

GN Store Nord A/S

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# Interim Report Q2 2014

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INNOVATORS IN SOUND



## 9% organic growth driven by ReSound LiNX and Unified Communications

- In the second quarter of 2014, GN Store Nord delivered strong organic growth and maintained its focus on executing on the strategy for 2014 – 2016. The primary objective is to continue to deliver growth at attractive margins by exploiting the superior technological position of GN ReSound and capturing the significant market growth opportunities for GN Netcom
- GN Store Nord generated organic growth of 9% in reported terms and 12% when adjusting for the non-recurring GN Netcom revenue in China in Q2 2013. Group revenue ended at DKK 1,806 million, and EBITA amounted to DKK 302 million. The free cash flow excluding acquisitions and divestments was DKK 258 million corresponding to a cash conversion of 85% and an increase of 117% compared to Q2 2013
- GN ReSound maintained its growth momentum and delivered 8% organic growth driven by among others more than 20% revenue growth in the important independent channel in the US. GN ReSound entered the third quarter of 2014 with ReSound LiNX™ and Beltone First™ available in all markets
- On May 28, 2014, GN appointed Anders Hedegaard as CEO of GN ReSound and member of GN Store Nord's executive management with effect from August 1, 2014. Anders has replaced Lars Viksmoen as CEO, and Lars will continue full-time in GN until the end of 2014 to secure a smooth transition
- GN Netcom generated organic growth of 11% or 17% organic growth when adjusting for the non-recurring revenue in China in Q2 2013. EBITA amounted to DKK 107 million (DKK 111 million in Q2 2013)
- In the second quarter of 2014, GN Netcom delivered 60% organic growth within UC and thereby continued to strengthen its position in the segment. GN Netcom signed a number of new significant customer agreements, including the largest ever for GN Netcom – a customer agreement of approximately 200,000 units within the financial sector
- GN confirms the financial guidance for 2014 provided in the Annual Report 2013

## Financial overview Q2 2014

DKK million	GN ReSound*		GN Netcom		Group total**	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Revenue	1,108	1,049	698	646	1,806	1,695
Organic growth	8%	13%	11%	20%	9%	15%
Gross margin	67.0%	65.5%	51.8%	53.1%	61.1%	60.8%
EBITA	210	201	107	111	302	342
EBITA margin	18.9%	19.2%	15.3%	17.2%	16.7%	20.2%
Free cash flow excl. acquisitions and divestments	134	35	148	118	258	119

\*) Excl. SMART restructuring costs of DKK 51 million in Q2 2013

\*\*\*) Incl. "Other" and excl. SMART restructuring costs in Q2 2013. "Other" included a DKK 51 million impairment reversal in Q2 2013

## Guidance 2014 (unchanged)

DKK million	Organic revenue growth	EBITA	Profit before tax	Effective tax rate
GN ReSound	More than 6%	More than 875		
GN Netcom	More than 11%	More than 515		
Other		Around (60)		
GN Store Nord	More than 8%	More than 1,330	More than 1,200	27 - 28%

## Financial highlights

(DKK million)	Q2 2014 (unaud.)	Q2 2013 (unaud.)	YTD 2014 (unaud.)	YTD 2013 (unaud.)	Total 2013 (aud.)	2014 Guidance	2016 Target
<b>GN ReSound</b>							
Revenue	1,108	1,049	2,135	2,029	4,179	More than 6%	>3%-p above market growth (annual average 2014 - 2016)
- Hearing Instruments	969	920	1,864	1,760	3,636		
- Otometrics	139	129	271	269	543		
Organic growth	8%	13%	8%	10%	10%		
- Hearing Instruments	8%	12%	9%	9%	10%		
- Otometrics	6%	14%	(1)%	18%	10%		
Gross profit margin*	67.0%	65.5%	66.6%	64.7%	65.5%	More than 875	In line with top-tier competitors
EBITA*	210	201	380	359	842		
EBITA margin*	18.9%	19.2%	17.8%	17.7%	20.1%		
EBITA reported	210	150	380	255	738	More than 875	
ROIC (EBITA/Average invested capital)	16.3%	8.7%	16.3%	8.7%	14.6%		More than 18.6%
Free cash flow excl. company acquisitions and divestments	134	35	84	(82)	47		
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	64%	23%	22%	(32)%	6%		
<b>GN Netcom</b>							
Revenue	698	646	1,350	1,293	2,612	More than 11%	More than 10% (annual average 2014 - 2016)
- CC&O	461	374	891	763	1,591		
- Mobile	237	272	459	530	1,021		
Organic growth	11%	20%	7%	20%	18%		
- CC&O	26%	8%	19%	9%	12%		
- Mobile	(10)%	42%	(11)%	41%	27%		
Gross profit margin	51.8%	53.1%	52.2%	53.1%	52.7%	More than 515	18 - 19%
EBITA	107	111	211	230	472		
EBITA margin	15.3%	17.2%	15.6%	17.8%	18.1%		
ROIC (EBITA/Average invested capital)	55.3%	58.3%	55.3%	58.3%	64.7%		More than 55%
Free cash flow excl. company acquisitions and divestments	148	118	144	95	178		
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	138%	106%	68%	41%	38%		
<b>GN Store Nord</b>							
Revenue	1,806	1,695	3,485	3,322	6,791	More than 8%	More than 8,791
Organic growth	9%	15%	7%	14%	13%		
Gross profit margin*	61.1%	60.8%	61.0%	60.2%	60.6%		
EBITA*	302	342	555	600	1,284		
EBITA margin*	16.7%	20.2%	15.9%	18.1%	18.9%		
EBITA reported	302	291	555	496	1,180	More than 1,330	
Profit (loss) before tax reported	264	232	500	415	1,023	More than 1,200	
Effective tax rate	28.0%	25.0%	27.8%	26.5%	28.2%	27 - 28%	26 - 27%
ROIC (EBITA/Average invested capital)	19.5%	13.8%	19.5%	13.8%	19.6%		
Earnings per share, basic (EPS)	1.17	1.04	2.21	1.81	4.40		
Earnings per share, fully diluted (EPS diluted)	1.16	1.03	2.19	1.79	4.35		
Free cash flow excl. company acquisitions and divestments	258	119	177	(53)	93		
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	85%	41 %	32%	(11)%	8%		
Equity ratio	56.5%	61.3%	56.5%	61.3%	59.5%	1 time EBITDA 15 - 25%	1 - 2 times EBITDA 15 - 25%
Net interest-bearing debt	1,544	858	1,544	858	1,113		
Net interest-bearing debt (period-end)/EBITDA	1.1	0.9	1.1	0.9	0.9		
Dividend payout ratio	-	-	-	-	18%		
Share buybacks**	171	205	491	519	787		
Outstanding shares, end of period (thousand)	162,434	166,793	162,434	166,793	164,740		
Average number of outstanding shares, fully diluted (thousand)	164,360	169,233	165,007	170,179	168,891		
Share price at the end of the period	156	108	156	108	133		
Market capitalization	25,340	18,014	25,340	18,014	21,910		

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

\* Excluding SMART restructuring costs

\*\* Including buybacks as part of share based incentive programs

## GN ReSound

### HIGHLIGHTS Q2 2014

- Another strong quarter with organic growth of 8%
- Strong performance of ReSound LiNX™ as indicated by significant growth in the independent channel in the US
- Significant free cash flow generation of DKK 134 million, excluding acquisitions and divestments, corresponding to a cash conversion of 64%

### REVENUE

GN ReSound delivered another strong quarter with 8% organic growth in Q2 2014. The second quarter of 2014 was thereby the 16<sup>th</sup> consecutive quarter where GN ReSound gained market shares. The revenue amounted to DKK 1,108 million, negatively impacted by lower revenue in Costco due to the entry of a new premium branded product. M&A activities added approximately 2% to revenue, and the foreign exchange development impacted revenue by around (4)%.

The organic growth for Hearing Instruments was 8% leading to revenue of DKK 969 million compared to DKK 920 million in Q2 2013. Supported by strong media interest and encouraging feedback from dispensers and users, the growth in the US was driven by ReSound LiNX. ReSound LiNX delivered strongly on the key launch objectives with more than 20% revenue growth in Q2 2014 in the important independent channel in the US. It has been particularly encouraging that a significant increase in the number of customers has been contributing to this growth. Regionally, the organic growth for Hearing Instruments was driven by overall strong performance in North America and particularly strong performance in the Veterans Affairs (VA). GN ReSound also delivered solid results and growth in both Europe and Rest of the World.

In Q2 2014, GN Otometrics lifted its organic revenue growth back into positive territory with 6% organic growth. The positive development is driven by the broad and innovative product offering as well as the initiation of a number of strategic initiatives.

### EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

GN ReSound's gross margin increased from 65.5% in Q2 2013 to 67.0% in Q2 2014. The increase primarily reflects the continued positive development in the product mix. The share of revenue in the Top and Plus price segments in the first half-year of 2014 has improved by approximately 3 percentage points compared to the first half-year in 2013.

During the quarter, GN ReSound's primary focus was to exploit the launch of the Made for iPhone hearing aids. Beyond traditional launch activities, GN ReSound also invested in more extensive promotional events and completed a number of new launch initiatives. Combined with the acquisition of Dansk HøreCenter in Q4 2013 as well as continued investments in innovation and technology (as outlined in the announcement of the strategy for 2014 – 2016), these initiatives led to an increase in the operating expenses from DKK 486 million in Q2 2013 to DKK 533 million. Compared to Q1 2014, operating expenses increased by DKK 23 million or 4.5%, and the operating expense to revenue ratio thereby decreased 2 percentage points.

EBITA increased from DKK 201 million in Q2 2013 to DKK 210 million in Q2 2014 corresponding to an increase of 4%. Excluding the foreign exchange development, EBITA increased by 13%. As previously

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communicated, the earnings profile of 2014 is skewed toward the second half of the year reflecting the timing of product launches and the initiated strategic growth investments.

In Q2 2014, GN ReSound generated significant cash by delivering free cash flow excluding acquisitions and divestments of DKK 134 million – a cash conversion of 64%. During the quarter, GN ReSound invested DKK 41 million net in financial support arrangements for dispensers. Excluding these, the cash conversion ended at a very attractive level of 83%.

### **BUSINESS HIGHLIGHTS**

On May 28, 2014, GN appointed Anders Hedegaard as CEO of GN ReSound and member of GN Store Nord's executive management with effect from August 1, 2014. Anders Hedegaard replaces Lars Viksmoen who has decided to step down as CEO following his major contributions to the turnaround and the success of GN ReSound over the last four years.

During the quarter, GN ReSound launched ReSound LiNX™ and Beltone First™ in all of the main European markets as well as in Japan and in the VA. GN ReSound thereby entered the third quarter of 2014 with solid momentum, and ReSound LiNX and Beltone First are now available in all markets. As was the case in North America, the response to the Made for iPhone products has been very encouraging across the markets where the hearing aids were introduced in Q2 2014. In the VA, GN ReSound has gained more than 3 percentage points of market share since the launch of ReSound LiNX and thereby achieved its strongest position ever in the channel.

In July, GN ReSound was approved as a supplier of hearing aids on the 2014 England and Wales NHS Hearing Aid and Accessories tender. The Hearing Aid and Supplies contract starts in August 2014 with a minimum two-year term. GN ReSound will offer a customized variety of hearing aids including mild-moderate, power and pediatric hearing aids. GN ReSound was also approved in the recent 2014 Scottish NHS tender and will thus deliver products and support to the NHS across the United Kingdom.

During the quarter, GN Otometrics acquired Genie Audio, a Montreal-based distributor and service agent for audiology and vestibular equipment. The acquisition strengthens GN Otometrics' position in Eastern Canada. The impact on the financial results for 2014 is not expected to be significant.

### **MARKET DEVELOPMENT**

The global hearing aid market developed solidly in Q2 2014 with estimated growth of around 4% in units and 3% in value, reflecting overall modest market price erosion. The Q2 market growth was thereby in line with the historical average supported by continued strong unit growth in the German market of more than 20% as well as improving conditions in North America compared to the previous quarter.

### **OUTLOOK 2014**

GN ReSound confirms its full-year expectations of generating organic growth of “more than 6%” and EBITA of “more than DKK 875 million”.

## GN Netcom

### HIGHLIGHTS Q2 2014

- 60% organic revenue growth in Unified Communications (UC) headsets
- GN Netcom signed its largest UC-agreement ever – approximately 200,000 headsets to be delivered over time to a large global financial institution for their UC implementation
- Strong cash flow generation of DKK 148 million – quarterly cash conversion of 138%

### REVENUE

In Q2 2014, GN Netcom delivered organic growth of 11% and thereby outgrew its main competitor for the sixth consecutive quarter. The organic growth was 17% when excluding the non-recurring sales in China in Q2 2013 and was primarily driven by 60% organic growth within UC-products. GN Netcom thereby increased its revenue to DKK 698 million compared to DKK 646 million in Q2 2013. The development in foreign exchange rates impacted revenue by approximately (3)% while M&A activities had no impact.

GN Netcom delivered strong performance in North America and gained significant market shares in the largest headset market in the world. The growth level is the highest since Q2 2010 and is underlining the potential results and progress of the strategic priorities initiated as part of the strategy for 2014 – 2016. In Europe, GN Netcom also delivered solid positive organic growth while the growth in Rest of the World was negative, impacted by the non-recurring sales in China in Q2 2013.

The CC&O business achieved organic growth of 26% driving revenue to DKK 461 million compared to DKK 374 million in Q2 2013. The growth was driven by UC-headsets, which grew organically by 60% – the strongest quarterly UC-growth ever in GN Netcom. GN Netcom thereby strengthened its leading position in the important and fast-growing UC-segment. The revenue from UC-headsets amounted to DKK 291 million and now comprises 63% of the total CC&O revenue.

In Q2 2014, the Mobile business generated organic growth of 3% when excluding the non-recurring revenue in China in Q2 2013. The reported growth was (10)%, which was also negatively impacted by a weak Russian market. In the segment where voice and music converge, revenue grew at double digit rates in the quarter (although from a small base) positively impacted by the newly launched wireless stereo headset, Jabra Rox™.

### EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

Compared to Q2 2013, the gross margin declined from 53.1% to 51.8% reflecting the product mix development in CC&O and a dilutive effect from sales of music-focused headsets in the Mobile division. Compared to Q2 2013, operating expenses increased by 9% to DKK 254 million. The increase reflects the strategic initiatives outlined in the Strategy 2014 – 2016 and is evidenced by a 20% increase in expensed development costs and 9% increase in the sales and marketing costs.

EBITA ended at DKK 107 million compared to DKK 111 million in Q2 2013, and the EBITA margin was 15.3% compared to 17.2% in Q2 2013. The decline is a result of a lower EBITA margin in Mobile reflecting the attractive margins of the non-recurring sales in China in Q2 2013.

The free cash flow excluding acquisitions and divestments increased from DKK 118 million in Q2 2013 to DKK 148 million in Q2 2014 implying an attractive cash conversion of 138%. For the first half-year of 2014, the free cash flow amounted to DKK 144 million corresponding to a cash conversion of 68%.

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## **BUSINESS HIGHLIGHTS**

GN Netcom continues to improve its position in the attractive UC-segment and signed a number of large agreements of more than 10,000 headsets during Q2 2014. Additionally, GN Netcom signed its largest contract ever. The agreement entails the sales of headsets to a large financial institution in a customer agreement of approximately 200,000 headsets for their global UC implementation.

In July 2014, GN Netcom launched a new proprietary e-commerce platform on Jabra.com in the US. The initiative is part of the strategic focus and addresses the importance of the online channel. The platform creates a fully integrated digital experience enabling consumers to purchase Jabra products online on Jabra.com.

During the second quarter of 2014, GN Netcom has continued to strengthen the foundation for accelerated growth in the Mobile business. The Mobile organization has been upgraded with a new experienced head of the business, and the marketing function has been strengthened, including tighter integration across CC&O and Mobile to create a more professional and united Jabra marketing organization. It is the objective of the Mobile division to expand the leadership position in certain regions and segments where GN Netcom can offer significant differentiation.

Building on the successful Jabra Extreme™ headsets, GN Netcom launched Jabra Stealth™ in June 2014. Jabra Stealth takes the previous generation of products to the next level by offering the innovative Total Noise Blackout and Micropower technologies. The technologies enable Jabra Stealth to create a premium sound with highly effective noise cancellation while at the same time offering an enhanced comfort experience through a smaller, lighter and better balanced design for the ear. Jabra Stealth is expected to support continued market share gains in the traditional Mobile (voice) segment.

## **MARKET DEVELOPMENT**

The CC&O market continues to be highly attractive due to the significant growth rates in UC-headsets. The estimated market growth of UC-headsets in Q2 2014 was again more than 30%, which is a level that is expected to continue in the coming quarters. The Mobile market was negatively impacted by the non-recurring sales in China in Q2 2013, but it is expected that the growth will return to its historical level from Q3 2014.

## **OUTLOOK 2014**

GN Netcom confirms its guidance of organic growth of “more than 11%” in 2014 and EBITA of “more than DKK 515 million”.

## GN Store Nord

In Q2 2014, GN Store Nord increased revenue to DKK 1,806 million and generated 9% organic growth. EBITA in "Other" ended at DKK (15) million compared to DKK 30 million in Q2 2013 ("Other" was positively impacted by a DKK 51 million gain from a write-down reversal in Q2 2013). Group EBITA ended at DKK 302 million, which corresponds to an EBITA margin of 16.7%.

Amortizations of acquired intangible assets amounted to DKK (14) million. Financial items ended at DKK (24) million, and profit before tax was DKK 264 million. The effective tax rate was 28.0%, resulting in a net profit of DKK 190 million. The free cash flow, excluding acquisitions and divestments, increased by 117% to DKK 258 million compared to DKK 119 million in Q2 2013. The free cash flow reflects a cash conversion of 85%, which is the strongest quarterly cash conversion since Q1 2012 where GN received cash from the TPSA legal dispute.

### CAPITAL STRUCTURE

In the interim report for Q2 2010, GN announced the long-term capital structure policy of having net interest-bearing debt of up to a maximum of two times EBITDA. As previously communicated, GN currently intends to take the net interest-bearing debt toward a level of around one time EBITDA by the end of 2014 and to a level between one and two times EBITDA by the end of 2016.

On February 14, 2014, GN initiated a DKK 500 million Safe Harbor share buyback program of which DKK 371 million has been executed as of August 14, 2014. During 2014, GN has in total repurchased 3,372,600 shares at a total price of DKK 465 million through two different Safe Harbor programs. As of August 14, 2014, GN owns 6,271,024 treasury shares equivalent to 3.7% of the shares issued.

At the end of Q2 2014, the net interest-bearing debt ended at DKK 1,544 million corresponding to 1.1 times EBITDA where EBITDA is based on the four quarter rolling figure. The net interest-bearing debt declined compared to the net interest-bearing debt by the end of Q1 2014 reflecting that the free cash flow more than offset the amount distributed back to shareholders through the ongoing Safe Harbor share buyback program.

### 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. The discovery phase commenced in mid-November 2013, and the first part of the discovery phase is expected to be completed during 2014.



### CLAIM AGAINST THE GERMAN FEDERAL CARTEL OFFICE

On December 22, 2010, GN Store Nord filed a claim of EUR 1.1 billion (approximately DKK 8.2 billion) as compensation for the significant loss imposed on GN and its shareholders in relation to the German Federal Cartel Office's unlawful prohibition of the sale of GN ReSound to Sonova on April 11, 2007.

On March 26, 2014, the Düsseldorf Court of Appeal, Germany, dismissed GN's claim although the German Federal Supreme Court has acknowledged that the prohibition of the sale was unlawful. Düsseldorf Court of Appeal dismissed the case on the grounds that the German Federal Cartel Office had not acted negligent when they prohibited the sale.

Following thorough evaluation of the written ruling from the Düsseldorf Court of Appeal, GN and its advisors disagree with the decision by the court. On May 2, 2014, GN consequently decided to file for permission to appeal the decision to the German Federal Supreme Court.

### FOREIGN EXCHANGE EXPOSURE

Based on the 2014 revenue and cost composition, the table below outlines the primary foreign exchange exposure for GN in 2014, excluding any hedging impact:

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

(DKK million)

Currency	GN ReSound	GN Netcom	GN Store Nord
USD	40	29	69
CNY	(5)	(43)	(48)
GBP	4	5	9
JPY	7	(1)	6
CAD	4	-	4

For 2014, GN has hedged the majority of the expected cash flow denominated in the above-mentioned currencies in both GN ReSound and GN Netcom.

As a result of the hedging practice, it is expected that the development in foreign exchange rates will impact GN ReSound's EBITA by around DKK (60) - (70) million compared to 2013 whereas the effect on GN Netcom's EBITA is expected to be relatively modest.

## 2014 PRODUCT LAUNCHES

### GN ReSound

Q1 2014 ReSound LiNX™/ Beltone First™  
 Q1 2014 ReSound Magna™/ Beltone Bold™

### GN Netcom

Q1 2014 Jabra Rox™  
 Q1 2014 Jabra Pro™ 900  
 Q2 2014 Jabra Motion™ Office  
 Q2 2014 Jabra Stealth™  
 Q2 2014 Jabra Step™ Wireless

## ADDITIONAL INFORMATION

### Teleconference

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

### Financial calendar for 2014

Interim Report Q3 2014: November 14, 2014

### Forward-looking statements

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

For further information please contact:

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### About GN Store Nord

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

GN's products are marketed in more than 90 countries and as of December 31, 2013 GN had approximately 5,000 employees in 34 countries. GN is listed on NASDAQ OMX Copenhagen and is a member of the Large Cap Index and the OMXC20 CAP Index.

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

## Strategy 2014 - 2016: INNOVATION & GROWTH

(announced on November 15, 2013)

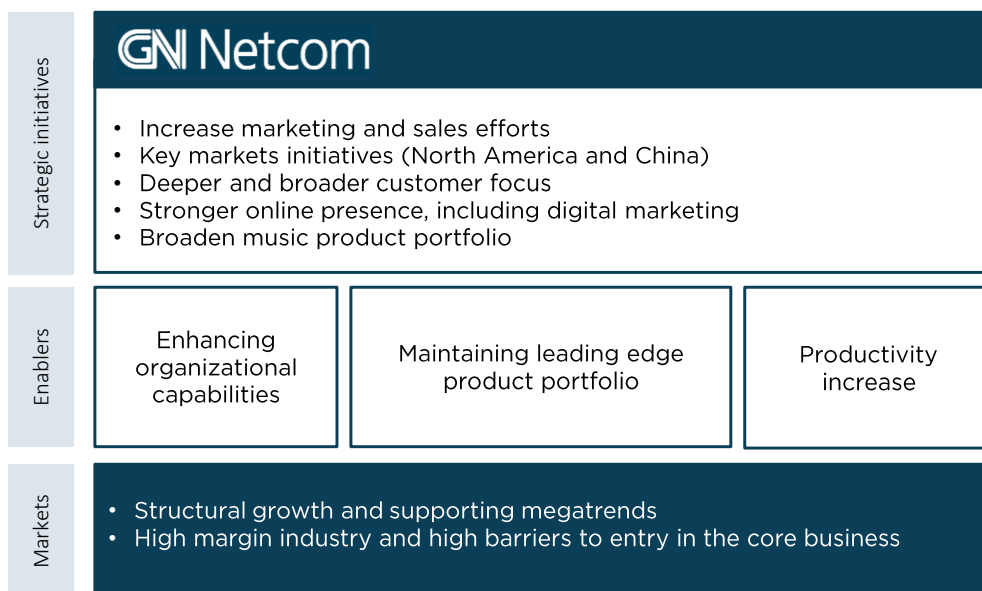
### GN RESOUND'S STRATEGIC GROWTH INITIATIVES

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



### GN NETCOM'S STRATEGIC GROWTH INITIATIVES

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



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

Today, the board of directors and the executive management have discussed and approved the interim report for GN Store Nord A/S for the period April 1 - June 30, 2014.

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 June 30, 2014 and of the results of the group's operations and cash flows for the period April 1 - June 30, 2014.

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, August 14, 2014

### BOARD OF DIRECTORS

Per Wold-Olsen  
Chairman

William E. Hoover, Jr.  
Deputy Chairman

Carsten Krogsgaard Thomsen

Hélène Barnekow

René Svendsen-Tune

Wolfgang Reim

Leo Larsen

Nikolai Bisgaard

Morten Andersen

### EXECUTIVE MANAGEMENT

Anders Hedegaard  
CEO, GN ReSound

Niels Svenningsen  
CEO, GN Netcom

Anders Boyer  
CFO, GN Store Nord

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## Financial statements

	Quarterly reporting by segment	13
	Income statement	14
	Statement of comprehensive income	14
	Balance sheet	15
	Consolidated equity	16
	Cash flow statement	17
Note 1	Accounting policies	17
Note 2	Segment disclosures	18
Note 3	Incentive plans	20
Note 4	Shareholdings	20

## Quarterly reporting by segment

(DKK million)	Q1 2013 (unaud.)	Q2 2013 (unaud.)	Q3 2013 (unaud.)	Q4 2013 (unaud.)	Q1 2014 (unaud.)	Q2 2014 (unaud.)	2013 YTD (unaud.)	2014 YTD (unaud.)	2013 Total (aud.)
<b>Income statement</b>									
<b>Revenue</b>									
GN ReSound	980	1,049	1,019	1,131	1,027	1,108	2,029	2,135	4,179
GN Netcom	647	646	590	729	652	698	1,293	1,350	2,612
<b>Total</b>	<b>1,627</b>	<b>1,695</b>	<b>1,609</b>	<b>1,860</b>	<b>1,679</b>	<b>1,806</b>	<b>3,322</b>	<b>3,485</b>	<b>6,791</b>
<b>Organic growth</b>									
GN ReSound	7%	13%	13%	6%	7%	8%	10%	8%	10%
GN Netcom	20%	20%	17%	15%	4%	11%	20%	7%	18%
<b>Total</b>	<b>12%</b>	<b>15%</b>	<b>14%</b>	<b>9%</b>	<b>6%</b>	<b>9%</b>	<b>14%</b>	<b>7%</b>	<b>13%</b>
<b>Gross profit margin</b>									
GN ReSound	60.4%	64.7%	65.3%	66.9%	66.2%	67.0%	62.6%	66.6%	64.4%
GN Netcom	53.2%	53.1%	52.9%	51.7%	52.6%	51.8%	53.1%	52.2%	52.7%
<b>Total</b>	<b>57.5%</b>	<b>60.3%</b>	<b>60.7%</b>	<b>61.0%</b>	<b>60.9%</b>	<b>61.1%</b>	<b>58.9%</b>	<b>61.0%</b>	<b>59.9%</b>
<b>Expensed development costs**</b>									
GN ReSound	(90)	(90)	(93)	(85)	(98)	(106)	(180)	(204)	(358)
GN Netcom	(40)	(40)	(39)	(40)	(43)	(48)	(80)	(91)	(159)
Other *	(1)	(5)	(5)	(11)	(3)	(3)	(6)	(6)	(22)
<b>Total</b>	<b>(131)</b>	<b>(135)</b>	<b>(137)</b>	<b>(136)</b>	<b>(144)</b>	<b>(157)</b>	<b>(266)</b>	<b>(301)</b>	<b>(539)</b>
<b>Selling and distribution costs and administrative expenses etc.**</b>									
GN ReSound	(397)	(439)	(364)	(397)	(412)	(427)	(836)	(839)	(1,597)
GN Netcom	(185)	(192)	(172)	(196)	(196)	(206)	(377)	(402)	(745)
Other *	(18)	35	(10)	(15)	(18)	(12)	17	(30)	(8)
<b>Total</b>	<b>(600)</b>	<b>(596)</b>	<b>(546)</b>	<b>(608)</b>	<b>(626)</b>	<b>(645)</b>	<b>(1,196)</b>	<b>(1,271)</b>	<b>(2,350)</b>
<b>EBITA</b>									
GN ReSound	105	150	208	275	170	210	255	380	738
GN Netcom	119	111	101	141	104	107	230	211	472
Other *	(19)	30	(15)	(26)	(21)	(15)	11	(36)	(30)
<b>Total</b>	<b>205</b>	<b>291</b>	<b>294</b>	<b>390</b>	<b>253</b>	<b>302</b>	<b>496</b>	<b>555</b>	<b>1,180</b>
<b>EBITA margin</b>									
GN ReSound	10.7%	14.3%	20.4%	24.2%	16.5%	18.9%	12.6%	17.8%	17.7%
GN Netcom	18.4%	17.2%	17.1%	19.3%	15.9%	15.3%	17.8%	15.6%	18.1%
<b>Total</b>	<b>12.6%</b>	<b>17.2%</b>	<b>18.3%</b>	<b>21.0%</b>	<b>15.1%</b>	<b>16.7%</b>	<b>14.9%</b>	<b>15.9%</b>	<b>17.4%</b>
<b>Depreciation</b>									
GN ReSound	(23)	(22)	(24)	(25)	(23)	(26)	(45)	(49)	(94)
GN Netcom	(6)	(6)	(7)	(7)	(7)	(7)	(12)	(14)	(26)
Other *	(3)	45	(7)	(8)	(9)	(9)	42	(18)	27
<b>Total</b>	<b>(32)</b>	<b>17</b>	<b>(38)</b>	<b>(40)</b>	<b>(39)</b>	<b>(42)</b>	<b>(15)</b>	<b>(81)</b>	<b>(93)</b>
<b>EBITDA</b>									
GN ReSound	128	172	232	300	193	236	300	429	832
GN Netcom	125	117	108	148	111	114	242	225	498
Other *	(16)	(15)	(8)	(18)	(12)	(6)	(31)	(18)	(57)
<b>Total</b>	<b>237</b>	<b>274</b>	<b>332</b>	<b>430</b>	<b>292</b>	<b>344</b>	<b>511</b>	<b>636</b>	<b>1,273</b>
<b>EBITA</b>									
Amortization of acquired intangible assets	(9)	(9)	(10)	(15)	(10)	(14)	(18)	(24)	(43)
Gain (loss) on divestment of operations etc.	(2)	(11)	(4)	(2)	-	-	(13)	-	(19)
<b>Operating profit (loss)</b>	<b>194</b>	<b>271</b>	<b>280</b>	<b>373</b>	<b>243</b>	<b>288</b>	<b>465</b>	<b>531</b>	<b>1,118</b>
Share of profit (loss) in associates	-	-	-	(4)	-	-	-	-	(4)
Financial items, net	(11)	(39)	(12)	(29)	(7)	(24)	(50)	(31)	(91)
<b>Profit (loss) before tax</b>	<b>183</b>	<b>232</b>	<b>268</b>	<b>340</b>	<b>236</b>	<b>264</b>	<b>415</b>	<b>500</b>	<b>1,023</b>
Tax on profit (loss)	(52)	(58)	(77)	(101)	(65)	(74)	(110)	(139)	(288)
<b>Profit (loss)</b>	<b>131</b>	<b>174</b>	<b>191</b>	<b>239</b>	<b>171</b>	<b>190</b>	<b>305</b>	<b>361</b>	<b>735</b>
<b>Balance sheet</b>									
<b>Development projects</b>									
GN ReSound	792	804	812	827	839	846	804	846	827
GN Netcom	93	100	112	127	139	146	100	146	127
Other *	-	2	4	5	8	8	2	8	5
<b>Total</b>	<b>885</b>	<b>906</b>	<b>928</b>	<b>959</b>	<b>986</b>	<b>1,000</b>	<b>906</b>	<b>1,000</b>	<b>959</b>
<b>Inventories</b>									
GN ReSound	348	363	387	378	389	401	363	401	378
GN Netcom	112	172	208	214	158	140	172	140	214
<b>Total</b>	<b>460</b>	<b>535</b>	<b>595</b>	<b>592</b>	<b>547</b>	<b>541</b>	<b>535</b>	<b>541</b>	<b>592</b>
<b>Trade receivables</b>									
GN ReSound	972	973	978	1,031	974	1,033	973	1,033	1,031
GN Netcom	470	487	480	487	511	568	487	568	487
Other *	1	2	1	2	1	1	2	1	2
<b>Total</b>	<b>1,443</b>	<b>1,462</b>	<b>1,459</b>	<b>1,520</b>	<b>1,486</b>	<b>1,602</b>	<b>1,462</b>	<b>1,602</b>	<b>1,520</b>
<b>Net working capital</b>									
GN ReSound	947	856	882	895	966	924	856	924	895
GN Netcom	154	166	248	218	283	245	166	245	218
Other *	(28)	(19)	(26)	(25)	(50)	(52)	(19)	(52)	(25)
<b>Total</b>	<b>1,073</b>	<b>1,003</b>	<b>1,104</b>	<b>1,088</b>	<b>1,199</b>	<b>1,117</b>	<b>1,003</b>	<b>1,117</b>	<b>1,088</b>
<b>Cash flow</b>									
<b>Free cash flow excl. company acquisitions and divestments</b>									
GN ReSound	(117)	35	90	39	(50)	134	(82)	84	47
GN Netcom	(23)	118	14	69	(4)	148	95	144	178
Other *	(32)	(34)	(16)	(50)	(27)	(24)	(66)	(51)	(132)
<b>Total</b>	<b>(172)</b>	<b>119</b>	<b>88</b>	<b>58</b>	<b>(81)</b>	<b>258</b>	<b>(53)</b>	<b>177</b>	<b>93</b>
<b>Acquisitions and divestments of companies</b>									
<b>Total</b>	<b>(12)</b>	<b>(8)</b>	<b>(119)</b>	<b>(7)</b>	<b>(14)</b>	<b>(20)</b>	<b>(20)</b>	<b>(34)</b>	<b>(146)</b>
<b>Free cash flow</b>	<b>(184)</b>	<b>111</b>	<b>(31)</b>	<b>51</b>	<b>(95)</b>	<b>238</b>	<b>(73)</b>	<b>143</b>	<b>(53)</b>

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

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

## Income statement

(DKK million)	Consolidated				
	Q2 2014 (unaud.)	Q2 2013 (unaud.)	YTD 2014 (unaud.)	YTD 2013 (unaud.)	Full year 2013 (aud.)
Revenue	1,806	1,695	3,485	3,322	6,791
Production costs	(702)	(673)	(1,358)	(1,364)	(2,722)
<b>Gross profit</b>	<b>1,104</b>	<b>1,022</b>	<b>2,127</b>	<b>1,958</b>	<b>4,069</b>
Development costs	(159)	(136)	(305)	(269)	(545)
Selling and distribution costs	(521)	(485)	(1,023)	(941)	(1,895)
Management and administrative expenses	(135)	(120)	(267)	(271)	(499)
Other operating income and costs, net	(1)	1	(1)	1	7
Gain (loss) on divestment of operations etc.	-	(11)	-	(13)	(19)
<b>Operating profit (loss)</b>	<b>288</b>	<b>271</b>	<b>531</b>	<b>465</b>	<b>1,118</b>
Share of profit (loss) in associates	-	-	-	-	(4)
Financial income	20	4	48	25	73
Financial expenses	(44)	(43)	(79)	(75)	(164)
<b>Profit (loss) before tax</b>	<b>264</b>	<b>232</b>	<b>500</b>	<b>415</b>	<b>1,023</b>
Tax on profit (loss)	(74)	(58)	(139)	(110)	(288)
<b>Profit (loss) for the period</b>	<b>190</b>	<b>174</b>	<b>361</b>	<b>305</b>	<b>735</b>
<b>Earnings per share (EPS)</b>					
Earnings per share (EPS)	1.17	1.04	2.21	1.81	4.40
Earnings per share, fully diluted (EPS diluted)	1.16	1.03	2.19	1.79	4.35
<b>EBITA</b>	<b>302</b>	<b>291</b>	<b>555</b>	<b>496</b>	<b>1,180</b>
Amortization of acquired intangible assets	(14)	(9)	(24)	(18)	(43)
Gain (loss) on divestment of operations etc.	-	(11)	-	(13)	(19)
<b>Operating profit (loss)</b>	<b>288</b>	<b>271</b>	<b>531</b>	<b>465</b>	<b>1,118</b>

## Statement of comprehensive income

(DKK million)	Consolidated				
	Q2 2014 (unaud.)	Q2 2013 (unaud.)	YTD 2014 (unaud.)	YTD 2013 (unaud.)	Full year 2013 (aud.)
<b>Profit (loss) for the period</b>	<b>190</b>	<b>174</b>	<b>361</b>	<b>305</b>	<b>735</b>
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Actuarial gains (losses)	-	-	-	-	50
Tax relating to this item of other comprehensive income	-	-	-	-	(18)
<i>Items that may be reclassified subsequently to profit or loss</i>					
Adjustment of cash flow hedges	(18)	12	(48)	5	23
Foreign exchange adjustments, etc.	45	(125)	45	(6)	(225)
Tax relating to these items of other comprehensive income	5	-	12	-	4
<b>Other comprehensive income for the period, net of tax</b>	<b>32</b>	<b>(113)</b>	<b>9</b>	<b>(1)</b>	<b>(166)</b>
<b>Total comprehensive income for the period</b>	<b>222</b>	<b>61</b>	<b>370</b>	<b>304</b>	<b>569</b>

**Balance sheet****Consolidated**

(DKK million)	June 30 2014 (unaud.)	March 31 2014 (unaud.)	Dec. 31 2013 (aud.)	Sep. 30 2013 (unaud.)
<b>Assets</b>				
Intangible assets	4,528	4,518	4,486	4,275
Property, plant and equipment	458	460	465	451
Deferred tax assets	516	510	502	556
Other non-current assets	1,089	992	843	966
<b>Total non-current assets</b>	<b>6,591</b>	<b>6,480</b>	<b>6,296</b>	<b>6,248</b>
Inventories	541	547	592	595
Trade receivables	1,602	1,486	1,520	1,459
Tax receivable	47	100	90	17
Other receivables	231	250	302	295
Cash and cash equivalents	135	104	163	100
<b>Total current assets</b>	<b>2,556</b>	<b>2,487</b>	<b>2,667</b>	<b>2,466</b>
<b>Total assets</b>	<b>9,147</b>	<b>8,967</b>	<b>8,963</b>	<b>8,714</b>
<b>Equity and liabilities</b>				
<b>Equity</b>	<b>5,168</b>	<b>5,110</b>	<b>5,330</b>	<b>5,252</b>
Bank loans	1,603	1,568	1,216	1,007
Pension obligations	37	47	44	95
Provisions	171	166	167	140
Deferred tax liabilities	401	401	403	372
Other non-current liabilities	213	207	209	187
<b>Total non-current liabilities</b>	<b>2,425</b>	<b>2,389</b>	<b>2,039</b>	<b>1,801</b>
Bank loans	76	150	60	105
Trade payables	463	377	493	426
Tax payable	25	17	34	137
Provisions	196	217	214	215
Other payables	794	707	793	778
<b>Total current liabilities</b>	<b>1,554</b>	<b>1,468</b>	<b>1,594</b>	<b>1,661</b>
<b>Total equity and liabilities</b>	<b>9,147</b>	<b>8,967</b>	<b>8,963</b>	<b>8,714</b>



## Consolidated equity

(DKK million)	Share capital (shares of DKK 4 each)	Additional paid-in capital	Foreign exchange adjustments	Hedging reserve	Treasury shares	Proposed dividends for the year	Retained earnings	Total equity
<b>Balance at December 31, 2012</b>	<b>775</b>	<b>2,483</b>	<b>(1,523)</b>	<b>8</b>	<b>(1,616)</b>	<b>94</b>	<b>5,321</b>	<b>5,542</b>
Profit (loss) for the period	-	-	-	-	-	-	305	305
Adjustment of cash flow hedges	-	-	-	5	-	-	-	5
Foreign exchange adjustments, etc.	-	-	(6)	-	-	-	-	(6)
Total comprehensive income for the period	-	-	(6)	5	-	-	305	304
Reduction of the share capital	(82)	(1,318)	-	-	1,400	-	-	-
Share-based payment (granted)	-	-	-	-	-	-	6	6
Share based payment (exercised)	-	(48)	-	-	97	-	-	49
Purchase/sale of treasury shares and other equity instruments	-	-	-	-	(519)	-	-	(519)
Paid dividends	-	-	-	-	-	(83)	-	(83)
Dividends, treasury shares	-	-	-	-	-	(11)	11	-
<b>Balance at June 30, 2013</b>	<b>693</b>	<b>1,117</b>	<b>(1,529)</b>	<b>13</b>	<b>(638)</b>	<b>-</b>	<b>5,643</b>	<b>5,299</b>
Profit (loss) for the period	-	-	-	-	-	-	430	430
Actuarial gains (losses)	-	-	-	-	-	-	50	50
Adjustment of cash flow hedges	-	-	-	18	-	-	-	18
Foreign exchange adjustments, etc.	-	-	(219)	-	-	-	-	(219)
Tax relating to other comprehensive income	-	-	10	(6)	-	-	(18)	(14)
Total comprehensive income for the period	-	-	(209)	12	-	-	462	265
Proposed dividends for the year	-	-	-	-	-	146	(146)	-
Share-based payment (granted)	-	-	-	-	-	-	4	4
Share based payment (exercised)	-	(8)	-	-	13	-	-	5
Tax related to share-based incentive plans	-	-	-	-	-	-	25	25
Purchase/sale of treasury shares and other equity instruments	-	-	-	-	(268)	-	-	(268)
<b>Balance at December 31, 2013</b>	<b>693</b>	<b>1,109</b>	<b>(1,738)</b>	<b>25</b>	<b>(893)</b>	<b>146</b>	<b>5,988</b>	<b>5,330</b>
Profit (loss) for the period	-	-	-	-	-	-	361	361
Adjustment of cash flow hedges	-	-	-	(48)	-	-	-	(48)
Foreign exchange adjustments, etc.	-	-	45	-	-	-	-	45
Tax relating to other comprehensive income	-	-	-	12	-	-	-	12
Total comprehensive income for the period	-	-	45	(36)	-	-	361	370
Reduction of the share capital	(21)	(518)	-	-	539	-	-	-
Share-based payment (granted)	-	-	-	-	-	-	7	7
Share-based payment (exercised)	-	(50)	-	-	117	-	-	67
Tax related to share-based incentive plans	-	-	-	-	-	-	23	23
Purchase/sale of treasury shares and other equity instruments	-	-	-	-	(491)	-	-	(491)
Paid dividends	-	-	-	-	-	(138)	-	(138)
Dividends, treasury shares	-	-	-	-	-	(8)	8	-
<b>Balance at June 30, 2014</b>	<b>672</b>	<b>541</b>	<b>(1,693)</b>	<b>(11)</b>	<b>(728)</b>	<b>-</b>	<b>6,387</b>	<b>5,168</b>

**Cash flow statement**

(DKK million)	<b>Consolidated</b>				
	Q2 2014 (unaud.)	Q2 2013 (unaud.)	YTD 2014 (unaud.)	YTD 2013 (unaud.)	Full year 2013 (aud.)
<b>Operating activities</b>					
Operating profit (loss)	288	271	531	465	1,118
Depreciation, amortization and impairment	130	61	248	167	398
Other adjustments	(19)	60	(20)	103	124
<b>Cash flow from operating activities before changes in working capital</b>	<b>399</b>	<b>392</b>	<b>759</b>	<b>735</b>	<b>1,640</b>
Changes in working capital and restructuring/non-recurring costs, paid	72	(54)	(98)	(331)	(436)
<b>Cash flow from operating activities before financial items and tax</b>	<b>471</b>	<b>338</b>	<b>661</b>	<b>404</b>	<b>1,204</b>
Financial items, net	(16)	(24)	(26)	(32)	(37)
Tax paid, net	(10)	(18)	(81)	(31)	(249)
<b>Cash flow from operating activities</b>	<b>445</b>	<b>296</b>	<b>554</b>	<b>341</b>	<b>918</b>
<b>Investing activities</b>					
Development projects	(88)	(86)	(185)	(163)	(349)
Investments in other intangible assets, net	(17)	(30)	(39)	(64)	(137)
Investments in property, plant and equipment, net	(23)	(29)	(43)	(44)	(118)
Investments in other non-current assets, net	(59)	(32)	(110)	(123)	(221)
Company acquisitions	(20)	(5)	(34)	(17)	(136)
Company divestments	-	(3)	-	(3)	(10)
<b>Cash flow from investing activities</b>	<b>(207)</b>	<b>(185)</b>	<b>(411)</b>	<b>(414)</b>	<b>(971)</b>
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>238</b>	<b>111</b>	<b>143</b>	<b>(73)</b>	<b>(53)</b>
<b>Financing activities</b>					
Paid dividends	-	-	(138)	(83)	(83)
Share-based payment (exercised)	3	4	67	49	54
Purchase/sale of treasury shares and other equity instruments	(171)	(205)	(491)	(519)	(787)
Increase/decrease in bank loans and other adjustments	(41)	92	389	596	871
<b>Cash flow from financing activities</b>	<b>(209)</b>	<b>(109)</b>	<b>(173)</b>	<b>43</b>	<b>55</b>
<b>Net cash flow</b>	<b>29</b>	<b>2</b>	<b>(30)</b>	<b>(30)</b>	<b>2</b>
Cash and cash equivalents beginning of period	104	139	163	169	169
Adjustment foreign currency, cash and cash equivalents	2	(5)	2	(3)	(8)
<b>Cash and cash equivalents, end of period</b>	<b>135</b>	<b>136</b>	<b>135</b>	<b>136</b>	<b>163</b>

**Note 1 - Accounting policies**

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

**Changes to accounting policies**

As of January 1, 2014, GN Store Nord adopted all relevant new or revised International Financial Reporting Standards and IFRIC Interpretations with effective date January 1, 2014 or earlier, including those specified in note 31 in the Annual Report 2013. 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 31 in the Annual Report 2013, the accounting policies applied are unchanged from those applied in the Annual Report 2013.

## Note 2 – Segment disclosures

Income statement	GN ReSound		GN Netcom		Other*		Consolidated total	
	Q2 2014 (unaud.)	Q2 2013 (unaud.)	Q2 2014 (unaud.)	Q2 2013 (unaud.)	Q2 2014 (unaud.)	Q2 2013 (unaud.)	Q2 2014 (unaud.)	Q2 2013 (unaud.)
(DKK million)								
Revenue	1,108	1,049	698	646	-	-	1,806	1,695
Production costs	(365)	(370)	(337)	(303)	-	-	(702)	(673)
<b>Gross profit</b>	<b>743</b>	<b>679</b>	<b>361</b>	<b>343</b>	<b>-</b>	<b>-</b>	<b>1,104</b>	<b>1,022</b>
Expensed development costs**	(106)	(90)	(48)	(40)	(3)	(5)	(157)	(135)
Selling and distribution costs**	(333)	(315)	(176)	(161)	-	(1)	(509)	(477)
Management and administrative expenses	(93)	(126)	(30)	(31)	(12)	37	(135)	(120)
Other operating income and costs, net	(1)	2	-	-	-	(1)	(1)	1
<b>EBITA</b>	<b>210</b>	<b>150</b>	<b>107</b>	<b>111</b>	<b>(15)</b>	<b>30</b>	<b>302</b>	<b>291</b>
Amortization of acquired intangible assets	(11)	(7)	(3)	(2)	-	-	(14)	(9)
Gain (loss) on divestment of operations etc.	-	(11)	-	-	-	-	-	(11)
<b>Operating profit (loss)</b>	<b>199</b>	<b>132</b>	<b>104</b>	<b>109</b>	<b>(15)</b>	<b>30</b>	<b>288</b>	<b>271</b>
Financial items	(26)	(41)	5	5	(3)	(3)	(24)	(39)
<b>Profit (loss) before tax</b>	<b>173</b>	<b>91</b>	<b>109</b>	<b>114</b>	<b>(18)</b>	<b>27</b>	<b>264</b>	<b>232</b>
Tax on profit (loss)	(50)	(22)	(28)	(31)	4	(5)	(74)	(58)
<b>Profit (loss)</b>	<b>123</b>	<b>69</b>	<b>81</b>	<b>83</b>	<b>(14)</b>	<b>22</b>	<b>190</b>	<b>174</b>

Cash flow statement	GN ReSound		GN Netcom		Other*		Consolidated total	
	Q2 2014 (unaud.)	Q2 2013 (unaud.)	Q2 2014 (unaud.)	Q2 2013 (unaud.)	Q2 2014 (unaud.)	Q2 2013 (unaud.)	Q2 2014 (unaud.)	Q2 2013 (unaud.)
(DKK million)								
Operating activities before changes in working capital	279	290	132	118	(12)	(16)	399	392
Cash flow from changes in working capital and restructuring/non-recurring costs paid	25	(65)	45	18	2	(7)	72	(54)
<b>Cash flow from operating activities excluding financial items and tax</b>	<b>304</b>	<b>225</b>	<b>177</b>	<b>136</b>	<b>(10)</b>	<b>(23)</b>	<b>471</b>	<b>338</b>
Cash flow from investing activities:								
Development projects	(63)	(64)	(25)	(20)	-	(2)	(88)	(86)
Other	(104)	(83)	(9)	(7)	(6)	(9)	(119)	(99)
<b>Cash flow from operating and investing activities before financial items and tax</b>	<b>137</b>	<b>78</b>	<b>143</b>	<b>109</b>	<b>(16)</b>	<b>(34)</b>	<b>264</b>	<b>153</b>
Tax and financial items	(23)	(51)	5	9	(8)	-	(26)	(42)
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>114</b>	<b>27</b>	<b>148</b>	<b>118</b>	<b>(24)</b>	<b>(34)</b>	<b>238</b>	<b>111</b>
<b>Free cash flow excl. company acquisitions and divestments</b>	<b>134</b>	<b>35</b>	<b>148</b>	<b>118</b>	<b>(24)</b>	<b>(34)</b>	<b>258</b>	<b>119</b>

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

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

## Note 2 – Segment disclosures (continued)

Balance sheet	GN ReSound		GN Netcom		Other*		Consolidated total	
	Q2 2014 (unaud.)	Q2 2013 (unaud.)	Q2 2014 (unaud.)	Q2 2013 (unaud.)	Q2 2014 (unaud.)	Q2 2013 (unaud.)	Q2 2014 (unaud.)	Q2 2013 (unaud.)
<b>(DKK million)</b>								
<b>ASSETS</b>								
Goodwill	2,535	2,504	442	460	-	-	2,977	2,964
Development projects	846	804	146	100	8	2	1,000	906
Other intangible assets	358	259	49	67	144	109	551	435
Property, plant and equipment	225	217	42	37	191	197	458	451
Loans to dispensers and ownership interests	823	701	-	-	-	-	823	701
Other non-current assets	633	591	149	128	-	12	782	731
<b>Total non-current assets</b>	<b>5,420</b>	<b>5,076</b>	<b>828</b>	<b>792</b>	<b>343</b>	<b>320</b>	<b>6,591</b>	<b>6,188</b>
Inventories	401	363	140	172	-	-	541	535
Trade receivables	1,033	973	568	487	1	2	1,602	1,462
Receivables from subsidiaries***	-	-	1,510	1,248	(1,510)	(1,248)	-	-
Tax receivables	9	31	9	10	29	-	47	41
Other receivables	203	232	22	18	6	3	231	253
Cash and cash equivalents	107	88	28	34	-	14	135	136
<b>Total current assets</b>	<b>1,753</b>	<b>1,687</b>	<b>2,277</b>	<b>1,969</b>	<b>(1,474)</b>	<b>(1,229)</b>	<b>2,556</b>	<b>2,427</b>
Assets classified as held for sale	-	25	-	-	-	-	-	25
<b>Total assets</b>	<b>7,173</b>	<b>6,788</b>	<b>3,105</b>	<b>2,761</b>	<b>(1,131)</b>	<b>(909)</b>	<b>9,147</b>	<b>8,640</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>4,360</b>	<b>3,906</b>	<b>2,486</b>	<b>2,089</b>	<b>(1,678)</b>	<b>(696)</b>	<b>5,168</b>	<b>5,299</b>
Bank loans	-	-	-	-	1,603	880	1,603	880
Pension obligations and deferred tax	243	294	33	20	162	156	438	470
Provisions	121	71	23	8	27	51	171	130
Other non-current liabilities	213	192	-	-	-	-	213	192
<b>Total non-current liabilities</b>	<b>577</b>	<b>557</b>	<b>56</b>	<b>28</b>	<b>1,792</b>	<b>1,087</b>	<b>2,425</b>	<b>1,672</b>
Bank loans	30	36	30	22	16	56	76	114
Trade payables	247	217	209	270	7	11	463	498
Amounts owed to subsidiaries***	1,325	1,382	-	-	(1,325)	(1,382)	-	-
Tax payables	11	37	14	62	-	-	25	99
Provisions	157	159	34	51	5	4	196	214
Other current liabilities	466	494	276	239	52	11	794	744
<b>Total current liabilities</b>	<b>2,236</b>	<b>2,325</b>	<b>563</b>	<b>644</b>	<b>(1,245)</b>	<b>(1,300)</b>	<b>1,554</b>	<b>1,669</b>
<b>Total equity and liabilities</b>	<b>7,173</b>	<b>6,788</b>	<b>3,105</b>	<b>2,761</b>	<b>(1,131)</b>	<b>(909)</b>	<b>9,147</b>	<b>8,640</b>
<b>Invested capital****</b>	<b>5,433</b>	<b>5,136</b>	<b>867</b>	<b>771</b>	<b>259</b>	<b>235</b>	<b>6,559</b>	<b>6,142</b>
<b>Average invested capital</b>	<b>5,285</b>	<b>5,114</b>	<b>819</b>	<b>719</b>	<b>247</b>	<b>164</b>	<b>6,351</b>	<b>5,997</b>

Additional information	GN ReSound		GN Netcom		Other*		Consolidated total	
	Q2 2014 (unaud.)	Q2 2013 (unaud.)	Q2 2014 (unaud.)	Q2 2013 (unaud.)	Q2 2014 (unaud.)	Q2 2013 (unaud.)	Q2 2014 (unaud.)	Q2 2013 (unaud.)
<b>(DKK million)</b>								
Revenue distributed geographically								
Europe	31%	29%	49%	49%	0%	0%	38%	37%
North America	46%	47%	34%	30%	0%	0%	42%	40%
Rest of world	23%	24%	17%	21%	0%	0%	20%	23%
Incurred development costs								
Capitalized development costs	(110)	(97)	(54)	(47)	(3)	(7)	(167)	(151)
Amortization and depreciation of development costs**	63	64	25	20	-	2	88	86
<b>Expensed development costs</b>	<b>(106)</b>	<b>(90)</b>	<b>(48)</b>	<b>(40)</b>	<b>(3)</b>	<b>(5)</b>	<b>(157)</b>	<b>(135)</b>
EBITDA	236	172	114	117	(6)	(15)	344	274
Depreciation and software amortization	(26)	(22)	(7)	(6)	(9)	45	(42)	17
<b>EBITA</b>	<b>210</b>	<b>150</b>	<b>107</b>	<b>111</b>	<b>(15)</b>	<b>30</b>	<b>302</b>	<b>291</b>
EBITA margin	18.9 %	14.3 %	15.3 %	17.2 %	NA	NA	16.7 %	17.2 %
Number of employees, end of period	~3.975	~3.850	~975	~900	~50	~50	~5.000	~4.800

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

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

\*\*\*Net amount

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

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### **Note 3 – Incentive plans**

As of June 30, 2014, the total number of outstanding warrants in GN ReSound was 13,958 (2.2% of the shares issued in GN ReSound). The total number of outstanding warrants in GN Netcom was 7,226 (2.1% of the shares issued in GN Netcom).

### **Note 4 – Shareholdings**

On August 14, 2014, members of the board of directors and the executive management, respectively, own 530,010 and 22,000 shares in GN Store Nord.

On August 14, 2014, GN owns 6,271,024 treasury shares, equivalent to 3.7% of the 168,020,753 shares issued. At the annual general meeting on March 21, 2014, it was decided to reduce the company's nominal share capital from DKK 693,316,148 to nominally DKK 672,083,012 by cancelling part of the company's treasury shares at a nominal value of DKK 21,233,136 divided into 5,308,284 shares of DKK 4 each. The reduction was conducted on April 22, 2014.

The GN stock is 100% free float, and the company has no dominant shareholders. Marathon Asset Management LLP, BlackRock Inc. and T. Rowe Price Associates, Inc. have all reported an ownership interest in excess of 5% of GN's share capital. Foreign ownership of GN is estimated to be around 75%.