Making Life Sound Better

Annual Report 2015

GN Store Nord A/S

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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 leading supplier of Unified Communications headsets driven by customer-focused commercialization of a state-of-the-art product portfolio
- Double digit mid- to long-term CC&O 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

2015 in figures

14% revenue growth

+6% pts vs 2014

EBITA of DKK 1.5bn

+16% vs 2014

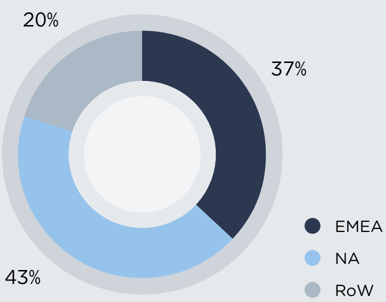
51% cash conversion

+13% pts vs 2014

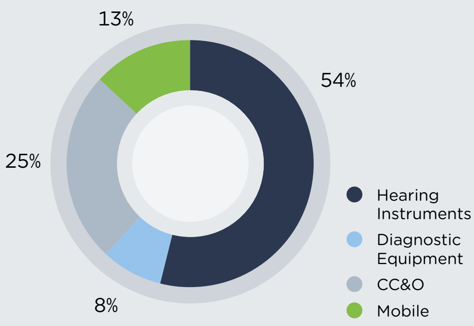
DKK 1.2bn share buybacks and dividends

+34% vs 2014

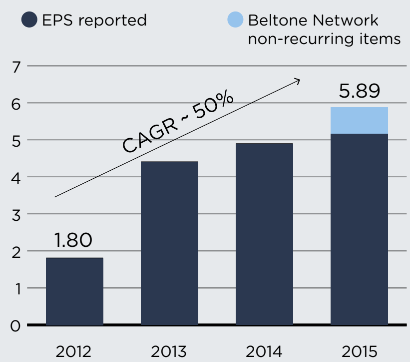
Revenue split by region



Revenue split on business units



EPS development
(DKK)



Foreword by the chairman

Relentless focus on commercialization of innovation delivered strong fundamental results in 2015 – and provides a solid platform for growth in 2016 and beyond

MAKING LIFE SOUND BETTER
In recent years, we have transformed GN from a company in restructuring to a leader in innovation and growth. Our focus is to continuously improve our commercialization of innovation, including the way we do sales and marketing. We want to continue to change our company as well as our industries. Today we have a joint purpose across the GN group: MAKING LIFE SOUND BETTER. By combining knowledge in medical hearing instruments with professional and consumer headset competencies, GN is uniquely positioned to develop intelligent audio solutions that allow our users to "hear more, do more and be more" than they ever thought possible.

THE YEAR 2015
2015 was a year with strong execution on our strategy for 2014 – 2016: INNOVATION & GROWTH. We have, both in GN ReSound and in GN Netcom, made significant progress in our quest to become more professional at commercializing innovation, thereby further strengthening our platform for continued growth in the coming years. 2015 was also a year with some unexpected factors, particularly the Beltone fraud case and the soft market conditions for GN Netcom in the first half of the year. While these circumstances were disturbing, both matters are now well behind us. Our fundamentals are good, and we have entered 2016 stronger than ever.

During 2015 we have – as planned – significantly upgraded our commercialization skillset with new hires in key positions, adding specific experience and knowhow in important functions. With our high ambition level, people changes were deliberate and an explicit part of our strategy for 2014 – 2016 under the enabler "enhancing organizational capabilities". The fact that we want to and need to be better at commercialization is why we have hired people from outside our industries into key management positions in sales and marketing. It is also the reason why we at the board level have added further commercialization, digital and APAC experience through last year's new board appointment of Ronica Wang.

GN ReSound's momentum is exceptionally strong – perhaps better than ever. This success is in part the result of new marketing and sales initiatives centered on a number of important product launches. The growth in 2015 was broad-based across regions, channels and customers. The three largest markets in the world are all examples of our remarkable success in 2015: North America – including in the highly competitive Veterans Affairs channel – as well as Japan and Germany.

The product launches during 2015 – including the launch of our fourth generation of hearing aids based on the 2.4 GHz technology, ReSound LiNX² ™ – clearly show that GN ReSound's innovation machine continues to run at full speed. We are determined to make sure that GN ReSound maintains its edge in product offerings – also in face of anticipated 2.4 GHz-based products from our competitors in 2016 – and we are truly excited about the successor of ReSound LiNX², which will offer unprecedented user benefits and will be launched in line with GN ReSound's normal launch cycle.

During 2015, GN Netcom, like GN ReSound, made significant improvements in its approach to commercializing innovation. And, while 2015 proved to be a challenging year for GN Netcom, these improvements allowed us to achieve market share gains in the core parts of GN Netcom's business. Among other things, GN Netcom established a global marketing organization covering both the CC&O and Mobile divisions with significantly upgraded competencies and a higher degree of specialization, including digital marketing.

After very soft market conditions in the first half of the year for our Unified Communications (UC) business we returned, as projected, to normal growth rates in the second half. For 2016 and beyond, the growth of the UC market is supported by the significant investments made by the UC software providers, including Microsoft's upgrade from Lync to Skype for Business, with new cloud capabilities, further expanding the reach of UC into Small and Medium-sized Enterprises.

During 2015, GN Netcom launched new innovative Mobile products, including Jabra Sport Pace™ Wireless, an affordable sports headset. With this, GN Netcom took an important step in the re-positioning of the product offering in the Mobile segment towards products where music and voice converge beyond the traditional mono-segment, which faced significant challenges and negative growth in 2015.

Reflecting the continued strong business performance by GN ReSound and GN Netcom, and reflecting our strategy to distribute excess cash flow to our shareholders, GN has during 2015 distributed DKK 1.2 billion to its shareholders – an increase of more than 30% compared to 2014 – through share buyback programs and dividend.

In 2015, we have made significant progress within human resources (HR) and we are becoming truly professional in several areas. We are now in a much stronger position to attract and retain some of the best people and competencies available in the market.

While the share price performance over the last few years is very strong – with an increase of more than 50% during the last three years – we cannot be pleased with the negative share price development during 2015. The Beltone fraud case, the uncertainty caused by the soft market conditions for GN Netcom during first half of the year, as well as the significant attention surrounding patent litigations, were not predictable – and investors and analysts do not like negative surprises. These specific circumstances were, however, temporary in nature and they are now well behind us.

2016 AND BEYOND

We are well positioned to continue to deliver on our financial targets for 2016 as set out in the strategy for 2014 – 2016 – just as we delivered on the ambitious targets in our strategy for 2011 – 2013. In GN ReSound, we aim to continue to grow at least double the speed of the market, and in GN Netcom we aim to continue to grow with double digit rates in the core CC&O business. While continuing to invest in growth, we will – as previously communicated – ensure that the EBITA margin in both businesses continues to be in line with top-tier competitors.

Late this year, we will communicate our strategy for 2017 – 2019. But make no mistake: Profitable growth driven by innovation and commercialization will continue to be the core of our business also going forward. We will leverage the full end-to-end potential of GN and start to capture digital opportunities in order to take a leading position in our industries.

Our achievements in 2015, and our ability to deliver on our strategic plans for 2016 and beyond, are the product of the hard and dedicated work of our more than 5,000 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.

Per Wold-Olsen
Chairman

Making life sound better

GN is uniquely positioned to combine knowledge in medical hearing instruments with professional and consumer headset competencies. With world leading expertise in the human ear, sound, wireless technologies, software and miniaturization, GN develops intelligent audio solutions allowing users to "hear more, do more and be more"

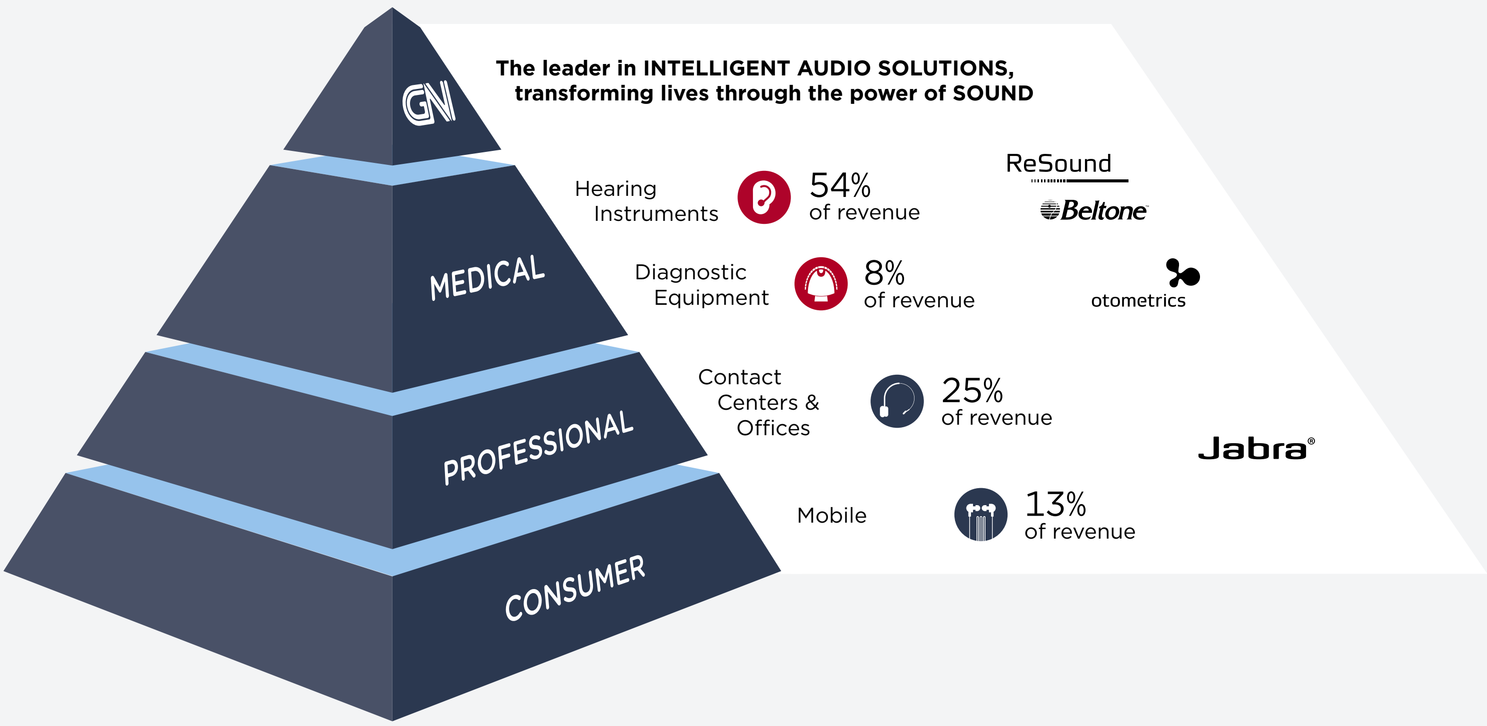
UNITED BEHIND A COMMON PURPOSE AND VISION
GN uniquely incorporates world-leading expertise in the human auditory system, sound and speech, wireless technologies, and software development, linking deep insight and knowledge from both the hearing aid and the headset industries - all under one roof.

By bringing the GN group of brands even closer together than today, sharing knowledge and expertise, GN can develop stronger intelligent audio solutions. This will give GN a resilient presence in the market as the group will further increase desirability, trust and credibility and thereby offer more appealing brands to our users.

In support of this GN has articulated a new purpose and vision that encapsulates the entire group and all its brands. GN's purpose is to MAKE LIFE SOUND BETTER and its newly articulated vision is to be THE LEADER IN INTELLIGENT AUDIO SOLUTIONS, TRANSFORMING LIVES THROUGH THE POWER OF SOUND. This marks a new chapter in the company's 146 years of history tying the group's divisions and activities closer together towards a common goal.

As a result, now more than ever, GN's leaders and employees are thinking and acting as one company, uniting behind this common vision and purpose. This will further strengthen GN's position as the only company with intelligent audio

WORLD LEADING AUDIO SOLUTIONS EXPERTISE – ALL UNDER ONE ROOF



solutions expertise across consumer, professional and medical solutions under one roof, that let people hear more, do more and be more, thus spearheading the development of the "hearables" of the future.

PIONEERING INTELLIGENT AUDIO SOLUTIONS

Leading the way and pioneering bold innovations has always been embedded in GN's DNA. Supreme understanding of high quality sound in all its forms has helped GN pioneer new communication experiences, from wired to wireless – from the continental telegraph connections of the 19th century to the technologically advanced and user-friendly headsets and hearing aids of the 21st century.

In 1870, GN first connected the Far East, China and Japan, with the rest of the world via telegraphic cables. And, in this process, invented the code that to this day enables computerization of Chinese characters.

GN was first to market a mobile Bluetooth headset and pioneered hearing aids with digital sound processing. GN was first to utilize 2.4 GHz technology in hearing aids for direct connectivity and introduced the world's first Made for iPhone hearing aid with direct stereo sound streaming. For the first time, hearing aid users were provided with supreme spatial sound alongside seamless connectivity to a full range of accessories, including smartphones and tablets. GN launched the world's first professional active noise cancelation headphone certified for all leading Unified Communications (UC) platforms and launched the world's first wireless Dolby sports earbuds with integrated heart rate monitor.

THE TRANSFORMATIONAL POWER OF SOUND

Sound impacts human beings both physiologically and psychologically. For the hearing impaired, being unable to communicate is debilitating. For the office worker, being unable to concentrate or take phone calls because of too much noise severely reduces productivity and can cause stress.

GN's Smart Hearing aids transform the lives of the hearing impaired: letting them rediscover the pleasure of gathering with friends and family, taking a phone call, feeling more confident at work and enjoying movies, music and TV programs.

GN's headsets, for professional and personal use and earbuds for an active life style, have the capability to improve work productivity, optimize training to increase well-being and fitness levels or enhance the pleasure of listening to music.

UTILIZING SOUND FOR MORE

GN's unique combination of competencies enables the group to develop truly intelligent audio solutions, where a hearing aid or a headset does much more than just amplify speech and sound. They are comprehensive solutions that support the user in a variety of ways.

A hearing aid should obviously deliver a high-quality sound experience. But sublime audio is far from enough. Today's hearing aids should be simple and easy to use and offer a broad range of advantages for the user. A premium hearing aid should be able to connect directly to an iPhone so the user can easily get phone calls – or music – directly in their ear. It should be easy to adjust the hearing aid to different sound environments. At home, at work or on the go, the user should be able to wirelessly connect the hearing aids to any sound source – phone, TV, radio, computer etc. This and much more is already addressed with GN's comprehensive portfolio of Smart Hearing aids.

GN INNOVATION BREAKTHROUGHS THAT HELP PEOPLE DO MORE

2009 First to launch professional headsets with touch screen (triple connectivity)

2010 First to launch hearing aid featuring 2.4 GHz technology for direct connectivity

2011

2012 First to launch ear-to-ear communication based on 2.4 GHz wireless connectivity

Launches the world's first Bluetooth headset with Active Noice Cancellation

2013

2014 Launches the world's smartest and first Made for iPhone hearing aid

World's first wireless headset with an integrated heart rate monitor

2015 Introduces Smart Hearing with Spatial Sense™

The same pertains to a headset: high-quality sound is just not enough to satisfy today's consumer – at work, during sports or when enjoying music. GN's headsets all offer amazing sound quality for playing music, plus more. "More" can be solutions for noise reduction and increased concentration in open offices – and connecting to your mobile or PC phone. Or it could be sports earbuds with heart rate monitoring or in-ear coaching, which allow you to monitor your fitness progress.

THE INNOVATION POWERHOUSE

Today, GN is the only audio solutions company with world-leading expertise in ears, sound, wireless and miniaturization, linking deep insight and knowledge from both the hearing aid and the headset industries – all under one roof.

Researchers and scientists from across GN's R&D departments within headsets and hearing aids collaborate on new technology concepts. Sharing knowledge and ideas between different research groups, clusters and disciplines such as software, hardware, hearing science, neuroscience and psycholinguistics across the group is an integral element of GN's innovation powerhouse.

Additionally, GN sponsors external research centers and universities, and GN researchers work closely with scientists from across the world to stay at the forefront of scientific breakthroughs. World-leading scientists participate in the GN Scientific Advisory Board to provide GN with deep and forward-looking insight and valuable guidance from global state of the art research within current GN technology areas as well as potential new technologies in adjacent areas.

TOWARDS A FUTURE OF HEARABLES

At the International CES in Las Vegas, we were again reminded that the human ear is a crucial entry point that used intelligently can support a person with many more tasks than merely hearing sound. For people living with sight loss an intelligent headset solution from GN with compass, gyroscope, and GPS can let wearers know exactly where they are – e.g. which stores are nearby. And the ear is also a unique and precise source of multiple human data – such as heart rate, temperature, cadence or gravitational force.

Today, GN already utilizes much of this "ear data" to deliver a range of added benefits to users of sports earbuds with integrated in-ear heart rate monitor, motion sensors, etc. In the future, a variety of applications can be incorporated in both headsets and hearing aids for various performance, health or safety purposes.

Thus, "hearables" are hybrid devices that e.g. merge health tracking capabilities with high quality audio. Tomorrow's "hearables" will offer users an ever increasing range of features and functionalities. When, for instance, combining accurate heart rate readings and core body temperature levels from the ear with movement sensors and GPS readings, the possibilities for providing innovative and important new products, services and solutions are literally endless.

GN's ability to continue to develop revolutionizing new technology and transform these innovations into commercial solutions that solve real challenges for human beings is the foundation for the group's continued quest to provide people with intelligent audio solutions that let them hear more, do more and be more than they ever thought possible.

VAST GLOBAL FOOTPRINT

GN markets its intelligent audio solutions in more than 90 countries. The group has research centers in Denmark, USA, the Netherlands and China. Its main hearing aid manufacturing plants are located in Denmark, China and Malaysia. The group outsources the manufacturing of its headsets as part of cost optimization.

GN commands a vast and fine-meshed system of channels to reach target consumers. The Contact Centers & Offices business (CC&O) markets its professional solutions via regional distributors and value added resellers to corporate customers. A dedicated sales team works with the top 1,000 global enterprises, and fulfillment is handled via value added resellers. GN enters into close strategic alliances with large IT integration and communication solutions providers to continually expand its reach with corporate customers.

The mobile business sells via close partnerships with consumer electronics chains online and in brick-and-mortar stores as well as increasing e-commerce. PR, social media and online marketing are important tools to raise awareness among these consumers.

The hearing aid business predominantly sells business-to-business. The primary customer categories are independent hearing clinicians, larger hearing aid chains and public health organizations. GN's strategy is to enter into strategic partnership with these customers and not to engage directly in retail activities. These types of customers also buy the group's diagnostic equipment.

Execution of strategy in 2015

GN ReSound

Increase marketing & sales efforts

- Achieved significant growth in key markets and channels worldwide, including Germany, Japan, and Veteran Affairs
- Enhanced marketing and sales initiatives centered around product launches during the year, including the launch of ReSound LiNX^2 – the 4^{th} generation of hearing aids based on 2.4 GHz – as well as ReSound Enya in the essentials segment and ReSound ENZO^2 in the super power segment
- Established a Smart Hearing Alliance with Cochlear to develop and commercialize bimodal solutions for people using both implants and hearing aids

Gain preferred supplier status

- Continued to strengthen the position as preferred partner by offering leading technology and by refraining from vertical integration
- Won Costco's Kirkland Signature 6 contract, underlining the leading technology and superior customer service provided by GN ReSound
- Continued to exploit the demand for long-term partnerships through financial support arrangements

8% organic increase in revenue

11% constant currency increase in EBITA

Accelerate innovative R&D

- Continued to develop innovative products with distinctive user benefits, fortifying GN ReSound's long-term technology advantage with a highly attractive and competitive product pipeline in 2016 and beyond
- Developed a full family of new and superior hearing aid offerings, ReSound LiNX^2 and Beltone Legend, as well as a 2^{nd} generation of superior super power hearing aids, ReSound ENZO^2
- Expanded its renowned sound expertise and innovative wireless technologies into lower priced solutions for the first time, with the launch of ReSound Enya

Grow GN Otometrics into new channels and offerings

- Launched new features and enhancements in AURICAL that help hearing care professionals boost efficiency throughout the fitting process so there is more time for quality counseling and care
- Acquired Biomedica from Amplifon, strengthening GN Otometric's position in Italy

GN Netcom

Increase marketing and sales efforts

- New global marketing organisation with significantly upgraded competencies, including online marketing knowhow
- Increased investments in co-marketing with channel and retail partners to extend reach and impact, more than doubling the point of sale marketing display presence

Key market initiatives

- Leveraged the strong CC&O product portfolio and improved sales execution to gain market share, for example, in North America and with global accounts
- Further strengthened its position as the world's leading supplier of UC headsets, for example, with the successful Jabra Evolve
- Maintained its leading position in the personal speaker category, for example, with the announcement of Jabra Speak 810 for mid-large sized meeting rooms
- Strengthened its partnerships with key US retailers in the consumer space, including Best Buy and Target

2% organic increase in revenue

4% constant currency increase in EBITA

Deeper and broader customer focus

- Continued to develop and commercialize innovative solutions with distinctive customer benefits, for example, with Jabra Evolve and with Jabra Speak 810

Stronger online presence

- Further strengthened focus on digital as a key marketing platform with increased digital presence and uplift in digitally generated revenue

Refine music portfolio

- Extended its product range with the Launch of Jabra Sports Coach and Jabra Sports Pace. Together with the already successful Jabra Sports Pulse, Jabra now offers a full portfolio of sports products addressing a market segment with very high growth
- Significantly outperformed the voice market in all key markets, fuelled by the launch of three new strong products: Jabra Eclipse, Jabra Boost and Jabra Steel

Consolidated financial highlights

DKK million	2011	2012	2013	2014	2015
GN ReSound					
Revenue	3,450	3,896	4,179	4,469	5,175
- Hearing Instruments	3,060	3,423	3,636	3,892	4,526
- Otometrics	390	473	543	577	649
Organic growth	9%	6%	10%	8%	8%
- Hearing Instruments	9%	5%	10%	8%	9%
- Otometrics	5%	13%	10%	6%	2%
Gross profit margin*	60.8%	63.0%	65.5%	67.1%	65.8%
EBITA*	426	551	842	897	995
EBITA margin*	12.3%	14.1%	20.1%	20.1%	19.2%
EBITA reported	426	321	738	897	995
ROIC (EBITA/Invested capital)	9.2%	6.6%	14.6%	15.9%	15.8%
Free cash flow excl. company acquisitions and divestments	81	99	47	287	592
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	19%	31 %	6%	32%	59%
GN Netcom					
Revenue	2,106	2,355	2,612	2,871	3,229
- CC&O	1,400	1,530	1,591	1,854	2,148
- Mobile	706	825	1,021	1,017	1,081
Organic growth	9%	7%	18%	11%	2%
- CC&O	12%	5%	12%	18%	6%
- Mobile	3%	11%	27%	(1)%	(5)%
Gross profit margin	56.4%	54.2%	52.7%	53.6%	52.6%
EBITA	310	362	472	521	540
EBITA margin	14.7%	15.4%	18.1%	18.1%	16.7%
EBITA reported	310	362	472	521	540
ROIC (EBITA/Invested capital)	48.8%	57.1%	64.7%	56.5%	46.9%
Free cash flow excl. company acquisitions and divestments	358	236	178	340	271
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	115%	65%	38%	65%	50%
GN Store Nord					
Revenue	5,564	6,251	6,791	7,340	8,404
Organic growth	9%	6%	13%	9%	6%
Gross profit margin*	59.2%	59.7%	60.6%	61.8%	60.7%
EBITA*	1,284	846	1,284	1,260	1,457
EBITA margin*	23.1%	13.5%	18.9%	17.2%	17.3%
EBITA reported	1,284	616	1,180	1,260	1,457
Operating profit (loss) reported	1,247	528	1,118	1,195	1,220
Financial items, net	(28)	(69)	(91)	(84)	(133)
Profit (loss) before tax reported	1,225	461	1,023	1,116	1,092
Effective tax rate	29%	30%	28%	29%	26%
Profit (loss) for the year reported	865	321	735	793	805
Total assets	11,181	8,199	8,963	10,229	11,176
Consolidated equity	6,878	5,542	5,330	5,667	5,764
Parent company equity	4,653	5,680	4,914	3,933	2,684
ROIC (EBITA/Invested capital)	16.1%	8.7%	19.6%	18.5%	19.0%
Earnings per share, basic (EPS)	4.31	1.80	4.40	4.89	5.16
Earnings per share, fully diluted (EPS diluted)	4.27	1.78	4.35	4.85	5.14
Investments in property, plant and equipment	(82)	(103)	(120)	(106)	(179)
Free cash flow excl. company acquisitions and divestments	297	2,756	93	480	743
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	23%	447%	8%	38%	51%
Equity ratio	61.5%	67.6%	59.5%	55.4%	51.6%
Net interest-bearing debt	1,269	230	1,113	1,631	2,212
Net interest-bearing debt (period-end)/EBITDA	0.9	0.3	0.9	1.1	1.4
Payout ratio	16%	17%	18%	19%	20%
Share buybacks**	641	1,614	787	877	1,162
Outstanding shares, end of period (thousand)	192,974	170,486	164,740	159,592	152,254
Average number of outstanding shares, fully diluted (thousand)	202,604	180,613	168,891	163,619	156,734
Treasury shares, end of period (thousand)	15,386	23,211	8,589	8,429	9,937
Share price at the end of the period	48	82	133	135	125
Market capitalization	9,634	13,980	21,910	21,513	19,032

* Excluding SMART restructuring costs
** Including buybacks as part of the share based incentive programs

Group performance 2015

In 2015, GN Store Nord continued to execute on the strategy for 2014 – 2016. Highly successful product launches and improved commercial excellence generated 14% revenue growth and further underlying margin expansion. GN enters 2016 in a very strong position for accelerated growth

REVENUE

Based on highly successful product launches as well as further investments in marketing and sales, GN increased revenue to DKK 8,404 million – an increase of 14% compared to 2014. Excluding the development in foreign exchange rates the growth was 6%, with M&A having limited impact. Compared to 2014 GN increased revenue by more than DKK 1 billion.

EBITA

Reported EBITA ended at DKK 1,457 million, an increase of 16% compared to 2014. The group EBITA in constant currencies increased by 7% (excluding the costs related to the abandoned M&A opportunity in 2014). In constant currencies the EBITA margin thereby ended at 18.7%, compared to 18.5% in 2014 (excluding the costs related to the abandoned M&A opportunity) – on track to deliver the guided underlying margin improvement from 2014 to 2016.

NET PROFIT

Amortization of acquired intangible assets was DKK (77) million, while gain (loss) on divestment of operations etc. ended at DKK (10) million, in line with 2014. In Q2 2015, it was discovered that the VP of Finance in the Beltone distribution network had committed accounting fraud. As a result of this discovery and the investigations conducted, a one-off loss of DKK 150 million related to 2012 – 2014 has been booked by GN ReSound in Q2 2015 in the line "Beltone Network non-recurring items" (no cash effect). Financial items ended at DKK (133) million. The effective tax rate was 26.3%, and the net profit thereby ended at DKK 805 million in line with indicated guidance.

OTHER PERFORMANCE INDICATORS

The group cash conversion ended at 51% in 2015, reflecting an improvement of 13 percentage points compared to 2014. As expected and previously communicated, the improved cash conversion is primarily driven by GN ReSound. The improvement in GN ReSound was even stronger than expected, and management is pleased to see that GN ReSound already in 2015 generated a cash conversion in line with industry peers.

The return on invested capital (ROIC) was 19.0% in 2015 corresponding to an increase of 0.5 percentage points compared to 2014, which is however primarily explained by the abandoned M&A opportunity in 2014. ROIC is negatively impacted by the strengthening of the USD against DKK as

Financial overview Q4 2015

	GN ReSound				GN Netcom				Group total*			
DKK million	Q4 2014	Constant currency growth	FX effect	Q4 2015	Q4 2014	Constant currency growth	FX effect	Q4 2015	Q4 2014	Constant currency growth	FX effect	Q4 2015
Revenue	1,226	+10%	+8%	1,453	894	+3%	+9%	1,005	2,120	+7%	+9%	2,458
Organic growth	*8%*			*9%*	*20%*			*3%*	*13%*			*7%*
Gross profit	833	+10%	+7%	974	491	+4%	+1%	518	1,324	+8%	+5%	1,492
Gross margin	*67.9%*	*(0.1)%-p*	*(0.8)%-p*	*67.0%*	*54.9%*	*+0.5%-p*	*(3.9)%-p*	*51.5%*	*62.5%*	*+0.4%-p*	*(2.2)%-p*	*60.7%*
EBITA	291	+10%	+7%	340	201	+7%	(3)%	210	477	+6%	+3%	522
EBITA margin	*23.7%*	*(0.2)%-p*	*(0.1)%-p*	*23.4%*	*22.5%*	*+0.8%-p*	*(2.4)%-p*	*20.9%*	*22.5%*	*(0.3)%-p*	*(1.0.)%-p*	*21.2%*
Free cash flow excl. M&A	113			248	43			68	158			340

* Including "Other"

the majority of the goodwill is denominated in USD, while the positive effect on EBITA is essentially postponed one year due to the group's hedging policy.

Earnings per share (EPS) ended at DKK 5.16 reflecting a 6% improvement compared to 2014. Excluding the one-off related to the Beltone accounting fraud, EPS increased 21%. Since the beginning of the current strategy period, EPS has increased with a CAGR of 16%, when excluding the one-off related to the Beltone accounting fraud. This is primarily based on the strong increase in net profit, but also due to the decrease in the average number of outstanding shares and the ongoing share buyback programs.

DIVIDEND AND SHARE BUYBACK PROGRAMS

Based on the relentless focus to deliver shareholder value, and in line with GN's capital structure policy, GN has distributed around DKK 1.2 billion to shareholders in 2015 with DKK 151 million as dividend and DKK 1,047 million in three different share buyback programs. As of February 12, 2016, GN has repurchased shares for an amount of DKK 179 million in 2016. The board of directors will propose to pay out DKK 0.99 per share in dividend for the fiscal year 2015 (equivalent to a total dividend of DKK 161 million) compared to DKK 0.90 per share last year, up 10%.

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 targets a net interest-bearing debt of around 1.7 times EBITDA by the end of 2016. The current share buyback program will be concluded no later than March 9, 2016. As of December 31, 2015, the net interest-bearing debt amounted to DKK 2,212 million – equivalent to 1.4 times EBITDA. As of February 12, 2016, GN holds 11,403,340 treasury shares equivalent to 7.0% of the share capital. At the annual general meeting to be held in March 2016, the board of directors will propose to cancel 7,403,340 shares.

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. During the discovery phase, GN learned of alleged intentional document destruction and has submitted a motion for sanctions asking the Court to determine the appropriate remedy for Plantronics' alleged misconduct. It is expected that the court will schedule a hearing on the matter in Q1 2016.

PATENT DISPUTES WITH WILLIAM DEMANT HOLDING

On January 7, 2016 GN and William Demant Holding reached an agreement to settle all patent disputes between the two companies, thereby terminating all patent litigations – both in Europe, including Denmark, and in North America – with immediate effect.

The settlement includes broad-based cross-licensing of 15 different patents related to historic, pending as well as some potential future disputes. The details of the financial arrangement are undisclosed. However, the settlement of the 15 patents includes an annual net license payment to William Demant, which will have no material financial impact on the results of either party.

Financial overview FY 2015

	GN ReSound				GN Netcom				Group total*			
DKK million	FY 2014	Constant currency growth	FX effect	FY 2015	FY 2014	Constant currency growth	FX effect	FY 2015	FY 2014	Constant currency growth	FX effect	FY 2015
Revenue	4,469	+9%	+7%	5,175	2,871	+2%	+10%	3,229	7,340	+6%	+8%	8,404
Organic growth	*8%*			*8%*	*11%*			*2%*	*9%*			*6%*
Gross profit	2,998	+9%	+5%	3,406	1,538	+6%	+4%	1,697	4,536	+8%	+5%	5,103
Gross margin	*67.1%*	*(0.1)%-p*	*(1.2)%-p*	*65.8%*	*53.6%*	*+1.9%-p*	*(2.9)%-p*	*52.6%*	*61.8%*	*+0.9%-p*	*(2.0)%-p*	*60.7%*
EBITA	897	+11%	0%	995	521	+4%	0%	540	1,260	+16%	0%	1,457
EBITA margin	*20.1%*	*+0.4%-p*	*(1.3)%-p*	*19.2%*	*18.1%*	*+0.4%-p*	*(1.8)%-p*	*16.7%*	*17.2%*	*+1.5%-p*	*(1.4)%-p*	*17.3%*
Free cash flow excl. M&A	287			592	340			271	480			743

* Including "Other"

Financial outlook

In 2016, GN will continue to execute on the 2014 – 2016 strategy, INNOVATION & GROWTH, leading to continued revenue growth and improved profitability

Financial guidance 2016

DKK million	Organic revenue growth	EBITA	Profit before tax	Effective tax rate
GN ReSound	Around 6%	Around 1,200		
GN Netcom	7 - 10%	Around 590		
- CC&O	More than 10%			
- Mobile	0 - 6%			
Other		Around (70)		
GN Store Nord	**Around 7%**	**Around 1,720**	**Around 1,520**	**25 - 26%**

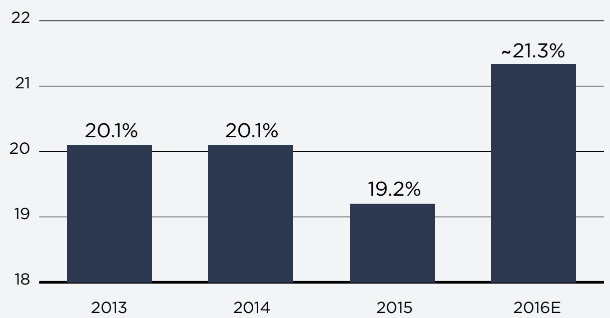
GN has entered the last year of the strategy 2014 – 2016, INNOVATION & GROWTH, in a strong shape and will continue to execute on the key initiatives of the strategy. 2016 is expected to be a strong finish of the strategy period:

- Increased organic revenue growth from 6% in 2015 to "around 7%" in 2016
- EBITA margin to be visibly above the level before entering the strategy period in 2014 (constant currencies)
- Effective tax rate of "25-26%" down from 26% in 2015 and a material improvement from "26-27%" previously communicated
- Guidance on Financial items, Amortizations etc down from DKK (365) million in 2015 to "around DKK (200) million" in 2016
- All – combined with continued share buy backs - leading to a further increase in EPS in 2016

The foreign exchange development will positively impact the financial outlook in 2016. Due to GN's rolling 12 months hedging of the EBITA exposure in the main currencies, the impact on EBITA of any change in the main exchange rates is essentially postponed one year while the majority of the revenue impact will be seen immediately for both GN

GN ReSound EBITA margin reported*

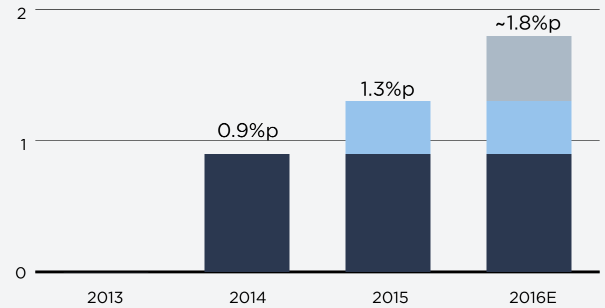
(%)



* Based on foreign exchange rates as of February 1, 2016

GN ReSound EBITA margin improvement in constant currencies compared to 2013

(%-points)



ReSound and GN Netcom. In 2015, GN had hedging losses of around DKK 130 million in particular due to appreciation of the USD versus the DKK. This loss will be significantly lower at around DKK 20 million in 2016 (based on foreign exchange rates as of February 1, 2016). Overall, GN is positively exposed to appreciations in larger foreign currencies such as USD, GBP and JPY.

GN RESOUND

Guidance 2016

GN ReSound expects to gain further market share in 2016 in line with the financial targets outlined in the strategy 2014 – 2016, INNOVATION & GROWTH. Based on continued strong execution of the strategy, GN ReSound expects to deliver organic revenue growth of "around 6%" in 2016. This is estimated to be at least 3 percentage points above expected market growth.

Due to the appreciation of a number of foreign currencies and non-recurring hedging losses the reported revenue growth in 2016 is expected to be "around 9%" (based on foreign exchange rates as of February 1, 2016).

The solid revenue growth is expected to have a visible positive impact on EBITA. In absolute terms, GN ReSound's EBITA is expected to be "around DKK 1,200 million". This is equivalent to a margin expansion of around 2 percentage points compared to 2015, of which the larger part is driven by foreign exchange tailwind and around 0.5 percentage points are organically driven margin expansion – in continuation of the 0.4 percentage points EBITA-margin expansion in 2015. In 2016, GN ReSound will further accelerate sales and marketing activities and also increase activities and investments related to innovative R&D.

As part of the strategy 2014 – 2016, INNOVATION & GROWTH, GN ReSound targeted that ROIC in constant currencies improved by more than 4 percentage points compared to the level in 2013 (14.6%). The sustainable and profitable growth delivered by GN ReSound during the strategy period means that the target is expected to be achieved in 2016. Based on current foreign exchange rates this means that the reported ROIC will be around 18% in 2016, significantly up from 15.8% in 2015. The slightly lower reported target is primarily due to the continued appreciation of the USD compared to DKK, as the EBITA effect for 2016 is postponed due to hedging, while the effect on invested capital impacts ROIC immediately.

Market projections

In the mid- to long term, the value of the global hearing aid market is expected to grow 1 – 4% per year. This reflects annual unit growth of 3 – 5% and a modest ASP erosion of 1 - 2% per year. GN ReSound expects that the hearing aid market growth will be within this range again in 2016.

All regions are projected to show market growth in value within the 1 – 4% range in 2016. However, Europe is expected to be in the low end of the range due to, among other factors, reimbursement changes in the Netherlands.

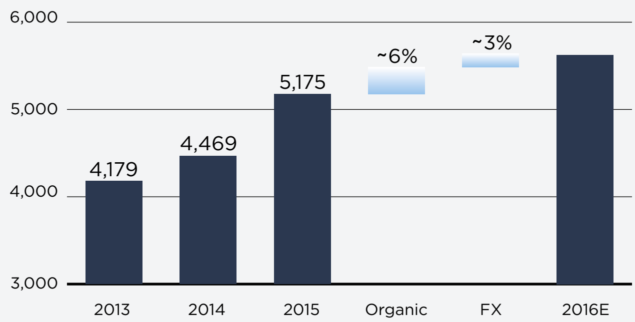
GN NETCOM

Guidance 2016

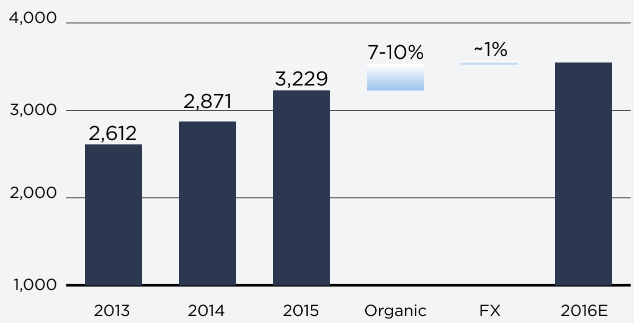
Based on continued strategy execution and attractive market conditions, GN Netcom expects organic revenue growth of "7 - 10%" in 2016. The expected organic revenue growth will be driven by "more than 10%" organic growth in the high margin CC&O business and with "0 - 6%" organic growth in the Mobile division.

In reported terms, GN Netcom's revenue growth is expected to be "8 - 11%" primarily due to a slight appreciation of a number foreign currencies (based on foreign exchange rates as of February 1, 2016).

GN ReSound revenue*
(DKK million)



GN Netcom revenue*
(DKK million)



* Based on foreign exchange rates as of February 1, 2016

GN Netcom's strong revenue growth is expected to lead to EBITA of "around DKK 590 million" in 2016. In constant currencies, the EBITA margin is estimated to grow by around one percentage point in 2016 compared to 2015. GN Netcom's strong execution on the strategy 2014 – 2016, INNOVATION & GROWTH, is driving the profitable growth.

GN Netcom expects to maintain a high ROIC level again in 2016, which has been an important financial ambition as part of the strategy 2014 – 2016, INNOVATION & GROWTH. In 2016, GN Netcom expects ROIC to be around 45% in reported currencies, which is slightly down from 47% in 2015, primarily related to the continued appreciation of the USD against the DKK, which has a slightly negative effect on EBITA, but moves invested capital up. However, the guidance is in line with the previously communicated target for 2016 adjusted for the movements in foreign currencies.

Market projections

Following unusually soft CC&O market conditions in the first half of 2015, GN Netcom expects normalized growth levels in 2016. In CC&O, the market is projected to return to double-digit growth rates again driven by the continued increased penetration of UC solutions. According to Frost & Sullivan, the overall CC&O market is expected to grow on average 12% per year from 2014 - 2021 (CAGR), of which the UC market is expected to grow annually by 19% on average in the period.

The markets in which the Mobile division is operating are still expected to show different growth trends in 2016 and the outlook contains some degree of uncertainty due to rapidly changing consumer trends. However, the recent trends are expected to continue into 2016 with strong growth in the Sports Audio, and further market declines in the traditional Mobile market with the large Bluetooth mono category.

OTHER ACTIVITIES, FINANCIAL ITEMS AND TAX

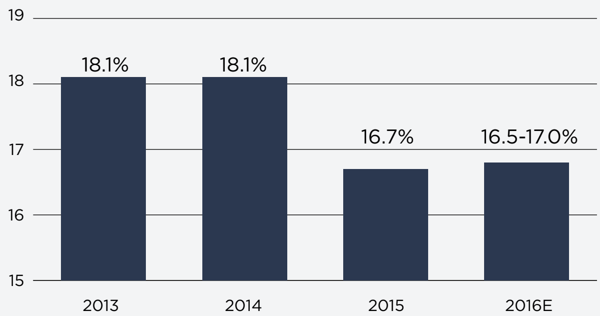
EBITA in Other is expected to be "around DKK (70) million" in 2016 (DKK (78) million in 2015). The costs in Other primarily reflect operating costs for the functions shared across GN ReSound and GN Netcom. Additionally, the board of directors has decided to invest in certain stategic initiatives in the Strategy Committee, including new concrete products and business opportunities being pursued in 2016. These projects are aimed at discovering potential future business opportunities outside the immediate area of where GN ReSound and GN Netcom operate today, but leveraging on the core knowledge and competencies of GN.

Amortizations, financial items, etc. is expected to be "around DKK (200) million", which is lower than the realized level of DKK (365) million in 2015. The lower amount is primarily due to the non-recurring loss related to the Beltone accounting fraud in 2015.

As the corporate tax rate in Denmark is gradually lowered, GN also expects to see a further decrease in the effective tax rate. In 2015, the rate was 26% and is expected to improve to "25 - 26% in 2016. This is below the previous 2016 target of "26 - 27%".

GN Netcom EBITA margin reported*

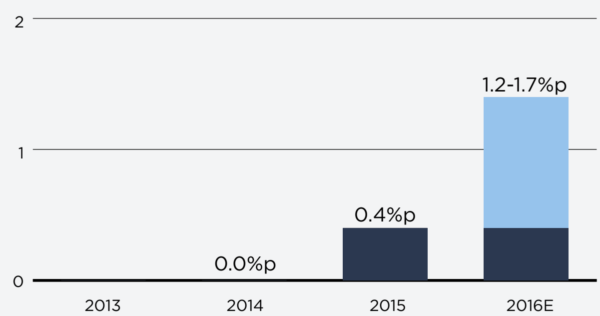
(%)



* Based on foreign exchange rates as of February 1, 2016

GN Netcom EBITA margin improvement in constant currencies compared to 2013

(%-points)



GN ReSound

In 2015, GN ReSound strengthened its innovation leadership and continued to improve commercialization in line with the strategy 2014 – 2016: INNOVATION & GROWTH. The result was strong growth, significantly above market growth

Hearing aids & ear related diagnostic equipment

ReSound

Beltone

INTERTON

otometrics

17%
unit market share in Hearing Instruments

10.3%
spent on R&D as percentage of revenue

4,425
employees worldwide

HIGHLIGHTS 2015

- 16% revenue growth for 2015 - organic full year growth of 8%. In Q4 2015, organic growth in Hearing Instruments accelerated to 10%
- EBITA increased by 11% in constant currencies as well as in reported terms
- Significant increase in cash conversion to 59% in 2015, compared to 32% in 2014
- The launch of ReSound LiNX^{2} ™ in March 2015 underlines GN ReSound's ability to continuously bring unparalleled user benefits to the market

In 2015, GN ReSound delivered sustainable and profitable growth through the two strategic focus areas: commercialization and innovative product development.

Continued improvements in the approach to commercialization were made during 2015, leading to strong performance across markets and channels. A number of experiments have been made in selected markets, with successful experiments to be leveraged across markets and channels. Major efforts have been put into obtaining continuously improved market understanding and into securing even stronger and closer relationships with the customers.

GN ReSound's position as a leader in user-driven innovation was, again, a cornerstone in the profitable growth generated in 2015. The highly efficient R&D machine delivered a visible upgrade of the hearing aid portfolio based on 2.4 GHz technology with ReSound LiNX^{2} – the fourth generation of hearing aids using 2.4 GHz technology – as the most prominent launch.

GN ReSound also showed progress on other key financial metrics in 2015 as ROIC increased by 0.3 percentage points in constant currencies reflecting the solid growth in earnings and decline in net working capital. The reported ROIC was 15.8%. Additionally, cash conversion increased to 59% in 2015 from 32% in 2014.

ReSound ENZO™

"This is just revolutionary"

James Raath was a business consultant until nine years ago when he lost his hearing. He literally woke up one morning and had gone almost completely deaf overnight. His hearing loss was accompanied by severe vertigo attacks and constant fatigue, so much so he could not continue with the business he was involved with. He used to work 12 hours a day and run marathons. He loved every minute of it. Overnight that lifestyle was not possible any longer. Suddenly he was not able to speak on the phone and was restricted to texting or emailing his wife.

When James called his wife for the first time in nine years wearing ReSound ENZO hearing aids that were wirelessly connected to his iPhone. He now feels that his confidence is coming back.

Today, he can think of work, family, friends and socializing – thus being able to hear more, do more and be more than he ever thought possible after that fateful day nine years ago.

Watch the full story

REVENUE

GN ReSound delivered strong revenue growth in Q4 2015 of 19% of which organic growth constitutes 9%. The development in foreign exchange rates impacted revenue positively by around 8%, whereas M&A activities had an impact of around 1%. The revenue for the quarter was DKK 1,453 million.

Hearing Instruments showed a very strong organic growth of 10% in Q4 2015. This achievement was accomplished despite the Q4 2014 comparison base being inflated by the accounting fraud discovered in the Beltone distribution network – an adjustment of the comparison base would add to the organic growth.

The strong organic growth in Hearing Instruments was fueled by continued improvements in the approach to commercializing innovation. In Europe, GN ReSound's organic growth even exceeded 20% in Q4 2015. Germany again grew at significant double digit rates. In the USA, the ReSound wholesale business delivered strong double digit organic growth with solid contribution from all channels. In APAC, the important Japanese market was again a visible growth contributor as GN ReSound delivered double digit organic growth in the country in Q4 2015.

GN Otometrics delivered 1% organic growth in Q4 2015 despite a challenging comparison base in Q4 2014 where organic growth was 21%. For the full year, GN Otometrics' revenue was DKK 649 million leading to 2% organic growth. While this was in line with the diagnostics market growth it is not satisfactory.

For the full year 2015, GN ReSound's revenue grew 16%, of which 8% was organic growth. This was visibly above the market growth estimated to be around 3%. The development in foreign exchange rates impacted revenue with around 7%, while M&A activities accounted for around 1%. Net cash flow from financials support arrangements during 2015 was DKK (46) million – compared to DKK (229) million in 2014 – with a net cash inflow of DKK 24 million during the second half of 2015. In absolute terms, revenue ended at DKK 5,175 million in 2015.

EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

For the first time in GN ReSound's history, quarterly EBITA surpassed the DKK 300 million mark as EBITA reached DKK 340 million in Q4 2015. In constant currencies, this is equivalent to 10% growth. The reported EBITA includes a hedging loss of DKK 31 million.

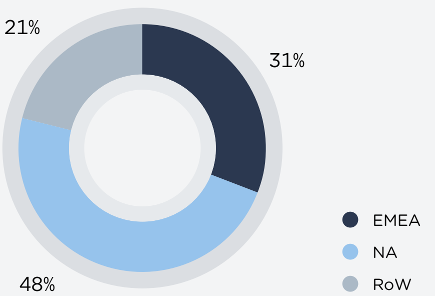
For the full year, EBITA ended at DKK 995 million, which is in line with the guidance for 2015. EBITA grew 11% in constant currencies as well as in reported figures. Thereby, GN ReSound further improved the EBITA margin by 0.4 percentage points in constant currencies compared to 2014.

The gross profit in Q4 2015 ended at DKK 974 million. GN ReSound is continuously focusing on optimizing production efficiency, which was underlined by the establishment of the Malaysian production facility during 2015. The gross margin in constant currencies was relatively flat compared to 67.9% in Q4 2014, which reflects a return to normal levels following a slight decline in Q3 2015 related, among others, to the startup of the production facility in Malaysia.

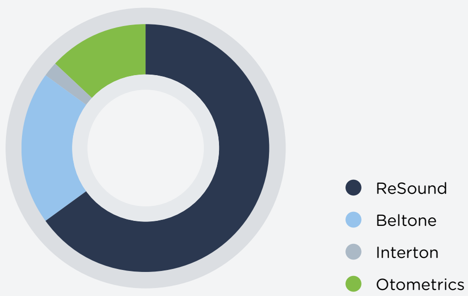
The operating expenses amounted to DKK 634 million in Q4 2015 compared to DKK 542 million in Q4 2014, where around half of the increase is due to the foreign exchange development. The operating expenses as a percentage of revenue thereby decreased slightly. For the full year, operating expenses ended at DKK 2,411 million, equivalent to an increase in constant currencies of around 7.5%.

In Q4 2015, GN ReSound delivered strong cash flow. The cash conversion in Q4 2015 reached 73% – visibly higher than 39% in Q4 2014. The strong development was driven

2015 revenue split by region



2015 revenue split by brand



Product launches 2015

In 2015, GN ReSound set the new benchmark in Smart Hearing with ReSound LiNX^{2}™ and introduced new apps for users looking to connect to the world like people without hearing loss

ReSound LiNX^{2} ™

The latest in Smart Hearing. It provides effortless hearing just as nature intended. Spatial Sense™ gives the user a natural sense of where sounds are coming from and helps form a detailed sound picture of the surroundings. It is offered in a complete product family and includes a built-in tinnitus therapy sound generator to achieve relief from tinnitus. It offers direct stereo streaming from iPhone, iPad and iPod touch giving the user the same opportunities to connect, interact and engage as everyone else

ReSound ENZO^{2} ™

The next step in Smart Hearing for Super Power users. It lets users hear more of what they want because every part of it is designed to give a better hearing experience with a rich, balanced sound in all situations. It offers direct connection to iPhone, iPad and iPod touch devices

ReSound Enya™

Delivers excellent sound quality and speech understanding at an affordable price in a discreet, durable design to meet the challenges of a rich and active lifestyle. It is wireless and streams sound directly to the hearing aids with the 2.4 GHz wireless accessories and can be controlled with the ReSound Control™ app

ReSound apps

With ReSound apps the wearer of ReSound's Smart Hearing aids is able to intuitively adapt the listening experience. In April, GN ReSound launched the first ever hearing aid app for Apple Watch allowing users to personalize their hearing experience straight from their wrist. In addition, GN ReSound also launched the industry's first direct smart app for Android by, among others, a significant 16% reduction in working capital compared to end Q3 2015. The cash conversion for the full year 2015 ended at 59%, which is in line with comparable companies and significantly up compared to 32% in 2014. The significantly improved cash conversion for the full year is also driven by a lower level of financial support arrangements in 2015 than in 2014.

The return on invested capital (ROIC) ended the year at 15.8%. As expected, ROIC was relatively flat compared to 15.9% by the end of 2014, primarily based on the fact that a large part of the invested capital is denominated in USD, while the foreign exchange impact on EBITA is essentially postponed one year due to hedging. In constant currencies ROIC thereby increased by 0.3 percentage points.

BUSINESS HIGHLIGHTS

ReSound LiNX²

In March 2015, GN ReSound launched the fourth generation of 2.4 GHz hearing aids with ReSound LiNX² and the corresponding Beltone Legend. The product families have been strong contributors to revenue growth in 2015, and underline GN ReSound's position as the innovation leader in the hearing aid industry.

ReSound LiNX² has received excellent feedback from users and dispensers with regard to the impressive sound experience with Spatial Sense, improving the ability to locate sounds, and the value of providing Made for iPhone connectivity in additional form factors.

Other smart hearing product launches

The Smart Hearing family has been strengthened further during 2015, and GN ReSound has an industry leading and fully updated product portfolio based on 2.4 GHz technology covering all types of hearing losses and price preferences.

At the EUHA Congress in October 2015, GN ReSound demonstrated ReSound Enya™ and the corresponding Beltone Ally™, offering advanced hearing solutions including 2.4 GHz technology at affordable prices. Additionally, GN ReSound demonstrated its second generation super power hearing aid, ReSound ENZO², based on 2.4 GHz technology. ReSound ENZO² is designed for people with a severe hearing loss, making it an important product for example in the Veterans Affairs, and delivers top-rated sound experience with Spatial Sense and direct connectivity with smartphones.

Veterans Affairs

In 2015, GN ReSound continued the success in the attractive VA channel in the USA. GN ReSound entered 2015 with a market share of 12% in the channel. In December 2015, the market share reached 20% and GN ReSound reached a milestone as it became the second largest supplier to the VA.

The significant market share gains achieved in the VA reflects GN ReSound's continued focused efforts in the channel, which were initiated at the end of 2013. Furthermore, GN ReSound has also launched the market leading product families ReSound LiNX² and ReSound ENZO² in the channel during 2015.

Costco

GN ReSound and Costco, one of the fastest growing global hearing aid retailers, further strengthened their partnership in early 2015 when GN ReSound again won Costco's Kirkland Signature contract. The transition from Kirkland Signature 5 to Kirkland Signature 6 was conducted in the first part of the year in all Costco stores. The partnership is a testimony to GN ReSound's premium hearing aid technology and best-in-class service level.

Cochlear

At the EUHA congress in October 2015, GN ReSound and Cochlear jointly announced the establishment of the Smart Hearing Alliance. This is a commercial expansion of the successful technology collaboration initiated in 2011. With the strategic alliance, GN ReSound will develop and commercialize the world's smartest bimodal hearing solutions together with Cochlear, the undisputed global leader in the market for implantable hearing solutions. Bimodal hearing solutions allow hearing impaired users to combine the benefits of hearing aids and cochlear implants. The Smart Hearing Alliance was commercially launched in the beginning of 2016 and will allow GN ReSound to participate further in the medical channel.

Beltone network

In the Interim Report Q2 2015, it was announced that the former VP of Finance in the Beltone network had committed accounting fraud from 2012 – 2014. This led to a one-off loss of DKK 150 million (non-cash effect). The employment of the VP of Finance was terminated for cause.

During the second half of 2015, a plan to create an even stronger Beltone business in North America was crafted. The ambitious plan aims to fully exploit the business opportunities in the strong network and brand, including capturing digital opportunities. In the beginning of 2016, Corrine Perritano was hired as the new president of the Beltone network.

Apps

GN ReSound continues to be at the forefront in terms of apps designed for the hearing aid users. Early 2015, the ReSound Smart App was also made available for the Android platform. Initially compatible with the Samsung Galaxy S5, the app was also made compatible with another handful of Samsung devices during 2015. This gave millions of additional users access to the personalized control of ReSound Smart hearing aids through their smartphones.

Veterans Affairs

Veterans Affairs (VA) represents around 21% of the total US hearing aid market. US veterans with a hearing loss that are eligible for a hearing aid through the program are provided hearing aids without any charge

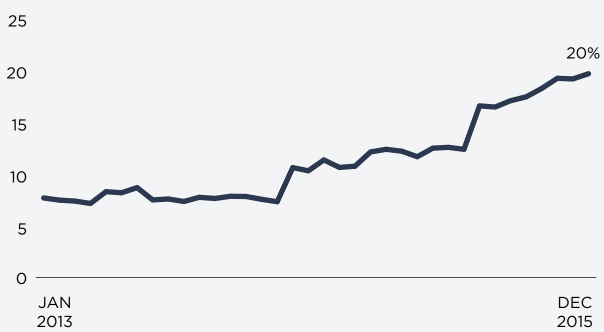
GN ReSound entered 2015 with a market share in VA of 12% and has increased the share throughout the year ending at 20% in December 2015. This is an unusually strong achievement in a highly competitive environment where all hearing aid manufacturers are present with their premium technology.

The impressive market share gains in the VA is made possible by GN ReSound's leading technology, including ReSound LiNX² ™ and ReSound ENZO² ™. However, the market share gains had not been possible without GN ReSound's significantly improved commercialization capabilities. At the end of 2013, when GN ReSound's market share in the VA was around 7%, several investments were made in the business to create a more customer-centric organization with a deep understanding of the needs of the VA dispensers.

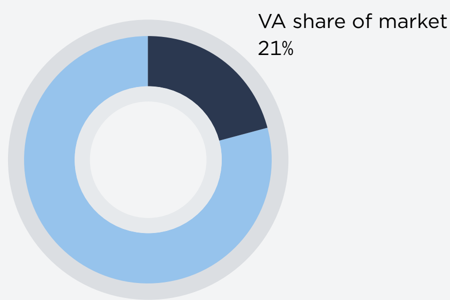
As part of GN ReSound's commercial excellence initiatives in the strategy for 2014 – 2016, the experiences and success of among other the VA team is systematically leveraged to other countries and channels in order to ensure optimal commercial impact of GN ReSound's leading technologies.

Monthly VA market share development 2013 - 2015 (value)

(%)



Total US hearing aid market 2015 ~ 3.4m units



With Apple's launch of the Apple Watch, GN ReSound introduced the ReSound Smart App for the Apple Watch. The ReSound Smart App for the Apple Watch puts the most-used features of the ReSound Smart App straight on the wrist of people with hearing loss. The ReSound Smart App for the Apple Watch was recognized as a best-practice example of convenience, functionality and user interface at Apple's Worldwide Developer Conference.

GN Otometrics

In 2015, GN Otometrics delivered revenue growth in line with the market. Investments in the North American sales channel and other key markets create the foundation for renewed growth above the market in the years to come. During early 2015, GN Otometrics gained a market leading position in Italy after the acquisition of Amplifon's Italian biomedical business.

The development of the innovative 3D ear-scanner, OTOscan, is still progressing, although certain technological challenges have occurred during 2015. As a consequence, product development efforts were insourced during the year. The commercial launch is now expected to be in 2017.

R&D

GN ReSound's innovation machine is running full speed, as illustrated by the important product launches in 2015, including the launch of ReSound LiNX². The ability of GN ReSound's R&D department to continuously deliver truly unique user benefits has been an important driver of GN ReSound's growth in recent years. During 2015, GN ReSound has further strengthened the basis for future innovations allowing GN ReSound to maintain its edge also in the years to come. Part of this will be the successor of ReSound LiNX², which will offer new significant user benefits and be launched in line with GN ReSound's normal launch cycle.

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

MARKETING

In line with the strategy for 2014 – 2016, continued improvements in the approach to commercializing innovation were made during 2015. As part hereof, a new SVP of Marketing was appointed during 2015 to drive the new ambitious marketing agenda. Among the focus areas during the year was the way market insights, including hearing aid user input, are used to drive the product development agenda. A specific focus is also placed on optimization of global execution of product launches and campaigns. Moreover, it is a focus to gradually engage users in more ways in order to build up desire for and loyalty to GN ReSound's brands, among others making use of digital opportunities.

OPERATIONS

As part of GN ReSound's relentless focus on optimizing productivity, the new manufacturing and distribution facility in Malaysia was officially opened in September 2015. In addition to the cost benefits, the Malaysian facility provides logistical advantages due to the proximity to the efficient distribution hub in Singapore, and furthermore the facility will mitigate risks through the possibility of moving production from one facility to another.

The expected future sales growth also lead GN ReSound to increase its hybrid circuit board production capacity during 2015. In January 2016, GN ReSound officially opened its expanded hybrids factory in Praestoe, Denmark, with increased capacity for the production of the fifth generation of hearing aids based on 2.4 GHz technology.

MARKET DEVELOPMENT

The hearing aid market grew around 4% in units in 2015, which is in line with GN ReSound's mid-term expectations of 3 - 5% annual unit growth. The development was driven by solid unit growth in North America, especially in the first half of the year. The North American hearing aid market's unit growth was 7% in 2015 comprised by 8% in the private market and 5% growth in VA. As expected, due to the reimbursement change at the end of 2013, the German market showed negative unit growth in 2015. This meant that the European hearing aid market showed 2% unit growth in 2015.

As the North America market grew faster than the European market and Rest of the World, this had a slight positive impact on the average selling price (ASP) in the global hearing aid market. On the other hand, the larger retailers continued to grow faster than the independent channel in 2015. Overall, the ASP development is estimated to have been slightly negative in 2015. This leads to a value growth of around 3% in the global hearing aid market in 2015.

The estimated market size is around 13 million hearing aids in 2015. GN ReSound's unit market share is estimated to be around 17%.

Smart **Hearing**

Building a hearing aid brand

Historically, hearing aids have not had much brand recognition. Users most often accepted their hearing care professionals' choice and were unaware of which brand they used. This is changing. Today, hearing aid users are becoming increasingly engaged. They stop being patients and become consumers asking for a specific hearing aid.

Our marketing, brand and PR activities support this trend to build genuine brand awareness. In 2015, GN ReSound joined IFA in Berlin, Germany, and International CES in Las Vegas, USA, the world's largest consumer electronics tradeshow. The purpose was to maximize attention to the Smart Hearing range and excite current and potential consumers and customers as well as journalists and bloggers. GN ReSound engaged in customer conferences, panel events, large scale press events and one-to-one meetings with journalists.

GN Netcom

During 2015, GN Netcom strengthened its platform for profitable growth in 2016 and beyond benefitting, among others, from the position as the world's leading Unified Communications supplier

Intelligent audio solutions

No. 1
The world's leading Unified Communications supplier

8.1%
spent on R&D as percentage of revenue

1,000
employees worldwide

HIGHLIGHTS 2015

- Following an expected return to normal growth in the CC&O market during second half of 2015, GN Netcom exited 2015 with a strong platform for profitable growth in 2016 and beyond
- In total, revenue grew 12% in 2015. Full year organic growth was 2%, reflecting 6% growth in CC&O – driven by 16% growth in Unified Communications (UC) headsets – and (5)% growth in Mobile
- EBITA of DKK 540 million, in line with guidance and corresponding to an improvement of 4% in constant currencies as well as in reported numbers
- Continued attractive cash conversion of 50% for the year

The first half of 2015 saw unusually soft CC&O market conditions but, as projected, a return to normal market conditions in the second half of 2015. The growth prospects of the UC market remain highly attractive, supported by significant investments made by the UC infrastructure vendors during 2015. This includes Microsoft's transition from Microsoft Lync to Microsoft Skype for Business with cloud capabilities decreasing the need for investments in server hardware etc., thus promoting further adoption of UC by making UC even more accessible to Small- and Medium-sized Enterprises. During 2015, GN Netcom strengthened its position as the world's leading UC supplier – delivering an organic growth in UC of 16% for the year, including 23% growth during each of the third and fourth quarter of the year.

The Mobile market saw a significant double digit decline in the Bluetooth mono segment and very high growth in the Sports Audio market segment.

In line with the strategy 2014 – 2016: INNOVATION & GROWTH, GN Netcom continued to invest in future growth opportunities, and during the year GN Netcom launched several innovative products that will fuel growth in both CC&O and Mobile in 2016 and beyond.

The performance in the UC segment demonstrated the strength of GN Netcom's innovative product portfolio. Among other, the recently launched Jabra Evolve™ product series was a major contributor to the growth. Especially

Unified Communications

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

THE OFFICE OF THE FUTURE
In short, Unified Communications (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 soft-phone based on the same platform.

UC significantly increases office productivity by integrating instant messaging, presence information, voice, mobility features, audio, web and video conferencing, fixed mobile convergence, desktop sharing and many other real-time features and provides a consistent unified user interface, e.g. Skype for Business, across multiple devices and media types.

In addition to increased office productivity, UC delivers tangible cost reductions. The investment related to the implementation of software licenses, server hardware and voice equipment is modest compared to the ongoing cost reductions from replacement of the traditional telephone systems and cost reductions from web and teleconferencing as well as less travelling expenses. Further development of the UC offering will increase the cost reductions. Microsoft's launch in 2015 of Skype for Business (the successor of Microsoft Lync) is an example of this development, with Skype for Business' cloud capabilities decreasing the need for investments in server hardware etc., thus promoting further adoption of UC by making UC even more accessible to Small and Medium-sized Enterprises.

GN NETCOM – THE GLOBAL LEADER IN UC HEADSETS
As the global leader in UC headsets, GN Netcom is uniquely exposed to a highly attractive market with currently around half a billion office workers worldwide.

The UC market is expected to grow by 19% p.a. during 2014-21, assuming an adoption rate in the Office space of 24% in 2021, from an adoption rate of approximately 10% in 2014 (Frost & Sullivan, September 2015). The number of UC users is expected to grow from currently around 50 million to 177 million in 2021. Key drivers of the expected growth are: continued proliferation of software-based desktop communications clients; productivity benefits associated with business headsets, including hands-free communications and an efficient work environment with a growing number of open work spaces; and an influx of Gen Y workers (i.e., the generation of people born during the 1980s and early 1990s) favoring modern means of working and communicating. Reflecting barriers to entry, no material changes to the current competitive landscape with regard to the headset manufacturers is expected (Frost & Sullivan, September 2015).

the high-end Jabra Evolve 80 proved its relevance and allowed GN Netcom to establish a new price point in the UC segment. The product portfolio was expanded during the year with the introduction of the Jabra Speak™ 810, extending the Jabra speakerphones into medium-sized meeting rooms. This new category is expected to generate solid growth like its personal speakerphone family members have done in recent years.

In 2015, the Mobile business launched two additional products in the fast-growing Sports Audio segment. The two new products, Jabra Sport Coach™ Wireless and Jabra Sport Pace™ Wireless, follow Jabra Sport Pulse™ Wireless (launched in 2014), and Jabra now offers the strongest Sports Audio headset portfolio in the market. The focus on Sports Audio solutions is part of the continued efforts to position the Mobile division towards faster growing segments of the market. Overall, the impact of the Jabra Sport Wireless family of products combined with increased investments in in-store marketing have delivered very good results in 2015.

GN Netcom has continued to increase investments into marketing and sales – particularly on the North American market, which remains the most important growth opportunity for GN Netcom. GN Netcom has again increased its market share in North America and is strongly positioned going into 2016.

REVENUE

In Q4 2015, GN Netcom delivered 8% organic growth in CC&O and (4)% organic growth in Mobile. In total, GN Netcom delivered overall organic growth of 3% in Q4 2015 despite a difficult comparison base of 20% organic growth in Q4 2014. The revenue for the quarter ended at DKK 1,005 million with the development in foreign exchange rates affecting revenue by 9%. M&A activities did not have any impact on revenue.

The CC&O business generated revenue of DKK 645 million in the fourth quarter – an increase of 17% including development in foreign exchange rates compared to Q4 2014. The UC business continued to perform well in the quarter, reflecting significant improvements in commercialization of innovation and reflecting the strong product portfolio, including the Jabra Evolve series and the recent introduction of the Jabra Speak 810. In Q4 2015, the UC business delivered organic growth of 23% leading to full year organic growth for the UC business of 16%.

The revenue in the Mobile business in Q4 2015 increased to DKK 360 million, compared to DKK 344 million in Q4 2014, representing organic growth of (4)% and a 9% positive impact from the development in foreign exchange rates. The development reflects the continued decline in the traditional mono Bluetooth headset market, however, to some degree offset by the strong performance in the Sport Audio segment, which continued to deliver double digit growth rates. The quarter was also supported by a strong launch of the new product Jabra Halo Fusion™ – a direct result of the repositioning of Mobile, which is starting to show encouraging results. The full year organic growth in Mobile ended at (5)%.

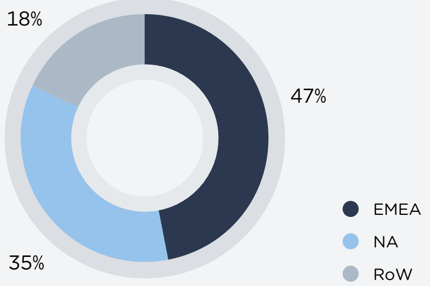
For the full year 2015, GN Netcom's group revenue ended at DKK 3,229 million, up 12% compared to 2014, corresponding to an organic growth of 2% and with an impact from the development in the foreign exchange rates of 10%. M&A did not have any impact on the revenue.

EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

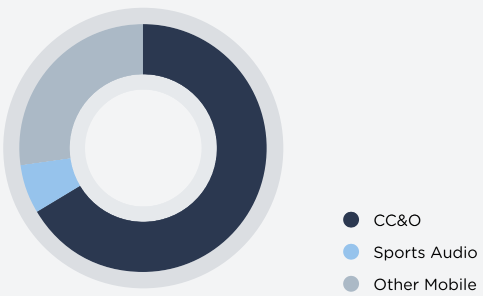
In Q4 2015, GN Netcom delivered an increase in EBITA in constant currencies of 7%, translating into a 0.8 percentage points increase in the underlying EBITA margin. The strong development reflects a better product mix as the high-margin CC&O business grew stronger than the low-margin Mobile business. In reported terms, EBITA increased to DKK 210 million, which is 4% higher than the EBITA realized in Q4 2014. In reported terms, the EBITA margin ended at 20.9% for the quarter.

For the full year, EBITA ended at DKK 540 million compared to DKK 521 million in 2014, equivalent to a 4% increase in both reported numbers and constant currencies. The EBITA margin for the year ended at 16.7% in reported numbers, but 18.5% in constant currencies compared to a 18.1% EBITA margin in 2014. Thus, during 2015 GN Netcom increased the underlying

2015 revenue split by region



2015 revenue split by business



Product launches 2015

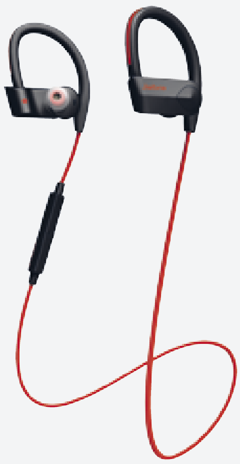
In 2015, GN Netcom continued to innovate the CC&O and Mobile categories. These are some of the best examples of how sound, user friendliness and functionality are optimized in the office space, the voice category and within sports audio

Jabra Speak™ 810

Jabra Speak 810 is designed for mid-size meeting rooms and acoustically optimized for up to 15 people. Jabra Speak 810 is UC-focused, easy to use, has a competitive price and great sound. This new speaker is an attractive addition to the highly popular Jabra Speak 410 and 510

Jabra Sport Coach™ Wireless

Jabra Sport Coach Wireless is part of the world's first complete range of wireless sports earbuds. With intelligent audio coaching and optimized for cross training, Jabra Sport Coach Wireless has in-ear coaching and is data compatible with third party apps



Jabra Sport Pace™ Wireless

Jabra Sport Pace Wireless are wireless earbuds optimized for fitness. The earbuds are an affordable solution to take the next step on a fitness journey. Jabra Sport Pace Wireless features premium sound and ergonomic design. The earbuds are sweat and weather resistant. As with the other products in the range, the Sport Life app can help plan, track and analyze workouts

EBITA margin while investing, as part of the current strategy, in continued growth and margin expansion in 2016 and beyond.

In Q4 2015, the gross margin in constant currencies ended at 55.4%, compared to 54.9% in Q4 2014. The positive underlying development is primarily reflecting a better product mix as well as the fact that CC&O grew faster than Mobile. Including the impact from the development in foreign exchange rates, the gross margin ended at 51.5%.

For the full year 2015, the gross margin in constant currencies ended at 55.5% (reported gross margin of 52.6%), which is an improvement of around two percentage points, reflecting better overall product mix, and the stronger growth in the high-margin CC&O business.

The operating expenses as a percentage of revenue were practically flat at 35.8% in 2015 compared to 35.4% in 2014. In absolute terms, the operating expenses ended at DKK 1,157 million in 2015 – an increase of 14% compared to 2014, primarily driven by the development in the foreign exchange rates but also reflecting the investments into strategic growth initiatives as part of the 2014 – 2016 strategy.

Inventories as a percentage of revenue have remained rather constant. Trade receivables amounted to DKK 909 million by the end of 2015, compared to DKK 761 million by the end of 2014, partially due to the stronger USD but also to an increase in Days Sales Outstanding (DSO). The DSO level peaked in Q1 2015 and has gradually decreased throughout the year. Trade payables ended at DKK 379 million, compared to DKK 326 million by the end of 2014. As a result of the above movements, the net working capital as a percentage of revenue increased from 12% in 2014 to 15% in 2015.

The return on invested capital (ROIC) ended the year at 46.9%. As expected, ROIC declined compared to 56.5% by the end of 2014, primarily due to the increase in net working capital. Moreover, a large part of the invested capital is denominated in USD, why ROIC in constant currencies ended at 49%.

For the full year 2015, GN Netcom's free cash flow ended at DKK 271 million, compared to DKK 340 million in 2014. The decrease is primarily caused by the increase in net working capital as well as investments in product development. For the full year, GN Netcom's cash conversion remained at an attractive level of 50%.

BUSINESS HIGHLIGHTS

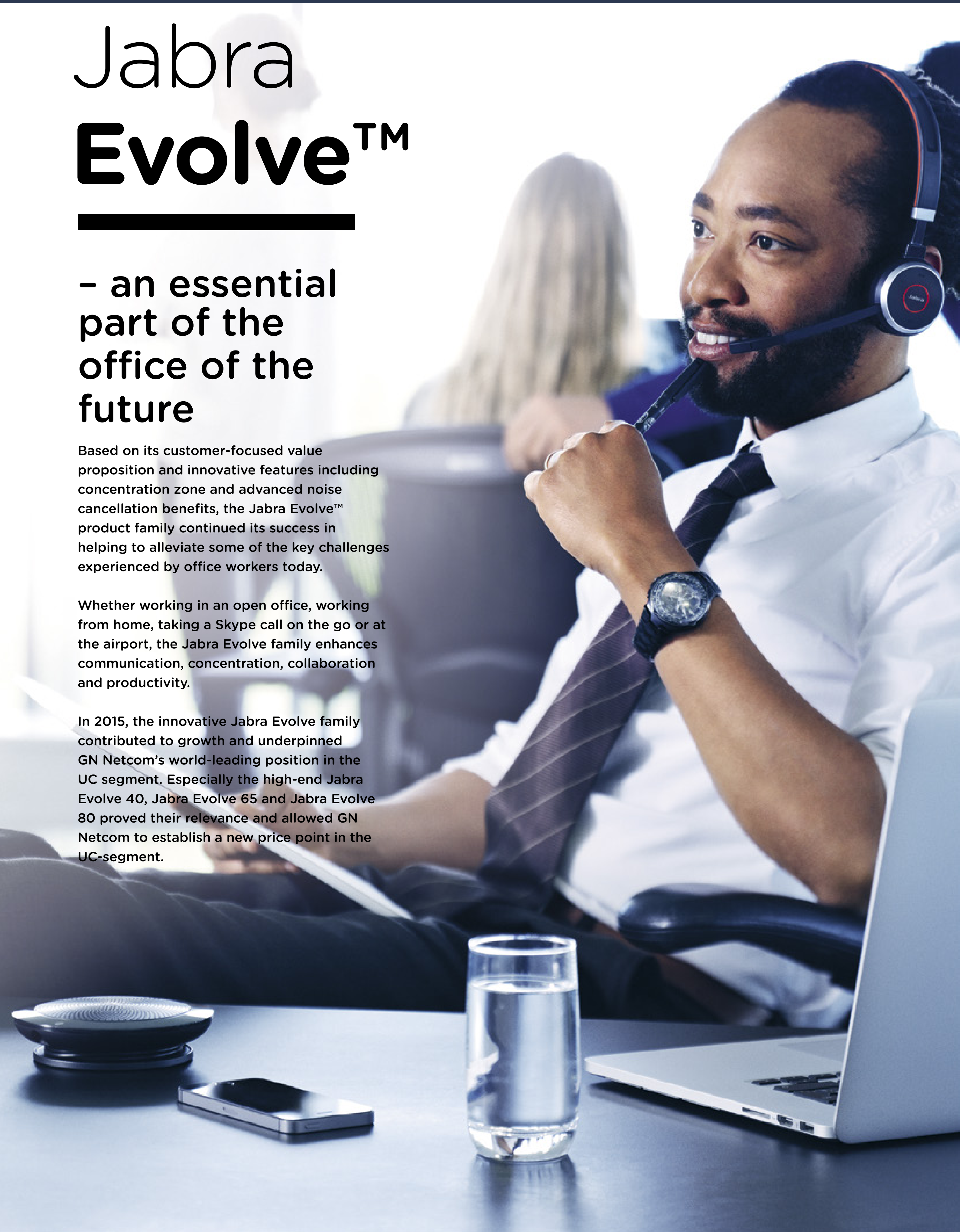
On March 13, 2015, GN appointed René Svendsen-Tune as CEO of GN Netcom and member of GN Store Nord's executive management with effect as of April 1, 2015. René Svendsen-Tune has more than 25 years of management experience in the technology sector and in-depth knowledge of GN Netcom's key business areas, including information technologies and telecommunications. He also has significant understanding and insight into the business of GN Store Nord, where he had served as a valued board member since 2007.

Marketing

During 2015, GN Netcom made significant improvements in its approach to commercializing innovation. Among others, GN Netcom established a global marketing organization covering both the CC&O and Mobile divisions with significantly upgraded competencies and higher degree of specialization. As one result, the digital marketing activities were significantly increased during the year. Also, the level of investments into co-marketing with selected channel and retail partners was increased considerably during the year.

CC&O

GN Netcom further strengthened its portfolio of UC products during 2015. In October 2015, GN Netcom fortified its world-leading position within the market for USB-enabled speakerphones with the launch of Jabra Speak™ 810, a promising extension of the product portfolio already consisting of Jabra Speak 410 and Jabra Speak 510. With premium sound quality in meeting rooms designed for up to 15 people, Jabra Speak 810 meets the demands of today's office workers. The Jabra Speak family is a testimony to GN Netcom's commercialization capabilities as the speaker phone family passed the 1,000,000 units sold in August 2015.



Jabra Evolve™

– an essential part of the office of the future

Based on its customer-focused value proposition and innovative features including concentration zone and advanced noise cancellation benefits, the Jabra Evolve™ product family continued its success in helping to alleviate some of the key challenges experienced by office workers today.

Whether working in an open office, working from home, taking a Skype call on the go or at the airport, the Jabra Evolve family enhances communication, concentration, collaboration and productivity.

In 2015, the innovative Jabra Evolve family contributed to growth and underpinned GN Netcom's world-leading position in the UC segment. Especially the high-end Jabra Evolve 40, Jabra Evolve 65 and Jabra Evolve 80 proved their relevance and allowed GN Netcom to establish a new price point in the UC-segment.

The Jabra Evolve™ series, launched in late 2014, continued to drive growth based on its customer-focused value proposition and innovative features including concentration zone and advanced noise cancellation benefits. In a customer study, 90% responded that Jabra Evolve increased productivity, and 95% responded that Jabra Evolve had a positive influence on the adoption of UC. The study clearly indicates that Jabra Evolve is fulfilling its intended value proposition of solving the key challenges experienced by office workers today.

Mobile

In June 2015, GN Netcom launched a new high-end product in the Sports Audio headset portfolio, Jabra Sport Coach Wireless, the world's first wireless headset optimized for cross training. The headset has an integrated motion sensor, and the advanced Sport Life app provides real-time, in-ear coaching. Furthermore, premium Dolby sound quality secures a state-of-the-art music experience. During the IFA international consumer electronics trade show in Berlin in September 2015, GN Netcom added the Jabra Sport Pace Wireless to the Sports Audio portfolio.

In 2015, GN Netcom took an important step in the re-positioning of the product offering in the Mobile segment toward products where music and voice converge. During the IFA trade show, GN Netcom launched Jabra Halo Fusion – a neck-worn headset designed to meet the demands of daily audio and media consumption as well as voice communication.

At the International CES in Las Vegas, USA, GN Netcom demonstrated the latest Jabra 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, one based in Ballerup, Denmark and one based in Xiamen, China. Throughout 2015, GN Netcom's product development focused on cementing Jabra's position as the world leader within professional headsets through the core competencies of wireless technology and intelligent audio solutions. As exemplified by the recent launches of Jabra Speak 810, Jabra Sport Coach Wireless, Jabra Sport Pace Wireless and Jabra Eclipse™, the innovation in headsets and earbuds continued with high pace based on extensive research into customer needs and focused on delivering outstanding user benefits.

In recent years, software has become increasingly important in the development of intelligent headsets and earbuds. The distinctive functionalities of directional microphones that eliminate background noise or apps used for sport coaching are examples of software technology being critically important for delivering product benefits. Software is also an important contributor in delivering excellent sound experience as exemplified by the integration of Dolby sound in products like Jabra Sport Pulse Wireless or Jabra Sport Rox™ Wireless.

OPERATIONS

Carefully selected subcontractors in China manufacture all of GN Netcom's hardware and most components are sourced from Asian suppliers. 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.

MARKET DEVELOPMENT

CC&O

GN Netcom is estimated to have maintained its market share in the global CC&O market in 2015. The market grew slower than anticipated when entering the year. The unusual market conditions during the first half of the year reflected a number of factors, including Microsoft's introduction of Skype for Business, which appeared to have created some short-term uncertainty around the UC solution and led corporations to slow down UC deployments temporarily. Additionally, the IT industry generally reported temporarily weak market conditions in the first half of the year.

The total CC&O market size is estimated to be around USD 1.3 billion in 2015. Long-term growth in the CC&O market is supported by the expected further adoption of UC, driven by proliferation of software-based desktop communications clients, productivity benefits, including hands free communications and an efficient work environment with a growing number of open workspaces. Details on UC can be found on page 25 in this report.

Mobile

The Bluetooth stereo market has grown at double digit rates in 2015 fueled by more than 100% growth in Sports Audio, where GN Netcom has a strong competitive product portfolio.

The Bluetooth mono headset showed a significantly weaker than expected development in 2015. It is estimated that around a quarter of the market disappeared from 2014 to 2015 as consumers traded away from this headset category.

Jabra Sport Pulse™ **Wireless**

"To be more than I was yesterday"

When Marianne Hüche was involved in a traffic accident and suffered a severe back injury she almost gave up on life. She embraced the role of a victim and overindulged in food to an extent that left her weighing 137 kilos. After a painful realization that only she could change this, she started training.

The training progressed slowly until one day her trainer told her that she was training too close to her maximum pulse zone. This is when she started training with Jabra Sport Pulse Wireless earbuds with a built-in heartrate monitor. Marianne feels it safer to get information about her pulse level with one tap on the earbuds than by looking at a monitor during a para-triathlon. Audio cues during interval training mean hitting the correct pulse in her peak and restitution zones. In her own words, pulse training has changed her life and let her do more than she ever thought possible. Marianne's next goal is to qualify for the Paralympic Games in Rio in 2016.

Watch the full story

Corporate responsibility

GN Store Nord considers acting in a responsible manner to be crucial to managing a long-term sustainable successful global business. Examples of GN's corporate responsibility activities in 2015 are extracted below

HUMAN AND LABOR RIGHTS

People
Employees are GN's most valuable asset, and an engaged workforce is key to achieve GN's ambitions as a company. To measure the engagement, GN regularly conducts a global Engagement Survey for the group. In 2015, the response rate was 95%. Results from this survey show that employees are highly motivated and committed. In GN, strong emphasis is put on following up on the survey results, and managers and teams at all levels work to identify and execute on action plans to constantly improve GN as a workplace.

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 responsibility are reflected in the suppliers' business conduct. Findings in 2015 were primarily related to excess working hours as well as health and safety issues. These findings were all mitigated through action plans provided by the individual supplier.

ANTI-CORRUPTION

Whistleblower system
GN has implemented the Alertline, which is a global whistleblower system. 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. In 2015, the Alertline was revitalized through a global internal information campaign.

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. To ensure and document employees' familiarity with the code of ethics and key policies at all times, relevant employees electronically sign off on their compliance within specific areas and take GN's new e-learning courses within anti-corruption and competition compliance on a regular basis.

ENVIRONMENT

Climate partnership
In 2013, GN established a climate partnership with DONG Energy. The climate partnership will ensure that GN continues to decrease its electricity spending while investing in sustainable initiatives.

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 donation program provides recipients with new hearing aids along with professional fitting by a GN-educated audiologist at the local hospital, which ensures a high level of user satisfaction.

INTERESTED IN LEARNING MORE ABOUT GN'S RESPONSIBILITY ACTIVITIES?
GN's Communication on Progress report to the United Nations Global Compact outlines GN's full corporate responsibility activities and is available on www.gn.com/~/media/Documents/CSR/COP-2015.pdf. The report represents GN's mandatory account for corporate responsibility according to §99a in the Danish Financial Statement Act.

Risk management

Operating in business environments where the pace of innovation and change keeps increasing, GN's executive management considers its proactive and systematic approach to risk management a valuable tool in our continuous efforts to stay ahead of new developments and compete in tomorrow's marketplace

Facilitated and supported by GN's risk management function, key risks are identified and assessed by GN's management teams on a regular basis across the entire value chain.

The global management teams in GN ReSound and GN Netcom subsequently meet to evaluate the most significant risks identified across the two businesses and to determine whether any additional or different actions should be taken in order to mitigate them or turn them into opportunities.

At least once a year, the risks that are assessed to be the most material are reported to and discussed with the audit committee and subsequently the board.

This process is also used to identify specific risk areas to be analyzed in further detail. To exemplify, GN has undertaken a deep-dive analysis into key supply chain and information security risks during 2015, both of which have been evaluated with the audit committee and led to specific initiatives to further reduce the risk level.

The overall aim of this integrated approach to risk management is to enable GN to reap the rewards of more coordinated, controlled and intelligent risk-taking.

The main risks associated with GN's business and the main measures taken to manage them are outlined below.

Main risks associated with GN's business

RISK	CHARACTERISTICS	MITIGATING ACTIONS
1 RESEARCH AND DEVELOPMENT	Both GN ReSound and GN Netcom operate in markets with relatively short product life cycles and intense competition. The ability to deliver continued innovation and growth, therefore, increasingly depends on the ability to anticipate the needs of the customers and users and develop new solutions and services, which truly meet those needs on a timely basis.	During 2015, GN initiated several initiatives aimed at enhancing the ability to understand, anticipate and shape customer and user needs, including a number of organizational and process changes. These initiatives enable GN to further strengthen the development of new intelligent audio solutions.

RISK	CHARACTERISTICS	MITIGATING ACTIONS
2 **OPERATIONS**	MANUFACTURING – GN RESOUND Some of the key components for the hearing instruments commercialized by GN ReSound are produced at GN ReSound's own facility in Denmark. The main hearing aid manufacturing and distribution sites are located in China and Malaysia. Operating these facilities comes with an unlikely risk of fire or other types of disaster events, which could negatively affect the ability to supply the market.	Through the past few years, GN has significantly reduced its exposure to such risks at production and distribution sites. At the Danish site, GN initiated the construction of a new building further away from the existing one in 2015, which significantly reduces the exposure. In 2015, the official opening of a new manufacturing and distribution site in Malaysia took place, which significantly reduces the risk of business interruption by complementing the existing site in China.
	MANUFACTURING – GN NETCOM The manufacturing of all GN Netcom's products is outsourced to a number of carefully selected contract manufacturers. While this setup is highly flexible and makes GN Netcom capable of quickly adapting its production level to fluctuations in market demand, it also entails a number of inherent risks related to the dependence on timely deliveries and consistent product quality from GN's manufacturing partners.	Thanks to a strong business relationship at top management level, GN Netcom is in a position to entertain ongoing discussions with its main contract manufacturers on their business continuity plans in order to ensure that business interruption risks are minimized. During 2015, the analysis of key manufacturing risks showed a potential for further reducing the exposure through physical separation of certain manufacturing activities. The relevant contract manufacturers are now implementing this.
	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 their high quality standards. Failure of any of the key suppliers to meet agreed deliverables may negatively affect the ability to accommodate demand for GN products or result in safety issues.	To ensure that GN always has appropriate risk mitigation plans in place for the most critical materials and components, GN has developed a tool to quantify the financial exposure to a long-term interruption of supplies from all key suppliers. This provides an informed basis for deciding whether additional measures must be taken to bring the risk down to the desired level. Where possible and feasible, GN pursues a dual sourcing strategy aimed at ensuring that GN is able to source the same type of component from at least two different suppliers. For some unique suppliers, other measures are considered to reduce the risk, such as higher inventory buffers, dual sets of production equipment or other initiatives.
3 **MARKETING AND SALES**	GN RESOUND 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 reduced through continuous efforts to develop new superior solutions and services in alignment with their specific needs and by developing strong and close partnerships with the customers to help them further enhance their value proposition.
	GN NETCOM GN Netcom remains well established and positioned as one of the world's two leading players in the fast-growing market for Unified Communications (UC) headsets. However, the very attractive growth rates also entail a risk that new competitors enter the market and challenge GN's position in this segment.	GN Netcom continually works to maintain and expand its leading position by developing innovative and unique solutions based on deep insights into new trends and developments in user preferences, purchasing behavior, technology and other key trends shaping future customer needs.

RISK	CHARACTERISTICS	MITIGATING ACTIONS
4 **INTELLECTUAL PROPERTY RIGHTS (IPR)**	As GN operates in highly innovative industries and with increased focus on wireless technologies and software, there is a risk that the freedom to operate is restrained by patent barriers, preventing commercialization of certain products or solutions or forcing GN to pay royalty.	During 2015, GN further strengthened its IPR organization and patent portfolio to protect its freedom to operate within current and future innovation spaces and to defend itself in case of patent infringement claims being brought against GN.
5 **INFORMATION SECURITY**	GN's business depends to a large and increasing extent on reliable and secure IT systems. Failure to adequately protect the IT infrastructure and key systems against the risk of security incidents could potentially lead to unintended disclosure of business-critical confidential data or sensitive personal data, which may negatively affect GN's competitive position, damage its reputation and/or result in fines.	GN aims to minimize these risks through a wide range of measures, such as technical security controls, various process controls and internal employee awareness campaigns based on its IT security policy framework. During 2015, GN had a team of external subject matter experts conduct a thorough information security risk analysis in order to identify opportunities for further strengthening of the defenses and ensure that GN stays on top of evolving threats.
6 **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 2016 before any impact from hedging. In addition to the exposures outlined in the below table, GN has a significant exposure to EUR in both GN ReSound and GN Netcom, which historically has been pegged to the DKK. The exposure is, however, partly hedged via bank loans, which are mainly denominated in EUR. GN's continued ambition to distribute funds back to its shareholders has led to an increasing net interest-bearing debt during 2015, which ended at DKK 2,212 million. GN's loans are based on short term EURIBOR and CIBOR interest rates.	GN is hedging the vast majority of the expected EBITA exposure for the next 12 months in the material trading 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. Please refer to the outlook section for a detailed description of the 2016 guidance. To mitigate the interest rate risk GN has hedged the majority of the debt by interest rate swaps, meaning that the weighted maturity of the debt is around four years. Please refer to note 4.2 for further information about financial risks.

ANNUAL EBITA IMPACT FROM A 5% INCREASE IN CURRENCY EXCLUDING HEDGING (DKK million)

Currency	GN ReSound	GN Netcom	GN Store Nord
USD	52	(1)	51
GBP	9	7	16
JPY	8	2	10
CNY	(8)	0	(8)
CAD	6	0	6

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 share

SHARE PRICE PERFORMANCE

The price of the GN share ended at DKK 125 on December 31, 2015, which is equivalent to a decrease of 7% compared to the end of 2014. The total market value of GN's shares, excluding treasury shares, was DKK 19 billion at the end of 2015.

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

OWNERSHIP

The GN stock is 100% free float, and the company has no dominant shareholders. T. Rowe Price Associates Inc., Marathon Asset Management LLP and APG Asset Management N.V. have reported an ownership interest in excess of 5% of GN's share capital. Foreign ownership of GN is estimated to be around 65%.

At the end of 2015, approximately 30,000 registered shareholders held about 92% of the share capital. The ten largest registered shareholders held in total about 45% of the GN share capital at the end of 2015 (including GN's holding of treasury shares).

SHARE CAPITAL AND VOTING RIGHTS

GN's share capital of DKK 648,765,076 consists of 162,191,269 shares, each carrying four votes. GN has one share class, and there are no restrictions on ownership or voting rights.

TREASURY SHARES

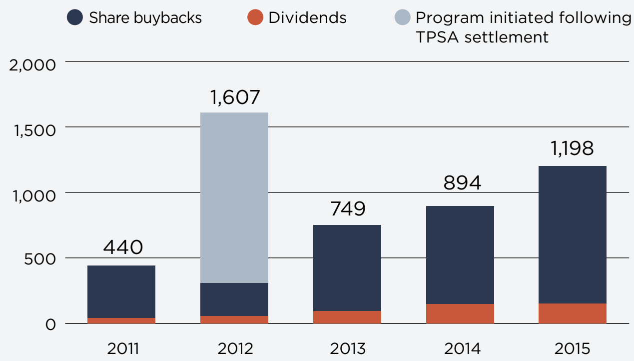
On December 31, 2015, GN held treasury shares corresponding to 6.1% of the share capital, and the value of the treasury shares was DKK 1,245 million. At the annual general meeting to be held in March 2016, the board of directors will propose to reduce the company's share capital by cancelling 7,403,340 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 profit and to distribute additional excess cash to shareholders through share buyback programs.

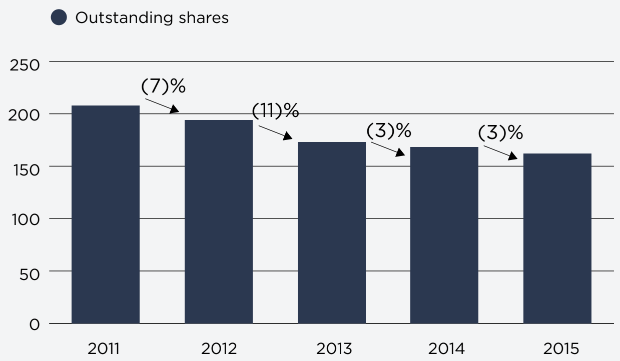
Shareholder distribution

(DKK million)



Development in outstanding shares

(Million)



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 two times EBITDA. By the end of 2016, the net interest-bearing debt is targeted to be around 1.7 times EBITDA.

At the annual general meeting in 2016, the board of directors will propose to pay out a total dividend of DKK 161 million (equivalent to DKK 0.99 per share and 20% of the 2015 net profit) in respect of the 2015 financial year, compared to DKK 151 million in 2014 (equivalent to DKK 0.90 per share and 19% of the 2014 net profit).

INCENTIVE PROGRAMS

By the end of 2015, the total number of outstanding warrants in GN ReSound was 13,533 (2.1% of the share capital in GN ReSound equivalent to approximately 1.6% of the share capital in GN). The total number of outstanding warrants in GN Netcom was 7,374 (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 ensures that relevant and timely information is provided 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.

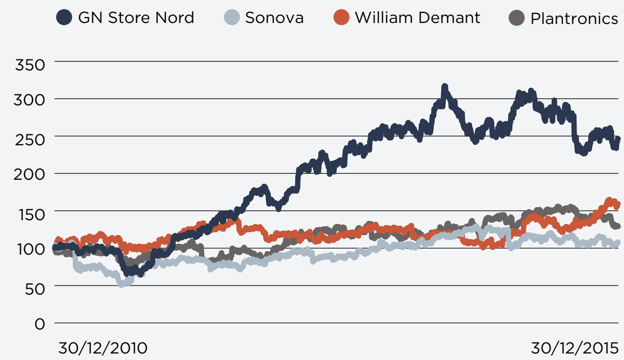
Following the release of interim and annual results, GN conducts roadshows where the executive management and the investor relations team inform investors and financial analysts about the recent developments in the company. GN is currently covered by 27 sell-side analysts who continually release analyst 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 these quite periods, which can be found on www.gn.com/Investor, 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 presentations and annual and interim reports.

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

Share price development vs peers



Index: 30/12/2010 = 100

Financial calendar for 2016

Event	Date
Annual general meeting:	March 10, 2016 at the Radisson Blu Falconer, Copenhagen
Interim Report Q1 2016:	May 4, 2016
Interim Report Q2 2016:	August 11, 2016
Interim Report Q3 2016:	November 3, 2016

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

Corporate governance

GN Store Nord has a strong focus on corporate governance and has strengthened its processes and control systems in 2015

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 Copenhagen. On its website, GN provides a statutory report on corporate governance. This overview, as well as the risk management and internal control systems related to financial reporting described in the risk management section in this report, forms the statutory report on corporate governance that is required under section 107b of the Danish Financial Statements Act: www.gn.com/~/media/Documents/Corporate-governance/Statutory-reports/Statutoryreport2015.pdf

BOARD OF DIRECTORS

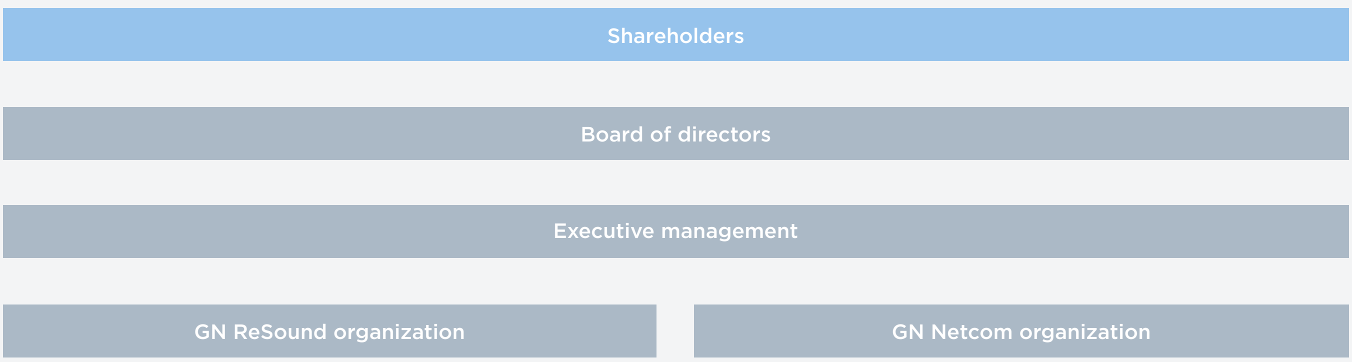
Composition and responsibilities of the board of directors
GN's board of directors consists of six directors elected by the shareholders at the annual general meeting and three employee representatives elected by the employees based in Denmark. Members of the board of directors, elected by the shareholders 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

GN Store Nord's framework for corporate governance

GN's group structure consists of two separately operated businesses with dedicated management. 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 are elected at GN's annual general assembly.



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 medtech expertise, innovation, product development, online marketing and commercialization capabilities, thorough understanding of financial and human resource matters and in-depth knowledge of GN's business.

At the end of 2015, 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 visits to sales and production sites would be beneficial, and increased exposure to middle management as well as increased market and competition analysis would be advantageous.

The composition of the board is a mix of board members with executive positions and professional board members, but also consists of females and males as well as of both Danish and foreign nationalities. This composition is deemed to provide a good balance between knowledge, competencies, 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, and Ronica Wang was elected in 2015. Now, the board of directors aims to have three female board members by the end of 2020.

Moreover, the company follows an action plan to increase the number of women in senior management positions. Special attention to this area is given in GN's yearly talent review and successor planning process, in talent development practices, recruitment procedures and leadership development. Currently, women fill 15% of the company's senior management positions, and GN aims at increasing the number to 25% in 2017, a target set in 2012, although recognizing it will be challenging to achieve. Thus, GN continues to strengthen its efforts to build a pipeline of future female candidates. Further initiatives for 2016 are presently being identified and will be implemented in 2016 to secure stronger progress.

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 has fixed a termination notice of 12 months if given by the company and 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, executive management and 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 advise 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 exter-

nal auditors. The audit committee also carries out ongoing assessments of the company's financial and business risks. In 2015, extensive time was spent on reviewing the financial impact of the discovered accounting fraud in the Beltone franchise network and the already planned strengthening of the finance functions, control mechanisms in place and the external audit (discussion on the materiality level of the audit). In addition, the committee reviewed the whistleblower reporting system, main accounting principles, tax strategy and compliance and key risks (including identified supplier risks) 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. 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 2015 remuneration policy for the executive management is based on the remuneration guidelines and takes into account the corporate governance recommendations of Nasdaq Copenhagen and the requirements of the Danish Companies Act. In 2015, the remuneration committee supervised and reviewed the remuneration policy, salary, bonus, long-term incentive process and results. It also reviewed the design of sales incentive plans and warrant grants, talent development and succession planning process and results. Moreover, the GN engagement survey results, development of guidelines on bonus settlements for employees starting mid-year and a policy on external board positions for executive management as well as a set of new GN leadership competencies, were also revised and supervised.

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 2015, the strategy committee established the GN Scientific Advisory Board as planned. The advisory board is a virtual research network involving the best and most advanced research specialists within core technologies for existing and future business areas of GN. The board gives GN the opportunity to explore technological innovations within the broader technology space and support the process of new business areas. This strategic initiative, independent of GN ReSound and GN Netcom, is a corporate GN initiative reported under Other activities. In 2016, the strategy committee will continue its exploratory work.

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 2015, primary activities included the nomination of Ronica Wang as member of the board of directors and the audit committee and the nomination of René Svendsen-Tune as CEO of GN Netcom.

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.

In 2015, a reorganization and consolidation of GN's financial controlling organizations took place, and the function's competences were strengthened. This was already in the process of being implemented before the fraud case in the Beltone distribution network was discovered. However, in light of this case, certain additional initiatives took place: a strengthening of the procedures for controller visits at subsidiaries, revitalizing an internal control project and update of the authority level policy. Moreover, a new Finance Director for Beltone has been recruited and will be reporting to the VP of Finance for GN ReSound North America.

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 gnstorenord.alertline.eu. 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. In 2015, the Alertline was revitalized through a global internal information campaign.

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. To ensure and document employees' familiarity with the code of ethics and key policies at all times, relevant employees electronically sign off on their compliance within specific areas and take GN's new e-learning courses within anti-corruption and competition compliance on a regular basis. This is supplemented with face-to-face compliance training for selected groups of employees.

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, company announcements and media outreach activities. 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 on 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 pages 36 - 37.

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 2015

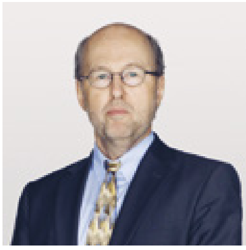
	Board meeting	Chairman-ship	Strategy committee	Audit committee	Remuneration committee	Nomination committee
January	●	● ● ●	●		●	
February	●		●	●	●	
March	● ●	● ●	●		●	●
April	● ●[1]	● ●	●	●		
May						
June	●[1] ●[2] ●[2]	● ●	●		●	
July						
August	●	● ●	●	●	●	
September	● ●[1]	● ●	●			
October	●	● ● ●	●	●	●	●
November		●	●		●	
December	● ●	●		●		
Total	15	16	9	5	7	2

1) Marketing / brand session

2) GN ReSound and GN Netcom strategy meeting

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. 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, IT, M&A, post merger integration and initial public offerings (IPO) as well as bond and hybrid capital financing from executive positions in both the public and private sector.
Board member since	2008	2007	2008	2008
Term	2015/2016	2015/2016	2015/2016	2015/2016
Considered independent	Yes	Yes	Yes	Yes
Nationality	Norwegian	American	German	Danish
Year of birth	1947	1949	1956	1957
No. of GN shares	224,884	156,500	51,000	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	RONICA WANG	LEO LARSEN	MORTEN ANDERSEN	NIKOLAI BISGAARD
M.Sc. (International Business). CEO, Telia Sweden.	MBA (Business Administration), B.A.Sc. (Industrial Engineering). Co-founder & global managing director InnoGrowth Group Ltd.	M.Sc. (Electrical Engineering) and a diploma in business administration and international trade. CTO, GN Netcom A/S.	B.Sc. (Mechanical Engineering). VP, Component Manufacturing in Operations, GN ReSound A/S.	M.Sc. (Electrical Engineering). VP, External Relations, GN ReSound A/S.
Member of the boards of GN Netcom A/S and GN ReSound A/S.	Member of the boards of GN Netcom A/S and GN ReSound A/S. Member of the boards in Active Kidz Shanghai and Pandora 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.	In-depth experience in building global brands, business transformation, as well as knowledge of consumer B2C and professional B2B2C marketing and distribution channels and e-commerce platforms in Asia, including digital marketing and social media from among others the FMCG, consumer health, and retail industries.			
2013	2015	2007	2011	2006
2015/2016	2015/2016	2014–2018	2014–2018	2014–2018
Yes	Yes			
Swedish	Hong Kong	Danish	Danish	Danish
1964	1962	1959	1963	1951
8,900	4,850	1,137	1,230	5,695
600,000	450,000	250,000	250,000	250,000
	●			
●				
●	●			
●	●			

Please visit gn.com for more elaborate descriptions of the board members' competencies and management duties.

(C) Chairman

(DC) Deputy chairman

● Board member

Executive management



	ANDERS HEDEGAARD	ANDERS BOYER	RENÉ SVENDSEN-TUNE
	President & CEO, GN ReSound	CFO, GN Store Nord	President & CEO, GN Netcom
Member of the executive management since	2014	2009	2015
Year of birth	1960	1970	1955
No. of GN shares	10,400	26,000	73,000
Board positions	-	Member of the board of Pandora A/S and chairman of the audit committee of Pandora A/S	-

Additional Financial information **2015**

Quarterly financial highlights

DKK million	Q4 2015 (unaud.)	Q4 2014 (unaud.)	Full year 2015 (aud.)	Full year 2014 (aud.)
GN ReSound				
Revenue	1,453	1,226	5,175	4,469
- Hearing Instruments	1,267	1,062	4,526	3,892
- Otometrics	186	164	649	577
Organic growth	9%	8%	8%	8%
- Hearing Instruments	10%	7%	9%	8%
- Otometrics	1%	21%	2%	6%
Gross profit margin	67.0%	67.9%	65.8%	67.1%
EBITA	340	291	995	897
EBITA margin	23.4%	23.7%	19.2%	20.1%
ROIC (EBITA/Average invested capital)	15.8%	15.9%	15.8%	15.9%
Free cash flow excl. company acquisitions and divestments	248	113	592	287
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	73%	39%	59%	32%
GN Netcom				
Revenue	1,005	894	3,229	2,871
- CC&O	645	550	2,148	1,854
- Mobile	360	344	1,081	1,017
Organic growth	3%	20%	2%	11%
- CC&O	8%	23%	6%	18%
- Mobile	(4)%	15%	(5)%	(1)%
Gross profit margin	51.5%	54.9%	52.6%	53.6%
EBITA	210	201	540	521
EBITA margin	20.9%	22.5%	16.7%	18.1%
ROIC (EBITA/Average invested capital)	46.9%	56.5%	46.9%	56.5%
Free cash flow excl. company acquisitions and divestments	68	43	271	340
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	32%	21%	50%	65%
GN Store Nord				
Revenue	2,458	2,120	8,404	7,340
Organic growth	7%	13%	6%	9%
Gross profit margin	60.7%	62.5%	60.7%	61.8%
EBITA	522	477	1,457	1,260
EBITA margin	21.2%	22.5%	17.3%	17.2%
Profit (loss) before tax reported	466	437	1,092	1,116
Effective tax rate	26%	28%	26%	29%
ROIC (EBITA/Average invested capital)	19.0%	18.5%	19.0%	18.5%
Earnings per share, basic (EPS)	2.26	1.96	5.16	4.89
Earnings per share, fully diluted (EPS diluted)	2.25	1.94	5.14	4.85
Free cash flow excl. company acquisitions and divestments	340	158	743	480
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	65%	33%	51%	38%
Equity ratio	51.6%	55.4%	51.6%	55.4%
Net interest-bearing debt	2,212	1,631	2,212	1,631
Net interest-bearing debt (period-end)/EBITDA	1.4	1.1	1.4	1.1
Dividend payout ratio	-	-	20%	19%
Share buybacks*	279	153	1,162	877
Outstanding shares, end of period (thousand)	152,254	159,592	152,254	159,592
Average number of outstanding shares, fully diluted (thousand)	153,898	161,581	156,734	163,619
Share price at the end of the period	125	135	125	135
Market capitalization	19,032	21,513	19,032	21,513

ROIC and NIBD/EBITDA are calculated based on reported EBITA and EBITDA for the latest four quarters

* Incl. buybacks as part of share based incentive programs

Quarterly reporting by segment

DKK million	Q1 2014 (unaud.)	Q2 2014 (unaud.)	Q3 2014 (unaud.)	Q4 2014 (unaud.)	Q1 2015 (unaud.)	Q2 2015 (unaud.)	Q3 2015 (unaud.)	Q4 2015 (unaud.)	2014 Total (aud.)	2015 Total (aud.)
Income statement										
Revenue										
GN ReSound	1,027	1,108	1,108	1,226	1,191	1,271	1,260	1,453	4,469	5,175
GN Netcom	652	698	627	894	694	764	766	1,005	2,871	3,229
Total	**1,679**	**1,806**	**1,735**	**2,120**	**1,885**	**2,035**	**2,026**	**2,458**	**7,340**	**8,404**
Organic growth										
GN ReSound	7%	8%	8%	8%	9%	8%	6%	9%	8%	8%
GN Netcom	4%	11%	7%	20%	(3)%	(2)%	11%	3%	11%	2%
Total	**6%**	**9%**	**8%**	**13%**	**4%**	**4%**	**8%**	**7%**	**9%**	**6%**
Gross profit										
GN ReSound	680	743	742	833	784	843	805	974	2,998	3,406
GN Netcom	343	361	343	491	374	411	394	518	1,538	1,697
Total	**1,023**	**1,104**	**1,085**	**1,324**	**1,158**	**1,254**	**1,199**	**1,492**	**4,536**	**5,103**
Gross profit margin										
GN ReSound	66.2%	67.0%	67.0%	67.9%	65.8%	66.3%	63.9%	67.0%	67.1%	65.8%
GN Netcom	52.6%	51.8%	54.7%	54.9%	53.9%	53.8%	51.4%	51.5%	53.6%	52.6%
Total	**60.9%**	**61.1%**	**62.5%**	**62.5%**	**61.4%**	**61.6%**	**59.2%**	**60.7%**	**61.8%**	**60.7%**
Expensed development costs**										
GN ReSound	(98)	(106)	(96)	(105)	(112)	(128)	(127)	(117)	(405)	(484)
GN Netcom	(43)	(48)	(48)	(64)	(44)	(52)	(55)	(58)	(203)	(209)
Other *	(3)	(3)	(1)	(1)	(2)	(2)	(4)	(6)	(8)	(14)
Total	**(144)**	**(157)**	**(145)**	**(170)**	**(158)**	**(182)**	**(186)**	**(181)**	**(616)**	**(707)**
Selling and distribution costs and administrative expenses etc.**										
GN ReSound	(412)	(427)	(420)	(437)	(472)	(497)	(441)	(517)	(1,696)	(1,927)
GN Netcom	(196)	(206)	(186)	(226)	(220)	(252)	(226)	(250)	(814)	(948)
Other *	(18)	(12)	(106)	(14)	(17)	(12)	(13)	(22)	(150)	(64)
Total	**(626)**	**(645)**	**(712)**	**(677)**	**(709)**	**(761)**	**(680)**	**(789)**	**(2,660)**	**(2,939)**
EBITA										
GN ReSound	170	210	226	291	200	218	237	340	897	995
GN Netcom	104	107	109	201	110	107	113	210	521	540
Other *	(21)	(15)	(107)	(15)	(19)	(14)	(17)	(28)	(158)	(78)
Total	**253**	**302**	**228**	**477**	**291**	**311**	**333**	**522**	**1,260**	**1,457**
EBITA margin										
GN ReSound	16.5%	18.9%	20.4%	23.7%	16.8%	17.2%	18.8%	23.4%	20.1%	19.2%
GN Netcom	15.9%	15.3%	17.4%	22.5%	15.9%	14.0%	14.8%	20.9%	18.1%	16.7%
Total	**15.1%**	**16.7%**	**13.1%**	**22.5%**	**15.4%**	**15.3%**	**16.4%**	**21.2%**	**17.2%**	**17.3%**
Depreciation and software amortization										
GN ReSound	(23)	(26)	(26)	(26)	(27)	(26)	(29)	(25)	(101)	(107)
GN Netcom	(7)	(7)	(8)	(10)	(9)	(9)	(9)	(10)	(32)	(37)
Other *	(9)	(9)	(9)	(9)	(7)	(7)	(7)	(8)	(36)	(29)
Total	**(39)**	**(42)**	**(43)**	**(45)**	**(43)**	**(42)**	**(45)**	**(43)**	**(169)**	**(173)**
EBITDA										
GN ReSound	193	236	252	317	227	244	266	365	998	1,102
GN Netcom	111	114	117	211	119	116	122	220	553	577
Other *	(12)	(6)	(98)	(6)	(12)	(7)	(10)	(20)	(122)	(49)
Total	**292**	**344**	**271**	**522**	**334**	**353**	**378**	**565**	**1,429**	**1,630**
EBITA	**253**	**302**	**228**	**477**	**291**	**311**	**333**	**522**	**1,260**	**1,457**
Amortization of acquired intangible assets	(10)	(14)	(12)	(19)	(18)	(18)	(17)	(24)	(55)	(77)
Gain (loss) on divestment of operations etc.	-	-	(6)	(4)	-	(4)	-	(6)	(10)	(10)
Beltone Network non-recurring items	-	-	-	-	-	(150)	-	-	-	(150)
Operating profit (loss)	**243**	**288**	**210**	**454**	**273**	**139**	**316**	**492**	**1,195**	**1,220**
Share of profit (loss) in associates	-	-	-	5	-	-	-	5	5	5
Financial items, net	(7)	(24)	(31)	(22)	(21)	(34)	(47)	(31)	(84)	(133)
Profit (loss) before tax	**236**	**264**	**179**	**437**	**252**	**105**	**269**	**466**	**1,116**	**1,092**
Tax on profit (loss)	(65)	(74)	(61)	(123)	(67)	(28)	(72)	(120)	(323)	(287)
Profit (loss)	**171**	**190**	**118**	**314**	**185**	**77**	**197**	**346**	**793**	**805**
Balance sheet										
Development projects										
GN ReSound	839	846	866	901	920	926	933	961	901	961
GN Netcom	139	146	158	168	180	198	211	223	168	223
Other *	8	8	8	-	-	-	-	-	-	-
Total	**986**	**1,000**	**1,032**	**1,069**	**1,100**	**1,124**	**1,144**	**1,184**	**1,069**	**1,184**
Inventories										
GN ReSound	389	401	425	414	488	489	506	491	414	491
GN Netcom	158	140	186	202	204	229	257	229	202	229
Total	**547**	**541**	**611**	**616**	**692**	**718**	**763**	**720**	**616**	**720**
Trade receivables										
GN ReSound	974	1,033	1,067	1,146	1,299	1,270	1,307	1,345	1,146	1,345
GN Netcom	511	568	538	761	699	752	706	909	761	909
Other *	1	1	-	2	1	1	-	1	2	1
Total	**1,486**	**1,602**	**1,605**	**1,909**	**1,999**	**2,023**	**2,013**	**2,255**	**1,909**	**2,255**
Net working capital										
GN ReSound	966	924	907	971	1,140	1,030	1,123	942	971	942
GN Netcom	283	245	201	337	436	377	387	486	337	486
Other *	(50)	(52)	(76)	(41)	(49)	(22)	(39)	(59)	(41)	(59)
Total	**1,199**	**1,117**	**1,032**	**1,267**	**1,527**	**1,385**	**1,471**	**1,369**	**1,267**	**1,369**
Cash flow										
Free cash flow excl. company acquisitions and divestments										
GN ReSound	(50)	134	90	113	(33)	225	152	248	287	592
GN Netcom	(4)	148	153	43	11	121	71	68	340	271
Other *	(27)	(24)	(98)	2	(84)	(19)	(41)	24	(147)	(120)
Total	**(81)**	**258**	**145**	**158**	**(106)**	**327**	**182**	**340**	**480**	**743**
Acquisitions and divestments of companies	**(14)**	**(20)**	**-**	**(12)**	**(18)**	**(7)**	**(4)**	**(18)**	**(46)**	**(47)**
Free cash flow	**(95)**	**238**	**145**	**146**	**(124)**	**320**	**178**	**322**	**434**	**696**

* "Other" comprises Group Shared Services, GN Ejendomme 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 2015 (unaud.)	Q4 2014 (unaud.)	Q4 2015 (unaud.)	Q4 2014 (unaud.)	Q4 2015 (unaud.)	Q4 2014 (unaud.)	Q4 2015 (unaud.)	Q4 2014 (unaud.)
Revenue	1,453	1,226	1,005	894	-	-	2,458	2,120
Production costs	(479)	(393)	(487)	(403)	-	-	(966)	(796)
Gross profit	**974**	**833**	**518**	**491**	**-**	**-**	**1,492**	**1,324**
Expensed development costs**	(117)	(105)	(58)	(64)	(6)	(1)	(181)	(170)
Selling and distribution costs**	(443)	(340)	(211)	(189)	-	-	(654)	(529)
Management and administrative expenses	(73)	(97)	(40)	(38)	(22)	(14)	(135)	(149)
Other operating income and costs, net	(1)	-	1	1	-	-	-	1
EBITA	**340**	**291**	**210**	**201**	**(28)**	**(15)**	**522**	**477**
Amortization of acquired intangible assets	(21)	(17)	(3)	(2)	-	-	(24)	(19)
Gain (loss) on divestment of operations etc.	(6)	(4)	-	-	-	-	(6)	(4)
Beltone Network non-recurring items	-	-	-	-	-	-	-	-
Operating profit (loss)	**313**	**270**	**207**	**199**	**(28)**	**(15)**	**492**	**454**
Share of profit(loss) in associates	5	5	-	-	-	-	5	5
Financial items	(11)	(11)	(4)	(1)	(16)	(10)	(31)	(22)
Profit (loss) before tax	**307**	**264**	**203**	**198**	**(44)**	**(25)**	**466**	**437**
Tax on profit (loss)	(94)	(91)	(39)	(30)	13	(2)	(120)	(123)
Profit (loss)	**213**	**173**	**164**	**168**	**(31)**	**(27)**	**346**	**314**

CASH FLOW STATEMENT	GN ReSound		GN Netcom		Other*		Consolidated total	
DKK million	Q4 2015 (unaud.)	Q4 2014 (unaud.)	Q4 2015 (unaud.)	Q4 2014 (unaud.)	Q4 2015 (unaud.)	Q4 2014 (unaud.)	Q4 2015 (unaud.)	Q4 2014 (unaud.)
Operating activities before changes in working capital	432	386	263	270	(26)	(4)	669	652
Cash flow from changes in working capital	106	(60)	(88)	(138)	15	(34)	33	(232)
Cash flow from operating activities excluding financial items and tax	**538**	**326**	**175**	**132**	**(11)**	**(38)**	**702**	**420**
Cash flow from investing activities:								
Development projects	(92)	(84)	(36)	(35)	-	-	(128)	(119)
Other	(60)	(123)	(17)	(5)	(6)	(22)	(83)	(150)
Cash flow from operating and investing activities before financial items and tax	**386**	**119**	**122**	**92**	**(17)**	**(60)**	**491**	**151**
Tax and financial items	(156)	(18)	(54)	(49)	41	62	(169)	(5)
Cash flow from operating and investing activities (free cash flow)	**230**	**101**	**68**	**43**	**24**	**2**	**322**	**146**
Free cash flow excl. company acquisitions and divestments	**248**	**113**	**68**	**43**	**24**	**2**	**340**	**158**

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

ADDITIONAL INFORMATION	GN ReSound		GN Netcom		Other*		Consolidated total	
DKK million	Q4 2015 (unaud.)	Q4 2014 (unaud.)	Q4 2015 (unaud.)	Q4 2014 (unaud.)	Q4 2015 (unaud.)	Q4 2014 (unaud.)	Q4 2015 (unaud.)	Q4 2014 (unaud.)
Revenue distributed geographically								
Europe	33%	32%	49%	54%	0%	0%	40%	41%
North America	47%	46%	35%	29%	0%	0%	42%	39%
Rest of world	20%	22%	16%	17%	0%	0%	18%	20%
Incurred development costs	(141)	(127)	(69)	(73)	(6)	(1)	(216)	(201)
Capitalized development costs	92	84	36	35	-	-	128	119
Amortization and depreciation of development costs**	(68)	(62)	(25)	(26)	-	-	(93)	(88)
Expensed development costs	**(117)**	**(105)**	**(58)**	**(64)**	**(6)**	**(1)**	**(181)**	**(170)**
EBITDA	365	317	220	211	(20)	(6)	565	522
Depreciation and software amortization	(25)	(26)	(10)	(10)	(8)	(9)	(43)	(45)
EBITA	**340**	**291**	**210**	**201**	**(28)**	**(15)**	**522**	**477**
EBITA margin	23.4%	23.7%	20.9%	22.5%	N/A	N/A	21.2%	22.5%
Number of employees, end of period	~4,425	~4,075	~1,000	~950	~75	~50	~5,500	~5.075

* "Other" comprises Group Shared Services, GN Ejendomme 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 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014	Q4 2015	Q4 2014
Organic growth	10%	7%	1%	21%	8%	23%	(4)%	15%

Foreign exchange impact

FY 2015

(DKK million)	GN ReSound	GN Netcom	Other*	Consolidated total
Revenue				
FY 2014 reported	**4,469**	**2,871**	**0**	**7,340**
Constant currency development	+9%	+2%	-	+6%
Translational FX effect	+11%	+10%	-	+11%
Hedging effect FY 2015	(4)%	0%	-	(3)%
Hedging effect FY 2014	0%	+1%	-	0%
FY 2015 reported	**5,175**	**3,229**	**0**	**8,404**
EBITA				
FY 2014 reported	**897**	**521**	**(158)**	**1,260**
Constant currency development	+11%	+4%	+51%	+16%
Translational FX effect	+18%	(5)%	-	+11%
Hedging effect FY 2015	(18)%	+6%	-	(10)%
Hedging effect FY 2014	+1%	(2)%	-	0%
FY 2015 reported	**995**	**540**	**(78)**	**1,457**

* "Other" comprises Group Shared Services, GN Ejendomme and eliminations

Constant currency development: Reflects the growth in the GN business (organic growth) including the development from mergers, acquisitions and divestments, but excluding any FX effects.

Translational FX effect: Reflects the translation impact coming from translating local currencies from subsidiaries to the reporting currency of the group (DKK).

Hedging effect this year: Reflects the realized hedging gain/loss in the specific line in this reporting period.

Hedging effect last year: Reflects the realized hedging gain/loss in the specific line in the comparable reporting period last year – e.g. if the specific line realized a hedging loss last year, this will have a positive impact this year, since the hedging loss disappears from the reported numbers.

Consolidated Financial statements **2015**

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CONSOLIDATED INCOME STATEMENT

DKK million	Note	2015	2014
Revenue	2.2	8,404	7,340
Production costs	2.3, 3.3, 3.6	(3,301)	(2,804)
Gross profit		**5,103**	**4,536**
Development costs	2.3, 3.3	(707)	(616)
Selling and distribution costs	2.3, 3.3	(2,414)	(2,033)
Management and administrative expenses	2.3, 3.3, 5.9	(533)	(629)
Other operating income and costs, net		8	2
EBITA[1]		**1,457**	**1,260**
Amortization of acquired intangible assets	2.5, 3.3	(77)	(55)
Gain (loss) on divestment of operations etc.	5.1	(10)	(10)
Beltone Network non-recurring items	1.3	(150)	-
Operating profit (loss)		**1,220**	**1,195**
Share of profit (loss) in associates	5.6	5	5
Financial income	4.3	97	135
Financial expenses	4.3	(230)	(219)
Profit (loss) before tax		**1,092**	**1,116**
Tax on profit (loss)	2.4	(287)	(323)
Profit (loss) for the year		**805**	**793**
Earnings per share (EPS)	4.1		
Earnings per share (EPS)		5.16	4.89
Earnings per share, fully diluted (EPS diluted)		5.14	4.85

[1] Excluding Beltone Network non-recurring items, Gain (loss) on divestment of operations etc. and amortization of acquired intangible assets but including amortization of development projects and software.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

DKK million	Note	2015	2014
Profit (loss) for the year		**805**	**793**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses)		14	(40)
Tax relating to this item of other comprehensive income	2.4	(6)	11
Items that may be reclassified subsequently to profit or loss			
Adjustment of cash flow hedges	4.2	30	(99)
Foreign exchange adjustments, etc.		462	560
Tax relating to these items of other comprehensive income	2.4	(10)	17
Other comprehensive income for the year, net of tax		**490**	**449**
Total comprehensive income for the year		**1,295**	**1,242**

CONSOLIDATED BALANCE SHEET AT DECEMBER 31

DKK million	Note	2015	2014
ASSETS			
Intangible assets	3.1	5,469	4,935
Property, plant and equipment	3.2	534	472
Investments in associates	5.6	25	20
Deferred tax assets	2.4	507	503
Other non-current assets	3.4, 4.2	1,239	1,309
Total non-current assets		**7,774**	**7,239**
Inventories	3.6	720	616
Trade receivables	3.7, 4.2	2,255	1,909
Tax receivables	2.4	63	21
Other receivables	4.2	232	330
Cash and cash equivalents		132	114
Total current assets		**3,402**	**2,990**
Total assets		**11,176**	**10,229**
EQUITY AND LIABILITIES			
Share capital		649	672
Other reserves		(2,113)	(1,807)
Proposed dividends for the year		161	151
Retained earnings		7,067	6,651
Total equity		**5,764**	**5,667**
Bank loans	4.2	2,297	1,675
Pension obligations	5.4	64	77
Provisions	3.5	59	105
Deferred tax liabilities	2.4	496	409
Other non-current liabilities	4.2	301	268
Total non-current liabilities		**3,217**	**2,534**
Bank loans	4.2	47	70
Trade payables	4.2	731	593
Tax payables	2.4	28	106
Provisions	3.5	282	263
Other payables	3.8	1,107	996
Total current liabilities		**2,195**	**2,028**
Total equity and liabilities		**11,176**	**10,229**

CONSOLIDATED CASH FLOW STATEMENT

DKK million	Note	2015	2014
Operating activities			
Operating profit (loss)		1,220	1,195
Depreciation, amortization and impairment		599	527
Other non-cash adjustments	5.7	127	21
Cash flow from operating activities before changes in working capital		**1,946**	**1,743**
Change in inventories		(83)	8
Change in receivables		(260)	(466)
Change in trade payables and other payables		192	231
Total changes in working capital		**(151)**	**(227)**
Restructuring/non-recurring costs, paid		-	(30)
Cash flow from operating activities before financial items and tax		**1,795**	**1,486**
Interest and dividends, etc., received		48	19
Interest etc. paid		(119)	(72)
Tax paid, net		(274)	(80)
Cash flow from operating activities		**1,450**	**1,353**
Investing activities			
Investments in intangible assets, excluding development projects		(161)	(130)
Development projects		(460)	(411)
Investments in property, plant and equipment		(179)	(106)
Investments in other non-current assets		(74)	(243)
Disposal of intangible assets		2	1
Disposal of property, plant and equipment		10	2
Disposal/repayment of other non-current assets		155	14
Acquisition of companies/operations	5.1	(47)	(46)
Cash flow from investing activities		**(754)**	**(919)**
Cash flow from operating and investing activities (free cash flow)		**696**	**434**
Financing activities			
Increase of long-term loans		624	472
Increase/(decrease) of short-term loans		(23)	8
Paid dividends		(142)	(138)
Share-based payment (exercised)		65	68
Purchase/sale of treasury shares		(1,162)	(877)
Other adjustments		(44)	(24)
Cash flow from financing activities		**(682)**	**(491)**
Net cash flow		**14**	**(57)**
Cash and cash equivalents, beginning of period		114	163
Adjustment foreign currency, cash and cash equivalents		4	8
Cash and cash equivalents, end of period		**132**	**114**

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, 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**
Profit (loss) for the period	-	-	-	-	-	-	805	805
Actuarial gains (losses)	-	-	-	-	-	-	14	14
Adjustment of cash flow hedges	-	-	-	30	-	-	-	30
Foreign exchange adjustments, etc.	-	-	462	-	-	-	-	462
Tax relating to other comprehensive income	-	-	(3)	(7)	-	-	(6)	(16)
Total comprehensive income for the year	-	-	459	23	-	-	813	1,295
Reduction of share capital	(23)	(476)	-	-	784	-	(285)	-
Share-based payment (granted)	-	-	-	-	-	-	19	19
Share-based payment (exercised)	-	(64)	-	-	130	-	(1)	65
Tax related to share-based incentive plans	-	-	-	-	-	-	22	22
Purchase/sale of treasury shares	-	-	-	-	(1,162)	-	-	(1,162)
Proposed dividends for the year*	-	-	-	-	-	161	(161)	-
Paid dividends	-	-	-	-	-	(142)	-	(142)
Dividends, treasury shares	-	-	-	-	-	(9)	9	-
Balance sheet total at December 31, 2015	**649**	**-**	**(726)**	**(27)**	**(1,360)**	**161**	**7,067**	**5,764**

*Equivalent to DKK 0,99 per share (2014 DKK 0,90 per share)

SECTION 1
Basis of preparation

In order to make the annual report more reader friendly the notes have been grouped in sections. Furthermore, each note include the accounting policies and significant accounting estimates applicable to the relevant notes. The description of the accounting policies in the notes are part of the complete description of GN Store Nord's accounting policies. The notes are grouped in these five sections:

Section 1 Basis of preparation
Section 2 Results for the year
Section 3 Operating assets and liabilities
Section 4 Capital structure and financing items
Section 5 Other disclosures

Included in Section 1 are required disclosures and general accounting policies, including management's judgments and estimates under International Financial Reporting Standards (IFRS), relevant for the understanding of the basis of preparation of the consolidated financial statements of GN Store Nord A/S. Section 1.3 describes the line item Beltone Network non-recurring items.

New or revised EU endorsed accounting standards and interpretations are described in addition to how these changes are expected to impact the financial performance and reporting of the GN Store Nord Group.

1.1 GENERAL ACCOUNTING POLICIES

The annual report of GN Store Nord for 2015 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.

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, 2015. 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, 2015, or have not yet been adopted by the EU, and have therefore not been applied in preparing this annual report. Those, which may be relevant to GN Store Nord, are the following:

- IFRS 16 Leases applies to periods beginning on or after January 1, 2019. The effects of the standard have not yet been analyzed in detail and the financial impact of the new standard will depend on the lease agreements in effect at the time of adoption. However, it is expected that EBITA will increase with the so-called implicit lease interest rate. This is due to that lease payments from operating leases will be replaced by depreciations included above EBITA and a calculated interest included in financial items. EBITDA is therefore also expected to increase with an amount equal to the operating lease payments.
  Net Interest Bearing Debt is expected to increase with the present value of recognized lease liabilitites. Invested capital is expected to increase with the value of the lease assets measured initially as the present value of the recognized leasing liabilities. Return on invested capital is expected to be affected slightly negative as the return on the lease assets to be included in invested capital, in the form of an increase in EBITA with the implicit lease interest rate, are expected to be lower than GN Store Nord's ROIC. The ratio NIBD/EBITDA is expected to increase slightly as NIBD will increase more than EBITDA compared to the current ratio between NIBD and EBITDA.

- IFRS 9 Financial Instruments applies to annual periods beginning on or after January 1, 2018. The standard is only expected to have a limited effect on recognition and measurement of financial assets. 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, 2018. 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.

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 95. 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 that are substantive 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.

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, 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.

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 acquired enterprises is recognized in the cash flow statement from the acquisition date. Cash flow from disposed 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 excluding 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.

1.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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. Furthermore, recognition of pension obligations and similar non-current obligations, provisions, contingent assets and liabilities as well as measurement of investment in associates recquires significant accounting estimates and judgments..

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.

A description of significant accounting estimates and judgments is included in the relevant notes:

2.1 Segment disclosures
2.4 Tax
3.1 Intangible assets
3.4 Other non-current assets
3.5 Provisions
3.6 Inventories
3.7 Trade receivables
5.5 Contingent liabilities, other financial liabilities and contingent assets
5.6 Associates

1.3 BELTONE NETWORK NON-RECURRING ITEMS

A separate line item, "Beltone Network non-recurring items", has been included in the income statement. The line item includes losses in respect of prior years due to identified accounting fraud in the Beltone Distribution Network. The accounting fraud is not considered material to the years in which it relates (2012-2014) and has consequently been included in the income statement for the current period.

SECTION 2
Results for the year

2.1 SEGMENT DISCLOSURES

INCOME STATEMENT 2015

DKK million	GN ReSound	GN Netcom	Other GN	Eliminations	Consolidated total
External revenue	5,175	3,229	-	-	8,404
Internal revenue	-	-	57	(57)	-
Revenue	**5,175**	**3,229**	**57**	**(57)**	**8,404**
Production costs	(1,769)	(1,532)	-	-	(3,301)
Gross profit	**3,406**	**1,697**	**57**	**(57)**	**5,103**
Expensed development costs	(484)	(209)	(14)	-	(707)
Selling and distribution costs	(1,596)	(818)	-	-	(2,414)
Management and administrative expenses	(338)	(131)	(121)	57	(533)
Other operating income and costs, net	7	1	-	-	8
EBITA[1]	**995**	**540**	**(78)**	**-**	**1,457**
Amortization of acquired intangible assets	(66)	(11)	-	-	(77)
Gain (loss) on divestment of operations etc.	(10)	-	-	-	(10)
Beltone Network non-recurring items	(150)	-	-	-	(150)
Operating profit (loss)	**769**	**529**	**(78)**	**-**	**1,220**
Share of profit (loss) in associates	5	-	-	-	5
Financial income	74	23	34	(34)	97
Financial expenses	(137)	(40)	(87)	34	(230)
Profit (loss) before tax	**711**	**512**	**(131)**	**-**	**1,092**
Tax on profit (loss)	(203)	(115)	31	-	(287)
Profit (loss) for the year	**508**	**397**	**(100)**	**-**	**805**
Impairment losses and reversals regarding intangible assets and property, plant and equipment recognized in the income statement	(1)	-	-	-	(1)

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

In 2015 the revenue in GN ReSound comprised sale of diagnostic equipment of DKK 649 million and sale of hearing instruments of DKK 4,526 million.

OTHER SEGMENT DISCLOSURES 2015

DKK million	GN ReSound	GN Netcom	Other GN	Eliminations	Consolidated total
Incurred development costs	(532)	(260)	(14)	-	(806)
Capitalized development costs	322	138	-	-	460
Amortization and depreciation	(274)	(87)	-	-	(361)
Expensed development costs	**(484)**	**(209)**	**(14)**	**-**	**(707)**
EBITDA	**1,102**	**577**	**(49)**	**-**	**1,630**
Depreciation and software amortization	(107)	(37)	(29)	-	(173)
EBITA[1]	**995**	**540**	**(78)**	**-**	**1,457**

2.1 SEGMENT DISCLOSURES (CONTINUED)

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[1]	**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	59	69	62	(55)	135
Financial expenses	(122)	(71)	(81)	55	(219)
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[1]	**897**	**521**	**(158)**	**-**	**1,260**

[1] Excluding Beltone Network non-recurring items, Gain (loss) on divestment of operations etc. and amortization of acquired intangible assets but including amortization of development projects and software.

2.1 SEGMENT DISCLOSURES (CONTINUED)

BALANCE SHEET 2015

DKK million	GN ReSound	GN Netcom	Other GN	Eliminations	Consolidated total
Assets					
Goodwill	3,069	537	-	-	3,606
Development projects	961	223	-	-	1,184
Other intangible assets	532	38	109	-	679
Property, plant and equipment	284	71	179	-	534
Loans to dispensers and ownership interests	1,008	-	-	-	1,008
Other non-current assets	602	158	-	3	763
Total non-current assets	**6,456**	**1,027**	**288**	**3**	**7,774**
Inventories	491	229	-	-	720
Trade receivables	1,345	909	1	-	2,255
Receivables from subsidiaries*	-	1,970	-	(1,970)	-
Tax receivables	57	11	13	(18)	63
Other receivables	151	71	10	-	232
Cash and cash equivalents	104	28	-	-	132
Total current assets	**2,148**	**3,218**	**24**	**(1,988)**	**3,402**
Total assets	**8,604**	**4,245**	**312**	**(1,985)**	**11,176**
Equity and Liabilities					
Equity	**5,996**	**3,380**	**(3,612)**	**-**	**5,764**
Bank loans	-	-	2,297	-	2,297
Pension obligations and deferred tax	340	48	184	(12)	560
Provisions	50	8	1	-	59
Other non-current liabilities	301	-	-	-	301
Total non-current liabilities	**691**	**56**	**2,482**	**(12)**	**3,217**
Bank loans	14	12	21	-	47
Trade payables	335	379	17	-	731
Amounts owed to subsidiaries*	627	-	1,343	(1,970)	-
Tax payables	25	5	1	(3)	28
Provisions	206	69	7	-	282
Other current liabilities	710	344	53	-	1,107
Total current liabilities	**1,917**	**809**	**1,442**	**(1,973)**	**2,195**
Total equity and liabilities	**8,604**	**4,245**	**312**	**(1,985)**	**11,176**

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

CASH FLOW STATEMENT 2015

DKK million	GN ReSound	GN Netcom	Other GN	Eliminations	Consolidated total
Cash flow from operating activities before changes in working capital	**1,339**	**681**	**(74)**	**-**	**1,946**
Cash flow from changes in working capital and restructuring/non-recurring costs paid	(29)	(127)	5	-	(151)
Cash flow from operating activities before financial items and tax	**1,310**	**554**	**(69)**	**-**	**1,795**
Cash flow from investing activities:					
Development projects	(322)	(138)	-	-	(460)
Other investing activities	(199)	(60)	(35)	-	(294)
Cash flow from operating and investing activities before financial items and tax	**789**	**356**	**(104)**	**-**	**1,041**
Tax and financial items	(244)	(85)	(16)	-	(345)
Cash flow from operating and investing activities (free cash flow)	**545**	**271**	**(120)**	**-**	**696**

2.1 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**

2.1 SEGMENT DISCLOSURES (CONTINUED)

ACCOUNTING POLICIES

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.

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 is 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.

Development costs
Development costs comprise costs, salaries, and depreciation of operating assets and equipment directly or indirectly attributable to the Group's development activities. Furthermore, amortization and write-down of capitalized development projects are included.

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.

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. Also included are losses on trade receivables.

Management and Administrative Expenses
Management and administrative expenses comprise expenses incurred for management and administration. Administrative expenses include office expenses, depreciation and impairment, etc.

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

SIGNIFICANT ACCOUNTING ESTIMATES

Revenue Recognition
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 ●

2.2 GEOGRAPHICAL INFORMATION

DKK million	Revenue 2015	Revenue 2014	Intangible assets and property, plant and equipment 2015	Intangible assets and property, plant and equipment 2014
Denmark	264	241	2,170	1,916
Rest of Europe	2,890	2,659	414	502
North America	3,580	2,966	3,203	2,857
Asia and rest of world	1,670	1,474	216	132
Consolidated Total	**8,404**	**7,340**	**6,003**	**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.

2.3 STAFF COSTS

DKK million	2015	2014
Wages, salaries and remuneration	(2,294)	(2,021)
Pensions	(101)	(92)
Other social security costs	(243)	(203)
Share-based payments	(19)	(15)
Total	**(2,657)**	**(2,331)**
Included in:		
Production costs and change in payroll costs included in inventories	(477)	(419)
Development costs	(467)	(417)
Selling and distribution costs	(1,329)	(1,131)
Management and administrative expenses	(384)	(364)
Total	**(2,657)**	**(2,331)**
Average number of employees	5,300	5,050
Number of employees, year-end	5,500	5,075

For information regarding the remuneration of the Board of Directors and Executive Management, please refer to note 5.2.

2.4 TAX

TAX ON PROFIT (LOSS)

DKK million	2015	2014
Tax on profit (loss)		
Current tax for the year	(166)	(252)
Deferred tax for the year	(144)	(75)
Effect of change in income tax rates	18	-
Withholding tax	(4)	-
Adjustment to current tax with respect to prior years	6	15
Adjustment to deferred tax with respect to prior years	3	(11)
Total	**(287)**	**(323)**
Reconciliation of effective tax rate		
Danish tax rate	23.5%	24.5%
Effect of tax rates in foreign jurisdictions	2.6%	2.0%
Non-taxable income	(0.3%)	(0.3%)
Non-deductable expenses	1.9%	3.1%
Utilization of previously not recognized tax assets	(2.2%)	0.0%
Unrecognized tax assets	3.4%	0.0%
Withholding tax	0.4%	0.0%
Effect of change in income tax rates	(1.7%)	0.0%
Share of profit (loss) in associates	(0.1%)	(0.1%)
Adjustment of tax with respect to prior years	(0.8%)	(0.4%)
Other	(0.4%)	0.1%
Effective tax rate	**26.3%**	**28.9%**
Tax relating to other comprehensive income		
Actuarial gains (losses)	(6)	11
Adjustment of cash flow hedges	(7)	24
Foreign exchange adjustments, etc.	(3)	(7)
Total	**(16)**	**28**

CURRENT TAX

DKK million	2015	2014
Tax payable and tax receivable		
Tax payable at January 1, net	(85)	56
Foreign exchange adjustments	(1)	(2)
Adjustment with respect to prior years	6	15
Payment relating to prior years	79	(71)
Current tax for the year	(166)	(252)
Current tax for the year recognized in other comprehensive income for the year	(2)	1
Withholding tax for the year	(4)	-
Payment of withholding tax for the year	4	-
Tax related to share-based incentive plans	13	17
Payments relating to the current year	191	151
Tax receivable (payable) at December 31, net	**35**	**(85)**
Current tax is recognized as follows in the balance sheet:		
Tax receivable (assets)	63	21
Tax payable (liabilities)	(28)	(106)
Tax receivable (payable) at December 31, net	**35**	**(85)**

2.4 TAX (CONTINUED)

DEFERRED TAX

DKK million	2015	2014
Deferred tax, net		
Deferred tax at January 1, net	94	99
Adjustment with respect to prior years	3	(11)
Effect of change in income tax rates	18	-
Addition of deferred tax on acquisition of enterprises	(1)	-
Deferred tax for the year recognized in profit(loss) for the year	(144)	(75)
Deferred tax for the year recognized in other comprehensive income for the year	(14)	27
Tax related to share-based incentive plans	9	10
Foreign exchange adjustments	46	44
Deferred tax at December 31, net	**11**	**94**
Deferred tax is recognized in the balance sheet as follows:		
Deferred tax assets	507	503
Deferred tax liabilities	(496)	(409)
Deferred tax at December 31, net	**11**	**94**
Deferred tax, net relates to:		
Intangible assets	(406)	(364)
Property, plant and equipment	32	24
Other securities	56	61
Current assets	71	96
Current liabilities	6	32
Intercompany liabilities	-	(1)
Tax loss carryforwards	190	157
Retaxation	(152)	(152)
Provisions	189	214
Other	25	27
Total	**11**	**94**
Tax value of unrecognized tax assets		
Tax loss carryforwards	219	236
Other tax assets	32	-
Unrecognized tax assets at December 31	**251**	**236**

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 2016-2026.

Deferred tax, net includes DKK 10 million expected to be utilized within 12 months.

2.4 TAX (CONTINUED)

ACCOUNTING POLICIES

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
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 benefit for the deduction is recognized directly in the balance sheet. Deferred tax assets are subject to annual impairment tests

SIGNIFICANT ACCOUNTING ESTIMATES

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

2.5 INCOME STATEMENT CLASSIFIED BY FUNCTION

The group presents the income statement based on a classfication of costs by function. However, in order to present EBITA (as defined on page 96) in the income statement, which is the measure of profit used by management, amortisation of acquired intangible assets are separated from the individual functions and presented as a separate line item. If amortisation of acquired intangible assets are allocated to the individual line items by function the income statement will present as follows:

DKK million	2015	2014
Revenue	8,404	7,340
Production costs	(3,301)	(2,804)
Gross profit	**5,103**	**4,536**
Development costs	(714)	(623)
Selling and distribution costs	(2,484)	(2,081)
Management and administrative expenses	(533)	(629)
Other operating income and costs, net	8	2
Gain (loss) on divestment of operations etc.	(10)	(10)
Beltone Network non-recurring items	(150)	-
Operating profit (loss)	**1,220**	**1,195**
In the above income statement amortization of acquired intangible assets has been allocated to functions as follows:		
Development costs	(7)	(7)
Selling and distribution costs	(70)	(48)
Amortization of acquired intangible assets	**(77)**	**(55)**

SECTION 3
Operating assets and liabilities

3.1 INTANGIBLE ASSETS

DKK million	Goodwill	Development projects, developed in-house	Software	Patents and rights	Other	Total
Cost at January 1	3,266	3,033	475	334	738	7,846
Additions on company acquisitions	34	-	-	-	43	77
Additions	-	460	99	40	57	656
Disposals	-	(184)	(3)	(1)	(62)	(250)
Transfers	-	3	-	-	-	3
Foreign exchange adjustments	306	-	10	16	48	380
Cost at December 31	3,606	3,312	581	389	824	8,712
Amortization and impairment at January 1	-	(1,964)	(290)	(244)	(413)	(2,911)
Amortization	-	(347)	(58)	(7)	(70)	(482)
Disposals	-	184	3	1	20	208
Impairment	-	(1)	-	-	-	(1)
Foreign exchange adjustments	-	-	(10)	(16)	(31)	(57)
Amortization and impairment at December 31	-	(2,128)	(355)	(266)	(494)	(3,243)
Carrying amount at December 31, 2015	**3,606**	**1,184**	**226**	**123**	**330**	**5,469**
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)
Transfers	-	-	-	-	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)
Transfers	-	-	-	-	(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**

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.

The carrying amount of development projects and software in progress amount to DKK 674 million (2014: DKK 602 million).

3.1 INTANGIBLE ASSETS (CONTINUED)

Goodwill

Additions during the year of DKK 34 million mainly relate to the acquisition of equity shares in hearing instrument chains and distributors, cf. note 5.1.

Management has performed an impairment test of the carrying amount of goodwill at December 31, 2015. The impairment test covered the Group's cash-generating units (CGU) to which the carrying amount of goodwill is allocated.

DKK million	Carrying amount of goodwill 2015	2014	Pre-tax discount rate 2015	2014	Weighted average cost of capital 2015	2014
Cash-generating units						
Hearing Instruments	2,922	2,638	8	9	7	7
Audiologic Diagnostics Equipment	147	141	11	10	8	8
Contact Center & Office Headsets	319	291	11	12	9	9
Mobile Headsets	218	196	13	14	11	11
Total	**3,606**	**3,266**				

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 2016, market forecasts for 2017 - 2020, 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 calculations apply expected growth in the terminal periods of 2.5% p.a.

The recoverable amount for Hearing Instruments at December 31, 2015 has been determined based on a valuation using cash flow projections from budgets and financial forecasts, 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 2016 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 2016 and 2017. 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, 2015.

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 2016 and 2017, 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 2015, management assessed that the expected useful lives were reflected in the carrying amounts at December 31, 2015.

Patents and rights

Patents and rights primarily comprise acquired patents and rights. The most significant patents and rights relate to technologies for 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 for development of headsets.

Other

The Group's other intangible assets comprise DKK 125 million (2014: DKK 95 million) related to customer lists, DKK 91 million (2014: DKK 102 million) related to trademarks and DKK 114 million (2014: DKK 128 million) related to supply agreements.

3.1 INTANGIBLE ASSETS (CONTINUED)

§ ACCOUNTING POLICIES

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. 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

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.

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.

Impairment of 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.

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 of goodwill is recognized in a separate line item in the income statement. Impairment of goodwill is not reversed ●

3.1 INTANGIBLE ASSETS (CONTINUED)

SIGNIFICANT ACCOUNTING ESTIMATES

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.

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 or not the carrying amount should be written down. In addition, management continously assess the useful lives of its products to ensure that amortization of development projects reflects the useful lives.

3.2 PROPERTY, PLANT AND EQUIPMENT

DKK million	Factory and office buildings	Leasehold improvements	Plant and machinery	Operating assets and equipment	Leased plant and equipment	Assets under construction	Total
Cost at January 1	374	147	657	322	4	7	1,511
Additions on company acquisitions	-	-	-	3	-	-	3
Additions	32	22	58	32	1	34	179
Disposals	(7)	(13)	(7)	(10)	(1)	2	(36)
Transfers	7	(4)	23	3	2	(31)	-
Foreign exchange adjustments	4	8	13	17	-	-	42
Cost at December 31	410	160	744	367	6	12	1,699
Depreciation and impairment at January 1	(139)	(114)	(517)	(267)	(2)	-	(1,039)
Depreciation	(14)	(14)	(62)	(25)	(1)	-	(116)
Disposals	2	12	4	10	1	-	29
Transfers	(1)	1	3	(2)	(1)	-	-
Foreign exchange adjustments	(2)	(6)	(14)	(17)	-	-	(39)
Depreciation and impairment at December 31	(154)	(121)	(586)	(301)	(3)	-	(1,165)
Carrying amount at December 31, 2015	**256**	**39**	**158**	**66**	**3**	**12**	**534**
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**

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

3.2 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

§ ACCOUNTING POLICIES

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 as 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 ●

3.3 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

DKK million	2015	2014
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	(64)	(55)
Development costs	(361)	(316)
Selling and distribution costs	(36)	(30)
Management and administrative expenses	(61)	(71)
Amortization of acquired intangible assets	(77)	(55)
Total	**(599)**	**(527)**
Amortization of intangible assets is recognized in the income statement as follows:		
Production costs	(3)	(4)
Development costs	(351)	(303)
Selling and distribution costs	(19)	(18)
Management and administrative expenses	(32)	(37)
Amortization of acquired intangible assets	(77)	(55)
Total	**(482)**	**(417)**
Impairment of intangible assets is recognized in the income statement as follows:		
Development costs	(1)	(4)
Management and administrative expenses	-	(1)
Total	**(1)**	**(5)**

3.4 OTHER NON-CURRENT ASSETS

DKK million	2015	2014
Loans to dispensers of GN ReSound products	775	814
Ownership interests	233	182
RAP, SIP and DCP*	190	170
Owed by associates	30	129
Other	11	14
Total	**1,239**	**1,309**

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 233 million (2014: DKK 203 million).

§ ACCOUNTING POLICIES

Loans to dispensers
Loans to dispensers and other receivables are measured at amortized cost less write-down for foreseen bad debt losses.

Ownership Interests and savings plans
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. The savings plans RAP, SIP and DCP are measured cost.

Impairment of Other non-current assets
The carrying amount of Other non-current assets, 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 losses of Ownership interests are recognized under financial expenses in the income statement.

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 ●

! SIGNIFICANT ACCOUNTING ESTIMATES

Loans to and investments in dispensers
GN Store Nord grants loans to dispensers and acquires ownership interests in dispensers. The agreements are typically comprehensive, 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 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 ●

3.5 PROVISIONS

DKK million	Warranty provisions	Other provisions	Total
Provisions at January 1	125	243	368
Additions	48	70	118
Consumed	(30)	(81)	(111)
Reversed	(21)	(27)	(48)
Foreign exchange adjustments	8	6	14
Provisions at December 31, 2015	**130**	**211**	**341**
Of which is recognized in the consolidated balance sheet:			
Non-current liabilities	38	21	59
Current liabilities	92	190	282
Provisions at December 31, 2015	**130**	**211**	**341**

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. 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.

§ ACCOUNTING POLICIES

Provisions

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.

Other provisions primarily comprise onerous contracts 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.

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 exceeds the benefits from the expected future use of the components and the Company can only sell the components at a loss ●

! SIGNIFICANT ACCOUNTING ESTIMATES

Provisions

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. The amount recognized as a provision is Management's best estimate of the expenses required to settle the obligation.

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, 2015, the carrying amount of provisions with respect to obligations to take back goods was DKK 114 million (2014: DKK 76 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 ●

3.6 INVENTORIES

DKK million	2015	2014
Raw materials and consumables	269	229
Work in progress	11	9
Finished goods and merchandise	440	378
Total	**720**	**616**
The above includes write-downs amounting to	119	127
Write-downs recognized in the income statement under production costs	14	25
Reversed write-downs recognized under production costs	-	-
Production costs include costs of goods sold of	2,876	2,432

§ ACCOUNTING POLICIES

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, wages and salaries, 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 ●

! SIGNIFICANT ACCOUNTING ESTIMATES

Measurement of inventories

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 from 12 to 24 months following the balance sheet date ●

3.7 TRADE RECEIVABLES

DKK million	2015	2014
Trade receivables	2,255	1,909
Total	**2,255**	**1,909**
Trade receivables have the following maturities:		
Not due	1,757	1,494
Due 30 days or less	168	154
Due more than 30 days but less than 90 days	135	124
Due more than 90 days	195	137
Total	**2,255**	**1,909**
Write-downs, which are included in total trade receivables, have developed as follows:		
Write-downs at January 1	(114)	(89)
Write-downs made during the year	(55)	(49)
Realized during the year	15	3
Reversed write-downs	45	21
Foreign exchange adjustments	(3)	-
Write-downs at December 31	**(112)**	**(114)**

Total write-downs of DKK 112 million are included in trade receivables at the end of 2015. In 2015 no material write-downs have been recognized regarding individual receivables (2014: no material write-downs have been recognized regarding individual receivables). 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 significant accounting estimates. 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:

	2015	2014
Due 30 days or less	125	130
Due more than 30 days but less than 90 days	65	69
Due more than 90 days	37	55
Total	**227**	**254**

§ ACCOUNTING POLICIES

Trade 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 ●

! SIGNIFICANT ACCOUNTING ESTIMATES

Measurement of trade receivables

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 ●

3.8 OTHER PAYABLES

DKK million	2015	2014
Employee costs payable	360	354
Bonuses and discounts to customers	313	250
Other	434	392
Total	**1,107**	**996**

SECTION 4
Capital structure and financing items

4.1 OUTSTANDING SHARES AND TREASURY SHARES

	Out-standing shares (thou-sands)	Treasury shares (thou-sands)	Total number of shares (thou-sands)	Nominal value of out-standing shares (DKK thou-sands)	Nominal value of treasury shares (DKK thou-sands)	Nominal value of total shares (DKK thou-sands)	Treasury shares as a percent-age of share capital
Number of shares at January 1, 2015	159,592	8,429	168,021	638,368	33,715	672,083	5.0%
Purchase of ownership interest in subsidiaries	1,040	(1,040)	-	4,160	(4,160)	-	
Shares acquired/sold by GN Store Nord A/S	(8,378)	8,378	-	(33,512)	33,512	-	
Shares cancelled	-	(5,830)	(5,830)	-	(23,318)	(23,318)	
Number of shares at December 31, 2015	**152,254**	**9,937**	**162,191**	**609,016**	**39,749**	**648,765**	**6.1%**

The treasury shares had a market value of DKK 1,245 million at December 31, 2015 (2014: DKK 1,136 million). The total cost of acquired treasury shares in 2015 was DKK 1,162 million (2014: DKK 877 million).

Shares thousands	2015	2014
Weighted average number of outstanding shares	156,013	162,238
Dilutive effect of share based payment with positive intrinsic value – average for the period	721	1,381
Diluted weighted average number of shares	**156,734**	**163,619**
DKK million		
Profit (loss) for the year used for the calculation of earnings per share	805	793
Dilutive effect of profit (loss) for the year	-	-
Profit (loss) for the year used for the calculation of diluted earnings per share	**805**	**793**

4.1 OUTSTANDING SHARES AND TREASURY SHARES (CONTINUED)

§ ACCOUNTING POLICIES

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.

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.

Foreign exchange adjustments
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 ●

4.2 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

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 2015 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 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.

At year-end a hypothetical increase of 5% in the USD/DKK and CNY/DKK exchange rates would affect the Income Statement and Other Comprehensive Income as outlined in the table below:

DKK million	2015	2014
Income statement	(2)	13
Other Comprehensive Income	(35)	(26)

The sensitivity analysis comprises cash and cash equivalents, current receivables, trade payables, current and non-current loans, current intercompany balances and derivative exchange rate instruments as of December 31, 2015. The effects of a change in foreign exchange rates related to these items would be included in financial items in the income statement. A change in the derivative exchange rate instruments used for hedging would be included in Other Comprehensive Income.

Interest rate risk

GN Store Nord has hedged the majority of the interest rate exposure on loans with interest rate swaps. Hedge accounting has been applied during 2015. 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. Currently, 90% of the drawn debt as of December 31, 2015 is fixed with a majority of the loans having more than one year to maturity. The market value of the hedging portfolio will increase with DKK 0.8 million for every 1 bps parallel increase in the underlying floating interest rates.

Based on the bank loans and the interest rate swaps at year-end a 1 percentage point increase in the interest rate level would result in a net increase in the annual interest expenses of DKK 2.3 million. Other comprehensive income would increase by DKK 84 million due to a change in the value of the interest rate swaps concerning future interest payments.

Funding, liquidity and capital structure

At December 31, 2015, GN Store Nord had an equity ratio of 51.6% (2014: 55.4%) and net interest-bearing debt of DKK 2,212 million (2014: 1,631 million). Based on the favorable macroeconomic environment, GN Store Nord now intends to take the net interest-bearing debt to around 1.7 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. As of December 31, 2015 GN Store Nord had undrawn borrowing facilities of DKK 2,806 million (2014: DKK 1,234 million). 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 132 million at December 31, 2015 (2014: DKK 114 million).

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 3.7 Trade receivables and note 3.4 Other non-current assets.

4.2 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

Specification of net interest-bearing debt

DKK million	Total 2015	Total 2014
Cash and cash equivalents	132	114
Bank loans, non-current liabilities	(2,297)	(1,675)
Bank loans, current liabilities	(47)	(70)
Total	**(2,212)**	**(1,631)**

Contractual maturity analysis for financial liabilities

DKK million	Less than one year	Between one and five years	More than five years	Total
2015				
Long-term bank loans	-	2,074	223	2,297
Other long-term payables	-	236	-	236
Short-term bank loans	47	-	-	47
Trade payables	731	-	-	731
Total non-derivative financial liabilities	778	2,310	223	3,311
Derivative financial liabilities	38	-	-	38
Total financial liabilities	**816**	**2,310**	**223**	**3,349**
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**

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

Categories of financial assets and liabilities

DKK million	2015	2014
Derivative financial instruments included in ownership interests, cf. note 3.4	22	-
Financial assets held for trading	**22**	**-**
Ownership interests and RAP, SIP, DCP, cf. note 3.4	401	352
Financial assets available-for-sale	**401**	**352**
Trade receivables	2,255	1,909
Other receivables	232	330
Other receivables, non-current	805	943
Loans and receivables	**3,292**	**3,182**
Bank loans, non-current	2,297	1,675
Other long-term payables	236	215
Bank loans	47	70
Trade payables	731	593
Financial liabilities measured at amortized cost	**3,311**	**2,553**
Derivative financial instruments included in Other payables	38	67
Financial liabilities measured at fair value	**38**	**67**

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.

4.2 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

Derivative financial instruments

Exchange rate instruments and interest rate swaps

	2015			2014		
DKK million	**Contract amount, net**	**Fair value, assets**	**Fair value, liabilities**	**Contract amount, net**	**Fair value, assets**	**Fair value, liabilities**
USD	1,237	4	24	1,409	-	117
JPY	144	-	3	123	4	-
GBP	229	3	1	204	-	6
CAD	81	4	-	79	-	3
CNY	190	2	4	896	62	-
EUR*	3,087	-	19	1,005	-	7
Total	**4,968**	**13**	**51**	**3,716**	**66**	**133**

* Interest rate swaps denominated in EUR and DKK.

All exchange rate instruments mature within 12 months from the balance sheet date. The interest rate swaps mature between 4 and 5 years from the balance sheet date.

Fair value adjustments of cash flow hedges

DKK million	**2015**	**2014**
Fair value adjustment for the year recognized in Other comprehensive income	(101)	(97)
Reclassified from equity to revenue during the year	191	31
Reclassified from equity to production costs during the year	(52)	(32)
Reclassified from equity to selling and distribution costs during the year	(8)	(1)
Adjustment of cash flow hedges in Other comprehensive income	**30**	**(99)**
Fair value adjustment of cash flow hedges recognized in financial items	(13)	-

The gains and losses on cash flow hedges recognized in Other comprehensive income as of December 31, 2015 will be recognized in the income statement in the period during which the hedged forecasted transaction affects the income statement.

In 2015 net gains on derivative financial instruments related to ownership interests of DKK 42 million were recognized in financial items (2014: DKK 0 million). At the end of 2015 the fair value of the derivative financial instruments related to ownership interests were estimated to DKK 22 million (2014: DKK 0 million).

Fair value hierarchy
The fair value of the exchange rate instruments and interest rate swaps are determined using quoted forward exchange rates and forward interest rates, respectively at the balance sheet date and can be categorized as level 2 (observable inputs) in the fair value hierarchy. At the date of acquisition the fair value of the derivative financial instruments related to ownership interests are determined by calculating the difference between the fair value of the dispensers and the agreed purchase price of the dispensers. The fair value of the dispensers are determined using cash flow projections from financial forecasts covering a five year period. The key inputs used are sales growth in units, average selling prices and expected growth in the terminal period. The fair value is sensitive to the assumed values of these key inputs and can be categorized as level 3 (unobservable inputs) in the fair value hierachy.

§ ACCOUNTING POLICIES

Derivative Financial Instruments
Derivative financial instruments are initially and subsequently recognized in the balance sheet at fair value, except for derivative financial instruments related to ownership interests in dispensers of GN Resound products. Such instruments are only measured at fair value when exercise is considered highly probably and sufficient information for a fair value measurement is available. In other instances, the cost of the derivative financial instruments related to unquoted ownership interests is considered the best estimate of the 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

4.2 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS (CONTINUED)

§ ACCOUNTING POLICIES (CONTINUED)

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.

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 ●

4.3 FINANCIAL INCOME AND EXPENSES

DKK million	2015	2014
Financial Income:		
Interest income*	37	32
Financial income, other	11	21
Fair value adjustments of derivative financial instruments	42	-
Foreign exchange gain	7	82
Total	**97**	**135**
Financial expenses:		
Interest expenses*	(57)	(37)
Financial expenses, other	(38)	(41)
Fair value adjustments of derivative financial instruments and impairments	(105)	(31)
Foreign exchange loss, net	(30)	(110)
Total	**(230)**	**(219)**

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

Fair value adjustments of derivative financial instruments and impairments include an impairment loss of DKK 92 million related to Loans to dispensers of GN ReSound products (2014: DKK 31 million).

*Interest income and expenses from financial assets and liabilities at amortized cost.

§ ACCOUNTING POLICIES

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, credit card fees, amortization and impairment 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 ●

SECTION 5
Other disclosures

5.1 ACQUISITION AND DIVESTMENT OF COMPANIES AND OPERATIONS

Acquisitions
During 2015, GN ReSound acquired a number of minor hearing instrument chains and distributors, primarily 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 2015	2014
Identifiable assets acquired and liabilities assumed and consideration transferred		
Non-current assets	3	2
Current assets	6	12
Non-current liabilities	(2)	(4)
Current liabilities	(11)	(6)
Fair value of identified net assets	(4)	**4**
Goodwill	34	15
Other intangible assets	43	11
Consideration transferred	**73**	**30**
Fair value of assets transferred	(41)	(5)
Contingent consideration	(5)	(3)
Acquired cash and cash equivalents	-	(1)
Cash consideration paid	**27**	**21**

Goodwill relating to the above transactions is allocated to the cash-generating units Hearing Instruments and Audiologic Diagnostics Equipment with DKK 10 million (2014: DKK 5 million) and DKK 0 million (2014: DKK 10 million), respectively.

In 2015, GN ReSound paid out DKK 20 million (2014: DKK 25 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 2015, the fair value of contingent considerations amounts to DKK 28 million, whereof DKK 25 million are expected to be paid during 2016. No adjustment has been recognized in the income statement.

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	2015	2014
The share of revenue and profit (loss) for the year from the acquisition date can be specified as follows:		
Revenue	27	17
EBIT	2	1
Profit (loss) for the year	-	-
Acquired operations if they had been owned throughout the year:		
Revenue	31	27
EBIT	2	1
Profit (loss) for the year	-	-

5.1 ACQUISITION AND DIVESTMENT OF COMPANIES AND OPERATIONS (CONTINUED)

Divestments etc.
In 2015 GN ReSound divested a number of minor hearing instrument distributors primarily in the US. Other adjustments relate to a legal dispute.

DKK million	2015	2014
Non-current assets	(4)	(42)
Current liabilities	-	-
Disposed net assets	**(4)**	**(42)**
Directly attributable cost	-	-
Fair value of assets recieved	6	42
Cash consideration received	-	-
Gain (loss) on divestment of operations	**2**	**0**
Other adjustments	(12)	(10)
Gain (loss) on divestment of operations etc.	**(10)**	**(10)**

§ ACCOUNTING POLICIES

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 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. 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 ●

5.2 REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Executive Management remuneration can be specified as follows:

	2015				2014			
DKK million	**Fixed salary**	**Bonus**	**Share-based pay-ments**	**Total**	**Fixed salary**	**Bonus**	**Share-based pay-ments**	**Total**
Anders Hedegaard, CEO of GN ReSound from August 1, 2014	(5.9)	(5.1)	(1.1)	(12.1)	(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)
René Svendsen-Tune, CEO of GN Netcom from April 1, 2015	(4.3)	(2.1)	(0.6)	(7.0)	-	-	-	-
Niels Svenningsen, CEO of GN Netcom until March 31, 2015	(1.2)	(1.6)	(0.2)	(3.0)	(4.6)	(2.5)	(0.6)	(7.7)
Anders Boyer, CFO of GN Store Nord	(4.4)	(3.3)	1.2	(6.5)	(4.1)	(2.5)	(0.9)	(7.5)
Total	**(15.8)**	**(12.1)**	**(0.7)**	**(28.6)**	**(13.9)**	**(8.0)**	**(3.2)**	**(25.1)**

DKK million	**2015**	**2014**
Other key management personnel remuneration:		
Fixed salary	(5.2)	(4.2)
Bonus	(0.5)	(1.6)
Share-based payments	(1.5)	(0.2)
Total	**(7.2)**	**(6.0)**

Incentive plans
The Group's share-based incentive plans are specified and described in note 5.3.

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 the Executive Management increased by 14% or DKK 3.5 million from 2014 to 2015. As announced Anders Boyer has decided to leave GN Store Nord during 2016. Due to this, non-vested share based incentives for Anders Boyer have been terminated. The change of CEO in GN Netcom as of April 1, 2015 is reflected in these numbers with remuneration to the former CEO Niels Svenningsen for the first 3 months of 2015 and remuneration to the current CEO René Svendsen-Tune for the remaining 9 months of 2015.

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. René Svendsen-Tune'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 2015 Other key management personnel remuneration includes remuneration of DKK 2.3 million to the former CEO of GN Netcom Niels Svenningsen for the period from April 1, 2015.

Members of the Board of Directors receive a fixed remuneration as approved by the shareholders at the Annual General Meeting on March 19, 2015. 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.

5.2 REMUNERATION OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT (CONTINUED)

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	2015	2014
Per Wold-Olsen (Chairman)	1,850	1,850
William E. Hoover, Jr. (Deputy chairman)	1,225	1,225
Wolfgang Reim	900	900
Carsten Krogsgaard Thomsen	750	750
Helene Barnekow	600	600
René Svendsen-Tune (until March 2015)	150	600
Ronica Wang	450	-
Leo Larsen	250	250
Morten Andersen	250	250
Nikolai Bisgaard	250	250
Total Board of Directors remuneration	**6,675**	**6,675**

In addition to the remuneration, members of the Board of Directors who are not Danish residents are entitled to a fixed travel allowance in connection with participation in board meetings in Denmark. For European-based board members the allowance amounts to DKK 22 thousand pr. meeting and for Non-European based board members the allowance amounts to DKK 45 thousand pr. meeting. In 2015, a company owned by a member of the Board of Directors received a fee of DKK 3.2 million for consultancy work related to a specific project.

5.3 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, 2014	**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**
Warrants granted during the year	1,014	4,280	5,294	26,551
Warrants exercised during the year	(217)	(3,319)	(3,536)	10,875
Warrants forfeited during the year/corrections	(1,083)	(1,205)	(2,288)	22,961
Outstanding warrants at December 31, 2015	**929**	**12,604**	**13,533**	**21,901**
Grant date market value of warrants granted in 2015	4	17	21	
Market value of outstanding warrants at December 31, 2015	2	48	50	

Average share price at exercise: DKK 26,705 (2014: DKK 24,801)

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

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 2011	-	809	809	0.1%	809	8,836	0.8	12
March 2012	-	1,139	1,139	0.2%	1,139	11,084	1.8	15
March 2013	-	3,508	3,508	0.6%	-	19,270	2.8	9
November 2013	-	195	195	0.0%	-	24,290	2.8	-
March 2014	-	2,965	2,965	0.5%	-	24,711	3.8	5
June 2014	-	71	71	0.0%	-	24,711	3.8	-
July 2014	235	-	235	0.0%	-	30,064	3.8	-
September 2014	-	53	53	0.0%	-	24,489	3.8	-
March 2015	694	3,495	4,189	0.7%	-	26,729	4.8	8
August 2015	-	244	244	0.0%	-	23,807	4.8	1
November 2015	-	125	125	0.0%	-	24,896	4.8	-
Outstanding warrants at December 31, 2015	**929**	**12,604**	**13,533**	**2.1%**	**1,948**			**50**

5.3 INCENTIVE PLANS (CONTINUED)

Warrants program, GN Netcom

	Executive Management	Other employees	Total	Average exercise price
Warrants granted at January 1, 2014	**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**
Warrants granted during the year	627	2,328	2,955	30,600
Warrants exercised during the year	(69)	(2,314)	(2,383)	11,104
Warrants forfeited during the year/corrections	(722)	188	(534)	26,379
Outstanding warrants at December 31, 2015	**538**	**6,836**	**7,374**	**24,555**
Grant date market value of warrants granted in 2015	3	10	13	
Market value of outstanding warrants at December 31, 2015	-	9	9	

Average share price at exercise: DKK 30,578 (2014: DKK 24,612)

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

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 2011	-	41	41	0.0%	41	10,542	0.8	-
October 2011	-	25	25	0.0%	25	10,542	0.8	-
March 2012	-	186	186	0.1%	186	11,234	1.8	2
March 2013	-	1,944	1,944	0.6%	-	17,797	2.8	3
November 2013	-	132	132	0.0%	-	23,652	2.8	-
March 2014	-	2,207	2,207	0.7%	-	24,596	3.8	2
July 2014	-	43	43	0.0%	-	28,473	3.8	-
September 2014	-	39	39	0.0%	-	24,399	3.8	-
December 2014	-	58	58	0.0%	-	26,178	3.8	-
March 2015	538	2,161	2,699	0.8%	-	30,600	4.8	2
Outstanding warrants at December 31, 2015	**538**	**6,836**	**7,374**	**2.2%**	**252**			**9**

5.3 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

	2015 year end		Grant date 2015		2014 year end		Grant date 2014	
	GN ReSound	GN Netcom	GN ReSound	GN Netcom	GN ReSound	GN Netcom	GN ReSound	GN Netcom
Share price GN Store Nord	123	123	151 124 127	151	134	134	134 134 160 132	134 160 132 134
Share of GN Store Nord market value	81%	39%	70% 78% 80%	43%	72%	41%	70% 70% 73% 72%	37% 37% 38% 41%
Share price	23,968	21,399	26,729 23,807 24,896	30,600	24,588	26,083	24,711 24,711 30,064 24,489	24,596 28,473 24,399 26,178
Volatility	24%	23%	23% 24% 25%	24%	19%	21%	20% 20% 18% 18%	25% 26% 26% 21%
Dividend per share	0	0	0	0	0	0	0	0
Risk-free interest rate	0.00%	0.00%	0.00% 0.08% 0.18%	0.00%	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% 0.20%
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 5.2 5.0	5.7	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

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

§ ACCOUNTING POLICIES

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. 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 ●

5.4 PENSION OBLIGATIONS

DKK million	2015	2014
Present value of defined benefit obligations	(345)	(339)
Fair value of plan assets	281	262
Net obligations	**(64)**	**(77)**

The present value of defined benefit obligations includes unfunded pension obligations not covered by payments to insurance company of DKK 14 million in 2015 (2014: DKK 11 million).

DKK million	2015	2014
Development in present value of defined benefit obligations		
Obligations at January 1	(339)	(269)
Foreign exchange adjustments	(33)	(27)
Costs for the year	(3)	(3)
Interest expense	(13)	(13)
Actuarial gains (losses) regarding demographic assumptions	14	(10)
Actuarial gains (losses) regarding financial assumptions	12	(32)
Pension payments, unfunded	1	-
Pension payments	16	15
Obligations at December 31	**(345)**	**(339)**
Maturity of pension obligations		
Less than one year	(17)	(15)
Between one and five years	(73)	(62)
More than five years	(255)	(262)
Total	**(345)**	**(339)**
Development in fair value of plan assets		
Plan assets at January 1	262	225
Foreign exchange adjustments	26	24
Interest income	9	11
Return on plan assets in excess of interest income	(12)	2
Payment by GN Store Nord	12	14
Pension payments	(16)	(14)
Plan assets at December 31	**281**	**262**
Pension costs recognized in the income statement		
Costs for the year	(3)	(3)
Interest expense	(13)	(13)
Interest income from plan assets	9	11
Defined benefit plans total	(7)	(5)
Defined contribution plans total	(97)	(89)
Total pension costs recognized in the income statement	**(104)**	**(94)**
The costs are recognized in the following income statement items:		
Production costs	(18)	(17)
Development costs	(23)	(21)
Selling and distribution costs	(34)	(31)
Management and administrative expenses	(26)	(23)
Financial expenses	(3)	(2)
Total	**(104)**	**(94)**
The following accumulated actuarial gains(losses) since January 1, 2005 are recognized in the Statement of other Comprehensive Income:		
Accumulated actuarial gains (losses)	(75)	(89)
Breakdown of plan assets:		
Shares	64%	65%
Bonds	35%	33%
Cash and cash equivalents	1%	2%
Total	**100%**	**100%**

5.4 PENSION OBLIGATIONS (CONTINUED)

At the balance sheet date the actuarial calculations for the prevailing American defined benefit plan are based on a discount rate of 4.25% (2014: 4.00%).

A 25 basis point decrease in the discount rate will result in a DKK 8 million increase in the defined benefit obligation and a 25 basis point increase will result in a DKK 8 million decrease in the defined benefit obligation.

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.

§ ACCOUNTING POLICIES

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 ●

5.5 CONTINGENT LIABILITIES, OTHER FINANCIAL LIABILITIES AND CONTINGENT ASSETS

DKK million	2015	2014
Guarantees, warranties and other liabilities	9	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
GN Store Nord has issued a guarantee of USD 30 million related to an associated company's bank credit facility.

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

5.5 CONTINGENT LIABILITIES, OTHER FINANCIAL LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

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 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. During the discovery phase, GN learned of alleged intentional document destruction and has submitted a motion for sanctions asking the Court to determine the appropriate remedy for Plantronics' alleged misconduct. It is expected that the court will schedule a hearing on the matter in Q1 2016.

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

! SIGNIFICANT ACCOUNTING ESTIMATES

Provisions, Contingencies and Lawsuits

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

5.6 ASSOCIATES

Investments in associates

DKK million	2015	2014
Aggregated financial information for associates is provided below:		
Revenue	190	169
Profit (loss) for the year after tax	(41)	(31)
Total assets	122	100
Total liabilities	175	125
Total share of profit (loss) for the year after tax	5	5
Total share of net assets	14	12

Transactions with associates comprise sale of goods of DKK 56 million (2014: DKK 30 million) and sale of services of DKK 20 million (2014: DKK 12 million) on normal commercial terms and conditions.

Associates are listed on page 95.

§ ACCOUNTING POLICIES

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.

5.6 ASSOCIATES (CONTINUED)

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)

SIGNIFICANT ACCOUNTING ESTIMATES

Investments in Associates and Profit (Loss) from Investments in Associates
Under the equity method, on initial recognition the investment in an associate or a joint venture is recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee. An investor in an associate should recognize its share of the losses of the associate until its share of losses equals or exceeds its interest in the associate, at which point the investor discontinues recognizing its share of further losses. For this purpose, the investor's interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the investor's net investment in the associate. Once the investor's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate.

GN Store Nord has a 40% equity interest in Audiology Systems Inc., which has realized a loss of DKK 51 million in 2015 (2014: DKK 42 million). In addition to the equity interest GN Store Nord has provided a loan of DKK 20 million (not considered part of the net investment) to Audiology Systems Inc., and issued a guarantee of USD 30 million for external debt of Audiology Systems Inc. GN Store Nord's share of the loss corresponding to DKK (20) million (2014: DKK (17) million) is not recognized in the financial statements as the carrying amount of the equity interest is 0. The loan has not been impaired as Management assesses that the recoverable amount of Audiology Systems Inc. exceeds the carrying amount of the investment in the associate. If Audiology Systems Inc. does not improve performance as expected by Management, a loss of up to DKK 200 million should be recognized in the financial statements.

5.7 OTHER NON-CASH ADJUSTMENTS

DKK million	2015	2014
Share-based payment (granted)	19	15
(Gain) loss on divestment of operations etc.	10	10
Provision for bad debt, inventory write-downs, etc.	(24)	10
Beltone Network non-recurring items	150	-
Adjustment of provisions	(28)	(14)
Total	**127**	**21**

5.8 LEASE OBLIGATIONS

DKK million	2015	2014
Future lease obligations are distributed as follows:		
Operating leases:		
Less than one year	129	118
Between one and five years	215	214
More than five years	111	127
Total	**455**	**459**

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 31 million (2014: DKK 68 million). DKK 1 million (2014: DKK 16 million) of the rental obligation in Denmark is provided for in the balance sheet in connection with vacating the premises.

Lease payments recognized in the income statement relating to operating leases amount to DKK 124 million (2014: DKK 112 million).

§ ACCOUNTING POLICIES

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 ●

5.9 FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

DKK million	2015	2014
Audit fees	(6)	(5)
Total	**(6)**	**(5)**
Other assistance:		
Other audit-related services	(5)	(9)
Tax assistance and advice	(4)	(3)
Total	**(9)**	**(12)**
Total	**(15)**	**(17)**

Consolidated audit fees include DKK 2 million (2014: DKK 2 million) to Ernst & Young P/S. Consolidated other assistance includes DKK 2 million (2014: DKK 7 million) to Ernst & Young P/S.

5.10 EVENTS AFTER THE REPORTING PERIOD

On January 7, 2016 GN Store Nord and William Demant Holding reached an agreement to settle all patent disputes between the two companies, thereby terminating all patent litigations – both in Europe, including Denmark, and in North America – with immediate effect.

The settlement includes broad-based cross-licensing of 15 different patents related to historic, pending as well as some potential future disputes. The details of the financial arrangement are undisclosed. However, the settlement of the 15 patents includes an annual net license payment to William Demant, which will have no material financial impact on the results of either party.

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
Dansk Hørecenter 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
GN ReSound AG	Switzerland	CHF	100	420,000
Beltone Schweiz GmbH	Switzerland	CHF	100	20,000

	Domicile	Currency	Ownership %	Share capital
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
GN ReSound LLC	Russia	RUB	100	10,000
GN ReSound Finland Oy/Ab	Finland	EUR	100	100,913
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
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
▲ Audio Nova S.R.L	Romania	ROL	49	10,000,000
▲ Audiology Systems Inc.	USA	USD	40	1,724,000
▲ 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
Genie Audio Inc.	Canada	CAD	100	232
GN Otometrics Shanghai Ltd	China	USD	100	800,000
GN Otometrics S.a.S	France	EUR	100	1,200,000

▲ Associates

* GN Store Nord currently hold 90% ownership but consolidates 100%, as the anticipated 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	=	$\frac{\text{Absolute organic sales growth}}{\text{Sales year 0}}$ Organic growth is a measure of growth excluding the impact of acquisitions, divestments and foreign exchange adjustments from year-on-year comparisons.
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

Parent company Financial statements **2015**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

PARENT COMPANY INCOME STATEMENT

DKK million	Note	2015	2014
Revenue		18	27
Gross profit		**18**	**27**
Development costs		(14)	(8)
Management and administrative expenses	1,2,3	(90)	(168)
Operating profit (loss)		**(86)**	**(149)**
Financial income	4	85	119
Financial expenses	4	(136)	(134)
Profit (loss) before tax		**(137)**	**(164)**
Tax on profit (loss)	5	33	23
Profit (loss) for the year		**(104)**	**(141)**
Proposed profit appropriation/distribution of loss			
Retained earnings		(265)	(292)
Proposed dividends for the year		161	151
		(104)	**(141)**

STATEMENT OF COMPREHENSIVE INCOME

DKK million	2015	2014
Profit (loss) for the year	(104)	(141)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Adjustment of cash flow hedges	(11)	(6)
Tax relating to this item of other comprehensive income	3	2
Comprehensive income for the year	**(112)**	**(145)**

PARENT COMPANY BALANCE SHEET AT DECEMBER 31

DKK million	Note	2015	2014
ASSETS			
Intangible assets	6	109	93
Investments in subsidiaries	7	6,374	6,167
Amounts owed by subsidiaries	11	714	1,313
Total non-current assets		**7,197**	**7,573**
Tax receivables	9	13	-
Other receivables	11	8	18
Total current assets		**21**	**18**
Total assets		**7,218**	**7,591**
EQUITY AND LIABILITIES			
Share capital		649	672
Other reserves		(1,064)	(84)
Proposed dividends for the year		161	151
Retained earnings		2,938	3,194
Total equity		**2,684**	**3,933**
Bank loans	11	2,297	1,675
Provisions		-	12
Deferred tax liabilities	8	180	172
Total non-current liabilities		**2,477**	**1,859**
Bank loans	11	21	55
Trade payables	11	13	24
Tax payables	9	-	4
Amounts owed to subsidiaries	11	1,963	1,681
Provisions		6	-
Other payables		54	35
Total current liabilities		**2,057**	**1,799**
Total equity and liabilities		**7,218**	**7,591**

PARENT COMPANY STATEMENT OF CASH FLOW

DKK million	Note	2015	2014
Operating activities			
Operating profit (loss)		(86)	(149)
Depreciation, amortization and impairment		18	27
Other non-cash adjustments	14	(6)	(4)
Cash flow from operating activities before changes in working capital		**(74)**	**(126)**
Change in receivables		10	(9)
Change in trade payables and other payables		(5)	18
Total changes in working capital		**5**	**9**
Cash flow from operating activities before financial items and tax		**(69)**	**(117)**
Interest and dividends, etc. received		13	21
Interest paid		(57)	(40)
Tax paid, net		27	37
Cash flow from operating activities		**(86)**	**(99)**
Investing activities			
Investments in intangible assets		(34)	(36)
Cash flow from investing activities		**(34)**	**(36)**
Cash flow from operating and investing activities (free cash flow)		**(120)**	**(135)**
Financing activities			
Increase of long-term loans		622	459
Increase of short-term loans		802	691
Paid dividends		(142)	(138)
Purchase/sale of treasury shares		(1,162)	(877)
Cash flow from financing activities		**120**	**135**
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, 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**
Profit (loss) for the period						(104)	(104)
Adjustment of cash flow hedges			(11)				(11)
Tax relating to other comprehensive income			3				3
Total comprehensive income for the year	-	-	(8)	-	-	(104)	(112)
Reduction of the share capital	(23)	(761)	-	784	-	-	-
Purchase/sale of treasury shares	-	-	-	(1,162)	-	-	(1,162)
Purchase of ownership interests in subsidiaries by payment in treasury shares	-	37	-	130	-	-	167
Proposed dividends for the year	-	-	-	-	161	(161)	-
Paid dividends	-	-	-	-	(142)	-	(142)
Dividends, treasury shares	-	-	-	-	(9)	9	-
Balance sheet total at December 31, 2015	**649**	**309**	**(13)**	**(1,360)**	**161**	**2,938**	**2,684**

1 STAFF COSTS

DKK million	2015	2014
Wages, salaries and remuneration	(65)	(57)
Pensions	(4)	(2)
Total	**(69)**	**(59)**
Executive Management remuneration can be specified as follows:		
Anders Boyer, CFO of GN Store Nord *)	(7.7)	(6.6)
Total	**(7.7)**	**(6.6)**
Staff costs are included in Management and administrative expenses.		
Board of Directors remuneration	(5.0)	(5.0)
Average number of employees	69	53
Number of employees, year-end	75	54

For information regarding Executive Management and Board of Directors remuneration please refer to note 5.2 in the consolidated financial statements.

*) Does not include share based payments.

2 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Amortization and impairment of intangible assets of DKK 18 million and DKK 0 million, respectively, are recognized in the Income Statement as Management and administrative expenses (2014: DKK 26 million and DKK 1 million).

3 FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

DKK million	2015	2014
Audit fees	(1)	(1)
Total	**(1)**	**(1)**
Other assistance		
Other audit-related services	-	(5)
Tax assistance and advice	-	(1)
Total	**-**	**(6)**
Total	**(1)**	**(7)**

4 FINANCIAL INCOME AND EXPENSES

DKK million	2015	2014
Financial income		
Interest income from subsidiaries*	62	86
Interest income from bank balances*	23	14
Financial income, other	-	1
Foreign exchange gain	-	18
Total	**85**	**119**
Financial expenses		
Interest expense to subsidiaries*	(72)	(80)
Interest expense on bank balances*	(49)	(35)
Financial expenses, other	(9)	(5)
Foreign exchange loss	(6)	(14)
Total	**(136)**	**(134)**

*Interest income and expenses from financial assets and liabilities at amortized cost.

5 TAX

DKK million	2015	2014
Tax on profit (loss)		
Current tax for the year	36	19
Deferred tax for the year	(6)	(3)
Adjustment to current tax in respect of prior years	5	7
Adjustment to deferred tax in respect of prior years	(2)	-
Total	**33**	**23**
Reconciliation of effective tax rate		
Danish tax rate	23.5%	24.5%
Non-taxable income	0.0%	0.1%
Non-deductable expenses	(1.8%)	(15.0%)
Other	2.4%	4.3%
Effective tax rate	**24.1%**	**13.9%**

In 2015, the parent company paid DKK 167 million in Danish corporation tax against DKK 121 million in 2014.

6 INTANGIBLE ASSETS

DKK million	Software 2015	2014
Cost at January 1	154	118
Additions	34	36
Cost at December 31	188	154
Amortization and impairment at January 1	(61)	(34)
Amortization	(18)	(26)
Impairment	-	(1)
Amortization and impairment at December 31	(79)	(61)
Carrying amount at December 31	**109**	**93**
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.

7 INVESTMENTS IN SUBSIDIARIES

DKK million	2015	2014
Cost at January 1	6,167	5,988
Additions, capital contribution	207	179
Cost at December 31	**6,374**	**6,167**

Group companies are listed on page 95.

8 DEFERRED TAX

DKK million	2015	2014
Deferred tax, net		
Deferred tax at January 1, net	(172)	(169)
Adjustment in respect of prior years	(6)	-
Deferred tax for the year recognized in profit (loss) for the year	(2)	(3)
Deferred tax at December 31, net	**(180)**	**(172)**
Deferred tax, net relates to:		
Intangible assets	(23)	(23)
Retaxation	(152)	(152)
Provisions	(5)	3
Total	**(180)**	**(172)**

9 CURRENT TAX

DKK million	2015	2014
Tax receivable		
Tax receivable at January 1	(4)	5
Adjustment in respect of prior years	5	7
Payment relating to prior years*	(1)	(12)
Current tax for the year	36	19
Current tax for the year recognized in other comprehensive income for the year	3	2
Payments relating to the current year*	(26)	(25)
Tax receivable (payable) at December 31	**13**	**(4)**

* GN Store Nord A/S received DKK 27 million, net, related to the joint taxation scheme (2014: DKK 37 million).

10 CONTINGENT LIABILITIES, OTHER FINANCIAL LIABILITIES AND CONTINGENT ASSETS

Please refer to note 5.5 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.

11 FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Contractual maturity analysis for financial liabilities

DKK million	Less than one year	Between one and five years	More than five years	Total
2015				
Long-term bank loans	-	2,074	223	2,297
Short-term bank loans	21	-	-	21
Trade payables	13	-	-	13
Amounts owed to subsidiaries	-	1,963	-	1,963
Total non-derivative financial liabilities	34	4,037	223	4,294
Derivative financial liabilities	-	19	-	19
Total financial liabilities	**34**	**4,056**	**223**	**4,313**
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**

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

Categories of financial assets and liabilities

DKK million	2015	2014
Other receivables	8	18
Receivables from subsidiaries	714	1,313
Loans and receivables	**722**	**1,331**
Bank loans, non-current	2,297	1,675
Bank loans	21	55
Trade payables	13	24
Amounts owed to subsidiaries	1,963	1,681
Financial liabilities measured at amortized cost	**4,294**	**3,435**
Derivative financial instruments included in Other payables	19	7
Financial liabilities measured at fair value	**19**	**7**

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.

11 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Derivative financial instruments

Cash flow hedges, interest rate swaps

	2015			2014		
	Contract amount, net	Fair value, assets	Fair value, liabilities	Contract amount, net	Fair value, assets	Fair value, liabilities
EUR*	3,087	-	19	1,005	-	7
Total	**3,087**	**-**	**19**	**1,005**	**-**	**7**

* Interest rate swaps denominated in EUR

GN has hedged future interest rates with interest rate swaps. Hedge accounting has been applied during 2015. 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	2015	2014
Fair value adjustment for the year recognized in Other comprehensive income	11	6

12 OUTSTANDING SHARES AND TREASURY SHARES

For information regarding outstanding shares and treasury shares please refer to note 4.1 in the consolidated financial statements.

13 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 95.

Board of Directors, Executive Management and Senior Employees
Management remuneration and incentive plans are described in notes 5.2 and 5.3 in the consolidated financial statements.

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

DKK million	2015	2014
Sale of services to group enterprises	96	71
Lease income from group enterprises	12	13
Purchase of services from group enterprises	(27)	(28)
Lease costs paid to group enterprises	(13)	(13)
Purchase of intangible assets	(33)	(35)

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.

13 RELATED PARTY TRANSACTIONS (CONTINUED)

The parent company's balances with group enterprises at December 31, 2015 are recognized in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in note 4. 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 2015, the parent company has bought software from subsidiaries for a total amount of DKK 33 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.

14 OTHER NON-CASH ADJUSTMENTS

DKK million	2015	2014
Adjustment of provisions	(6)	(4)
Total	**(6)**	**(4)**

15 ACCOUNTING POLICIES

The financial statements of the parent company, GN Store Nord A/S for 2015 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.

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.

Intercompany balances
Intercompany balances which are expected to be settled as part of the normal operating cycle, or where an unconditional right to defer settlement of the liability for at least twelve months after the reporting period does not exist, are classified as current liabilities.

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 2015.

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, 2015 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, 2015.

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 2015 be approved at the annual general meeting.

Ballerup, February 12, 2016

EXECUTIVE MANAGEMENT

Anders Hedegaard
CEO, GN ReSound

René Svendsen-Tune
CEO, GN Netcom

Anders Boyer
CFO, GN Store Nord

BOARD OF DIRECTORS

Per Wold-Olsen
Chairman

William E. Hoover Jr.
Deputy chairman

Wolfgang Reim

Ronica Wang

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 1 January – 31 December 2015, which comprise income statement, statement of comprehensive income, balance sheet, statement of equity, statement of cash flow 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' judgment, 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 31 December 2015 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2015 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT'S REVIEW

Pursuant to the Danish Financial Statements Act, we have read the Management's review. 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 review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, February 12, 2016

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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 Store Nord A/S

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Cover Business consultant James Raath woke up one morning nine years ago and had overnight gone almost completely deaf. In 2014, he was fitted with ReSound Enzo hearing aids. Now he can think of work, family, friends and socializing – and serve as a great example of how GN's intelligent audio solutions transform lives through the power of sound.