
GN Making Life Sound Better

Helping people “hear more, do more and be more”

Interim Report Q1 2016

Strong revenue growth of 15% in GN ReSound and 9% in GN Netcom CC&O

Continued improvement in cash generation

GN Store Nord	<ul style="list-style-type: none"> GN Store Nord delivered 11% revenue growth in Q1 2016, with organic growth constituting 8%, driven by Hearing Instruments and CC&O Earnings per share (EPS) reached DKK 1.38, an increase of 18% compared to Q1 2015 Free cash flow excl. M&A increased by DKK 98 million compared to Q1 2015 Financial outlook for 2016 is confirmed, including communicated seasonality in earnings reflecting among other investments during early parts of the year to further support the strong current growth momentum
GN ReSound	<ul style="list-style-type: none"> GN ReSound had a strong start to 2016 and delivered 15% revenue growth, with organic growth constituting 10%. Organic growth in Hearing Instruments accelerated to 11%, driven by continued focus on commercial excellence and by the industry leading hearing aid portfolio GN ReSound's EBITA increased to DKK 234 million. The EBITA margin increased to 17.0% compared to 16.8% in Q1 2015 GN ReSound's free cash flow excl. M&A in Q1 2016 increased by DKK 45 million compared to Q1 2015. Cash conversion ended at 5%, compared to (16)% in Q1 2015
GN Netcom	<ul style="list-style-type: none"> GN Netcom's CC&O business delivered 9% organic growth in Q1 2016, resulting in organic growth of 4% for GN Netcom with (7)% organic growth in the Mobile division EBITA was DKK 90 million in Q1 2016 for GN Netcom, equal to an EBITA margin of 12.5%. The decrease in the EBITA margin of 3.4 percentage points compared to Q1 2015 is primarily related to the development in foreign exchange rates GN Netcom's free cash flow excl. M&A in Q1 2016 increased by DKK 18 million compared to Q1 2015. Cash conversion ended at 32% compared to 10% in Q1 2015

Financial overview Q1 2016

DKK million	GN ReSound			GN Netcom			GN Store Nord*		
	Q1 2016	Q1 2015	Growth	Q1 2016	Q1 2015	Growth	Q1 2016	Q1 2015	Growth
Revenue	1,373	1,191	+15%	720	694	+4%	2,093	1,885	+11%
<i>Organic growth</i>	10%	9%		4%	(3)%		8%	4%	
Gross profit	896	784	+14%	371	374	(1)%	1,267	1,158	+9%
<i>Gross margin</i>	65.3%	65.8%	(0.5)%p	51.5%	53.9%	(2.4)%p	60.5%	61.4%	(0.9)%p
EBITA	234	200	+17%	90	110	(18)%	306	291	+5%
<i>EBITA margin</i>	17.0%	16.8%	+0.2%p	12.5%	15.9%	(3.4)%p	14.6%	15.4%	(0.8)%p
Earnings per share (EPS)							1.38	1.17	+18%
Free cash flow excl. M&A	12	(33)	+45	29	11	+18	(8)	(106)	+98

*) Incl. "Other"

Financial highlights

DKK million	Q1 2016 (unaud.)	Q1 2015 (unaud.)	Full year 2015 (aud.)	2016 Guidance
GN ReSound				
Revenue	1,373	1,191	5,175	
- Hearing Instruments	1,218	1,042	4,526	
- Otometrics	155	149	649	
Organic growth	10%	9%	8%	Around 6%
- Hearing Instruments	11%	10%	9%	
- Otometrics	5%	0%	2%	
Gross profit margin	65.3%	65.8%	65.8%	
EBITA	234	200	995	Around 1,200
EBITA margin	17.0%	16.8%	19.2%	
ROIC (EBITA/Average invested capital)	15.4%	15.3%	15.8%	
Free cash flow excl. company acquisitions and divestments	12	(33)	592	
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	5%	(16)%	59%	
GN Netcom				
Revenue	720	694	3,229	
- CC&O	522	479	2,148	
- Mobile	198	215	1,081	
Organic growth	4%	(3)%	2%	7 - 10%
- CC&O	9%	3%	6%	More than 10%
- Mobile	(7)%	(16)%	(5)%	0 - 6%
Gross profit margin	51.5%	53.9%	52.6%	
EBITA	90	110	540	Around 590
EBITA margin	12.5%	15.9%	16.7%	
ROIC (EBITA/Average invested capital)	41.9%	50.3%	46.9%	
Free cash flow excl. company acquisitions and divestments	29	11	271	
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	32%	10%	50%	
GN Store Nord				
Revenue	2,093	1,885	8,404	
Organic growth	8%	4%	6%	Around 7%
Gross profit margin	60.5%	61.4%	60.7%	
EBITA	306	291	1,457	Around 1,720
EBITA margin	14.6%	15.4%	17.3%	
Profit (loss) before tax	276	252	1,092	Around 1,520
Effective tax rate	24.6%	26.6%	26.3%	25 - 26%
ROIC (EBITA/Average invested capital)	18.1%	17.7%	19.0%	
Earnings per share, basic (EPS)	1.38	1.17	5.16	
Earnings per share, fully diluted (EPS diluted)	1.38	1.16	5.14	
Free cash flow excl. company acquisitions and divestments	(8)	(106)	743	
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	(3)%	(36)%	51%	
Equity ratio	48.6%	52.8%	51.6%	
Net interest-bearing debt	2,738	2,319	2,212	
Net interest-bearing debt (period-end)/EBITDA	1.7	1.6	1.4	Around 1.7 times EBITDA
Dividend payout ratio	-	-	20%	
Share buybacks*	396	482	1,162	
Outstanding shares, end of period (thousand)	149,611	157,440	152,254	
Average number of outstanding shares, fully diluted (thousand)	151,253	159,526	156,734	
Share price at the end of the period	137	155	125	
Market capitalization	20,497	24,435	19,032	

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 Q1 2016

- 11% organic growth in Hearing Instruments – broad based across regions and channels
- Launch of new innovative products, including a global launch of ReSound ENZO²™ building on the successful US launch in the autumn of 2015
- Continued improvement in cash conversion
- GN ReSound's financial guidance for 2016 is maintained

REVENUE

In the first quarter of the year, revenue grew 15% with organic growth constituting 10%. Foreign exchange developments contributed around 3% growth while M&A contributed around 2%. Revenue ended at DKK 1,373 million in Q1 2016.

Organic growth in Hearing Instruments accelerated to 11% in Q1 2016 with revenue of DKK 1,218 million. The growth was driven by continued focus on commercial excellence and by the industry leading hearing aid portfolio, including the essential product, ReSound Enya™, launched end of September 2015.

The growth was broad based with all three regions delivering strong organic growth. The positive development seen in Europe during 2015 has continued in Q1 2016 with strong double digit growth. In the US, the growth in the independent channel continues at double digit levels. Also, GN ReSound continued to gain market share in Veterans Affairs (VA) leading to an all-time high market share by the end of Q1 2016.

GN Otometrics delivered organic growth of 5% in Q1 2016, primarily based on strong performance in the USA and certain emerging markets.

EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

The gross margin ended at 65.3% in reported terms in Q1 2016, compared to 65.8% in Q1 2015. The 0.5 percentage points decrease, or 1.1 percentage points decrease in constant currencies, reflects that the gross margin in Q1 2015 was strong partly driven by the ReSound LiNX²™ launch while the gross margin in Q1 2016 was impacted by strong growth from the newly launched essential product, ReSound Enya. Moreover, GN Otometrics' Q1 2016 mix impacted the overall gross margin negatively.

GN ReSound increased EBITA by 17% from DKK 200 million in Q1 2015 to DKK 234 million in Q1 2016, reflecting a rather constant EBITA in constant currencies. The EBITA margin ended at 17.0% compared to 16.8% in Q1 2015, which was a particularly strong quarter in terms of EBITA. The EBITA margin development reflects a decrease of 1.9 percentage points in constant currencies caused by timing of product launches and investments in among other sales and marketing initiatives aimed at exploiting the current strong momentum in the business. The EBITA margin was positively impacted by the development in foreign exchange rates as previously communicated.

The free cash flow excl. M&A increased by DKK 45 million compared to Q1 2015 and ended at DKK 12 million. Cash conversion ended at 5%. The significant revenue growth led to an increase in working capital, and the first quarter of the year is always impacted by, among others, payment of corporate tax as well as bonus payments. In Q1 2016, there was a net cash inflow from financial support arrangements of DKK 29 million.

BUSINESS HIGHLIGHTS

In March 2016, ReSound ENZO² was launched globally, building on the successful US launch in the autumn of 2015. ReSound ENZO² brings the unique benefits of ReSound LiNX² to people with severe to profound hearing loss. Using the fourth generation of GN ReSound's proprietary 2.4 GHz technology, ReSound ENZO² is the only Smart Hearing aid for Super Power users that offers Made-For-iPhone connectivity, an exceptional hearing experience with greater audibility, better speech understanding and improved spatial awareness, enabling people to live their life closer to normal than ever before.

In April 2016, GN ReSound attended the AudiologyNOW! conference in Phoenix, USA. GN ReSound's presentation at the conference focused on the key GN ReSound innovations that have set a new standard in the hearing aid industry. This is the case in terms of audiology, where GN ReSound moved away from tunnel directionality several years ago, among other with the launch of Surround Sound by ReSound™ in 2009 and with subsequent launches of Binaural Directionality™ and Spatial Sense™. It is also the case with regard to connectivity, with GN ReSound's introduction of 2.4 GHz technology in 2010. Both in terms of audiology and connectivity, GN ReSound's innovation framework is setting the direction for the industry. GN ReSound's presentation at AudiologyNOW! also addressed some of the obstacles that the industry still faces: The inefficient fitting process where users need to visit the local dispenser quite a few times before the hearing aid is perfectly fitted. GN ReSound is constantly seeking to make life sound better, which includes a planned introduction of Smart Fitting in the upcoming 5th generation 2.4 GHz hearing aids.

MARKET DEVELOPMENT

Market growth in units is estimated to have been 5-6% in Q1 2016. The growth was primarily driven by strong development in North America. The development in the global average selling prices (ASPs) is estimated to have been slightly negative leading to value growth of 4-5% in Q1 2016.

OUTLOOK 2016

GN ReSound confirms its guidance for 2016 of organic growth of "around 6%" and EBITA of "around DKK 1,200 million", with Q1 2016 performance in line with expectations.

"Q1 2016 was a very strong start to the year for GN ReSound, with revenue growth accelerating to 15% and continuing to be broad based. We are on a relentless quest to improve the quality of life for our users. And we have with continued innovations documented our ability to develop unique products, which have set a new standard in the industry – both in terms of audiology and connectivity."

Anders Hedegaard, CEO of GN ReSound

GN Netcom

HIGHLIGHTS Q1 2016

- Solid organic growth of 9% in the CC&O division driven by a broad range of geographies
- Gross margin increased by 0.3 percentage points in constant currencies compared to Q1 2015
- Cash conversion increased to 32% – significantly higher than last three years' Q1
- GN Netcom's financial guidance for 2016 is maintained

REVENUE

GN Netcom delivered revenue of DKK 720 million in Q1 2016, reflecting an organic growth of 4%, with negligible impact from foreign exchange developments and without any impact from M&A.

The revenue growth was driven by solid performance in the core CC&O division, which delivered 9% organic growth in Q1 2016. The growth in the CC&O division was fueled by strong double digit growth in North America and in Rest of World, reflecting continued success of Unified Communication (UC) products including the Jabra Evolve™ family. The growth in Europe, GN Netcom's largest market, was more muted in the quarter, but this is seen as a matter of timing over the full year 2016.

The Mobile division reported (7)% organic growth in Q1 2016. As expected and announced in the Annual Report 2015, the division was impacted by the slowdown in the global consumer electronic market and by the continued negative development in the market for mono Bluetooth headsets.

EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

GN Netcom's gross profit in Q1 2016 was DKK 371 million equaling a gross margin of 51.5%. In constant currencies, the gross margin increased 0.3 percentage points compared to Q1 2015. The solid revenue performance in the CC&O division had an accretive effect on GN Netcom's group gross margin.

EBITA ended at DKK 90 million in Q1 2016. The EBITA margin was 12.5%, down 0.7 percentage points in constant currencies and down 3.4 percentage points in reported terms. Due to GN Netcom's foreign exchange hedging practice, the absolute earnings level in Q1 2016 has a challenging comparison base from Q1 2015, where GN Netcom had a hedging gain of around DKK 15 million.

The free cash flow excl. M&A in Q1 2016 was DKK 29 million leading to a cash conversion of 32% compared to a free cash flow excl. M&A of DKK 11 million and a cash conversion of 10% in Q1 2015. The improvement in Q1 2016 is among others driven by a positive development in trade receivables.

BUSINESS HIGHLIGHTS

The CC&O market is seen to be in a constant and positive development. GN Netcom expects that the market for UC solutions will turn more towards also small and medium sized enterprises (SMEs). In recent years, GN Netcom has performed well delivering intelligent audio solutions to larger corporates implementing UC solutions, and the expectation is to also capture a strong market position among SMEs.

In January 2016, GN Netcom participated in the CES convention in Las Vegas where GN Netcom demonstrated its position as a leading company in the market for intelligent audio solutions. During the convention, GN Netcom received two awards for the products: Jabra Sport Coach™ Wireless and Jabra Steel™. At CES, the world was once again reminded that "hearables" – hybrid devices that e.g. merge health-tracking capabilities with high quality audio – will offer tomorrow's users an ever increasing range of features and functionalities. As the leader in intelligent audio solutions, GN is uniquely positioned to benefit from this trend and to allow its users to "hear more, do more and be more" than they ever thought possible.

MARKET DEVELOPMENT

In Q1 2016, the global CC&O market continued to develop favorably. GN Netcom expects that the market trend will continue for the remaining part of 2016 creating a solid foundation for continued growth.

The consumer electronics market, as illustrated by parts of the smart phone market, showed a volatile and somewhat stagnating development during the start of 2016, which has a negative impact on the consumer stereo headset market. In addition, the challenges faced in the mono Bluetooth market during 2015 have continued into 2016.

OUTLOOK 2016

GN Netcom confirms its financial guidance for 2016 of an organic growth of “7-10%” and EBITA of “around DKK 590 million”, with performance in Q1 2016 in line with expectations with regard to CC&O and as expected with continued softness with regard to the market conditions for Mobile.

“I am pleased that the CC&O business in Q1 2016 has continued the solid development from the second half of 2015. We are strengthening our leading position in the Unified Communication market, driven by a combination of a leading product portfolio and strong commercial execution. Despite challenging market conditions in Mobile, GN Netcom delivered solid earnings and improved cash flow generation.”

René Svendsen-Tune, CEO of GN Netcom

GN Store Nord

In Q1 2016, the GN Store Nord group delivered revenue of DKK 2,093 million compared to DKK 1,885 million in Q1 2015, corresponding to organic growth of 8%.

EBITA in Other amounted to DKK (18) million compared to DKK (19) million in Q1 2015. Group EBITA increased by 5%.

Amortization of acquired intangible assets amounted to DKK (23) million, while Gain (loss) on divestment of operations etc. ended at DKK (1) million. Financial items amounted to DKK (6) million, primarily explained by a positive contribution from foreign exchange adjustments of certain balance sheet items. The profit before tax was DKK 276 million, and the effective tax rate was 24.6%. The free cash flow excl. M&A ended at DKK (8) million, equal to an improvement of DKK 98 million compared to Q1 2015.

GN Store Nord confirms the guidance for 2016 as announced in the Annual Report 2015:

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

CAPITAL STRUCTURE

During Q1 2016, GN has in total distributed DKK 520 million back to shareholders through share buybacks and dividend. Until today, GN has in total repurchased 3.5 million shares at a total price of DKK 447 million through two different Safe Harbor programs in 2016. As of May 4, 2016, GN owns 5,839,602 treasury shares equivalent to 3.8% 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 around 1.7 times EBITDA by the end of 2016. By the end of Q1 2016, the net interest-bearing debt was DKK 2,738 million corresponding to 1.7 times EBITDA where EBITDA is based on last four rolling quarters.

CLAIM AGAINST PLANTRONICS INC.

In 2012, GN Netcom filed suit against Plantronics for attempted monopolization of the distributors' market in the US. On September 23, 2013, the federal district court in Wilmington, Delaware, dismissed Plantronics' "motion to dismiss" the case in its entirety. The court also stated that GN Netcom's allegations were sufficiently substantiated to allow the case to proceed into discovery. During the discovery phase, GN learned of alleged intentional document destruction and has submitted a motion for sanctions asking the Court to determine the appropriate remedy for Plantronics' alleged misconduct. The court has now scheduled a hearing on the matter in May 2016.

FOREIGN EXCHANGE EXPOSURE

Based on the expected 2016 revenue and cost composition, the table below outlines the currencies which constitute the primary exposure for GN in 2016, excluding any hedging impact.

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

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

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 development is postponed one year while the majority of the impact on revenue is having immediate effect.

ADDITIONAL INFORMATION

Teleconference

GN will host a teleconference at 11.00 am CET today. Please visit 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

Interim Report Q2 2016: August 11, 2016
Interim Report Q3 2016: November 3, 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.

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ABOUT GN STORE NORD

In recent years, the GN group has transformed into an industry leader in innovation and growth – pioneering great sound from world leading hearing aids, headphones, headsets and speakerphones. GN’s purpose across the group is to **make life sound better** for people by developing intelligent audio solutions that let them **hear more, do more and be more** than they ever thought possible.

GN is the only company that under the same roof commands world-leading expertise in the human auditory system, sound processing, wireless technologies, and software development linking deep insight and knowledge from both the hearing aid and the headset industries.

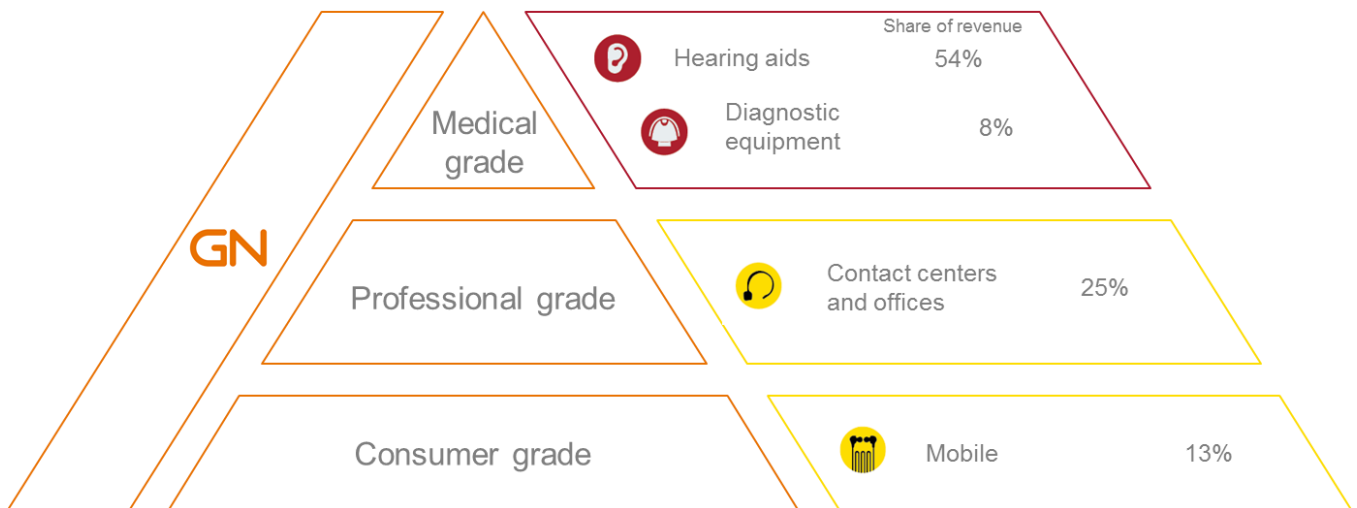
This unique combination of knowledge across consumer, professional and medical grade products and solutions enables GN to develop truly intelligent audio solutions that do much more than amplify speech and sound. They are comprehensive solutions that support the user in a variety of different ways.

The significant shifts in the world’s demographics with ageing populations, a growing and increasingly affluent middle-class and pressure on public healthcare spend prompts a future when people ever more use technology to increase health and well-being as well as work productivity.

The rapid emergence of ear-worn technology in combination with people’s increasing reliance on always-on access to the internet and information presents a sweet spot for GN’s combined innovative expertise and market access across medical, professional and consumer target groups.

GN's innovative and intelligent audio solutions are marketed by the brands Jabra, ReSound, Beltone, Interton and Otometrics in more than 90 countries across the world. Founded in 1869, the GN Group today has more than 5,000 employees and is listed on Nasdaq Copenhagen (GN.CO).

World leading audio solutions expertise, all under one roof



Figures from full year 2015

For more information please visit www.gn.com

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 January 1 - March 31, 2016.

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 March 31, 2016 and of the results of the group's operations and cash flows for the period January 1 – March 31, 2016.

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, May 4, 2016

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

Marcus Desimoni
CFO, GN Store Nord

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Quarterly reporting by segment

DKK million	Q1 2015 (unaud.)	Q2 2015 (unaud.)	Q3 2015 (unaud.)	Q4 2015 (unaud.)	Q1 2016 (unaud.)	2015 Total (aud.)
Income statement						
Revenue						
GN ReSound	1,191	1,271	1,260	1,453	1,373	5,175
GN Netcom	694	764	766	1,005	720	3,229
Total	1,885	2,035	2,026	2,458	2,093	8,404
Organic growth						
GN ReSound	9%	8%	6%	9%	10%	8%
GN Netcom	(3)%	(2)%	11%	3%	4%	2%
Total	4%	4%	8%	7%	8%	6%
Gross profit margin						
GN ReSound	65.8%	66.3%	63.9%	67.0%	65.3%	65.8%
GN Netcom	53.9%	53.8%	51.4%	51.5%	51.5%	52.6%
Total	61.4%	61.6%	59.2%	60.7%	60.5%	60.7%
Expensed development costs						
GN ReSound	(112)	(128)	(127)	(117)	(130)	(484)
GN Netcom	(44)	(52)	(55)	(58)	(50)	(209)
Other *	(2)	(2)	(4)	(6)	(3)	(14)
Total	(158)	(182)	(186)	(181)	(183)	(707)
Selling and distribution costs and administrative expenses etc.						
GN ReSound	(472)	(497)	(441)	(517)	(532)	(1,927)
GN Netcom	(220)	(252)	(226)	(250)	(231)	(948)
Other *	(17)	(12)	(13)	(22)	(15)	(64)
Total	(709)	(761)	(680)	(789)	(778)	(2,939)
EBITA						
GN ReSound	200	218	237	340	234	995
GN Netcom	110	107	113	210	90	540
Other *	(19)	(14)	(17)	(28)	(18)	(78)
Total	291	311	333	522	306	1,457
EBITA margin						
GN ReSound	16.8%	17.2%	18.8%	23.4%	17.0%	19.2%
GN Netcom	15.9%	14.0%	14.8%	20.9%	12.5%	16.7%
Total	15.4%	15.3%	16.4%	21.2%	14.6%	17.3%
Depreciation and software amortization						
GN ReSound	(27)	(26)	(29)	(25)	(27)	(107)
GN Netcom	(9)	(9)	(9)	(10)	(9)	(37)
Other *	(7)	(7)	(7)	(8)	(8)	(29)
Total	(43)	(42)	(45)	(43)	(44)	(173)
EBITDA						
GN ReSound	227	244	266	365	261	1,102
GN Netcom	119	116	122	220	99	577
Other *	(12)	(7)	(10)	(20)	(10)	(49)
Total	334	353	378	565	350	1,630
EBITA	291	311	333	522	306	1,457
Amortization of acquired intangible assets	(18)	(18)	(17)	(24)	(23)	(77)
Gain (loss) on divestment of operations etc.	-	(4)	-	(6)	(1)	(10)
Beltone Network non-recurring items	-	(150)	-	-	-	(150)
Operating profit (loss)	273	139	316	492	282	1,220
Share of profit (loss) in associates	-	-	-	5	-	5
Financial items, net	(21)	(34)	(47)	(31)	(6)	(133)
Profit (loss) before tax	252	105	269	466	276	1,092
Tax on profit (loss)	(67)	(28)	(72)	(120)	(68)	(287)
Profit (loss)	185	77	197	346	208	805
Balance sheet						
Development projects						
GN ReSound	920	926	933	961	976	961
GN Netcom	180	198	211	223	233	223
Other *	-	-	-	-	-	-
Total	1,100	1,124	1,144	1,184	1,209	1,184
Inventories						
GN ReSound	488	489	506	491	509	491
GN Netcom	204	229	257	229	224	229
Total	692	718	763	720	733	720
Trade receivables						
GN ReSound	1,299	1,270	1,307	1,345	1,342	1,345
GN Netcom	699	752	706	909	690	909
Other *	1	1	-	1	1	1
Total	1,999	2,023	2,013	2,255	2,033	2,255
Net working capital						
GN ReSound	1,140	1,030	1,123	942	1,137	942
GN Netcom	436	377	387	486	485	486
Other *	(49)	(22)	(39)	(59)	(93)	(59)
Total	1,527	1,385	1,471	1,369	1,529	1,369
Cash flow						
Free cash flow excl. company acquisitions and divestments						
GN ReSound	(33)	225	152	248	12	592
GN Netcom	11	121	71	68	29	271
Other *	(84)	(19)	(41)	24	(49)	(120)
Total	(106)	327	182	340	(8)	743
Acquisitions and divestments of companies	(18)	(7)	(4)	(18)	(33)	(47)
Free cash flow	(124)	320	178	322	(41)	696

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

Income statement

Consolidated

(DKK million)	Q1 2016 (unaud.)	Q1 2015 (unaud.)	Full year 2015 (aud.)
Revenue	2,093	1,885	8,404
Production costs	(826)	(727)	(3,301)
Gross profit	1,267	1,158	5,103
Development costs	(183)	(158)	(707)
Selling and distribution costs	(625)	(575)	(2,414)
Management and administrative expenses	(156)	(135)	(533)
Other operating income and costs, net	3	1	8
EBITA*	306	291	1,457
Amortization of acquired intangible assets	(23)	(18)	(77)
Gain (loss) on divestment of operations etc.	(1)	-	(10)
Beltone Network non-recurring items	-	-	(150)
Operating profit (loss)	282	273	1,220
Share of profit (loss) in associates	-	-	5
Financial income	39	47	97
Financial expenses	(45)	(68)	(230)
Profit (loss) before tax	276	252	1,092
Tax on profit (loss)	(68)	(67)	(287)
Profit (loss) for the period	208	185	805
Earnings per share (EPS)			
Earnings per share (EPS)	1.38	1.17	5.16
Earnings per share, fully diluted (EPS diluted)	1.38	1.16	5.14

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

Statement of comprehensive income

Consolidated

(DKK million)	Q1 2016 (unaud.)	Q1 2015 (unaud.)	Full year 2015 (aud.)
Profit (loss) for the period	208	185	805
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gains (losses)	-	-	14
Tax relating to this item of other comprehensive income	-	-	(6)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Adjustment of cash flow hedges	39	(74)	30
Foreign exchange adjustments, etc.	(225)	649	462
Tax relating to these items of other comprehensive income	(6)	8	(10)
Other comprehensive income for the period, net of tax	(192)	583	490
Total comprehensive income for the period	16	768	1,295

Balance sheet

Consolidated

(DKK million)	March 31 2016 (unaud.)	Dec. 31 2015 (aud.)	Sep. 30 2015 (unaud.)	June 30 2015 (unaud.)
Assets				
Intangible assets	5,525	5,469	5,262	5,269
Property, plant and equipment	523	534	517	509
Deferred tax assets	492	507	538	544
Other non-current assets	1,129	1,264	1,284	1,333
Total non-current assets	7,669	7,774	7,601	7,655
Inventories	733	720	763	718
Trade receivables	2,033	2,255	2,013	2,023
Tax receivable	68	63	91	88
Other receivables	239	232	271	272
Cash and cash equivalents	134	132	147	173
Total current assets	3,207	3,402	3,285	3,274
Total assets	10,876	11,176	10,886	10,929
Equity and liabilities				
Equity	5,284	5,764	5,564	5,627
Bank loans	2,831	2,297	2,325	2,349
Pension obligations	63	64	77	85
Provisions	124	59	95	108
Deferred tax liabilities	509	496	413	413
Other non-current liabilities	277	301	282	278
Total non-current liabilities	3,804	3,217	3,192	3,233
Bank loans	41	47	78	25
Trade payables	430	731	554	647
Tax payable	3	28	214	156
Provisions	268	282	262	260
Other payables	1,046	1,107	1,022	981
Total current liabilities	1,788	2,195	2,130	2,069
Total equity and liabilities	10,876	11,176	10,886	10,929

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
Balance at December 31, 2014	672	540	(1,185)	(50)	(1,112)	151	6,651	5,667
Profit (loss) for the period	-	-	-	-	-	-	185	185
Adjustment of cash flow hedges	-	-	-	(74)	-	-	-	(74)
Foreign exchange adjustments, etc.	-	-	649	-	-	-	-	649
Tax relating to other comprehensive income	-	-	(9)	17	-	-	-	8
Total comprehensive income for the period	-	-	640	(57)	-	-	185	768
Share-based payment (granted)	-	-	-	-	-	-	4	4
Share based payment (exercised)	-	(64)	-	-	128	-	-	64
Tax related to share-based incentive plans	-	-	-	-	-	-	22	22
Purchase/sale of treasury shares	-	-	-	-	(482)	-	-	(482)
Paid dividends	-	-	-	-	-	(142)	-	(142)
Dividends, treasury shares	-	-	-	-	-	(9)	9	-
Balance at March 31, 2015	672	476	(545)	(107)	(1,466)	-	6,871	5,901
Profit (loss) for the period	-	-	-	-	-	-	620	620
Actuarial gains (losses)	-	-	-	-	-	-	14	14
Adjustment of cash flow hedges	-	-	-	104	-	-	-	104
Foreign exchange adjustments, etc.	-	-	(187)	-	-	-	-	(187)
Tax relating to other comprehensive income	-	-	6	(24)	-	-	(6)	(24)
Total comprehensive income for the period	-	-	(181)	80	-	-	628	527
Reduction of the share capital	(23)	(476)	-	-	784	-	(285)	-
Proposed dividends for the year	-	-	-	-	-	161	(161)	-
Share-based payment (granted)	-	-	-	-	-	-	15	15
Share based payment (exercised)	-	-	-	-	2	-	(1)	1
Purchase/sale of treasury shares	-	-	-	-	(680)	-	-	(680)
Balance at December 31, 2015	649	-	(726)	(27)	(1,360)	161	7,067	5,764
Profit (loss) for the period	-	-	-	-	-	-	208	208
Adjustment of cash flow hedges	-	-	-	39	-	-	-	39
Foreign exchange adjustments, etc.	-	-	(225)	-	-	-	-	(225)
Tax relating to other comprehensive income	-	-	3	(9)	-	-	-	(6)
Total comprehensive income for the period	-	-	(222)	30	-	-	208	16
Share-based payment (granted)	-	-	-	-	-	-	5	5
Share-based payment (exercised)	-	-	-	-	61	-	(21)	40
Tax related to share-based incentive plans	-	-	-	-	-	-	4	4
Purchase/sale of treasury shares	-	-	-	-	(396)	-	-	(396)
Paid dividends	-	-	-	-	-	(149)	-	(149)
Dividends, treasury shares	-	-	-	-	-	(12)	12	-
Balance at March 31, 2016	649	-	(948)	3	(1,695)	-	7,275	5,284

Cash flow statement

Consolidated

(DKK million)	Q1 2016 (unaud.)	Q1 2015 (unaud.)	Full year 2015 (aud.)
Operating activities			
Operating profit (loss)	282	273	1,220
Depreciation, amortization and impairment	155	139	599
Other adjustments	(9)	14	127
Cash flow from operating activities before changes in working capital	428	426	1,946
Changes in working capital	(201)	(273)	(151)
Cash flow from operating activities before financial items and tax	227	153	1,795
Financial items, net	(16)	(13)	(71)
Tax paid, net	(89)	(79)	(274)
Cash flow from operating activities	122	61	1,450
Investing activities			
Development projects	(113)	(110)	(460)
Investments in other intangible assets, net	(30)	(21)	(159)
Investments in property, plant and equipment, net	(16)	(28)	(169)
Investments in other non-current assets, net	29	(8)	81
Company acquisitions	(33)	(18)	(47)
Cash flow from investing activities	(163)	(185)	(754)
Cash flow from operating and investing activities (free cash flow)	(41)	(124)	696
Financing activities			
Paid dividends	(120)	(110)	(142)
Share-based payment (exercised)	40	64	65
Purchase/sale of treasury shares and other equity instruments	(396)	(482)	(1,162)
Increase/decrease in bank loans and other adjustments	523	679	557
Cash flow from financing activities	47	151	(682)
Net cash flow	6	27	14
Cash and cash equivalents beginning of period	132	114	114
Adjustment foreign currency, cash and cash equivalents	(4)	12	4
Cash and cash equivalents, end of period	134	153	132

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, 2016, GN Store Nord adopted all relevant new or revised International Financial Reporting Standards and IFRIC Interpretations with effective date January 1, 2016 or earlier, including those specified in note 1.1 in the Annual Report 2015. 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 1.1 in the Annual Report 2015, the accounting policies applied are unchanged from those applied in the Annual Report 2015.

Note 2 – Segment disclosures

Income statement	GN ReSound		GN Netcom		Other*		Consolidated total	
	Q1 2016 (unaud.)	Q1 2015 (unaud.)	Q1 2016 (unaud.)	Q1 2015 (unaud.)	Q1 2016 (unaud.)	Q1 2015 (unaud.)	Q1 2016 (unaud.)	Q1 2015 (unaud.)
(DKK million)								
Revenue	1,373	1,191	720	694	-	-	2,093	1,885
Production costs	(477)	(407)	(349)	(320)	-	-	(826)	(727)
Gross profit	896	784	371	374	-	-	1,267	1,158
Expensed development costs	(130)	(112)	(50)	(44)	(3)	(2)	(183)	(158)
Selling and distribution costs	(429)	(380)	(196)	(195)	-	-	(625)	(575)
Management and administrative expenses	(106)	(93)	(35)	(25)	(15)	(17)	(156)	(135)
Other operating income and costs, net	3	1	-	-	-	-	3	1
EBITA	234	200	90	110	(18)	(19)	306	291
Amortization of acquired intangible assets	(22)	(15)	(1)	(3)	-	-	(23)	(18)
Gain (loss) on divestment of operations etc.	(1)	-	-	-	-	-	(1)	-
Operating profit (loss)	211	185	89	107	(18)	(19)	282	273
Financial items	(7)	8	10	(12)	(9)	(17)	(6)	(21)
Profit (loss) before tax	204	193	99	95	(27)	(36)	276	252
Tax on profit (loss)	(53)	(52)	(20)	(23)	5	8	(68)	(67)
Profit (loss)	151	141	79	72	(22)	(28)	208	185
Cash flow statement								
(DKK million)								
Operating activities before changes in working capital	337	308	103	130	(12)	(12)	428	426
Cash flow from changes in working capital	(179)	(195)	(1)	(55)	(21)	(23)	(201)	(273)
Cash flow from operating activities excluding financial items and tax	158	113	102	75	(33)	(35)	227	153
Cash flow from investing activities:								
Development projects	(80)	(78)	(33)	(32)	-	-	(113)	(110)
Other	(38)	(53)	(7)	(10)	(5)	(12)	(50)	(75)
Cash flow from operating and investing activities before financial items and tax	40	(18)	62	33	(38)	(47)	64	(32)
Tax and financial items	(61)	(33)	(33)	(22)	(11)	(37)	(105)	(92)
Cash flow from operating and investing activities (free cash flow)	(21)	(51)	29	11	(49)	(84)	(41)	(124)
Free cash flow excl. company acquisitions and divestments	12	(33)	29	11	(49)	(84)	(8)	(106)

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

Note 2 – Segment disclosures (continued)

Balance sheet	GN ReSound		GN Netcom		Other*		Consolidated total	
	Q1 2016 (unaud.)	Q1 2015 (unaud.)	Q1 2016 (unaud.)	Q1 2015 (unaud.)	Q1 2016 (unaud.)	Q1 2015 (unaud.)	Q1 2016 (unaud.)	Q1 2015 (unaud.)
(DKK million)								
ASSETS								
Goodwill	2,966	3,101	517	546	-	-	3,483	3,647
Development projects	976	920	233	180	-	-	1,209	1,100
Other intangible assets	685	481	39	41	109	101	833	623
Property, plant and equipment	281	243	66	56	176	186	523	485
Loans to dispensers and ownership interests	870	1,147	-	-	-	-	870	1,147
Other non-current assets	596	744	152	173	3	(17)	751	900
Total non-current assets	6,374	6,636	1,007	996	288	270	7,669	7,902
Inventories	509	488	224	204	-	-	733	692
Trade receivables	1,342	1,299	690	699	1	1	2,033	1,999
Receivables from subsidiaries**	-	-	1,971	1,666	(1,971)	(1,666)	-	-
Tax receivables	48	38	25	14	(5)	26	68	78
Other receivables	174	319	60	32	5	8	239	359
Cash and cash equivalents	90	104	44	49	-	-	134	153
Total current assets	2,163	2,248	3,014	2,664	(1,970)	(1,631)	3,207	3,281
Total assets	8,537	8,884	4,021	3,660	(1,682)	(1,361)	10,876	11,183
EQUITY AND LIABILITIES								
Equity	6,071	5,696	3,409	3,039	(4,196)	(2,834)	5,284	5,901
Bank loans	-	-	-	-	2,831	2,373	2,831	2,373
Pension obligations and deferred tax	351	287	49	38	172	154	572	479
Provisions	113	87	10	10	1	14	124	111
Other non-current liabilities	277	283	-	-	-	-	277	283
Total non-current liabilities	741	657	59	48	3,004	2,541	3,804	3,246
Bank loans	16	11	15	13	10	75	41	99
Trade payables	211	286	212	222	7	4	430	512
Amounts owed to subsidiaries**	593	1,214	-	-	(593)	(1,214)	-	-
Tax payables	15	138	-	4	(12)	(5)	3	137
Provisions	213	202	49	57	6	18	268	277
Other current liabilities	677	680	277	277	92	54	1,046	1,011
Total current liabilities	1,725	2,531	553	573	(490)	(1,068)	1,788	2,036
Total equity and liabilities	8,537	8,884	4,021	3,660	(1,682)	(1,361)	10,876	11,183
Invested capital***	6,589	6,743	1,281	1,192	185	206	8,055	8,141
Average invested capital	6,666	6,061	1,237	1,046	196	232	8,099	7,339
Additional information								
(DKK million)	GN ReSound		GN Netcom		Other*		Consolidated total	
	Q1 2016 (unaud.)	Q1 2015 (unaud.)	Q1 2016 (unaud.)	Q1 2015 (unaud.)	Q1 2016 (unaud.)	Q1 2015 (unaud.)	Q1 2016 (unaud.)	Q1 2015 (unaud.)
Revenue distributed geographically								
Europe	30%	30%	50%	52%	0%	0%	37%	38%
North America	51%	48%	32%	32%	0%	0%	44%	42%
Rest of world	19%	22%	18%	16%	0%	0%	19%	20%
Incurred development costs	(144)	(129)	(59)	(56)	(3)	(2)	(206)	(187)
Capitalized development costs	80	78	33	32	-	-	113	110
Amortization and depreciation of development costs**	(66)	(61)	(24)	(20)	-	-	(90)	(81)
Expensed development costs	(130)	(112)	(50)	(44)	(3)	(2)	(183)	(158)
EBITDA	261	227	99	119	(10)	(12)	350	334
Depreciation and software amortization	(27)	(27)	(9)	(9)	(8)	(7)	(44)	(43)
EBITA	234	200	90	110	(18)	(19)	306	291
EBITA margin	17.0%	16.8%	12.5%	15.9%	N/A	N/A	14.6%	15.4%
Number of employees, end of period	~4,525	~4,125	~1,000	~975	~75	~50	~5,600	~5,150

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

**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.

Note 3 – Incentive plans

As of March 31, 2016, the total number of outstanding warrants in GN ReSound was 11,471 (1.8% of the shares issued in GN ReSound). The total number of outstanding warrants in GN Netcom was 6,517 (1.9% of the shares issued in GN Netcom).

Note 4 – Shareholdings

On May 4, 2016, members of the board of directors and the executive management, respectively, own 486,160 and 83,400 shares in GN Store Nord.

On May 4, 2016, GN owns 5,839,602 treasury shares, equivalent to 3.8% of the 154,787,929 shares issued. At the annual general meeting on March 10, 2016, it was decided to reduce the company's nominal share capital from DKK 648,765,076 to nominally DKK 619,151,716 by cancelling part of the company's treasury shares at a nominal value of DKK 29,613,360 divided into 7,403,340 shares of DKK 4 each. The reduction was conducted on April 8, 2016.

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