GN Audio A/S

Annual report 2017

Approved at the annual general meeting
13 / 3 2018

Chairman:

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This report contains 42 pages

GN Audio A/S, Lautrupbjerg 7, 2750 Ballerup

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Statement by the Board of Directors and the Executive Management

Today, the executive management and the board of directors have discussed and approved the GN Audio A/S Annual Report 2017.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statement Act.

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position on December 31, 2017 and of the results of the company's operations and cash flows for the financial year January 1 – December 31, 2017.

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

We recommend that the annual report for 2017 be approved at the annual general meeting.

Ballerup, March 13, 2018

Executive management

René Svendsen-Tune
CEO

Peter Gormsen
CFO

Board of directors

Per Wold-Olsen
(Chairman)

William E. Hoover Jr.
(Deputy chairman)

Hélène Barnekow

Wolfgang Reim

Ronica Wang

Carsten Krogsgaard Thomsen

Martin Arthur de Julienhort Hartvigsen
(Employee elected)

Steen Bay Smidt
(Employee elected)

Kim Ziersen Jakobsen
(Employee elected)

Independent auditor's report

To the shareholder of GN Audio A/S

Opinion

We have audited the financial statements of GN Audio A/S for the financial year 1 January – 31 December 2017, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, March 13, 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender State Authorised Public Accountant MNE no.: mne21332	Jens Thordahl Nøhr State Authorised Public Accountant MNE no.: mne32212

Management's report

Company details

Company	GN Audio A/S Lautrupbjerg 7 2750 Ballerup	
	Phone:	45 75 00 00
	Fax:	45 75 88 89
	Webpage:	www.jabra.com
	CVR.no.:	15 06 95 11
	Started:	30 August 1967
	Location:	Ballerup
	Accounting year:	1 January – 31 December
Board of Directors	Per Wold-Olsen (Chairman) William E. Hoover Jr. *(Deputy Chairman)* Hélène Barnekow Wolfgang Reim Ronica Wang Carsten Krogsgaard Thomsen Martin Arthur de Julienhort Hartvigsen *(Employee elected member)* Steen Bay Smidt *(Employee elected member)* Kim Ziersen Jakobsen *(Employee elected member)*	
Executive management	René Svendsen-Tune, CEO Peter Gormsen, CFO	
Auditors	Ernst & Young, Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4 2000 Frederiksberg	
Ownership	The company is 100% owned by GN Store Nord A/S, Lautrupbjerg 7, 2750 Ballerup, Denmark.	

Management's report

Financial highlights

DKK '000	2017	2016	2015	2014	2013*
Highligths					
Revenue	3.075.930	2.787.771	2.522.047	2.317.067	2.093.193
Gross Profit	1.331.367	1.234.877	1.040.224	1.025.909	893.129
EBITA **	578.763	563.648	411.635	440.140	393.839
Operating profit (loss)	577.481	563.648	411.635	440.140	393.839
Profit (loss) from financial income and expenses	369	(10.269)	(2.043)	8.824	37.657
Profit (loss) for the year	457.203	431.652	326.953	341.704	385.044
Non-current assets	1.638.009	1.608.191	1.488.597	613.686	578.011
Current assets	1.738.089	3.052.923	2.831.883	2.400.279	1.929.135
Total Assets	3.376.098	4.661.114	4.320.480	3.013.965	2.507.146
Share capital	34.103	34.006	33.886	33.648	33.394
Total equity	1.586.306	3.103.763	2.641.939	2.274.133	1.921.464
Non-current liabilities	913.000	912.090	909.591	117.902	92.461
Current liabilities	876.792	645.261	768.950	621.930	493.221
Investments in tangible assets	36.524	22.346	33.886	32.239	20.819
Cash flow from operating activities	548.822	635.097	441.249	601.481	-
Key ratios in %					
EBITA margin	18,8	20,2	16,3	19,1	18,8
Gross margin	43,3	44,3	41,2	44,3	42,7
ROIC	20,6	17,0	14,3	15,7	18,1
Equity ratio	47,0	66,6	61,1	76,7	76,6
Return on Equity (ROE)	19,5	15,0	13,3	17,8	22,2

* Financial ratios for 2013 have not been restated in accordance with IFRS.

** Excluding amortization of acquired intangible assets but including amortization of development projects and software developed in-house.

Management's report

Business development

Principal activities of the Company
Through its Jabra brand, GN Audio 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 Audio's consumer and enterprise divisions produce corded and wireless communication and audio solutions that empower individuals and businesses through increased freedom of movement, comfort and functionality. GN Audio employs approximately 1,065 people worldwide.

Development in activities and financial matters
GN Audio's revenue for 2017 ended at DKK 3,076 mill, which is a growth of 10% compared to 2016.

GN Audio executed successfully on the 2017 – 2019 strategy – Hear More, Do More, Be More. In 2017, GN Audio delivered strong growth in both revenue and EBITA margin. The development was the result of a leading product portfolio and best-in-class commercialization. Following a successful 2017, GN Audio is well-positioned to take advantage of the current strong momentum and stay ahead of competition.

In the consumer market, GN Audio continued to take important steps toward repositioning the consumer business. A key milestone in the year was the broad success of Jabra Elite Sport, which has shown a tremendous impact in the market and already positioned Jabra as the second-largest player in the global market for true wireless earbuds.

GN Audio's strategy for 2017 - 2019: Hear More, Do More, Be More was announced in September 2016. It builds on three cornerstones: Innovation Excellence, Commercial Excellence and People Excellence. This will be the foundation for GN Audio's continued strong profitable growth.

During the year, GN Audio has emphasized The Power of Conversation. The campaign was launched to highlight GN Audio's ability to empower people with the right headset technology for their needs, which can significantly boost their productivity, improve customer relations and drive efficiency.

GN Audio is persistently investing in sales and marketing in order to continue to deliver attractive revenue growth.

Throughout 2017, the CC&O market conditions were favorable and solid as expected, driven in particular by the Unified Communications market. GN Audio expects that the market for UC solutions will expand in the coming years from mostly covering large enterprises to also reaching small and medium-sized enterprises. In recent years, GN Audio has performed well delivering intelligent audio solutions to larger corporations implementing UC solutions.

GN Audio delivered a gross profit margin of 43%, (44% in 2016). Profit for the year ended at DKK 457 mill. compared to DKK 432 mill. in 2016 and the cash flow from operating and investing activities on DKK 375 mill. compared to DKK 406 mill. in 2016.

The result is in alignment with the expectations for 2017, and management assess the result as satisfying.

Market development
Following significant investments in the further expansion of UC software deployment during 2016, the overall CC&O market showed solid growth rates in 2017 and the market continues to develop favorably. GN Audio expects that the market trend will continue beyond 2017, creating a solid foundation for continued growth.

Long-term growth in the CC&O market is supported by the expected further adoption of UC, driven by proliferation of software-based desktop communications clients, productivity benefits, including hands-free communications and an efficient work environment with a growing number of open workspaces.

Risk management

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

The global management teams in GN Audio subsequently evaluates the most significant risks to determine whether any additional or different actions should be taken in order to mitigate them or potentially turn them into opportunities.

At least once a year, the risks assessed to be the most material are reported to and discussed with the audit committee and subsequently the Board of Directors. The overall aim of this integrated approach to risk management is to enable GN to reap the rewards of more coordinated, informed and intelligent risk-taking.

The process is linked to other key planning processes, such as budgeting and strategic planning, in order to ensure that key risks are proactively managed.

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

General risks

GN Audio A/S' significant operating risk is linked to its ability to develop innovative new products in a cost effective platform and the ability to sell these products in key markets.

Financial risk

GN Audio A/S is as a result of its operating, investing and financing activities exposed to various financial risks. GN Group has centralized the management of financial risks.

The financial risks are handled in accordance with the general guidelines for financial risk management, as set out in GN Store Nord's fiscal policy.

The financial risks of GN Audio A/S can be outlined as follows:

Currency exposure risk

GN Audio A/S has commercial activities mainly exposed against fluctuations in USD, GBP, CNY and JPY. The company use hedging to cover all material currency risks on the expected cash flows.

Interest rate risk

GN Audio has no interest-bearing debt but net positive cash positions. Changes in interest rates are not expected to have any material effect on earnings.

Risks associated with distribution

GN Audio constantly seeks to maintain an optimal inventory level that balances the desire for low working capital with the risk that the company cannot meet market demand.

GN Audio closely monitor the credit risks relating to receivables and thus the customers' payment behavior and assesses not to have significant credit risks concerning individual customers or business partners.

Corporate Social Responsibility

For the statutory Statement on Corporate Social Responsibility for 2017, cf. §99a of the Danish Financial Statement Act, please see the 2017 Communication on Progress report by GN Store Nord

A/S available on http://www.gn.com/-/media/Files/Document-Download-Center/Corporate-responsibility/COP2017.pdf.

Environment
As a part of GN Store Nord, GN Audio A/S follows the guidelines of the group. GN continues to decrease its electricity spending while investing in sustainable initiatives.

People
Developing talents of today into tomorrow's leaders is important to continue the group's growth. Our mentoring program is a strategic development activity, which aims at developing high performers and grow a leadership pipeline.
GN has initiated global mentorship programs in 2017. One program focuses on our young talents who are part of our graduate program and another on growing mid-level managers into more senior management positions.

Business ethics
GN's commitment to business ethics and compliance with international regulation and internal policies is anchored in our ethics guide, our code of conduct and other internal guidelines. These outline the fundamental requirements for how GN operates and describe the responsibilities and ethical standards expected of all employees and relevant business partners. To ensure and document employees' familiarity with the code of ethics and key policies at all times, relevant employees electronically sign off on their compliance within specific areas and take GN's e-learning courses within anti-corruption and competition compliance on a regular basis. This is supplemented with face-to- face compliance training for selected groups of employees.

Operations
Carefully selected subcontractors manufacture all of GN Audio's hardware, and components are sourced from trustworthy suppliers. GN Audio is working with a small number of tier-one manufacturers, supported by more than 100 sub-suppliers, in order to produce the comprehensive variety of products in the portfolio.

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

Research and development activities
Throughout 2017, GN Audio's product development focused on cementing Jabra's position as the world leader within professional headsets through the core competencies of wireless technology and intelligent audio solutions. As exemplified by the recent launches of Jabra Speak 710, Jabra Evolve 75, Jabra Evolve 75e and the upgraded Jabra Elite Sport, the innovation in headsets and earbuds continued with high pace, based on extensive research into customer needs and sharp focus on delivering outstanding user benefits.

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

Corporate Governance
The Board of Directors believes that diversity strengthens any governing body and acknowledges the importance of diversity in general, including diversity of gender, nationality and competencies.

In 2017, the Board of Directors reached its goal to see two women out of six elected for the Board by the end of 2017. As communicated in last year's annual report, the Board of Directors aims to have three female board members by the end of 2020.

Currently, women fill 19% of the company's senior management positions. This development is the result of dedicated efforts since GN's diversity policy was established in 2014, when women filled 14% of the company's senior management positions – an increase in actual numbers of 35%.

At the top leadership level – called the Global Management Teams – women leaders now constitute 14% in GN Audio (11% in 2014).

GN had aimed for 25% women in senior management positions in 2017. It is still management's firm goal to reach this target during the implementation of the 2017 - 2019 strategy, and GN will continue to strengthen efforts to build a pipeline of future female candidates. For members of the Global Management Teams, it will be part of their personal bonus programs in 2018 to achieve a goal of one third of their senior leaders being women.

Furthermore, to achieve our goals, we ensure that diversity – encompassing gender, nationality, competencies, etc. – is an integral part of GN's yearly talent review and succession planning process, of talent development practices, recruitment procedures, leadership development programs and mentor programs. Accordingly, in GN's graduate program more than half are women, and in GN's mentor program 47% of the mentees are women – both constituting an over-representation of women compared to the gender distribution in the company as a whole.

Finally, the wording and visual identity in recruitment activities on social media and other channels are ongoing designed to best attract female candidates, and when external recruiters or headhunters are used, it is GN's requirement that viable female candidates are presented for any position.

Events after the balance sheet date

No events have happened during the period after the balance sheet date that have a material impact on the assessment of the company's financial position at the balance sheet date.

Outlook 2018

In 2018, GN Audio expects to deliver more than 7% organic growth and to continue the solid growth momentum experienced during 2017, based on strong execution of the initiatives launched under the 2017 – 2019 strategy.

GN Audio expects the EBITA margin to be more than 17% in 2018 and to continue to benefit from operational leverage on the back of expected revenue growth and improved product mix, however partly offset by investments in future growth opportunities.

Key Ratios

The Key ratios stated in the financial highlights have been calculated accordingly:

EBITA Margin	$\frac{\text{Operating profit (loss)}*100}{\text{Revenue}}$
Gross Margin	$\frac{Gross\ profit\ (loss)*100}{Revenue}$
Return on invested capital (ROIC)	$\frac{Operating\ profit\ (loss)*100}{Average\ invested\ capital}$
Equity Ratio	$\frac{Total\ equity*100}{Total\ assets}$
Return on Equity (ROE)	$\frac{Profit\ (loss) for\ the\ year*100}{Average\ equity}$

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.

INCOME STATEMENT

DKK '000	Note	2017	2016
Revenue	2.1	3,075,930	2,787,771
Production costs	3.3, 3.6	(1,744,563)	(1,552,894)
Gross profit		1,331,367	1,234,877
Development costs	3.3	(230,628)	(203,996)
Selling and distribution costs	3.3	(367,631)	(332,363)
Management and administrative expenses	3.3, 5.4	(151,985)	(132,350)
Other operating income and costs, net		(2,360)	(2,520)
EBITA *)		578,763	563,648
Amortization of acquired intangible assets	2.5, 3.3	(1,282)	-
Operating profit (loss)		577,481	563,648
Financial income	4.2	60,088	47,867
Financial expenses	4.2	(59,719)	(58,136)
Profit (loss) before tax		577,850	553,379
Tax on profit (loss)	2.3	(120,647)	(121,727)
Profit (loss) for the year		457,203	431,652
Proposed profit appropriation/distribution of loss			
Retained earnings		431,683	(1,776,807)
Transfer to Reserve for capitalized development projects		25,520	208,459
Proposed dividends for the year		-	2,000,000
		457,203	431,652

STATEMENT OF COMPREHENSIVE INCOME

DKK '000	Note	2017	2016
Profit (loss) for the year		457,203	431,652
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Adjustment of cash flow hedges		(4,454)	(429)
Foreign exchange adjustments, etc.		-	-
Tax relating to these items of other comprehensive income	2.3	980	94
Other comprehensive income for the year, net of tax		(3,474)	(335)
Total comprehensive income for the year		453,729	431,317

*) Excluding amortization of acquired intangible assets but including amortization of development projects and software developed in-house.

BALANCE SHEET AT DECEMBER 31

DKK '000	Note	2017	2016
ASSETS			
Intangible assets	3.1	380,195	351,818
Property, plant and equipment	3.2	65,325	54,627
Investments in subsidiaries	3.4	1,186,301	1,182,351
Amounts owed by subsidiaries and group companies	4.1	6,188	19,395
Total non-current assets		1,638,009	1,608,191
Inventories	3.5	315,350	247,713
Trade receivables	3.6, 4.1	122,908	132,340
Amounts owed by subsidiaries and group companies	4.1	1,205,231	2,654,227
Tax receivables		15,005	-
Other receivables	4.1	11,533	18,540
Cash and cash equivalents		68,062	103
Total current assets		1,738,089	3,052,923
Total assets		3,376,098	4,661,114
EQUITY AND LIABILITIES			
Share capital		34,103	34,006
Other reserves		446	3,920
Reserve for capitalized development projects		233,979	208,459
Proposed dividend for the year		-	2,000,000
Retained earnings		1,317,778	857,378
Total equity		1,586,306	3,103,763
Provisions	3.7	22,644	16,954
Deferred tax liabilities	2.3	57,515	43,969
Amounts owed to subsidiaries and group companies	4.1	832,841	851,167
Total non-current liabilities		913,000	912,090
Bank loans	4.1	-	3,464
Trade payables	4.1	331,474	354,400
Tax payables		-	29,989
Amounts owed to subsidiaries and group companies	4.1	378,263	132,175
Provisions	3.5	7,045	5,787
Other payables		160,010	119,446
Total current liabilities		876,792	645,261
Total equity and liabilities		3,376,098	4,661,114

STATEMENT OF CASH FLOW

DKK '000	Note	2017	2016
Operating activities			
Operating profit (loss)		577,481	563,648
Depreciation, amortization and impairment	3.3	128,692	115,053
Other non-cash adjustments	5.3	46,306	5,297
Cash flow from operating activities before changes in working capital		752,479	683,998
Change in inventories		(92,391)	(31,547)
Change in receivables		15,045	49,181
Change in trade payables and other payables		13,186	6,877
Total changes in working capital		(64,160)	24,511
Cash flow from operating activities before financial items and tax		688,319	708,509
Interest and dividends, etc., received		7,864	122
Interest and dividends etc. paid		(629)	(583)
Tax paid, net		(146,732)	(72,951)
Cash flow from operating activities		548,822	635,097
Investing activities			
Investments in intangible assets, excluding development projects		(5,196)	(78,751)
Development projects		(132,330)	(128,465)
Investments in property, plant and equipment		(36,524)	(22,346)
Amounts owed by Subsidiaries		1,462,203	-
Acquisition of companies/operations		(3,950)	-
Cash flow from investing activities		1,284,203	(229,562)
Cash flow from operating and investing activities (free cash flow)		1,833,025	405,535
Financing activities			
Increase/(decrease) of short-term loans	4.3	(3,464)	(606)
Paid dividends		(2,000,000)	-
Share-based payment (exercised)		17,240	20,670
Amounts owed to subsidiaries	4.3	221,158	(425,524)
Cash flow from financing activities		(1,765,066)	(405,460)
Net cash flow		67,959	75
Cash and cash equivalents, beginning of period		103	28
Cash and cash equivalents, end of period		68,062	103

STATEMENT OF EQUITY

DKK '000	Share capital (shares of DKK 100 each)	Hedging reserve	Reserve for capitalized development costs	Proposed dividends for the year	Retained earnings	Total equity
Balance sheet total at January 1, 2016	33,886	4,255	-	-	2,603,798	2,641,939
Profit (loss) for the period	-	-	-	-	431,652	431,652
Adjustment of cash flow hedges	-	(429)	-	-	-	(429)
Foreign exchange adjustments, etc.	-	-	-	-		-
Tax relating to other comprehensive income	-	94	-	-		94
Total comprehensive income for the year	-	(335)	-	-	431,652	431,317
Increase of share capital	120	-	-		20,550	20,670
Share-based payment (granted)	-	-	-	-	9,327	9,327
Tax related to share-based incentive plans	-	-	-	-	510	510
Proposed dividend for the year				2,000,000	(2,000,000)	
Reserve for capitalized development projects			208,459		(208,459)	
Balance sheet total at December 31, 2016	34,006	3,920	208,459	2,000,000	857,378	3,103,763
Profit (loss) for the period	-	-	-	-	457,203	457,203
Adjustment of cash flow hedges	-	(4,454)	-	-	-	(4,454)
Tax relating to other comprehensive income	-	980	-	-		980
Total comprehensive income for the year	-	(3,474)	-	-	457,203	453,729
Increase of share capital	97	-	-	-	17,143	17,240
Share-based payment (granted)	-	-	-	-	7,192	7,192
Tax related to share-based incentive plans	-	-	-	-	4,382	4,382
Paid dividend for the year	-	-	-	(2,000,000)		(2,000,000)
Reserve for capitalized development projects	-	-	25,520	-	(25,520)	-
Balance sheet total at December 31, 2017	34,103	446	233,979	-	1,317,778	1,586,306

The share capital has increased by kDKK 205 in 2013, kDKK 254 in 2014, kDKK 238 in 2015, kDKK 120 in 2016 and kDKK 97 in 2017.

§ Accounting policies

Reserve for capitalized development costs

The reserve for development costs comprise GN Audio's development costs corresponding to the carrying amount of development cost capitalized since 1 January 2016 net of tax. The reserve is non distributable and cannot be used to cover deficit. The reserve is dissolved upon disposal of the development cost either by sale or if the development cost is no longer part of the entity's operation. The reserve will then be transferred to the distributable reserves. The reserve will be reduced and the distributable reserves increased concurrently with either depreciation or write-downs.

SECTION 1

Basis of preparation

In the annual report the notes are grouped in sections. Each note include the accounting policies and significant accounting estimates applicable to the relevant notes. The description of the accounting policies in the notes is part of the complete description of GN Audio's accounting policies. The notes are grouped in these five sections:

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

Included in Section 1 are required disclosures and general accounting policies, including management's judgments and estimates under International Financial Reporting Standards (IFRS), relevant for the understanding of the basis of preparation of the separate financial statements of GN Audio A/S.

GN Audio A/S is part of GN Store Nord's consolidated Annual Report and does therefore not prepare consolidated financial statements for GN Audio A/S - Group.

1.1 GENERAL ACCOUNTING POLICIES

The annual report of GN Audio for 2017 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Danish Financial Statement Act of listed companies.

The financial statements are presented in Danish kroner (DKK), rounded to the nearest DKK 1,000. The Company's functional currency is DKK.

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 Audio has adopted all the relevant new and revised International Financial Reporting Standards and IFRIC Interpretations effective as of January 1, 2017. The new and revised Standards and Interpretations did not affect recognition and measurement materially nor did they result in any material changes to disclosures in the notes. Apart from these minor changes, the annual report is presented in accordance with the accounting policies applied in previous years' annual reports.

Accounting standards not yet adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, 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 Audio, are the following:

• IFRS 9 applies to annual periods beginning on or after January 1, 2018. IFRS 9 addresses the classification and measurement of financial assets and liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets. GN Audio A/S has reviewed the group's financial assets and liabilities which resulted in an immaterial impact on recognition and measurement from implementing IFRS 9. GN Audio A/S' use of hedge accounting will not be affected by implementing IFRS 9 and neither will the accounting for financial liabilities. The disclosures regarding classification of certain financial assets will change as financial assets will be classified as measured at either cost or fair value. Trade receivables will continue to be measured at amortized cost. When measuring loss allowances, GN Audio A/S will apply the simplified approach on trade receivables and record lifetime expected credit losses on all trade receivables. IFRS 7 require additional disclosure in the Annual report 2018.

• IFRS 15 applies to annual periods beginning on or after January 1, 2018. IFRS 15 introduces a five-step model for recognizing revenue from contracts with customers. During 2017, GN Audio A/S has performed an analysis of contracts with customers and concluded, that revenue recognition will not be impacted significantly from implementing IFRS 15. GN Audio A/S currently recognizes revenue when the risk and rewards of ownership of the products are transferred to the customer. After the implementation of IFRS 15 revenue will be recognized when control of the products has been transferred to the customer. Based on the analysis of contracts with customers this will not change the timing of revenue recognition.

According to current practice the value of extended warranties are recognized over the extended warranty period. After the implementation of IFRS 15 the transaction price in a sales transaction will be allocated to the promised goods and services based on stand-alone selling prices and revenue will be recognized when (or as) GN Audio A/S satisfies the performance obligations. This will not affect the revenue recognition of extended warranties. When goods are sold with a right of return, a refund liability (contract liability) and a right to the returned products (contract asset) will be recognized as a provision and a current asset, respectively. As this is in line with current practice, it will not result in any changes to the balance sheet.

The new standard will require additional disclosures regarding revenue recognition in the Annual Report and i.e. opening and closing balances of contract liabilities, as well as revenue recognized during the year from changes in contract liabilities, are expected to be disclosed in a new note. GN Audio A/S's current disaggregation of revenue in segments and geography will not change due to the implementation of IFRS 15.

• IFRS 16 applies to periods beginning on or after January 1, 2019. The effects of the standard have not yet been analyzed in detail and the financial impact of the new standard will depend on the lease agreements in effect at the time of adoption. However, it is expected that EBITA will increase with the so-called implicit lease interest rate. This is due to lease payments from operating leases that will be replaced by depreciation included above EBITA and a calculated interest included in financial items. EBITDA is therefore also expected to increase with an amount equal to the operating lease payments.

Net Interest Bearing Debt is expected to increase with the present value of recognized lease liabilities. Invested capital is expected to increase with the value of the lease assets measured initially as the present value of the recognized leasing liabilities. Return on invested capital is expected to be affected slightly negative as the return on the leased assets to be included in invested capital, in the form of an increase in EBITA with the implicit lease interest rate, are expected to be lower than the ROIC. The ratio NIBD/EBITDA is expected to increase slightly as NIBD is expected to increase more than EBITDA compared to the current ratio between NIBD and EBITDA.

Free cash flow is expected to increase as the major part of the lease payments will be included under financing activities instead of under operating activities.

GN Audio A/S expects to adopt the mentioned standards and interpretations as of the effective dates.

Revenue

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

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 Company's development activities. Furthermore, amortization and write-down of capitalized development projects are included.

Selling and Distribution Costs

Selling and distribution costs comprise costs relating to the sale and distribution of products and services, including salaries, sales commissions, advertising and marketing costs, depreciation and impairment, etc. Also included are losses on trade receivables.

Management and Administrative Expenses

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

Other Operating Income and Costs

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

! Significant accounting estimates

Revenue Recognition

Significant accounting estimates and judgments involve determining the portion of expected returns of goods. The portion of goods sold that is expected to be returned is estimated based on historical product returns data.

GENERAL ACCOUNTING POLICIES

Foreign Currency Translation

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

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

Cash Flow Statement

The cash flow statement is presented using the indirect method based on the operating profit (loss). The cash flow statement shows the cash flow from operating, investing and financing activities for the year and the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and end of the year.

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

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

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

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

1.2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The recognition of certain items of income and expenses and the determination of the carrying amount of certain assets and liabilities implies making accounting estimates and judgments. Significant accounting estimates and judgments comprise revenue recognition, computation of amortization, depreciation and impairment, useful lives and remaining useful lives of non-current assets. Furthermore, recognition of non-current obligations, provisions, contingent assets and liabilities as well as measurement of investment in associates recquires significant accounting estimates and judgments.

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

A description of significant accounting estimates and judgments is included in the relevant notes:
2.3 Tax
3.1 Intangible assets
3.4 Investment in subsidiaries
3.5 Inventories
3.6 Trade receivables
3.7 Provisions
5.5 Contingent liabilities, other financial liabilities and contingent assets

1.3. NON-IFRS MEASURES

This Annual Report includes financial measures which are not defined by IFRS. These measures are included because they are used to analyse and managed the business and to provide GN Audio A/S's management and stakeholders with useful information on the company's financial position, performance and development. Please refer to Keyratio definitions for a definition of the measures.

2.1 GEOGRAPHICAL INFORMATION

	Revenue		Intangible assets and property, plant	
DKK '000	2017	2016	2017	2016
Denmark	138,962	103,435	386,545	360,422
Rest of Europe	1,459,823	1,307,439	-	-
North America	1,036,706	918,654	-	-
Asia and rest of world	440,439	458,243	58,975	46,023
Consolidated Total	3,075,930	2,787,771	445,520	406,445

Revenues are attributed to countries on the basis of the customer's location. Intangible assets and property, plant and equipment are attributed based on the physical location of the assets. Only the US (included under the headline North America) represents a material single country.

Revenue are in all material aspects related to sale of goods; headsets and other audio solutions.

2.2 STAFF COSTS

DKK '000	2017	2016
Wages, salaries and remuneration	(278,677)	(278,549)
Pensions	(18,294)	(17,447)
Other social security costs	(3,359)	(2,859)
Share-based payments	(7,192)	(9,327)
Total	(307,522)	(308,182)
Included in:		
Production costs	(29,027)	(25,804)
Development costs	(117,176)	(118,836)
Selling and distribution costs	(112,993)	(116,213)
Management and administrative expenses	(48,326)	(47,329)
Total	(307,522)	(308,182)
Average number of employees	313	334
Number of employees, year-end	345	335
The full-year remuneration of the Board of Directors	1,125	1,125

Executive Management remuneration can be specified as follows:

	2017				2016			
DKK '000	Fixed salary	Bonus	Share-based payments	Total	Fixed salary	Bonus	Share-based payments	Total
René Svendsen-Tune, CEO of GN Audio from April 1, 2015	(6,036)	(5,350)	(2,305)	(13,691)	(5,748)	(3,295)	(1,428)	(10,471)
Peter Gormsen, CFO of GN Audio from December 1, 2015	(2,210)	(820)	(200)	(3,230)	(2,295)	(396)	(86)	(2,777)
Total	(8,246)	(6,170)	(2,505)	(16,921)	(8,043)	(3,691)	(1,514)	(13,248)

The total remuneration of the Executive Management is based on the “General Guidelines for Incentive Pay to Management”, as adopted at GN´s Annual General Meeting. The total remuneration of the Executive Management increased by 14% or kDKK 1,650 from 2016 to 2017.

Remuneration of the Executive Management is based on a fixed base salary, participation in GN Store Nord's warrant-based long-term incentive program and a target bonus of 50% of the base salary with a potential to underperform or outperform the target leading to an effective potential bonus range of 0 - 100% of the base salary. The Executive Management´s bonus is based on three parameters in light of the company's focus areas. René Svendsen-Tune’s and Peter Gormsen's bonus is subject to the performance of GN Audio’s EBITA, GN Audio’s revenue and individual performance targets. The Company 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.

Members of the Board of Directors receive a fixed remuneration as approved by the shareholders at the GN Store Nord Annual General Meeting on March 14, 2017. 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 Hearing A/S and GN Audio A/S.

Group-wide total remuneration to members of the Executive Management and the Board of Directors, who also serve as members of the Executive Management and the Board of Directors of GN Store Nord A/S, is disclosed in note 5.3 in the consolidated financial statements of GN Store Nord A/S.

2.3 TAX

TAX ON PROFIT (LOSS)

DKK '000	2017	2016
Tax on profit (loss)		
Current tax for the year	(113,041)	(109,296)
Deferred tax for the year	(7,295)	(11,978)
Withholding tax	-	(117)
Adjustment to current tax with respect to prior years	9,921	484
Adjustment to deferred tax with respect to prior years	(10,232)	(820)
Total	(120,647)	(121,727)
Reconciliation of effective tax rate		
Danish tax rate	22.00%	22.00%
Non-taxable income	-(1.51%)	-(0.43%)
Non-deductable expenses	0.34%	0.35%
Withholding tax	(0.00%)	(0.02%)
Adjustment of tax with respect to prior years	0.05%	0.06%
Effective tax rate	20.88%	22.00%
Tax relating to other comprehensive income		
Adjustment of cash flow hedges	980	94
Foreign exchange adjustments, etc.	-	-
Total	980	94

DEFERRED TAX

DKK '000	2017	2016
Deferred tax, net		
Deferred tax at January 1, net	(43,969)	(31,265)
Adjustment with respect to prior years	(10,232)	(820)
Deferred tax for the year recognized in profit (loss) for the year	(7,294)	(11,978)
Deferred tax for the year recognized in other comprehensive income for the year	980	94
Tax related to share-based incentive plans	3,000	-
Deferred tax at December 31, net	(57,515)	(43,969)
Deferred tax, net relates to:		
Intangible assets	(76,387)	(64,487)
Property, plant and equipment	9,504	8,700
Provisions	6,486	2,998
Other	2,882	8,820
Total	(57,515)	(43,969)

Deferred tax, net includes DKK 8 million expected to be utilized within 12 months.

§ Accounting policies

Tax on Profit (Loss) for the year

GN Audio A/S is jointly taxed with the parent company GN Store Nord A/S and all it`s Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

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

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

Deferred tax

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized at the expected value of their utilization, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction. Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is not recognized on goodwill unless this is deductible for tax purposes. Deferred tax is measured according to the tax rules and at the tax rates applicable 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 is obtained as a result of share-based payment programs, the tax benefit for the deduction is recognized directly in the balance sheet. Deferred tax assets are subject to annual impairment tests and are recognized only to the extent that it is probable that the assets will be utilized.

! Significant accounting estimates

Deferred tax

Management has made judgments in determining the Company's provisions for tax, deferred tax assets and deferred tax liabilities and the extent to which deferred tax assets are recognized. GN Audio recognizes deferred tax assets only to the extent that it is probable that taxable profit will be available against which the temporary differences and unused tax losses can be utilized.

2.4 INCOME STATEMENT CLASSIFIED BY FUNCTION

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

DKK '000	2017	2016
Revenue	3,075,930	2,787,771
Production costs	(1,744,563)	(1,552,894)
Gross profit	1,331,367	1,234,877
Development costs	(231,910)	(203,996)
Selling and distribution costs	(367,631)	(332,363)
Management and administrative expenses	(151,985)	(132,350)
Other operating income and costs, net	(2,360)	(2,520)
Operating profit (loss)	577,481	563,648

In the above income statement amortization of acquired intangible assets has been allocated to functions as follows:

Development costs	(1,282)	-
Amortization of acquired intangible assets	(1,282)	-

SECTION 3

Operating assets and liablities

3.1 INTANGIBLE ASSETS

DKK '000	Goodwill	Patents and rights	Development projects, developed in-house	Software	Total
Cost at January 1	106,369	9,496	648,000	48,681	812,546
Additions	-	-	132,330	5,196	137,526
Disposals	-	(286)	(683)	(18,460)	(19,429)
Cost at December 31	106,369	9,210	779,647	35,417	930,643
Amortization and impairment at January 1	(37,418)	(5,650)	(380,745)	(36,915)	(460,728)
Amortization	-	(1,282)	(97,688)	(4,676)	(103,646)
Impairment	-	-	(1,241)	-	(1,241)
Disposals	-	286	-	14,881	15,167
Amortization and impairment at December 31	(37,418)	(6,646)	(479,674)	(26,710)	(550,448)
Carrying amount at December 31, 2017	68,951	2,564	299,973	8,707	380,195
Cost at January 1	37,418	5,766	544,475	54,345	642,004
Additions	68,951	3,846	128,465	5,954	207,216
Disposals	-	(116)	(24,940)	(11,618)	(36,674)
Cost at December 31	106,369	9,496	648,000	48,681	812,546
Amortization and impairment at January 1	(37,418)	(5,766)	(321,577)	(35,757)	(400,518)
Amortization	-	-	(83,213)	(8,667)	(91,880)
Impairment	-	-	(895)		(895)
Disposals	-	116	24,940	7,509	32,565
Amortization and impairment at December 31	(37,418)	(5,650)	(380,745)	(36,915)	(460,728)
Carrying amount at December 31, 2016	68,951	3,846	267,255	11,766	351,818

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

The carrying amount of development projects and software in progress amount to DKK 171 million (2016: DKK 166 million).

Development projects and software

In-progress and completed development projects comprise development and design of headsets and other hands free audio solutions. Most development projects are expected to be completed in 2018 and 2019, after which product sales and marketing are expected to 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 2017, management assessed that the expected useful lives were reflected in the carrying amounts at December 31, 2017.

§ Accounting policies

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

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

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

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

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

Impairment of in-process development projects

An impairment loss is recognized if the carrying amount of an asset or its cash-generating uni exceeds the recoverable amount of the asset or the the cash generating unit.

! Significant accounting estimates

Development projects

Development projects are measured at cost less accumulated amortization and impairment. An impairment test is performed of the carrying amount of recognized development projects. The impairment test is based on assumptions regarding strategy, product life cycle, market conditions, discount rates and budgets, etc., after the project has been completed and production has commenced. If market-related assumptions etc., are changed, development projects may have to be written down. Management examines and assesses the underlying assumptions when determining whether or not the carrying amount should be written down. In addition, management continously assess the useful lives of its products to ensure that amortization of development projects reflects the useful lives.

3.2 PROPERTY, PLANT AND EQUIPMENT

DKK '000	Plant and machinery	Operating assets and equipment	Assets under construction	Total
Cost at January 1	119,471	28,275	20,215	167,961
Additions	-	4,012	32,512	36,524
Disposals	(1,369)	(10,586)	-	(11,955)
Transfers	22,858	-	(22,858)	-
Cost at December 31	140,960	21,701	29,869	192,530
Depreciation and impairment at January 1	(93,762)	(19,572)	-	(113,334)
Depreciation	(19,458)	(4,347)	-	(23,805)
Impairment	-	-	-	-
Disposals	1,369	8,565	-	9,934
Depreciation and impairment at December 31	(111,851)	(15,354)	-	(127,205)
Carrying amount at December 31, 2017	29,109	6,347	29,869	65,325
Cost at January 1	131,911	26,722	9,680	168,313
Additions	-	1,875	20,471	22,346
Disposals	(22,376)	(322)	-	(22,698)
Transfers	9,936	-	(9,936)	-
Cost at December 31	119,471	28,275	20,215	167,961
Depreciation and impairment at January 1	(98,148)	(15,607)	-	(113,755)
Depreciation	(17,953)	(4,287)	-	(22,240)
Impairment	(37)	-	-	(37)
Disposals	22,376	322	-	22,698
Depreciation and impairment at December 31	(93,762)	(19,572)	-	(113,334)
Carrying amount at December 31, 2016	25,709	8,703	20,215	54,627

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

§ Accounting policies

Property, plant and Equipment

Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and costs of materials, components, suppliers, direct wages and salaries and indirect production costs until the date when the asset is available for use. 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:

Plant and machinery	1-7 years
Operating assets and equipment	2-7 years

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

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

3.3 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

DKK '000	2017	2016
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	(19,560)	(18,133)
Development costs	(101,668)	(86,579)
Selling and distribution costs	(2,159)	(6,318)
Management and administrative expenses	(4,023)	(4,023)
Amortization of acquired intangible assets	(1,282)	-
Total	(128,692)	(115,053)
Amortization of intangible assets is recognized in the income statement as follows:		
Production costs	(102)	(143)
Development costs	(98,349)	(83,867)
Selling and distribution costs	(2,154)	(6,312)
Management and administrative expenses	(1,760)	(1,559)
Total	(102,365)	(91,881)

No impairment of intangible assets is recognized in the income statement in 2017 or 2016.

3.4 INVESTMENTS IN SUBSIDIARIES

DKK '000	2017	2016
Cost at January 1	1,182,351	1,182,351
Additions, capital contribution	3,950	-
Cost at December 31	1,186,301	1,182,351

Group companies are listed on page 39.

No indications of impairment of investments in subsidiaries have been identified, and accordingly no impairment tests have been performed.

§ Accounting policies
Investments in subsidiaries in the parent company financial statements

Investments in subsidiaries are measured at cost. Investments are written down to the lower of cost and recoverable amount.

! Significant accounting estimates
Investments in subsidiaries

Management performs an annual test for indications of impairment of investments in subsidiaries. It is Management's assessment that no indications of impairment existed at year-end 2017. Impairment test have therefore not been made of subsidiaries.

3.5 INVENTORIES

DKK '000	2017	2016
Raw materials and consumables	15,511	13,730
Finished goods and merchandise	299,839	233,983
Total	315,350	247,713
The above includes write-downs amounting to	46,244	28,590
Write-downs recognized in the income statement under production costs	10,240	7,314
Production costs include costs of goods sold of	1,621,233	1,435,874

§ Accounting policies
Inventories

Inventories are measured at cost in accordance with the FIFO-principle.

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

Where the net realizable value is lower than cost, inventories are written down to this lower value. The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale.

! Significant accounting estimates
Measurement of inventories

The net realizable value of inventories is calculated based on the size of the inventory and decreases in the recoverable amount of purchased raw materials, technical obsolescence (e.g., faulty products), physical obsolescence (e.g. damaged products) and financial obsolescence (e.g., reduced demand or substituting products). GN Audio performs write-downs of inventories based on an individual assessment of products or product groups and expected product sales from 12 to 24 months following the balance sheet date.

3.6 TRADE RECEIVABLES

DKK '000	2017	2016
Trade receivables	122,908	132,340
Total	122,908	132,340
Trade receivables have the following maturities:		
Not due, nor impaired	108,842	122,313
Overdue, but not impaired:		
Due 30 days or less	14,429	9,841
Due more than 30 days but less than 90 days	861	219
Due more than 90 days	(1,224)	(33)
Total	122,908	132,340
Write-downs, which are included in total trade receivables, have developed as follows:		
Write-downs at January 1	(872)	(5,916)
Write-downs made during the year	(1,726)	(394)
Realized during the year	333	516
Reversed write-downs	-	4,922
Write-downs at December 31	(2,265)	(872)

Total write-downs of DKK 2.3 million are included in trade receivables at the end of 2017. In 2017 app. 0,3 MDKK have been recognized regarding individual receivables (2016: 0,5 MDKK). GN Audio's assessment of credit risk associated with individual receivables depends primarily on aging, change in customer payment behavior, current economic conditions etc. as described in significant accounting estimates. Based on past experience, GN Audio believes that no write-down is necessary in respect of trade receivables not past due.

No security has been pledged to GN Audio for trade receivables.

§ Accounting policies

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

! Significant accounting estimates

Measurement of trade receivables

If a customer's financial condition deteriorates, further write-downs may be required in future periods. In assessing the adequacy of write-downs for bad debt losses, Management specifically analyzes receivables, including doubtful debts, concentrations of credit risk, credit ratings, current economic conditions and changes in customers' payment behavior.

3.7 PROVISIONS

DKK '000	Warranty provisions	Other provisions	Total
Provisions at January 1	19,444	3,297	22,741
Additions	13,211	3,459	16,670
Consumed	(9,722)	-	(9,722)
Reversed	-	-	-
Provisions at December 31, 2017	22,933	6,756	29,689
Of which is recognized in the consolidated balance sheet:			
Non-current liabilities	15,888	6,756	22,644
Current liabilities	7,045	-	7,045
Provisions at December 31, 2017	22,933	6,756	29,689

Warranty provisions concern products sold. The warranty provision covers any defects in design, materials and workmanship for a period of 1-2 years from delivery and completion. Other provisions primarily include obligations regarding onerous contracts.

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

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

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

! Significant accounting estimates
Provisions
Warranty provisions are recognized based on historical and future warranty costs related to the Company's products. Future warranty costs may differ from past practices and the level of costs. The amount recognized as a provision is Management's best estimate of the expenses required to settle the obligation.

Agreement has been made with a number of the suppliers that the suppliers purchase components for the production of headsets based on sales estimates prepared by GN Audio. To the extent that GN Audio's actual purchases from suppliers are lower than sales estimates, GN Audio 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 Audio recognizes a provision for onerous purchase contracts.

4.1 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS

Foreign currency risk

GN Audio has exposure towards several foreign currencies in connection with commercial transactions. The overall objective of hedging GN Audio's currency exposure is to reduce the short-term impact of exchange rate fluctuations on earnings and cash flow, thereby increasing the predictability of the financial results. GN Audio hedges any significant currency risk, which in 2017 has been future income (long positions) in the GBP. Expected cash flows are continually assessed using budget and sales forecasts. GN Audio has not raised loans or placed surplus cash in foreign currency unless it has mitigated currency exposure.

GN Audio has several balance sheet items denominated in USD both to external and internal parties, which can also result in foreign exchange rate gains

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

DKK '000	2017	2016
Income statement	(5,641)	(4,619)
Other Comprehensive Income	-	-

The sensitivity analysis comprises cash and cash equivalents, current receivables, trade payables, current and non-current loans, current intercompany balances and derivative exchange rate instruments as of December 31, 2017. The effects of a change in foreign exchange rates related to these items would be included in financial items in the income statement. A change in the derivative exchange rate instruments used for hedging would be included in Other Comprehensive Income.

Interest rate risk

GN Audio is primarily funded by intercompany balances towards the holding company GN Store Nord A/S. Generaly, it is not the company policy to obtain any other external funding in GN Audio, execopt facilities used for working capital needs. Therefore, all interest rate hedging is done on a GN Store Nord level.

Funding, liquidity and capital structure

At December 31, 2017, GN Audio had an equity ratio of 47% (2016: 67%). GN Audio A/S is part of the GNSN Group and the capital structure policy is handled on a GN Store Nord level. GN Audio has primarely Intercompany balances as interest bearing balances.

Financial credit risk

Surplus cash positions in GN Audio’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 Audio conducts its day-to-day banking business and which have a satisfactory rating with Moody’s and Standard & Poor’s. GN Audio 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 Audio had cash and cash equivalents of DKK 68,062 million at December 31, 2017 (2016: DKK (3,361) million).

GN Audio is through cause of business exposed for financial risk. The financial risk except for the commercial risk, are governed by GN Store Nord. The financial risk are handled in accordance with global policies for financial risk governance, as described by GN Store Nord.

GN Audio has established policies for credit risk management related to customers including the use of credit rating agencies. Assessment of credit risks related to customers is further described in note 3.6 Trade receivables.

Contractual maturity analysis for financial liabilities

DKK million	Less than one year	Between one and five years	More than five years	Total
2017				
Amounts owed to subsidiaries and group companies	378,263	832,841	-	1,211,104
Short-term bank loans	-	-	-	-
Trade payables	331,474	-	-	331,474
Total non-derivative financial liabilities	709,737	832,841	-	1,542,578
Derivative financial liabilities	-	-	-	-
Total financial liabilities	**709,737**	**832,841**	**-**	**1,542,578**
2016				
Amounts owed to subsidiaries and group companies	132,175	851,167	-	983,342
Short-term bank loans	3,464	-	-	3,464
Trade payables	354,400	-	-	354,400
Total non-derivative financial liabilities	490,039	851,167	-	1,341,206
Derivative financial liabilities	-	-	-	-
Total financial liabilities	**490,039**	**851,167**	**-**	**1,341,206**

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

4.1 FINANCIAL RISKS AND FINANCIAL INSTRUMENTS *(continued)*

Categories of financial assets and liabilities

The financial assets and liabilities presented in the balance sheet can be grouped in the following categories:

DKK '000	2017	2016
Trade receivables	122,908	132,340
Amounts owed by subsidiaries and group companies	1,211,419	2,673,622
Other receivables	11,533	18,540
Loans and receivables	1,345,860	2,824,502
Amounts owed to subsidiaries and group companies	1,211,104	983,342
Bank loans	-	3,464
Trade payables	331,474	354,400
Financial liabilities measured at amortized cost	1,542,578	1,341,206

For financial assets and liabilities, the fair value is approximately equal to the carrying amount.

Derivative financial instruments

Exchange rate instruments

	2017			2016		
DKK '000	Contract amount, net	Fair value, assets	Fair value, liabilities	Contract amount, net	Fair value, assets	Fair value, liabilities
USD	-	-	-			-
GBP	108,935	1,198	-	126,359	5,699	47
CNY	-	-	-			-
Total	108,935	1,198	-	126,359	5,699	47

All exchange rate instruments mature within 12 months from the balance sheet date.

Fair value adjustments of cash flow hedges

DKK '000	2017	2016
Fair value adjustment for the year recognized in Other comprehensive income	(11,467)	(18,489)
Reclassified from equity to revenue during the year	7,013	13,452
Reclassified from equity to production costs during the year	-	4,608
Adjustment of cash flow hedges in Other comprehensive income	(4,454)	(429)
Fair value adjustment of cash flow hedges recognized in financial items	-	-

The gains and losses on cash flow hedges recognized in Other comprehensive income as of December 31, 2017 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.

Fair value hierarchy

The fair value of the exchange rate instruments are determined using quoted forward exchange rates, respectively at the balance sheet date and can be categorized as level 2 (observable inputs) in the fair value hierarchy.

§ Accounting policies

Derivative Financial Instruments

Derivative financial instruments are initially and subsequently recognized in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are recognized as other receivables and payables, respectively, and set-off of positive and negative values is only made when GN Audio 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.

Financial Liabilities

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

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

4.2 FINANCIAL INCOME AND EXPENSES

DKK '000	2017	2016
Financial Income:		
Interest income from subsidiaries*	11,137	29,239
Interest income from bank balances*	6	2
Financial income, other	-	63
Received Dividend from subsidiaries	36,018	10,847
Foreign exchange gain	12,927	7,716
Total	60,088	47,867
Financial expenses:		
Interest expense to subsidiaries*	(39,289)	(40,029)
Interest expense on bank balances*	(178)	(129)
Financial expenses, other	(459)	(455)
Fair value adjustments of derivative financial instruments and impairments	-	-
Foreign exchange loss, net	(19,793)	(17,523)
Total	(59,719)	(58,136)

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

GN Audio A/S has not included borrowing costs in the cost price of non-current assets as these are not financed with debt.

§ Accounting policies
Financial Income and Expenses

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

Dividend from investments in subsidiaries is recognised in the statement of comprehensive income in year of declaration.

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.

4.3 LIABILITIES FROM FINANCING ACTIVITIES

DKK '000	Bank loans, current	Amounts owed to Subsidiaries	Total
Liabilities at January 1	3,464	983,342	986,806
Cashflows	(3,464)	221,158	217,694
Foreign exchange adjustments	-	6,604	6,604
Liabilities at December 31, 2017	-	1,211,104	1,211,104

5.1 INCENTIVE PLANS

Warrants programs

GN Store Nord has warrant-based long-term incentive programs whereby the Executive Management and other senior employees are granted warrants linked to shares in GN Hearing or GN Audio. For members of the Executive Management the grant size can vary between 50-100% of their base salary.

Warrants granted will vest the day after the release of GN Store Nord's annual report in the third year after the grant. Vested warrants may be exercised during a four-week period opening each quarter of each of the third, fourth and fifth year after allocation. The quarterly four-week window will open following the release of an external Valuation Report concerning the value of the shares of GN Audio. Warrants vest when a set of overperformance criteria are met: The share value of GN Store Nord has increased and the share value of GN Hearing and GN Audio has outperformed a peer group index of competitors and industry indices during the same time period, as defined by the Board of Directors of GN Hearing and GN Audio, respectively. Warrants are granted at no consideration.

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

Warrants program, GN Audio

	Executive Management	Other employees	Total	Average exercise price
Warrants granted at January 1, 2016	538	6,836	7,374	24,555
Warrants granted during the year	1,192	2,875	4,067	22,507
Warrants exercised during the year		(1,201)	(1,201)	17,211
Warrants forfeited during the year/corrections		(533)	(533)	25,596
Outstanding warrants at December 31, 2016	1,730	7,977	9,707	24,549
Warrants granted during the year	666	2,208	2,874	28,934
Warrants exercised during the year		(971)	(971)	17,755
Warrants forfeited during the year/corrections		(2,378)	(2,378)	24,728
Outstanding warrants at December 31, 2017	2,396	6,836	9,232	26,587
Grant date market value of warrants granted in 2017 (DKK million)	3	11	14	
Market value of outstanding warrants at December 31, 2017 (DKK million)	26	73	99	

Average share price at exercise: DKK 32,134 (2016: DKK 22,204)

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

Grant date	Executive Management	Other employees	Total	% of GN Audio A/S	Number of exercisable warrants	Exercise price	Years to expiry	Market value in DKK million
March 2013	-	98	98	0.0%	98	17,797	0.8	2
March 2015	538	1,902	2,440	0.7%	-	30,600	2.8	18
March 2016	1,192	2,570	3,762	1.1%	-	22,495	3.8	49
August 2016	-	58	58	0.0%	-	23,308	3.8	1
March 2017	666	2,152	2,818	0.8%	-	28,794	4.8	29
May 2017	-	9	9	0.0%	-	36,781	4.8	-
December 2017	-	47	47	0.0%	-	35,824	4.8	-
Outstanding warrants at December 31, 2017	2,396	6,836	9,232	2.6%	98			99

5.1 INCENTIVE PLANS *(continued)*

Valuation model and assumption

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

Assumptions

	2017 year end GN Audio	Grant date 2017 GN Audio	2016 year end GN Audio	Grant date 2016 GN Audio
		161		134
		195		142
Share price GN Store Nord	200	198	146	0
		43%		38%
		46%		38%
Share of GN Store Nord market value	45%	45%	40%	
		28,794		22,495
		36,781		23,308
Share price	36,219	35,824	24,674	
		30%		27%
		28%		29%
Volatility	31%	30%	30%	
Dividend per share	0	0	0	0
		0.00%		0.00%
		0.00%		0.00%
Risk-free interest rate	0.00%	-(0.30%)	0.00%	
	0.9		0.8	
		5.7	1.8	5.7
	2.9	5.5	2.8	
	3.9		3.8	
Expected term (years)	4.9	4.9	4.8	

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

§ Accounting policies

Incentive plans

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

5.2 CONTINGENT LIABILITIES, OTHER FINANCIAL LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

Outstanding lawsuits

GN Audio and its subsidiaries are parties to various lawsuits, including various cases involving patent infringements. Apart from the cases described below, the outcome of cases pending is not expected to be of material importance to the Company's financial position.

Other financial liabilities

Security

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

Purchase obligations

GN Audio has agreed with a number of suppliers that the suppliers will purchase components for the production of headsets based on sales estimates prepared by GN Audio. To the extent that GN Audios sales estimates exceed actual purchases from suppliers, GN Audio 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 Audio recognizes a provision for onerous purchase contracts.

Contingent assets

Claim against Plantronics Inc.

In 2012, GN Audio Inc filed suit against Plantronics for attempted monopolization of the distributors' market in the US. During the discovery phase, GN learned of alleged intentional disctruction. A hearing on the matter was held on May 18, 2016, and on July 6, 2016, the Court issued a sanctions motion ordering Plantronics to pay USD 3 million to GN Audio Inc in punitive damages as well as reasonable fees and costs incurred in connection with the discovery dispute. Further, the Court reserved the right to issue additional evidentiary sanctions and it will instruct the jury that it may draw an adverse inference that emails destroyed by Plantronics would have been favorable to GN Audio's case and/or unfavorable to Plantronics' defense. On 18 October 2017, a jury in the Federal District Court, Delaware, ruled in favor of Plantronics and did not find that Plantronics' behavior in the market had been unlawfull. GN has decided to appeal the ruling.

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

For information on lease obligations, please refer to note 5.4. Lease obligations.

! Significant accounting estimates

Provisions, Contingencies and Lawsuits

GN Audio's Management assesses provisions, contingent assets and contingent liabilities and the likely outcome of pending or threatened lawsuits on an ongoing basis. The outcome depends on future events that are by nature uncertain. In assessing the likely outcome of lawsuits and tax disputes, etc., Management bases its assessment on external legal assistance and decided cases.

5.3 OTHER NON-CASH ADJUSTMENTS

DKK '000	2017	2016
Share-based payment (granted)	7,192	9,327
Provision for bad debt, inventory write-downs, etc.	32,167	4,717
Adjustment of provisions	6,947	(8,747)
Total	46,306	5,297

5.4 LEASE OBLIGATIONS

DKK '000	2017	2016
Future lease obligations are distributed as follows:		
Operating leases:		
Less than one year	29,593	25,769
Between one and five years	23,324	29,128
Total	52,917	54,897

Operating leases primarily relate to lease of property on market terms in Denmark. The remaining lease terms are between one and five years.

Lease payments recognized in the income statement relating to operating leases amount to kDKK 27.785 (2016: kDKK 21.263).

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

5.5 FEES TO AUDITORS APPOINTED AT THE ANNUAL GENERAL MEETING

DKK '000	2017	2016
Audit fees	(512)	(516)
Tax assistance and advice	(105)	(51)
Total	(617)	(567)

5.6 RELATED PARTY TRANSACTIONS

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

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

Group companies are listed on page 42.

Board of Directors, Executive Management and Senior Employees
Management remuneration and incentive plans are described in notes 2.2 and 5.1.

Group enterprises
Trade with group enterprises comprised:

DKK million	2017	2016
GN Store Nord A/S		
Purchase of services	80	46
Sale of services	1	4
Subsidiaries		
Purchase of services	(249)	(213)
Sale of goods, revenue	2,554	2,267

The company's balances with group enterprises at December 31, 2017 are shown separately in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in note 4.2. Further, balances with group enterprises comprise trade balances related to the purchase and sale of goods and services.

Purchase of services from group enterprises and GN Store Nord A/S consists of facility services, canteen services, management fee and IT costs. Sales of services from GN Store Nord A/S mainly consists of facility services and canteen services. Furthermore, GN Audio A/S has purchased development services and other services on market terms from subsidiaries.

No transactions have been carried out with the Board of Directors, the Executive Management, senior employees or other related parties, apart from ordinary remuneration disclosed in notes 2.2 and 5.1.

INVESTMENTS IN SUBSIDIARIES AT DECEMBER 31, 2017

COMPANIES IN THE GN AUDIO GROUP

	Domicile	Currency	Owner-ship %	Share capital
GN Audio A/S	Denmark	DKK	100	34,103,000
GN Audio Australia Pty Ltd.	Australia	AUD	100	2,500,000
GN Áudio Brasil Importacão & Comércio Ltda.	Brazil	BRL	100	407,820
GN Netcom (Canada), Inc.	Canada	CAD	100	1,000
GN Audio (China) Ltd.	China	USD	100	8,000,000
GN Audio Logistic (Xiamen) Ltd.	China	USD	100	500,000
GN Audio (Shanghai) Co., Ltd.	China	CNY	100	15,481,000
GN Audio France SA	France	EUR	100	80,000
GN Audio Germany GmbH	Germany	EUR	100	51,129
GN Audio Hong Kong Limited	Hong Kong	HKD	100	2,000,000
GN Audio India Private Limited	India	INR	100	40,000,000
GN Audio Italia s.r.l.	Italy	EUR	100	10,200
GN Audio Japan Ltd.	Japan	JPY	100	10,000,000
GN Audio Benelux B.V.	Netherlands	EUR	100	18,000
GN Audio Singapore Pte. Ltd.	Singapore	SGD	100	700,000
GN Audio Spain, S.A.	Spain	EUR	100	60,111
GN Audio Sweden AB	Sweden	SEK	100	5,100,000
GN Audio UK Ltd.	United Kingdom	GBP	100	100,000
GN Audio USA Inc.	USA	USD	100	35,900,000