

Interim Report Q1 2016

Teleconference presentation

May 4, 2016

Agenda

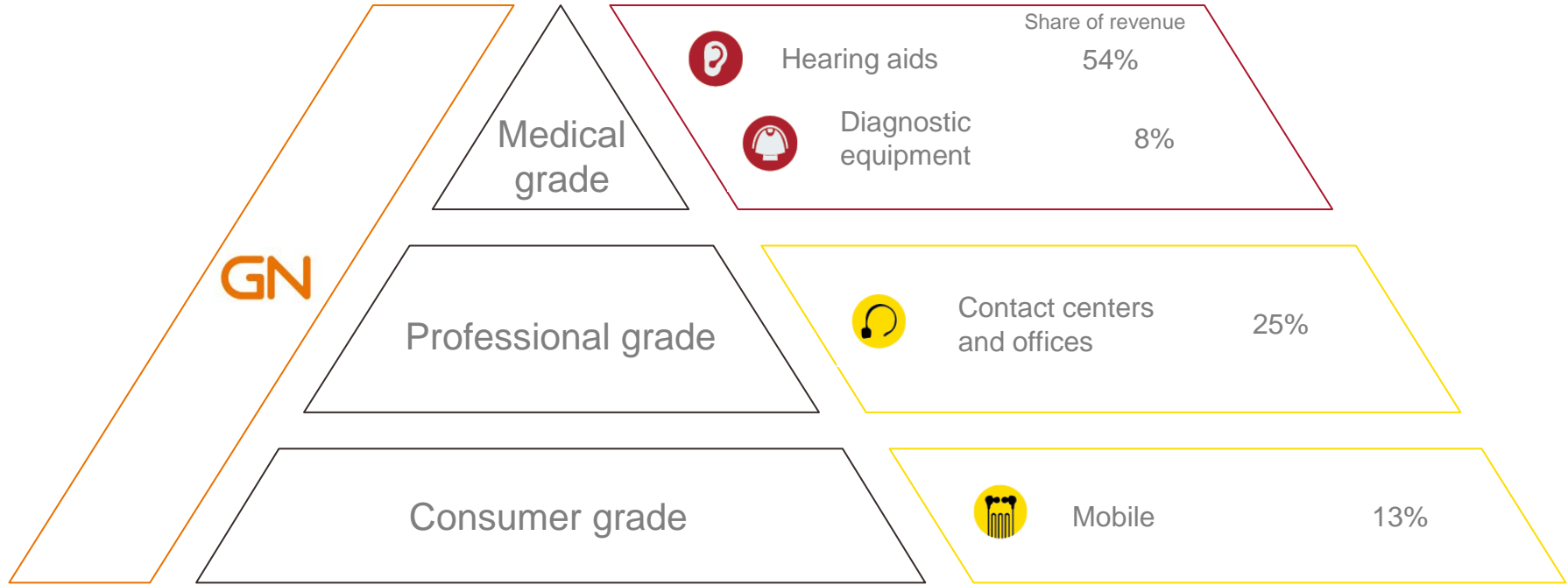
Group highlights Q1 2016

GN ReSound update

GN Netcom update

Financial outlook

World leading sound & audiology expertise – all under one roof



Figures from full year 2015

Our purpose

Making life **sound** better

Our vision

The leader in **intelligent audio solutions**,
transforming lives
through the power of sound

**Our
proposition**

Intelligent audio solutions that let you
hear more, do more and be more
than you ever thought possible

GN Store Nord key highlights in Q1 2016

Strong revenue growth and improved cash conversion – guidance for 2016 confirmed

11% reported revenue growth

8% organic revenue growth

EBITA of **DKK 306m**

+5% vs Q1 2015

EPS improvement of **18%**

DKK 1.38 in Q1 2016,
vs DKK 1.17 in Q1 2015

DKK 98m improvement in free cash flow

DKK (8)m in Q1 2016,
vs DKK (106)m in Q1 2015

Full year **guidance confirmed**

In line with communicated full year expectations, including seasonality in earnings

Group financial highlights

Strong organic growth and improved cash conversion

- **Strong organic growth** driven by Hearing instruments and CC&O
- **Gross profit increase** due to strong revenue development
 - Gross margin development reflecting, e.g., timing of product launches in GN ReSound and solid CC&O revenue growth
- **EBITA increased further**
 - Margin development reflecting timing of product launches and investments to support strong current momentum in businesses
 - Positive impact from FX as previously communicated
- **Free cash flow increased** from DKK (106)m to (8)m in Q1 2016 ...

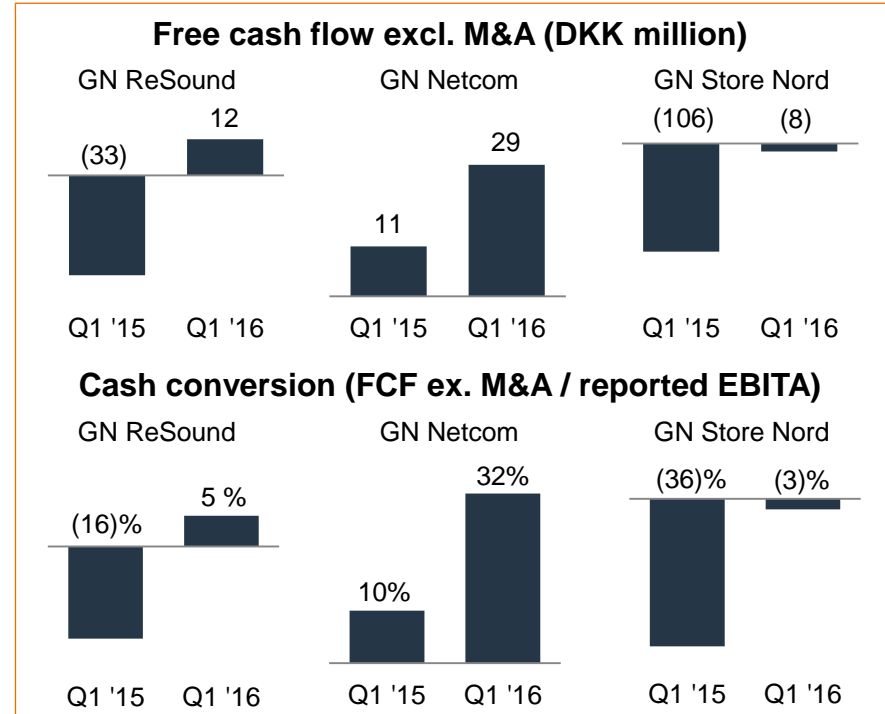
| DKK million | Q1 2015 | Const. curr. growth | FX effect incl. hedging | Q1 2016 |
|--------------------------|---------|---------------------|-------------------------|---------|
| Revenue | 1,885 | +9% | +2% | 2,093 |
| <i>Organic growth</i> | 4% | | | 8% |
| Gross profit | 1,158 | +8% | +1% | 1,267 |
| <i>Gross margin</i> | 61.4% | (0.4)%-p | (0.5)%-p | 60.5% |
| EBITA | 291 | +0% | +5% | 306 |
| <i>EBITA margin</i> | 15.4% | (1.3)%-p | +0.5%-p | 14.6% |
| Profit before tax | 252 | | | 276 |
| Net profit | 185 | | | 208 |
| EPS | 1.17 | | | 1.38 |
| ROIC* | 17.7% | | | 18.1% |
| Free cash flow excl. M&A | (106) | | | (8) |
| NIBD/EBITDA | 1.6x | | | 1.7x |

* Reported EBITA (rolling four quarters) / avg. invested capital

Group cash flow

Free cash flow improved by DKK 98 million

- Both GN ReSound and GN Netcom delivered **free cash flow improvements** in Q1 2016
- The free cash flow was DKK 98 million higher in Q1 2016 compared to Q1 2015
- The improvements are the result of GN's **continuous focus** on free cash flow
 - DSO level decreased in both divisions compared to Q1 2015
- Net cash inflow from financial support arrangements in Q1 2016 of DKK 29 million in GN ReSound
- Reflecting the strong cash generation, GN initiated a new one-year share buyback program of DKK 1.5bn in March 2016



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GN ReSound key highlights in Q1 2016

Strong revenue growth and improved cash conversion – guidance for 2016 confirmed

10% organic growth

Hearing Instruments organic growth acceleration to **11%**

EBITA of **DKK 234m**

+17% vs Q1 2015. Margin development reflects product launch timing and investments to support strong momentum

Solid cash generation

DKK 45m improvement in free cash flow vs Q1 2015. 5% cash conversion (vs (16)% in Q1 2015)

Strong platform for profitable growth

Broad based growth.
Next generation products in place

GN ReSound financial highlights

Further market share gains and improved cash conversion

- **10% organic growth** in GN ReSound in Q1 2016 driven by strong performance in Hearing Instruments
 - 23rd consecutive quarter where GN ReSound gained market shares
- **Strong growth in gross profit**, but slightly lower margin
 - Strong performance of ReSound Enya™ in the essential category
- EBITA improved by 17%
 - Continued investments in growth opportunities
 - Challenging comparison base from Q1 2015
- **Cash conversion turned positive** in Q1 2016 and continues the solid development from 2015

| DKK million | Q1 2015 | Const. curr. growth | FX effect incl. hedging | Q1 2016 |
|--------------------------|---------|---------------------|-------------------------|---------|
| Revenue | 1,191 | +12% | +3% | 1,373 |
| <i>Organic growth</i> | 9% | | | 10% |
| - Hearing Instruments | 10% | | | 11% |
| - Otometrics | 0% | | | 5% |
| Gross profit | 784 | +10% | +4% | 896 |
| <i>Gross margin</i> | 65.8% | (1.1)%-p | +0.6%-p | 65.3% |
| EBITA | 200 | (1)% | +18% | 234 |
| <i>EBITA margin</i> | 16.8% | (1.9)%-p | +2.1%-p | 17.0% |
| ROIC* | 15.3% | | | 15.4% |
| Free cash flow excl. M&A | (33) | | | 12 |

* Reported EBITA (rolling four quarters) / avg. invested capital

GN ReSound business highlights

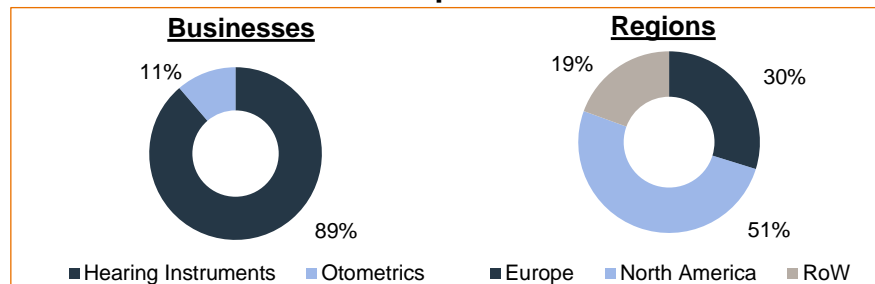
Strong momentum across regions, channels and customers

- Combination of **leading technology and commercial excellence** resulting in a very strong momentum
- **Hearing Instruments** driving organic growth
 - **11%** organic growth in Hearing Instruments is considerably faster than the market, which is estimated to have grown 4-5% in value in Q1 2016
 - Otometrics growth is also off to a positive start to the year
- The solid performance was achieved despite a strong comparison base from Q1 2015
- Again in Q1 2016, **growth was broad based** across regions, channels and customers ...

Revenue Q1 2016

| | Revenue (DKKm) Q1 2016 | Revenue (DKKm) Q1 2015 | Organic growth Q1 2016 | Organic growth Q1 2015 |
|---------------------|------------------------|------------------------|------------------------|------------------------|
| Hearing Instruments | 1,218 | 1,042 | 11% | 10% |
| Otometrics | 155 | 149 | 5% | 0% |
| GN ReSound | 1,373 | 1,191 | 10% | 9% |

Revenue split Q1 2016



Growth continues in 2016

Leading technology and commercial excellence is driving very strong momentum

North America

Strong organic growth driven by, among other, 65% growth YOY in VA leading to all-time high market share

Europe

Double digit organic growth in Europe with broad based above-market growth rates, with double digit growth in among other Germany, France and UK

Rest of World

Strong organic growth after solid performance in a number of important emerging markets, with double digit growth in among other China, Australia and India

GN ReSound continues to deliver strong growth in all 3 regions on top of strong growth in Q1 2015

GN ReSound is well underway to **outgrow the market** again in 2016

GN ReSound has created a new standard

Innovation framework has set the direction for the industry

**The world's
best hearing
aids**

+

Connectivity

+

**Apps /
endless
opportunities**



Since 2009



Since 2010



**Since 2014
with MFi and RS
Smart App**

5th hearing aid generation based on 2.4 GHz is coming

A glimpse of one of the new exciting user benefits: Smart fitting

1st obstacle: Preferred Fit

- Today a one way process, without real-life input
- Very little user involvement, not getting full value of the hearing system

2nd obstacle: Fitting Process

- Fitting takes too much time – passive non-value adding time
- Too little time spent on counseling and counseling leads to higher satisfaction

Solution

A smarter fitting that...

- Brings **new dimensions** in the partnership between the audiologist and the user
- Focuses much more on **user involvement, audiologist counseling** and **real life adaptation** to improve user satisfaction
- **Solves the key obstacles** for optimal hearing today

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GN Netcom key highlights in Q1 2016

Solid CC&O growth and improved cash generation – guidance for 2016 confirmed

9% organic growth in CC&O

Solid development, with UC as continued growth driver

EBITA of **DKK 90m**

Gross margin expansion, however, offset by FX and quarterly fluctuations in operating expenses

Solid cash generation

DKK 29m free cash flow and 32% cash conversion, close to 3x that in Q1 2015

Re-positioning of **Mobile** continues

Negatively impacted by global consumer electronic slowdown and by continued negative mono headset development

GN Netcom financial highlights

CC&O driving topline growth and gross margin expansion

- GN Netcom delivered 4% organic revenue growth in Q1 2016
 - The growth was driven by **solid CC&O performance**
 - Mobile growth of (7)%, impacted by global consumer electronic slowdown and by continued negative mono headset market
- Improved gross margin in constant currencies**, driven by the strong performance in CC&O
- Reported EBITA margin was down in Q1 2016 primarily due to FX and quarterly OPEX fluctuations
- Continuously **improved cash conversion**, partly due to a positive development in net working capital

| DKK million | Q1 2015 | Const. curr. growth | FX effect incl. hedging | Q1 2016 |
|--------------------------|---------|---------------------|-------------------------|---------|
| Revenue | 694 | +4% | +0% | 720 |
| <i>Organic Growth</i> | (3)% | | | 4% |
| - CC&O | 3% | | | 9% |
| - Mobile | (16)% | | | (7)% |
| Gross profit | 374 | +4% | (5)% | 371 |
| <i>Gross margin</i> | 53.9% | +0.3%-p | (2.7)%-p | 51.5% |
| EBITA | 110 | +0% | (18)% | 90 |
| <i>EBITA margin</i> | 15.9% | (0.7)%-p | (2.7)%-p | 12.5% |
| ROIC* | 50.3% | | | 41.9% |
| Free cash flow excl. M&A | 11 | | | 29 |

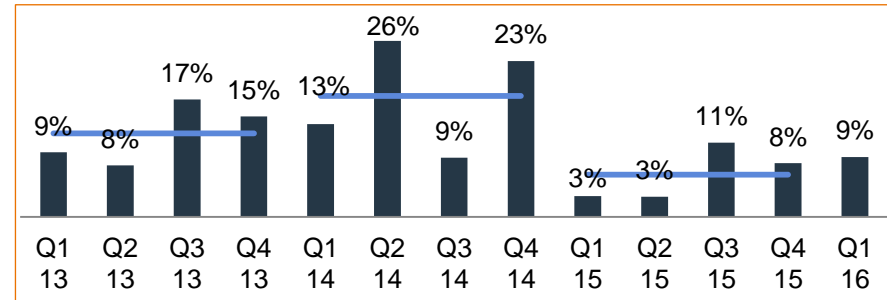
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Solid CC&O development

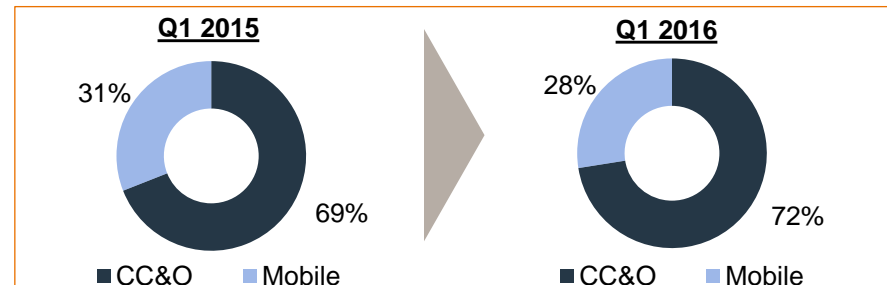
Organic growth of 9% driven by Unified Communication (UC)

- **Strong 9% organic growth in CC&O** in Q1 2016
- The growth continues to be driven by **strong development in the UC segment**
- The Jabra Evolve™ series continues to sell well and is well-recognized by users
- The development in the quarter underlines the continued highly attractive opportunities in the CC&O market
- Broad based growth, with particularly strong performance in North America and Rest of World ...

CC&O organic growth development



GN Netcom revenue distribution



CC&O growth was broad based

Strong 9% organic growth in Q1 2016

North America

Double digit organic growth in Q1 2016

Won attractive orders in the UC segment

GN Netcom continues to strengthen its position in the important US market

Europe

Modest organic growth in Q1 2016

Quarterly timing, growth to return in coming quarters

Market conditions remain attractive

Rest of World

Double digit organic growth in Q1 2016

Growth investments are delivering results

The UC products are driving growth and creating good market conditions

GN Netcom confirms its expectation to deliver **double digit organic growth** in CC&O in 2016

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Financial guidance for 2016

Confirmation of outlook – accelerated profitable growth during 2016

- **Maintained financial guidance** for 2016 after **strong start of the year**
 - Strong organic growth of “around 7%” expected in 2016, up from 6% in 2015
 - EBITA guidance of “around DKK 1,720 million” reflects constant currency margin expansion in both divisions
 - Profit before tax expected to end “around DKK 1,520 million
- As communicated in February 2016 in connection with release of the 2015 annual report, earnings are expected to be more seasonal in 2016 compared to 2015 due to among others investments in growth

| FINANCIAL GUIDANCE 2016 | | | | |
|--------------------------------|-------------------------------|---------------------|--------------------------|---------------------------|
| <i>DKK million</i> | 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 Markets Day 2016

Save the date:

September 26, 2016

Strategy update

**GN headquarters
Ballerup, Denmark**

Safe Harbor Statement

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.

Factors that may cause actual results to deviate materially from expectations include – but are not limited to – general economic developments and developments in the financial markets, technological developments, changes and amendments to legislation and regulations governing GN's markets, changes in the demand for GN's products, competition, fluctuations in sub-contractor supplies and developments in ongoing litigation (including but not limited to class action and patent infringement litigation in the United States).

This presentation should not be considered an offer to sell or buy securities in GN Store Nord.



Q&A

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