

## GN Audio +32%, GN Hearing -54%, GN at -13% organic growth, and EBITA of DKK +25 million

- GN was affected in two ways by COVID-19 during Q2 2020: (i) ripple effects of production shutdown in Q1 2020, and (ii) various demand implications as consumers stayed at home, and as enterprises continued to invest in employees working from home
- Leverage of 2.7 times net interest-bearing debt to EBITDA (2.3 times on June 30, 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 delivered positive EPS in Q2 2020

### GN Store Nord

# -13%

organic growth

- GN delivered -13% organic revenue growth in Q2 2020
- Free cash flow excl. M&A was DKK 517 million in Q2 2020 compared to DKK 472 million in Q2 2019, reflecting a positive development from working capital and prudent cost control. By the end of Q2 2020, GN had cash and cash equivalents of DKK 967 million
- On April 3, 2020, GN withdrew its financial guidance for 2020 due to COVID-19 impacting predictability and visibility of the business. Today, GN gives an update on financial guidance for H2 2020, which comes with much greater uncertainty than usual due to the continued COVID-19 pandemic

### GN Hearing

# -54%

organic growth

- GN Hearing experienced a severe impact from COVID-19 with an organic revenue growth of -54% in the quarter
- EBITA was DKK -336 million in Q2 2020 due to the decline in revenue more than offsetting OPEX reductions
- Free cash flow excl. M&A was DKK -117 million in Q2 2020 compared to DKK 290 million in Q2 2019, reflecting the lower revenue level
- ReSound ONE announced to be launched as an entirely new class of hearing aids offering a truly individualized hearing experience and the best sound quality for every user

### GN Audio

# 32%

organic growth

- GN Audio experienced a continued very strong Enterprise demand, partly for home office products as enterprises of all sizes, and across various industries, continued to invest in employees working from home due to COVID-19. GN Audio delivered an organic revenue growth of 32% in Q2 2020
- EBITA increased by 52% to DKK 408 million in Q2 2020 driven by the strong revenue growth. EBITA margin was 21.0% reflecting continuous leverage in the business and positive mix effects offset by increased freight and production costs as a result of COVID-19, and investments in future growth opportunities
- Free cash flow excl. M&A was DKK 579 million in Q2 2020 compared to DKK 232 million in Q2 2019, reflecting the strong growth in earnings and a positive development in working capital

## Financial overview Q2 2020

DKK million	GN Hearing			GN Audio			GN Store Nord*		
	Q2 2020	Q2 2019	Growth	Q2 2020	Q2 2019	Growth	Q2 2020	Q2 2019	Growth
<b>Revenue</b>	<b>715</b>	<b>1,585</b>	<b>-55%</b>	<b>1,944</b>	<b>1,466</b>	<b>33%</b>	<b>2,659</b>	<b>3,051</b>	<b>-13%</b>
Organic growth	-54%	8%		32%	26%		-13%	16%	
<b>Gross profit</b>	<b>332</b>	<b>1,090</b>	<b>-70%</b>	<b>1,009</b>	<b>745</b>	<b>35%</b>	<b>1,341</b>	<b>1,835</b>	<b>-27%</b>
Gross profit margin	46.4%	68.8%	-22.4%p	51.9%	50.8%	+1.1%p	50.4%	60.1%	-9.7%p
<b>EBITA</b>	<b>-336</b>	<b>299</b>	<b>-212%</b>	<b>408</b>	<b>268</b>	<b>52%</b>	<b>25</b>	<b>523</b>	<b>-95%</b>
EBITA margin	-47.0%	18.9%	-65.9%p	21.0%	18.3%	+2.7%p	0.9%	17.1%	-16.2%p
<b>Earnings per share (EPS)</b>							<b>0.06</b>	<b>2.29</b>	<b>-97%</b>
Free cash flow excl. M&A	-117	290	-407	579	232	347	517	472	45

\* Including "Other"

# Financial highlights

DKK million	Q2 2020 (unaud.)	Q2 2019 (unaud.)	YTD 2020 (unaud.)	YTD 2019 (unaud.)	Full year 2019 (aud.)
<b>GN Hearing</b>					
Revenue	715	1,585	2,029	3,092	6,351
Revenue growth	-55%	11%	-34%	11%	9%
Organic growth	-54%	8%	-35%	8%	7%
Gross profit margin	46.4%	68.8%	57.8%	69.1%	69.0%
EBITA*	-336	299	-281	581	1,284
EBITA margin*	-47.0%	18.9%	-13.8%	18.8%	20.2%
ROIC (EBITA*/Average invested capital)	6%	18%	6%	18%	19%
Free cash flow excl. M&A	-117	290	-183	253	672
Cash conversion (Free cash flow excl. M&A/EBITA*)	NA	97%	NA	44%	52%
<b>GN Audio</b>					
Revenue	1,944	1,466	3,597	2,799	6,223
Revenue growth	33%	30%	29%	36%	30%
Organic growth	32%	26%	27%	30%	26%
Gross profit margin	51.9%	50.8%	51.0%	51.9%	51.5%
EBITA*	408	268	696	461	1,192
EBITA margin*	21.0%	18.3%	19.3%	16.5%	19.2%
ROIC (EBITA*/Average invested capital)	54%	51%	54%	51%	57%
Free cash flow excl. M&A	579	232	512	310	849
Cash conversion (Free cash flow excl. M&A/EBITA*)	142%	87%	74%	67%	71%
<b>GN Store Nord</b>					
Revenue	2,659	3,051	5,626	5,891	12,574
Revenue growth	-13%	19%	-4%	21%	19%
Organic growth	-13%	16%	-5%	17%	15%
Gross profit margin	50.4%	60.1%	53.5%	60.9%	60.3%
EBITA*	25	523	325	962	2,321
EBITA margin*	0.9%	17.1%	5.8%	16.3%	18.5%
Profit (loss) before tax	15	398	154	740	1,913
Effective tax rate	13.3%	23.4%	22.7%	23.4%	23.3%
ROIC (EBITA*/Average invested capital)	17%	23%	17%	23%	25%
Earnings per share, basic (EPS)	0.06	2.29	0.85	4.25	11.12
Earnings per share, fully diluted (EPS diluted)	0.06	2.26	0.84	4.18	10.98
Free cash flow excl. M&A	517	472	357	459	1,296
Cash conversion (Free cash flow excl. M&A/EBITA*)	2,068%	90%	110%	48%	56%
Equity ratio	28.8%	31.5%	28.8%	31.5%	29.1%
Net interest-bearing debt	5,571	5,378	5,571	5,378	5,303
Net interest-bearing debt (period-end)/EBITDA	2.7	2.3	2.7	2.3	2.0
Share buybacks**	-	248	453	991	1,626
Outstanding shares, end of period (thousand)	128,768	131,001	128,768	131,001	128,952
Average number of outstanding shares (thousand)	128,754	131,441	128,767	131,651	130,762
Average number of outstanding shares, fully diluted (thousand)	129,584	133,253	129,840	133,682	132,367
Treasury shares, end of period (thousand)	13,500	11,267	13,500	11,267	13,316
Share price at the end of the period	353.4	306.3	353.4	306.3	313.3
Market capitalization	45,507	40,126	45,507	40,126	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 Q2 2020, GN Hearing delivered an organic revenue growth of -54% due to the severe impact from COVID-19

## Highlights Q2 2020

- GN Hearing experienced a severe impact from COVID-19 with an organic revenue growth of -54% in the quarter. Revenue growth was -55% including around 1% impact from the development in foreign exchange rates and around -2% impact from M&A
- EBITA was DKK -336 million in Q2 2020 due to the decline in revenue more than offsetting OPEX reductions
- Free cash flow excl. M&A was DKK -117 million in Q2 2020 compared to DKK 290 million in Q2 2019, reflecting the lower revenue level
- ReSound ONE announced to be launched as an entirely new class of hearing aids offering a truly individualized hearing experience and the best sound quality for every user

## Revenue

GN Hearing saw a severe impact from COVID-19 with an organic revenue growth of -54% in the quarter. Revenue growth was -55% including around 1% impact from the development in foreign exchange rates and around -2% impact from M&A. GN Hearing has delivered an organic revenue growth of -35% in H1 2020.

As for the hearing aid industry overall, COVID-19 and the resulting lockdowns had a significant negative impact on GN Hearing in Q2 2020. With that said: During the quarter, GN Hearing saw sequential improvements in revenue generation from the low-point in April to the quarter high-point in June. The impact from COVID-19 varied greatly across regions and countries. In North America, the commercial market improved faster than the Veterans Affairs channel, but with significant differences across states. In Europe, organic revenue growth in especially Germany and the Nordic countries showed early signs of strong recovery, while the UK remained heavily impacted by continued lockdowns throughout the quarter. In the Rest of World, countries like South Korea and China were close to last year's revenue levels.

## Earnings and other financial highlights

Gross profit reached DKK 332 million in Q2 2020 compared to DKK 1,090 million in Q2 2019, primarily as a result of the significant revenue decrease. The gross margin was 46.4% in Q2 2020 compared to 68.8% in Q2 2019, which was due to the fixed part of production cost, mix effects and one-time costs. In H1 2020, gross profit decreased 45% to DKK 1,173

million compared to H1 2019, leading to a gross margin of 57.8%, primarily as a result of the lower revenue, the fixed part of production costs and one-time costs.

GN Hearing's EBITA was DKK -336 million in Q2 2020 compared to DKK 299 million in Q2 2019 due to the significant revenue decrease. OPEX was prudently managed during the quarter and was impacted by one-time costs related to the consequences of COVID-19. In H1 2020, EBITA was DKK -281 million compared to DKK 581 million in H1 2019, primarily as a result of the revenue decrease due to COVID-19 as well as one-time costs related to the consequences of COVID-19.

The return on invested capital (ROIC) was 6% in Q2 2020, compared to 18% in Q2 2019, mainly due to impact from COVID-19.

Free cash flow excl. M&A was DKK -117 million in Q2 2020 compared to DKK 290 million in Q2 2019, reflecting the lower revenue level. In H1 2020, free cash flow excl. M&A was DKK -183 million compared to DKK 253 million in H1 2019.

## Business highlights

In August, GN Hearing announced the launch of ReSound ONE, a revolutionary new class of hearing aids that solves one of the hearing industry's most enduring obstacles to improving speech intelligibility in noise. Through a combination of a radical new receiver design and GN's all-new and most powerful sound-processing chipset ever, we have been able to deliver the world's first All Access Directionality as well as Microphone & Receiver in Ear (M&RIE) solution which incorporates an additional microphone inside the ear canal while preserving the comfort of an open-fit form factor. Unlike regular RIE and BTE hearing aids, by collecting sound right inside the user's own ears, ReSound ONE preserves all the audio cues needed for the brain to correctly localize and tune in to specific voices or sounds. In clinical trials, 90% of users identified ReSound ONE with M&RIE as providing superior sound quality to a traditional hearing aid with microphones positioned behind the ear. ReSound ONE is available in clinics globally on August 27, 2020 in rechargeable and non-rechargeable models.

In April, GN Hearing's renowned connectivity leadership was expanded to offer ReSound Assist Live, which is an innovative new part of the popular ReSound Assist customer care solution that delivers a heightened level of customer

experience and business support for hearing care professionals. 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.

**Market development**

The market growth experienced in Q2 2020 was significantly impacted by COVID-19. We continue to expect the fundamentals of the markets to return when the impact of the virus is behind us. In the mid-term, GN Hearing consequently still estimates the annual market growth to be around 4 - 6% in volumes with annual ASP decline of around 1 - 2%.

**Management quote**

*"Needless to say our Q2 financial results are not a pretty story. However, amidst the COVID-19 situation our employees have done a great job in ensuring our company gets through COVID-19 stronger than ever focusing on fundamentals and on bringing ReSound ONE to market as an entirely new class of hearing aids. With this exciting launch we deliver on our strategy of bringing individualized customer experience to market – something I am excited and optimistic about."*

Gitte Aabo, CEO of GN Hearing

# GN Audio

With 32% organic revenue growth GN Audio delivered another outstanding quarter in a turbulent Q2 2020

## Highlights Q2 2020

- GN Audio experienced a continued very strong Enterprise demand, partly for home office products as enterprises of all sizes, and across various industries, continued to invest in employees working from home due to COVID-19. GN Audio delivered organic revenue growth of 32% in Q2 2020. Revenue growth was 33%, including around 1% impact from the development in foreign exchange rates
- EBITA increased by 52% to DKK 408 million in Q2 2020 driven by strong revenue growth. EBITA margin was 21.0% reflecting continuous leverage in the business and positive mix effects offset by increased freight and production costs as a result of COVID-19, and investments in future growth opportunities
- Free cash flow excl. M&A was DKK 579 million in Q2 2020 compared to DKK 232 million in Q2 2019, reflecting the strong growth in earnings and a positive development in working capital

## Revenue

GN Audio experienced a continued very strong Enterprise demand, partly for home office products as enterprises of all sizes, and across various industries, continued to invest in employees working from home due to COVID-19. GN Audio delivered an organic revenue growth of 32% in Q2 2020. Revenue growth was 33%, including around 1% impact from the development in foreign exchange rates. In H1 2020, GN Audio delivered an organic revenue growth of 27% on top of the 30% delivered in H1 2019.

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.

The Consumer business continued to be negatively impacted as consumers for a large part of the quarter was not able to purchase headsets in certain channels and markets, due to retailers being closed. This is in line with the development we saw at the end of Q1 2020.

## Earnings and other financial highlights

GN Audio's gross profit reached DKK 1,009 million in Q2 2020 compared to DKK 745 million in Q2 2019, which was an increase of 35%. The gross margin was 51.9% in Q2 2020 compared to 50.8% in Q2 2019 largely driven by a positive

product mix, which more than offset increased freight and production costs due to COVID-19, tariffs and an adverse development in foreign exchange rates. In H1 2020, the gross profit increased 26% to DKK 1,836 million compared to H1 2019, equal to a gross margin of 51.0%, slightly lower than H1 2019 of 51.9% as a result of increased freight and production costs due to COVID-19, tariffs and an adverse development in foreign exchange rates.

GN Audio's EBITA was DKK 408 million in Q2 2020 compared to DKK 268 million in Q2 2019, which was an increase of 52%. The EBITA margin was 21.0% in Q2 2020 compared to 18.3% in Q2 2019, reflecting continuous leverage in the business offset by increased freight and production costs as a result of COVID-19, investments in future growth opportunities, and an adverse development in foreign exchange rates. In H1 2020, EBITA increased by 51%; as a result, the EBITA margin increased to 19.3% compared to 16.5% in H1 2019. Excluding the transaction related costs associated with the Altia acquisition in H1 2019, the EBITA margin increased 1 percentage point.

The return on invested capital (ROIC) was 54% in Q2 2020 compared to 51% in Q2 2019 driven by continued strong growth in EBITA.

Free cash flow excl. M&A was DKK 579 million in Q2 2020 compared to DKK 232 million in Q2 2019, reflecting the strong growth in earnings and a positive development from working capital. In H1 2020, free cash flow excl. M&A was DKK 512 million compared to DKK 310 million in H1 2019. In H1 2020, cash conversion was 74% compared to 67% in H1 2019.

## Business highlights

During the quarter, GN Audio took further steps into increasing scalability and flexibility of its supply chain, as, among other, the final product packaging is now done much closer to the end markets than in the past.

Jabra Elite 75t was originally launched in Q3 2019. During Q2 2020, the Jabra Elite 75t and Jabra Elite Active 75t were launched in new versions allowing for wireless charging. With multiple colors, wireless charging, as well as Active and non-Active versions to choose from, the Jabra Elite 75t earbud range is set to provide an attractive option for any customer.

## Market development

In Q2 2020, the demand in GN Audio's core addressable market was strong, partly driven by the continued 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. In the mid-term, GN Audio still estimates the annual market growth to be around 10% in value when assuming a stable macro environment.

**Management quote**

*“Albeit partly on the somber background of the COVID-19 pandemic, our global team and leading product portfolio have performed outstandingly in helping both existing and many new customers preserving their employees' productivity when working from home. We see this very strong current demand continue into Q3, and in the mid-term we expect a more normalized – but still strong – demand in line with our mid-term financial targets.”*

René Svendsen-Tune, CEO of GN Audio

# GN Store Nord

## Highlights Q2 2020

- GN was affected in two ways by COVID-19 during Q2 2020: (i) ripple effects of production shutdown in Q1 2020, and (ii) various demand implications as consumers stayed at home, and as enterprises continued to invest in employees working from home
- GN delivered -13% organic revenue growth in Q2 2020. Revenue growth was -13% including around 1% impact from the development in foreign exchange rates and around -1% impact from M&A
- Free cash flow excl. M&A was DKK 517 million in Q2 2020 compared to DKK 472 million in Q2 2019, reflecting a positive development from working capital and prudent cost control
- Net interest-bearing debt to EBITDA leverage ratio increased from 2.3 to 2.7 times during the quarter due to the decreased EBITDA. The balance sheet remains very sound with ample sources of liquidity, and with cash and cash equivalents of DKK 967 million at the end of Q2 2020
- On April 3, 2020, GN withdrew its financial guidance for 2020 due to COVID-19 impacting predictability and visibility of the business. Today, GN gives an update on financial guidance for H2 2020, which comes with much greater uncertainty than usual due to the continued COVID-19 pandemic

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 influences GN Hearing in a completely different way than GN Audio, and we see having the two businesses under one roof as a position of strength for the company at this time.

### Revenue

GN delivered -13% organic revenue growth in Q2 2020. Revenue growth was -13% including around 1% impact from the development in foreign exchange rates and around -1% impact from M&A. In H1 2020, organic revenue growth was -5%, while revenue growth was -4%.

### Earnings and other financial highlights

EBITA in Other amounted to DKK -47 million in Q2 2020, compared to DKK -44 million in Q2 2019. GN Store Nord's EBITA reached DKK 25 million in Q2 2020 compared to DKK 523 million in Q2 2019, reflecting a significant impact on GN Hearing as a result of COVID-19. Consequently, the EBITA margin was 0.9% in Q2 2020 compared to 17.1% in Q2 2019. In H1 2020, group EBITA was DKK 325 million compared to DKK 962 million in H1 2019.

In Q2 2020, amortization of acquired intangible assets amounted to DKK -52 million compared to DKK -57 million in Q2 2019. Gain on divestment of operations etc. was DKK -1 million in Q2 2020 compared to DKK 1 million in Q2 2019.

Financial items was DKK 49 million in Q2 2020 compared to DKK -64 million in Q2 2019, among other, driven by a positive non-cash contribution from foreign exchange revaluation of certain balance sheet items, mainly in USD. In Q2 2020, share of loss in associates was DKK -6 million compared to DKK -5 million in Q2 2019.

The profit before tax was DKK 15 million in Q2 2020 compared to DKK 398 million in Q2 2019. The effective tax rate was 13.3%, translating into a net profit of DKK 13 million in Q2 2020 compared to DKK 305 million in Q2 2019. In H1 2020, net profit was DKK 119 million compared to DKK 567 million in H1 2019.

Free cash flow excl. M&A was DKK 517 million in Q2 2020 compared to DKK 472 million in Q2 2019, reflecting a positive development from working capital and prudent cost control. In H1 2020, free cash flow excl. M&A was DKK 357 million compared to DKK 459 million in H1 2019.

Earnings per share (EPS) was DKK 0.06 in Q2 2020 compared to DKK 2.29 in Q2 2019. In H1 2020, EPS was DKK 0.85 compared to DKK 4.25 in H1 2019.

By the end of Q2 2020, equity in GN Store Nord amounted to DKK 4,500 million compared to DKK 4,466 million in Q2 2019, which was an increase of 1%. The increase was driven by the net profits generated during the period, on top of the execution of the share buyback program finalized on March 9, 2020, as well as the ordinary annual dividend payment.

### Capital structure

During Q2 2020, net interest-bearing debt decreased by DKK 0.5 billion to DKK 5.6 billion driven by the strong cash flow generation. Net interest-bearing debt to EBITDA leverage ratio was 2.7 times. The balance sheet remains very sound with ample sources of liquidity. GN had cash and cash equivalents of DKK 967 million at the end of Q2 2020.

As previously communicated, GN has a long-term capital structure target of a net interest-bearing debt between one and two times EBITDA.

In H1 2020, GN has in total distributed DKK 356 million back 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 fiscal year 2019 as approved at the Annual General Meeting in 2020.

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 predictability and visibility into the consequences of the COVID-19 was achieved (see company announcement no. 24 of April 3, 2020).

In light of the continued uncertain market environment caused by COVID-19 and to sustain a strong balance sheet, the Board of Directors has decided to cancel the capital decrease of 4,171,390 shares, as otherwise approved at the Annual General Meeting in March 2020, to retain flexibility for general corporate purposes.

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.

#### **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 event: 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. On July 13, 2020 GN Audio and Plantronics settled the legal case. The terms of the settlement agreement are not disclosed.

#### **Management quote**

*"In an extremely challenging COVID-19 market situation for GN Hearing, we are very pleased to be able to deliver a positive EPS for the quarter. With our continued sound balance sheet and access to ample sources of liquidity this is a testimony to the resilience of the company."*

Marcus Desimoni, CFO of GN Store Nord



# Update on financial guidance H2 2020

## COVID-19 risks

On April 3, 2020, GN withdrew its financial guidance for 2020 due to COVID-19 impacting predictability and visibility of the business. Today, GN gives an update on financial guidance for H2 2020, which comes with much greater uncertainty than usual due to the continued COVID-19 pandemic.

The COVID-19 situation has and will not only strongly impact GN's operational performance in 2020, but it will also impact predictability and visibility across GN's markets, channels and supply chain.

Guidance is contingent on no further re-tightening of COVID-19 related lockdown restrictions or new supply chain constrains.

## GN Hearing

During Q2 2020, the consequences of COVID-19 had a severe impact on the hearing aid markets across the world. The markets have gradually improved during the quarter with further recovery observed in July. Both Europe and Rest of World were back at a positive revenue growth run-rate in July compared to last year, while North America was still well below last year's level. The uncertainties in the markets are still significant, as the world continues to struggle with the spread of COVID-19 in different markets, including such important hearing aid markets as the US, Japan, UK and Australia. These four markets generated more than 60% of GN Hearing's revenue in 2019.

For H2 2020, GN Hearing expects organic revenue growth to be better than -20% and the EBITA margin of at least 10%. For full year 2020, this translates into an organic revenue growth better than -30% for 2020, and an EBITA margin of better than 0%.

## GN Audio

During Q2 2020, the demand in GN Audio's core addressable market was strong, partly driven by the continued need for home office products to keep enterprises running during the COVID-19 crisis. As such, GN Audio exited Q2 2020 with a higher than usual order backlog. Based on dialogs with GN Audio's global markets, channels and supply chain it remains unpredictable how the spending patterns of corporates and consumers will be impacted by the current global uncertainty.

For H2 2020, GN Audio expects organic revenue growth of more than 25%, and an EBITA margin of at least 20%. For full year 2020, this translates into an organic revenue growth of more than 25%, and an EBITA margin of at least 20%. The EBITA margin expectation for GN Audio is before any extraordinary items related to legal settlements and litigation.

## Other activities and EPS

In H2 2020, EBITA in "Other" is expected to be around DKK -90 million. For full year 2020, this translates into an EBITA in "Other" of around DKK -180 million.

Based on the updated expectation for GN Hearing and GN Audio, and the current recovery trends, GN Store Nord expects to deliver a positive EPS in H2 2020, and a positive EPS for full year 2020. This EPS expectation is before any extraordinary items related to legal settlements and litigation.

### 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).

Due to the COVID-19 situation, it must be stressed that the basic assumptions behind the guidance are more uncertain than normal.

# Additional information

## Teleconference

GN will host a teleconference at 11.00 am CEST on August 19, 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 Q3 2020: November 11, 2020

## Forward-looking statements

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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 unique 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

## Mid-term guidance

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

# Content

## Financial statements

### 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.)	Q2 2020 (unaud.)	YTD 2019 (unaud.)	YTD 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	715	3,092	2,029	6,351
GN Audio	1,333	1,466	1,462	1,962	1,653	1,944	2,799	3,597	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>2,659</b>	<b>5,891</b>	<b>5,626</b>	<b>12,574</b>
<b>Organic growth</b>									
GN Hearing	8%	8%	8%	4%	-14%	-54%	8%	-35%	7%
GN Audio	36%	26%	20%	24%	22%	32%	30%	27%	26%
<b>Total</b>	<b>19%</b>	<b>16%</b>	<b>13%</b>	<b>13%</b>	<b>3%</b>	<b>-13%</b>	<b>17%</b>	<b>-5%</b>	<b>15%</b>
<b>Gross profit</b>									
GN Hearing	1,047	1,090	1,053	1,190	841	332	2,137	1,173	4,380
GN Audio	707	745	775	975	827	1,009	1,452	1,836	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>1,341</b>	<b>3,589</b>	<b>3,009</b>	<b>7,582</b>
<b>Gross profit margin</b>									
GN Hearing	69.5%	68.8%	68.5%	69.1%	64.0%	46.4%	69.1%	57.8%	69.0%
GN Audio	53.0%	50.8%	53.0%	49.7%	50.0%	51.9%	51.9%	51.0%	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>50.4%</b>	<b>60.9%</b>	<b>53.5%</b>	<b>60.3%</b>
<b>Development costs</b>									
GN Hearing	-134	-130	-132	-131	-149	-124	-264	-273	-527
GN Audio	-91	-92	-96	-112	-110	-118	-183	-228	-391
Other *	-16	-19	-14	-14	-22	-20	-35	-42	-63
<b>Total</b>	<b>-241</b>	<b>-241</b>	<b>-242</b>	<b>-257</b>	<b>-281</b>	<b>-262</b>	<b>-482</b>	<b>-543</b>	<b>-981</b>
<b>Selling and distribution costs and administrative expenses etc.</b>									
GN Hearing	-631	-661	-638	-639	-637	-544	-1,292	-1,181	-2,569
GN Audio	-423	-385	-389	-422	-429	-483	-808	-912	-1,619
Other *	-20	-25	-21	-26	-21	-27	-45	-48	-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>-1,054</b>	<b>-2,145</b>	<b>-2,141</b>	<b>-4,280</b>
<b>EBITA</b>									
GN Hearing	282	299	283	420	55	-336	581	-281	1,284
GN Audio	193	268	290	441	288	408	461	696	1,192
Other *	-36	-44	-35	-40	-43	-47	-80	-90	-155
<b>Total</b>	<b>439</b>	<b>523</b>	<b>538</b>	<b>821</b>	<b>300</b>	<b>25</b>	<b>962</b>	<b>325</b>	<b>2,321</b>
<b>EBITA margin</b>									
GN Hearing	18.7%	18.9%	18.4%	24.4%	4.2%	-47.0%	18.8%	-13.8%	20.2%
GN Audio	14.5%	18.3%	19.8%	22.5%	17.4%	21.0%	16.5%	19.3%	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>0.9%</b>	<b>16.3%</b>	<b>5.8%</b>	<b>18.5%</b>
<b>Depreciation and software amortization</b>									
GN Hearing	-46	-47	-48	-48	-47	-45	-93	-92	-189
GN Audio	-23	-24	-26	-30	-28	-29	-47	-57	-103
Other *	-17	-20	-23	-28	-29	-32	-37	-61	-88
<b>Total</b>	<b>-86</b>	<b>-91</b>	<b>-97</b>	<b>-106</b>	<b>-104</b>	<b>-106</b>	<b>-177</b>	<b>-210</b>	<b>-380</b>
<b>EBITDA</b>									
GN Hearing	328	346	331	468	102	-291	674	-189	1,473
GN Audio	216	292	316	471	316	437	508	753	1,295
Other *	-19	-24	-12	-12	-14	-15	-43	-29	-67
<b>Total</b>	<b>525</b>	<b>614</b>	<b>635</b>	<b>927</b>	<b>404</b>	<b>131</b>	<b>1,139</b>	<b>535</b>	<b>2,701</b>
<b>EBITA</b>									
Amortization of acquired intangible assets	-42	-57	-151	-48	-50	-52	-99	-102	-298
Gain (loss) on divestment of operations etc.	-	1	-3	-19	1	-1	1	-	-21
<b>Operating profit (loss)</b>	<b>397</b>	<b>467</b>	<b>384</b>	<b>754</b>	<b>251</b>	<b>-28</b>	<b>864</b>	<b>223</b>	<b>2,002</b>
Share of profit (loss) in associates	-2	-5	5	5	-1	-6	-7	-7	3
Financial items, net	-53	-64	62	-37	-111	49	-117	-62	-92
<b>Profit (loss) before tax</b>	<b>342</b>	<b>398</b>	<b>451</b>	<b>722</b>	<b>139</b>	<b>15</b>	<b>740</b>	<b>154</b>	<b>1,913</b>
Tax on profit (loss)	-80	-93	-106	-166	-33	-2	-173	-35	-445
<b>Profit (loss)</b>	<b>262</b>	<b>305</b>	<b>345</b>	<b>556</b>	<b>106</b>	<b>13</b>	<b>567</b>	<b>119</b>	<b>1,468</b>
<b>Balance sheet</b>									
<b>Development projects</b>									
GN Hearing	948	967	987	1,029	1,058	1,069	967	1,069	1,029
GN Audio	319	324	333	361	377	399	324	399	361
Other *	-25	-24	-22	-21	-19	-18	-24	-18	-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>1,450</b>	<b>1,267</b>	<b>1,450</b>	<b>1,369</b>
<b>Inventories</b>									
GN Hearing	509	541	562	535	580	603	541	603	535
GN Audio	493	539	611	771	585	711	539	711	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>1,314</b>	<b>1,080</b>	<b>1,314</b>	<b>1,306</b>
<b>Trade receivables</b>									
GN Hearing	1,294	1,254	1,235	1,282	1,095	835	1,254	835	1,282
GN Audio	1,014	1,174	1,056	1,527	1,477	1,593	1,174	1,593	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>2,428</b>	<b>2,428</b>	<b>2,428</b>	<b>2,809</b>
<b>Net working capital</b>									
GN Hearing	940	886	804	861	927	649	886	649	861
GN Audio	592	578	433	488	765	512	578	512	488
Other *	-110	-110	-160	-74	-142	-121	-110	-121	-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>1,040</b>	<b>1,354</b>	<b>1,040</b>	<b>1,275</b>
<b>Free cash flow excl. M&amp;A</b>									
GN Hearing	-37	290	289	130	-66	-117	253	-183	672
GN Audio	78	232	329	210	-67	579	310	512	849
Other *	-54	-50	-55	-66	-27	55	-104	28	-225
<b>Total</b>	<b>-13</b>	<b>472</b>	<b>563</b>	<b>274</b>	<b>-160</b>	<b>517</b>	<b>459</b>	<b>357</b>	<b>1,296</b>
<b>Acquisitions and divestments of companies</b>									
	-653	-37	-12	-	-29	-10	-690	-39	-702
<b>Free cash flow</b>	<b>-666</b>	<b>435</b>	<b>551</b>	<b>274</b>	<b>-189</b>	<b>507</b>	<b>-231</b>	<b>318</b>	<b>594</b>

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

## Consolidated income statement

(DKK million)	Q2 2020 (unaud.)	Q2 2019 (unaud.)	YTD 2020 (unaud.)	YTD 2019 (unaud.)	Full Year 2019 (aud.)
Revenue	2,659	3,051	5,626	5,891	12,574
Production costs	-1,318	-1,216	-2,617	-2,302	-4,992
<b>Gross profit</b>	<b>1,341</b>	<b>1,835</b>	<b>3,009</b>	<b>3,589</b>	<b>7,582</b>
Development costs	-262	-241	-543	-482	-981
Selling and distribution costs	-782	-857	-1,619	-1,669	-3,359
Management and administrative expenses	-271	-218	-530	-482	-918
Other operating income and costs, net	-1	4	8	6	-3
<b>EBITA*</b>	<b>25</b>	<b>523</b>	<b>325</b>	<b>962</b>	<b>2,321</b>
Amortization of acquired intangible assets	-52	-57	-102	-99	-298
Gain (loss) on divestment of operations etc.	-1	1	-	1	-21
<b>Operating profit (loss)</b>	<b>-28</b>	<b>467</b>	<b>223</b>	<b>864</b>	<b>2,002</b>
Share of profit (loss) in associates	-6	-5	-7	-7	3
Financial income	81	6	104	61	355
Financial expenses	-32	-70	-166	-178	-447
<b>Profit (loss) before tax</b>	<b>15</b>	<b>398</b>	<b>154</b>	<b>740</b>	<b>1,913</b>
Tax on profit (loss)	-2	-93	-35	-173	-445
<b>Profit (loss) for the period</b>	<b>13</b>	<b>305</b>	<b>119</b>	<b>567</b>	<b>1,468</b>
<b>Attributable to:</b>					
Non-controlling interests	5	4	10	8	14
Shareholders in GN Store Nord A/S	8	301	109	559	1,454
<b>Earnings per share (EPS):</b>					
Earnings per share (EPS)	0.06	2.29	0.85	4.25	11.12
Earnings per share, fully diluted (EPS diluted)	0.06	2.26	0.84	4.18	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)	Q2 2020 (unaud.)	Q2 2019 (unaud.)	YTD 2020 (unaud.)	YTD 2019 (unaud.)	Full Year 2019 (aud.)
<b>Profit (loss) for the period</b>	<b>13</b>	<b>305</b>	<b>119</b>	<b>567</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	-15	6	26	10	21
Foreign exchange adjustments, etc.	-131	-92	-53	49	161
Tax relating to these items of other comprehensive income	-9	-	-9	-5	-11
<b>Other comprehensive income for the period, net of tax</b>	<b>-155</b>	<b>-86</b>	<b>-44</b>	<b>56</b>	<b>183</b>
<b>Total comprehensive income for the period</b>	<b>-142</b>	<b>219</b>	<b>75</b>	<b>623</b>	<b>1,651</b>
<b>Attributable to:</b>					
Non-controlling interests	5	4	10	8	14
Shareholders in GN Store Nord A/S	-147	215	65	615	1,637

## Consolidated balance sheet

(DKK million)	Jun. 30 2020 (unaud.)	Mar. 31 2020 (unaud.)	Dec. 31 2019 (aud.)	Sep. 30 2019 (unaud.)
<b>Assets</b>				
Intangible assets	7,447	7,485	7,422	7,536
Property, plant and equipment	1,074	1,098	1,076	1,050
Investments in associates	243	259	257	246
Deferred tax assets	417	423	423	385
Other non-current assets	1,271	1,346	1,315	1,282
<b>Total non-current assets</b>	<b>10,452</b>	<b>10,611</b>	<b>10,493</b>	<b>10,499</b>
Inventories	1,314	1,165	1,306	1,173
Trade receivables	2,428	2,572	2,809	2,291
Tax receivables	161	155	58	102
Other receivables	309	347	289	234
Cash and cash equivalents	967	589	1,728	475
<b>Total current assets</b>	<b>5,179</b>	<b>4,828</b>	<b>6,190</b>	<b>4,275</b>
<b>Total assets</b>	<b>15,631</b>	<b>15,439</b>	<b>16,683</b>	<b>14,774</b>
<b>Equity and liabilities</b>				
<b>Equity</b>	<b>4,500</b>	<b>4,594</b>	<b>4,849</b>	<b>4,700</b>
Bank loans and issued bonds	4,802	5,357	5,345	3,926
Lease liabilities, non-current	348	370	357	355
Pension obligations	33	33	26	55
Provisions, non-current	88	90	92	259
Deferred tax liabilities	551	552	552	401
Other non-current liabilities	451	517	507	441
<b>Total non-current liabilities</b>	<b>6,273</b>	<b>6,919</b>	<b>6,879</b>	<b>5,437</b>
Bank loans	1,259	792	1,197	1,306
Lease liabilities, current	129	133	132	133
Trade payables	953	710	1,058	802
Tax payables	66	83	66	210
Provisions, current	393	384	431	367
Other current liabilities	2,058	1,824	2,071	1,819
<b>Total current liabilities</b>	<b>4,858</b>	<b>3,926</b>	<b>4,955</b>	<b>4,637</b>
<b>Total equity and liabilities</b>	<b>15,631</b>	<b>15,439</b>	<b>16,683</b>	<b>14,774</b>

## Consolidated statement of cash flow

(DKK million)	Q2 2020 (unaud.)	Q2 2019 (unaud.)	YTD 2020 (unaud.)	YTD 2019 (unaud.)	Full Year 2019 (aud.)
<b>Operating activities</b>					
Operating profit (loss)	-28	467	223	864	2,002
Depreciation, amortization and impairment	263	247	536	468	1,074
Other non-cash adjustments	164	26	157	63	92
<b>Cash flow from operating activities before changes in working capital</b>	<b>399</b>	<b>740</b>	<b>916</b>	<b>1,395</b>	<b>3,168</b>
Changes in working capital	398	-1	157	-261	-312
<b>Cash flow from operating activities before financial items and tax</b>	<b>797</b>	<b>739</b>	<b>1,073</b>	<b>1,134</b>	<b>2,856</b>
Financial items, net	18	-20	-60	-43	-166
Tax paid, net	-7	-41	-119	-228	-483
<b>Cash flow from operating activities</b>	<b>808</b>	<b>678</b>	<b>894</b>	<b>863</b>	<b>2,207</b>
<b>Investing activities</b>					
Development projects	-140	-127	-304	-237	-544
Investments in other intangible assets, net	-112	-37	-137	-58	-171
Investments in property, plant and equipment, net	-46	-53	-99	-107	-232
Investments in other non-current assets, net	7	11	3	-2	36
Company acquisitions	-10	-37	-40	-690	-704
Company divestments	-	-	1	-	2
<b>Cash flow from investing activities</b>	<b>-301</b>	<b>-243</b>	<b>-576</b>	<b>-1,094</b>	<b>-1,613</b>
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>507</b>	<b>435</b>	<b>318</b>	<b>-231</b>	<b>594</b>
<b>Financing activities</b>					
Paid dividends	-	-	-187	-178	-178
Share-based payment (exercised)	2	50	170	259	271
Purchase/sale of treasury shares and other equity instruments	-	-248	-453	-991	-1,626
Net proceeds from issue of bonds (bond-with-warrant units)	-	2,272	-	2,272	2,272
Net proceeds from issue of warrants (bond-with-warrant units)	-	204	-	204	204
Repurchase of bonds issued in 2017	-	-1,628	-	-1,628	-1,632
Repurchase of warrants issued in 2017	-	-604	-	-604	-604
Net proceeds from issue of Eurobonds	-	-	-	-	1,630
Increase/decrease in bank loans and other adjustments	-127	-483	-598	526	157
<b>Cash flow from financing activities</b>	<b>-125</b>	<b>-437</b>	<b>-1,068</b>	<b>-140</b>	<b>494</b>
<b>Net cash flow</b>	<b>382</b>	<b>-2</b>	<b>-750</b>	<b>-371</b>	<b>1,088</b>
Cash and cash equivalents beginning of period	589	273	1,728	636	636
Adjustment foreign currency, cash and cash equivalents	-4	-3	-11	3	4
<b>Cash and cash equivalents, end of period</b>	<b>967</b>	<b>268</b>	<b>967</b>	<b>268</b>	<b>1,728</b>



## Consolidated statement of equity

Q2 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	-	-	-	-	-	559	559	8	567
Actuarial gains (losses)	-	-	-	-	-	2	2	-	2
Adjustment of cash flow hedges	-	-	10	-	-	-	10	-	10
Foreign exchange adjustments, etc.	-	49	-	-	-	-	49	-	49
Tax relating to other comprehensive income	-	-3	-2	-	-	-	-5	-	-5
Total comprehensive income for the period	-	46	8	-	-	561	615	8	623
Reduction of the share capital	-14	-	-	536	-	-522	-	-	-
Fair value of warrants issued with bonds	-	-	-	-	-	204	204	-	204
Repurchase of warrants issued with bonds in 2017	-	-	-	-	-	-604	-604	-	-604
Share-based payment (granted)	-	-	-	-	-	19	19	-	19
Share based payment (exercised)	-	-	-	238	-	21	259	-	259
Tax related to share-based incentive plans	-	-	-	-	-	44	44	-	44
Purchase/sale of treasury shares	-	-	-	-991	-	-	-991	-	-991
Reclassification of non-controlling interests by recognizing a put option liability	-	-	-	-	-	2	2	-8	-6
Paid dividends	-	-	-	-	-178	-	-178	-	-178
Dividends, treasury shares	-	-	-	-	-19	19	-	-	-
<b>Balance at June 30, 2019</b>	<b>569</b>	<b>-1,019</b>	<b>-19</b>	<b>-2,802</b>	<b>-</b>	<b>7,737</b>	<b>4,466</b>	<b>-</b>	<b>4,466</b>

Q2 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	-	-	-	-	-	109	109	10	119
Actuarial gains (losses)	-	-	-	-	-	-8	-8	-	-8
Adjustment of cash flow hedges	-	-	26	-	-	-	26	-	26
Foreign exchange adjustments, etc.	-	-53	-	-	-	-	-53	-	-53
Tax relating to other comprehensive income	-	-3	-6	-	-	-	-9	-	-9
Total comprehensive income for the period	-	-56	20	-	-	101	65	10	75
Share-based payment (granted)	-	-	-	-	-	34	34	-	34
Share-based payment (exercised)	-	-	-	195	-	-25	170	-	170
Tax related to share-based incentive plans	-	-	-	-	-	29	29	-	29
Purchase/sale of treasury shares	-	-	-	-453	-	-	-453	-	-453
Reclassification of non-controlling interests by recognizing a put option liability	-	-	-	-	-	-7	-7	-4	-11
Paid dividends	-	-	-	-	-187	-	-187	-6	-193
Dividends, treasury shares	-	-	-	-	-19	19	-	-	-
<b>Balance at June 30, 2020</b>	<b>569</b>	<b>-966</b>	<b>9</b>	<b>-3,682</b>	<b>-</b>	<b>8,570</b>	<b>4,500</b>	<b>-</b>	<b>4,500</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.

### **Government grants**

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. A grant relating to an expense item, is recognised on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Government grants are presented as a deduction from the relevant functional cost line items in the income statement.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

## Note 2 – Segment disclosures Q2 2020

Income statement	GN Hearing		GN Audio		Other**		Consolidated total	
	Q2 2020 (unaud.)	Q2 2019 (unaud.)	Q2 2020 (unaud.)	Q2 2019 (unaud.)	Q2 2020 (unaud.)	Q2 2019 (unaud.)	Q2 2020 (unaud.)	Q2 2019 (unaud.)
(DKK million)								
Revenue	715	1,585	1,944	1,466	-	-	2,659	3,051
Production costs	-383	-495	-935	-721	-	-	-1,318	-1,216
<b>Gross profit</b>	<b>332</b>	<b>1,090</b>	<b>1,009</b>	<b>745</b>	<b>-</b>	<b>-</b>	<b>1,341</b>	<b>1,835</b>
Development costs	-124	-130	-118	-92	-20	-19	-262	-241
Selling and distribution costs	-406	-521	-376	-336	-	-	-782	-857
Management and administrative expenses	-141	-143	-103	-50	-27	-25	-271	-218
Other operating income and costs, net	3	3	-4	1	-	-	-1	4
<b>EBITA*</b>	<b>-336</b>	<b>299</b>	<b>408</b>	<b>268</b>	<b>-47</b>	<b>-44</b>	<b>25</b>	<b>523</b>
Amortization of acquired intangible assets	-32	-35	-20	-22	-	-	-52	-57
Gain (loss) on divestment of operations etc.	-1	1	-	-	-	-	-1	1
<b>Operating profit (loss)</b>	<b>-369</b>	<b>265</b>	<b>388</b>	<b>246</b>	<b>-47</b>	<b>-44</b>	<b>-28</b>	<b>467</b>
Share of profit (loss) in associates	-6	-5	-	-	-	-	-6	-5
Financial items	43	-39	21	14	-15	-39	49	-64
<b>Profit (loss) before tax</b>	<b>-332</b>	<b>221</b>	<b>409</b>	<b>260</b>	<b>-62</b>	<b>-83</b>	<b>15</b>	<b>398</b>
Tax on profit (loss)	78	-49	-96	-61	16	17	-2	-93
<b>Profit (loss) for the period</b>	<b>-254</b>	<b>172</b>	<b>313</b>	<b>199</b>	<b>-46</b>	<b>-66</b>	<b>13</b>	<b>305</b>
<b>Cash flow statement</b>								
	GN Hearing		GN Audio		Other**		Consolidated total	
(DKK million)	Q2 2020 (unaud.)	Q2 2019 (unaud.)	Q2 2020 (unaud.)	Q2 2019 (unaud.)	Q2 2020 (unaud.)	Q2 2019 (unaud.)	Q2 2020 (unaud.)	Q2 2019 (unaud.)
<b>Operating activities before changes in working capital</b>	<b>-108</b>	<b>427</b>	<b>522</b>	<b>340</b>	<b>-15</b>	<b>-27</b>	<b>399</b>	<b>740</b>
Cash flow from changes in working capital	162	23	253	-20	-17	-4	398	-1
<b>Cash flow from operating activities excluding financial items and tax</b>	<b>54</b>	<b>450</b>	<b>775</b>	<b>320</b>	<b>-32</b>	<b>-31</b>	<b>797</b>	<b>739</b>
Cash flow from investing activities:								
Development projects	-71	-81	-69	-46	-	-	-140	-127
Other	-89	-74	-31	-17	-41	-25	-161	-116
<b>Cash flow from operating and investing activities before financial items and tax</b>	<b>-106</b>	<b>295</b>	<b>675</b>	<b>257</b>	<b>-73</b>	<b>-56</b>	<b>496</b>	<b>496</b>
Tax and financial items	-21	-51	-96	-16	128	6	11	-61
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>-127</b>	<b>244</b>	<b>579</b>	<b>241</b>	<b>55</b>	<b>-50</b>	<b>507</b>	<b>435</b>
Cash flow from M&A activities	-10	-46	-	9	-	-	-10	-37
<b>Free cash flow excl. M&amp;A</b>	<b>-117</b>	<b>290</b>	<b>579</b>	<b>232</b>	<b>55</b>	<b>-50</b>	<b>517</b>	<b>472</b>
<b>Additional information</b>								
	GN Hearing		GN Audio		Other**		Consolidated total	
(DKK million)	Q2 2020 (unaud.)	Q2 2019 (unaud.)	Q2 2020 (unaud.)	Q2 2019 (unaud.)	Q2 2020 (unaud.)	Q2 2019 (unaud.)	Q2 2020 (unaud.)	Q2 2019 (unaud.)
Revenue distributed geographically								
Denmark	15	38	31	42	-	-	46	80
Europe	173	361	979	588	-	-	1,152	949
North America	326	852	545	593	-	-	871	1,445
Rest of World	201	334	389	243	-	-	590	577
<b>Revenue</b>	<b>715</b>	<b>1,585</b>	<b>1,944</b>	<b>1,466</b>	<b>-</b>	<b>-</b>	<b>2,659</b>	<b>3,051</b>
Incurred development costs	-132	-150	-140	-97	-22	-21	-294	-268
Capitalized development costs	71	81	69	46	-	-	140	127
Amortization, impairment and depreciation of development projects***	-63	-61	-47	-41	2	2	-108	-100
<b>Expensed development costs</b>	<b>-124</b>	<b>-130</b>	<b>-118</b>	<b>-92</b>	<b>-20</b>	<b>-19</b>	<b>-262</b>	<b>-241</b>
EBITDA	-291	346	437	292	-15	-24	131	614
Depreciation and software amortization	-45	-47	-29	-24	-32	-20	-106	-91
<b>EBITA*</b>	<b>-336</b>	<b>299</b>	<b>408</b>	<b>268</b>	<b>-47</b>	<b>-44</b>	<b>25</b>	<b>523</b>
EBITA margin	-47.0%	18.9%	21.0%	18.3%	N/A	N/A	0.9%	17.1%
Number of employees, end of period	~4,250	~4,575	~1,725	~1,500	~225	~175	~6,200	~6,250

\* 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 Q2 2020 (Continued)

Balance sheet	GN Hearing		GN Audio		Other*		Consolidated total	
	Jun. 30 2020 (unaud.)	Jun. 30 2019 (unaud.)	Jun. 30 2020 (unaud.)	Jun. 30 2019 (unaud.)	Jun. 30 2020 (unaud.)	Jun. 30 2019 (unaud.)	Jun. 30 2020 (unaud.)	Jun. 30 2019 (unaud.)
(DKK million)								
<b>ASSETS</b>								
Goodwill	3,520	3,497	1,200	1,218	-	-	4,720	4,715
Development projects	1,069	967	399	324	-18	-24	1,450	1,267
Other intangible assets	541	729	422	496	314	239	1,277	1,464
Property, plant and equipment	524	613	296	194	254	232	1,074	1,039
Investments in associates	216	80	-	-	27	30	243	110
Deferred tax assets	313	272	161	122	-57	-22	417	372
Loans to dispensers and ownership interests	886	878	-	-	-	-	886	878
Other financial assets	385	275	-	-	-	-	385	275
<b>Total non-current assets</b>	<b>7,454</b>	<b>7,311</b>	<b>2,478</b>	<b>2,354</b>	<b>520</b>	<b>455</b>	<b>10,452</b>	<b>10,120</b>
Inventories	603	541	711	539	-	-	1,314	1,080
Trade receivables	835	1,254	1,593	1,174	-	-	2,428	2,428
Receivables from group companies**	-	-	299	151	-299	-151	-	-
Tax receivables	188	54	45	15	-72	-14	161	55
Other receivables	163	148	81	41	65	51	309	240
Cash and cash equivalents	192	165	135	81	640	22	967	268
<b>Total current assets</b>	<b>1,981</b>	<b>2,162</b>	<b>2,864</b>	<b>2,001</b>	<b>334</b>	<b>-92</b>	<b>5,179</b>	<b>4,071</b>
<b>Total assets</b>	<b>9,435</b>	<b>9,473</b>	<b>5,342</b>	<b>4,355</b>	<b>854</b>	<b>363</b>	<b>15,631</b>	<b>14,191</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>	<b>5,050</b>	<b>5,779</b>	<b>2,767</b>	<b>2,517</b>	<b>-3,317</b>	<b>-3,830</b>	<b>4,500</b>	<b>4,466</b>
Bank loans and issued bonds	-	-	-	-	4,802	3,919	4,802	3,919
Lease liabilities, non-current	212	269	96	45	40	40	348	354
Pension obligations	28	55	5	-	-	-	33	55
Provisions, non-current	74	158	14	95	-	-	88	253
Deferred tax liabilities	239	191	184	162	128	137	551	490
Other non-current liabilities	314	321	137	123	-	-	451	444
<b>Total non-current liabilities</b>	<b>867</b>	<b>994</b>	<b>436</b>	<b>425</b>	<b>4,970</b>	<b>4,096</b>	<b>6,273</b>	<b>5,515</b>
Bank loans	-	-	-	9	1,259	1,227	1,259	1,236
Lease liabilities, current	84	93	34	37	11	7	129	137
Trade payables	144	239	774	532	35	39	953	810
Amounts owed to group companies**	2,210	1,194	-	-	-2,210	-1,194	-	-
Tax payables	30	131	81	55	-45	-104	66	82
Provisions, current	242	225	151	136	-	-	393	361
Other current liabilities	808	818	1,099	644	151	122	2,058	1,584
<b>Total current liabilities</b>	<b>3,518</b>	<b>2,700</b>	<b>2,139</b>	<b>1,413</b>	<b>-799</b>	<b>97</b>	<b>4,858</b>	<b>4,210</b>
<b>Total equity and liabilities</b>	<b>9,435</b>	<b>9,473</b>	<b>5,342</b>	<b>4,355</b>	<b>854</b>	<b>363</b>	<b>15,631</b>	<b>14,191</b>
<b>Invested capital***</b>	<b>6,873</b>	<b>7,187</b>	<b>2,664</b>	<b>2,579</b>	<b>429</b>	<b>337</b>	<b>9,966</b>	<b>10,103</b>
<b>Average invested capital</b>	<b>7,030</b>	<b>6,840</b>	<b>2,622</b>	<b>2,038</b>	<b>383</b>	<b>299</b>	<b>10,035</b>	<b>9,177</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 2 – Segment disclosures YTD 2020

Income statement	GN Hearing		GN Audio		Other**		Consolidated total	
	YTD 2020 (unaud.)	YTD 2019 (unaud.)	YTD 2020 (unaud.)	YTD 2019 (unaud.)	YTD 2020 (unaud.)	YTD 2019 (unaud.)	YTD 2020 (unaud.)	YTD 2019 (unaud.)
(DKK million)								
Revenue	2,029	3,092	3,597	2,799	-	-	5,626	5,891
Production costs	-856	-955	-1,761	-1,347	-	-	-2,617	-2,302
<b>Gross profit</b>	<b>1,173</b>	<b>2,137</b>	<b>1,836</b>	<b>1,452</b>	<b>-</b>	<b>-</b>	<b>3,009</b>	<b>3,589</b>
Development costs	-273	-264	-228	-183	-42	-35	-543	-482
Selling and distribution costs	-896	-1,014	-723	-655	-	-	-1,619	-1,669
Management and administrative expenses	-287	-285	-195	-152	-48	-45	-530	-482
Other operating income and costs, net	2	7	6	-1	-	-	8	6
<b>EBITA*</b>	<b>-281</b>	<b>581</b>	<b>696</b>	<b>461</b>	<b>-90</b>	<b>-80</b>	<b>325</b>	<b>962</b>
Amortization of acquired intangible assets	-62	-72	-40	-27	-	-	-102	-99
Gain (loss) on divestment of operations etc.	-1	1	1	-	-	-	-	1
<b>Operating profit (loss)</b>	<b>-344</b>	<b>510</b>	<b>657</b>	<b>434</b>	<b>-90</b>	<b>-80</b>	<b>223</b>	<b>864</b>
Share of profit (loss) in associates	-7	-7	-	-	-	-	-7	-7
Financial items	-46	-60	8	10	-24	-67	-62	-117
<b>Profit (loss) before tax</b>	<b>-397</b>	<b>443</b>	<b>665</b>	<b>444</b>	<b>-114</b>	<b>-147</b>	<b>154</b>	<b>740</b>
Tax on profit (loss)	93	-98	-156	-104	28	29	-35	-173
<b>Profit (loss) for the period</b>	<b>-304</b>	<b>345</b>	<b>509</b>	<b>340</b>	<b>-86</b>	<b>-118</b>	<b>119</b>	<b>567</b>

Cash flow statement	GN Hearing		GN Audio		Other**		Consolidated total	
	YTD 2020 (unaud.)	YTD 2019 (unaud.)	YTD 2020 (unaud.)	YTD 2019 (unaud.)	YTD 2020 (unaud.)	YTD 2019 (unaud.)	YTD 2020 (unaud.)	YTD 2019 (unaud.)
(DKK million)								
<b>Operating activities before changes in working capital</b>	<b>68</b>	<b>824</b>	<b>878</b>	<b>621</b>	<b>-30</b>	<b>-50</b>	<b>916</b>	<b>1,395</b>
Cash flow from changes in working capital	135	-111	-29	-160	51	10	157	-261
<b>Cash flow from operating activities excluding financial items and tax</b>	<b>203</b>	<b>713</b>	<b>849</b>	<b>461</b>	<b>21</b>	<b>-40</b>	<b>1,073</b>	<b>1,134</b>
Cash flow from investing activities:								
Development projects, investment	-173	-153	-131	-84	-	-	-304	-237
Other investing activities	-142	-139	-47	-668	-83	-50	-272	-857
<b>Cash flow from operating and investing activities before financial items and tax</b>	<b>-112</b>	<b>421</b>	<b>671</b>	<b>-291</b>	<b>-62</b>	<b>-90</b>	<b>497</b>	<b>40</b>
Tax and financial items	-110	-226	-159	-31	90	-14	-179	-271
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>-222</b>	<b>195</b>	<b>512</b>	<b>-322</b>	<b>28</b>	<b>-104</b>	<b>318</b>	<b>-231</b>
Cash flow from M&A activities	-39	-58	-	-632	-	-	-39	-690
<b>Free cash flow excl. M&amp;A</b>	<b>-183</b>	<b>253</b>	<b>512</b>	<b>310</b>	<b>28</b>	<b>-104</b>	<b>357</b>	<b>459</b>

Additional information	GN Hearing		GN Audio		Other**		Consolidated total	
	YTD 2020 (unaud.)	YTD 2019 (unaud.)	YTD 2020 (unaud.)	YTD 2019 (unaud.)	YTD 2020 (unaud.)	YTD 2019 (unaud.)	YTD 2020 (unaud.)	YTD 2019 (unaud.)
(DKK million)								
Revenue distributed geographically								
Denmark	47	75	84	84	-	-	131	159
Europe	522	703	1,727	1,215	-	-	2,249	1,918
North America	1,004	1,656	1,060	1,001	-	-	2,064	2,657
Rest of World	456	658	726	499	-	-	1,182	1,157
<b>Revenue</b>	<b>2,029</b>	<b>3,092</b>	<b>3,597</b>	<b>2,799</b>	<b>-</b>	<b>-</b>	<b>5,626</b>	<b>5,891</b>
Incurred development costs	-308	-290	-264	-190	-45	-41	-617	-521
Capitalized development costs	173	153	131	84	-	-	304	237
Amortization, impairment and depreciation of development projects***	-138	-127	-95	-77	3	6	-230	-198
<b>Expensed development costs</b>	<b>-273</b>	<b>-264</b>	<b>-228</b>	<b>-183</b>	<b>-42</b>	<b>-35</b>	<b>-543</b>	<b>-482</b>
EBITDA	-189	674	753	508	-29	-43	535	1,139
Depreciation and software amortization	-92	-93	-57	-47	-61	-37	-210	-177
<b>EBITA*</b>	<b>-281</b>	<b>581</b>	<b>696</b>	<b>461</b>	<b>-90</b>	<b>-80</b>	<b>325</b>	<b>962</b>
EBITA margin	-13.8%	18.8%	19.3%	16.5%	N/A	N/A	5.8%	16.3%
Number of employees, end of period	~4,250	~4,575	~1,725	~1,500	~225	~175	~6,200	~6,250

\* 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 3 – Incentive plans**

As of June 30, 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 4,642 (1.3% of the shares issued in GN Audio). The total number of outstanding options in GN Store Nord is 1,465,774 (1.0% of the shares issued in GN Store Nord)

**Note 4 – Shareholdings**

On June 30, 2020, members of the board of directors and the executive management, respectively, own 299,525 and 91,778 shares in GN Store Nord.

On June 30, 2020, GN owns 13,500,210 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%.

**Note 5 – Events after the reporting period**

On July 13, 2020 GN Audio and Plantronics settled the legal case. The settlement will be recognized in Q3 2020. The terms of the settlement agreement are not disclosed.

# 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 – June 30, 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

June 30, 2020 and of the results of the group's operations and cash flows for the period January 1 – June 30, 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, August 19, 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**

**Hélène Barnekov**

**Ronica Wang**

**Montserrat Maresch Pascual**

**Anette Weber**

**Leo Larsen**

**Morten Andersen**

**Marcus Stuhr Perathoner**



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