Q1 Interim Report 2010

Q1 SHOWS STRONG IMPROVEMENT IN EBITA – GN RESOUND INCREASES EBITA OUTLOOK FOR 2010

In Q1, GN saw clear results of the comprehensive restructuring undertaken during 2009, the attractive and upgraded product portfolio as well as the targeted sales and marketing efforts initiated recently. EBITA in Q1 2010 improved by more than DKK 150 million compared to Q1 2009 and GN returned to positive organic growth.

GN ReSound is expected to deliver positive organic growth for 2010 based on the successful launch of the Surround Sound by ReSound™ featured products ReSound Live™ and dot[2] by ReSound™ in late 2009 and the recent announcement of ReSound Alera™. As a consequence hereof as well as a stronger USD, GN ReSound increases the EBITA outlook for 2010 to DKK 300-350 million up from DKK 275-325 million guided in the Annual Report for 2009. On April 19, GN Netcom increased its EBITA outlook for 2010, as a result of higher than expected growth partially driven by accelerating adoption of Unified Communications (UC). GN Netcom now expects an EBITA for 2010 of DKK 150-200 million, up from the previous outlook of DKK 100-150 million provided in the Annual Report for 2009. At GN Store Nord level the EBITA is hereby expected to improve from DKK 8 million in 2009 to DKK 425-525 million in 2010.

After Q1, GN has made a number of GN ReSound related announcements. Firstly, on April 15, we introduced ReSound Alera™ – a new groundbreaking advance in wireless hearing aids. ReSound Alera™ is employing the superior Surround Sound by ReSound™ technology. Secondly, on May 5, GN received the complete wording of the ruling by the German Federal Supreme Court stating that the decision made by the German Federal Cartel Office (Bundeskartellamt) on April 11, 2007 prohibiting the sale of GN ReSound to Sonova was an error. GN is considering all legal opportunities in order to claim compensation for the significant loss imposed on GN Store Nord.

During Q1, GN Netcom launched the mono headset Jabra EXTREME, featuring Jabra Noise Blackout™ Extreme and the clip-on headset Jabra CLIPPER which combines the advantages of *Bluetooth*® wireless technology and corded headsets.

HIGHLIGHTS

- Total revenue was DKK 1,174 million equivalent to 2% organic growth compared to Q1 2009.
- Total EBITA was DKK 86 million – an improvement of DKK 151 million compared to Q1 2009.
- GN Netcom revenue was DKK 446 million and EBITA was DKK 26 million. Organic growth in Q1 was higher than expected at 9%. Excluding Mobile OEM, organic growth was 21%.
- GN ReSound revenue was DKK 726 million and EBITA was DKK 70 million. Organic growth in Q1 was in line with expectations at (2)%.
- During Q1 net interest-bearing debt declined below the DKK 1 billion mark and is now down to DKK 987 million, compared to DKK 1,522 million in Q1 2009.
- The new CEO of GN ReSound Lars Viksmoen was announced on March 25 and started on April 1.
- On April 27, GN ReSound announced that the supply chain initiative is expected to deliver up to DKK 200 million in cost reductions by 2011 and thereby improving the EBITA margin by 6-7%-points at unchanged revenue level. GN ReSound is thereby taking a significant step in the strategy intended to move earnings to a competitive level.
- During the summer, GN will announce its dividend and share buy-back policy, including the timing of a potential share buy-back program.
- During the fall, GN will define and communicate its long-term financial targets.
- In the DPTG/TPSA arbitration proceedings, GN is awaiting a decision from the Arbitration Tribunal on DPTG's claim for phase 1 (1994 to mid-2004). The Arbitration Tribunal has informed us that it is still conducting intense deliberations on the award for phase 1. A further deliberation among the arbitrators is scheduled for the second half of June 2010.

OUTLOOK 2010 – EXCHANGE RATE UPDATED FROM DKK/USD 5.0 TO DKK/USD 5.5

	Revenue (DKK/USD 5.5)	EBITA	Amortization, finance etc.
GN Netcom	Organic growth is expected to be at least 5%.	DKK 150-200 million	
GN ReSound	Positive organic growth.	DKK 300-350 million	
Other		DKK ~(30) million	
GN Store Nord	**Positive organic growth of 3-5%**	**DKK 425-525 million**	**DKK ~(50) million**

FINANCIAL OVERVIEW Q1 2010

	GN Netcom		GN ReSound		Consolidated total*	
(DKK million)	**Q1 2010**	**Q1 2009**	**Q1 2010**	**Q1 2009**	**Q1 2010**	**Q1 2009**
Revenue	446	421	726	774	1,174	1,198
Organic growth	9%	(36)%	(2)%	(4)%	2%	(18)%
Gross profit	231	147	429	477	662	627
Gross margin	52%	35%	59%	62%	56%	52%
EBITA	26	(82)	70	29	86	(65)
EBITA margin	5.8%	(19.5)%	9.6%	3.7%	7.3%	(5.4)%
Free cash flow	65	41	6	67	58	72

*) "Other" is included in the total

GN NETCOM

As stated in the Annual Report for 2009, GN Netcom's focus for 2010 is top line growth while maintaining a strong grip on cost levels. These two focus areas were reflected in the continued positive development seen in Q1 2010 where GN Netcom generated higher than expected growth and a significant improvement in EBITA.

The strong performance in Q1 is reflected in the increased outlook for 2010 announced on April 19. In 2010, GN Netcom's organic revenue growth is now expected to be at least 5% and EBITA is expected to be DKK 150-200 million. The increase in the EBITA outlook confirms the significant operational leverage in GN Netcom.

GN Netcom generated revenue of DKK 446 million against DKK 421 million in Q1 2009 corresponding to organic growth of 9%. Excluding the OEM business in Mobile Headsets, organic growth was 21%.

On the important US market, GN Netcom achieved significant double-digit organic growth rates compared to Q1 2009. The better than expected revenue growth is driven by accelerating adoption of UC, a very competitive product portfolio and targeted sales and marketing efforts.

In Q1, GN Netcom delivered an EBITA of DKK 26 million against DKK (82) million in Q1 2009, an improvement of more than DKK 100 million in one quarter.

Operating expenses were DKK 205 million up from DKK 160 million (exclusive of non-recurring costs) in Q4 2009. As mentioned in the Q3 Interim Report for 2009 and in the Annual Report for 2009, the level of operating expenses (exclusive of non-recurring costs) seen in Q3 and Q4 2009 were below the expected run rate. As also mentioned in the Annual Report for 2009, GN Netcom has set in motion targeted sales and marketing efforts, especially within the important UC segment. Additionally, certain cost categories which were previously included in production costs are now included in selling and distribution costs as a consequence of the new business model implemented during 2009.

Revenue in CC&O Headsets was DKK 292 million corresponding to organic growth of 13% compared to Q1 2009. The deployment of UC by companies throughout the world is accelerating driven by high returns on investment, low risk implementation, efficiency gains and immediate user adoption. During Q1, GN Netcom was selected as gold member in Avaya's DevConnect program. Avaya is a leading global provider of business communications systems and services with a large market share in the CC field. Avaya was for many years a sole customer of GN Netcom's main competitor.

The corded headset Jabra BIZ 2400™ continues to perform better than expected and has manifested its position on the market as one of the most reliable headsets. Return rates on the product has been close to zero. The innovative, high-end wireless headsets Jabra PRO and Jabra GO continued the positive development seen since launch in 2009.

Mobile Headsets generated revenue of DKK 154 million which equals organic growth of 2% relative to Q1 2009. Mobile Headsets experienced significant double-digit organic growth for GN Netcom's own brand, Jabra. As in previous quarters, the OEM business continued to decline significantly as GN Netcom deliberately discontinues or forgoes low-margin business. In Q1, Mobile Headsets generated an EBITA around break-even.

During Q1, Mobile Headsets launched the clip-on headset Jabra CLIPPER and the mobile headset Jabra EXTREME. Jabra CLIPPER combines the advantages of headsets with *Bluetooth* wireless technology and corded headsets. Jabra CLIPPER connects wirelessly to both cell phones and Mp3 players while the user at the same time can enjoy high-quality sound through a corded stereo headset. On the important US market, the Jabra CLIPPER will be available exclusively at Verizon Wireless retail stores across the country. Jabra EXTREME utilizes the second to none Jabra Noise Blackout™ Extreme noise cancellation technology, which significantly enhances its dual microphone system and blocks out up to 24dB of ambient noise.

GN Netcom's gross margin was 52% compared to 35% in Q1 2009 mainly as a result of i) the savings generated through the FAST restructuring program, ii) a shift towards the high-end in the product portfolio of Mobile Headsets and iii) above mentioned move of certain types of costs to operating expenses.

Net working capital continued to decline and was only DKK 58 million at the end of Q1. Net working capital is expected to increase during 2010. GN Netcom delivered cash flow from operating and investing activities before financial items and tax of DKK 59 million against DKK 43 million in Q1 2009.

GN RESOUND

GN ReSound is expected to deliver positive organic growth for 2010 based on the successful launch of the Surround Sound by ReSound™ featured products ReSound Live™ and dot² by ReSound™ in late 2009 and the recent announcement of ReSound Alera™. As a consequence hereof as well as a stronger USD, GN ReSound increases the EBITA outlook for 2010 and is expected to deliver an EBITA in the range of DKK 300-350 million up from DKK 275-325 million guided in the Annual Report for 2009.

GN ReSound is continuing its strong focus on cost and targeted sales and marketing efforts. The restructuring program initiated in early 2009 has been successfully completed and has formed the foundation for the first phase of the ongoing end-to-end transformation of the manufacturing and supply chain backbone.

By the end of 2010 we expect that all major initiatives of the end-to-end transformation of the manufacturing and supply chain backbone are implemented. By the end of 2011, the transformation is now expected to have reduced costs by up to DKK 200 million as an annual run rate compared to 2009 actual costs. The expected cost reductions are equivalent to a further improvement of GN ReSound's EBITA margin by 6-7 %-points at unchanged revenue level. GN ReSound is thereby taking a significant step in the strategy intended to move earnings to a competitive level. As previously guided, it is expected that implementation costs incurred in 2010 will be off-set by savings generated by the initiative. In addition to improve earnings significantly in GN ReSound, the supply chain transformation will at the same time deliver higher flexibility and product quality to the benefit of our customers. For the full year, the transformation costs are expected to be DKK 30-40 million and investments are expected to be around DKK 20 million.

On March 25, 2010, GN announced Lars Viksmoen as new CEO of GN ReSound and a member of GN Store Nord's Executive Management as of April 1, 2010. The former CEO Mike van der Wallen will continue to work closely with Lars Viksmoen until the end of June to secure a smooth and professional transition.

Following a slow start of the year, GN ReSound experienced generally improved performance towards the end of the quarter in almost all markets and particularly in the US and Asia. GN ReSound generated revenue of DKK 726 million, corresponding to organic growth of (2)% relative to the same quarter of last year. EBITA for GN ReSound was DKK 70 million (EBITA margin of 9.6%), including DKK 7 million implementation costs related to the supply chain project, compared to DKK 29 million (a margin of 3.7%) in Q1 2009.

Hearing Instruments generated revenue of DKK 649 million, corresponding to organic growth of (2)% relative to Q1 2009. Unit growth for the quarter was (1)% relative to Q1 2009.

Audiologic Diagnostics Equipment generated revenue of DKK 77 million corresponding to organic growth of (2)%.

In the summer of 2009, GN ReSound announced two important strategic partnerships with KIND Hörgeräte and Amplifon. GN ReSound is very pleased with the development of these two partnerships.

The Surround Sound by ReSound™ featured products ReSound Live™ and dot² by ReSound™ launched in October 2009 generated 40% of the total Hearing Instruments revenue already in Q1. This is a clear signal that the superior Surround Sound by ReSound™ technology is being very well received by the dispensers and end users. From April these products were made available with the best in industry nano-coating technology applied on every component internally and externally, making the hearing aid totally water repellant and far more durable.

During Q1, GN ReSound's net working capital increased, but is still below the Q1 2009 level. The cash flow from investing activities was DKK (42) million against DKK (75) million in Q1 2009. Q1 cash flow from operating and investing activities before financial items and tax was DKK 26 million (Q1 2009: DKK 97 million).

On April 15, at the annual conference for the American Academy of Audiology – AudiologyNOW! 2010 in San Diego, CA, USA – GN ReSound introduced the ReSound Alera™, which comes both in a wireless and non-wireless version. Both versions utilize the superior and improved Surround Sound by ReSound™ technology. The wireless hearing aid uses 2.4 GHz wireless technology which has a stronger, clearer and more stable signal than the inductive technology used in current wireless hearing aids. Being the first in the industry to commercialize 2.4 GHz wireless technology is a major milestone for GN ReSound. Wireless ReSound Alera™ receives crystal clear sound directly from the TV, computer and other audio sources from up to 7 meters away, saving the user from the hassle of carrying a device around the neck as required when using current wireless hearing aids. This is made possible by a series of easy-to-use wireless accessories to be attached to the audio source. The fitting of wireless ReSound Alera™ has been made simple and is also wireless. Initially ReSound Alera™ comes as a true compact receiver-in-the-ear (RIE) product in three price points. Additional form factors will be added to the product family over the next 12 months. ReSound Alera™ will be shipping from June 2010.

The launch of ReSound Alera™ will provide GN ReSound with a unique opportunity to expand in the attractive top end segment.

OTHER ACTIVITIES & OTHER ISSUES

Appeal against the Prohibition of the Sale of GN ReSound to Sonova

On April 20, the German Federal Supreme Court acknowledged GN's position and overruled the German Court of Appeal´s decision of November 26, 2008 and the decision of the German Federal Cartel Office (Bundeskartellamt) of April 11, 2007 to prohibit the sale of GN ReSound to the Swiss hearing aid manufacturer Sonova. On May 5, GN received the complete wording of the ruling by the German Federal Supreme Court stating that the decision made by the German Federal Cartel Office (Bundeskartellamt) on April 11, 2007 was an error. GN is considering all legal opportunities in order to claim compensation for the significant loss imposed on GN Store Nord. The German Federal Supreme Court has already confirmed that GN will receive compensation from the Bundeskartellamt for the costs incurred in connection with the appeal as such.

While the ruling by the Federal Supreme Court re-opens the possibility for consolidation in the hearing aid industry, the Board of Directors remains confident that the value creation potential for GN ReSound under the ownership of GN Store Nord is significant. The ruling therefore does not change GN's strategy of developing and growing GN ReSound.

Long-term Financial Targets

During 2009, GN successfully delivered on the short-term goals set out: improve cash flow and earnings through comprehensive restructuring programs in both businesses. The restructuring in GN Netcom was finalized in late 2009 and GN Netcom is now experiencing encouraging revenue growth. The end-to-end transformation of the manufacturing and supply chain backbone in GN ReSound is progressing well, and will enable GN ReSound to close a major part of the earnings gap versus the competition. In parallel with the restructuring, both GN Netcom and GN ReSound have been able to develop and introduce innovative state-of-the-art products in late 2009 and early 2010. The Board of Directors is therefore getting increasingly confident with the turnaround of the company and will define and communicate long-term financial targets during the fall.

Dividend and Share Buy-back Policy

During the summer, the Board of Directors will announce GN's dividend and share buy-back policy independent of whether or not the TPSA case has been settled. The announcement will include the timing of a potential share buy-back program taking strategic opportunities into account.

Arbitration Case against TPSA

GN Store Nord continues to be involved in an arbitration case against Telekomunikacja Polska S.A. (TPSA) through its 75% share of DPTG I/S. The dispute concerns the determination of traffic volumes carried via the NSL fibre optical telecommunication system in Poland. DPTG is entitled to 14.8% of net profits from NSL during the period 1994-2009. On August 28 2009, the parties handed in their post-hearing briefs to the Arbitration Tribunal, which is seated in Vienna, Austria, addressing the partial claim period from 1994 to mid-2004 (phase 1). After the submission of the claim, the agreed schedule calls for the Arbitration Tribunal to render an award on DPTG's claim for phase 1. The Arbitration Tribunal has previously issued directions to the parties on how to calculate the claim without prejudice to a final decision. Based on DPTG's interpretation of the directions for calculation of traffic on NSL, DPTG has submitted a claim of DKK 5.0 billion for phase 1, including accrued interest. The Arbitration Tribunal has informed us that it is still conducting intense deliberations on the award for phase 1. A further deliberation among the arbitrators is scheduled for the second half of June 2010.

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

The Board of Directors and the Executive Management have today discussed and approved the interim report for GN Store Nord A/S for the period January 1 – March 31, 2010.

The interim report, which has not been audited or reviewed by the company's independent auditors, has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and Danish disclosure requirements for interim reports of listed companies.

In our opinion the interim report gives a true and fair view of the Group's assets, liabilities and financial position at March 31, 2010 and of the results of the Group's operations and cash flows for the period January 1 – March 31, 2010.

Further, in our opinion the Management's review contains a fair presentation of developments in the Group's operations and financial matters, the results of the Group's operations and the Group's financial position in general and describes the significant risks and uncertainties pertaining to the Group.

Ballerup, May 7, 2010

Board of Directors

Per Wold-Olsen Chairman	William E. Hoover, Jr. Deputy Chairman	Carsten Krogsgaard Thomsen
Jørgen Bardenfleth	René Svendsen-Tune	Wolfgang Reim
Leo Larsen	Nikolai Bisgaard	Jonas Prahl Jørgensen

Executive Management

Mogens Elsberg CEO, GN Netcom	Lars Viksmoen CEO, GN ReSound	Anders Boyer CFO, GN Store Nord & GN Netcom

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Consolidated Financial Highlights*

(DKK million)	Q1 2010 (unaud.)	Q1 2009 (unaud.)	Total 2009 (aud.)
Income statement			
Revenue	1,174	1,198	4,729
Organic growth	2 %	(18)%	(16)%
Operating profit (loss)	79	(73)	(23)
Financial items, net	-	(46)	(71)
Profit (loss) for the period	58	(98)	(70)
Development costs incurred	(109)	(125)	(449)
EBITDA	121	(16)	182
EBITA	86	(65)	8
Balance sheet			
Share capital	833	833	833
Equity	4,684	4,607	4,435
Total assets	7,360	7,859	7,135
Net working capital	901	1,006	862
Net interest-bearing debt	987	1,522	1,029
Cash flow			
Cash flow from operating activities (CFFO)	113	168	717
Cash flow from investing activities	(55)	(96)	(151)
Hereof:			
Development projects	(54)	(75)	(259)
Investments in property, plant and equipment	(13)	(10)	(50)
Total cash flow from operating and investing activities	58	72	566
Key ratios			
Gross profit margin	56 %	52 %	54 %
EBITA margin	7.3 %	(5.4)%	0.2 %
Return on invested capital including goodwill (ROIC including goodwill)	1.8 %	(1.2)%	0.2 %
Return on equity	1.3 %	(2.2)%	(1.6)%
Equity ratio	64 %	59 %	62 %
Net interest-bearing debt (average)/EBITDA	4.0	9.0	7.2
Key ratios per share			
Earnings per share, basic (EPS)	0.28	(0.48)	(0.34)
Earnings per share, fully diluted (EPS diluted)	0.28	(0.48)	(0.34)
Cash flow from operating activities per share (CFPS)	0.55	0.82	3.49
Cash flow from operating and investing activities per share	0.28	0.35	2.76
Share price at the end of the period	33	15	28
Other			
Number of employees, end of period	~4,200	~4,600	~4,150
Market capitalisation	6,731	3,056	5,704

*Based on key ratio definitions from the annual report 2009. Market capitalisation is calculated as outstanding shares x share price at the end of the period.

Income Statement	Consolidated		
(DKK million)	Q1 2010 (unaud.)	Q1 2009 (unaud.)	Full year 2009 (aud.)
Revenue	1,174	1,198	4,729
Production costs	(512)	(571)	(2,168)
Gross profit	**662**	**627**	**2,561**
Development costs	(113)	(107)	(418)
Selling and distribution costs	(348)	(385)	(1,401)
Management and administrative expenses	(126)	(210)	(769)
Other operating income	4	2	4
Operating profit (loss)	**79**	**(73)**	**(23)**
Gains (losses) on disposal of operations	-	-	93
Profit (loss) before financial items and tax	**79**	**(73)**	**70**
Share of profit (loss) in associates	-	-	1
Financial income	18	8	46
Financial expenses	(18)	(54)	(118)
Profit (loss) before tax	**79**	**(119)**	**(1)**
Tax on profit (loss)	(21)	21	(69)
Profit (loss) for the period	**58**	**(98)**	**(70)**
Earnings per share (EPS)			
Earnings per share (EPS)	0.28	(0.48)	(0.34)
Earnings per share, fully diluted (EPS diluted)	0.28	(0.48)	(0.34)
EBITA	**86**	**(65)**	**8**
Amortization of other intangible assets acquired in company acquisitions	(7)	(8)	(31)
Operating profit (loss)	**79**	**(73)**	**(23)**

Statement of Comprehensive Income	Consolidated		
(DKK million)	Q1 2010 (unaud.)	Q1 2009 (unaud.)	Full year 2009 (aud.)
Profit (loss) for the period	**58**	**(98)**	**(70)**
Other comprehensive income			
Actuarial gains (losses)	-	-	17
Foreign exchange adjustments, etc.	220	211	(31)
Tax relating to other comprehensive income	(16)	(18)	(13)
Other comprehensive income for the period, net of tax	204	193	(27)
Total comprehensive income for the period	**262**	**95**	**(97)**

Balance Sheet

(DKK million)	Consolidated March 31 2010 (unaud.)	March 31 2009 (unaud.)	Dec. 31 2009 (aud.)
Assets			
Intangible assets	3,912	3,976	3,762
Property, plant and equipment	462	691	470
Deferred tax assets	671	736	670
Other non-current assets	216	187	204
Total non-current assets	**5,261**	**5,590**	**5,106**
Inventories	386	552	375
Trade receivables	1,008	1,040	1,017
Tax receivable	29	36	30
Other receivables	486	464	459
Cash and cash equivalents	190	177	148
Total current assets	**2,099**	**2,269**	**2,029**
Total assets	**7,360**	**7,859**	**7,135**
Equity and liabilities			
Equity	**4,684**	**4,607**	**4,435**
Bank loans	1,122	1,650	1,070
Other non-current liabilities	55	59	53
Pension obligations	68	83	64
Deferred tax liabilities	8	8	7
Provisions	72	59	147
Total non-current liabilities	**1,325**	**1,859**	**1,341**
Bank loans	55	49	107
Trade payables	308	261	338
Tax payable	31	36	40
Other payables	669	793	650
Provisions	288	254	224
Total current liabilities	**1,351**	**1,393**	**1,359**
Total equity and liabilities	**7,360**	**7,859**	**7,135**

Consolidated Equity

(DKK million)	Share capital (shares of DKK 4 each)	Additional paid-in capital	Foreign exchange adjustments	Treasury shares	Retained earnings	Total equity
Balance at December 31, 2008	**833**	**3,331**	**(1,850)**	**(344)**	**2,537**	**4,507**
Profit (loss) for the period	-	-	-	-	(98)	(98)
Foreign exchange adjustments, etc.	-	-	211	-	-	211
Tax relating to other comprehensive income	-	-	-	-	(18)	(18)
Total comprehensive income for the period	-	-	211	-	(116)	95
Share-based payment (granted)	-	-	-	-	5	5
Balance at March 31, 2009	**833**	**3,331**	**(1,639)**	**(344)**	**2,426**	**4,607**
Profit (loss) for the period	-	-	-	-	28	28
Actuarial gains (losses)	-	-	-	-	17	17
Foreign exchange adjustments, etc.	-	-	(242)	-	-	(242)
Tax relating to other comprehensive income	-	-	-	-	5	5
Total comprehensive income for the period	-	-	(242)	-	50	(192)
Share-based payment (granted)	-	-	-	-	19	19
Purchase/sale of treasury shares and other equity instruments	-	-	-	-	1	1
Balance at December 31, 2009	**833**	**3,331**	**(1,881)**	**(344)**	**2,496**	**4,435**
Profit (loss) for the period	-	-	-	-	58	58
Foreign exchange adjustments, etc.	-	-	220	-	-	220
Tax relating to other comprehensive income	-	-	-	-	(16)	(16)
Total comprehensive income for the period	-	-	220	-	42	262
Share-based payment (granted)	-	-	-	-	5	5
Share-based payment (exercised)	-	(92)	-	116	-	24
Purchase/sale of treasury shares and other equity instruments	-	-	-	(42)	-	(42)
Balance at March 31, 2010	**833**	**3,239**	**(1,661)**	**(270)**	**2,543**	**4,684**

Cash Flow Statement — Consolidated

(DKK million)	Q1 2010 (unaud.)	Q1 2009 (unaud.)	Full year 2009 (aud.)
Operating activities			
Operating profit (loss)	79	(73)	(23)
Depreciation, amortization and impairment	95	112	412
Other adjustments	15	71	235
Cash flow from operating activities before changes in working capital	**189**	**110**	**624**
Changes in working capital and restructuring/non-recurring costs, paid	(62)	98	234
Cash flow from operating activities before financial items and tax	**127**	**208**	**858**
Financial items, net	(7)	(30)	(84)
Tax paid, net	(7)	(10)	(57)
Cash flow from operating activities	**113**	**168**	**717**
Investing activities			
Investments in intangible assets, net	(60)	(80)	(281)
Investments in property, plant and equipment, net	(13)	(9)	105
Investments in other non-current assets, net	(1)	-	(27)
Company acquisitions	-	(6)	(13)
Company disposals	19	-	78
Sale of disposed operations, including liabilities settled in connection with disposal of activities, etc.	-	(1)	(13)
Cash flow from investing activities	**(55)**	**(96)**	**(151)**
Cash flow from operating and investing activities	**58**	**72**	**566**
Cash flow from financing activities	**(21)**	**(56)**	**(575)**
Net cash flow	**37**	**16**	**(9)**
Cash and cash equivalents beginning of period	148	154	154
Adjustment foreign currency, cash and cash equivalents	5	7	3
Cash and cash equivalents, end of period	190	177	148

Note 1 - Accounting Policies

This interim report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and Danish interim financial reporting requirements for listed companies.

CHANGES TO ACCOUNTING POLICIES

As of January 1, 2010 GN Store Nord adopted the relevant new or revised International Financial Reporting Standards and IFRIC Interpretations as specified in note 35 in the Annual Report 2009. The main principles of the most relevant Standards and Interpretations are described below. The new or revised Standards and Interpretations did not affect recognition and measurement or result in changes to note disclosures.

IFRS 3 (Revised) Business Combinations changes the accounting for business combinations from a purchase price allocation approach towards a fair value measurement principle. The changed view in IFRS 3 has also resulted in changes in other related standards. In general the changed regulation has had the following main affects on GN’s accounting policies regarding business combinations:

- Transaction costs incurred in connection with a business combination are no longer included in the acquisition accounting. Instead transaction costs are now expensed in the income statement.
- Contingent considerations are recognized and measured at fair value at the acquisition date. Subsequent changes in the fair value are recognized in the income statement. In the past changes in contingent considerations were adjusted in goodwill.
- When acquiring a controlling interest in steps, GN assesses the fair value of the acquired net assets at the time where control is obtained. At that time interests acquired previously are also adjusted to fair value. Difference between the fair value and the carrying amount is recognized in the income statement. Before goodwill was assessed at each acquisition and adjustments were recognized directly in equity.
- Acquisition of additional equity interest after a business combination are not accounted for using the acquisition method, but rather are accounted for as equity transactions. Disposals of equity interest while retaining control are also accounted for as equity transactions. Transactions resulting in a loss of control result in a gain or loss being recognized in the income statement.
- When acquiring less than 100% of the shares in a company, GN on a transaction-by-transaction basis elects to recognize 100% of the goodwill occurred or a proportion of goodwill in accordance with GN’s ownership interest.
- Goodwill is no longer reduced for the subsequent recognition of deferred tax benefits acquired in a business combination that did not satisfy the criteria for recognition at the acquisition date. Now, after the measurement period has elapsed, any revision to deferred taxes is recognized in the income statement.

Apart from the changes described above, the accounting policies applied are unchanged from those applied in the annual report.

Note 2 - Segment Disclosures

Income statement	GN Netcom		GN ReSound		Other*		Consolidated total	
	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
	2010	2009	2010	2009	2010	2009	2010	2009
(DKK million)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)
Revenue	**446**	**421**	**726**	**774**	**2**	**3**	**1,174**	**1,198**
Production costs	(215)	(274)	(297)	(297)	-	-	(512)	(571)
Gross profit	**231**	**147**	**429**	**477**	**2**	**3**	**662**	**627**
Expensed development costs**	(42)	(34)	(69)	(71)	-	-	(111)	(105)
Selling and distribution costs**	(126)	(102)	(217)	(277)	-	-	(343)	(379)
Management and administrative expenses	(37)	(93)	(77)	(102)	(12)	(15)	(126)	(210)
Other operating income	-	-	4	2	-	-	4	2
EBITA	**26**	**(82)**	**70**	**29**	**(10)**	**(12)**	**86**	**(65)**
Amortization of other intangible assets acquired in company acquisitions	(1)	(1)	(6)	(7)	-	-	(7)	(8)
Operating profit (loss)	**25**	**(83)**	**64**	**22**	**(10)**	**(12)**	**79**	**(73)**
Financial items	-	2	1	(40)	(1)	(8)	-	(46)
Profit (loss) before tax	**25**	**(81)**	**65**	**(18)**	**(11)**	**(20)**	**79**	**(119)**
Tax on profit (loss)	(5)	12	(18)	4	2	5	(21)	21
Profit (loss)	**20**	**(69)**	**47**	**(14)**	**(9)**	**(15)**	**58**	**(98)**

Cash flow statement	GN Netcom		GN ReSound		Other*		Consolidated total	
	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
	2010	2009	2010	2009	2010	2009	2010	2009
(DKK million)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)
Operating activities before changes in working capital	61	14	134	100	(6)	(4)	189	110
Cash flow from changes in working capital and restructuring/non-recurring costs paid	11	49	(66)	72	(7)	(23)	(62)	98
Cash flow from operating activities before financial items and tax	**72**	**63**	**68**	**172**	**(13)**	**(27)**	**127**	**208**
Cash flow from investing activities	(13)	(20)	(42)	(75)	-	(1)	(55)	(96)
Cash flow from operating and investing activities before financial items and tax	**59**	**43**	**26**	**97**	**(13)**	**(28)**	**72**	**112**
Tax and financial items	6	(2)	(20)	(30)	-	(8)	(14)	(40)
Cash flow from operating and investing activities	**65**	**41**	**6**	**67**	**(13)**	**(36)**	**58**	**72**

Balance sheet	GN Netcom		GN ReSound		Other*		Consolidated total	
	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
	2010	2009	2010	2009	2010	2009	2010	2009
(DKK million)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)
ASSETS								
Goodwill	447	447	2,307	2,347	-	-	2,754	2,794
Development projects	127	132	716	682	-	-	843	814
Other intangible assets	63	85	246	273	6	10	315	368
Property, plant and equipment	31	45	209	256	222	390	462	691
Other non-current assets	241	270	715	716	(69)	(63)	887	923
Total non-current assets	**909**	**979**	**4,193**	**4,274**	**159**	**337**	**5,261**	**5,590**
Inventories	74	179	312	373	-	-	386	552
Trade receivables	265	279	721	741	22	20	1,008	1,040
Receivables from subsidiaries***	295	67	-	-	(295)	(67)	-	-
Other receivables	31	69	434	410	50	21	515	500
Cash and cash equivalents	30	44	158	131	2	2	190	177
Total current assets	**695**	**638**	**1,625**	**1,655**	**(221)**	**(24)**	**2,099**	**2,269**
Total assets	**1,604**	**1,617**	**5,818**	**5,929**	**(62)**	**313**	**7,360**	**7,859**
EQUITY AND LIABILITIES								
Equity	**1,134**	**1,213**	**3,185**	**2,987**	**365**	**407**	**4,684**	**4,607**
Bank loans	-	-	-	-	1,122	1,650	1,122	1,650
Other non-current liabilities	37	27	294	290	(128)	(108)	203	209
Total non-current liabilities	**37**	**27**	**294**	**290**	**994**	**1,542**	**1,325**	**1,859**
Bank loans	12	15	43	34	-	-	55	49
Trade payables	127	97	172	155	9	9	308	261
Amounts owed to subsidiaries***	-	-	1,467	1,720	(1,467)	(1,720)	-	-
Other current liabilities	294	265	657	743	37	75	988	1,083
Total current liabilities	**433**	**377**	**2,339**	**2,652**	**(1,421)**	**(1,636)**	**1,351**	**1,393**
Total equity and liabilities	**1,604**	**1,617**	**5,818**	**5,929**	**(62)**	**313**	**7,360**	**7,859**

Note 2 – Segment Disclosures (continued)

Additional information	GN Netcom		GN ReSound		Other*		Consolidated total	
	Q1	Q1	Q1	Q1	Q1	Q1	Q1	Q1
	2010	2009	2010	2009	2010	2009	2010	2009
(DKK million)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)
Revenue Distributed Geographically								
Europe	49%	48%	38%	42%	100%	100%	42%	44%
North America	43%	41%	39%	39%	0%	0%	40%	40%
Rest of the world	8%	11%	23%	19%	0%	0%	18%	16%
Incurred development costs	(33)	(34)	(76)	(91)	-	-	(109)	(125)
Capitalized development costs	11	20	43	55	-	-	54	75
Amortization and depreciation of development costs**	(20)	(20)	(36)	(35)	-	-	(56)	(55)
Expensed development costs	**(42)**	**(34)**	**(69)**	**(71)**	**-**	**-**	**(111)**	**(105)**
EBITDA	34	(69)	93	58	(6)	(5)	121	(16)
Depreciation	(8)	(13)	(23)	(29)	(4)	(7)	(35)	(49)
EBITA	**26**	**(82)**	**70**	**29**	**(10)**	**(12)**	**86**	**(65)**
EBITA margin	5.8 %	(19.5)%	9.6 %	3.7 %	NA	NA	7.3 %	(5.4)%
Number of employees, end of period	~825	~925	~3,350	~3,650	~25	~25	~4,200	~4,600

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

Note 3 - Incentive Plans

There were a total of 1,583,435 outstanding share options (average strike price 63) at March 31, 2010, corresponding to 0.8% of the shares issued.

The total number of outstanding warrants in GN Netcom was 2,245 (7.2% of the number of shares). The total number of outstanding warrants in GN ReSound was 1,872 (3.1% of the number of shares).

Note 4 - Shareholdings

At May 7, 2010, members of the Board of Directors and the Executive Management, respectively, held 539,258 and 0 shares in GN.

At March 31, 2010, GN held 4,395,545 treasury shares, equivalent to 2.11% of the 208,360,263 shares issued. The holding covers mainly GN's long-term incentive programs.

The GN stock is 100% free float and the company has no dominant shareholders. ATP (the Danish Labour Market Supplementary Pension Fund) has reported an ownership interest in excess of 10% of GN's share capital whereas Marathon Asset Management LLP and Parvus Asset Management (UK) LLP has reported an ownership interest in excess of 5% of GN's share capital. Foreign ownership of GN is estimated at about 50%.