
GN Making Life Sound Better

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

Interim Report Q2 2016

Double-digit organic growth in both Hearing Instruments and CC&O. Full-year guidance confirmed

GN Store Nord	<ul style="list-style-type: none"> GN delivered 11% revenue growth in Q2 2016, organic growth was 9%, driven by strong performance in Hearing Instruments and CC&O Earnings per share (EPS) reached DKK 1.57, an increase of 26% compared to Q2 2015 Free cash flow excl. M&A increased by DKK 92 million compared to Q2 2015, equivalent to an increase of 28%, leading to cash conversion of 121% Financial guidance for 2016 is confirmed, including the communicated seasonality in earnings reflecting among other investments during early parts of the year to further support the strong current growth momentum
GN Hearing	<ul style="list-style-type: none"> GN Hearing delivered 12% revenue growth. Organic growth was 9% driven by 10% organic growth in Hearing Instruments GN Hearing's EBITA increased 14% and reached DKK 248 million. The EBITA margin ended at 17.4%, compared to 17.2% in Q2 2015. The result includes transaction costs of DKK 22 million expensed in H1 2016 relating to the Audigy Group acquisition with the cost mainly impacting Q2 2016 GN Hearing's free cash flow excl. M&A increased by DKK 59 million compared to Q2 2015. Cash conversion ended at 115%, compared to 103% in Q2 2015 With the first significant M&A transaction in recent years, GN Hearing further strengthened its market position in the US with the acquisition of Audigy Group
GN Audio	<ul style="list-style-type: none"> GN Audio delivered 9% organic growth driven by 15% organic growth in CC&O and with (7)% organic growth in the Mobile division GN Audio's EBITA increased 7% and reached DKK 115 million. The EBITA margin ended at 14.0%, reflecting a 0.5 percentage point increase in constant currencies driven by strong CC&O performance GN Audio's free cash flow excl. M&A increased by DKK 39 million compared to Q2 2015. Cash conversion ended at 139%, compared to 113% in Q2 2015

Financial overview Q2 2016

DKK million	GN Hearing			GN Audio			GN Store Nord*		
	Q2 2016	Q2 2015	Growth	Q2 2016	Q2 2015	Growth	Q2 2016	Q2 2015	Growth
Revenue	1,428	1,271	+12%	824	764	+8%	2,252	2,035	+11%
<i>Organic growth</i>	9%	8%		9%	(2)%		9%	4%	
Gross profit	921	843	+9%	435	411	+6%	1,356	1,254	+8%
<i>Gross margin</i>	64.5%	66.3%	(1.8)%p	52.8%	53.8%	(1.0)%p	60.2%	61.6%	(1.4)%p
EBITA	248	218	+14%	115	107	+7%	345	311	+11%
<i>EBITA margin</i>	17.4%	17.2%	+0.2%p	14.0%	14.0%	0.0%p	15.3%	15.3%	0.0%p
Earnings per share (EPS)							1.57	0.51	+208%**
Free cash flow excl. M&A	284	225	+59	160	121	+39	419	327	+92

*) Incl. "Other" **) 26% excluding the Beltone non-recurring item in Q2 2015

Financial highlights

DKK million	Q2 2016 (unaud.)	Q2 2015 (unaud.)	YTD 2016 (unaud.)	YTD 2015 (unaud.)	Full year 2015 (aud.)	2016 Guidance
GN Hearing						
Revenue	1,428	1,271	2,801	2,462	5,175	
- Hearing Instruments	1,265	1,108	2,483	2,150	4,526	
- Otometrics	163	163	318	312	649	
Organic growth	9%	8%	9%	8%	8%	Around 6%
- Hearing Instruments	10%	8%	10%	9%	9%	
- Otometrics	3%	7%	4%	4%	2%	
Gross profit margin	64.5%	66.3%	64.9%	66.1%	65.8%	
EBITA	248	218	482	418	995	Around 1,200
EBITA margin	17.4%	17.2%	17.2%	17.0%	19.2%	
ROIC (EBITA/Average invested capital)	16.2%	15.7%	16.2%	15.7%	15.8%	
Free cash flow excl. company acquisitions and divestments	284	225	296	192	592	
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	115%	103%	61%	46%	59%	
GN Audio						
Revenue	824	764	1,544	1,458	3,229	
- CC&O	604	525	1,126	1,004	2,148	
- Mobile	220	239	418	454	1,081	
Organic growth	9%	(2)%	6%	(3)%	2%	7 - 10%
- CC&O	15%	3%	12%	3%	6%	
- Mobile	(7)%	(12)%	(7)%	(14)%	(5)%	
Gross profit margin	52.8%	53.8%	52.2%	53.8%	52.6%	
EBITA	115	107	205	217	540	Around 590
EBITA margin	14.0%	14.0%	13.3%	14.9%	16.7%	
ROIC (EBITA/Average invested capital)	43.9%	52.2%	43.9%	52.2%	46.9%	
Free cash flow excl. company acquisitions and divestments	160	121	189	132	271	
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	139%	113%	92%	61%	50%	
GN Store Nord						
Revenue	2,252	2,035	4,345	3,920	8,404	
Organic growth	9%	4%	8%	4%	6%	Around 7%
Gross profit margin	60.2%	61.6%	60.4%	61.5%	60.7%	
EBITA	345	311	651	602	1,457	Around 1,720
EBITA margin	15.3%	15.3%	15.0%	15.4%	17.3%	
Profit (loss) before tax	310	105	586	357	1,092	Around 1,520
Effective tax rate	24.5%	26.7%	24.6%	26.6%	26.3%	25 - 26%
ROIC (EBITA/Average invested capital)	18.9%	18.2%	18.9%	18.2%	19.0%	
Earnings per share, basic (EPS)	1.57	0.51	2.95	1.69	5.16	
Earnings per share, fully diluted (EPS diluted)	1.57	0.50	2.94	1.68	5.14	
Free cash flow excl. company acquisitions and divestments	419	327	411	221	743	
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA)	121%	105%	63%	37%	51%	
Equity ratio	48.6%	51.5%	48.6%	51.5%	51.6%	
Net interest-bearing debt	2,615	2,201	2,615	2,201	2,212	
Net interest-bearing debt (period-end)/EBITDA	1.6	1.5	1.6	1.5	1.4	Around 1.7 times EBITDA
Dividend payout ratio	-	-	-	-	20%	
Share buybacks*	223	173	619	655	1,162	
Outstanding shares, end of period (thousand)	147,996	156,246	147,996	156,246	152,254	
Average number of outstanding shares, fully diluted (thousand)	149,118	152,625	150,185	156,075	156,734	
Share price at the end of the period	131	138	131	138	125	
Market capitalization	19,424	21,562	19,424	21,562	19,032	

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

* Incl. buybacks as part of share based incentive programs

GN Hearing

HIGHLIGHTS Q2 2016

- 10% organic growth in Hearing Instruments – broad based across regions and channels
- EBITA of DKK 248 million in Q2 2016 – an increase of 14%
- Free cash flow excl. M&A of DKK 284 million – an increase of DKK 59 million vs Q2 2015
- Strengthened market position in the US with the acquisition of Audigy Group
- GN Hearing's financial guidance for 2016 is confirmed

REVENUE

GN Hearing delivered 12% revenue growth in Q2 2016. Organic growth was 9%, with the effects of foreign exchange rates adding around 1% to revenue, while M&A contribution was around 2%. The revenue in Q2 2016 was DKK 1,428 million compared to DKK 1,271 million in Q2 2015.

During Q2 2016, Hearing Instruments delivered 10% organic growth, driven among other by the successful essential product, ReSound Enya. The growth was achieved on top of a challenging comparison base as the premium product family ReSound LiNX² was successfully rolled out during the first half of 2015.

The organic growth in Hearing Instruments reflects strong double-digit growth rates in a number of countries and channels. All three regions delivered strong organic growth. In North America, Veterans Affairs (VA) contributed strongly to the growth and GN Hearing reached its highest ever market share in the VA at the end of Q2 2016. In Europe, in particular Germany, Spain and the Nordic region contributed to growth. Moreover, GN Hearing delivered strong double-digit organic growth in among other China and India.

GN Otometrics' revenue reached DKK 163 million in Q2 2016, equaling organic growth of 3%, driven by among other North America and China. In the first half of 2016, organic growth was 4%, which is deemed to be above market growth.

EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

GN Hearing's gross profit ended at DKK 921 million in Q2 2016, an increase of 9% compared to Q2 2015. Due to product mix – with the essential product ReSound Enya driving strong growth – and channel mix, the gross margin in Q2 2016 was lower than the previous year, with Q2 2015 being impacted by the gross margin accretive ReSound LiNX² launch.

EBITA reached DKK 248 million, an increase of 14% compared to Q2 2015. The EBITA margin of 17.4% is slightly higher than Q2 2015, but in constant currencies the margin is down 2.1 percentage points due to the lower gross margin as well as expensed costs of DKK 22 million related to the acquisition of Audigy Group in H1 2016, with the expense mainly impacting Q2 2016.

GN Hearing's cash conversion reached 115% in Q2 2016, which is 12 percentage points higher than in Q2 2015. The improvement was driven by an increase in free cash flow excl. M&A of DKK 59 million. The net cash inflow related to financial support arrangements was DKK 1 million in Q2 2016. GN Hearing's cash conversion in H1 2016 was 61% compared to 46% in H1 2015.

BUSINESS HIGHLIGHTS

As part of GN's new communication and brand platform announced in May 2016, GN's hearing aid parent company changed name to GN Hearing from GN ReSound. ReSound remains the flagship hearing aid brand and will be operated together with other specialty brands such as Beltone, Interton and Otometrics.

In July 2016, GN Hearing completed the acquisition of the US based company Audigy, a leading provider of business and performance management solutions to independent hearing care practices. The acquisition of Audigy will further support GN Hearing's strong momentum allowing GN Hearing to be an even better partner to its customers. In addition to the acquisition, GN Hearing has signed a long-term supply agreement with Audigy.

On August 1, ReSound Cala was launched in the branded category of Costco's hearing aid business. The new, exceptionally strong product offering allows GN Hearing to increase its share in the branded category where there is good potential for profitable growth in years to come. Also, the launch allows GN Hearing to further leverage the strong brand recognition of its main brand, ReSound. As a consequence of the increased focus on the new branded products at Costco, GN Hearing will not be the supplier of Kirkland Signature 7.0.

MARKET DEVELOPMENT

Market growth in units is estimated to have been 5-6% in Q2 2016. The development in the global average selling prices (ASPs) is estimated to have been slightly negative leading to value growth of 4-5% in Q2 2016.

OUTLOOK 2016

GN Hearing confirms its guidance for 2016 of organic growth of "around 6%" and EBITA of "around DKK 1,200 million", with H1 2016 performance in line with expectations.

"The very strong momentum in GN Hearing continued in Q2 2016. In a highly competitive landscape, GN Hearing continues to gain market share. This is the result of a combination of an industry leading product portfolio and strong execution of our commercial excellence initiatives. Also, in the quarter, GN Hearing's commitment to support independent hearing healthcare professionals was further strengthened with the acquisition of Audigy Group, the US based provider of business and performance management solutions."

Anders Hedegaard, CEO of GN Hearing

GN Audio

HIGHLIGHTS Q2 2016

- Strong organic growth of 15% in the CC&O division reflecting GN Audio's ability to seize current market opportunities, reallocate resources and execute
- EBITA of DKK 115 million in Q2 2016 – an increase of 12% in constant currencies
- Strong cash conversion of 139% in Q2 2016
- GN Audio's overall financial guidance for 2016 is confirmed

REVENUE

GN Audio's revenue reached DKK 824 million in Q2 2016, compared to DKK 764 million in Q2 2015. Organic growth in the quarter was 9% with revenue contribution from foreign exchange rate developments being slightly negative. M&A activity did not impact revenue.

In Q2 2016, the CC&O business continued its strong momentum and delivered organic growth of 15%. The strong performance in the quarter reflects GN Audio's ability to seize current market opportunities, reallocate resources and execute. Also, the growth reflects GN Audio's world leading product portfolio as well as execution on its commercial excellence initiatives. As a result, GN Audio during Q2 2016 further strengthened its leading position in the global CC&O market.

Geographically, the organic growth in the CC&O division was based on a particularly solid development in Europe and Rest of World with strong double-digit growth rates. North America also delivered solid organic growth. In the first half of 2016, all three regions have delivered double-digit organic growth.

In the Mobile division, GN Audio recorded organic growth of (7)% in Q2 2016. In order to ensure an attractive development, a number of initiatives have been taken within Mobile, including repositioning the product portfolio – among other with the launch in June of Jabra Halo Smart, leveraging GN Audio's unique position in the intersection between voice and music – as well as an update to the current channel strategy in among other North America and China.

EARNINGS AND OTHER FINANCIAL HIGHLIGHTS

GN Audio's gross profit reached DKK 435 million in Q2 2016, which is 6% higher than in Q2 2015. The gross margin measured in constant currencies was flat compared to the strong gross margin achieved in Q2 2015. The growth in the high-margin CC&O business was accretive to total GN Audio profitability, but was offset by the development in Mobile.

EBITA in Q2 2016 reached DKK 115 million – an increase of 12% in constant currencies and 7% in reported terms. The strong development was driven by operational leverage, achieved even with continued investments in growth. GN Audio delivered a 0.5 percentage points increase in the EBITA margin in Q2 2016 measured in constant currencies.

As in Q1 2016, GN Audio increased cash flow generation in Q2 2016, with free cash flow excl. M&A of DKK 160 million equivalent to a cash conversion of 139%. In H1 2016, the cash conversion of 92% is 31 percentage points higher than in H1 2015. GN Audio continues to record a positive development in trade receivables.

BUSINESS HIGHLIGHTS

Similar to GN Hearing, the communication and brand platform has also been updated with a change of parent company name to GN Audio from GN Netcom. The products will continue exclusively to be marketed under the Jabra brand.

China is an important market for GN Audio and was highlighted as a key market in the strategy for 2014 – 2016. As a next step, GN Audio has decided to increase focus and investments in the country and to exploit an ever-growing opportunity across the Consumer, SME and Enterprise markets. In June 2016, GN Audio announced the formation of a new organization in China to secure an even stronger footprint in the region going forward.

During the quarter, GN Audio has emphasized “The Power of Conversation”. The campaign was launched to highlight GN Audio’s ability to empower people with the right headset technology for their needs that can significantly boost their productivity, improve customer relations and drive efficiency. GN Audio is persistently investing in sales and marketing in order to continue to deliver attractive revenue growth.

MARKET DEVELOPMENT

In Q2 2016, the global CC&O market continued to develop favorably. GN Audio expects that the market trend will continue for the remaining part of 2016 creating a solid foundation for continued growth.

On the consumer electronics market, the challenges faced in the mono Bluetooth market during 2015 continues in 2016.

OUTLOOK 2016

GN Audio confirms its overall financial guidance for 2016 of an organic growth of “7-10%” and EBITA of “around DKK 590 million”. Reflecting GN Audio’s ability to seize current market opportunities, reallocate resources and execute, the CC&O business is expected to deliver stronger than previously estimated full-year performance, while the Mobile business is expected to deliver lower than previously estimated full-year performance.

“In Q2 2016, we further strengthened our world leading position in the CC&O market. It is truly satisfying to report strong growth and market share gains in this attractive area. Our ability to continuously convert the positive revenue growth into strong cash generation and an attractive earnings level is very encouraging and it proves that the hard work of our employees is paying off.”

René Svendsen-Tune, CEO of GN Audio

GN Store Nord

In Q2 2016, the GN Store Nord group delivered revenue of DKK 2,252 million compared to DKK 2,035 million in Q2 2015, corresponding to an organic growth of 9%.

EBITA in Other amounted to DKK (18) million compared to DKK (14) million in Q2 2015. Group EBITA increased 11% in reported terms.

Amortization of acquired intangible assets amounted to DKK (25) million, while Gain (loss) on divestment of operations etc. ended at DKK (1) million. Financial items amounted to DKK (9) million, primarily explained by a positive contribution from foreign exchange adjustments of certain balance sheet items. The profit before tax was DKK 310 million, and the effective tax rate was 24.5%. The free cash flow excl. M&A ended at DKK 419 million, equal to an improvement of DKK 92 million compared to Q2 2015.

Earnings per share (EPS) reached DKK 1.57, an increase of 208% compared to Q2 2015, which was however negatively impacted by the Beltone non-recurring item. Excluding this, EPS increased 26%.

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

DKK million	Organic revenue growth	EBITA	Profit before tax	Effective tax rate
GN Hearing	Around 6%	Around 1,200		
GN Audio*	7 - 10%	Around 590		
Other		Around (70)		
GN Store Nord	Around 7%	Around 1,720	Around 1,520	25 - 26%

* Reflecting GN Audio's ability to seize current market opportunities, reallocate resources and execute, the CC&O business is expected to deliver stronger than previously estimated full-year performance, while the Mobile business is expected to deliver lower than previously estimated full-year performance

CAPITAL STRUCTURE

During H1 2016, GN has in total distributed DKK 733 million back to shareholders through share buybacks and dividend. Until today, GN has in total repurchased 5.3 million shares at a total price of DKK 681 million through two different Safe Harbor programs in 2016. As of August 11, 2016, GN owns 7,669,290 treasury shares equivalent to 4.95% of the shares issued.

As previously communicated, GN's long-term capital structure policy is to have net interest-bearing debt of up to a maximum of two times EBITDA. Based on the solid financial development in GN, the favorable capital markets as well as the relentless focus on maximizing shareholder value, GN intends to take the net interest-bearing debt to around 1.7 times EBITDA by the end of 2016. By the end of Q2 2016, the net interest-bearing debt was DKK 2,615 million corresponding to 1.6 times EBITDA where EBITDA is based on last four rolling quarters.

CLAIM AGAINST PLANTRONICS INC.

In 2012, GN Audio 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 Audio's allegations were sufficiently substantiated to allow the case to proceed into discovery. During the discovery phase, GN learned of alleged intentional document destruction. A hearing on the matter was held on May 18, 2016, and on July 6, 2016, the Court issued a sanctions motion ordering Plantronics to pay USD 3 million to GN Audio in punitive damages as well as reasonable fees and costs incurred in connection with the discovery dispute. Further, the Court reserved the right to issue additional evidentiary sanctions and it will instruct the jury that it may draw an adverse inference that emails destroyed by Plantronics would have been favorable to GN Audio's case and/or unfavorable to Plantronics' defense. GN Audio anticipates a jury trial to be scheduled during the first half of 2017.

FOREIGN EXCHANGE EXPOSURE

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

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

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

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

ADDITIONAL INFORMATION

Teleconference

GN will host a teleconference at 11.00 am CET today. Please visit www.gn.com to access the teleconference. Presentation material will be available on the website approximately one hour prior to the start of the teleconference.

Financial calendar for 2016

Capital Market Day (Ballerup): September 26, 2016
Interim Report Q3 2016: November 3, 2016

Forward-looking statements

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

For further information please contact

Peter Justesen
VP – Investor Relations & Treasury
GN Store Nord A/S
Tel: +45 45 75 87 16

Michael Nass Nielsen
Manager – Investor Relations
GN Store Nord A/S
Tel: +45 45 75 02 40

GN Store Nord A/S
Lautrupbjerg 7
2750 Ballerup
Denmark
Company reg. no. 24257843

ABOUT GN STORE NORD

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

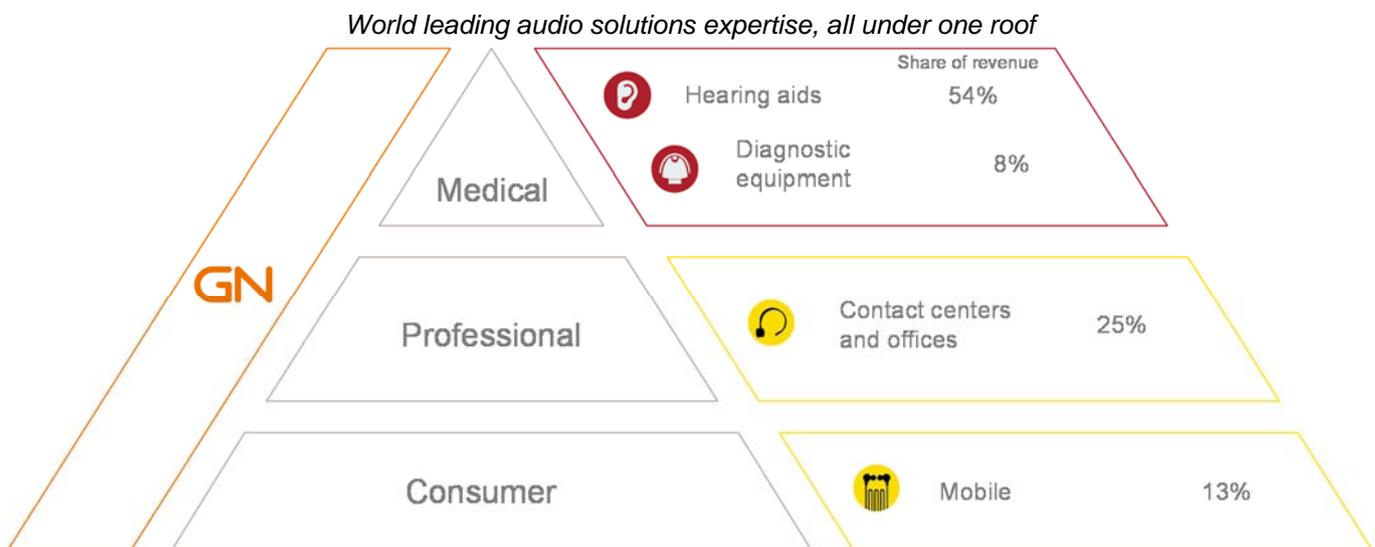
GN is the only company that under the same roof commands world-leading expertise in the human auditory system, sound processing, wireless technologies, and software development linking deep insight and knowledge from both the hearing aid and the headset industries.

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

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

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

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



Figures from full year 2015

For more information please visit www.gn.com

Statement by the board of directors and the executive management

Today, the board of directors and the executive management have discussed and approved the interim report for GN Store Nord A/S for the period April 1 - June 30, 2016.

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

In our opinion, the interim report gives a true and fair view of the group's assets, liabilities and financial position on June 30, 2016 and of the results of the group's operations and cash flows for the period April 1 – June 30, 2016.

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

Ballerup, August 11, 2016

BOARD OF DIRECTORS

Per Wold-Olsen
Chairman

William E. Hoover, Jr.
Deputy Chairman

Carsten Krogsgaard Thomsen

Hélène Barnekow

Ronica Wang

Wolfgang Reim

Leo Larsen

Nikolai Bisgaard

Morten Andersen

EXECUTIVE MANAGEMENT

Anders Hedegaard
CEO, GN Hearing

René Svendsen-Tune
CEO, GN Audio

Marcus Desimoni
CFO, GN Store Nord

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	18
Note 2	Segment disclosures	19
Note 3	Incentive plans	21
Note 4	Shareholdings	21

Quarterly reporting by segment

DKK million	Q1 2015 (unaud.)	Q2 2015 (unaud.)	Q3 2015 (unaud.)	Q4 2015 (unaud.)	Q1 2016 (unaud.)	Q2 2016 (unaud.)	YTD 2015 (unaud.)	YTD 2016 (unaud.)	2015 Total (aud.)
Income statement									
Revenue									
GN Hearing	1,191	1,271	1,260	1,453	1,373	1,428	2,462	2,801	5,175
GN Audio	694	764	766	1,005	720	824	1,458	1,544	3,229
Total	1,885	2,035	2,026	2,458	2,093	2,252	3,920	4,345	8,404
Organic growth									
GN Hearing	9%	8%	6%	9%	10%	9%	8%	9%	8%
GN Audio	(3)%	(2)%	11%	3%	4%	9%	(3)%	6%	2%
Total	4%	4%	8%	7%	8%	9%	4%	8%	6%
Gross profit margin									
GN Hearing	65.8%	66.3%	63.9%	67.0%	65.3%	64.5%	66.1%	64.9%	65.8%
GN Audio	53.9%	53.8%	51.4%	51.5%	51.5%	52.8%	53.8%	52.2%	52.6%
Total	61.4%	61.6%	59.2%	60.7%	60.5%	60.2%	61.5%	60.4%	60.7%
Expensed development costs									
GN Hearing	(112)	(128)	(127)	(117)	(130)	(131)	(240)	(261)	(484)
GN Audio	(44)	(52)	(55)	(58)	(50)	(68)	(96)	(118)	(209)
Other *	(2)	(2)	(4)	(6)	(3)	-	(4)	(3)	(14)
Total	(158)	(182)	(186)	(181)	(183)	(199)	(340)	(382)	(707)
Selling and distribution costs and administrative expenses etc.									
GN Hearing	(472)	(497)	(441)	(517)	(532)	(542)	(969)	(1,074)	(1,927)
GN Audio	(220)	(252)	(226)	(250)	(231)	(252)	(472)	(483)	(948)
Other *	(17)	(12)	(13)	(22)	(15)	(18)	(29)	(33)	(64)
Total	(709)	(761)	(680)	(789)	(778)	(812)	(1,470)	(1,590)	(2,939)
EBITA									
GN Hearing	200	218	237	340	234	248	418	482	995
GN Audio	110	107	113	210	90	115	217	205	540
Other *	(19)	(14)	(17)	(28)	(18)	(18)	(33)	(36)	(78)
Total	291	311	333	522	306	345	602	651	1,457
EBITA margin									
GN Hearing	16.8%	17.2%	18.8%	23.4%	17.0%	17.4%	17.0%	17.2%	19.2%
GN Audio	15.9%	14.0%	14.8%	20.9%	12.5%	14.0%	14.9%	13.3%	16.7%
Total	15.4%	15.3%	16.4%	21.2%	14.6%	15.3%	15.4%	15.0%	17.3%
Depreciation and software amortization									
GN Hearing	(27)	(26)	(29)	(25)	(27)	(28)	(53)	(55)	(107)
GN Audio	(9)	(9)	(9)	(10)	(9)	(9)	(18)	(18)	(37)
Other *	(7)	(7)	(7)	(8)	(8)	(8)	(14)	(16)	(29)
Total	(43)	(42)	(45)	(43)	(44)	(45)	(85)	(89)	(173)
EBITDA									
GN Hearing	227	244	266	365	261	276	471	537	1,102
GN Audio	119	116	122	220	99	124	235	223	577
Other *	(12)	(7)	(10)	(20)	(10)	(10)	(19)	(20)	(49)
Total	334	353	378	565	350	390	687	740	1,630
EBITA									
Amortization of acquired intangible assets	(18)	(18)	(17)	(24)	(23)	(25)	(36)	(48)	(77)
Gain (loss) on divestment of operations etc.	-	(4)	-	(6)	(1)	(1)	(4)	(2)	(10)
Beltone Network non-recurring items	-	(150)	-	-	-	-	(150)	-	(150)
Operating profit (loss)	273	139	316	492	282	319	412	601	1,220
Share of profit (loss) in associates	-	-	-	5	-	-	-	-	5
Financial items, net	(21)	(34)	(47)	(31)	(6)	(9)	(55)	(15)	(133)
Profit (loss) before tax	252	105	269	466	276	310	357	586	1,092
Tax on profit (loss)	(67)	(28)	(72)	(120)	(68)	(76)	(95)	(144)	(287)
Profit (loss)	185	77	197	346	208	234	262	442	805
Balance sheet									
Development projects									
GN Hearing	920	926	933	961	976	993	926	993	961
GN Audio	180	198	211	223	233	238	198	238	223
Other *	-	-	-	-	-	-	-	-	-
Total	1,100	1,124	1,144	1,184	1,209	1,231	1,124	1,231	1,184
Inventories									
GN Hearing	488	489	506	491	509	524	489	524	491
GN Audio	204	229	257	229	224	237	229	237	229
Total	692	718	763	720	733	761	718	761	720
Trade receivables									
GN Hearing	1,299	1,270	1,307	1,345	1,342	1,324	1,270	1,324	1,345
GN Audio	699	752	706	909	690	758	752	758	909
Other *	1	1	-	1	1	-	1	-	1
Total	1,999	2,023	2,013	2,255	2,033	2,082	2,023	2,082	2,255
Net working capital									
GN Hearing	1,140	1,030	1,123	942	1,137	1,010	1,030	1,010	942
GN Audio	436	377	387	486	485	463	377	463	486
Other *	(49)	(22)	(39)	(59)	(93)	(68)	(22)	(68)	(59)
Total	1,527	1,385	1,471	1,369	1,529	1,405	1,385	1,405	1,369
Cash flow									
Free cash flow excl. company acquisitions and divestments									
GN Hearing	(33)	225	152	248	12	284	192	296	592
GN Audio	11	121	71	68	29	160	132	189	271
Other *	(84)	(19)	(41)	24	(49)	(25)	(103)	(74)	(120)
Total	(106)	327	182	340	(8)	419	221	411	743
Acquisitions and divestments of companies									
	(18)	(7)	(4)	(18)	(33)	(54)	(25)	(87)	(47)
Free cash flow	(124)	320	178	322	(41)	365	196	324	696

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

Income statement

Consolidated

(DKK million)	Q2 2016 (unaud.)	Q2 2015 (unaud.)	YTD 2016 (unaud.)	YTD 2015 (unaud.)	Full year 2015 (aud.)
Revenue	2,252	2,035	4,345	3,920	8,404
Production costs	(896)	(781)	(1,722)	(1,508)	(3,301)
Gross profit	1,356	1,254	2,623	2,412	5,103
Development costs	(199)	(182)	(382)	(340)	(707)
Selling and distribution costs	(647)	(629)	(1,272)	(1,204)	(2,414)
Management and administrative expenses	(169)	(138)	(325)	(273)	(533)
Other operating income and costs, net	4	6	7	7	8
EBITA*)	345	311	651	602	1,457
Amortization of acquired intangible assets	(25)	(18)	(48)	(36)	(77)
Gain (loss) on divestment of operations etc.	(1)	(4)	(2)	(4)	(10)
Beltone Network non-recurring items	-	(150)	-	(150)	(150)
Operating profit (loss)	319	139	601	412	1,220
Share of profit (loss) in associates	-	-	-	-	5
Financial income	59	10	98	21	97
Financial expenses	(68)	(44)	(113)	(76)	(230)
Profit (loss) before tax	310	105	586	357	1,092
Tax on profit (loss)	(76)	(28)	(144)	(95)	(287)
Profit (loss) for the period	234	77	442	262	805
Earnings per share (EPS)					
Earnings per share (EPS)	1.57	0.51	2.95	1.69	5.16
Earnings per share, fully diluted (EPS diluted)	1.57	0.50	2.94	1.68	5.14

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

Statement of comprehensive income

Consolidated

(DKK million)	Q2 2016 (unaud.)	Q2 2015 (unaud.)	YTD 2016 (unaud.)	YTD 2015 (unaud.)	Full year 2015 (aud.)
Profit (loss) for the period	234	77	442	262	805
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Actuarial gains (losses)	-	-	-	-	14
Tax relating to this item of other comprehensive income	-	-	-	-	(6)
<i>Items that may be reclassified subsequently to profit or loss</i>					
Adjustment of cash flow hedges	(48)	86	(9)	12	30
Foreign exchange adjustments, etc.	115	(250)	(110)	399	462
Tax relating to these items of other comprehensive income	8	(21)	2	(13)	(10)
Other comprehensive income for the period, net of tax	75	(185)	(117)	398	490
Total comprehensive income for the period	309	(108)	325	660	1,295

Balance sheet

Consolidated

(DKK million)	June 30 2016 (unaud.)	March 31 2016 (unaud.)	Dec. 31 2015 (aud.)	Sep. 30 2015 (unaud.)
Assets				
Intangible assets	5,710	5,525	5,469	5,262
Property, plant and equipment	526	523	534	517
Deferred tax assets	507	492	507	538
Other non-current assets	1,084	1,129	1,264	1,284
Total non-current assets	7,827	7,669	7,774	7,601
Inventories	761	733	720	763
Trade receivables	2,082	2,033	2,255	2,013
Tax receivable	12	68	63	91
Other receivables	238	239	232	271
Cash and cash equivalents	151	134	132	147
Total current assets	3,244	3,207	3,402	3,285
Total assets	11,071	10,876	11,176	10,886
Equity and liabilities				
Equity	5,383	5,284	5,764	5,564
Bank loans	2,687	2,831	2,297	2,325
Pension obligations	67	63	64	77
Provisions	126	124	59	95
Deferred tax liabilities	509	509	496	413
Other non-current liabilities	279	277	301	282
Total non-current liabilities	3,668	3,804	3,217	3,192
Bank loans	79	41	47	78
Trade payables	548	430	731	554
Tax payable	1	3	28	214
Provisions	264	268	282	262
Other payables	1,128	1,046	1,107	1,022
Total current liabilities	2,020	1,788	2,195	2,130
Total equity and liabilities	11,071	10,876	11,176	10,886

Consolidated equity

(DKK million)	Share capital (shares of DKK 4 each)	Additional paid-in capital	Foreign exchange adjustments	Hedging reserve	Treasury shares	Proposed dividends for the year	Retained earnings	Total equity
Balance at December 31, 2014	672	540	(1,185)	(50)	(1,112)	151	6,651	5,667
Profit (loss) for the period	-	-	-	-	-	-	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	-	-	-	-	(655)	-	-	(655)
Paid dividends	-	-	-	-	-	(142)	-	(142)
Dividends, treasury shares	-	-	-	-	-	(9)	9	-
Balance at June 30, 2015	649	-	(795)	(42)	(854)	-	6,669	5,627
Profit (loss) for the period	-	-	-	-	-	-	543	543
Actuarial gains (losses)	-	-	-	-	-	-	14	14
Adjustment of cash flow hedges	-	-	-	18	-	-	-	18
Foreign exchange adjustments, etc.	-	-	63	-	-	-	-	63
Tax relating to other comprehensive income	-	-	6	(3)	-	-	(6)	(3)
Total comprehensive income for the period	-	-	69	15	-	-	551	635
Reduction of the share capital	-	-	-	-	-	-	-	-
Proposed dividends for the year	-	-	-	-	-	161	(161)	-
Share-based payment (granted)	-	-	-	-	-	-	8	8
Share based payment (exercised)	-	-	-	-	1	-	-	1
Purchase/sale of treasury shares	-	-	-	-	(507)	-	-	(507)
Balance at December 31, 2015	649	-	(726)	(27)	(1,360)	161	7,067	5,764
Profit (loss) for the period	-	-	-	-	-	-	442	442
Adjustment of cash flow hedges	-	-	-	(9)	-	-	-	(9)
Foreign exchange adjustments, etc.	-	-	(110)	-	-	-	-	(110)
Tax relating to other comprehensive income	-	-	-	2	-	-	-	2
Total comprehensive income for the period	-	-	(110)	(7)	-	-	442	325
Reduction of the share capital	(30)	-	-	-	1,036	-	(1,006)	-
Share-based payment (granted)	-	-	-	-	-	-	11	11
Share-based payment (exercised)	-	-	-	-	71	-	(24)	47
Tax related to share-based incentive plans	-	-	-	-	-	-	4	4
Purchase/sale of treasury shares	-	-	-	-	(619)	-	-	(619)
Paid dividends	-	-	-	-	-	(149)	-	(149)
Dividends, treasury shares	-	-	-	-	-	(12)	12	-
Balance at June 30, 2016	619	-	(836)	(34)	(872)	-	6,506	5,383

Cash flow statement

Consolidated

(DKK million)	Q2 2016 (unaud.)	Q2 2015 (unaud.)	YTD 2016 (unaud.)	YTD 2015 (unaud.)	Full year 2015 (aud.)
Operating activities					
Operating profit (loss)	319	139	601	412	1,220
Depreciation, amortization and impairment	158	150	313	289	599
Other non-cash adjustments	16	121	7	135	127
Cash flow from operating activities before changes in working capital	493	410	921	836	1,946
Changes in working capital	120	140	(81)	(133)	(151)
Cash flow from operating activities before financial items and tax	613	550	840	703	1,795
Financial items, net	(23)	(14)	(39)	(27)	(71)
Tax paid, net	(17)	(23)	(106)	(102)	(274)
Cash flow from operating activities	573	513	695	574	1,450
Investing activities					
Development projects	(113)	(111)	(226)	(221)	(460)
Investments in other intangible assets, net	(17)	(34)	(47)	(55)	(159)
Investments in property, plant and equipment, net	(25)	(55)	(41)	(83)	(169)
Investments in other non-current assets, net	1	14	30	6	81
Company acquisitions	(54)	(7)	(87)	(25)	(47)
Cash flow from investing activities	(208)	(193)	(371)	(378)	(754)
Cash flow from operating and investing activities (free cash flow)	365	320	324	196	696
Financing activities					
Paid dividends	(29)	(32)	(149)	(142)	(142)
Share-based payment (exercised)	7	-	47	64	65
Purchase/sale of treasury shares and other equity instruments	(223)	(173)	(619)	(655)	(1,162)
Increase/decrease in bank loans and other adjustments	(106)	(90)	417	589	557
Cash flow from financing activities	(351)	(295)	(304)	(144)	(682)
Net cash flow	14	25	20	52	14
Cash and cash equivalents beginning of period	134	153	132	114	114
Adjustment foreign currency, cash and cash equivalents	3	(5)	(1)	7	4
Cash and cash equivalents, end of period	151	173	151	173	132

Note 1 – Accounting policies

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

Changes to accounting policies

As of January 1, 2016, GN Store Nord adopted all relevant new or revised International Financial Reporting Standards and IFRIC Interpretations with effective date January 1, 2016 or earlier, including those specified in note 1.1 in the Annual Report 2015. The new or revised Standards and Interpretations did not affect recognition and measurement materially or result in any material changes to disclosures in the notes.

The accounting policies applied are unchanged from those applied in the Annual Report 2015.

Note 2 – Segment disclosures

Income statement	GN Hearing		GN Audio		Other*		Consolidated total	
	Q2 2016 (unaud.)	Q2 2015 (unaud.)	Q2 2016 (unaud.)	Q2 2015 (unaud.)	Q2 2016 (unaud.)	Q2 2015 (unaud.)	Q2 2016 (unaud.)	Q2 2015 (unaud.)
(DKK million)								
Revenue	1,428	1,271	824	764	-	-	2,252	2,035
Production costs	(507)	(428)	(389)	(353)	-	-	(896)	(781)
Gross profit	921	843	435	411	-	-	1,356	1,254
Expensed development costs	(131)	(128)	(68)	(52)	-	(2)	(199)	(182)
Selling and distribution costs	(439)	(415)	(208)	(214)	-	-	(647)	(629)
Management and administrative expenses	(106)	(88)	(45)	(38)	(18)	(12)	(169)	(138)
Other operating income and costs, net	3	6	1	-	-	-	4	6
EBITA	248	218	115	107	(18)	(14)	345	311
Amortization of acquired intangible assets	(24)	(16)	(1)	(2)	-	-	(25)	(18)
Gain (loss) on divestment of operations etc.	(1)	(4)	-	-	-	-	(1)	(4)
Beltone Network non-recurring items	-	(150)	-	-	-	-	-	(150)
Operating profit (loss)	223	48	114	105	(18)	(14)	319	139
Financial items	2	(40)	3	13	(14)	(7)	(9)	(34)
Profit (loss) before tax	225	8	117	118	(32)	(21)	310	105
Tax on profit (loss)	(58)	(2)	(23)	(29)	5	3	(76)	(28)
Profit (loss)	167	6	94	89	(27)	(18)	234	77

Cash flow statement	GN Hearing		GN Audio		Other*		Consolidated total	
	Q2 2016 (unaud.)	Q2 2015 (unaud.)	Q2 2016 (unaud.)	Q2 2015 (unaud.)	Q2 2016 (unaud.)	Q2 2015 (unaud.)	Q2 2016 (unaud.)	Q2 2015 (unaud.)
(DKK million)								
Operating activities before changes in working capital	336	286	167	133	(10)	(9)	493	410
Cash flow from changes in working capital	98	93	21	35	1	12	120	140
Cash flow from operating activities excluding financial items and tax	434	379	188	168	(9)	3	613	550
Cash flow from investing activities:								
Development projects	(86)	(74)	(27)	(37)	-	-	(113)	(111)
Other	(90)	(54)	(5)	(16)	-	(12)	(95)	(82)
Cash flow from operating and investing activities before financial items and tax	258	251	156	115	(9)	(9)	405	357
Tax and financial items	(28)	(33)	4	6	(16)	(10)	(40)	(37)
Cash flow from operating and investing activities (free cash flow)	230	218	160	121	(25)	(19)	365	320
Free cash flow excl. company acquisitions and divestments	284	225	160	121	(25)	(19)	419	327

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

Note 2 – Segment disclosures (continued)

Balance sheet	GN Hearing		GN Audio		Other*		Consolidated total	
	Q2 2016 (unaud.)	Q2 2015 (unaud.)	Q2 2016 (unaud.)	Q2 2015 (unaud.)	Q2 2016 (unaud.)	Q2 2015 (unaud.)	Q2 2016 (unaud.)	Q2 2015 (unaud.)
(DKK million)								
ASSETS								
Goodwill	3,057	3,005	528	526	-	-	3,585	3,531
Development projects	993	926	238	198	-	-	1,231	1,124
Other intangible assets	754	467	37	40	103	107	894	614
Property, plant and equipment	288	265	63	60	175	184	526	509
Loans to dispensers and ownership interests	818	1,036	-	-	-	-	818	1,036
Other non-current assets	615	691	155	167	3	(17)	773	841
Total non-current assets	6,525	6,390	1,021	991	281	274	7,827	7,655
Inventories	524	489	237	229	-	-	761	718
Trade receivables	1,324	1,270	758	752	-	1	2,082	2,023
Receivables from subsidiaries**	-	-	2,150	1,803	(2,150)	(1,803)	-	-
Tax receivables	2	43	9	16	1	29	12	88
Other receivables	172	224	59	40	7	8	238	272
Cash and cash equivalents	113	116	38	38	-	19	151	173
Total current assets	2,135	2,142	3,251	2,878	(2,142)	(1,746)	3,244	3,274
Total assets	8,660	8,532	4,272	3,869	(1,861)	(1,472)	11,071	10,929
EQUITY AND LIABILITIES								
Equity	6,290	5,560	3,542	3,085	(4,449)	(3,018)	5,383	5,627
Bank loans	-	-	-	-	2,687	2,349	2,687	2,349
Pension obligations and deferred tax	355	306	49	38	172	154	576	498
Provisions	114	85	11	10	1	13	126	108
Other non-current liabilities	279	278	-	-	-	-	279	278
Total non-current liabilities	748	669	60	48	2,860	2,516	3,668	3,233
Bank loans	9	2	12	15	58	8	79	25
Trade payables	260	305	279	329	9	13	548	647
Amounts owed to subsidiaries**	399	1,022	-	-	(399)	(1,022)	-	-
Tax payables	8	130	5	31	(12)	(5)	1	156
Provisions	196	196	62	46	6	18	264	260
Other current liabilities	750	648	312	315	66	18	1,128	981
Total current liabilities	1,622	2,303	670	736	(272)	(970)	2,020	2,069
Total equity and liabilities	8,660	8,532	4,272	3,869	(1,861)	(1,472)	11,071	10,929
Invested capital***	6,610	6,448	1,256	1,145	203	238	8,069	7,831
Average invested capital	6,529	5,941	1,201	1,006	221	249	7,951	7,196
Additional information								
(DKK million)								
Revenue distributed geographically								
Europe	29%	31%	45%	43%	0%	0%	36%	36%
North America	50%	47%	38%	38%	0%	0%	45%	43%
Rest of world	21%	22%	17%	19%	0%	0%	19%	21%
Incurred development costs	(149)	(129)	(72)	(68)	-	(2)	(221)	(199)
Capitalized development costs	86	74	27	37	-	-	113	111
Amortization and depreciation of development costs**	(68)	(73)	(23)	(21)	-	-	(91)	(94)
Expensed development costs	(131)	(128)	(68)	(52)	-	(2)	(199)	(182)
EBITDA	276	244	124	116	(10)	(7)	390	353
Depreciation and software amortization	(28)	(26)	(9)	(9)	(8)	(7)	(45)	(42)
EBITA	248	218	115	107	(18)	(14)	345	311
EBITA margin	17.4%	17.2%	14.0%	14.0%	N/A	N/A	15.3%	15.3%
Number of employees, end of period	~4,550	~4,200	~1,000	~1,000	~75	~75	~5,625	~5,275

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

**Net amount

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

Note 3 – Incentive plans

As of June 30, 2016, the total number of outstanding warrants in GN Hearing was 16,866 (2.7% of the shares issued in GN Hearing). The total number of outstanding warrants in GN Audio was 10,465 (3.1% of the shares issued in GN Audio).

Note 4 – Shareholdings

On August 11, 2016, members of the board of directors and the executive management, respectively, own 486,160 and 83,400 shares in GN Store Nord.

On August 11, 2016, GN owns 7,669,290 treasury shares, equivalent to 4.95% of the 154,787,929 shares issued. At the annual general meeting on March 10, 2016, it was decided to reduce the company's nominal share capital from DKK 648,765,076 to nominally DKK 619,151,716 by cancelling part of the company's treasury shares at a nominal value of DKK 29,613,360 divided into 7,403,340 shares of DKK 4 each. The reduction was conducted on April 8, 2016.

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