



GN

# Making Life Sound Better

Annual Report 2021



# Our purpose is Making Life Sound Better

We bring people closer through the power of sound and vision - letting you hear more, do more, and be more in life and at work than you ever thought possible

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# 2021 financial highlights

## Revenue (DKK)

+20% organic revenue growth vs 2020

**15.8bn**

## EBITA (DKK)

+52% vs 2020

**2.7bn**

## Free cash flow excl. M&A (DKK)

Cash conversion with rate of 27%

**0.7bn**

## Shareholder returns (DKK)

Via share-buybacks and dividends

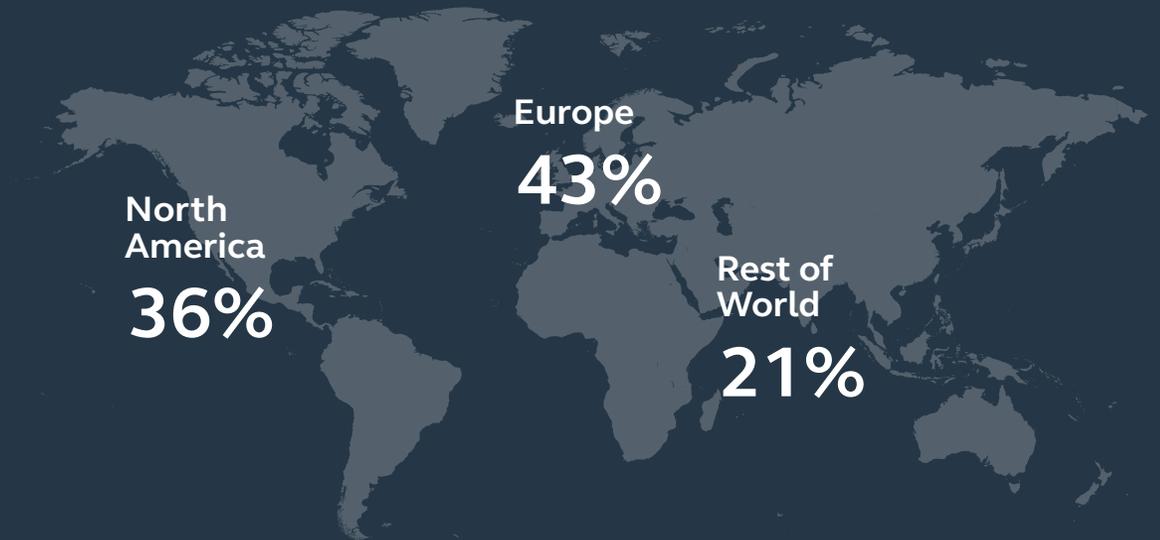
**1,354m**

## Earnings per share (DKK)

+43% vs 2020

**13.90**

## Revenue by region



# 2021 key milestones



## 2025 ESG goals

GN announces new sustainability targets to make a positive impact on climate change, sustainable products & packaging, and health

## Being productive

Jabra Evolve2 30 expands the Evolve2 range, built with the modern-day desk worker in mind, engineered for collaboration, concentration and comfortable productivity



## Jabra Enhance Pro

A new, premium hearing aid line-up is launched under the Jabra brand – first available to consumers in more than 700 Costco Hearing Aid Centers around the world



## GN enters gaming

SteelSeries, a global pioneer in premium software-enabled gaming gear, joins GN. The deal was closed in January 2022

## Hands-free calling for hearing aids

GN Hearing announces that ReSound ONE and Beltone Imagine hearing aids will offer hands-free phone and FaceTime calls from iPhone and iPad



GN commits to science-based climate targets

Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan



## Essential hearing

ReSound Key joins ReSound ONE™ and ReSound LiNX Quattro™ in the strongest and broadest ReSound portfolio ever



## Intelligent video

GN launches intelligent Jabra PanaCast 50 (picture) and Jabra PanaCast 20 camera line up for insight driven collaboration in the hybrid world



## Discreet Hearing Enhancement

GN announces Jabra Enhance Plus engineered to help people with mild-to-moderate hearing loss, combining advanced hearing aid technology with music and calls in a state-of-the-art miniaturized true wireless earbud



## A new era of Elite earbuds

Redefining true wireless range with next generation of Jabra Elite products, each one tailored to specific uses: Elite 7 Pro, Elite 7 Active, and Elite 3



## Hybrid productivity

Jabra Evolve2 75 is specifically engineered for productive hybrid working with fully adjustable Jabra Advanced Active Noise Cancellation (ANC)

## GN acquires Lively

The world's leading online tele-audiology solution and digital marketing platform enabling consumers to discover, explore, purchase and receive hearing care from licensed hearing care professionals in the U.S. becomes part of GN



# Chairman's foreword

## Navigating rough waters, part II

I headlined my foreword to GN's 2020 Annual Report "Navigating safely through rough waters". With the events of 2021 in mind, it seems appropriate to pick up from there.

The COVID-virus is still a threat and the pandemic continued to affect our company in different ways. GN Hearing continued to face repeated challenges in different parts of the world, while GN Audio continued to advance greatly as to fundamental demand. For GN overall and for our customers and partners, it was still navigating rough and ever-changing waters.

While navigating best possible through varying degrees of restrictions and lockdowns, disrupted global supply chains, employees' and customers' health and well-being, we also used 2021 to begin redefining GN to enter the company's next phase.

Despite current challenges and limited short term visibility, there are clear trends across the world in which GN has a unique position to play a valuable role: we are entering a significantly more digitalized world with online access to literally everything – where people need intelligent devices to connect with one another like never before and they request technology made for people.

### GN's fundamentals are strong

Despite the challenges, the market fundamentals for GN's two central business pillars – the core hearing business and the audio business – are as strong as ever before. A constantly growing number of people need hearing care as well as professional audio and video solutions for digital collaboration.

### GN Hearing to regain above market growth in 2022

Clearly, we would have preferred for GN Hearing to fare stronger through 2021 than was the case. Headwinds in several areas gave us a temporary setback and postponed our projected growth with some months. However, our fundamental innovation capabilities are intact and the hearing products we have today and those that are coming shortly will allow us to regain above market growth in 2022.

### GN Audio operating from a higher revenue base

For GN Audio, the business has elevated to a substantially higher revenue base, which will sustain and grow despite the continued challenging global component supply situation. We should not expect the continued exorbitant growth rates we saw during the height of the pandemic but growing from this higher baseline we will continue to benefit from significant shifts in work patterns, not only in our traditional enterprise business, but increasingly also with collaboration tools for governments, education, health, and deskless workers at large.

### Taking GN to a new level

New markets and segments are emerging, where GN is able to position itself with clear competitive strength. We are redefining and setting up the company to capture new and additional growth opportunities – taking GN to a new level – utilizing the synergies that are rapidly evolving across the specialized hearing and audio technologies that GN champions.

Additional to our core hearing and audio business, we now see great imminent market and growth potential for our new high-end gaming business, our hearing protection business, and our new direct-to-consumer hearing aid business opportunities.



New markets and segments are emerging, where GN is able to position itself with clear competitive strength



Per Wold-Olsen, Chairman of the Board

### *Gaming adds a whole new growth platform*

Having SteelSeries join us adds a new sweet spot for GN into high-end gear for gaming. SteelSeries has an outstanding track record of innovation combined with robust design capabilities, strong commercial acumen and a well-recognized premium gaming brand.

Add GN Audio's operational excellence and extensive global distribution footprint, and we believe we have a winning formula. For more than 150 years, GN has facilitated communication between people – bringing people closer – and gaming is yet another way that people connect by the use of our technology.

### *New digital consumer platforms in hearing*

With the increasing digitalization of the world, consumers demand online solutions and services also from the hearing industry – as well as broader health and well-being services. We have seen this online space growing for some years and now further accelerated by the pandemic. GN has prepared for this trend and not invested in traditional brick-and-mortar retail – we believe the future is now for the digital agenda.

Thus, our acquisition of Lively is an important part of setting GN Hearing up for a more digitalized world. With the over-the-counter hearing aid regulation in the U.S., we believe this transition to always-on digital health services will only accelerate across the world. Pioneering a fully virtual hearing care experience, Lively's customer-first, end-to-end audiology platform makes it easier to buy advanced hearing technology and licensed care.

### *Reaching new audiences with Jabra Enhance Plus*

We have observed and prepared for the over-the-counter space for some time and now have Jabra Enhance Plus ready, a unique high-tech, all-in-one earbud for the many people who experience mild-to-moderate situation-based hearing challenges. With Jabra Enhance Plus we will reach new audiences who would otherwise not seek hearing care.

And, as users age and their need for more extensive hearing care increases, we see this as another channel into traditional medical hearing care, which remains the core business for GN Hearing.

### *Fundamentally changing GN, but staying true to the core*

Lively and Jabra Enhance Plus will be two important components in the digital transformation that GN is undergoing. With strategic initiatives like these, we are expanding and fundamentally changing GN's breadth and depth as we gradually grow into a much more digitalized and software centric company.

But we remain a company that stays true to our roots and core competencies: innovate, innovate, innovate and then professionally commercialize the innovation to help people connect. In other words, we bring people closer through the power of sound and vision – letting you hear more, do more, and be more in life and at work than you ever thought possible.

### **Thank you**

For GN, we view 2021 as an "in-between year". With some setbacks. However, it was still a year when the company delivered revenues of DKK 15.8 billion (20% growth) and EBITA of DKK 2.7 billion (52% growth), successfully launched multiple new innovative products, finalized the development of next generation products, set new ambitious sustainability targets, and delivered on two important acquisitions that will become critical elements as we redefine GN for the future.

On behalf of the Board of Directors, I would like to thank our leadership and our employees across the world for making all of this happen ... despite rough and ever-changing waters.

Jabra Enhance Plus, a unique high-tech, all-in-one earbud for the many people who experience mild-to-moderate situation based hearing challenges.





# Five year financial overview

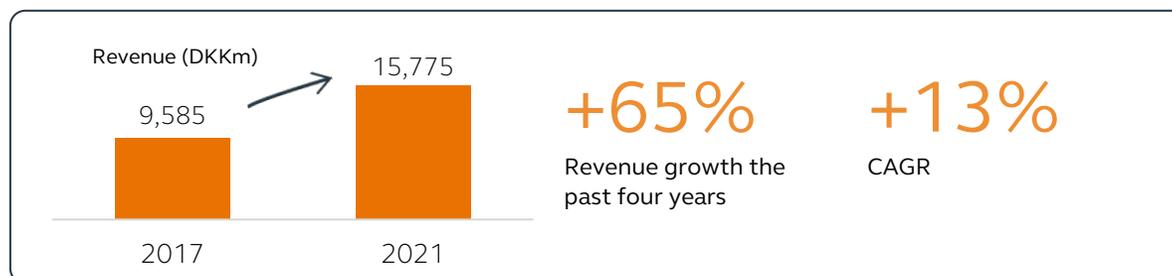
DKK million	2017	2018	2019	2020	2021
<b>GN Store Nord</b>					
Revenue	9,585	10,607	12,574	13,449	15,775
Revenue growth	11%	11%	19%	7%	17%
Organic growth	8%	13%	15%	9%	20%
Gross profit margin	62.7%	62.0%	60.3%	54.3%	55.0%
EBITA*	1,744	1,956	2,321	1,866	2,619
EBITA margin*	18.2%	18.4%	18.5%	13.9%	16.6%
Operating profit (loss)	1,558	1,796	2,002	1,627	2,397
Financial items, net	-60	-203	-92	-6	-90
Profit (loss) before tax	1,504	1,606	1,913	1,612	2,271
Effective tax rate	25.4%	22.4%	23.3%	21.3%	21.2%
Profit (loss) for the year	1,122	1,247	1,468	1,269	1,790
Total assets	11,737	13,017	16,683	16,682	23,552
Total equity	4,783	5,096	4,849	5,178	6,229
ROIC (EBITA*/Average invested capital)	21%	24%	25%	19%	25%
Earnings per share, basic (EPS)	8.07	9.25	11.12	9.72	13.63
Earnings per share, fully diluted (EPS diluted)	8.02	9.13	10.98	9.63	13.49
Investments in property, plant and equipment	-103	-160	-232	-221	-457
Free cash flow excl. company acquisitions and divestments	1,134	1,110	1,296	1,865	702
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA*)	65%	57%	56%	100%	27%
Equity ratio	40.8%	39.1%	29.1%	31.0%	26.4%
Net interest-bearing debt	3,035	3,234	5,303	4,198	5,358
Net interest-bearing debt (period-end)/EBITDA	1.6	1.5	2.0	1.8	1.8
Payout ratio	16%	16%	14%	16%	12%
Share buybacks**	1,372	1,061	1,626	453	1,166
Outstanding shares, end of period (thousand)	136,443	132,576	128,952	128,975	127,718
Average number of outstanding shares (thousand)	138,980	134,114	130,762	128,805	128,816
Average number of outstanding shares, fully diluted (thousand)	139,968	135,864	132,367	130,032	130,194
Treasury shares, end of period (thousand)	9,241	13,108	13,316	13,293	10,458
Share price at the end of the period	200.5	243.3	313.3	487.2	411.3
Market capitalization	27,357	32,256	40,401	62,837	52,530

DKK million	2017	2018	2019	2020	2021
<b>GN Hearing</b>					
Revenue	5,615	5,833	6,351	4,725	5,332
Revenue growth	9%	4%	9%	-26%	13%
Organic growth	6%	7%	7%	-24%	16%
Gross profit margin	69.4%	69.2%	69.0%	61.5%	63.8%
EBITA*	1,153	1,194	1,284	41	643
EBITA margin*	20.5%	20.5%	20.2%	0.9%	12.1%
ROIC (EBITA*/Average invested capital)	18%	19%	19%	1%	9%
Free cash flow excl. company acquisitions and divestments	866	574	672	127	198
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA*)	75%	48%	52%	310%	31%
<b>GN Audio</b>					
Revenue	3,970	4,774	6,223	8,724	10,443
Revenue growth	14%	20%	30%	40%	20%
Organic growth	10%	21%	26%	42%	22%
Gross profit margin	53.2%	53.2%	51.5%	50.4%	50.6%
EBITA*	721	905	1,192	2,002	2,164
EBITA margin*	18.2%	19.0%	19.2%	22.9%	20.7%
ROIC (EBITA*/Average invested capital)	46%	59%	57%	81%	79%
Free cash flow excl. company acquisitions and divestments	481	798	849	1,729	1,288
Cash conversion (free cash flow excl. company acquisitions and divestments/EBITA*)	67%	88%	71%	86%	60%

\* Please refer to Key Ratio Definitions on page 126 for definition of EBITA

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

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



# Business model and strategy

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# Vision and strategy

GN brings people closer through the power of sound and vision - letting people hear more, do more, and be more in life and at work than they ever thought possible

Utilizing the synergies derived from GN’s hearing, audio, and video technologies and expertise, the Group is able to significantly improve and personalize customers’ hearing and collaboration 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, for audio consumers looking for experiences beyond what can be delivered today, and for enthusiast gamers.

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, audio, video, and gaming product portfolios, where management sees ample opportunities for continued growth
- as new market segments open, 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 and 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 – such that we have recently done with entering the attractive gaming market with the acquisition of SteelSeries and the acquisition of Lively, providing GN access to the fast-growing online care market with a leading online hearing care and digital marketing platform.

## High growth combined with solid financial platform

In the mid-term, GN will continue to invest in growth through innovation to deliver double-digit organic revenue growth rates.

We expect to continue delivering a strong EBITA margin in line with historic 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.

## Mid-term guidance\*

DKK million	Organic revenue growth	EBITA margin	Growth in EPS
<b>GN Hearing</b> (Excl. Emerging Business)	<b>&gt;market growth<sup>1</sup></b>	<b>&gt;20%</b>	
<b>GN Audio</b> (Incl. SteelSeries)	<b>&gt;market growth<sup>2</sup></b>	<b>&gt;20%</b>	
<b>GN Store Nord</b>	<b>&gt;10%</b>		<b>&gt;10%</b>

1) In the mid-term, GN Hearing expects the global hearing aid market to continue to grow at around 4-6% in units with an ASP decline of around 1-2% annually

2) In the mid-term, GN Audio expects its markets to continue to grow at around 10% annually

\*) The mid-term guidance was first issued on February 5, 2020, and re-confirmed on February 10, 2022..



# GN Hearing strategy update

To realize our ambition, GN Hearing will continue building on the strong existing foundation of the business and retain the three strategic pillars laid out in the '2020 and beyond' strategy:

- Individualized customer experience
- Innovation leadership
- Commercial and ecosystem excellence

Current focus areas to execute on the strategy include that GN Hearing will:

- Modernize hearing care by building new ways of connecting hearing care professionals, consumers and partners
- Digitize, simplify and automate the supply chain
- Simplify the way we work and reduce complexity
- Accelerate through M&A and partnerships

## Simplify to grow

Unlocking the potential of the hearing solutions market

### Core business

- Deliver customer-centric products and experiences with organic hearing including a solid 2022 roadmap
- Be a trusted and innovative partner for our hearing care professionals in key markets

### Emerging business

- Participate in new channels and hearing solution adjacencies
- Benefit from the combined synergies of GN to reach new customer groups with lifestyle hearing including Jabra Enhance Plus

Digitize and simplify the way we work

## Key trends and drivers impacting GN Hearing's business

Over the past few years, we have seen an acceleration of existing trends as well as an emergence of new ones. The trends GN Hearing continue to benefit from are:



# GN Audio strategy update

To realize our ambition, GN Audio will continue building on the strong existing foundation of the business and retain the three strategic pillars laid out in the '2020 and beyond' strategy:

- Individualized customer experience
- Eco-system-led innovation
- Sustainable commercial & operational excellence

Current focus areas to execute on the strategy include that GN Audio will:

- Transform from an audio-only business to an audio, video, and gaming business
- Prioritize resources in Office, Collaboration, and Gaming while taking share in Consumer and Contact Center
- Broaden the scope of the Office business unit beyond office headsets
- Accelerate through M&A and drive simpler ways of working

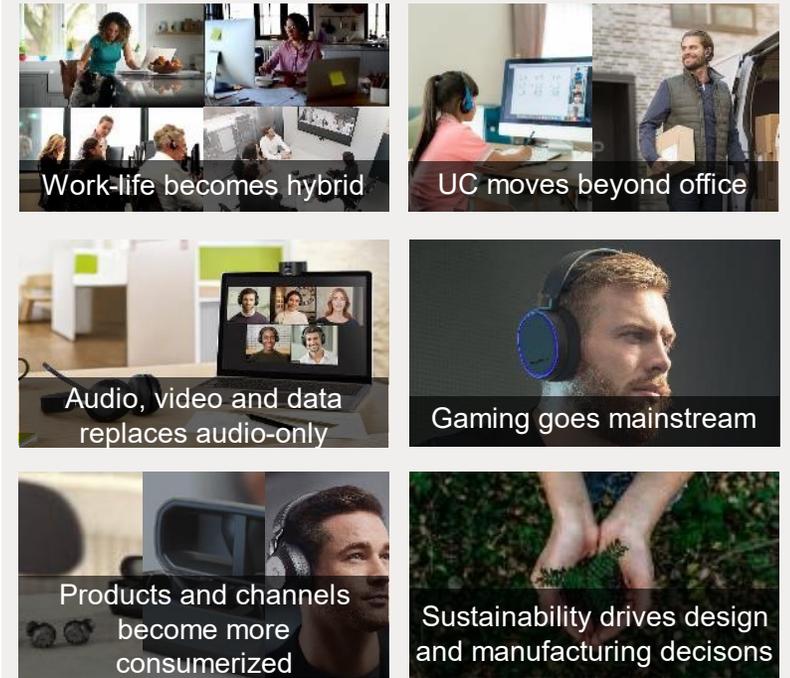
## Simplify to grow



1) Targeting more than two billion "deskless workers" (teachers, doctors, retail staff, logistics personnel, first responders, and many other key roles - see page 19). 2) Excludes smartphone players such as Apple, Samsung, and Huawei.

## Key trends and drivers impacting GN Audio's business

Over the past few years, we have seen an acceleration of existing trends as well as an emergence of new ones. The trends GN Audio continue to benefit from are:





# Business model



## Key resources

### Engaged & focused people

Highly skilled and engaged employees and leaders move our business forward based on a culture of innovation and our core values of listening, challenging, and transforming

### Innovation and ecosystem leadership

Our engineering capabilities in hardware and software for audio and video deliver unique and individualized customer experiences. To enhance our impact, we partner with leading channels, ecosystems, scientists and other industry leaders to leverage technology and market access

### Global reach, local presence

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



## Clear growth strategy



INDIVIDUALIZED  
CUSTOMER EXPERIENCE



INNOVATION  
LEADERSHIP



COMMERCIAL &  
ECOSYSTEM EXCELLENCE



Engagement  
& focus



Lean  
& efficient



Sustainability

## Attractive global megatrends

## High entry barriers in select segments



## Key business areas

### Medical grade hearing technology

Advanced and innovative medical grade hearing aids for all types of hearing loss as well as modern hearing enhancement ear buds for mild to moderate hearing loss

### Professional collaboration

Audio and video solutions for enterprises and organizations. Communication solutions for transportation, logistics, high -noise, and extreme environments

### Consumer calls, media, and gaming

High quality consumer headsets and earbuds for calls and media consumption, and gaming audio and other gaming peripherals



## Value created

### Customers

Excellent individualized customer experiences – enabling people with hearing loss, organizations, and consumers to hear more, do more and be more

### Community

Sustaining thousands of jobs in GN and at partners. Significant corporate tax payment in countries where we operate. Pursuing sustainable, responsible, and socially inclusive business practices across our value chain

### Employees

A great, safe and rewarding place to work, providing a level playing field with equal opportunity for all and ensuring people and talent development at all levels

### Investors

Delivering consistent high return on investment to shareholders via share price increase, dividend payment and share buyback programs



# Engaged & focused employees

Nurturing a highly skilled workforce with engaged employees who execute on GN's strategy and win in the market is key to success

## Strengthening leadership, employee, and talent development

GN's fundamental growth strategy leads to increasing demands on the incumbents of current jobs. The need for innovation will continue along with an ongoing need to scale GN's talent efforts globally.

In 2021, two targeted development initiatives kicked off to strengthen leadership development and support employees' growth, "Leading the GN Way" and "Leading Strategy 2.0"

GN yearly conducts a global Talent Review and Succession planning process ('TRS') to ensure that a bigger part of the organization is calibrated to build stronger talent and leadership pipelines at more levels.

Many leadership talents identified in 2020 have either been promoted or expanded their area of responsibility during 2021.

GN's strategy calls for a still broader range of leadership competencies and capabilities, why an increased focus aims to ensure that leadership talents have the right qualifications to efficiently lead a more complex business.

Consequently, more effort is put into strengthening development plans for senior leaders by introducing "Transform", an individual and data-driven Development Centre for senior leaders.

GN's Graduate Program is an incubator, not only attracting candidates to current tracks but also screening for talented candidates for other entry level positions. When recruiting young talent, we strive for a diverse talent pool.

In 2021, we had 10 new graduate positions. In 2022, 14 new graduates will join GN, as the Graduate Program expands with new IT and Supply Chain tracks to complement existing Finance, Engineering and Marketing tracks.

## Equal playing field for all

Creating an equal playing field is a cornerstone of our HR strategy to instill fair and just practices and policies that ensure all employees can thrive, be themselves and exercise their full potential. To become a truly equitable employer we have started to embed inclusion and diversity in our people processes.

As a company we do not tolerate discrimination or harassment of any kind based on racial or ethnic characteristics, gender, religion, age, sexual orientation, disabilities or any other classification as stated in GN's Ethics Guide.



GN's Ethics Guide is available in 10 languages here: [www.gn.com/responsibilitydocuments](http://www.gn.com/responsibilitydocuments)

## Inclusion & diversity

Inclusion and diversity are a strategic priority at GN. To stay relevant as a business we are humbly aware that we need access to all our employees' competencies, creativity, engagement, and loyalty. We need the best talents, and we need diverse talents.

In 2021, we strengthened our efforts to become an even more diverse and inclusive organization. For example, we dedicated more resources for inclusion and diversity activities, supported new employee-led

## Strengthening our leadership



### "Leading the GN Way"

92 new leaders participated in development program to secure strong leadership quality and collaboration

### "Leading Strategy 2.0"

Leaders go through a fully virtual leadership development journey

## Strengthening our employees



### Yearly "TRS" process

Structured Talent Review and Succession planning process secures we have

- the right people
- in the right positions
- at the right time
- with the right mindset

### "Transform"

Data-driven Development Centre for senior leaders providing impact-focused development plans to unleash their potential across the GN Group. In 2021, 25 senior leaders participated



## GN Voice – checking in twice a year

**Highly engaged people.** GN’s employee engagement survey tool, GN Voice, provides valuable feedback from employees twice a year. Leaders listen to their input and comments and take appropriate action to continuously maintain a highly engaged organization

**91%** **Highly engaged workforce**  
Response rate in the latest survey in 2021

**8.0** **Overall engagement score**  
On a 10-scale engagement score is 0.2 above the middle range of sector industry benchmark  
October 2021

### Initiatives inspired by GN Voice feedback

**Mental well-being.** Program supporting employees during a pandemic, learning to balance work -from-home, insecurity from ever changing conditions, and good mental well -being

**Remote work.** Global approach to flexible work enabling local flexible working policies taking into consideration the employees’ needs, the needs of GN, and the nature of the work task

**Collaboration space.** Continued initiatives to transform traditional office space to better support new hybrid ways of working with some people working remotely and others from the office

Employee Resource Groups, entered a partnership with Dial Global (global community for Diverse Inclusive Aspirational Leaders), and launched online inclusion learning modules.

It is essential for GN to foster an inclusive environment welcoming a variety of backgrounds and perspectives. Inclusion is embedded in GN’s core values:

- We **LISTEN** to ensure that our employees feel heard and valued
- We **CHALLENGE** each other and welcome perspectives different from our own to make smarter decisions
- We want to continuously **TRANSFORM** our company to meet the needs of our customers and ensure that all employees experience a sense of purpose and belonging

#### Gender and diversity representation in management

GN’s primary diversity focus is to advance stronger international representation and gender diversity in our senior management, the Global Management Teams (GMT) in both GN Audio and GN Hearing.

By the end of 2021, GN Hearing’s GMT comprised 18% female leaders and 36% non-Danes. GN Audio’s GMT comprised 14% female leaders and 64% non-Danes. At the end of 2021 women filled 21% of senior management positions across the GN Group. By 2025, we aim to have above 25% women in senior management positions.

#### Board of Directors

The Board of Directors at GN has seven members elected by the General Meeting, four of which are women. Thus, in 2021 we exceeded our target of 50 % women in the Board.

 Review GN’s Diversity Policy: [www.gn.com/diversitypolicy](http://www.gn.com/diversitypolicy)



**7,228**  
employees globally

**50+**  
nationalities in  
headquarter alone

**40+**  
countries where GN has  
own staff on the ground

**2,033**  
new colleagues  
onboarded  
during 2021

#### Age distribution of employees



**45%** Percentage of women in new hires

**34%** Percentage of women managers

**48%** Women in workforce

**21%** Women in senior management

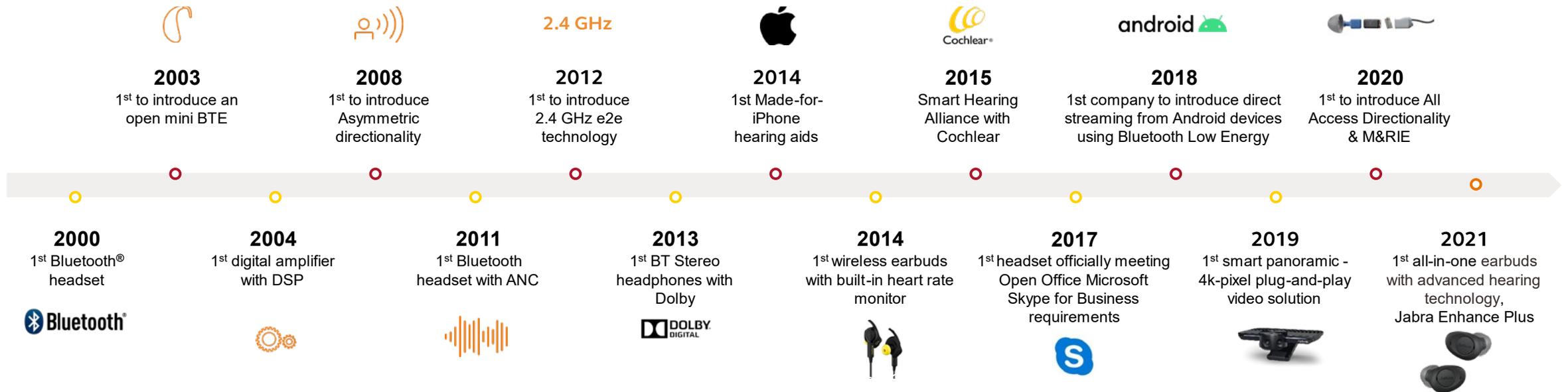
**57%** AGM elected women on GN’s Board

**33%** Women in Executive Management



# Innovation and ecosystem leadership

GN's engineering capabilities in hardware and software for audio and video deliver unique and individualized customer experiences. To enhance our impact, we partner with leading channels, ecosystems, scientists, and other industry leaders to leverage technology and market access



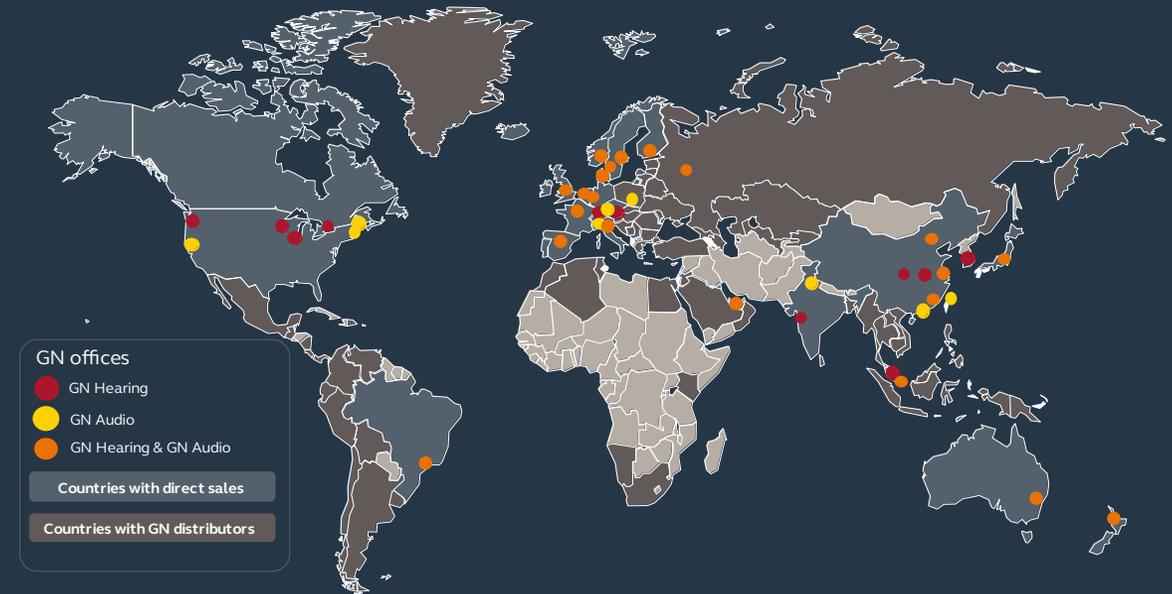
In 2021 the R&D spend was DKK 1.4 bn, corresponding to an R&D to revenue ratio of 9%

Definitions: DSP: Digital Signal Processing; e2e: Ear to Ear



# Global reach, local presence

GN develops and manufactures innovative and intelligent audio and video communications solutions that are 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, audio, video and speech, wireless technologies, software, and miniaturization.

In 2021, GN invested DKK 1.4bn in research and development.



## Manufacturing

GN has its global manufacturing sites for hearing aids in Denmark, China, and Malaysia. Regional manufacturing centers are located in the United States and Great Britain.

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



## Sales and distribution

GN's hearing aids are sold in around 100 countries across the world. GN has its own organization in 30+ countries and operates via partners and distributors in another 70 countries.

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



# Key business areas and product brands

## Medical grade hearing technology

Highly advanced and innovative medical grade individualized hearing solutions sold globally via hearing care professionals

Leading hearing brand based on individual care and technically optimal hearing solutions – sold via 1,500 Belton branded hearing care stores in the US and via hearing care professional in select other markets

High-tech, all-in-one hearing enhancement earbuds to help users hear conversation, music and calls in select situations and professional high-tech hearing aids that offer more choice and convenience for select direct-to-consumer channels

Value-based, affordable hearing solutions based on core GN technology sold via hearing care professionals in select markets

A complete medical grade hearing solution offering based on proven GN technology for hearing care professionals in specific markets only, often with geographic, partner or channel exclusivity

## Professional collaboration

Cutting-edge headsets, speakerphones, and video solutions to help people work in the way that suits them best, from the office to the home office and everywhere in between

Communication headsets for professional drivers and enterprise workers, providing superior call quality in high-noise environments, all-day comfort, and durability

Advanced hearing protection solutions enabling special operations, military, law enforcement and security personnel to communicate in extreme environments

## Gaming, calls, and media

Innovative pioneer in premium software-enabled and system-integrated gaming gear

Wireless earbuds and headphones for rich sound and crystal-clear calls, keeping people seamlessly connected to the people and content they love



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



# Expanding hearing health

## Combining medical and consumer audio expertise

For years, a key challenge in the hearing industry has been the low penetration rate. Only one in five people who could benefit from hearing improvement wears hearing aids. Addressing hearing loss has a huge positive impact on well-being, quality of life, and overall health.

GN now combines its medical and consumer audio capabilities to reach the millions of people who have not yet sought help for their hearing challenges. This will help many more people begin their hearing health journey, by providing unique products that can give them control of their hearing health.

Bringing these advanced hearing products to market under the umbrella of Jabra, GN's well-known and trusted consumer electronics brand, this line of products reaches out to an entirely new type of consumers.

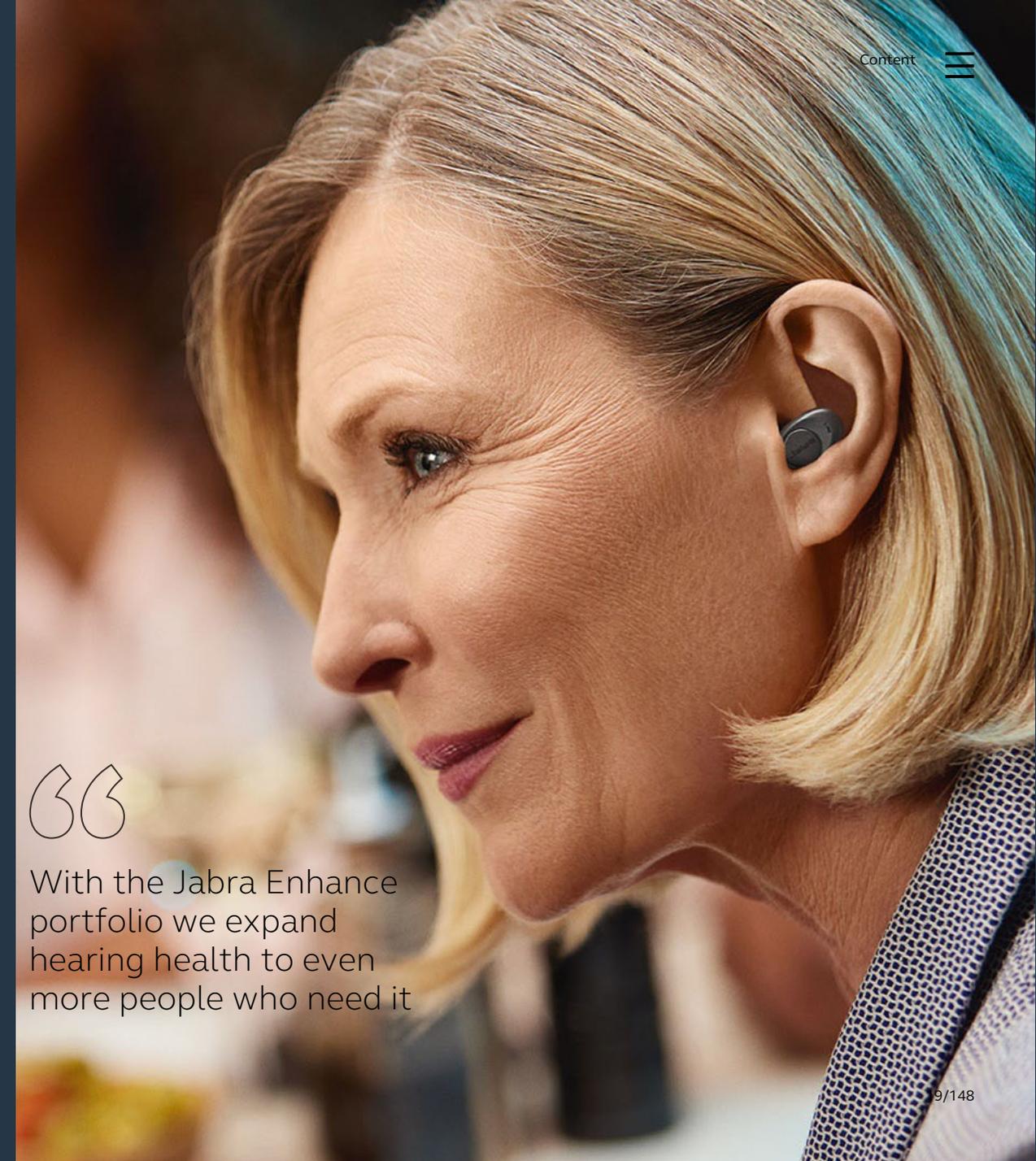


*Jabra Enhance Plus (left) and Jabra Enhance Pro (right), two new offerings intended to reach new customer groups with accessible hearing solutions.*

- Jabra Enhance Plus is a unique high-tech, all-in-one earbud for the many people who experience mild-to-moderate hearing loss. It's for people who are not yet ready for traditional all-day wear hearing aids and would prefer a lifestyle solution to help them hear conversation, music, and calls easier in select situations such as at social gatherings, in meetings or while enjoying media
- Jabra Enhance Pro is a professional high-tech hearing aid that offers more choice and convenience than ever before for the millions of people with hearing loss – available first at Costco Hearing Aid Centers around the world



With the Jabra Enhance portfolio we expand hearing health to even more people who need it





## Reaching new audiences

In October 2021, the U.S. Food and Drug Administration (FDA) published a proposal to make hearing aids more accessible for millions of Americans.

GN welcomes this new legislation as it likely provides access for many more people with a hearing disability. GN is committed to enabling millions of people who need support to make the first step on their hearing health journey.

Today, more than 430 million people globally live with “disabling hearing loss levels”, many of whom struggle to find a hearing solution that is right for their lifestyle. Further, according to WHO, more than 1.5 billion people are experiencing “some degree of hearing loss”. Untreated hearing loss makes it difficult for people to communicate and socialize, ultimately impacting their overall health and well-being.

GN is determined to change this – and the Jabra Enhance line of products is one step. Jabra Enhance Plus is a solution intended for those with mild-to-moderate hearing loss but no hearing solution.

GN still expects millions of Americans will also look to the care and support of a hearing care professional and that solutions that come with the care and expertise of a professional will remain the preferred choice of many.

However, innovation based on the new regulation could be a unique first step on people’s hearing health journey. This will also support hearing care professionals in general and traditional hearing aid channels as more people will discover the benefits of hearing aids.

The expected over-the-counter hearing aid legislation has made many hearing care professionals worry about the future of their trade.

Dr. Jennifer Mayer, owner of South Shore Hearing Center, (MA) USA, is one of the many hearing care professionals, who has lately changed her opinion to now see this upcoming legislation as more of an opportunity than a threat.

*“I have a clinical background and a diagnostic practice, and I will continue to have that and to serve those patients. I will now also have something else that I can potentially fit to a patient who may not be ready to take that step and only need help in certain situations. This is a new audience.”*

*I do think this must be incorporated into my practice. It’s not for all, but there are people this will benefit. Our job is to help people hear better – I’m committed to doing that in any way I can.*

*Also, with the introduction of masks a lot of people realized they couldn’t hear, so I’m already seeing a lot of younger patients in their 30ies and 40ies, who have hearing challenges, but are not ready to wear hearing aids.”*



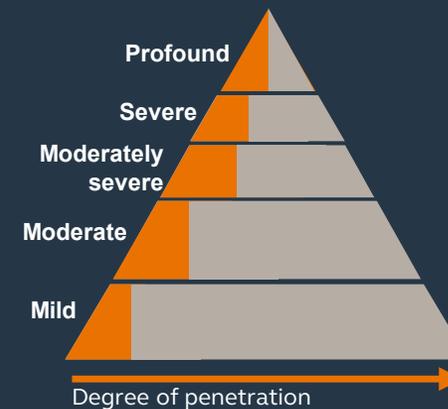
Our job is to help people hear better – I’m committed to doing that in any way I can ...this is a new audience



Dr. Jennifer Mayer, hearing care professional, on the upcoming over-the-counter U.S. hearing aid legislation.

### Room for growth with new audiences

Low usages of hearing aids, especially for less severe hearing loss



50 million Americans have clinical mild to moderate hearing loss. Globally, more than 430 million people live with hearing loss, many of whom struggle to find a hearing solution that is right for their lifestyle.

# Technology for the deskless worker

## Unified communication and collaboration is moving beyond the office

During the past two years, leading platforms for unified communication and collaboration (UC&C) have seen a massive uptake in the number of users. Companies like Microsoft and Zoom have reported never-before seen growth figures.

Some of this growth has come from the office space, where many are already familiar with the benefits of these technologies to support the need for employees to work remotely and collaborate across geographies.

A new growth wave is emerging from industries and types of employees which are new to UC&C. The need to keep services running, keep social

distancing, and equip personnel with adequate tools, has created an acceleration of UC&C deployment outside of the traditional office environment, including a broad group of employees working in the frontline.

While the core target customer traditionally was an office-based worker, there is an opportunity beyond the traditional office, also referred to as “deskless workers”.

These more than two billion workers include teachers, doctors, retail staff, logistics personnel, first responders, and many other key roles.

In many industries, the traditional collaboration solutions have been closed systems (e.g., land-mobile radios) with push-to-talk functionality.



More than 2 billion workers potentially need communication tools



However, the changing needs and the continued innovation by UC&C vendors allow more dynamic and integrated solutions, encompassing communication, push-to-talk capability, shift planning, logistics, and other tasks, all in one place – supported by intelligent audio and video devices.

In GN Audio, we have expanded our target audience over the past few years to include more of the deskless workers.

In the education sector, we've seen a strong demand from school districts employing Jabra PanaCast cameras and Jabra Speak solutions.

In the transportation and logistics sector, we serve the trucking community and others via our BlueParrott solutions.

And in the defense and security sector, our FalCom solutions are getting more attention than ever from governments around the world.

With strong collaboration with the leading UC&C vendors and driven by our strong capabilities across microphone technology, noise cancellation, video intelligence, and focus on serving the end-user – no matter their environment – we are strongly positioned to address the rapidly changing needs of the deskless worker.

### More than a headset

For many deskless workers, a headset is more than a tool to enable flexibility – it can be a mission critical device.

The requirements for durability, portability, security, noise suppression, disinfection, and integration with various industry software ecosystems, are more diverse than in the office.

GN Audio is already a trusted provider across the world to private enterprises, organizations and the public sector, underpinned by the significant demand for our professional and specialized products over the recent years.

### Transforming the frontline

The transition of the deskless worker to UC&C can be a key contributor to GN Audio's continued growth. Working closely with our alliance partners, our products are a natural extension to the technologies to which many are shifting.

The deskless and frontline workers have been an underserved segment technology-wise. In GN Audio, we see this as an opportunity to make more workers productive, effective, and connected – whatever their task.



It can be a mission critical device



FalCom offers advanced hearing protection solutions enabling special operations, military, law enforcement and security personnel to communicate in the most extreme environments

PanaCast 20, engineered for intelligent AI-enabled personal video conferencing



BlueParrott-C300-XT, engineered for superior calls in high-noise environments



PanaCast 50, engineered to be the first new-normal-ready intelligent video bar



# Video games are awesome

## GN joins forces with SteelSeries, a pioneer in premium software-enabled gaming gear

Originally founded in Denmark in 2001, SteelSeries is an innovative global pioneer in the premium gaming gear market and is favored among the world's e-sports gamers for its superior quality, inventive functionality and Scandinavian design heritage.

SteelSeries is particularly known for its premium gaming headsets, keyboards and mice that are software-enabled and system-integrated, which significantly enhance the user experience and reinforce customer loyalty.

The gaming gear market has experienced significant growth over the past few years and is expected to continue to grow in the mid-term at around 7-8% per year.

SteelSeries has successfully executed on its strategy in the premium end of this high-growth market and has taken significant market share during the past few years based on its strong, innovative product offering and relentless commercial execution.

In October 2021, GN announced a signed agreement to acquire SteelSeries and following customary regulatory approvals the deal was closed in January 2022 for a total purchase price of DKK 8.0 billion on a cash and debt free basis.

With the acquisition, GN gains a very strong position in the attractive upscale gaming gear market and expands its position in the premium audio market.



SteelSeries' vision is to build the leading comprehensive platform for enthusiast gamers – seamlessly connecting the best gear, the biggest games, the gaming community, and e-sports



### Compelling strategic rationale

SteelSeries, with its best-in-class product portfolio, attractive growth profile and margin structure, is a company that presents an attractive growth and scaling opportunity for GN.

SteelSeries brings a highly relevant and competitive portfolio and strong engineering competencies. Combining these forces with GN Audio's strong track record, flawless supply chain setup, and wide-ranging distribution channels will drive synergies and further value creation.

SteelSeries is now being integrated as an independent business under the SteelSeries brand within GN Audio. SteelSeries CEO, Ehtisham Rabbani, reports to René Svendsen-Tune, CEO of GN Audio.

Ehtisham Rabbani, CEO of SteelSeries, says: *"SteelSeries is a premium gaming gear brand with a single-minded focus on helping gamers achieve glory. We are thrilled to be part of GN. The fit is perfect as we both share a relentless drive for creating cutting-edge technology to delight our customers. We see great upside in leveraging each organization's unique strengths to build an even more formidable, unified company."*

### Continued strong growth in 2021

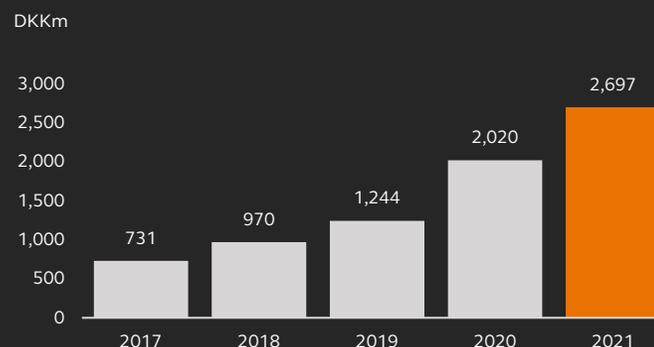
In 2021, SteelSeries generated a revenue of DKK 2.7 billion, equaling an organic revenue growth of 26%.

The adjusted EBITA margin ended at 13.6%.

(Unaudited and adjusted numbers)

Learn more at [www.steelseries.com](http://www.steelseries.com)

#### Revenue



Video games are awesome. There's no limit to how awesome they can be. SteelSeries' mission is to help every gamer push the boundaries of awesome and feel like a star

2021

13.6%

Adjusted EBITA margin

# It's about to get more Lively

## Lively – a leader in online hearing care – joins GN

Headquartered in New York City, U.S., Lively was founded in 2018. Lively's mission is to empower people with hearing loss to connect with their world through effortless technology and delightful care.

Pioneering a fully virtual hearing care journey, Lively is a customer-first, end-to-end audiology platform that makes it easier for users to buy advanced hearing technology with licensed professional care.

Today's online market is estimated to account for around 4% of the U.S. hearing care market. As more online-savvy and younger consumers increasingly seek hearing solutions, the online segment is expected to continue to grow at a much faster pace than other segments.

On December 14, 2021, GN announced the acquisition of Lively. Following the transaction, GN Hearing has an ownership of 91%, while the remaining 9% is held by the current management team of Lively.

In 2021, Lively delivered revenue of DKK 114 million and EBITA of DKK -171 million.

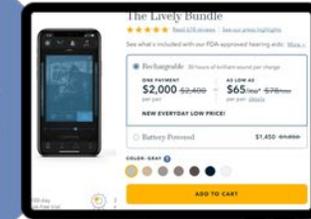
Learn more at [www.listenlively.com](http://www.listenlively.com)

## Lively customer journey – pioneering a fully virtual experience

**Take the online hearing test**  
It's free, quick and doctor-certified



**Order online**



**Hearing aids delivered to your door**  
Programmed by our doctors, delivered in 3 days or less

Lively



**Continue digital engagement**  
Direct control and access to support using the Lively 'All Around' APP



**Rest easy, follow-up care included**  
Our doctors are available on-demand for support and adjustments

# Serving attractive markets

Driven by a unique portfolio of medical, professional and consumer technology solutions, GN serves across attractive markets with high barriers of entry and multiple drivers of sustainable long-term growth

	Target users	Market characteristics	Market share	Market size (USD)	Market growth
 <b>Hearing aids*</b>	Hearing aids for hearing impaired	Aging population and low penetration with hearing impaired		~5bn	~3-4%**
 <b>Hearing protection</b>	Tactical hearing protection for defense and security	Hearing protection systems is a growing political need		~0.6bn	~10%
 <b>Office</b>	Office-based knowledge workers	From desk-phone telephony in private offices to UC&C in open offices		~2.1bn	~10%
 <b>Contact center</b>	“Calls for a living“	From desk-phones using onpremise infrastructure to laptop-based cloud calling		~2.5bn	~20%
 <b>Collaboration</b>	Plug-and-play collaboration	From built-in legacy equipment to UC&C enabled plug-and-play solutions		~24bn	~10%
 <b>Consumer</b>	Preference for great calls, music and an active lifestyle	From corded headbands to True Wireless as the preferred form factor		~5.5bn	~7-8%
 <b>Gaming</b>	Premium software-enabled gaming gear	Growing base of gamers and low penetration of purpose-built gaming gear			

\*Wholesale, \*\* Assuming 4-6% volume growth and 1-2% ASP, \*\*\* The growth in unified communication numbers is from pre COVID-19 levels (between late 2019 - early 2020) to COVID-19 levels (between late 2020 - early 2021). Sources: MarkeTrak, EuroTrak, GN estimates, Microsoft, Zoom, NewZoo, The NPD Group Inc.



A growing, affluent, and aging world population, new digital communication trends, and a growing base of gamers offer opportunities for intelligent audio and video solutions

## Growing elderly and active population



## Massive growth in Unified Communication \*\*\*



## Growing base of gamers





# Financial guidance 2022

## GN Hearing

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

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

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

## GN Audio

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

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

- Revenue: Q1 2022 organic revenue growth of ~ -25% (in GN Audio organic and SteelSeries) due to supply chain constraints. H2 2022 to return to double-digit growth rates as supply situation is expected to ease
- EBITA: Q1 2022 EBITA margin to be in the mid-teens (excluding non-recurring items) with a gradual improvement in the three remaining quarters resulting in an EBITA margin of ~20% for 2022 (excluding non-recurring items)
- Non-recurring items: Transaction related costs of DKK ~ -100 million and non-cash PPAs of DKK ~ -200 million following the SteelSeries acquisition to be booked primarily in Q1 2022. Integration costs of DKK ~ -100 million

## Forward-looking statements

The forward-looking statements in this report reflect the management's current expectations of certain future events and financial results. Statements regarding the future are, naturally, subject to risks and uncertainties, which may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events, which may prove incorrect. Changes to such expectation and assumptions will not be disclosed on an ongoing basis, unless required pursuant to general disclosure obligations to which GN is subject.

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

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



### Other activities and EPS

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

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

### Primary risk factors in relation to the financial guidance

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

### Financial guidance 2022

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

Note 1) Emerging Business mainly includes the Lively acquisition

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

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

Note 4) Excluding non-recurring items

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

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

Based on foreign exchange rates as of February 10, 2022

# Financial Performance

Group performance 2021	30
GN Hearing performance 2021	33
GN Audio performance 2021	36

20%  
organic revenue growth

16.9%  
EBITA margin

43%  
EPS growth

1,354  
DKK million in shareholder distribution



Acquisition of SteelSeries and Lively

# Group performance 2021

## Revenue

In 2021, GN Store Nord increased revenue by 17% to DKK 15,775 million compared to DKK 13,449 million in 2020. Organic revenue growth was 20%, compared to 9% in 2020.

The revenue growth reflects strong execution across the company, while significantly impacted by the global shortage of certain components in GN Audio and impact from local COVID-19 restrictions in GN Hearing. The foreign exchange contribution was around -3% and M&A contribution was insignificant.

## Earnings

EBITA in Other amounted to DKK -188 million in 2021, compared to DKK -177 million in 2020 in line with financial guidance. GN Store Nord's EBITA, excluding transaction related costs of DKK 45 million associated with the SteelSeries acquisition, ended at DKK 2,664 million compared to DKK 1,752 million in 2020 (excluding gain from legal settlements and litigation of DKK 114 million) which translates into an EBITA growth of 52%.

The EBITA margin in 2021 (excluding transaction related costs) amounted to 16.9%, compared to 13.0% (excluding gain from legal settlements and litigation) in 2020, mainly reflecting the revenue growth across the company.

In 2021, amortization and impairment of acquired intangible assets were DKK -226 million, compared to DKK -235 million in 2020.

Financial items were DKK -90 million in 2021, compared to DKK -6 million in 2020. The development in financial items was mainly driven by a positive non-cash contribution from foreign exchange revaluation of certain balance sheet items and a fair value adjustment related to an existing ownership interest in 2020. In 2021, share of profit (loss) in associates were DKK -36 million compared to DKK -9 million in 2020,

mainly driven by the minority interest in Lively. Gain (loss) on divestment of operations etc. was DKK 4 million in 2021 compared to DKK -4 million in 2020.

In 2021, the profit before tax was DKK 2,316 million (excluding transaction related costs) compared to DKK 1,498 million in 2020 (excluding gain from legal settlement and litigation). The effective tax rate was 21.2%, translating into a net profit of DKK 1,790 million, an increase of 41% compared to 2020.

## Other performance indicators

Free cash flow excl. M&A was DKK 702 million in 2021 compared to DKK 1,865 million in 2020. The free cash flow excl. M&A reflects the earnings level on top of investments into future growth opportunities. In 2021, the cash conversion ended at 27% compared to 100% in 2020 primarily driven by the development in working capital, the acquisition of a block of the corporate headquarter in Denmark, significant tax payments and the gain from legal settlement and litigation.

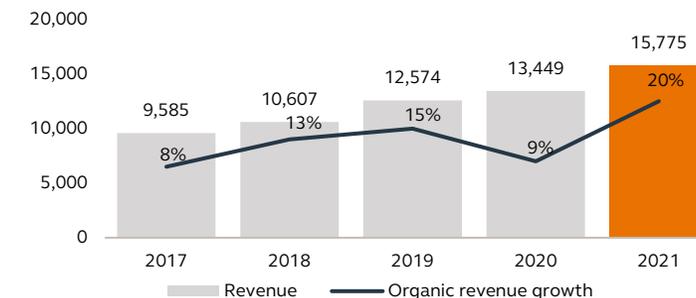
Earnings per share (EPS) reached DKK 13.90 in 2021, (excluding transaction related costs of DKK 45 million) compared to DKK 9.72 in 2020, equal to an increase of 43%, in line with the updated financial guidance.

The return on invested capital (ROIC) was 25% in 2021 compared to 19% in 2020, driven by the strong earnings growth.

By the end of 2021, equity in GN Store Nord amounted to DKK 6,229 million, compared to DKK 5,178 million in 2020. The increase was primarily driven by the net profit generated during the year on top of the execution of the share buyback program paused in October 2021, as well as the ordinary dividend payment and changes in foreign exchange rates.

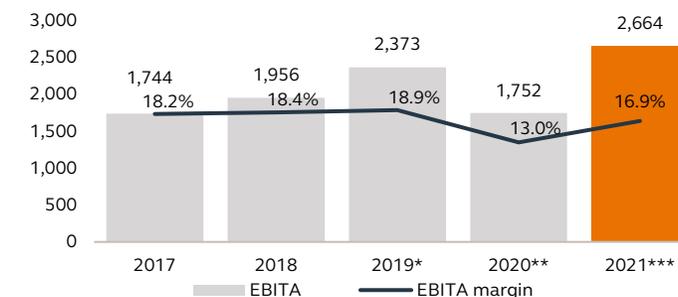
## Revenue (DKKm) and organic revenue growth

GN Store Nord



## EBITA (DKKm) and EBITA margin

GN Store Nord



\* Excluding transaction related costs associated with the Altia Systems acquisition of DKK 52 million

\*\*Excluding gain from legal settlements and litigation of DKK 114 million

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



### Capital structure

Net interest-bearing debt ended at DKK 5,358 million in 2021, compared to DKK 4,198 million by the end of 2020. Net interest-bearing debt to EBITDA leverage ratio reached 1.8x, same as by the end of 2020, driven by the strong earnings growth on top of significant shareholder distribution and the acquisition of Lively.

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

Following closing of the SteelSeries and Lively acquisitions, GN expects its financial leverage to increase, but due to the expected strong cash flow generation across the business, it is expected that GN will be back within the leverage target in a couple of years. Leverage (including the DKK 8.0 billion purchase price for SteelSeries) by the end of 2021 would have been around 4.4x. By the end of 2021 GN had a healthy balance sheet with ample sources of liquidity having cash and cash equivalent of DKK 6,208 million.

### Financial overview 2021

DKK million	GN Hearing			GN Audio			Group total*		
	2021	2020	Growth	2021	2020	Growth	2021	2020	Growth
<b>Revenue</b>	<b>5,332</b>	<b>4,725</b>	<b>13%</b>	<b>10,443</b>	<b>8,724</b>	<b>20%</b>	<b>15,775</b>	<b>13,449</b>	<b>17%</b>
Organic growth	16%	-24%		22%	42%		20%	9%	
<b>Gross profit</b>	<b>3,400</b>	<b>2,905</b>	<b>17%</b>	<b>5,282</b>	<b>4,393</b>	<b>20%</b>	<b>8,682</b>	<b>7,298</b>	<b>19%</b>
Gross profit margin	63.8%	61.5%	+2.3%p	50.6%	50.4%	+0.2%p	55.0%	54.3%	+0.7%p
<b>EBITA</b>	<b>643</b>	<b>41</b>	<b>1,468%</b>	<b>2,209***</b>	<b>1,888**</b>	<b>17%</b>	<b>2,664***</b>	<b>1,752**</b>	<b>52%</b>
EBITA margin	12.1%	0.9%	+11.2%p	21.2%***	21.6%**	-0.4%p	16.9%***	13.0%**	+3.9%p
<b>Earnings per share (EPS)</b>							<b>13.90***</b>	<b>9.72</b>	<b>43%</b>
Free cash flow excl. M&A	198	127	56%	1,288	1,729	-26%	702	1,865	-62%
Cash conversion	31%	310%	NA	60%	86%	-26%p	27%	100%	-73%p

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

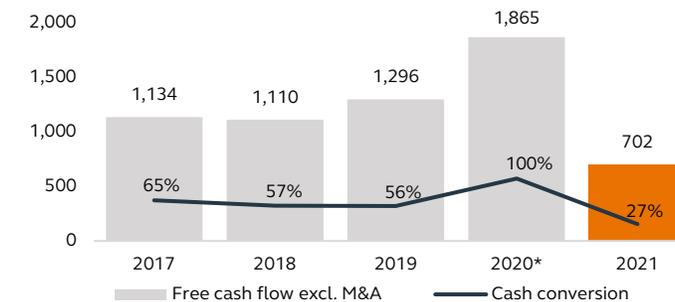
\*\*\* Excluding transaction related costs of DKK 45 million associated with the acquisition of SteelSeries

In November 2021, GN successfully placed a new three-year EUR 600 million Eurobond issue with a coupon of 0.875%, related to the financing of the SteelSeries acquisition. In addition, GN has established a new Revolving Credit Facility of EUR 350 million which is fully undrawn and replaced the DKK 2 billion and USD 40 million facilities which have been terminated accordingly.

In line with the last couple of years, GN continues to proactively secure a diversified funding profile. The different sources of financing now available to GN include the convertible bond market (via the listed convertible bond), traditional bonds (via the Euro Medium-Term Note program), the short-term Euro Commercial Paper Program, bilateral loan facilities provided by EIB as well as uncommitted bank facilities including overdraft lines.

### Free cash flow (DKK m) and cash conversion

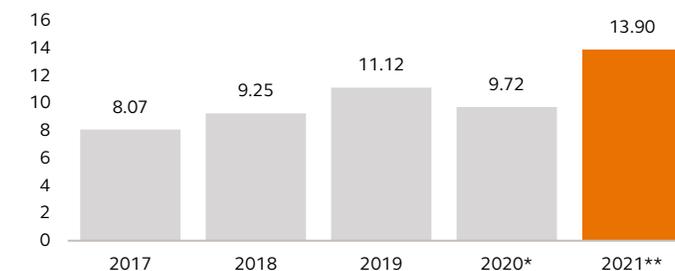
GN Store Nord



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

### Earnings per share (EPS)

GN Store Nord



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

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



#### Dividend and share buyback program

In 2021, GN distributed in total DKK 1,354 million back to shareholders through share buybacks and dividends. In March 2021, GN paid out DKK 206 million in dividend (DKK 1.45 per share) in respect of the fiscal year 2020 as approved at the Annual General Meeting in 2021.

In order to deleverage following the announcement of SteelSeries, GN paused its share buyback program in October 2021, a program which was initiated in May 2021 and amounted to DKK 1,148 million before pausing.

The Board of Directors will propose to pay out DKK 1.55 per share in dividend for the fiscal year 2021 (equivalent to a total dividend of DKK 214 million), an increase of 7% compared to the year before.

#### Acquisition of SteelSeries and Lively

In October 2021, GN announced a signed agreement to acquire SteelSeries – a global innovation driven pioneer in premium software-enabled gaming gear. The transaction was closed on January 12, 2022, for a total purchase price of DKK 8.0 billion on a cash and debt free basis (see pages 23-24 for more details on SteelSeries).

In December 2021, GN announced the acquisition of New York based Lively – a leading online hearing care and digital marketing platform. Following the transaction, GN Hearing has an ownership of 91%, while the remaining 9% is held by the current management team. The purchase price was DKK 625 million on a cash and debt free basis (see page 25 for more details on Lively).



GN distributed in total DKK 1,354 million back to shareholders through share buybacks and dividends



# GN Hearing performance 2021

## Organic revenue growth

Revenue of DKK 5.3 bn

**16%**

## EBITA margin

EBITA of DKK 0.6 bn

**12.1%**

## Free cash flow

excl. M&A (DKKm)

**198**

## R&D investment

as percent of revenue

**11%**

## Organic revenue growth By region



**+ 17%**  
North America

**+ 7%**  
Europe

**+ 26%**  
Rest of World



# GN Hearing

- Organic revenue growth of 16%
- EBITA margin of 12.1%
- Solid market recovery
- R&D transformation initiated

## Revenue

GN Hearing delivered 16% organic revenue growth in 2021 which was in line with the updated financial guidance. Revenue growth was 13% including around -3% impact from the development in foreign exchange rates and around -1% impact from M&A. The revenue in 2021 reached DKK 5,332 million, compared to DKK 4,725 million in 2020.

The hearing aid market continued to be negatively impacted by COVID-19 due to local restrictions, thus also impacting GN Hearing in different parts of the world. However, the solid performance in GN Hearing reflects the strong portfolio of hearing aids including ReSound ONE and ReSound Key, while the second half of the year was impacted by delays in key product launches.

## North America

In North America, the hearing aid market in 2021 saw a strong recovery following the pandemic with volumes being above 2019 levels, but with significant differences across states and channels. GN Hearing's organic revenue growth was 17% in 2021 (-13% compared to 2019) driven by solid performance in the independent market with ReSound ONE and ReSound Key. The performance in VA was negatively impacted by challenging conditions following the ongoing pandemic leading to inability to visit clinics and insufficient training time for hearing care professionals. This led to a market share loss during the year, but

with a stabilizing trend in the second half of the year. In Costco, the reception and up-take driven by the launch of Jabra Enhance Pro have been encouraging resulting in a strong position in the branded segment in Costco. Growth in Costco was, however, negatively impacted by the ASP development in the channel. Revenue growth in North America was 11% including around -5% impact from the development in foreign exchange rates and around -1% impact from M&A.

## Europe

In Europe, the hearing aid market in 2021 saw a solid recovery following the pandemic, but some markets continued to be impacted by COVID-19 restrictions. France saw a significant market growth due to the new healthcare reform, but also the southern European countries experienced solid market growth. Countries like Germany and the Benelux continued to be negatively impacted by COVID-19. GN Hearing experienced an organic revenue growth of 7% in Europe (-7% compared to 2019). Revenue growth was 7% including an insignificant impact from the development in foreign exchange rates.

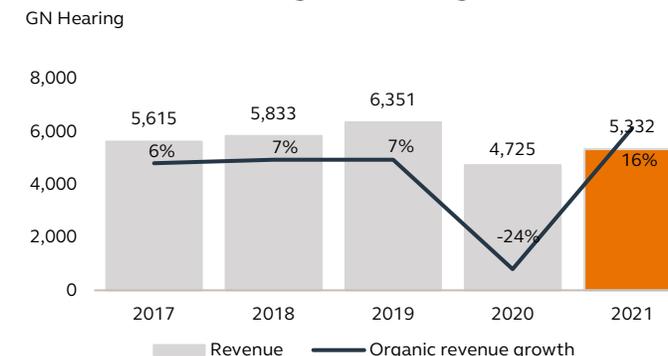
## Rest of World

The Rest of World region continued to be impacted by COVID-19 in different ways across countries, dependent on the level of local restrictions. GN Hearing saw strong performance in among other China, while Japan and ANZ continued to deal with heavy restrictions during most of 2021. In the Rest of World region organic revenue growth was 26% for 2021 (-1% compared to 2019). Revenue growth was 24% including around -2% impact from the development in foreign exchange rates.

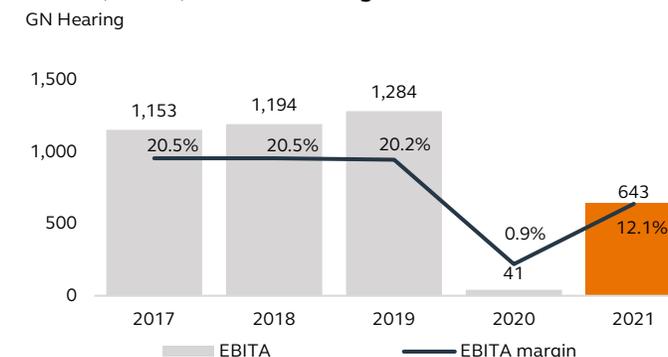
## Earnings and other financial highlights

GN Hearing's gross profit reached DKK 3,400 million in 2021 corresponding to a gross margin of 63.8% compared to 61.5% in 2020 due to higher revenue and volumes.

## Revenue (DKKm) and organic revenue growth



## EBITA (DKKm) and EBITA margin



In 2021, GN Hearing’s OPEX continued to be prudently managed, with OPEX reaching DKK 2,757 million, 4% below the level of 2020. Sales, distribution, and administrative expenses decreased by 9% which reflect prudent cost management while continuing to investment in market normalization and IT infrastructure. R&D investments increased by 13% compared to 2020, in line with GN Hearing’s strategy.

GN Hearing’s EBITA increased to DKK 643 million in 2021 compared to DKK 41 million in 2020, driven by sales recovery and prudent cost management. As a result, the EBITA margin reached 12.1% in 2021 compared to 0.9% in 2020 which was in line with the updated financial guidance.

The return on invested capital (ROIC) was 9% in 2021 compared to 1% in 2020, mainly due to the revenue growth. ROIC is still below historical levels due to the impact from COVID-19.

Free cash flow excl. M&A was DKK 198 million in 2021 compared to DKK 127 million in 2020. The free cash flow excl. M&A reflects the earnings level on top of investments into future growth opportunities.

**Business highlights**

*ReSound Key*

Launched in February 2021, ReSound Key are essential hearing aids providing access to proven and award-winning hearing technology worldwide. Based on an advanced chip platform and GN’s Organic Hearing philosophy, ReSound Key promises clear, natural sound quality.

*Jabra Enhance Pro*

Launched in June 2021, Jabra Enhance Pro is a new premium hearing aid line-up launched into Costco Hearing Aid Centers in North America, enabling consumers to choose high quality FDA-approved hearing solutions from a well know consumer brand. The reception and up-take

have been encouraging resulting in a strong position in the branded segment in Costco.

*Jabra Enhance Plus*

Announced August 2021, Jabra Enhance Plus is a first-of-its-kind innovation bringing together the convenience of true wireless ear-buds with advanced hearing technology to alleviate unaddressed user needs and enable millions to take a first step on their hearing health journey. Jabra Enhance Plus is commercially available by end of February 2022.

*Draft OTC legislation*

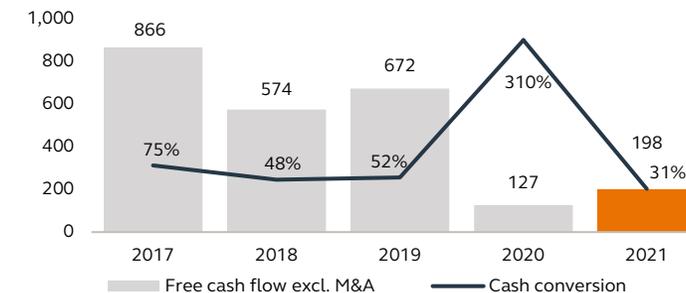
In October 2021, FDA issued the proposed OTC Hearing Aid ruling, which GN has been welcoming. GN is committed to enable millions of Americans who need support to make their first step on their hearing health journey and aims to develop new innovative solutions complying with the new US over-the-counter hearing aid regulation. GN will leverage its unique combination of medical grade technology and consumer audio expertise (see more information on page 20).

*Transformation of R&D*

Announced in October 2021, GN Hearing initiated a transformation of R&D with the objective to further increase quality, predictability of delivery times, and R&D efficiency. While GN Hearing’s R&D innovation capabilities are fully intact, the transformation focuses on ensuring a better and more user friendly software design, a more efficient organizational set-up as well as strengthened project management capabilities.

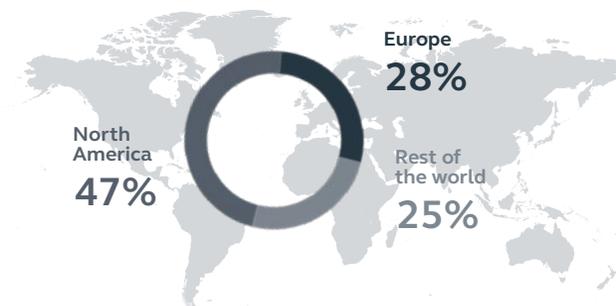
**Free cash flow (DKKm) and cash conversion**

GN Hearing



**Revenue distribution**

GN Hearing



# GN Audio performance 2021

## Organic revenue growth

Revenue of DKK 10.4 bn

**22%**

## EBITA margin

EBITA of DKK 2.2 bn

**21.2%**

## Free cash flow

excl. M&A (DKK m)

**1,288**

## R&D investment

as percent of revenue

**7%**

## Organic revenue growth

By region



**+ 27%**

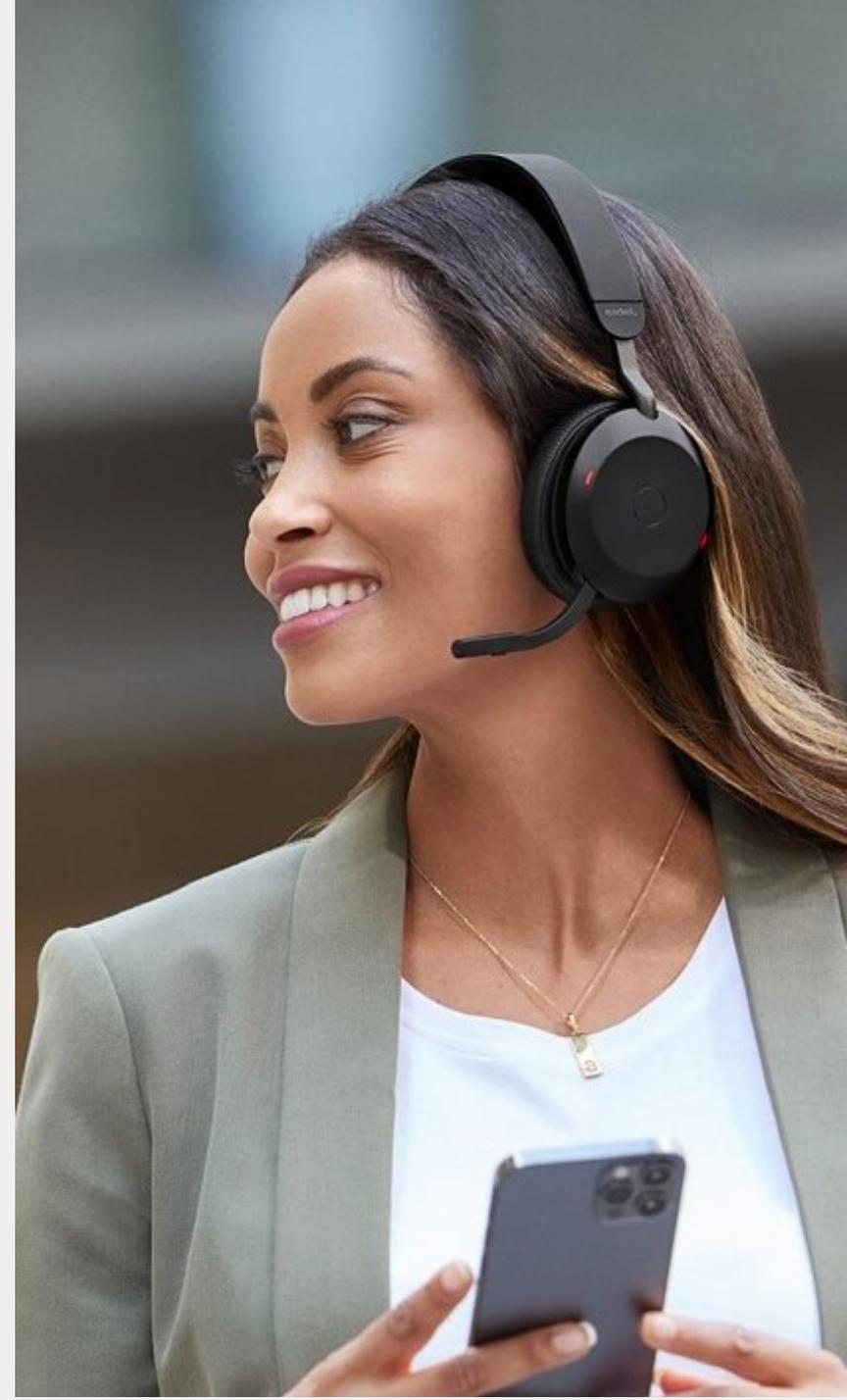
North America

**+ 16%**

Europe

**+ 30%**

Rest of World



# GN Audio

- Organic revenue growth of 22%
- EBITA margin of 21.2%
- Volatility and shortages in global supply
- Strong underlying market demand

## Revenue

GN Audio delivered 22% organic revenue growth in 2021, on top of the 42% delivered in 2020, which was in line with the updated financial guidance. Revenue growth was 20% including around -2% impact from the development in foreign exchange rates.

The strong growth was delivered across regions and segments, with double-digit growth in both Enterprise and Consumer. The strong performance reflects the strength of GN Audio’s innovative world-leading product portfolio in combination with strong execution in the supply chain in a very challenging environment and commercial excellence initiatives across all three regions.

In the second half of 2021, the global supply situation became more challenging impacting supply of certain components across industries. GN Audio experienced a negative impact on sales due to delays in deliverables and decommitment of contracted deliverables and, consequently, enters 2022 with a significant order backlog.

Operating in a market with attractive conditions accelerated by the pandemic and elevated to a higher level, new product introductions and strong execution strengthened GN Audio’s leading position in 2021 across the attractive enterprise market.

## North America

GN Audio saw strong performance in 2021 in North America across segments with double-digit growth in both Enterprise and Consumer. Organic revenue growth for the region was 27% (47% compared to 2019). Revenue growth was 21% including around -6% impact from the development in foreign exchange rates equal to a revenue of DKK 3,161 million.

## Europe

In Europe, GN Audio delivered revenue of DKK 5,283 million in 2021, corresponding to organic revenue growth of 16% (88% compared to 2019) with double-digit growth in both the Enterprise and Consumer segments. Strong performance across countries, with especially Germany and the UK delivering significant growth. Revenue growth was 17% including around 1% impact from the development in foreign exchange rates.

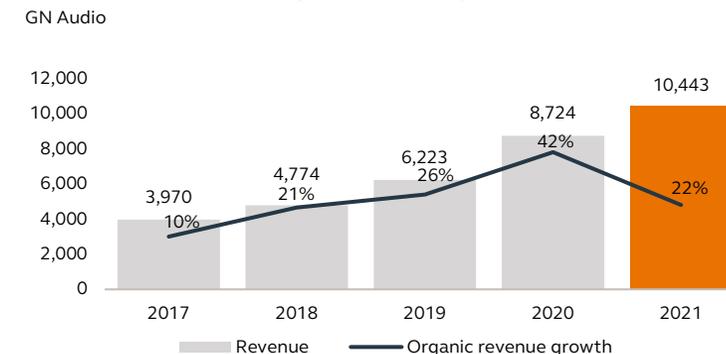
## Rest of World

In the Rest of World Region, GN Audio saw strong performance across the region with particularly strong organic revenue growth in Australia, India and Brazil. Organic revenue growth was 30% (86% compared to 2019) driven by double-digit organic revenue growth across Enterprise and Consumer. Revenue growth was 27% including around -3% impact from the development in foreign exchange rates equal to a revenue of DKK 1,999 million.

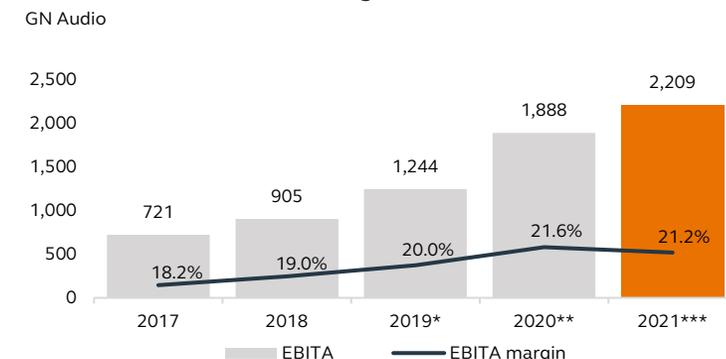
## Earnings and other financial highlights

GN Audio’s gross profit reached DKK 5,282 in 2021 compared to DKK 4,393 million in 2020. The gross margin was 50.6% in 2021 compared to 50.4% in 2020 and was negatively impacted by increased freight and production costs due to COVID-19. GN Audio continues to be impacted by tariffs.

## Revenue (DKKm) and organic revenue growth



## EBITA (DKKm) and EBITA margin



\*Excluding transaction related costs associated with the Altia Systems acquisition of DKK 52 million

\*\*Excluding gain from legal settlements and litigation of DKK 114 million

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

GN Audio's OPEX was DKK 3,073 million in 2021 (excluding transaction related costs of DKK 45 million associated with the acquisition of SteelSeries), reflecting an increase of 23% compared to 2020 (excluding gain from legal settlements and litigation of DKK 114 million). Selling, distribution and administrative costs (excluding transaction related costs) increased by 24% compared to 2020, mainly driven by continued investments in future growth opportunities while investments in R&D increased by 31%.

GN Audio's EBITA, excluding transaction related costs, ended at DKK 2,209 million in 2021. As a result, the EBITA margin was 21.2%, compared to 21.6% in 2020 (excluding gain from legal settlements and litigation) in line with the updated financial guidance, reflecting leverage in the business and investments in future growth opportunities.

The return on invested capital (ROIC) was 79% in 2021, compared to 81% in 2020 driven by continued strong performance.

Free cash flow excl. M&A was DKK 1,288 million in 2021 compared to DKK 1,729 million in 2020. The free cash flow excl. M&A reflects the strong earnings level on top of investments in future growth opportunities.

**Business highlights**

*New Jabra PanaCast camera line-up*

In April 2021, GN Audio announced the launch of a new Jabra PanaCast camera line-up that has been engineered to help business navigate the flexible hybrid way of working. The line-up combines immersive video, world-leading audio technologies and cutting-edge Artificial Intelligence to completely reinvent meetings and collaboration.

The line-up consists of Jabra PanaCast, the world's first intelligent 180° Panoramic-4K plug-and-play video solution for flexible use, Jabra PanaCast 50, the world's first new normal-ready intelligent video bar, and Jabra PanaCast 20, an intelligent personal camera allowing high-quality, secure video collaboration. The global roll-out was negatively impacted by supply constraints, but the feedback and reception of the solutions have been very encouraging.

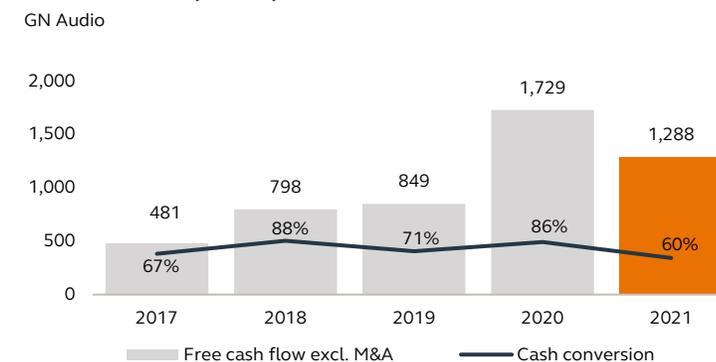
*New Jabra Elite line-up of true wireless earbuds*

In August 2021, GN Audio announced three products to establish a new era of Jabra Elite true wireless earbuds. The additions to the Elite portfolio include Jabra Elite 7 Pro, Jabra Elite 7 Active and Jabra Elite 3, all engineered to specific use cases.

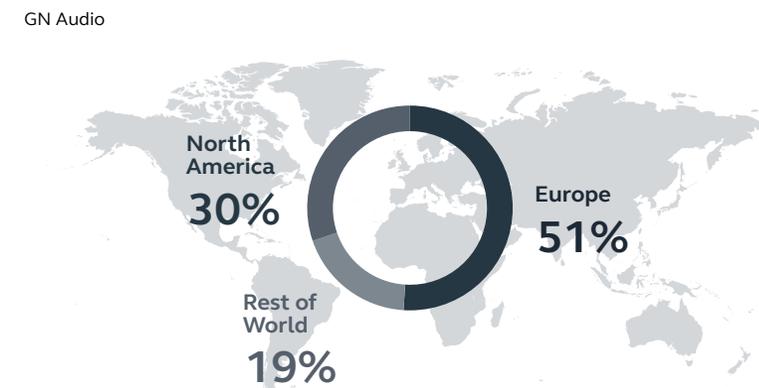
*Jabra Evolve2 30 and Jabra Evolve2 75*

During 2021, GN Audio launched different new enterprise headsets, Jabra Evolve2 30 and Jabra Evolve2 75. Jabra Evolve2 30 is a new value-for money headset, while Jabra Evolve2 75 is an innovative new solution, specifically engineered to make flexible working simpler and more productive for everyone. Jabra Evolve2 75 features fully adjustable ANC as the first in the Evolve range and is further packed with new features to increase flexibility and increase concentration.

**Free cash flow (DKK) and cash conversion**

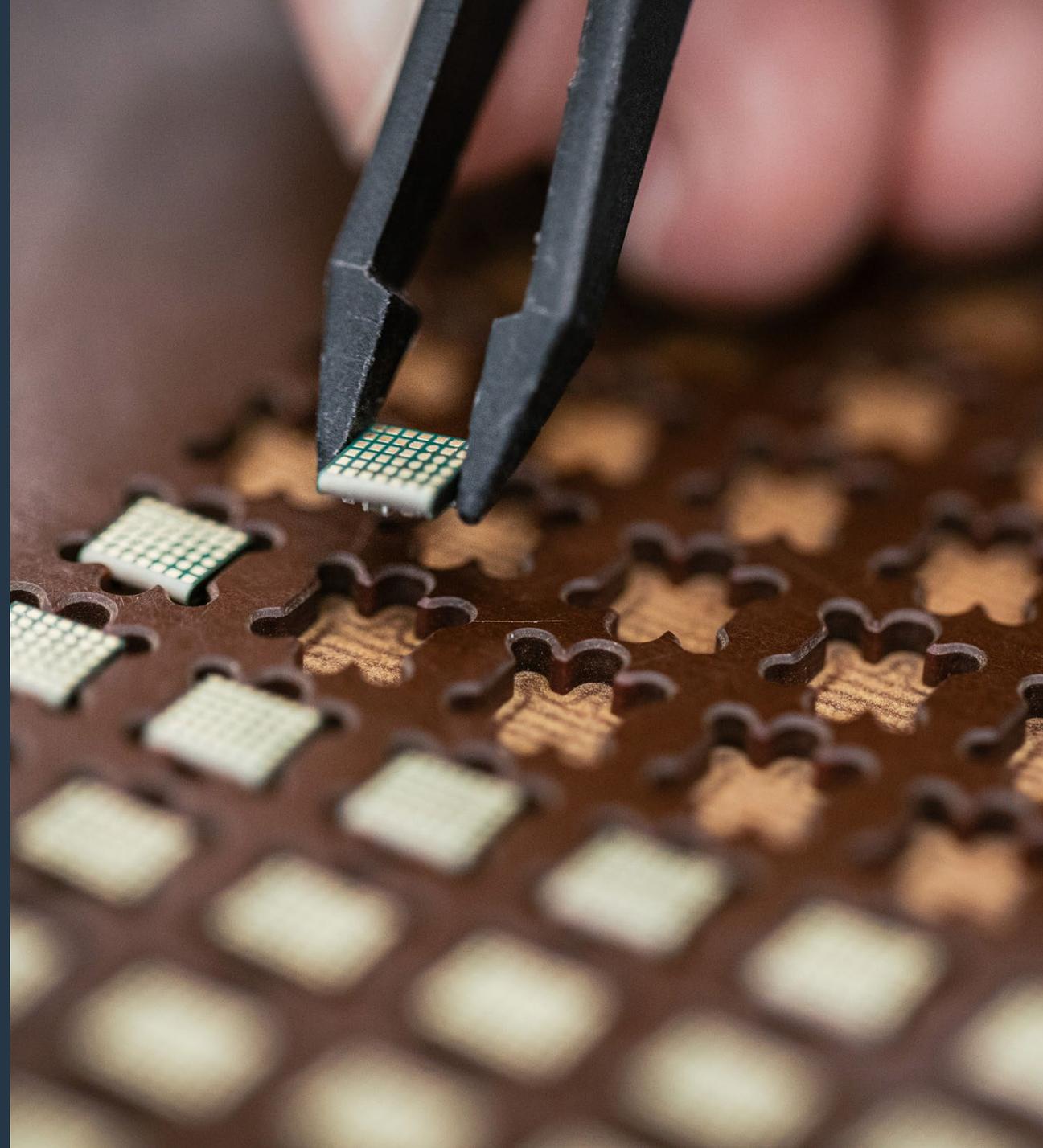


**Revenue distribution**



# Governance

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# Risk management

GN aligns its enterprise risk management efforts with the ISO 31000 standard for risk management. The company views this as a valuable approach to protecting shareholder value. It also helps validate investment decisions.

The Group Risk and Compliance department facilitates the recurring risk management process. It covers all businesses and value chains, and all relevant executives and functional specialists participate. Moreover, the assessment and monitoring of climate-related risks is integrated in the recurring risk management process to enable proactive mitigation of any potential impact.

The risk reviews assess current and emerging risks from a risk catalogue of 150+ risks. The management teams of the respective businesses prioritize the risks to a number of top risks for each business and assign formal risk owners to each top risk. The risk owner is also responsible for the mitigation of the risk.

The Executive Management reviews the top business risks and presents a consolidated Top 10 to the Board of Directors for review.

The main types of risk associated with GN's businesses, and the main risk mitigation taken to manage them are outlined on the following pages.

## Risk management across the supply chain

• Research & Development • Quality Management • Product Management • Information Technology • Information Security • Procurement • Human Resources • Strategy • Mergers & Acquisitions • Finance • Legal • Intellectual Property Rights • Sustainability

**Inputs (raw materials)**

**Component suppliers**

**Inbound logistics**

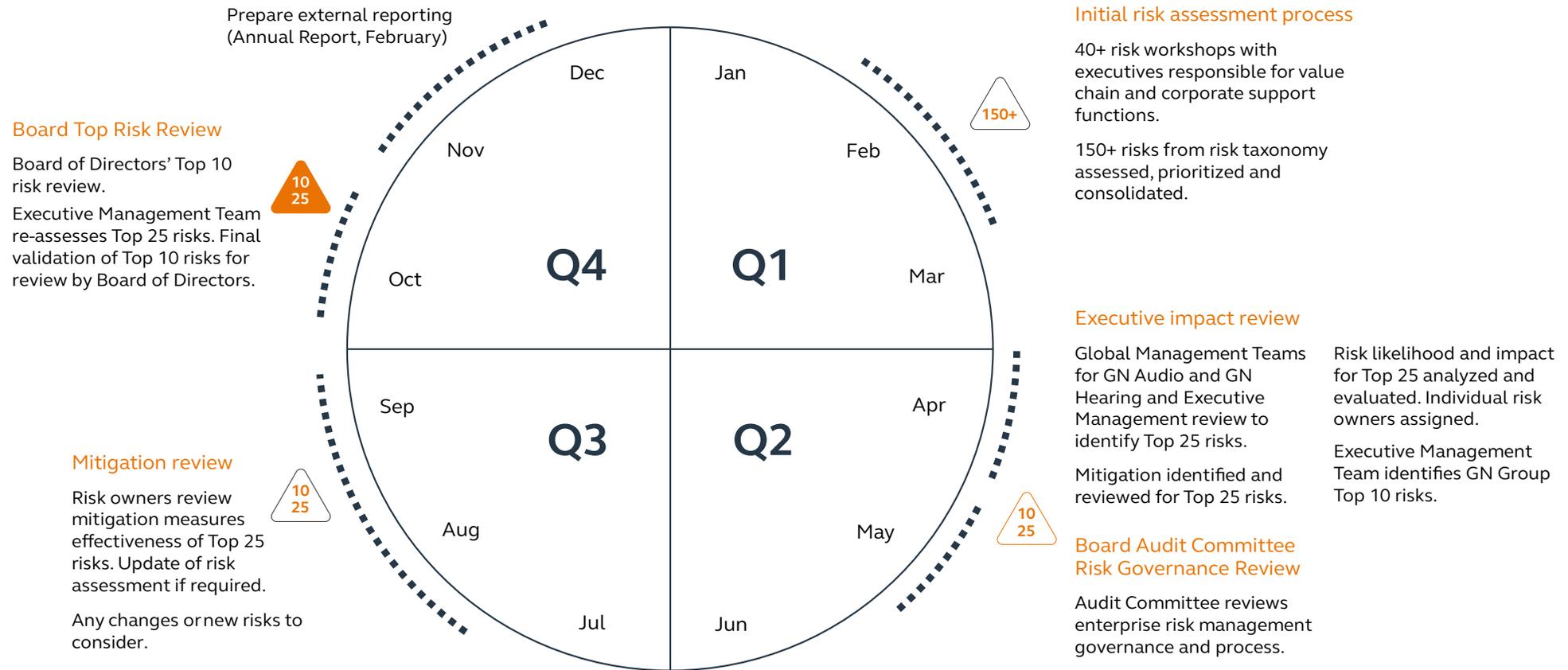
**Manufacturing Assembly**

**Outbound logistics**

**Marketing Sales**

**Service**

# Risk identification and mitigation process





## Research and development

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### Characteristics

Some product categories which GN Audio and GN Hearing serve have short product cycles and experience commoditization of technological capabilities, increased software content in products, and a requirement to provide substantial differences in end-user experiences to maintain competitiveness. Additionally, both businesses need to develop new categories for the future.

It is necessary for GN's businesses to maintain their technological leadership in key categories to strengthen GN's long-term strategic potential.

### Mitigating actions

GN's unwavering commitment to innovation excellence continued in 2021. It aligns current and future customer needs, innovation, portfolio planning and core technology. It also helps maximize the output from available R&D resources without compromising on high-quality standards.

GN increasingly explores and leverages its technological synergies between GN Audio and GN Hearing, expands its R&D capabilities, and invests in additional software development capabilities. Further, it continuously explores opportunities to acquire competencies and deepen innovation partnerships within its ecosystem.

## Operations

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### Characteristics

COVID-19 affected GN's two businesses very differently, triggering unprecedented demand and supply challenges.

GN Audio experiences significant demand while the supply chain has been challenged by global shortage of certain components, manufacturing friction, and logistical bottlenecks.

COVID-19 continued to impact the global hearing aid market due to mutations of the virus and related restrictions. GN Hearing is simultaneously exposed to COVID-19 impact on manufacturing and logistics assets.

Additionally, GN depends on global free trade regimes for the optimal application of its value chains.

Continued disruption in the wake of COVID-19 or new significant trade wars could impact GN negatively.

### Mitigating actions

Throughout 2021 the supply chain organizations of GN Audio and GN Hearing have been engaged in ongoing crisis management. All relevant mitigating measures have been deployed, including ongoing monitoring of the supply situation across categories, tighter relationship with critical component suppliers, increased dual-sourcing, alternative sites, buffer stock, firm orders for future requirements, and redesign of legacy products to accommodate newer chipsets with better global availability.

GN also exerts significant effort to reduce the impact of continued COVID-19 outbreaks in production locations.

In line with the industry in general, GN supports efforts to diversify its sourcing and manufacturing base and build higher resilience in the longer run.



## Marketing and sales

### **GN Hearing**

#### Characteristics

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

On top of the traditional business model for hearing aid manufacturers GN expects significant change in the future, pivoting towards increasingly online and direct-to-consumer models. GN Hearing believes this to be a sizeable future opportunity.

#### Mitigating actions

GN Hearing mitigates the risk through ongoing relationship management and by maintaining a compelling product portfolio. GN Hearing invests in digitalizing the customer journey and adapting to emerging online models.

In December 2021, GN Hearing acquired Lively, a US leading online hearing care and digital marketing platform. With the increasing digitalization of the world, consumers demand online solutions and services also from the hearing industry. The online space has been growing for several years and has been accelerated by the pandemic. Further, the U.S. OTC hearing aid regulation is expected to expand the market, in particular by driving earlier adoption for people with mild-to-moderate hearing loss and younger consumer segments.

### **GN Audio**

#### Characteristics

GN Audio has seen significant growth from work-from-home solutions during COVID-19 and the subsequent expansion of hybrid working patterns provides robust future momentum in GN Audio's main markets. In addition to its traditional enterprise headset market, GN Audio has decided to pursue the high-growth market for video collaboration. GN Audio has introduced several compelling devices to capture a robust share of the market.

Within its consumer-focused products - true wireless earbuds - GN Audio is experiencing increasing commoditization of core technologies, but also a large market opportunity for its latest generation of true wireless earbuds.

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

#### Mitigating actions

GN Audio strives to deepen its presence and relevance across B2B and retail channels. Its future product roadmaps assume a high cadence of new product introductions to support this effort by addressing users' needs through superior and competitive product portfolios.

Its products also align with ecosystem partners and certification requirements, while the sales organization continuously adapts to new domains and customer segments. The business has increased its brand awareness building activities across key segments to ensure adequate share of mind with corporate and private decision-makers in a cluttered market.

### **COVID-19**

#### Characteristics

The shifts in work models seen in 2021 suggest that the market for GN Audio will continue to increase as penetration of virtual collaboration devices for professional use is still very low. The risk remains whether the substantially higher demand for work-from-home and efficient virtual collaboration solutions is sustainable.

COVID-19 impacts GN Hearing's markets depending on the state of the pandemic in each market and the associated lockdowns and other restrictions limiting the activity in the traditional hearing care channel. GN Hearing expects all markets to return to normal with attractive mid and long term growth prospects as the underlying need to hear is intact.

#### Mitigating actions

GN Audio invests heavily in providing solutions for the new work and collaboration trends and expands into new customer segments to capture more opportunity and diversify its sources of demand.

GN Hearing is working diligently to support hearing care professionals in delivering services to customers during the pandemic where feasible. It has developed digital solutions to assist hearing aids users cope with pandemic restrictions and allow resilient fitting, service and maintenance.

GN Hearing prepares launches of new hearing aids in 2022 and beyond to meet market demands for robust, innovative and user-friendly hearing aids.



## Integration of SteelSeries and Lively

### Characteristics

In December 2021, GN acquired Lively and in January 2022, GN closed an agreement to acquire SteelSeries. It is critical that GN is able to successfully build on those two acquisitions as multipliers of GN and catalysts for continued growth across GN's businesses and GN as a whole.

### Mitigating actions

GN follows best practices for post-acquisition integration, including dedicated governance structures and resources.

SteelSeries will be a new growth engine to GN operating with its own identity, brand and execution strength, thus preserving the uniqueness upon which SteelSeries' success is built. Also, SteelSeries will add engineering competencies, commercial capabilities, differentiated brands, a large customer base, an innovative high-growth product offering, and further technical expertise and intellectual property to GN. SteelSeries will benefit from GN's commercial and operational excellence, and financial strength, allowing SteelSeries to continue its strong growth trajectory and take share in the fast-growing market for premium software-enabled gaming gear.

Lively provides GN Hearing access to the fast-growing telehealth market, utilizing a proven business model with rapid growth. Lively is a customer-first, end-to-end audiology platform that makes it easier for users to buy advanced hearing technology with licensed professional care. The acquisition of Lively will benefit GN Hearing's network of hearing care professionals by adding valuable capabilities to GN's operations, including digital channel access, in-depth expertise of digital marketing and telehealth, and data driven consumer behavior to attract new, younger consumers.

## Quality

### Characteristics

GN's customers expect a flawless user experience over the lifetime of the product. Software and hardware must provide a delightful user-experience for GN to maintain and increase customer satisfaction and, ultimately, market share.

### Mitigating actions

Within its businesses GN applies best practices for quality management, from supplier selection over manufacturing practices to ongoing service.

In 2021, GN strengthened its quality management governance to enable distinct focus on product quality on top of the quality efforts inherent in its long-standing regulatory compliance framework.

## Intellectual property rights

### Characteristics

The long-term success of GN's businesses is based on intellectual property rights embedded in current and future products and services.

Competitors and other third parties may attempt to constrain GN's freedom to operate.

If GN manages to defend and expand its freedom-to-operate, its businesses are able to pursue the development of competitive products and consumer experiences without paying license fees or engaging in costly lawsuits.

### Mitigating actions

GN maintains and further expands the protection of its Intellectual Property Right assets: Additional staff, increased defensive filing activity and infringement suits to protect GN assets, highly granular monitoring of patent activity and deep embedding in Research and Development.

## Regulatory risk

### **U.S. over-the-counter regulation**

#### Characteristics

The U.S. hearing aid market is important to GN Hearing and regulatory changes to the market could present both a risk and an opportunity to GN Hearing.

In 2021, the U.S. Food and Drug Administration (FDA) published a proposal to make hearing aids more accessible for millions of Americans. The over-the-counter (OTC) regulation was enacted in 2017.

A public commenting period took place from October 2021 till mid-January 2022 and FDA has communicated an intent to publish the final rule 60 days after. This means that an OTC category could open in Q2 2022.

If GN Hearing is not able to capture the new OTC market and at the same time sufficiently maintain the current traditional hearing aid market, GN Hearing may experience a negative impact.

#### Mitigating actions

GN is committed to enabling millions of Americans who need support to make the first step on their hearing health journey and believe GN across its businesses – combining its medical hearing and consumer audio capabilities – benefits from numerous innovative assets within hardware, software and business models to support the OTC market.

GN has innovated to create Jabra Enhance Plus – a solution intended for those with mild-to-moderate hearing loss but no hearing solution. Jabra Enhance Plus is designed and developed to combine great earbud functionality with high-quality amplification (i.e. hearing aid technology).

At the same time, GN Hearing continues to serve the large population of Americans looking to a hearing care professional for solutions that come with the care and expertise of a professional.

### **Medical device regulation**

#### Characteristics

GN Hearing must comply with the EU Medical Device Regulation and similar regulatory requirements concerning quality management systems and product safety of medical devices. If it fails to do so, it will not be able to launch any new or significantly changed hearing aid products within the EU or other specific markets.

#### Mitigating actions

GN Hearing has continued upgrading its Corporate Quality organization for improved regulatory compliance. Quality management, safety and documentation processes for ReSound ONE and Class 1 Medical Devices and accessories have been certified to comply with the EU Medical Device Regulation (MDR) that is generally considered a very strict regulatory regime.

More product platforms are in the pipeline for certification before the deadline for full transition to MDR in 2024.

## Information security

### Characteristics

GN depends on available and reliable information technology systems and services. At the same time, GN is exposed to an ever-increasing risk of cyber-attacks. If one or more high priority services become unavailable due to a cyber-attack, GN may experience loss of data integrity, significant recovery costs, and loss of revenue and reputation among important stakeholders.

Additionally, GN is required to demonstrate adequate cyber security maturity to satisfy large business and government customers and failure to do so may exclude GN from parts of its addressable market.

### Mitigating actions

GN continuously invests in training, governance and technological measures to curb the cyber threat and increase overall resilience and compliance with information security standards and certifications.

GN is committed to ensuring a high level of IT Security across the entire organization. IT security management systems are in place based on ISO 27000. In addition, GN's IT Security Policy include training materials, and all training is conducted annually for all employees. The IT Security Policy was last updated in May 2021.

GN ensures a continuous IT Security monitoring through our Security Operations Center. This enables us to discover and disable threats early.



## Human resources

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### Characteristics

GN remains an attractive destination for top-tier engineering and commercial talent. GN is, however, not immune to the general scarcity of key talent populations within, for example, engineering and software development. GN needs to consciously focus on attracting and retaining top-tier talent with the competencies and capabilities required in the future.

Lack of talent could result in loss of momentum in innovation and product development, delaying the introduction of compelling products, and ultimately impact the successful execution of GN's strategic objectives.

### Mitigating actions

GN has expanded its recruiting efforts while continuing its efforts to develop an attractive employee value proposition. Human Resources work closely with the Research and Development departments to understand future competency needs.

## Climate risk

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### Characteristics

Climate change is projected to increase the frequency, severity, and duration of extreme weather, impacting communities and economies worldwide. Governments are moving to mitigate this threat through regulation and investment in innovation. Consumer awareness of climate issues is also growing rapidly. Consequently, GN faces both climate-related physical and transitional risks.

### *Physical risks*

Global production of electronic components is concentrated in areas projected to be significantly exposed to floods and storms. Climate-related disruption could reduce GN's production capacity, negatively impacting revenues, and possibly incurring costs to cover repair and contingency plans.

### *Transitional risks*

While GN is not a direct player in carbon-intensive industries, both GN Audio's and GN Hearing's supply chains begin with mining activities, which have a substantial climate impact. If GN's suppliers do not decarbonize at a sufficient rate, GN could be adversely affected by both regulation and changing consumer preferences.

The shift towards electrification and digitalization is increasing the demand for critical minerals used in GN products. This could increase direct costs in the short to medium term.

### Mitigating actions

GN has set goals to significantly reduce direct emissions by 2025, as well as committing to the Science Based Targets initiative, which requires GN to set longer-term emissions reduction goals covering our entire value chain and aligning with climate science.

GN is integrating assessment and monitoring of climate-related risks – based on transition scenarios and climate impact analysis – in existing risk management procedures to enable proactive mitigation of any potential impact.

GN is establishing production capacity across different geographies, as well as innovating to increase production efficiency and circularity, to mitigate the risks rooted in supply chain disruption and lack of raw materials or components.

GN's progress toward aligning with the Taskforce for Climate-related Financial Disclosure (TCFD) guidance for climate action, including governance, strategy, metrics and targets, is further detailed in GN's 2021 Sustainability – ESG Report (available for download here: [www.gn.com/sustainabilityESG2021](http://www.gn.com/sustainabilityESG2021)).



## Financial risk

### Characteristics

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

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

GN's net interest-bearing debt increased during 2021 to DKK 5,358 million and NIBD/EBITDA ended at 1.8x driven by strong cash conversion and strong earnings growth on top of significant shareholder distribution and the acquisition of Lively.

GN's loans and bonds are primarily long-term with maturities extended until 2036 with mostly fixed interest rates.

In October 2021, GN announced a signed agreement to acquire SteelSeries for a total purchase price of DKK 8.0 billion on a cash and debt free basis. In December 2021, GN announced the acquisition of Lively for a total purchase price of DKK 625 million on a cash and debt free basis.

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

Currency	GN Hearing	GN Audio	GN Store Nord
USD	38	-92	-54
GBP	5	31	19
JPY	6	13	19
AUD	1	22	23

### 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.

Due to the acquisition of SteelSeries, GN has entered into an M&A bridge facility to finance the acquisition with a maturity of 12 months plus 6 months extension at the discretion of GN. In order to de-risk the bridge facility, GN issued two bonds in November 2021 under the EMTN program for an aggregate value of almost DKK 5 billion.

Moreover, GN has entered into a bilateral loan (R&D loan) worth around EUR 75 million in December 2021.

The remaining part of the bridge loan will be financed by the available cash and cash equivalents, potential other debt instruments and the continued cash flow generation by the company.

GN also has a short-term, uncommitted Euro Commercial Paper program ("ECP") in place to diversify its borrowing instruments. The program size is up to EUR 250 million, with a utilization of EUR 116 million on December 31, 2021.

In total, GN has outstanding senior unsecured bonds of EUR 870 million in aggregate under the EMTN program in December 2021 with maturities from 2023 to 2036. Moreover, GN currently has R&D loans outstanding of EUR 225 million with maturities from 1 to 7 years with mostly fixed interest rates.

To mitigate potential liquidity or refinancing risks, GN has access to a Revolving Credit Facility of EUR 350 million which was undrawn as of December 31, 2021.

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

# Doing business the right way

GN’s commitment to responsible business forms the foundation of the compliance and sustainability strategy. Principles and processes are set in GN’s Code of Conduct

### Safeguarding Human Rights

As signatories to the UN Global Compact and its principles of responsible business, GN safeguards human rights in operations and supply chain. Within GN operations, employee rights are contractually protected and strengthened by policies. GN’s whistleblower hotline offers an anonymous and independent mechanism in case of perceived violations.

Safeguarding human rights in our supply chain is anchored in GN’s Codes of Conduct. Suppliers are audited based on the UN Global Compact principles of responsible business and the SA8000 standard. We assess potential human rights-related risks to lie mostly in the area of working conditions and occupational health and safety. We require major audit findings to be addressed through a corrective action plan.

To strengthen responsible supply chain management processes, in 2021, GN Audio joined the Responsible Business Alliance. This complements our own auditing processes with industry-leading frameworks.

### Conflict Minerals Due Diligence

If minerals originate from mines controlled by military groups in conflict regions, they are known as conflict minerals. As stipulated in our Conflict Minerals Policy, GN will not use conflict minerals.

GN requires suppliers to exclude conflict minerals from GN products, encourages suppliers to move to externally certified smelters and refiners, and requires suppliers to comply with our Code of Conduct.

GN uses the five-step due diligence guidance laid out by OECD for establishing a due diligence process and has put in place an audit program where proof of compliance is required with the Responsible Minerals Assurance.

In 2021, GN received the requested information from 100% of its relevant suppliers of which 91% were certified in accordance with RMAP, TI-CMC Category A, RJC, LBMA , or DMCC. A non-conformity escalation process is in place. Supported by a third-party smelter validation service, it has in 2021 been validated that the identified smelters used by our suppliers are conflict-free. No suppliers were excluded in 2021.

In 2021, GN conducted a supplier risk assessment on cobalt, which is emerging as a fifth conflict mineral, with a view to adding this mineral into our conflict minerals due diligence processes from 2022, using cobalt reporting templates (CRTs).

### Business Ethics Governance

#### Policy management and compliance training

GN’s commitment to doing things the right way and comply with international regulations and internal policies is anchored in our Code of Conduct, the GN Ethics Guide, our 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 the GN Ethics Guide and other key policies, employees have to electronically sign off on complying with GN policy within specific areas on an



## Safeguarding human rights

### Tier 1 and key tier 2 suppliers are actively audited

#### 2021 audits and findings

24

audits conducted among GN Audio’s suppliers

16

audits conducted among GN Hearing’s suppliers

Major findings were in the areas of working conditions and health and safety

Due to COVID-19 we were limited in our ability to do on-site audits. All non-compliance cases identified were resolved satisfactorily

### Conflict Minerals Due Diligence

GN products contain tantalum, tin, tungsten, and gold.

**GN will not use conflict minerals**

100%

In 2021, GN received the requested information from **all relevant suppliers**



Review GN’s Codes of Conduct and policies : [www.gn.com/responsibilitydocuments](http://www.gn.com/responsibilitydocuments)

annual basis. Likewise employees annually take GN’s general e-learning courses within key topics, such as anti-corruption, information security and competition compliance. Every year this is supplemented with tailored compliance training for selected business units and employees.

*Anti-corruption compliance reviews*

As part of GN’s global anti-corruption compliance program, compliance reviews of selected GN subsidiaries or business units are conducted. This is to identify and assess relevant risk areas, to review that adequate controls are in place to ensure compliance, and to potentially assist with corrective actions. The selection of subsidiaries or business units for compliance reviews is based on an annual country risk assessment consisting of defined risk indicators.

In 2021, due to COVID-19 travel restrictions, focus was on subsidiaries in the EMEA region and HQ functions. In 2022, when travel resumes, the intention is to turn focus overseas again.

*Third-party due diligence*

In 2021, GN completed the roll-out of a process for assessing and managing corruption risks associated with third-party business partners in high-risk countries. This involves questionnaires and screenings focusing on the potential reputational and legal risks and a thorough check of beneficial owners to ensure GN is at no risk of violating international sanctions regimes.

*Whistleblower system*

GN’s whistleblower hotline, the GN Alertline, is independently managed by a third party. The hotline can be used by employees as well as external parties to report concerns and experienced or perceived misconduct. This is an important tool for ensuring that alleged illegal or unethical conduct is reported and immediately addressed. All complaints are treated with the required confidentiality and GN is committed to dealing with any employee who takes action and/or participates

in an investigation in a fair and respectful manner. This is emphasized in GN’s non-retaliation policy. In 2021, the EU Whistleblower directive came into force and GN has ensured that our policies and systems are fully compliant.



Access to reporting and additional details on GN’s whistleblower hotline: [www.gn.com/alertline](http://www.gn.com/alertline)

More details on GN’s compliance efforts and policies at [www.gn.com/documents](http://www.gn.com/documents)

**IT security and data ethics**

*Data privacy*

GN is committed to protecting the personal data entrusted to us by customers, users, and employees.

In 2021, we have refined the processes surrounding our digital systems in compliance with the principles of EU’s General Data Protection Regulation (GDPR). Further, we have implemented processes and solutions that meet the increasing global data privacy regulatory demands.

Our internal awareness training has been updated with mandatory data privacy e-learning and we are implementing additional solutions to ensure continual employee training and awareness.

In 2022, GN will continue to strengthen our data protection posture to provide excellent, secure, and trustworthy solutions.



**Policy management and compliance training**

**Never stop learning.** To support online training, GN conducts live training sessions in selected subsidiaries. In 2021, these were performed as video sessions due to COVID -19 restrictions

3 new general e-learning courses were launched group-wide

4 functions specific microlearning courses were launched



**Third-party due diligence**

GN has completed the roll-out of a process for assessing and managing **corruption risks** associated with third-party business partners in **high-risk countries**.



**GN whistleblower system**

27 countries where GN’s whistleblower system is available

24 different languages that GN’s whistleblower system accommodate

25 concerns reported – mainly related to inappropriate behavior, harassment/ bullying, conflicts of interest, misappropriation of information, and COVID -19 restriction violations - all in-scope reports have been investigated - remediating and disciplinary actions have been taken where appropriate.



### *IT Security*

GN is committed to ensuring a high level of IT Security across the entire organization. IT security management systems are in place based on ISO 27000. In addition, we have an IT Security Policy with training materials, and all training is conducted annually for all employees. The IT Security Policy was last updated in May 2021.

We ensure continuous IT Security monitoring through our Security Operations Center. This enables us to discover and disable threats early and keep our organization safe.

### *Data ethics*

GN uses data for various purposes, which entail benefits for GN and its customers. GN is committed to act ethically responsible with data and comply with ethical principles. By actively considering data ethics GN intends to ensure human dignity, equality, fairness, responsible use of data, transparency and awareness by minimizing risk of algorithm bias and discrimination, lack of transparency, lack of control, and lack of responsibility and accountability.

GN has implemented appropriate organizational and technical security measures to ensure that any use of data happens in a safe and secure manner. GN will periodically review the contents of GN Data ethics taking into consideration input from employees and partners, development in trends, technology, legislation and ethical data values.



GN's data privacy policy is available at [www.gn.com/privacy-policy](http://www.gn.com/privacy-policy)

For a description of GN's Data Ethics Policy, please refer to [www.gn.com/dataethicspolicy](http://www.gn.com/dataethicspolicy)



# Building sustainable technology

## In 2021, GN committed to science based targets and took further initiatives to reduce emissions

GN's continuous success throughout more than 150 years has relied on our ability to innovate and adapt to new circumstances and expectations.

To ensure future success, we keep innovating and adapting in order to build the technology of the future, sustainably.

This is as relevant as ever as the world faces the dual challenge of tackling the COVID-19 pandemic and the urgent issue of climate change.

Managing these two concerns was a priority in 2021, while we also continued to address all other relevant sustainability topics: Firstly, because it's the right thing to do and, secondly, because it will ultimately benefit our investors, customers, and employees.

### Committed to science based targets

2021 was a pivotal year in our steps to help reverse climate change through our commitment to science based targets.

This was supported by initiatives to reduce our emissions through renewable energy, increased use of ocean freight to replace air freight, and a move to more sustainable packaging.

At the same time, we improved on carbon transparency through three product life-cycle assessments, and our disclosures in line with the

Carbon Disclosure Project and the Taskforce for Climate-Related Financial Disclosures frameworks.

A significant reduction of business travel emissions came inherently as a consequence of COVID-19, and we are committed to permanently limit business travel to only allow truly purposeful travel, halving our footprint per employee compared to 2019.

### 2025 goals inspired by the Sustainable Development Goals

To ensure we do what is required, GN's 2025 sustainability goals are inspired by the UN Sustainable Development Goals (SDGs).

By 2025:

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

### Progress during 2021 towards our 2025 goals

During 2021, we made progress towards our goals and are on track to meet them.

Highlights include reaching 9.4 million people with hearing loss, closing an agreement to move our headquarter and our hearing aid production

site in Denmark to 100% renewable energy, and launching all new products in sustainable, FSC certified packaging.

We continued to work on all environmental, social, and governance (ESG) topics that are material to GN, whether it is moving towards recycled material in products, nurturing a diverse and inclusive workforce, supporting children with hearing loss in low-income countries, or working with our suppliers on safeguarding human rights for everyone working in our value chain.

Full disclosure on our goals and progress is made in GN's separate 2021 Sustainability - ESG Report.



[Download GN's 20201 Sustainability – ESG report](#)

GN's 2021 Sustainability - ESG report (available for download here: [www.gn.com/sustainabilityESG2021](http://www.gn.com/sustainabilityESG2021)) provides a full overview of our progress across all areas.

The 2021 Sustainability – ESG report forms part of this 2021 Annual Report for GN Store Nord A/S and, thus, in combination constitutes GN's corporate responsibility report according to Sections 99a, 99b, 99d and 107d in the Danish Financial Statements Act, and also includes GN's EU Taxonomy Regulation disclosure.



# Corporate governance

## Management structure

GN is governed by a two-tier management structure. The Board of Directors is responsible for the overall governance of the company, and the Executive Management handles the daily management of the company's affairs under the guidelines and supervision of the Board. The ultimate authority rests with the shareholders in General Meeting.

## Board of Directors

### Composition and responsibilities

GN's Board currently comprises 10 members. Seven members are elected by the shareholders at the Annual General Meeting for an annual term until GN's next Annual General Meeting. Further, three members are elected by the employees in accordance with the Danish Companies Act for terms of four years.

### Competencies of the Board

GN's Board strives to recruit members with diverse and complementary competencies. The current Board is a diverse group in terms of global experience, functional competencies, and industry background. The composition is a mix of members with executive positions and professional board members, providing a good balance between knowledge, competencies, experience, and availability for a substantial workload.

GN's board members possess expertise within med-tech, innovation, product development, digitalization, online marketing, commercialization, financial and human resources. Of the current members elected by the general meeting, four are women, three are men, and the Board comprises six different nationalities. See pages 54-56 for a description of the Directors' competencies and experience.

### The Board of Directors' self-evaluation

Led by the Chairman, the Board conducts an annual self-evaluation of its work through which the Board tracks its work, efficiency, composition, and organization together with strengths and development areas.

The self-evaluation, among other, covers the evaluation criteria set out in the Danish Recommendations on Corporate Governance. The self-evaluation process ensures a systematic approach and covers the contributions of each individual Board member, the full Board, and the committees. Following an anonymous self-evaluation questionnaire answered by the Board members and the Executive Management, the Chairman has individual meetings with each individual to follow up on the findings. These are presented in a Board meeting by the Chairman combined with a Board discussion of the results.

The overall conclusions of the 2021 evaluation did not result in any significant remarks and the appropriateness of the current Board composition was confirmed. The Chairman will account for the process and the general conclusions in his statement at the Annual General Meeting. Additional information on the evaluation process and the general conclusions of the 2021 evaluation may be found on the company's website: [www.gn.com/boardevaluation](http://www.gn.com/boardevaluation)

The Board conducted its annual self-evaluation in October 2021 as it has done in previous years. The Board had intended to obtain external assistance to the Board evaluation in 2020/21. However, due to the continued extraordinary working conditions for the Board with mostly virtual meetings during the ongoing COVID-19 pandemic (in 2021 only one meeting was held physically before the annual self-evaluation took place), the Board did not find that it was the right time to bring in an external consultant. Therefore, and since the Board is comfortable using the same framework and process for its annual self-evaluation as has been used in previous years, the Board decided to postpone the involvement of external assistance until a later point in time.

### Board committees

As part of the overall governance of the company, the Board has established Audit, Nomination, Remuneration, and Strategy committees to assist with monitoring and preparatory work relating to key areas of

## GN's framework for corporate governance



GN's management structure is built to support its two main business divisions, GN Audio and GN Hearing. The Board members of GN Store Nord are elected at GN's Annual General Meeting. GN's Executive Management comprises the CFO of the Group's parent company, GN Store Nord, the CEO of GN Hearing, and the CEO of GN Audio.



the Board’s responsibilities. The committees’ main duties in general and the specific tasks performed in 2021 are summarized below:

- The Audit Committee continued to provide oversight of the financial reporting process, the audit process, GN’s system of internal controls and compliance with laws and regulations. The committee reviewed the whistleblower reporting system, main accounting principles, tax strategy and compliance and risk management processes covering key risks. Further, the committee considered the need for an internal audit function which was not deemed necessary at this time.
- The Remuneration Committee assisted the Board in decisions concerning remuneration of Executive Management and senior employees.
- The Strategy Committee assisted the Board in ensuring that GN’s technological core capabilities are maintained and further enhanced and oversaw investments in projects aiming at discovering potential future business opportunities.

- The Nomination Committee advised the Board of Directors in relation to the skills that the Board of Directors and Executive Management must have to best perform their tasks.

 See charters and composition of the four committees at: [www.gn.com/boardcommittees](http://www.gn.com/boardcommittees)

**Chairmanship**

The Chairman and the Deputy Chairman form the Chairmanship of the Board, which prepares and organizes the work of the Board and performs preparatory tasks for and advise the Board in relation to strategy, implementation of strategy, business development, budget, and projects, and performs in-depth business reviews of selected areas.

**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 business and members of the Board of Directors.

Meeting attendance 2021	Chairmanship	Audit Committee	Nomination Committee	Remuneration Committee	Strategy Committee	GN Store Nord A/S Board	GN Hearing A/S Board	GN Audio A/S Board
Per Wold-Olsen	(C) 30/30		(C) 4/4	(C) 9/9	14/14	(C) 17/17	(C) 8/8	(C) 8/8
Jukka Pekka Pertola	(DC) 30/30		4/4	9/9	14/14	(DC) 17/17	(DC) 8/8	(DC) 8/8
Hélène Barnekow			4/4			(B) 16/17	(B) 8/8	(B) 8/8
Montserrat Maresch Pascual				9/9	14/14	(B) 16/17	(B) 8/8	(B) 8/8
Wolfgang Reim		4/4			(C) 14/14	(B) 17/17	(B) 8/8	(B) 8/8
Ronica Wang		4/4				(B) 17/17	(B) 8/8	(B) 8/8
Anette Weber		(C) 4/4				(B) 16/17	(B) 8/8	(B) 8/8

(C) Chairman (DC) Deputy Chairman (B) Board member

Please visit [www.gn.com/About/Management](http://www.gn.com/About/Management) 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.

**Report on Corporate Governance cf. section 107b of the Danish Financial Statements Act**

The Board and the Executive Management continuously strive to maintain a good corporate governance level.

 The website of the Committee on Corporate Governance - <https://corporategovernance.dk/english> - lists its recommended best practice guidelines.

GN is required to report on its compliance with these recommendations according to the “comply or explain” principle. GN’s compliance with the individual recommendations is reviewed once a year by the Board.

 Download GN’s 2021 Corporate Governance Report: [www.gn.com/corporategovernance2021](http://www.gn.com/corporategovernance2021)

Risk management related to financial reporting is described in this report on page 47. Internal control systems are described in the above-mentioned Corporate Governance Report. This constitutes GN’s statutory report on corporate governance as required under section 107b of the Danish Financial Statements Act.

 GN’s full Remuneration Policy is available on [www.gn.com/remunerationpolicy](http://www.gn.com/remunerationpolicy)

 GN’s full Remuneration Report for 2021 is available here: [www.gn.com/remuneration2021](http://www.gn.com/remuneration2021)



# Board of Directors



**Per Wold-Olsen**  
(Chairman)  
MBA. Formerly president  
Merck & Co., Inc., Interconti-  
nental Division, USA.  
Chairman since 2008.

Chairman of the Boards of GN Audio A/S and GN Hearing A/S.  
Chairman of the Board of Oncopeptides AB. Member of the Board  
of Amarin Corporation plc.

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.

Board member since	2008
Term	2021/2022
Considered independent	No
Nationality	Norway
Year of birth	1947
No. of GN shares	34,626 (-190,258)
Total remuneration 2021 (DKKt)	2,140



**Jukka Pekka Pertola**  
(Deputy Chairman)  
M.Sc. Electrical Engineering.  
Professional board member.  
Former CEO of Siemens A/S.

Deputy Chairman of the Boards of GN Audio A/S and GN Hearing  
A/S. Chairman of the Boards of Asetek A/S, Siemens Gamesa Re-  
newable Energy A/S, Tryg A/S, Tryg Forsikring A/S, COWI Holding  
A/S. Deputy Chairman of the Boards of GomSpace Group AB and  
GomSpace A/S.

Broad international background with more than 20 years of man-  
agement experience in the ICT, energy, industry, infrastructure and  
healthcare sectors, solid experience with various business models  
stretching from B2C to complex project business, IT outsourcing  
solutions, technology services and professional services.

Board member since	2020
Term	2021/2022
Considered independent	Yes
Nationality	Finland
Year of birth	1960
No. of GN shares	3,000 (+1,000)
Total remuneration 2021 (DKKt)	1,418



**H el ene 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 Voyado AB.

Unique capabilities within general commercial management and  
marketing, including go-to-market, branding, communications,  
product management and channel management from the mobile  
communications and IT sector.

Board member since	2013
Term	2021/2022
Considered independent	Yes
Nationality	Sweden
Year of birth	1964
No. of GN shares	10,000 (unchanged)
Total remuneration 2021 (DKKt)	605

# Board of directors



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

Member of the Boards of GN Audio A/S, GN Hearing A/S, and the GN Store Nord Foundation.

International executive background and experience. In-depth competences within retail, branding, business development and implementation of business and marketing strategies and models, digital transformation, operations performance, and optimization of customer experience.

Board member since	2020
Term	2021/2022
Considered independent	Yes
Nationality	Spain and Sweden
Year of birth	1964
No. of GN shares	1,400 (+700)
Total remuneration 2021 (DKKt)	870



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

Member of the Boards of GN Audio A/S and GN Hearing A/S. Chairman of the Board of Ondal Medical GmbH. Member of the Boards of Elekta AB, AudEERING GmbH and LAP Laser GmbH.

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.

Board member since	2008
Term	2021/2022
Considered independent	No
Nationality	Germany
Year of birth	1956
No. of GN shares	30,000 (-21,000)
Total remuneration 2021 (DKKt)	1,045



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

Member of the Boards of GN Audio A/S and GN Hearing A/S. Member of the Board of Hotelbeds Group Ltd.

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.

Board member since	2015
Term	2021/2022
Considered independent	Yes
Nationality	Hong Kong
Year of birth	1962
No. of GN shares	9,850 (+800)
Total remuneration 2021 (DKKt)	695



**Anette Weber**  
Lic.oec HSG, Finance & Accounting. Group CFO of BUCHERER AG.

Member of the Boards of GN Audio A/S and GN Hearing A/S. Member of the Supervisory Board and Chair of the audit committee of New Work S.E.

Extensive global leadership expertise and knowledge from various leadership positions in the global healthcare and IT industry. In-depth knowledge of finance, digitalization, development, general and change management, platform economies, and M&A.

Board member since	2020
Term	2021/2022
Considered independent	Yes
Nationality	Germany
Year of birth	1971
No. of GN shares	1,450 (+850)
Total remuneration 2021 (DKKt)	870



# Employee elected members



## Leo Larsen

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



## Morten Andersen

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



## Marcus Stuhr Perathoner

Manager, Customer Experience & Escalations, GN Audio.

### Board & Committee positions

Member of the Board of the GN Store Nord Foundation

Special competencies	N/A
Board member since	2007
Term	2018/2022
Considered independent	N/A
Nationality	Denmark
Year of birth	1959
No. of GN shares	1,137 (unchanged)
Total remuneration 2021 (DKKt)	290

### Board & Committee positions

-

Special competencies	N/A
Board member since	2011
Term	2018/2022
Considered independent	N/A
Nationality	Denmark
Year of birth	1963
No. of GN shares	854 (unchanged)
Total remuneration 2021 (DKKt)	290

### Board & Committee positions

-

Special competencies	N/A
Board member since	2018
Term	2018/2022
Considered independent	N/A
Nationality	Denmark
Year of birth	1977
No. of GN shares	0 (unchanged)
Total remuneration 2021 (DKKt)	290



# Executive Management



**René Svendsen-Tune**  
CEO, GN Store Nord  
and GN Audio

Member of the Executive Management since	2015
Year of birth	1955
No. of GN shares	116,998 (+26,328)
No. of GN options	174,464 (+40,000)
No. of GN warrants	1,052 (-346)
Board positions	Chairman of the Boards of Stokke AS and GN Store Nord Foundation, Deputy Chairman of the Boards of NKT A/S and Nilfisk Holding A/S.



**Gitte Pugholm Aabo**  
CEO, GN Hearing

Member of the Executive Management since	2019
Year of birth	1967
No. of GN shares	6,823 (unchanged)
No. of GN options	142,884 (+38,250)
No. of GN warrants	-
Board positions	Member of the Committee of Directors of Danmarks Nationalbank (the Danish National Bank), member of the Boards of HIMPP A/S, ALK-Abelló A/S, Union Therapeutics and the Danish Chamber of Commerce, member of the executive committee of the Danish Chamber of Commerce.



**Peter La Cour Gormsen**  
CFO, GN Store Nord  
and GN Audio

Member of the Executive Management since	2021
Year of birth	1974
No. of GN shares	7,918 (-2,000)
No. of GN options	41,708 (+18,250)
No. of GN warrants	98 (unchanged)
Board positions	None

# Shareholder information

Through an open and active dialogue, GN strives to provide all stakeholders with timely and relevant information

## The GN share

The total market value of GN's shares, excluding treasury shares, was DKK 53 billion at the end of 2021. The price of the GN share was DKK 411.3 on December 31, 2021, which is equivalent to a decrease of 16% compared to the end of 2020.

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

## Ownership

The GN share is 100% free float, and the company has no dominant shareholders. GN has approximately 30,000 registered shareholders where 25% of shareholders are located in Denmark, 53% in rest of Europe, 20% in North America and 2% in Rest of World.

The 10 largest registered shareholders held in total about 35% of the GN share capital at the end of 2021 (including GN's holding of treasury shares). One shareholder - APG Asset Management N.V. (Holland) - have informed GN that they hold 5% or more of the share capital.

## Share capital and voting rights

GN's share capital of DKK 552,703,928 consists of 138,175,982 shares, each carrying four votes. GN has one share class with no restrictions on ownership or voting rights.

## Treasury shares

On December 31, 2021, GN held 10,457,899 treasury shares corresponding to 7.6% of the share capital, and the value of the treasury shares was DKK 4.3 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 9, 2022, the Board of Directors will propose to reduce the company's share capital by canceling 982,604 shares equivalent to all treasury shares held today in excess of the shares needed to hedge future obligations of the convertible bond and 4,300,000 shares - which are held for hedging of long-term incentive programs.

Until the Annual General Meeting on March 9, 2022, the Board of Directors is authorized to acquire shares in GN. The company's holding of treasury shares may at no time exceed 15% of the share capital of the company.

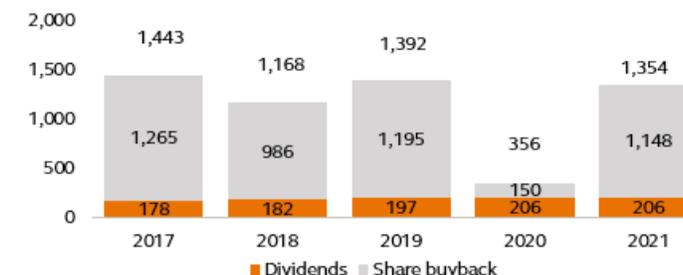
## Dividend policy and share buyback programs

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

Dividend payments and share buybacks are subject to, among other factors, cash requirements to support the ongoing operations,

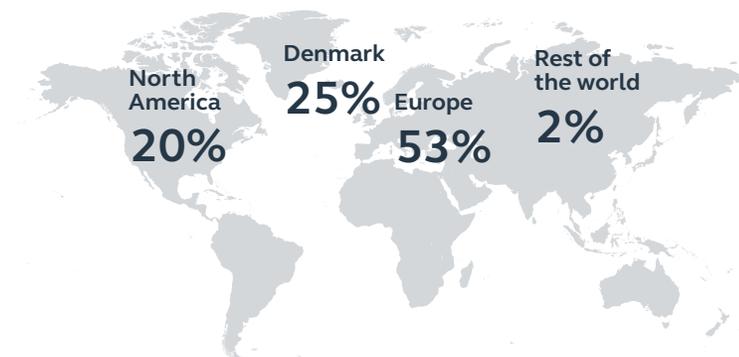
## Shareholder return distribution

(DKK million)



## Geographical split of shareholders

(Million)



strategic opportunities, and the company's capital structure. As previously communicated, it is currently GN's target to maintain a capital structure consisting of equity and debt with the net interest-bearing debt amounting to between one to two times EBITDA.

In order to deleverage following the announcement of SteelSeries, GN paused its share buyback program in October 2021, a program which was initiated in May 2021 and amounted to DKK 1,148 million before pausing. New share buyback programs are not considered before GN is back within its target leverage profile of one to two times net-interest-bearing debt to EBITDA.

At the Annual General Meeting on March 9, 2022, the Board of Directors will propose to pay out a total dividend of DKK 214 million (equivalent to DKK 1.55 per share) in respect of the 2021 financial year, compared to DKK 206 million in 2020 (equivalent to DKK 1.45 per share).

#### Incentive programs

By the end of 2021, the total number of outstanding warrants in GN Hearing was 1,474 (0.2%) of the share capital in GN Hearing. The total number of outstanding warrants in GN Audio was 1,486 (0,4%) of the share capital in GN Audio. The total number of outstanding options in GN Store Nord was 1,870,184 (1.4%) of the share capital in GN Store Nord.

#### Investor relations policy

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

Following the release of interim and annual results, GN conducts roadshows where the Executive Management and the investor relations team inform investors and financial analysts about the recent developments in the company. GN is covered by sell-side analysts, who continually release analyst research reports on GN and the industry dynamics.



GN's investor relations policy is available at:

[www.gn.com/aboutIR](http://www.gn.com/aboutIR)

A full list of the analysts covering GN is available at:

[www.gn.com/analysts](http://www.gn.com/analysts)

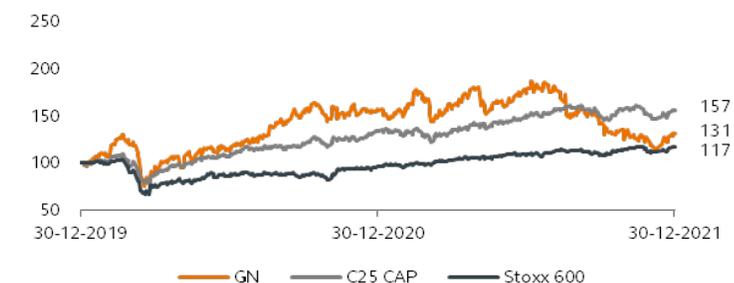
GN has a 30-days period prior to publication of a financial report. During these silent periods, any communication with stakeholders is restricted.

GN's website [www.gn.com](http://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](mailto:Investor@gn.com)

#### 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, GN encourages all registered shareholders to sign up at the investor portal with their email addresses and check the box labelled "subscribe/unsubscribe" in the field "Notice for the Annual General Meeting". Shareholders will then receive the notice by email in the future.

#### Share price development



\* Index : 31-12-2019 = 100

#### Financial calendar for 2022

Event	Date
Annual General Meeting	March 9, 2022
Meet the Management	March 23, 2022
Interim Report Q1 2022	May 5, 2022
Interim Report Q2 2022	August 18, 2022
Interim Report Q3 2022	November 11, 2022

Read company announcements on [www.gn.com](http://www.gn.com)



# Additional financial information 2021

(unaudited)

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# Q4 financial highlights

## GN Hearing

### Revenue

GN Hearing's revenue in Q4 2021 was DKK 1,429 million compared to DKK 1,378 million in Q4 2020, an organic revenue growth of 2%. Revenue growth was 4% including around 3% impact from the development in foreign exchange rates and around -1% impact from M&A.

In North America, the overall hearing aid market continued to perform strongly with GN Hearing delivering -1% organic revenue growth in Q4 2021 (-15% compared to Q4 2019). In Europe, GN Hearing delivered 1% organic revenue growth (-7% compared to Q4 2019) while organic revenue growth in the Rest of World Region, was 11% (-10% compared to Q4 2019).

### Earnings and other financial highlights

GN Hearing's gross profit increased 4% to DKK 908 million in Q4 2021. The gross margin reached 63.5%, compared to 63.4% in Q4 2020 due to higher volumes but offset by mix effects. EBITA in Q4 2021 was DKK 219 million, compared to DKK 153 million in Q4 2020. The EBITA margin in Q4 2021 was 15.3%, compared to 11.1% in Q4 2020, primarily driven by prudent cost management whereas OPEX decreased by 4%. In Q4 2021, free cash flow excl. M&A reached DKK -61 million, compared to DKK 263 million in Q4 2020 mainly driven by tax payments. Cash conversion was -28% compared to 172% in Q4 2020.

## GN Audio

### Revenue

GN Audio's revenue in Q4 2021 was DKK 2,671 million compared to DKK 2,706 million in Q4 2020, translating into an organic revenue growth of -4%. Revenue growth was -1% including around 2% impact from the development in foreign exchange rates. In Q4 2021, GN Audio experienced volatility in supply and delays in component deliverables impacting sales negatively, but demand remains strong. Consequently, GN Audio left 2021 with a significant order backlog.

GN Audio continues to work closely with suppliers of components to address demand. Despite supply chain challenges, both Enterprise and Consumer delivered solid performance in the quarter.

In North America, GN Audio delivered organic revenue growth of 7% (14% compared to Q4 2019), while Europe saw organic revenue growth of -18% (45% compared to Q4 2019). Organic revenue growth in the Rest of World region was 38% in Q4 2021 (81% compared to Q4 2019).

### Earnings and other financial highlights

In Q4 2021, GN Audio's gross profit reached DKK 1,316 million corresponding to a gross margin of 49.3%, slightly higher than in Q4 2020, reflecting underlying improvements but offset by increased freight and production costs due to COVID-19. In Q4 2021, GN Audio's EBITA was DKK 475 million (excluding transaction related costs of DKK 31 million) equivalent to an EBITA margin of 17.8%, primarily reflecting investments into future growth opportunities.

In Q4 2021, free cash flow excl. M&A reached DKK 198 million, compared to DKK 625 million in Q4 2020 reflecting investments in future growth opportunities and a negative impact from working capital.

## GN Store Nord

In Q4 2021, EBITA in Other ended at DKK -43 million compared to DKK -49 million in Q4 2020. Amortization of acquired intangible assets amounted to DKK -103 million compared to DKK -51 million in Q4 2020, primarily reflecting an impairment loss in relation to channel investments in GN Hearing.

Financial items were DKK 34 million compared to DKK -35 million in Q4 2020 primarily driven by a non-cash fair value adjustment of the existing ownership interest in Lively.

DKK million	GN Hearing			GN Audio			Group total*		
	Q4 2021	Q4 2020	Growth	Q4 2021	Q4 2020	Growth	Q4 2021	Q4 2020	Growth
<b>Revenue</b>	<b>1,429</b>	<b>1,378</b>	<b>4%</b>	<b>2,671</b>	<b>2,706</b>	<b>-1%</b>	<b>4,100</b>	<b>4,084</b>	<b>0%</b>
Organic growth	2%	-16%		-4%	43%		-2%	15%	
<b>Gross profit</b>	<b>908</b>	<b>873</b>	<b>4%</b>	<b>1,316</b>	<b>1,318</b>	<b>0%</b>	<b>2,224</b>	<b>2,191</b>	<b>2%</b>
Gross profit margin	63.5%	63.4%	+0.1%p	49.3%	48.7%	+0.6%p	54.2%	53.6%	+0.6%p
<b>EBITA</b>	<b>219</b>	<b>153</b>	<b>43%</b>	<b>475**</b>	<b>642</b>	<b>-26%</b>	<b>651**</b>	<b>746</b>	<b>-13%</b>
EBITA margin	15.3%	11.1%	+4.2%p	17.8%**	23.7%	-5.9%p	15.9%**	18.3%	-2.4%p
<b>Earnings per share (EPS)</b>							<b>3.50**</b>	<b>4.09</b>	<b>-14%</b>
Free cash flow excl. M&A	-61	263	NA	198	625	-68%	-279	896	NA
Cash conversion	-28%	172%	NA	45%	97%	-52%p	-45%	120%	NA

\* Including "Other"

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



# Quarterly financial highlights

	Q4 2021 (unaud.)	Q4 2020 (unaud.)	Full year 2021 (aud.)	Full year 2020 (aud.)
DKK million				
<b>GN Store Nord</b>				
Revenue	4,100	4,084	15,775	13,449
Revenue growth	0%	11%	17%	7%
Organic growth	-2%	15%	20%	9%
Gross profit margin	54.2%	53.6%	55.0%	54.3%
EBITA*	620	746	2,619	1,866
EBITA margin*	15.1%	18.3%	16.6%	13.9%
Profit (loss) before tax	540	657	2,271	1,612
Effective tax rate	20.7%	19.8%	21.2%	21.3%
ROIC (EBITA*/Average invested capital)	25%	19%	25%	19%
Earnings per share, basic (EPS)	3.30	4.09	13.63	9.72
Earnings per share, fully diluted (EPS diluted)	3.29	4.04	13.49	9.63
Free cash flow excl. M&A	-279	896	702	1,865
Cash conversion (Free cash flow excl. M&A/EBITA*)	-45%	120%	27%	100%
Equity ratio	26.4%	31.0%	26.4%	31.0%
Net interest-bearing debt	5,358	4,198	5,358	4,198
Net interest-bearing debt (period-end)/EBITDA	1.8	1.8	1.8	1.8
Payout ratio	-	-	12%	16%
Share buybacks**	54	-	1,166	453
Outstanding shares, end of period (thousand)	127,718	128,975	127,718	128,975
Average number of outstanding shares (thousand)	127,719	128,894	128,816	128,805
Average number of outstanding shares, fully diluted (thousand)	128,314	130,401	130,194	130,032
Treasury shares, end of period (thousand)	10,458	13,293	10,458	13,293
Share price at the end of the period	411.3	487.2	411.3	487.2
Market capitalization	52,530	62,837	52,530	62,837

	Q4 2021 (unaud.)	Q4 2020 (unaud.)	Full year 2021 (aud.)	Full year 2020 (aud.)
DKK million				
<b>GN Hearing</b>				
Revenue	1,429	1,378	5,332	4,725
Revenue growth	4%	-20%	13%	-26%
Organic growth	2%	-16%	16%	-24%
Gross profit margin	63.5%	63.4%	63.8%	61.5%
EBITA*	219	153	643	41
EBITA margin*	15.3%	11.1%	12.1%	0.9%
ROIC (EBITA*/Average invested capital)	9%	1%	9%	1%
Free cash flow excl. M&A	-61	263	198	127
Cash conversion (Free cash flow excl. M&A/EBITA*)	-28%	172%	31%	310%
<b>GN Audio</b>				
Revenue	2,671	2,706	10,443	8,724
Revenue growth	-1%	38%	20%	40%
Organic growth	-4%	43%	22%	42%
Gross profit margin	49.3%	48.7%	50.6%	50.4%
EBITA*	444	642	2,164	2,002
EBITA margin*	16.6%	23.7%	20.7%	22.9%
ROIC (EBITA*/Average invested capital)	79%	81%	79%	81%
Free cash flow excl. M&A	198	625	1,288	1,729
Cash conversion (Free cash flow excl. M&A/EBITA*)	45%	97%	60%	86%

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

\* Excluding gain (loss) on divestments of operations etc. and amortization of acquired intangible assets but including amortization of development projects and software developed in-house.

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



# Quarterly reporting by segment

DKK million	Q1 2020 (unaud.)	Q2 2020 (unaud.)	Q3 2020 (unaud.)	Q4 2020 (unaud.)	Q1 2021 (unaud.)	Q2 2021 (unaud.)	Q3 2021 (unaud.)	Q4 2021 (unaud.)	Full year 2020 (aud.)	Full Year 2021 (aud.)
<b>Income statement</b>										
<b>Revenue</b>										
GN Hearing	1,314	715	1,318	1,378	1,234	1,322	1,347	1,429	4,725	5,332
GN Audio	1,653	1,944	2,421	2,706	2,876	2,456	2,440	2,671	8,724	10,443
<b>Total</b>	<b>2,967</b>	<b>2,659</b>	<b>3,739</b>	<b>4,084</b>	<b>4,110</b>	<b>3,778</b>	<b>3,787</b>	<b>4,100</b>	<b>13,449</b>	<b>15,775</b>
<b>Organic growth</b>										
GN Hearing	-14%	-54%	-11%	-16%	1%	95%	4%	2%	-24%	16%
GN Audio	22%	32%	72%	43%	82%	32%	1%	-4%	42%	22%
<b>Total</b>	<b>3%</b>	<b>-13%</b>	<b>29%</b>	<b>15%</b>	<b>46%</b>	<b>49%</b>	<b>2%</b>	<b>-2%</b>	<b>9%</b>	<b>20%</b>
<b>Gross profit</b>										
GN Hearing	841	332	859	873	769	832	891	908	2,905	3,400
GN Audio	827	1,009	1,239	1,318	1,480	1,264	1,222	1,316	4,393	5,282
<b>Total</b>	<b>1,668</b>	<b>1,341</b>	<b>2,098</b>	<b>2,191</b>	<b>2,249</b>	<b>2,096</b>	<b>2,113</b>	<b>2,224</b>	<b>7,298</b>	<b>8,682</b>
<b>Gross profit margin</b>										
GN Hearing	64.0%	46.4%	65.2%	63.4%	62.3%	62.9%	66.1%	63.5%	61.5%	63.8%
GN Audio	50.0%	51.9%	51.2%	48.7%	51.5%	51.5%	50.1%	49.3%	50.4%	50.6%
<b>Total</b>	<b>56.2%</b>	<b>50.4%</b>	<b>56.1%</b>	<b>53.6%</b>	<b>54.7%</b>	<b>55.5%</b>	<b>55.8%</b>	<b>54.2%</b>	<b>54.3%</b>	<b>55.0%</b>
<b>Development costs</b>										
GN Hearing	-149	-124	-120	-118	-139	-154	-155	-131	-511	-579
GN Audio	-110	-118	-181	-145	-199	-168	-173	-185	-554	-725
Other *	-22	-20	-19	-23	-34	-27	-9	-15	-84	-85
<b>Total</b>	<b>-281</b>	<b>-262</b>	<b>-320</b>	<b>-286</b>	<b>-372</b>	<b>-349</b>	<b>-337</b>	<b>-331</b>	<b>-1,149</b>	<b>-1,389</b>
<b>Selling and distribution costs and administrative expenses etc.</b>										
GN Hearing	-637	-544	-570	-602	-532	-525	-563	-558	-2,353	-2,178
GN Audio	-429	-483	-394	-531	-567	-564	-575	-687	-1,837	-2,393
Other *	-21	-27	-19	-26	-25	-23	-27	-28	-93	-103
<b>Total</b>	<b>-1,087</b>	<b>-1,054</b>	<b>-983</b>	<b>-1,159</b>	<b>-1,124</b>	<b>-1,112</b>	<b>-1,165</b>	<b>-1,273</b>	<b>-4,283</b>	<b>-4,674</b>
<b>EBITA</b>										
GN Hearing	55	-336	169	153	98	153	173	219	41	643
GN Audio	288	408	664	642	714	532	474	444	2,002	2,164
Other *	-43	-47	-38	-49	-59	-50	-36	-43	-177	-188
<b>Total</b>	<b>300</b>	<b>25</b>	<b>795</b>	<b>746</b>	<b>753</b>	<b>635</b>	<b>611</b>	<b>620</b>	<b>1,866</b>	<b>2,619</b>
<b>EBITA margin</b>										
GN Hearing	4.2%	-47.0%	12.8%	11.1%	7.9%	11.6%	12.8%	15.3%	0.9%	12.1%
GN Audio	17.4%	21.0%	27.4%	23.7%	24.8%	21.7%	19.4%	16.6%	22.9%	20.7%
<b>Total</b>	<b>10.1%</b>	<b>0.9%</b>	<b>21.3%</b>	<b>18.3%</b>	<b>18.3%</b>	<b>16.8%</b>	<b>16.1%</b>	<b>15.1%</b>	<b>13.9%</b>	<b>16.6%</b>
<b>Depreciation and software amortization</b>										
GN Hearing	-47	-45	-54	-35	-42	-41	-40	-40	-181	-163
GN Audio	-28	-29	-31	-34	-33	-31	-34	-37	-122	-135
Other *	-29	-32	-30	-24	-30	-33	-32	-36	-115	-131
<b>Total</b>	<b>-104</b>	<b>-106</b>	<b>-115</b>	<b>-93</b>	<b>-105</b>	<b>-105</b>	<b>-106</b>	<b>-113</b>	<b>-418</b>	<b>-429</b>



# Quarterly reporting by segment (continued)

DKK million	Q1 2020 (unaud.)	Q2 2020 (unaud.)	Q3 2020 (unaud.)	Q4 2020 (unaud.)	Q1 2021 (unaud.)	Q2 2021 (unaud.)	Q3 2021 (unaud.)	Q4 2021 (unaud.)	Full year 2020 (aud.)	Full Year 2021 (aud.)
<b>EBITDA</b>										
GN Hearing	102	-291	223	188	140	194	213	259	222	806
GN Audio	316	437	695	676	747	563	508	481	2,124	2,299
Other *	-14	-15	-8	-25	-29	-17	-4	-7	-62	-57
<b>Total</b>	<b>404</b>	<b>131</b>	<b>910</b>	<b>839</b>	<b>858</b>	<b>740</b>	<b>717</b>	<b>733</b>	<b>2,284</b>	<b>3,048</b>
<b>EBITA</b>	<b>300</b>	<b>25</b>	<b>795</b>	<b>746</b>	<b>753</b>	<b>635</b>	<b>611</b>	<b>620</b>	<b>1,866</b>	<b>2,619</b>
Amortization and impairment of acquired intangible assets	-50	-52	-82	-51	-41	-42	-40	-103	-235	-226
Gain (loss) on divestment of operations etc.	1	-1	-1	-3	-	-9	-	13	-4	4
<b>Operating profit (loss)</b>	<b>251</b>	<b>-28</b>	<b>712</b>	<b>692</b>	<b>712</b>	<b>584</b>	<b>571</b>	<b>530</b>	<b>1,627</b>	<b>2,397</b>
Share of profit (loss) in associates	-1	-6	-2	-	-1	-20	9	-24	-9	-36
Financial items, net	-111	49	91	-35	-99	-12	-13	34	-6	-90
<b>Profit (loss) before tax</b>	<b>139</b>	<b>15</b>	<b>801</b>	<b>657</b>	<b>612</b>	<b>552</b>	<b>567</b>	<b>540</b>	<b>1,612</b>	<b>2,271</b>
Tax on profit (loss)	-33	-2	-178	-130	-130	-118	-121	-112	-343	-481
<b>Profit (loss)</b>	<b>106</b>	<b>13</b>	<b>623</b>	<b>527</b>	<b>482</b>	<b>434</b>	<b>446</b>	<b>428</b>	<b>1,269</b>	<b>1,790</b>
<b>Balance sheet Inventories</b>										
GN Hearing	580	603	610	650	677	675	683	743	650	743
GN Audio	585	711	805	1,072	939	1,049	1,019	1,205	1,072	1,205
<b>Total</b>	<b>1,165</b>	<b>1,314</b>	<b>1,415</b>	<b>1,722</b>	<b>1,616</b>	<b>1,724</b>	<b>1,702</b>	<b>1,948</b>	<b>1,722</b>	<b>1,948</b>
<b>Trade receivables</b>										
GN Hearing	1,095	835	1,025	972	987	1,020	1,111	1,124	972	1,124
GN Audio	1,477	1,593	1,860	1,704	1,670	1,721	2,057	2,169	1,704	2,169
Other *	-	-	-	-	-	2	2	-	-	-
<b>Total</b>	<b>2,572</b>	<b>2,428</b>	<b>2,885</b>	<b>2,676</b>	<b>2,657</b>	<b>2,743</b>	<b>3,170</b>	<b>3,293</b>	<b>2,676</b>	<b>3,293</b>
<b>Net working capital</b>										
GN Hearing	927	649	581	552	785	862	883	1,010	552	1,010
GN Audio	765	512	764	357	652	662	793	837	357	837
Other *	-142	-121	-139	-93	-189	-136	-149	-122	-93	-122
<b>Total</b>	<b>1,550</b>	<b>1,040</b>	<b>1,206</b>	<b>816</b>	<b>1,248</b>	<b>1,388</b>	<b>1,527</b>	<b>1,725</b>	<b>816</b>	<b>1,725</b>
<b>Free cash flow excl. M&amp;A</b>										
GN Hearing	-66	-117	47	263	-204	123	340	-61	127	198
GN Audio	-67	579	592	625	438	371	281	198	1,729	1,288
Other *	-27	55	-27	8	-256	16	-128	-416	9	-784
<b>Total</b>	<b>-160</b>	<b>517</b>	<b>612</b>	<b>896</b>	<b>-22</b>	<b>510</b>	<b>493</b>	<b>-279</b>	<b>1,865</b>	<b>702</b>
<b>Acquisitions and divestments of companies</b>	<b>-29</b>	<b>-10</b>	<b>-107</b>	<b>-</b>	<b>-38</b>	<b>-1</b>	<b>-1</b>	<b>-314</b>	<b>-146</b>	<b>-354</b>
<b>Free cash flow</b>	<b>-189</b>	<b>507</b>	<b>505</b>	<b>896</b>	<b>-60</b>	<b>509</b>	<b>492</b>	<b>-593</b>	<b>1,719</b>	<b>348</b>

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



# Regional Growth Composition

Regional growth, Q4 2021 (DKK million)	GN Hearing		GN Audio		Consolidated total		Regional growth, YTD 2021 (DKK million)	GN Hearing		GN Audio		Consolidated total	
	Q4 2021 (unaud.)	Q4 2020 (unaud.)	Q4 2021 (unaud.)	Q4 2020 (unaud.)	Q4 2021 (unaud.)	Q4 2020 (unaud.)		YTD 2021 (unaud.)	YTD 2020 (unaud.)	YTD 2021 (unaud.)	YTD 2020 (unaud.)	YTD 2021 (unaud.)	YTD 2020 (unaud.)
<b>Europe - revenue</b>	<b>432</b>	<b>420</b>	<b>1,320</b>	<b>1,592</b>	<b>1,752</b>	<b>2,012</b>	<b>Europe - revenue</b>	<b>1,474</b>	<b>1,376</b>	<b>5,283</b>	<b>4,528</b>	<b>6,757</b>	<b>5,904</b>
Organic growth	1%		-18%		-14%		Organic growth	7%		16%		14%	
FX growth	2%		1%		1%		FX growth	0%		1%		0%	
M&A growth	0%		0%		0%		M&A growth	0%		0%		0%	
<b>Revenue growth</b>	<b>3%</b>	<b>-9%</b>	<b>-17%</b>	<b>74%</b>	<b>-13%</b>	<b>46%</b>	<b>Revenue growth</b>	<b>7%</b>	<b>-14%</b>	<b>17%</b>	<b>60%</b>	<b>14%</b>	<b>33%</b>
<b>North America - revenue</b>	<b>639</b>	<b>640</b>	<b>813</b>	<b>730</b>	<b>1,452</b>	<b>1,370</b>	<b>North America - revenue</b>	<b>2,524</b>	<b>2,276</b>	<b>3,161</b>	<b>2,620</b>	<b>5,685</b>	<b>4,896</b>
Organic growth	-1%		7%		3%		Organic growth	17%		27%		22%	
FX growth	3%		4%		4%		FX growth	-5%		-6%		-6%	
M&A growth	-2%		0%		-1%		M&A growth	-1%		0%		0%	
<b>Revenue growth</b>	<b>0%</b>	<b>-24%</b>	<b>11%</b>	<b>-2%</b>	<b>6%</b>	<b>-14%</b>	<b>Revenue growth</b>	<b>11%</b>	<b>-32%</b>	<b>21%</b>	<b>14%</b>	<b>16%</b>	<b>-13%</b>
<b>Rest of World - revenue</b>	<b>358</b>	<b>318</b>	<b>538</b>	<b>384</b>	<b>896</b>	<b>702</b>	<b>Rest of World - revenue</b>	<b>1,334</b>	<b>1,073</b>	<b>1,999</b>	<b>1,576</b>	<b>3,333</b>	<b>2,649</b>
Organic growth	11%		38%		26%		Organic growth	26%		30%		28%	
FX growth	2%		2%		2%		FX growth	-2%		-3%		-2%	
M&A growth	0%		0%		0%		M&A growth	0%		0%		0%	
<b>Revenue growth</b>	<b>13%</b>	<b>-23%</b>	<b>40%</b>	<b>27%</b>	<b>28%</b>	<b>-2%</b>	<b>Revenue growth</b>	<b>24%</b>	<b>-24%</b>	<b>27%</b>	<b>43%</b>	<b>26%</b>	<b>6%</b>
<b>Total revenue</b>	<b>1,429</b>	<b>1,378</b>	<b>2,671</b>	<b>2,706</b>	<b>4,100</b>	<b>4,084</b>	<b>Total revenue</b>	<b>5,332</b>	<b>4,725</b>	<b>10,443</b>	<b>8,724</b>	<b>15,775</b>	<b>13,449</b>
Organic growth	2%	-16%	-4%	43%	-2%	15%	Organic growth	16%	-24%	22%	42%	20%	9%
FX growth	3%	-3%	2%	-5%	2%	-4%	FX growth	-3%	-1%	-2%	-2%	-3%	-1%
M&A growth	-1%	-1%	0%	0%	0%	0%	M&A growth	-1%	-1%	0%	0%	0%	-1%
<b>Revenue growth</b>	<b>4%</b>	<b>-20%</b>	<b>-1%</b>	<b>38%</b>	<b>0%</b>	<b>11%</b>	<b>Revenue growth</b>	<b>13%</b>	<b>-26%</b>	<b>20%</b>	<b>40%</b>	<b>17%</b>	<b>7%</b>



# Q4 segment disclosures

Income statement (DKK million)	GN Hearing		GN Audio		Other*		Consolidated total	
	Q4 2021 (unaud.)	Q4 2020 (unaud.)						
Revenue	1,429	1,378	2,671	2,706	-	-	4,100	4,084
Production costs	-521	-505	-1,355	-1,388	-	-	-1,876	-1,893
<b>Gross profit</b>	<b>908</b>	<b>873</b>	<b>1,316</b>	<b>1,318</b>	<b>-</b>	<b>-</b>	<b>2,224</b>	<b>2,191</b>
Development costs	-131	-118	-185	-145	-15	-23	-331	-286
Selling and distribution costs	-397	-455	-541	-467	-	-	-938	-922
Management and administrative expenses	-145	-155	-166	-55	-28	-26	-339	-236
Other operating income and costs, net	-16	8	20	-9	-	-	4	-1
<b>EBITA</b>	<b>219</b>	<b>153</b>	<b>444</b>	<b>642</b>	<b>-43</b>	<b>-49</b>	<b>620</b>	<b>746</b>
Amortization and impairment of acquired intangible assets	-85	-33	-18	-18	-	-	-103	-51
Gain (loss) on divestment of operations etc.	13	-3	-	-	-	-	13	-3
<b>Operating profit (loss)</b>	<b>147</b>	<b>117</b>	<b>426</b>	<b>624</b>	<b>-43</b>	<b>-49</b>	<b>530</b>	<b>692</b>
Share of profit (loss) in associates	-23	3	-	-	-1	-3	-24	-
Financial items	61	-17	-1	-9	-26	-9	34	-35
<b>Profit (loss) before tax</b>	<b>185</b>	<b>103</b>	<b>425</b>	<b>615</b>	<b>-70</b>	<b>-61</b>	<b>540</b>	<b>657</b>
Tax on profit (loss)	-89	-56	-35	-138	12	64	-112	-130
<b>Profit (loss) for the period</b>	<b>96</b>	<b>47</b>	<b>390</b>	<b>477</b>	<b>-58</b>	<b>3</b>	<b>428</b>	<b>527</b>

Additional information (DKK million)	GN Hearing		GN Audio		Other*		Consolidated total	
	Q4 2021 (unaud.)	Q4 2020 (unaud.)						
Revenue distributed geographically								
Denmark	29	39	69	86	-	-	98	125
Europe	403	381	1,251	1,506	-	-	1,654	1,887
North America	639	640	813	730	-	-	1,452	1,370
Rest of World	358	318	538	384	-	-	896	702
<b>Revenue</b>	<b>1,429</b>	<b>1,378</b>	<b>2,671</b>	<b>2,706</b>	<b>-</b>	<b>-</b>	<b>4,100</b>	<b>4,084</b>
Incurred development costs	-154	-129	-234	-201	-17	-25	-405	-355
Capitalized development costs	103	96	114	95	-	-	217	191
Amortization, impairment and depreciation of development projects**	-80	-85	-65	-39	2	2	-143	-122
<b>Expensed development costs</b>	<b>-131</b>	<b>-118</b>	<b>-185</b>	<b>-145</b>	<b>-15</b>	<b>-23</b>	<b>-331</b>	<b>-286</b>
EBITDA	259	188	481	676	-7	-25	733	839
Depreciation and software amortization	-40	-35	-37	-34	-36	-24	-113	-93
<b>EBITA</b>	<b>219</b>	<b>153</b>	<b>444</b>	<b>642</b>	<b>-43</b>	<b>-49</b>	<b>620</b>	<b>746</b>
EBITA margin	15.3%	11.1%	16.6%	23.7%	N/A	N/A	15.1%	18.3%
Number of employees, end of period	4,553	4,404	2,358	1,863	317	246	7,228	6,513

Cash flow statement (DKK million)	GN Hearing		GN Audio		Other*		Consolidated total	
	Q4 2021 (unaud.)	Q4 2020 (unaud.)						
<b>Operating activities before changes in working capital</b>	<b>344</b>	<b>303</b>	<b>523</b>	<b>731</b>	<b>-9</b>	<b>-18</b>	<b>858</b>	<b>1,016</b>
Cash flow from changes in working capital	-173	-11	-9	355	-33	-43	-215	301
<b>Cash flow from operating activities excluding financial items and tax</b>	<b>171</b>	<b>292</b>	<b>514</b>	<b>1,086</b>	<b>-42</b>	<b>-61</b>	<b>643</b>	<b>1,317</b>
Cash flow from investing activities:								
Development projects, investment	-103	-96	-114	-95	-	-	-217	-191
Other	-379	-78	-43	-28	-136	-49	-558	-155
<b>Cash flow from operating and investing activities before financial items and tax</b>	<b>-311</b>	<b>118</b>	<b>357</b>	<b>963</b>	<b>-178</b>	<b>-110</b>	<b>-132</b>	<b>971</b>
Tax and financial items	-64	145	-159	-338	-238	118	-461	-75
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>-375</b>	<b>263</b>	<b>198</b>	<b>625</b>	<b>-416</b>	<b>8</b>	<b>-593</b>	<b>896</b>
Cash flow from M&A activities	-314	-	-	-	-	-	-314	-
<b>Free cash flow excl. M&amp;A</b>	<b>-61</b>	<b>263</b>	<b>198</b>	<b>625</b>	<b>-416</b>	<b>8</b>	<b>-279</b>	<b>896</b>

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

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



# Consolidated Financial statements

## Consolidated financial statements

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# Consolidated income statement

DKK million	Note	2021	2020
Revenue	2.2	15,775	13,449
Production costs	2.3, 2.4, 3.4, 3.6	-7,093	-6,151
<b>Gross profit</b>		<b>8,682</b>	<b>7,298</b>
Development costs	2.3, 2.4, 3.4	-1,389	-1,149
Selling and distribution costs	2.3, 2.4, 3.4	-3,484	-3,349
Management and administrative expenses	2.3, 2.4, 3.4, 5.8	-1,205	-1,037
Other operating income and costs, net		15	103
<b>EBITA*</b>		<b>2,619</b>	<b>1,866</b>
Amortization and impairment of acquired intangible assets	2.6, 3.4	-226	-235
Gain (loss) on divestment of operations etc.	5.1	4	-4
<b>Operating profit (loss)</b>		<b>2,397</b>	<b>1,627</b>
Share of profit (loss) in associates	5.6	-36	-9
Financial income	2.4, 4.5	237	294
Financial expenses	4.5	-327	-300
<b>Profit (loss) before tax</b>		<b>2,271</b>	<b>1,612</b>
Tax on profit (loss)	2.5	-481	-343
<b>Profit (loss) for the year</b>		<b>1,790</b>	<b>1,269</b>
<b>Attributable to:</b>			
Non-controlling interests		34	17
Shareholders in GN Store Nord A/S		1,756	1,252
<b>Earnings per share (EPS)</b>			
Earnings per share (EPS)	4.1	13.63	9.72
Earnings per share fully diluted (EPS diluted)	4.1	13.49	9.63

\* Please refer to Key Ratio Definitions on page 126 for definition of EBITA

# Consolidated statement of comprehensive income

DKK million	Note	2021	2020
<b>Profit (loss) for the year</b>		<b>1,790</b>	<b>1,269</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to the income statement</b>			
Actuarial gains (losses)	5.4	46	-1
Tax relating to actuarial gains (losses)	2.5	-10	-
<b>Items that may be reclassified subsequently to the income statement</b>			
Adjustment of cash flow hedges	4.3	35	-13
Foreign exchange adjustments, etc.		396	-601
Tax relating to other comprehensive income	2.5	-8	14
<b>Other comprehensive income for the year, net of tax</b>		<b>459</b>	<b>-601</b>
<b>Total comprehensive income for the year</b>		<b>2,249</b>	<b>668</b>
<b>Attributable to:</b>			
Non-controlling interests		34	17
Shareholders in GN Store Nord A/S		2,215	651



# Consolidated balance sheet at December 31

DKK million	Note	2021	2020
<b>Assets</b>			
Intangible assets	3.1, 3.4	8,271	7,007
Property, plant and equipment	3.2, 3.3, 3.4	1,300	1,057
Investments in associates	5.6	153	523
Deferred tax assets	2.5	435	392
Other non-current assets	3.5, 4.3, 5.4	1,399	1,187
<b>Total non-current assets</b>		<b>11,558</b>	<b>10,166</b>
Inventories	3.6	1,948	1,722
Trade receivables	3.7, 4.3	3,293	2,676
Tax receivables		77	63
Other receivables	4.3	468	398
Cash and cash equivalents		6,208	1,657
<b>Total current assets</b>		<b>11,994</b>	<b>6,516</b>
<b>Total assets</b>		<b>23,552</b>	<b>16,682</b>
<b>Equity and Liabilities</b>			
Share capital		553	569
Other reserves		-4,829	-5,161
Proposed dividends for the year		214	206
Retained earnings		10,291	9,564
<b>Total equity</b>		<b>6,229</b>	<b>5,178</b>
Bank loans and issued bonds	4.2, 4.3, 4.4	9,513	5,069
Lease liabilities, non-current	3.3, 4.3, 4.4	311	324
Pension obligations	5.4	7	36
Provisions, non-current	3.8	221	203
Deferred tax liabilities	2.5	402	362
Other non-current liabilities	4.3, 4.4	727	482
<b>Total non-current liabilities</b>		<b>11,181</b>	<b>6,476</b>
Bank loans	4.2, 4.3, 4.4	1,615	341
Lease liabilities, current	3.3, 4.3, 4.4	127	121
Trade payables	4.3	1,280	1,238
Tax payables		72	253
Provisions	3.8	344	333
Other current liabilities	4.3, 4.4	2,704	2,742
<b>Total current liabilities</b>		<b>6,142</b>	<b>5,028</b>
<b>Total equity and liabilities</b>		<b>23,552</b>	<b>16,682</b>



# Consolidated statement of cash flows

DKK million	Note	2021	2020	DKK million	Note	2021	2020
<b>Operating activities</b>				<b>Financing activities</b>			
Operating profit (loss)		2,397	1,627	Increase of short-term loans	4.4	417	-
Depreciation, amortization and impairment	3.4	1,192	1,167	Decrease of long-term loans	4.4	-139	-458
Other non-cash adjustments	5.7	23	346	Decrease of short-term loans	4.4	-	-855
<b>Cash flow from operating activities before changes in working capital</b>		<b>3,612</b>	<b>3,140</b>	Net proceeds from issue of EMTN bonds	4.4	5,134	-
Change in inventories		-137	-471	Paid dividends		-188	-187
Change in receivables		-610	-189	Share-based payment (exercised)		159	194
Change in trade payables and other payables		37	1,028	Purchase of treasury shares	4.1	-1,166	-453
<b>Total changes in working capital</b>		<b>-710</b>	<b>368</b>	Other adjustments		-30	-12
<b>Cash flow from operating activities before financial items and tax</b>		<b>2,902</b>	<b>3,508</b>	<b>Cash flow from financing activities</b>		<b>4,187</b>	<b>-1,771</b>
Interest received		101	86	<b>Net cash flow</b>		<b>4,535</b>	<b>-52</b>
Interest etc. paid		-320	-99	Cash and cash equivalents, beginning of period		1,657	1,728
Tax paid, net	2.5	-571	-289	Adjustment foreign currency, cash and cash equivalents		16	-19
<b>Cash flow from operating activities</b>		<b>2,112</b>	<b>3,206</b>	<b>Cash and cash equivalents, end of period</b>		<b>6,208</b>	<b>1,657</b>
<b>Investing activities</b>							
Development projects	3.1	-755	-638				
Investments in intangible assets, excluding development projects	3.1	-312	-234				
Investments in property, plant and equipment	3.2	-457	-221				
Investments in other non-current assets		-271	-297				
Disposal of intangible assets and property, plant and equipment		4	2				
Disposal (repayment) of other non-current assets		381	47				
Acquisition of companies/operations	5.1	-354	-147				
Divestment of companies/operations	5.1	-	1				
<b>Cash flow from investing activities</b>		<b>-1,764</b>	<b>-1,487</b>				
<b>Cash flow from operating and investing activities (free cash flow)</b>		<b>348</b>	<b>1,719</b>				



# Consolidated statement of changes in equity

DKK million	2021								
	Other reserves				Proposed dividends for the year	Retained earnings	Equity, share-holders in GN Store Nord A/S	Non-con-trolling interests	Total equity
	Share capital	Foreign exchange adjust-ments	Hedging reserve	Treasury shares					
<b>Balance at January 1, 2021</b>	<b>569</b>	<b>-1,500</b>	<b>-21</b>	<b>-3,640</b>	<b>206</b>	<b>9,564</b>	<b>5,178</b>	<b>-</b>	<b>5,178</b>
Profit (loss) for the period	-	-	-	-	-	1,756	1,756	34	1,790
Actuarial gains (losses)	-	-	-	-	-	46	46	-	46
Tax relating to actuarial gains (losses)	-	-	-	-	-	-10	-10	-	-10
Adjustment of cash flow hedges	-	-	35	-	-	-	35	-	35
Foreign exchange adjustments, etc.	-	396	-	-	-	-	396	-	396
Tax relating to other comprehensive income	-	-	-8	-	-	-	-8	-	-8
Other comprehensive income for the year	-	396	27	-	-	36	459	-	459
Total comprehensive income for the year	-	396	27	-	-	1,792	2,215	34	2,249
Reduction of share capital	-16	-	-	873	-	-857	-	-	-
Share-based payment (granted)	-	-	-	-	-	50	50	-	50
Share-based payment (exercised)	-	-	-	202	-	-43	159	-	159
Tax related to share-based incentive plans	-	-	-	-	-	47	47	-	47
Purchase of treasury shares	-	-	-	-1,166	-	-	-1,166	-	-1,166
Reclassification of non-controlling interests by recognizing a put option liability	-	-	-	-	-	-66	-66	-34	-100
Proposed dividends for the year*	-	-	-	-	214	-214	-	-	-
Paid dividends	-	-	-	-	-188	-	-188	-	-188
Dividends, treasury shares	-	-	-	-	-18	18	-	-	-
<b>Balance at December 31, 2021</b>	<b>553</b>	<b>-1,104</b>	<b>6</b>	<b>-3,731</b>	<b>214</b>	<b>10,291</b>	<b>6,229</b>	<b>-</b>	<b>6,229</b>

\* Equivalent to DKK 1.55 per share (2020: DKK 1.45 per share)

DKK million	2020								
	Other reserves				Proposed dividends for the year	Retained earnings	Equity, share-holders in GN Store Nord A/S	Non-con-trolling interests	Total equity
	Share capital	Foreign exchange adjust-ments	Hedging reserve	Treasury shares					
<b>Balance at January 1, 2020</b>	<b>569</b>	<b>-910</b>	<b>-11</b>	<b>-3,424</b>	<b>206</b>	<b>8,419</b>	<b>4,849</b>	<b>-</b>	<b>4,849</b>
Profit (loss) for the period	-	-	-	-	-	1,252	1,252	17	1,269
Actuarial gains (losses)	-	-	-	-	-	-1	-1	-	-1
Tax relating to actuarial gains (losses)	-	-	-	-	-	-	-	-	-
Adjustment of cash flow hedges	-	-	-13	-	-	-	-13	-	-13
Foreign exchange adjustments, etc.	-	-601	-	-	-	-	-601	-	-601
Tax relating to other comprehensive income	-	11	3	-	-	-	14	-	14
Other comprehensive income for the year	-	-590	-10	-	-	-1	-601	-	-601
Total comprehensive income for the year	-	-590	-10	-	-	1,251	651	17	668
Reduction of share capital	-	-	-	-	-	-	-	-	-
Share-based payment (granted)	-	-	-	-	-	77	77	-	77
Share-based payment (exercised)	-	-	-	237	-	-43	194	-	194
Tax related to share-based incentive plans	-	-	-	-	-	60	60	-	60
Purchase of treasury shares	-	-	-	-453	-	-	-453	-	-453
Reclassification of non-controlling interests by recognizing a put option liability	-	-	-	-	-	-13	-13	-11	-24
Proposed dividends for the year*	-	-	-	-	206	-206	-	-	-
Paid dividends	-	-	-	-	-187	-	-187	-6	-193
Dividends, treasury shares	-	-	-	-	-19	19	-	-	-
<b>Balance at December 31, 2020</b>	<b>569</b>	<b>-1,500</b>	<b>-21</b>	<b>-3,640</b>	<b>206</b>	<b>9,564</b>	<b>5,178</b>	<b>-</b>	<b>5,178</b>



# Consolidated Notes

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# Section 1 - Basis of preparation

## 1.1 General accounting policies

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

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

The description of the accounting policies in the individual notes is part of the complete description of GN Store Nord's accounting policies.

### New standards, interpretations and amendments adopted by GN Store Nord

As of January 1, 2021, GN Store Nord adopted all relevant new or revised International Financial Reporting Standards and IFRIC Interpretations with effective date January 1, 2021 or earlier. The new or revised standards and interpretations did not affect recognition and measurement materially nor did they result in any material changes to disclosures in the notes. Apart from this, the annual report is presented in accordance with the accounting policies applied in previous years' annual reports.

### Accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2021 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.

The IFRS Interpretations Committee has published two agenda decisions clarifying how arrangements in respect of a specific part of cloud technology, Software-as-a-Service (SaaS), should be accounted for. In the most recent agenda decision, published in April 2021, they address how a customer should account for the costs of configuring or customising the supplier's application software in a SaaS arrangement that is determined to be a service contract. As GN Store Nord has cloud computing arrangements an analysis has been initiated of the impact of the agenda decision on the accounting policies applied to implementation costs in cloud computing arrangements.

### 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, 2021. 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 pages 124-125. 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 currencies other 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 expense.

#### *Translation of Subsidiaries*

On recognition in the consolidated financial statements of foreign entities with a functional currency other 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 as well as provisions requires significant accounting estimates and judgments.

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

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

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

## 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 126 for a definition of these measures.



# Section 2 - Results of the year

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

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## 2.1 Segment disclosures

### Income statement 2021

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
External revenue	5,332	10,443	-	-	15,775
Internal revenue	-	-	563	-563	-
<b>Revenue</b>	<b>5,332</b>	<b>10,443</b>	<b>563</b>	<b>-563</b>	<b>15,775</b>
Production costs	-1,932	-5,161	-	-	-7,093
<b>Gross profit</b>	<b>3,400</b>	<b>5,282</b>	<b>563</b>	<b>-563</b>	<b>8,682</b>
Development costs	-579	-725	-91	6	-1,389
Selling and distribution costs	-1,549	-1,935	-	-	-3,484
Management and administrative expenses	-602	-498	-668	563	-1,205
Other operating income and costs, net	-27	40	2	-	15
<b>EBITA*</b>	<b>643</b>	<b>2,164</b>	<b>-194</b>	<b>6</b>	<b>2,619</b>
Amortization and impairment of acquired intangible assets	-156	-70	-	-	-226
Gain (loss) on divestment of operations etc.	4	-	-	-	4
<b>Operating profit (loss)</b>	<b>491</b>	<b>2,094</b>	<b>-194</b>	<b>6</b>	<b>2,397</b>
Share of profit (loss) in associates	-35	-	-1	-	-36
Financial items	-51	-36	-3	-	-90
<b>Profit (loss) before tax</b>	<b>405</b>	<b>2,058</b>	<b>-198</b>	<b>6</b>	<b>2,271</b>
Tax on profit (loss)	-136	-383	39	-1	-481
<b>Profit (loss) for the year</b>	<b>269</b>	<b>1,675</b>	<b>-159</b>	<b>5</b>	<b>1,790</b>
Impairment losses and reversals regarding intangible assets and property, plant and equipment recognized in the income statement	-69	-	-	-	-69

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

\* Please refer to Key Ratio Definitions on page 126 for definition of EBITA

### Income statement 2020

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

## 2.1 Segment disclosures (Continued)

### Other segment disclosures 2021

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
Incurring development costs	-538	-957	-91	-	-1,586
Capitalized development costs	316	439	-	-	755
Amortization, impairment and depreciation of development projects***	-357	-207	-	6	-558
<b>Expensed development costs</b>	<b>-579</b>	<b>-725</b>	<b>-91</b>	<b>6</b>	<b>-1,389</b>
<b>EBITDA**</b>	<b>806</b>	<b>2,299</b>	<b>-63</b>	<b>6</b>	<b>3,048</b>
Depreciation and software amortization	-163	-135	-131	-	-429
<b>EBITA*</b>	<b>643</b>	<b>2,164</b>	<b>-194</b>	<b>6</b>	<b>2,619</b>

\* Please refer to Key Ratio Definitions on page 126 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, as per definition of EBITA on page 126

### Cash flow statement 2021

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,119</b>	<b>2,548</b>	<b>-55</b>	<b>-</b>	<b>3,612</b>
Cash flow from changes in working capital	-410	-336	36	-	-710
<b>Cash flow from operating activities before financial items and tax</b>	<b>709</b>	<b>2,212</b>	<b>-19</b>	<b>-</b>	<b>2,902</b>
Cash flow from investing activities:					
Development projects	-316	-439	-	-	-755
Other investing activities	-278	-178	-553	-	-1,009
<b>Cash flow from operating and investing activities before financial items and tax</b>	<b>115</b>	<b>1,595</b>	<b>-572</b>	<b>-</b>	<b>1,138</b>
Tax and financial items	-267	-311	-212	-	-790
<b>Cash flow from operating and investing activities (free cash flow)</b>	<b>-152</b>	<b>1,284</b>	<b>-784</b>	<b>-</b>	<b>348</b>
Cash flow from M&A activities	-350	-4	-	-	-354
<b>Free cash flow excl. M&amp;A</b>	<b>198</b>	<b>1,288</b>	<b>-784</b>	<b>-</b>	<b>702</b>

### Other segment disclosures 2020

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

### Cash flow statement 2020

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



## 2.1 Segment disclosures (Continued)

### Balance sheet 2021

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
<b>Assets</b>					
Goodwill	4,170	1,187	-	-	5,357
Development projects	1,014	708	-	-9	1,713
Other intangible assets	280	332	590	-1	1,201
Property, plant and equipment	478	365	457	-	1,300
Investments in associates	119	-	34	-	153
Deferred tax assets	367	145	-	-77	435
Loans to dispensers and ownership interests	969	-	-	-	969
Other financial assets	430	-	-	-	430
<b>Total non-current assets</b>	<b>7,827</b>	<b>2,737</b>	<b>1,081</b>	<b>-87</b>	<b>11,558</b>
Inventories	743	1,205	-	-	1,948
Trade receivables	1,124	2,169	-	-	3,293
Receivables from group companies*	-	2,198	-	-2,198	-
Tax receivables	66	126	9	-124	77
Other receivables	251	162	161	-106	468
Cash and cash equivalents	250	197	5,761	-	6,208
<b>Total current assets</b>	<b>2,434</b>	<b>6,057</b>	<b>5,931</b>	<b>-2,428</b>	<b>11,994</b>
<b>Total assets</b>	<b>10,261</b>	<b>8,794</b>	<b>7,012</b>	<b>-2,515</b>	<b>23,552</b>

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
<b>Equity and Liabilities</b>					
<b>Equity</b>	<b>5,918</b>	<b>5,110</b>	<b>-4,791</b>	<b>-8</b>	<b>6,229</b>
Bank loans and issued bonds	-	-	9,513	-	9,513
Lease liabilities, non-current	193	67	51	-	311
Pension obligations	-	7	-	-	7
Provisions, non-current	79	138	4	-	221
Deferred tax liabilities	268	184	29	-79	402
Other non-current liabilities	475	250	2	-	727
<b>Total non-current liabilities</b>	<b>1,015</b>	<b>646</b>	<b>9,599</b>	<b>-79</b>	<b>11,181</b>
Bank loans	1	8	1,606	-	1,615
Lease liabilities, current	78	37	12	-	127
Trade payables	235	940	105	-	1,280
Amounts owed to group companies*	1,895	-	303	-2,198	-
Tax payables	66	130	-	-124	72
Provisions, current	180	164	-	-	344
Other current liabilities	873	1,759	178	-106	2,704
<b>Total current liabilities</b>	<b>3,328</b>	<b>3,038</b>	<b>2,204</b>	<b>-2,428</b>	<b>6,142</b>
<b>Total equity and liabilities</b>	<b>10,261</b>	<b>8,794</b>	<b>7,012</b>	<b>-2,515</b>	<b>23,552</b>

\*Net amount

Eliminations in the balance sheet primarily concern tax and intercompany balances

## 2.1 Segment disclosures (Continued)

### Balance sheet 2020

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
<b>Assets</b>					
Goodwill	3,257	1,108	-	-	4,365
Development projects	1,084	426	-	-15	1,495
Other intangible assets	402	377	369	-1	1,147
Property, plant and equipment	513	306	238	-	1,057
Investments in associates	499	-	24	-	523
Deferred tax assets	351	143	-	-102	392
Loans to dispensers and ownership interests	759	-	-	-	759
Other financial assets	428	-	-	-	428
<b>Total non-current assets</b>	<b>7,293</b>	<b>2,360</b>	<b>631</b>	<b>-118</b>	<b>10,166</b>
Inventories	650	1,072	-	-	1,722
Trade receivables	972	1,704	-	-	2,676
Receivables from group companies*	-	1,334	593	-1,927	-
Tax receivables	27	171	-	-135	63
Other receivables	221	99	149	-71	398
Cash and cash equivalents	246	181	1,230	-	1,657
<b>Total current assets</b>	<b>2,116</b>	<b>4,561</b>	<b>1,972</b>	<b>-2,133</b>	<b>6,516</b>
<b>Total assets</b>	<b>9,409</b>	<b>6,921</b>	<b>2,603</b>	<b>-2,251</b>	<b>16,682</b>

DKK million	GN Hearing	GN Audio	Other GN	Eliminations	Consolidated total
<b>Equity and Liabilities</b>					
<b>Equity</b>	<b>4,904</b>	<b>3,599</b>	<b>-3,313</b>	<b>-12</b>	<b>5,178</b>
Bank loans and issued bonds	-	-	5,069	-	5,069
Lease liabilities, non-current	211	78	35	-	324
Pension obligations	30	6	-	-	36
Provisions, non-current	115	88	-	-	203
Deferred tax liabilities	266	148	32	-84	362
Other non-current liabilities	331	151	-	-	482
<b>Total non-current liabilities</b>	<b>953</b>	<b>471</b>	<b>5,136</b>	<b>-84</b>	<b>6,476</b>
Bank loans	1	6	334	-	341
Lease liabilities, current	79	31	11	-	121
Trade payables	265	913	60	-	1,238
Amounts owed to group companies*	1,927	-	-	-1,927	-
Tax payables	78	139	193	-157	253
Provisions, current	176	157	-	-	333
Other current liabilities	1,026	1,605	182	-71	2,742
<b>Total current liabilities</b>	<b>3,552</b>	<b>2,851</b>	<b>780</b>	<b>-2,155</b>	<b>5,028</b>
<b>Total equity and liabilities</b>	<b>9,409</b>	<b>6,921</b>	<b>2,603</b>	<b>-2,251</b>	<b>16,682</b>

\*Net amount

Eliminations in the balance sheet primarily concern tax and intercompany balances

### Accounting policies

#### Segment Information

GN Store Nord's Management has identified GN Hearing and GN Audio as the reportable segments in the Group. GN Hearing is operating within the hearing instrument industry, primarily producing and selling hearing instruments and products related hereto. GN Audio is a leading supplier in the market for audio

and collaboration solutions including headsets, video cameras and speaker-phones for professional use and selected consumer products.

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

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



## 2.2 Revenue and geographical information

DKK million	Revenue from contracts with customers						Intangible assets and property, plant and equipment	
	GN Hearing		GN Audio		Consolidated total		Consolidated total	
	2021	2020	2021	2020	2021	2020	2021	2020
Denmark	89	110	259	199	348	309	3,676	3,127
Europe	1,385	1,266	5,024	4,329	6,409	5,595	415	408
North America	2,524	2,276	3,161	2,620	5,685	4,896	5,020	4,091
Rest of World	1,334	1,073	1,999	1,576	3,333	2,649	460	438
<b>Total</b>	<b>5,332</b>	<b>4,725</b>	<b>10,443</b>	<b>8,724</b>	<b>15,775</b>	<b>13,449</b>	<b>9,571</b>	<b>8,064</b>

### Revenue disaggregation

Revenue is predominantly recognized at a point in time, and revenue recognized over time is not significant. Revenue is in all material respects related to sale of goods; hearing aid instruments, DKK 5,332 million (2020: DKK 4,725 million) and audio and collaboration solutions, DKK 10,443 million (2020: DKK 8,724 million). Revenue is attributed to countries on the basis of the customer's location. Only the US represents a material single country and constitutes the vast majority of revenue in North America. One distributor in the Audio segment comprises more than 10% of the group's total revenue amounting to DKK 2,891 million (2020: DKK 2,371 million).

### Geographical information on assets

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	2021	2020
Deferred revenue related to pre-paid extended warranties (Other current liabilities and Other non-current liabilities)	167	125
<b>Contract liabilities at December 31</b>	<b>167</b>	<b>125</b>
Revenue recognized, included in contract liabilities at the beginning of the year	51	54



## 2.2 Revenue and geographical information (Continued)

### § Accounting policies

#### Revenue

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

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

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

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

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

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

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

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

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

#### Production Costs

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

#### Development Costs

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

#### 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.

## 2.2 Revenue and geographical information (Continued)

### ! 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	2021	2020
Wages, salaries and remuneration	3,529	3,203
Pensions, defined benefit plans	5	6
Pensions, defined contribution plans	171	130
Other social security costs	339	320
Share-based incentives	50	77
<b>Total</b>	<b>4,094</b>	<b>3,736</b>
Included in:		
Production costs and change in payroll costs included in inventories	600	557
Development costs	852	705
Selling and distribution costs	2,042	1,929
Management and administrative expenses	599	543
Financial expenses	1	2
<b>Total</b>	<b>4,094</b>	<b>3,736</b>
Average number of employees	6,919	6,325
Number of employees, year-end	7,228	6,513

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

## 2.4 Government grants

As a consequence of COVID-19 several government grants have been received by GN Store Nord during 2021 and 2020. Most of the grants relate to compensation for fixed costs and compensation for salary costs in GN Hearing and are recognized as a deduction from costs in the following line items:

DKK million	2021	2020
Production costs	-	10
Development costs	-	34
Selling and distribution costs	10	26
Management and administrative expenses	4	23
Financial income	-	10
<b>Total</b>	<b>14</b>	<b>103</b>

### § Accounting policies

#### Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and that all attached conditions will be complied with. A grant relating to an expense item, is recognized on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. Government grants are presented as a deduction from the relevant functional cost line items in the income statement. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

## 2.5 Tax

### Tax on profit (loss)

DKK million	2021	2020
<b>Tax on profit (loss)</b>		
Current tax for the year	-431	-485
Deferred tax for the year	-46	143
Effect of change in income tax rates	-6	-
Withholding tax	-	-1
Adjustment to current tax with respect to prior years	-3	-37
Adjustment to deferred tax with respect to prior years	5	37
<b>Total</b>	<b>-481</b>	<b>-343</b>
<b>Reconciliation of effective tax rate</b>		
Danish tax rate	22.0%	22.0%
Effect of tax rates in foreign jurisdictions	1.0%	1.0%
Non-taxable income	-0.9%	-1.0%
Non-deductible expenses	1.7%	1.5%
Utilization of previously not recognized tax assets	-0.6%	0.0%
Withholding tax	0.0%	0.1%
Other, including provisions for uncertain tax positions*	-2.0%	-2.3%
<b>Effective tax rate</b>	<b>21.2%</b>	<b>21.3%</b>
<b>Tax relating to other comprehensive income</b>		
Actuarial gains (losses)	-10	-
Adjustment of cash flow hedges	-8	3
Foreign exchange adjustments, etc.	-	11
<b>Total</b>	<b>-18</b>	<b>14</b>

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

### Deferred Tax

DKK million	2021	2020
<b>Deferred tax, net</b>		
Deferred tax at January 1, net	30	-129
Adjustment with respect to prior years	5	37
Effect of change in income tax rates	-6	-
Addition of deferred tax on acquisition of enterprises	52	-
Deferred tax for the year recognized in profit (loss) for the year	-46	143
Deferred tax for the year recognized in other comprehensive income for the year	-20	6
Tax related to share-based incentive plans	-3	4
Foreign exchange adjustments	21	-31
<b>Deferred tax at December 31, net</b>	<b>33</b>	<b>30</b>
<b>Deferred tax is recognized in the balance sheet as follows:</b>		
Deferred tax assets	435	392
Deferred tax liabilities	-402	-362
<b>Deferred tax at December 31, net</b>	<b>33</b>	<b>30</b>
<b>Deferred tax, net relates to:</b>		
Intangible assets	-612	-527
Property, plant and equipment	20	42
Other securities	-2	-5
Current assets	113	130
Current liabilities	6	5
Intercompany liabilities	-	-2
Tax loss carryforwards	126	94
Provisions	330	272
Other	52	21
<b>Total</b>	<b>33</b>	<b>30</b>
<b>Tax value of unrecognized tax assets</b>		
Other tax assets	3	15
<b>Unrecognized tax assets at December 31</b>	<b>3</b>	<b>15</b>

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 35 million expected to be utilized within 12 months (2020: 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 64 million (2020: DKK 45 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.

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.

## 2.5 Tax (Continued)

### Approach to tax and taxes paid

The tax GN pays is an important part of our wider economic and social impact and a key mechanism by which GN contributes to the development of the countries where we operate. GN is committed to paying tax responsibly, complying with tax regulations and acknowledges its responsibility to stakeholders to meet expectations of good tax practices.

The GN Tax Policy is reviewed annually and approved by the Board of Directors. Please refer to our tax policy on the GN website: [www.gn.com/taxpolicy](http://www.gn.com/taxpolicy).

We monitor and support the international initiatives building trust in multinationals tax management and payments. In acting responsibly, we disclose our main taxes paid on a regional level and for Denmark separately. For the financial year 2021 our estimated corporate tax payment amounts to DKK 571 million (2020: DKK 289 million).

GN is subject to taxation in the countries in which we operate. The tax legislation and tax rates in these countries differ, impacting the tax we pay. The allocation of taxes paid is based on the “principal model”, which is in alignment with our operational and commercial activities and is recognized by OECD as an acceptable transfer pricing model to allocate taxable profits. The allocation is based on functions, assets, and risks in every entity.

While acting responsibly, GN observes and complies with the applicable international tax initiatives regarding reporting and disclosure requirements. We continuously monitor the development to consider our response to the proposed international disclosure requirements.

Regions	Nature of Activity	Number of employees, end of period	EBT IFRS (DKK million)	Effective tax rate	Tax paid (DKK million)	Accrued tax (DKK million)
Denmark	Principal	1,710	1,441	19.9%	402	239
Europe	R&D, Production, distribution and sales	957	256	35.2%	64	52
North America	R&D, Production, distribution and sales	1,601	244	12.3%	23	16
Rest of World	R&D, Production, distribution and sales	2,960	330	22.4%	82	76
<b>Total</b>	<b>Total GN Group</b>	<b>7,228</b>	<b>2,271</b>	<b>21.2%</b>	<b>571</b>	<b>383</b>

### Accounting policies

#### Deferred Tax

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

### Significant accounting estimates and judgments

#### Deferred tax

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



## 2.6 Income statement classified by function

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

DKK million	2021	2020
Revenue	15,775	13,449
Production costs	-7,093	-6,151
<b>Gross profit</b>	<b>8,682</b>	<b>7,298</b>
Development costs	-1,454	-1,232
Selling and distribution costs	-3,645	-3,501
Management and administrative expenses	-1,205	-1,037
Other operating income and costs, net	15	103
Gain (loss) on divestment of operations etc.	4	-4
<b>Operating profit (loss)</b>	<b>2,397</b>	<b>1,627</b>
<b>In the above income statement amortization and impairment of acquired intangible assets has been allocated to functions as follows:</b>		
Development costs	-65	-83
Selling and distribution costs	-161	-152
<b>Amortization and impairment of acquired intangible assets</b>	<b>-226</b>	<b>-235</b>



# Section 3 - Operating assets and liabilities

## Introduction

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.

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## 3.1 Intangible assets

DKK million	Goodwill	In-house development projects	Customer relationships	Software	Patents and rights	Other	Total
Cost at January 1	4,365	4,787	593	1,022	782	738	12,287
Additions on company acquisitions	703	-	9	3	48	2	765
Additions	-	755	-	311	-	1	1,067
Disposals	-12	-127	-120	-60	-13	-78	-410
Transfers	-	-	-	21	-	-	21
Foreign exchange adjustments	301	-	44	8	11	30	394
Cost at December 31	5,357	5,415	526	1,305	828	693	14,124
Amortization and impairment at January 1	-	-3,292	-385	-635	-489	-479	-5,280
Amortization	-	-533	-50	-98	-63	-48	-792
Disposals	-	127	93	58	13	69	360
Impairment	-	-4	-	-	-2	-63	-69
Transfers	-	-	-	-4	-	-	-4
Foreign exchange adjustments	-	-	-30	-9	-11	-18	-68
Amortization and impairment at December 31	-	-3,702	-372	-688	-552	-539	-5,853
<b>Carrying amount at December 31, 2021</b>	<b>5,357</b>	<b>1,713</b>	<b>154</b>	<b>617</b>	<b>276</b>	<b>154</b>	<b>8,271</b>
Cost at January 1	4,749	4,120	715	907	783	774	12,048
Additions on company acquisitions	14	-	-	-	-	-	14
Additions	-	638	-	156	3	61	858
Disposals	-10	-	-56	-	-	-18	-84
Transfers	-	29	-	-28	-	-1	-
Foreign exchange adjustments	-388	-	-66	-13	-4	-78	-549
Cost at December 31	4,365	4,787	593	1,022	782	738	12,287
Amortization and impairment at January 1	-	-2,751	-368	-584	-410	-513	-4,626
Amortization	-	-413	-66	-90	-83	-49	-701
Disposals	-	-	47	-	-	17	64
Impairment	-	-99	-34	-	-	-3	-136
Transfers	-	-29	-	28	-	1	-
Foreign exchange adjustments	-	-	36	11	4	68	119
Amortization and impairment at December 31	-	-3,292	-385	-635	-489	-479	-5,280
<b>Carrying amount at December 31, 2020</b>	<b>4,365</b>	<b>1,495</b>	<b>208</b>	<b>387</b>	<b>293</b>	<b>259</b>	<b>7,007</b>

The carrying amount of In-house development projects and software include development in progress of DKK 684 million and DKK 412 million respectively (2020: DKK 458 million and DKK 192 million).

### Goodwill

Additions during the year of DKK 703 million relate to the cash-generating units GN Hearing with DKK 703 million (2020: DKK 14 million) and GN Audio DKK 0 million (2020: DKK 0 million) 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 %	
	2021	2020	2021	2020	2021	2020
<b>CGUs</b>						
GN Hearing	4,170	3,257	8	8	7	7
GN Audio	1,187	1,108	10	10	8	8
<b>Total</b>	<b>5,357</b>	<b>4,365</b>				

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 2022, market forecasts for 2023 – 2026, strategy plans, etc. approved by the Board of Directors. Budgets and strategy plans are based on specific assumptions for the individual CGU regarding sales, operating profit, working capital, investments in non-current assets, etc. The calculations apply expected growth in the terminal period of 2.0% p.a. (2020: 2.0% p.a.).

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

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

GN Hearing:

- Shifting demographics with a growing elderly and more affluent population
- Intensified noise pollution drives the increased prevalence of hearing loss
- Increased penetration rates as more people with a hearing loss will use hearing aids in the future, and

- Increased use of two hearing aids instead of only one, which is relatively common today

GN Audio:

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

The expected revenue growth in the GN Hearing segment and GN Audio segment is based on the current differentiated product offering with unique technology as well as future product launches. Based on the impairment test and related assumptions, Management has not identified any goodwill impairment at December 31, 2021. No likely change in the assumptions applied will result in an impairment.

#### Development projects and software

In-progress and completed development projects comprise development and design of hearing instruments and audio and collaboration solutions. Most development projects are expected to be completed in the coming years, after which product sales and marketing can be commenced. Management performs at least one annual impairment test of the carrying amount of recognized development costs. The recoverable amount is assessed based on sales forecasts. During the year, impairments of DKK 4 million related to projects were recognized. In Management's assessments, the recoverable amount exceeds the carrying amount at December 31, 2021.

Software comprises development, design and test of production and planning software and reporting systems, business intelligence etc. Implementation of these systems is expected to optimize internal procedures and processes. In 2021, Management assessed that the expected useful lives were reflected in the carrying amounts at December 31, 2021.

#### Customer relationships

Customer relationships primarily comprise acquired customer relationships. The most significant customer relationship relates to the acquisition of Audigy, BlueParrot and US Beltone.

#### Patents and rights

Patents and rights primarily comprise acquired patents and rights. The most significant patents and rights relate to technologies for the development of new hearing instruments for GN Hearing and rights to the use of certain technologies for development of headsets and video communications solutions. During the year, impairments of DKK 2 million related to patents were recognized. In Management's assessments, the recoverable amount exceeds the carrying amount at December 31, 2021.

#### Other

The Group's other intangible assets comprise DKK 60 million (2020: DKK 71 million) related to trademarks, DKK 94 million (2020: DKK 142 million) related to supply agreements and DKK 0 million (2020: DKK 46 million) related to know-how. During the year, impairments of DKK 63 million related to trademarks, know-how and other acquired intangibles were incurred in connection with a review of expectations and budgets for a number of assets. In Management's assessments, the recoverable amount exceeds the carrying amount at December 31, 2021.

## 3.1 Intangible assets (Continued)

### Accounting policies

#### Goodwill

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

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

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

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

The expected useful lives are as follows:

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

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

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

#### Impairment of Goodwill and in-progress development projects

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

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

#### Recognition of impairment losses in the income statement

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



### 3.1 Intangible assets (Continued)

#### ! Significant accounting estimates and judgments

##### Goodwill

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

##### Development projects

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

### 3.2 Property, plant and equipment

DKK million	Factory and office buildings	Leasehold improvements	Plant and machinery	Operating assets and equipment	Assets under construction	Total
Cost at January 1	419	180	780	691	30	2,100
Additions on company acquisitions	-	-	-	4	-	4
Additions	211	21	20	70	135	457
Disposals	-	-11	-37	-49	-	-97
Transfers	-	-	147	-21	-147	-21
Foreign exchange adjustments	6	12	13	17	-	48
Cost at December 31	636	202	923	712	18	2,491
Depreciation and impairment at January 1	-213	-137	-567	-559	-	-1,476
Depreciation	-22	-14	-109	-54	-	-199
Disposals	-	10	37	46	-	93
Transfers	-	-	-	4	-	4
Foreign exchange adjustments	-5	-10	-10	-13	-	-38
Depreciation and impairment at December 31	-240	-151	-649	-576	-	-1,616
<b>Carrying amount at December 31, 2021</b>	<b>396</b>	<b>51</b>	<b>274</b>	<b>136</b>	<b>18</b>	<b>875</b>
Leased assets, c.f. note 3.3	385	-	-	40	-	425
<b>Total carrying amount at December 31, 2021</b>	<b>781</b>	<b>51</b>	<b>274</b>	<b>176</b>	<b>18</b>	<b>1,300</b>
Cost at January 1	442	172	940	412	36	2,002
Additions	3	19	17	68	114	221
Disposals	-6	-10	-34	-44	-	-94
Transfers	-18	-	-133	271	-120	-
Foreign exchange adjustments	-2	-1	-10	-16	-	-29
Cost at December 31	419	180	780	691	30	2,100
Depreciation and impairment at January 1	-213	-134	-735	-325	-	-1,407
Depreciation	-18	-13	-100	-55	-	-186
Disposals	6	9	32	44	-	91
Transfers	10	-	227	-237	-	-
Foreign exchange adjustments	2	1	9	14	-	26
Depreciation and impairment at December 31	-213	-137	-567	-559	-	-1,476
<b>Carrying amount at December 31, 2020</b>	<b>206</b>	<b>43</b>	<b>213</b>	<b>132</b>	<b>30</b>	<b>624</b>
Leased assets, c.f. note 3.3	391	-	-	42	-	433
<b>Total carrying amount at December 31, 2020</b>	<b>597</b>	<b>43</b>	<b>213</b>	<b>174</b>	<b>30</b>	<b>1,057</b>



## 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

### Right-of-use assets from leases included in property, plant and equipment

DKK million	2021			2020		
	Factory and office buildings	Operating assets and equipment	Total	Factory and office buildings	Operating assets and equipment	Total
Carrying amount at January 1	391	42	433	441	40	481
Additions	128	19	147	86	30	116
Remeasurements	-31	-3	-34	8	-4	4
Depreciation	-114	-18	-132	-121	-23	-144
Foreign exchange adjustments	11	-	11	-23	-1	-24
<b>Carrying amount at December 31</b>	<b>385</b>	<b>40</b>	<b>425</b>	<b>391</b>	<b>42</b>	<b>433</b>

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.

### Lease liabilities

DKK million	2021	2020
Contractual maturity analysis of lease liabilities:		
Less than one year	134	129
Between one and three years	180	185
More than three years	144	157
<b>Total</b>	<b>458</b>	<b>471</b>

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

### Amounts expensed in the income statement and total cash outflow

DKK million	2021	2020
Interest expense on lease liabilities	10	10
Expenses for low-value assets and short-term leases	13	17
Cash outflow re. lease liabilities	132	141
<b>Total cash outflow for leases</b>	<b>155</b>	<b>168</b>

#### 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.



### 3.3 Leases (continued)

#### § 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.

### 3.4 Depreciation, amortization and impairment

DKK million	2021	2020
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	-132	-143
Development costs	-558	-525
Selling and distribution costs	-88	-115
Management and administrative expenses	-188	-149
Amortization and impairment of acquired intangible assets	-226	-235
<b>Total</b>	<b>-1,192</b>	<b>-1,167</b>
Amortization of intangible assets is recognized in the income statement as follows:		
Development costs	-535	-413
Selling and distribution costs	-2	-3
Management and administrative expenses	-94	-87
Amortization and impairment of acquired intangible assets	-161	-198
<b>Total</b>	<b>-792</b>	<b>-701</b>
Impairment of intangible assets is recognized in the income statement as follows:		
Development costs	-4	-99
Amortization and impairment of acquired intangible assets	-65	-37
<b>Total</b>	<b>-69</b>	<b>-136</b>

### 3.5 Other non-current assets

DKK million	2021	2020
Loans to dispensers of GN Hearing products	529	443
Pre-paid discounts	210	198
Ownership interests	230	118
RAP, SIP and DCP	356	280
Pension assets	15	-
Other	59	148
<b>Total</b>	<b>1,399</b>	<b>1,187</b>

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 277 million (2020: DKK 230 million).

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

Dispenser loans are provided to dispensers of GN Hearing products in order to support their future growth. The majority of dispenser loans is related to dispensers in the US. 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. 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 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:

GN Store Nord internal credit rating		2021			2020		
		Expected credit loss rate %	Estimated gross carrying amount at default DKK million	Carrying amount (net of loss allowance) DKK million	Expected credit loss rate %	Estimated gross carrying amount at default DKK million	Carrying amount (net of loss allowance) DKK million
Performing	12-month expected credit loss	3%	545	529	3%	458	443
Underperforming	Lifetime expected credit losses	100%	143	-	100%	128	-
Write-off	Assets derecognized through the income statement	100%	17	-	100%	41	-
<b>Total dispenser loans at December 31</b>			<b>705</b>	<b>529</b>	<b>627</b>	<b>443</b>	

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

DKK million	Performing (12 month ECL)	Underperforming (lifetime ECL)	Total
Opening loss allowance as at January 1, 2021	-15	-128	-143
Transferred to underperforming (lifetime ECL)	1	-27	-26
New dispenser loans, net	-2	-	-2
Write-off	-	17	17
Changes in model/risk parameters	-	-	-
Foreign exchange adjustments and other changes	-	-5	-5
<b>Closing loss allowance as at December 31, 2021</b>	<b>-16</b>	<b>-143</b>	<b>-159</b>
Opening loss allowance as at January 1, 2020	-15	-116	-131
Transferred to underperforming (lifetime ECL)	2	-58	-56
New dispenser loans	-2	-	-2
Write-off	-	41	41
Changes in model/risk parameters	-	-5	-5
Foreign exchange adjustments and other changes	-	10	10
<b>Closing loss allowance as at December 31, 2020</b>	<b>-15</b>	<b>-128</b>	<b>-143</b>

## 3.5 Other non-current assets (Continued)

### § Accounting policies

#### Loans to dispensers

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

#### Ownership Interests and savings plans

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

Where the Group has elected to present fair value gains and losses on ownership interests in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the income statement following the derecognition of the investment. Changes in the fair value of ownership interests at fair value 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 cost depends on whether there has been a significant increase in credit risk. Loss allowances on dispenser loans are measured equal to 12-month expected credit losses, if the

credit risk has not increased significantly since initial recognition. If the credit risk has increased significantly, the loss allowance will be measured at an amount equal to lifetime expected credit losses.

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

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

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

#### Impairment of Pre-paid discounts

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

#### Recognition of impairment losses in the income statement

Impairment losses are recognized in the income statement in the relevant functional line items. Impairment of dispenser loans are reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation.

### ! 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	2021	2020
Raw materials and consumables	660	449
Work in progress	35	24
Finished goods and merchandise	1,253	1,249
<b>Total</b>	<b>1,948</b>	<b>1,722</b>
The above includes write-downs amounting to	-172	-153
Costs of goods sold included in Production Costs	-6,512	-5,547

### § 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	2,864	329	47	38	38	158	3,474
Loss allowance at December 31	-24	-12	-3	-12	-19	-111	-181
<b>Trade receivables at December 31, 2021</b>	<b>2,840</b>	<b>317</b>	<b>44</b>	<b>26</b>	<b>19</b>	<b>47</b>	<b>3,293</b>
Expected loss rate	1%	4%	6%	32%	50%	70%	5%
Gross carrying amount - Trade receivables	2,260	317	51	40	39	185	2,892
Loss allowance at December 31	-20	-16	-5	-6	-20	-149	-216
<b>Trade receivables at December 31, 2020</b>	<b>2,240</b>	<b>301</b>	<b>46</b>	<b>34</b>	<b>19</b>	<b>36</b>	<b>2,676</b>
Expected loss rate	1%	5%	10%	14%	51%	80%	7%

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

DKK million	2021	2020
Loss allowance at January 1	-216	-150
Increase in loss allowance during the year	-27	-143
Trade receivables written off as uncollectible	24	16
Reversal of unused loss allowance	44	49
Foreign exchange adjustments	-6	12
<b>Loss allowance at December 31</b>	<b>-181</b>	<b>-216</b>

The total loss allowance of DKK 181 million is included in trade receivables at December 31, 2021 (2020: DKK 216 million). GN Store Nord's assessment of credit risk associated with individual receivables depends primarily on aging, change in customer payment behavior, current economic conditions etc. as described in significant accounting estimates.

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

### § Accounting policies

#### Measurement of trade receivables

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

### ! Significant accounting estimates and judgments

#### Measurement of trade receivables

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



## 3.8 Provisions

DKK million	Right of return provisions	Warranty provisions	Other provisions	Total
Provisions at January 1	143	186	207	536
Additions	126	220	59	405
Consumed	-104	-188	-5	-297
Reversed	-39	-5	-60	-104
Foreign exchange adjustments	9	10	6	25
<b>Provisions at December 31, 2021</b>	<b>135</b>	<b>223</b>	<b>207</b>	<b>565</b>
<b>Which is presented in the consolidated balance sheet as:</b>				
Non-current liabilities	-	85	136	221
Current liabilities	135	138	71	344
<b>Provisions at December 31, 2021</b>	<b>135</b>	<b>223</b>	<b>207</b>	<b>565</b>

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

### § Accounting policies

#### Provisions

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

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

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

### ! Significant accounting estimates and judgments

#### Provisions

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

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

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



# Section 4 - Capital structure and financing items

## Introduction

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

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## 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, 2021	128,975	13,293	142,268	515,899	53,173	569,072	9.3%
Purchase of ownership interest in subsidiaries	995	-995	-	3,980	-3,980	-	
Shares acquired by GN Store Nord A/S	-2,252	2,252	-	-9,007	9,007	-	
Shares cancelled	-	-4,092	-4,092	-	-16,368	-16,368	
<b>Number/value of shares at December 31, 2021</b>	<b>127,718</b>	<b>10,458</b>	<b>138,176</b>	<b>510,872</b>	<b>41,832</b>	<b>552,704</b>	<b>7.6%</b>

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 4,301 million at December 31, 2021 (2020: DKK 6,476 million). The total cost of acquired treasury shares in 2021 was DKK 1,166 million (2020: DKK 453 million). No treasury shares were sold during the year.

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

### Weighted average number of shares

Shares, thousands	2021	2020
Weighted average number of outstanding shares	128,816	128,805
Dilutive effect of share-based payment with positive intrinsic value – average for the period	1,378	1,227
<b>Diluted weighted average number of shares</b>	<b>130,194</b>	<b>130,032</b>

### Result used for calculating EPS

DKK million	2021	2020
Profit (loss) for the year attributable to shareholders in GN Store Nord A/S used for the calculation of earnings per share	1,756	1,252

### Cash distributions

DKK million	2021	2020
Dividend paid related to prior years	206	206
Share repurchase during the year	1,166	453
<b>Total</b>	<b>1,372</b>	<b>659</b>
Proposed dividend for the year	214	206
<b>DKK per share</b>		
Dividend paid related to prior years	1.45	1.45
Proposed dividend for the year	1.55	1.45



## 4.1 Outstanding shares and treasury shares (Continued)

### **S** 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
<i>Foreign currency risk</i>	<p><b>Low Risk</b></p> <p>Based on the current revenue and cost composition, the anticipated primary foreign exchange exposures for the Group in 2022 (excluding EUR) are mainly arising from USD, GBP, JPY and AUD, whereas other currencies on a stand-alone basis would not have a material impact.</p> <p>EUR denominated financing carries FX revaluation risk.</p>	<p>All hedging is conducted at Group level.</p> <p>A minimum of 75% and not more than 100% of the Net currency exposure in each operating business to maintain this hedging level at any point in time.</p> <p>EUR denominated financing is hedged into DKK by natural hedging, through EUR denominated assets or through foreign exchange derivatives.</p>	<p>GN has hedged a substantial part of the expected net cash-flow in foreign currencies to secure the EBITA contribution of the material trading currencies for the next 12 months across both GN Hearing and GN Audio.</p> <p>GN is also monitoring the combined impact of minor trading currencies and hedges those on a case-by-case basis.</p>
<i>Interest rate risk</i>	<p><b>Low Risk</b></p> <p>All non-current financing carried fixed interest rates as of 31 December 2021. EUR 100 million of the financing has been swapped to variable interest rates.</p>	<p>At least 50% of all Interest-Bearing Debt should be fixed in interest, either through fixed rate agreements or through derivative instruments.</p>	<p>With the current level of debt carrying fixed interest rates, no mitigating actions are currently needed.</p>
<i>Liquidity risk, funding, and capital structure</i>	<p><b>Low Risk</b></p> <p>GN's net interest-bearing debt has increased during 2021 to DKK 5,358 million mainly driven through moderate growth with strong cash generation from normal operations which was off-set by investments, dividend and share buyback. The latest share buyback program was paused in Q4 2021.</p> <p>GN's loans, bonds and Revolving Credit Facilities are mostly long-term with maturities between 2022 to 2036 with predominantly fixed and for a smaller portion variable interest rates based on short term reference rates.</p>	<p>GN's cash flow, liquid funds and debt are coordinated centrally to ensure the solvency and liquidity of the Group.</p>	<p>To mitigate potential liquidity or refinancing risks, GN has refinanced its Revolving Credit Facility for amount of EUR 350 million and tenor of 5 years plus 2 years' extension option at GN's discretion. At December 31, 2021 the Revolving Credit Facilities were unutilized.</p>
<i>Financial credit risk</i>	<p><b>Low Risk</b></p> <p>GN's exposure to credit risk arises primarily from trade and other receivables.</p>	<p>GN has established policies for credit risk management related to customers including the use of credit rating agencies.</p>	<p>GN has decentralized the credit risk management relating to customer including the use of credit rating agencies to the divisions (GN Hearing and GN Audio).</p>

## 4.2 Financial risks (Continued)

### Foreign currency risk

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

### Sensitivity analysis for foreign currency risk

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

DKK million	USD		GBP	
	2021	2020	2021	2020
Income statement	55	18	-9	-21
Other Comprehensive Income	11	20	-9	-11

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

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

### Interest rate risk

All of GN Store Nord's non-current debt has a fixed interest rate: listed instruments of EUR 330 million Bond-with-Warrant-Units 0% and notes issued under the EMTN program including EUR 220 million notes with fixed coupon of 0.75% per annum, EUR 600 million notes with fixed coupon of 0.875% per annum, EUR 50 million private placement with fixed coupon of 1.97% per annum and GBP 40 million private placement with fixed coupon of 3.2% per annum as well as bilateral loans with fixed interest rates.

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

An increase of variable interest rates on the bank loans of 1 percentage point before considering the effect of interest rate swaps would result in a net increase in the annual interest expenses of DKK 7 million (2020: DKK 7 million).

The interest rate benchmark reform (IBOR reform) is not expected to have any significant effect on GN Store Nord. The Groups loans and bonds are predominantly with fixed interest rates and transition agreements are included in relevant documents. Hedge accounting is not applied for interest rate swaps.

For financial liabilities at amortized cost changes to the basis for determining the contractual cash flows required by the IBOR reform will be reflected by adjusting their effective interest rate. No immediate gain or loss is recognized. GN does not have any significant IBOR-linked lease payments

### Specification of net interest-bearing debt

DKK million	2021	2020
Cash and cash equivalents	6,208	1,657
Bank loans and issued bonds, non-current liabilities	-9,513	-5,069
Bank loans, current liabilities	-1,615	-341
Lease liabilities	-438	-445
<b>Total</b>	<b>-5,358</b>	<b>-4,198</b>

### Funding, liquidity and capital structure

The Group's capital structure includes interest bearing long-term debt with maturities between 2023 and 2036, including bank loans, convertible bonds, notes under the Euro Medium Term Note (EMTN) program and a drawing right attached to a EUR 350 million revolving credit facility which on December 31, 2021 were unutilized. In addition, the Group utilizes short-term uncommitted facilities from its main relationship banks as well as its EUR 250 million Euro Commercial Paper program which was utilized at EUR 116 million at December 31, 2021.

Due to the acquisition of SteelSeries, GN Store Nord has entered into an M&A bridge facility to finance the acquisition with a maturity of 12 months plus 6 months extension at the discretion of GN. In order to de-risk the bridge facility, GN issued two bonds in November 2021 under the EMTN program for an aggregate value of almost DKK 5 billion.

Moreover, GN Store Nord has entered into one bilateral loan agreement (R&D loan) worth EUR 75 million in December 2021. The remaining part of the bridge loan will be financed by the available cash and



## 4.2 Financial risks (Continued)

cash equivalents, potential other debt instruments and the continued cash flow generation by the Group.

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.

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 December 2019 GN Store Nord issued EUR 220 million Eurobonds consisting of senior unsecured notes due 2023 under its 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%.

In February 2021 GN Store Nord issued EUR 50 million private placement consisting of senior unsecured notes due 2036 under its EMTN program. The notes were issued with a fixed coupon of 1.97% per annum. The private placement 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 +0.35%

In November 2021, GN Store Nord issued EUR 600 million Eurobonds consisting of senior unsecured notes due 2024 under its established EMTN program for the purpose of de-risking the M&A bridge facility. The notes were issued at a price of 99.671% of the nominal amount with a fixed coupon of EUR 0.875% per annum and have been listed on Euronext Dublin. Similar to its EUR 200 million EMTN bond, this bond has 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 redemption margin of +0.30%.

In November 2021, GN Store Nord also issued GBP 40 million private placement consisting of senior unsecured notes due 2036 under its EMTN program for the purpose of de-risking the M&A bridge facility. The notes were issued with a fixed coupon of 3.2% per annum. The private placement 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 +0.35%

In December 2021, GN Store Nord has entered into one bilateral loan agreement (R&D loan) worth EUR 75 million as well, to be disbursed in 2022.

On December 31, 2021, GN Store Nord had an equity ratio of 26.4 % (2020: 31.0%) and net interest-bearing debt of DKK 5,358 million (2020: DKK 4,198 million). GN has a long-term capital structure target of a net interest-bearing debt between one- and two-times EBITDA. As of December 31, 2021 GN Store Nord had undrawn committed borrowing facilities of EUR 350 million (2020: DKK 2,000 million and USD 40 million).

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

### Financial credit risk

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

Surplus cash positions in GN Store Nord's subsidiaries are centralized through Group Treasury if feasible, and cash is mainly held in current accounts or as short-term money market deposits. Cash positions are primarily held with financial institutions through which GN Store Nord conducts its day-to-day banking transactions and which are highly rated with Moody's and Standard & Poor's.

## 4.3 Financial instruments

### 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	2021	2020
<b>Financial assets</b>		
Trade receivables	3,293	2,676
Other receivables	440	370
Other non-current assets	804	789
<b>Financial assets at amortized cost</b>	<b>4,537</b>	<b>3,835</b>
Derivative financial instruments included in Other receivables	20	15
RAP, SIP, DCP and Ownership interests, etc. included in Other non-current assets	595	398
<b>Financial assets at fair value through profit or loss</b>	<b>615</b>	<b>413</b>
Derivative financial instruments included in Other receivables	8	13
<b>Financial assets at fair value through Other comprehensive income</b>	<b>8</b>	<b>13</b>
<b>Financial liabilities</b>		
Issued bonds (bond-with-warrant units)	2,363	2,326
Issued EMTN bonds	6,778	1,627
Bank loans, non-current	372	1,116
Bank loans, current	1,615	341
Lease liabilities	438	445
Other non-current liabilities	5	27
Other current liabilities	-	114
Trade payables	1,280	1,238
<b>Financial liabilities at amortized cost</b>	<b>12,851</b>	<b>7,234</b>
Derivative financial instruments included in Other liabilities	13	15
RAP, SIP and DCP included in Other non-current liabilities	277	230
Contingent consideration included in Other liabilities	88	34
<b>Financial liabilities at fair value through profit or loss</b>	<b>378</b>	<b>279</b>
Derivative financial instruments included in Other liabilities	1	38
<b>Financial liabilities at fair value through Other comprehensive income</b>	<b>1</b>	<b>38</b>

### § Accounting policies

#### Financial Liabilities

Amounts owed to credit institutions and banks as well as the issued EMTN bonds 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.



## 4.3 Financial instruments (Continued)

### Contractual maturity analysis for financial liabilities

DKK million	Less than one year	Between one and three years	More than three years	Total
<b>2021</b>				
Issued bonds	70	6,226	3,404	9,700
Bank loans, non-current	1	1	372	374
Bank loans, current	1,615	-	-	1,615
Other non-current liabilities	-	58	224	282
Trade payables	1,280	-	-	1,280
Contingent consideration	-	60	28	88
Total non-derivative financial liabilities	2,966	6,345	4,028	13,339
Derivative financial liabilities	5	-	9	14
<b>Total</b>	<b>2,971</b>	<b>6,345</b>	<b>4,037</b>	<b>13,353</b>
<b>2020</b>				
Issued bonds	12	1,661	2,455	4,128
Bank loans, non-current	1	745	373	1,119
Bank loans, current	341	-	-	341
Other non-current liabilities	-	62	195	257
Other current liabilities	116	-	-	116
Trade payables	1,238	-	-	1,238
Contingent consideration	34	-	-	34
Total non-derivative financial liabilities	1,742	2,468	3,023	7,233
Derivative financial liabilities	53	-	-	53
<b>Total</b>	<b>1,795</b>	<b>2,468</b>	<b>3,023</b>	<b>7,286</b>

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

## 4.3 Financial instruments (Continued)

### Derivative financial instruments

#### Exchange rate instruments and interest rate swaps

DKK million	2021				2020			
	Average rate (DKK)	Contract amount, net*	Fair value, as-sets	Fair value, liabil-ities	Average rate (DKK)	Contract amount, net*	Fair value, as-sets	Fair value, liabil-ities
USD / DKK	-	-	-	-	624	-134	7	33
USD / EUR	656	1,250	1	1	613	731	10	-
JPY / EUR	5.77	335	5	-	6.01	240	6	-
GBP**	876	90	4	2	824	566	1	3
AUD / DKK	-	-	-	-	449	31	-	1
EUR / DKK	744	-6,395	10	1	744	-484	1	1
Other currency pairs		700	8	1		616	3	14
Interest rate swaps		744	-	9		400	-	1
<b>Total</b>			<b>28</b>	<b>14</b>			<b>28</b>	<b>53</b>

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

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

#### Fair value adjustments of cash flow hedges

DKK million	2021	2020
Fair value adjustment for the year recognized in Other comprehensive income	9	8
Reclassified from equity to revenue during the year	26	-21
Reclassified from equity to production costs during the year	-	-
<b>Adjustment of cash flow hedges in Other comprehensive income</b>	<b>35</b>	<b>-13</b>
Fair value adjustment of non-designated hedges recognized in Other operating income and costs, net	16	-20
Net gain / loss and fair value adjustment of ineffective hedges recognized in Other operating income and costs, net	-	7
Fair value adjustment of non-designated hedges recognized in financial items	-129	81

All exchange rate instruments mature within 24 months from the balance sheet date, with a large majority having maturity in 2022. The interest rate swaps outstanding as of December 31, 2021 are denominated in EUR and have maturities in 2025 and 2036 and swap from fixed interest to variable interest.

The gains and losses on cash flow hedges recognized in Other comprehensive income as of December 31, 2021 will be recognized in the Income statement in the period during which the hedged forecasted transaction affects the Income statement.

### § 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)

DKK million	2021				2020			
	Quoted prices (level 1)	Observable input (level 2)	Unobservable input (level 3)	Total	Quoted prices (level 1)	Observable input (level 2)	Unobservable input (level 3)	Total
<b>Financial assets</b>								
Derivative financial instruments included in Other receivables	-	20	-	20	-	15	-	15
RAP, SIP, DCP included in Other non-current assets	-	356	-	356	-	280	-	280
Ownership interests, etc. included in Other non-current assets	-	-	239	239	-	-	118	118
<b>Financial assets at fair value through profit or loss</b>	-	<b>376</b>	<b>239</b>	<b>615</b>	-	<b>295</b>	<b>118</b>	<b>413</b>
Derivative financial instruments included in Other receivables	-	8	-	8	-	13	-	13
<b>Financial assets at fair value through Other comprehensive income</b>	-	<b>8</b>	-	<b>8</b>	-	<b>13</b>	-	<b>13</b>
<b>Financial liabilities</b>								
Derivative financial instruments included in Other liabilities	-	13	-	13	-	15	-	15
RAP, SIP and DCP included in Other non-current liabilities	-	277	-	277	-	230	-	230
Contingent consideration included in Other liabilities	-	-	88	88	-	-	34	34
<b>Financial liabilities at fair value through profit or loss</b>	-	<b>290</b>	<b>88</b>	<b>378</b>	-	<b>245</b>	<b>34</b>	<b>279</b>
Derivative financial instruments included in Other liabilities	-	1	-	1	-	38	-	38
<b>Financial liabilities at fair value through Other comprehensive income</b>	-	<b>1</b>	-	<b>1</b>	-	<b>38</b>	-	<b>38</b>

## 4.3 Financial instruments (Continued)

In addition to the above, Other non-current liabilities include a liability of DKK 250 million (2020: DKK 150 million) related to put options issued on shares held by non-controlling shareholders 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	2021	2020
<b>Fair value net gains (losses) recognized in the income statement:</b>		
Net fair value gains (losses) on RAP, SIP and DCP	2	6
Net fair value gains (losses) on ownership interests and derivatives re. ownership interests	5	36
Net fair value gains (losses) on contingent consideration	-2	8

### 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 related to ownership interests

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

### RAP, SIP and DCP programs

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

### Contingent consideration

Contingent consideration, resulting from business combinations or divestments, is valued at fair value at the acquisition or divestment date as part of the transaction. 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 2,422 million at December 31, 2021 (2020: DKK 2,394 million), and the fair value of EMTN bonds amounted to DKK 6,832 million (2020: DKK 1,673 million). For other financial assets and liabilities, the fair value is approximately equal to the carrying amount.



## 4.4 Liabilities from financing activities

DKK million	Bank loans, non-current	Issued bonds	Other non-cur- rent liabilities	Lease liabilities	Bank loans, current	Payment re. frozen vacation pay included in Other liabilities *	Total
Liabilities at January 1	1,116	3,953	482	445	341	109	6,446
Cash flows	-	5,134	-7	-132	526	-109	5,412
Foreign exchange adjustments	-	2	28	8	4	-	42
New leases	-	-	-	117	-	-	117
Non-cash interest expenses	-	52	-	-	-	-	52
Loans reclassified to current	-744	-	-	-	744	-	-
Other non-cash adjustments	-	-	224	-	-	-	224
<b>Liabilities at December 31, 2021</b>	<b>372</b>	<b>9,141</b>	<b>727</b>	<b>438</b>	<b>1,615</b>	<b>-</b>	<b>12,293</b>
Liabilities at January 1	1,418	3,927	507	489	1,197	-	7,538
Cash flows	-296	-	-21	-141	-855	-	-1,313
Foreign exchange adjustments	-6	-15	-26	-23	-1	-	-71
New leases	-	-	-	120	-	-	120
Non-cash interest expenses	-	41	-	-	-	-	41
Other non-cash adjustments	-	-	22	-	-	-	22
<b>Liabilities at December 31, 2020</b>	<b>1,116</b>	<b>3,953</b>	<b>482</b>	<b>445</b>	<b>341</b>	<b>-</b>	<b>6,337</b>

\* Payment made to LD Fonde relating to the change in vacation year in Denmark and presented in Cash flow from financing activities.



## 4.5 Financial income and expenses

DKK million	2021	2020
<b>Financial income</b>		
Gains and fair value adjustments on ownership interests	13	50
Interest income*	2	5
Financial income, other	130	123
Fair value adjustments of derivative financial instruments	-	81
Foreign exchange gain	92	35
<b>Total</b>	<b>237</b>	<b>294</b>
<b>Financial expenses</b>		
Losses and fair value adjustments on ownership interests	-8	-14
Interest expenses*	-91	-68
Financial expenses, other	-75	-93
Fair value adjustments of derivative financial instruments	-129	-
Impairments on loans to dispensers	-24	-70
Foreign exchange loss	-	-55
<b>Total</b>	<b>-327</b>	<b>-300</b>

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

Financial income, other includes income relating to remeasurement of existing ownership interests in business combinations achieved in stages, reversal of a provision on a financial guarantee obligation regarding an associated company's bank credit facility, income from government grants and other items.

### § Accounting policies

#### Financial income and expenses

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

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



# Section 5 - Other disclosures

## Introduction

Statutory notes and other disclosures.

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## 5.1 Acquisition and divestment of companies and operations

### Acquisitions

During 2021, 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.

On December 14, 2021, GN Hearing announced the acquisition of Lively, a leading online hearing care and digital marketing platform, enabling consumers to explore, purchase and receive hearing care from licensed hearing care professionals in the U.S. all from the comfort of their home. The acquisition was completed on the 20<sup>th</sup> of December as a business combination achieved in stages, after which GN owns 100% of the voting equity interests. Through the acquisition, GN Hearing gains access to the fast-growing telehealth market, utilizing a proven business model with rapid growth. Furthermore, the acquisition will directly benefit GN Hearing's network of hearing care professionals by adding valuable capabilities to GN's operations, including digital channel access, in-depth expertise of digital marketing and telehealth, and data driven consumer behavior to attract new, younger consumers.

Goodwill relating to these transactions is allocated to the cash-generating units GN Hearing with DKK 703 million (2020: DKK 14 million) and GN Audio DKK 0 million (2020: DKK 0 million). Goodwill of DKK 0 million has provisionally been determined to be deductible for tax purposes. Goodwill comprises the expected synergies as well as the value of the highly skilled workforce of Lively. GN has recognized deferred tax assets of DKK 52 million (2020: DKK 0 million) as part of identified assets and liabilities, which were not recognized in the acquired companies prior to acquisition.

DKK million	Fair value at acquisition date			
	Lively	Other	2021	2020
<b>Identifiable assets acquired, liabilities assumed and consideration transferred</b>				
Other intangible assets	51	11	62	-
Non-current assets	56	1	57	-
Current assets	100	-	100	1
Non-current liabilities	-22	-	-22	-2
Current liabilities	-149	-2	-151	-13
<b>Fair value of identified net assets</b>	<b>36</b>	<b>10</b>	<b>46</b>	<b>-14</b>
Goodwill	703	-	703	14
<b>Consideration transferred</b>	<b>739</b>	<b>10</b>	<b>749</b>	<b>-</b>
Fair value of existing ownership interest	-303	-	-303	-
Payable consideration	-20	-	-20	-
Contingent consideration	-60	-	-60	-
Acquired cash and cash equivalents	-47	-	-47	-
<b>Cash consideration paid</b>	<b>309</b>	<b>10</b>	<b>319</b>	<b>-</b>

In 2021, GN paid out DKK 35 million (2020: DKK 147 million) in contingent consideration and other payable consideration related to prior years' acquisitions. The payments were mainly related to the acquisition of Audigy Group. An adjustment of DKK 0 million (2020: DKK 8 million mainly related to the Audigy acquisition) has been recognized as financial income in the income statement.

DKK million	2021	2020
<b>The share of revenue and profit (loss) for the year from the acquisition date can be specified as follows:</b>		
Revenue	5	4
EBIT	-6	-3
Profit (loss) for the year	-4	-3
<b>Acquired operations if they had been owned throughout the year:</b>		
Revenue	114	7
EBIT	-171	-5
Profit (loss) for the year	-139	-5

### Divestments etc.

In 2021 and 2020 GN Hearing divested a number of minor hearing instrument distributors primarily in the US.

DKK million	2021	2020
Non-current assets	-41	-22
Current assets	-7	-1
<b>Disposed net assets</b>	<b>-48</b>	<b>-23</b>
Fair value of assets received	62	31
Fair value of liabilities assumed	-3	-9
Cash consideration received	-	1
<b>Gain (loss) on divestment of operations</b>	<b>11</b>	<b>-</b>
Other adjustments	-7	-4
<b>Gain (loss) on divestment of operations etc.</b>	<b>4</b>	<b>-4</b>



## 5.1 Acquisition and divestment of companies and operations (Continued)

### Post balance sheet date acquisitions

On January 12 2022, GN Audio acquired 100% of the Danish based company SteelSeries Group A/S, a global pioneer in premium software-enabled gaming gear. SteelSeries, with its attractive growth profile and margin structure, presents an attractive new growth opportunity for GN. The acquisition of SteelSeries will bring complementary engineering competencies, commercial capabilities, differentiated brands, a large customer base and an innovative high-growth product offering, adding further technical expertise and IP to GN. SteelSeries will benefit from GN's commercial and operational excellence, and financial strength, allowing SteelSeries to continue its strong growth trajectory and take share in the fast-growing market for premium software-enabled gaming gear.

Based on GN's successful track-record of integrating acquired assets and a thorough due diligence analysis of SteelSeries, it is anticipated that the combination will produce significant scaling opportunities and revenue synergies when combining SteelSeries with GN's extensive global distribution footprint. Goodwill comprises the expected synergies as well as the value of SteelSeries highly skilled workforce.

The provisionally determined goodwill of DKK 5,550 million relating to this transaction will be allocated to the cash-generating unit GN Audio. Goodwill of DKK 0 million has provisionally been determined to be deductible for tax purposes. In order to effect the acquisition GN has incurred direct acquisition-related costs of DKK 45 million in professional and consulting fees etc. These are expensed in management and administrative expenses in 2021.

The fair value of the identifiable assets and liabilities at acquisition date are provisionally determined as follows:

DKK million	Fair value at acquisition date SteelSeries
<b>Identifiable assets acquired, liabilities assumed and consideration transferred</b>	
Patents, rights and other intangibles	1,015
Trademarks	764
Customer relationships	749
Property plant and equipment and non-current assets	49
Current assets	1,084
Cash	218
Bank debt and non-current liabilities	-1,011
Deferred tax liabilities	-609
Other current liabilities	-569
<b>Fair value of identified net assets</b>	<b>1,690</b>
Goodwill	5,550
<b>Consideration transferred</b>	<b>7,240</b>
Acquired cash and cash equivalents	-218
<b>Cash consideration paid</b>	<b>7,022</b>

DKK million	SteelSeries
<b>Estimated unaudited stand-alone financials for SteelSeries for 2021</b>	
Revenue	2,697
Profit (loss) for the year *	199

\*This excludes estimated annual amortizations in the range of DKK 225-275 million related to the Purchase Price Accounting adjustments



## 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 Board of Directors can be specified as follows:

DKK million	2021					2020				
	Fixed salary	Other benefits*	Bonus	Share-based incentives	Total	Fixed salary	Other benefits*	Bonus	Share-based incentives	Total
René Svendsen-Tune, CEO, GN Store Nord & GN Audio	8.1	0.2	7.5	4.7	20.5	7.0	0.2	7.3	6.6	21.1
Gitte Pugholm Aabo, CEO, GN Hearing from September 20, 2019	7.5	0.2	2.1	4.8	14.6	6.9	0.2	4.1	3.9	15.1
Peter la Cour Gormsen, CFO, GN Store Nord & GN Audio from January 1, 2021	3.5	0.3	3.2	1.6	8.6	-	-	-	-	-
Marcus Desimoni, CFO, GN Store Nord until December 31, 2020	-	-	-	-	-	4.4	0.8	3.8	10.1	19.1
<b>Total Executive Management remuneration</b>	<b>19.1</b>	<b>0.7</b>	<b>12.8</b>	<b>11.1</b>	<b>43.7</b>	<b>18.3</b>	<b>1.2</b>	<b>15.2</b>	<b>20.6</b>	<b>55.3</b>
Board of Directors remuneration	8.5	0.9	-	-	9.4	7.8	0.6	-	-	8.4
<b>Total remuneration to Executive Management and Board of Directors</b>	<b>27.6</b>	<b>1.6</b>	<b>12.8</b>	<b>11.1</b>	<b>53.1</b>	<b>26.1</b>	<b>1.8</b>	<b>15.2</b>	<b>20.6</b>	<b>63.7</b>

\* Other benefits include car allowances, company paid telephone, internet and housing cost. For the Board of Directors Other benefits include travel allowance and social security costs

### Share-based incentive plans

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

### Executive Management and Board of Directors Remuneration

The total remuneration of the Executive Management is based on the “General Guidelines for Incentive Pay to Management”, as adopted at GN’s Annual General Meeting. 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
- Peter la Cour Gormsen’s bonus is subject to the performance of GN Store Nord’s EBITA, GN Store Nord’s revenue and individual performance targets

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

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

Members of the Board of Directors receive a fixed remuneration as approved by the shareholders at the Annual General Meeting on March 17, 2021. The fixed remuneration is based on GN Store Nord's corporate governance structure in which an audit committee, a strategy committee, a remuneration committee and a nomination committee have been established. Further, the appointed board members of GN Store Nord also serve on the Board of Directors of GN Hearing A/S and GN Audio A/S.

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

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

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

The base fee for the Board of Directors remained unchanged from 2020 to 2021. In light of the negative financial impact on the company of the COVID-19 pandemic, the Board in April 2020 decided to temporarily reduce their fee by 10% from May onwards (reinstated in October 2020), which is reflected in the total Board of directors remuneration for 2020 below:

DKK thousand	2021	2020
Board fee Board of Directors		
Per Wold-Olsen (Chairman)	2,140	2,033
Jukka Pertola (Deputy chairman)	1,418	992
William E. Hoover, Jr. (Deputy chairman until March 2020)	-	333
Helene Barnekow	605	641
Montserrat Pascual	870	609
Wolfgang Reim	1,045	1,058
Ronica Wang	695	660
Anette Weber	870	609
Leo Larsen*	290	276
Morten Andersen*	290	276
Marcus Stuhr Perathoner*	290	276
<b>Total fee Board of Directors</b>	<b>8,513</b>	<b>7,763</b>

\* Employee elected members

DKK thousand	2021	2020
Fixed travel allowance & social security		
Per Wold-Olsen	113	112
Helene Barnekow	206	175
Montserrat Pascual (from Q2 2020)	285	152
Wolfgang Reim	90	89
Ronica Wang	135	45
Anette Weber (from Q2 2020)	45	-
<b>Total Board of Directors travel allowance and social security</b>	<b>874</b>	<b>573</b>

## 5.3 Share-based incentive plans

### Option and warrant programs

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

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

The 2019 -2021 option programs are based on GN Store Nord A/S shares, whereas the warrant programs for 2015-2018 are based on GN Hearing A/S and GN Audio A/S shares. On a quarterly basis the share price for GN Hearing A/S and GN Audio A/S is calculated, using a top-down approach based on analysis of external broker reports for the allocation of GN Store Nord A/S' share price into GN Hearing, GN Audio and Other. This calculation is also the basis for the Black-Scholes valuation as stated below regarding valuation of warrants.

### Vesting conditions and exercise of warrants

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

### Vesting conditions and exercise of options

The 2019-2021 programs are long-term incentive programs with a three-year vesting period from the grant date. The programs include a performance multiplier, based on revenue growth and EBITDA improvement relative to a broad peer group of comparable companies. This means, that after the three-year vesting period, the initial share option grant can either increase, decrease or stay the same, depending on GN's performance relative to a peer group. The maximum effect of the performance multiplier is to decrease the number of options to 0 or 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 fair value of the warrants and options are calculated using the principles of the Black-Scholes option pricing model. For the 2015-2018 warrants the model has taken the overperformance criteria into account using Monte Carlo simulation. The fair values of options granted during the year are based on the underlying market prices at the grant dates.

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

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

	Executive Management		Other employees	
	2021	2020	2021	2020
Number of options granted in the year	96,500	158,480	378,437	535,641
Share price of GN Store Nord A/S at ordinary grant date	548	390	548	390
Vesting period	3 years	3 years	3 years	3 years
Life of option	6 years	6 years	6 years	6 years
Volatility*	32%	29%	32%	29%
Expected dividend	0.3%	0.4%	0.3%	0.4%
Risk-free interest rate**	0.00%	0.00%	0.00%	0.00%
Fair value per option at ordinary grant (DKK)***	127	83	143	87
Total fair value at grant (DKK million)	12	13	54	47
Amortization period of the program	2021 - 2024	2020 - 2023	2021 - 2024	2020 - 2023

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

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

\*\*\* The fair value assumes a performance multiplier of 1



### 5.3 Share-based incentive plans (Continued)

	GN Store Nord A/S				GN Hearing A/S				GN Audio A/S			
	DKK	Number of options*			DKK	Number of warrants			DKK	Number of warrants		
	Average exercise price	Executive Management	Other employees	Total	Average exercise price	Executive Management	Other employees	Total	Average exercise price	Executive Management	Other employees	Total
<b>Outstanding at January 1, 2020</b>	<b>311</b>	<b>170,288</b>	<b>604,713</b>	<b>775,001</b>	<b>31,042</b>	<b>473</b>	<b>7,259</b>	<b>7,732</b>	<b>30,275</b>	<b>2,638</b>	<b>4,585</b>	<b>7,223</b>
Granted during the year	381	158,480	535,641	694,121	-	-	-	-	-	-	-	-
Exercised during the year	-	-	-	-	29,927	-240	-3,168	-3,408	28,381	-1,060	-2,232	-3,292
Forfeited during the year	350	-	-29,228	-29,228	31,792	-	-86	-86	32,491	-	-93	-93
<b>Outstanding at December 31, 2020</b>	<b>344</b>	<b>328,768</b>	<b>1,111,126</b>	<b>1,439,894</b>	<b>31,923</b>	<b>233</b>	<b>4,005</b>	<b>4,238</b>	<b>31,865</b>	<b>1,578</b>	<b>2,260</b>	<b>3,838</b>
Transferred during the year	343	23,458	-23,458	-	-	-	-	-	33,913	98	-98	-
Granted during the year	550	96,500	378,437	474,937	-	-	-	-	-	-	-	-
Exercised during the year	-	-	-	-	31,620	-233	-2,487	-2,720	31,920	-526	-1,826	-2,352
Forfeited during the year	415	-	-44,647	-44,647	26,936	-	-44	-44	-	-	-	-
<b>Outstanding at December 31, 2021</b>	<b>395</b>	<b>448,726</b>	<b>1,421,458</b>	<b>1,870,184</b>	<b>32,632</b>	<b>-</b>	<b>1,474</b>	<b>1,474</b>	<b>31,777</b>	<b>1,150</b>	<b>336</b>	<b>1,486</b>
Weighted average term to maturity (Years)		4.0	4.1	4.0		-	1.8	1.8		1.5	1.6	1.5
Exercisable at December 31, 2020		-	-	-		-	618	618		840	236	1,076
Exercisable at December 31, 2021		-	-	-		-	1,474	1,474		1,150	336	1,486

\* The performance multiplier can decrease the number of options to 0 or as maximum effect increase the number of options by a factor of 2

#### Exercise of warrants

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

## 5.3 Share-based incentive plans (Continued)

Outstanding warrants and options at December 31, 2021 by grant date are shown below:

Grant date	GN Store Nord A/S				GN Hearing A/S				GN Audio A/S			
	DKK	Number of options*			DKK	Number of warrants			DKK	Number of warrants		
	Exercise price	Executive Management	Other employees	Total	Exercise price	Executive Management	Other employees	Total	Exercise price	Executive Management	Other employees	Total
March 2017	-	-	-	-	30,451	-	244	244	28,794	494	126	620
August 2017	-	-	-	-	39,391	-	35	35	-	-	-	-
February 2018	-	-	-	-	31,792	-	943	943	33,913	656	210	866
August 2018	-	-	-	-	46,342	-	49	49	-	-	-	-
September 2018	-	-	-	-	44,817	-	12	12	-	-	-	-
December 2018	-	-	-	-	34,047	-	191	191	-	-	-	-
April 2019	313	139,071	538,641	677,712	-	-	-	-	-	-	-	-
June 2019	325	-	26,479	26,479	-	-	-	-	-	-	-	-
September 2019	282	44,393	-	44,393	-	-	-	-	-	-	-	-
February 2020	381	168,762	481,195	649,957	-	-	-	-	-	-	-	-
May 2020	311	-	7,605	7,605	-	-	-	-	-	-	-	-
November 2020	476	-	3,348	3,348	-	-	-	-	-	-	-	-
February 2021	550	96,500	360,595	457,095	-	-	-	-	-	-	-	-
May 2021	495	-	3,595	3,595	-	-	-	-	-	-	-	-
<b>Outstanding at December 31</b>		<b>448,726</b>	<b>1,421,458</b>	<b>1,870,184</b>		<b>-</b>	<b>1,474</b>	<b>1,474</b>		<b>1,150</b>	<b>336</b>	<b>1,486</b>

\* The performance multiplier can decrease the number of options to 0 or as maximum effect increase the number of options by a factor of 2

### Accounting policies

#### Share-based incentive plans

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

## 5.4 Pension obligations

DKK million	2021	2020
Present value of defined benefit obligations	359	359
Fair value of plan assets	-367	-323
<b>Net obligations</b>	<b>-8</b>	<b>36</b>
Of which is included in other non-current assets, refer to note 3.5	-15	-
Of which is included in pension obligations	7	36
The present value of defined benefit obligations includes unfunded pension obligations not covered by payments to insurance companies of DKK 19 million (2020: DKK 18 million).		
<b>Development in present value of defined benefit obligations</b>		
Obligations at January 1	359	349
Foreign exchange adjustments	23	-26
Costs for the year	4	4
Interest expense	7	9
Actuarial (gains) losses regarding demographic assumptions	1	-2
Actuarial (gains) losses regarding financial assumptions	-18	33
Pension payments, unfunded	-	-
Settlements, amendments etc.	-	9
Pension payments	-17	-17
<b>Obligations at December 31</b>	<b>359</b>	<b>359</b>
<b>Maturity of pension obligations</b>		
Less than one year	19	17
Between one and five years	81	72
More than five years	259	270
<b>Total</b>	<b>359</b>	<b>359</b>
<b>Development in fair value of plan assets</b>		
Plan assets at January 1	323	323
Foreign exchange adjustments	24	-28
Interest income	6	7
Return on plan assets in excess of interest income	29	30
Payment by GN Store Nord	2	2
Settlements, amendments etc.	-	4
Pension payments	-17	-15
<b>Plan assets at December 31</b>	<b>367</b>	<b>323</b>

DKK million	2021	2020
<b>Pension costs recognized in the income statement</b>		
Costs for the year	-4	-4
Interest expense	-7	-9
Interest income from plan assets	6	7
Defined benefit plans total	-5	-6
Defined contribution plans total	-171	-130
<b>Total pension costs recognized in the income statement</b>	<b>-176</b>	<b>-136</b>
<b>The costs are recognized in the following income statement items</b>		
Production costs	-26	-19
Development costs	-50	-33
Selling and distribution costs	-54	-48
Management and administrative expenses	-45	-34
Financial expenses	-1	-2
<b>Total</b>	<b>-176</b>	<b>-136</b>
<b>The following accumulated actuarial gains (losses) since January 1, 2005 are recognized in the Statement of other Comprehensive Income</b>		
Accumulated actuarial gains (losses)	-14	-60
<b>Breakdown of plan assets</b>		
Shares	61%	61%
Bonds	37%	37%
Cash and cash equivalents	2%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

At the balance sheet date the actuarial calculations for the prevailing American defined benefit plan are based on a discount rate of 2.75% (2020: 2.25%).

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 9 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.



## 5.4 Pension obligations (Continued)

### § Accounting policies

#### Pensions

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

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

## 5.5 Contingent liabilities

DKK million	2021	2020
Guarantees	4	4

#### Guarantees

The majority of guarantees are related to performance guarantees.

#### Security

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

#### Purchase obligations

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

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

#### Pending litigations and disputes

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

### ! Significant accounting estimates and judgments

#### Provisions, Contingencies and Litigations

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

## 5.6 Investments in associates

DKK million	2021	2020
<b>Aggregated financial information for associates:</b>		
Total share of profit (loss) in associates	-36	-9
Total unrecognized profit (loss) in associates	-	30
Total share of net assets in associates	153	523
Carrying amount of associates	153	523

Transactions with associates comprise sale of goods of DKK 146 million (2020: DKK 66 million) and purchase of services, licenses and other assets of DKK 19 million (2020: DKK 87 million). At year end GN has DKK 48 million (2020: DKK 150 million) in receivables from associates. Share of profit (loss) in associates includes a profit of DKK 31 million (2020: DKK 0 million), of dividend received in excess of carrying value of the 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	2021	2020
Share-based payment (granted)	50	77
(Gain) loss on divestment of operations	-11	-
Loss allowance on trade receivables, inventory write-downs, etc.	-29	130
Adjustment of provisions	13	139
<b>Total</b>	<b>23</b>	<b>346</b>

## 5.8 Fees to statutory auditors

DKK million	2021	2020
Statutory audit	-10	-9
Tax advice services	-1	-1
Other services	-12	-5
<b>Total</b>	<b>-23</b>	<b>-15</b>

Fees for services other than statutory audit of the financial statements amounts to DKK 13 million (2020: DKK 6 million). Services other than statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab (PricewaterhouseCoopers Denmark) comprise services primarily related to tax compliance and transfer pricing, transaction/project support and technical accounting advisory services.

## 5.9 Related parties

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

## 5.10 Events after the reporting period

Please refer to note 5.1 Acquisition and divestment of companies and operations for disclosures on the acquisition of SteelSeries made after the reporting period.

# Companies in GN Group

	Domicile	Currency	Ownership %	Share capital
<b>GN Store Nord A/S</b>	Denmark	DKK		552,703,928
GN Ejendomme A/S	Denmark	DKK	100	115,625,000
GN Financing A/S	Denmark	DKK	100	400,000
<b>GN Audio A/S</b>	Denmark	DKK	100	35,109,000
Falcom A/S	Denmark	DKK	100	88,501,000
GN Audio Australia Pty Ltd.	Australia	AUD	100	2,500,000
GN Áudio Brasil Importação & Comércio Ltda.	Brazil	BRL	100	407,821
GN Audio Canada Inc.	Canada	CAD	100	409,800
GN Audio (China) Ltd.	China	CNY	100	65,116,155
GN Audio (Shanghai) Co., Ltd.	China	CNY	100	15,481,000
GN Audio Logistic (Xiamen) Ltd.	China	CNY	100	4,133,738
GN Audio France SA	France	EUR	100	80,000
GN Audio Germany GmbH	Germany	EUR	100	51,100
GN Audio Hong Kong Limited	Hong Kong	HKD	100	33,500,000
GN Audio India Private Limited	India	INR	100	40,000,000
Jabra Connect India Private Limited	India	INR	51	20,000,000
GN Audio Italy s.r.l.	Italy	EUR	100	10,200
GN Audio Japan Ltd.	Japan	JPY	100	10,000,000
GN Audio Benelux B.V.**	Netherlands	EUR	100	18,000
GN Audio Philippines, Inc.	Philippines	PHP	100	10,000,000
GN Audio Poland Sp. Z.o.o.	Poland	PLN	100	50,000
GN Audio Singapore Pte. Ltd.	Singapore	SGD	100	700,000
Jabra Connect Singapore Pte.Ltd.	Singapore	USD	51	12,000
GN Audio Spain, S.A.	Spain	EUR	100	66,111
GN Audio Sweden AB	Sweden	SEK	100	5,100,000
GN Audio UK Ltd.	United Kingdom	GBP	100	100,000
GN Audio USA Inc.	USA	USD	100	45,900,000
Falcom US, LLC*	USA	USD	100	-

	Domicile	Currency	Ownership %	Share Capital
<b>GN Hearing A/S</b>	Denmark	DKK	100	65,252,600
GN Hearing 2 A/S	Denmark	DKK	100	400,000
GN Hearing Australia Pty. Ltd.	Australia	AUD	100	4,000,002
GN Hearing Austria GmbH	Austria	EUR	100	482,500
GN ReSound Produtos Médicos Ltda.	Brazil	BRL	100	1,019,327
Beltone Holdings Canada, LTD	Canada	CAD	100	1,039
GN Hearing Care Canada Ltd.	Canada	CAD	100	8,435,000
GN Hearing Shanghai Ltd.	China	CNY	100	20,491,300
GN ReSound China Ltd.	China	CNY	100	34,000,000
GN Hearing Czech Republic spol. s r.o.	Czech Republic	CZK	100	102,000
Audigy Group International A/S	Denmark	DKK	100	400,000
Dansk Hørecenter ApS	Denmark	DKK	100	165,657,000
GN Hearing Finland Oy/Ab	Finland	EUR	100	55,502
GN Hearing SAS	France	EUR	100	2,300,000
GN Hearing GmbH	Germany	EUR	100	296,549
GN ReSound GmbH Hörtechnologie	Germany	EUR	100	2,162,253
GN Hearing India Private Limited	India	INR	100	20,983,210
GN Hearing S.r.l.	Italy	EUR	100	181,190
GN Hearing Japan K.K.	Japan	JPY	100	499,000,000
GN Hearing Korea Co., Ltd.	Korea	KRW	100	136,700,000
GN Hearing (Malaysia) Sdn Bhd	Malaysia	MYR	100	2,500,000
GN Hearing Benelux B.V.	Netherlands	EUR	100	680,670
GN Hearing New Zealand Limited	New Zealand	NZD	100	2,000,000
GN Hearing Norway AS	Norway	NOK	100	2,000,000
GN Hearing RUS LLC	Russia	RUB	100	10,000
GN Hearing Pte. Ltd.	Singapore	SGD	100	1,740,000
Nessa Hearing Pte. Ltd.	Singapore	SGD	92	250,000
Interton Slovakia S.R.O.	Slovakia	EUR	85	6,639
GN Hearing Care S.A.	Spain	EUR	100	66,110
GN Hearing Sverige AB	Sweden	SEK	100	100,000
GN Hearing Switzerland AG	Switzerland	CHF	100	500,000



## Companies in the GN Group (Continued)

	Domicile	Currency	Ownership %	Share capital
GN Hearing A/S continued:				
GN Hearing UK Ltd.	United Kingdom	GBP	100	7,376,000
GN US Holdings Inc.	USA	USD	100	36,000,000
GN 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
Lively Hearing Corporation	USA	USD	91	32,061,457
GN NB Holdings Inc.	USA	USD	100	100,000
Great Hearing Benefits, LLC*	USA	USD	100	-
Beltone Holdings US, LLC	USA	USD	100	3,000
Beltone Hearing Care Foundation*	USA	USD	100	-
Audigy Group, LLC*	USA	USD	100	-
Audigy Medical, LLC*	USA	USD	100	-
Audigy Venture, LLC*	USA	USD	100	-
<b>Associates</b>				
Audio Nova S.R.L.	Romania	ROL	49	1,000
Himpp A/S	Denmark	DKK	11	1,600,000
HIMSA A/S	Denmark	DKK	25	1,000,000
HIMSA II A/S	Denmark	DKK	17	500,000
Himsa II K/S	Denmark	DKK	15	3,250,000
K/S Himpp	Denmark	DKK	9	19,950,000
Progetto Udire S.R.L.	Italy	EUR	35	838,700
audEERING Gmbh	Germany	EUR	31	8,378,000
Hearing Center of the East Bay, LLC	USA	USD	50	25,000
BelMart LLC	USA	USD	30	3,556,822
Bold North Beltone, LLC*	USA	USD	30	-
AXE Audiology, LLC*	USA	USD	30	-
Statewide Hearing, LLC*	USA	USD	30	-
Beltopia LLC	USA	USD	25	1,734,500

\* Without par value

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

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



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

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

### Key Ratio Definitions

Organic growth	= $\frac{\text{Absolute organic revenue growth}}{\text{Revenue in comparative period}}$  Organic growth is a measure of growth excluding the impact of acquisitions, divestments and foreign exchange adjustments from year-on-year comparisons.
Net working capital (NWC)	= Inventories + receivables + other operating current assets - trade payables - other operating current liabilities
Net interest bearing debt (NIBD)	= Bank loans and issued bonds + Lease liabilities - Cash and cash equivalents
Dividend payout ratio	= $\frac{\text{Total dividend}}{\text{Profit (loss) for the year}}$
Gross margin	= $\frac{\text{Gross profit}}{\text{Revenue}}$
EBITA margin	= $\frac{\text{EBITA}}{\text{Revenue}}$
ROIC (Return on invested capital including goodwill)	= $\frac{\text{EBITA}}{\text{Average invested capital including goodwill}}$

Invested capital	= NWC + property, plant and equipment and intangible assets + loans to dispensers of GN Hearing products + pre-paid discounts + ownership interests – provisions
Cash conversion	= $\frac{\text{Free cash flow excl. company acquisitions and divestments}}{\text{EBITA}}$
Return on equity (ROE)	= $\frac{\text{Profit (loss) for the year}}{\text{Average equity of the Group}}$
Equity ratio	= $\frac{\text{Equity of the Group}}{\text{Total assets}}$
Earnings per share, basic (EPS)	= $\frac{\text{Profit (loss) for the year attributable to shareholders in GN Store Nord A/S}}{\text{Average number of shares outstanding}}$
Earnings per share, fully diluted (EPS diluted)	= $\frac{\text{Profit (loss) for the year attributable to shareholders in GN Store Nord A/S}}{\text{Average number of shares outstanding, fully diluted}}$
Market capitalization	Number of shares outstanding x share price at the end of the period
Outstanding shares	Number of shares listed - treasury shares



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# Income statement

DKK million	Note	2021	2020
Revenue		563	456
<b>Gross profit</b>		<b>563</b>	<b>456</b>
Development costs		-91	-90
Management and administrative expenses	1,2,3,4	-663	-549
Other operating income and costs, net		25	-
<b>Operating profit (loss)</b>		<b>-166</b>	<b>-183</b>
Share of profit after tax in subsidiaries	10	1,943	1,332
Share of profit (loss) in associates	11	-1	-3
Financial income	5	100	110
Financial expenses	5	-170	-143
<b>Profit (loss) before tax</b>		<b>1,706</b>	<b>1,113</b>
Tax on profit (loss)	6	50	139
<b>Profit (loss) for the year</b>		<b>1,756</b>	<b>1,252</b>
<b>Proposed profit appropriation/distribution of loss</b>			
Transferred to reserve for net revaluation according to the equity method		-57	1,332
Retained earnings		1,599	-286
Proposed dividends for the year		214	206
		<b>1,756</b>	<b>1,252</b>

# Statement of comprehensive income

DKK million	2021	2020
<b>Profit (loss) for the year</b>	<b>1,756</b>	<b>1,252</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified subsequently to the income statement		
Other changes in equity in subsidiaries	36	-1
Items that may be reclassified subsequently to the income statement		
Adjustment of cash flow hedges	-	4
Tax relating to other comprehensive income	-	-1
Foreign exchange adjustments, etc.	396	-601
Other changes in equity in subsidiaries	27	-2
<b>Other comprehensive income for the year</b>	<b>459</b>	<b>-601</b>
<b>Total comprehensive income for the year</b>	<b>2,215</b>	<b>651</b>



# Balance sheet at December 31

DKK million	Note	2021	2020
<b>Assets</b>			
Intangible assets	7	589	369
Property, plant and equipment	8, 9	59	71
Investments in subsidiaries	10	11,201	8,618
Investments in associates	11	34	24
Amounts owed by subsidiaries	14	4,019	3,704
<b>Total non-current assets</b>		<b>15,902</b>	<b>12,786</b>
Tax receivables		40	-
Other receivables	14	158	138
Cash and cash equivalents		5,761	1,230
<b>Total current assets</b>		<b>5,959</b>	<b>1,368</b>
<b>Total assets</b>		<b>21,861</b>	<b>14,154</b>
<b>Equity and liabilities</b>			
Share capital		553	569
Other reserves		-1,277	-1,610
Proposed dividends for the year		214	206
Retained earnings		6,739	6,013
<b>Total equity</b>		<b>6,229</b>	<b>5,178</b>
Bank loans and issued bonds	14, 17	9,513	5,069
Lease liabilities, non-current	9, 14	14	30
Deferred tax liabilities	12	26	28
<b>Total non-current liabilities</b>		<b>9,553</b>	<b>5,127</b>
Bank loans	14, 17	1,606	334
Lease liabilities, current	9, 14	8	7
Trade payables	14	94	56
Tax payables		-	156
Amounts owed to subsidiaries	14, 17	4,186	3,087
Other payables	14	185	209
<b>Total current liabilities</b>		<b>6,079</b>	<b>3,849</b>
<b>Total equity and liabilities</b>		<b>21,861</b>	<b>14,154</b>



# Statement of cash flows

DKK million	Note	2021	2020
<b>Operating activities</b>			
Operating profit (loss)		-166	-183
Depreciation, amortization and impairment	3	104	94
Other non-cash adjustments		-22	13
<b>Cash flow from operating activities before changes in working capital</b>		<b>-84</b>	<b>-76</b>
Change in receivables		-20	-84
Change in trade payables and other payables		25	136
<b>Total changes in working capital</b>		<b>5</b>	<b>52</b>
<b>Cash flow from operating activities before financial items and tax</b>		<b>-79</b>	<b>-24</b>
Interest and dividends, etc. received		32	2,023
Interest paid		-	-
Tax paid, net		-143	159
<b>Cash flow from operating activities</b>		<b>-190</b>	<b>2,158</b>
<b>Investing activities</b>			
Investments in intangible assets	7	-290	-149
Investments in tangible assets	8	-31	-22
Disposal of intangible assets		26	-
Investments in associates		-11	-
Amounts owed by subsidiaries		-315	247
<b>Cash flow from investing activities</b>		<b>-621</b>	<b>76</b>
<b>Cash flow from operating and investing activities (free cash flow)</b>		<b>-811</b>	<b>2,234</b>
<b>Financing activities</b>			
Decrease of long-term loans	17	-6	-303
Increase in short-term loans and amounts owed to subsidiaries	17	1,568	-
Decrease of short-term loans and amounts owed to subsidiaries	17	-	-1,471
Net proceeds from issue of EMTN bonds	17	5,134	-
Paid dividends		-188	-187
Purchase/sale of treasury shares		-1,166	-453
<b>Cash flow from financing activities</b>		<b>5,342</b>	<b>-2,414</b>
<b>Net cash flow</b>		<b>4,531</b>	<b>-180</b>
Cash and cash equivalents, beginning of period		1,230	1,410
<b>Cash and cash equivalents, end of period</b>		<b>5,761</b>	<b>1,230</b>



# Statement of changes in equity

DKK million	2021						
	Other reserves			Reserve according to the equity method	Proposed dividends for the year	Retained earnings	Total equity
	Share capital*	Hedging reserve	Treasury shares				
<b>Balance sheet total at December 31, 2020</b>	<b>569</b>	<b>6</b>	<b>-3,640</b>	<b>2,024</b>	<b>206</b>	<b>6,013</b>	<b>5,178</b>
Profit (loss) for the period	-	-	-	-57	-	1,813	1,756
Adjustment of cash flow hedges	-	-	-	-	-	-	-
Other changes in equity in subsidiaries	-	-	-	63	-	-	63
Foreign currency translation adjustments of investments in subsidiaries etc.	-	-	-	396	-	-	396
Tax relating to other comprehensive income	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	459	-	-	459
Total comprehensive income for the year	-	-	-	402	-	1,813	2,215
Reduction of the share capital	-16	-	873	-	-	-857	-
Other changes in equity in subsidiaries	-	-	-	22	-	-	22
Purchase of ownership interests in subsidiaries by payment in treasury shares	-	-	202	-	-	-43	159
Share-based payment (granted)	-	-	-	-	-	4	4
Tax related to share-based incentive plans	-	-	-	-	-	5	5
Purchase of treasury shares	-	-	-1,166	-	-	-	-1,166
Proposed dividends for the year*	-	-	-	-	214	-214	-
Paid dividends	-	-	-	-	-188	-	-188
Dividends, treasury shares	-	-	-	-	-18	18	-
<b>Balance sheet total at December 31, 2021</b>	<b>553</b>	<b>6</b>	<b>-3,731</b>	<b>2,448</b>	<b>214</b>	<b>6,739</b>	<b>6,229</b>

\* Equivalent to DKK 1.55 per share (2020: DKK 1.45 per share)

The reserve according to the equity method includes foreign exchange adjustments of DKK -1,104 million (2020: DKK -1,500 million). Retained earnings, which are available for distribution from the Parent Company amounts to DKK 3,228 million (2020: DKK 2,585 million).

DKK million	2020						
	Other reserves			Reserve according to the equity method	Proposed dividends for the year	Retained earnings	Total equity
	Share capital*	Hedging reserve	Treasury shares				
<b>Balance sheet total at December 31, 2019</b>	<b>569</b>	<b>3</b>	<b>-3,424</b>	<b>1,190</b>	<b>206</b>	<b>6,305</b>	<b>4,849</b>
Profit (loss) for the period	-	-	-	1,332	-	-80	1,252
Adjustment of cash flow hedges	-	4	-	-	-	-	4
Other changes in equity in subsidiaries	-	-	-	-18	-	-	-18
Foreign currency translation adjustments of investments in subsidiaries etc.	-	-	-	-601	-	-	-601
Tax relating to other comprehensive income	-	-1	-	15	-	-	14
Other comprehensive income for the year	-	3	-	-604	-	-	-601
Total comprehensive income for the year	-	3	-	728	-	-80	651
Reduction of the share capital	-	-	-	-	-	-	-
Other changes in equity in subsidiaries	-	-	-	51	-	-	51
Purchase of ownership interests in subsidiaries by payment in treasury shares	-	-	237	-	-	-43	194
Share-based payment (granted)	-	-	-	-	-	13	13
Tax related to share-based incentive plans	-	-	-	55	-	5	60
Purchase of treasury shares	-	-	-453	-	-	-	-453
Proposed dividends for the year*	-	-	-	-	206	-206	-
Paid dividends	-	-	-	-	-187	-	-187
Dividends, treasury shares	-	-	-	-	-19	19	-
<b>Balance sheet total at December 31, 2020</b>	<b>569</b>	<b>6</b>	<b>-3,640</b>	<b>2,024</b>	<b>206</b>	<b>6,013</b>	<b>5,178</b>



# Parent Company Notes

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## 1 Staff costs

DKK million	2021	2020
Wages, salaries and remuneration	208	167
Pensions	21	11
Share-based incentives	4	13
Other social security costs	1	1
<b>Total</b>	<b>234</b>	<b>192</b>
Executive Management remuneration can be specified as follows:		
Peter la Cour Gormsen, CFO, GN Store Nord from January 1, 2021 (2020: Marcus Desimoni, CFO, GN Store Nord until December 31, 2020)		
Fixed salary	3.5	4.4
Other benefits	0.3	0.8
Bonus	3.2	3.8
Share-based incentives*	1.6	9.1
<b>Total</b>	<b>8.6</b>	<b>18.1</b>
Board of Directors remuneration	6.4	5.9
<b>Total remuneration</b>	<b>15.0</b>	<b>24.0</b>
Staff costs are included in Management and administrative expenses.		
Average number of employees	291	223
Number of employees at year-end	317	246

\* In 2020 non-vested share-based incentives for Marcus Desimoni were expensed for the full vesting period and recognized per December 31, 2020

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

## 2 Share-based incentive plans

For 2019-2021 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 fair value at the grant date of the options:

	Executive Management		Other employees	
	2021	2020	2021	2020
Number of option awarded in the year	18,250	39,303	50,288	54,560
Share price GN Store Nord at ordinary grant date	548	390	548	390
Vesting period	3 years	3 years	3 years	3 years
Life of option	6 years	6 years	6 years	6 years
Volatility*	32%	29%	32%	29%
Expected dividend	0.3%	0.4%	0.3%	0.4%
Risk-free interest rate**	0.00%	0.00%	0.00%	0.00%
Fair Value per option at ordinary grant (DKK)***	127	83	143	87
Total fair value at grant (DKK million)	2	3	7	4
Amortization period of the program	2021 - 2024	2020 - 2023	2021 - 2024	2020 - 2023

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

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

\*\*\* The fair value assumes a performance multiplier of 1



## 2 Share-based incentive programs (Continued)

	DKK		Number*	
	Average exercise price	Executive Management**	Other employees	Total
<b>Outstanding options at January 1, 2020</b>	<b>313</b>	<b>50,367</b>	<b>67,022</b>	<b>117,389</b>
Options granted during the year	384	39,303	54,560	93,863
Options forfeited during the year	345	-	-13,497	-13,497
<b>Outstanding options at December 31, 2020</b>	<b>344</b>	<b>89,670</b>	<b>108,085</b>	<b>197,755</b>
Options transferred during the year***	332	23,458	-5,046	18,412
Options granted during the year	547	18,250	50,288	68,538
Options forfeited during the year	398	-	-5,441	-5,441
<b>Outstanding options at December 31, 2021</b>	<b>392</b>	<b>131,378</b>	<b>147,886</b>	<b>279,264</b>
Weighted average term to maturity (Years)		3.9	4.1	4.0
Number of exercisable options at December 31, 2020		-	-	-
Number of exercisable options at December 31, 2021		-	-	-

\* The performance multiplier can decrease the number of options to 0 or as maximum effect increase the number of options by a factor of 2

\*\* Includes Marcus Desimoni, former CFO of GN Group

\*\*\* Transfers relate to options transferred between GN Group companies due to changes in executive management in Group companies

Grant date	DKK		Number*	
	Exercise price	Executive Management**	Other employees	Total
April 2019	313	63,543	57,722	121,265
February 2020	381	49,585	37,990	87,575
November 2020	476	-	3,348	3,348
February 2021	550	18,250	45,231	63,481
May 2021	495	-	3,595	3,595
<b>Outstanding options at December 31, 2021</b>		<b>131,378</b>	<b>147,886</b>	<b>279,264</b>

\* The performance multiplier can decrease the number of options to 0 or as maximum effect increase the number of options by a factor of 2

\*\* Includes Marcus Desimoni, former CFO of GN Group

## 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 104 million (2020: DKK 94 million), is recognized in the income statement as management and administrative expenses.

## 4 Fees to statutory auditors

DKK million	2021	2020
Statutory audit	-3	-2
Tax advice services	-1	-1
Other services	-9	-3
<b>Total</b>	<b>-13</b>	<b>-6</b>

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



## 5 Financial income and expenses

DKK million	2021	2020
<b>Financial income</b>		
Interest income from subsidiaries*	49	68
Interest income from bank balances*	1	4
Financial income, other	1	3
Fair value adjustment of derivative financial instruments, net	49	-
Foreign exchange gain	-	35
<b>Total</b>	<b>100</b>	<b>110</b>
<b>Financial expenses</b>		
Interest expense to subsidiaries*	-2	-7
Interest expenses on bank loans and issued bonds*	-74	-65
Financial expenses, other	-52	-26
Foreign exchange loss	-42	-45
<b>Total</b>	<b>-170</b>	<b>-143</b>

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

## 6 Tax

DKK million	2021	2020
<b>Tax on profit (loss)</b>		
Current tax for the year	38	-83
Deferred tax for the year	13	132
Adjustment to current tax in respect of prior years	10	10
Adjustment to deferred tax in respect of prior years	-11	80
<b>Total</b>	<b>50</b>	<b>139</b>
<b>Reconciliation of effective tax rate</b>		
Danish tax rate	22.0%	22.0%
Non-taxable income	0.0%	-0.1%
Non-deductible expenses	0.1%	0.3%
Adjustment of tax with respect of prior years	0.0%	-8.1%
Share of profit (loss) in subsidiaries	-25.0%	-26.3%
Share of profits (loss) in associates	0.0%	0.1%
Other, including provisions for uncertain tax positions	0.0%	-0.4%
<b>Effective tax rate</b>	<b>-2.9%</b>	<b>-12.5%</b>

In 2021, the company paid preliminary taxes of DKK 353 million in Danish corporate income tax for the year on behalf of the joint Group taxation (For the year 2020 DKK 272 million was paid in final tax for the year in Danish corporate income tax).

## 7 Intangible assets

DKK million	Software	
	2021	2020
Cost at January 1	670	522
Additions	290	149
Transfers	21	-
Other adjustments	-1	-1
Cost at December 31	980	670
Amortization and impairment at January 1	-301	-224
Amortization	-86	-77
Transfers	-4	-
Amortization and impairment at December 31	-391	-301
<b>Carrying amount at December 31</b>	<b>589</b>	<b>369</b>
Amortized over	1 - 7 years	1 - 7 years

The carrying amount includes software in progress of DKK 412 million (2020: DKK 191 million).



## 8 Property, plant and equipment

DKK million	2021			2020		
	Factory and office buildings	Operating assets and equipment	Total	Factory and office buildings	Operating assets and equipment	Total
Cost at January 1	-	52	52	-	30	30
Additions	-	31	31	-	22	22
Transfers	-	-21	-21	-	-	-
Cost at December 31	-	62	62	-	52	52
Depreciation and impairment at January 1	-	-17	-17	-	-7	-7
Depreciation	-	-11	-11	-	-10	-10
Transfers	-	4	4	-	-	-
Depreciation and impairment at December 31	-	-24	-24	-	-17	-17
<b>Carrying amount at December 31</b>	<b>-</b>	<b>38</b>	<b>38</b>	<b>-</b>	<b>35</b>	<b>35</b>
Leased assets, c.f. note 9	20	1	21	35	1	36
<b>Total carrying amount at December 31</b>	<b>20</b>	<b>39</b>	<b>59</b>	<b>35</b>	<b>36</b>	<b>71</b>

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



## 9 Leases

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

### Leased assets

DKK million	2021			2020		
	Factory and office buildings	Operating assets and equipment	Total	Factory and office buildings	Operating assets and equipment	Total
Carrying amount at January 1	35	1	36	39	2	41
Additions	-	1	1	-	-	-
Remeasurements	-9	-	-9	2	-	2
Depreciation	-6	-1	-7	-6	-1	-7
<b>Carrying amount at December 31</b>	<b>20</b>	<b>1</b>	<b>21</b>	<b>35</b>	<b>1</b>	<b>36</b>

### Lease liabilities

DKK million	2021	2020
Contractual maturity analysis of lease liabilities:		
Less than one year	8	7
Between one and three years	14	13
More than three years	-	18
<b>Total</b>	<b>22</b>	<b>38</b>

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

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

### Amounts expensed in the income statement and total cash outflow

DKK million	2021	2020
Expense relating to low-value assets and short-term leases	1	-
Cash outflow re. lease liabilities	6	6
<b>Total cash outflow for leases</b>	<b>7</b>	<b>6</b>

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	2021	2020
Cost at January 1	6,594	6,400
Additions, capital contribution	159	194
<b>Cost at December 31</b>	<b>6,753</b>	<b>6,594</b>
Value adjustment at January 1	2,024	3,190
Share of profit after tax in subsidiaries	1,943	1,332
Foreign currency translation adjustments	396	-601
Direct equity postings in subsidiaries	85	103
Dividends received	-	-2,000
<b>Value adjustments at December 31</b>	<b>4,448</b>	<b>2,024</b>
<b>Carrying amount at December 31</b>	<b>11,201</b>	<b>8,618</b>

Group companies are listed on pages 124-125. Before the Annual General Meeting on March 9, 2022, 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 Investments in associates

DKK million	2021	2020
<b>Aggregated financial information for associates is provided below:</b>		
Total share of loss in associates for the year	-1	-3
Total share of net assets in associates	34	24
Carrying amount of associates	34	24

## 12 Deferred tax

DKK million	2021	2020
<b>Deferred tax, net</b>		
Deferred tax at January 1, net	-28	-240
Adjustment in respect of prior years	-11	80
Deferred tax for the year recognized in profit (loss) for the year	13	132
<b>Deferred tax at December 31, net</b>	<b>-26</b>	<b>-28</b>
<b>Deferred tax, net relates to</b>		
Intangible assets	-43	-42
Other	17	14
<b>Total</b>	<b>-26</b>	<b>-28</b>

## 13 Contingent assets and liabilities

The parent company has issued guarantees on behalf of subsidiaries of DKK 24 million (2020: DKK 23 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

### Categories of financial assets and liabilities

DKK million	2021	2020
Other receivables	75	55
Amounts owed by subsidiaries	4,019	3,704
<b>Financial assets at amortized cost</b>	<b>4,094</b>	<b>3,759</b>
Derivative financial instruments included in Other receivables	83	83
<b>Financial assets at fair value through profit or loss</b>	<b>83</b>	<b>83</b>
Issued bonds (bond-with-warrant units)	2,363	2,326
Issued EMTN bonds	6,778	1,627
Bank loans, non-current	372	1,116
Lease liabilities	22	37
Bank loans, current	1,606	334
Other payables	-	19
Trade payables	94	56
Amounts owed to subsidiaries	4,186	3,087
<b>Financial liabilities at amortized cost</b>	<b>15,421</b>	<b>8,602</b>
Derivative financial instruments included in Other payables	77	102
<b>Financial liabilities at fair value through profit or loss</b>	<b>77</b>	<b>102</b>

For a description of loans in GN Store Nord, as well as interest rate and foreign exchange risk on these, please refer to note 4.2 Financial risks in the consolidated financial statements.

### Contractual maturity analysis for financial liabilities

DKK million	Less than one year	Between one and three years	More than three years	Total
<b>2021</b>				
Issued bonds	70	6,226	3,404	9,700
Long-term bank loans	1	1	372	374
Short-term bank loans	1,606	-	-	1,606
Amounts owed to subsidiaries	4,186	-	-	4,186
Trade payables	94	-	-	94
Total non-derivative financial liabilities	5,957	6,227	3,776	15,960
Derivative financial liabilities	68	-	9	77
<b>Total financial liabilities</b>	<b>6,025</b>	<b>6,227</b>	<b>3,785</b>	<b>16,037</b>
<b>2020</b>				
Issued Bonds	12	1,661	2,455	4,128
Long-term bank loans	1	745	373	1,119
Short-term bank loans	334	-	-	334
Amounts owed to subsidiaries	3,087	-	-	3,087
Other payables	19	-	-	19
Trade payables	56	-	-	56
Total non-derivative financial liabilities	3,509	2,406	2,828	8,743
Derivative financial liabilities	102	-	-	102
<b>Total financial liabilities</b>	<b>3,611</b>	<b>2,406</b>	<b>2,828</b>	<b>8,845</b>

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

### 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 2,422 million at December 31, 2021 (2020: DKK 2,394 million), and the fair value of EMTN bonds amounted to DKK 6,832 million (2020: 1,673 million). For other financial assets and liabilities, the fair value is approximately equal to the carrying amount.

The foreign currency risk in GN Store Nord A/S mainly arises from translation of receivables, debt and cash balances related to EUR and USD, of which a large part of the USD risk is related to intercompany balances. The foreign currency risk is mitigated through non-designated derivatives. At year end 2021 the FX derivatives had a fair value of DKK 16 million (2020: -18 million), of which DKK -9 million (2020: -21 million) are related to derivatives of USD vs EUR or DKK and DKK 12m (2020: DKK 7 million) are related to derivatives of EUR vs DKK. Interest swaps have value of DKK -9 million (2020: DKK -1 million). The fair value of derivatives is categorized as level 2 (observable inputs) in the fair value hierarchy.

DKK million	2021	2020
Fair value adjustment for the year recognized in Other comprehensive income	-	4



## 15 Outstanding shares and treasury shares

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

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

## 16 Related party transactions

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

Group companies are listed on pages 124-125. Trade with group enterprises comprised:

DKK million	2021	2020
Sale of services to group enterprises	563	456
Lease income from group enterprises	28	25
Sale of intangible assets to Group enterprises	26	-
Purchase of services from group enterprises	-108	-89
Lease costs paid to group enterprises	-32	-30

The parent company's balances with group enterprises at December 31, 2021 are disclosed in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in note 5 Financial income and expenses. Further, balances with Group enterprises comprise trade balances related to the purchase and sale of goods and services.

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

No transactions have been carried out with the Board of Directors, the Executive Management, senior employees, major shareholders or other related parties, apart from remuneration disclosed in notes 5.2 Remuneration of the Board of Directors and Executive Management

and 5.3 Share-based incentive plans in the consolidated financial statements.



## 17 Liabilities from financing activities

DKK million	Bank loans	Issued bonds	Lease liabilities	Bank loans, current	Amounts owed to subsidiaries	Payment re. frozen vacation pay included in Other payables *	Total
Liabilities at January 1	1,116	3,953	37	334	3,087	19	8,546
Cash flows	-	5,134	-6	528	1,060	-19	6,697
Foreign exchange adjustments	-	2	-	-	39	-	41
New leases and remeasurements	-	-	-9	-	-	-	-9
Loans reclassified to current	-744	-	-	744	-	-	-
Non-cash interest expenses	-	52	-	-	-	-	52
<b>Liabilities at December 31, 2021</b>	<b>372</b>	<b>9,141</b>	<b>22</b>	<b>1,606</b>	<b>4,186</b>	<b>-</b>	<b>15,327</b>
Liabilities at January 1	1,418	3,927	41	1,196	3,663	-	10,245
Cash flows	-296	-	-7	-862	-609	-	-1,774
Foreign exchange adjustments	-6	-15	-	-	33	-	12
New leases	-	-	3	-	-	-	3
Non-cash interest expenses	-	41	-	-	-	-	41
<b>Liabilities at December 31, 2020</b>	<b>1,116</b>	<b>3,953</b>	<b>37</b>	<b>334</b>	<b>3,087</b>	<b>-</b>	<b>8,527</b>

\* Payment made to LD Fonde relating to the change in vacation year in Denmark and presented in Cash flow from financing activities.

## 18 Accounting policies

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

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

### Supplementary accounting policies for the parent company

#### Investments in subsidiaries

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

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

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

### Management's report for the GN Parent company

The GN Parent Company reports GN Corporate level activities and investments into GN Hearing and GN Audio. Revenue in 2021 grew DKK 107 million (2020: DKK 98 million), primarily due to changes in the Group Functions. Costs increased during the year due to changes in the Group Functions. The GN Parent Company applies the equity method for recognizing share of profit and investments in subsidiaries and profit for the year and total equity developed in line with the Group's overall development. In 2021 no dividends have been received. (2020: DKK 2,000 million).





# Statements 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 2021.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in 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 2021 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 2021.

Further, in our opinion, the Management's report gives a fair review of the development in the group's and the parent company's activities and financial matters, results of operations, cash flows and financial position as well as a description of material risks and uncertainties that the group and the parent company face.

In our opinion, the Annual Report of GN Store Nord A/S for the financial year 1 January to 31 December 2021 with the file name GNStoreNord-2021-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

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

Ballerup, February 10, 2022

## Executive Management

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

**Gitte Pugholm Aabo**  
CEO, GN Hearing

**Peter la Cour Gormsen**  
CFO, GN Store Nord & GN Audio

## Board of Directors

**Per Wold-Olsen**  
Chairman

**Jukka Pekka Pertola**  
Deputy chairman

**Hélène Barnekow**

**Montserrat Maresch Pascual**

**Wolfgang Reim**

**Ronica Wang**

**Anette Weber**

**Morten Andersen**

**Leo Larsen**

**Marcus Stuhr Perathoner**



# Independent Auditor's Reports

## To the shareholders of GN Store Nord A/S

### Report on the audit of the Financial Statements

#### Our opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2021 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 2021 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 2021, pp 67-141 comprise income statement and statement of comprehensive income, balance sheet, statement of equity, statement of cash flows and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. Collectively referred to as the "Financial Statements".

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

#### Appointment

We were first appointed auditors of GN Store Nord A/S on 21 March 2019 for the financial year 2019. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of three years including the financial year 2021.



### 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 2021. 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

##### **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..

#### How our audit addressed the key audit matter

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 the model, data and assumptions applied in 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 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 1-66.

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 a true and fair view.
- 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of GN Store Nord A/S for the financial year 1 January to 31 December 2021 with the file name GNStoreNord-2021-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- Preparing the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;

- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of GN Store Nord A/S for the financial year 1 January to 31 December 2021 with the file name GNStoreNord-2021-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 10 February 2022

### PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab  
CVR no 3377 1231

Mogens Nørgaard Mogensen  
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mne21404

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