

# Continued solid organic revenue growth drives strong EBITA growth

## GN Store Nord

# 7%

organic growth

- GN delivered 7% organic revenue growth in Q3 2017. Revenue growth was 8% including impact from development in foreign exchange rates and M&A
- EBITA increased 14% in Q3 2017. The EBITA margin increased 0.9%p reflecting solid revenue growth
- EPS increased 36% and reached DKK 2.05. EPS has increased 23% year to date
- Continued strong cash conversion at 88% in Q3 2017
- GN Audio's organic growth guidance for 2017 is upgraded to "more than 7%" from "more than 6%" following strong performance year to date. The financial guidance for GN Hearing is unchanged

## GN Hearing

# 6%

organic growth

- GN Hearing delivered 6% organic revenue growth in Q3 2017. Revenue growth was 3% including impact from development in foreign exchange rates and M&A
- The positive momentum generated by ReSound LiNX 3D following the launch in Q2 2017 continued in Q3 and bodes well for rest of 2017. During the quarter, ReSound LiNX 3D Rechargeable and ReSound ENZO 3D super power hearing aids were added to the ReSound LiNX 3D product family
- EBITA increased 8% to DKK 257 million. The EBITA margin reached 19.4%
- Free cash flow excl. M&A was DKK 253 million in Q3 2017, in line with Q3 2016. Cash conversion at 98%

## GN Audio

# 9%

organic growth

- GN Audio delivered 9% organic revenue growth in Q3 2017. Revenue growth was 15% including impact from development in foreign exchange rates and M&A
- The continued strong momentum was driven by the Jabra Evolve and Jabra Speak series as well as the Jabra Elite Sport true wireless earbuds
- In Q3 2017, EBITA increased 29% to DKK 179 million. Year to date, EBITA has increased 31%. The EBITA margin in Q3 2017 increased 2.0%p to 18.7% reflecting favorable product mix
- Free cash flow excl. M&A was DKK 164 million in Q3 2017, an increase of DKK 36 million compared to Q3 2016. Cash conversion at 92%

## Financial overview Q3 2017

	GN Hearing			GN Audio			GN Store Nord*		
	Q3 2017	Q3 2016	Growth	Q3 2017	Q3 2016	Growth	Q3 2017	Q3 2016	Growth
DKK million									
Revenue	1,327	1,284	3%	955	833	15%	2,282	2,117	8%
Organic growth	6%	5%		9%	9%		7%	6%	
Gross profit	908	906	0%	513	441	16%	1,421	1,347	5%
Gross margin	68.4%	70.6%	(2.2)%p	53.7%	52.9%	+0.8%p	62.3%	63.6%	(1.3)%p
EBITA	257	237	8%	179	139	29%	406	357	14%
EBITA margin	19.4%	18.5%**	+0.9%p	18.7%	16.7%	+2.0%p	17.8%	16.9%	+0.9%p
Earnings per share (EPS)							2.05	1.51	36%
Free cash flow excl. M&A	253	271	(18)	164	128	36	356	375	(19)

\* Including "Other" \*\* 19.5% before transaction costs related to the Otometrics divestment

# Financial highlights

DKK million	Q3 2017 (unaud.)	Q3 2016 (unaud.)	YTD 2017 (unaud.)	YTD 2016 (unaud.)	Full year 2016 (aud.)
<b>GN Hearing (excl. GN Otometrics)</b>					
Continuing operations					
Revenue	1,327	1,284	4,118	3,767	5,156
Revenue growth	3%	16%	9%	16%	14%
Organic growth	6%	5%	5%	8%	6%
Gross profit margin	68.4%	70.6%	68.5%	68.1%	69.0%
EBITA	257	237	757	701	1,062
EBITA margin	19.4%	18.5%	18.4%	18.6%	20.6%
ROIC (EBITA/Average invested capital)	18%	17%	18%	17%	17%
Free cash flow excl. company acquisitions and divestments	253	271	606	597	704
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	98%	114%	80%	85%	66%
<b>GN Audio</b>					
Revenue	955	833	2,790	2,377	3,495
Revenue growth	15%	9%	17%	7%	8%
Organic growth	9%	9%	10%	7%	7%
Gross profit margin	53.7%	52.9%	52.8%	52.5%	52.7%
EBITA	179	139	450	344	597
EBITA margin	18.7%	16.7%	16.1%	14.5%	17.1%
ROIC (EBITA/Average invested capital)	50%	46%	50%	46%	41%
Free cash flow excl. company acquisitions and divestments	164	128	373	317	523
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	92%	92%	83%	92%	88%
<b>GN Store Nord</b>					
Continuing operations					
Revenue	2,282	2,117	6,908	6,144	8,651
Revenue growth	8%	13%	12%	12%	12%
Organic growth	7%	6%	7%	8%	6%
Gross profit margin	62.3%	63.6%	62.2%	62.0%	62.4%
EBITA	406	357	1,112	990	1,583
EBITA margin	17.8%	16.9%	16.1%	16.1%	18.3%
Profit (loss) before tax	364	278	965	850	1,395
Effective tax rate	22.3%	20.1%	22.3%	23.2%	22.2%
ROIC (EBITA/Average invested capital)	21%	20%	21%	20%	20%
Earnings per share, basic (EPS) from continuing operations	2.05	1.51	5.37	4.38	7.34
Earnings per share, fully diluted (EPS diluted) from continuing operations	2.03	1.50	5.33	4.37	7.32
Free cash flow excl. company acquisitions and divestments	356	375	843	816	1,179
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	88%	105%	76%	82%	74%
Equity ratio	41.6%	45.6%	41.6%	45.6%	43.8%
Net interest-bearing debt	3,053	3,008	3,053	3,008	3,377
Net interest-bearing debt (period-end)/EBITDA	1.6	1.8	1.6	1.8	1.9
Dividend payout ratio	-	-	-	-	17%
Share buybacks*	256	160	1,118	779	1,272
Outstanding shares, end of period (thousand)	137,651	146,852	137,651	146,852	143,471
Average number of outstanding shares, fully diluted (thousand)	139,505	147,687	140,644	149,345	148,361
Share price at the end of the period	216	143	216	143	146
Market capitalization	29,705	21,000	29,705	21,000	20,990

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 Hearing

In Q3 2017, GN Hearing delivered 6% organic growth while EBITA increased 8%. Continued positive momentum generated by ReSound LiNX 3D

## Highlights Q3 2017

- GN Hearing delivered 6% organic growth in Q3 2017
- The momentum generated by ReSound LiNX 3D following the launch in Q2 2017 continued in Q3. During the quarter, ReSound LiNX 3D Rechargeable and ReSound ENZO 3D super power hearing aids were added to the ReSound LiNX 3D product family
- EBITA increased 8% to DKK 257 million. The EBITA margin reached 19.4%, in line with Q3 2016
- Free cash flow excl. M&A was DKK 253 million in Q3 2017, in line with Q3 2016. Cash conversion at 98%
- Financial guidance for 2017 is confirmed

## Revenue

GN Hearing delivered 6% organic growth in Q3 2017.

Revenue growth was 3% including impact from M&A and development in foreign exchange rates. M&A contributed with around 2%, while the development in foreign exchange rates had an effect of around (5)%.

In Q3 2017, GN Hearing's growth was negatively impacted by hurricanes in Florida and Texas. GN Hearing's growth in the US in the quarter was driven by the performance in the US commercial market as well as in Beltone, partly offset by the impact of the hurricanes. The new ReSound LiNX 3D will be available in the important Veterans Affairs channel in November. In Europe, GN Hearing continued to gain market share in several important markets, including Spain and Italy. In Rest of World, GN Hearing delivered strong performance throughout the region with double digit organic growth in several countries including China and India.

During the first nine months of 2017, revenue increased 9% compared to the first nine months of 2016, with an organic growth of 5%.

## Earnings and other financial highlights

Gross profit reached DKK 908 million in Q3 2017, which is in line with Q3 2016. The gross margin was 68.4%, compared to 70.6% in Q3 2016. The decrease was driven among other by country mix with particularly high growth in Q3 2017 in among other China and India. During the first nine months of 2017 gross margin was 68.5% compared to 68.1% the first nine months of 2016.

GN Hearing's EBITA reached DKK 257 million in Q3 2017, an increase of 8% compared to Q3 2016. The EBITA margin was 19.4%, compared to 18.5% in Q3 2016 or 19.5% before

transaction costs related to the divestment of Otometrics. In the first nine months of 2017, EBITA increased from DKK 701 million to DKK 757 million, equivalent to an increase of 8% and an EBITA margin of 18.4%.

Free cash flow excl. M&A was DKK 253 million in Q3 2017, compared to DKK 271 million in Q3 2016. Cash conversion was 98%, compared to 114% in Q3 2016. Free cash flow excl. M&A was DKK 606 million in the first nine months of 2017, with cash conversion of 80%, compared to DKK 597 million in the first nine months of 2016.

## Business highlights

Since the launch on April 29, GN Hearing has been executing on the global rollout of ReSound LiNX 3D, which is based on GN Hearing's 5<sup>th</sup> generation 2.4 GHz wireless technology and 3<sup>rd</sup> generation binaural directionality. The momentum generated by ReSound LiNX 3D following the launch in Q2 2017 continued in Q3 and bodes well for rest of 2017. ReSound LiNX 3D offers unmatched sound quality, efficient and convenient fitting as well as groundbreaking remote fine-tuning, giving users a new hearing care experience. ReSound LiNX 3D is now available in all major countries while it has not yet been made available in some major channels, including Veterans Affairs in the US.

On August 24, GN Hearing announced a rechargeable solution for ReSound LiNX 3D. ReSound LiNX 3D Rechargeable has all of the benefits of ReSound LiNX 3D, now combined with the all-day power of a rechargeable battery. With overnight charging, users will experience the advantage of all-day power, without the need to change batteries. In addition, users will save time and effort with less impact on the environment, giving them freedom, convenience and confidence.

On August 30, GN Hearing announced ReSound ENZO 3D, which brings the benefits of ReSound LiNX 3D to people with severe to profound hearing loss. ReSound ENZO 3D is the smallest and most powerful super power hearing aid available. Clinical trials have documented that ReSound ENZO 3D allows users 60% more clarity of the sounds around them and 60% better speech understanding in noise. ReSound ENZO 3D is also available in a Made for iPhone Cochlear compatible bimodal hearing solution.

#### GN Hearing wins two awards at IFA

On August 31, GN Hearing returned to IFA – the consumer electronics show in Berlin – to demonstrate its recently launched ReSound LiNX 3D and ReSound Smart 3D app, the groundbreaking comprehensive and unique remote fine-tuning solution.

IHS Markit (a leading global information and analysis firm) awarded ReSound LiNX 3D the IHS Markit Innovation Award, selecting it as the most innovative product in the fitness, wearables and health devices category at the show.

ReSound LiNX 3D and the ReSound Smart 3D app were also recognized in the UX Design Awards, where they were honored as a leading intuitive solution which prioritizes seamless people to technology interaction.

#### Market development

The market growth expectation is unchanged. For 2017, GN Hearing expects a global unit growth of 4-6%, with an ASP development of (1)-(2)%. The market growth observed in Q3 2017 was slightly below this full year expectation, reflecting among other negative impact from hurricanes in the US and one trading day fewer than in Q3 2016.

#### Outlook 2017

GN Hearing confirms its financial guidance for 2017 of organic growth “more than 6%” and EBITA margin of “more than 20%”.

*“During Q3 2017, we have focused on executing the launch of ReSound LiNX 3D, which clearly differentiates us from competition. Just like five years ago with the introduction of the 2.4 GHz technology in hearing aids, we have again demonstrated that we take the innovative lead by going our own way and not in the footsteps of others. Our customers and users of our products appreciate the rich choices in personalizing their hearing care experience that we provide with this full product family and the added new rechargeable and super power products.”*

Anders Hedegaard, CEO of GN Hearing

# GN Audio

In Q3 2017, GN Audio delivered 9% organic growth. EBITA increased 29% reflecting the strong revenue growth and a favorable product mix

## Highlights Q3 2017

- GN Audio delivered 9% organic growth in Q3 2017
- The continued strong growth was driven by the Jabra Evolve and Jabra Speak series as well as the Jabra Elite Sport true wireless earbuds
- EBITA increased 29% and reached DKK 179 million in Q3 2017. The EBITA margin increased 2.0%p to 18.7%, driven by the strong revenue growth and a favorable product mix
- Free cash flow excl. M&A was DKK 164 million in Q3 2017 – an increase of DKK 36 million compared to Q3 2016
- GN Audio's organic growth guidance for 2017 is upgraded to "more than 7%" from "more than 6%" following strong performance year to date

## Revenue

GN Audio delivered 9% organic growth in Q3 2017. Revenue growth was 15% including impact from M&A and development in foreign exchange rates. The development in foreign exchange rates had an effect of around (4)%, while M&A contributed positively with around 10% in the quarter.

The growth in Q3 2017 was driven by strong performance in the CC&O business across regions and channels. The continued strong growth reflects GN Audio's innovative world leading product portfolio as well as strong execution on its commercial excellence initiatives. As a result of the strong performance, GN Audio continues to strengthen its leading position in the attractive CC&O market.

Also, in the quarter, GN Audio continued to take important steps in the repositioning of the consumer business.

During the first nine months of 2017, revenue has increased 17% compared to the first nine months of 2016 with organic growth in the same period of 10%.

## Earnings and other financial highlights

GN Audio's gross profit increased to DKK 513 million in Q3 2017, an increase of 16% compared to Q3 2016, which translates into a positive development in the gross margin of 0.8%p compared to Q3 2016.

GN Audio's EBITA continued to grow strongly in Q3 2017 and reached DKK 179 million, an increase of 29% compared to Q3 2016. The EBITA margin was 18.7% in Q3 2017, compared to 16.7% in Q3 2016. The margin expansion reflects the strong

revenue growth and favorable product mix. In the first nine months of 2017, EBITA increased from DKK 344 million to DKK 450 million, equivalent to an increase of 31% and an EBITA margin of 16.1%.

In Q3 2017, the free cash flow excl. M&A was DKK 164 million, compared to DKK 128 million in Q3 2016. Cash conversion ended at 92%. The free cash flow excl. M&A increased DKK 56 million in the first nine months of 2017, with cash conversion of 83%, compared to the first nine months of 2016.

## Business highlights

On September 21, GN Audio extended its market-leading Evolve range of headsets for professional use with the Jabra Evolve 75e, UC enabled Bluetooth stereo earbuds. Since the launch in 2014, the Evolve product range has been engineered to enable focus and distraction free working. Research shows that the majority of today's flexible workers (78%) say their personal productivity at the office is impacted by noise. GN Audio were the first to introduce Active Noise Cancelling (ANC) and busylight into the office. The Evolve 75e's design – GN Audio's first earbud design for professional use – brings a familiar consumer design into a professional environment and still includes all the winning characteristics of the Evolve range: wireless freedom, great sound, UC-compatibility, ANC and busylight.

On September 1, GN Audio announced the true wireless earbuds Jabra Elite 25e, the newest addition to the audio-on-the-go category where conversation and media/music consumption is a key driver for purchase. Jabra Elite 25e offers a better design for in-ear stereo neckbands, one charge to last all day, and improved core sound quality and voice experience.

#### Market development

The market growth expectation is unchanged.

In Q3 2017, the global CC&O market continued to develop favorably. GN Audio expects that the market trend will continue for the remaining part of 2017 creating a solid foundation for continued growth.

In the consumer electronics market, the challenges faced in the Bluetooth mono market during 2016 and in the beginning of 2017 continued in Q3 2017 and is expected to continue in rest of 2017.

#### Outlook 2017

Following strong performance in the first nine months of the year, GN Audio's organic growth guidance for 2017 is upgraded to "more than 7%" from "more than 6%". The guidance of EBITA margin of "more than 17%" is unchanged.

*"In Q3 2017, we continued to build on our strong momentum while we expanded our product portfolio in the popular Evolve family. Our strong momentum is the result of our relentless focus on innovation, commercialization and people excellence. I am very pleased to see that our hard work yet again has resulted in strong revenue growth – surpassing the ambitious target we set at the start of year – as well as a strong earnings increase."*

René Svendsen-Tune, CEO of GN Audio

# GN Store Nord

In Q3 2017, GN Store Nord increased revenue with 8% to DKK 2,282 million from DKK 2,117 million. Organic growth in Q3 2017 was 7%. The development in foreign exchange rates impacted revenue by around (4)%, while M&A contributed with a positive impact of around 5% in the quarter. In the first nine months of 2017, revenue increased 12% with an organic growth of 7%.

EBITA in Other amounted to DKK (30) million in Q3 2017, compared to DKK (19) million in Q3 2016. The increase is primarily related to the earlier communicated research activities on a corporate level. GN Store Nord's EBITA reached DKK 406 million in Q3 2017, an increase of 14% compared to Q3 2016, driven by strong execution across GN Hearing and GN Audio. EBITA for the first nine months in 2017 increased 12% compared to the same period in 2016.

In Q3 2017, amortization of acquired intangible assets amounted to DKK (34) million compared to DKK (30) million in Q3 2016. The increase is primarily due to smaller corporate acquisitions. Financial items ended at DKK (13) million compared to DKK (49) million in Q3 2016 and the profit before tax was DKK 364 million. The effective tax rate was 22.3%, translating into a net profit of DKK 283 million. The free cash flow excl. M&A reached DKK 356 million, equal to a cash conversion of 88% compared to 105% in Q3 2016. In the first nine months of 2017 free cash flow excl. M&A was DKK 843 million equal to a cash conversion of 76%.

Earnings per share (EPS) was DKK 2.05 an increase of 36% compared to Q3 2016. In the first nine months of 2017, EPS has increased 23% compared to the first nine months of 2016.

GN Audio's organic growth guidance for 2017 is upgraded to "more than 7%" from "more than 6%" following strong performance year to date. GN Audio's guidance of EBITA margin of "more than 17%" is unchanged. The financial guidance for GN Hearing is unchanged. See table below.

## Capital structure

Until today, GN has in total distributed DKK 1,284 million back to shareholders through share buybacks and dividend in 2017. In March 2017, GN paid out DKK 178 million in

dividends (DKK 1.15 per share) in respect of the fiscal year 2016 as approved at the Annual General Meeting.

On April 12, 2017, GN cancelled 9,103,715 shares as approved on the Annual General Meeting in 2017. Following the cancellation of shares, GN's nominal capital is DKK 582,736,856 equal to 145,684,214 shares. As of November 2, 2017, GN owns 8,470,315 treasury shares equivalent to 5.8% of the shares issued.

On May 23, 2017 GN successfully placed a EUR 225 million zero coupon convertible bond offering consisting of Bond with Warrant Units. The Bond with Warrant Units consist of senior unsecured zero coupon bonds due 2022 with detachable unsecured warrants expiring 2022. Each Warrant allows the holder at any time to acquire a treasury share from GN at the strike price. The initial strike price of the Warrant is DKK 269.46, representing a premium of 40% above the volume-weighted average price of the share at the time of the offering. The market demand for the convertible bond was exceptionally strong with the book being oversubscribed 6 times. The proceeds from the offering will be used for general corporate purposes including refinancing of existing debt facilities, repurchase of shares and for the financing of growth opportunities.

As a result of the convertible bond offering, 6,215,744 treasury shares (currently held), will be kept to hedge the future obligations under the Warrants, and will not – as initially communicated – be used to reduce the company's share capital.

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. As highlighted on the Capital Markets Day 2016, GN targets a net interest-bearing debt between one and two times EBITDA for the coming years based on the solid financial development in GN, the favorable capital markets as well as the relentless focus on maximizing shareholder value. By the end of Q3 2017, the net interest-bearing debt was DKK 3,053 million corresponding to 1.6 times EBITDA where EBITDA is based on last four rolling quarters.

## Financial guidance 2017

DKK million	Organic revenue growth	EBITA	Effective tax rate
GN Hearing	> 6%	> 20%	
GN Audio	> 7% (previously > 6%)	> 17%	
GN Store Nord*		~ (125)	~ 22%

\* Including "Other"

#### Claim against Plantronics Inc.

In 2012, GN Audio filed suit against Plantronics for attempted monopolization of the distributor 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 Audio's allegations were sufficiently substantiated to allow the case to proceed into discovery. During the discovery phase, GN Audio learned of alleged intentional document destruction. A hearing on the matter was held on May 18, 2016, and on July 6, 2016, the Court issued a sanctions motion ordering Plantronics to pay USD 3 million to GN Audio in punitive damages as well as reasonable fees and costs incurred in connection with the discovery dispute. Further, the Court reserved the right to issue additional evidentiary sanctions and it will instruct the jury that it may draw an adverse inference that emails destroyed by Plantronics would have been favorable to GN Audio's case and/or unfavorable to Plantronics' defense.

#### **Subsequent event:**

On 18 October 2017, a jury in the Federal District Court, Delaware, ruled in favor of Plantronics and did not find that Plantronics' behavior in the market had been unlawful. GN Audio's management together with its legal advisors is currently assessing the consequences, including whether to appeal the ruling.

#### Foreign exchange exposure

Based on the expected 2017 revenue and cost composition, the table below outlines the currencies which constitute the primary exposure for GN in 2017, excluding any hedging impact.

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

Currency	GN Hearing	GN Audio	GN Store Nord
USD	60	1	61
GBP	2	7	9
JPY	9	3	12
CNY	(8)	(1)	(9)
CAD	4	0	4

GN is hedging the vast majority of the expected EBITA exposure for the next 12 months in the above-mentioned currencies in both GN Hearing and GN Audio. 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 CEST 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.

For further information please contact

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## Financial calendar for 2018

Annual Report 2017:	February 7, 2018
Annual general meeting*:	March 13, 2018
Interim Report Q1 2018:	May 2, 2018
Interim Report Q2 2018:	August 22, 2018
Interim Report Q3 2018:	November 15, 2018

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\* 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 29, 2018)

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## 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.

# Strategy 2017 – 2019



GN Store Nord's 2017 – 2019 strategy is organized around three fundamental building blocks: Innovation, Commercial and People Excellence

In September 2016, GN launched its 2017 – 2019 strategy Hear More, Do More and Be More. The Group's declared purpose is Making Life Sound Better with a vision to become the leader in intelligent audio solutions that transform people's lives through the power of sound.

Building on the group's highly specialized sound processing know-how, GN offers an exceptional portfolio of medical, professional and consumer audio solutions. This combination of expertise – all under the same roof and taking advantage of hearing aid and headset technologies – is unique.

## GN Hearing's strategic focus

GN Hearing has been an industry pioneer in Sound Quality and connectivity since the 2010 launch of the 1<sup>st</sup> generation hearing aids based on 2.4 GHz wireless technology. Innovation has constantly improved user benefits over the years, and today GN's hearing aids offer a hearing impaired person – almost – more opportunities than a person with fully intact hearing. GN Hearing's focus for 2017 - 2019 will be to reinforce the strategic fundamentals Innovation, Commercial, and People Excellence.

### Leadership in innovation

The Innovation Excellence approach will focus on three areas:

1. Bringing the user even more in focus in product innovation
2. Focusing even more on the core hearing aid technologies and the actual sound experience for the user – getting closer to natural hearing
3. Consistently delivering new and improved products to the market with true user benefits and features

### Lead in Commercial Excellence

It is a core strategic objective to further improve commercial execution, partner with – and not acquire – retail, and share best practices. Expanding footprint in the open market is key to capture further market share along with the continuation of GN Hearing's successful partnership with leading channels across the globe, which will be further strengthened.

## GN Audio's strategic focus

GN Audio is a market leader in different headset segments. An important driver is a strong ability to deliver innovative products to the market segments with a particular focus on the importance of high-quality conversations.

During 2017 - 2019, GN Audio will further build on Jabra's market-leading Unified Communications (UC) headset platform and on its market-leading UC/smartphone speaker. In both segments, the platforms will be expanded with new features to capture an increasing share of this growing market.

In the contact center and office market, GN Audio is a world leader. The increasing digitalization of user interaction makes calls more complex, which increases the need for a good call quality. Also, wireless solutions that enable hands-free productivity is in increasing demand as is also the case for high-quality audio solutions as noise and distractions in open offices impacts conversation quality.

In the consumer segment, focus is to grow in a profitable and disciplined manner as an add on business to the professional headset business, particularly within multi-function devices using wireless technology.

### People Excellence across the Group

It is an integral element of GN's 2017 – 2019 strategy to ensure that all managers and employees across the group thoroughly understand what the company's strategic focus and leadership principles mean for their teams and daily work. Within the 2017 – 2019 strategy a series of programs are initiated to strengthen execution, leadership and people development.


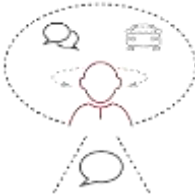
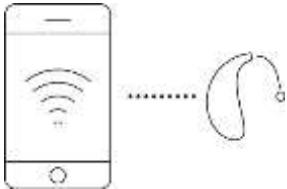

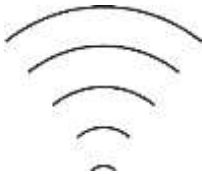
## Financial target 2017-2019

DKK million	Organic revenue growth (CAGR)	EBITA	Effective tax rate
GN Hearing	6-8%*	20-22%	
GN Audio	6-9%	17-19%	
GN Store Nord**			~ 22%

\* Market assumptions: 4-6% volume growth and (1-2)% ASP development per year \*\* Including "other"

# GN Hearing's journey towards more natural hearing

Mastering the game changing 2.4 GHz technology and connectivity through five generations of hearing aid families has given GN Hearing the innovative lead in the hearing aid industry

<p>2017 5<sup>th</sup> generation</p>		<p>The 5<sup>th</sup> generation 2.4 GHz wireless technology from GN Hearing offers unprecedented benefits to hearing aid users and to hearing care professionals across three key dimensions – Sound Quality, efficient and convenient fitting and groundbreaking remote fine-tuning - all leading to better restoration of natural hearing.</p>
<p>2015 4<sup>th</sup> generation ReSound LINX<sup>2</sup></p>		<p>Surround Sound by ReSound is upgraded with Spatial Sense, which helps the user hear what and where sounds are coming from. It allows users to focus on the sounds they are most interested in – even when noise levels are high.</p> <p>Offering four times faster connection with Apple devices and now also connects with Apple Watch.</p>
<p>2014 3<sup>rd</sup> generation ReSound LINX</p>		<p>The world's first Made for iPhone hearing aid (Bluetooth Smart device) makes hearing aids work like wireless stereo headphones with iPhone, iPad or iPod touch.</p> <p>The ReSound Smart app enables people to control and personalize their hearing aids where ever they are.</p>
<p>2012 2<sup>nd</sup> generation ReSound Verso</p>		<p>The first 2.4 GHz based ear-to-ear data exchange, Binaural Directionality, enables users to decide which sound to focus on in any environment.</p>
<p>2010 1<sup>st</sup> generation ReSound Alera</p>		<p>The world's first 2.4 GHz wireless system for high quality sound streaming does away with the stigmatizing necklace. New feedback reduction system removes feedback without reducing amplification.</p>

# Content

## Financial statements

### Financial statements

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## Quarterly reporting by segment (excluding Otometrics)

DKK million	Q1 2016 (unaud.)	Q2 2016 (unaud.)	Q3 2016 (unaud.)	Q4 2016 (unaud.)	Q1 2017 (unaud.)	Q2 2017 (unaud.)	Q3 2017 (unaud.)	YTD 2016 (unaud.)	YTD 2017 (unaud.)	2016 Total (aud.)
<b>Income statement</b>										
Revenue										
GN Hearing	1,218	1,265	1,284	1,389	1,376	1,415	1,327	3,767	4,118	5,156
GN Audio	720	824	833	1,118	857	978	955	2,377	2,790	3,495
<b>Total</b>	<b>1,938</b>	<b>2,089</b>	<b>2,117</b>	<b>2,507</b>	<b>2,233</b>	<b>2,393</b>	<b>2,282</b>	<b>6,144</b>	<b>6,908</b>	<b>8,651</b>
<b>Organic growth</b>										
GN Hearing	11%	10%	5%	1%	4%	5%	6%	8%	5%	6%
GN Audio	4%	9%	9%	6%	8%	12%	9%	7%	10%	7%
<b>Total</b>	<b>8%</b>	<b>9%</b>	<b>6%</b>	<b>3%</b>	<b>5%</b>	<b>7%</b>	<b>7%</b>	<b>8%</b>	<b>7%</b>	<b>6%</b>
<b>Gross profit</b>										
GN Hearing	818	840	906	994	938	975	908	2,564	2,821	3,558
GN Audio	371	435	441	596	441	519	513	1,247	1,473	1,843
<b>Total</b>	<b>1,189</b>	<b>1,275</b>	<b>1,347</b>	<b>1,590</b>	<b>1,379</b>	<b>1,494</b>	<b>1,421</b>	<b>3,811</b>	<b>4,294</b>	<b>5,401</b>
<b>Gross profit margin</b>										
GN Hearing	67.2%	66.4%	70.6%	71.6%	68.2%	68.9%	68.4%	68.1%	68.5%	69.0%
GN Audio	51.5%	52.8%	52.9%	53.3%	51.5%	53.1%	53.7%	52.5%	52.8%	52.7%
<b>Total</b>	<b>61.4%</b>	<b>61.0%</b>	<b>63.6%</b>	<b>63.4%</b>	<b>61.8%</b>	<b>62.4%</b>	<b>62.3%</b>	<b>62.0%</b>	<b>62.2%</b>	<b>62.4%</b>
<b>Expensed development costs</b>										
GN Hearing	(116)	(118)	(117)	(103)	(103)	(107)	(104)	(351)	(314)	(454)
GN Audio	(50)	(68)	(55)	(44)	(64)	(59)	(61)	(173)	(184)	(217)
Other *	(3)	-	(1)	(2)	(8)	(17)	(14)	(4)	(39)	(6)
<b>Total</b>	<b>(169)</b>	<b>(186)</b>	<b>(173)</b>	<b>(149)</b>	<b>(175)</b>	<b>(183)</b>	<b>(179)</b>	<b>(528)</b>	<b>(537)</b>	<b>(677)</b>
<b>Selling and distribution costs and administrative expenses etc.</b>										
GN Hearing	(477)	(483)	(552)	(530)	(590)	(613)	(547)	(1,512)	(1,750)	(2,042)
GN Audio	(231)	(252)	(247)	(299)	(274)	(292)	(273)	(730)	(839)	(1,029)
Other *	(15)	(18)	(18)	(19)	(20)	(20)	(16)	(51)	(56)	(70)
<b>Total</b>	<b>(723)</b>	<b>(753)</b>	<b>(817)</b>	<b>(848)</b>	<b>(884)</b>	<b>(925)</b>	<b>(836)</b>	<b>(2,293)</b>	<b>(2,645)</b>	<b>(3,141)</b>
<b>EBITA</b>										
GN Hearing	225	239	237	361	245	255	257	701	757	1,062
GN Audio	90	115	139	253	103	168	179	344	450	597
Other *	(18)	(18)	(19)	(21)	(28)	(37)	(30)	(55)	(95)	(76)
<b>Total</b>	<b>297</b>	<b>336</b>	<b>357</b>	<b>593</b>	<b>320</b>	<b>386</b>	<b>406</b>	<b>990</b>	<b>1,112</b>	<b>1,583</b>
<b>EBITA margin</b>										
GN Hearing	18.5%	18.9%	18.5%	26.0%	17.8%	18.0%	19.4%	18.6%	18.4%	20.6%
GN Audio	12.5%	14.0%	16.7%	22.6%	12.0%	17.2%	18.7%	14.5%	16.1%	17.1%
<b>Total</b>	<b>15.3%</b>	<b>16.1%</b>	<b>16.9%</b>	<b>23.7%</b>	<b>14.3%</b>	<b>16.1%</b>	<b>17.8%</b>	<b>16.1%</b>	<b>16.1%</b>	<b>18.3%</b>
<b>Depreciation and software amortization</b>										
GN Hearing	(25)	(26)	(29)	(29)	(28)	(28)	(28)	(80)	(84)	(109)
GN Audio	(9)	(9)	(10)	(9)	(9)	(9)	(9)	(28)	(27)	(37)
Other *	(8)	(8)	(7)	(8)	(7)	(8)	(9)	(23)	(24)	(31)
<b>Total</b>	<b>(42)</b>	<b>(43)</b>	<b>(46)</b>	<b>(46)</b>	<b>(44)</b>	<b>(45)</b>	<b>(46)</b>	<b>(131)</b>	<b>(135)</b>	<b>(177)</b>
<b>EBITDA</b>										
GN Hearing	250	265	266	390	273	283	285	781	841	1,171
GN Audio	99	124	149	262	112	177	188	372	477	634
Other *	(10)	(10)	(12)	(13)	(21)	(29)	(21)	(32)	(71)	(45)
<b>Total</b>	<b>339</b>	<b>379</b>	<b>403</b>	<b>639</b>	<b>364</b>	<b>431</b>	<b>452</b>	<b>1,121</b>	<b>1,247</b>	<b>1,760</b>
<b>EBITA</b>										
Amortization of acquired intangible assets	(22)	(25)	(30)	(32)	(35)	(40)	(34)	(77)	(109)	(109)
Gain (loss) on divestment of operations etc.	(1)	(1)	-	(27)	1	-	(1)	(2)	-	(29)
<b>Operating profit (loss)</b>	<b>274</b>	<b>310</b>	<b>327</b>	<b>534</b>	<b>286</b>	<b>346</b>	<b>371</b>	<b>911</b>	<b>1,003</b>	<b>1,445</b>
Share of profit (loss) in associates	-	-	-	2	-	-	6	-	6	2
Financial items, net	(5)	(7)	(49)	9	(31)	-	(13)	(61)	(44)	(52)
<b>Profit (loss) before tax</b>	<b>269</b>	<b>303</b>	<b>278</b>	<b>545</b>	<b>255</b>	<b>346</b>	<b>364</b>	<b>850</b>	<b>965</b>	<b>1,395</b>
Tax on profit (loss)	(66)	(75)	(56)	(112)	(56)	(78)	(81)	(197)	(215)	(309)
<b>Profit (loss)</b>	<b>203</b>	<b>228</b>	<b>222</b>	<b>433</b>	<b>199</b>	<b>268</b>	<b>283</b>	<b>653</b>	<b>750</b>	<b>1,086</b>
<b>Balance sheet Development projects</b>										
GN Hearing	754	759	769	798	816	833	834	769	834	798
GN Audio	233	238	251	267	273	274	279	251	279	267
<b>Total</b>	<b>987</b>	<b>997</b>	<b>1,020</b>	<b>1,065</b>	<b>1,089</b>	<b>1,107</b>	<b>1,113</b>	<b>1,020</b>	<b>1,113</b>	<b>1,065</b>
<b>Inventories</b>										
GN Hearing	378	396	435	425	412	394	392	435	392	425
GN Audio	224	237	260	290	291	314	384	260	384	290
<b>Total</b>	<b>602</b>	<b>633</b>	<b>695</b>	<b>715</b>	<b>703</b>	<b>708</b>	<b>776</b>	<b>695</b>	<b>776</b>	<b>715</b>
<b>Trade receivables</b>										
GN Hearing	1,219	1,207	1,142	1,177	1,176	1,138	1,063	1,142	1,063	1,177
GN Audio	690	758	814	1,005	781	906	881	814	881	1,005
Other *	1	-	-	1	-	-	1	-	1	1
<b>Total</b>	<b>1,910</b>	<b>1,965</b>	<b>1,956</b>	<b>2,183</b>	<b>1,957</b>	<b>2,044</b>	<b>1,945</b>	<b>1,956</b>	<b>1,945</b>	<b>2,183</b>
<b>Net working capital</b>										
GN Hearing	943	834	739	726	841	793	704	739	704	726
GN Audio	485	463	454	500	465	496	514	454	514	500
Other *	(93)	(68)	(84)	(88)	(113)	(117)	(78)	(84)	(78)	(88)
<b>Total</b>	<b>1,335</b>	<b>1,229</b>	<b>1,109</b>	<b>1,138</b>	<b>1,193</b>	<b>1,172</b>	<b>1,140</b>	<b>1,109</b>	<b>1,140</b>	<b>1,138</b>
<b>Free cash flow excl. company acquisitions and divestments</b>										
GN Hearing	47	279	271	107	86	267	253	597	606	704
GN Audio	29	160	128	206	78	131	164	317	373	523
Other *	(49)	(25)	(24)	50	(22)	(53)	(61)	(98)	(136)	(48)
<b>Total</b>	<b>27</b>	<b>414</b>	<b>375</b>	<b>363</b>	<b>142</b>	<b>345</b>	<b>356</b>	<b>816</b>	<b>843</b>	<b>1,179</b>
<b>Acquisitions and divestments of companies</b>										
	(33)	(54)	(606)	(187)	683	(11)	(5)	(87)	667	(880)
<b>Free cash flow</b>	<b>(6)</b>	<b>360</b>	<b>(231)</b>	<b>176</b>	<b>825</b>	<b>334</b>	<b>351</b>	<b>729</b>	<b>1,510</b>	<b>299</b>

\* "Other" comprises Group Functions, GN Ejendomme and eliminations. All numbers excluding Otometrics

## Consolidated income statement

(DKK million)	Q3 2017 (unaud.)	Q3 2016 (unaud.)	YTD 2017 (unaud.)	YTD 2016 (unaud.)	Full year 2016 (aud.)
Continuing operations					
Revenue	2,282	2,117	6,908	6,144	8,651
Production costs	(861)	(770)	(2,614)	(2,333)	(3,250)
Gross profit	1,421	1,347	4,294	3,811	5,401
Development costs	(179)	(173)	(537)	(528)	(677)
Selling and distribution costs	(672)	(663)	(2,161)	(1,849)	(2,564)
Management and administrative expenses	(163)	(153)	(482)	(450)	(579)
Other operating income and costs, net	(1)	(1)	(2)	6	2
EBITA*)	406	357	1,112	990	1,583
Amortization of acquired intangible assets	(34)	(30)	(109)	(77)	(109)
Gain (loss) on divestment of operations etc.	(1)	-	-	(2)	(29)
Operating profit (loss)	371	327	1,003	911	1,445
Share of profit (loss) in associates	6	-	6	-	2
Financial income	33	26	116	123	184
Financial expenses	(46)	(75)	(160)	(184)	(236)
Profit (loss) before tax	364	278	965	850	1,395
Tax on profit (loss)	(81)	(56)	(215)	(197)	(309)
Profit (loss) for the period from continuing operations	283	222	750	653	1,086
Discontinued operations					
Profit (loss) for the period from discontinued operations	-	(5)	69	6	(53)
Profit (loss) for the period	283	217	819	659	1,033
Earnings per share (EPS)					
Earnings per share (EPS)	2.05	1.47	5.87	4.42	6.98
Earnings per share, fully diluted (EPS diluted)	2.03	1.47	5.82	4.41	6.96
Earnings per share (EPS) from continuing operations					
Earnings per share (EPS) from continuing operations	2.05	1.51	5.37	4.38	7.34
Earnings per share from continuing operations, fully diluted (EPS diluted)	2.03	1.50	5.33	4.37	7.32

\*) Excluding Gain (loss) on divestment of operations etc. and Amortization of acquired intangible assets but including amortization of development projects and software.

## Consolidated statement of comprehensive income

(DKK million)	Q3 2017 (unaud.)	Q3 2016 (unaud.)	YTD 2017 (unaud.)	YTD 2016 (unaud.)	Full year 2016 (aud.)
Profit (loss) for the period	283	217	819	659	1,033
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial gains (losses)	-	-	-	-	(5)
Tax relating to this item of other comprehensive income	-	-	-	-	1
Items that may be reclassified subsequently to profit or loss					
Adjustment of cash flow hedges	14	3	113	(6)	(42)
Foreign exchange adjustments, etc.	(199)	(18)	(709)	(128)	198
Tax relating to these items of other comprehensive income	(3)	3	(2)	5	(3)
Other comprehensive income for the period, net of tax	(188)	(12)	(598)	(129)	149
Total comprehensive income for the period	95	205	221	530	1,182

## Consolidated balance sheet

(DKK million)	Sep. 30 2017 (unaud.)	June 30 2017 (unaud.)	March 31 2017 (unaud.)	Dec. 31 2016 (aud.)
<b>Assets</b>				
Intangible assets	6,239	6,345	6,569	6,521
Property, plant and equipment	488	496	503	508
Deferred tax assets	393	406	424	443
Other non-current assets	972	988	1,075	1,121
<b>Total non-current assets</b>	<b>8,092</b>	<b>8,235</b>	<b>8,571</b>	<b>8,593</b>
Inventories	776	708	703	715
Trade receivables	1,945	2,044	1,957	2,183
Tax receivable	-	-	65	14
Other receivables	245	240	236	231
Cash and cash equivalents	304	218	175	178
<b>Total current assets</b>	<b>3,270</b>	<b>3,210</b>	<b>3,136</b>	<b>3,321</b>
Assets held for sale	-	-	-	921
<b>Total assets</b>	<b>11,362</b>	<b>11,445</b>	<b>11,707</b>	<b>12,835</b>
<b>Equity and liabilities</b>				
<b>Equity</b>	<b>4,731</b>	<b>4,875</b>	<b>5,063</b>	<b>5,620</b>
Bank loans and issued bonds	3,349	3,341	3,433	3,527
Pension obligations	59	64	67	66
Provisions	254	272	275	248
Deferred tax liabilities	406	407	419	430
Other non-current liabilities	289	293	295	325
<b>Total non-current liabilities</b>	<b>4,357</b>	<b>4,377</b>	<b>4,489</b>	<b>4,596</b>
Bank loans	8	26	85	55
Trade payables	592	598	551	642
Tax payable	118	28	56	72
Provisions	322	319	315	289
Other payables	1,234	1,222	1,148	1,350
<b>Total current liabilities</b>	<b>2,274</b>	<b>2,193</b>	<b>2,155</b>	<b>2,408</b>
Liabilities directly associated with assets held for sale	-	-	-	211
<b>Total equity and liabilities</b>	<b>11,362</b>	<b>11,445</b>	<b>11,707</b>	<b>12,835</b>

## Consolidated equity

(DKK million)	Share capital (shares of DKK 4 each)	Foreign exchange adjustmen ts	Hedging reserve	Treasury shares	Proposed dividends for the year	Retained earnings	Total equity
Balance at December 31, 2015	649	(726)	(27)	(1,360)	161	7,067	5,764
Profit (loss) for the period	-	-	-	-	-	659	659
Adjustment of cash flow hedges	-	-	(6)	-	-	-	(6)
Foreign exchange adjustments, etc.	-	(128)	-	-	-	-	(128)
Tax relating to other comprehensive income	-	-	5	-	-	-	5
Total comprehensive income for the period	-	(128)	(1)	-	-	659	530
Reduction of the share capital	(30)	-	-	1,036	-	(1,006)	-
Share-based payment (granted)	-	-	-	-	-	18	18
Share based payment (exercised)	-	-	-	82	-	(27)	55
Tax related to share-based incentive plans	-	-	-	-	-	5	5
Purchase/sale of treasury shares	-	-	-	(779)	-	-	(779)
Paid dividends	-	-	-	-	(149)	-	(149)
Dividends, treasury shares	-	-	-	-	(12)	12	-
Balance at September 30, 2016	619	(854)	(28)	(1,021)	-	6,728	5,444
Profit (loss) for the period	-	-	-	-	-	374	374
Actuarial gains (losses)	-	-	-	-	-	(5)	(5)
Adjustment of cash flow hedges	-	-	(36)	-	-	-	(36)
Foreign exchange adjustments, etc.	-	326	-	-	-	-	326
Tax relating to other comprehensive income	-	(12)	4	-	-	1	(7)
Total comprehensive income for the period	-	314	(32)	-	-	370	652
Share-based payment (granted)	-	-	-	-	-	4	4
Share based payment (exercised)	-	-	-	17	-	(5)	12
Tax related to share-based incentive plans	-	-	-	-	-	1	1
Purchase/sale of treasury shares	-	-	-	(493)	-	-	(493)
Proposed dividends for the year	-	-	-	-	178	(178)	-
Balance at December 31, 2016	619	(540)	(60)	(1,497)	178	6,920	5,620
Profit (loss) for the period	-	-	-	-	-	819	819
Adjustment of cash flow hedges	-	-	113	-	-	-	113
Foreign exchange adjustments, etc.	-	(709)	-	-	-	-	(709)
Tax relating to other comprehensive income	-	23	(25)	-	-	-	(2)
Total comprehensive income for the period	-	(686)	88	-	-	819	221
Reduction of the share capital	(36)	-	-	1,193	-	(1,157)	-
Value of warrants issued with bonds	-	-	-	-	-	76	76
Share-based payment (granted)	-	-	-	-	-	18	18
Share-based payment (exercised)	-	-	-	88	-	(20)	68
Tax related to share-based incentive plans	-	-	-	-	-	7	7
Purchase/sale of treasury shares	-	-	-	(1,118)	-	-	(1,118)
Paid dividends	-	-	-	-	(161)	-	(161)
Dividends, treasury shares	-	-	-	-	(17)	17	-
Balance at September 30, 2017	583	(1,226)	28	(1,334)	-	6,680	4,731



## Consolidated cash flow statement

(DKK million)	Q3 2017 (unaud.)	Q3 2016 (unaud.)	YTD 2017 (unaud.)	YTD 2016 (unaud.)	Full year 2016 (aud.)
Operating activities					
Operating profit (loss) from continuing operations	371	327	1,003	911	1,445
Operating profit from discontinued operations	-	4	-	21	(55)
Operating profit (loss)	371	331	1,003	932	1,390
Depreciation, amortization and impairment	167	166	472	479	666
Other non-cash adjustments	4	(4)	86	3	1
Cash flow from operating activities before changes in working capital	542	493	1,561	1,414	2,057
Changes in working capital	32	76	13	(5)	14
Cash flow from operating activities before financial items and tax	574	569	1,574	1,409	2,071
Financial items, net	(29)	(18)	(82)	(57)	(83)
Tax paid, net	(19)	(15)	(150)	(121)	(185)
Cash flow from operating activities	526	536	1,342	1,231	1,803
Investing activities					
Development projects	(88)	(115)	(275)	(341)	(481)
Investments in other intangible assets, net	(40)	(38)	(120)	(85)	(113)
Investments in property, plant and equipment, net	(22)	(34)	(74)	(75)	(104)
Investments in other non-current assets, net	(20)	12	(30)	42	13
Company acquisitions	(5)	(606)	(84)	(693)	(880)
Company divestments	-	-	751	-	-
Cash flow from investing activities	(175)	(781)	168	(1,152)	(1,565)
Cash flow from operating and investing activities (free cash flow)	351	(245)	1,510	79	238
Financing activities					
Paid dividends	-	-	(161)	(149)	(149)
Share-based payment (exercised)	11	8	68	55	67
Purchase/sale of treasury shares and other equity instruments	(256)	(160)	(1,118)	(779)	(1,272)
Net proceeds from issue of bond with warrant units (convertible bonds)	-	-	1,636	-	-
Increase/decrease in bank loans and other adjustments	(16)	430	(1,826)	847	1,189
Cash flow from financing activities	(261)	278	(1,401)	(26)	(165)
Net cash flow	90	33	109	53	73
Cash and cash equivalents beginning of period	218	151	207	132	132
Adjustment foreign currency, cash and cash equivalents	(4)	(1)	(12)	(2)	2
Cash and cash equivalents, end of period	304	183	304	183	207

## 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.

### New standards, interpretations and amendments adopted by GN Store Nord

As of January 1, 2017, GN Store Nord adopted all relevant new or revised International Financial Reporting Standards and IFRIC Interpretations with effective date January 1, 2017 or earlier, including those specified in note 1.1 in the Annual Report 2016. 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. The accounting policies applied are unchanged from those applied in the Annual Report 2016.

### Financial liabilities

Issued bond with warrant units are initially recognized at fair value less related transaction costs. The fair value of the bonds is estimated by calculating the present value of all contractual future cash flows using an interest rate for a bond with similar credit risk and duration as the issued bonds, but without the attached warrants. The difference between the fair value and the proceeds is considered to be the fair value of the warrants and is recognized in equity. The equity component is not remeasured subsequently. After initial recognition the bonds are measured at amortized cost using the effective interest method. In case the bonds are redeemed at par before maturity, the difference between the carrying amount at amortized cost and the principal amount will be recognized as a loss in financial expenses.

### Accounting standards not yet adopted.

As of January 1, 2018 GN Store Nord will adopt the standards IFRS 9 - Financial instruments and IFRS 15 - Revenue from contracts with customers.

IFRS 9 - Financial Instruments applies to annual periods beginning on or after January 1, 2018. IFRS 9 addresses the classification and measurement of financial assets and liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets.

GN Store Nord has reviewed the group’s financial assets and liabilities and is not expecting any significant impact on recognition and measurement from implementing IFRS 9. GN Store Nord’s use of hedge accounting will not be affected by the implementation of IFRS 9 and the accounting for financial liabilities will not be affected either. GN Store Nord does not expect any significant impact on the balance sheet or equity from implementing IFRS 9. Although the models for determining loss allowances on financial assets will be constructed slightly different under IFRS 9, the loss allowances on financial assets are not expected to be impacted significantly. The disclosures regarding classification of certain financial assets will change as financial assets will be classified as measured at either cost or fair value.

Ownership interests in unlisted enterprises in which GN Store Nord does not exercise significant influence and derivative financial instruments related to such are currently measured at cost, as fair value cannot be reliably estimated. After the implementation of IFRS 9, ownership interests will be measured at fair value through other comprehensive income and derivative financial instruments on ownership interests will be measured at fair value through profit or loss. The income statement will therefore be affected by changes in the fair value of the derivative financial instruments. Dispenser loans and trade receivables will continue to be measured at amortized cost.

When measuring loss allowances, GN Store Nord will apply the simplified approach on trade receivables and record lifetime expected credit losses on all trade receivables. GN Store Nord will measure loss allowances on dispenser loans equal to 12-month expected credit losses, if the credit risk has not increased significantly since initial recognition. If the credit risk has increased significantly, the loss allowance will be measured at an amount equal to lifetime expected credit losses.

IFRS 9 will require additional disclosures in the Annual Report.

IFRS 15 - Revenue from Contracts with Customers applies to annual periods beginning on or after January 1, 2018. IFRS 15 introduces a five-step model for recognizing revenue from contracts with customers. During 2017, GN Store Nord has performed an analysis of contracts with customers and is not expecting any significant impact on revenue recognition from implementing IFRS 15. GN Store Nord currently recognizes revenue when the risk and rewards of ownership of the products are transferred to the customer. After the implementation of IFRS 15 revenue will be recognized when control of the products has been transferred to the customer. This is not expected to change the timing of revenue recognition.

According to current practice the value of extended warranties is recognized over the extended warranty period. After the implementation of IFRS 15 the transaction price in a sales transaction will be allocated to the promised goods and services based on stand-alone selling prices and revenue will be recognized when (or as) GN Store Nord satisfies the performance obligations. This is not expected to affect the revenue recognition of extended warranties.

When goods are sold with a right of return, a refund liability (contract liability) and a right to the returned products (contract asset) will be recognized as a provision and a current asset, respectively. As this is in line with current practice it will not result in any changes to the balance sheet.

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

## Note 2.1 – Segment disclosures Q3 2017

Income statements	GN Hearing		GN Audio		Other*		Consolidated total	
	Q3 2017 (unaud.)	Q3 2016 (unaud.)	Q3 2017 (unaud.)	Q3 2016 (unaud.)	Q3 2017 (unaud.)	Q3 2016 (unaud.)	Q3 2017 (unaud.)	Q3 2016 (unaud.)
(DKK million)								
Continuing operations								
Revenue	1,327	1,284	955	833	-	-	2,282	2,117
Production costs	(419)	(378)	(442)	(392)	-	-	(861)	(770)
Gross profit	908	906	513	441	-	-	1,421	1,347
Expensed development costs	(104)	(117)	(61)	(55)	(14)	(1)	(179)	(173)
Selling and distribution costs	(459)	(448)	(213)	(215)	-	-	(672)	(663)
Management and administrative expenses	(87)	(103)	(60)	(32)	(16)	(18)	(163)	(153)
Other operating income and costs, net	(1)	(1)	-	-	-	-	(1)	(1)
EBITA	257	237	179	139	(30)	(19)	406	357
Amortization of acquired intangible assets	(33)	(29)	(1)	(1)	-	-	(34)	(30)
Gain (loss) on divestment of operations etc.	(1)	-	-	-	-	-	(1)	-
Operating profit (loss)	223	208	178	138	(30)	(19)	371	327
Share of profit (loss) in associates	6	-	-	-	-	-	6	-
Financial items	(11)	(37)	(2)	7	-	(19)	(13)	(49)
Profit (loss) before tax	218	171	176	145	(30)	(38)	364	278
Tax on profit (loss)	(54)	(40)	(33)	(23)	6	7	(81)	(56)
Profit (loss) for the period from continuing operations	164	131	143	122	(24)	(31)	283	222
Discontinued operations								
Profit (loss) for the period from discontinued operations	-	(5)	-	-	-	-	-	(5)
Profit (loss) for the period	164	126	143	122	(24)	(31)	283	217
Cash flow statement (2016 figures incl. GN Otometrics)								
(DKK million)								
Operating activities before changes in working capital	326	337	237	173	(21)	(17)	542	493
Cash flow from changes in working capital	67	71	(26)	(3)	(9)	8	32	76
Cash flow from operating activities excluding financial items and tax	393	408	211	170	(30)	(9)	574	569
Cash flow from investing activities:								
Development projects	(58)	(83)	(31)	(32)	-	-	(89)	(115)
Other	(60)	(653)	(9)	(9)	(17)	(4)	(86)	(666)
Cash flow from operating and investing activities before financial items and tax	275	(328)	171	129	(47)	(13)	399	(212)
Tax and financial items	(27)	(21)	(7)	(1)	(14)	(11)	(48)	(33)
Cash flow from operating and investing activities (free cash flow)	248	(349)	164	128	(61)	(24)	351	(245)
Free cash flow excl. company acquisitions and divestments	253	257	164	128	(61)	(24)	356	361

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

## Note 2.1 – Segment disclosures Q3 2017 (Continued)

Balance sheet	GN Hearing		GN Audio		Other*		Consolidated total	
	Q3 2017 (unaud.)	Q3 2016 (unaud.)	Q3 2017 (unaud.)	Q3 2016 (unaud.)	Q3 2017 (unaud.)	Q3 2016 (unaud.)	Q3 2017 (unaud.)	Q3 2016 (unaud.)
(DKK million)								
<b>ASSETS</b>								
Goodwill	3,368	3,545	649	526	-	-	4,017	4,071
Development projects	834	769	279	251	-	-	1,113	1,020
Other intangible assets	815	799	124	35	170	99	1,109	933
Property, plant and equipment	242	265	73	64	173	175	488	504
Loans to dispensers and ownership interests	743	755	-	-	-	-	743	755
Other non-current assets	514	584	185	155	(77)	3	622	742
<b>Total non-current assets</b>	<b>6,516</b>	<b>6,717</b>	<b>1,310</b>	<b>1,031</b>	<b>266</b>	<b>277</b>	<b>8,092</b>	<b>8,025</b>
Inventories	392	435	384	260	-	-	776	695
Trade receivables	1,063	1,142	881	814	1	-	1,945	1,956
Receivables from subsidiaries**	-	-	525	2,271	(525)	(2,271)	-	-
Tax receivables	27	24	13	13	(40)	9	-	46
Other receivables	182	142	49	42	14	3	245	187
Cash and cash equivalents	140	121	67	42	97	-	304	163
<b>Total current assets</b>	<b>1,804</b>	<b>1,864</b>	<b>1,919</b>	<b>3,442</b>	<b>(453)</b>	<b>(2,259)</b>	<b>3,270</b>	<b>3,047</b>
Assets classified as held for sale	-	862	-	-	-	-	-	862
<b>Total assets</b>	<b>8,320</b>	<b>9,443</b>	<b>3,229</b>	<b>4,473</b>	<b>(187)</b>	<b>(1,982)</b>	<b>11,362</b>	<b>11,934</b>
<b>EQUITY AND LIABILITIES</b>								
Equity	5,020	6,428	2,137	3,661	(2,426)	(4,645)	4,731	5,444
Bank loans and issued bonds	-	-	-	-	3,349	3,145	3,349	3,145
Pension obligations and deferred tax	265	288	97	49	102	172	464	509
Provisions	243	239	12	12	-	-	255	251
Other non-current liabilities	289	289	-	-	-	-	289	289
<b>Total non-current liabilities</b>	<b>797</b>	<b>816</b>	<b>109</b>	<b>61</b>	<b>3,451</b>	<b>3,317</b>	<b>4,357</b>	<b>4,194</b>
Bank loans	(7)	5	6	7	9	33	8	45
Trade payables	210	201	351	302	31	7	592	510
Amounts owed to subsidiaries**	1,282	764	-	-	(1,282)	(764)	-	-
Tax payables	64	55	87	26	(33)	(12)	118	69
Provisions	231	218	90	56	1	1	322	275
Other current liabilities	723	779	449	360	62	81	1,234	1,220
<b>Total current liabilities</b>	<b>2,503</b>	<b>2,022</b>	<b>983</b>	<b>751</b>	<b>(1,212)</b>	<b>(654)</b>	<b>2,274</b>	<b>2,119</b>
Liabilities directly associated with assets held for sale	-	177	-	-	-	-	-	177
<b>Total equity and liabilities</b>	<b>8,320</b>	<b>9,443</b>	<b>3,229</b>	<b>4,473</b>	<b>(187)</b>	<b>(1,982)</b>	<b>11,362</b>	<b>11,934</b>
Invested capital***	6,232	6,415	1,537	1,262	264	188	8,033	7,865
Average invested capital	6,324	6,458	1,400	1,214	226	212	7,950	7,884

\* "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.

## Additional information (2016 figures excluding GN

Otometrics)	GN Hearing		GN Audio		Other*		Consolidated total	
	Q3 2017 (unaud.)	Q3 2016 (unaud.)	Q3 2017 (unaud.)	Q3 2016 (unaud.)	Q3 2017 (unaud.)	Q3 2016 (unaud.)	Q3 2017 (unaud.)	Q3 2016 (unaud.)
(DKK million)								
Revenue distributed geographically								
Europe	24%	23%	45%	43%	0%	0%	32%	31%
North America	55%	56%	41%	39%	0%	0%	49%	49%
Asia and rest of world	21%	21%	14%	18%	0%	0%	19%	20%
Incurring development costs	(103)	(124)	(64)	(67)	(14)	(1)	(181)	(192)
Capitalized development costs	58	64	31	32	-	-	89	96
Amortization and depreciation of development costs**	(59)	(57)	(28)	(20)	-	-	(87)	(77)
<b>Expensed development costs</b>	<b>(104)</b>	<b>(117)</b>	<b>(61)</b>	<b>(55)</b>	<b>(14)</b>	<b>(1)</b>	<b>(179)</b>	<b>(173)</b>
EBITDA	285	266	188	149	(21)	(12)	452	403
Depreciation and software amortization	(28)	(29)	(9)	(10)	(9)	(7)	(46)	(46)
<b>EBITA</b>	<b>257</b>	<b>237</b>	<b>179</b>	<b>139</b>	<b>(30)</b>	<b>(19)</b>	<b>406</b>	<b>357</b>
EBITA margin	19.4%	18.5%	18.7%	16.7%	N/A	N/A	17.8%	16.9%
Number of employees, end of period	-4,375	-4,300	-1,050	-1,025	-150	-75	-5,575	-5,400

\* "Other" comprises Group Functions, GN Ejendomme and eliminations

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

## Note 2.2 – Segment disclosures YTD 2017

Income statement	GN Hearing		GN Audio		Other*		Consolidated total	
	YTD 2017 (unaud.)	YTD 2016 (unaud.)	YTD 2017 (unaud.)	YTD 2016 (unaud.)	YTD 2017 (unaud.)	YTD 2016 (unaud.)	YTD 2017 (unaud.)	YTD 2016 (unaud.)
(DKK million)								
Continuing operations								
Revenue	4,118	3,767	2,790	2,377	-	-	6,908	6,144
Production costs	(1,297)	(1,203)	(1,317)	(1,130)	-	-	(2,614)	(2,333)
Gross profit	2,821	2,564	1,473	1,247	-	-	4,294	3,811
Expensed development costs	(314)	(351)	(184)	(173)	(39)	(4)	(537)	(528)
Selling and distribution costs	(1,474)	(1,230)	(687)	(619)	-	-	(2,161)	(1,849)
Management and administrative expenses	(275)	(287)	(151)	(112)	(56)	(51)	(482)	(450)
Other operating income and costs, net	(1)	5	(1)	1	-	-	(2)	6
EBITA	757	701	450	344	(95)	(55)	1,112	990
Amortization of acquired intangible assets	(97)	(74)	(12)	(3)	-	-	(109)	(77)
Gain (loss) on divestment of operations etc.	-	(2)	-	-	-	-	-	(2)
Operating profit (loss)	660	625	438	341	(95)	(55)	1,003	911
Share of profit(loss) in associates	6	-	-	-	-	-	6	-
Financial items	(23)	(39)	(3)	20	(18)	(42)	(44)	(61)
Profit (loss) before tax	643	586	435	361	(113)	(97)	965	850
Tax on profit (loss)	(158)	(148)	(82)	(66)	25	17	(215)	(197)
Profit (loss) for the period from continuing operations	485	438	353	295	(88)	(80)	750	653
Discontinued operations								
Profit (loss) for the period from discontinued operations	69	6	-	-	-	-	69	6
Profit (loss) for the period	554	444	353	295	(88)	(80)	819	659

## Cash flow statement (2016 figures incl. GN Otometrics)

Cash flow statement	GN Hearing		GN Audio		Other*		Consolidated total	
	YTD 2017 (unaud.)	YTD 2016 (unaud.)	YTD 2017 (unaud.)	YTD 2016 (unaud.)	YTD 2017 (unaud.)	YTD 2016 (unaud.)	YTD 2017 (unaud.)	YTD 2016 (unaud.)
(DKK million)								
Operating activities before changes in working capital	1,034	1,010	598	443	(71)	(39)	1,561	1,414
Cash flow from changes in working capital	46	(10)	(51)	17	18	(12)	13	(5)
Cash flow from operating activities excluding financial items and tax	1,080	1,000	547	460	(53)	(51)	1,574	1,409
Cash flow from investing activities:								
Development projects	(189)	(249)	(87)	(92)	-	-	(276)	(341)
Other	522	(781)	(29)	(21)	(49)	(9)	444	(811)
Cash flow from operating and investing activities before financial items and tax	1,413	(30)	431	347	(102)	(60)	1,742	257
Tax and financial items	(140)	(110)	(58)	(30)	(34)	(38)	(232)	(178)
Cash flow from operating and investing activities (free cash flow)	1,273	(140)	373	317	(136)	(98)	1,510	79
Free cash flow excl. company acquisitions and divestments	606	553	373	317	(136)	(98)	843	772

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

## Additional information

Additional information	GN Hearing		GN Audio		Other*		Consolidated total	
	YTD 2017 (unaud.)	YTD 2016 (unaud.)	YTD 2017 (unaud.)	YTD 2016 (unaud.)	YTD 2017 (unaud.)	YTD 2016 (unaud.)	YTD 2017 (unaud.)	YTD 2016 (unaud.)
(DKK million)								
Revenue distributed geographically								
Europe	25%	26%	46%	47%	0%	0%	33%	34%
North America	54%	55%	39%	36%	0%	0%	48%	47%
Asia and rest of world	21%	19%	15%	17%	0%	0%	19%	19%
Incurring development costs	(346)	(366)	(193)	(198)	(39)	(4)	(578)	(568)
Capitalized development costs	189	186	87	92	-	-	276	278
Amortization and depreciation of development costs**	(157)	(171)	(78)	(67)	-	-	(235)	(238)
Expensed development costs	(314)	(351)	(184)	(173)	(39)	(4)	(537)	(528)
EBITDA	841	781	477	372	(71)	(32)	1,247	1,121
Depreciation and software amortization	(84)	(80)	(27)	(28)	(24)	(23)	(135)	(131)
EBITA	757	701	450	344	(95)	(55)	1,112	990
EBITA margin	18.4%	18.6%	16.1%	14.5%	N/A	N/A	16.1%	16.1%
Number of employees, end of period	-4,375	-4,300	-1,050	-1,025	-150	-75	-5,575	-5,400

\* "Other" comprises Group Functions, GN Ejendomme and eliminations

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

### Note 3 – Discontinued operations

On September 25, 2016 GN Hearing and Natus Medical Incorporated (hereafter “Natus”) entered into an agreement whereby ownership of GN Otometrics is transferred from GN Hearing to Natus. The divestment will further strengthen GN Hearing’s focus and strategic direction as a dedicated hearing instrument company, with GN Hearing being in a unique position to continue to deliver industry leading growth and profitability. The total consideration payable by Natus was USD 145 million which has been settled in cash on a debt and cash free basis. Closing of the transaction took place on January 3, 2017.

Since September 30, 2016 GN Otometrics has been classified as a disposal group held for sale and as discontinued operations.

GN Otometrics develops, manufactures and markets computer-based audiological, otoneurologic, vestibular instrumentation and sound rooms under the Madsen, Aurical, Hortmann and ICS brand names. GN Otometrics was part of the reportable segment GN Hearing.

As of January 1, 2017 GN Otometrics is no longer included in the consolidated financial statements of the GN Store Nord. During the first nine months of 2017 a gain related to the divestment of DKK 69 million has been recognized in the income statement as discontinued operations. The net cash flow from the divestment in the first nine months of 2017 was DKK 751 million. This includes the cash consideration received less capital injection and repayment of debt, transaction related costs and cash disposed of. Ongoing support for the divestment with carve out related activities will continue on a selective basis.

	YTD 2017	YTD 2016
Earnings per share (EPS) from discontinued operations		
Earnings per share (EPS) from discontinued operations	0.50	0.04
Earnings per share from discontinued operations, fully diluted (EPS diluted)	0.49	0.04

#### Note 4 – Incentive plans

As of September 30, 2017, the total number of outstanding warrants in GN Hearing was 637,766 (2.4% of the shares issued in GN Hearing). The total number of outstanding warrants in GN Audio was 341,030 (2.8% of the shares issued in GN Audio).

#### Note 5 – Shareholdings

On November 2, 2017, members of the board of directors and the executive management, respectively, own 475,448 and 90,190 shares in GN Store Nord.

On November 2, 2017, GN owns 8,470,315 treasury shares, equivalent to 5.8% of the 145,684,214 shares issued. At the annual general meeting on March 14, 2017, it was decided to reduce the company's nominal share capital from DKK 619,151,716 to nominally DKK 582,736,856 by cancelling part of the company's treasury shares at a nominal value of DKK 36,414,860 divided into 9,103,715 shares of DKK 4 each. The reduction was conducted on April 12, 2017.

The GN stock is 100% free float, and the company has no dominant shareholders. T. Rowe Price Associates Inc., Marathon Asset Management LLP, APG Asset Management N.V. and NN Group 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%.

# Statement by the Executive Management and the Board of Directors

Today, the board of directors and the executive management have reviewed and approved the interim report for GN Store Nord A/S for the period January 1 - September 30, 2017.

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

In our opinion, the interim report gives a true and fair view of the group's assets, liabilities and financial position at

September 30, 2017 and of the results of the group's operations and cash flows for the period January 1 – September 30, 2017.

Further, in our opinion the executive management's review gives a true and fair view of the development in the group's operations and financial matters, the results of the group for the period and the group's financial position as a whole, and describes the significant risks and uncertainties pertaining to the group

Ballerup, November 2, 2017

## Executive Management

Anders Hedegaard  
CEO, GN Store Nord & GN Hearing

René Svendsen-Tune  
CEO, GN Store Nord & GN Audio

Marcus Desimoni  
CFO, GN Store Nord & GN Hearing

## Board of Directors

Per Wold-Olsen  
Chairman

William E. Hoover Jr.  
Deputy chairman

Wolfgang Reim

Ronica Wang

Hélène Barnekow

Carsten Krogsgaard Thomsen

Leo Larsen

Nikolai Bisgaard

Morten Andersen





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