Q2 Interim Report 2010

CONTINUED IMPROVEMENT IN REVENUE AND EBITA

In Q2, GN continued to see clear results of the comprehensive restructuring undertaken during 2009. Organic revenue growth was positive for the second consecutive quarter and ended at 3%. EBITA improved from DKK 2 million in Q2 2009 to DKK 113 million.

Fuelled by Unified Communications (UC), GN Netcom generated 8% organic revenue growth compared to the same quarter last year. Excluding the OEM business in Mobile Headsets, organic growth was 20%. Driven by the operational leverage resulting from revenue growth and the successful restructuring, GN Netcom reached a double-digit EBITA margin in Q2 at 10.5%. GN Netcom continues to launch innovative products and during the next few months, GN Netcom will expand the UC product portfolio with a UC-enabled speakerphone.

GN ReSound generated flat organic revenue growth compared to the same quarter last year and broke the negative organic growth seen during the last five quarters. EBITA was DKK 63 million, up from DKK 54 million last year. Based on the successful launch of the Surround Sound by ReSound™ featured products ReSound Live™ and dot² by ReSound™ in late 2009 combined with the ongoing global launch of ReSound Alera™, GN ReSound expects to outgrow the market in the second half of 2010. Initial customer response confirms that ReSound Alera™ is a groundbreaking advance in wireless hearing aids.

The ongoing end-to-end transformation of the GN ReSound manufacturing and supply chain is progressing as planned and, as announced, is expected to deliver up to DKK 200 million in cost reductions as a run rate by the end of 2011, coupled with improved quality and increased customer service levels.

Based on the performance of GN ReSound and GN Netcom during the first half of the year and the current macroeconomic environment, GN confirms the revenue and EBITA outlook provided in the Q1 Interim Report 2010.

HIGHLIGHTS

- Total revenue was DKK 1,286 million corresponding to 3% organic growth compared to Q2 2009.
- Total EBITA was DKK 113 million, up DKK 111 million compared to Q2 2009.
- GN Netcom revenue was DKK 495 million equivalent to organic growth of 8% and EBITA was DKK 52 million up from DKK (43) million last year. Excluding Mobile OEM, organic growth was 20%.
- GN ReSound's revenue was the highest since Q4 2008, DKK 789 million. Organic growth was flat and in line with expectations. Above market growth is still expected for the second half of 2010. EBITA was DKK 63 million, up from DKK 54 million last year.
- In the DPTG/TPSA arbitration proceedings, GN is awaiting a decision from the Arbitration Tribunal on DPTG's claim for phase 1 (1994 to mid-2004). The parties to the DPTG/TPSA arbitration proceedings have been informed by the Arbitration Tribunal in Vienna that a decision on the award will not be issued before September 2010 due to logistical reasons.
- On May 5, GN received the complete wording of the ruling in which the German Federal Supreme Court declared the decision made by the German Federal Cartel Office (Bundeskartellamt) on April 11, 2007 prohibiting the sale of GN ReSound to Sonova unlawful. GN will file a claim against the German Federal Cartel Office claiming compensation for the losses imposed on GN which as of July 2010 amount to around EUR 1 billion.
- In May, GN announced and completed a DKK 88 million share buyback program. The program was initiated in order to cover GN's long-term incentive program.
- GN aims to pay out a dividend corresponding to 15-25% of the annual net results and will initiate share buyback programs when deemed appropriate subject to the authorization of the Annual General Meeting of shareholders. It is GN's long-term target to maintain a capital structure consisting of a combination of debt and equity, subject to a net interest-bearing debt of up to a maximum of two times EBITDA.

FINANCIAL OVERVIEW Q2 2010

	GN Netcom		GN Resound		Consolidated total*	
(DKK million)	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Revenue	495	435	789	757	1,286	1,196
Organic growth	8%	(30)%	0%	(7)%	3%	(17)%
Gross margin	53%	42%	59%	61%	57%	54%
EBITA	52	(43)	63	54	113	2
EBITA margin	10.5%	(9.9)%	8.0%	7.1%	8.8%	0.2%
Free cash flow	82	59	(20)	74	78	89

*) "Other" is included in the total

GN NETCOM

As stated in the Annual Report for 2009, GN Netcom's focus for 2010 is top line growth while maintaining a strong grip on cost levels. These two focus areas continued to be clearly reflected in the results for Q2 2010 which showed solid organic revenue growth and a double-digit EBITA-margin.

In Q2 2010, GN Netcom generated revenue of DKK 495 million representing organic growth of 8% compared to Q2 2009. Excluding Mobile OEM, organic growth was 20%. As previously communicated, GN Netcom has deliberately discontinued or forgone low-margin OEM business and OEM revenue now constitutes less than 5% of total GN Netcom revenue.

On the important US market, GN Netcom continued to achieve significant double-digit organic growth of 40% compared to Q2 2009.

During the first half of 2010, GN Netcom delivered organic growth of 8%. This compares to the revenue outlook for the full year 2010 of "at least 5%". Based on the current uncertainty about the macroeconomic development in 2010, GN Netcom maintains the current revenue and EBITA outlook.

Driven by the operational leverage resulting from revenue growth and the continued cost focus, GN Netcom achieved a double-digit EBITA margin of 10.5% (DKK 52 million) in Q2 2010 compared to a negative EBITA margin of 9.9% (DKK (43) million) in Q2 2009.

GN Netcom's gross margin was 53% compared to 42% in Q2 2009. The improved gross margin shows that the new business model implemented during 2008-/09 as part of FAST is working as intended.

In Q2, operating expenses were DKK 211 million up from DKK 205 million in Q1 2010. The increase was mainly a result of the stronger USD.

Net working capital declined and was DKK 35 million at the end of Q2. Net working capital is expected to increase during the remaining part of 2010. Cash flow from operating and investing activities before financial items and tax was DKK 82 million against DKK 46 million in Q2 2009.

Revenue in CC&O Headsets was DKK 307 million corresponding to organic growth of 11% compared to Q2 2009 driven by accelerating deployment of UC.

As previously communicated, analysts predict that the CC&O market is expected to triple by 2014 from around USD 0.6 billion in 2009 to around USD 1.8 billion in 2014. This is based on the assumption that 50 million out of the 400 million office workers globally will be using UC and that 50% out of these UC users will use a headset as a communication device.

From the very start, GN Netcom has been the leader in the growing UC market. GN Netcom became the first to optimize a product for Microsoft Office Communicator (OCS) in 2007, and GN Netcom continues to be the market leader for OCS. GN Netcom has implemented a number of large UC installations globally and is also responsible for the single largest OCS end-user installation, totaling close to 100,000 headsets.

In Q2 2010 revenue from UC enabled products increased by more than 50% compared to Q2 2009.

GN Netcom is adding sales and marketing capacity in selected areas in order to capture the attractive UC opportunity.

In October, CC&O Headsets will expand the UC product portfolio through the launch of the speakerphone Jabra SPEAK™ 410 designed for office professionals using UC. The speakerphone is ideal for one-to-one and small-group conference calls and connects via a pc USB-port. The speakerphone delivers best-in-category audio performance with wideband sound and superior usability. First customer shipment is expected in mid-October.

Mobile Headsets generated revenue of DKK 188 million which equals organic growth of 4% compared to Q2 2009. Mobile Headsets reported significant double-digit organic growth for GN Netcom's own brand, Jabra.

In Q2, Mobile Headsets generated a break-even EBITA.

Mobile Headsets will launch a number of innovative products ahead of the Q4 season including an upgraded version of the speakerphone Jabra CRUISER as well as an upgraded version of the iconic mono headset Jabra STONE. During the next few months, Mobile Headsets will enter the market for corded mobile stereo headsets. The market for corded headsets has increased at double-digit rates during the last few quarters and now constitutes some 20% of the total handsfree market.

GN RESOUND

Revenue in GN ReSound improved in Q2 and broke the negative organic growth seen during the last five quarters. GN ReSound expects to outgrow the market in the second half of 2010 and therefore confirms the revenue outlook for 2010 provided in the Q1 Interim Report 2010. The growth will build on the successful launch of the Surround Sound by ReSound™ featured products ReSound Live™ and dot^2 by ReSound™ in late 2009 combined with the ongoing global launch of ReSound Alera™ and its corresponding Beltone True™ family.

Q2 revenue in GN ReSound was DKK 789 million corresponding to flat organic growth relative to the same quarter last year.

GN ReSound's gross margin was 59% compared to 61% in Q2 2009. The gross margin was negatively impacted by non-recurring cost of DKK 19 million related to the supply chain project. Excluding these non-recurring costs the gross margin was in line with last year.

EBITA for GN ReSound was DKK 63 million (EBITA margin of 8.0%) compared to DKK 54 million in Q2 2009 (EBITA margin of 7.1%). Excluding non-recurring costs the EBITA margin in Q2 2010 was 10.4%.

Cash flow from operating and investing activities before financial items and tax was DKK (8) million against DKK 104 million in Q2 2009. Working capital contributed negatively by DKK (59) million primarily driven by temporary inventory increases driven by launches of nano-coating and ReSound Alera™. Cash flow impact from investing activities was at DKK (82) million up from DKK (61) million in Q2 2009 and driven by investment in distribution as well as production technology/facilities.

Hearing Instruments generated revenue of DKK 705 million corresponding to flat organic growth. Audiologic Diagnostics Equipment generated revenue of DKK 84 million corresponding to organic growth of 3%.

GN ReSound is currently launching ReSound Alera™ worldwide. ReSound Alera™ employs the superior Surround Sound by ReSound™ technology, delivering unmatched audibility and sound quality. The new ReSound Range™ chip, with its extraordinary processing power, takes the advanced algorithms behind Surround Sound by ReSound™ to a new level. ReSound Alera™ is also the first hearing instrument featuring pioneering 2.4 GHz wireless technology, freeing the end-user from body worn accessories and enabling long-range, hassle-free wireless communication. Initial reactions from users and professionals alike validate all ReSound Alera™ key features:

- High immediate acceptance of sound quality and design
- Easy to use wireless accessories with no cables to wear or superfluous interfaces
- Intuitive software platform powered by the only direct wireless fitting tool available

As of August 1, GN ReSound has been added to the list of preferred suppliers to the National Health Service (NHS) in England. GN ReSound has previously supplied hearing aids to NHS without being a preferred supplier. NHS is the world's single largest contract in terms of volume.

GN ReSound continues to build up the relation to the US Veterans Affairs (VA) and the most recent sales figures show that GN ReSound increased the share of the total VA hearing instrument volume to 6% in Q2 2010 compared to 4% in Q2 2009 and 5% in Q1 2010. We have experienced attractive sales of the ReSound Live™ RIE (receiver-in-the-ear) products and the tinnitus products (products developed to offer relief to people suffering from tinnitus). Since May, GN ReSound has also expanded its offering in the important ITE (in-the-ear) segment with the improved ReSound Live™ line-up.

Early Q2, nano-coating was introduced and already now more than 90% of all BTE (behind-the-ear) hearing aids manufactured by GN ReSound come with a nano-layer of protective coating. The nano-coating process dramatically enhances the water resistance of the devices. Reliability and user experience are very positively impacted, resulting in higher satisfaction, reduced maintenance costs and increased brand value.

The ongoing end-to-end transformation of the GN ReSound manufacturing and supply chain is progressing as planned and is still expected to deliver up to DKK 200 million in cost reductions as a run-rate by the end of 2011, coupled with improved quality and increased customer service levels. A major milestone of this initiative was reached with the June opening of a new regional operations center in Oxford, UK. The center substitutes a number of local, European production sites and now supports the UK and all of Northern Europe and Germany with production of ITE hearing aids. Once completed, the transformation is expected to improve the EBITA-margin by 6-7%-points on unchanged revenue level.

OTHER ACTIVITIES & OTHER ISSUES

Dividend and Share Buyback Policy

GN announced in the Q1 Interim Report 2010, that a dividend and share buyback policy would be announced during the summer of 2010. GN's overall financial target is to deliver a competitive shareholder return through a combination of dividend payments and share price appreciation. GN aims to pay out a dividend corresponding to 15-25% of the annual net results and will initiate share buyback programs when deemed appropriate subject to the authorization of the Annual General Meeting of shareholders. Dividend payments and share buybacks are subject to among other things, cash requirements to support the ongoing operations, strategic opportunities and the capital structure.

As previously communicated, it is GN's long-term target to maintain a capital structure consisting of a combination of debt and equity, subject to a net interest-bearing debt of up to a maximum of two times EBITDA.

Based on the above-mentioned policy as well as the expected significant improvement in EBITA for GN Store Nord from DKK 8 million in 2009 to DKK 425-525 million in 2010, the Board of Directors plans to recommend the initiation of a share buyback program in addition to a dividend pay-out based on the net result for 2010. This should be seen as a testimony to the fact that the Board of Directors is getting increasingly confident with the turnaround of the company and that the company is well on the way towards renewed growth. Further information will be provided in connection with the proposals for the Annual General Meeting in 2011 at the latest.

The above-mentioned plans are based on the significant improvement in ongoing operations and certain assumptions about the macroeconomic conditions. The use of the potential proceeds from TPSA will be dealt with separately and as a one-time event.

Long-term Financial Targets

As mentioned in the Q1 Interim Report 2010, GN will announce its aspirations in regards to long-term financial targets during the fall of 2010.

Claim against the German Federal Cartel Office concerning the Prohibition of the Sale of GN ReSound to Sonova

On May 5, GN received the complete wording of the ruling in which the German Federal Supreme Court declared the decision made by the German Federal Cartel Office (Bundeskartellamt) on April 11, 2007 prohibiting the sale of GN ReSound to Sonova unlawful. GN will file a claim against the German Federal Cartel Office claiming compensation for the losses imposed on GN which as of July 2010 amount to around EUR 1 billion.

Arbitration Case against TPSA

In the DPTG/TPSA arbitration proceedings, GN is awaiting a decision from the Arbitration Tribunal on DPTG's claim for phase 1 (1994 to mid-2004). The parties to the DPTG/TPSA arbitration proceedings have been informed by the Arbitration Tribunal in Vienna that a decision on the award will not be issued before September 2010 due to logistical reasons.

OUTLOOK 2010 – EXCHANGE RATE DKK/USD 5.5

GN confirms the outlook provided in the Q1 Interim Report 2010:

	Revenue	EBITA	Amortization, finance etc.
GN Netcom	Organic growth is expected to be at least 5%	DKK 150-200 million	
GN ReSound	Positive organic growth	DKK 300-350 million	
Other		DKK ~ (30) million	
GN Store Nord	**Positive organic growth of 3-5%**	**DKK 425-525 million**	**DKK ~ (50) million**

Forward-looking Statements

The forward-looking statements in this interim report reflect management's current expectations for certain future events and financial results. Statements regarding 2010 are, of course, subject to risks and uncertainties which may result in material deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect. Factors that may cause actual results to deviate materially from expectations include but are not limited to general economic developments and developments in the financial markets; technological developments; changes and amendments to legislation and regulations on GN's markets; changes in demand for GN's products; competition; fluctuations in subcontractor supplies and development in ongoing litigation (including but not limited to class action and patent infringement litigation in the United States). This interim report should not be considered an offer to sell or buy securities in GN Store Nord A/S.

STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

The Board of Directors and the Executive Management have today discussed and approved the interim report for GN Store Nord A/S for the period April 1 – June 30, 2010 and for the period January 1 – June 30, 2010.

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 at June 30, 2010 and of the results of the Group's operations and cash flows for the period January 1 – June 30, 2010.

Further, in our opinion the 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, 2010

Board of Directors

Per Wold-Olsen Chairman	William E. Hoover, Jr. Deputy Chairman	Carsten Krogsgaard Thomsen
Jørgen Bardenfleth	René Svendsen-Tune	Wolfgang Reim
Leo Larsen	Nikolai Bisgaard	Jonas Prahl Jørgensen

Executive Management

Mogens Elsberg CEO, GN Netcom	Lars Viksmoen CEO, GN ReSound	Anders Boyer CFO, GN Store Nord & GN Netcom

CONTENTS OF THE Q2 INTERIM FINANCIAL STATEMENTS

Consolidated Financial Highlights*

(DKK million)	Q2 2010 (unaud.)	Q2 2009 (unaud.)	YTD 2010 (unaud.)	YTD 2009 (unaud.)	Total 2009 (aud.)
Income statement					
Revenue	1,286	1,196	2,460	2,394	4,729
Organic growth	3 %	(17)%	2 %	(18)%	(16)%
Operating profit (loss)	106	(6)	185	(79)	(23)
Financial items, net	(2)	(5)	(2)	(51)	(71)
Profit (loss) for the period	76	(3)	134	(101)	(70)
Development costs incurred	(115)	(111)	(224)	(236)	(449)
EBITDA	149	46	270	30	182
EBITA	113	2	199	(63)	8
Balance sheet					
Share capital	833	833	833	833	833
Equity	5,006	4,427	5,006	4,427	4,435
Total assets	7,827	7,499	7,827	7,499	7,135
Net working capital	967	1,041	967	1,041	862
Net interest-bearing debt	1,014	1,438	1,014	1,438	1,029
Cash flow					
Cash flow from operating activities (CFFO)	179	176	292	344	717
Cash flow from investing activities	(101)	(87)	(156)	(183)	(151)
Hereof:					
Development projects	(62)	(62)	(116)	(137)	(259)
Investments in property, plant and equipment	(27)	(12)	(40)	(22)	(50)
Total cash flow from operating and investing activities (free cash flow)	78	89	136	161	566
Key ratios					
Gross profit margin	57 %	54 %	56 %	53 %	54 %
EBITA margin	8.8 %	0.2 %	8.1 %	(2.6)%	0.2 %
Return on invested capital including goodwill (ROIC including goodwill)	2.2 %	0.0 %	4.0 %	(1.2)%	0.2 %
Return on equity	1.6 %	(0.1)%	2.8 %	(2.3)%	(1.6)%
Equity ratio	64 %	59 %	64 %	59 %	62 %
Net interest-bearing debt (average)/EBITDA	2.9	11.1	2.9	11.1	7.2
Key ratios per share					
Earnings per share, basic (EPS)	0.37	(0.01)	0.66	(0.50)	(0.34)
Earnings per share, fully diluted (EPS diluted)	0.37	(0.01)	0.65	(0.50)	(0.34)
Cash flow from operating activities per share (CFPS)	0.87	0.86	1.41	1.69	3.49
Cash flow from operating and investing activities per share	0.38	0.43	0.66	0.79	2.76
Share price at the end of the period	43	21	43	21	28
Other					
Number of employees, end of period	~4,375	~4,350	~4,375	~4,350	~4,150
Market capitalisation	8,727	4,278	8,744	4,278	5,704

Income Statement — Consolidated

(DKK million)	Q2 2010 (unaud.)	Q2 2009 (unaud.)	YTD 2010 (unaud.)	YTD 2009 (unaud.)	Full year 2009 (aud.)
Revenue	1,286	1,196	2,460	2,394	4,729
Production costs	(559)	(552)	(1,071)	(1,123)	(2,168)
Gross profit	**727**	**644**	**1,389**	**1,271**	**2,561**
Development costs	(106)	(106)	(219)	(213)	(418)
Selling and distribution costs	(396)	(356)	(744)	(741)	(1,401)
Management and administrative expenses	(125)	(186)	(251)	(396)	(769)
Other operating income	6	(2)	10	-	4
Operating profit (loss)	**106**	**(6)**	**185**	**(79)**	**(23)**
Gains (losses) on disposal of operations	-	-	-	-	93
Profit (loss) before financial items and tax	**106**	**(6)**	**185**	**(79)**	**70**
Share of profit (loss) in associates	-	-	-	-	1
Financial income	28	18	46	26	46
Financial expenses	(30)	(23)	(48)	(77)	(118)
Profit (loss) before tax	**104**	**(11)**	**183**	**(130)**	**(1)**
Tax on profit (loss)	(28)	8	(49)	29	(69)
Profit (loss) for the period	**76**	**(3)**	**134**	**(101)**	**(70)**
Earnings per share (EPS)					
Earnings per share (EPS)	0.37	(0.01)	0.66	(0.50)	(0.34)
Earnings per share, fully diluted (EPS diluted)	0.37	(0.01)	0.65	(0.50)	(0.34)
EBITA	**113**	**2**	**199**	**(63)**	**8**
Amortization of other intangible assets acquired in company acquisitions	(7)	(8)	(14)	(16)	(31)
Operating profit (loss)	**106**	**(6)**	**185**	**(79)**	**(23)**

Statement of Comprehensive Income — Consolidated

(DKK million)	Q2 2010 (unaud.)	Q2 2009 (unaud.)	YTD 2010 (unaud.)	YTD 2009 (unaud.)	Full year 2009 (aud.)
Profit (loss) for the period	**76**	**(3)**	**134**	**(101)**	**(70)**
Other comprehensive income					
Actuarial gains (losses)	-	-	-	-	17
Foreign exchange adjustments, etc.	374	(201)	594	10	(31)
Tax relating to other comprehensive income	(29)	15	(45)	(3)	(13)
Other comprehensive income for the period, net of tax	345	(186)	549	7	(27)
Total comprehensive income for the period	**421**	**(189)**	**683**	**(94)**	**(97)**

Balance Sheet

Consolidated

(DKK million)	June 30 2010 (unaud.)	March 31 2010 (unaud.)	Dec. 31 2009 (aud.)	June 30 2009 (unaud.)
Assets				
Intangible assets	4,175	3,912	3,762	3,820
Property, plant and equipment	471	462	470	505
Deferred tax assets	679	671	670	732
Other non-current assets	252	216	204	177
Total non-current assets	**5,577**	**5,261**	**5,106**	**5,234**
Inventories	428	386	375	460
Trade receivables	1,049	1,008	1,017	984
Tax receivable	30	29	30	19
Other receivables	534	486	459	596
Cash and cash equivalents	209	190	148	164
Assets classified as held for sale	-	-	-	42
Total current assets	**2,250**	**2,099**	**2,029**	**2,265**
Total assets	**7,827**	**7,360**	**7,135**	**7,499**
Equity and liabilities				
Equity	**5,006**	**4,684**	**4,435**	**4,427**
Bank loans	1,160	1,122	1,070	1,506
Other non-current liabilities	53	55	53	57
Pension obligations	75	68	64	79
Deferred tax liabilities	9	8	7	5
Provisions	79	72	147	57
Total non-current liabilities	**1,376**	**1,325**	**1,341**	**1,704**
Bank loans	63	55	107	102
Trade payables	373	308	338	253
Tax payable	34	31	40	-
Other payables	666	669	650	715
Provisions	309	288	224	246
Liabilities classified as held for sale	-	-	-	52
Total current liabilities	**1,445**	**1,351**	**1,359**	**1,368**
Total equity and liabilities	**7,827**	**7,360**	**7,135**	**7,499**

Consolidated Equity

(DKK million)	Share capital (shares of DKK 4 each)	Additional paid-in capital	Foreign exchange adjustments	Treasury shares	Retained earnings	Total equity
Balance at December 31, 2008	**833**	**3,369**	**(1,850)**	**(344)**	**2,499**	**4,507**
Profit (loss) for the period	-	-	-	-	(101)	(101)
Foreign exchange adjustments, etc.	-	-	10	-	-	10
Tax relating to other comprehensive income	-	-	(3)	-	-	(3)
Total comprehensive income for the period	-	-	7	-	(101)	(94)
Share-based payment (granted)	-	-	-	-	13	13
Purchase/sale of treasury shares and other equity instruments	-	-	-	-	1	1
Balance at June 30, 2009	**833**	**3,369**	**(1,843)**	**(344)**	**2,412**	**4,427**
Profit (loss) for the period	-	-	-	-	31	31
Actuarial gains (losses)	-	-	-	-	17	17
Foreign exchange adjustments, etc.	-	-	(41)	-	-	(41)
Tax relating to other comprehensive income	-	-	(1)	-	(9)	(10)
Total comprehensive income for the period	-	-	(42)	-	39	(3)
Share-based payment (granted)	-	-	-	-	11	11
Balance at December 31, 2009	**833**	**3,369**	**(1,885)**	**(344)**	**2,462**	**4,435**
Profit (loss) for the period	-	-	-	-	134	134
Foreign exchange adjustments, etc.	-	-	594	-	-	594
Tax relating to other comprehensive income	-	-	(45)	-	-	(45)
Total comprehensive income for the period	-	-	549	-	134	683
Share-based payment (granted)	-	-	-	-	9	9
Share-based payment (exercised)	-	(124)	-	156	-	32
Purchase/sale of treasury shares and other equity instruments	-	-	-	(153)	-	(153)
Balance at June 30, 2010	**833**	**3,245**	**(1,336)**	**(341)**	**2,605**	**5,006**

Cash Flow Statement

(DKK million)	Q2 2010 (unaud.)	Q2 2009 (unaud.)	YTD 2010 (unaud.)	YTD 2009 (unaud.)	Full year 2009 (aud.)
	Consolidated				
Operating activities					
Operating profit (loss)	106	(6)	185	(79)	(23)
Depreciation, amortization and impairment	90	103	185	215	412
Other adjustments	23	52	38	123	235
Cash flow from operating activities before changes in working capital	**219**	**149**	**408**	**259**	**624**
Changes in working capital and restructuring/non-recurring costs, paid	(32)	80	(94)	178	234
Cash flow from operating activities before financial items and tax	**187**	**229**	**314**	**437**	**858**
Financial items, net	(3)	(33)	(10)	(63)	(84)
Tax paid, net	(5)	(20)	(12)	(30)	(57)
Cash flow from operating activities	**179**	**176**	**292**	**344**	**717**
Investing activities					
Investments in intangible assets, net	(71)	(69)	(131)	(149)	(281)
Investments in property, plant and equipment, net	(25)	(10)	(38)	(19)	105
Investments in other non-current assets, net	(5)	-	(6)	-	(27)
Company acquisitions	-	(7)	-	(13)	(13)
Company disposals	-	-	19	-	78
Sale of disposed operations, including liabilities settled in connection with disposal of activities, etc.	-	(1)	-	(2)	(13)
Cash flow from investing activities	**(101)**	**(87)**	**(156)**	**(183)**	**(151)**
Cash flow from operating and investing activities (free cash flow)	**78**	**89**	**136**	**161**	**566**
Cash flow from financing activities	**(65)**	**(94)**	**(86)**	**(150)**	**(575)**
Net cash flow	**13**	**(5)**	**50**	**11**	**(9)**
Cash and cash equivalents beginning of period	190	177	148	154	154
Adjustment foreign currency, cash and cash equivalents	6	(2)	11	5	3
Cash and cash equivalents, end of period	209	170	209	170	148

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, 2010 GN Store Nord adopted the relevant new or revised International Financial Reporting Standards and IFRIC Interpretations as specified in note 35 in the Annual Report 2009. The main principles of the most relevant Standards and Interpretations are described below. The new or revised Standards and Interpretations did not affect recognition and measurement or result in changes to note disclosures.

IFRS 3 (Revised) Business Combinations changes the accounting for business combinations from a purchase price allocation approach towards a fair value measurement principle. The changed view in IFRS 3 has also resulted in changes in other related standards. In general the changed regulation has had the following main affects on GN's accounting policies regarding business combinations:

- Transaction costs incurred in connection with a business combination are no longer included in the acquisition accounting. Instead transaction costs are now expensed in the income statement.
- Contingent considerations are recognized and measured at fair value at the acquisition date. Subsequent changes in the fair value are recognized in the income statement. In the past changes in contingent considerations were adjusted in goodwill.
- When acquiring a controlling interest in steps, GN assesses the fair value of the acquired net assets at the time where control is obtained. At that time interests acquired previously are also adjusted to fair value. Difference between the fair value and the carrying amount is recognized in the income statement. Before goodwill was assessed at each acquisition and adjustments were recognized directly in equity.
- Acquisition of additional equity interest after a business combination are not accounted for using the acquisition method, but rather are accounted for as equity transactions. Disposals of equity interest while retaining control are also accounted for as equity transactions. Transactions resulting in a loss of control result in a gain or loss being recognized in the income statement.
- When acquiring less than 100% of the shares in a company, GN on a transaction-by-transaction basis elects to recognize 100% of the goodwill occurred or a proportion of goodwill in accordance with GN's ownership interest.
- Goodwill is no longer reduced for the subsequent recognition of deferred tax benefits acquired in a business combination that did not satisfy the criteria for recognition at the acquisition date. Now, after the measurement period has elapsed, any revision to deferred taxes is recognized in the income statement.

Apart from the changes described above, the accounting policies applied are unchanged from those applied in the annual report

Note 2 - Segment Disclosures

Income statement	GN Netcom		GN ReSound		Other*		Consolidated total	
	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2
	2010	2009	2010	2009	2010	2009	2010	2009
(DKK million)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)
Revenue	**495**	**435**	**789**	**757**	**2**	**4**	**1,286**	**1,196**
Production costs	(232)	(254)	(327)	(298)	-	-	(559)	(552)
Gross profit	**263**	**181**	**462**	**459**	**2**	**4**	**727**	**644**
Expensed development costs**	(35)	(35)	(69)	(70)	-	-	(104)	(105)
Selling and distribution costs**	(139)	(101)	(252)	(248)	-	-	(391)	(349)
Management and administrative expenses	(37)	(88)	(79)	(89)	(9)	(9)	(125)	(186)
Other operating income	-	-	1	2	5	(4)	6	(2)
EBITA	**52**	**(43)**	**63**	**54**	**(2)**	**(9)**	**113**	**2**
Amortization of other intangible assets acquired in company acquisitions	(2)	(2)	(5)	(6)	-	-	(7)	(8)
Operating profit (loss)	**50**	**(45)**	**58**	**48**	**(2)**	**(9)**	**106**	**(6)**
Financial items	(14)	11	9	(20)	3	4	(2)	(5)
Profit (loss) before tax	**36**	**(34)**	**67**	**28**	**1**	**(5)**	**104**	**(11)**
Tax on profit (loss)	(10)	19	(18)	(11)	-	-	(28)	8
Profit (loss)	**26**	**(15)**	**49**	**17**	**1**	**(5)**	**76**	**(3)**

Cash flow statement	GN Netcom		GN ReSound		Other*		Consolidated total	
	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2
	2010	2009	2010	2009	2010	2009	2010	2009
(DKK million)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)
Operating activities before changes in working capital	84	34	133	113	2	2	219	149
Cash flow from changes in working capital and restructuring/non-recurring costs paid	17	37	(59)	52	10	(9)	(32)	80
Cash flow from operating activities before financial items and tax	**101**	**71**	**74**	**165**	**12**	**(7)**	**187**	**229**
Cash flow from investing activities	(19)	(25)	(82)	(61)	-	(1)	(101)	(87)
Cash flow from operating and investing activities before financial items and tax	**82**	**46**	**(8)**	**104**	**12**	**(8)**	**86**	**142**
Tax and financial items	-	13	(12)	(30)	4	(36)	(8)	(53)
Cash flow from operating and investing activities (free cash flow)	**82**	**59**	**(20)**	**74**	**16**	**(44)**	**78**	**89**

Balance sheet	GN Netcom		GN ReSound		Other*		Consolidated total	
	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2
	2010	2009	2010	2009	2010	2009	2010	2009
(DKK million)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)
ASSETS								
Goodwill	485	426	2,506	2,225	-	-	2,991	2,651
Development projects	128	134	731	689	-	-	859	823
Other intangible assets	66	75	254	262	5	9	325	346
Property, plant and equipment	27	41	225	232	219	232	471	505
Other non-current assets	235	284	761	688	(65)	(63)	931	909
Total non-current assets	**941**	**960**	**4,477**	**4,096**	**159**	**178**	**5,577**	**5,234**
Inventories	91	128	337	332	-	-	428	460
Trade receivables	288	275	738	687	23	22	1,049	984
Receivables from subsidiaries***	358	155	-	-	(358)	(155)	-	-
Other receivables	36	55	494	377	34	183	564	615
Cash and cash equivalents	51	32	134	131	24	1	209	164
Assets classified as held for sale	-	-	-	42	-	-	-	42
Total current assets	**824**	**645**	**1,703**	**1,569**	**(277)**	**51**	**2,250**	**2,265**
Total assets	**1,765**	**1,605**	**6,180**	**5,665**	**(118)**	**229**	**7,827**	**7,499**
EQUITY AND LIABILITIES								
Equity	**1,223**	**1,168**	**3,520**	**2,852**	**263**	**407**	**5,006**	**4,427**
Bank loans	-	-	-	-	1,160	1,506	1,160	1,506
Other non-current liabilities	41	25	303	280	(128)	(107)	216	198
Total non-current liabilities	**41**	**25**	**303**	**280**	**1,032**	**1,399**	**1,376**	**1,704**
Bank loans	16	31	47	46	-	25	63	102
Trade payables	168	118	202	126	3	9	373	253
Amounts owed to subsidiaries***	-	-	1,454	1,641	(1,454)	(1,641)	-	-
Other current liabilities	317	263	654	668	38	30	1,009	961
Liabilities classified as held for sale	-	-	-	52	-	-	-	52
Total current liabilities	**501**	**412**	**2,357**	**2,533**	**(1,413)**	**(1,577)**	**1,445**	**1,368**
Total equity and liabilities	**1,765**	**1,605**	**6,180**	**5,665**	**(118)**	**229**	**7,827**	**7,499**

Note 2 – Segment Disclosures (continued)

Additional information	GN Netcom		GN ReSound		Other*		Consolidated total	
	Q2	Q2	Q2	Q2	Q2	Q2	Q2	Q2
	2010	2009	2010	2009	2010	2009	2010	2009
(DKK million)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)	(unaud.)
Revenue Distributed Geographically								
Europe	44%	48%	33%	40%	100%	100%	37%	43%
North America	45%	41%	42%	40%	0%	0%	43%	40%
Rest of world	11%	11%	25%	20%	0%	0%	20%	17%
Incurred development costs	(35)	(36)	(80)	(75)	-	-	(115)	(111)
Capitalized development costs	17	20	45	42	-	-	62	62
Amortization and depreciation of development costs**	(17)	(19)	(34)	(37)	-	-	(51)	(56)
Expensed development costs	**(35)**	**(35)**	**(69)**	**(70)**	**-**	**-**	**(104)**	**(105)**
EBITDA	61	(30)	86	79	2	(3)	149	46
Depreciation	(9)	(13)	(23)	(25)	(4)	(6)	(36)	(44)
EBITA	**52**	**(43)**	**63**	**54**	**(2)**	**(9)**	**113**	**2**
EBITA margin	10.5 %	(9.9)%	8.0 %	7.1 %	NA	NA	8.8 %	0.2 %
Number of employees, end of period	~825	~875	~3,525	~3,450	~25	~25	~4,375	~4,350

* "Other" comprises Group Shared Services, the Telegraph Company, GN Ejendomme and eliminations.
**Does not include share of amortization of other intangible assets acquired in company acquisitions, cf. the definition of EBITA.
***Net amount

Note 3 - Incentive Plans

There were a total of 790,792 outstanding share options (average strike price 69) at June 30, 2010, corresponding to 0.4% of the shares issued.

The total number of outstanding warrants in GN Netcom was 2,434 (7.8% of the number of shares). The total number of outstanding warrants in GN ReSound was 2,466 (4.1% of the number of shares).

Note 4 - Shareholdings

At August 11, 2010, members of the Board of Directors and the Executive Management, respectively, held 539,258 and 0 shares in GN.

At August 11, 2010, GN held 6,395,545 treasury shares, equivalent to 3.1% of the 208,360,263 shares issued. The holding covers mainly GN's long-term incentive programs.

The GN stock is 100% free float and the company has no dominant shareholders. ATP (the Danish Labour Market Supplementary Pension Fund) has reported an ownership interest in excess of 10% of GN's share capital whereas Marathon Asset Management LLP and Parvus Asset Management (UK) LLP has reported an ownership interest in excess of 5% of GN's share capital. Foreign ownership of GN is estimated at about 50%.