

GN delivered 3% organic growth in Q1 2020 with EBITA of DKK 300 million (DKK 439 million in Q1 2019)

- GN impacted at three levels from COVID-19, therefore guidance was withdrawn on April 3, 2020
- Leverage of 2.3 times net interest-bearing debt to EBITDA (2.3 times on March 31, 2019)
- Operating in both the hearing aid and audio space, and with no forward integration, is beneficial for the company during these challenging times

#### GN Store Nord

# 3%

organic growth

- GN delivered 3% organic revenue growth in Q1 2020. Revenue growth was 4% including 2% impact from the development in foreign exchange rates and -1% impact from M&A
- By the end of Q1 2020, GN had cash and cash equivalents of DKK 589 million and a net interest-bearing debt to EBITDA leverage ratio of 2.3 times. The balance sheet remains very sound with ample sources of liquidity

#### GN Hearing

# -14%

organic growth

- GN Hearing saw an accelerating impact from COVID-19 on the sale of hearing aids, particularly towards the end of the quarter. GN Hearing delivered an organic growth of -14% in Q1 2020. Revenue growth was -13% including 3% impact from the development in foreign exchange rates and -2% impact from M&A
- EBITA was DKK 55 million in Q1 2020, due to the development in revenue, more than offsetting short-term OPEX reductions
- Free cash flow excl. M&A was DKK -66 million in Q1 2020 compared to DKK -37 million in Q1 2019, which reflected the lower revenue and traditional seasonality

#### GN Audio

# 22%

organic growth

- GN Audio saw very strong Enterprise demand for home office products as enterprises of all sizes, and across various industries, prepared their employees for working from home due to COVID-19. Towards the end of Q1, GN Audio saw reduced demand for Consumer headsets due to the impact from COVID-19. GN Audio delivered an organic growth of 22% in Q1 2020. Revenue growth was 24%, including 1% impact from the development in foreign exchange rates and 1% impact from M&A
- EBITA increased by 49% to DKK 288 million in Q1 2020, driven by the strong revenue growth, on top of a negative gross margin impact from increased freight and production costs as a result of COVID-19 as well as tariffs
- Free cash flow excl. M&A was DKK -67 million in Q1 2020 compared to DKK 78 million in Q1 2019, which reflected the strong revenue growth impacting net working capital negatively

## Financial overview Q1 2020

DKK million	GN Hearing			GN Audio			GN Store Nord*		
	Q1 2020	Q1 2019	Growth	Q1 2020	Q1 2019	Growth	Q1 2020	Q1 2019	Growth
<b>Revenue</b>	<b>1,314</b>	<b>1,507</b>	<b>-13%</b>	<b>1,653</b>	<b>1,333</b>	<b>24%</b>	<b>2,967</b>	<b>2,840</b>	<b>4%</b>
Organic growth	-14%	8%		22%	36%		3%	19%	
<b>Gross profit</b>	<b>841</b>	<b>1,047</b>	<b>-20%</b>	<b>827</b>	<b>707</b>	<b>17%</b>	<b>1,668</b>	<b>1,754</b>	<b>-5%</b>
Gross profit margin	64.0%	69.5%	-5.5%p	50.0%	53.0%	-3.0%p	56.2%	61.8%	-5.6%p
<b>EBITA</b>	<b>55</b>	<b>282</b>	<b>-80%</b>	<b>288</b>	<b>193</b>	<b>49%</b>	<b>300</b>	<b>439</b>	<b>-32%</b>
EBITA margin	4.2%	18.7%	-14.5%p	17.4%	14.5%	+2.9%p	10.1%	15.5%	-5.4%p
<b>Earnings per share (EPS)</b>							<b>0.78</b>	<b>1.96</b>	<b>-60%</b>
Free cash flow excl. M&A	-66	-37	-29	-67	78	-145	-160	-13	-147

\* Including "Other"

# Financial highlights

DKK million	Q1 2020 (unaud.)	Q1 2019 (unaud.)	Full year 2019 (aud.)
<b>GN Hearing</b>			
Revenue	1,314	1,507	6,351
Revenue growth	-13%	10%	9%
Organic growth	-14%	8%	7%
Gross profit margin	64.0%	69.5%	69.0%
EBITA*	55	282	1,284
EBITA margin	4.2%	18.7%	20.2%
ROIC (EBITA/Average invested capital)	15%	18%	19%
Free cash flow excl. M&A	-66	-37	672
Cash conversion (Free cash flow excl. M&A/EBITA*)	-120%	-13%	52%
<b>GN Audio</b>			
Revenue	1,653	1,333	6,223
Revenue growth	24%	43%	30%
Organic growth	22%	36%	26%
Gross profit margin	50.0%	53.0%	51.5%
EBITA*	288	193	1,192
EBITA margin	17.4%	14.5%	19.2%
ROIC (EBITA/Average invested capital)	46%	48%	57%
Free cash flow excl. M&A	-67	78	849
Cash conversion (Free cash flow excl. M&A/EBITA*)	-23%	40%	71%
<b>GN Store Nord</b>			
Revenue	2,967	2,840	12,574
Revenue growth	4%	24%	19%
Organic growth	3%	19%	15%
Gross profit margin	56.2%	61.8%	60.3%
EBITA*	300	439	2,321
EBITA margin	10.1%	15.5%	18.5%
Profit (loss) before tax	139	342	1,913
Effective tax rate	23.7%	23.4%	23.3%
ROIC (EBITA/Average invested capital)	21%	22%	25%
Earnings per share, basic (EPS)	0.78	1.96	11.12
Earnings per share, fully diluted (EPS diluted)	0.78	1.92	10.98
Free cash flow excl. M&A	-160	-13	1,296
Cash conversion (Free cash flow excl. M&A/EBITA*)	-53%	-3%	56%
Equity ratio	29.8%	34.6%	29.1%
Net interest-bearing debt	6,063	5,162	5,303
Net interest-bearing debt (period-end)/EBITDA	2.3	2.3	2.0
Share buybacks**	453	743	1,626
Outstanding shares, end of period (thousand)	128,751	131,679	128,952
Average number of outstanding shares (thousand)	128,781	131,861	130,762
Average number of outstanding shares, fully diluted (thousand)	130,095	134,112	132,367
Treasury shares, end of period (thousand)	13,517	14,005	13,316
Share price at the end of the period	303.8	309.0	313.3
Market capitalization	39,115	40,689	40,401

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

\* Excluding gain (loss) on divestments of operations etc. and amortization of acquired intangible assets but including amortization of development projects and software developed in-house.

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

# GN Hearing

In Q1 2020, GN Hearing delivered an organic growth of -14% due to the accelerating impact from COVID-19 in the quarter

## Highlights Q1 2020

- GN Hearing saw an accelerating impact from COVID-19 on the sale of hearing aids, particularly towards the end of the quarter. GN Hearing delivered an organic growth of -14% in Q1 2020. Revenue growth was -13% including around 3% impact from the development in foreign exchange rates and around -2% impact from M&A
- EBITA was DKK 55 million in Q1 2020, due to the development in revenue, more than offsetting short-term OPEX reductions
- Free cash flow excl. M&A was DKK -66 million in Q1 2020 compared to DKK -37 million in Q1 2019, which reflected the lower revenue and traditional seasonality

## Revenue

GN Hearing saw an accelerating impact from COVID-19 on the sale of hearing aids, particularly towards the end of the quarter. GN Hearing delivered an organic growth of -14% in Q1 2020. Revenue growth was -13% including around 3% impact from the development in foreign exchange rates and around -2% impact from M&A.

In Q1 2020, GN Hearing was off to a good start in line with expectation across the world. As the COVID-19 pandemic spread globally, GN Hearing saw a gradual shut down of end markets, leading to negative organic growth in all GN Hearing's regions in Q1 2020. Whilst the quarter ended with North America and Europe delivering very low revenue levels, China and other Asian markets gradually began to re-open.

## Earnings and other financial highlights

Gross profit reached DKK 841 million in Q1 2020 compared to DKK 1,047 million in Q1 2019, which was a decrease of 20%. The gross margin was 64.0% in Q1 2020 compared to 69.5% in Q1 2019, which was a decrease of 5.5 percentage points, mainly due to extraordinary costs related to prudent measures arising from the development of the COVID-19 outbreak in order to swiftly minimize supply issues during the quarter.

GN Hearing's EBITA was DKK 55 million in Q1 2020 compared to DKK 282 million in Q1 2019, which was a decrease of 80%. The EBITA margin was 4.2% in Q1 2020 compared to 18.7% in Q1 2019, as the lower revenue level impacted cost coverage and more than offset the short-term OPEX reductions initiated by the end of the quarter.

As the impact from COVID-19 worsened over the quarter, GN Hearing implemented appropriate operational and expense related actions to adapt to the new reality.

The return on invested capital (ROIC) was 15% in Q1 2020, compared to 18% in Q1 2019, driven by the decrease in EBITA due to COVID-19.

Free cash flow excl. M&A was DKK -66 million in Q1 2020 compared to DKK -37 million in Q1 2019, which reflected the lower revenue and traditional seasonality.

## Business highlights

In January, GN Hearing suspended operations at its Xiamen, China production site due to COVID-19, but the site was fully operational again during February.

On February 27, GN Hearing launched multiple new ReSound hearing solutions, ReSound Enzo Q™ as well as an extension to the ReSound LiNX Quattro™ family, based on a powerful chip platform, which offers impressive sound quality, connectivity and customer care for people with all types of hearing loss.

ReSound Enzo Q™ heralds a new and complete hearing solution, based on the remarkable chip platform of the market leading ReSound LiNX Quattro product family. Available in High Power and Super Power models, this new solution offers a 100% speed increase, 30% more computing power, 20% less power consumption and 100% more memory compared to its predecessor ReSound ENZO 3D™. Customers can enjoy a 60% average improvement in hearing speech in front of them in noisy environments, which is a major challenge for people with hearing loss. The result is the ability to hear high frequency sounds, better speech intelligibility and all-round listening, and just-right volume and noise reduction.

The successful ReSound LiNX Quattro™ was expanded to include four new hearing aids. This popular range now offers three new BTE hearing aids and a mini RIE model, which are eagerly anticipated by people with mild-to-severe hearing loss. These hearing aids offer the renowned ReSound LiNX Quattro sound quality, comfort, ease of use and aesthetically pleasing design.

GN Hearing's renowned connectivity leadership is expanded to offer ReSound Assist Live, which is an innovative new feature of the popular ReSound Assist customer care solution that delivers a heightened level of customer experience and business support for hearing care professionals. In the context of COVID-19, the launch of ReSound Assist Live enables a new, ground-breaking way to access end-to-end hearing care, including the ability to conduct hearing tests in the home of

the users utilizing the hearing aids as enabler, which is reducing the need for in-office visits at a time when older, more vulnerable populations are advised to stay at home.

### **Market development**

The market growth experienced in Q1 2020 was significantly impacted by COVID-19. We expect the fundamentals of the markets to return when the impact of the virus is behind us. For the coming years, GN Hearing estimates the annual market growth to be around 4 - 6% in volumes with annual ASP decline of around 1 - 2%.

### **Outlook 2020**

The COVID-19 situation has and will not only strongly impact GN Hearing's operational performance in 2020, but it will also impact predictability and visibility across markets, partners and channels. Therefore, GN Hearing withdrew its financial guidance for 2020 on April 3, 2020.

*“The year initially was off to a good start, but recent developments related to the COVID-19 pose challenges on demand as people are restricted to stay at home, which significantly impacted our Q1 performance, and we now expect Q2 to be even more severely impacted by COVID-19. On this background, we have accelerated the launch of ReSound Assist Live, which was made available in key markets on April 2, 2020. This technology enables a new, groundbreaking way to access hearing care by reducing the need for in-office visits at a time when older, more vulnerable populations are advised to stay at home.”*

Gitte Aabo, CEO of GN Hearing

# GN Audio

With 22% organic revenue growth GN Audio delivered another outstanding quarter in a turbulent Q1 2020

## Highlights Q1 2020

- GN Audio saw very strong Enterprise demand for home office products as enterprises of all sizes, and across various industries, prepared their employees for working from home due to COVID-19. Towards the end of Q1, GN Audio saw reduced demand for Consumer headsets due to the impact from COVID-19. GN Audio delivered an organic growth of 22% in Q1 2020. Revenue growth was 24%, including about 1% impact from the development in foreign exchange rates and about 1% impact from M&A
- EBITA increased by 49% to DKK 288 million in Q1 2020, driven by the strong revenue growth, on top of a negative gross margin impact from increased freight and production costs as a result of COVID-19 as well as tariffs
- Free cash flow excl. M&A was DKK -67 million in Q1 2020 compared to DKK 78 million in Q1 2019, which reflected the strong revenue growth impacting net working capital

## Revenue

GN Audio saw very strong Enterprise demand for home office products as enterprises of all sizes, and across various industries, prepared their employees for working from home due to COVID-19. Towards the end of Q1, GN Audio saw reduced demand for Consumer headsets due to retail shops in general being closed; GN Audio's fast change towards online channels limited the impact. GN Audio delivered an organic growth of 22% in Q1 2020. Revenue growth was 24%, including about 1% impact from the development in foreign exchange rates and about 1% impact from M&A.

GN Audio's Enterprise business continued to deliver strong double-digit organic revenue growth across Europe, North America and Rest of world, reflecting GN Audio's innovative world leading product portfolio as well as strong execution on its commercial excellence initiatives. As a result, GN Audio continues to strengthen its leading position across the entire Enterprise market with significant market share gains.

## Earnings and other financial highlights

GN Audio's gross profit reached DKK 827 million in Q1 2020 compared to DKK 707 million in Q1 2019, which was an increase of 17%. The gross margin was 50.0% in Q1 2020 compared to 53.0% in Q1 2019, largely due to increased freight and production costs due to COVID-19, tariffs and FX, more than offsetting positive mix effects.

GN Audio's EBITA was DKK 288 million in Q1 2020 compared to DKK 193 million in Q1 2019, which was an increase of 49%. The EBITA margin was 17.4% in Q1 2020 compared to 14.5%

in Q1 2019. Excluding the transaction related costs associated with the Altia acquisition in Q1 2019, the EBITA margin decreased 0.5 percentage points due to the lower gross margin.

The return on invested capital (ROIC) was 46% in Q1 2020 compared to 48% in Q1 2019 driven by continued strong growth in EBITA, but more than offset by the increase in invested capital due to the appreciating USD.

In Q1 2020, the free cash flow excl. M&A was DKK -67 million, compared to DKK 78 million in Q1 2019, which reflected the strong revenue growth impacting net working capital negatively and traditional seasonality.

## Business highlights

Following the outbreak of the COVID-19, GN Audio's sub-contractors extended holidays following the Chinese New Year in line with recommendations by local authorities. As a result, GN Audio experienced difficulties serving immediate demand beyond own inventories. During the quarter the production capacity generally improved and is currently at full capacity.

On March 30, GN Audio announced its new groundbreaking Evolve2 range, the next generation of the Evolve range, its best-selling and market leading UC headset to enhance productivity in the office. The range consists of the Evolve2 85, Evolve2 65, and Evolve2 40 and is engineered to transform concentration, collaboration and flexibility in the workplace. By blocking out more noise, providing better voice clarity, bringing distributed teams together, giving people the power to work from anywhere, and monitoring data to enable intelligent decision-making, the Evolve2 is the new standard to elevate office and work-at-home productivity to new heights. The headsets work with all leading UC platforms as well as being certified for Microsoft Teams.

On January 6, GN Audio announced Jabra MySound, an innovative new technology by Jabra and sister company GN Hearing, which will be available from Q2 2020. MySound was created to optimize and personalize sound experiences based on individual hearing profiles. MySound enables users to tailor an audio play book based on their unique hearing profile, thus delivering a truly individualized audio experience.

On January 6, GN Audio launched the Elite Active 75t earbuds – the active lifestyle edition of the recently announced Elite 75t earbuds. Like the original, the Active version brings the same great calls and music that is now expected from Jabra

but is optimized for work-out and fitness use. The Active edition is enhanced for durability and is the latest in Jabra's winning portfolio of true wireless earbuds. The Jabra Elite Active 75t is 22 per cent smaller than its predecessor, the award-winning Elite Active 65t. Built with a durable coating providing optimized grip, the earbuds are also dust and sweat resistant, while simultaneously extending battery life by 89 per cent (up to 28 hours).

### **Market development**

In Q1 2020, the demand in GN Audio's core addressable market was strong, driven by the immediate need for home office products to keep enterprises running during the COVID-19 crisis.

We expect that attractive market fundamentals for GN Audios' core addressable market remain when the impact of the virus is behind us. For the coming years, GN Audio estimates the annual market growth to be around 10% in value when assuming a stable macro environment.

### **Outlook 2020**

The COVID-19 situation has and will not only impact GN Audio's operational performance in 2020, but it will also impact predictability and visibility across markets, partners and channels. Therefore, GN Audio withdrew its financial guidance for 2020 on April 3, 2020.

*"Based on GN Audio's swift response to the growing demand in the second half of Q1 2020, as companies prepare for employees working from home, GN Audio delivered 22% organic growth in Q1 2020. At the same time, the production output has gradually recovered. GN Audio expects the current high demand to continue into Q2 2020, as companies establish new ways of working. Beyond this current exceptional demand, the global uncertainties allow GN Audio very limited visibility beyond Q2 on both the supply and demand side."*

René Svendsen-Tune, CEO of GN Audio

# GN Store Nord

## Highlights Q1 2020

- GN was affected at three levels from COVID-19 during Q1 2020: (i) production, (ii) supply of components from subcontractors, and (iii) various impacts on demand as consumers stayed at home, and as enterprises prepared employees for working from home
- GN delivered 3% organic revenue growth in Q1 2020. Revenue growth was 4% including about 2% impact from the development in foreign exchange rates and about -1% impact from M&A
- By the end of Q1 2020, GN had cash and cash equivalents of DKK 589 million and a net interest-bearing debt to EBITDA leverage ratio of 2.3 times. The balance sheet remains very sound with ample sources of liquidity
- GN withdrew financial guidance for 2020 on April 3, 2020, where preliminary Q1 2020 revenue was also reported

## COVID-19

GN was affected at three levels from COVID-19 during Q1 2020: (i) production, (ii) supply of components from subcontractors, and (iii) various demand as consumers stayed at home, and as enterprises prepared employees for working from home.

We strongly believe that the fundamentals of the company are solid and that the business will “return to normality” when the impact of the virus is safely behind us. The impact of the virus obviously impacts GN Hearing in a completely different way compared to GN Audio, and we see that having the two businesses under one roof as a position of strength for the company at this time.

## Revenue

GN delivered 3% organic revenue growth in Q1 2020 and delivered revenue of DKK 2,967 million compared to DKK 2,840 million in Q1 2019. Revenue growth was 4% including about 2% impact from the development in foreign exchange rates and about -1% impact from M&A.

## Earnings and other financial highlights

EBITA in Other amounted to DKK -43 million in Q1 2020, compared to DKK -36 million in Q1 2019. GN Store Nord's EBITA reached DKK 300 million in Q1 2020 compared to DKK 439 million in Q1 2019, reflecting a decrease of 32%. As a result, the EBITA margin was 10.1% in Q1 2020 compared to 15.5% in Q1 2019, due to the impact from COVID-19 on revenue and production costs on top of prudent general cost control.

In Q1 2020, amortization of acquired intangible assets amounted to DKK -50 million compared to DKK -42 million in Q1 2019. Gain on divestment of operations etc. was DKK 1 million in Q1 2020 compared to DKK 0 million in Q1 2019.

Financial items was DKK -111 million in Q1 2020 compared to DKK -53 million in Q1 2019 driven by a negative non-cash contribution from foreign exchange adjustments of certain balance sheet items from the appreciating USD. In Q1 2020, share of loss in associates was DKK -1 million compared to DKK -2 million in Q1 2019.

The profit before tax was DKK 139 million in Q1 2020 compared to DKK 342 million in Q1 2019, which was a decrease of 59%. The effective tax rate was 23.7%, translating into a net profit of DKK 106 million in Q1 2020 compared to DKK 262 million in Q1 2019, which was a decrease of 60%.

The free cash flow excl. M&A was DKK -160 million in Q1 2020 compared to DKK -13 million in Q1 2019. This equals a cash conversion of -53% in Q1 2020 compared to -3% in Q1 2019.

Earnings per share (EPS) was DKK 0.78 in Q1 2020 compared to DKK 1.96 in Q1 2019, which was a decrease of 60%.

By the end of Q1 2020, equity in GN Store Nord amounted to DKK 4,594 million compared to DKK 4,869 million in Q1 2019, which was a decrease of 6%. The decrease was driven by the continued execution of the share buyback program finalized on March 9, 2020, as well as the ordinary dividend payment on top of net profits during the period.

## Capital structure

By the end of Q1 2020, GN had cash and cash equivalents of DKK 589 million and a net interest-bearing debt to EBITDA leverage ratio of 2.3 times. The balance sheet remains very sound with ample sources of liquidity.

In Q1 2020, GN distributed DKK 356 million to shareholders through share buybacks and dividends. In March 2020, GN paid out DKK 206 million in dividends (DKK 1.45 per share) in respect of the financial year 2019 as approved at the Annual General Meeting in 2020.

As previously communicated, GN has a long-term capital structure target of a net interest-bearing debt between one and two times EBITDA. By the end of Q1 2020, the net interest-bearing debt amounted to DKK 6,063 million, corresponding to 2.3 times EBITDA – similar to the level at the end of Q1 2019. The increase in net interest-bearing debt was driven by the concluded share buyback program, the ordinary dividend payments and the normal seasonality in cash flows.

To preserve a strong balance sheet, GN postponed share buybacks (program intended to be initiated following the approvals by the annual general meeting on March 11, 2020), until better visibility into the consequences of the COVID-19 is achieved (see company announcement no. 24 of April 3,

2020). To sustain further flexibility for general corporate purposes, the Board of Directors has decided that the planned capital decrease by way of cancellation of 4,171,390 shares, as approved at the Annual General Meeting in March 2020, will not be finally concluded for the time being.

In the last couple of years, GN has proactively diversified its funding profile. The different sources of financing now available to GN include the convertible bond market (via the listed convertible bond), traditional bonds (via the Euro Medium-Term Note program), the Euro Commercial Paper Program, bilateral loans from EIB and NIB, uncommitted bank facilities including overdraft lines as well as immediate access to an undrawn revolving credit facility of DKK 2 billion. GN considers this debt funding flexibility, in addition to the equity market access as a listed company, important for navigating the current uncertain capital markets.

#### **Claim against Plantronics Inc.**

In 2012, GN Audio filed suit against Plantronics for attempted monopolization of the distributors' market in the United States. On October 18, 2017, a jury in the Federal District Court of Delaware ruled in favor of Plantronics as the jury did not find that Plantronics' behavior in the market had been unlawful. GN appealed the ruling and won a re-trial in the US Court of Appeals for the Third Circuit on July 10, 2019. A subsequent petition by Plantronics for re-hearing of the appellate court decision was denied on August 8, 2019. GN is currently preparing the re-trial and due to the Covid-19 outbreak, the case has recently been re-scheduled for trial commencing September 29, 2020.

#### **Foreign exchange exposure**

GN has hedged a substantial part of the expected net cash-flow in foreign currencies to secure the EBITA contribution of the material trading currencies for the next 12 months across both GN Hearing and GN Audio.

#### **Subsequent events**

As stated in the announcement on April 3, 2020, operational and expense related actions have been taken in response to the impact from COVID-19 on GN. We are continuously assessing the developments, and additional prudent and diligent actions will be taken as needed going forward. Consequently, extensive cost improvement measures have been initiated and executed on. As part of these initiatives Executive Management and the leadership team of GN Hearing and GN Audio are taking a temporary voluntary salary reduction of 10% and so is the Board of Directors.

#### **Outlook 2020**

The COVID-19 situation has and will not only impact GN's operational performance in 2020, but it will also impact predictability and visibility across markets, partners and channels. Therefore, GN withdrew its financial guidance for 2020 on April 3, 2020.

*"We face the current adverse market conditions with a very sound balance sheet and ample sources of liquidity. As such, we have a solid foundation to face the financial challenges ahead of us."*

Marcus Desimoni, CFO of GN Store Nord



# Additional information

## Teleconference

GN will host a teleconference at 11.00 am CET on April 29, 2020. 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

Interim Report Q2 2020:	August 19, 2020
Meet the Management:	September 28, 2020
Interim Report Q3 2020:	November 11, 2020

## 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.

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

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# GN strategy 2020\* and beyond

GN will continue enabling people to Hear More, Do More and Be More, driven by innovation leadership and commercial & eco-system excellence. Specifically, in the years ahead, GN will increasingly leverage synergies between both divisions and drive growth by delivering uniquely and increasingly individualized customer experiences in products and solutions

Utilizing the synergies derived from GN's hearing and audio technologies and expertise, the Group is now able to significantly improve and personalize customers' hearing and listening experiences. Enabling a whole new level of individualization, GN will continue to deliver industry-leading innovation that addresses real life challenges for people with hearing loss, for businesses seeking productivity gains and for audio consumers looking for experiences beyond what can be delivered today.

GN's strategy for 2020 and beyond is to take individualized customer experience to a whole new level, and:

- further broaden the reach and appeal of GN's hearing and audio product portfolios, where management sees ample opportunities for continued growth
- as new market segments open up, leverage GN's technological expertise and commercial platform, where these provide a particular competitive advantage.

## Our focus going forward

GN's core technology capabilities have successfully taken the company to where it is today. Going forward, the company will stay true to our technology foundation and pursue to take our innovation and technology excellence to the next level.

We will do this via a much deeper understanding of our customers' true needs. We will aspire to develop much improved individualized products that will serve individual customers even better. Furthermore, we aim to take our commercial and operational execution to the next level.

We see great opportunities to leverage the skill-sets in our two operating companies to drive further synergies and to become even more relevant to our customers.

And we will add adjacent acquisitions where we see opportunities and synergies.

## GN Store Nord

In the mid-term, GN will continue to invest in growth through innovation to deliver double-digit organic growth rates. We expect to continue delivering a strong EBITA margin in line with existing levels and competition, and to deliver double-digit growth in earnings per share.

GN expects to maintain a conservative capital structure policy of net interest-bearing debt to EBITDA of 1.0 - 2.0x, where excess liquidity will be distributed to shareholders through share buybacks and dividends.



INDIVIDUALIZED  
CUSTOMER EXPERIENCE



INNOVATION LEADERSHIP



COMMERCIAL &  
ECOSYSTEM EXCELLENCE



Engagement  
& focus



Lean  
& efficient



Sustainability

\*) 2020 financial guidance (announced on February 5, 2020) did not include any impact from the COVID-19 outbreak. On April 3, 2020, the 2020 financial guidance was withdrawn

## Mid-term targets

DKK million	Organic revenue growth	EBITA margin	Growth in EPS
GN Hearing	>market growth <sup>1</sup>	>20%	
GN Audio	>market growth <sup>2</sup>	>20%	
GN Store Nord	>10%		>10%

1) In the mid-term, GN Hearing expects the global hearing aid market to continue to grow at around 4-6% in units with an ASP decline of around 1-2% annually

2) In the mid-term, GN Audio expects its markets to continue to grow at around 10% annually

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## Financial statements

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## Quarterly reporting by segment

DKK million	Q1 2019 (unaud.)	Q2 2019 (unaud.)	Q3 2019 (unaud.)	Q4 2019 (unaud.)	Q1 2020 (unaud.)	Full year 2019 (aud.)
<b>Income statement</b>						
<b>Revenue</b>						
GN Hearing	1,507	1,585	1,537	1,722	1,314	6,351
GN Audio	1,333	1,466	1,462	1,962	1,653	6,223
<b>Total</b>	<b>2,840</b>	<b>3,051</b>	<b>2,999</b>	<b>3,684</b>	<b>2,967</b>	<b>12,574</b>
<b>Organic growth</b>						
GN Hearing	8%	8%	8%	4%	-14%	7%
GN Audio	36%	26%	20%	24%	22%	26%
<b>Total</b>	<b>19%</b>	<b>16%</b>	<b>13%</b>	<b>13%</b>	<b>3%</b>	<b>15%</b>
<b>Gross profit</b>						
GN Hearing	1,047	1,090	1,053	1,190	841	4,380
GN Audio	707	745	775	975	827	3,202
<b>Total</b>	<b>1,754</b>	<b>1,835</b>	<b>1,828</b>	<b>2,165</b>	<b>1,668</b>	<b>7,582</b>
<b>Gross profit margin</b>						
GN Hearing	69.5%	68.8%	68.5%	69.1%	64.0%	69.0%
GN Audio	53.0%	50.8%	53.0%	49.7%	50.0%	51.5%
<b>Total</b>	<b>61.8%</b>	<b>60.1%</b>	<b>61.0%</b>	<b>58.8%</b>	<b>56.2%</b>	<b>60.3%</b>
<b>Development costs</b>						
GN Hearing	-134	-130	-132	-131	-149	-527
GN Audio	-91	-92	-96	-112	-110	-391
Other *	-16	-19	-14	-14	-22	-63
<b>Total</b>	<b>-241</b>	<b>-241</b>	<b>-242</b>	<b>-257</b>	<b>-281</b>	<b>-981</b>
<b>Selling and distribution costs and administrative expenses etc.</b>						
GN Hearing	-631	-661	-638	-639	-637	-2,569
GN Audio	-423	-385	-389	-422	-429	-1,619
Other *	-20	-25	-21	-26	-21	-92
<b>Total</b>	<b>-1,074</b>	<b>-1,071</b>	<b>-1,048</b>	<b>-1,087</b>	<b>-1,087</b>	<b>-4,280</b>
<b>EBITA</b>						
GN Hearing	282	299	283	420	55	1,284
GN Audio	193	268	290	441	288	1,192
Other *	-36	-44	-35	-40	-43	-155
<b>Total</b>	<b>439</b>	<b>523</b>	<b>538</b>	<b>821</b>	<b>300</b>	<b>2,321</b>
<b>EBITA margin</b>						
GN Hearing	18.7%	18.9%	18.4%	24.4%	4.2%	20.2%
GN Audio	14.5%	18.3%	19.8%	22.5%	17.4%	19.2%
<b>Total</b>	<b>15.5%</b>	<b>17.1%</b>	<b>17.9%</b>	<b>22.3%</b>	<b>10.1%</b>	<b>18.5%</b>
<b>Depreciation and software amortization</b>						
GN Hearing	-46	-47	-48	-48	-47	-189
GN Audio	-23	-24	-26	-30	-28	-103
Other *	-17	-20	-23	-28	-29	-88
<b>Total</b>	<b>-86</b>	<b>-91</b>	<b>-97</b>	<b>-106</b>	<b>-104</b>	<b>-380</b>
<b>EBITDA</b>						
GN Hearing	328	346	331	468	102	1,473
GN Audio	216	292	316	471	316	1,295
Other *	-19	-24	-12	-12	-14	-67
<b>Total</b>	<b>525</b>	<b>614</b>	<b>635</b>	<b>927</b>	<b>404</b>	<b>2,701</b>
<b>EBITA</b>						
Amortization of acquired intangible assets	-42	-57	-151	-48	-50	-298
Gain (loss) on divestment of operations etc.	-	1	-3	-19	1	-21
<b>Operating profit (loss)</b>	<b>397</b>	<b>467</b>	<b>384</b>	<b>754</b>	<b>251</b>	<b>2,002</b>
Share of profit (loss) in associates	-2	-5	5	5	-1	3
Financial items, net	-53	-64	62	-37	-111	-92
<b>Profit (loss) before tax</b>	<b>342</b>	<b>398</b>	<b>451</b>	<b>722</b>	<b>139</b>	<b>1,913</b>
Tax on profit (loss)	-80	-93	-106	-166	-33	-445
<b>Profit (loss)</b>	<b>262</b>	<b>305</b>	<b>345</b>	<b>556</b>	<b>106</b>	<b>1,468</b>
<b>Balance sheet</b>						
<b>Development projects</b>						
GN Hearing	948	967	987	1,029	1,058	1,029
GN Audio	319	324	333	361	377	361
Other *	-25	-24	-22	-21	-19	-21
<b>Total</b>	<b>1,242</b>	<b>1,267</b>	<b>1,298</b>	<b>1,369</b>	<b>1,416</b>	<b>1,369</b>
<b>Inventories</b>						
GN Hearing	509	541	562	535	580	535
GN Audio	493	539	611	771	585	771
<b>Total</b>	<b>1,002</b>	<b>1,080</b>	<b>1,173</b>	<b>1,306</b>	<b>1,165</b>	<b>1,306</b>
<b>Trade receivables</b>						
GN Hearing	1,294	1,254	1,235	1,282	1,095	1,282
GN Audio	1,014	1,174	1,056	1,527	1,477	1,527
<b>Total</b>	<b>2,308</b>	<b>2,428</b>	<b>2,291</b>	<b>2,809</b>	<b>2,572</b>	<b>2,809</b>
<b>Net working capital</b>						
GN Hearing	940	886	804	861	927	861
GN Audio	592	578	433	488	765	488
Other *	-110	-110	-160	-74	-142	-74
<b>Total</b>	<b>1,422</b>	<b>1,354</b>	<b>1,077</b>	<b>1,275</b>	<b>1,550</b>	<b>1,275</b>
<b>Free cash flow excl. M&amp;A</b>						
GN Hearing	-37	290	289	130	-66	672
GN Audio	78	232	329	210	-67	849
Other *	-54	-50	-55	-66	-27	-225
<b>Total</b>	<b>-13</b>	<b>472</b>	<b>563</b>	<b>274</b>	<b>-160</b>	<b>1,296</b>
<b>Acquisitions and divestments of companies</b>						
	-653	-37	-12	-	-29	-702
<b>Free cash flow</b>	<b>-666</b>	<b>435</b>	<b>551</b>	<b>274</b>	<b>-189</b>	<b>594</b>

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

## Consolidated income statement

(DKK million)	Q1 2020 (unaud.)	Q1 2019 (unaud.)	Full Year 2019 (aud.)
Revenue	2,967	2,840	12,574
Production costs	-1,299	-1,086	-4,992
<b>Gross profit</b>	<b>1,668</b>	<b>1,754</b>	<b>7,582</b>
Development costs	-281	-241	-981
Selling and distribution costs	-837	-812	-3,359
Management and administrative expenses	-259	-264	-918
Other operating income and costs, net	9	2	-3
<b>EBITA*</b>	<b>300</b>	<b>439</b>	<b>2,321</b>
Amortization of acquired intangible assets	-50	-42	-298
Gain (loss) on divestment of operations etc.	1	-	-21
<b>Operating profit (loss)</b>	<b>251</b>	<b>397</b>	<b>2,002</b>
Share of profit (loss) in associates	-1	-2	3
Financial income	23	55	355
Financial expenses	-134	-108	-447
<b>Profit (loss) before tax</b>	<b>139</b>	<b>342</b>	<b>1,913</b>
Tax on profit (loss)	-33	-80	-445
<b>Profit (loss) for the period</b>	<b>106</b>	<b>262</b>	<b>1,468</b>
<b>Attributable to:</b>			
Non-controlling interests	5	4	14
Shareholders in GN Store Nord A/S	101	258	1,454
<b>Earnings per share (EPS):</b>			
Earnings per share (EPS)	0.78	1.96	11.12
Earnings per share, fully diluted (EPS diluted)	0.78	1.92	10.98

\* Excluding gain (loss) on divestments of operations etc. and amortization of acquired intangible assets but including amortization of development projects and software developed in-house.

## Consolidated statement of comprehensive income

(DKK million)	Q1 2020 (unaud.)	Q1 2019 (unaud.)	Full Year 2019 (aud.)
<b>Profit (loss) for the period</b>	<b>106</b>	<b>262</b>	<b>1,468</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gains (losses)	-8	2	17
Tax relating to this item of other comprehensive income	-	-	-5
<b>Items that may be reclassified subsequently to profit or loss</b>			
Adjustment of cash flow hedges	41	4	21
Foreign exchange adjustments, etc.	78	141	161
Tax relating to these items of other comprehensive income	-	-5	-11
<b>Other comprehensive income for the period, net of tax</b>	<b>111</b>	<b>142</b>	<b>183</b>
<b>Total comprehensive income for the period</b>	<b>217</b>	<b>404</b>	<b>1,651</b>
<b>Attributable to:</b>			
Non-controlling interests	5	4	14
Shareholders in GN Store Nord A/S	212	400	1,637

## Consolidated balance sheet at March 31

(DKK million)	Mar. 31 2020 (unaud.)	Dec. 31 2019 (aud.)	Sep. 30 2019 (unaud.)	Jun. 30 2019 (unaud.)
<b>Assets</b>				
Intangible assets	7,485	7,422	7,536	7,446
Property, plant and equipment	1,098	1,076	1,050	1,039
Deferred tax assets	423	423	385	372
Other non-current assets	1,605	1,572	1,528	1,263
<b>Total non-current assets</b>	<b>10,611</b>	<b>10,493</b>	<b>10,499</b>	<b>10,120</b>
Inventories	1,165	1,306	1,173	1,080
Trade receivables	2,572	2,809	2,291	2,428
Tax receivables	155	58	102	55
Other receivables	347	289	234	240
Cash and cash equivalents	589	1,728	475	268
<b>Total current assets</b>	<b>4,828</b>	<b>6,190</b>	<b>4,275</b>	<b>4,071</b>
<b>Total assets</b>	<b>15,439</b>	<b>16,683</b>	<b>14,774</b>	<b>14,191</b>
<b>Equity and liabilities</b>				
<b>Equity</b>	<b>4,594</b>	<b>4,849</b>	<b>4,700</b>	<b>4,466</b>
Bank loans and issued bonds	5,357	5,345	3,926	3,919
Lease liabilities, non-current	370	357	355	354
Pension obligations	33	26	55	55
Provisions, non-current	90	92	259	253
Deferred tax liabilities	552	552	401	490
Other non-current liabilities	517	507	441	444
<b>Total non-current liabilities</b>	<b>6,919</b>	<b>6,879</b>	<b>5,437</b>	<b>5,515</b>
Bank loans	792	1,197	1,306	1,236
Lease liabilities, current	133	132	133	137
Trade payables	710	1,058	802	810
Tax payables	83	66	210	82
Provisions, current	384	431	367	361
Other current liabilities	1,824	2,071	1,819	1,584
<b>Total current liabilities</b>	<b>3,926</b>	<b>4,955</b>	<b>4,637</b>	<b>4,210</b>
<b>Total equity and liabilities</b>	<b>15,439</b>	<b>16,683</b>	<b>14,774</b>	<b>14,191</b>

## Consolidated statement of cash flow

(DKK million)	Q1 2020 (unaud.)	Q1 2019 (unaud.)	Full Year 2019 (aud.)
<b>Operating activities</b>			
Operating profit (loss)	251	397	2,002
Depreciation, amortization and impairment	273	221	1,074
Other non-cash adjustments	-7	37	92
<b>Cash flow from operating activities before changes in working capital</b>	<b>517</b>	<b>655</b>	<b>3,168</b>
Changes in working capital	-241	-260	-312
<b>Cash flow from operating activities before financial items and tax</b>	<b>276</b>	<b>395</b>	<b>2,856</b>
Financial items, net	-78	-23	-166
Tax paid, net	-112	-187	-483
<b>Cash flow from operating activities</b>	<b>86</b>	<b>185</b>	<b>2,207</b>
<b>Investing activities</b>			
Development projects	-164	-110	-544
Investments in other intangible assets, net	-25	-21	-171
Investments in property, plant and equipment, net	-53	-54	-232
Investments in other non-current assets, net	-4	-13	36
Company acquisitions	-30	-653	-704
Company divestments	1	-	2
<b>Cash flow from investing activities</b>	<b>-275</b>	<b>-851</b>	<b>-1,613</b>
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>-189</b>	<b>-666</b>	<b>594</b>
<b>Financing activities</b>			
Paid dividends	-187	-178	-178
Share-based payment (exercised)	168	209	271
Purchase/sale of treasury shares and other equity instruments	-453	-743	-1,626
Net proceeds from issue of bonds (bond-with-warrant units)	-	-	2,272
Net proceeds from issue of warrants (bond-with-warrant units)	-	-	204
Repurchase of bonds issued in 2017	-	-	-1,632
Repurchase of warrants issued in 2017	-	-	-604
Net proceeds from issue of Eurobonds	-	-	1,630
Increase/decrease in bank loans and other adjustments	-471	1,009	157
<b>Cash flow from financing activities</b>	<b>-943</b>	<b>297</b>	<b>494</b>
<b>Net cash flow</b>	<b>-1,132</b>	<b>-369</b>	<b>1,088</b>
Cash and cash equivalents beginning of period	1,728	636	636
Adjustment foreign currency, cash and cash equivalents	-7	6	4
<b>Cash and cash equivalents, end of period</b>	<b>589</b>	<b>273</b>	<b>1,728</b>

## Consolidated statement of equity

Q1 2019 (DKK million)	Other reserves				Proposed dividends for the year	Retained earnings	Equity, shareholders in GN Store Nord A/S	Non-controlling interests	Total equity
	Share capital*	Foreign exchange adjustments	Hedging reserve	Treasury shares					
<b>Balance at December 31, 2018</b>	<b>583</b>	<b>-1,065</b>	<b>-27</b>	<b>-2,585</b>	<b>197</b>	<b>7,993</b>	<b>5,096</b>	<b>-</b>	<b>5,096</b>
Profit (loss) for the period	-	-	-	-	-	258	258	4	262
Actuarial gains (losses)	-	-	-	-	-	2	2	-	2
Adjustment of cash flow hedges	-	-	4	-	-	-	4	-	4
Foreign exchange adjustments, etc.	-	141	-	-	-	-	141	-	141
Tax relating to other comprehensive income	-	-4	-1	-	-	-	-5	-	-5
Total comprehensive income for the period	-	137	3	-	-	260	400	4	404
Share-based payment (granted)	-	-	-	-	-	7	7	-	7
Share based payment (exercised)	-	-	-	223	-	22	245	-	245
Tax related to share-based incentive plans	-	-	-	-	-	41	41	-	41
Purchase/sale of treasury shares	-	-	-	-743	-	-	-743	-	-743
Reclassification of non-controlling interests by recognizing a put option liability	-	-	-	-	-	1	1	-4	-3
Paid dividends	-	-	-	-	-178	-	-178	-	-178
Dividends, treasury shares	-	-	-	-	-19	19	-	-	-
<b>Balance at March 31, 2019</b>	<b>583</b>	<b>-928</b>	<b>-24</b>	<b>-3,105</b>	<b>-</b>	<b>8,343</b>	<b>4,869</b>	<b>-</b>	<b>4,869</b>
Q1 2020 (DKK million)									
<b>Balance at December 31, 2019</b>	<b>569</b>	<b>-910</b>	<b>-11</b>	<b>-3,424</b>	<b>206</b>	<b>8,419</b>	<b>4,849</b>	<b>-</b>	<b>4,849</b>
Profit (loss) for the period	-	-	-	-	-	101	101	5	106
Actuarial gains (losses)	-	-	-	-	-	-8	-8	-	-8
Adjustment of cash flow hedges	-	-	41	-	-	-	41	-	41
Foreign exchange adjustments, etc.	-	78	-	-	-	-	78	-	78
Total comprehensive income for the period	-	78	41	-	-	93	212	5	217
Share-based payment (granted)	-	-	-	-	-	12	12	-	12
Share-based payment (exercised)	-	-	-	192	-	-24	168	-	168
Purchase/sale of treasury shares	-	-	-	-453	-	-	-453	-	-453
Reclassification of non-controlling interests by recognizing a put option liability	-	-	-	-	-	-7	-7	1	-6
Paid dividends	-	-	-	-	-187	-	-187	-6	-193
Dividends, treasury shares	-	-	-	-	-19	19	-	-	-
<b>Balance at March 31, 2020</b>	<b>569</b>	<b>-832</b>	<b>30</b>	<b>-3,685</b>	<b>-</b>	<b>8,512</b>	<b>4,594</b>	<b>-</b>	<b>4,594</b>

\* shares of DKK 4 each



## 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.

### **New standards, interpretations and amendments adopted by GN Store Nord**

As of January 1, 2020, GN Store Nord adopted all relevant new or revised International Financial Reporting Standards and IFRIC Interpretations with effective date January 1, 2020 or earlier. The new or revised Standards and Interpretations did not affect recognition and measurement or result in any material changes to disclosures. Apart from this, the accounting policies applied are unchanged from those applied in the Annual Report 2019.

## Note 2 – Segment disclosures Q1 2020

Income statements	GN Hearing		GN Audio		Other**		Consolidated total	
	Q1 2020 (unaud.)	Q1 2019 (unaud.)	Q1 2020 (unaud.)	Q1 2019 (unaud.)	Q1 2020 (unaud.)	Q1 2019 (unaud.)	Q1 2020 (unaud.)	Q1 2019 (unaud.)
(DKK million)								
Revenue	1,314	1,507	1,653	1,333	-	-	2,967	2,840
Production costs	-473	-460	-826	-626	-	-	-1,299	-1,086
<b>Gross profit</b>	<b>841</b>	<b>1,047</b>	<b>827</b>	<b>707</b>	<b>-</b>	<b>-</b>	<b>1,668</b>	<b>1,754</b>
Development costs	-149	-134	-110	-91	-22	-16	-281	-241
Selling and distribution costs	-490	-493	-347	-319	-	-	-837	-812
Management and administrative expenses	-146	-142	-92	-102	-21	-20	-259	-264
Other operating income and costs, net	-1	4	10	-2	-	-	9	2
<b>EBITA*</b>	<b>55</b>	<b>282</b>	<b>288</b>	<b>193</b>	<b>-43</b>	<b>-36</b>	<b>300</b>	<b>439</b>
Amortization of acquired intangible assets	-30	-37	-20	-5	-	-	-50	-42
Gain (loss) on divestment of operations etc.	-	-	1	-	-	-	1	-
<b>Operating profit (loss)</b>	<b>25</b>	<b>245</b>	<b>269</b>	<b>188</b>	<b>-43</b>	<b>-36</b>	<b>251</b>	<b>397</b>
Share of profit (loss) in associates	-1	-2	-	-	-	-	-1	-2
Financial items	-89	-21	-13	-4	-9	-28	-111	-53
<b>Profit (loss) before tax</b>	<b>-65</b>	<b>222</b>	<b>256</b>	<b>184</b>	<b>-52</b>	<b>-64</b>	<b>139</b>	<b>342</b>
Tax on profit (loss)	15	-49	-60	-43	12	12	-33	-80
<b>Profit (loss) for the period</b>	<b>-50</b>	<b>173</b>	<b>196</b>	<b>141</b>	<b>-40</b>	<b>-52</b>	<b>106</b>	<b>262</b>

Cash flow statement	GN Hearing		GN Audio		Other**		Consolidated total	
	Q1 2020 (unaud.)	Q1 2019 (unaud.)	Q1 2020 (unaud.)	Q1 2019 (unaud.)	Q1 2020 (unaud.)	Q1 2019 (unaud.)	Q1 2020 (unaud.)	Q1 2019 (unaud.)
(DKK million)								
<b>Operating activities before changes in working capital</b>	<b>176</b>	<b>397</b>	<b>356</b>	<b>281</b>	<b>-15</b>	<b>-23</b>	<b>517</b>	<b>655</b>
Cash flow from changes in working capital	-27	-134	-282	-140	68	14	-241	-260
<b>Cash flow from operating activities excluding financial items and tax</b>	<b>149</b>	<b>263</b>	<b>74</b>	<b>141</b>	<b>53</b>	<b>-9</b>	<b>276</b>	<b>395</b>
Cash flow from investing activities:								
Development projects	-102	-72	-62	-38	-	-	-164	-110
Other	-53	-65	-16	-651	-42	-25	-111	-741
<b>Cash flow from operating and investing activities before financial items and tax</b>	<b>-6</b>	<b>126</b>	<b>-4</b>	<b>-548</b>	<b>11</b>	<b>-34</b>	<b>1</b>	<b>-456</b>
Tax and financial items	-89	-175	-63	-15	-38	-20	-190	-210
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>-95</b>	<b>-49</b>	<b>-67</b>	<b>-563</b>	<b>-27</b>	<b>-54</b>	<b>-189</b>	<b>-666</b>
Cash flow from M&A activities	-29	-12	-	-641	-	-	-29	-653
<b>Free cash flow excl. M&amp;A</b>	<b>-66</b>	<b>-37</b>	<b>-67</b>	<b>78</b>	<b>-27</b>	<b>-54</b>	<b>-160</b>	<b>-13</b>

Additional information	GN Hearing		GN Audio		Other**		Consolidated total	
	Q1 2020 (unaud.)	Q1 2019 (unaud.)	Q1 2020 (unaud.)	Q1 2019 (unaud.)	Q1 2020 (unaud.)	Q1 2019 (unaud.)	Q1 2020 (unaud.)	Q1 2019 (unaud.)
(DKK million)								
Revenue distributed geographically								
Denmark	32	37	53	42	-	-	85	79
Europe	349	342	748	627	-	-	1,097	969
North America	678	804	515	408	-	-	1,193	1,212
Rest of World	255	324	337	256	-	-	592	580
<b>Revenue</b>	<b>1,314</b>	<b>1,507</b>	<b>1,653</b>	<b>1,333</b>	<b>-</b>	<b>-</b>	<b>2,967</b>	<b>2,840</b>
Incurred development costs	-176	-140	-124	-93	-23	-20	-323	-253
Capitalized development costs	102	72	62	38	-	-	164	110
Amortization, impairment and depreciation of development projects***	-75	-66	-48	-36	1	4	-122	-98
<b>Expensed development costs</b>	<b>-149</b>	<b>-134</b>	<b>-110</b>	<b>-91</b>	<b>-22</b>	<b>-16</b>	<b>-281</b>	<b>-241</b>
EBITDA	102	328	316	216	-14	-19	404	525
Depreciation and software amortization	-47	-46	-28	-23	-29	-17	-104	-86
<b>EBITA*</b>	<b>55</b>	<b>282</b>	<b>288</b>	<b>193</b>	<b>-43</b>	<b>-36</b>	<b>300</b>	<b>439</b>
EBITA margin	4.2%	18.7%	17.4%	14.5%	N/A	N/A	10.1%	15.5%
Number of employees, end of period	-4,450	-4,575	-1,725	-1,425	-225	-175	-6,400	-6,175

\* Excluding gain (loss) on divestments of operations etc. and amortization of acquired intangible assets but including amortization of development projects and software developed in-house.

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

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

## Note 2 – Segment disclosures Q1 2020 (Continued)

Balance sheet	GN Hearing		GN Audio		Other*		Consolidated total	
	Mar. 31 2020 (unaud.)	Mar. 31 2019 (unaud.)	Mar. 31 2020 (unaud.)	Mar. 31 2019 (unaud.)	Mar. 31 2020 (unaud.)	Mar. 31 2019 (unaud.)	Mar. 31 2020 (unaud.)	Mar. 31 2019 (unaud.)
(DKK million)								
<b>ASSETS</b>								
Goodwill	3,592	3,537	1,224	1,205	-	-	4,816	4,742
Development projects	1,058	948	377	319	-19	-25	1,416	1,242
Other intangible assets	513	768	445	520	295	232	1,253	1,520
Property, plant and equipment	556	618	281	185	261	229	1,098	1,032
Investments in associates	232	86	-	-	27	30	259	116
Deferred tax assets	317	275	163	121	-57	-22	423	374
Loans to dispensers and ownership interests	943	895	-	-	-	-	943	895
Other financial assets	403	258	-	-	-	-	403	258
<b>Total non-current assets</b>	<b>7,614</b>	<b>7,385</b>	<b>2,490</b>	<b>2,350</b>	<b>507</b>	<b>444</b>	<b>10,611</b>	<b>10,179</b>
Inventories	580	509	585	493	-	-	1,165	1,002
Trade receivables	1,095	1,294	1,477	1,014	-	-	2,572	2,308
Receivables from group companies**	-	-	690	870	-690	-870	-	-
Tax receivables	130	46	42	3	-17	-14	155	35
Other receivables	156	142	85	48	106	65	347	255
Cash and cash equivalents	176	132	174	83	239	58	589	273
<b>Total current assets</b>	<b>2,137</b>	<b>2,123</b>	<b>3,053</b>	<b>2,511</b>	<b>-362</b>	<b>-761</b>	<b>4,828</b>	<b>3,873</b>
<b>Total assets</b>	<b>9,751</b>	<b>9,508</b>	<b>5,543</b>	<b>4,861</b>	<b>145</b>	<b>-317</b>	<b>15,439</b>	<b>14,052</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>6,378</b>	<b>6,651</b>	<b>3,496</b>	<b>3,335</b>	<b>-5,280</b>	<b>-5,117</b>	<b>4,594</b>	<b>4,869</b>
Bank loans and issued bonds	-	-	-	-	5,357	3,248	5,357	3,248
Lease liabilities, non-current	234	279	94	47	42	38	370	364
Pension obligations	28	54	5	-	-	-	33	54
Provisions, non-current	77	179	13	94	-	-	90	273
Deferred tax liabilities	240	196	184	164	128	137	552	497
Other non-current liabilities	385	308	132	74	-	-	517	382
<b>Total non-current liabilities</b>	<b>964</b>	<b>1,016</b>	<b>428</b>	<b>379</b>	<b>5,527</b>	<b>3,423</b>	<b>6,919</b>	<b>4,818</b>
Bank loans	2	-	-	4	790	1,687	792	1,691
Lease liabilities, current	89	86	33	40	11	6	133	132
Trade payables	232	217	437	429	41	53	710	699
Amounts owed to group companies**	1,106	403	-	-	-1,106	-403	-	-
Tax payables	41	88	87	6	-45	-88	83	6
Provisions, current	267	259	117	134	-	-	384	393
Other current liabilities	672	788	945	534	207	122	1,824	1,444
<b>Total current liabilities</b>	<b>2,409</b>	<b>1,841</b>	<b>1,619</b>	<b>1,147</b>	<b>-102</b>	<b>1,377</b>	<b>3,926</b>	<b>4,365</b>
<b>Total equity and liabilities</b>	<b>9,751</b>	<b>9,508</b>	<b>5,543</b>	<b>4,861</b>	<b>145</b>	<b>-317</b>	<b>15,439</b>	<b>14,052</b>
<b>Invested capital***</b>	<b>7,245</b>	<b>7,268</b>	<b>2,962</b>	<b>2,593</b>	<b>395</b>	<b>326</b>	<b>10,602</b>	<b>10,187</b>
<b>Average invested capital</b>	<b>7,257</b>	<b>6,728</b>	<b>2,778</b>	<b>2,033</b>	<b>361</b>	<b>310</b>	<b>10,396</b>	<b>9,071</b>

\* "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 March 31, 2020, the total number of outstanding warrants in GN Hearing was 4,504 (0.7% of the shares issued in GN Hearing). The total number of outstanding warrants in GN Audio was 4,720 (1.4% of the shares issued in GN Audio). The total number of outstanding options in GN Store Nord is 1,458,169 (1.0% of the shares issued in GN Store Nord)

**Note 4 – Shareholdings**

On March 31, 2020, members of the board of directors and the executive management, respectively, own 298,525 and 91,778 shares in GN Store Nord.

On March 31, 2020, GN owns 13,517,327 treasury shares, equivalent to 9.5% of the 142,268,100 shares issued.

The GN stock is 100% free float, and the company has no dominant shareholders. APG Asset Management N.V. and NN Group 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%.

# Statement by the Executive Management and the Board of Directors

Today, the board of directors and the executive management have reviewed and approved the interim report for GN Store Nord A/S for the period January 1 – March 31, 2020.

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

In our opinion, the interim report gives a true and fair view of the group's assets, liabilities and financial position at

March 31, 2020 and of the results of the group's operations and cash flows for the period January 1 – March 31, 2020.

Further, in our opinion the executive management's review gives a true and fair view of the development in the group's operations and financial matters, the results of the group for the period and the group's financial position as a whole, and describes the significant risks and uncertainties pertaining to the group.

Ballerup, April 29, 2020

## Executive Management

**René Svendsen-Tune**  
CEO, GN Store Nord & GN Audio

**Gitte Aabo**  
CEO, GN Hearing

**Marcus Desimoni**  
CFO, GN Store Nord & GN Hearing

## Board of Directors

**Per Wold-Olsen**  
Chairman

**Jukka Pekka Pertola**  
Deputy Chairman

**Wolfgang Reim**

**Ronica Wang**

**Hélène Barnekov**

**Montserrat Maresch Pascual**

**Anette Weber**

**Leo Larsen**

**Marcus Stuhr Perathoner**

**Morten Andersen**



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