



Annual Report 2020

GN Store Nord A/S

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Investment case

Focused innovation within sound processing that can benefit users in select important market segments

Market leading positions in attractive markets with high entry barriers

Focused growth model, dedicated innovator, developer, manufacturer and distributor, refraining from vertical integration

Clear strategy underpinned by deep technology expertise and strategic global partnerships

Profitability aligned with or better than peers

Strong cash conversion and asset light business model

Navigating safely through rough waters

With professional leadership and proactive management, GN fared well through unprecedented challenges in 2020. In a year when the entire world was heavily burdened by the global pandemic, GN adjusted appropriately but never compromised on our innovation agenda, launching multiple well-received state-of-the-art products, and managing expenditure diligently

Protecting people and business in a world in lockdown

The COVID-19 pandemic overshadowed everything else in 2020. The entire world suffered. At GN, we were impacted early on, when a contract security guard at GN Hearing's manufacturing site in China was infected in late January. We temporarily suspended operations at the site, and from then on, our leadership managed professionally through uncharted waters.

Looking back over the course of the year, I would argue that GN handled the challenges well. Our priority was to protect people's health, livelihoods, our innovation engine, our supply chain, and our business in a world of various lockdowns. Management steered the ship firmly, managing cost wisely, while never compromising on the innovation that would allow the business to bounce back when the day comes. Our leaders and employees around the world demonstrated remarkable stamina and heart, helping each other, helping customers, and helping the company by working efficiently in difficult circumstances and accepting furlough and reduced pay.

The Board and I appreciate the many personal sacrifices that have been made. For this we are thankful to each and every one of GN's more than 6,000 employees throughout the world – and we trust our shareholders feel the same.

Diversely affected businesses proved the strength of GN

Throughout 2020, the pandemic affected GN's two business divisions very differently:

- GN Audio entered the year with a strong track-record of growth in attractive enterprise markets based on an industry leading product portfolio, excellent execution, and improved brand recognition. The already high demand rose sharply as enterprises and organizations increased investments in collaboration tools allowing employees to work effectively from home. GN Audio's investments over the recent years in a highly scalable setup for manufacturing and logistics ensured that customers' needs could be met with as little delay as possible. This helped GN Audio take significant market share during 2020.

- For GN Hearing the pandemic resulted in sharply declining revenue. As elderly, more vulnerable populations were advised to stay home and local restrictions shut down many hearing clinics, the sale of hearing aids dropped dramatically, especially in March through May.

In such challenging times, it proved beneficial for GN to operate with limited forward integration and within both the hearing aid and audio & collaboration space.

Major product launches successfully moved online

Both GN Audio and GN Hearing kept up momentum in product innovation and development and executed on extensive product launches digitally. In March – with most markets in full lockdown – GN Audio launched the second generation of the Evolve range, Evolve2, its best-selling and market leading Unified Communications headset. This was all done online with no ability to meet customers face-to-face, and still ended up being GN Audio's most successful product launch to date.

In August, GN Hearing launched ReSound ONE, an entirely new class of hearing aids that offers a truly individualized hearing experience and the best sound quality for every user. A 24-hour online global launch event on September 1 had 10,000 attendees sign up, which is more than any regular hearing industry conference had ever attracted.

Both examples show the agility and ability of GN's organization to rapidly adapt to new circumstances and execute successfully in a turbulent world with numerous headwinds.

Preceding these major product innovations lay significant work and investments in research and development. While the pandemic required diligent cost control and savings throughout GN, the decision to not save on the company's innovation engine was deliberate. We already saw the benefit of this in 2020 and will see this even more in years to come.

New opportunities during and post pandemic

We strongly believe that GN continues to be well positioned for success. Our fundamental strategy for 2020 and beyond is unchanged by the pandemic and has already proven robust

for a rapidly changing and uncertain world, as has GN's business model and organization.

In the coming years GN will continue to take individualized customer experiences to a whole new level and further broaden the reach and appeal of GN's hearing, audio, and video product portfolios, where we see ample opportunities for continued growth. As new market segments open up, we will further leverage GN's technological expertise and commercial platform, where these provide a particular competitive advantage.

While COVID-19 temporarily hampered hearing clinics from serving their clients face-to-face, the pandemic also demonstrated that the need for hearing is greater than ever when people are physically distanced from each other. With increased mask wearing and social distancing there is clearly a greater need and awareness is increasing of how crucial it is for people to be able to hear and understand one another, aided by technology and proper remote care. The hearing market fundamentals continue to be healthy with a growing elderly and more affluent population and we see the markets as being fundamentally intact.

GN Hearing is well positioned as a leader in connectivity and audiology designed for the individual, as demonstrated by our latest product families. We will continue to invest in expanding what a hearing aid can do for the user. A hearing aid should, obviously, deliver the best possible sound for the user, but increasingly we will engineer hearing aids to assist users and their relatives with much more than "just" hearing. We think of these multiple new opportunities as *beyond hearing enabling people to hear more, do more, and be more*.

Also in GN Audio's enterprise business, we believe that our markets are intact. Large enterprise customers across the world are preparing for more permanent flexible and hybrid work initiatives which will continue after COVID-19. GN Audio is strongly positioned to capture the market opportunities and the current trends, which has contributed to significant market expansion. Professional collaboration tools based on sound, vision, and artificial intelligence will open up for a range of new ways to improve work efficiency, collaboration, and compliance with e.g. health restrictions. We will continue to invest into our business to capture growth in audio and video collaboration.

The near future remains uncertain

As COVID-19 continues to make life and business difficult around the world, and blur the world economic outlook, the near future expectations for both GN's business divisions remain significantly more uncertain than normal. In entering 2021, we see that the trying times are not over.

However, GN's market fundamentals remain healthy. Based on GN's attractive market prospects, focused strategic execution and a strong track record for developing industry-

leading, user-friendly, and increasingly-individualized hearing, audio and video products and solutions, GN continues to be well positioned beyond 2020.

GN has a robust business platform and a well-established organization with strong leadership and talented employees. Our financial foundation is solid, and our strategy is unchanged: driving growth by delivering uniquely and increasingly individualized customer experiences in our products and solutions through innovation leadership and commercial & eco-system excellence.

Making Life Sound Better

Predicting the future is subject to many uncertainties right now. Just as the company has done for more than 150 years, GN will focus on managing what we can control. Management and our employees did this exceptionally well in 2020.

With the experience and talent available throughout the company, with the right strategy in place, and with market leading positions in attractive markets, the Board of Directors is confident that GN will continue its highly successful growth journey, whatever challenges the future may hold. We will continue delivering on our purpose: Making Life Sound Better. The world needs that more than ever right now.



Per Wold-Olsen, Chairman of the Board

2020 highlights

The pandemic affected GN's two business divisions very differently: GN Audio experienced strong demand as enterprises invested in employees working from home, and GN Hearing experienced severe impact on revenue from restrictions and lockdown. Operating in both segments proved beneficial for GN

Revenue (DKK)

13.4bn

+9% organic growth vs 2019

EBITA (DKK)

1.9bn

-20% vs 2019

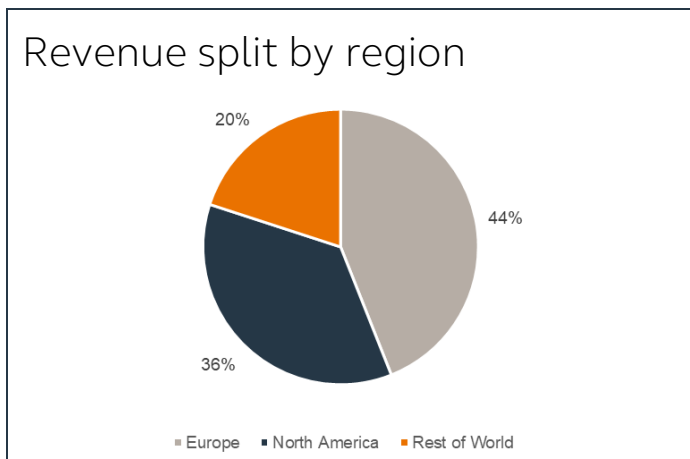
Cash conversion

100%

Shareholder returns (DKK)

356m

via share-buybacks and dividends



Earnings per share (DKK)

9.72

-13% vs 2019

Consolidated financial highlights

DKK million	2016	2017	2018	2019	2020
GN Hearing					
Revenue	5,156	5,615	5,833	6,351	4,725
Revenue growth	14%	9%	4%	9%	-26%
Organic growth	6%	6%	7%	7%	-24%
Gross profit margin	69.0%	69.4%	69.2%	69.0%	61.5%
EBITA*	1,062	1,153	1,194	1,284	41
EBITA margin*	20.6%	20.5%	20.5%	20.2%	0.9%
ROIC (EBITA*/Average invested capital)	17%	18%	19%	19%	1%
Free cash flow excl. company acquisitions and divestments	704	866	574	672	127
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA*)	66%	75%	48%	52%	310%
GN Audio					
Revenue	3,495	3,970	4,774	6,223	8,724
Revenue growth	8%	14%	20%	30%	40%
Organic growth	7%	10%	21%	26%	42%
Gross profit margin	52.7%	53.2%	53.2%	51.5%	50.4%
EBITA*	597	721	905	1,192	2,002
EBITA margin*	17.1%	18.2%	19.0%	19.2%	22.9%
ROIC (EBITA*/Average invested capital)	41%	46%	59%	57%	81%
Free cash flow excl. company acquisitions and divestments	523	481	798	849	1,729
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA*)	88%	67%	88%	71%	86%
GN Store Nord					
Revenue	8,651	9,585	10,607	12,574	13,449
Revenue growth	12%	11%	11%	19%	7%
Organic growth	6%	8%	13%	15%	9%
Gross profit margin	62.4%	62.7%	62.0%	60.3%	54.3%
EBITA*	1,583	1,744	1,956	2,321	1,866
EBITA margin*	18.3%	18.2%	18.4%	18.5%	13.9%
Operating profit (loss)	1,445	1,558	1,796	2,002	1,627
Financial items, net	-52	-60	-203	-92	-6
Profit (loss) before tax	1,395	1,504	1,606	1,913	1,612
Effective tax rate	22.2%	25.4%	22.4%	23.3%	21.3%
Profit (loss) for the year	1,086	1,122	1,247	1,468	1,269
Total assets	12,835	11,737	13,017	16,683	16,682
Total equity	5,620	4,783	5,096	4,849	5,178
ROIC (EBITA*/Average invested capital)	20%	21%	24%	25%	19%
Earnings per share, basic (EPS)	7.34	8.07	9.25	11.12	9.72
Earnings per share, fully diluted (EPS diluted)	7.32	8.02	9.13	10.98	9.63
Investments in property, plant and equipment	-106	-103	-160	-232	-221
Free cash flow excl. company acquisitions and divestments	1,179	1,134	1,110	1,296	1,865
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA*)	74%	65%	57%	56%	100%
Equity ratio	43.8%	40.8%	39.1%	29.1%	31.0%
Net interest-bearing debt	3,377	3,035	3,234	5,303	4,198
Net interest-bearing debt (period-end)/EBITDA	1.9	1.6	1.5	2.0	1.8
Payout ratio	16%	16%	16%	14%	16%
Share buybacks**	1,272	1,372	1,061	1,626	453
Outstanding shares, end of period (thousand)	143,471	136,443	132,576	128,952	128,975
Average number of outstanding shares (thousand)	147,967	138,980	134,114	130,762	128,805
Average number of outstanding shares, fully diluted (thousand)	148,361	139,968	135,864	132,367	130,032
Treasury shares, end of period (thousand)	11,317	9,241	13,108	13,316	13,293
Share price at the end of the period	146.3	200.5	243.3	313.3	487.2
Market capitalization	20,990	27,357	32,256	40,401	62,837

* Please refer to Key Ratio Definitions on page 112 for definition of EBITA

** Including buybacks as part of the share-based incentive programs

Note: 2016 - 2018 are not adjusted for changes related to IFRS 16 and 2016 - 2017 are not adjusted for changes related to IFRS 9 and IFRS 15

Group performance 2020

2020 manifested the benefits of having GN Hearing and GN Audio under the same roof. GN Audio +42%, GN Hearing -24%, GN +9% organic revenue growth and EBITA at DKK 1,866 million

COVID-19

In 2020, GN Store Nord was affected in three ways by COVID-19: (i) Various impact on production capacity and supply of components from subcontractors in H1 2020, (ii) GN Audio experienced strong demand as enterprises invested in employees working from home, and (iii) GN Hearing was impacted by lockdowns and local restrictions impacting demand. The impact of the pandemic obviously influenced 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.

To partially mitigate the negative impact on employment from lockdowns and local restrictions, many governments across the world implemented support schemes for businesses. Where appropriate, GN benefitted from some of these schemes in lockdown markets. Further, the Danish government introduced a helpful temporary tax relief for research and development costs.

Revenue

In 2020, GN Store Nord increased revenue by 7% to DKK 13,449 million compared to DKK 12,574 million in 2019. Organic revenue growth was 9%, compared to 15% in 2019. The foreign exchange contribution was around -1% and M&A contribution was around -1%.

The solid performance of the company in an extraordinary year reflects the continuous strong development in both GN Hearing and GN Audio, driven by innovative product portfolios and strong commercial execution.

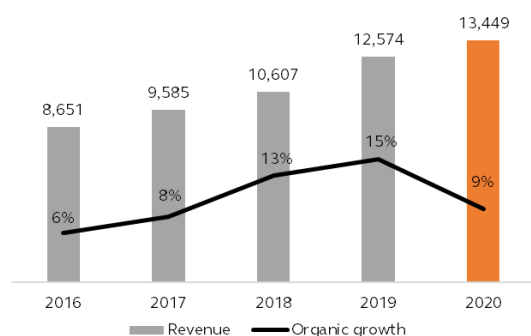
EBITA

GN realized EBITA of DKK 1,866 million in 2020 (including gain from legal settlements and litigation of DKK 114 million) which was 20% lower than the DKK 2,321 million realized in 2019. GN's earnings decrease reflects the significant negative impact on revenue from COVID-19 in GN Hearing, but partly offset by the strong performance in GN Audio. During the year, GN focused on prudent cost control but also continued investments into R&D and future growth opportunities. The EBITA margin was 13.9% (including gain from legal settlements and litigation of DKK 114 million), compared to 18.5% in 2019. Excluding the gain from legal settlements and litigation, EBITA was DKK 1,752 million, reflecting an EBITA margin of 13.0%.

EBITA in Other was DKK -177 million compared to DKK -155 million in 2019.

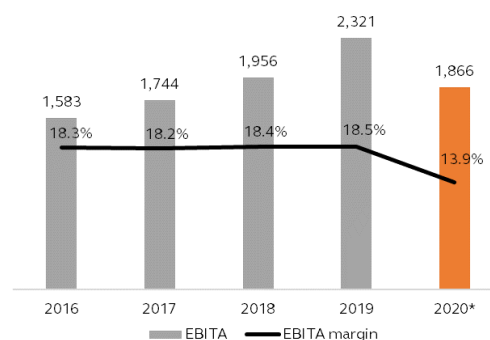
Revenue (DKKm) and organic growth

GN Store Nord



EBITA (DKKm) and EBITA margin

GN Store Nord



* Including gain from legal settlements and litigation of DKK 114 million

Financial overview 2020

DKK million	GN Hearing			GN Audio			Group total*		
	2020	2019	Growth	2020	2019	Growth	2020	2019	Growth
Revenue	4,725	6,351	-26%	8,724	6,223	40%	13,449	12,574	7%
Organic growth	-24%	7%		42%	26%		9%	15%	
Gross profit	2,905	4,380	-34%	4,393	3,202	37%	7,298	7,582	-4%
Gross profit margin	61.5%	69.0%	-7.5%p	50.4%	51.5%	-1.1%p	54.3%	60.3%	-6.0%p
EBITA	41	1,284	-97%	2,002**	1,192	68%	1,866**	2,321	-20%
EBITA margin	0.9%	20.2%	-19.3%p	22.9%**	19.2%	+3.7%p	13.9%**	18.5%	-4.6%p
Earnings per share (EPS)							9.72 **	11.12	-13%
Free cash flow excl. M&A	127	672	-545	1,729**	849	+880	1,865**	1,296	+569

* Including "Other"

** Including gain from legal settlements and litigation of DKK 114 million

Net profit

Amortization and impairment of acquired intangible assets was DKK -235 million in 2020, compared to DKK -298 million in 2019. The development was mainly driven by an impairment loss in the Beltone retail in relation to the ongoing optimization of the portfolio in 2019.

Financial items were DKK -6 million, compared to DKK -92 million in 2019. The development in financial items was mainly driven by a positive non-cash contribution from foreign exchange revaluation of certain balance sheet items, as well as a fair value adjustment related to an existing ownership interest.

The effective tax rate was 21.3%, while the net profit was DKK 1,269 million, compared to DKK 1,468 million in 2019, translating into a decrease of 14%, reflecting the negative impact from COVID-19 in GN Hearing offset by prudent cost management and strong performance in GN Audio.

Other performance indicators

GN continued throughout 2020 to have strong focus on cash flow generation and has taken prudent cost measures. Free cash flow excl. M&A increased 44% to DKK 1,865 million, equal to a cash conversion of 100% for the Group compared to 56% in 2019.

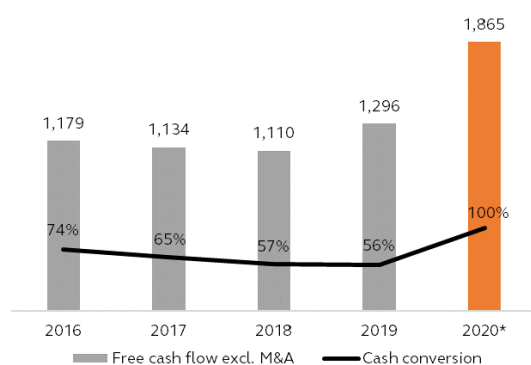
Earnings per share (EPS) was DKK 9.72, compared to DKK 11.12 in 2019.

The return on invested capital (ROIC) was 19% in 2020, compared to 25% in 2019.

By the end of 2020, equity in GN Store Nord amounted to DKK 5,178 million, compared to DKK 4,849 million in 2019. The increase was primarily driven by the net profit generated during the year on top of the execution of the share buyback program finalized on March 9, 2020, as well as the ordinary dividend payment and changes in foreign exchange rates.

Free cash flow (DKKm) and cash conversion

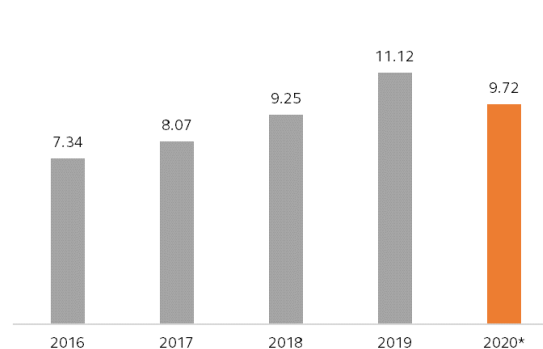
GN Store Nord



*) Including gain from legal settlements and litigation of DKK 114 million

Earnings per share (EPS)

GN Store Nord



*) Including gain from legal settlements and litigation of DKK 114 million

Capital structure

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 2020, the net interest-bearing debt amounted to DKK 4,198 million (compared to DKK 5,303 million in 2019), corresponding to 1.8 times EBITDA. The decrease in net interest-bearing debt was driven by prudent cash flow management and a strong cash conversion in GN Audio.

The balance sheet remained very sound with ample sources of liquidity and GN had cash and cash equivalent of DKK 1,657 million at the end of 2020.

In the last couple of years, GN proactively diversified the 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 loan from EIB, uncommitted bank facilities including overdraft lines as well as immediate access to undrawn revolving credit facilities of DKK 2 billion and USD 40 million.

Dividend and share buyback program

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

In order to preserve a strong balance sheet in uncertain times, 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 uncertain market environment caused by COVID-19 in the spring and to sustain a strong balance sheet, the Board of Directors decided to cancel the planned 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.

As part of the current capital structure policy, and when better visibility of the ongoing pandemic materializes, it is GN's ambition to reinstate share buybacks in order to continue to focus on creating shareholder value, subject to the necessary authorization by the Annual General Meeting to acquire treasury shares.

The Board of Directors will propose to pay out DKK 1.45 per share in dividend for the fiscal year 2020 (equivalent to a total dividend of DKK 206 million), in line with last year.

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.

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, and the financial impact from the settlement agreement was booked in Q3 2020.

Changes in financial leadership

On September 30, GN announced that Marcus Desimoni will step down from his dual position as CFO of GN Store Nord and of GN Hearing as of December 31, 2020. Peter la Cour Gormsen, CFO of GN Audio, was appointed CFO of GN Store Nord. Peter la Cour Gormsen will also remain CFO of GN Audio.

GN Hearing performance 2020

Encouraging reception of ReSound ONE, launched in August 2020. Severe impact from COVID-19 led to -24% organic revenue growth in 2020, while prudent cost management secured positive EBITA and free cash flow



Highlights 2020

- Organic revenue growth of -24% in 2020 as a result of COVID-19
- Positive EBITA of DKK 41 million, equivalent to an EBITA margin of 0.9% reflecting the lower revenue level more than offsetting OPEX reduction
- Free cash flow excl. M&A was DKK 127 million in 2020 in a challenging year

As for the hearing aid industry overall, COVID-19 and the resulting lockdowns in 2020 had a significant negative impact on GN Hearing. From the low-point in April, GN Hearing saw recovery in revenue. The impact from COVID-19 varied greatly across regions and countries.

In August 2020, GN Hearing announced the launch of ReSound ONE, an entirely new class of hearing aids that offers a truly individualized hearing experience and the best sound quality for every user. GN Hearing has despite COVID-19 executed on the global roll-out during H2 2020 and the reception and feedback has been overwhelmingly positive.

Revenue

GN Hearing delivered -24% organic revenue growth in 2020 as a result of the severe impact from COVID-19. The foreign exchange development contributed negatively with around

Organic growth

-24%

EBITA

+41

(DKKm)

Free cash flow
excl. M&A

+127

(DKKm)

12%

of revenue
re-invested in R&D

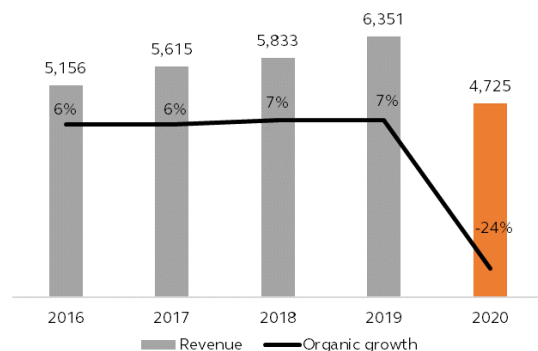
ReSound ONE

An entirely new class of hearing aids that offers a truly individualized hearing experience and the best sound quality for every user



Revenue (DKKm) and organic growth

GN Hearing



ONE of a kind

"I'm back in the world now"

Ray Weaver first noticed a hearing loss 10-15 years ago: "I started to take my hearing loss seriously, when my wife and my kids started saying: 'Dad, you cannot hear us'. They are the most important people in my life, so I want to hear them."

Ray Weaver is an award-winning songwriter and musician. He was born in the US and currently resides in Denmark. Having played in bands since he was 15 years old and been exposed to loud music throughout his life, Ray believes this has had a negative impact on his hearing.

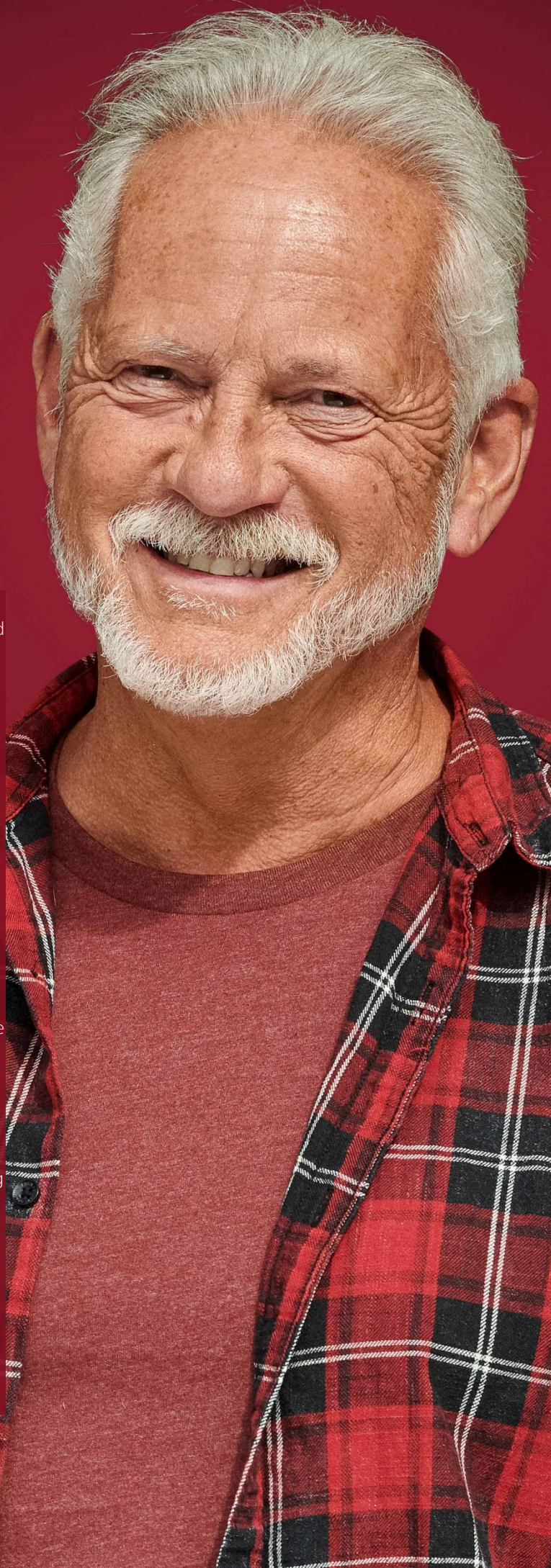
Ray's wife, Lotte, became concerned when Ray started engaging less in conversations: "I noticed Ray's hearing loss when he started withdrawing. He spoke less when we had guests over."

Since being fitted with ReSound ONE, the hearing aids have provided Ray with an increased sense of awareness of his surroundings and has given him the confidence to engage fully in social situations with family and friends.

"I hear things that I hadn't realized I couldn't hear before. When I was outside for the first time, I heard leaves rustling across the driveway. I kept saying 'what's that sound?' I've experienced an overall increased sense of confidence as I no longer have to ask people to repeat questions and parts of conversations. Wearing hearing aids has given me a huge boost to say – I'm back in the world now."

Or in Lotte's words: "Now he is back to normal – and we even have to fight to get a word in."

ReSound GN



-1%, while the impact from M&A was around -1%. Revenue growth was -26%. The revenue in 2020 reached DKK 4,725 million, compared to DKK 6,351 million in 2019.

The impact from COVID-19 varied greatly across regions and countries. North America experienced a slower market recovery during 2020 than Europe and Rest of World, with the commercial market improving faster than the Veterans Affairs channel and with significant differences across states. In Europe, GN Hearing saw strong emerging recovery during 2020 in especially Germany and the South European markets. The UK saw a slower recovery and remained heavily impacted by local restrictions during 2020. In Rest of World, GN Hearing saw strong emerging recovery in most areas particularly in China, Japan, and South Korea.

Earnings and other financial highlights

GN Hearing's gross profit decreased by -34% to DKK 2,905 million in 2020 compared to DKK 4,380 million in 2019, mainly driven by the significant revenue decrease. The gross margin was 61.5% compared to 69.0% in 2019 primarily driven by the fixed part of production cost, one-time costs and mix effects.

Operating expenses were DKK 2,864 million compared to DKK 3,096 million in 2019, corresponding to a decrease of 7%. The decrease in operating expenses is following prudent cost management during the year, but also impacted by one-time costs related to the consequences of COVID-19.

EBITA decreased to DKK 41 million in 2020 from DKK 1,284 million in 2019. The EBITA margin was 0.9%. The positive EBITA was achieved by prudent cost management on top of one-time costs and continued investments into R&D and IT.

The return on invested capital (ROIC) was 1% in 2020 compared to 19% in 2019.

Free cash flow excl. M&A was positive of DKK 127 million in 2020, compared to DKK 672 million in 2019 despite the severe impact from COVID-19.

Business highlights

COVID-19

GN Hearing was severely impacted by the COVID-19 outbreak in several ways, beginning with production and supply chain issues. In January 2020, GN Hearing suspended operations at its Xiamen, China, production site due to COVID-19, but with the site fully operational again during February 2020.

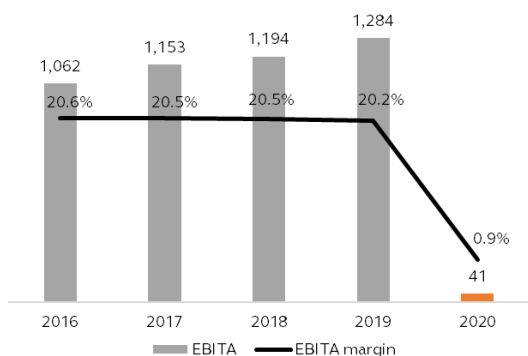
In the beginning of the year, GN Hearing was off to a good start in line with expectation. As the COVID-19 pandemic spread globally in early spring, the global hearing aid markets saw a gradual shut-down as markets across the world were facing lockdowns and various local restrictions. From the low-point in April 2020, the market and GN Hearing experienced an emerging recovery over the summer with markets getting close to normality. Due to increasing infections rates across the world again in the autumn / early winter, the markets halted in its recovery. The impact from COVID-19 varied throughout the year greatly across regions and countries, with North America experiencing a slower recovery during 2020 than Europe and Rest of World, but with significant differences across states and channels.

ReSound Enzo Q and ReSound LiNX Quattro

In February 2020, GN Hearing launched multiple new ReSound hearing solutions, ReSound Enzo Q as well as an extension to the ReSound LiNX Quattro family to include four new hearing aids (three new BTE hearing aids and a mini RIE model). These were based on the powerful chip platform of ReSound LiNX Quattro, which offers impressive sound quality, connectivity, and customer care for people with all types of hearing loss.

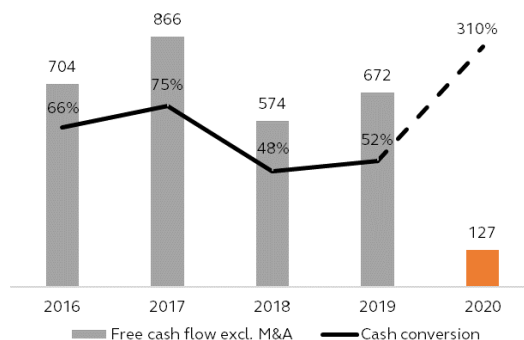
EBITA (DKKm) and EBITA margin

GN Hearing



Free cash flow (DKKm) and cash conversion

GN Hearing



Right beside you

The COVID-19 pandemic hit those with untreated hearing loss especially hard by further isolating them from friends and family and putting limits on their ability to hear and understand critical news and instruction about how to stay safe.

Beltone is about being *Right Beside You* and with around 1,500 locations across the US, Beltone recognized an acute need to help in practical ways.

Many clinics offered “curbside assistance” allowing customers to either stay at home or drive up to the clinic to have a Beltone hearing care professional come to their car or front door to collect their hearing aids for service, cleaning or adjustment - without any direct contact or the customer stepping out of their home or car.

Beltone Remote Care™ Live was launched to allow Beltone clinics to remotely assist patients. From afar, audiologists can provide their patients with the personal attention and care they require, including adjustments and fitting, via a live video call.

To further ease some of the strain during the pandemic, the Beltone Foundation donated 550 hearing instruments to individuals otherwise unable to get hearing help due to the financial downturn. Also, Beltone offered free batteries to anyone who requested them, regardless of manufacturer. In total, the Foundation donated more than 7,500 batteries in 2020.



ReSound Assist™ Live

In April 2020, 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. The solution delivers a heightened level of customer experience and business support for hearing care professionals, thus providing a more individualized experience. In the context of COVID-19, the accelerated launch of Resound Assist Live enables a new, groundbreaking 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. This is reducing the need for in-office visits at a time when older, more vulnerable populations are advised to stay at home. ReSound Assist Live was well received by users and will in a post-pandemic world continue to offer an attractive and more individualized choice for users.

ReSound ONE

In August 2020, 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. In clinical trials, 90% of users identified ReSound ONE with Microphone & Receiver in Ear (M&RIE) as providing superior sound quality to a traditional hearing aid with microphones positioned behind the ear. Through a combination of a radical new receiver design and GN’s all-new and most powerful sound-processing chipset ever, GN Hearing was able to deliver the world’s first All Access Directionality as well as the 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, thus allowing for a much more individualized hearing experience.

ReSound ONE was available in clinics end of August 2020. On September 1, 2020, GN Hearing hosted a global launch event, with over 10,000 hearing care professionals enrolled onto the largest ever gathering on hearing aid technology in an interactive, virtual learning environment. User reception and feedback for ReSound ONE has been overwhelmingly positive.

Veterans Affairs

The U.S. Veterans Affairs (VA) channel, which represents roughly 20% of the US market, was significantly impacted by COVID-19 and the total volume in the channel was at index 66 in 2020 compared to 2019, with great variances in terms of recovery across states. By the end of 2020, ReSound ONE became available in the channel. Under normal circumstances VA is a channel that easily adopts new technology, but due to the COVID-19 physical meetings have not been possible which – combined with the fact that Resound ONE is completely new and groundbreaking technology – have resulted in a slower uptake than under normal circumstances. It is still GN Hearing's clear ambition to drive market share gains in the channel based on the superior technology of ReSound ONE.

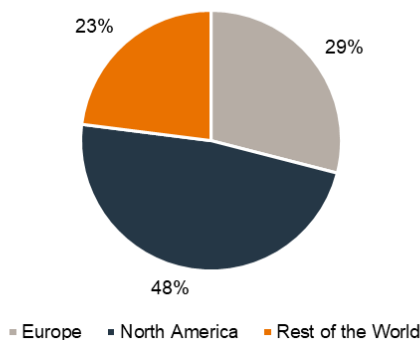
Beltone network

During 2020, GN Hearing continued to execute on several strategic initiatives to continue the improvement of the North American Beltone network. Beltone is a strong and recognized brand in the US hearing aid market with around 1,500 point-of-sales in North America, and it is GN Hearing’s ambition to further strengthen the Beltone business in order to position the network well for the future.

During 2020, as for the hearing aid market overall, Beltone was negatively impacted by COVID-19, but did find creative ways of continuing to serve customers through the difficult period. In June 2020, Beltone announced the launch of an online store, making Beltone the only major hearing care retailer to offer an online, trusted source of original, direct-from-manufacturer solution.

Beltone continued to optimize its “ownership in transition” portfolio of retail stores. By the end of 2020, Beltone had reduced the total number of owned retail stores in transition to around 100, which is in line with the overall strategic objective.

Revenue distribution





Coping & helping

GN Hearing stepping up to help customers

As the COVID-19 forced many hearing clinics to close down and deprived people from critical hearing care, GN Hearing launched initiatives to help customers and hearing care professionals:

- GN Hearing accelerated the development of ReSound Assist Live. This new technology greatly expanded at-home care for people with hearing loss, allowing hearing care professionals to send, test, fit, and fine-tune hearing aids remotely. This was vital especially to vulnerable populations that were advised to stay at home, in times when they were most dependent on their hearing to keep informed and connected with their loved ones. The solution will continue to be an attractive option for many, also after the pandemic
- As face masks became a new normal, people with hearing loss were confronted with new challenges: Lipreading accounts for 30% of anybody's speech recognition but is even more critical if you have hearing loss. GN Hearing developed a new Face Mask Program setting for the hearing aid, making it easier for people with hearing aids to understand people wearing face masks
- Under the banner of ReSound Gives Sound, GN Hearing in the US donated USD 1 million worth of ReSound ONE hearing aids free of charge to people with hearing loss who have experienced financial difficulty related to COVID-19. Hearing care professionals in this program devote their time for fitting and care to help people in their communities

Smart Hearing Alliance

The Smart Hearing Alliance, a co-development and co-commercialization partnership between GN Hearing and Cochlear, first announced in October 2015, was despite a year filled with global challenges further deepened and expanded.

During 2020, GN Hearing was proud to strengthen this alliance by announcing that starting November 2020, the range of Smart Hearing Alliance devices offering direct bimodal streaming will include ReSound ONE hearing aid and Cochlear™ Kanso®2 Sound Processor. About 70% of all implant recipients wear a hearing aid on their contralateral ear, also known as a bimodal listening experience.

The vision for collaboration continues to include a focus on fast-moving connectivity and wireless technology to allow for closer integration between Cochlear and GN Hearing technologies.

FalCom

During 2020, GN made further progress in commercializing its FalCom product offering - intelligent communication solutions for defense and security forces - resulting in increasing revenue generation compared to 2019. GN is currently preparing for several relevant tenders for the FalCom solution.



Flexible working is here to stay

In 2020, “WFH” became a widely known acronym as employees around the world were forced to Work-From-Home due to widespread COVID-19 lockdowns.

Throughout the past several years, GN Audio has built a position as global leader in Unified Communications & Collaborations headsets, speakers, and most recently conferencing cameras. During 2020, GN Audio’s market leading position was further reinforced with significant market share gains.

Hopefully, COVID-19 vaccinations will during 2021 defeat the global pandemic. However, companies, organizations, and employees will likely not return to pre-2020 work patterns. As GN Audio has promoted for years: “work is not a place, it’s an activity”. Flexible working has proven too advantageous. Generally, productivity for office workers did not suffer during the pandemic, work-life balance improved for many, and the climate benefitted from reduced business travel and commutes. Money was saved.

Whereas face2face meetings and business travel will certainly return, it will likely not rebound to pre-pandemic levels. GN Audio will continue to support an increasing number of companies and employees with productivity enhancing communication and collaboration tools that support work from anywhere.

On March 30, 2020, GN Audio launched the second generation of the Evolve range, Jabra Evolve2, its best-selling and market leading Unified Communications headset. 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 productivity to new heights.

GN Audio performance 2020

World leading product portfolio and relentless execution in 2020 led to exceptional organic revenue growth of 42%



Organic growth
42%

EBITA margin
22.9%

No 1
in Unified Communications

Cash conversion
86%



Highlights 2020

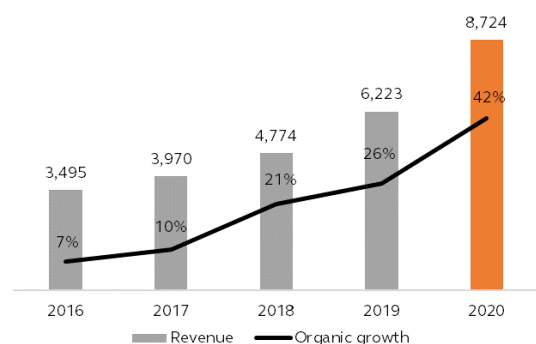
- Exceptional 42% organic revenue growth in 2020, driven by strong demand for enterprise products accelerated by COVID-19. Strong momentum across regions, channels, and products
- EBITA increased 68% to DKK 2,002 million equivalent to an EBITA margin of 22.9%, compared to 19.2% and DKK 1,192 million in 2019. Excluding the gain for legal settlements and litigation, EBITA was DKK 1,888 million, equivalent to an EBITA margin of 21.6%
- Free cash flow excl. M&A increased to DKK 1,729 million (DKK 849 million in 2019) equal to a cash conversion of 86%, compared to 71% in 2019

GN Audio has in 2020 taken significant market share and delivered exceptional growth in both revenue and EBITA, driven by its leading product portfolio and continued strong execution across the organization. As enterprises invested in employees working from home due to the ongoing pandemic, demand for GN Audio's enterprise products increased further. Despite a challenged supply chain in the beginning of 2020 following COVID-19, GN Audio demonstrated a strong ability to significantly increase production capacity to meet the strong demand, drive exceptional growth, and gain significant market share.

The revenue growth of 40% translated into an increase in EBITA of 68%, reflecting continuous leverage in the business

Revenue (DKK m) and organic growth

GN Audio





Noise away

Accept No Compromise

In September 2020, GN Audio introduced the Jabra Elite 85t wireless earbud along with an upgrade of the Jabra Elite 75t true wireless earbuds series.

The Jabra Elite 85t is engineered to defy the boundaries of how much noise can be removed in a set of true wireless earbuds. It features Jabra's most advanced and powerful Active Noise Cancellation (Jabra Advanced ANC™) technology, without compromising on the size or the signature design that looks and feels great to wear all day.

With the Jabra Elite 85t, there will be no compromise in the discreet design or comfort, no compromise in the calls or music experience and no compromise in the effectiveness of the ANC.

While Jabra Elite 85t delivers an abundance of features packed in miniature, the upgrade of the Jabra Elite 75t full range was a world premier in disguise: for the first time ever an attractive and normally expensive feature such as ANC for a Bluetooth headphone or earbud could be activated for existing users through a software update – at no extra cost. Tech reviewers and customers cheered!

Jabra GN
.....

and gain from legal settlements and litigation, off-set by investments in future growth opportunities, increased freight, and production costs due to COVID-19 and tariffs.

Revenue

GN Audio delivered 42% organic revenue growth in 2020. The foreign exchange rate development contributed negatively with around -2%. Revenue growth was 40%. The revenue in 2020 reached DKK 8,724 million, compared to DKK 6,223 million in 2019.

GN Audio's Enterprise business – the world's leading supplier in this segment – continued in 2020 to deliver strong double-digit organic growth across Europe, North America and Rest of World accelerated by the pandemic.

The Consumer business was in H1 2020 negatively impacted by COVID-19, as consumers for a large part were not able to purchase products in certain channels and markets, due to retailers being closed. In H2 2020, the Consumer business returned to strong double-digit growth driven by the strong product portfolio combined with the reopening of offline retailers following the lockdowns in Q2 2020.

The continued strong performance reflects the strength of GN Audio's innovative world-leading product portfolio as well as strong execution in its supply chain and commercial excellence initiatives across all three regions and across the enterprise and consumer categories. Operating in a market with attractive conditions accelerated by the pandemic, GN Audio has continued with new product introductions and strong execution to strengthen its leading position across the attractive enterprise market.

Earnings and other financial highlights

In 2020, gross profit increased by 37% to DKK 4,393 million compared to DKK 3,202 million in 2019. The gross margin was 50.4% in 2020, which was below the level of 51.5% achieved in 2019, reflecting increased freight and production costs due to COVID-19 and tariffs.

Operating expenses were DKK 2,391 million compared to DKK 2,010 million in 2019, corresponding to an increase of 19%. The increase in reported operating expenses was primarily related to investments in future growth opportunities offset by a one-time gain of DKK 114 million from legal settlement and litigation. Operating expenses in percent of revenue decreased from 32% in 2019 to 27% in 2020 reflecting leverage in the business.

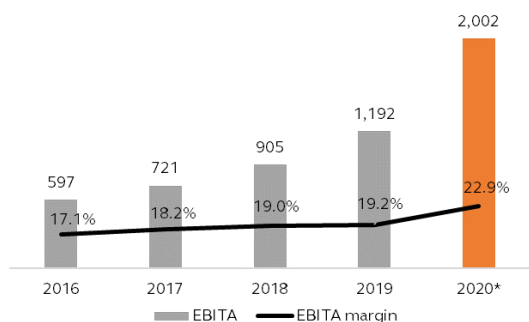
GN Audio's EBITA of DKK 2,002 million in 2020 represents an increase of 68% (including gain from legal settlements and litigation of DKK 114 million), compared to DKK 1,192 million in 2019. Excluding the gain for legal settlement and litigation, EBITA increased 58% corresponding to an EBITA margin of 21.6%, compared to 19.2% in 2019. The strong development reflects continuous leverage and was achieved on top of investments in future growth opportunities, increased freight, and production costs due to COVID-19 and tariffs.

The return on invested capital (ROIC) was 81% in 2020, compared to 57% in 2019 driven by continued strong growth.

Free cash flow excl. M&A increased 104% to DKK 1,729 million in 2020, compared to DKK 849 million in 2019 reflecting a significant growth in earnings and a positive development in working capital. The free cash flow translated into a cash conversion of 86% compared to 71% in 2019.

EBITA (DKK m) and EBITA margin

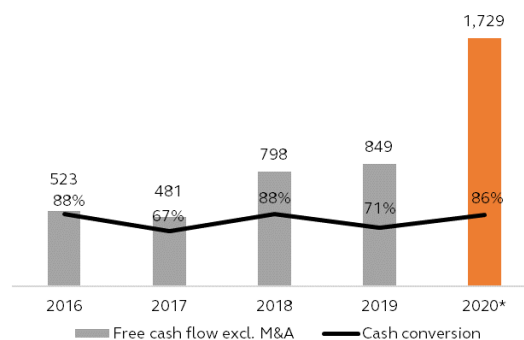
GN Audio



*) Including gain from legal settlements and litigation of DKK 114 million

Free cash flow (DKK m) and cash conversion

GN Audio



*) Including gain from legal settlements and litigation of DKK 114 million

In public service

$$\left(\sin x - \frac{\sqrt{3}}{2}\right) \cdot \sqrt{3x^2 - 7x} = 0$$
$$\left[\begin{array}{l} \sin x = \frac{\sqrt{3}}{2} \\ 3x^2 - 7x \neq 0 \\ 3x - 7x = 0 \end{array} \right. \leftrightarrow \left[\begin{array}{l} x = (-1) \\ (x-1) \\ x = 1, \end{array} \right. \left. \begin{array}{l} \frac{1}{3} + \ln \\ \left\{ 1, \frac{4}{3} \right\} \cup \left\{ 4 \right\} \end{array} \right]$$

Universities and schools are struggling to find ways to educate, healthcare providers are having to find new ways of providing services, and government administrative workers are collaborating remotely all or part of the time. Never has the need for strong virtual communications tools been greater, or more critical, for our societies.

In 2020, the public sector accelerated adoption of technology in order to continue activities while adhering to COVID-19 restrictions. Jabra PanaCast is an easy plug-and-play camera, it works with all leading video and audio-conferencing solutions, and offers full 180° field of view, unlike traditional video conferencing cameras. In combination with Jabra Speak this enables safe hybrid and remote activities with clear sound and full view of the room.

Thousands of public sector institutions particularly within education, healthcare and administration have used the Jabra Speak and Jabra PanaCast to provide students with a virtual front-row experience and to stay connected with colleagues and citizens.

Business highlights

COVID-19

GN Audio saw various impacts from the COVID-19 outbreak. At the end of January 2020, 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 the immediate increased demand beyond own inventories. During Q1 2020, the production capacity improved and in Q2 2020 the production was back at full capacity.

GN Audio experienced continued strong demand for enterprise products as enterprises of all sizes and across various industries invested in employees working from home due to COVID-19. Adversely, GN Audio saw increased freight and production costs following the tight freight market and significant ramp-up of production capacity.

In the face of a year characterized by uncertainty and global challenges, GN Audio continued to invest in order to sustain attractive growth rates in the years to come.

Jabra MySound

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

Jabra Evolve2 range

GN Audio launched its new groundbreaking Jabra Evolve2 range in March 2020, the next generation of the Jabra Evolve range, its best-selling and market leading UC headset to enhance productivity in the office or at home. The range

consists of the Jabra Evolve2 85, Jabra Evolve2 65, and Jabra 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 Jabra Evolve2 is the new standard to elevate office and work-at-home productivity to new heights. The headsets are certified for Microsoft Teams and work with all leading UC platforms.

Jabra Elite product family

On January 6, GN Audio launched the Jabra Elite Active 75t earbuds – the active lifestyle edition of the Jabra Elite 75t earbuds. Like the original, the Active version brings the same great calls and music that is now expected from Jabra and is optimized for work-out and fitness use. Built with a durable coating providing optimized grip, the earbuds are also dust and sweat resistant, while simultaneously extending battery life by 89% (up to 28 hours).

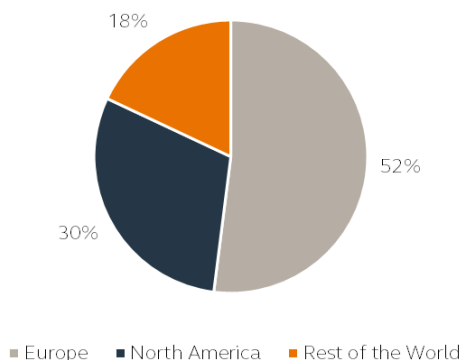
In September 2020, GN Audio announced the launch of its newest true wireless earbuds, Jabra Elite 85t, which incorporates Jabra's most advanced and powerful Active Noise Cancellation (Jabra Advanced ANC™) technology without compromising on the size or the signature design. The 12mm speakers allow the Jabra Elite 85t to produce a big sound and powerful bass, while still enhancing comfort and relieving ear pressure with its semi-open design. Jabra has also adapted the ear gels to an oval shape providing a better sealing in the ear, giving users a more comfortable earbud while maintaining a very secure fit.

With the launch of Jabra Elite 85t and the ANC technology in the true wireless segment, GN Audio has also, for the first time ever, enabled a software upgrade introducing ANC in the existing Jabra Elite 75t series.

Jabra PanaCast

The Jabra PanaCast continued to receive encouraging feedback for its best-in-class audiovisual systems supporting plug-and-play video conferencing. Jabra PanaCast was during the year repositioned due to COVID-19, from the traditional huddle rooms, which employees refrained from, to a COVID-19 compliant solution, supported by the intelligent 180-degree panoramic view. Jabra PanaCast experienced a significant increase in demand from the education channel, with schools and institutions investing to equip class rooms with video and audio solutions. Irrespective of the need to reposition the product, Jabra PanaCast more than achieved its original revenue targets during the year and proved GN Audio's ability and agility to quickly adapt to new business opportunities.

Revenue distribution



Financial guidance 2021

Based on GN's attractive fundamental market prospects, focused strategic execution, and a strong track-record for developing industry-leading, user-friendly, and increasingly individualized hearing, audio and video products and solutions, the Group is well positioned for 2021 and beyond

COVID-19 risks

Due to the ongoing COVID-19 pandemic – which impacts GN in many ways – it must be stressed that the basic assumptions behind the guidance remain significantly more uncertain than normal. The COVID-19 situation has and will not only strongly impact GN's operational performance in 2021, but it will also impact predictability and visibility across GN's markets, channels and supply chain. The financial guidance is contingent on a gradual reopening of society.

GN Hearing

Market projections

GN Hearing estimates the annual market growth to return to the historical level of around 4 - 6% in volumes with annual ASP decline of around 1 - 2% in a normalized market. GN Hearing's mid-term targets of growing faster than the market and delivering EBITA-margin of more than 20% are fully intact.

Financial guidance 2021

The fundamental assumptions behind the financial guidance for GN Hearing are that the global hearing aid market in H1 2021 will remain heavily impacted by COVID-19 and the consequential volatile regional and local restrictions, resulting in markets being below the H1 2019 level. As hearing care professionals and end-users in our main markets will have access to the vaccine throughout H1 2021, the current expectation is that in H2 2021 the market will reset and normalize. GN Hearing will continuously aim to outgrow the market and invest in maintaining its innovation leadership and improving the IT infrastructure.

For full year 2021, GN Hearing expects an organic revenue growth of more than 25% and an EBITA margin of more than

16%. It is expected that the EBITA margin in a more normalized market in H2 2021 is recovering to our mid-term targets of more than 20%.

GN Audio

Market projections

GN Audio expects that the favorable global enterprise market trend will continue in 2021, creating a solid foundation for continued strong performance. For the coming years, GN Audio expects its markets to grow at around 10% in value when assuming a stable macro environment. GN Audio's mid-term targets of growing faster than the market and delivering EBITA-margin of more than 20% are fully intact.

Financial guidance 2021

The fundamental assumption behind the financial guidance for GN Audio is that the demand for collaboration solutions from enterprises and organizations will continue in 2021 and beyond. It is expected that the GN Audio organic revenue growth will be significantly higher in H1 2021 than in H2 2021, mainly due to difference in comparison base. GN Audio will continuously aim to outgrow the market and invest in future growth opportunities.

For full year 2021, GN Audio expects organic revenue growth to be more than 20% and an EBITA margin of more than 21%.

Other activities and EPS

For full year 2021, EBITA in "Other" is expected to be around DKK -185 million.

GN Store Nord expects a growth in EPS of more than 50% for full year 2021.

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).

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.



Hear More, Do More, Be More

GN listens to customers,
challenges limitations, and
transforms what it takes to
keep everyone connected

Serving attractive markets

Focusing on innovation leadership and commercial excellence, GN operates across attractive markets with high barriers to entry, further accentuated by the COVID-19 pandemic

Innovation leadership and commercial excellence

In today's increasingly complex world, GN contributes to multiple eco-systems where participants grow ever more dependent on each other. To stay competitive and relevant to partners and customers, GN continues to focus on innovation leadership and commercial excellence across both of our business divisions, e.g. demonstrated by:

- GN's hearing business standing out from peers by refraining from vertical integration, by integrating with multiple eco-systems and by partnering with other technology innovators to deliver the best solutions for users; and
- GN's audio and collaboration business driving an agnostic software approach to be able to integrate with an ever increasing number of eco-systems as a way to remain partner of choice for our channel partners in terms of Unified Communications and Collaboration (UC&C) systems.

Protecting and improving the infrastructure needed to seamlessly integrate and operate in the different eco-systems is an increasingly central part of doing business for GN.

Market dynamics in the hearing business

GN's hearing business estimates market growth in line with the historical 4 - 6% growth in volumes with ASP decline of around 1 - 2% annually in the mid-term post COVID-19. The global hearing aid market was estimated to slightly more than 13 million units in 2020 as a result of COVID-19. The hearing market is driven by shifting demographics with a growing elderly and more affluent population. Additionally,

intensifying noise pollution drives the increased prevalence of hearing loss and recently the increased use of face masks and the need for social distancing has increased awareness of how crucial it is for people to be able to hear and understand one another. The strongest hearing aid user benefits are achieved through a successful eco-system delivering a combination of high-quality hardware and solutions and best-in-class service and support by hearing care professionals.

Market dynamics in the audio and collaboration business

In GN's audio and collaboration business external assessments of the global enterprise market (contact centers, offices, and collaboration) estimates growth of around 10% annually in the mid-term. The global enterprise market is estimated to USD ~2.8 billion in 2020.

The audio and collaboration enterprise market is driven by the continued transition from desk phones to Unified Communications. Companies transition from wired audio-conferencing systems and legacy video conferencing systems to portable plug & play solutions. Increasing flexibility requirements by office-workers, demands for productivity, focus on cloud-based solutions, and general technology improvements have for several years spurred growth in UC adoption. This was further accentuated by the COVID-19 pandemic. A significant part of our future growth is expected to come from the increased penetration of professional headsets. Additionally, UC technology has the potential to reduce travel cost and carbon footprint by the companies that adopt the technology.

GN's strategy 2020 and beyond at a glance



GN's strategy for 2020 and beyond was launched on February 4, 2020 and can be further reviewed in the Annual Report 2019.

The strategy is unchanged by the COVID-19 pandemic and has throughout 2020 proven robust for a rapidly changing and uncertain world. The fundamental markets are intact.

Lean and agile business model

GN's business model positions the Group strongly to seize multiple business opportunities driven by global megatrends whilst delivering resilient cash flows and attractive shareholder returns



Attractive megatrends

A growing and aging world population as well as personal communication trends offer opportunities for intelligent audio solutions in industries with currently low penetration rates.



Innovation leadership

GN's sound technologies and experience are directed at consistently developing unmatched user benefits. Our strict innovation focus has ensured multiple industry firsts.



Strong partnerships

Strong track record of strategic partnerships with leading channels, customers, and adjacent industry leaders.



Synergistic M&A

Merger and acquisition activities to support channel access, commercial excellence, and technology leadership as well as to streamline activities.



Execution excellence

Flawless end-to-end execution from customer insights via research and development, quality manufacturing, efficient logistics, marketing, channel, and sales.



Agile and asset light

A lean business model, with no owned retail, ensures a strong position in relation to future distribution trends and an asset light business model.



Sustainable business

Throughout GN's long and rich history, we have strongly anchored responsible business practices. Our sustainability framework allows us to address environmental, social and governance topics proactively to ensure real and lasting positive impact.



Customer experience

Utilizing synergies derived from GN's audio and hearing technologies and expertise, GN is able to significantly improve and personalize customers' hearing and listening experiences in audio and hearing products.

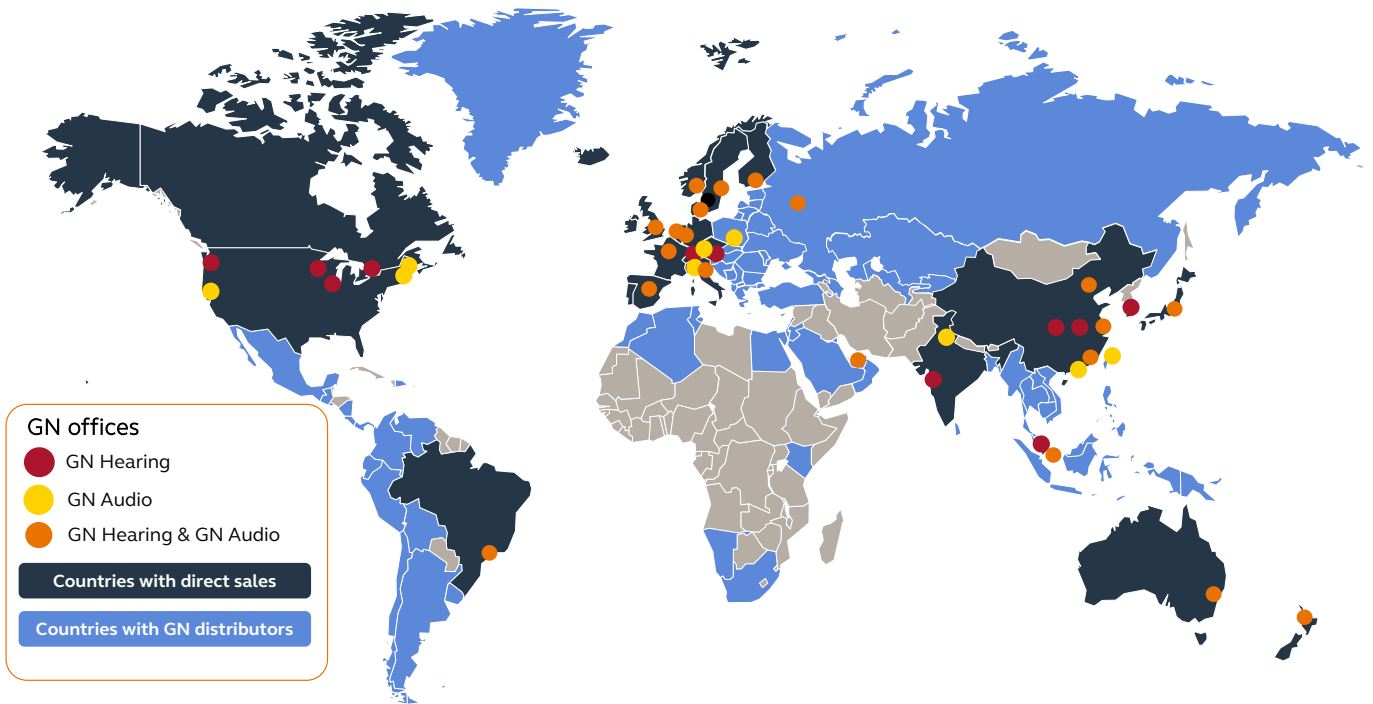


Retain and attract talent

Driving an organization with highly skilled and engaged people, ensuring a level playing field with equal opportunity for all, ensuring people and talent development at all levels, and ensuring leadership the GN Way where we actively listen, challenge, and transform.

Global reach, local presence

GN develops and manufactures innovative and intelligent audio and video communications solutions that are marketed and sold in around 100 countries across the world



Research & Development



GN has R&D centers in Denmark, the United States, the Netherlands, and China.

The Group commands a unique blend of leading expertise of the human ear, sound and speech, wireless technologies, software, and miniaturization.

In 2020, GN invested around DKK 1.3bn in research and development.

Manufacturing



GN has its global manufacturing sites for hearing aids in Denmark, China, and Malaysia.

Regional manufacturing centers are located in the United States and Great Britain.

GN's audio and video products are mainly produced by carefully selected manufacturers in China and Southeast Asia, and most components are sourced from suppliers in Asia. GN Audio works with a small number of tier-one manufacturers supported by more than 100 sub-suppliers.

Sales and distribution



GN's hearing aids are sold in around 100 countries across the world. GN has its own organization in 30

countries and operates via partners and distributors in another 70 countries.

GN's audio and video products are sold via distributors and retailers in around 80+ countries across the world. Partners are responsible for logistics, local customization, and final packaging to optimize lead-time to the final customer, delivering from four regional centers in Mexico, Poland, China, and Hong Kong.

Business areas and brands

GN builds on its core engineering expertise and technologies to address medical, professional and consumer segments with solutions that improve quality of life, facilitate communication and collaboration, and enhance business and personal productivity

Unique engineering – all under one roof

GN enables people to Hear More, Do More and Be More, driven by innovation leadership and commercial & eco-system excellence. GN drives growth by delivering uniquely and increasingly individualized customer experiences in products and solutions.

Utilizing the synergies derived from GN's audio and hearing technologies and expertise, the Group significantly improve and personalize customers' experiences. Enabling a whole new level of individualization, GN delivers industry-leading innovation that addresses real life challenges for people with hearing loss, for businesses seeking productivity gains and for audio consumers looking for individualized experiences.



Jabra

Jabra provides the most technically advanced headset, speakerphone, and audio-visual collaboration solutions based on unique sound and visual capabilities and engineered for purpose. The Jabra brand is the undisputed world leader in Unified Communications with products that help businesses achieve productivity improvement and work smarter. Jabra offers audio and video communication and collaboration products and solutions engineered specifically for professional office use and for call-centers. Jabra's consumer-line of award-winning products set the standard in the true-wireless category. Jabra's range of products are available in around 80 countries.



BlueParrott

BlueParrott provides industry-leading communication headsets to professional drivers and enterprise workers, who require superior call quality in high-noise environments. BlueParrott products are crafted to deliver the highest levels of noise cancellation, comfort, and durability. BlueParrott is available across North America and select markets in Europe and Asia-Pacific.



Resound

ReSound improves the quality of life for people with hearing loss based on innovative hearing solutions that combine original thinking and design with solid GN technology, deep audiological insight and understanding of hearing aid users, allowing them to connect and communicate better than ever before. ReSound is available in around 100 countries.



Beltone

Beltone's technically optimal hearing solutions focus on the individual's needs based on care, innovative GN technology and superior service. With 1,500 locations Beltone is a well-renowned hearing brand in the USA and also offered in many other countries.



Interton

The Interton brand delivers essential solutions designed to provide people with hearing impairment with a value based, affordable hearing aid that is easy to use. Interton hearing aids use proven GN core technology to provide a straightforward, functional, and easy-to-use hearing solution.



Audigy

Audigy is the hearing industry's preeminent, data-driven management company representing North America's most-respected, independently owned audiology and ENT/otolaryngology practices. Audigy helps member practices optimize efficiency, maximize profitability, and improve patient outcomes, providing comprehensive support services in business intelligence, operations, print and digital marketing, professional development, technology infrastructure, and human resources.



FalCom

FalCom provides advanced hearing protection solutions enabling special operations, military, law enforcement and security personnel to communicate in the most extreme environments – all while providing world class hearing protection.

Awards and accolades



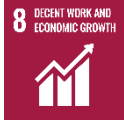



Awards and accolades from independent industry organizations, media, and reviewers demonstrate GN's innovation leadership, product excellence, and customer service. In 2020, new ReSound, Beltone and Jabra products received multiple awards



Sustainability - ESG

GN's sustainability strategy focuses on making real and lasting impact in areas where the company can make a noteworthy difference. 2020 marked progress in many areas and new goals were set for 2025

GN's commitment to the UN Sustainable Development Goals

	<p>Ensure healthy lives and promote well-being for all</p>	<p>GN products make life sound better, which helps our customers lead a healthier and happier life. In our operations we drive a culture of health and safety and avoid negative impact on health by complying with chemical and hazardous substance regulations.</p>
	<p>Achieve gender equality and empower all women and girls</p>	<p>By driving a culture of diversity and inclusion in our recruitment, employee development and internal networks, we strive to empower underrepresented groups in leadership positions and across GN.</p>
	<p>Promote sustainable economic growth and decent work for all</p>	<p>Driven by our commitment to UN Global Compact, we set high internal standards and audit suppliers to ensure human and labor rights are protected at all times.</p>
	<p>Promote sustainable industrialization and foster innovation</p>	<p>The dynamic industries in which we operate drive us to develop products and services on the leading edge of innovation that meet society's current and future needs.</p>
	<p>Ensure sustainable consumption and production patterns</p>	<p>We do business the right way. Through our policies and due diligence processes in, for example, conflict minerals, responsible sourcing, and business ethics, we set high standards across our value chain.</p>
	<p>Take urgent action to combat climate change and its impacts</p>	<p>We help our customers make climate-friendly choices through our remote collaboration solutions. Through our climate goals, we strive to reduce our own carbon footprint too.</p>

Doing business responsibly has been core to GN throughout our 150-year history. 2020 marked our 10th year as a signatory to the UN Global Compact, from which our sustainability framework has taken great inspiration. Leading ESG rating agency MSCI acknowledges our strong foundation, rating GN with an AA in 2020 for our performance across all relevant sustainability/ESG areas, placing us in the upper quartile of companies in our industry.

GN is committed to continuous improvement in all sustainability areas that are material to GN, by setting high standards in product safety and quality, human rights, diversity and inclusion, occupational health and safety, people development, business ethics and environmental and social compliance. We use our existing business processes to drive sustainability as an integrated part of how we run our company.

We made progress in many areas in 2020. To name a few: the packaging of new large-volume product lines is now truly sustainable; we intensified investigation of sustainable materials for future products; we worked in many parts of the world to support hearing loss for those most in need; and with rechargeable batteries as the new standard in our hearing aids we aim to save millions of batteries.

To further improve, we have in 2020 defined three key areas where we by setting new goals can make true impact over the next years: climate change, sustainable products and packaging, and health. By 2025, we:

1. aim to be climate neutral in our own company activities, while also reducing our indirect emissions
2. will use at least 50% sustainable material in new products, having truly sustainable packaging across GN, launching take-back schemes for all relevant products and regions, and repairing or refurbishing more products per year
3. want to help more than 10 million people with hearing loss, continue to raise awareness and break down stigmas around hearing loss, and work with our foundations as well as an NGO partner on supporting unmet hearing needs across the world

GN's starting point for sustainability

GN's hearing, audio and collaboration solutions let people Hear More: at work, at home or during leisure activities. People are enabled to Do More: improving productivity or communicating. This allow people to Be More: improving health, becoming more productive, regaining a desired role in society or at work, or understanding colleagues. In short, GN's products and solutions enable people to live better lives.

Our 2020 Sustainability - ESG report (available for download here: www.gn.com/sustainabilityESG2020) provides a full overview of our progress across all areas, forms part of this Annual Report 2020 for GN Store Nord A/S, and constitutes GN's corporate responsibility report according to Section 99a, 99b, and 107d in the Danish Financial Statements Act.

Risk management

Operating in business environments characterized by increasingly fast-paced innovation and change - not least in a highly unpredictable COVID-19 environment – our proactive and systematic approach to risk management is a valuable tool in our continuous efforts to stay ahead of new developments and win in tomorrow's marketplace

In 2020, the COVID-19 pandemic was the overshadowing risk that impacted the world and business and highlighted, more than anything, the need for an agile and solid risk management approach in a world where changes can happen swiftly and with force.

In GN, the risk management process continuously identifies new business risks. These are assessed by key employees and management teams across the entire value chain, and this allows us to react swiftly as it was the case at the outbreak of COVID-19.

Subsequently the most significant risks are evaluated in order to determine what actions should be taken to reduce the risk or potentially turn it into opportunities.

At least once a year, the risks considered the most material are reported to and discussed with the Audit Committee and subsequently the Board of Directors.

The process is linked to and informs other key planning processes, such as strategy planning, budgeting, and ongoing business reviews, in order to ensure that identified key risks as well as opportunities are proactively managed by relevant risk owners.

The overall aim of this integrated and proactive approach to risk management is to enable GN to reap the rewards of more coordinated, informed, and intelligent risk-taking.

The main types of risk associated with GN's business and the main initiatives taken to manage them are outlined in the following pages.

Main risks associated with GN's businesses ^{*)}



^{*)} Risks derived from the COVID-19 pandemic span all main risk areas, notably human resources, global supply chains and sales. Below, the COVID-19 pandemic risks are specifically addressed under section C Marketing and sales.

Risk

Characteristics

Mitigating actions

A

Research and development

With the rapid development of exciting new technologies, such as voice computing, artificial intelligence, augmented and virtual reality, 5G networks and more, the potential for disruptive innovation and transformation within our playing field is greater than ever.

While this entails previously unthinkable opportunities for development of new GN products and solutions, it also entails a key competitive risk in case we fail to turn the application of new technologies into better customer experiences and tangible benefits for the users of our offerings.

The accelerating pace of technology development makes it paramount for GN to be able to shorten time-to-market even further in the years ahead.

With our continuous and relentless focus on innovation excellence we invest significantly in research and innovation and have continued to improve our product innovation and development processes during 2020.

These improvements enable faster time-to-market as well as making us more efficient, agile, and adaptable during the development process, without compromising on high-quality standards.

During the past years, we have also increasingly focused on exploring and leveraging the increasing and unique technology synergies between GN Hearing and GN Audio, to the benefit of the customers of both businesses.

B

Operations

GN Hearing and GN Audio both rely on global supply chains for the timely delivery of critical materials and components, which must meet high-quality standards.

At the outbreak of COVID-19 in Q1, GN Hearing suspended operations at its Xiamen, China, manufacturing site and GN Audio's subcontractors extended holidays following the Chinese New Year in line with recommendations by local authorities. As for most technology companies in general, GN has a high dependency on Chinese suppliers.

When key suppliers are unable to provide agreed deliverables this negatively affects our ability to accommodate demand for GN products.

COVID-19 or other specific events could lead to shunning of Chinese products, or protectionist sentiment, which could escalate into new tariffs or other forms of trade barriers affecting the supply and cost of GN products or components.

Where possible and feasible, GN therefore targets to pursue a dual sourcing strategy to ensure that GN is able to source the same type of component from at least two different suppliers.

For some unique suppliers, other measures are taken to reduce the risk, such as higher inventory buffers, dual sets of production equipment or other specific measures.

Further, GN closely monitors the risk of increasing barriers to trade and takes this into account in our ongoing production and supply chain planning in order to proactively mitigate any potential impact. GN engages with global manufacturing partners with production capacity in different geographies.

Risk

Characteristics

Mitigating actions



Marketing and sales

GN Hearing

GN Hearing generates a significant part of its revenue from partnerships with a number of leading channels that occasionally put their business up for tender. This means that GN Hearing is exposed to the risk of losing business as these are re-tendered.

We mitigate the channel risk by working closely with our partners to continuously strengthen partnerships and integrate our products and services deeper into our partners' eco-systems and customer journeys. Accordingly, we will stay focused on meeting the needs and demands of partners and eco-systems and provide these with superior added benefits. Further, GN Hearing's strategic priority of further expanding innovation leadership to provide more natural and individualized hearing solutions mitigates the risk of being de-selected during tenders.

GN Audio

GN Audio entered 2020 with a strong track-record of growth in attractive enterprise markets. The already high demand rose sharply as enterprises and organizations increased investments in collaboration solutions allowing employees to work effectively from home. The underlying business is very strong and GN Audio took significant market share and further consolidated its position as the world's leading supplier of peripherals for enterprise collaboration.

While attractive growth rates are also expected for the years to come, a global economic slowdown due to the pandemic could potentially constrain the demand for consumer headsets and professional audio and video collaboration peripherals.

The attractive growth rates also entail a risk that new competition enters the market and challenges GN Audio's leading position.

GN Audio continually works to expand its world-leading position by developing new, innovative, relevant, and unique solutions based on deep insights into new trends and developments in user preferences, purchasing patterns, technology and other key factors shaping user needs and demands. The enterprise business operates in a consolidated industry with high barriers to entry and complex eco-systems.

GN Audio is well positioned to withstand the effects of a potential economic slowdown. Our enterprise product portfolio is fundamentally designed to support more flexible and hybrid working patterns. The portfolio further helps companies realize efficiency gains and productivity enhancements, reduce travel cost and climate footprint, all of which are attractive value propositions also in an economic downturn. Furthermore, our consumer headsets and true wireless earbuds address a strongly growing market.

GN Audio's scalable contract manufacturing and distribution model allows us to adjust volumes swiftly on an ongoing basis to mitigate fluctuating demand.

Risk	Characteristics	Mitigating actions
<p>C</p> <p>Marketing and sales (continued)</p>	<p>COVID-19</p> <p>GN was affected in three ways by COVID-19: (i) Various impact on production capacity and supply of component from subcontractors in H1 2020, (ii) GN Audio experienced strong demand as enterprises continued to invest in employees working from home, and (iii) GN Hearing was impacted by lockdowns and local restrictions impacting demand severely.</p> <p>For GN Hearing the COVID-19 pandemic resulted in a severe impact on revenue as the global hearing aid markets in H1 2020 saw a gradual shut-down as markets across the world were facing lockdowns and various local restrictions, including advising the more vulnerable populations to stay home. Additional waves of the virus prior to widespread vaccinations could pose similar challenges.</p> <p>For GN Audio the pandemic resulted in exceptional demand as enterprises and organizations increased investments in collaboration solutions allowing employees to work effectively from home.</p>	<p>GN's business model with limited forward integration and operating within both the hearing aid and audio & video space mitigates this risk. 2020 manifested the benefits of having both divisions under the same roof, which combined with speed and agility lead to a company that is now stronger than ever, with a solid financial foundation.</p> <p>For both business divisions organizational streamlining and increased focus on online channels and digitalization of the customer journey had already been instigated. The pandemic accelerated this development, which places both divisions in strong positions on the back of the epidemic.</p>
<p>D</p> <p>Regulatory risk</p>	<p>US over-the-counter regulation</p> <p>In the US market for hearing aids, a new over-the-counter (OTC) category is expected to be introduced. A new FDA regulation was expected in 2020 but was postponed due to the global pandemic. Timing of a new regulation remains uncertain.</p> <p>The precise scope and timing of its implementation is still not known, and it consequently also remains uncertain what overall effect this might have on the hearing aid industry.</p> <p>New players may enter the market in this category, and we may see some downward pressure on prices.</p>	<p>A new regulated OTC hearing aid category in the US could present a new opportunity to address millions of Americans that suffer from some degree of untreated hearing loss. GN could leverage its unique combination of hearing aid and consumer earbud expertise, turning an OTC market into an additive opportunity rather than a threat.</p> <p>Additionally, GN's focused business model as a dedicated wholesale manufacturer with limited forward integration – in combination with strong strategic partnerships – makes GN less exposed to any risks arising from the introduction of an over-the-counter category than manufacturers that are vertically integrated, as GN will be more agile and resilient.</p>

Risk	Characteristics	Mitigating actions
<p>D</p> <p>Regulatory risk (continued)</p>	<p>Medical device regulation Regulatory requirements concerning quality management systems and product safety of medical devices, including hearing aids and certain accessories, are increasing.</p> <p>The next main piece of legislation raising the bar is the EU Medical Device Regulation, which imposes stricter requirements regarding clinical data and safety risk management. As a consequence of the global pandemic, the EU Parliament voted in favor of postponing MDR by 12 months. In May 2021, the transition period for the regulation expires, after which quality systems of all hearing aid R&D and manufacturing sites must comply.</p>	<p>In 2020, GN Hearing added further resources to upgrade its quality management system, processes, and medical device files for products in order to ensure compliance with the Medical Device Regulation. The ongoing work to ensure compliance will continue into 2021.</p> <p>Given that the new regulation significantly increases the requirements that GN and other medical device manufacturers must live up to, it also increases the barriers to entry in the industry, as the cost and resource investment needed to ensure compliance increases.</p>
<p>E</p> <p>Intellectual property rights</p>	<p>As GN operates globally in highly innovative industries and with increased focus on customer needs and individualized user experiences, connectivity, wireless solutions, and software, there is a risk that our freedom to operate is constrained by third-party patents preventing commercialization of certain products or solutions or forcing GN to pay royalty.</p>	<p>GN continues to strengthen its patent portfolio and monitors third-party patent activities. From time to time GN initiates invalidation actions against patents considered to be wrongfully issued. The objective is to protect our freedom to operate within current and future innovation spaces and to defend ourselves in case of patent infringement claims being brought against GN.</p>
<p>F</p> <p>Information security</p>	<p>GN's business depends to a large and increasing degree on reliable and secure IT systems. Failure to adequately protect the IT infrastructure and key systems against the risk of security incidents could potentially impact critical business processes such as manufacturing or sales or lead to unintended disclosure of business-critical confidential data or sensitive personal data. Such incidents may negatively affect GN's competitive position, damage its reputation and/or result in fines.</p>	<p>GN works to continuously minimize these risks through a wide range of measures, such as technical security controls, process controls and internal employee awareness campaigns.</p> <p>During past years, GN has significantly strengthened its specific defenses in order to ensure that we stay vigilant of the constantly evolving threat landscape.</p>

Risk

Characteritics

Mitigating actions



Human resources

The competition for talent in our industry has intensified during the past few years. Should we no longer be able to retain, attract and grow the right talent, we might not be able: 1) to continue delivering innovative and relevant products, 2) to successfully execute on our strategy and 3) to build a sustainable organization for the future.

In addition, our ability to deliver on our ambitious strategic objectives depends on our ability to ensure that the entire global organization is fully aligned behind our strategy and that this translates into flawless strategy execution.

GN's HR strategy provides the foundation for successfully building strong leadership and talent across the organization to meet our objectives.

During 2020, we further strengthened our talent acquisition team to increase in-house search capability and complement rigorous talent review and succession planning. Recent years' increased focus on talent management resulted in several internal recruitments for Executive Management and Global Management Team positions.

GN's strategic leadership development program was postponed in 2020 due to COVID-19 but will restart in 2021. Leadership development will be further strengthened with programs for new leaders and for virtual leadership. A job catalogue with clear career paths for employees was introduced and a reward framework that enables GN to attract and retain the right talent at the right cost will be deployed in 2021. GN will actively take steps to address mental wellbeing for employees to mitigate negative effects from remote working over prolonged time.

Finally, a new employee engagement survey tool was introduced across the GN Group in 2020. Going forward, GN will seek valuable feedback from all our employees twice a year ensuring that we actively can take appropriate actions to continuously maintain a highly engaged organization.

Risk

Characteristics

Mitigating actions

H

Financial risk

Due to the nature of the operations, investments, and financing activities, GN is exposed to a number of financial risks. GN has centralized the handling of these financial risks in Group Treasury except for commercial risks, which are managed by the Group's operating businesses (divisions).

The financial risks are managed in accordance with the overall financial risk management guidelines set out in GN's Group Treasury Policy which is reviewed on an ongoing basis.

GN's net interest-bearing debt decreased during 2020 to DKK 4,198 million and NIBD/EBITDA ended at 1.8x. EBITDA decreased significantly due to the impact of COVID-19 in GN Hearing, but to a certain degree off-set by a strong performance in GN Audio and diligent cash preservation measures across the company, including the suspension of share buybacks.

GN's loans are long-term with maturities extended until 2024 with mostly fixed interest rates

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

Currency	GN Hearing	GN Audio	GN Store Nord
USD	65	-61	4
GBP	3	36	39
JPY	9	14	23
AUD	0	19	20

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. GN is also monitoring the combined impact of minor trading currencies and hedges those on a case-by-case basis.

To mitigate potential liquidity or refinancing risks GN has access to a Revolving Credit Facility of DKK 2,000 million, which can be up-sized to DKK 4,000 million at the discretion of the lenders. In addition, GN has entered into a USD 40 million committed revolving credit facility, both completely undrawn as of 31 December 2020.

GN has diversified its borrowing instruments through the establishment of a short-term, uncommitted Euro Commercial Paper program ("ECP") of up to EUR 250 million, which was utilized at EUR 45 million on December 31, 2020.

Additionally, under the uncommitted Euro Medium Term Note program ("EMTN") which has been updated on November 30, 2020 (with a maximum program amount of EUR 1 billion) GN has outstanding senior unsecured bond of EUR 220 million under the program in December 2020.

Please refer to note 4.2 in the Financial statements for further information about financial risks.

Corporate governance

GN maintains a strong focus on corporate governance through policies, processes, and control systems as well as training and follow-up activities

Corporate governance refers to the way a company is managed and controlled through ownership, management structure, incentive schemes, etc. GN strives to build trusted relationships with customers, shareholders, suppliers, employees, and the community. We also aim for a high degree of transparency and active ownership, including sharing information and engaging in a regular dialogue with all our stakeholders.

On its website GN provides a statutory report on corporate governance, including an explanation of how GN complies with each recommendation (www.gn.com/CorporateGovernance2020). This overview, as well as the risk management and internal control systems related to financial reporting described in the risk management section in this report, form the statutory report on corporate governance that is required under section 107b of the Danish Financial Statements Act.

Board of Directors

Composition and responsibilities of the Board of Directors

GN's Board of Directors currently comprises seven members elected by the shareholders at the Annual General Meeting. Further, three members are elected by the employees based in Denmark.

Members of the Board of Directors elected by the shareholders at the Annual General Meeting are elected for an annual term until GN's next Annual General Meeting. GN's 2021 Annual General Meeting is held on March 17 at 10am.

Employee representatives are elected in accordance with the Danish Companies Act for terms of four years. The next election for GN Store Nord will be in the first quarter of 2022.

The Board of Directors is responsible for safeguarding the interests of the shareholders while at the same time considering all other stakeholders. At least once a year, the Board of Directors assesses the most important tasks based on the overall strategic direction of the company, including the financial and managerial supervision of the company. As part of the supervision, the Board of Directors evaluates the performance of the Executive Management on a continuous basis.

In 2020, the Board of Directors held 13 meetings (face-to-face and by way of conference calls/virtual meetings).

Competencies of the Board of Directors

GN's Board of Directors strives to recruit board members with a diverse range of mutually complementary competencies. When the Board of Directors proposes new board members, a

GN's framework for corporate governance

GN's management structure is built to support its two main businesses focusing on the hearing aid and headset segments. The CFO of the group's parent company, GN Store Nord, the CEO of GN Hearing and the CEO of GN Audio constitute GN's Executive Management. The Board members of GN Store Nord are elected at GN's Annual General Meeting.

Shareholders

Board of Directors

Executive Management

GN Hearing

GN Audio

CV, as well as a thorough description of the candidate's qualifications, will be available to the shareholders.

GN is a global company and to successfully develop and maintain this position in the marketplace, GN is dependent upon global expertise and experience. The Board of Directors is a diverse group in terms of global experience, functional competencies, and industry background, which ensures that it can fulfill its obligations. Board members possess expertise within med-tech, innovation, product development, digitalization, online marketing, and commercialization, as well as thorough understanding of financial and human resource matters and in-depth knowledge of GN's business.

The composition of the Board of Directors is a mix of members with executive positions and professional board members of both genders and diverse nationalities. This composition is deemed to provide a good balance between knowledge, competencies, experience, and availability for a substantial workload.

Evaluation of the performance of the Executive Management Team and the Board of Directors

The Board of Directors assesses the work and results of the Executive Management on an ongoing basis as an integrated and natural part of their regular meetings. In the beginning of every year, the Board establishes performance plans with specific KPIs for each member of the Executive Management.

The Board assesses the performance of the Executive Management and its execution of the agreed KPIs on an ongoing basis during the year and formally at the end of the year. The Board also evaluates on an ongoing basis the structure and composition of the Executive Management in light of competencies and execution of the company's strategy. At the year-end assessment of Executive Management, the Chairman of the Board is having individual performance evaluation meetings with each member of the Executive Management. In addition, the work of the Executive Management is also assessed as an integrated part of the Board's own annual self-evaluation, ensuring that the Executive Management's work is evaluated in accordance with pre-defined criteria.

The Board of Directors has – since 2009 - conducted an annual self-evaluation of its work through which the Board can track its own performance, strengths and development areas over time and consequently the Board has been able to continuously improve its work and procedures. Progress has been measured from one year to the other. The overall purpose of the Board's self-evaluation process continues to be to secure a high level of professionalism, solid corporate governance and contribution to the continued success of the company. Furthermore, it ensures that the Board continues to have the right composition and expertise at the Board.

The annual self-evaluation process covers the contributions of each individual Board member as well as the achievements of the Board as a whole and of the Board committees. The

self-evaluation process secures a structured and systematic approach for the assessment of the Board's work and is led by the Chairman of the Board. The process also includes an assessment of other management positions that each Board and Executive member holds and assesses potential overboarding issues. The company subscribes to the concept of "non- overboarding" and, therefore, carefully considers the workload and other requirements such other management positions may impose on each individual Board or Executive member.

The self-evaluation survey is anonymous and is based on a comprehensive questionnaire that among other covers the following evaluation criteria in accordance with the Good Corporate Governance recommendations and is managed by the office of the General Counsel:

- The Board's contribution and results,
- The Board's cooperation with the Executive Management Team,
- The Chairman's leadership of the Board,
- The composition of the Board (including competencies, diversity, and the number of members),
- The work in the Board committees and the committees' structure, and
- The organization and quality of the Board materials

Each year, the questions in the survey questionnaire are being reviewed by the Chairman of the Board to ensure, that they are all applicable and relevant, taking into consideration any topics of importance for the Board's work during that year. In 2020, the Board Survey was conducted in December and included added sections on both the Board's and the Executive Management Team's handling of the COVID-19 pandemic, both in terms of global impact on the business short term and long term and impact on the global workforce.

Each question in the self-evaluation questionnaire is answered by each Board members and each member of the Executive Management Team and is rated with a score from 1 to 5. The questionnaire also offers the participants the option to provide additional commentary input, all on an anonymous basis. The Chairman also has individual meetings with each Board member and member of the Executive Management Team to follow up on the results of the survey. The results are presented in a Board meeting by the Chairman combined with a Board discussion of the results

The Chairman of the Board is furthermore responsible for providing an update to the Annual General Meeting on the general results of the self-evaluation.

Over time it is the Board's intention to obtain periodic external assistance to the Board evaluation process. The Board had planned to do so in 2020. However, due to a new composition of the Board with three new external members joining in March 2020, and the extraordinary circumstances resulting

from the COVID-19 pandemic, which caused all Board meetings - except for one - to be held fully or partially as virtual meetings, the Board decided to postpone the involvement of external assistance until a later point in time.

The general conclusions of the 2020 self-evaluation survey were that the work in the Board and the collaboration between the Board and the Executive Management are conducted in a professional and efficient way; and that the Board and the Executive Management are aligned with respect to how they collaborate, how the Board and Board Committee meetings are conducted; and the decision-making processes. With respect to the competencies represented on the Board, the survey showed that the Board possesses the skills needed. The survey also concluded that the Board and Executive Management's efforts during recent years in relation to securing in-house succession planning have paid off and that it should continue to be a focus area for the Board and Executive Management going forward.

The general conclusions and information on the Board's self-evaluation process are also published on the company's corporate website, [gn.com](https://www.gn.com).

Diversity and talent management

Board of Directors

The Board of Directors firmly believes that diversity strengthens any governing body and acknowledges the importance of diversity in general, including diversity of gender, nationality, and competencies.

At the 2020 Annual General Meeting, the Board of Directors was expanded from five to seven shareholder-elected members. Of the current seven members, four are women. Already in 2018, the Board reached its diversity target of 50% of its members being women.

Senior management

GN's current diversity focus is to advance stronger international representation and gender diversity in our senior management, the Global Management Teams (GMT) in GN Audio and GN Hearing. By the end of 2020, GN Hearing's GMT comprised 18% female leaders and 36% non-Danes. GN Audio's GMT comprised 14 % female leaders and 64% non-Danes.

When GN's diversity policy was established in 2014, women filled 14% of the company's senior management positions. As a result of dedicated efforts women by the end of 2020 filled 21% of senior management positions across the GN Group. GN will continue to strengthen efforts to build a pipeline of future female candidates for senior positions. We have a constant focus to ensure that we attract female candidates for both internal job rotations and for new positions. By the end of 2020, 43% of the newly appointed members of senior management were women.

Furthermore, to achieve our goals, we ensure that diversity – encompassing gender, nationality, competencies, etc. – is an integral part of GN's yearly talent review and succession planning process, of talent development practices, recruitment procedures and leadership development programs.

Finally, the wording and visual identity in recruitment activities on social media and other channels are continuously designed to best attract female candidates and encourage diversity. When external recruiters or headhunters are used, GN requires that viable female candidates are presented for any position.

Remuneration

GN pursues a policy of offering the Board of Directors and Executive Management remuneration that is competitive with industry peers and other global companies to retain and attract competent professional leaders of the businesses and members of the Board of Directors.

Remuneration of Executive Management is composed by a fixed base salary plus a cash bonus which, for each member of Executive Management, will normally be targeted at 50% but can vary between 25 and 75% of the fixed annual base salary. The cash bonus pay-out is capped at 100% of the annual base salary of the relevant member of Executive Management. In addition, Executive Management is offered to be part of GN's Long-Term Incentive Program which is a share option-based program linked to the development in GN's share price as well as two financial performance metrics (revenue growth and EBITDA improvement) measured against a peer group of innovative companies similar to GN. Each grant to a member of Executive Management will be made within a range of 50% to 100% of the annual base salary calculated in accordance with the Black Scholes method at the time of grant. The gross return on the share options for each annual grant can generally not exceed a value equal to four times the annual base salary of the relevant member of Executive Management at the time of the grant.

The company does not make pension contributions for members of Executive Management, and Executive Management has change-of-control agreements in line with Danish market practice. GN may terminate members of Executive Management by giving 12 months' notice, whereas a member of Executive Management may resign by giving six months' notice.

Members of the Board of Directors receive a fixed remuneration, comprising a base fee (with a multiple of two times to the Deputy Chairman and three times to the Chairman) and fixed travel allowances. In addition, GN pays statutory contributions to social security and similar taxes and charges within the EU/EEA that GN is obligated to pay according to applicable law in relation to a member of the Board of Directors' position with GN. Board members also receive a separate fee for serving on the Board committees, with a multiple of two times the committee base fee to the committee chair.

In line with the recommendations on corporate governance, members of the Board of Directors are not awarded share options, nor do they participate in other incentive programs.

Board members, Executive Management, and senior management are encouraged to buy and own shares in GN Store Nord.

GN's full Remuneration Report for 2020 is available here: www.gn.com/Remuneration2020.

Board committees

Chairmanship

The Chairman and the Deputy Chairman form the Chairmanship of the Board. The Chairmanship prepares and organizes the work of the Board of Directors with a view to ensure that the Board performs its tasks and fulfills its duties and responsibilities in an efficient and responsible manner. The Chairmanship also performs preparatory tasks for and advise the Board in relation to, inter alia, business strategy, implementation of strategy, business development, budget, and projects, and performs in-depth business reviews of selected areas.

Audit Committee

According to its charter, the Audit Committee, among other, assists the Board of Directors in relation to internal/external accounting and financial control systems, the integrity of the company's financial reports and engagements with external auditors. The Audit Committee also carries out ongoing assessments of the company's financial and business risks.

In 2020, the committee continued to deploy GN's internal controls framework which, among other, builds on increased education and financial reporting process tracking. The committee reviewed the whistleblower reporting system, main accounting principles, tax strategy and compliance and risk management processes covering key risks (including identified supplier risks), etc.

Additionally, the Audit Committee assists the Board of Directors in relation to monitoring the control framework and processes to protect the company's IT infrastructure, cyber security, and key systems against the risk of security incidents that could potentially impact critical business processes.

In 2020, the Audit Committee held 6 meetings.

Remuneration Committee

According to its charter, the Remuneration Committee assists the Board of Directors in matters and decisions concerning remuneration of Executive Management and senior employees and in ensuring that the general remuneration policies strike an appropriate balance between the interests of GN's shareholders and rewarding and motivating the executives and employees in order to secure the long-term benefits of their energy and loyalty. Resolutions on remuneration recommended

by the Remuneration Committee and adopted by the Board of Directors are in line with the Remuneration Policy as approved by the Board and by the Annual General Meeting on 11 March 2020.

The 2020 Remuneration Policy for Executive Management is based on the remuneration guidelines and takes into account the corporate governance recommendations and the requirements of the Danish Companies Act. In 2020, the Remuneration Committee supervised and reviewed the remuneration policy, salary, bonus, long-term incentive process and results, and assisted with the preparation of the Remuneration Report, which can be reviewed here: www.gn.com/Remuneration2020. The Remuneration Committee also considered grants under GN's long term incentive program, talent development and succession planning process and results.

In 2020, the Remuneration Committee held 7 meetings.

Strategy Committee

As an innovation-driven company, it is vital for GN to maintain and further enhance the technological core capabilities of the company of today, and even more importantly of tomorrow. Investments in a number of exploratory research projects aim at discovering potential future business opportunities leveraging core knowledge and competencies of GN, but outside GN Hearing's and GN Audio's immediate area of operation.

In 2020, the Strategy Committee oversaw a series of existing projects as well as new projects to explore technological innovations within the broader technology space.

In 2020, the Strategy Committee held 9 meetings.

Nomination Committee

According to its charter, the Nomination Committee advises and makes recommendations to the Board of Directors in relation to the skills that the Board of Directors and Executive Management must have to best perform their tasks.

In 2020, primary activities included a review of the general competencies necessary to be represented on the Board. Based on this analysis and a review of the competency profiles of the individual Board members, the committee concluded that the necessary competencies are represented in the Board. The structure, size and diversity of the Board was also reviewed and found to meet all governance requirements.

The committee also reviewed the latest developments in good corporate governance and performed succession planning for the Board.

In 2020, the Nomination Committee held 2 meetings.

Internal audit function

In accordance with its charter, the Audit Committee annually considers the need for an internal audit function. Based on the recommendations of the Audit Committee, the Board of Directors determines whether the internal control systems are adequate.

In 2020, the Group Finance function of GN continued their focus on internal control of financial reporting covering the controls specifically designed to address the risks of misstatements in the financial statements. The compliance and internal control agenda continued to focus on the strengthening of the internal processes, including risk assessment, control activities and a defined controlling concept for GN. The purpose is to strengthen the overall control environment, identify weaknesses and mitigate financial risks globally as well as locally.

GN continuously adjusts and implements financial processes and control activities in our business aimed at further mitigating the risk of incorrect financial reporting. These activities help ensure that errors and deviations are prevented, discovered, and rectified.

GN focuses on having a current and functioning internal control process that provides the users of our Consolidated Financial Statements with a “reasonable assurance” that these are accurate and can be relied upon for informed decision-making. The Board of Directors’ assessment, which is based on the company’s size and the organization of the finance department, is that there is no need to establish an internal audit function at this time.

Compliance

Policy management and compliance training

GN’s commitment to business ethics and compliance with international regulations and internal policies is anchored in our Ethics Guide, anti-corruption policies, our Supplier Codes of Conduct and other policies and guidelines. These outline the fundamental requirements for how GN operates and describe the responsibilities and ethical standards expected of all employees and relevant business partners.

To ensure and document that employees are always familiar with our Ethics Guide and other key policies, relevant employees have to electronically sign off on their compliance within specific areas and on a regular basis take GN’s e-learning courses within key topics, such as anti-corruption and competition compliance. Each year this is supplemented with tailored compliance training for selected business units or groups of employees.

Anti-corruption compliance reviews

As a regular part of our global anti-corruption compliance program, we each year conduct a number of compliance reviews of selected GN subsidiaries or business units around the

world. The main objective is to identify and assess relevant risk areas and to make sure that adequate controls are in place to ensure compliance with applicable legislation and GN policies. The selection of subsidiaries or business units for compliance reviews is based on an annual country risk assessment consisting of defined risk indicators.

Third-party due diligence

Our aspiration is that all our business partners acknowledge our values and share our commitment to conducting business in an ethical manner. In 2020, GN took further steps to enhance the process for assessing and managing corruption risks associated with third-party business partners in selected high-risk countries. The evaluation of third parties involves self-assessment questionnaires and due diligence screenings focusing on the potential reputational and legal risks associated with the business relationship.

Whistleblower system

GN’s whistleblower hotline, the GN Alertline, is available in 27 countries and 24 languages and is independently managed by a third party. The hotline can be used by employees as well as external parties to report a concern or perceived misconduct. Access to reporting and additional details about the hotline can be found here: www.gn.com/Alertline

The system is an important tool for ensuring that alleged illegal or unethical conduct is reported and immediately addressed. All complaints are treated with the needed confidentiality, and GN is committed to dealing with any employee who takes action and/or participates in an investigation in a fair and respectful manner. This is emphasized in the GN non-retaliation policy signed by Executive Management.

In 2020, 14 concerns were reported through the GN whistleblower system. The allegations were primarily related to inappropriate behavior, harassment/bullying, conflicts of interest, and COVID-19 precaution violations. All relevant cases have been investigated and appropriate remediation as well as disciplinary actions were taken where relevant.

More details on GN’s compliance efforts and policies can be found via www.gn.com/Documents.

Shareholders

GN aims for transparency and active ownership towards shareholders through an open and active dialogue by ongoing communication with our shareholders at the Annual General Meeting and through investor presentations, news updates, conference calls, the company website, webcasts, interim reports, the annual report, company announcements and media outreach activities.

GN services national, as well as international investors, and ensures a continuous dialogue with shareholders, whether existing or potential, as well as equity analysts. On the

company's website, www.gn.com/Investor, detailed material on the interests of the shareholders can be found. GN's shares are 100% free float, and shareholders have the ultimate authority over the company and exercise their right to make decisions at the Annual General Meeting where they also approve the Annual Report and elect Board members and the independent auditor. For more information, please see the shareholder section on pages 44 – 45.

Notices for the Annual General Meeting

GN sends notices to convene Annual General Meetings by email. Letters are sent to shareholders who have requested this instead of emails. Thus, we encourage all registered shareholders to sign up at the investor portal with their email addresses and check the box labeled “subscribe/unsubscribe” in the field “Notice for the Annual General Meeting”. Shareholders will then receive the notice by email in the future.

Shareholder information

Through an open and active dialogue, GN strives to provide all stakeholders with timely and relevant information to ensure a fair pricing of the GN share

The GN share

The price of the GN share was DKK 487.2 on December 31, 2020, which is equivalent to an increase of 56% compared to the end of 2019. In comparison, the C25 index increased by 34%, while the Stoxx Europe 600 index decreased by 4%. The total market value of GN's shares, excluding treasury shares, was DKK 63 billion at the end of 2020.

GN is, among other indices, included in the C25 index and Large Cap index on Nasdaq Copenhagen, as well as the Stoxx Europe 600 index, the Stoxx Europe Sustainability index and the MSCI Europe mid cap index.

Ownership

The GN share is 100% free float, and the company has no dominant shareholders. GN has approximately 30,000 registered shareholders and foreign ownership is estimated to be around 70%.

The 10 largest registered shareholders held in total about 35% of the GN share capital at the end of 2020 (including GN's holding of treasury shares). Two shareholders have informed GN that they hold 5% or more of the share capital:

- APG Asset Management N.V. (Holland)
- Société Générale S.A. (France)

GN Store Nord Fondet currently owns 238,200 GN shares. A recent regulatory change has made it possible for GN Store Nord Fondet to diversify and restructure its asset portfolio more efficiently and increase the fund available for donations. With the aim of fulfilling its ambition to continue to do valuable charitable donations, GN Store Nord Fondet is therefore investigating the possibility of restructuring and diversifying its asset portfolio, including a sale of the majority of its holding of GN shares.

Share capital and voting rights

GN's share capital of DKK 569,072,400 consists of 142,268,100 shares, each carrying four votes. GN has one share class with no restrictions on ownership or voting rights.

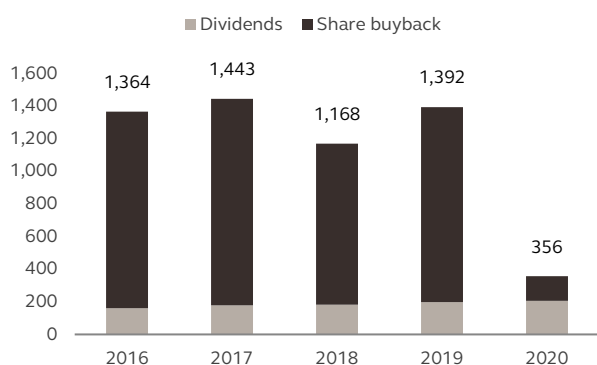
Treasury shares

On December 31, 2020, GN held 13,293,255 treasury shares corresponding to 9.3% of the share capital, and the value of the treasury shares was DKK 6.5 billion. As part of the EUR 330 million convertible bond offering concluded in May 2019, around 5,200,000 shares are kept in Treasury to hedge future obligations of the convertible bond.

At the Annual General Meeting to be held on March 17, 2021, the Board of Directors will propose to reduce the company's share capital by canceling 4,092,118 shares equivalent to all treasury shares held today in excess of the shares needed to

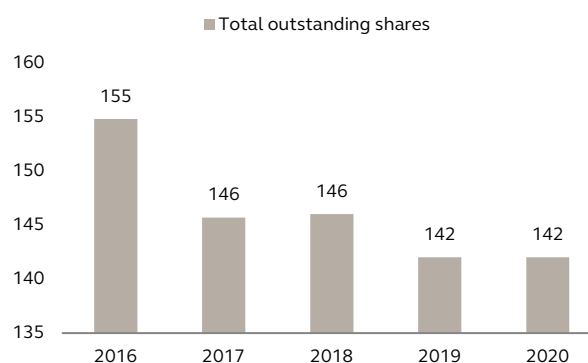
Shareholder return distribution

(DKK million)



Development in total outstanding shares

(Million)



hedge future obligations of the convertible bond and 4,000,000 shares – which are held for hedging of long-term incentive programs.

Until the Annual General Meeting on March 17, 2021, the Board of Directors is authorized to acquire shares in GN. The company's holding of treasury shares may at no time exceed 15% of the share capital of the company.

Dividend policy and share buyback programs

GN's overall financial target is to deliver a competitive shareholder return through a combination of dividend payments and share price appreciation. GN aims to pay out a dividend corresponding to 15 - 25% of the annual net profit and to distribute additional excess cash to shareholders through share buyback programs.

Dividend payments and share buybacks are subject to, among other factors, cash requirements to support the ongoing operations, strategic opportunities, and the company's capital structure. As previously communicated, it is currently GN's target to maintain a capital structure consisting of equity and debt with the net interest-bearing debt amounting to between one to two times EBITDA.

In order to preserve a strong balance sheet in uncertain times, 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).

At the Annual General Meeting on March 17, 2021, the Board of Directors will propose to pay out a total dividend of DKK 206 million (equivalent to DKK 1.45 per share and 16% of the 2020 net profit) in respect of the 2020 financial year, compared to DKK 206 million in 2019 (equivalent to DKK 1.45 per share and 14% of the 2019 net profit).

Incentive programs

By the end of 2020, the total number of outstanding warrants in GN Hearing was 4,238 (0.7% of the share capital in GN Hearing). The total number of outstanding warrants in GN Audio was 3,838 (1.1% of the share capital in GN Audio). The total number of outstanding options in GN Store Nord was 1,439,890 (1.0% of the share capital in GN Store Nord).

Investor relations policy

As part of GN's investor relations activities an active dialogue is pursued with existing and potential shareholders as well as with financial analysts. GN ensures that relevant and timely information is provided to the financial community to ensure that the GN share is fairly priced. This is accomplished through information continually announced to the market as company announcements and press releases, combined with investor meetings, conferences and presentations of the company's interim and annual results.

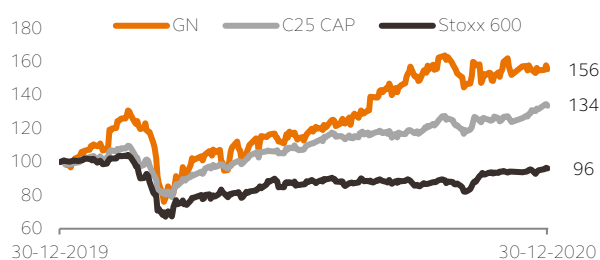
Following the release of interim and annual results, GN conducts roadshows where the Executive Management and the investor relations team inform investors and financial analysts about the recent developments in the company. GN is covered by sell-side analysts, who continually release analyst research reports on GN and the industry dynamics. A full list of the analysts covering GN can be found on the website www.gn.com/Investor.

GN has a four-week silent period prior to publication of a financial report. During these silent periods, any communication with stakeholders is restricted.

GN's website www.gn.com contains historic and current information about GN, including company announcements and press releases, current and historic share price data, investor presentations and annual and interim reports.

The investor relations team can be contacted at: Investor@gn.com

Share price development vs peers*



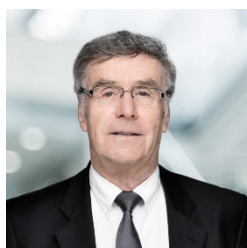
* Index : 30-12-2019 = 100

Financial calendar for 2021

Event	Date
Annual General Meeting	March 17, 2021
Interim Report Q1 2021	May 6, 2021
Interim Report Q2 2021	August 19, 2021
Interim Report Q3 2021	October 29, 2021

Read company announcements on www.gn.com

Board of Directors



Per Wold-Olsen
(Chairman)

MBA. Formerly president Merck & Co., Inc., Intercontinental Division, USA. Chairman since 2008.























Jukka Pekka Pertola
(Deputy Chairman)

M.Sc. Electrical Engineering. Professional board member. Former CEO of Siemens A/S, Denmark.



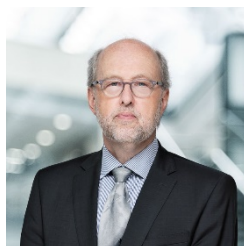
H el ene Barnekow

M.Sc. (International Business). CEO, Microsoft Sweden.

	Per Wold-Olsen	Jukka Pekka Pertola	H�el�ene Barnekow
Board & Committee positions	Chairman of the Boards of GN Audio A/S and GN Hearing A/S. Chairman of the Boards of Medicines for Malaria Venture and Oncopeptides AB. Member of the Board of Gilead Sciences Inc.	Deputy Chairman of the Boards of GN Audio A/S and GN Hearing A/S. Chairman of the Board of Asetek A/S, Monsenso A/S, Siemens Gamesa Renewable Energy A/S, Tryg A/S, Tryg Forsikring A/S. Deputy Chairman of the Boards of COWI Holding A/S, GomSpace Group AB and GomSpace A/S.	Member of the Boards of GN Audio A/S and GN Hearing A/S. Member of the Board of Creades AB.
Special competencies	Extensive global leadership expertise and knowledge of the healthcare industry. Brings a unique set of capabilities and values to the Board of GN Store Nord within marketing and product development as well as commercialization of innovation. Also possesses in-depth knowledge of the U.S. market as well as emerging markets.	Broad international background with more than 20 years of management experience in the ICT, energy, industry, infrastructure and healthcare sectors, solid experience with various business models stretching from B2C to complex project business, IT outsourcing solutions, technology services and professional services.	Unique capabilities within general commercial management and marketing, including go-to-market, branding, communications, product management and channel management from the mobile communications and IT sector.
Board member since	2008	2020	2013
Term	2020/2021	2020/2021	2020/2021
Considered independent	No	Yes	Yes
Nationality	Norway	Finland	Sweden
Year of birth	1947	1960	1964
No. of GN shares	224,884 (unchanged)	2,000 (+2,000)	10,000 (unchanged)
Total remuneration 2020 (DKKt)	2,033	992	641
Chairmanship	 32/32	 30/30 ¹	 0/1 ²
Audit Committee	 2/2	 1/1 ¹	 1/1 ²
Nomination Committee	 7/7	 5/5 ¹	 1/2 ²
Remuneration Committee	 9/9	 7/7 ¹	
Strategy Committee	 13/13	 10/10 ¹	 12/13
GN Store Nord A/S Board	 8/8	 5/5 ¹	 7/8
GN Hearing A/S Board	 11/11	 8/8 ¹	 9/11
GN Audio A/S Board			

**Montserrat Maresch Pascual**

MBA (Business Administration). Co-founder and Senior Advisor, Naar + Maresch AB, Sweden

**Wolfgang Reim**




















Ph.D. in physics. Professional board member and self-employed consultant within the medical industry. CEO, Amann Girschbach AG.

**Ronica Wang**

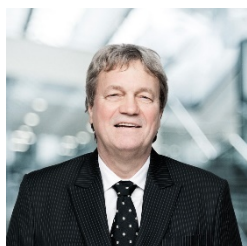
MBA, B.A. Sc. (Engineering), Co-founder & Global Managing Partner, The InnoGrowth Group Ltd. Former CEO of Avon Japan (listed on JASDAQ) and leadership positions with J&J, Hutchison-Priceline, Procter & Gamble

**Anette Weber**

Lic.oec HSG, Finance & Accounting. Group CFO of Bucherer AG, Switzerland

Board & Committee positions	Member of the Boards of GN Audio A/S, GN Hearing A/S, and the GN Store Nord Foundation. Senior Advisor to the Boards of Cia Española de Aislamientos, S.A (Isolana) and Pronokal Health Group S.L., both in Spain.	Member of the Boards of GN Audio A/S and GN Hearing A/S. Chairman of the Board of Ondal Medical GmbH. Member of the Boards of Elekta AB, AudEERING GmbH and LAP Laser GmbH.	Member of the Boards of GN Audio A/S and GN Hearing A/S. Member of the Boards of Pandora A/S and Hotelbeds Group.	Member of the Boards of GN Audio A/S and GN Hearing A/S. Member of the Supervisory Board of New Work S.E. (formerly Xing S.E), Hamburg, Germany.
Special competencies	International executive background and experience. In-depth competences within retail, branding, business development and implementation of business and marketing strategies and models, digital transformation, operations performance, and optimization of customer experience.	Global leadership experience from the healthcare industry and special knowledge in the areas of business process reengineering, innovation management, global sourcing, and supply chain management. Contributes to the Board with extensive M&A understanding.	In-depth experience in global brand marketing, digital strategy/e-commerce/omni-channel, business transformation, and sales/channel management across consumer health, healthcare, technology, FMCG, affordable luxury, travel industries. Extensive knowledge of Asia/China/Japan.	Extensive global leadership expertise and knowledge from various leadership positions in the global healthcare and IT industry. In-depth knowledge of finance, digitalization, development, general and change management, platform economies, and M&A.
Board member since	2020	2008	2015	2020
Term	2020/2021	2020/2021	2020/2021	2020/2021
Considered independent	Yes	No	Yes	Yes
Nationality	Spain and Sweden	Germany	Hong Kong	Germany
Year of birth	1964	1956	1962	1971
No. of GN shares	700 (+700)	51,000 (unchanged)	9,050 (+4,200)	600 (+600)
Total remuneration 2020 (DKKt)	609	1,058	660	609
Chairmanship				
Audit Committee				
Nomination Committee				
Remuneration Committee				
Strategy Committee				
GN Store Nord A/S Board				
GN Hearing A/S Board				
GN Audio A/S Board				

Employee elected members



Leo Larsen

M.Sc. (Electrical Engineering) and a diploma in business administration and international trade. Senior Director, Audio Research, GN Audio.



Morten Andersen

B.Sc. (Mechanical Engineering). Vice President, Component Manufacturing in Operations, GN Hearing.



Marcus Stuhr Perathoner

Manager, Customer Experience & Escalations, GN Audio.

Board & Committee positions	Member of the Board of the GN Store Nord Foundation		
Special competencies	N/A	N/A	N/A
Board member since	2007	2011	2018
Term	2018/2022	2018/2022	2018/2022
Considered independent	N/A	N/A	N/A
Nationality	Denmark	Denmark	Denmark
Year of birth	1959	1963	1977
No. of GN shares	1,137 (unchanged)	854 (+400)	0 (unchanged)
Total remuneration 2020 (DKKt)	276	276	276

Please visit www.gn.com for more elaborate descriptions of the board members' competencies and management duties.

signifies the number of Board and Committee meetings in which each member has participated followed by the total number of Board and Committee meetings.




¹⁾ Jukka Pertola joined the Board and was appointed Deputy Chairman as of March 11, 2020, and then became member of the committees for Remuneration, Nomination, and Strategy

²⁾ Hélène Barnekow was a member of the committees for Audit and Remuneration only up until March 11, 2020, and then became a member of the Nomination Committee

³⁾ Anette Weber joined the Board and the Audit Committee as of March 11, 2020

⁴⁾ Wolfgang Reim was a member of the Nomination Committee only up until March 11, 2020

⁵⁾ Montserrat Maresch Pascual joined the Board and the committees for Remuneration and Strategy as of March 11, 2020

-  Chairman
-  Deputy chairman
-  Board member

Executive Management



René Svendsen-Tune

CEO, GN Store Nord
and GN Audio



Gitte Pugholm Aabo

CEO, GN Hearing



Peter La Cour Gormsen

CFO, GN Store Nord
and GN Audio
(CFO of GN Store Nord as of
January 1, 2021)



Marcus Desimoni

CFO, GN Store Nord
and GN Hearing
(CFO up and until December
31, 2020)

Member of the Executive Management since	2015	2019	2021	2016
Year of birth	1955	1967	1974	1968
No. of GN shares	90,670 (+17,670)	6,823 (+6,338)	9,918 (NA)	10,500 (+2,500)
No. of GN options	134,464 (+58,937)	104,634 (+60,241)	23,458 (NA)	89,670 (+39,303)
No. of GN warrants	1,398	-	98 (NA)	413 (-412)
Board positions	Chairman of the Boards of Stokke AS and the GN Store Nord Foundation, Deputy Chairman of the Board of NKT A/S, member of the Board of Nilfisk Holding A/S.	Member of the Committee of Directors of Danmarks Nationalbank (the Danish National Bank), member of the Board of HIMPP A/S (Hearing Instrument Manufacturers Patent Partnership).		

Additional financial information 2020 (unaudited)

Additional financial information

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Q4 financial highlights

GN Hearing

Revenue

GN Hearing's revenue in Q4 2020 was DKK 1,378 million compared to DKK 1,722 million in Q4 2019, translating into a revenue growth of -20%. Organic revenue growth was -16%, while the foreign exchange development contributed with around -3% and M&A contribution was around -1%.

In Q4 2020, as for the hearing aid industry overall, COVID-19 continued to impact GN Hearing negatively, and due to the increasing infection rates across the world, the markets halted in its recovery, but with the impact varying greatly across channels, regions, and countries. The ReSound ONE reception and feedback has been overwhelmingly positive.

In North America, the overall hearing aid market experienced a slowdown in its recent recovery trend primarily as a reflection of the continued increase in infection rates from COVID-19 with significant differences across states.

In Europe, GN Hearing experienced a strong performance in especially Germany and Spain but the region was in general negatively impacted by the increase in COVID-19 infection rates.

In Rest of World, countries like Japan and Korea delivered revenue in line with 2019 despite continued impact from COVID-19 across the region.

Earnings and other financial highlights

GN Hearing's gross profit decreased -27% to DKK 873 million in Q4 2020. The gross margin reached 63.4%, compared to 69.1% in Q4 2019. The decrease in gross margin is mainly due

to the revenue decline, the fixed part of production costs, and mix effects.

EBITA in Q4 2020 was DKK 153 million, compared to DKK 420 million in Q4 2019. The EBITA margin in Q4 2020 was 11.1%, compared to 24.4% in Q4 2019, primarily driven by the revenue decline. OPEX continued to be prudently managed during Q4 2020, which resulted in a 6% decrease compared to Q4 2019.

The return on invested capital (ROIC) was 1% in Q4 2020, compared to 19% in Q4 2019.

In Q4 2020, free cash flow excl. M&A reached DKK 263 million, compared to DKK 130 million in Q4 2019. Cash conversion was 172% in Q4 2020 due to the continued prudent cost measures.

GN Audio

Revenue

Revenue in Q4 2020 reached DKK 2,706 million compared to 1,962 million in Q4 2019, corresponding to an organic revenue growth of 43%. The foreign exchange development contributed with around -5%. Revenue growth was 38%.

In Q4 2020, GN Audio's Enterprise business continued to deliver high double-digit organic revenue growth and market share gains across regions and channels. The continued strong growth reflects the accelerating market trends following COVID-19, GN Audio's innovative world leading product portfolio as well as strong execution on its commercial excellence initiatives.

Financial overview Q4 2020

DKK million	GN Hearing			GN Audio			Group total*		
	Q4 2020	Q4 2019	Growth	Q4 2020	Q4 2019	Growth	Q4 2020	Q4 2019	Growth
Revenue	1,378	1,722	-20%	2,706	1,962	38%	4,084	3,684	11%
Organic growth	-16%	4%		43%	24%		15%	13%	
Gross profit	873	1,190	-27%	1,318	975	35%	2,191	2,165	1%
Gross profit margin	63.4%	69.1%	-5.7%p	48.7%	49.7%	-1.0%p	53.6%	58.8%	-5.2%p
EBITA	153	420	-64%	642	441	46%	746	821	-9%
EBITA margin	11.1%	24.4%	-13.3%p	23.7%	22.5%	+1.2%p	18.3%	22.3%	-4.0%p
Earnings per share (EPS)							4.09	4.30	-5%
Free cash flow excl. M&A	263	130	+133	625	210	+415	896	274	+622

* Including "Other"

GN Audio's Consumer delivered strong organic revenue growth, driven among other by new launches in the Jabra Elite family.

Earnings and other financial highlights

In Q4 2020, GN Audio's gross profit increased by 35% to DKK 1,318 million corresponding to a gross margin of 48.7%, which was slightly lower than in Q4 2019, reflecting increased freight and production costs due to COVID-19.

In Q4 2020, GN Audio's EBITA was DKK 642 million equivalent to an EBITA margin of 23.7%, reflecting leverage in the business as well as continued investments into growth opportunities.

GN Audio's free cash flow excl. M&A was DKK 625 million in Q4 2020, which is 198% higher than in Q4 2019. The cash conversion in Q4 2020 was 97%, compared to 48% in Q4 2019, reflecting the strong growth in earnings as well as a positive development in working capital.

Quarterly financial highlights

DKK million	Q4 2020 (unaud.)	Q4 2019 (unaud.)	Full year 2020 (aud.)	Full year 2019 (aud.)
GN Hearing				
Revenue	1,378	1,722	4,725	6,351
Revenue growth	-20%	5%	-26%	9%
Organic growth	-16%	4%	-24%	7%
Gross profit margin	63.4%	69.1%	61.5%	69.0%
EBITA*	153	420	41	1,284
EBITA margin*	11.1%	24.4%	0.9%	20.2%
ROIC (EBITA*/Average invested capital)	1%	19%	1%	19%
Free cash flow excl. M&A	263	130	127	672
Cash conversion (Free cash flow excl. M&A/EBITA*)	172%	31%	310%	52%
GN Audio				
Revenue	2,706	1,962	8,724	6,223
Revenue growth	38%	27%	40%	30%
Organic growth	43%	24%	42%	26%
Gross profit margin	48.7%	49.7%	50.4%	51.5%
EBITA*	642	441	2,002	1,192
EBITA margin*	23.7%	22.5%	22.9%	19.2%
ROIC (EBITA*/Average invested capital)	81%	57%	81%	57%
Free cash flow excl. M&A	625	210	1,729	849
Cash conversion (Free cash flow excl. M&A/EBITA*)	97%	48%	86%	71%
GN Store Nord				
Revenue	4,084	3,684	13,449	12,574
Revenue growth	11%	16%	7%	19%
Organic growth	15%	13%	9%	15%
Gross profit margin	53.6%	58.8%	54.3%	60.3%
EBITA*	746	821	1,866	2,321
EBITA margin*	18.3%	22.3%	13.9%	18.5%
Profit (loss) before tax	657	722	1,612	1,913
Effective tax rate	19.8%	23.0%	21.3%	23.3%
ROIC (EBITA*/Average invested capital)	19%	25%	19%	25%
Earnings per share, basic (EPS)	4.09	4.30	9.72	11.12
Earnings per share, fully diluted (EPS diluted)	4.04	4.26	9.63	10.98
Free cash flow excl. M&A	896	274	1,865	1,296
Cash conversion (Free cash flow excl. M&A/EBITA*)	120%	33%	100%	56%
Equity ratio	31.0%	29.1%	31.0%	29.1%
Net interest-bearing debt	4,198	5,303	4,198	5,303
Net interest-bearing debt (period-end)/EBITDA	1.8	2.0	1.8	2.0
Payout ratio	-	-	16%	14%
Share buybacks**	-	273	453	1,626
Outstanding shares, end of period (thousand)	128,975	128,952	128,975	128,952
Average number of outstanding shares (thousand)	128,894	129,338	128,805	130,762
Average number of outstanding shares, fully diluted (thousand)	130,401	130,566	130,032	132,367
Treasury shares, end of period (thousand)	13,293	13,316	13,293	13,316
Share price at the end of the period	487.2	313.3	487.2	313.3
Market capitalization	62,837	40,401	62,837	40,401

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

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

Quarterly reporting by segment

DKK million	Q1 2019 (unaud.)	Q2 2019 (unaud.)	Q3 2019 (unaud.)	Q4 2019 (unaud.)	Q1 2020 (unaud.)	Q2 2020 (unaud.)	Q3 2020 (unaud.)	Q4 2020 (unaud.)	Full year 2019 (aud.)	Full Year 2020 (aud.)
Income statement										
Revenue										
GN Hearing	1,507	1,585	1,537	1,722	1,314	715	1,318	1,378	6,351	4,725
GN Audio	1,333	1,466	1,462	1,962	1,653	1,944	2,421	2,706	6,223	8,724
Total	2,840	3,051	2,999	3,684	2,967	2,659	3,739	4,084	12,574	13,449
Organic growth										
GN Hearing	8%	8%	8%	4%	-14%	-54%	-11%	-16%	7%	-24%
GN Audio	36%	26%	20%	24%	22%	32%	72%	43%	26%	42%
Total	19%	16%	13%	13%	3%	-13%	29%	15%	15%	9%
Gross profit										
GN Hearing	1,047	1,090	1,053	1,190	841	332	859	873	4,380	2,905
GN Audio	707	745	775	975	827	1,009	1,239	1,318	3,202	4,393
Total	1,754	1,835	1,828	2,165	1,668	1,341	2,098	2,191	7,582	7,298
Gross profit margin										
GN Hearing	69.5%	68.8%	68.5%	69.1%	64.0%	46.4%	65.2%	63.4%	69.0%	61.5%
GN Audio	53.0%	50.8%	53.0%	49.7%	50.0%	51.9%	51.2%	48.7%	51.5%	50.4%
Total	61.8%	60.1%	61.0%	58.8%	56.2%	50.4%	56.1%	53.6%	60.3%	54.3%
Development costs										
GN Hearing	-134	-130	-132	-131	-149	-124	-120	-118	-527	-511
GN Audio	-91	-92	-96	-112	-110	-118	-181	-145	-391	-554
Other *	-16	-19	-14	-14	-22	-20	-19	-23	-63	-84
Total	-241	-241	-242	-257	-281	-262	-320	-286	-981	-1,149
Selling and distribution costs and administrative expenses etc.										
GN Hearing	-631	-661	-638	-639	-637	-544	-570	-602	-2,569	-2,353
GN Audio	-423	-385	-389	-422	-429	-483	-394	-531	-1,619	-1,837
Other *	-20	-25	-21	-26	-21	-27	-19	-26	-92	-93
Total	-1,074	-1,071	-1,048	-1,087	-1,087	-1,054	-983	-1,159	-4,280	-4,283
EBITA										
GN Hearing	282	299	283	420	55	-336	169	153	1,284	41
GN Audio	193	268	290	441	288	408	664	642	1,192	2,002
Other *	-36	-44	-35	-40	-43	-47	-38	-49	-155	-177
Total	439	523	538	821	300	25	795	746	2,321	1,866
EBITA margin										
GN Hearing	18.7%	18.9%	18.4%	24.4%	4.2%	-47.0%	12.8%	11.1%	20.2%	0.9%
GN Audio	14.5%	18.3%	19.8%	22.5%	17.4%	21.0%	27.4%	23.7%	19.2%	22.9%
Total	15.5%	17.1%	17.9%	22.3%	10.1%	0.9%	21.3%	18.3%	18.5%	13.9%
Depreciation and software amortization										
GN Hearing	-46	-47	-48	-48	-47	-45	-54	-35	-189	-181
GN Audio	-23	-24	-26	-30	-28	-29	-31	-34	-103	-122
Other *	-17	-20	-23	-28	-29	-32	-30	-24	-88	-115
Total	-86	-91	-97	-106	-104	-106	-115	-93	-380	-418
EBITDA										
GN Hearing	328	346	331	468	102	-291	223	188	1,473	222
GN Audio	216	292	316	471	316	437	695	676	1,295	2,124
Other *	-19	-24	-12	-12	-14	-15	-8	-25	-67	-62
Total	525	614	635	927	404	131	910	839	2,701	2,284
EBITA										
Amortization and impairment of acquired intangible assets	-42	-57	-151	-48	-50	-52	-82	-51	-298	-235
Gain (loss) on divestment of operations etc.	-	1	-3	-19	1	-1	-1	-3	-21	-4
Operating profit (loss)	397	467	384	754	251	-28	712	692	2,002	1,627
Share of profit (loss) in associates	-2	-5	5	5	-1	-6	-2	-	3	-9
Financial items, net	-53	-64	62	-37	-111	49	91	-35	-92	-6
Profit (loss) before tax	342	398	451	722	139	15	801	657	1,913	1,612
Tax on profit (loss)	-80	-93	-106	-166	-33	-2	-178	-130	-445	-343
Profit (loss)	262	305	345	556	106	13	623	527	1,468	1,269
Balance sheet										
Development projects										
GN Hearing	948	967	987	1,029	1,058	1,069	1,080	1,084	1,029	1,084
GN Audio	319	324	333	361	377	399	369	426	361	426
Other *	-25	-24	-22	-21	-19	-18	-16	-15	-21	-15
Total	1,242	1,267	1,298	1,369	1,416	1,450	1,433	1,495	1,369	1,495
Inventories										
GN Hearing	509	541	562	535	580	603	610	650	535	650
GN Audio	493	539	611	771	585	711	805	1,072	771	1,072
Total	1,002	1,080	1,173	1,306	1,165	1,314	1,415	1,722	1,306	1,722
Trade receivables										
GN Hearing	1,294	1,254	1,235	1,282	1,095	835	1,025	972	1,282	972
GN Audio	1,014	1,174	1,056	1,527	1,477	1,593	1,860	1,704	1,527	1,704
Total	2,308	2,428	2,291	2,809	2,572	2,428	2,885	2,676	2,809	2,676
Net working capital										
GN Hearing	940	886	804	861	927	649	581	552	861	552
GN Audio	592	578	433	488	765	512	764	357	488	357
Other *	-110	-110	-160	-74	-142	-121	-139	-93	-74	-93
Total	1,422	1,354	1,077	1,275	1,550	1,040	1,206	816	1,275	816
Free cash flow excl. M&A										
GN Hearing	-37	290	289	130	-66	-117	47	263	672	127
GN Audio	78	232	329	210	-67	579	592	625	849	1,729
Other *	-54	-50	-55	-66	-27	55	-27	8	-225	9
Total	-13	472	563	274	-160	517	612	896	1,296	1,865
Acquisitions and divestments of companies										
Total	-653	-37	-12	-	-29	-10	-107	-	-702	-146
Free cash flow										
Total	-666	435	551	274	-189	507	505	896	594	1,719

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

Q4 segment disclosures

Income statement	GN Hearing		GN Audio		Other*		Consolidated total	
	Q4 2020 (unaud.)	Q4 2019 (unaud.)	Q4 2020 (unaud.)	Q4 2019 (unaud.)	Q4 2020 (unaud.)	Q4 2019 (unaud.)	Q4 2020 (unaud.)	Q4 2019 (unaud.)
(DKK million)								
Revenue	1,378	1,722	2,706	1,962	-	-	4,084	3,684
Production costs	-505	-532	-1,388	-987	-	-	-1,893	-1,519
Gross profit	873	1,190	1,318	975	-	-	2,191	2,165
Development costs	-118	-131	-145	-112	-23	-14	-286	-257
Selling and distribution costs	-455	-506	-467	-357	-	-	-922	-863
Management and administrative expenses	-155	-132	-55	-60	-26	-26	-236	-218
Other operating income and costs, net	8	-1	-9	-5	-	-	-1	-6
EBITA	153	420	642	441	-49	-40	746	821
Amortization and impairment of acquired intangible assets	-33	-28	-18	-20	-	-	-51	-48
Gain (loss) on divestment of operations etc.	-3	-13	-	-6	-	-	-3	-19
Operating profit (loss)	117	379	624	415	-49	-40	692	754
Share of profit (loss) in associates	3	7	-	-	-3	-2	-	5
Financial items	-17	-30	-9	9	-9	-16	-35	-37
Profit (loss) before tax	103	356	615	424	-61	-58	657	722
Tax on profit (loss)	-56	-21	-138	-90	64	-55	-130	-166
Profit (loss) for the period	47	335	477	334	3	-113	527	556

Cash flow statement	GN Hearing		GN Audio		Other*		Consolidated total	
	Q4 2020 (unaud.)	Q4 2019 (unaud.)	Q4 2020 (unaud.)	Q4 2019 (unaud.)	Q4 2020 (unaud.)	Q4 2019 (unaud.)	Q4 2020 (unaud.)	Q4 2019 (unaud.)
(DKK million)								
Operating activities before changes in working capital	303	542	731	498	-18	-10	1,016	1,030
Cash flow from changes in working capital	-11	-15	355	-157	-43	-61	301	-233
Cash flow from operating activities excluding financial items and tax	292	527	1,086	341	-61	-71	1,317	797
Cash flow from investing activities:								
Development projects	-96	-111	-95	-70	-	-	-191	-181
Other	-78	-66	-28	-46	-49	-68	-155	-180
Cash flow from operating and investing activities before financial items and tax	118	350	963	225	-110	-139	971	436
Tax and financial items	145	-220	-338	-15	118	73	-75	-162
Cash flow from operating and investing activities (free cash flow)	263	130	625	210	8	-66	896	274
Cash flow from M&A activities	-	-	-	-	-	-	-	-
Free cash flow excl. M&A	263	130	625	210	8	-66	896	274

Additional information	GN Hearing		GN Audio		Other*		Consolidated total	
	Q4 2020 (unaud.)	Q4 2019 (unaud.)	Q4 2020 (unaud.)	Q4 2019 (unaud.)	Q4 2020 (unaud.)	Q4 2019 (unaud.)	Q4 2020 (unaud.)	Q4 2019 (unaud.)
(DKK million)								
Revenue distributed geographically								
Denmark	39	17	86	41	-	-	125	58
Europe	381	447	1,506	874	-	-	1,887	1,321
North America	640	847	730	745	-	-	1,370	1,592
Rest of World	318	411	384	302	-	-	702	713
Revenue	1,378	1,722	2,706	1,962	-	-	4,084	3,684
Incurred development costs	-129	-172	-201	-140	-25	-16	-355	-328
Capitalized development costs	96	111	95	70	-	-	191	181
Amortization, impairment and depreciation of development projects**	-85	-70	-39	-42	2	2	-122	-110
Expensed development costs	-118	-131	-145	-112	-23	-14	-286	-257
EBITDA	188	468	676	471	-25	-12	839	927
Depreciation and software amortization	-35	-48	-34	-30	-24	-28	-93	-106
EBITA	153	420	642	441	-49	-40	746	821
EBITA margin	11.1%	24.4%	23.7%	22.5%	N/A	N/A	18.3%	22.3%
Number of employees, end of period	~4,400	~4,425	~1,875	~1,650	~250	~200	~6,525	~6,275

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

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

Financial statements 2020

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Consolidated income statement

DKK million	Note	2020	2019
Revenue	2.2	13,449	12,574
Production costs	2.3, 2.4, 3.4, 3.6	-6,151	-4,992
Gross profit		7,298	7,582
Development costs	2.3, 2.4, 3.4	-1,149	-981
Selling and distribution costs	2.3, 2.4, 3.4	-3,349	-3,359
Management and administrative expenses	2.3, 2.4, 3.4, 5.8	-1,037	-918
Other operating income and costs, net		103	-3
EBITA*		1,866	2,321
Amortization and impairment of acquired intangible assets	2.6, 3.4	-235	-298
Gain (loss) on divestment of operations etc.	5.1	-4	-21
Operating profit (loss)		1,627	2,002
Share of profit (loss) in associates	5.6	-9	3
Financial income	2.4, 4.5	294	355
Financial expenses	4.5	-300	-447
Profit (loss) before tax		1,612	1,913
Tax on profit (loss)	2.5	-343	-445
Profit (loss) for the year		1,269	1,468
Attributable to:			
Non-controlling interests		17	14
Shareholders in GN Store Nord A/S		1,252	1,454
Earnings per share (EPS)			
Earnings per share (EPS)	4.1	9.72	11.12
Earnings per share fully diluted (EPS diluted)	4.1	9.63	10.98

* Please refer to Key Ratio Definitions on page 112 for definition of EBITA

Consolidated statement of comprehensive income

DKK million	Note	2020	2019
Profit (loss) for the year		1,269	1,468
Other comprehensive income			
Items that will not be reclassified to the income statement			
Actuarial gains (losses)		-1	17
Tax relating to actuarial gains (losses)	2.5	-	-5
Items that may be reclassified subsequently to the income statement			
Adjustment of cash flow hedges	4.3	-13	21
Foreign exchange adjustments, etc.		-601	161
Tax relating to other comprehensive income	2.5	14	-11
Other comprehensive income for the year		-601	183
Total comprehensive income for the year		668	1,651
Attributable to:			
Non-controlling interests		17	14
Shareholders in GN Store Nord A/S		651	1,637

Consolidated balance sheet at December 31

DKK million	Note	2020	2019
Assets			
Intangible assets	3.1, 3.4	7,007	7,422
Property, plant and equipment	3.2, 3.3, 3.4	1,057	1,076
Investments in associates	5.6	523	257
Deferred tax assets	2.5	392	423
Other non-current assets	3.5, 4.3	1,187	1,315
Total non-current assets		10,166	10,493
Inventories	3.6	1,722	1,306
Trade receivables	3.7, 4.3	2,676	2,809
Tax receivables		63	58
Other receivables		398	289
Cash and cash equivalents	4.3	1,657	1,728
Total current assets		6,516	6,190
Total assets		16,682	16,683
Equity and Liabilities			
Share capital		569	569
Other reserves		-5,161	-4,345
Proposed dividends for the year		206	206
Retained earnings		9,564	8,419
Total equity		5,178	4,849
Bank loans and issued bonds	4.2, 4.3, 4.4	5,069	5,345
Lease liabilities, non-current	3.4, 4.3, 4.4	324	357
Pension obligations	5.4	36	26
Provisions, non-current	3.8	203	92
Deferred tax liabilities	2.5	362	552
Other non-current liabilities	4.3, 4.4	482	507
Total non-current liabilities		6,476	6,879
Bank loans	4.2, 4.3, 4.4	341	1,197
Lease liabilities, current	3.4, 4.3, 4.4	121	132
Trade payables	4.3	1,238	1,058
Tax payables		253	66
Provisions	3.8	333	431
Other current liabilities		2,742	2,071
Total current liabilities		5,028	4,955
Total equity and liabilities		16,682	16,683

Consolidated statement of cash flows

DKK million	Note	2020	2019
Operating activities			
Operating profit (loss)		1,627	2,002
Depreciation, amortization and impairment	3.4	1,167	1,074
Other non-cash adjustments	5.7	346	92
Cash flow from operating activities before changes in working capital		3,140	3,168
Change in inventories		-471	-336
Change in receivables		-189	-456
Change in trade payables and other payables		1,028	480
Total changes in working capital		368	-312
Cash flow from operating activities before financial items and tax		3,508	2,856
Interest received		86	136
Interest etc. paid		-99	-302
Tax paid, net		-289	-483
Cash flow from operating activities		3,206	2,207
Investing activities			
Development projects	3.1	-638	-544
Investments in intangible assets, excluding development projects		-234	-171
Investments in property, plant and equipment	3.2	-221	-232
Investments in other non-current assets		-297	-304
Disposal of intangible assets and property, plant and equipment		2	-
Disposal (repayment) of other non-current assets		47	340
Acquisition of companies/operations	5.1	-147	-704
Divestment of companies/operations	5.1	1	2
Cash flow from investing activities		-1,487	-1,613
Cash flow from operating and investing activities (free cash flow)		1,719	594
Financing activities			
Increase of short-term loans	4.4	-	1,168
Decrease of long-term loans	4.4	-458	-1,002
Decrease of short-term loans	4.4	-855	-
Net proceeds from issue of bonds (bond-with-warrant units)	4.4	-	2,272
Net proceeds from issue of warrants (bond-with-warrant units)	4.4	-	204
Repurchase of bonds issued in 2017		-	-1,632
Repurchase of warrants issued in 2017		-	-604
Net proceeds from issue of Eurobonds		-	1,630
Paid dividends		-187	-178
Share-based payment (exercised)		194	271
Purchase of treasury shares	4.1	-453	-1,626
Other adjustments		-12	-9
Cash flow from financing activities		-1,771	494
Net cash flow		-52	1,088
Cash and cash equivalents, beginning of period		1,728	636
Adjustment foreign currency, cash and cash equivalents		-19	4
Cash and cash equivalents, end of period		1,657	1,728

Consolidated statement of changes in equity

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					
Balance at January 1, 2019	583	-1,065	-27	-2,585	197	7,993	5,096	-	5,096
Profit (loss) for the period	-	-	-	-	-	1,454	1,454	14	1,468
Actuarial gains (losses)	-	-	-	-	-	17	17	-	17
Tax relating to actuarial gains (losses)	-	-	-	-	-	-5	-5	-	-5
Adjustment of cash flow hedges	-	-	21	-	-	-	21	-	21
Foreign exchange adjustments, etc.	-	161	-	-	-	-	161	-	161
Tax relating to other comprehensive income	-	-6	-5	-	-	-	-11	-	-11
Other comprehensive income for the year	-	155	16	-	-	12	183	-	183
Total comprehensive income for the year	-	155	16	-	-	1,466	1,637	14	1,651
Reduction of 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)	-	-	-	-	-	39	39	-	39
Share-based payment (exercised)	-	-	-	251	-	20	271	-	271
Tax related to share-based incentive plans	-	-	-	-	-	49	49	-	49
Purchase of treasury shares	-	-	-	-1,626	-	-	-1,626	-	-1,626
Reclassification of non-controlling interests by recognizing a put option liability	-	-	-	-	-	-39	-39	-14	-53
Proposed dividends for the year*	-	-	-	-	206	-206	-	-	-
Paid dividends	-	-	-	-	-178	-	-178	-	-178
Dividends, treasury shares	-	-	-	-	-19	19	-	-	-
Balance at December 31, 2019	569	-910	-11	-3,424	206	8,419	4,849	-	4,849
Profit (loss) for the period	-	-	-	-	-	1,252	1,252	17	1,269
Actuarial gains (losses)	-	-	-	-	-	-1	-1	-	-1
Tax relating to actuarial gains (losses)	-	-	-	-	-	-	-	-	-
Adjustment of cash flow hedges	-	-	-13	-	-	-	-13	-	-13
Foreign exchange adjustments, etc.	-	-601	-	-	-	-	-601	-	-601
Tax relating to other comprehensive income	-	11	3	-	-	-	14	-	14
Other comprehensive income for the year	-	-590	-10	-	-	-1	-601	-	-601
Total comprehensive income for the year	-	-590	-10	-	-	1,251	651	17	668
Share-based payment (granted)	-	-	-	-	-	77	77	-	77
Share-based payment (exercised)	-	-	-	237	-	-43	194	-	194
Tax related to share-based incentive plans	-	-	-	-	-	60	60	-	60
Purchase of treasury shares	-	-	-	-453	-	-	-453	-	-453
Reclassification of non-controlling interests by recognizing a put option liability	-	-	-	-	-	-13	-13	-11	-24
Proposed dividends for the year*	-	-	-	-	206	-206	-	-	-
Paid dividends	-	-	-	-	-187	-	-187	-6	-193
Dividends, treasury shares	-	-	-	-	-19	19	-	-	-
Balance at December 31, 2020	569	-1,500	-21	-3,640	206	9,564	5,178	-	5,178

* Equivalent to DKK 1.45 per share (2019: DKK 1.45 per share)

Section 1

Basis of preparation

In the annual report the notes are grouped in sections. Each note includes the accounting policies and significant accounting estimates applicable to the relevant notes. The description of the accounting policies in the notes is part of the complete description of GN Store Nord's accounting policies. The notes are grouped in these five sections:

- Section 1 Basis of preparation
- Section 2 Results of the year
- Section 3 Operating assets and liabilities
- Section 4 Capital structure and financing items
- Section 5 Other disclosures

New or revised EU endorsed accounting standards and interpretations are described as well as how these changes are expected to impact the financial performance and reporting of the GN Store Nord Group.

1.1 General accounting policies

The annual report of GN Store Nord has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Danish disclosure requirements for annual reports of listed companies.

The annual report has been prepared in accordance with the historical cost convention, as modified by the revaluation of certain financial instruments (including derivative financial instruments) at fair value.

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 materially nor did they result in any material changes to disclosures in the notes. Apart from this, the annual report is presented in accordance with the accounting policies applied in previous years' annual reports.

Accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2020 and have not been applied in preparing this annual report. None of these new standards, amendments to standards and interpretations are expected to have significant impact on the financial statements of GN Store Nord.

GN Store Nord will adopt new standards and interpretations as of the effective dates.

Consolidated Financial Statements

The consolidated financial statements relate to the financial statements of the parent company, GN Store Nord, and its subsidiaries as at December 31, 2020. Control is achieved when the Group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when GN Store Nord has less than a majority of the voting or similar rights of an investee, GN Store Nord considers all relevant facts and circumstances in assessing whether it has power over an investee.

Group companies are listed on page 110. Enterprises that are not subsidiaries, but where GN Store Nord holds between 20% and 50% of the voting rights and over which it exercises significant influence, but where it does not have power to govern the financial and operating policies, are considered associates. When assessing whether GN Store Nord exercises control or significant influence, potential voting rights that are substantive and options on acquisition of additional ownership interests are taken into account.

The consolidated financial statements are prepared as a consolidation of the financial statements of the parent company and those of the individual subsidiaries, all of which are presented in accordance with the Group's accounting policies. Intra-group income and expenses, shareholdings, intra-group balances and dividends, and realized and unrealized gains and losses on intra-group transactions are eliminated. On consolidation, the carrying amount of shares held by the parent company in subsidiaries is set off against the subsidiaries' equity.

Foreign Currency Translation**Functional Currency and Presentation Currency**

Financial statement items for each of the reporting enterprises in the Group are measured using the currency used in the primary financial environment in which the reporting enterprise operates. Transactions denominated in other currencies than the functional currency are considered transactions denominated in foreign currencies. The consolidated financial statements are presented in Danish kroner (DKK), which is the functional currency and presentation currency of the parent company.

Translation of Transactions and Balances

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognized in the income statement as financial income or financial expenses. Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognized in the latest annual report is recognized in the income statement as financial income or financial expenses.

Translation of Subsidiaries

On recognition in the consolidated financial statements of foreign entities with another functional currency than GN Store Nord's presentation currency, the income statements are translated at the exchange rates at the transaction date, and the balance sheet items are translated at the exchange rates at the balance sheet date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly distort the presentation of the underlying transactions. Foreign exchange differences arising on translation of the opening balance of equity of such enterprises at the exchange rates at the balance sheet date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the balance sheet date are recognized in other comprehensive income.

Foreign exchange adjustment of balances with foreign entities that are considered part of the investment in the entity is recognized in other comprehensive income in the consolidated financial statements under a separate translation reserve.

Cash Flow Statement

The cash flow statement is presented using the indirect method based on the operating profit (loss). The cash flow statement shows the cash flow from operating, investing and financing activities for the year and the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and end of the year. The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flow from acquired enterprises is recognized in the cash flow statement from the acquisition date. Cash flow from disposed of enterprises is recognized up until the disposal date.

Cash flow from operating activities comprises cash flow from the year's operations adjusted for non-cash operating items and changes in working capital. Working capital comprises current assets excluding items stated as cash and cash equivalents and excluding tax receivable, as well as current liabilities excluding bank loans, tax payable and provisions.

Cash flow from investing activities comprises payments in connection with acquisitions and disposals of enterprises and activities, acquisitions and disposals of intangible assets, property, plant and equipment and other non-current assets and acquisitions and disposals of securities that are not included in cash and cash equivalents.

Cash flow from financing activities comprises changes in the size or composition of the share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, payment of the principal portion of lease liabilities, acquisition and disposal of treasury shares and payment of dividends to shareholders.

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less and are subject to an insignificant risk of changes in value.

1.2 Significant accounting estimates and judgments

The recognition of certain items of income and expenses and the determination of the carrying amount of certain assets and liabilities implies making accounting estimates and judgments. Significant accounting estimates and judgments comprise revenue recognition, computation of amortization, depreciation and impairment, useful lives and remaining useful lives of non-current assets. Furthermore, recognition of pension obligations and similar non-current obligations, provisions, contingent liabilities as well as measurement of

investment in associates requires significant accounting estimates and judgments.

The estimates used are based on assumptions, which by Management are deemed reliable, but by nature are associated with uncertainty. The assumptions may be incomplete or incorrect, and unexpected events or circumstances may arise. Accordingly, the Company is subject to risks and uncertainties that may lead to a situation where actual results differ from estimates.

A description of significant accounting estimates and judgments is included in the relevant notes:

Estimate/Judgment	Section
Revenue recognition	2.1 Segment disclosures
Measurement of deferred tax	2.5 Tax
Recognition and measurement of goodwill and development projects	3.1 Intangible assets
Loans to dispensers and ownership interests	3.5 Other non-current assets
Measurement of inventories	3.6 Inventories
Measurement of trade receivables	3.7 Trade receivables
Measurement of provisions	3.8 Provisions
Disclosure of contingent liabilities	5.5 Contingent liabilities

1.3 Non-IFRS measures

This Annual Report includes financial measures which are not defined by IFRS. These measures are included because they are used by GN Store Nord's Management to analyze and manage the business and to provide stakeholders with useful information on the group's financial position, performance and development. Please refer to Key Ratio Definitions on page 112 for a definition of the measures.

Section 2

Results of the year

2.1 Segment disclosures

Income statement 2020

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
External revenue	4,725	8,724	-	-	13,449
Internal revenue	-	-	456	-456	-
Revenue	4,725	8,724	456	-456	13,449
Production costs	-1,820	-4,331	-	-	-6,151
Gross profit	2,905	4,393	456	-456	7,298
Development costs	-511	-554	-90	6	-1,149
Selling and distribution costs	-1,772	-1,577	-	-	-3,349
Management and administrative expenses	-596	-348	-549	456	-1,037
Other operating income and costs, net	15	88	-	-	103
EBITA*	41	2,002	-183	6	1,866
Amortization and impairment of acquired intangible assets	-158	-77	-	-	-235
Gain (loss) on divestment of operations etc.	-5	1	-	-	-4
Operating profit (loss)	-122	1,926	-183	6	1,627
Share of profit (loss) in associates	-6	-	-3	-	-9
Financial items	8	13	-27	-	-6
Profit (loss) before tax	-120	1,939	-213	6	1,612
Tax on profit (loss)	-2	-443	103	-1	-343
Profit (loss) for the year	-122	1,496	-110	5	1,269
Impairment losses and reversals regarding intangible assets and property, plant and equipment recognized in the income statement	-46	-90	-	-	-136

Eliminations in the income statement primarily concern internal revenue, intersegment rent and management fee

Other segment disclosures 2020

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
Incurring development costs	-558	-614	-90	-	-1,262
Capitalized development costs	345	293	-	-	638
Amortization, impairment and depreciation of development projects***	-298	-233	-	6	-525
Expensed development costs	-511	-554	-90	6	-1,149
EBITDA**	222	2,124	-68	6	2,284
Depreciation and software amortization	-181	-122	-115	-	-418
EBITA*	41	2,002	-183	6	1,866

* Please refer to Key Ratio Definitions on page 112 for definition of EBITA

** Excluding gain (loss) on divestments of operations etc. but including amortization of development projects

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

2.1 Segment disclosures (Continued)

Income statement 2019

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
External revenue	6,351	6,223	-	-	12,574
Internal revenue	-	-	420	-420	-
Revenue	6,351	6,223	420	-420	12,574
Production costs	-1,971	-3,021	-	-	-4,992
Gross profit	4,380	3,202	420	-420	7,582
Development costs	-527	-391	-72	9	-981
Selling and distribution costs	-2,033	-1,326	-	-	-3,359
Management and administrative expenses	-540	-286	-512	420	-918
Other operating income and costs, net	4	-7	-	-	-3
EBITA*	1,284	1,192	-164	9	2,321
Amortization and impairment of acquired intangible assets	-232	-66	-	-	-298
Gain (loss) on divestment of operations etc.	-15	-6	-	-	-21
Operating profit (loss)	1,037	1,120	-164	9	2,002
Share of profit (loss) in associates	5	-	-2	-	3
Financial items	2	-8	-86	-	-92
Profit (loss) before tax	1,044	1,112	-252	9	1,913
Tax on profit (loss)	-174	-251	-18	-2	-445
Profit (loss) for the year	870	861	-270	7	1,468
Impairment losses and reversals regarding intangible assets and property, plant and equipment recognized in the income statement	-100	-3	-3	-	-106

Eliminations in the income statement primarily concern internal revenue, intersegment rent and management fee

Other segment disclosures 2019

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
Incurring development costs	-613	-433	-72	-	-1,118
Capitalized development costs	345	199	-	-	544
Amortization, impairment and depreciation of development projects***	-259	-157	-	9	-407
Expensed development costs	-527	-391	-72	9	-981
EBITDA**	1,473	1,295	-76	9	2,701
Depreciation and software amortization	-189	-103	-88	-	-380
EBITA*	1,284	1,192	-164	9	2,321

* Please refer to Key Ratio Definitions on page 112 for definition of EBITA

** Excluding gain (loss) on divestments of operations etc. but including amortization of development projects

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

2.1 Segment disclosures (Continued)

Balance sheet 2020

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
Assets					
Goodwill	3,257	1,108	-	-	4,365
Development projects	1,084	426	-	-15	1,495
Other intangible assets	402	377	369	-1	1,147
Property, plant and equipment	513	306	238	-	1,057
Investments in associates	499	-	24	-	523
Deferred tax assets	351	143	-	-102	392
Loans to dispensers and ownership interests	759	-	-	-	759
Other financial assets	428	-	-	-	428
Total non-current assets	7,293	2,360	631	-118	10,166
Inventories	650	1,072	-	-	1,722
Trade receivables	972	1,704	-	-	2,676
Receivables from group companies*	-	1,334	593	-1,927	-
Tax receivables	27	171	-	-135	63
Other receivables	221	99	149	-71	398
Cash and cash equivalents	246	181	1,230	-	1,657
Total current assets	2,116	4,561	1,972	-2,133	6,516
Total assets	9,409	6,921	2,603	-2,251	16,682
Equity and Liabilities					
Equity	4,904	3,599	-3,313	-12	5,178
Bank loans and issued bonds	-	-	5,069	-	5,069
Lease liabilities, non-current	211	78	35	-	324
Pension obligations	30	6	-	-	36
Provisions, non-current	115	88	-	-	203
Deferred tax liabilities	266	148	32	-84	362
Other non-current liabilities	331	151	-	-	482
Total non-current liabilities	953	471	5,136	-84	6,476
Bank loans	1	6	334	-	341
Lease liabilities, current	79	31	11	-	121
Trade payables	265	913	60	-	1,238
Amounts owed to group companies*	1,927	-	-	-1,927	-
Tax payables	78	139	193	-157	253
Provisions, current	176	157	-	-	333
Other current liabilities	1,026	1,605	182	-71	2,742
Total current liabilities	3,552	2,851	780	-2,155	5,028
Total equity and liabilities	9,409	6,921	2,603	-2,251	16,682

*Net amount

Eliminations in the balance sheet primarily concern tax and intercompany balances

2.1 Segment disclosures (Continued)

Balance sheet 2019

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
Assets					
Goodwill	3,539	1,210	-	-	4,749
Development projects	1,029	361	-	-21	1,369
Other intangible assets	542	465	298	-1	1,304
Property, plant and equipment	579	255	242	-	1,076
Investments in associates	230	-	27	-	257
Deferred tax assets	318	162	-	-57	423
Loans to dispensers and ownership interests	924	-	-	-	924
Other financial assets	391	-	-	-	391
Total non-current assets	7,552	2,453	567	-79	10,493
Inventories	535	771	-	-	1,306
Trade receivables	1,282	1,527	-	-	2,809
Receivables from group companies*	-	766	277	-1,043	-
Tax receivables	67	20	71	-100	58
Other receivables	170	57	62	-	289
Cash and cash equivalents	209	109	1,410	-	1,728
Total current assets	2,263	3,250	1,820	-1,143	6,190
Total assets	9,815	5,703	2,387	-1,222	16,683
Equity and Liabilities					
Equity	6,261	3,190	-4,585	-17	4,849
Bank loans and issued bonds	-	-	5,345	-	5,345
Lease liabilities, non-current	249	67	41	-	357
Pension obligations	21	5	-	-	26
Provisions, non-current	78	14	-	-	92
Deferred tax liabilities	239	185	245	-117	552
Other non-current liabilities	380	127	-	-	507
Total non-current liabilities	967	398	5,631	-117	6,879
Bank loans	-	1	1,196	-	1,197
Lease liabilities, current	91	32	9	-	132
Trade payables	254	750	54	-	1,058
Amounts owed to group companies*	1,043	-	-	-1,043	-
Tax payables	44	67	-	-45	66
Provisions, current	283	148	-	-	431
Other current liabilities	872	1,117	82	-	2,071
Total current liabilities	2,587	2,115	1,341	-1,088	4,955
Total equity and liabilities	9,815	5,703	2,387	-1,222	16,683

*Net amount

Eliminations in the balance sheet primarily concern tax and intercompany balances


2.1 Segment disclosures (Continued)

Cash flow statement 2020

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
Cash flow from operating activities before changes in working capital	695	2,499	-54	-	3,140
Cash flow from changes in working capital	187	157	24	-	368
Cash flow from operating activities before financial items and tax	882	2,656	-30	-	3,508
Cash flow from investing activities:					
Development projects	-345	-293	-	-	-638
Other investing activities	-439	-234	-176	-	-849
Cash flow from operating and investing activities before financial items and tax	98	2,129	-206	-	2,021
Tax and financial items	-10	-507	215	-	-302
Cash flow from operating and investing activities (free cash flow)	88	1,622	9	-	1,719
Cash flow from M&A activities	-39	-107	-	-	-146
Free cash flow excl. M&A	127	1,729	9	-	1,865

Cash flow statement 2019

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
Cash flow from operating activities before changes in working capital	1,749	1,492	-73	-	3,168
Cash flow from changes in working capital	-146	-168	2	-	-312
Cash flow from operating activities before financial items and tax	1,603	1,324	-71	-	2,856
Cash flow from investing activities:					
Development projects	-345	-199	-	-	-544
Other investing activities	-146	-762	-161	-	-1,069
Cash flow from operating and investing activities before financial items and tax	1,112	363	-232	-	1,243
Tax and financial items	-496	-160	7	-	-649
Cash flow from operating and investing activities (free cash flow)	616	203	-225	-	594
Cash flow from M&A activities	-56	-646	-	-	-702
Free cash flow excl. M&A	672	849	-225	-	1,296

 Accounting policies**Segment Information**

GN Store Nord's Management has identified GN Hearing and GN Audio as the reportable segments in the Group. GN Hearing is operating within the hearing instrument industry, primarily producing and selling hearing instruments and products related hereto. GN Audio is a leading supplier in the market for audio and collaboration solutions including headsets, video cameras and speakerphones for professional use and selected consumer products.

Segment information is based on the Group's accounting policies. In the Group, segment performance is evaluated on the basis of EBITA as defined under key ratio definitions. Segment revenue and expense and segment assets and liabilities comprise items directly attributable to a segment and items that can be allocated to a segment on a reasonable basis.

Other GN primarily reflects cost from Group Functions, including new business opportunities and research projects under the supervision of the GN Store Nord Strategy Committee, which are outside the reportable segments in the Group. Furthermore, unallocated balance sheet items are included ●

2.2 Revenue and geographical information

DKK million	GN Hearing		GN Audio		Consolidated total	
	2020	2019	2020	2019	2020	2019
Denmark	110	126	199	160	309	286
Europe	1,266	1,469	4,329	2,671	5,595	4,140
North America	2,276	3,347	2,620	2,292	4,896	5,639
Asia and rest of world	1,073	1,409	1,576	1,100	2,649	2,509
Total revenue from customer contracts	4,725	6,351	8,724	6,223	13,449	12,574

Revenue disaggregation

Revenue is predominantly recognized at a point in time, and revenue recognized over time is not significant. Revenue is in all material respects related to sale of goods; hearing aid instruments, DKK 4,725 million (2019: DKK 6,351 million) and audio and collaboration solutions, DKK 8,724 million (2019: DKK 6,223 million). Revenue is attributed to countries on the basis of the customer's location. Only the US represents a material single country and constitutes the vast majority of revenue in North America. One distributor in the Audio segment comprises more than 10 % of the group's total revenue amounting to DKK 2,371 million (2019: DKK 1,475 million).

Geographical information on assets

DKK million	Intangible assets and property, plant and equipment	
	2020	2019
Denmark	3,127	3,336
Europe	408	313
North America	4,091	4,488
Asia and rest of world	438	361
Total	8,064	8,498

Assets are attributed to countries based on the domicile location of the asset. Apart from Denmark only the US represents a material single country and constitutes the vast majority of assets in North America.

Contract liabilities

GN Store Nord has recognized the following revenue-related contract liabilities:

DKK million	2020	2019
Deferred revenue re. pre-paid extended warranties (Other current liabilities and Other non-current liabilities)	125	134
Contract liabilities at December 31	125	134
Revenue recognized, included in contract liabilities at the beginning of the year	54	64

2.2 Revenue and geographical information (Continued)

Accounting policies

Revenue

Revenue from the sale of hearing aids and audio and collaboration solutions is recognized in the income statement when the customer obtains control of the goods. When considering at what point in time the customer obtains control of the goods, a number of indicators are considered, including whether:

- GN Store Nord has a present right to payment for the goods
- The customer has legal title to the goods
- The customer has physical possession of the goods
- The customer has the significant risks and rewards of ownership of the goods
- The customer has accepted the goods

In the majority of sales, the customer obtains control of the goods either upon shipment from a distribution hub or upon delivery to the customer.

The amount of revenue recognized varies with discounts and rebates offered to customers. Discounts and rebates are estimated based on the expected amount to be provided to the customers and reduce revenues recognized. Revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. Revenue from contracts in which GN Store Nord provides on-going access to research against a fee and in which the counterparty reasonably expects that GN Store Nord will continue to perform research is recognized over the access period.

When goods are sold with a right of return, a refund liability and a right to the returned products are recognized as a provision and a current asset, respectively. The refund liability is deducted from revenue and the right to the returned products is offset in cost of sales. The portion of goods sold that is expected to be returned is estimated based on historical product returns data. The estimated amounts of both returns, discounts and rebates are reassessed at each reporting date.

GN Store Nord typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for as described in the accounting policies for warranty provisions.

As part of a sales transaction, certain future services such as extended warranties may be included. In case such service-type warranties are sold, the transaction price is allocated to the promised goods and services based on stand-alone selling prices. Observable prices are as far as possible used to determine the stand-alone selling prices but if such are not available a cost plus a margin approach is used.

Extended warranties are initially recognized as contract liabilities in the balance sheet and recognized in the income statement on a straight-line basis over the term of the extended warranty period.

The typical payment terms for customers is between 30 and 60 days. GN Store Nord does not expect to have contracts with payment terms exceeding one year. As a consequence, the transaction prices are not adjusted for the time value of money. Revenue is measured excluding VAT, taxes and granted cash and quantity discounts in relation to the sale and expected returns of goods.

Production Costs

Production costs comprise costs, including depreciation and salaries, incurred in generating the revenue for the year. Production costs include direct and indirect costs for raw materials and consumables, wages and salaries, inventory write-downs, maintenance and depreciation and impairment of production plant and costs and expenses relating to the operation, administration and management of factories.

Development Costs

Development costs comprise costs, salaries, and depreciation of operating assets and equipment directly or indirectly attributable to the Group's development activities. Furthermore, amortization and write-down of capitalized development projects are included.

Selling and Distribution Costs

Selling and distribution costs comprise costs relating to the sale and distribution of products and services, including salaries, sales commissions, advertising and marketing costs, depreciation and impairment, expected losses on trade receivables etc.

Management and Administrative Expenses

Management and administrative expenses comprise expenses incurred for management and administration. Administrative expenses include office expenses, depreciation and impairment, etc.

Other Operating Income and Costs, net

Other operating income and costs comprise items secondary to the principal activities of the enterprises ●

! Significant accounting estimates and judgments**Revenue recognition**

Certain contracts with customers include a right of return and volume rebates that give rise to variable consideration. In estimating the variable consideration GN Store Nord is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. Significant accounting estimates and judgments involve determining the portion of expected returns of goods as well as the amount of discounts and rebates. The portion of goods sold that is expected to be returned is estimated based on historical product returns data.

In sales, where the customer obtains control of the goods upon delivery to the customer, the significant judgments made in determining when the customer obtains control of promised goods involve determining when a customer has physical possession of the goods and when the customer has accepted the goods due to uncertainty in transportation time ●

2.3 Staff Costs

DKK million	2020	2019
Wages, salaries and remuneration	3,203	3,071
Pensions, defined benefit plans	6	8
Pensions, defined contribution plans	130	129
Other social security costs	320	318
Share-based incentives	77	40
Total	3,736	3,566
Included in:		
Production costs and change in payroll costs included in inventories	557	553
Development costs	705	590
Selling and distribution costs	1,929	1,890
Management and administrative expenses	543	531
Financial expenses	2	2
Total	3,736	3,566
Average number of employees	6,325	6,250
Number of employees, year-end	6,525	6,275

For information regarding remuneration of the Board of Directors and Executive Management, please refer to note 5.2 Remuneration of the Board of Directors and Executive Management

2.4 Government grants

As a consequence of COVID-19 several government grants have been received by GN Store Nord during 2020. Most of the grants relate to compensation for fixed costs and compensation for salary costs in GN Hearing and are recognized as a deduction from costs in the following line items:

DKK million	2020
Production costs	10
Development costs	34
Selling and distribution costs	26
Management and administrative expenses	23
Financial income	10
Total	103

Accounting policies

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and that all attached conditions will be complied with. A grant relating to an expense item, is recognized 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 ●

2.5 Tax

Tax on profit (loss)

DKK million	2020	2019
Tax on profit (loss)		
Current tax for the year	-485	-432
Deferred tax for the year	143	-17
Effect of change in income tax rates	-	4
Withholding tax	-1	-
Adjustment to current tax with respect to prior years	-37	14
Adjustment to deferred tax with respect to prior years	37	-14
Total	-343	-445
Reconciliation of effective tax rate		
Danish tax rate	22.0%	22.0%
Effect of tax rates in foreign jurisdictions	1.0%	2.1%
Non-taxable income	-1.0%	0.0%
Non-deductible expenses	1.5%	1.3%
Utilization of previously not recognized tax assets	0.0%	-3.6%
Withholding tax	0.1%	0.0%
Effect of change in income tax rates	0.0%	-0.2%
Other, including provisions for uncertain tax positions*	-2.3%	1.7%
Effective tax rate	21.3%	23.3%
Tax relating to other comprehensive income		
Actuarial gains (losses)	-	-5
Adjustment of cash flow hedges	3	-5
Foreign exchange adjustments, etc.	11	-6
Total	14	-16

*Other primarily relates to tax subsidies relating to R&D countered by provisions for uncertain tax positions.

2.5 Tax (Continued)

Deferred Tax

DKK million	2020	2019
Deferred tax, net		
Deferred tax at January 1, net	-129	-31
Adjustment with respect to prior years	37	-14
Effect of change in income tax rates	-	4
Addition of deferred tax on acquisition of enterprises	-	-64
Deferred tax for the year recognized in profit (loss) for the year	143	-17
Deferred tax for the year recognized in other comprehensive income for the year	6	-9
Tax related to share-based incentive plans	4	1
Foreign exchange adjustments	-31	1
Deferred tax at December 31, net	30	-129
Deferred tax is recognized in the balance sheet as follows:		
Deferred tax assets	392	423
Deferred tax liabilities	-362	-552
Deferred tax at December 31, net	30	-129
Deferred tax, net relates to:		
Intangible assets	-527	-501
Property, plant and equipment	42	27
Other securities	-5	-2
Current assets	130	92
Current liabilities	5	4
Intercompany liabilities	-2	-4
Tax loss carryforwards	94	153
Retaxation	-	-127
Provisions	272	234
Other	21	-5
Total	30	-129
Tax value of unrecognized tax assets		
Other tax assets	15	11
Unrecognized tax assets at December 31	15	11

Unrecognized tax assets are based on the Group's expectations to the future utilization of the tax assets. All tax losses carryforward have no expiry date.

Deferred tax, net includes DKK 20 million expected to be utilized within 12 months (2019: DKK 30 million).

Repatriation of retained earnings from certain foreign subsidiaries, however not planned or expected in the foreseeable future, may trigger withholding tax liabilities up to DKK 45 million (2019: DKK 31 million).

Accounting policies

Tax on profit (loss) for the year

The parent company is jointly taxed with all Danish subsidiaries. The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises current tax and changes in deferred tax for the year. The tax expense relating to the profit (loss) for the year is recognized in the income statement, and the tax expense relating to amounts recognized in other comprehensive income is recognized in other comprehensive income.

2.5 Tax (Continued)

Current tax payable is recognized in current liabilities and deferred tax is recognized in non-current liabilities. Tax receivable is recognized in current assets and deferred tax assets are recognized in non-current assets.

Deferred tax

Deferred tax assets, including the tax base of tax loss carryforwards, are recognized at the expected value of their utilization, either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction. Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax is not recognized on goodwill unless this is deductible for tax purposes. Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallize as current tax. The change in deferred tax as a result of changes in tax rates is recognized in the income statement. If a tax deduction on computation of the taxable income in Denmark or in foreign jurisdictions is obtained as a result of share-based payment programs, the tax benefit for the deduction is recognized directly in the balance sheet. Deferred tax assets are subject to annual impairment tests and are recognized only to the extent that it is probable that the assets will be utilized ●

Significant accounting estimates and judgments

Deferred tax

Management has made judgments in determining the Company's valuation of tax, deferred tax assets and deferred tax liabilities and the extent to which deferred tax assets are recognized. GN Store Nord recognizes deferred tax assets only to the extent that it is probable that taxable profit will be available against which the temporary differences and unused tax losses can be utilized ●

2.6 Income statement classified by function

The group presents the income statement based on a classification of costs by function. However, in order to present EBITA in the income statement, which is the measure of profit used by Management, amortization and impairment of acquired intangible assets are separated from the individual functions and presented as a separate line item. If amortization and impairment of acquired intangible assets are allocated to the individual line items by function, the income statement will present as follows:

DKK million	2020	2019
Revenue	13,449	12,574
Production costs	-6,151	-4,992
Gross profit	7,298	7,582
Development costs	-1,232	-1,051
Selling and distribution costs	-3,501	-3,587
Management and administrative expenses	-1,037	-918
Other operating income and costs, net	103	-3
Gain (loss) on divestment of operations etc.	-4	-21
Operating profit (loss)	1,627	2,002
In the above income statement amortization and impairment of acquired intangible assets has been allocated to functions as follows:		
Development costs	-83	-70
Selling and distribution costs	-152	-228
Amortization and impairment of acquired intangible assets	-235	-298

Section 3

Operating assets and liabilities

3.1 Intangible assets

DKK million	Goodwill	In-house development projects	Customer relationships	Software	Patents and rights	Other	Total
Cost at January 1	4,749	4,120	715	907	783	774	12,048
Additions on company acquisitions	14	-	-	-	-	-	14
Additions	-	638	-	156	3	61	858
Disposals	-10	-	-56	-	-	-18	-84
Transfers	-	29	-	-28	-	-1	-
Foreign exchange adjustments	-388	-	-66	-13	-4	-78	-549
Cost at December 31	4,365	4,787	593	1,022	782	738	12,287
Amortization and impairment at January 1	-	-2,751	-368	-584	-410	-513	-4,626
Amortization	-	-413	-66	-90	-83	-49	-701
Disposals	-	-	47	-	-	17	64
Impairment	-	-99	-34	-	-	-3	-136
Transfers	-	-29	-	28	-	1	-
Foreign exchange adjustments	-	-	36	11	4	68	119
Amortization and impairment at December 31	-	-3,292	-385	-635	-489	-479	-5,280
Carrying amount at December 31, 2020	4,365	1,495	208	387	293	259	7,007
Cost at January 1	4,245	3,576	808	772	407	763	10,571
Additions on company acquisitions	425	-	58	-	372	2	857
Additions	-	544	-	135	8	7	694
Disposals	-16	-	-171	-3	-7	-9	-206
Transfers	-2	-	2	-	-	-	-
Foreign exchange adjustments	97	-	18	3	3	11	132
Cost at December 31	4,749	4,120	715	907	783	774	12,048
Amortization and impairment at January 1	-	-2,354	-308	-509	-337	-469	-3,977
Amortization	-	-393	-82	-73	-70	-47	-665
Disposals	-	-	129	3	-	8	140
Impairment	-	-4	-99	-3	-	-	-106
Foreign exchange adjustments	-	-	-8	-2	-3	-5	-18
Amortization and impairment at December 31	-	-2,751	-368	-584	-410	-513	-4,626
Carrying amount at December 31, 2019	4,749	1,369	347	323	373	261	7,422

The carrying amount of In-house development projects and software include development in progress of DKK 458 million and DKK 192 million respectively (2019: DKK 663 million and DKK 159 million).

Goodwill

Additions during the year of DKK 14 million relate to the cash-generating units GN Hearing with DKK 14 million (2019: DKK 2 million) and GN Audio DKK 0 million (2019: DKK 423 million the acquisition of Altia) cf. note 5.1 Acquisition and divestment of companies and operations.

Management performs an annual impairment test of the carrying amount of goodwill. The impairment test covers the Group's cash-generating units (CGU) to which the carrying amount of goodwill is allocated.

3.1 Intangible assets (Continued)

	Carrying amount of goodwill DKK million		Pre-tax discount rate %		Weighted average cost of capital %	
	2020	2019	2020	2019	2020	2019
Cash-generating units:						
GN Hearing	3,257	3,539	8	8	7	7
GN Audio	1,108	1,210	10	10	8	9
Total	4,365	4,749				

In the impairment test, the discounted future cash flows of each CGU (the value in use) were compared with the carrying amounts. Future cash flows are based on the budget for 2021, market forecasts for 2022 – 2025, strategy plans, etc. approved by the Board of Directors. Budgets and strategy plans are based on specific assumptions for the individual CGU regarding sales, operating profit, working capital, investments in non-current assets, etc. The calculations apply expected growth in the terminal period of 2.0% p.a. (2019: 2.5% p.a.)

The GN Hearing segment expects to return to positive organic growth in 2021. The GN Audio segment is expecting to maintain their strong position in the growing market for audio and collaboration solutions.

The market growth in the Hearing Aid industry and the Audio market is driven by these main factors:

GN Hearing:

- Shifting demographics with a growing elderly and more affluent population
- Intensified noise pollution drives the increased prevalence of hearing loss
- Increased penetration rates as more people with a hearing loss will use hearing aids in the future, and
- Increased use of two hearing aids instead of only one, which is relatively common today

GN Audio:

- Continued transition from desk phones to Unified Communications
- Increasing flexibility requirements by office-workers, demands for productivity, focus on cloud-based solutions, and general technology improvements
- A significant part of our future growth is expected to come from the increased penetration of professional headsets
- UC technology has the potential to reduce travel cost and carbon footprint by the companies that adopt the technology

The expected revenue growth in the GN Hearing segment and GN Audio segment is based on the current differentiated product offering with unique technology as well as future product launches. Based on the impairment test and related assumptions, Management has not identified any goodwill impairment at December 31, 2020. No likely change in the assumptions applied will result in an impairment.

Development projects and software

In-progress and completed development projects comprise development and design of hearing instruments and audio and collaboration solutions. Most development projects are expected to be completed in the coming years, after which product sales and marketing can be commenced. Management performs at least one annual impairment test of the carrying amount of recognized development costs. The recoverable amount is assessed based on sales forecasts. During the year, impairments of DKK 99 million related to projects were recognized. In Management's assessments, the recoverable amount exceeds the carrying amount at December 31, 2020.

Software comprises development, design and test of production and planning software and reporting systems, business intelligence etc. Implementation of these systems is expected to optimize internal procedures and processes. In 2020, Management assessed that the expected useful lives were reflected in the carrying amounts at December 31, 2020.

Customer relationships

Customer relationships primarily comprise acquired customer relationships. The most significant customer relationship relates to the acquisition of US Beltone. The impairment loss of DKK 34 million relating to customer relationships was incurred in connection with a review of expectations and budgets for a number of previously acquired assets. The impairment loss has been expensed in the line 'Amortization and impairment of acquired intangible assets'. The impairment loss has been calculated using a fair value based on multiples (fair value hierarchy level 3).

3.1 Intangible assets (Continued)

Patents and rights

Patents and rights primarily comprise acquired patents and rights. The most significant patents and rights relate to technologies for the development of new hearing instruments for GN Hearing and rights to the use of certain technologies for development of headsets and video communications solutions.

Other

The Group's other intangible assets comprise DKK 71 million (2019: DKK 80 million) related to trademarks, DKK 142 million (2019: DKK 181 million) related to supply agreements and DKK 46 million (2019: DKK 0 million) related to know how.

Accounting policies

Goodwill

At the acquisition date goodwill is recognized in the balance sheet at cost as described under Business combinations. Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized but is tested for impairment at least once a year. The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. Identification of cash-generating units is based on how Management monitor the operation in the Management reporting.

As a result of the integration of acquired enterprises in the existing group, Management assesses that the smallest cash-generating units to which the carrying amount of goodwill can be allocated are: GN Hearing and GN Audio.

Development projects, Software, Patents, Licenses and Other Intangible Assets

Intangible assets are measured at cost less accumulated amortization and impairment. Amortization is provided on a straight-line basis over the expected useful lives of the assets. When changing the depreciation period, the effect on the depreciation is recognized prospectively as a change in accounting estimates. Amortization and impairment is recognized in the income statement as production costs, development costs, distribution costs and administrative expenses. The expected useful lives are as follows:

Completed development projects	1-5 years
Software	1-7 years
Customer relationships	up to 8 years
Patents, licenses, trademarks and other intellectual property rights	up to 20 years

Development projects that are clearly defined and identifiable, where the technical utilization degree, sufficient resources and a potential future market or development opportunities in the Company is evidenced, and where GN Store Nord intends to produce, market or use the project, are recognized as intangible assets if it is probable that costs incurred will be covered by future earnings. The cost of such development projects includes direct wages, salaries, materials and other direct and indirect costs attributable to the development projects. Amortization and write-down of such capitalized development projects are started at the date of completion and are included in development costs. Other development costs are recognized in the income statement as incurred.

Gains or losses on the disposal of intangible assets are determined as the difference between the selling price less selling costs and the carrying amount at the disposal date, and are recognized in the income statement as other operating income or other operating costs, respectively.

Impairment of Goodwill and in-progress development projects

Goodwill is subject to at least one annual impairment test. Similarly, in-progress development projects are tested for impairment at least annually. An impairment test is also performed whenever there is an indication that an asset may be impaired.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which the goodwill is allocated. Goodwill is written down to the recoverable amount if the carrying amount is higher than the computed recoverable amount. The recoverable amount is computed as the present value of the expected future net cash flows from the enterprises or activities to which the goodwill is allocated.

Recognition of impairment losses in the income statement

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Impairment of goodwill is recognized in a separate line item in the income statement. Impairment of goodwill is not reversed ●

3.1 Intangible assets (Continued)

Significant accounting estimates and judgments

Goodwill

Determining whether goodwill is impaired requires a comparison of the recoverable amount with the carrying amount. The recoverable amount is determined as the net present value of the future cash flows expected to arise from the cash generating unit to which goodwill is allocated.

Development projects

Development projects are measured at cost less accumulated amortization and impairment. An impairment test is performed of the carrying amount of recognized development projects. The impairment test is based on assumptions regarding strategy, product life cycle, market conditions, discount rates and budgets, etc., after the project has been completed and production has commenced. If market-related assumptions etc., are changed, development projects may have to be written down. Management examines and assesses the underlying assumptions when determining whether or not the carrying amount should be written down. In addition, Management continuously assess the useful lives of its products to ensure that amortization of development projects reflects the useful lives ●

3.2 Property, plant and equipment

DKK million	Factory and office buildings	Leasehold improvements	Plant and machinery	Operating assets and equipment	Assets under construction	Total
Cost at January 1	442	172	940	412	36	2,002
Additions	3	19	17	68	114	221
Disposals	-6	-10	-34	-44	-	-94
Transfers	-18	-	-133	271	-120	-
Foreign exchange adjustments	-2	-1	-10	-16	-	-29
Cost at December 31	419	180	780	691	30	2,100
Depreciation and impairment at January 1	-213	-134	-735	-325	-	-1,407
Depreciation	-18	-13	-100	-55	-	-186
Disposals	6	9	32	44	-	91
Transfers	10	-	227	-237	-	-
Foreign exchange adjustments	2	1	9	14	-	26
Depreciation and impairment at December 31	-213	-137	-567	-559	-	-1,476
Carrying amount at December 31, 2020	206	43	213	132	30	624
Leased assets, c.f. note 3.3	391	-	-	42	-	433
Total carrying amount at December 31, 2020	597	43	213	174	30	1,057
Cost at January 1	430	162	813	389	14	1,808
Additions on company acquisitions	-	-	-	1	-	1
Additions	13	13	60	40	106	232
Disposals	-1	-7	-20	-23	-	-51
Transfers	-	-	84	-	-84	-
Foreign exchange adjustments	-	4	3	5	-	12
Cost at December 31	442	172	940	412	36	2,002
Depreciation and impairment at January 1	-197	-122	-666	-309	-	-1,294
Depreciation	-17	-15	-86	-32	-	-150
Disposals	1	6	20	20	-	47
Foreign exchange adjustments	-	-3	-3	-4	-	-10
Depreciation and impairment at December 31	-213	-134	-735	-325	-	-1,407
Carrying amount at December 31, 2019	229	38	205	87	36	595
Leased assets, c.f. note 3.3	441	-	-	40	-	481
Total carrying amount at December 31, 2019	670	38	205	127	36	1,076

3.2 Property, plant and equipment (Continued)

Accounting policies

Property, plant and equipment

Land and buildings, plant and machinery and fixtures and fittings, other plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and costs of materials, components, suppliers, direct wages and salaries and indirect production costs until the date when the asset is available for use. Liabilities related to dismantling and removing the asset and restoring the site on which the asset is located are added to the cost. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is provided on a straight-line basis over the expected useful lives of property, plant and equipment. The expected useful lives are as follows:

Buildings and installations (land is not depreciated)	10-50 years
Leasehold improvements	5-20 years
Plant and machinery	1-7 years
Operating assets and equipment	2-7 years

The basis of depreciation is calculated as the residual value of the asset less impairment losses. The residual value is determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued. When changing the depreciation period or the residual value, the effect on the depreciation is recognized prospectively as a change in accounting estimates. Depreciation and impairment is recognized in the income statement as production costs, development costs, distribution costs and administrative expenses.

Expenses for repairs and maintenance of property, plant and equipment are included in the income statement. Gains or losses on disposal or scrapping of an item of property, plant and equipment are determined as the difference between the sales price reduced by costs related to dismantling and removing the asset, selling costs and costs related to restoring the site on which the asset is located and the carrying amount. Gains or losses are recognized in the income statement as Other operating income or Other operating costs, respectively ●

3.3 Leases

The following right-of-use assets are included in property, plant and equipment:

Leased assets

DKK million	2020			2019		
	Factory and office buildings	Operating assets and equipment	Total	Factory and office buildings	Operating assets and equipment	Total
Carrying amount at January 1	441	40	481	492	35	527
Additions	86	30	116	107	24	131
Remeasurements	8	-4	4	-22	-1	-23
Depreciation	-121	-23	-144	-135	-18	-153
Foreign exchange adjustments	-23	-1	-24	-1	-	-1
Carrying amount at December 31	391	42	433	441	40	481

Lease liabilities

DKK million	2020	2019
Contractual maturity analysis of lease liabilities:		
Less than one year	129	142
Between one and three years	185	196
More than three years	157	179
Total	471	517

The maturity analysis is based on non-discounted cash flows.

3.3 Leases (Continued)

Amounts expensed in the income statement and total cash outflow

DKK million	2020	2019
Interest expense on lease liabilities	10	12
Expense relating to low-value assets and short-term leases	17	15
Total cash outflow for leases	168	173

GN Store Nord's leases mainly consist of property leases of e.g. offices but also include cars and office equipment. Rental contracts are typically made for fixed periods but may have extension options. Contracts may contain both lease and non-lease components. In such cases the consideration in the contract is allocated to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Accounting policies

Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise e.g. IT-equipment and small items of office furniture.

Extension and termination options

Extension and termination options are included in a number of leases across the group. These terms are used to maximize operational flexibility in terms of managing contracts ●

3.3 Leases (Continued)

Significant accounting estimates and judgments

Leases

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee ●

3.4 Depreciation, amortization and impairment

DKK million	2020	2019
Depreciation, amortization and impairment for the year of property, plant and equipment (incl. leased assets) and intangible assets are recognized in the income statement as follows:		
Production costs	-143	-110
Development costs	-525	-407
Selling and distribution costs	-115	-137
Management and administrative expenses	-149	-122
Amortization and impairment of acquired intangible assets	-235	-298
Total	-1,167	-1,074
Amortization of intangible assets is recognized in the income statement as follows:		
Development costs	-413	-393
Selling and distribution costs	-3	-4
Management and administrative expenses	-87	-69
Amortization and impairment of acquired intangible assets	-198	-199
Total	-701	-665
Impairment of intangible assets is recognized in the income statement as follows:		
Development costs	-99	-4
Management and administrative expenses	-	-3
Amortization and impairment of acquired intangible assets	-37	-99
Total	-136	-106

3.5 Other non-current assets

DKK million	2020	2019
Loans to dispensers of GN Hearing products	443	498
Pre-paid discounts	198	238
Ownership interests	118	188
RAP, SIP and DCP	280	272
Other	148	119
Total	1,187	1,315

RAP (Retirement Advantage Plan) and SIP (Savings and Investment Plan) are programs in which customers earn funds based on purchases made. DCP (Deferred Compensation Plan) is a program in which Management in certain foreign subsidiaries may choose to defer compensation. The amounts invested by the Group on behalf of customers and Management are recognized in Other non-current assets. The Group's liabilities related to the programs are recognized in Other non-current liabilities at DKK 230 million (2019: DKK 238 million).

GN Hearing's assessment of credit risk associated with non-current loans to dispensers depends primarily on change in payment behavior and current economic conditions. Before a loan is extended the creditworthiness of the individual dispenser is analyzed.

Dispenser loans are provided to dispensers of GN Hearing products in order to support their future growth. Calculating the expected credit loss rates, GN Store Nord considers historical loss rates for each category of dispensers, and provides for credit losses against loans to customers by comparing the development in the actual loan balance to the agreed development in the loan balance. The majority of dispenser loans is related to dispensers in the US.

The table below illustrates how the 12-month and lifetime expected credit loss are calculated for dispenser loans and how the credit risk exposure on dispenser loans are grouped by GN Store Nord's internal credit rating:

		2020			2019		
		Expected credit loss rate %	Estimated gross carrying amount at default DKK million	Carrying amount (net of loss allowance) DKK million	Expected credit loss rate %	Estimated gross carrying amount at default DKK million	Carrying amount (net of loss allowance) DKK million
GN Store Nord internal credit rating	12-month expected credit loss	3%	458	443	3%	508	493
Performing	Lifetime expected credit losses	100%	128	-	96%	121	5
Underperforming	Assets derecognized through the income statement	100%	41	-	100%	7	-
Write-off							
Total dispenser loans at December 31			627	443		636	498

The 12-month and lifetime expected credit losses have developed as follows:

DKK million	Performing (12 month ECL)	Underperforming (lifetime ECL)	Total
Opening loss allowance as at January 1, 2020	-15	-116	-131
Transferred to underperforming (lifetime ECL)	2	-58	-56
New dispenser loans, net	-2	-	-2
Write-off	-	41	41
Changes in model/risk parameters	-	-5	-5
Foreign exchange adjustments and other changes	-	10	10
Closing loss allowance as at December 31, 2020	-15	-128	-143
Opening loss allowance as at January 1, 2019	-16	-58	-74
Transferred to underperforming (lifetime ECL)	-	-58	-58
Changes in model/risk parameters	1	-	1
Closing loss allowance as at December 31, 2019	-15	-116	-131

All ownership interests are accounted for at fair value through profit or loss.

3.5 Other non-current assets (Continued)

Accounting policies

Loans to dispensers

Loans to dispensers and other receivables are measured at amortized cost less an allowance for expected credit losses. Both loans to dispensers and other receivables are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest.

Ownership Interests and savings plans

Ownership interests between 20% and 50% in unlisted enterprises in which the Group does not exercise significant influence on the financial and operating policies are recognized under non-current assets at fair value. Gains and losses on such ownership interests will either be recorded under financial items in the income statement or in other comprehensive income. This will depend on the Group's irrevocable election at the time of initial recognition to account for the ownership interests at fair value through profit (loss) or other comprehensive income.

Where the Group has elected to present fair value gains and losses on ownership interests in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the income statement following the derecognition of the investment. Changes in the fair value of ownership interests at fair value through profit or loss are recognized in financial items in the income statement.

The savings plans RAP, SIP and DCP are measured at fair value through profit or loss.

Impairment of dispenser loans

The impairment methodology applied to calculate expected credit losses associated with dispenser loans carried at amortized cost depends on whether there has been a significant increase in credit risk. Loss allowances on dispenser loans are measured equal to 12-month expected credit losses, if the credit risk has not increased significantly since initial recognition. If the credit risk has increased significantly, the loss allowance will be measured at an amount equal to lifetime expected credit losses.

The calculation of 12-month expected credit losses on dispenser loans are based on a weighted average of historical annual losses on customers. Payment plans are agreed with dispensers when issuing loans to these. The credit risk of loans to dispensers is considered to have increased significantly since initial recognition when actual loan balances differ from the agreed development in loan balances with more than 40%. At this point the loan is considered to be in default and credit impaired.

The calculation of lifetime expected credit losses on dispenser loans is based on the difference between the development in the actual loan balances and the agreed development in loan balances. The allowances are increased in steps if the difference between the actual loan balance and the agreed development in loan balances increases.

Indicators that there is no reasonable expectation of recovery of a dispenser loan include bankruptcy, change of control and change in the payment behavior or financial situation of the dispenser. In such cases a full or partial write-off of a dispenser loan will be recognized by derecognizing the asset. Where recoveries are made, these are recognized in the income statement.

Impairment of Pre-paid discounts

The carrying amount of Pre-paid discounts is subject to an annual test for indications of impairment. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined.

Recognition of impairment losses in the income statement

Impairment losses are recognized in the income statement in the relevant functional line items.

Impairment of dispenser loans is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation ●

3.5 Other non-current assets (Continued)

Significant accounting estimates and judgments

Financial support arrangements

GN Store Nord grants loans to dispensers and acquires ownership interests in dispensers. The agreements are typically comprehensive, complex and cover several aspects of the relationship between the parties. Management assesses the recognition and classification of income and expenses for each of these agreements, including whether the agreement represent a discount on future sales. Management also assesses whether current economic conditions and changes in customers' payment behavior could indicate impairment of the outstanding balances.

Ownership Interests

When considering whether or not GN Hearing exercises significant influence in unlisted enterprises a number of judgments are made. These judgments include considering:

- Representation on the board of directors
- Participation in policy-making processes
- Material transactions between the entity and GN
- Interchange of managerial personnel
- Provision of essential technical information ●

3.6 Inventories

DKK million	2020	2019
Raw materials and consumables	449	296
Work in progress	24	19
Finished goods and merchandise	1,249	991
Total	1,722	1,306
The above includes write-downs amounting to	-153	-112
Costs of goods sold included in Production Costs	-5,547	-4,472

Accounting policies

Inventories

Inventories are measured at cost in accordance with the FIFO-principle. Inventories in GN Hearing are measured at cost using the standard cost method. Standard costs take into account normal levels of raw materials and consumables, staff costs, efficiency and capacity utilization. Standard costs are reviewed regularly and adjusted in accordance with the FIFO-principle.

Raw materials and goods for resale are measured at cost, comprising purchase price plus delivery costs.

Work in progress and finished goods are measured at cost, comprising the cost of direct materials, wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials, wages and salaries, maintenance and depreciation of production machinery, buildings and equipment as well as factory administration and management.

Where the net realizable value is lower than cost, inventories are written down to this lower value. The net realizable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale ●

Significant accounting estimates and judgments

Measurement of inventories

The net realizable value of inventories is calculated based on the size of the inventory and decreases in the recoverable amount of purchased raw materials, technical obsolescence (e.g., faulty products), physical obsolescence (e.g. damaged products) and financial obsolescence (e.g., reduced demand or substituting products). GN Store Nord performs write-downs of inventories based on an individual assessment of products or product groups and expected product sales from 6 to 24 months following the balance sheet date ●

3.7 Trade receivables

DKK million	Current	1-60 days past due	61-90 days past due	91-120 days past due	121-180 days past due	More than 181 days past due	Total
Gross carrying amount - Trade receivables	2,260	317	51	40	39	185	2,892
Loss allowance at December 31	-20	-16	-5	-6	-20	-149	-216
Trade receivables at December 31, 2020	2,240	301	46	34	19	36	2,676
Expected loss rate	1%	5%	10%	14%	51%	80%	7%
Gross carrying amount - Trade receivables	2,374	281	49	44	45	166	2,959
Loss allowance at December 31	-20	-8	-3	-4	-7	-108	-150
Trade receivables at December 31, 2019	2,354	273	46	40	38	58	2,809
Expected loss rate	1%	3%	6%	9%	16%	65%	5%

The loss allowance included in total trade receivables, based on the above ageing profile and expected loss rates, have developed as follows:

DKK million	2020	2019
Loss allowance at January 1	-150	-165
Increase in loss allowance during the year	-143	-29
Trade receivables written off as uncollectible	16	34
Reversal of unused loss allowance	49	13
Foreign exchange adjustments	12	-3
Loss allowance at December 31	-216	-150

The total loss allowance of DKK 216 million is included in trade receivables at December 31, 2020 (2019: DKK 150 million). GN Store Nord's assessment of credit risk associated with individual receivables depends primarily on aging, change in customer payment behavior, current economic conditions etc. as described in significant accounting estimates.

No security has been pledged to GN Store Nord for trade receivables.

Accounting policies

Measurement of trade receivables

Trade receivables are measured at amortized cost less expected lifetime credit losses. The expected loss rates are based on days past due and whether a receivable concerns a GN Hearing or a GN Audio customer. Current expectations and estimates of expected credit losses are furthermore based on change in customer behavior and current economic conditions. Expected credit losses are based on an individual assessment of each receivable and at portfolio level ●

Significant accounting estimates and judgments

Measurement of trade receivables

If a customer's financial condition deteriorates, further loss allowance may be required in future periods. In assessing the adequacy of expected credit losses, Management specifically analyzes receivables, including doubtful debts, concentrations of credit risk, credit ratings, current economic conditions and changes in customers' payment behavior ●

3.8 Provisions

DKK million	Right of return provisions	Warranty provisions	Other provisions	Total
Provisions at January 1	184	195	144	523
Additions	157	165	161	483
Consumed	-136	-156	-14	-306
Reversed	-48	-5	-89	-142
Reclassified to other liabilities	-	-	9	9
Foreign exchange adjustments	-14	-13	-4	-31
Provisions at December 31, 2020	143	186	207	536
Which is presented in the consolidated balance sheet as:				
Non-current liabilities	-	70	133	203
Current liabilities	143	116	74	333
Provisions at December 31, 2020	143	186	207	536

Warranty provisions concern products sold. The warranty provision covers any defects in design, materials and workmanship for a period of 1-4 years from delivery and completion. Provisions for right of return concern GNs obligation to take back products sold to customers who has the right to return the product for credit. Other provisions primarily consist of provisions for legal disputes, obligations regarding onerous contracts and property leases.

Accounting policies

Provisions

Warranty provisions are recognized as the underlying goods and services are sold based on warranty costs incurred in previous years and expectations of future costs.

Other provisions primarily comprise onerous contracts. Provisions are recognized when, as a result of events before or at the balance sheet date, the Group has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. On measurement of provisions, the costs required to settle the liability are discounted if the effect is material to the measurement of the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract (onerous contracts). A provision for onerous contracts is recognized e.g. when the Company has entered a binding legal agreement for the purchase of components from suppliers that exceeds the benefits from the expected future use of the components and the Company can only sell the components at a loss ●

Significant accounting estimates and judgments

Provisions

Warranty provisions are recognized based on historical and future warranty costs related to the Group's products. Future warranty costs may differ from past practices and the level of costs. The amount recognized as a provision is Management's best estimate of the expenses required to settle the obligation.

In accordance with GN Store Nord's business policy, some products are supplied with a right of return. Provisions for future returns of goods are recognized based on historical product returns data. The probability of future returns may differ from past practices.

Agreement has been made with a number of the suppliers that the suppliers purchase components for the production of hearing instruments and headsets based on sales estimates prepared by GN Store Nord. To the extent that GN Store Nord's actual purchases from suppliers are lower than sales estimates, GN Store Nord will be under an obligation to purchase any remaining components from the suppliers. Management assesses sales estimates on an ongoing basis, and to the extent that component inventories at suppliers are not expected to be used, GN Store Nord recognizes a provision for onerous purchase contracts ●

Section 4

Capital structure and financing items

4.1 Outstanding shares and treasury shares

Thousands	Outstanding shares	Treasury shares	Total number of shares	Nominal value of outstanding shares (DKK)	Nominal value of treasury shares (DKK)	Nominal value of total shares (DKK)	Treasury shares as a percentage of share capital
Number/value of shares at January 1, 2020	128,952	13,316	142,268	515,808	53,264	569,072	9.4%
Purchase of ownership interest in subsidiaries	1,192	-1,192	-	4,769	-4,769	-	
Shares acquired by GN Store Nord A/S	-1,169	1,169	-	-4,678	4,678	-	
Shares cancelled	-	-	-	-	-	-	
Number/value of shares at December 31, 2020	128,975	13,293	142,268	515,899	53,173	569,072	9.3%

All shares are fully issued and paid up. The nominal value of each share is DKK 4 and no shares carry any special rights.

The treasury shares had a market value of DKK 6,476 million at December 31, 2020 (2019: DKK 4,172 million). The total cost of acquired treasury shares in 2020 was DKK 453 million (2019: DKK 1,626 million). No treasury shares were sold during the year.

Treasury shares have been acquired under the share buyback program in order to reduce the share capital, hedge the option- and warrant-based long-term incentive programs as well as the obligation under the convertible bond issued in 2019.

Shares, thousands	2020	2019
Weighted average number of outstanding shares	128,805	130,762
Dilutive effect of share-based payment with positive intrinsic value – average for the period	1,227	1,605
Diluted weighted average number of shares	130,032	132,367
DKK million		
Profit (loss) for the year attributable to shareholders in GN Store Nord A/S used for the calculation of earnings per share	1,252	1,454
Dilutive effect of profit (loss) for the year	-	-
Profit (loss) for the year attributable to shareholders in GN Store Nord A/S used for the calculation of diluted earnings per share	1,252	1,454

Cash distributions

DKK million	2020	2019
Dividend paid related to prior years	206	197
Share repurchase during the year	453	1,626
Total	659	1,823
Proposed dividend for the year	206	206
DKK per share		
Dividend paid related to prior years	1.45	1.35
Proposed dividend for the year	1.45	1.45

4.1 Outstanding shares and treasury shares (Continued)

Accounting policies

Earnings per Share and Diluted Earnings per Share

Earnings per share (EPS) is calculated by dividing the profit for the year after tax by the weighted average number of shares outstanding in the year. Diluted earnings per share is calculated by increasing the weighted average number of shares outstanding by the number of additional ordinary shares that would be outstanding if potentially dilutive shares were issued. The dilutive effect of outstanding share based payment is calculated using the Treasury Stock method.

Equity

Dividends

The expected dividend payment for the year is disclosed as a separate item in equity. Proposed dividends are recognized as a liability at the date they are adopted by the Annual General Meeting (declaration date).

Hedging reserve

The hedging reserve includes the accumulated net change in the fair value of hedging transactions qualifying for hedge accounting.

Treasury Shares

Treasury shares are recognized at cost. Gains and losses on disposal of own shares are calculated as the difference between the purchase price measured in accordance with the FIFO-principle and the selling price. Gains or losses are recognized directly in retained earnings. Dividends received from treasury shares are recognized directly in retained earnings. Capital reductions from the cancellation of treasury shares are deducted from the share capital at an amount corresponding to the nominal value of the shares.

Foreign exchange adjustments

The translation reserve in the consolidated financial statements comprises foreign exchange differences arising on translation of financial statements of foreign subsidiaries from their functional currencies into the presentation currency used by GN Store Nord (DKK) and foreign exchange adjustments of balances considered to be part of the total net investment in foreign entities ●

4.2 Financial risks

GN Store Nord is exposed to several financial risks arising from its operating, investing and financing activities, comprising currency risk, interest rate risk, liquidity risk and credit risk. Financial risks are managed centrally by Group Treasury, except for commercial credit risk which is managed decentralized by the Group's operating businesses. The Group's Treasury Policy has been reviewed by the Audit Committee and approved by the Board of Directors.

Cash flow, liquid funds and debt are coordinated centrally to ensure the solvency and liquidity of the Group. Material financial risks are identified, managed and reported adequately. Financial transactions are entered into only to mitigate risks from business activities or financing of the Group.

The areas exposed to financial risks are mainly cash and cash equivalents as well as loans and other financial indebtedness, the Group's Income Statement in Financial income and expenses, the Group's cash flow through Cash flow from financing activities and the Group's Equity in Other Comprehensive Income. GN's objectives, policies and process for measuring and managing the risk exposure to these items are summarized in the table and further explained in the notes below.

4.2 Financial risks (Continued)

Financial risk	Exposure	Risk Management Policy	Mitigating actions
Foreign currency risk	<p>Low Risk</p> <p>Based on the current revenue and cost composition, the anticipated primary foreign exchange exposures for the Group in 2021 (excluding EUR) are mainly arising from USD, GBP, JPY and AUD, whereas other currencies on a stand-alone basis would not have a material impact.</p>	<p>All hedging is conducted at Group level.</p> <p>A minimum of 75% and not more than 100% of the Net currency exposure in each operating business to maintain this hedging level at any point in time.</p>	<p>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.</p>
	<p>EUR denominated financing carries FX re-valuation risk.</p>	<p>EUR denominated financing is hedged into DKK by natural hedging, through EUR denominated assets or through foreign exchange derivatives.</p>	<p>GN is also monitoring the combined impact of minor trading currencies and hedges those on a case-by-case basis.</p>
Interest rate risk	<p>Low Risk</p> <p>A large part of the non-current financing carried fixed interest rates as of 31 December 2020.</p>	<p>At least 50% of all Interest-Bearing Debt should be fixed in interest, either through fixed rate agreements or through derivative instruments.</p>	<p>To mitigate the cash-flow risk from rising interest rates on its variable debt, GN will consider to enter into interest rate derivatives to swap part of the floating debt into fixed-rate.</p>
Liquidity risk, funding, and capital structure	<p>Low Risk</p> <p>GN's net interest-bearing debt has decreased during 2020 to DKK 4,198 million mainly driven through moderate growth with strong cash generation from normal operations which was off-set by investments, dividend and share buyback. The latest share buyback program was finalized in Q1 2020.</p>	<p>GN's cash flow, liquid funds and debt are coordinated centrally to ensure the solvency and liquidity of the Group.</p>	<p>To mitigate potential liquidity or refinancing risks, GN has access to a Revolving Credit Facility of DKK 2,000 million (which can be upsized to DKK 4,000 million at the discretion of the Lenders) as well as an additional Revolving Credit Facility of USD 40 million. At December 31, 2020 the Revolving Credit Facilities were unutilized.</p>
	<p>GN's loans, bonds and Revolving Credit Facilities are long-term with maturities between 2022 to 2025 with predominantly fixed and for a smaller portion variable interest rates based on short term reference rates.</p>		<p>GN has improved its maturity profile by reducing short-term debt and has in 2020 entered into a new EUR 50 million loan maturing in 2025.</p>
Financial credit risk	<p>Low Risk</p> <p>GN's exposure to credit risk arises primarily from trade and other receivables.</p>	<p>GN has established policies for credit risk management related to customers including the use of credit rating agencies.</p>	<p>GN has decentralized the credit risk management relating to customer including the use of credit rating agencies to the divisions (GN Hearing and GN Audio).</p>

4.2 Financial risks (Continued)

Foreign currency risk

GN Store Nord has exposure towards foreign currencies exchange rate risk, mainly arising from the fluctuations of USD, in connection with commercial transactions. The general policy is to minimize GN Store Nord's currency exposure through natural matching of in- and out-flows to mitigate the impact of exchange rate fluctuations on earnings and cash flow, thereby increasing the predictability of the financial results. Additionally, the Group uses approved hedging instruments, including currency derivatives such as FX Spot, FX Forward, FX Swaps and FX Option contracts, to protect the Group's EBITA and Free Cash Flow from adverse currency movements by determining the aggregate of the expected net cash flow 12 months forward and monetary balance sheet items.

Sensitivity analysis for foreign currency risk

The below sensitivity analysis illustrates the potential change in GN Store Nord's profit or loss and equity in response to a weakening / strengthening of the currencies of which GN Store Nord has significant exposure to at the balance sheet date. This analysis assumes that all other variables, in particular interest rates, remain constant. At year-end an increase of 5% in the exchange rates would affect the Income statement and Equity as outlined in the table below:

DKK million	USD		GBP	
	2020	2019	2020	2019
Income statement	18	-93	-21	-2
Other Comprehensive Income	20	21	-11	-11

The sensitivity analysis comprises cash and cash equivalents, current receivables, trade payables, current and non-current loans, intercompany balances and derivative exchange rate instruments as of December 31. The effects of a change in foreign exchange rates related to these items would be included in the Income statement. A change in the value of derivative exchange rate instruments used for hedging would be included in Other comprehensive income if hedge accounting is applied.

The above exposure at year-end is not necessarily representative of the past or future exposure of the Group.

Interest rate risk

A large portion of GN Store Nord's non-current debt has a fixed interest rate: listed instruments of EUR 330 million Bond-with-Warrant-Units 0% and EUR 220 million notes issued under the EMTN program with 0.75% as well as bilateral loans with fixed and variable interest rates.

The long-term debt with variable interest rate consist of a bilateral loan of nominal EUR 100 million at short term rates plus margin.

An increase of variable interest rates on the bank loans of 1 percentage point before considering the mitigating effect of the interest rate swaps would result in a net increase in the annual interest expenses of DKK 7 million (2019: DKK 15 million).

Specification of net interest-bearing debt

DKK million	2020	2019
Cash and cash equivalents	1,657	1,728
Bank loans and issued bonds, non-current liabilities	-5,069	-5,345
Bank loans, current liabilities	-341	-1,197
Lease liabilities	-445	-489
Total	-4,198	-5,303

Funding, liquidity and capital structure

The Group's capital structure includes interest bearing long-term debt with maturities between 2022 and 2025, including bank loans, convertible bonds, notes under the Euro Medium Term Note (EMTN) program and a drawing right attached to a DKK 2,000 million revolving credit facility and a USD 40 million short-term revolving facility, which on December 31, 2020 were unutilized. In addition, the Group utilizes short-term uncommitted facilities from its main relationship banks as well as its Euro Commercial Paper program which was utilized at EUR 45 million.

In May 2019 GN Store Nord issued EUR 330 million convertible bonds consisting of Bond-with-Warrant Units. The Bond-with-Warrant Units consists of senior unsecured zero coupon bonds due 2024 with detachable unsecured warrants expiring 2024. The bonds have a denomination of EUR 100,000 per Bond.

4.2 Financial risks (Continued)

Initially 5.2 million treasury shares are underlying the warrant units and those treasury shares will be kept to hedge the future obligations of GN Store Nord under the warrant units. The bonds carry no interest and will be redeemed at par at maturity, unless redeemed or purchased and cancelled earlier under their terms.

Any Unit holder may, at any time until 2024, exercise a warrant unit and require GN to redeem the corresponding bond at its principal amount. GN does not expect to issue any new shares upon exercise of warrant units, but will deliver up to 5.2 million shares currently held in treasury, based on the initial strike price (DKK 473.8512), which is subject to adjustment from time to time upon certain customary events (anti-dilution clauses). The proceeds from the sale of these treasury shares at the initial strike price will amount to DKK 2,465 million corresponding to the nominal amount of the issued bonds of EUR 330 million at the exchange rate at the time of pricing of DKK/EUR 7.4684.

In May 2019 GN Store Nord repurchased the EUR 225 million convertible bonds consisting of Bond-with-Warrant Units issued in 2017 and due in 2022.

In December 2019 GN Store Nord issued EUR 220 million Eurobonds consisting of senior unsecured notes due 2023 under its newly established EMTN program. The notes were issued at a price of 99.683% of the nominal amount with a fixed coupon of 0.750% per annum and have been listed on Euronext Dublin. The bonds have a denomination of EUR 100,000 per bond. The bonds will be redeemed at par at maturity, unless redeemed earlier under their terms. GN Store Nord has an issuer call option and may redeem the bonds at a redemption margin of +0.250%.

On December 31, 2020, GN Store Nord had an equity ratio of 31.0% (2019: 29.1%) and net interest-bearing debt of DKK 4,198 million (2019: DKK 5,303 million). GN has a long-term capital structure target of a net interest-bearing debt between one- and two-times EBITDA. As of December 31, 2020 GN Store Nord had undrawn committed borrowing facilities of DKK 2,000 million (2019: DKK 2,000 million) and USD 40 million (2019: 0).

GN's overall financial target is to deliver a competitive shareholder return through a combination of dividend payments and share price appreciation. GN aims to pay out a dividend corresponding to 15 - 25% of the annual net profit and to distribute additional excess cash to shareholders through share buyback programs.

Financial credit risk

Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligation in due time. GN may incur losses if the credit quality of its customers deteriorates or if they default on their payment obligations to GN. GN's exposure to credit risk arises primarily from trade and other receivables. Such credit risk is managed decentralized through the divisions (GN Hearing and GN Audio). Assessment of credit risks related to customers is further described in note 3.7 Trade receivables and note 3.5 Other non-current assets.

Surplus cash positions in GN Store Nord's subsidiaries are centralized through Group Treasury if feasible, and cash is mainly held in current accounts or as short-term money market deposits. Cash positions are primarily held with financial institutions through which GN Store Nord conducts its day-to-day banking transactions and which are highly rated with Moody's and Standard & Poor's. GN Store Nord had cash and cash equivalents of DKK 1,657 million at December 31, 2020 (2019: DKK 1,728 million).

4.3 Financial instruments

Contractual maturity analysis for financial liabilities

DKK million	Less than one year	Between one and three years	More than three years	Total
2020				
Issued bonds	12	1,661	2,455	4,128
Bank loans, non-current	1	745	373	1,119
Bank loans, current	341	-	-	341
Other non-current liabilities	-	62	195	257
Other current liabilities	116	-	-	116
Trade payables	1,238	-	-	1,238
Contingent consideration	34	-	-	34
Total non-derivative financial liabilities	1,742	2,468	3,023	7,233
Derivative financial liabilities	53	-	-	53
Total financial liabilities	1,795	2,468	3,023	7,286
2019				
Issued bonds	12	25	4,121	4,158
Bank loans, non-current	-	1,418	-	1,418
Bank loans, current	1,197	-	-	1,197
Other non-current liabilities	6	49	208	263
Other current liabilities	22	-	-	22
Trade payables	1,058	-	-	1,058
Contingent consideration	42	39	-	81
Total non-derivative financial liabilities	2,337	1,531	4,329	8,197
Derivative financial liabilities	19	2	-	21
Total financial liabilities	2,356	1,533	4,329	8,218

The maturity analysis is based on non-discounted cash flows.

Derivative financial instruments

Exchange rate instruments and interest rate swaps

DKK million	2020				2019			
	Average rate (DKK)	Contract amount, net*	Fair value, assets	Fair value, liabilities	Average rate (DKK)	Contract amount, net*	Fair value, assets	Fair value, liabilities
USD / DKK	624	-134	7	33	664	1,794	7	-
USD / EUR	613	731	10	-	666	535	1	-
JPY**	6.01	240	6	-	6.30	126	4	-
GBP**	824	566	1	3	836	209	-	9
AUD / DKK	449	31	-	1	456	196	-	3
EUR / DKK	744	-484	1	1	743	297	-	2
Other currency pairs		616	3	14		761	1	5
Interest swaps denominated in DKK	0.35%	400	-	1	0.35%	400	-	2
Total			28	53			13	21

* Positive contract amounts indicate sale of currencies vs. DKK or EUR

** Includes exchange rate instruments vs. DKK and EUR

All exchange rate instruments and the interest swap mature within 12 months from the balance sheet date. The interest rate swap is denominated in DKK.

4.3 Financial instruments (Continued)

Fair value adjustments of cash flow hedges

DKK million	2020	2019
Fair value adjustment for the year recognized in Other comprehensive income	8	-40
Reclassified from equity to revenue during the year	-21	61
Adjustment of cash flow hedges in Other comprehensive income	-13	21
Fair value adjustment of non-designated hedges recognized in Other operating income and costs, net	-20	-10
Net gain / loss and fair value adjustment of ineffective hedges recognized in Other operating income and costs, net	7	-
Fair value adjustment of non-designated hedges recognized in financial items	81	-27

The gains and losses on cash flow hedges recognized in Other comprehensive income as of December 31, 2020 will be recognized in the Income statement in the period during which the hedged forecasted transaction affects the Income statement.

Categories of financial assets and liabilities

The financial assets and liabilities presented in the balance sheet can be grouped in the following categories:

DKK million	2020	2019
Financial assets		
Trade receivables	2,676	2,809
Other receivables	370	276
Other non-current assets	789	855
Financial assets at amortized cost	3,835	3,940
Derivative financial instruments included in Other receivables	15	8
RAP, SIP, DCP and Ownership interests included in Other non-current assets	398	460
Financial assets at fair value through profit or loss	413	468
Derivative financial instruments included in Other receivables	13	5
Financial assets at fair value through Other comprehensive income	13	5
Financial liabilities		
Issued bonds (bond-with-warrant units)	2,326	2,296
Issued Eurobonds	1,627	1,631
Bank loans, non-current	1,116	1,418
Bank loans, current	341	1,197
Lease liabilities	445	489
Other non-current liabilities	27	25
Other current liabilities	114	22
Trade payables	1,238	1,058
Financial liabilities at amortized cost	7,234	8,136
Derivative financial instruments included in Other liabilities	15	3
RAP, SIP and DCP included in Other non-current liabilities	230	238
Contingent consideration included in Other liabilities	34	81
Financial liabilities at fair value through profit or loss	279	322
Derivative financial instruments included in Other liabilities	38	18
Financial liabilities at fair value through Other comprehensive income	38	18

4.3 Financial instruments (Continued)

Fair value hierarchy

DKK million	2020				2019			
	Quoted prices (level 1)	Observable input (level 2)	Unobservable input (level 3)	Total	Quoted prices (level 1)	Observable input (level 2)	Unobservable input (level 3)	Total
Financial assets								
Derivative financial instruments included in Other receivables	-	15	-	15	-	8	-	8
RAP, SIP, DCP included in Other non-current assets	-	280	-	280	-	272	-	272
Ownership interests included in Other non-current assets	-	-	118	118	-	-	188	188
Financial assets at fair value through profit or loss	-	295	118	413	-	280	188	468
Derivative financial instruments included in Other receivables	-	13	-	13	-	5	-	5
Financial assets at fair value through Other comprehensive income	-	13	-	13	-	5	-	5
Financial liabilities								
Derivative financial instruments included in Other liabilities	-	15	-	15	-	3	-	3
RAP, SIP and DCP included in Other non-current liabilities	-	230	-	230	-	238	-	238
Contingent consideration included in Other liabilities	-	-	34	34	-	-	81	81
Financial liabilities at fair value through profit or loss	-	245	34	279	-	241	81	322
Derivative financial instruments included in Other liabilities	-	38	-	38	-	18	-	18
Financial liabilities at fair value through Other comprehensive income	-	38	-	38	-	18	-	18

In addition to the above, Other non-current liabilities include a liability of DKK 150 million (2019: DKK 126 million) related to put options issued on shares held by non-controlling interests which is measured at fair value (fair value hierarchy level 3). Adjustments to the fair value are accounted for as other equity transactions.

DKK million	2020	2019
Fair value net gains (losses) recognized in the income statement:		
Net fair value gains (losses) on RAP, SIP and DCP	6	1
Net fair value gains (losses) on ownership interests and derivatives re. ownership interests	36	66
Net fair value gains (losses) on contingent consideration	8	2

Exchange rate instruments and interests rate swaps

The fair value of the exchange rate instruments and interest rate swaps are determined using quoted forward exchange rates and forward interest rates, respectively at the balance sheet date and can be categorized as level 2 (observable inputs) in the fair value hierarchy.

Ownership interests

The fair value of the ownership interests is based on a market approach model. The key input is market observations of sales prices of comparable retail entities, combined with internal GN data such as number of sold hearing aids and the financial statements in which GN holds an interest. In the model, the ownership interests are divided into four groups of revenue multiple, according to the relative size and profitability of the dispensers. Since most of the data is based on non-observable data, the model is categorized as level 3 in the fair value hierarchy. The model is updated on a quarterly basis and any changes are reflected in the Income statement or in Other comprehensive income as applicable. The fair value models are sensitive to the dispenser's financial performance for the last twenty-four months rolling on a quarterly basis.

4.3 Financial instruments (Continued)

Derivative financial instruments related to ownership interests

Derivative financial instruments related to ownership interests in dispensers of GN Hearing products, are recognized in the balance sheet at fair value. The fair value model is based in a market approach model, using market observations of sales prices of comparable retail entities. The key inputs used are the number of hearing aid units sold by customer, average selling prices, and the estimated probability that the instruments will be exercised. The fair value model is categorized as level 3 in the fair value hierarchy, and is updated on a quarterly basis, and any material changes are reflected in the income statement. The fair value models are sensitive to the customers financial performance the last twelve months of any quarter and the probability of the instruments being exercised.

RAP, SIP and DCP programs

RAP (Retirement Advantage Plan) and SIP (Savings and Investment Plan) are programs in which customers earn funds based on purchases made. DCP (Deferred Compensation Plan) is a program in which Management in certain foreign subsidiaries may choose to defer compensation. The asset value is based on the fair value of the mutual fund investments, and the liability is based on the value generated by participant contributions, participant distributions, forfeitures, and investment earnings or losses. Both asset and liabilities are categorized as level 2 in the fair value hierarchy. Each quarter GN receive a report regarding the fair value of the assets from a third-party contractor, and will update the financial statements according to this report.

Contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. The fair value is based on discounted cash flows and contractual terms of the contingent considerations and on non-observable inputs, such as the financial performance of the acquired enterprises. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. Contingent considerations are categorized as level 3 (unobservable inputs) in the fair value hierarchy. The models are updated on a quarterly basis and any changes are reflected in the income statement. The fair value models are sensitive to the financial performance of the acquired enterprises, the probabilities of meeting the agreed objectives and the discount factor.

Fair value disclosures re. financial instruments at amortized cost

Based on observable inputs (fair value hierarchy level 2) the fair value of issued bonds (zero coupon) amounted to DKK 2,394 million at December 31, 2020 (2019: DKK 2,530 million), and the fair value of Eurobonds amounted to DKK 1,673 million (2019: DKK 1,643 million). For other financial assets and liabilities, the fair value is approximately equal to the carrying amount.

Accounting policies

Derivative Financial Instruments

Derivative financial instruments are initially and subsequently recognized in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are recognized as other receivables and payables, respectively. Fair values of derivative financial instruments are computed on the basis of market data and generally accepted valuation methods.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognized asset or liability are recognized in the income statement together with changes in the value of the hedged asset or liability as far as the hedged portion is concerned. Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge that is an effective hedge of changes in the value of the hedged item are recognized in other comprehensive income. If the hedged transaction results in gains or losses, amounts previously recognized in other comprehensive income are transferred from equity to the same item as the hedged item.

When a hedging instrument expires, or is terminated, or when a hedge no longer meets the criteria for hedge accounting, any gains or losses previously recognized in Other comprehensive income remains in Equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that were reported in equity are immediately reclassified to the income statement.

For derivative financial instruments, where hedge accounting is not applied (economic hedges), changes in fair value are recognized in the Income statement as either Other operating income and costs, net or Financial items.

4.3 Financial instruments (Continued)

Financial Liabilities

Amounts owed to credit institutions and banks as well as the issued Eurobonds are recognized at the date of borrowing at fair value of the proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortized cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan.

Issued Bond-With-Warrant units are initially recognized at fair value less related transaction costs. The fair value of the bonds is estimated by calculating the present value of all contractual future cash flows using an interest rate for a bond with similar credit risk and duration as the issued bonds, but without the attached warrants. The difference between the fair value and the proceeds is considered to be the value of the warrants and is recognized in Equity. The equity component is not re-measured subsequently. After initial recognition the bonds are measured at amortized cost using the effective interest method. By applying the effective interest method a constant interest rate is used to increase the carrying amount of the bonds and the difference between the carrying amount and the principal amount is in this way recognized as an interest expense in Financial expenses over the remaining term to maturity. In case the bonds are redeemed before maturity, the difference between the carrying amount at amortized cost and the principal amount will be recognized as a loss in Financial expenses.

Other liabilities, comprising trade payables, amounts owed to associates as well as other payables, are measured at amortized cost ●

4.4 Liabilities from financing activities

DKK million	Bank loans, non-current	Issued bonds*	Other non-cur- rent liabilities	Lease liabilities	Bank loans, current	Total
Liabilities at January 1	1,418	3,927	507	489	1,197	7,538
Cash flows	-296	-	-21	-141	-855	-1,313
Foreign exchange adjustments	-6	-15	-26	-23	-1	-71
New leases	-	-	-	120	-	120
Non-cash interest expenses	-	41	-	-	-	41
Other non-cash adjustments	-	-	22	-	-	22
Liabilities at December 31, 2020	1,116	3,953	482	445	341	6,337
Liabilities at January 1	2,238	1,604	306	-	28	4,176
Recognized on adoption of IFRS 16 Leases	-	-	-	527	-	527
Cash flows	-821	2,290	-35	-146	1,168	2,456
Foreign exchange adjustments	1	-	3	2	1	7
New leases	-	-	-	106	-	106
Non-cash interest expenses	-	33	-	-	-	33
Other non-cash adjustments	-	-	233	-	-	233
Liabilities at December 31, 2019	1,418	3,927	507	489	1,197	7,538

* In 2019 a loss of DKK 20 million related to the repurchase of the 2017 bonds is recognized in financial items. Please refer to the cash flow statement for a specification of the cash flows related to the issue and repurchase of bonds in 2019.

4.5 Financial income and expenses

DKK million	2020	2019
Financial income:		
Gains and fair value adjustments on ownership interests	50	263
Interest income*	5	47
Financial income, other	123	18
Fair value adjustments of derivative financial instruments	81	2
Foreign exchange gain	35	25
Total	294	355
Financial expenses:		
Losses and fair value adjustments on ownership interests	-14	-
Interest expenses*	-68	-111
Financial expenses, other	-93	-196
Fair value adjustments of derivative financial instruments and impairments	-70	-94
Foreign exchange loss	-55	-46
Total	-300	-447

*Interest income and expenses from financial assets and liabilities at amortized cost

Fair value adjustments of derivative financial instruments and impairments include an impairment loss of DKK 70 million (2019: DKK 65 million) mainly related to Loans to dispensers of GN Hearing products and fair value gains at DKK 81 million (2019: loss of DKK 27 million) related to non-designated hedges. Financial income, other include an income relating to reversal of a provision on a financial guarantee obligation regarding an associated company's bank credit facility, income from government grants and other items.

Accounting policies

Financial income and expenses

Financial income and expenses comprise interest income and expense, costs of permanent loan facilities, gains and losses on securities, receivables, payables and transactions denominated in foreign currencies, credit card fees, amortization and impairment of financial assets and liabilities, etc. Also included are realized and unrealized gains and losses on derivative financial instruments that are not designated as hedges.

Borrowing costs that are directly attributable to the construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognized as an expense. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use ●

Section 5

Other disclosures

5.1 Acquisition and divestment of companies and operations

Acquisitions

During 2020, GN Hearing acquired and divested a few minor hearing instrument chains and distributors, primarily in the US. These acquisitions all strengthen GN Hearing's sales and distribution channels.

DKK million	2020	2019	Fair value at acquisition date	
			Altia	Other
Identifiable assets acquired, liabilities assumed and consideration transferred				
Non-current assets	-	5	3	2
Current assets	1	21	21	-
Non-current liabilities	-2	-66	-66	-
Current liabilities	-13	-8	-8	-
Fair value of identified net assets	-14	-48	-50	2
Goodwill	14	425	423	2
Other intangible assets	-	432	392	40
Consideration transferred	-	809	765	44
Fair value of assets transferred	-	-35	-	-35
Payable consideration	-	-111	-110	-1
Acquired cash and cash equivalents	-	-9	-9	-
Cash consideration paid	-	654	646	8

Goodwill relating to the above transactions is allocated to the cash-generating units GN Hearing with DKK 14 million (2019: DKK 2 million) and GN Audio DKK 0 million (2019: DKK 423 million). GN has not recognized any deferred tax assets (2019: DKK 2 million) as part of identified assets and liabilities, which were not recognized in the acquired companies prior to acquisition.

In 2020, GN paid out DKK 147 million (2019: DKK 50 million) in contingent consideration and other payable consideration related to prior years' acquisitions. The payments were mainly related to the acquisition of Altia and Audigy Group. An adjustment of DKK 8 million (2019: DKK 2 million) has been recognized as financial income in the income statement, mainly related to the Audigy acquisition.

5.1 Acquisition and divestment of companies and operations (Continued)

DKK million	2020	2019
The share of revenue and profit (loss) for the year from the acquisition date can be specified as follows:		
Revenue	4	42
EBIT	-3	-19
Profit (loss) for the year	-3	-19
Acquired operations if they had been owned throughout the year:		
Revenue	7	51
EBIT	-5	-24
Profit (loss) for the year	-5	-25

Divestments etc.

In 2020 GN Hearing divested a number of minor hearing instrument distributors primarily in the US.

DKK million	2020	2019
Non-current assets	-22	-70
Current assets	-1	-
Disposed net assets	-23	-70
Fair value of assets received	31	66
Fair value of liabilities assumed	-9	-13
Cash consideration received	1	2
Gain (loss) on divestment of operations	-	-15
Other adjustments	-4	-6
Gain (loss) on divestment of operations etc.	-4	-21

Accounting policies

Business Combinations

Enterprises acquired or formed during the year are recognized in the consolidated financial statements from the date of acquisition or formation. The acquisition date is the date when the parent company effectively obtains control of the acquired enterprise. Enterprises disposed of are recognized in the consolidated income statement until the disposal date. The comparative figures are not restated for acquisitions.

For acquisitions of new enterprises in which the parent company is able to exercise control over the acquired enterprise, the purchase method is used. The acquired enterprises' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognized if they are separable or arise from a contractual right. Deferred tax on revaluations is recognized.

Any excess of the cost over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognized as goodwill under intangible assets. Goodwill is not amortized but is tested at least annually for impairment. The first impairment test is performed within the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with another functional currency than the presentation currency used by GN Store Nord are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date.

The cost of a business combination comprises the fair value of the consideration agreed upon. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of that adjustment is included in the cost of the combination if the adjustment is probable and can be measured in a reliable manner. Subsequent changes to contingent considerations are recognized in the income statement. If uncertainties regarding measurement of identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have different fair value at the acquisition date than first assumed, goodwill is adjusted up until twelve months after the acquisition. The effect of the adjustments is recognized in the opening balance of equity and the comparative figures are restated accordingly.

5.1 Acquisition and divestment of companies and operations (Continued)

When acquiring a controlling interest in steps, GN Store Nord assesses the fair value of the acquired net assets at the time control is obtained. At such time, interests acquired previously are also adjusted to fair value. The difference between the fair value and the carrying amount is recognized in the income statement.

Acquisition of additional equity interest after a business combination is not accounted for using the acquisition method, but rather as equity transactions. Disposals of equity interest while retaining control are also accounted for as equity transactions. Transactions resulting in a loss of control result in a gain or loss being recognized in the income statement.

When acquiring less than 100% of the shares in a company, GN Store Nord recognizes the goodwill on a transaction-by-transaction basis or as a proportion of goodwill in accordance with GN Store Nord's ownership interest.

In business combinations where put options have been issued regarding shares held by non-controlling interests the non-controlling interests are recognized initially. As long as the put options remain unexercised the non-controlling interests are updated at the end of each reporting period, including its share of allocations of profit or loss. The non-controlling interests are thereafter derecognized by recognizing a financial liability for the put options and the difference is included as an equity transaction. If the put options are exercised, the same treatment is applied up to the date of exercise. The amount recognized as the financial liability at that date, is extinguished by the payment of the exercise price. If the put option expires unexercised, the position is unwound so the non-controlling interest is recognized at the amount it would have been, had the put options never been issued. The financial liability is derecognized in equity ●

5.2 Remuneration of the Board of Directors and Executive Management

Remuneration to Executive Management and other Key Management personnel can be specified as follows:

DKK million	2020					2019				
	Fixed salary	Other benefits*	Bonus	Share-based incentives	Total	Fixed salary	Other benefits*	Bonus	Share-based incentives	Total
René Svendsen-Tune, CEO of GN Audio & GN Store Nord	7.0	0.2	7.3	6.6	21.1	6.7	0.2	6.5	3.8	17.2
Gitte Pugholm Aabo, CEO of GN Hearing from September 20, 2019	6.9	0.2	4.1	3.9	15.1	2.0	-	1.7	0.4	4.1
Marcus Desimoni, CFO of GN Store Nord	4.4	0.8	3.8	10.1	19.1	4.5	0.6	4.7	2.7	12.5
Jakob Gudbrand, CEO of GN Hearing from February 18, 2019 until September 20, 2019**	-	-	-	-	-	7.9	0.2	10.1	-	18.2
Total	18.3	1.2	15.2	20.6	55.3	21.1	1.0	23.0	6.9	52.0
Other key management personnel***	2.4	0.4	1.4	1.2	5.4	4.6	0.4	2.6	0.8	8.4
Board of Directors remuneration	7.8	0.6	-	-	8.4	7.2	1.1	-	-	8.3
Total	10.2	1.0	1.4	1.2	13.8	11.8	1.5	2.6	0.8	16.7
Total Executive Management and Board of Directors remuneration	28.5	2.2	16.6	21.8	69.1	32.9	2.5	25.6	7.7	68.7

* Other benefits include car allowances, company paid telephone, internet, housing cost and travel allowance for the Board of Directors

** In 2019 the former CEO of GN Hearing, Jakob Gudbrand, was given a one-time sign-on bonus in the amount of DKK 7 million in connection with entering into his service agreement with GN. On September 20, 2019, Jakob Gudbrand informed the company that he needed to resign from his position as CEO of GN Hearing for personal and family reasons. Jakob Gudbrand was given his base salary, car allowance, and the target bonus for the full duration of his notice period.

***In 2019 Other Key Management personnel remuneration includes remuneration to the former CEO of GN Hearing Anders Hedegaard until April 30, 2019.

Share-based incentive plans

The Group's long-term equity-settled incentive program is specified and described in note 5.3 share-based incentive plans.

Executive Management and Board of Directors Remuneration

The total remuneration of the Executive Management is based on the "General Guidelines for Incentive Pay to Management", as adopted at GN's Annual General Meeting. Total salary (Fixed salary, Other benefits & Bonus) of the Executive Management, decreased by 23% or DKK 10.4 million from 2019 to 2020, partly driven by a DKK 7 million sign-on bonus to former CEO of GN Hearing A/S, Jakob Gudbrand, in 2019. In light of the negative financial impact on the company of the COVID-19 pandemic, Executive Management took a voluntary and temporary 10% pay reduction on their base salary from May onwards (reinstated in October 2020).

On September 30, 2020, GN announced that CFO of GN Store Nord, Marcus Desimoni, would step down as of December 31, 2020. As a good leaver of the company Marcus Desimoni remains entitled to his non-vested share-based incentives on the same terms, and these have been recognized as fully expensed in 2020. Peter la Cour Gormsen, CFO of GN Audio, was appointed new CFO of GN Store Nord, effective January 1, 2021.

The remuneration of the Executive Management is based on a fixed base salary and participation in GN Store Nord's option- and warrant-based long-term incentive programs. Furthermore, the remuneration includes a yearly bonus plan with a target bonus of 50% of the base salary with a potential to underperform or outperform the target leading to an effective potential bonus range between 0 - 100% of the base salary. The Executive Management's bonus is based on three parameters in light of the Group's focus areas:

- René Svendsen-Tune's bonus is subject to the performance of GN Audio's EBITA, GN Audio's revenue and individual performance targets.
- Gitte Pugholm Aabo's bonus is subject to the performance of GN Hearing's EBITA, GN Hearing's revenue and individual performance targets.
- Marcus Desimoni's bonus is subject to the performance of GN Store Nord's EBITA, GN Store Nord's revenue and individual performance targets.

The Group does not make pension contributions for members of the Executive Management. Executive Management has usual severance agreements and change-of-control agreements.

5.2 Remuneration of the Board of Directors and Executive Management (Continued)

Members of the Board of Directors receive a fixed remuneration as approved by the shareholders at the Annual General Meeting on March 11, 2020. The fixed remuneration is based on GN Store Nord's corporate governance structure in which an audit committee, a strategy committee, a remuneration committee and a nomination committee have been established. Further, the appointed board members of GN Store Nord also serve on the Board of Directors of GN Hearing A/S and GN Audio A/S.

The full-year remuneration of the Board of Directors is as follows (DKK thousand):

GN Store Nord A/S		GN Hearing A/S	
Chairman	870	Chairman	288
Deputy Chairman	580	Deputy Chairman	201
Other Board members	290	Other Board members	115
Remuneration Committee Chairman	350		
Remuneration Committee, other members	175		
Audit Committee Chairman	350		
Audit Committee, other members	175		
Strategy Committee Chairman	350	GN Audio A/S	
Strategy Committee, other members	175	Chairman	288
Nomination Committee Chairman	170	Deputy Chairman	201
Nomination Committee, other members	85	Other Board members	115

In addition to the remuneration, members of the Board of Directors who are not Danish residents are entitled to a fixed travel allowance in connection with participation in board meetings in Denmark. For European-based board members the allowance amounts to DKK 22,500 per meeting and for Non-European based board members the allowance amounts to DKK 45,000 per meeting.

In light of the negative financial impact on the company of the COVID-19 pandemic, the Board in April decided to temporarily reduce their fee by 10% from May onwards (reinstated in October 2020), the reduction is reflected in the total Board of directors remuneration below:

DKK thousand	2020	2019
Board fee Board of Directors		
Per Wold-Olsen (Chairman)	2,033	2,035
Jukka Pertola (Deputy chairman)	992	-
William E. Hoover, Jr. (Deputy chairman until March 2020)	333	1,286
Wolfgang Reim	1,058	1,052
Helene Barnekow	641	701
Ronica Wang	660	660
Montserrat Pascual	609	-
Anette Weber	609	-
Gitte Pugholm Aabo (until September 2019)	-	660
Leo Larsen*	276	275
Morten Andersen*	276	275
Marcus Stuhr Perathoner*	276	275
Total fee Board of Directors	7,763	7,219
* Employee elected members		
DKK thousand	2020	2019
Fixed travel allowance & social security		
Per Wold-Olsen	112	203
Helene Barnekow	175	298
Montserrat Pascual (from Q2 2020)	152	-
Wolfgang Reim	89	203
Ronica Wang	45	405
Total Board of Directors travel allowance and social security	573	1,109

5.3 Share-based incentive plans

Option and warrant programs

GN Store Nord has an option-based and a warrant-based long-term equity-settled incentive program whereby the Executive Management and other employees in key positions are granted options and warrants linked to shares in GN Store Nord A/S, GN Hearing A/S and GN Audio A/S. For members of Executive Management the grant size can vary between 50-100% of their base salary. Warrants and options are granted at no consideration.

Calculation of share price for GN Hearing A/S and GN Audio A/S

The 2019 and 2020 option programs are based on GN Store Nord A/S shares, whereas the warrant programs for 2015-2018 are based on GN Hearing A/S and GN Audio A/S shares. On a quarterly basis the share price for GN Hearing A/S and GN Audio A/S is calculated, using a top-down approach based on analysis of external broker reports for the allocation of GN Store Nord A/S' share price into GN Hearing, GN Audio and Other. This calculation is also the basis for the Black-Scholes valuation as stated below regarding valuation of warrants.

Vesting conditions and exercise of warrants

The 2015-2018 warrant programs are incentive programs with a three-year vesting period from the grant date. Warrants vest when a set of criteria are met: The share price of GN Store Nord has increased and the share price of GN Hearing A/S and GN Audio A/S has outperformed a peer group index of competitors and industry indices, as defined by the Board of Directors of GN Hearing and GN Audio, respectively. Vested warrants may be exercised during a four-week exercise window opening each quarter for a three-year period after vesting. The quarterly four-week exercise window will open following the release of an external Valuation Report concerning the value of the shares of GN Hearing A/S and GN Audio A/S.

Vesting conditions and exercise of options

The 2019 and 2020 programs are long-term incentive programs with a three-year vesting period from the grant date. The programs include a performance multiplier, based on revenue growth and EBITDA improvement relative to a broad peer group of comparable companies. This means, that after the three-year vesting period, the initial share option grant can either increase, decrease or stay the same, depending on GN's performance relative to a peer group. The maximum effect of the performance multiplier is to increase the number of options by a factor of 2. For executive management the gross return on each annual grant is capped at a value equal to four times the annual base salary at the time of grant. Vested options may be exercised at any time outside black-out periods for a three-year period after vesting.

Valuation model and assumptions

The market value of the warrants and options are calculated using the principles of the Black-Scholes option pricing model. For the 2015-2018 warrants the model has taken the overperformance criteria into account using Monte Carlo simulation. The market values of options granted during the year are based on the underlying market prices at the grant dates.

The following assumptions were applied for the calculation of the market value at the grant date of GN Store Nord A/S options:

	Executive Management		Other employees	
	2020	2019	2020	2019
Number of options granted in the year	158,480	247,488	535,641	608,352
Share price of GN Store Nord A/S at ordinary grant date	390	312	390	312
Vesting period	3 years	3 years	3 years	3 years
Life of option	6 years	6 years	6 years	6 years
Volatility*	29%	27%	29%	27%
Expected dividend	0.4%	0.4%	0.4%	0.4%
Risk-free interest rate**	0.00%	0.00%	0.00%	0.00%
Fair value per option at ordinary grant (DKK)***	83	61	87	68
Total market value at grant (DKK million)****	13	15	47	41
Amortization period of the program	2020 - 2023	2019 - 2022	2020 - 2023	2019 - 2022

For 2019 and 2020 the grants are based on options and the fair value includes any market vesting conditions.

* Volatility is estimated by external experts, and is calculated based on data from a historical period matching the expected time to expiry of the options

** Risk-free interest rate is estimated by external experts and based on the zero yield curve derived from Danish government bonds with maturity equal to the expiry of the options

*** The fair value includes any market vesting conditions.

**** For 2019, the number of options and total market value for executive management have been impacted by grants to both Jakob Gudbrand and Gitte Pugholm Aabo, of which 77,200 options have been forfeited in 2019. Executive management have been granted a number of options with a value equal to the same percentage of their base salary as was granted in the previous program.

5.3 Share-based incentive plans (Continued)

The exercise price for the annual ordinary grant of options is based on the average share price for GN Store Nord A/S in the five days following the release of the annual report in the year in which the options are awarded.

Exercise of warrants

When employees exercise their warrants they are exchanged with shares in GN Store Nord A/S based on the relationship between the value of the warrant and the value of the GN Store Nord A/S share at the time of exercise. Hereafter the employee is free to keep the GN Store Nord A/S shares or sell them on the open market.

Warrant and option programs

	GN Hearing A/S				GN Audio A/S			
	DKK	Number			DKK	Number		
	Average exercise price	Executive Management*	Other employees	Total	Average exercise price	Executive Management	Other employees	Total
Outstanding warrants at January 1, 2019	29,021	2,443	13,681	16,124	28,273	3,134	7,259	10,393
Warrants exercised during the year	26,766	-1,970	-5,485	-7,455	23,401	-496	-2,571	-3,067
Warrants forfeited during the year	30,278	-	-937	-937	32,919	-	-103	-103
Outstanding warrants at December 31, 2019	31,042	473	7,259	7,732	30,275	2,638	4,585	7,223
Warrants exercised during the year	29,927	-240	-3,168	-3,408	28,381	-1,060	-2,232	-3,292
Warrants forfeited during the year	31,792	-	-86	-86	32,491	-	-93	-93
Outstanding warrants at December 31, 2020	31,923	233	4,005	4,238	31,865	1,578	2,260	3,838
Weighted average term to maturity (Years)		3.0	2.8	2.8		2.2	2.9	2.6
Exercisable warrants at December 31, 2019		-	748	748		1,234	430	1,664
Exercisable warrants at December 31, 2020		-	618	618		840	236	1,076

* Includes Anders Hedegaard, former CEO of GN Hearing in 2019 figures

Average share price at exercise: GN Hearing: DKK 55,660 (2019: DKK 45,010) GN Audio: DKK 93,417 (2019: DKK 69,862).

	GN Store Nord A/S			
	DKK	Number*		
	Average exercise price	Executive Management**	Other employees	Total
Outstanding options at January 1, 2019	-	-	-	-
Options granted during the year	311	247,488	608,352	855,840
Options forfeited during the year	313	-77,200	-3,639	-80,839
Outstanding options at December 31, 2019	311	170,288	604,713	775,001
Options granted during the year	381	158,480	535,641	694,121
Options forfeited during the year	350	-	-29,228	-29,228
Outstanding options at December 31, 2020	344	328,768	1,111,126	1,439,894
Weighted average term to maturity (Years)		4.7	4.7	4.7
Exercisable options at December 31, 2019		-	-	-
Exercisable options at December 31, 2020		-	-	-

* The performance multiplier can decrease the number of options or as maximum effect increase the number of options by a factor of 2

** Includes Jacob Gudbrand, former CEO of GN Hearing in 2019 figures

5.3 Share-based incentive plans (Continued)

Outstanding warrants at December 31, 2020 in GN Hearing A/S and GN Audio A/S by grant date are shown below:

Grant date	GN Hearing A/S				GN Audio A/S			
	DKK	Number			DKK	Number		
	Exercise price	Executive Management	Other employees	Total	Exercise price	Executive Management	Other employees	Total
March 2016	26,936	-	188	188	22,495	346	65	411
March 2017	30,451	-	339	339	28,794	494	171	665
May 2017	35,873	-	56	56	36,781	-	-	-
August 2017	39,391	-	35	35	NA	-	-	-
February 2018	31,792	233	3,125	3,358	33,913	738	1,996	2,734
May 2018	NA	-	-	-	42,338	-	28	28
August 2018	46,342	-	49	49	NA	-	-	-
September 2018	44,817	-	22	22	NA	-	-	-
December 2018	34,047	-	191	191	NA	-	-	-
Outstanding warrants at December 31		233	4,005	4,238		1,578	2,260	3,838

Outstanding options at December 31, 2020 in GN Store Nord A/S by grant date are shown below:

Grant date	GN Store Nord A/S			
	DKK	Number*		
	Exercise price	Executive Management	Other employees	Total
April 2019	313	125,895	565,182	691,077
June 2019	325	-	26,479	26,479
September 2019	282	44,393	-	44,393
February 2020	381	158,480	508,512	666,992
May 2020	311	-	7,605	7,605
November 2020	476	-	3,348	3,348
Outstanding options at December 31		328,768	1,111,126	1,439,894

* The performance multiplier can decrease the number of options or as maximum effect increase the number of options by a factor of 2

Accounting policies

Share-based incentive plans

The Executive Management and a number of key employees are included in share-based incentive plans (equity-settled plans). For equity-settled programs, the warrants and options are measured at the fair value at the grant date and recognized in the income statement as a staff cost of the respective functions over the vesting period. The counter item is recognized in equity. On initial recognition, an estimate is made of the number of warrants and options expected to vest. This estimate is subsequently revised for changes in the number of warrants and options expected to vest. Accordingly, recognition is based on the number of warrants and options that are ultimately vested. The fair value of granted warrants and options is estimated using the Black-Scholes option pricing model. Vesting conditions are taken into account when estimating the fair value of the warrants and options ●

5.4 Pension obligations

DKK million	2020	2019
Present value of defined benefit obligations	359	349
Fair value of plan assets	-323	-323
Net obligations	36	26
The present value of defined benefit obligations includes unfunded pension obligations not covered by payments to insurance companies of DKK 18 million (2019: DKK 9 million).		
Development in present value of defined benefit obligations		
Obligations at January 1	349	335
Foreign exchange adjustments	-26	7
Costs for the year	4	5
Interest expense	9	12
Actuarial (gains) losses regarding demographic assumptions	-2	-3
Actuarial (gains) losses regarding financial assumptions	33	26
Pension payments, unfunded	-	-1
Settlements, amendments etc.	9	-16
Pension payments	-17	-16
Obligations at December 31	359	349
Maturity of pension obligations		
Less than one year	17	17
Between one and five years	72	76
More than five years	270	256
Total	359	349
Development in fair value of plan assets		
Plan assets at January 1	323	281
Foreign exchange adjustments	-28	7
Interest income	7	9
Return on plan assets in excess of interest income	30	40
Payment by GN Store Nord	2	3
Settlements, amendments etc.	4	-1
Pension payments	-15	-16
Plan assets at December 31	323	323
Pension costs recognized in the income statement		
Costs for the year	-4	-5
Interest expense	-9	-12
Interest income from plan assets	7	9
Defined benefit plans total	-6	-8
Defined contribution plans total	-130	-129
Total pension costs recognized in the income statement	-136	-137
The costs are recognized in the following income statement items:		
Production costs	-19	-17
Development costs	-33	-34
Selling and distribution costs	-48	-44
Management and administrative expenses	-34	-40
Financial expenses	-2	-2
Total	-136	-137
The following accumulated actuarial gains (losses) since January 1, 2005 are recognized in the Statement of other Comprehensive Income:		
Accumulated actuarial gains (losses)	-60	-59
Breakdown of plan assets:		
Shares	61%	62%
Bonds	37%	36%
Cash and cash equivalents	2%	2%
Total	100%	100%

5.4 Pension obligations (Continued)

At the balance sheet date the actuarial calculations for the prevailing American defined benefit plan are based on a discount rate of 2,25% (2019: 3%).

A 25 basis point decrease in the discount rate will result in a DKK 10 million increase in the defined benefit obligation and a 25 basis point increase will result in a DKK 10 million decrease in the defined benefit obligation.

Defined contribution plans

The Group has pension commitments regarding certain groups of employees in Denmark and abroad. Pension plans are generally defined contribution plans. The pension plans are funded by current payments to independent pension funds and insurance companies, which are responsible for payment of the pension benefits. When contributions to defined contribution plans have been paid, the Group has no further commitments to present or former employees. Contributions to defined contribution plans are recognized in the income statement when they are due.

Defined benefit plans

The Group has an American pension plan, which is not covered by payments to insurance companies but is partly off-set by the fair value of reserved pension funds. At July 1, 2003, the pension plan was frozen, meaning that employees covered by the plan will continue to be entitled to the pension payments earned up to this date. However, employees will not earn further pension payments.

Accounting policies

Pensions

Contributions to defined contribution plans are recognized in the income statement in the period to which they relate and any contributions outstanding are recognized in the balance sheet as other payables.

Defined benefit plans are subject to an annual actuarial estimate of the present value of future benefits under the defined benefit plan. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the Group. The actuarial present value less the fair value of any plan assets is recognized in the balance sheet under pension obligations. Pension costs for the year are recognized in the income statement based on actuarial estimates and financial expectations at the beginning of the year. Any difference between the expected development in plan assets and the defined benefit obligation and actual amounts results in actuarial gains or losses. Actuarial gains or losses are recognized in other comprehensive income ●

5.5 Contingent liabilities

DKK million	2020	2019
Guarantees	4	5

Guarantees

The majority of guarantees are related to performance guarantees.

Security

The Group has not pledged any assets as security in the present or prior financial years.

Purchase obligations

GN Store Nord has agreed with a number of suppliers that the suppliers will purchase components for the production of hearing instruments and headsets based on sales estimates prepared by GN Store Nord. To the extent that GN Store Nord's sales estimates exceed actual purchases from suppliers, GN Store Nord is under an obligation to purchase any remaining components from the suppliers.

Management assesses sales estimates on an ongoing basis. To the extent that component inventories at suppliers exceed the volumes expected to be used, GN Store Nord recognizes a provision for onerous purchase contracts.

5.5 Contingent liabilities (Continued)

Pending litigations and disputes

GN Store Nord and its subsidiaries are parties to pending litigations, claims and disputes arising out of the normal conduct of their business including various cases involving patent infringements. While provisions that management deems to be reasonable and appropriate have been made for probable losses, there are uncertainties connected with these estimates. GN Store Nord does not expect the pending litigations and claims to have a material impact on GN Store Nord's financial position, operating profit or cash flows in addition to the amounts recognized as provisions for legal disputes.

Significant accounting estimates and judgments

Provisions, Contingencies and Litigations

GN Store Nord's Management assesses provisions, contingent assets and contingent liabilities and the likely outcome of pending or threatening litigations and claims on an ongoing basis. The outcome depends on future events that are by nature uncertain. In assessing the likely outcome of litigations, claims and tax disputes, etc., Management bases its assessment on external legal assistance and decided cases ●

5.6 Investments in associates

DKK million	2020	2019
Aggregated financial information for associates is provided below:		
Total share of profit (loss) in associates for the year	-9	3
Total unrecognized profit (loss) in associates for the year	30	-
Total share of net assets in associates	523	227
Cumulative unrecognized loss in associates	-	-30
Carrying amount of associates	523	257

Transactions with associates comprise sale of goods of DKK 66 million (2019: DKK 44 million) and purchase of services, licenses and other assets of DKK 87 million (2019: DKK 8 million). At year end GN has DKK 150 million (2019: DKK 78 million) in receivables from associates.

Accounting policies

Investments in Associates in the Consolidated Financial Statements

On acquisition of investments in associates, the purchase method is used, cf. Business Combinations.

In the consolidated financial statements investments in associates are recognized according to the equity method. Investments in associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealized intra-group profits and losses and plus the carrying amount of goodwill.

Profit (loss) from Investments in Associates

The proportionate share of the profit (loss) after tax of the individual associates is recognized in the income statement of the Group after elimination of the proportionate share of intra-group profits (losses) ●

5.7 Other non-cash adjustments

DKK million	2020	2019
Share-based payment (granted)	77	39
(Gain) loss on divestment of operations	-	15
Loss allowance on trade receivables, inventory write-downs, etc.	130	10
Adjustment of provisions	139	28
Total	346	92

5.8 Fees to statutory auditors

DKK million	2020	2019
Statutory audit	-9	-8
Tax advice services	-1	-1
Other services	-5	-4
Fee to statutory auditors	-15	-13

Fees for services other than statutory audit of the financial statements amounts to DKK 6 million (2019: DKK 5 million). Services other than statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab (PricewaterhouseCoopers Denmark) comprise services primarily related to tax compliance and transfer pricing, project support and technical accounting advisory services.

5.9 Related parties

No single entity or person has control or exercises significant influence over the GN Group as a whole. Key Management personnel and associated companies are the sole related parties of the Group. Transactions with Key Management personnel constitute remuneration, as disclosed in note 5.2 Remuneration of the Board of Directors and Executive Management and 5.3 Share-based incentive plans, and transactions with associates are disclosed in note 5.6 Investments in associates.

5.10 Events after the reporting period

No events have occurred after the reporting date of importance to the consolidated financial statements.

Companies in GN Group

	Domicile	Currency	Ownership %	Share capital
GN Store Nord A/S	Denmark	DKK		569,072,400
GN Ejendomme A/S	Denmark	DKK	100	115,625,000
GN Financing A/S	Denmark	DKK	100	400,000
GN Audio A/S	Denmark	DKK	100	34,873,800
GN Audio Australia Pty Ltd.	Australia	AUD	100	2,500,000
GN Áudio Brasil Importação & Comércio Ltda.	Brazil	BRL	100	407,821
GN Audio Canada Inc.	Canada	CAD	100	409,800
GN Audio (China) Ltd.	China	CNY	100	65,116,155
GN Audio (Shanghai) Co., Ltd.	China	CNY	100	15,481,000
GN Audio Logistic (Xiamen) Ltd.	China	CNY	100	4,133,738
GN Audio France SA	France	EUR	100	80,000
GN Audio Germany GmbH	Germany	EUR	100	51,000
GN Audio Hong Kong Limited	Hong Kong	HKD	100	33,500,000
GN Audio India Private Limited	India	INR	100	40,000,000
Jabra Connect India Private Limited	India	INR	51	20,000,000
GN Audio Italy s.r.l.	Italy	EUR	100	10,200
GN Audio Japan Ltd.	Japan	JPY	100	10,000,000
GN Audio Benelux B.V.***	Netherlands	EUR	100	18,000
GN Audio Poland Sp. Z.o.o.	Poland	PLN	100	50,000
GN Audio Singapore Pte. Ltd.	Singapore	SGD	100	700,000
Jabra Connect Singapore Pte.Ltd.	Singapore	USD	51	12,000
GN Audio Spain, S.A.	Spain	EUR	100	66,111
GN Audio Sweden AB	Sweden	SEK	100	5,100,000
GN Audio UK Ltd.**	United Kingdom	GBP	100	100,000
GN Audio USA Inc.	USA	USD	100	45,900,000
Altia Systems Inc.	USA	USD	100	22,980,067
GN Hearing A/S	Denmark	DKK	100	64,986,300
GN Hearing Australia Pty. Ltd.	Australia	AUD	100	4,000,002
GN Hearing Austria GmbH	Austria	EUR	100	500,000
GN Áudio Brasil Importação & Comércio Ltda.	Brazil	BRL	100	1,019,327
Beltone Holdings Canada, LTD	Canada	CAD	100	1,039
GN Hearing Care Canada Ltd.	Canada	CAD	100	8,435,000
GN Hearing Shanghai Ltd.	China	CNY	100	20,491,300
GN ReSound China Ltd.	China	CNY	100	34,000,000
GN Hearing Czech Republic spol. s r.o.	Czech Republic	CZK	100	102,000
Audigy Group International A/S	Denmark	DKK	100	400,000
Dansk Hørecenter ApS	Denmark	DKK	100	165,657,000
FalCom A/S	Denmark	DKK	100	88,500,000
GN Hearing Finland Oy/Ab	Finland	EUR	100	55,502
GN Hearing SAS	France	EUR	100	2,300,000
GN Hearing GmbH	Germany	EUR	100	296,549
GN ReSound GmbH Hörtechnologie	Germany	EUR	100	2,162,253
GN Hearing India Private Limited	India	INR	100	20,983,210
GN Hearing S.r.l.	Italy	EUR	100	181,190
GN Hearing Japan K.K.	Japan	JPY	100	499,000,000
GN Hearing Korea Co., Ltd.	Korea	KRW	100	136,700,000
GN Hearing (Malaysia) Sdn Bhd	Malaysia	MYR	100	2,500,000
GN Hearing Benelux B.V.	Netherlands	EUR	100	680,670
GN Hearing New Zealand Limited	New Zealand	NZD	100	2,000,000
GN Hearing Norway AS	Norway	NOK	100	2,000,000
GN Hearing RUS LLC	Russia	RUB	100	10,000
GN Hearing Pte. Ltd.	Singapore	SGD	100	1,740,000
Nessa Hearing Pte. Ltd.	Singapore	SGD	49	250,000
Interton Slovakia S.R.O.	Slovakia	EUR	85	6,639
GN Hearing Care S.A.	Spain	EUR	100	66,110
GN Hearing Sverige AB	Sweden	SEK	100	100,000
GN Hearing Switzerland AG	Switzerland	CHF	100	500,000

Companies in the GN Group (Continued)

	Domicile	Currency	Ownership %	Share capital
GN Hearing A/S continued:				
GN Hearing UK Ltd.	United Kingdom	GBP	100	7,376,000
GN US Holdings Inc.	USA	USD	100	36,000,000
GN Advanced Hearing Protection, LLC*	USA	USD	100	-
GN Hearing Care Corporation	USA	USD	100	190,000
GN ReSound Holdings, LLC.	USA	USD	100	31,634
ReSound Holdings, Inc.	USA	USD	100	10,000
Beltone Holdings US, LCC	USA	USD	100	3,000
Beltone Hearing Care Foundation*	USA	USD	100	-
Audigy Group, LLC	USA	USD	100	400,000
Audigy Medical, LLC*	USA	USD	100	-
Audigy Venture, LLC*	USA	USD	100	-

Associates

Audio Nova S.R.L.	Romania	ROL	49	1,000
Himpp A/S	Denmark	DKK	11	1,600,000
HIMSA A/S	Denmark	DKK	25	1,000,000
HIMSA II A/S	Denmark	DKK	17	500,000
Himsa II K/S	Denmark	DKK	15	3,250,000
K/S Himpp	Denmark	DKK	9	19,950,000
audEERING GmbH	Germany	EUR	25	8,378,000
Hearing Center of the East Bay, LLC	USA	USD	50	25,000
BelMart LLC	USA	USD	30	3,556,822
Beltopia LLC	USA	USD	25	1,734,500

* Without par value

** GN Audio UK Ltd. with UK company registration number 02230550 and GN Hearing UK Ltd. with UK company registration number 02984645, are exempt from audit of their financial statements under s479A of the UK Companies Act 2006.

*** GN Audio Benelux B.V. (registration number 20113074) and GN Hearing Benelux B.V. (registration number 09033081) applies the group exemption of article 2:403 of the Dutch Civil Code and does not prepare individual financial statements.

Note: A few minor companies have been omitted from the list.

In this annual report the following financial terms (non-IFRS measures) are used:

Operating profit (loss)	Profit (loss) before tax and financial items.
EBITDA	Operating profit (loss) before depreciation and impairment of property, plant and equipment, amortization and impairment of intangible assets, except development projects, impairment of goodwill and gains (losses) on divestment of operations etc.. EBITDA therefore include amortization of development projects.
EBITA	Operating profit (loss) before amortization and impairment of acquired intangible assets, impairment of goodwill and gains (losses) on divestment of operations etc. EBITA therefore include amortization of development projects and software developed in-house.
Free cash flow	Cash flow from operating and investing activities
Convertible bond	EUR 330 million senior unsecured zero coupon bonds due 2024 with detachable unsecured warrant units expiring 2024 (refer to note 4.2 Financial risks).

Key Ratio Definitions

Organic growth	= $\frac{\text{Absolute organic revenue growth}}{\text{Revenue in comparative period}}$ Organic growth is a measure of growth excluding the impact of acquisitions, divestments and foreign exchange adjustments from year-on-year comparisons.
Net working capital (NWC)	= Inventories + receivables + other operating current assets - trade payables - other operating current liabilities
Net interest bearing debt (NIBD)	= Bank loans and issued bonds + Lease liabilities - Cash and cash equivalents
Dividend payout ratio	= $\frac{\text{Total dividend}}{\text{Profit (loss) for the year}}$
Gross margin	= $\frac{\text{Gross profit}}{\text{Revenue}}$
EBITA margin	= $\frac{\text{EBITA}}{\text{Revenue}}$
ROIC (Return on invested capital including goodwill)	= $\frac{\text{EBITA}}{\text{Average invested capital including goodwill}}$
Invested capital	= NWC + property, plant and equipment and intangible assets + loans to dispensers of GN Hearing products + pre-paid discounts + ownership interests – provisions
Cash conversion	= $\frac{\text{Free cash flow excl. company acquisitions and divestments}}{\text{EBITA}}$
Return on equity (ROE)	= $\frac{\text{Profit (loss) for the year}}{\text{Average equity of the Group}}$
Equity ratio	= $\frac{\text{Equity of the Group}}{\text{Total assets}}$
Earnings per share, basic (EPS)	= $\frac{\text{Profit (loss) for the year}}{\text{Average number of shares outstanding}}$
Earnings per share, fully diluted (EPS diluted)	= $\frac{\text{Profit (loss) for the year}}{\text{Average number of shares outstanding, fully diluted}}$
Market capitalization	Number of shares outstanding x share price at the end of the period
Outstanding shares	Number of shares listed - treasury shares

Parent company

Financial statements 2020

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Income statement

DKK million	Note	2020	2019
Revenue		456	358
Gross profit		456	358
Development costs		-90	-72
Management and administrative expenses	1,2,3,4	-549	-448
Operating profit (loss)		-183	-162
Share of profit after tax in subsidiaries	10	1,332	1,722
Share of profit (loss) in associates	11	-3	-2
Financial income	5	110	102
Financial expenses	5	-143	-188
Profit (loss) before tax		1,113	1,472
Tax on profit (loss)	6	139	-18
Profit (loss) for the year		1,252	1,454
Proposed profit appropriation/distribution of loss			
Transferred to reserve for net revaluation according to the equity method		1,332	-278
Retained earnings		-286	1,526
Proposed dividends for the year		206	206
		1,252	1,454

Statement of comprehensive income

DKK million	2020	2019
Profit (loss) for the year	1,252	1,454
Other comprehensive income		
Items that will not be reclassified subsequently to the income statement		
Other changes in equity in subsidiaries	-1	12
Items that may be reclassified subsequently to the income statement		
Adjustment of cash flow hedges	4	7
Tax relating to other comprehensive income	-1	-2
Foreign exchange adjustments, etc.	-601	161
Other changes in equity in subsidiaries	-2	5
Other comprehensive income for the year	-601	183
Total comprehensive income for the year	651	1,637

Balance sheet at December 31

DKK million	Note	2020	2019
Assets			
Intangible assets	7	369	298
Property, plant and equipment	8, 9	71	64
Investments in subsidiaries	10	8,618	9,590
Investments in associates	11	24	27
Amounts owed by subsidiaries	14	3,704	3,951
Total non-current assets		12,786	13,930
Tax receivables		-	73
Other receivables	14	138	54
Cash and cash equivalents		1,230	1,410
Total current assets		1,368	1,537
Total assets		14,154	15,467
Equity and liabilities			
Share capital		569	569
Other reserves		-1,610	-2,231
Proposed dividends for the year		206	206
Retained earnings		6,013	6,305
Total equity		5,178	4,849
Bank loans and issued bonds	14, 17	5,069	5,345
Lease liabilities, non-current	9	30	34
Deferred tax liabilities	12	28	240
Total non-current liabilities		5,127	5,619
Bank loans	14, 17	334	1,196
Lease liabilities, current	9	7	7
Trade payables	14	56	50
Tax payables		156	-
Amounts owed to subsidiaries	14, 17	3,087	3,663
Other payables		209	83
Total current liabilities		3,849	4,999
Total equity and liabilities		14,154	15,467

Statement of cash flows

DKK million	Note	2020	2019
Operating activities			
Operating profit (loss)		-183	-162
Depreciation, amortization and impairment	7, 8	94	70
Other non-cash adjustments		13	3
Cash flow from operating activities before changes in working capital		-76	-89
Change in receivables		-84	-16
Change in trade payables and other payables		136	14
Total changes in working capital		52	-2
Cash flow from operating activities before financial items and tax		-24	-91
Interest and dividends, etc. received		2,023	2,000
Interest paid		-	-37
Tax paid, net		159	43
Cash flow from operating activities		2,158	1,915
Investing activities			
Investments in intangible assets		-149	-127
Investments in tangible assets		-22	-16
Amounts owed by subsidiaries		247	-2,542
Cash flow from investing activities		76	-2,685
Cash flow from operating and investing activities (free cash flow)		2,234	-770
Financing activities			
Decrease of long-term loans	17	-303	-826
Increase in short-term loans and amounts owed to subsidiaries	17	-	2,681
Decrease of short-term loans and amounts owed to subsidiaries	17	-1,471	-
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
Paid dividends		-187	-178
Purchase/sale of treasury shares		-453	-1,626
Cash flow from financing activities		-2,414	1,921
Net cash flow		-180	1,151
Cash and cash equivalents, beginning of period		1,410	259
Cash and cash equivalents, end of period		1,230	1,410

Statement of changes in equity

DKK million	Other reserves				Proposed dividends for the year	Retained earnings	Total equity
	Share capital*	Hedging reserve	Treasury shares	Reserve according to the equity method			
Balance sheet total at December 31, 2018	583	-2	-2,585	1,255	197	5,648	5,096
Profit (loss) for the period	-	-	-	-278	-	1,732	1,454
Adjustment of cash flow hedges	-	7	-	-	-	-	7
Other changes in equity in subsidiaries	-	-	-	31	-	-	31
Foreign currency translation adjustments of investments in subsidiaries etc.	-	-	-	161	-	-	161
Tax relating to other comprehensive income	-	-2	-	-14	-	-	-16
Other comprehensive income for the year	-	5	-	178	-	-	183
Total comprehensive income for the year	-	5	-	-100	-	1,732	1,637
Reduction of the share capital	-14	-	536	-	-	-522	-
Fair value of warrants issued with bonds	-	-	-	-	-	204	204
Repurchase of warrants issued with bonds in 2017	-	-	-	-	-	-604	-604
Other changes in equity in subsidiaries	-	-	-	-3	-	-	-3
Purchase of ownership interests in subsidiaries by payment in treasury shares	-	-	251	-	-	20	271
Share-based payment (granted)	-	-	-	-	-	3	3
Tax related to share-based incentive plans	-	-	-	38	-	11	49
Purchase of treasury shares	-	-	-1,626	-	-	-	-1,626
Proposed dividends for the year*	-	-	-	-	206	-206	-
Paid dividends	-	-	-	-	-178	-	-178
Dividends, treasury shares	-	-	-	-	-19	19	-
Balance sheet total at December 31, 2019	569	3	-3,424	1,190	206	6,305	4,849
Profit (loss) for the period	-	-	-	1,332	-	-80	1,252
Adjustment of cash flow hedges	-	4	-	-	-	-	4
Other changes in equity in subsidiaries	-	-	-	-18	-	-	-18
Foreign currency translation adjustments of investments in subsidiaries etc.	-	-	-	-601	-	-	-601
Tax relating to other comprehensive income	-	-1	-	15	-	-	14
Other comprehensive income for the year	-	3	-	-604	-	-	-601
Total comprehensive income for the year	-	3	-	728	-	-80	651
Other changes in equity in subsidiaries	-	-	-	51	-	-	51
Purchase of ownership interests in subsidiaries by payment in treasury shares	-	-	237	-	-	-43	194
Share-based payment (granted)	-	-	-	-	-	13	13
Tax related to share-based incentive plans	-	-	-	55	-	5	60
Purchase of treasury shares	-	-	-453	-	-	-	-453
Proposed dividends for the year*	-	-	-	-	206	-206	-
Paid dividends	-	-	-	-	-187	-	-187
Dividends, treasury shares	-	-	-	-	-19	19	-
Balance sheet total at December 31, 2020	569	6	-3,640	2,024	206	6,013	5,178

* Equivalent to DKK 1.45 per share (2019: DKK 1.45 per share)

The reserve according to the equity method includes foreign exchange adjustments of DKK -1,500 million (2019: DKK -910 million).

Retained earnings, which are available for distribution from the Parent Company amounts to DKK 2,585 million (2019: DKK 3,090 million).

1 Staff costs

DKK million	2020	2019
Wages, salaries and remuneration	167	149
Pensions	11	13
Share-based incentives	13	3
Other social security costs	1	1
Total	192	166
Executive Management remuneration can be specified as follows:		
Marcus Desimoni, CFO of GN Store Nord		
Fixed salary	4.4	4.5
Other benefits	0.8	0.6
Bonus	3.8	4.7
Share-based incentives*	9.1	1.1
Total	18.1	10.9
Board of Directors remuneration	5.9	5.5
Total remuneration	24.0	16.4
Staff costs are included in Management and administrative expenses.		
Average number of employees	225	175
Number of employees at year-end	250	200

*In 2020 non-vested share-based incentives have been expensed for the full vesting period and recognized per December 31, 2020

For information regarding Executive Management and Board of Directors total remuneration please refer to note 5.2 Remuneration of the Board of Directors and Executive Management in the consolidated financial statements.

2 Share-based incentive plans

For 2019 and 2020 a share-based incentive plan has been implemented in GN Store Nord. For a description of this, see note 5.3 Share-based incentive plans in the consolidated financial statements. The following assumptions were applied for the calculation of the market value at the grant date of the options:

	Executive Management		Other employees	
	2020	2019	2020	2019
Number of option awarded in the year	39,303	50,367	54,560	67,022
Share price GN Store Nord at ordinary grant date	390	312	390	312
Vesting period	3 years	3 years	3 years	3 years
Life of option	6 years	6 years	6 years	6 years
Volatility*	29%	27%	29%	27%
Expected dividend	0.4%	0.4%	0.4%	0.4%
Risk-free interest rate**	0.00%	0.00%	0.00%	0.00%
Fair Value per option at ordinary grant (DKK)***	83	61	87	68
Total market value at grant (DKK million)	3	3	4	5
Amortization period of the program	2020 - 2023	2019 - 2022	2020 - 2023	2019 - 2022

* Volatility is estimated by external experts, and is calculated based on data from a historical period matching the expected time to expiry of the options

** Risk-free interest rate is estimated by external experts and based on the zero yield curve derived from Danish government bonds with maturity equal to the expiry of the options

*** The fair value includes any market vesting conditions.

	DKK	Number*		
	Average exercise price	Executive Management	Other employees	Total
Outstanding options at January 1, 2019	-	-	-	-
Options granted during the year	313	50,367	67,022	117,389
Outstanding options at December 31, 2019	313	50,367	67,022	117,389
Options granted during the year	384	39,303	54,560	93,863
Options forfeited during the year	345	-	-13,497	-13,497
Outstanding options at December 31, 2020	344	89,670	108,085	197,755
Weighted average term to maturity (Years)		4.6	4.6	4.6
Number of exercisable options at December 31, 2019		-	-	-
Number of exercisable options at December 31, 2020		-	-	-

* The performance multiplier can decrease the number of options or as maximum effect increase the number of options by a factor of 2

Outstanding options at December 31, 2020 in GN Store Nord A/S by grant date are shown below:

Grant date	DKK	Number*		
	Exercise price	Executive Management	Other employees	Total
April 2019	313	50,367	59,957	110,324
February 2020	381	39,303	44,780	84,083
November 2020	476	-	3,348	3,348
Outstanding options at December 31		89,670	108,085	197,755

* The performance multiplier can decrease the number of options or as maximum effect increase the number of options by a factor of 2

3 Depreciation, amortization and impairment

Depreciation, amortization and impairment for the year of property, plant and equipment (incl. leased assets) and intangible assets of DKK 94 (2019: DKK 70 million), is recognized in the income statement as management and administrative expenses.

4 Fees to statutory auditors

DKK million	2020	2019
Statutory audit	-2	-1
Tax advice services	-1	-1
Other services	-3	-4
Total	-6	-6

Services other than statutory audit are described in note 5.8 Fees to statutory auditors in the consolidated financial statements.

5 Financial income and expenses

DKK million	2020	2019
Financial income		
Interest income from subsidiaries*	68	62
Interest income from bank balances*	4	38
Financial income, other	3	-
Foreign exchange gain	35	2
Total	110	102
Financial expenses		
Interest expense to subsidiaries*	-7	-44
Interest expenses on bank loans and issued bonds*	-65	-78
Financial expenses, other	-26	-32
Fair value adjustments of derivative financial instruments and impairments	-	-23
Foreign exchange loss	-45	-11
Total	-143	-188

*Interest income and expenses from financial assets and liabilities at amortized cost

6 Tax

DKK million	2020	2019
Tax on profit (loss)		
Current tax for the year	-83	48
Deferred tax for the year	132	5
Adjustment to current tax in respect of prior years	10	13
Adjustment to deferred tax in respect of prior years	80	-84
Total	139	-18
Reconciliation of effective tax rate		
Danish tax rate	22.0%	22.0%
Non-taxable income	-0.1%	0.0%
Non-deductible expenses	0.3%	0.1%
Adjustment of tax with respect of prior years	-8.1%	4.8%
Share of profit (loss) in subsidiaries	-26.3%	-25.7%
Share of profits (loss) in associates	0.1%	0.0%
Other, including provisions for uncertain tax positions	-0.4%	0.0%
Effective tax rate	-12.5%	1.2%

In 2020, the company paid preliminary taxes of DKK 223 million in Danish corporate income tax for the year on behalf of the joint Group taxation (For the Year 2019 DKK 91 million was paid in final tax for the year in Danish corporate income tax).

7 Intangible assets

DKK million	Software	
	2020	2019
Cost at January 1	522	395
Additions	149	127
Other adjustments	-1	-
Cost at December 31	670	522
Amortization and impairment at January 1	-224	-165
Amortization	-77	-56
Impairment	-	-3
Amortization and impairment at December 31	-301	-224
Carrying amount at December 31	369	298
Amortized over	1 - 7 years	1 - 7 years

The carrying amount includes software in progress of DKK 191 million (2019: DKK 158 million).

8 Property, plant and equipment

DKK million	2020			2019		
	Factory and office buildings	Operating assets and equipment	Total	Factory and office buildings	Operating assets and equipment	Total
Cost at January 1	-	30	30	-	14	14
Additions	-	22	22	-	16	16
Cost at December 31	-	52	52	-	30	30
Depreciation and impairment at January 1	-	-7	-7	-	-2	-2
Depreciation	-	-10	-10	-	-5	-5
Depreciation and impairment at December 31	-	-17	-17	-	-7	-7
Carrying amount at December 31	-	35	35	-	23	23
Leased assets, c.f. note 9	35	1	36	39	2	41
Total carrying amount at December 31	35	36	71	39	25	64

Operating assets and equipment are depreciated over 2-7 years.

9 Leases

The following right-of-use assets are included in property, plant and equipment:

Leased assets

DKK million	2020			2019		
	Factory and office buildings	Operating assets and equipment	Total	Factory and office buildings	Operating assets and equipment	Total
Carrying amount at January 1	39	2	41	44	1	45
Additions	-	-	-	-	2	2
Remeasurements	2	-	2	-	-	-
Depreciation	-6	-1	-7	-5	-1	-6
Carrying amount at December 31	35	1	36	39	2	41

Lease liabilities

DKK million	2020	2019
Contractual maturity analysis of lease liabilities:		
Less than one year	7	7
Between one and three years	13	12
More than three years	18	23
Total	38	42

The maturity analysis is based on non-discounted cash flows.

Amounts expensed in the income statement and total cash outflow

DKK million	2020	2019
Total cash outflow for leases	6	5

The parent company's leases mainly consist of property leases of e.g. offices but also include cars and office equipment. Rental contracts are typically made for fixed periods but may have extension options. Contracts may contain both lease and non-lease components. In such cases the consideration in the contract is allocated to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

10 Investments in subsidiaries

DKK million	2020	2019
Cost at January 1	6,400	6,129
Additions, capital contribution	194	271
Cost at December 31	6,594	6,400
Value adjustment at January 1	3,190	3,255
Share of profit after tax in subsidiaries	1,332	1,722
Foreign currency translation adjustments	-601	161
Direct equity postings in subsidiaries	103	52
Dividends received	-2,000	-2,000
Value adjustments at December 31	2,024	3,190
Carrying amount at December 31	8,618	9,590

Group companies are listed on page 110.

11 Investments in associates

DKK million	2020	2019
Aggregated financial information for associates is provided below:		
Total share of loss in associates for the year	-3	-2
Total share of net assets in associates	24	27
Carrying amount of associates	24	27

12 Deferred tax

DKK million	2020	2019
Deferred tax, net		
Deferred tax at January 1, net	-240	-161
Adjustment in respect of prior years	80	-84
Deferred tax for the year recognized in profit (loss) for the year	132	5
Deferred tax at December 31, net	-28	-240
Deferred tax, net relates to:		
Intangible assets	-42	-34
Retaxation	-	-127
Provisions	-	-91
Other	14	12
Total	-28	-240

13 Contingent assets and liabilities

The parent company has issued guarantees on behalf of subsidiaries of DKK 23 million (2019: DKK 130 million).

The company is jointly taxed with all Danish subsidiaries. The company is jointly and severally liable with the other companies in the joint taxation for Danish corporate taxes and withholding taxes on dividend, interests and royalties within the joint taxation.

14 Financial instruments

Contractual maturity analysis for financial liabilities

DKK million	Less than one year	Between one and three years	More than three years	Total
2020				
Issued bonds*	12	1,661	2,455	4,128
Long-term bank loans	1	745	373	1,119
Short-term bank loans	334	-	-	334
Amounts owed to subsidiaries	3,087	-	-	3,087
Other payables	19	-	-	19
Trade payables	56	-	-	56
Total non-derivative financial liabilities	3,509	2,406	2,828	8,743
Derivative financial liabilities	102	-	-	102
Total financial liabilities	3,611	2,406	2,828	8,845
2019				
Issued Bonds	12	25	4,121	4,158
Long-term bank loans	-	1,418	-	1,418
Short-term bank loans	1,196	-	-	1,196
Trade payables	50	-	-	50
Amounts owed to subsidiaries	3,663	-	-	3,663
Total non-derivative financial liabilities	4,921	1,443	4,121	10,485
Derivative financial liabilities	2	2	-	4
Total financial liabilities	4,923	1,445	4,121	10,489

The maturity analysis is based on non-discounted cash flows.

* Carrying amount of bonds is DKK 3,954 million.

Categories of financial assets and liabilities

DKK million	2020	2019
Other receivables	55	44
Amounts owed by subsidiaries	3,704	3,951
Financial assets at amortized cost	3,759	3,995
Derivative financial instruments included in Other receivables	83	10
Financial assets at fair value through profit or loss	83	10
Issued bonds (bond-with-warrant units)	2,326	2,296
Issued Eurobonds	1,627	1,631
Bank loans, non-current	1,116	1,418
Lease liabilities	37	41
Bank loans, current	334	1,196
Other payables	19	-
Trade payables	56	50
Amounts owed to subsidiaries	3,087	3,663
Financial liabilities at amortized cost	8,602	10,295
Derivative financial instruments included in Other payables	102	4
Financial liabilities at fair value through profit or loss	102	4

14 Financial instruments (Continued)

Fair value disclosures re. financial instruments at amortized cost

Based on observable inputs (fair value hierarchy level 2) the fair value of issued bonds (zero coupon) amounted to DKK 2,394 million at December 31, 2020 (2019: DKK 2,530 million), and the fair value of Eurobonds amounted to DKK 1,673 million (2019: 1,643 million). For other financial assets and liabilities, the fair value is approximately equal to the carrying amount.

The foreign currency risk in GN Store Nord A/S mainly arises from translation of receivables, debt and cash balances related to EUR and USD, of which a large part of the USD risk is related to intercompany balances. The foreign currency risk is mitigated through non-designated derivatives. At year end 2020 the FX derivatives had a fair value of DKK -18 million (2019: +8 million), of which DKK -21 million (2019: +7 million) are related to derivatives of USD vs EUR or DKK. Interest swaps have value of DKK -1 million (2019 DKK -2 million). The fair value of derivatives is categorized as level 2 (observable inputs) in the fair value hierarchy.

DKK million	2020	2019
Fair value adjustment for the year recognized in Other comprehensive income	4	7

15 Outstanding shares and treasury shares

For information regarding outstanding shares and treasury shares please refer to note 4.1 Outstanding shares and treasury shares in the consolidated financial statements.

Funding, liquidity and capital structure is managed at Group level, please refer to note 4.2 Financial risks in the consolidated financial statements.

16 Related party transactions

In addition to disclosures given in note 5.9 Related parties, related parties for the parent company comprise group enterprises and associates over which GN Store Nord A/S exercises control or significant influence.

Group companies are listed on page 110. Trade with group enterprises comprised:

DKK million	2020	2019
Sale of services to group enterprises	456	418
Lease income from group enterprises	25	18
Purchase of services from group enterprises	-89	-127
Lease costs paid to group enterprises	-30	-22

The parent company's balances with group enterprises at December 31, 2020 are disclosed in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in note 5 Financial income and expenses. Further, balances with Group enterprises comprise trade balances related to the purchase and sale of goods and services.

Sale of services to group enterprises consists of facility services, canteen services, management fee and IT costs. Purchase of services from group enterprises mainly consists of facility services and canteen services. Furthermore, the parent company has purchased development services from subsidiaries related to the exploring research projects.

No transactions have been carried out with the Board of Directors, the Executive Management, senior employees, major shareholders or other related parties, apart from remuneration disclosed in notes 5.2 Remuneration of the Board of Directors and Executive Management and 5.3 Share-based incentive plans in the consolidated financial statements.

17 Liabilities from financing activities

DKK million	Bank loans	Issued bonds*	Lease liabilities	Bank loans, current	Amounts owed to subsidiaries	Total
Liabilities at January 1	1,418	3,927	41	1,196	3,663	10,245
Cash flows	-296	-	-7	-862	-609	-1,774
Foreign exchange adjustments	-6	-15	-	0	33	12
New leases	-	-	3	-	-	3
Non-cash interest expenses	-	41	-	-	-	41
Liabilities at December 31, 2020	1,116	3,953	37	334	3,087	8,527
Liabilities at January 1	2,238	1,604	-	13	2,157	6,012
Recognized on adoption of IFRS 16 Leases	-	-	45	-	-	45
Cash flows	-821	2,290	-5	1,182	1,499	4,145
Foreign exchange adjustments	1	-	-	1	7	9
New leases	-	-	1	-	-	1
Non-cash interest expenses	-	33	-	-	-	33
Liabilities at December 31, 2019	1,418	3,927	41	1,196	3,663	10,245

* In 2019 a loss of DKK 20 million related to the repurchase of the 2017 bonds is recognized in financial items. Please refer to the cash flow statement for a specification of the cash flows related to the issue and repurchase of bonds in 2019.

18 Accounting policies

The financial statements of the parent company, GN Store Nord A/S have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports of listed companies. The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of certain financial instruments (including derivative financial instruments) at fair value.

The accounting policies for the financial statements of the parent company have been changed in line with the changes to accounting policies described in note 1.1 in the consolidated financial statements. These changes have not had any material impact on recognition and measurement in the parent company. Apart from the above-mentioned changes the accounting policies for the financial statements of the parent company are unchanged from the last financial year and are the same as for the consolidated financial statements with the following additions:

Supplementary accounting policies for the parent company

Investments in subsidiaries

Revenue in the parent company primarily relates to services rendered to GN Group companies during the year.

Investments in subsidiaries are accounted for using the equity method whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the share of the subsidiaries net assets. The share of the subsidiaries profit or loss, less unrealized intra-Group profits, is included in the income statement of the parent company and the share of the subsidiaries other comprehensive income is included in other comprehensive income of the parent company. Received dividends reduce the carrying amount of the investments in subsidiaries.

To the extent net profit in subsidiaries exceeds declared or proposed dividends from such companies, net revaluation of investments in subsidiaries is transferred to Net revaluation reserve under Equity according to the equity method.

Management's report for the GN Parent company

The GN Parent Company reports GN Corporate level activities and investments into GN Hearing and GN Audio. Revenue in 2020 grew DKK 98 million (2019: DKK 96 million), primarily due to changes in the Group Functions. Costs increased during the year due to increased activities related to research initiatives at Corporate level and changes in the Group Functions. The GN Parent Company applies the equity method for recognizing share of profit and investments in subsidiaries and profit for the year and total equity developed in line with the Group's overall development. In 2020 cash flow from operations was positively impacted by dividends received in the total amount of DKK 2,000 million (2019: DKK 2,000 million).

Statement by the Executive Management and the Board of Directors

Today, the Executive Management and the Board of Directors have discussed and approved the GN Store Nord Annual Report 2020.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the group and the parent company at 31 December 2020 and of the results of the group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2020.

Further, in our opinion, the Management's report gives a fair review of the development in the group's and the parent company's activities and financial matters, results of operations, cash flows and financial position as well as a description of material risks and uncertainties that the group and the parent company face.

In our opinion, the Annual Report of GN Store Nord A/S for the financial year 1 January to 31 December 2020 with the file name GNST-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

We recommend that the annual report be approved at the Annual General Meeting.

Ballerup, February 11, 2021

Executive Management

René Svendsen-Tune

CEO, GN Store Nord
& GN Audio

Gitte Pugholm Aabo

CEO, GN Hearing

Peter la Cour Gormsen

CFO, GN Store Nord
& GN Audio

Board of Directors

Per Wold-Olsen

Chairman

Jukka Pekka Pertola

Deputy chairman

Hélène Barnekow

Montserrat Maresch Pascual

Wolfgang Reim

Ronica Wang

Anette Weber

Morten Andersen

Leo Larsen

Marcus Stuhr Perathoner

Independent Auditor's Reports

To the shareholders of GN Store Nord A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements and Parent Company Financial Statements of GN Store Nord A/S for the financial year 1 January to 31 December 2020, pp 56-127 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of GN Store Nord A/S on 21 March 2019 for the financial year 2019. We have been reappointed in 2020 by shareholder resolution for a total period of uninterrupted engagement of two years including the financial year 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2020. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Pre-paid discounts and dispenser loans (financial support arrangements)</i></p> <p>The Group provides financial support arrangements to certain of its customers, primarily in the US. The financial support consists of providing pre-paid discounts and loans (dispenser loans).</p> <p>The financial support arrangements are complex due the multiple and complex contract elements where the accounting treatment and assessment of the recoverability includes judgements and assumptions.</p> <p>We focused on this area because of the significant impact on the Consolidated Financial Statements and the multiple and complex contract elements in the arrangements.</p> <p>Refer to note 3.5 in the Consolidated Financial Statements.</p>	<p>We assessed whether the Group's accounting policies are in accordance with IFRS.</p> <p>We selected a sample of contracts related to financial support arrangements and evaluated classification of the individual elements of the contracts.</p> <p>We examined the principles for recognition and valuation of loans and pre-paid discounts by obtaining external confirmations of outstanding balances. We examined the principles for amortisation of pre-paid discounts and recalculated the amortisation schedule.</p> <p>We evaluated and challenged Management's assessment of valuation and impairment of financial support arrangements based on an assessment of recoverability and history of payments.</p>
<p><i>Capitalisation and valuation of development costs</i></p> <p>The Group capitalises development costs within both the hearing and audio segment when certain criteria according to IFRS are met.</p> <p>The criteria for recognition and measurement of development costs is subject to Management's judgement and assumptions, which is uncertain by nature.</p> <p>Completed development projects are assessed quarterly for impairment indications. For in-progress development projects impairment tests are performed quarterly. The impairment tests are based on strategy plan approved by Management and value-in-use calculations based on expected future cash flows.</p> <p>We focused on this area because the criteria for recognition and measurement of development projects are subject to Management judgements and assumptions.</p> <p>Refer to note 3.1 in the Consolidated Financial Statements.</p>	<p>We assessed whether the Group's accounting policies are in accordance with IFRS.</p> <p>We selected a sample of in-progress development projects and considered whether all criteria described in IFRS were met as basis for capitalisation. We assessed relevant internal controls and performed substantive audit procedures to verify capitalised amounts.</p> <p>We evaluated and challenged Management's assessment of impairment indicators of completed development projects based on the commercial prospects of the projects.</p> <p>For in-progress development projects, we challenged the key assumptions applied in the value-in-use calculations. Our work was based on our understanding of the business cases and key assumptions applied. We challenged whether the intent to finalise the projects remain and whether the projects are expected to generate future economic benefits exceeding the carrying values.</p>

Statement on Management's Report

Management is responsible for Management's Report, pp 1-55.

Our opinion on the Financial Statements does not cover Management's Report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Report and, in doing so, consider whether Management's Report is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Report includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Report is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Report.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements. As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the Annual Report of GN Store Nord A/S for the financial year 1 January to 31 December 2020 with the file name GNST-2020-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the Annual Report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an Annual Report that complies with the ESEF Regulation. This responsibility includes:

- The preparation of the Annual Report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an Annual Report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the Annual Report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the Annual Report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the Annual Report of GN Store Nord A/S for the financial year 1 January to 31 December 2020 with the file name GNST-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 11 February 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no 3377 1231

Mogens Nørgaard Mogensen
State Authorised Public Accountant
mne21404

Mads Melgaard
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