

Interim Report Q1 2020: GN delivers 3% organic revenue growth with EBITA of DKK 300 million

- *GN impacted at three levels from COVID-19, therefore guidance was withdrawn on April 3, 2020*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

-- GN Store Nord

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

-- GN Hearing

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

-- GN Audio

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



Quotes from executive management

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

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

Marcus Desimoni, CFO of GN Store Nord, comments: *“We face the current adverse market conditions with a very sound balance sheet and ample sources of liquidity. As such, we have a solid foundation to face the financial challenges ahead of us.”*

Financial highlights Q1 2020:

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

Financial guidance for 2020

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

Teleconference

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



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About GN Group

The GN Group enables people to Hear More, Do More and Be More through its intelligent hearing, audio and video collaboration solutions. Inspired by people and driven by our innovation leadership, we leverage technological synergies between our hearing and audio divisions to deliver unique and increasingly individualized user experiences in our products and solutions.

150 years ago, GN was founded with a truly innovative and global mindset. Today, we honor that legacy with world-leading expertise in the human ear, sound and video processing, wireless technology, miniaturization and collaborations with leading technology partners. GN's solutions are marketed by the brands ReSound, Beltone, Interton, Jabra, BlueParrott and FalCom in 100 countries. Founded in 1869, the GN Group employs 6,500 people and is listed on Nasdaq Copenhagen (GN.CO).

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