



Announcement no. 2

February 10, 2022

Annual Report 2021: Navigating rough waters, part II GN Hearing 16%, GN Audio 22%, GN Store Nord 20% organic revenue growth

Financial highlights 2021

- GN delivered DKK 15.8 billion revenue with organic revenue growth of 20%
- EBITA of DKK 2.7 billion and EPS was DKK 13.90 (excluding transaction related costs)
- Free cash flow excl. M&A was DKK 702 million and net interest-bearing debt was 1.8x EBITDA

2021 was yet again an extraordinary year for GN Store Nord. The COVID-19 pandemic continued to affect GN in different ways. GN Hearing faced repeated challenges in different parts of the world, while GN Audio continued to grow strongly as to fundamental demand. For GN overall and for our customers and partners, it was still navigating rough and ever-changing waters. While navigating best possible through varying degrees of restrictions and lockdowns, disrupted global supply chains, employees' and customers' health and well-being, we also used 2021 to begin redefining GN to enter the company's next phase.

The market fundamentals for GN's two central business pillars – the core hearing business and the core audio business – are as strong as ever before. A constantly growing number of people need hearing care as well as professional audio and video solutions for digital collaboration. Additional to GN's core hearing and audio business, there are great imminent market and growth potential for the new high-end gaming business, the hearing protection business, and the new emerging business opportunities in the online hearing care market.

GN Hearing's organic revenue growth in 2021 was 16%, with an EBITA margin of 12.1%. GN Hearing experienced a temporary setback in 2021 following the delay in key product launches and consequently the projected growth was postponed with some months. However, the fundamental innovation capabilities are intact and the hearing portfolio currently available in the market combined with the planned launches in Q1-Q3 2022 will allow GN Hearing to regain above market growth in 2022.

For GN Audio, the business has elevated to a substantially higher revenue base and 2021 organic revenue growth was 22%, with an EBITA-margin of 21.2% excluding transaction related costs of DKK 45 million. In the second half of 2021, the global supply situation became more challenging impacting supply of certain components across industries. As a consequence, GN Audio experienced a negative impact on sales and ended the year with a significant order backlog. GN Audio continues to experience strong demand and benefit from significant shifts in work patterns, not only in the traditional enterprise business, but increasingly also with collaboration tools for governments, education, health, and deskless workers at large.

Financial highlights 2021:

DKK million	GN Hearing			GN Audio			GN Store Nord*		
	2021	2020	Growth	2021	2020	Growth	2021	2020	Growth
Revenue	5,332	4,725	13%	10,443	8,724	20%	15,775	13,449	17%
Organic growth	16%	-24%		22%	42%		20%	9%	
Gross profit	3,400	2,905	17%	5,282	4,393	20%	8,682	7,298	19%
Gross margin	63.8%	61.5%	+2.3%p	50.6%	50.4%	+0.2%p	55.0%	54.3%	+0.7%p
EBITA	643	41	1,468%	2,209***	1,888**	17%	2,664***	1,752**	52%
EBITA margin	12.1%	0.9%	+11.2%p	21.2%***	21.6%**	-0.4%p	16.9%***	13.0%**	+3.9%p
Earnings per share (EPS) - DKK							13.90***	9.72	43%
Free cash flow excl. M&A	198	127	56%	1,288	1,729	-26%	702	1,865	-62%

* Including "Other", ** Excluding gain of DKK 114 million from legal settlements and litigation

*** Excluding transaction related costs of DKK 45 million associated with the acquisition of SteelSeries

Financial highlights Q4 2021

- GN Store Nord delivered a revenue of DKK 4.1 billion in Q4 2021 and an organic revenue growth of -2%. EBITA (excluding transaction related costs) was DKK 651 million, equal to an EBITA margin of 15.9%
- GN Hearing delivered 4% revenue growth in Q4 2021 and an organic revenue growth of 2%. EBITA was DKK 219 million, equal to an EBITA margin of 15.3%, reflecting the market recovery and prudent cost management
- GN Audio delivered -1% revenue growth in Q4 2021 and organic revenue growth was -4%, reflecting a high absolute revenue level, but with sales being negatively impacted by the global supply situation. EBITA (excluding transaction related costs) ended at DKK 475 million, equal to an EBITA margin of 17.8% reflecting continued investments in future growth opportunities

Financial highlights Q4 2021:

DKK million	GN Hearing			GN Audio			GN Store Nord*		
	Q4 2021	Q4 2020	Growth	Q4 2021	Q4 2020	Growth	Q4 2021	Q4 2020	Growth
Revenue	1,429	1,378	4%	2,671	2,706	-1%	4,100	4,084	0%
Organic growth	2%	-16%		-4%	43%		-2%	15%	
Gross profit	908	873	4%	1,316	1,318	0%	2,224	2,191	2%
Gross margin	63.5%	63.4%	+0.1%p	49.3%	48.7%	+0.6%p	54.2%	53.6%	+0.6%p
EBITA	219	153	43%	475**	642	-26%	651**	746	-13%
EBITA margin	15.3%	11.1%	+4.2%p	17.8%**	23.7%	-5.9%p	15.9%**	18.3%	-2.4%p
Earnings per share (EPS) - DKK							3.50**	4.09	-14%
Free cash flow excl. M&A	-61	263	NA	198	625	-68%	-279	896	NA

* Including "Other"

** Excluding transaction related costs of DKK 31 million associated with the acquisition of SteelSeries

Shareholder returns – dividend and share buyback proposal

In 2021, GN distributed in total DKK 1,354 million back to shareholders through share buybacks and dividends. In order to deleverage following the announcement of the acquisition of SteelSeries, GN paused its share buyback program in October 2021, a program which was initiated in May 2021 and amounted to DKK 1,148 million before pausing. New share buyback programs are not



considered before GN is back within its target leverage profile of one to two times net-interest-bearing debt to EBITDA.

At the Annual General Meeting on March 9, 2022, the Board of Directors will propose to pay out DKK 1.55 per share in dividend for the fiscal year 2021 (equivalent to a total dividend of DKK 214 million), an increase of 7% compared to the dividend for the fiscal year 2020.

Financial guidance for 2022

GN Hearing

In 2022, GN Hearing expects to grow faster than the projected market growth of 4-6% volume growth and -1% to -2% ASP decline, with an organic revenue growth between 5-10%. Non-recurring items primarily related to investments in the supply chain in the magnitude of DKK ~ -150 million are expected in 2022 in order to restore profitability. For the core hearing aid business, the EBITA margin is expected to be ~14% for 2022 excluding non-recurring items. In the Emerging Business (including the Lively acquisition and further investments into the digital space), GN Hearing will continue to invest, and with the expected strong revenue growth, the EBITA impact is expected at DKK ~ -190 million.

The GN Hearing financial guidance is based on the following assumptions:

- Revenue in core hearing aid business: Q1 2022 organic revenue growth to be low-single digit. H2 2022 organic revenue growth to be high-single digit following key product launches with extension of the ReSound ONE platform in H1 2022 and a new platform launch in Q3 2022
- EBITA in core hearing aid business: Q1 2022 EBITA margin to be low-single digit (excluding non-recurring items) with a gradual improvement in the three remaining quarters towards 20% by Q4 2022
- Non-recurring items: DKK ~ -150 million in EBITA investments primarily in the supply chain

GN Audio

In 2022, GN Audio expects to grow significantly faster than the market. The current situation around the global supply situation is expected to impact the market growth especially in the first half of the year. Given the global supply situation, GN Audio's organic revenue growth for 2022 is expected to be >5%, while the organic revenue growth for SteelSeries is expected to be >10% (will be treated as M&A growth in the reported revenue). For GN Audio, the EBITA margin is expected to be ~20% for 2022 excluding non-recurring items. Non-recurring items related to the SteelSeries acquisition in the magnitude of DKK ~ -400 million are expected in 2022 covering transaction and integration costs as well as non-cash PPAs related to customary inventory adjustments.

The GN Audio financial guidance is based on the following assumptions:

- Revenue: Q1 2022 organic revenue growth of ~ -25% (in GN Audio organic and SteelSeries) due to supply chain constraints. H2 2022 to return to double-digit growth rates as the supply situation is expected to ease



- EBITA: Q1 2022 EBITA margin to be in the mid-teens (excluding non-recurring items) with a gradual improvement in the three remaining quarters resulting in an EBITA margin of ~20% for 2022 (excluding non-recurring items)
- Non-recurring items: Transaction related costs of DKK ~ -100 million and non-cash PPAs of DKK ~ -200 million following the SteelSeries acquisition to be booked primarily in Q1 2022. Integration costs of DKK ~ -100 million

Other activities and EPS

For full year 2022, EBITA in “Other” is expected to be DKK ~ -190 million.

For full year 2022, adjusted EPS (excluding non-recurring items and amortization and impairment of acquired intangible assets) is expected to grow >10% compared to adjusted EPS of DKK 15.29 in 2021.

Financial guidance 2022

	Organic revenue growth	Adjusted EBITA margin ⁴⁾	Non-recurring items (DKK million) ⁵⁾	Growth in adjusted EPS ⁶⁾
GN Hearing				
- Core business organic	5-10%	~14%	~ -150	
- Emerging Business ¹⁾ (DKK million)		~ -190		
GN Audio^{2) 3)}		~20%	~ -400	
- GN Audio organic	>5%			
- SteelSeries	>10%			
Other (DKK million)		~ -190		
GN Store Nord				>10%

Note 1) Emerging Business mainly includes the Lively acquisition

Note 2) The SteelSeries organic revenue growth will be reported as M&A growth for GN Audio

Note 3) GN Audio and SteelSeries organic revenue growth constrained by the current global supply chain situation

Note 4) Excluding non-recurring items

Note 5) Non-recurring items in GN Hearing primarily related to supply chain investments (DKK ~ -150m) and in GN Audio related to transaction (DKK ~ -100m) and integration costs (DKK ~ -100m) as well as non-cash PPAs (DKK ~ -200m), associated with SteelSeries

Note 6) Compared to 2021 adjusted EPS (excluding non-recurring items and amortization and impairment of acquired intangible assets) of DKK 15.29

Based on foreign exchange rates as of February 10, 2022

Primary risk factors in relation to the financial guidance

Due to the ongoing COVID-19 pandemic and the global supply situation – which impacts GN in many ways – it must be stressed that the basic assumptions behind the guidance remain more uncertain than normal. The situation is impacting GN’s operational performance, predictability and visibility across markets, channels and supply chain. The financial guidance is contingent on no new significant local restrictions due to COVID-19 and an ease of the supply chain situation in H2 2022.

Quotes from Executive Management

Gitte Aabo, CEO of GN Hearing, comments: “In 2021, the hearing aid market continued to be negatively impacted by COVID-19 due to local restrictions, also impacting GN Hearing in important



markets and channels. In the second half of the year, we were, unfortunately, impacted by delays in key product launches – these issues are now behind us and we begin 2022 with a strong product pipeline. Despite these challenges in 2021, GN Hearing delivered 16% organic revenue growth and refocused the organization to also prepare our business for new emerging opportunities in the hearing space with the acquisition of Lively.”

René Svendsen-Tune, CEO of GN Audio, comments: *“GN Audio delivered 22% organic revenue growth in 2021, on top of the 42% delivered in 2020. The strong growth reflects the strength of GN Audio’s innovative world-leading product portfolio in combination with strong execution in the supply chain in a very challenging environment and commercial excellence, all leading to market share gains. In the second half of 2021, the global supply situation became more challenging impacting supply of certain components across industries, why GN Audio ended the year with a significant order backlog indicating very strong and robust market demand. With the acquisition of SteelSeries, GN Audio is now positioned strongly to capture market growth across our different market segments.”*

Peter la Cour Gormsen, CFO of GN Store Nord, comments: *“In 2021 and early 2022, GN completed two strategically important acquisitions which are adding new growth opportunities to the Group. These investments in future growth increase our financial leverage short term, but it is expected that GN will be back within our leverage target in a couple of years. This is testimony to GN’s fundamentally sound balance sheet and strong cash flow generation.”*

Teleconference

GN Store Nord will host a teleconference at 11.00 a.m. CET today. Please visit www.gn.com/investor to access the teleconference. Presentation material will be available on the website prior to the start of the teleconference.

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Forward-looking statements

The forward-looking statements in this 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. Changes to such expectation and assumptions will not be disclosed on an ongoing basis, unless required pursuant to general disclosure obligations to which GN is subject.



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).

For more information, see the "Management's report" and "Risk management" elsewhere in this Annual Report. This Annual Report should not be considered an offer to sell securities in GN.

About GN

GN facilitates communication between people through intelligent hearing, audio, video, and gaming technology. Inspired by people and driven by our passion for innovation, we leverage technologies to deliver unique user experiences that bring people closer through the power of sound and vision.

GN was founded more than 150 years ago with a vision to connect the world. Today, we proudly honor that legacy with our world-leading expertise in the human ear, audio, video and speech, wireless technologies, software, miniaturization, and collaboration with leading technology partners.

GN's solutions are marketed by the brands ReSound, SteelSeries, Jabra, Belton, Interton, BlueParrott, Danavox and FalCom in 100 countries. Founded in 1869, the GN Group employs more than 7,000 people and is listed on Nasdaq Copenhagen (GN.CO).

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