

GN Store Nord A/S

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# Interim Report Q3 2015

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Co. reg. no. 24257843



## Solid organic revenue growth and cash generation

- GN Store Nord reported organic growth of 8% in Q3 2015 driven by continued strong growth in GN ReSound and a recovery in GN Netcom, as projected. The cash conversion ended at 55% with solid cash generation in both divisions
- In Q3 2015, GN ReSound again grew much faster than the global hearing aid market with 6% organic growth in GN ReSound and 7% organic growth in Hearing Instruments. This is despite the comparison base being impacted by the accounting fraud in the Beltone distribution network in 2012 – 2014. Growth continued to be driven by ReSound LiNX<sup>2</sup>™ – the fourth generation hearing aid with 2.4 GHz technology. EBITA increased by 6% in constant currencies in Q3 2015 and reached DKK 237 million
- GN ReSound delivered solid cash conversion of 64% in Q3 2015. During the first nine months of 2015, cash conversion is 53% or almost double up compared to the same period of 2014
- At the end of Q3 2015, GN ReSound launched ReSound Enya™ in the essential price segment, which makes GN ReSound's industry-leading technologies accessible for even more people with hearing loss. Furthermore, in October 2015, GN ReSound announced the Smart Hearing Alliance with Cochlear to develop and commercialize the world's smartest bimodal hearing solutions
- GN Netcom returned to double digit organic growth in Q3 2015. Organic growth was 11% driven by 23% organic growth in the UC headset segment. Mobile grew 12% organically with significant growth in the Sports Audio segment. EBITA was up 12% in constant currencies to DKK 113 million
- The cash conversion in GN Netcom was 63% in Q3 2015, reflecting among others a positive development in trade receivables
- GN Netcom announced several new innovative products in Q3 2015. The new Jabra Speak 810™ expands the speaker portfolio into medium size meeting rooms, whereas the new Jabra Sport Pace™ Wireless product completes the full line up in Sports Audio
- Based on continued strong business performance and GN's capital structure policy, a share buyback program of DKK 500 million is initiated today, succeeding the program expired October 29, 2015
- The investigations regarding the accounting fraud committed by the former VP of Finance in the Beltone distribution network have now been finalized. The investigations confirm what was communicated in the Interim Report Q2 2015 and the write-downs already made in Q2 are adequate

## Financial overview Q3 2015

DKK million	GN ReSound				GN Netcom				Group total*			
	Q3 2014	Constant currency growth	FX effect	Q3 2015	Q3 2014	Constant currency growth	FX effect	Q3 2015	Q3 2014	Constant currency growth	FX effect	Q3 2015
Revenue	1,108	+7%	+7%	1,260	627	+11%	+11%	766	1,735	+8%	+9%	2,026
<i>Organic growth</i>	8%			6%	7%			11%	8%			8%
Gross profit	742	+4%	+4%	805	343	+13%	+2%	394	1,085	+7%	+4%	1,199
<i>Gross margin</i>	67.0%	(1.5)%-p	(1.6)%-p	63.9%	54.7%	+1.1%-p	(4.4)%-p	51.4%	62.5%	(0.6)%-p	(2.7)%-p	59.2%
EBITA	226	+6%	(1)%	237	109	+12%	(8)%	113	228	+51%	(5)%	333
<i>EBITA margin</i>	20.4%	(0.1)%-p	(1.5)%-p	18.8%	17.4%	+0.1%-p	(2.7)%-p	14.8%	13.1%	+5.2%-p	(1.9)%-p	16.4%
Free cash flow excl. M&A	90			152	153			71	145			182

\* Incl. "Other"

## Updated guidance 2015

- Full year organic growth and EBITA guidance are maintained for GN ReSound
- Full year organic growth and EBITA guidance are maintained for GN Netcom with growth likely ending in the low end of the 3 - 5% organic growth range
- Following the decision by the German Federal Supreme Court, the EBITA guidance for 2015 for "Other" is updated from around DKK (60) million to around DKK (75) million reflecting that GN is liable for legal fees, including a court fee, of approximately EUR 2 million
- GN Store Nord's full year organic growth guidance is maintained with growth likely ending in the low end of the 6 - 7% organic growth range. Following the updated guidance for "Other", GN Store Nord's full year EBITA guidance is adjusted from around DKK 1,480 million to around DKK 1,465 million
- The guidance for Financial Items, Amortization etc. is updated from DKK (325) million to DKK (350) million. The increase mainly reflects foreign exchange adjustment of certain balance sheet items

## 2015 guidance overview (updated)

DKK million	Organic revenue growth		EBITA		Profit before tax		Effective tax rate
	Updated	Previously	Updated	Previously	Updated	Previously	
GN ReSound	Around 8%	Around 8%	Around 1,000	Around 1,000			
GN Netcom	Low end of 3 - 5%	3 - 5%	Around 540	Around 540			
Other			Around (75)	Around (60)			
GN Store Nord	Low end of 6 - 7%	6 - 7%	Around 1,465	Around 1,480	Around 1,115	Around 1,155	Around 27%

## Financial highlights

DKK million	Q3 2015 (unaud.)	Q3 2014 (unaud.)	YTD 2015 (unaud.)	YTD 2014 (unaud.)	Total 2014 (aud.)	2015 Guidance	2016 Targets (From Annual Report 2014)		
<b>GN ReSound</b>									
Revenue	1,260	1,108	3,722	3,243	4,469	Around 8%	>3%-p above market growth (annual average 2014 - 2016)		
- Hearing Instruments	1,109	966	3,259	2,830	3,892				
- Otometrics	151	142	463	413	577				
Organic growth	6%	8%	8%	8%	8%				
- Hearing Instruments	7%	9%	8%	9%	8%				
- Otometrics	0%	2%	2%	0%	6%				
Gross profit margin	63.9%	67.0%	65.3%	66.8%	67.1%			Around 1,000	> 21.5%
EBITA	237	226	655	606	897				
EBITA margin	18.8%	20.4%	17.6%	18.7%	20.1%				
ROIC (EBITA/Average invested capital)	15.5%	16.1%	15.5%	16.1%	15.9%				> 18.6%
Free cash flow excl. company acquisitions and divestments	152	90	344	174	287				
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	64%	39%	53%	29%	32%				
<b>GN Netcom</b>									
Revenue	766	627	2,224	1,977	2,871	Low end of 3 - 5%	> 10%		
- CC&O	499	413	1,503	1,304	1,854				
- Mobile	267	214	721	673	1,017				
Organic growth	11%	7%	2%	7%	11%				
- CC&O	11%	9%	5%	16%	18%				
- Mobile	12%	3%	(6)%	(7)%	(1)%				
Gross profit margin	51.4%	54.7%	53.0%	53.0%	53.6%			Around 540	16.5 - 17.0%
EBITA	113	109	330	320	521				
EBITA margin	14.8%	17.4%	14.8%	16.2%	18.1%				
ROIC (EBITA/Average invested capital)	52.0%	53.5%	52.0%	53.5%	56.5%				> 47%
Free cash flow excl. company acquisitions and divestments	71	153	203	297	340				
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	63%	141%	62%	93%	65%				
<b>GN Store Nord</b>									
Revenue	2,026	1,735	5,946	5,220	7,340	Low end of 6 - 7%	26 - 27%		
Organic growth	8%	8%	5%	7%	9%				
Gross profit margin	59.2%	62.5%	60.7%	61.5%	61.8%			Around 1,465	
EBITA	333	228	935	783	1,260				
EBITA margin	16.4%	13.1%	15.7%	15.0%	17.2%				
Profit (loss) before tax reported	269	179	626	679	1,116			Around 1,115	
Effective tax rate	26.8%	34.1%	26.7%	29.5%	28.9%				Around 27%
ROIC (EBITA/Average invested capital)	19.2%	17.9%	19.2%	17.9%	18.5%				
Earnings per share, basic (EPS)	1.27	0.73	2.93	2.94	4.89				
Earnings per share, fully diluted (EPS diluted)	1.26	0.72	2.91	2.92	4.85				
Free cash flow excl. company acquisitions and divestments	182	145	403	322	480				
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	55%	64%	43%	41%	38%				
Equity ratio	51.1%	55.5%	51.1%	55.5%	55.4%				
Net interest-bearing debt	2,256	1,628	2,256	1,628	1,631		1.5 - 2.0 times EBITDA 15 - 25%		
Net interest-bearing debt (period-end)/EBITDA	1.4	1.2	1.4	1.2	1.1				
Dividend payout ratio	-	-	-	-	19%				
Share buybacks*	228	233	883	724	877				
Outstanding shares, end of period (thousand)	154,454	160,755	154,454	160,755	159,592				
Average number of outstanding shares, fully diluted (thousand)	155,942	162,883	157,610	164,299	163,619				
Share price at the end of the period	120	130	120	130	135				
Market capitalization	18,534	20,898	18,534	20,898	21,513				

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

\* Incl. buybacks as part of share based incentive programs

## GN ReSound

### HIGHLIGHTS Q3 2015

- Strong organic revenue growth – more than double the market growth
- The comparison base was impacted by the accounting fraud in the Beltone distribution network in 2012 – 2014, which has negative effect on growth in Q3 2015
- Continued improvement in cash conversion – almost double up year-to-date compared to last year and on par with peers
- Launch of new innovative products and an expanded, commercial partnership with Cochlear
- Full year organic growth and EBITA guidance are maintained

### REVENUE

ReSound LiNX<sup>2</sup> has continued to gain traction among users and dispensers, and it is the main driver of the 6% organic growth in GN ReSound in the quarter. The development in foreign exchange rates impacted revenue positively with around 7% while M&A activities had a small positive effect. In total, revenue for Q3 2015 ended at DKK 1,260 million compared to DKK 1,108 million in Q3 2014.

The organic growth in Hearing Instruments ended at 7%. Users and dispensers continue to highlight the unique user benefits of ReSound LiNX<sup>2</sup>, including the impressive sound experience with Spatial Sense™ as well as the world leading connectivity with direct streaming and the best-in-class user apps.

The solid organic growth was broad based across channels and geographies. This includes continued strong performance in Veteran Affairs (VA), leading to a new all-time-high market share of 18.2% in September 2015 and with the market share for the quarter being 6.6 percentage points higher than in Q3 2014. The encouraging development in Europe in Q2 2015 continued into Q3 2015. Germany once again outperformed the market significantly with more than 50% organic growth. The Beltone distribution network reported negative revenue growth with the year-over-year comparison base being impacted by the accounting fraud case.

GN Otometrics' organic growth was flat with revenue of DKK 151 million compared to DKK 142 million in Q3 2014 (the development in foreign exchange rate being the positive driver). During the first three quarters of 2015, GN Otometrics has delivered an organic growth of 2%, which is in line with the market.

### EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

Based on the revenue growth, and the continued execution of the strategy for 2014 – 2016, GN ReSound increased reported EBITA from DKK 226 million in Q3 2014 to DKK 237 million in Q3 2015, equivalent to an increase of 6% in constant currencies. Reported EBITA includes a hedging loss of DKK 40 million, which is almost off-set by the positive impact on EBITA from the commercial business. EBITA in absolute terms and the margin are expected to be positively impacted by the development in foreign exchange rates from Q4 2015 and forward due to the USD appreciation in the last 12 months. Assuming unchanged foreign exchange rates, the expected hedging loss of around DKK 150 million in 2015 will disappear in 2016 representing a significant EBITA benefit in 2016 compared to 2015.

Gross margin decreased from 67.0% in Q3 2014 to 63.9% in Q3 2015, which is primarily due to the development in foreign exchange rates, but the 2014 comparison base is also impacted by the Beltone fraud case. During the quarter, the new factory in Malaysia was officially opened. The new factory is a key part of GN ReSound's constant pursuit of operational efficiencies.

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The operating expenses increased from DKK 516 million in Q3 2014 to DKK 568 million in Q3 2015, with more than half of the increase coming from the development in foreign exchange rates. The OPEX/revenue ratio decreased from 46.6% in Q3 2014 to 45.1% in Q3 2015.

GN ReSound delivered a strong free cash flow excl. M&A of DKK 152 million, equivalent to a cash conversion (free cash flow excl. M&A / reported EBITA) of 64% showing that GN ReSound's cash generating capacity is in line with peers'. During the first nine months of 2015, cash conversion is 53% or almost double up compared to 29% in the same period of 2014. Net cash flow related to Financial Support Arrangements was positive DKK 2 million in the quarter, which is a result of both somewhat low new investment activity in this particular quarter as well as repayments increasing compared to last year.

The investigations regarding the accounting fraud committed by the former VP of Finance in the Beltone distribution network have now been finalized. The investigations confirm what was communicated in the Interim Report Q2 2015 – including the one-off and non-cash nature of the matter – and the write-downs already made in Q2 2015 are adequate. Beltone remains a valuable part of the GN ReSound group and continues to generate solid profit margins, although at a lower level than assumed before the discovery of the accounting fraud.

## **BUSINESS HIGHLIGHTS**

In October 2015, GN ReSound and Cochlear jointly announced the establishment of a Smart Hearing Alliance to combine market-leading hearing aids and implantable hearing technologies into unique, integrated hearing solutions. The formation of the strategic alliance will allow GN ReSound and Cochlear to develop and commercialize the world's smartest bimodal hearing solutions. The expanded, commercial partnership builds on the technology partnership initiated in 2011 driven by GN ReSound's innovative leadership based on 2.4 GHz technology.

ReSound Enya and the corresponding Beltone Ally™ were launched at the end of Q3 2015 making the company's industry-leading, innovative hearing technologies accessible to even more people living with a hearing loss. For the first time, GN ReSound is making its renowned sound expertise and innovative wireless technologies available in lower priced solutions. Also, during the quarter, GN ReSound launched ReSound ENZO<sup>2</sup>™, the world's most advanced smart hearing aid for people with severe-to-profound hearing loss. ReSound ENZO<sup>2</sup> builds on the revolutionary capabilities of ReSound LiNX<sup>2</sup> such as Spatial Sense as well as direct streaming of sound and the ReSound Smart™ app providing discreet, on-the-go personalization.

With the product additions, GN ReSound has fortified its innovation leadership position in the hearing aid industry. GN ReSound has a very competitive and fully updated product portfolio based on 2.4 GHz technology in a full family of products covering all types of hearing losses and price preferences.

During the EUHA congress in October 2015, GN ReSound underlined its view relating to the ongoing patent cases filed by Oticon against GN ReSound. GN ReSound's firm view continues to be that GN ReSound has a strong legal position in the patent cases against Oticon. This is the case both in terms of GN ReSound's claim of non-infringement – as the antenna design solutions used by GN ReSound are not covered by the scope of Oticon's patents – as well as in terms of GN ReSound's claim of invalidity of Oticon's patents since, in light of prior art, the technical solutions in the patents are not new and are obvious. Consequently, it is GN ReSound's firm view that the relevant authorities will rule in favor of GN ReSound's non-infringement and invalidity claims.

## MARKET DEVELOPMENT

The hearing aid market grew by around 3% in units in Q3 2015, which is in line with GN ReSound's mid-term outlook of 3 – 5%. The growth was primarily driven by Europe and North America. The hearing aid market in Germany has shown stabilization in the quarter with an estimated positive unit growth of around 10% as the impact of reimbursement changes is annualized. The global average selling prices (ASPs) are estimated to have been flat to slightly negative leading to value growth of around 3% in Q3 2015.

## OUTLOOK 2015

<b>DKK million</b>	<b>Constant currencies*</b>	<b>Reported**</b>
Revenue growth	around 8%	around 15%
EBITA	around 1,000	around 1,000
EBITA margin	around 20.5%	around 19.5%

\* Compared to realized exchange rates in 2014

\*\* Assuming that the foreign exchange rates as of October 20, 2015 (DKK/USD of around 660) remain unchanged during 2015

Full year organic growth and EBITA guidance are maintained for GN ReSound.

**“The third quarter clearly demonstrates GN ReSound’s great momentum. Adjusting for the accounting fraud last year in the Beltone distribution network, I am really pleased to see the strong growth in our hearing instrument business. During the third quarter, we saw continued strong performance by ReSound LiNX<sup>2</sup>, and we received recognition worldwide by users highlighting the unique sound experience of ReSound LiNX<sup>2</sup> among others because of Spatial Sense, providing a natural sense of where sounds are coming from. And with the launch of ReSound Enya, our 2.4 GHz technology is now for the first time available across all form factors and price points.”**

Anders Hedegaard, CEO of GN ReSound

## GN Netcom

### HIGHLIGHTS Q3 2015

- Solid organic growth of 11% in Q3 2015 driven by 23% growth in UC headsets and double digit growth in Mobile
- Solid cash generation - cash conversion of 63%
- Further strengthening of product portfolio with a number of innovative product launches
- Full year organic growth and EBITA guidance are maintained with growth likely ending in the low end of the 3 - 5% organic growth range

### REVENUE

GN Netcom returned to double digit organic growth in Q3 2015, as projected. The revenue in Q3 2015 was DKK 766 million compared to DKK 627 million in Q3 2014, which is equivalent to 11% organic growth. The strongest growth driver was the attractive UC segment, which grew 23% organically.

In the CC&O business, GN Netcom delivered 11% organic growth in Q3 2015. The strong order pipeline entering the quarter has turned into realized revenue, and the temporary market slowdown recognized in the first half of 2015 has abated. The growth in CC&O was founded on a good development in all three geographical regions.

Organic growth within UC reached 23% in Q3 2015 and emphasizes the attractiveness of the UC market. The innovative Jabra Evolve™ product family continues to underpin GN Netcom's world leading position in the UC segment. In the traditional CC&O market, organic growth was (5)%.

The Mobile division also returned to growth in Q3 2015 driven by strong performance in North America and in the Sports Audio category. In Mobile, the organic growth was 12% in Q3 2015 despite challenging market conditions in the mono Bluetooth market.

### EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

In Q3 2015, the gross margin for GN Netcom ended at 51.4%, which is an improvement of 1.1 percentage points compared to Q3 2014 measured in constant currencies (3.3 percentage points lower in reported currencies). The positive development was primarily due to a targeted improvement in the product mix.

EBITA in Q3 2015 was DKK 113 million compared to DKK 109 million in Q3 2014. In constant currencies, this equals a growth rate of 12%. The underlying EBITA margin increased slightly in the quarter where GN Netcom continued to invest in sales and marketing in order to fully exploit the attractive growth opportunities.

The free cash flow excluding M&A was DKK 71 million in Q3 2015. As a percentage of EBITA, this translates into a cash conversion of 63%. The cash generation was driven by a positive contribution from the development in trade receivables. After its peak level in Q1 2015, the Days Sales Outstanding (DSO) level has trended down in the past two quarters.

### BUSINESS HIGHLIGHTS

In the CC&O division, GN Netcom took further steps to consolidate its world leading position within the market for USB-enabled speakerphones. Jabra Speak 810, which was launched on October 1, 2015, is a promising extension of the product portfolio already consisting of Jabra Speak 410 and Jabra Speak 510.



With premium sound quality in meeting rooms designed for up to 15 people, Jabra Speak 810 meets the demands of today's office workers.

Three new innovative products addressing various parts of the Mobile segment were introduced at the IFA international consumer electronics tradeshow in Berlin in September 2015. With this, GN Netcom took an important step in the re-positioning of the product offering in the Mobile segment towards products where music and voice converge. Among the products launched at IFA was Jabra Halo Fusion™, a neck-worn headset designed to meet the demands of daily audio and media consumption as well as voice communication. Furthermore, GN Netcom added Jabra Sport Pace Wireless to the Sports Audio portfolio.

GN Netcom's complete Sports Audio portfolio now offers premium earbuds for users at all experience levels. This superior, state-of-the-art range of Sports Audio earbuds has been developed using Jabra's heritage and unrivalled R&D expertise in delivering audio innovation. The growth prospects for the Sports Audio market continues to be very encouraging. Finally, Jabra Eclipse™ was also launched – GN Netcom's lightest headset to date weighing only 5.5 grams. The product is a stylish headset that enables mobility and productivity due to its slim design, all-day battery and unrivalled sound quality. The product has been very well received in the category for mono Bluetooth headsets, which is generally under pressure.

## MARKET DEVELOPMENT

After soft market conditions in the first half of 2015, the CC&O market showed the expected improvement in Q3 2015. With a strong and most relevant product line-up, GN Netcom is well positioned to capture growth going forward.

In the Mobile market, the trends recorded in the first half of 2015 continued into Q3 2015. The stereo headset market, where voice and music converge, is still growing at fast pace, and GN Netcom is well positioned to benefit from this growth – also with recent product additions. In the traditional Mobile market, the negative trend in the mono headset market has continued, as expected.

## OUTLOOK 2015

DKK million	Constant currencies*	Reported**
Revenue growth	low end of 3 - 5%	low end of 13 - 15%
EBITA	around 540	around 540
EBITA margin	around 18.0%	around 16.5%

\* Compared to realized exchange rates in 2014

\*\* Assuming that the foreign exchange rates as of October 20, 2015 (DKK/USD of around 660) remain unchanged during 2015

Full year organic growth and EBITA guidance are maintained for GN Netcom with growth likely ending in the low end of the 3 - 5% organic growth range.

**“After two challenging quarters, I am pleased that GN Netcom in Q3 2015 delivered solid organic growth, as we projected. During the temporary market headwinds in first half of 2015, the organization stayed focused on execution of our “INNOVATION & GROWTH” strategy. I am very pleased to see that our innovation machine is running at full steam, and that we have once again been able to successfully launch very attractive and relevant products into both the professional and consumer markets.”**

René Svendsen-Tune, CEO of GN Netcom

## GN Store Nord

In Q3 2015, GN Store Nord delivered revenue of DKK 2,026 million compared to DKK 1,735 million in Q3 2014, corresponding to an organic growth of 8%. EBITA in Other amounted to DKK (17) million compared to DKK (107) million in Q3 2014 (EBITA in Q3 2014 was impacted by DKK (95) million related to the evaluation of an M&A opportunity). Group EBITA (excl. the costs related to the abandoned M&A opportunity in Q3 2014) increased by 7% in constant currencies compared to Q3 2014 (3% in reported numbers).

Amortization of acquired intangible assets amounted to DKK (17) million and financial items amounted to DKK (47) million. The profit before tax was DKK 269 million, and the effective tax rate was 27%. The free cash flow excluding M&A ended at DKK 182 million, translating into a cash conversion of 55%.

### CAPITAL STRUCTURE

During Q3 2015, GN has in total distributed DKK 228 million back to shareholders through the share buyback program of DKK 500 million, which was initiated on March 20, 2015 and was concluded on October 29, 2015. Until today, GN has in total repurchased 6,097,106 shares at a total price of DKK 847 million through two different Safe Harbor programs in 2015. As of October 30, 2015, GN owns 8,351,490 treasury shares equivalent to 5.1% of the shares issued.

As previously communicated, GN's long-term capital structure policy is to have net interest-bearing debt of up to a maximum of two times EBITDA. Based on the solid financial development in GN, the favorable capital markets as well as the relentless focus on maximizing shareholder value, GN intends to take the net interest-bearing debt to between 1.5 and 2 times EBITDA by the end of 2016. By the end of Q3 2015, the net interest-bearing debt was DKK 2,256 million corresponding to 1.4 times EBITDA where EBITDA is based on four rolling quarters.

### INITIATION OF NEW DKK 500 MILLION SHARE BUYBACK PROGRAM

Based on the continued strong business performance as well as GN's capital structure policy - and following completion of the share buyback program expired October 29 - a new share buyback program of DKK 500 million is initiated today. The program will be concluded no later than March 9, 2016.

### CLAIM AGAINST PLANTRONICS INC.

As earlier communicated, GN is continuing to pursue its lawsuit against Plantronics for alleged illegal competitive actions in North America. Discovery was scheduled to be completed earlier this year, but the court, at GN's request, agreed to extend discovery to allow GN to further discover the Defendant's alleged document destruction. Based on the results of that additional investigation, GN is now in the process of preparing a motion for sanctions asking the court to determine the appropriate remedy for the Defendant's actions. Any hearing on the motion will likely be scheduled in late December 2015 or January 2016.

### LEGAL CASE AGAINST OTICON A/S

On April 14, 2014, Oticon filed a preliminary injunction lawsuit against GN ReSound for alleged patent infringement in Denmark. In January 2015, the Danish Maritime and Commercial High Court denied Oticon's claim. Oticon appealed the decision, and on August 14, 2015, the Court of Appeal ruled in favor of Oticon by granting a preliminary injunction against sale of certain of ReSound's legacy products (ReSound Verso™ RIE, ReSound LINX™ RIE, Beltone Promise™ RIE and Beltone First™ RIE). The European Patent Office (EPO) is currently reviewing the patent in suit, and a hearing is set for February 2016.

In 2015, Oticon filed four additional lawsuits for alleged patent infringement, two in Denmark and two in the USA. GN expects that all lawsuits will ultimately be dismissed by the courts, as GN presumes the patent authorities will render the patents in suit invalid. Most recently, on September 3, 2015, Oticon filed a preliminary injunction lawsuit in Denmark against GN ReSound for alleged patent infringement by ReSound LINX<sup>2</sup> and Beltone Legend™. A hearing is scheduled for end of November 2015, and a ruling is expected by the end of 2015 or start of 2016. GN ReSound expects Oticon's request for injunction to be denied.

During the EUHA congress in October 2015, GN ReSound underlined its view relating to the ongoing patent cases filed by Oticon against GN ReSound. GN ReSound's firm view continues to be that GN ReSound has a strong legal position in the patent cases against Oticon. Consequently, it is GN ReSound's firm view that the relevant authorities will rule in favor of GN ReSound's non-infringement and invalidity claims. The presentation from the meeting at EUHA is available on [www.gn.com/investor](http://www.gn.com/investor).

#### **CLAIM AGAINST THE GERMAN FEDERAL CARTEL OFFICE**

On December 22, 2010, GN Store Nord filed a claim of EUR 1.1 billion (approximately DKK 8.2 billion) as compensation for the significant loss imposed on GN and its shareholders in relation to the German Federal Cartel Office's (FCO) unlawful prohibition of the sale of GN ReSound to Sonova on April 11, 2007. On March 26, 2014, the Düsseldorf Court of Appeal, Germany, dismissed GN's claim although the German Federal Supreme Court has acknowledged that the prohibition of the sale was unlawful. Following thorough evaluation of the written ruling from the Düsseldorf Court of Appeal, GN and its advisors disagree with the decision by the court. On May 2, 2014, GN consequently decided to appeal the decision to the German Federal Supreme Court in order to pursue all available legal avenues to get compensation to GN and its shareholders.

In October 2015, the German Federal Supreme Court notified GN that the court had decided to reject GN's request for an appeal. GN fundamentally disagrees with the court that the FCO is not liable for the critical and erroneous ruling that prevented the agreed and legitimate transaction between GN and Sonova. However, the decision by the German Federal Supreme Court implies that GN has no further legal possibilities to continue the claim for compensation against the FCO.

#### **FOREIGN EXCHANGE EXPOSURE**

Based on the expected 2015 revenue and cost composition, the table below outlines the currencies which constitute the primary exposure for GN in 2015, excluding any hedging impact.

##### **Annual EBITA impact from a 5% increase in currency**

(DKK million)

<b>Currency</b>	<b>GN ReSound</b>	<b>GN Netcom</b>	<b>GN Store Nord</b>
USD*	45	(10)	35
CNY	(6)	3	(3)
GBP	5	7	12
JPY	7	3	10
CAD	4	-	4

\* Includes SGD and HKD

GN is hedging the vast majority of the expected EBITA exposure for the next 12 months in the above-mentioned currencies in both GN ReSound and GN Netcom. The hedging practice entails that the EBITA effect from foreign exchange rates development is postponed one year while the majority of the impact on revenue is having immediate effect.

Due to the hedging practice, the impact of among others the stronger USD on EBITA in absolute terms in 2015 compared to 2014 is expected to be limited. Although the EBITA effect for GN ReSound is expected to be moderate for the full year, the first half of 2015 will be characterized by a negative effect from the foreign exchange rates development, which is offset by a positive impact in Q4 2015.

## **ADDITIONAL INFORMATION**

### **Teleconference**

GN will host a teleconference at 2.00 pm CET today. Please visit [www.gn.com](http://www.gn.com) to access the teleconference. Presentation material will be available on the website approximately one hour prior to the start of the teleconference.

### **Financial calendar for 2016**

Annual Report 2015	February 12, 2016
Annual general meeting:	March 10, 2016 at the Radisson Blu Falconer, Copenhagen*
Interim Report Q1 2016:	May 4, 2016
Interim Report Q2 2016:	August 11, 2016
Interim Report Q3 2016:	November 3, 2016

\* Proposals to the agenda for the GN Store Nord Annual General Meeting must be submitted no later than six weeks before the meeting (i.e. January 27, 2016)

### **Forward-looking statements**

The forward-looking statements in this interim report reflect the management's current expectations of certain future events and financial results. Statements regarding the future are, naturally, subject to risks and uncertainties, which may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events, which may prove incorrect.

For further information please contact

Peter Justesen  
VP – Investor Relations & Treasury  
GN Store Nord A/S  
Tel: +45 45 75 87 16

Michael Nass Nielsen  
Manager – Investor Relations  
GN Store Nord A/S  
Tel: +45 45 75 02 40

### **About GN Store Nord**

GN Store Nord has been helping people communicate since 1869 – initially as a telegraph company and today as a global leader within hearing aids and hands free communication. GN is the innovation leader in the field of sound processing through its two businesses GN ReSound and GN Netcom.

GN's products are marketed in more than 90 countries and as of December 31, 2014 GN had approximately 5,075 employees in 34 countries. GN is listed on NASDAQ OMX Copenhagen and is a member of the Large Cap Index and the OMXC20 CAP Index.

For more information please visit [www.gn.com](http://www.gn.com)

## Strategy 2014 - 2016: INNOVATION & GROWTH

(announced on November 15, 2013)

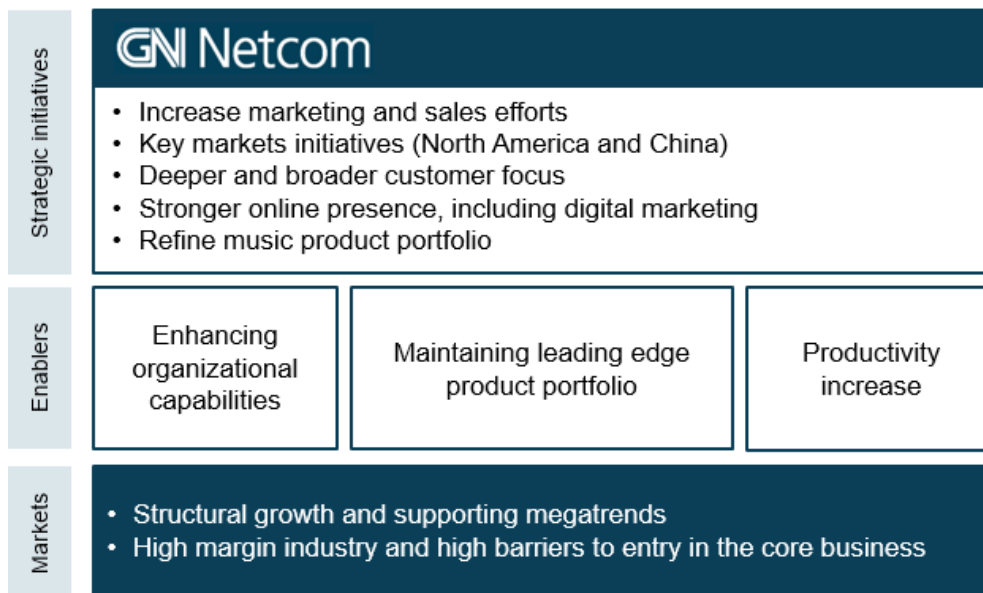
### GN RESOUND'S STRATEGIC GROWTH INITIATIVES

GN ReSound has identified a number of specific initiatives to drive profitable growth and market share gains. The initiatives are extensions of the current development path and enabled by the unique technological position as well as the released organizational capacity following the completion of the SMART restructuring program.



### GN NETCOM'S STRATEGIC GROWTH INITIATIVES

GN Netcom's strategic initiatives are focused on fully exploiting the very healthy growth rates expected on the CC&O and Mobile markets. With an outset in the strategy which has driven strong organic revenue growth in 2013, GN Netcom has identified five new strategic growth initiatives.



## Statement by the board of directors and the executive management

Today, the board of directors and the executive management have discussed and approved the interim report for GN Store Nord A/S for the period July 1 - September 30, 2015.

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

In our opinion, the interim report gives a true and fair view of the group's assets, liabilities and financial position on September 30, 2015 and of the results of the group's operations and cash flows for the period July 1 - September 30, 2015.

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

Ballerup, October 30, 2015

### BOARD OF DIRECTORS

Per Wold-Olsen  
Chairman

William E. Hoover, Jr.  
Deputy Chairman

Carsten Krogsgaard Thomsen

Hélène Barnekow

Ronica Wang

Wolfgang Reim

Leo Larsen

Nikolai Bisgaard

Morten Andersen

### EXECUTIVE MANAGEMENT

Anders Hedegaard  
CEO, GN ReSound

René Svendsen-Tune  
CEO, GN Netcom

Anders Boyer  
CFO, GN Store Nord

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## Financial statements

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## Quarterly reporting by segment

DKK million	Q1 2014 (unaud.)	Q2 2014 (unaud.)	Q3 2014 (unaud.)	Q4 2014 (unaud.)	Q1 2015 (unaud.)	Q2 2015 (unaud.)	Q3 2015 (unaud.)	2014 YTD (unaud.)	2015 YTD (unaud.)	2014 Total (aud.)
<b>Income statement</b>										
<b>Revenue</b>										
GN ReSound	1,027	1,108	1,108	1,226	1,191	1,271	1,260	3,243	3,722	4,469
GN Netcom	652	698	627	894	694	764	766	1,977	2,224	2,871
<b>Total</b>	<b>1,679</b>	<b>1,806</b>	<b>1,735</b>	<b>2,120</b>	<b>1,885</b>	<b>2,035</b>	<b>2,026</b>	<b>5,220</b>	<b>5,946</b>	<b>7,340</b>
<b>Organic growth</b>										
GN ReSound	7%	8%	8%	8%	9%	8%	6%	8%	8%	8%
GN Netcom	4%	11%	7%	20%	(3)%	(2)%	11%	7%	2%	11%
<b>Total</b>	<b>6%</b>	<b>9%</b>	<b>8%</b>	<b>13%</b>	<b>4%</b>	<b>4%</b>	<b>8%</b>	<b>7%</b>	<b>5%</b>	<b>9%</b>
<b>Gross profit margin</b>										
GN ReSound	66.2%	67.0%	67.0%	67.9%	65.8%	66.3%	63.9%	66.8%	65.3%	67.1%
GN Netcom	52.6%	51.8%	54.7%	54.9%	53.9%	53.8%	51.4%	53.0%	53.0%	53.6%
<b>Total</b>	<b>60.9%</b>	<b>61.1%</b>	<b>62.5%</b>	<b>62.5%</b>	<b>61.4%</b>	<b>61.6%</b>	<b>59.2%</b>	<b>61.5%</b>	<b>60.7%</b>	<b>61.8%</b>
<b>Expensed development costs**</b>										
GN ReSound	(98)	(106)	(96)	(105)	(112)	(128)	(127)	(300)	(367)	(405)
GN Netcom	(43)	(48)	(48)	(64)	(44)	(52)	(55)	(139)	(151)	(203)
Other *	(3)	(3)	(1)	(1)	(2)	(2)	(4)	(7)	(8)	(8)
<b>Total</b>	<b>(144)</b>	<b>(157)</b>	<b>(145)</b>	<b>(170)</b>	<b>(158)</b>	<b>(182)</b>	<b>(186)</b>	<b>(446)</b>	<b>(526)</b>	<b>(616)</b>
<b>Selling and distribution costs and administrative expenses etc.**</b>										
GN ReSound	(412)	(427)	(420)	(437)	(472)	(497)	(441)	(1,259)	(1,410)	(1,696)
GN Netcom	(196)	(206)	(186)	(226)	(220)	(252)	(226)	(588)	(698)	(814)
Other *	(18)	(12)	(106)	(14)	(17)	(12)	(13)	(136)	(42)	(150)
<b>Total</b>	<b>(626)</b>	<b>(645)</b>	<b>(712)</b>	<b>(677)</b>	<b>(709)</b>	<b>(761)</b>	<b>(680)</b>	<b>(1,983)</b>	<b>(2,150)</b>	<b>(2,660)</b>
<b>EBITA</b>										
GN ReSound	170	210	226	291	200	218	237	606	655	897
GN Netcom	104	107	109	201	110	107	113	320	330	521
Other *	(21)	(15)	(107)	(15)	(19)	(14)	(17)	(143)	(50)	(158)
<b>Total</b>	<b>253</b>	<b>302</b>	<b>228</b>	<b>477</b>	<b>291</b>	<b>311</b>	<b>333</b>	<b>783</b>	<b>935</b>	<b>1,260</b>
<b>EBITA margin</b>										
GN ReSound	16.5%	18.9%	20.4%	23.7%	16.8%	17.2%	18.8%	18.7%	17.6%	20.1%
GN Netcom	15.9%	15.3%	17.4%	22.5%	15.9%	14.0%	14.8%	16.2%	14.8%	18.1%
<b>Total</b>	<b>15.1%</b>	<b>16.7%</b>	<b>13.1%</b>	<b>22.5%</b>	<b>15.4%</b>	<b>15.3%</b>	<b>16.4%</b>	<b>15.0%</b>	<b>15.7%</b>	<b>17.2%</b>
<b>Depreciation and software amortization</b>										
GN ReSound	(23)	(26)	(26)	(26)	(27)	(26)	(29)	(75)	(82)	(101)
GN Netcom	(7)	(7)	(8)	(10)	(9)	(9)	(9)	(22)	(27)	(32)
Other *	(9)	(9)	(9)	(9)	(7)	(7)	(7)	(27)	(21)	(36)
<b>Total</b>	<b>(39)</b>	<b>(42)</b>	<b>(43)</b>	<b>(45)</b>	<b>(43)</b>	<b>(42)</b>	<b>(45)</b>	<b>(124)</b>	<b>(130)</b>	<b>(169)</b>
<b>EBITDA</b>										
GN ReSound	193	236	252	317	227	244	266	681	737	998
GN Netcom	111	114	117	211	119	116	122	342	357	553
Other *	(12)	(6)	(98)	(6)	(12)	(7)	(10)	(116)	(29)	(122)
<b>Total</b>	<b>292</b>	<b>344</b>	<b>271</b>	<b>522</b>	<b>334</b>	<b>353</b>	<b>378</b>	<b>907</b>	<b>1,065</b>	<b>1,429</b>
<b>EBITA</b>										
Amortization of acquired intangible assets	(10)	(14)	(12)	(19)	(18)	(18)	(17)	(36)	(53)	(55)
Gain (loss) on divestment of operations etc.	-	-	(6)	(4)	-	(4)	-	(6)	(4)	(10)
Beltone Network non-recurring items	-	-	-	-	-	(150)	-	-	(150)	-
<b>Operating profit (loss)</b>	<b>243</b>	<b>288</b>	<b>210</b>	<b>454</b>	<b>273</b>	<b>139</b>	<b>316</b>	<b>741</b>	<b>728</b>	<b>1,195</b>
Share of profit (loss) in associates	-	-	-	5	-	-	-	-	-	5
Financial items, net	(7)	(24)	(31)	(22)	(21)	(34)	(47)	(62)	(102)	(84)
<b>Profit (loss) before tax</b>	<b>236</b>	<b>264</b>	<b>179</b>	<b>437</b>	<b>252</b>	<b>105</b>	<b>269</b>	<b>679</b>	<b>626</b>	<b>1,116</b>
Tax on profit (loss)	(65)	(74)	(61)	(123)	(67)	(28)	(72)	(200)	(167)	(323)
<b>Profit (loss)</b>	<b>171</b>	<b>190</b>	<b>118</b>	<b>314</b>	<b>185</b>	<b>77</b>	<b>197</b>	<b>479</b>	<b>459</b>	<b>793</b>
<b>Balance sheet</b>										
<b>Development projects</b>										
GN ReSound	839	846	866	901	920	926	933	866	933	901
GN Netcom	139	146	158	168	180	198	211	158	211	168
Other *	8	8	8	-	-	-	-	8	-	-
<b>Total</b>	<b>986</b>	<b>1,000</b>	<b>1,032</b>	<b>1,069</b>	<b>1,100</b>	<b>1,124</b>	<b>1,144</b>	<b>1,032</b>	<b>1,144</b>	<b>1,069</b>
<b>Inventories</b>										
GN ReSound	389	401	425	414	488	489	506	425	506	414
GN Netcom	158	140	186	202	204	229	257	186	257	202
<b>Total</b>	<b>547</b>	<b>541</b>	<b>611</b>	<b>616</b>	<b>692</b>	<b>718</b>	<b>763</b>	<b>611</b>	<b>763</b>	<b>616</b>
<b>Trade receivables</b>										
GN ReSound	974	1,033	1,067	1,146	1,299	1,270	1,307	1,067	1,307	1,146
GN Netcom	511	568	538	761	699	752	706	538	706	761
Other *	1	1	-	2	1	1	-	-	-	2
<b>Total</b>	<b>1,486</b>	<b>1,602</b>	<b>1,605</b>	<b>1,909</b>	<b>1,999</b>	<b>2,023</b>	<b>2,013</b>	<b>1,605</b>	<b>2,013</b>	<b>1,909</b>
<b>Net working capital</b>										
GN ReSound	966	924	907	971	1,140	1,030	1,123	907	1,123	971
GN Netcom	283	245	201	337	436	377	387	201	387	337
Other *	(50)	(52)	(76)	(41)	(49)	(22)	(39)	(76)	(39)	(41)
<b>Total</b>	<b>1,199</b>	<b>1,117</b>	<b>1,032</b>	<b>1,267</b>	<b>1,527</b>	<b>1,385</b>	<b>1,471</b>	<b>1,032</b>	<b>1,471</b>	<b>1,267</b>
<b>Cash flow</b>										
<b>Free cash flow excl. company acquisitions and divestments</b>										
GN ReSound	(50)	134	90	113	(33)	225	152	174	344	287
GN Netcom	(4)	148	153	43	11	121	71	297	203	340
Other *	(27)	(24)	(98)	2	(84)	(19)	(41)	(149)	(144)	(147)
<b>Total</b>	<b>(81)</b>	<b>258</b>	<b>145</b>	<b>158</b>	<b>(106)</b>	<b>327</b>	<b>182</b>	<b>322</b>	<b>403</b>	<b>480</b>
<b>Acquisitions and divestments of companies</b>										
	(14)	(20)	-	(12)	(18)	(7)	(4)	(34)	(29)	(46)
<b>Free cash flow</b>	<b>(95)</b>	<b>238</b>	<b>145</b>	<b>146</b>	<b>(124)</b>	<b>320</b>	<b>178</b>	<b>288</b>	<b>374</b>	<b>434</b>

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

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

## Income statement

(DKK million)	Consolidated				
	Q3 2015 (unaud.)	Q3 2014 (unaud.)	YTD 2015 (unaud.)	YTD 2014 (unaud.)	Full year 2014 (aud.)
Revenue	2,026	1,735	5,946	5,220	7,340
Production costs	(827)	(650)	(2,335)	(2,008)	(2,804)
<b>Gross profit</b>	<b>1,199</b>	<b>1,085</b>	<b>3,611</b>	<b>3,212</b>	<b>4,536</b>
Development costs	(187)	(146)	(531)	(451)	(623)
Selling and distribution costs	(572)	(512)	(1,808)	(1,535)	(2,081)
Management and administrative expenses	(125)	(213)	(398)	(480)	(629)
Other operating income and costs, net	1	2	8	1	2
Gain (loss) on divestment of operations etc.	-	(6)	(4)	(6)	(10)
Beltone Network non-recurring items	-	-	(150)	-	-
<b>Operating profit (loss)</b>	<b>316</b>	<b>210</b>	<b>728</b>	<b>741</b>	<b>1,195</b>
Share of profit (loss) in associates	-	-	-	-	5
Financial income	44	54	65	102	119
Financial expenses	(91)	(85)	(167)	(164)	(203)
<b>Profit (loss) before tax</b>	<b>269</b>	<b>179</b>	<b>626</b>	<b>679</b>	<b>1,116</b>
Tax on profit (loss)	(72)	(61)	(167)	(200)	(323)
<b>Profit (loss) for the period</b>	<b>197</b>	<b>118</b>	<b>459</b>	<b>479</b>	<b>793</b>
<b>Earnings per share (EPS)</b>					
Earnings per share (EPS)	1.27	0.73	2.93	2.94	4.89
Earnings per share, fully diluted (EPS diluted)	1.26	0.72	2.91	2.92	4.85
<b>EBITA</b>	<b>333</b>	<b>228</b>	<b>935</b>	<b>783</b>	<b>1,260</b>
Amortization of acquired intangible assets	(17)	(12)	(53)	(36)	(55)
Gain (loss) on divestment of operations etc.	-	(6)	(4)	(6)	(10)
Beltone Network non-recurring items	-	-	(150)	-	-
<b>Operating profit (loss)</b>	<b>316</b>	<b>210</b>	<b>728</b>	<b>741</b>	<b>1,195</b>

## Statement of comprehensive income

(DKK million)	Consolidated				
	Q3 2015 (unaud.)	Q3 2014 (unaud.)	YTD 2015 (unaud.)	YTD 2014 (unaud.)	Full year 2014 (aud.)
<b>Profit (loss) for the period</b>	<b>197</b>	<b>118</b>	<b>459</b>	<b>479</b>	<b>793</b>
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Actuarial gains (losses)	-	-	-	-	(40)
Tax relating to this item of other comprehensive income	-	-	-	-	11
<i>Items that may be reclassified subsequently to profit or loss</i>					
Adjustment of cash flow hedges	21	(52)	33	(100)	(99)
Foreign exchange adjustments, etc.	(57)	359	342	404	560
Tax relating to these items of other comprehensive income	(2)	6	(15)	18	17
<b>Other comprehensive income for the period, net of tax</b>	<b>(38)</b>	<b>313</b>	<b>360</b>	<b>322</b>	<b>449</b>
<b>Total comprehensive income for the period</b>	<b>159</b>	<b>431</b>	<b>819</b>	<b>801</b>	<b>1,242</b>

**Balance sheet****Consolidated**

(DKK million)	Sep. 30 2015 (unaud.)	June 30 2015 (unaud.)	March 31 2015 (unaud.)	Dec. 31 2014 (aud.)
<b>Assets</b>				
Intangible assets	5,262	5,269	5,370	4,935
Property, plant and equipment	517	509	485	472
Deferred tax assets	538	544	562	503
Other non-current assets	1,284	1,333	1,485	1,329
<b>Total non-current assets</b>	<b>7,601</b>	<b>7,655</b>	<b>7,902</b>	<b>7,239</b>
Inventories	763	718	692	616
Trade receivables	2,013	2,023	1,999	1,909
Tax receivable	91	88	78	21
Other receivables	271	272	359	330
Cash and cash equivalents	147	173	153	114
<b>Total current assets</b>	<b>3,285</b>	<b>3,274</b>	<b>3,281</b>	<b>2,990</b>
<b>Total assets</b>	<b>10,886</b>	<b>10,929</b>	<b>11,183</b>	<b>10,229</b>
<b>Equity and liabilities</b>				
<b>Equity</b>	<b>5,564</b>	<b>5,627</b>	<b>5,901</b>	<b>5,667</b>
Bank loans	2,325	2,349	2,373	1,675
Pension obligations	77	85	87	77
Provisions	95	108	111	105
Deferred tax liabilities	413	413	392	409
Other non-current liabilities	282	278	283	268
<b>Total non-current liabilities</b>	<b>3,192</b>	<b>3,233</b>	<b>3,246</b>	<b>2,534</b>
Bank loans	78	25	99	70
Trade payables	554	647	512	593
Tax payable	214	156	137	106
Provisions	262	260	277	263
Other payables	1,022	981	1,011	996
<b>Total current liabilities</b>	<b>2,130</b>	<b>2,069</b>	<b>2,036</b>	<b>2,028</b>
<b>Total equity and liabilities</b>	<b>10,886</b>	<b>10,929</b>	<b>11,183</b>	<b>10,229</b>

## Consolidated equity

(DKK million)	Share capital (shares of DKK 4 each)	Additional paid-in capital	Foreign exchange adjustments	Hedging reserve	Treasury shares	Proposed dividends for the year	Retained earnings	Total equity
<b>Balance at December 31, 2013</b>	<b>693</b>	<b>1,109</b>	<b>(1,738)</b>	<b>25</b>	<b>(893)</b>	<b>146</b>	<b>5,988</b>	<b>5,330</b>
Profit (loss) for the period	-	-	-	-	-	-	479	479
Adjustment of cash flow hedges	-	-	-	(100)	-	-	-	(100)
Foreign exchange adjustments, etc.	-	-	404	-	-	-	-	404
Tax relating to other comprehensive income	-	-	-	18	-	-	-	18
Total comprehensive income for the period	-	-	404	(82)	-	-	479	801
Reduction of the share capital	(21)	(518)	-	-	539	-	-	-
Share-based payment (granted)	-	-	-	-	-	-	11	11
Share based payment (exercised)	-	(51)	-	-	119	-	-	68
Tax related to share-based incentive plans	-	-	-	-	-	-	23	23
Purchase/sale of treasury shares and other equity instruments	-	-	-	-	(724)	-	-	(724)
Paid dividends	-	-	-	-	-	(138)	-	(138)
Dividends, treasury shares	-	-	-	-	-	(8)	8	-
<b>Balance at September 30, 2014</b>	<b>672</b>	<b>540</b>	<b>(1,334)</b>	<b>(57)</b>	<b>(959)</b>	<b>-</b>	<b>6,509</b>	<b>5,371</b>
Profit (loss) for the period	-	-	-	-	-	-	314	314
Actuarial gains (losses)	-	-	-	-	-	-	(40)	(40)
Adjustment of cash flow hedges	-	-	-	1	-	-	-	1
Foreign exchange adjustments, etc.	-	-	156	-	-	-	-	156
Tax relating to other comprehensive income	-	-	(7)	6	-	-	11	10
Total comprehensive income for the period	-	-	149	7	-	-	285	441
Proposed dividends for the year	-	-	-	-	-	151	(151)	-
Share-based payment (granted)	-	-	-	-	-	-	4	4
Share based payment (exercised)	-	-	-	-	-	-	-	-
Tax related to share-based incentive plans	-	-	-	-	-	-	4	4
Purchase/sale of treasury shares and other equity instruments	-	-	-	-	(153)	-	-	(153)
<b>Balance at December 31, 2014</b>	<b>672</b>	<b>540</b>	<b>(1,185)</b>	<b>(50)</b>	<b>(1,112)</b>	<b>151</b>	<b>6,651</b>	<b>5,667</b>
Profit (loss) for the period	-	-	-	-	-	-	459	459
Adjustment of cash flow hedges	-	-	-	33	-	-	-	33
Foreign exchange adjustments, etc.	-	-	342	-	-	-	-	342
Tax relating to other comprehensive income	-	-	(11)	(4)	-	-	-	(15)
Total comprehensive income for the period	-	-	331	29	-	-	459	819
Reduction of the share capital	(23)	(476)	-	-	784	-	(285)	-
Share-based payment (granted)	-	-	-	-	-	-	16	16
Share-based payment (exercised)	-	(64)	-	-	130	-	(1)	65
Tax related to share-based incentive plans	-	-	-	-	-	-	22	22
Purchase/sale of treasury shares and other equity instruments	-	-	-	-	(883)	-	-	(883)
Paid dividends	-	-	-	-	-	(142)	-	(142)
Dividends, treasury shares	-	-	-	-	-	(9)	9	-
<b>Balance at September 30, 2015</b>	<b>649</b>	<b>-</b>	<b>(854)</b>	<b>(21)</b>	<b>(1,081)</b>	<b>-</b>	<b>6,871</b>	<b>5,564</b>

**Cash flow statement**

(DKK million)	Consolidated				
	Q3 2015 (unaud.)	Q3 2014 (unaud.)	YTD 2015 (unaud.)	YTD 2014 (unaud.)	Full year 2014 (aud.)
<b>Operating activities</b>					
Operating profit (loss)	316	210	728	741	1,195
Depreciation, amortization and impairment	152	131	441	379	527
Beltone Network non-recurring items	-	-	150	-	-
Other adjustments	(27)	(9)	(42)	(29)	21
<b>Cash flow from operating activities before changes in working capital</b>	<b>441</b>	<b>332</b>	<b>1,277</b>	<b>1,091</b>	<b>1,743</b>
Changes in working capital	(51)	73	(184)	(25)	(257)
<b>Cash flow from operating activities before financial items and tax</b>	<b>390</b>	<b>405</b>	<b>1,093</b>	<b>1,066</b>	<b>1,486</b>
Financial items, net	(29)	(7)	(56)	(33)	(53)
Tax paid, net	(18)	(14)	(120)	(95)	(80)
<b>Cash flow from operating activities</b>	<b>343</b>	<b>384</b>	<b>917</b>	<b>938</b>	<b>1,353</b>
<b>Investing activities</b>					
Development projects	(111)	(107)	(332)	(292)	(411)
Investments in other intangible assets, net	(26)	(44)	(81)	(83)	(129)
Investments in property, plant and equipment, net	(47)	(25)	(130)	(68)	(104)
Investments in other non-current assets, net	23	(63)	29	(173)	(229)
Company acquisitions	(4)	-	(29)	(34)	(46)
<b>Cash flow from investing activities</b>	<b>(165)</b>	<b>(239)</b>	<b>(543)</b>	<b>(650)</b>	<b>(919)</b>
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>178</b>	<b>145</b>	<b>374</b>	<b>288</b>	<b>434</b>
<b>Financing activities</b>					
Paid dividends	-	-	(142)	(138)	(138)
Share-based payment (exercised)	-	1	65	68	68
Purchase/sale of treasury shares and other equity instruments	(228)	(233)	(883)	(724)	(877)
Increase/decrease in bank loans and other adjustments	28	77	616	466	456
<b>Cash flow from financing activities</b>	<b>(200)</b>	<b>(155)</b>	<b>(344)</b>	<b>(328)</b>	<b>(491)</b>
<b>Net cash flow</b>	<b>(22)</b>	<b>(10)</b>	<b>30</b>	<b>(40)</b>	<b>(57)</b>
Cash and cash equivalents beginning of period	173	135	114	163	163
Adjustment foreign currency, cash and cash equivalents	(4)	6	3	8	8
<b>Cash and cash equivalents, end of period</b>	<b>147</b>	<b>131</b>	<b>147</b>	<b>131</b>	<b>114</b>

**Note 1 - Accounting policies**

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

**Changes to accounting policies**

As of January 1, 2015, GN Store Nord adopted all relevant new or revised International Financial Reporting Standards and IFRIC Interpretations with effective date January 1, 2015 or earlier, including those specified in note 29 in the Annual Report 2014. The new or revised Standards and Interpretations did not affect recognition and measurement materially or result in any material changes to disclosures in the notes.

Apart from the minor changes, as described in note 29 in the Annual Report 2014, the accounting policies applied are unchanged from those applied in the Annual Report 2014.

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

## Note 2 – Segment disclosures

Income statement	GN ReSound		GN Netcom		Other*		Consolidated total	
	Q3 2015 (unaud.)	Q3 2014 (unaud.)	Q3 2015 (unaud.)	Q3 2014 (unaud.)	Q3 2015 (unaud.)	Q3 2014 (unaud.)	Q3 2015 (unaud.)	Q3 2014 (unaud.)
(DKK million)								
Revenue	1,260	1,108	766	627	-	-	2,026	1,735
Production costs	(455)	(366)	(372)	(284)	-	-	(827)	(650)
<b>Gross profit</b>	<b>805</b>	<b>742</b>	<b>394</b>	<b>343</b>	<b>-</b>	<b>-</b>	<b>1,199</b>	<b>1,085</b>
Expensed development costs**	(127)	(96)	(55)	(48)	(4)	(1)	(186)	(145)
Selling and distribution costs**	(358)	(340)	(198)	(161)	-	-	(556)	(501)
Management and administrative expenses	(84)	(82)	(28)	(25)	(13)	(106)	(125)	(213)
Other operating income and costs, net	1	2	-	-	-	-	1	2
<b>EBITA</b>	<b>237</b>	<b>226</b>	<b>113</b>	<b>109</b>	<b>(17)</b>	<b>(107)</b>	<b>333</b>	<b>228</b>
Amortization of acquired intangible assets	(14)	(10)	(3)	(2)	-	-	(17)	(12)
Gain (loss) on divestment of operations etc.	-	(6)	-	-	-	-	-	(6)
Beltone Network non-recurring items	-	-	-	-	-	-	-	-
<b>Operating profit (loss)</b>	<b>223</b>	<b>210</b>	<b>110</b>	<b>107</b>	<b>(17)</b>	<b>(107)</b>	<b>316</b>	<b>210</b>
Financial items	(20)	(15)	(14)	(13)	(13)	(3)	(47)	(31)
<b>Profit (loss) before tax</b>	<b>203</b>	<b>195</b>	<b>96</b>	<b>94</b>	<b>(30)</b>	<b>(110)</b>	<b>269</b>	<b>179</b>
Tax on profit (loss)	(55)	(55)	(24)	(23)	7	17	(72)	(61)
<b>Profit (loss)</b>	<b>148</b>	<b>140</b>	<b>72</b>	<b>71</b>	<b>(23)</b>	<b>(93)</b>	<b>197</b>	<b>118</b>
Cash flow statement	GN ReSound		GN Netcom		Other*		Consolidated total	
	Q3 2015 (unaud.)	Q3 2014 (unaud.)	Q3 2015 (unaud.)	Q3 2014 (unaud.)	Q3 2015 (unaud.)	Q3 2014 (unaud.)	Q3 2015 (unaud.)	Q3 2014 (unaud.)
(DKK million)								
Operating activities before changes in working capital	313	294	155	136	(27)	(98)	441	332
Cash flow from changes in working capital	(33)	(7)	(19)	61	1	19	(51)	73
<b>Cash flow from operating activities excluding financial items and tax</b>	<b>280</b>	<b>287</b>	<b>136</b>	<b>197</b>	<b>(26)</b>	<b>(79)</b>	<b>390</b>	<b>405</b>
Cash flow from investing activities:								
Development projects	(78)	(76)	(33)	(31)	-	-	(111)	(107)
Other	(32)	(104)	(17)	(15)	(5)	(13)	(54)	(132)
<b>Cash flow from operating and investing activities before financial items and tax</b>	<b>170</b>	<b>107</b>	<b>86</b>	<b>151</b>	<b>(31)</b>	<b>(92)</b>	<b>225</b>	<b>166</b>
Tax and financial items	(22)	(17)	(15)	2	(10)	(6)	(47)	(21)
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>148</b>	<b>90</b>	<b>71</b>	<b>153</b>	<b>(41)</b>	<b>(98)</b>	<b>178</b>	<b>145</b>
<b>Free cash flow excl. company acquisitions and divestments</b>	<b>152</b>	<b>90</b>	<b>71</b>	<b>153</b>	<b>(41)</b>	<b>(98)</b>	<b>182</b>	<b>145</b>

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

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

## Note 2 – Segment disclosures (continued)

Balance sheet	GN ReSound		GN Netcom		Other*		Consolidated total	
	Q3 2015 (unaud.)	Q3 2014 (unaud.)	Q3 2015 (unaud.)	Q3 2014 (unaud.)	Q3 2015 (unaud.)	Q3 2014 (unaud.)	Q3 2015 (unaud.)	Q3 2014 (unaud.)
<b>(DKK million)</b>								
<b>ASSETS</b>								
Goodwill	2,996	2,716	524	474	-	-	3,520	3,190
Development projects	933	866	211	158	-	8	1,144	1,032
Other intangible assets	450	374	40	48	108	150	598	572
Property, plant and equipment	272	226	64	49	181	189	517	464
Loans to dispensers and ownership interests	1,010	917	-	-	-	-	1,010	917
Other non-current assets	663	693	166	160	(17)	-	812	853
<b>Total non-current assets</b>	<b>6,324</b>	<b>5,792</b>	<b>1,005</b>	<b>889</b>	<b>272</b>	<b>347</b>	<b>7,601</b>	<b>7,028</b>
Inventories	506	425	257	186	-	-	763	611
Trade receivables	1,307	1,067	706	538	-	-	2,013	1,605
Receivables from subsidiaries***	-	-	1,870	1,629	(1,870)	(1,629)	-	-
Tax receivables	44	12	11	11	36	46	91	69
Other receivables	221	197	41	17	9	17	271	231
Cash and cash equivalents	110	99	37	32	-	-	147	131
<b>Total current assets</b>	<b>2,188</b>	<b>1,800</b>	<b>2,922</b>	<b>2,413</b>	<b>(1,825)</b>	<b>(1,566)</b>	<b>3,285</b>	<b>2,647</b>
<b>Total assets</b>	<b>8,512</b>	<b>7,592</b>	<b>3,927</b>	<b>3,302</b>	<b>(1,553)</b>	<b>(1,219)</b>	<b>10,886</b>	<b>9,675</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>5,697</b>	<b>4,757</b>	<b>3,153</b>	<b>2,621</b>	<b>(3,286)</b>	<b>(2,007)</b>	<b>5,564</b>	<b>5,371</b>
Bank loans	-	-	-	-	2,325	1,712	2,325	1,712
Pension obligations and deferred tax	298	244	38	33	154	162	490	439
Provisions	84	123	10	24	1	27	95	174
Other non-current liabilities	282	237	-	-	-	-	282	237
<b>Total non-current liabilities</b>	<b>664</b>	<b>604</b>	<b>48</b>	<b>57</b>	<b>2,480</b>	<b>1,901</b>	<b>3,192</b>	<b>2,562</b>
Bank loans	6	3	14	12	58	32	78	47
Trade payables	237	235	307	256	10	8	554	499
Amounts owed to subsidiaries***	861	1,243	-	-	(861)	(1,243)	-	-
Tax payables	174	49	45	38	(5)	-	214	87
Provisions	199	154	50	34	13	5	262	193
Other current liabilities	674	547	310	284	38	85	1,022	916
<b>Total current liabilities</b>	<b>2,151</b>	<b>2,231</b>	<b>726</b>	<b>624</b>	<b>(747)</b>	<b>(1,113)</b>	<b>2,130</b>	<b>1,742</b>
<b>Total equity and liabilities</b>	<b>8,512</b>	<b>7,592</b>	<b>3,927</b>	<b>3,302</b>	<b>(1,553)</b>	<b>(1,219)</b>	<b>10,886</b>	<b>9,675</b>
<b>Invested capital****</b>	<b>6,501</b>	<b>5,729</b>	<b>1,166</b>	<b>872</b>	<b>236</b>	<b>239</b>	<b>7,903</b>	<b>6,840</b>
<b>Average invested capital</b>	<b>6,115</b>	<b>5,465</b>	<b>1,019</b>	<b>861</b>	<b>238</b>	<b>236</b>	<b>7,372</b>	<b>6,562</b>

Additional information	GN ReSound		GN Netcom		Other*		Consolidated total	
	Q3 2015 (unaud.)	Q3 2014 (unaud.)	Q3 2015 (unaud.)	Q3 2014 (unaud.)	Q3 2015 (unaud.)	Q3 2014 (unaud.)	Q3 2015 (unaud.)	Q3 2014 (unaud.)
<b>(DKK million)</b>								
Revenue distributed geographically								
Europe	29%	29%	45%	49%	0%	0%	35%	36%
North America	49%	49%	36%	31%	0%	0%	44%	43%
Rest of world	22%	22%	19%	20%	0%	0%	21%	21%
Incurring development costs	(133)	(113)	(67)	(60)	(4)	(1)	(204)	(174)
Capitalized development costs	78	76	33	31	-	-	111	107
Amortization and depreciation of development costs**	(72)	(59)	(21)	(19)	-	-	(93)	(78)
<b>Expensed development costs</b>	<b>(127)</b>	<b>(96)</b>	<b>(55)</b>	<b>(48)</b>	<b>(4)</b>	<b>(1)</b>	<b>(186)</b>	<b>(145)</b>
EBITDA	266	252	122	117	(10)	(98)	378	271
Depreciation and software amortization	(29)	(26)	(9)	(8)	(7)	(9)	(45)	(43)
<b>EBITA</b>	<b>237</b>	<b>226</b>	<b>113</b>	<b>109</b>	<b>(17)</b>	<b>(107)</b>	<b>333</b>	<b>228</b>
EBITA margin	18.8%	20.4%	14.8%	17.4%	N/A	N/A	16.4%	13.1%
Number of employees, end of period	-4.325	-3.975	-1.000	-950	-75	-50	-5,400	-4.975

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

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

\*\*\*Net amount

\*\*\*\* Includes Net working capital (Inventories, Trade receivables, Other receivables, Trade payables and Other current liabilities), Goodwill, Development projects, Other intangible assets, Property, plant and equipment, Loans to dispensers and ownership interests and Provisions.

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### **Note 3 – Incentive plans**

As of September 30, 2015, the total number of outstanding warrants in GN ReSound was 14,801 (2.3% of the shares issued in GN ReSound). The total number of outstanding warrants in GN Netcom was 7,803 (2.3% of the shares issued in GN Netcom).

### **Note 4 – Shareholdings**

On October 30, 2015, members of the board of directors and the executive management, respectively, own 484,910 and 104,400 shares in GN Store Nord.

On October 30, 2015, GN owns 8,351,490 treasury shares, equivalent to 5.1% of the 162,191,269 shares issued. At the annual general meeting on March 19, 2015, it was decided to reduce the company's nominal share capital from DKK 672,083,012 to nominally DKK 648,765,076 by cancelling part of the company's treasury shares at a nominal value of DKK 23,317,936 divided into 5,829,484 shares of DKK 4 each. The reduction was conducted on April 20, 2015.

The GN stock is 100% free float, and the company has no dominant shareholders. T. Rowe Price Associates Inc. has reported an ownership interest in excess of 10% of GN's share capital while Marathon Asset Management LLP and APG Asset Management N.V. have reported an ownership interest in excess of 5% of GN's share capital. Foreign ownership of GN is estimated to be around 70%.