in the US from two to one. The costs of simplifying the manufacturing footprint will be included in the SMART restructuring costs for 2013.

As part of the SMART program, a Design to Value department was established within Global Operations, operating as a cross-functional unit, to realize the significant cost-reduction potential from securing thorough cost focus in the early product development phase. Return Management was also established as a new organization within Global Operations with the objective to further optimize the reverse flows of products, while optimizing the service toward GN ReSound customers.

Streamlining of the supply chain in Europe continued throughout 2012 and was virtually completed by the end of the year. The project is providing improved transparency and is a platform for further optimization. As a function of increased transparency and improved supply chain planning, global inventories were reduced significantly during the year.

A key enabler to success in the supply chain is an effective freight and distribution setup. The implementation of the new freight setup was completed by year end, confirming the expectation of cost reductions in this area.

R&D

During the last few years, GN ReSound's R&D organization has been going through substantial organizational changes. The overall objective behind the reorganization has been to maintain GN ReSound's unique ability to develop technology breakthroughs in the hearing aid industry. The reorganization introduced consolidation of several software and hardware groups into larger groups, resulting in a more optimized and structured support of the development process. Furthermore, a project management process was established, including structured reviews, with end-to-end responsibilities for product development. The result has significantly reduced project hand-overs and re-makes, resulting in higher predictability,faster time to market and better use of resources and expertise.

The result of the reorganization became very visible in 2012 with the extensive and successful product launches, including the launch of 15 form factors at the same time. GN ReSound's R&D organization remains unique not only in terms of the innovative and creative level but also in terms of efficiency and costs. GN ReSound's R&D spending remains well below that of top-tier competitors, yet GN ReSound retained – and even strengthened – the technological leadership in the industry in 2012.

Improving quality of life
Birgit Madsen's hearing loss is caused by an inherited DNA defect. Birgit is a daily user of ReSound Alera™.

"I did not feel like I lived my life to the fullest before I tried GN ReSound's hearing aids and accessories. It has made a big impact on the way I live my life today."

GN Netcom – strong business development and 17% EBITA growth in a challenging market

As communicated in the Annual Report 2011, GN Netcom's top priority for 2012 was to seize the large Unified Communications (UC) opportunity by offering a superior product portfolio, enter into new partnerships and channels and focus on new product launches in both the CC&O and Mobile segments. GN Netcom delivered strong results on the focus areas, driving overall EBITA growth of 17% and organic revenue growth of 7%, exceeding the guidance announced in the Interim Report Q3 2012.

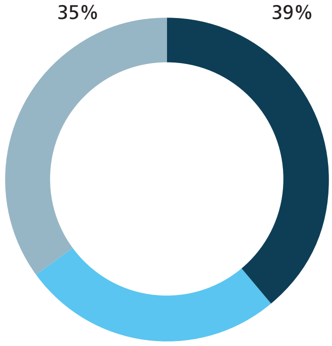
GN Netcom's focus on the UC segment resulted in strong double-digit growth in UC headsets sales based on the broad UC product portfolio, high service levels and close partnerships with the large UC vendors including Microsoft, Cisco and Avaya.

The UC product portfolio was strengthened during the year with the launch of Jabra Supreme UC, Jabra UC VOICE™ 750 and Jabra SPEAK™ 510. Jabra Supreme UC is specifically designed for the mobile UC user, Jabra VOICE ™750 is designed for heavy use of UC, and Jabra SPEAK™ 510 is a new wireless speakerphone building on the success of Jabra SPEAK™ 410. Each of the three distinctive products effectively complements the product portfolio and addresses the current trends within voice communication of increased daily use of hands free devices and higher mobility among office workers.

GN Netcom advanced its partnership with Cisco during 2012. Based on the innovative R&D capabilities and high service levels, Cisco appointed GN Netcom as a Preferred Solution Developer, the highest ranking within the Cisco Developer Network. Cisco has intensified its UC focus and has consequently developed updated solutions for both small to mid-sized companies (Cisco Jabber) and a new server-based solution for large companies (Cisco VXI). Cisco has selected GN Netcom to co-develop audio devices that enhance the UC experience – the Jabra Speak™ 450 for Cisco and the Jabra Handset™ 450 for Cisco. The two audio devices will be integrated as part of Cisco's UC offerings and will be sold directly through the Cisco sales channels.

The underlying structural market growth for UC headsets continues to be strong and robust as UC represents a highly compelling business case due to considerable cost savings and productivity gains. The industry research company Frost & Sullivan estimates that the number of voice enabled UC clients increased from around 7 million at the end of 2011 to around 13 million at the end of 2012. A total of 63 million UC clients have been shipped since 2009. Microsoft, Cisco and Avaya are the largest suppliers of UC infrastructure solutions and together comprise approximately 80% of the market. During 2012, the main suppliers have intensified their efforts in developing UC solutions and aggressively market them globally to companies of all sizes. Once UC is implemented in companies, GN Netcom is one of a few companies offering certified hands free audio solutions for UC.

GN NETCOM BUSINESS STRUCTURE (2012 REVENUE)



The traditional CC&O business was impacted by the macroeconomic weakness in southern Europe and the depressed financial sector in the UK. Headset sales to contact centers are inherently sensitive to the macroeconomic environment leading to weaker demand, but the headsets are a necessary tool for these customers and a replacement of the headsets is needed over time. The result is that the weakening in demand typically is of short duration.

Again in 2012, the Mobile business launched new innovative products, which drove both growth and profitability improvements. The strong organic revenue growth of 11% was based on the traditional Jabra mono headsets and in-car speakerphone solutions and a strong Q4 performance by GN Netcom's Jabra SOLEMATE™, our first entry into the Bluetooth speaker market.

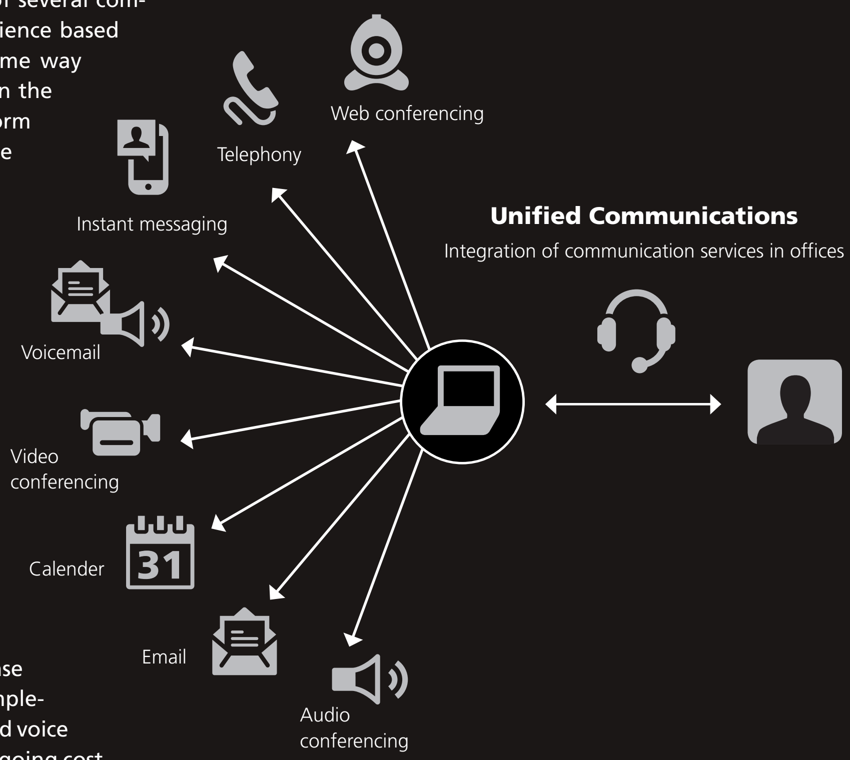
At the beginning of 2012, GN Netcom made a strategic decision to enter the attractive segment that has emerged with the integration between music and voice communication. In late Q3 2012, GN Netcom made the first move into this category with the launch of Jabra SOLEMATE™, and in January 2013 GN Netcom announced three ad-

GN Netcom

Through its Jabra brand, GN Netcom is a world leader in innovative hands free audio solutions with around 900 employees and sales offices around the world. GN Netcom's CC&O business develops and markets a broad range of wireless and corded headsets for users in contact centers and offices, including Unified Communications users. GN Netcom's Mobile business develops and markets corded and Bluetooth headsets for voice communication and music as well as in-car speakerphones for mobile users. Read more on www.Jabra.com

Unified Communications
- the growth driver in GN Netcom's CC&O business

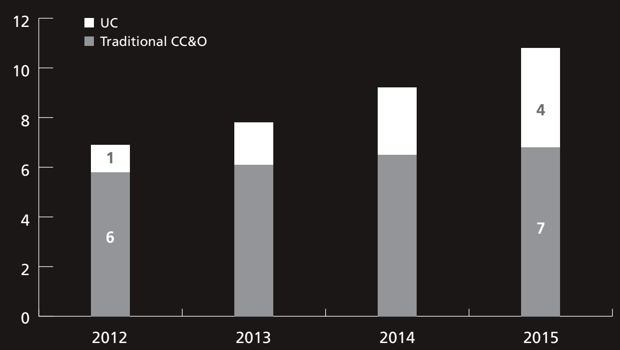
What is Unified Communications?
Unified Communications (UC) is the integration of several communication services into one common user experience based on one common technology platform. In the same way that email changed the way companies worked in the 90's, UC is changing the way office workers perform their daily work today. In many organizations office communication takes place via different devices and media types – telephone land lines, mobile phones, video conferencing, email and soft phones. Employees can feel stressed and overwhelmed trying to juggle all these channels and still work efficiently. UC brings together all these devices and interfaces into one single integrated application and user experience including replacing the traditional telephone with a softphone based on the same platform. In short, UC makes it easier for people to connect, communicate and collaborate. With a UC solution in place, the result is more productive employees, smoother interactions and tangible cost reductions.



Hence, UC represents a very compelling business case for companies. The investment related to the implementation of software licenses, server hardware and voice equipment is typically modest compared to the ongoing cost reductions from replacement of the traditional telephone systems and cost reductions from web and teleconferencing as well as less travelling expenses. According to Frost & Sullivan, 80% of all companies deploying UC achieve a Payback Period of less than two years. The largest suppliers of the UC infrastructure solutions are Microsoft, Cisco and Avaya. Implementation of UC typically happens in three phases where companies in the first phase take advantage of integration of some communication services without enabling the voice communication. In the second phase companies add voice through softphone while maintaining the traditional telephone systems and in phase 3 traditional telephone systems are replaced with softphones. It is in the third phase that tangible cost savings are realized.

Unified Communications and GN Netcom
The accelerated deployment of UC solutions among companies has significant impact on the addressable market for GN Netcom's CC&O business. When UC is deployed in an office, communication takes place through the computer, and the UC platform essentially makes headsets a need-to-have tool. The result is very attractive attachment rates in offices where UC is fully deployed. The deployment of UC solutions is expected to drive strong growth taking the CC&O market to DKK 11 billion in 2015.

CC&O MARKET PROJECTION (BILLION DKK)



UC products developed exclusively for Cisco's UC solutions ditional products – Jabra VOX, Jabra REVO and Jabra REVO wireless – providing a strong product lineup in the attractive segment. Jabra REVO wireless is the highest priced product in the history of Jabra Mobile.

In 2012, the profitability of the Mobile business continued to increase, leading to a mid-single digit EBITA margin. The improvement is a result of GN Netcom's ability to advance the position of the Jabra brand in the higher price points as well as continuous improvements in business processes.

During the summer of 2012, GN Netcom introduced a new digital vision for Jabra.com in 19 languages. The new online platform offers Jabra customers a new and upgraded online experience. It supports a seamless business interaction between Jabra and its partners and customers, and it is an efficient tool to generate quality leads and subsequent sales. In the 2012 annual online award show by Web Marketing Association (WMA), the new Jabra.com was awarded as the best "Electronics" website of 2012. Additionally, Jabra.com won Sitecore's Site of the Year 2012.

GN Netcom's overall EBITA margin increased to 15.4% in 2012, the highest level in more than 10 years. The profitability improvement is driven by an agile supply chain enabling a flat development in the operating costs (adjusted for foreign exchange rates) and the ability to move into higher price points in the Mobile business. UC, which is more resilient to the macroeconomic environment, now comprises a larger part of the overall revenue, and GN Netcom has more focus on high growth regions. The result is a more solid business model with lower sensitivity to the macroeconomic development.

On February 5, 2013, GN Netcom entered into an agreement to divest its direct reseller business in North America, Hello Direct Inc. The divestment follows GN Netcom's strategic decision to work with leading distributors and resellers to bring its headset and speakerphone solutions to the market. The divestment concludes GN Netcom's transition to become a strictly indirect business following a number of years with a combined business model in certain markets.

The overall development in 2012 has created a solid position for GN Netcom to deliver on the announced 2013 financial targets. Strong double-digit market growth is expected within UC and the segment emerging in Mobile with the integration of voice communication and music. GN Netcom has a unique position to benefit from this growth based on the strengthened product portfolio and enhanced partnerships.

Full year financial highlights

In 2012, GN Netcom's revenue was DKK 2,355 million, compared to DKK 2,106 million in 2011, corresponding to 12% revenue growth. The organic growth was 7% while the development in foreign exchange rates added 5% to the revenue. The gross profit ended at DKK 1,276 million equivalent to a 7% increase compared to 2011. The gross margin declined from 56.4% in 2011 to 54.2% in 2012. Foreign exchange rates negatively impacted the gross margin by approximately 2 percentage points.

Full year EBITA was DKK 362 million compared to DKK 310 million in 2011, a very strong increase of 17%. The EBITA margin improved from 14.7% in 2011 to 15.4%. The EBITA margin was negatively impacted by the development in foreign exchange rates of approximately 1 percentage point. The underlying improvement in the margin reflects the operating leverage in the company and the continued improvement of the profitability in the Mobile division.

The CC&O division generated revenue of DKK 1,530 million compared to DKK 1,400 million in 2011. The organic growth for the CC&O division ended at 5% despite the weakness in demand seen in southern Europe and in the UK. Revenue from UC enabled products was the key driver behind the CC&O division's revenue increase in 2012. The Mobile division achieved revenue of DKK 825 million in 2012 compared to DKK 706 million in 2011, an organic growth of 11%.

Of the overall revenue in GN Netcom, 48% was generated in Europe, 36% in North America and the remaining 16% in Rest of the World.

The operating expenses were DKK 914 million compared to DKK 878 million in 2011, corresponding to an increase of 4%. The development in the foreign exchange rates impacted the operating expenses by 3%, and the underlying increase was thus 1% in constant exchange rates. Selling, distribution and administrative costs were DKK 746 million, up 9% compared to 2011 where around 3 percentage points of the increase is a result of the foreign exchange development. The increase in the underlying costs is a result of the continued investments in the UC growth opportunity and the launch of the Jabra SOLEMATE™. Expensed development costs were at DKK 168 million compared to DKK 192 million in 2011.

On December 31, 2012, trade receivables amounted to DKK 369 million compared to DKK 351 million at the end of 2011. Day's Sales Outstanding (DSO) has declined from 46 in 2011 to 43 in 2012. To strengthen GN Netcom's ability to support customer demands, inventories increased to DKK 124 million compared to DKK 95 million in 2011. By the end of 2012, total net working capital was DKK 52 million, down from DKK 77 million in 2011. The net working capital is still at a very satisfactory level, constituting approximately 3% of annual revenue by December 31, 2012. GN Netcom's ability to generate cash flow also remained at a very satisfactory level and free cash flow excluding company acquisitions and divestments amounted to DKK 236 million compared to DKK 358 million in 2011. The free cash flow includes DKK (120) million in tax and financial items in 2012 compared to DKK 15 million in 2011.

As of December 31, 2012, GN Netcom had approximately 900 employees compared to 875 employees by the end of 2011.

Markets

The markets where GN Netcom operates are primarily attractive growth markets. The growth is driven by UC and the integration of voice communication and music.

In 2012, the competitive environment was essentially unchanged compared to previous years, and the development in the average sell-

Jabra SPEAK™ 510

Join the conversation anytime, anywhere

ing prices was flat to slightly declining. The total CC&O market is estimated to comprise around DKK 6.5 billion in 2012, and GN Netcom estimates its market share to be approximately 25%.

The traditional CC&O market comprises around 80% of the total CC&O market. The traditional CC&O market development was impacted by the weak demand in southern Europe and in the UK in 2012. UC comprises approximately 20% of the total CC&O market and is estimated to have grown with strong double-digit rates in 2012.

The growth prospects for the total CC&O market continue to be attractive. Based on market analysis from Frost & Sullivan, the market is expected to expand from around DKK 6.5 billion in 2012 to around DKK 11 billion in 2015, corresponding to a compound annual growth rate of 16 -19%. Frost & Sullivan's market estimations suggest that the growth will be driven by UC, which is expected to grow more than 50% per year until 2015 based on an increase in the number of voice-enabled UC clients from 13 million currently to approximately 50 million in 2015 combined with an increase in the headset attachment rate. Microsoft is the only vendor currently reporting on UC growth. In Q4 2012, Microsoft reported 35% year-over-year growth in Microsoft Lync. The traditional CC&O market is expected to grow around 3 - 5% in value per year until 2015 driven by an increase in ASPs due to an expected migration from corded to wireless solutions. The traditional CC&O market growth in 2013 is expected to improve as a consequence of the restrained market in 2012.

The Mobile business is operating in a highly fragmented industry. In the market, the independent brands (such as Jabra) are growing faster than handset brands (as for example Motorola) as retailers optimize space management and strive to display fewer brands. The independent brands comprised around 70% of the traditional hands free market in 2012. The traditional hands free market for voice communication consisting of mono headsets and car speakerphones, which has been the Mobile division's primary market, is estimated to amount to approximately DKK 3 billion. The traditional hands free market is estimated to be flat over the next three years.

In contrast to the traditional hands free market, the segment emerging with the integration of voice communication and music is experiencing significant growth. GN Netcom estimates the growth to be approximately 13 - 17% per year until 2015 and with the launch of four unique products in the segment, GN Netcom is expected to generate significant growth in the Mobile division. The market value of the segment is estimated to be DKK 5 billion in 2012, and the market has increased significantly during the year mainly as a result of music headphones converting into headsets as a microphone is added to the headphones.

Products
In 2012, GN Netcom launched a number of innovative products and extended the product lifecycle of selected products.

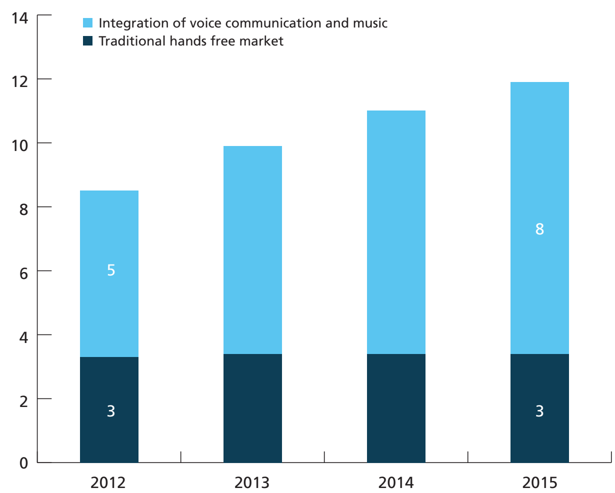
In the CC&O division, a number of new UC products are enabling GN Netcom to preserve a strong presence in the growing UC market. The most important product launches in 2012 include Jabra SUPREME UC, Jabra UC VOICE™ 750 and Jabra SPEAK™ 510:

- Jabra SUPREME UC, the successor to the Jabra SUPREME, was launched in July. The new UC version is targeting the mobile worker as the demand for performance oriented hands free headset solutions is increasing with a growing number of professionals working outside the office.

THE MOBILE BUSINESS MARKET OPPORTUNITY (DKK 8 BILLION IN 2012)

2012 market size: DKK 3 billion **2012 market size: DKK 5 billion**

MOBILE MARKET PROJECTION (BILLION DKK)



Jabra SOLEMATE™

Portable size. Massive sound

- Jabra UC VOICE™ 750 was launched late 2012 and completes the Jabra UC VOICE portfolio. It is designed for the desk-centric and frequent user of UC voice applications who prefers a lightweight and unique design. It features adjustable speaker chambers for optimal coupling to the ear, a microphone with a noise-reduction feature, an intuitive call-control unit for fast user adoption and plug-and-play USB connectivity.

- Jabra SPEAK™ 510 was launched in December 2012 as an innovative, portable USB and Bluetooth speakerphone. Building on the very successful Jabra SPEAK™ 410, the new Jabra SPEAK™ 510 is designed to meet an increased market demand for mobility and an opportunity for a personal and budget friendly speakerphone. It increases productivity and provides the ability to turn any room into a conference room so people can join the conversation anytime anywhere. It features a slim design and plug-and-play solution enhanced with outstanding sound quality that can connect to a PC, tablet or smartphone.

Jabra LINK 850 audio processor was launched in September 2012. This distinct product targets the contact center segment and is equipped with the powerful audio-processing Digital Signal Processor chip. It increases the capabilities of enhancing the audio experience of both incoming and outgoing audio, satisfying customers and contact center employees.

In late Q3 2012, the Mobile division launched Jabra SOLEMATE™, which has received great feedback from users with very positive reviews by PR, media, blogs and online sites such as Amazon.com. Jabra SOLEMATE™ was awarded the Innovative Product of the Year Award by Tessco, a leading North American mobile accessories distributor, at the annual Tessco Partner Conference in October 2012.

At the International CES 2013 conference in Las Vegas in January 2013, GN Netcom took the next step into the category of music and voice communication by announcing new, innovative headsets to complement Jabra SOLEMATE™ in the category. Specifically designed for hard-wearing, everyday use and portability, the new Jabra REVO Wireless, Jabra REVO and Jabra VOX epitomize the ultimate balance in design, ease-of-use and outstanding sound quality that is expected going forward from dedicated music consumers.

Mobile has also stregthened its worldwide reputation for delivering unique audio solutions by forming a partnership to include the Dolby® Digital Plus technology that, together with Jabra's exclusive Sound App for Apple and Android devices, creates a richer and fuller sound often missing in digitally compressed audio. This full-spectrum audio brings new life, extra depth and dimension to the music. The Jabra Revo Wireless headset will be the first wireless headset in the world to offer Dolby® Digital Plus for enhanced music experience.

The Hands Free Zone display concept is a distinctive initiative by GN Netcom consisting of flexible displays for retailers using signage, TV screens and demo models to create an all-around experience for the customer. During 2012, the concept was rolled out worldwide. Hands Free Zone displays have allowed given a broader reach in terms of customer base and has led to a stronger relationships with retailers and positions Jabra as a market leader in hands free communication.

Manufacturing and distribution

All GN Netcom's products are manufactured by subcontractors in Asia, mainly in China, and most components are sourced in Asia. GN Netcom is working with two main partners (electronic manufacturing service suppliers) manufacturing both CC&O and Mobile headsets and a number of subcontractors (original design manufacturing suppliers) designing and manufacturing selected CC&O or Mobile products.

The Mobile division is primarily operating at a configure-to-order business model, where customers in North America, Europe and Asia are supplied through a single Asia-based hub. This set-up enables the Mobile division to operate with low inventories and become more responsive to changes in demand at a lower risk.

To keep the lead time service levels high, the CC&O division maintains a regional presence via three regional warehouses located in the US, the Netherlands and Hong Kong. The global distribution of GN Netcom's products is handled by one partner responsible for the entire process, from the products leaving the factories to the final delivery to the specific customer.

R&D

In 2011, GN Netcom consolidated its three R&D facilities into two entities in Copenhagen, Denmark and Xiamen, China. The consolidation has resulted in increased efficiency and most notably the development processes are now running smoother and faster.

Software has become the most important component of headsets due to sophisticated functionality such as plug-and-play installation and touch screen control. Additionally, it is becoming more common for installation of CC&O headsets to be handled centrally by the companies' IT departments. This has increased demand for headset software that can be deployed and upgraded centrally from IT helpdesks. To be able to continue developing innovative software-based solutions, GN Netcom has further increased the software capacity and capability of the R&D team during 2012.

The continuous expansion of the product portfolio sets new demands for recruiting employees and for the needed facilities within R&D. As a result, the R&D office in Xiamen moved to new and better facilities in October 2012. The new office comprises state-of-the-art facilities that provide a strong backbone for GN Netcom to continue to deliver innovative hands free audio products.

Jabra improving communication at Cisco

Cisco Systems Inc., the worldwide leader in IT networking, has chosen Jabra as headset supplier (an agreement signed independently of the new partnership to co-develop headsets for their updated Cisco UC solutions).

Cisco has a substantial internal IT department responsible for responding to the technology needs of its large employee base and contractors working remotely both in and out of offices around the world. With such a large global employee and contractor base, Cisco's internal IT department typically receives hundreds of calls each day from coworkers in need of technical support. Working primarily in an open environment, the Cisco IT team often experienced a lot of background noise on calls resulting in a less than optimal experience. To solve this, the company started researching headset options that would work better in a call center type setting, in principle, looking for the highest level solution that could eliminate noise from the surroundings and deliver a higher level of call quality. Cisco also wanted headset solutions that were easy to install and would seamlessly integrate with the Cisco UC platform (Cisco Jabber and Cisco IP Telephony).

"While we often have a physical divider between individual employees in the IT department, we still were distracted by other conversations from others sharing the work place. We needed a headset solution that would cater to the next generation of work spaces. In addition to high quality, we wanted headsets that offered flexibility and could plug and play across the Cisco product suite." Arun Kalasapudi, service manager in Cisco's IT department, says.

Based on GN Netcom's unique product offering with a wide range of solutions for multiple needs, Cisco selected Jabra as provider of headsets and speakerphones. Following the initial delivery of products, Cisco has set up an easy order system for Jabra products using an internal ordering tool on Cisco's intranet.

Risk Management at GN Store Nord

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

The objective of GN Store Nord's risk management strategy is to enable proactive and effective management of risks encountered within any of the GN business entities. The risk management strategy is documented in GN's Risk Management Manual.

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

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

GN Store Nord is exposed to class-action lawsuits on the US market. This risk is managed by always maintaining high quality standards and constantly updating user manuals and marketing material to ensure that appropriate user instructions and similar materials are available.

Manufacturing and quality
The majority of hearing instruments are manufactured at GN Store Nord's facility in China, and the chipsets for hearing aids are manufactured at GN Store Nord's facility in Denmark. In 2012, GN ReSound continued the transformation of the global supply chain footprint, further consolidating its distribution centers and production of customized in-the-ear hearing aids to a few key sites, thereby enabling GN ReSound to increase production flexibility and product quality. To mitigate the risks associated with these production facilities, GN Store Nord proactively applies preventive measures to ensure its facilities meet GN Store Nord's high safety standards at all times.

GN Store Nord's headset production is carried out by a number of carefully selected suppliers, making GN Store Nord capable of quickly adapting its production level to actual market demand. At the same time, the risk is diversified across a number of production locations. GN Store Nord has made a series of visits to production sites to review the production facilities and contingency plans in place to secure production in the event of a breakdown.

To manage the risk of natural catastrophes and to minimize the risk that production cannot meet increased demand, GN Store Nord consistently maintains a certain inventory level of key components. Additionally, GN Store Nord pursues a strategy of having alternative supplier options for all strategic components. While GN Store Nord managed to reasonably contain the impact of the natural catastrophes seen in 2011 in Thailand and Japan, GN Store Nord has upgraded the Risk Management function and initiated a Business Interruption project to further analyze and assess risks across the entire value chain. Furthermore, contingency plans in place will be analyzed with a view to rethink the acceptable level of exposure related to GN Store Nord's key sites and facilities as well as suppliers throughout the world.

To ensure that suppliers comply with GN Store Nord's high quality standards, GN Store Nord conducts regular quality checks of all suppliers of finished products and subcontractors of critical components. GN Store Nord is exposed to increased costs from production in China. To mitigate this risk, GN Store Nord constantly monitors the possibility of pursuing a more optimal production setup.

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

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

Distribution risk

GN Store Nord constantly pursues an optimal inventory level to balance its target of low working capital against ensuring that the company will not find itself in a situation where market demand cannot be met.

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

Markets and competition

GN Store Nord's activities in both GN ReSound and GN Netcom are affected by general macroeconomic conditions. However, most of the hearing instrument industry growth drivers are demographic or secular trends that provide a higher degree of resilience toward macroeconomic trends than is the case in the market for hands free communication. Accordingly, GN Store Nord monitors general economic developments and the economic outlook. The markets where GN Store Nord operates are all competitive, and GN Store Nord continually reviews market shares and monitors new product launches in both the headset and hearing instrument industries. In addition, GN ReSound has established a Pricing Board to monitor industry pricing on a local level to continuously ensure optimal pricing across regions and business segments.

Insurance

GN Store Nord's insurance program reflects the scope and geographical locations of its business operations. As GN Store Nord'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 Store Nord takes out insurance against liability, property damage and, when found appropriate and financially feasible, consequential loss. Liability and property damage coverage is subject to global and local standards. The Executive Management ensures that coverage always complies with GN Store Nord's policies and reflects GN Store Nord's exposure, and the Executive Management keeps the Board of Directors updated on the scope and extent of the insurance programs.

Financial risk

Due to the nature of its operations, investments and financing activities, GN Store Nord is exposed to a number of financial risks. GN Store Nord has centralized the management of financial risk. Commercial credit risk, however, is managed by the Group's two operational businesses, GN Netcom and GN ReSound, in accordance with the overall financial risk management guidelines set out in GN Store Nord's Treasury Policy. The Treasury Policy mainly covers GN Store Nord's funding, liquidity and foreign exchange policies and its policy regarding credit risk in relation to financial counterparties. A description of approved financial instruments and risk exposure limits is provided in the Treasury department's business procedures. It is GN Store Nord's policy not to actively practice speculation in financial risk.

Based on the current revenue and cost composition, the annual EBITA increase in 2013 from a 5% increase in DKK/USD is estimated to be approximately DKK 30 million, when assuming an unchanged USD/CNY and excluding any impact from the hedging of the foreign exchange exposure. The annual EBITA increase in 2013 from a 5% increase in DKK/JPY is estimated to be around DKK 10 million excluding any impact from hedging. GN Store Nord hedges part of its exposure on EBITA level. The impact is primarily related to GN ReSound as GN Netcom's EBITA in absolute terms is relatively neutral to changes in foreign exchange rates.

Please refer to Note 28 for further information on financial risk.

Corporate governance

GN Store Nord's Board of Directors and Executive Management continuously strive to enhance corporate governance. GN Store Nord aims to increase transparency and active ownership, including sharing information and engaging in a regular dialog with the shareholders and other relevant stakeholders. In regard to management principles, the Board of Directors follows the Recommendations on Corporate Governance that are part of the disclosure requirements applicable to companies listed on NASDAQ OMX Copenhagen.

The new additions made in 2011 by the Danish Committee on Corporate Governance further strengthen the recommendations on diversity. The previous document is now updated with a strong recommendation for companies to provide a stated objective as well as a statement on their status regarding diversity. The changes are based on an aspiration by the Danish Committee on Corporate Governance to see more board members with an international background and more women represented on boards. The revised recommendations and new additions can be found at www.corporategovernance.dk.

The current recommendations on corporate governance include 79 recommendations and require that listed companies include a "comply or explain" section as to their compliance with the recommendations in their annual report or on their website. GN Store Nord supplies this overview on its website: www.gn.com/EN/GNAbout/CorporateGovernance/Principles/Documents/Statutory%20Report%202012.pdf.

The risk management and internal control systems related to financial reporting are also covered in detail at www.gn.com. Together with the description of corporate governance, this forms the statutory report on corporate governance that is required under section 107b of the Danish Financial Statements Act. For more information, please visit: www.gn.com/EN/GNAbout/CorporateGovernance/Principles/Documents/Statutory%20Report%202012.pdf.

Composition and responsibilities of the Board of Directors
GN Store Nord's Board of Directors consists of six directors elected by the shareholders at the annual general meeting and three employee representatives elected by the employees based in Denmark. Members of the Board of Directors, elected by the shareholders at the annual general meeting, are elected for an annual term until GN Store Nord's next annual general meeting. Retiring members are eligible for re-election. Board members can be elected to the Board of Directors until the annual general meeting in the calendar year in which the member reaches 70 years of age. Employee representatives are elected in accordance with the Danish Companies Act for terms of four years. The rules covering election of employee representatives can be found at: www.gn.com/EN/GNAbout/CorporateGovernance/Principles/Documents/Statutory%20Report%202012.pdf.

The Board of Directors fundamentally believes that diversity strengthens any governing body and greatly acknowledges the importance of female members on boards. The Board of Directors thus aims to strengthen the diversification of the board with regard to gender, and it is a declared goal to see one to two women elected for the Board of Directors by the end of 2017. Once the first board member approaches the timeline for being considered independent, or decides to step down for other reasons, the Board of Directors will require that female candidates with global exposure will be among the candidates who will be identified by a recognized executive search firm. Moreover, the Company has prepared an action plan to increase the number of women in senior management positions. Currently, 18% of the Company's senior management positions are filled by women, and the Company aims at increasing the number to 25% in 2017.

The Board of Directors is responsible for safeguarding the interests of the shareholders while giving due consideration to the other stakeholders. At least once a year, the Board of Directors assesses and establishes the most important tasks related to the overall strategic management of the company including the financial and managerial supervision of the company. The Board of Directors evaluates the performance of the Executive Management on a continuous basis.

In 2012, GN Store Nord held eight ordinary board meetings, two strategy sessions and one extraordinary board meeting, which was a conference call.

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

The Board of Directors is already a diversified group in terms of global experience, functional competencies and industry background to ensure that it can fulfill its obligations. Members are expected to possess broad global business understanding, telecom and medtech expertise, innovation and product development capabilities, thorough understanding of financial matters and in-depth knowledge of GN Store Nord's business. Details of the competencies of each of the board members are listed on pages 44–45 of this Annual Report and on www.gn.com.

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

The self-evaluation is survey-based and is created with input from an external party. The survey is handled electronically through an acknowledged IT platform, and the results are collected by the legal department on behalf of GN Store Nord's Chairman, who presents them to the Board of Directors. The survey is conducted for the purpose of identifying strategic and functional areas in which the Board of Directors needs to assess whether it is fully operational as to the governance of GN Store Nord as well as board and management interactions. In the important follow-up on previous self-evaluations, a strong focus on training, development and recruitment has been prioritized and must continue. The Board of Directors also prioritizes an increased insight into key risk areas and the systems to control risk factors. In addition, the Board of Directors will be increasing its focus on longer-term strategy given the much improved financial situation of the company. The self-evaluation procedure is carried out annually.

Remuneration Policy for the Board of Directors and Executive Management

GN Store Nord pursues a policy of offering the Board of Directors and Executive Management remuneration that is competitive with industry peers and other global companies to attract and retain competent professional leaders of the businesses and members of the Board of Directors. Remuneration of the Executive Management is based on a fixed base salary plus a target bonus of up to 50% with a potential bonus earned ranging from 0 - 100%. The company does not make pension contributions for members of the Executive Management, and the Executive Management has severance and change-of-control agreements in line with market terms. Conditions for notice of termination are determined individually for each member of the Executive Management. The company intends to fix a termination notice of a maximum of 12 months if given by the company and a minimum of six months if given by a member of the Executive Management.

Members of the Board of Directors receive fixed remuneration. They are not awarded share options, nor do they participate in other incentive programs. Board members as well as senior management are encouraged to buy and own shares in GN Store Nord. For more details on the specifics of the remuneration of the Board of Directors and Executive Management, see note 3 to the financial statements.

Board committees

Audit Committee

According to its charter, the Audit Committee, among other things, assists the Board of Directors in relation to internal accounting and financial control systems, the integrity of the company's financial reports and engagements with external auditors. The Audit Committee also carries out ongoing assessments of the company's financial and business risks. The Audit Committee held four meetings in 2012, and its activities included quarterly reviews of the financial reporting (including impairment tests of relevant assets), implementation of the whistleblower procedure, and reviews of the following: The audit plan (and discussion of the findings by the auditors), finance functions and control mechanisms, IT infrastructure and security, currency and interest rate risk and GN Store Nord's insurance program. Carsten Krogsgaard Thomsen is chairman of the Audit Committee, and he is joined by René Svendsen-Tune and Wolfgang Reim. The Audit Committee members are considered independent in the sense of the definition contained in the corporate governance recommendations. For information on the special competencies of the Audit Committee members, see pages 44-45.

Remuneration Committee

According to its charter, the Remuneration Committee, among other things, assists the Board of Directors in matters and decisions concerning remuneration of the Executive Management and senior employees and in ensuring that the general remuneration policies strike an appropriate balance between the interests of the various company shareholders. The Remuneration Committee held seven meetings in 2012. The most important activities of the Remuneration Committee in 2012 included a review of executive remuneration, establishing succession planning tools and processes, a review of short-term incentive schemes and a review and clarification of the long term incentive program. Committee Chairman Per Wold-Olsen is joined by members Bill Hoover and Jørgen Bardenfleth. The Remuneration Committee members are considered independent in the sense of the definition set out in the corporate governance recommendations. For information on the special competencies of the Remuneration Committee members, see pages 44–45.

Strategy Committee
As it is vital for GN Store Nord to maintain and further enhance the technological core capabilities of the company, the Board of Directors has decided to invest in a number of exploratory research projects, including exploring technologies adjacent to current technologies and aiming to discover potential future business opportunities outside the space of where GN Resound and GN Netcom operates today. During 2012, the Strategy Committee held 12 meetings. In 2013, the Strategy Committee will continue its exploratory work. The strategic initiative, independent of GN ReSound and GN Netcom, is a corporate GN Store Nord initiative; it will be reported under "Other activities" and will therefore not influence the results or the guidance for GN ReSound and GN Netcom. Strategy Committee Chairman Wolfgang Reim is joined by Per Wold-Olsen and Bill Hoover.

Nomination Committee
During 2012, GN Store Nord established a Nomination Committee. The Nomination Committee will establish rules of procedures according to the Recommendations on Corporate Governance. The Nomination Committee will advise and make recommendations to the Board of Directors in relation to the skills that the Board of Directors and the Executive Management must have to best perform their tasks and specify the same for a given position. In addition, the Nomination Committee will annually evaluate the structure, size, composition and performance of the Board of Directors and the Executive Management and make recommendations to the Board of Directors with regard to any changes. The Board of Directors believes in a global, transparent and thorough search and selection process for board candidates. The Nomination Committee will prepare the Board of Directors' work by selecting candidates with the help of a professional global search firm. Based on the profile approved by the entire Board of Directors, the Nomination Committee manages the candidates selected for a presentation to the full Board of Directors, which then makes the final nomination to the shareholders at the annual general meeting. Per Wold-Olsen is chairman of the Nomination Committee, and he is joined by Bill Hoover.

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

Whistleblower reporting system
In order to make it easier to report a violation, GN Store Nord is currently transferring the whistleblower hotline to Navex Global Compliance. The new whistleblower hotline will ensure that all employees and suppliers in the future will be able to report violations either by accessing the whistleblower report system through an internet access port or by calling the in-country-specific hotline number, 24 hours a day, all year around. The system is set up to handle reports in all major languages. The improved whistleblower system was launched in Denmark at the end of 2012 and will be launched in the remaining countries when the registration process with the local data protection authorities has been completed.

Shareholders
GN Store Nord aims to increase transparency and promote active ownership among shareholders through an open and active dialog by ongoing communication with our shareholders at the annual general meeting and through investor presentations, newsletters, conference calls, the company website, webcasts, Interim Reports, the Annual Report and company announcements.

GN Store Nord wishes to be open to national as well as international investors and ensure a continuing dialog with the shareholders, whether existing or potential, as well as equity analysts. On the company's website, www.gn.com, detailed material of the interests of the shareholders can be found.

Shareholders have the ultimate authority over the company and exercise their right to make decisions at the annual general meeting where they also approve the Annual Report and elect board members and the independent auditor.

For more information, see shareholder section on page 38.

Notices for the annual general meeting
Starting three years ago GN Store Nord decided that it would send notices to convene annual general meetings by email. We thus encourage all our registered shareholders to sign up at the investor portal with their email addresses and check the box labeled "email" in the field "Notice to convene annual general meeting". Shareholders will then receive the notice by email in the future.

Corporate Social Responsibility

WE SUPPORT

GN Store Nord remain determined to make a difference
GN Store Nord is a global company operating in more than 90 countries and is constantly expanding its global presence. GN Store Nord believes that part of being a global company is taking responsibility by proactively addressing the ethical, social and environmental challenges facing companies when operating their business.

Sound is at the core of GN Store Nord's business and is a critical element of people's lives. GN Store Nord believes in continuous innovation and development of products that improve people's individual communication experience and quality of life. Every day GN Store Nord works to help people easily connect with each other and reclaim their ability to hear when they experience a hearing loss. GN Store Nord does this by delivering the best sound experience that technology allows.

All our work is based on the belief that through mutual respect and close cooperation the company will achieve the best results for all parties. As a signatory to the UN Global Compact, GN Store Nord wishes to send a signal to all its stakeholders that the Group takes its corporate responsibility seriously and takes an active stand in implementing the ten principles of the UN Global Compact. One step the Group has taken this past year has been to launch the booklet "Responsible Sourcing". The booklet is yet another step in advancing the dialog with suppliers and further emphasize the Group's commitment to its Code of Conduct.

GN Store Nord initiates hearing aid program in South Africa
GN Store Nord joined the Clinton Global Initiative (CGI) as a member in 2011. Through CGI, GN Store Nord and BroadReach Healthcare, a global healthcare solutions company, have committed to a partnership with the public sector in South Africa to secure hearing aids free of charge to impoverished people suffering from hearing impairment.

The roll out of the program, which entails the donation of 6,600 hearing aids, was initiated in the first half of 2012 when collaboration with key personnel of the public health departments of Gauteng and KwaZulu-Natal provinces was established.

In June 2012, two of GN ReSound's senior audiologists performed on-site training of 65 South African audiologists from 41 health facilities across Gauteng and KwaZulu-Natal provinces. This has made the South African audiologists able to professionally fit the donated hearing aids onto the hearing impaired patients, giving them full use of the devices. Professional fitting can improve the end user benefits and the motivation to wear the hearing aids. It also allows the end user to enjoy situations that they previously have been excluded from as a result of their hearing impairment. The aim of the training is also to build on the knowledge that the local audiologists already have, ensuring that the trained audiologists will be able to pass on their knowledge to other audiologists.

In addition to the donation of hearing aids and training of local audiologists, GN Store Nord has also provided 10 laptops, fitting equipment and facilitated a one-off supply of 350,000 batteries ensuring at least one year of free batteries for each hearing aid recipient.

Other CSR activities 2012
GN Store Nord wants to conduct its business in a profitable and sustainable manner and offer products that improve people's sound experience, mobility and quality of life. GN Store Nord believes that a structured and practical approach to CSR is value creating both for GN Store Nord and for GN Store Nord's key stakeholders, including customers, investors, suppliers and employees.

In 2012, the Group's CSR activities included:

- Creating a partnership with the public sector in South Africa to secure hearing aids free of charge to impoverished people with hearing impairment.
- Launch of an enhanced global employee engagement survey.
- Donation to the China Foundation for Disabled People under Hearing for the Future – China National Hearing Care Prevention and Treatment Program.
- Introduction of the "Responsible Sourcing" booklet, directed towards the Group's suppliers, highlighting the Group's commitment to its Code of Conduct.
- The GN Store Nord Foundation made donations for a number of activities, including deCIbel (Danish National association for children and young people with hearing impairment), Danish Deaf Sports Association and others.

GN Store Nord has joined the United Nations Global Compact and annually compose a Communication on Progress report, clarifying the actions taken witin corporate social responsibility during the year. The report represents GN Store Nord's mandatory account for corporate social responsibility according to § 99a in the Danish Financial Statement Act and is available here: www.gn.com/SiteCollectionImages/About%20GN/CSR/COP%202012.pdf

Shareholder information

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

In 2012, the GN Store Nord share price outperformed the market for the fourth consecutive year. The OMXC20 index increased 25%, while the GN Store Nord share price increased 68%. The price of the GN Store Nord share was DKK 81.8 on December 31, 2012.

GN Store Nord is included in the OMXC20 index on the Copenhagen Stock exchange (NASDAQ OMX Copenhagen) and retained its position in the Large Cap index during 2012.

Ownership
The GN Store Nord share is 100% free float, and the company has no dominant shareholders. At the end of 2012, Marathon Asset Management LLP (5 Upper St. Martin's Lane, London, UK) had an ownership interest of 8.0%. ATP (the Danish Labour Market Supplementary Pension Fund, Kongens Vænge 8, Hillerød, Denmark) had an ownership interest of 5.2% of GN Store Nord's total issued share capital, including treasury shares.

At the end of 2012, approximately 35,000 registered shareholders held about 88% of the share capital. Foreign ownership is estimated at 57% of the total issued share capital. The ten largest registered shareholders held about 41% of the GN Store Nord share capital in aggregate at the end of 2012 (including GN Store Nord's 12.0% holding of treasury shares).

Share capital and voting rights
GN Store Nord's share capital of DKK 774,788,232 consists of 193,697,058 shares, each carrying four votes. GN Store Nord has one share class, and there are no restrictions on ownership or voting rights.

Powers relating to share capital
At the 2012 annual general meeting (AGM), the shareholders empowered the Board of Directors to increase the share capital with preemptive rights for the shareholders by issuing new shares in one or more rounds up to a total nominal amount of DKK 150,000,000. Moreover, the shareholders empowered the Board of Directors to increase the share capital without preemptive rights for the shareholders by issuing new shares in one or more rounds up to a total nominal amount of DKK 150,000,000.

The above authorities given to the Board of Directors can altogether in the aggregate be exercised to increase the share capital by a maximum nominal amount of DKK 150,000,000. This authorization remains in force until April 30, 2013, but is renewable for one or more periods of one to five years' duration.

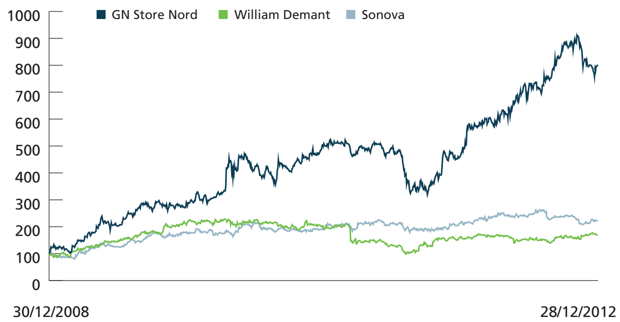
GN Store Nord's Articles of Association can be changed in accordance with the rules set forth in the Danish Companies Act.

Treasury shares
On December 31, 2012, GN held treasury shares corresponding to 12.0% of the share capital, and the value of the treasury shares was DKK 1,899 million. At the AGM to be held in March 2013, the Board of Directors will propose to reduce the company's share capital by cancelling all treasury shares held on February 21, 2013, except for 5,000,000 shares held to hedge long-term incentive programs. Until the AGM, the Board of Directors is authorized to acquire shares in GN Store Nord of up to 20% of the company's share capital.

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

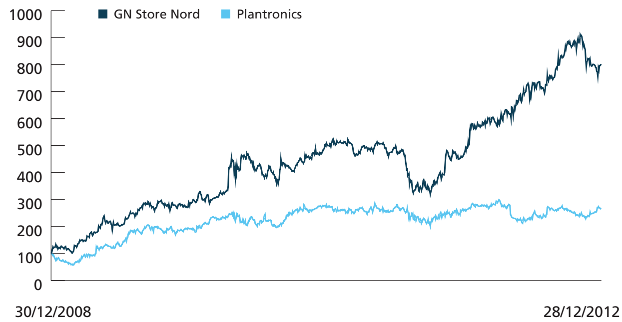
Dividend payments and share buybacks are subject to, among other things, cash requirements to support the ongoing operations, strategic opportunities and the company's capital structure. It is GN Store Nord's long-term target to maintain a capital structure consisting of a combination of debt and equity subject to a net interest-bearing debt of up to two times EBITDA. Reflecting the current uncertain macroeconomic environment, GN Store Nord currently intends to take the net interest-bearing debt toward a level around one time EBITDA within a time frame of up to two years.

SHARE PRICE DEVELOPMENT VS GN RESOUND'S PEERS



Index: 30/12 2008 = 100

SHARE PRICE DEVELOPMENT VS GN NETCOM'S PEERS



Index: 30/12 2008 = 100

Based on the capital structure policy and the continued improvement in the business fundamentals and financial results, GN Store Nord will, as of today, initiate a new DKK 300 million share buyback program. The program is being implemented in accordance with the provisions of the European Comission's regulation no. 2273/2003 of December 22, 2003, also referred to as the Safe Harbor rules. The purpose of the program is to reduce the company's share capital, and GN Store Nord has appointed Nordea as lead manager. The trading volume is limited to the value of the program of DKK 300 million, and the program will be concluded no later than December 31, 2013. The maximum number of shares that can be bought back in one single trading day is 200,064 corresponding to 25% of the average daily trading volume of the shares in January 2013, and a maximum of 13,900,000 shares can be bought back during the period. GN Store Nord will announce the number and value of repurchased shares in company announcements to NASDAQ OMX Copenhagen every seventh trading day.

Proposals for submission at the annual general meeting (extract)

At the AGM, the Board of Directors intends to propose the following to the shareholders:

- That a dividend of DKK 94 million (DKK 0.49 per share) be paid in respect of the 2012 financial year
- That the proposed remuneration of the Board of Directors in respect of the financial year be approved
- That board members are elected
- That KPMG be re-elected as auditors
- That the Board of Directors is authorized to acquire treasury shares
- That authorization be granted to reduce the share capital
- That the Board of Directors is authorized to increase the share capital

Incentive programs

There were a total of 27,000 outstanding share options on December 31, 2012, corresponding to 0.0% of the GN Store Nord shares issued. The total number of outstanding warrants in GN Netcom was 7,830 (2.2% of the share capital in GN Netcom). The total number of outstanding warrants in GN ReSound was 17,794 (2.8% of the share capital in GN ReSound).

Investor relations

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

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

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

GN Store Nord's website – www.gn.com – contains historic and current information about GN, including stock exchange announcements, current and historic share price data, investor presentation material and annual and interim reports.

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

Financial calendar 2013

Annual general meeting..March 21, 2013
GN Store Nord's AGM will be held at 10 a.m. at the Radisson Blu Falconer Center, Falkoner Allé 9 in Copenhagen, Denmark.
Interim Report 1/2013..May 3, 2013
Interim Report 2/2013... August 14, 2013
Interim Report 3/2013...November 15, 2013

Company announcements in 2012 can be viewed on:
www.gn.com/EN/Investor/Announcements/2012/

Company announcements published after December 31, 2012, can be viewed on: www.gn.com/EN/Investor/Announcements/2013/

Quarterly reporting by segment

(DKK million)	Q1 2011 (unaud.)	Q2 2011 (unaud.)	Q3 2011 (unaud.)	Q4 2011 (unaud.)	Q1 2012 (unaud.)	Q2 2012 (unaud.)	Q3 2012 (unaud.)	Q4 2012 (unaud.)	2011 Total (aud.)	2012 Total (aud.)
Income statement										
Revenue										
GN Netcom	476	503	516	611	564	572	548	671	2,106	2,355
GN ReSound	820	827	841	962	914	943	946	1,093	3,450	3,896
Other *	2	4	2	-	-	-	-	-	8	-
Total	1,298	1,334	1,359	1,573	1,478	1,515	1,494	1,764	5,564	6,251
Organic growth										
GN Netcom	5 %	8 %	19 %	5 %	16 %	6 %	(1)%	7 %	9 %	7 %
GN ReSound	9 %	9 %	9 %	8 %	6 %	4 %	2 %	10 %	9 %	6 %
Total	7 %	9 %	12 %	7 %	9 %	5 %	1 %	9 %	9 %	6 %
Gross profit										
GN Netcom	278	285	285	340	312	317	296	351	1,188	1,276
GN ReSound	494	491	515	599	562	563	576	651	2,099	2,352
Other *	2	4	2	-	-	-	-	-	8	-
Total	774	780	802	939	874	880	872	1,002	3,295	3,628
Gross profit margin										
GN Netcom	58.4%	56.7%	55.2%	55.6%	55.3%	55.4%	54.0%	52.3%	56.4%	54.2%
GN ReSound	60.2%	59.4%	61.3%	62.3%	61.5%	59.7%	60.9%	59.6%	60.8%	60.4%
Total	59.6%	58.5%	59.0%	59.7%	59.1%	58.1%	58.4%	56.8%	59.2%	58.0%
Expensed development costs**										
GN Netcom	(40)	(46)	(46)	(60)	(46)	(42)	(42)	(38)	(192)	(168)
GN ReSound	(85)	(81)	(74)	(78)	(89)	(87)	(92)	(94)	(318)	(362)
Other *	-	-	-	-	-	-	(6)	(5)	-	(11)
Total	(125)	(127)	(120)	(138)	(135)	(129)	(140)	(137)	(510)	(541)
Selling and distribution costs and administrative expenses etc.**										
GN Netcom	(182)	(169)	(165)	(170)	(180)	(188)	(180)	(198)	(686)	(746)
GN ReSound	(357)	(336)	(334)	(328)	(396)	(419)	(424)	(430)	(1,355)	(1,669)
Other *	(13)	(12)	(10)	575	(13)	(11)	(11)	(21)	540	(56)
Total	(552)	(517)	(509)	77	(589)	(618)	(615)	(649)	(1,501)	(2,471)
EBITA										
GN Netcom	56	70	74	110	86	87	74	115	310	362
GN ReSound	52	74	107	193	77	57	60	127	426	321
Other *	(11)	(8)	(8)	575	(13)	(11)	(17)	(26)	548	(67)
Total	97	136	173	878	150	133	117	216	1,284	616
EBITA margin										
GN Netcom	11.8 %	14.0 %	14.3 %	18.0 %	15.2 %	15.2 %	13.5 %	17.1 %	14.7 %	15.4 %
GN ReSound	6.3 %	8.9 %	12.7 %	20.1 %	8.4 %	6.0 %	6.3 %	11.6 %	12.3 %	8.2 %
Total	7.5 %	10.2 %	12.7 %	55.8 %	10.1 %	8.8 %	7.8 %	12.2 %	23.1 %	9.9 %
Depreciation										
GN Netcom	(5)	(5)	(5)	(5)	(4)	(4)	(5)	(5)	(20)	(18)
GN ReSound	(21)	(20)	(20)	(20)	(22)	(23)	(24)	(26)	(81)	(95)
Other *	(8)	(8)	(5)	(69)	(3)	(3)	(3)	(7)	(90)	(16)
Total	(34)	(33)	(30)	(94)	(29)	(30)	(32)	(38)	(191)	(129)
EBITDA										
GN Netcom	61	75	79	115	90	91	79	120	330	380
GN ReSound	73	94	127	213	99	80	84	153	507	416
Other *	(3)	-	(3)	644	(10)	(8)	(14)	(19)	638	(51)
Total	131	169	203	972	179	163	149	254	1,475	745
EBITA	97	136	173	878	150	133	117	216	1,284	616
Amortization of acquired intangible assets	(5)	(11)	(6)	(6)	(6)	(7)	(5)	(12)	(28)	(30)
Gains (losses) on disposal of operations	-	2	(15)	4	-	(20)	(9)	(29)	(9)	(58)
Operating profit (loss)	92	127	152	876	144	106	103	175	1,247	528
Share of profit (loss) in associates	-	-	4	2	-	-	-	2	6	2
Financial items, net	(16)	48	6	(66)	(9)	(11)	(15)	(34)	(28)	(69)
Profit (loss) before tax	76	175	162	812	135	95	88	143	1,225	461
Tax on profit (loss)	(22)	(48)	(44)	(246)	(37)	(29)	(24)	(50)	(360)	(140)
Profit (loss)	54	127	118	566	98	66	64	93	865	321
Balance sheet										
Development projects										
GN Netcom	110	105	99	87	79	81	82	86	87	86
GN ReSound	755	754	765	777	780	778	772	788	777	788
Total	865	859	864	864	859	859	854	874	864	874
Inventories										
GN Netcom	105	90	79	95	87	105	122	124	95	124
GN ReSound	404	399	451	454	448	426	405	347	454	347
Total	509	489	530	549	535	531	527	471	549	471
Trade receivables										
GN Netcom	263	285	321	351	339	354	392	369	351	369
GN ReSound	788	781	807	904	857	876	900	979	904	979
Other *	7	7	6	14	10	3	1	1	14	1
Total	1,058	1,073	1,134	1,269	1,206	1,233	1,293	1,349	1,269	1,349
Net working capital										
GN Netcom	97	84	67	77	73	95	124	52	77	52
GN ReSound	764	755	790	819	935	918	840	796	819	796
Other *	2,194	2,274	2,270	2,976	(49)	(34)	(28)	(32)	2,976	(32)
Total	3,055	3,113	3,127	3,872	959	979	936	816	3,872	816
Cash flow										
Free cash flow excl. company acquisitions and divestments										
GN Netcom	45	89	106	118	92	55	36	53	358	236
GN ReSound	(65)	5	(8)	149	(94)	59	17	117	81	99
Other *	(7)	(34)	(16)	(85)	2,990	(24)	(26)	(519)	(142)	2,421
Total	(27)	60	82	182	2,988	90	27	(349)	297	2,756
Acquisitions and divestments of companies	-	1	(6)	(76)	(27)	(15)	3	2	(81)	(37)
Free cash flow	(27)	61	76	106	2,961	75	30	(347)	216	2,719

* "Other" comprises Group Shared Services, GN Ejendomme, Scanning Technology and eliminations
**Does not include amortization of acquired intangible assets, cf. the definition of EBITA

GN ReSound income statement excluding SMART costs

	Q1 2012			Q2 2012			Q3 2012			Q4 2012		
(DKK million)	Reported	SMART costs	Excluding SMART costs	Reported	SMART costs	Excluding SMART costs	Reported	SMART costs	Excluding SMART costs	Reported	SMART costs	Excluding SMART costs
Income statement												
Revenue	914	-	914	943	-	943	946	-	946	1,093	-	1,093
Production costs	(352)	(2)	(350)	(380)	(19)	(361)	(370)	(25)	(345)	(442)	(55)	(387)
Gross profit	**562**	**(2)**	**564**	**563**	**(19)**	**582**	**576**	**(25)**	**601**	**651**	**(55)**	**706**
Expensed development costs*	(89)	-	(89)	(87)	-	(87)	(92)	(4)	(88)	(94)	-	(94)
Selling and distribution costs*	(307)	(9)	(298)	(324)	(16)	(308)	(306)	(7)	(299)	(341)	(20)	(321)
Management and administrative expenses*	(89)	(4)	(85)	(93)	(17)	(76)	(123)	(42)	(81)	(93)	(10)	(83)
Other operating income and costs, net	-	-	-	(2)		(2)	5	-	5	4	-	4
EBITA	**77**	**(15)**	**92**	**57**	**(52)**	**109**	**60**	**(78)**	**138**	**127**	**(85)**	**212**
EBITA margin	8.4%	N/A	10.1%	6.0%	N/A	11.6%	6.3%	N/A	14.6%	11.6%	N/A	19.4%

	2012 Total			2011 Total		
	Reported	SMART costs	Excluding SMART costs	Reported	SMART costs	Excluding SMART costs
Income statement						
Revenue	3,896	-	3,896	3,450	-	3,450
Production costs	(1,544)	(101)	(1,443)	(1,351)	-	(1,351)
Gross profit	**2,352**	**(101)**	**2,453**	**2,099**	**-**	**2,099**
Expensed development costs*	(362)	(4)	(358)	(318)	-	(318)
Selling and distribution costs*	(1,278)	(52)	(1,226)	(1,065)	-	(1,065)
Management and administrative expenses*	(398)	(73)	(325)	(300)	-	(300)
Other operating income and costs, net	7	-	7	10	-	10
EBITA	**321**	**(230)**	**551**	**426**	**-**	**426**
EBITA margin	8.2%	N/A	14.1%	12.3%	N/A	12.3%

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

Per Wold-Olsen William E. Hoover, Jr Jørgen Bardenfleth Wolfgang Reim René Svendsen-Tune

Board of Directors

PER WOLD-OLSEN
Born 1947. Norwegian citizen. MBA. Formerly with Merck & Co., Inc.
Chairman and member of the Board since 2008. Chairman of the Remuneration Committee. Chairman of the Nomination Committee. Member of the Strategy Committee.
Elected for a term of one year.
No. of GN shares held: 204,884 (2012: 0 shares bought and 0 shares sold)

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

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

WILLIAM E. HOOVER, JR.
Born 1949. American citizen. Harvard MBA. Formerly with McKinsey & Company (retired)
Deputy Chairman and member of the Board since 2007. Member of the Remuneration Committee. Member of the Strategy Committee. Member of the Nomination Committee.
Elected for a term of one year.
No. of GN shares held: 156,500 (2012: 0 shares bought and 0 shares sold)

Board positions
Chairman of: ReD Associates
Board member of: Danfoss A/S, Lego Foundation, Sanistål and Sauer-Danfoss Inc.

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

JØRGEN BARDENFLETH
Born 1955. Danish citizen. MSEE and MBA. Strategy Director, Microsoft International.
Member of the Board since 2003. Member of the Remuneration Committee.
Elected for a term of one year.
No. of GN shares held: 30,020 (2012: 0 shares bought and 0 shares sold)

Board positions
Chairman of: the Danish IT Association, DHI Group, Symbion A/S
Board member of: COWI A/S, Vallø Stift

Special competencies
Jørgen has been working in the Information and Communication Technology (ICT) sector since 1981, holding various positions in R&D, Sales and Marketing and General Management. Jørgen worked six years in Silicon Valley in R&D and earned his MBA from UCLA. Jørgen worked for Hewlett-Packard for 12 years in Direct Sales, Channel Sales and Marketing, and was responsible for HP's Danish subsidiary for 6 years. Jørgen headed up Intel's Optical Communication Division for three years, with full responsibility for R&D, Sales and Marketing and P&L, including divisions in California, British Columbia and Germany. At Microsoft, Jørgen works in Strategy Development for Microsoft International, covering 110 countries outside the US and Canada. He has extensive experience with channel business management in high technology, product launching, customer service, customer support, consulting in IT, R&D, remote R&D and best practices in HR, with Microsoft being named the Best Place to Work in Denmark two years in a row. Jørgen has just started as Chairman of the Danish Government Growth Initiative Team for IT and Technology.

WOLFGANG REIM
Born 1956. German citizen. Ph.D. Professional board member and self-employed consultant to the medical industry.
Member of the Board since 2008. Chairman of the Strategy Committee.
Member of the Audit Committee.
Elected for a term of one year.
No. of GN shares held: 45,000 (2012: 0 shares bought and 35,000 shares sold)

Carsten Krogsgaard Thomsen

Nikolai Bisgaard

Leo Larsen

Morten Andersen

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

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

Special competencies
Wolfgang has held various leadership functions in the global healthcare industry for more than 20 years, including seven years as the CEO of Dräger Medical AG, a global leader in the critical care segment with a direct presence in more than 50 countries and 10 years with Siemens Healthcare, including five years as a member of the global executive team. Twice in his career, he has been based in the US and has also spent considerable time in Japan. Besides executive management roles, Wolfgang was also a member of the portfolio management team of BB Medtech AG, an investment company focused exclusively on healthcare. In his many operative roles within the healthcare industry, Wolfgang gained special experience in the areas of business process reengineering, innovation management and global sourcing and supply chain management. He successfully managed three turn-around situations in global businesses (the last one being Dräger Medical) and contributes extensive M&A experience.

RENÉ SVENDSEN-TUNE
Born 1955. Danish citizen. Graduate of DTU. Head of Europe & Latin America in Nokia Siemens Networks and member of the Executive Board.
Member of the Board since 2007. Member of the Audit Committee.
Elected for a term of one year.
No. of GN shares held: 68,000 (2012: 0 shares bought and 0 shares sold)

Board positions
Board member of: Excitor A/S

Special competencies
René is an experienced global leader with a more than 25 years of practical experience in the IT and telecommunications industries. From 1993 - 2006, René worked for Nokia in various management and executive roles. In 2000, René joined the Executive Management team at Nokia's head office, where he became global head of marketing, sales and country operations (services) in Nokia Networks. In 2006 René joined the software- and consultancy company Teleca as its CEO. In 2012 René joined Nokia Siemens Networks as a member of the executive management board. During his career, René has developed unique expertise and experience in the fast moving telecommunications and consumer electronics sectors. Along with executive global management experience in public and private companies, René brings strong insight into global technology markets, global sales and technology investments.

CARSTEN KROGSGAARD THOMSEN
Born 1957. Danish citizen. M.Sc. (Economics). CFO, DONG Energy.
Member of the Board since 2008. Chairman of the Audit Committee.
Elected for a term of one year.
No. of GN shares held: 31,964 (2012: 0 shares bought and 10,026 shares sold)

Board positions
Deputy Chairman of: NNIT A/S

Special competencies
Carsten Krogsgaard Thomsen has extensive expertise and experience as CFO of DONG Energy, the leading Danish energy and utility company, where he has been a member of the Executive Management team for 10 years. Prior to that, Carsten was CFO of DSB, the Danish Railways, for eight years. He also has experience as a management consultant at McKinsey & Company and the Danish bank Andelsbanken. As an experienced CFO, Carsten brings strong capabilities to the Board and Audit Committee within finance, accounting, auditing, risk management and IT.

NIKOLAI BISGAARD
Born 1951. Danish citizen. M.Sc. EE. VP, IPR & Industry Relations, GN ReSound.
Employee representative. Member of the Board since 2006.
Elected for a term of four years.
No. of GN shares held: 4,840 (2012: 0 shares bought and 0 shares sold)

LEO LARSEN
Born 1959. Danish citizen. M.Sc. EE. CTO, GN Netcom A/S
Employee representative. Member of the Board since 2007.
Elected for a term of four years.
No. of GN shares held: 2,387 (2012: 0 shares bought and 0 shares sold)

MORTEN ANDERSEN
Born 1963. Danish citizen. B.SC.ME. VP, Component Manufacturing in Operations, GN ReSound A/S
Employee representative. Member of the Board since 2011.
Elected for a term of four years.
No. of GN shares held: 1,090 (2012: 240 shares bought and 0 shares sold)

Executive Management

LARS VIKSMOEN
President & CEO, GN ReSound

Member of the Executive Management since 2010, age 64

No. of GN shares held: 15,000 (2012: 0 shares bought and 0 shares sold)

MOGENS ELSBERG
President & CEO, GN Netcom

Member of the Executive Management since 2009, age 58

No. of GN shares held: 0 (2012: 0 shares bought and 0 shares sold)

ANDERS BOYER
CFO, GN Store Nord and GN ReSound

Member of the Executive Management since 2009, age 42

No. of GN shares held: 22,000 (2012: 0 shares bought and 0 shares sold)

Board positions
Board member of: Pandora A/S
Chairman of the Audit Committee at Pandora A/S

Statement by the Executive Management and the Board of Directors

Today, the Executive Management and the Board of Directors have discussed and approved the Annual Report of GN Store Nord A/S for 2012.

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

In our opinion the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at December 31, 2012 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, 2012.

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

We recommend that the Annual Report 2012 be approved at the annual general meeting.

Ballerup, February 21, 2013

Executive Management

Lars Viksmoen
CEO, GN ReSound

Mogens Elsberg
CEO, GN Netcom

Anders Boyer
CFO, GN Store Nord & GN ReSound

Board of Directors

Per Wold-Olsen
Chairman

William E. Hoover Jr.
Deputy chairman

Jørgen Bardenfleth

Wolfgang Reim

René Svendsen-Tune

Carsten Krogsgaard Thomsen

Leo Larsen

Nikolai Bisgaard

Morten Andersen

Independent auditors' report

To the shareholders of GN Store Nord A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of GN Store Nord A/S for the financial year January 1 - December 31, 2012. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Management's responsibility for the consolidated financial statements and the parent company financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at December 31, 2012 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, 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

Statement on the Management's report

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

Copenhagen, February 21, 2013

KPMG
Statsautoriseret Revisionspartnerselskab

Torben Bender
State Authorised Public Accountant

Anders Stig Lauritsen
State Authorised Public Accountant

Financial statements 2012

Financial statements

Notes – Financial statements

Notes – Income statement

Notes – Balance sheet

Notes – Supplementary information

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
	INCOME STATEMENT				
	Revenue	6,251	5,564	12	23
3, 5, 7, 17	Production costs	(2,623)	(2,269)	-	-
	Gross profit	**3,628**	**3,295**	**12**	**23**
3, 4, 5, 7	Development costs	(547)	(517)	(11)	-
3, 5, 7	Selling and distribution costs	(1,933)	(1,657)	-	-
3, 5, 6, 7	Management and administrative expenses	(581)	(608)	(67)	(127)
	Other operating income and costs, net	4	12	(10)	-
	Award from the arbitration case against TPSA	15	731	-	(7)
32	Gain (loss) on divestment of operations etc.	(58)	(9)	2,704	30
	Impairment loss on investments in subsidiaries	-	-	-	(151)
	Operating profit (loss)	**528**	**1,247**	**2,628**	**(232)**
14	Share of profit (loss) in associates	2	6	-	-
8	Financial income	74	178	57	67
9	Financial expenses	(143)	(206)	(121)	(110)
	Profit (loss) before tax	**461**	**1,225**	**2,564**	**(275)**
10	Tax on profit (loss)	(140)	(360)	29	67
	Profit (loss) for the year	**321**	**865**	**2,593**	**(208)**
	Proposed profit appropriation/distribution of loss				
	Retained earnings			2,499	(265)
	Proposed dividends for the year			94	57
				2,593	**(208)**
29	**Earnings per share (EPS)**				
	Earnings per share (EPS)	1.80	4.31		
	Earnings per share, fully diluted (EPS diluted)	1.78	4.27		

Note		Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
	STATEMENT OF COMPREHENSIVE INCOME				
	Profit (loss) for the year	**321**	**865**	**2,593**	**(208)**
	Other comprehensive income:				
	Actuarial gains (losses)	(3)	(44)	-	-
	Adjustment of cash flow hedges	22	(16)	-	-
	Foreign exchange adjustments, etc.	(43)	90	-	-
10	Tax relating to other comprehensive income	(2)	7	-	-
	Total other comprehensive income for the year	**(26)**	**37**	**-**	**-**
	Comprehensive income for the year	**295**	**902**	**2,593**	**(208)**

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
	ASSETS				
11	Intangible assets	4,234	4,248	62	40
12	Property, plant and equipment	254	262	-	-
13	Investments in subsidiaries	-	-	5,803	5,758
14	Investments in associates	17	16	-	-
16	Deferred tax assets	563	569	-	-
15, 28	Other non-current assets	670	556	1,588	1,769
	Total non-current assets	**5,738**	**5,651**	**7,453**	**7,567**
17	Inventories	471	549	-	-
19, 28	Trade receivables	1,349	1,269	-	13
18	Tax receivables	34	13	2	36
28	Other receivables	214	3,316	5	22
	Cash and cash equivalents	169	229	-	-
	Total current assets	**2,237**	**5,376**	**7**	**71**
11, 12, 16	**Assets classified as held for sale**	**224**	**154**	**-**	**-**
	Total assets	**8,199**	**11,181**	**7,460**	**7,638**
	EQUITY AND LIABILITIES				
	Share capital	775	833	775	833
	Other reserves	(648)	906	1,133	2,591
	Proposed dividends for the year	94	57	94	57
	Retained earnings	5,321	5,082	3,678	1,172
	Total equity	**5,542**	**6,878**	**5,680**	**4,653**
23, 28	Bank loans	276	1,374	276	1,374
21	Pension obligations	100	110	1	1
22	Provisions	152	130	22	5
16	Deferred tax liabilities	373	825	162	45
23, 26, 28	Other non-current liabilities	185	186	-	-
	Total non-current liabilities	**1,086**	**2,625**	**461**	**1,425**
24, 28	Bank loans	123	124	45	39
28	Trade payables	485	486	11	47
18	Tax payables	11	36	-	-
22	Provisions	225	260	-	11
25	Other payables	727	772	1,263	1,463
	Total current liabilities	**1,571**	**1,678**	**1,319**	**1,560**
	Total equity and liabilities	**8,199**	**11,181**	**7,460**	**7,638**

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
	Operating activities				
	Operating profit (loss)	528	1,247	2,628	(232)
	Depreciation, amortization and impairment	442	484	15	15
33	Other adjustments	259	(726)	(2,698)	113
	Cash flow from operating activities before changes in working capital	**1,229**	**1,005**	**(55)**	**(104)**
	Change in inventories	(26)	(89)	-	-
	Change in receivables	(81)	(267)	29	(20)
	Award from the arbitration case against TPSA	3,064	-	-	-
	Change in trade payables and other payables	(24)	150	(73)	64
	Total changes in working capital	**2,933**	**(206)**	**(44)**	**44**
	Restructuring/non-recurring costs, paid	(93)	(2)	-	-
	Cash flow from operating activities before financial items and tax	**4,069**	**797**	**(99)**	**(60)**
	Interest and dividends, etc., received	18	16	54	59
	Interest paid	(91)	(88)	(145)	(72)
	Tax paid, net	(643)	(23)	180	7
	Cash flow from operating activities	**3,353**	**702**	**(10)**	**(66)**
	Investing activities				
	Investments in intangible assets, excluding development projects	(139)	(54)	(37)	(20)
	Development projects	(296)	(265)	-	-
	Investments in property, plant and equipment	(103)	(82)	-	-
	Investments in other non-current assets	(81)	(21)	-	-
	Disposal of intangible assets	-	1	-	-
	Disposal of property, plant and equipment	2	14	-	-
	Disposal of other non-current assets	20	2	-	-
	Acquisition of companies/operations	(42)	(82)	-	-
	Company disposals	5	1	2,754	-
	Cash flow from investing activities	**(634)**	**(486)**	**2,717**	**(20)**
	Cash flow from operating and investing activities (free cash flow)	**2,719**	**216**	**2,707**	**(86)**
	Financing activities				
	Increase of long-term loans	-	327	-	327
	Increase of short-term loans	-	62	65	436
	Decrease of long-term loans	(1,109)	-	(1,109)	-
	Decrease of short-term loans	-	-	-	-
	Paid dividends	(50)	(39)	(50)	(39)
	Share-based payment (exercised)	23	137	4	-
	Purchase/sale of treasury shares	(1,614)	(641)	(1,614)	(641)
	Other adjustments	(26)	7	(3)	2
	Cash flow from financing activities	**(2,776)**	**(147)**	**(2,707)**	**85**
	Net cash flow	**(57)**	**69**	**-**	**(1)**
	Cash and cash equivalents, beginning of period	229	157	-	1
	Adjustment foreign currency, cash and cash equivalents	(3)	3	-	-
	Cash and cash equivalents, end of period	**169**	**229**	**-**	**-**

Note	(DKK million)	Share capital (shares of DKK 4 each)	Other reserves: Addi-tional paid-in capital	Other reserves: Foreign exchange adjust-ments	Other reserves: Hedging reserve	Treasury shares	Proposed dividends for the year	Retained earnings	Total equity
	CONSOLIDATED EQUITY								
	Balance sheet total at December 31, 2010	**833**	**3,245**	**(1,565)**	**2**	**(341)**	**40**	**4,290**	**6,504**
	Profit (loss) for the period	-	-	-	-	-	-	865	865
	Actuarial gains (losses)	-	-	-	-	-	-	(44)	(44)
	Adjustment of cash flow hedges	-	-	-	(16)	-	-	-	(16)
	Foreign exchange adjustments, etc.	-	-	90	-	-	-	-	90
	Tax relating to other comprehensive income	-	-	(11)	6	-	-	12	7
	Total comprehensive income for the year	-	-	79	(10)	-	-	833	902
	Proposed dividends for the year	-	-	-	-	-	57	(57)	-
	Paid dividends	-	-	-	-	-	(39)	-	(39)
	Dividends, treasury shares	-	-	-	-	-	(1)	1	-
	Share-based payment (granted)	-	-	-	-	-	-	15	15
	Share-based payment (exercised)	-	(191)	-	-	328	-	-	137
	Purchase/sale of treasury shares	-	-	-	-	(641)	-	-	(641)
	Balance sheet total at December 31, 2011	**833**	**3,054**	**(1,486)**	**(8)**	**(654)**	**57**	**5,082**	**6,878**
	Profit (loss) for the period	-	-	-	-	-	-	321	321
	Actuarial gains (losses)	-	-	-	-	-	-	(3)	(3)
	Adjustment of cash flow hedges	-	-	-	22	-	-	-	22
	Foreign exchange adjustments, etc.	-	-	(43)	-	-	-	-	(43)
	Tax relating to other comprehensive income	-	-	6	(6)	-	-	(2)	(2)
	Total comprehensive income for the year	-	-	(37)	16	-	-	316	295
	Reduction of share capital	(58)	(565)	-	-	623	-	-	-
	Share-based payment (granted)	-	-	-	-	-	-	10	10
	Share-based payment (exercised)	-	(6)	-	-	29	-	-	23
	Purchase/sale of treasury shares	-	-	-	-	(1,614)	-	-	(1,614)
	Proposed dividends for the year	-	-	-	-	-	94	(94)	-
	Paid dividends	-	-	-	-	-	(50)	-	(50)
	Dividends, treasury shares	-	-	-	-	-	(7)	7	-
	Balance sheet total at December 31, 2012	**775**	**2,483**	**(1,523)**	**8**	**(1,616)**	**94**	**5,321**	**5,542**
	PARENT COMPANY EQUITY								
	Balance sheet total at December 31, 2010	**833**	**3,286**	**-**	**-**	**(341)**	**40**	**1,436**	**5,254**
	Profit (loss) for the period	-	-	-	-	-	-	(208)	(208)
	Total comprehensive income for the year	-	-	-	-	-	-	(208)	(208)
	Proposed dividends for the year	-	-	-	-	-	57	(57)	-
	Paid dividends	-	-	-	-	-	(39)	-	(39)
	Dividends, treasury shares	-	-	-	-	-	(1)	1	-
	Purchase/sale of treasury shares	-	-	-	-	(641)	-	-	(641)
	Purchase of ownership interests in subsidiaries by payment in treasury shares	-	(41)	-	-	328	-	-	287
	Balance sheet total at December 31, 2011	**833**	**3,245**	**-**	**-**	**(654)**	**57**	**1,172**	**4,653**
	Profit (loss) for the period	-	-	-	-	-	-	2,593	2,593
	Total comprehensive income for the year	-	-	-	-	-	-	2,593	2,593
	Reduction of share capital	(58)	(565)	-	-	623	-	-	-
	Share-based payment (exercised)	-	(4)	-	-	8	-	-	4
	Purchase/sale of treasury shares	-	-	-	-	(1,614)	-	-	(1,614)
	Purchase of ownership interests in subsidiaries by payment in treasury shares	-	73	-	-	21	-	-	94
	Proposed dividends for the year	-	-	-	-	-	94	(94)	-
	Paid dividends	-	-	-	-	-	(50)	-	(50)
	Dividends, treasury shares	-	-	-	-	-	(7)	7	-
	Balance sheet total at December 31, 2012	**775**	**2,749**	**-**	**-**	**(1,616)**	**94**	**3,678**	**5,680**

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 that Management are assessed to be reliable, but that 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 that may result in the fact that actual results may differ from these estimates.

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

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

Development projects
Development projects are measured at cost less accumulated amortization and impairment. An impairment test is performed of the carrying amount of recognized development projects. The impairment test is based on assumptions regarding strategy, product life cycle, 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 874 million at December 31, 2012 (2011: DKK 865 million).

Goodwill
Determining whether goodwill is impaired requires a comparison of the recoverable amount with the carrying amount. The recoverable amount is determined as the net present value of the future cash flows expected to arise from the cash-generating unit to which goodwill is allocated. The carrying amount of goodwill at December 31, 2012, was DKK 2,960 million (2011: DKK 3,048 million). Assumptions underlying the impairment test are provided in note 11.

Loans to and Investments in dispensers
From time to time, GN Store Nord grants loans to dispensers, acquire ownership interests in dispensers and enters into derivative financial instruments linked to ownership interests in dispensers. At December 31, 2012 the carrying amount in Non-current assets of loans to dispensers was DKK 387 million (2011: DKK 271 million), ownership interests in dispensers was DKK 109 million (2011: DKK 114 million) and derivative financial instruments relating to ownership interests was DKK 48 million (2011: DKK 58 million). The agreements are typically complex and cover several aspects of the relationship between the parties. Management assesses the recognition and classification of income and expenses for each of these agreements, including whether the agreement has an embedded supply agreement or represent a discount on future sales. Management also assesses whether current economic conditions and changes in customers' payment behavior could indicate impairment of the outstanding balances. Ownership interests include ownership interests typically between 20% and 50% in unlisted enterprises in which GN Store Nord does not exercise significant influence on the financial and operating policies. The ownership interests and derivative financial instruments linked to ownership interests are recognized at cost and are subsequently measured at fair value or at cost if a reliable measurement of the fair value cannot be made. The ownership interest and derivative financial instruments linked to ownership interests which are not measured at fair value are 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.

Trade receivables
Trade receivables are measured at amortized cost less write-down for bad debt losses. Write-down for bad debt losses is based on an individual assessment of each receivable and at portfolio level. If a customer's financial condition deteriorates, and thus the ability to meet the financial obligation to GN Store Nord, further write-downs may be required in future periods. In assessing the adequacy of write-downs for bad debt losses, Management specifically analyzes receivables, including doubtful debts, concentrations of credit risk, credit ratings, current economic conditions and changes in customers' payment behavior. At December 31, 2012, the carrying amount of write-downs for bad debt losses was DKK 57 million (2011: DKK 52 million). The maturities of trade receivables are included in note 19.

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

Where the net realizable value is lower than cost, inventories are written down to this lower value. The net realizable value of inventories is calculated based on the size of the inventory and decreases in the recoverable amount of purchased raw materials, technical obsolescence (e.g., faulty products), physical obsolescence (e.g., damaged products) and financial obsolescence (e.g., reduced demand or substituting products). GN Store Nord performs write-downs of inventories based on an individual assessment of products or product groups and expected product sales within twelve months following the balance sheet date. At December 31, 2012, the carrying amount of write-downs of inventories was DKK 165 million (2011: DKK 134 million).

Deferred tax
Management has made judgments in determining the Company's provisions for tax, deferred tax assets and deferred tax liabilities and the extent to which deferred tax assets are recognized. GN Store Nord recognizes deferred tax assets only to the extent that it is probable that taxable profit will be available against which the temporary differences and unused tax losses can be utilized. At December 31, 2012, the carrying amount of deferred tax assets and deferred tax liabilities was DKK 563 million (2011: DKK 569 million) and DKK 373 million (2011: DKK 825 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, 2012, the carrying amount of warranty provisions was DKK 112 million (2011: DKK 115 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, 2012, the carrying amount of provisions with respect to obligations to take back goods was DKK 66 million (2011: DKK 61 million).

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

GN Store Nord'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. An account of significant lawsuits and the claim against the German Federal Cartel office (Bundeskartellamt) and the tax case related to the merger of two US companies (the Beltone tax case) is provided in note 27.

Note **(DKK million)**

2 Segment disclosures

Income statement 2012

	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
External revenue	2,355	3,896	-	-	6,251
Internal revenue	-	-	50	(50)	-
Revenue	**2,355**	**3,896**	**50**	**(50)**	**6,251**
Production costs	(1,079)	(1,544)	-	-	(2,623)
Gross profit	**1,276**	**2,352**	**50**	**(50)**	**3,628**
Expensed development costs*	(168)	(362)	(11)	-	(541)
Selling and distribution costs*	(631)	(1,278)	-	-	(1,909)
Management and administrative expenses	(117)	(398)	(116)	50	(581)
Other operating income and cost, net	2	7	(5)	-	4
Award from the arbitration case against TPSA	-	-	15	-	15
EBITA	**362**	**321**	**(67)**	**-**	**616**
Amortization of acquired intangible assets	(9)	(21)	-	-	(30)
Gain (loss) on divestment of operations etc.	-	(58)	-	-	(58)
Operating profit (loss)	**353**	**242**	**(67)**	**-**	**528**
Share of profit (loss) in associates	-	2	-	-	2
Financial income	85	12	48	(71)	74
Financial expenses	(41)	(124)	(49)	71	(143)
Profit (loss) before tax	**397**	**132**	**(68)**	**-**	**461**
Tax on profit (loss)	(107)	(43)	10	-	(140)
Profit (loss) for the year	**290**	**89**	**(58)**	**-**	**321**
Impairment losses regarding intangible assets and property, plant and equipment recognized in the income statement	(3)	(14)	(3)	-	(20)

Transactions between segments are based on market terms.

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

Other segment disclosures 2012

	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
Incurred development costs	(164)	(376)	(11)	-	(551)
Capitalized development costs	62	234	-	-	296
Amortization and depreciation*	(66)	(220)	-	-	(286)
Expensed development costs	**(168)**	**(362)**	**(11)**	**-**	**(541)**
EBITDA	380	416	(51)	-	745
Depreciation	(18)	(95)	(16)	-	(129)
EBITA	**362**	**321**	**(67)**	**-**	**616**

Major customers
No single customer accounted for 10% or more of GN's total revenue in 2012.

Geographical information 2012

	Denmark	Rest of Europe	North America	Asia and rest of world	Consolidated total
Revenue	101	2,193	2,622	1,335	6,251
Intangible assets and property, plant and equipment	1,211	469	2,591	217	4,488

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

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

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

Note **(DKK million)**

2 Segment disclosures (continued)

Balance sheet 2012

	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
Assets					
Goodwill	460	2,500	-	-	2,960
Development projects	86	788	-	-	874
Other intangible assets	55	243	102	-	400
Property, plant and equipment	34	216	4	-	254
Investments in associates	-	17	-	-	17
Other non-current assets	122	1,110	9	(8)	1,233
Total non-current assets	**757**	**4,874**	**115**	**(8)**	**5,738**
Inventories	124	347	-	-	471
Trade receivables	369	979	1	-	1,349
Receivables from subsidiaries*	1,102	-	195	(1,297)	-
Other receivables	31	208	17	(8)	248
Cash and cash equivalents	90	79	-	-	169
Total current assets	**1,716**	**1,613**	**213**	**(1,305)**	**2,237**
Assets classified as held for sale	**19**	**52**	**153**	**-**	**224**
Total assets	**2,492**	**6,539**	**481**	**(1,313)**	**8,199**
Equity and Liabilities					
Equity	**1,907**	**3,741**	**(106)**	**-**	**5,542**
Bank loans	-	-	276	-	276
Other non-current liabilities	41	561	216	(8)	810
Total non-current liabilities	**41**	**561**	**492**	**(8)**	**1,086**
Bank loans	32	47	44	-	123
Trade payables	237	233	15	-	485
Amounts owed to subsidiaries*	-	1,297	-	(1,297)	-
Other current liabilities	275	660	36	(8)	963
Total current liabilities	**544**	**2,237**	**95**	**(1,305)**	**1,571**
Total equity and liabilities	**2,492**	**6,539**	**481**	**(1,313)**	**8,199**

Eliminations in the balance sheet concern tax and intercompany balances.

*Net amount

Cash flow statement 2012

	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
Cash flow from operating activities before changes in working capital	**443**	**859**	**(73)**	**-**	**1,229**
Cash flow from changes in working capital and restructuring/non-recurring costs paid	14	(210)	3,036	-	2,840
Cash flow from operating activities before financial items and tax	**457**	**649**	**2,963**	**-**	**4,069**
Cash flow from investing activities	(101)	(453)	(80)	-	(634)
Cash flow from operating and investing activities before financial items and tax	**356**	**196**	**2,883**	**-**	**3,435**
Tax and financial items	(120)	(134)	(462)	-	(716)
Cash flow from operating and investing activities (free cash flow)	**236**	**62**	**2,421**	**-**	**2,719**

Note (DKK million)

2 Segment disclosures (continued)

Income statement 2011	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
External revenue	2,106	3,441	17	-	5,564
Internal revenue	-	9	50	(59)	-
Revenue	**2,106**	**3,450**	**67**	**(59)**	**5,564**
Production costs	(918)	(1,351)	-	-	(2,269)
Gross profit	**1,188**	**2,099**	**67**	**(59)**	**3,295**
Expensed development costs*	(192)	(318)	-	-	(510)
Selling and distribution costs*	(570)	(1,065)	-	-	(1,635)
Management and administrative expenses	(118)	(300)	(250)	59	(609)
Other operating income and cost, net	2	10	-	-	12
Award from the arbitration case against TPSA	-	-	731	-	731
EBITA	**310**	**426**	**548**	**-**	**1,284**
Amortization of acquired intangible assets	(5)	(23)	-	-	(28)
Gain (loss) on divestment of operations etc.	-	(14)	5	-	(9)
Operating profit (loss)	**305**	**389**	**553**	**-**	**1,247**
Share of profit (loss) in associates	-	6	-	-	6
Financial income	43	62	143	(70)	178
Financial expenses	(38)	(121)	(117)	70	(206)
Profit (loss) before tax	**310**	**336**	**579**	**-**	**1,225**
Tax on profit (loss)	(101)	(128)	(131)	-	(360)
Profit (loss) for the year	**209**	**208**	**448**	**-**	**865**
Impairment losses regarding intangible assets and property, plant and equipment recognized in the income statement	(6)	(2)	(67)	-	(75)

Transactions between segments are based on market terms.

Eliminations in the income statement concern intersegment rent and interest.

Other segment disclosures 2011	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
Incurred development costs	(165)	(336)	-	-	(501)
Capitalized development costs	53	212	-	-	265
Amortization and depreciation*	(80)	(194)	-	-	(274)
Expensed development costs	**(192)**	**(318)**	**-**	**-**	**(510)**
EBITDA	330	507	638	-	1,475
Depreciation	(20)	(81)	(90)	-	(191)
EBITA	**310**	**426**	**548**	**-**	**1,284**

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

Geographical information 2011	Denmark	Rest of Europe	North America	Asia and rest of world	Consolidated total
Revenue	129	2,054	2,198	1,183	5,564
Intangible assets and property, plant and equipment	1,092	504	2,698	216	4,510

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

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

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

Note (DKK million)

2 Segment disclosures (continued)

Balance sheet 2011

	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
Assets					
Goodwill	465	2,583	-	-	3,048
Development projects	87	777	-	-	864
Other intangible assets	55	241	40	-	336
Property, plant and equipment	22	236	4	-	262
Investments in associates	-	16	-	-	16
Other non-current assets	140	994	19	(28)	1,125
Total non-current assets	**769**	**4,847**	**63**	**(28)**	**5,651**
Inventories	95	454	-	-	549
Trade receivables	351	904	14	-	1,269
Receivables from subsidiaries*	926	-	524	(1,450)	-
Other receivables	43	197	3,145	(56)	3,329
Cash and cash equivalents	41	188	-	-	229
Total current assets	**1,456**	**1,743**	**3,683**	**(1,506)**	**5,376**
Assets classified as held for sale	**-**	**-**	**154**	**-**	**154**
Total assets	**2,225**	**6,590**	**3,900**	**(1,534)**	**11,181**
Equity and Liabilities					
Equity	**1,623**	**3,646**	**1,609**	**-**	**6,878**
Bank loans	-	-	1,374	-	1,374
Other non-current liabilities	38	541	700	(28)	1,251
Total non-current liabilities	**38**	**541**	**2,074**	**(28)**	**2,625**
Bank loans	35	50	39	-	124
Trade payables	183	253	50	-	486
Amounts owed to subsidiaries*	-	1,450	-	(1,450)	-
Other current liabilities	346	650	128	(56)	1,068
Total current liabilities	**564**	**2,403**	**217**	**(1,506)**	**1,678**
Total equity and liabilities	**2,225**	**6,590**	**3,900**	**(1,534)**	**11,181**

Eliminations in the balance sheet concern tax and intercompany balances.

*Net amount

Cash flow statement 2011

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

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
3	**Staff costs**				
	Wages, salaries and remuneration	(1,809)	(1,626)	(31)	(29)
	Pensions	(77)	(71)	(2)	(1)
	Other social security costs	(198)	(169)	-	-
	Share-based payments	(10)	(15)	-	-
	Total	**(2,094)**	**(1,881)**	**(33)**	**(30)**
	Included in:				
	Production costs and change in payroll costs included in inventories	(459)	(415)	-	-
	Development costs	(317)	(304)	-	-
	Selling and distribution costs	(988)	(867)	-	-
	Management and administrative expenses	(330)	(288)	(33)	(23)
	Award from the arbitration case against TPSA	-	(7)	-	(7)
	Total	**(2,094)**	**(1,881)**	**(33)**	**(30)**
	Parent company Executive Management remuneration:				
	Salaries	(18)	(17)	(6)	(4)
	Share-based payments	(2)	(1)	-	-
	Total	**(20)**	**(18)**	**(6)**	**(4)**
	Other key management personnel remuneration:				
	Salaries	(2)	(4)	-	-
	Share-based payments	-	(1)	-	-
	Total	**(2)**	**(5)**	**-**	**-**
	Executive Management remuneration can be specified as follows:				
	Lars Viksmoen, CEO of GN ReSound	(7)	(6)	-	-
	Mogens Elsberg, CEO of GN Netcom	(6)	(6)	-	-
	Anders Boyer, CFO of GN Store Nord, GN Netcom (until March 31, 2011) and GN ReSound (from April 1, 2011)	(7)	(6)	(6)	(4)
	Total	**(20)**	**(18)**	**(6)**	**(4)**
	Board of Directors remuneration	(5.9)	(5.8)	(4.2)	(4.1)
	Average number of employees	4,725	4,550	28	18
	Number of employees, year-end	4,750	4,675	30	18

Incentive plans

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

Executive Management and Board of Directors Remuneration

The total remuneration of the Executive Management is based on the "Remuneration Policy for the Executive Management for GN Store Nord". The total remuneration to Executive Management increased 11% or DKK 2 million from 2011 to 2012, mainly due to an increase in bonuses.

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

Note **(DKK million)**

3 Staff costs (continued)

Members of the Board of Directors receive a fixed remuneration that is unchanged compared to 2011 as approved by the shareholders at the Annual General Meeting on March 22, 2012. The fixed remuneration is based on GN´s corporate governance structure in which an Audit Committee, a Strategy Committee and a Remuneration Committee have been established. Further, the appointed board members of GN Store Nord also serve on the Board of Directors of GN ReSound A/S and GN Netcom A/S. The full-year remuneration of the Board of Directors is as follows (DKK thousand):

GN Store Nord A/S	
GN Store Nord A/S	
Chairman	600
Deputy Chairman	400
Other Board members	200
Remuneration Committee, Chairman	300
Remuneration Committee, other members	150
Audit Committee Chairman	300
Audit Committee, other members	150
Strategy Committee Chairman	300
Strategy Committee, other members	150

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

The Strategy Committee, consisting of the Chairman, the Deputy Chairman and a Board member, continued its work in 2012. The Strategy Committee was established for the purpose of, among others, exploring how to leverage core innovation capabilities in a broader perspective. The Strategy Committee held 12 meetings in 2012. In 2012, one member of the Board of Directors received a consultancy fee of DKK 65,000 for work related to a specific project.

	Consolidated		**Parent company**	
	2012	**2011**	**2012**	**2011**
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	(551)	(501)	(11)	-
Depreciation of operating assets, etc., used for development purposes	(12)	(15)	-	-
Total development costs incurred	(563)	(516)	(11)	-
Development costs capitalized as development projects	296	265	-	-
Amortization and impairment of capitalized development projects	(280)	(266)	-	-
Total expensed development costs	**(547)**	**(517)**	**(11)**	**-**
5 Depreciation, amortization and impairment				
Depreciation, amortization and impairment for the year of property, plant, equipment and intangible assets are recognized in the income statement as follows:				
Production costs	(48)	(50)	-	-
Development costs	(292)	(281)	-	-
Selling and distribution costs	(51)	(41)	-	-
Management and administrative expenses	(51)	(112)	(15)	(15)
Total	**(442)**	**(484)**	**(15)**	**(15)**

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
5	**Depreciation, amortization and impairment (continued)**				
	Amortization of intangible assets is recognized in the income statement as follows:				
	Production costs	(1)	(1)	-	-
	Development costs	(281)	(265)	-	-
	Selling and distribution costs	(29)	(26)	-	-
	Management and administrative expenses	(21)	(17)	(12)	(11)
	Total	**(332)**	**(309)**	**(12)**	**(11)**
	Impairment of intangible assets is recognized in the income statement as follows:				
	Development costs	(8)	(8)	-	-
	Selling and distribution costs	(2)	-	-	-
	Management and administrative expenses	(4)	(3)	(3)	(3)
	Total	**(14)**	**(11)**	**(3)**	**(3)**
6	**Fees to auditors appointed at the annual general meeting**				
	Audit fees	(5)	(7)	(1)	(1)
	Total	**(5)**	**(7)**	**(1)**	**(1)**
	Other assistance:				
	Other assurance engagements	-	-	-	-
	Other audit-related services	(3)	(3)	-	-
	Tax assistance and advice	(3)	(3)	(1)	-
	Total	**(6)**	**(6)**	**(1)**	**-**
	Total	**(11)**	**(13)**	**(2)**	**(1)**
	Consolidated audit fees include DKK 2 million (2011: DKK 2 million) to KPMG Statsautoriseret Revisionspartnerselskab. Consolidated other assistance includes DKK 1 million (2011: DKK 1 million) to KPMG Statsautoriseret Revisionspartnerselskab.				
7	**Restructuring/non-recurring costs**				
	Inventory scrapping, write-down and change of return flow	(85)	-	-	-
	Impairment of non-current assets	(13)	-	-	-
	Severance pay, outplacement costs, etc.	(59)	-	-	-
	Cancellation of various contracts	(3)	-	-	-
	Consultants and implementation support	(37)	-	-	-
	Other	(33)	-	-	-
	Total	**(230)**	**-**	**-**	**-**
	Recognized in the income statement as:				
	Production costs	(101)	-	-	-
	Development costs	(4)	-	-	-
	Selling and distribution costs	(52)	-	-	-
	Management and administrative expenses	(73)	-	-	-
	Total	**(230)**	**-**	**-**	**-**

Restructuring costs are related to GN ReSound's SMART program aimining at significantly reducing complexity and thereby costs in the business. The main pillars of the SMART program are complexity reduction, globalize operations and go-to-market. As part of the SMART program certain non-core and loss-making entities have been divested, cf. note 32.

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
8	**Financial income**				
	Interest income from subsidiaries*	-	-	50	58
	Interest income from bank balances*	6	1	3	-
	Interest income relating to the TPSA award	-	84	-	-
	Financial income, other	25	15	1	-
	Foreign exchange gain	43	78	3	9
	Total	**74**	**178**	**57**	**67**
	*Interest income from financial assets at amortized cost.				
9	**Financial expenses**				
	Interest expense to subsidiaries*	-	-	(102)	(36)
	Interest expense on bank balances*	(7)	(30)	(3)	(26)
	Financial expenses, other	(54)	(76)	(11)	(8)
	Fair value adjustment of derivative financial instruments, net	1	(31)	-	(34)
	Foreign exchange loss	(83)	(69)	(5)	(6)
	Total	**(143)**	**(206)**	**(121)**	**(110)**
	GN has not included borrowing costs in the cost price of non-current assets as these are not financed with debt. *Interest expenses from financial liabilities at amortized cost.				
10	**Tax**				
	Tax on profit (loss)				
	Current tax for the year	(587)	(36)	144	36
	Deferred tax for the year	454	(365)	(110)	(4)
	Effect of change in income tax rates	1	11	-	-
	Adjustment to current tax with respect to prior years	(3)	(20)	2	5
	Adjustment to deferred tax with respect to prior years	(5)	50	(7)	30
	Total	**(140)**	**(360)**	**29**	**67**
	Reconciliation of effective tax rate				
	Danish tax rate	25.0%	25.0%	25.0%	25.0%
	Effect of tax rates in foreign jurisdictions	3.4%	0.2%	-	-
	Non-taxable income	(1.1%)	(0.4%)	(26.4%)	3.6%
	Non-deductable expenses	2.9%	1.2%	-	(17.1%)
	Utilization of previously not recognized tax assets	(2.0%)	-	-	-
	Unrecognized tax assets	0.5%	6.7%	-	-
	Effect of change in income tax rates	(0.2%)	(0.9%)	-	-
	Share of profit (loss) in associates	(0.1%)	(0.2%)	-	-
	Adjustment of tax with respect to prior years	1.8%	(2.4%)	-	12.8%
	Other	0.2%	0.2%	0.3%	-
	Effective tax rate	**30.4%**	**29.4%**	**(1.1%)**	**24.3%**
	Tax relating to other comprehensive income				
	Actuarial gains (losses)	(2)	12	-	-
	Adjustment of cash flow hedges	(6)	6	-	-
	Foreign exchange adjustments, etc.	6	(11)	-	-
	Total	**(2)**	**7**	**-**	**-**

In 2012, the parent company paid DKK 546 million in corporation tax against DKK 0 million in 2011.

Note **(DKK million)**

11 Intangible assets

Consolidated

	Goodwill	Development projects, developed in-house	Software	Patents and rights	Telecommunication systems	Other	Total
Cost at January 1	3,048	2,100	318	252	68	534	6,320
Additions on company acquisitions	28	-	-	-	-	3	31
Additions	-	296	84	41	-	14	435
Disposals	(34)	(116)	(26)	-	(68)	(3)	(247)
Transferred to assets classified as held for sale	(44)	-	-	-	-	(40)	(84)
Foreign exchange adjustments	(38)	-	2	-	-	(6)	(42)
Cost at December 31	2,960	2,280	378	293	-	502	6,413
Amortization and impairment at January 1	-	(1,235)	(237)	(224)	(68)	(308)	(2,072)
Amortization	-	(272)	(34)	(5)	-	(21)	(332)
Disposals	-	111	26	-	68	-	205
Impairment	-	(8)	(4)	-	-	(2)	(14)
Transferred to assets classified as held for sale	-	-	-	-	-	31	31
Foreign exchange adjustments	-	(2)	1	1	-	3	3
Amortization and impairment at December 31	-	(1,406)	(248)	(228)	-	(297)	(2,179)
Carrying amount at December 31, 2012	**2,960**	**874**	**130**	**65**	**-**	**205**	**4,234**
Cost at January 1	2,861	1,934	320	249	147	497	6,008
Additions on company acquisitions	151	-	-	-	-	28	179
Additions	-	265	54	-	-	-	319
Disposals	(18)	(99)	(59)	-	(79)	-	(255)
Foreign exchange adjustments	54		3	3	-	9	69
Cost at December 31	3,048	2,100	318	252	68	534	6,320
Amortization and impairment at January 1	-	(1,070)	(268)	(215)	(144)	(280)	(1,977)
Amortization	-	(258)	(21)	(6)	(3)	(21)	(309)
Disposals	-	99	58	-	79	-	236
Impairment	-	(8)	(3)	-	-	-	(11)
Foreign exchange adjustments	-	2	(3)	(3)	-	(7)	(11)
Amortization and impairment at December 31	-	(1,235)	(237)	(224)	(68)	(308)	(2,072)
Carrying amount at December 31, 2011	**3,048**	**865**	**81**	**28**	**-**	**226**	**4,248**
Amortized over	-	1-5 years	1-7 years	up to 20 years	5-15 years	up to 20 years	

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

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

Goodwill

Additions during the year of DKK 28 million mainly relates to the acquisition of equity shares in hearing instrument chains and distributors, cf. note 32. Disposals during the year of DKK 34 million relates to disposal of companies and operations, cf. note 32.

Management has performed an impairment test of the carrying amount of goodwill at December 31, 2012. The impairment test covered the Group's cash-generating units (CGU) to which the carrying amount of goodwill is allocated.

	Carrying amount of goodwill		Required rate of return before tax	
	2012	**2011**	**2012**	**2011**
Cash-generating units:				
Contact Center & Office Headsets	286	288	11	11
Mobile Headsets	174	177	16	13
Hearing Instruments	2,383	2,485	11	10
Otometrics	117	98	13	12
Total	**2,960**	**3,048**		

Note **(DKK million)**

11 Intangible assets (continued)

In the impairment test, the discounted future cash flows of each CGU were compared with the carrying amounts. Future cash flows are based on the budget for 2013, market forecasts for 2014-2017 and strategy plans, among other things. Budgets and strategy plans are based on specific assumptions for the individual CGU regarding sales, operating profit, working capital and investments in non-current assets, among other things. The calculation applies expected growth in the terminal period of 2.5% p.a. Based on the impairment tests and related assumptions, Management has not identified any goodwill impairment at December 31, 2012.

Development projects and software

In-progress and completed development projects comprise development and design of hearing instruments, audiologic diagnostics equipment, headsets and other hands free audio products. The development projects are expected to be completed in 2013 and 2014, after which date product sales and marketing can be commenced. Management performs at least one annual impairment test of the carrying amount of recognized development costs. The recoverable amount is assessed based on sales forecasts. In Management's assessment, the recoverable amount exceeds the carrying amount.

Software comprises development, design and test of production and planning software and reporting systems and business intelligence, etc. Implementation of these systems is expected to optimize internal procedures and processes. In 2012, Management assessed that the expected useful lives were reflected in the carrying amounts at December 31, 2012.

The carrying amounts at December 31, 2012, of completed and in-progress development projects, which are developed in-house, and software can be specified as follows:

	Development projects, developed in-house		Software		Total	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Cost at December 31, completed projects	2,006	1,864	333	302	2,339	2,166
Cost at December 31, projects in progress	274	236	45	16	319	252
Total	**2,280**	**2,100**	**378**	**318**	**2,658**	**2,418**
Carrying amount at December 31, completed projects	600	631	85	65	685	696
Carrying amount at December 31, projects in progress	274	234	45	16	319	250
Total	**874**	**865**	**130**	**81**	**1,004**	**946**

Patents and rights

Patents and rights primarily comprise acquired patents and rights. The most significant patents and rights relate to technologies regarding the development of new hearing instruments for GN ReSound, manufacturing and distribution rights regarding ear scanner technology in GN Store Nord and rights to the use of certain technologies regarding development of headsets.

Other

The Group's other intangible assets comprise DKK 85 million (2011: DKK 82 million) related to customer lists and DKK 120 million (2011: DKK 144 million) related to trademarks.

Note **(DKK million)**

11 Intangible assets (continued)

Parent company

	Software 2012	Software 2011	Telecom-munication systems 2012	Telecom-munication systems 2011	Total 2012	Total 2011
Cost at January 1	44	35	67	67	111	102
Additions	37	20	-	-	37	20
Disposals	(4)	(11)	(67)	-	(71)	(11)
Cost at December 31	77	44	-	67	77	111
Amortization and impairment at January 1	(4)	(4)	(67)	(64)	(71)	(68)
Amortization	(12)	(8)	-	(3)	(12)	(11)
Disposals	4	11	67	-	71	11
Impairment	(3)	(3)	-	-	(3)	(3)
Amortization and impairment at December 31	(15)	(4)	-	(67)	(15)	(71)
Carrying amount at December 31	**62**	**40**	**-**	**-**	**62**	**40**
Amortized over	1-7 years	1-7 years	5-15 years	5-15 years		

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

12 Property, plant and equipment

Consolidated

	Factory and office buildings	Leasehold improve-ments	Plant and machinery	Operating assets and equipment	Leased plant and equip-ment	Assets under con-struction	Total
Cost at January 1	102	128	603	347	8	3	1,191
Additions on company acquisitions	-	-	3	1	-	-	4
Additions	-	24	34	25	3	17	103
Disposals	-	(10)	(92)	(47)	(5)	-	(154)
Transfers	-	-	16	-	-	(16)	-
Transferred to assets classified as held for sale	-	(7)	-	(8)	-	-	(15)
Foreign exchange adjustments	-	(2)	(1)	(3)	(2)	-	(8)
Cost at December 31	102	133	563	315	4	4	1,121
Depreciation and impairment at January 1	(40)	(82)	(511)	(290)	(6)	-	(929)
Depreciation	(4)	(15)	(45)	(25)	(1)	-	(90)
Impairment	(6)	-	-	-	-	-	(6)
Disposals	1	8	92	41	4	-	146
Transfers	-	(7)	-	7	-	-	-
Transferred to assets classified as held for sale	-	5	-	4	-	-	9
Foreign exchange adjustments	-	-	-	2	1	-	3
Depreciation and impairment at December 31	(49)	(91)	(464)	(261)	(2)	-	(867)
Carrying amount at December 31, 2012	**53**	**42**	**99**	**54**	**2**	**4**	**254**
Cost at January 1	376	103	643	350	7	3	1,482
Additions on company acquisitions	-	2	1	8	-	-	11
Additions	7	9	34	18	1	13	82
Disposals	(22)	(8)	(95)	(15)	-	-	(140)
Transfers	-	20	14	(20)	-	(14)	-
Transferred to assets classified as held for sale	(262)	-	-	-	-	-	(262)
Foreign exchange adjustments	3	2	6	6	-	1	18
Cost at December 31	102	128	603	347	8	3	1,191
Depreciation and impairment at January 1	(94)	(71)	(548)	(283)	(5)	-	(1,001)
Depreciation	(16)	(13)	(50)	(20)	(1)	-	(100)
Impairment	(64)	-	-	-	-	-	(64)
Disposals	13	5	94	13	-	-	125
Transfers	-	(1)	(3)	4	-	-	-
Transferred to assets classified as held for sale	122	-	-	-	-	-	122
Foreign exchange adjustments	(1)	(2)	(4)	(4)	-	-	(11)
Depreciation and impairment at December 31	(40)	(82)	(511)	(290)	(6)	-	(929)
Carrying amount at December 31, 2011	**62**	**46**	**92**	**57**	**2**	**3**	**262**
Depreciated over	10-50 years	5-20 years	1-7 years	2-7 years	2-7 years	-	-

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

Note	(DKK million)	Parent company 2012	Parent company 2011
13	**Investments in subsidiaries**		
	Cost at January 1	5,758	5,714
	Additions, capital contribution	95	287
	Disposals	(50)	(92)
	Impairment losses	-	(151)
	Cost at December 31	**5,803**	**5,758**

Group companies are listed on page 94.

Note		Consolidated 2012	Consolidated 2011
14	**Associates and joint ventures**		
	Investments in associates		
	Cost at January 1	23	42
	Transfer	-	(19)
	Cost at December 31	23	23
	Value adjustments at January 1	(7)	(8)
	Share of profit (loss)	2	6
	Fair value adjustments	-	8
	Transfer	-	(13)
	Foreign exchange adjustments	(1)	-
	Value adjustments at December 31	(6)	(7)
	Carrying amount at December 31	**17**	**16**
	Aggregated financial information with respect to associates is provided below:		
	Revenue	80	145
	Profit (loss) for the year after tax	5	21
	Total assets	51	54
	Total liabilities	17	24
	Total share of profit (loss) for the year after tax	2	6
	Total share of net assets	9	7
	Associates are listed on page 94.		
	Aggregated financial information with respect to joint ventures accounted for by proportionate consolidation is provided below:		
	Non-current assets	-	-
	Current assets	-	3,044
	Non-current liabilities	-	-
	Current liabilities	-	16
	Revenue	-	-
	Costs	5	(1)
	Award from the arbitration case against TPSA	-	748

The joint venture Danish Polish Telecommunications Group I/S, which is accounted for by proportionate consolidation, was liquidated in 2012.

Note	(DKK million)	Consolidated 2012	2011
15	**Other non-current assets**		
	Non-current loans to dispensers of GN ReSound products	387	271
	Ownership interests	109	114
	Derivative financial instruments relating to ownership interests	48	58
	RAP, SIP and DCP*	118	108
	Other securities	-	3
	Other	8	2
	Total	**670**	**556**

Loans to dispensers of GN ReSound products as well as RAP, CIP and DCP has been reclassified from Other receviables to Other non-current assets. GN ReSound's assessment of credit risk associated with non-current loans to dispensers depends primarily on change in payment behavior and current economic conditions. Before a loan is extended the creditworthiness of the individual dispenser is analyzed. No individual dispenser accounts for more than 5% of total non-current loans to dispensers.

Ownership interests and derivatives are primarily ownership interests in dispensers of GN ReSound products and derivative financial instruments linked to ownership interests in such dispensers. The ownership interests and the related derivative financial instruments are measured at cost if a reliable measurement of the fair value cannot be made, cf. description in GN Store Nord's Accounting Policies.

*RAP (Retirement Advantage Plan) and SIP (Savings and Investment Plan) are programs in which customers earn funds based on purchases made. DCP (Deferred Compensation Plan) is a program in which Management in certain foreign subsidiaries may choose to defer compensation. The amounts invested by the Group on behalf of customers and Management is recognized in Other non-current assets. The Groups liabilities related to the programs is recognized in Other non-current liabilities at DKK 138 million (2011: DKK 127 million).

Parent Company
Other non-current assets in the parent company are amount owed by subsidiaries.

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
16	**Deferred tax**				
	Deferred tax, net				
	Deferred tax at January 1, net	(256)	40	(45)	(71)
	Adjustment with respect to prior years	(5)	50	(7)	30
	Effect of change in income tax rates	1	11	-	-
	Addition of deferred tax on acquisition of enterprises	-	1	-	-
	Deferred tax for the year recognized in profit (loss) for the year	454	(365)	(110)	(4)
	Deferred tax transferred to assets classified as held for sale	(10)	(14)	-	-
	Deferred tax for the year recognized in Other comprehensive income for the year	4	7	-	-
	Foreign exchange adjustments	2	14	-	-
	Deferred tax at December 31, net	**190**	**(256)**	**(162)**	**(45)**
	Deferred tax is recognized in the balance sheet as follows:				
	Deferred tax assets	563	569	-	-
	Deferred tax liabilities	(373)	(825)	(162)	(45)
	Deferred tax at December 31, net	**190**	**(256)**	**(162)**	**(45)**
	Deferred tax, net relates to:				
	Intangible assets	(354)	(341)	(15)	(10)
	Property, plant and equipment	46	51	-	1
	Other securities	41	48	-	-
	Current assets	83	(551)	-	-
	Current liabilities	25	22	-	-
	Intercompany liabilities	36	30	-	-
	Tax loss carryforwards	252	411	-	109
	Retaxation	(152)	(152)	(152)	(152)
	Provisions	182	192	5	7
	Other	31	34	-	-
	Total	**190**	**(256)**	**(162)**	**(45)**
	Tax value of unrecognized tax assets				
	Tax loss carryforwards	117	165	-	-
	Unrecognized tax assets at December 31	**117**	**165**	**-**	**-**

Unrecognized tax assets are based on the Group's expectations of the future utilization of the tax assets. A number of tax loss carryforward will expire between 2014-2028.

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

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
17	**Inventories**				
	Raw materials and consumables	173	258	-	-
	Work in progress	11	11	-	-
	Finished goods and merchandise	287	280	-	-
	Total	**471**	**549**	**-**	**-**
	The above includes write-downs amounting to	165	134	-	-
	Write-downs recognized in the income statement under production costs	104	56	-	-
	Reversed write-downs recognized under production costs	8	11	-	-
	Value of inventory, recognized at net realizable value	-	-	-	-
	Production costs include costs of sales of	2,293	1,925	-	-
	The reversal of write-downs can be attributed to products that are sold or are expected to be sold.				
18	**Current tax**				
	Tax payable and tax receivable				
	Tax payable at January 1, net	(23)	14	36	2
	Foreign exchange adjustments	(1)	(3)	-	-
	Addition of current tax on acquisition of enterprises	-	(1)	-	-
	Adjustment with respect to prior years	(3)	(20)	2	5
	Payment relating to prior years	26	6	(38)	(7)
	Current tax for the year	(587)	(36)	144	36
	Current tax for the year recognized in Other comprehensive income for the year	(6)	-	-	-
	Payments relating to the current year	617	17	(142)	-
	Tax receivable (payable) at December 31, net	**23**	**(23)**	**2**	**36**
	Current tax is recognized as follows in the balance sheet:				
	Tax receivable (assets)	34	13	2	36
	Tax payable (liabilities)	(11)	(36)	-	-
	Tax receivable (payable) at December 31, net	**23**	**(23)**	**2**	**36**

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
19	**Trade receivables**				
	Trade receivables	1,349	1,269	-	13
	Total	**1,349**	**1,269**	**-**	**13**
	Trade receivables have the following maturities:				
	Not due	1,048	1,012	-	12
	Due 30 days or less	108	89	-	1
	Due more than 30 days but less than 90 days	73	76	-	-
	Due more than 90 days	120	92	-	-
	Total	**1,349**	**1,269**	**-**	**13**
	Write-downs, which are included in total trade receivables, have developed as follows:				
	Write-downs at January 1	(52)	(47)	-	-
	Write-downs made during the year	(12)	(16)	-	-
	Realized during the year	7	9	-	-
	Reversed write-downs	-	2	-	-
	Write-downs at December 31	**(57)**	**(52)**	**-**	**-**

Total write-downs of DKK 57 million is included in trade receivables at the end of 2012. No material individual write-downs have been made. GN Store Nord's assessment of credit risk associated with individual receivables depends primarily on aging, change in customer payment behavior, current economic conditions, etc. as described in note 1. Based on past experience, GN Store Nord believes that no write-down is necessary with respect to trade receivables not past due.

No security has been pledged to GN Store Nord for trade receivables.

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

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
	Due 30 days or less	81	70	-	1
	Due more than 30 days but less than 90 days	35	44	-	-
	Due more than 90 days	32	62	-	-
	Total	**148**	**176**	**-**	**1**
20	**Current receivables falling due after more than one year**				
	Trade receivables	-	10	-	-
	Other receivables	3	13	-	-
	Total	**3**	**23**	**-**	**-**

No security has been pledged to GN for receivables.

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
21	**Pension obligations**				
	Present value of defined benefit obligations	(311)	(298)	(1)	(1)
	Fair value of plan assets	211	188	-	-
	Net obligations	**(100)**	**(110)**	**(1)**	**(1)**
	of which recognized in				
	Pension obligations	(100)	(110)	(1)	(1)
	Total	**(100)**	**(110)**	**(1)**	**(1)**
	The present value of defined benefit obligations includes unfunded pension obligations not covered by payments to insurance company of DKK (13) million in 2012 (2011: DKK (12) million).				
	Development in present value of defined benefit obligations				
	Obligations at January 1	(298)	(259)	(1)	(1)
	Foreign exchange adjustments	3	(5)	-	-
	Costs for the year	(4)	(3)	-	-
	Interest expense	(12)	(13)	-	-
	Actuarial gains (losses)	(12)	(31)	-	-
	Pension payments, unfunded	1	1	-	-
	Pension payments	11	12	-	-
	Obligations at December 31	**(311)**	**(298)**	**(1)**	**(1)**
	Development in fair value of plan assets				
	Plan assets at January 1	188	186	-	-
	Foreign exchange adjustments	(1)	4	-	-
	Expected return on plan assets	12	12	-	-
	Actuarial gains (losses)	9	(13)	-	-
	Payment by GN Store Nord	14	11	-	-
	Pension payments	(11)	(12)	-	-
	Plan assets at December 31	**211**	**188**	**-**	**-**
	Pension costs recognized in the income statement				
	Costs for the year	(4)	(3)	-	-
	Interest expense	(12)	(13)	-	-
	Expected return on plan assets	12	12	-	-
	Defined benefit plans total	(4)	(4)	-	-
	Defined contribution plans total	(73)	(67)	(2)	(1)
	Total cost recognized in the income statement	**(77)**	**(71)**	**(2)**	**(1)**
	The costs are recognized in the following income statement items:				
	Production costs	(14)	(13)	-	-
	Development costs	(16)	(15)	-	-
	Selling and distribution costs	(24)	(23)	-	-
	Management and administrative expenses	(23)	(19)	(2)	(1)
	Financial expenses	-	(1)	-	-
	Total	**(77)**	**(71)**	**(2)**	**(1)**
	The following accumulated actuarial gains/(losses) since January 1, 2005, are recognized in the Statement of Other Comprehensive Income:				
	Accumulated actuarial gains (losses)	(99)	(96)	-	-

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
21	**Pension obligations (continued)**				
	Breakdown of plan assets:				
	Shares	69%	67%	-	-
	Bonds	30%	32%	-	-
	Cash and cash equivalents	1%	1%	-	-
	Total	**100%**	**100%**	**-**	**-**
	Return on plan assets:				
	Expected return on plan assets	(12)	(12)	-	-
	Actual return on plan assets	21	(1)	-	-
	Actuarial gains (losses) on plan assets	**9**	**(13)**	**-**	**-**
	The actuarial calculations for the prevailing American defined benefit plan at the balance sheet date are based on the following assumptions:				
	Discount rate	4.25%	5.25%		
	Expected return on plan assets	7.00%	7.00%		
	Development in salary levels	N/A	N/A		

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

	2012	2011	2010	2009	2008
Actuarial pension obligation	(311)	(298)	(259)	(222)	(220)
Plan assets	211	188	186	160	142
Surplus/(deficit)	**(100)**	**(110)**	**(73)**	**(62)**	**(78)**

Defined contribution plans

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

An amount of DKK 73 million (2011: DKK 67 million) has been expensed in the consolidated income statement with respect to defined contribution plans.

Defined benefit plans

The Group has an American pension plan, which is not covered by payments to insurance companies but is partly offset by the fair value of reserved pension funds. At July 1, 2003, the pension plan was frozen, meaning that employees covered by the plan will continue to be entitled to the pension payments earned up to this date. However, employees will not earn further pension payments.

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

Other plans

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

Note **(DKK million)**

22 Provisions

Consolidated	Re-structuring	Warranty provisions	Other provisions	Total
Provisions at January 1	27	115	248	390
Additions	9	11	83	103
Consumed	(12)	(7)	(44)	(63)
Reversed	(2)	(6)	(43)	(51)
Foreign exchange adjustments	-	(1)	(1)	(2)
Provisions at December 31, 2012	**22**	**112**	**243**	**377**
Of which is recognized in the consolidated balance sheet:				
Non-current liabilities	15	42	95	152
Current liabilities	7	70	148	225
Provisions at December 31, 2012	**22**	**112**	**243**	**377**
Of which is recognized in the parent company balance sheet:				
Non-current liabilities	-	-	22	22
Current liabilities	-	-	-	-
Provisions at December 31, 2012	**-**	**-**	**22**	**22**

Restructuring provisions of DKK 22 million relate to restructurings based on detailed plans prepared by Management, which have been discussed with and announced to the employee groups affected and others.

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

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

23 Non-current liabilities

	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
Bank loans	276	1,374	276	1,374
Capitalized lease obligations	5	6	-	-
Other long-term payables	142	137	-	-
Received prepayments	38	43	-	-
Non-current liabilities excluding pension obligations, deferred tax and other provisions	**461**	**1,560**	**276**	**1,374**
Breakdown of liabilities due as of the balance sheet date:				
1-2 years	167	36	-	-
2-3 years	13	146	-	-
3-4 years	280	4	276	-
4-5 years	1	1,374	-	1,374
> 5 years	-	-	-	-
Total	**461**	**1,560**	**276**	**1,374**
Breakdown of liabilities by currency:				
DKK	4	410	-	400
EUR	276	974	276	974
USD	175	170	-	-
Other currencies	6	6	-	-
Total	**461**	**1,560**	**276**	**1,374**

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
24	**Current liabilities**				
	Bank loans	123	124	45	39
	Total bank loans	**123**	**124**	**45**	**39**
	Breakdown of loans by currency:				
	DKK	70	57	45	14
	EUR	8	12	-	25
	USD	35	40	-	-
	Other currencies	10	15	-	-
	Total	**123**	**124**	**45**	**39**
25	**Other payables**				
	Wages and salaries, holiday pay, etc.	283	257	8	17
	Taxes and duties and tax payable at source	43	52	-	-
	Social contributions	21	21	-	-
	Bonuses and discounts	154	151	-	-
	Marketing	50	58	-	-
	Accrued fees	11	14	1	2
	Prepayments received	53	46	-	-
	Amounts owed to subsidiaries	-	-	1,250	1,382
	Donations	-	29	-	29
	Derivative financial instruments	-	42	-	29
	Other	112	102	4	4
	Total	**727**	**772**	**1,263**	**1,463**
26	**Lease obligations**				
	Future lease obligations are distributed as follows:				
	Finance leases:				
	Less than one year	-	-	-	-
	Between one and five years	5	6	-	-
	More than five years	-	-	-	-
	Total	**5**	**6**	**-**	**-**
	Finance leases relate to operating assets and equipment leases. The interest element of finance lease obligations amounts to less than DKK 1 million. Accordingly, only the net present value is disclosed.				
	Operating leases:				
	Less than one year	95	75	7	4
	Between one and five years	209	130	1	1
	More than five years	42	48	-	-
	Total	**346**	**253**	**8**	**5**

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

Operating leases include rental obligations related to properties in Denmark in the amount of DKK 77 million (2011: DKK 82 million). DKK 24 million (2011: DKK 25 million) of the rental obligation in Denmark is provided for in the balance sheet in connection with vacating the premises.

Lease payments recognized in the income statement relating to operating leases amount to DKK 110 million (2011: DKK 75 million).

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
27	**Contingent liabilities, other financial liabilities and contingent assets**				
	Guarantees, warranties and other liabilities	**11**	**44**	**-**	**-**

Contingent liabilities

Outstanding lawsuits and arbitration proceedings

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

Other financial liabilities

Guarantees

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

Security

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

Purchase obligations

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

Contingent assets

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

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

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

Note **(DKK million)**

28 Financial instruments and financial risks

Contractual maturity analysis for financial liabilities

Consolidated	**Less than one year**	**Between one and five years**	**More than five years**	**Total**
2012				
Long-term bank loans	-	276	-	276
Capitalized lease obligations	-	5	-	5
Other long-term payables	-	142	-	142
Short-term bank loans	123	-	-	123
Trade payables	485	-	-	485
Total non-derivative financial liabilities	608	423	-	1,031
Derivative financial liabilities	-	-	-	-
Total financial liabilities	**608**	**423**	**-**	**1,031**
2011				
Long-term bank loans	-	1,374	-	1,374
Capitalized lease obligations	-	6	-	6
Other long-term payables	-	137	-	137
Short-term bank loans	124	-	-	124
Trade payables	486	-	-	486
Total non-derivative financial liabilities	610	1,517	-	2,127
Derivative financial liabilities	13	29	-	42
Total financial liabilities	**623**	**1,546**	**-**	**2,169**

Parent company				
2012				
Long-term bank loans	-	276	-	276
Short-term bank loans	45	-	-	45
Trade payables	11	-	-	11
Total non-derivative financial liabilities	56	276	-	332
Derivative financial liabilities	-	-	-	-
Total financial liabilities	**56**	**276**	**-**	**332**
2011				
Long-term bank loans	-	1,374	-	1,374
Short-term bank loans	39	-	-	39
Trade payables	47	-	-	47
Total non-derivative financial liabilities	86	1,374	-	1,460
Derivative financial liabilities	-	29	-	29
Total financial liabilities	**86**	**1,403**	**-**	**1,489**

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

Consolidated

Specification of net interest-bearing debt	**Total 2012**	**Total 2011**
Cash and cash equivalents	169	229
Bank loans, non-current liabilities	(276)	(1,374)
Bank loans, current liabilities	(123)	(124)
Total	**(230)**	**(1,269)**

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
28	**Financial instruments and financial risks (continued)**				
	Categories of financial assets and liabilities				
	Derivative financial instruments relating to ownership interests, cf. note 15	48	58	-	-
	Derivative financial instruments relating to hedging of forecasted future transactions included in Other receivables	11	1	-	1
	Financial assets held for trading	**59**	**59**	**-**	**1**
	Ownership interests, Other securities and RAP, SIP, DCP, cf. note 15	227	225	-	-
	Financial assets available-for-sale	**227**	**225**	**-**	**-**
	Trade receivables	1,349	1,269	-	13
	Other receivables	214	3,316	5	22
	Other receivables, non-current	387	271	-	-
	Receivables from subsidiaries	-	-	1,588	1,769
	Loans and receivables	**1,950**	**4,856**	**1,593**	**1,804**
	Bank loans, non-current	276	1,374	276	1,374
	Other long-term payables, cf. note 23	142	137	-	-
	Bank loans	123	124	45	39
	Trade payables	485	486	11	47
	Amounts owed to subsidiaries, cf. note 25	-	-	1,250	1,382
	Financial liabilities measured at amortized cost	**1,026**	**2,121**	**1,582**	**2,842**
	Derivative financial instruments included in Other payables	-	42	-	29
	Financial liabilities measured at fair value	**-**	**42**	**-**	**29**

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

Derivative financial instruments

Cash flow hedges, exchange rate instruments

Consolidated	2012 Contract amount, net	2012 Fair value, assets	2012 Fair value, liabilities	2011 Contract amount, net	2011 Fair value, assets	2011 Fair value, liabilities
USD	187	4	1	138	-	7
JPY	70	6	-	59	-	3
GBP	60	1	1	93	-	3
AUD	50	-	-	-	-	-
Total	**367**	**11**	**2**	**290**	**-**	**13**

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
28	**Financial instruments and financial risks (continued)**				
	Fair value adjustment for the year recognized in				
	Other comprehensive income	8	(10)	-	-
	Reclassified from equity to revenue	14	(6)	-	-
	Ineffectiveness recognized in financial items	-	(1)	-	-

Derivative financial instruments, for which hedge accounting is not applied (economic hedges)

Consolidated	2012 Contract amount, net	2012 Fair value, assets	2012 Fair value, liabilities	2011 Contract amount, net	2011 Fair value, assets	2011 Fair value, liabilities
CNY	(224)	2	-	(224)	1	-
EUR*	-	-	-	(892)	-	29
Total	**(224)**	**2**	**-**	**(1,116)**	**1**	**29**

* Interest rate swaps denominated in EUR

	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
Fair value adjustment recognized in financial items	1	(28)	(3)	(29)
of which reclassified from equity (interest rate swaps)	-	(28)	-	(28)

The gains and losses on cash flow hedges recognized in Other comprehensive income as of December 31, 2012 will be recognized in the income statement in the period during which the hedged forecasted transaction affects the income statement. The fair value of all exchange rate instruments is determined using quoted forward exchange rates at the balance sheet date and can be categorized as level 2 (observable inputs) in the fair value hierarchy.

Foreign currency risk
GN Store Nord has currency exposure only in connection with commercial transactions. GN Store Nord does not raise loans or place surplus cash in foreign currency unless doing so reduces a currency exposure. To a great extent, GN Store Nord's currency exposures in revenue and costs offset each other. GN Store Nord uses forward exchange contracts to hedge any significant residual currency risk, which for the time being are long positions (income) in the USD, GBP, JPY and AUD and a short position (costs) in the CNY. Consequently, GN Store Nord's industrial competitiveness and its EBITA are relatively resistant to likely currency fluctuations. GN Store Nord has a large cost base in China and is as such exposed to the CNY, which historically has been linked to the USD. Most Chinese subcontractor agreements are made and paid in USD, however, GN Store Nord's long-term industrial competitiveness will be negatively impacted by a strengthening of the CNY, and GN Store Nord has decided to hedge this exposure to ensure that GN Store Nord has sufficient time to adapt to a new manufacturing strategy should market conditions change unfavorably for GN Store Nord. As of December 31, 2012, there are no material currency risk related to financial instruments.

Currency fluctuations might, however, impact short-term profit as and when products manufactured at a given exchange rate are sold at a different exchange rate at a later point in time. GN Store Nord has several balance sheet items denominated in USD, including most of its goodwill. Expected cash flows are continually reassessed.

Note **(DKK million)**

28 Financial instruments and financial risks (continued)

The table below shows the impact on consolidated equity given a change of 10% in the respective currencies.

Effect on equity from translation (excluding impact of hedging), 10% positive exchange rate impact

(DKK million)	2012	2011
USD	343	328
CNY	28	28

Interest rate risk
Following the receipt of the TPSA award in early 2012, GN Store Nord repaid all outstanding debt, and consequently GN Store Nord has not used any derivative financial instruments in order to hedge interest rate risks.

Funding, liquidity and capital structure
At December 31, 2012, GN Store Nord had an equity ratio of 68% and net interest-bearing debt of DKK 230 million. As the TPSA dispute came to an end in January 2012 with a final payment to GN Store Nord of DKK 3,064 million before tax and associated costs, GN Store Nord immediately repaid all interest-bearing debt of the Company. GN Store Nord currently intends to take the net interest bearing debt toward a level of around one time EBITDA within a timeframe of up to two years. GN Store Nord's long term capital structure policy (net debt up to a maximum of two times EBITDA) remains unchanged, however. GN Store Nord aims to pay out a dividend corresponding to 15-25% of the annual net results and will initiate share buyback programs when deemed appropriate subject to the authorization by the shareholders in a general meeting.

Financial credit risk
Surplus cash positions in GN Store Nord's subsidiaries are re-circulated back to the parent company as soon as possible, and cash is mainly held in current accounts or as short-term money market deposits. Cash positions are primarily held with banks through which GN Store Nord conducts its day-to-day banking business and which have a satisfactory rating with Moody's and Standard & Poor's. GN Store Nord has a policy of never having an exposure to a single financial counterparty of more than 2.5% of that party's capital and reserves. GN Store Nord had cash and cash equivalents of DKK 169 million at December 31, 2012.

29 Outstanding shares and treasury shares

	Outstanding shares (thousands)	Treasury shares (thousands)	Total number of shares (thousands)	Nominal value of outstanding shares (DKK thousands)	Nominal value of treasury shares (DKK thousands)	Nominal value of total shares (DKK thousands)	Treasury shares as a percentage of share capital
Number of shares at January 1, 2012	192,974	15,386	208,360	771,896	61,544	833,440	7.4%
Purchase of ownership interest in subsidiaries	1,532	(1.532)	-	6,128	(6,128)	-	-
Share options excercied	170	(170)	-	680	(680)	-	-
Shares acquired/sold by GN Store Nord A/S	(24,190)	24,190	-	(96,760)	96,760	-	-
Shares canceled	-	(14,663)	(14,663)	-	(58,652)	(58,652)	-
Number of shares at December 31, 2012	**170,486**	**23,211**	**193,697**	**681,944**	**92,844**	**774,788**	**12.0%**

The treasury shares had a market value of DKK 1,899 million at December 31, 2012 (2011: DKK 744 million).

(Shares thousands)	2012	2011
Weighted average number of outstanding shares	178,825	200,710
Dilutive effect of share-based payment with positive intrinsic value – average for the period	1,788	1,894
Diluted weighted average number of outstanding shares	**180,613**	**202,604**
(DKK million)		
Profit (loss) for the year used for the calculation of earnings per share	321	865
Dilutive effect of profit (loss) for the year	-	-
Profit (loss) for the year used for the calculation of diluted earnings per share	**321**	**865**

Note **(DKK million)**

30 **Related party transactions**

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

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

Group enterprises and associates are listed on page 94.

Board of Directors, Executive Management and Senior Employees

Management remuneration and incentive plans are described in notes 3 and 31.

Group enterprises and associates

Trade with group enterprises and associates comprised:

	Consolidated		**Parent company**	
(DKK million)	**2012**	**2011**	**2012**	**2011**
Sale of products to associates	14	21	-	-
Purchase of products/services from associates	(2)	(1)	-	-
Sale of services to group enterprises	-	-	50	38
Lease income from group enterprises	-	-	13	13
Purchase of services from group enterprises	-	-	(46)	(33)
Purchase of products from group enterprises	-	-	-	(9)
Lease costs paid to group enterprises	-	-	(13)	(14)
Purchase of intangible assets	-	-	(11)	(12)

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

The parent company's balances with group enterprises at December 31, 2012, are recognized in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in notes 8 and 9. Further, balances with group enterprises and associates comprise usual trade balances related to the purchase and sale of goods and services.

Sale of services to group enterprises consists of facility services, canteen services, management fees and IT costs. Purchase of services from group enterprises mainly consists of facility services and canteen services. In 2012, the parent company has bought software from subsidiaries for a total amount of DKK 11 million. The transactions were carried out in preparation for the implementation of a new ERP platform for the entire group. The assets were traded at net book values. Furthermore, the parent company has purchased development services on market terms from subsidiaries related to the activities of the Strategy Committee.

One transaction of DKK 65,000 has been carried out with a member of the Board of Directors, cf. note 3 for further information. No other transactions have been carried out with the Board of Directors, the Executive Management, senior employees, major shareholders or other related parties, apart from ordinary remuneration.

Note **(DKK million)**

31 Incentive plans

Share option programs

Since 1998, GN Store Nord has issued share options as a part of a long-term incentive plan for a number of senior employees. The plans from 1998–2007 had all expired at the end of 2012. Accordingly, at December 31, 2012, GN Store Nord only had outstanding share options granted in 2009. Share options are not granted to members of GN Store Nord's Board of Directors.

Share options in GN Store Nord	Group Executive Management	Other employees	Total	Average exercise price
Share options granted at January 1, 2011	**-**	**782,292**	**782,292**	**69**
Share options forfeited during the year/corrections	-	(585,266)	(585,266)	86
Outstanding share options at December 31, 2011	**-**	**197,026**	**197,026**	**21**
Share options exercised during the year	-	(170,026)	(170,026)	22
Outstanding share options at December 31, 2012	**-**	**27,000**	**27,000**	**14**
Market value of outstanding share options at December 31, 2012	0 million	2 million	2 million	

The calculation of the market value at the balance sheet date is based on a historical three-year volatility in the GN Store Nord share for the period January 1, 2010-December 31, 2012.

The granted share options are basically identical with regard to exercise price and expiry date. The options granted can be exercised three years after the grant date. Exercise is contingent on at least a 19% increase in GN Store Nord's share price compared to the exercise price in the period following the first exercise date.

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

Share options in GN Store Nord Grant date	Group Executive Management	Other employees	Total	Number of exercisable options	Exercise price	Years to expiry	Market value in DKK million
April 2009	-	27,000	27,000	27,000	14	1.3	2
Outstanding share options at December 31, 2012	**-**	**27,000**	**27,000**	**27,000**			**2**

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

Market conditions	2012 year end	Grant date 2012	2011 year end	Grant date 2011
Share price	82	-	48	-
Volatility	33%	-	39%	-
Dividend per share	0,27	-	0.19	-
Risk-free interest rate	0.06%	-	0.76%	-
Term	Remaining term	-	Remaining term	-

No share options were granted in 2012.

Note **(DKK million)**

31 Incentive plans (continued)

Warrants programs

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

Warrants program, GN Netcom	Group Executive Management	Other employees	Total	Average exercise price
Warrants granted at January 1, 2011	**451**	**1,916**	**2,367**	**49,154**
Share split 1 to 10	4,059	17,244	21,303	4,915
Warrants granted during the year	479	2,787	3,266	9,351
Warrants exercised during the year	(3,060)	(16,610)	(19,670)	4,937
Warrants forfeited during the year/corrections	-	(700)	(700)	6,109
Outstanding warrants at December 31, 2011	**1,929**	**4,637**	**6,566**	**6,929**
Warrants granted during the year	495	2,628	3,123	11,232
Warrants exercised during the year	(720)	(900)	(1,620)	2,851
Warrants forfeited during the year/corrections	-	(239)	(239)	7,521
Outstanding warrants at December 31, 2012	**1,704**	**6,126**	**7,830**	**9,471**
Grant date market value of warrants granted in 2012	1 million	5 million	6 million	
Market value of outstanding warrants at December 31, 2012	5 million	15 million	20 million	

Warrants in GN Netcom granted in 2010, 2011 and 2012 will vest the day after the release of GN Store Nord's annual report in the third year after the grant. Vested warrants may be exercised during a four-week period opening each quarter of each of the third, fourth and fifth year after allocation. The quarterly four-week window will open following the release of a Valuation Report concerning the value of the shares of GN Netcom. Warrants vest provided the share value of GN Store Nord has increased and that the share value of GN Netcom has outperformed a peer group index of competitors and industry segment indicators as defined by GN Netcom's Board of Directors by a certain percentage during the sametime period. Warrants are granted at no consideration.

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

Warrants program, GN Netcom

Grant date	Group Executive Management	Other employees	Total	% of GN Netcom A/S	Number of exercisable warrants	Exercise price	Years to expiry	Market value in DKK million
March 2010	730	1,090	1,820	0.5%	-	5,457	2.8	10
August 2010	-	90	90	0.0%	-	7,131	2.8	-
September 2010	-	70	70	0.0%	-	8,907	2.8	-
January 2011	-	160	160	0.0%	-	5,457	2.8	1
March 2011	479	2,131	2,610	0.8%	-	10,542	3.8	4
October 2011	-	25	25	0.0%	-	10,542	3.8	-
March 2012	495	2,533	3,028	0.9%		11,234	4.8	5
December 2012	-	27	27	0.0%	-	11,051	4.8	-
Outstanding warrants at December 31, 2012	**1,704**	**6,126**	**7,830**	**2.2%**	**-**			**20**

Warrants program, GN ReSound	Group Executive Management	Other employees	Total	Average exercise price
Warrants granted at January 1, 2011	**276**	**2,174**	**2,450**	**44,061**
Share split 1 to 10	2,484	19,566	22,050	4,406
Warrants granted during the year	982	5,267	6,249	8,819
Warrants exercised during the year	(1,626)	(7,000)	(8,626)	4,300
Warrants forfeited during the year/corrections	(24)	(1,477)	(1,501)	5,242
Outstanding warrants at December 31, 2011	**2,092**	**18,530**	**20,622**	**5,681**
Warrants granted during the year	734	4,032	4,766	11,281
Warrants exercised during the year	-	(6,900)	(6,900)	2,163
Warrants forfeited during the year/corrections	-	(694)	(694)	8,208
Outstanding warrants at December 31, 2012	**2,826**	**14,968**	**17,794**	**8,446**
Grant date market value of warrants granted in 2012	2 million	9 million	11 million	
Market value of outstanding warrants at December 31, 2012	23 million	124 million	147 million	

Note **(DKK million)**

31 Incentive plans (continued)

Warrants granted in GN ReSound will vest the day after the release of GN Store Nord's annual report in the third year after the grant. Warrants granted in 2010, 2011 and 2012 vest provided the share value of GN Store Nord has increased and that the share value of GN ReSound has outperformed by a certain percentage during the same time period a peer group index of competitors and industry segment indicators as defined by GN ReSound's Board of Directors. Vested warrants granted before 2010 may be exercised during a four-week period following the release of GN Store Nord's annual report in each of the third, fourth and fifth years after grant. Vested warrants granted in 2010, 2011 and 2012 may be exercised during a four-week period opening each quarter of each of the third, fourth and fifth year after allocation. The quarterly four-week window will open following the release of a Valuation Report concerning the value of the shares of GN ReSound.

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

Warrants program, GN ReSound

Grant date	Group Executive Management	Other employees	Total	% of GN Re-Sound A/S	Number of exercisable warrants	Exercise price	Years to expiry	Market value in DKK million
August 2008	-	100	100	0.0%	100	4,494	0.3	1
April 2009	-	150	150	0.0%	150	2,115	1.3	2
March 2010	1,110	6,000	7,110	1.2%	-	6,490	2.8	75
January 2011	-	50	50	0.0%	-	7,238	2.8	-
March 2011	982	4,655	5,637	0.9%	-	8,836	3.8	44
April 2011	-	33	33	0.0%	-	8,836	3.8	-
May 2011	-	48	48	0.0%	-	8,347	3.8	-
September 2011	-	61	61	0.0%	-	8,836	3.8	-
March 2012	734	3,723	4,457	0.7%	-	11,084	4.8	25
December 2012	-	148	148	0.0%	-	17,428	4.8	-
Outstanding warrants at December 31, 2012	**2,826**	**14,968**	**17,794**	**2.8%**	**250**			**147**

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

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

Market conditions	**2012 year end**		**Grant date 2012**		**2011 year end**		**Grant date 2011**	
	GN Netcom	**GN ReSound**	**GN Netcom**	**GN ReSound**	**GN Netcom**	**GN ReSound**	**GN Netcom**	**GN ReSound**
Share price GN Store Nord	82	82	60/84	60/84	48	48	50/50/52/52/35	52/52/50/50/35
Share of GN Store Nord market value	26%	75%	33%/26%	60%/75%	33%	52%	31%	50%/51%/51%/51%/51%
Share price	10,786	17,010	11,234/11,051	11,084/17,428	9,385	8,020	10,360/10,360/10,360/10,542/6,500	9,100/8,836/8,399/8,347/5,712
Volatility	29%	23%	37%/30%	35%/23%	37%	35%	36%/36%/35%/34%/33%	26%/25%/32%/32%/34%
Dividend per share	0	0	0	0	0	0	0	0
Risk-free interest rate	0.0%/0.08%/0.27%	0.0%/0.08%/0.27%	1.04%/1.04%	1.04%/1.04%	0.01%/0.4%	0.01%/0.4%	1%/2.13%/1.37%/2.88%/1.13%	2.45%/2.88%/2.96%/2.91%/1.13%
Expected term (years)	2.8/3.8/4.8	0.3/1.3/2.8/3.8/4.8	5.7/5.0	5.7/5.0	0.25/3.9/4.9	1.3/2.3/3.9/4.9	0.75/4.9/0.5/5.7/5.1	4.8/5.7/5.6/5.6/5.1

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

Note **(DKK million)**

32 Acquisition and divestment of companies and operations

Acquisitions

During 2012, GN ReSound acquired a number of minor hearing instrument chains and a distributor in the US. The acquisitions all strengthens GN ReSound's sales and distribution channels and the goodwill related to the acquisition is mainly attributable to this.

	2012	2011
Identifiable assets acquired and liabilities assumed and consideration transferred	**Fair value at acquisition date**	**Fair value at acquisition date**
Non-current assets	7	39
Current assets	12	86
Non-current liabilities	-	(7)
Current liabilities	(9)	(22)
Fair value of identified net assets	**10**	**96**
Goodwill	28	151
Consideration transferred	**38**	**247**
Fair value of assets transferred	(11)	(8)
Fair value of existing ownership interests	-	(35)
Contingent consideration	(8)	(73)
Acquired cash and cash equivalents	(5)	(49)
Cash consideration paid	**14**	**82**

Goodwill relating to the above transactions is allocated to the cash-generating units Hearing Instruments and Audiologic Diagnostics Equipment with DKK 8 million (2011: DKK 123 million) and DKK 20 million (2011: DKK 28 million), respectively.

In 2012, GN ReSound paid out DK 28 million in contingent considerations related to prior years acquisitions. The payments were mainly related to the acquisition of GN ReSound Korea Co. Ltd. and dispenser acquisitions in the US. At the end of 2012, the fair value of contingent considerations amounted to DKK 50 million, whereof DKK 25 million is expected to be paid during 2013.

The recognition of the fair value of identified net assets is based on available information at the acquisition date. In the event of new information, the recognition is subject to change within a one-year measurement period.

	2012	2011
The share of revenue and profit (loss) for the year from the acquisition date can be specified as follows:		
Revenue	10	52
EBIT	(1)	4
Profit (loss) for the year	(1)	3
Acquired operations if they had been owned throughout the year:		
Revenue	11	135
EBIT	(1)	13
Profit (loss) for the year	(1)	12

Divestments

In 2012, GN Resound divested retail operations in India, the ALD division, certain activities in Italy and a number of minor hearing instrument distributors primarily in the US. Furthermore, GN Resound sold assets related to some retail locations in the US and Canada and provided for a loss related to a legal dispute in connection with an acquisition.

	2012	2011
Non-current assets	(55)	(23)
Current assets	(16)	(5)
Non-current liabilities	-	-
Current liabilities	1	9
Disposed net assets	**(70)**	**(19)**
Directly attributable cost	(5)	(2)
Fair value of assets recieved	12	6
Cash consideration received	5	6
Gain (loss) on divestment of operations etc.	**(58)**	**(9)**

Note	(DKK million)	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
33	**Other adjustments**				
	Gain/loss on disposal of assets	-	(6)	-	-
	Share-based payment (granted)	10	15	-	1
	(Gain)/loss on divestment of operations etc.	58	9	(2,704)	121
	Share of profit (loss) in associates	(2)	-	-	-
	Provision for bad debt and inventory write-downs, etc.	13	31	-	-
	Restructuring/Non-recurring costs recognized in the income statement, excl. impairment losses (SMART project)	217	-	-	-
	Adjustment of provisions	(37)	(27)	6	(9)
	Award from the arbitration case against TPSA excl. provisions	-	(748)	-	-
	Total	**259**	**(726)**	**(2,698)**	**113**

Note 34 Accounting policies

The annual report of GN Store Nord for 2012 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of listed companies. In addition, the annual report has been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

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

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

GN Store Nord has adopted all the relevant new or revised International Financial Reporting Standards and IFRIC Interpretations effective as of January 1, 2012. The new or revised Standards and Interpretations did not affect recognition and measurement materially or result in any material changes to disclosures in the notes. Apart from these minor changes, the annual report is presented in accordance with the same accounting policies as applied in previous years.

Accounting standards not yet adopted

A number of new standards, amendments to Standards and Interpretations are effective for annual periods beginning after January 1, 2012, or have not yet been adopted by the EU, and have not been applied in preparing this annual report. Those, which may be relevant to GN Store Nord, are the following:

- IFRS 9 Financial Instruments applies to annual periods beginning on or after January 1, 2015. The standard is only expected to have a very limited effect on recognition and measurement of financial assets, if any. Disclosure in the financial statements will change slightly as the classification of financial assets will be simplified to include only two categories: Financial assets measured at either amortized cost or fair value. The additions to IFRS 9 regarding financial liability accounting are not expected to affect the financial reporting.
- IFRS 13 Fair Value Measurement applies to annual periods beginning on or after January 1, 2013. GN has very few assets measured at fair value, and the standard is therefore expected to have very limited effect on recognition and measurement, if any.
- Presentation of Items of Other Comprehensive Income (amendments to IAS 1) applies to annual periods beginning on or after July 1, 2012. The amendment will result in a slight change in the presentation of Other Comprehensive Income, which will be grouped in two groups: Those items that will not be reclassified subsequently to P/L and those items that will be reclassified subsequently to P/L when specific conditions are met.
- Amendments to IAS 19 Employee Benefits apply to annual periods beginning on or after January 1, 2013. GN is already in compliance with most of the requirements of the amended standard, which will therefore not have any material effect on the financial reporting.

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

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 94. Enterprises that are not subsidiaries but where GN Store Nord holds between 20% and 50% of the voting rights and over which it exercises significant influence, but where it does not have power to govern the financial and operating policies, are considered associates. When assessing whether GN Store Nord exercises control or significant influence, potential voting rights and options on acquisition of additional ownership interests are taken into account.

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

Business combinations

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

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

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

The cost of a business combination comprises the fair value of the consideration agreed upon. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of that adjustment is included in the cost of the combination if the adjustment is probable and can be measured reliably. Subsequent changes to contingent considerations are recognized in the income statement 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 a different fair value at the acquisition date than first assumed, goodwill is adjusted up until twelve months after the acquisition. The effect of the adjustments is recognized in the opening balance of equity and the comparative figures are restated accordingly.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

INCOME STATEMENT
Revenue
Revenue from sale of goods and rendering of services is recognized in the income statement provided that delivery and transfer of risk to the buyer has taken place before year-end and that the income can be reliably measured and is expected to be received. Extended warranties are separated from the sale of goods and recognized on a straight-line basis over the term of the contract. The value of extended warranties that are not separately priced is estimated. Revenue is measured excluding VAT, taxes and granted cash and quantity discounts in relation to the sale and

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

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

Dividends received from investments in subsidiaries and associates is recognized in the parent company income statement in the financial year in which the dividends are declared.

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

Development costs
Development costs comprise costs, salaries, and depreciation of operating assets and equipment directly or indirectly attributable to the Group's development activities. Development projects that are clearly defined and identifiable, where the technical utilization degree, sufficient resources and a potential future market or development opportunities in the Company is evidenced, and where GN intends to produce, market or use the project, are recognized as intangible assets if it is probable that costs incurred will be covered by future earnings. The cost of such development projects includes direct wages, salaries, materials and other direct and indirect costs attributable to the development projects. Amortization and write-down of such capitalized development projects are started at the date of completion and are included in development costs. Other development costs are recognized in the income statement as incurred.

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

Management and administrative expenses
Management and administrative expenses comprise expenses incurred for management and administration. Administrative expenses include office expenses, depreciation and impairment, etc. Also included are losses on trade receivables.

Other operating income and costs
Other operating income and costs comprise items secondary to the principal activities of the enterprises.

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

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

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

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

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

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

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

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

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

Development Projects, Software, Patents, Licenses and Other Intangible Assets
Intangible assets are measured at cost less accumulated amortization and impairment. Amortization is provided on a straight-line basis over the expected useful lives of the assets. When changing the depreciation period or the residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates. Amortization and impairment is recognized in the income statement as production costs,

development costs, distribution costs and administrative expenses. The expected useful lives are as follows:

Completed development projects	1-5 years
Software	1-7 years
Patents, licenses, trademarks and other intellectual property rights	up to 20 years

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which the goodwill is allocated. Goodwill is written down to the recoverable amount if the carrying amount is higher than the computed recoverable amount.

The recoverable amount is computed as the present value of the expected future net cash flows from the enterprises or activities to which the goodwill is allocated.

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

Recognition of impairment losses in the income statement
An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognized in the income statement under the respective functions or gains(losses) on divestments of operations if it relates to consolidated dispensers. Impairment of goodwill is recognized in a separate line item in the income statement.

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

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

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

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

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

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

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

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

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

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

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

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

Defined benefit plans are subject to an annual actuarial estimate of the present value of future benefits under the defined benefit plan. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the Group. The actuarial present value less the fair value of any plan assets is recognized in the balance sheet under pension obligations. Pension costs for the year are recognized in the income statement based on actuarial estimates and financial expectations at the beginning of the year. Any difference between the expected development in plan assets and the defined benefit obligation and actual amounts results in actuarial gains or losses. Actuarial gains or losses are recognized in other comprehensive income.

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

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

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

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

Financial liabilities
Amounts owed to credit institutions and banks are recognized at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan.

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

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

CASH FLOW STATEMENT
The cash flow statement is presented using the indirect method based on the operating profit (loss). The cash flow statement shows the cash flow from operating, investing and financing activities for the year and the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and end of the year. The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flow from acquisitions of enterprises are recognized in the cash flow statement from the acquisition date. Cash flow from disposals of enterprises are recognized up until the disposal date.

Cash flow from operating activities comprise cash flow from the year's operations adjusted for non-cash operating items and changes in working capital. Working capital comprises current assets excluding items stated as cash and cash equivalents and excluding tax receivable, as well as current liabilities less repayment of non-current liabilities, bank loans, tax payable and provisions.

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

Cash flow from financing activities comprises 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 comprises cash and short-term marketable securities with a term of three months or less and are subject to an insignificant risk of changes in value.

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

Segment information is based on the Group's Accounting Policies. In the Group, segment performance is evaluated on the basis of EBITA as defined under key ratio definitions. Segment revenue and expense and segment assets and liabilities comprise items directly attributable to a segment and items that can be allocated to a segment on a reasonable basis.

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

Other Key Ratios
The key ratios stated in the survey of consolidated financial highlights are defined on page 95.

	Domicile	Currency	Owner-ship%	Share capital
GN Store Nord A/S	**Denmark**	**DKK**	**N/A**	**774,788,232**
GN Ejendomme A/S	Denmark	DKK	100	10,600,000
Scanning Technology A/S	Denmark	DKK	100	500,000
GN Netcom A/S	**Denmark**	**DKK**	**100**	**33,189,000**
GN Netcom, Inc.	USA	USD	100	35,900,000
GN Hello Direct, Inc.	USA	USD	100	450,000
GN Netcom (Canada), Inc.	Canada	CAD	100	1,000
GN Communications, Equipamentos e Solucoes de Comunicacao Ltda.	Brazil	BRL	100	407,820
GN Netcom (China) Ltd.	China	USD	100	8,000,000
GN Netcom Logistic (Xiamen) Ltd.	China	USD	100	500,000
GN Communications (Shanghai) Co., Ltd	China	CNY	100	15,481,000
GN Netcom (Japan) Ltd.	Japan	JPY	100	10,000,000
GN Netcom (Singapore) Pte Ltd.	Singapore	SGD	100	700,000
GN Netcom Asia Ltd.	Hong Kong	HKD	100	2,000,000
GN Netcom Australia Pty. Ltd.	Australia	AUD	100	2,500,000
GN Netcom (Iberica) S.A.	Spain	EUR	100	60,111
GN Netcom (Italia) S.r.l.	Italy	EUR	100	10,200
GN Netcom (UK) Ltd.	Great Britain	GBP	100	100,000
GN Netcom AB	Sweden	SEK	100	5,100,000
GN Netcom Benelux B.V.	Netherlands	EUR	100	18,000
GN Netcom GmbH	Germany	EUR	100	51,129
GN Netcom S.A.	France	EUR	100	80,000
GN ReSound A/S	**Denmark**	**DKK**	**100**	**61,731,600**
GN ReSound Pty. Ltd.	Australia	AUD	100	4,000,002
GN ReSound Shanghai Ltd.	China	CNY	100	3,000,000
GN ReSound China Ltd.	China	CNY	100	34,000,000
GN GROC Ltd	China	CNY	100	500,000
GN ReSound India Private Limited	India	INR	100	7,352,000
Bel Tone India Pvt. Ltd.	India	INR	100	74,000,000
GN Resound Japan K.K.	Japan	JPY	100	499,000,000
GN ReSound (NZ) Ltd.	New Zealand	NZD	100	2,000,000
GN Hearing Pte. Ltd.	Singapore	SGD	100	1,500,000
GN ReSound Hörtechnologie GmbH	Austria	EUR	100	500,000
Sluchadlova Akustika spol. S.R.O.	Czech Republic	CZK	100	102,000
Interton Danmark A/S	Denmark	DKK	100	200,000
GN af 20. Januar 1998 A/S	Denmark	DKK	100	13,975,000
Beltone Europe Holdings ApS	Denmark	DKK	100	200,000
GN Hearing SAS	France	EUR	100	285,957
GN Otometrics S.a.S	France	EUR	100	1,200
GN Hearing GmbH	Germany	EUR	100	296,549
GN Resound GmbH Hörtechnologie	Germany	EUR	100	2,162,253
Eraton GmbH	Germany	EUR	100	25,000
GN ReSound Italia S.r.l.	Italy	EUR	100	181,190
GN Hearing Benelux bv	Netherlands	EUR	100	680,670
GN ReSound Norge AS	Norway	NOK	100	2,000,000
Interton Slovakia s.r.o.	Slovakia	SLK	100	170,000
GN Hearing Care S.A.	Spain	EUR	100	1,562,631

	Domicile	Currency	Owner-ship%	Share capital
GN ReSound AB	Sweden	SEK	100	100,000
GN ReSound AG	Schweiz	CHF	100	420,000
Beltone Schweiz GmbH	Schweiz	CHF	100	20,000
GN ReSound Ltd.	United Kingdom	GBP	100	7,376,000
Interton Limited	United Kingdom	GBP	100	5,000
GN ReSound Produtos Médicos Ltda.	Brazil	BRL	100	11,466,706
GN Resound GDC Ltd.	Ireland	USD	100	269,520
GN ReSound Korea Co. Ltd.	Korea	KRW	80	136,700,000
Beltone Hearing Korea Co. Ltd	Korea	KRW	80	50,000,000
GN ReSound LCC	Russia	RUB	100	10,000
GN ReSound Finland Oy/Ab	Finland	EUR	100	100,913
Spain Danavox	Spain	EUR	100	12,000
GN US Holdings, Inc.	USA	USD	100	34,000,000
GN Hearing Care Corporation	USA	USD	100	180,000
GN ReSound Holdings, Inc.	USA	USD	100	10
Beltone Holdings II Inc.	USA	USD	100	1
Beltone Holdings III Inc.	USA	USD	100	10
Beltone Holdings IV Inc.	USA	USD	100	30
Beltone Holdings V Inc.	USA	USD	100	30
King Hearing Aid Centers, Inc.	USA	USD	100	10
Moore Hearing Centers. Inc.	USA	USD	100	10
Hearing Holdings, Inc.	USA	USD	100	10
American Hearing Systems Inc.	USA	USD	100	10
GN Hearing Care Canada Ltd.	Canada	CAD	100	10,000
5837946 Manitoba, Ltd.	Canada	CAD	100	10,000
810720 Alberta, Ltd.	Canada	CAD	100	50,000
▲ Audio Nova S.R.L	Rumænien	ROL	49	10,000,000
▲ AVR Inc.	Israel	USD	20	2,811,108
▲ Himpp A/S	Danmark	DKK	11.11	2,400,000
▲ HIMSA A/S	Danmark	DKK	25	1,000,000
▲ HIMSA II A/S	Danmark	DKK	16.67	600,000
▲ Himsa II K/S	Danmark	DKK	15.38	3,250,000
▲ K/S Himpp	Danmark	DKK	9.02	114,782,415
GN Otometrics A/S	**Denmark**	**DKK**	**100**	**23,240,000**
Inmedico A/S	Danmark	DKK	100	500,000
GN Otometrics GmbH & Co. KG	Germany	EUR	100	409,034
GN Otometrics Holding GmbH	Germany	EUR	100	1,800,000
GN Otometrics Verwaltungs GmbH	Germany	EUR	100	25,000
GN Group Solutions GmbH	Germany	EUR	100	25,565
GN Otometrics Shanghai Ltd	China	USD	100	800,000
GN Otometrics France Sas	France	EUR	100	1,200,000
▲ Audiology Systems, Inc	USA	USD	31	0

▲ Associates

A few minor companies have been omitted from the list.

Forward-looking Statements

The forward-looking statements in this annual report reflect GN Store Nord management's current expectations of certain future events and financial results.Statements regarding 2013 are, of course, subject to risks and uncertainties which may result in material deviations from expectations. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect. Factors that may cause actual results to deviate materially from expectations include – but are not limited to – general economic developments and developments in the financial markets, technological developments, changes and amendments to legislation and regulations governing GN Store Nord's markets, changes in the demand for GN's products, competition, fluctuations in sub-contractor supplies and developments in ongoing litigation (including but not limited to class action and patent infringement litigation in the United States). For more information, see the "Management's Report" and "Risk Management" elsewhere in this Annual Report. This Annual Report should not be considered an offer to sell securities in GN Store Nord.

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

In this annual report the following financial terms are used:

Operating profit (loss)	Profit (loss) before tax and financial items.
EBITDA	Operating profit (loss) before depreciation and impairment of property, plant and equipment and amortization and impairment of intangible assets, except development projects, and before impairment of goodwill and gain (losses) on divestment of operations etc.
EBITA	Operating profit (loss) before amortization and impairment of acquired intangible assets, impairment of goodwill and gain (loss) on divestment of operations etc.

Key Ratio Definitions

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

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