GN Store Nord A/S

Annual Report 2013

INNOVATORS IN SOUND

Co. reg. no. 24257843

"The development of the world is dependent on communications"

C. F. Tietgen (1829-1901), founder of
The Great Northern Telegraph Company
(today GN Store Nord)

Contents

3

MANAGEMENT'S REPORT

53

FINANCIAL STATEMENTS

99

FINANCIAL STATEMENTS PARENT COMPANY

Foreword by the chairman

Innovation and restructuring delivered strong results – as promised...... the next phase is about innovation and growth as outlined in our strategy for 2014 - 2016

In the foreword by the chairman last year, I said that I was "truly pleased looking back at our achievements in 2012" and that we were "well on track to deliver on the financial targets for 2013". This year, I can say that I am even more pleased.

2013 was a very strong year for GN delivering on all of the objectives that we challenged ourselves to achieve back in 2010. First and foremost, we delivered on the financial targets – targets that many of our stakeholders deemed impossible at that point in time.

In the period from 2010 to 2013, we have doubled the group EBITA margin to 19% and at the same time gained market shares in both businesses taking group revenue up by 32% to DKK 6.8 billion. Additionally, we have distributed significant funds back to our shareholders – buying back 20% of our outstanding shares in addition to having reinstated annual dividends.

The achievements have been based on our strong product innovations throughout the company, the comprehensive restructuring efforts in GN ReSound and by hard work and dedication from the entire GN Store Nord organization.

The GN innovation machine is running at full steam, and I am proud of the unique products that we have been able to bring to the market – not least our three generations of 2.4 GHz wireless hearing aids and our broad range of state-of-the-art Unified Communications (UC) headsets.

In November 2013, only a few weeks before delivering on the 2013 targets, we announced our Strategy 2014 - 2016 - INNOVATION & GROWTH. The essence of the strategy is that we believe we have a formula that works. Focused innovative product development and commercialization have driven significant shareholder value during the last few years – and we believe we can continue to create shareholder value by further enhancing this formula. We still see much more potential inherent in the company and in our R&D groups. We believe that we can get even more return from our innovation and products by being significantly better at marketing and sales. We have a unique product position already, and the product pipeline for 2015 looks very promising. We will fortify our competitive edge in the industry by upgrading R&D to deliver more breakthrough products in 2016 and beyond.

GN RESOUND – 14 CONSECUTIVE QUARTERS OF MARKET SHARE GAINS AND MORE TO COME

We are very pleased that GN ReSound now has closed the profit margin gap compared to top-tier competitors. This is a historical milestone for our company. With our technological lead, the significant restructuring efforts behind us and improved commercial skills, GN ReSound enters 2014 in a very strong position.

Our second generation 2.4 GHz hearing aid, ReSound Verso™, proved its strength in the market place during 2013 driving continued market share gains and contributing strongly to a 10% overall organic growth for GN ReSound.

The R&D engine in GN ReSound continues to bring new innovations to the market at high speed. One of our key priorities in 2013 was our collaboration with Apple Inc. to develop the next industry breakthrough: the world's first Made for iPhone hearing aid. ReSound LiNX™ and the corresponding Beltone First™ will be our third generation 2.4 GHz hearing aids and our next growth engines. The products will be launched in Q1 2014, and we are highly encouraged by the feedback we have received from users and other key stakeholders in our limited release. The ReSound Verso™ family was also strengthened with a number of extensions during 2013, and our portfolio of accessories was upgraded to optimize the benefits of our unique 2.4 GHz technology.

The comprehensive SMART restructuring program was completed during 2013. As targeted and communicated, the SMART program contributed significantly to the EBITA margin improvement of 6 percentage points compared to 2012. While the program as such has now been closed down, cost optimizations will continue to be part of our DNA. We will continue to be bold, creative and disciplined to ensure that we have a competitive and effective cost structure, relentlessly pursuing productivity increases.

The strategy for 2014 - 2016 is built on the current formula for success: being a focused hearing aid manufacturer bringing groundbreaking innovations to the market. Being a leader in innovation and having completed the SMART restructuring program, GN ReSound is now poised to dedicate even more organizational capacity towards commercialization of innovative technology, including marketing and sales activities. With the breakthrough Made for iPhone product now being launched, I am highly encouraged about our position in the market place. This position will enable us to deliver on our financial targets for 2014 - 2016.

GN NETCOM – UNIQUELY POSITIONED FOR STRONG UC GROWTH

In 2013, our main objective for GN Netcom was to preserve our solid position in the UC segment to continue to deliver strong growth. With 35% growth in the UC segment, we delivered firmly on this objective based on our strong and broad product portfolio, strategic partnerships and our uncompromised service levels. During 2013, we continued to take measures to improve our position in the UC segment even further through enhanced partnerships with the main UC vendors such as Microsoft and Cisco and through the launch of distinct and innovative products, including Jabra Motion™ UC, the wireless Jabra Speak™ 510+ speakerphone and the Jabra Xpress™ software. With our significant growth within UC, the segment now represents more than 50% of our CC&O revenue. We have also taken actions to strengthen our relatively low market share on the North American market, and we have launched a new key product for the traditional CC&O business, Jabra BIZ™ 2300. All in all, we are uniquely positioned for continued strong growth in CC&O – the core of our GN Netcom business.

The Mobile business continued to deliver improvements in the EBITA margin combined with very strong growth in 2013. The extensive growth was based on solid demand for traditional mono Bluetooth headsets as well as for speakerphones and stereo headsets. The growth was supported by the change of hands free legislation in China, and we did a solid job in gearing up our supply chain to accommodate the acceleration of demand. During 2013, we also broadened the product portfolio to enhance our market position in the segment where music and voice integrate. It is an interesting segment - it is highly competitive, experiencing stellar growth rates. We have key competences within Bluetooth and sound quality, and we want to leverage on them to capture our fair share of this attractive growth.

Having successfully delivered on the ambitious financial targets for 2013, Mogens Elsberg decided to resign from his position as CEO of GN Netcom in late 2013. At the same time, we were pleased to announce that we had attracted Niels Svenningsen as new CEO of GN Netcom as of January 1, 2014. Niels has extensive experience in IT and B2B sales execution and commercialization. These will be valuable competencies as we embark on the Strategy 2014 - 2016 and as Niels takes responsibility for implementing the next leg of our journey.

The ambition of the company set out with the Strategy 2014 - 2016 is to do what we are good at even better. We will bring innovative products to the market at accelerated speed, and we want to focus on improving commercialization through smarter, more focused and stronger marketing and sales initiatives. The opportunities which lie in front of GN Netcom are truly unique with our strong technological position combined with highly attractive market growth rates. This is also why we have made the revenue growth target for 2014 - 2016 open-ended – to grow revenue by more than 10% organically per year – with an EBITA margin of at least 18%.

THE YEAR 2014

During 2014, we will continue to work hard to prove that there is even more potential inherent in the company and our technologies. GN ReSound has the opportunity to deliver strong growth based on the launch of the world's first Made for iPhone hearing aids, ReSound LiNX™ and Beltone First™, supported by a significant acceleration of our commercialization efforts. GN Netcom is uniquely positioned in market segments that are driven by sustainable megatrends. We will focus on capturing our fair share of these attractive opportunities, especially in UC, but also with the opportunities we see for the Mobile business.

I would like to thank our employees throughout the world for the hard and dedicated work during the year bringing GN forward to where we are today. On behalf of GN's board of directors, I am congratulating all employees for their outstanding achievements in 2013. Achievements that should make all stakeholders very pleased with the progress the company has made.

Per Wold-Olsen

Chairman

Financial highlights

(DKK million)	2009	2010	2011	2012	2013
GN ReSound					
Revenue	2,981	3,164	3,450	3,896	4,179
- Hearing Instruments	2,662	2,798	3,060	3,423	3,636
- Otometrics	319	366	390	473	543
Organic growth	(6)%	2%	9%	6%	10%
- Hearing Instruments	(7)%	1%	9%	5%	10%
- Otometrics	(2)%	10%	5%	13%	10%
Gross profit margin*	60.7%	59.5%	60.8%	63.0%	65.5%
EBITA*	225	329	426	551	842
EBITA margin*	7.5%	10.4%	12.3%	14.1%	20.1%
EBITA reported	225	329	426	321	738
ROIC (EBITA/Invested capital)	5.7%	8.0%	9.2%	6.6%	14.6%
Free cash flow excl. company acquisitions and divestments	264	(11)	81	99	47
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	117%	-3%	19%	31 %	6%
GN Netcom					
Revenue	1,736	1,973	2,106	2,355	2,612
- CC&O	1,081	1,265	1,400	1,530	1,591
- Mobile	655	708	706	825	1,021
Organic growth	(30)%	9%	9%	7%	18%
- CC&O	(22)%	13%	12%	5%	12%
- Mobile	(40)%	4%	3%	11%	27%
Gross profit margin*	43.4%	52.9%	56.4%	54.2%	52.7%
EBITA*	44	224	310	362	472
EBITA margin*	2.5%	11.4%	14.7%	15.4%	18.1%
EBITA reported	(184)	224	310	362	472
ROIC (EBITA/Invested capital)	(24.3)%	36.3%	48.8%	57.1%	64.7%
Free cash flow excl. company acquisitions and divestments	167	244	358	236	178
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	(91)%	109%	115%	65%	38%
GN Store Nord					
Revenue	4,729	5,145	5,564	6,251	6,791
Organic growth	(16)%	5%	9%	6%	13%
Gross profit margin*	54.4%	57.0%	59.2%	59.7%	60.6%
EBITA*	236	2,595	1,284	846	1,284
EBITA margin*	5.0%	50.4%	23.1%	13.5%	18.9%
EBITA reported	8	2,595	1,284	616	1,180
Operating profit (loss) reported	70	2,569	1,247	528	1,118
Financial items, net	(71)	(33)	(28)	(69)	(91)
Profit (loss) before tax reported	(1)	2,536	1,225	461	1,023
Effective tax rate	(6,900)%	27%	29%	30%	28%
Profit (loss) for the year reported	(70)	1,855	865	321	735
Total assets	7,135	9,806	11,181	8,199	8,963
Consolidated equity	4,435	6,504	6,878	5,542	5,330
Parent company equity	5,349	5,254	4,653	5,680	4,914
ROIC (EBITA/Invested capital)	0.2%	42.9%	16.1%	8.7%	19.6%
Earnings per share, basic (EPS)	(0.34)	9.15	4.31	1.80	4.40
Earnings per share, fully diluted (EPS diluted)	(0.34)	9.00	4.27	1.78	4.35
Investments in property, plant and equipment	(50)	(95)	(82)	(103)	(120)
Free cash flow excl. company acquisitions and divestments	501	189	297	2,756	93
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	6,263%	7%	23%	447%	8%
Equity ratio	62.2%	66.3%	61.5%	67.6%	59.5%
Net interest-bearing debt	1,029	960	1,269	230	1,113
Net interest-bearing debt (period-end)/EBITDA	5.7	0.4	0.9	0.3	0.9
Payout ratio	0%	15%	16%	17%	18%
Share buybacks**	-	153	641	1,614	787
Outstanding shares, end of period (thousand)	203,707	201,965	192,974	170,486	164,740
Average number of outstanding shares, fully diluted (thousand)	205,238	206,113	202,604	180,613	168,891
Share price at the end of the period (DKK)	28	51	48	82	133
Market capitalization	5,704	10,336	9,634	13,980	21,910

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

The GN Store Nord investment case

- Global leader within hearing aids and wireless audio (headsets and speakerphones)
- Proven track record of developing innovative and unique products within the core competencies of sound processing and wireless connectivity
- Significant growth opportunity based on differentiated products and attractive market growth
- High margin businesses with solid return on invested capital
- High barriers to entry in the core businesses
- Committed to distributing surplus cash to shareholders

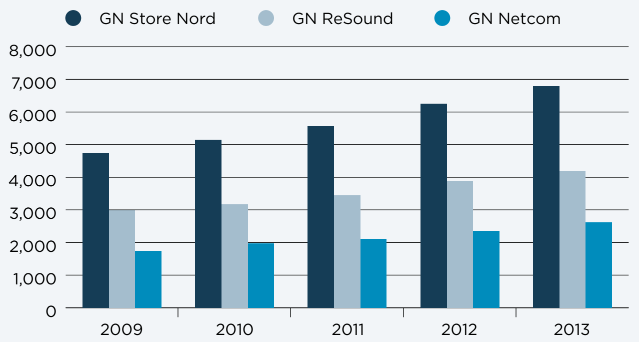
GN RESOUND

- Attractive market growth in a consolidated industry driven by sustainable megatrends
- Technological leader and differentiated wireless technology (2.4 GHz technology)
- Significant growth opportunity with the launch of the breakthrough ReSound LiNX™ and corresponding Beltone First™ – the world's first Made for iPhone hearing aids
- Focused business model – dedicated wholesale manufacturer refraining from vertical integration and expansion into adjacent businesses
- Profitability in line with the best manufacturers in the industry

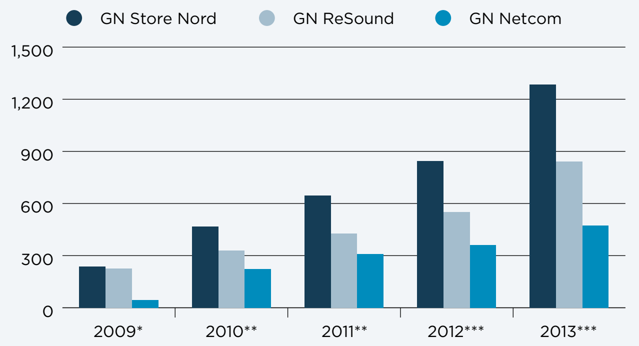
GN NETCOM

- Double digit mid- to long-term market growth driven by sustainable market trends
- The core business is operating in a consolidated industry (two large players) with relatively high barriers to entry
- Leading state-of-the-art Unified Communications product portfolio
- Attractive operating margin (EBITA margin above 18%)
- Effective business model with return on invested capital above 55%

Revenue
(DKK million)



EBITA
(DKK million)



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

GN Store Nord - company overview

GN Store Nord has been helping people communicate since 1869. Initially as a telegraph company and today as a global leader within hearing aids as well as communications and audio solutions through its two businesses GN ReSound and GN Netcom

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

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

GN's products are marketed in more than 90 countries, and as of December 31, 2013, GN had approximately 5,000 employees in 34 countries. GN is listed on NASDAQ OMX Copenhagen and is a member of the Large Cap Index and the OMXC20 Cap index.

For more information, visit www.gn.com

GN ReSound

Hearing instruments and diagnostic equipment

ReSound
rediscover hearing

Beltone

INTERTON

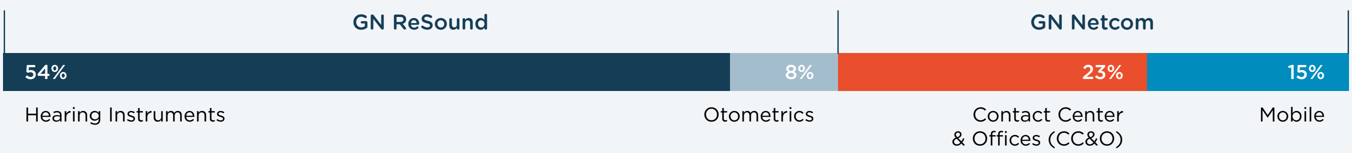
otometrics

GN Netcom

Hands free audio solutions

Jabra®
YOU'RE ON

Revenue 2013



AN EVOLVING WORLD OF COMMUNICATION

Continued global development and prosperity is dependent on efficient communication. In a fast-moving and continuously evolving world with increased global interactions efficient communication is essential – anytime and anywhere. GN has been helping people communicate since 1869 – initially as a telegraph company. Today, GN is a hi-tech innovation company specialized in sound processing and wireless connectivity – always helping people communicate and improving their quality of life.

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

GN – AN INNOVATION POWERHOUSE

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

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

FIGHTING ITS WAY BACK TO 2013 INDUSTRY LEADERSHIP

In 2007, the German competition authorities blocked the divestment of GN ReSound to a competitor. The blocked deal left GN challenged to the extreme with two underperforming businesses with a sub-optimal product pipeline, a heavy debt position and facing a highly adverse macroeconomic environment.

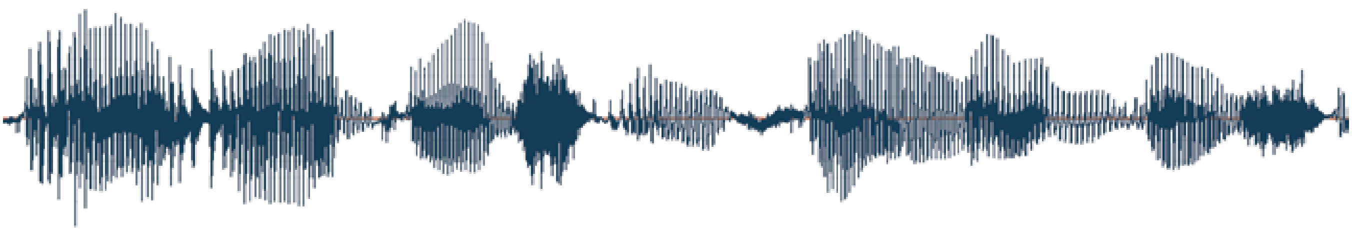
GN has fought its way back. Extensive management efforts, comprehensive restructuring, innovative research and development and a constant improvement of the commercialization capabilities have brought the company forward to the current position of technological leadership delivering top-of-the-industry growth and profitability.

In 2010, GN announced ambitious financial targets for 2013. These targets implied revenue growth of 7% per year and nothing less than a doubling of the EBITA margin from around 9% in 2010 to around 19% in 2013. GN has now delivered, and even exceeded, the targets set out in 2010 as confirmed in this annual report – a key milestone on GN's journey back to a leadership position.

STRATEGY 2014 – 2016 - INNOVATION & GROWTH

In November 2013, GN announced where the next step of the journey will take the company. With a leading technological position, and supported by highly attractive megatrends, now is the time to exploit a unique window of opportunity – to drive strong profitable growth.

The key drivers of shareholder value remain to be based on innovation, technology and commercialization supported by continued relentless focus on productivity gains as part of



normal business. With the completion of the restructuring programs, GN is poised to increase its focus and efforts on commercialization. GN will upgrade its marketing and sales capabilities and accelerate market tests and experiments to improve customer understanding, and bring GN closer to its customers.

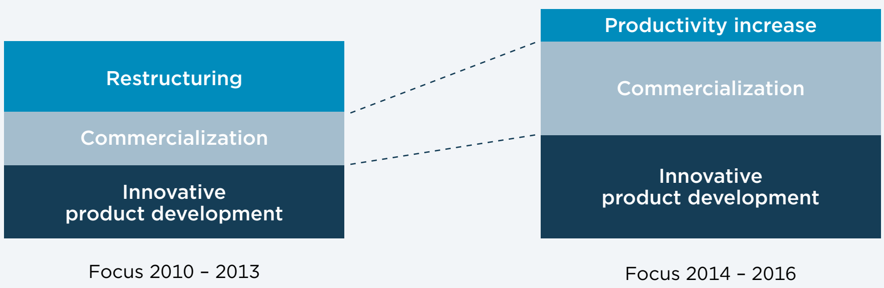
Building on innovation, the unique market position and technological leadership, the ambition to realize GN's growth potential will be achieved by initiating specific and thoroughly evaluated growth initiatives in GN ReSound and GN Netcom – more information about the initiatives can be found in the respective sections. The growth initiatives will be supported by three key growth enablers that are common across the businesses within the GN group: Maintaining a leading edge product portfolio, enhancing organizational capabilities and a continued pursuit of productivity increases.

The current structure of GN with two separate business units and two dedicated CEOs has proven effective during the transformational journey that started in 2008. With the experience from the last five years and increasing technological synergies between the businesses, the board of directors and management deem the current structure equally efficient for the next part of the journey for GN.

Strategy 2014 - 2016 - INNOVATION & GROWTH

Strategic initiatives	GN ReSound	2014 – 2016 Growth initiatives in GN ReSound and GN Netcom	GN Netcom
Enablers	Enhancing organizational capabilities	Maintaining leading edge product portfolio	Productivity increases
Markets	• Structural growth and supporting megatrends • High margin industries and high barriers to entry in the core businesses		

Evolution of focus



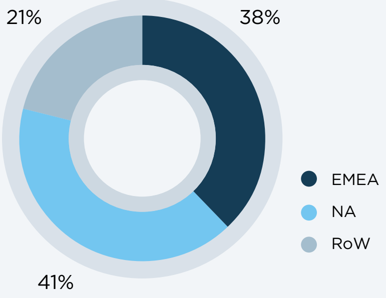
2013 in figures

6,791
Total revenue (DKK million)

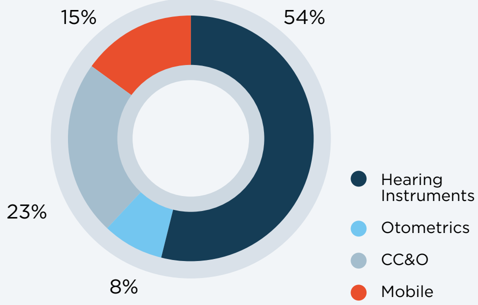
13%
Organic growth

18.9%
EBITA margin (excl. SMART restructuring costs)

Geographic revenue split

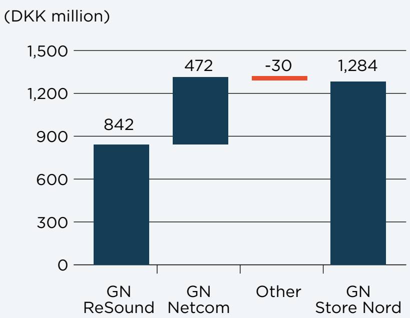


Revenue split on business units



EBITA

(excl. SMART restructuring costs)



5,000
Employees worldwide

22
Market capitalization (DKK billion)

749
Total funds distributed to shareholders – dividends and Safe Harbor buybacks (DKK million)

Group development 2013

GN Store Nord generated 13% organic growth and revenue of DKK 6,791 million in 2013. EBITA was lifted by 52% to DKK 1,284 million corresponding to an EBITA margin of 19%. Hence, the ambitious 2013 financial targets – revenue of "more than DKK 6.3 billion" and EBITA margin of "around 19%" – were firmly achieved

REVENUE
Driven by innovation and strong market positions, GN generated 13% organic growth taking revenue to DKK 6,791 million in 2013. GN ReSound contributed strongly to the group revenue by generating organic growth of 10% for 2013, exceeding the guidance of "around 9%" announced in the Interim Report Q3 2013. GN Netcom delivered significant organic growth of 18% in line with the guidance.

EBITA
Excluding SMART restructuring costs, the consolidated EBITA ended at DKK 1,284 million in 2013, an increase of 52% compared to 2012. The strong increase is a result of the SMART restructuring program combined with strong revenue growth across both of the operating businesses. Excluding restructuring costs, GN ReSound increased EBITA by 53% to DKK 842 million, and GN Netcom increased EBITA by 30% to DKK 472 million. EBITA in Other ended at DKK (30) million, which reflects a continuation of development costs related to exploratory research projects in GN (including the Intelligent Headset™ and the 3D ear scanner) and a non-cash income from an IFRS required reversal of an impairment of a non-current asset.

Excluding restructuring costs, the EBITA margin for the group ended at 18.9% in 2013. This is a result of 20.1% EBITA margin in GN ReSound and 18.1% EBITA margin in GN Netcom. The restructuring costs related to the SMART program in GN ReSound amounted to DKK 104 million for the year.

NET PROFIT
The net profit for 2013 was DKK 735 million corresponding to an increase of 129% compared to 2012. The profit before tax ended at DKK 1,023 million corresponding to an effective tax rate of 28.2%. The financial items including gain (loss) on divestments for the year amounted to DKK (114) million compared to the guidance of DKK (70) - (90) million. In the fourth quarter, these items were negatively impacted by adjustments of balance sheet items due to the weakening of several foreign currencies and an actuarial adjustment of pension obligations and a loss of DKK 4 million in relation to a non-core divestment in GN ReSound. Amortization of acquired intangible assets was DKK (43) million in 2013.

OTHER PERFORMANCE INDICATORS
The return on invested capital (ROIC) was 19.6% in 2013 corresponding to an increase of 10.9 percentage points compared to 2012. ROIC was 14.6% and 64.7% in GN ReSound and GN Netcom respectively. The significant improvement in the group ROIC is a result of a 92% improvement in reported EBITA and a modest increase in the invested capital.

The group cash conversion was 8% in 2013. The significant organic revenue growth in both of the operating businesses

Financial overview Q4 2013

	GN ReSound*		GN Netcom		Group total**	
DKK million	**Q4 2013**	**Q4 2012**	**Q4 2013**	**Q4 2012**	**Q4 2013**	**Q4 2012**
Revenue	1,131	1,093	729	671	1,860	1,764
Organic growth	6%	10%	15%	7%	9%	9%
Gross margin	67.1%	64.6%	51.7%	52.3%	61.1%	59.9%
EBITA	275	212	141	115	390	301
EBITA margin	24.2%	19.4%	19.3%	17.1%	21.0%	17.1%
Free cash flow excl. acquisitions and divestments	39	117	69	53	58	(349)

*) Excluding SMART restructuring costs of DKK 85 million in Q4 2012
**) Including "Other" and excluding SMART restructuring costs in Q4 2012

led to a negative impact on the free cash flow as working capital increased in line with revenue and financial support arrangements to GN ReSound's dispensers accelerated. Furthermore, the SMART restructuring costs and related cash outflow had a negative impact on the cash conversion.

DIVIDEND AND SHARE BUYBACK PROGRAMS

In March 2013, a dividend of DKK 94 million (DKK 0.49 per share) equivalent to 17% of the 2012 net result, excluding SMART restructuring costs, was paid out to shareholders. At the annual general meeting to be held in March 2014, the board of directors will propose a dividend of 18% of the net result excluding SMART restructuring costs equivalent to DKK 146 million or DKK 0.84 per share.

During 2013, GN repurchased shares for an amount of DKK 655 million in three different Safe Harbor programs. Based on the continued strong development in the financial results and the capital structure policy, GN initiates a new buyback program of DKK 500 million to be concluded no later than September 30, 2014. As of February 14, 2014, GN has repurchased shares for an amount of DKK 95 million in 2014.

CAPITAL STRUCTURE

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 current macroeconomic environment, GN currently intends to take the net interest-bearing debt toward a level of around one time EBITDA by the end of 2014 and to a level between one and two times EBITDA by the end of 2016.

As of December 31, 2013, the net interest-bearing debt was DKK 1,113 million corresponding to 0.87 times reported EBITDA and corresponding to 0.81 times EBITDA, excluding SMART restructuring costs.

As of February 14 2014, GN holds 9,308,284 treasury shares equivalent to 5.4% of the share capital. At the annual general meeting to be held in March 2014, the board of directors will propose to cancel 5,308,284 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. The discovery phase commenced in mid-November 2013.

CLAIM AGAINST THE GERMAN FEDERAL CARTEL OFFICE

On February 26, 2013, the Court of Cologne dismissed GN's claim of EUR 1.1 billion related to the unlawful prohibition of the sale of GN ReSound. The Court of Cologne acknowledged that the prohibition of the sale was unlawful but assessed that this did not result in a liability for the German Federal Cartel Office. Following thorough evaluation of the written opinion from the Court of Cologne, GN disagreed with the decision by the court and consequently decided to appeal it. The appeal was filed to the Higher Regional Court of Cologne (Oberlandesgericht Köln) on March 26, 2013. A hearing has been scheduled for March 5, 2014. The purpose of the hearing is to determine whether the Federal Cartel Office is liable for the loss suffered by GN due to the illegal prohibition.

THE INTELLIGENT HEADSET™

On May 16, 2013, GN announced the Intelligent Headset™ exploration program. Following the announcement, market reactions have confirmed possible business opportunities based on this new innovative technology platform. GN has thus opened for pre-orders during the last phase of the product development and is preparing operations to enable a valuable early dialogue with partners and the app developer ecosystem. The unique features of the headset are among others TrueHeadDirection, allowing readability of accurate head orientation, TrueLocation, providing an exact GPS measure, True3Daudio, enabling true 3D sound to the user and finally TrueSelect ("WAILA" – What Am I Looking At) software that enables the headset to specify what the user is looking at.

Financial overview 2013

	GN ReSound*		GN Netcom		Group total**	
DKK million	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Revenue	4,179	3,896	2,612	2,355	6,791	6,251
Organic growth	10%	6%	18%	7%	13%	6%
Gross margin	65.5%	63.0%	52.7%	54.2%	60.6%	59.7%
EBITA	842	551	472	362	1,284	846
EBITA margin	20.1%	14.1%	18.1%	15.4%	18.9%	13.5%
Free cash flow excl. acquisitions and divestments	47	99	178	236	93	2,756

*) Excluding SMART restructuring costs of DKK 104 million in 2013 and DKK 230 million in 2012

**) Including "Other" and excluding SMART restructuring costs

ReSound Verso™

Empower users to tune in to life

"I'm just loving it. I'm able to go to social events and walk around, work the crowd, meet people, actually hear their names, where they're from and how they interact with everybody. I thought I would never be able to do that again."

Brian Mortimer,
ReSound Verso™ wearer, Canada

GN ReSound

GN ReSound delivered and exceeded the ambitious financial targets for 2013 announced in late 2010. The technological leadership position was advanced with further development of the superior 2.4 GHz product platform – now launching the world's first Made for iPhone hearing aids

HIGHLIGHTS 2013

- Organic growth of 10% driven by ReSound Verso™ – exceeding the organic growth guidance "around 9%" provided in the Interim Report Q3 2013
- The SMART restructuring program was successfully completed delivering EBITA improvements in the mid- to high end of the communicated target for 2013 (DKK 240 - 290 million compared to 2011)
- The EBITA margin reached 20.1% in 2013 – a doubling compared to the EBITA margin in 2010
- Further development of the superior product platform, including the third generation 2.4 GHz wireless products to be launched in the second half of Q1 2014 as ReSound LiNX™ and Beltone First™ – the world's first Made for iPhone hearing aids

2013 was another strong year for GN ReSound. The key priorities for the year were to continue to gain market shares, deliver on the SMART restructuring program and further strengthen the leading technological position in the industry. GN ReSound delivered on all of these parameters. This is clearly reflected in the financial results for 2013 with a 53% improvement in EBITA compared to 2012 and fulfillment of the ambitious financial targets of "around 20%" EBITA margin and revenue of "around DKK 3.7 billion" announced in late 2010.

Based on the unique 2.4 GHz technology platform, ReSound Verso™ performed strongly in the market place delivering an overall organic growth for GN ReSound of 10%, well above the initial guidance of "4 - 6%" announced in the Annual Report 2012. The growth was broadly based with strong performance in all channels. As a testimony to GN ReSound's leading technological position, GN ReSound has won two significant contracts. In 2013, GN ReSound became the main supplier to US-based Costco – one of the largest and fastest growing retailers in the US. Through its strong relationship, and best-in-class service, GN ReSound has also entered into a new agreement with Amplifon – the world's largest hearing aid retailer. The agreement ensures that GN ReSound and Amplifon maintain their close collaboration in the coming years.

During 2013, GN ReSound developed the world's first Made for iPhone hearing aids in close collaboration with Apple Inc. This breakthrough in the hearing aid industry reflects GN ReSound's technological leadership as well as its leading R&D competences. GN ReSound will strive to advance its preeminent position by continuing to bring new breakthrough products to the market based on the 2.4 GHz technology.

REVENUE

GN ReSound delivered a solid closure to the year with 6% organic revenue growth in Q4 2013, and thereby gained market shares compared to the already strong Q4 of 2012 where ReSound Verso™ was launched. Thus, Q4 2013 was GN ReSound's 14th consecutive quarter with market share gains. The revenue for the quarter ended at DKK 1,131 million where M&A activities impacted revenue positively by 2%, and the development in foreign exchange rates impacted negatively by around (5)%.

GN ReSound

The GN ReSound group is a leading international developer and manufacturer of advanced hearing aids and ear-related diagnostic equipment. The company offers a full range of hearing aids and accessories under the ReSound, Beltone and Interton brand names. Through GN Otometrics, the group also creates innovative solutions for all types of ear-related diagnostics and is the largest global supplier of computerized audiology and hearing-instrument fitting equipment. GN ReSound, which is headquartered in Ballerup, Denmark, has subsidiaries in more than 20 countries and partners in 60 more and employs 4,075 people.

ReSound Verso™ continued to perform strongly in Q4 leading to an overall 7% organic growth in Hearing Instruments. After several quarters of substantial outperformance of the market, GN Otometrics' organic growth in Q4 was (1)%, reflecting normal quarterly fluctuations in the industry. For the full year 2013, GN Otometrics delivered 10% organic growth.

GN ReSound's organic growth ended at a strong 10% for the full year leading to revenue of DKK 4,179 million - exceeding the DKK 3.7 billion revenue target for 2013, announced in 2010, by 13%. GN ReSound's average annual organic growth since the announcement of the targets has been 6 percentage points above the estimated market growth.

Geographically, GN ReSound's revenue growth in 2013 was broad-based with strong performance in all regions driven by the leading technological position. North America delivered 12% organic growth. Strong ReSound Verso™ performance, reinforced partnerships with strategic customers and financial support arrangements with selected dispensers fuelled above market growth both for the ReSound brand in the US and for the Beltone Network. Europe generated 8% organic revenue growth delivering strong performance in the largest markets in the region, with France and Germany both delivering double-digit growth. The organic revenue growth for Rest of the World was 8%. While Japan was the largest contributor to the growth in Rest of the World, double digit revenue growth was also achieved in several other countries, including distributor markets.

Of the overall GN ReSound revenue in 2013, 46% was generated in North America, 31% in Europe and the remaining 23% in Rest of the World.

EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

GN ReSound generated EBITA of DKK 275 million in Q4 2013 corresponding to an increase of 30% compared to Q4 2012 (excluding SMART restructuring costs in Q4 2012). For the quarter, the EBITA margin was lifted to 24.2%. The continued improvement in earnings is driven by a combination of the results from the SMART restructuring program and the strong revenue growth from high-end products.

For the full year 2013, EBITA increased by 53% to DKK 842 million (excluding SMART restructuring costs) in line with the upgraded guidance communicated in the Interim Report Q3 2013. GN ReSound's EBITA margin was 20.1% and in line with the target announced in 2010 of "around 20%". This is the highest EBITA margin ever and double up compared to 2010.

In Q4 2013, the gross margin reached 67.1%, which is the highest level ever in a quarter. For the full year 2013, the gross margin reached 65.5% (excluding SMART restructuring costs). The positive development is a result of the SMART restructuring program and the higher share of revenue generated by ReSound Verso™ and the corresponding Beltone Promise™.

During the fourth quarter of 2013, the SMART restructuring program was successfully concluded, and the estimated improvements for 2013 are in line with the communicated target of DKK 240 - 290 million compared to 2011. As previously communicated, the final SMART restructuring costs were booked in Q2 2013, and hence Q4 2013 was the second quarter without restructuring costs following the initiation of the SMART restructuring program in 2012. The SMART restructuring costs amounted to DKK 104 million for 2013, of which DKK 44 million are recorded as production costs and DKK 60 million as operating expenses.

"Q4 concludes our exciting journey towards the achievement of our ambitious 2013 targets. The first year of our 2014 – 2016 strategy period will be all about exploiting our technology through the launch of ReSound LiNX and Beltone First. The initial feedback confirms that these are really fantastic hearing aids".

Lars Viksmoen, CEO of GN ReSound

The operating expenses were DKK 485 million in Q4 2013, a decrease of DKK 9 million compared to Q4 2012 (excluding SMART restructuring costs). The cost reductions generated through the SMART restructuring program were – as previously communicated – partly offset by investments in driving revenue growth as well as the acquisition of Dansk HøreCenter. The operating costs compared to revenue decreased from 45% in Q4 2012 to 43% in Q4 2013 and from 49% in 2012 to 45% for the full year 2013 (excluding SMART restructuring costs).

The return on invested capital (ROIC) (including SMART restructuring costs) increased to 14.6% for 2013 from 6.6% in 2012. While the goodwill from acquired activities in 1999 (ReSound) and 2000 (Beltone) reduces the absolute ROIC level, the incremental increase in ROIC is encouraging. In both 2012 and 2013, ROIC was negatively impacted by the SMART restructuring costs.

Net working capital as a percentage of revenue increased to 21% during 2013, compared to 20% by the end of 2012. The increase is a result of - among others - lower trade payables in spite of the revenue increase. Trade payables were DKK 214 million at the end of 2013 compared to DKK 233 million at the end of 2012. Inventories increased 9% to DKK 378 million by the end of 2013 reflecting the strong revenue

Product launches 2013

GN ReSound advanced its technological leadership position in 2013. The 2.4 GHz product platform was enhanced with the launch of ReSound Verso™ extensions, upgraded wireless accessories and the world's first Made for iPhone hearing aids

Q4

ReSound LiNX™ (limited release)

ReSound LiNX™
(limited release)

The world's first Made for iPhone hearing aid. Building on GN ReSound's unique third generation 2.4 GHz wireless technology powered by the all new SmartRange™ chipset

ReSound Lex™

The invisible in-the-ear (ITE) hearing aid with a remote microphone to utilize the ear's natural anatomy. Designed for simple and intuitive use helping people to stay in contact. Ideal for first time users and users with an active life style and focus on cosmetics

Q3

ReSound Lex™

ReSound Unite™ TV 2

ReSound Unite™ TV 2

The ReSound Unite™ TV 2 is the new generation TV streamer in an optimized design and with an intuitive plug-and-play setup. It sends stereo sound directly from the TV, stereo or computer into the hearing aids from up to seven meters away

ReSound Unite™ Remote Control 2

Helps the user keep track of the hearing aid settings. It can change programs and adjust the volume on each of the hearing aids. The easy-to-see display clearly shows settings

ReSound Unite™ Remote Control 2

Q2

ReSound Verso™ 5

ReSound Verso™ TS

Combines unique technology that supports the way hearing naturally works with a tinnitus sound generator and utilizing the ear-to-ear communication of ReSound Verso™. It uses sound therapy to offer relief from tinnitus by diverting the attention away from it

ReSound Verso™ TS

ReSound Verso™ 5

The unique ReSound Verso™ launched in the Basic price segment. ReSound Verso™ 5 differentiates from ReSound Verso™ 7 and 9 but is a good match for use in quiet listening environments such as activities in the home, casual conversations and watching television

Q1

ReSound Unite™ Phone Clip+

ReSound Unite™ Phone Clip+

The first Made for iPhone accessory in the hearing aid industry. The wireless accessory offers hands free phone use, hearing aid remote control and integration with the iPhone. The same technology solution is also available for Android based smartphones

ReSound Control Mobile App

ReSound Control Mobile App

Elegantly turns the smartphone into an easy-to-use wireless remote control where hearing aid volume and streaming volume can be controlled

growth. Trade receivables amounted to DKK 1,031 million compared to DKK 979 million at the end of 2012.

Free cash flow excluding company acquisitions and divestments was DKK 39 million in Q4 2013 corresponding to a cash conversion of 14%. The cash conversion is, as usual for the fourth quarter, impacted by payment of corporate taxes in Denmark. For the full year 2013, GN ReSound's cash conversion was 6%, which is lower than the underlying cash generation capability of the business. The cash conversion was negatively impacted by the increase in working capital due to the strong growth, paid SMART restructuring costs as well as investments in attractive financial dispenser agreements, the latter comprising DKK 215 million in cash outflow for 2013.

BUSINESS HIGHLIGHTS

Launch of ReSound LiNX™

The next industry breakthrough and the world's first Made for iPhone hearing aids, ReSound LiNX™ and Beltone First™, will be launched in the second half of Q1 2014. The hearing aids have been tested in a limited release during late 2013, and the initial feedback from the limited release related to sound quality as well as connectivity is very encouraging. In January 2014, ReSound LiNX™ was showcased at the International CES (the consumer electronics show) in Las Vegas, and the product was selected as a 2014 CES Innovations Design and Engineering Awards Honoree. GN ReSound has seen signs of user pull beyond what has previously been experienced for hearing aids. With this launch of GN ReSound's third generation of 2.4 GHz wireless hearings aids, GN ReSound has reinforced its technological superiority in wireless connectivity.

Launch of OTOscan™

The first-to-market 3D ear scanner developed by GN in cooperation with 3DM Systems has been field tested with selected dispensers in late 2013. The initial feedback has confirmed that the scanner will significantly enhance the buying process for hearing aid users and professionals. The scanner, OTOscan™, will be commercialized through GN Otometrics, and initial commercial launch is scheduled for 2014.

Amplifon partnership

Through its strong relationship, and as a result of best-in-class service levels, GN ReSound entered into a new agreement with Amplifon – the world's largest hearing aid retailer. The agreement ensures that GN ReSound and Amplifon maintain their close collaboration in the coming years.

Costco partnership

As announced on July 29, 2013, GN ReSound has successfully expanded its partnership with US-based Costco. As part of supplying the new Kirkland Signature product to Costco, GN ReSound became the main supplier to Costco with effect from Q3 2013.

Cochlear partnership

The collaboration with Cochlear, established in 2011, continued to evolve throughout 2013. The Cochlear partnership is a license and technology agreement enabling Cochlear, the leader within cochlear implants and bone anchored hearing solutions, access to GN ReSound's 2.4 GHz wireless technology. In late 2013, the first Cochlear product with 2.4 GHz technology, the Baha 4 Sound Processor, was successfully launched.

Quality standards - FDA audits

Since the launch of hearing aids with wireless connectivity, GN ReSound has had four routine inspections by the US Department of Health and Human Services' Food and Drug Administration (FDA). During 2013, GN ReSound's site in Xiamen was inspected. The positive results from the inspections reflect GN ReSound's dedicated focus on quality as well as structured and professional processes.

Dansk HøreCenter

On September 27, 2013, GN announced that it – through its Beltone subsidiary – had entered into an agreement to acquire Dansk HøreCenter, a Danish hearing-aid retailer, as per October 1, 2013. Beltone has been a key partner and supplier to Dansk HøreCenter since its foundation. The former owners of Dansk HøreCenter wished to prepare their future retirement, and related to this Beltone agreed to acquire the company. The former owners continue to manage the day-to-day operations and further development of the business. The acquisition is a result of an opportunistic approach and does not change the communicated strategy on vertical integration – GN ReSound generally does not want to own and manage retail.

R&D

GN ReSound's R&D department is based in four locations: Ballerup, Chicago, Eindhoven and Xiamen.

The main focus of the R&D organization in 2013 has been to improve the quality of life and hearing experience of hearing aid users through technological development. A main priority has been the collaboration with Apple Inc. – developing the world's first Made for iPhone hearing aid – ReSound LiNX™ and the corresponding Beltone First™. The initial result from this collaboration materialized in January 2013 when GN ReSound launched the ReSound Unite™ Phone Clip+ – the first Made for iPhone accessory in the hearing aid industry. This was followed by the development of the Made for iPhone hearing aids, ReSound LiNX™ and Beltone First™, which were formally certified as Made for iPhone hearing aids in December 2013.

ReSound LiNX™

The world's first Made for iPhone hearing aid

For the first time ever, hearing impaired people will be able to use their iPhone as a remote control and stream stereo music and phone calls directly to their hearing aids. This is possible without any stigmatizing intermediary body worn device.

- Taking Surround Sound by ReSound™ to an unprecedented level with new premium audiological features
- Powered by SmartRange™ – ReSound's new chip with third generation 2.4 GHz wireless technology
- GN ReSound's smallest wireless receiver-in-the-ear (RIE) ever

The Made for iPhone hearing aid is also launched under the Beltone brand as Beltone First™

During 2013, the R&D organization continued to deliver innovative products enabling GN ReSound to increase commercial activities, launch product line extensions and gain a competitive edge with customers that request custom-made hearing aids.

GN ReSound will continue to make ongoing short and long term optimizations of the R&D organization also after the completion of the SMART restructuring program. The design to value process has been embedded into the product development process securing increased focus on component costs and using parts that bring the most value to the products. In collaboration with the marketing department, the R&D organization has also increased its focus on ensuring that GN ReSound develops products that provide the greatest value in the market place with focus on the users.

OPERATIONS

As part of the SMART restructuring program, GN ReSound has successfully off-shored the majority of the production of custom hearing aids from the US and Europe to the factory in China. As part of the off-shoring GN ReSound's two factories in the US have been consolidated into one manufacturing site. The factory in Xiamen is now supplying the majority of GN ReSound's hearing aids.

The responsibility for supply chain and logistics has been centralized and the number of freight forwarders has been reduced significantly. Returns and repairs have been optimized through minimized scrapping of returned products as well as off-shoring of repairs.

In October 2013, GN ReSound received the Danish Logistics Award 2013. The award is an acknowledgement of the comprehensive restructuring efforts that GN ReSound has completed as part of the SMART restructuring program. GN ReSound has successfully changed its supply chain from a decentralized structure to global standardized processes, which ensures fast delivery and quick service of hearing aids for users globally.

MARKET DEVELOPMENT

The hearing aid market recorded unit growth of just above 4% in 2013. Unit growth has been positively impacted by strong growth in North America in the second half of the year. The average selling price (ASP) erosion on the market is estimated to around 2%, primarily as a result of reimbursement changes in the Netherlands and in Denmark as well as increased competition in certain tenders. In value, the market is consequently estimated to have increased by slightly more than 2% in 2013.

The total hearing aid market is estimated to comprise between 11 and 12 million units in 2013, and it is estimated that GN ReSound had a unit market share of above 16%.

STRATEGY 2014 - 2016

On November 15, 2013, GN ReSound announced its Strategy 2014 - 2016. With a superior technological position and a successfully completed comprehensive SMART restructuring program, GN ReSound is well positioned to continue to drive strong profitable growth.

The key drivers of shareholder value remain to be based on innovative product development and commercialization of innovations supported by continued relentless focus on productivity gains as part of normal business. With the completion of the restructuring program, GN ReSound is poised to increase its focus and efforts on commercialization, including marketing and sales activities, by acceler-

GN ReSound

Strategy 2014 - 2016

Strategic initiatives	• Increase marketing and sales efforts • Gain preferred supplier status • Grow GN Otometrics into new channels and offerings • Accelerate innovative R&D		
Enablers	Enhancing organizational capabilities	Maintaining leading edge product portfolio	Productivity increases
Markets	• Structural growth and supporting megatrends • High margin industries and high barriers to entry in the core businesses		

ating market tests and experiments to improve customer understanding. This will bring GN ReSound closer to its customers.

GN ReSound has a unique window of opportunity as it is the only manufacturer offering hearing aids with direct streaming of sound - based on 2.4 GHz wireless technology. The upcoming launch of the third generation 2.4 GHz platform and the world's first Made for iPhone hearing aids, ReSound LiNX™ and the corresponding Beltone First™, strengthens this position further and is a unique starting point for a profitable growth strategy based on commercialization of innovative technology.

GN ReSound believes that strict focus is a competitive advantage. GN ReSound will therefore continue to focus on being an innovation-driven hearing aid manufacturer refraining from vertical retail integration and refraining from moving into adjacent businesses such as cochlear implants or bone-anchored hearing solutions.

GN ReSound has identified four specific initiatives to continue to drive profitable growth and market share gains. The initiatives are extensions of the current development path and enabled by GN ReSound's differentiated technology as well as the released organizational capacity following the successful completion of the SMART restructuring program.

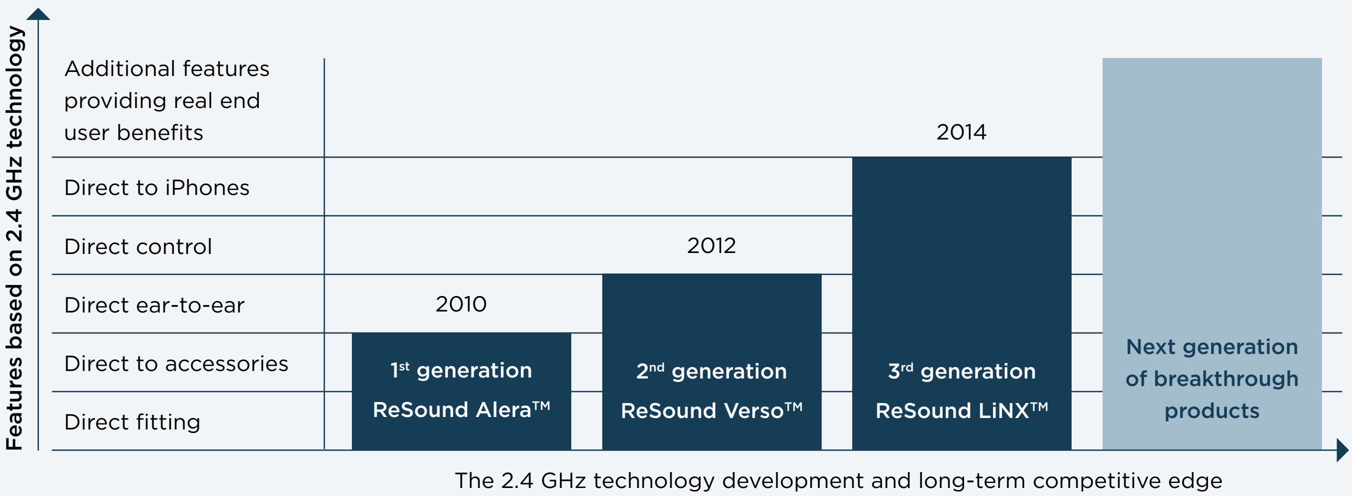
Increase marketing and sales efforts
GN ReSound will significantly increase its marketing and sales efforts. Numerous market experiments will be initiated and major efforts will be put into obtaining unprecedented market understanding securing even stronger and closer relationships to the customers. In a period with strong growth momentum combined with the launch of the breakthrough ReSound LiNX™ and Beltone First™, GN ReSound sees potential to strengthen the brand awareness among both dispensers and hearing aid users.

Gain preferred supplier status
Technological leadership, stronger brand awareness and a manufacturer profile refraining from vertical integration have spurred an increasing opportunity to gain preferred supplier status among dispensers and developing strategic relations with larger accounts. This opportunity will be exploited, and a key element of that ambition is to build partnerships through selective financial support arrangements.

Grow GN Otometrics into new channels and offerings
GN Otometrics has potential to drive strong profitable growth by entering into new channels and offerings. The 3D ear scanner, OTOscan™, is an example of a new offering that may significantly expand the market potential for GN Otometrics. The company will to a greater extent also address market segments with unused potential, including emerging markets.

Accelerate innovative R&D
GN ReSound sees a continued potential for developing unique and superior products by accelerating innovative R&D. The technological lead and fast-moving development within wireless connectivity in hearing aids are unique opportunities for GN ReSound to deliver breakthrough products providing actual user benefits. GN ReSound will relentlessly strive to not only maintain but even advance its technological leadership.

Development of the 2.4 GHz technology platform



Jabra

World-class sound and design

In 2013, Jabra has been awarded with three prestigious Red Dot awards. The jury, consisting of industry experts, chose to award the popular Jabra Speak™ 510 speakerphone as well as the new flagship headphones Jabra Revo™ Wireless and Jabra Vox™. This proved once again that Jabra is more than great sound, durability and engineering – Jabra is also world-class product design.

reddot design award
winner 2013

GN Netcom

In 2013, GN Netcom delivered on its ambitious financial targets announced in late 2010 – revenue of "more than DKK 2.6 billion" and an EBITA margin of "around 18%". GN Netcom has through its leading product portfolio and strong partnerships positioned itself uniquely in fast-growing and attractive markets

HIGHLIGHTS 2013

- Strong organic growth of 18% driven by Unified Communications (UC) and the Mobile business
- Based on strong revenue growth and effective management of the operating costs, the EBITA margin increased from 15.4% in 2012 to 18.1% in 2013
- The UC product portfolio was expanded to include distinctly differentiated offerings, including Jabra Motion™, the Jabra Speak™ 510+ speakerphone and the Jabra Xpress™ software
- A number of innovative product launches in the Mobile business have strengthened the portfolio that focuses on the fast-growing segment where music and voice integrate

GN Netcom delivered its best financial results ever in 2013. The key priorities for the year were to strengthen the market position in the UC-segment, broaden the product portfolio in the consumer business and deliver the financial targets for 2013. GN Netcom delivered organic revenue growth in UC headsets of 35% and organic growth in the Mobile business of 27%. The strong revenue increase led to an EBITA improvement of 30% compared to 2012, and GN Netcom delivered on the ambitious financial targets of "around 18%" EBITA margin and revenue of "more than DKK 2.6 billion" set out in late 2010.

During 2013, GN Netcom strengthened its UC position further through the launch of a number of innovative products and enhanced partnerships with the main UC vendors. GN Netcom has now obtained preferred provider status among all important primary vendors. The market for UC headsets continues to grow at significant rates. The prospects for continued growth are encouraging as indicated by Microsoft's sales of Microsoft Lync, which throughout all quarters of 2013 was reported to grow at rates between 25% and 35%. GN Netcom's solid market position within UC and broad product portfolio create a strong platform for continued growth.

A number of innovative product launches in the Mobile business have strengthened the product portfolio for the consumer segment. The broader product portfolio in the fast-growing segment where music and voice integrate combined with a continuous advancement of the brand recognition are expected to be important revenue drivers in 2014.

REVENUE

GN Netcom continued on its strong growth path generating organic growth of 15% in Q4 2013. The growth was driven by 27% organic growth in UC headsets and 16% growth in the Mobile business. The revenue for the quarter ended at DKK 729 million where M&A activities impacted revenue by (3)%, and the development in foreign exchange rates affected revenue by (4)%.

UC headsets continue to be the number one growth driver in GN Netcom. The UC revenue amounted to DKK 233 million in Q4 2013, and the revenue from UC headsets thereby constituted 32% of GN Netcom's revenue in the quarter. The continued launches of innovative products have been an

GN Netcom

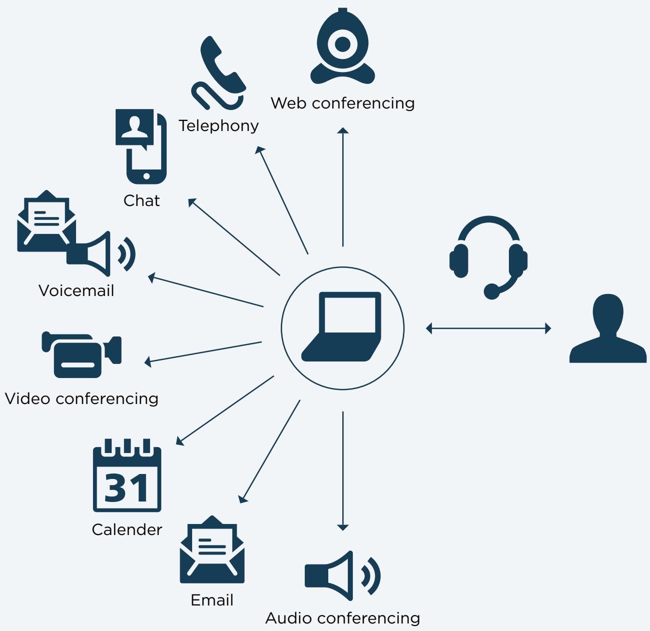
Through its Jabra brand, GN Netcom is a world leader in the development, manufacturing and marketing of headsets and speakerphones. With a reputation for innovation, reliability, and ease of use that goes back more than two decades, GN Netcom's consumer and business divisions produce corded and wireless communication and audio solutions that empower individuals and businesses through increased freedom of movement, comfort and functionality. GN Netcom employs approximately 925 people worldwide.

Unified Communications

– the growth driver in GN Netcom's CC&O business

Unified Communications (UC) is the integration of office communication services into one common user experience based on one common technology platform. In the same way that email changed the way companies worked in the 1990s, UC is changing the way office workers perform their daily work today. In many organizations office communication takes place via different devices and media types – telephone land lines, mobile phones, video conferencing, email and soft phones. Employees can feel stressed and overwhelmed juggling all these channels and still work efficiently.

UC brings together all of these devices and interfaces into one single integrated application and user experience, including replacing the traditional telephone with a softphone based on the same platform. In short, UC makes it easier for people to connect, communicate and collaborate. With a UC solution in place, the result is more productive employees, smoother interactions and tangible cost reductions. Hence, UC represents a very compelling business case for companies. The investment related to the implementation of software licenses, server hardware and voice equipment is typically modest compared to the ongoing cost reductions from replacement of the traditional telephone systems and cost reductions from web and teleconferencing as well as less travelling expenses. According to Frost & Sullivan, 80% of all companies deploying UC achieve a payback period of less than two years. The largest suppliers of the UC infrastructure solutions are Microsoft, Cisco and Avaya. Implementation of UC typically happens in three phases where companies in the first phase take advantage of the integration of some communication services without enabling the voice communication. In the second phase, companies add voice through softphone while maintaining the traditional telephone systems and in phase three traditional telephone systems are replaced with softphones. It is in the third phase that tangible cost savings are fully realized.



UNIFIED COMMUNICATIONS AND GN NETCOM

The accelerated deployment of UC-solutions among companies has significant impact on the addressable market for GN Netcom's CC&O business. When UC is deployed in an office, communication takes place through the computer, and the UC-platform essentially makes a headset a need-to-have tool. The result is very attractive attachment rates in offices where UC is fully deployed. The deployment of UC-solutions is expected to drive the UC headset market at a compound annual growth rate of more than 30% from 2014 - 2016.

Drivers of the Unified Communications headset market

Parameter	2013 development	2013 status
Global office workers	→	
UC penetration among office users	↑	
Average headset attachment rates among UC users	→	
Replacement rates	→	
Average selling price	↘	
Total market	↗	~DKK 1.5 billion

important enabler for the growth. The growth was also supported by GN Netcom's ability to establish strong partnerships with leading UC-vendors.

The organic revenue growth in the traditional CC&O business improved significantly in Q4 2013 to 3%. The growth was driven by strong performance in Europe and in North America. Additionally, and as previously communicated, the distinction between UC and traditional CC&O revenue is subject to uncertainty as UC products can be used by traditional CC&O users. The split between revenue from UC and traditional CC&O headsets should therefore be interpreted with some caution.

In Q4 2013, the revenue of the Mobile business increased to DKK 283 million, the strongest Q4 revenue for the consumer business since 2007. Due to the inherent seasonality, Q4 is typically the strongest quarter of the year for the Mobile business. In the quarter, the growth was driven by solid performance in traditional mono headsets as well as growth from the newly launched products in the segment where music and voice integrate, including the Jabra Solemate™ family.

The growth in the last quarter of 2013 took the full year organic growth to 18% and the full year revenue to DKK 2,612 million – in line with the 2013 target of "more than DKK 2.6 billion". Since the announcement of the 2013 targets in 2010, it is estimated that GN Netcom has won market shares both in the CC&O and in the Mobile business.

In 2013, GN Netcom delivered growth in all three regions with Rest of the World recording the strongest organic growth of 40%. The growth was partly driven by elevated demand in the first half of 2013 in China due to enforcement of hands free legislation. The organic growth in Europe was 15% compared to 4% organic growth in 2012 in an environment where demand for CC&O headsets in certain markets continues to be depressed. The performance in the US was solid as the year closed with 11% organic growth.

EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

In Q4 2013, GN Netcom delivered EBITA of DKK 141 million, which is the highest EBITA in a quarter in GN Netcom's history. The EBITA margin increased from 17.1% in Q4 2012 to 19.3%. The increase is based on strong revenue growth and strict focus on operating costs.

For the full year 2013, EBITA ended at DKK 472 million, and the EBITA margin was improved to 18.1%. GN Netcom thereby achieved its ambitious 2013 EBITA margin target of "around 18%" announced in 2010, corresponding to an increase of close to 7 percentage points since 2010.

In Q4 2013, the gross margin was 51.7% leading to a full year gross margin of 52.7% compared to 54.2% in 2012. The decrease is, as expected, predominantly a result of the development in the product mix reflecting the significant growth in the Mobile and UC businesses in 2013.

During 2013, the EBITA margin increased for both the CC&O and the Mobile business. The leverage on the operating cost base was the driver of the EBITA margin increase in CC&O – more than offsetting a decline in the gross margin, which was spurred by UC's higher share of the CC&O revenue. The EBITA margin increase in the Mobile business was also driven by operating leverage as the gross margin in 2013 was in line with the gross margin in 2012. The EBITA margin in the Mobile business reached a high single-digit figure, which is the highest level since 2005.

The operating expenses ended at DKK 904 million in line with the level in 2012 and corresponding to a decrease in the operating costs in percent of revenue from 39% in 2012 to 35% in 2013. The attractive development of the ratio is a result of effective cost management, the development in foreign exchange rates and the divestment of Hello Direct Inc.

The return on invested capital (ROIC) ended the year at an attractive 64.7% compared to 57.1% in 2012. The development reflects the strong EBITA improvement and a more moderate increase in the invested capital.

Inventories increased by 73% to DKK 214 million by the end of 2013 corresponding to an increase in inventories as a percentage of revenue from 5.3% in 2012 to 8.2% in 2013. The increase in inventories is a result of the strong revenue growth, the transfer from air freight to ocean freight of certain products and the fast innovation rate leading to a significant expansion of the number of new products on the market. Trade receivables amounted to DKK 487 million compared to DKK 369 million by the end of 2012 reflecting the strong revenue growth. Days' sales outstanding (DSO) increased from 43 days to 49 days. The increase is primarily caused by longer payment terms in the Mobile business. Trade payables were DKK 263 million at the end of 2013 compared to DKK 237 million at the end of 2012. As a consequence of the above, the net working capital increased from DKK 52 million in 2012 to DKK 218 million in 2013.

The free cash flow, excluding company acquisitions and divestments, was DKK 69 million in Q4 2013 corresponding to a cash conversion of 49%. For the full year, GN Netcom's cash conversion decreased from 65% in 2012 to 38% in 2013, primarily as a result of the increase in working capital.

BUSINESS HIGHLIGHTS

UC product development

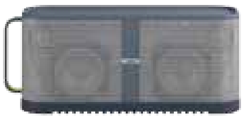
In 2013, GN Netcom has developed and delivered a fast-paced string of innovative product launches. The product launches have been focused on creating closer partner-

Product launches 2013

During 2013, GN Netcom launched innovative UC products to strengthen the position in the fast-growing and attractive segment. Mobile broadened its music focused portfolio to increase store presence and competitiveness

Jabra BIZ™ 2300

A mid- to high-end headset crafted for durability to suit perfectly for call centers. The boom arm is constructed for continuous bending and twisting and allowing 360 degree rotation. The microphone is optimized to eliminate breathing- and puff noise to an unprecedented level



Jabra Solemate™ Max

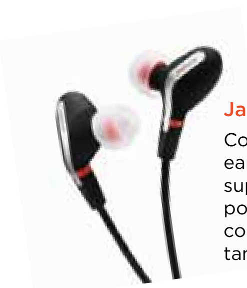
The ultimate sound solution on the speaker market. Features two tweeters and two woofers, Bluetooth and NFC pairing as well as 14-hours battery life

Jabra Sport™ Wireless+

Wireless sports headset with high quality sound and built-in FM radio. Offers comfort and flexibility with a behind-the-ear shape

Jabra Handset™ 450 for Cisco

Combines the convenience and flexibility of a wireless DECT handset with the comfort of a traditional phone user experience



Jabra Vox™

Comfortable, high quality, in-ear headphones optimized for superior performance. Features powerful Dolby sound and convenient features, including tangle-free reinforced cords

Jabra Revo™

Powerful Dolby sound meets ultimate durability in a state-of-the-art designed headset

Launch	Quarter	Launch
Jabra BIZ™ 2300	Q4	
Jabra Solemate™ Max	Q4	
	Q3	Jabra Solemate™ Mini
Jabra Sport™ Wireless+	Q3	
	Q2	Jabra Style™
Jabra Handset™ 450 for Cisco	Q2	
	Q2	Jabra Xpress™
	Q2	Jabra Speak™ 450 for Cisco
Jabra Vox™	Q1	
	Q1	Jabra Motion™ UC
	Q1	Jabra Revo™ Wireless
Jabra Revo™	Q1	

Jabra Solemate™ Mini

A pocket-size version of the original Jabra Solemate™ speaker available in vibrant colors with Bluetooth and NFC pairing

Jabra Style™

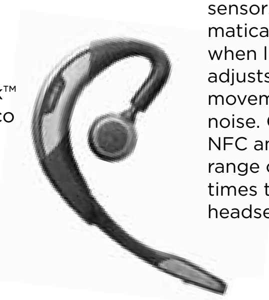
Stylish and lightweight headset with Bluetooth and NFC pairing. There is only one button for most tasks

Jabra Xpress™

An industry-first software that enables seamless large-scale deployment of headsets. It is a web-based solution for central control and easy deployment of software, firmware and settings for Jabra USB enabled devices 100% remotely

Jabra Speak™ 450 for Cisco

A speakerphone designed specifically for Cisco's UC solutions. It enables the users to turn their workspace into a conference room with superior audio-quality



Jabra Motion™

A full-solution UC headset. Thanks to built-in motion sensors, the headset automatically answers the call when lifted and seamlessly adjusts speaker volume to movements and surrounding noise. Connects easily using NFC and has a connection range of 100 meters, 10 times the range of similar headsets

Jabra Revo™ Wireless

Seamlessly combines wireless freedom, ultimate Dolby sound quality, durability and state-of-the-art design ships with the UC-vendors and maintaining a competitive edge in potential UC deals. The UC products launched in the first quarter of the year, Jabra Speak™ 510+ and Jabra Motion™ UC, have innovative features exclusively offered by GN Netcom. GN Netcom also launched products (a handset and a speakerphone) tailor-made for Cisco's UC solutions.

"I am delighted that I have been given the opportunity to join GN Netcom, and I am highly encouraged about the potential of this company. After my first months, it is clear to me that we have unique growth opportunities based on our development competencies and market position. It is also clear that we can do even more, especially on sales and marketing, to get the most out of our products – that is what 2014 and beyond will be all about."

Niels Svenningsen, CEO of GN Netcom

Additionally, GN Netcom launched a number of software solutions, including the Jabra Xpress™ for faster and broader deployment at lower costs.

UC partnerships and deal wins

Throughout 2013, GN Netcom took several initiatives to strengthen the partnerships with the primary UC-vendors. During 2013, GN Netcom significantly advanced its partnership status at Cisco and was appointed Preferred Solution Developer, the highest ranking within the Cisco Developer Network, as the only B2B headset supplier. GN Netcom has now obtained preferred supplier status among all of the largest UC-vendors.

During the year, GN Netcom won a number of important UC deals. The largest was a 70,000 headsets deal to a US-based Fortune 500 company. GN Netcom won another three deals of more than 10,000 headsets and seven additional deals of more than 5,000 headsets.

International CES in January 2014

In January 2014, GN Netcom created broad-based interest at the International CES (the consumer electronics show) in Las Vegas showcasing its latest product innovations for consumers under the overall message "We know wireless – Better performance, sleeker design and uncompromised sound". The show displayed the latest innovations in the segment where music and voice integrate – the Jabra Solemate™ wireless speaker family, Jabra Rox™ Wireless headset (selected as a "CES Innovations Design and Engineering Honoree") and finally Jabra Sport™ Wireless+ headset.

Mobile initiatives and launch of the Jabra Sound app featuring Dolby Digital Plus

For 2013, the key focus area for the Mobile business was to position itself as a participant in the fast-growing segment where music and voice integrate. In addition to the broadening of the product portfolio, GN Netcom has established presence with a number of key products in Apple stores globally to enhance brand recognition. Late 2013, GN Netcom also launched the world's first Dolby music app available with Jabra music products. As YouTube streaming is becoming increasingly popular among Jabra's younger costumers, the Jabra Sound app featuring Dolby Digital Plus has an attractive pull effect on this target group.

Divestment of Hello Direct Inc.

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

R&D

GN Netcom has two R&D facilities, which are based in Ballerup, Denmark and in Xiamen, China. The site in China continues to expand, and it is expected that its size will be close to the size of the Danish site during 2014.

GN Netcom's product development was throughout 2013 focused on leveraging on the core competencies of wireless technology and excellent acoustics. As exemplified by the UC and Mobile launches in 2013, the innovation in headsets has been focused on modern state-of-the-art design, easier usability, acoustic performance and new advanced use of sensors.

Software is becoming a more important aspect in the development of headsets. The sophisticated functionalities such as plug-and-play installations and touch screen control are examples of the software technology. The software development was advanced with a number of specific software launches in 2013 such as the Jabra PC Suite and the Jabra Xpress™. The Jabra Xpress™ software ensures that a large number of office headsets can be deployed and upgraded centrally from IT help-desks – a Jabra first to the market solution. Software has also become a larger part of the product development of the Mobile division's headsets and speakers as seen with the integration of Dolby Digital in the Jabra Sound app.

GN Netcom's R&D processes and product development include collaboration with either Electronics manufacturing services (EMS) or Original design manufacturers (ODM).

Due to the complexity of GN Netcom's innovative product development, the majority of the development projects are based on collaboration with EMS partners.

OPERATIONS

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

In 2013, GN Netcom strived to continuously improve the manufacturing setup by increasing the flexibility and optimizing the cost structure. In the event "Partnering for the future", GN Netcom arranged a partnership visit in Denmark for more than 100 Chinese suppliers to support even stronger collaboration for the future.

In relation to the significant increase in demand in China in the first half of 2013 due to enforcement of hands free legislation, GN Netcom succeeded in delivering a significant higher volume of products based on the strong partnership with its main suppliers. One of the main suppliers expanded its production lines specifically to accommodate the demand from GN Netcom.

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

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

During 2013, GN Netcom transferred from air freight to ocean freight for some products. The transfer increases inventory but has an incremental positive improvement on the cost structure. The initiative is beneficial for the environment, and GN Netcom is still able to maintain its service level to customers.

MARKET DEVELOPMENT

CC&O

The market for UC headsets is estimated to have increased by 35% to around DKK 1.5 billion in 2013. The increase is based on a growing number of units sold reflecting more UC-users.

It is estimated that the average headset attachment rate for UC-users of 40 - 45% is unchanged in 2013 compared to 2012. The average replacement rate of two to three years is also estimated to be unchanged while the average selling price (ASP) for UC-solutions is estimated to have declined slightly during 2013.

The market for traditional CC&O headsets is estimated to have been flat to slightly decreasing in value in 2013. The growth in the North American region, which is the largest region, is estimated to have been slightly positive while the

Sub segments in GN Netcom

European market continued to be depressed with negative market growth. GN Netcom has a relatively high exposure to the European markets.

The total market for CC&O headsets is estimated to be around DKK 6 billion for 2013. Of this, the North American market comprising approximately 48% of the world market, EMEA comprises approximately 33% and Rest of the World comprises approximately 19%.

The CC&O market consists of two large players having an estimated market share of above 80%. The rapid expansion of UC is attracting increased competition to the market, although it is expected to have limited effect on the market dynamics.

Mobile

The market segment where music and voice integrate is estimated to have grown by more than 40% to around DKK 10 billion in 2013. The growth was primarily driven by an estimated market growth of approximately 100% in the Bluetooth speaker market. The speaker market has been the fastest growing consumer market since the introduction of the smartphone. The market is characterized by being highly competitive with only few manufacturers having succeeded in establishing a sizeable market position.

The market for the traditional Mobile business experienced positive growth in 2013 primarily driven by the change of legislation in China. Excluding China, the market is estimated to have decreased slightly.

The traditional Mobile market was characterized by the conventional mobile manufacturers losing market share to the cross-brands such as Jabra. The total Mobile market is estimated to DKK 13 billion in 2013. North America is the largest market, comprising approximately 46% of the world market, EMEA comprises approximately 30% and Rest of the World comprises approximately 24%.

STRATEGY 2014 - 2016

On November 15, 2013, GN Netcom announced its Strategy 2014 - 2016. The strategy is focused on capturing the significant growth opportunity that the current market position represents.

Following the period from 2010 - 2013, where ambitious targets on growth and EBITA margin have been delivered, the new strategy is an extension of the current formula for success. GN Netcom will enhance the product development capabilities to accelerate the innovation rate combined with increased focus and efforts on commercialization, not least more professional marketing and sales.

GN Netcom has identified five strategic commercial growth initiatives to leverage the business on the attractive markets. The strategic initiatives are: increase marketing and sales efforts, key markets initiatives (North America and China), deeper and broader customer focus, stronger online presence (including digital marketing) and to broaden the music product portfolio.

Increase marketing and sales efforts

GN Netcom will strengthen its marketing and sales efforts, among others, by initiating market experiments to get closer to the customer. The brand profile will be more visible by positioning Jabra as "the wireless company", and digital

GN Netcom

Strategy 2014 - 2016

Strategic initiatives	• Increase marketing and sales efforts • Key markets initiatives (North America and China) • Deeper and broader customer focus • Stronger online presence, including digital marketing • Broaden music product portfolio		
Enablers	Enhancing organizational capabilities	Maintaining leading edge product portfolio	Productivity increases
Markets	• Structural growth and supporting megatrends • High margin industries and high barriers to entry in the core businesses		

marketing will become a more integrated part of the marketing initiatives.

Key markets initiatives (North America and China)
In North America, GN Netcom's CC&O (UC and traditional CC&O) business has significant potential to increase its market shares with distributors where its presence is fundamentally under-represented. The growth traction in North America may be positively influenced by the legal measures that GN Netcom is taking against Plantronics to pursue monopolization of the market. GN Netcom's Mobile business' leading position on the Chinese market is a highly attractive opportunity as the market continues to experience significant growth.

Deeper and broader customer focus
For the CC&O business, GN Netcom will deepen and broaden its customer focus. The CC&O sales team will be expanded to capture the attractive growth opportunity spurred by the accelerated number of UC projects among large corporates. Additionally, GN Netcom will broaden its focus on customer segments where UC is just starting to take off by building a sustainable channel engine, establish a partner portal and recruiting new partners.

Stronger online presence
GN Netcom's go-to-market approach is becoming increasingly digital, and the online sales channel will be further exploited both for the CC&O and Mobile businesses. GN Netcom will implement an extension of the existing partner program improving online representation and intelligence. The sales from online market places are expected to comprise more than 50% of the Mobile market in 2016 compared to around 20% in 2013.

Broaden music portfolio
GN Netcom will gain shares in its fastest growing segment by broadening the product portfolio to increase the store presence and the competitive position. This will be combined with smart branding initiatives, app development and the Dolby partnership.

Jabra

Delivers superior quality at Carlson Wagonlit Travel

Carlson Wagonlit Travel (CWT) is a global travel management company with approximately 6,000 front line agents in Europe

“The voice quality of the Jabra solution is superior, and the products can definitely withstand heavy use from our front line agents. The Jabra solution provides us with the level of call quality our customers expect and has also significantly freed up our IT department from spending time addressing headset issues”

Søren Find Andersen,
Director of Process Engineering at CWT

Outlook for 2014

Continued solid growth in revenue and in EBITA driven by innovation

In November 2013, GN Store Nord announced the Strategy 2014 – 2016 - INNOVATION & GROWTH. In recent years, GN's dedicated focus on innovation and revenue growth within the core businesses has driven significant shareholder value. Innovation and growth will also be key characteristics for the year 2014. GN's leading technological position and the attractive market growth together comprise a unique window of opportunity to continue to drive strong profitable growth.

To fully exploit this window of opportunity – and supported by the organizational capacity released after the completion of restructuring efforts - GN is poised to increase its focus and efforts on commercialization and to invest in growth initiatives. This includes, among others, increased marketing and sales activities as well as accelerated innovative R&D.

The revenue targets for 2014 - 2016, announced in November 2013 were deliberately open-ended due to potential upsides based on the strong technology position as well as the strong underlying market growth. The financial guidance for 2014 is therefore also open-ended – potential upsides exist in 2014 based on the launch of the unique Made for iPhone hearing aids and the growth rates on the Unified Communications (UC) and the Mobile markets.

GN RESOUND

Revenue

Continued strong revenue growth fuelled by the launch of the world's first Made for iPhone hearing aids – ReSound LiNX™ and Beltone First™ – is expected in 2014. The growth will be supported by the implementation of the four strategic initiatives outlined as part of the strategy for 2014 - 2016. ReSound LiNX™ and Beltone First™ will be launched during the second half of Q1 2014 at a price premium compared to ReSound Verso™ and Beltone Promise™. The limited market release initiated in December 2013 has confirmed that there is unprecedented interest in the product among dispensers and users. While the upside potential is subject to uncertainty, it is expected that GN ReSound will continue to gain market shares in 2014 and generate organic growth of "more than 6%". The foreign exchange development is estimated to impact revenue by (3)%, and M&A activity is estimated to impact revenue by 2%, predominantly as a result of the acquisition of Dansk HøreCenter in October 2013.

Earnings

Continued revenue growth as well as the run rate impact from the SMART restructuring program are expected to drive further earning improvements in 2014. It is expected that GN ReSound will deliver EBITA of "more than DKK 875 million" in 2014. The guidance includes a negative impact from the foreign exchange development of DKK (60) – (70) million compared to 2013. Revenue and earnings are expected to be skewed towards the second half of year 2014 - beyond the normal seasonality of GN ReSound – as a consequence of the timing of the product launches as well as investments in growth initiatives.

Excluding the impact from the foreign exchange development, the EBITA margin is expected to improve by more than 1.5 percentage points compared to 20.1% in 2013. Including the impact from the foreign exchange development, the EBITA guidance for 2014 entails an EBITA margin roughly in line with the level realized in 2013.

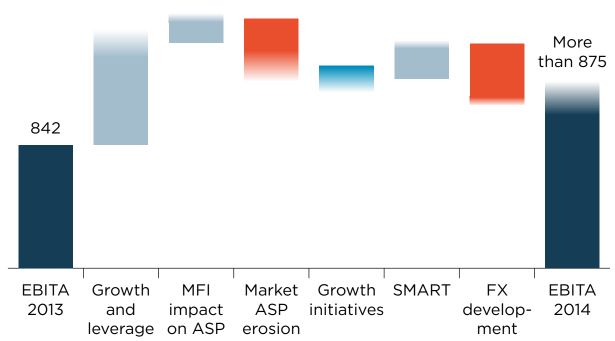
Other key performance indicators

As part of the financial targets for 2016, GN ReSound targeted an improvement of the return on invested capital (ROIC) of more than 4 percentage points compared to the return realized in 2013 (14.6%). In 2014, it is expected that GN ReSound's ROIC will improve in line with the implicit average annual improvement targeted in 2014 to 2016.

The cash conversion (cash flow excluding acquisitions / EBITA) in 2014 is expected to improve compared to the re-

GN ReSound's 2014 EBITA drivers

(DKK million)



alized level in 2013 (6%). In 2014, GN ReSound will invest in the business in order to fully exploit GN ReSound's unique window of opportunity in the market place - including continued investments in R&D and financial support arrangements to dispensers. Combined with an expected increase in working capital following the continued strong revenue growth, the cash conversion in 2014 is expected to be below the fundamental cash generation capacity of GN ReSound. The cash conversion in 2014 will also be impacted by cash outflow of around DKK 30 million from SMART restructuring costs provided for in 2013. The cash flow in the second half of the year will be stronger than the cash flow in the first half of the year.

Market

The hearing aid market has historically been growing at a stable and relatively resilient rate measured in units, primarily driven by the demographic trends and higher prevalence of hearing impairment. The total hearing aid market is estimated to comprise between 11 and 12 million units in 2013 reflecting growth of around 4% compared to 2012. As stated in the Strategy 2014 – 2016, GN ReSound expects market unit growth in the range of 3 - 5% annually, entailing a total hearing aid market of almost 13 million units in 2016. While limited official value data is available for the hearing aid market, the annual market value growth from 2013 - 2016 is expected to be in the range of 1 - 4% reflecting modest average selling price (ASP) erosion. The expected ASP development of (1) - (2)% annually is primarily a result of expected lower prices on tenders, the development of the geographical revenue mix and the distribution channel mix.

In 2014, the hearing aid market is also expected to grow in the 1 – 4% range. The projected unit growth of 3 - 5% is expected to be positively impacted by the reimbursement change in Germany in November 2013 and by improvements in Denmark and in the Netherlands, which were relatively weak markets in 2013. The sell-in of hearing aids on the UK market in 2013 was particularly strong due to the commencement of the any qualified provider (AQP) system, and this is expected to impact unit growth negatively in 2014.

The ASP erosion is expected to be (1) - (2)% in 2014. The ASP in 2014 is expected to be impacted by an adverse product mix development on the market as GN ReSound is expected to be the only manufacturer with a significant premium launch with material effect in 2014.

2016 targets

As stated in the Strategy 2014 – 2016, GN ReSound targets an average annual organic growth rate from 2014 – 2016 of "more than 3 percentage points above the market growth", an EBITA margin "in line with top-tier competitors" in 2016 and ROIC of "more than 18.6%" in 2016. The expectations to the financial results for 2014 are in line with the 2016 targets.

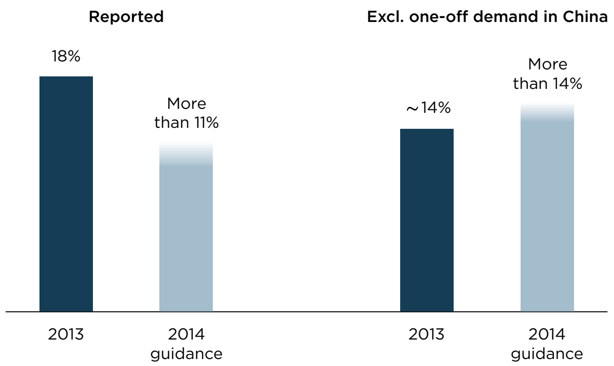
GN NETCOM

Revenue

GN Netcom is uniquely positioned on markets growing at highly attractive rates. In 2014, GN Netcom will continue to drive double-digit revenue growth by constant product innovation and by accelerating its efforts in professional commercialization. This includes marketing, branding and sales, stronger online presence and a broader customer focus. As a result, GN Netcom expects to generate organic growth of "more than 11%" in 2014.

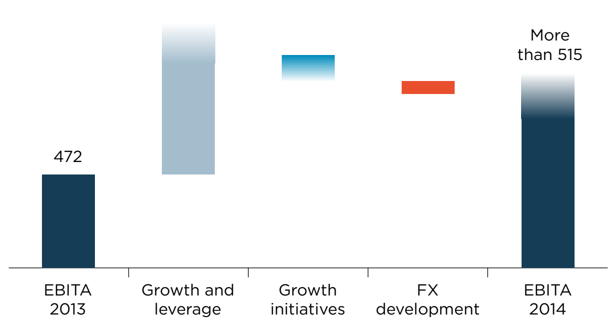
The expected revenue growth in 2014 is dented by the elevated demand for headsets in China during the first half of 2013 following enforcement of its hands free legislation. For the full year 2013, the change in legislation in China added around 4 percentage points to GN Netcom's organic growth. Consequently, GN Netcom's revenue growth in 2014 will be skewed towards the second half of the year.

GN Netcom's organic growth development



GN Netcom's 2014 EBITA drivers

(DKK million)



The foreign exchange development is expected to impact revenue by (2)% compared to 2013, and M&A activities are expected to have a negligible impact on revenue.

Earnings

GN Netcom is expected to generate EBITA of "more than DKK 515 million" in 2014 driven by the continued strong revenue growth. During the year, GN Netcom will invest to fully exploit the highly attractive growth opportunity for UC and the Mobile business. The growth investments and the product mix development driven by higher revenue from UC and Mobile may impact the EBITA margin negatively.

GN Netcom has inherent seasonality as the fourth quarter is materially stronger than the remaining quarters. This seasonality will be even more pronounced in 2014 than it was in 2013 as a consequence of, among others, the extraordinary demand in China during the first half of year 2013 as well as investments in growth. The foreign exchange development is expected to have a negative impact of around DKK (10) million on GN Netcom's EBITA in 2014. GN Netcom's EBITA guidance means that the EBITA margin for 2014 is expected to be in line with the 2016 target of "18 - 19%".

Other key performance indicators

GN Netcom is a very attractive business seen from a return on invested capital (ROIC) perspective. While 2014 will be characterized by growth and higher invested capital, ROIC is expected to be above 55% in 2014 – in line with the 2016 target of "more than 55%".

Fundamentally, GN Netcom has a very strong cash generation capacity as evidenced by the average annual cash conversion in the last four years of around 82%. The cash conversion in 2014 will be impacted by growth investments in development projects and a larger than normal increase in the working capital due to the strong revenue growth.

Market

GN Netcom operates in markets where very healthy growth rates are projected in the coming years. The growth is driven by continued adoption of UC and by the integration of music and voice communication. Based on market analysis from Frost & Sullivan, the CC&O market (UC and traditional CC&O) is predicted to expand from around DKK 5.6 billion in 2012 to DKK 9 - 10 billion in 2016, corresponding to a compound annual growth rate of 13 - 15%. Frost & Sullivan's market estimations suggest that the growth will come from the office space as offices migrate to UC. This will fuel the adoption of headsets and an expected negative market ASP development. The UC-enabled headset market is estimated to grow in value at a CAGR of more than 30% in 2014 to 2016. The very attractive market for UC headsets is projected to lead to additional competitors trying to enter the market, which, however, is not expected to change the overall market structure. The traditional CC&O market is projected to grow around 1 - 3% in value per year in 2014 - 2016, driven by an increase in the ASP due to an expected migration from corded to wireless solutions. The same drivers are predicted to characterize the market in 2014 where UC growth continues to appear very strong. The primary UC vendors continue to indicate an attractive pipeline for UC headsets, including the growth of Microsoft Lync which was reported as "more than 25%" in Q4 2013.

The Mobile business is operating in a highly fragmented market. The market can be separated into the voice-centric traditional Mobile market (Bluetooth mono headsets and car speakerphones) and the market where music and voice integrate (corded and Bluetooth stereo headphones and Bluetooth speakers). The traditional Mobile market is estimated to be DKK 3 billion in 2013 and is expected to decline slightly until 2016. The market where music and voice integrate is estimated to be DKK 10 billion in 2013 and expected to increase to DKK 16 billion in 2016. In 2014, the market growth for the traditional Mobile headsets is expected to be negative driven by the non-recurring revenue in China in the first half of year 2013. The market growth for headsets in the segment where music and voice integrate is expected to be very strong in line with the annual growth rates projected until 2016. It should be noted that GN Netcom's Mobile revenue primarily is comprised by traditional Mobile headsets.

Guidance 2014 (assumes exchange rates as of February 1, 2014 (DKK/USD ~ 550) prevail throughout the remainder of 2014)

DKK million	Organic revenue growth	EBITA	Profit before tax	Effective tax rate
GN ReSound	More than 6%	More than 875		
GN Netcom	More than 11%	More than 515		
Other		Around (60)		
GN Store Nord	More than 8%	More than 1,330	More than 1,200	27 - 28%

2016 targets

As stated in the Strategy 2014 - 2016, GN Netcom targets an average annual organic growth rate from 2014 - 2016 of "more than 10%". GN Netcom targets an EBITA margin "between 18% and 19%" in 2016 and continues to narrow the gap to the main competitor. The longer term ambition is unchanged – to fully close the margin gap.

OTHER ACTIVITIES

GN continues to experience encouraging leads from the exploratory research projects conducted under Other activities. From 2014 to 2016, GN expects to continue exploring selected research projects aiming to discover potential future business opportunities within the core competencies of GN ReSound and GN Netcom. Based on the projects currently being pursued, the exploratory research costs are expected to decline compared to 2013. The costs in Other activities are thus expected to be "around DKK (60) million" in 2014, which predominantly reflects operating costs of the shared functions.

GN STORE NORD

Based on the expected financial results of the operating businesses and Other activities, the GN group is expected to generate organic growth of "more than 8%" and EBITA of "more than DKK 1,330 million" in 2014. Profit before tax is expected to be "more than DKK 1,200 million", and the effective tax rate is expected to decrease from 28.2% in 2013 to between 27% and 28% in 2014.

Financial targets 2016 (assumes exchange rates as of February 1, 2014 (DKK/USD ~ 550) until end of 2016)

	Organic revenue growth (2014 - 2016 average)	EBITA margin	ROIC	Effective tax rate	Net interest-bearing debt
GN ReSound	More than 3%-points above market growth	In line with top-tier competitors	Increase more than 4%-points from 14.6%		
GN Netcom	More than 10%	18 - 19%	More than 55%		
GN Store Nord				26 - 27%	1 - 2 times EBITDA

Risk management

Proactive and effective risk management is one of the core elements of prudent business management. GN Store Nord seeks to leverage risk management as an enabler for more informed decision-making through a new systematic risk management process

In 2013, GN strengthened its risk management function and initiated a new and enhanced risk management process across its businesses in order to enable a more proactive, integrated and effective management of risks.

Twice a year, facilitated and supported by the group's risk management function, the management team of each major business area identifies and assesses the key risks which may reduce GN's ability to fulfill its business objectives and long-term strategic goals. Risks are assessed in terms of their likelihood of occurrence and their potential financial or reputational impact on the business.

The senior management teams of GN ReSound and GN Netcom subsequently meet to discuss and challenge the most significant risks identified across the businesses as well as the current and planned actions or processes to reduce these risks. At least once a year, the risks that are assessed to be the most material by senior management are reported and presented for review to the audit committee and subsequently to the board of directors.

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

The main risks in GN are described below.

RESEARCH AND DEVELOPMENT

Both GN ReSound and GN Netcom operate in markets where product life cycles are short and competition intense. Therefore, the future growth of the businesses depends on the ability to anticipate future customer needs, to identify and master new core technologies and to move quickly from idea to high-quality products. Given the inherent uncertainties in developing new cutting-edge products, obstacles encountered during this process may lead to delays related to product launches.

To turn these risks into opportunities, GN continuously works to ensure that the right skill sets and competencies are present in the company. In addition, both GN ReSound and GN Netcom have adopted a consistent platform approach to product development, which shortens time-to-market while enhancing quality and reducing cost and complexity.

LEGAL RISKS

As GN is operating in highly innovative industries, the protection of its intellectual property rights as well as ensuring that GN's products do not infringe on intellectual property rights held by others is highly important.

MANUFACTURING

The majority of the hearing instruments sold by GN ReSound are manufactured at its facility in China. The chipsets for the hearing aids are produced at GN ReSound's facility in Denmark. To mitigate the risk of loss or breakdown at these facilities, GN proactively applies preventive measures to ensure that all facilities meet the high safety standards at all times.

GN regularly carries out a series of site inspections to review the production facilities and the loss prevention measures in place to secure production in the event of a contingency. During 2013, both sites mentioned above as well as GN ReSound's main local production and distribution sites in Europe and the US were inspected together with GN's insurance carrier. In addition, a business impact analysis was carried out at each of these sites in order to facilitate effective contingency planning.

In a further measure to minimize the risk relating to GN ReSound's manufacturing facility in China, GN ReSound has also established full backup capacity in a different building a few kilometers from the main site.

The production of GN Netcom's products is carried out by a number of carefully selected Original design manufacturers (ODM) and Electronics manufacturing services (EMS) companies. This setup entails a number of inherent risks related to GN Netcom's dependence on its ability to ensure adequate capacity, consistent high quality and timely deliveries. However, GN Netcom constantly monitors its manufacturer's performance on each of these parameters, and this manufacturing set-up makes GN Netcom capable of quickly adapting its production level to swings in market demand.

SUPPLY CHAIN

GN ReSound and GN Netcom are dependent on their supply chains for the timely delivery of critical materials and components which have to meet GN's high quality standards. Failure of any of GN's key suppliers to meet agreed deliverables may negatively affect GN's ability to accommodate the full market demand.

GN manages this risk primarily by maintaining a close working relationship with each of its strategic suppliers and by pursuing a dual sourcing strategy, which aims at ensuring that GN is able to source similar strategic components from at least two different suppliers within a limited amount of time whenever this is possible and feasible. To ensure that suppliers live up to GN's quality standards, GN conducts regular quality checks of all suppliers of finished products and critical components.

MARKETING AND SALES

GN ReSound generates part of its revenue from public tenders and a number of large retailers who occasionally put out their business for tender. This means that GN ReSound on an ongoing basis is exposed to the risk of losing one or more contracts as these are re-tendered. This risk is mitigated through continuous efforts to build and maintain a unique technological position and a strong partnership with the customers.

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

MACROECONOMIC RISK

GN's activities in both GN ReSound and GN Netcom are affected by general macroeconomic conditions. However, the main growth drivers in the hearing instrument industry are primarily related to technological advances and demographic trends. This provides a higher degree of resilience toward macroeconomic volatility than is the case in the market for hands free communications solutions. GN continually monitors the global economic outlook in its ongoing business planning.

FINANCIAL RISK

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

Based on the development of the businesses and the strong revenue growth, the estimated foreign exchange exposure in 2014 compared to 2013 has changed for GN Netcom as well as GN ReSound.

In 2013, GN Netcom's EBITA in absolute numbers was relatively neutral to the foreign exchange development. As the number of units manufactured and sold has increased significantly, GN Netcom now has a material short position in CNY even when assuming an unchanged USD/CNY.

Based on the current revenue and cost composition, the table below outlines the primary foreign exchange exposures for GN in 2014 before any impact from hedging. Additionally, GN has a significant long position in EUR in both GN ReSound and GN Netcom. This exposure is partly hedged via bank loans which are mainly denominated in EUR. For 2014, GN has hedged the majority of the expected cash flow denominated in the below-mentioned currencies in both GN ReSound and GN Netcom.

As a result of the foreign exchange exposure and the hedging practice, the impact from the DKK appreciation against the majority of its trading currencies is estimated to impact GN ReSound's EBITA by DKK (60) – (70) million and GN Netcom's EBITA by around DKK (10) million in 2014. The estimated negative impact on GN ReSound's EBITA in 2014 is a result of the depreciation of JPY and USD of approximately 20% and 3% respectively from 2012 to 2013 as well as the depreciation of non-hedged currencies such as BRL, NOK and AUD during 2013.

Following the increase in net debt during 2013, GN is also exposed to interest rate risk. GN's debt is funded based on a rolling one month EURIBOR loan. Part of the amount is hedged by means of interest rate swaps with maturity in 2016 and 2017.

Please refer to Note 25 for further information on financial risk.

Annual EBITA impact from a 5% increase in currency
(DKK million)

Currency	GN ReSound	GN Netcom	GN Store Nord
USD	40	29	69
CNY	(5)	(43)	(48)
GBP	4	5	9
JPY	7	(1)	6
CAD	4	0	4

Corporate governance

GN Store Nord follows all recommendations that are part of the disclosure requirements applicable to companies listed on NASDAQ OMX Copenhagen

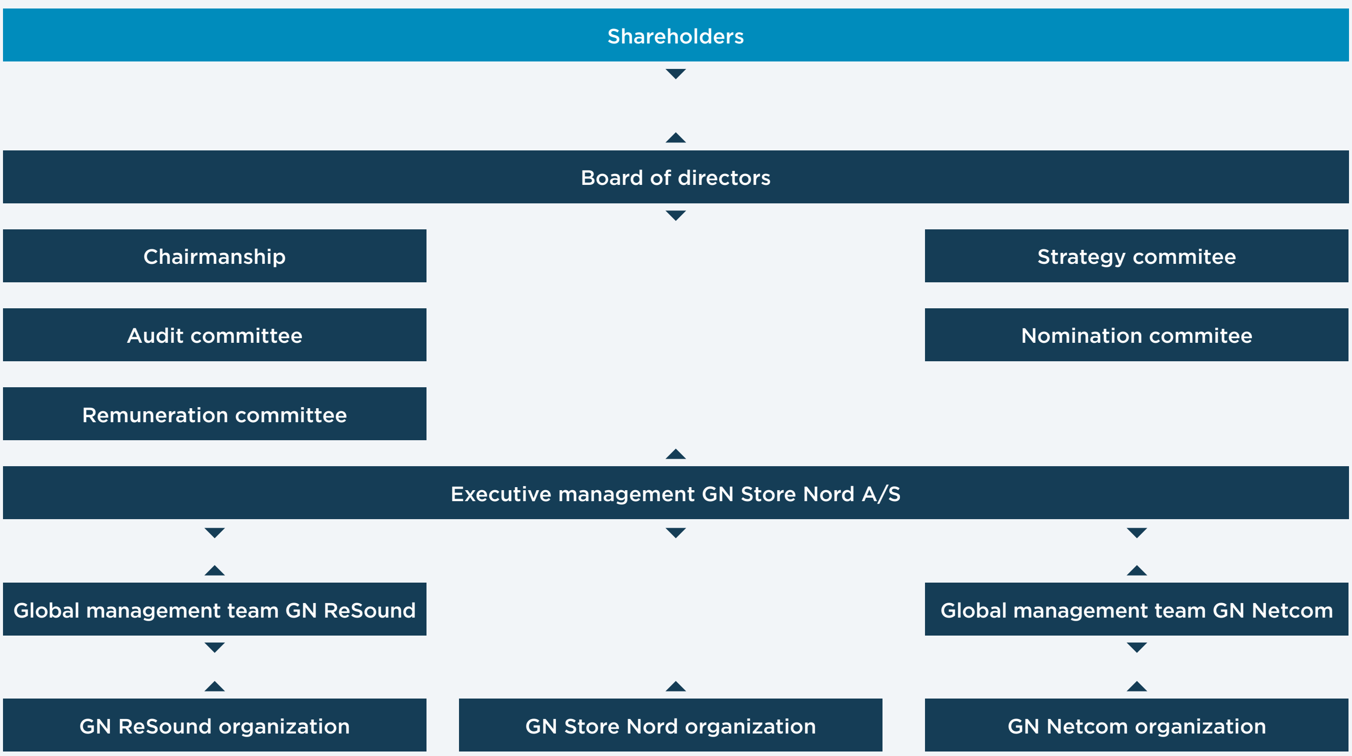
Corporate governance refers to the way a company is managed and controlled through ownership, management structure, incentive schemes etc. GN strives to build trusted relationships with customers, shareholders, suppliers, employees and the community and aims to increase transparency and active ownership,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

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

The risk management and internal control systems related to financial reporting are covered on www.gn.com. Along with the description of corporate governance, this forms the statutory report on corporate governance that is required under section 107b of the Danish Financial Statements Act.

In 2013, GN strengthened its risk management and business ethics compliance functions in order to be at the forefront of incidents, developments and regulations and to ensure that GN's implementation of the Strategy 2014-2016 is conducted

GN Store Nord's framework for corporate governance



without compromising the commitment to the highest level of ethics and integrity. GN is in the process of establishing a new cloud-based compliance system to support and optimize the ongoing efforts to identify, assess and minimize risks related to business ethics and compliance. The system also helps GN to ensure and document employees' familiarity with the code of ethics as relevant employees electronically sign off their compliance within specific areas.

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

The board of directors fundamentally believes that diversity strengthens any governing body and greatly acknowledges the importance of female board members. 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 has been elected for the board at the annual general meeting in 2013. The board of directors' new goal is to have elected two female board members by the end of 2017. Moreover, the company follows an action plan to increase the number of women in senior management positions. Currently, 17% of the company's senior management positions are filled by women, and the company aims at increasing the number to 25% in 2017.

GN has a policy on how to improve gender diversity at the senior management level. During 2013, a number of activities within recruitment practices and talent management have taken place which are expected to have an effect on the share of females at the senior management level within the next three years.

GN recruits talents at all levels, and when using search firms GN requires that female candidates are among the identified candidates. In 2013, GN's talent review and successor planning process had a specific focus on identifying talents who could potentially take on upper level leadership positions in the future. GN has monitored the gender distribution of the identified talents in order to ensure a diversified talent pipeline.

The board of directors is responsible for safeguarding the interests of the shareholders while at the same time giving due consideration to all other stakeholders. At least once a year, the board of directors assesses and establishes the most important tasks related to the overall strategic management of the company including the financial and managerial supervision of the company. The board of directors evaluates the performance of the executive management on a continuous basis. In 2013, GN held eight ordinary board meetings, two strategy sessions and one extraordinary board meeting, which was a conference call.

Competencies of the board of directors

GN'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. 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. With the objective to attract candidates with the right expertise to the board of directors it is implied that compensation for board and committee work must be competitive. With its two businesses and corporate structure, the workload for GN's board members is higher than market norms. 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 broad global business understanding, telecom and medtech expertise, innovation and product development capabilities, thorough understanding of financial matters and in-depth knowledge of GN's business. Details of the competencies of each of the board members are listed on pages 46 – 47 of this annual report and on www.gn.com.

In the last quarter of 2013, the board of directors carried out a self-evaluation for the purpose of giving the board of directors an opportunity to evaluate how it operates. The board of directors' self-evaluation also includes the achievements of the board 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 showed that more insight and emphasis on HR-related topics such as organizational development, talent management and internal recruitment are needed. Further, the self-evaluation concluded that electing Hélène Barnekow for the board of directors has further broadened the diversity and knowledge of the board, and that improved financials has allowed the board to focus more on strategy. Moreover, the composition of the board, with a mix of board members with executive positions and professional board members, provides a good balance between knowledge, experience and availability for the substantial work load of the board of directors.

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 bonus earned ranging from 0 - 100% of the base salary. The company does not make pension contributions for members of the executive management, and the executive management has severance and change-of-control agreements in line with market terms. Conditions for notice of termination are determined individually for each member of the executive management. The company intends to fix a termination notice of a maximum of 12 months if given by the company and a minimum of six months if given by a member of the executive management.

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

BOARD COMMITTEES

Chairmanship

The chairman and the vice chairman form the chairmanship of the board. In 2013, the chairmanship held 15 meetings and both members participated in all meetings. The chairmanship prepares and organizes the work of the board of directors with a view to ensuring that the board performs its tasks, duties and responsibilities in an efficient and responsible manner. The chairmanship also performs preparatory tasks for and advice the board in relation to inter alia: business strategy, implementation of strategy, business development, budget and projects and performs in depth business reviews of selected areas. Per Wold-Olsen is chairman of the chairmanship, and he is joined by Bill Hoover.

Audit committee

According to its charter, the audit committee, among other things, assists the board of directors in relation to internal accounting and financial control systems, the integrity of the company's financial reports and engagements with external auditors. The audit committee also carries out ongoing assessments of the company's financial and business risks. The audit committee held five meetings in 2013, and its activities included among others quarterly reviews of the financial reporting (including impairment tests of relevant assets) and reviews of the following: The audit plan (and discussion of the findings by the auditors), main accounting principles, finance functions and control mechanisms, controller reports, IT infrastructure and security, currency and interest rate risk, risk management reporting and GN's insurance program. Carsten Krogsgaard Thomsen is chairman of the audit committee, and he is joined by René Svendsen-Tune and Wolfgang Reim. For information on the special competencies of the audit committee members see pages 46 - 47.

Remuneration committee

According to its charter, the remuneration committee assists the board of directors in matters and decisions concerning remuneration of the executive management and senior employees and in ensuring that the general remuneration policies reflect an appropriate balance in the interests of the shareholders. Resolutions on remuneration recommended by the remuneration committee and adopted by the board of directors are in line with the guidelines for incentive pay as approved by the annual general meeting and by the board. The 2013 remuneration policy for the executive management is based on the remuneration guidelines and takes into account the corporate governance recommendations of NASDAQ OMX Copenhagen and the requirements of the Danish Companies Act. In 2013, the remuneration committee held seven meetings. The committee supervised and reviewed the principles and administration of GN's executive remuneration, including review of benchmark methodology, bonus payouts, short term incentive plans and GN's warrant program. Committee chairman Per Wold-Olsen is joined by members Bill Hoover and Hélène Barnekow. For information on the special competencies of the remuneration committee members see pages 46 – 47.

Strategy committee

It is vital for GN to maintain and further enhance the technological core capabilities of the company, and 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. In 2013, the strategy committee among others worked on the Intelligent Headset™ project and the 3D ear scanner. Also, much emphasis was on preparing the Strategy 2014 – 2016 for GN. During 2013, the strategy committee held 10 meetings and eight conference calls. In 2014, the strategy committee will continue its exploratory work. This strategic initiative, independent of GN ReSound and GN Netcom, is a corporate GN initiative reported under Other activities, and therefore does not influence the results or the guidance for GN ReSound and GN Netcom. Strategy committee chairman Wolfgang Reim is joined by members Per Wold-Olsen and Bill Hoover. For information on the special competencies of the strategy committee members see pages 46 – 47.

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 and specify the same for a given position. 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. Other important activities of the nomination committee included reviews of succession and development plans for the company's leadership pipeline. During 2013, the nomination committee held four meetings and much focus was put on selecting a suitable candidate for the CEO position of GN Netcom. Per Wold-Olsen is chairman of the nomination committee, and he is joined by Bill Hoover. For information on the special competencies of the nomination committee members see pages 46 – 47.

Internal audit function

In accordance with its charter, the audit committee annually considers the need for an internal audit function. Based on the recommendations of the audit committee, the board of directors determines whether the internal control systems are adequate. The board of directors' assessment, which is based on the company's size and the organization of the finance department, is that there is no need to establish an internal audit function at this time.

WHISTLEBLOWER REPORTING SYSTEM

Throughout most of 2013, GN worked together with local attorneys to properly register GN's global whistleblower system with the local data protection authorities before relaunching it to all GN employees and external stakeholders. The new whistleblower system, Alertline, is managed by the external provider Global Compliance and will enable all employees and external stakeholders to confidentially report illegal or unethical misconduct via the internet or via one of the local Alertline phone numbers. The registration process with the local data protection authorities was completed by the end of 2013. With the new and improved Alertline, GN emphasizes its non-tolerance of unethical behavior and its focus on corporate governance.

Business ethics and compliance

GN has in May 2010 adopted an ethics guide strictly outlining the responsibilities and ethical standards expected of all employees. GN continuously reviews the ethics guide to ensure that it reflects current legislation and corporate best practices. In 2013, the ethics guide was updated to reflect the latest initiatives taken by GN, including GN's implementation of the new whistleblower reporting system and to emphasize GN's prohibition against discrimination and harassment due to handicap.

SHAREHOLDERS

GN aims to increase transparency and promote active ownership among shareholders through an open and active dialog by ongoing communication with our shareholders at the annual general meeting and through investor presentations, newsletters, conference calls, the company website, webcasts, interim reports, the annual report and company announcements. GN wishes to be approachable to national as well as international investors, and GN ensures a continuing dialog with shareholders, whether existing or potential, as well as equity analysts. On the company's website, www.gn.com, detailed material of the interests of the shareholders can be found. 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 44 - 45.

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.

Corporate social responsibility

GN Store Nord considers acting in a responsible manner to be an imperative in managing a successful global business

As a global company GN has an impact on communities all over the world, and GN takes this responsibility very seriously. GN's Strategy 2014 - 2016 is set to create sustainable and profitable growth. However, GN will not succeed with this goal unless it continues to proactively address and care for the ethical, social and environmental aspects and challenges that the company faces when operating its business.

As a developer and manufacturer of hearing aids and audio solutions, GN's business is all about sound. Sound empowers people to communicate with each other and live fulfilling lives, and thus GN's products play a very important role to many people's quality of life. Further, it is important to GN that its customers can trust that the company's products are produced in a safe and environmentally satisfactory manner. Accordingly, GN continues to put significant effort into emphasizing its code of conduct to suppliers and performs audits on a regular basis at manufacturing sites to mitigate risks in GN's supply chain. Every day of the year, GN strives to be the best possible partner to every stakeholder – its customers, its suppliers and its employees.

Examples of CSR activities in 2013

In 2013, the GN group's CSR activities among others included:

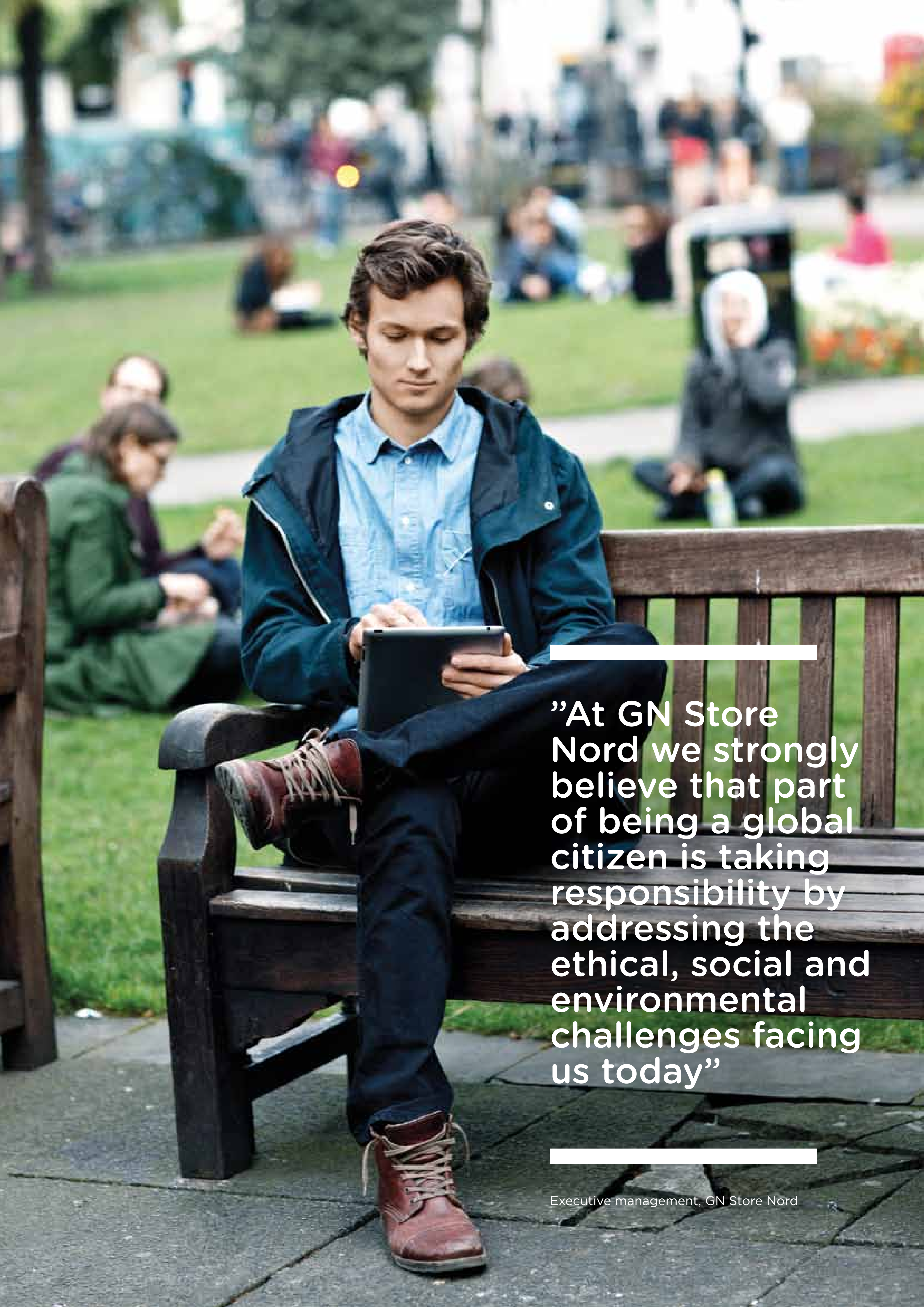
- Signing a three year climate partnership with DONG Energy
- Continued strong focus on the GN group's code of conduct towards its suppliers
- Working together with local attorneys to properly register GN's global whistleblower system – the Alertline – with the local data protection authorities before re-launching it to all GN employees and external stakeholders
- Test of athletes' hearing loss with GN Otometrics' equipment at the Deaflympics – the main sporting competition of deaf sports
- Bringing increased focus on hearing health among musicians through the "Pas på hørelsen" (take care of your hearing) campaign established in collaboration with the Danish Musicians' Union
- Services for GN's hearing aid donation program in South Africa has been upgraded to provide the best service to the users receiving a hearing aid from GN
- Donations from the GN Store Nord Foundation for a number of activities, including deCIbel (Danish national association for children and young people with hearing impairment), Danish Deaf Sports Association, Center for Applied Hearing Research at the Technical University of Denmark and others

Climate partnership to reduce carbon footprint

GN has entered a three year climate partnership with DONG Energy to reduce GN's carbon footprint. In this partnership, GN and DONG Energy collaborate to realize cost reductions on energy spending and to improve GN's CO_2 emission. From this initiative, GN estimates energy consumption savings of approximately 10% over a three year period at the headquarters in Denmark. GN will through this partnership also invest in energy from the Anholt Offshore Wind Farm equivalent to the energy consumption at the GN headquarters.

Statutory statement on CSR

GN has joined the United Nations Global Compact and annually composes a Communication on Progress report, outlining the actions taken within corporate social responsibility during the year. The report represents GN's mandatory account for corporate social responsibility according to §99a in the Danish Financial Statement Act and is available here: www.gn.com/csr



”At GN Store Nord we strongly believe that part of being a global citizen is taking responsibility by addressing the ethical, social and environmental challenges facing us today”

Executive management, GN Store Nord

Shareholder information

Through an open and active dialog, GN Store Nord strives to provide all stakeholders with timely and relevant information

SHARE PRICE PERFORMANCE
For the fifth consecutive year, GN outperformed the relevant stock market index, the OMXC20 Cap index. During 2013, the OMXC20 Cap index increased by 32% while the GN share price increased by 63%. During the last five years, the GN share price has increased by 1,206%, and the price of the GN share ended at DKK 133 on December 31, 2013.

GN is included in the OMXC20 Cap and Large Cap indexes on NASDAQ OMX Copenhagen.

OWNERSHIP
The GN share is 100% free float, and the company has no dominant shareholders. At the end of 2013, Marathon Asset Management LLP (5 Upper St. Martin's Lane, London, UK) had an ownership interest of 6.8%, and BlackRock Inc. (55 East 52nd Street, New York, 10055, USA) had an ownership interest of at least 5.0% of GN's total issued share capital (including GN's 5.0% holding of treasury shares).

At the end of 2013, approximately 30,000 registered shareholders held about 90% of the share capital. The ownership of GN has become more global in recent years and foreign ownership is now estimated at 68% of the total issued share capital compared to 57% last year. The ten largest registered shareholders held in aggregate about 37% of the GN share capital at the end of 2013 (including GN's holding of treasury shares).

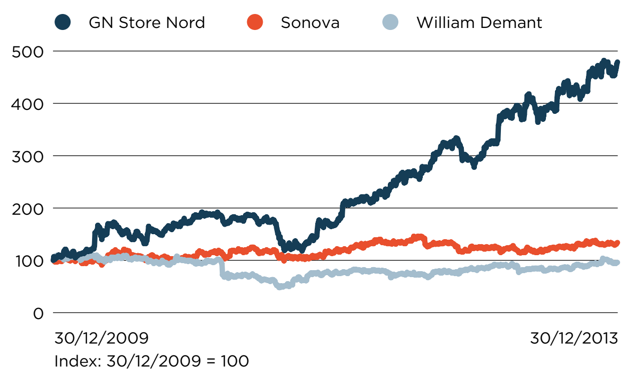
SHARE CAPITAL AND VOTING RIGHTS
GN's share capital of DKK 693,316,148 consists of 173,329,037 shares, each carrying four votes. GN has one share class, and there are no restrictions on ownership or voting rights.

POWERS RELATING TO SHARE CAPITAL
At the 2013 annual general meeting, the shareholders empowered the board of directors to increase the share capital with preemptive rights for the existing shareholders by issuing new shares in one or more rounds up to a total nominal amount of DKK 130,000,000.

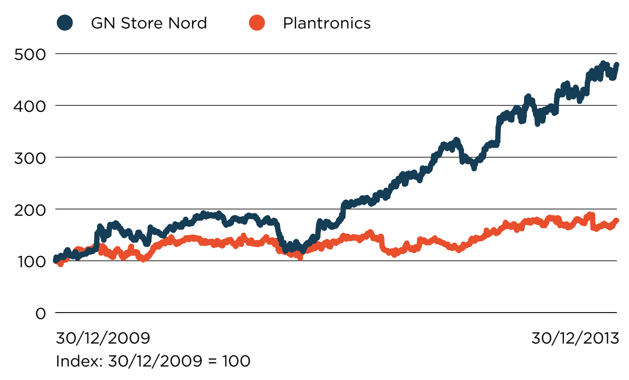
Moreover, the shareholders empowered the board of directors to increase the share capital without preemptive rights for the existing shareholders by issuing new shares in one or more rounds up to a total nominal amount of DKK 130,000,000.

The above authorities given to the board of directors can altogether in the aggregate be exercised to increase the share capital by a maximum nominal amount of DKK 130,000,000. Subject to resolution by the board of directors, the increase may take place by payment in cash, payment in assets, conversion of debt or issue of bonus shares. The authorization is valid until April 30, 2014 but is renewable for one or more periods of one to five years duration.

Share price development vs GN ReSound's peers



Share price development vs GN Netcom's peer



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

TREASURY SHARES

On December 31, 2013, GN held treasury shares corresponding to 5.0% of the share capital, and the value of the treasury shares was DKK 1,144 million. At the annual general meeting to be held in March 2014, the board of directors will propose to reduce the company's share capital by cancelling 5,308,284 shares equivalent to all treasury shares held today in excess of 4,000,000 shares - which are held for hedging of long-term incentive programs. Until the annual general meeting, the board of directors is authorized to acquire shares in GN of up to 10% of the company's share capital.

DIVIDEND POLICY AND SHARE BUYBACK PROGRAMS

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

Dividend payments and share buybacks are subject to, among other things, cash requirements to support the ongoing operations, strategic opportunities and the company's capital structure. It is GN's long-term target to maintain a capital structure consisting of a combination of debt and equity subject to a net interest-bearing debt of up to two times EBITDA. Reflecting the current uncertain macroeconomic environment, GN currently intends to take the net interest-bearing debt toward a level around one time EBITDA by the end of 2014. By the end of 2016, the net debt is targeted to be between one and two times EBITDA.

At the annual general meeting in 2014, the board of directors will propose to pay out a total dividend of DKK 146 million (DKK 0.84 per share) in respect of the 2013 financial year. In addition to the dividend payment, GN is today initiating a new share buyback program amounting to DKK 500 million to be concluded no later than September 30, 2014.

INCENTIVE PROGRAMS

By the end of 2013, the total number of outstanding warrants in GN Netcom was 7,570 (2.3% of the share capital in GN Netcom equivalent to approximately 0.8% of the share capital in GN). The total number of outstanding warrants in GN ReSound was 15,147 (2.4% of the share capital in GN ReSound equivalent to approximately 1.6% 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 financial analysts. GN strives to provide relevant and timely information to the financial community to ensure that the GN share is fairly priced. This is accomplished through information continually announced to the market by GN, combined with investor meetings, conferences and presentations of the company's interim and annual results.

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

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

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

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

FINANCIAL CALENDAR 2014

Annual general meeting:	March 21, 2014

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

Interim Report Q1 2014:	May 2, 2014
Interim Report Q2 2014:	August 14, 2014
Interim Report Q3 2014:	November 14, 2014

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

1. Morten Andersen, 2. Leo Larsen, 3. Per Wold-Olsen, 4. Nikolai Bisgaard, 5. Hélène Barnekow, 6. Carsten Krogsgaard Thomsen, 7. René Svendsen-Tune, 8. William E. Hoover, Jr, 9. Wolfgang Reim.

Board of directors

PER WOLD-OLSEN
(Chairman)
MBA. Formerly president with Merck & Co., Inc., Intercontinental Division, US. Chairman since 2008.

Board positions:
Vice-chairman of the board of Medicines for Malaria Venture and member of the boards of Gilead Sciences Inc., Novo A/S and Exiqon 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.

No. of GN shares held: 204,884 (2013: 0 shares bought and 0 shares sold).

WILLIAM E. HOOVER, JR.
(Deputy chairman)
MBA. Formerly with McKinsey & Company for 30 years. Deputy chairman since 2008.

Board positions:
Chairman of the board of ReD Associates and the GN Store Nord Foundation and member of the boards of Danfoss A/S, Lego Foundation, Neopost SA and Sanistål A/S.

Special competencies:
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.

No. of GN shares held: 156,500 (2013: 0 shares bought and 0 shares sold).

WOLFGANG REIM
Ph.D. in physics. Professional board member and self-employed consultant within the medical industry.

Board positions:
Chairman of the board of Ondal Medical Systems GmbH and member of the boards of Carl Zeiss Meditec AG, Elekta A/S and MedLumics S.L.

Special competencies:
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 extensive M&A understanding.

No. of GN shares held: 45,000 (2013: 0 shares bought and 0 shares sold).

CARSTEN KROGSGAARD THOMSEN
M.Sc. (Economics). CFO, NNIT A/S.

Board positions:
-

Special competencies:
Extensive expertise within finance, accounting, auditing, risk management and IT from executive positions in both the public and private sector.

No. of GN shares held: 31,964 (2013: 0 shares bought and 0 shares sold).

HÉLÈNE BARNEKOW
M.Sc. (International Business). Senior vice president, Worldwide Field & Partner Marketing, EMC Corporation.

Board positions:
-

Special competencies:
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.

No. of GN shares held: 8,900 (2013: 8,900 shares bought and 0 shares sold).

RENÉ SVENDSEN-TUNE
Graduate of Technical University of Denmark. President, Europe & Latin America in Nokia Solutions and Networks (NSN) and member of the NSN executive board.

Board positions:
Member of the board of the GN Store Nord Foundation.

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

No. of GN shares held: 68,000 (2013: 0 shares bought and 0 shares sold).

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

No. of GN shares held: 1,137 (2013: 0 shares bought and 1,250 shares sold).

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

No. of GN shares held: 1,230 (2013: 130 shares bought and 0 shares sold).

NIKOLAI BISGAARD
M.Sc. (Electrical Engineering). VP, IPR & Industry Relations, GN ReSound A/S.

No. of GN shares held: 4,840 (2013: 0 shares bought and 0 shares sold).

Name	Birth year	Board member since	Term	Nationality	Audit committee	Nomination committee	Remuneration committee	Strategy committee
Per Wold-Olsen[1]	1947	2008	2013/14	Norwegian		Chairman √	Chairman √	√
William E. Hoover, Jr.[1]	1949	2007	2013/14	American		√	√	√
Wolfgang Reim[1]	1956	2008	2013/14	German	√			Chairman √
Carsten Krogsgaard Thomsen[1]	1957	2008	2013/14	Danish	Chairman √			
Hélène Barnekow[1]	1964	2013	2013/14	Swedish			√	
René Svendsen-Tune[1]	1955	2007	2013/14	Danish	√			
Leo Larsen[2]	1959	2007	2010-14	Danish				
Morten Andersen[2]	1963	2011	2011-14	Danish				
Nikolai Bisgaard[2]	1951	2006	2010-14	Danish				

1 Complies with the Committee on Corporate Governance's definition of independency. Elected for a term of one year

2 Employee elected members of the board. Elected for a term of four years

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

Executive management

LARS VIKSMOEN
President & CEO, GN ReSound

Member of the executive management since 2010, age 65

No. of GN shares held: 27,500 (2013: 12,500 shares bought and 0 shares sold).

ANDERS BOYER
CFO, GN Store Nord

Member of the executive management since 2009, age 43

No. of GN shares held: 22,000 (2013: 0 shares bought and 0 shares sold).

Board positions:
Member of the board of Pandora A/S and chairman of the audit committee of Pandora A/S.

NIELS SVENNINGSEN
President & CEO, GN Netcom

Member of the executive management since 2014, age 49

No. of GN shares held: 0 (2013: 0 shares bought and 0 shares sold).

Quarterly reporting by segment

(DKK million)	Q1 2012 (unaud.)	Q2 2012 (unaud.)	Q3 2012 (unaud.)	Q4 2012 (unaud.)	Q1 2013 (unaud.)	Q2 2013 (unaud.)	Q3 2013 (unaud.)	Q4 2013 (unaud.)	2012 TOTAL (aud.)	2013 TOTAL (aud.)
Income statement										
Revenue										
GN Netcom	564	572	548	671	647	646	590	729	2,355	2,612
GN ReSound	914	943	946	1,093	980	1,049	1,019	1,131	3,896	4,179
Total	**1,478**	**1,515**	**1,494**	**1,764**	**1,627**	**1,695**	**1,609**	**1,860**	**6,251**	**6,791**
Organic growth										
GN Netcom	16%	6%	(1)%	7%	20%	20%	17%	15%	7%	18%
GN ReSound	6%	4%	2%	10%	7%	13%	13%	6%	6%	10%
Total	**9%**	**5%**	**1%**	**9%**	**12%**	**15%**	**14%**	**9%**	**6%**	**13%**
Gross profit										
GN Netcom	312	317	296	351	344	343	312	377	1,276	1,376
GN ReSound	562	563	576	651	592	679	665	757	2,352	2,693
Total	**874**	**880**	**872**	**1,002**	**936**	**1,022**	**977**	**1,134**	**3,628**	**4,069**
Gross profit margin										
GN Netcom	55.3%	55.4%	54.0%	52.3%	53.2%	53.1%	52.9%	51.7%	54.2%	52.7%
GN ReSound	61.5%	59.7%	60.9%	59.6%	60.4%	64.7%	65.3%	66.9%	60.4%	64.4%
Total	**59.1%**	**58.1%**	**58.4%**	**56.8%**	**57.5%**	**60.3%**	**60.7%**	**61.0%**	**58.0%**	**59.9%**
Expensed development costs**										
GN Netcom	(46)	(42)	(42)	(38)	(40)	(40)	(39)	(40)	(168)	(159)
GN ReSound	(89)	(87)	(92)	(94)	(90)	(90)	(93)	(85)	(362)	(358)
Other *	-	-	(6)	(5)	(1)	(5)	(5)	(11)	(11)	(22)
Total	**(135)**	**(129)**	**(140)**	**(137)**	**(131)**	**(135)**	**(137)**	**(136)**	**(541)**	**(539)**
Selling and distribution costs and administrative expenses etc.**										
GN Netcom	(180)	(188)	(180)	(198)	(185)	(192)	(172)	(196)	(746)	(745)
GN ReSound	(396)	(419)	(424)	(430)	(397)	(439)	(364)	(397)	(1,669)	(1,597)
Other *	(13)	(11)	(11)	(21)	(18)	35	(10)	(15)	(56)	(8)
Total	**(589)**	**(618)**	**(615)**	**(649)**	**(600)**	**(596)**	**(546)**	**(608)**	**(2,471)**	**(2,350)**
EBITA										
GN Netcom	86	87	74	115	119	111	101	141	362	472
GN ReSound	77	57	60	127	105	150	208	275	321	738
Other *	(13)	(11)	(17)	(26)	(19)	30	(15)	(26)	(67)	(30)
Total	**150**	**133**	**117**	**216**	**205**	**291**	**294**	**390**	**616**	**1,180**
EBITA margin										
GN Netcom	15.2%	15.2%	13.5%	17.1%	18.4%	17.2%	17.1%	19.3%	15.4%	18.1%
GN ReSound	8.4%	6.0%	6.3%	11.6%	10.7%	14.3%	20.4%	24.2%	8.2%	17.7%
Total	**10.1%**	**8.8%**	**7.8%**	**12.2%**	**12.6%**	**17.2%**	**18.3%**	**21.0%**	**9.9%**	**17.4%**
Depreciation										
GN Netcom	(4)	(4)	(5)	(5)	(6)	(6)	(7)	(7)	(18)	(26)
GN ReSound	(22)	(23)	(24)	(26)	(23)	(22)	(24)	(25)	(95)	(94)
Other *	(3)	(3)	(3)	(7)	(3)	45	(7)	(8)	(16)	27
Total	**(29)**	**(30)**	**(32)**	**(38)**	**(32)**	**17**	**(38)**	**(40)**	**(129)**	**(93)**
EBITDA										
GN Netcom	90	91	79	120	125	117	108	148	380	498
GN ReSound	99	80	84	153	128	172	232	300	416	832
Other *	(10)	(8)	(14)	(19)	(16)	(15)	(8)	(18)	(51)	(57)
Total	**179**	**163**	**149**	**254**	**237**	**274**	**332**	**430**	**745**	**1,273**
EBITA	**150**	**133**	**117**	**216**	**205**	**291**	**294**	**390**	**616**	**1,180**
Amortization of acquired intangible assets	(6)	(7)	(5)	(12)	(9)	(9)	(10)	(15)	(30)	(43)
Gain (loss) on divestment of operations etc.	-	(20)	(9)	(29)	(2)	(11)	(4)	(2)	(58)	(19)
Operating profit (loss)	**144**	**106**	**103**	**175**	**194**	**271**	**280**	**373**	**528**	**1,118**
Share of profit (loss) in associates	-	-	-	2	-	-	-	(4)	2	(4)
Financial items, net	(9)	(11)	(15)	(34)	(11)	(39)	(12)	(29)	(69)	(91)
Profit (loss) before tax	**135**	**95**	**88**	**143**	**183**	**232**	**268**	**340**	**461**	**1,023**
Tax on profit (loss)	(37)	(29)	(24)	(50)	(52)	(58)	(77)	(101)	(140)	(288)
Profit (loss)	**98**	**66**	**64**	**93**	**131**	**174**	**191**	**239**	**321**	**735**
Balance sheet										
Development projects										
GN Netcom	79	81	82	86	93	100	112	127	86	127
GN ReSound	780	778	772	788	792	804	812	827	788	827
Other *	-	-	-	-	-	2	4	5	-	5
Total	**859**	**859**	**854**	**874**	**885**	**906**	**928**	**959**	**874**	**959**
Inventories										
GN Netcom	87	105	122	124	112	172	208	214	124	214
GN ReSound	448	426	405	347	348	363	387	378	347	378
Total	**535**	**531**	**527**	**471**	**460**	**535**	**595**	**592**	**471**	**592**
Trade receivables										
GN Netcom	339	354	392	369	470	487	480	487	369	487
GN ReSound	857	876	900	979	972	973	978	1,031	979	1,031
Other *	10	3	1	1	1	2	1	2	1	2
Total	**1,206**	**1,233**	**1,293**	**1,349**	**1,443**	**1,462**	**1,459**	**1,520**	**1,349**	**1,520**
Net working capital										
GN Netcom	73	95	124	52	154	166	248	218	52	218
GN ReSound	935	918	840	796	947	856	882	895	796	895
Other *	(49)	(34)	(28)	(32)	(28)	(19)	(26)	(25)	(32)	(25)
Total	**959**	**979**	**936**	**816**	**1,073**	**1,003**	**1,104**	**1,088**	**816**	**1,088**
Cash flow										
Free cash flow excl. company acquisitions and divestments										
GN Netcom	92	55	36	53	(23)	118	14	69	236	178
GN ReSound	(94)	59	17	117	(117)	35	90	39	99	47
Other *	2,990	(24)	(26)	(519)	(32)	(34)	(16)	(50)	2,421	(132)
Total	**2,988**	**90**	**27**	**(349)**	**(172)**	**119**	**88**	**58**	**2,756**	**93**
Acquisitions and divestments of companies	**(27)**	**(15)**	**3**	**2**	**(12)**	**(8)**	**(119)**	**(7)**	**(37)**	**(146)**
Free cash flow	**2,961**	**75**	**30**	**(347)**	**(184)**	**111**	**(31)**	**51**	**2,719**	**(53)**

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

GN ReSound income statement excluding SMART costs

	Q1 2013			Q2 2013			Q3 2013			Q4 2013		
(DKK million)	Reported	SMART costs	Excluding SMART costs	Reported	SMART costs	Excluding SMART costs	Reported	SMART costs	Excluding SMART costs	Reported	SMART costs	Excluding SMART costs
Income statement												
Revenue	980	-	980	1,049	-	1,049	1,019	-	1,019	1,131	-	1,131
Production costs	(388)	(33)	(355)	(370)	(8)	(362)	(354)	-	(354)	(374)	(3)	(371)
Gross profit	**592**	**(33)**	**625**	**679**	**(8)**	**687**	**665**	**-**	**665**	**757**	**(3)**	**760**
Expensed development costs*	(90)	-	(90)	(90)	-	(90)	(93)	-	(93)	(85)	-	(85)
Selling and distribution costs*	(296)	(1)	(295)	(315)	(14)	(301)	(290)	-	(290)	(329)	(4)	(325)
Management and administrative expenses*	(101)	(19)	(82)	(126)	(29)	(97)	(76)	-	(76)	(71)	7	(78)
Other operating income and costs, net	-	-	-	2		2	2	-	2	3	-	3
EBITA	**105**	**(53)**	**158**	**150**	**(51)**	**201**	**208**	**-**	**208**	**275**	**0**	**275**
EBITA margin	10.7%	N/A	16.1%	14.3%	N/A	19.2%	20.4%	N/A	20.4%	24.2%	N/A	24.2%

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

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

Statement by the executive management and the board of directors

Today, the executive management and the board of directors have discussed and approved the annual report for 2013 for GN Store Nord A/S.

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, 2013 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, 2013.

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 2013 is approved at the annual general meeting.

Ballerup, February 14, 2014

EXECUTIVE MANAGEMENT

Lars Viksmoen
CEO, GN ReSound

Niels Svenningsen
CEO, GN Netcom

Anders Boyer
CFO, GN Store Nord

BOARD OF DIRECTORS

Per Wold-Olsen
Chairman

William E. Hoover Jr.
Deputy chairman

Wolfgang Reim

René Svendsen-Tune

Hélène Barnekow

Carsten Krogsgaard Thomsen

Leo Larsen

Nikolai Bisgaard

Morten Andersen

Independent auditors' report

TO THE SHAREHOLDERS OF GN STORE NORD A/S

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

We have audited the consolidated financial statements and the parent company financial statements of GN Store Nord A/S for the financial year January 1 - December 31, 2013. The consolidated financial statements and the parent company financial statements comprise income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including a summary of significant accounting policies for the group as well as for the parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

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

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

Auditors' responsibility

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

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and the parent company's financial position at December 31, 2013 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, 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON THE MANAGEMENT'S REPORT

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

Copenhagen, February 14, 2014

KPMG
Statsautoriseret Revisionspartnerselskab

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

Financial statements consolidated 2013

Contents

INCOME STATEMENT

(DKK million)	Note	2013	2012
Revenue		6,791	6,251
Production costs	3, 5, 7, 17	(2,722)	(2,623)
Gross profit		**4,069**	**3,628**
Development costs	3, 4, 5, 7	(545)	(547)
Selling and distribution costs	3, 5, 7	(1,895)	(1,933)
Management and administrative expenses	3, 5, 6, 7	(499)	(581)
Other operating income and costs, net		7	4
Award from the arbitration case against TPSA		-	15
Gain (loss) on divestment of operations etc.	28	(19)	(58)
Operating profit (loss)		**1,118**	**528**
Share of profit (loss) in associates	13	(4)	2
Financial income	8	73	74
Financial expenses	9	(164)	(143)
Profit (loss) before tax		**1,023**	**461**
Tax on profit (loss)	10	(288)	(140)
Profit (loss) for the year		**735**	**321**
Earnings per share (EPS)	26		
Earnings per share (EPS)		4.40	1.80
Earnings per share, fully diluted (EPS diluted)		4.35	1.78

STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	Note	2013	2012
Profit (loss) for the year		**735**	**321**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses)		50	(3)
Tax relating to this item of other comprehensive income	10	(18)	(2)
Items that may be reclassified subsequently to profit or loss			
Adjustment of cash flow hedges		23	22
Foreign exchange adjustments, etc.		(225)	(43)
Tax relating to this item of other comprehensive income	10	4	-
Other comprehensive income for the year, net of tax		**(166)**	**(26)**
Total comprehensive income for the year		**569**	**295**

BALANCE SHEET AT DECEMBER 31

(DKK million)	Note	2013	2012
ASSETS			
Intangible assets	11	4,486	4,234
Property, plant and equipment	12	465	254
Investments in associates	13	17	17
Deferred tax assets	15	502	563
Other non-current assets	14, 25	826	670
Total non-current assets		**6,296**	**5,738**
Inventories	17	592	471
Trade receivables	18, 25	1,520	1,349
Tax receivables	16	90	34
Other receivables	25	302	214
Cash and cash equivalents		163	169
Total current assets		**2,667**	**2,237**
Assets classified as held for sale	11, 12, 15	**-**	**224**
Total assets		**8,963**	**8,199**
EQUITY AND LIABILITIES			
Share capital		693	775
Other reserves		(1,497)	(648)
Proposed dividends for the year		146	94
Retained earnings		5,988	5,321
Total equity		**5,330**	**5,542**
Bank loans	25	1,216	276
Pension obligations	19	44	100
Provisions	20	167	152
Deferred tax liabilities	15	403	373
Other non-current liabilities	23, 25	209	185
Total non-current liabilities		**2,039**	**1,086**
Bank loans	21, 25	60	123
Trade payables	25	493	485
Tax payables	16	34	11
Provisions	20	214	225
Other payables	22	793	727
Total current liabilities		**1,594**	**1,571**
Total equity and liabilities		**8,963**	**8,199**

CASH FLOW STATEMENT

(DKK million)	Note	2013	2012
Operating activities			
Operating profit (loss)		1,118	528
Depreciation, amortization and impairment		398	442
Other non-cash adjustments	29	124	259
Cash flow from operating activities before changes in working capital		**1,640**	**1,229**
Change in inventories		(116)	(26)
Change in receivables		(323)	(81)
Award from the arbitration case against TPSA		-	3,064
Change in trade payables and other payables		97	(24)
Total changes in working capital		**(342)**	**2,933**
Restructuring/non-recurring costs, paid		(94)	(93)
Cash flow from operating activities before financial items and tax		**1,204**	**4,069**
Interest and dividends, etc., received		32	18
Interest paid		(69)	(91)
Tax paid, net		(249)	(643)
Cash flow from operating activities		**918**	**3,353**
Investing activities			
Investments in intangible assets, excluding development projects		(139)	(139)
Development projects		(349)	(296)
Investments in property, plant and equipment		(120)	(103)
Investments in other non-current assets		(222)	(81)
Disposal of intangible assets		2	-
Disposal of property, plant and equipment		2	2
Disposal of other non-current assets		1	20
Acquisition of companies/operations		(136)	(42)
Company divestments		(10)	5
Cash flow from investing activities		**(971)**	**(634)**
Cash flow from operating and investing activities (free cash flow)		**(53)**	**2,719**
Financing activities			
Increase of long-term loans		944	-
Decrease of short-term loans		(60)	-
Decrease of long-term loans		-	(1,109)
Paid dividends		(83)	(50)
Share-based payment (exercised)		54	23
Purchase/sale of treasury shares		(787)	(1,614)
Other adjustments		(13)	(26)
Cash flow from financing activities		**55**	**(2,776)**
Net cash flow		**2**	**(57)**
Cash and cash equivalents, beginning of period		169	229
Adjustment foreign currency, cash and cash equivalents		(8)	(3)
Cash and cash equivalents, end of period		**163**	**169**

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, 2011	**833**	**3,054**	**(1,486)**	**(8)**	**(654)**	**57**	**5,082**	**6,878**
Profit (loss) for the period	-	-	-	-	-	-	321	321
Actuarial gains (losses)	-	-	-	-	-	-	(3)	(3)
Adjustment of cash flow hedges	-	-	-	22	-	-	-	22
Foreign exchange adjustments, etc.	-	-	(43)	-	-	-	-	(43)
Tax relating to other comprehensive income	-	-	6	(6)	-	-	(2)	(2)
Total comprehensive income for the year	-	-	(37)	16	-	-	316	295
Reduction of share capital	(58)	(565)	-	-	623	-	-	-
Share-based payment (granted)	-	-	-	-	-	-	10	10
Share-based payment (exercised)	-	(6)	-	-	29	-	-	23
Purchase/sale of treasury shares	-	-	-	-	(1,614)	-	-	(1,614)
Proposed dividends for the year	-	-	-	-	-	94	(94)	-
Paid dividends	-	-	-	-	-	(50)	-	(50)
Dividends, treasury shares	-	-	-	-	-	(7)	7	-
Balance sheet total at December 31, 2012	**775**	**2,483**	**(1,523)**	**8**	**(1,616)**	**94**	**5,321**	**5,542**
Profit (loss) for the period	-	-	-	-	-	-	735	735
Actuarial gains (losses)	-	-	-	-	-	-	50	50
Adjustment of cash flow hedges	-	-	-	23	-	-	-	23
Foreign exchange adjustments, etc.	-	-	(225)	-	-	-	-	(225)
Tax relating to other comprehensive income	-	-	10	(6)	-	-	(18)	(14)
Total comprehensive income for the year	-	-	(215)	17	-	-	767	569
Reduction of share capital	(82)	(1,318)	-	-	1,400	-	-	-
Share-based payment (granted)	-	-	-	-	-	-	10	10
Share-based payment (exercised)	-	(56)	-	-	110	-	-	54
Tax related to share-based incentive plans	-	-	-	-	-	-	25	25
Purchase/sale of treasury shares	-	-	-	-	(787)	-	-	(787)
Proposed dividends for the year	-	-	-	-	-	146	(146)	-
Paid dividends	-	-	-	-	-	(83)	-	(83)
Dividends, treasury shares	-	-	-	-	-	(11)	11	-
Balance sheet total at December 31, 2013	**693**	**1,109**	**(1,738)**	**25**	**(893)**	**146**	**5,988**	**5,330**

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

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

The estimates used are based on assumptions that by Management are assessed to be reliable, but that by nature are associated with uncertainty. The assumptions may be incomplete or incorrect, and unexpected events or circumstances may arise. Accordingly, the Company is subject to risks and uncertainties that may result in the fact that actual results may differ from these estimates.

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

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

Development Projects
Development projects are measured at cost less accumulated amortization and impairment. An impairment test is performed of the carrying amount of recognized development projects. The impairment test is based on assumptions regarding strategy, product life cycle, market conditions, discount rates and budgets, etc., after the project has been completed and production has commenced. If market-related assumptions etc., are changed, development projects may have to be written down. Management examines and assesses the underlying assumptions when determining whether the carrying amount should be written down. The carrying amount of completed and in-process development projects was DKK 959 million at December 31, 2013 (2012: DKK 874 million).

Goodwill
Determining whether goodwill is impaired requires a comparison of the recoverable amount with the carrying amount. The recoverable amount is determined as the net present value of the future cash flows expected to arise from the cash-generating unit to which goodwill is allocated. The carrying amount of goodwill at December 31, 2013, was DKK 2,974 million (2012: DKK 2,960 million). Assumptions underlying the impairment test are provided in note 11.

Loans to and Investments in dispensers
GN Store Nord grants loans to dispensers and acquires ownership interests in dispensers. At December 31, 2013 the carrying amount in Non-current assets of loans to dispensers was DKK 529 million (2012: DKK 387 million), ownership interests in dispensers was DKK 134 million (2012: DKK 109 million). In addition supply agreement with dispensers amount to DKK 96 million (2012: DKK 4 million).

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

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

Trade Receivables
Trade receivables are measured at amortized cost less write-down for bad debt losses. Write-down for bad debt losses is based on an individual assessment of each receivable and at portfolio level. If a customer's financial condition deteriorates, and thus the ability to meet the financial obligation to GN Store Nord, further write-downs may be required in future periods. In assessing the adequacy of write-downs for bad debt losses, Management specifically analyzes receivables, including doubtful debts, concentrations of credit risk, credit ratings, current economic conditions and changes in customers' payment behavior. At December 31, 2013, the carrying amount of write-downs for bad debt losses was DKK 89 million (2012: DKK 57 million). The maturities of trade receivables are included in note 18.

Measurement of Inventories

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

Where the net realizable value is lower than cost, inventories are written down to this lower value. The net realizable value of inventories is calculated based on the size of the inventory and decreases in the recoverable amount of purchased raw materials, technical obsolescence (e.g., faulty products), physical obsolescence (e.g. damaged products) and financial obsolescence (e.g., reduced demand or substituting products). GN Store Nord performs write-downs of inventories based on an individual assessment of products or product groups and expected product sales within twelve months following the balance sheet date. At December 31, 2013, the carrying amount of write-downs of inventories was DKK 135 million (2012: DKK 165 million).

Deferred Tax

Management has made judgments in determining the Company's provisions for tax, deferred tax assets and deferred tax liabilities and the extent to which deferred tax assets are recognized. GN Store Nord recognizes deferred tax assets only to the extent that it is probable that taxable profit will be available against which the temporary differences and unused tax losses can be utilized. At December 31, 2013, the carrying amount of deferred tax assets and deferred tax liabilities was DKK 502 million (2012: DKK 563 million) and DKK 403 million (2012: DKK 373 million), respectively.

Provisions and Contingencies

As part of its normal business policy, GN Store Nord supplies its products with ordinary and extended warranties. Warranty provisions are recognized based on historical and future warranty costs related to the Group's products. Future warranty costs may differ from past practices and the level of costs. At December 31, 2013, the carrying amount of warranty provisions was DKK 119 million (2012: DKK 112 million). In accordance with GN Store Nord's business policy, some products are supplied with a right of return. Provisions for future returns of goods are recognized based on historical product returns data. The probability of future returns may differ from past practices. At December 31, 2013, the carrying amount of provisions with respect to obligations to take back goods was DKK 70 million (2012: DKK 66 million).

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

GN Store Nord's Management assesses provisions, contingent assets and contingent liabilities and the likely outcome of pending or threatened lawsuits on an ongoing basis. The outcome depends on future events that are by nature uncertain. In assessing the likely outcome of lawsuits and tax disputes, etc., Management bases its assessment on external legal assistance and decided cases. A detailed account of significant lawsuits and the claim against the German Federal Cartel office (Bundeskartellamt) and the tax case related to the merger of two US companies (the Beltone tax case) is provided in note 24.

2 SEGMENT DISCLOSURES

INCOME STATEMENT 2013

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

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

OTHER SEGMENT DISCLOSURES 2013

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

Major customers
No single customer accounted for 10% or more of GN Store Nord's total revenue in 2013.

GEOGRAPHICAL INFORMATION 2013

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

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

2 SEGMENT DISCLOSURES (CONTINUED)

BALANCE SHEET 2013

(DKK million)	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
Assets					
Goodwill	438	2,536	-	-	2,974
Development projects	127	827	5	-	959
Other intangible assets	57	353	143	-	553
Property, plant and equipment	38	233	194	-	465
Investments in associates	-	17	-	-	17
Other non-current assets	147	1,181	3	(3)	1,328
Total non-current assets	**807**	**5,147**	**345**	**(3)**	**6,296**
Inventories	214	378	-	-	592
Trade receivables	487	1,031	2	-	1,520
Receivables from subsidiaries*	1,273	-	106	(1,379)	-
Other receivables	50	333	20	(11)	392
Cash and cash equivalents	91	72	-	-	163
Total current assets	**2,115**	**1,814**	**128**	**(1,390)**	**2,667**
Total assets	**2,922**	**6,961**	**473**	**(1,393)**	**8,963**
Equity and Liabilities					
Equity	**2,292**	**4,052**	**(1,014)**	**-**	**5,330**
Bank loans	-	-	1,216	-	1,216
Other non-current liabilities	56	583	197	(13)	823
Total non-current liabilities	**56**	**583**	**1,413**	**(13)**	**2,039**
Bank loans	22	21	17	-	60
Trade payables	263	214	16	-	493
Amounts owed to subsidiaries*	-	1,379	-	(1,379)	-
Other current liabilities	289	712	41	(1)	1,041
Total current liabilities	**574**	**2,326**	**74**	**(1,380)**	**1,594**
Total equity and liabilities	**2,922**	**6,961**	**473**	**(1,393)**	**8,963**

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

CASH FLOW STATEMENT 2013

(DKK million)	GN Netcom	GN ReSound	Other GN	Eliminations	Consolidated total
Cash flow from operating activities before changes in working capital	**543**	**1,171**	**(74)**	**-**	**1,640**
Cash flow from changes in working capital and restructuring/non-recurring costs paid	(174)	(253)	(9)	-	(436)
Cash flow from operating activities before financial items and tax	**369**	**918**	**(83)**	**-**	**1,204**
Cash flow from investing activities	(124)	(781)	(66)	-	(971)
Cash flow from operating and investing activities before financial items and tax	**245**	**137**	**(149)**	**-**	**233**
Tax and financial items	(74)	(229)	17	-	(286)
Cash flow from operating and investing activities (free cash flow)	**171**	**(92)**	**(132)**	**-**	**(53)**

2 SEGMENT DISCLOSURES (CONTINUED)

INCOME STATEMENT 2012

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

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

OTHER SEGMENT DISCLOSURES 2012

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

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

GEOGRAPHICAL INFORMATION 2012

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

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

2 SEGMENT DISCLOSURES (CONTINUED)

BALANCE SHEET 2012

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

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

CASH FLOW STATEMENT 2012

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

3 STAFF COSTS

(DKK million)	2013	2012
Wages, salaries and remuneration	(1,884)	(1,809)
Pensions	(87)	(77)
Other social security costs	(200)	(198)
Share-based payments	(10)	(10)
Total	**(2,181)**	**(2,094)**
Included in:		
Production costs and change in payroll costs included in inventories	(422)	(459)
Development costs	(373)	(317)
Selling and distribution costs	(1,027)	(988)
Management and administrative expenses	(359)	(330)
Total	**(2,181)**	**(2,094)**

Executive Management remuneration can be specified as follows:

	2013				2012			
(DKK million)	Fixed Salary	Bonus	Share-based pay-ments	Total	Fixed Salary	Bonus	Share-based pay-ments	Total
Lars Viksmoen, CEO of GN ReSound	(4.6)	(3.4)	(1.1)	(9.1)	(4.3)	(2.4)	(0.8)	(7.5)
Mogens Elsberg, CEO of GN Netcom	(4.1)	(1.7)	(0.2)	(6.0)	(3.9)	(1.5)	(0.6)	(6.0)
Anders Boyer, CFO of GN Store Nord	(3.8)	(2.7)	(0.7)	(7.2)	(3.7)	(2.7)	(0.3)	(6.7)
Total	**(12.5)**	**(7.8)**	**(2.0)**	**(22.3)**	**(11.9)**	**(6.6)**	**(1.7)**	**(20.2)**
Mogens Elsberg, transition period	(1.7)	(0.8)	0.2	(2.3)	-	-	-	-

(DKK million)	2013	2012
Other key management personnel remuneration:		
Fixed salary	(2.3)	(1.6)
Bonus	(0.5)	(0.4)
Share-based payments	(0.2)	(0.1)
Total	**(3.0)**	**(2.1)**
Board of Directors remuneration	(6.1)	(5.9)
Average number of employees	4,850	4,725
Number of employees, year-end	5,050	4,750

Incentive plans
The Group's share-based incentive plans are specified and described in note 27.

3 STAFF COSTS (CONTINUED)

Executive Management and Board of Directors Remuneration

The total remuneration of the Executive Management is based on the "Remuneration Policy for the Executive Management for GN Store Nord". Excluding the additional costs related to the transition to a new CEO in GN Netcom the total remuneration to Executive Management increased 10% or DKK 2.1 million from 2012 to 2013, primarily due to an increase in bonuses. Mogens Elsberg left GN Netcom by the end of 2013 but is available, if necessary, during a transition period. Non-vested share-based incentives for Mogens Elsberg have been terminated.

Remuneration of the Executive Management is based on a fixed base salary plus a target bonus of 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. Mogens Elsberg's bonus is subject to the performance of GN Netcom's EBITA, GN Netcom's revenue and individual performance targets. Lars Viksmoen's and Anders Boyer's bonuses are subject to the performance of GN ReSound's EBITA, GN ReSound's revenue, GN ReSound's gross margin 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 2013 Other key management personnel remuneration includes remuneration of DKK 0,9 mio to the new CEO of GN Netcom as of January 1, 2014, Niels Svenningsen.

Members of the Board of Directors receive a fixed remuneration as approved by the shareholders at the Annual General Meeting on March 21, 2013. The fixed remuneration is based on GN Store Nord´s corporate governance structure in which an audit committee, a strategy committee, a remuneration committee and a nomination committee have been established. Further, the appointed board members of GN Store Nord also serve on the Board of Directors of GN ReSound A/S and GN Netcom A/S. The full-year remuneration of the Board of Directors is as follows (DKK thousand):

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

4 DEVELOPMENT COSTS

(DKK million)	2013	2012
Development costs are capitalized when the related projects satisfy a number of conditions relating to reliability of measurement and probability of future earnings.		
The relationship between development costs incurred and development costs recognized in the income statement is as follows:		
Development costs incurred	(611)	(551)
Depreciation of operating assets, etc., used for development purposes	(21)	(12)
Total development costs incurred	(632)	(563)
Development costs capitalized as development projects	349	296
Amortization and impairment of capitalized development projects	(262)	(280)
Total expensed development costs	**(545)**	**(547)**

5 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

(DKK million)	2013	2012
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	(50)	(48)
Development costs	(283)	(292)
Selling and distribution costs	(64)	(51)
Management and administrative expenses	(1)	(51)
Total	**(398)**	**(442)**
Amortization of intangible assets is recognized in the income statement as follows:		
Production costs	(2)	(1)
Development costs	(274)	(281)
Selling and distribution costs	(48)	(29)
Management and administrative expenses	(28)	(21)
Total	**(352)**	**(332)**
Impairment of intangible assets is recognized in the income statement as follows:		
Development costs	-	(8)
Selling and distribution costs	-	(2)
Management and administrative expenses	-	(4)
Total	**-**	**(14)**

6 FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

(DKK million)	2013	2012
Audit fees	(5)	(5)
Total	**(5)**	**(5)**
Other assistance:		
Other audit-related services	(4)	(3)
Tax assistance and advice	(4)	(3)
Total	**(8)**	**(6)**
Total	**(13)**	**(11)**

Consolidated audit fees include DKK 2 million (2012: DKK 2 million) to KPMG Statsautoriseret Revisionspartnerselskab. Consolidated other assistance includes DKK 1 million (2012: DKK 1 million) to KPMG Statsautoriseret Revisionspartnerselskab.

7 RESTRUCTURING/NON-RECURRING COSTS

(DKK million)	2013	2012
Inventory scrapping, write-down and change of return flow	(8)	(85)
Impairment of non-current assets	-	(13)
Severance pay, outplacement costs, etc.	(65)	(59)
Cancellation of various contracts	-	(3)
Consultants and implementation support	(16)	(37)
Other	(15)	(33)
Total	**(104)**	**(230)**
Recognized in the income statement as:		
Production costs	(44)	(101)
Development costs	-	(4)
Selling and distribution costs	(19)	(52)
Management and administrative expenses	(41)	(73)
Total	**(104)**	**(230)**

Restructuring costs are related to GN ReSound's SMART program aiming at significantly reducing complexity and thereby costs in the business. The main pillars of the SMART program were complexity reduction, globalize operations and standardization of the go-to-market approach. As part of the SMART program certain non-core and loss making entities have been divested, cf. note 28.

8 FINANCIAL INCOME

(DKK million)	2013	2012
Interest income from bank balances*	10	6
Financial income, other	13	25
Fair value adjustment of derivative financial instruments, net	3	-
Foreign exchange gain	47	43
Total	**73**	**74**

*Interest income from financial assets at amortized cost.

9 FINANCIAL EXPENSES

(DKK million)	2013	2012
Interest expense on bank balances*	(23)	(7)
Financial expenses, other	(60)	(54)
Fair value adjustment of derivative financial instruments, net	-	1
Foreign exchange loss	(81)	(83)
Total	**(164)**	**(143)**

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

*Interest expenses from financial liabilities at amortized cost.

10 TAX

(DKK million)	2013	2012
Tax on profit (loss)		
Current tax for the year	(232)	(587)
Deferred tax for the year	(63)	454
Effect of change in income tax rates	11	1
Adjustment to current tax with respect of prior years	(7)	(3)
Adjustment to deferred tax with respect of prior years	3	(5)
Total	**(288)**	**(140)**
Reconciliation of effective tax rate		
Danish tax rate	25.0%	25.0%
Effect of tax rates in foreign jurisdictions	1.8%	3.4%
Non-taxable income	0.0%	(1.1%)
Non-deductable expenses	2.0%	2.9%
Utilization of previously not recognized tax assets	0.0%	(2.0%)
Unrecognized tax assets	0.0%	0.5%
Effect of change in income tax rates	(1.1%)	(0.2%)
Share of profit (loss) in associates	0.2%	(0.1%)
Adjustment of tax with respect to prior years	0.4%	1.8%
Other	(0.1%)	0.2%
Effective tax rate	**28.2%**	**30.4%**
Tax relating to other comprehensive income		
Actuarial gains (losses)	(18)	(2)
Adjustment of cash flow hedges	(6)	(6)
Foreign exchange adjustments, etc.	10	6
Total	**(14)**	**(2)**

11 INTANGIBLE ASSETS

(DKK million)	Goodwill	Develop-ment projects, developed in-house	Software	Patents and rights	Tele-communi-cation systems	Other	Total
Cost at January 1	2,960	2,280	378	293	-	502	6,413
Additions on company acquisitions	129	-	-	-	-	34	163
Additions	-	349	79	32	-	46	506
Disposals	(4)	(2)	(54)	(8)	-	(8)	(76)
Transferred from assets classified as held for sale, etc.	15	-	-	-	-	61	76
Foreign exchange adjustments	(126)	-	(7)	(6)	-	(17)	(156)
Cost at December 31	2,974	2,627	396	311	-	618	6,926
Amortization and impairment at January 1	-	(1,406)	(248)	(228)	-	(297)	(2,179)
Amortization	-	(262)	(47)	(6)	-	(37)	(352)
Disposals	-	-	52	8	-	7	67
Foreign exchange adjustments	-	-	7	5	-	12	24
Amortization and impairment at December 31	-	(1,668)	(236)	(221)	-	(315)	(2,440)
Carrying amount at December 31, 2013	**2,974**	**959**	**160**	**90**	**-**	**303**	**4,486**
Cost at January 1	3,048	2,100	318	252	68	534	6,320
Additions on company acquisitions	28	-	-	-	-	3	31
Additions	-	296	84	41	-	14	435
Disposals	(34)	(116)	(26)	-	(68)	(3)	(247)
Transferred to assets classified as held for sale	(44)	-	-	-	-	(40)	(84)
Foreign exchange adjustments	(38)	-	2	-	-	(6)	(42)
Cost at December 31	2,960	2,280	378	293	-	502	6,413
Amortization and impairment at January 1	-	(1,235)	(237)	(224)	(68)	(308)	(2,072)
Amortization	-	(272)	(34)	(5)	-	(21)	(332)
Disposals	-	111	26	-	68	-	205
Impairment	-	(8)	(4)	-	-	(2)	(14)
Transferred to assets classified as held for sale	-	-	-	-	-	31	31
Foreign exchange adjustments	-	(2)	1	1	-	3	3
Amortization and impairment at December 31	-	(1,406)	(248)	(228)	-	(297)	(2,179)
Carrying amount at December 31, 2012	**2,960**	**874**	**130**	**65**	**-**	**205**	**4,234**
Amortized over	-	1 - 5 years	1 - 7 years	up to 20 years	5 - 15 years	up to 20 years	

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

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

The carrying amount of development projects and software in progress amount to DKK 448 million (2012: DKK 319 million).

11 INTANGIBLE ASSETS (CONTINUED)

Goodwill
Additions during the year of DKK 129 million mainly relates to the acquisition of equity shares in hearing instrument chains and distributors, cf. note 28. Disposals during the year of DKK 4 million relates to disposal of companies and operations, cf. note 28.

Management has performed an impairment test of the carrying amount of goodwill at December 31, 2013. 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 2013	2012	Weighted average cost of capital 2013	2012
Cash-generating units:				
Contact Center & Office Headsets	272	286	9	9
Mobile Headsets	166	174	10	13
Hearing Instruments	2,412	2,383	7	8
Otometrics	124	117	8	10
Total	**2,974**	**2,960**		

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 2014, market forecasts for 2015 - 2018 and strategy plans, etc. Budgets and strategy plans are based on specific assumptions for the individual CGU regarding sales, operating profit, working capital, investments in non-current assets, etc. The calculation applies expected growth in the terminal period of 2.5% p.a. Based on the impairment tests and related assumptions, management has not identified any goodwill impairment at December 31, 2013.

Development projects and software
In-progress and completed development projects comprise development and design of hearing instruments, audiologic diagnostics equipment, headsets and other hands free audio products. The development projects are expected to be completed in 2014 and 2015, 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 2013, management assessed that the expected useful lives were reflected in the carrying amounts at December 31, 2013.

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

Other
The Group's other intangible assets comprise DKK 98 million (2012: DKK 81 million) related to customer lists, DKK 109 million (2012: DKK 120 million) related to trademarks and DKK 96 million (2012: DKK 4 million) related to supply agreements.

12 PROPERTY, PLANT AND EQUIPMENT

(DKK million)	Factory and office buildings	Lease-hold improve-ments	Plant and machinery	Operating assets and equip-ment	Leased plant and equip-ment	Assets under con-struction	Total
Cost at January 1	102	133	563	315	4	4	1,121
Additions on company acquisitions	-	1	-	2	-	-	3
Additions	4	10	43	25	1	37	120
Disposals	(3)	(11)	(35)	(38)	(1)	-	(88)
Transfers	-	1	35	1	-	(37)	-
Transfered from assets classified as held for sale	265	-	-	-	-	-	265
Foreign exchange adjustments	(3)	(2)	(6)	(7)	-	-	(18)
Cost at December 31	365	132	600	298	4	4	1,403
Depreciation and impairment at January 1	(49)	(91)	(464)	(261)	(2)	-	(867)
Depreciation	(22)	(13)	(49)	(25)	(1)	-	(110)
Impairment and reversal hereof	64	-	-	-	-	-	64
Disposals	2	10	34	36	1	-	83
Transfered from assets classified as held for sale	(122)	-	-	-	-	-	(122)
Foreign exchange adjustments	-	2	5	7	-	-	14
Depreciation and impairment at December 31	(127)	(92)	(474)	(243)	(2)	-	(938)
Carrying amount at December 31, 2013	**238**	**40**	**126**	**55**	**2**	**4**	**465**
Cost at January 1	102	128	603	347	8	3	1,191
Additions on company acquisitions	-	-	3	1	-	-	4
Additions	-	24	34	25	3	17	103
Disposals	-	(10)	(92)	(47)	(5)	-	(154)
Transfers	-	-	16	-	-	(16)	-
Transfered to assets classified as held for sale	-	(7)	-	(8)	-	-	(15)
Foreign exchange adjustments	-	(2)	(1)	(3)	(2)	-	(8)
Cost at December 31	102	133	563	315	4	4	1,121
Depreciation and impairment at January 1	(40)	(82)	(511)	(290)	(6)	-	(929)
Depreciation	(4)	(15)	(45)	(25)	(1)	-	(90)
Impairment	(6)	-	-	-	-	-	(6)
Disposals	1	8	92	41	4	-	146
Transfers	-	(7)	-	7	-	-	-
Transfered to assets classified as held for sale	-	5	-	4	-	-	9
Foreign exchange adjustments	-	-	-	2	1	-	3
Depreciation and impairment at December 31	(49)	(91)	(464)	(261)	(2)	-	(867)
Carrying amount at December 31, 2012	**53**	**42**	**99**	**54**	**2**	**4**	**254**
Depreciated over	10 - 50 years	5 - 20 years	1 - 7 years	2 - 7 years	2 - 7 years	-	-

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

13 ASSOCIATES

Investments in associates

(DKK million)	2013	2012
Cost at January 1	23	23
Additions	4	-
Cost at December 31	27	23
Value adjustments at January 1	(6)	(7)
Share of profit (loss)	(4)	2
Foreign exchange adjustments	-	(1)
Value adjustments at December 31	(10)	(6)
Carrying amount at December 31	**17**	**17**
Aggregated financial information for associates is provided below:		
Revenue	109	80
Profit (loss) for the year after tax	(29)	5
Total assets	79	51
Total liabilities	65	17
Total share of profit (loss) for the year after tax	(4)	2
Total share of net assets	8	9

Associates are listed on page 97.

14 OTHER NON-CURRENT ASSETS

(DKK million)	2013	2012
Loans to dispensers of GN ReSound products	529	387
Ownership interests	134	109
RAP, SIP and DCP*	136	118
Other	27	56
Total	**826**	**670**

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.

*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 Group's liabilities related to the programs are recognized in Other non-current liabilities at DKK 162 million (2012: DKK 138 million).

15 DEFERRED TAX

(DKK million)	2013	2012
Deferred Tax, net		
Deferred tax at January 1, net	190	(256)
Adjustment in respect of prior years	3	(5)
Effect of change in income tax rates	11	1
Addition of deferred tax on acquisition of enterprises	(9)	-
Deferred tax for the year recognized in profit (loss) for the year	(63)	454
Deferred tax transferred to/from assets classified as held sale	10	(10)
Deferred tax for the year recognized in other comprehensive income for the year	(19)	4
Tax related to share-based incentive plans	8	-
Foreign exchange adjustments	(32)	2
Deferred tax at December 31, net	**99**	**190**
Deferred tax is recognized in the balance sheet as follows:		
Deferred tax assets	502	563
Deferred tax liabilities	(403)	(373)
Deferred tax at December 31, net	**99**	**190**
Deferred tax, net relates to:		
Intangible assets	(342)	(354)
Property, plant and equipment	19	46
Other securities	41	41
Current assets	62	83
Current liabilities	30	25
Intercompany liabilities	49	36
Tax loss carryforwards	240	252
Retaxation	(152)	(152)
Provisions	136	182
Other	16	31
Total	**99**	**190**
Tax value of unrecognized tax assets		
Tax loss carryforwards	215	117
Unrecognized tax assets at December 31	**215**	**117**

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 2014-2028.

Deferred tax, net includes DKK 22 million expected to be utilized within 12 months.

16 CURRENT TAX

(DKK million)	2013	2012
Tax payable and tax receivable		
Tax payable at January 1, net	23	(23)
Foreign exchange adjustments	1	(1)
Adjustment in respect of prior years	(7)	(3)
Payment relating to prior years	(16)	26
Current tax for the year	(232)	(587)
Current tax for the year recognised in other comprehensive income for the year	5	(6)
Tax related to share-based incentive plans	17	-
Payments relating to the current year	265	617
Tax receivable (payable) at December 31, net	**56**	**23**
Current tax is recognised as follows in the balance sheet:		
Tax receivable (assets)	90	34
Tax payable (liabilities)	(34)	(11)
Tax receivable (payable) at December 31, net	**56**	**23**

17 INVENTORIES

(DKK million)	2013	2012
Raw materials and consumables	199	173
Work in progress	8	11
Finished goods and merchandise	385	287
Total	**592**	**471**
The above includes write-downs amounting to	135	165
Write-downs recognized in the income statement under production costs	21	104
Reversed write-downs recognized under production costs	8	8
Production costs include costs of sales of	2,350	2,293

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

18 TRADE RECEIVABLES

(DKK million)	2013	2012
Trade receivables	1,520	1,349
Total	**1,520**	**1,349**
Trade receivables have the following maturities:		
Not due	1,161	1,048
Due 30 days or less	150	108
Due more than 30 days but less than 90 days	90	73
Due more than 90 days	119	120
Total	**1,520**	**1,349**

18 TRADE RECEIVABLES (CONTINUED)

(DKK million)	2013	2012
Write-downs, which are included in total trade receivables, have developed as follows:		
Write-downs at January 1	(57)	(52)
Write-downs made during the year	(52)	(12)
Realized during the year	7	7
Reversed write-downs	13	-
Write-downs at December 31	**(89)**	**(57)**

Total write-downs of DKK 89 million are included in trade receivables at the end of 2013. In 2013 write-downs of DKK 20 million has 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 note 1. Based on past experience, GN Store Nord believes that no write-down is necessary in respect of trade receivables not past due.

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

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

	2013	2012
Due 30 days or less	127	81
Due more than 30 days but less than 90 days	44	35
Due more than 90 days	57	32
Total	**228**	**148**

19 PENSION OBLIGATIONS

(DKK million)	2013	2012
Present value of defined benefit obligations	(269)	(311)
Fair value of plan assets	225	211
Net obligations	**(44)**	**(100)**

The present value of defined benefit obligations includes unfunded pension obligations not covered by payments to insurance company of DKK 12 million in 2013 (2012: DKK 13 million).

Development in present value of defined benefit obligations	2013	2012
Obligations at January 1	(311)	(298)
Foreign exchange adjustments	16	3
Costs for the year	(3)	(4)
Interest expenses	(10)	(12)
Actuarial gains (losses) regarding demographic assumptions	1	-
Actuarial gains (losses) regarding financial assumptions	26	(12)
Pension payments, unfunded	1	1
Pension payments	11	11
Obligations at December 31	**(269)**	**(311)**

19 PENSION OBLIGATIONS (CONTINUED)

(DKK million)	2013	2012
Maturity of pension obligation		
Less than one year	(13)	(13)
Between one and five years	(54)	(56)
More than five years	(202)	(242)
Total	**(269)**	**(311)**
Development in fair value of plan assets		
Plan assets at January 1	211	188
Foreign exchange adjustments	(10)	(1)
Interest income	7	12
Return on plan assets in excess of interest income	23	9
Payment by GN Store Nord	5	14
Pension payments	(11)	(11)
Plan assets at December 31	**225**	**211**
Pension costs recognized in the income statement		
Costs for the year	(3)	(4)
Interest expenses	(10)	(12)
Interest income from plan assets	7	12
Defined benefit plans total	(6)	(4)
Defined contribution plans total	(81)	(73)
Total cost recognized in the income statement	**(87)**	**(77)**
The costs are recognized in the following income statement items:		
Production costs	(15)	(14)
Development costs	(18)	(16)
Selling and distribution costs	(28)	(24)
Management and administrative expenses	(23)	(23)
Financial expenses	(3)	-
Total	**(87)**	**(77)**
The following accumulated actuarial gains/(losses) since January 1, 2005 are recognized in the Statement of other Comprehensive Income:		
Accumulated actuarial gains (losses)	(49)	(99)
Breakdown of plan assets:		
Shares	62%	69%
Bonds	36%	30%
Cash and cash equivalents	2%	1%
Total	**100%**	**100%**
The actuarial calculations for the prevailing American defined benefit plan at the balance sheet date are based on the following assumptions:		
Discount rate	4.75%	3.75%
Expected return on plan assets	4.75%	7.00%

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 in the discount rate will result in a DKK 8 million decrease in the defined benefit obligation.

19 PENSION OBLIGATIONS (CONTINUED)

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

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

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

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

20 PROVISIONS

(DKK million)	Restructuring	Warranty provisions	Other provisions	Total
Provisions at January 1	22	112	243	377
Additions	1	16	88	105
Consumed	(2)	(2)	(55)	(59)
Reversed	(1)	(3)	(30)	(34)
Foreign exchange adjustments	(1)	(4)	(3)	(8)
Provisions at December 31, 2013	**19**	**119**	**243**	**381**
Of which is recognized in the consolidated balance sheet:				
Non-current liabilities	15	47	105	167
Current liabilities	4	72	138	214
Provisions at December 31, 2013	**19**	**119**	**243**	**381**

Restructuring provisions of DKK 19 million relate to restructurings based on detailed plans prepared by management, which have been discussed with and announced to the employee groups affected and others.

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

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

21 CURRENT LIABILITIES

(DKK million)	2013	2012
Bank loans	60	123
Total bank loans	**60**	**123**
Breakdown of loans by currency:		
DKK	38	70
EUR	-	8
USD	20	35
Other currencies	2	10
Total	**60**	**123**

22 OTHER PAYABLES

(DKK million)	2013	2012
Employee costs payable	358	325
Bonuses and discounts to customers	216	172
Other	219	230
Total	**793**	**727**

23 LEASE OBLIGATIONS

(DKK million)	2013	2012
Future lease obligations are distributed as follows:		
Operating leases:		
Less than one year	89	98
Between one and five years	190	214
More than five years	127	98
Total	**406**	**410**

Operating leases primarily relate to lease of property on market terms in Denmark, the United States and the UK. 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 73 million (2012: DKK 77 million). DKK 20 million (2012: DKK 24 million) of the rental obligation in Denmark is provided for in the balance sheet in connection with vacating the premises.

Lease payments recognized in the income statement relating to operating leases amount to DKK 110 million (2012: DKK 110 million).

24 CONTINGENT LIABILITIES, OTHER FINANCIAL LIABILITIES AND CONTINGENT ASSETS

(DKK million)	2013	2012
Guarantees, warranties and other liabilities	**19**	**11**

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 as described below, the outcome of cases pending is not expected to be of material importance to the Group's financial position.

Other financial liabilities

Guarantees

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

Security

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

Purchase obligations

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

Contingent assets

On April 20, 2010 GN Store Nord received a decision from the German Federal Supreme Court acknowledging GN Store Nord's position and overruling the German Court of Appeal's decision of November 26, 2008 and the decision of the German Federal Cartel Office (Bundeskartellamt) of April 11, 2007 to prohibit the sale of GN ReSound to Sonova. Consequently, on December 22, 2010 GN Store Nord filed a claim of EUR 1.1 billion (approximately DKK 8.2 billion) with the district court in Bonn as compensation for the significant loss imposed on GN Store Nord in connection with the Bundeskartellamt's illegal prohibition of the sale of GN ReSound to Sonova. The case was subsequently transferred to the Court of Cologne.

On February 26, 2013, the Court of Cologne dismissed GN Store Nord's Claim. Following thorough evaluation of the written opinion from the Court of Cologne, GN Store Nord disagreed with the decision by the court and consequently decided to appeal the decision. The case has been transferred to the Düsseldorf Court of Appeals. A hearing has been scheduled for March 5, 2014. The purpose of the hearing is to determine whether the Federal Cartel Office is liable for the loss suffered by GN Store Nord as a consequence of the illegal prohibition. The effect of the claim has not been recognized in the financial statements.

In the 2001 financial statements, GN Store Nord recognized an impairment loss on goodwill of DKK 1.3 billion related to Beltone. Beltone (USA) was merged with GN Hearing Care Corporation (USA) at January 1, 2005. It is GN Store Nord´s assessment that a significant part of the write-down made for accounting purposes in 2001 as a result of the merger has tax effect in Denmark. Both companies were jointly taxed with GN Store Nord during the relevant period. GN Store Nord has brought the issue of deductibility for the merger loss before the Danish National Tax Tribunal who has informed GN Store Nord that it disputes the right of deductibility. GN Store Nord has appealed the decision of the Danish National Tax Tribunal to the Eastern High Court. On January 29, 2014, the Eastern High Court ruled in favor of the Danish Tax Authorities. It was a ruling with dissent (2:1). In cooperation with relevant advisors GN Store Nord has decided to appeal this ruling to the Danish Supreme Court. The ruling does not affect the financial statements.

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

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Foreign currency risk
GN Store Nord only has currency exposure in connection with commercial transactions. GN Store Nord does not raise loans or place surplus cash in foreign currency unless doing so reduces a currency exposure. The overall objective of hedging GN Store Nord's currency exposure is to reduce the short-term impact of the exchange rate fluctuations on earnings and cash flow, thereby increasing the predicability of the financial results. GN Store Nord uses forward exchange rate contracts to hedge any significant currency risk, which in 2013 has been future income (long positions) in the USD and JPY and future costs (short position) in the CNY. Expected cash flows are continually assessed using budget and sales forecasts.

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

As of 31 December 2013, a 10% change in DKK against USD and CNY would change the fair value of the hedging instruments with DKK 42 million which would impact equity.

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 gain and losses. As of 31 December, 2013, there are no material currency risks related to working capital.

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

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

(DKK million)	2013	2012
USD	336	343
CNY	27	28

Interest rate risk
In 2013 GN Store Nord hedged a part of the interest rate exposure on loans with interest rate swaps. Hedge accounting has been applied during 2013. The fair value of the interest rate swaps are determined using forward interest rates and can be categorized as level 2 (observable inputs) in the fair value hierarchy.

Funding, liquidity and capital structure
At December 31, 2013, GN Store Nord had an equity ratio of 59% and net interest-bearing debt of DKK 1,113 million. Based on the current uncertain macroeconomic environment, GN Store Nord currently intends to take the net interest-bearing debt toward a level of around one time EBITDA by the end of 2014. By the end of 2016, the net interest-bearing debt is targeted to be between one and two times EBITDA. However, GN Store Nord's long term capital structure policy (net debt up to a maximum of two times EBITDA) remains unchanged. GN Store Nord aims to pay out a dividend corresponding to 15-25% of the annual net results and will initiate share buyback programs when deemed appropriate subject to the authorization by the shareholders in annual general meeting.

Financial credit risk
Surplus cash positions in GN Store Nord's subsidiaries are re-circulated back to the parent company as soon as possible, and cash is mainly held in current accounts or as short-term money market deposits. Cash positions are primarily held with banks through which GN Store Nord conducts its day-to-day banking business and which have a satisfactory rating with Moody's and Standard & Poor's. GN Store Nord has a policy of never having an exposure to a single financial counterparty of more than 2.5% of that party's capital and reserves. GN Store Nord had cash and cash equivalents of DKK 163 million at December 31, 2013.

GN Store Nord has established policies for credit risk management related to customers including the use of credit rating agencies. Assessment of credit risk related to customers is further described in note 18 Trade receivables and note 14 Other non-current assets.

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Contractual maturity analysis for financial liabilities

(DKK million)	Less than one year	Between one and five years	More than five years	Total
2013				
Long-term bank loans	-	1,216	-	1,216
Other long-term payables	-	170	-	170
Short-term bank loans	60	-	-	60
Trade payables	493	-	-	493
Total non-derivative financial liabilities	553	1,386	-	1,939
Derivative financial liabilities	-	1	-	1
Total financial liabilities	**553**	**1,387**	**-**	**1,940**
2012				
Long-term bank loans	-	276	-	276
Capitalised lease obligations	-	5	-	5
Other long-term payables	-	142	-	142
Short-term bank loans	123	-	-	123
Trade payables	485	-	-	485
Total non-derivative financial liabilities	608	423	-	1,031
Total financial liabilities	**608**	**423**	**-**	**1,031**

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

Specification of net interest-bearing debt

(DKK million)	Total 2013	Total 2012
Cash and cash equivalents	163	169
Bank loans, non-current liabilities	(1,216)	(276)
Bank loans, current liabilities	(60)	(123)
Total	**(1,113)**	**(230)**

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Categories of financial assets and liabilities

(DKK million)	2013	2012
Derivative financial instruments relating to hedging of forecasted future transactions included in Other receivables	33	11
Financial assets held for trading	**33**	**11**
Ownership interests and RAP, SIP, DCP, cf. note 14	270	227
Financial assets available-for-sale	**270**	**227**
Trade receivables	1,520	1,349
Other receivables	302	214
Other receivables, non-current	529	387
Loans and receivables	**2,351**	**1,950**
Bank loans, non-current	1,216	276
Other long-term payables	170	142
Bank loans	60	123
Trade payables	493	485
Financial liabilities measured at amortized cost	**1,939**	**1,026**
Derivative financial instruments included in Other payables	1	-
Financial liabilities measured at fair value	**1**	**-**

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

Derivative financial instruments

Cash flow hedges, exchange rate instruments and interest rate swaps

	2013			2012		
(DKK million)	Contract amount, net	Fair value, assets	Fair value, liabilities	Contract amount, net	Fair value, assets	Fair value, liabilities
USD	1,085	29	-	187	4	1
JPY	108	11	-	70	6	-
GBP	-	-	-	60	1	1
AUD	-	-	-	50	-	-
CNY	666	-	7	-	-	-
EUR*	671	-	1	-	-	-
Total	**2,530**	**40**	**8**	**367**	**11**	**2**

* Interest rate swaps denominated in EUR

(DKK million)	2013	2012
Fair value adjustment for the year recognized in Other comprehensive income	(9)	8
Reclassified from equity to revenue	33	14
Reclassified from equity to production costs	(1)	-

25 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

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

(DKK million)	2013 Contrast amount, net	2013 Fair value, assets	2013 Fair value, liabilities	2012 Contract amount, net	2012 Fair value, assets	2012 Fair value, liabilities
CNY	9	-	-	(224)	2	-
Total	**9**	**-**	**-**	**(224)**	**2**	**-**

(DKK million)	2013	2012
Fair value adjustment recognized in financial items	3	1

The gains and losses on cash flow hedges recognized in Other comprehensive income as of 31 December 2013 will be recognized in the income statement in the period during which the hedged forecasted transaction affects the income statement. The fair value of all exchange rate instruments are determined using quoted forward exchange rates at the balance sheet date and can be categorized as level 2 (observable inputs) in the fair value hierarchy.

26 OUTSTANDING SHARES AND TREASURY SHARES

	Outstanding shares (thousands)	Treasury shares (thousands)	Total number of shares (thousands)	Nominal value of outstanding shares (DKK thousands)	Nominal value of treasury shares (DKK thousands)	Nominal value of total shares (DKK thousands)	Treasury shares as a percentage of share capital
Number of shares at January 1, 2013	170,486	23,211	193,697	681,944	92,844	774,788	12.0%
Purchase of ownership interest in subsidiaries	1,570	(1,570)	-	6,280	(6,280)	-	
Share options excercised	27	(27)	-	108	(108)	-	
Shares acquired/sold by GN Store Nord A/S	(7,343)	7,343	-	(29,372)	29,372	-	
Shares cancelled	-	(20,368)	(20,368)	-	(81,472)	(81,472)	
Number of shares at December 31, 2013	**164,740**	**8,589**	**173,329**	**658,960**	**34,356**	**693,316**	**5.0%**

The treasury shares had a market value of DKK 1,144 million at December 31, 2013 (2012: DKK 1,899 million).

(Shares thousands)	2013	2012
Weighted average number of outstanding shares	167,082	178,825
Dilutive effect of share based payment with positive intrinsic value – average for the period	1,809	1,788
Diluted weighted average number of shares	**168,891**	**180,613**
(DKK million)		
Profit (loss) for the year used for the calculation of earnings per share	735	321
Dilutive effect of profit (loss) for the year	-	-
Profit (loss) for the year used for the calculation of diluted earnings per share	**735**	**321**

27 INCENTIVE PLANS

Share option programs

At December 31, 2012 GN Store Nord had 27,000 outstanding share options. All share options have been exercised in 2013 and the average exercise price was DKK 14. There are no outstanding share options at December 31, 2013.

Warrants programs

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

Warrants program, GN Netcom

	Group Executive Management	Other employees	Total	Average exercise price
Warrants granted at January 1, 2012	**1,929**	**4,637**	**6,566**	**6,929**
Warrants granted during the year	495	2,628	3,123	11,232
Warrants exercised during the year	(720)	(900)	(1,620)	2,851
Warrants forfeited during the year/corrections	-	(239)	(239)	7,521
Outstanding warrants at December 31, 2012	**1,704**	**6,126**	**7,830**	**9,471**
Warrants granted during the year	468	2,205	2,673	18,086
Warrants exercised during the year	(730)	(1,320)	(2,050)	5,648
Warrants forfeited during the year/corrections	(828)	(55)	(883)	14,198
Outstanding warrants at December 31, 2013	**614**	**6,956**	**7,570**	**12,998**
Grant date market value of warrants granted in 2013	1 million	7 million	8 million	
Market value of outstanding warrants at December 31, 2013	7 million	71 million	78 million	

Warrants in GN Netcom granted in 2010, 2011, 2012 and 2013 will vest the day after the release of GN Store Nord's annual report in the third year after the grant. Vested warrants may be exercised during a four-week period opening each quarter of each of the third, fourth and fifth year after allocation. The quarterly four-week window will open following the release of a Valuation Report concerning the value of the shares of GN Netcom. Warrants vest provided the share value of GN Store Nord has increased and that the share value of GN Netcom has outperformed a peer group index of competitors and industry segment indicators as defined by GN Netcom's Board of Directors by a certain percentage during the same time period. Warrants are granted at no consideration.

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

Warrants program, GN Netcom

Grant date	Group Executive Management	Other employees	Total	% of GN Netcom A/S	Number of exercisable warrants	Exercise price	Years to expiry	Market value in DKK million
March 2010	-	90	90	0.0%	90	5,457	1.8	2
March 2011	479	2,101	2,580	0.8%	-	10,542	2.8	33
October 2011	-	25	25	0.0%	-	10,542	2.8	-
March 2012	69	2,508	2,577	0.8%	-	11,234	3.8	30
December 2012	-	27	27	0.0%	-	11,051	3.8	-
March 2013	66	2,073	2,139	0.6%	-	17,797	4.8	12
November 2013*	-	132	132	0.0%	-	23,652	4.8	1
Outstanding warrants at December 31, 2013	**614**	**6,956**	**7,570**	**2.2%**	**90**			**78**

*Warrants granted to the new CEO of GN Netcom, Niels Svenningsen.

27 INCENTIVE PLANS (CONTINUED)

Warrants program, GN ReSound

	Group Executive Management	Other employees	Total	Average exercise price
Warrants granted at January 1, 2012	**2,092**	**18,530**	**20,622**	**5,681**
Warrants granted during the year	734	4,032	4,766	11,281
Warrants exercised during the year	-	(6,900)	(6,900)	2,163
Warrants forfeited during the year/corrections	-	(694)	(694)	8,208
Outstanding warrants at December 31, 2012	**2,826**	**14,968**	**17,794**	**8,446**
Warrants granted during the year	1,515	3,257	4,772	19,490
Warrants exercised during the year	(985)	(5,665)	(6,650)	5,496
Warrants forfeited during the year/corrections	-	(769)	(769)	10,568
Outstanding warrants at December 31, 2013	**3,356**	**11,791**	**15,147**	**12,691**
Grant date market value of warrants granted in 2013	4 million	9 million	13 million	
Market value of outstanding warrants at December 31, 2013	34 million	141 million	175 million	

Warrants granted in GN ReSound will vest the day after the release of GN Store Nord's annual report in the third year after the grant. Warrants granted in 2010, 2011, 2012 and 2013 vest provided the share value of GN Store Nord has increased and that the share value of GN ReSound has outperformed by a certain percentage during the same time period a peer group index of competitors and industry segment indicators as defined by GN ReSound's Board of Directors. Vested warrants granted before 2010 may be exercised during a four-week period following the release of GN Store Nord's annual report in each of the third, fourth and fifth years after grant. Vested warrants granted in 2010, 2011, 2012 and 2013 may be exercised during a four-week period opening each quarter of each of the third, fourth and fifth year after allocation. The quarterly four-week window will open following the release of a Valuation Report concerning the value of the shares of GN ReSound.

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

Warrants program, GN ReSound

Grant date	Group Executive Management	Other employees	Total	% of GN ReSound A/S	Number of exercisable warrants	Exercise price	Years to expiry	Market value in DKK million
April 2009	-	100	100	0.0%	100	2,115	0.2	2
March 2010	125	315	440	0.1%	440	6,490	1.8	7
March 2011	982	4,447	5,429	0.9%	-	8,836	2.8	83
April 2011	-	33	33	0.0%	-	8,836	2.8	1
May 2011	-	48	48	0.0%	-	8,347	2.8	1
September 2011	-	61	61	0.0%	-	8,836	2.8	1
March 2012	734	3,549	4,283	0.7%	-	11,084	3.8	56
December 2012	-	81	81	0.0%	-	17,428	3.8	1
March 2013	1,515	2,948	4,463	0.7%	-	19,270	4.8	22
November 2013	-	209	209	0.0%	-	24,290	4.8	1
Outstanding warrants at December 31, 2013	**3,356**	**11,791**	**15,147**	**2.4%**	**540**			**175**

The exercise price for the warrants are 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.

27 INCENTIVE PLANS (CONTINUED)

The market value of the warrants has been calculated using the principles of 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

	2013 year end		Grant date 2013		2012 year end		Grant date 2012	
	GN Netcom	GN ReSound	GN Netcom	GN ReSound	GN Netcom	GN ReSound	GN Netcom	GN ReSound
Share price GN Store Nord	131	131	102/132	102/126	82	82	60/84	60/84
Share of GN Store Nord market value	36%	70%	34%/36%	69%/73%	26%	75%	33%/26%	60%/75%
Share price	23,261	24,131	17,797/ 23,652	19,270/ 24,290	10,786	17,010	11,234/ 11,051	11,084/ 17,428
Volatility	26%	20%	30%/27%	23%/21%	29%	23%	37%/30%	35%/23%
Dividend per share	0	0	0	0	0	0	0	0
Risk-free interest rate	0.06%/ 0.28%/ 0.60%/ 0.92%	0.00%/ 0.06%/ 0.28%/ 0.60%/ 0.92%	0.77%/ 0.74%	0.77%/ 0.77%	0.0%/ 0.08%/ 0.27%	0.0%/ 0.08%/ 0.27%	1.04%/ 1.04%	1.04%/ 1.04%
Expected term (years)	1.9/ 2.8/ 3.8/ 4.8	0.2/ 1.9/ 2.8/ 3.8/ 4.8	5.7/ 5.0	5.7/ 5.0	2.8/ 3.8/ 4.8	0.3/ 1.3/ 2.8/ 3.8/ 4.8	5.7/ 5.0	5.7/ 5.0

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

28 ACQUISITION AND DIVESTMENT OF COMPANIES AND OPERATIONS

Acquisitions

During 2013, GN ReSound acquired a hearing instrument chain in Denmark and a number of minor hearing instrument chains and a distributor in the US. The acquisitions all strengthen 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 2013	2012
Identifiable assets acquired and liabilities assumed and consideration transferred		
Non-current assets	3	7
Current assets	40	12
Non-current liabilities	(19)	-
Current liabilities	(16)	(9)
Fair value of identified net assets	**8**	**10**
Goodwill	129	28
Other intangible assets	34	-
Consideration transferred	**171**	**38**
Fair value of assets transferred	-	(11)
Payable consideration	(12)	-
Contingent consideration	(38)	(8)
Acquired cash and cash equivalents	(15)	(5)
Cash consideration paid	**106**	**14**

Goodwill relating to the above transactions is allocated to the cash-generating units Hearing Instruments and Audiologic Diagnostics Equipment with DKK 122 million (2012: DKK 8 million) and DKK 7 million (2012: DKK 20 million), respectively.

In 2013, GN ReSound paid out DKK 30 million (2012: DKK 28 million) in contingent considerations related to prior years aquisitions. The payments were mainly related to the acquisition of GN ReSound Korea Co. Ltd. and dispenser aquisitions in the US. At the end of 2013, the fair value of contingent considerations amounted to DKK 64 million, whereof DKK 25 million are expected to be paid during 2014.

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)	2013	2012
The share of revenue and profit (loss) for the year from the acquisition date can be specified as follows:		
Revenue	39	10
EBIT	10	(1)
Profit (loss) for the year	9	(1)
Acquired operations if they had been owned throughout the year:		
Revenue	96	11
EBIT	9	(1)
Profit (loss) for the year	9	(1)

28 ACQUISITION AND DIVESTMENT OF COMPANIES AND OPERATIONS (CONTINUED)

Divestments

In 2013 GN ReSound divested a number of minor hearing instrument distributors primarily in the US. Furthermore, GN ReSound sold assets related to some retail locations in the US and Canada and provided for a loss related to a legal dispute in connection with an acquisition. GN Netcom divested it´s reseller business in North America, Hello Direct Inc.

(DKK million)	2013	2012
Non-current assets	(47)	(55)
Current assets	(25)	(16)
Current liabilities	7	1
Disposed net assets	**(65)**	**(70)**
Directly attributable cost	(5)	(5)
Fair value of assets recieved	58	12
Fair value of liabilities assumed	(7)	-
Cash consideration received	-	5
Gain (loss) on divestment of operations etc.	**(19)**	**(58)**

29 OTHER NON-CASH ADJUSTMENTS

(DKK million)	2013	2012
Share-based payment (granted)	10	10
(Gain) loss on divestment of operations etc.	19	58
Provision for bad debt and inventory write-downs, etc.	8	13
Restructuring/non-recurring costs recognized in the income statement, excl. impairment losses (SMART Project)	104	217
Adjustment of provisions	(17)	(39)
Total	**124**	**259**

30 SUBSEQUENT EVENT

On January 29, 2014, the Eastern High Court of Denmark issued its ruling regarding GN Store Nord's Beltone tax case against the Danish Tax Authorities as described in note 24. The outcome of the ruling is that two of three members of the court support the view of the Danish Tax Authorities. In cooperation with relevant advisors GN Store Nord has decided to appeal this ruling to the Danish Supreme Court. The ruling does not affect the financial statements.

Management is not aware of any other subsequent matters that could be of material importance to the Group's financial position.

31 ACCOUNTING POLICIES

The annual report of GN Store Nord for 2013 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of listed companies. In addition, the annual report has been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

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

ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

GN Store Nord has adopted all the relevant new or revised International Financial Reporting Standards and IFRIC Interpretations effective as of January 1, 2013. The new or revised Standards and Interpretations did not affect recognition and measurement materially or result in any material changes to disclosures in the notes. Apart from these minor changes, the annual report is presented in accordance with the same accounting policies as applied in previous years.

Accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, or have not yet been adopted by the EU, and have not been applied in preparing this annual report. Those, which may be relevant to GN Store Nord, are the following:

- IFRS 9 Financial Instruments applies to annual periods beginning on or after January 1, 2015. The standard is only expected to have a very limited effect on recognition and measurement of financial assets, if any. Disclosure in the financial statements will change slightly as the classification of financial assets will be simplified to include only two categories: Financial assets measured at either amortized cost or fair value. The additions to IFRS 9 regarding financial liability accounting are not expected to affect the financial reporting.

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

DESCRIPTION OF ACCOUNTING POLICIES

Consolidated Financial Statements

The consolidated financial statements relate to the parent company, GN Store Nord, and the enterprises in which GN Store Nord directly or indirectly holds more than 50% of the voting rights or where it, in some other way, has the power to govern the financial and operating policies of an enterprise. GN Store Nord and its subsidiaries are referred to as the Group. Group companies are listed on page 97. Enterprises that are not subsidiaries but where GN Store Nord holds between 20% and 50% of the voting rights and over which it exercises significant influence, but where it does not have power to govern the financial and operating policies, are considered associates. When assessing whether GN Store Nord exercises control or significant influence, potential voting rights and options on acquisition of additional ownership interests are taken into account.

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

Business Combinations

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

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

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

The cost of a business combination comprises the fair value of the consideration agreed upon. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of that adjustment is included in the cost of the combination if the adjustment is probable and can be measured reliably. Subsequent changes to contingent considerations are recognized in the income statement. If uncertainties regarding measurement of identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have 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's ownership interest.

Foreign Currency Translation

Functional Currency and Presentation Currency

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

Translation of Transactions and Amounts

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

Translation of Subsidiaries

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

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

Derivative Financial Instruments

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

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

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

Incentive Plans

The Executive Management and a number of key employees are included in share-based payment plans (equity-settled plans). For equity-settled programs, the warrants are measured at the fair value at the grant date and recognized in the income statement as a staff cost of the respective functions over the vesting period. The counter item is recognized in equity. On initial recognition, an estimate is made of the number of warrants expected to vest: see description of Incentive Plans in note 27. This estimate is subsequently revised for changes in the number of warrants expected to vest. Accordingly, recognition is based on the number of warrants that are ultimately vested. The fair value of granted warrants is estimated using the Black-Scholes option pricing model. Vesting conditions are taken into account when estimating the fair value of the warrants.

INCOME STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit (loss) for the year is recognized in the income statement, and the tax expense relating to amounts recognized in other comprehensive income is recognized in other comprehensive income.

Current tax payable is recognized in current liabilities and deferred tax is recognized in non-current liabilities. Tax receivable is recognized in current assets and deferred tax assets are recognized in non-current assets.

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

BALANCE SHEET

Intangible assets

Goodwill

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

Rental and Lease Matters
Leases for property, plant and equipment that transfer substantially all the risks and rewards incident to ownership to the Group (finance leases) are initially recognized in the balance sheet at the lower of fair value and the present value of the future lease payments. Subsequently, assets held under finance leases are treated as the Group's other property, plant and equipment.

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

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

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

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

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

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

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which the goodwill is allocated. Goodwill is written down to the recoverable amount if the carrying amount is higher than the computed recoverable amount. The recoverable amount is computed as the present value of the expected future net cash flows from the enterprises or activities to which the goodwill is allocated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Key Ratios
The key ratios stated in the survey of consolidated financial highlights are defined on page 98.

	Domicile	Currency	Ownership %	Share capital
GN Store Nord A/S	Denmark	DKK	N/A	693,316,148
GN Ejendomme A/S	Denmark	DKK	100	10,600,000
Scanning Technology A/S	Denmark	DKK	100	500,001
GN Netcom A/S	Denmark	DKK	100	33,394,000
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 (Iberica) S.A.	Spain	EUR	100	60,111
GN Netcom (Italia) S.r.l.	Italy	EUR	100	10,200
GN Netcom (UK) Ltd.	Great Britain	GBP	100	100,000
GN Netcom AB	Sweden	SEK	100	5,100,000
GN Netcom Benelux B.V.	Netherlands	EUR	100	18,000
GN Netcom GmbH	Germany	EUR	100	51,129
GN Netcom S.A.	France	EUR	100	80,000
GN ReSound A/S	Denmark	DKK	100	62,396,600
GN ReSound Pty. Ltd.	Australia	AUD	100	4,000,002
GN ReSound Shanghai Ltd.	China	CNY	100	3,000,000
GN ReSound China Ltd.	China	CNY	100	34,000,000
GN GROC Ltd	China	CNY	100	500,000
GN ReSound India Private Limited	India	INR	100	7,352,000
GN Resound Japan K.K.	Japan	JPY	100	499,000,000
GN ReSound (NZ) Ltd.	New Zealand	NZD	100	2,000,000
GN Hearing Pte. Ltd.	Singapore	SGD	100	1,500,000
GN ReSound Hörtechnologie GmbH	Austria	EUR	100	500,000
Sluchadlova Akustika spol. S.R.O.	Czech Republic	CZK	100	102,000
Interton Danmark A/S	Denmark	DKK	100	200,000
Beltone Europe Holdings ApS	Denmark	DKK	100	200,000
ApS af 20 Sept. 2013	Denmark	DKK	100	80,000
Dansk Hørecenter ApS	Denmark	DKK	100	125,000
Dansk Akademi for Audiologi ApS	Denmark	DKK	100	125,000
GN Hearing SAS	France	EUR	100	285,957
GN Hearing GmbH	Germany	EUR	100	296,549
GN Resound GmbH Hörtechnologie	Germany	EUR	100	2,162,253
GN ReSound Italia S.r.l.	Italy	EUR	100	181,190
GN Hearing Benelux bv	Netherlands	EUR	100	680,670
GN ReSound Norge AS	Norway	NOK	100	2,000,000
Interton Slovakia s.r.o.	Slovakia	SLK	100	170,000
GN Hearing Care S.A.	Spain	EUR	100	1,562,631
GN ReSound AB	Sweden	SEK	100	100,000
GN ReSound AG	Switzerland	CHF	100	420,000
Beltone Schweiz GmbH	Switzerland	CHF	100	20,000
GN ReSound Ltd.	United Kingdom	GBP	100	7,376,000
GN ReSound Produtos Médicos Ltda.	Brazil	BRL	100	1,019,327
GN ReSound Korea Co. Ltd.	Korea	KRW	90	136,700,000
Beltone Hearing Korea Co. Ltd	Korea	KRW	90	50,000,000
GN ReSound LCC	Russia	RUB	100	10,000
GN ReSound Finland Oy/Ab	Finland	EUR	100	100,913
Precissa Innovaciones Audiologicas S.L.	Spain	EUR	100	12,000
GN US Holdings, Inc.	USA	USD	100	34,000,000
GN Hearing Care Corporation	USA	USD	100	180,000
GN ReSound Holdings, Inc.	USA	USD	100	10
Beltone Holdings II Inc.	USA	USD	100	1
Beltone Holdings III Inc.	USA	USD	100	10
Beltone Holdings IV Inc.	USA	USD	100	30
Beltone Holdings V Inc.	USA	USD	100	30
Hearing Holdings, Inc.	USA	USD	100	10
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
Dan Black 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
▲ Audio Nova S.R.L	Romania	ROL	49	10,000,000
▲ Audiology Systems Inc.	USA	USD	41	1,674,000
▲ Himpp A/S	Denmark	DKK	11	2,400,000
▲ HIMSA A/S	Denmark	DKK	25	1,000,000
▲ HIMSA II A/S	Denmark	DKK	17	600,000
▲ Himsa II K/S	Denmark	DKK	15	3,250,000
▲ K/S Himpp	Denmark	DKK	9	114,782,415
GN Otometrics A/S	Denmark	DKK	100	23,240,000
Inmedico A/S	Denmark	DKK	100	500,000
GN Otometrics GmbH & Co. KG	Germany	EUR	100	409,034
GN Otometrics Holding GmbH	Germany	EUR	100	1,800,000
GN Otometrics Verwaltungs GmbH	Germany	EUR	100	25,000
GN Group Solutions GmbH	Germany	EUR	100	25,565
GN Otometrics Shanghai Ltd	China	USD	100	800,000
GN Otometrics France Sas	France	EUR	100	1,200,000

▲ Associates

A few minor companies have been omitted from the list.

Forward-looking statements

The forward-looking statements in this annual report reflect GN Store Nord's management's current expectations of certain future events and financial results. Statements regarding 2014 are, of course, subject to risks and uncertainties which may result in material deviations from expectations. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect. Factors that may cause actual results to deviate materially from expectations include – but are not limited to – general economic developments and developments in the financial markets, technological developments, changes and amendments to legislation and regulations governing GN'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.

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

In this annual report the following financial terms are used:

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

Financial statements parent company 2013

Contents

BALANCE SHEET AT DECEMBER 31

(DKK million)	Note	2013	2012
ASSETS			
Intangible assets	7	84	62
Investments in subsidiaries	8	5,988	5,803
Amounts owed by subsidiaries		1,568	1,588
Total non-current assets		**7,640**	**7,453**
Tax receivables	10	5	2
Other receivables	12	9	5
Total current assets		**14**	**7**
Total assets		**7,654**	**7,460**
EQUITY AND LIABILITIES			
Share capital		693	775
Other reserves		598	1,133
Proposed dividends for the year		146	94
Retained earnings		3,477	3,678
Total equity		**4,914**	**5,680**
Bank loans		1,216	276
Provisions		15	23
Deferred tax liabilities	9	169	162
Total non-current liabilities		**1,400**	**461**
Bank loans		17	45
Trade payables	12	12	11
Amounts owed to subsidiaries		1,287	1,250
Other payables		24	13
Total current liabilities		**1,340**	**1,319**
Total equity and liabilities		**7,654**	**7,460**

INCOME STATEMENT

(DKK million)	Note	2013	2012
Revenue		18	12
Gross profit		**18**	**12**
Development costs		(22)	(11)
Management and administrative expenses	1	(69)	(67)
Other operating income and costs, net		(1)	(10)
Gains (losses) on divestment of operations etc.		-	2,704
Operating profit (loss)		**(74)**	**2,628**
Financial income	4	109	57
Financial expenses	5	(112)	(121)
Profit (loss) before tax		**(77)**	**2,564**
Tax on profit (loss)	6	12	29
Profit (loss) for the year		**(65)**	**2,593**
Proposed profit appropriation/distribution of loss			
Retained earnings		(211)	2,499
Proposed dividends for the year		146	94
		(65)	**2,593**

STATEMENT OF COMPREHENSIVE INCOME

(DKK million)	2013	2012
Profit (loss) for the year	(65)	2,593
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Adjustment of cash flow hedges	(1)	-
Total comprehensive income for the year	**(66)**	**2,593**

CASH FLOW STATEMENT

(DKK million)	Note	2013	2012
Operating activities			
Operating profit (loss)		(74)	2,628
Depreciation, amortization and impairment		19	15
Other non-cash adjustments	15	(8)	(2,698)
Cash flow from operating activities before changes in working capital		**(63)**	**(55)**
Change in receivables		(3)	29
Change in trade payables and other payables		8	(73)
Total changes in working capital		**5**	**(44)**
Cash flow from operating activities before financial items and tax		**(58)**	**(99)**
Interest and dividends, etc. received		24	54
Interest paid		(26)	(145)
Tax paid, net		16	180
Cash flow from operating activities		**(44)**	**(10)**
Investing activities			
Investments in intangible assets		(41)	(37)
Company disposals		-	2,754
Cash flow from investing activities		**(41)**	**2,717**
Cash flow from operating and investing activities (free cash flow)		**(85)**	**2,707**
Financing activities			
Increase of long-term loans		940	-
Increase of short-term loans		15	65
Decrease of long-term loans		-	(1,109)
Paid dividends		(83)	(50)
Share-based payment (exercised)		-	4
Purchase/sale of treasury shares		(787)	(1,614)
Other adjustments		-	(3)
Cash flow from financing activities		**85**	**(2,707)**
Net cash flow		**-**	**-**
Cash and cash equivalents, beginning of period		-	-
Cash and cash equivalents, end of period		**-**	**-**

EQUITY

(DKK million)	Share capital (shares of DKK 4 each)	Other reserves: Additional paid-in capital	Other reserves: Treasury shares	Proposed dividends for the year	Retained earnings	Total equity
Balance sheet total at December 31, 2011	**833**	**3,245**	**(654)**	**57**	**1,172**	**4,653**
Profit (loss) for the period	-	-	-	-	2,593	2,593
Total comprehensive income for the year	-	-	-	-	2,593	2,593
Reduction of the share capital	(58)	(565)	623	-	-	-
Share-based payment (exercised)	-	(4)	8	-	-	4
Purchase/sale of treasury shares	-	-	(1,614)	-	-	(1,614)
Purchase of ownership interests in subsidiaries by payment in treasury shares	-	73	21	-	-	94
Proposed dividends for the year	-	-	-	94	(94)	-
Paid dividends	-	-	-	(50)	-	(50)
Dividends, treasury shares	-	-	-	(7)	7	-
Balance sheet total at December 31, 2012	**775**	**2,749**	**(1,616)**	**94**	**3,678**	**5,680**
Profit (loss) for the period	-	-	-	-	(65)	(65)
Adjustment of cash flow hedges	-	-	-	-	(1)	(1)
Total comprehensive income for the year	-	-	-	-	(66)	(66)
Reduction of the share capital	(82)	(1,318)	1,400	-	-	-
Share-based payment (exercised)	-	(1)	1	-	-	-
Purchase/sale of treasury shares	-	-	(787)	-	-	(787)
Purchase of ownership interests in subsidiaries by payment in treasury shares	-	61	109	-	-	170
Proposed dividends for the year	-	-	-	146	(146)	-
Paid dividends	-	-	-	(83)	-	(83)
Dividends, treasury shares	-	-	-	(11)	11	-
Balance sheet total at December 31, 2013	**693**	**1,491**	**(893)**	**146**	**3,477**	**4,914**

1 STAFF COSTS

(DKK million)	2013	2012
Wages, salaries and remuneration	(45)	(31)
Pensions	(3)	(2)
Total	**(48)**	**(33)**
Executive Management remuneration can be specified as follows:		
Anders Boyer, CFO of GN Store Nord	(6.5)	(6.4)
Total	**(6.5)**	**(6.4)**
Staff costs are included in Management and administrative expenses.		
Board of Directors remuneration	(4.4)	(4.2)
Average number of employees	46	28
Number of employees, year-end	48	30

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

2 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Amortization and impairment of intangible assets of DKK 19 million and DKK 0 million, respectively, are recognized in the Income Statement as Management and administrative expenses (2012: DKK 12 million and DKK 3 million).

3 FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

(DKK million)	2013	2012
Audit fees	(1)	(1)
Total	**(1)**	**(1)**
Other assistance:		
Tax assistance and advice	(1)	(1)
Total	**(1)**	**(1)**
Total	**(2)**	**(2)**

4 FINANCIAL INCOME

(DKK million)	2013	2012
Interest income from subsidiaries*	94	50
Interest income from bank balances*	8	3
Financial income, other	-	1
Foreign exchange gain	7	3
Total	**109**	**57**

*Interest income from financial assets at amortized cost.

5 FINANCIAL EXPENSES

(DKK million)	2013	2012
Interest expense to subsidiaries*	(78)	(102)
Interest expense on bank balances*	(20)	(3)
Financial expenses, other	(7)	(11)
Foreign exchange loss	(7)	(5)
Total	**(112)**	**(121)**

*Interest expenses from financial liabilities at amortized cost.

6 TAX

(DKK million)	2013	2012
Tax on profit (loss)		
Current tax for the year	20	144
Deferred tax for the year	(8)	(110)
Adjustment to current tax in respect of prior years	(1)	2
Adjustment to deferred tax in respect of prior years	1	(7)
Total	**12**	**29**
Reconciliation of effective tax rate		
Danish tax rate	25.0%	25.0%
Non-taxable income	0.0%	(26.4%)
Non-deductable expenses	(9.4%)	0.0%
Other	0.0%	0.3%
Effective tax rate	**15.6%**	**(1.1%)**

In 2013, the parent company paid DKK 200 million in corporation tax against DKK 546 million in 2012.

7 INTANGIBLE ASSETS

	Software		Telecommunication systems		Total	
(DKK million)	2013	2012	2013	2012	2013	2012
Cost at January 1	77	44	-	67	77	111
Additions	41	37	-	-	41	37
Disposals	-	(4)	-	(67)	-	(71)
Cost at December 31	118	77	-	-	118	77
Amortization and impairment at January 1	(15)	(4)	-	(67)	(15)	(71)
Amortization	(19)	(12)	-	-	(19)	(12)
Disposals	-	4	-	67	-	71
Impairment	-	(3)	-	-	-	(3)
Amortization and impairment at December 31	(34)	(15)	-	-	(34)	(15)
Carrying amount at December 31	**84**	**62**	**-**	**-**	**84**	**62**
Amortized over	1 - 7 years	1 - 7 years	5 - 15 years	5 - 15 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.

8 INVESTMENTS IN SUBSIDIARIES

(DKK million)	2013	2012
Cost at January 1	5,803	5,758
Additions, capital contribution	185	95
Disposals	-	(50)
Cost at December 31	**5,988**	**5,803**

Group companies are listed on page 97.

9 DEFERRED TAX

(DKK million)	2013	2012
Deferred Tax, net		
Deferred tax at January 1, net	(162)	(45)
Adjustment in respect of prior years	1	(7)
Deferred tax for the year recognized in profit (loss) for the year	(8)	(110)
Deferred tax at December 31, net	**(169)**	**(162)**
Deferred tax, net relates to:		
Intangible assets	(21)	(15)
Retaxation	(152)	(152)
Provisions	4	5
Total	**(169)**	**(162)**

10 CURRENT TAX

(DKK million)	2013	2012
Tax receivable		
Tax receivable at January 1	2	36
Adjustment in respect of prior years	(1)	2
Payment relating to prior years	(1)	(38)
Current tax for the year	20	144
Payments relating to the current year	(15)	(142)
Tax receivable at December 31	**5**	**2**

11 CONTINGENT LIABILITIES, OTHER FINANCIAL LIABILITIES AND CONTINGENT ASSETS

Please refer to note 24 in the consolidated financial statement.

The company is participating in joint taxation with the other Danish companies in the GN-group. The company is jointly and severally liable with the other companies in the joint taxation for Danish taxes on dividend, interests and royalties within the joint taxation.

12 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Contractual maturity analysis for financial liabilities

(DKK million)	Less than one year	Between one and five years	More than five years	Total
2013				
Long-term bank loans	-	2,503	-	2,503
Short-term bank loans	17	-	-	17
Trade payables	12	-	-	12
Total non-derivative financial liabilities	29	2,503	-	2,532
Derivative financial liabilities	-	1	-	1
Total financial liabilities	**29**	**2,504**	**-**	**2,533**
2012				
Long-term bank loans	-	1,526	-	1,526
Short-term bank loans	45	-	-	45
Trade payables	11	-	-	11
Total non-derivative financial liabilities	56	1,526	-	1,582
Total financial liabilities	**56**	**1,526**	**-**	**1,582**

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

Categories of financial assets and liabilities

(DKK million)	2013	2012
Other receivables	9	5
Receivables from subsidiaries	1,568	1,588
Loans and receivables	**1,577**	**1,593**
Bank loans, non-current	1,216	276
Bank loans	17	45
Trade payables	12	11
Amounts owed to subsidiaries	1,287	1,250
Financial liabilities measured at amortized cost	**2,532**	**1,582**
Derivative financial instruments included in Other payable	1	-
Financial liabilities measured at fair value	**1**	**-**

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

12 FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

Derivative financial instruments

Cash flow hedges, exchange rate instruments

	2013			2012		
	Contract amount, net	Fair value, assets	Fair value, liabilities	Contract amount, net	Fair value, assets	Fair value, liabilities
EUR*	671	-	1	-	-	-
Total	**671**	**-**	**1**	**-**	**-**	**-**

* Interest rate swaps denominated in EUR

In 2013 GN Store Nord hedged future interest rates with interest rate swaps. Hedge accounting has been applied during 2013. 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.

(DKK million)	2013	2012
Fair value adjustment for the year recognized in Other comprehensive income	1	-

13 OUTSTANDING SHARES AND TREASURY SHARES

For information regarding outstanding shares and treasury shares please refer to note 26 in the consolidated financial statements.

14 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 97.

Board of Directors, Executive Management and Senior Employees
Management remuneration and incentive plans are described in notes 3 and 27 in the consolidated financial statements.

Group enterprises and associates
Trade with group enterprises comprised:

(DKK million)	2013	2012
Sale of services to group enterprises	75	50
Lease income from group enterprises	12	13
Purchase of services from group enterprises	(39)	(46)
Lease costs paid to group enterprises	(13)	(13)
Purchase of intangible assets	(11)	(11)

14 RELATED PARTY TRANSACTIONS (CONTINUED)

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

The parent company's balances with group enterprises at December 31, 2013 are recognized in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in notes 4 and 5. Further, balances with group enterprises usual trade balances relates 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 2013, the parent company has bought software from subsidiaries for a total amount of DKK 11 million. The transactions were carried out in preparation for the implementation of a new ERP platform for the entire Group. The assets were traded at net book values. Furthermore, the parent company has purchased development services on market terms from subsidiaries related to the exploring research project 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.

15 OTHER NON-CASH ADJUSTMENTS

(DKK million)	2013	2012
(Gain) loss on divestment of operations etc.	-	(2,704)
Adjustment of provisions	(8)	6
Total	**(8)**	**(2,698)**

16 ACCOUNTING POLICIES

The financial statements of the parent company, GN Store Nord A/S for 2013 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of listed companies. In addition, the financial statements have been prepared in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB).

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

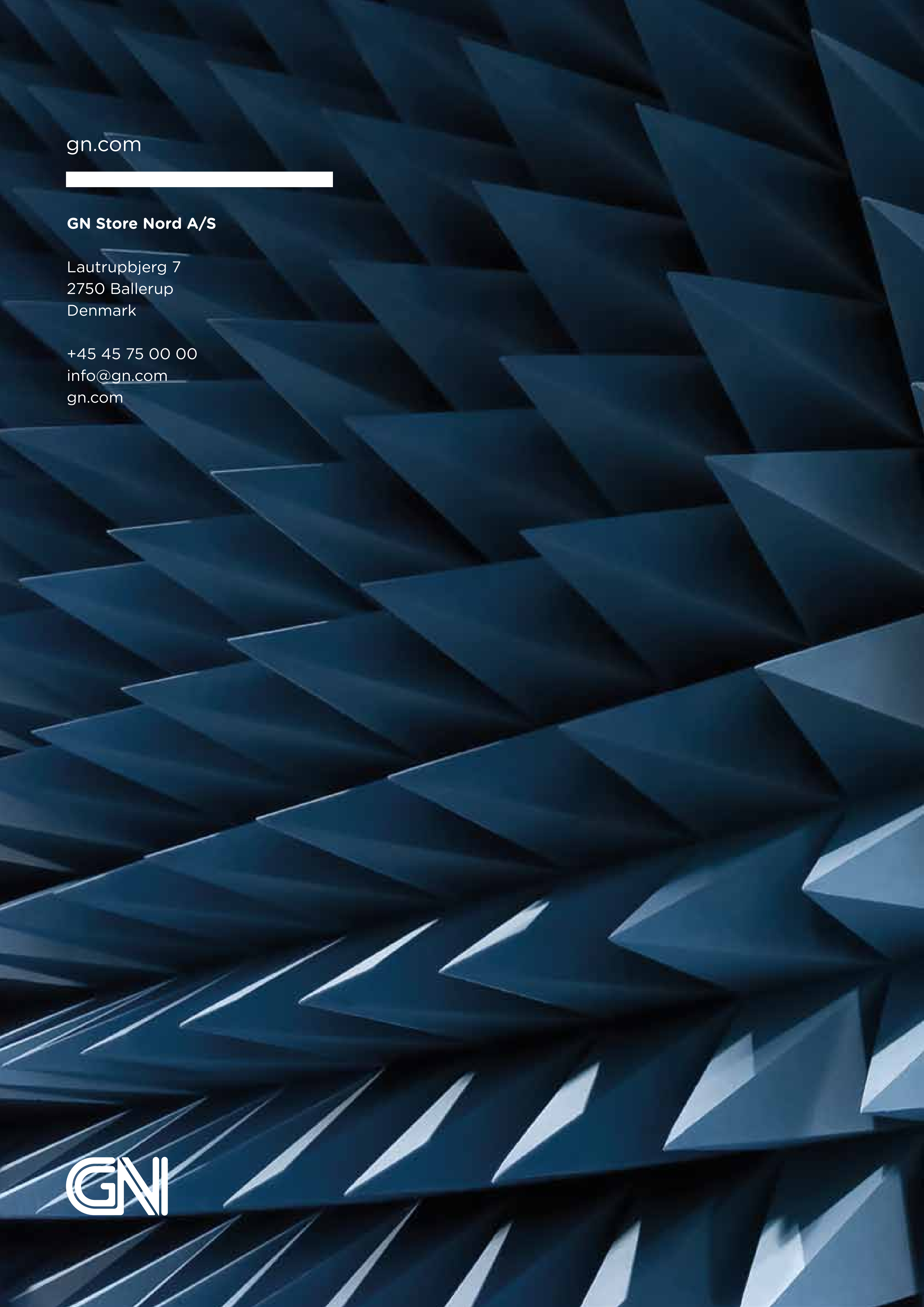
The accounting policies for the financial statements of the parent company are unchanged from the last financial year and are the same as for the consolidated financial statements with the following additions. For a description of the accounting policies of the Group, please refer to the consolidated financial statements on page 90.

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.

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.



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