

GN Store Nord A/S

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# Interim Report Q2 2015

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MAKING LIFE SOUND BETTER

Co. reg. no. 24257843



## ReSound LiNX<sup>2</sup>™ drives strong hearing aid growth

- GN Store Nord delivered organic growth of 4% and very good cash conversion in both GN ReSound and GN Netcom
- GN ReSound continued its strong growth and delivered 8% organic growth in the quarter. The growth was driven by the successful launch of ReSound LiNX<sup>2</sup>, ReSound's 4th generation 2.4 GHz technology hearing aid. ReSound LiNX<sup>2</sup> has proved GN ReSound's ability to continuously advance its technology lead based on the unmatched connectivity competencies and the audiological expertise demonstrated in the Surround Sound by ReSound™ sound processor
- GN ReSound's EBITA increased by 7% in constant currencies. In reported figures, EBITA increased by 4% to DKK 218 million. GN ReSound delivered very strong free cash flow excluding M&A of DKK 225 million corresponding to a cash conversion of 103%
- In Q2 2015, organic growth for GN Netcom ended at (2)% mainly as a result of a continued significant decline in the low-margin traditional Mobile segment. Following the unexpectedly slow CC&O market activity in the first half of 2015, GN Netcom has seen an improved activity level going out of Q2 2015 and is on track to generate double-digit growth in Q3 2015. Organic growth in the CC&O business ended at 3% in Q2 2015. Compared to Q1 2015, the CC&O sequential growth was 10%
- In Q2 2015, GN Netcom's EBITA was DKK 107 million equivalent to the Q2 2014 figure. As expected, GN Netcom's cash generation in Q2 2015 was strong – free cash flow excluding M&A was DKK 121 million equaling a cash conversion of 113%
- In August 2015, GN refinanced its primary banking facilities at attractive terms. In line with the communicated capital structure policy, and in order to facilitate continued transfer of excess cash to the shareholders in the years to come, the amount of the new facility has been increased significantly from DKK 2,350 million to DKK 4,000 million
- In Q2 2015, it was discovered that the VP of Finance in the Beltone distribution network had committed accounting fraud. As a result, a one-off loss of DKK 150 million related to fraud conducted from 2012 – 2014 has been booked by GN ReSound in Q2 2015 in the line "Beltone Network non-recurring items" (no cash effect)

## Financial overview Q2 2015

DKK million	GN ReSound			GN Netcom				Group total*				
	Q2 2014	Constant currency growth	FX effect	Q2 2015	Q2 2014	Constant currency growth	FX effect	Q2 2015	Q2 2014	Constant currency growth	FX effect	Q2 2015
Revenue	1,108	+8%	+7%	1,271	698	(2)%	+11%	764	1,806	+4%	+9%	2,035
Organic growth	8%			8%	11%			(2)%	9%			4%
Gross profit	743	+8%	+5%	843	361	+6%	+8%	411	1,104	+7%	+6%	1,254
Gross margin	67.0%	+0.4%-p	(1.1)%-p	66.3%	51.8%	+4.1%-p	(2.1)%-p	53.8%	61.1%	+2.1%-p	(1.6)%-p	61.6%
EBITA	210	+7%	(3)%	218	107	(3)%	+3%	107	302	+4%	(1)%	311
EBITA margin	18.9%	+0.0%-p	(1.7)%-p	17.2%	15.3%	(0.1)%-p	(1.2)%-p	14.0%	16.7%	+0.1%-p	(1.5)%-p	15.3%
Free cash flow excl. M&A	134			225	148			121	258			327

\*) Incl. "Other"

## Updated guidance 2015

- GN ReSound has generated strong organic revenue growth during the first half of 2015. The better than expected performance in several parts of GN ReSound more than offsets that revenue and EBITA in 2015 in the Beltone distribution network will be lower than previously anticipated. Consequently, the full year organic revenue growth guidance and EBITA guidance are upgraded
- GN Netcom has seen a slower than expected return to normal activity in the CC&O market but is guiding for double-digit growth in this core market already in Q3 2015. Mainly as a reflection of the decline in the traditional Mobile market, GN Netcom's organic growth guidance for the full year is downgraded. The EBITA guidance for GN Netcom is only adjusted slightly, reflecting that the revenue gap is mainly seen in the low-margin Mobile division
- Consequently, GN Store Nord's full year organic revenue growth guidance is amended from "more than 8%" to "6 - 7%", and the EBITA guidance is amended from previously "more than DKK 1,480 million" to "around DKK 1,480 million"
- The guidance for Financial Items, Amortization etc. is changed from DKK (160) million to DKK (325) million due to the one-off loss related to the accounting fraud in the Beltone distribution network as well as foreign exchange adjustments on certain intercompany balances

## 2015 guidance overview

DKK million	Organic revenue growth		EBITA		Profit before tax		Effective tax rate	
	Updated	Previously	Updated	Previously	Updated	Previously	Updated	Previously
GN ReSound	<b>Around 8%</b>	More than 6%	<b>Around 1,000</b>	More than 975				
GN Netcom	<b>3 - 5%</b>	More than 10%	<b>Around 540</b>	More than 565				
Other			Around (60)	Around (60)				
GN Store Nord	<b>6 - 7%</b>	More than 8%	<b>Around 1,480</b>	More than 1,480	<b>Around 1,155</b>	More than 1,320	Around 27%	Around 27%

## Financial highlights

DKK million	Q2 2015 (unaud.)	Q2 2014 (unaud.)	YTD 2015 (unaud.)	YTD 2014 (unaud.)	Total 2014 (aud.)	2015 Guidance	2016 Targets
<b>GN ReSound</b>							
Revenue	1,271	1,108	2,462	2,135	4,469	Around 8%	>3%-p above market growth (annual average 2014 - 2016)
- Hearing Instruments	1,108	969	2,150	1,864	3,892		
- Otometrics	163	139	312	271	577		
Organic growth	8%	8%	8%	8%	8%		
- Hearing Instruments	8%	8%	9%	9%	8%		
- Otometrics	7%	6%	4%	(1)%	6%		
Gross profit margin	66.3%	67.0%	66.1%	66.6%	67.1%	Around 1,000	
EBITA	218	210	418	380	897		
EBITA margin	17.2%	18.9%	17.0%	17.8%	20.1%		> 21.5%
ROIC (EBITA/Average invested capital)	15.7%	16.3%	15.7%	16.3%	15.9%		> 18.6%
Free cash flow excl. company acquisitions and divestments	225	134	192	84	287		
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	103%	64%	46%	22%	32%		
<b>GN Netcom</b>							
Revenue	764	698	1,458	1,350	2,871	3 - 5%	> 10%
- CC&O	525	461	1,004	891	1,854		
- Mobile	239	237	454	459	1,017		
Organic growth	(2)%	11%	(3)%	7%	11%		
- CC&O	3%	26%	3%	19%	18%		
- Mobile	(12)%	(10)%	(14)%	(11)%	(1)%		
Gross profit margin	53.8%	51.8%	53.8%	52.2%	53.6%	Around 540	
EBITA	107	107	217	211	521		
EBITA margin	14.0%	15.3%	14.9%	15.6%	18.1%		16.5 - 17.0%
ROIC (EBITA/Average invested capital)	52.2%	55.3%	52.2%	55.3%	56.5%		> 47%
Free cash flow excl. company acquisitions and divestments	121	148	132	144	340		
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	113%	138%	61%	68%	65%		
<b>GN Store Nord</b>							
Revenue	2,035	1,806	3,920	3,485	7,340	6 - 7%	
Organic growth	4%	9%	4%	7%	9%		
Gross profit margin	61.6%	61.1%	61.5%	61.0%	61.8%	Around 1,480	
EBITA	311	302	602	555	1,260		
EBITA margin	15.3%	16.7%	15.4%	15.9%	17.2%		
Profit (loss) before tax reported	105	264	357	500	1,116	Around 1,155	
Effective tax rate	26.7%	28.0%	26.6%	27.8%	28.9%	Around 27%	26 - 27%
ROIC (EBITA/Average invested capital)	18.2%	19.5%	18.2%	19.5%	18.5%		
Earnings per share, basic (EPS)	0.51	1.17	1.69	2.21	4.89		
Earnings per share, fully diluted (EPS diluted)	0.50	1.16	1.68	2.19	4.85		
Free cash flow excl. company acquisitions and divestments	327	258	221	177	480		
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	105%	85%	37%	32%	38%		
Equity ratio	51.5%	56.5%	51.5%	56.5%	55.4%		
Net interest-bearing debt	2,201	1,544	2,201	1,544	1,631		
Net interest-bearing debt (period-end)/EBITDA	1.5	1.1	1.5	1.1	1.1		1.5 - 2.0 times EBITDA
Dividend payout ratio	-	-	-	-	19%		15 - 25%
Share buybacks*	173	171	655	491	877		
Outstanding shares, end of period (thousand)	156,246	162,434	156,246	162,434	159,592		
Average number of outstanding shares, fully diluted (thousand)	152,625	164,360	156,075	165,007	163,619		
Share price at the end of the period	138	156	138	156	135		
Market capitalization	21,562	25,340	21,562	25,340	21,513		

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

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

## GN ReSound

### HIGHLIGHTS Q2 2015

- Successful launch of ReSound LiNX<sup>2</sup> drives 8% organic growth
- Based on the strong execution of the Strategy 2014 - 2016: INNOVATION & GROWTH, including the successful launch of ReSound LiNX<sup>2</sup>, the organic growth guidance and EBITA guidance for 2015 is upgraded
- Strong cash generation in Q2 2015 with free cash flow excluding M&A of DKK 225 million corresponding to a cash conversion of 103%

### REVENUE

The launch of ReSound LiNX<sup>2</sup> has been highly satisfactory and has driven GN ReSound's organic growth in Q2 2015 of 8%. The second quarter of 2015 was the 20th consecutive quarter with market share gains. The development in foreign exchange rates had a positive impact on revenue of around 7% while M&A activities had negligible impact. In total, revenue for Q2 2015 ended at DKK 1,271 million compared to DKK 1,108 million in Q2 2014.

The organic growth in Hearing Instruments was 8%, driven by ReSound LiNX<sup>2</sup> as well as execution on the other initiatives in the strategy for 2014 - 2016. ReSound LiNX<sup>2</sup> continues to receive very positive feedback from users focusing on the sound experience of Surround Sound by ReSound and the highly differentiated connectivity solutions.

The organic growth for the quarter was broadly based across regions and channels. The important North American market was again a growth driver. This builds, among others, on an unprecedented increase in market share in Veterans Affairs of 5.7 percentage points, to 15.0% in Q2 2015 from 9.3% in Q2 2014 - equivalent to an increase in revenue of more than 70%. The quarter also included a successful launch of Kirkland Signature 6 by Costco as well as continued strong growth in the independent channel. GN ReSound's total unit market share in the USA increased by 2.5 percentage points compared to Q2 2014 and reached the highest level ever at 18%. The performance in Europe was very strong with double-digit organic growth in Q2 2015, driven by among others Germany with organic growth in excess of 60%. Solid growth was realized in Rest of the World driven by double-digit organic growth in Japan.

Following flat organic growth in Q1 2015, GN Otometrics delivered organic growth of 7% in Q2 2015 with revenue of DKK 163 million compared to DKK 139 million in Q2 2014. The strong growth was based on the execution of the strategy to expand into underserved markets and channels where especially North America and China have been important drivers.

### EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

Based on the continued strong execution of the strategy for 2014 - 2016, GN ReSound increased EBITA from DKK 210 million in Q2 2014 to DKK 218 million in Q2 2015, reflecting a 7% EBITA improvement in constant currencies and a 4% increase in reported numbers. EBITA for the quarter is negatively impacted by a hedging loss of DKK 48 million, which, however, is partly off-set by a positive impact from the foreign exchange rates development on the commercial business. Assuming unchanged foreign exchange rates, the expected hedging loss of more than DKK 150 million in 2015 will disappear in 2016 representing a significant EBITA benefit in 2016 compared to 2015.

Gross margin remained at a level of 66.3%. GN ReSound continues to focus on cost efficiencies and as part hereof a new production facility in Malaysia was established during the summer of 2015 and is now running according to the plan.

The operating expenses increased from DKK 533 million in Q2 2014 to DKK 625 million in Q2 2015, with around one half of the development driven by the foreign exchange rates development. The Q2 2015 selling and distribution costs include some impact related to the accounting fraud in the Beltone distribution network.

The free cash flow, excluding M&A, accelerated to DKK 225 million compared to DKK 134 million in Q2 2014. This translates into a very attractive cash conversion of 103%, which is a result of improvements in both days-sales-outstanding and other net working capital items compared to Q1 2015. The numbers also include a continued year-over-year decline in the net cash outflow related to Financial Support Arrangements. As previously communicated, an improvement in the cash conversion is expected in 2015 compared to 2014.

## **BUSINESS HIGHLIGHTS**

ReSound LiNX<sup>2</sup> continues to receive excellent user feedback. The feedback focuses on the tangible user benefits including the advanced sound experience based on Surround Sound by ReSound and the new superior Spatial Sense™ feature.

ReSound LiNX<sup>2</sup> drove continued significant PR and media coverage, following the unprecedented exposure received by ReSound LiNX. Most recently, a feature on CNN demonstrated a real user's very positive ReSound LiNX<sup>2</sup> experience. More than 1.3 million people have viewed the feature online.

In May 2015, ReSound LiNX<sup>2</sup> 5 was launched in the Basic price segment. GN ReSound is now offering the most advanced hearing aid technology, including Made for iPhone compatibility, in the most comprehensive offering (10 different form factors in the Basic to Top price segments) in all key markets.

During Q2 2015, GN ReSound was once again recognized for its position in the forefront of innovation as the ReSound Smart app for Apple Watch was showcased at Apple's Worldwide Developer Conference representing a best practice example of convenience, functionality and user interface. The ReSound Smart app pushes the limits of accessibility and empowerment by putting direct control of the hearing aid straight to the wrist of people with hearing loss.

In Q2 2015, it was discovered that the VP of Finance in the Beltone distribution network has committed accounting fraud. As a result of this discovery and the investigations conducted, a one-off loss of DKK 150 million related to 2012 – 2014 has been booked by GN ReSound in Q2 2015 in the line "Beltone Network non-recurring items" (no cash effect). The employment of Beltone's VP of Finance has been terminated for cause. The circumstances of the accounting fraud is still under investigation, and GN is evaluating its potential options with respect to the former VP of Finance.

The SVP of North America has decided to resign from his position with the company. GN respects his decision and wishes him the best in his future endeavors.

## MARKET DEVELOPMENT

The hearing aid market grew by around 3% in units in Q2 2015, which is in line with GN ReSound's mid-term outlook of 3 – 5%. The growth was driven by North America that grew around 7% in units in both Veterans Affairs and in the private market. As expected, the hearing aid market in Germany declined due to the challenging comparison figures. The global average selling prices (ASPs) are estimated to have been flat leading to value growth of around 3% in Q2 2015.

## OUTLOOK 2015

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

\* Compared to realized exchange rates in 2014

\*\* Assuming that the foreign exchange rates as of August 1, 2015 (DKK/USD of 680) remain unchanged during 2015

GN ReSound has generated strong organic revenue growth during the first half of 2015. The better than expected performance in several parts of GN ReSound more than offsets that revenue and EBITA in 2015 in the Beltone distribution network will be lower than previously anticipated. Consequently, the full year organic revenue growth guidance is upgraded from “more than 6%” to “around 8%”. The EBITA guidance of “more than DKK 975 million” is upgraded to “around DKK 1,000 million”. The foreign exchange rates development is now expected to positively impact revenue by around 7% compared to the previously estimated impact of around 9% (based on foreign exchange rates as of August 1, 2015, including a DKK/USD of around 680).

**“Obviously, I’m troubled with the accounting fraud in Beltone. But having said that, what matters is that GN ReSound continued its very strong momentum in Q2. The successful launch of ReSound LiNX<sup>2</sup> documents our ability to continuously advance our technology leadership. With the launch, we have also demonstrated strong commercial execution leading to significant growth in key segments such as Veterans Affairs, Germany and Japan. It is truly exciting to see the recognition of our innovative technology as a contributor to improving the quality of life for hearing impaired”**

Anders Hedegaard, CEO of GN ReSound

## GN Netcom

### HIGHLIGHTS Q2 2015

- Organic growth for GN Netcom ended at (2)% mainly as a result of a continued significant decline in the low-margin traditional Mobile segment
- Following the unexpectedly slow market activity in the first half of 2015, GN Netcom experienced an improved activity level going out of Q2 2015 and is on track to generate double-digit growth in Q3 2015
- Strong cash generation in Q2 2015 with free cash flow excluding M&A of DKK 121 million corresponding to a cash conversion of 113%
- As a result of the market conditions during the first half of 2015, GN Netcom's full year organic revenue growth guidance is reduced, and the EBITA guidance is slightly adjusted

### REVENUE

GN Netcom's organic growth was (2)% in Q2 2015. Revenue growth was positively impacted by the development in foreign exchange rates by 11 percentage points. Reported revenue increased to DKK 764 million from DKK 698 million in Q2 2014. M&A activities had no impact on revenue growth.

After a slow start, the CC&O market activity picked up towards the end of Q2 2015 and led to 3% organic growth in the high-margin CC&O business in the quarter, corresponding to sequential growth of 10% compared to Q1 2015. The 3% organic growth is achieved on top of a very strong 26% growth in Q2 2014. The continued negative market development in the mono Bluetooth headset segment led to (12)% organic growth in the low-margin Mobile division in Q2 2015. The mono Bluetooth headset market is estimated to have declined by significant double-digit percentages during the first half of 2015. The negative growth in the mono Bluetooth segment is partly offset by strong momentum in the Sports Audio segment, which over time will contribute an increasingly large share of GN Netcom's total Mobile revenues. GN Netcom's Mobile division is expected to return to positive organic growth during the second half of 2015.

### EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

GN Netcom's gross margin was 53.8% in Q2 2015, which is an improvement of 4.1 percentage points measured in constant currencies (2 percentage points improvement in reported numbers). The improvement was driven by a better product mix and by a relatively higher share of revenue coming from the high-margin CC&O business.

In Q2 2015, EBITA was DKK 107 million compared to DKK 107 million in Q2 2014, equivalent to a decrease of 3% in constant currencies. The operating expenses increased from DKK 254 million in Q2 2014 to DKK 304 million in Q2 2015 where approximately half of the development was driven by increased investments in sales and marketing as part of the strategy for 2014 - 2016, and half was driven by the development in foreign exchange rates.

The strengthening of the USD (and high correlated currencies such as CNY, SGD and HKD) against DKK negatively impacted GN Netcom's earnings. However, due to the hedging practice EBITA was positively impacted by 3% by foreign exchange rates development in Q2 2015.

Cash generation in Q2 2015 was significantly better than in Q1 2015 fueled by improved working capital. The free cash flow, excluding M&A, was DKK 121 million in Q2 2015 corresponding to a cash conversion of 113%. The cash conversion in the first half of 2015 reached 61%.



## BUSINESS HIGHLIGHTS

An already solid pipeline of Unified Communication (UC) projects has improved in Q2 2015. Benefitting from a strong portfolio of innovative CC&O products, GN Netcom is well positioned to capture growth and share in a market expected to recover to normal growth rates during the second half of 2015.

In June 2015, GN Netcom launched a new high-end product in the Sports Audio headset portfolio, Jabra Sport Coach™ Wireless. Early market feedback is very encouraging and supportive of GN Netcom's investments in the segment. Jabra Sport Coach Wireless is the world's first wireless headset optimized for cross training. The headset has an integrated motion sensor and the advanced Sport Life app provides real-time in-ear audio coaching. Furthermore, premium Dolby sound quality secures a state-of-the-art music experience.

The focus on Sports Audio solutions is part of the continued efforts to position the Mobile division towards faster growing segments of the market. Overall, the impact of the Jabra Sport™ Wireless family of products combined with increased investments into in-store marketing are showing positive initial results and is anticipated to be an important part of the expected growth in Mobile in the second half of 2015.

## MARKET DEVELOPMENT

By the end of Q2 2015, the CC&O market has as expected seen some recovery from the unusually low level observed in the beginning of 2015. The unusual market conditions during the first half of the year could be attributed to a number of factors, including the temporarily weak regional market conditions as reported by the IT industry. More specifically the introduction of Skype for Business appeared to have created some uncertainty around the UC solution and led corporates to slow down UC deployments temporarily.

The market trends recorded for the Mobile business in Q1 2015 continued in Q2 2015. The market growth in stereo headsets where sport and music converge continues to be highly attractive and with recent product launches GN Netcom positions itself with a clear technological edge in the segment. The market for the traditional Mobile mono products is expected to continue to decline with double-digit rates during the rest of 2015, which is significantly below GN Netcom's expectations communicated in the beginning of 2015.

## OUTLOOK 2015

DKK million	Constant currencies*	Reported**
Revenue growth	3 - 5%	14 - 16%
EBITA	around 540	around 540
EBITA margin	around 18.0%	around 16.0%

\* Compared to realized exchange rates in 2014

\*\* Assuming that the foreign exchange rates as of August 1, 2015 (DKK/USD of 680) remain unchanged during 2015

As a consequence of the weak market conditions in the low-margin traditional Mobile market, as well as the slower than expected return from the unusually slow start of year for the CC&O market, GN Netcom revises the organic growth guidance for 2015 to "3 - 5%" (previously "more than 10%"). EBITA guidance is adjusted to "around DKK 540 million" (previously "more than DKK 565 million") due to slower than expected revenue growth. In reported terms, revenue growth is guided to be 14 - 16%. The long-term

attractiveness of the CC&O market relative to the expectations outlined in the strategy for 2014 - 2016 is unchanged.

**“We have experienced two challenging quarters in 2015 with surprisingly weak market conditions across our businesses. As far as I can see, we are now on the other side of this period, and the market is normalizing, which gives me confidence that we can turn the company back to solid growth in the second half of 2015. During my first four months with GN Netcom, I have been highly encouraged by the very positive feedback I have received on our technology and products from corporates, retail and distribution partners”**

René Svendsen-Tune, CEO of GN Netcom

## GN Store Nord

In Q2 2015, GN Store Nord's revenue grew by 13% to DKK 2,035 million. Organic revenue growth was 4%, and the foreign exchange rates development impacted revenue by 9%. EBITA in Other amounted to DKK (14) million compared to DKK (15) million in Q2 2014. Group EBITA increased by 4% in constant currencies and by 3% in reported terms thereby increasing to DKK 311 million, equivalent to an EBITA margin of 15.3%.

Amortization of acquired intangible assets amounted to DKK (18) million. Gain (loss) on divestment of operations etc. ended at DKK (4) million. The loss in the Beltone distribution network related to accounting fraud during 2012 – 2014 was DKK 150 million, and financial items amounted to DKK (34) million. The profit before tax was DKK 105 million, and the effective tax rate was 26.7%. The free cash flow excluding M&A ended at DKK 327 million, translating into a cash conversion of 105%.

As a consequence of the accounting fraud in the Beltone distribution network and reflecting the change in foreign exchanges rates compared to February 1, 2015, the guidance for amortizations, financial expenses etc. for 2015 is changed from DKK (160) million to DKK (325) million. The guidance for the effective tax rate is unchanged at around 27%.

### REFINANCING OF PRIMARY BANKING FACILITIES

A successful refinancing of the bank facilities was concluded in August 2015. The bank facilities now consist of a club deal with improved pricing compared to the prior facilities. Following the communicated capital structure policy, and in order to facilitate continued transfer of excess cash to the shareholders in the years to come, the amount of the new facility has been increased significantly from DKK 2,350 million to DKK 4,000 million.

### CAPITAL STRUCTURE

During Q2 2015, GN has in total distributed DKK 172 million back to shareholders through the ongoing share buyback program. The current program of DKK 500 million was initiated on March 20, 2015. Until today, GN has in total repurchased 4,317,887 shares at a total price of DKK 630 million through two different Safe Harbor programs in 2015. As of August 13, 2015, GN owns 6,572,271 treasury shares equivalent to 4.1% of the shares issued.

As previously communicated, GN's long-term capital structure policy is to have net interest-bearing debt of up to a maximum of two times EBITDA. Based on the solid financial development in GN, the favorable capital markets as well as the relentless focus on maximizing shareholder value, GN intends to take the net interest-bearing debt to between 1.5 and 2 times EBITDA by the end of 2016. By the end of Q2 2015, the net interest-bearing debt was DKK 2,201 million corresponding to 1.5 times EBITDA where EBITDA is based on four rolling quarters.

### CLAIM AGAINST PLANTRONICS INC.

As earlier communicated, GN is continuing to pursue its lawsuit against Plantronics for alleged illegal competitive actions in North America. Discovery was scheduled to be completed earlier this year, but the Court, at GN's request, agreed to extend discovery to allow GN to further discover Defendant's alleged document destruction. Based on the results of that additional investigation, GN is now in the process of asking the Court to stay the remaining discovery in the case and to conduct an evidentiary hearing to determine the appropriate remedy for Defendant's actions.

## LEGAL CASE AGAINST OTICON A/S

In 2014, Oticon filed a preliminary injunction lawsuit against GN ReSound for alleged patent infringement in Denmark. In January 2015, the Danish Maritime and Commercial High Court denied Oticon's claim. Oticon appealed the decision, and the Court of Appeal is expected to issue its ruling on August 14, 2015.

In 2015, Oticon filed three additional lawsuits for alleged patent infringement, one in Denmark and two in the USA. GN expects that all three lawsuits will ultimately be dismissed by the courts, as GN expects the patent authorities will render the patents in suit invalid.

## 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.

Following thorough evaluation of the written ruling from the Düsseldorf Court of Appeal, GN and its advisors disagree with the decision by the court. On May 2, 2014, GN consequently decided to appeal the decision to the German Federal Supreme Court. The German Federal Supreme Court is expected to issue its ruling regarding GN's request to appeal the decision during the second half of 2015.

## FOREIGN EXCHANGE EXPOSURE

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

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

(DKK million)

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

\* Includes SGD and HKD

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

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

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## ADDITIONAL INFORMATION

### Teleconference

GN will host a teleconference at 2.00 pm 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.

### Financial calendar for 2015

Interim Report Q3 2015: October 30, 2015

### Forward-looking statements

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

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### About GN Store Nord

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

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

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

## Strategy 2014 - 2016: INNOVATION & GROWTH

(announced on November 15, 2013)

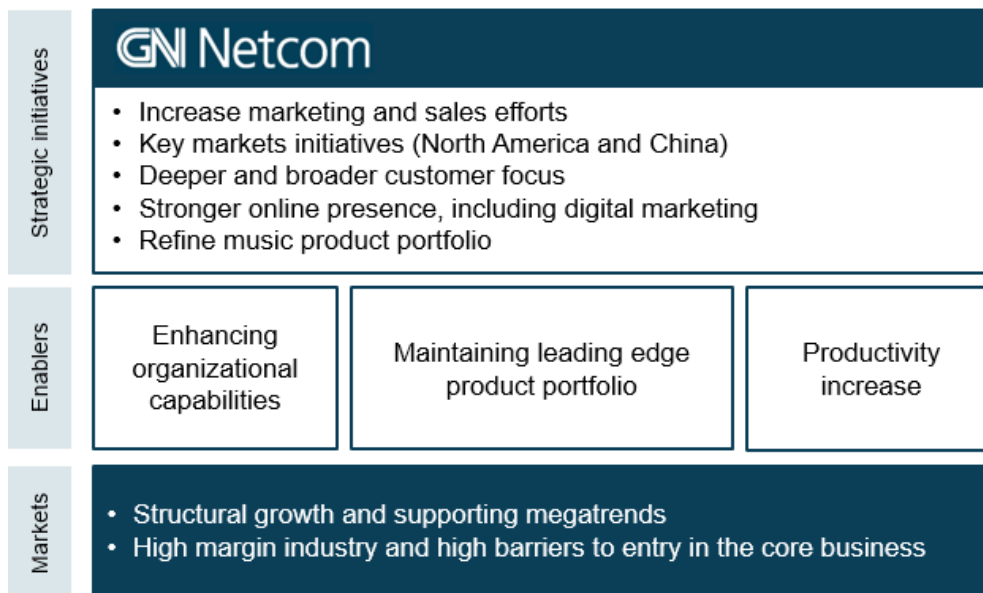
### GN RESOUND'S STRATEGIC GROWTH INITIATIVES

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



### GN NETCOM'S STRATEGIC GROWTH INITIATIVES

GN Netcom's strategic initiatives are focused on fully exploiting the very healthy growth rates expected on the CC&O and Mobile markets. With an outset in the strategy which has driven strong 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, 2015.

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

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

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

Ballerup, August 13, 2015

### BOARD OF DIRECTORS

Per Wold-Olsen  
Chairman

William E. Hoover, Jr.  
Deputy Chairman

Carsten Krogsgaard Thomsen

Hélène Barnekow

Ronica Wang

Wolfgang Reim

Leo Larsen

Nikolai Bisgaard

Morten Andersen

### EXECUTIVE MANAGEMENT

Anders Hedegaard  
CEO, GN ReSound

René Svendsen-Tune  
CEO, GN Netcom

Anders Boyer  
CFO, GN Store Nord

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## Financial statements

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## Quarterly reporting by segment

DKK million	Q1 2014 (unaud.)	Q2 2014 (unaud.)	Q3 2014 (unaud.)	Q4 2014 (unaud.)	Q1 2015 (unaud.)	Q2 2015 (unaud.)	2014 YTD (unaud.)	2015 YTD (unaud.)	2014 Total (aud.)
<b>Income statement</b>									
<b>Revenue</b>									
GN ReSound	1,027	1,108	1,108	1,226	1,191	1,271	2,135	2,462	4,469
GN Netcom	652	698	627	894	694	764	1,350	1,458	2,871
<b>Total</b>	<b>1,679</b>	<b>1,806</b>	<b>1,735</b>	<b>2,120</b>	<b>1,885</b>	<b>2,035</b>	<b>3,485</b>	<b>3,920</b>	<b>7,340</b>
<b>Organic growth</b>									
GN ReSound	7%	8%	8%	8%	9%	8%	8%	8%	8%
GN Netcom	4%	11%	7%	20%	(3)%	(2)%	7%	(3)%	11%
<b>Total</b>	<b>6%</b>	<b>9%</b>	<b>8%</b>	<b>13%</b>	<b>4%</b>	<b>4%</b>	<b>7%</b>	<b>4%</b>	<b>9%</b>
<b>Gross profit margin</b>									
GN ReSound	66.2%	67.0%	67.0%	67.9%	65.8%	66.3%	66.6%	66.1%	67.1%
GN Netcom	52.6%	51.8%	54.7%	54.9%	53.9%	53.8%	52.2%	53.8%	53.6%
<b>Total</b>	<b>60.9%</b>	<b>61.1%</b>	<b>62.5%</b>	<b>62.5%</b>	<b>61.4%</b>	<b>61.6%</b>	<b>61.0%</b>	<b>61.5%</b>	<b>61.8%</b>
<b>Expensed development costs**</b>									
GN ReSound	(98)	(106)	(96)	(105)	(112)	(128)	(204)	(240)	(405)
GN Netcom	(43)	(48)	(48)	(64)	(44)	(52)	(91)	(96)	(203)
Other *	(3)	(3)	(1)	(1)	(2)	(2)	(6)	(4)	(8)
<b>Total</b>	<b>(144)</b>	<b>(157)</b>	<b>(145)</b>	<b>(170)</b>	<b>(158)</b>	<b>(182)</b>	<b>(301)</b>	<b>(340)</b>	<b>(616)</b>
<b>Selling and distribution costs and administrative expenses etc.**</b>									
GN ReSound	(412)	(427)	(420)	(437)	(472)	(497)	(839)	(969)	(1,696)
GN Netcom	(196)	(206)	(186)	(226)	(220)	(252)	(402)	(472)	(814)
Other *	(18)	(12)	(106)	(14)	(17)	(12)	(30)	(29)	(150)
<b>Total</b>	<b>(626)</b>	<b>(645)</b>	<b>(712)</b>	<b>(677)</b>	<b>(709)</b>	<b>(761)</b>	<b>(1,271)</b>	<b>(1,470)</b>	<b>(2,660)</b>
<b>EBITA</b>									
GN ReSound	170	210	226	291	200	218	380	418	897
GN Netcom	104	107	109	201	110	107	211	217	521
Other *	(21)	(15)	(107)	(15)	(19)	(14)	(36)	(33)	(158)
<b>Total</b>	<b>253</b>	<b>302</b>	<b>228</b>	<b>477</b>	<b>291</b>	<b>311</b>	<b>555</b>	<b>602</b>	<b>1,260</b>
<b>EBITA margin</b>									
GN ReSound	16.5%	18.9%	20.4%	23.7%	16.8%	17.2%	17.8%	17.0%	20.1%
GN Netcom	15.9%	15.3%	17.4%	22.5%	15.9%	14.0%	15.6%	14.9%	18.1%
<b>Total</b>	<b>15.1%</b>	<b>16.7%</b>	<b>13.1%</b>	<b>22.5%</b>	<b>15.4%</b>	<b>15.3%</b>	<b>15.9%</b>	<b>15.4%</b>	<b>17.2%</b>
<b>Depreciation and software amortization</b>									
GN ReSound	(23)	(26)	(26)	(26)	(27)	(26)	(49)	(53)	(101)
GN Netcom	(7)	(7)	(8)	(10)	(9)	(9)	(14)	(18)	(32)
Other *	(9)	(9)	(9)	(9)	(7)	(7)	(18)	(14)	(36)
<b>Total</b>	<b>(39)</b>	<b>(42)</b>	<b>(43)</b>	<b>(45)</b>	<b>(43)</b>	<b>(42)</b>	<b>(81)</b>	<b>(85)</b>	<b>(169)</b>
<b>EBITDA</b>									
GN ReSound	193	236	252	317	227	244	429	471	998
GN Netcom	111	114	117	211	119	116	225	235	553
Other *	(12)	(6)	(98)	(6)	(12)	(7)	(18)	(19)	(122)
<b>Total</b>	<b>292</b>	<b>344</b>	<b>271</b>	<b>522</b>	<b>334</b>	<b>353</b>	<b>636</b>	<b>687</b>	<b>1,429</b>
<b>EBITA</b>	<b>253</b>	<b>302</b>	<b>228</b>	<b>477</b>	<b>291</b>	<b>311</b>	<b>555</b>	<b>602</b>	<b>1,260</b>
Amortization of acquired intangible assets	(10)	(14)	(12)	(19)	(18)	(18)	(24)	(36)	(55)
Gain (loss) on divestment of operations etc.	-	-	(6)	(4)	-	(4)	-	(4)	(10)
Beltone Network non-recurring items	-	-	-	-	-	(150)	-	(150)	-
<b>Operating profit (loss)</b>	<b>243</b>	<b>288</b>	<b>210</b>	<b>454</b>	<b>273</b>	<b>139</b>	<b>531</b>	<b>412</b>	<b>1,195</b>
Share of profit (loss) in associates	-	-	-	5	-	-	-	-	5
Financial items, net	(7)	(24)	(31)	(22)	(21)	(34)	(31)	(55)	(84)
<b>Profit (loss) before tax</b>	<b>236</b>	<b>264</b>	<b>179</b>	<b>437</b>	<b>252</b>	<b>105</b>	<b>500</b>	<b>357</b>	<b>1,116</b>
Tax on profit (loss)	(65)	(74)	(61)	(123)	(67)	(28)	(139)	(95)	(323)
<b>Profit (loss)</b>	<b>171</b>	<b>190</b>	<b>118</b>	<b>314</b>	<b>185</b>	<b>77</b>	<b>361</b>	<b>262</b>	<b>793</b>
<b>Balance sheet</b>									
<b>Development projects</b>									
GN ReSound	839	846	866	901	920	926	846	926	901
GN Netcom	139	146	158	168	180	198	146	198	168
Other *	8	8	8	-	-	-	8	-	-
<b>Total</b>	<b>986</b>	<b>1,000</b>	<b>1,032</b>	<b>1,069</b>	<b>1,100</b>	<b>1,124</b>	<b>1,000</b>	<b>1,124</b>	<b>1,069</b>
<b>Inventories</b>									
GN ReSound	389	401	425	414	488	489	401	489	414
GN Netcom	158	140	186	202	204	229	140	229	202
<b>Total</b>	<b>547</b>	<b>541</b>	<b>611</b>	<b>616</b>	<b>692</b>	<b>718</b>	<b>541</b>	<b>718</b>	<b>616</b>
<b>Trade receivables</b>									
GN ReSound	974	1,033	1,067	1,146	1,299	1,270	1,033	1,270	1,146
GN Netcom	511	568	538	761	699	752	568	752	761
Other *	1	1	-	2	1	1	1	1	2
<b>Total</b>	<b>1,486</b>	<b>1,602</b>	<b>1,605</b>	<b>1,909</b>	<b>1,999</b>	<b>2,023</b>	<b>1,602</b>	<b>2,023</b>	<b>1,909</b>
<b>Net working capital</b>									
GN ReSound	966	924	907	971	1,140	1,030	924	1,030	971
GN Netcom	283	245	201	337	436	377	245	377	337
Other *	(50)	(52)	(76)	(41)	(49)	(22)	(52)	(22)	(41)
<b>Total</b>	<b>1,199</b>	<b>1,117</b>	<b>1,032</b>	<b>1,267</b>	<b>1,527</b>	<b>1,385</b>	<b>1,117</b>	<b>1,385</b>	<b>1,267</b>
<b>Cash flow</b>									
<b>Free cash flow excl. company acquisitions and divestments</b>									
GN ReSound	(50)	134	90	113	(33)	225	84	192	287
GN Netcom	(4)	148	153	43	11	121	144	132	340
Other *	(27)	(24)	(98)	2	(84)	(19)	(51)	(103)	(147)
<b>Total</b>	<b>(81)</b>	<b>258</b>	<b>145</b>	<b>158</b>	<b>(106)</b>	<b>327</b>	<b>177</b>	<b>221</b>	<b>480</b>
<b>Acquisitions and divestments of companies</b>	<b>(14)</b>	<b>(20)</b>	<b>-</b>	<b>(12)</b>	<b>(18)</b>	<b>(7)</b>	<b>(34)</b>	<b>(25)</b>	<b>(46)</b>
<b>Free cash flow</b>	<b>(95)</b>	<b>238</b>	<b>145</b>	<b>146</b>	<b>(124)</b>	<b>320</b>	<b>143</b>	<b>196</b>	<b>434</b>

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

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

## Income statement

(DKK million)	Consolidated				
	Q2 2015 (unaud.)	Q2 2014 (unaud.)	YTD 2015 (unaud.)	YTD 2014 (unaud.)	Full year 2014 (aud.)
Revenue	2,035	1,806	3,920	3,485	7,340
Production costs	(781)	(702)	(1,508)	(1,358)	(2,804)
<b>Gross profit</b>	<b>1,254</b>	<b>1,104</b>	<b>2,412</b>	<b>2,127</b>	<b>4,536</b>
Development costs	(184)	(159)	(344)	(305)	(623)
Selling and distribution costs	(645)	(521)	(1,236)	(1,023)	(2,081)
Management and administrative expenses	(138)	(135)	(273)	(267)	(629)
Other operating income and costs, net	6	(1)	7	(1)	2
Gain (loss) on divestment of operations etc.	(4)	-	(4)	-	(10)
Beltone Network non-recurring items	(150)	-	(150)	-	-
<b>Operating profit (loss)</b>	<b>139</b>	<b>288</b>	<b>412</b>	<b>531</b>	<b>1,195</b>
Share of profit (loss) in associates	-	-	-	-	5
Financial income	10	20	21	48	119
Financial expenses	(44)	(44)	(76)	(79)	(203)
<b>Profit (loss) before tax</b>	<b>105</b>	<b>264</b>	<b>357</b>	<b>500</b>	<b>1,116</b>
Tax on profit (loss)	(28)	(74)	(95)	(139)	(323)
<b>Profit (loss) for the period</b>	<b>77</b>	<b>190</b>	<b>262</b>	<b>361</b>	<b>793</b>
<b>Earnings per share (EPS)</b>					
Earnings per share (EPS)	0.51	1.17	1.69	2.21	4.89
Earnings per share, fully diluted (EPS diluted)	0.50	1.16	1.68	2.19	4.85
<b>EBITA</b>	<b>311</b>	<b>302</b>	<b>602</b>	<b>555</b>	<b>1,260</b>
Amortization of acquired intangible assets	(18)	(14)	(36)	(24)	(55)
Gain (loss) on divestment of operations etc.	(4)	-	(4)	-	(10)
Beltone Network non-recurring items	(150)	-	(150)	-	-
<b>Operating profit (loss)</b>	<b>139</b>	<b>288</b>	<b>412</b>	<b>531</b>	<b>1,195</b>

## Statement of comprehensive income

(DKK million)	Consolidated				
	Q2 2015 (unaud.)	Q2 2014 (unaud.)	YTD 2015 (unaud.)	YTD 2014 (unaud.)	Full year 2014 (aud.)
<b>Profit (loss) for the period</b>	<b>77</b>	<b>190</b>	<b>262</b>	<b>361</b>	<b>793</b>
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Actuarial gains (losses)	-	-	-	-	(40)
Tax relating to this item of other comprehensive income	-	-	-	-	11
<i>Items that may be reclassified subsequently to profit or loss</i>					
Adjustment of cash flow hedges	86	(18)	12	(48)	(99)
Foreign exchange adjustments, etc.	(250)	45	399	45	560
Tax relating to these items of other comprehensive income	(21)	5	(13)	12	17
<b>Other comprehensive income for the period, net of tax</b>	<b>(185)</b>	<b>32</b>	<b>398</b>	<b>9</b>	<b>449</b>
<b>Total comprehensive income for the period</b>	<b>(108)</b>	<b>222</b>	<b>660</b>	<b>370</b>	<b>1,242</b>

**Balance sheet****Consolidated**

(DKK million)	June 30 2015 (unaud.)	March 31 2015 (unaud.)	Dec. 31 2014 (aud.)	Sep. 30 2014 (unaud.)
<b>Assets</b>				
Intangible assets	5,269	5,370	4,935	4,794
Property, plant and equipment	509	485	472	464
Deferred tax assets	544	562	503	552
Other non-current assets	1,333	1,485	1,329	1,218
<b>Total non-current assets</b>	<b>7,655</b>	<b>7,902</b>	<b>7,239</b>	<b>7,028</b>
Inventories	718	692	616	611
Trade receivables	2,023	1,999	1,909	1,605
Tax receivable	88	78	21	69
Other receivables	272	359	330	231
Cash and cash equivalents	173	153	114	131
<b>Total current assets</b>	<b>3,274</b>	<b>3,281</b>	<b>2,990</b>	<b>2,647</b>
<b>Total assets</b>	<b>10,929</b>	<b>11,183</b>	<b>10,229</b>	<b>9,675</b>
<b>Equity and liabilities</b>				
<b>Equity</b>	<b>5,627</b>	<b>5,901</b>	<b>5,667</b>	<b>5,371</b>
Bank loans	2,349	2,373	1,675	1,712
Pension obligations	85	87	77	39
Provisions	108	111	105	174
Deferred tax liabilities	413	392	409	400
Other non-current liabilities	278	283	268	237
<b>Total non-current liabilities</b>	<b>3,233</b>	<b>3,246</b>	<b>2,534</b>	<b>2,562</b>
Bank loans	25	99	70	47
Trade payables	647	512	593	499
Tax payable	156	137	106	87
Provisions	260	277	263	193
Other payables	981	1,011	996	916
<b>Total current liabilities</b>	<b>2,069</b>	<b>2,036</b>	<b>2,028</b>	<b>1,742</b>
<b>Total equity and liabilities</b>	<b>10,929</b>	<b>11,183</b>	<b>10,229</b>	<b>9,675</b>

## Consolidated equity

(DKK million)	Share capital (shares of DKK 4 each)	Additional paid-in capital	Foreign exchange adjustments	Hedging reserve	Treasury shares	Proposed dividends for the year	Retained earnings	Total equity
<b>Balance at December 31, 2013</b>	<b>693</b>	<b>1,109</b>	<b>(1,738)</b>	<b>25</b>	<b>(893)</b>	<b>146</b>	<b>5,988</b>	<b>5,330</b>
Profit (loss) for the period	-	-	-	-	-	-	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>
Profit (loss) for the period	-	-	-	-	-	-	432	432
Actuarial gains (losses)	-	-	-	-	-	-	(40)	(40)
Adjustment of cash flow hedges	-	-	-	(51)	-	-	-	(51)
Foreign exchange adjustments, etc.	-	-	515	-	-	-	-	515
Tax relating to other comprehensive income	-	-	(7)	12	-	-	11	16
Total comprehensive income for the period	-	-	508	(39)	-	-	403	872
Proposed dividends for the year	-	-	-	-	-	151	(151)	-
Share-based payment (granted)	-	-	-	-	-	-	8	8
Share based payment (exercised)	-	(1)	-	-	2	-	-	1
Tax related to share-based incentive plans	-	-	-	-	-	-	4	4
Purchase/sale of treasury shares and other equity instruments	-	-	-	-	(386)	-	-	(386)
<b>Balance at December 31, 2014</b>	<b>672</b>	<b>540</b>	<b>(1,185)</b>	<b>(50)</b>	<b>(1,112)</b>	<b>151</b>	<b>6,651</b>	<b>5,667</b>
Profit (loss) for the period	-	-	-	-	-	-	262	262
Adjustment of cash flow hedges	-	-	-	12	-	-	-	12
Foreign exchange adjustments, etc.	-	-	399	-	-	-	-	399
Tax relating to other comprehensive income	-	-	(9)	(4)	-	-	-	(13)
Total comprehensive income for the period	-	-	390	8	-	-	262	660
Reduction of the share capital	(23)	(476)	-	-	784	-	(285)	-
Share-based payment (granted)	-	-	-	-	-	-	11	11
Share-based payment (exercised)	-	(64)	-	-	129	-	(1)	64
Tax related to share-based incentive plans	-	-	-	-	-	-	22	22
Purchase/sale of treasury shares and other equity instruments	-	-	-	-	(655)	-	-	(655)
Paid dividends	-	-	-	-	-	(142)	-	(142)
Dividends, treasury shares	-	-	-	-	-	(9)	9	-
<b>Balance at June 30, 2015</b>	<b>649</b>	<b>-</b>	<b>(795)</b>	<b>(42)</b>	<b>(854)</b>	<b>-</b>	<b>6,669</b>	<b>5,627</b>

**Cash flow statement**

(DKK million)	<b>Consolidated</b>				
	Q2 2015 (unaud.)	Q2 2014 (unaud.)	YTD 2015 (unaud.)	YTD 2014 (unaud.)	Full year 2014 (aud.)
<b>Operating activities</b>					
Operating profit (loss)	139	288	412	531	1,195
Depreciation, amortization and impairment	150	130	289	248	527
Beltone Network non-recurring items	150	-	150	-	-
Other adjustments	(29)	(19)	(15)	(20)	21
<b>Cash flow from operating activities before changes in working capital</b>	<b>410</b>	<b>399</b>	<b>836</b>	<b>759</b>	<b>1,743</b>
Changes in working capital	140	72	(133)	(98)	(257)
<b>Cash flow from operating activities before financial items and tax</b>	<b>550</b>	<b>471</b>	<b>703</b>	<b>661</b>	<b>1,486</b>
Financial items, net	(14)	(16)	(27)	(26)	(53)
Tax paid, net	(23)	(10)	(102)	(81)	(80)
<b>Cash flow from operating activities</b>	<b>513</b>	<b>445</b>	<b>574</b>	<b>554</b>	<b>1,353</b>
<b>Investing activities</b>					
Development projects	(111)	(88)	(221)	(185)	(411)
Investments in other intangible assets, net	(34)	(17)	(55)	(39)	(129)
Investments in property, plant and equipment, net	(55)	(23)	(83)	(43)	(104)
Investments in other non-current assets, net	14	(59)	6	(110)	(229)
Company acquisitions	(7)	(20)	(25)	(34)	(46)
<b>Cash flow from investing activities</b>	<b>(193)</b>	<b>(207)</b>	<b>(378)</b>	<b>(411)</b>	<b>(919)</b>
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>320</b>	<b>238</b>	<b>196</b>	<b>143</b>	<b>434</b>
<b>Financing activities</b>					
Paid dividends	(32)	-	(142)	(138)	(138)
Share-based payment (exercised)	26	3	90	67	68
Purchase/sale of treasury shares and other equity instruments	(173)	(171)	(655)	(491)	(877)
Increase/decrease in bank loans and other adjustments	(116)	(41)	563	389	456
<b>Cash flow from financing activities</b>	<b>(295)</b>	<b>(209)</b>	<b>(144)</b>	<b>(173)</b>	<b>(491)</b>
<b>Net cash flow</b>	<b>25</b>	<b>29</b>	<b>52</b>	<b>(30)</b>	<b>(57)</b>
Cash and cash equivalents beginning of period	153	104	114	163	163
Adjustment foreign currency, cash and cash equivalents	(5)	2	7	2	8
<b>Cash and cash equivalents, end of period</b>	<b>173</b>	<b>135</b>	<b>173</b>	<b>135</b>	<b>114</b>

**Note 1 - Accounting policies**

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

**Changes to accounting policies**

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

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

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

## Note 2 – Segment disclosures

Income statement	GN ReSound		GN Netcom		Other*		Consolidated total	
	Q2 2015 (unaud.)	Q2 2014 (unaud.)	Q2 2015 (unaud.)	Q2 2014 (unaud.)	Q2 2015 (unaud.)	Q2 2014 (unaud.)	Q2 2015 (unaud.)	Q2 2014 (unaud.)
(DKK million)								
Revenue	1,271	1,108	764	698	-	-	2,035	1,806
Production costs	(428)	(365)	(353)	(337)	-	-	(781)	(702)
<b>Gross profit</b>	<b>843</b>	<b>743</b>	<b>411</b>	<b>361</b>	<b>-</b>	<b>-</b>	<b>1,254</b>	<b>1,104</b>
Expensed development costs**	(128)	(106)	(52)	(48)	(2)	(3)	(182)	(157)
Selling and distribution costs**	(415)	(333)	(214)	(176)	-	-	(629)	(509)
Management and administrative expenses	(88)	(93)	(38)	(30)	(12)	(12)	(138)	(135)
Other operating income and costs, net	6	(1)	-	-	-	-	6	(1)
<b>EBITA</b>	<b>218</b>	<b>210</b>	<b>107</b>	<b>107</b>	<b>(14)</b>	<b>(15)</b>	<b>311</b>	<b>302</b>
Amortization of acquired intangible assets	(16)	(11)	(2)	(3)	-	-	(18)	(14)
Gain (loss) on divestment of operations etc.	(4)	-	-	-	-	-	(4)	-
Beltone Network non-recurring items	(150)	-	-	-	-	-	(150)	-
<b>Operating profit (loss)</b>	<b>48</b>	<b>199</b>	<b>105</b>	<b>104</b>	<b>(14)</b>	<b>(15)</b>	<b>139</b>	<b>288</b>
Financial items	(40)	(26)	13	5	(7)	(3)	(34)	(24)
<b>Profit (loss) before tax</b>	<b>8</b>	<b>173</b>	<b>118</b>	<b>109</b>	<b>(21)</b>	<b>(18)</b>	<b>105</b>	<b>264</b>
Tax on profit (loss)	(2)	(50)	(29)	(28)	3	4	(28)	(74)
<b>Profit (loss)</b>	<b>6</b>	<b>123</b>	<b>89</b>	<b>81</b>	<b>(18)</b>	<b>(14)</b>	<b>77</b>	<b>190</b>
Cash flow statement								
(DKK million)								
Operating activities before changes in working capital	286	279	133	132	(9)	(12)	410	399
Cash flow from changes in working capital	93	25	35	45	12	2	140	72
<b>Cash flow from operating activities excluding financial items and tax</b>	<b>379</b>	<b>304</b>	<b>168</b>	<b>177</b>	<b>3</b>	<b>(10)</b>	<b>550</b>	<b>471</b>
Cash flow from investing activities:								
Development projects	(74)	(63)	(37)	(25)	-	-	(111)	(88)
Other	(54)	(104)	(16)	(9)	(12)	(6)	(82)	(119)
<b>Cash flow from operating and investing activities before financial items and tax</b>	<b>251</b>	<b>137</b>	<b>115</b>	<b>143</b>	<b>(9)</b>	<b>(16)</b>	<b>357</b>	<b>264</b>
Tax and financial items	(33)	(23)	6	5	(10)	(8)	(37)	(26)
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>218</b>	<b>114</b>	<b>121</b>	<b>148</b>	<b>(19)</b>	<b>(24)</b>	<b>320</b>	<b>238</b>
<b>Free cash flow excl. company acquisitions and divestments</b>	<b>225</b>	<b>134</b>	<b>121</b>	<b>148</b>	<b>(19)</b>	<b>(24)</b>	<b>327</b>	<b>258</b>

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

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

## Note 2 – Segment disclosures (continued)

Balance sheet	GN ReSound		GN Netcom		Other*		Consolidated total	
	Q2 2015 (unaud.)	Q2 2014 (unaud.)	Q2 2015 (unaud.)	Q2 2014 (unaud.)	Q2 2015 (unaud.)	Q2 2014 (unaud.)	Q2 2015 (unaud.)	Q2 2014 (unaud.)
<b>(DKK million)</b>								
<b>ASSETS</b>								
Goodwill	3,005	2,535	526	442	-	-	3,531	2,977
Development projects	926	846	198	146	-	8	1,124	1,000
Other intangible assets	467	358	40	49	107	144	614	551
Property, plant and equipment	265	225	60	42	184	191	509	458
Loans to dispensers and ownership interests	1,036	823	-	-	-	-	1,036	823
Other non-current assets	691	633	167	149	(17)	-	841	782
<b>Total non-current assets</b>	<b>6,390</b>	<b>5,420</b>	<b>991</b>	<b>828</b>	<b>274</b>	<b>343</b>	<b>7,655</b>	<b>6,591</b>
Inventories	489	401	229	140	-	-	718	541
Trade receivables	1,270	1,033	752	568	1	1	2,023	1,602
Receivables from subsidiaries***	-	-	1,803	1,510	(1,803)	(1,510)	-	-
Tax receivables	43	9	16	9	29	29	88	47
Other receivables	224	203	40	22	8	6	272	231
Cash and cash equivalents	116	107	38	28	19	-	173	135
<b>Total current assets</b>	<b>2,142</b>	<b>1,753</b>	<b>2,878</b>	<b>2,277</b>	<b>(1,746)</b>	<b>(1,474)</b>	<b>3,274</b>	<b>2,556</b>
<b>Total assets</b>	<b>8,532</b>	<b>7,173</b>	<b>3,869</b>	<b>3,105</b>	<b>(1,472)</b>	<b>(1,131)</b>	<b>10,929</b>	<b>9,147</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>5,560</b>	<b>4,360</b>	<b>3,085</b>	<b>2,486</b>	<b>(3,018)</b>	<b>(1,678)</b>	<b>5,627</b>	<b>5,168</b>
Bank loans	-	-	-	-	2,349	1,603	2,349	1,603
Pension obligations and deferred tax	306	243	38	33	154	162	498	438
Provisions	85	121	10	23	13	27	108	171
Other non-current liabilities	278	213	-	-	-	-	278	213
<b>Total non-current liabilities</b>	<b>669</b>	<b>577</b>	<b>48</b>	<b>56</b>	<b>2,516</b>	<b>1,792</b>	<b>3,233</b>	<b>2,425</b>
Bank loans	2	30	15	30	8	16	25	76
Trade payables	305	247	329	209	13	7	647	463
Amounts owed to subsidiaries***	1,022	1,325	-	-	(1,022)	(1,325)	-	-
Tax payables	130	11	31	14	(5)	-	156	25
Provisions	196	157	46	34	18	5	260	196
Other current liabilities	648	466	315	276	18	52	981	794
<b>Total current liabilities</b>	<b>2,303</b>	<b>2,236</b>	<b>736</b>	<b>563</b>	<b>(970)</b>	<b>(1,245)</b>	<b>2,069</b>	<b>1,554</b>
<b>Total equity and liabilities</b>	<b>8,532</b>	<b>7,173</b>	<b>3,869</b>	<b>3,105</b>	<b>(1,472)</b>	<b>(1,131)</b>	<b>10,929</b>	<b>9,147</b>
<b>Invested capital****</b>	<b>6,448</b>	<b>5,433</b>	<b>1,145</b>	<b>867</b>	<b>238</b>	<b>259</b>	<b>7,831</b>	<b>6,559</b>
<b>Average invested capital</b>	<b>5,941</b>	<b>5,285</b>	<b>1,006</b>	<b>819</b>	<b>249</b>	<b>247</b>	<b>7,196</b>	<b>6,351</b>

Additional information	GN ReSound		GN Netcom		Other*		Consolidated total	
	Q2 2015 (unaud.)	Q2 2014 (unaud.)	Q2 2015 (unaud.)	Q2 2014 (unaud.)	Q2 2015 (unaud.)	Q2 2014 (unaud.)	Q2 2015 (unaud.)	Q2 2014 (unaud.)
<b>(DKK million)</b>								
Revenue distributed geographically								
Europe	31%	31%	43%	49%	0%	0%	36%	38%
North America	47%	46%	38%	34%	0%	0%	43%	42%
Rest of world	22%	23%	19%	17%	0%	0%	21%	20%
Incurring development costs	(129)	(110)	(68)	(54)	(2)	(3)	(199)	(167)
Capitalized development costs	74	63	37	25	-	-	111	88
Amortization and depreciation of development costs**	(73)	(59)	(21)	(19)	-	-	(94)	(78)
<b>Expensed development costs</b>	<b>(128)</b>	<b>(106)</b>	<b>(52)</b>	<b>(48)</b>	<b>(2)</b>	<b>(3)</b>	<b>(182)</b>	<b>(157)</b>
EBITDA	244	236	116	114	(7)	(6)	353	344
Depreciation and software amortization	(26)	(26)	(9)	(7)	(7)	(9)	(42)	(42)
<b>EBITA</b>	<b>218</b>	<b>210</b>	<b>107</b>	<b>107</b>	<b>(14)</b>	<b>(15)</b>	<b>311</b>	<b>302</b>
EBITA margin	17.2%	18.9%	14.0%	15.3%	N/A	N/A	15.3%	16.7%
Number of employees, end of period	-4,200	-3,975	-1,000	-975	-75	-50	-5,275	-5,000

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

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

\*\*\*Net amount

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

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### **Note 3 – Incentive plans**

As of June 30, 2015, the total number of outstanding warrants in GN ReSound was 15,349 (2.4% of the shares issued in GN ReSound). The total number of outstanding warrants in GN Netcom was 7,908 (2.3% of the shares issued in GN Netcom).

### **Note 4 – Shareholdings**

On August 13, 2015, members of the board of directors and the executive management, respectively, own 465,850 and 100,400 shares in GN Store Nord.

On August 13, 2015, GN owns 6,572,271 treasury shares, equivalent to 4.1% of the 162,191,269 shares issued. At the annual general meeting on March 19, 2015, it was decided to reduce the company's nominal share capital from DKK 672,083,012 to nominally DKK 648,765,076 by cancelling part of the company's treasury shares at a nominal value of DKK 23,317,936 divided into 5,829,484 shares of DKK 4 each. The reduction was conducted on April 20, 2015.

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