Annual Report 2002 | GN Store Nord

CONTENTS

International Financial Reporting Standards

As in 2001, the Annual Report for 2002 is presented in accordance with the international financial reporting standards, IFRS, and the Danish Financial Statements Act. For ease of comparison with GN's foreign competitors, EBITDA, EBITA and other accounting terms that are not official IFRS terms or terms used in the Danish Financial Statements Act are used in both Management's Report and in the financial statements. The relationship between IFRS accounts and other terms and concepts applied is explained on page 19 of this report.

Forward-looking statements

The forward-looking statements in this annual report reflect GN management's current expectations for future events and financial results. Statements regarding 2003 are, of course, subject to risks and uncertainties which may result in material deviations from expectations. Factors that may cause the actual results to deviate materially from expectations include, but are not limited to, general economic developments and developments in the financial markets; technological developments; changes and amendments to legislation and regulations in GN's markets; changes in product demand; competition; shortages of components needed in production; and the integration of company acquisitions. For more information, see "Operations and risk - GN 360°" below. 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.

Corporate profile

GN Store Nord has helped people connect since 1869. Initially, as a telegraph company and now as a market leader in personal communications providing increased mobility and quality of life for its customers. GN develops and manufactures headsets for handsfree communication, hearing instruments and audiologic diagnostics equipment. GN products are marketed globally.

GN markets its headsets for the contact center and office (CC&O) market under the GN Netcom brand, and headsets for cellphones are marketed by JABRA.

GN hearing aids are sold under the GN ReSound and Beltone brands. GN Otometrics is the core brand for audiologic diagnostics equipment.

Most of GN's manufacturing facilities are located in China, and more than 95% of sales is generated outside Denmark. Almost 50% of sales is generated in North America. The total work force numbered 4,200 employees at December 31, 2002, of which 3,600 were employed outside Denmark.

GN is listed on the Copenhagen Stock Exchange and is a component of the KFX-index. The company has about 45,000 registered shareholders, who hold approximately 62% of the share capital, and foreign ownership in the company is estimated at more than 30%.

Mission

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

Goals

GN's goals for the 2003-2005 period are

- to lift the operating margin on hearing instruments and audiologic diagnostics equipment to among the best in the industry before the end of 2004
- to increase headset earnings by a substantial margin
- to enhance market shares on several markets
- to retain our innovative leadership
- to ensure that the GN share price reflects the company's performance and strategic potential.

Means

In the 2003-2005 period, GN plans

- to expand the Beltone dispenser network in the United States
- to expand JABRA's European platform
- to implement additional rationalization measures in Hello Direct
- to continue to launch innovative and competitive products
- to capitalize on all cost synergies and optimize business structures
- to optimize the working capital and strengthen the cash flow
- to have performance-related pay for the management and employees.

Contact Center & Office Headsets

Mobile Headsets

Hearing Instruments

Audiologic Diagnostics Equipment

STATEMENT BY THE EXECUTIVE MANAGEMENT AND THE SUPERVISORY BOARD

The Executive Management and the Supervisory Board have today discussed and adopted the annual report for 2002 of GN Store Nord as. The annual report has been prepared in accordance with International Financial Reporting Standards (IFRS, previously IAS), the Danish Financial Statements Act, Danish accounting standards and the Copenhagen Stock Exchange's financial reporting requirements for listed companies. We consider the accounting policies applied to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's assets, liabilities and financial position at 31 December 2002 as well as of the results of the Group's and the parent company's activities and the Group's cash flows for 2002. We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 27 February 2003

Executive Management:

Jørn Kildegaard
President & CEO

Jens Due Olsen
Executive Vice President

Supervisory Board:

Mogens Hugo Jørgensen
Chairman

Finn Junge-Jensen
Deputy chairman

Jens Bille Bergholdt

Peter Foss

Per Harkjær

Henrik Nielsen

John Radich

Cato F. Sverdrup

AUDITORS' REPORT

To the shareholders of GN Store Nord as
We have audited the annual report of GN Store Nord as for the financial year 1 January-31 December 2002. The annual report is the responsibility of the Company's Executive Management and the Supervisory Board. Our responsibility is to express an opinion on the annual report based on our audit.

Basis of Opinion
We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and Board of Executives, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

Opinion
In our opinion, the annual report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2002 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January-31 December 2002 in accordance with the Danish Financial Statements Act, Danish Accounting Standards, the Copenhagen Stock Exchange financial reporting requirements for listed companies and International Financial Reporting Standards (IFRS).

Copenhagen, 27 February 2003

KPMG C.Jespersen

Kurt Gimsing
State Authorised
Public Accountant

Michael Sten Larsen
State Authorised
Public Accountant

Deloitte & Touche
Statsautoriseret Revisionsaktieselskab

Erik Holst Jørgensen
State Authorised
Public Accountant

Jørgen Holm Andersen
State Authorised
Public Accountant

SUPERVISORY BOARD

Mogens Hugo Jørgensen
Chairman

President and CEO, C.W. Obel A/S

Chairman:
Dampskibsselskabet Norden A/S

Other directorships:
Board member of a number of
C.W. Obel A/S associates,
Frits Hansen Møbler A/S

No. of GN shares held: 4,772

Finn Junge-Jensen
Deputy Chairman

Dean, Copenhagen Business School

Other directorships:
Board member of PLS Consult A/S,
Teknologisk Innovation A/S,
Symbion A/S,
Digital Audio A/S

No. of GN shares held: 24,050

Peter Foss
President, Foss A/S

Other directorships:
Board member of a number of
Foss A/S associates,
Christian Hansen Holding A/S

No. of GN shares held: 19,650

Per Harkjær
President and CEO, Toms Gruppen A/S

Other directorships:
Board member of a number of
Toms Gruppen A/S associates

No. of GN Shares held: 2,000

Cato F. Sverdrup
Civil Engineer

No. of GN shares held: 75

Jens Bille Bergholdt
Corporate Treasury Director,
GN Store Nord as

Employee representative

No. of GN shares held: 426

Henrik Nielsen
Director Mechanical Development,
GN ReSound as

Employee representative

No. of GN shares held: 1,780

John Radich
Vice President & General Manager,
GN Store Nord as

Employee representative

No. of GN shares held: 4,835

EXECUTIVE MANAGEMENT

Jørn Kildegaard
President & CEO

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

Other directorships:
Board member of NEG Micon A/S

No. of GN shares held: 19,880

Jens Due Olsen
Executive Vice President

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

No. of GN shares held: 5,100

(DKK millions)	1998	1999	2000	2001	2002
Earnings – Income statement in accordance with International Financial Reporting Standards (IFRS)					
Revenue	4,039	5,398	7,003	7,319	5,512
Operating profit (loss) before share of profit (loss) in subsidiaries and associates	145	452	144	(9,619)	(4,714)
Operating profit (loss)	142	433	138	(9,624)	(4,747)
Profit (loss) from ordinary activities before tax	106	653	13,004	(9,642)	(5,289)
Profit (loss) from ordinary activities after tax	41	430	12,697	(9,176)	(5,114)
GN Store Nord's share of profit (loss) for the year	36	429	12,697	(9,176)	(5,114)
GN Store Nord's share of profit (loss) for the year excluding amortisation and impairment of goodwill and other intangible assets acquired in company acquisitions	167	551	13,212	137	(2,194)
Earnings – Investor-specific highlights					
Earnings before depreciation, amortisation, impairment and restructurings and items of a non-recurring nature (EBITDA)	576	1,005	1.076	420	(997)
Earnings before amortisation and impairment of goodwill and other intangible assets acquired in company acquisitions and restructurings and items of a non-recurring nature (EBITA)	289	669	795	198	(1,204)
Earnings before interest and tax (EBIT)	142	433	125	(9,624)	(4,747)
Balance sheet					
Share capital (GN Store Nord as)	744	782	879	879	879
Equity	2,426	3,098	19,698	10,708	4,789
Total assets	5,665	8,566	23,809	15,023	7,938
Cash flows					
Cash flows from operating activities	472	472	41	(65)	241
Cash flows from investing activities	(504)	(1,063)	(741)	(1,065)	(704)
Total cash flows from operating and investing activities	(32)	(591)	(700)	(1,130)	(463)
Dividends					
Parent company dividends	89	117	132	-	-
Development costs					
Development costs incurred for the year before grant	202	326	536	696	625
Restructuring costs					
Restructuring in acquirer, recognised in income statement	13	65	89	393	374
Restructuring in acquiree, included in determination of goodwill	-	177	7	-	-
Total restructurings	13	242	96	393	374
Restructurings, paid	13	100	192	184	321
Investments					
Plant and machinery etc.	209	351	265	267	147
Real property including leasehold improvements	82	126	44	137	50
Telecommunications systems	230	6	-	-	-
Development projects, developed in-house	71	85	291	443	377
Other intangible assets excluding goodwill	25	136	45	92	67
Total (excluding company acquisitions)	617	704	645	939	641
Company acquisitions	369	1,777	14,258	184	21
Acquisition of associated companies	99	1	77	147	21
Total investments	1,085	2,482	14,980	1,270	683
Depreciation and impairment of property, plant and equipment and amortisation of intangible assets	455	550	792	1,264	987
Impairment of intangible assets	80	10	124	8,509	2,991
Key ratios					
Parent company pay-out ratio	12.0%	15.0%	15.0%	0.0%	0.0%
Dividend per DKK 4 share (in Danish kroner)	0.48	0.60	0.60	0.00	0.00
EBITA margin	7.2%	12.4%	11.4%	2.7%	(21.8)%
Return on invested capital (EBITA)	6.6%	11.5%	5.5%	1.1%	(11.9)%
Return on equity	6.0%	15.0%	111.4%	(60.4)%	(66.0)%
Equity ratio	46.9%	36.2%	82.7%	71.3%	60.3%
Key ratios per share					
Earnings and fully diluted earnings per share (EPS)	0,34	2,30	65,85	(43,47)	(24,20)
Earnings and fully diluted earnings per share excluding amortisation and impairment of intangible assets and restructurings, etc. (EPS)	1,10	3,46	69,29	3,04	(7,59)
Cash flow from operating activities per share (CFPS)	2,51	2,52	0,21	(0,31)	1,14
Net asset value per DKK 4 share	13	17	93	51	23
Share price at year-end	46	72	141	50	21
Average number of shares outstanding (in thousands)	188.054	187.516	192.805	211.077	211.310
Employees					
Average number	3.099	3.835	5.162	6.213	5.475

See page 57 for definitions of key ratios.

GN at a glance

GN's strong technology platform and critical mass provide a foundation for improved earnings

Q4 2002
Q4 revenue was DKK 1,456 million against DKK 1,273 million in Q3 2002 and DKK 1,710 million in Q4 2001.

Q4 saw the expected seasonality in sales of mobile headsets, while the hearing instruments and the audiologic diagnostics equipment businesses performed in line with expectations. Sales of Bluetooth™ headsets reached 250,000 units in Q4 and GN increased its share of the US hearing aids market to almost 12%. NetTest reported revenue of DKK 217 million. All business areas reported improved performances relative to Q3 2002 and Q4 2001.

EBITA was DKK 19 million against DKK (1,142) million in Q3 2002 and DKK (78) million in Q4 2001. Cash flows from operations were DKK 205 million against DKK 58 million in Q3 2002 and DKK 374 million in Q4 2001.

Excluding NetTest, EBITA was DKK 132 million against DKK 87 million in Q3 2002 and DKK 102 million in Q4 2001. The improvement was due to rationalizations and organic growth in hearing instruments and audiologic diagnostics equipment. Cash flows from operations were DKK 310 million against DKK 107 million in Q3 2002 and DKK 429 million in Q4 2001, which was lifted by tax reimbursements received, however. Improving the cash flow generation was given high priority in 2002 and this constitutes the main reason for the strong q/q improvement in Q4. GN reduced the working capital by DKK 164 million in Q4 as a result of the efforts to reduce working capital both in absolute figures and relative to revenue.

Unsatisfactory loss for 2002
Overall, the 2002 loss after tax of DKK 5,114 million (2001: loss of DKK 9,176 million) was very unsatisfactory. Growth and the improved profitability in the headset and hearing instrument operations was unable to offset by the decline in NetTest. All GN operations suffered a setback due to the economic slump that gained a severe hold of the markets in the fall months of 2001. GN, excluding NetTest, performed in line with the original forecast of an EBITA of not less than DKK 350 million. Revenue was DKK 4.7 billion against the forecast of DKK 5.0 billion. Due to the uncertain market conditions, GN did not announce a full-year forecast for NetTest on March 13, 2002. The loss for the year includes write-downs on goodwill, development projects and inventories in NetTest and a loss on the sale of NetTest for a total of DKK 4,386 million.

At December 31, 2002, net interest-bearing debt was DKK 1,243 million against DKK 817 million a year earlier.

NetTest divested at the end of 2002
Developments on the market for communication equipment first prevented the announced IPO in 2001 and then the planned tax-free demerger of GN Store Nord into a continuing GN with headsets and hearing aids and an independently listed NetTest. Consequently, GN Store Nord initiated a sales process in the fall months, which led to the divestment of NetTest as at the end of 2002. The Supervisory Board resolved to divest NetTest in spite of the difficult market conditions, because it considered the continuing GN activities to be more important than the potential for obtaining a better price for NetTest at a future date.

From conglomerate to one business
Following the sale of NetTest, GN has now become a global innovation force in personal communication, operating from a platform of knowledge of acoustics and sound treatment as well as a product design that enhances customer comfort, mobility and quality of life. GN is a proactive player in the markets for Contact Center & Office (CC&O) headsets, headsets for cell phones, hearing aids and audiologic diagnostics equipment. These activities support each other technologically, facilitating the development of products that combine properties from headsets and hearing aids. In order to create one single company and in order to capitalize on the synergies across the business areas, Niels B. Christiansen (headsets) and Jesper Mailing (hearing instruments and audiologic diagnostics equipment) are expected to join President and CEO Jørn Kildegaard and Executive Vice President Jens Due Olsen on GN's Executive Management when the necessary amendments to the articles of association have been approved by the annual general meeting to be held in April.

At the same time, the less diversified and more focused GN organization will facilitate a number of administrative restructurings and cost cuts that are currently being identified and which will be achieved during 2003 and 2004. As part of the efficiency improvements, the property at Kgs. Nytorv in Copenhagen has been put up for sale.

Bluetooth strengthening GN's position
The headset operations generated an EBITA of DKK 148 million in 2002 (2001: DKK 129 million) on revenue that was DKK 176 million lower than in 2001. The EBITA margin was 8.5% versus 6.7% in 2001. Pursuant to the International Financial Reporting Standards (IFRS), GN has capitalized part of these development costs and will subsequently amortize them. If GN had charged all development costs to the income statement, GN Netcom's EBITA margin would have been 6.4% in 2002 and 4.2% in 2001. The improvement in the operating margin was based on the rationalization measures implemented in 2001 and 2002. The process continues in 2003, as the remaining manufacturing facilities in the US and Europe are transferred to China.

Contrary to expectations, Hello Direct, the direct sales channel in the US, only improved its performance to a DKK 23 million loss, of which more than half was related to the costs of legal proceeding and to consultants' fees. Additional rationalizations will be implemented in Hello Direct during 2003. At a cost of DKK 75 million that is already included in the year's projected restructuring costs of DKK 150 million, these rationalization and profitability-improving measures will serve to reduce Hello Direct's cost base and provide a strong boost to earnings, when coupled with the more focused product portfolio of mainly GN products. Effective January 1, 2003, GN Netcom divided the organization into two divisions, each with an independent management, in order to support sales growth in headsets for cellphones and to retain the focus on the CC&O market.

JABRA was among the first players to launch three wireless Bluetooth-enabled headsets for cell phones in 2002. Sales of wired mobile products in 2002 fell short of the 2001 figure. On the other hand, sales of Bluetooth headsets helped mitigate the cyclical downturn on the CC&O market. In March of 2003, GN Netcom plans to launch a new headset, the GN 9120, featuring an innovative design and performance, on the CC&O market where wireless headsets are also gaining ground.

JABRA plans to accelerate the transfer of know-how from the US to the European market, where cell phones have a greater penetration rate than in the United States. GN Netcom's main challenges for the years ahead are: to build a stronger European platform for mobile headsets that will convert the technological edge into a commercial advantage; to strengthen GN's position on the US CC&O market; and to enhance profitability. Expansion of business operations in Asia is also a long-term objective.

Enhancing profitability on hearing aids and diagnostics equipment

The hearing aids and audiologic diagnostics equipment business performed in line with the objectives of the Closing the Margin Gap project, which was intended to bring GN's earnings margins on hearing aids and audiologic diagnostics equipment to among the best in the industry no later than by the end of 2004. The Q4 EBITA margin was 11.3%, bringing the full-year 2002 margin to 9.5% (2001: 7.0%) on revenue of DKK 2,903 million (2001: DKK 2,906 million). If GN had charged all development costs to the income statement, GN ReSound's EBITA margin would have been 6.8% in 2002 and 4.7% in 2001.

The production of standard BTE (Behind the Ear) devices in the United States was shut down in 2002 and the ITE (In the Ear) device operations were consolidated in Minneapolis and Chicago. Production of BTE devices in the Netherlands will be shut down in the first quarter of 2003, after which all production of standard devices will be based in China and Ireland. Effective April 1, 2003, Beltone's Brand Division will relocate from Eindhoven to Copenhagen, which is also the home of GN ReSound's global Brand Division. In 1999-2000, GN commenced the process of integrating five hearing instrument manufacturers and several manufacturers of audiologic diagnostics equipment into what has today become GN ReSound and GN Otometrics.

To date, GN has spent DKK 575 million to relocate or shut down more than 1,300 jobs. The largest restructuring costs have been for lease commitments and severance pay.

As part of its streamlining efforts, GN ReSound plans to phase out three brands and a wide range of related products in order to concentrate its revenue base around the GN ReSound and Beltone brands, which now represent more than 85% of sales. GN lost market shares due to negative sales synergies after merging the five minor manufacturers in 1999 and 2000. The company recovered from the negative performance in 2002, when it launched the Canta series, which covers all digital segments. In addition, the negative trend in Beltone's US network has been reversed and Beltone products were sold in 1,300 stores in the USA at the end of 2002 as compared to 1,200 the previous year.

Having fewer factories manufacture fewer products in greater volumes on a single standard chip and one software platform is the key to GN ReSound's earnings improvements. GN ReSound now generates about 50% of its revenue from devices based on the same chipset but with product differentiation based on different software programs and the number and types of microphones. In 1996, GN became the first market player to launch a software-based digital chip platform that has reduced the development period for hearing aids by 50%. The rest of the industry now appears to follow suit.

Following a number of acquisitions made from 1999 to 2001, GN Otometrics has now concentrated its manufacturing facilities in Denmark and the United States. Like the hearing aids business, GN Otometrics has launched a project to rationalize its product platform in order to introduce fewer diagnostics instruments with a high software content to replace the many existing models. In the future, wireless Bluetooth technology will help to improve user flexibility during hearing tests.

Cash flows a top priority

The integration of company acquisitions in the headset, hearing aids and audiologic diagnostics equipment operations has now progressed to a stage where the cash flow generation of these operations needs to be enhanced substantially over the next few years. In particular, GN aims to achieve this goal through higher operating margins and through tighter management of the working capital. The combination of centralized warehouses and global distribution centers along with strategic cooperation with suppliers will play an important role in reducing the capital invested. Cash flows from operations, excluding NetTest, improved by DKK 207 million during 2002 to DKK 557 million, of which DKK 197 million was due to a reduced working capital. A cash flow of DKK 310 million was generated in Q4.

Outlook for 2003

GN projects revenue of approximately DKK 4.8 billion and an EBITA of about DKK 550 million.

GN Netcom projects an EBITA margin of 11-13% on CC&O revenue of DKK 1.4 billion and mobile revenue of DKK 0.5 billion.

GN ReSound projects an EBITA margin of 12-14% on hearing instrument revenue of DKK 2.6 billion and diagnostics equipment revenue of DKK 0.3 billion.

The costs of centralized functions and of the GN Great Northern Telegraph Company will be reduced to approximately DKK 70 million in 2003. The planned relocation from the CBD location at Kgs. Nytorv in Copenhagen and continued efficiency improvements of GN's administrative functions are expected provide additional cost cuts of some DKK 20 million effective from 2004.

Amortization of intangible assets acquired through company acquisitions is expected to amount to DKK 270 million, while net financial expenses are expected to be DKK 100 million. Investment in property, plant and equipment and intangible assets (development projects) is projected to be in the DKK 330 million range. Restructuring costs are expected to amount to DKK 150 million, of which DKK 75 million will be for Hello Direct and the rest will be applied in GN ReSound.

GN expects a profit before tax of not less than DKK 30 million.

Profitability is expected to improve as the year progresses, due to seasonality as well as implemented rationalization measures and additional measures being planned.

The projections are based on assumptions of economic growth in line with the figure for 2002 and on an average US dollar – Danish kroner exchange rate of 7.25. GN's industrial competitiveness is resilient to likely exchange rate fluctuations. Revenue is more affected by depreciation of the US dollar than EBITA is, as more than half of GN's costs are settled in USD or USD-related currencies.

Subsequent events

On February 6, 2003, GN Netcom signed its second OEM agreement with Motorola (see Announcement No. 3).

Financial review

The items of the investor-specific statements are reviewed below. The relationship between these statements and the IFRS income statement and the Danish Financial Statements Act is explained on pages 20-24.

Revenue
Revenue for 2002 was DKK 5,512 million versus DKK 7,319 million in 2001. The decline was mainly due to the setback in NetTest, which suffered severely from generally weaker demand, resulting in a substantial decline in the net order inflow to DKK 638 million from DKK 1,869 million in 2001.

Revenue for 2002, excluding NetTest, was DKK 4,682 million versus DKK 4,992 million in 2001. Adjusted for the weak US dollar, the decline amounted to about DKK 150 million due to slowing demand on the CC&O market and limited growth in the hearing instrument market.

Gross profit
Gross profit was DKK 2,067 million versus DKK 3,544 million in 2001. The decline was triggered by lower revenue and inventory write-downs of DKK 637 million in NetTest as a result of the deteriorated market outlook.

Gross profit for 2002, excluding NetTest, was DKK 2,458 million versus DKK 2,540 million in 2001. Thanks to the rationalization measures implemented in 2001 and 2002, the decline was relatively smaller than the drop in revenue.

The gross margin will be depressed in the long term by the growing sales of cellphone headsets, but will be boosted by the relocation of production facilities to China.

Development costs
The year's development costs charged to the income statement rose by DKK 469 million to DKK 825 million due to impairment losses totaling DKK 416 million on NetTest development projects as a result of adjustments to the deteriorated market outlook.

Development costs incurred in 2002, excluding NetTest, were DKK 325 million (2001: DKK 298 million) of which DKK 183 million, or 56% (2001: 47%), was capitalized. Recognized costs were DKK 211 million (2001: DKK 184 million) including DKK 69 million (2001: DKK 25 million) in amortization on previously capitalized projects. The capitalized amounts will be amortized over the next three to five years.

EBITA
The EBITA for the year of DKK (1,204) million (2001: DKK 198 million) was impacted by total impairment losses of DKK 1,088 million in NetTest.

The EBITA, excluding NetTest, rose by DKK 74 million to DKK 376 million in spite of the lower revenue. The improvement was mainly due to the rationalization measures implemented in 2001 and 2002.

Restructuring costs
Restructuring costs amounted to DKK 374 million in 2002, against DKK 393 million in 2001. Additional adjustments were made in NetTest and the staff was reduced to just over 800 employees at the beginning of 2003.

Restructuring costs had a total negative cash flow impact in 2002 of DKK 321 million.

Recognized restructuring costs, excluding NetTest, fell to DKK 162 million from DKK 192 million in 2001. Most of the funds were applied to or provided for the relocation of existing US and European production to China and the merger of the two hearing instrument brand divisions into a single unit in Copenhagen. In addition, the shutdown of production at Eindhoven has been moved ahead to the beginning of 2003. At 31 December 2002, provisions totaling DKK 88 million were made for announced restructurings of headset and hearing instrument operations due to be implemented in 2003.

Goodwill impairment
Goodwill impairments for the year of DKK 2,421 million relate to NetTest and were due to a deteriorated outlook in the company's markets.

Amortization of goodwill and other intangibles acquired through company acquisitions, excluding NetTest, amounted to DKK 289 million in 2002, as compared to DKK 343 million in 2001. The decline was due to an impairment loss on goodwill, etc. of DKK 1,500 million in 2001.

Financial items and net debt
Net financial items were DKK (95) million in 2002, compared to DKK 1 million in 2001, mainly due to an increase in interest-bearing net debt to DKK 1,243 million (2001: DKK 817 million). The increase was due to a free cash outflow of DKK 463 million, including a cash outflow effect of DKK 160 million from the divestment of NetTest, whose poor performance had a visible impact on the cash flows for the year. Cash flows from operations were DKK 241 million. Cash flows from operations, excluding NetTest, rose to DKK 557 million (2001: DKK 350 million).

Loss before tax
GN incurred a loss before tax of DKK 5,289 million against a loss of DKK 9,642 million in 2001. Excluding the loss in NetTest and the loss from the sale of NetTest, the loss before tax was DKK 45 million, against a loss of DKK 1,716 million in 2001, which was especially impacted by a DKK 1,500 million impairment loss on goodwill, etc.

Net loss
The loss of DKK 5,114 million will be transferred to reserves. A net loss of DKK 9,176 million was incurred in 2001. In light of the financial results for the year, the Supervisory Board proposes that no dividend be paid in respect of the 2002 financial year.

Balance sheet
Total assets were reduced by DKK 7,085 million to DKK 7,938 million following the impairment losses totaling DKK 3,884 million on goodwill, inventories and development projects, etc. and as a result of the divestment of NetTest.

The following section compares balance sheet items with the balance sheet at December 31, 2001, excluding NetTest. See segment information on pages 52-53, which contains the balance sheet at December 31, 2002, excluding NetTest.

Inventories in headsets, hearing instruments and audiologic diagnostics equipment amounted to DKK 630 million at December 31, 2002 against DKK 854 million a year earlier. The improvement is a reflection of the efforts to improve the cash flow, of the weaker demand and the weaker US dollar. The turnover rate has improved but is still not quite satisfactory.

Trade receivables, excluding NetTest, were DKK 945 million at December 31, 2002, against DKK 1,028 million in 2001. Excluding trade receivables in the Telegraph Company, the figures were DKK 841 million and DKK 867 million, respectively. The level remains too high.

Trade payables, excluding NetTest, were DKK 322 million at December 31, 2002, against DKK 316 million in 2001.

Cash and cash equivalents, including NetTest, were DKK 282 million against DKK 740 million at December 31, 2001, due to improved cash management, among other things.

Goodwill on headsets, hearing instruments and audiologic diagnostics equipment amounted to DKK 3,578 million at December 31, 2002 against DKK 4,480 million a year earlier. Other intangibles including development projects amounted to DKK 899 million against DKK 880 million at December 31, 2001.

GN invested DKK 197 million in production plant etc. and DKK 64 million in a new IT platform in 2002.

Equity was DKK 4,789 million at December 31, 2002 against DKK 10,708 million a year earlier. The decline was due to the net loss for the year of DKK 5,114 million and the negative effects of DKK 960 million from the weaker US dollar relative to Danish kroner.

Operations and risk - GN 360°

Development

GN plowed back 7%, or DKK 325 million, of 2002 revenue into development activities for headsets, hearing instruments and audiologic diagnostics equipment. More than 250 employees were involved in developing new products and upgrading existing solutions at December 31, 2002, contributing to securing GN's position as a market leader in personal communications.

The headset division employs nearly 50 people who design and develop new products at two locations. One department handles product innovation for the CC&O market, while another is a part of the Mobile Division. For optimal flexibility, the departments use external business partners in all stages from idea to product. In-house resources are not allocated until a technology is proven to be commercially viable. Just over half of total development costs of DKK 101 million incurred in 2002 were in-house expenses.

The widespread use of headsets in the workplace and for cellphones has led to added requirements for innovation, which translates into more and more products over an ever-shorter time span. This innovative step requires that GN's development units maintain close contact not only to the technology centers but also to consumer electronics designers and focus groups used to test new ideas. In order to build the foundation for the necessary dynamics and innovative thinking, GN Netcom's development departments are instituting the necessary changes to secure the balance between continuity and innovation. At December 31, 2002, the almost 50 employees had an average seniority of six years. One third of them have been with GN for less than two years.

In addition to innovative abilities, GN's development function commands essential competencies in Bluetooth, acoustics, mechanical design and software development.

One of the factors used to measure success in the development organization is each new product's contribution to earnings. About 50% of 2002 revenue from GN products was generated by products launched in 2001 or 2002. In addition, the innovative development efforts had brought with them almost 100 active patents or applications at December 31, 2002. The time from idea to product is typically 9-12 months. Previously, it took several years. Thanks to the greater efficiency, GN was among the first manufacturers to market a Bluetooth headset for cellphones on a commercial scale. As one of the truly wireless headsets for the CC&O market, the GN 9120, GN's second generation wireless headset, not only breaks with the traditional design it also extends the range up to 100 meters.

To meet demands for lower unit costs, GN has reduced the number of components in its headsets. On the other hand, the software requirements are growing. For example, the JABRA BT300 is compatible with different cellphone makes. In 2003, GN plans to apply the hearing aids algorithm know-how in a Bluetooth enabled headset in order to meet user expectations for improved sound quality and to suppress background noise as it is done in digital hearing aids.

Thanks to the innovative approach and the refocused development organization, the financial resources GN Netcom spent on innovation in 2002 were no higher than the figure for 2000. The level is not expected to increase relative to revenue in 2003.

GN ReSound prioritizes development projects in close cooperation with the sales and marketing departments and a number of external advisory boards. This ensures optimum utilization of the core competencies of the 200 employees in R&CT (Research & Core Technologies) for product development. Following the shift in technology from analog to digital sound treatment, the innovation aspect lies in developing the digital platform on an ongoing basis and simplifying product design in order to make production more efficient and enhance quality. A strategic assignment is to add functionality and comfort to hearing aids to complement the features and performance hearing aids are traditionally perceived to have. Examples of added functionality include improved speech recognition and memory, enabling the device to automatically adjust to patterns in the sound environment. Wireless technology will open up for new features, and efforts will also center on improving custom fitting and related services.

The development function has in-house resources for chip technology, algorithms, sound digitization and fitting software. Resources are also applied to mechanical design and microelectronics.

By developing hearing aids in both Copenhagen and Chicago, GN has good access to experienced employees and new engineering graduates from university-level institutions with acoustic expertise. This broad recruitment base supports GN's cooperation with international business partners. Approximately 20% of the development costs incurred were for external specialists, universities, etc. R&CT employees have an average seniority of just over five years.

In 1996, GN started work on the open software platform, which increases the development capacity by reducing the development period for hearing aids by 50%. Development costs are not reduced by the same margin, however. GN ReSound applied about 8% of revenue, equal to DKK 224 million, on development in 2002. The proportion is not expected to increase in 2003.

In order to retain their market positions, GN needs to thoroughly renew the product families of its two continuing brands, GN Resound and Beltone, about once every three years. The Canta7 and the Canta4 were

launched in May 2001. GN launches the following year included the Canta2 on the low-end market, which offers the strongest growth potential.

At the 2002 UHA (Union der Hörgeräte-Akustiker) Fair in Germany, GN launched the first Bluetooth headset for hearing aid users, allowing them to use a cellphone without inconvenience. The Bluetooth headset and other comfort solutions will be used to support hearing aid sales.

A common challenge in the development of headsets and hearing aids is to minimize energy consumption, which is currently a factor preventing optimum product functionality. Current GN headsets only require recharging as often as cellphones do, which represents a substantial improvement from previous headsets.

Manufacturing

The in-house production of standard products and components for GN headsets and hearing instruments will be integrated at three plants in 2003: in China (headsets/hearing instruments), Denmark (hearing instrument components) and Ireland (hearing instruments). GN's own headset output capacity in China supports the outsourced production, which represents more than 80% of overall unit production.

Regular benchmarking between in-house production and the external suppliers and coherent global distribution is crucial for the ability to consistently manufacture and ship headsets in the most efficient way, in order to retain earnings in spite of expected price cuts on mobile products.

By manufacturing at the three sites mentioned above, GN is able to ensure satisfactory strategic supply power. The existing output capacity offers flexibility and can be expanded quickly and cost effectively to accommodate substantially larger volumes. Longer-term considerations involve additional Far East manufacturing sites outside of China.

Individualized fitting of advanced digital hearing aids, which are custom molded to each user (ITE devices), is handled at national or regional manufacturing sites.

GN Otometrics manufactures diagnostics equipment in Denmark and in the United States, because most of its products are adapted to individual markets and are therefore manufactured in small production runs.

The carrying value of GN's operating assets used to manufacture headsets and hearing instruments was DKK 324 million at December 31, 2002.

The manufacturing of GN headsets and hearing instruments constitute light, labor-intensive industrial activities. Energy consumption is limited and environmental discharges and emissions are kept at very low levels. All wireless headsets use rechargeable batteries.

Efficient quality control procedures will ensure that less than 0.5% of GN Netcom's products are returned because of QA/QC problems. All hearing instruments are subject to regular control during the manufacturing process and on final assembly for quality assurance.

At December 31, 2002, just over 2,200 people were employed in the production of headsets, amplifiers, etc. and hearing instruments. Including its outsourced products, GN manufactured close to six million headsets and more than 950,000 hearing instruments in 2002.

Costs of labor and components, etc., excluding NetTest, amounted to DKK 2,224 million in 2002. About 70% of manufacturing costs are settled in USD or USD-related currencies.

Sales

No single GN customer accounts for more than 5% of revenue. Combined, GN Netcom's ten largest customers represented 20% of its 2002 headset revenue. The corresponding figure for hearing aids and diagnostics equipment combined was about 15%. GN ReSound's revenue diversification is based on the structure of the retail segment with its many small chains, unaffiliated individual outlets, wholesalers, etc. Both GN Netcom and GN ReSound are experiencing a gradual consolidation among their customers, with independent purchasing alliances and chains making up a growing part of the retail link on established markets. Less than 20% of GN ReSound's revenue is generated by Beltone's exclusive dispensers in the US and the Ultravox chain in the UK, in which GN holds a 25% interest. Hello Direct, the mail order and Internet sales channel, contributes 24% of GN Netcom's revenue.

The average grace period for trade receivables was 65 days in 2002. Market conditions permitting, debtor days will be reduced in 2003 as part of GN's working capital optimization program.

GN plays an active role in customers' marketing initiatives towards end users, and GN ReSound advises the Beltone dispensers in the United States on how to operate and develop their hearing clinics.

In the short term, demand for GN products will rely on general economic growth. Longer term, structural demand for headsets will depend on the growth of new contact centers and requirements for better comfort and greater efficiency in office environments, which still represent an untapped market. Mobile sales are driven by factors such as growth in cellphone sales and legislation making it mandatory to use handsfree solutions while driving. Headset penetration on the mobile market is estimated at about 10%.

The ever-growing population of older people and their requirements for quality of life is the main driver of demand for hearing aids. If loss of hearing were generally perceived the same way as the need for glasses, demand would rise dramatically. An estimated one in ten would benefit from having a hearing aid, but only 20% of this group actually have one. The increased understanding of the importance of hearing, not least for child learning helps to promote the need for GN Otometrics' audiologic diagnostics equipment, also for infants.

At December 31, 2002, about 1,100 people were involved in the sales, marketing and distribution of headsets, hearing instruments and audiologic diagnostics equipment.

Sales, marketing and distribution costs

amounted to DKK 1,135 million, of which 60% was settled in US dollars or USD-related currencies.

Foreign currency

GN has currency exposure only in connection with commercial transactions. GN does not raise loans or place surplus cash in foreign currency unless doing so reduces a currency exposure.

Just over 50% of GN's revenue is generated in US dollars or USD-related currencies. About 60% of total costs are settled in USD or USD-related currencies. The weighting of EUR will increase in the short term, as JABRA gradually expands in Europe. The weighting of Asian currencies will increase in the long term.

As a substantial part of GN's costs are consistently settled in the currencies of revenue, GN's long-term industrial competitiveness is resilient to likely exchange rate fluctuations. A 10% change of the US dollar – Danish kroner exchange rate would change GN's revenue by an estimated 5% and would only have a limited effect on EBITA while slightly improving the EBITA margin.

As a general rule, GN does not hedge currency risk on net investments in foreign subsidiaries. At December 31, 2002, this exposure was estimated DKK 500 million in the event of a 10% change of the US dollar against Danish kroner.

Any exchange risks that may arise are hedged mainly by way of forward contracts or by raising debt in the relevant currency.

Competition

With a market share of 35-40% in several segments, GN's headset business is second in the industry only to Plantronics of the United States. GN's share of the mobile market is estimated at about 20%. Sales of wireless products are growing in both segments.

In addition to the ability to develop new wireless products, key competitive parameters on the headset market are maintaining efficient distribution and having close relations with major individual customers and distributors and cooperating strongly with retailers.

Presumably, new players will penetrate the market for mobile headsets if the market evolves in line with the market for cellphones and its current annual sales of more than 400 million units.

GN ReSound is one of three companies with a global market share of more than 15%. The industry's largest operator is Siemens (Germany) with an estimated market share of 20-22%. Combined, the six largest players account for almost 90% of production output. Given the fact that all of the industry's leading providers are capable of producing advanced digital products, GN considers scale economies in production, targeted marketing and service efforts towards dispensers, audiologists, ear-nose-throat specialists and consumers to be essential for future growth and profitability.

Prices

Prices of mobile headsets fall as volume sales rise. JABRA headsets retail at from USD 10 to USD 200 on the core markets. When it was launched in April of 2002, the JABRA BT100 retailed at about USD 180, while in October the JABRA BT200 was launched in the United States at USD 99. CC&O products are manufactured in smaller volumes and prices are generally adjusted in connection with new product launches. GN Netcom is now expanding its portfolio to include low-priced products for the US office market retailing at less than USD 100. The most advanced wireless headsets for the office market retail at about USD 375. Premium-quality wired headsets for contact centers in the United States retail at USD 100-150.

The transition from analog to digital products that began in the mid-1990s has lifted the average price of hearing instruments by a notable margin. Prices are now leveling off as low-priced digital devices are gaining ground. Given the limited price erosion in the individual segments, shifts in demand between segments have the strongest impact on average prices. Retail prices range from more than USD 2,000 for the state-of-the-art Canta7 in the United States, to DKK 5,500 for the low-priced Canta2 in Denmark.

Management and employees

A generational change has been initiated on the Supervisory Board in a process that over the next few years is expected to adapt board competencies to GN's future evolution as a focused personal communication business.

GN aims to have an international management culture that reflects the geographic composition of sales. The Executive Management is well balanced between external renewal and in-house continuity.

At the end of 2002, GN had 4,219 employees. Just over 20% were graduates with a master's degree or similar qualifications.

Corporate governance

GN complies with a majority of the Nørby Committee's recommendations. The principal deviations from the recommendations are the 7.5% restriction on voting rights, which the board recommends be cancelled at the annual general meeting to be held in April 2003, and the share option program, under which US-based employees can exercise part of their options already from year one.

Financing

GN's equity ratio was 60% at December 31, 2002. The net interest-bearing debt of DKK 1,243 million was denominated mainly in Danish kroner and had an estimated duration of less than 12 months. The short financing term is a reflection of the relatively low ratio of non-current assets to total assets. Other things being equal, a one percentage point increase in GN's financing rate would increase net interest expenses by DKK 5-10 million in 2003.

In the autumn of 2001, GN renegotiated the principal banking facilities for the following three to five years. Accordingly, the company has sufficient credit commitments to finance growth and strategic opportunities.

Financial credit risks

GN holds most of its cash funds as short-term money market deposits with banks that have a satisfactory rating with Moody's or Standard & Poors. It is GN policy never to have an exposure to a single financial counterpart for more than 2.5% of such party's equity.

Insurance

GN maintains a comprehensive global insurance program that reflects the scope and geographical location of the business operations. The program appropriately covers direct and indirect risks and insurance events that may disrupt production and distribution flows. The program covers, if possible and financially feasible, consequential loss and financing to re-establish manufacturing facilities.

Targeted communication directed at thousands of shareholders all over the world

GN's international group of shareholders use www.gn.com

IR contact: Peter W. Kruse · + 45 72 111 840 · pwk@gn.com

Shareholders, February 2003	%
ATP	10
LD	6
Other Danish institutionals	12
Foreign institutionals	9
Private investors	21
Non-registered investors	38
GN	4
Total	100

Share capital and voting rights

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

GN has about 45,000 registered shareholders. In addition, 1,500 current and former employees hold a total of 1.7 million employee shares in the company. The employee shares will be released from blocked accounts on January 1, 2004. Foreign ownership in the company is estimated at just over 30%. Members of the Supervisory Board, Executive Management and other "insiders" held a total of 457,628 shares in GN at mid-February 2003.

No single shareholder has a dominant interest. The ten largest registered shareholders held almost 35% of the share capital in aggregate at mid-February 2003.

Two shareholders have each reported an ownership interest at mid-February 2002 in excess of 5% of the share capital: ATP, Kongens Vænge 8, DK-3400 Hillerød and LD Pensions, Vendersgade 28, DK-1363 Copenhagen K.

Investor relations

GN endeavors to provide adequate and timely information simultaneously to the market to create the necessary framework so that the share price will always reflect the company's performance and its strategic opportunities. In 2002, the members of GN's Executive Management met with private investors at meetings held in Denmark by several banks and securities companies in connection with the quarterly reports. The company held international road shows in a number of European financial capitals. In February, GN Netcom hosted a capital markets day for analysts, institutional investors and members of the Danish Association of Shareholders. GN ReSound held a similar presentation in April. GN Store Nord also participated at the companies' day held in May by the Danish Association of Financial Analysts and at Dansk Aktiemesse, an annual event promoting private share ownership, held in October by the Danish Association of Shareholders. GN's financial calendar can be found at www.gn.com

Quarterly and full-year earnings releases are presented at meetings arranged for financial analysts, investors and the press. To ensure that everyone has equal access, these meetings and the related teleconferences are all held in English and transmitted live on www.gn.com.

Some 15 financial analysts in Denmark and abroad provide active coverage of the GN share.

By subscribing to GN's electronic services on www.gn.com, shareholders and other interested parties receive news from GN immediately after announcements to the Copenhagen Stock Exchange have been released as well as other news such as the GN Magazine, which is released together with the quarterly reports three times a year.

Share option plans

Since 1998, GN has actively applied equity-based compensation as a motivational factor and to ensure better correlation between the interests of our employees and our shareholders. In 2002, 450 employees were awarded a total of 2,791,465 options running for five years and with an estimated Black & Scholes value of DKK 62 million at an average strike price of 40 at the date of award. There were a total of 6,101,482 outstanding share options at December 31, 2002, corresponding to 2.8% of the share capital. Based on an average strike price of 85, the options had a calculated Black & Scholes value of DKK 7 million. A total of 1,453,170 options have been awarded under the plan since its inception in 1998, corresponding to 0.7% of the current share capital. Option holders have exercised a total gain of DKK 206 million. No gains were exercised in 2002. The bonus element of the options is not recognized in the income statement.

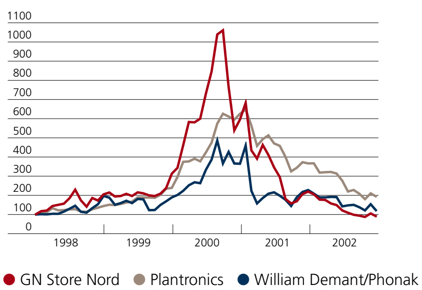
Proposed resolutions for the AGM

The Supervisory Board intends to propose to the annual general meeting, among other things, that in light of the financial results for the year, no dividends be paid in respect of the 2002 financial year, that the 7.5% restriction on voting rights be cancelled and that the share premium account be transferred to free reserves.

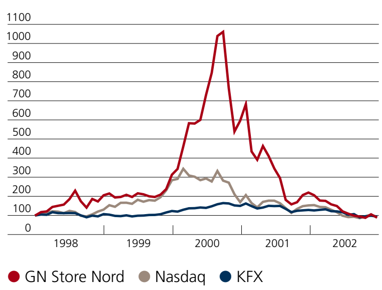
Share price

The GN share provided an overall negative return of 59% in 2002 on a decline in turnover.

Share price development 1998-2002



Share price development 1998-2002



Financial calendar 2003

April 3	Annual General Meeting The AGM will be held at 3:30 p.m. at Radisson SAS Falconer Center, 9 Falkoner Allé, DK-2000 Frederiksberg.
May 7	Q1 2003 earnings release
August 21	Q2 2003 earnings release
November 5	Q3 2003 earnings release

Contact Center & Office | Mobile Headsets

Bluetooth headsets strengthen GN's position on the mobile markets
New organization retains focus on CC&O market, creating a powerful presence on the market for mobile headsets

Q4 2002
GN Netcom generated Q4 revenue of DKK 481 million against DKK 434 million in Q3 2002 and DKK 497 million in Q4 2001. Organic growth was 4% relative to Q4 2001.

CC&O sales amounted to DKK 338 million, which was unchanged from the previous quarter and DKK 29 million, or 8%, lower than in Q4 2001. US and European demand remained weak. Revenue from wireless products was DKK 64 million.

Revenue from headsets for cellphones improved by DKK 44 million during the quarter to DKK 143 million, driven by normal seasonal fluctuations and the strong attraction for Bluetooth-enabled products. In Q4 2001, revenue was DKK 130 million. Mobile revenue was not quite as high as expected at the end of Q3.

EBITA improved to DKK 58 million from DKK 34 million in Q3 2002 and DKK 41 million in Q4 2001. The EBITA improvement was achieved on lower revenue, supported by the cost reductions implemented. Cash flows from operations were DKK 60 million against DKK 44 million in Q3 2002 and DKK 95 million in Q4 2001.

Full year 2002
GN Netcom generated revenue of DKK 1,754 million in 2002 against DKK 1,930 million in 2001. The decline was due to the weaker USD and the economic slump of 2001, which has reduced CC&O sales. At a constant US dollar – Danish kroner exchange rate throughout the year, 2002 revenue would have been DKK 70 million higher than the actual figure.

Effective January 1, 2003, the GN Netcom organization consists of two global divisions and the Global Business Areas (GBA) unit, securing efficient manufacturing, logistics and premium-quality products. Sales, service, marketing and development for the CC&O market will henceforth be handled by the CC&O Division. Similarly, the Mobile Division addresses the mobile market. By implementing this distinct division and unilateral focus, GN aims to increase its CC&O market share, gain a satisfactory share of the European mobile market and capitalize on the full potential of Bluetooth technology.

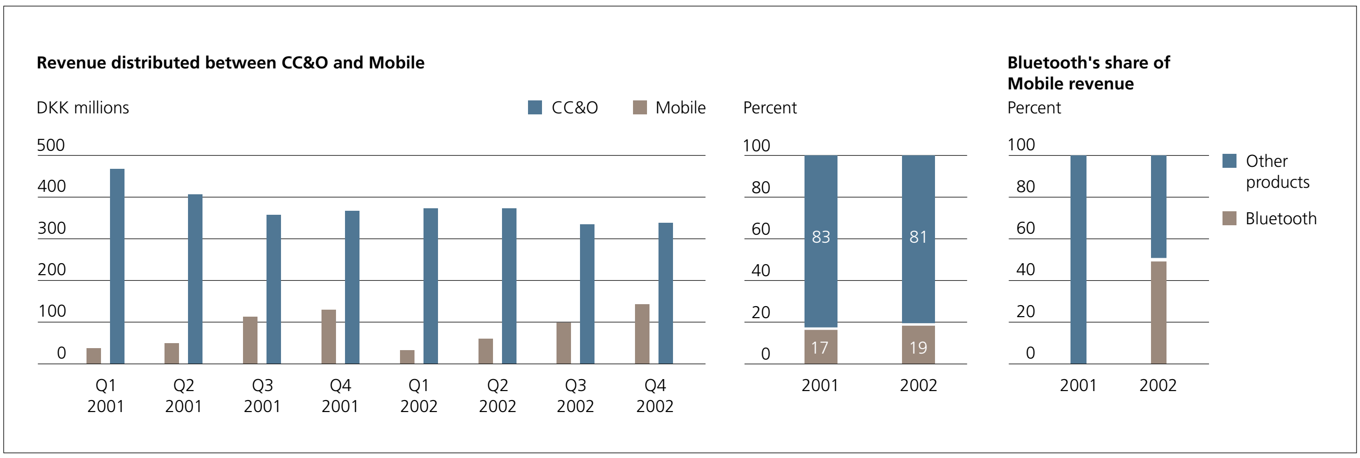
Contact Center & Office Division
The CC&O business including Hello Direct generated revenue of DKK 1,419 million in 2002 against DKK 1,600 million in 2001. Hello Direct, a catalog and Internet sales channel to small offices in the United States, generated revenue of DKK 424 million in 2002 against DKK 548 million in 2001.

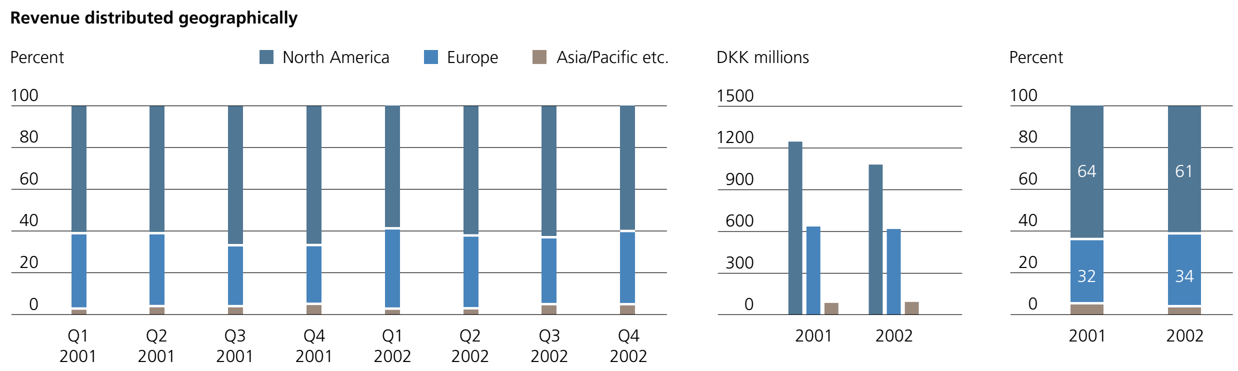
The decline in CC&O revenue was caused by a fall in contact center investments in both the United States and Europe and by Hello Direct phasing out a number of less profitable product categories. Contact centers are still less common in Europe than in the US, and demand is therefore expected to rise when the economy recovers. In Asia, the use of contact centers is still moderate. The estimated 10% drop in revenue at market level in 2002 follows the drop of about 20% in 2001. The 2002 revenue distribution was: North America 61%, Europe 34% and Asia and related markets 5%.

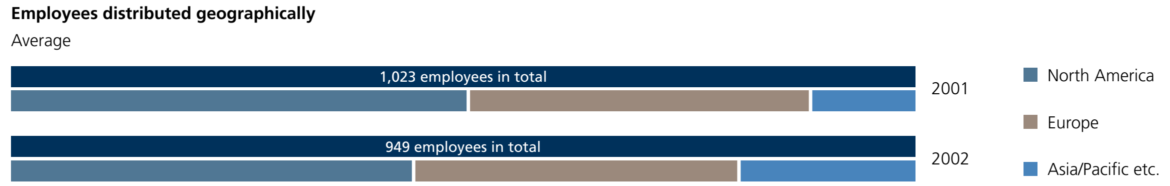
Sales of wireless headsets were DKK 259 million, compared to DKK 286 million in 2001, equal to 18% of total CC&O revenue. Adjusted for phased out Hello Direct branded products, growth was 6%. The proportion of wireless products is expected to rise as new products are launched on the office market.

The earnings improvement reported by Hello Direct on revenue of DKK 424 million is a reflection that market conditions have returned to normal following the anthrax scare in 2001 and that substantial adjustments have been made to the organization. By regularly trimming its product portfolio, Hello Direct will gradually increase the headset contribution to revenue from the some 55% in 2002.

The acquisition of Claria in Australia in June







2002 has strengthened GN Netcom's position on the Asia/Pacific market, where demand is growing in line with the improved levels of income. As CC&O has achieved critical mass, organic growth now takes top priority.

Mobile Division

The Mobile Division generated revenue of DKK 335 million in 2002 against DKK 330 million in 2001.

In 2002, GN was among the first manufacturers on the market to launch Bluetooth-enabled products, when Bluetooth technology became a standard feature of large-volume products. The initial Bluetooth-enabled headsets were sold in April 2002 and the total output for the year of more than 350,000 units was based on three JABRA and two OEM products, one for Motorola and one for Siemens. In February 2003, GN signed its second OEM agreement with Motorola to develop and manufacture a headset that will be launched in the second half of 2003. After less than a year on the market, wireless Bluetooth enabled headsets now account for half of GN's total mobile sales.

Sales to the mobile market failed to meet the original expectations. A number of US telecom carriers bought far fewer volumes of wired products than they did in 2001, when hands-free installations in vehicles became a much-debated issue in the United States. A large number of European countries are now also demanding hands-free cellphone solutions for drivers. The use of Bluetooth technology is expected to spread over the next few years and boost demand for headsets that can connect to both a cellphone and fixed network telephones.

GN has opted for a two-fold sales strategy, combining its own JABRA brand with an OEM strategy in order to reduce manufacturing costs, including through large volume purchases of Bluetooth chipsets. This cost advantage is intended to secure a commercial advantage to replace the technological edge GN has enjoyed over the past 12-18 months. GN is working proactively to expand the OEM portfolio, while at the same time marketing JABRA products to retailers, especially in the US and, recently, in Europe as well. JABRA headsets are available in more than 35,000 stores in the United States, and being a high-turnover item, they are often displayed at in-store check-out locations.

GN is now seeking to copy the strong position JABRA holds in the US to Europe, where the Mobile Division generated almost 15% of its 2002 revenue. In 2003, GN plans to aggressively market JABRA products on the largest individual markets; the UK, Germany, France and Italy. Unlike in the United States, where a few large chains cover the entire market, players on the European market are compelled to cooperate with many small retailers, distributors and mobile carriers, which complicates sales and marketing efforts.

Global Business Areas

The GBA incorporates production, logistics, quality assurance as well as technological and business innovation in a new unit under the GN Netcom organization.

Under the GN Netcom rationalization program, the remaining production facilities in the United States and Europe will be transferred to Xiamen, China, where most of GN's hearing instruments are already being manufactured. By itself, the expansion of production facilities in China will cut annual costs by more than DKK 20 million.

In order to reduce GN's response times from when an order is placed until it is shipped to the stores and to lower unit costs, the GBA will enhance the strategic cooperation with local Chinese sub-contractors and thereby contribute to making GN's production even more flexible.

The CC&O and the Mobile Division both have a focused development department at their disposal. The GBA's technology and business innovation department will ensure that GN gains access to the knowledge and technology of tomorrow and identifies related areas where GN's current competencies can be exploited commercially.

Provisions of DKK 20 million had been made at 31 December 2002 for the remaining relocation from the United States and Europe to China.

GN Netcom's EBITA improved by 15% over 2001 to DKK 148 million. Cash flows from operations amounted to DKK 167 million (2001: DKK 101 million).

Hearing Instruments | Audiologic Diagnostics Equipment

Profitability performing as planned

Maintaining a high pace of innovation in spite of the major changes

Q4 2002

GN ReSound's Q4 revenue improved to DKK 754 million from DKK 680 million in Q3 2002 and DKK 756 million in Q4 2001. Relative to Q4 2001, the organic growth rate was 6%.

The US market share improved to almost 12% thanks to the stronger Beltone network, the launch of the upmarket Oria hearing instrument and the low-end Canta2 device. Finally, the launch late in the year of Newtone, a digital device in the lowest price segment, also helped strengthen the position. The US market, which represents about 35% of the world market, fell by just over 1% in terms of units sold.

Digital devices made up more than 70% of sales compared to 49% in the full year 2001, and GN ReSound and Beltone products accounted for more than 85% of hearing instrument sales.

GN Otometrics generated Q4 revenue of DKK 90 million compared to DKK 67 million in Q3 and DKK 72 million in Q4 2001.

EBITA improved to DKK 85 million (a margin of 11.3%) from DKK 69 million in Q3 2002 and DKK 67 million in Q4 2001 (a margin of 8.9%). The stronger EBITA margin was based mainly on the rationalization measures GN ReSound implemented when integrating the operations of five hearing instrument manufacturers. Cash flows from operations were DKK 172 million against DKK 26 million in Q3 2002 and DKK 57 million in Q4 2001. The improvement was based on the growing EBIT margin and efforts to reduce the working capital.

Full year 2002

GN Resound generated revenue of DKK 2,903 million in 2002 against DKK 2,906 million in 2001. Organic growth was 3% at constant exchange rates.

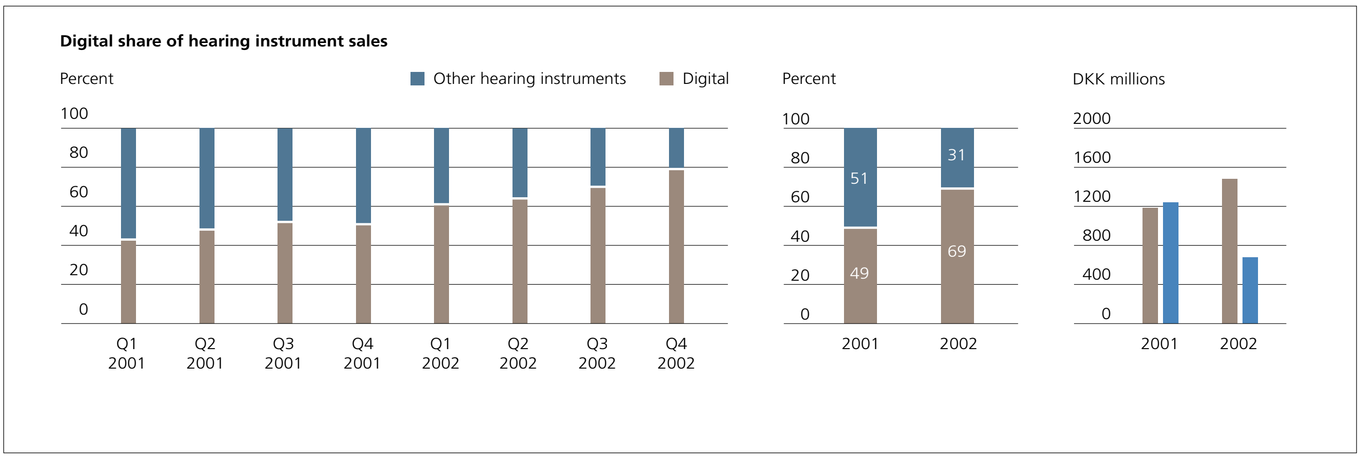
Hearing instruments

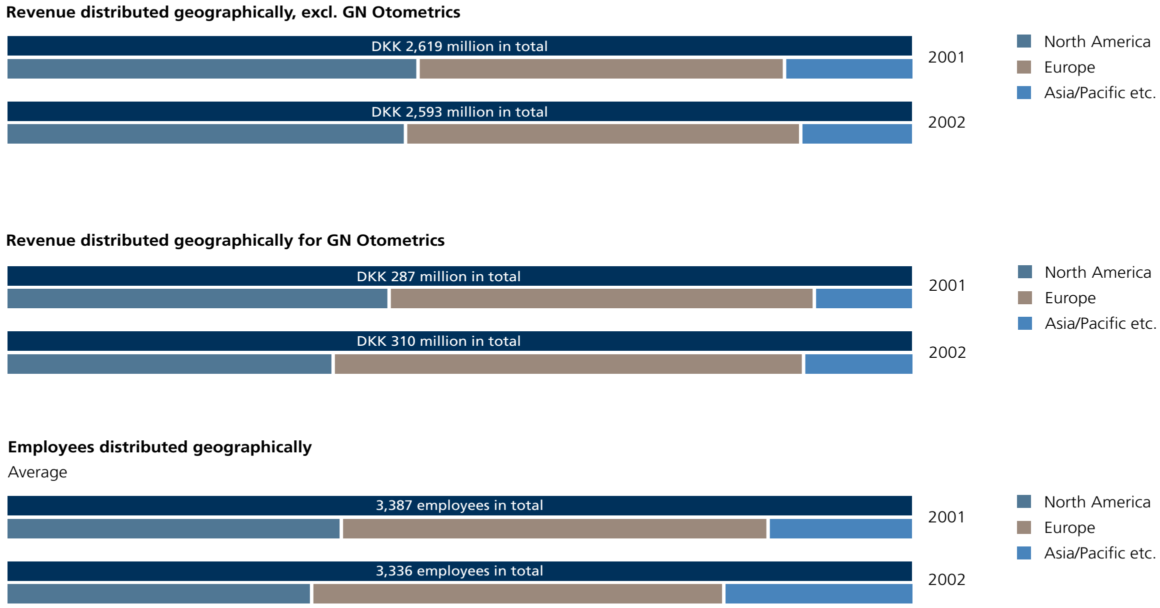
Hearing instrument revenue amounted to DKK 2,593 million (2001: DKK 2,619 million).

The integration of the five original hearing instrument manufacturers began to show positive results in 2002. The improvement was partly due to the transfer of most of the production facilities to China. The production facilities in Vienna were shut down during the year and the production of custom-fitted ITE-devices was relocated from Redwood City, California to Minneapolis, Minnesota. The production facilities at Eindhoven in the Netherlands will be shut down in the first quarter of 2003, after which all production of standard devices will be based in China and Ireland.

As a result of the launch of the Canta and Oria series, which are based on the same core technology, more than 85% of the hearing instrument revenue is now generated through the GN ReSound and Beltone brands. The Philips, Danavox and Viennatone brands are projected to be phased out by the end of 2004. With fewer brands and products, sales and marketing costs will be used more efficiently, and inventory management and logistics will become much less complex as GN begins to manufacture fewer products in greater volumes at a small number of plants using less manpower. The full effects of the global distribution center, production in China and Ireland and the narrower product portfolio will only materialize when the entire GN ReSound organization migrates to a single IT platform in 2004.

Beltone's Brand Division will relocate from Eindhoven to Copenhagen effective April 1, 2003. Coupled with a number of minor initi-





atives, this step alone will reduce the cost base by some DKK 40 million a year, and an amount of DKK 55 million has been earmarked for the relocation.

In the United States, where economic uncertainty and falling equity prices caused negative market growth, GN managed to stabilize its market share before raising it towards the end of the year to close to 12% in terms of units sold. The introduction of the low-end Canta2 devices in the fastest growing low-price segment played an essential role, and the extension of the Beltone network also contributed to strengthening the US market position. The Beltone network is being strengthened in a controlled process to ensure that dispensers offer premium quality services. The average dispenser reports higher sales now than when GN acquired Beltone in 2000.

Audiologic diagnostics equipment

GN Otometrics generated revenue of DKK 310 million in 2002 against DKK 287 million in 2001. The improvement overcame the effect of the weaker US dollar and the slowdown in customer investments caused by the weak growth in sales of hearing instruments.

Just like the hearing instrument operations, GN Otometrics is undergoing extensive rationalization of the five merged businesses acquired in 1999-2001. Apart from production facilities being physically relocated to a single site, a strong future software-based product platform that will sharply rationalize the product portfolio, will also contribute to lifting profitability over the next couple of years.

GN offers customers, end-users, hearing aid dispensers, hospitals, occupational health services, etc. complete solutions consisting of diagnostics equipment and patient management software packages that automatically record and journalize all end user data. AuditData is a leader in this field, which is consistent with GN's target of being the best provider of solutions that help people with a hearing impairment and solutions for professional players in the retail sector and the healthcare sector.

GN Otometrics holds a market share of about 25% and is the largest player in the industry, ahead of William Demant holding (Denmark). Hearing aids dispensers on the one hand and hospital, doctors and public hearing clinics such as occupational health services on the other each account for some 40-45% of GN Otometrics' revenue, while the rest is OEM sales.

GN's diagnostics equipment spans all the known types of test equipment; from the simple methods of an individual being tested indicating a response to a certain tone to tests of the brain's reaction to sound and for balance disorder tests. Screening infants for hearing impairment is mandatory under US legislation, something that several European countries, including Denmark, do not have a tradition for doing, in spite of the documented importance hearing ability has on learning and socialization during childhood.

GN ReSound recognized restructurings of DKK 140 million in the 2002 income statement and paid a total of DKK 174 million in restructuring costs. At December 31, 2002, DKK 68 million had been earmarked for initiatives announced as part of the Closing the Margin Gap project.

GN Resound's EBITA improved to DKK 276 million, a margin of 9.5%, compared to DKK 203 million and a margin of 7.0% in 2001. Cash flows from operations improved to DKK 183 million from an outflow of DKK 154 million in 2001.

NetTest divested at the end of 2002

Continued weak demand necessitated additional adjustments

Q4 2002
NetTest generated Q4 revenue of DKK 217 million against DKK 151 million in Q3 2002 and DKK 437 million in Q4 2001.

Effective December 31, 2002, GN Store Nord sold NetTest to Axcel Industriinvestor at a price of DKK 1 on a debt-free basis. Immediately prior to the transaction, GN injected DKK 155 million as share capital in NetTest.

Under the sales agreement, GN is committed, as a regulation of the contract price, to cover restructuring costs, representations, etc. for a net amount of up to DKK 100 million as well as costs relating to a number of vacant leases for a period of a little more than the next ten years. Costing up to DKK 50 million, this commitment will be reduced as the vacant leases are gradually terminated or taken over by another lessee.

The divestment reduced GN's equity by a total of DKK 495 million and is estimated to affect cash funds by as much as DKK 305 million.

The Q4 order inflow was DKK 177 million, distributed on DKK 32 million in Optical, DKK 92 million in Networks and DKK 53 million in Systems.

EBITA was DKK (113) million against DKK (1,229) million in Q3 2002 and DKK (180) million in Q4 2001. The cash flow from operations was an outflow of DKK 105 million against outflows of DKK 49 million in Q3 2002 and DKK 55 million in Q4 2001.

Full year 2002
Revenue fell to DKK 830 million from DKK 2,327 million in 2001.

Demand weakened further in 2002 and the total order inflow fell by DKK 1,231 million to DKK 638 million.

The efforts to restructure NetTest continued in 2002. The staff consisted of just over 800 employees at the end of the year, compared to 1,850 in May 2001. Restructuring amounts recognized and paid amount to DKK 212 million and DKK 147 million, respectively.

Due to the deteriorating market outlook, impairment losses of DKK 3,833 million were taken on goodwill, inventories, development projects, etc. in connection with the Q3 Earnings Release.

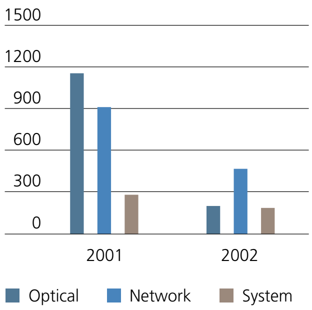
EBITA was DKK (1,580) million against DKK (104) million in 2001. Cash outflows from operations were DKK 316 million against DKK 415 million in 2001.

Other GN operations
The GN Store Nord Telegraph Company reported revenue of DKK 34 million against DKK 67 million in 2001. EBITA fell by DKK 21 million relative to 2001 to DKK 10 million.

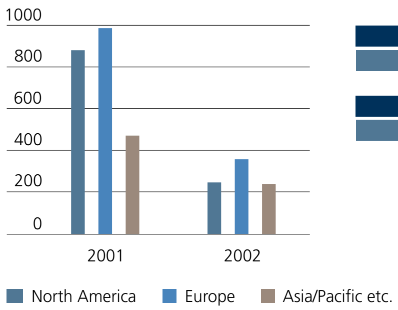
DPTG I/S, in which GN holds a 75% interest, is a party to arbitration proceedings against Telekomunikacja Polska S.A. regarding the principles for traffic statistics in Poland's NSL fiber-optic telecommunications system, for which DPTG is entitled to a share of the revenue for the period from 1994 to 2009. A positive outcome of the proceedings or a settlement acceptable to DPTG may be the termination of the entire contract and settlement of expected future traffic revenue for the period to the end of 2009. GN is unable to provide any further information in this matter without possibly influencing the outcome of the case.

In January 2002, GN sold the property at St. Helen's Place in London for DKK 68 million, at an accounting gain of DKK 47 million.

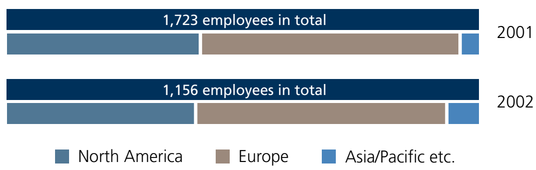
Revenue distributed by segment
DKK millions



Revenue distributed geographically
DKK millions



Employees distributed geographically
Average



International accounting standards and the Danish Financial Statements Act do not define EBITDA or EBITA

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

GN Store Nord's consolidated and parent company financial statements are presented in accordance with the provisions of the International Financial Reporting Standards (IFRS, previously IAS), the Danish Financial Statements Act, and the guidelines issued by the Copenhagen Stock Exchange for the financial reporting of listed companies.

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

GN defines EBITA as the operating profit before amortization of goodwill and other intangible assets acquired in company acquisitions and before restructuring costs originating from significant business restructurings, etc. and items of a non-recurring nature such as exceptional write-downs on non-current assets, etc. EBITDA is defined as EBITA before depreciation of property, plant and equipment. Amortization of proprietary development projects, etc. are included in both EBITDA and EBITA. The international accounting standards and the Danish Financial Statements Act require that impairment of property, plant and equipment, proprietary intangible assets and items of a non-recurring nature are treated as ordinary items and, to the extent possible, included under the respective functions of the income statement as "Production costs", "Development costs", "Selling and distribution costs" and "Management and administrative expenses" etc. The relationship between operating profit stated in accordance with the international accounting standards/the Danish Financial Statements Act and the investor-specific financial information is explained on pages 20-24.

Operating profit is adjusted for the following:

- Amortization and impairment of goodwill and other intangibles acquired in company acquisitions, as these are not included in the definition of EBITA.
- Write-downs on other non-current assets, which according to the IFRS income statement classified by function are attributed to the costs of individual functions, including manufacturing, selling and distribution costs, and management and administrative expenses, but which are considered to be nonrecurring items in an investor-specific income statement.
- Special write-downs on receivables in investments, which in an IFRS statement are included under costs by function, are also considered nonrecurring items.
- Restructuring costs related to significant business restructurings, etc., which in an IFRS income statement are deducted from "Operating profit" but which are considered nonrecurring items and thus should not be charged against EBITA.
- Other nonrecurring items, such as the costs related to the planned NetTest IPO, which in an IFRS income statement are included in management and administrative expenses.
- The share of profit from associates which is not considered a part of EBITA.

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

Business area operations

The statements contain earnings of each business area for the last eight quarterly periods.

The presentation also centers on the earnings concepts of EBITDA and EBITA, and performance is shown through changes in revenue, gross profit, overheads excluding depreciation, capitalization and amortization of proprietary development projects, etc. The relationship between EBITA and EBITDA and the item "Operating profit" is also provided for each of the companies.

Cash flow statement by quarterly period and by business area

The statements also provide, for the past eight quarters, changes in cash flows from operations before changes in working capital, changes in working capital, cash flows from operations before financial items, taxes paid and restructuring costs, cash flows from operations, cash flows from investments and cash flows from financing activities.

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

To better reflect the changes in cash flows from operations and investments by business area, these cash flows are stated separately for GN net of and including NetTest.

The accounting abbreviations EBITDA and EBITA are not defined in International Financial Reporting Standards (IFRS, previously IAS) or the Danish Financial Statements Act. Definitions are listed on page 57.

INVESTOR-SPECIFIC INCOME STATEMENT PER QUARTERLY PERIOD

(DKK millions)	Q1 2001 (unaud.)	Q2 2001 (unaud.)	Q3 2001 (unaud.)	Q4 2001 (unaud.)	2001 Total (aud.)	Q1 2002 (unaud.)	Q2 2002 (unaud.)	Q3 2002 (unaud.)	Q4 2002 (unaud.)	2002 Total (aud.)
Revenue	**1,983**	**1,944**	**1,682**	**1,710**	**7,319**	**1,368**	**1,415**	**1,273**	**1,456**	**5,512**
Production costs	(999)	(977)	(842)	(957)	(3,775)	(686)	(712)	(1,300)*	(747)	(3,445)*
Gross profit	**984**	**967**	**840**	**753**	**3,544**	**682**	**703**	**(27)**	**709**	**2,067**
Incurred development costs	(165)	(181)	(163)	(165)	(674)	(151)	(160)	(135)	(175)	(621)
Selling and distribution costs	(427)	(479)	(438)	(472)	(1,816)	(401)	(390)	(360)	(334)	(1,485)
Management and administrative expenses	(259)	(261)	(205)	(236)	(961)	(197)	(201)	(194)*	(171)	(763)*
Other operating income	2	1	(1)	7	9	3	2	-	4	9
Operating profit (loss) before capitalisation and amortisation of development costs, amortisation and impairment of intangible assets acquired in company acquisitions	**135**	**47**	**33**	**(113)**	**102**	**(64)**	**(46)**	**(716)**	**33**	**(793)**
Capitalised development costs	97	117	109	120	443	104	111	92	70	377
Amortised development costs	(37)	(18)	(34)	(36)	(125)	(40)	(44)	(454)*	(43)	(581)*
EBITDA	**195**	**146**	**108**	**(29)**	**420**	**-**	**21**	**(1,078)**	**60**	**(997)**
Ordinary depreciation and amortisation relating to:										
Production	(16)	(15)	(22)	(9)	(62)	(16)	(15)	(14)	(14)	(59)
Selling and distribution	(6)	(8)	(7)	(17)	(38)	(8)	(9)	(6)	(7)	(30)
Administration	(34)	(33)	(32)	(23)	(122)	(26)	(28)	(44)*	(20)	(118)*
EBITA	**139**	**90**	**47**	**(78)**	**198**	**(50)**	**(31)**	**(1,142)**	**19**	**(1,204)**
Share of profit (loss) in associates	(4)	(4)	3	-	(5)	(1)	(2)	-	(30)	(33)
Amortisation of goodwill	(193)	(195)	(139)	(135)	(662)	(103)	(103)	(99)	(58)	(363)
Amortisation of other intangible assets acquired in company acquisitions	(51)	(54)	(16)	(21)	(142)	(16)	(16)	(16)	(6)	(54)
Restructuring	(27)	(31)	(29)	(306)	(393)	(57)	(100)	(85)	(132)	(374)
Impairment	-	(6,019)	3	(2,547)	(8,563)	-	(58)	(2,675)*	14	(2,719)*
Costs related to planned NetTest IPO	-	(51)	(5)	(1)	(57)	-	-	-	-	-
Earnings before interest and tax (EBIT)	**(136)**	**(6,264)**	**(136)**	**(3,088)**	**(9,624)**	**(227)**	**(310)**	**(4,017)**	**(193)**	**(4,747)**
Gain on disposal of property	7	1	68	-	76	47	-	-	-	47
Gains/losses on disposal of discontinuing operations	-	-	(95)	-	(95)	-	(5)	-	(489)	(494)
Capital gains/losses on shares	-	-	17	12	29	4	(2)	(1)	2	3
Interest income and similar items	32	27	(12)	95	142	9	49	2	69	129
Interest expense and similar items	(30)	(33)	(22)	(85)	(170)	(25)	(68)	(32)	(102)	(227)
Earnings before tax (EBT)	**(127)**	**(6,269)**	**(180)**	**(3,066)**	**(9,642)**	**(192)**	**(336)**	**(4,048)**	**(713)**	**(5,289)**
Tax on profit (loss)	(23)	277	28	184	466	55	(84)	(71)*	275	175*
Net earnings for the period	**(150)**	**(5,992)**	**(152)**	**(2,882)**	**(9,176)**	**(137)**	**(420)**	**(4,119)**	**(438)**	**(5,114)**
Minority shareholders' share of net earnings for the period	-	-	-	-	-	-	-	-	-	-
GN Store Nord's share of net earnings for the period	**(150)**	**(5,992)**	**(152)**	**(2,882)**	**(9,176)**	**(137)**	**(420)**	**(4,119)**	**(438)**	**(5,114)**

Compared with previously published quarterly reports, a number of reclassifications etc. of financial statement items have been made relating to each quarter. However, the subtotals in each quarter remain unchanged.

Items marked *) are in Q3 2002 specifically affected by the impairment of assets in NetTest of a total of DKK 3,833 million, which is included in:

	Q3 2002	2002 Total
Production costs, inventory write-downs	(637)	(637)
Amortisation of development costs	(416)	(416)
Management and administrative expenses, provision for bad debt losses	(20)	(20)
Depreciation, administration	(15)	(15)
EBITA effect	**(1,088)**	**(1,088)**
Depreciation and amortisation (of goodwil and other intangible assets acquired in business acquisitions, leasehold improvements, plant, etc.)	(2,668)	(2,668)
EBT effect	**(3,756)**	**(3,756)**
Tax on profit (loss)	(77)	(77)
Effect on net earnings for the period	**(3,833)**	**(3,833)**

Relationship between investor-specific income statement and „Income statement" prepared in accordance with IFRS and further supplementary specifications is shown on pages 23-24.

The accounting abbreviations EBITDA and EBITA are not defined in International Financial Reporting Standards (IFRS, previously IAS) or the Danish Financial Statements Act. Definitions are listed on page 57.

QUARTERLY OPERATIONS BY BUSINESS AREA

(DKK millions)	Q1 2001 (unaud.)	Q2 2001 (unaud.)	Q3 2001 (unaud.)	Q4 2001 (unaud.)	2001 Total (aud.)	Q1 2002 (unaud.)	Q2 2002 (unaud.)	Q3 2002 (unaud.)	Q4 2002 (unaud.)	2002 Total (aud.)
Revenue										
GN Netcom	506	456	471	497	1,930	406	433	434	481	1,754
GN ReSound	701	725	724	756	2,906	739	730	680	754	2,903
Other *	62	62	12	20	156	6	7	8	4	25
Subtotal	**1,269**	**1,243**	**1,207**	**1,273**	**4,992**	**1,151**	**1,170**	**1,122**	**1,239**	**4,682**
NetTest	714	701	475	437	2,327	217	245	151	217	830
Total	**1,983**	**1,944**	**1,682**	**1,710**	**7,319**	**1,368**	**1,415**	**1,273**	**1,456**	**5,512**
Gross profit										
GN Netcom	265	231	247	249	992	210	223	214	238	885
GN ReSound	355	361	346	371	1,433	387	381	362	408	1,538
Other *	35	40	15	25	115	10	11	5	9	35
Subtotal	**655**	**632**	**608**	**645**	**2,540**	**607**	**615**	**581**	**655**	**2,458**
NetTest	329	335	232	108	1,004	75	88	(608)**	54	(391)**
Total	**984**	**967**	**840**	**753**	**3,544**	**682**	**703**	**(27)**	**709**	**2,067**
Overheads excluding development costs and depreciation and amortisation of non-current assets										
GN Netcom	(185)	(201)	(168)	(174)	(728)	(155)	(166)	(149)	(148)	(618)
GN ReSound	(261)	(272)	(250)	(273)	(1,056)	(279)	(270)	(248)	(248)	(1,045)
Other *	(43)	(42)	(14)	(24)	(123)	(19)	(18)	(17)	(17)	(71)
Subtotal	**(489)**	**(515)**	**(432)**	**(471)**	**(1,907)**	**(453)**	**(454)**	**(414)**	**(413)**	**(1,734)**
NetTest	(195)	(224)	(212)	(230)	(861)	(142)	(135)	(140)**	(88)	(505)**
Total	**(684)**	**(739)**	**(644)**	**(701)**	**(2,768)**	**(595)**	**(589)**	**(554)**	**(501)**	**(2,239)**
Incurred development costs										
GN Netcom	(34)	(31)	(33)	(27)	(125)	(21)	(27)	(26)	(27)	(101)
GN ReSound	(40)	(43)	(45)	(45)	(173)	(47)	(56)	(53)	(68)	(224)
Other *	-	-	-	-	-	-	-	-	-	-
Subtotal	**(74)**	**(74)**	**(78)**	**(72)**	**(298)**	**(68)**	**(83)**	**(79)**	**(95)**	**(325)**
NetTest	(91)	(107)	(85)	(93)	(376)	(83)	(77)	(56)	(80)	(296)
Total	**(165)**	**(181)**	**(163)**	**(165)**	**(674)**	**(151)**	**(160)**	**(135)**	**(175)**	**(621)**
Capitalised development costs										
GN Netcom	15	17	13	12	57	11	15	15	18	59
GN ReSound	12	15	31	24	82	24	32	32	36	124
Other *	-	-	-	-	-	-	-	-	-	-
Subtotal	**27**	**32**	**44**	**36**	**139**	**35**	**47**	**47**	**54**	**183**
NetTest	70	85	65	84	304	69	64	45	16	194
Total	**97**	**117**	**109**	**120**	**443**	**104**	**111**	**92**	**70**	**377**
Amortised development costs										
GN Netcom	-	(4)	-	(5)	(9)	(4)	(5)	(6)	(8)	(23)
GN ReSound	(3)	(2)	(7)	(4)	(16)	(6)	(6)	(7)	(27)	(46)
Other *	-	-	-	-	-	-	-	-	-	-
Subtotal	**(3)**	**(6)**	**(7)**	**(9)**	**(25)**	**(10)**	**(11)**	**(13)**	**(35)**	**(69)**
NetTest	(34)	(12)	(27)	(27)	(100)	(30)	(33)	(441)**	(8)	(512)**
Total	**(37)**	**(18)**	**(34)**	**(36)**	**(125)**	**(40)**	**(44)**	**(454)**	**(43)**	**(581)**
Ordinary depreciation and amortisation										
GN Netcom	(15)	(16)	(13)	(14)	(58)	(12)	(13)	(14)	(15)	(54)
GN ReSound	(20)	(21)	(20)	(6)	(67)	(19)	(19)	(17)	(16)	(71)
Other *	(5)	(4)	(6)	(7)	(22)	(3)	(2)	(4)	(3)	(12)
Subtotal	**(40)**	**(41)**	**(39)**	**(27)**	**(147)**	**(34)**	**(34)**	**(35)**	**(34)**	**(137)**
NetTest	(16)	(15)	(22)	(22)	(75)	(16)	(18)	(29)**	(7)	(70)**
Total	**(56)**	**(56)**	**(61)**	**(49)**	**(222)**	**(50)**	**(52)**	**(64)**	**(41)**	**(207)**
EBITA										
GN Netcom	46	(4)	46	41	129	29	27	34	58	148
GN ReSound	43	38	55	67	203	60	62	69	85	276
Øvrige *	(13)	(6)	(5)	(6)	(30)	(12)	(9)	(16)	(11)	(48)
Other	**76**	**28**	**96**	**102**	**302**	**77**	**80**	**87**	**132**	**376**
NetTest	63	62	(49)	(180)	(104)	(127)	(111)	(1,229)**	(113)	(1,580)**
Total	**139**	**90**	**47**	**(78)**	**198**	**(50)**	**(31)**	**(1,142)**	**19**	**(1,204)**
EBITA-margin										
GN Netcom	9.1 %	(0.9)%	9.8 %	8.2 %	6.7 %	7.1 %	6.2 %	7.8 %	12.1 %	8.5 %
GN ReSound	6.1 %	5.2 %	7.6 %	8.9 %	7.0 %	8.1 %	8.5 %	10.2 %	11.3 %	9.5 %
Other *	(21.0)%	(9.7)%	(41.7)%	(30.0)%	(19.2)%	(200.0)%	(128.6)%	(200.0)%	(275.0)%	(192.0)%
Subtotal	**6.0 %**	**2.3 %**	**8.0 %**	**8.0 %**	**6.0 %**	**6.7 %**	**6.8 %**	**7.8 %**	**10.7 %**	**8.0 %**
NetTest	8.8 %	8.8 %	(10.3)%	(41.2)%	(4.5)%	(58.5)%	(45.3)%	(813.9)%	(52.1)%	(190.4)%
Total	**7.0 %**	**4.6 %**	**2.8 %**	**(4.6)%**	**2.7 %**	**(3.7)%**	**(2.2)%**	**(89.7)%**	**1.3 %**	**(21.8)%**
Restructuring costs, recognised in the income statement										
GN Netcom	(15)	(10)	-	(14)	(39)	-	-	(22)	-	(22)
GN ReSound	(12)	(21)	(18)	(102)	(153)	(37)	(28)	(19)	(56)	(140)
Other *	-	-	-	-	-	-	-	-	-	-
Subtotal	**(27)**	**(31)**	**(18)**	**(116)**	**(192)**	**(37)**	**(28)**	**(41)**	**(56)**	**(162)**
NetTest	-	-	(11)	(190)	(201)	(20)	(72)	(44)	(76)	(212)
Total	**(27)**	**(31)**	**(29)**	**(306)**	**(393)**	**(57)**	**(100)**	**(85)**	**(132)**	**(374)**

*) „Other" comprises Telegraf-Company, GN Ejendomme, corporate staff, corporate finance and eliminations.
**) These items are specifically affected by the impairment of assets in NetTest. See page 20.

QUARTERLY STATEMENT OF CASH FLOWS

(DKK millions)	Q1 2001 (unaud.)	Q2 2001 (unaud.)	Q3 2001 (unaud.)	Q4 2001 (unaud.)	2001 Total (aud.)	Q1 2002 (unaud.)	Q2 2002 (unaud.)	Q3 2002 (unaud.)	Q4 2002 (unaud.)	2002 Total (aud.)
Operating activities										
Earnings before interest and tax (EBIT)	(136)	(6,264)	(136)	(3,088)	(9,624)	(227)	(310)	(4,017)	(193)	(4,747)
Depreciation, amortisation and impairment	332	6,317	299	2,825	9,773	215	279	3,318	166	3,978
Other adjustments	85	(22)	8	349	420	42	30	697	197	966
Cash flow from operating activities before changes in working capital	**281**	**31**	**171**	**86**	**569**	**30**	**(1)**	**(2)**	**170**	**197**
Change in inventories	(266)	(266)	26	52	(454)	32	-	86	83	201
Change in receivables	(175)	40	145	327	337	115	(23)	119	62	273
Change in trade payables and other payables	(24)	(72)	(114)	(37)	(247)	(68)	66	(98)	76	(24)
Total changes in working capital	**(465)**	**(298)**	**57**	**342**	**(364)**	**79**	**43**	**107**	**221**	**450**
Cash flow from operating activities before interest income and expense and similar items, restructurings and tax	**(184)**	**(267)**	**228**	**428**	**205**	**109**	**42**	**105**	**391**	**647**
Interest and dividends, etc. received	19	21	(3)	37	74	5	11	3	11	30
Interest paid	(17)	(27)	(14)	(59)	(117)	(23)	(28)	(23)	(29)	(103)
Restructurings, paid	(17)	(16)	(13)	(138)	(184)	(51)	(60)	(45)	(165)	(321)
Tax paid, net	(32)	(113)	(4)	106	(43)	(21)	(6)	18	(3)	(12)
Cash flows from operating activities	**(231)**	**(402)**	**194**	**374**	**(65)**	**19**	**(41)**	**58**	**205**	**241**
Investing activities										
Development projects, acquired and developed in-house	(97)	(117)	(109)	(120)	(443)	(104)	(111)	(92)	(70)	(377)
Acquisition of other intangible assets and property, plant and equipment, net	(128)	(201)	(4)	(98)	(431)	(36)	(35)	(44)	(58)	(173)
Acquisition/disposal of investments, net	15	(44)	(90)	7	(112)	44	(2)	(14)	1	29
Acquisition/disposal of securities	-	-	4	19	23	-	1	-	-	1
Company acquisitions	(55)	(69)	(41)	(2)	(167)	-	(21)	-	-	(21)
Disposal of investment property	5	5	1	77	88	68	-	-	-	68
Cash purchase consideration, net, discontinuing operations	-	-	(9)	(9)	(18)	-	-	-	(160)	(160)
Liquid funds in discontinuing operations	-	-	(5)	-	(5)	-	-	-	(71)	(71)
Cash flows from investing activities	**(260)**	**(426)**	**(253)**	**(126)**	**(1,065)**	**(28)**	**(168)**	**(150)**	**(358)**	**(704)**
Cash flows from operating and investing activities	**(491)**	**(828)**	**(59)**	**248**	**(1,130)**	**(9)**	**(209)**	**(92)**	**(153)**	**(463)**
Financing activities										
Increase of non-current liabilities	-	450	300	-	750	-	-	250	-	250
Decrease of short-term bank loans	106	34	80	(52)	168	(19)	30	(251)	102	(138)
Treasury shares	30	9	-	-	39	-	-	-	-	-
Share options settled	-	(5)	(2)	-	(7)	-	-	-	-	-
Repayment and reduction of non-current liabilities	9	(59)	(46)	(46)	(142)	(41)	12	(25)	(1)	(55)
Dividends paid to shareholders	-	(127)	-	-	(127)	-	-	-	-	-
Foreign exchange adjustments etc.	58	136	(267)	45	(28)	(33)	7	(3)	36	7
Cash flows from financing activities	**203**	**438**	**65**	**(53)**	**653**	**(93)**	**49**	**(29)**	**137**	**64**
Net cash flows	**(288)**	**(390)**	**6**	**195**	**(477)**	**(102)**	**(160)**	**(121)**	**(16)**	**(399)**
Cash funds, beginning of period	1,220	929	539	545	1,220	740	645	421	316	740
Foreign exchange adjustments, cash funds	(3)	-	-	-	(3)	7	(64)	16	(18)	(59)
Cash funds, beginning of period	**1,217**	**929**	**539**	**545**	**1,217**	**747**	**581**	**437**	**298**	**681**
Cash funds, end of the period	**929**	**539**	**545**	**740**	**740**	**645**	**421**	**316**	**282**	**282**

Compared with previously published quarterly reports paid restructuring costs are shown separately after cash generated from operating activities before interest income and expense and similar items, taxes and restructurings. In previous years, such costs were included in cash generated from operating activities before changes in working capital.

Cash flow statement for the business areas is shown on page 23.

QUARTERLY STATEMENT OF CASH FLOW BY BUSINESS AREA

(DKK millions)	Q1 2001 (unaud.)	Q2 2001 (unaud.)	Q3 2001 (unaud.)	Q4 2001 (unaud.)	2001 Total (aud.)	Q1 2002 (unaud.)	Q2 2002 (unaud.)	Q3 2002 (unaud.)	Q4 2002 (unaud.)	2002 Total (aud.)
Cash flow from operating activities before changes in working capital										
GN Netcom						34	38	52	97	221
GN ReSound						91	53	79	159	382
Other						(9)	(9)	(10)	(12)	(40)
Subtotal						**116**	**82**	**121**	**244**	**563**
NetTest						(86)	(83)	(123)	(74)	(366)
Total						**30**	**(1)**	**(2)**	**170**	**197**
Cash flow from operating activities before interest income and expense and similar items, restructurings and tax										
GN Netcom	19	(63)	138	111	205	78	36	64	90	268
GN ReSound	(141)	(42)	66	170	53	51	32	87	293	463
Other	(18)	69	(57)	62	56	6	5	(7)	25	29
Subtotal	**(140)**	**(36)**	**147**	**343**	**314**	**135**	**73**	**144**	**408**	**760**
NetTest	(44)	(231)	81	85	(109)	(26)	(31)	(39)	(17)	(113)
Total	**(184)**	**(267)**	**228**	**428**	**205**	**109**	**42**	**105**	**391**	**647**
Cash flows from operating activities										
GN Netcom	(9)	(91)	106	95	101	49	14	44	60	167
GN ReSound	(190)	(84)	63	57	(154)	(11)	(4)	26	172	183
Other	173	28	(75)	277	403	47	45	37	78	207
Subtotal	**(26)**	**(147)**	**94**	**429**	**350**	**85**	**55**	**107**	**310**	**557**
NetTest	(205)	(255)	100	(55)	(415)	(66)	(96)	(49)	(105)	(316)
Total	**(231)**	**(402)**	**194**	**374**	**(65)**	**19**	**(41)**	**58**	**205**	**241**
Cash flows from investing activities										
GN Netcom	(41)	(47)	(67)	(39)	(194)	(21)	(39)	(27)	(38)	(125)
GN ReSound	(133)	(64)	(165)	(71)	(433)	(38)	(65)	(74)	(80)	(257)
Other	99	(97)	35	86	123	109	3	1	-	113
Subtotal	**(75)**	**(208)**	**(197)**	**(24)**	**(504)**	**50**	**(101)**	**(100)**	**(118)**	**(269)**
NetTest	(185)	(218)	(56)	(102)	(561)	(78)	(67)	(50)	(240)	(435)
Total	**(260)**	**(426)**	**(253)**	**(126)**	**(1,065)**	**(28)**	**(168)**	**(150)**	**(358)**	**(704)**
Cash flows from operating and investing activities										
GN Netcom	(50)	(138)	39	56	(93)	28	(25)	17	22	42
GN ReSound	(323)	(148)	(102)	(14)	(587)	(49)	(69)	(48)	92	(74)
Other	272	(69)	(40)	363	526	156	48	38	78	320
Subtotal	**(101)**	**(355)**	**(103)**	**405**	**(154)**	**135**	**(46)**	**7**	**192**	**288**
NetTest	(390)	(473)	44	(157)	(976)	(144)	(163)	(99)	(345)	(751)
Total	**(491)**	**(828)**	**(59)**	**248**	**(1,130)**	**(9)**	**(209)**	**(92)**	**(153)**	**(463)**

RELATIONSHIP BETWEEN COSTS CLASSIFIED BY FUNCTION ACCORDING TO IFRS AND INVESTOR-SPECIFIC STATEMENT

	2001		2002	
(DKK millions)	IFRS income statement	Investor-specific income statement	IFRS income statement	Investor-specific income statement
Production costs	(3,851)	(3,775)	(3,592)	(3,445)
Depreciation, assets related to production, shown separately in investor-specific income statement	62	-	59	-
Included in "Impairment" in investor-specific income statement:				
Write-downs related to Telesystem etc.	14*	-	8*	-
Impairment of assets related to production in NetTest	-	-	80*	-
	(3,775)	(3,775)	(3,445)	(3,445)
Development costs	(356)		(920)	
Incurred development costs	-	(674)	-	(621)
Capitalised development costs	-	443	-	377
Amortised development costs	-	(125)	-	(581)
	(356)	(356)	(920)	(825)
Included in "Impairment" in investor-specific income statement:				
Impairment of in-house development projects in NetTest	-	-	55*	-
Impairment of property, plant and equipment in NetTest, used for development	-	-	40*	-
	(356)	(356)	(825)	(825)
Selling and distribution costs	(1,854)	(1,816)	(1,556)	(1,485)
Depreciation, assets related to selling and distribution, shown separately in investor-specific income statement	38	-	30	-
Included in "Impairment" in investor-specific income statement:				
Impairment of assets related to selling and distribution	-	-	41*	-
	(1,816)	(1,816)	(1,485)	(1,485)
Management costs and administrative expenses	(1,180)	(961)	(873)	(763)
Depreciation, assets related to administration, shown separately in investor-specific income statement	122	-	118	-
Costs related to planned NetTest IPO, shown separately in investor-specific income statement	57	-	-	-
Included in "Impairment" in investor-specific income statement:				
Impairment related to receivables in investments	40*	-	9*	-
Impairment related to other receivables in investments, reversed	-	-	(33)*	-
Impairment of assets related to administration	-	-	16*	-
	(961)	(961)	(763)	(763)
Amortisation and impairment of goodwill and other intangible assets acquired in company acquisitions	(9,313)		(2,920)	
Amortisation of goodwill	-	(662)	-	(363)
Amortisation of other intangible assets acquired in company acquisitions	-	(142)	-	(54)
	(9,313)	(804)	(2,920)	(417)
Included in "Impairment" in investor-specific income statement:				
Impairment of goodwill	7,225*	-	2,421*	-
Impairment of acquired development projects	917*	-	13*	-
Impairment of patents and rights	261*	-	37*	-
Impairment of other acquired intangible assets	106*	-	32*	-
	(804)	(804)	(417)	(417)
Impairment	-	(8,563)	-	(2,719)

Impairment in investor-specific income statement comprises above items marked with *

RELATIONSHIP BETWEEN "OPERATING PROFIT" IN THE IFRS INCOME STATEMENT AND EBITA/EBITDA BY BUSINESS AREA

	2001				2002			
(DKK millions)	GN Netcom	GN ReSound	NetTest	Other/other activities/ eliminations	GN Netcom	GN ReSound	NetTest	Other/other activities/ eliminations
Relationship to "Segment information"								
Operating profit (loss), cf. segment information pages 52 and 54	(239)	(1,475)	(7,798)	(112)	63	(98)	(4,651)	(61)
Amortisation and impairment of goodwill and other intangible assets acquired in company acquisitions, reversed	329	1,529	7,455	-	63	227	2,630	-
Impairment related to other receivables in investments included in "Administrative expenses", reversed	-	-	-	40	-	-	-	(24)
Write-downs related to Telesystem, etc. included in "Production costs", reversed	-	-	-	14	-	-	-	8
Impairment of property, plant and equipment, included in "Production costs", "Development costs", "Selling and distribution costs" and "Management and administrative expenses", reversed	-	-	-	-	-	2	175	1
Impairment of in-house development projects, included in "Development costs", reversed	-	-	-	-	-	-	54	-
Share of profit (loss) in associates, reversed	-	(4)	(1)	10	-	5	-	28
Restructuring, reversed	39	153	201	-	22	140	212	-
Costs related to planned restructuring of NetTest, included in "Administrative expenses", reversed	-	-	39	18	-	-	-	-
EBITA	**129**	**203**	**(104)**	**(30)**	**148**	**276**	**(1,580)**	**(48)**
Depreciation of property, plant and equipment, reversed	58	67	75	22	54	71	70	12
EBITDA	**187**	**270**	**(29)**	**(8)**	**202**	**347**	**(1,510)**	**(36)**

DEVELOPMENT IN SELECTED BALANCE SHEET ITEMS

(DKK millions)	31 March 2001 (unaud.)	30 June 2001 (unaud.)	30 Sep 2001 (unaud.)	31 Dec 2001 (aud.)	31 March 2002 (unaud.)	30 June 2002 (unaud.)	30 Sep 2002 (unaud.)	31 Dec 2002 (aud.)
Goodwill								
GN Netcom	1,022	822	783	794	790	710	704	656
GN ReSound	5,058	4,013	3,608	3,686	3,672	3,184	3,181	2,922
Other	69	69	69	-	-	-	-	-
Subtotal	**6,149**	**4,904**	**4,460**	**4,480**	**4,462**	**3,894**	**3,885**	**3,578**
NetTest	8,668	4,632	4,969	2,571	2,537	2,467	-	-
Total	**14,817**	**9,536**	**9,429**	**7,051**	**6,999**	**6,361**	**3,885**	**3,578**
Development projects, acquired and developed in-house								
GN Netcom	62	73	66	66	73	78	87	97
GN ReSound	108	127	143	169	188	208	236	242
Other	-	-	-	-	-	-	-	-
Subtotal	**170**	**200**	**209**	**235**	**261**	**286**	**323**	**339**
NetTest	1,301	907	571	535	575	519	100	-
Total	**1,471**	**1,107**	**780**	**770**	**836**	**805**	**423**	**339**
Inventories								
GN Netcom	290	347	351	319	307	273	249	228
GN ReSound	521	539	552	535	552	519	478	402
Other	-	-	-	-	-	-	-	-
Subtotal	**811**	**886**	**903**	**854**	**859**	**792**	**727**	**630**
NetTest	785	963	939	865	863	771	115	-
Total	**1,596**	**1,849**	**1,842**	**1,719**	**1,722**	**1,563**	**842**	**630**
Trade receivables								
GN Netcom	404	367	388	303	302	309	329	325
GN ReSound	593	628	615	575	616	564	557	526
Other	264	229	195	150	143	95	118	94
Subtotal	**1,261**	**1,224**	**1,198**	**1,028**	**1,061**	**968**	**1,004**	**945**
NetTest	769	773	631	469	323	262	165	-
Total	**2,030**	**1,997**	**1,829**	**1,497**	**1,384**	**1,230**	**1,169**	**945**
Trade payables								
GN Netcom	115	113	156	82	80	96	96	111
GN ReSound	208	184	240	220	213	241	169	183
Other	46	16	10	14	11	9	9	28
Subtotal	**369**	**313**	**406**	**316**	**304**	**346**	**274**	**322**
NetTest	396	331	228	184	154	124	92	-
Total	**765**	**644**	**634**	**500**	**458**	**470**	**366**	**322**

Accounting policies in general
The annual report of GN Store Nord as is presented in accordance with International Financial Reporting Standards (IFRS, previously IAS), Danish accounting standards, provisions applying to class D enterprises in the Danish Financial Statements Act and the guidelines laid down by the Copenhagen Stock Exchange for the financial reporting of listed companies. The consolidated and parent company financial statements are presented in accordance with the same accounting policies applied in previous years.

The presentation of accounting policies has in certain areas been adjusted to reflect international accounting trends of 2002. These adjustments do not imply a change in accounting policies applied.

Recognition and measurement
Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and the value of the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item. Certain financial assets and liabilities are measured at amortised cost implying the recognition of a constant effective interest rate to maturity. Amortised cost is calculated as initial cost minus any principal repayments and plus or minus the cumulative amortisation of any difference between cost and nominal amount.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account. Income is recognised in the income statement as earned. Costs incurred to generate the year's earnings, including depreciation, amortisation, impairment and provisions are recognised in the income statement.

Value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised in the income statement, except value adjustments of derivative financial instruments designated as hedges of future cash flows which are recognised directly in equity. Reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement are also recognised in the income statement.

Basis of consolidation
The consolidated financial statements relate to the parent company, GN Store Nord as, and the subsidiaries in which GN Store Nord as directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence are considered associates. Group companies are listed on page 56.

The consolidated financial statements are prepared as a consolidation of the financial statements for 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 realised and unrealised 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, and minority shareholders' share in equity is stated separately. Projects and companies established as joint ventures with joint control are consolidated on a pro rata basis.

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

Acquisitions of enterprises in which the parent company will be able to exercise control are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise. The tax effect of the revaluation of assets and provisions is taken into account.

Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as an intangible asset and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as an intangible asset and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Negative goodwill that exceeds the fair value of non-monetary assets is recognised as income in the year of acquisition. The cost of acquisition of goodwill and negative goodwill is adjusted for any changes to the purchase price after the acquisition. Reversal of restructuring provisions included in the determination of goodwill reduces the value of goodwill and negative goodwill. Furthermore, if the fair value of assets and liabilities acquired on the date of acquisition differs from the fair values assessed on the date of acquisition, goodwill and negative goodwill is adjusted before the end of the financial year following the year of acquisition. All other subsequent adjustments are recognised in the income statement.

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

Minority interests
In the consolidated financial statements, the items of subsidiaries are recognised in full.

The minority interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the income statement and balance sheet.

Foreign currency translation
On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as interest income or expense and similar items.

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

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

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

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

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

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

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

Derivative financial instruments
Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and payables, respectively.

Derivatives are only designated as hedges if the following conditions are met:

- There must be a clear correlation between the purchase/sale of the derivative and the accounting items hedged at the time of the transaction or the future transaction. The derivative must be expected to effectively hedge the accounting item during its entire term.

- The derivative must have effectively hedged the accounting item or the future transaction throughout the financial year and at the balance sheet date. If the effectiveness of the hedge cannot be determined, the derivative is not recognised as a hedge for accounting purposes.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised as receivables or payables and in equity. Income and expenses relating to such hedging transactions are transferred from equity on realisation of the hedged item and recognised in the same item as the hedged item.

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

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

Basic and diluted earnings per share
Basic earnings per share (EPS) are calculated by dividing the net profit or loss for the year by the weighted average number of shares outstanding during the year. Diluted EPS is calculated by adding to the weighted average number of shares outstanding the number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential shares.

The dilutive effect of outstanding share options is calculated using the Treasury Stock method.

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

Grants for R&D activities which are recognised directly in the income statement are recognised as development costs, thereby matching the costs for which they compensate.

Grants for the acquisition of assets and development activities that are recognised as assets are set off against the cost of the assets for which grants are awarded. Forgivable loans provided by public bodies for funding development activities are recognised as liabilities until the terms for remission of the loans have been met.

INCOME STATEMENT
Revenue
Revenue from the sale of goods and rendering of services is recognised 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 and maintenance contracts are recognised during the term of the contract.

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

Contract work in progress is recognised as revenue by reference to the stage of completion. Accordingly, revenue corresponds to the selling price of work performed during the year (the percentage of completion method). Revenue is recognised when total income and expenses and the stage of completion of the contract at the balance sheet date can be reliably calculated and when it is probable that the economic benefits, including payment, will flow to the Group.

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 is inventory write-downs and provision for losses on construction contracts.

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

Research costs are recognised in the income statement as incurred. Development projects that are clearly defined and identifiable, where the technical utilisation degree, sufficient resources and a potential future market or development opportunities in the Company is evidenced, and where the Company intends to produce, market or use the project, are recognised as intangible assets from the date on which the above-mentioned conditions are satisfied and when the present value of future earnings or the net realisable value is expected to exceed the development costs incurred. The cost of such development projects includes direct wages, salaries, materials and other direct and indirect costs attributable to the development projects. Amortisation and impairment of such capitalised development projects are included in R&D costs. Other development costs are recognised 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 during the year for Group management and administration, including expenses for administrative staff and management, office expenses, and depreciation and impairment etc. Also included are losses on receivables.

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

Amortisation and impairment of goodwill and other intangible assets acquired in company acquisitions
Amortisation and impairment of goodwill and other intangible assets acquired in company acquisitions comprise amortisation and impairment of goodwill and other intangible assets identified as separate assets and recognised at fair value in connection with acquisitions.

Restructurings
Restructuring costs relating to acquired companies are included in the determination of goodwill when the restructuring has been decided on and announced on the date of acquisition. Other restructuring costs are provided for and recognised in the income statement when they have been decided on and announced. Restructuring costs for the year are recognised in the income statement to the extent that the costs are attributable to restructurings relating to disposal or termination of a line of business, closing of business premises or transfer of activities from one country to another and significant changes in management structure or other material matters which have a significant effect on the Group's activities. Other restructuring costs are recognised in the income statement under the items to which they are attributable.

Costs recognised in restructuring in the income statement comprise severance payments, post-employment pay, outplacement costs, liabilities related to loss-making contracts and unutilised leases and impairment of assets derived from major structural changes, etc. Other costs, including pay in the period under notice, running in expenses, etc., are recognised in the income statement by function.

Profits/losses from investments in subsidiaries and associates
The proportionate share of the profit/loss before tax of the individual subsidiaries is recognised in the income statement of the parent company less amortisation of goodwill. The share of the taxes of subsidiaries and extraordinary items is recognised as tax on profit/loss from ordinary activities and extraordinary profit/loss after tax, respectively.

The proportionate share of the profit/loss before tax of the associates is recognised in both the parent company and the consolidated income statement less amortisation of goodwill and after elimination of the proportionate share of intra-group profits/losses. The share of the taxes of associates is recognised as tax on profit/loss from ordinary activities and extraordinary profit/loss after tax, respectively.

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

Extraordinary income and expenses
Extraordinary income and expenses comprise income and expenses that arise from events or transactions that are clearly distinct from the ordinary activities, are not within the control of the Company, and are therefore not expected to recur frequently or regularly.

Tax on profit/loss for the year

The parent company is jointly taxed with a number of Danish and foreign subsidiaries.

The parent company makes provisions for and pays the total Danish tax on these companies' taxable income. The parent company also makes provisions for deferred tax for the Danish companies. The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

The recognised tax expense is allocated to profit/loss from ordinary activities and extraordinary profit/loss, respectively.

Current tax payable is recognised in current liabilities and deferred tax is recognised in provisions.

Tax receivable is recognised in receivables and deferred tax assets are recognised in investments.

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

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

Deferred tax is not recognised 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 crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

BALANCE SHEET

Intangible assets

Intangible assets are measured at cost less accumulated amortisation and impairment. Intangible assets include telecommunications systems which are not in the legal ownership of the Group, but from which the Group is contractually entitled to receive revenue. Amortisation of the following intangible assets is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

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

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

Amortisation of telecommunications systems reflects utilisation during the period in the form of actual traffic as compared to total forecasted traffic over the term of the contract.

The carrying amount of a telecommunications system may, however, not exceed what it would have been if amortisation had been provided on a straight-line basis over the expected useful lives of the assets (contract term).

The expected useful lives of telecommunications systems are as follows:

Telecommunications systems	5-15 years

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

Property, plant and equipment

Property, telecommunications systems, machinery, equipment etc. are measured at cost less depreciation and impairment. Cost includes the cost of acquisition and cost of materials, components, subcontractor services, direct wages and salaries, and indirect production costs. Interest and other borrowing costs are not included in the cost of acquisition.

Telecommunications systems which are in the legal ownership of the Group are classified as property, plant and equipment.

The cost of assets leased under finance leases is stated at the lower of fair value and the present value of the future lease payments at the time of acquisition. For the calculation of the net present value, the interest rate implicit in the lease or an approximation thereof is used as discount rate. Assets leased under finance leases are recognised in the balance sheet and depreciated in the same way as the Group's other property, plant and equipment.

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

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

Land is not depreciated.

Depreciation of telecommunications systems reflects utilisation during the period in the form of actual traffic as compared to total forecasted traffic over the term of the contract.

The carrying amount of a telecommunications system may, however, not exceed what it would have been if depreciation had been provided on a straight-line basis over the expected useful lives of the assets (contract term).

The expected useful lives of telecommunications systems are as follows:

Telecommunications systems	5-15 years

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

Investments

Investments in subsidiaries and associates are measured using the equity method.

Investments in subsidiaries and associates are measured in the balance sheet at the proportionate share of the enterprises' equity calculated in accordance with the parent company's accounting policies less the proportionate share of unrealised intra-group profits and losses and plus non-amortised goodwill.

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

Net revaluation of investments in subsidiaries and associates is transferred to the reserve for net revaluation in equity according to the equity method to the extent that the carrying amount exceeds cost.

Other securities are measured at fair value, where such value can be reliably measured, or at cost.

Impairment

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

Inventories

Raw materials and goods for resale are measured at cost in accordance with the FIFO method.

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

Receivables and contract work in progress

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

Contract work in progress is measured at the selling price of the work performed at the balance sheet date. The selling price is measured by reference to the stage of completion at the balance sheet date and total expected income from the contract work.

The stage of completion is determined as the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Amounts invoiced for work completed are deducted from the selling price while amounts invoiced in excess of work completed are recognised as current liabilities.

Prepayments

Prepayments, recognised as assets, comprise costs incurred concerning subsequent financial years.

Listed securities

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

Equity

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

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

Pensions

Contributions to defined contribution plans are recognised in the income statement in the period to which they relate and any contributions outstanding are recognised 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 employment in the Group. The actuarial present value less the market value of any plan assets is recognised in the balance sheet in pensions, cf. below.

Any difference between the expected development in plan assets and the defined benefit obligation and actual amounts result in actuarial gains or losses. If the cumulative actuarial gains or losses exceed the greater of 10% of the defined benefit obligation or 10% of the market value of the plan assets, the gains or losses are recognised in the income statement over the expected remaining working lives of the employees. Actuarial gains or losses not exceeding above limits are not recognised in the income statement.

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

Other provisions

Provisions are recognised when as a result of events in the financial year or in previous years the Group has an obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Other provisions relating to acquisitions include provisions for restructuring obligations that have been adopted and announced not later than at the date of the acquisition and are included in the determination of goodwill.

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

On the acquisition of companies, provision is made for the contingent consideration when it is considered probable that the conditions will be met.

A general warranty is given against defects in design, materials and workmanship for a period of 1-3 years from delivery and completion. Provisions for warranties are measured and recognised based on past experience. Provisions expected to be maintained for more than one year from the balance sheet date are discounted when appropriate.

If it is likely that total costs will exceed total income from contract work in progress, a provision is made for the total loss anticipated on the contract. The provision is recognised in production costs.

Financial liabilities

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

Financial liabilities also include the capitalised 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 amortised cost.

Received prepayments

Received prepayments, recognised in liabilities, comprises payments received concerning income in subsequent years.

Other rental and lease matters

When contracts for rent and lease of buildings and operating assets are of an operational nature, rental and lease payments are recognised in the income statement for the period to which they relate.

The remaining rental and lease obligations under such contracts are disclosed as contingent liabilities.

Incentive plans

When share options allotted to the Group's employees have an exercise price corresponding at a minimum to the market price of GN Store Nord's shares at the allotment date, the theoretical bonus element is not recognised in the income statement. Options exercised are recognised in equity.

CASH FLOW STATEMENT

The Group cash flow statement is presented using the indirect method based on the Group's operating profit/loss.

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

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

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

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of non-current assets, including investments.

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

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

SEGMENT INFORMATION

Information is provided on business segments (primary segment) and geographical markets (secondary segment). Segment information is based on the Group's accounting policies, risks and internal financial management.

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

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

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

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

Discontinuing operations

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

Note	INCOME STATEMENT (DKK millions)	CONSOLIDATED 2002	CONSOLIDATED 2001	PARENT COMPANY 2002	PARENT COMPANY 2001
1	Revenue	5,512	7,319	15	25
2, 4	Production costs	(3,592)	(3,851)	(1)	(1)
	Gross profit	**1,920**	**3,468**	**14**	**24**
2, 3, 4	Development costs	(920)	(356)	-	-
2, 4	Selling and distribution costs	(1,556)	(1,854)	-	-
2, 4, 6	Management and administrative expenses	(873)	(1,180)	(48)	(152)
	Other operating income	9	9	1	-
5	Amortisation and impairment of goodwill and other intangible assets acquired in company acquisitions	(2,920)	(9,313)	-	-
4, 7	Restructuring	(374)	(393)	-	-
	Operating profit (loss) before share of profit in subsidiaries and associates	**(4,714)**	**(9,619)**	**(33)**	**(128)**
8	Share of profit (loss) in subsidiaries	-	-	(4,853)	(9,777)
9	Share of profit (loss) in associates	(33)	(5)	(28)	(10)
	Operating profit (loss)	**(4,747)**	**(9,624)**	**(4,914)**	**(9,915)**
10	Gains/losses on disposal of discontinuing operations	(447)	(19)	(495)	29
	Profit (loss) before interest income and expense and similar items	**(5,194)**	**(9,643)**	**(5,409)**	**(9,886)**
11	Interest income and similar items	132	171	241	344
12	Interest expense and similar items	(227)	(170)	(121)	(100)
	Profit (loss) from ordinary activities before tax	**(5,289)**	**(9,642)**	**(5,289)**	**(9,642)**
13	Tax on profit (loss) from ordinary activities	175	466	175	466
	Profit (loss) from ordinary activities after tax	**(5,114)**	**(9,176)**	**(5,114)**	**(9,176)**
	Minority shareholders' share of profit (loss) for the year	-	-	-	-
	GN Store Nord's share of profit (loss) for the year	**(5,114)**	**(9,176)**	**(5,114)**	**(9,176)**
	Distribution of loss				
	Reserve for net revaluation using the equity method			-	(585)
	Retained earnings			(5,114)	(8,591)
				(5,114)	**(9,176)**
	Basic and fully diluted earnings per share of DKK 4 (EPS)			(24.20)	(43.47)
	Basic and fully diluted earnings per share of DKK 4 excluding amortisation and impairment of intangible assets and restructuring etc. (EPS)			(7.59)	3.04

	ASSETS	CONSOLIDATED		PARENT COMPANY	
Note	(DKK millions)	**2002**	**2001**	**2002**	**2001**
	Non-current assets				
	Goodwill	3,578	7,051	-	-
	Development projects, acquired	-	20	-	-
	Development projects, developed in-house	339	750	-	-
	Software, acquired	-	24	-	-
	Software, developed in-house	101	80	-	-
	Patents and rights	99	171	-	-
	Telecommunications systems	58	85	31	36
	Other intangible assets	360	492	-	-
14	**Total intangible assets**	**4,535**	**8,673**	**31**	**36**
	Investment property	-	21	-	-
	Factory and office buildings	106	125	-	-
	Leasehold improvements	49	170	-	-
	Plant and machinery	79	169	-	-
	Operating assets and equipment	83	198	2	2
	Leased plant and equipment	11	12	-	-
	Telecommunications systems	-	8	-	-
	Plant under construction	6	7	-	-
15	**Total property, plant and equipment**	**334**	**710**	**2**	**2**
	Investments in subsidiaries	-	-	4,603	8,893
	Receivables from subsidiaries	-	-	2,565	3,933
	Investments in associates	171	186	25	45
	Other securities	7	12	-	-
27	Other receivables and deposited bank balances	111	515	87	143
17, 22	Deferred tax assets	330	324	193	-
16	**Total investments**	**619**	**1,037**	**7,473**	**13,014**
	Total non-current assets	**5,488**	**10,420**	**7,506**	**13,052**
	Current assets				
18	**Inventories**	**630**	**1,719**	**-**	**-**
	Trade receivables	945	1,497	50	87
	Receivables from associates	4	6	-	-
19	Tax receivable	231	278	180	180
	Other receivables	152	250	3	12
27	Deposited bank balances	117	-	117	-
	Prepayments	80	103	-	-
20	**Total receivables**	**1,529**	**2,134**	**350**	**279**
	Listed securities	**9**	**10**	**9**	**10**
27	**Cash and cash equivalents**	**282**	**740**	**5**	**31**
	Total current assets	**2,450**	**4,603**	**364**	**320**
	Total assets	**7,938**	**15,023**	**7,870**	**13,372**

Note	EQUITY AND LIABILITIES (DKK millions)	CONSOLIDATED 2002	CONSOLIDATED 2001	PARENT COMPANY 2002	PARENT COMPANY 2001
	Equity				
	Share capital	879	879	879	879
	Share premium	4,170	4,170	4,170	4,170
	Revaluation reserves	-	1	-	1
	Net revaluation using the equity method	-	-	-	-
	Foreign exchange adjustments	(555)	407	(40)	31
	Retained earnings	295	5,251	(220)	5,627
	Total equity	**4,789**	**10,708**	**4,789**	**10,708**
	Minority interests	**-**	**-**	**-**	**-**
	Provisions				
21	Provisions for pension obligations and similar obligations	13	17	1	1
22	Deferred tax	48	331	-	201
23	Other provisions	474	563	275	98
	Total provisions	**535**	**911**	**276**	**300**
	Liabilities				
	Mortgage loans	3	5	-	-
	Bank loans	1,321	1,145	1,300	1,050
28	Capitalised lease obligations	8	4	-	-
27	Other long-term payables	97	478	87	132
	Received prepayments	17	25	-	-
24	**Total non-current liabilities**	**1,446**	**1,657**	**1,387**	**1,182**
	Amounts owed to subsidiaries	-	-	1,126	1,052
	Repayment of long-term loans	4	13	-	-
	Bank loans	197	394	144	22
	Trade payables	322	500	23	8
25	Tax payable	76	80	-	-
26, 27	Other payables	534	708	125	100
	Received prepayments	35	52	-	-
	Total current liabilities	**1,168**	**1,747**	**1,418**	**1,182**
	Total liabilities	**2,614**	**3,404**	**2,805**	**2,364**
	Total equity and liabilities	**7,938**	**15,023**	**7,870**	**13,372**

27 Security
28 Lease obligations
29 Contingent liabilities, other financial liabilities and contingent assets
30 Financial instruments
31 Outstanding shares and treasury shares
32 Government grants
33 Related party transactions
34 Incentive plans

CONSOLIDATED CASH FLOW STATEMENT

Note	(DKK millions)	CONSOLIDATED 2002	2001
	Operating activities		
	Operating profit (loss)	(4,747)	(9,624)
	Depreciation, amortisation and impairment	3,978	9,773
35	Other adjustments	966	420
	Cash flow from operating activities before changes in working capital	**197**	**569**
	Change in inventories	201	(454)
	Change in receivables	273	337
	Change in trade payables and other payables	(24)	(247)
	Total changes in working capital	**450**	**(364)**
	Cash flow from operating activities before interest income and expense and similar items, restructurings and tax	**647**	**205**
	Interest and dividends, etc. received	30	74
	Interest paid	(103)	(117)
	Restructurings, paid	(321)	(184)
	Tax paid, net	(12)	(43)
	Cash flows from operating activities	**241**	**(65)**
	Investing activities		
	Acquisition of intangible assets excluding development projects	(67)	(92)
	Development projects, acquired and developed in-house	(377)	(443)
	Acquisition of property, plant and equipment	(197)	(404)
	Investments	(31)	(191)
	Disposal of intangible assets	8	14
	Disposal of property, plant and equipment	83	51
	Disposal of investments	60	79
	Acquisition/disposal of securities	1	23
36	Company acquisitions	(21)	(167)
	Disposal of investment property	68	88
37	Cash purchase consideration, net	(160)	(18)
37	Liquid funds in discontinuing operations	(71)	(5)
	Cash flows from investing activities	**(704)**	**(1,065)**
	Cash flows from operating and investing activities	**(463)**	**(1,130)**
	Financing activities		
	Increase of non-current liabilities	250	750
	Decrease of short-term bank loans	(138)	168
	Treasury shares	-	39
	Share options settled	-	(7)
	Repayment and reduction of non-current liabilities	(55)	(142)
	Dividends paid to shareholders	-	(127)
	Foreign exchange adjustments etc.	7	(28)
	Cash flows from financing activities	**64**	**653**
	Net cash flows	**(399)**	**(477)**
	Cash and cash equivalents at 1 January	740	1,220
	Foreign exchange adjustments, cash and cash equivalents at 1 January	(59)	(3)
	Cash and cash equivalents at 1 January	**681**	**1,217**
27	**Cash and cash equivalents at 31 December**	**282**	**740**

The statement of cash flows can not be derived using only the other accounting data.

EQUITY

Consolidated

(DKK millions)	Share capital (shares of DKK 4 each)	Share premium	Revaluation reserves	Net revaluation using the equity method	Foreign exchange adjustments	Retained earnings	Total equity
Balance sheet total at 31 December 2000	**879**	**4,170**	**1**	**-**	**128**	**14,520**	**19,698**
Effect of change in accounting policies	-	-	-	-	-	(1)	(1)
Profit (loss) for the year	-	-	-	-	-	(9,176)	(9,176)
Dividends paid	-	-	-	-	-	(127)	(127)
Treasury shares	-	-	-	-	-	39	39
Share options settled	-	-	-	-	-	(7)	(7)
Tax on changes in equity	-	-	-	-	-	3	3
Foreign exchange adjustments etc.	-	-	-	-	279	-	279
Balance sheet total at 31 December 2001	**879**	**4,170**	**1**	**-**	**407**	**5,251**	**10,708**
Balance sheet total at 31 December 2001	**879**	**4,170**	**1**	**-**	**407**	**5,251**	**10,708**
Profit (loss) for the year	-	-	-	-	-	(5,114)	(5,114)
Tax on changes in equity	-	-	-	-	-	155	155
Foreign exchange adjustments etc.	-	-	(1)	-	(962)	3	(960)
Balance sheet total at 31 December 2002	**879**	**4,170**	**-**	**-**	**(555)**	**295**	**4,789**

Parent company

(DKK millions)	Share capital (shares of DKK 4 each)	Share premium	Revaluation reserves	Net revaluation using the equity method	Foreign exchange adjustments	Retained earnings	Total equity
Balance sheet total at 31 December 2000	**879**	**4,170**	**1**	**585**	**55**	**14,008**	**19,698**
Effect of change in accounting policies	-	-	-	-	-	(1)	(1)
Transfers	-	-	-	(585)	5	580	-
Profit (loss) for the year	-	-	-	-	-	(9,176)	(9,176)
Dividends paid	-	-	-	-	-	(127)	(127)
Share options settled	-	-	-	-	-	(3)	(3)
Treasury shares	-	-	-	-	-	9	9
Changes in equity, subsidiaries	-	-	-	-	-	334	334
Tax on changes in equity	-	-	-	-	-	3	3
Foreign exchange adjustments etc.	-	-	-	-	(29)	-	(29)
Balance sheet total at 31 December 2001	**879**	**4,170**	**1**	**-**	**31**	**5,627**	**10,708**
Balance sheet total at 31 December 2001	**879**	**4,170**	**1**	**-**	**31**	**5,627**	**10,708**
Transfers	-	-	-	-	(10)	10	-
Profit (loss) for the year	-	-	-	-	-	(5,114)	(5,114)
Changes in equity, subsidiaries	-	-	-	-	-	(900)	(900)
Tax on changes in equity	-	-	-	-	-	155	155
Foreign exchange adjustments etc.	-	-	(1)	-	(61)	2	(60)
Balance sheet total at 31 December 2002	**879**	**4,170**	**-**	**-**	**(40)**	**(220)**	**4,789**

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Notes – Income statement

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Notes – Supplementary information

Notes – Statement of cash flows

NOTES – INCOME STATEMENT

Note	(DKK millions)	CONSOLIDATED 2002	CONSOLIDATED 2001	PARENT COMPANY 2002	PARENT COMPANY 2001
1	**Revenue**				
	Revenue is distributed as follows:				
	Products	5,377	7,003	-	-
	Services	34	153	15	25
	Rent	2	9	-	-
	Selling price of work performed during the year on contract work in progress	99	154	-	-
	Total	**5,512**	**7,319**	**15**	**25**
	Total revenue by geographic area:				
	Denmark	132	218	-	-
	Rest of Nordic region	306	293	-	-
	Rest of Europe	1,851	2,418	15	25
	North and South America	2,548	3,414	-	-
	Asia	565	861	-	-
	Other	110	115	-	-
	Total	**5,512**	**7,319**	**15**	**25**
2	**Employees and staff costs**				
	Staff costs				
	Wages, salaries and remuneration and emoluments	(1,699)	(2,055)	(28)	(27)
	Pensions	(48)	(50)	(1)	(1)
	Other social security costs	(231)	(288)	-	-
	Total	**(1,978)**	**(2,393)**	**(29)**	**(28)**
	Of which:				
	Parent company Supervisory Board emoluments	(2)	(2)	(2)	(2)
	Parent company Executive Management remuneration	(6)	(6)	(6)	(6)
	Average number of employees	**5,475**	**6,213**	**34**	**40**
	Average number of employees, year-end	**4,219**	**5,879**	**29**	**34**
	(Year-end 2002 excluding NetTest)				
	Incentive plans				
	The Group's incentive plans are specified and described in note 34.				
3	**Development costs**				
	Development costs are capitalised when the related projects satisfy a number of conditions and show a probability of future earnings.				
	The relationship between development costs incurred and development costs recognised in the income statement is as follows:				
	Development costs paid	(600)	(666)	-	-
	Impairment of operating assets etc. used for development projects	(25)	(30)	-	-
	Grants and tax refunds	4	23	-	-
	Total development costs incurred	(621)	(673)	-	-
	Development costs capitalised as development projects	377	443	-	-
	Amortisation of capitalised in-house development projects	(166)	(126)	-	-
	Impairment of in-house development projects	(470)	-	-	-
	Impairment of operating assets etc. used for development	(40)	-	-	-
	Total recognised development costs	**(920)**	**(356)**	**-**	**-**

NOTES – INCOME STATEMENT

Note	(DKK millions)	CONSOLIDATED 2002	CONSOLIDATED 2001	PARENT COMPANY 2002	PARENT COMPANY 2001
4	**Depreciation, amortisation and impairment**				
	Depreciation, amortisation and impairment for the year of property, plant and equipment and software, and amortisation and impairment of in-house development projects is recognised in the income statement as follows:				
	Production costs	(147)	(76)	(1)	(1)
	Development costs	(702)	(156)	-	-
	Selling and distribution costs	(71)	(38)	-	-
	Management and administrative expenses	(134)	(122)	(6)	(10)
	Restructuring	(4)	(68)	-	-
	Total	**(1,058)**	**(460)**	**(7)**	**(11)**
5	**Amortisation and impairment of goodwill and other intangible assets acquired in company acquisitions**				
	Amortisation of goodwill	(363)	(662)	-	-
	Amortisation, other intangible assets acquired in company acquisitions	(54)	(142)	-	-
	Impairment of goodwill	(2,421)	(7,225)	-	-
	Impariment, other intangible assets acquired in company acquisitions	(82)	(1,284)	-	-
	Total	**(2,920)**	**(9,313)**	**-**	**-**
6	**Fees to auditors appointed by the annual general meeting**				
	Audit fees				
	KPMG	(12)	(19)	(1)	(1)
	Deloitte & Touche	(1)	-	-	-
	Total	**(13)**	**(19)**	**(1)**	**(1)**
	Non-audit services				
	KPMG	(27)	(30)	(6)	(3)
	Deloitte & Touche	-	-	-	-
	Total	**(27)**	**(30)**	**(6)**	**(3)**
7	**Restructuring**				
	Severance pay, post-employment pay, outplacement costs, etc.	(302)	(219)	-	-
	Loss-making contracts related to unutilised leases, etc.	(27)	(110)	-	-
	Impairment of current assets relating to termination of trade marks, etc.	(13)	-	-	-
	Impairment, production plant	(4)	(50)	-	-
	Other, including other loss-making contracts	(28)	(14)	-	-
	Total	**(374)**	**(393)**	**-**	**-**
8	**Share of profit (loss) before tax in subsidiaries**				
	Share of profit			114	131
	Share of loss			(2,183)	(9,246)
	Amortisation and impairment of goodwill			(2,784)	(662)
	Total			**(4,853)**	**(9,777)**
9	**Share of profit (loss) before tax in associates**				
	Share of profit	11	10	3	-
	Share of loss	(1)	(5)	(1)	(4)
	Amortisation and impairment of goodwill	(43)	(10)	(30)	(6)
	Total	**(33)**	**(5)**	**(28)**	**(10)**

NOTES – INCOME STATEMENT		CONSOLIDATED		PARENT COMPANY	
Note	(DKK millions)	2002	2001	2002	2001
10	**Gains/losses on disposal of discontinuing operations**				
	Losses on disposal of NetTest	(495)	-	(495)	-
	Losses on disposal of GN Maritime (GN Comtext)	6	(95)	-	-
	Gains on disposal of investment property	47	76	-	29
	Other	(5)	-	-	-
	Total	**(447)**	**(19)**	**(495)**	**29**
11	**Interest income and similar items**				
	Interest income from subsidiaries	-	-	231	297
	Interest income from bank accounts, etc.	30	74	1	8
	Foreign exchange adjustments, bonds	3	29	3	29
	Gains on primary financial instruments	8	12	6	9
	Foreign exchange gain	91	56	-	1
	Total	**132**	**171**	**241**	**344**
12	**Interest expense and similar items**				
	Interest expense from subsidiaries	-	-	(62)	(64)
	Interest expense from banking services, etc.	(106)	(117)	(58)	(35)
	Losses on primary financial instruments	(4)	(4)	-	-
	Foreign exchange loss	(117)	(49)	(1)	(1)
	Total	**(227)**	**(170)**	**(121)**	**(100)**
13	**Tax on profit (loss) from ordinary activities**				
	Danish tax payable	-	-	-	-
	Tax payable on foreign activities	(41)	(104)	-	-
	Deferred tax adjustment	230	585	239	33
	Share of tax in subsidiaries	-	-	(63)	433
	Share of tax in associates	(1)	-	(1)	-
	Change in tax rate	(6)	(2)	-	-
	Other, including prior-year tax adjustment	25	(13)	-	-
	Tax on discontinuing operations	(32)	-	-	-
	Total	**175**	**466**	**175**	**466**

Breakdown of tax rate	**%**	**%**
Danish tax rate	30	30
Variance in foreign subsidiaries	-	(1)
Non-taxable income and non-deductible expenses	-	-
Share of tax on discontinuing operations	(13)	-
Non-deductible goodwill amortisation and impairment for tax purposes	(15)	(24)
Value adjustments	(1)	2
Utilisation of non-capitalised tax losses	(1)	(1)
Other, including prior-year adjustment	4	(1)
Effective tax rate	**4**	**5**

In 2002 the parent company paid DKK 0 million (Group: DKK 56 million) in corporation tax, including tax on account for the year against DKK 0 million (Group: DKK 159 million) in 2001.

In 2002 the parent company received reimbursement of corporation tax of DKK 0 million (Group: DKK 44 million) previously paid on account against DKK 101 million (Group: DKK 116 million) in 2001.

NOTES – BALANCE SHEET

Note 14: Intangible assets

Consolidated

(DKK millions)	Goodwill	Development projects, acquired	Development projects developed in-house	Software, acquired	Software developed in-house	Patents and rights	Telecom-munications systems	Other	Total
Cost at 1 January	15,493	1,008	1,346	48	201	617	208	634	19,555
Additions, company acquisitions	-	-	-	-	-	-	-	1	1
Additions	23	-	377	6	58	3	-	-	467
Disposals, company disposals	(8,993)	(1,001)	(1,138)	(51)	-	(310)	-	(56)	(11,549)
Disposals	(31)	-	(2)	-	(3)	-	(52)	-	(88)
Foreign exchange adjustments	(1,049)	(7)	(96)	(3)	(25)	(34)	-	(95)	(1,309)
Cost at 31 December	5,443	-	487	-	231	276	156	484	7,077
Amortisation and impairment at 1 January	(8,442)	(988)	(596)	(24)	(121)	(446)	(123)	(142)	(10,882)
Additions, company acquisitions	-	-	-	-	-	-	-	-	-
Amortisation	(363)	(6)	(166)	(7)	(26)	(15)	(9)	(33)	(625)
Disposals, company disposals	8,993	1,001	1,033	47	-	296	-	56	11,426
Disposals	-	-	1	-	2	-	34	-	37
Impairment	(2,421)	(13)	(470)	(15)	(3)	(37)	-	(32)	(2,991)
Foreign exchange adjustments	368	6	50	(1)	18	25	-	27	493
Amortisation and impairment at 31 December	(1,865)	-	(148)	-	(130)	(177)	(98)	(124)	(2,542)
Carrying amount at 31 December 2002	**3,578**	**-**	**339**	**-**	**101**	**99**	**58**	**360**	**4,535**

	Development projects developed in-house	Software developed in-house	Total
Cost at 31 December, completed projects	315	181	496
Cost at 31 December, projects in progress	172	50	222
	487	**231**	**718**
Carrying amount at 31 December 2002, completed projects	167	51	218
Carrying amount at 31 December 2002, projects in progress	172	50	222
	339	**101**	**440**

Parent company

(DKK millions)					Software developed in-house		Telecom-munications systems		Total
Cost at 1 January					2		76		78
Additions, company acquisitions					-		-		-
Additions					-		-		-
Disposals					(2)		-		(2)
Foreign exchange adjustments					-		-		-
Cost at 31 December					-		76		76
Amortisation and impairment at 1 January					(2)		(40)		(42)
Additions, company acquisitions					-		-		-
Amortisation					(1)		(5)		(6)
Disposals					3		-		3
Impairment					-		-		-
Foreign exchange adjustments					-		-		-
Amortisation and impairment at 31 December					-		(45)		(45)
Carrying amount at 31 December 2002	**-**	**-**	**-**	**-**	**-**	**-**	**31**	**-**	**31**

The Group's other intangible assets primarily consist of DKK 137 in customer bases, DKK 205 million in trademarks and DKK 18 million in non-competition clauses.

Note 15: Property, plant and equipment

Consolidated

(DKK millions)	Investment property	Factory and office buildings	Leasehold improvements	Plant and machinery	Operating assets and equipment	Leased plant and equipment	Telecom-munications systems	Plant under construction	Total
Cost at 1 January	21	206	260	878	605	19	41	8	2,038
Additions	-	36	14	60	52	7	-	28	197
Disposals, company disposals	-	(76)	(148)	(249)	(172)	(1)	-	-	(646)
Disposals	(21)	(18)	(25)	(102)	(113)	(9)	-	(25)	(313)
Transfers	-	-	-	1	(4)	-	-	(5)	(8)
Foreign exchange adjustments	-	(13)	(14)	(77)	(49)	(1)	-	-	(154)
Cost at 31 December	-	135	87	511	319	15	41	6	1,114
Amortisation and impairment at 1 January	-	(81)	(90)	(709)	(407)	(7)	(33)	(1)	(1,328)
Depreciation	-	(7)	(20)	(63)	(81)	(3)	(1)	-	(175)
Impairment	-	(2)	(97)	(45)	(38)	-	(5)	-	(187)
Disposals, company disposals	-	46	138	227	150	1	-	-	562
Disposals	-	10	19	89	91	5	-	1	215
Transfers	-	-	-	3	5	-	-	-	8
Foreign exchange adjustments	-	5	12	66	44	-	(2)	-	125
Depreciation and impairment at 31 December	-	(29)	(38)	(432)	(236)	(4)	(41)	-	(780)
Carrying amount at 31 December 2002	**-**	**106**	**49**	**79**	**83**	**11**	**-**	**6**	**334**

Carrying amount of property in Denmark	26
Latest official valuation of property	79

GN Store Nord has put the property on Kgs. Nytorv in Copenhagen up for sale.

Parent company

(DKK millions)	Investment property				Operating assets and equipment				Total
Cost at 1 January	-				10				10
Additions	-				1				1
Disposals	-				(4)				(4)
Foreign exchange adjustments	-				-				-
Cost at 31 December	-				7				7
Amortisation and impairment at 1 January	-				(8)				(8)
Depreciation	-				(1)				(1)
Disposals	-				4				4
Foreign exchange adjustments	-				-				-
Depreciation and impairment at 31 December	-				(5)				(5)
Carrying amount at 31 December 2002	**-**	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**2**

Carrying amount of property in Denmark	-
Latest official valuation of property	1

NOTES – BALANCE SHEET

Note 16: Investments

Consolidated

(DKK millions)	Investments associates	Other securities	Other receivables and deposited bank balances	Total
Cost at 1 January	220	13	565	798
Adjustments to cost at 1 January	-	-	18	18
Additions	21	2	4	27
Disposals, company disposals	(3)	-	-	(3)
Disposals	-	(7)	(297)	(304)
Transfers	-	-	(117)	(117)
Foreign exchange adjustments	(1)	-	(24)	(25)
Cost at 31 December	237	8	149	394
Value adjustments at 1 January	(39)	(1)	(50)	(90)
Adjustments to value adjustments at 1 January	-	-	(18)	(18)
Share of profit (loss)	(9)	-	-	(9)
Dividends	-	-	-	-
Impairment	(24)	-	(9)	(33)
Disposals, company disposals	(3)	-	-	(3)
Impairment, reversals	-	-	33	33
Value adjustments	-	-	-	-
Value adjustments, reversals	5	-	3	8
Transfers	-	-	-	-
Foreign exchange adjustments	-	-	3	3
Value adjustments at 31 December	(70)	(1)	(38)	(109)
Net asset value at 31 December 2002	167	7	111	285
Of which companies with negative net asset value	4	-	-	4
Carrying amount at 31 December 2002	**171**	**7**	**111**	**289**
Unamortised goodwill totals	132	-	-	132

Parent company

(DKK millions)	Investments subsidiaries	Receivables subsidiaries	Investments associates	Other securities	Other receivables and deposited bank balances	Total
Cost at 1 January	18,087	4,007	63	-	176	22,333
Additions, capital contributions	1,823	-	6	-	92	1,921
Disposals, company disposals	(14,420)	-	-	-	-	(14,420)
Disposals	(15)	(1,369)	-	-	(52)	(1,436)
Transfers	-	-	-	-	(117)	(117)
Foreign exchange adjustments	-	-	2	-	(12)	(10)
Cost at 31 December	5,475	2,638	71	-	87	8,271
Value adjustments at 1 January	(9,360)	-	(18)	-	(33)	(9,411)
Share of profit (loss)	(4,791)	-	(4)	-	-	(4,795)
Dividends	-	-	-	-	-	-
Impairment	-	-	(24)	-	-	(24)
Impairment, reversals	-	-	-	-	33	33
Value adjustments	295	-	-	-	-	295
Value adjustments, reversals	13,749	-	-	-	-	13,749
Transfers	-	-	-	-	-	-
Foreign exchange adjustments	(919)	-	-	-	-	(919)
Value adjustments at 31 December	(1,026)	-	(46)	-	-	(1,072)
Net asset value at 31 December 2002	4,449	2,638	25	-	87	7,199
Of which companies with negative net asset value	154	(73)	-	-	-	81
Carrying amount at 31 December 2002	**4,603**	**2,565**	**25**	**-**	**87**	**7,280**
Unamortised goodwill totals	-	-	25	-	-	25

The Group chart is shown on page 56.

NOTES – BALANCE SHEET

Note	(DKK millions)	CONSOLIDATED 2002	CONSOLIDATED 2001	PARENT COMPANY 2002	PARENT COMPANY 2001
17	**Deferred tax assets**				
	Deferred tax assets at 1 January	324	121	-	-
	Change in tax rate	(6)	14	-	-
	Change for the year	(52)	188	239	-
	Disposals, discontinuing operations	(77)	(1)	-	-
	Additions on company acquisitions	-	-	-	-
	Transferred from "Deferred tax"	-	-	(201)	-
	Tax on changes in equity	155	-	155	-
	Foreign exchange adjustments etc.	(14)	2	-	-
	Deferred tax assets at 31 December	**330**	**324**	**193**	**-**
	A specification of above is shown in note 22.				
18	**Inventories**				
	Raw materials and consumables	315	898	-	-
	Contract work in progress	33	161	-	-
	Finished goods and merchandise	282	660	-	-
	Total	**630**	**1,719**	**-**	**-**
	The above includes write-downs amounting to	141	457	-	-
	Value of inventory, recognised at net realisable value	-	-	-	-
19	**Tax receivable**				
	Receivable at 1 January	278	326	180	270
	Prior-year adjustments	(30)	25	-	11
	Additions, company acquisitions	-	(5)	-	-
	Tax on profit (loss) for the year	(1)	18	-	-
	Adjustment of tax paid (carry back)	107	-	-	-
	Disposals, discontinuing operations	(81)	-	-	-
	Received during year	(44)	(116)	-	(101)
	Transferred from "Tax payable"	11	9	-	-
	Foreign exchange and other adjustments	(9)	21	-	-
	Total	**231**	**278**	**180**	**180**

Tax receivable for 2002 includes tax paid of DKK 180 million (2001: DKK 180 million) relating to an increase of prior-year taxable income. See note 29.

Note	(DKK millions)	CONSOLIDATED 2002	CONSOLIDATED 2001	PARENT COMPANY 2002	PARENT COMPANY 2001
20	**Receivables**				
	Receivables falling due after more than one year				
	Trade receivables	33	78	27	41
	Tax receivable	-	18	-	-
	Other receivables	59	17	-	-
	Prepayments	21	1	-	-
	Total	**113**	**114**	**27**	**41**
	Contract work in progress				
	Trade receivables include contract work in progress as follows:				
	Contract work in progress	-	270	-	-
	Contract work in progress invoiced on account	-	(248)	-	-
	Total	**-**	**22**	**-**	**-**
	Profit recognised in contract work in progress	-	139	-	-

Prepayments

Prepayments include rent paid in advance, insurance and other costs etc.

NOTES – BALANCE SHEET	CONSOLIDATED		PARENT COMPANY	
Note (DKK millions)	**2002**	**2001**	**2002**	**2001**
21 Pension obligations and similar obligations				
Defined contribution plans				
Costs for the year	**41**	**46**	**1**	**1**

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

	Consolidated 2002	Consolidated 2001	Parent 2002	Parent 2001
Defined benefit plans				
Costs for the year	10	9	-	-
Interest expense	16	18	-	-
Expected return on plan assets	(19)	(23)	-	-
Total	**7**	**4**	**-**	**-**
Pension obligations relating to defined benefit plans are recognised as follows:				
Present value of financed pension obligations not covered by payments to insurance company	(230)	(237)	(1)	(1)
Fair value of plan assets	176	270	-	-
Deficit	(54)	33	(1)	(1)
Unrecognised actuarial gains and losses, (gain)	69	(16)	-	-
Plan assets, recognised in "Other receivables"	15	17	(1)	(1)
Present value of unfunded pension obligations and severance payments not covered by payments to insurance company	(13)	(17)	-	-
Total	**2**	**-**	**(1)**	**(1)**
Changes in pension obligations are recognised as follows:				
Balance at 1 January	-	(8)	(1)	(1)
Additions, company acquisitions	-	(9)	-	-
Other adjustments	-	4	-	-
Provided in the year	(7)	(4)	-	-
Consumed in the year	7	17	-	-
Disposals, company disposals	1	-	-	-
Foreign exchange adjustments	1	-	-	-
Balance at 31 December	**2**	**-**	**(1)**	**(1)**

Defined benefit plans

For some members of management in foreign subsidiaries and for surviving relatives of a number of employees/executives, the Group has agreed to make certain payments e.g. old age pension as a fixed amount or a fixed percentage of the employee's final salary. These pension obligations are not funded. The unfunded pension obligations determined at net present value are recognised in the consolidated balance sheet at a total of DKK 12 million.

In addition, the Group has pension obligations in an American subsidiary of a total of DKK 230 million, which are not covered by insurance payments, but are offset by the fair value of reserved pension funds. Under IAS 19 this plan is accounted for as follows:

The pension obligations in this plan are determined by an actuary based on assumptions about future salary increases (4.5%), age at retirement, etc. The estimated future pension obligations are discounted using a discount rate of 6.75%. The fair value of reserved pension funds is DKK 176 million and are managed by an external portfolio manager. At 31 December 2001 the fair value of reserved pension funds was DKK 270 million and the value of pension funds has decreased by DKK 94 million, which, however, is partly attributable to pension payments during the year which have not been funded by new payments to the portfolio manager. At 1 January the expected value of both pension obligations and reserved pension funds at 31 December (based on expected return of 9%) is calculated and subsequently the accumulated historical difference between expected values and realised values can be determined. The unrecognised actuarial loss at 31 December 2002 is DKK 69 million. Loss for 2003 and ordinary current costs relating to the plan are recognised in the income statement on a straight-line basis over a period corresponding to the average expected remaining working lives of the employees (currently approximately 9 years).

In the income statement for 2002 costs of an amount of DKK 7 million are recognised relating to pension plans which are not covered by insurance payments.

Severance payments

Employees in Austria and France are entitled to severance payments. The employees receive severance payments corresponding to a multiple of their monthly pay, based on their salary plus variables such as overtime and bonus payments. Maximum severance payments are 12 times the monthly pay. The obligation is recognised in the balance sheet at DKK 1 million.

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

NOTES – BALANCE SHEET		CONSOLIDATED		PARENT COMPANY	
Note	(DKK millions)	2002	2001	2002	2001
22	**Deferred tax**				
	Deferred tax at 1 January	331	694	201	237
	Prior-year adjustments	1	18	-	-
	Additions, company acquisitions	-	2	-	-
	Changes relating to profit (loss) for the year	(282)	(397)	-	(33)
	Change of tax rate	-	16	-	-
	Tax on changes in equity	-	(3)	-	(3)
	Transferred to "Deferred tax assets"	-	-	(201)	-
	Foreign exchange adjustments	(2)	1	-	-
	Total	**48**	**331**	**-**	**201**

	CONSOLIDATED		CONSOLIDATED	
	2002	2001	2002	2001
Specification of deferred tax assets and deferred tax	Deferred tax assets	Deferred tax assets	Deferred tax	Deferred tax
Intangible assets	141	200	85	444
Property, plant and equipment	84	122	29	39
Investments	40	8	-	-
Current assets	124	149	28	37
Provisions	78	170	-	2
Current liabilities	308	161	-	5
Tax loss carryforwards	436	954	-	-
Reversal of tax benefit arising from loss	-	-	103	224
Value adjustments	(723)	(1,039)	-	-
Other	61	45	22	26
Total	**549**	**770**	**267**	**777**
Set-off within legal tax units and jurisdictions	(219)	(446)	(219)	(446)
Deferred tax assets and deferred tax at 31 December	**330**	**324**	**48**	**331**

	CONSOLIDATED		PARENT COMPANY	
	2002	2001	2002	2001
Tax value of loss carryforwards abroad which are not included in tax assets				
Tax value at 1 January	855	678	-	-
Disposal, discontinuing operations	(322)	-	-	-
Change for the year	(129)	177	-	-
Tax value at 31 December	**404**	**855**	**-**	**-**

A substantial share of the tax value of loss carryforwards abroad relate to company acquisitions. A number of tax loss carryforwards expire between 2003 -2020.

Tax assets not previously recognised, but used during the year: Tax loss carryforwards	**41**	**103**	**-**	**-**

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

NOTES – BALANCE SHEET

Note 23: Other provisions

Consolidated

(DKK millions)	Restructuring in acquired companies	Other restructuring	Disposal of NetTest	Warranty provisions	Other provisions	Total
Other provisions at 1 January	23	178	-	162	200	563
Additions	-	340	188	43	92	663
Consumed	(7)	(266)	-	(20)	(141)	(434)
Disposals, company disposals	-	(129)	-	(4)	(46)	(179)
Reversals	(13)	(1)	-	(49)	(17)	(80)
Foreign exchange adjustments	(3)	(34)	-	(16)	(6)	(59)
Other provisions at 31 December	**-**	**88**	**188**	**116**	**82**	**474**
Parent company	**-**	**-**	**188**	**-**	**87**	**275**

Restructuring provisions of DKK 88 million relate to restructurings based on detailed plans prepared by management, which have been discussed with and announced to the employee groups affected and others. The provisions cover severance payment, post-employment pay, loss-making contracts, including leases, etc. related to relocation of production facilities to China, relocation of local head office in Redwood City in the United States, etc. Costs are expected to be incurred before the end of 2003.

Provision relating to disposal of NetTest comprise adjustment of the sales amount of shares in NetTest based on severance payment to dismissed employees, post-employment pay and costs related to unused leases, etc. The major part of the costs is expected to be incurred before the end of 2003, but a number of leases have terms of up to 10 years from 31 December 2002.

Warranty provisions concern products sold by GN Netcom and GN Resound supplied with from one to three-year warranties.
The provision has been calculated on the basis of historical warranty costs of the Group’s products.

Other liabilities include obligations to take back sold hearing aids and bonus point schemes to customers in GN ReSound etc.
Costs are expected to be incurred before the end of 2004.

		CONSOLIDATED		PARENT COMPANY	
Note	(DKK millions)	**2002**	**2001**	**2002**	**2001**
24	**Non-current liabilities**				
	Long-term loans falling due for repayment more than five years from the balance sheet date	**8**	**8**	**-**	**-**
25	**Tax payable**				
	Tax payable at 1 January	80	96	-	-
	Prior-year adjustments	(1)	12	-	-
	Additions, company acquisitions	-	-	-	-
	Tax on profit (loss) for the year	40	122	-	-
	Paid during year	(56)	(159)	-	-
	Transferred to “Tax receivables”	11	9	-	-
	Foreign exchange adjustments, etc.	2	-	-	-
	Total	**76**	**80**	**-**	**-**
26	**Other payables**				
	Wages and salaries, holiday pay, etc.	104	162	4	2
	Taxes and duties	26	37	-	9
	Tax payable at source	9	20	-	-
	Social contributions	16	49	-	-
	Purchase consideration, Ultravox Holding Ltd.	117	-	117	-
	Other	262	440	4	89
	Total	**534**	**708**	**125**	**100**

NOTES – SUPPLEMENTARY INFORMATION

Note	(DKK millions)	CONSOLIDATED 2002	CONSOLIDATED 2001	PARENT COMPANY 2002	PARENT COMPANY 2001
27	**Security**				
	Property other than mortgage loans	3	10	-	-
	Cash and cash equivalents	3	-	-	-
	Total	**6**	**10**	**-**	**-**

The Group has deposited DKK 87 million of the purchase consideration for the Photonetics acquisition into a frozen bank account. The amount will remain in the frozen account until the end of September 2004. The amount is recognised in the balance sheet in "Other receivables and bank deposits" and "Other payables" in non-current liabilities. Interest income from the frozen account goes to the seller of Photonetics.

The Group has also paid DKK 117 million of the purchase consideration for the acquisition of Ultravox Holdings Ltd. into a frozen bank account, which has been provided as security for payment. The account will remain frozen until the expected release of the amount in April 2003. The amount is recognised in the balance sheet in "Deposited bank balances" and "Other payables" in current liabilities. Interest income from the frozen account goes to the seller.

Note	(DKK millions)	CONSOLIDATED 2002	CONSOLIDATED 2001	PARENT COMPANY 2002	PARENT COMPANY 2001
28	**Lease obligations**				
	Future lease obligations are distributed as follows:				
	Finance leases:				
	Less than one year	3	-	-	-
	Between one and five years	8	4	-	-
	More than five years	-	-	-	-
	Total	**11**	**4**	**-**	**-**
	Finance leases relate to lease of operating assets and equipment.				
	Operating leases:				
	Less than one year	56	125	-	-
	Between one and five years	147	336	2	2
	More than five years	125	216	1	1
	Total	**328**	**677**	**3**	**3**

Operating leases primarily relate to lease of property on market terms in Denmark, the United States and the UK. The remaining lease terms amount to between 8-13 years. Lease payments recognised in the income statement relating to operating leases amount to DKK 116 millions (DKK 132 millions in 2001). In 2002, DKK 1 million (In 2001: DKK 1 million) was recognised as income in connection with sub-lease of property.

Note	(DKK millions)	CONSOLIDATED 2002	CONSOLIDATED 2001	PARENT COMPANY 2002	PARENT COMPANY 2001
29	**Contingent liabilities, other financial liabilities and contingent assets**				
	Guarantees, warranties and other liabilities	22	39	5	5
	Guarantee provided to acquirer in relation to disposal of company	-	21	-	-
	Total	**22**	**60**	**5**	**5**

Outstanding lawsuits and arbitration proceedings

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

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

The local tax authorities have increased the Group's joint taxation income for the years 1993–1998 by a not unsubstantial amount concerning the right to deduct depreciation charges from investments in cable projects in Eastern Europe. GN Store Nord considers the tax authorities' claim to be unfounded and has referred the case to the Danish National Tax Tribunal. Tax based on the tax authorities' allegations is not recognised in the financial statements. GN Store Nord has paid the levied tax due to the increase imposed by the Copenhagen corporate tax authorities. The tax paid is included in receivables in the amount of DKK 180 million (in 2001: DKK 180 million). The Company has been granted deferment of tax payment for 1998 of DKK 38 million.

DPTG I/S, in which GN holds a 75% interest, is a party to arbitration proceedings against Telekomunikacja Polska S.A. regarding the principles for traffic statistics in Poland's NSL fiber-optic telecommunications system, for which DPTG is entitled to a share of the revenue for the period from 1994 to 2009. A positive outcome of the proceedings or a settlement acceptable to DPTG may be the termination of the entire contract and settlement of expected future traffic revenue for the period to the end of 2009. GN is unable to provide any further information in this matter without possibly influencing the outcome of the case.

Contingent purchase consideration relating to company disposal

An agreement regarding receipt of contingent purchase consideration (earn-out) has been entered into in connection with the disposal of NetTest and the optical OPL-division in Beaverton in the United States. Such consideration is recognised in the income statement as the consideration is expected to be earned.

NOTES – SUPPLEMENTARY INFORMATION

Note 30: Financial instruments

Primary financial instruments

(DKK millions)	Less than one year	Between one and five years	More than five years	Total	Of which at fixed rates	Average effective rate of interest
Investments						
Investments in associates	-	-	171	171	-	
Other securities	-	4	3	7	-	
Other receivables and bank deposits (non-current)	6	102	3	111	-	
Trade receivables	912	33	-	945	-	
Deposited bank balances	117	-	-	117	-	
Other receivables and prepayments, etc.	387	80	-	467	-	
Listed shares	9	-	-	9	-	
Cash and cash equivalents	282	-	-	282	-	2.0% - 3.0%
Financial liabilities						
Mortgage loans	-	1	2	3	3	
Long-term bank loans	-	1,321	-	1,321	21	"IBOR" -based
Capitalised lease obligations	-	8	-	8	-	
Other non-current liabilities	-	91	6	97	-	
Received prepayments, non-current	-	17	-	17	-	
Short-term bank loans	201	-	-	201	-	"IBOR" -based
Trade payables	322	-	-	322	-	
Tax payables	76	-	-	76	-	
Other payables	534	-	-	534	-	
Received prepayments	35	-	-	35	-	

Effective rates of interest are stated on the basis of actual interest rates at 31 December 2002. The market value of listed shares is DKK 9 million. For the other financial assets and liabilities, the market value equals the carrying amount.

Derivative financial instruments
At 31 December 2002 the company has no open forward exchange contracts or other derivative financial instruments.

For a presentation of financial risk as well as currency, interest-rate and credit risk, see the Management's Report.

Note 31: 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 1 January 2002	211,309	8,466	219,775	845,236	33,864	879,100	3.85%
Options exercised in 2002	-	-	-	-	-	-	-
Shares sold by GN Store Nord as	2	(2)	-	8	(8)	-	-
Number of shares at 31 December 2002	**211,311**	**8,464**	**219,775**	**845,244**	**33,856**	**879,100**	**3.85%**

The treasury shares had a market value of DKK 174 million at 31 December 2002.

	2002	**2001**
Average number of shares outstanding used for the calculation of earnings per share (1,000 shares):	211,310	211,077

As all outstanding share options have negative net asset values at 31 December 2002 and 2001, these options have not had a dilutive effect.

NOTES – SUPPLEMENTARY INFORMATION		CONSOLIDATED		PARENT COMPANY	
Note	(DKK millions)	**2002**	**2001**	**2002**	**2001**
32	**Government grants**				
	The GN Store Nord Group has received tax credits relating to development activities in the amount of	4	23	-	-
	Total	**4**	**23**	**-**	**-**

GN Store Nord received no other government grants in 2002 or 2001.

33 **Related party transactions**

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

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

Trade between the Company and the GN Group companies takes place on market terms.

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

34 **Incentive plans**

Developments for the year in the GN Group's three incentive plans are shown on page 50.

The European plan

In 1999, GN Store Nord authorised that GN Store Nord share options be awarded to European employees. A total of 1,126,225 (nominal value DKK 4 each) share options were awarded at an exercise price of DKK 44, which was the average price in the month following the publication of the 1998 annual report. In April 2000 a further 1,046,265 shares were awarded to the same employees at prices from DKK 147 to DKK 194 per share. The share options can be exercised after three years from the award date with an exercise period of two years. Exercise is contingent on a 6% annual increase in GN Store Nord's share price and on continued employment.

The American plan

In 2000, the annual general meeting of GN Store Nord authorised an international share option plan similar to corresponding plans in North America. Under this plan, managers and specialists working for the North American companies were awarded a total of 2,142,150 share options at prices from DKK 120 to DKK 196 per share. 20% of the options awarded can be exercised in each of the first two years and the remaining options in the third year after being awarded. Exercise is contingent on continued employment in the GN Group. The exercise period expires in April 2005.

International plan

In 2002 GN Store Nord awarded share options to employees in accordance with a modified international share option plan. In 2002 a total of 2,791,465 share options were awarded at an exercise price of DKK 40 . In North America 20% of the share options can be exercised in each of the first two years and the remaining options can be exercised in the third year following the award. Outside North America share options can be exercised after 3 years contingent on a 6% annual increase in GN Store Nord's share price. The share options expire after 5 years or at termination of employment. In connection with the disposal of NetTest, the strike price according to the terms of the option award has increased by 25%.

NOTES – SUPPLEMENTARY INFORMATION

Note 34: Incentive plans (continued)

The European plan	Plan total		Of which to Executive Management		Of which to senior employees		Of which to others	
	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price
Outstanding share options at 1 January 2002	1,900,257	108	171,250	119	671,531	105	1,057,476	106
Share options awarded during year	-	-	-	-	-	-	-	-
Share options exercised during year	-	-	-	-	-	-	-	-
Share options terminated during year/corrections	(297,786)	114	-	-	(165,058)	136	(132,728)	70
Outstanding share options at 31 December 2002	**1,602,471**	**107**	**171,250**	**119**	**506,473**	**95**	**924,748**	**111**
Market value of outstanding share options	DKK 0.4 mio.		DKK 0.0 mio.		DKK 0.1 mio.		DKK 0.3 mio.	

The American plan	Plan total		Of which to Executive Management		Of which to senior employees		Of which to others	
	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price
Outstanding share options at 1 January 2002	3,468,800	108	-	-	1,615,250	107	1,853,550	109
Share options awarded during year	-	-	-	-	-	-	-	-
Share options exercised during year	-	-	-	-	-	-	-	-
Share options terminated during year/corrections	(1,503,481)	104	-	-	(1,143,550)	107	(359,931)	97
Outstanding share options at 31 December 2002	**1,965,319**	**111**	-	-	**471,700**	**107**	**1,493,619**	**112**
Market value of outstanding share options	DKK 0.1 mio.				DKK 0.0 mio.		DKK 0.1 mio.	

International plan	Plan total		Of which to Executive Management		Of which to senior employees		Of which to others	
	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price
Outstanding share options at 1 January 2002	-	-	-	-	-	-	-	-
Share options awarded during year	2,791,465	40	149,000	40	771,952	40	1,870,513	40
Share options exercised during year	-	-	-	-	-	-	-	-
Share options terminated during year/corrections	(257,773)	50	-	-	(52,540)	40	(205,233)	50
Outstanding share options at 31 December 2002	**2,533,692**	**50**	**149,000**	**50**	**719,412**	**50**	**1,665,280**	**50**
Market value of share options awarded during year at time of award	DKK 61.8 mio.		DKK 3.3 mio.		DKK 17.1 mio.		DKK 41.4 mio.	
Market value of outstanding share options	DKK 6.3 mio.		DKK 0.4 mio.		DKK 1.8 mio.		DKK 4.1 mio.	

Total incentive plan	Plan total		Of which to Executive Management		Of which to senior employees		Of which to others	
	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price	Share options	Exercise price
Outstanding share options at 1 January 2002	5,369,057	108	171,250	107	2,286,781	107	2,911,026	108
Share options awarded during year	2,791,465	50	149,000	50	771,952	50	1,870,513	50
Share options exercised during year	-	-	-	-	-	-	-	-
Share options terminated during year/corrections	(2,059,040)	99	-	-	(1,361,148)	108	(697,892)	78
Outstanding share options at 31 December 2002	**6,101,482**	**85**	**320,250**	**80**	**1,697,585**	**79**	**4,083,647**	**86**
Market value of share options awarded during year at time of award	DKK 61.8 mio.		DKK 3.3 mio.		DKK 17.1 mio.		DKK 41.4 mio.	
Market value of outstanding share options	DKK 6.8 mio.		DKK 0.4 mio.		DKK 1.9 mio.		DKK 4.5 mio.	

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

Obligations under the plan are met through the Company's treasury shares. The market value of these shares was DKK 174 million (8,464,311 shares at a price of DKK 20.60 each) at 31 December 2002.

The market value of the share options has been calculated using Black & Scholes-based models. The market value of the outstanding share options at the balance sheet date is calculated on the basis of underlying market prices on the final business day of the year, whereas the market value of options awarded during the year is based on the underlying market prices on the award date. The volatility used in all calculations is based on a historic volatility in an index comprised by competitors to GN ReSound and GN Netcom. Historic volatility in the GN share has not been used as this is not representative of the share due to the disposal of NetTest.

The group of "senior employees" consists of vice presidents of GN Store Nord, the respective managements of GN Netcom, GN ReSound and NetTest as well as the respective managements of the largest local subsidiaries.

NOTES – CASH FLOW STATEMENT — CONSOLIDATED

Note	(DKK millions)	2002	2001
35	**Other adjustments**		
	Gain/loss on disposal of non-current assets	(4)	(1)
	Share of profit (loss) in associates	33	5
	Impairment, net investments	(24)	40
	Inventory write-downs	658	110
	Provision for bad debt losses	(3)	44
	Restructurings, recognised in income statement	374	393
	Adjustment of provisions	(68)	(171)
	Total	**966**	**420**
36	**Company acquisitions**		
	Intangible assets	(1)	(6)
	Property, plant and equipment	-	(24)
	Investments	-	(1)
	Current assets	(6)	(105)
	Provisions	3	1
	Deferred tax	-	1
	Payables	1	97
	Net assets	(3)	(37)
	Group goodwill	(19)	(147)
	Liquid funds in acquired companies	1	17
	Net purchase amount	**(21)**	**(167)**
37	**Disposal of discontinuing operations**		
	Intangible assets	123	-
	Property, plant and equipment	83	4
	Investments	6	-
	Current assets	640	52
	Provisions	(175)	-
	Payables	(381)	(1)
	Net assets	296	55
	Loss on disposal of discontinuing operations	(495)	(73)
	Liquid funds in discontinuing operations	(71)	(5)
	Cash capital contribution before disposal	(155)	-
	Provisions relating to disposal of activities, etc.	194	-
	Net sales amount	**(231)**	**(23)**
	of which is recognised as follows:		
	Cash purchase consideration, net	(160)	(18)
	Liquid funds in discontinuing operations	(71)	(5)
	Net sales amount	**(231)**	**(23)**

SECONDARY SEGMENT -BY GEOGRAPHIC AREA

	Non-current assets		Current assets		Total assets		Investments in non-current assets		Company acquisitions	
(DKK millions)	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Denmark	954	1,221	544	739	1,498	1,960	220	247	-	41
Other Nordic region	40	45	77	90	117	135	1	5	-	13
Other Europe	270	3,255	851	1,276	1,121	4,531	119	268	-	51
North and South America	4,090	5,801	759	2,197	4,849	7,998	230	405	-	19
Asia/Pacific	134	98	219	301	353	399	71	14	21	60
Total	5,488	10,420	2,450	4,603	7,938	15,023	641	939	21	184

Table indicates the physical location of assets. Geographic distribution of revenue is shown in note 1 page 37.

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PRIMARY SEGMENT 2002 – BUSINESS AREAS AND ACTIVITIES

Income statement 2002

(DKK millions)	GN Netcom	GN ReSound	Other/ elimi- nations	Core business areas	Other activities	Discontinuing operations, NetTest	Discontinuing operations, other	Consol- idated total
External revenue	1,744	2,902	2	4,648	34	830	-	5,512
Internal revenue	10	1	(11)	-	-	-	-	-
Revenue	**1,754**	**2,903**	**(9)**	**4,648**	**34**	**830**	**-**	**5,512**
Production costs	(886)	(1,391)	9	(2,268)	(7)	(1,317)	-	(3,592)
Gross profit	**868**	**1,512**	**-**	**2,380**	**27**	**(487)**	**-**	**1,920**
Development costs	(64)	(146)	-	(210)	-	(710)	-	(920)
Selling and distribution costs	(387)	(748)	-	(1,135)	-	(421)	-	(1,556)
Management and administrative expenses	(269)	(348)	(29)	(646)	(32)	(195)	-	(873)
Other operating income	1	3	1	5	1	3	-	9
Amortisation and impairment of goodwill and other intangible assets acquired in company acquisitions	(64)	(226)	(1)	(291)	-	(2,629)	-	(2,920)
Restructuring	(22)	(140)	-	(162)	-	(212)	-	(374)
Operating profit before share of profit (loss) in subsidiaries and associates	**63**	**(93)**	**(29)**	**(59)**	**(4)**	**(4,651)**	**-**	**(4,714)**
Share of profit (loss) in associates	-	(5)	-	(5)	(28)	-	-	(33)
Operating profit (loss)	**63**	**(98)**	**(29)**	**(64)**	**(32)**	**(4,651)**	**-**	**(4,747)**
Gains/losses on disposal of discontinuing operations	-	-	-	-	(5)	(495)	53	(447)
Profit (loss) before interest income and expense and similar items	**63**	**(98)**	**(29)**	**(64)**	**(37)**	**(5,146)**	**53**	**(5,194)**
Interest income and similar items	41	50	(14)	77	29	22	4	132
Interest expense and similar items	(128)	(125)	163	(90)	(11)	(120)	(6)	(227)
Profit (loss) from ordinary activities before tax	**(24)**	**(173)**	**120**	**(77)**	**(19)**	**(5,244)**	**51**	**(5,289)**

Assets 2002

(DKK millions)	GN Netcom	GN ReSound	Other/ elimi- nations	Core business areas	Other activities	Discontinuing operations, NetTest	Discontinuing operations, other	Consol- idated total
Non-current assets								
Goodwill	656	2,922	-	3,578	-	-	-	3,578
Development projects, acquired	-	-	-	-	-	-	-	-
Development projects, developed in-house	97	242	-	339	-	-	-	339
Software, acquired	-	-	-	-	-	-	-	-
Software, developed in-house	58	43	-	101	-	-	-	101
Patents and rights	19	80	-	99	-	-	-	99
Telecommunications systems	-	-	-	-	58	-	-	58
Other intangible assets	136	224	-	360	-	-	-	360
Total intangible assets	**966**	**3,511**	**-**	**4,477**	**58**	**-**	**-**	**4,535**
Investment property	-	-	-	-	-	-	-	-
Factory and office buildings	-	98	8	106	-	-	-	106
Leasehold improvements	14	35	-	49	-	-	-	49
Plant and machinery	22	57	-	79	-	-	-	79
Operating assets and equipment	30	51	2	83	-	-	-	83
Leased plant and equipment	-	11	-	11	-	-	-	11
Telecommunications systems	-	-	-	-	-	-	-	-
Plant under construction	2	4	-	6	-	-	-	6
Total property, plant and equipment	**68**	**256**	**10**	**334**	**-**	**-**	**-**	**334**
Investments in associates	5	137	5	147	24	-	-	171
Other securities	3	4	-	7	-	-	-	7
Other receivables and deposited bank balances	22	1	87	110	1	-	-	111
Deferred tax assets	113	163	43	319	11	-	-	330
Total investments	**143**	**305**	**135**	**583**	**36**	**-**	**-**	**619**
Total non-current assets	**1,177**	**4,072**	**145**	**5,394**	**94**	**-**	**-**	**5,488**
Current assets								
Inventories	**228**	**402**	**-**	**630**	**-**	**-**	**-**	**630**
Trade receivables	325	526	(10)	841	104	-	-	945
Receivables from subsidiaries	2	1	(348)	(345)	345	-	-	-
Receivables from associates	-	4	-	4	-	-	-	4
Receivable tax	21	7	203	231	-	-	-	231
Other receivables	36	112	4	152	-	-	-	152
Deposited bank balances	-	-	117	117	-	-	-	117
Prepayments	25	55	-	80	-	-	-	80
Total receivables	**409**	**705**	**(34)**	**1,080**	**449**	**-**	**-**	**1,529**
Listed securities	**-**	**-**	**9**	**9**	**-**	**-**	**-**	**9**
Cash and cash equivalents	**31**	**211**	**6**	**248**	**16**	**-**	**18**	**282**
Total current assets	**668**	**1,318**	**(19)**	**1,967**	**465**	**-**	**18**	**2,450**
Total assets	**1,845**	**5,390**	**126**	**7,361**	**559**	**-**	**18**	**7,938**

PRIMARY SEGMENT 2002 – BUSINESS AREAS AND ACTIVITIES

Restructuring 2002

(DKK millions)	GN Netcom	GN ReSound	Other/ elimi- nations	Core business areas	Other activities	Discontinuing operations, NetTest	Discontinuing operations, other	Consol- idated total
Restructuring costs for the year relate to:								
Severance pay, post-employment pay, outplacement costs, etc.	18	80	-	98	-	204	-	302
Loss-making contracts relating to unutilised leases, etc.	-	19	-	19	-	8	-	27
Impairment of current assets relating to termination of trade marks, etc.	-	13	-	13	-	-	-	13
Impairment, production plant	4	-	-	4	-	-	-	4
Other, including other loss-making contracts	-	28	-	28	-	-	-	28
Total	**22**	**140**	**-**	**162**	**-**	**212**	**-**	**374**

Cash flow statement 2002

(DKK millions)	GN Netcom	GN ReSound	Other/ elimi- nations	Core business areas	Other activities	Discontinuing operations, NetTest	Discontinuing operations, other	Consol- idated total
Cash flows from operating activities	167	183	169	519	38	(316)	-	241
Cash flows from investing activities	(104)	(257)	117	(244)	(4)	(204)	-	(452)
Cash flows from operating and investing activities	63	(74)	286	275	34	(520)	-	(211)
Cash flow from company acquisitions/company disposals	(21)	-	-	(21)	-	(231)	-	(252)
Total cash flows	**42**	**(74)**	**286**	**254**	**34**	**(751)**	**-**	**(463)**

Equity and liabilities 2002

(DKK millions)	GN Netcom	GN ReSound	Other/ elimi- nations	Core business areas	Other activities	Discontinuing operations, NetTest	Discontinuing operations, other	Consol- idated total
Equity								
Share capital	30	60	587	677	13	-	189	879
Share premium	204	2,660	1,268	4,132	28	-	10	4,170
Revaluation reserves	-	-	-	-	-	-	-	-
Net revaluation using the equity method	-	-	-	-	-	-	-	-
Foreign exchange adjustments	(167)	(529)	138	(558)	1	-	2	(555)
Retained earnings	93	1,174	(977)	290	332	-	(327)	295
Total equity	**160**	**3,365**	**1,016**	**4,541**	**374**	**-**	**(126)**	**4,789**
Minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Provisions								
Provisions for pension obligations and similar obligations	-	12	1	13	-	-	-	13
Deferred tax	46	10	(27)	29	19	-	-	48
Other provisions	44	232	193	469	5	-	-	474
Total provisions	**90**	**254**	**167**	**511**	**24**	**-**	**-**	**535**
Liabilities								
Mortgage loans	-	3	-	3	-	-	-	3
Bank loans	-	21	1,300	1,321	-	-	-	1,321
Capitalised lease obligations	-	8	-	8	-	-	-	8
Other payables	6	4	87	97	-	-	-	97
Received prepayments	-	17	-	17	-	-	-	17
Total non-current liabilities	**6**	**53**	**1,387**	**1,446**	**-**	**-**	**-**	**1,446**
Repayment of long-term loans	-	4	-	4	-	-	-	4
Bank loans	19	13	144	176	-	-	21	197
Trade payables	111	183	23	317	-	-	5	322
Amounts owed to subsidiaries	1,325	1,186	(2,693)	(182)	93	-	89	-
Tax payable	22	35	16	73	-	-	3	76
Other payables	112	263	65	440	68	-	26	534
Received prepayments	-	34	1	35	-	-	-	35
Total current liabilities	**1,589**	**1,718**	**(2,444)**	**863**	**161**	**-**	**144**	**1,168**
Total liabilities	**1,595**	**1,771**	**(1,057)**	**2,309**	**161**	**-**	**144**	**2,614**
Total equity and liabilities	**1,845**	**5,390**	**126**	**7,361**	**559**	**-**	**18**	**7,938**

PRIMARY SEGMENT 2001 – BUSINESS AREAS AND ACTIVITIES

Income statement 2001

(DKK millions)	GN Netcom	GN ReSound	Other/ elimi- nations	Core business areas	Other activities	Discontinuing operations, NetTest	Discontinuing operations, other	Consol- idated total
External revenue	1,921	2,902	9	4,832	67	2,327	93	7,319
Internal revenue	9	4	(13)	-	-	-	-	-
Revenue	**1,930**	**2,906**	**(4)**	**4,832**	**67**	**2,327**	**93**	**7,319**
Production costs	(957)	(1,496)	12	(2,441)	(15)	(1,343)	(52)	(3,851)
Gross profit	**973**	**1,410**	**8**	**2,391**	**52**	**984**	**41**	**3,468**
Development costs	(76)	(107)	-	(183)	-	(173)	-	(356)
Selling and distribution costs	(518)	(677)	-	(1,195)	-	(638)	(21)	(1,854)
Management and administrative expenses	(251)	(425)	(125)	(801)	(44)	(319)	(16)	(1,180)
Other operating income	1	2	-	3	3	3	-	9
Amortisation and impairment of goodwill and other intangible assets acquired in company acquisitions	(329)	(1,529)	-	(1,858)	-	(7,455)	-	(9,313)
Restructuring	(39)	(153)	-	(192)	-	(201)	-	(393)
Operating profit before share of profit (loss) in subsidiaries and associates	**(239)**	**(1,479)**	**(117)**	**(1,835)**	**11**	**(7,799)**	**4**	**(9,619)**
Share of profit (loss) in associates	-	4	-	4	(10)	1	-	(5)
Operating profit (loss)	**(239)**	**(1,475)**	**(117)**	**(1,831)**	**1**	**(7,798)**	**4**	**(9,624)**
Gains/losses on disposal of discontinuing operations	-	-	-	-	-	-	(19)	(19)
Profit (loss) before interest income and expense and similar items	**(239)**	**(1,475)**	**(117)**	**(1,831)**	**1**	**(7,798)**	**(15)**	**(9,643)**
Interest income and similar items	32	48	25	105	37	29	-	171
Interest expense and similar items	(124)	(125)	262	13	(22)	(157)	(4)	(170)
Profit (loss) from ordinary activities before tax	**(331)**	**(1,552)**	**170**	**(1,713)**	**16**	**(7,926)**	**(19)**	**(9,642)**

Assets 2001

(DKK millions)	GN Netcom	GN ReSound	Other/ elimi- nations	Core business areas	Other activities	Discontinuing operations, NetTest	Discontinuing operations, other	Consol- idated total
Non-current assets								
Goodwill	794	3,686	-	4,480	-	2,571	-	7,051
Development projects, acquired	-	-	-	-	-	20	-	20
Development projects, developed in-house	66	169	-	235	-	515	-	750
Software, acquired	-	-	-	-	-	24	-	24
Software, developed in-house	59	20	1	80	-	-	-	80
Patents and rights	24	90	-	114	-	57	-	171
Telecommunications systems	-	-	-	-	85	-	-	85
Other intangible assets	173	278	-	451	-	41	-	492
Total intangible assets	**1,116**	**4,243**	**1**	**5,360**	**85**	**3,228**	**-**	**8,673**
Investment property	-	-	21	21	-	-	-	21
Factory and office buildings	-	74	7	81	-	44	-	125
Leasehold improvements	18	44	-	62	-	108	-	170
Plant and machinery	35	67	1	103	-	66	-	169
Operating assets and equipment	42	62	4	108	-	90	-	198
Leased plant and equipment	-	7	-	7	-	5	-	12
Telecommunications systems	-	-	4	4	4	-	-	8
Plant under construction	-	-	(1)	(1)	-	8	-	7
Total property, plant and equipment	**95**	**254**	**36**	**385**	**4**	**321**	**-**	**710**
Investments in associates	5	130	-	135	46	5	-	186
Other securities	3	9	-	12	-	-	-	12
Other receivables and deposited bank balances	32	-	143	175	16	324	-	515
Deferred tax assets	117	95	(34)	178	-	146	-	324
Total investments	**157**	**234**	**109**	**500**	**62**	**475**	**-**	**1,037**
Total non-current assets	**1,368**	**4,731**	**146**	**6,245**	**151**	**4,024**	**-**	**10,420**
Current assets								
Inventories	**319**	**535**	**-**	**854**	**-**	**865**	**-**	**1,719**
Trade receivables	303	575	(11)	867	161	469	-	1,497
Receivables from subsidiaries	5	8	(278)	(265)	264	-	1	-
Receivables from associates	-	4	-	4	2	-	-	6
Receivable tax	18	6	179	203	-	61	14	278
Other receivables	34	150	8	192	9	47	2	250
Prepayments	20	58	-	78	-	25	-	103
Total receivables	**380**	**801**	**(102)**	**1,079**	**436**	**602**	**17**	**2,134**
Listed securities	**-**	**-**	**10**	**10**	**-**	**-**	**-**	**10**
Cash and cash equivalents	**112**	**340**	**37**	**489**	**32**	**181**	**38**	**740**
Total current assets	**811**	**1,676**	**(55)**	**2,432**	**468**	**1,648**	**55**	**4,603**
Total assets	**2,179**	**6,407**	**91**	**8,677**	**619**	**5,672**	**55**	**15,023**

PRIMARY SEGMENT 2001 – BUSINESS AREAS AND ACTIVITIES

Restructuring 2001

(DKK millions)	GN Netcom	GN ReSound	Other/ eliminations	Core business areas	Other activities	Discontinuing operations, NetTest	Discontinuing operations, other	Consolidated total
Restructuring costs for the year relate to:								
Severance pay, post-employment pay, outplacement costs, etc.	(36)	(100)	-	(136)	-	(83)	-	(219)
Loss-making contracts relating to unutilised leases, etc.	(1)	(41)	-	(42)	-	(68)	-	(110)
Impairment, production plant	-	-	-	-	-	(50)	-	(50)
Other, including other loss-making contracts	(2)	(12)	-	(14)	-	-	-	(14)
Total	**(39)**	**(153)**	**-**	**(192)**	**-**	**(201)**	**-**	**(393)**

Cash flow statement 2001

(DKK millions)	GN Netcom	GN ReSound	Other/ eliminations	Core business areas	Other activities	Discontinuing operations, NetTest	Discontinuing operations, other	Consolidated total
Cash flows from operating activities	101	(154)	323	270	80	(415)	-	(65)
Cash flows from investing activities	(147)	(322)	146	(323)	-	(552)	-	(875)
Cash flows from operating and investing activities	(46)	(476)	469	(53)	80	(967)	-	(940)
Cash flow from company acquisitions/company disposals	(47)	(111)	-	(158)	-	(9)	(23)	(190)
Total cash flows	**(93)**	**(587)**	**469**	**(211)**	**80**	**(976)**	**(23)**	**(1,130)**

Equity and liabilities 2001

(DKK millions)	GN Netcom	GN ReSound	Other/ eliminations	Core business areas	Other activities	Discontinuing operations, NetTest	Discontinuing operations, other	Consolidated total
Equity								
Share capital	30	60	(302)	(212)	39	850	202	879
Share premium	204	2,660	(8,358)	(5,494)	28	9,625	11	4,170
Revaluation reserves	-	-	1	1	-	-	-	1
Net revaluation using the equity method	-	-	(3)	(3)	-	3	-	-
Foreign exchange adjustments	(4)	15	448	459	-	(54)	2	407
Retained earnings	85	1,290	11,055	12,430	273	(7,107)	(345)	5,251
Total equity	**315**	**4,025**	**2,841**	**7,181**	**340**	**3,317**	**(130)**	**10,708**
Minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Provisions								
Provisions for pension obligations and similar obligations	-	15	1	16	-	1	-	17
Deferred tax	73	102	68	243	18	70	-	331
Other provisions	38	322	1	361	5	197	-	563
Total provisions	**111**	**439**	**70**	**620**	**23**	**268**	**-**	**911**
Liabilities								
Mortgage loans	-	3	-	3	-	2	-	5
Bank loans	-	22	1,089	1,111	-	34	-	1,145
Capitalised lease obligations	-	-	-	-	-	4	-	4
Other payables	6	15	133	154	-	324	-	478
Received prepayments	-	25	-	25	-	-	-	25
Total non-current liabilities	**6**	**65**	**1,222**	**1,293**	**-**	**364**	**-**	**1,657**
Repayment of long-term loans	-	1	-	1	-	12	-	13
Bank loans	20	20	227	267	-	64	63	394
Trade payables	82	220	8	310	-	184	6	500
Amounts owed to subsidiaries	1,501	1,297	(4,226)	(1,428)	139	1,208	81	-
Tax payable	38	37	(40)	35	-	45	-	80
Other payables	106	271	(12)	365	117	191	35	708
Received prepayments	-	32	1	33	-	19	-	52
Total current liabilities	**1,747**	**1,878**	**(4,042)**	**(417)**	**256**	**1,723**	**185**	**1,747**
Total liabilities	**1,753**	**1,943**	**(2,820)**	**876**	**256**	**2,087**	**185**	**3,404**
Total equity and liabilities	**2,179**	**6,407**	**91**	**8,677**	**619**	**5,672**	**55**	**15,023**

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	Currency	Share capital	Ownership %
GN Store Nord as	**DKK**	**879,100,252**	**N/A**
GN Netcom as, Denmark	**DKK**	**30,100,000**	**100**
GN Netcom Ltd., Great Britain	GBP	1,000,000	100
GN Netcom (UK) Limited, Great Britain	GBP	100,000	100
GN Netcom GmbH, Germany	EUR	51,100	100
GN Netcom S.A., France	EUR	80,000	100
GN Netcom (Canada) Inc., Canada	CAD	350,000	100
GN Netcom Australia Pty. Ltd., Australia	AUD	2,500,000	100
Claria Headsets Australia Pty. Ltd., Australia	AUD	6,000	100
GN Netcom K.K., Japan	JPY	10,000,000	100
GN Netcom Inc., US	USD	35,865,003	100
GN Netcom Asia Ltd., Hong Kong	HKD	2,000,000	100
GN Netcom (Xiamen) Ltd., China	CNY	16,554,400	100
GN Netcom (Iberica) S.A., Spain	EUR	60,000	100
GN Transistor AB, Sweden	SEK	5,100,000	100
Hello Direct, US	USD	100,100	100
GN Netcom (Italia) S.r.l., Italy	EUR	10,000	100
GN Netcom (Singapore) Pte Ltd, Singapore	SGD	200,000	100
▲ QuBiT A/S, Denmark	DKK	269,231	35
GN ReSound as, Denmark	**DKK**	**60,000,000**	**100**
GN US Holdings Inc., US	USD	21,000,000	100
GN ReSound Corporation, US	USD	110,000	100
GN Resound Danmark as, Denmark	DKK	600,000	100
GN Resound (Norge) A/S, Norway	NOK	2,000,000	100
GN ReSound GmbH Höertechnologie, Germany	EUR	2,162,253	100
GN ReSound GmbH, Germany	EUR	296,549	100
Madsen GmbH Audiologische Messtechnik, Germany	EUR	127,823	100
GN ReSound B.V., Netherlands	EUR	680,840	100
GN ReSound AG, Switzerland	CHF	420,000	100
GN Resound do Brazil Ltda., Brazil	BRL	274,406	100
GN Resound AB, Sweden	SEK	100,000	100
GN ReSound S.A.S., France	EUR	762,000	100
GN ReSound Ltd., Great Britain	GBP	7,376,000	100
GN ReSound Ireland Holdings Ltd., Ireland	USD	1,548,000	100
GN ReSound Ireland Ltd., Ireland	USD	1,548,000	100
GN ReSound Ireland Sales Ltd., Ireland	USD	160	100
GN ReSound GDC Ltd., Ireland	USD	8,984,000	100
GN ReSound China Ltd., China	CNY	34,000,000	100
GN ReSound Pty. Ltd., Australia	AUD	4,000,002	100
GN ReSound NV, Belgium	EUR	495,000	100
GN ReSound NZ Ltd, New Zealand	NZL	2,000,000	100
GN Resound Italia SRL, Italy	EUR	181,000	100
▲ GN ReSound Ltd, Hong Kong	HKD	7,800,000	50
GN Resound, Singapore (rep. office)	N/A	N/A	N/A
GN Resound SL, Spain	EUR	905,000	100
▲ ReSound Asia Ltd, British Virgin Island	USD	800,000	50
▲ Danavox Hungary	HUF	1,000,000	19
Danplex A/S, Denmark	DKK	27,500,000	100
GN ReSound Höertechnologie GmbH, Austria	EUR	500,000	100
▲ Viennatone S.A. de C.V., Mexico	USD	1,000	49
▲ HIMSA A/S, Denmark	DKK	1,000,000	25
AuditData A/S, Denmark	DKK	600,000	100
AuditData GmbH, Germany	EUR	25,565	100
▲ K/S Himpp, Denmark	DKK	99,990,570	29.75
▲ Himpp A/S, Denmark	DKK	1,800,000	30.00
▲ OY Danalink AB, Finland	EUR	100,913	10
GN Otometrics A/S, Denmark	DKK	20,500,000	100
GN Otometrics Verwaltungs GmbH, Germany	EUR	50,000	100
GN Otometrics GmbH & Co. KG, Germany	EUR	409,032	100
GN Otometrics Holding GmbH, Germany	EUR	1,800,000	100
Beltone Electronics LLC Corp., US	USD	350,000,100	100
Beltone Electronics of Canada Ltd., Canada	CAD	10,000	100
Beltone Espana S.A., Spain	EUR	66,111	100
Beltone Deutchland GmbH, Germany	EUR	77,074	100
Beltone Europe Holding ApS, Denmark	DKK	200,000	100
Beltone Audiologic France, France	EUR	650,000	100
Beltone Danmark A/S, Denmark	DKK	500,000	100
Beltone Norge AS, Norway	NOK	100,000	100
Beltone Schweiz GmbH, Swizerland	CHF	20,000	100
Beltone Netherlands B.V., Netherlands	EUR	45,000	100
Beltone Holdings 1 Inc., US	USD	1,000,000	100
Beltone Holdings 2 Inc., US	USD	1,000,000	100
Beltone Sverige AB, Sweden	SEK	110,000	100
GN DanaJapan K.K., Japan	JPY	499,000,000	100
▲ Ultravox Holdings Ltd., Great Britain	GBP	8,594	25.01

	Currency	Share capital	Ownership %
GN Cable System as, Denmark	**DKK**	**500,000**	**100**
● Danish Polish Telecommunications Group I/S, Denmark	DKK	N/A	75
● Danish Russian Telecommunications Group I/S, Denmark	DKK	N/A	50
● Danish Baltic Telecommunications Group I/S, Denmark	DKK	N/A	50
GN Great Nordic Telco as, Denmark	DKK	10,500,000	100
MMT BIS S.A., Moldova	**MDL**	**49,328,788**	**67**
▲ Voxtel S.A., Moldova	USD	32,460,000	20
GN Ejendomme as, Denmark	**DKK**	**111,000,000**	**100**
GN Ejendomsaktieselskabet Kgs. Nytorv 26, Denmark	DKK	9,000,000	100
GN Great Britain Ltd., Great Britain	**GBP**	**21,000,005**	**100**
GN Investments Ltd., Great Britain	GBP	6,260,000	100
GN af 18. Maj 2000 A/S, Denmark	**DKK**	**50,500,000**	**100**
GN af 19. januar 1998 A/S, Denmark	**DKK**	**511,013,000**	**100**
GN af 20. januar 1998 A/S, Denmark	**DKK**	**460,325,000**	**100**
GN Store Nord Paging as, in liquidation, Denmark	**DKK**	**1,000,000**	**100**
GN Store Nord Payphones as, in liquidation, Denmark	**DKK**	**1,000,000**	**100**
The below companies have been sold as at 31 December 2002:			
NetTest as, Denmark	DKK	10,000,000	100
NetTest (Finans) A/S	DKK	100,000,000	100
NetTest GmbH, Germany	EUR	50,000	100
NetTest Ltd., Great Britain	GBP	4,850,000	100
NetTest (UK) Ltd., Great Britain	GBP	1,625,000	100
NetTest Pty Ltd., Australia	AUD	6,000,000	100
NetTest Equipment España S.A., Spain	EUR	2,000,000	100
NetTest S.p.A., Italy	EUR	2,000,000	100
NetTest (Canada) Inc., Canada	CAD	16,700,000	100
NetTest North America Inc., US	USD	18,394,709	100
NetTest (Denmark) A/S, Denmark	DKK	5,000,000	100
NetTest (China) Co., Ltd, China	RMB	14,900,820	100
NetTest (Hong Kong) Ltd., Hong Kong	HKD	60,010,000	100
GN Resources International (CZ) A/S, Czech Republic	CZK	65,000,000	50
NetTest do Brazil Ltda., Brazil	BRL	19,337,522	100
NetTest S.A.S., France	EUR	900,015	100
NetTest Photonics SAS, France	EUR	980,000	100
Photon Sub SAS, France	EUR	38,113	100
Photonetics Ltd., Great Britain	GBP	450,000	100
Cedepe, France	USD	40,000	7
NetTest Pte Ltd., Singapore	SGD	100,000	100
NetTest do Mexico C.V. de S.A., Mexico	MXN	50,000	100
NetTest K.K., Japan	JPY	10,000,000	100

▲ Indicates associated companies.

● Indicates associated companies under joint control. These are consolidated pro rata. The joint control is based on agreements on exercising voting rights, joint management, and on possession and divestment of ownership interests, etc.
The partnerships (I/S) stated on the list do not publish financial statements subject to §5 of the Danish Company Accounts Act, as they are included in the consolidated financial statements for GN Store Nord as.
A few minor companies without business operations have been omitted from the list.

GLOSSARY AND KEY FIGURES

In this annual report the following accounting abbreviations are used:

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

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

EBIT
Earnings before interest and tax.

EBT
Earnings before tax.

Key ratio definitions

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

The ratios have been calculated in accordance with Recommendations and Ratios issued by the Danish Association of Financial Analysts.

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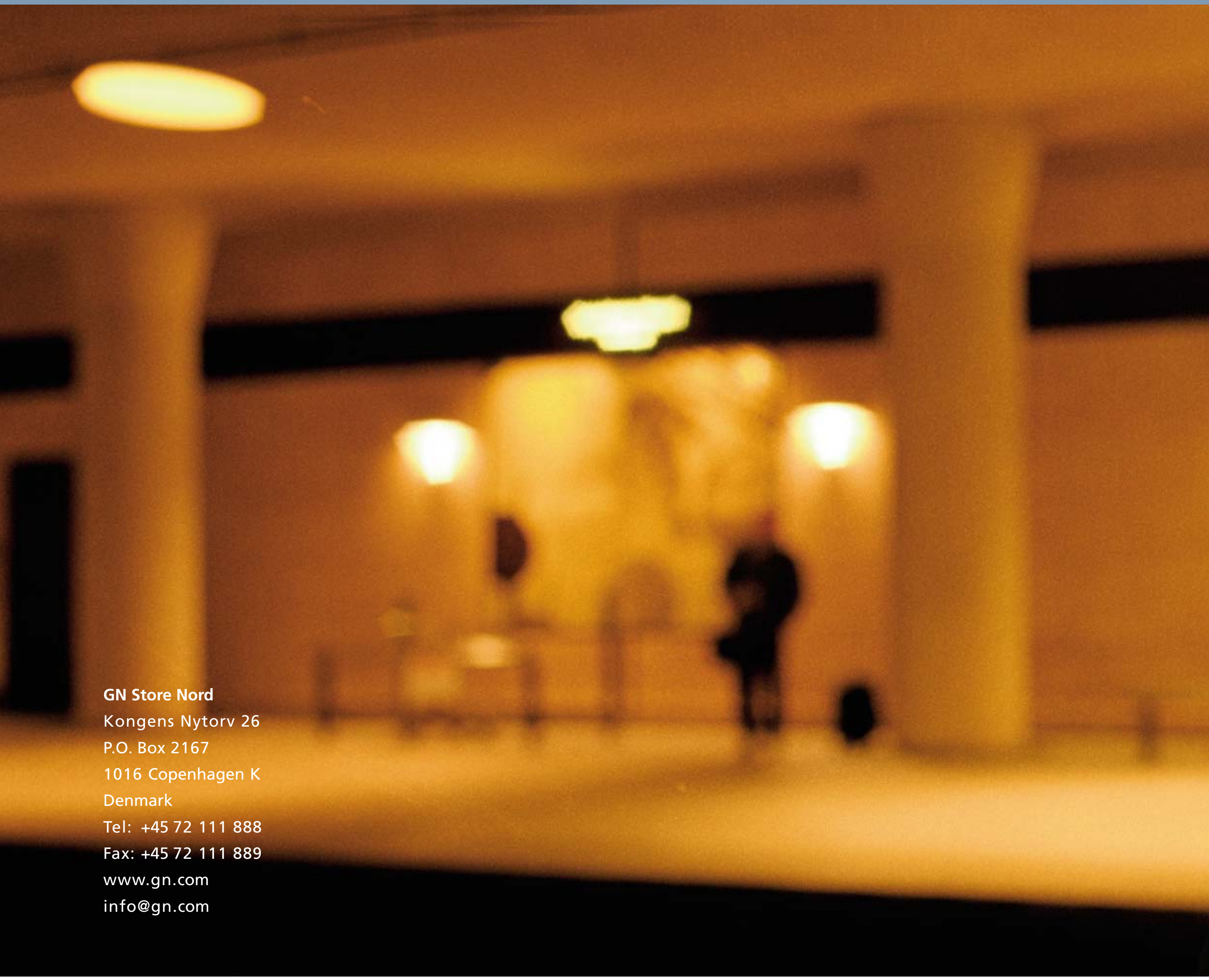

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