GN Store Nord A/S

Annual Report 2014

INNOVATORS IN SOUND

Co. reg. no. 24257843

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Our investment case

Through relentless execution of our Strategy: INNOVATION & GROWTH, we create shareholder value based on our core competency within sound processing

GN RESOUND

- Leader in customer-driven innovations based on differentiated wireless 2.4 GHz technology
- Focused business model – dedicated wholesale manufacturer refraining from vertical integration
- Attractive market growth driven by sustainable megatrends in a consolidated industry with attractive profit margins
- Profitability in line with the best manufacturers in the industry

GN NETCOM

- The world's largest supplier of Unified Communications headsets driven by customer-focused commercialization of a state-of-the-art product portfolio
- Double digit mid- to long-term market growth driven by sustainable market trends
- The core business operates in a consolidated industry with high barriers to entry
- Attractive operating margin and return on invested capital

2014 in figures

7,340

Total revenue (DKK million)

9%

Organic growth

18.5%

EBITA margin (excl. non-recurring M&A costs)

Group performance page 10

5,075

Employees worldwide

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22

Market capitalization (DKK billion)

Shareholder information page 38

900

Total funds distributed to shareholders – dividends and Safe Harbor buybacks (DKK million)

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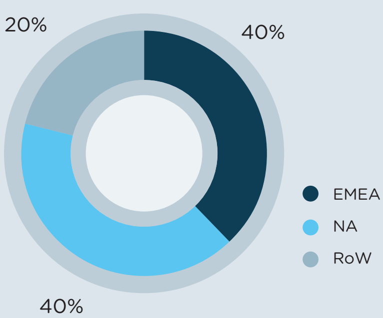
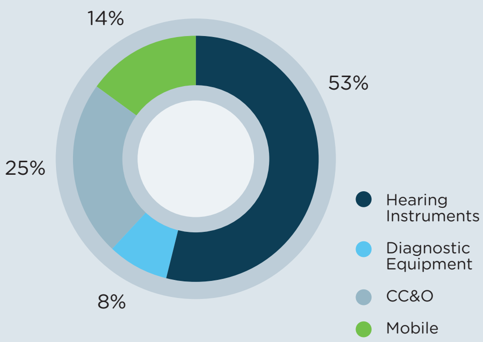
Revenue split by region

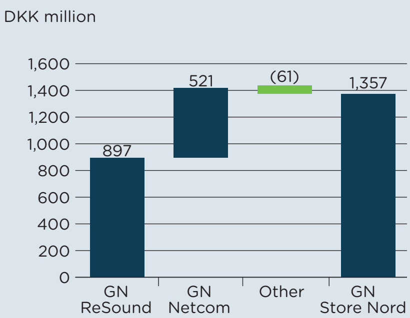


Revenue split on business units



EBITA

(excl. non-recurring M&A costs)



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Foreword by the chairman

In 2014, we revolutionized the perception of hearing aids and became the largest provider of Unified Communications headsets

In my foreword in the Annual Report 2013, I was pleased to articulate our three-year strategy plan for 2014 – 2016: INNOVATION & GROWTH. We could finally take focus away from restructuring and basic operational matters and move organizational energy to what must become our core competencies – innovation and commercialization. Since 2008, we have created significant growth through unique innovations in the space within sound and wireless connectivity. With the Strategy 2014 - 2016, we aim at doing what we are good at even better.

The first year of our strategy plan is now behind us, and we have executed strongly on every single parameter. We said that we wanted to transfer the organizational capacity released from the restructuring programs to **commercialization**. In 2014, we have taken a significant step in our commercialization efforts and completed specific programs to evaluate sales and marketing investments. In GN ReSound, we have engaged in significant public relations and was the only hearing aid manufacturer participating in consumer events such as the CES, IFA and joint marketing events at Apple stores. These efforts help to revolutionize the perception of hearing aids. ReSound LiNX™ achieved significant media exposure and created an encouraging user demand that we have never seen before.

In GN Netcom, our commercialization efforts were especially focused on North America where we have opened up a significant potential long-term opportunity by upgrading our sales capacity. North America is the largest headset market in the world, and we are still in the early phase of trying to win our fair share of that market. We also invested in our own online sales channel, making it possible to buy Jabra headsets directly from GN Netcom online. Both initiatives are new long-term investments and have initially given us reasons to be optimistic. Our continuous market share gains in the important Unified Communications (UC) segment led us to win the position as the number one supplier in this fast growing market – we are now the world's largest provider of UC headsets.

We also said that we would continue with a relentless focus on **productivity increases**. The results are already visible as the gross margin increased nicely in both GN ReSound and GN Netcom in 2014. We have systematized our approach to productivity improvement and have a strong pipeline of areas where we want to increase productivity in the years to come.

Finally, we said that we would continue our relentless focus on **innovation**, and our R&D teams are indeed delivering remarkable results - as planned. With a smaller R&D budget than our key competitors, we are bringing significant innovations to the market in both of our businesses. We brought the world's first Made for iPhone hearing aid, ReSound LiNX, to the market in early 2014; we broadened the Smart Hearing concept to new segments and form factors in the same year, and we are now all set with the next generation, ReSound LiNX²™. In the same way that ReSound LiNX revolutionized connectivity in hearing aids, ReSound LiNX² will, in a complete line-up of form factors, revolutionize the sound experience by adding an unprecedented level of spatial awareness to the user as a complement to our unique Surround Sound by Resound™. This gives an entirely new dimension to GN ReSound's superior replication of natural hearing.

In GN Netcom, we have brought new breakthrough headsets to the market late last year with the introduction of the noise cancellation Jabra Evolve™ series and the heart rate monitoring earbuds, Jabra Sport Pulse™ Wireless. Both products are the first of their kind and position us strongly in the two fast-growing segments that are our top priorities, UC and the Sports Audio segment.

To position the company for long-term sustainable growth, we also upgraded our Intellectual Property Rights (IPR) function by upgrading the capacity and by consolidating the two functions in GN ReSound and GN Netcom into one GN function. As a technology leader and a leader in innovation, it is a business imperative to have capabilities to protect our innovations in the most professional way. Competencies within IPR became extraordinary relevant during 2014 as Oticon filed for a preliminary injunction against GN ReSound. The filing was based on an antenna patent, which we strongly believe is invalid. As expected, the court in Denmark did not issue a preliminary injunction.

On August 1, 2014, we appointed Anders Hedegaard as CEO of GN ReSound and member of GN's executive management team. I am very pleased with how Anders Hedegaard and Lars Viksmoen - in close collaboration - have ensured a particularly seamless transition. Anders Hedegaard's broad managerial experience and key competencies within sales and marketing will be valuable assets for GN going forward.

During 2014, we also got a rare chance to evaluate an M&A opportunity that had the potential to transform the company. The opportunity was relevant for GN following the completion of our successful turnaround, which meant that we – out of strength – had the potential to acquire a large asset. As we were the only strategic buyer of the asset, the acquisition had the potential to be highly accretive for our shareholders. After a long and thorough due diligence, we demonstrated strong discipline and left the opportunity behind us as we saw the price being unattractive for our shareholders. We have such a strong momentum in our current businesses that we can continue to create significant value for our shareholders on our own and at less risk.

Our most valuable assets continue to be our people, and HR was a focus area for us again in 2014. We have started to see progress within HR, and we have finally established the foundation for a truly professional HR function. There is still work to be done to fulfill our ambitions and ensuring that we can attract and retain some of the best people and competencies – but we are now well on our way.

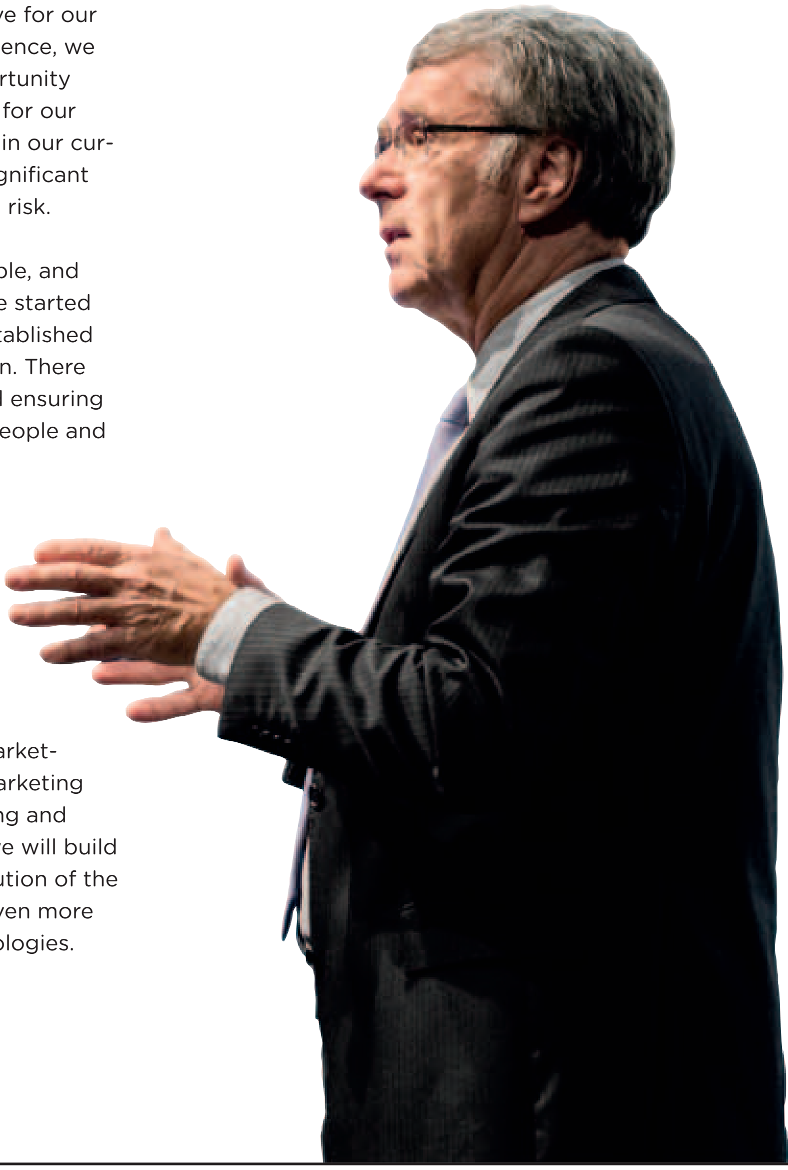
THE YEAR 2015

In 2015, we will continue our relentless execution of the strategy for 2014 – 2016. 2014 has been a strong start where we have laid out a solid foundation for the continued progress. We have continued to improve our financial results in both GN ReSound and GN Netcom. We have embarked on a process of enhancing the marketing functions and our investments in sales and marketing have clearly improved our customer understanding and go-to-market processes. This is something that we will build further on in 2015 and 2016. The continued execution of the strategy plan is expected to prove that there is even more potential inherent in the company and our technologies.

We are strongly positioned to continue to deliver on our announced financial targets. In GN ReSound, we will grow more than 3 percentage points above the market growth, and in GN Netcom we will continue to grow with double-digit rates. While investing in growth – and despite headwind from foreign exchange rates – we will maintain the EBITA margin in line with top-tier competition in 2015, and we see the potential for margin expansion in 2016.

Our results are the product of the hard and dedicated work of our employees throughout the world. On behalf of the board of directors, I want to congratulate and thank all employees for their contributions and success in efficiently changing the focus and priorities of GN. We are bringing GN forward toward a new level of performance, and in doing so, we are improving the quality of life for our customers around the globe.

Per Wold-Olsen
Chairman



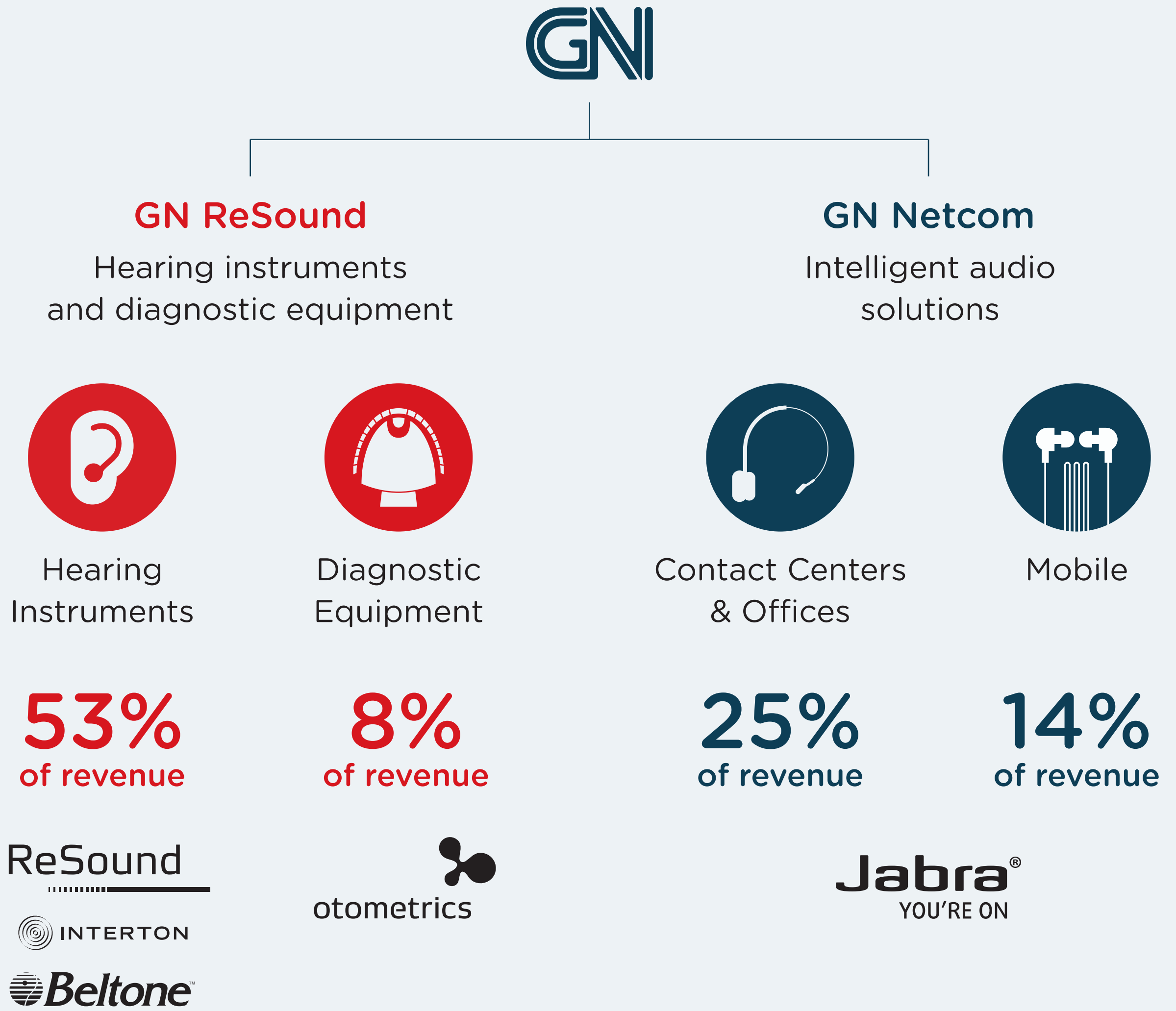
State of GN Store Nord

Through significant innovations during 2014, GN Store Nord has entered 2015 with a leading technology offering. Supported by attractive markets, GN is strongly positioned for continued strong and profitable growth through relentless execution of the Strategy 2014 – 2016: INNOVATION & GROWTH

AN EVOLVING WORLD OF COMMUNICATION
Communication is a necessity for global development and prosperity. GN Store Nord has been helping people communicate since 1869. GN was initially established as a telegraph company and has developed into a global leader within sound and wireless connectivity focusing on the hearing aids and headset industries.

GN is shaping the future of communication through two highly focused business units that operate independently with two dedicated CEOs under the ownership of GN Store Nord. The structure has proven very efficient in the transformational journey from 2008 to 2013. With the increasing technological synergies between the businesses, the board of directors and the executive management deem the current group structure equally efficient for the future.

Through this structure, GN operates as an innovation powerhouse building on its key competency of innovation. GN has a persistent ambition of delivering state-of-the-art



sound solutions by being innovative in every part of the value chain including R&D, manufacturing and sales and marketing.

STRATEGY 2014 – 2016: INNOVATION & GROWTH
Following the successful execution of the 2010 – 2013 turnaround period – including a doubling of the EBITA margin – GN announced a new three-year strategy for 2014 – 2016: INNOVATION & GROWTH. The key drivers of shareholder value remain to be based on innovation, technology and commercialization supported by a continued relentless focus on productivity gains as part of normal business.

The essence of the strategy is to exploit GN's technological advantages through increased focus and efforts on commercialization, including sales and marketing, and thereby deliver sustainable and profitable growth. The execution is building on a strong foundation of attractive industries that are characterized by 1) structural growth driven by underlying megatrends and 2) high margins and high barriers to entry in the core businesses. Based on that foundation, GN has identified a number of specific and thoroughly evaluated strategic growth initiatives in GN ReSound and GN Netcom. The growth initiatives and the three supporting enablers are outlined in the illustration below.

The first year of the strategy plan has now passed, and during 2014, GN has successfully executed on the growth initiatives, strengthened the enablers and delivered the targeted financial results.

INNOVATION & GROWTH IN 2015
GN has entered 2015 firmly on track to continue delivering on the strategy plan. The foundation for the strategy is intact, and the enablers are stronger than ever. Significant opportunities lie ahead to build on this through continued strong execution of the growth initiatives.

In GN ReSound, the execution will be centered around the launch of the new generation of revolutionary hearing aids, ReSound LiNX² and Beltone Legend. The launch activities for these new superior offerings will build on the comprehensive and successful activities in 2014 and again include both traditional and less traditional marketing initiatives.

GN Netcom's strategy execution is focused on capturing the Unified Communications (UC) opportunity and will be driven by the same factors that secured 39% organic growth within UC products in 2014, including expansion of the sales force in North America, enhanced marketing efforts and not least the innovative Jabra Evolve product line-up. In the segment where music and voice converge, GN Netcom wants to refine the product portfolio to gain leadership in niches where GN Netcom can differentiate itself through technology advantages - strongly exemplified by the success of Jabra Sport Pulse Wireless.

As part of GN's ambition to remain an innovation powerhouse, GN will continue to conduct exploratory research projects under Other activities. The research projects aim to discover potential future business opportunities within the core competencies of GN ReSound and GN Netcom but outside the current business areas.

Strategy 2014 - 2016: INNOVATION & GROWTH

Strategic initiatives	**GN ReSound** • Increase marketing and sales efforts • Gain preferred supplier status • Grow Otometrics into new channels and offerings • Accelerate innovative R&D	**GN Netcom** • Increase marketing and sales efforts • Key market initiatives • Deeper and broader customer focus • Stronger online presence • Refine music portfolio
Enablers	• Enhancing organizational capabilities • Maintaining leading edge product portfolio • Productivity	
Markets	• Structural growth and supporting megatrends • High margin industries and high barriers to entry in the core businesses	

Execution of strategy in 2014

GN ReSound

Increase marketing & sales efforts

- Enhanced marketing and sales initiatives centered on the launch of ReSound LiNX™ including attendance at CES and demonstrations in Apple stores
- PR activities that achieved unprecedented media coverage and user attention
- Significantly improved market position in key segments including Germany, the independent dispenser segment in the USA and the VA

8% organic increase in revenue

Grow GN Otometrics into new channels and offerings

- Continued to develop a new and innovative distribution network in the USA
- Developed the innovative 3D ear-scanner technology to be launched in 2015
- Acquired Montreal-based distributor, Genie Audio, strengthening the position in Eastern Canada

Gain preferred supplier status

- Positioned as preferred partner with leading technology and refraining from vertical integration
- Broadened the Smart product portfolio into new segments strengthening GN ReSound's position as full solution provider
- Exploited demand for long-term partnerships through financial support arrangements

14% constant currency increase in EBITA

Accelerate innovative R&D

- Launch of the breakthrough Made for iPhone technology in early 2014
- Swiftly broadened the Made for iPhone technology into new segments and form factors in the Autumn 2014
- A full family of new and superior hearing aid offerings, ReSound LiNX2™ and Beltone Legend™, launching from March 2015
- Attractive product pipeline for 2016 and 2017

GN Netcom

Increase marketing & sales efforts

- Expanded sales force in carefully selected markets
- Upgraded product marketing resulting in successful launches of Jabra Sport Pulse™ Wireless and Jabra Evolve™
- Strengthened the marketing organization with increased alignment across CC&O and Mobile

Key market initiatives

- Strengthened sales execution leading to broad-based market share gains in CC&O in North America
- Improved positioning for Mobile in certain North American channels including Amazon and T-Mobile
- Improved market leadership in China

11% organic increase in revenue

11% constant currency increase in EBITA

Deeper and broader customer focus

- Won the largest headset order in the history of GN Netcom
- Continued to ensure an encouraging pipeline of orders from large companies as well as smaller businesses

Stronger online presence

- Launch of webshop at Jabra.com
- Improved structure for Mobile's online presence

Refine music portfolio

- Refining product portfolio to exploit Jabra's technological edge
- Positioned Jabra for leadership in the Sports Audio segment with the launch of Jabra Sport Pulse Wireless and for tactically exploiting opportunities in the broad music segment

Consolidated financial highlights

DKK million	2010	2011	2012	2013	2014
GN ReSound					
Revenue	3,164	3,450	3,896	4,179	4,469
- Hearing Instruments	2,798	3,060	3,423	3,636	3,892
- Otometrics	366	390	473	543	577
Organic growth	2%	9%	6%	10%	8%
- Hearing Instruments	1%	9%	5%	10%	8%
- Otometrics	10%	5%	13%	10%	6%
Gross profit margin*	59.5%	60.8%	63.0%	65.5%	67.1%
EBITA*	329	426	551	842	897
EBITA margin*	10.4%	12.3%	14.1%	20.1%	20.1%
EBITA reported	329	426	321	738	897
ROIC (EBITA/Invested capital)	8.0%	9.2%	6.6%	14.6%	15.9%
Free cash flow excl. company acquisitions and divestments	(11)	81	99	47	287
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	(3)%	19%	31 %	6%	32%
GN Netcom					
Revenue	1,973	2,106	2,355	2,612	2,871
- CC&O	1,265	1,400	1,530	1,591	1,854
- Mobile	708	706	825	1,021	1,017
Organic growth	9 %	9%	7%	18%	11%
- CC&O	13 %	12%	5%	12%	18%
- Mobile	4 %	3%	11%	27%	(1)%
Gross profit margin	52.9%	56.4%	54.2%	52.7%	53.6%
EBITA	224	310	362	472	521
EBITA margin	11.4%	14.7%	15.4%	18.1%	18.1%
EBITA reported	224	310	362	472	521
ROIC (EBITA/Invested capital)	36.3%	48.8%	57.1%	64.7%	56.5%
Free cash flow excl. company acquisitions and divestments	244	358	236	178	340
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	109%	115%	65%	38%	65%
GN Store Nord					
Revenue	5,145	5,564	6,251	6,791	7,340
Organic growth	5%	9%	6%	13%	9%
Gross profit margin*	57.0%	59.2%	59.7%	60.6%	61.8%
EBITA*	2,595	1,284	846	1,284	1,260
EBITA margin*	50.4%	23.1%	13.5%	18.9%	17.2%
EBITA reported	2,595	1,284	616	1,180	1,260
Operating profit (loss) reported	2,569	1,247	528	1,118	1,195
Financial items, net	(33)	(28)	(69)	(91)	(84)
Profit (loss) before tax reported	2,536	1,225	461	1,023	1,116
Effective tax rate	27%	29%	30%	28%	29%
Profit (loss) for the year reported	1,855	865	321	735	793
Total assets	9,806	11,181	8,199	8,963	10,229
Consolidated equity	6,504	6,878	5,542	5,330	5,667
Parent company equity	5,254	4,653	5,680	4,914	3,933
ROIC (EBITA/Invested capital)	42.9%	16.1%	8.7%	19.6%	18.5%
Earnings per share, basic (EPS)	9.15	4.31	1.80	4.40	4.89
Earnings per share, fully diluted (EPS diluted)	9.00	4.27	1.78	4.35	4.85
Investments in property, plant and equipment	(95)	(82)	(103)	(120)	(106)
Free cash flow excl. company acquisitions and divestments	189	297	2,756	93	480
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	7%	23%	447%	8%	38%
Equity ratio	66.3%	61.5%	67.6%	59.5%	55.4%
Net interest-bearing debt	960	1,269	230	1,113	1,631
Net interest-bearing debt (period-end)/EBITDA	0.4	0.9	0.3	0.9	1.1
Payout ratio	15%	16%	17%	18%	19%
Share buybacks**	153	641	1,614	787	877
Outstanding shares, end of period (thousand)	201,965	192,974	170,486	164,740	159,592
Average number of outstanding shares, fully diluted (thousand)	206,113	202,604	180,613	168,891	163,619
Treasury shares, end of period (thousand)	6,396	15,386	23,211	8,589	8,429
Share price at the end of the period	51	48	82	133	135
Market capitalization	10,336	9,634	13,980	21,910	21,513

* Excluding SMART restructuring costs

** Including buybacks as part of the share based incentive programs

Group performance 2014

In 2014, GN Store Nord delivered on all parameters for its first year of the 2014 - 2016 strategy: INNOVATION & GROWTH. GN is confirming and upgrading the 2016 targets after a strong 2014 where GN launched breakthrough products and generated 9% organic growth

REVENUE
Building on the core competencies within sound processing and wireless connectivity, GN launched breakthrough products with highly innovative features in both businesses. These significant innovations combined with increased investments in sales and marketing drove the revenue to DKK 7,340 million equivalent to an organic growth of 9%. With the strong revenue performance in 2014, GN Store Nord is on track to deliver more than 30% revenue increase in the three year period 2014 to 2016 – adding more than DKK 2 billion to the 2013 revenue.

EBITA
Reported EBITA ended at DKK 1,260 million driven by the highest EBITA ever in both GN ReSound and GN Netcom. The development reflects the relentless execution of the strategy plan to drive strong and profitable growth. During the year, GN evaluated a significant M&A opportunity that had the potential to transform GN. Based on a strict focus on maximizing shareholder value, the M&A project was discontinued in November 2014. Excluding costs related to the project, group EBITA increased to DKK 1,357 million corresponding to an EBITA margin of 18.5%

NET PROFIT
The net profit for 2014 was DKK 793 million corresponding to an increase of 8% compared to 2013. The profit before tax ended at DKK 1,116 million, and the effective tax rate was 29%. The tax rate is negatively impacted by the costs related to the discontinued M&A project as the majority of the costs are not tax deductible. The financial items including gain (loss) on divestments etc. amounted to DKK (89) million, down from DKK (114) million in 2013. Financial items include certain market value adjustments of liabilities following the strengthening of the USD against DKK. Amortization of acquired intangible assets was DKK (55) million in 2014 compared to DKK (43) million in 2013. The increase is a result of among others amortizations related to the acquisitions of Dansk HøreCenter in late 2013.

OTHER PERFORMANCE INDICATORS
The return on invested capital (ROIC) increased by 0.5 percentage points in constant currencies. In reported numbers, ROIC was 18.5% in 2014 corresponding to a decrease of 1.1 percentage points. ROIC in 2014 is negatively impacted by the strengthening of the USD against DKK as the majority of the goodwill, and thereby the invested capital is denominated in USD.

Financial overview 2014

	GN ReSound*		GN Netcom		Group total**	
DKK million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Revenue	4,469	4,179	2,871	2,612	7,340	6,791
Organic growth	8%	10%	11%	18%	9%	13%
Gross margin	67.1%	65.5%	53.6%	52.7%	61.8%	60.6%
EBITA	897	842	521	472	1,260	1284
EBITA margin	20.1%	20.1%	18.1%	18.1%	17.2%	18.9%
Free cash flow excluding acquisitions	287	47	340	178	480	93

* Excluding SMART restructuring costs of DKK 104 million in 2013
** Including "Other" and excluding SMART restructuring costs

The group cash conversion was 38% in 2014 – an improvement of 30 percentage points compared to 2013.

Earnings per share (EPS) increased by 11% to DKK 4.9 reflecting an 8% increase in the net profit and a 3% decrease in the average number of outstanding shares due to the ongoing share buyback programs. Excluding the one-off costs related to the M&A project, EPS was DKK 5.5, corresponding to an increase of 25%.

DIVIDEND AND SHARE BUYBACK PROGRAMS

In a constant pursuit to deliver shareholder value and in line with GN's capital structure policy, GN has distributed almost DKK 900 million back to shareholders in 2014 divided into DKK 146 million as dividend and DKK 748 million in three different share buyback programs. As of February 18, 2015, GN has repurchased shares for an amount of DKK 201 million in 2015.

The board of directors will propose to pay out DKK 0.90 per share in dividend for 2014 compared to DKK 0.84 per share last year.

CAPITAL STRUCTURE

As previously communicated, GN's long-term capital structure policy is to have net interest-bearing debt of up to a maximum of two times EBITDA. Based on the solid financial development in GN as well as the favorable capital markets, GN now intends to take the net interest-bearing debt from currently 1.1 times EBITDA to between 1.5 and 2 times EBITDA by the end of 2016. The current share buy-back program will be concluded no later than March 19, 2015.

As of December 31, 2014, the net interest-bearing debt amounted to DKK 1,631 million (1.1 times EBITDA) and is thereby in line with the communicated target of around 1 times EBITDA. As of February 18, 2015, GN holds 9,829,484 treasury shares equivalent to 5.9% of the share capital. At the annual general meeting to be held in March 2015, the board of directors will propose to cancel 5,829,484 shares.

CLAIM AGAINST PLANTRONICS INC.

In 2012, GN Netcom filed suit against Plantronics for attempted monopolization of the distributors' market in the USA. On September 23, 2013, the federal district court in Wilmington, Delaware, dismissed Plantronics' "motion to dismiss" the case in its entirety. The court also stated that GN Netcom's allegations were sufficiently substantiated to allow the case to proceed into discovery. As a result of the findings, the discovery phase has been extended into the first quarter of 2015.

CLAIM AGAINST THE GERMAN FEDERAL CARTEL OFFICE

On December 22, 2010, GN Store Nord filed a claim of EUR 1.1 billion (approximately DKK 8.2 billion) as compensation for the significant loss imposed on GN and its shareholders in relation to the German Federal Cartel Office's unlawful prohibition of the sale of GN ReSound to Sonova on April 11, 2007. On March 26, 2014, the Düsseldorf Court of Appeal, Germany, dismissed GN's claim although the German Federal Supreme Court has acknowledged that the prohibition of the sale was unlawful. Düsseldorf Court of Appeal dismissed the case on the grounds that the German Federal Cartel Office had not acted negligent when they prohibited the sale. Following thorough evaluation of the written ruling from the Düsseldorf Court of Appeal, GN and its advisors disagree with the decision by the court. On May 2, 2014, GN consequently decided to seek permission to appeal the decision to the German Federal Supreme Court. The German Federal Supreme Court is expected to issue its ruling on the right to appeal during the first half of 2015.

Financial overview Q4 2014

	GN ReSound		GN Netcom		Group total*	
DKK million	**Q4 2014**	**Q4 2013**	**Q4 2014**	**Q4 2013**	**Q4 2014**	**Q4 2013**
Revenue	1,226	1,131	894	729	2,120	1,860
Organic growth	8%	6%	20%	15%	13%	9%
Gross margin	67.9%	67.1%	54.9%	51.7%	62.5%	61.1%
EBITA	291	275	201	141	477	390
EBITA margin	23.7%	24.2%	22.5%	19.3%	22.5%	21.0%
Free cash flow excluding acquisitions	113	39	43	69	158	58

* Including "Other"

Financial outlook

Based on the attractive market positions, technology advantages and rigorous execution of the Strategy 2014 – 2016: INNOVATION & GROWTH, GN Store Nord will deliver significant organic growth and continuous improvement in the EBITA margin

In November 2013, GN announced the Strategy 2014 – 2016: INNOVATION & GROWTH including financial targets for 2016. Based on the strong development and execution of the strategy plan in 2014, GN is now – one year into the planning period – confirming the financial targets for 2016 for GN ReSound, GN Netcom as well as for GN Store Nord in constant currencies. GN will add more than DKK 2 billion to group revenue in the three-year period from 2014 – 2016, corresponding to a revenue increase of more than 30%.

The foreign exchange development has a material impact on the financial outlook of GN especially due to the appreciation of USD and CNY against DKK. The appreciation has a positive long-term impact on revenue and EBITA of GN Store Nord overall and GN ReSound. For GN Netcom, the strengthening of USD and CNY is positively impacting the revenue and negatively impacting EBITA as the majority of GN Netcom's production costs are based in USD or CNY, which more than offsets the revenue in these currencies. Due to GN's rolling 12 months hedging of EBITA, the impact on EBITA is essentially postponed one year while the majority of the positive revenue impact will be seen immediately for both GN ReSound and GN Netcom. This leads to a negative impact on the EBITA margin for both GN ReSound and GN Netcom in 2015.

GN RESOUND

Guidance 2015

Based on the significant technology advantage including the upcoming launch of the next generation of hearing aids, ReSound LiNX2™ and Beltone Legend™, GN ReSound expects to continue its strong development with organic revenue growth well above the market again in 2015. The organic revenue growth is expected to be "more than 6%" corresponding to more than two times the expected market growth. The target is well in line with the announced 2014 - 2016 target.

The foreign exchange development is expected to have significant impact on the revenue in 2015 primarily due to the strengthening of the USD against DKK. Assuming that the foreign exchange rates as of February 1, 2015 are unchanged for the remainder of the year (DKK/USD = 658), revenue will be positively impacted by around 7% compared to 2014. M&A activities are expected to have negligible impact on the revenue in 2015.

Based on the continued strong revenue growth, EBITA is also expected to continue to improve. GN ReSound will continue executing on the Strategy 2014 - 2016 and further

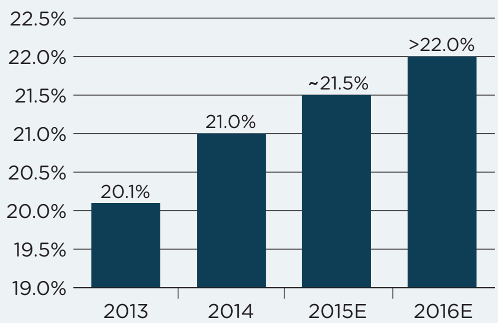
GN ReSound guidance 2015

DKK million	Constant currencies*	Reported**
Revenue growth	more than 6%	more than 13%
EBITA	more than 975	more than 975
EBITA margin	around 20.5%	19.0 - 19.5%

* Realized exchange rates in 2014

** Assuming that the foreign exchange rates as of February 1, 2015 (DKK/USD = 658) remain unchanged during 2015.

GN ReSound EBITA margin in constant currencies (Realized exchange rates in 2013)



increase efforts dedicated to innovation as well as sales and marketing. The EBITA margin is expected to increase approximately 0.5 percentage points in 2015 in constant currencies. In absolute terms, EBITA is expected to amount to "more than DKK 975 million". As a result of GN's hedging practice, EBITA in 2015 is not expected to be impacted by the recent strengthening of the USD as GN's hedging rate for 2015 is similar to the hedging rate realized in 2014.

The cash conversion (free cash flow excluding M&A / EBITA) in GN ReSound has consistently improved following the completion of the SMART restructuring program. The cash conversion improved from 6% in 2013 to 32% in 2014. The cash conversion is expected to increase again in 2015 as there will be no cash payouts related to the SMART program and because of expected reductions in net investments in 2015 compared to 2014.

Financial targets 2016

GN ReSound's financial targets for 2016 were announced as part of the Strategy 2014 – 2016: INNOVATION & GROWTH. Following the strong execution in 2014, the financial targets for 2016 are confirmed - GN ReSound expects to deliver an average organic growth of more than 3 percentage points above the market during 2014 – 2016 and an EBITA margin in 2016 in line with top-tier competitors.

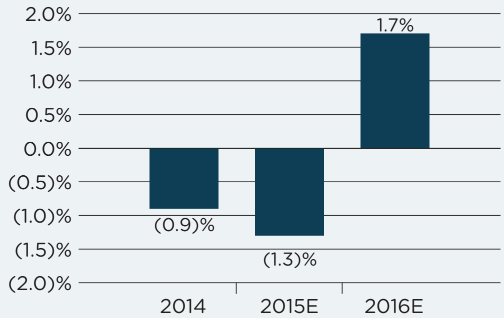
Based on the diverging development of the EBITA margin among top-tier competitors, GN ReSound has decided to confirm and at the same time specify its target for the EBITA margin in 2016. GN ReSound's updated target is to continue the strong underlying business improvement, and improve the EBITA margin in constant currencies by more than 1 percentage point from the level realized in 2014. Assuming that the foreign exchange rates as of February 1, 2015 (DKK/USD = 658) remain unchanged during 2015 and

GN ReSound updated 2016 targets

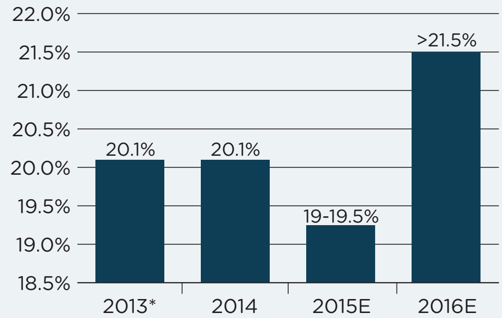
	Previous targets	Updated targets	
Based on FX rates as of	**February 1, 2014**	**In constant currencies**	**February 1, 2015**
Organic growth (2014 - 2016 average)	more than 3%-points above market growth	more than 3%-points above market growth	more than 3%-points above market growth
EBITA margin in 2016	In line with top-tier competitors	more than 1%-point improvement compared to 2014*	more than 21.5%
ROIC in 2016	more than 4%-points improvement compared to 2013	more than 4%-points improvement compared to 2013**	more than 18.6%

* Realized hedging rates 2014 (DKK/USD = ~565)
** Realized hedging rates 2013 for EBITA (DKK/USD = ~565) and end of 2013 rates for invested capital (DKK/USD = ~541)

Annual FX impact on EBITA margin in GN ReSound



GN ReSound EBITA margin reported



* Excluding SMART restructuring costs

2016, the target corresponds to an EBITA margin of more than 21.5% in reported terms in 2016.

While the foreign exchange rate development has a significant negative effect on the EBITA margin in 2014 and 2015, the effect will be very positive in 2016 assuming that the current foreign exchange rates remain unchanged.

The return on invested capital (ROIC) developed - as expected - attractively during 2014 as reported EBITA (incl. SMART costs in 2013) increased by around 30% in constant currencies, and the invested capital increased by 8% in constant currencies. The 2016 target for ROIC of "more than 18.6%" was announced in November 2013, and the target is now confirmed in current foreign exchange rates.

ROIC is impacted by the foreign exchange development as a large part of the invested capital is goodwill denominated in USD. While the invested capital fluctuates up and down reflecting the development in exchange rates, the effect on EBITA is postponed one year in line with GN's hedging practices. Hence, fluctuations in the foreign exchange rates lead to short-term fluctuations on ROIC. The recent appreciation of USD against DKK has a short-term negative impact on ROIC but a neutral to slightly positive impact for 2016 assuming that the exchange rates remain unchanged until the end of 2016.

Market projections
The hearing aid market has historically been growing at a stable and relatively resilient rate driven by the demographic trends and higher prevalence of hearing impairment. GN's mid- to longterm forecasts for the hearing aid market are described in the Strategy 2014 – 2016: INNOVATION & GROWTH. As decsribed, it is expected that the future annual market growth in units will be 3 - 5%, and market value growth will amount to 1 - 4% reflecting modest ASP-erosion of 1 - 2% per year.

In 2014, the hearing aid market grew around 6% in units and around 4% in value, which is faster than the historical growth trend. The growth was primarily driven by a very strong development in Germany following a change of reimbursement with effect from November 2013. The market growth in Germany has turned negative by the end of 2014, and negative growth is expected in 2015. This will be a drag on the hearing aid market in 2015 but not necessarily on GN ReSound due to the relatively low share in the market. The growth for the market is consequently expected to be around 3% in units in 2015 – the low end of the historical growth trend. The ASP-erosion is projected to be 1 – 2% in line with the development in recent years leading to market value growth of 1 – 2% in 2015.

GN NETCOM

Guidance 2015
GN Netcom is well positioned to continue to deliver strong financial results based on the state-of-the-art product portfolio and a strong position on the market for UC headsets as well as GN Netcom's recent introduction of Sports Audio headsets. Based on the opportunities in these markets, GN Netcom is expected to deliver organic growth of "more than 10%" in 2015 consistent with the 2014 - 2016 target of delivering more than 10% organic growth on average per year from 2014 to 2016.

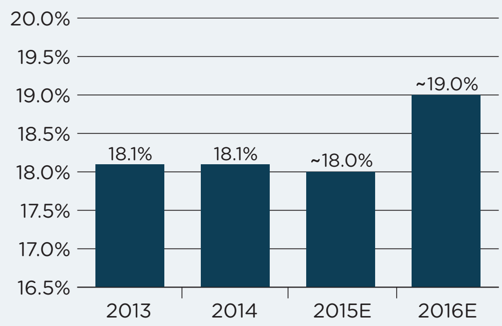
The foreign exchange development is also expected to have significant impact on the revenue in GN Netcom, primarily due the strengthening of the USD against DKK. Assuming that the foreign exchange rates as of February 1, 2015 are unchanged for the remainder of the year (DKK/USD =

GN Netcom guidance 2015

DKK million	Constant currencies*	Reported**
Revenue growth	more than 10%	more than 17%
EBITA	more than 565	more than 565
EBITA margin	around 18%	16.5 - 17.0%

* Realized exchange rates in 2014
** Assuming that the foreign exchange rates as of February 1, 2015 (DKK/USD = 658) remain unchanged during 2015.

GN Netcom EBITA margin in constant currencies (Realized exchange rates in 2013)



658), the impact on the revenue is estimated to be around 7% compared to 2014. M&A activities are expected to have negligible impact on the revenue in 2015.

EBITA is also expected to continue to improve driven by the strong revenue growth. EBITA in 2015 is expected to be "more than DKK 565 million". GN Netcom will continue to invest in sales and marketing to further improve the market position globally and in particular in the important North American market. GN Netcom's combined exposure to USD and CNY implies that the recent foreign exchange development has a negative impact on GN Netcom's EBITA. In line with the hedging practices of GN, the impact is postponed one year, and EBITA in 2015 will therefore not be impacted.

GN Netcom's cash conversion is expected to remain at an attractive level in 2015 of around 60%.

Financial targets 2016

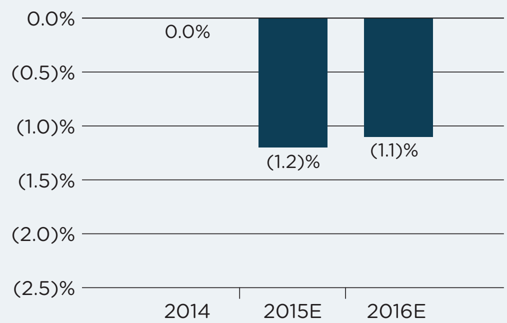
Based on the strong development in 2014 where GN Netcom further strengthened its market position and launched unique products, such as Jabra Evolve™ and Jabra Sport Pulse™ Wireless, the financial targets for 2016 are upgraded in constant currencies. In 2014, the EBITA margin ended at 18.1%, and the 2016 EBITA margin target of 18 - 19% based on exchange rates as of February 1, 2014 is now upgraded to "around 19%". GN Netcom thus expects to deliver around 1 percentage point improvement in the EBITA margin in constant currencies compared to 2014. The upgrade is a result of, among others, expected attractive operating leverage in 2016 following a period where GN Netcom has invested in growth opportunities.

As previously communicated, GN Netcom has a combined short exposure in USD and CNY as the majority of GN Netcom's manufacturing partners are invoicing in USD or CNY, which more than ofsets the revenue from sales in these currencies. The significant appreciation of the USD and CNY is therefore negatively impacting both the EBITA margin and ROIC as revenue and invested capital increase while EBITA decreases slightly. The EBITA margin will be diluted by more than 2 percentage points due to the revenue increase. At

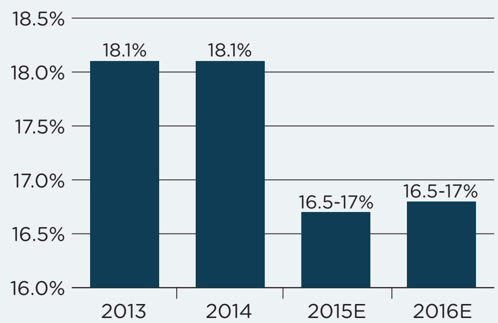
GN Netcom updated 2016 targets

	Previous targets	Updated targets	
Based on FX rates as of	**February 1, 2014**	**In constant currencies**	**February 1, 2015**
Organic growth (2014 - 2016 average)	more than 10%	more than 10%	more than 10%
EBITA margin in 2016	18-19%	around 1%-point improvement compared to 2014	16.5-17.0%
ROIC in 2016	more than 55%	more than 55%	more than 47%

Annual FX impact on EBITA margin in GN Netcom



GN Netcom EBITA margin reported



the current exchange rate levels, the encouraging EBITA margin expansion in constant currencies is more than offset by the foreign exchange development.

GN Netcom's ROIC was 57% in 2014 and in line with the target of "more than 55%" in 2016, which was based on the foreign exchange rates as of February 1, 2014. The ROIC target is confirmed in constant currencies implying a 2016 ROIC of "more than 47%" based on updated foreign exchange rates.

Market projections

GN Netcom operates in two different markets that are both expected to be characterized by very healthy growth rates in the coming years. The CC&O market growth is driven by continued adoption of UC. Based on market forecasts made by Frost & Sullivan, the number of UC users are expected to increase from around 25 million by the end of 2014 to close to 45 million UC users by the end of 2016. While the traditional CC&O market is expected to be roughly flat, the increase in the number of UC users will lead to total CC&O market growth of 11 – 13% both in 2015 and 2016. The expected market growth is slightly lower than the expectations announced in the Annual Report 2013 - primarily due to a 10% decrease in the expected number of UC users in 2016.

The market for the Mobile business can be separated into the voice-centric traditional Mobile market (Bluetooth® mono headsets and car speakerphones) and the market where music and voice converge. The traditional Mobile market is estimated to around DKK 3 billion in 2014, which is flat compared to 2013, and expected to decline by 4 - 6% per annum until 2016. The market where music and voice converge is highly competitive. It is estimated to be around DKK 16 billion in 2014 with market growth of 14 - 16% in 2015 and 2016. GN Netcom has a low market share overall but now has a unique position in the fast-growing sub-segment for Sports Audio headsets.

OTHER ACTIVITIES, FINANCIAL ITEMS AND TAX

As part of GN's ambition to remain an innovation powerhouse, GN will continue to conduct exploratory research projects under Other activities. The research projects aim to discover potential future business opportunities within the core competencies of GN ReSound and GN Netcom but outside the current business areas. Based on the projects currently being pursued, EBITA in Other is expected to be "around DKK (60) million" in 2015, which – in addition to the above mentioned activity – predominantly reflects operating costs for the functions shared across GN ReSound and GN Netcom.

Amortizations, financial items, etc. amounted to DKK (144) million in 2014 and is expected to amount to around DKK (160) million in 2015. The development is a result of among others an increase in interest expenses resulting from an increase in the net interest-bearing debt in line with the communicated capital structure policy as well as an increase in amortizations.

GN estimates that the effective tax rate will decrease in 2015 and 2016 compared to the realized level of 29% in 2014 which was, as previously announced, impacted by incurred due dilligence costs that are not tax deductible. The lowering of the corporate tax rate in Denmark in 2015 and 2016 is also expected to lower GN's effective tax rate. The effective tax rate is expected to decrease from 29% in 2014 to "around 27%" in 2015 and further decrease to "between 26 – 27%" in 2016 (in line with the previously communicated targets for 2016).

Guidance 2015

DKK million	Organic revenue growth	EBITA	Profit before tax	Effective tax rate
GN ReSound	more than 6%	more than 975		
GN Netcom	more than 10%	more than 565		
Other		around (60)		
GN Store Nord	**more than 8%**	**more than 1,480**	**more than 1,320**	**around 27%**

„At GN Store Nord we believe that innovative sound solutions improve communication and people's quality of life"

GN ReSound

In 2014, GN ReSound revolutionized the hearing aid industry with the launch of the world's first Made for iPhone hearing aid, ReSound LiNX™. ReSound LiNX drove significant results and helped to create a more positive perception of hearing aids among users – making hearing aids a more attractive piece of modern technology

HIGHLIGHTS 2014

- Organic growth of 8% making GN ReSound the fastest growing manufacturer again in 2014
- Solid EBITA increase of 14% excluding the foreign exchange development and 7% in reported terms
- Upgraded sales and marketing efforts including media exposure and user awareness to an extent that was previously believed to be impossible for hearing aids
- Outstanding R&D productivity - the next generation of hearing aid technology, ReSound LiNX2™ and Beltone Legend™, will be launched in March 2015

GN ReSound delivered profitable and sustainable growth as planned in the first year of execution of the Strategy 2014 – 2016: INNOVATION & GROWTH. Through execution on the key elements of the strategy plan, GN ReSound started to revolutionize the hearing aid industry by launching the world's first Made for iPhone hearing aids - ReSound LiNX and the corresponding Beltone First™. Enhanced marketing execution and PR initiatives triggered unprecedented media exposure and interest among hearing aid users and dispensers – results that historically have been considered impossible to achieve for hearing aids.

The unique innovation skills of GN ReSound combined with the strengthened marketing and sales efforts made GN ReSound the fastest growing manufacturer in the hearing aid industry again in 2014 with 8% organic growth. The growth was based on breakthrough results in channels where GN ReSound's presence has previously been low. The results in the U.S. Department of Veterans Affairs (VA) and the Independent Dispenser segment in the US market are particularly notable with around 50% and more than 15% organic growth respectively. This is remarkable as these channels are historically characterized by a high degree of stickiness in the market shares between manufacturers.

During 2014, GN ReSound demonstrated its superior R&D efficiency leading to a swift and comprehensive broadening

Hearing aids & ear related diagnostic equipment

ReSound

Beltone

INTERTON

otometrics

16%
unit market share in Hearing Instruments

10.3%
spent on R&D as percentage of revenue

4,075
employees worldwide

of the Smart Hearing portfolio, including the launch of ReSound ENZO™, the corresponding Beltone Boost™ and ReSound Up Smart™. In March 2015, GN ReSound will launch the next generation of hearing aid technology, ReSound LiNX² and Beltone Legend, where the sound processing, Surround Sound by ReSound™, is improved among others through significantly better spatial awareness that takes the sound experience for hearing aid users to a completely new level. The launch will be global and constitute a full family of form factors in highly compelling designs.

The financial results for 2014 are above the upgraded 2014 guidance announced in the Interim Report Q3 2014 and fully in line with the financial targets for 2016 as announced in November 2013. GN ReSound delivered organic growth of more than 3 percentage points above the market growth at an EBITA margin level which is clearly among the best in the industry.

On August 1, 2014, Anders Hedegaard took over the responsibility as CEO of GN ReSound and member of GN Store Nord's executive management from Lars Viksmoen - who had decided that he wanted to retire following his major contributions to the turnaround of GN ReSound. Anders Hedegaard has valuable broad-based managerial experience and special competencies from the US market as well as the pharmaceutical and MedTech industries.

REVENUE

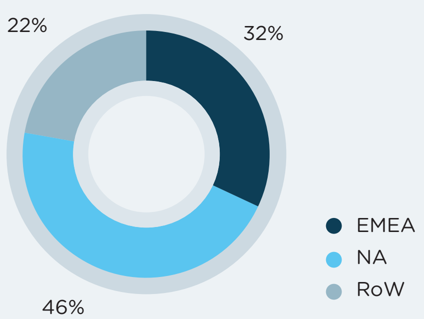
In Q4 2014, GN ReSound delivered another quarter of solid 8% organic growth, which – put in perspective – would correspond to 13% organic growth when excluding the negative revenue impact from Costco, Audionova and Kind. The revenue for the quarter ended at DKK 1,226 million – the best ever in a quarter. M&A activities impacted revenue by (1)%, and the development in foreign exchange rates impacted revenue positively by around 1%.

ReSound LiNX and the recent broadening of the Smart Hearing portfolio created strong results in Q4 2014 leading to 7% organic revenue growth in Hearing Instruments. The growth was driven by continued success in the channels where GN ReSound have generated significant results since the launch of ReSound LiNX. The growth in the Independent segment in the USA was around 20% for the third consecutive quarter. From November 2014, the new VA contract was expected to lead to increased competition as all six main manufacturers are now eligible to compete. GN ReSound continued to perform strongly also under the new contract and delivered a record quarter with more than 70% growth compared to last year and a market share above 12% for the first time ever.

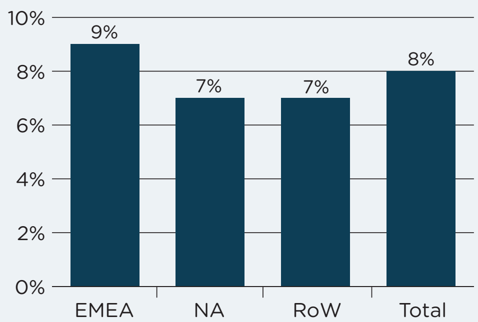
ReSound ENZO also contributed strongly to the development in Q4 2014. ReSound ENZO is GN ReSound's first competitive premium Super Power product in more than 10 years. In the first quarter following the launch, GN ReSound has significantly increased revenue in the Super Power segment, which is estimated to be a market of around DKK 1 billion annually. GN ReSound did previously not have the opportunity to compete in the segment where the company now has a significant product advantage. ReSound ENZO is the only Made for iPhone hearing aid in the segment, has the most compelling design and can deliver the strongest actual gain of all products in the segment.

After somewhat disappointing growth in the first three quarters of the year, GN Otometrics delivered a strong finish to the year with organic growth of 21% in Q4. The strengthened momentum compensated for the sluggish growth in the first three quarters leading to full year 2014 organic growth of 6%. During the year, the innovative US distribution model was further developed. Technological challenges prolonged the development phase of the breakthrough 3D ear scanner.

2014 revenue split by region



2014 organic growth by region



For the full year, GN ReSound's revenue ended at DKK 4,469 million reflecting strong organic growth of 8%, contribution from smaller acquisitions of 1% and an impact from the foreign exchange development of (2)%.

EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

GN ReSound generated a record result in Q4 2014 with EBITA of DKK 291 million – the highest quarterly earnings ever in GN ReSound's history. The continued improvement of EBITA is primarily driven by the strong revenue growth as targeted in the strategy plan for 2014 - 2016. Compared to Q4 2013, EBITA increased by 11% when excluding the impact from the foreign exchange development and by 6% in reported figures.

For the full year 2014, GN ReSound generated EBITA of DKK 897 million well above the lower threshold of the upgraded guidance of "slightly more than DKK 880 million" as communicated in the Interim Report Q3 2014. Compared to 2013, EBITA increased by 14% when excluding the impact from the foreign exchange development and by 7% in reported terms.

As a result of strong innovations and continued productivity increases, GN ReSound was able to take the gross margin to 67.9% in Q4 2014 – the highest level ever in a quarter. For the full year 2014, the gross margin reached 67.1%, also the highest level ever in a year. The positive development is a result of a more attractive product mix driven by unique innovations as well as the relentless focus on increasing productivity – fully in line with the essence of the strategy for 2014 – 2016.

The operating expenses amounted to DKK 542 million in Q4 2014, an increase of DKK 57 million compared to Q4 2013 whereof DKK 15 million can be attributed to the foreign exchange development. The operating costs as a percentage of revenue increased from 43% in Q4 2013 to 44% in Q4 2014. For the full year 2014, the operating costs increased by DKK 206 million (11%) reflecting the execution of the communicated strategic growth initiatives, including increased sales and marketing efforts and accelerated R&D.

The net working capital increased by 8% from DKK 895 million to DKK 971 million mainly as a result of the increased revenue. Net working capital as a percentage of revenue was roughly flat at 21.7% by the end of 2014 compared to 21.4% by the end of 2013.

In 2014, the free cash flow excluding M&A increased significantly from DKK 47 million in 2013 to DKK 287 million. The improved cash flow is a result of higher EBITA as well as a material improvement in the cash conversion. The cash conversion increased from 6% in 2013 to 32% in 2014, and excluding the investments in financial support arrangements of DKK 229 million during 2014, the cash conversion reached 58%. Free cash flow excluding M&A was DKK 113 million in Q4 2014 corresponding to a cash conversion of 39%.

The return on invested capital (ROIC) increased to 15.9% in 2014 from 14.6% in 2013. The majority of invested capital relates to USD-denominated goodwill from acquired activities in 1999 (ReSound) and 2000 (Beltone). When excluding the impact from the foreign exchange development, ROIC increased by around 3 percentage points compared to 2013. The increase in ROIC is encouraging and in line with the 2016 targets.

BUSINESS HIGHLIGHTS

Smart hearing product launches

In February 2014, GN ReSound launched the world's first Made for iPhone hearing aids - ReSound LiNX and the corresponding Beltone First. The launch was a breakthrough for the industry and triggered unprecedented interest in the media and among hearing aid users and dispensers. In September 2014, GN Resound significantly broadened the reach of the Smart Hearing portfolio including the Made for iPhone compatibility. The strengthening of the product portfolio included Resound ENZO, a premium super power hearing solution, ReSound Up Smart for children, ReSound LiNX TS™, GN ReSound's fourth generation tinnitus management hearing aid™, and a stylish behind-the-ear (BTE) version of Resound LiNX containing all of the same advantages as the original. The line-up was also extended with ReSound LiNX 5 for the Basic price segment.

The launch of ReSound ENZO and ReSound Up Smart represents GN ReSound's entrance into previously unserved segments that each constitute around 5% of the hearing aid market value thereby providing a strong opportunity to gain additional global market share. The launches are part of GN ReSound's strategic growth initiative to gain preferred supplier status among dispenser as the launches position GN ReSound strongly as full-solution provider with superior technology.

ReSound LiNX²

GN ReSound is launching ReSound LiNX² and the corresponding Beltone Legend, the fourth generation of 2.4 GHz technology from March 2015. The new product families will be launched in the Top- and Plus price segments and in all primary form factors in very compelling designs, including receiver-in-the-ear (RIE), behind-the-ear (BTE) and in-the-ear (ITE). ReSound LiNX² represents a breakthrough in the efforts to replicate natural hearing through enhanced localization ability and spatial awareness. Additionally, ReSound LiNX² includes all the best connectivity solutions on the market: ear-to-ear connectivity and direct connectivity to

Smart **Hearing**

New, smart and fit everyone

ReSound Smart Hearing aids combine the best audiological features with sleek design and wireless connectivity to iPhone, iPad and iPod touch through apps developed and adapted specifically to the need of hearing aid users. They remove the opportunity gap between people with and without hearing loss, and they will change the way people think about hearing aids

- Smart audiology
- Smart connectivity
- Smart design
- Smart apps

iPhone, iPod touch, iPad, Samsung Galaxy S5 and ReSound Unite™ wireless accessories – all based on the superior 2.4 GHz technology.

ReSound LiNX^2 and Beltone Legend will be launched globally in all primary markets from March 2015 and will position GN ReSound's product family at the absolute top of all offerings available on the hearing aid market.

Apps

Throughout 2014, GN ReSound has launched several apps, including the ReSound Smart™ app and the ReSound Relief™ app, which connect directly to GN ReSound's Made for iPhone hearing aids and make it possible for the user to customize the listening experience directly from the iPhone.

In January 2015, GN ReSound also announced its ReSound Smart app and the corresponding HearPlus™ app for the Android platform at the International Consumer Electronics Show in Las Vegas (CES). The ReSound Smart app is initially compatible with the Samsung Galaxy S5, one of the world's most popular Android smart phones and will be expanded to include other Android devices later in 2015.

Veterans Affairs

In 2014, GN ReSound made a number of organizational improvements in its North American business to improve service and support to the VA hospitals. Combined with the launch of ReSound LiNX in May 2014, GN ReSound achieved a significant market share increase from around 7% to above 12%. Under the new contract effective from November 1, 2014, GN ReSound has maintained its market share above 12%, and GN ReSound launched the Super Power product ReSound ENZO in November 2014, a product with a particularly good fit for the channel. Q4 2014 ended as GN ReSound's best quarter ever in the VA.

Costco

During 2014, GN ReSound maintained its strong relationship with US-based Costco, the largest hearing aid dispenser in the USA and supplied the Kirkland Signature 5 product as well as customized ReSound products. GN ReSound was able to maintain its position as number one supplier to Costco during 2014 even when a new premium brand entered the channel and increased competition from April 2014. On February 6, 2015, GN ReSound and Costco extended the agreement such that GN ReSound will provide the Kirkland Signature 6 product with expected implementation in Q2 2015. The new agreement builds on and further strengthens the partnership between the two companies, and signals that GN ReSound will continue to be an important partner for Costco's hearing aid business in the future.

GN Otometrics

In 2014, GN Otometrics developed its market position in the USA and strengthened the foundation for strong growth in 2015. Additionally, GN Otometrics expanded its reach in the eastern Canadian market by acquiring the Montreal-based distributor, Genie Audio. The development of the breakthrough 3D ear scanner, OTOscan™, progressed during 2014. Certain technological challenges remain in the development of the breakthrough scanner, which is expected to be launched in 2015.

Cochlear partnership

The partnership with Cochlear, established in 2011, continued to develop positively in 2014. The Cochlear partnership is a license and technology agreement enabling Cochlear, the world leader within cochlear implants and bone anchored hearing solutions, to access GN ReSound's 2.4 GHz wireless technology. The first Cochlear product with 2.4 GHz technology, the Baha 4 Sound Processor, was launched in 2013 and has received good feedback in the market. Additional opportunities for collaboration with Cochlear are being explored.

R&D

GN ReSound's R&D capabilities and efficiency is a key competitive advantage. The objectives of the R&D department is to maintain a leading edge product portfolio. In 2014, GN ReSound worked intensely on connectivity, putting great focus on software development to develop new fully integrated hearing solutions for Apple devices and the Android platform in GN ReSound's Smart Hearing portfolio. Additionally, the R&D team made strong efforts on developing a breakthrough in the sound processing software enabling an unprecedented spatial awareness and localization ability for the hearing aid user. The breakthrough sound experience will be launched in ReSound LiNX^2 in March 2015 in a full family of highly compelling form factors.

Since 2010, GN ReSound has entered into technology partnerships with global innovation leaders including Cochlear and Apple. The results of the development projects have been highly successful, and the tight collaboration with some of the most innovative companies in the world has demonstrated and further strengthened the unique development skills of GN ReSound.

GN ReSound's R&D department is based in four locations: Ballerup (Denmark), Chicago (USA), Eindhoven (Holland) and Xiamen (China).

OPERATIONS

GN ReSound constantly challenges itself on how, where and why it operates as it does to optimize the productivity of the business and make sure that the mindset from the SMART restructuring program stays part of the normal business agenda. One of the key initiatives during 2014 was to initiate the establishment of a 5,000 m^2 manufacturing and distribution facility in Malaysia. The manufacturing site is initiated as part of GN ReSound's relentless pursuit of

Product launches 2014

In February 2014, GN Resound launched the world's first Made for iPhone hearing aid ReSound LiNX™. More smart hearing aids and apps followed the initial launch already during the year based on the superior and differentiated 2.4 GHz wireless technology

ReSound LiNX™

The world's first Made for iPhone hearing aid offering superior sound quality and setting new performance standards for connectivity in hearing aids. During 2014, the lineup was extended to include among others a stylish behind-the-ear (BTE) form factor and ReSound LiNX™ TS, which combines GN ReSound's third generation tinnitus therapy with all the smart features of ReSound LiNX

ReSound ENZO™

ReSound ENZO brings Made for iPhone hearing technology to people with severe and profound hearing loss. It is the most powerful Super Power hearing aid available today. It offers the clearest and most vibrant sound quality even in the most challenging sound environments

ReSound Up Smart™

This Made for iPhone hearing aid designed especially for children ensures maximum exposure to speech and language at safe and comfortable levels. It connects directly with iPhone, iPad and iPod touch, making the hearing aids work like wireless stereo headphones

GN ReSound apps

GN ReSound's apps; ReSound Control™ app, ReSound Smart™ app and ReSound Relief™ app, all make a difference by putting the user in control of his or her hearing aids. The apps make it possible to tailor the hearing experience to exactly match hearing preferences and to manage tinnitus relief programs directly

ReSound LiNX²™

The benchmark in Smart Hearing

ReSound LiNX² – the fourth generation of 2.4 GHz technlogy – provides a breakthrough in the efforts to replicate natural hearing through enhanced spatial awareness supporting the user's ability to detect where sounds are coming from to create a more natural sense of the surroundings. ReSound LiNX² hearing aids connect directly with iPhone, iPad or iPod touch to make the hearing aids work like Bluetooth® stereo headphones lower production costs and to leverage the distribution hub in Singapore. GN Resound's new facility in Malaysia, which is due to open in the summer 2015, will complement the manufacturing facility in China.

MARKET DEVELOPMENT

The hearing aid market recorded unit growth of just above 6% in 2014, which is higher than the expected future unit growth. The unit growth has been positively impacted by strong growth in Germany following a change of reimbursement with effect from November 2013. Driven by the growth in Germany, the unit growth in Europe is estimated to around 10% in 2014. North America continued to experience solid unit growth estimated to 5% in 2014 comprised by 10% growth in VA and 3% growth in the private market. The average selling price (ASP) erosion in 2014 is estimated to around 2%, primarily driven by the channel mix development as the larger retailers grew faster than the Independent segment in 2014. In value, the market is estimated to have increased by around 4% in 2014.

The total hearing aid market is estimated to be around 12 million units in 2014, and it is estimated that GN ReSound had a unit market share of around 16%.

GN Netcom

Based on execution of the Strategy 2014 – 2016, GN Netcom delivered the strongest financial results ever in 2014 and established itself as the world's number one in the fast growing market for Unified Communications headsets

HIGHLIGHTS 2014

- Best financial results ever – EBITA of DKK 521 million
- Strong organic growth of 11% driven by 39% growth in Unified Communications (UC) headsets
- Launched the innovative Jabra Evolve™ series representing a more customer-focused approach to product development
- Encouraging results after the launch of Jabra Sport Pulse™ Wireless, the world's first wireless earbuds with integrated heart rate monitor

In the first year of the strategy for 2014 – 2016, GN Netcom delivered strongly on both of the key parameters of the strategy – innovation and growth. GN Netcom delivered its strongest financial results ever based on the growth in UC headsets and driven by innovative product launches during the year, including the Jabra Evolve series and the Jabra Sport Pulse Wireless.

Based on the execution of the strategic initiatives, the organic growth in CC&O ended the year at 18%. The strategic initiatives focused on market share gains in the fast growing UC segment where GN Netcom delivered 39% organic growth and thereby established itself as the largest supplier of UC headsets in the world.

The performance in the UC segment was driven by new product launches and increased sales and marketing efforts particularly in North America. North America remains the largest opportunity for GN Netcom, and GN Netcom's development and market share gains in 2014 have created a strong momentum and positioned itself well for continued strong growth in the years to come.

The most important product launch in 2014 was the innovative Jabra Evolve series, which represents a more customer-focused approach to product development in GN Netcom. Through increased customer insight, GN Netcom strives to empower the users with innovative and intelligent audio

Intelligent audio solutions

Jabra®
YOU'RE ON

No. 1
supplier of Unified Communications headsets

8.4%
spent on R&D as percentage of revenue

950
employees worldwide

solutions. Based on a study of more than 3,000 users, Jabra Evolve allows companies to boost office workers' productivity and drive technology adoption. The early results of the launch of Jabra Evolve have been strong, and GN Netcom has secured a foothold with many customers that previously were solely supplied by a competitor – all due to GN Netcom's new value adding product offering.

During 2014, the Mobile business has re-focused its approach within the fast-growing segment where music and voice converge. The newest top product, Jabra Sport Pulse Wireless, together with the Jabra Sport Life app have made Jabra one of the leading headset providers in the Sports Audio segment. No other company in the world has been able to launch a similar product.

Another key strategic initiative for GN Netcom in 2014 has been a strengthening of its online presence. GN Netcom has launched an improved online site which now also includes e-commerce in primary markets including the US, UK, France, Germany, Sweden and Denmark. Jabra.com has achieved an encouraging increase in the number of visits and started to realize online revenue.

REVENUE

GN Netcom delivered a strong finish to 2014 with 20% organic growth in Q4 2014 and the highest quarterly revenue since 2005. The growth was based on strong performance in both businesses as CC&O delivered 23% organic growth, and Mobile achieved 15% organic growth. The revenue for the quarter ended at DKK 894 million where M&A activities had no impact on revenue, and the development in foreign exchange rates affected revenue by 1%.

The revenue in the CC&O business increased to DKK 550 million, the strongest Q4 revenue for the CC&O business ever. The number one growth driver in GN Netcom continues to be UC headsets, and based on the Jabra Evolve series the organic UC growth was 44% in Q4 thereby taking it to 39% for the full year.

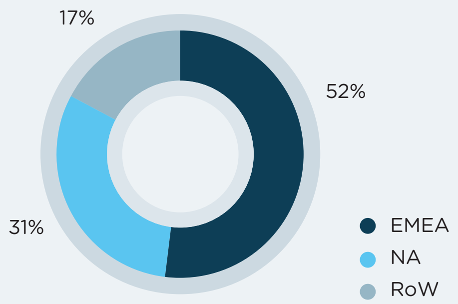
The revenue in the Mobile business increased to DKK 344 million, the strongest Q4 revenue for the consumer business since 2007. The Mobile business returned to significant growth with 15% organic growth in the quarter based on a number of innovative product launches during Q3. The performance of the premium product, Jabra Sport Pulse Wireless, was particularly encouraging. Together with the Jabra Sport Life app, Jabra Sport Pulse Wireless established itself as the leading earbuds in the Sports Audio segment. The full-year organic growth for the Mobile business was 7% when excluding the non-recurring revenue in China in 2013 and (1)% in reported terms.

The strong growth in the last quarter of 2014 – the quarter that is always the most important for this business – took the full year organic growth to 11% fully in line with the guidance for 2014. The full year revenue ended at DKK 2,871 million.

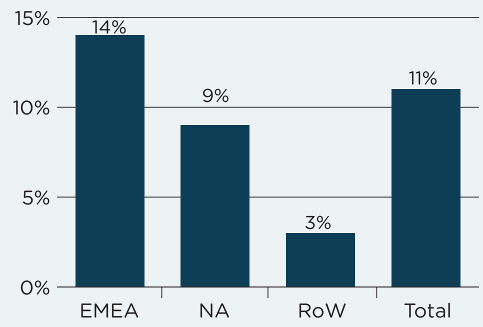
EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

In Q4 2014, GN Netcom delivered EBITA of DKK 201 million, which is the highest EBITA in a quarter in GN Netcom's history. The EBITA margin increased from 19.3% in Q4 2013 to 22.5%. The historically strong EBITA result reflects the solid revenue increase and an improved gross margin driven by the recent innovative product launches in both CC&O and Mobile.

2014 revenue split by region



2014 organic growth by region



Jabra Evolve™

Evolve the way we work

Jabra Evolve™ is more than a headset series. It is a workplace evolution. Active noise cancellation blocks unwanted background noise in an office environment, and when on a call the busy light automatically turns on. This effectively creates a concentration zone around the user to increase productivity

For the full year, EBITA ended at DKK 521 million reflecting a roughly unchanged EBITA margin of 18.1% compared to 2013. In 2013, the EBITA margin was positively impacted by the extraordinary demand in China. The development during 2014 reflects a higher EBITA margin in the core CC&O business driven by operating leverage and a materially lower EBITA margin in the Mobile business.

In Q4 2014, the gross margin improved to 54.9% compared to 51.7% in Q4 2013. The strong increase is a result of an improved gross margin in both CC&O and Mobile due to the launch of the high-end products - Jabra Evolve and Jabra Sport Pulse Wireless. The launches have supported the ASP-development both for UC headsets and Mobile headsets based on the unique value-adding features of the products. The positive product mix, as CC&O grows faster than Mobile, is also contributing to the gross margin development.

For the full year, the gross margin increased to 53.6% compared to 52.7% in 2013. The development is a result of a strong development in the second half of the year following a decline in the gross margin in the first two quarters of the year where the extraordinary demand in China in the first half of 2013 constituted a challenging comparison base.

The operating expenses ended at DKK 1,017 million an increase of 13% compared to 2013 as a result of the costs related to the execution of the strategic growth initiatives. The operating expenses as a percentage of revenue increased from 34.6% in 2013 to 35.4% in 2014.

Inventories decreased by 6% to DKK 202 million by the end of 2014 corresponding to a decrease in inventories as a percentage of revenue from 8.2% in 2013 to 7.0% in 2014. The decrease in inventories is primarily a result of efficiency improvements in the Mobile business. Trade receivables amounted to DKK 761 million compared to DKK 487 million by the end of 2013 as a result of the strong revenue growth, the strengthening of the USD against DKK and an increase in Days Sales Outstanding (DSO). Trade payables were DKK 326 million at the end of 2014 compared to DKK 263 million at the end of 2013. As a consequence of the above, the net working capital as percentage of revenue increased from 8.3% in 2013 to 11.7% in 2014.

For the full-year 2014, GN Netcom's free cash flow improved significantly from DKK 178 million in 2013 to DKK 340 million in 2014. For the full year, GN Netcom's cash conversion increased from 38% in 2013 to 65%.

The return on invested capital (ROIC) ended the year at an attractive level of 57% in line with the target of "more than 55%" for 2016. As expected, the ROIC declined compared to 2013 reflecting increased investments in growth as part of the execution of the Strategy 2014 – 2016 and an adverse impact on the invested capital from the USD appreciation against DKK.

Segments in GN Netcom

Mobile

Traditional mobile

Mono headsets

Car speakerphones

Integration of voice and music

Sports Audio

CC&O

Traditional CC&O

Unified Communications

UC headsets

UC speakerphone

BUSINESS HIGHLIGHTS

CC&O and Unified Communication business development
In 2014, GN Netcom has significantly enhanced its portfolio of UC products. The product launches have been focused on meeting customer demands as part of GN Netcom's strategy of improving customer understanding and maintaining its competitive advantage in winning UC contracts. In Q1 2014, GN Netcom launched Jabra Pro™ 900, which is a professional entry-level headset series that offers all the essential features of a wireless headset in a simple design at an attractive price point. It can be used with all leading desktop phones and UC platforms. In Q2 2014, Jabra Motion™ Office was launched for triple connectivity for both mobile, softphone (IP telephone) and desk phone through Bluetooth® technology. The headset automatically answers incoming calls and intuitively adjusts the volume to the surroundings when it is picked up.

Late in Q3 2014, the innovative Jabra Evolve series was launched following results from a study of more than 3,000 office workers with the sole purpose of understanding their primary needs. Jabra Evolve is a unique product series specifically designed to meet the current and future demands among office workers who are exposed to new ways of working. The customer study revealed a strong need for improving efficiency in open office environments as well as a need for supporting adoption of UC by employees.

Throughout 2014, GN Netcom focused on maintaining its strong partnerships with primary UC-vendors such as Microsoft, Cisco and Avaya as well as system integrators. The strong relationships are a key differentiating factor, and GN Netcom continues to be a preferred supplier with the highest partnership rank with Microsoft, Cisco and Avaya.

During the year, GN Netcom won a number of important agreements within UC including the largest in GN Netcom's history - a 200,000 units contract with a customer in the financial sector. In general, the performance in the Global Accounts sales channel was extraordinary strong as a result of improved sales execution and superior service offerings. The Global Accounts sales channel is expected to be an important driver for growth again in 2015.

Mobile initiatives and launch of Jabra Sport Pulse Wireless
During 2014, the Mobile business has focused and adjusted its approach within the fast-growing segment where music and voice converge. The newest premium product, Jabra Sport Pulse Wireless, together with the Jabra Sport Life app have made Jabra one of the leading headset providers in the Sports Audio segment. Jabra Sport Pulse Wireless takes training to the next level by delivering the ultimate wireless workout. This all-in-one training solution combines an in-ear heart rate monitor with clinical-grade accuracy, immersive Dolby® sound and real-time voice coaching - inspiring to achieve the impossible. Jabra Sport Pulse Wireless earbuds cut the wired clutter to give true freedom of movement without compromise.

The Jabra Sport Pulse Wireless comprises the premium product in the full line-up of Sports Audio products offered by GN Netcom that also include the Jabra Sport Wireless+™ and the Jabra Sport Rox™ Wireless.

Enhanced marketing and brand positioning
In 2014, GN Netcom enhanced its marketing and brand positioning across the CC&O and Mobile divisions under the headline Intelligent Audio Solutions. The brand positioning has been created to focus on developing products that empower the user to: *hear more* with remarkable sound quality for an experience that is as good as being there, *do more* with seamless professional grade solutions that work better, enabling the user to do what matters and *be more* with innovative build-in intelligence that enhances the user's experience.

The restructuring of the marketing approach has also entailed a reorganization and optimization of the marketing departments in Mobile and CC&O to make them more effective and to benefit from working as one organization.

International CES in January 2015
In January 2015, GN Netcom was once again acclaimed by the most influential awards program in consumer electronics at the International Consumer Electronics Show (CES) in Las Vegas when Jabra Sport Pulse Wireless was named a 2015 CES Innovation Awards Honoree. During CES, Jabra demonstrated its latest product innovations to its most important customers, and feedback was very positive emphasizing Jabra's clear strategic focus and enhanced brand proposition.

R&D
GN Netcom has two R&D facilities, which are based in Ballerup, Denmark and in Xiamen, China. Throughout 2014, GN Netcom's product development was focused on cementing Jabra's position as the world leader within professional headsets through the core competencies of wireless technology and superior acoustics. As exemplified by the recent launches of the Jabra Evolve series and Jabra Sport Pulse Wireless, the innovation in headsets and earbuds has been focused on customer needs. Noise and disturbances are growing problems for workers in open offices, and GN Netcom possesses the distinctive knowledge and R&D capabilities that make the development of sensors, software and noise cancellation in headsets possible.

Clearly, software is becoming increasingly important in the development of headsets and earbuds. The distinctive functionalities of noise cancellation and heart rate monitoring are examples of software technology. Software is also an

Unified Communications

– the growth driver for GN Netcom's business solutions (CC&O)

NEW WAYS OF WORKING
Megatrends are reshaping work and the workforce; work is no longer a place you go to, but an activity you do where you are, making dispersed teams and community management the new order for management and human resources. By offering headsets for Unified Communications (UC) solutions, GN Netcom is determined to play an active role in organizations' transformation towards these new ways of working.

The individuals that make up the organization are the focal point of GN Netcom's development of new business headsets and marketing communication. Behind each Jabra business headset and UC-solution is a human being that needs to adopt to new technology and change behavior to embrace a new way of working.

To help people better adopt to the new reality, GN Netcom started a 'New ways of working' initiative in 2014 that aims at understanding the patterns in work modes; conversation, collaboration, communication and concentration in combination with user characteristics. GN Netcom maps the exact user scenarios, making sure its communication and products matches the value creation of the user to ensure the productivity gains that its business case promises.

WHAT IS UC?
In short, UC makes it easier for people to connect, communicate and collaborate. UC brings together all office communication devices and interfaces into one single integrated application and user experience, including replacing the traditional telephone with a softphone based on the UC-platform.

With a UC-solution in place, the result is more productive employees, smoother interactions and tangible cost reductions. Hence, UC represents a very compelling business case for companies. The investments related to the implementation of UC are very limited with costs related to software licenses, server hardware and voice equipment being modest compared to the cost benefits of replacing traditional telephone systems and teleconferencing combined with less travelling. According to Frost & Sullivan, 80% of all companies deploying UC achieve a payback period of less than two years.

UC AND GN NETCOM
The accelerated deployment of UC-solutions among companies has significant impact on the addressable market for GN Netcom's CC&O business. When UC is deployed in an office, communication takes place through the computer, and the UC-platform essentially makes a headset a need-to-have tool. The result is very attractive attachment rates in offices where UC is fully deployed. The deployment of UC-solutions is expected to drive the UC headset market at a compound annual growth rate of more than 30% in 2015 and 2016. GN Netcom is global leader in UC headsets.

Drivers of the Unified Communications headset market

Parameter	2014 development	2014 status
Global office workers	→	
UC penetration among office users	↑	
Average headset attachment rates among UC users	→	
Replacement rates	→	
Average selling price	→	
Total market	↗	~DKK 2 billion

Product launches 2014

In 2014, GN Netcom created significant breakthrough innovations in the Unified Communications and Sports Audio segments. Best-in-class intelligent audio solutions positions the company for continued double-digit growth in the future

Jabra Sport Pulse™ Wireless

The only all-in-one training solution on the market, which combines an in-ear clinical-grade precision heart rate monitor, immersive Dolby® sound and real-time voice coaching that will inspire the user to lead an active lifestyle and beat the personal best

Jabra Evolve™

A series of headsets adapted specifically to suit the flexible working conditions required by knowledge workers. It is easy to use and provide a vibrant audio experience making it attractive to the user and thereby support penetration of Unified Communications

Jabra Motion™ Office

Unique triple-connectivity for both mobile, softphone (IP telephone) and desk phone through Bluetooth® technology. When picked up, the headset automatically answers incoming calls and intuitively adjusts the volume to the surroundings

Jabra Stealth™

The first Bluetooth headset to incorporate the breakthrough MicroPower battery technology, which allows a significantly smaller design, longer talk time and a better comfort experience important part of the sound experience as exemplified by the integration of Dolby sound in, for example, Jabra Sport Pulse Wireless and Jabra Sport Rox Wireless.

GN Netcom's R&D processes and product development include collaboration with either electronics manufacturing services (EMS) companies or original design manufacturers (ODM). Due to the complexity of GN Netcom's innovative product development, the majority of the development projects are conducted internally in GN Netcom.

OPERATIONS

All of GN Netcom's hardware are manufactured by sub-contractors in China, and most components are sourced in Asia. GN Netcom is working with approximately 10 tier-one manufacturers supported by more than 100 sub-suppliers in order to produce the comprehensive variety of products in the product portfolio.

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

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

In 2014, GN Netcom experienced some rare supply challenges and supply constraints in Q3 2014. The constraints negatively impacted the commercial development and financial performance in the last quarters of the year. Following the challenges, GN Netcom has completed initiatives to strengthen the quality and predictability of the setup. Additional suppliers were also added to the supply chain, which also has allowed GN Netcom to get access to new technologies.

MARKET DEVELOPMENT

CC&O

The market for UC-headsets is estimated to have increased by 33% to around DKK 2.0 billion in 2014. The increase is based on a growing number of units sold reflecting more UC-users. It is estimated that the average headset attachment rate for UC-users of 40 - 45% increased slightly in 2014 compared to 2013. The average replacement rate of two to three years is also estimated to be unchanged while the ASP for UC-solutions is estimated to have declined slightly during 2014. The market for traditional CC&O headsets is estimated to have been slightly decreasing in value in 2014 as the market for traditional CC&O headsets are negatively impacted by more customers implementing UC.

The total market CC&O market is estimated to around DKK 6.75 billion for 2014 compared to DKK 6 billion in 2013. The increase is in the lower end of the previously announced market growth projections for 2014 – 2016 of 13 – 16%.

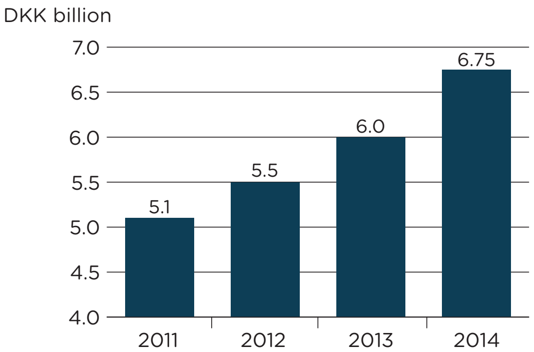
Of the CC&O market, the North American market comprises approximately 49% of the world market, EMEA comprises approximately 34% and Rest of the World comprises approximately 17%.

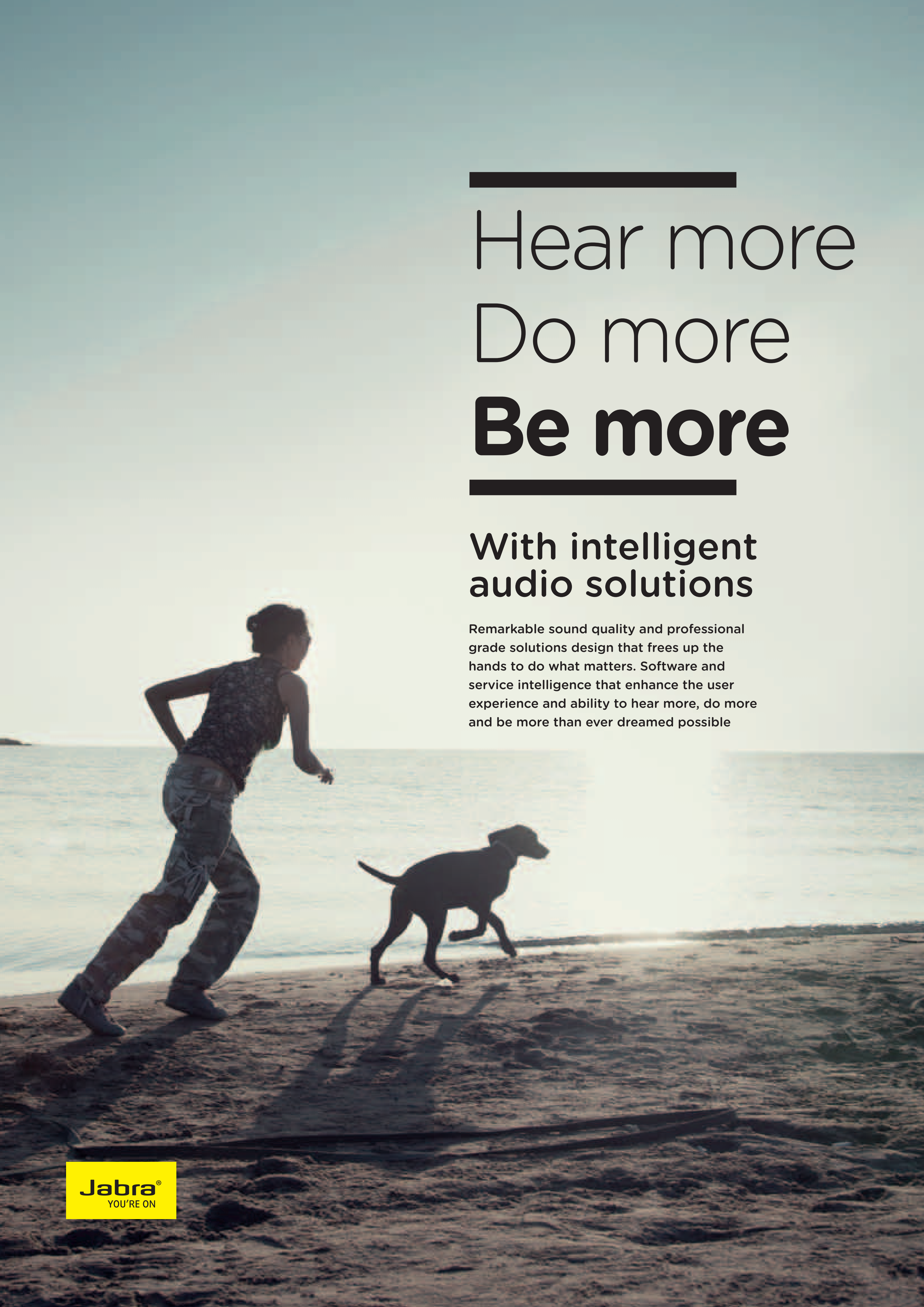
Mobile

The market segment where music and voice converge is estimated to have grown by around 24% in 2014. The general music market is characterized by being highly competitive with only few manufacturers having succeeded in establishing a sizeable market position.

The market for the traditional Mobile business (Bluetooth mono headsets and car speakerphones) experienced a slight decrease in 2014. The traditional Mobile market was again characterized by the conventional (handset) mobile manufacturers losing market share to the cross-brands such as Jabra. The market for the traditional Mobile business is estimated to be around DKK 3 billion in 2014. North America is the largest market, comprising approximately 37% of the world market, EMEA comprises approximately 33% and Rest of the World comprises approximately 30%.

Total CC&O market




Hear more
Do more
Be more
With intelligent audio solutions
Remarkable sound quality and professional grade solutions design that frees up the hands to do what matters. Software and service intelligence that enhance the user experience and ability to hear more, do more and be more than ever dreamed possible
Jabra®
YOU'RE ON

Corporate social responsibility

GN Store Nord considers acting in a responsible manner to be an imperative in managing a sustainable successful global business. GN's primary corporate social responsibility activities in 2014 are summarized below

HUMAN AND LABOR RIGHTS

People
Employees are the most valuable asset to GN. To ensure continuous development of employees' competencies, GN launched a new development program specifically targeting employees working with cross-functional projects, processes or change initiatives.

Supplier audits
Each year, GN conducts a number of audits at its suppliers among others with the focus on ensuring that GN's standards on corporate social responsibility are reflected in the suppliers' business conduct. In 2014, findings were mainly related to working hours as well as health and safety. These findings were all mitigated through action plans provided by the individual supplier.

ANTI-CORRUPTION

Improved global whistleblower system
GN's upgraded whistleblower hotline - the Alertline - was implemented in 2014. The hotline allows all employees and external stakeholders to report illegal or unethical conduct in GN in multiple languages, confidentially.

New internal compliance software system
A new compliance software system will support and optimize the ongoing proactive efforts to identify, assess and minimize risks related to business ethics and compliance. The system also helps GN to ensure and document employees' familiarity with the ethics guide at all times.

ENVIRONMENT

Climate partnership
The climate partnership with DONG that was established in 2013 progressed in 2014 leading to replacement of the headquarters' building cooling equipment. This will reduce energy consumption by 70.000 kW annually.

CITIZENSHIP

South African hearing aid donation program
GN's hearing aid donation program in South Africa continues to improve quality of life for many impoverished South Africans. The hearing aids in the donation program are completely new, and the professional fitting by a GN-educated audiologist at the local hospital ensures a high level of user satisfaction.

Supporting research
GN continued its sponsorship of The Centre for Applied Hearing Research (CAHR) and entered into a new sponsorship of the Centre for Acoustic-Mechanical Micro Systems (CAMM). Both are research centers at the Technical University of Denmark focusing on improving conditions for hearing impaired people.

Interested in learning more about GN's CSR-activities?
GN's Communication on Progress report to the United Nations Global Compact outlines GN's full corporate social responsibility activities and is available on www.gn.com/~/media/Documents/CSR/COP-2014.pdf. The report represents GN's mandatory account for corporate social responsibility according to §99a in the Danish Financial Statement Act.

Risk management

Proactive and effective risk management is one of the core elements of good corporate governance. GN Store Nord seeks to leverage risk management as an enabler for more informed decision-making through a systematic approach

Facilitated and supported by GN's dedicated risk management function, GN's management teams systematically identify and assess the key risks across the whole value chain. Risks are assessed in terms of their likelihood of occurrence and their potential financial or reputational impact on the business.

The global management teams of GN ReSound and GN Netcom subsequently review and discuss the most significant risks identified across the two businesses. Following identification, the global management teams determine whether any additional or different mitigating actions are required. At least once a year, the risks that are assessed to be the most material by the global management teams are reported and presented to the audit committee of the board.

The overall aim of this integrated risk management process is to create an enhanced basis for decision-making which considers both risks and opportunities, and to ensure that GN has appropriate and balanced risk mitigation plans in place at all times.

The main risks associated with GN's business are described below.

RESEARCH AND DEVELOPMENT

Both GN ReSound and GN Netcom operate in markets where product life cycles are short and competition intense. The ability to deliver continued innovation and growth depends on the ability to anticipate future customer needs, to identify and master new core technologies that address those needs and to move quickly from idea to product launch. To turn these circumstances into opportunities, GN continuously strives to ensure that the right skill sets and optimal development processes are in place. In addition, GN ReSound has adopted a consistent platform approach to product development, which shortens time-to-market while enhancing quality and reducing cost and complexity.

INTELLECTUAL PROPERTY RIGHTS

As GN operates in highly innovative industries, it is very important to protect its intellectual property rights (IPR) and ensure that GN's products do not infringe on IPR held by others. During 2014, GN strengthened its IPR function by implementing a shared IPR department with joint leadership across its two subsidiaries.

OPERATIONS

Manufacturing

The majority of the hearing instruments sold by GN ReSound is manufactured at its facility in China, whereas some of the main components for the hearing aids are produced at GN ReSound's facility in Denmark. To mitigate the risk of losses or breakdowns at these facilities, GN has preventive measures in place to ensure that all facilities meet GN's high safety standards at all times. GN systematically and regularly conducts site inspections to review these risks and prevention measures.

During 2014, GN initiated the establishment of a new 5,000 m^2 manufacturing and distribution facility in Malaysia. The construction of this new facility will mitigate production risks related to the facility in China, which GN will continue to operate.

The manufacturing of all GN Netcom's products is outsourced to a number of carefully selected original design manufacturers (ODM) and electronics manufacturing services (EMS) companies. The set-up entails a number of inherent risks related to GN Netcom's dependence on consistent product quality and timely deliveries from the manufacturing partners, which GN Netcom constantly monitors. The manufacturing set-up is highly flexible and makes GN Netcom capable of quickly adapting its production level to fluctuations in market demand.

Supply chain

GN ReSound and GN Netcom both depend on their supply chains for the timely delivery of critical materials and components, which must meet GN's high quality standards. Failure of any of GN's key suppliers to meet agreed deliverables may negatively affect GN's ability to accommodate demand for its products. Towards the end of 2014, the production facility of one of GN ReSound's suppliers of wireless accessories was hit by a devastating fire, which forced GN to activate its contingency plan in order to reduce the consequent temporary shortage of accessories.

In addition to ensuring that adequate business continuity plans are in place for critical supplies, GN manages the risk of supply interruptions by maintaining a close working relationship with each of its strategic suppliers and by pursuing a dual sourcing strategy for selected components. The dual sourcing strategy aims at ensuring that GN is able to source the same type of component from at least two different suppliers whenever this is possible and feasible. To ensure that suppliers live up to GN's quality standards, GN conducts regular quality checks of all suppliers of finished products and critical components.

MARKETING AND SALES

GN ReSound operates in a consolidated market with high barriers to entry and limited risk of new competitors on the market. GN ReSound generates part of its revenue from public tenders and a number of large retailers who occasionally put their business up for tender. This means that GN ReSound is exposed to the risk of losing business as these are re-tendered. This risk is mitigated through continuous efforts to build and maintain a unique technological position and a strong partnership with the customers.

GN Netcom is well established and positioned as one of the two main players in the fast-growing market for Unified Communications (UC) headsets. Although the barriers to entry are relatively high in the segment, the very attractive growth rates entail a risk that new competitors may try to enter the market potentially exposing GN Netcom to additional competition on pricing or market share. However, GN Netcom continually strives to maintain and expand its position in the market for UC by developing innovative and unique products and commercializing these products based on deep customer insights.

IT SECURITY RISK

GN's key business processes depend to a large extent on reliable and secure information technology systems. Failure to adequately protect our IT infrastructure and key systems against the risk of security incidents could potentially lead to loss of business critical data or unintended disclosure of confidential data, which may negatively affect GN's competitive position. GN aims to minimize this risk through a number of measures, including the IT security policy framework, internal awareness-building, access controls and various technical security measures.

FINANCIAL RISK

Due to the nature of the operations, investments and financing activities, GN is exposed to a number of financial risks. GN has centralized the handling of these financial risks except for commercial credit risk, which is managed by the group's operating businesses. The financial risks are managed in accordance with the overall financial risk management guidelines set out in GN's treasury policy.

Based on the current revenue and cost composition, the table below outlines the primary foreign exchange exposures for GN in 2015 before any impact from hedging. In GN Netcom the estimated exposure has changed materially compared to the communicated exposure in the Annual Report 2013 primarily because prices with Chinese subcontractors are now agreed in USD. Assuming that the high correlation between USD and CNY continues, the financial implications of the change are limited. In addition to the exposures outlined in the below table, GN has a significant exposure to EUR in both GN ReSound and GN Netcom. This exposure is partly hedged via bank loans, which are mainly denominated in EUR.

GN is hedging the vast majority of the expected EBITA exposure for the next 12 months in the below-mentioned currencies in both GN ReSound and GN Netcom. The hedging practice entails that the EBITA effect from foreign exchange development is essentially postponed one year while the majority of the impact on revenue will be seen immediately.

The development in foreign exchange rates during 2014 has a long-term net positive impact on GN Store Nord – a positive impact in GN ReSound partially offset by a negative impact in GN Netcom. Due to the hedging practice, where the vast majority of the EBITA exposure is hedged for 12 months, the impact on EBITA in 2015 compared to 2014 is negligible.

GN's continued ambition to distribute funds back to its shareholders has led to an increasing net interest-bearing debt during 2014, which ended at DKK 1,631 million. GN's loans are based on short term EURIBOR and CIBOR interest, and to mitigate the interest rate risk GN has hedged part of the debt by means of interest rate swaps maturing in 2016 and 2017.

Please refer to note 24 for further information on financial risks.

Annual EBITA impact from a 5% increase in currency

(DKK million)

Currency	GN ReSound	GN Netcom	GN Store Nord
USD	45	(5)	40
CNY	(6)	3	(3)
GBP	5	7	12
JPY	7	3	10
CAD	4	0	4

Shareholder information

Through an open and active dialog, GN Store Nord strives to provide all stakeholders with timely and relevant information to ensure a fair pricing of the GN Store Nord share

SHARE PRICE PERFORMANCE

The price of the GN share ended at DKK 135 on December 31, 2014, which is equivalent to an increase of 1% compared to the end of 2013. During the last five years, the GN share price has increased by 385% compared to a 121% increase of the OMXC20 index and a 35% increase of the Stoxx Europe 600 index. The total market value of GN's shares, excluding treasury shares, was DKK 22 billion at the end of 2014.

GN is, among others, included in the OMXC20 Cap and Large Cap indexes on NASDAQ OMX Copenhagen as well as the Stoxx Europe 600 index and the Stoxx European Sustainability index.

OWNERSHIP

The GN share is 100% free float, and the company has no dominant shareholders. At the end of 2014, Marathon Asset Management LLP, T. Rowe Price Associates Inc. and APG Asset Management N.V. have all reported an ownership interest in excess of 5% of GN's total issued share capital (including GN's 5% holding of treasury shares).

At the end of 2014, approximately 30,000 registered shareholders held about 92% of the share capital. The ownership of GN has become more global in recent years, and the ownership outside of Denmark is now estimated at 71% of the total issued share capital compared to 68% last year.

The ten largest registered shareholders held in total about 42% of the GN share capital at the end of 2014 (including GN's holding of treasury shares).

SHARE CAPITAL AND VOTING RIGHTS

GN's share capital of DKK 672,083,012 consists of 168,020,753 shares, each carrying four votes. GN has one share class, and there are no restrictions on ownership or voting rights.

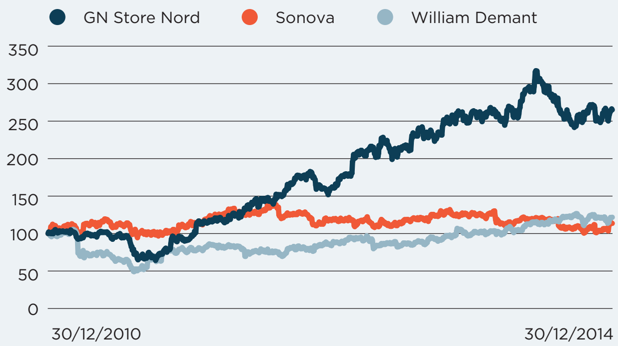
POWERS RELATING TO SHARE CAPITAL

At the 2014 annual general meeting, the shareholders empowered the board of directors to increase the share capital with preemptive rights for the existing shareholders by issuing new shares in one or more rounds up to a total nominal amount of DKK 130,000,000.

Moreover, the shareholders empowered the board of directors to increase the share capital without preemptive rights for the existing shareholders by issuing new shares in one or more rounds up to a total nominal amount of DKK 130,000,000.

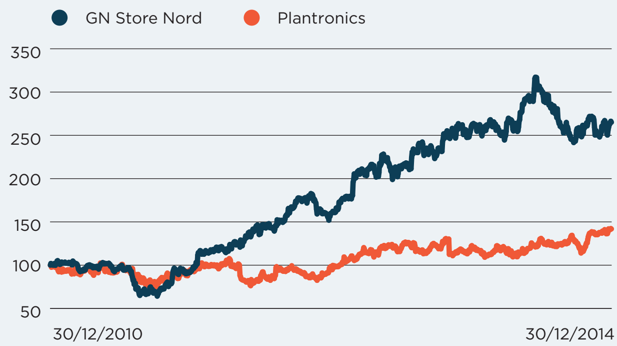
The above authorities given to the board of directors can altogether in the aggregate be exercised to increase the share capital by a maximum nominal amount of DKK 130,000,000. Subject to resolution by the board of direc-

Share price development vs GN ReSound's peers



Index: 30/12/2010 = 100

Share price development vs GN Netcom's peer



Index: 30/12/2010 = 100

tors, the increase may take place by payment in cash, payment in assets, conversion of debt or issue of bonus shares. The authorization is valid until April 30, 2015 but is renewable for one or more periods of one to five years duration.

GN's articles of association can be changed in accordance with the rules set forth in the Danish Companies Act.

TREASURY SHARES

On December 31, 2014, GN held treasury shares corresponding to 5% of the share capital, and the value of the treasury shares was DKK 1,136,240 million. At the annual general meeting to be held in March 2015, the board of directors will propose to reduce the company's share capital by cancelling 5,829,484 shares equivalent to all treasury shares held today in excess of 4,000,000 shares - which are held for hedging of long-term incentive programs. Until the annual general meeting, the board of directors is authorized to acquire shares in GN of up to 10% of the company's share capital.

DIVIDEND POLICY AND SHARE BUYBACK PROGRAMS

GN's overall financial target is to deliver a competitive shareholder return through a combination of dividend payments and share price appreciation. GN aims to pay out a dividend corresponding to 15 - 25% of the annual net results and to distribute additional excess cash to shareholders through share buyback programs.

Dividend payments and share buybacks are subject to, among other things, cash requirements to support the ongoing operations, strategic opportunities and the company's capital structure. It is GN's long-term target to maintain a capital structure consisting of equity and debt with the net interest-bearing debt amounting to up to 2 times EBITDA. By the end of 2016, the net debt is targeted to be between 1.5 and 2 times EBITDA.

At the annual general meeting in 2015, the board of directors will propose to pay out a total dividend of DKK 151 million (equivalent to DKK 0.90 per share and 19% of the 2014 net profit) in respect of the 2014 financial year, compared to DKK 146 million in 2014 (equivalent to DKK 0.84 per share and 18% of the 2013 net profit excluding SMART restructuring costs).

INCENTIVE PROGRAMS

By the end of 2014, the total number of outstanding warrants in GN ReSound was 14,063 (2.2% of the share capital in GN ReSound equivalent to approximately 1.5% of the share capital in GN). The total number of outstanding warrants in GN Netcom was 7,336 (2.2% of the share capital in GN Netcom equivalent to approximately 0.8% of the share capital in GN).

INVESTOR RELATIONS POLICY

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

Following the release of interim and annual results, GN conducts roadshows where the investor relations team and the executive management inform investors and financial analysts about the recent developments in the company. GN is covered by 25 analysts who continually release analyst research reports on GN and the industry dynamics. A full list of the analysts covering GN can be found on the website www.gn.com/Investor

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

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

The investor relations team can be contacted at:
investor@gn.com

FINANCIAL CALENDAR 2015

Annual general meeting:	March 19, 2015

GN's annual general meeting will be held at 10 a.m. at the Radisson Blu Falconer Center, Falkoner Allé 9 in Copenhagen, Denmark.

Interim Report Q1 2015:	April 29, 2015
Interim Report Q2 2015:	August 13, 2015
Interim Report Q3 2015:	October 30, 2015

Company announcements can be viewed on:
www.gn.com/news

Corporate governance

GN Store Nord follows all recommendations on corporate governance aimed at companies listed on NASDAQ OMX Copenhagen

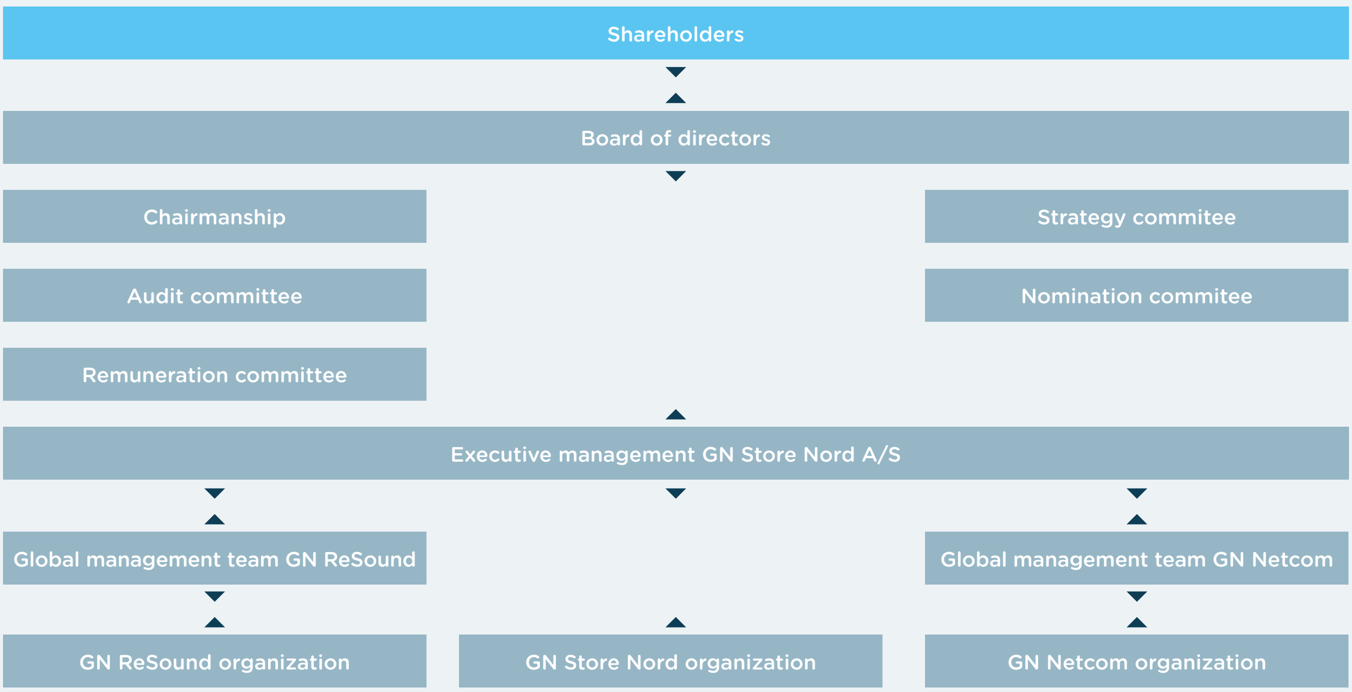
Corporate governance refers to the way a company is managed and controlled through ownership, management structure, incentive schemes etc. GN strives to build trusted relationships with customers, shareholders, suppliers, employees and the community and aims to increase transparency and active ownership, including sharing information and engaging in a regular dialog with all of the stakeholders.

The board of directors follows all recommendations on corporate governance aimed at companies listed on NASDAQ OMX Copenhagen. The current recommendations on corporate governance include 47 recommendations and require that listed companies include a "comply or explain" section as to their compliance with the recommendations in their annual report or on their website. GN provides this overview on its website: www.gn.com/cg

The risk management and internal control systems related to financial reporting are covered in the risk management section on page 36 and in the above mentioned overview. Along with the description of corporate governance, this

GN Store Nord's framework for corporate governance

GN's group structure consists of two separately operated businesses with dedicated boards and dedicated management. With this corporate structure, the workload for GN's board members is higher than market norms. The CFO of GN Store Nord, the CEO of GN ReSound and the CEO of GN Netcom constitute GN Store Nord's executive management. The board members of GN Store Nord who have been elected at GN's annual general assembly are also members of the board of directors of GN ReSound and GN Netcom allowing complete insight into the operating businesses. This structure ensures a high level of knowledge sharing, talent development and learning across GN's organization. Moreover, the structure facilitates a short decision path and strong cooperation between the CEOs and the board of directors.



forms the statutory report on corporate governance that is required under section 107b of the Danish Financial Statements Act.

BOARD OF DIRECTORS

Composition and responsibilities of the board of directors

GN's board of directors consists of six directors elected by the shareholders at the annual general meeting and three employee representatives elected by the employees based in Denmark. Members of the board of directors, elected by the shareholders at the annual general meeting, are elected for an annual term until GN's next annual general meeting.

Board members who retire are eligible for re-election. Board members can be elected to the board of directors until the annual general meeting in the calendar year in which the member reaches 70 years of age. Employee representatives are elected in accordance with the Danish Companies Act for terms of four years.

The board of directors is responsible for safeguarding the interests of the shareholders while at the same time considering all other stakeholders. At least once a year, the board of directors assesses the most important tasks based on the overall strategic direction of the company, including the financial and managerial supervision of the company. As part of the supervision, the board of directors evaluates the performance of the executive management on a continuous basis.

Competencies of the board of directors

GN's board of directors strives to recruit board members with a diversified range of mutually complementary competencies. When the board of directors proposes new board members, a CV as well as a thorough description of the candidate's qualifications will be available to the shareholders. GN is a global leader and to successfully develop and maintain this position in the marketplace, GN is dependent upon global expertise and experience at the board level. The board of directors is today a diversified group in terms of global experience, functional competencies and industry background, which ensures that it can fulfill its obligations. Members are possessing telecom- and medtech expertise, innovation, product development and commercialization capabilities, thorough understanding of financial matters and in-depth knowledge of GN's business.

At the end of 2014, the board of directors carried out a self-evaluation. The self-evaluation includes the achievements of the board as well as those of the chairman and the individual board members. The evaluation is carried out annually in a systematic way and is based on well-defined criteria.

The self-evaluation concluded that more field visits would be beneficial, and more insight into recruitment, training and development of key employees and talents could be advantageous. The composition of the board is a mix of board members with executive positions and professional board members but also consists of a female and males as well as of both Danish and foreign nationalities. This composition is deemed to provide a good balance between knowledge, experience and availability for the substantial workload.

Diversity and talent management

The board of directors fundamentally believes that diversity strengthens any governing body and acknowledges the importance of diversity in general, including diversity of gender, nationality and competencies. In the GN Store Nord Annual Report 2012, the board of directors declared a goal to see one to two women elected for the board by the end of 2017. Since then, Hélène Barnekow was elected for the board at the annual general meeting in 2013. The board of directors' new goal is to have elected two female board members by the end of 2017. Moreover, the company follows an action plan to increase the number of women in senior management positions. Currently, women fill 14% of the company's senior management positions, and GN aims at increasing the number to 25% in 2017.

GN recognizes that the current percentage of females in senior management positions may be too low to secure optimal organizational performance and has consequently adopted a gender diversity policy. The initiatives in the policy supports efforts to build a pipeline of future female candidates for senior management positions, and special attention to this area is given in GN's yearly talent review and successor planning process. GN plans to strengthen these efforts in 2015 and will for example offer selected female leadership talents mentoring by senior managers. GN will continue to monitor the gender distribution of the identified talents in order to ensure a diversified talent pipeline.

During 2014, a number of activities within recruitment practices took place, which are expected to have an effect on the share of females at the senior management level within the next three years. Moreover, GN recruits talents at all levels, and to ensure a diverse group of candidates to select from in the recruitment processes GN seeks to have at least one female among the interviewed candidates.

REMUNERATION

GN pursues a policy of offering the board of directors and the executive management remuneration that is competitive with industry peers and other global companies to attract and retain competent professional leaders of the businesses and members of the board of directors. Remuneration of the executive management is based on a fixed base salary plus a target bonus of up to 50% of the base salary with a potential to underperform or outperform the target leading to an effective potential bonus range of 0 - 100% of the base salary. The company does not make pension contributions for members of the executive management, and the executive management has severance and change-of-control agreements in line with market terms. Conditions for notice of termination are determined individually for each member of the executive management. The company intends to fix a termination notice of a maximum of 12 months if given by the company and a minimum of six months if given by a member of the executive management.

Members of the board of directors receive fixed remuneration. They are not awarded share options, nor do they participate in other incentive programs. Board members as well as senior management are encouraged to buy and own shares in GN.

BOARD COMMITTEES

Chairmanship
The chairman and the vice chairman form the chairmanship of the board. The chairmanship prepares and organizes the work of the board of directors with a view to ensure that the board performs its tasks, duties and responsibilities in an efficient and responsible manner. The chairmanship also performs preparatory tasks for and advice the board in relation to inter alia: business strategy, implementation of strategy, business development, budget and projects and performs in depth business reviews of selected areas.

Audit committee
According to its charter, the audit committee, among other things, assists the board of directors in relation to internal accounting and financial control systems, the integrity of the company's financial reports and engagements with external auditors. The audit committee also carries out ongoing assessments of the company's financial and business risks. In 2014, its activities included among others reviewing the financial impact of a potential major acquisition, identifying supplier risk and reviewing the implementation of an enterprise resource planning (ERP) system. Also, the committee reviewed the impact of the acquisition of KPMG Denmark by EY Global Limited, the audit plan (and discussion of the findings by the auditors), main accounting principles, finance functions and control mechanisms, tax strategies, compliance and the whistleblower reporting system etc.

Remuneration committee
According to its charter, the remuneration committee assists the board of directors in matters and decisions concerning remuneration of the executive management and senior employees and in ensuring that the general remuneration policies reflect an appropriate balance in the interests of the shareholders. Resolutions on remuneration recommended by the remuneration committee and adopted by the board of directors are in line with the guidelines for incentive pay as approved by the annual general meeting and by the board. The 2014 remuneration policy for the executive management is based on the remuneration guidelines and takes into account the corporate governance recommendations of NASDAQ OMX Copenhagen and the requirements of the Danish Companies Act. In 2014, the remuneration committee supervised and reviewed the development of an international mobility policy, a policy on external leadership programs, the gender diversity policy as well as principles for title structures, design of sales incentive plans and warrant grants.

Strategy committee
It is vital for GN to maintain and further enhance the technological core capabilities of the company. Thus, the board of directors has decided to invest in a number of exploratory research projects aiming at discovering potential future business opportunities outside the immediate area of where GN Resound and GN Netcom operate today but leveraging core knowledge and competencies of GN. In 2014, the strategy committee among others worked on the Intelligent Headset™ project, which now has been opened for the global application developer community, the 3D ear scanner and one potential transformational acquisition. Further, the committee planned the establishment of the so-called GN Scientific Advisory Board in 2015 to improve relations to educational institutions. In 2015, the strategy committee will continue its exploratory work. This strategic initiative, independent of GN ReSound and GN Netcom, is a corporate GN initiative reported under Other activities.

Nomination committee
According to its charter, the nomination committee advises and makes recommendations to the board of directors in relation to the skills that the board of directors and the executive management must have to best perform their tasks. Annually, the nomination committee evaluates the structure, size, composition and performance of the board of directors and the executive management and makes recommendations to the board of directors with regard to any changes. The board of directors believes in a global, transparent and thorough search and selection process for board candidates. The nomination committee prepares the board of directors' work by selecting candidates with the help of a professional global search firm. In 2014, its activities included among others reviewing the search and selection process for candidates for the board of directors and executive management.

Internal audit function
In accordance with its charter, the audit committee annually considers the need for an internal audit function. Based on the recommendations of the audit committee, the board of directors determines whether the internal control systems are adequate. The board of directors' assessment, which is based on the company's size and the organization of the

finance department, is that there is no need to establish an internal audit function at this time.

WHISTLEBLOWER REPORTING SYSTEM

GN has implemented the Alertline, a global whistleblower system, which can be accessed at www.gnstorenord.alertline.com. This system allows, in multiple languages, all employees and external stakeholders to confidentially report illegal or unethical conduct via the internet or via one of the local Alertline phone numbers. The system is an important tool to ensure that allegations of illegal or unethical conduct are reported and addressed fast. All complaints are treated with confidentiality, and GN will not discharge, demote, suspend, threaten, harass or in any other way discriminate against an employee due to any lawful action(s) taken by the employee with respect to good faith reporting of complaints or participation in a related investigation.

Business ethics and compliance

GN's commitment to business ethics and compliance with international regulation and internal policies is anchored in the corporate ethics guide, the code of conduct and other internal corporate guidelines. These outline the fundamental requirements for how GN operates and describe the responsibilities and ethical standards expected of all employees and relevant business partners. In 2014, GN implemented a new compliance software system in order to support and optimize the ongoing proactive efforts to identify, assess and minimize risks related to business ethics and compliance. The system also helps GN to ensure and document employees' familiarity with the code of ethics at all times, as relevant employees electronically sign their compliance within specific areas.

SHAREHOLDERS

GN aims to increase transparency and promote active ownership among shareholders through an open and active dialog by ongoing communication with our shareholders at the annual general meeting and through investor presentations, newsletters, conference calls, the company website, webcasts, interim reports, the annual report and company announcements. GN is servicing national as well as international investors, and GN ensures a continuing dialog with shareholders, whether existing or potential, as well as equity analysts. On the company's website, www.gn.com, detailed material of the interests of the shareholders can be found. GN's shares are 100% free float, and shareholders have the ultimate authority over the company and exercise their right to make decisions at the annual general meeting where they also approve the annual report and elect board members and the independent auditor. For more information, please see shareholder section on page 38.

Notices for the annual general meeting

GN sends notices to convene annual general meetings by email. Thus, we encourage all our registered shareholders to sign up at the investor portal with their email addresses and check the box labeled "email" in the field "Notice to convene annual general meeting". Shareholders will then receive the notice by email in the future.

Overview of meetings 2014

	Board meeting	Chairmanship	Strategy committee	Audit committee	Remuneration committee	Nomination committee
January	●	● ●	●		●	
February	●	● ●	●	●	●	●
March	● ●	● ●	●		●	
April				●		
May	● ●[1]					
June	●[2]		●		●	
July						
August	●	● ●	●	●	●	●
September	●[3] ●[3]		●	●		
October	● ●[3]	● ●	●		●	
November	●	●	●	●	●	
December	●	● ●	●		●	
Total	14	13	9	5	8	2

A transaction committee was established in 2014 to evaluate a potential transformational acquisition. The committee held 35 meetings and teleconferences during the year.

1) One of the meetings was a teleconference

2) Strategy meeting

3) Extraordinary board meetings as teleconferences

Board of directors

				
	PER WOLD-OLSEN (Chairman)	**WILLIAM E. HOOVER, JR. (Deputy chairman)**	**WOLFGANG REIM**	**CARSTEN KROGSGAARD THOMSEN**
	MBA. Formerly president with Merck & Co., Inc., Intercontinental Division, USA. Chairman since 2008.	MBA. Formerly with McKinsey & Company for 30 years. Deputy chairman since 2008.	Ph.D. in physics. Professional board member and self-employed consultant within the medical industry.	M.Sc. (Economics). CFO, NNIT A/S.
Board positions	Chairman of the boards of GN Netcom A/S and GN ReSound A/S. Vice chairman of the board of Medicines for Malaria Venture and member of the boards of Exiqon A/S, Gilead Sciences Inc. and Novo A/S.	Chairman of the board of ReD Associates and the GN Store Nord Foundation. Deputy chairman of the boards of GN Netcom A/S and GN ReSound A/S. Member of the boards of Danfoss A/S, Lego Foundation, Neopost SA and Sanistål A/S.	Chairman of the board of Ondal Medical Systems GmbH. Member of the boards of Elekta A/S, GN Netcom A/S and GN ReSound A/S and Med-Lumics S.L.	Member of the boards of GN Netcom A/S and GN ReSound A/S.
Special competencies:	Extensive global leadership expertise and knowledge of the healthcare industry. Brings a unique set of capabilities and values to the board of GN Store Nord within marketing and product development as well as commercialization of innovation. Also possesses in-depth knowledge of the US market as well as emerging markets.	In-depth knowledge from working with the largest industrial and high-tech companies in the Nordic region within strategy, organization and M&A. Experienced with supply chain/operations and has practical experience in helping Nordic multinationals rapidly scale up in emerging markets, especially in China and India.	Global leadership experience from the healthcare industry and special knowledge in the areas of business process re-engineering, innovation management, global sourcing and supply chain management. Contributes to the board with extensive M&A understanding.	Extensive expertise within finance, accounting, auditing, risk management and IT from executive positions in both the public and private sector.
Board member since	2008	2007	2008	2008
Term	2014/2015	2014/2015	2014/2015	2014/2015
Considered independent	Yes	Yes	Yes	Yes
Nationality	Norwegian	American	German	Danish
Birth year	1947	1949	1956	1957
No. of GN shares	204,884	156,500	45,000	31,964
Total remuneration DKK	1,850,000	1,225,000	900,000	750,000
Chairmanship	●	●		
Audit committee			●	C
Nomination committee	C	●		
Remuneration committee	C	●		
Strategy committee	●	●	C	
GN ReSound A/S board	C	DC	●	●
GN Netcom A/S board	C	DC	●	●

Employee elected members

HÉLÈNE BARNEKOW

M.Sc. (International Business). CCO, Group Commercial, TeliaSonera.

Member of the boards of GN Netcom A/S and GN ReSound A/S.

Unique capabilities within general commercial management and marketing, including go-to-market, branding, communications, product management and channel management from the mobile communications and IT sector.

RENÉ SVENDSEN-TUNE

Graduate of DTU. Pres., Europe & Latin America in Nokia Networks & member of the executive board.

Member of the boards of GN Netcom A/S, GN ReSound A/S and GN Store Nord Foundation.

Extensive global management experience along with strong insight into global technology markets, global sales and technology investments from the fast moving telecommunications and consumer electronics sectors.

LEO LARSEN

M.Sc. (Electrical Engineering) and a diploma in business administration and international trade. CTO, GN Netcom A/S.

MORTEN ANDERSEN

B.Sc. (Mechanical Engineering). VP, Component Manufacturing in Operations, GN ReSound A/S.

NIKOLAI BISGAARD

M.Sc. (Electrical Engineering). VP, External Relations, GN ReSound A/S.

Hélène Barnekow	René Svendsen-Tune	Leo Larsen	Morten Andersen	Nikolai Bisgaard
2013	2007	2007	2011	2006
2014/2015	2014/2015	2014–2018	2014–2018	2014–2018
Yes	Yes			
Swedish	Danish	Danish	Danish	Danish
1964	1955	1959	1963	1951
8,900	68,000	1,137	1,230	12,395
600,000	600,000	250,000	250,000	250,000
	●			
●				
●	●			
●	●			

Please visit www.gn.com for more details on the board members' competencies and management duties.

C Chairman

DC Deputy chairman

● Board member

Executive management

	ANDERS HEDEGAARD President & CEO, GN ReSound	ANDERS BOYER CFO, GN Store Nord	NIELS SVENNINGSEN President & CEO, GN Netcom
Member of the executive management since	2014	2009	2014
Birth year	1960	1970	1964
No. of GN shares	-	22,000	-
Board positions	-	Member of the board of Pandora A/S and chairman of the audit committee of Pandora A/S	-

Additional financial information **2014**

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ADDITIONAL FINANCIAL INFORMATION

Quarterly financial highlights

DKK million	Q4 2014 (unaud.)	Q4 2013 (unaud.)	Full year 2014 (aud.)	Full year 2013 (aud.)	2015 guidance	2016 target
GN ReSound						
Revenue	1,226	1,131	4,469	4,179		
- Hearing Instruments	1,062	988	3,892	3,636		
- Otometrics	164	143	577	543		
Organic growth	8%	6%	8%	10%	More than 6%	>3%-p above market growth (annual average 2014 - 2016)
- Hearing Instruments	7%	7%	8%	10%		
- Otometrics	21%	(1)%	6%	10%		
Gross profit margin*	67.9%	67.1%	67.1%	65.5%		
EBITA*	291	275	897	842		
EBITA margin*	23.7%	24.2%	20.1%	20.1%		> 1%-p above 2014 level (constant currencies)
EBITA reported	291	275	897	738	More than 975	
ROIC (EBITA/Invested capital**)	15.9%	14.6%	15.9%	14.6%		> 4%-p above 2013 level (constant currencies)
Free cash flow excl. company acquisitions and divestments	113	39	287	47		
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	39%	14%	32%	6%		
GN Netcom						
Revenue	894	729	2,871	2,612		
- CC&O	550	446	1,854	1,591		
- Mobile	344	283	1,017	1,021		
Organic growth	20%	15 %	11%	18%	More than 10%	> 10% (annual average 2014 - 2016)
- CC&O	23%	15 %	18%	12%		
- Mobile	15%	16 %	(1)%	27%		
Gross profit margin	54.9%	51.7%	53.6%	52.7%		
EBITA	201	141	521	472	More than 565	
EBITA margin	22.5%	19.3%	18.1%	18.1%		> 1%-p above 2014 level (constant currencies)
ROIC (EBITA/Invested capital**)	56.5%	64.7%	56.5%	64.7%		> 47%
Free cash flow excl. company acquisitions and divestments	43	69	340	178		
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	21%	49%	65%	38%		
GN Store Nord						
Revenue	2,120	1,860	7,340	6,791		
Organic growth	13%	9%	9%	13%	More than 8%	
Gross profit margin*	62.5%	61.1%	61.8%	60.6%		
EBITA*	477	390	1,260	1,284		
EBITA margin*	22.5%	21.0%	17.2%	18.9%		
EBITA reported	477	390	1,260	1,180	More than 1,480	
Profit (loss) before tax reported	437	340	1,116	1,023	More than 1,320	
Effective tax rate	28%	30%	29%	28%	Around 27%	26 - 27%
ROIC (EBITA/Invested capital**)	18.5%	19.6%	18.5%	19.6%		
Earnings per share, basic (EPS)	1.96	1.45	4.89	4.40		
Earnings per share, fully diluted (EPS diluted)	1.94	1.43	4.85	4.35		
Free cash flow excl. company acquisitions and divestments	158	58	480	93		
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	33%	15%	38%	8%		
Equity ratio	55.4%	59.5%	55.4%	59.5%		
Net interest-bearing debt	1,631	1,113	1,631	1,113		1.5 - 2.0 times EBITDA
Net interest-bearing debt (period-end)/EBITDA	1.1	0.9	1.1	0.9		
Dividend payout ratio	-	-	19%	18%		15 - 25%
Share buybacks***	153	140	877	787		
Outstanding shares, end of period (thousand)	159,592	164,740	159,592	164,740		
Average number of outstanding shares, fully diluted (thousand)	161,581	167,199	163,619	168,891		
Share price at the end of the period	135	133	135	133		
Market capitalization	21,513	21,910	21,513	21,910		

ROIC, cash conversion and NIBD/EBITDA are calculated based on reported EBITA and EBITDA for the latest four quarters. ROIC is including goodwill.

* Excluding SMART restructuring costs

** Invested capital equals the average of (NWC + property, plant and equipment and intangible assets + loans to dispensers of GN ReSound products + ownership interest - provisions)

*** Including buyback as part of share based incentive program

Quarterly reporting by segment

DKK million	Q1 2013 (unaud.)	Q2 2013 (unaud.)	Q3 2013 (unaud.)	Q4 2013 (unaud.)	Q1 2014 (unaud.)	Q2 2014 (unaud.)	Q3 2014 (unaud.)	Q4 2014 (unaud.)	2013 Total (aud.)	2014 Total (aud.)
Income statement										
Revenue										
GN ReSound	980	1,049	1,019	1,131	1,027	1,108	1,108	1,226	4,179	4,469
GN Netcom	647	646	590	729	652	698	627	894	2,612	2,871
Total	**1,627**	**1,695**	**1,609**	**1,860**	**1,679**	**1,806**	**1,735**	**2,120**	**6,791**	**7,340**
Organic growth										
GN ReSound	7%	13%	13%	6%	7%	8%	8%	8%	10%	8%
GN Netcom	20%	20%	17%	15%	4%	11%	7%	20%	18%	11%
Total	**12%**	**15%**	**14%**	**9%**	**6%**	**9%**	**8%**	**13%**	**13%**	**9%**
Gross profit										
GN ReSound	592	679	665	757	680	743	742	833	2,693	2,998
GN Netcom	344	343	312	377	343	361	343	491	1,376	1,538
Total	**936**	**1,022**	**977**	**1,134**	**1,023**	**1,104**	**1,085**	**1,324**	**4,069**	**4,536**
Gross profit margin										
GN ReSound	60.4%	64.7%	65.3%	66.9%	66.2%	67.0%	67.0%	67.9%	64.4%	67.1%
GN Netcom	53.2%	53.1%	52.9%	51.7%	52.6%	51.8%	54.7%	54.9%	52.7%	53.6%
Total	**57.5%**	**60.3%**	**60.7%**	**61.0%**	**60.9%**	**61.1%**	**62.5%**	**62.5%**	**59.9%**	**61.8%**
Expensed development costs**										
GN ReSound	(90)	(90)	(93)	(85)	(98)	(106)	(96)	(105)	(358)	(405)
GN Netcom	(40)	(40)	(39)	(40)	(43)	(48)	(48)	(64)	(159)	(203)
Other *	(1)	(5)	(5)	(11)	(3)	(3)	(1)	(1)	(22)	(8)
Total	**(131)**	**(135)**	**(137)**	**(136)**	**(144)**	**(157)**	**(145)**	**(170)**	**(539)**	**(616)**
Selling and distribution costs and administrative expenses etc.**										
GN ReSound	(397)	(439)	(364)	(397)	(412)	(427)	(420)	(437)	(1,597)	(1,696)
GN Netcom	(185)	(192)	(172)	(196)	(196)	(206)	(186)	(226)	(745)	(814)
Other *	(18)	35	(10)	(15)	(18)	(12)	(106)	(14)	(8)	(150)
Total	**(600)**	**(596)**	**(546)**	**(608)**	**(626)**	**(645)**	**(712)**	**(677)**	**(2,350)**	**(2,660)**
EBITA										
GN ReSound	105	150	208	275	170	210	226	291	738	897
GN Netcom	119	111	101	141	104	107	109	201	472	521
Other *	(19)	30	(15)	(26)	(21)	(15)	(107)	(15)	(30)	(158)
Total	**205**	**291**	**294**	**390**	**253**	**302**	**228**	**477**	**1,180**	**1,260**
EBITA margin										
GN ReSound	10.7%	14.3%	20.4%	24.2%	16.5%	18.9%	20.4%	23.7%	17.7%	20.1%
GN Netcom	18.4%	17.2%	17.1%	19.3%	15.9%	15.3%	17.4%	22.5%	18.1%	18.1%
Total	**12.6%**	**17.2%**	**18.3%**	**21.0%**	**15.1%**	**16.7%**	**13.1%**	**22.5%**	**17.4%**	**17.2%**
Depreciation and software amortization										
GN ReSound	(23)	(22)	(24)	(25)	(23)	(26)	(26)	(26)	(94)	(101)
GN Netcom	(6)	(6)	(7)	(7)	(7)	(7)	(8)	(10)	(26)	(32)
Other *	(3)	45	(7)	(8)	(9)	(9)	(9)	(9)	27	(36)
Total	**(32)**	**17**	**(38)**	**(40)**	**(39)**	**(42)**	**(43)**	**(45)**	**(93)**	**(169)**
EBITDA										
GN ReSound	128	172	232	300	193	236	252	317	832	998
GN Netcom	125	117	108	148	111	114	117	211	498	553
Other *	(16)	(15)	(8)	(18)	(12)	(6)	(98)	(6)	(57)	(122)
Total	**237**	**274**	**332**	**430**	**292**	**344**	**271**	**522**	**1,273**	**1,429**
EBITA	**205**	**291**	**294**	**390**	**253**	**302**	**228**	**477**	**1,180**	**1,260**
Amortization of acquired intangible assets	(9)	(9)	(10)	(15)	(10)	(14)	(12)	(19)	(43)	(55)
Gain (loss) on divestment of operations etc.	(2)	(11)	(4)	(2)	-	-	(6)	(4)	(19)	(10)
Operating profit (loss)	**194**	**271**	**280**	**373**	**243**	**288**	**210**	**454**	**1,118**	**1,195**
Share of profit (loss) in associates	-	-	-	(4)	-	-	-	5	(4)	5
Financial items, net	(11)	(39)	(12)	(29)	(7)	(24)	(31)	(22)	(91)	(84)
Profit (loss) before tax	**183**	**232**	**268**	**340**	**236**	**264**	**179**	**437**	**1,023**	**1,116**
Tax on profit (loss)	(52)	(58)	(77)	(101)	(65)	(74)	(61)	(123)	(288)	**(323)**
Profit (loss)	**131**	**174**	**191**	**239**	**171**	**190**	**118**	**314**	**735**	**793**
Balance sheet										
Development projects										
GN ReSound	792	804	812	827	839	846	866	901	827	901
GN Netcom	93	100	112	127	139	146	158	168	127	168
Other *	-	2	4	5	8	8	8	-	5	-
Total	**885**	**906**	**928**	**959**	**986**	**1,000**	**1,032**	**1,069**	**959**	**1,069**
Inventories										
GN ReSound	348	363	387	378	389	401	425	414	378	414
GN Netcom	112	172	208	214	158	140	186	202	214	202
Total	**460**	**535**	**595**	**592**	**547**	**541**	**611**	**616**	**592**	**616**
Trade receivables										
GN ReSound	972	973	978	1,031	974	1,033	1,067	1,146	1,031	1,146
GN Netcom	470	487	480	487	511	568	538	761	487	761
Other *	1	2	1	2	1	1	-	2	2	2
Total	**1,443**	**1,462**	**1,459**	**1,520**	**1,486**	**1,602**	**1,605**	**1,909**	**1,520**	**1,909**
Net working capital										
GN ReSound	947	856	882	895	966	924	907	971	895	971
GN Netcom	154	166	248	218	283	245	201	337	218	337
Other *	(28)	(19)	(26)	(25)	(50)	(52)	(76)	(41)	(25)	(41)
Total	**1,073**	**1,003**	**1,104**	**1,088**	**1,199**	**1,117**	**1,032**	**1,267**	**1,088**	**1,267**
Cash flow										
Free cash flow excl. company acquisitions and divestments										
GN ReSound	(117)	35	90	39	(50)	134	90	113	47	287
GN Netcom	(23)	118	14	69	(4)	148	153	43	178	340
Other *	(32)	(34)	(16)	(50)	(27)	(24)	(98)	2	(132)	(147)
Total	**(172)**	**119**	**88**	**58**	**(81)**	**258**	**145**	**158**	**93**	**480**
Acquisitions and divestments of companies	**(12)**	**(8)**	**(119)**	**(7)**	**(14)**	**(20)**	**-**	**(12)**	**(146)**	**(46)**
Free cash flow	**(184)**	**111**	**(31)**	**51**	**(95)**	**238**	**145**	**146**	**(53)**	**434**

* "Other" comprises Group Shared Services, GN Ejendomme, Scanning Technology (until April 1, 2014) and eliminations.
**Does not include amortization of acquired intangible assets, cf. the definition of EBITA.

Q4 segment disclosures

INCOME STATEMENT	GN ReSound		GN Netcom		Other*		Consolidated total	
DKK million	Q4 2014 (unaud.)	Q4 2013 (unaud.)	Q4 2014 (unaud.)	Q4 2013 (unaud.)	Q4 2014 (unaud.)	Q4 2013 (unaud.)	Q4 2014 (unaud.)	Q4 2013 (unaud.)
Revenue	**1.226**	**1.131**	**894**	**729**	**-**	**-**	**2.120**	**1.860**
Production costs	(393)	(374)	(403)	(352)	-	-	(796)	(726)
Gross profit	**833**	**757**	**491**	**377**	**-**	**-**	**1.324**	**1.134**
Expensed development costs**	(105)	(85)	(64)	(40)	(1)	(11)	(170)	(136)
Selling and distribution costs**	(340)	(329)	(189)	(166)	-	-	(529)	(495)
Management and administrative expenses	(97)	(71)	(38)	(30)	(14)	(17)	(149)	(118)
Other operating income and costs, net	-	3	1	-	-	2	1	5
EBITA	**291**	**275**	**201**	**141**	**(15)**	**(26)**	**477**	**390**
Amortization of acquired intangible assets	(17)	(13)	(2)	(2)	-	-	(19)	(15)
Gain (loss) on divestment of operations etc.	(4)	(2)	-	-	-	-	(4)	(2)
Operating profit (loss)	**270**	**260**	**199**	**139**	**(15)**	**(26)**	**454**	**373**
Share of profit (loss) in associates	5	(4)	-	-	-	-	5	(4)
Financial items	(11)	(37)	(1)	11	(10)	(3)	(22)	(29)
Profit (loss) before tax	**264**	**219**	**198**	**150**	**(25)**	**(29)**	**437**	**340**
Tax on profit (loss)	(91)	(98)	(30)	(4)	(2)	1	(123)	(101)
Profit (loss)	**173**	**121**	**168**	**146**	**(27)**	**(28)**	**314**	**239**

CASH FLOW STATEMENT	GN ReSound		GN Netcom		Other*		Consolidated total	
DKK million	Q4 2014 (unaud.)	Q4 2013 (unaud.)	Q4 2014 (unaud.)	Q4 2013 (unaud.)	Q4 2014 (unaud.)	Q4 2013 (unaud.)	Q4 2014 (unaud.)	Q4 2013 (unaud.)
Operating activities before changes in working capital	386	374	270	169	(4)	(30)	652	513
Cash flow from changes in working capital and restructuring/non-recurring costs paid	(60)	(39)	(138)	32	(34)	(2)	(232)	(9)
Cash flow from operating activities excluding financial items and tax	**326**	**335**	**132**	**201**	**(38)**	**(32)**	**420**	**504**
Cash flow from investing activities:								
Development projects	(84)	(67)	(35)	(29)	-	(2)	(119)	(98)
Other	(123)	(98)	(5)	(14)	(22)	(39)	(150)	(151)
Cash flow from operating and investing activities before financial items and tax	**119**	**170**	**92**	**158**	**(60)**	**(73)**	**151**	**255**
Tax and financial items	(18)	(131)	(49)	(96)	62	23	(5)	(204)
Cash flow from operating and investing activities (free cash flow)	**101**	**39**	**43**	**62**	**2**	**(50)**	**146**	**51**
Free cash flow excl. company acquisitions and divestments	**113**	**39**	**43**	**69**	**2**	**(50)**	**158**	**58**

ADDITIONAL INFORMATION	GN ReSound		GN Netcom		Other*		Consolidated total	
DKK million	Q4 2014 (unaud.)	Q4 2013 (unaud.)	Q4 2014 (unaud.)	Q4 2013 (unaud.)	Q4 2014 (unaud.)	Q4 2013 (unaud.)	Q4 2014 (unaud.)	Q4 2013 (unaud.)
Revenue distributed geographically								
Europe	32%	34%	54%	53%	0%	0%	41%	42%
North America	46%	44%	29%	34%	0%	0%	39%	40%
Rest of world	22%	22%	17%	13%	0%	0%	20%	18%
Incurred development costs	(127)	(97)	(73)	(54)	(1)	(13)	(201)	(164)
Capitalized development costs	84	67	35	29	-	2	119	98
Amortization and depreciation of development costs**	(62)	(55)	(26)	(15)	-	-	(88)	(70)
Expensed development costs	**(105)**	**(85)**	**(64)**	**(40)**	**(1)**	**(11)**	**(170)**	**(136)**
EBITDA	317	300	211	148	(6)	(18)	522	430
Depreciation and software amortization	(26)	(25)	(10)	(7)	(9)	(8)	(45)	(40)
EBITA	**291**	**275**	**201**	**141**	**(15)**	**(26)**	**477**	**390**
EBITA margin	23.7%	24.2%	22.5%	19.3%	N/A	N/A	22.5%	21.0%
Number of employees, end of period	~4,075	~4,075	~950	~925	~50	~50	~5,075	~5,050

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

ORGANIC GROWTH DIVIDED BY BUSINESS SEGMENT	Hearing Instruments		Otometrics		CC&O		Mobile	
	Q4 2014	Q4 2013	Q4 2014	Q4 2013	Q4 2014	Q4 2013	Q4 2014	Q4 2013
Organic growth	7%	7%	21%	(1)%	23%	15%	15%	16%

Foreign exchange impact

2014 IMPACT

GN ReSound	2013 reported	Constant currency growth	FX impact	2014 reported
Revenue	4,179	9%	(2)%	4,469
Costs	(3,337)	8%	(1)%	(3,573)
EBITA	**842**	**14%**	**(7)%**	**897**
EBITA margin	*20.1%*	*0.9% points*	*(0.9)% points*	*20.1%*

GN Netcom	2013 reported	Constant currency growth	FX impact	2014 reported
Revenue	2,612	11%	(1)%	2,871
Costs	(2,140)	11%	(1)%	(2,350)
EBITA	**472**	**11%**	**(1)%**	**521**
EBITA margin	*18.1%*	*0.0% points*	*0.0% points*	*18.1%*

2015 IMPACT* (PROJECTIONS)

GN ReSound	2014 reported	Constant currency growth (guidance)	FX impact	2015
Revenue	4,469	More than 6%	7%	More than 5,050
Costs	(3,573)			
EBITA	**897**	**More than 9%**	**0%**	**More than 975**
EBITA margin	*20.1%*	*~ 0.5% points*	*~ (1.3)% points*	*19% - 19.5%*

GN Netcom	2014 reported	Constant currency growth (guidance)	FX impact	2015
Revenue	2,871	More than 10%	7%	More than 3,360
Costs	(2,350)			
EBITA	**521**	**More than 9%**	**0%**	**More than 565**
EBITA margin	*18.1%*	*~ 0% points*	*~ (1.2)% points*	*16.5% - 17%*

2016 IMPACT* (PROJECTIONS)

GN ReSound	FX impact
Revenue	3%
Costs	
EBITA	**13%**
EBITA margin	*~ 1.7% points*

GN Netcom	FX impact
Revenue	3%
Costs	
EBITA	**(3)%**
EBITA margin	*~ (1.1)% points*

** Assuming FX as of February 1, 2015 (including a DKK/USD of 658)*

GN ReSound income statement excluding SMART costs

DKK million	2014 total Reported	2014 total SMART costs	2014 total Excluding SMART costs	2013 total Reported	2013 total SMART costs	2013 total Excluding SMART costs	2012 Total Reported	2012 Total SMART costs	2012 Total Excluding SMART costs
Income statement									
Revenue	4,469	-	4,469	4,179	-	4,179	3,896	-	3,896
Production costs	(1,471)	-	(1,471)	(1,486)	(44)	(1,442)	(1,544)	(101)	(1,443)
Gross profit	**2,998**	**-**	**2,998**	**2,693**	**(44)**	**2,737**	**2,352**	**(101)**	**2,453**
Expensed development costs*	(405)	-	(405)	(358)	-	(358)	(362)	(4)	(358)
Selling and distribution costs*	(1,345)	-	(1,345)	(1,230)	(19)	(1,211)	(1,278)	(52)	(1,226)
Management and administrative expenses*	(352)	-	(352)	(374)	(41)	(333)	(398)	(73)	(325)
Other operating income and costs, net	1	-	1	7	-	7	7	-	7
EBITA	**897**	**-**	**897**	**738**	**(104)**	**842**	**321**	**(230)**	**551**
EBITA margin	20.1%	N/A	20.1%	17.7%	N/A	20.1%	8.2%	N/A	14.1%

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

Financial statements consolidated **2014**

CONSOLIDATED INCOME STATEMENT

DKK million	Note	2014	2013
Revenue		7,340	6,791
Production costs	3, 5, 16	(2,804)	(2,722)
Gross profit		**4,536**	**4,069**
Development costs	3, 4, 5	(623)	(545)
Selling and distribution costs	3, 5	(2,081)	(1,895)
Management and administrative expenses	3, 5, 6	(629)	(499)
Other operating income and costs, net		2	7
Gain (loss) on divestment of operations etc.	27	(10)	(19)
Operating profit (loss)		**1,195**	**1,118**
Share of profit (loss) in associates	12	5	(4)
Financial income	7	119	73
Financial expenses	8	(203)	(164)
Profit (loss) before tax		**1,116**	**1,023**
Tax on profit (loss)	9	(323)	(288)
Profit (loss) for the year		**793**	**735**
Earnings per share (EPS)	25		
Earnings per share (EPS)		4.89	4.40
Earnings per share, fully diluted (EPS diluted)		4.85	4.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Note	2014	2013
Profit (loss) for the year		**793**	**735**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses)		(40)	50
Tax relating to this item of other comprehensive income	9	11	(18)
Items that may be reclassified subsequently to profit or loss			
Adjustment of cash flow hedges	24	(99)	23
Foreign exchange adjustments, etc.		560	(225)
Tax relating to these items of other comprehensive income	9	17	4
Other comprehensive income for the year, net of tax		**449**	**(166)**
Total comprehensive income for the year		**1,242**	**569**

CONSOLIDATED BALANCE SHEET AT DECEMBER 31

DKK million	Note	2014	2013
ASSETS			
Intangible assets	10	4,935	4,486
Property, plant and equipment	11	472	465
Investments in associates	12	20	17
Deferred tax assets	14	503	502
Other non-current assets	13, 24	1,309	826
Total non-current assets		**7,239**	**6,296**
Inventories	16	616	592
Trade receivables	17, 24	1,909	1,520
Tax receivables	15	21	90
Other receivables	24	330	302
Cash and cash equivalents		114	163
Total current assets		**2,990**	**2,667**
Total assets		**10,229**	**8,963**
EQUITY AND LIABILITIES			
Share capital		672	693
Other reserves		(1,807)	(1,497)
Proposed dividends for the year		151	146
Retained earnings		6,651	5,988
Total equity		**5,667**	**5,330**
Bank loans	24	1,675	1,216
Pension obligations	18	77	44
Provisions	19	105	167
Deferred tax liabilities	14	409	403
Other non-current liabilities	24	268	209
Total non-current liabilities		**2,534**	**2,039**
Bank loans	20, 24	70	60
Trade payables	24	593	493
Tax payables	15	106	34
Provisions	19	263	214
Other payables	21	996	793
Total current liabilities		**2,028**	**1,594**
Total equity and liabilities		**10,229**	**8,963**

CONSOLIDATED CASH FLOW STATEMENT

DKK million	Note	2014	2013
Operating activities			
Operating profit (loss)		1,195	1,118
Depreciation, amortization and impairment		527	398
Other non-cash adjustments	28	21	124
Cash flow from operating activities before changes in working capital		**1,743**	**1,640**
Change in inventories		8	(116)
Change in receivables		(466)	(323)
Change in trade payables and other payables		231	97
Total changes in working capital		**(227)**	**(342)**
Restructuring/non-recurring costs, paid		(30)	(94)
Cash flow from operating activities before financial items and tax		**1,486**	**1,204**
Interest and dividends, etc., received		103	32
Interest paid		(156)	(69)
Tax paid, net		(80)	(249)
Cash flow from operating activities		**1,353**	**918**
Investing activities			
Investments in intangible assets, excluding development projects		(130)	(139)
Development projects		(411)	(349)
Investments in property, plant and equipment		(106)	(120)
Investments in other non-current assets		(243)	(222)
Disposal of intangible assets		1	2
Disposal of property, plant and equipment		2	2
Disposal of other non-current assets		14	1
Acquisition of companies/operations		(46)	(136)
Company divestments		-	(10)
Cash flow from investing activities		**(919)**	**(971)**
Cash flow from operating and investing activities (free cash flow)		**434**	**(53)**
Financing activities			
Increase of long-term loans		472	944
Increase of short-term loans		8	(60)
Paid dividends		(138)	(83)
Share-based payment (exercised)		68	54
Purchase/sale of treasury shares		(877)	(787)
Other adjustments		(24)	(13)
Cash flow from financing activities		**(491)**	**55**
Net cash flow		**(57)**	**2**
Cash and cash equivalents, beginning of period		163	169
Adjustment foreign currency, cash and cash equivalents		8	(8)
Cash and cash equivalents, end of period		**114**	**163**

CONSOLIDATED STATEMENT OF EQUITY

DKK million	Share capital (shares of DKK 4 each)	Other reserves: Additional paid-in capital	Other reserves: Foreign exchange adjustments	Other reserves: Hedging reserve	Other reserves: Treasury shares	Proposed dividends for the year	Retained earnings	Total equity
Balance sheet total at December 31, 2012	**775**	**2,483**	**(1,523)**	**8**	**(1,616)**	**94**	**5,321**	**5,542**
Profit (loss) for the period	-	-	-	-	-	-	735	735
Actuarial gains (losses)	-	-	-	-	-	-	50	50
Adjustment of cash flow hedges	-	-	-	23	-	-	-	23
Foreign exchange adjustments, etc.	-	-	(225)	-	-	-	-	(225)
Tax relating to other comprehensive income	-	-	10	(6)	-	-	(18)	(14)
Total comprehensive income for the year	-	-	(215)	17	-	-	767	569
Reduction of share capital	(82)	(1,318)	-	-	1,400	-	-	-
Share-based payment (granted)	-	-	-	-	-	-	10	10
Share-based payment (exercised)	-	(56)	-	-	110	-	-	54
Tax related to share-based incentive plans	-	-	-	-	-	-	25	25
Purchase/sale of treasury shares	-	-	-	-	(787)	-	-	(787)
Proposed dividends for the year*	-	-	-	-	-	146	(146)	-
Paid dividends	-	-	-	-	-	(83)	-	(83)
Dividends, treasury shares	-	-	-	-	-	(11)	11	-
Balance sheet total at December 31, 2013	**693**	**1,109**	**(1,738)**	**25**	**(893)**	**146**	**5,988**	**5,330**
Profit (loss) for the period	-	-	-	-	-	-	793	793
Actuarial gains (losses)	-	-	-	-	-	-	(40)	(40)
Adjustment of cash flow hedges	-	-	-	(99)	-	-	-	(99)
Foreign exchange adjustments, etc.	-	-	560	-	-	-	-	560
Tax relating to other comprehensive income	-	-	(7)	24	-	-	11	28
Total comprehensive income for the year	-	-	553	(75)	-	-	764	1,242
Reduction of share capital	(21)	(518)	-	-	539	-	-	-
Share-based payment (granted)	-	-	-	-	-	-	15	15
Share-based payment (exercised)	-	(51)	-	-	119	-	-	68
Tax related to share-based incentive plans	-	-	-	-	-	-	27	27
Purchase/sale of treasury shares	-	-	-	-	(877)	-	-	(877)
Proposed dividends for the year*	-	-	-	-	-	151	(151)	-
Paid dividends	-	-	-	-	-	(138)	-	(138)
Dividends, treasury shares	-	-	-	-	-	(8)	8	-
Balance sheet total at December 31, 2014	**672**	**540**	**(1,185)**	**(50)**	**(1,112)**	**151**	**6,651**	**5,667**

* Equivalent to DKK 0.90 per share (2013: DKK 0.84 per share)

1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS AND PRESENTATION OF THE ANNUAL REPORT

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

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

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

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

Development Projects
Development projects are measured at cost less accumulated amortization and impairment. An impairment test is performed of the carrying amount of recognized development projects. The impairment test is based on assumptions regarding strategy, product life cycle, market conditions, discount rates and budgets, etc., after the project has been completed and production has commenced. If market-related assumptions etc., are changed, development projects may have to be written down. Management examines and assesses the underlying assumptions when determining whether the carrying amount should be written down. The carrying amount of completed and in-process development projects was DKK 1,069 million at December 31, 2014 (2013: DKK 959 million).

Goodwill
Determining whether goodwill is impaired requires a comparison of the recoverable amount with the carrying amount. The recoverable amount is determined as the net present value of the future cash flows expected to arise from the cash generating unit to which goodwill is allocated. The carrying amount of goodwill at December 31, 2014, was DKK 3,266 million (2013: DKK 2,974 million). Assumptions underlying the impairment test are provided in note 10.

Loans to and Investments in dispensers
GN Store Nord grants loans to dispensers and acquires ownership interests in dispensers. At December 31, 2014 the carrying amount in non-current assets of loans to dispensers was DKK 814 million (2013: DKK 529 million), ownership interests in dispensers was DKK 182 million (2013: DKK 134 million). In addition supply agreements with dispensers amount to DKK 128 million (2013: DKK 96 million).

The agreements are typically complex and cover several aspects of the relationship between the parties. Management assesses the recognition and classification of income and expenses for each of these agreements, including whether the agreement has an embedded supply agreement or represent a discount on future sales. Management also assesses whether current economic conditions and changes in customers' payment behavior could indicate impairment of the outstanding balances.

Ownership interests include ownership interests typically between 20% and 50% in unlisted enterprises in which GN Store Nord does not exercise significant influence on the financial and operating policies. The ownership interests are recognized at cost and are subsequently measured at fair value or at cost if a reliable measurement of the fair value cannot be made. The ownership interest which are not measured at fair value are subject to an annual impairment test for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined.

Trade Receivables
Trade receivables are measured at amortized cost less write-down for bad debt losses. Write-down for bad debt losses is based on an individual assessment of each receivable and at portfolio level. If a customer's financial condition deteriorates, further write-downs may be required in future periods. In assessing the adequacy of write-downs for bad debt losses, Management specifically analyzes receivables, including doubtful debts, concentrations of credit risk, credit ratings, current economic conditions and changes in customers' payment behavior. At December 31, 2014, the carrying amount of write-downs for bad debt losses was DKK 114 million (2013: DKK 89 million). The maturities of trade receivables are included in note 17.

Measurement of Inventories

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

Where the net realizable value is lower than cost, inventories are written down to this lower value. The net realizable value of inventories is calculated based on the size of the inventory and decreases in the recoverable amount of purchased raw materials, technical obsolescence (e.g., faulty products), physical obsolescence (e.g. damaged products) and financial obsolescence (e.g., reduced demand or substituting products). GN Store Nord performs write-downs of inventories based on an individual assessment of products or product groups and expected product sales within twelve months following the balance sheet date. At December 31, 2014, the carrying amount of write-downs of inventories was DKK 127 million (2013: DKK 135 million).

Deferred Tax

Management has made judgments in determining the Company's provisions for tax, deferred tax assets and deferred tax liabilities and the extent to which deferred tax assets are recognized. GN Store Nord recognizes deferred tax assets only to the extent that it is probable that taxable profit will be available against which the temporary differences and unused tax losses can be utilized. At December 31, 2014, the carrying amount of deferred tax assets and deferred tax liabilities was DKK 503 million (2013: DKK 502 million) and DKK 409 million (2013: DKK 403 million), respectively.

Provisions and Contingencies

As part of its normal business policy, GN Store Nord supplies its products with ordinary and extended warranties. Warranty provisions are recognized based on historical and future warranty costs related to the Group's products. Future warranty costs may differ from past practices and the level of costs. At December 31, 2014, the carrying amount of warranty provisions was DKK 125 million (2013: DKK 119 million). In accordance with GN Store Nord's business policy, some products are supplied with a right of return. Provisions for future returns of goods are recognized based on historical product returns data. The probability of future returns may differ from past practices. At December 31, 2014, the carrying amount of provisions with respect to obligations to take back goods was DKK 76 million (2013: DKK 70 million).

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

GN Store Nord's Management assesses provisions, contingent assets and contingent liabilities and the likely outcome of pending or threatened lawsuits on an ongoing basis. The outcome depends on future events that are by nature uncertain. In assessing the likely outcome of lawsuits and tax disputes, etc., Management bases its assessment on external legal assistance and decided cases. A detailed account of significant lawsuits and the claim against the German Federal Cartel office (Bundeskartellamt), the claim against the Danish Tax Authorities and the claim against Plantronics Inc. is provided in note 23.

2 SEGMENT DISCLOSURES

INCOME STATEMENT 2014

DKK million	GN ReSound	GN Netcom	Other GN	Eliminations	Consolidated total
External revenue	4,469	2,871	-	-	7,340
Internal revenue	-	-	67	(67)	-
Revenue	**4,469**	**2,871**	**67**	**(67)**	**7,340**
Production costs	(1,471)	(1,333)	-	-	(2,804)
Gross profit	**2,998**	**1,538**	**67**	**(67)**	**4,536**
Expensed development costs*	(405)	(203)	(8)	-	(616)
Selling and distribution costs*	(1,345)	(688)	-	-	(2,033)
Management and administrative expenses	(352)	(127)	(217)	67	(629)
Other operating income and costs, net	1	1	-	-	2
EBITA	**897**	**521**	**(158)**	**-**	**1,260**
Amortization of acquired intangible assets	(46)	(9)	-	-	(55)
Gain (loss) on divestment of operations etc.	(10)	-	-	-	(10)
Operating profit (loss)	**841**	**512**	**(158)**	**-**	**1,195**
Share of profit (loss) in associates	5	-	-	-	5
Financial income	43	69	62	(55)	119
Financial expenses	(106)	(71)	(81)	55	(203)
Profit (loss) before tax	**783**	**510**	**(177)**	**-**	**1,116**
Tax on profit (loss)	(237)	(110)	24	-	(323)
Profit (loss) for the year	**546**	**400**	**(153)**	**-**	**793**
Impairment losses and reversals regarding intangible assets and property, plant and equipment recognized in the income statement	-	(4)	(1)	-	(5)

Transactions between segments are based on market terms.
Eliminations in the income statement concern internal revenue, intersegment rent, management fee and interest.

In 2014 the revenue in GN ReSound comprised sale of diagnostic equipment of DKK 577 million and sale of hearing instruments of DKK 3,892 million.

OTHER SEGMENT DISCLOSURES 2014

DKK million	GN ReSound	GN Netcom	Other GN	Eliminations	Consolidated total
Incurred development costs	(460)	(240)	(11)	-	(711)
Capitalized development costs	290	118	3	-	411
Amortization and depreciation*	(235)	(81)	-	-	(316)
Expensed development costs	**(405)**	**(203)**	**(8)**	**-**	**(616)**
EBITDA	**998**	**553**	**(122)**	**-**	**1,429**
Depreciation and software amortization	(101)	(32)	(36)	-	(169)
EBITA	**897**	**521**	**(158)**	**-**	**1,260**

GEOGRAPHICAL INFORMATION 2014

DKK million	Denmark	Rest of Europe	North America	Asia and rest of world	Consolidated total
Revenue	241	2,659	2,966	1,474	7,340
Intangible assets and property, plant and equipment	1,916	502	2,857	132	5,407

Revenues are attributed to countries on the basis of the customer's location. Intangible assets and property, plant and equipment are attributed based on the physical location of the assets.
Only the US (included under the headline North America) represents a material single country.
*Does not include share of amortization of acquired intangible assets, cf. the definition of EBITA.

2 SEGMENT DISCLOSURES (CONTINUED)

BALANCE SHEET 2014

DKK million	GN ReSound	GN Netcom	Other GN	Eliminations	Consolidated total
Assets					
Goodwill	2,779	487	-	-	3,266
Development projects	901	168	-	-	1,069
Other intangible assets	461	46	93	-	600
Property, plant and equipment	233	51	188	-	472
Loans to dispensers and ownership interests	996	-	-	-	996
Other non-current assets	700	153	1	(18)	836
Total non-current assets	**6,070**	**905**	**282**	**(18)**	**7,239**
Inventories	414	202	-	-	616
Trade receivables	1,146	761	2	-	1,909
Receivables from subsidiaries*	-	1,667	-	(1,667)	-
Tax receivables	21	5	-	(5)	21
Other receivables	280	30	20	-	330
Cash and cash equivalents	87	27	-	-	114
Total current assets	**1,948**	**2,692**	**22**	**(1,672)**	**2,990**
Total assets	**8,018**	**3,597**	**304**	**(1,690)**	**10,229**
Equity and Liabilities					
Equity	**5,033**	**2,820**	**(2,186)**	**-**	**5,667**
Bank loans	-	-	1,675	-	1,675
Pension obligations and deferred tax	294	38	172	(18)	486
Provisions	81	7	17	-	105
Other non-current liabilities	268	-	-	-	268
Total non-current liabilities	**643**	**45**	**1,864**	**(18)**	**2,534**
Bank loans	8	7	55	-	70
Trade payables	237	326	30	-	593
Amounts owed to subsidiaries*	1,179	-	488	(1,667)	-
Tax payables	100	7	4	(5)	106
Provisions	185	62	16	-	263
Other current liabilities	633	330	33	-	996
Total current liabilities	**2,342**	**732**	**626**	**(1,672)**	**2,028**
Total equity and liabilities	**8,018**	**3,597**	**304**	**(1,690)**	**10,229**

Eliminations in the balance sheet concern tax and intercompany balances.
*Net amount

CASH FLOW STATEMENT 2014

DKK million	GN ReSound	GN Netcom	Other GN	Eliminations	Consolidated total
Cash flow from operating activities before changes in working capital	**1,204**	**667**	**(128)**	**-**	**1,743**
Cash flow from changes in working capital and restructuring/non-recurring costs paid	(159)	(109)	11	-	(257)
Cash flow from operating activities before financial items and tax	**1,045**	**558**	**(117)**	**-**	**1,486**
Cash flow from investing activities:					
Development projects	(290)	(118)	(3)	-	(411)
Other investing activities	(420)	(37)	(51)	-	(508)
Cash flow from operating and investing activities before financial items and tax	**335**	**403**	**(171)**	**-**	**567**
Tax and financial items	(94)	(63)	24	-	(133)
Cash flow from operating and investing activities (free cash flow)	**241**	**340**	**(147)**	**-**	**434**

2 SEGMENT DISCLOSURES (CONTINUED)

INCOME STATEMENT 2013

DKK million	GN ReSound	GN Netcom	Other GN	Eliminations	Consolidated total
External revenue	4,179	2,612	-	-	6,791
Internal revenue	-	-	56	(56)	-
Revenue	4,179	2,612	56	(56)	6,791
Production costs	(1,486)	(1,236)	-	-	(2,722)
Gross profit	**2,693**	**1,376**	**56**	**(56)**	**4,069**
Expensed development costs*	(358)	(159)	(22)	-	(539)
Selling and distribution costs*	(1,230)	(627)	(1)	-	(1,858)
Management and administrative expenses	(374)	(120)	(61)	56	(499)
Other operating income and costs, net	7	2	(2)	-	7
EBITA	**738**	**472**	**(30)**	**-**	**1,180**
Amortization of acquired intangible assets	(33)	(10)	-	-	(43)
Gain (loss) on divestment of operations etc.	(19)	-	-	-	(19)
Operating profit (loss)	**686**	**462**	**(30)**	**-**	**1,118**
Share of profit (loss) in associates	(4)	-	-	-	(4)
Financial income	14	80	57	(78)	73
Financial expenses	(128)	(45)	(69)	78	(164)
Profit (loss) before tax	**568**	**497**	**(42)**	**-**	**1,023**
Tax on profit (loss)	(195)	(96)	3	-	(288)
Profit (loss) for the year	**373**	**401**	**(39)**	**-**	**735**
Impairment losses and reversals regarding intangible assets and property, plant and equipment recognized in the income statement	-	-	64	-	64

Transactions between segments are based on market terms.
Eliminations in the income statement concern internal revenue, intersegment rent, management fee and interest.

In 2013 the revenue in GN ReSound comprised sale of diagnostic equipment of DKK 543 million and sale of hearing instruments of DKK 3,636 million.

OTHER SEGMENT DISCLOSURES 2013

DKK million	GN ReSound	GN Netcom	Other GN	Eliminations	Consolidated total
Incurred development costs	(386)	(197)	(28)	-	(611)
Capitalized development costs	251	92	6	-	349
Amortization and depreciation*	(223)	(54)	-	-	(277)
Expensed development costs	**(358)**	**(159)**	**(22)**	**-**	**(539)**
EBITDA	**832**	**498**	**(57)**	**-**	**1,273**
Depreciation and software amortization	(94)	(26)	27	-	(93)
EBITA	**738**	**472**	**(30)**	**-**	**1,180**

GEOGRAPHICAL INFORMATION 2013

DKK million	Denmark	Rest of Europe	North America	Asia and rest of world	Consolidated total
Revenue	197	2,404	2,749	1,441	6,791
Intangible assets and property, plant and equipment	1,776	457	2,531	187	4,951

Revenues are attributed to countries on the basis of the customer's location. Intangible assets and property, plant and equipment are attributed based on the physical location of the assets.
Only the US (included under the headline North America) represents a material single country.
*Does not include share of amortization of acquired intangible assets, cf. the definition of EBITA.

2 SEGMENT DISCLOSURES (CONTINUED)

BALANCE SHEET 2013

DKK million	GN ReSound	GN Netcom	Other GN	Eliminations	Consolidated total
Assets					
Goodwill	2,536	438	-	-	2,974
Development projects	827	127	5	-	959
Other intangible assets	353	57	143	-	553
Property, plant and equipment	233	38	194	-	465
Loans to dispensers and ownership interests	669	-	-	-	669
Other non-current assets	529	147	3	(3)	676
Total non-current assets	**5,147**	**807**	**345**	**(3)**	**6,296**
Inventories	378	214	-	-	592
Trade receivables	1,031	487	2	-	1,520
Receivables from subsidiaries*	-	1,273	106	(1,379)	-
Tax receivables	72	20	8	(11)	89
Other receivables	261	30	12	-	303
Cash and cash equivalents	72	91	-	-	163
Total current assets	**1,814**	**2,115**	**128**	**(1,390)**	**2,667**
Total assets	**6,961**	**2,922**	**473**	**(1,393)**	**8,963**
Equity and Liabilities					
Equity	**4,052**	**2,292**	**(1,014)**	**-**	**5,330**
Bank loans	-	-	1,216	-	1,216
Pension obligations and deferred tax	250	36	174	(13)	447
Provisions	123	20	23	-	166
Other non-current liabilities	210	-	-	-	210
Total non-current liabilities	**583**	**56**	**1,413**	**(13)**	**2,039**
Bank loans	21	22	17	-	60
Trade payables	214	263	16	-	493
Amounts owed to subsidiaries*	1,379	-	-	(1,379)	-
Tax payables	31	4	1	(1)	35
Provisions	160	36	18	-	214
Other current liabilities	521	249	22	-	792
Total current liabilities	**2,326**	**574**	**74**	**(1,380)**	**1,594**
Total equity and liabilities	**6,961**	**2,922**	**473**	**(1,393)**	**8,963**

Eliminations in the balance sheet concern tax and intercompany balances.
*Net amount

CASH FLOW STATEMENT 2013

DKK million	GN ReSound	GN Netcom	Other GN	Eliminations	Consolidated total
Cash flow from operating activities before changes in working capital	**1,171**	**543**	**(74)**	**-**	**1,640**
Cash flow from changes in working capital and restructuring/non-recurring costs paid	(253)	(174)	(9)	-	(436)
Cash flow from operating activities before financial items and tax	**918**	**369**	**(83)**	**-**	**1,204**
Cash flow from investing activities:					
Development projects	(252)	(92)	(5)	-	(349)
Other investing activities	(529)	(32)	(61)	-	(622)
Cash flow from operating and investing activities before financial items and tax	**137**	**245**	**(149)**	**-**	**233**
Tax and financial items	(229)	(74)	17	-	(286)
Cash flow from operating and investing activities (free cash flow)	**(92)**	**171**	**(132)**	**-**	**(53)**

3 STAFF COSTS

DKK million	2014	2013
Wages, salaries and remuneration	(2,021)	(1,884)
Pensions	(92)	(87)
Other social security costs	(203)	(200)
Share-based payments	(15)	(10)
Total	**(2,331)**	**(2,181)**
Included in:		
Production costs and change in payroll costs included in inventories	(419)	(422)
Development costs	(417)	(373)
Selling and distribution costs	(1,131)	(1,027)
Management and administrative expenses	(364)	(359)
Total	**(2,331)**	**(2,181)**

Executive Management remuneration can be specified as follows:

	2014				2013			
DKK million	Fixed salary	Bonus	Share-based payments	Total	Fixed salary	Bonus	Share-based payments	Total
Anders Hedegaard, CEO of GN ReSound from August 1, 2014	(2.3)	(1.3)	(0.2)	(3.8)	-	-	-	-
Lars Viksmoen, CEO of GN ReSound until July 31, 2014	(2.9)	(1.7)	(1.5)	(6.1)	(4.6)	(3.4)	(1.1)	(9.1)
Niels Svenningsen, CEO of GN Netcom from January 1, 2014	(4.6)	(2.5)	(0.6)	(7.7)	-	-	-	-
Mogens Elsberg, CEO of GN Netcom until December 31, 2013	-	-	-	-	(4.1)	(1.7)	(0.2)	(6.0)
Anders Boyer, CFO of GN Store Nord	(4.1)	(2.5)	(0.9)	(7.5)	(3.8)	(2.7)	(0.7)	(7.2)
Total	**(13.9)**	**(8.0)**	**(3.2)**	**(25.1)**	**(12.5)**	**(7.8)**	**(2.0)**	**(22.3)**
Mogens Elsberg, transition period	-	-	-	-	(1.7)	(0.8)	0.2	(2.3)

DKK million	2014	2013
Other key management personnel remuneration:		
Fixed salary	(4.2)	(2.3)
Bonus	(1.6)	(0.5)
Share-based payments	(0.2)	(0.2)
Total	**(6.0)**	**(3.0)**
Average number of employees	5,050	4,850
Number of employees, year-end	5,075	5,050

Incentive plans
The Group's share-based incentive plans are specified and described in note 26.

3 STAFF COSTS (CONTINUED)

Executive Management and Board of Directors Remuneration
The total remuneration of the Executive Management is based on the “General Guidelines for Incentive Pay to Management”, as adopted at GN´s Annual General Meeting. The total remuneration of Executive Management increased by 13% or DKK 2.8 million from 2013 to 2014. The change of CEO in GN Resound as of August 1, 2014 is reflected in these numbers with remuneration to the former CEO Lars Viksmoen for the first 7 months of 2014 and remuneration to the present CEO Anders Hedegaard for the remaining 5 months of 2014.

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

In 2014 Other key management personnel remuneration includes remuneration of DKK 3.4 million to the former CEO of GN ReSound Lars Viksmoen for the period from August 1, 2014.

Members of the Board of Directors receive a fixed remuneration as approved by the shareholders at the Annual General Meeting on March 19, 2014. The fixed remuneration is based on GN Store Nord´s corporate governance structure in which an audit committee, a strategy committee, a remuneration committee and a nomination committee have been established. Further, the appointed board members of GN Store Nord also serve on the Board of Directors of GN ReSound A/S and GN Netcom A/S.

The full-year remuneration of the Board of Directors is as follows (DKK thousand):

GN Store Nord A/S	
Chairman	750
Deputy Chairman	500
Other Board members	250
Remuneration Committee Chairman	300
Remuneration Committee, other members	150
Audit Committee Chairman	300
Audit Committee, other members	150
Strategy Committee Chairman	300
Strategy Committee, other members	150
Nomination Committee Chairman	150
Nomination Committee, other members	75

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

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

DKK thousand	2014	2013
Per Wold-Olsen (Chairman)	1,850	1,700
William E. Hoover, Jr. (Deputy chairman)	1,225	1,125
Wolfgang Reim	900	850
Carsten Krogsgaard Thomsen	750	700
Hélène Barnekow	600	550
René Svendsen-Tune	600	550
Leo Larsen	250	200
Morten Andersen	250	200
Nikolai Bisgaard	250	200
Total Board of Directors remuneration	**6,675**	**6,075**

4 DEVELOPMENT COSTS

DKK million	2014	2013
Development costs are capitalized when the related projects satisfy a number of conditions relating to reliability of measurement and probability of future earnings.		
The relationship between development costs incurred and development costs recognized in the income statement is as follows:		
Development costs incurred	(711)	(611)
Depreciation of operating assets, etc., used for development purposes	(20)	(21)
Total development costs incurred	(731)	(632)
Development costs capitalized as development projects	411	349
Amortization and impairment of capitalized development projects	(303)	(262)
Total expensed development costs	**(623)**	**(545)**

5 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

DKK million	2014	2013
Depreciation, amortization and impairment for the year of property, plant and equipment and intangible assets are recognized in the income statement as follows:		
Production costs	(55)	(50)
Development costs	(323)	(283)
Selling and distribution costs	(78)	(64)
Management and administrative expenses	(71)	(1)
Total	**(527)**	**(398)**
Amortization of intangible assets is recognized in the income statement as follows:		
Production costs	(4)	(2)
Development costs	(310)	(274)
Selling and distribution costs	(66)	(48)
Management and administrative expenses	(37)	(28)
Total	**(417)**	**(352)**
Impairment of intangible assets is recognized in the income statement as follows:		
Development costs	(4)	-
Management and administrative expenses	(1)	-
Total	**(5)**	**-**

6 FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

DKK million	2014	2013
Audit fees	(5)	(5)
Total	**(5)**	**(5)**
Other assistance		
Other audit-related services	(9)	(4)
Tax assistance and advice	(3)	(4)
Total	**(12)**	**(8)**
Total	**(17)**	**(13)**

Consolidated audit fees include DKK 2 million (2013: DKK 2 million) to Ernst & Young P/S. Consolidated other assistance includes DKK 7 million (2013: DKK 1 million) to Ernst & Young P/S.

7 FINANCIAL INCOME

DKK million	2014	2013
Interest income from bank balances*	16	10
Financial income, other	21	13
Fair value adjustment of derivative financial instruments, net	-	3
Foreign exchange gain	82	47
Total	**119**	**73**

*Interest income from financial assets at amortized cost.

8 FINANCIAL EXPENSES

DKK million	2014	2013
Interest expense on bank balances*	(37)	(23)
Financial expenses, other	(56)	(60)
Foreign exchange loss	(110)	(81)
Total	**(203)**	**(164)**

GN Store Nord has not included borrowing costs in the cost price of non-current assets as these are not financed with debt.

*Interest expenses from financial liabilities at amortized cost.

9 TAX

DKK million	2014	2013
Tax on profit (loss)		
Current tax for the year	(252)	(232)
Deferred tax for the year	(75)	(63)
Effect of change in income tax rates	-	11
Adjustment to current tax with respect of prior years	15	(7)
Adjustment to deferred tax with respect of prior years	(11)	3
Total	**(323)**	**(288)**
Reconciliation of effective tax rate		
Danish tax rate	24.5%	25.0%
Effect of tax rates in foreign jurisdictions	2.0%	1.8%
Non-taxable income	(0.3%)	0.0%
Non-deductable expenses	3.1%	2.0%
Effect of change in income tax rates	0.0%	(1.1%)
Share of profit (loss) in associates	(0.1%)	0.2%
Adjustment of tax with respect to prior years	(0.4%)	0.4%
Other	0.1%	(0.1%)
Effective tax rate	**28.9%**	**28.2%**
Tax relating to other comprehensive income		
Actuarial gains (losses)	11	(18)
Adjustment of cash flow hedges	24	(6)
Foreign exchange adjustments, etc.	(7)	10
Total	**28**	**(14)**

10 INTANGIBLE ASSETS

DKK million	Goodwill	Development projects, developed in-house	Software	Patents and rights	Other	Total
Cost at January 1	2,974	2,627	396	311	618	6,926
Additions on company acquisitions	15	-	-	-	11	26
Additions	-	411	86	8	36	541
Disposals	(34)	(5)	(21)	(1)	(6)	(67)
Transferred to supply agreements	-	-	-	-	32	32
Foreign exchange adjustments	311	-	14	16	47	388
Cost at December 31	3,266	3,033	475	334	738	7,846
Amortization and impairment at January 1	-	(1,668)	(236)	(221)	(315)	(2,440)
Amortization	-	(299)	(63)	(7)	(48)	(417)
Disposals	-	7	21	1	-	29
Impairment	-	(4)	(1)	-	-	(5)
Transferred to supply agreements	-	-	-	-	(21)	(21)
Foreign exchange adjustments	-	-	(11)	(17)	(29)	(57)
Amortization and impairment at December 31	-	(1,964)	(290)	(244)	(413)	(2,911)
Carrying amount at December 31, 2014	**3,266**	**1,069**	**185**	**90**	**325**	**4,935**
Cost at January 1	2,960	2,280	378	293	502	6,413
Additions on company acquisitions	129	-	-	-	34	163
Additions	-	349	79	32	46	506
Disposals	(4)	(2)	(54)	(8)	(8)	(76)
Transferred from assets classified as held for sale	15	-	-	-	61	76
Foreign exchange adjustments	(126)	-	(7)	(6)	(17)	(156)
Cost at December 31	2,974	2,627	396	311	618	6,926
Amortization and impairment at January 1	-	(1,406)	(248)	(228)	(297)	(2,179)
Amortization	-	(262)	(47)	(6)	(37)	(352)
Disposals	-	-	52	8	7	67
Foreign exchange adjustments	-	-	7	5	12	24
Amortization and impairment at December 31	-	(1,668)	(236)	(221)	(315)	(2,440)
Carrying amount at December 31, 2013	**2,974**	**959**	**160**	**90**	**303**	**4,486**
Amortized over	-	1 - 5 years	1 - 7 years	up to 20 years	up to 20 years	

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

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

The carrying amount of development projects and software in progress amount to DKK 602 million (2013: DKK 448 million).

10 INTANGIBLE ASSETS (CONTINUED)

Goodwill

Additions during the year of DKK 15 million mainly relate to the acquisition of equity shares in hearing instrument chains and distributors, cf. note 27. Disposals during the year of DKK 34 million relate to disposal of companies and operations, cf. note 27.

Management has performed an impairment test of the carrying amount of goodwill at December 31, 2014. The impairment test covered the Group's cash-generating units (CGU) to which the carrying amount of goodwill is allocated.

	Carrying amount of goodwill		Pre-tax discount rate		Weighted average cost of capital	
DKK million	2014	2013	2014	2013	2014	2013
Cash-generating units						
Hearing Instruments	2,638	2,412	9	8	7	7
Otometrics	141	124	10	10	8	8
Contact Center & Office Headsets	291	272	12	12	9	9
Mobile Headsets	196	166	14	13	11	10
Total	**3,266**	**2,974**				

In the impairment test, the discounted future cash flows of each CGU were compared with the carrying amounts. Future cash flows are based on the budget for 2015, market forecasts for 2016 - 2018, strategy plans, etc. Budgets and strategy plans are based on specific assumptions for the individual CGU regarding sales, operating profit, working capital, investments in non-current assets, etc. The calculation applies expected growth in the terminal period of 2.5% p.a.

The recoverable amount for Hearing Instruments at December 31, 2014 has been determined based on a valuation using cash flow projections from budgets and financial projections, covering a five-year period, and the communicated strategy plan as approved by the Board of Directors.

Hearing Instruments constitutes the vast majority of the carrying amount of the goodwill and is the only CGU considered to be material for the group. The annual growth in the hearing aid market, in value, is expected to be between 1-4% in average from 2015 to 2018. GN's Hearing Instruments segment expects to deliver organic growth above the market growth. The market growth in the hearing aid industry is driven by four main factors:

- The demographic trends including the increased number of elderly people,
- Increased prevalence of hearing loss due to the increasing noise in the environment,
- Increased penetration rates as more people with a hearing loss will use hearing aids in the future, and
- Increased use of two hearing aids instead of only one, which is relatively common today.

The expected revenue growth in GN's Hearing Instrument segment is based on the current differentiated product offering with unique wireless technology as well as new products to be launched during 2015 and 2016. The EBITA margin is expected to be maintained at a competitive level based on continued efficiencies in manufacturing as well as a strict approach to operating costs. Based on the impairment tests and related assumptions, management has not identified any goodwill impairment at December 31, 2014.

Development projects and software

In-progress and completed development projects comprise development and design of hearing instruments, audiologic diagnostics equipment, headsets and other hands free audio solutions. Most development projects are expected to be completed in 2015 and 2016, after which product sales and marketing can be commenced. Management performs at least one annual impairment test of the carrying amount of recognized development costs. The recoverable amount is assessed based on sales forecasts. In Management's assessment, the recoverable amount exceeds the carrying amount.

Software comprises development, design and test of production and planning software and reporting systems, business intelligence etc. Implementation of these systems is expected to optimize internal procedures and processes. In 2014, management assessed that the expected useful lives were reflected in the carrying amounts at December 31, 2014.

Patents and rights

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

Other

The Group's other intangible assets comprise DKK 95 million (2013: DKK 98 million) related to customer lists, DKK 102 million (2013: DKK 109 million) related to trademarks and DKK 128 million (2013: DKK 96 million) related to supply agreements.

11 PROPERTY, PLANT AND EQUIPMENT

DKK million	Factory and office buildings	Lease-hold improve-ments	Plant and machinery	Operating assets and equip-ment	Leased plant and equip-ment	Assets under con-struction	Total
Cost at January 1	365	132	600	298	4	4	1,403
Additions on company acquisitions	-	-	1	1	-	-	2
Additions	5	7	43	21	1	29	106
Disposals	(1)	(2)	(28)	(20)	(1)	-	(52)
Transfers	-	-	25	1	-	(26)	-
Foreign exchange adjustments	5	10	16	21	-	-	52
Cost at December 31	374	147	657	322	4	7	1,511
Depreciation and impairment at January 1	(127)	(92)	(474)	(243)	(2)	-	(938)
Depreciation	(10)	(16)	(56)	(22)	(1)	-	(105)
Disposals	1	1	25	17	1	-	45
Transfers	-	-	1	(1)	-	-	-
Foreign exchange adjustments	(3)	(7)	(13)	(18)	-	-	(41)
Depreciation and impairment at December 31	(139)	(114)	(517)	(267)	(2)	-	(1,039)
Carrying amount at December 31, 2014	**235**	**33**	**140**	**55**	**2**	**7**	**472**
Cost at January 1	102	133	563	315	4	4	1,121
Additions on company acquisitions	-	1	-	2	-	-	3
Additions	4	10	43	25	1	37	120
Disposals	(3)	(11)	(35)	(38)	(1)	-	(88)
Transfers	-	1	35	1	-	(37)	-
Transfered to assets classified as held for sale	265	-	-	-	-	-	265
Foreign exchange adjustments	(3)	(2)	(6)	(7)	-	-	(18)
Cost at December 31	365	132	600	298	4	4	1,403
Depreciation and impairment at January 1	(49)	(91)	(464)	(261)	(2)	-	(867)
Depreciation	(22)	(13)	(49)	(25)	(1)	-	(110)
Impairment and reversal hereof	64	-	-	-	-	-	64
Disposals	2	10	34	36	1	-	83
Transfered to assets classified as held for sale	(122)	-	-	-	-	-	(122)
Foreign exchange adjustments	-	2	5	7	-	-	14
Depreciation and impairment at December 31	(127)	(92)	(474)	(243)	(2)	-	(938)
Carrying amount at December 31, 2013	**238**	**40**	**126**	**55**	**2**	**4**	**465**
Depreciated over	10 - 50 years	5 - 20 years	1 - 7 years	2 - 7 years	2 - 7 years	-	-

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

12 ASSOCIATES

Investments in associates

DKK million	2014	2013
Cost at January 1	27	23
Additions	-	4
Cost at December 31	27	27
Value adjustments at January 1	(10)	(6)
Share of profit (loss)	5	(4)
Dividends	(2)	-
Value adjustments at December 31	(7)	(10)
Carrying amount at December 31	**20**	**17**
Aggregated financial information for associates is provided below:		
Revenue	169	109
Profit (loss) for the year after tax	(31)	(29)
Total assets	100	79
Total liabilities	125	65
Total share of profit (loss) for the year after tax	5	(4)
Total share of net assets	12	8

Associates are listed on page 96.

13 OTHER NON-CURRENT ASSETS

DKK million	2014	2013
Loans to dispensers of GN ReSound products	814	529
Ownership interests	182	134
RAP, SIP and DCP*	170	136
Owed by associates	129	-
Other	14	27
Total	**1,309**	**826**

GN ReSound's assessment of credit risk associated with non-current loans to dispensers depends primarily on change in payment behavior and current economic conditions. Before a loan is extended the creditworthiness of the individual dispenser is analyzed. No individual dispenser accounts for more than 10% of total non-current loans to dispensers.

*RAP (Retirement Advantage Plan) and SIP (Savings and Investment Plan) are programs in which customers earn funds based on purchases made. DCP (Deferred Compensation Plan) is a program in which management in certain foreign subsidiaries may choose to defer compensation. The amounts invested by the Group on behalf of customers and management are recognized in Other non-current assets. The Groups liabilities related to the programs are recognized in Other non-current liabilities at DKK 203 million (2013: DKK 162 million).

14 DEFERRED TAX

DKK million	2014	2013
Deferred tax, net		
Deferred tax at January 1, net	99	190
Adjustment in respect of prior years	(11)	3
Effect of change in income tax rates	-	11
Addition of deferred tax on acquisition of enterprises	-	(9)
Deferred tax for the year recognized in profit (loss) for the year	(75)	(63)
Deferred tax transferred to/from assets classified as held sale	-	10
Deferred tax for the year recognized in other comprehensive income for the year	27	(19)
Tax related to share-based incentive plans	10	8
Foreign exchange adjustments	44	(32)
Deferred tax at December 31, net	**94**	**99**
Deferred tax is recognized in the balance sheet as follows:		
Deferred tax assets	503	502
Deferred tax liabilities	(409)	(403)
Deferred tax at December 31, net	**94**	**99**
Deferred tax, net relates to:		
Intangible assets	(364)	(342)
Property, plant and equipment	24	19
Other securities	61	41
Current assets	96	62
Current liabilities	32	30
Intercompany liabilities	(1)	49
Tax loss carryforwards	157	240
Retaxation	(152)	(152)
Provisions	214	136
Other	27	16
Total	**94**	**99**
Tax value of unrecognized tax assets		
Tax loss carryforwards	236	215
Unrecognized tax assets at December 31	**236**	**215**

Unrecognized tax assets are based on the Group's expectations to the future utilization of the tax assets. A number of tax loss carryforwards expire between 2015-2028.

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

15 CURRENT TAX

DKK million	2014	2013
Tax payable and tax receivable		
Tax payable at January 1, net	56	23
Foreign exchange adjustments	(2)	1
Adjustment in respect of prior years	15	(7)
Payment relating to prior years	(71)	(16)
Current tax for the year	(252)	(232)
Current tax for the year recognized in other comprehensive income for the year	1	5
Tax related to share-based incentive plans	17	17
Payments relating to the current year	151	265
Tax receivable (payable) at December 31, net	**(85)**	**56**
Current tax is recognized as follows in the balance sheet:		
Tax receivable (assets)	21	90
Tax payable (liabilities)	(106)	(34)
Tax receivable (payable) at December 31, net	**(85)**	**56**

16 INVENTORIES

DKK million	2014	2013
Raw materials and consumables	229	199
Work in progress	9	8
Finished goods and merchandise	378	385
Total	**616**	**592**
The above includes write-downs amounting to	127	135
Write-downs recognized in the income statement under production costs	25	21
Reversed write-downs recognized under production costs	-	8
Production costs include costs of sales of	2,432	2,350

The reversal of write-downs can be attributed to products sold or expected to be sold.

17 TRADE RECEIVABLES

DKK million	2014	2013
Trade receivables	1,909	1,520
Total	**1,909**	**1,520**
Trade receivables have the following maturities:		
Not due	1,494	1,161
Due 30 days or less	154	150
Due more than 30 days but less than 90 days	124	90
Due more than 90 days	137	119
Total	**1,909**	**1,520**

17 TRADE RECEIVABLES (CONTINUED)

DKK million	2014	2013
Write-downs, which are included in total trade receivables, have developed as follows:		
Write-downs at January 1	(89)	(57)
Write-downs made during the year	(49)	(52)
Realized during the year	3	7
Reversed write-downs	21	13
Write-downs at December 31	**(114)**	**(89)**

Total write-downs of DKK 114 million are included in trade receivables at the end of 2014. In 2014 no material write-downs have been recognized regarding individual receivables (2013: DKK 20 million). GN Store Nord's assessment of credit risk associated with individual receivables depends primarily on aging, change in customer payment behavior, current economic conditions etc. as described in note 1. Based on past experience, GN Store Nord believes that no write-down is necessary in respect of trade receivables not past due.

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

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

Due 30 days or less	130	127
Due more than 30 days but less than 90 days	69	44
Due more than 90 days	55	57
Total	**254**	**228**

18 PENSION OBLIGATIONS

DKK million	2014	2013
Present value of defined benefit obligations	(339)	(269)
Fair value of plan assets	262	225
Net obligations	**(77)**	**(44)**

The present value of defined benefit obligations includes unfunded pension obligations not covered by payments to insurance company of DKK 11 million in 2014 (2013: DKK 12 million).

Development in present value of defined benefit obligations		
Obligations at January 1	(269)	(311)
Foreign exchange adjustments	(27)	16
Costs for the year	(3)	(3)
Interest expense	(13)	(10)
Actuarial gains (losses) regarding demographic assumptions	(10)	1
Actuarial gains (losses) regarding financial assumptions	(32)	26
Pension payments, unfunded	-	1
Pension payments	15	11
Obligations at December 31	**(339)**	**(269)**

18 PENSION OBLIGATIONS (CONTINUED)

DKK million	2014	2013
Maturity of pension obligations		
Less than one year	(15)	(13)
Between one and five years	(62)	(54)
More than five years	(262)	(202)
Total	**(339)**	**(269)**
Development in fair value of plan assets		
Plan assets at January 1	225	211
Foreign exchange adjustments	24	(10)
Interest income	11	7
Return on plan assets in excess of interest income	2	23
Payment by GN Store Nord	14	5
Pension payments	(14)	(11)
Plan assets at December 31	**262**	**225**
Pension costs recognized in the income statement		
Costs for the year	(3)	(3)
Interest expense	(13)	(10)
Interest income from plan assets	11	7
Defined benefit plans total	(5)	(6)
Defined contribution plans total	(89)	(81)
Total cost recognized in the income statement	**(94)**	**(87)**
The costs are recognized in the following income statement items:		
Production costs	(17)	(15)
Development costs	(21)	(18)
Selling and distribution costs	(31)	(28)
Management and administrative expenses	(23)	(23)
Financial expenses	(2)	(3)
Total	**(94)**	**(87)**
The following accumulated actuarial gains (losses) since January 1, 2005 are recognized in the Statement of other Comprehensive Income:		
Accumulated actuarial gains (losses)	(89)	(49)
Breakdown of plan assets		
Shares	65%	62%
Bonds	33%	36%
Cash and cash equivalents	2%	2%
Total	**100%**	**100%**
The actuarial calculations for the prevailing American defined benefit plan at the balance sheet date are based on the following assumptions:		
Discount rate	4.00%	4.75%
Expected return on plan assets	4.00%	4.75%

A 25 basis point decrease in the discount rate will result in a DKK 11 million increase in the defined benefit obligation and a 25 basis point increase will result in a DKK 11 million decrease in the defined benefit obligation.

18 PENSION OBLIGATIONS (CONTINUED)

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

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

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

19 PROVISIONS

DKK million	Restructuring	Warranty provisions	Other provisions	Total
Provisions at January 1	19	119	243	381
Additions	-	5	60	65
Consumed	(1)	(2)	(49)	(52)
Reversed	(14)	(4)	(23)	(41)
Foreign exchange adjustments	2	7	6	15
Provisions at December 31, 2014	**6**	**125**	**237**	**368**
Of which is recognized in the consolidated balance sheet:				
Non-current liabilities	3	47	55	105
Current liabilities	3	78	182	263
Provisions at December 31, 2014	**6**	**125**	**237**	**368**

Restructuring provisions of DKK 6 million relate to restructurings based on detailed plans prepared by management, which have been discussed with and announced to the employee groups affected and others.

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

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

20 CURRENT LIABILITIES

DKK million	2014	2013
Bank loans	70	60
Total bank loans	**70**	**60**
Breakdown of loans by currency:		
DKK	59	38
USD	3	20
Other currencies	8	2
Total	**70**	**60**

21 OTHER PAYABLES

DKK million	2014	2013
Employee costs payable	354	358
Bonuses and discounts to customers	250	216
Other	392	219
Total	**996**	**793**

22 LEASE OBLIGATIONS

DKK million	2014	2013
Future lease obligations are distributed as follows:		
Operating leases:		
Less than one year	118	89
Between one and five years	214	190
More than five years	127	127
Total	**459**	**406**

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

Operating leases include rental obligations related to properties in Denmark in the amount of DKK 68 million (2013: DKK 73 million). DKK 16 million (2013: DKK 20 million) of the rental obligation in Denmark has been provided for in the balance sheet in connection with vacating the premises.

Lease payments recognized in the income statement relating to operating leases amount to DKK 112 million (2013: DKK 110 million).

23 CONTINGENT LIABILITIES, OTHER FINANCIAL LIABILITIES AND CONTINGENT ASSETS

DKK million	2014	2013
Guarantees, warranties and other liabilities	19	19

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

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

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

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

Contingent assets
Claim against the German Federal Cartel Office
On December 22, 2010, GN Store Nord (GN) filed a claim of EUR 1.1 billion (approximately DKK 8.2 billion) as compensation for the significant loss imposed on GN and its shareholders in relation to the German Federal Cartel Office's unlawful prohibition of the sale of GN ReSound to Sonova on April 11, 2007. On March 26, 2014, the Düsseldorf Court of Appeal, dismissed GN's claim although the German Federal Supreme Court has acknowledged that the prohibition of the sale was unlawful. Düsseldorf Court of Appeal dismissed the case on the grounds that the Federal Cartel Office had not acted negligent when they prohibited the sale. Following thorough evaluation of the written ruling from the Düsseldorf Court of Appeal, GN disagree with the decision by the court. On May 2, 2014, GN decided to seek permission to appeal the decision to the German Federal Supreme Court. The Federal Supreme Court is expected to issue its ruling during the first half of 2015.

Claim against the Danish Tax Authorities
In the 2001 financial statements, GN Store Nord recognized an impairment loss on goodwill of DKK 1.3 billion related to Beltone. Beltone (USA) was merged with GN Hearing Care Corporation (USA) at January 1, 2005. It is GN Store Nord´s assessment that a significant part of the write-down made in 2001 as a result of the merger has tax effect in Denmark. Both companies were jointly taxed with GN Store Nord during the relevant period. GN Store Nord has brought the issue of deductibility before the Danish National Tax Tribunal who has informed GN Store Nord that it disputes the right of deductibility. GN Store Nord has appealed the decision to the Eastern High Court. On January 29, 2014, the Eastern High Court ruled in favor of the Danish Tax Authorities. It was a ruling with dissent (2:1). GN Store Nord has decided to appeal this ruling to the Danish Supreme Court. The ruling from the Supreme Court is expected in December 2015.

Claim against Plantronics Inc.
In 2012, GN Netcom filed suit against Plantronics for attempted monopolization of the distributors' market in the US. On September 23, 2013, the federal district court in Wilmington, Delaware, dismissed Plantronics' "motion to dismiss" the case in its entirety. The court also stated that GN Netcom's allegations were sufficiently substantiated to allow the case to proceed into discovery. As a result of the findings in the initial phases of discovery, the discovery phase has been extended through the end of March 2015.

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

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Foreign currency risk
GN Store Nord has exposure towards several foreign currencies in connection with commercial transactions. The overall objective of hedging GN Store Nord's currency exposure is to reduce the short-term impact of exchange rate fluctuations on earnings and cash flow, thereby increasing the predictability of the financial results. GN Store Nord uses forward exchange contracts to hedge any significant currency risk, which in 2014 has been future income (long positions) in the USD, GBP, CAD and JPY and future costs (short positions) in the CNY. Expected cash flows are continually assessed using budget and sales forecasts. GN Store Nord does not raise loans or place surplus cash in foreign currency unless doing so reduces a currency exposure.

GN Store Nord has a large cost base in China and is as such exposed to the CNY, which historically has been linked to the USD. However, most Chinese subcontractor agreements are made and paid in USD. GN Store Nord's long-term industrial competitiveness will be negatively impacted by a strengthening of the CNY, and GN Store Nord continually monitors the development in exchange rates, to ensure that GN Store Nord has sufficient time to adapt to a new manufacturing strategy should market conditions change unfavorably for GN Store Nord.

GN Store Nord has several balance sheet items denominated in USD, including most of its goodwill. Although intercompany balances are eliminated in the consolidated financial statements these can also result in foreign exchange rate gains and losses. As of December 31, 2014 there are no material currency risks related to working capital based on a potential 5% increase or decrease in foreign currencies.

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

Effect on equity from translation (excluding impact of hedging), 10% appreciation of the relevant currency

DKK million	2014	2013
USD	386	336
CNY	36	27

Interest rate risk
GN Store Nord has hedged a part of the interest rate exposure on loans with interest rate swaps. Hedge accounting has been applied during 2014. The fair value of the interest rate swaps are determined using forward interest rates and can be categorized as level 2 (observable inputs) in the fair value hierarchy.

Funding, liquidity and capital structure
At December 31, 2014, GN Store Nord had an equity ratio of 55% and net interest-bearing debt of DKK 1,631 million. Based on the favorable macroeconomic environment, GN Store Nord now intends to take the net interest-bearing debt to between 1.5 and 2 times EBITDA by the end of 2016. GN Store Nord's long term capital structure policy (net debt up to a maximum of two times EBITDA) remains unchanged. GN Store Nord aims to pay out a dividend corresponding to 15-25% of the annual net results and will initiate share buyback programs when deemed appropriate subject to the authorization by the shareholders in annual general meeting.

Financial credit risk
Surplus cash positions in GN Store Nord's subsidiaries are re-circulated back to the parent company as soon as possible, and cash is mainly held in current accounts or as short-term money market deposits. Cash positions are primarily held with banks through which GN Store Nord conducts its day-to-day banking business and which have a satisfactory rating with Moody's and Standard & Poor's. GN Store Nord has a policy of never having an exposure to a single financial counterparty of more than 2.5% of that party's capital and reserves. GN Store Nord had cash and cash equivalents of DKK 114 million at December 31, 2014.

GN Store Nord has established policies for credit risk management related to customers including the use of credit rating agencies. Assessment of credit risks related to customers is further described in note 17 Trade receivables and note 13 Other non-current assets.

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Contractual maturity analysis for financial liabilities

DKK million	Less than one year	Between one and five years	More than five years	Total
2014				
Long-term bank loans	-	1,675	-	1,675
Other long-term payables	-	215	-	215
Short-term bank loans	70	-	-	70
Trade payables	593	-	-	593
Total non-derivative financial liabilities	663	1,890	-	2,553
Derivative financial liabilities	67	-	-	67
Total financial liabilities	**730**	**1,890**	**-**	**2,620**
2013				
Long-term bank loans	-	1,216	-	1,216
Other long-term payables	-	170	-	170
Short-term bank loans	60	-	-	60
Trade payables	493	-	-	493
Total non-derivative financial liabilities	553	1,386	-	1,939
Derivative financial liabilities	-	1	-	1
Total financial liabilities	**553**	**1,387**	**-**	**1,940**

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

Specification of net interest-bearing debt

DKK million	Total 2014	Total 2013
Cash and cash equivalents	114	163
Bank loans, non-current liabilities	(1,675)	(1,216)
Bank loans, current liabilities	(70)	(60)
Total	**(1,631)**	**(1,113)**

24 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Categories of financial assets and liabilities

DKK million	2014	2013
Derivative financial instruments relating to hedging of forecasted future transactions included in Other receivables	-	33
Financial assets held for trading	**-**	**33**
Ownership interests and RAP, SIP, DCP, cf. note 13	352	270
Financial assets available-for-sale	**352**	**270**
Trade receivables	1,909	1,520
Other receivables	330	302
Other receivables, non-current	943	529
Loans and receivables	**3,182**	**2,351**
Bank loans, non-current	1,675	1,216
Other long-term payables	215	170
Bank loans	70	60
Trade payables	593	493
Financial liabilities measured at amortized cost	**2,553**	**1,939**
Derivative financial instruments included in Other payables	67	1
Financial liabilities measured at fair value	**67**	**1**

For financial assets and liabilities, the fair value is approximately equal to the carrying amount. GN Store Nord's bank loans carry floating interest rates and are primarily funded based on a rolling one month EURIBOR loan.

Derivative financial instruments

Cash flow hedges, exchange rate instruments and interest rate swaps

	2014			2013		
DKK million	Contract amount, net	Fair value, assets	Fair value, liabilities	Contract amount, net	Fair value, assets	Fair value, liabilities
USD	1,409	-	117	1,085	29	-
JPY	123	4	-	108	11	-
GBP	204	-	6	-	-	-
CAD	79	-	3	-	-	-
CNY	896	62	-	666	-	7
EUR*	1,005	-	7	671	-	1
Total	**3,716**	**66**	**133**	**2,530**	**40**	**8**

* Interest rate swaps denominated in EUR

DKK million	2014	2013
Fair value adjustment for the year recognized in Other comprehensive income	(101)	(9)
Reclassified from equity to revenue	(31)	33
Reclassified from equity to production costs	32	(1)
Reclassified from equity to selling and distribution costs	1	-
Fair value adjustment recognized in financial items	-	3

The gains and losses on cash flow hedges recognized in Other comprehensive income as of December 31, 2014 will be recognized in the income statement in the period during which the hedged forecasted transaction affects the income statement. The fair value of all exchange rate instruments are determined using quoted forward exchange rates at the balance sheet date and can be categorized as level 2 (observable inputs) in the fair value hierarchy.

25 OUTSTANDING SHARES AND TREASURY SHARES

	Outstanding shares (thousands)	Treasury shares (thousands)	Total number of shares (thousands)	Nominal value of outstanding shares (DKK thousands)	Nominal value of treasury shares (DKK thousands)	Nominal value of total shares (DKK thousands)	Treasury shares as a percentage of share capital
Number of shares at January 1, 2014	164,740	8,589	173,329	658,960	34,356	693,316	5.0%
Purchase of ownership interest in subsidiaries	1,350	(1,350)	-	5,400	(5,400)	-	
Shares acquired/sold by GN Store Nord A/S	(6,498)	6,498	-	(25,992)	25,992	-	
Shares cancelled	-	(5,308)	(5,308)	-	(21,233)	(21,233)	
Number of shares at December 31, 2014	159,592	8,429	168,021	638,368	33,715	672,083	5.0%

The treasury shares had a market value of DKK 1,136 million at December 31, 2014 (2013: DKK 1,144 million). The total cost of acquired treasury shares in 2014 was DKK 877 million (2013: DKK 787 million).

Shares thousands	2014	2013
Weighted average number of outstanding shares	162,238	167,082
Dilutive effect of share based payment with positive intrinsic value – average for the period	1,381	1,809
Diluted weighted average number of shares	**163,619**	**168,891**

DKK million		
Profit (loss) for the year used for the calculation of earnings per share	793	735
Dilutive effect of profit (loss) for the year	-	-
Profit (loss) for the year used for the calculation of diluted earnings per share	**793**	**735**

26 INCENTIVE PLANS

Warrants programs

GN Store Nord has warrant-based long-term incentive programs whereby the Executive Management and other senior employees are granted warrants, entitling the holder to subscribe shares in GN ReSound or GN Netcom.

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

The exercise price for the warrants is based on the average share price for GN Store Nord in the five days following the release of the annual report in the year in which the relevant warrants are allocated.

Warrants program, GN ReSound

	Executive Management	Other employees	Total	Average exercise price
Warrants granted at January 1, 2013	**2,826**	**14,968**	**17,794**	**8,446**
Warrants granted during the year	1,515	3,257	4,772	19,490
Warrants exercised during the year	(985)	(5,665)	(6,650)	5,496
Warrants forfeited during the year/corrections	-	(769)	(769)	10,568
Outstanding warrants at December 31, 2013	**3,356**	**11,791**	**15,147**	**12,691**
Warrants granted during the year	954	3,092	4,046	25,019
Warrants exercised during the year	(423)	(4,281)	(4,704)	8,714
Warrants forfeited during the year/corrections	(2,672)	2,246	(426)	13,288
Outstanding warrants at December 31, 2014	**1,215**	**12,848**	**14,063**	**17,550**
Grant date market value of warrants granted in 2014	3	10	13	
Market value of outstanding warrants at December 31, 2014	5	94	99	

Average share price at exercise: DKK 24,801.

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

Warrants program, GN ReSound

Grant date	Executive Management	Other employees	Total	% of GN ReSound A/S	Number of exercisable warrants	Exercise price	Years to expiry	Market value in DKK million
March 2010	-	205	205	0.0%	205	6,490	0.8	4
March 2011	-	1,050	1,050	0.2%	1,050	8,836	1.8	17
March 2012	217	4,009	4,226	0.7%	-	11,084	2.8	57
December 2012	-	81	81	0.0%	-	17,428	2.8	1
March 2013	537	3,742	4,279	0.7%	-	19,270	3.8	13
November 2013	-	201	201	0.0%	-	24,290	3.8	-
March 2014	226	3,436	3,662	0.6%	-	24,711	4.8	7
June 2014	-	71	71	0.0%	-	24,711	4.8	-
July 2014	235	-	235	0.0%	-	30,064	4.8	-
September 2014	-	53	53	0.0%	-	24,489	4.8	-
Outstanding warrants at December 31, 2014	**1,215**	**12,848**	**14,063**	**2.2%**	**1,255**			**99**

26 INCENTIVE PLANS (CONTINUED)

Warrants program, GN Netcom

	Executive Management	Other employees	Total	Average exercise price
Warrants granted at January 1, 2013	**1,704**	**6,126**	**7,830**	**9,471**
Warrants granted during the year	468	2,205	2,673	18,086
Warrants exercised during the year	(730)	(1,320)	(2,050)	5,648
Warrants forfeited during the year/corrections	(828)	(55)	(883)	14,198
Outstanding warrants at December 31, 2013	**614**	**6,956**	**7,570**	**12,998**
Warrants granted during the year	435	2,159	2,594	24,693
Warrants exercised during the year	(67)	(2,468)	(2,535)	10,462
Warrants forfeited during the year/corrections	(280)	(13)	(293)	16,132
Outstanding warrants at December 31, 2014	**702**	**6,634**	**7,336**	**17,884**
Grant date market value of warrants granted in 2014	2	7	9	
Market value of outstanding warrants at December 31, 2014	3	53	56	

Average share price at exercise: DKK 24,612.

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

Warrants program, GN Netcom

Grant date	Executive Management	Other employees	Total	% of GN Netcom A/S	Number of exercisable warrants	Exercise price	Years to expiry	Market value in DKK million
March 2010	-	50	50	0.0%	50	5,457	0.8	1
March 2011	-	63	63	0.0%	63	10,542	1.8	1
October 2011	-	25	25	0.0%	25	10,542	1.8	-
March 2012	69	2,401	2,470	0.8%	-	11,234	2.8	36
December 2012	-	27	27	0.0%	-	11,051	2.8	-
March 2013	66	1,964	2,030	0.6%	-	17,797	3.8	12
November 2013	132	-	132	0.0%	-	23,652	3.8	1
March 2014	435	1,964	2,399	0.8%	-	24,596	4.8	5
July 2014	-	43	43	0.0%	-	28,473	4.8	-
September 2014	-	39	39	0.0%	-	24,399	4.8	-
December 2014	-	58	58	0.0%	-	26,178	4.8	-
Outstanding warrants at December 31, 2014	**702**	**6,634**	**7,336**	**2.2%**	**138**			**56**

26 INCENTIVE PLANS (CONTINUED)

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

Market conditions

	2014 year end		Grant date 2014		2013 year end		Grant date 2013	
	GN ReSound	GN Netcom	GN ReSound	GN Netcom	GN ReSound	GN Netcom	GN ReSound	GN Netcom
Share price GN Store Nord	134	134	134/ 134/ 160/ 132	134/ 160/ 132/ 134	131	131	102/ 126	102/ 132
Share of GN Store Nord market value	72%	41%	70%/ 70%/ 73%/ 72%	37%/ 37%/ 38%/ 41%	70%	36%	69%/ 73%	34%/ 36%
Share price	24,588	26,083	24,711/ 24,711/ 30,064/ 24,489	24,596/ 28,473/ 24,399/ 26,178	24,131	23,261	19,270/ 24,290	17,797/ 23,652
Volatility	19%	21%	20%/ 20%/ 18%/ 18%	25%/ 26%/ 26%/ 21%	20%	26%	23%/ 21%	30%/ 27%
Dividend per share	0	0	0	0	0	0	0	0
Risk-free interest rate	0.00%/ 0.00%/ 0.00%/ 0.04%/ 0.12%	0.00%/ 0.00%/ 0.00%/ 0.04%/ 0.12%	1.03%/ 1.03%/ 0.57%/ 0.51%	1.03%/ 0.57%/ 0.51%/ 0.2%	0.00%/ 0.06%/ 0.28%/ 0.60%/ 0.92%	0.06%/ 0.28%/ 0.60%/ 0.92%	0.77%/ 0.77%	0.77%/ 0.74%
Expected term (years)	0.8/ 1.8/ 2.8/ 3.8/ 4.8	0.8/ 1.8/ 2.8/ 3.8/ 4.8	5.7/ 5.7/ 5.4/ 5.2	5.7/ 5.4/ 5.2/ 4.9	0.2/ 1.9/ 2.8/ 3.8/ 4.8	1.9/ 2.8/ 3.8/ 4.8	5.7/ 5.0	5.7/ 5.0

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

27 ACQUISITION AND DIVESTMENT OF COMPANIES AND OPERATIONS

Acquisitions

During 2014, GN ReSound acquired a number of minor hearing instrument chains and a distributors in the US. The acquisitions all strengthens GN ReSound's sales and distribution channels and the goodwill related to the acquisition is mainly attributable to this.

DKK million	Fair value at acquisition date 2014	2013
Identifiable assets acquired and liabilities assumed and consideration transferred		
Non-current assets	2	3
Current assets	12	40
Non-current liabilities	(4)	(19)
Current liabilities	(6)	(16)
Fair value of identified net assets	**4**	**8**
Goodwill	15	129
Other intangible assets	11	34
Consideration transferred	**30**	**171**
Fair value of assets transferred	(5)	-
Payable consideration	-	(12)
Contingent consideration	(3)	(38)
Acquired cash and cash equivalents	(1)	(15)
Cash consideration paid	**21**	**106**

Goodwill relating to the above transactions is allocated to the cash-generating units Hearing Instruments and Audiologic Diagnostics Equipment with DKK 5 million (2013: DKK 122 million) and DKK 10 million (2013: DKK 7 million), respectively.

In 2014, GN ReSound paid out DKK 25 million (2013: DKK 30 million) in contingent considerations related to prior years' aquisitions. The payments were mainly related to the acquisition of Dansk HøreCenter ApS and dispenser aquisitions in the US. At the end of 2014, the fair value of contingent considerations amounted to DKK 42 million, whereof DKK 19 million are expected to be paid during 2015.

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

DKK million	2014	2013
The share of revenue and profit (loss) for the year from the acquisition date can be specified as follows:		
Revenue	17	39
EBIT	1	10
Profit (loss) for the year	-	9
Acquired operations if they had been owned throughout the year:		
Revenue	27	96
EBIT	1	9
Profit (loss) for the year	-	9

27 ACQUISITION AND DIVESTMENT OF COMPANIES AND OPERATIONS (CONTINUED)

Divestments

In 2014 GN ReSound divested a number of minor hearing instrument distributors primarily in the US and provided for a loss related to a legal dispute.

DKK million	2014	2013
Non-current assets	(42)	(47)
Current assets	-	(25)
Non-current liabilities	-	-
Current liabilities	-	7
Disposed net assets	**(42)**	**(65)**
Directly attributable cost	-	(5)
Fair value of assets recieved	32	58
Fair value of liabilities assumed	-	(7)
Cash consideration received	-	-
Gain (loss) on divestment of operations etc.	**(10)**	**(19)**

28 OTHER NON-CASH ADJUSTMENTS

DKK million	2014	2013
Share-based payment (granted)	15	10
(Gain) loss on divestment of operations etc.	10	19
Provision for bad debt, inventory write-downs, etc.	10	8
Restructuring/non-recurring costs recognized in the income statement, exclusive impairment losses (SMART Project)	-	104
Adjustment of provisions	(14)	(17)
Total	**21**	**124**

29 ACCOUNTING POLICIES

The annual report of GN Store Nord for 2014 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Danish disclosure requirements for annual reports of listed companies. In addition, the annual report has been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

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

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

GN Store Nord has adopted all the relevant new and revised International Financial Reporting Standards and IFRIC Interpretations effective as of January 1, 2014. The new and revised Standards and Interpretations did not affect recognition and measurement materially nor did they result in any material changes to disclosures in the notes. Apart from these minor changes, the annual report is presented in accordance with the accounting policies applied in previous years' annual reports.

Accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, or have not yet been adopted by the EU, and have not been applied in preparing this annual report. Those, which may be relevant to GN Store Nord, are the following:

- IFRS 9 Financial Instruments applies to annual periods beginning on or after January 1, 2018. The standard is only expected to have a very limited effect on recognition and measurement of financial assets, if any. Disclosure in the financial statements will change slightly as the classification of financial assets will be simplified to include only two categories: Financial assets measured at either amortized cost or fair value. The additions to IFRS 9 regarding financial liability accounting are not expected to affect the financial reporting.

- IFRS 15 Revenue from Contracts with Customers applies to annual periods beginning on or after January 1, 2017. The standard is only expected to have a very limited effect on the revenue recognition in GN Store Nord. GN Store Nord's existing accounting policy for revenue recognition is based on transfer of risk to the buyer whereas revenue recognition according to IFRS 15 will be based on transfer of control to the buyer. This change is not expected to affect the timing of revenue recognition in GN Store Nord.

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

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated Financial Statements

The consolidated financial statements relate to the parent company, GN Store Nord, and the enterprises in which GN Store Nord directly or indirectly holds more than 50% of the voting rights or where it, in some other way, has the power to govern the financial and operating policies of an enterprise. GN Store Nord and its subsidiaries are referred to as the Group. Group companies are listed on page 96. Enterprises that are not subsidiaries, but where GN Store Nord holds between 20% and 50% of the voting rights and over which it exercises significant influence, but where it does not have power to govern the financial and operating policies, are considered associates. When assessing whether GN Store Nord exercises control or significant influence, potential voting rights and options on acquisition of additional ownership interests are taken into account.

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

Business Combinations

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

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

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

The cost of a business combination comprises the fair value of the consideration agreed upon. Transaction costs are recognized in the income statement. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of that adjustment is included in the cost of the combination if the adjustment is probable and can be measured in a reliable manner. Subsequent changes to contingent considerations are recognized in the income statement. If uncertainties regarding measurement of identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have different fair value at the acquisition date than first assumed, goodwill is adjusted up until twelve months after the acquisition. The effect of the adjustments is recognized in the opening balance of equity and the comparative figures are restated accordingly.

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

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

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

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

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

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

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

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

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

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

Incentive Plans
The Executive Management and a number of key employees are included in share-based payment plans (equity-settled plans). For equity-settled programs, the warrants are measured at the fair value at the grant date and recognized in the income statement as a staff cost of the respective functions over the vesting period. The counter item is recognized in equity. On initial recognition, an estimate is made of the number of warrants expected to vest: see description of Incentive Plans in note 26. This estimate is subsequently revised for changes in the number of warrants expected to vest. Accordingly, recognition is based on the number of warrants that are ultimately vested. The fair value of granted warrants is estimated using the Black-Scholes option pricing model. Vesting conditions are taken into account when estimating the fair value of the warrants.

INCOME STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

BALANCE SHEET

Intangible assets

Goodwill

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

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

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

Development Projects, Software, Patents, Licenses and Other Intangible Assets

Intangible assets are measured at cost less accumulated amortization and impairment. Amortization is provided on a straight-line basis over the expected useful lives of the assets. When changing the depreciation period or the residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates. Amortization and impairment is recognized in the income statement as production costs, development costs, distribution costs and administrative expenses. The expected useful lives are as follows:

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Investments in Associates in the Consolidated Financial Statements
On acquisition of investments in associates, the purchase method is used, cf. Business Combinations.

In the consolidated financial statements investments in associates are recognized according to the equity method. Investments in associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealized intra-group profits and losses and plus the carrying amount of goodwill.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hedging reserve
The hedging reserve includes the accumulated net change in the fair value of hedging transactions qualifying for hedge accounting.

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

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

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

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

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

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

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

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

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

Other liabilities, comprising trade payables, amounts owed to group enterprises and associates as well as other payables, are measured at amortized cost.

CASH FLOW STATEMENT

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

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

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

Cash flow from financing activities comprises changes in the size or composition of the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, acquisition and disposal of treasury shares and payment of dividends to shareholders.

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

SEGMENT INFORMATION

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

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

KEY RATIOS

Earnings per Share and Diluted Earnings per Share

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

Other Key Ratios

The key ratios stated in the survey of consolidated financial highlights are defined on page 97.

COMPANIES IN THE GN STORE NORD GROUP

	Domicile	Currency	Ownership %	Share capital
GN Store Nord A/S	Denmark	DKK	N/A	672,083,012
GN Ejendomme A/S	Denmark	DKK	100	10,600,000
GN Netcom A/S	Denmark	DKK	100	33,647,500
GN Netcom, Inc.	USA	USD	100	35,900,000
GN Netcom (Canada), Inc.	Canada	CAD	100	1,000
GN Communications, Equipamentos e Solucoes de Comunicacao Ltda.	Brazil	BRL	100	407,820
GN Netcom (China) Ltd.	China	USD	100	8,000,000
GN Netcom Logistic (Xiamen) Ltd.	China	USD	100	500,000
GN Communications (Shanghai) Co., Ltd	China	CNY	100	15,481,000
GN Netcom (Japan) Ltd.	Japan	JPY	100	10,000,000
GN Netcom (Singapore) Pte Ltd.	Singapore	SGD	100	700,000
GN Netcom Asia Ltd.	Hong Kong	HKD	100	2,000,000
GN Netcom Australia Pty. Ltd.	Australia	AUD	100	2,500,000
GN Netcom (Spain) S.A.	Spain	EUR	100	60,111
GN Netcom (Italia) S.r.l.	Italy	EUR	100	10,200
GN Netcom (UK) Ltd.	Great Britain	GBP	100	100,000
GN Netcom AB	Sweden	SEK	100	5,100,000
GN Netcom Benelux B.V.	Netherlands	EUR	100	18,000
GN Netcom GmbH	Germany	EUR	100	51,129
GN Netcom S.A.	France	EUR	100	80,000
GN ReSound A/S	Denmark	DKK	100	62,867,000
GN ReSound Pty. Ltd.	Australia	AUD	100	4,000,002
GN ReSound Shanghai Ltd.	China	CNY	100	3,000,000
GN ReSound China Ltd.	China	CNY	100	34,000,000
GN GROC Ltd	China	CNY	100	500,000
GN ReSound India Private Limited	India	INR	100	7,352,000
GN Resound Japan K.K.	Japan	JPY	100	499,000,000
GN ReSound (NZ) Ltd.	New Zealand	NZD	100	2,000,000
GN Hearing Pte. Ltd.	Singapore	SGD	100	1,500,000
GN ReSound Hörtechnologie GmbH	Austria	EUR	100	500,000
Sluchadlova Akustika spol. S.R.O.	Czech Republic	CZK	100	102,000
Interton Danmark A/S	Denmark	DKK	100	200,000
Beltone Europe Holdings ApS	Denmark	DKK	100	200,000
ApS af 20 Sept. 2013	Denmark	DKK	100	80,000
Dansk Hørecenter ApS	Denmark	DKK	100	125,000
Dansk Akademi for Audiologi ApS	Denmark	DKK	100	125,000
GN Hearing SAS	France	EUR	100	285,957
GN Hearing GmbH	Germany	EUR	100	296,549
GN Resound GmbH Hörtechnologie	Germany	EUR	100	2,162,253
GN Hearing S.r.l.	Italy	EUR	100	181,190
GN Hearing Benelux bv	Netherlands	EUR	100	680,670
GN ReSound Norge AS	Norway	NOK	100	2,000,000
Interton Slovakia s.r.o.	Slovakia	SLK	100	170,000
GN Hearing Care S.A.	Spain	EUR	100	1,562,631
GN Hearing Sverige AB	Sweden	SEK	100	100,000

	Domicile	Currency	Ownership %	Share capital
GN ReSound AG	Switzerland	CHF	100	420,000
Beltone Schweiz GmbH	Switzerland	CHF	100	20,000
GN ReSound Ltd.	United Kingdom	GBP	100	7,376,000
GN ReSound Produtos Médicos Ltda.	Brazil	BRL	100	1,019,327
GN ReSound Korea Co. Ltd. *	Korea	KRW	90	136,700,000
Beltone Hearing Korea Co. Ltd *	Korea	KRW	90	50,000,000
GN ReSound LLC	Russia	RUB	100	10,000
GN ReSound Finland Oy/Ab	Finland	EUR	100	100,913
Precissa Innovaciones Audiologicas S.L.	Spain	EUR	100	12,000
GN US Holdings, Inc.	USA	USD	100	34,000,000
GN Hearing Care Corporation	USA	USD	100	180,000
GN ReSound Holdings, Inc.	USA	USD	100	10
Beltone Holdings II Inc.	USA	USD	100	1
Beltone Holdings III Inc.	USA	USD	100	10
Beltone Holdings IV Inc.	USA	USD	100	30
Beltone Holdings V Inc.	USA	USD	100	30
Beltone Foundation	USA	USD	100	10
Beltone Corporation	USA	USD	100	10
American Hearing Systems Inc.	USA	USD	100	10
Audio Electronics, Inc.	USA	USD	100	198,890
DB Special Instruments Inc.	Canada	CAD	100	137
Genie Audio Inc.	Canada	CAD	100	232
GN Hearing Care Canada Ltd.	Canada	CAD	100	10,000
5837946 Manitoba, Ltd.	Canada	CAD	100	10,000
810720 Alberta, Ltd.	Canada	CAD	100	50,000
GN ReSound (Malaysia) Sdn Bhd	Malaysia	RM	100	100
GN Beltone Norway AS	Norway	NOK	100	30,000
▲ Audio Nova S.R.L	Romania	ROL	49	10,000,000
▲ Audiology Systems Inc.	USA	USD	41	1,674,000
▲ Himpp A/S	Denmark	DKK	11	2,400,000
▲ HIMSA A/S	Denmark	DKK	25	1,000,000
▲ HIMSA II A/S	Denmark	DKK	17	600,000
▲ Himsa II K/S	Denmark	DKK	15	3,250,000
▲ K/S Himpp	Denmark	DKK	9	114,782,415
GN Otometrics A/S	Denmark	DKK	100	23,240,000
Inmedico A/S	Denmark	DKK	100	500,000
GN Otometrics GmbH	Germany	EUR	100	1,800,000
GN Otometrics Shanghai Ltd	China	USD	100	800,000
GN Otometrics S.a.S	France	EUR	100	1,200,000
Scanning Technology A/S	Denmark	DKK	100	500,001

▲ Associates

* GN Store Nord currently hold 90% ownership but consolidates 100%, as the antizipated acquisition method is applied.

A few minor companies have been omitted from the list.

In this annual report the following financial terms are used:

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

Key Ratio Definitions

Organic growth	=	$\frac{\text{Absolute organic sales growth}}{\text{Sales year 0}}$
Net working capital (NWC)	=	Inventories + receivables + other operating current assets – trade payables – other operating current liabilities
Net interest-bearing debt	=	Cash and cash equivalents – bank loans
Dividend payout ratio	=	$\frac{\text{Total dividend}}{\text{Profit (loss) for the year}}$
Gross margin	=	$\frac{\text{Gross profit}}{\text{Revenue}}$
EBITA margin	=	$\frac{\text{EBITA}}{\text{Revenue}}$
ROIC (Return on invested capital including goodwill)	=	$\frac{\text{EBITA}}{\text{Average invested capital including goodwill}}$
Invested capital	=	NWC + property, plant and equipment and intangible assets + loans to dispensers of GN ReSound products + ownership interests – provisions
Cash conversion	=	$\frac{\text{Free cash flow excl. company acquisitions and divestments}}{\text{EBITA}}$
Return on equity (ROE)	=	$\frac{\text{Profit (loss) for the year}}{\text{Average equity of the Group}}$
Equity ratio	=	$\frac{\text{Equity of the Group}}{\text{Total assets}}$
Earnings per share basic (EPS)	=	$\frac{\text{Profit (loss) for the year}}{\text{Average number of shares outstanding}}$
Earnings per share, fully diluted (EPS diluted)	=	$\frac{\text{Profit (loss) for the year}}{\text{Average number of shares outstanding, fully diluted}}$
Market capitalization		Number of shares outstanding x share price at the end of the period
Outstanding shares		Number of shares listed - treasury shares

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PARENT COMPANY INCOME STATEMENT

DKK million	Note	2014	2013
Revenue		27	18
Gross profit		**27**	**18**
Development costs		(8)	(22)
Management and administrative expenses	1,2,3,4	(168)	(69)
Other operating income and costs, net		-	(1)
Operating profit (loss)		**(149)**	**(74)**
Financial income	5	119	109
Financial expenses	6	(134)	(112)
Profit (loss) before tax		**(164)**	**(77)**
Tax on profit (loss)	7	23	12
Profit (loss) for the year		**(141)**	**(65)**
Proposed profit appropriation/distribution of loss			
Retained earnings		(292)	(211)
Proposed dividends for the year		151	146
		(141)	**(65)**

STATEMENT OF COMPREHENSIVE INCOME

DKK million	2014	2013
Profit (loss) for the year	(141)	(65)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Adjustment of cash flow hedges	(6)	(1)
Tax relating to this item of other comprehensive income	2	-
Comprehensive income for the year	**(145)**	**(66)**

PARENT COMPANY BALANCE SHEET AT DECEMBER 31

DKK million	Note	2014	2013
ASSETS			
Intangible assets	8	93	84
Investments in subsidiaries	9	6,167	5,988
Amounts owed by subsidiaries	13	1,313	1,568
Total non-current assets		**7,573**	**7,640**
Tax receivables	11	-	5
Other receivables	13	18	9
Total current assets		**18**	**14**
Total assets		**7,591**	**7,654**
EQUITY AND LIABILITIES			
Share capital		672	693
Other reserves		(84)	598
Proposed dividends for the year		151	146
Retained earnings		3,194	3,477
Total equity		**3,933**	**4,914**
Bank loans	13	1,675	1,216
Provisions		12	15
Deferred tax liabilities		172	169
Total non-current liabilities		**1,859**	**1,400**
Bank loans	13	55	17
Trade payables	13	24	12
Tax payables	11	4	-
Amounts owed to subsidiaries	13	1,681	1,287
Other payables		35	24
Total current liabilities		**1,799**	**1,340**
Total equity and liabilities		**7,591**	**7,654**

PARENT COMPANY CASH FLOW STATEMENT

DKK million	Note	2014	2013
Operating activities			
Operating profit (loss)		(149)	(74)
Depreciation, amortization and impairment		27	19
Other non-cash adjustments	16	(4)	(8)
Cash flow from operating activities before changes in working capital		**(126)**	**(63)**
Change in receivables		(9)	(3)
Change in trade payables and other payables		18	8
Total changes in working capital		**9**	**5**
Cash flow from operating activities before financial items and tax		**(117)**	**(58)**
Interest and dividends, etc. received		21	24
Interest paid		(40)	(26)
Tax paid, net		37	16
Cash flow from operating activities		**(99)**	**(44)**
Investing activities			
Investments in intangible assets		(36)	(41)
Cash flow from investing activities		**(36)**	**(41)**
Cash flow from operating and investing activities (free cash flow)		**(135)**	**(85)**
Financing activities			
Increase of long-term loans		459	940
Increase of short-term loans		691	15
Paid dividends		(138)	(83)
Purchase/sale of treasury shares		(877)	(787)
Cash flow from financing activities		**135**	**85**
Net cash flow		**-**	**-**
Cash and cash equivalents, beginning of period		-	-
Cash and cash equivalents, end of period		**-**	**-**

PARENT COMPANY STATEMENT OF EQUITY

DKK million	Share capital (shares of DKK 4 each)	Other reserves: Additional paid-in capital	Other reserves: Hedging reserve	Other reserves: Treasury shares	Proposed dividends for the year	Retained earnings	Total equity
Balance sheet total at December 31, 2012	**775**	**2,749**	**-**	**(1,616)**	**94**	**3,678**	**5,680**
Profit (loss) for the period	-	-	-	-	-	(65)	(65)
Adjustment of cash flow hedges	-	-	(1)	-	-	-	(1)
Total comprehensive income for the year	-	-	(1)	-	-	(65)	(66)
Reduction of the share capital	(82)	(1,318)	-	1,400	-	-	-
Share-based payment (exercised)	-	(1)	-	1	-	-	-
Purchase/sale of treasury shares	-	-	-	(787)	-	-	(787)
Purchase of ownership interests in subsidiaries by payment in treasury shares	-	61	-	109	-	-	170
Proposed dividends for the year	-	-	-	-	146	(146)	-
Paid dividends	-	-	-	-	(83)	-	(83)
Dividends, treasury shares	-	-	-	-	(11)	11	-
Balance sheet total at December 31, 2013	**693**	**1,491**	**(1)**	**(893)**	**146**	**3,478**	**4,914**
Profit (loss) for the period	-	-	-	-	-	(141)	(141)
Adjustment of cash flow hedges	-	-	(6)	-	-	-	(6)
Tax relating to other comprehensive income	-	-	2	-	-	-	2
Total comprehensive income for the year	-	-	(4)	-	-	(141)	(145)
Reduction of the share capital	(21)	(518)	-	539	-	-	-
Purchase/sale of treasury shares	-	-	-	(877)	-	-	(877)
Purchase of ownership interests in subsidiaries by payment in treasury shares	-	60	-	119	-	-	179
Proposed dividends for the year	-	-	-	-	151	(151)	-
Paid dividends	-	-	-	-	(138)	-	(138)
Dividends, treasury shares	-	-	-	-	(8)	8	-
Balance sheet total at December 31, 2014	**672**	**1,033**	**(5)**	**(1,112)**	**151**	**3,194**	**3,933**

1 STAFF COSTS

DKK million	2014	2013
Wages, salaries and remuneration	(57)	(45)
Pensions	(2)	(3)
Total	**(59)**	**(48)**
Executive Management remuneration can be specified as follows:		
Anders Boyer, CFO of GN Store Nord	(6.3)	(6.5)
Total	**(6.3)**	**(6.5)**
Staff costs are included in Management and administrative expenses.		
Board of Directors remuneration	(5.0)	(4.4)
Average number of employees	53	46
Number of employees, year-end	54	48

For information regarding Executive Management and Board of Directors remuneration please refer to note 3 in the consolidated financial statements.

2 COSTS RELATING TO ACQUISITION OPPORTUNITY

In 2014, Management and administrative expenses include costs related to a discontinued acquisiton project of DKK 97 million.

3 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Amortization and impairment of intangible assets of DKK 26 million and DKK 1 million, respectively, are recognized in the Income Statement as Management and administrative expenses (2013: DKK 19 million and DKK 0 million).

4 FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

DKK million	2014	2013
Audit fees	(1)	(1)
Total	**(1)**	**(1)**
Other assistance		
Other audit-related services	(5)	0
Tax assistance and advice	(1)	(1)
Total	**(6)**	**(1)**
Total	**(7)**	**(2)**

5 FINANCIAL INCOME

DKK million	2014	2013
Interest income from subsidiaries*	86	94
Interest income from bank balances*	14	8
Financial income, other	1	-
Foreign exchange gain	18	7
Total	**119**	**109**

*Interest income from financial assets at amortized cost.

6 FINANCIAL EXPENSES

DKK million	2014	2013
Interest expense to subsidiaries*	(80)	(78)
Interest expense on bank balances*	(35)	(20)
Financial expenses, other	(5)	(7)
Foreign exchange loss	(14)	(7)
Total	**(134)**	**(112)**

*Interest expenses from financial liabilities at amortized cost.

7 TAX

DKK million	2014	2013
Tax on profit (loss)		
Current tax for the year	19	20
Deferred tax for the year	(3)	(8)
Adjustment to current tax in respect of prior years	7	(1)
Adjustment to deferred tax in respect of prior years	-	1
Total	**23**	**12**
Reconciliation of effective tax rate		
Danish tax rate	24.5%	25.0%
Non-taxable income	0.1%	0.0%
Non-deductable expenses	(15.0%)	(9.4%)
Other	4.3%	0.0%
Effective tax rate	**13.9%**	**15.6%**

In 2014, the parent company paid DKK 121 million in Danish corporation tax against DKK 200 million in 2013.

8 INTANGIBLE ASSETS

	Software	
DKK million	2014	2013
Cost at January 1	118	77
Additions	36	41
Cost at December 31	154	118
Amortization and impairment at January 1	(34)	(15)
Amortization	(26)	(19)
Impairment	(1)	-
Amortization and impairment at December 31	(61)	(34)
Carrying amount at December 31	**93**	**84**
Amortized over	1 - 7 years	1 - 7 years

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

9 INVESTMENTS IN SUBSIDIARIES

DKK million	2014	2013
Cost at January 1	5,988	5,803
Additions, capital contribution	179	185
Cost at December 31	**6,167**	**5,988**

Group companies are listed on page 96.

10 DEFERRED TAX

DKK million	2014	2013
Deferred tax, net		
Deferred tax at January 1, net	(169)	(162)
Adjustment in respect of prior years	-	1
Deferred tax for the year recognized in profit (loss) for the year	(3)	(8)
Deferred tax at December 31, net	**(172)**	**(169)**
Deferred tax, net relates to:		
Intangible assets	(23)	(21)
Retaxation	(152)	(152)
Provisions	3	4
Total	**(172)**	**(169)**

11 CURRENT TAX

DKK million	2014	2013
Tax receivable		
Tax receivable at January 1	5	2
Adjustment in respect of prior years	7	(1)
Payment relating to prior years*	(12)	(1)
Current tax for the year	19	20
Current tax for the year recognized in other comprehensive income for the year	2	-
Payments relating to the current year*	(25)	(15)
Tax receivable (payable) at December 31	**(4)**	**5**

* GN Store Nord A/S received DKK 37 million, net, related to the joint taxation scheme (2013: DKK 16 million).

12 CONTINGENT LIABILITIES, OTHER FINANCIAL LIABILITIES AND CONTINGENT ASSETS

Please refer to note 23 in the consolidated financial statements.

The company is jointly taxed with all Danish subsidiaries. The company is jointly and severally liable with the other companies in the joint taxation for Danish corporate taxes and withholding taxes on dividend, interests and royalties within the joint taxation.

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Contractual maturity analysis for financial liabilities

DKK million	Less than one year	Between one and five years	More than five years	Total
2014				
Long-term bank loans	-	1,452	223	1,675
Short-term bank loans	55	-	-	55
Trade payables	24	-	-	24
Amounts owed to subsidiaries	-	1,681	-	1,681
Total non-derivative financial liabilities	79	3,133	223	3,435
Derivative financial liabilities	-	7	-	7
Total financial liabilities	**79**	**3,140**	**223**	**3,442**
2013				
Long-term bank loans	-	1,216	-	1,216
Short-term bank loans	17	-	-	17
Trade payables	12	-	-	12
Amounts owed to subsidiaries	-	1,287	-	1287
Total non-derivative financial liabilities	29	2,503	-	2,532
Derivative financial liabilities	-	1	-	1
Total financial liabilities	**29**	**2,504**	**-**	**2,533**

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

Categories of financial assets and liabilities

DKK million	2014	2013
Other receivables	18	9
Receivables from subsidiaries	1,313	1,568
Loans and receivables	**1,331**	**1,577**
Bank loans, non-current	1,675	1,216
Bank loans	55	17
Trade payables	24	12
Amounts owed to subsidiaries	1,681	1,287
Financial liabilities measured at amortized cost	**3,435**	**2,532**
Derivative financial instruments included in Other payables	7	1
Financial liabilities measured at fair value	**7**	**1**

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

13 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Derivative financial instruments

Cash flow hedges, interest rate swap

	2014			2013		
	Contract amount, net	Fair value, assets	Fair value, liabilities	Contract amount, net	Fair value, assets	Fair value, liabilities
EUR*	1,005	-	7	671	-	1
Total	**1,005**	**-**	**7**	**671**	**-**	**1**

* Interest rate swaps denominated in EUR

GN has hedged future interest rates with interest rate swaps. Hedge accounting has been applied during 2014. The fair value of the interest rate swaps is determined using forward interest rates and can be categorized as level 2 (observable inputs) in the fair value hierarchy.

DKK million	2014	2013
Fair value adjustment for the year recognized in Other comprehensive income	6	1

14 OUTSTANDING SHARES AND TREASURY SHARES

For information regarding outstanding shares and treasury shares please refer to note 25 in the consolidated financial statements.

15 RELATED PARTY TRANSACTIONS

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

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

Group enterprises and associates are listed on page 96.

Board of Directors, Executive Management and Senior Employees
Management remuneration and incentive plans are described in notes 3 and 26 in the consolidated financial statements.

Group enterprises and associates
Trade with group enterprises and associates comprised:

DKK million	2014	2013
Sale of services to group enterprises	71	75
Lease income from group enterprises	13	12
Purchase of services from group enterprises	(28)	(39)
Lease costs paid to group enterprises	(13)	(13)
Purchase of intangible assets	(35)	(11)

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

15 RELATED PARTY TRANSACTIONS (CONTINUED)

The parent company's balances with group enterprises at December 31, 2014 are recognized in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in notes 5 and 6. Further, balances with group enterprises comprise trade balances related to the purchase and sale of goods and services.

Sale of services to group enterprises consists of facility services, canteen services, management fee and IT costs. Purchase of services from group enterprises mainly consists of facility services and canteen services. In 2014, the parent company has bought software from subsidiaries for a total amount of DKK 35 million. The transactions were carried out in preparation for the implementation of a new ERP platform for the entire Group. The assets were traded at net book values. Furthermore, the parent company has purchased development services on market terms from subsidiaries related to the exploring research projects undertaken in GN Other.

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

During the year GN Store Nord made a subsidy by transfer of shares in the subsidiary Scanning Technology A/S to GN Re-Sound A/S.

16 OTHER NON-CASH ADJUSTMENTS

DKK million	2014	2013
Adjustment of provisions	(4)	(8)
Total	**(4)**	**(8)**

17 ACCOUNTING POLICIES

The financial statements of the parent company, GN Store Nord A/S for 2014 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of listed companies. In addition, the financial statements have been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

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

The accounting policies for the financial statements of the parent company are unchanged from the last financial year and are the same as for the consolidated financial statements with the following additions. For a description of the accounting policies of the Group, please refer to the consolidated financial statements on page 89.

Supplementary accounting policies for the parent company

Investments in Subsidiaries
Investments in subsidiaries are recognized at cost less impairment losses. Where the recoverable amount is lower than cost, investments are written down to this lower value.

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

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

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

Statement by the executive management and the board of directors

Today, the executive management and the board of directors have discussed and approved the GN Store Nord A/S Annual Report 2014.

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

In our opinion the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position on December 31, 2014 and of the results of the group's and the parent company's operations and cash flows for the financial year January 1 - December 31, 2014.

Further, in our opinion the management's report includes a fair review of the development and performance of the group's and the parent company's business and financial condition, the profit/loss for the year and of the group's and the parent company's financial position, together with a description of the principal risks and uncertainties that the group and the parent company face.

We recommend that the annual report for 2014 be approved at the annual general meeting.

Ballerup, February 18, 2015

EXECUTIVE MANAGEMENT

Anders Hedegaard CEO, GN ReSound	**Niels Svenningsen** CEO, GN Netcom	**Anders Boyer** CFO, GN Store Nord

BOARD OF DIRECTORS

Per Wold-Olsen Chairman	**William E. Hoover Jr.** Deputy chairman	**Wolfgang Reim**
René Svendsen-Tune	**Hélène Barnekow**	**Carsten Krogsgaard Thomsen**
Leo Larsen	**Nikolai Bisgaard**	**Morten Andersen**

Independent auditors' report

TO THE SHAREHOLDERS OF GN STORE NORD A/S

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

We have audited the consolidated financial statements and the parent company financial statements of GN Store Nord A/S for the financial year January 1 – December 31, 2014, which comprise income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of equity and notes, including a summary of significant accounting policies. for the Group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

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

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

Auditors' responsibility

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

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at December 31, 2014 and of the results of the Group's and the parent company's operations and cash flows for the financial year January 1 – December 31, 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT'S REPORT

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

Copenhagen, February 18, 2015

ERNST & YOUNG
Godkendt Revisionspartnerselskab

Torben Bender State Authorised Public Accountant	Anders Stig Lauritsen State Authorised Public Accountant

FORWARD-LOOKING STATEMENTS

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

gn.com

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Cover: Louise Brasen is 21 years old. She lives and studies in Denmark and has had a severe and profound hearing loss since the age of 9