Innovation inspired by people

GN Store Nord A/S • Annual Report 2019

GN Making Life Sound Better
FOR 150 YEARS

Contents

Management's report

Financial statements

Our 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

Innovation inspired by people

GN has successfully delivered on its 2017 – 2019 strategy. Our strategy for 2020 and beyond continues to utilize GN's core strengths to help people Hear More, Do More and Be More. We now stand ready to further leverage our market access and cutting-edge audio and hearing technology for targeted segments

Strategy review 2017 – 2019
Over the past three years GN has delivered exceptional financial results. The group has grown by 45%, helping millions of people better communicate and connect with our innovative audio and hearing products and solutions. Our relentless focus on commercializing cutting-edge audio and hearing innovation, our lean business model and our dedicated partnership philosophy have delivered significant shareholder returns over these three years: DKK 4 billion delivered to our owners in dividend and share buy-back programs and a share price increase from DKK 146 at the beginning of 2017 to DKK 313 by year-end 2019.

These results were driven by our execution power and strategic focus on innovation, commercial and people excellence, which continue to be the DNA of our strategy.

Setting new standards in hearing solutions
In this period, GN launched two comprehensive hearing solution platforms that set new benchmarks in helping people with hearing loss communicate and connect with the world around them. In 2017, ReSound LiNX 3D broke new barriers in providing natural sound and seamless connectivity, including a new hearing care solution with remote fine-tuning. In 2018, ReSound LiNX Quattro offered another step up in sound quality and connectivity, and we introduced the world's most advanced rechargeable product solution. GN's new technology paved the way for a partnership with Google, ensuring direct streaming also from Android devices – equal to what GN's hearing aids have been able to do with Apple devices since 2014. Further, GN and Cochlear, the global leader in implantable hearing solutions, entered into a new agreement to significantly expand our Smart Hearing Alliance, including joint research and development, shared technology and strengthened global commercial collaboration.

Solidifying global leadership in audio
The innovation and commercial drive in GN's audio division has been impressive throughout the strategy period. We have developed world-class and highly relevant product families for businesses and individual consumers alike. In the enterprise segment, GN has solidified its position as the undisputed global leader in Unified Communications headset and speaker solutions with the Jabra Evolve and Speak series. In the call-center segment, the Jabra Engage family set new standards for call quality, security, and the number of staff who can simultaneously use them. In the consumer space, GN has transformed its product portfolio to the large and fast growing true-wireless segment with the award-winning Jabra Elite series. This has helped propel the Jabra brand into world-wide recognition among professionals and consumers, and with exceptional revenue growth rates.

Focused M&A supported the strategy
In line with our strategy, GN made several important M&A transactions. In GN Hearing, we acquired the Audigy Group and leveraged this across our global commercial hearing organization to refine its support of hearing care professionals. We divested Otometrics to further strengthen GN Hearing's focus as a dedicated hearing instrument company.

In GN Audio, we acquired VXi along with the BlueParrott brand, strengthening GN Audio's North American footprint and adding unique technology for communication in high noise environments. Another important technology investment was audEERING, a German innovation leader in AI-based sound-scape and voice analyses. In 2019, we acquired Altia Systems, the PanaCast premium video communications technology. In June 2019, the first Jabra PanaCast was launched globally, providing companies with the world's first AI-enabled Panoramic-4K Plug-and-Play video solution.

These transactions expanded GN's portfolio and strengthened the foundation for future growth by broadening and deepening our market and channel access, and by supporting our innovation and commercial capabilities.

GN's updated strategy builds on our solid foundation
GN's results in recent years are a testament to the successful transformation to an innovative high-growth company in attractive segments with high entry barriers. The turn-around years are well behind us and the company will continue with its strategic focus on commercializing innovation based on our core digital sound and visual processing competencies.

Going forward, we will further expand the reach of our competencies, utilizing our unique channel and market access and our proven growth model. We see exciting opportunities in further leveraging our combined audio and hearing technology expertise to the benefit of even more people around the world, allowing the to Hear More, Do More and Be More.

Going forward, GN Hearing sees much unmet need where we can help more people. In recent years, GN's innovative technology has brought hearing instruments far with our leadership in connectivity and sound. However, we still see a general industry concern that too many hearing aids end up in people's drawers and not on their ears.

New individualized hearing solutions will aim at reaching people who otherwise would not consider buying a hearing aid. Only one in five people who could benefit from hearing improvement actually wears hearing aids. New studies have linked untreated hearing loss to diminished psychological and overall health, reduced job performance, and even increased risk of dementia. We have an obligation to utilize our technology and insights in user-experience to battle the low adoption rate and reach many more people around the world. Such new solutions could benefit not only people with hearing loss, but anybody who struggles with communication in noisy environments in our increasingly urban lifestyle.

Over the past ten years, we as consumers have grown accustomed to being able to easily adopt new consumer technology. Apple has been a front runner in making user manuals redundant. We see great opportunities in making hearing aids more individualized and easier to use. Going forward, we will utilize consumer insights, artificial intelligence and other technologies to harness the strength of the human brain and integrate the best technology solutions to enhance the hearing experience.

Going forward, GN Audio sees great opportunities by broadening GN's reach with existing expertise, existing channels and existing and new eco-systems. Over the past few years, the organization has successfully identified new growth areas, where GN could apply its particular expertise or access to win in the market. Capturing the Unified Communications market early was one such example. Another was our timely, high-quality entry into the true-wireless market, and recently with Jabra PanaCast video we have latched onto yet another, related high-growth market segment. Our ability to identify key shifts in technology use and adoption, and subsequently deliver relevant products is instrumental for GN to continue to maintain attractive growth rates in the audio and collaboration business.

GN has benefitted for years from synergies between its core audio and hearing technologies. With an increased focus on delivering individualized user experiences in both hearing and audio products, additional opportunities for technology and commercial synergies are materializing. Earlier this year, GN Audio announced the MySound headset technology, which enables users to optimize their audio experience based on their personal hearing profile - an innovative hearing test feature built upon GN's hearing know-how and technology. It is possible that such combined audio and hearing technologies will be beneficial in a regulated over-the-counter category of hearing aids that U.S. authorities are contemplating.

Focusing on our core business areas – and reaching new audiences and growth areas, where we can be successful with commercialization of cutting-edge innovation – is what will enable GN to continue to deliver attractive growth in the years ahead.

As has been emphasized in connection with GN's 150-year anniversary, GN has prospered through many political, technological and other disruptions since our inauguration in 1869. The world will continue to be unpredictable and disruptive. Currently, many are concerned about Brexit, tariff and trade wars, climate change, industry disruption and more. GN will, as in the past 150 years, navigate successfully through any troubled waters.

We see a future where consumers will value empowerment and individualized user experiences. Consumers will seek out products that help them undergo positive transformations, acquire new skills, adapt, be resilient, and be more productive. In the "No Age Society", consumers will look for brands that will help them stay active, engaged, and in the workforce for longer. Digitalization, advanced analytics, artificial intelligence and other advanced technologies will allow GN to address those demands in new and as yet unknown ways. Therefore, at GN, we will excel in innovation inspired by people with the aim to deliver truly new user experiences.

Our employees and leaders have delivered outstanding performance in 2019 as well as during the 2017 – 2019 strategy period. On behalf of GN's Board of Directors, I wish to thank them all for their hard work and dedicated efforts to make a real difference for our customers around the world.

Per Wold-Olsen, Chairman of the Board

2019 highlights

Revenue (DKK)

12.6bn

+15% organic growth vs 2018

EBITA (DKK)

2.3bn

+19% vs 2018

Cash conversion

56%

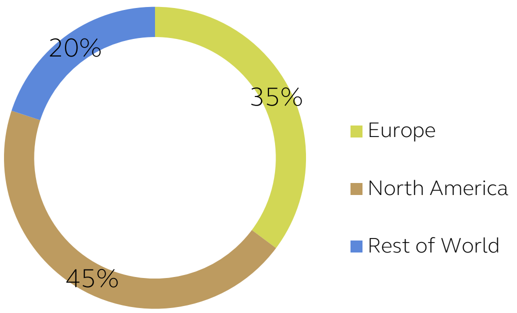
in line with industry peers

Shareholder returns (DKK)

1.4bn

via share-buybacks and dividends

Revenue split by region



Earnings per share (DKK)

11.12

+20% vs 2018

Consolidated financial highlights

DKK million	2015	2016	2017	2018	2019
GN Hearing					
Revenue	4,526	5,156	5,615	5,833	6,351
Revenue growth	16%	14%	9%	4%	9%
Organic growth	9%	6%	6%	7%	7%
Gross profit margin	67.4%	69.0%	69.4%	69.2%	69.0%
EBITA*	921	1,062	1,153	1,194	1,284
EBITA margin*	20.3%	20.6%	20.5%	20.5%	20.2%
ROIC (EBITA*/Average invested capital)	16%	17%	18%	19%	19%
Free cash flow excl. company acquisitions and divestments	456	704	866	574	672
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA*)	50%	66%	75%	48%	52%
GN Audio					
Revenue	3,229	3,495	3,970	4,774	6,223
Revenue growth	12%	8%	14%	20%	30%
Organic growth	2%	7%	10%	21%	26%
Gross profit margin	52.6%	52.7%	53.2%	53.2%	51.5%
EBITA*	540	597	721	905	1,192
EBITA margin*	16.7%	17.1%	18.2%	19.0%	19.2%
ROIC (EBITA*/Average invested capital)	47%	41%	46%	59%	57%
Free cash flow excl. company acquisitions and divestments	271	523	481	798	849
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA*)	50%	88%	67%	88%	71%
GN Store Nord					
Revenue	7,755	8,651	9,585	10,607	12,574
Revenue growth	15%	12%	11%	11%	19%
Organic growth	6%	6%	8%	13%	15%
Gross profit margin	61.2%	62.4%	62.7%	62.0%	60.3%
EBITA*	1,383	1,583	1,744	1,956	2,321
EBITA margin*	17.8%	18.3%	18.2%	18.4%	18.5%
Operating profit (loss)	1,149	1,445	1,558	1,796	2,002
Financial items, net	(138)	(52)	(60)	(203)	(92)
Profit (loss) before tax	1,016	1,395	1,504	1,606	1,913
Effective tax rate	26.5%	22.2%	25.4%	22.4%	23.3%
Profit (loss) for the year	747	1,086	1,122	1,247	1,468
Total assets	11,176	12,835	11,737	13,017	16,683
Total equity	5,764	5,620	4,783	5,096	4,849
ROIC (EBITA*/Average invested capital)	20%	20%	21%	24%	25%
Earnings per share, basic (EPS)	4.79	7.34	8.07	9.25	11.12
Earnings per share, fully diluted (EPS diluted)	4.77	7.32	8.02	9.13	10.98
Investments in property, plant and equipment	(171)	(106)	(103)	(160)	(232)
Free cash flow excl. company acquisitions and divestments	607	1,179	1,134	1,110	1,296
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA*)	44%	74%	65%	57%	56%
Equity ratio	51.6%	43.8%	40.8%	39.1%	29.1%
Net interest-bearing debt	2,212	3,377	3,035	3,234	5,303
Net interest-bearing debt (period-end)/EBITDA	1.4	1.9	1.6	1.5	2.0
Payout ratio	20%	16%	16%	16%	14%
Share buybacks**	1,162	1,272	1,372	1,061	1,626
Outstanding shares, end of period (thousand)	152,254	143,471	136,443	132,576	128,952
Average number of outstanding shares (thousand)	156,013	147,967	138,980	134,114	130,762
Average number of outstanding shares, fully diluted (thousand)	156,734	148,361	139,968	135,864	132,367
Treasury shares, end of period (thousand)	9,937	11,317	9,241	13,108	13,316
Share price at the end of the period	125.3	146.3	200.5	243.3	313.3
Market capitalization	19,032	20,990	27,357	32,256	40,401

* Please refer to Key Ratio Definitions on page 115 for definition of EBITA

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

Note: 2015 - 2018 are not adjusted for changes related to IFRS 16 and 2015 - 2017 are not adjusted for changes related to IFRS 9 and IFRS 15

Group performance 2019

GN Store Nord delivered strong growth across the company in 2019. Organic revenue growth was 15%, while EBITA increased 19% based on strong execution in both GN Hearing and GN Audio. EPS increased 20% in 2019. With the updated strategy in place, GN is well positioned for 2020 and beyond

Revenue

In 2019, GN Store Nord increased revenue by 19% to DKK 12,574 million compared to DKK 10,607 million in 2018. Organic revenue growth was 15%, compared to 13% in 2018. The foreign exchange contribution was around 3% and M&A contribution was around 1%. The solid growth reflects a strong development in both GN Hearing and GN Audio, driven by innovative product portfolios and strong commercial execution.

EBITA

GN increased EBITA to DKK 2,321 million in 2019, which was 19% higher than DKK 1,956 million in 2018. GN's earnings improvement reflects the strong revenue development and was achieved on top of significant investments made in future growth opportunities and ongoing infrastructure investments. The EBITA margin was 18.5%, compared to 18.4% in 2018.

Net profit

Amortization and impairment of acquired intangible assets was DKK (298) million in 2019, compared to DKK (155) million in 2018. The increase was mainly driven by the acquisition of Altia Systems and an impairment loss in Beltone retail in relation to the ongoing optimization of the portfolio.

Financial items were DKK (92) million, compared to DKK (203) million in 2018. The decrease in financial items was largely driven by a realized gain on the sale of a non-controlling ownership interest as well as a fair value adjustment related to an existing ownership interest.

The effective tax rate was 23%, while the net profit reached DKK 1,468 million, compared to DKK 1,247 million in 2018, translating into an increase of 18%.

Other performance indicators

GN continues to have a strict focus on cash flow generation. Free cash flow excl. M&A increased 17% to DKK 1,296 million, equal to a cash conversion of 56% for the Group.

Earnings per share (EPS) increased 20% to DKK 11.12, compared to DKK 9.25 in 2018. The strong growth in EPS reflects the strong increase in net profits.

The return on invested capital (ROIC) increased to 25% in 2019, compared to 24% in 2018.

By the end of 2019, equity in GN Store Nord amounted to DKK 4,849 million, compared to DKK 5,096 million in 2018. The decrease is primarily driven by the significant amount of

Financial overview 2019

	GN Hearing			GN Audio			Group total*		
DKK million	2019	2018	Growth	2019	2018	Growth	2019	2018	Growth
Revenue	**6,351**	**5,833**	**9%**	**6,223**	**4,774**	**30%**	**12,574**	**10,607**	**19%**
Organic growth	*7%*	*7%*		*26%*	*21%*		*15%*	*13%*	
Gross profit	**4,380**	**4,034**	**9%**	**3,202**	**2,540**	**26%**	**7,582**	**6,574**	**15%**
Gross margin	*69.0%*	*69.2%*	*(0.2)%p*	*51.5%*	*53.2%*	*(1.7)%p*	*60.3%*	*62.0%*	*(1.7)%p*
EBITA	**1,284**	**1,194**	**8%**	**1,192**	**905**	**32%**	**2,321**	**1,956**	**19%**
EBITA margin	*20.2%*	*20.5%*	*(0.3)%p*	*19.2%*	*19.0%*	*+0.2%p*	*18.5%*	*18.4%*	*+0.1%p*
Earnings per share (EPS) - DKK							**11.12**	**9.25**	**20%**
Free cash flow, excluding M&A	672	574	17%	849	798	6%	1,296	1,110	17%

* Including "Other"

shareholder distribution on top of the significant increase in net profit.

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 2019, the net interest-bearing debt amounted to DKK 5,303 million, corresponding to 2.0 times EBITDA. Compared to the end of 2018, where the net interest-bearing debt amounted to DKK 3,234 million, the increase is among other driven by the implementation of IFRS 16 and the acquisition of Altia Systems.

Dividend and share buyback program
GN continued to return excess capital to shareholders on the back of the solid cash flow generation in 2019. GN distributed around DKK 1.4 billion to shareholders in 2019, hereof DKK 197 million as dividend and DKK 1,195 million as part of the share buyback program.

The current DKK 1,000 million share buyback program, which was initiated in May 2019, will be concluded no later than March 10, 2020. As part of the current capital structure policy, it is GN's ambition to continue to buy back shares in order to continue to focus on creating shareholder value, subject to approvals by Annual General Meetings.

The Board of Directors will propose to pay out DKK 1.45 per share in dividend for the fiscal year 2019 (equivalent to a total dividend of DKK 206 million), compared to DKK 1.35 per share last year and equivalent to an increase of 7%.

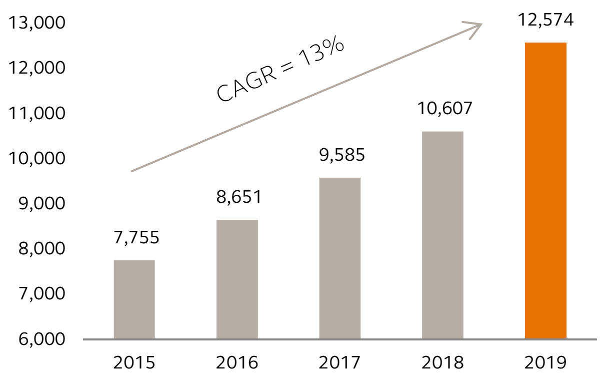
Convertible bond issuance
In May 2019, GN successfully placed a EUR 330 million zero-coupon convertible bond offering consisting of a Bond with Warrant Units. At the same time, GN successfully repurchased its original 2017 convertible bond. The EUR 330 million convertible bond was issued at a price of 101.26% with a five-year maturity and with a share price premium of 45%.

Eurobond issuance
In November 2019, GN successfully placed its first Eurobond issuance of an aggregate principal amount of EUR 220 million senior unsecured notes due 2023 under its newly established Euro Medium Term Note (EMTN) Program of up to EUR 1 billion. The net proceeds from the transaction is applied by GN for its general corporate purposes, including refinancing of other indebtedness, while respecting the group's unchanged long-term capital structure target. The notes were issued in early December 2019 at a price of 99.683% and with a fixed coupon of 0.750% per annum and is listed on Euronext Dublin.

Claim against Plantronics Inc.
In 2012, GN Audio filed suit against Plantronics for attempted monopolization of the distributors' market in the United States. On October 18, 2017, a jury in the Federal District Court of Delaware ruled in favor of Plantronics as the jury did not find that Plantronics' behavior in the market had been unlawful. GN appealed the ruling and won a re-trial in the US Court of Appeals for the Third Circuit on July 10, 2019. A subsequent petition by Plantronics for re-hearing of the appellate court decision was denied on August 8, 2019. GN is currently preparing the re-trial and the case is scheduled for trial in the Federal District Court of Delaware on May 29 - June 5, 2020.

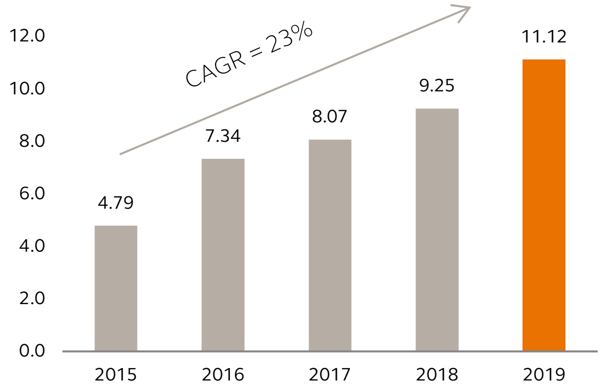
Revenue development

DKK million



EPS development

DKK



GN Hearing performance 2019

Strong performance by ReSound LiNX Quattro drove 7% organic revenue growth in 2019

Organic growth
7%

EBITA margin
20.2%

Market share gains
9 years
in a row

10%
of revenue re-invested in R&D

ReSound LiNX Quattro

Brilliant sound quality with unprecedented Layers of Sound and the world's most advanced rechargeable solution

Highlights 2019

- Organic revenue growth of 7% in 2019 in line with guidance
- EBITA increased 8% to DKK 1,284 million, equivalent to an EBITA margin of 20.2%, compared to 20.5% in 2018 and in line with guidance
- Free cash flow excl. M&A was DKK 672 million in 2019 (DKK 574 million in 2018), translating into a cash conversion of 52% compared to 48% in 2018

During 2019, GN Hearing continued to execute on the global rollout of the ReSound LiNX Quattro product family, including the launch of ReSound LiNX Quattro custom hearing aids. The new portfolio includes the world's first Completely-in-Canal (CIC) 2.4 GHz hearing aid with ear-to-ear connectivity and direct streaming to iOS and Android devices.

The revenue growth of 9% translated into an increase in EBITA of 8%, on top of increased R&D activity and ongoing infrastructure investments.

Revenue

GN Hearing delivered 7% organic revenue growth in 2019, which was in line with guidance. The foreign exchange development contributed positively with around 2%. Revenue growth was 9%. The revenue in 2019 reached DKK 6,351 million, compared to DKK 5,833 million in 2018.

All three regions contributed with impressive growth and market share gains throughout the year. In North America, GN Hearing continued to perform strongly across channels, negatively impacted by the loss of one larger customer in 2018. GN Hearing experienced strong organic revenue growth in the Veterans Affairs (VA) and continued to be the second largest manufacturer in this channel, testament to the strong product offering. GN Hearing saw continued strong growth in Europe, which was broad-based across channels and countries, but with particularly strong performance in Italy, Spain and the UK. In Rest of World, GN Hearing continued to deliver strong organic revenue growth across the board with particularly strong performance in Japan, China and India.

Aural Diversity

Bringing back music

For musicians with hearing loss, such as Andrew Hugill, a composer, writer and music professor with Ménière's Disease, a challenging form of hearing loss, a life without music was inconceivable. Being deprived from his passion for more than a decade gradually became a normality, until Andrew started using ReSound LiNX Quattro™ hearing aids. Being able to hear and compose music became conceivable again.

Andrew started a new journey with his hearing, performing and sharing his inspiration with other musicians. He created the unique Aural Diversity concept: a celebration of the fact that everybody hears differently, culminating in the first music concert of its kind in the world and academic conferences.

“Creating Aural Diversity feels like an exciting new chapter for me. It would not have been possible without being able to hear music again by wearing hearing aids.”
– Andrew Hugill.

Earnings and other financial highlights
GN Hearing's gross profit increased 9% to DKK 4,380 million in 2019 compared to DKK 4,034 million in 2018. The gross margin was 69.0%, which was slightly lower than in 2018 due to mix effects.

Operating expenses was DKK 3,100 million compared to DKK 2,840 million in 2018, corresponding to an increase of 9%. The increase in operating expenses is primarily related to increased R&D activity, ongoing infrastructure investments and the development in foreign exchange rates.

EBITA increased to DKK 1,284 million in 2019 from DKK 1,194 million in 2018, equal to an increase of 8%. The EBITA margin was 20.2%, in line with the guidance for the year and in line with 2018, excluding the changes in foreign exchange rates. This was achieved on top of increased R&D activity and ongoing infrastructure investments.

The return on invested capital (ROIC) was 19% in 2019 on par with 2018.

Free cash flow excl. M&A increased 17% to DKK 672 million in 2019, compared to DKK 574 million in 2018. The growth in free cash flow excl. M&A was driven by growth in operating cash flow as well as a stable development in net working capital, but to some extent off-set with the timing of corporate tax payments. The cash generation translates into a cash conversion of 52% compared to 48% in 2018.

Business highlights

ReSound LiNX Quattro
During 2019, GN Hearing continued to execute on the global roll-out of the world's first Premium-Plus category hearing aid: ReSound LiNX Quattro (and the corresponding Beltone Amaze), originally launched in late August 2018. ReSound LiNX Quattro offers a combination of benefits that no other hearing aids offer: a brilliant sound experience, with unprecedented Layers of Sound, and the world's most advanced rechargeable solution.

On August 30, 2019, GN Hearing launched ReSound LiNX Quattro custom hearing aids. The portfolio includes the world's first Completely-in-Canal (CIC) 2.4 GHz hearing aid with ear-to-ear connectivity and direct streaming to iOS and Android devices. Sitting subtly in the ear canal, the hearing aids present everything the industry-renowned ReSound LiNX Quattro technology has to offer.

In September 2019, GN Hearing and Cochlear, the global leader in implantable hearing solutions, together with Google, announced the world-first support for direct streaming from Android devices to hearing devices using Bluetooth® Low Energy (BLE). With BLE, people can use technology designed for streaming all day while preserving the battery life of their hearing devices, which is a challenge for the traditional Classic Bluetooth streaming currently available. With the official release of Android 10, Google Pixel phones were the first devices to support direct streaming; Samsung started to support Android 10 by the end of 2019 on new phones.

In October 2019, GN Hearing presented powerful proof of the excellent performance of ReSound LiNX Quattro at the 64th International Congress of Hearing Aid Acousticians (EUHA) in Nuremberg. ReSound LiNX Quattro was placed as a clear winner for sound quality in a survey of over 700 hearing care professionals. When comparing ReSound LiNX Quattro with other brands of premium hearing aids selected by the hearing care professionals, ReSound LiNX Quattro ranked as the preferred technology for sound quality, understanding speech in a noisy background, and localizing sounds, which continue to be the major drivers of satisfaction for hearing aid users. Moreover, ReSound LiNX Quattro was also ranked number one for speech in noise and music listening when streaming from an iPhone, compared to other hearing aids in an independent study.

Fortified position in Veterans Affairs
GN Hearing fortified its position as the second-largest supplier in the U.S. Veterans Affairs (VA) channel in 2019, which represents roughly 20% of the U.S. market. During the summer of 2019, a new five-year contract was signed with the VA allowing GN Hearing to continue to distribute ground-breaking products to American veterans.

Beltone network
During 2019, GN Hearing executed on several strategic initiatives to continue the turnaround of the North American Beltone network. Beltone is a strong and recognized brand in the U.S. 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 2019, a new Beltone leadership team was put in place with strong backgrounds in the hearing aid and MedTech industry. Moreover, additional initiatives were executed during the year, including upgrades to the practice management system as well as processes of driving more efficient commercial excellence through best practice sharing. Furthermore, GN Hearing optimized its "ownership in transition" portfolio of retail stores.

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 further expanded and deepened during 2019.

Recognizing the successful collaboration to date, Cochlear and GN Hearing strengthened their focus on integrated product offerings and expanded their global footprint and presence in the clinical hearing aid and implantable hearing solutions markets. The vision for collaboration includes a focus on fast-moving connectivity and wireless technology to allow for closer integration between Cochlear and GN Hearing technologies. The two companies leverage research and development investments to jointly develop firmware and software technologies.

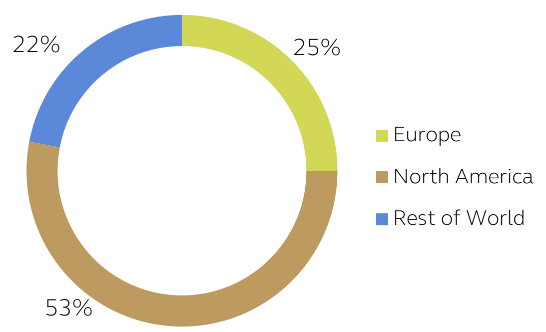
FalCom – first tender won
In early 2018, GN introduced FalCom, a revolutionary intelligent communication solution with unparalleled spatial hearing and noise management for defense and security forces.

In November 2019, GN won the first tender with an Australian Tactical Operations Unit with its FalCom communications solution. GN is currently preparing for several other tenders relevant for the FalCom solution in other NATO countries.

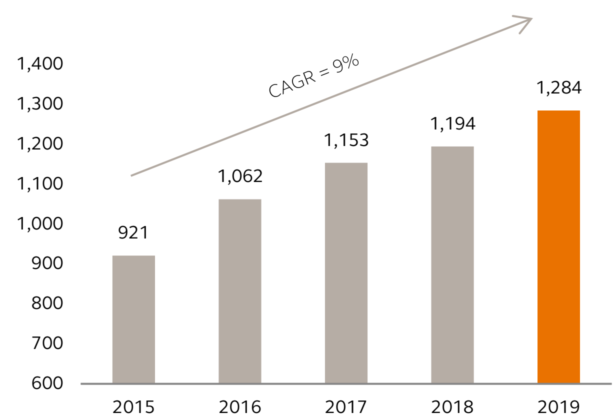
The pioneering and patented hearing protection solution – leveraging GN's unique leading audio and hearing technology competencies – offers the user a communication headset which is comfortable, highly durable and protects the user against high volume noise while allowing the user to clearly identify important sound in 360 degrees. This initiative is a successful result of corporate level investments made through GN's Strategy Committee to explore opportunities outside of, but related to, GN's existing core business areas.

Gitte Aabo appointed new CEO of GN Hearing
On September 20, 2019, GN appointed member of the Board of Directors of GN Store Nord, Gitte Aabo as new CEO of GN Hearing and member of GN Store Nord's Executive Management. Having joined GN Store Nord's Board in 2018, Gitte Aabo entered her new position with solid knowledge of GN Hearing's business. She brings extensive global leadership experience and extensive knowledge within international management, finance, IT, sales and marketing as well as deep insights into building digital communities. Most recently, Gitte served as CEO of one of the leading Danish pharmaceutical companies, LEO Pharma for 11 years. Gitte replaced Jakob Gudbrand, who resigned for personal and family reasons.

Revenue distribution



EBITA development
DKK million



Rowing past hearing challenges

"I can hear much more than ever before "

Rowing across 3,000 miles (4,800 km) of ocean in the Talisker Whisky Atlantic Challenge is a daunting prospect for anyone. More people have climbed Mount Everest than achieved this feat. The stakes are much higher if a rower has a profound hearing loss, due to the inability to hear conversations, instructions or bleeping equipment, and voices lost to the wind.

These facts did not deter Mo O'Brien as she became the first deaf person to row across the Atlantic Ocean with the Oarsome Foursome, sponsored by ReSound, and equipped with the latest ReSound superpower hearing aids.

GN Audio performance 2019

GN Audio's world-leading product portfolio and commercial execution drove an outstanding 26% organic revenue growth in 2019

Organic growth

26%

EBITA margin

19.2%

No 1

in Unified Communications

Cash conversion

71%

Fastest growing company

in the professional headset market

Highlights 2019

- Organic revenue growth of 26% in 2019 in line with guidance. Strong momentum across regions, channels and products
- EBITA increased 32% to DKK 1,192 million equivalent to an EBITA margin of 19.2%, compared to 19.0% and DKK 905 million in 2018. Excluding transaction related costs associated with the Altia acquisition, EBITA was DKK 1,244 million, equivalent to an EBITA margin of 20.0% - in line with guidance
- Free cash flow excl. M&A increased to DKK 849 million (DKK 798 million in 2018) equal to a cash conversion of 71%, compared to 88% in 2018

GN Audio continued the exceptional growth in both revenue and EBITA in 2019. The development was the result of a leading product portfolio and best-in-class commercial execution.

In the enterprise business targeting the global Call Center & Office (CC&O) market, GN Audio achieved exceptional organic revenue growth throughout 2019. This was particularly driven by the Unified Communication & Collaborations (UC&C) segment. GN Audio accelerated its market share gains driven by its leading product portfolio and continued strong execution across the organization.

The revenue growth of 30% translated into an increase in EBITA of 32%, reflecting continuous leverage in the business off-set by investments in future growth opportunities and transaction related costs.

Revenue

GN Audio delivered 26% organic revenue growth in 2019. This was in line with the updated financial guidance for 2019 of around 24% organic revenue growth. The foreign exchange rate development contributed positively with around 3% and the M&A contribution was around 1%. Revenue growth was 30%. The revenue in 2019 reached DKK 6,223 million, compared to DKK 4,774 million in 2018.

The continued strong growth reflects the strength of GN Audio's innovative world-leading product portfolio as well as strong execution on its commercial excellence initiatives across all three regions and across the call-centric, the UC&C

and the consumer categories. As a result of the strong performance and new products, GN Audio continues to strengthen its leading position across the attractive CC&O market. In the consumer segment, GN Audio delivered very strong organic revenue growth, driven by the highly successful Jabra Elite family, which continues to receive strong reviews and feedback.

Earnings and other financial highlights
In 2019, gross profit increased by 26% to DKK 3,202 million compared to DKK 2,540 million in 2018. The gross margin was 51.5% in 2019, which was below the level of 53.2% achieved in 2018, reflecting product mix, an adverse development in foreign exchange rates and the impact from tariffs in the last part of the year.

Operating expenses was DKK 2,003 million compared to DKK 1,635 million in 2018, corresponding to an increase of 23%. The increase in reported operating expenses was primarily related to investments in future growth opportunities, an adverse development in foreign exchange rates and transaction related costs associated with the Altia Systems acquisition. Operating expenses in percent of revenue decreased from 34.2% in 2018 to 32.2% in 2019 reflecting leverage in the business.

GN Audio's EBITA of DKK 1,192 million in 2019 represents an increase of 32%, compared to DKK 905 million in 2018. Excluding transaction related costs, EBITA increased 37%. The EBITA margin excluding transaction related costs associated with the Altia Systems acquisition thereby reached 20.0%, compared to 19.0% in 2018, thus in line with the financial guidance of "around 20%" for 2019. The strong development was achieved even on top of investments in future growth opportunities and an adverse development in foreign exchange rates.

The return on invested capital (ROIC) was 57% in 2019, compared to 59% in 2018 as a result of investments in growth and the development in foreign exchange rates.

Free cash flow excl. M&A increased 6% to DKK 849 million in 2019, compared to DKK 798 million in 2018 reflecting a significant growth in operating cash flows on top of the significant revenue growth impacting working capital and continued investments into the business. The strict focus on cash flow translated into a cash conversion of 71% compared to 88% in 2018.

Business highlights
During the year, GN Audio continued to invest in order to sustain attractive growth rates. Investments have been broad-based covering new innovative products, sales and marketing, including investments related to Altia Systems.

Jabra Evolve 65e
In March 2019, GN Audio launched the Jabra Evolve 65e – a second generation wireless earbud with UC-certification for professional sound on the go. The Jabra Evolve 65e is engineered to deliver professional, UC-certified sound and Skype for Business certification, ensuring that users enjoy crystal-clear call or music quality for work and life on the go. With a battery that supports up to eight hours of talk and up to 13 hours of music, the Jabra Evolve 65e is ideal for the mobile worker.

Jabra Elite product family
During 2019, GN Audio launched important additions to its consumer product family, Jabra Elite. The Elite family of headsets are engineered to deliver best in class voice and music performance. Elite leverages Jabra's technology leadership to capitalize on the trends of increasing importance of conversations and voice assistants.

In January 2019, Jabra announced the Jabra Elite 85h in connection with the annual consumer electronics show (CES) in Las Vegas. The headphones are engineered with Jabra SmartSound, based on audEERING context intelligence technology and include Active Noise Cancelation (ANC) and Jabra's HearThrough technology, which enables users to decide how much of the outside world penetrates through to the listener.

In September 2019, GN Audio presented its 4th generation true wireless earbuds with Jabra Elite 75t. Engineered to last longer and designed to fit even better, the Jabra Elite 75t pushes the limit for a true wireless product building on the strong success of Jabra Elite 65t. The Jabra Elite 75t offers up to 28 hours of battery life with the charging case and up to 7.5 hours without. The sleek design makes the Jabra Elite 75t ideal even for smaller ears, while the ergonomic shape makes them so comfortable users can enjoy their music and calls for extended periods of time.

Entering the video conferencing market with Jabra PanaCast
In February 2019, GN Audio announced a conditional agreement to acquire Altia Systems Inc. ("Altia Systems"). Altia Systems, based in Cupertino, California (USA), was a leading innovative developer of premium video communications solutions utilizing digital multi-camera array technology. In March 2019, all necessary conditions were met and GN Audio completed the acquisition of Altia Systems and immediately started the integration process.

With the acquisition of Altia Systems, GN Audio took a major step towards bringing to market best-in-class audiovisual systems to support plug-and-play video conferencing for the rapidly growing segment of small meeting rooms, so-called huddle-rooms.

Jabra PanaCast

Hear the full story. See the full picture.

Jabra PanaCast is engineered to be the world's first intelligent 180° Panoramic-4K plug-and-play video solution. This revolutionizes the way we meet and see each other in huddle rooms across the world. Using the camera that provides a more natural wider view of a small room with everyone in it can reduce air travel.

Inclusive meetings. Panoramic-4K video using three 13-megapixel cameras and patented real-time video stitching to give 180° coverage, for a more natural view of the huddle room. The perfect partner for rich Jabra Speak audio.

Intelligent video technology. Intelligent Zoom automatically includes everyone in the conversation, while Vivid HDR ensures the best video experience, even under widely varying lighting conditions.

Instant collaboration. Plug-and-play technology lets you collaborate with others quickly and easily, bringing hassle-free video and audio to your huddle room.

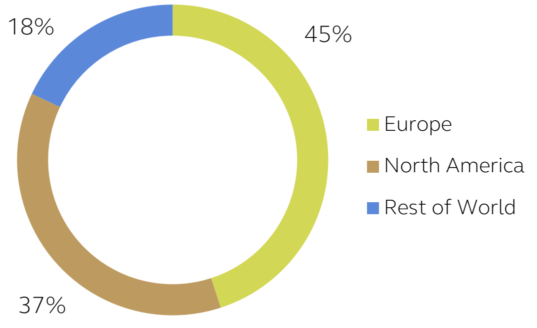
Versatile compatibility. Compatible with all leading video and audio-conferencing solutions. Certified for use with Microsoft Teams and works with Zoom, Cisco WebEx and many more.

In Q3 2019, GN Audio started shipment of Jabra PanaCast, the world's first smart 180-degree panoramic 4k-pixel plug-and-play video solution. Jabra PanaCast's leading-edge cameras and microphones, fourth-generation stitching technology and Intelligent Vision software work as one to ensure optimal performance. This real-time immersive intelligent vision system offers 180-degree panoramic vision which ensures everyone in the room is seen. Jabra PanaCast provides unique value for small meeting rooms (huddle rooms), delivering wall-to-wall video, audio and data, which is desired for modern video collaboration. Distributors and resellers have welcomed the new product offering from GN Audio and sell-in has been as expected.

During 2019, focus has been on integrating the new Cupertino-based team in GN Audio, while at the same time starting to commercialize the Jabra PanaCast by investing and training the channel. In 2019, Jabra PanaCast has contributed revenue of DKK 52 million, which is a result of servicing the immediate demand by distributors and early deployment.

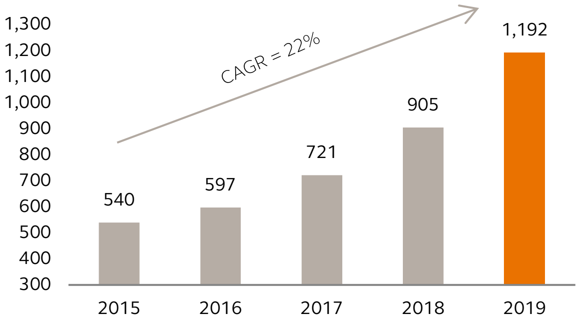
GN Audio expects the acquisition to be accretive to earnings in 2020.

Revenue distribution



EBITA development

DKK million



Enhancing customer satisfaction

The Jabra Engage Series

The Jabra Engage Series is engineered to enhance customer satisfaction setting new standards for call quality, security, and the number of staff who can simultaneously use them. As part of GN's enterprise business, the Jabra Engage Series is designed to suit the needs of call centric workers who talk and listen to customers on the phone.

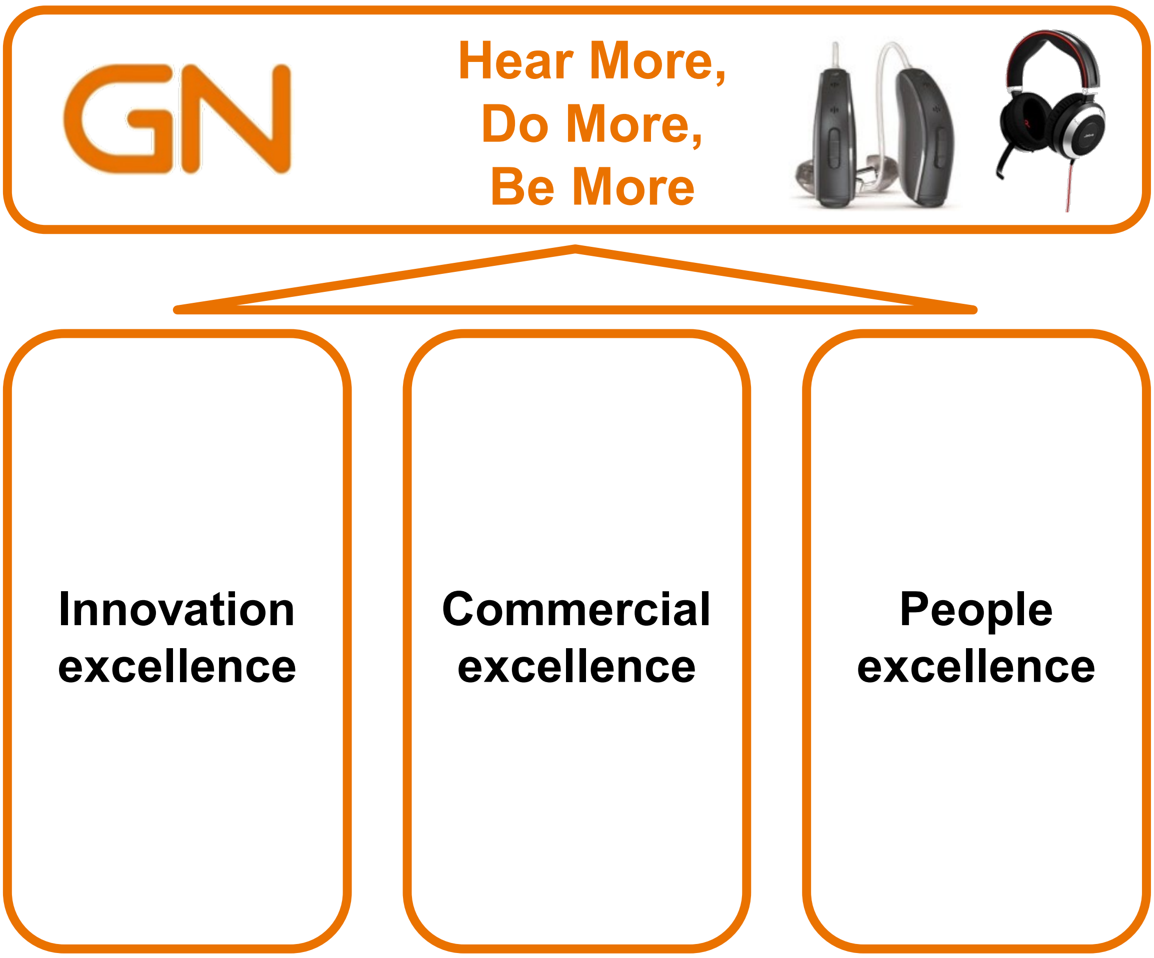
Every Jabra Engage Series product is optimized to drive customer satisfaction by delivering great-sounding calls, even in noisy work environments.

To reduce interruptions and enhance focus, every Jabra Engage product features integrated busy lights to ensure attention stays focused on the call at hand. Lightweight, ergonomic designs ensure the headsets are comfortable for intensive all-day wear and advanced noise-cancelling microphones and enhanced speakers deliver crystal-clear calls even in noisy offices.

The Jabra Engage Series gives users the freedom to take customers calls from multiple devices, as their workstyle demands.

2017 – 2019 in review

Reviewing performance and results delivered through the past strategy period.



2017 – 2019 highlights

Revenue growth

+45%

+13% CAGR

EBITA growth

+47%

+14% CAGR

Cash conversion

59%

EPS growth

+51%

+15% CAGR

Share price increase

+114%

+29% CAGR

Shareholder distribution

4.0

DKK billion

2017 - 2019 strategy review

By winning in the market through innovation, GN has successfully executed its 2017 – 2019 strategy and proven its ability to commercialize innovation

GN's 2017 – 2019 strategy has now been successfully executed. The financial and strategic goals set in 2016 have been more than achieved. This provides GN with a solid foundation for continued innovation and growth in the years to come, and we are now better positioned than ever before.

Reaching the financial goals 2017 - 2019

- GN grew revenues from DKK 8.7 billion to DKK 12.6 billion, equivalent to a CAGR of 13%
- GN Hearing delivered constant annual organic revenue growth at 6 - 7%
- GN Audio's annual organic revenue growth increased from 7% in 2016 to 26% in 2019.

- GN Hearing's EBITA margin was constant at 20-21%
- GN Audio's EBITA margin increased from 18.2% in 2017 to 19.2% in 2019. GN Audio's EBITA margin was 20.0% in 2019 excluding transaction related costs associated with the Altia acquisition.

- GN was able to generate DKK 3.5 billion in free cash-flow and an EPS increase of 51%, allowing the company to return DKK 4 billion to our owners in dividend and share buyback programs
- The share price increased from DKK 146 by the end of 2016 to DKK 313 by the end of 2019. This corresponds to an increase of 114%, compared to an increase of 23% in the Danish C25 index or 15% in the Stoxx Europe 600 index.

Reaching the business goals

GN's core technologies have over the past three years been further deepened and broadened to form a strong base for the products that were developed and launched during the strategy period and for products still in the pipeline.

GN developed and launched a series of innovative and market leading products during 2017 – 2019. From bottom left: ReSound LiNX Quattro in the rechargeable box, above this the ReSound LiNX 3D, and further above a line-up of custom-built hearing aids. In the next column at the bottom is the Jabra Evolve for versatile office use, and above this the Jabra Engage for call-center use. Further to the right from bottom up is the new Jabra PanaCast video conferencing solution, above this Jabra Elite 65t earbuds and top-right the Jabra Speak 710 conference speaker.

Innovative and leading hearing solutions

These advancements resulted in the development and launch of two new families of hearing aids that set new industry standards: The 5th generation 2.4 GHz wireless technology with ReSound LiNX 3D and the 6th generation ReSound LiNX Quattro with a brilliant sound experience and the world's most advanced rechargeable solution.

GN entered a new partnership with Google, which for the first time enabled direct streaming also from Android devices in the same way that GN since 2014 has offered stereo streaming and connectivity to hearing aid users with Apple devices.

Further, GN and the global leader in cochlear implants, Australian Cochlear, entered into a new agreement to significantly expand their collaboration, including joint research and development, shared technology and strengthened global commercial collaboration.

Intelligent audio and video collaboration technologies

Forefront innovation in GN's audio division resulted in world-class and highly relevant product families engineered for purpose to businesses and individual consumers alike.

In the office segment, GN solidified its position as undisputed leader in Unified Communications headset and speaker solutions. With the addition in 2019 of PanaCast's highly intelligent video collaboration solutions, this high growth segment saw the launch of the Jabra PanaCast combining the world's first AI-enabled intelligent panoramic video with GN's leading expertise in sound.

In the call-center segment, the Jabra Engage family set new standards for call quality, security, and the number of staff who can simultaneously use them.

In the consumer segment, GN focused its product portfolio on the fast growing true-wireless segment with award-winning products in the Jabra Elite series.

Commercial excellence

Both business divisions have invested in significantly transforming their commercial organizations, tools and execution.

GN Hearing has expanded commercial activities in particular in the United States, Japan, China, Italy, Spain and other core markets. Focus has been on expanding footprint in the independent market along with key accounts such as the Veterans Affairs, Costco, Amplifon, and others.

GN Audio has successfully continued its strong momentum in the enterprise segment, reflecting its strong product portfolio, execution of commercial excellence initiatives and tight collaboration with important eco-systems and channel partners, which has been further expanded. The consumer business has been successfully repositioned, and a focused retail channel and online strategy and its successful execution has supported extraordinarily high growth rates.

People excellence

A series of programs were initiated to strengthen execution, leadership and talent development.

An extensive strategic leadership program – Leading Strategy – was specifically designed for executing on GN's strategy. Throughout the strategy period 450 leaders have gone through the program, which combined leadership development with implementation of strategy.

Another critical element in fortifying GN's human resources infrastructure was the roll-out of professional and common HR and leadership processes throughout the group. These were supported by the successful implementation of a new best-in-class digitized Human Capital Management system.

Further, GN has developed a new reward framework to ensure the retention and attraction of the talents and competencies needed to drive continued growth and innovation - at the right cost for GN.

Additionally, to the new reward framework, GN also launched a renewed long-term share option-based incentive program, which covers members of the Executive Management and other employees in key positions. The purpose of the long-term incentive program is to drive growth, innovation and performance relative to peers, leading to sustainable long-term value creation. Thus, the program aligns the interests of program participants directly with the interests of the shareholders.

Important acquisitions and partnerships executed during the 2017 – 2019 strategy period

Acquisitions

May 2018

GN acquired a majority stake in Innova Telecom Pvt. Ltd. Innova had been distributing Jabra products in India for more than a decade. The company was re-named to Jabra Connect. This strategic acquisition strengthened Jabra's presence and helped expand its market share in India. Innova has seen growth rates significantly above the already high market growth in recent years, built upon its networks of partners and strong relations with customers.

June 2018

GN acquired a minority stake and established a strategic partnership with German audEERING, a company that aims to set global standards in AI-based soundscape and voice analyses. This includes automated recognition of emotional states as well as acoustic scene analysis in real time. Soundscape analyses and interpreting human emotions will play an increasingly important role in the intelligent audio solutions that GN develops. audEERING was founded in 2012 as a spin-off of the Technical University of Munich.

February 2019

GN acquired PanaCast (Altia Systems), a leading innovative developer of premium video communications solutions utilizing digital multi-camera array technology. This market is expected to grow significantly fueled by plug-and-play integrated audio and video Unified Communication & Collaboration solutions. The world's first smart Panoramic-4K Plug-and-Play video solution, Jabra PanaCast, was launched globally in August 2019.

Partnerships and collaborations

August 2018

GN and Google announced a technology partnership to enable a full spectrum of direct audio streaming from Android devices to hearing aids. In September 2019, this partnership – including Cochlear – launched the world's first direct Android streaming to hearing devices using Bluetooth Low Energy. This new direct streaming technology from compatible Android devices allows people to use their hearing devices like a headset to enjoy music, take calls and much more, while maximizing battery life.

October 2018

GN entered an innovation partnership with Red Bull Media House to develop a microphone engineered to perform in the most extreme environments for some of Red Bull's athlete projects. The Jabra X Mic delivers unprecedented levels of sonic intimacy, even in the windiest outdoor environments. The X Mic is not commercialized, but the technology and extreme testing benefits GN's other microphone development for commercial projects. The Red Bull partnership also provides value for Jabra's brand awareness and adds credibility to Jabra's brand story of Engineered for Purpose.

November 2018

GN and Cochlear, the global leader in implantable hearing solutions, signed a new agreement to significantly expand their Smart Hearing Alliance collaboration, originally established in 2015, to provide hearing aid and cochlear implant recipients access to the latest in connectivity and wireless technology. The deepening of this relationship includes joint research and development, shared technology and strengthened global commercial collaboration between Cochlear and GN.

GN strategy 2020 and beyond

GN will continue enabling people to Hear More, Do More and Be More, driven by innovation leadership and commercial & eco-system excellence.

Specifically, in the years ahead we will increasingly leverage synergies between both divisions at GN and drive growth by delivering uniquely and increasingly individualized customer experiences in our products and solutions

Taking customer experience to a new level

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

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

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

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

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

We see great opportunities to leverage the skill-sets in our two operating companies to drive further synergies and to become even more relevant to our customers. And we will add adjacent acquisitions where we see opportunities and synergies.

By doing this, and by doing this well, we aspire to continue our strong growth momentum in the years ahead.

Mid-term financial outlook

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

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

GN Hearing
In the mid-term, GN Hearing expects the global hearing aid market to continue to grow at around 4 - 6% in volumes with an ASP decline of around 1 - 2% annually. GN Hearing expects to continue to grow faster than the market and to achieve organic revenue growth above this level. Assuming a stable environment and stable currency exchange rates the expected organic revenue growth and operational leverage should lead to an EBITA margin of >20%, on top of investments in growth opportunities, as we operate in attractive markets.

GN Audio
In the mid-term, GN Audio expects its markets to continue to grow at around 10% in value when assuming a stable macro environment. GN Audio expects to continue to grow faster than the market and to achieve organic revenue growth above this level. Assuming a stable environment and stable currency exchange rates the expected organic revenue growth and operational leverage should lead to an EBITA margin of >20%, on top of investments in growth opportunities, as we operate in attractive markets.

GN Hearing strategy

Innovation leadership is at the core
Ever since the launch of ReSound Alera in 2010, the world's first 2.4 GHz hearing aid, GN has consistently set the technology benchmark in the hearing industry as regards to connectivity. We will continue and aspire to expand our technology leadership in the years to come as we continue our journey towards delivering more natural and individualized hearing to our users.

We set the bar high. A hearing loss is as personal as a fingerprint. In the years to come we will focus on delivering new technology to the market that provides targeted individualized hearing solutions.

Key business dynamics
A key challenge in the hearing industry is the low penetration rate. Only one in five people who could benefit from hearing improvement actually wears hearing aids. Stigma connected with hearing aids is often cited as a reason for the low penetration rate.

Since untreated hearing loss in scientific studies are clearly linked to diminished psychological and overall health, increased risk of dementia, and increased risk of falling, the low usage of hearing aids is a key challenge for the hearing aid industry and one that GN will embark on overcoming in the years ahead.

Battling the notion of stigma
GN believes that – despite recent years' great technological advances across the industry – a key reason for the low penetration in addition to stigma is poor user satisfaction. It is very challenging to get used to the sound in hearing aids, which is perceived as unnatural for most new hearing aid users. Add to this that modern hearing aids are quite complex to operate for the typical consumer, who is 70+ of age and can have other health challenges than hearing loss.

With our technology being inspired by people and driven by innovation, GN aims to ensure that every single hearing aid we build actually helps our customers live better lives and is simple to use, that no hearing aid should ever end up in frustrated users' drawers, and that the notion of stigma is replaced with users' joy of being able to Hear More, Do More and Be More.

Operational and commercial execution
GN has delivered strong results of the commercial excellence initiatives taken during the 2017 - 2019 strategy, and we believe that there is significant progress to be made from continuing the push on the commercial excellence flywheel.

With leading technology already in the market and a strong product pipeline, GN will continue its focus on delivering technology breakthroughs and improving commercial execution.

GN Audio strategy

Taking advantage of major technology shifts
A core element of the strategy for GN Audio is to maintain and further refine our ability to constantly identify relevant technology shifts, not only within communication but also with collaboration solutions in the enterprise segment. Consequently, we will enter new adjacent high-growth enterprise areas. GN Audio is well positioned in the growing segments of its markets, where companies seek to increase productivity.

Companies' and organization's transition from desk phones to Unified Communications (UC) has been ongoing for the past decade. GN early on identified this major technology shift within a vast market potential and entered the UC market early, where GN is now the world leader. This technology shift and our participation has driven significant growth for GN Audio. Many companies globally still operate traditional desk phones and this market segment is expected to continue to see healthy growth rates in a foreseeable future.

Companies also continue shifting technology from old wired audio-conferencing systems to portable plug & play solutions. Here, GN is also a major player. In video conferencing a similar technology shift from legacy systems to plug & play Unified Communication & Collaboration (UC&C) systems has just started to take off, not least spurred by increasing needs for remote collaboration out of small meeting rooms (huddle rooms), and a need for reduced travel due to efficiency gains, cost and climate considerations. With our investment in and launch of the Jabra PanaCast premium video communications technology, we are again early on entering into a new high-growth market segment driven by a technology shift.

In the consumer segment a rapid technology shift is taking place transitioning from wired to true wireless headsets. GN early on identified this shift and was able to capture high growth with high-quality true wireless earbuds engineered for specific purposes.

Businesses will continue to exploit such technology shifts to improve productivity and save cost. GN Audio will continue to utilize its proven formula to strengthen existing market positions and to identify when and which technology shifts to exploit to drive continued profitable growth. GN Audio's selection of opportunities will depend on where customers are willing and able to invest in technology shifts and where GN Audio have expertise and ability to capture meaningful share in targeted and profitable high-growth market segments.

Engineered for purpose
With its brand promise of 'engineered for purpose', GN Audio concentrates on world-class sound and video processing capability in combination with alliance partners in high growth eco-systems. Further honing its own innovation excellence and expanding integration with eco-system partners will allow GN Audio to deliver better customer experiences with better products, better services and higher value for the customer.

Future communication and collaboration solutions will increasingly provide individualized experiences, prompted by customer demand for tailor-made solutions and enabled by machine learning and AI-powered technologies. GN Audio will increase its focus and investments in new innovation to provide relevant products and solutions, via its own unique R&D capabilities as well as via partnerships and integration with an ever-increasing number of eco-systems.

Operational and commercial execution
Along with investing in technology leading products and solutions, GN Audio will continue to invest in strengthening and refining execution in manufacturing, logistics and go-to-market models to support scalable growth. GN Audio's success in recent years – on top of the ability to innovate relevant products for selected high-growth segments – is not least due to a tight and excellent operational and commercial execution model. Going forward, the company will continue investing in and refining this proven formula.

MySound

First step in future user experiences

GN will set new industry standards through best-in-class individualized customer experiences. This is not future talk, but within reach with present-day technology.

Combining GN's audio and hearing expertise, GN at the CES 2020 consumer electronics tradeshow in Las Vegas earlier this year announced the first such solution with two new audio products: the Jabra Elite Active 75t earbuds and Jabra Elite 45h head-phones.

These products will both feature the new MySound technology, developed by GN, which enables users to tailor an audio play-book based on their unique hearing profile, thus delivering a truly individualized audio experience.

Whilst these products are launched for the benefit of GN Audio's customers, it is based on an algorithm developed using GN Hearing's database of 85,000 hearing tests. This is just one example of how technology synergies are utilized across GN's two divisions – and going forward will be further leveraged to develop customer-driven individualized experience.

Financial outlook 2020

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, the group is well positioned for 2020 and beyond

The financial outlook for 2020 assumes continued strong profitable growth:

- For GN Hearing, organic revenue growth is expected to be more than 6% and the EBITA margin is expected to be more than 20%
- For GN Audio, organic revenue growth is expected to be more than 14% and the EBITA margin is expected to be more than 20%
- EBITA in "Other" is expected to be around DKK (185) million. GN will continue to actively research and explore future business opportunities leveraging the group's audio and hearing technologies and market access to add new supplementary growth areas
- In 2020, GN Store Nord targets an increase in earnings per share (EPS) of around 15%

The financial guidance does not include any impact from the Coronavirus outbreak. Based on our current knowledge we expect to see an impact on Q1 financials. Provided that the situation resolves during February, we assume to follow guidance for the rest of the year.

GN Hearing

Market projections
For the coming years, GN Hearing estimates the annual market growth to be around 4 - 6% in volumes with annual ASP decline of around 1 - 2%. For 2020 specifically, GN Hearing expects market growth to be within this range and to be broad-based across all the three regions: North America, Europe and Rest of World.

Financial guidance 2020
In 2020, GN Hearing expects to continue to grow faster than the market. Organic revenue growth is expected to be more than 6%, which is expected to be balanced towards the second half of 2020.

The EBITA margin is expected to be more than 20% in 2020, which is a combination of strong focus on cost items to drive leverage as well as continued focus on investing in growth opportunities, as we operate in attractive markets.

GN Audio

Market projections
GN Audio expects that the very favorable global enterprise (CC&O) market trend will continue in 2020, creating a solid foundation for continued strong performance.

GN Audio expects its markets to continue to grow at around 10% in value when assuming a stable macro environment.

Financial guidance 2020
In 2020, GN Audio expects to continue to grow faster than the market. Organic revenue growth is expected to be more than 14%, which is expected to be balanced towards the second half of 2020.

The EBITA margin is expected to be more than 20% in 2020, which is a combination of strong focus on cost items in order to drive leverage as well as making sure to invest in growth opportunities in line with the strategy, as we operate in attractive markets.

Financial guidance 2020*

	Organic revenue growth	EBITA margin	Growth in EPS
GN Hearing	>6%	>20%	
GN Audio	>14%	>20%	
Other (DKK million)		~ (185)	
GN Store Nord			~15%

* Based on foreign exchange rates as of February 1, 2020, and not including any impact from the Coronavirus outbreak.

Other activities and EPS

EBITA in “Other” is expected to be around DKK (185) million in 2020 (DKK (155) million in 2019).

GN will continue to actively research and explore external targeted business opportunities leveraging the group’s audio and hearing technologies and market access to add new supplementary growth areas, leveraging the core knowledge and competencies of the group.

GN Store Nord targets an increase in earnings per share (EPS) of around 15% in 2020.

Forward-looking statements
The forward-looking statements in this interim report reflect the management's current expectations of certain future events and financial results. Statements regarding the future are, naturally, subject to risks and uncertainties, which may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events, which may prove incorrect.

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

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.

The GN Group

Leveraging 150 years of technology and sound expertise to Make Life Sound Better

Serving attractive markets

As innovation leader within sound processing, mainly within hearing aids and enterprise and consumer headsets and solutions, GN operates across attractive consolidated industries and resilient markets with high barriers to entry

Innovation leadership and commercial excellence
In today's increasingly complex world, companies like GN contribute to multiple eco-systems where participants grow ever more dependent on each other, leading to ever increasing demands for focus, excellence and agility.

GN has for several years recognized this trend and has stayed true to its commitment to innovation leadership and commercial excellence across both of our businesses.

In GN we have relentless focus on what we wish to deliver to our eco-systems, 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, and recently also by acquiring Altia 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 growth and dynamics for 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 medium term. The global hearing aid market was estimated to around 16 million units in 2019.

The market is driven by continued shifts in demographics resulting in an increasingly elderly and more affluent population. Additionally, intensifying noise pollution drives the increased prevalence of hearing loss. In the hearing aid industry, the strongest user benefits are achieved through a successful eco-system delivering a combination of high-quality hearing aid hardware and solutions, as well as best-in-class service and support by the hearing care professionals (HCPs).

Market growth and dynamics for the audio business
In GN's audio and collaboration business external assessments of the global enterprise market (Contact Centers & Offices) forecast growth of 9 - 11% annually in the medium term. The global enterprise market is estimated to USD ~1.5 billion in 2019.

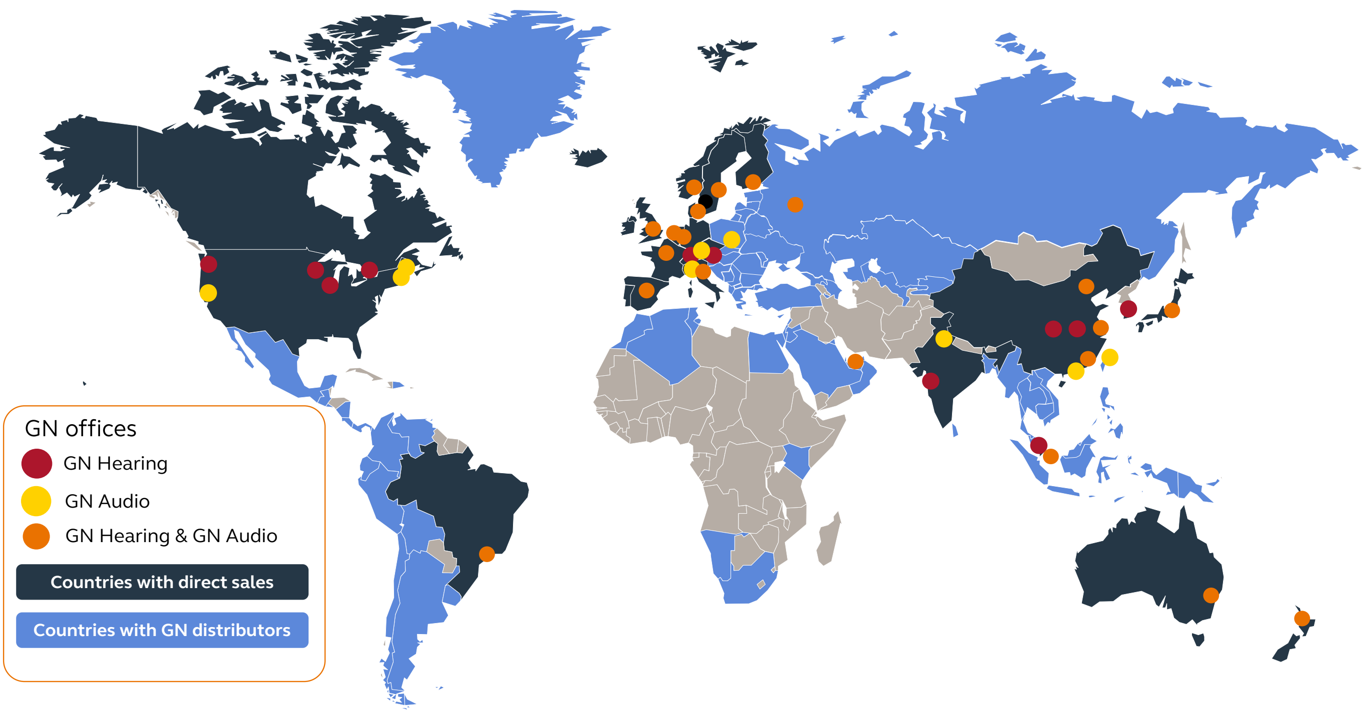
The enterprise market is driven by the continued transition from desk phones to Unified Communications systems. Companies around the world also continue transitioning technology from old wired audio-conferencing systems to portable plug & play solutions. In the wider collaboration space, video conferencing transitioning from legacy systems to plug & play systems have taken off.

The transitions are driven by attractive megatrends, including increased flexibility requirements by office-workers, demands for productivity of office workers, emerging focus on cloud-based solutions, as well as general technology improvements that makes the adoption of UC&C more seamless.

A significant part of our future growth is expected to come from the increased penetration of headsets, with only around 15% of global office workers having a headset today. Additionally, UC&C technology has the potential to reduce travel cost and the carbon footprint by the companies that adopt the technology.

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, user-friendly software and miniaturization.

In 2019, GN invested 9% of its revenue 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 products are mainly produced by carefully selected manufacturers in China, 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 products are sold via distributors and retailers in some 80 countries around the world. Logistics partners are responsible for optimizing lead-time to the final customer, delivering from three regional warehouses in the United States, the Netherlands and Hong Kong.

Business areas and brands

GN addresses medical, professional and consumer segments with solutions that improve quality of life, facilitate communication and enhance business and personal productivity. GN's brands are all based on the group's core engineering expertise and technologies

Unique engineering – all under one roof

Building on 150 years of know-how, GN's innovative products and solutions are based on the group's world-leading sound processing competencies, expertise in the human ear, wireless technology, power management and miniaturization – linking deep insight and knowledge from the hearing aid and the headset industries, all under one roof.

GN's engineering expertise and technologies span a wide range of disciplines, including acoustics, signal processing, neuroscience, human-computer interaction, artificial intelligence, audiology, and visual technologies.

Jabra

Founded in 1993, Jabra is GN's lead brand within professional and consumer headsets. Jabra provides the most technically advanced headset, speakerphone and audio-visual collaboration solutions – based on unique sound and visual capabilities and engineered to fit the purpose for which they will be used. In recent years, Jabra has fortified its position as 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 have in recent years set the standard in the true-wireless category. Jabra's range of products are avail-able in around 80 countries.

BlueParrott

Founded in 1989, BlueParrott has been producing industry-leading sound solutions for more than 30 years, serving the professional trucking community in the U.S. with the highest levels of noise cancellation, comfort and durability. BlueParrott provides unrivaled noise-cancelling headset technology and superior call quality in high-noise environments. Now, as part of GN, BlueParrott brings this expertise globally to a new collection of work settings, engineering headsets with features that will enhance productivity in professional locales that require more than a standard office.

Resound

Since 1943, ReSound has improved the quality of life for people with hearing loss. ReSound's innovative hearing solutions 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

Since 1940, Beltone has provided knowledge, tools, service and training to the professionals servicing people with hearing loss. 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 as a well-renowned hearing brand in the U.S. and also offered in many other countries.

Interton

Founded in 1962, Interton 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

Founded in 2004, Audigy is the hearing industry's preeminent, data-driven management group, representing 275 practices with 750 locations across North America. Audigy offers hearing care practitioners comprehensive data analytics, operations and business intelligence, digital marketing and website support, learning and development programs, HR and IT, and superior technology infrastructures.

FalCom

Founded in 2018, FalCom offers advanced communication and hearing protection solutions designed for defense and security forces.

Business model

GN's lean and agile 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.

Sustainability - ESG

GN's sustainability strategy is first and foremost driven by a desire to make real and lasting impact. Therefore, sustainability is integrated into how we run our company, as a consideration in every decision we make

Becoming a sustainable company is a journey of continuous improvement. Building on a strong track record and a rich 150-year history, this year marks several important milestones in our journey.

We have developed a sustainability framework that allows us to address environmental, social and governance topics (ESG) more proactively, taking inspiration from the United Nation's 17 Sustainable Development Goals.

Our approach to sustainability is driven by our desire to have real and lasting impact and is integrated into how we run our company, as a consideration in every decision we make. Accordingly, we have not set up a separate sustainability governance structure but use our existing business processes to drive this agenda.

We have defined three 'need to haves' when considering sustainability related changes to our products or processes:

1. We need to 'do the right thing', meaning any sustainability initiative has to contribute to achieving U.N.'s Sustainable Development Goals (SDGs)
2. Sustainability initiatives need to meet specific stakeholder demands, for example from our shareholders, customers, users or employees
3. Sustainability initiatives must fit into operational and budgetary limits

Through this process, we identified three focus themes:

1. Making Life Sound Better – our company purpose
2. Safe, sustainable and responsible products
3. Sustainable operations

Within and beyond the three focus themes, we drive continuous improvement in the following areas:

- Human rights across our supply chain
- Chemical and hazardous materials
- Diversity and inclusion
- Conflict minerals
- Occupational health and safety
- Data privacy
- Anti-corruption
- Talent and leadership development
- Philanthropy/giving back

Our commitment to Sustainable Development Goals

Our products allow you to Hear More, Do More and Be More, to lead a healthier and happier life. In our operations we avoid negative impacts on health through strict compliance with chemical, hazardous substance regulation.

3 GOOD HEALTH AND WELL-BEING

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.

5 GENDER EQUALITY

Driven by our commitment to UN Global Compact, we set high internal standards and strictly audit suppliers to ensure human and labor rights are protected at all time.

8 DECENT WORK AND ECONOMIC GROWTH

The dynamic industries in which we operate drive us to the leading edge of innovation, to develop products and services that meet society's future needs.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

We do business the right way. Through our policies and due diligence processes in conflict minerals, responsible sourcing and anti-corruption, we set high standards across our value chain.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Using our video conferencing is up to 92% more climate friendly than flying. In our operations, we strive to limit our carbon footprint too, through efficiency in manufacturing and distribution.

13 CLIMATE ACTION

Review GN's full Sustainability – ESG Report 2019

GN's separate Sustainability – ESG Report 2019 forms part of the management's report in this Annual Report 2019 and constitutes GN's corporate responsibility report according to Section 99a and 99b in the Danish Financial Statements Act.

The full report can be downloaded or reviewed at gn.com: https://www.gn.com/About/Document-download-center#!#responsibility

Risk management

Operating in business environments characterized by fast-paced innovation and change, our proactive and systematic approach to risk management is a valuable tool in our continuous efforts to stay on top of new developments and win in tomorrow's marketplace

New business risks are identified and assessed on a regular basis by key employees and management teams across the entire value chain.

The management teams in GN subsequently evaluate the most significant risks together in order to determine whether any additional or different actions should be taken to reduce them or potentially turn them into opportunities.

At least once a year, the risks assessed to be the most material to GN 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 on an ongoing basis and on different time horizons.

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.

Main risks associated with GN's businesses

Risk	Characteristics	Mitigating actions
A Research and development	With the rapid development of exciting new technologies, such as voice computing, artificial intelligence and 5G networks, 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 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 made further important improvements of our product innovation and development process during 2019. These improvements enable faster time-to-market as well as more efficiency, agility and adaptability to change during the development process, without compromising on our high-quality standards. During the past few years, we have also increasingly focused on exploring and leveraging the increasing and unique technology synergies between GN's audio and hearing divisions, to the benefit of the customers of both businesses.
B Operations	GN Hearing and GN Audio both rely on their global supply chains for the timely delivery of critical materials and components, which must meet our high-quality standards. Failure of key suppliers to provide agreed deliverables may negatively affect our ability to accommodate demand for GN products or result in safety issues. In addition, there is a risk that rising protectionist sentiment 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 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.
C Marketing and sales	**GN Hearing** GN Hearing generates a significant part of its revenue from partnerships with a number of leading channels who 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.	Our response to this risk is to work closely with our partners on continuously strengthening these partnerships and integrating our products and services in our partners' customer journey. Accordingly, we will stay focused on meeting the needs and demands of our partners and provide them with superior added benefits.

Contents ☰

Risk	Characteristics	Mitigating actions
C Marketing and sales (continued)	**GN Audio** GN Audio's enterprise business continued to deliver market leading double-digit organic revenue growth in 2019 and further consolidated its position as the world's leading supplier of intelligent audio solutions for office businesses. While attractive growth rates are also expected for the years to come, a global economic slowdown could potentially constrain the forecasted demand for consumer and professional headsets. In addition, the attractive growth rates also entail a risk that new competitors will enter the market and challenge 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. Today, GN Audio is much better positioned to withstand the effects of a potential economic slowdown than it was a decade ago. Today, the intelligent audio solutions of our enterprise business help companies realize efficiency gains and productivity enhancements, which is an attractive value proposition also in an economic downturn. Furthermore, the headsets from our consumer business address a strongly growing market, and due to our contract manufacturing model, we can adjust production volume on an ongoing basis to mitigate fluctuating demand.
D Regulatory risk	In the U.S. market for hearing aids, a new over-the-counter category is expected to be introduced by August 2020 at the latest. 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. New players may enter the market in this category, and we may see some downward pressure on prices.	A new regulated over-the counter hearing aid category in the U.S. could present a new opportunity to address potentially up to an estimated 40 million Americans that suffer from some degree of untreated hearing loss. Accordingly, GN views this as a potential opportunity rather than a threat to leverage its unique combination of competencies within medical devices and consumer electronics as a new regulated category might increase the addressable market size. Additionally, GN's focused business model as a dedicated wholesale manufacturer refraining from vertical 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. As FDA regulation is still pending, GN has not yet decided if and how to enter this potential market.

Risk	Characteristics	Mitigating actions
D Regulatory risk (continued)	Regulatory requirements concerning quality management systems and product safety of medical devices, including hearing aids and certain accessories, are increasing. 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. In May 2020, the transition period for the regulation expires, after which quality systems of all R&D and manufacturing sites must comply.	In 2019, 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 2020. 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 goes up.
E Intellectual property rights	As GN operates globally in highly innovative industries and with increased focus on connectivity and software, there is a risk that our freedom to operate is restrained by third-party patents, including patent hold-ups or hold-outs, preventing commercialization of certain products or solutions or forcing GN to pay royalty.	During 2019, GN continued to strengthen its patent portfolio and optimize key processes related to intellectual property rights. GN monitors third-party patent activities and from time to time 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.
F Information security	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.	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. During the past few years, GN has significantly strengthened its specific defenses in order to ensure that we stay on top of the constantly evolving threat landscape.

Risk	Characteristics	Mitigating actions
G 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 on an ongoing basis, 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 clearly defined HR strategy provides the foundation for successfully building strong leadership and talent across the organization to meet our objectives. During 2019, we further strengthened a dedicated talent acquisition team to increase our in-house search capability and to complement our rigorous talent review and succession planning process. We also continued to strengthen leadership development and strategic execution power through Leading Strategy, our focused leadership development program. By the end of 2019, all our global leaders at senior management positions have been enrolled in the program. In addition, a job catalogue with clear career paths for our employees has been introduced and a reward framework that will enable GN to attract and retain the right talent at the right cost is ready for deployment during 2020.

Risk	Characteristics	Mitigating actions

H

Financial risk

Characteristics

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.

GN's net interest-bearing debt increased during 2019 to DKK 5,303 million and NIBD/EBITDA ended at 2.0x. EBITDA increased significantly due to strong execution across the company, while the strong cash generation from operations was off-set by investments, dividend and the share buy-back program. In addition, there has been several one-time effects impacting NIBD, e.g. introduction of IFRS16, new issuance and subsequent buy back of the Bonds-with-Warrants units as well as M&A activity including the acquisition of Altia Systems.

GN's loans are long-term with maturities from 2020 to 2022 with variable interest based on short-term EURIBOR and CIBOR reference rates.

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

Currency	GN Hearing	GN Audio	GN Store Nord
USD	67	(35)	32
GBP	4	11	15
JPY	7	6	13
AUD	2	8	10

Mitigating actions

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 the cash-flow risk from rising interest rates on its variable debt, GN has concluded interest rate derivatives to swap a substantial proportion of the floating debt.

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.

In early 2019, 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 142 million on 31 December 2019.

In May 2019, GN decided to issue EUR 330 million of new Bond-with-Warrant units and has bought back all the outstanding Bond-with-Warrant units issued in 2017.

Additionally, GN has launched an uncommitted Euro Medium Term Note program ("EMTN") of up to EUR 1 billion and has issued its first senior unsecured bond of EUR 220 million under the program in December 2019.

Please refer to note 4.2 for further information about financial risks.

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 313.3 on December 31, 2019, which is equivalent to an increase of 29% compared to the end of 2018. In comparison, the C25 index increased 27%, while the Stoxx Europe 600 index increased 24%. The total market value of GN's shares, excluding treasury shares, was DKK 40 billion at the end of 2019.

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 and the Stoxx Europe Sustainability index.

Ownership

The GN stock is 100% free float, and the company has no dominant shareholders. GN has approximately 25,000 registered shareholders and foreign ownership is estimated to be around 70%.

The 10 largest registered shareholders held in total about 45% of the GN share capital at the end of 2019 (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)
- NN Group N.V. (Holland)

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, and there are no restrictions on ownership or voting rights.

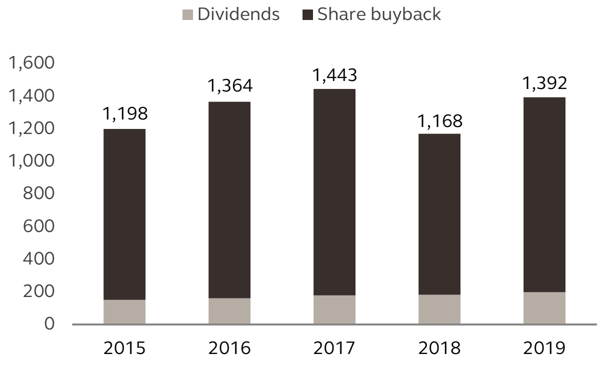
Treasury shares

On December 31, 2019, GN held 13,315,900 treasury shares corresponding to 9.4% of the share capital, and the value of the treasury shares was DKK 4.2 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.

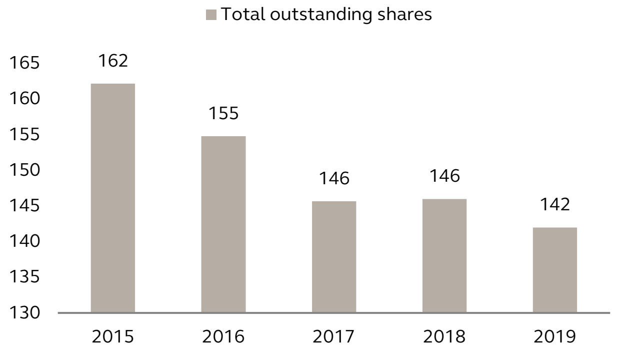
At the Annual General Meeting to be held on March 11, 2020, the Board of Directors will propose to reduce the company's share capital by canceling 4,171,390 shares equivalent to all treasury shares held today in excess of the shares needed to hedge future obligations of the convertible bond and 4,225,000 shares – which are held for hedging of long-term incentive programs.

Until the Annual General Meeting on March 11, 2020, 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.

Shareholder return distribution
(DKK million)



Development in total outstanding shares
(Million)



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.

At the Annual General Meeting on March 11, 2020, the Board of Directors will propose to pay out a total dividend of DKK 206 million (equivalent to DKK 1.45 per share and 14% of the 2019 net profit) in respect of the 2019 financial year, compared to DKK 197 million in 2018 (equivalent to DKK 1.35 per share and 16% of the 2018 net profit).

Incentive programs

By the end of 2019, the total number of outstanding warrants in GN Hearing, was 7,732 (1.2% of the share capital in GN Hearing). The total number of outstanding warrants in GN Audio was 7,223 (2.1% of the share capital in GN Audio). The total number of outstanding options in GN Store Nord was 775,001 (0.5% 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.

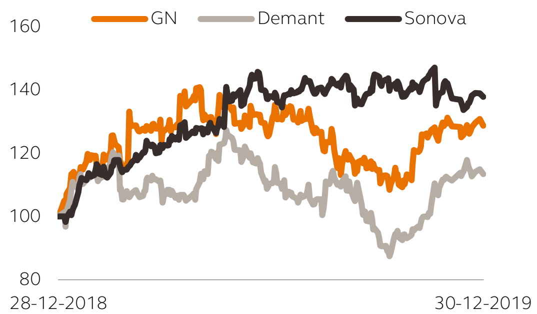
Following the release of interim and annual results, GN conducts roadshows where the Executive Management and the investor relations team inform investors and financial analysts about the recent developments in the company. GN is currently covered by 25 sell-side analysts, who continually release analyst 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 : 28-12-2018 = 100

Financial calendar for 2020

Event	Date
Annual General Meeting	March 11, 2020 at GN headquarter
Interim Report Q1 2020	April 29, 2020
Interim Report Q2 2020	August 19, 2020
Meet the Management	September 28, 2020
Interim Report Q3 2020	November 11, 2020

Read company announcements on www.gn.com

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.

The Board of Directors follows all recommendations on corporate governance aimed at companies listed on Nasdaq Copenhagen. On its website GN provides a statutory report on corporate governance, including an explanation of how GN complies with each recommendation (https://www.gn.com/About/Document-download-center#!#governance). 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 comprise of five members elected by the shareholders at the Annual General Meeting. On September 20, 2019, Gitte Pugholm Aabo was appointed CEO of GN Hearing and as a consequence stepped down from GN's Board. The Board of Directors will suggest a replacement for Gitte Pugholm Aabo at the next 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 2020 Annual General Meeting is held on March 11 at 10am.

Employee representatives are elected in accordance with the Danish Companies Act for terms of four years. The next election 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 2019, the Board of Directors held nine meetings (face-to-face and by way of conference calls).

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

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 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 medtech, innovation, product development, digitalization 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.

At the end of 2019, the Board of Directors carried out its annual self-evaluation. This encompassed the achievements of the Board as well as those of the chairman and the individual board members. The evaluation was carried out in a systematic way based on well-defined criteria.

The key area of continued focus for the Board of Directors' self-evaluation is the identification of necessary updates of the organizational development, the recruiting, training and education of staff in line with the company's strategy. The Board intends to obtain external assistance for the evaluation every third year; latest in year 2020, as recommended by the Committee on Corporate Governance.

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.

One of GN's diversity goals is, by the end of 2020, that three of the six members of the Board of Directors elected by the Annual General Meeting be women. We have reached this target in 2018, when Gitte Pugholm Aabo joined the GN Board of Directors. As Gitte Pugholm Aabo stepped down from GN's Board in September 2019 to become CEO of GN Hearing, the Board currently consists of five members of which two are female.

Senior management

Another focus has been to ensure stronger international representation in our senior management, the Global Management Teams (GMT) in GN Audio and GN Hearing. By the end of 2019, GN Hearing's GMT comprised 30% female leaders and 40% non-Danes. GN Audio's GMT comprised 12.5% female leaders and 68.7% 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 2019 filled 20% of senior management positions across the GN Group. GN had aimed for 25% during the 2017 - 2019 strategy period and 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 2019, 30% 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 ongoing 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 400% of the annual base salary of the relevant member of Executive Management at the time of the grant. Also, in general, any calendar year option exercise by Executive Management cannot exceed 400% of that year's base salary.

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. 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.

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.

GN's full Remuneration report for 2019 is available on gn.com via https://www.gn.com/About/Document-download-center#.

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, 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 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 2019, 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 key risks (including identified supplier risks), etc. The committee headed a tender process in 2018 - 2019 regarding audit services in accordance with applicable law and recommended that PricewaterhouseCoopers be elected as new auditor. PricewaterhouseCoopers was elected as GN's new auditor at the Annual General Meeting on 21 March 2019.

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 and key systems against the risk of security incidents that could potentially impact critical business processes.

In 2019, the Audit Committee held six 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 reflect an appropriate balance. Resolutions on remuneration recommended by the Remuneration Committee and adopted by the Board of Directors are in line with the Remuneration Policy, including general guidelines for incentive pay, as approved by the Board and by the Annual General Meeting on 21 March 2019.

The 2019 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 2019, 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 at
https://www.gn.com/About/Document-download-center#.
The Remuneration Committee also considered grants under GN's long term incentive program, talent development and succession planning process and results.

In 2019, the Remuneration Committee held eight 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 2019, the Strategy Committee oversaw a series of existing projects as well as new projects to explore technological innovations within the broader technology space.

In 2019, the Strategy Committee held eight 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 2019, 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. However, the Nomination Committee has initiated a process to search, select and recommend new board members at the Annual General Meeting in 2020. This is because at the Annual General Meeting in 2019 it was announced that Deputy Chairman Bill Hoover would not seek reelection to the Board in 2020. Further, on September 20, 2019, Gitte Pugholm Aabo stepped down as Board member to take over as CEO of GN Hearing.

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

In 2019, the Nomination Committee held four 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.

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 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 face-to-face 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 several 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 2019, 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 26 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: https://www.gn.com/About/Corporate-responsibility/Whistleblower .

The system is an important tool for ensuring that alleged illegal or unethical conduct is reported and immediately addressed. All complaints are treated with confidentiality, and GN is committed to dealing in good faith 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 2019, 13 concerns were reported through the GN whistle-blower system. The allegations were primarily related to inappropriate behavior, harassment/retaliation, misrepresentation of confidential information, and internal controls. All relevant cases have been investigated and appropriate remediating as well as disciplinary actions were taken where relevant.

More details on GN's compliance efforts and policies can be found via https://www.gn.com/About/Document-download-center#

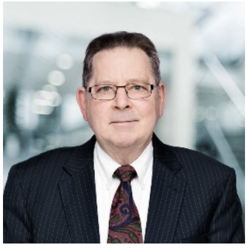
Shareholders

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, https://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 43 – 44.

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.

Board of Directors

	Per Wold-Olsen	William E. Hoover, Jr.	Wolfgang Reim	Gitte Pugholm Aabo
	(Chairman) MBA. Formerly president Merck & Co., Inc., Intercontinental Division, USA. Chairman since 2008.	(Deputy Chairman) MBA. Formerly with McKinsey & Company for 30 years. Deputy Chairman since 2008.	Ph.D. in physics. Professional board member and self-employed consultant within the medical industry. CEO, Amann Girrbach AG (interim).	MBA, HD graduate diploma in business administration, Bachelor of economy. Formerly CEO, LEO Pharma A/S. *(Stepped down from Board to become CEO GN Hearing as of September 20, 2019)*
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.	Chairman of the Boards of ReD Associates and the GN Store Nord Foundation. Deputy chairman of the Boards of GN Audio A/S and GN Hearing A/S. Member of the Boards of Danfoss A/S, Lego Foundation and Neopost SA.	Member of the boards of GN Audio A/S and GN Hearing A/S. Chairman of the Boards of Ondal Medical GmbH and Amann Girrbach AG. Member of the Boards of Elekta AB, AudEERING GmbH and LAP Laser GmbH.	Member of the Committee of Directors of Danmarks Nationalbank (the Danish National Bank).
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.	In-depth knowledge from working with the largest industrial and high-tech companies in the Nordic region within strategy, organization and M&A. Experienced in supply chain/operations and has practical experience in helping Nordic multinationals rapidly scale up in emerging markets, especially in China and India.	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.	Global leadership experience from the pharma industry and special knowledge within international management, finance, IT, sales and marketing in the medical sector as well as deep insights into building digital communities.
Board member since	2008	2007	2008	2018
Term	2019/2020	2019/2020	2019/2020	2019/September 2019
Considered independent	Yes	No	Yes	Yes
Nationality	Norway	U.S.A.	Germany	Denmark
Year of birth	1947	1949	1956	1967
No. of GN shares	224,884 (unchanged)	156,500 (unchanged)	51,000 (unchanged)	1,940 (+1,940)
Total remuneration 2019 (DKK)	2,035,000	1,285,625	1,051,875	660,000
Chairmanship	13/13	13/13		
Audit Committee			6/6	C 5/5*
Nomination Committee	C 4/4	1/1*	2/2*	1/1*
Remuneration Committee	C 8/8	8/8		
Strategy Committee	8/8	8/8	C 8/8	
GN Store Nord A/S Board	C 9/9	DC 9/9	8/9	5/7*
GN Hearing A/S Board	C 7/7	DC 7/7	6/7	4/5*
GN Audio A/S Board	C 7/7	DC 7/7	6/7	4/5*

Employee elected members

Hélène Barnekow

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

Member of the Boards of GN Audio A/S and GN Hearing A/S. Member of the Board of Kindred Group plc.

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.

Ronica Wang

MBA, B.A.Sc. (Engineering). Co-founder & Global Managing Director, The InnoGrowth Group Ltd. Former leadership positions with J&J, Avon, Hutchison-Priceline, P&G

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.

In-depth experience in global brand marketing, digital strategy/ ecommerce/omni-channel, business transformation, and sales/ channel management across consumer health, healthcare, technology, FMCG, affordable luxury, travel industries. Extensive knowledge of Asia/China/Japan.

Leo Larsen

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

Member of the Board of the GN Store Nord Foundation

Morten Andersen

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

Marcus Stuhr Perathoner

Manager, Customer Experience & Escalations, GN Audio.

Hélène Barnekow	Ronica Wang	Leo Larsen	Morten Andersen	Marcus Stuhr Perathoner
2013	2015	2007	2011	2018
2019/2020	2019/2020	2018/2022	2018/2022	2018/2022
Yes	Yes			
Sweden	Hong Kong	Denmark	Denmark	Denmark
1964	1962	1959	1963	1977
10,000 (+1,100)	4,850 (unchanged)	1,137 (unchanged)	454 (-776)	0 (unchanged)
701,250	660,000	275,000	275,000	275,000
1/1*	5/6			
7/8				
7/9	9/9			
5/7	7/7			
5/7	7/7			

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.
*) The composition of the Audit and Nomination Committees have changed during the year because of changes in Executive Management.

C Chairman
DC Deputy chairman
Board member

Executive Management



	Marcus Desimoni	**René Svendsen-Tune**	**Gitte Pugholm Aabo**
	CFO, GN Store Nord & GN Hearing *(Interim CEO GN Hearing October 31, 2018 – February 17, 2019)*	CEO, GN Store Nord & GN Audio	CEO, GN Hearing *(joined as of September 20, 2019)*
Member of the Executive Management since	2016	2015	2019
Year of birth	1968	1955	1967
No. of GN shares	8,000 (+3,000)	73,000 (unchanged)	1,940 (+1,940)
No. of GN options	50,367	75,528	44,393
No. of GN warrants	352 (GN Audio) 473 (GN Hearing)	2,286 (GN Audio)	0
Board positions		Chairman of the board of Stokke AS, Deputy Chairman of the board of NKT A/S, member of the boards of Nilfisk Holding A/S and the GN Store Nord Foundation.	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 2019 (unaudited)

Additional financial information

Q4 financial highlights

GN Hearing

Revenue
GN Hearing's revenue in Q4 2019 reached DKK 1,722 million compared to DKK 1,644 million in Q4 2018, translating into a revenue growth of 5%. Organic revenue growth was 4% in Q4 2019, while the foreign exchange development contributed with around 2% and M&A contribution was around (1)%.

In Q4 2019, GN Hearing continued to perform strongly across channels and regions on top of very strong growth in Q4 2018, reflecting the launch of ReSound LiNX Quattro. In North America, GN Hearing continued to perform strongly due to the continued strong performance of ReSound LiNX Quattro. In Europe, GN Hearing continued to gain market share across several markets, including Italy, Spain and the UK. In Rest of World, GN Hearing continued to deliver double digit organic revenue growth, with strong growth in among other China and India.

Earnings and other financial highlights
GN Hearing's gross profit increased 4% to DKK 1,190 million in Q4 2019. The gross margin reached 69.1%, compared to 69.9% in Q4 2018, reflecting mix effects in the quarter.

EBITA in Q4 2019 was DKK 420 million, compared to DKK 385 million in Q4 2018. The EBITA margin in Q4 2019 was 24.4%, compared to 23.4% in Q4 2018, driven by strict cost control on top of increased R&D activity and continued infrastructure investments.

In Q4 2019, free cash flow excl. M&A reached DKK 130 million, compared to DKK 183 million in Q4 2018. The decrease reflects the timing of corporate tax payments. Cash conversion was 31% in Q4 2019.

GN Audio

Revenue
GN Audio's revenue in Q4 2019 reached DKK 1,962 million compared to DKK 1,543 million in Q4 2018, translating into a revenue growth of 27%. Organic revenue growth was 24% in Q4 2019, while the foreign exchange development contributed with around 2% and M&A contribution was around 1%.

In Q4 2019, GN Audio's CC&O business continued to deliver strong double-digit organic revenue growth and market share gains across regions and channels. In Q4, the growth of Consumer even exceeded the strong Enterprise growth due to the successful launch of Jabra Elite 75t.

Earnings and other financial highlights
In Q4 2019, GN Audio's gross profit increased by 19% to DKK 975 million. This translated into a gross margin of 49.7%, which was below the level realized in Q4 2018, reflecting mix effects, tariffs and an adverse development in foreign exchange rates.

In Q4 2019, GN Audio's EBITA reached DKK 441 million equivalent to an EBITA margin of 22.5%, compared to 22.6% in Q4 2018, reflecting strong leverage in the business on top of continued investments in future growth opportunities.

GN Audio's free cash flow excl. M&A was DKK 210 million in Q4 2019, which is 14% higher than in Q4 2018. The cash conversion in Q4 2019 was 48%, compared to 53% in Q4 2018, reflecting the significant investments in growth.

Financial overview Q4 2019

	GN Hearing			GN Audio			Group total*		
DKK million	Q4 2019	Q4 2018	Growth	Q4 2019	Q4 2018	Growth	Q4 2019	Q4 2018	Growth
Revenue	**1,722**	**1,644**	**5%**	**1,962**	**1,543**	**27%**	**3,684**	**3,187**	**16%**
Organic growth	*4%*	*10%*		*24%*	*28%*		*13%*	*18%*	
Gross profit	**1,190**	**1,149**	**4%**	**975**	**816**	**19%**	**2,165**	**1,965**	**10%**
Gross margin	*69.1%*	*69.9%*	*(0.8)%p*	*49.7%*	*52.9%*	*(3.2)%p*	*58.8%*	*61.7%*	*(2.9)%p*
EBITA	**420**	**385**	**9%**	**441**	**348**	**27%**	**821**	**688**	**19%**
EBITA margin	*24.4%*	*23.4%*	*+1.0%p*	*22.5%*	*22.6%*	*(0.1)%p*	*22.3%*	*21.6%*	*+0.7%p*
EPS (DKK)							**4.30**	**3.33**	**29%**
FCF excl. M&A	130	183	(29)%	210	184	14%	274	246	11%

* Including "Other"

Quarterly financial highlights

DKK million	Q4 2019 (unaud.)	Q4 2018 (unaud.)	Full year 2019 (aud.)	Full year 2018 (aud.)
GN Hearing				
Revenue	1,722	1,644	6,351	5,833
Revenue growth	5%	10%	9%	4%
Organic growth	4%	10%	7%	7%
Gross profit margin	69.1%	69.9%	69.0%	69.2%
EBITA	420	385	1,284	1,194
EBITA margin	24.4%	23.4%	20.2%	20.5%
ROIC (EBITA/Average invested capital)	19%	19%	19%	19%
Free cash flow excl. M&A	130	183	672	574
Cash conversion (Free cash flow excl. M&A/EBITA)	31%	48%	52%	48%
GN Audio				
Revenue	1,962	1,543	6,223	4,774
Revenue growth	27%	31%	30%	20%
Organic growth	24%	28%	26%	21%
Gross profit margin	49.7%	52.9%	51.5%	53.2%
EBITA	441	348	1,192	905
EBITA margin	22.5%	22.6%	19.2%	19.0%
ROIC (EBITA/Average invested capital)	57%	59%	57%	59%
Free cash flow excl. M&A	210	184	849	798
Cash conversion (Free cash flow excl. M&A/EBITA)	48%	53%	71%	88%
GN Store Nord				
Revenue	3,684	3,187	12,574	10,607
Revenue growth	16%	19%	19%	11%
Organic growth	13%	18%	15%	13%
Gross profit margin	58.8%	61.7%	60.3%	62.0%
EBITA	821	688	2,321	1,956
EBITA margin	22.3%	21.6%	18.5%	18.4%
Profit (loss) before tax	722	580	1,913	1,606
Effective tax rate	23.0%	22.6%	23.3%	22.4%
ROIC (EBITA/Average invested capital)	25%	24%	25%	24%
Earnings per share, basic (EPS)	4.30	3.33	11.12	9.25
Earnings per share, fully diluted (EPS diluted)	4.26	3.29	10.98	9.13
Free cash flow excl. M&A	274	246	1,296	1,110
Cash conversion (Free cash flow excl. M&A/EBITA)	33%	36%	56%	57%
Equity ratio	29.1%	39.1%	29.1%	39.1%
Net interest-bearing debt	5,303	3,234	5,303	3,234
Net interest-bearing debt (period-end)/EBITDA	2.0	1.5	2.0	1.5
Payout ratio	0%	0%	14%	16%
Share buybacks*	273	173	1,626	1,061
Outstanding shares, end of period (thousand)	128,952	132,576	128,952	132,576
Average number of outstanding shares (thousand)	129,338	132,887	130,762	134,114
Average number of outstanding shares, fully diluted (thousand)	130,566	134,508	132,367	135,864
Treasury shares, end of period (thousand)	13,316	13,108	13,316	13,108
Share price at the end of the period	313.3	243.3	313.3	243.3
Market capitalization	40,401	32,256	40,401	32,256

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 2018 (unaud.)	Q2 2018 (unaud.)	Q3 2018 (unaud.)	Q4 2018 (unaud.)	Q1 2019 (unaud.)	Q2 2019 (unaud.)	Q3 2019 (unaud.)	Q4 2019 (unaud.)	Full year 2018 (aud.)	Full Year 2019 (aud.)
Income statement										
Revenue										
GN Hearing	1,365	1,433	1,391	1,644	1,507	1,585	1,537	1,722	5,833	6,351
GN Audio	931	1,131	1,169	1,543	1,333	1,466	1,462	1,962	4,774	6,223
Total	**2,296**	**2,564**	**2,560**	**3,187**	**2,840**	**3,051**	**2,999**	**3,684**	**10,607**	**12,574**
Organic growth										
GN Hearing	5%	6%	6%	10%	8%	8%	8%	4%	7%	7%
GN Audio	17%	19%	20%	28%	36%	26%	20%	24%	21%	26%
Total	**10%**	**11%**	**12%**	**18%**	**19%**	**16%**	**13%**	**13%**	**13%**	**15%**
Gross profit										
GN Hearing	929	988	968	1,149	1,047	1,090	1,053	1,190	4,034	4,380
GN Audio	496	609	619	816	707	745	775	975	2,540	3,202
Total	**1,425**	**1,597**	**1,587**	**1,965**	**1,754**	**1,835**	**1,828**	**2,165**	**6,574**	**7,582**
Gross profit margin										
GN Hearing	68.1%	68.9%	69.6%	69.9%	69.5%	68.8%	68.5%	69.1%	69.2%	69.0%
GN Audio	53.3%	53.8%	53.0%	52.9%	53.0%	50.8%	53.0%	49.7%	53.2%	51.5%
Total	**62.1%**	**62.3%**	**62.0%**	**61.7%**	**61.8%**	**60.1%**	**61.0%**	**58.8%**	**62.0%**	**60.3%**
Development costs										
GN Hearing	(97)	(108)	(122)	(147)	(134)	(130)	(132)	(131)	(474)	(527)
GN Audio	(61)	(79)	(90)	(100)	(91)	(92)	(96)	(112)	(330)	(391)
Other *	(13)	(15)	(11)	(18)	(16)	(19)	(14)	(14)	(57)	(63)
Total	**(171)**	**(202)**	**(223)**	**(265)**	**(241)**	**(241)**	**(242)**	**(257)**	**(861)**	**(981)**
Selling and distribution costs and administrative expenses etc.										
GN Hearing	(570)	(602)	(577)	(617)	(631)	(661)	(638)	(639)	(2,366)	(2,569)
GN Audio	(309)	(323)	(305)	(368)	(423)	(385)	(389)	(422)	(1,305)	(1,619)
Other *	(21)	(18)	(20)	(27)	(20)	(25)	(21)	(26)	(86)	(92)
Total	**(900)**	**(943)**	**(902)**	**(1,012)**	**(1,074)**	**(1,071)**	**(1,048)**	**(1,087)**	**(3,757)**	**(4,280)**
EBITA										
GN Hearing	262	278	269	385	282	299	283	420	1,194	1,284
GN Audio	126	207	224	348	193	268	290	441	905	1,192
Other *	(34)	(33)	(31)	(45)	(36)	(44)	(35)	(40)	(143)	(155)
Total	**354**	**452**	**462**	**688**	**439**	**523**	**538**	**821**	**1,956**	**2,321**
EBITA margin										
GN Hearing	19.2%	19.4%	19.3%	23.4%	18.7%	18.9%	18.4%	24.4%	20.5%	20.2%
GN Audio	13.5%	18.3%	19.2%	22.6%	14.5%	18.3%	19.8%	22.5%	19.0%	19.2%
Total	**15.4%**	**17.6%**	**18.0%**	**21.6%**	**15.5%**	**17.1%**	**17.9%**	**22.3%**	**18.4%**	**18.5%**
Depreciation and software amortization										
GN Hearing	(25)	(24)	(24)	(25)	(46)	(47)	(48)	(48)	(98)	(189)
GN Audio	(7)	(13)	(11)	(12)	(23)	(24)	(26)	(30)	(43)	(103)
Other *	(11)	(12)	(13)	(15)	(17)	(20)	(23)	(28)	(51)	(88)
Total	**(43)**	**(49)**	**(48)**	**(52)**	**(86)**	**(91)**	**(97)**	**(106)**	**(192)**	**(380)**
EBITDA										
GN Hearing	287	302	293	410	328	346	331	468	1,292	1,473
GN Audio	133	220	235	360	216	292	316	471	948	1,295
Other *	(23)	(21)	(18)	(30)	(19)	(24)	(12)	(12)	(92)	(67)
Total	**397**	**501**	**510**	**740**	**525**	**614**	**635**	**927**	**2,148**	**2,701**
EBITA	**354**	**452**	**462**	**688**	**439**	**523**	**538**	**821**	**1,956**	**2,321**
Amortization and impairment of acquired intangible assets	(37)	(37)	(40)	(41)	(42)	(57)	(151)	(48)	(155)	(298)
Gain (loss) on divestment of operations etc.	(1)	-	(5)	1	-	1	(3)	(19)	(5)	(21)
Operating profit (loss)	**316**	**415**	**417**	**648**	**397**	**467**	**384**	**754**	**1,796**	**2,002**
Share of profit (loss) in associates	-	-	-	13	(2)	(5)	5	5	13	3
Financial items, net	(42)	(49)	(31)	(81)	(53)	(64)	62	(37)	(203)	(92)
Profit (loss) before tax	**274**	**366**	**386**	**580**	**342**	**398**	**451**	**722**	**1,606**	**1,913**
Tax on profit (loss)	(61)	(82)	(85)	(131)	(80)	(93)	(106)	(166)	(359)	(445)
Profit (loss)	**213**	**284**	**301**	**449**	**262**	**305**	**345**	**556**	**1,247**	**1,468**
Balance sheet										
Development projects										
GN Hearing	868	925	931	937	948	967	987	1,029	937	1,029
GN Audio	309	322	322	315	319	324	333	361	315	361
Other *	-	(30)	(30)	(30)	(25)	(24)	(22)	(21)	(30)	(21)
Total	**1,177**	**1,217**	**1,223**	**1,222**	**1,242**	**1,267**	**1,298**	**1,369**	**1,222**	**1,369**
Inventories										
GN Hearing	376	411	457	460	509	541	562	535	460	535
GN Audio	274	308	400	492	493	539	611	771	492	771
Total	**650**	**719**	**857**	**952**	**1,002**	**1,080**	**1,173**	**1,306**	**952**	**1,306**
Trade receivables										
GN Hearing	1,119	1,096	1,144	1,276	1,294	1,254	1,235	1,282	1,276	1,282
GN Audio	816	1,020	1,022	1,118	1,014	1,174	1,056	1,527	1,118	1,527
Total	**1,935**	**2,116**	**2,166**	**2,394**	**2,308**	**2,428**	**2,291**	**2,809**	**2,394**	**2,809**
Net working capital										
GN Hearing	742	704	742	785	940	886	804	861	785	861
GN Audio	431	396	377	425	592	578	433	488	425	488
Other *	(75)	(84)	(77)	(98)	(110)	(110)	(160)	(74)	(98)	(74)
Total	**1,098**	**1,016**	**1,042**	**1,112**	**1,422**	**1,354**	**1,077**	**1,275**	**1,112**	**1,275**
Free cash flow excl. M&A										
GN Hearing	103	106	182	183	(37)	290	289	130	574	672
GN Audio	99	289	226	184	78	232	329	210	798	849
Other *	(25)	(57)	(59)	(121)	(54)	(50)	(55)	(66)	(262)	(225)
Total	**177**	**338**	**349**	**246**	**(13)**	**472**	**563**	**274**	**1,110**	**1,296**
Acquisitions and divestments of companies	**(28)**	**(69)**	**-**	**-**	**(653)**	**(37)**	**(12)**	**-**	**(97)**	**(702)**
Free cash flow	**149**	**269**	**349**	**246**	**(666)**	**435**	**551**	**274**	**1,013**	**594**

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

Q4 segment disclosures

Income statements	GN Hearing		GN Audio		Other*		Consolidated total	
(DKK million)	Q4 2019 (unaud.)	Q4 2018 (unaud.)	Q4 2019 (unaud.)	Q4 2018 (unaud.)	Q4 2019 (unaud.)	Q4 2018 (unaud.)	Q4 2019 (unaud.)	Q4 2018 (unaud.)
Revenue	1,722	1,644	1,962	1,543	-	-	3,684	3,187
Production costs	(532)	(495)	(987)	(727)	-	-	(1,519)	(1,222)
Gross profit	**1,190**	**1,149**	**975**	**816**	**-**	**-**	**2,165**	**1,965**
Development costs	(131)	(147)	(112)	(100)	(14)	(18)	(257)	(265)
Selling and distribution costs	(506)	(505)	(357)	(306)	-	-	(863)	(811)
Management and administrative expenses	(132)	(110)	(60)	(62)	(26)	(26)	(218)	(198)
Other operating income and costs, net	(1)	(2)	(5)	-	-	(1)	(6)	(3)
EBITA	**420**	**385**	**441**	**348**	**(40)**	**(45)**	**821**	**688**
Amortization and impairment of acquired intangible assets	(28)	(36)	(20)	(5)	-	-	(48)	(41)
Gain (loss) on divestment of operations etc.	(13)	1	(6)	-	-	-	(19)	1
Operating profit (loss)	**379**	**350**	**415**	**343**	**(40)**	**(45)**	**754**	**648**
Share of profit (loss) in associates	7	13	-	-	(2)	-	5	13
Financial items	(30)	(32)	9	(5)	(16)	(44)	(37)	(81)
Profit (loss) before tax	**356**	**331**	**424**	**338**	**(58)**	**(89)**	**722**	**580**
Tax on profit (loss)	(21)	(79)	(90)	(74)	(55)	22	(166)	(131)
Profit (loss) for the period	**335**	**252**	**334**	**264**	**(113)**	**(67)**	**556**	**449**

Cash flow statement	GN Hearing		GN Audio		Other*		Consolidated total	
(DKK million)	Q4 2019 (unaud.)	Q4 2018 (unaud.)	Q4 2019 (unaud.)	Q4 2018 (unaud.)	Q4 2019 (unaud.)	Q4 2018 (unaud.)	Q4 2019 (unaud.)	Q4 2018 (unaud.)
Operating activities before changes in working capital	**542**	**476**	**498**	**412**	**(10)**	**(29)**	**1,030**	**859**
Cash flow from changes in working capital	(15)	(48)	(157)	(31)	(61)	17	(233)	(62)
Cash flow from operating activities excluding financial items and tax	**527**	**428**	**341**	**381**	**(71)**	**(12)**	**797**	**797**
Cash flow from investing activities:								
Development projects	(111)	(75)	(70)	(32)	-	-	(181)	(107)
Other	(66)	(123)	(46)	(16)	(68)	(35)	(180)	(174)
Cash flow from operating and investing activities before financial items and tax	**350**	**230**	**225**	**333**	**(139)**	**(47)**	**436**	**516**
Tax and financial items	(220)	(47)	(15)	(149)	73	(74)	(162)	(270)
Cash flow from operating and investing activities (free cash flow)	**130**	**183**	**210**	**184**	**(66)**	**(121)**	**274**	**246**
Cash flow from M&A activities	-	-	-	-	-	-	-	-
Free cash flow excl. M&A	**130**	**183**	**210**	**184**	**(66)**	**(121)**	**274**	**246**

Additional information	GN Hearing		GN Audio		Other*		Consolidated total	
(DKK million)	Q4 2019 (unaud.)	Q4 2018 (unaud.)	Q4 2019 (unaud.)	Q4 2018 (unaud.)	Q4 2019 (unaud.)	Q4 2018 (unaud.)	Q4 2019 (unaud.)	Q4 2018 (unaud.)
Revenue distributed geographically								
Denmark	17	37	41	68	-	-	58	105
Europe	447	396	874	671	-	-	1,321	1,067
North America	847	842	745	560	-	-	1,592	1,402
Rest of World	411	369	302	244	-	-	713	613
Revenue	**1,722**	**1,644**	**1,962**	**1,543**	**-**	**-**	**3,684**	**3,187**
Incurred development costs	(172)	(156)	(140)	(92)	(16)	(18)	(328)	(266)
Capitalized development costs	111	75	70	32	-	-	181	107
Amortization, impairment and depreciation of development projects**	(70)	(66)	(42)	(40)	2	-	(110)	(106)
Expensed development costs	**(131)**	**(147)**	**(112)**	**(100)**	**(14)**	**(18)**	**(257)**	**(265)**
EBITDA	468	410	471	360	(12)	(30)	927	740
Depreciation and software amortization	(48)	(25)	(30)	(12)	(28)	(15)	(106)	(52)
EBITA	**420**	**385**	**441**	**348**	**(40)**	**(45)**	**821**	**688**
EBITA margin	24.4%	23.4%	22.5%	22.6%	N/A	N/A	22.3%	21.6%
Number of employees, end of period	~4,425	~4,500	~1,650	~1,350	~200	~175	~6,275	~6,025

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

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

Financial statements 2019
Content

Consolidated financial statements

Notes to the consolidated financial statements

Section 1 Basis of preparation

Overview of the financial accounting policies in general and an introduction to Management's key accounting estimates and judgments.

Section 2 Results of the year

Insights into the results for the year, including operating segments, employee costs and taxes.

Section 3 Operating assets and liabilities

Insights into the assets that form the basis for the activities in GN Store Nord, and the related liabilities. Most of these are included in invested capital and some in net working capital.

Section 4 Capital structure and financing items

Insight into GN Store Nord's capital structure and financial items as well as financial risks.

Section 5 Other disclosures

Statutory notes and other disclosures.

Consolidated income statement

DKK million	Note	2019	2018
Revenue	2.2	12,574	10,607
Production costs	2.3, 3.4, 3.6	(4,992)	(4,033)
Gross profit		**7,582**	**6,574**
Development costs	2.3, 3.4	(981)	(861)
Selling and distribution costs	2.3, 3.4	(3,359)	(3,050)
Management and administrative expenses	2.3, 3.4, 5.8	(918)	(706)
Other operating income and costs, net		(3)	(1)
EBITA*		**2,321**	**1,956**
Amortization and impairment of acquired intangible assets	2.5, 3.4	(298)	(155)
Gain (loss) on divestment of operations etc.	5.1	(21)	(5)
Operating profit (loss)		**2,002**	**1,796**
Share of profit (loss) in associates	5.6	3	13
Financial income	4.5	355	71
Financial expenses	4.5	(447)	(274)
Profit (loss) before tax		**1,913**	**1,606**
Tax on profit (loss)	2.4	(445)	(359)
Profit (loss) for the year		**1,468**	**1,247**
Attributable to:			
Non-controlling interests		14	6
Shareholders in GN Store Nord A/S		1,454	1,241
Earnings per share (EPS)			
Earnings per share (EPS)	4.1	11.12	9.25
Earnings per share fully diluted (EPS diluted)	4.1	10.98	9.13

* Please refer to Key Ratio Definitions on page 115 for definition of EBITA

Consolidated statement of comprehensive income

DKK million	Note	2019	2018
Profit (loss) for the year		**1,468**	**1,247**
Other comprehensive income			
Items that will not be reclassified to the income statement			
Actuarial gains (losses)		17	(11)
Tax relating to this item of other comprehensive income	2.4	(5)	3
Items that may be reclassified subsequently to the income statement			
Adjustment of cash flow hedges	4.3	21	(68)
Foreign exchange adjustments, etc.		161	256
Tax relating to these items of other comprehensive income	2.4	(11)	5
Other comprehensive income for the year, net of tax		**183**	**185**
Total comprehensive income for the year		**1,651**	**1,432**
Attributable to:			
Non-controlling interests		14	6
Shareholders in GN Store Nord A/S		1,637	1,426

Consolidated balance sheet at December 31

DKK million	Note	2019	2018
Assets			
Intangible assets	3.1	7,422	6,594
Property, plant and equipment	3.2, 3.3	1,076	514
Investments in associates	5.6	257	118
Deferred tax assets	2.4	423	368
Other non-current assets	3.5, 4.3	1,315	1,142
Total non-current assets		**10,493**	**8,736**
Inventories	3.6	1,306	952
Trade receivables	3.7, 4.3	2,809	2,394
Tax receivables		58	29
Other receivables		289	270
Cash and cash equivalents	4.3	1,728	636
Total current assets		**6,190**	**4,281**
Total assets		**16,683**	**13,017**
Equity and Liabilities			
Share capital		569	583
Other reserves		(4,345)	(3,677)
Proposed dividends for the year		206	197
Retained earnings		8,419	7,993
Total equity		**4,849**	**5,096**
Bank loans and issued bonds	4.2, 4.3, 4.4	5,345	3,842
Lease liabilities, non-current	3.3, 4.3	357	-
Pension obligations	5.4	26	54
Provisions, non-current	3.8	92	262
Deferred tax liabilities	2.4	552	399
Other non-current liabilities	4.3, 4.4	507	306
Total non-current liabilities		**6,879**	**4,863**
Bank loans	4.2, 4.3, 4.4	1,197	28
Lease liabilities, current	3.3, 4.3	132	-
Trade payables	4.3	1,058	934
Tax payables		66	148
Provisions	3.8	431	378
Other current liabilities		2,071	1,570
Total current liabilities		**4,955**	**3,058**
Total equity and liabilities		**16,683**	**13,017**

Consolidated statement of cash flow

DKK million	Note	2019	2018
Operating activities			
Operating profit (loss)		2,002	1,796
Depreciation, amortization and impairment	3.4	1,074	690
Other non-cash adjustments	5.7	92	107
Cash flow from operating activities before changes in working capital		**3,168**	**2,593**
Change in inventories		(336)	(228)
Change in receivables		(456)	(273)
Change in trade payables and other payables		480	406
Total changes in working capital		**(312)**	**(95)**
Cash flow from operating activities before financial items and tax		**2,856**	**2,498**
Interest received		136	35
Interest etc. paid		(302)	(148)
Tax paid, net		(483)	(313)
Cash flow from operating activities		**2,207**	**2,072**
Investing activities			
Investments in intangible assets, excluding development projects		(171)	(156)
Development projects	3.1	(544)	(408)
Investments in property, plant and equipment	3.2	(232)	(160)
Investments in other non-current assets		(304)	(363)
Disposal of intangible assets and property, plant and equipment		-	3
Disposal (repayment) of other non-current assets		340	122
Acquisition of companies/operations	5.1	(704)	(97)
Divestment of companies/operations	5.1	2	-
Cash flow from investing activities		**(1,613)**	**(1,059)**
Cash flow from operating and investing activities (free cash flow)		**594**	**1,013**
Financing activities			
Increase of long-term loans	4.4	-	296
Increase of short-term loans	4.4	1,168	-
Decrease of long-term loans	4.4	(1,002)	-
Decrease of short-term loans	4.4	-	(25)
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		(178)	(169)
Share-based payment (exercised)		271	65
Purchase of treasury shares	4.1	(1,626)	(1,061)
Other adjustments		(9)	(8)
Cash flow from financing activities		**494**	**(902)**
Net cash flow		**1,088**	**111**
Cash and cash equivalents, beginning of period		636	526
Adjustment foreign currency, cash and cash equivalents		4	(1)
Cash and cash equivalents, end of period		**1,728**	**636**

Consolidated statement of equity

		Other reserves							
DKK million	Share capital	Foreign exchange adjust-ments	Hedging reserve	Treasury shares	Proposed dividends for the year	Retained earnings	Equity, shareholders in GN Store Nord A/S	Non-controlling interests	Total equity
2018	**583**	**(1,311)**	**26**	**(1,586)**	**182**	**6,889**	**4,783**	**-**	**4,783**
Effect of implementing IFRS 9	-	-	-	-	-	12	12	-	12
Balance at January 1, 2018	**583**	**(1,311)**	**26**	**(1,586)**	**182**	**6,901**	**4,795**	**-**	**4,795**
Profit (loss) for the period	-	-	-	-	-	1,241	1,241	6	1,247
Actuarial gains (losses)	-	-	-	-	-	(11)	(11)	-	(11)
Adjustment of cash flow hedges	-	-	(68)	-	-	-	(68)	-	(68)
Foreign exchange adjustments, etc.	-	256	-	-	-	-	256	-	256
Tax relating to other comprehensive income	-	(10)	15	-	-	3	8	-	8
Total comprehensive income for the year	-	246	(53)	-	-	1,233	1,426	6	1,432
Share-based payment (granted)	-	-	-	-	-	28	28	-	28
Share-based payment (exercised)	-	-	-	62	-	3	65	-	65
Tax related to share-based incentive plans	-	-	-	-	-	14	14	-	14
Purchase of treasury shares	-	-	-	(1,061)	-	-	(1,061)	-	(1,061)
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	65	65
Reclassification of non-controlling inter-ests by recognizing a put option liability	-	-	-	-	-	(2)	(2)	(71)	(73)
Proposed dividends for the year*	-	-	-	-	197	(197)	-	-	-
Paid dividends	-	-	-	-	(169)	-	(169)	-	(169)
Dividends, treasury shares	-	-	-	-	(13)	13	-	-	-
Balance at December 31, 2018	**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
Adjustment of cash flow hedges	-	-	21	-	-	-	21	-	21
Foreign exchange adjustments, etc.	-	161	-	-	-	-	161	-	161
Tax relating to other comprehensive income	-	(6)	(5)	-	-	(5)	(16)	-	(16)
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 inter-ests 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**

* Equivalent to DKK 1.45 per share (2018: DKK 1.35 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 in addition to 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 for 2019 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, 2019, GN Store Nord adopted all relevant new or revised International Financial Reporting Standards and IFRIC Interpretations with effective date January 1, 2019 or earlier, including IFRS 16 Leases. Apart from this, the annual report is presented in accordance with the accounting policies applied in previous years' annual reports.

Effect from implementing IFRS 16 Leases
According to IFRS 16 Leases, a lease liability, for leases previously classified as operating leases, has been recognized in the balance sheet as of January 1, 2019. The lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 2.5%. Likewise, at January 1, 2019 right-of-use assets, for leases previously classified as operating leases, has been recognized in the balance sheet. The right-of-use assets has been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments already recognized in the balance sheet.

IFRS 16 Leases has been applied using the simplified retrospective method. In accordance with the transitional provisions of the standard, comparative information has not been restated.
GN Store Nord has used the following practical expedients from IFRS 16 when initially applying the standard:

- A single discount rate is applied to portfolios of leases with reasonably similar characteristics, such as leases with a similar remaining lease term for a similar class of underlying assets in a similar economic environment.
- Leases, for which the lease term ends within 12 months after January 1, 2019, are accounted for in the same way as short-term leases and the lease payments associated with those leases are expensed on a straight-line basis over the lease term.
- Initial direct costs are excluded from the measurement of the right-of-use assets at the date of initial application.
- At the date of initial application it has not been reassessed whether a contract is, or contains, a lease.

The impact from the adoption of IFRS 16 Leases at January 1, 2019 can be illustrated as follows:

Impact on the consolidated balance sheet as at January 1, 2019:

DKK million	Previous accounting policy	Effect of policy changes (IFRS 16)	New accounting policy
Assets			
Property, plant and equipment	514	527	1,041
Total assets	**13,017**	**527**	**13,544**
Equity and Liabilities			
Equity	**5,096**	**-**	**5,096**
Lease liabilities, non-current	-	389	389
Lease liabilities, current	-	138	138
Total equity and liabilities	**13,017**	**527**	**13,544**

The recognized right-of-use assets relate to the following types of assets:

DKK million	January 1, 2019
Properties	492
Cars	30
Other assets	5
Total right-of-use assets	**527**

Reconciliation of operating lease commitments disclosed as at December 31, 2018 and lease liabilities recognized in the balance sheet at January 1, 2019:

DKK million	January 1, 2019
Operating lease commitments disclosed as at December 31, 2018 (applying IAS 17)	464
Discounted using the lessee's incremental borrowing rate at January 1, 2019	(54)
Short term and low value leases recognized on a straight-line basis as expense	(31)
Adjustments as a result of a different treatment of extension and termination options	148
Lease liabilities at January 1, 2019	**527**

Accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2019, 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, 2019. 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 113. 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 assets and 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	2.4 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
Recognition of contingent assets and liabilities	5.5 Contingent assets and 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 115 for a definition of the measures.

Section 2
Results of the year

2.1 Segment disclosures

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, management fee and interest

Other segment disclosures 2019

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
Incurred 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 115 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

Revenue is in all material respects related to sale of goods; hearing aid instruments, DKK 6,351 million (2018: DKK 5,833 million) and headsets and other audio solutions, DKK 6,223 million (2018: DKK 4,774 million).

2.1 Segment disclosures (Continued)

Income statement 2018

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
External revenue	5,833	4,774	-	-	10,607
Internal revenue	-	-	308	(308)	-
Revenue	**5,833**	**4,774**	**308**	**(308)**	**10,607**
Production costs	(1,799)	(2,234)	-	-	(4,033)
Gross profit	**4,034**	**2,540**	**308**	**(308)**	**6,574**
Development costs	(474)	(330)	(57)	-	(861)
Selling and distribution costs	(1,952)	(1,098)	-	-	(3,050)
Management and administrative expenses	(414)	(207)	(393)	308	(706)
Other operating income and costs, net	-	-	30	(31)	(1)
EBITA*	**1,194**	**905**	**(112)**	**(31)**	**1,956**
Amortization and impairment of acquired intangible assets	(136)	(19)	-	-	(155)
Gain (loss) on divestment of operations etc.	-	(5)	-	-	(5)
Operating profit (loss)	**1,058**	**881**	**(112)**	**(31)**	**1,796**
Share of profit (loss) in associates	13	-	-	-	13
Financial items	(54)	7	(156)	-	(203)
Profit (loss) before tax	**1,017**	**888**	**(268)**	**(31)**	**1,606**
Tax on profit (loss)	(241)	(182)	57	7	(359)
Profit (loss) for the year	**776**	**706**	**(211)**	**(24)**	**1,247**
Impairment losses and reversals regarding intangible assets and property, plant and equipment recognized in the income statement	-	(10)	-	-	(10)

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

Other segment disclosures 2018

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
Incurred development costs	(516)	(341)	(57)	-	(914)
Capitalized development costs	249	159	-	-	408
Amortization, impairment and depreciation of development projects***	(207)	(148)	-	-	(355)
Expensed development costs	**(474)**	**(330)**	**(57)**	**-**	**(861)**
EBITDA**	**1,292**	**948**	**(61)**	**(31)**	**2,148**
Depreciation and software amortization	(98)	(43)	(51)	-	(192)
EBITA*	**1,194**	**905**	**(112)**	**(31)**	**1,956**

* Please refer to Key Ratio Definitions on page 115 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 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 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**

2.1 Segment disclosures (Continued)

Balance sheet 2018

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
Assets					
Goodwill	3,478	767	-	-	4,245
Development projects	937	315	-	(30)	1,222
Other intangible assets	760	137	231	(1)	1,127
Property, plant and equipment	237	98	179	-	514
Investments in associates	88	-	30	-	118
Deferred tax assets	270	120	-	(22)	368
Loans to dispensers and ownership interests	887	-	-	-	887
Other financial assets	255	-	-	-	255
Total non-current assets	**6,912**	**1,437**	**440**	**(53)**	**8,736**
Inventories	460	492	-	-	952
Trade receivables	1,276	1,118	-	-	2,394
Receivables from group companies*	-	1,356	-	(1,356)	-
Tax receivables	36	33	48	(88)	29
Other receivables	160	63	47	-	270
Cash and cash equivalents	239	138	259	-	636
Total current assets	**2,171**	**3,200**	**354**	**(1,444)**	**4,281**
Total assets	**9,083**	**4,637**	**794**	**(1,497)**	**13,017**
Equity and Liabilities					
Equity	**6,167**	**3,083**	**(4,130)**	**(24)**	**5,096**
Bank loans and issued bonds	-	-	3,842	-	3,842
Lease liabilities, non-current	-	-	-	-	-
Pension obligations	54	-	-		54
Provisions, non-current	177	85	-	-	262
Deferred tax liabilities	190	71	167	(29)	399
Other non-current liabilities	306	-	-	-	306
Total non-current liabilities	**727**	**156**	**4,009**	**(29)**	**4,863**
Bank loans	14	1	13	-	28
Lease liabilities, current	-	-	-	-	-
Trade payables	258	631	45	-	934
Amounts owed to group companies*	599	-	757	(1,356)	-
Tax payables	209	27	-	(88)	148
Provisions, current	256	122	-	-	378
Other current liabilities	853	617	100	-	1,570
Total current liabilities	**2,189**	**1,398**	**915**	**(1,444)**	**3,058**
Total equity and liabilities	**9,083**	**4,637**	**794**	**(1,497)**	**13,017**

*Net amount

Eliminations in the balance sheet primarily concern tax and intercompany balances

2.1 Segment disclosures (Continued)

Cash flow statement 2018

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
Cash flow from operating activities before changes in working capital	**1,546**	**1,139**	**(92)**	**-**	**2,593**
Cash flow from changes in working capital	(204)	67	42	-	(95)
Cash flow from operating activities before financial items and tax	**1,342**	**1,206**	**(50)**	**-**	**2,498**
Cash flow from investing activities:					
Development projects	(249)	(159)	-	-	(408)
Other investing activities	(408)	(118)	(125)	-	(651)
Cash flow from operating and investing activities before financial items and tax	**685**	**929**	**(175)**	**-**	**1,439**
Tax and financial items	(150)	(189)	(87)	-	(426)
Cash flow from operating and investing activities (free cash flow)	**535**	**740**	**(262)**	**-**	**1,013**
Cash flow from M&A activities	(39)	(58)	-	-	(97)
Free cash flow excl. M&A	**574**	**798**	**(262)**	**-**	**1,110**

§ 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 of headsets and speakerphone solutions for professional use, and consumer headsets and earbuds for calls, music and media consumption.

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

	GN Hearing		GN Audio		Consolidated total	
DKK million	2019	2018	2019	2018	2019	2018
Denmark	126	135	160	155	286	290
Europe	1,469	1,332	2,671	2,012	4,140	3,344
North America	3,347	3,104	2,292	1,743	5,639	4,847
Rest of world	1,409	1,262	1,100	864	2,509	2,126
Total revenue from customer contracts	**6,351**	**5,833**	**6,223**	**4,774**	**12,574**	**10,607**

Revenue disaggregation

Revenue is predominantly recognized at a point in time, and revenue recognized over time is not significant. 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 1,475 million (2018: DKK 1,223 million).

2.2 Revenue and geographical information (Continued)

Geographical information on assets

	Intangible assets and property, plant and equipment	
DKK million	2019	2018
Denmark	3,336	2,279
Europe	313	313
North America	4,488	4,153
Rest of world	361	363
Total	**8,498**	**7,108**

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	2019	2018
Deferred revenue re. pre-paid extended warranties (Other current liabilities and Other non-current liabilities)	134	160
Contract liabilities at December 31	**134**	**160**
Revenue recognized, included in contract liabilities at the beginning of the year	64	47

§ Accounting policies

Revenue

Revenue from the sale of hearing aids and headset 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.

2.2 Revenue and geographical information (Continued)

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	2019	2018
Wages, salaries and remuneration	(3,071)	(2,707)
Pensions, defined benefit plans	(8)	(7)
Pensions, defined contribution plans	(129)	(119)
Other social security costs	(318)	(292)
Share-based payments	(40)	(28)
Total	**(3,566)**	**(3,153)**
Included in:		
Production costs and change in payroll costs included in inventories	(553)	(519)
Development costs	(590)	(486)
Selling and distribution costs	(1,890)	(1,728)
Management and administrative expenses	(531)	(418)
Financial expenses	(2)	(2)
Total	**(3,566)**	**(3,153)**
Average number of employees	6,250	5,775
Number of employees, year-end	6,275	6,025

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 Tax

Tax on profit (loss)

DKK million	2019	2018
Tax on profit (loss)		
Current tax for the year	(432)	(384)
Deferred tax for the year	(17)	30
Effect of change in income tax rates	4	(2)
Withholding tax	-	(11)
Adjustment to current tax with respect to prior years	14	(4)
Adjustment to deferred tax with respect to prior years	(14)	12
Total	**(445)**	**(359)**
Reconciliation of effective tax rate		
Danish tax rate	22.0%	22.0%
Effect of tax rates in foreign jurisdictions	2.1%	1.2%
Non-deductible expenses	1.3%	0.8%
Utilization of previously not recognized tax assets	(3.6)%	(2.0)%
Withholding tax	0.0%	0.7%
Effect of change in income tax rates	(0.2)%	0.2%
Share of profit (loss) in associates	0.0%	(0.2)%
Adjustment of tax with respect to prior years	0.0%	(0.5)%
Other, including provisions for uncertain tax positions	1.7%	0.2%
Effective tax rate	**23.3%**	**22.4%**
Tax relating to other comprehensive income		
Actuarial gains (losses)	(5)	3
Adjustment of cash flow hedges	(5)	15
Foreign exchange adjustments, etc.	(6)	(10)
Total	**(16)**	**8**

2.4 Tax (Continued)

Deferred Tax

DKK million	2019	2018
Deferred tax, net		
Deferred tax at January 1, net	(31)	(96)
Adjustment with respect to prior years	(14)	12
Effect of change in income tax rates	4	(2)
Addition of deferred tax on acquisition of enterprises	(64)	(16)
Deferred tax for the year recognized in profit (loss) for the year	(17)	30
Deferred tax for the year recognized in other comprehensive income for the year	(9)	9
Tax related to share-based incentive plans	1	8
Foreign exchange adjustments	1	24
Deferred tax at December 31, net	**(129)**	**(31)**
Deferred tax is recognized in the balance sheet as follows:		
Deferred tax assets	423	368
Deferred tax liabilities	(552)	(399)
Deferred tax at December 31, net	**(129)**	**(31)**
Deferred tax, net relates to:		
Intangible assets	(501)	(428)
Property, plant and equipment	27	27
Other securities	(2)	13
Current assets	92	83
Current liabilities	4	4
Intercompany liabilities	(4)	6
Tax loss carryforwards	153	159
Retaxation	(127)	(127)
Provisions	234	171
Other	(5)	61
Total	**(129)**	**(31)**
Tax value of unrecognized tax assets		
Tax loss carryforwards	-	53
Other tax assets	11	23
Unrecognized tax assets at December 31	**11**	**76**

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 30 million expected to be utilized within 12 months (2018: DKK 20 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 31 million (2018: DKK 18 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.

2.4 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

2.5 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	2019	2018
Revenue	12,574	10,607
Production costs	(4,992)	(4,033)
Gross profit	**7,582**	**6,574**
Development costs	(1,051)	(889)
Selling and distribution costs	(3,587)	(3,177)
Management and administrative expenses	(918)	(706)
Other operating income and costs, net	(3)	(1)
Gain (loss) on divestment of operations etc.	(21)	(5)
Operating profit (loss)	**2,002**	**1,796**
In the above income statement amortization and impairment of acquired intangible assets has been allocated to functions as follows:		
Development costs	(70)	(28)
Selling and distribution costs	(228)	(127)
Amortization and impairment of acquired intangible assets	**(298)**	**(155)**

Section 3
Operating assets and liabilities

3.1 Intangible assets

DKK million	Goodwill	In-house develop-ment projects	Customer relation-ships	Software	Patents and rights	Other	Total
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**
Cost at January 1	3,979	3,168	707	691	397	706	9,648
Additions on company acquisitions	101	-	68	-	-	-	169
Additions	-	408	-	77	1	58	544
Disposals	-	-	-	(1)	-	(21)	(22)
Foreign exchange adjustments	165	-	33	5	9	20	232
Cost at December 31	4,245	3,576	808	772	407	763	10,571
Amortization and impairment at January 1	-	(2,009)	(219)	(447)	(301)	(428)	(3,404)
Amortization	-	(335)	(77)	(60)	(28)	(50)	(550)
Disposals	-	-	-	2	-	23	25
Impairment	-	(10)	-	-	-	-	(10)
Transfers	-	-	1	-	(1)	-	-
Foreign exchange adjustments	-	-	(13)	(4)	(7)	(14)	(38)
Amortization and impairment at December 31	-	(2,354)	(308)	(509)	(337)	(469)	(3,977)
Carrying amount at December 31, 2018	**4,245**	**1,222**	**500**	**263**	**70**	**294**	**6,594**

The carrying amount of development projects and software in progress amount to DKK 663 million and DKK 159 million, respectively (2018: DKK 430 million and DKK 127 million).

Goodwill

Additions during the year of DKK 425 million mainly relate to 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 %	
	2019	2018	2019	2018	2019	2018
Cash-generating units:						
GN Hearing	3,539	3,478	8	8	7	7
GN Audio	1,210	767	10	11	9	9
Total	**4,749**	**4,245**				

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 2020, market forecasts for 2021 – 2024, 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 2.5% p.a. (2018: 2.5% p.a.).

GN Hearing and GN Audio's carrying amount of the goodwill is confirmed by the strong growth during all quarters in 2019.
The GN Hearing segment expects to deliver strong organic growth the next year. The GN Audio segment is expecting to maintain their strong position in the growing headset market for professional use.

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

GN Hearing:

- The demographic trends including the increased number of elderly people,
- Increased prevalence of hearing loss due to the increasing noise in the environment,
- 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:

- Increased use of headsets for both professional and private use,
- The market is expected to continue to grow close to 10% mid-to long term, driven by sustainable market trends,
- Increased demand for quality and optimal sound experience, especially within noise-cancelling products,
- Continued growth in the task-based office, fueled by unified communication (UC), making headsets more relevant in the office.

The expected revenue growth in the GN Hearing segment and GN Audio segment is based on the current differentiated product offering with unique wireless 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, 2019. 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, headsets and other hands free audio solutions as well as video communications 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 7 million related to minor projects and software were recognized. In Management's assessments, the recoverable amount exceeds the carrying amount at December 31, 2019.)

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.

Customer relationships
Customer relationships comprise acquired customer relationships. The most significant customer relationship relates to the acquisition of US Beltone. The impairment loss of DKK 99 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 rights to the use of certain technologies for development of headsets and video communications solutions and technologies for the development of new hearing instruments for GN Hearing.

Other
The Group's other intangible assets comprise DKK 80 million (2018: DKK 92 million) related to trademarks and DKK 181 million (2018: DKK 202 million) related to supply agreements.

§ 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 improve-ments	Plant and machinery	Operating assets and equipment	Leased plant and equipment	Assets under construc-tion	Total
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**
Cost at January 1	422	154	714	341	4	31	1,666
Additions on company acquisitions	-	-	-	2	-	-	2
Additions	4	14	43	42	-	57	160
Disposals	-	(8)	(16)	(4)	(2)	-	(30)
Transfers	4	-	69	1	-	(74)	-
Foreign exchange adjustments	-	2	3	7	(2)	-	10
Cost at December 31	430	162	813	389	-	14	1,808
Depreciation and impairment at January 1	(180)	(116)	(602)	(280)	(2)	-	(1,180)
Depreciation	(17)	(11)	(76)	(25)	(1)	-	(130)
Disposals	-	8	16	3	3	-	30
Foreign exchange adjustments	-	(3)	(4)	(7)	-	-	(14)
Depreciation and impairment at December 31	(197)	(122)	(666)	(309)	-	-	(1,294)
Carrying amount at December 31, 2018	**233**	**40**	**147**	**80**	**-**	**14**	**514**

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	Factory and office buildings	Operating assets and equipment	Total
Carrying amount at January 1	492	35	527
Additions	107	24	131
Remeasurements	(22)	(1)	(23)
Depreciation	(135)	(18)	(153)
Foreign exchange adjustments	(1)	0	(1)
Carrying amount at December 31, 2019	**441**	**40**	**481**

Lease liabilities

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

3.3 Leases (Continued)

Amounts expensed in the income statement

DKK million	2019
Interest expense on lease liabilities	12
Expense relating to low-value assets and short-term leases	15
Total cash outflow for leases	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	2019	2018
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	(90)	(79)
Development costs	(407)	(355)
Selling and distribution costs	(21)	(25)
Management and administrative expenses	(258)	(76)
Amortization and impairment of acquired intangible assets	(298)	(155)
Total	**(1,074)**	**(690)**
Amortization of intangible assets is recognized in the income statement as follows:		
Production costs	-	(1)
Development costs	(393)	(335)
Selling and distribution costs	(4)	(8)
Management and administrative expenses	(69)	(51)
Amortization and impairment of acquired intangible assets	(199)	(155)
Total	**(665)**	**(550)**
Impairment of intangible assets is recognized in the income statement as follows:		
Development costs	(4)	(10)
Management and administrative expenses	(3)	-
Amortization and impairment of acquired intangible assets	(99)	-
Total	**(106)**	**(10)**

3.5 Other non-current assets

DKK million	2019	2018
Loans to dispensers of GN Hearing products	498	535
Pre-paid discounts	238	157
Ownership interests	188	195
RAP, SIP and DCP	272	221
Other	119	34
Total	**1,315**	**1,142**

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 238 million (2018: DKK 207 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:

		2019			2018		
		Expected credit loss rate	Estimated gross carrying amount at default	Carrying amount (net of impairment provisions)	Expected credit loss rate	Estimated gross carrying amount at default	Carrying amount (net of impairment provisions)
GN Store Nord internal credit rating		%	DKK million	DKK million	%	DKK million	DKK million
Performing	12-month expected credit loss	3%	508	493	3%	527	511
Underperforming	Lifetime expected credit losses	96%	121	5	71%	82	24
Write-off	Assets derecognized through the income statement	100%	7	-	100%	18	-
Total dispenser loans at December 31			**636**	**498**		**627**	**535**

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 1 January, 2019	(16)	(58)	(74)
Transferred to underperforming (lifetime ECL)	-	(58)	(58)
Changes in model/risk parameters etc.	1	-	1
Closing loss allowance as at 31 December, 2019	**(15)**	**(116)**	**(131)**
Opening loss allowance as at 1 January, 2018	(12)	(42)	(54)
New dispenser loans	(4)	(1)	(5)
Changes in model/risk parameters	-	(15)	(15)
Closing loss allowance as at 31 December, 2018	**(16)**	**(58)**	**(74)**

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 write-down 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 GN Hearing 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 though 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 costs 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	2019	2018
Raw materials and consumables	296	259
Work in progress	19	16
Finished goods and merchandise	991	677
Total	**1,306**	**952**
The above includes write-downs amounting to	(112)	(112)
Costs of goods sold included in Production Costs	(4,472)	(3,555)

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	2,374	281	49	44	45	166	2,959
Write-downs 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%
Gross carrying amount - Trade receivables	1,958	286	54	36	60	165	2,559
Write-downs at December 31	(12)	(3)	(4)	(3)	(7)	(136)	(165)
Trade receivables at December 31, 2018	**1,946**	**283**	**50**	**33**	**53**	**29**	**2,394**
	1%	1%	7%	8%	12%	82%	6%

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

DKK million	2019	2018
Write-downs at January 1	(165)	(118)
Write-downs made during the year	(29)	(57)
Realized during the year	34	7
Reversed write-downs	13	4
Foreign exchange adjustments	(3)	(1)
Write-downs at December 31	**(150)**	**(165)**

Total write-downs of DKK 150 million are included in trade receivables at the end of 2019 (2018: DKK 165 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 write-downs 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	161	169	310	640
Additions	181	126	70	377
Consumed	(129)	(98)	(40)	(267)
Reversed	(32)	(5)	-	(37)
Reclassified to other liabilities	-	-	(200)	(200)
Foreign exchange adjustments	3	3	4	10
Provisions at December 31, 2019	**184**	**195**	**144**	**523**
Which is presented in the consolidated balance sheet as:				
Non-current liabilities	-	73	19	92
Current liabilities	184	122	125	431
Provisions at December 31, 2019	**184**	**195**	**144**	**523**

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 include guarantees related to an associated company's bank credit facility of DKK 70 million (2018: DKK 0 million). The remaining items in other provisions include obligations regarding onerous contracts, property leases and provisions for legal disputes.

§ 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, headsets and audiologic diagnostics equipment 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, 2019	132,576	13,108	145,684	530,306	52,431	582,737	9.0%
Purchase of ownership interest in subsidiaries	1,712	(1,712)	-	6,847	(6,847)	-	
Shares acquired by GN Store Nord A/S	(5,336)	5,336	-	(21,345)	21,345	-	
Shares cancelled	-	(3,416)	(3,416)	-	(13,665)	(13,665)	
Number/value of shares at December 31, 2019	**128,952**	**13,316**	**142,268**	**515,808**	**53,264**	**569,072**	**9.4%**

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 4,172 million at December 31, 2019 (2018: DKK 3,189 million). The total cost of acquired treasury shares in 2019 was DKK 1,626 million (2018: DKK 1,061million). 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 thousand	2019	2018
Weighted average number of outstanding shares	130,762	134,114
Dilutive effect of share based payment with positive intrinsic value – average for the period	1,605	1,750
Diluted weighted average number of shares	**132,367**	**135,864**
DKK million		
Profit (loss) for the year attributable to shareholders in GN Store Nord A/S used for the calculation of earnings per share	1,454	1,241
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	**1,454**	**1,241**

Cash distributions

DKK million	2019	2018
Dividend paid related to prior years	197	182
Share repurchase during the year	1,626	1,061
Total	**1,823**	**1,243**
Proposed dividend for the year	206	197
DKK per share		
Dividend paid related to prior years	1.35	1.25
Proposed dividend for the year	1.45	1.35

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	Low Risk Based on the current revenue and cost composition, the anticipated primary foreign exchange exposures for the Group in 2020 (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. EUR denominated bank financing carries FX revaluation risk.	All hedging is conducted at Group level. 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. EUR denominated financing is hedged into DKK by natural hedging through EUR denominated assets or by foreign exchange derivatives.	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.
Interest rate risk	Low Risk A large part of the non-current financing carried fixed interest rates as of 31 December 2019.	At least 50% of all Interest-Bearing Debt should be fixed in interest, either through fixed interest or through derivative instruments.	To mitigate the cash-flow risk from rising interest rates on its variable debt, GN has concluded interest rate derivatives to swap a small proportion of the floating debt.
Funding, liquidity and capital structure	Low Risk GN's net interest-bearing debt has increased during 2019 to DKK 5,303 million mainly driven through strong growth whereby strong cash generation from normal operations was off-set by investments, dividend and the share buy-back programs. GN's loans, bonds and Revolving Credit Facilities are long-term with maturities between 2022 to 2024 with predominantly fixed and for a smaller potion variable interest based on short term reference rates.	GN's cash flow, liquid funds and debt are coordinated centrally to ensure the solvency and liquidity of the Group.	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). At December 31, 2019 the Credit Facility was unutilized.
Financial credit risk	Low Risk GN's exposure to credit risk arises primarily from trade and other receivables.	GN has established policies for credit risk management related to customers including the use of credit rating agencies.	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).

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 USD/DKK (2018: USD/DKK and CNY/DKK) exchange rates would affect the Income statement and Equity as outlined in the table below:

DKK million	2019	2018
Income statement (Financial items)	(93)	(49)
Equity	21	(21)

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 derivative exchange rate instruments used for hedging would be included in Other comprehensive income if hedge accounting is applied.

Interest rate risk

GN Store Nord has swapped a part of the variable interest rate exposure on bank loans into fixed rates through interest rate swaps. The long-term debt with variable interest rate consist of nominal EUR 175 million and DKK 223 million at EURIBOR and CIBOR short term rates plus margin.

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

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 15 million (2018: DKK 16 million).

Specification of net interest-bearing debt

DKK million	2019	2018
Cash and cash equivalents	1,728	636
Bank loans and issued bonds, non-current liabilities	(5,345)	(3,842)
Bank loans, current liabilities	(1,197)	(28)
Lease liabilities	(489)	-
Total	**(5,303)**	**(3,234)**

Funding, liquidity and capital structure

The Group's capital structure includes interest bearing long-term debt with maturities between 2022 and 2024, 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, which on December 31, 2019 was 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 142 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. The repurchase of the bonds resulted in a loss of DKK 20 million being recognized in financial expenses in 2019.

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%.

At December 31, 2019, GN Store Nord had an equity ratio of 29.1% (2018: 39.1%) and net interest-bearing debt of DKK 5,303 million (2018: DKK 3,234 million). GN Store Nord's long term capital structure policy (net debt up to a maximum of two times EBITDA) remains unchanged. As of December 31, 2019 GN Store Nord had undrawn committed borrowing facilities of DKK 2,000 million (2018: DKK 1,400 million).

GN Store Nord aims to pay out a dividend corresponding to 15-25% of the annual net results and will initiate share buyback programs when deemed appropriate subject to the authorization by the shareholders at the Annual General Meeting.

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 1,728 million at December 31, 2019 (2018: DKK 636 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
2019				
Issued bonds*	12	25	4,121	4,158
Long-term bank loans	-	1,418	-	1,418
Other long-term liabilities	6	49	208	263
Other short-term liabilities	22	-	-	22
Short-term bank loans	1,197	-	-	1,197
Contingent consideration	42	39		81
Trade payables	1,058	-	-	1,058
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**
2018				
Issued bonds	-	-	1,604	1,604
Long-term bank loans	112	891	1,235	2,238
Other long-term liabilities	-	211	-	211
Short-term bank loans	28	-	-	28
Contingent consideration	54	84		138
Trade payables	934	-	-	934
Total non-derivative financial liabilities	1,128	1,186	2,839	5,153
Derivative financial liabilities	26	3	19	48
Total financial liabilities	**1,154**	**1,189**	**2,858**	**5,201**

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

*Carrying amount of issued bonds is DKK 3,927 million

Derivative financial instruments

Exchange rate instruments and interest rate swaps

	2019				2018			
DKK million	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	664	1,794	7	-	632	999	4	18
USD / EUR	666	535	1	-	655	104	-	-
JPY / DKK	6.30	126	4	-	5.60	87	1	5
GBP / DKK	836	209	-	9	825	41	-	-
AUD / DKK	456	196	-	3	449	54	-	1
CAD / DKK	502	30	-	-	480	67	2	-
Other currency pairs**		1,028	1	7		261	-	2
Interest swaps denominated in EUR and DKK	0.35%	400	-	2	0.50%	1,707	-	22
Total			**13**	**21**			**7**	**48**

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

** includes EUR / DKK exchange rate instruments

All exchange rate instruments mature within 12 months from the balance sheet date. The interest rate swap matures between 1 and 2 years (2018: 2 to 5 years) from the balance sheet date. In 2019, interest rate swaps are denominated in DKK (2018: DKK and EUR).

4.3 Financial instruments (Continued)

Fair value adjustments of cash flow hedges

DKK million	2019	2018
Fair value adjustment for the year recognized in Other comprehensive income	(40)	(46)
Reclassified from equity to revenue during the year	61	(18)
Reclassified from equity to production costs during the year	-	(2)
Reclassified from equity to selling and distribution costs during the year	-	(2)
Adjustment of cash flow hedges in Other comprehensive income	**21**	**(68)**
Fair value adjustment of cash flow hedges recognized in Other operating income and costs, net	(10)	(5)
Fair value adjustment of cash flow hedges recognized in financial items	(27)	(25)

The gains and losses on cash flow hedges recognized in Other comprehensive income as of December 31, 2019 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	2019	2018
Financial assets		
Trade receivables	2,809	2,394
Other receivables	276	263
Other non-current assets	855	738
Financial assets at amortized cost	**3,940**	**3,395**
Derivative financial instruments included in Other receivables	8	5
RAP, SIP, DCP and Ownership interests included in Other non-current assets	460	404
Financial assets at fair value through profit or loss	**468**	**409**
Derivative financial instruments included in Other receivables	5	2
Financial assets at fair value through Other comprehensive income	**5**	**2**
Financial liabilities		
Issued bonds (bond-with-warrant units)	2,296	1,604
Issued Eurobonds	1,631	-
Bank loans, non-current	1,418	2,238
Lease liabilities	489	-
Other non-current liabilities	25	3
Other current liabilities	22	-
Bank loans, current	1,197	28
Trade payables	1,058	934
Financial liabilities at amortized cost	**8,136**	**4,807**
Derivative financial instruments included in Other liabilities	3	22
RAP, SIP and DCP included in Other non-current liabilities	238	207
Contingent consideration included in Other liabilities	81	138
Financial liabilities at fair value through profit or loss	**322**	**367**
Derivative financial instruments included in Other liabilities	18	26
Financial liabilities at fair value through Other comprehensive income	**18**	**26**

4.3 Financial instruments (Continued)

Fair value hierarchy

DKK million	2019 Quoted prices (level 1)	2019 Observable input (level 2)	2019 Unobservable input (level 3)	2019 Total	2018 Quoted prices (level 1)	2018 Observable input (level 2)	2018 Unobservable input (level 3)	2018 Total
Financial assets								
Derivative financial instruments included in Other receivables	-	8	-	8	-	5	-	5
RAP, SIP, DCP included in Other non-current assets	-	272	-	272	-	221	-	221
Ownership interests included in Other non-current assets	-	-	188	188	-	-	183	183
Financial assets at fair value through profit or loss	**-**	**280**	**188**	**468**	**-**	**226**	**183**	**409**
Derivative financial instruments included in Other receivables	-	5	-	5	-	2	-	2
Financial assets at fair value through Other comprehensive income	**-**	**5**	**-**	**5**	**-**	**2**	**-**	**2**
Financial liabilities								
Derivative financial instruments included in Other liabilities	-	3	-	3	-	22	-	22
RAP, SIP and DCP included in Other non-current liabilities	-	238	-	238	-	207	-	207
Contingent consideration included in Other liabilities	-	-	81	81	-	-	138	138
Financial liabilities at fair value through profit or loss	**-**	**241**	**81**	**322**	**-**	**229**	**138**	**367**
Derivative financial instruments included in Other liabilities	-	18	-	18	-	26	-	26
Financial liabilities at fair value through Other comprehensive income	**-**	**18**	**-**	**18**	**-**	**26**	**-**	**26**

In addition to the above, Other non-current liabilities include a liability of 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	2019	2018
Fair value net gains (losses) recognized in the income statement:		
Net fair value gains or losses on RAP, SIP and DCP	1	4
Net fair value gains or losses on ownership interests and derivatives re. ownership interests	66	2
Net fair value gains or losses on contingent consideration	2	3

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.

Derivative financial instruments

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

4.3 Financial instruments (Continued)

material changes is reflected in the profit loss 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 2,530 million at December 31, 2019 (2018: DKK 1,641 million), and the fair value of Eurobonds amounted to 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-current liabilities	Lease liabilities	Bank loans, current	Total
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 and remeasurements	-	-	-	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**
Liabilities at January 1	1,931	1,577	315	-	53	3,876
Cash flows	304	-	(8)	-	(25)	271
Foreign exchange adjustments	3	5	(1)	-	-	7
Non-cash interest expenses	-	22	-	-	-	22
Liabilities at December 31, 2018	**2,238**	**1,604**	**306**	**-**	**28**	**4,176**

* 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	2019	2018
Financial income:		
Gains and fair value adjustments on ownership interests	263	2
Interest income*	47	20
Financial income, other	18	28
Fair value adjustments of derivative financial instruments	2	3
Foreign exchange gain	25	18
Total	**355**	**71**
Financial expenses:		
Interest expenses*	(111)	(56)
Financial expenses, other	(196)	(61)
Fair value adjustments of derivative financial instruments and impairments	(94)	(63)
Foreign exchange loss	(46)	(94)
Total	**(447)**	**(274)**

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

Other financial expenses include an expense relating to a financial guarantee obligation regarding an associated company's bank credit facility which was previously reported as a contingent liability. Fair value adjustments of derivative financial instruments and impairments include an impairment loss of DKK 65 million (2018: DKK 38 million) related to Loans to dispensers of GN Hearing products and fair value adjustments at DKK 27 million (2018: DKK 25 million) related to cash flow hedges. The gains and fair value adjustments on ownership interests were largely driven by a realized gain on the sale of a non-controlling interest, as well as a fair value adjustment related to an existing ownership interest in a company in which GN in Q3 2019 has purchased additional shares.

§ 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
On March 11, 2019, GN Audio acquired 100% of the US based company Altia Systems, Inc. the creator of the PanaCast system and software products. The PanaCast system delivers real-time 180 degrees panoramic video streams from integrated and synchronized multi-camera arrays.

The acquisition is expected to create synergies such as using Jabra's existing sales channels to sell Altia Systems products and transferring the technology developed by Altia Systems into existing and new Jabra products. Technology has been measured based on the relief from royalty method. The goodwill relates to these expected synergies and the value of Altia Systems' highly skilled workforce is also included in goodwill.

During 2019, 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.

	Fair value at acquisition date			
DKK million	Altia	Other	2019	2018
Identifiable assets acquired, liabilities assumed and consideration transferred				
Non-current assets	3	2	5	2
Current assets	21	-	21	26
Non-current liabilities	(66)	-	(66)	(17)
Current liabilities	(8)	-	(8)	(14)
Fair value of identified net assets	**(50)**	**2**	**(48)**	**(3)**
Non-controlling interest measured at fair value			-	(65)
Goodwill	423	2	425	101
Other intangible assets	392	40	432	68
Consideration transferred	**765**	**44**	**809**	**101**
Fair value of assets transferred	-	(35)	(35)	4
Fair value of existing ownership interest	-	-	-	(7)
Payable consideration	(110)	(1)	(111)	-
Contingent consideration	-	-	-	(23)
Acquired cash and cash equivalents	(9)	-	(9)	(3)
Cash consideration paid	**646**	**8**	**654**	**72**

In order to effect the acquisition of Altia Systems, Inc. the Group among others incurred direct acquisition-related costs of DKK 30 million in professional and consulting fees expensed in management and administrative expenses in 2019.

Goodwill relating to the above transactions is allocated to the cash-generating units GN Hearing with DKK 2 million (2018: DKK 0 million) and GN Audio DKK 423 million (2018: DKK 101 million). GN has recognized deferred tax assets of DKK 2 million as part of identified assets and liabilities, that were not recognized in the acquired companies prior to the acquisition.

In 2019, GN Hearing paid out DKK 50 million (2018: DKK 25 million) in contingent consideration related to prior years' acquisitions. The payments were mainly related to the acquisition of Audigy Group. An adjustment of DKK 2 million (2018: DKK 3 million) has been recognized as financial income in the income statement, mainly related to Audigy acquisition.

5.1 Acquisition and divestment of companies and operations (Continued)

DKK million	2019	2018
The share of revenue and profit (loss) for the year from the acquisition date can be specified as follows:		
Revenue	42	96
EBIT	(19)	20
Profit (loss) for the year	(19)	13
Acquired operations if they had been owned throughout the year:		
Revenue	51	150
EBIT	(24)	30
Profit (loss) for the year	(25)	20

Divestments etc.

In 2019 GN Hearing divested a number of minor hearing instrument distributors primarily in the US. Other adjustments relate to a legal dispute. In 2018 and 2019 this primarily relates to the Plantronics legal case.

DKK million	2019	2018
Non-current assets	(70)	-
Disposed net assets	**(70)**	**-**
Fair value of assets received	66	1
Fair value of liabilities assumed	(13)	-
Cash consideration received	2	-
Gain (loss) on divestment of operations	**(15)**	**1**
Other adjustments	(6)	(6)
Gain (loss) on divestment of operations etc.	**(21)**	**(5)**

5.1 Acquisition and divestment of companies and operations (Continued)

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.

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:

	2019					2018				
DKK million	Fixed salary	Other benefits*	Bonus	Share-based payments	Total	Fixed salary	Other benefits*	Bonus	Share-based payments	Total
René Svendsen-Tune, CEO of GN Audio	(6.7)	(0.2)	(6.5)	(3.8)	(17.2)	(6.2)	(0.2)	(5.9)	(2.7)	(15.0)
Gitte Pugholm Aabo, CEO of GN Hearing from September 20, 2019	(2.0)	-	(1.7)	(0.4)	(4.1)	-	-	-	-	-
Jakob Gudbrand, CEO of GN Hearing from February 18, 2019 until September 20, 2019**	(7.9)	(0.2)	(10.1)	-	(18.2)	-	-	-	-	-
Anders Hedegaard, CEO of GN Hearing until October 31, 2018	-	-	-	-	-	(5.7)	-	(5.2)	(0.4)	(11.3)
Marcus Desimoni, CFO of GN Store Nord	(4.5)	(0.6)	(4.7)	(2.7)	(12.5)	(4.2)	(0.7)	(4.2)	(2.5)	(11.6)
Total	**(21.1)**	**(1.0)**	**(23.0)**	**(6.9)**	**(52.0)**	**(16.1)**	**(0.9)**	**(15.3)**	**(5.6)**	**(37.9)**
Other key management personnel***	(4.6)	(0.4)	(2.6)	(0.8)	(8.4)	(3.5)	(0.2)	(0.9)	(0.4)	(5.0)
Board of Directors remuneration	(7.2)	-	-	-	(7.2)	(7.3)	-	-	-	(7.3)
Total	**(11.8)**	**(0.4)**	**(2.6)**	**(0.8)**	**(15.6)**	**(10.8)**	**(0.2)**	**(0.9)**	**(0.4)**	**(12.3)**
Total Executive Management and Board of Directors remuneration	**(32.9)**	**(1.4)**	**(25.6)**	**(7.7)**	**(67.6)**	**(26.9)**	**(1.1)**	**(16.2)**	**(6.0)**	**(50.2)**

* Other benefits include car allowances, company paid telephone & internet and housing cost

** 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.

Incentive plans

The Group's warrant-based long-term incentive program is specified and described in note 5.3 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, increased by 40% or DKK 12.8 million from 2018 to 2019. The change of CEO in GN Hearing A/S is reflected in these numbers with remuneration to former CEO Jakob Gudbrand for the period February 18, 2019, to September 20, 2019, including a sign-on bonus of DKK 7 million. Non-vested share-based incentives for Jakob Gudbrand have been forfeited.

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 21, 2019. 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	
Chairman	825
Deputy Chairman	550
Other Board members	275
Remuneration Committee Chairman	330
Remuneration Committee, other members	165
Audit Committee Chairman	330
Audit Committee, other members	165
Strategy Committee Chairman	330
Strategy Committee other members	165
Nomination Committee Chairman	165
Nomination Committee other members	83

GN Hearing A/S	
Chairman	275
Deputy Chairman	193
Other Board members	110

GN Audio A/S	
Chairman	275
Deputy Chairman	193
Other Board members	110

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.

DKK thousand	2019	2018
Per Wold-Olsen (Chairman)	2,035	2,035
William E. Hoover, Jr. (Deputy chairman)	1,286	1,348
Wolfgang Reim	1,052	990
Helene Barnekow	701	660
Ronica Wang	660	660
Gitte Pugholm Aabo (from April 2018 until September 2019)	660	619
Carsten Krogsgaard Thomsen (until March 2018)	-	206
Leo Larsen*	275	275
Morten Andersen*	275	275
Marcus Stuhr Perathoner (from April 2018)*	275	206
Nikolai Bisgaard (Until March 2018)*	-	69
Total Board of Directors remuneration	**7,219**	**7,343**

* Employee elected members

5.3 Share-based incentive plans

Warrant and option programs

GN Store Nord has a warrant-based and an option-based long-term equity-settled incentive program whereby the Executive Management and other employees in key positions are granted warrants and options 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 each division

The 2019 option program is based on GN Store Nord A/S shares, whereas warrant programs for 2014-2018 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 2014-2018 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 value of GN Store Nord has increased and the share value of GN Hearing and GN Audio 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 and GN Audio.

Vesting conditions and exercise of options

The 2019 program is a long term incentive program with a three-year vesting period from the grant date. The program includes 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 2014-2018 warrants the model has taken the overperformance criteria into account using Monte Carlo simulation. The market values of the outstanding warrants and options at the balance sheet date are calculated on the basis of underlying market prices on the final business day of the year, whereas the market values of warrants and 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 warrants and options:

	2019		2018			
	GN Store Nord A/S		GN Hearing A/S		GN Audio A/S	
	Executive Management	Other employees	Executive Management	Other employees	Executive Management	Other employees
Number of options / warrants granted in the year****	247,488	608,352	1,056	4,482	738	2,228
Share price GN Store Nord at ordinary grant date	312	312	199	199	199	199
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years
Life of option / warrant	6 years	6 years	6 years	6 years	6 years	6 years
Volatility*	27%	27%	19%	19%	23%	23%
Expected dividend**	0.4%	0.4%	-	-	-	-
Risk-free interest rate***	0.00%	0.00%	0.30%	0.30%	0.30%	0.30%
Fair Value per option / warrant at ordinary grant (DKK)	61	68	5,000	5,000	5,743	5,743
Total market value at grant (DKK million)****	15	41	5	23	4	13
Amortization period of the program	2019 – 2022	2019 - 2022	2018 – 2021	2018 - 2021	2018 – 2021	2018 - 2021

For 2019 the grants are based on options. For 2018, the grants are based on warrants. 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 warrants and options

** No dividends is paid out through GN Hearing A/S or GN Audio A/S during the life of the warrants. All dividends are paid out through GN Store Nord A/S

*** 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 warrants and options

**** 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. 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 warrants and options is based on the average share price for GN Store Nord in the five days following the release of the annual report in the year in which the relevant warrants and options are awarded.

Exercise of warrants
When employees exercise their warrants they are exchanged with shares in GN Store Nord A/S based on relationship between the value of the warrant in the division 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 share or sell it 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, 2018	**27,540**	**2,938**	**12,255**	**15,193**	**26,587**	**2,396**	**6,836**	**9,232**
Warrants granted during the year	32,278	1,056	4,482	5,538	33,993	738	2,228	2,966
Warrants exercised during the year	20,901	-	(1,174)	(1,174)	29,670	-	(1,349)	(1,349)
Warrants forfeited during the year	30,723	(1,551)	(1,882)	(3,433)	27,418	-	(456)	(456)
Outstanding warrants at December 31, 2018	**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**
Weighted average term to maturity		3.4	3.3	3.3		2.6	3.3	3.0
Number of exercisable warrants at December 31, 2018		694	3,013	3,707		538	573	1,111
Number of exercisable warrants at December 31, 2019		-	748	748		1,234	430	1,664

* Includes Anders Hedegaard, former CEO of GN Hearing

Average share price at exercise: GN Hearing: DKK 45,010 (2018: DKK 36,163) GN Audio: DKK 69,862 (2018: DKK 48,323)

	GN Store Nord A/S			
	DKK	Number*		
	Average exercise price	Executive Manage-ment	Other employees	Total
Outstanding options at January 1, 2019	**-**	**-**	**-**	**-**
Options granted during the year	311	247,488	608,352	855,840
Options exercised during the year	-	-	-	-
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**
Weighted average term to maturity (Years)		5.2	5.2	5.2
Number of exercisable options at December 31, 2019		-	-	-

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

5.3 Share-based incentive plans (Continued)

Outstanding warrants in GN Hearing and GN Audio by grant date are shown below:

	GN Hearing A/S				GN Audio A/S			
	DKK	Number			DKK	Number		
Grant date	Exercise price	Executive Manage-ment	Other employees	Total	Exercise price	Executive Manage-ment	Other employees	Total
March 2015	26,729	-	300	300	30,600	538	236	774
March 2016	26,936	-	448	448	22,495	696	194	890
March 2017	30,451	240	2,904	3,144	28,794	666	2,045	2,711
May 2017	35,873	-	56	56	36,781	-	-	-
August 2017	39,391	-	35	35	NA	NA	NA	NA
December 2017	36,177	-	43	43	35,824	-	47	47
February 2018	31,792	233	3,211	3,444	33,913	738	2,035	2,773
May 2018	NA	NA	NA	NA	42,338	-	28	28
August 2018	46,342	-	49	49	NA	NA	NA	NA
September 2018	44,817	-	22	22	NA	NA	NA	NA
December 2018	34,047	-	191	191	NA	NA	NA	NA
Outstanding warrants at December 31, 2019		**473**	**7,259**	**7,732**		**2,638**	**4,585**	**7,223**

Outstanding options in GN Store Nord A/S by grant date are shown below:

	GN Store Nord A/S			
	DKK	Number*		
Grant date	Exercise price	Executive Manage-ment	Other employees	Total
April 2019	313	125,895	578,234	704,129
June 2019	325	-	26,479	26,479
September 2019	282	44,393	-	44,393
Outstanding options at December 31, 2019		**170,288**	**604,713**	**775,001**

* 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

Incentive plans

The Executive Management and a number of key employees are included in share-based payment 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	2019	2018
Present value of defined benefit obligations	(349)	(335)
Fair value of plan assets	323	281
Net obligations	**(26)**	**(54)**

The present value of defined benefit obligations includes unfunded pension obligations not covered by payments to insurance company of DKK 9 million (2018: DKK 20 million).

	2019	2018
Development in present value of defined benefit obligations		
Obligations at January 1	(335)	(338)
Foreign exchange adjustments	(7)	(13)
Costs for the year	(5)	(4)
Interest expense	(12)	(11)
Actuarial gains (losses) regarding demographic assumptions	3	1
Actuarial gains (losses) regarding financial assumptions	(26)	14
Pension payments, unfunded	1	-
Settlements, amendments etc.	16	-
Pension payments	16	16
Obligations at December 31	**(349)**	**(335)**
Maturity of pension obligations		
Less than one year	(17)	(17)
Between one and five years	(76)	(76)
More than five years	(256)	(242)
Total	**(349)**	**(335)**
Development in fair value of plan assets		
Plan assets at January 1	281	293
Foreign exchange adjustments	7	13
Interest income	9	9
Return on plan assets in excess of interest income	40	(26)
Payment by GN Store Nord	3	7
Settlements, amendments etc.	(1)	
Pension payments	(16)	(15)
Plan assets at December 31	**323**	**281**
Pension costs recognized in the income statement		
Costs for the year	(5)	(5)
Interest expense	(12)	(11)
Interest income from plan assets	9	9
Defined benefit plans total	(8)	(7)
Defined contribution plans total	(129)	(119)
Total pension costs recognized in the income statement	**(137)**	**(126)**
The costs are recognized in the following income statement items:		
Production costs	(17)	(21)
Development costs	(34)	(28)
Selling and distribution costs	(44)	(41)
Management and administrative expenses	(40)	(34)
Financial expenses	(2)	(2)
Total	**(137)**	**(126)**
The following accumulated actuarial gains (losses) since January 1, 2005 are recognized in the Statement of other Comprehensive Income:		
Accumulated actuarial gains (losses)	(59)	(76)
Breakdown of plan assets:		
Shares	62%	60%
Bonds	36%	37%
Cash and cash equivalents	2%	3%
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 3% (2018: 4%).

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 assets and liabilities

DKK million	2019	2018
Guarantees	**5**	**74**

Guarantees
The majority of guarantees in 2019 are related to performance guarantees. The majority of guarantees in 2018 were related to an associated company's bank credit facility.

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 assets and liabilities (Continued)

Outstanding Lawsuits and disputes

GN Store Nord and its subsidiaries and associates are parties to various lawsuits, including various cases involving patent infringements. Besides from the case below, the outcome of cases pending is not expected to be of material importance to the Group's financial position.

Claim against Plantronics Inc.

In 2012, GN Audio filed suit against Plantronics for attempted monopolization of the distributors' market in the United States. During the discovery phase, GN learned of alleged intentional document destruction. A hearing on the matter was held on May 18, 2016, and on July 6, 2016, the Court issued a sanctions motion ordering Plantronics to pay USD 3 million to GN Audio in punitive damages as well as reasonable fees and costs incurred in connection with the discovery dispute. Furthermore, the Court reserved the right to issue additional evidentiary sanctions, and to instruct the jury that it may draw an adverse inference that emails destroyed by Plantronics would have been favorable to GN Audio's case and/or unfavorable to Plantronics' defense. On 18 October 2017, a jury in the Federal District Court, Delaware, ruled in favor of Plantronics and did not find that Plantronics' behavior in the market had been unlawful. GN has appealed the ruling and the case was argued before the Court of Appeals on 11 December 2018. On 10 July 2019 GNA won a reversal of the District Court's decision in the Court of Appeals. The appellate Court found that the District Court abused its discretion when it prohibited GNA from presenting evidence of PLT's spoliation at trial. Consequently, GNA has been granted a new trial at which we can present evidence of the spoliation, rather than simply relying on the District Court's listing of facts. PLT filed a petition for rehearing of the Court of Appeal's decision on 24 July 2019 but on 8 August 2019 we won a unanimous denial of PLT's petition from the Court of Appeals. On 8 October 2019, the retrial Judge convened a status conference to align on the process and initiate time schedule discussions for the retrial. Jury selection has been scheduled for 28 May 2020 and the re-trial dates have been set for 29 May–5 June 2020. During 2020, GN Audio will continue to prepare and build the case.

Apart from the above, Management is not aware of any matter that could be of material importance to the Group's financial position.

Significant accounting estimates and judgments

Provisions, Contingencies and Lawsuits

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

5.6 Associates

Investments in associates

DKK million	2019	2018
Aggregated financial information for associates is provided below:		
Total share of profit (loss) in associates for the year	3	13
Total unrecognized loss in associates for the year	-	(5)
Total share of net assets in associates	227	88
Cumulative unrecognized loss in associates	(30)	(30)
Carrying amount of associates	257	118

Transactions with associates comprise sale of goods of DKK 44 million (2018: DKK 85 million) and purchase of license of DKK 8 million (2018: DKK 0 million). At year end GN has DKK 78 million (2018: DKK 81 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	2019	2018
Share-based payment (granted)	39	28
(Gain) loss on divestment of operations	15	-
Provision for bad debt, inventory write-downs, etc.	10	35
Adjustment of provisions	28	44
Total	**92**	**107**

5.8 Fees to statutory auditors

DKK million	2019	2018
Statutory audit	(8)	(7)
Audit-related services	-	(2)
Tax advice services	(1)	(2)
Other services	(4)	(1)
Fee to statutory auditors	**(13)**	**(12)**

Fees for services other than statutory audit of the financial statements amounts to DKK 5 million (2018: DKK 5 million to Ernst & Young P/S). PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab (PricewaterhouseCoopers Denmark) provided other services in the amount of DKK 5 million (2018: DKK 4 million to Ernst & Young P/S). 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, technical accounting advisory services and comfort letter.

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 Associates.

5.10 Events after the reporting period

Following the outbreak of the Coronavirus in China, suspension of production for the Chinese New Year has been extended until February 9, 2020, in accordance with the authorities' guidance; this includes sales offices and contract manufacturing facilities in China. Further, for parts of the Xiamen facility, GN has suspended production until February 12, 2020. Materials and components for our products are partly sourced in China with safety stock built outside China to accommodate for Chinese New Year. Due to the unpredictable nature of the situation the financial guidance for 2020 does not include any impact from the Coronavirus outbreak. Based on our current knowledge we expect to see an impact on Q1 financials. Provided that the situation resolves during February, we assume to follow guidance for the rest of the year.

Companies in the 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 Audio A/S	Denmark	DKK	100	35,544,600
GN Audio Australia Pty Ltd.	Australia	AUD	100	2,500,000
GN Áudio Brasil Importacão & 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	16,998,361
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	100	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	35,900,000
Altia Systems, Inc.	USA	USD	100	22,980,067
GN Hearing A/S	Denmark	DKK	100	64,649,800
GN Hearing Australia Pty. Ltd.	Australia	AUD	100	4,000,002
GN Hearing Austria GmbH	Austria	EUR	100	500,000
GN ReSound Produtos Médicos Ltda.	Brazil	BRL	100	1,019,327
Beltone Holdings Canada	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	165,657,573
GN Advanced Hearing Protection A/S	Denmark	DKK	100	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	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
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
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	0
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 Hearing Care Foundation*	USA	USD	100	0
Beltone Holdings US, LLC	USA	USD	100	3,000
Audigy Group, LLC	USA	USD	100	400,000
Audigy Medical, LLC*	USA	USD	100	0
Audigy Venture, LLC*	USA	USD	100	0

Companies in the GN Group (Continued)

	Domicile	Currency	Ownership %	Share capital
Associates				
Audio Nova S.R.L.	Romania	ROL	49	1,000
HIMPP A/S	Denmark	DKK	11	1,200,000
HIMSA A/S	Denmark	DKK	25	1,000,000
HIMSA II A/S	Denmark	DKK	17	600,000
HIMSA II K/S	Denmark	DKK	15	3,250,000
K/S HIMPP	Denmark	DKK	9	19,950,000
audEERING Gmbh	Germany	EUR	25	25,000
Hearing Center of the East Bay, LLC	USA	USD	50	25,000

* Without par value

** GN Audio UK Ltd. with UK company registration number 02230550, is exempt from audit of its 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.
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 2019

Financial statements

Notes to the parent company financial statements

Notes – Income statement and balance sheet

Notes – Other disclosures

Income statement

DKK million	Note	2019	2018
Revenue		358	262
Gross profit		**358**	**262**
Development costs		(72)	(57)
Management and administrative expenses	1,2,3,4	(448)	(340)
Other operating income and costs, net		-	30
Operating profit (loss)		**(162)**	**(105)**
Share of profit after tax in subsidiaries	10	1,722	1,445
Share of profit (loss) in associates		(2)	-
Financial income	5	102	63
Financial expenses	5	(188)	(217)
Profit (loss) before tax		**1,472**	**1,186**
Tax on profit (loss)	6	(18)	55
Profit (loss) for the year		**1,454**	**1,241**
Proposed profit appropriation/distribution of loss			
Transferred to reserve for net revaluation according to the equity method		(278)	(555)
Retained earnings		1,526	1,599
Proposed dividends for the year		206	197
		1,454	**1,241**

Statement of comprehensive income

DKK million	2019	2018
Profit (loss) for the year	**1,454**	**1,241**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Other changes in equity in subsidiaries	12	4
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Adjustment of cash flow hedges	7	9
Tax relating to this item of other comprehensive income	(2)	(2)
Foreign exchange adjustments, etc.	161	256
Other changes in equity in subsidiaries	5	(70)
Comprehensive income for the year	**1,637**	**1,438**

Balance sheet at December 31

DKK million	Note	2019	2018
Assets			
Intangible assets	7	298	230
Property, plant and equipment	8, 9	64	12
Investments in subsidiaries	10	9,590	9,384
Investments in associates	11	27	30
Amounts owed by subsidiaries	14	3,951	1,408
Total non-current assets		**13,930**	**11,064**
Tax receivables		73	46
Other receivables	14	54	38
Cash and cash equivalents		1,410	259
Total current assets		**1,537**	**343**
Total assets		**15,467**	**11,407**
Equity and liabilities			
Share capital		569	583
Other reserves		(2,231)	(1,332)
Proposed dividends for the year		206	197
Retained earnings		6,305	5,648
Total equity		**4,849**	**5,096**
Bank loans and issued bonds	14, 17	5,345	3,842
Lease liabilities, non-current		34	-
Deferred tax liabilities	12	240	161
Total non-current liabilities		**5,619**	**4,003**
Bank loans	14, 17	1,196	13
Lease liabilities, current		7	-
Trade payables	14	50	39
Amounts owed to subsidiaries	14, 17	3,663	2,157
Other payables		83	99
Total current liabilities		**4,999**	**2,308**
Total equity and liabilities		**15,467**	**11,407**

Statement of cash flow

DKK million	Note	2019	2018
Operating activities			
Operating profit (loss)		(162)	(105)
Depreciation, amortization and impairment	7, 8	70	37
Other non-cash adjustments		3	-
Cash flow from operating activities before changes in working capital		**(89)**	**(68)**
Change in receivables		(16)	9
Change in trade payables and other payables		14	43
Total changes in working capital		**(2)**	**52**
Cash flow from operating activities before financial items and tax		**(91)**	**(16)**
Interest and dividends, etc. received		2,000	-
Interest paid		(37)	(82)
Tax paid, net		43	(2)
Cash flow from operating activities		**1,915**	**(100)**
Investing activities			
Investments in intangible assets		(127)	(73)
Investments in tangible assets		(16)	(14)
Investments in associates		-	(30)
Amounts owed by subsidiaries		(2,542)	(322)
Cash flow from investing activities		**(2,685)**	**(439)**
Cash flow from operating and investing activities (free cash flow)		**(770)**	**(539)**
Financing activities			
Increase of long-term loans	17	(826)	304
Decrease of long-term loans	17	-	-
Increase in short-term loans and amounts owed to subsidiaries	17	2,681	1,459
Decrease of short-term loans and amounts owed to subsidiaries	17	-	-
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		(178)	(169)
Purchase/sale of treasury shares		(1,626)	(1,061)
Cash flow from financing activities		**1,921**	**533**
Net cash flow		**1,151**	**(6)**
Cash and cash equivalents, beginning of period		259	265
Cash and cash equivalents, end of period		**1,410**	**259**

Statement of equity

DKK million	Share capital*	Additional paid-in capital	Hedging reserve	Treasury shares	Reserve according to the equity method	Proposed dividends for the year	Retained earnings	Total equity
		Other reserves						
Balance sheet total at December 31, 2017	**583**	**-**	**(12)**	**(1,586)**	**1,583**	**182**	**4,033**	**4,783**
Profit (loss) for the period	-	-	-	-	(555)	-	1,796	1,241
Adjustment of cash flow hedges	-	-	9	-	-	-	-	9
Other changes in equity in subsidiaries	-	-	-	-	(76)	-	-	(76)
Foreign currency translation adjustments of investments in subsidiaries etc.	-	-	-	-	256	-	-	256
Tax relating to other comprehensive income	-	-	(2)	-	10	-	-	8
Total comprehensive income for the year	**-**	**-**	**7**	**-**	**(365)**	**-**	**1,796**	**1,438**
Reduction of the share capital	-	-	-	-	-	-	-	-
Fair value of warrants issued with bonds	-	-	-	-	-	-	-	-
Other changes in equity in subsidiaries	-	-	-	-	26	-	-	26
Purchase of ownership interests in subsidiaries by payment in treasury shares	-	-	-	62	-	-	3	65
Tax related to share-based incentive plans	-	-	3	-	11	-	-	14
Purchase/sale of treasury shares	-	-	-	(1,061)	-	-	-	(1,061)
Proposed dividends for the year*	-	-	-	-	-	197	(197)	-
Paid dividends	-	-	-	-	-	(169)	-	(169)
Dividends, treasury shares	-	-	-	-	-	(13)	13	-
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)
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**

* Equivalent to DKK 1.45 per share (2018: DKK 1.35 per share)

The reserve according to the equity method includes foreign exchange adjustments of DKK (910) million (2018: DKK (1,065) million).

Retained earnings, which are available for distribution from the Parent Company amounts to DKK 3,090 million (2018: DKK 3,258 million).

1 Staff costs

DKK million	2019	2018
Wages, salaries and remuneration	(149)	(135)
Pensions	(13)	(11)
Share-based payments	(3)	-
Other social security costs	(1)	(1)
Total	**(166)**	**(147)**
Executive Management remuneration can be specified as follows:		
Marcus Desimoni, CFO of GN Store Nord*	(10.9)	(9.1)
Total	**(10.9)**	**(9.1)**
Board of Directors remuneration	(5.5)	(5.5)
Total remuneration	**(16.4)**	**(14.6)**
Staff costs are included in Management and administrative expenses.		
Average number of employees	176	158
Number of employees at year-end	189	164

* In 2019, includes share-based payments from 2019 program.

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 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 balance sheet date and at the grant date of the options:

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

** 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

	2019			
	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
Options exercised during the year	-	-	-	-
Outstanding options at December 31, 2019	**313**	**50,367**	**67,022**	**117,389**
Weighted average term to maturity (Years)		5.2	5.2	5.2
Number of exercisable options at December 31, 2019		-	-	-

* 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 70 million (2018: DKK 37 million), are recognized in the Income Statement as management and administrative expenses.

4 Fees to statutory auditors

DKK million	2019	2018
Statutory audit	**(1)**	**(1)**
Audit-related services	-	(1)
Tax advice services	(1)	(1)
Other services	(4)	(1)
Total	**(6)**	**(4)**

Services other than statutory audit is described in note 5.8 in the consolidated financial statements.

5 Financial income and expenses

DKK million	2019	2018
Financial income		
Interest income from subsidiaries*	62	45
Interest income from bank balances*	38	16
Financial income, other	-	1
Foreign exchange gain	2	1
Total	**102**	**63**
Financial expenses		
Interest expense to subsidiaries*	(44)	(75)
Interest expenses on bank loans and issued bonds*	(78)	(78)
Financial expenses, other	(32)	(8)
Fair value adjustments of derivative financial instruments and impairments	(23)	-
Foreign exchange loss	(11)	(56)
Total	**(188)**	**(217)**

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

6 Tax

DKK million	2019	2018
Tax on profit (loss)		
Current tax for the year	48	41
Deferred tax for the year	5	15
Adjustment to current tax in respect of prior years	13	4
Adjustment to deferred tax in respect of prior years	(84)	(5)
Total	**(18)**	**55**
Reconciliation of effective tax rate		
Danish tax rate	22.0%	22.0%
Non-deductible expenses	0.1%	0.1%
Adjustment of tax with respect to prior years	4.8%	0.1%
Share of profit (loss) in subsidiaries	(25.7)%	(26.8)%
Effective tax rate	**1.2%**	**(4.6)%**

In 2019, the parent company paid preliminary taxes of DKK 157 million in Danish corporate income tax for the year on behalf of the joint Group taxation (For the year 2018 DKK 241 million was paid in final tax for the year in Danish corporate income tax).

7 Intangible assets

DKK million	Software 2019	Software 2018
Cost at January 1	375	302
Additions	127	73
Cost at December 31	**502**	**375**
Amortization and impairment at January 1	(145)	(110)
Amortization	(56)	(35)
Impairment	(3)	-
Amortization and impairment at December 31	**(204)**	**(145)**
Carrying amount at December 31	**298**	**230**
Amortized over	1 - 7 years	1 - 7 years

8 Property, plant and equipment

DKK million	2019 Factory and office buildings	2019 Operating assets and equipment	2019 Total	2018 Factory and office buildings	2018 Operating assets and equipment	2018 Total
Cost at January 1	-	14	14	-	-	-
Additions	-	16	16	-	14	14
Cost at December 31	-	30	30	-	14	14
Depreciation and impairment at January 1		(2)	(2)		-	-
Depreciation	-	(5)	(5)	-	(2)	(2)
Depreciation and impairment at December 31	-	(7)	(7)	-	(2)	(2)
Carrying amount at December 31	**-**	**23**	**23**	**-**	**12**	**12**
Leased assets, c.f. note 9	**39**	**2**	**41**	**-**	**-**	**-**
Total carrying amount at December 31	**39**	**25**	**64**	**-**	**12**	**12**

Operating assets and equipment are depreciated over 1-7 years.

9 Leases

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

Leased assets

DKK million	Factory and office buildings	Operating assets and equipment	Total
Carrying amount at January 1	44	1	45
Additions	-	2	2
Depreciation	(5)	(1)	(6)
Carrying amount at December 31, 2019	**39**	**2**	**41**

Lease liabilities

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

Amounts expensed in the income statement

DKK million	2019
Total cash outflow for leases	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	2019	2018
Cost at January 1	6,129	5,959
Additions, capital contribution	271	170
Cost at December 31	**6,400**	**6,129**
Value adjustment at January 1	3,255	1,583
Share of profit after tax in subsidiaries	1,722	1,445
Foreign currency translation adjustments	161	275
Direct equity postings in subsidiaries	52	(48)
Dividends received	(2,000)	-
Value adjustments at December 31	**3,190**	**3,255**
Carrying amount at December 31	**9,590**	**9,384**

Group companies are listed on page 113. Before the Annual General Meeting on March 11, 2020, a dividend of DKK 1,000 million will be declared from both GN Hearing A/S and GN Audio A/S to GN Store Nord A/S, DKK 2,000 million in total.

11 Associates

Investments in associates

DKK million	2019	2018
Aggregated financial information for associates is provided below:		
Total share of loss in associates for the year	(2)	-
Total share of net assets in associates	27	30
Carrying amount of associates	27	30

Transactions with associates comprise sale of goods of DKK 0 million (2018: DKK 0 million) and sale of services of DKK 0 million (2018: DKK 0 million).

12 Deferred tax

DKK million	2019	2018
Deferred tax, net		
Deferred tax at January 1, net	(161)	(171)
Adjustment in respect of prior years	(84)	(5)
Deferred tax for the year recognized in profit (loss) for the year	5	15
Deferred tax at December 31, net	**(240)**	**(161)**
Deferred tax, net relates to:		
Intangible assets	(34)	(33)
Retaxation	(127)	(127)
Provisions	(91)	(20)
Other	12	19
Total	**(240)**	**(161)**

13 Contingent assets and liabilities

The parent company has issued guarantees on behalf of subsidiaries of DKK 130 million (2018: DKK 2 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
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**
2018				
Issued Bonds	-	-	1,604	1,604
Long-term bank loans	112	891	1,235	2,238
Short-term bank loans	13	-	-	13
Trade payables	39	-	-	39
Amounts owed to subsidiaries	2,157	-	-	2,157
Total non-derivative financial liabilities	2,321	891	2,839	6,051
Derivative financial liabilities	-	3	19	22
Total financial liabilities	**2,321**	**894**	**2,858**	**6,073**

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

* Carrying amount of bonds is DKK 3,927 million.

Categories of financial assets and liabilities

DKK million	2019	2018
Other receivables	44	38
Amounts owed by subsidiaries	3,951	1,408
Financial assets at amortized cost	**3,995**	**1,446**
Derivative financial instruments included in Other receivables	10	-
Financial assets at fair value through profit or loss	**10**	**-**
Issued bonds (bond-with-warrant units)	2,296	1,604
Issued Eurobonds	1,631	-
Bank loans, non-current	1,418	2,238
Lease liabilities	41	-
Bank loans, current	1,196	13
Trade payables	50	39
Amounts owed to subsidiaries	3,663	2,157
Financial liabilities at amortized cost	**10,295**	**6,051**
Derivative financial instruments included in Other payables	4	22
Financial liabilities at fair value through profit or loss	**4**	**22**

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 2,530 million at December 31, 2019 (2018: DKK 1,641 million), and the fair value of Eurobonds amounted to DKK 1,643 million. For other financial assets and liabilities, the fair value is approximately equal to the carrying amount.

Derivative financial instruments

Exchange rate instruments and interest rate swaps

	2019				2018			
	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*	6.66	864	7	-	NA	-	-	-
Other currency pairs**		1,539	3	2		-	-	-
Interest swaps	0.35%	400	-	2	0.50%	1,707	-	22
Total			**10**	**4**			**-**	**22**

* Includes USD instruments exchange rate instruments vs. EUR and DKK

** includes EUR / DKK exchange rate instruments

The parent company has hedged future interest rates with interest rate swaps. The fair value of the interest rate swaps is determined using forward interest rates and can be categorized as level 2 (observable inputs) in the fair value hierarchy.

DKK million	2019	2018
Fair value adjustment for the year recognized in Other comprehensive income	7	9

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 shares in the consolidated financial statements, related parties for the parent company comprise group enterprises and associates over which GN Store Nord A/S exercises control or significant influence.

Group enterprises and associates

Group companies are listed on page 113. Trade with group enterprises and associates comprised:

DKK million	2019	2018
Sale of services to group enterprises	418	308
Lease income from group enterprises	18	14
Purchase of services from group enterprises	(127)	(83)
Lease costs paid to group enterprises	(22)	(17)

The parent company's balances with group enterprises at December 31, 2019 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 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	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**
Liabilities at January 1	1,931	1,577	-	11	665	4,184
Cash flows	304	-	-	2	1,457	1,763
Foreign exchange adjustments	3	5	-	-	35	43
Non-cash interest expenses	-	22	-	-	-	22
Liabilities at December 31, 2018	**2,238**	**1,604**	**-**	**13**	**2,157**	**6,012**

* 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 for 2019 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 2019 grew DKK 96 million (2018: DKK 40 million), primarily due to changes in Group Functions. Costs increased during the year due to the increased activities related to research initiatives at Corporate level and changes in 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 2019 cash flow from operations was positively impacted by dividends received in the total amount of DKK 2,000 million. In 2018 no dividends have been received.

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 2019.

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 2019 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 2019.

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.

We recommend that the annual report be approved at the Annual General Meeting.

Ballerup, February 5, 2020

Executive Management

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

Gitte Pugholm Aabo
CEO, GN Hearing

Marcus Desimoni
CFO, GN Store Nord & GN Hearing

Board of Directors

Per Wold-Olsen
Chairman

William E. Hoover, Jr.
Deputy chairman

Wolfgang Reim

Ronica Wang

Hélène Barnekow

Leo Larsen

Marcus Stuhr Perathoner

Morten Andersen

Independent Auditor's Report

To the shareholders of GN Store Nord A/S

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 2019 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 2019 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 2019, pp 58 -129, comprise income statement and statement of comprehensive income, balance sheet, statement of equity, statement of cash flow 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 appointed auditors of GN Store Nord A/S for the first time on 21 March 2019 for the financial year 2019.

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 2019. 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
Pre-paid discounts and dispenser loans (financial support arrangements) *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).* *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.* *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.* *Refer to note 3.5 in the Consolidated Financial Statements.*	*We assessed whether the Group's accounting policies are in accordance with IFRS.* *We selected a sample of contracts related to financial support arrangements and evaluated classification of the individual elements of the contracts.* *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.* *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.*

Capitalisation and valuation of development costs *The Group capitalises development costs within both the hearing care and audio segment when certain criteria according to IFRS are met.* *The criteria for recognition and measurement of development costs is subject to Management's judgement and assumptions, which is uncertain by nature.* *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.* *We focused on this area because the criteria for recognition and measurement of development projects are subject to Management judgements and assumptions.* *Refer to note 3.1 in the Consolidated Financial Statements..*	*We assessed whether the Group's accounting policies are in accordance with IFRS.* *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.* *We evaluated and challenged Management's assessment of impairment indicators of completed development projects based on the commercial prospects of the projects.* *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 intend to finalise the projects remain and whether the projects are expected to generate future economic benefits exceeding the carrying values.*

Statement on Management's Report

Management is responsible for Management's Report, pp 2 - 57.

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.

Hellerup, 5 February 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no 3377 1231

Mogens Nørgaard Mogensen
State Authorised Public Accountant
mne21404

Mads Melgaard
State Authorised Public Accountant
mne34354

GN Store Nord A/S

Lautrupbjerg 7
2750 Ballerup
Denmark

Co.reg. no 24257843

+45 45 75 00 00
info@gn.com
gn.com

© 2020 GN Store Nord A/S. All rights reserved. Jabra and BlueParrott are trademarks of GN Audio A/S. ReSound, Interton and FalCom are trademarks of GN Hearing A/S. Beltone is a trademark of GN Hearing Care Corporation. All other trademarks and logos included herein are the property of their respective owners.