

# GN Hearing A/S Annual Report 2019

**Approved at the annual general meeting 11/03/2020**

Chairman:

.....  
Daniel Boda

CVR-no. 55 08 27 15

# Contents

## Statements

Statement by the Executive Management and the Board of Directors	3
Independent auditors' report	4

## Management's report

Company Details	6
Financial highlights	7
Management review of GN Hearing A/S	8
Key ratio definitions	13

## Financial Statements

Income statement and statement of comprehensive income	14
Balance sheet	15
Statement of cashflow	16
Statement of equity	17

## Notes to the financial statements

### Section 1 Basis of Preparation

1.1 General accounting policies	18
1.2 Significant accounting estimates and judgments	20
1.3 Non-IFRS measures	20

### Section 4 Financing Items

4.1 Financial risks	34
4.2 Financial income and expenses	35
4.3 Financial instruments	36

### Section 2 Results for the year

2.1 Revenue and geographical information	21
2.2 Staff Costs	21
2.3 Tax	23
2.4 Income statement classified by function	24

### Section 5 Other disclosures

5.1 Share-based incentive plans	39
5.2 Contingent assets and liabilities	42
5.3 Associates	42
5.4 Other non-cash adjustments	42
5.5 Fees to statutory auditors	43
5.6 Related parties	43

### Section 3 Operating assets and liabilities

3.1 Intangible assets	25
3.2 Property, plant and equipment	27
3.3 Leases	28
3.4 Depreciation, amortization and impairment	29
3.5 Inventories	30
3.6 Trade receivables	31
3.7 Investment in subsidiaries	32
3.8 Provisions	33

Companies in GN Hearing Group	44
-------------------------------	----

# Statement by the Executive Management and the Board of Directors

Today, the Executive Management and the Board of Directors have discussed and approved the GN Hearing A/S (from here on forward 'GN Hearing' or 'the Company') Annual Report 2019.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the financial position of GN Hearing as of 31 December 2019 and of the results of the company's operations and cash flows for the financial year 1 January – 31 December 2019.

Further, in our opinion, the Management's report gives a fair review of the development in GN Hearing'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 company faces.

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

Ballerup, 11 March 2020

## Executive management

**Gitte Pugholm Aabo**  
CEO

**Marcus Desimoni**  
CFO

## Board of directors

**Per Wold-Olsen**  
(Chairman)

**William E. Hoover, Jr.**  
(Deputy chairman)

**Wolfgang Reim**

**Ronica Wang**

**Hélène Barnekow**

**Christian Bonneze**

**Martin Kristian Grønbæk**

**Thomas Olsgaard**

# Independent Auditor's Report

## To the Shareholders of GN Hearing A/S

### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of GN Hearing A/S for the financial year 1 January - 31 December 2019, which comprise income statement, statement of comprehensive income, balance sheet, statement of cash flow, statement of equity and notes, including a summary of significant accounting policies ("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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Statement on Management's Report

Management is responsible for Management's Report.

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 during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Report provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Report is in accordance with the 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 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 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 in preparing the financial statements unless Management either intends to liquidate the 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 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 in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Hellerup, 11 March 2020  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR No 33 77 12 31

Mads Melgaard  
State Authorised Public Accountant  
mne34354

Elife Savas  
State Authorised Public Accountant  
mne34453

# Management's report

## Company details

Company	GN Hearing A/S Lautrupbjerg 7 2750 Ballerup
Phone:	45 75 11 11
E-mail:	info@gnresound.com
Webpage:	www.gn.com
CVR.no.:	55 08 27 15
Started:	31 January 1957
Location:	Ballerup
Accounting year:	1 January – 31 December
Board of Directors	Per Wold-Olsen (Chairman) William E. Hoover, Jr. (Deputy Chairman) Wolfgang Reim Ronica Wang Hélène Barnekow Christian Bonnez (Employee elected) Martin Kristian Grønbæk (Employee elected) Thomas Olsgaard (Employee elected)
Executive management	Gitte Pugholm Aabo, CEO Marcus Desimoni, CFO
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup
Ownership	The company is 100% owned by GN Store Nord A/S, Lautrupbjerg 7, 2750 Ballerup, Denmark.

## Financial highlights

DKK thousand	2019	2018	2017	2016	2015
Revenue	3,722,704	3,586,654	3,225,263	2,768,785	2,527,177
Gross Profit	1,838,188	1,724,501	1,726,137	1,302,100	1,102,275
EBITA *	734,375	771,641	806,852	331,986	325,661
Operating profit (loss)	699,539	743,147	773,750	299,229	312,573
Result from financial items	175,159	310,371	253,190	167,102	911,528
<b>Profit (loss) for the year</b>	<b>701,230</b>	<b>838,515</b>	<b>857,263</b>	<b>362,873</b>	<b>1,143,380</b>
Non-current assets	4,807,675	5,748,756	5,590,411	6,021,739	5,409,513
Current assets	1,026,364	864,945	678,607	1,026,354	727,242
Total assets	5,834,039	6,613,701	6,269,018	7,048,093	6,136,755
Share capital	64,650	63,905	63,788	63,508	63,221
Total equity	4,614,121	4,665,693	3,838,796	4,828,103	4,422,378
Non-current liabilities	301,103	250,233	313,692	322,724	338,435
Current liabilities	918,815	1,697,775	2,116,530	1,879,213	1,375,942
Cash flow from operating activities	728,189	1,172,854	1,094,673	548,560	1,409,717
Investment in PP&E	48,691	47,501	23,697	38,123	81,071
Key ratios					
Operating Margin	18.8	20.7	24.0	10.8	12.4
Gross Margin	49.4	48.1	53.5	47.0	43.6
Return on Investment	14.3	19.9	19.5	7.8	11.0
Equity Ratio	79.1	70.5	61.2	68.5	72.1
Return on Equity	15.1	19.7	19.8	7.8	30.1

\*) Please refer to Key Ratio Definitions on page 13 for definition of EBITA

Note: Amounts for period 2015-2017 are not adjusted for changes related to IFRS 9 and IFRS 15. Moreover, amounts for the period 2015-2018 are not adjusted for changes related to IFRS 16.

## Management's review of GN Hearing A/S

### Principal activities of the Company

GN Hearing A/S offer advanced hearing aids, that improves the life of people with hearing loss.

### Development in activities and financial matters

GN Hearing A/S's revenue for 2019 ended at DKK 3,723 million (2018: DKK 3,587 million), which is a revenue growth of 4% compared to 2018.

GN Hearing A/S's gross profit increased 7% to DKK 1,838 million in 2019 compared to DKK 1,725 million in 2018. The gross margin at 49.4% is in line with 2018 (48.1%).

EBITA decreased slightly (5%) from DKK 772 million to DKK 734 million especially due to increased development costs as well as management and administrative costs. The EBITA margin at 20% is in line with the guidance for the year and in line with 2018.

The result is in alignment with the expectations for 2019, and management assess the result as satisfying.

During 2019, GN Hearing A/S continued to execute on the global rollout of the ReSound LiNX Quattro product family, including the launch of ReSound LiNX Quattro custom hearing aids in August 2019. The new portfolio includes the world's first Completely-in-Canal (CIC) 2.4 GHz hearing aid with ear-to-ear connectivity and direct streaming to iOS and Android devices. In October 2019, GN Hearing A/S presented powerful proof of the excellent performance of ReSound LiNX Quattro at the 64th International Congress of Hearing Aid Acousticians (EUHA) in Nuremberg. ReSound LiNX Quattro was placed as a clear winner for sound quality in a survey of over 700 hearing care professionals. When comparing ReSound LiNX Quattro with other brands of premium hearing aids selected by the hearing care professionals, ReSound LiNX Quattro ranked as the preferred technology for sound quality, understanding speech in a noisy background, and localizing sounds, which continue to be the major drivers of satisfaction for hearing aid users. Moreover, ReSound LiNX Quattro was also ranked number one for speech in noise and music listening when streaming from an iPhone, compared to other hearing aids in an independent study.

The Smart Hearing Alliance, a co-development and co-commercialization partnership between GN Hearing and Cochlear, first announced in October 2015, was further expanded and deepened during 2019.

### *Gitte Aabo appointed new CEO of GN Hearing A/S*

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



#### **Events after the balance sheet date**

No events have happened during the period after the balance sheet date that have a material impact on the assessment of the company's financial position at the balance sheet date.

#### **Market projections**

For the coming years, GN Hearing A/S estimates the annual market growth to be around 4 - 6% in volumes with annual ASP decline of around 1 - 2%.

#### **Outlook 2020**

The financial outlook is prepared at segment level at GN Store Nord. In 2020, the GN Hearing segment expects to continue to grow faster than the market. Organic revenue growth is expected to be more than 6%, which is expected to be balanced towards the second half of 2020. The EBITA margin is expected to be more than 20% in 2020, which is a combination of strong focus on cost items to drive leverage as well as continued focus on investing in growth opportunities, as we operate in attractive markets.

At GN Hearing A/S level, EBITA is expected to decrease as a result of increased costs for IT infrastructure as well as R&D roadmap in 2020.

The financial guidance does not include any impact from the coronavirus.

## **Risk management**

Operating in business environments where the pace of innovation and change keeps increasing, GN Hearing A/S's executive management considers its proactive and systematic approach to risk management a valuable tool in our continuous efforts to stay ahead of new developments and compete in tomorrow's marketplace.

Facilitated and supported by GN Hearing A/S's risk management function, key risks are identified and assessed by GN's management teams on a regular basis across the entire value chain.

The global management team in GN Hearing A/S meet to evaluate the most significant risks identified across the businesses and to determine whether any additional or different actions should be taken in order to mitigate them or turn them into opportunities.

At least once a year, the risks that are assessed to be the most material are reported to and discussed with the audit committee and subsequently the board. This process is also used to identify specific risk areas to be analyzed in further detail.

The overall aim of this integrated approach to risk management is to enable GN Hearing A/S to reap the rewards of more coordinated, controlled and intelligent risk-taking.

The main risks associated with GN Hearing A/S's business and the main initiatives taken to manage them are outlined below.

### **General risks**

GN Hearing A/S' significant operating risk is linked to its ability to develop innovative new products in a cost effective platform and the ability to sell these products in key markets.

### **Financial risk**

As result of its operating, investing and financing activities, GN Hearing A/S are exposed to various financial risks. GN Group has centralized the management of financial risks.

The financial risks are handled in accordance with the general guidelines for financial risk management, as set out in GN Store Nord's fiscal policy.

The financial risks of GN Hearing A/S can be outlined as follows:

#### *Interest rate risk*

GN Hearing A/S's interest rate risk is primarily connected to intercompany loans within the GN-Group.

#### *Currency exposure risk*

GN Hearing A/S has commercial activities mainly exposed against fluctuations in USD, GBP, CAD, CNY and JPY. The company use hedging to cover all material currency risks on the expected cash flows.

### **Risks associated with distribution**

GN Hearing A/S constantly seeks to maintain an optimal inventory level that balances the desire for low working capital with the risk that the company cannot meet market demand.

GN Hearing A/S closely monitor the credit risks relating to receivables and thus the customers' payment behavior and assesses not to have significant credit risks concerning individual customers or business partners.

### **Corporate Social Responsibility**

For the statutory Statement on Corporate Social Responsibility for 2019, cf. §99a of the Danish Financial Statement Act, please see the 2018 Communication on Progress report by GN Store Nord A/S and the Sustainability I ESG report 2019 by GN Store Nord A/S available on <https://www.gn.com/About/Document-download-center#>.

### **Operations**

GN Hearing A/S is constantly aiming to optimize the production setup and to make it even more cost-efficient. The main manufacturing facilities for GN Hearing A/S are located in Denmark, the United States, China and Malaysia.

### **Research and development activities**

Innovation Excellence is a cornerstone in GN Hearing A/S's strategy for 2017 - 2019.

During the year, much focus has been directed to the rising importance of Artificial Intelligence (AI) evidenced by the introduction of AI in the hearing aids as announced in the beginning of January 2019. GN's focus on AI builds on years of investments in the Group's dedicated AI research center, the GN Advanced Science unit; the investment in audEERING, the partnerships and ecosystems with other leading technology innovators, such as Apple and Google, and the extensive collaboration with other partners and academic research institutes.

GN researchers are working on the next generations of products and software releases that will set new milestones in the space of AI-enhanced product offerings benefiting from GN's group-wide investments in technology research, product development, and strategic partnerships over the past several years.

### **Corporate governance**

In 2019, we have continued to strengthen leadership development and strategic execution power with a focused leadership program "Leading Strategy".

We want career development in GN Hearing A/S to be connected to performance, irrespective of gender, age and nationality, as we firmly believe that diverse teams and leadership have a substantial positive impact on business results and organizational performance. To ensure performance-based career development, all employees engage in dialogues with their leader for performance reviews and development planning, where performance on objectives and values is discussed as well as career ambitions and opportunities.

The individual performance review and development planning dialogue is supplemented by a talent review and succession planning process involving the upper levels of the organization where leaders assess their employees' performance and potential. This provides input for GN Hearing A/S's succession planning for key positions and individual development plans.

### **Gender diversity in senior management positions (§99b)**

Diversity in gender, nationality, age and any other relevant dimension is an integral part of GN Hearing A/S's yearly talent review and succession planning process, talent development practices, recruitment procedures and leadership development programs. In 2019, GN Hearing A/S adopted a new Diversity Policy that sets our direction and actions in this area.

#### *Board of Directors*

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

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

#### *Senior management*

Another focus has been to ensure stronger international representation in our senior management, the Global Management Team (GMT) in GN Hearing A/S. By the end of 2019, GN Hearing A/S's GMT comprised 30% female leaders and 40% non-Danes.

When GN Hearing A/S's diversity policy was established in 2014, women filled 14% of the company's senior management positions. As a result of dedicated efforts women by the end of 2019 filled 20% of senior management positions across the GN Group. GN had aimed for 25% during the 2017 - 2019 strategy period and will continue to strengthen efforts to build a pipeline of future female candidates for senior positions. We have a constant focus to ensure that we attract female candidates for both internal job rotations and for new positions. By the end of 2019, 30% of the newly appointed members of senior management were women.

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

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

## Key ratio definitions

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.
Operating Margin	= $\frac{\text{Operating profit (loss)} * 100}{\text{Revenue}}$
Gross margin	= $\frac{\text{Gross profit(loss)} * 100}{\text{Revenue}}$
EBITA margin	= $\frac{\text{EBITA}}{\text{Revenue}}$
Return on Investment	= $\frac{\text{Operating profit (loss)} * 100}{\text{Average invested capital}}$
Invested capital	= NWC + property, plant and equipment and intangible assets + loans to dispensers of GN Hearing A/S products + pre-paid discounts + ownership interests – provisions
Return on equity (ROE)	= $\frac{\text{Profit (loss)} * 100}{\text{Average equity}}$
Equity ratio	= $\frac{\text{Total equity}}{\text{Total assets}}$

## Income statement

DKK thousand	Note	2019	2018
Revenue	2,1, 2.4, 2.5	3,722,704	3,586,654
Production costs	2,1, 2.4, 2.5, 3.5	(1,884,516)	(1,862,153)
<b>Gross profit</b>		<b>1,838,188</b>	<b>1,724,501</b>
Development costs	2.2, 2.4, 3.4	(526,320)	(454,537)
Selling and distribution costs	2.2, 2.4, 3.4	(293,372)	(288,578)
Management and administrative expenses	2.2, 2.4, 3.3, 3.4	(307,286)	(208,227)
Other operating income and costs, net	4.3	23,165	(1,518)
<b>EBITA*</b>		<b>734,375</b>	<b>771,641</b>
Amortization of acquired intangible assets	2.2, 2.4, 3.1	(34,836)	(28,494)
<b>Operating profit (loss)</b>		<b>699,539</b>	<b>743,147</b>
Share of profit (loss) in associates	5.3	7,140	12,500
Financial income	4.2	296,126	311,737
Financial expenses	4.2	(128,107)	(13,866)
<b>Profit (loss) before tax</b>		<b>874,698</b>	<b>1,053,518</b>
Tax on profit (loss)	2.3	(173,468)	(215,003)
<b>Profit (loss) for the year</b>		<b>701,230</b>	<b>838,515</b>
<b>Proposed profit appropriation/distribution of loss</b>			
Retained earnings		(365,154)	(201,387)
Transfer to reserve for capitalized development projects		66,384	39,902
Proposed dividends for the year		1,000,000	1,000,000
<b>Profit (loss) for the year</b>		<b>701,230</b>	<b>838,515</b>

\* Please refer to Key Ratio Definitions on page 13

## Statement of comprehensive income

DKK thousand	Note	2019	2018
<b>Profit (loss) for the year</b>		<b>701,230</b>	<b>838,515</b>
<b>Items that may be reclassified subsequently to the income statement</b>			
Adjustment of cash flow hedges	4.3	17,810	(71,696)
Foreign exchange adjustments, etc.		(204)	377
Tax relating to these items of other comprehensive income	2.3	(3,918)	15,773
<b>Other comprehensive income for the year, net of tax</b>		<b>13,688</b>	<b>(55,546)</b>
<b>Total comprehensive income for the year</b>		<b>714,918</b>	<b>782,969</b>

## Balance sheet at December 31

DKK thousand	Note	2019	2018
<b>Assets</b>			
Intangible assets	3.1	1,117,705	1,072,889
Property, plant and equipment	3.2, 3.3, 3.4	160,301	108,328
Investments in subsidiaries	3.7	2,823,109	2,657,182
Investments in associates	5.3	6,833	7,239
Other non-current assets	4.3	76,845	80,504
Amounts owed by subsidiaries and group companies	4.3	622,882	1,822,614
<b>Total non-current assets</b>		<b>4,807,675</b>	<b>5,748,756</b>
Inventories	3.5	194,419	166,808
Trade receivables	3.6, 4.3	152,728	124,597
Amounts owed by subsidiaries and group companies, current	4.3	578,332	469,926
Other receivables		41,938	37,849
Cash and cash equivalents	5.4	58,947	65,765
<b>Total current assets</b>		<b>1,026,364</b>	<b>864,945</b>
<b>Total assets</b>		<b>5,834,039</b>	<b>6,613,701</b>
<b>Equity and Liabilities</b>			
Share capital		64,650	63,905
Other reserves		(4,028)	(12,577)
Reserve for capitalized development projects		776,468	662,791
Proposed dividends for the year		1,000,000	1,000,000
Retained earnings		2,777,031	2,951,574
<b>Total equity</b>		<b>4,614,121</b>	<b>4,665,693</b>
Lease liabilities, non-current	3.3, 4.2	34,530	-
Provisions, non-current	3.8	71,926	2,244
Deferred tax liabilities	2.3	194,647	169,471
Other non-current liabilities	4.3	-	618
Amounts owed to subsidiaries and group companies, non-current	4.3	-	77,900
<b>Total non-current liabilities</b>		<b>301,103</b>	<b>250,233</b>
Bank loans	4.2, 4.3	1	14,141
Lease liabilities, current	3.3, 4.2	9,045	-
Trade payables	4.3	71,811	56,323
Tax payables	2.3	9,317	167,302
Amounts owed to subsidiaries and group companies, current	4.3	627,733	1,204,823
Provisions, current	3.8	3,204	17,227
Other current liabilities	4.3	197,704	237,959
<b>Total current liabilities</b>		<b>918,815</b>	<b>1,697,775</b>
<b>Total equity and liabilities</b>		<b>5,834,039</b>	<b>6,613,701</b>

## Statement of cash flow

DKK thousand	Note	2019	2018
<b>Operating activities</b>			
Operating profit (loss)		699,539	743,147
Depreciation, amortization and impairment	3.4	336,962	279,679
Other non-cash adjustments	5.4	(28,644)	18,402
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,007,857</b>	<b>1,041,228</b>
Change in inventories		(26,444)	(8,418)
Change in receivables		(33,360)	14,994
Change in trade payables and other payables		24,767	(49,697)
<b>Total changes in working capital</b>		<b>(35,037)</b>	<b>(43,121)</b>
<b>Cash flow from operating activities before financial items and tax</b>		<b>972,820</b>	<b>998,107</b>
Interest received and paid, net		48,973	266,561
Change in payable tax		(293,604)	-
Tax paid, net		-	(91,812)
<b>Cash flow from operating activities</b>		<b>728,189</b>	<b>1,172,856</b>
<b>Investing activities</b>			
Investments in intangible assets, excluding development projects		(744)	(70,544)
Development projects	3.1	(331,697)	(249,174)
Investments in property, plant and equipment	3.2	(48,691)	(47,501)
Investments in other non-current assets		(1,166)	(2,119)
Disposal of intangible assets and property, plant and equipment		-	216
Disposal (repayment) of other non-current assets		11,954	3,212
Increase/(Decrease) of amount owed by and to subsidiaries		86,678	(111,111)
Divestment of companies/operations		-	(500)
<b>Cash flow from investing activities</b>		<b>(283,666)</b>	<b>(477,521)</b>
<b>Cash flow from operating and investing activities (free cash flow)</b>		<b>444,523</b>	<b>695,335</b>
<b>Financing activities</b>			
Increase of long-term loans	4.1	-	(3,773)
Increase of short-term loans	4.1	(14,139)	(28,682)
Decrease of long-term loans	4.1	(9,705)	-
Paid dividends		(1,000,000)	-
Share-based payment (exercised)		199,274	24,537
Increase/(decrease) of amounts owed by and to subsidiaries		340,929	(657,333)
Exchange rate adjustments		32,298	-
<b>Cash flow from financing activities</b>		<b>(451,343)</b>	<b>(665,251)</b>
<b>Net cash flow</b>		<b>(6,820)</b>	<b>30,084</b>
Cash and cash equivalents, beginning of period		65,767	35,683
<b>Cash and cash equivalents, end of period</b>		<b>58,947</b>	<b>65,767</b>



## Statement of equity

DKK thousand	Share Capital	Hedging Reserve	Reserve for capitalized development projects	Proposed dividends for the year	Retained earnings	Total equity
<b>Balance at January 1, 2018</b>	<b>63,788</b>	<b>38,003</b>	<b>670,182</b>	<b>-</b>	<b>3,066,823</b>	<b>3,838,796</b>
Profit (loss) for the period	-	-	39,902	1,000,000	(201,387)	838,515
Adjustment of cash flow hedges	-	(71,696)	-	-	-	(71,696)
Other equity movements in associated companies	-	-	-	-	377	377
Tax relating to other comprehensive income	-	15,773	-	-	-	15,773
Total comprehensive income for the year	-	(55,923)	39,902	1,000,000	(201,010)	782,969
Increase of share capital	117	-	-	-	24,420	24,537
Share-based payment (granted)	-	-	-	-	14,048	14,048
Tax related to share-based incentive plans	-	-	-	-	5,343	5,343
<b>Balance at December 31, 2018</b>	<b>63,905</b>	<b>(17,920)</b>	<b>710,084</b>	<b>1,000,000</b>	<b>2,909,624</b>	<b>4,665,693</b>
Profit (loss) for the period	-	-	66,384	1,000,000	(365,154)	701,230
Adjustment of cash flow hedges	-	17,810	-	-	-	17,810
Other equity movements in associated companies	-	-	-	-	(204)	(204)
Tax relating to other comprehensive income	-	(3,918)	-	-	-	(3,918)
Total comprehensive income for the year	-	13,892	66,384	1,000,000	(365,358)	714,918
Increase of share capital*	745	-	-	-	198,530	199,275
Share-based payment (granted)	-	-	-	-	17,644	17,644
Tax related to share-based incentive plans	-	-	-	-	16,591	16,591
Paid dividends	-	-	-	(1,000,000)	-	(1,000,000)
<b>Balance at December 31, 2019</b>	<b>64,650</b>	<b>(4,028)</b>	<b>776,468</b>	<b>1,000,000</b>	<b>2,777,031</b>	<b>4,614,121</b>

\*The share capital has increased, in 2014 by tDKK 470, in 2015 by tDKK 354, in 2016 by tDKK 287, in 2017 by tDKK 280, 2018 by tDKK 117 and by 745 tDKK in 2019.

## Accounting policies

### Reserve for capitalized development projects

The reserve for development costs comprise GN Hearing A/S's development costs corresponding to the carrying amount of development cost capitalized in the balance sheet since January 1, 2016 net of tax. The reserve is non distributable and cannot be used to cover deficit. The reserve is dissolved upon disposal of the development cost either by sale or if the development cost is no longer part of the entity's operation. The reserve will then be transferred to the distributable reserves. The reserve will be reduced and the distributable reserves increased concurrently with either depreciation or write-downs. ●

# Section 1

## Basis of preparation

In the annual report the notes are grouped in sections. Each note includes the accounting policies and significant accounting estimates applicable to the relevant notes.

The description of the accounting policies in the notes is part of the complete description of GN Hearing A/S's accounting policies. The notes are grouped in these five sections:

Section 1 Basis of preparation  
Section 2 Results for the year  
Section 3 Operating assets and liabilities  
Section 4 Financing items  
Section 5 Other disclosures

Included in Section 1 are required disclosures and general accounting policies, including management's judgments and estimates under International Financial Reporting Standards (IFRS), relevant for the understanding of the basis of preparation of the financial statements of GN Hearing A/S

GN Hearing A/S's is part of GN Store Nord's consolidated Annual Report and does therefore not prepare consolidated financial statements for GN Hearing Group.

### 1.1 General accounting policies

The annual report of GN Hearing A/S for 2019 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Danish disclosure requirements for annual reports of listed companies.

The financial statements are presented in Danish kroner (DKK), rounded to the nearest DKK 1,000. The company's functional currency is DKK.

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

#### **New standards, interpretations and amendments adopted by GN Hearing A/S**

As of January 1, 2019, GN Hearing A/S adopted all relevant new or revised International Financial Reporting Standards and IFRIC Interpretations with effective date January 1, 2019 or earlier, including IFRS 16 Leases. Apart from this, the annual report is presented in accordance with the accounting policies applied in previous years' annual reports.

#### **Effect from implementing IFRS 16 Leases**

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

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

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

## 1.1 General accounting policies (Continued)

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

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

DKK thousand	Previous accounting policy	Effect of policy changes (IFRS 16)	New accounting policy
<b>Assets</b>			
Property, plant and equipment	108,328	52,404	160,732
<b>Total assets</b>	<b>6,613,701</b>	<b>52,404</b>	<b>6,666,105</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>	<b>4,665,693</b>	<b>-</b>	<b>4,665,693</b>
Lease liabilities, non-current	-	43,359	43,359
Lease liabilities, current	-	9,045	9,045
<b>Total equity and liabilities</b>	<b>6,613,701</b>	<b>52,404</b>	<b>6,666,105</b>

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

DKK thousand	January 1, 2019
Properties	49,905
Cars	2,499
<b>Total right-of-use assets</b>	<b>52,404</b>

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

DKK thousand	January 1, 2019
Operating lease commitments disclosed as at December 31, 2018 (applying IAS 17)	18,022
Discounted using the lessee's incremental borrowing rate at January 1, 2019	-1,614
Short term and low value leases recognized on a straight-line basis as expense	301
Adjustments as a result of a different treatment of extension and termination options	35,695
<b>Lease liabilities at January 1, 2019</b>	<b>52,404</b>

### Accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2019 and have not been applied in preparing this annual report. None of these new standards, amendments to standards and interpretations are expected to have significant impact on the financial statements of GN Hearing A/S.

GN Hearing A/S will adopt new standards and interpretations as of the effective dates.

### Revenue

Revenue from the sale of hearing aids 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 Hearing A/S 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 Hearing A/S provides on-going access to research against a fee and in which the counterparty reasonably expects that GN Hearing A/S 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 Hearing A/S 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.

The typical payment terms for customers is between 30 and 60 days. GN Hearing A/S 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.

## 1.1 General accounting policies (Continued)

### Development Costs

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

### Selling and Distribution Costs

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

### Management and Administrative Expenses

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

### Other Operating Income and Costs, net

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

### Foreign Currency Translation

#### *Translation of Transactions and Balances*

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

### 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, the valuation of deferred tax, useful lives and remaining useful lives of non-current assets. Furthermore, the computation of the value of development projects, inventories, investment in subsidiaries, provisions and contingent assets and liabilities as well as 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

## 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 Hearing A/S's Management to analyze and manage the business and to provide stakeholders with useful information on the company's financial position, performance and development. Please refer to the Key Ratio Definitions on page 13 for a definition of the measures.

# Section 2

## Results for the year

### 2.1 Revenue and geographical information

DKK thousand	Revenue	
	2019	2018
Denmark	34,870	45,623
Europe	901,014	876,561
North America	1,348,432	1,397,651
Rest of world	1,438,388	1,266,819
<b>Total</b>	<b>3,722,704</b>	<b>3,586,654</b>

#### Revenue disaggregation

Revenue is predominantly recognized at a point in time, and revenue recognized over time is not significant. Revenue is attributed to countries on the basis of the customer's location. Only the US represents a material single country and constitutes the vast majority of revenue in North America.

#### Geographical information on assets

All Intangible assets and property, plant and equipment are located in Denmark.

### 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 Hearing A/S 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 ●

### 2.2 Staff Costs

DKK thousand	2019	2018
Wages, salaries and remuneration	445,245	359,076
Pensions, defined contribution plans	40,859	35,326
Other social security costs	4,021	4,420
Share-based payments	17,644	14,048
<b>Total</b>	<b>507,769</b>	<b>412,870</b>
Included in:		
Production costs and change in payroll costs included in inventories	83,667	75,251
Development costs	200,308	154,997
Selling and distribution costs	143,182	123,438
Management and administrative expenses	80,612	59,184
Financial expenses	-	-
<b>Total</b>	<b>507,769</b>	<b>412,870</b>
Average number of employees	605	545
Number of employees, year-end	612	591
Full-year remuneration of the Board of Directors	1,210	1,238

The full-year remuneration of the Board of Directors and Executive Management is shown on the following page.

## 2.2 Staff Costs (Continued)

The full-year remuneration of the Board of Directors and Executive Management

DKK million	2019					2018				
	Fixed salary	Other benefits*	Bonus	Share-based payment	Total	Fixed salary	Other benefits*	Bonus	Share-based payment	Total
Gitte Pugholm Aabo, CEO of GN Hearing from September 20, 2019	(2.0)	-	(1.7)	(0.4)	(4.1)	-	-	-	-	-
Jakob Gudbrand, CEO of GN Hearing from February 18, 2019 until September 20, 2019**	(7.9)	(0.2)	(10.1)	-	(18.2)	-	-	-	-	-
Anders Hedegaard, CEO of GN Hearing until October 31, 2018	-	-	-	-	-	(5.7)	-	(5.2)	(0.4)	(11.3)
Marcus Desimoni, CFO of GN Store Nord****	-	-	-	(1.6)	(1.6)	-	-	-	(2.5)	(2.5)
<b>Total</b>	<b>(9.9)</b>	<b>(0.2)</b>	<b>(11.8)</b>	<b>(2.0)</b>	<b>(23.9)</b>	<b>(5.7)</b>	<b>-</b>	<b>(5.2)</b>	<b>(2.9)</b>	<b>(13.8)</b>
Other key management personnel***	(2.3)	(0.1)	(2.6)	(0.2)	(5.2)	(1.2)	-	-	-	(1.2)
Board of Directors remuneration	(1.2)	-	-	-	(1.2)	(1.2)	-	-	-	(1.2)
<b>Total</b>	<b>(3.5)</b>	<b>(0.1)</b>	<b>(2.6)</b>	<b>(0.2)</b>	<b>(6.4)</b>	<b>(2.4)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2.4)</b>
<b>Total Executive Management and Board of Directors remuneration</b>	<b>(13.4)</b>	<b>(0.3)</b>	<b>(14.4)</b>	<b>(2.2)</b>	<b>(30.3)</b>	<b>(8.1)</b>	<b>-</b>	<b>(5.2)</b>	<b>(2.9)</b>	<b>(16.2)</b>

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

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

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

\*\*\*\* Marcus Desimoni's salary is paid out through GN Store Nord A/S and only the share-based payments related to GN Hearing is shown in the table above.

### Incentive plans

GN Hearing A/S's share-based long-term incentive program is specified and described in note 5.1 Share-based Incentive plans.

### Executive Management and Board of Directors Remuneration

The total remuneration of the Executive Management is based on the "General Guidelines for Incentive Pay to Management", as adopted at GN's Annual General Meeting. Total salary (Fixed salary, Other benefits & Bonus) of the Executive Management increased by 101% or DKK 11 million from 2018 to 2019. The change of CEO in GN Hearing A/S is reflected in these numbers with remuneration to former CEO Jakob Gudbrand for the period February 18, 2019 to September 20, 2019, including a sign-on bonus of DKK 7 million. Non-vested share-based incentives for Jakob Gudbrand have been forfeited.

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

- Gitte Pugholm Aabo's bonus is subject to the performance of GN Hearing A/S's EBITA, GN Hearing A/S's revenue and individual performance targets.
- Marcus Desimoni's bonus is subject to the performance of GN Hearing A/S's EBITA, GN Hearing A/S's revenue and individual performance targets.

GN Hearing A/S does not make pension contributions for members of the Executive Management. Executive Management has usual severance agreements and change-of-control agreements.

## 2.3 Tax

DKK thousand	2019	2018
<b>Tax on profit (loss)</b>		
Current tax for the year	(155,945)	(167,645)
Deferred tax for the year	(16,083)	(19,770)
Withholding tax	-	(11,627)
Adjustment to current tax with respect to prior years	2,277	(15,023)
Adjustment to deferred tax with respect to prior years	(3,717)	(938)
<b>Total</b>	<b>(173,468)</b>	<b>(215,003)</b>
<b>Reconciliation of effective tax rate</b>		
Danish tax rate	22.00%	22.00%
Non-taxable income	(5.86)%	(3.97)%
Non-deductible expenses	0.69%	0.32%
Withholding tax	0.00%	1.10%
Share of profit (loss) in associates	(0.18)%	(0.26)%
Adjustment of tax with respect to prior years	0.16%	1.52%
Other, including provisions for uncertain tax positions	3.02%	(0.30)%
<b>Effective tax rate</b>	<b>19.83%</b>	<b>20.41%</b>
<b>Tax relating to other comprehensive income</b>		
Adjustment of cash flow hedges	(3,918)	15,773
<b>Total</b>	<b>(3,918)</b>	<b>15,773</b>
<b>Deferred tax, net</b>		
Deferred tax at January 1, net	(169,471)	(169,536)
Adjustment with respect to prior years	(3,717)	(938)
Deferred tax for the year recognized in profit (loss) for the year	(16,083)	(19,770)
Deferred tax related to share-based incentive plans	(1,458)	5,000
Deferred tax for the year recognized in other comprehensive income for the year	(3,918)	15,773
<b>Deferred tax at December 31, net</b>	<b>(194,647)</b>	<b>(169,471)</b>
<b>Deferred tax, net relates to:</b>		
Intangible assets	(233,428)	-213,780
Property, plant and equipment	10,046	10,669
Other securities	5,121	4,500
Current assets	-	59
Intercompany liabilities	-	2,566
Provisions	19,757	12,216
Other	3,857	14,299
<b>Total</b>	<b>(194,647)</b>	<b>(169,471)</b>

Deferred tax includes DKK 20 million expected to be utilized within 12 months. 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 24 million (2018: DKK 16 million).

### § Accounting policies

#### Tax on Profit (Loss) for the year

GN Hearing A/S is jointly taxed with the parent company GN Store Nord A/S and all its 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.

## 2.3 Tax (Continued)

### 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

#### 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 Hearing A/S 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. ●

## 2.4 Income statement classified by function

GN Hearing A/S 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 thousand	2019	2018
Revenue	3,722,704	3,586,654
Production costs	(1,884,516)	(1,862,153)
<b>Gross profit</b>	<b>1,838,188</b>	<b>1,724,501</b>
Development costs	(552,846)	(480,999)
Selling and distribution costs	(297,842)	(290,610)
Management and administrative expenses	(311,126)	(208,227)
Other operating income and costs, net	23,165	(1,518)
<b>Operating profit (loss)</b>	<b>699,539</b>	<b>743,147</b>
<b>In the above income statement amortization and impairment of acquired intangible assets has been allocated to functions as follows:</b>		
Development costs	(26,526)	(26,462)
Selling and distribution costs	(4,470)	(2,032)
Management and administrative expenses	(3,840)	-
<b>Amortization and impairment of acquired intangible assets</b>	<b>(34,836)</b>	<b>(28,494)</b>

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



# Section 3

## Operating assets and liabilities

### 3.1 Intangible assets

DKK thousand	In-house development projects	Software	Patents and rights	Trademarks	Other	Total
Cost at January 1	2,659,681	181,164	252,452	42,562	125,216	3,261,075
Additions	331,697	744	-	-	-	332,441
Cost at December 31	2,991,378	181,908	252,452	42,562	125,216	3,593,516
Amortization and impairment at January 1	(1,749,317)	(170,024)	(184,605)	-	(84,240)	(2,188,186)
Amortization	(246,101)	(6,200)	(26,526)	(3,840)	(4,470)	(287,137)
Impairment	(488)	-	-	-	-	(488)
Amortization and impairment at December 31	(1,995,906)	(176,224)	(211,131)	(3,840)	(88,710)	(2,475,811)
<b>Carrying amount at December 31, 2019</b>	<b>995,472</b>	<b>5,684</b>	<b>41,321</b>	<b>38,722</b>	<b>36,506</b>	<b>1,117,705</b>
Cost at January 1	2,410,507	181,632	251,260	-	98,441	2,941,840
Additions	249,174	-	1,192	42,562	26,792	319,720
Disposals	-	(468)	-	-	(17)	(485)
Cost at December 31	2,659,681	181,164	252,452	42,562	125,216	3,261,075
Amortization and impairment at January 1	(1,551,300)	(156,728)	(158,143)	-	(82,208)	(1,948,379)
Amortization	(198,017)	(13,635)	(26,462)	-	(2,032)	(240,146)
Disposals	-	339	-	-	-	339
Amortization and impairment at December 31	(1,749,317)	(170,024)	(184,605)	-	(84,240)	(2,188,186)
<b>Carrying amount at December 31, 2018</b>	<b>910,364</b>	<b>11,140</b>	<b>67,847</b>	<b>42,562</b>	<b>40,976</b>	<b>1,072,889</b>

The carrying amount of development projects and software in progress amount to DKK 513 million (2018: DKK 352 million).

#### Development projects

In-progress and completed development projects comprise development and design of hearing instruments. Most development projects are expected to be completed in 2020 and 2021, 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. In Management's assessments, the recoverable amount exceeds the carrying amount at December 31, 2019.

#### 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 A/S.

#### Other

GN Hearing A/S's other intangible assets comprise DKK 36.5 million (2018: DKK 41 million) related to supply agreements and other capitalized projects.

### 3.1 Intangible assets (Continued)

#### Accounting policies

##### **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 GN Hearing A/S is evidenced, and where GN Hearing A/S 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 In-progress development projects**

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.

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

An impairment loss is recognized if the carrying amount of an asset exceeds the recoverable amount of the asset ●

#### Significant accounting estimates and judgments

##### **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 thousand	Factory and office buildings	Leasehold improvements	Plant and machinery	Operating assets and equipment	Total
Cost at January 1	44,613	246	370,317	65,439	480,615
Additions	1,022	-	40,527	7,142	48,691
Cost at December 31	45,635	246	410,844	72,581	529,306
Depreciation and impairment at January 1	(12,340)	(246)	(315,053)	(44,648)	(372,287)
Depreciation	(2,061)	-	(31,828)	(6,193)	(40,082)
Depreciation and impairment at December 31	(14,401)	(246)	(346,881)	(50,841)	(412,369)
<b>Carrying amount at December 31, 2019</b>	<b>31,234</b>	<b>-</b>	<b>63,963</b>	<b>21,740</b>	<b>116,937</b>
<b>Leased assets, c.f. note 3.3</b>	<b>41,587</b>	<b>-</b>	<b>-</b>	<b>1,777</b>	<b>43,364</b>
<b>Total carrying amount at December 31, 2019</b>	<b>72,821</b>	<b>-</b>	<b>63,963</b>	<b>23,517</b>	<b>160,301</b>
Cost at January 1	44,613	246	342,463	47,559	434,881
Additions	-	-	29,621	17,880	47,501
Disposals	-	-	(1,767)	-	(1,767)
Cost at December 31	44,613	246	370,317	65,439	480,615
Depreciation and impairment at January 1	(10,181)	(246)	(282,558)	(41,466)	(334,451)
Depreciation	(2,159)	-	(34,192)	(3,182)	(39,533)
Disposals	-	-	1,697	-	1,697
Depreciation and impairment at December 31	(12,340)	(246)	(315,053)	(44,648)	(372,287)
<b>Carrying amount at December 31, 2018</b>	<b>32,273</b>	<b>-</b>	<b>55,264</b>	<b>20,791</b>	<b>108,328</b>

#### § 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 are recognized in the income statement as production costs, development costs, distribution costs and administrative expenses.

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

### 3.3 Leases

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

#### Leased assets

DKK thousand	Factory and office buildings	Operating assets and equipment	Total
Carrying amount at January 1	49,905	2,499	52,404
Additions	-	215	215
Depreciation	(8,318)	(937)	(9,255)
<b>Carrying amount at December 31, 2019</b>	<b>41,587</b>	<b>1,777</b>	<b>43,364</b>

#### Lease liabilities

DKK thousand	2019
Contractual maturity analysis of lease liabilities:	
Less than one year	9,476
Between one and three years	26,730
More than three years	8,703
<b>Total</b>	<b>44,909</b>

The above amounts represent contractual undiscounted cash flows in the form of lease payments (including calculated interest expenses).

#### Amounts expensed in the income statement

DKK thousand	2019
Interest expense on lease liabilities	497
Total cash outflow for leases	497

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

### § Accounting policies

#### Leases

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

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

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

### 3.3 Leases (Continued)

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.

#### Significant accounting estimates and judgments

##### Leases

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

### 3.4 Depreciation, amortization and impairment

DKK thousand	2019	2018
Depreciation, amortization and impairment for the year of property, plant and equipment (incl. leased assets) and intangible assets are recognized in the income statement as follows:		
Production costs	34,690	35,260
Development costs	251,639	201,894
Selling and distribution costs	-	22
Management and administrative expenses	15,797	14,009
Amortization and impairment of acquired intangible assets	34,836	28,494
<b>Total</b>	<b>336,962</b>	<b>279,679</b>
Amortization of intangible assets is recognized in the income statement as follows:		
Production costs	42	48
Development costs	246,180	198,117
Selling and distribution costs	-	-
Management and administrative expenses	6,079	13,487
Amortization and impairment of acquired intangible assets	34,836	28,494
<b>Total</b>	<b>287,137</b>	<b>240,146</b>
Impairment of intangible assets is recognized in the income statement as follows:		
Development costs	488	-
<b>Total</b>	<b>488</b>	<b>-</b>

### 3.5 Inventories

DKK thousand	2019	2018
Raw materials and consumables	125,323	113,446
Work in progress	30,024	8,173
Finished goods and merchandise	39,072	45,189
<b>Total</b>	<b>194,419</b>	<b>166,808</b>
The above includes write-downs amounting to	7,602	8,769
Net write-downs recognized in the income statement under production cost	4,662	6,622
Costs of goods sold included in Production Costs	1,727,383	1,699,696

#### Accounting policies

##### Inventories

Inventories are measured at cost in accordance with the FIFO-principle. Inventories in GN Hearing A/S 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 Hearing A/S 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 ●

### 3.6 Trade receivables

DKK thousand	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	91,531	18,261	7,865	7,639	4,998	33,075	163,369
Write-downs at December 31	(915)	-	(21)	-	(238)	(9,467)	(10,641)
<b>Trade receivables at December 31, 2019</b>	<b>90,616</b>	<b>18,261</b>	<b>7,844</b>	<b>7,639</b>	<b>4,760</b>	<b>23,608</b>	<b>152,728</b>
Expected loss rate	1%	0%	0%	0%	5%	29%	7%
Gross carrying amount - Trade receivables	77,500	25,940	8,364	3,902	7,830	10,563	134,099
Write-downs at December 31	-	-	-	-	-	(9,502)	(9,502)
<b>Trade receivables at December 31, 2018</b>	<b>77,500</b>	<b>25,940</b>	<b>8,364</b>	<b>3,902</b>	<b>7,830</b>	<b>1,061</b>	<b>124,597</b>

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

DKK thousand	2019	2018
Write-downs at January 1	(9,502)	(2,744)
Write-downs made during the year	(5,139)	(6,758)
Reversed write-downs	4,000	-
<b>Write-downs at December 31</b>	<b>(10,641)</b>	<b>(9,502)</b>

GN Hearing A/S'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 Hearing A/S 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 A/S or customer. Current expectations and estimates of expected credit losses are furthermore based on change in customer behavior and current economic conditions. Expected credit losses are based on an individual assessment of each receivable and at portfolio level. ●

#### ! Significant accounting estimates and judgments

##### Measurement of trade receivables

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

### 3.7 Investment in subsidiaries

DKK thousand	2019	2018
Cost at January 1	2,657,182	2,657,920
Additions, capital contribution	165,927	500
Disposals	-	(1,238)
<b>Cost at December 31</b>	<b>2,823,109</b>	<b>2,657,182</b>

Group companies are listed at the end of this report.

No indications of impairment of investments in subsidiaries have been identified, and accordingly no impairment tests have been performed.

#### Accounting policies

##### **Measurement of investment in subsidiaries**

Investments in subsidiaries are measured at cost, Investments are written down to the lower of cost and recoverable amount. ●

#### Significant accounting estimates and judgments

##### **Measurement of investment in subsidiaries**

Management performs an annual test for indications of impairment of investments in subsidiaries. It is Management's assessment that no indications of impairment existed at year-end 2019. Impairment test have therefore not been made of subsidiaries. ●



### 3.8 Provisions

DKK thousand	Warranty provisions	Other provisions*	Total
Provisions at January 1	4,711	14,760	19,471
Additions	-	70,398	70,398
Consumed	(775)	(13,186)	(13,961)
Reversed	(778)	-	(778)
<b>Provisions at December 31, 2019</b>	<b>3,158</b>	<b>71,972</b>	<b>75,130</b>
<b>Which is presented in the balance sheet as:</b>			
Non-current liabilities	1,528	70,398	71,926
Current liabilities	1,630	1,574	3,204
<b>Provisions at December 31, 2019</b>	<b>3,158</b>	<b>71,972</b>	<b>75,130</b>

Other provisions include bank guarantees of DKK 70m and return for credit provisions of DKK 1.6m

#### § Accounting policies

##### Provisions

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

Other provisions primarily comprise onerous contracts. Provisions are recognized when, as a result of events before or at the balance sheet date, GN Hearing A/S 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 GN Hearing A/S 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 GN Hearing A/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 Hearing A/S's business policy, some products are supplied with a right of return. Provisions for future returns of goods are recognized based on historical product returns data. The probability of future returns may differ from past practices.

Agreement has been made with a number of the suppliers that the suppliers purchase components for the production of hearing instruments, headsets and audiologic diagnostics equipment based on sales estimates prepared by GN Hearing A/S. To the extent that GN Hearing A/S's actual purchases from suppliers are lower than sales estimates, GN Hearing A/S 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 Hearing A/S recognizes a provision for onerous purchase contracts ●

# Section 4

## Financing items

### 4.1 Financial risks

GN Hearing A/S 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. For information regarding liquidity risk and credit risk. Financial risks are managed centrally by Group Treasury, except for commercial credit risk which is managed decentralized by GN Hearing A/S's operating businesses. GN Hearing A/S'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 GN Hearing A/S. Material financial risks are identified, managed and reported adequately. Financial transactions are entered into only to mitigate risks from business activities or financing of GN Hearing A/S.

The areas exposed to financial risks are mainly cash and cash equivalents as well as loans and other financial indebtedness. GN Hearing A/S's Income Statement in Financial income and expenses. GN Hearing A/S's cash flow through Cash flow from financing activities and GN Hearing A/S'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.

#### Foreign currency risk

GN Hearing A/S has exposure towards foreign currencies exchange rate risk, mainly arising from the fluctuations of USD and CNY, in connection with commercial transactions. The general policy is to minimize GN Hearing A/S'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, GN Hearing A/S uses approved hedging instruments, including currency derivatives such as FX Spot, FX Forward, FX Swaps and FX Option contracts, to protect GN Hearing A/S'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

Change in GN Hearing A/S's profit or loss in response to a weakening / strengthening of the currencies of which GN Hearing A/S has significant exposure to at the balance sheet date. This analysis assumes that all other variables, in particular interest rates, remain constant. At year-end an increase of 5% in the USD/DKK and CNY/DKK exchange rates would affect the Income Statement (financial items) and Other Comprehensive income as outlined in the table below.

DKK thousand	2019	2018
Income statement (Financial items)	(74,829)	(6,440)
Equity	(9,984)	(21,472)

For information regarding interest rate risk, liquidity risk and credit risk, please refer to the GN Store Nord Annual Report 2019.

## 4.2 Financial income and expenses

DKK thousand	2019	2018
<b>Financial income:</b>		
Interest income*	9,336	2,902
Intercompany Interest income*	42,357	88,613
Dividends received	206,838	186,379
Financial income, other	984	621
Fair value adjustments of derivative financial instruments	1,818	504
Foreign exchange gain	34,793	32,718
<b>Total</b>	<b>296,126</b>	<b>311,737</b>
<b>Financial expenses:</b>		
Interest expenses*	(24,484)	(3,091)
Intercompany Interest expense*	(21,401)	(3,422)
Financial expenses, other	(4,877)	(3,505)
Loss related to bank guarantees	(70,398)	-
Fair value adjustments of derivative financial instruments and impairments	(4,456)	(3,848)
Foreign exchange loss	(2,491)	-
<b>Total</b>	<b>(128,107)</b>	<b>(13,866)</b>

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

### § 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 ●

## 4.3 Financial Instruments

### Contractual maturity analysis for financial liabilities

DKK thousand	Less than one year	Between one and three years	More than three years	Total
<b>2019</b>				
Amounts owed to subsidiaries and group companies	627,733	-	-	627,733
Other current liabilities	21,624	-	-	21,624
Bank loans, current	1	-	-	1
Trade payables	71,811	-	-	71,811
Total non-derivative financial liabilities	721,169	-	-	721,169
Derivative financial liabilities	10,217	-	-	10,217
<b>Total financial liabilities</b>	<b>731,386</b>	<b>-</b>	<b>-</b>	<b>731,386</b>
<b>2018</b>				
Amounts owed to subsidiaries and group companies	1,204,823	77,900	-	1,282,723
Other non-current liabilities	-	618	-	618
Bank loans, current	14,141	-	-	14,141
Trade payables	56,323	-	-	56,323
Total non-derivative financial liabilities	1,275,287	78,518	-	1,353,805
Derivative financial liabilities	-	27,123	-	27,123
<b>Total financial liabilities</b>	<b>1,275,287</b>	<b>105,641</b>	<b>-</b>	<b>1,380,928</b>

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

### Derivative financial instruments

#### Exchange rate instruments and interest rate swaps

	2019				2018			
	Average rate (DKK)	Contract amount, net	Fair value, assets	Fair value, liabilities	Average rate (DKK)	Contract amount, net	Fair value, assets	Fair value, liabilities
USD / DKK	656	524,926	2,554	-	623	697,085	2,466	18,472
JPY / DKK	6.30	62,980	1,982	-	5.66	84,940	-	3,884
GBP / DKK	836	91,955	-	3,763	825	16,504	-	85
CAD / DKK	502	30,123	-	170	480	66,707	1,152	-
Other currency pairs		786,592	-	6,284		238,310	812	4,682
<b>Total</b>		<b>1,496,576</b>	<b>4,536</b>	<b>10,217</b>		<b>1,103,546</b>	<b>4,430</b>	<b>27,123</b>

All exchange rate instruments mature within 12 months from the balance sheet date.

### Fair value adjustments of cash flow hedges

DKK thousand	2019	2018
Fair value adjustment for the year recognized in Other comprehensive income	(37,406)	(50,372)
Reclassified from equity to revenue during the year	55,216	(18,259)
Reclassified from equity to production costs during the year	-	(1,532)
Reclassified from equity to selling and distribution costs during the year	-	(1,532)
<b>Adjustment of cash flow hedges in Other comprehensive income</b>	<b>17,810</b>	<b>(71,695)</b>
Fair value adjustment of cash flow hedges recognized in Other operating income and costs, net	(3,007)	(4,978)
Fair value adjustment of cash flow hedges recognized in financial items	(2,638)	1,414

### 4.3 Financial Instruments (Continued)

#### Categories of financial assets and liabilities

DKK thousand	2019	2018
Trade receivables	152,728	124,597
Amounts owed by subsidiaries and group companies	1,201,214	2,292,540
Other receivables	37,402	33,550
Other non-current assets	76,845	80,504
Cash or cash equivalents	58,947	65,765
<b>Financial assets at amortized cost</b>	<b>1,527,136</b>	<b>2,596,956</b>
Derivative financial instruments included in Other receivables	985	2,826
<b>Financial assets at fair value through profit or loss</b>	<b>985</b>	<b>2,826</b>
Derivative financial instruments included in Other receivables	3,551	1,604
<b>Financial assets at fair value through Other comprehensive income</b>	<b>3,551</b>	<b>1,604</b>
Lease liabilities	43,575	-
Amounts owed to subsidiaries and group companies	627,733	1,282,723
Other non-current liabilities	-	618
Bank loans, current	1	14,141
Trade payables	71,811	56,323
Other current liabilities	187,487	176,997
<b>Financial liabilities at amortized cost</b>	<b>930,607</b>	<b>1,530,802</b>
Derivative financial instruments included in Other liabilities	440	1,441
<b>Financial liabilities at fair value through profit or loss</b>	<b>440</b>	<b>1,441</b>
Derivative financial instruments included in Other liabilities	9,777	25,682
<b>Financial liabilities at fair value through Other comprehensive income</b>	<b>9,777</b>	<b>25,682</b>

### Accounting policies

#### Derivative Financial Instruments

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

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

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

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

## 4.3 Financial Instruments (Continued)

### Financial Liabilities

Amounts owed to credit institutions and banks 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.

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

# Section 5

## Other disclosures

### 5.1 Share-based incentive plans

#### Warrant and option programs

GN Hearing has a warrant-based and an option-based long-term equity-settled incentive program whereby the Executive Management and other employees in key positions are granted warrants and options linked to shares in GN Store Nord A/S and GN Hearing 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

The 2019 option program is based on GN Store Nord A/S shares, whereas warrant programs for 2014-2018 are based on GN Hearing A/S shares. On a quarterly basis the share price for GN Hearing 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. This calculation is also the basis for the Black-Scholes valuation as stated below regarding valuation of warrants.

#### Vesting conditions and exercise of warrants

The 2014-2018 warrant programs are incentive programs with a three-year vesting period from the grant date. Warrants vest when a set of criteria are met: The share value of GN Store Nord has increased and the share value of GN Hearing A/S has outperformed a peer group index of competitors and industry indices, as defined by the Board of Directors of GN Hearing A/S. 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.

#### Vesting conditions and exercise of options

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

#### Valuation model and assumptions

The market value of the warrants and options are calculated using the principles of the Black-Scholes option pricing model. For 2014-2018 warrants the model has taken the overperformance criteria into account using Monte Carlo simulation. The market values of the outstanding warrants and options at the balance sheet date are calculated on the basis of underlying market prices on the final business day of the year, whereas the market values of warrants and options granted during the year are based on the underlying market prices at the grant dates.

	2019		2018	
	GN Store Nord A/S		GN Hearing A/S	
	Executive Management	Other employees	Executive Management	Other employees
Number of options / warrants granted in the year****	121,593	251,311	1,056	4,482
Share price GN Store Nord at ordinary grant date	312	312	199	199
Vesting period	3 years	3 years	3 years	3 years
Life of option / warrant	6 years	6 years	6 years	6 years
Volatility*	27%	27%	19%	19%
Expected dividend**	0.4%	0.4%	-	-
Risk-free interest rate***	0.00%	0.00%	0.30%	0.30%
Fair Value per option / warrant at ordinary grant (DKK)	61	68	5,000	5,000
Total market value at grant (DKK million)****	7	17	5	23
Amortization period of the program	2019 - 2022	2019 - 2022	2018 - 2021	2018 - 2021

For 2019 the grants are based on options. For 2018, the grants are based on warrants. The fair value includes any market vesting conditions.

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

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

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

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

## 5.1 Share-based incentive plans (Continued)

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

### Exercise of warrants

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

### Warrant and option programs

	DKK Average exercise price	GN Hearing A/S		
		Number		
		Executive Management*	Other employees	Total
<b>Outstanding warrants at January 1, 2018</b>	<b>27,540</b>	<b>2,938</b>	<b>12,255</b>	<b>15,193</b>
Warrants granted during the year	32,278	1,056	4,482	5,538
Warrants exercised during the year	20,901	-	(1,174)	(1,174)
Warrants forfeited during the year	30,723	(1,551)	(1,882)	(3,433)
<b>Outstanding warrants at December 31, 2018</b>	<b>29,021</b>	<b>2,443</b>	<b>13,681</b>	<b>16,124</b>
Warrants exercised during the year	26,766	(1,970)	(5,485)	(7,455)
Warrants forfeited during the year	30,278	-	(937)	(937)
<b>Outstanding warrants at December 31, 2019</b>	<b>31,042</b>	<b>473</b>	<b>7,259</b>	<b>7,732</b>
Weighted average term to maturity		3.4	3.3	3.3
Number of exercisable warrants at December 31, 2018		694	3,013	3,707
Number of exercisable warrants at December 31, 2019		-	748	748

Average share price at exercise: GN Hearing A/S: DKK 45,010 (2018: DKK 36,163)

	DKK Average exercise price	GN Store Nord A/S		
		Number*		
		Executive Management	Other employees	Total
<b>Outstanding options at January 1, 2019</b>				
Options granted during the year	310	121,593	251,311	372,904
Options exercised during the year	-	-	-	-
Options forfeited during the year	313	(77,200)	-	(77,200)
<b>Outstanding options at December 31, 2019</b>	<b>309</b>	<b>44,393</b>	<b>251,311</b>	<b>295,704</b>
Weighted average term to maturity (Years)		5.2	5.2	5.2
Number of exercisable options at December 31, 2019		-	-	-

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



## 5.1 Share-based incentive plans (Continued)

Outstanding warrants in GN Hearing A/S by grant date are shown below:

Grant date	DKK	GN Hearing A/S		
		Number		
	Exercise price	Executive Management	Other employees	Total
March 2015	26,729	-	300	300
March 2016	26,936	-	448	448
March 2017	30,451	240	2,904	3,144
May 2017	35,873	-	56	56
August 2017	39,391	-	35	35
December 2017	36,177	-	43	43
February 2018	31,792	233	3,211	3,444
May 2018	NA	NA	NA	NA
August 2018	46,342	-	49	49
September 2018	44,817	-	22	22
December 2018	34,047	-	191	191
<b>Outstanding warrants at December 31, 2019</b>		<b>473</b>	<b>7,259</b>	<b>7,732</b>

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

Grant date	DKK	GN Store Nord A/S		
		Number*		
	Exercise price	Executive Management	Other employees	Total
April 2019	313	-	224,832	224,832
June 2019	325	-	26,479	26,479
September 2019	282	44,393	-	44,393
<b>Outstanding options at December 31, 2019</b>		<b>44,393</b>	<b>251,311</b>	<b>295,704</b>

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

## § Accounting policies

### Incentive plans

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

## 5.2 Contingent assets and liabilities

### Security

GN Hearing A/S has not pledged any assets as security in the present or prior financial years.

### Purchase obligations

GN Hearing A/S has agreed with a number of suppliers that the suppliers will purchase components for the production of hearing instruments based on sales estimates prepared by GN Hearing A/S. To the extent that GN Hearing A/S's sales estimates exceed actual purchases from suppliers, GN Hearing A/S 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 Hearing A/S recognizes a provision for onerous purchase contracts.

### ! Significant accounting estimates and judgments

#### Provisions, Contingencies and Lawsuits

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

## 5.3 Associates

### Investments in associates

DKK thousand	2019	2018
<b>Aggregated financial information for associates is provided below:</b>		
Total share of profit (loss) in associates for the year	7,140	12,500
Total unrecognized loss in associates for the year	-	-
Total share of net assets in associates	6,833	7,239
Carrying amount of associates	6,833	7,239

### § Accounting policies

#### Investments in Associates in the Financial Statements

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

In the 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 GN Hearing A/S after elimination of the proportionate share of intra-group profits (losses) ●

## 5.4 Other non-cash adjustments

DKK thousand	2019	2018
Share-based payment (granted)	17,644	14,408
Provision for bad debt, inventory write-downs, etc.	(28)	7,030
Adjustment of provisions	(46,260)	(2,676)
<b>Total</b>	<b>(28,644)</b>	<b>18,402</b>

## 5.5 Fees to statutory auditors

DKK thousand	2019	2018
Statutory audit	594	561
Audit-related services	-	24
<b>Fee to statutory auditors</b>	<b>594</b>	<b>585</b>

## 5.6 Related parties

GN Hearing A/S's related parties exercising significant influence comprise the parent company GN Store Nord A/S and its subsidiaries, members of the Board of Directors and the Executive Management and senior employees and their family members.

In addition, related parties comprise group enterprises and associates over which GN Hearing A/S exercises control or significant influence.

Group enterprises and associates are listed at the end of the report.

### Board of Directors, Executive Management and Senior Employees

Management remuneration and incentive plans are described in note 2.2 and 5.1.

### Group enterprises and associates

Trade with group enterprises and associates comprise:

DKK million	2019	2018
Sale of services to group enterprises	24	29
Purchase of services from group enterprises	(493)	(363)
Sale of intangible assets	-	-
Sale of Inventory	-	-
Purchase of intangible assets	-	43
Sale of goods to group enterprises, revenue	3,322	3,095
Sale of goods to group enterprises, cost of goods	(1,579)	(1,541)

The company's balances with group enterprises at December 31, 2019 are shown separately in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in note 4.2. Further, balances with group enterprises comprise trade balances related to the purchase and sale of goods and services.

Purchases of services from group enterprises and GN Store Nord A/S consists of facility services, canteen services, management fee. R&D services, marketing services and IT services. Sales of services to group enterprises consists of management fee. Sale and purchase of intangible assets consist of sales and purchase of software to and from the parent company.

No transactions have been carried out with the Board of Directors, the Executive Management, senior employees or other related parties, apart from ordinary remuneration disclosed in notes 2.2 and 5.1.

# Companies in GN Hearing Group

	Domicile	Currency	Ownership %*	Share capital
<b>GN Hearing A/S</b>	Denmark	DKK	100	64,649,800
GN Hearing Australia Pty. Ltd.	Australia	AUD	100	4,000,002
GN Hearing Austria GmbH	Austria	EUR	100	500,000
GN ReSound Produtos Médicos Ltda.	Brazil	BRL	100	1,019,327
Beltone Holdings Canada	Canada	CAD	100	1,039
GN Hearing Care Canada Ltd.	Canada	CAD	100	8,435,000
GN Hearing Shanghai Ltd.	China	CNY	100	20,491,300
GN ReSound China Ltd.	China	CNY	100	34,000,000
GN Hearing Czech Republic spol. s r.o.	Czech Republic	CZK	100	102,000
Audigy Group International A/S	Denmark	DKK	100	400,000
Dansk Hørecenter ApS	Denmark	DKK	100	165,657,573
GN Advanced Hearing Protection A/S	Denmark	DKK	100	500,000
GN Hearing Finland Oy/Ab	Finland	EUR	100	55,502
GN Hearing SAS	France	EUR	100	2,300,000
GN Hearing GmbH	Germany	EUR	100	296,549
GN ReSound GmbH Hörtechnologie	Germany	EUR	100	2,162,253
GN Hearing India Private Limited	India	INR	100	20,983,210
GN Hearing S.r.l.	Italy	EUR	100	181,190
GN Hearing Japan K.K.	Japan	JPY	100	499,000,000
GN Hearing Korea Co., Ltd.	Korea	KRW	100	136,700,000
GN Hearing (Malaysia) Sdn Bhd	Malaysia	MYR	100	500,000
GN Hearing Benelux B.V.	Netherlands	EUR	100	680,670
GN Hearing New Zealand Limited	New Zealand	NZD	100	2,000,000
GN Hearing Norway AS	Norway	NOK	100	2,000,000
GN Hearing RUS LLC	Russia	RUB	100	10,000
GN Hearing Pte. Ltd.	Singapore	SGD	100	1,740,000
Interton Slovakia S.R.O.	Slovakia	EUR	85	6,639
GN Hearing Care S.A.	Spain	EUR	100	66,110
GN Hearing Sverige AB	Sweden	SEK	100	100,000
GN Hearing Switzerland AG	Switzerland	CHF	100	500,000
GN Hearing UK Ltd.	United Kingdom	GBP	100	7,376,000
GN US Holdings Inc.	USA	USD	100	36,000,000
GN Advanced Hearing Protection. LLC**	USA	USD	100	0
GN Hearing Care Corporation	USA	USD	100	190,000
GN ReSound Holdings. LLC	USA	USD	100	31,634
ReSound Holdings. Inc.	USA	USD	100	10,000
Beltone Hearing Care Foundation**	USA	USD	100	0
Beltone Holdings US. LLC	USA	USD	100	3,000
Audigy Group. LLC	USA	USD	100	400,000
Audigy Medical. LLC*	USA	USD	100	0
Audigy Venture. LLC*	USA	USD	100	0
	Domicile	Currency	Ownership %	Share capital
<b>Associates</b>				
Audio Nova S.R.L.	Romania	ROL	49	1,000
HIMPP A/S	Denmark	DKK	11	1,200,000
HIMSA A/S	Denmark	DKK	25	1,000,000
HIMSA II A/S	Denmark	DKK	17	600,000
HIMSA II K/S	Denmark	DKK	15	3,250,000
K/S HIMPP	Denmark	DKK	9	19,950,000
Hearing Center of the East Bay. LLC	USA	USD	50	25,000

\* Ownership stake by GN Store Nord A/S

\*\* Without par value

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



GN Hearing A/S

Lautrupbjerg 7  
2750 Ballerup  
Denmark

Co.reg. no 55 08 27 15

+45 45 75 11 11  
[info@gnresound.com](mailto:info@gnresound.com)  
[gn.com](http://gn.com)